UNIVERSAL INSURANCE HOLDINGS INC
Form 10QSB
May 20, 2002

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

FORM 10-QSB

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2002

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 0-20848

UNIVERSAL INSURANCE HOLDINGS, INC.
(Exact name of small business issuer as specified in its charter)

DELAWARE	65-0231984
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2875 N.E. 191ST STREET
SUITE 300
MIAMI, FLORIDA 33180
(Address of principal executive offices)

(305) 792-4200
(Issuer's telephone number)

State the number of shares outstanding of each of the issuer's classes of common equity, as of the last practicable date: 17,794,584 shares of common stock as of May 1, 2002.

Transitional Small Business Disclosure Format Yes __ No X

UNIVERSAL INSURANCE HOLDINGS, INC.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

This Quarterly Report on Form 10-QSB is being filed prior to the completion of the review by Deloitte & Touche LLP. Universal Insurance Holdings, Inc. intends to file an amended Form 10-QSB upon the completion of the review by

Deloitte & Touche LLP. In accordance with the instructions to Form 10-QSB, the following unaudited consolidated financial statements omit or condense certain footnotes and other information normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial information for the interim periods reported have been made. Results of operations for the three months ended March 31, 2002 are not necessarily indicative of the results for the year ending December 31, 2002.

UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
MARCH 31, 2002
(Unaudited)

ASSETS

Debt securities held-to-maturity (fair-value of $2,730,802)	$ 2,726,340
Equity securities available for sale (cost of $285,404)	266,150
Cash and cash equivalents	7,725,930
Prepaid reinsurance premiums and reinsurance recoverables	11,582,253
Premiums and other receivables	1,717,117
Deferred policy acquisition costs	939,089
Property, plant and equipment net	924,878
Total assets	$ 25,881,757

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES:	
Unpaid losses and loss adjustment expenses	$ 4,788,040
Unearned premiums	15,049,939
Accounts payable	576,415
Other accrued expenses	458,660

Accrued taxes, licenses and fees	120,352
Loan payable	406,394
Total liabilities	21,399,800
STOCKHOLDER'S EQUITY:	
Cumulative convertible preferred stock, $.01 par value, 1,000,000 shares authorized, 138,640 shares issued and outstanding, minimum liquidation preference of $1,419,700	$ 1,387
Common stock. $.01 par value, 40,000,000 shares authorized, 14,894,584 shares issued and 14,685,939 outstanding	148,996
Common stock in treasury, at cost - 208,645 shares	(101,819)
Additional paid-in capital	14,977,296
Accumulated deficit	(10,528,411)
Accumulated other comprehensive loss	(15,492)
Total stockholder's equity	4,481,957
Total liabilities and stockholder's equity	$ 25,881,757

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

UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001
PREMIUMS EARNED AND OTHER REVENUES:		
Premium income, net	$ 1,884,321	$ 2,312,803
Net investment income	96,566	191,222
Commission revenue	296,518	319,835
Other income	471,518	1,815,200
Total revenues	2,748,923	4,639,060
OPERATING COSTS AND EXPENSES		
Losses and loss adjustment expenses	1,336,803	1,474,126
General and administrative expenses	969,287	1,661,946
Total operating cost and expenses	2,306,090	3,136,072
NET INCOME (LOSS)	$ 442,833	$ 1,502,988
INCOME (LOSS) PER COMMON SHARE:		
Basic	$ 0.03	$ 0.10

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC	14,685,939	14,749,000
INCOME (LOSS) PER COMMON SHARE Diluted	$ 0.03	$ 0.10
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED	15,254,264	15,317,000

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

UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS
(Unaudited)

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001
NET INCOME (LOSS)	$ 442,833	$ 1,502,988
OTHER COMPREHENSIVE INCOME:		
Change in net unrealized gain (loss) on available-for-sale securities	24,344	(14,500)
COMPREHENSIVE INCOME	$ 467,177	$ 1,488,488

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

UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 2002
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income (loss)	$ 442,833
Adjustments to reconcile net income (loss) to cash (used in) provided by operations:	
Amortization and depreciation	52,957
Gains on sales of equity securities available for sale	-
Net accretion of bond premiums and discounts	(2,793)
Net change in assets and liabilities relating to operating activities:	-
Prepaid reinsurance premiums and reinsurance recoverable	1,531,025
Premiums and other receivables	(68,300)
Reinsurance and recoverable on losses	(3,327,902)
Deferred policy acquisition costs	(409,147)
Accounts payable	(787,309)
Other accrued expenses	(58,801)
Accrued taxes, licenses and fees	(69,376)
Unpaid losses and loss adjustment expenses	(1,458,827)
Unearned premiums	996,700
Due to related parties	-
Net cash (used in) provided by operating activities	(3,158,940)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures	(15,974)
Purchase of equity secuities available for sale	-
Purchase of real estate	(55,340)
Purchase of debt securities held to maturity	-
Proceeds from maturities of debt securities held to maturity	312,175
Collections on notes receivable	-
Net cash used in investing activities	240,861
CASH FLOWS FROM FINANCING ACTIVITIES:	
Preferred stock dividend	-
Loan payable	(37,690)
Subscription receivable	200,000
Purchase of treasury stock	-
Net cash used in financing activities	162,310
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,755,769)
CASH AND CASH EQUIALENTS, Beginning of period	10,481,699
CASH AND CASH EQUIALENTS, End of period	$ 7,725,930

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

UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2002
(Unaudited)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying condensed consolidated financial statements include the accounts of Universal Insurance Holdings, Inc. ("Company"), its wholly-owned subsidiary, Universal Property & Casualty Insurance Company ("UPCIC"), and other wholly-owned entities which are under common control through common ownership. All intercompany accounts and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet of the Company as of March 31, 2002, the related condensed consolidated statements of operations and comprehensive operations for the three months ended March 31, 2002 and 2001, and cash flows for three months ended March 31, 2002 and 2001 are unaudited. The accounting policies followed for quarterly financial reporting are the same as those disclosed in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2001. The interim financial statements reflect all adjustments (consisting of only normal and recurring accruals and adjustments) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The Company's operating results for any particular interim period may not be indicative of results for the full year and thus should be read in conjunction with the Company's annual statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain reclassifications have been made in the 2001 financial statements to conform them to and make them consistent with the presentation used in the 2002 financial statements.

NEW ACCOUNTING PRONOUNCEMENTS. In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. Among other provisions, SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It also requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. In July 1999, the FASB issued SFAS No. 137, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES - DEFERRAL OF THE EFFECTIVE DATE OF FASB STATEMENT NO. 133, which changes the effective date of SFAS No. 133 for financial statements for fiscal years beginning after June 15, 2000. The Company does not have derivative instruments and thus, the adoption of SFAS No. 133 did not have a material impact on the Company's financial position, results of operations or cash flows.

In March 1998, the National Association of Insurance Commissioners adopted the Codification of Statutory Accounting Principals ("Codification"). The Codification, which is intended to standardize regulatory accounting and reporting to state insurance departments was effective January 1, 2001. However, statutory accounting principles will continue to be established by individual state laws and permitted practices. The state of Florida required adoption of the Codification for the preparation of statutory financial statements effective January 1, 2001. The adoption of the Codification as modified by Florida did not have a material adverse effect on the Company's statutory capital and surplus.

In July 2001, the FASB issued SFAS No. 141, BUSINESS COMBINATIONS and SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS. SFAS No. 141 requires all business combinations entered into subsequent to June 30, 2001 to be accounted for using the purchase method of accounting. SFAS No. 142 provides that goodwill and other intangible assets with indefinite lives will not be amortized, but will be tested for impairment on an annual basis. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. The new standards did not have a significant impact on the Company's financial statements.

In August 2001, the FASB issued SFAS No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 is effective for the fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early adoption encouraged. The provisions of SFAS No. 144 generally are to be applied prospectively. The adoption of SFAS No. 144 did not have a material effect on the Company's financial statements or disclosures.

RISKS AND UNCERTAINTIES. The Company's business could be affected by regulatory and competitive restrictions on pricing for new and renewal business, the cost of catastrophic reinsurance, adverse loss experience and federal and state legislation or governmental regulations of insurance companies. Changes in these areas could adversely affect the Company's operations in the future.

NOTE 2 - INSURANCE OPERATIONS

UPCIC commenced its insurance activity in February 1998 by assuming policies from the Florida Residential Property and Casualty Joint Underwriting Association ("JUA"). UPCIC received the unearned premiums and began servicing such policies. Since then, UPCIC has been renewing these policies as well as soliciting business actively in the open market through independent agents.

Unearned premiums represent amounts that UPCIC would refund policyholders if their policies were canceled. UPCIC determines unearned premiums by calculating the pro-rata amount that would be due to the policyholder at a given point in time based upon the premiums owed over the life of each policy. At March 31, 2002, the Company had unearned premiums totaling $15,049,939.

Effective January 15, 2002, UPCIC and Universal Property and Casualty Management, Inc. terminated their prior management agreement whereby services provided by Universal Management are now provided by UPCIC, Universal Risk

Advisors, Inc. and unaffiliated third parties. Universal Risk Advisors, Inc. is an affiliated managing general agency that provides the Company with management and personnel for UPCIC's underwriting, together with support offices, equipment and services. The fees for such services for the three months ended March 31, 2002 totaled $297,801.

Premiums earned are included in earnings evenly over the terms of the policies. UPCIC does not have policies that provide for retroactive premium adjustments.

Policy acquisition costs, consisting of commissions and other costs that vary with and are directly related to the production of business, net of unearned ceding commissions, are deferred and amortized over the terms of the policies, but only to the extent that unearned premiums are sufficient to cover all related costs and expenses. At March 31, 2002, deferred policy acquisition costs amounted to $939,089.

An allowance for uncollectible premiums receivable is established when it becomes evident collection is doubtful. No allowance is deemed necessary at March 31, 2002.

Claims and claims adjustment expenses, less related reinsurance, are provided for as claims are incurred. The provision for unpaid claims and claim adjustment expenses includes: (1) the accumulation of individual case estimates for claims and claims adjustment expenses reported prior to the close of the accounting period; (2) estimates for unreported claims based on past experience modified for current trends; and (3) estimates of expenses for investigating and adjusting claims based on past experience.

Liabilities for unpaid claims and claims adjustment expenses are based on estimates of ultimate cost of settlement. Changes in claims estimates resulting from the continuous review process and differences between estimates and ultimate payments are reflected in expense for the period in which the revision of these estimates first become known.

UPCIC estimates claims and claims expenses based on historical experience of similar entities and payment and reporting patterns for the type of risk involved. These estimates are continuously reviewed by UPCIC's affiliated management professionals and any resulting adjustments are reflected in operations for the period in which they are determined.

Inherent in the estimates of ultimate claims are expected trends in claims severity, frequency and other factors that may vary as claims are settled. The amount of uncertainty in the estimates for casualty coverage is significantly affected by such factors as the amount of historical claims experience relative to the development period, knowledge of the actual facts and circumstances, and the amount of insurance risk retained.

NOTE 3 - REINSURANCE

UPCIC's in-force policyholder coverage for windstorm exposures as of March 31, 2002 was approximately $4.5 billion. In the normal course of business, UPCIC seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers.

Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsurance policy. Reinsurance premiums, losses and loss adjustment expenses are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Reinsurance ceding commissions received are deferred and amortized over the effective period of the related insurance policies.

UPCIC limits the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring (ceding) certain levels of risks with other insurers or reinsurers, either on an automatic basis under general reinsurance contracts known as "treaties" or by negotiation on substantial individual risks. The reinsurance arrangements are intended to provide UPCIC with the ability to maintain its exposure to loss within its capital resources. Such reinsurance includes quota share, excess of loss and catastrophe forms of reinsurance.

Effective June 1, 2001, UPCIC entered into a quota share reinsurance treaty and excess per risk agreements with Swiss Reinsurance America Corporation, rated A+ by A.M. Best. Under the quota share treaty, UPCIC cedes 50% of its gross written premiums, losses and loss adjustment expenses with a provisional ceding commission of 35%; the commission percentage will be adjusted based on the ceded loss ratio. In addition, the quota share treaty has a limitation for any one occurrence of $6,500,000. Under the excess per risk agreement, UPCIC obtained coverage of $1,300,000 in excess of $500,000 ultimate net loss for each risk, each loss, excluding losses arising from the peril of wind to the extent such wind related losses are the result of a hurricane. A $2,600,000 limit applies to any one-loss occurrence.

Effective June 1, 2001, under an excess catastrophe contract, UPCIC obtained coverage of $47,500,000 in excess of $2,000,000. UPCIC also obtained coverage from the Florida Hurricane Catastrophe Fund. The coverage is estimated to be $41,000,000.

Effective July 1, 2001, UPCIC purchased industry loss warranty catastrophe reinsurance which could supplement other coverage for 50% of losses of $1,990,000 in excess of $10,000. The contract has a $10 billion industry loss trigger. The premium for this coverage is $128,355.

Effective July 1, 2001, UPCIC entered into an arrangement which could supplement other coverage. The contract has a $15 billion industry loss trigger and a $1,000,000 payout. The premium for this coverage is $125,000.

Effective July 26, 2001, UPCIC purchased industry loss warranty catastrophe reinsurance which could supplement other coverage for 50% of losses of $1,990,000 in excess of $10,000. The contract has a $5 to $10 billion industry loss trigger. The premium for this coverage is $99,500.

The ceded reinsurance arrangements had the following effect on certain items in the accompanying consolidated financial statements:

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		Three Months Ended March 31, 2002			Three Months Ended March 31, 2001
	Premiums	Premiums	Loss and Loss Adjustment	Premiums	Premiums

	Written	Earned	Expenses	Written	Earned
Direct	$7,912,989	$6,916,289	$2,900,417	$5,826,776	$6,961,615
Assumed	-	-	-	-	-
Ceded	(3,956,495)	(5,031,968)	(1,563,614)	(2,378,180)	(4,648,812
Net	$3,956,494	$1,884,321	$1,336,803	$3,448,596	$2,312,803

Other Amounts:

	March 31, 2002
Reinsurance recoverable on paid and unpaid losses and loss adjustment expenses	$ 3,042,795
Unearned premiums ceded	8,539,458
Prepaid reinsurance premiums and reinsurance recoverable	$ 11,582,253

UPCIC's reinsurance contracts do not relieve UPCIC from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to UPCIC; consequently, allowances are established for amounts deemed uncollectible. No allowance is deemed necessary at March 31, 2002. UPCIC evaluates the similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. UPCIC currently has reinsurance contracts with various reinsurers located throughout the United States and internationally. UPCIC believes that this distribution of reinsurance contracts adequately minimizes UPCIC's risk from any potential operating difficulties of its reinsurers.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

The following discussion and analysis by management of the Company's consolidated financial condition and results of operations should be read in conjunction with the Company's Condensed Consolidated Financial Statements and Notes thereto.

FORWARD-LOOKING STATEMENTS

Certain statements made by the Company's management may be considered to be "forward-looking statements" within the meaning of the Private Securities Reform Litigation Act of 1995. Forward-looking statements are based on various factors and assumptions that include known and unknown risks and uncertainties. The words "believe," "expect," "anticipate," and "project," and similar expressions, identify forward-looking statements, which speak only as of the date the statement was made. Such statements may include, but not be limited to, projections of revenues, income or loss, expenses, plans, as well as assumptions relating to the foregoing. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Future results could differ materially from those described in forward-looking statements as a result of the risks set forth in the following discussion, among others.

OVERVIEW

The Company is a vertically integrated insurance holding company. The Company, through its subsidiaries, is currently engaged in insurance underwriting, distribution and claims. UPCIC generates revenue from the collection and investment of premiums. The Company's agency operations which include Universal Florida Insurance Agency and U.S. Insurance Solutions, Inc. generate income from policy fees, commissions, premium financing referral fees and the marketing of ancillary services. Universal Risk Advisors, Inc., the Company's managing general agent, generates revenue through policy fee income and other administrative fees from the marketing of UPCIC's and third party insurance products through the Company's distribution network and UPCIC. Capital Resources Group Ltd. was formed to participate in contingent capital products. Universal Risk Life Advisors, Inc. was formed to be the Company's managing general agent for life insurance products. In addition, the Company has formed an independent claims adjusting company, Universal Adjusting Corporation, which adjusts UPCIC claims in certain geographic areas and an inspection company, Universal Inspection Corporation, which performs property inspections for homeowners' policies underwritten by UPCIC.

The Company has formed two subsidiaries that specialize in selling insurance via the Internet. Tigerquote.com Insurance & Financial Services Group, Inc., and its wholly owned subsidiary Tigerquote.com Insurance Solutions, Inc. are a network of Internet insurance agencies. At March 31, 2002, agencies have been established in 22 states. Separate legal entities have been formed for each state and are governed by the respective states' department of insurance.

The Company has also formed Tiger Home Services, Inc. which will furnish pest control, pool services, landscaping, house cleaning and hurricane shutters to homeowners. The Tiger Home Division grossed approximately $100,000 in revenue in the first quarter of 2002. Management believes this will be a growing part of the Company's overall business.

FINANCIAL CONDITION

Cash and cash equivalents at March 31, 2002 aggregated $7,725,930. The source of liquidity for possible claims payments consists of net premiums, after deductions for expenses.

UPCIC believes that premiums will be sufficient to meet UPCIC's working capital requirements for at least the next twelve months. Amounts considered to be in excess of current working capital requirements have been invested. At March 31, 2002 UPCIC's investments were comprised of $7,725,930 in cash and repurchase agreements, $2,726,340 in fixed maturity securities and $266,150 in equity securities.

Policies originally obtained from the Florida Residential Property and Casualty Joint Underwriting Association ("JUA") provided the opportunity for UPCIC to solicit future renewal premiums. Less than 50% of the policies obtained from the JUA are currently renewed with the Company. UPCIC does not expect to participate in takeouts of additional policies from the JUA. In an effort to further grow its insurance operations, in 1998 the Company began to solicit business actively in the open market. Through renewal of JUA business combined with business solicited in the market through independent agents, UPCIC is currently servicing approximately 41,000 homeowners and dwelling fire insurance policies. In determining appropriate guidelines for such open market policy sales, UPCIC employs standards similar to those used in its selection of JUA

policies. Also, to improve underwriting and manage risk, the Company uses analytical tools and data currently developed in conjunction with the Company's reinsurers and their utilization of catastrophe model utilizing Risk Management Solutions (RMS). To diversify UPCIC's product lines, management may consider underwriting personal umbrella liability policies in the future. Any such program will require the approval of the Florida Department of Insurance.

RESULTS OF OPERATIONS - THREE MONTHS ENDED MARCH 31, 2002 VERSUS THREE MONTHS ENDED MARCH 31, 2001

Gross premiums written increased 35.8% to $7,912,989 for the three month period ended March 31, 2002 from $5,826,776 for the three month period ended March 31, 2001. The increase in gross premiums written is primarily attributable to an increase in new business as well as premium rate increases.

Net premiums earned decreased 18.5% to $1,884,321 for the three month period ended March 31, 2002 from $2,312,803 for the three month period ended March 31, 2001. The decrease is primarily due to non renewal of certain policies in high exposure areas in late 2001.

Investment income decreased 49.5% to $96,566 for the three month period ended March 31, 2002 from $191,222 for the three month period ended March 31, 2001. The decrease is primarily due to the lower interest rate environment during the three months ended March 31, 2001.

Commission income decreased 7.3% to $296,518 for the three month period ended March 31, 2002 from $319,835 for the three month period ended March 31, 2001. Commission income is comprised principally of the managing general agent's policy fee income on all new and renewal insurance policies and to a lesser extent commissions generated from agency operations.

Losses and loss adjustment expenses ("LAE") incurred decreased 9.3% to $1,336,803 for the three month period ended March 31, 2002 from $1,474,126 for the three month period ended March 31, 2001. The Company's direct loss ratio for the three month period ended March 31, 2002 was 41.9% compared to 52.9% for the three month period ended March 31, 2001. The Company's gross loss ratio decreased principally due to the lower frequency and severity of claims in the three months ended March 31, 2002. The Company's net loss ratio for the three month period ended March 31, 2002 was 70.9% compared to 63.7% for the three month period ended March 31, 2001. Losses and LAE, the Company's most significant expenses, represent actual payments made and changes in estimated future payments to be made to or on behalf of its policyholders, including expenses required to settle claims and losses. Losses and LAE are influenced by loss severity and frequency. Losses and LAE decreased principally due to the lower frequency and severity of claims in the three months ended March 31, 2002.

Catastrophes are an inherent risk of the property-liability insurance business which may contribute to material year-to-year fluctuations in UPCIC's and the Company's results of operations and financial position. The level of catastrophe loss experienced in any year cannot be predicted and could be material to the results of operations and financial position. While management believes UPCIC's and the Company's catastrophe management strategies will reduce

the severity of future losses, UPCIC and the Company continue to be exposed to catastrophic losses.

General and administrative expenses decreased 41.7% to $969,287 for the three month period ended March 31, 2002 from $1,661,946 for the three month period ended March 31, 2001. General and administrative expenses have decreased due to better control of operating expenses combined with a higher ceding commission on premiums ceded to reinsurers.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of capital are premium revenues and investment income.

For the three month period ended March 31, 2002, cash flows used by operating activities were $3,158,940. Cash flows from operating activities are negative, primarily due to payments made to reinsurers in the first quarter of 2002. The Company's investment portfolio is highly liquid as it consists almost entirely of readily marketable securities. Cash flows from investing activities are primarily comprised of purchases and sales of debt and equity securities. Cash flows from financing activities is primarily comprised of a subscription agreement related to an additional capital contribution.

The Company believes that its current capital resources together with management's plan as described above will be sufficient to support current operations and expected growth for at least 12 months.

The balance of cash and cash equivalents at March 31, 2002 is $7,725,930. Most of this amount, along with readily marketable debt and equity securities aggregating $2,992,490 would be available to pay claims in the event of a catastrophic event pending reimbursement for any aggregate amount in excess of $1 million up to the 100 year probable maximum loss which would be covered by reinsurers. Catastrophic reinsurance is recoverable upon presentation to the reinsurer of evidence of claim payment.

To retain its certificate of authority, the Florida insurance laws and regulations require that UPCIC maintain capital surplus equal to the statutory minimum capital and surplus requirement defined in the Florida Insurance Code. UPCIC is also required to adhere to prescribed premium-to-capital surplus ratios. UPCIC is in compliance with these requirements and it expects to remain in compliance, if management's plans, discussed in detail in the Company's Form 10-KSB for the year ended December 31, 2001, are successful.

The maximum amount of dividends which can be paid by Florida insurance companies without prior approval of the Florida Commissioner is subject to restrictions relating to statutory surplus. The maximum dividend that may be paid by UPCIC without prior approval is limited to the lesser of statutory net income from operations of the preceding calendar year or 10.0% of statutory unassigned capital surplus as of the preceding year end.

The Company is required to comply with the National Association of Insurance Commissioner's ("NAIC") Risk-Based Capital ("RBC") requirements. RBC requirements prescribe a method of measuring the amount of capital appropriate for an insurance company to support its overall business operations in light of its size and risk profile. NAIC's RBC requirements are used by regulators to

determine appropriate regulatory actions relating to insurers who show signs of weak or deteriorating condition. As of December 31, 2001, based on calculations using the appropriate NAIC RBC formula, the Company's total reported adjusted capital was in excess of three of the four ratios which would require any form of regulatory action, however, UPCIC'S surplus as reported was below the company action level, triggering a Company Action Level event in accordance with Florida Insurance Statutes. Accordingly, UPCIC was required to file a Risk Based Capital Plan containing items specified in Florida statutes. Generally accepted accounting principles differs in some respects from reporting practices prescribed or permitted by the DOI. UPCIC's statutory capital and surplus was $4,406,630 as of March 31, 2002. Statutory net income (loss) was $(154,903) for the three month period ended March 31, 2002 and $320,206 for the three month period ended March 31, 2001.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company did not have any reportable legal proceedings during the three months ending March 31, 2002. Certain claims and complaints have been filed or are pending against the Company with respect to various matters. In the opinion of management none of these lawsuits, except for the lawsuit with Universal Property and Casualty Management Company described in the Notes to consolidated Financial Statements included in the Company's Annual report on Form 10-KSB for the year ended December 31, 2001, are material and they are adequately provided for or covered by insurance or, if not so covered, are without any or have little merit or involve such amounts that if disposed of unfavorably would not have a material adverse effect on the Company.

ITEM 2. CHANGES IN SECURITIES

As of May 3, 2002, a contractual increase in salary for Bradley I. Meier for 2002 was paid in shares of the common stock of the Company instead of cash. Accordingly, 450,000 shares of common stock were issued in May 2002.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit No.	Exhibit
10.7	Amendment number 4 to Employment Agreement between Universal Insurance Holdings Inc. and Bradley I. Meier.
11.1	Statement Regarding Computation of Per Share Income

(b) Reports on Form 8-K

None.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNIVERSAL INSURANCE HOLDINGS, INC.

Date: May 20, 2002

/s/ Bradley I. Meier

Bradley I. Meier, President