

UNIVERSAL INSURANCE HOLDINGS, INC.  
Form 10-Q  
April 27, 2018

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 March 31, 2018

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, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" 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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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: 35,063,424 shares of common stock, par value \$0.01 per share, outstanding on April 23, 2018.

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 March 31, 2018 and the related condensed consolidated statements of income, comprehensive income, and cash flows for the three-month periods ended March 31, 2018 and 2017. 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, 2017 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 23, 2018. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2017, 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

April 27, 2018

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## 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	December
	March 31,	31,
	2018	2017
	(unaudited)	
<b>ASSETS</b>		
Available-for-sale debt securities	\$634,238	\$639,334
Available-for-sale short-term investments	10,000	10,000
Equity securities	66,043	62,215
Investment real estate, net	19,406	18,474
Total invested assets	729,687	730,023
Cash and cash equivalents	244,673	213,486
Restricted cash and cash equivalents	2,635	2,635
Prepaid reinsurance premiums	53,123	132,806
Reinsurance recoverable	72,641	182,405
Reinsurance receivable, net	492	—
Premium receivable, net	57,455	56,500
Property and equipment, net	33,169	32,866
Deferred policy acquisition costs	78,007	73,059
Income taxes recoverable	—	9,472
Deferred income tax asset, net	11,436	9,286
Other assets	12,389	12,461
Total assets	\$1,295,707	\$1,454,999
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Unpaid losses and loss adjustment expenses	\$129,637	\$248,425
Unearned premiums	540,167	532,444
Advance premium	39,323	26,216
Accounts payable	3,486	2,866
Book overdraft	171	36,715
Reinsurance payable, net	54,218	110,381
Income taxes payable	4,436	—
Other liabilities and accrued expenses	46,675	45,096
Long-term debt	12,500	12,868
Total liabilities	830,613	1,015,011

## Commitments and Contingencies (Note 12)

## STOCKHOLDERS' EQUITY:

Cumulative convertible preferred stock, \$.01 par value	—	—
Authorized shares - 1,000		
Issued shares - 10 and 10		
Outstanding shares - 10 and 10		
Minimum liquidation preference, \$9.99 and \$9.99 per share		
Common stock, \$.01 par value	461	458
Authorized shares - 55,000		
Issued shares - 46,148 and 45,778		
Outstanding shares - 35,012 and 34,735		
Treasury shares, at cost - 11,136 and 11,043	(107,869 )	(105,123 )
Additional paid-in capital	84,294	86,186
Accumulated other comprehensive income (loss), net of taxes	(7,312 )	(6,281 )
Retained earnings	495,520	464,748
Total stockholders' equity	465,094	439,988
Total liabilities and stockholders' equity	\$1,295,707	\$1,454,999

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 March 31,	
	2018	2017
<b>PREMIUMS EARNED AND OTHER REVENUES</b>		
Direct premiums written	\$269,984	\$245,415
Change in unearned premium	(7,723 )	(9,040 )
Direct premium earned	262,261	236,375
Ceded premium earned	(79,684 )	(74,816 )
Premiums earned, net	182,577	161,559
Net investment income (expense)	4,785	2,704
Net realized gains (losses) on sale of securities	(2,641 )	(63 )
Net change in unrealized gains (losses) of securities	(5,109 )	—
Commission revenue	5,271	4,598
Policy fees	4,775	4,483
Other revenue	1,842	1,593
Total premiums earned and other revenues	191,500	174,874
<b>OPERATING COSTS AND EXPENSES</b>		
Losses and loss adjustment expenses	75,926	70,570
General and administrative expenses	63,875	56,933
Total operating costs and expenses	139,801	127,503
<b>INCOME BEFORE INCOME TAXES</b>	51,699	47,371
Income tax expense	11,644	16,172
<b>NET INCOME</b>	\$40,055	\$31,199
Basic earnings per common share	\$1.15	\$0.89
Weighted average common shares outstanding - Basic	34,839	35,140
Diluted earnings per common share	\$1.12	\$0.86
Weighted average common shares outstanding - Diluted	35,660	36,180
Cash dividend declared per common share	\$0.14	\$0.14

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

	Three Months Ended March 31,	
	2018	2017
Net income	\$40,055	\$31,199
Other comprehensive income (loss), net of taxes	(4,050 )	2,464
Comprehensive income	\$36,005	\$33,663



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 CASH FLOWS (unaudited)

(in thousands)

	Three Months Ended March 31,	
	2018	2017
Cash flows from operating activities:		
Net cash provided by (used in) operating activities	\$52,326	\$71,998
Cash flows from investing activities:		
Proceeds from sale of property and equipment	12	8
Purchases of property and equipment	(1,314 )	(1,255 )
Purchases of equity securities	(9,857 )	(243 )
Purchases of available-for-sale debt securities	(121,996)	(26,610)
Purchases of investment real estate, net	(1,034 )	