

21ST CENTURY HOLDING CO
Form DEF 14A
April 02, 2009

United States

Securities and Exchange Commission
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

21st CENTURY HOLDING COMPANY
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on the table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

- (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

21st CENTURY HOLDING COMPANY

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON JUNE 2, 2009

To the Shareholders of 21st Century Holding Company:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the "Annual Meeting") of 21st Century Holding Company, a Florida corporation (the "Company"), will be held at our principal executive offices at 3661 West Oakland Park Boulevard, Suite 207, Lauderdale Lakes, Florida 33311, at 11:00 A.M., on June 2, 2009 for the following purposes:

1. To elect two Class II directors, each for a term of three years;
2. To consider and vote upon a proposal to approve an amendment to the 2002 Stock Option Plan to extend the maximum term of option grants from six years to ten years.
3. To consider and vote upon a proposal to adopt the 2009 Stock Option Plan.
4. To ratify the appointment of DeMeo Young McGrath as the Independent Registered Public Accounting Firm of the Company to serve for the 2009 fiscal year; and
5. To transact such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on April 1, 2009 as the record date for determining those shareholders entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof.

Whether or not you expect to be present, please sign, date and return the enclosed proxy card in the pre-addressed envelope provided for that purpose as promptly as possible. No postage is required if mailed in the United States.

By Order of the Board of Directors,

Rebecca L. Campillo, Secretary

Lauderdale Lakes, Florida
April 21, 2009

ALL SHAREHOLDERS ARE INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. THOSE SHAREHOLDERS WHO ARE UNABLE TO ATTEND ARE RESPECTFULLY URGED TO EXECUTE AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE. SHAREHOLDERS WHO EXECUTE A PROXY MAY NEVERTHELESS ATTEND THE ANNUAL MEETING, REVOKE THEIR PROXY AND VOTE THEIR SHARES IN PERSON.

21st CENTURY HOLDING COMPANY

ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 2, 2009

PROXY STATEMENT

General

We are providing these proxy materials in connection with the solicitation by the Board of Directors of 21st Century Holding Company of proxies to be voted at our 2009 Annual Meeting of Shareholders to be held on June 2, 2009, at 11:00 a.m. at the Company's principal executive offices located at 3661 West Oakland Park Boulevard, Suite 207, Lauderdale Lakes, FL 33311 and at any postponement or adjournment thereof. In this proxy statement, 21st Century Holding Company is referred to as the "Company," "we," "our" or "us."

The approximate date that this proxy statement and the enclosed form of proxy are first being sent to our shareholders is April 21, 2009. You should review the information provided in this proxy statement with our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which is being delivered to shareholders simultaneously with this proxy statement.

Internet Availability of Proxy Materials

This year, we will be using the new "Notice and Access" method of providing proxy materials to you via the Internet. We believe that this new process should provide you with a convenient and quick way to access your proxy materials and vote your shares, while allowing us to conserve natural resources and reduce the costs of printing and distributing the proxy materials. On or about April 21, 2009, we will mail to many of our stockholders a Notice of Internet Availability of Proxy Materials ("Notice") containing instructions on how to access our proxy statement and the Form 10-K and vote electronically via the Internet. The Notice also contains instructions on how to receive a paper copy of your proxy materials. We will not be mailing the Notice to stockholders who had previously elected either to receive notices and access the proxy materials and vote completely electronically via the Internet or to receive paper copies of the proxy materials.

Outstanding Securities and Voting Rights

Only holders of record of our common stock at the close of business on April 1, 2009, the record date, will be entitled to notice of, and to vote at the, the Annual Meeting. On that date, we had 8,013,894 shares of common stock outstanding. Each share of common stock is entitled to one vote at the Annual Meeting.

A majority of the outstanding shares of common stock present in person or represented by proxy constitutes a quorum for the transaction of business at the Annual Meeting. Abstentions and broker "non-votes" are counted as present and entitled to vote for purposes of determining whether a quorum exists. A "broker non-vote" occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

Proxy Voting

Shares for which proxy cards are properly executed and returned will be voted at the Annual Meeting in accordance with the directions given or, in the absence of directions, will be voted "FOR" the election of each of the nominees to the Board named herein, "FOR" Proposal 2 – to approve an amendment to the 2002 Stock Option Plan to extend the maximum term of option grants from six years to ten years, "FOR" Proposal 3 – to adopt the 2009 Stock Option Plan and "FOR" Proposal 4 - the ratification of DeMeo Young McGrath as our independent certified public accountants. If, however, other matters are properly presented, the person named in the proxies in the accompanying proxy card will vote in accordance with their discretion with respect to such matters.

The manner in which your shares may be voted depends on how your shares are held. If you own shares of record meaning that your shares of common stock are represented by certificates in your name so that you appear as a shareholder on the records of our transfer agent, Registrar and Transfer Company, a proxy card for voting those shares will be included within this Proxy Statement. You may vote those shares by completing, signing and returning the proxy card in the enclosed envelope.

If you own shares in street name, meaning that your shares of common stock are held by a bank or brokerage firm, you may instead receive a voting instruction form with this Proxy Statement that you may use to instruct your bank or brokerage firm how to vote your shares. As with a proxy card, you may vote your shares by completing, signing and returning the voting instruction form in the envelope provided. Alternatively, if your bank or brokerage firm has arranged for Internet or telephonic voting of shares, you may vote by following the instructions for using those services on the voting instruction form. If your bank or brokerage firm uses Broadridge Investor Communication Solutions, you may vote your shares via the Internet at www.proxyvote.com or by calling the telephone number on your voting instruction form.

All votes will be tabulated by Inspector of Elections appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. A list of the shareholders entitled to vote at the Annual Meeting will be available at the Company's executive office, 3661 West Oakland Park Boulevard, Suite 207, Lauderdale Lakes, FL 33311, for a period of ten (10) days prior to the Annual Meeting for examination by any shareholder.

Attendance and Voting at the Annual Meeting

If you own common stock of record, you may attend the Annual Meeting and vote in person, regardless of whether you have previously voted by proxy card. If you own common stock in street name, you may attend the Annual Meeting but in order to vote your shares at the Annual Meeting, you must obtain a "legal proxy" from the bank or brokerage firm that holds your shares. You should contact your bank or brokerage account representative to learn how to obtain a legal proxy. We encourage you to vote your shares in advance of the Annual Meeting by one of the methods described above, even if you plan on attending the Annual Meeting. If you have already voted prior to the Annual Meeting, you may nevertheless change or revoke your vote at the Annual Meeting in the manner described below.

Revocation

If you own common stock of record, you may revoke a previously granted proxy at any time before it is voted by delivering to the Secretary of the Company a written notice of revocation or a duly executed proxy bearing a later date or by attending the Annual Meeting and voting in person. Any shareholder owning common stock in street name may change or revoke previously granted voting instructions by contacting the bank or brokerage firm holding the shares or by obtaining a legal proxy from such bank or brokerage firm and voting in person at the Annual Meeting.

Costs of Mailing and Solicitation

The cost of preparing, assembling and mailing this Proxy Statement, the Notice of Annual Meeting and the enclosed proxy is to be borne by us. In addition to the use of mail, our employees may solicit proxies personally and by telephone. Our employees will receive no compensation for soliciting proxies other than their regular salaries. We may request banks, brokers and other custodians, nominees and fiduciaries to forward copies of the proxy material to their principals and to request authority for the execution of proxies. We may reimburse such persons for their expenses in so doing. At this time, we do not anticipate that we will be retaining a third-party solicitation firm, but should we determine, in the future, that it is in our best interests to do so, we will retain a solicitation firm and pay for

all costs and expenses associated with retaining this solicitation firm.

- 2 -

Adjournment or Postponement of the Annual Meeting

The Annual Meeting may be adjourned or postponed without notice other than by an announcement made at the Annual Meeting, if approved by the holders of a majority of the shares represented and entitled to vote at the Annual Meeting. No proxies voted against approval of any of the proposals will be voted in favor of adjournment or postponement for the purpose of soliciting additional proxies. If we postpone the Annual Meeting, we will issue a press release to announce the new date, time and location of the Annual Meeting.

BENEFICIAL SECURITY OWNERSHIP

The following table sets forth, as of the Record Date, information with respect to the beneficial ownership of our common stock by (i) each person who is known by us to beneficially own 5% or more of our outstanding common stock, (ii) each of our executive officers named in the Summary Compensation Table in the section "Executive Compensation," (iii) each of our directors, and (iv) all directors and executive officers as a group.

As used herein, the term beneficial ownership with respect to a security is defined by Rule 13d-3 under the Securities Exchange Act of 1934 as consisting of sole or shared voting power (including the power to vote or direct the vote) and/or sole or shared investment power (including the power to dispose or direct the disposition of) with respect to the security through any contract, arrangement, understanding, relationship or otherwise, including a right to acquire such power(s) during the next sixty (60) days. Unless otherwise noted, beneficial ownership consists of sole ownership, voting and investment rights and the address for each person is c/o 21st Century Holding Company, 3661 West Oakland Park Boulevard, Suite 300, Lauderdale Lakes, FL 33311.

Name and Address of Beneficial Owner (1)	Number of Shares Beneficially Owned (2)	Percent of Class Outstanding
Bruce F. Simberg (1)	193,779	2.50
Richard W. Wilcox, Jr. (2)	145,250	1.81
Carl Dorf (3)	122,288	1.52
Michael H. Braun (4)	46,900	*
Stephen C. Young (5)	42,200	*
Peter J. Prygelski, III (6)	35,000	*
Charles B. Hart, Jr. (7)	7,000	*
Jenifer G. Kimbrough	0	*
All directors and executive officers as a group (8 persons) (8)	599,417	7.39%
5% or greater holders:		
Edward J. Lawson and Michele V. Lawson (9) 3661 West Oakland Park Blvd, Suite 300 Lauderdale Lakes, FL 33311	695,795	8.56%
Dimensional Fund Advisors LP (10) Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	506,230	6.32%
Financial & Investment Management Group, Ltd. (11) 111 Cass Street	451,150	5.63%

Traverse City, MI 49684

*

Less than 1%.

- 3 -

- (1) Includes 7,000 shares of common stock issuable upon the exercise of stock options held by Mr. Simberg.
- (2) Includes 3,000 shares of common stock held in Mr. Wilcox's IRA, 50,000 shares of common stock held by Mr. Wilcox's spouse and 7,000 shares of common stock issuable upon the exercise of stock options held by Mr. Wilcox.
- (3) Includes 59,624 shares of common stock held by Carl Dorf Rollover IRA, 54,164 shares of common stock held by Dorf Trust, 1,500 shares of common stock held in a joint account with Mr. Dorf's spouse, and 7,000 shares of common stock issuable upon the exercise of stock options held by Mr. Dorf.
- (4) Includes 29,000 shares of common stock issuable upon the exercise of stock options held by Mr. Braun.
- (5) Includes 7,400 shares of common stock issuable upon the exercise of stock options held by Mr. Young.
- (6) Includes 2,000 shares of common stock held in Mr. Prygelski's IRA and 32,000 shares of common stock issuable upon the exercise of stock options held by Mr. Prygelski.
- (7) Includes 7,000 shares of common stock issuable upon the exercise of stock options held by Mr. Hart.
- (8) Includes 96,400 shares of common stock issuable upon the exercise of stock options.
- (9) Represents 330,407 shares of common stock held of record by Edward J. Lawson, 269,163 shares of common stock held of record by Michele V. Lawson, the wife of Mr. Lawson, 10,000 shares of common stock held by Mr. and Mrs. Lawson's daughter and 86,225 shares of common stock issuable upon the exercise of stock options held by Mr. Lawson. This information is based on Form 4 filings made by Michele Lawson and Edward Lawson with the SEC on March 11, 2009 and the Company's records with respect to Mr. Lawson's stock options.
- (10) Includes 506,230 shares of common stock beneficially held on behalf of various clients of Dimensional Fund Advisors LP ("Dimension") This information is based on Dimension's Schedule 13G filed with the SEC on February 9, 2009.
- (11) Includes 451,150 shares of common stock beneficially held on behalf of various clients of Financial & Investment Management Group, Ltd. ("FIM"). This information is based on FIM's Schedule 13D filing made with the SEC on October 20, 2009.

PROPOSAL ONE: ELECTION OF DIRECTORS

Our Articles of Incorporation provide that our Board of Directors consists of three classes of directors, as nearly equal in number as possible, designated Class I, Class II and Class III and provides that the exact number of directors comprising our Board of Directors will be determined from time to time by resolution adopted by the Board. At each annual meeting of shareholders, successors to the class of directors whose terms expires at that annual meeting are elected for a three-year term. The current term of the Class II directors terminates on June 2, 2009, the date of our 2009 Annual Meeting. The current term of the Class I directors terminates on the date of our 2010 annual meeting of shareholders and the current term of the Class III directors terminates on the date of our 2011 annual meeting of shareholders.

Messrs. Bruce F. Simberg and Richard W. Wilcox, Jr. currently serve as Class II directors. Our Board of Directors has nominated them and they will stand for re-election at the 2009 Annual Meeting. Our Board of Directors has established by resolution that our Board of Directors will consist of 7 members, consisting of three Class I directors, two Class II directors and two Class III Directors. Michael H. Braun, Peter J. Prygelski, III and Jenifer G. Kimbrough

currently serve as Class I directors and Carl Dorf and Charles B. Hart, Jr. currently serve as Class III directors. If elected at the 2009 Annual Meeting, Messrs. Simberg and Wilcox will serve as Class II directors until our 2012 Annual Meeting of Shareholders or until their successors are duly elected and qualified.

- 4 -

Messrs. Simberg and Wilcox have consented to serve on our Board of Directors and the Board of Directors has no reason to believe that they will not serve if elected. However, if any of them should become unavailable to serve as a director, and if the Board has designed a substitute nominee, the persons named as proxies will vote for this substitute nominee.

Nominees for Re-election

The following persons were recommended by the Board of Directors and are nominated as directors as follows:

Name	Age	Position with the Company
Bruce F. Simberg	60	Chairman of the Board, Director
Richard W. Wilcox, Jr.	67	Director

Bruce F. Simberg has served as a Class II director of the Company since January 1998. Mr. Simberg has been a practicing attorney since October 1975, most recently as managing partner of Conroy, Simberg, Ganon, Krevans, Abel, Lurvey, Morrow & Schefer, P.A. (“Conroy Simberg”), a law firm in Ft. Lauderdale, Florida, since October 1979.

Richard W. Wilcox, Jr. has served as a Class II director of the Company since January 2003. Mr. Wilcox has been in the insurance industry for more than 40 years. In 1963, Mr. Wilcox started an insurance agency that eventually developed into a business generating \$10 million in annual revenue. In 1991, Mr. Wilcox sold his agency to Hilb, Rogal and Hamilton Company (“HRH”) of Fort Lauderdale, for which he retained the position of President through 1998. In 1998, HRH of Fort Lauderdale merged with Poe and Brown of Fort Lauderdale, and Mr. Wilcox served as the Vice President of Poe and Brown until 1999, when he retired.

Vote Required and Recommendation

The two nominees for election to the Board of Directors, as Class II directors, who receive the greatest number of votes cast for the election of directors by the shares present, in person or by proxy, shall be elected directors. Shareholders do not have the right to cumulate their votes for directors. In the election of directors, an abstention or broker non-vote will have no effect on the outcome. The Board recommends that its shareholders vote “FOR” each of the nominees for director set forth above.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” EACH OF THE NOMINEES FOR DIRECTOR SET FORTH ABOVE.

EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth certain information with respect to our executive officers and directors as of April 1, 2009:

Name	Age	Position with the Company
Michael H. Braun	41	Chief Executive Officer, Class I Director
Peter J. Prygelski, III	40	Chief Financial Officer, Class I Director
Stephen C. Young	34	President
Carl Dorf	68	Class III Director

Charles B. Hart, Jr.	70	Class III Director
Bruce F. Simberg	60	Chairman, Class II Director
Richard W. Wilcox, Jr.	67	Class II Director
Jenifer G. Kimbrough	37	Class I Director

- 5 -

The business experience of Bruce F. Simberg and Richard W. Wilcox, Jr., the two nominees to serve as Class II Directors, appears under the caption "Nominees for Re-election" beginning on page 5.

Michael H. Braun was appointed to the Board of Directors as a Class I director in December 2005. Mr. Braun was named Chief Executive Officer in June 2008. Mr. Braun brings to the mission his experience from a 13-year career with the Company, where he was Chief Operating Officer of the Company and President of Federated National Insurance Company, a wholly-owned subsidiary of the Company, a position he continues to hold. In these roles, he was responsible for the business operations and strategic product portfolio. Prior to joining the Company, Mr. Braun was Managing Partner for an independent chain of insurance agencies that was located throughout the state of Florida, which was acquired by the Company in 1998.

Peter J. Prygelski, III was appointed to the Board of Directors as a Class I director in June 2008 and has served as our Chief Financial Officer since June 2007. Mr. Prygelski served as a Director of the Company and as the Chairman of the Audit Committee and the Company's designated financial expert from January 2004 through June 25, 2007. He has also served as a member of our Investment Committee and Independent Director's Committee during that time period. Mr. Prygelski most recently served as a Senior Manager in the Enterprise Risk Services practice of Deloitte and Touche from May 2006 to May 2007. Prior to joining Deloitte and Touche, Mr. Prygelski served in a similar capacity with Ernst & Young from April 2004 to April 2006. Previously, Mr. Prygelski was a Director of Audit for American Express Centurion Bank (a subsidiary of American Express), where he began his career in Corporate Finance and was a member of their Enterprise Risk and Assurance function from November 1991 to August 2003.

Stephen C. Young has served as the Company's President from June 2007 through the present date, and as President of Federated Premium Finance, Inc., a wholly-owned subsidiary of the Company, from January 1998 through the present date. Mr. Young served as Vice President of Operations of the Company from June 2006 through May 2007.

Carl Dorf was appointed to the Board of Directors in August 2001. Since April 2001, Mr. Dorf has been the principal of Dorf Asset Management, LLC, and is responsible for all investment decisions made by that company. From January 1991 to February 2001, Mr. Dorf served as the Fund Manager of ING Pilgrim Bank and Thrift Fund. Prior to his experience at Pilgrim, Mr. Dorf was a principal in Dorf & Associates, an investment management company.

Charles B. Hart, Jr. was appointed to the Board of Directors in March 2002. Mr. Hart has more than 40 years of experience in the insurance industry. From 1973 to 1999, Mr. Hart served as President of Public Assurance Group and as General Manager of Operations for Bristol West Insurance Services. Since 1999, Mr. Hart has acted as an insurance consultant.

Jenifer G. Kimbrough was appointed to the Board of Directors effective April 1, 2009. Ms. Kimbrough has served as the Vice President of Assurance and Process Improvement for Surgical Care Affiliates since November 2007. Prior to 2007, Ms. Kimbrough was the Senior Vice President of Investor Relations at Regions Financial Corporation. From 1993 to 2003, Ms. Kimbrough served as an Audit Senior Manager at Ernst & Young LLP. Ms. Kimbrough received her certification as a certified public accountant from the Alabama State Board of Public Accountancy in 1994. Ms. Kimbrough is an active member of several societies, including: American Woman's Society of CPAs, Institute of Internal Auditors, Alabama State Society of CPAs and American Institute of CPAs. Additionally, she recently served on the AICPA Women's Initiative Executive Committee and as National President of the AWSCPA.

Significant Employees

James Gordon Jennings, III (age 51) has served as the President of Assurance Managing General Agents, Inc. (“Assurance MGA”), a wholly-owned subsidiary, since May 2008 and as the Company’s Vice President of Risk Management since April 2008. Previously he worked for American Vehicle Insurance Company (“American Vehicle”), one of our wholly-owned subsidiary companies, from 1990 through 2000 where he was involved in all aspects of property and casualty insurance. Mr. Jennings served as our Controller from May 2000 through August 2002, as Chief Financial Officer from August 2002 through June 2007 and as Chief Accounting Officer from June 2007 through March 2008. Mr. Jennings’, formerly a certified public accountant, also holds a Certificate in General Insurance and an Associate in Insurance Services as designated by the Insurance Institute of America.

Thomas J. Spitalny (age 48) was appointed to serve as the President of American Vehicle in February 2009. Mr. Spitalny joined the Company in April 2008 to serve as our Product Development Manager. Mr. Spitalny has over 27 years of experience in the insurance industry. Prior to joining the Company, Mr. Spitalny served as President of Whitehill Agency Management, LLC (September 2004-April 2008), Senior Vice President of Insurers Unlimited, Inc. (June 2002 to September 2004) and Vice President of Volvo Commercial Finance The Americas, LLC, as well as Chief Operating Officer of Accelerated Reinsurance Company Ltd., (January 1998 to June 2002).

C. Brian Turnau (age 42) has served as the President of Superior Adjusting, Inc. (“Superior”), a wholly-owned subsidiary of the Company, since July 2006. Mr. Turnau served as the Litigation Manager of Superior from June 2000 until his promotion to President. He has over nine years experience in the insurance industry. Prior to joining the Company, Mr. Turnau worked for private practice insurance defense litigation law firms for over fifteen years. Mr. Turnau earned his Bachelors of Arts degree in History in 1989 from Washington and Lee University. He currently serves on the Board of Directors of the Florida High School for Accelerated Learning, a nonprofit Charter School that serves the needs of underprivileged students.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), requires executive officers, directors and holders of more than 10% of our common stock to file reports of ownership and changes in ownership with the Securities and Exchange Commission (“SEC”) and The Nasdaq National Market (“Nasdaq”). Such persons are required to furnish us with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of such forms received by it, or oral or written representations from certain reporting persons, we believe that, with respect to the fiscal year ended December 31, 2008, all filing requirements applicable to our executive officers, directors and 10% beneficial owners were complied with, except Edward Lawson filed one Form 4 late, which was amended two times, which reported 16 transactions.

Corporate Governance

We have adopted a Code of Conduct for all employees, officers and directors of the Company. A copy of our Code of Conduct policy is available on our web site at www.21stcenturyholding.com.

Meetings and Committees of the Board of Directors

During 2008, the Board of Directors held four (4) regular meetings, five (5) special meetings and took actions by written consent on sixteen (16) occasions. During 2008, no director attended fewer than 75% of the board and committee meetings held during this period. The Board of Directors encourages, but does not require, its directors to attend the Company’s annual meeting. Last year, all seven (7) of our directors attended our annual meeting.

The Board has determined that the following directors are independent pursuant to the Nasdaq Global Market listing requirements ("Nasdaq Rules") Carl Dorf, Charles B. Hart, Jr., Richard W. Wilcox, Jr., Bruce F. Simberg, and Jenifer G. Kimbrough. In making the independence determination with respect to Mr. Simberg, the Board considered the fact that Conroy Simberg, a law firm founded by Mr. Simberg, had provided legal services to the Company during the past 14 years. However, the legal services provided by Conroy Simberg during the past three fiscal years do not exceed the amounts set forth in Nasdaq Rule 4200(a)(15) and Mr. Simberg qualifies as an independent director under Nasdaq Rule 4200(a)(15).

- 7 -

In March 2008 the Company's Board of Directors decided to disband the Independent Directors Committee and designate separate committees to perform its respective duties and responsibilities. Therefore, the standing committees of the Board of Directors in 2008 are the Audit Committee, the Compensation Committee, the Nominating Committee and the Investment Committee. Charters for each committee are available upon the Company's website at www.21stcenturyholding.com. The charter of each committee is also available in print to any shareholder who requests it from our Corporate Secretary.

Audit Committee

As of December 31, 2008, the Audit Committee was composed of Charles B. Hart, Jr., who served as the Chairman of the Audit Committee, Richard W. Wilcox, Jr. and Carl Dorf. Each member was determined to be independent as defined by the Nasdaq Rules and SEC rules for Audit Committee membership. Mr. Dorf was designated as a "financial expert" as that term is defined in the applicable rules and regulations of the Exchange Act. The Board determined that Mr. Dorf was a "financial expert" as defined in the applicable rules and regulations of the Exchange Act based on his forty (40) years of experience as a securities analyst. The Audit Committee met on six (6) occasions in 2008. Effective as of April 1, 2009, Jennifer G. Kimbrough was appointed to serve on the Audit Committee. The Board has determined that Ms. Kimbrough is independent as defined by the Nasdaq Rules and SEC rules for Audit Committee membership and is a "financial expert" as defined in the applicable rules and regulations of the Exchange Act.

Pursuant to its written charter, the duties and responsibilities of the Audit Committee include, but are not limited to, (a) the appointment of the independent certified public accountants and any termination of such engagement, (b) reviewing the plan and scope of independent audits, (c) reviewing significant accounting and reporting policies and operating controls, (d) having general responsibility for all related auditing and financial statement matters, and (e) reporting its recommendations and findings to the full Board of Directors. The Audit Committee pre-approves all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed by the independent accountants, subject to the de minimus exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act that are approved by the Audit Committee prior to the completion of the audit.

To ensure prompt handling of unexpected matters, the Audit Committee delegates to the Chair the authority to amend or modify the list of approved permissible non-audit services and fees. The Chair will report action taken to the Audit Committee at the next committee meeting.

The independent auditor must ensure that all audit and non-audit services have been approved by the Audit Committee. The Chief Financial Officer is responsible for tracking all independent auditor fees against the budget for such services and report at least annually to the Audit Committee.

Independent Directors Committee

As of January 1, 2008, the members of the Independent Directors Committee were Carl Dorf, who served as the Chairman, Charles B. Hart, Jr., Richard W. Wilcox, Jr. and Anthony C. Krayner, III. Each member was determined to be independent as defined by the Nasdaq Rules. Mr. Dorf served as the Chairman of the Independent Directors Committee. This committee met in executive session biannually and its duties and responsibilities included, but were not limited to, the following:

- Function as the Company's Compensation Committee and review and approve the compensation of our executive officers and directors
- Administer the Company's 1998 Stock Option Plan, 2001 Franchise Stock Option Plan and 2002 Stock Option Plan

- Function as the Company's Nominating Committee.

The Independent Directors Committee had adopted written charters for its duties with respect to (i) the compensation of the Company's executive officers and directors, contained in the Compensation Committee Charter and (ii) the nomination process for directors, contained in its Nomination Committee Charter.

In March 2008 the Company's Board of Directors decided to disband the Independent Directors Committee and designate separate committees to perform its respective duties and responsibilities. The committees designated to replace the Independent Directors Committee are the Compensation Committee and the Nominating Committee to which each committee shall perform the duties and responsibilities pursuant to its respective charter.

Compensation Committee

During fiscal 2008, the Company's Compensation Committee was composed of Carl Dorf, Charles B. Hart, Jr., Richard W. Wilcox, Jr., and Bruce F. Simberg. As of April 1, 2009, Jenifer G. Kimbrough joined the Compensation Committee. Each member is independent as defined by the Nasdaq Rules. Mr. Dorf serves as the Chairman. The Compensation Committee performs the duties and responsibilities pursuant to its charter, which includes reviewing and approving the compensation of the Company's executive officers. During fiscal 2008, the Compensation Committee held two (2) regular meetings, three (3) special meetings and acted two (2) times by written consent.

Nominating Committee

The Company's Nominating Committee is composed of Bruce F. Simberg, Charles B. Hart, Jr. and Richard W. Wilcox, Jr. Each member is independent as defined by the Nasdaq Rules. Mr. Simberg serves as the Chairman.

The Nominating Committee will consider candidates for director who are recommended by its members, by other Board members and by management of the Company. The Nominating Committee will consider nominees recommended by our shareholders if the shareholder submits the nomination in compliance with the advance notice, information and other requirements described in our bylaws and applicable securities laws. The Nominating Committee evaluates director candidates recommended by shareholders in the same way that it evaluates candidates recommended by its members, other members of the Board, or other persons. The Nominating Committee considers all aspects of a candidate's qualifications in the context of the needs of the Company at that point in time with a view to creating a Board with a diversity of experience and perspectives. Among the qualifications, qualities and skills of a candidate considered important by the Nominating Committee is a person with strength of character, mature judgment, familiarity with the Company's business and industry, independent of thought and an ability to work collegially.

Shareholders who wish to recommend nominees to the Nominating Committee should submit their recommendation in writing to the Secretary of the Company at its executive offices pursuant to the requirements contained in Article III, Section 13 of the Company's Bylaws. This section provides that the notice shall include: (a) as to each person who the shareholder proposed to nominate for election, (i) name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the Company which are beneficially owned by the person, (iv) the consent of each nominee to serve as a director of the Company if so elected and (v) any other information relating to the person that is required to be disclosed in solicitation for proxies for the election of directors pursuant to Rule 14A under the Exchange Act; and (b) as to the shareholder giving the notice, the name and record address of the shareholder, and (ii) the class and number of shares of capital stock of the Company which are beneficially owned by the shareholder. The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as a director of the Company.

Investment Committee

The Company's Investment Committee for 2008 was composed Peter J. Prygelski, III, Bruce F. Simberg, and Carl Dorf. The Investment Committee manages our investment portfolio pursuant to its adopted Investment Policy Statement. The Investment Committee held one (1) formal meeting in 2008 and at least four (4) informal telephonic meetings throughout the year with its members and investment advisors.

REPORT OF THE AUDIT COMMITTEE

This report shall not be deemed incorporated by reference by a general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 (the "Securities Act") or the Exchange Act, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such acts.

The Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed the audited financial statements with our management.
2. The Audit Committee has discussed with DeMeo, Young, McGrath ("DeMeo"), our independent registered public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol 1, AU section 380) as adopted by the Public Company Accounting Oversight Board ("PCAOB") in Rule 3200T.
3. The Audit Committee has as received the written disclosures and the letter from DeMeo required by applicable requirements of the PCAOB regarding DeMeo's communications with the audit committee concerning independence, and has discussed with DeMeo its independence;
4. Based on the review and discussion referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the Board of the Company, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, for filing with the SEC.

Audit Committee Report for the Year Ended December 31, 2008

Respectfully Submitted

March 31, 2009

/s/ Charles B. Hart, Jr., Chairman

/s/ Carl Dorf

/s/ Richard W. Wilcox, Jr.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Overview and Philosophy of the Compensation Program

The Compensation Directors Committee of the Board had the responsibility for establishing, implementing and continually monitoring adherence with the Company's compensation philosophy. With respect to executive compensation, the primary goal of the Compensation Committee is to attract and retain the most qualified, knowledgeable, dedicated and seasoned executives possible, to reward them for their contributions to the development

of our business and to align the executives incentives with shareholder value creation.

The Compensation Committee evaluates individual executive performance with a goal of setting compensation at levels the committee believes are comparable with executives in other companies of similar size and stage of development operating in the insurance industry while taking into account our relative performance and our own strategic goals.

- 10 -

The Compensation Committee conducts an annual benchmark review of the aggregate level of our executive compensation, as well as the mix of elements used to compensate our executive officers. This review is based on a survey of executive compensation paid by four (4) property and casualty insurance companies as reported in each company's proxy statement. The companies that we made our comparisons with are as follows: Affirmative Insurance Holdings, Inc. (NASDAQ: AFFM), American Safety Insurance Holdings, Ltd. (NYSE: ASI), Gainsco, Inc. (NYSE: GAN), and Mercer Insurance Group, Inc. (NASDAQ: MIGP).

The Compensation Committee has not retained a compensation consultant to review our policies and procedures with respect to executive compensation. During the evaluation process, the Compensation Committee receives substantial input from the Chief Executive Officer regarding the appropriate level and type of compensation for our executives.

Throughout this proxy statement, the individuals who served as the Company's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and President during fiscal 2008, are included in the Summary Compensation Table on page 14 are referred to as the "Named Executive Officers" or "Officers."

Elements of Compensation

Executive compensation consists of following elements:

Base Salary. Base salaries for our executives are established based on the scope of their responsibilities, taking into account competitive market compensation paid by other companies for similar positions. Generally, we currently believe that executive base salaries should be targeted slightly lower than the median of the range of salaries for executives in similar positions with similar responsibilities at comparable companies. This belief may change over time. Base salaries are reviewed annually, as part of the Company's review process, and are adjusted from time to time after taking into account a number of factors, including each executive's level of responsibility, level of performance during the past fiscal year (with respect to specific areas of responsibility and on an overall basis), past and present contribution to and achievement of Company goals, and our historical compensation levels. We believe in supplementing these salaries with stock options to reward both shareholders and management if the Company does well and the stock responds accordingly.

During fiscal 2008, our executive officers were Michael H. Braun, our Chief Executive Officer from July 1, 2008 through present, Peter J. Prygelski, III, our Chief Financial Officer, Stephen C. Young, our President, Edward J. Lawson, our Chief Executive Officer through June 30, 2008, and J. Gordon Jennings, III, our Chief Accounting Officer through March 31, 2008. The salary levels for Michael Braun and Peter Prygelski are determined by the terms set forth in their respective employment agreements. Under these agreements, the Company is allowed to make discretionary increases in the executive's base salaries, as it determines appropriate. The salary levels for Edward Lawson and Gordon Jennings were determined by the terms set forth in their respective agreements.

Long-Term Incentive/Options Program. We believe that long-term performance is achieved through an ownership culture that encourages such performance by our executive officers through the use of stock-based awards. Our stock option plans have been established to provide certain of our employees, including our executive officers, with incentives to help align those employees' interests with the interests of our shareholders. The Compensation Committee believes that the use of stock-based awards offers an additional method to achieving our compensation goals. Our stock compensation plans have provided the principal method for our executive officers to acquire equity or equity-linked interests in our company without the adoption of stock ownership guidelines. We expect to continue to provide a portion of total compensation to our executives through our stock option plans rather than through additional cash-based compensation.

Our 2002 Stock Option Plan (and 1998 Stock Option Plan prior to its expiration on September 16, 2008) authorizes us to grant options to purchase shares of common stock to our employees, directors and consultants, as will the 2009 Stock Option Plan upon approval of shareholders. Our Compensation Committee is the administrator of the stock option plans. The Compensation Committee reviews and approves stock option awards to executive officers based upon a review of competitive compensation data, its assessment of individual performance, and retention considerations, as well as a review of the individual's existing share and option holdings. Periodic stock option grants are made at the discretion of the Compensation Committee and/or executive management members, who have been granted limited authority by the Compensation Committee.

Stock options granted by us have an exercise price equal to or greater than the fair market value of our common stock on the day of grant, typically vest 20% per annum based upon continued employment over a five-year period, and generally expire six (6) or ten (10) years after the date of grant. Incentive stock options also include certain other terms necessary to assure compliance with the Internal Revenue Code of 1986, as amended.

In 2008, the Compensation Committee authorized the following grants to our Named Executive Officers:

- 1) 4,500 stock options to Mr. Braun at an exercise price of \$12.58 per share on January 30, 2008, which is equal to 102% of the fair market value of the Company's common stock on the date of grant, vest 20% per year beginning on January 30, 2009 and expire on January 30, 2014;
- 2) 40,000 stock options to Mr. Braun at an exercise price of \$8.32 per share on July 1, 2008, which is equal to 102% of the fair market value of the Company's common stock on the date of grant, vest 20% per year beginning on July 1, 2009 and expire on July 30, 2014;
- 3) 500 stock options to Mr. Braun at an exercise price of \$4.59 per share on December 12, 2008, which is equal to the fair market value of the Company's common stock on the date of grant, vest 20% per year beginning on December 12, 2009 and expire on December 12, 2014;
- 4) 4,500 stock options to Mr. Prygelski at an exercise price of \$12.58 per share on January 30, 2008, which is equal to 102% of the fair market value of the Company's common stock on the date of grant, vest 20% per year beginning on January 30, 2009 and expire on January 30, 2014;
- 5) 10,000 stock options to Mr. Prygelski at an exercise price of \$8.32 per share on July 1, 2008, which is equal to 102% of the fair market value of the Company's common stock on the date of grant, vest 20% per year beginning on July 1, 2009 and expire on July 30, 2014;
- 6) 500 stock options to Mr. Prygelski at an exercise price of \$4.59 per share on December 12, 2008, which is equal to the fair market value of the Company's common stock on the date of grant, vest 20% per year beginning on December 12, 2009 and expire on December 12, 2014;
- 7) 10,000 stock options to Mr. Young at an exercise price of \$13.07 per share on March 4, 2008, which is equal to 102% of the fair market value of the Company's common stock on the date of grant, vest 20% per year beginning on March 4, 2009 and expire on March 4, 2014;
- 8) 500 stock options to Mr. Young at an exercise price of \$4.59 per share on December 12, 2008, which is equal to the fair market value of the Company's common stock on the date of grant, vest 20% per year beginning on December 12, 2009 and expire on December 12, 2014;
- 9) 5,000 stock options to Mr. Jennings at an exercise price of \$13.24 per share on April 1, 2008, which is equal to 102% of the fair market value of the Company's common stock on the date of grant, vest 20% per year beginning on April 1, 2009 and expire on April 1, 2014;
- 10) 500 stock options to Mr. Jennings at an exercise price of \$4.59 per share on December 12, 2008, which is equal to the fair market value of the Company's common stock on the date of grant, vest 20% per year beginning on December 12, 2009 and expire on December 12, 2014; and
- 11) 4,500 stock options to Mr. Lawson at an exercise price of \$13.56 per share on January 30, 2008, which is equal to 110% of the fair market value of the Company's common stock on the date of grant, vest 20% per year beginning on January 30, 2009 and expire on January 30, 2014.

The Compensation Committee has not established guidelines for the granting of plan-based awards in fiscal 2009.

- 12 -

Discretionary Annual Bonus. The Compensation Committee has the authority to award discretionary annual bonuses to our executive officers. During fiscal 2008, the Compensation Committee did not award any discretionary annual bonus to any executive officer but may elect to do so in the future with the intention to compensate officers for achieving financial and/or operational goals and for achieving individual annual performance objectives.

Other Compensation. Our executive officers who are parties to employment agreements will continue to be parties to such employment agreements in their current form until such time as the Compensation Committee determines, at its discretion, that revisions to such employment agreements are advisable. In addition, consistent with our compensation philosophy, we intend to continue to maintain our current benefits and perquisites for our executive officers; however, the Compensation Committee, at its discretion, may revise, amend or add to the officers' executive benefits and perquisites, if it deems it advisable. We believe these benefits and perquisites are currently lower than median competitive levels for comparable companies. We currently have no plans to change either the employment agreements (except as required by law or as required to clarify the benefits to which our executive officers are entitled as set forth herein) or levels of benefits and perquisites provided thereunder.

Employee Benefit Plans. Our employees, including our executive officers, are entitled to various employee benefits. These benefits include the following: medical and dental care plans; flexible benefit accounts; life, accidental death and dismemberment and disability insurance; a 401(k) plan; and paid time off.

401(k) Plan. We offer a qualified 401(k) Plan to eligible employees. Under the plan, we may elect to match contributions made by participants; however, there was no matching contributions made by us to any employee or executive officer from February 2001 to March 2008. The Company was authorized by the Board of Directors to match 50% up to 6% of a participant's elective contributions effective April 1, 2008.

Compensation Committee Report

The Compensation Committee of the Company has reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Compensation Committee Report

Respectfully Submitted

March 31, 2009

/s/ Carl Dorf, Chairman

/s/ Charles B. Hart

/s/ Richard W. Wilcox, Jr.

/s/ Bruce F. Simberg

Summary Compensation Table

The following Summary Compensation table sets forth information regarding compensation earned by, awarded to or paid to our Chief Executive Officer, Chief Financial Officer, and President, as well as our former Chief Executive Officer and former Chief Accounting Officer for the year ended December 31, 2008. We refer to these officers as our Named Executive Officers in other parts of this proxy statement. We currently do not have any other individual employee of the Company designated as an executive officer.

SUMMARY COMPENSATION

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards (1)	Non-Equity Incentive Compensation	Change in Pension Value and Deferred Compensation Earnings	All Other Compensation (2)	Total
Michael H. Braun Chief Executive Officer (3)	2008	\$ 186,863	—	—	\$ 48,447	—	—	\$ 15,880	\$ 251,190
	2007	\$ 146,697	—	—	\$ 19,622	—	—	\$ 3,023	\$ 169,342
	2006	\$ 137,000	—	—	\$ 16,405	—	—	—	\$ 153,405
Peter J. Prygelski, III Chief Financial Officer (4)	2008	\$ 169,539	—	—	\$ 23,696	—	—	\$ 25,139	\$ 218,374
	2007	\$ 80,100	—	—	\$ 12,883	—	—	\$ 38,892	\$ 131,904
	2006	—	—	—	—	—	—	—	—
Stephen C. Young President (5)	2008	\$ 129,962	—	—	\$ 18,510	—	—	\$ 30,921	\$ 179,393
	2007	\$ 120,100	—	—	\$ 7,375	—	—	\$ 18,051	\$ 145,526
	2006	\$ 93,331	—	—	\$ 1,790	—	—	—	\$ 95,121
Edward J. Lawson CEO and Chairman of the Board (6)	2008	\$ 175,000	—	—	\$ 71,905	—	—	\$ 21,162	\$ 268,067
	2007	\$ 175,000	—	—	\$ 204,732	—	—	\$ 26,942	\$ 406,674
	2006	\$ 175,000	—	—	\$ 74,674	—	—	\$ 23,630	\$ 273,304
J. Gordon Jennings, III Chief Accounting Officer (7)	2008	\$ 132,097	—	—	\$ 31,574	—	—	\$ 32,945	\$ 196,616
	2007	\$ 143,850	—	—	\$ 33,066	—	—	\$ 17,361	\$ 194,277
	2006	\$ 137,000	—	—	\$ 51,116	—	—	\$ 16,912	\$ 205,028

(1) This amount reflects the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2008, in accordance with FAS123R. Assumptions used in the calculation of this amount are included in footnote 16 to the Company's audited financial statements for fiscal year ended December 31, 2008.

(2) See table "All Other Compensation" for an itemized disclosure of this element of compensation.

(3)

Mr. Braun has served as our Chief Executive Officer since July 1, 2008 and the President of Federated National Insurance Company, a wholly-owned subsidiary of the Company since September 2003.

- (4) Mr. Prygelski has served as our Chief Financial Officer since June 25, 2007. Prior to this time, he served as an outside director of the Company from January 2004 through June 25, 2007. Mr. Prygelski's 2007 salary represented in the table is not for a full year.
- (5) Mr. Young has served as the Company's President since June 2007 and as President of Federated Premium Finance from January 1998 through the present date.
- (6) Mr. Lawson served as the Company's Chief Executive Officer and Chairman of the Board through June 30, 2008.
- (7) Mr. Jennings served as our Chief Accounting Officer from June 25, 2007 through March 31, 2008 and as our Chief Financial Officer from August 2002 through June 2007.

ALL OTHER COMPENSATION

Name	Year	Auto	Cell Phone	Events (1)	Club Member Dues	Insurance Benefits (2)	Contribution to 401(k) (3)	All Other Compensation	Total
Michael H. Braun	2008	\$ 5,000	\$ 1,375	\$ 3,850					