

UNIVERSAL INSURANCE HOLDINGS, INC.

Form 10-Q/A

March 21, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A (Amendment No. 1)

(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, 2010

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., Suite 100, 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: 39,387,998 shares of common stock, par value \$0.01 per share, outstanding on February 18, 2011.

UNIVERSAL INSURANCE HOLDINGS, INC.

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Explanatory Note

Universal Insurance Holdings, Inc. (“Company”) is filing this amendment of its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010 (“Amended Report”) to restate its Condensed Consolidated Financial Statements for the three- and nine-month periods ended September 30, 2010. The Company is issuing this restatement to correct a third-party clerical error in the coding of a single investment security that resulted in an overstatement of unrealized gains on investments of \$2,316,041 and realized gains on investments of \$100,039 included in earnings for the three- and nine-month periods ended September 30, 2010. Through its internal review, management discovered that its external provider of investment accounting services incorrectly coded a series of purchases of a commodity security held by Universal Insurance Holdings, Inc. As a result, the provider reported to the Company that the security had gained value during the quarter ended September 30, 2010, when in fact it had lost value. The amount of actual unrealized loss on that single investment was \$62,510. In addition, as a result of the overstatement, certain accruals for unpaid incentive bonus compensation payments have been reduced by \$189,828.

The net effect resulting from this clerical error on income before income taxes, net income and diluted earnings per share for the three- and nine-month periods ended September 30, 2010, and on stockholders’ equity at September 30, 2010, is as follows:

Income before income taxes decreased by \$2,226,252

Net income decreased by \$1,367,475

Diluted earnings per share decreased by \$0.04

Stockholders’ equity decreased by \$1,367,475

Notes 1 and 15 to the Condensed Consolidated Financial Statements included herein also contain information regarding the nature and effect of the restatement.

For the convenience of the reader, this Amended Report sets forth the Form 10-Q in its entirety. Other than amending the disclosures relating to the restatement, no attempt has been made in this Amended Report to amend or update other disclosures presented in the original Form 10-Q. Forward-looking statements made in the original Form 10-Q have not been revised to reflect events that occurred or facts that became known to the Company after the filing of the original Form 10-Q and such forward-looking statements should be read in their historical context.

The following items of the original Form 10-Q are being amended in this Amended Report as a result of this restatement:

Part I – Item 1 – Financial Statements

Part I – Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations

Part I – Item 3 – Quantitative and Qualitative Disclosures about Market Risk

Part I – Item 4 – Controls and Procedures

Exhibit 99.1 – Schedule of Investments

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 Subsidiaries as of September 30, 2010 and the related condensed consolidated statements of operations for the nine-month and three-month periods ended September 30, 2010 and 2009 and cash flows for each of the nine-month periods ended September 30, 2010 and 2009. 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.

/s/ Blackman Kallick LLP

Chicago, Illinois

November 9, 2010, except for the portions of Notes 1, 2, 5, 9, 13 and 15 addressing the error correction as to which the date is March 21, 2011

PART I -- FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

Unaudited

	(Restated See Note 1)	
	September 30, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	\$ 294,972,027	\$ 192,924,291
Investments:		
Trading securities, at fair value	101,939,932	-
Available-for-sale securities, at fair value	-	114,797,010
Real estate, net	4,100,539	3,289,893
Prepaid reinsurance premiums	228,363,400	200,294,241
Reinsurance recoverables	67,336,233	91,816,433
Premiums receivable, net	48,516,258	37,363,110
Receivable from securities	13,061,387	6,259,973
Other receivables	2,805,825	5,068,367
Income taxes recoverable	-	3,211,874
Property and equipment, net	1,280,798	1,245,858
Deferred policy acquisition costs, net	12,852,849	9,464,624
Deferred income taxes	11,359,983	11,894,289
Other assets	900,239	617,337
Total assets	\$ 787,489,470	\$ 678,247,300
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Unpaid losses and loss adjustment expenses	\$ 136,857,850	\$ 127,197,753
Unearned premiums	346,304,445	278,370,544
Advance premium	20,957,517	17,078,558
Accounts payable	3,496,095	3,172,626
Bank overdraft	24,778,730	20,297,061
Reinsurance payable, net	67,932,331	73,104,595
Income taxes payable	3,498,896	368,968
Payable for securities	379,473	-
Other accrued expenses	22,481,959	20,750,385
Long-term debt	23,529,412	24,632,353
Total liabilities	650,216,708	564,972,843
STOCKHOLDERS' EQUITY:		
Cumulative convertible preferred stock, \$.01 par value	1,077	1,087
Authorized shares - 1,000,000		
Issued shares - 107,690 and 108,640		
Outstanding shares - 107,690 and 108,640		
Minimum liquidation preference - \$287,240 and \$288,190		
Common stock, \$.01 par value	408,771	402,146

Authorized shares - 55,000,000			
Issued shares - 40,877,088 and 40,214,884			
Outstanding shares - 39,166,033 and 37,774,765			
Treasury shares, at cost - 1,711,054 and 1,809,119 shares	(7,389,414)	(7,948,606)	
Common stock held in trust, at cost - 0 and 631,000 shares	-	(511,110)	
Additional paid-in capital	37,568,052	36,666,914	
Accumulated other comprehensive income, net of taxes	5,437	563,654	
Retained earnings	106,678,839	84,100,372	
Total stockholders' equity	137,272,762	113,274,457	
Total liabilities and stockholders' equity	\$ 787,489,470	\$ 678,247,300	

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 OPERATIONS
(Unaudited)

	(Restated see Note 1)		(Restated see Note 1)	
	For the Nine		For the Three	
	Months Ended September 30,		Months Ended September 30,	
	2010	2009	2010	2009
PREMIUMS EARNED AND OTHER REVENUES				
Direct premiums written	\$ 520,781,570	\$ 436,610,689	\$ 152,662,238	\$ 134,626,400
Ceded premiums written	(357,411,323)	(328,518,186)	(108,539,124)	(104,152,022)
Net premiums written	163,370,247	108,092,503	44,123,114	30,474,378
(Increase) decrease in net unearned premium	(39,864,743)	(200,377)	4,708,040	2,283,358
Premiums earned, net	123,505,504	107,892,126	48,831,154	32,757,736
Net investment income	376,575	1,385,007	66,004	586,525
Realized gains on investments	11,893,320	13,588,681	6,148,976	12,136,072
Unrealized gains on investments	6,281,192	-	6,281,192	-
Foreign currency transaction gains	800,990	6,156,945	(8,060)	6,084,629
Commission revenue	25,469,318	23,413,086	7,948,019	8,105,468
Other revenue	3,488,748	4,214,347	1,468,416	1,312,617
Total premiums earned and other revenues	171,815,647	156,650,192	70,735,701	60,983,047
OPERATING COSTS AND EXPENSES				
Losses and loss adjustment expenses	77,856,730	68,695,552	29,370,125	23,768,729
General and administrative expenses	43,631,008	36,789,168	20,053,028	18,674,744
Total operating costs and expenses	121,487,738	105,484,720	49,423,153	42,443,473
INCOME BEFORE INCOME TAXES	50,327,909	51,165,472	21,312,548	18,539,574
Income taxes, current	19,015,441	16,127,712	7,359,297	7,178,058
Income taxes, deferred	524,281	3,446,852	876,041	(153,004)
Income taxes, net	19,539,722	19,574,564	8,235,338	7,025,054
NET INCOME	\$ 30,788,187	\$ 31,590,908	\$ 13,077,210	\$ 11,514,520
	\$ 0.78	\$ 0.84	\$ 0.33	\$ 0.31

Basic net income per common share				
Weighted average of common shares				
outstanding - Basic	39,075,571	37,601,409	39,167,241	37,625,013
Fully diluted net income per share				
	\$ 0.76	\$ 0.78	\$ 0.32	\$ 0.28
Weighted average of common shares				
outstanding - Diluted	40,386,445	40,374,409	40,276,276	40,671,509
Cash dividend declared per common share				
	\$ 0.22	\$ 0.34	\$ -	\$ -
	For the Nine		For the Three	
	Months Ended September 30,		Months Ended September 30,	
	2010	2009	2010	2009
Comprehensive Income:				
Net income	\$ 30,788,187	\$ 31,590,908	\$ 13,077,210	