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NAME: 1347 Property Insurance Holdings	SYMBOL: PIH (Nasdaq)
MARKET CAP (2/19/16): $38 million	**PRICE PER SHARE (2/19/16): 6.17**
FLOAT: 5.43 millions shares	**AVG VOLUME (3 MONTHS): 11,790**

T11 has taken a long position in PIH during Q1 2016

1347 Property Insurance Holdings, Inc., through its subsidiary, Maison Insurance Company, provides property and casualty insurance products to individuals in Louisiana. The company offers homeowners insurance, manufactured home insurance, dwelling fire insurance, and wind/hail insurance products, as well as reinsurance products. It distributes its insurance policies through a network of independent agents. The company was formerly known as Maison Insurance Holdings, Inc. and changed its name to 1347 Property Insurance Holdings, Inc. in November 2013. 1347 Property Insurance Holdings, Inc. was founded in 2012 and is based in Tampa, Florida.

During 2015, 1347 Property Insurance through their wholly owned subsidiary Maison Insurance began operating in Texas, writing wind and hail policies in partnership with Brotherhood Mutual.

Company Overview

1347 Property Insurance (PIH) is a relatively new property and casualty insurance company that was formerly 100% owned by Kingsway Financial (KFS). Kingsway Financial was profiled by T11 Capital Management in April of 2014. In 2014, 1347 participated in an IPO for 2,272,727 shares at a price range between $10-$12 per share. The primary purpose of the IPO was to provide further capital for the Maison Insurance subsidiary, as well as to provide capital for expansion opportunities in Florida, Texas and Hawaii.

The 1347 business model is based on the belief that a group of highly-experienced managers with a history in niche, difficult to insure regions of the United States can grow profits at an above average rate while managing risk appropriately through historically low-priced reinsurance. The abandonment of hurricane and storm prone regions of Louisiana, Texas and Florida by large, nationally recognized insurers creates substantial opportunity for experienced operators such as 1347. Additionally, the recent movement towards depopulation of state run insurance agencies provides numerous opportunities for taking over policies, creating substantial growth both presently and over the long-term.

The management team is headed by CEO Doug Raucy. Prior to 1347 Mr. Raucy founded three separate homeowners' insurance companies. He was also the head of Allstate's national catastrophe team with over 20 years experience at the company.

CFO, John Hill, has over 15 years in the Florida homeowners' market, formerly CFO of three other property & casualty insurers.

Dean Stroud is the VP of Underwriting. He brings with him 40 years of experience underwriting policies in Louisiana. He was formerly President of Audobon Insurance, an AIG subsidiary.

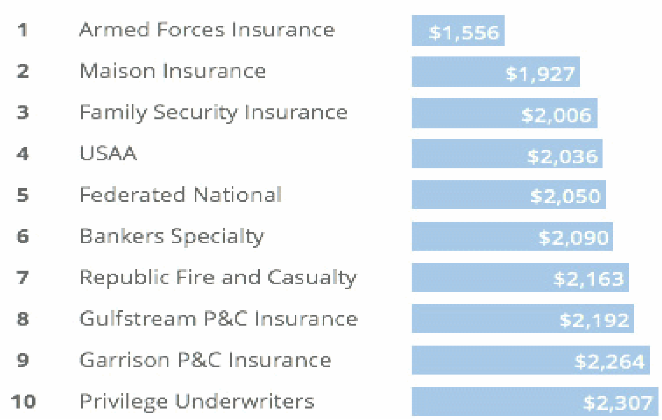
In April of 2015, 1347 appointed Scott Wollney to the Board of Directors for the company. Mr. Wollney is the current CEO of Atlas Financial Holdings (AFH), a Nasdaq listed commercial automobile company. Mr. Wollney has 25 years of experience in the insurance industry. He has managed to grow Atlas from nearly nothing when he started in 2010 to an operation with a $200 million market cap and a stock price that has increased by nearly 200% since its IPO in 2013.

The experience management possesses in relation to the specialty insurance markets they are targeting brings with it a number of benefits, the most obvious of which is adept and efficient management of risk across a variety of policies. It also brings with it the added benefit of a network of independent agents who are comfortable selling policies underwritten by Maison Insurance (1347). This allows for rapid expansion in targeted areas.

The areas 1347 is targeting have among the highest property insurance rates in the country. They are also predominantly areas where income levels fall into the low to middle income ranges. This combination of factors allows for significantly profitable underwriting of policies, but also provides a distinct competitive advantage to those companies that can provide value to consumers in a difficult to insure region of the country.

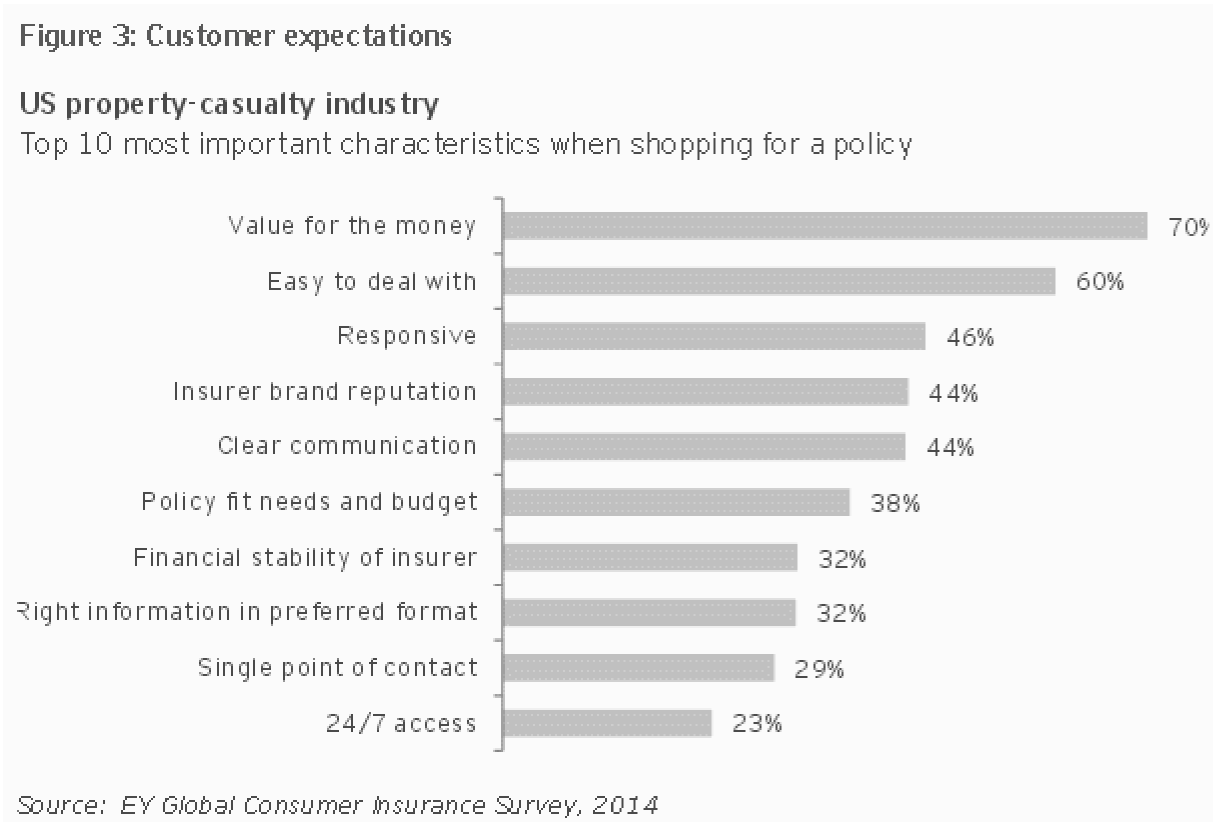
Best Homeowners Insurance Companies in Louisiana

Not only did we look at the most expensive cities in Louisiana, as part of our study we analyzed the multitude of home insurance companies doing business in the state. Below you'll see these 41 companies list from most affordable to most expensive. The number shown is the average annual premium for each company across the state. Based on this figure, Armed Forces Insurance, Mansion Insurance, Family Security Insurance, USAA, and Federated National ranked with the five best average rates for home insurance in Louisiana.



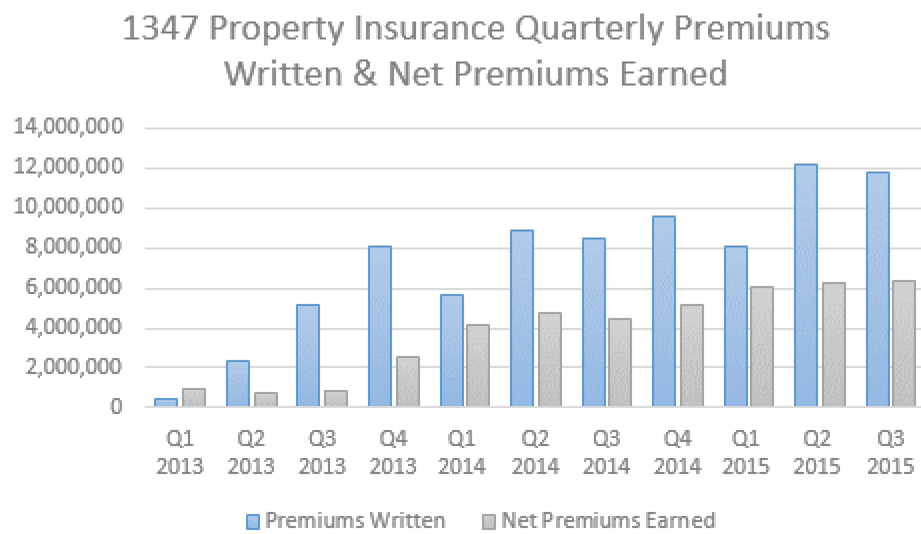
The above is according to ValuePenguin http://www.valuepenguin.com/best-cheap-homeowners-insurance-louisiana

Consumers are strongly driven by price in property and casualty insurance market, positioning 1347 well to compete in its chosen markets.



The original goal of 1347 was to capture 2%-3% of the Louisiana market. According to recent data Louisiana has $2.6 billion in premiums written. The mid-point of 1347's goal would mean $65,000,000 in premiums written for Louisiana.

Growth & Valuation

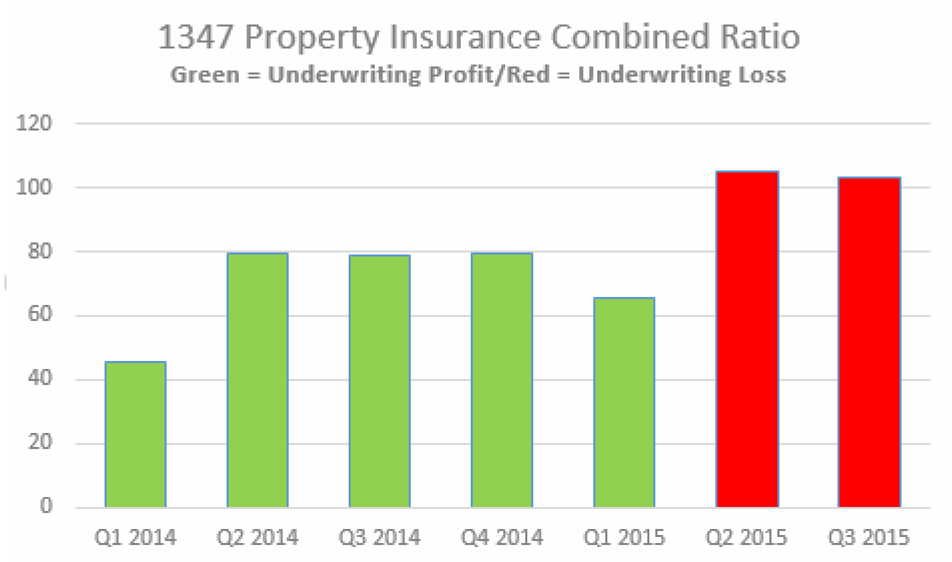


A majority of the growth inception to date has occurred purely as a result of the Louisiana market. The company has a substantial network of independent agents who effectively distribute the policies to homeowners. Mr. Raucy has reiterated that the independent agents become comfortable working with Maison as a result of previous established relationships and adept, efficient handling of new claims, making them more likely to promote Maison's policies on an ongoing basis.

The primary question with respect to property & casualty insurers is the efficiency of their underwriting practices. For purposes of measuring the efficiency, the combined ratio of the company is an accurate measure.

The combined ratio essentially takes the sum of incurred loss and expenses for a company and divides them by earned premium. The ratio is typically expressed as a percentage, with a combined ratio below 100% indicating underwriting profitability, whereas a combined ratio above 100% indicates an underwriting loss. It is important to note, however, that even with a combined ratio over 100% an insurance company can still extract a profit from investment returns from their float.

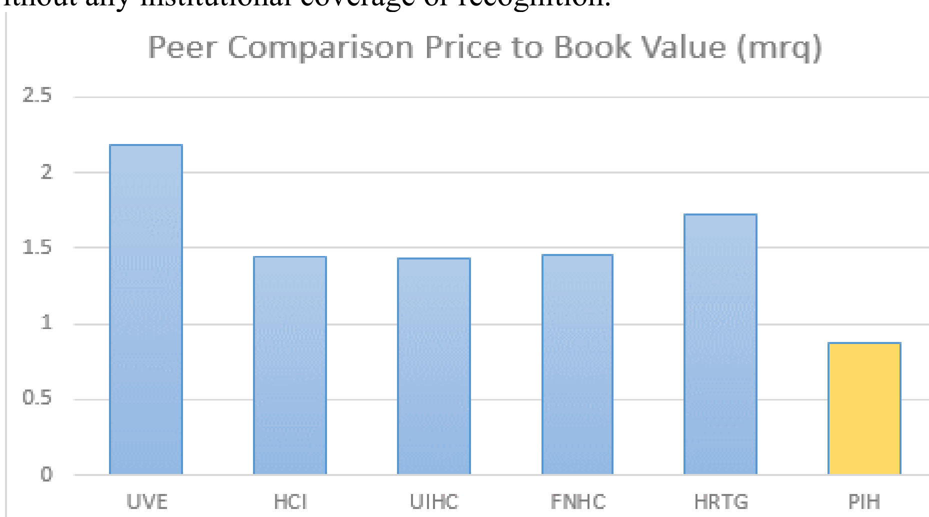
1347 Property Insurance has been an effective underwriter with an average combined ratio of 79.64% since Q1 2014. In Q2 and Q3 of 2015 the company experienced severe weather conditions in their insured regions, leading to a combined ratio well in excess of normal expectations.



The combined ratio should normalize in the quarters ahead as the residual effects of the recent storm incident lessen.

While 1347 has managed to grow premiums substantially since inception, while possessing efficient underwriting practices overall, the company has not been able to substantially expand book value since 2014, leading to a decline in share price that currently reflects a substantial discount to book. In fact, the company is also trading at a discount to net cash as 1347 participated in a 2.5 million share secondary offering in 2014 at $8 per share. The secondary offering has over-capitalized the company causing a lag in return on equity (ROE). Presently, including the float as a liability, the company has approximately $7.50 per share in cash. The company has a book value of $7.67 per share and is trading at a 0.81 (mrq) price/book.

1347 shares are trading at a substantial discount to peers given that the company is a recent startup in the industry without any institutional coverage or recognition.



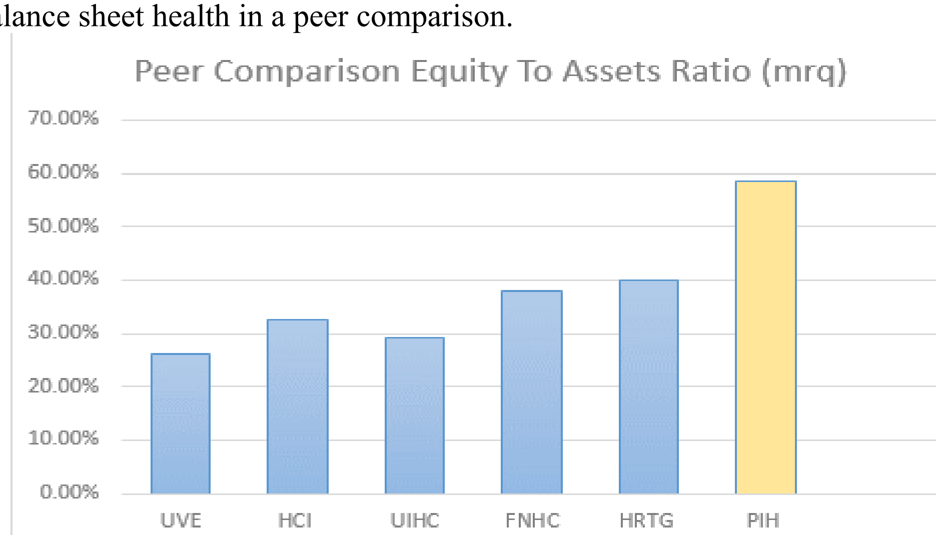
The lag in book value is set to reverse in quarters ahead due to a number of factors:

1. The CEO Doug Raucy has explicitly stated that the company is searching for growth opportunities to deploy their $50 million in cash. This could come in the form of an acquisition or investing in growth areas where management has a competitive advantage due to experience. They have been diligent in deploying these funds, taking their time to find the right opportunity since 2014.
2. The company has expanded into Texas as of September 2015, writing wind/hail policies in the state for the first time. This is a stepping stone to other opportunities in the state for growth. In the most recent conference call, Mr. Raucy said the following, "We expect to see premiums accelerated throughout the fourth quarter and into 2016. Texas represents a sizable market and we have already devoted time and resources to developing the strategy of utilizing the number of distribution channels. We are continuing to explore and review opportunities in other coastal states that closely match the characteristics of Louisiana and Texas."
3. Concurrently, with Louisiana and Texas, Mississippi and Florida are undergoing depopulation from state run agencies. This creates opportunity for further growth in other states where 1347 will have a tangible edge.

With respect to the Texas business that the company became involved with in September of 2015, as of September 1st a new law in Texas allowed for the state to participate in a depopulation program. Texas Windstorm Insurance Association (TWIA) insures more than half the market along the Texas coast. This is a situation that is unsustainable for TWIA, causing them to incentivize private insurers, such as 1347, to take over the policies. The partnership that 1347 formed with Brotherhood in September 2015 allows them to accelerate growth in the state to take advantage of the recently implemented depopulation.

What is likely to occur with 1347 is that their ROE will normalize when all 3 of the above events take place. The ROE of 1347 doesn't accurately reflect the potential for unexpected acceleration in returns therefore increasing book value simultaneously.

As measured by equity to assets ratio 1347 is far and away the most conservatively positioned company in terms of balance sheet health in a peer comparison.



The conservatively positioned balance sheet as expressed by the above equity to assets ratio allows for ROE to move at an above average pace once their various initiatives start bearing fruit.

Industry Peer	ROE Average Since Q1 2012
UVE	29.34%
FNHC	16.16%
HCI	37.00%
UIHC	18.83%
Average Peer ROE	25.33%

The average ROE since Q1 of 2014 for PIH has been 6.47%, leaving quite a bit of room for acceleration to match their peer group as capital is deployed and initiatives gain traction.

Industry Peer	Book Value CAGR Since Q1 2012
UVE	19.45%
FNHC	20.83%
HCI	20.43%
UIHC	16.38%
Average Book Value CAGR	19.27%

Average price to book value in the industry among peers is 1.65. 1347 requires some degree of recognition before it can achieve a normalized price to book value. The success of their ongoing initiatives for growth along with any future acquisitions will determine greatly whether they fall in line with peers.

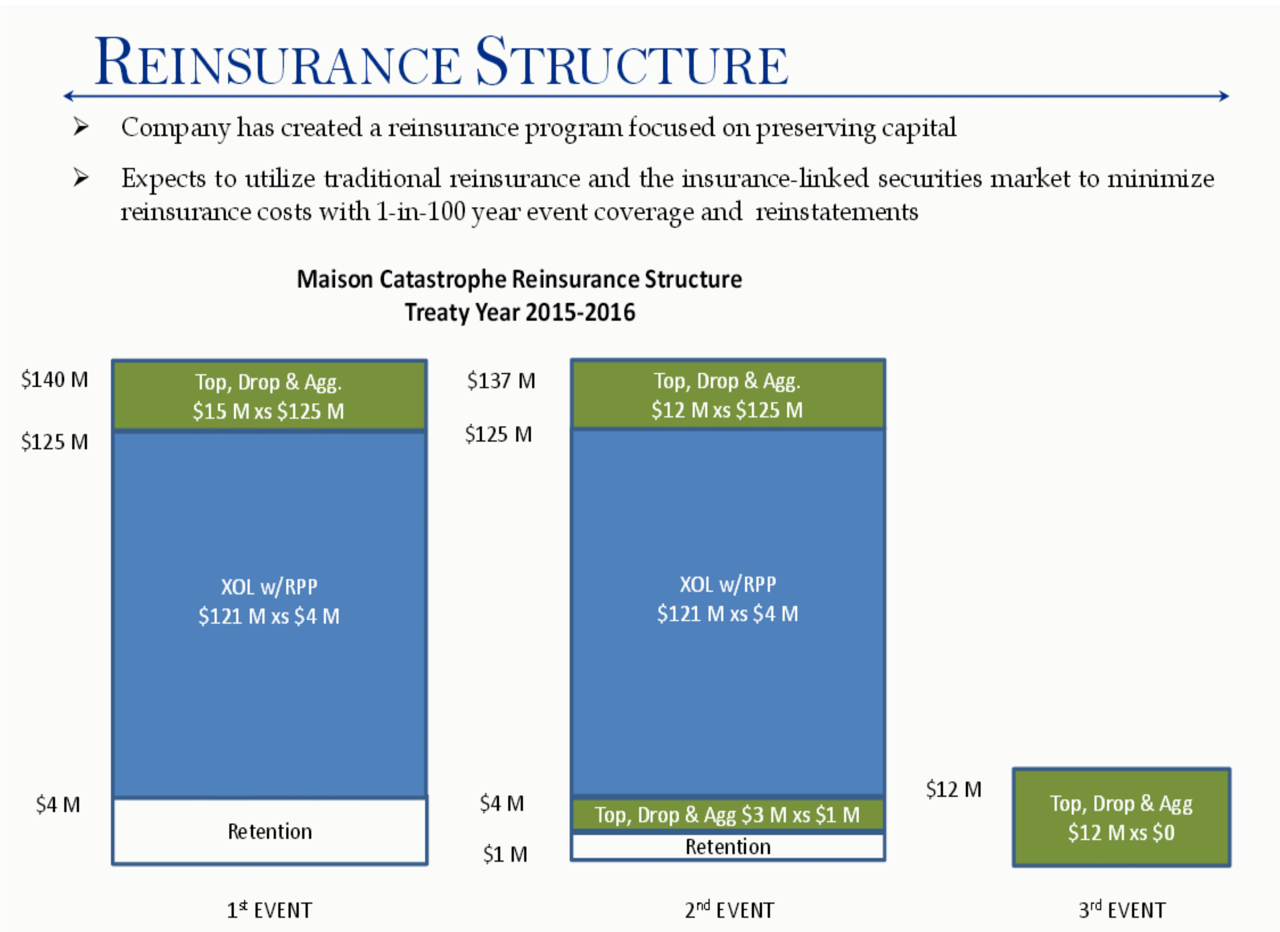
Assuming management continues to experience growth in policies fair value for 1347 relative to peers on a price to book basis is close to $13 per share. A CAGR of 19.27% in book value, which may be conservative for 1347 given their emerging state, puts book value at $18.51 in 5 years time. Assuming an identical price/book ratio of 1.65 puts share price at $30.54 by early 2021 for a total gain of 366% from the current share price.

<u>Attractive Reinsurance Components</u>

Reinsurance rates continue to decline to historic lows due to the convergence of a lack of major catastrophes and the emergence of non-traditional market participants, such as the numerous large hedge funds that setup offshore reinsurance companies to take advantage of the returns on the float made through their capital investment expertise.

This is an excerpt from a report from Dixon Hughes Goodman on the reinsurance sector:

"Primary insurers have been able to become more competitive due to reductions in the cost of treaty reinsurance as a consequence of increased levels of reinsurance capacity and a lack of natural catastrophes," said Andrew Chester, CEO of Bowring Marsh, Marsh's specialist international placement unit." Further, reinsurance pricing has been in decline and as such the cost to transfer risk for direct insurers has become increasingly favorable. This bottom line benefit is driving competition among insurers to write more business and non-traditional investors to show interest in gaining insurance industry exposure."



Source: 1347 Property Insurance

According to the above data 1347 has maximum coverage of $140,000,000 for the first catastrophe event and $137,000,000 for the second catastrophe event.

The competitive landscape for reinsurance has allowed 1347 to mitigate a good degree of the risk faced by insurers in difficult to insure regions such as Louisiana and Texas. The advantageous nature of the reinsurance landscape also allows 1347 to expand at a faster pace into new regions than would otherwise be possible. In other words, there is certainly no lack of reinsurance capital looking for a home.

Recent Earnings & Opportunities

As of Q3 2015:

- *Gross premiums written* ***increased 39.1%*** *to $11.8 million for the quarter ended September 30, 2015 compared to $8.5 million for the quarter ended September 30, 2014.*
- *Net premiums earned* ***increased 44.6%*** *to $6.4 million for the quarter ended September 30, 2015, compared to $4.4 million for the quarter ended September 30, 2014.*
- *Our general and administrative expenses, as a percentage of gross premiums earned,* ***decline to 16.6% for the third quarter of 2015, compared to 20.5% for the prior year period.*** *We expect our G&A expenses expressed as a percentage of gross premiums earned continue to decline as our premium basis increase.*
- *Our overall net expense ratio* ***declined from 57.4% to 51.6%*** *for the third quarter 2015 as compared to 2014. We are gaining operating efficiency as expected; we continued to see this trend improve as we achieve efficient scale.*
- *Excluding the impact of the claim development from the weather events occurring during the second quarter 2015 our combined ratio* ***would have been 79.8%.***
- *From June 15 to September 30, the* ***company purchased approximately 158,000 shares at an average price of $7.83 per share.*** *As our Board of Directors has approved to repurchase of up to a total of 500,000 shares, we anticipate that we will continue to buyback shares periodically in the coming quarters.*
- *As of September 30, 2015 the Company held cash, cash equivalents and investments with a carrying* ***value of $69.7 million.***

The company did have to contend with some weather events during both Q2 and Q3 that have led to underwriting losses. These losses should be mitigated entirely in the quarters ahead with the combined ratio moving back into 80% territory, making the company net profitable moving forward.

Additionally, the CEO commented in the most recent conference call with respect to the Texas market:

"We're getting ready to launch our homeowner product which should be out sometime in the next couple of weeks and by year end we are hoping to have our dwelling fire product out there as well. So we're building our independent agency network, ***we have over a 100 agents already signed up and we're putting a lot of effort and a lot of resources behind ramping up Texas."***

The first ever depopulation of the state run Texas Windstorm insurance market opens up a tremendous growth opportunity for 1347. There are $11.4 billion in homeowners direct premiums written in the state of Texas with a 5.8% four year CAGR. The early partnership with Brotherhood paired with capital on the balance sheet allows for 1347 to aggressively pursue growth in the state.

In the most recent conference call, Mr. Raucy stated the following:

"We are also looking at some expansion opportunities and then we really do think Texas has lot of opportunity to grow, which will assume some of our or consume some of our capital to so. Even if we don't do an M&A activity, we think with the expansion that we have on the board and our ability to

ramp up Texas based on what we think we can get out of that state that the capital will start being deployed and by the end of 2016 will be a lot further along with that capital deployment that we are today. "

During the four years since inception of 1347, the company has managed to capture slightly more than 1% of the Louisiana property insurance market. The Texas market is five times the size of Louisiana. Applying the same pace of potential success for Texas equates to $114 million in premiums for Texas within four years.

1347 has a clear, replicable strategy of entering property insurance markets through depopulation programs, practicing efficient underwriting through specific knowledge of that particular market, employing sales teams to gains customers, while competing on price and service in order to retain those customers. Therefore, the assumption that the Texas market can emulate their achievements in New Orleans is a viable one, especially when considering the amount of capital the company has in its possession awaiting investment.

Institutional Participation

It's no secret how profitable property & casualty insurance companies can be when led by experienced operators who make consistently favorable asset allocation decisions while managing risk appropriately. For that reason, when an attractively priced opportunity in the sector comes along that falls by the wayside due to the current market environment it does manage to attract its fair share of institutional interest.

There are a number of investment firms that have put capital to work in PIH.

The most notable is Legion Partners based in Los Angeles. Legion Partners describes themselves as a manager whose *investment objective is to achieve superior long-term returns for clients by primarily investing in deeply undervalued equity and debt securities of small- and mid-cap North American companies. We focus on identifying companies trading at a significant discount to intrinsic value.*

In an interview managing director Ted White said of their investment in PIH: *He wanted to take advantage of an opportunity to write property and causality insurance in generally risky coastal markets. White says there is an interesting dynamic going on in the market caused by a combination of good pricing power and declining re-insurance rates, where insurance companies hedge their risk. "We think they have a good opportunity and attractive runway for growth."*

Investment Firm	Shares Held	Percentage Outstanding
Kingsway Financial	1312537	19.90%
Fundamental Global Investors	583620	9.40%
Legion Partners	504443	7.90%
Solas Capital	376800	6.10%
Harbert Microcap	341563	5.40%
Northpointe	323897	5.09%
Fund Management Group	312500	4.90%

An Incentivized Management Team & Institutional Holder

Kingsway Financial was the original investor in 1347 pre-IPO. Kingsway retains a substantial stake in the company through share ownership of 20% of the outstanding shares. In early 2015, a buyout agreement was reached between Kingway and 1347 that terminated the management services agreement that was in place since the pre-IPO time period.

The composition of the buyout agreement was weighted towards equity ownership in 1347 for Kingsway:

Issued to Advisors a seven-year warrant (the "Warrant") ***to purchase up to 1,500,000 shares*** *of the Company's common stock, $0.001 par value per share (the "Common Stock")* ***at an exercise price of $15.00 per share****, and (iv) entered into a Performance Shares Grant Agreement dated February 24, 2015 (the "Performance Shares Grant Agreement"), with Advisors, whereby Advisors will be entitled* ***to receive 100,000*** *shares of the Common Stock from the Company* ***if at any time the last sales price of the Common Stock equals or exceeds $10.00 per share*** *for any 20 trading days within any 30-trading day period (collectively, the "Transaction").*

Additionally, management has been incentivized along the same lines of potential value for the company. In an 8-k filed on May 29, 2015:

In accordance with the Plan, the Company granted the following RSUs, which each represent the right to receive one share of our common stock upon satisfaction of certain conditions: 12,500 to Douglas N. Raucy, President and Chief Executive Officer, 4,000 to John S. Hill, Vice President and Chief Financial Officer and 4,000 to Dean Stroud, Vice President and Chief Underwriting Officer. Under the RSUs, 50% of the shares of common stock will be issued following the date that the closing price of the Company's common stock on the NASDAQ or any other national securities exchange on which the ***common stock is traded equals or exceeds $10.00 per share*** *(as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) and 50% of the shares of common stock will be issued following the date that the closing price of the Company's common stock on the NASDAQ or any other national securities exchange on which the* ***common stock is traded equals or exceeds $12.00 per share*** *(as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like).*

Risks

- Although the company is in possession of substantial reinsurance to cover a potential catastrophic event, there is always the possibility of a greater than anticipated catastrophe taking place in weather prone regions of the country that will exceed reinsurance coverage.

- The management team, while experienced in the insurance industry, has relatively little experience in M&A and capital allocation.

- 1347 has initially decided to compete on price in order to gain a foothold in their chosen regions. As a result, weather related events, such as what was experienced in Q2 and Q3 of 2015 can immediately impact profitability. As the number of policies increase, this sensitivity should be mitigated, however.

To Summarize

1347 Property Insurance epitomizes the market inefficiencies that every micro/small-cap investors faces in the current market environment, where little to no mind is paid to well-established small companies let alone publicly listed companies with a limited operating history.

This persistent inefficiency should, however, be welcomed by the opportunistic investor as it does, from time to time, bring about tremendously mispriced companies that have the potential for exponential appreciation over the long-term.

In 1347 investors at the current $38 million market cap are essentially being handed whatever policies, growth, regional advances and management experience the company possesses for free. The market is essentially telling us, given the current substantial discount to net cash, that future allocation decisions made by an experienced, diligent management team within an over-capitalized balance sheet will be net losers. Further, this statement by the market is coming at a time when the company has only achieved half-stride, in the process of moving full-stride into multiple, niche regions that will provide sustainability and predictability of future income and revenues.

Our investment in 1347 Property Insurance is a statement of opportunistic disagreement with the market in respect to the lack of consideration, thought and value given to a burgeoning company within the property and casualty insurance space.

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