

UNIVERSAL INSURANCE HOLDINGS, INC.  
Form 10-Q  
October 29, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-33251

UNIVERSAL INSURANCE HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

65-0231984  
(I.R.S. Employer  
Identification No.)

1110 W. Commercial Blvd., Fort Lauderdale, Florida 33309

(Address of principal executive offices)

(954) 958-1200

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definitions of "large accelerated filer" and "accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 35,600,279 shares of common stock, par value \$0.01 per share, outstanding on October 23, 2015.

UNIVERSAL INSURANCE HOLDINGS, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Stockholders of

Universal Insurance Holdings, Inc. and Subsidiaries

Fort Lauderdale, Florida

We have reviewed the accompanying condensed consolidated balance sheet of Universal Insurance Holdings, Inc. and its wholly-owned subsidiaries (the "Company") as of September 30, 2015 and the related condensed consolidated statements of income and comprehensive income for the three and nine-month periods ended September 30, 2015 and 2014 and the related condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2015 and 2014. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Universal Insurance Holdings, Inc. and Subsidiaries as of December 31, 2014 and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the year then ended (not presented herein) and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated February 25, 2015. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2014, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Plante & Moran, PLLC

Chicago, Illinois

October 29, 2015

## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements

## UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(in thousands, except per share data)

	As of September 30, 2015	December 31, 2014
<b>ASSETS</b>		
Cash and cash equivalents	\$201,774	\$ 115,397
Restricted cash and cash equivalents	2,635	2,635
Fixed maturities, at fair value	417,769	353,949
Equity securities, at fair value	46,627	19,642
Short-term investments, at fair value	75,023	49,990
Investment real estate, net	5,820	—
Prepaid reinsurance premiums	113,240	190,505
Reinsurance recoverable	36,135	55,187
Reinsurance receivable, net	166	7,468
Premiums receivable, net	56,617	50,987
Other receivables	5,195	2,763
Property and equipment, net	26,302	17,254
Deferred policy acquisition costs, net	63,003	25,660
Income taxes recoverable	10,964	5,675
Deferred income tax asset, net	12,196	11,850
Other assets	4,900	2,812
Total assets	\$1,078,366	\$911,774
<b>LIABILITIES, CONTINGENTLY REDEEMABLE COMMON STOCK AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Unpaid losses and loss adjustment expenses	\$101,059	\$ 134,353
Unearned premiums	463,651	395,748
Advance premium	26,029	17,919
Accounts payable	1,582	4,121
Book overdraft	3,728	5,924
Payable for securities purchased	7,937	—
Reinsurance payable, net	125,427	66,066
Income taxes payable	—	1,799
Dividends payable to shareholders	4,287	—
Other liabilities and accrued expenses	37,388	36,318
Long-term debt	24,324	30,610
Total liabilities	795,412	692,858

## Commitments and Contingencies (Note 12)

Contingently redeemable common stock	—	19,000
Issued shares - 0 and 1,000		
Outstanding shares - 0 and 1,000		

## STOCKHOLDERS' EQUITY:

Cumulative convertible preferred stock, \$.01 par value	—	—
Authorized shares - 1,000		
Issued shares - 10 and 12		
Outstanding shares - 10 and 12		
Minimum liquidation preference, \$9.99 and \$8.49 per share		
Common stock, \$.01 par value	456	448
Authorized shares - 55,000		
Issued shares - 45,595 and 43,769		
Outstanding shares - 35,628 and 34,102		
Treasury shares, at cost - 9,967 and 9,667	(69,818 )	(62,153 )
Additional paid-in capital	67,845	40,987
Accumulated other comprehensive income (loss), net of taxes	(2,515 )	(1,835 )
Retained earnings	286,986	222,469
Total stockholders' equity	282,954	199,916
Total liabilities, contingently redeemable common stock and stockholders' equity	\$1,078,366	\$911,774

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

## UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>PREMIUMS EARNED AND OTHER REVENUES</b>				
Direct premiums written	\$222,572	\$195,435	\$684,147	\$607,361
Ceded premiums written	(71,150 )	(103,492)	(185,578)	(301,624)
Net premiums written	151,422	91,943	498,569	305,737
Change in net unearned premiums	(5,269 )	2,345	(145,168)	(74,280 )
Premiums earned, net	146,153	94,288	353,401	231,457
Net investment income (expense)	1,307	644	3,376	1,574
Net realized gains (losses) on investments	11	501	292	5,353
Commission revenue	4,115	3,123	10,757	10,882
Policy fees	3,820	3,416	12,003	10,827
Other revenue	1,637	1,528	4,614	4,701
Total premiums earned and other revenues	157,043	103,500	384,443	264,794
<b>OPERATING COSTS AND EXPENSES</b>				
Losses and loss adjustment expenses	53,854	34,181	127,148	88,685
General and administrative expenses	55,289	32,167	130,152	85,431
Total operating costs and expenses	109,143	66,348	257,300	174,116
<b>INCOME BEFORE INCOME TAXES</b>	<b>47,900</b>	<b>37,152</b>	<b>127,143</b>	<b>90,678</b>
Income tax expense	17,602	15,811	49,811	38,662
<b>NET INCOME</b>	<b>\$30,298</b>	<b>\$21,341</b>	<b>\$77,332</b>	<b>\$52,016</b>
Basic earnings per common share	\$0.87	\$0.64	\$2.22	\$1.55
Weighted average common shares outstanding - Basic	34,911	33,432	34,837	33,607
Fully diluted earnings per common share	\$0.84	\$0.61	\$2.15	\$