UNIVERSAL INSURANCE HOLDINGS INC
Form 10QSB
August 15, 2005

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 June 30, 2005

OR

[X] 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 000-20848

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.)

1110 W. Commercial Blvd.
Suite 100
Fort Lauderdale, Florida 33309
(Address of principal executive offices)

(954) 958-1200
(Issuer's telephone number)

2875 N.E. 191st Street
Suite 302
Miami, FL 33180
(former address)

State the number of shares outstanding of each of the issuer's classes of common equity, as of the last practicable date: 36,463,219 shares of common stock as of August 15, 2005.

Transitional Small Business Disclosure Format Yes ___ No X

UNIVERSAL INSURANCE HOLDINGS, INC.

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

The following unaudited consolidated financial statements of Universal Insurance Holdings, Inc. have been prepared in accordance with the instructions to Form 10-QSB and, therefore, 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 primarily 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 six months ended June 30, 2005 are not necessarily indicative of the results for the year ending December 31, 2005.

UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
JUNE 30, 2005
(Unaudited)

ASSETS

Cash and cash equivalents	$ 15,911,982
Reinsurance recoverables	49,895,348
Premiums and other receivables (net of allowance for doubtful accounts of $46,500)	3,638,913
Investments in real estate	3,047,032
Property and equipment, net	919,148
Other assets	53,583
Total assets	$ 73,466,006

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:	
Unpaid losses and loss adjustment expenses	$ 13,353,358
Unearned premiums	34,467,639
Accounts payable	2,445,553
Reinsurance payable	14,926,427
Other accrued expenses	2,506,964
Loans payable	1,378,076
Total liabilities	69,078,017

STOCKHOLDERS' 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, 36,463,219 shares issued and 33,354,574 shares outstanding	286,037

Common stock in treasury, at cost - 208,645 shares	(101,819)
Additional paid-in capital	15,158,362
Accumulated deficit	(10,955,978)
Total stockholders' equity	4,387,989
Total liabilities and stockholders' equity	$ 73,466,006

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

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

	Six Months Ended		Three
	June 30, 2005	June 30, 2004	June 30, 2005
PREMIUMS EARNED AND OTHER REVENUES:			
Premium income, net	$ 3,975,060	$ 2,123,058	$ 2,777,49
Net investment income	326,570	39,819	120,15
Commission revenue	1,136,394	748,615	585,81
Transaction fees	160,151	1,188,231	47,41
Other revenue	91,987	407,741	27,63
Total revenues	5,690,162	4,507,464	3,558,52
OPERATING COSTS AND EXPENSES			
Losses and loss adjustment expenses	445,415	540,464	282,50
General and administrative expenses	4,225,875	3,800,319	3,258,16
Total operating costs and expenses	4,671,290	4,340,783	3,540,67
NET INCOME	$ 1,018,872	$ 166,681	$ 17,85
INCOME PER COMMON SHARE:			
Basic	$ 0.03	$ 0.01	$ 0.0
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC	32,808,000	30,214,000	32,720,00
INCOME PER COMMON SHARE			

Diluted	$ 0.03	$ 0.01	$ 0.0
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED	33,456,000	30,929,000	33,406,00

The accompanying notes to condensed consolidated financial statements are an integral p

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

	Six Months Ended		Three Months Ende	
	June 30, 2005	June 30, 2004	June 30, 2005	Jun 2
NET INCOME	$1,018,872	$ 166,681	$ 17,855	$ 1
OTHER COMPREHENSIVE INCOME:				
Change in net unrealized gain on available-for-sale securities	-	26,657	-	
COMPREHENSIVE INCOME	$1,018,872	$ 193,338	$ 17,855	$ 1

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

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

	Six Months Ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$ 1,018,872
Adjustments to reconcile net income to cash provided by operations:	
Amortization and depreciation	66,126
Gain on dispoal of assets	-
Issuance of common stock as compensation	64,500
Net change in assets and liabilities relating to operating activities:	
Prepaid reinsurance premiums and reinsurance recoverables	37,578,035
Premiums and other receivables	(2,360,402)
Reinsurance payables	(8,146,502)
Accounts payable	(1,076,958)
Other accrued expenses	895,721
Unpaid losses and loss adjustment expenses	(44,518,594)
Unearned premiums	10,577,778
Other assets	162,906
Net cash (used in) provided by operating activities	(5,738,518)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net capital expenditures	(75,269)
Proceeds from sale of equity securities available for sale	-
Purchase of real estate	(1,367,031)
Sale of real estate	-
Net cash (used in) provided by investing activities	(1,442,300)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Preferred stock dividend	(24,975)
Repayments of loans payable	(367,182)
Proceeds from loans payable	1,041,378
Net cash provided by (used in) financing activities	649,221
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,531,597)
CASH AND CASH EQUIVALENTS, Beginning of period	22,443,579
CASH AND CASH EQUIVALENTS, End of period	$ 15,911,982

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

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UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2005
(Unaudited)

NOTE 1 -- NATURE OF OPERATIONS AND 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 and the Universal Insurance Holdings, Inc. Stock Grantor Trust. All intercompany accounts and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet of the Company as of June 30, 2005, the related condensed consolidated statements of operations and comprehensive income for the three and six months ended June 30, 2005 and 2004 and cash flows for the six months ended June 30, 2005 and 2004 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, 2004. The interim financial statements reflect all adjustments (consisting primarily of 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.

OFF -BALANCE SHEET ARRANGEMENTS. There were no off-balance sheet arrangements during the first six months of 2005.

NEW ACCOUNTING PRONOUNCEMENTS. In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 148, ACCOUNTING FOR STOCK-BASED COMPENSATION - TRANSITION AND DISCLOSURE. This Statement, which is effective for years ending after December 15, 2002, amends Statement No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION, and provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. In addition, Statement No. 148 amends the disclosure requirements of Statement No. 123 regardless of the accounting method used to account for stock-based compensation. The Company has chosen to continue to account for stock-based compensation of employees using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, and related interpretations. However, the enhanced disclosure provisions as defined by SFAS No. 148 which became effective in the first quarter of 2003 have been implemented. In December 2004, the FASB issued SFAS No. 123 (revised 2004) ("SFAS No. 123R") SHARE-BASED PAYMENT, which replaces

SFAS. No. 123 and supersedes APB No. 25. As a result of SFAS No. 123R, the Company will be required to recognize the cost of its stock options as an expense in the consolidated statement of operations beginning in the first quarter of 2006. The Company is currently assessing the impact that the adoption of SFAS No. 123R will have on the consolidated results of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES. Management has reassessed the critical accounting policies as disclosed in our 2004 Annual Report to Stockholders on Form 10-KSB and determined that no changes, additions or deletions are needed to the policies as disclosed. Also there were no significant changes in our estimates associated with those policies.

RISKS AND UNCERTAINTIES. The Company's business could be affected by regulatory and competitive restrictions on pricing for new and renewal business, the availability and 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.

Management continues to take action to improve and strengthen UPCIC's financial condition. Premium rate increases have been implemented. UPCIC changed the geographic and coverage mix of the property insurance it writes, which is a key determinant in the amount and pricing of reinsurance procured by UPCIC. The Company achieved favorable ceding commission terms on its quota share reinsurance program effective June 1, 2005.

In addition to the actions described above, effective May 1, 2004 the Company brought in house the system it utilizes for policy issuance and administration. This has enhanced UPCIC's operating results through its ability to improve and better control underwriting and loss adjusting activities.

Management believes the implementation of, and results attributable to, the actions described above will continue to strengthen UPCIC's surplus. However, there can be no assurance of the ultimate success of these plans, or that the Company will be able to achieve profitability.

NOTE 2 -- RESULTS OF OPERATIONS

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 June 30, 2005, the Company had unearned premiums totaling $34,467,639.

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 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 June 30, 2005, deferred policy acquisition costs amounted to $0 due to the effect of deferred reinsurance commissions.

An allowance for uncollectible premiums receivable is established when it becomes evident collection is doubtful, typically after 90 days past due. No allowance is deemed necessary at June 30, 2005.

Loss and loss adjustment expenses ("LAE"), less related reinsurance, are provided for as claims are incurred. The provision for unpaid loss and loss adjustment expenses includes: (1) the accumulation of individual case estimates for loss and LAE 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. The Company's net loss ratio has decreased from the prior year due to lower frequency and severity of claims. In addition, during the third quarter of 2004, Florida experienced four windstorm catastrophes (Hurricanes Charley, Frances, Ivan and Jeanne) which resulted in losses. As a result of these storms, the Company estimated it incurred approximately $148,500,000 in losses prior to reinsurance and $1,600,000 net of reinsurance for the year ended December 31, 2004.

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 becomes known. UPCIC estimates claims and claims expenses based on its historical experience and payment and reporting patterns for the type of risk involved. These estimates are continuously reviewed by UPCIC's 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.

ONLINE COMMERCE OPERATIONS

The Company has formed subsidiaries that specialize, or will specialize, in selling insurance and generating insurance leads via the Internet. Tigerquote.com Insurance & Financial Services Group, Inc. ("Tigerquote.com") and Tigerquote.com Insurance Solutions, Inc. were incorporated in Delaware on June 6, 1999 and August 23, 1999, respectively. Tigerquote.com is an Internet insurance lead generating network while Tigerquote.com Insurance Solutions, Inc.

is a network of Internet insurance agencies. These entities seek to generate income from the selling of leads and commissions on policies written.

CORPORATE AND OTHER OPERATIONS

Operating segments that are not individually reportable based on the current operations in such segments, are included in Corporate and Other. The segment currently includes the operations of Universal Insurance Holdings, Inc., Tiger Home Services, Inc. and other entities. During 2001, the Company formed Tiger Home Services, Inc., which furnishes pool services to homeowners. The services are offered to commercial and residential customers in certain areas in the state of Florida. During the third quarter of 2004, the Company sold the landscaping division. During the second quarter of 2005, the Company sold the pool division.

NOTE 3 -- REINSURANCE

UPCIC's in-force policyholder coverage for windstorm exposures as of June 30, 2005 was approximately $8.7 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 contracts. 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, 2005, UPCIC entered into a quota share reinsurance treaty and excess per risk agreements with various reinsurers. Under the quota share treaty, UPCIC cedes 55% of its gross written premiums, losses and loss adjustment expenses for policies with coverage for wind risk with a ceding commission equal to 31% of ceded gross written premium. In addition, the quota share treaty has a limitation for any one occurrence of $3,000,000. Effective June 1, 2005, UPCIC entered into a multiple line excess per risk agreement with various reinsurers. Under the multiple line excess per risk agreement, UPCIC obtained coverage of $1,300,000 in excess of $500,000 ultimate net loss for each risk and each property loss, and $1,000,000 in excess of $300,000 for each casualty loss. A $5,200,000 aggregate limit applies to the term of the contract. Effective June 1, 2005, UPCIC entered into a property per risk excess agreement covering ex-wind only policies. Under the property per risk excess agreement, UPCIC obtained coverage of $300,000 in excess of $200,000 each property loss. A $2,100,000 aggregate limit applies to the term of the contract.

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Effective June 1, 2005, under an excess catastrophe contract, UPCIC obtained catastrophe coverage of $46,000,000 in excess of $3,000,000 covering certain loss occurrences including hurricanes. The contract contains one reinstatement. UPCIC also obtained coverage from the Florida Hurricane Catastrophe Fund. The approximate coverage is estimated to be for $86,700,000 in excess of $25,700,000.

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

	Six Months Ended June 30, 2005			Six Jun	
	Premiums Written	Premiums Earned	Loss and Loss Adjustment Expenses	Premiums Written	Pr E
Direct	$34,474,916	$23,955,222	$12,763,557	$16,067,173	$1
Ceded	(20,882,915)	(19,980,162)	(12,318,143)	(12,355,714)	(1
Net	$13,592,001	$3,975,060	$445,415	$3,711,459	$

	Three Months Ended June 30, 2005			Thre Ju	
	Premiums Written	Premiums Earned	Loss and Loss Adjustment Expenses	Premiums Written	P
Direct	$20,693,417	$13,700,426	$12,071,291	$9,101,968	$
Ceded	(9,603,456)	(10,922,928)	(11,788,789)	(6,032,199)	(
Net	$11,089,961	$2,777,498	$282,502	$3,069,769	$

OTHER AMOUNTS:

	June 30, 2005
Reinsurance recoverable on paid and unpaid losses and loss adjustment expenses	$ 18,927,803
Unearned premiums ceded	21,330,264
Other reinsurance receivable	9,637,281
Reinsurance recoverable	$ 49,895,348

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 June 30, 2005. UPCIC evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from 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 only ceding risks to reinsurers whom it considers to be financially sound combined with distribution of reinsurance contracts adequately

minimizes UPCIC's risk from any potential operating difficulties of its reinsurers. In addition, UPCIC does not have any unauthorized reinsurers which have recoverable balances that are not secured by a letter of credit or that have ceded balances payable that are greater than the amount of the recoverable.

NOTE 4 -- EARNINGS PER SHARE

Earnings per share ("EPS") amounts are calculated in accordance with SFAS No. 128, EARNINGS PER SHARE. Basic EPS is based on the weighted average number of shares outstanding for the period, excluding any dilutive common share equivalents. Diluted EPS reflects the potential dilution that could occur if securities to issue common stock were exercised.

A reconciliation of shares used in calculating basic and diluted EPS for the six month periods ended June 30, 2005 and June 30, 2004, respectively, follows:

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Basic EPS	32,808,000	30,214,000
Effect of assumed conversion of common stock equivalents	648,000	715,000
Diluted EPS	33,456,000	30,929,000

Options and warrants to purchase approximately 11,148,000 and 10,280,000 shares of common stock were outstanding during the six months ended June 30, 2005 and June 30, 2004, respectively. Such options and warrants could potentially dilute basic EPS in the future but were excluded from the computation of diluted earnings per share due to being anti-dilutive.

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004
Basic EPS	32,720,000	31,129,000
Effect of assumed conversion of common stock equivalents	686,000	761,000
Diluted EPS	33,406,000	31,890,000

Options and warrants to purchase approximately 11,111,000 and 10,233,000 shares of common stock were outstanding during the three months ended June 30, 2005 and June 30, 2004, respectively. Such options and warrants could potentially dilute basic EPS in the future but were excluded from the computation of diluted earnings per share due to being anti-dilutive.

NOTE 5 -- STOCK BASED COMPENSATION

Pursuant to SFAS No. 123, the Company elected to account for stock-based compensation plans under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. Accordingly, no compensation expense was included in the determination of net income for the six months ended June 30, 2005 and June 30, 2004. Had compensation cost for stock options been recognized based on the fair value at the grant dates for the options, consistent with the

provisions of SFAS No. 123, net income and earnings per share would have been as indicated in the table below.

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Net income:		
As reported	$ 1,018,872	$ 166,681
Compensation expense	(19,938)	(50,977)
Pro forma	998,934	115,704

Net income per share:		
Basic		
As reported	$ 0.03	$ 0.01
Compensation expense	0.00	0.00
Pro forma	$ 0.03	$ 0.01
Diluted		
As reported	$ 0.03	$ 0.01
Compensation expense	0.00	0.00
Pro forma	$ 0.03	$ 0.01

	Three Months Ended June 30, 2005	June 30, 2004
Net income:		
As reported	$ 17,855	$ 138,016
Compensation expense	(6,418)	(26,090)
Pro forma	11,437	111,926
Net income per share:		
Basic		
As reported	$ 0.00	$ 0.00
Compensation expense	0.00	0.00
Pro forma	$ 0.00	$ 0.00
Diluted		
As reported	$ 0.00	$ 0.00
Compensation expense	0.00	0.00
Pro forma	$ 0.00	$ 0.00

For the purposes of estimating the compensation cost of the Company's option grants in accordance with SFAS No. 123, the fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. There were no option grants during the six months ended June 30, 2005.

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NOTE 6 -- SEGMENT INFORMATION

The Company and its subsidiaries operate principally in two business segments consisting of insurance and online commerce. The insurance segment consists primarily of underwriting through UPCIC, managing general agent operations through Universal Risk Advisors, Inc., claims processing through Universal Adjusting Corporation, property inspections through Universal Inspection Corporation and marketing and distribution through Coastal Homeowners Insurance Specialists, Inc. and Universal Florida Insurance Agency, Inc. The insurance segment sells homeowner's insurance and includes substantially all aspects of the insurance, distribution and claims process. The online commerce segment consists of Internet insurance leads generation through Tigerquote.com and commissions on policies placed by Tigerquote.com Insurance Solutions, Inc.

The accounting policies of the segments are the same as those described in the summary of the significant accounting policies and practices. The Company evaluates its business segments based on GAAP pretax operating earnings.

Corporate overhead expenses are allocated to business segments. Transactions between reportable segments are accounted for at fair value.

Operating segments that are not individually reportable, based on the extent of the current operations in such segments, are included in the "All Other" category. The "All Other" category currently includes the operations of Universal Insurance Holdings, Inc., Tiger Home Services, Inc. and other entities.

Information regarding components of operations for the three months and six months ended June 30, 2005 and 2004 follows:

	Six months ended June 30, 2005	2004
Total revenue		
Insurance segment	$13,527,351	$5,120,998
Online commerce segment	161,014	1,245,886
Corporate and other	52,375	199,899
Total operating segments	13,740,740	6,566,783
Intercompany eliminations	(8,050,578)	(2,059,319)
Total revenues	$5,690,162	$4,507,464
Earnings (loss) before income taxes		
Insurance segment	$1,849,962	$954,910
Online commerce segment	(94,361)	76,204
Corporate and other	(736,729)	(864,433)
Total earnings before income taxes	$1,018,872	$166,681

	Three months ended June 30, 2005	2004
Total revenue		
Insurance segment	$ 7,738,768	$ 3,040,975
Online commerce segment	47,595	524,047
Corporate and other	19,126	92,903
Total operating segments	7,805,489	3,657,925
Intercompany eliminations	(4,246,962)	(1,222,829)
Total revenues	$ 3,558,527	$ 2,435,096

Earnings (loss) before income taxes

Insurance segment	$ 368,801	$ 722,396
Online commerce segment	(51,052)	(191,231)
Corporate and other	(299,894)	(393,149)
Total earnings before income taxes	$ 17,855	$ 138,016

Information regarding total assets as of June 30, 2005 and June 30, 2004:

	June 30, 2005	June 30, 2004
Total assets		
Insurance segment	$ 87,266,271	$ 43,655,525
Online commerce segment	1,846,045	1,623,968
Corporate and other	27,701,350	22,289,715
Total operating segments	$ 116,813,666	$ 67,569,208
Intercompany eliminations	(43,347,660)	(32,523,677)
Total assets	$ 73,466,006	$ 35,045,531

NOTE 7 -- RELATED PARTY TRANSACTIONS

Dennis Downes and Associates, a multi-line insurance adjustment corporation based in Deerfield Beach, Florida performs certain claims adjusting work for UPCIC. Dennis Downes and Associates is owned by Dennis Downes, who is the father of Sean P. Downes, COO of UPCIC. During the six months ended June 30, 2005 and 2004, the Company paid claims adjusting fees of $375,343 and $60,706 respectively, to Dennis Downes and Associates.

Item 2. Management's Discussion and Analysis or Plan of Operation

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.

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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 Coastal Homeowners Insurance Specialists, Inc., generate income from commissions. 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. 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 subsidiaries that specialize, or will specialize, in selling insurance and generating insurance leads via the Internet. Tigerquote.com Insurance & Financial Services Group, Inc. is an Internet insurance lead generating network, and Tigerquote.com Insurance Solutions, Inc., is a network of Internet insurance agencies. At June 30, 2005, agencies have been established in 21 states, none of which are currently active. Separate legal entities have been formed for each state and are governed by the respective states' departments of insurance.

The Company has also formed Tiger Home Services, Inc., which furnishes pool services to homeowners. The services are currently offered to residential customers in certain areas in the state of Florida. During the third quarter of 2004, the Company sold the landscaping division. During the second quarter of 2005, the Company sold the pool division.

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FINANCIAL CONDITION

Cash and cash equivalents at June 30, 2005 aggregated $15,911,982. The source of liquidity for possible claims payments consists of net premiums after deductions for expenses, reinsurance recoverables and short-term loans.

UPCIC believes that premiums will be sufficient to meet UPCIC's working capital requirements for at least the next twelve months. The Company's policy is to invest amounts considered to be in excess of current working capital requirements. At June 30, 2005, the Company's investments were comprised of $15,911,982 in cash and repurchase agreements and $3,047,032 in real estate consisting of a building purchased by UPCIC that the Company is currently using as its home office.

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 20% 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 1998 the Company began to solicit business actively in the open market in an effort to further grow its insurance operations. Through renewal of JUA business combined with business solicited in the market through independent agents, UPCIC is currently servicing approximately 68,000 homeowners and dwelling fire insurance policies.

The Company, as noted above, diversified its operations by establishing online commerce and other ancillary operations. However, the Company is currently contemplating the sale of the online commerce division in order to further focus on the core property and casualty insurance business.

RESULTS OF OPERATIONS - SIX MONTHS ENDED JUNE 30, 2005 VERSUS SIX MONTHS ENDED JUNE 30, 2004

Gross premiums written increased 114.6% to $34,474,916 for the six-month period ended June 30, 2005 from $16,067,173 for the six-month period ended June 30, 2004. The increase in gross premiums written is primarily attributable to an approximate 106.8% increase in new business as well as an overall 7.8 % premium rate increase. The increase in new business is partially attributable to the recent windstorm catastrophes providing an opportunity in the otherwise competitive marketplace as certain companies are not accepting new business.

Net premiums earned increased 87.2% to $3,975,060 for the six-month period ended June 30, 2005 from $2,123,058 for the six-month period ended June 30, 2004. The increase is due to an increase in new business, premium rate increases and changes in the reinsurance program effective June 1, 2005.

Investment income increased 720.1% to $326,570 for the six-month period ended June 30, 2005 from $39,819 for the six-month period ended June 30, 2004. The increase is primarily due to higher investment balances that resulted from advances from reinsurers and a higher interest rate environment during the six months ended June 30, 2005.

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Transaction fee revenue decreased 86.5% to $160,151 for the six-month period ended June 30, 2005 from $1,188,231 for the six-month period ended June 30, 2004. The decrease is primarily due to decreased sales of on-line insurance leads to insurance agents.

Other revenue decreased 77.4% to $91,987 for the six-month period ended June 30, 2005 from $407,741 for the six-month period ended June 30, 2004. The decrease is primarily attributable to less activity in the direct sales and service operations during the six-month ended June 30, 2005.

Commission income increased 51.8% to $1,136,394 for the six-month period ended June 30, 2005 from $748,615 for the six-month period ended June 30, 2004. Commission income is comprised principally of the managing general agent's policy fee income on all new and renewal insurance policies and commissions generated from agency operations. The increase is primarily attributable to an increase in commissions generated from agency operations on new policies.

Net losses and loss adjustment expense ("LAE") incurred decreased 17.6% to $445,415 for the six-month period ended June 30, 2005 from $540,464 for the six-month period ended June 30, 2004. Losses and LAE incurred decreased due to lower frequency and severity of claims in 2005. The Company's net loss ratio for the six-month period ended June 30, 2005 was 11.2% compared to 25.50% for the six-month period ended June 30, 2004. Losses and LAE are influenced by loss severity and frequency. The Company's net loss ratio decreased principally due to the lower frequency and severity of claims in the six-month period ended June 30, 2005. Losses and LAE, the Company's most significant expenses, represent actual payments made net of reinsurance and changes in estimated future net payments to be made to or on behalf of its policyholders, including expenses required to settle claims and losses.

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. During the third quarter of 2004, Florida experienced four windstorm catastrophes (Hurricanes Charley, Frances, Ivan and Jeanne) which resulted in losses. As a result of these storms, the Company estimated for the year ended December 31, 2004 it incurred approximately $148,500,000 in losses prior to reinsurance and $1,600,000 net of reinsurance. UPCIC currently reports only 191 open claims out of nearly 10,000 reported from the four hurricanes. 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 increased 11.2% to $4,225,875 for the six-month period ended June 30, 2005 from $3,800,319 for the six-month period ended June 30, 2004. General and administrative expenses increased primarily due to lower ceding commissions on premiums ceded to reinsurers. This is primarily a result of a decrease in the dollar amount of ceded premiums written to quota share reinsurers related to the increase in direct premiums written.

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RESULTS OF OPERATIONS - THREE MONTHS ENDED JUNE 30, 2005 VERSUS THREE MONTHS ENDED JUNE 30, 2004

Gross premiums written increased 127.4% to $20,693,417 for the three-month period ended June 30, 2005 from $9,101,968 for the three-month period ended June 30, 2004. The increase in gross premiums written is primarily attributable to an approximate 119.6% increase in new business as well as an overall 7.8 % premium rate increase. The increase in new business is partially attributable to the recent windstorm catastrophes providing an opportunity in the otherwise competitive marketplace as certain companies are not accepting new business.

Net premiums earned increased 99.4% to $2,777,498 for the three-month period ended June 30, 2005 from $1,392,830 for the three-month period ended June 30, 2004. The increase is due to an increase in new business, premium rate increases and changes in the reinsurance program effective June 1, 2005.

Investment income increased 395.2% to $120,155 for the three-month period ended June 30, 2005 from $24,264 for the three-month period ended June 30, 2004. The increase is primarily due to higher investment balances that resulted from advances from reinsurers and a higher interest rate environment during the three months ended June 30, 2005.

Transaction fee revenue decreased 90.6% to $47,417 for the three-month period ended June 30, 2005 from $503,778 for the three-month period ended June 30, 2004. The decrease is primarily due to decreased sales of on-line insurance leads to insurance agents.

Other revenue decreased 81.0% to $27,638 for the three-month period ended June 30, 2005 from $145,637 for the three-month period ended June 30, 2004. The decrease is primarily attributable to less activity in the direct sales and service operations during the three months ended June 30, 2005.

Commission income increased 58.9% to $585,819 for the three-month period ended June 30, 2005 from $368,587 for the three-month period ended June 30, 2004. Commission income is comprised principally of the managing general agent's policy fee income on all new and renewal insurance policies and commissions generated from agency operations. The increase is primarily attributable to an increase in commissions generated from agency operations on new policies.

Net losses and loss adjustment expense ("LAE") incurred decreased 18.0% to $282,503 for the three-month period ended June 30, 2005 from $344,467 for the three-month period ended June 30, 2004. Losses and LAE incurred decreased due to lower frequency and severity of claims in 2005. The Company's net loss ratio for the three-month period ended June 30, 2005 was 10.2% compared to 24.7% for the three-month period ended June 30, 2004. Losses and LAE are influenced by loss severity and frequency. The Company's net loss ratio decreased principally due to the lower frequency and severity of claims in the three months ended June 30, 2005. Losses and LAE, the Company's most significant expenses, represent actual payments made net of reinsurance and changes in estimated future net payments to be made to or on behalf of its policyholders, including expenses required to settle claims and losses.

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. During the third

quarter of 2004, Florida experienced four windstorm catastrophes (Hurricanes Charley, Frances, Ivan and Jeanne) which resulted in losses. As a result of these storms, the Company estimated for the year ended December 31, 2004 it incurred approximately $148,500,000 in losses prior to reinsurance and $1,600,000 net of reinsurance. UPCIC currently reports only 191 open claims out of nearly 10,000 reported from the four hurricanes. 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 increased 66.9% to $3,258,169 for the three-month period ended June 30, 2005 from $1,952,613 for the three-month period ended June 30, 2004. General and administrative expenses increased primarily due to lower ceding commissions on premiums ceded to reinsurers. This is primarily a result of a decrease in the dollar amount of ceded premiums written to quota share reinsurers related to the increase in direct premiums written.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of cash flow are premium revenues, commissions, policy fees, investment income and reinsurance recoverables and short-term loans.

For the six-month period ended June 30, 2005, cash flows used by operating activities were $5,738,518. Cash flows were negative in the six-month period ended June 30, 2005 primarily due to cash received in the fourth quarter of 2004 from reinsurers in advance of catastrophe claim payments to policyholders resulting from Hurricanes Charley, Frances, Ivan and Jeanne that hit Florida in the third quarter of 2004 which were settled in six-month period ended June 30, 2005. Cash flows from operating activities are expected to be positive in both the short-term and reasonably foreseeable future. In addition, the Company's investment portfolio is highly liquid as it consists almost entirely of cash and readily marketable securities.

In July 2004, the Company borrowed monies from three private investors in the amounts of $175,000, $150,000 and $100,000 for working capital. The terms of the notes evidencing such loans require interest payments at a rate of 10% through January 2005 with equal monthly payments of principal plus interest thereafter until January 2006, the maturity date of the notes. In conjunction with the loans, the Company issued to the private investors warrants to purchase 175,000, 150,000 and 100,000 shares of restricted Common Stock each at an exercise price of $.05 per share, and each expiring in July 2009. In June 2005, the Company borrowed monies from two private investors and issued two promissory notes for the aggregate principal sum of $1,000,000 payable in five monthly installments of $200,000 commencing June 30, 2006. The loan amount subsequently was contributed to UPCIC as additional paid-in-capital. In conjunction with the notes, the Company issued warrants to one of the investors to purchase 200,000 shares of restricted Common Stock at an exercise price of $.05 per share, expiring in June 2010.

In order to improve the Company's financial position and achieve profitable operations, management has implemented rate increases for new and renewal business, has restructured the homeowners' coverage offered, has restructured its catastrophic reinsurance coverage to reduce cost, and has worked to control

future general and administrative expenses. In addition, management is exploring sources of additional capital.

Management believes that the continued implementation of these plans will be successful over the next twelve months. However, there can be no assurance that successful implementation of these plans will be achieved or will be sufficient to ensure UPCIC's future compliance with Florida insurance regulations, or that the Company will be able to maintain profitability. Failure by UPCIC to maintain the required level of statutory capital and surplus could result in the suspension of UPCIC's authority to write new or renewal business, other regulatory actions or ultimately, in the revocation of UPCIC's certificate of authority by the Florida Office of Insurance Regulation ("OIR").

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 property and casualty reinsurance industry is subject to the same market conditions as the direct property and casualty insurance market, and there can be no assurance that reinsurance will be available to UPCIC to the same extent and at the same cost as currently in place for UPCIC. Future increases in catastrophe reinsurance costs are possible and could adversely effect UPCIC's results.

The balance of cash and cash equivalents at June 30, 2005 is $15,911,982. Most of this amount is available to pay claims in the event of catastrophic events pending reimbursement for any aggregate amount in excess of $1,350,000 per event up to approximately 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.

Generally accepted accounting principles differ in some respects from reporting practices prescribed or permitted by the OIR. To retain its certificate of authority, the Florida insurance laws and regulations require that UPCIC maintain capital and surplus equal to the statutory minimum capital and surplus requirement defined in the Florida Insurance Code. UPCIC's statutory capital and surplus exceeded the minimum capital and surplus requirements of $4,000,000 as of June 30, 2005. UPCIC is also required to adhere to prescribed premium-to-capital surplus ratios.

The maximum amount of dividends which can be paid by Florida insurance companies without prior approval of the OIR 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 surplus as of the preceding year end. Statutory unassigned surplus (deficit) at December 31, 2004 was $(4,787,758).

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

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determine appropriate regulatory actions relating to insurers who show signs of weak or deteriorating condition. As of December 31, 2004, based on calculations using the appropriate NAIC RBC formula, the Company's reported total adjusted capital was in excess of the requirements.

OFF-BALANCE SHEET ARRANGEMENTS

There were no off-balance sheet arrangements during the first six months of 2005.

Item 3. Controls and Procedures

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 as of the period covered by this report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that information required to be disclosed by the Company in its reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commissions rules and forms. There was no change in the Company's internal controls over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II -- OTHER INFORMATION

Item 1. Legal Proceedings

The Company did not have any reportable legal proceedings during the six months ending June 30, 2005. 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 is 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. Unregistered Sales of Equity Securities and Use of Proceeds

Under an amendment to the employment agreement between the Company and Bradley I. Meier dated June 27, 2002, and approved by the Board of Directors, Mr. Meier elected to convert salary into 860,000 shares of restricted Common Stock. The shares of restricted Common Stock were issued to Mr. Meier in May 2005 in a private transaction pursuant to Section 4(2) of the Securities Act of 1933, as amended. Also in May 2005, the Company issued 600,000 shares of restricted Common Stock to Sean P. Downes, COO of UPCIC, pursuant to Mr. Downes election to receive such shares in lieu of salary. The shares were issued to Mr. Downes in a private transaction pursuant to Section 4(2) of the Securities Act of 1933, as amended.

In July 2004, the Company borrowed monies from three private investors in the amounts of $175,000, $150,000 and $100,000 for working capital. The terms of the notes evidencing such loans require interest payments at a rate of 10% through January 2005 with equal monthly payments of principal plus interest thereafter until January 2006, the maturity date of the notes. In conjunction with the loans, the Company issued to the private investors warrants to purchase 175,000, 150,000 and 100,000 shares of restricted Common Stock each at an exercise price of $.05 per share, and each expiring in July 2009. In June 2005, the Company borrowed monies from two private investors and issued two promissory notes for the aggregate principal sum of $1,000,000 payable in five monthly installments of $200,000 commencing June 30, 2006. The loan amount subsequently was contributed to UPCIC as additional paid-in-capital. In conjunction with the notes, the Company issued warrants to one of the investors to purchase 200,000 shares of restricted Common Stock at an exercise price of $.05 per share, expiring in June 2010.

Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibit No.	Exhibit
11.1	Statement Regarding Computation of Per Share Income
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302

	of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Title 18, United States Code, Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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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: August 15, 2005

/s/ Bradley I. Meier

Bradley I. Meier, Chief Executive Officer

/s/ James M. Lynch

James M. Lynch, Chief Financial Officer

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