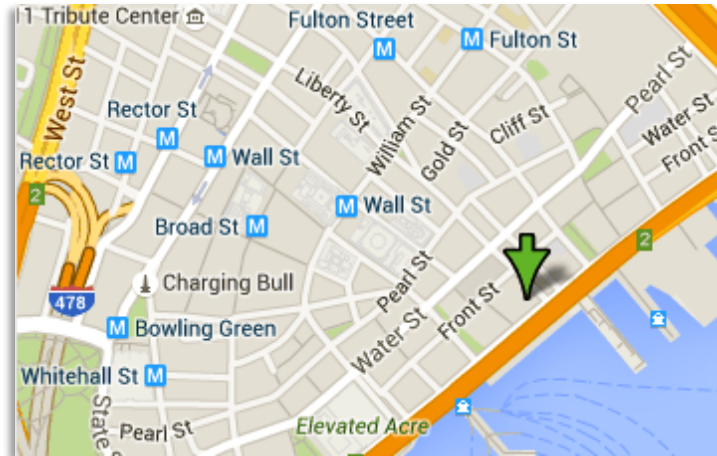


COASTAL STATE PERILS MARKET UPDATE | SUMMER 2017



STONYBROOKCAPITAL

180 Maiden Lane
Suite 701
New York, NY 10038



Joseph Scheerer

Principal & Managing Director
joseph.scheerer@stonybrookcapital.com

Office (212) 412 9405
Mobile (917) 860 4519

Dwight Evans

Senior Managing Director & Board Member
dwight.evans@stonybrookcapital.com

Mobile (917) 834 6760

Ravi Arps

Director & Board Member
ravi.arps@stonybrookcapital.com

Office (212) 412 9425
Mobile (860) 301 6595

Hugh Hill

Director
hugh.hill@stonybrookcapital.com

Mobile (646) 300 2811

Justin Roman

Analyst
justin.roman@stonybrookcapital.com

Office (212) 412 9408
Mobile (631) 902 2177

Calvin Rong

Analyst
calvin.rong@stonybrookcapital.com

Mobile (248) 885 3379

LEGAL DISCLAIMER

Nothing contained within this informational memorandum is an offer to buy or sell securities or an offering of any product, service or fund. An offer to buy or sell securities will only be accompanied by appropriate documents including, but not limited to, a private placement memorandum which will contain, among other things, a listing of possible risk factors associated with the security. The risk factors included in this informational memorandum are not exhaustive and are intended for the purpose of illustrative example only. All representations and warranties are hereby disclaimed. The information contained in this document is intended for general informational purposes only and is not intended to be information sufficient for the making of a business decision. While reasonable efforts have been made to ensure that the information contained in this presentation has been obtained from sources deemed to be reliable, Stonybrook Capital does not guaranty that the information contained herein is accurate or complete and is not responsible for any errors or omissions, or for the results obtained from the use of this information. All information in this document is provided "as is", with no guarantee of completeness, accuracy, timeliness or of the results obtained from the use of this information, and without warranty or representation of any kind, statutory, express, or implied, oral or written.

In no event will Stonybrook Capital, its related entities, or its members, partners, agents or employees be liable to you or anyone else for any decision made or action taken in reliance on the information in this document or for any consequential, special or similar damages, even if advised of the possibility of such damages. You should conduct your own due diligence with respect to any and all information related to this document and are not entitled to rely solely on the information presented herein. Further, Stonybrook Capital is under no obligation to update the material or information presented herein even if it later becomes aware that such information or material is no longer accurate or true. Recipient assumes all risk in, and Stonybrook Capital will not be liable for any damages arising out of, use of information including, without limitation, business decisions made or inferences drawn by Recipient in reliance on the Information or the fact of the disclosure of the Information.

The information on this document is provided with the understanding that Stonybrook Capital is not engaged in rendering legal, accounting, tax, or other professional advice and services. As such, this document should not be used as a substitute for consultation with professional accounting, tax, legal or other competent advisers.

TABLE OF CONTENTS

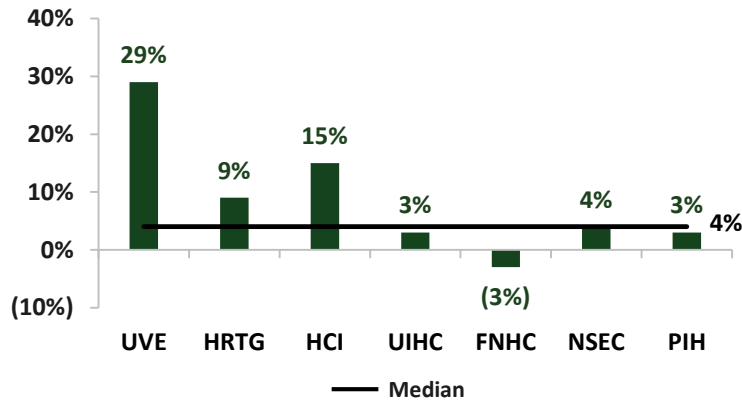
	Section
Coastal Perils Market Overview	I
Stonybrook Capital Overview	II

I. COASTAL PERILS MARKET OVERVIEW

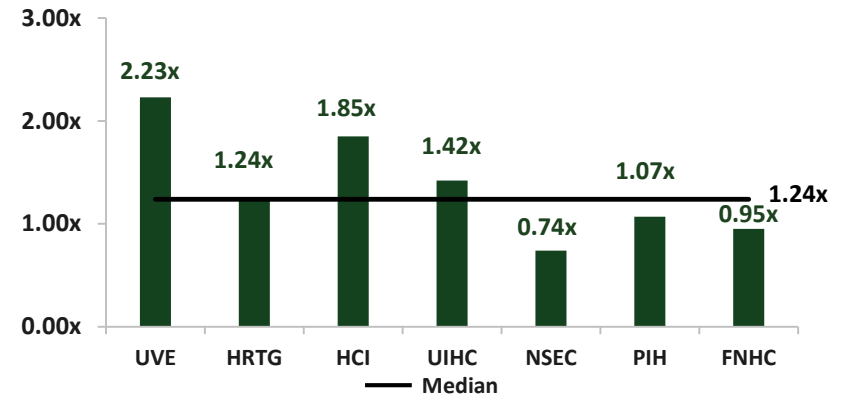
PUBLIC COMPARABLES

SCALE AND ROAE CONTINUE TO DRIVE VALUATION

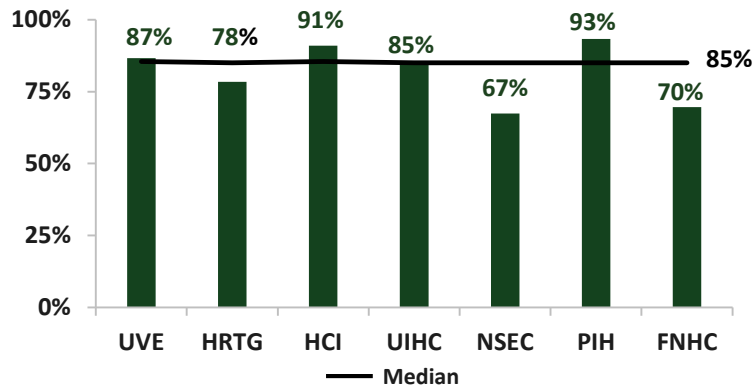
ROAE 3/31/2017 LTM



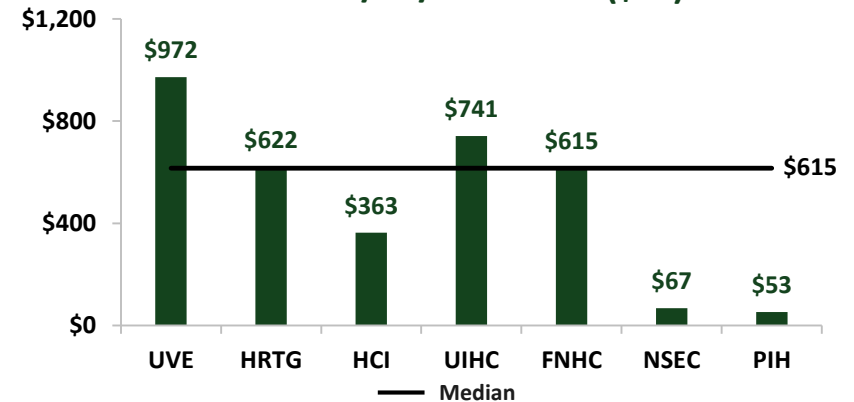
Price to Tangible Book Value⁽¹⁾



Percentage of One-Year High⁽¹⁾



GPW 3/31/2017 LTM (\$M)

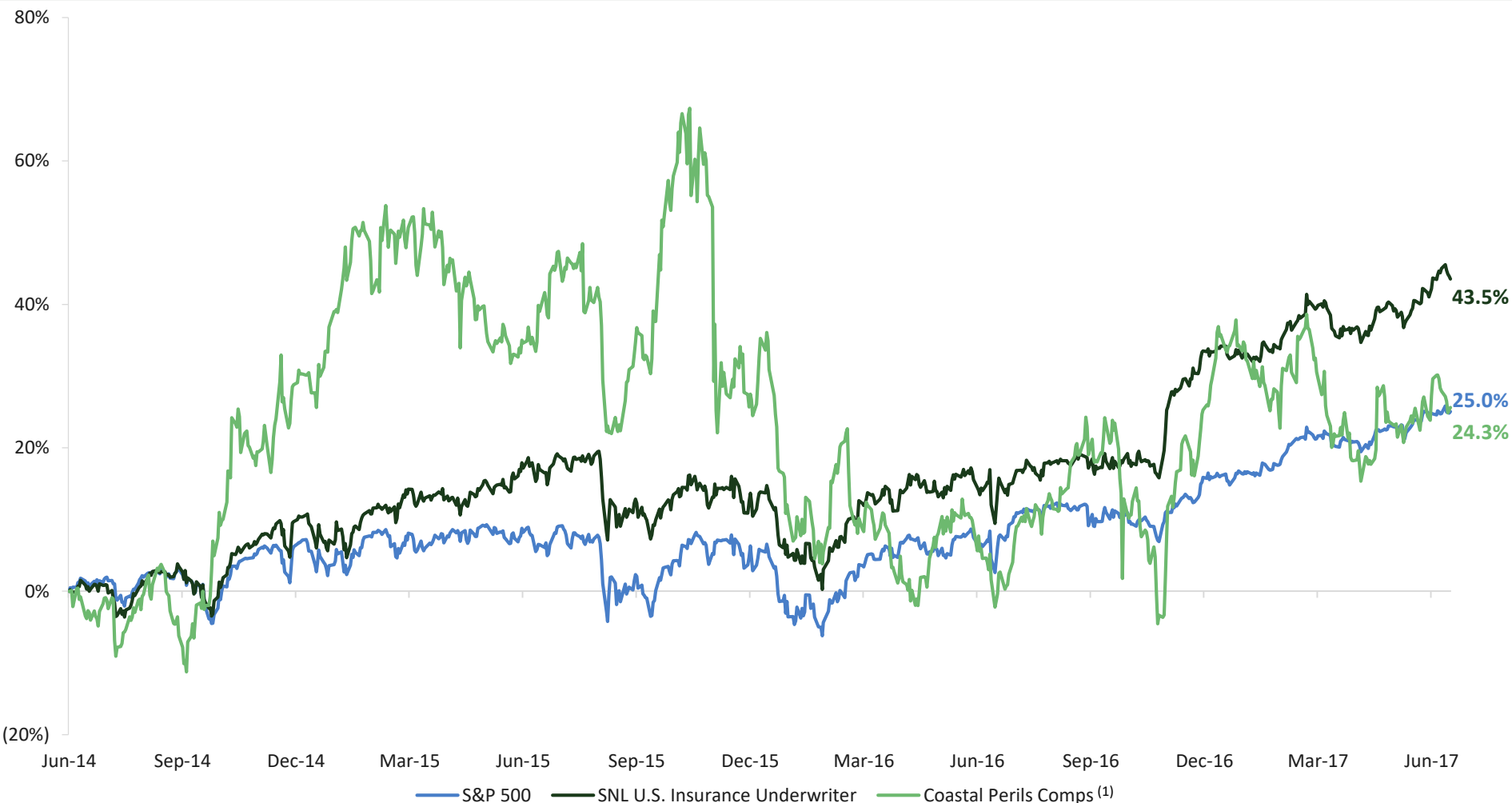


Legend						
UVE	HRTG	HCI	UIHC	NSEC	PIH	FNHC
Universal Insurance	Heritage	HCI Group	United Insurance	National Security	1347 Property	Federated National

(1) As of 6/23/2017

COASTAL PERILS COMPARABLE PRICE PERFORMANCE — LAST THREE-YEARS

COMPS PERFORMANCE IS MORE EXAGGERATED, IN-LINE WITH S&P 500 AND TRAILS THE SNL INSURANCE INDEX



(1) Includes weighted average returns of UVE, HRTG, HCI, FNHC, PIH, UIHC, and NSEC

Source: SNL Financial

PRECEDENT TRANSACTIONS

VALUATIONS ARE COMING DOWN, BUT STILL GREATER THAN THE WHOLE INDUSTRY

(\$ in millions)

Announ. Date	Buyer/ Target	Transaction Value	Three-Year Average Combined Ratio	Transaction Value/ Stat. Book Value
05/25/2017	Biglari Holdings/ Pacific Specialty (CA Homeowners)	\$300	97%	2.28x
03/16/2017	"Lighthouse"/ Prepared Insurance (FL and LA Homeowners)	n.a.	112%	n.a.
03/04/2017	Avatar/ EPIC (FL Homeowners)	13 ⁽¹⁾	110%	0.85x ⁽¹⁾
05/07/2016	Florida Specialty/ Mt. Beacon (FL Mobile Homes)	17	97%	0.71x
09/29/2015	Heritage/ Zephyr (HI Homeowners)	120	30%	2.07x
09/28/2015	United/ Interboro (NY Homeowners)	57	96%	1.40x
02/03/2015	UPC Insurance/ Family Security Insurance (LA Homeowners)	9	n.m.	1.70x
12/16/2014	Progressive/ ASI (FL Homeowners)	875	99%	2.55x
07/10/2014	Investor group/ Cypress Insurance (FL Homeowners)	65	n.a.	1.42x
10/18/2013	Investor Group/ Southern Vanguard (TX Homeowners)	16	n.a.	1.69x

Median	1.69x
Average	1.63x

P&C Industry Median	1.48x
P&C Industry Average	1.54x

Source: SNL Financial

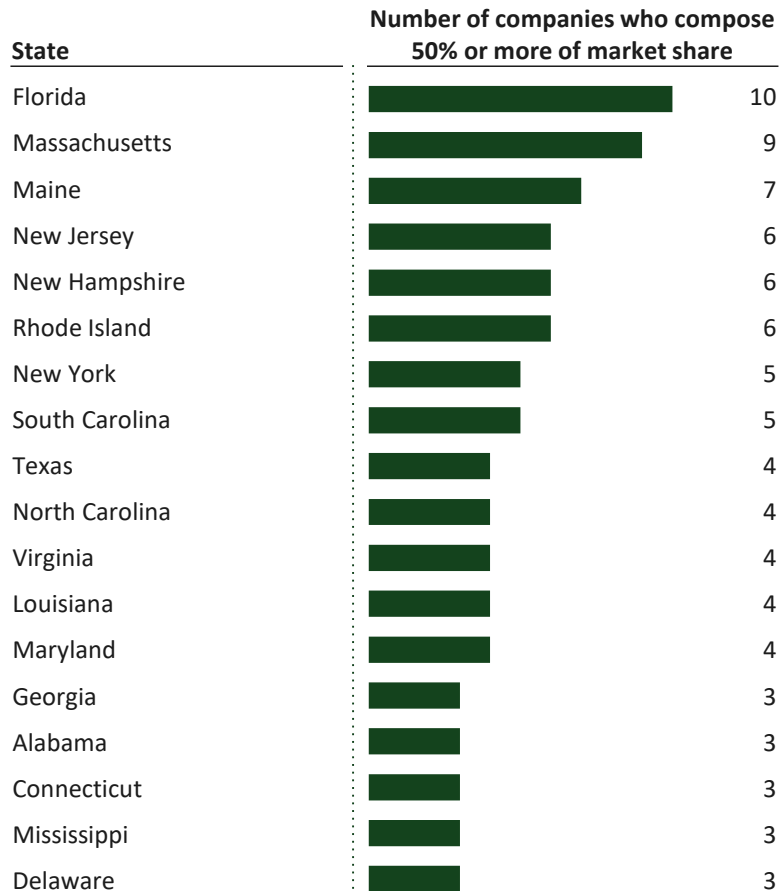
(1) Sourced from Member Interest Purchase Agreement

Universe: Selected Homeowners insurance carrier deals since 1/1/2013

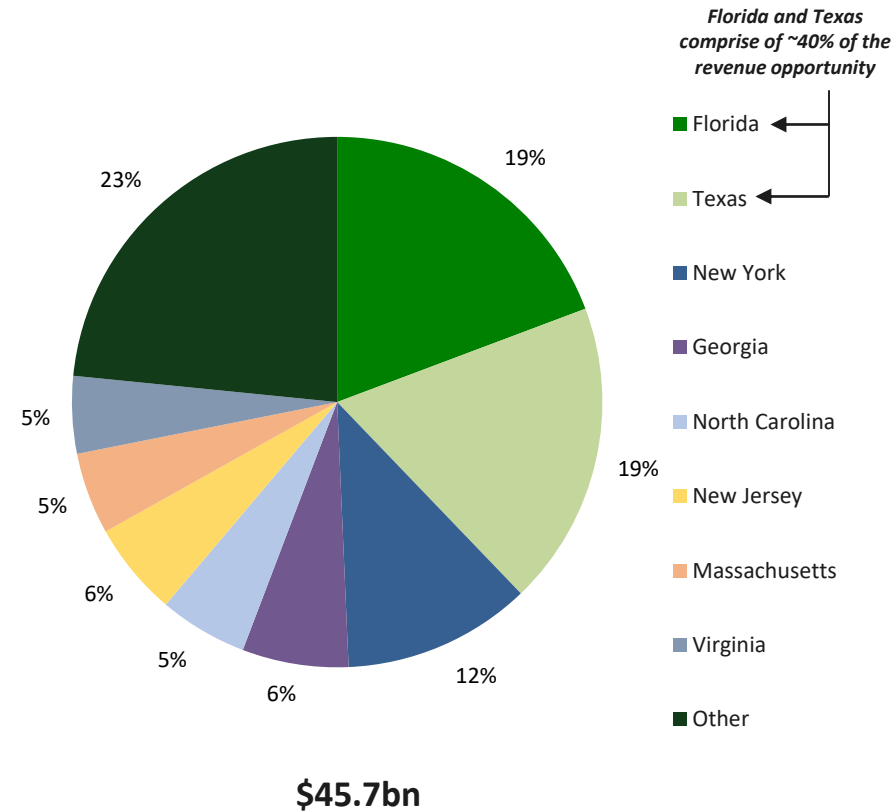
THE MARKET FROM 500,000 FEET

MARKET IS HIGHLY FRAGMENTED — FL AND TX ARE BIG!

Coastal Perils Market Concentration by State (2016)



Coastal Perils Market Share by State (2016)



Universe: 2016 homeowners multiple peril market by DPW
Source: SNL Financial

CASE STUDIES: HERITAGE & UNITED

RIGHT NOW, THERE IS MORE CAPACITY THAN THERE IS NEED FOR HIGH YIELD DEBT

✧ Heritage senior secured notes

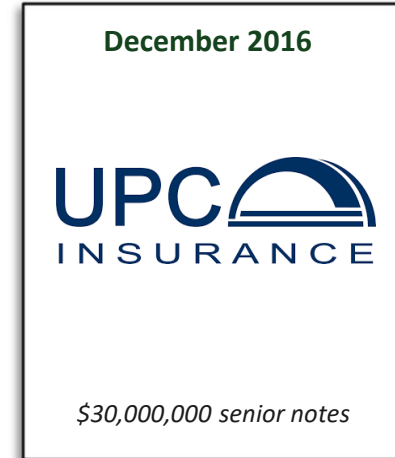
- Seven-year notes
- Cost of capital = three-month LIBOR + 875 bps (currently = 10.05%)
- Pro forma debt/total cap = 13.4%
- Pre-tax / interest = 12.1x
- Use of proceeds = "M&A, investments, general corporate purposes"

✧ United senior notes

- Ten-year notes
- Cost of capital = three-month LIBOR + 575 bps (currently = 7.05%)
- Callable anytime without penalty
- Use of proceeds = "support growth"

✧ HCI convertible senior unsecured notes

- Twenty-year notes
- Cost of capital = three-month LIBOR + 425 bps (currently = 5.55%)
- From Dec 1st, 2036 to maturity, the notes are convertible anytime
- Use of proceeds = "repurchase shares, redemption of debt, general corporate purposes"



ASSIGNMENT OF BENEFITS (AOB)

AOB IS CAUSING MARKET DISRUPTION, ESPECIALLY FOR SMALLER INSURERS

✧ What is AOB?

- Allows policyholders who have suffered a loss to sign over their rights to a third-party, such as a contractor
- Third-party gains control of the claim and deals directly with the insurance company
- AOB claims tend to be more expensive and are more likely to lead to litigation

✧ Increased claim and loss activity

- Attritional losses and litigation related to AOB claims contributed to ~40% of state insurers suffering underwriting losses in Q1 2017
- Companies with less than \$25m in surplus have been the most adversely effected with many facing ratings pressure
- Non-Hurricane losses are now threatening the financial stability of insurers
 - May lead to more policies going back to citizens
- AOB abuse is on the rise

✧ Increased rates

- Nearly 73% of rate filings in Florida requesting an increase were approved and AOB is believed to be the catalyst

RECENT SURPLUS INCREASES TO PROTECT RATING

(\$ in thousands)

Company	Contribution Amount	YoY Change in Surplus	Surplus 2016	Underwriting Gain 2016	Net Income 2016
Security First	\$50,033	\$16,072	\$71,393	(\$46,344)	(\$35,236)
People's Trust	9,000	(36,008)	51,908	(47,250)	(26,831)
Prepared	6,800	86	20,105	(6,933)	(5,734)
Modern USA	5,000	4,078	20,079	(3,661)	(2,134)
Safepoint	4,500	7,929	49,674	(11,987)	(7,204)
Cypress	4,000	(2,315)	29,838	(10,647)	(4,714)
Tower Hill Prime	4,000	11,200	90,960	(7,643)	(3,059)
Tower Hill Select	4,000	452	30,088	(7,036)	(3,686)
Anchor	3,000	(3,443)	23,196	(10,230)	(7,844)
Omega	3,000	804	15,808	(3,975)	(2,000)
Tower Hill Signature	2,000	(8,432)	44,157	(7,099)	(3,701)

(1) Some contributions reflect issuance of a surplus note

COASTAL PERILS MARKET REINSURANCE

REINSURANCE IS CHEAPER AND MORE AVAILABLE THAN IT HAS BEEN IN DECADES

✧ Rates down for the 6th consecutive year in June 2017

- Down 40% from 2012 levels
- 10% above previous cyclical lows in 1999-2000
- Market participants such as UPC, Heritage and Universal are reporting improved reinsurance pricing, structure and terms

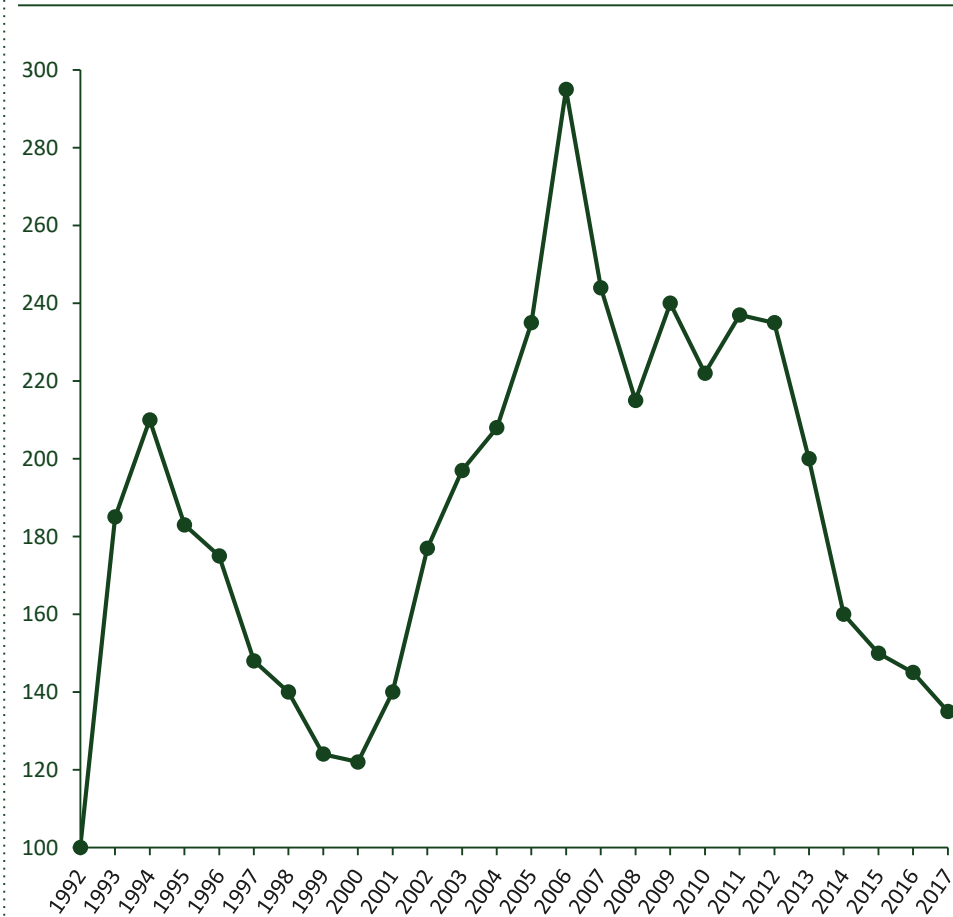
✧ Catastrophe insurance

- Availability currently at an all-time high due to excess capacity
- CAT pricing is at an all-time low
- Emergence of alternative capital
- Record setting issues of ILS securities
 - \$2.3bn 1st Quarter of 2017
 - \$8.15bn through June 1, 2017
 - ILS market has become a permanent source of capital

✧ Florida Hurricane Catastrophe Fund (FHCF)

- Primary insurers have benefited from the strengthening of the FHCF
- Provides reliable and predictable source of CAT reinsurance

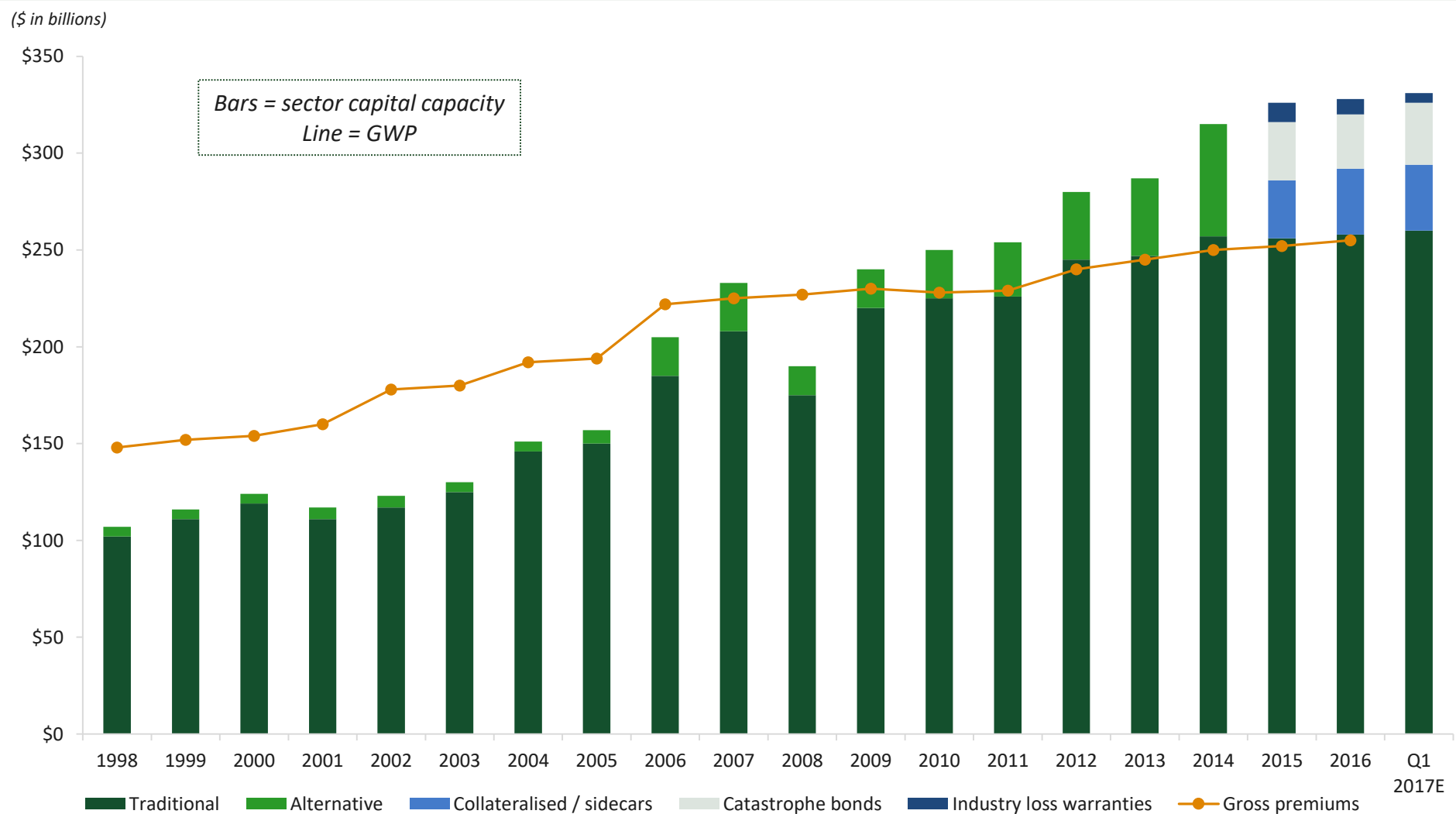
Risk-Adjusted Florida Property-Catastrophe ROL Index



Source: JLT Re

COASTAL PERILS DEDICATED REINSURANCE SECTOR CAPITAL AND GWP

CAT BONDS GROWING IN POPULARITY; HOWEVER TRADITIONAL INSURERS CONTINUE TO DOMINATE



HURRICANE SEASON

FORECAST CALLS FOR SLIGHTLY ABOVE NORMAL ACTIVITY

	Historical Average		2016 Actual	CSU Forecast		NOAA Forecast
	1950-2000	Last 30-Years		April 2017	June 2017	June 2017
Named Storms	9.6	12	15	11	13	11-17
Hurricanes	5.9	6	7	4	6	5-9
Major Hurricanes	2.3	3	3	2	2	2-4

NOAA forecasts call for 45% chance of above average activity, 35% chance of near-normal activity and 20% chance of below normal activity

FLORIDA'S RESIDUAL MARKET – CITIZENS' ROLE

AFTER HAVING BEEN RECENTLY “SOLD OUT” FOR DEPOPS, CITIZENS COULD POPULATE AGAIN

✧ Historical events have led to the growth of Citizens

- Active 2004-2005 hurricane seasons led to changing underwriting appetites
- Liquidation of carriers
 - POE Financial in 2006
 - Magnolia and Northern Capital in 2010
 - State Farm Florida partial withdraw in 2010

✧ Recent developments

- Since 2012, both TIV and policy count have declined for Citizens
- Citizens' market share has dropped to 5th in the state
- Take-out companies continue to move into the top ten for market share

Top Florida Insurers by Homeowners Multi Peril DPW 2016

(\$ in millions)

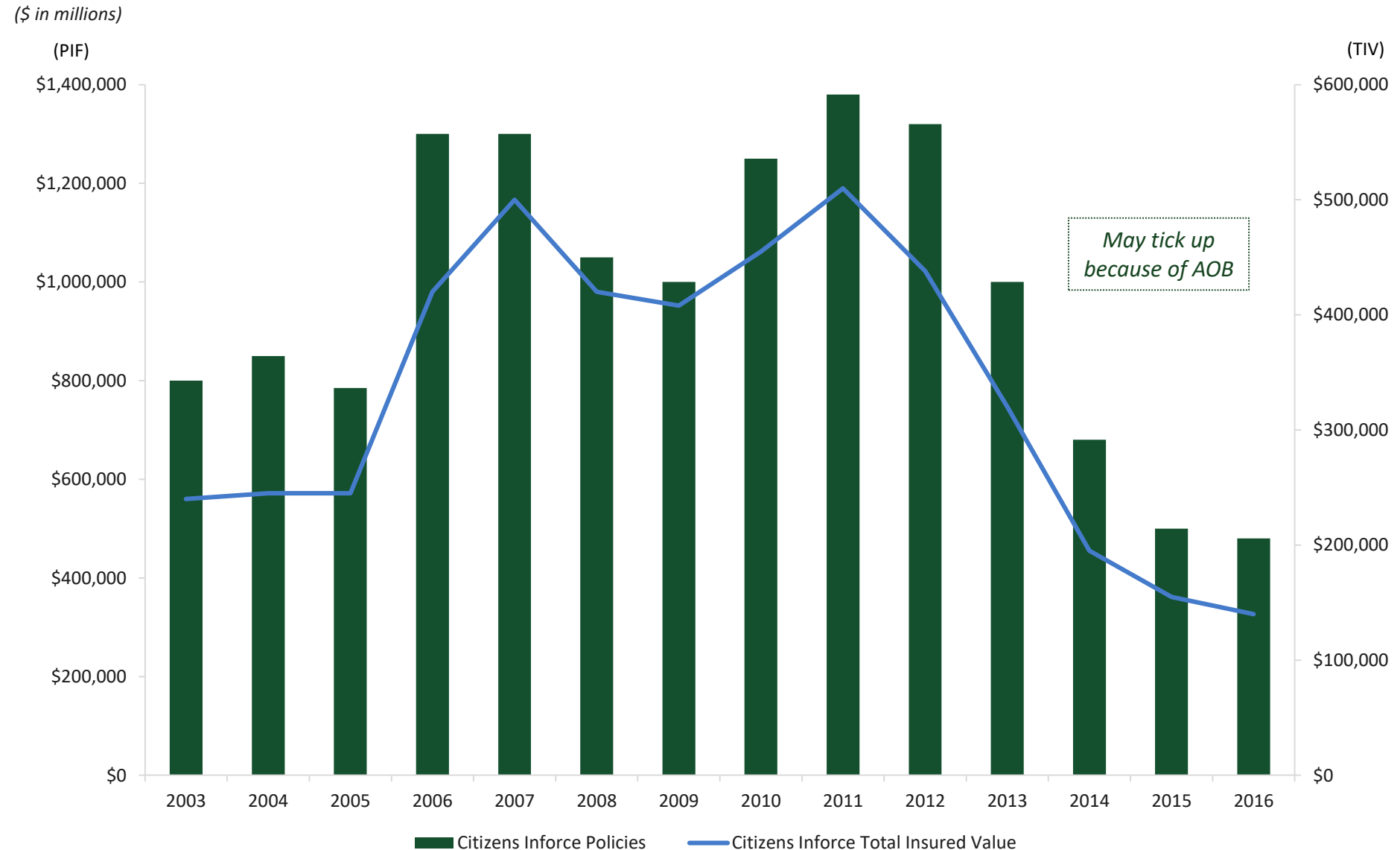
Rank	Insurer	Market Share	DPW
1	Universal	8.9%	\$788
2	Tower Hill	6.9%	608
3	State Farm Florida	6.6%	581
4	Federated National	4.9%	430
5	Citizens	4.9%	429
6	Heritage	4.5%	398
7	USAA	4.3%	382
8	HCI	3.7%	322
9	Progressive/ASI	3.5%	312
10	Florida Peninsula	3.4%	301

Top 10 FL Homeowners Multi Peril Writers	51.7%	\$4,551
All Other Homeowners Multi Peril Writers	48.3%	\$4,255
Total Florida Direct Premiums Written	100.0%	\$8,806

Source: KBRA consolidation of NAIC filings

(1) Take-out companies highlighted in green

CITIZENS DEPOPULATION ACCELERATES



Source: Citizens Property Insurance Corporation of Florida

II. STONYBROOK CAPITAL OVERVIEW

NOTABLE TRANSACTIONS

March 2016



Exclusive sell-side
financial advisor

November 2016



Sale to

Undisclosed Buyer

Exclusive sell-side
financial advisor

October 2016



Acquisition of



Exclusive financial
advisor

July 2016



Sale to



Exclusive sell-side
financial advisor

April 2016



\$20,000,000
capital raise

December 2015



\$28,000,000
capital raise

December 2015



\$10,000,000
capital raise

August 2015



Valuation analysis

July 2015



Sale to



Exclusive sell-side
financial advisor

May 2015



Corporate
development
advisory

March 2015



Placed program



March 2015



Sale to



January 2015



Valuation analysis

December 2014



Analysis of strategic
alternatives

November 2014



Exclusive sell-side
financial advisor

TEAM BIOGRAPHIES

Joseph M. Scheerer

Principal & Managing Director

Mr. Scheerer founded Stonybrook Capital in 2012 to build on over 20 years of experience, relationships and technical skills in insurance, reinsurance and investment banking and capital markets, on Wall Street. That same year, he sold a minority ownership in the Firm to HOLBORN Corporation, a reinsurance intermediary which was founded in 1920 and is the fifth largest in the country today. In 2016, he sold an additional minority stake in Stonybrook Capital to a renowned reinsurance executive who has founded, built, and successfully exited, a number of insurance businesses over his career. Before founding Stonybrook Capital, he spent four years at Willis Capital Markets & Advisory and previously was an investment banker at Benfield Advisory Group, Ltd. At Willis, he started and led practices within the group focused on the programs, crop, and accident and health sectors. Before joining the world of specialist advisors attached to large reinsurance brokerage firms, he worked for traditional Wall Street firms such as Oppenheimer & Co., and Furman Selz, LLC. Mr. Scheerer has over 22 years of experience as an investment banker focused on the insurance industry, is an active investor in the sector, and is a frequent speaker on the state of the insurance and reinsurance industries. Since, 2014, Mr. Scheerer has sat on the board of Atlantic American Corporation (NASDAQ "AAME") which is a publicly traded holding company of various insurance industry companies. He serves on the Audit Committee of AAME, serves as an "Independent Director" of the Board, and is designated as an "audit committee financial expert" for purposes of the Securities Act of 1933. Mr. Scheerer has also attended the NYSE Board Governance school.

Throughout his career, Mr. Scheerer has advised on more than 100 investment insurance industry M&A transactions and more than 50 debt, equity, and equity linked capital raising transactions, including many of the industry's more "client focused" and "unique" transactions. Notable assignments include: sale of Prepared Insurance Company to the chairman of Lighthouse Property Insurance Corporation, surplus note for Brotherhood Mutual, surplus note for Mutual of Enumclaw, sale of ATX to Safeway Insurance, sale of Maidstone Insurance Company, advising Federated Mutual on its acquisition of Granite Re (a Midwestern surety carrier), advising Auster Capital Partners on its monetization of Assure Space (a portfolio company and MGA focused on the space and satellite business), doubling the size of Prime Insurance Company through a mezzanine capital raise; sale of Georgia Casualty Insurance Company for Atlantic American (NASDAQ "AAME"); sale of the renewal rights of PRI's Pennsylvania subsidiary; sale of Arrowhead General Agency to Brown & Brown; sale of Montpelier's US business to Selective; sale of Penn Millers to ACE and numerous public equity and trust preferred capital raises annually dating back to the mid-1990s.

Mr. Scheerer graduated from the University of Pennsylvania with a Bachelor of Arts in Economics and International Relations.

TEAM BIOGRAPHIES

Dwight Evans
*Senior Managing Director &
Board Member*

Mr. Evans has over 35 years of experience leading insurance and reinsurance organizations through start-up, strategic direction and profitable growth. Mr. Evans has been a Senior Advisor for Sirius America Insurance Company and Sirius International Insurance Group Ltd. since January 2012. From August 2007 to December 2011, he was the President and Chief Executive Officer of Sirius America Insurance Company/White Mountains Re America in New York. From August 2007 to February 2008, Mr. Evans had the role of President and Chief Executive Officer of White Mountains Re Bermuda which he capitalized and launched as a new “A” A.M. Best rated standalone reinsurer. He was the Chairman and Chief Executive Officer of LightKeeper Specialty Inc., a specialty insurance company in Connecticut, from July 2006 to July 2007.

Prior to LightKeeper Specialty he acted as a consultant to Stone Point Capital during the acquisition of AXA Re. Mr. Evans was Co-Founder of Arch Capital Group, established in October 2001, and Chief Executive Officer and Chairman of Arch Worldwide Reinsurance Group. At Arch, Mr. Evans built a multi-class underwriting platform that achieved over \$1.5 billion in premium in the second year of operation, as well as set up reinsurance companies in the U.S. and Bermuda. Prior to Arch, Mr. Evans held Senior Underwriting positions at Prudential Reinsurance Company, Skandia Reinsurance Company and F&G Re.

Mr. Evans received his BA from Ohio University in 1974 and earned his Chartered Property Casualty Underwriter (CPCU) designation in 1984.

Ravi D. Arps
Director & Board Member

Mr. Arps is a Director and founding member of Stonybrook Capital. Prior to joining Stonybrook Capital, Mr. Arps worked for Bridgewater Associates, the world’s largest hedge fund in a division with Asset Management & Trading. Previously, he worked at Booz Allen Hamilton in the Organization & Strategy group. His aggregate transaction experiences totals over \$300 million in value including restructuring, capital raising, M&A, and valuation focused on the surety, professional liability, property catastrophe and specialty sectors.

Mr. Arps graduated from Wesleyan University with a Bachelor of Science in Neuroscience.

Justin A. Roman
Analyst

Mr. Roman is an Analyst at Stonybrook Capital. Previously, he worked as a Summer Analyst at Stonybrook Capital. Prior to Stonybrook, he worked at Huntertrust LLC, a family office focused on middle market Private Equity.

Mr. Roman graduated from the University of Tampa with a Bachelor of Science in Finance.

STRATEGIC PARTNERS

“BLUE-CHIP” REINSURANCE INTERMEDIARY AND CAPITAL MARKETS SPECIALIST



- ✧ Capital market services provided
 - Private placements
 - IPO's
 - Uplistings
 - Follow on offerings



- ✧ World Class Reinsurance Consultant and Intermediary
- ✧ Best Reinsurance Broker for Expertise and Market Knowledge (revenues of less than \$1bn)

ABOUT STONYBROOK

INVESTMENT-BANKERS TO THE INSURANCE INDUSTRY

Focused

Active

Smart

- ✧ **Experts on the middle market** with a dedicated focus on
 - Coastal state perils
 - Mutual insurance companies
 - Raising capital
 - Insurance distribution
 - Divesting non-core assets
- ✧ **Proven center of excellence** in raising and valuing alternative securities such as surplus notes, including a proprietary database
- ✧ Closed **four transactions** in the past twelve months
- ✧ Attended and/or sponsored **12 industry conferences** in the past twelve months
- ✧ **125+ years of experience**
- ✧ **2 public** company directorships
- ✧ Advisory board members include:
 - Current director of Endurance
 - Founder of Arch
 - Former CEO of Arrowhead General
 - Former CEO of Alea (KKR portfolio company)