

FEDERATED NATIONAL HOLDING CO
Form 10-Q
May 11, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED March 31, 2015
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File number 0-2500111

Federated National Holding Company
(Exact name of registrant as specified in its charter)

Florida	65-0248866
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)

14050 N.W. 14th Street, Suite 180, Sunrise, Florida 33323
(Address of principal executive offices) (Zip Code)

800-293-2532
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has electronically submitted and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Common Stock, \$.01 par value –14,172,923 outstanding as of May 3, 2015

FEDERATED NATIONAL HOLDING COMPANY

INDEX

	<u>PAGE</u>
PART I: FINANCIAL INFORMATION	
ITEM 1 <u>Financial Statements</u>	3
ITEM 2 <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	34
ITEM 3 <u>Quantitative and Qualitative Disclosures about Market Risk</u>	50
ITEM 4 <u>Controls and Procedures</u>	53
PART II: OTHER INFORMATION	
ITEM 1 <u>Legal Proceedings</u>	54
ITEM 1A <u>Risk Factors</u>	54
ITEM 2 <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	54
ITEM 3 <u>Defaults upon Senior Securities</u>	54
ITEM 4 <u>Mine Safety Disclosures</u>	54
ITEM 5 <u>Other Information</u>	55
ITEM 6 <u>Exhibits</u>	56
<u>SIGNATURES</u>	57

Index

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

FEDERATED NATIONAL HOLDING COMPANY
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	Period Ending	
	March	December
	31, 2015	31, 2014
	(Dollars in Thousands)	
ASSETS		
Investments		
Debt maturities, available for sale, at fair value	\$288,193	\$284,099
Debt maturities, held to maturity, at amortized cost	7,462	7,417
Equity securities, available for sale, at fair value	40,726	39,247
 Total investments	 336,381	 330,763
 Cash and short term investments	 88,163	 40,157
Prepaid reinsurance premiums	46,039	54,502
Premiums receivable, net of allowance for credit losses of \$148 and \$148, respectively	29,809	27,275
Reinsurance recoverable, net	13,034	12,534
Deferred policy acquisition costs	15,765	13,610
Income taxes receivable	2,090	1,810
Property, plant and equipment, net	1,720	1,749
Other assets	8,265	7,231
Contingent quota-share profit sharing	14,000	14,000
 Total assets	 \$555,266	 \$503,631
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Unpaid losses and LAE	\$84,475	\$78,330
Unearned premiums	203,433	192,424
Debt	5,000	-
Premiums deposits and customer credit balances	11,291	7,381
Deferred income taxes, net	1,897	1,341
Claims payments outstanding	9,653	10,152
Accounts payable and accrued expenses	8,967	10,924
Deferred quota-share profit sharing	8,750	10,500
 Total liabilities	 333,466	 311,052
 Shareholders' equity:		
Common stock, \$0.01 par value. Authorized 25,000,000 shares; issued and outstanding 13,701,122 and 13,632,414, respectively	137	136
Preferred stock, \$0.01 par value. Authorized 1,000,000 shares; none issued or outstanding	-	-
Additional paid-in capital	128,611	127,302
Accumulated other comprehensive income		
Unrealized net gains on investments, available for sale	8,925	7,718

Edgar Filing: FEDERATED NATIONAL HOLDING CO - Form 10-Q

Total accumulated other comprehensive income	8,925	7,718
Retained earnings	66,140	57,423
Total Federated National Holding Company equity	203,813	192,579
Non-controlling interest	17,987	-
Total shareholders' equity	221,800	192,579
Total liabilities and shareholders' equity	\$555,266	\$503,631

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- 3 -

IndexFEDERATED NATIONAL HOLDING COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,	
	2015	2014
	(Dollars in Thousands)	
Revenue:		
Gross premiums written	\$ 106,702	\$ 81,102
Gross premiums ceded	(25,958)	(3,306)
Net premiums written	80,744	77,796
Decrease in prepaid reinsurance premiums	(24,949)	(16,795)
Increase in unearned premiums	(11,009)	(16,997)
Net change in prepaid reinsurance premiums and unearned premiums	(35,958)	(33,792)
Net premiums earned	44,786	44,004
Commission income	1,126	954
Finance revenue	427	311
Direct written policy fees	2,492	1,827
Net investment income	1,546	1,007
Net realized investment gains	1,704	1,331
Other income	1,378	281
Quota-share profit sharing, net	1,477	-
Total revenue	54,936	49,715
Expenses:		