MITEK SYSTEMS INC
Form 8-K
July 06, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): July 3, 2012

MITEK SYSTEMS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**001-35231**	**87-0418827**
(State or other jurisdiction	**Commission**	**(I.R.S. Employer**
of incorporation)	**file number**	**identification number)**

8911 Balboa Ave., Suite B, San Diego, California 92123

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: (858) 309-1700

N/A

(Former name, or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

On July 3, 2012, Mitek Systems, Inc. (the Company) entered into an amendment to its existing lease agreement (the Lease Amendment) with The Realty Associates Fund VIII, L.P., a Delaware limited partnership, regarding the leasing of space for the Company s principal executive offices. The Lease Amendment decreases the rentable square footage from approximately 24,012 square feet to approximately 22,523 square feet. The Lease Amendment commences on January 1, 2013 and extends the term of the existing lease through June 30, 2019. The annual base rent under the Lease Amendment is approximately $471,000 per year and is subject to annual increases of approximately three percent per year.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MITEK SYSTEMS, INC.

By: /s/ Russell C. Clark
Russell C. Clark

Chief Financial Officer

Date: July 6, 2012

size:8pt"> $33,009 100.0%

Concentrations of credit risk with respect to premiums receivable are limited due to the large number of individuals comprising the Company s customer base. However, the majority of the Company s revenues are currently derived from products and services offered to customers in Florida, which could be adversely affected by economic downturns, an increase in competition or other environmental changes.

In order to reduce credit risk for amounts due from reinsurers, the Insurance Entities seek to do business with financially sound reinsurance companies and regularly evaluate the financial strength of all reinsurers used.

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The following table presents current ratings from rating agencies and the unsecured amounts due from the Company s reinsurers whose aggregate balance exceeded 3% of the Company s stockholders equity as of the periods presented (in thousands):

	Current Ratings			As of	
Reinsurer	AM Best Company	Standard and Poor s Rating	Moody s Investors	December 31, 2013	December 31, 2012
Everest Reinsurance Company	A+	A+	A1	$ 87,789	$ 44,392
Florida Hurricane Catastrophe Fund	n/a	n/a	n/a	33,593	31,970
Odyssey Reinsurance Company	A	A-	A3	142,190	192,096
Total (1)				$ 263,572	$ 268,458

(1) Amounts represent prepaid reinsurance premiums, reinsurance receivables, and net recoverables for paid and unpaid losses, including incurred but not reported reserves, loss adjustment expenses, and offsetting reinsurance payables. n/a No rating available

Share-based Compensation. The Company accounts for share-based compensation based on the estimated grant-date fair value. The Company recognizes these compensation costs in general and administrative expenses and generally amortizes them on a straight-line basis over the requisite service period of the award, which is the vesting term. Individual tranches of performance-based awards are amortized separately since the vesting of each tranche is subject to independent annual measures. The fair value of stock option awards are estimated using the Black-Scholes option pricing model with the grant-date assumptions discussed in Note 9 SHARE BASED COMPENSATION. The fair value of the restricted share grants are determined based on the market price on the date of grant.

Statutory Accounting. UPCIC and APPCIC prepare statutory financial statements in conformity with accounting practices prescribed or permitted by the Florida Office of Insurance Regulation (OIR). The OIR requires that insurance companies domiciled in Florida prepare their statutory financial statements in accordance with the NAIC Accounting Practices and Procedures Manual, as modified by the Office of Insurance Regulation of Florida. Accordingly, the admitted assets, liabilities and capital and surplus of UPCIC and APPCIC as of December 31, 2013 and 2012 and the results of operations and cash flows, for the years ended December 31, 2013, 2012 and 2011, have been determined in accordance with statutory accounting principles, but adjusted to U.S. GAAP for purposes of these financial statements. The statutory accounting principles are designed primarily to demonstrate the ability to meet obligations to policyholders and claimants and, consequently, differ in some respects from U.S. GAAP.

New Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board (FASB) issued accounting guidance on the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. Under this guidance, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should generally be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward. This guidance is effective for fiscal years and interim periods beginning after December 15, 2013, but earlier adoption is permitted. We plan to adopt the standard prospectively on the required effective date of January 1, 2014 and are assessing the effect of adopting the standard on our Consolidated Balance Sheets, Statements of Income and Statements of Cash Flows.

In June 2011, the FASB updated its guidance to the Comprehensive Income Topic 220 of the FASB Accounting Standards Codification (ASC) and in February 2013, the FASB further amended such topic. This February 2013 guidance requires disclosure about amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement of operations or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. This guidance is to be applied prospectively to interim and annual reporting periods beginning after December 15, 2012. The Company adopted this guidance effective January 1, 2013. The adoption of this guidance results in additional disclosures but did not impact the Company s results of operations, cash flows or financial position. The updated guidance provided by the FASB in June 2011 increases the prominence of items reported in other comprehensive income by eliminating the option of presenting components of other comprehensive income as part of the statement of changes in stockholders equity. The guidance requires that total comprehensive income (including both the net income components and other comprehensive income components) be reported in either a single continuous statement of comprehensive income (the approach currently used in the Company s financial statements), or two separate but consecutive statements. This guidance is to be applied retrospectively to fiscal years (and interim periods within those years) beginning after December 15, 2011. The Company adopted this guidance effective January 1, 2012. The adoption did not have an impact on the presentation of the Company s financial statements and notes herein, as the Company has presented amounts of other comprehensive income consistent with this updated guidance.

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In May 2011, the FASB updated its guidance related to the Fair Value Measurement, Topic 820 of the ASC, to achieve common fair value measurement and disclosure requirements with International Financial Reporting Standards. The amendments change the wording used to describe many of the requirements under U.S. GAAP, to clarify the intent of application of existing fair value measurement and disclosure requirements, and to change particular principles or requirements for measuring and disclosing fair value measurements. The amendments are to be applied prospectively to interim and annual reporting periods beginning after December 15, 2011. The Company adopted this guidance effective January 1, 2012. The adoption of this guidance resulted in additional disclosure but did not impact the Company s results of operations, cash flows or financial position.

In September 2010, the FASB issued guidance related to accounting for costs associated with acquiring or renewing insurance contracts. This guidance defines allowable deferred policy acquisition costs as costs incurred by insurance entities for the successful acquisition of new and renewal contracts. Such costs result directly from and are essential to the contract transaction(s) and would not have been incurred by the insurance entity had the contract(s) not occurred. This guidance is effective for periods beginning after December 15, 2011, with early adoption permitted. The Company adopted this guidance prospectively effective January 1, 2012. Under the new guidance, the Company s net deferred policy acquisition costs were reduced from $13.0 million to $11.4 million, a difference of 13% at December 31, 2011. The resulting $1.6 million difference was charged directly to earnings during the three months ended March 31, 2012. This charge represents a charge-off of capitalized costs existing at December 31, 2011, which would have been amortized to earnings within a twelve-month period under the old guidance.

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NOTE 3 INVESTMENTS

The Company liquidated its trading portfolio of equity securities and transferred the fixed maturities that were outstanding at December 31, 2012 into its portfolio of securities available for sale effective March 1, 2013. The net unrealized gain (loss) associated with the fixed maturities trading portfolio was recognized in earnings up to the date of transfer.

The following table presents the Company s investment holdings by type of instrument as of the periods presented (in thousands):

	As of December 31, 2013			As of December 31, 2012		
	Cost or Amortized Cost	Fair Value	Carrying Value	Cost or Amortized Cost (2)	Fair Value	Carrying Value
Cash and cash equivalents (1)	$ 117,275	$ 117,275	$ 117,275	$ 347,392	$ 347,392	$ 347,392
Restricted cash and cash equivalents	2,600	2,600	2,600	33,009	33,009	33,009
Trading portfolio:						
Fixed maturities:						
U.S. government obligations and agencies				3,192	4,009	4,009
Equity securities (2):						
Common stock:						
Metals and mining				31,113	26,130	26,130
Energy				12,053	10,868	10,868
Other				8,416	8,215	8,215
Exchange-traded and mutual funds:						
Metals and mining				22,687	21,989	21,989
Agriculture				10,705	10,265	10,265
Energy				4,992	5,068	5,068
Indices				2,827	2,506	2,506
Non-hedging derivative asset (liability), net (3)				69	(21)	(21)
Other investments (4)				517	317	317
Total trading portfolio investments				96,571	89,346	89,346
Available for sale portfolio:						
Fixed maturities:						
U.S. government obligations and agencies	105,229	104,215	104,215			
Corporate bonds	94,708	94,203	94,203			
Mortgage-backed and asset-backed securities	91,502	91,000	91,000			
Equity securities:						
Common stock	8,500	9,295	9,295			
Mutual funds	55,113	55,727	55,727			

Total available for sale investments	355,052	354,440	354,440			
Total investments	$ 474,927	$ 474,315	$ 474,315	$ 476,972	$ 469,747	$ 469,747

(1) Cash and cash equivalents include money market accounts consisting of or collateralized by short-term U.S. Treasury securities and other U.S. government guaranteed securities.

(2) The cost for equity securities as of December 31, 2012 has been restated from the amounts reported on Form 10-K for the year ended December 31, 2012. The amounts previously reported represented the cost determined under a statutory basis of accounting. The restatement does not affect any amounts reported in the consolidated financial statements including the carrying amount of equity securities reported in the consolidated balance sheet as of December 31, 2012 and unrealized gains and losses reported in the consolidated statement of income for the year ended December 31, 2012.

(3) Derivatives are included in Other assets and Other liabilities and accrued expenses in the Consolidated Balance Sheets.

(4) Other investments represent physical metals held by the Company and are included in Other assets in the Consolidated Balance Sheets.

The Company has made an assessment of its invested assets for fair value measurement as further described in Note 16 FAIR VALUE MEASUREMENTS.

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The following table presents the components of net investment income, comprised primarily of interest and dividends, for the periods presented (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Cash and cash equivalents (1)	$ 148	$ 705	$ 568
Fixed maturities	1,420	66	494
Equity securities	1,982	566	421
Total investment income	3,550	1,337	1,483
Less investment expenses	(1,622)	(896)	(695)
Net investment (expense) income	$ 1,928	$ 441	$ 788

(1) Includes interest earned on restricted cash and cash equivalents.

Trading Portfolio

The following table provides the effect of trading activities on the Company s results of operations for the periods presented by type of instrument and by line item in the Consolidated Statements of Income (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Realized gains (losses) on investments:			
Fixed maturities	$	$	$ (3,206)
Equity securities	(15,969)	(12,286)	5,816
Derivatives (non-hedging instruments) (1)	(68)	343	(260)
Total realized gains (losses) on trading portfolio	(16,037)	(11,943)	2,350
Change in unrealized gains (losses) on investments:			
Fixed maturities	13	195	8,472
Equity securities	7,758	9,158	(26,762)
Derivatives (non-hedging instruments) (1)	89	145	25
Other	14	(55)	(145)
Total change in unrealized gains (losses) on trading portfolio	7,874	9,443	(18,410)
Net gains (losses) recognized on trading portfolio	$ (8,163)	$ (2,500)	$ (16,060)

(1)

This table provides the alternative quantitative disclosures permitted for derivatives that are not used as hedging instruments and are included in the trading portfolio.

Securities Available for Sale

The following table provides the cost or amortized cost and fair value of securities available for sale as of the period presented (in thousands):

	December 31, 2013			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed Maturities:				
US government and agency obligations	$ 105,229	$ 19	$ (1,033)	$ 104,215
Corporate bonds	94,708	265	(770)	94,203
Mortgage-backed and asset-backed securities	91,502	75	(577)	91,000
Equity Securities:				
Common stock	8,500	916	(121)	9,295
Mutual funds	55,113	2,266	(1,652)	55,727
Total	$ 355,052	$ 3,541	$ (4,153)	$ 354,440

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The following table summarizes the fair value and gross unrealized losses on securities available for sale, aggregated by major investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2013 (dollars in thousands):

	Less than 12 months			12 months or longer		
	Number of issues	Fair value	Unrealized losses	Number of issues	Fair value	Unrealized losses
Fixed maturities:						
US government and agency obligations	6	$ 71,042	$ (1,033)		$	$
Corporate bonds	55	65,926	(770)			
Mortgage-backed and asset-backed securities	16	67,110	(577)			
Equity securities:						
Common stock	13	3,517	(121)			
Mutual funds	5	19,646	(1,652)			
Total	95	$ 227,241	$ (4,153)		$	$

At December 31, 2013, we held fixed maturity and equity securities that were in an unrealized loss position as presented in the table above. Since the Company liquidated its trading portfolio and transferred the remaining fixed maturities into its portfolio of securities available for sale effective March 1, 2013, there were no positions held in our portfolio of securities available for sale for longer than 12 months. For fixed maturity securities with significant declines in value, we perform fundamental credit analysis on a security-by-security basis, which includes consideration of credit quality and credit ratings, review of relevant industry analyst reports and other available market data. For fixed maturity and equity securities, the Company considers whether it has the intent and ability to hold the securities for a period of time sufficient to recover its cost basis. Where the Company lacks the intent and ability to hold to recovery, or believes the recovery period is extended, the security s decline in fair value is considered other than temporary and is recorded in earnings. Based upon the relative severity and duration of the unrealized losses combined with management s intent and ability to hold the securities until recovery, management had no reason to believe the unrealized losses for securities available for sale at December 31, 2013 were other than temporary.

The following table presents the amortized cost and fair value of fixed maturities available for sale by contractual maturity as of December 31, 2013 (in thousands):

	Fixed Maturities Securities Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 3,827	$ 3,825
Due after one year through five years	191,522	190,260
Due after five years through ten years	4,588	4,333
Due after ten years		
Mortgage-backed and asset-backed securities	91,502	91,000
Total	$ 291,439	$ 289,418

The following table provides certain information related to securities available for sale during the periods presented (in thousands):

	Year Ended December 31, 2013	
Sales proceeds (fair value)	$	15,542
Gross realized gains	$	1,301
Gross realized losses	$	(4)
Other than temporary losses	$	

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NOTE 4 REINSURANCE

The Company seeks to reduce its risk of loss by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers, generally, as of the beginning of the hurricane season on June 1 of each year. The Company s reinsurance program consists of excess of loss, quota share and catastrophe reinsurance, subject to the terms and conditions of the applicable agreements. The Company is responsible for insured losses related to catastrophes and other events in excess of coverage provided by its reinsurance program. The Company also remains responsible for the settlement of insured losses in the event of the failure of any of its reinsurers to make payments otherwise due to the Company. See Note 1, SIGNIFICANT ACCOUNTING POLICIES C*oncentrations of Credit Risk,* for *a*mounts due from our largest reinsurers as of December 31, 2013.

The estimated insured value of the Company s in-force policyholder coverage for windstorm exposures as of December 31, 2013, was approximately $120.1 billion.

The Company reduced the percentage of premiums ceded by UPCIC to its quota share reinsurers to 45% beginning with the reinsurance program effective June 1, 2012, from 50% under the prior year quota share contract effective June 1, 2011 through May 31, 2012. The Company s two quota share reinsurance contracts were effective June 1, 2013. One quota share reinsurance contract provides coverage to UPCIC through May 31, 2014 and the other provides coverage to UPCIC through May 31, 2015. By ceding 5% less premium to its quota share reinsurers, the Company intends to increase its profitability. The reduction of cession rate also decreases the amount of losses and LAE that may be ceded by UPCIC and effectively increases the amount of risk retained by UPCIC and the Company. The reduction of cession rate also reduces the amount of ceding commissions earned from the Company s quota share reinsurer during the contract term and decreases the amount of deferred ceding commission, as of December 31, 2013, that is a component of net deferred policy acquisition costs.

Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsurance contracts. Reinsurance premiums, losses and LAE are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Deferred ceding commissions are netted against policy acquisition costs and amortized over the effective period of the related insurance policies.

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The Company s reinsurance arrangements had the following effect on certain items in the Consolidated Statements of Income for the periods presented (in thousands):

	Year Ended December 31, 2013		
	Premiums Written	Premiums Earned	Losses and Loss Adjustment Expenses
Direct	$ 783,894	$ 788,477	$ 216,852
Ceded	(522,116)	(520,822)	(108,237)
Net	$ 261,778	$ 267,655	$ 108,615

	Year Ended December 31, 2012		
	Premiums Written	Premiums Earned	Losses and Loss Adjustment Expenses
Direct	$ 780,128	$ 751,899	$ 249,064
Ceded	(517,604)	(520,779)	(122,877)
Net	$ 262,524	$ 231,120	$ 126,187

	Year Ended December 31, 2011		
	Premiums Written	Premiums Earned	Losses and Loss Adjustment Expenses
Direct	$ 721,462	$ 689,955	$ 245,335
Ceded	(512,979)	(490,970)	(121,026)
Net	$ 208,483	$ 198,985	$ 124,309

The following prepaid reinsurance premiums and reinsurance recoverable and receivable are reflected in the Consolidated Balance Sheets as of the periods presented (in thousands):

	As of December 31,	
	2013	2012
Prepaid reinsurance premiums	$ 241,214	$ 239,921
Reinsurance recoverable on unpaid losses and LAE	$ 68,584	$ 81,415
Reinsurance recoverable on paid losses	39,263	7,776
Reinsurance receivable, net	203	24,334

Reinsurance recoverable and receivable	$ 108,050	$ 113,525

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Segregated Account T25

UIH owned and maintained a segregated account, Segregated Account T25 Universal Insurance Holdings of White Rock Insurance (SAC) Ltd. (T25), established in accordance with Bermuda law. As part of the Company s overall reinsurance program, T25 at times entered into underlying excess catastrophe contracts with the Insurance Entities for the purpose of assuming certain risk for specified loss occurrences, including hurricanes. The agreements between T25 and the Insurance Entities were a cost-effective alternative to reinsurance that the Insurance Entities would otherwise purchase from third-party reinsurers. While the Company retained risk that otherwise would be transferred to third party reinsurers, the use of the Segregated Account T25 provided benefits to the Insurance Entities in no-loss years that could not be replicated in the open reinsurance market. These benefits included the return to the Insurance Entities of a substantial portion of the earned reinsurance premiums under the contract. All the related intercompany transactions with respect to these agreements are eliminated in consolidation with the exception of amounts held in trust or on deposit with the OIR which is presented as restricted cash and cash equivalents.

The T25 agreement effective June 1, 2012 through May 31, 2013 was terminated effective December 31, 2012, pursuant to the terms of the agreement. In connection with the termination of the agreement, the affiliates agreed to release funds held in trust due to the beneficiary (i.e., UPCIC) and the balance to the grantor (i.e., UIH) in December 2012.

Effective January 1, 2013, the T25 contract was subsequently replaced at identical limits and retentions as the prior agreement with unaffiliated third-party reinsurers as an open market purchase. Effective January 1, 2013 through May 31, 2013, under an excess catastrophe contract, UPCIC obtained catastrophe coverage of 45% of $75 million in excess of $75 million and 55% of $105 million in excess of $45 million covering certain loss occurrences including hurricanes. The total cost of this reinsurance coverage is $2.7 million.

NOTE 5 INSURANCE OPERATIONS

The Company s primary product is homeowners insurance currently offered by APPCIC in one state (Florida) and by UPCIC in seven states, including Florida.

The following table provides the percentage of concentrations with respect to the Insurance Entities nationwide policies-in-force as of the periods presented:

	December 31, 2013	December 31, 2012
Percentage of Policies-In-Force:		
In Florida	93%	96%
With wind coverage	98%	98%
With wind coverage in South Florida (1)	27%	28%

(1) South Florida is comprised of Miami-Dade, Broward and Palm Beach counties.

Deferred Policy Acquisition Costs, net

The Company defers certain costs in connection with written policies, called Deferred Policy Acquisition Costs (DPAC), net of corresponding amounts of ceded reinsurance commissions, called Deferred Reinsurance Ceding Commissions (DRCC).

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The following table presents the beginning and ending balances and the changes in DPAC, net of DRCC, for the periods presented (in thousands):

	For the years ended December 31, 2013	2012	2011
DPAC, beginning of year (1)	$ 54,431	$ 50,200	$ 50,127
Capitalized Costs	109,981	107,180	114,358
Amortization of DPAC	(110,313)	(102,949)	(107,003)
DPAC, end of year	$ 54,099	$ 54,431	$ 57,482
DRCC, beginning of year (1)	$ 37,149	$ 38,845	$ 40,682
Ceding Commissions Written	89,679	85,063	89,330
Earned Ceding Commissions	(88,628)	(86,759)	(85,526)
DRCC, end of year	$ 38,200	$ 37,149	$ 44,486
DPAC (DRCC), net, beginning of year (1)	$ 17,282	$ 11,355	$ 9,445
Capitalized Costs, net	20,302	22,117	25,028
Amortization of DPAC (DRCC), net	(21,685)	(16,190)	(21,477)
DPAC (DRCC), net, end of year	$ 15,899	$ 17,282	$ 12,996

(1) The beginning balances for the twelve months ended December 31, 2012 have been adjusted in connection with the adoption of the FASB s updated guidance related to deferred acquisition costs as discussed below.

As discussed in Note 2 SIGNIFICANT ACCOUNTING POLICIES, the Company prospectively adopted new accounting guidance effective January 1, 2012 related to accounting for costs associated with acquiring or renewing insurance contracts. This guidance resulted in a 13% reduction of our net deferred policy acquisition costs as of December 31, 2011, and a corresponding pre-tax charge of $1.6 million against earnings during the first quarter of 2012. This charge represents a charge-off of capitalized costs existing at December 31, 2011, which would have been amortized to earnings within a twelve-month period under the old guidance. In the period of adoption (three months ended March 31, 2012), approximately $9 million of net costs would have been deferred under the old guidance compared to the $5.6 million under the new guidance. Future expenses will be accelerated with the adoption of this guidance, as the amounts being deferred have decreased, partially offset by less amortization. The effect of this change in periods subsequent to March 31, 2012, on income and per share amounts is not determinable as the historical methodology will have been discontinued after adoption.

Liability for Unpaid Losses and Loss Adjustment Expenses

The Insurance Entities establish liabilities for unpaid losses and loss adjustment expenses on reported and unreported claims of insured losses. These liability estimates are based on known facts and interpretation of factors such as claim payment patterns, loss payments, pending levels of unpaid claims, product mix and industry experience. The establishment of appropriate liabilities, including liabilities for catastrophes, is an inherently uncertain process. Management regularly updates its estimates as new facts become known and further events occur which may impact the resolution of unsettled claims.

The level of catastrophe loss experienced in any year cannot be predicted and could be material to results of operations and financial position. The Company s policyholders are concentrated in South Florida, which is periodically subject to adverse weather conditions, such as hurricanes and tropical storms. During the twelve-month periods ended December 31, 2013, 2012 and 2011, the Company did not experience any significant effects from catastrophic events. Management continuously evaluates alternative business strategies to more effectively manage the Company s exposure to catastrophe losses, including the maintenance of catastrophic reinsurance coverage as discussed in Note 4.

Management believes that the liabilities for claims and claims expense as of December 31, 2013 are appropriately established in the aggregate and adequate to cover the ultimate cost of reported and unreported claims arising from losses which had occurred by that date. However, if losses exceeded direct loss reserve estimates there could be a material adverse effect on the Company s financial statements. Also, if there are regulatory initiatives, legislative enactments or case law precedents which change the basis for policy coverage, in any of these events, there could be an effect on direct loss reserve estimates having a material adverse effect on the Company s financial statements.

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Set forth in the following table is the change in liability for unpaid losses and LAE for the periods presented (in thousands):

	Year Ended December 31, 2013	2012
Balance at beginning of year	$ 193,241	$ 187,215
Less reinsurance recoverable	(81,415)	(88,002)
Net balance at beginning of period	111,826	99,213
Incurred (recovered) related to:		
Current year	111,560	119,458
Prior years	(2,945)	6,729
Total incurred	108,615	126,187
Paid related to:		
Current year	62,529	54,141
Prior years	67,274	59,433
Total paid	129,803	113,574
Net balance at end of period	90,638	111,826
Plus reinsurance recoverable	68,584	81,415
Balance at end of year	$ 159,222	$ 193,241

The liability for unpaid losses and LAE includes a decrease of $2.9 million and an increase of $6.7 million in 2013 and 2012, respectively, in response to reserve development on prior accident years. The favorable development recorded during the year ended December 31, 2013 was primarily the result of lower than anticipated loss settlements on 2004 and 2005 catastrophe claims which were recognized during the calendar year, and favorable development of accident year 2011 and 2012 non-catastrophe loss estimates which were recognized at year end 2013 after a detailed actuarial analysis. Favorable reserve development in 2013 was somewhat offset by increases in loss adjustment expense estimates on non-catastrophe claims for 2010 through 2012 accident years that were recognized at year end. The reserve development for 2012 was primarily the result of actual loss development on prior accident year non-catastrophe homeowners losses and higher than expected adjusting and other expenses.

Regulatory Requirements and Restrictions

The Insurance Entities are subject to regulations and standards of the OIR. These standards require the Insurance Entities to maintain specified levels of statutory capital and restrict the timing and amount of dividends and other distributions that may be paid to the parent company. Except in the case of extraordinary dividends, these standards generally permit dividends to be paid from statutory unassigned surplus of the regulated subsidiary and are limited based on the regulated subsidiary s level of statutory net income and statutory capital and surplus. The maximum dividend that may be paid by UPCIC and APPCIC to their immediate parent company, Universal Insurance Holding Company of Florida (UIHCF), 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. These dividends are referred to as ordinary dividends and generally can be paid without prior regulatory approval. If the dividend, together with other dividends paid within the preceding twelve months, exceeds a specified statutory limit or is paid from sources other than earned surplus, the entire dividend is generally considered an extraordinary dividend and must receive prior regulatory approval.

Based on the 2012 statutory net income and statutory capital and surplus levels, UPCIC and APPCIC did not have the capacity to pay ordinary dividends during 2013. No dividends were paid from UPCIC or APPCIC to UIHCF during the years ended December 31, 2013, 2012 and 2011. Dividends paid to the shareholders of UIH are paid from the equity of UIH not from the surplus of the Insurance Entities.

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The Florida Insurance Code requires companies to maintain capitalization equivalent to the greater of ten percent of the insurer s total liabilities or $5.0 million. The following table presents the amount of statutory capital and surplus, and an amount representing ten percent of total liabilities for both UPCIC and APPCIC as of the periods presented (in thousands):

	As of December 31, 2013	2012
Ten percent of total liabilities		
UPCIC	$ 39,179	$ 39,260
APPCIC	$ 625	$ 694
Statutory capital and surplus		
UPCIC	$ 161,803	$ 134,034
APPCIC	$ 13,708	$ 14,330

At such dates in the table above, both UPCIC and APPCIC met the Florida capitalization requirement. UPCIC and APPCIC are also required to adhere to prescribed premium-to-capital surplus ratios and have met those requirements at such dates.

Through UIHCF, the Insurance Entities parent company, UIH recorded capital contributions for the periods presented (in thousands):

	For the Years Ended December 31, 2013	2012	2011
Capital Contributions	$	$ 28,550	$ 49,000

UPCIC and APPCIC are required annually to comply with the NAIC 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, 2013, based on calculations using the appropriate NAIC RBC formula, UPCIC s and APPCIC s reported total adjusted capital was in excess of the requirements.

The Company is required by various state laws and regulations to maintain certain assets in depository accounts. The following table represents assets held by insurance regulators as of the periods presented (in thousands):

	As of December 31, 2013	As of December 31, 2012
Restricted cash and cash equivalents	$ 2,600	$ 33,009
Investments	$ 3,707	$ 4,009

In November 2012, the Florida Insurance Guaranty Association (FIGA) Board of Directors determined the need for an emergency assessment upon its member companies. The assessment was 0.9% of each respective member s Florida net direct premiums for calendar year 2011. The Insurance Entities participation in this assessment totaled $6.3 million based on 2011 net direct premiums generated in Florida of approximately $704.8 million. Pursuant to Florida statutes, insurers are permitted to recoup the assessment by adding a surcharge to policies in an amount not to exceed the amount paid by the insurer to FIGA. As a result, the Insurance Entities recorded this assessment as an expense during the year ended December 31, 2012 and began to recoup the assessment on February 1, 2013. The Company has recouped the majority of this assessment as of December 31, 2013.

UPCIC received an order from the OIR dated May 30, 2013 related to the OIR s Target Market Conduct Final Examination Report of UPCIC for the period January 2009 through May 2013 (OIR Order). The OIR Order alleged certain violations and findings and sought to impose certain requirements and an administrative fine of $1.3 million upon UPCIC. On October 4, 2013, UPCIC and the OIR signed a Consent Order settling the OIR Order. The Consent Order clarified language contained in the OIR Order, imposed certain requirements on UPCIC and required UPCIC to pay the administrative fine of $1.3 million, which it paid on October 18, 2013.

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NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following for the periods presented (in thousands):

	As of December 31,	
	2013	2012
Land	$ 1,287	$ 1,287
Building	6,508	6,508
Leasehold improvements	17	
Computers	619	568
Furniture	1,112	1,043
Automobiles and other vehicles	3,067	2,183
Software	2,055	1,772
Total cost	14,665	13,361
Less: accumulated depreciation	(5,376)	(4,393)
Property and equipment, net	$ 9,289	$ 8,968

Depreciation and amortization was $1 million, $840 thousand and $639 thousand for the years ended December 31, 2013, 2012 and 2011, respectively.

The following table provides realized gains (losses) on the disposal of property and equipment for the periods presented (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Realized gain (loss) on disposal	$ (10)	$ (6)	$ 17

NOTE 7 LONG-TERM DEBT

Long-term debt consists of a surplus note with a carrying amount of $18.8 million and $20.2 million as of December 31, 2013 and December 31, 2012, respectively, a term loan with a carrying amount of $18.5 million as of December 31, 2013 and none at December 31, 2012, and any amounts drawn upon an unsecured line of credit.

Surplus Note

On November 9, 2006, UPCIC entered into a $25.0 million surplus note with the SBA under Florida s Insurance Capital Build-Up Incentive Program (ICBUI). Under ICBUI, which was implemented by the Florida Legislature to encourage insurance companies to write additional residential insurance coverage in Florida, the SBA matched UPCIC s funds of $25.0 million that were earmarked for participation in the program. The surplus note brings the current statutory capital and surplus of UPCIC to approximately $161.8 million as of December 31, 2013.

The surplus note calls for serial maturities and is scheduled to be fully repaid on December, 31, 2026 and accrues interest at a rate equivalent to the 10-year U.S. Treasury Bond rate, adjusted quarterly based on the 10-year Constant

Maturity Treasury rate. For the first three years of the term of the surplus note, UPCIC was required to pay interest only. The effective interest rate paid on the surplus note was 2.21%, 1.96% and 3.77% for years ended December 31, 2013, 2012 and 2011, respectively. Any payment of principal or interest by UPCIC on the surplus note must be approved by the Commissioner of the OIR. Quarterly principal payments of $368 thousand are due through 2026. Aggregate principal payments of $1.5 million were made during each of the years ended December 31, 2013, 2012 and 2011.

In May 2008, the Florida Legislature passed a law providing participants in the Program an opportunity to amend the terms of their surplus notes based on law changes. The new law contains methods for calculating compliance with the writing ratio requirements that are more favorable to UPCIC than prior law and the prior terms of the existing surplus note. On November 6, 2008, UPCIC and the SBA executed an addendum to the surplus note that reflects these law changes. The terms of the addendum were effective July 1, 2008. In addition to other less significant changes, the addendum modifies the definitions of Minimum Required Surplus, Minimum Writing Ratio, Surplus, and Gross Written Premium, respectively, as defined in the original surplus note.

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UPCIC has been and currently remains in compliance with each of the loan s covenants as implemented by rules promulgated by the SBA. An event of default will occur under the surplus note, as amended, if UPCIC: (i) defaults in the payment of the surplus note; (ii) fails to submit quarterly filings to the OIR; (iii) fails to maintain at least $50 million of surplus during the term of the surplus note, except for certain situations; (iv) misuses proceeds of the surplus note; (v) makes any misrepresentations in the application for the program; (vi) pays any dividend when principal or interest payments are past due under the surplus note; or (vii) fails to maintain a level of surplus and reinsurance sufficient to cover in excess of UPCIC s 1-in-100 year probable maximum loss as determined by a hurricane loss model accepted by the Florida Commission on Hurricane Loss Projection Methodology as certified by the OIR annually.

The original surplus note provided for increases in interest rates for failure to meet the Minimum Writing Ratio. Under the terms of the surplus note agreement, at December 31, 2007, the interest rate on the note was increased by 450 basis points. As of June 30, 2008, the additional interest rate on the note was decreased from 450 basis points to 25 basis points. Under the terms of the surplus note, as amended, the net written premium to surplus requirement and gross written premium to surplus requirement have been modified. Further, UPCIC will be subject to increases in interest rates if it drops below a net written premium to surplus of 1:1 below a gross written premium to surplus ratio of 3:1 for three consecutive quarters beginning January 1, 2010. As of December 31, 2013, UPCIC s net written premium to surplus ratio and gross written premium to surplus ratio were in excess of the required minimums and, therefore, UPCIC is not subject to increases in interest rates.

Term Loan

On May 23, 2013, UIH entered into a $20 million unsecured term loan agreement and related term note (Term Loan) with RenaissanceRe Ventures Ltd. (RenRe Ventures). See Note 11 RELATED PARTY TRANSACTIONS, for a discussion of a series of agreements entered into with RenRe Ventures and its affiliate Renaissance Reinsurance Ltd. (RenRe).

The Term Loan bears interest at the rate of 0.50% per annum and matures on the earlier of May 23, 2016 or the date that all principal under the Term Loan is pre-paid or deemed paid in full. The Term Loan is amortized over the three-year term and UIH may prepay the loan without penalty. Principal is payable annually on the anniversary of the closing date in three annual installments and interest is payable in arrears on the same dates as the principal payments. The Term Loan contains financial covenants and as of December 31, 2013, UIH was in compliance with such covenants.

The stated interest rate of the Term Loan of 0.50% is below the Company s borrowing rate resulting in imputed interest and an original issue discount computed by calculating the present value of the future principal and interest payments utilizing the Company s borrowing rate. Concurrent with the establishment of the original issue discount, the Company recorded a deferred credit, a component of other liabilities and accrued expenses, for an equal amount against premium payments the Company will make in connection with a catastrophe risk-linked transaction contract entered into with RenRe on the same date and with the same maturity date as the Term Loan. The original issue discount will be amortized to interest expense over the life of the Term Loan and the deferred credit will be amortized as a reduction in insurance expense, a component of general and administrative expenses, over the life of a covered loss index swap with RenRe.

The following table provides the principal amount and unamortized discount of the Term Loan for the period presented (in thousands):

	As of December 31, 2013	
Principal amount	$	20,000
Less: unamortized discount		(1,510)
Term Loan, net of unamortized discount	$	18,490

Through the interest rate payment of 0.50% per annum and the amortization of the discount, the effective interest rate on the Term Loan is 5.99%. Amortization of the discount is included in interest expense, a component of general and administrative expenses, in the Consolidated Statements of Income and was $601 thousand for the twelve months ended December 31, 2013.

Should UIH default on either the DB Loan (defined below) or the Term Loan, it will be prohibited from paying dividends to its shareholders.

Unsecured Line of Credit

On March 29, 2013, UIH entered into a revolving loan agreement and related revolving note with Deutsche Bank Trust Company Americas (Deutsche Bank), amended as of May 23, 2013 (DB Loan). The DB Loan makes available to UIH an unsecured line of credit in an aggregate amount not to exceed $10.0 million. Draws under the DB Loan have a maturity date of March 27, 2015 and carry an interest rate of LIBOR plus a margin of 5.50% or Deutsche Bank s prime rate plus a margin of 3.50%. The interest rate is at the election of UIH. The DB Loan contains financial covenants. As of December 31, 2013, UIH was in compliance with all such covenants. UIH had not drawn any amounts under the unsecured line of credit as of December 31, 2013.

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Maturities

The following table provides an estimate of principal payments to be made for the amounts due on the surplus note and the Term Loan as of December 31, 2013 (in thousands):

2014	$ 7,471
2015	8,471
2016	8,471
2017	1,471
2018	1,471
Thereafter	11,395
Total	$ 38,750 (1)

(1) Differs from amount presented in the Balance Sheet as of December 31, 2013 due to unamortized discount as presented in the table above.

Interest Expense

Interest expense was $1.2 million, $414 thousand, and $856 thousand for the years ended December 31, 2013, 2012 and 2011, respectively.

NOTE 8 STOCKHOLDERS EQUITY

Cumulative Convertible Preferred Stock

As of December 31, 2013 and 2012, the Company had shares outstanding of Series A Preferred Stock and Series M Preferred Stock. Each share of Series A Preferred Stock and Series M Preferred Stock is convertible by the Company into shares of Common Stock.

The following table provides certain information for each series of convertible preferred stock as of the periods presented (in thousands, except conversion factor):

	As of December 31, 2013			As of December 31, 2012		
	Series A	Series M	Total	Series A	Series M	Total
Shares issued and outstanding	20	10	30	20	88	108
Conversion factor	2.50	5.00	NM	2.50	5.00	NM
Common shares resulting if converted	50	50	100	50	438	488

NM - Not meaningful.

The Series A Preferred Stock pays a cumulative dividend of $0.25 per share per quarter. During 2013 and 2012, respectively, the Company declared and paid aggregate dividends of $20 thousand to holders of record of the Company s Series A Preferred Stock.

There were no conversions of Series A Preferred Stock during the years ended December 31, 2013 and 2012.

The Series M Preferred Stock pays a cumulative dividend of $0.20 per share per year. The Company declared and paid aggregate dividends to holders of record of the Company s Series M Preferred Stock of $9 thousand and $267 thousand for the years ended December 31, 2013 and 2012, respectively.

During the year ended December 31, 2013, shareholders converted 77,740 shares of Series M Preferred Stock into 388,700 shares of Common Stock. There were no conversions of Series M Preferred Stock in 2012.

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Common Stock

The following table summarizes the activity relating to shares of the Company s Common Stock during the periods presented (in thousands):

	Issued Shares	Treasury Shares	Outstanding Shares
Balance, as of December 31, 2010	40,407	(1,019)	39,388
Options exercised	160		160
Shares cancelled	(70)	70	
Restricted stock grant	600		600
Shares acquired through cashless exercise (1)		(70)	(70)
Other adjustments	3	1	4
Balance, as of December 31, 2011	41,100	(1,018)	40,082
Options exercised	285		285
Shares cancelled	(146)	146	
Restricted stock grant	650		650
Shares acquired through cashless exercise (1)		(146)	(146)
Balance, as of December 31, 2012	41,889	(1,018)	40,871
Conversion of preferred stock	389		389
Shares repurchased		(7,257)	(7,257)
Options exercised	2,330		2,330
Shares cancelled	(1,967)	1,967	
Restricted stock grant	1,000		1,000
Shares acquired through cashless exercise (1)		(1,967)	(1,967)
Balance, as of December 31, 2013	43,641	(8,275)	35,366

(1) All shares acquired represent shares tendered to cover the strike price for options and tax withholdings on the intrinsic value of options exercised or restricted stock vested. These shares have been cancelled by the Company.

On April 1, 2013, UIH entered into a repurchase agreement with Bradley I. Meier, the Company s former Chairman, President and Chief Executive Officer and a principal stockholder of UIH, to repurchase an aggregate of four million shares of UIH s common stock owned by Mr. Meier. The initial repurchase of two million of Mr. Meier s shares occurred on April 1, 2013, and the subsequent repurchase of two million shares occurred on May 23, 2013, each at a price of $4.02 per share, representing a discount from the then-current market price of UIH s common stock. The repurchase of shares from Mr. Meier provides us with an opportunity to buy back shares at a discount to current stock price, while facilitating the orderly sale of shares by a large shareholder.

On May 23, 2013, UIH entered into a second repurchase agreement with Bradley I. Meier to repurchase an additional 2.666 million shares of UIH s common stock owned by Mr. Meier. The repurchase of 2.666 million of Mr. Meier s shares occurred on May 23, 2013 for a repurchase price of $4.50 per share, representing a discount from the then-current market price of UIH s common stock.

On August 1, 2013, UIH entered into a third repurchase agreement with Bradley I. Meier to repurchase an additional 350 thousand shares of UIH s common stock owned by Mr. Meier. The repurchase of 350 thousand of Mr. Meier s shares occurred on August 1, 2013 for a repurchase price of $7.02 per share, representing a discount from the then-current market price of UIH s common stock.

On August 14, 2013, UIH entered into a repurchase agreement with Norman M. Meier to repurchase 241,933 shares of UIH s common stock owned by Mr. Meier. The repurchase of 241,933 of Mr. Meier s shares occurred on August 14, 2013 for a repurchase price of $7.57 per share, representing a discount from the then-current market price of UIH s common stock.

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Dividends Declared

The Company declared dividends on its outstanding shares of common stock to its shareholders of record as follows for the periods presented (in thousands, except per share amounts):

	For the year ended December 31,					
	2013		2012		2011	
	Per Share Amount	Aggregate Amount	Per Share Amount	Aggregate Amount	Per Share Amount	Aggregate Amount
First Quarter	$ 0.08	$ 3,259	$ 0.10	$ 4,012	$ 0.10	$ 3,939
Second Quarter	$ 0.08	$ 2,821	$ 0.08	$ 3,214	$	$
Third Quarter	$ 0.10	$ 3,511	$ 0.08	$ 3,270	$ 0.08	$ 3,199
Fourth Quarter	$ 0.23	$ 8,134	$ 0.20	$ 8,174	$ 0.14	$ 5,611

Applicable provisions of the Delaware General Corporation Law may affect the ability of the Company to declare and pay dividends on its Common Stock. In particular, pursuant to the Delaware General Corporation Law, a company may pay dividends out of its surplus, as defined, or out of its net profits, for the fiscal year in which the dividend is declared and/or the preceding year. Surplus is defined in the Delaware General Corporation Law to be the excess of net assets of the company over capital. Capital is defined to be the aggregate par value of shares issued. Moreover, the ability of the Company to pay dividends, if and when declared by its Board of Directors, may be restricted by regulatory limits on the amount of dividends, which the Insurance Entities are permitted to pay the Company.

Restrictions limiting the payment of dividends by UIH

UIH pays dividends to shareholders, which are funded by earnings on investments and distributions from the earnings of its consolidated subsidiaries. Generally, other than as disclosed in Note 7 LONG-TERM DEBT, there are no restrictions for UIH limiting the payment of dividends. However, UIH s ability to pay dividends to shareholders may be affected by restrictions on the ability of the Insurance Entities to pay dividends to UIH through UIHCF. See Note 5, INSURANCE OPERATIONS, for a discussion of these restrictions. As of December 31, 2013, 100 percent of the Insurance Entities net assets were restricted. There are no such restrictions for UIH s non-insurance consolidated subsidiaries. Notwithstanding the restriction on the net assets of the Insurance Entities, UIH received distributions from the earnings of its non-insurance consolidated subsidiaries of $26.9 million, $40.2 million and $89.3 million during the years ended December 31, 2013, 2012 and 2011, respectively and made capital contributions to the Insurance Entities of $28.6 million and $49.0 million, during the years ended December 31, 2012 and 2011, respectively. UIH did not make any capital contributions to the Insurance Entities during the year ended December 31, 2013. The Company prepares and files a consolidated federal tax return for UIH and its consolidated subsidiaries with all U.S. GAAP tax related entries recorded on the books of UIH. Since the U.S. GAAP tax related entries are not recorded at the subsidiary level, the Company does not have the ability to produce the amount of net assets for each of its subsidiaries in accordance with U.S. GAAP.

NOTE 9 SHARE-BASED COMPENSATION

Equity Compensation Plan

On October 13, 2009, the Company s Board of Directors approved, and recommended that the Company s stockholders approve, the 2009 Omnibus Incentive Plan (Incentive Plan). On November 16, 2009, the Company s stockholders approved the Incentive Plan by written consent.

An aggregate of 1.8 million shares of Common Stock was initially reserved for issuance and available for awards under the Incentive Plan. Awards under the Incentive Plan may include incentive stock options, nonqualified stock options, stock appreciation rights, non-vested shares of Common Stock (Restricted Stock), restricted stock units, performance share or unit awards, other share-based awards and cash-based incentive awards. Awards under the Incentive Plan may be granted to employees, directors, consultants or other persons providing services to the Company or its affiliates. The Incentive Plan also provides for awards that are intended to qualify as performance-based compensation in order to preserve the deductibility of such compensation by the Company under Section 162(m) of the Internal Revenue Code.

At the 2011 Annual Meeting of Shareholders held on May 11, 2011, shareholders voted to approve the recommendation of the Company s Board of Directors to amend the Incentive Plan. The Incentive Plan allows for amendments which are intended for the plan to remain a flexible and effective source of incentive compensation in terms of the number of shares of stock available for awards, in terms of its design, as well as whether it generally conforms with the best practices in today s business environment. Significant aspects of the amendment include: an increase of 2.4 million shares in the shares reserved for grant, an adjustment to the annual maximum awards limits, a prohibition against re-pricing of options and stock appreciation rights without shareholder approval, and an addition of specific elements to the performance goals.

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At the 2012 Annual Meeting of Shareholders held on June 8, 2012, shareholders voted to approve the recommendation of the Company s Board of Directors to amend the Incentive Plan. Significant aspects of this amendment include: an increase of 3 million in the shares reserved for grant, an extension of the term, an expansion of the list of performance goals, a provision for recovery compensation in connection with financial restatements, and certain modifications in order to provide internal consistency.

At the 2013 Annual Meeting of Shareholders held on June 6, 2013, shareholders voted to approve the recommendation of the Company s Board of Directors to amend the Incentive Plan to add 3 million shares to the shares reserved for grant.

As of December 31, 2013, 1,947 thousand shares remained reserved for issuance and were available for new awards under the Incentive Plan.

The following table provides certain information related to stock options and restricted stock during the year ended December 31, 2013 (in thousands, except per share data):

	Year Ended December 31, 2013					
	Stock Options				Restricted Stock	
	Number of Options	Weighted Average Exercise Price per Share (1)	Aggregate Intrinsic Value	Weighted Average Remaining Term	Number of Shares (2)	Weighted Average Grant Date Fair Value per Share (1)
Outstanding as of December 31, 2012	5,330	$ 4.29			1,152	$ 4.37
Granted	2,015	6.54			1,000	5.43
Forfeited	(40)	7.33			n/a	n/a
Exercised	(2,330)	4.06			n/a	n/a
Vested	n/a	n/a			(552)	4.64
Expired	(850)	3.90			n/a	n/a
Outstanding as of December 31, 2013	4,125	$ 5.56	$ 36,786	3.86	1,600	$ 4.94
Exercisable as of December 31, 2013	1,900	$ 4.83	$ 18,330	2.43		

(1) Unless otherwise specified, such as in the case of the exercise of stock options, the per share prices were determined using the closing price of the Company s Common Stock as quoted on the exchanges on which the Company was listed. Shares issued upon exercise of options represent original issuances in private transactions pursuant to Section 4(2) of the Securities Act of 1933, as amended or issuances under the Company s 2009 Omnibus Incentive Plan.

(2) All shares outstanding as of December 31, 2013 are expected to vest.

n/a - Not applicable

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The following table provides certain information in connection with the Company s share-based compensation arrangements for the periods presented (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Compensation expense:			
Stock options	$ 930	$ 1,188	$ 1,450
Restricted stock	5,487	2,642	1,398
Total	$ 6,417	$ 3,830	$ 2,848
Deferred tax benefits:			
Stock options	$ 359	$ 458	$ 559
Restricted stock	433	468	315
Total	$ 792	$ 926	$ 874
Realized tax benefits:			
Stock options	$ 2,365	$ 168	$ 195
Restricted stock	374	291	
Total	$ 2,739	$ 459	$ 195
Excess tax benefits(shortfall):			
Stock options	$ 418	$ (1,618)	$ 195
Restricted stock	(59)	(142)	
Total	$ 359	$ (1,760)	$ 195
Weighted average fair value per option or share:			
Stock option grants	$ 0.79	$ 0.87	$ 1.67
Restricted stock grants	$ 5.43	$ 3.37	$ 5.61
Intrinsic value of options exercised	$ 6,131	$ 437	$ 507
Fair value of restricted stock vested	$ 2,548	$ 1,164	$ 540
Cash received for strike price and tax withholdings	$	$ 652	$ 204
Shares acquired through cashless exercise (1)	1,966	147	70
Value of shares acquired through cashless exercise (1)	$ 12,630	$ 583	$ 263

(1) All shares acquired represent shares tendered to cover the strike price for options and tax withholdings on the intrinsic value of options exercised or restricted stock vested. These shares have been cancelled by the Company.

The following table provides the amount of unrecognized compensation expense as of the most recent balance sheet date and the weighted average period over which those expenses will be recorded for both stock options and restricted stock (dollars in thousands):

	As of December 31, 2013	
	Stock Options	Restricted Stock
Unrecognized expense	$ 1,449	$ 2,844
Weighted average remaining years	2.87	0.82

Stock Options

Non-qualified stock option awards (stock options) granted by the Company generally expire between 5 to 10 years from the grant date and generally vest over a 2 to 3 year service period commencing on the grant date.

The Company used the modified Black-Scholes model to estimate the fair value of employee stock options on the date of grant utilizing the assumptions noted below. The risk-free rate is based on the U.S. Treasury bill yield curve in effect at the time of grant for the expected term of the option. The expected term of options granted represents the period of time that the options are expected to be outstanding. Expected volatilities are based on historical volatilities of our Common Stock. The dividend yield was based on expected dividends at the time of grant.

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The following table provides the assumptions utilized in the Black-Scholes model for stock options granted during the periods presented:

	Year Ended December 31,		
	2013	2012	2011
Weighted-average risk-free interest rate	0.27%	0.62%	1.34%
Expected term of option in years	3.21	4.25	3.92
Weighted-average volatility	34.1%	48.4%	58.5%
Dividend yield	9.1%	11.4%	8.9%
Weighted average grant date fair value per share	$ 0.79	$ 0.87	$ 1.67

On June 23, 2011, the Company granted the Chief Executive Officer (CEO) a stock option to purchase 300 thousand shares of common stock, the Chief Operating Officer (COO) a stock option to purchase 300 thousand shares of common stock and the Chief Financial Officer (CFO) a stock option to purchase 75 thousand shares of common stock. All three option grants have an exercise price of $4.70 per share, expire on June 23, 2018 and vest over three years as follows: (i) one third on the six (6) month anniversary of the date of grant, (ii) one third on the one (1) year anniversary of the date of grant, and (iii) one third on the two (2) year anniversary of the date of grant.

On September 4, 2012, the Company granted stock options for an aggregate 500 thousand shares of Common Stock to the Company s COO in consideration for services rendered pursuant to terms of an employment agreement and to provide the COO with a continued incentive to share in the success of the Company. The options have an exercise price of $3.51, expire on September 4, 2019 and vest over two years as follows: options for 250 thousand shares on the one year anniversary of the grant date and options for 250 thousand shares on the two year anniversary of the grant date.

On March 12, 2013, the Company granted the COO a stock option to purchase 100 thousand shares of common stock. The option has an exercise price of $4.51 per share, expires on March 12, 2018 and vests over three years as follows: one third on the one (1) year anniversary of the date of grant, one third on the two (2) year anniversary of the date of grant and one third on the three (3) year anniversary of the date of grant.

On July 8, 2013, the Company granted the COO an additional stock option to purchase 300 thousand shares of common stock. The option has an exercise price of $7.33 per share, expires on July 8, 2018 and vests over three years as follows: one third on the one (1) year anniversary of the date of grant, one third on the two (2) year anniversary of the date of grant and one third on the three (3) year anniversary of the date of grant.

On November 12, 2013, the Company granted the Chief Administrative Officer (CAO) a stock option to purchase 200 thousand shares of common stock. The Company also granted the CEO a stock option to purchase 300 thousand shares of common stock. Both option grants have an exercise price of $8.01 per share, expire on November 12, 2020 and vest over three years as follows: one third on the one (1) year anniversary of the date of grant, one third on the two (2) year anniversary of the date of grant and one third on the three (3) year anniversary of the date of grant.

Restricted Stock Grants

Restricted stock grants are awarded to certain employees in consideration for services rendered pursuant to terms of employment agreements and or to provide to those employees with a continued incentive to share in the success of the Company. Non-vested shares (restricted stock) generally vest over a three year service period commencing on the grant date. The prices discussed below reflect the market price of UIH s common stock on the grant date.

The Company issued 600 thousand shares of performance-based restricted Common Stock at a price of $5.61 per share to its COO. Shares of 200 thousand vest on each of the first, second and third anniversary of the grant date which was March 28, 2011, subject to shareholder approval and annual performance criteria. This grant was not effective until shareholder approval which took place May 11, 2011.

Effective August 23, 2012, the Company issued 650 thousand shares of restricted Common Stock at a price of $3.37 per share to its COO. The stock vests cumulatively over a two-year period as follows: 38.5 percent, 77 percent and 100 percent, respectively, on January 1, 2013, January 1, 2014 and December 31, 2014.

Effective April 1, 2013, the Company issued 500 thousand shares of restricted Common Stock to its CEO, 250 thousand shares of restricted Common Stock to its COO and 100 thousand shares of restricted Common Stock to its CAO. All three restricted Common Stock grants were issued at a price of $4.88 per share and vest on April 7, 2014.

Effective August 8, 2013, the Company issued 150 thousand shares of restricted Common Stock at a price of $8.55 per share to its CFO. The stock vests cumulatively over a two-year period as follows: 50 percent and 50 percent, respectively, on October 1, 2014 and October 1, 2015.

NOTE 10 EMPLOYEE BENEFIT PLAN

Effective January 1, 2009, the Company adopted a qualified retirement plan covering substantially all employees. It is designed to help the employees meet their financial needs during their retirement years. Eligibility for participation in the plan is generally based on employee s date of hire or on completion of a specified period of service. Employer contributions to this plan are made in cash.

The plan titled the Universal Property & Casualty 401(K) Profit Sharing Plan and Trust (401(k) Plan) is a defined contribution plan that allows employees to defer compensation through contributions to the 401(k) Plan.
The contributions are invested on the employees behalf, and the benefits paid to employees are based on contributions and any earnings or loss. The 401(k) Plan includes a Company contribution of 100 percent of each eligible participant s contribution that does not exceed five percent of their compensation during the 401(k) Plan year. The Company may make additional profit-sharing contributions. However, no additional profit-sharing contribution was made during the years ended December 31, 2013, 2012 and 2011.

The Company accrued for aggregate contributions of approximately $709 thousand, $598 thousand and $542 thousand to the 401(k) Plan during the years ended December 31, 2013, 2012 and 2011, respectively.

NOTE 11 RELATED PARTY TRANSACTIONS

Downes and Associates, a multi-line insurance adjustment corporation based in Deerfield Beach, Florida performed certain claims adjusting work for UPCIC. Downes and Associates is owned by Dennis Downes, who is the father of Sean P. Downes, Chairman, President and Chief Executive Officer of the Company. All amounts paid to Downes and Associates were no greater than amounts that would need to be paid to third parties on an arm s-length basis for similar services. The Company s agreement with Downes and Associates was terminated effective November 30, 2013 and on December 1, 2013 Dennis Downes became an employee of the Company.

Scott P. Callahan, a director of the Company, provides the Company with consulting services and advice with respect to the Company s reinsurance and related matters through SPC Global RE Advisors LLC, an entity affiliated with Mr. Callahan. The Company entered into the consulting agreement with SPC Global RE Advisors LLC effective June 6, 2013.

The following table provides payments made by the Company to Downes and SPC Global RE Advisors LLC for the periods presented (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Downes and Associates	$ 477	$ 623	$ 753

SPC Global RE Advisors LLC	$ 68	$	$

There were no amounts due to Downes and Associates and SPC Global RE Advisors LLC as of December 31, 2013 and 2012. Payments due to Downes and Associates and SPC Global RE Advisors LLC were generally made in the month the services were provided.

See NOTE 8 STOCKHOLDERS EQUITY, for details on the repurchase agreements between UIH and each of Messrs. Bradley Meier and Norman Meier.

RenRe currently is, and has been, a participant in the Company s reinsurance programs. On May 23, 2013, the Company entered into a series of contracts with RenRe and its affiliate, RenRe Ventures. As discussed in Note 7 LONG-TERM DEBT, UIH entered into an unsecured Term Loan with RenRe Ventures. The Term Loan is part of a series of agreements entered into by the Company, RenRe and RenRe Ventures pursuant to which, among other things, the Company has purchased a catastrophe risk-linked transaction contract from RenRe and entered into an agreement whereby RenRe will reserve reinsurance capacity for the Company s reinsurance programs and receive a right of first refusal in respect of a portion thereof. As part of the series of agreements with RenRe and RenRe Ventures,

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on May 23, 2013, UIH, RenRe Ventures and Mr. Bradley Meier agreed to assign to RenRe Ventures a portion of UIH s right of first refusal to repurchase shares of its common stock owned by Mr. Meier under the first repurchase agreement entered into on April 1, 2013. RenRe Ventures will have a right of first refusal to repurchase one-third of the shares offered by Mr. Meier to any third party, up to the lesser of 2 million shares or 4.99% of UIH s outstanding common stock, through December 31, 2014.

NOTE 12 INCOME TAXES

The following table reconciles the statutory federal income tax rate to the Company s effective tax rate for the periods presented:

	For the years ended December 31,		
	2013	2012	2011
Statutory federal income tax rate	35.0%	35.0%	35.0%
Increases (decreases) resulting from:			
Disallowed meals & entertainment	0.4%	0.6%	0.6%
Disallowed compensation	2.3%	3.2%	2.3%
Fines and penalties	0.4%		
True-up of prior year tax returns	(0.6%)		
State income tax, net of federal tax benefit (1)	3.6%	3.6%	3.6%
Other, net (2)	0.2%	(0.1%)	(1.1%)
Effective tax rate	41.3%	42.3%	40.4%

(1) Included in income tax is Florida income tax at a statutory rate of 5.5%.

(2) For 2011, other represents true-ups recorded upon completion of prior years tax returns, partially offset by estimates of penalties and interest for current year underpayment of estimated taxes.

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Deferred income taxes represent the temporary differences between the GAAP and tax basis of the Company s assets and liabilities. The tax effects of temporary differences are as follows as of the periods presented (in thousands):

	As of December 31, 2013	2012
Deferred income tax assets:		
Unearned premiums	$ 10,976	$ 11,430
Advanced premiums	1,742	1,132
Unpaid losses and LAE	2,598	3,449
Regulatory assessments	345	2,447
Share-based compensation	1,459	3,048
Accrued wages	255	778
Allowance for uncollectible receivables	172	205
Additional tax basis of securities	45	573
Change in unrealized losses on investments		2,782
Capital loss carryforwards	1,149	
Total deferred income tax assets	18,741	25,844
Deferred income tax liabilities:		
Deferred policy acquisition costs, net	(6,133)	(6,666)
Prepaid expenses	(548)	
Other comprehensive income	(9)	
Total deferred income tax liabilities	(6,690)	(6,666)
Net deferred income tax asset	$ 12,051	$ 19,178

A valuation allowance is deemed unnecessary as of December 31, 2013 and 2012, respectively, because management believes it is probable that the Company will generate taxable income sufficient to realize the tax benefits associated with the net deferred income tax asset shown above in the near future.

Liabilities for unrecognized tax benefits, if any, are recorded in accordance with issued FASB guidance on Accounting for Uncertainty in Income Taxes. The Company recognizes accruals for interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

The Company filed a consolidated federal income tax return for the fiscal years ended December 31, 2012, 2011, and 2010 and intends to file the same for the year ended December 31, 2013. The tax allocation agreements between the Company and the Insurance Entities provide that they will incur income taxes based on a computation of taxes as if they were stand-alone taxpayers. The computations are made utilizing the financial statements of the Insurance Entities prepared on a statutory basis of accounting and prior to consolidating entries which include the conversion of certain balances and transactions of the statutory financial statements to a U.S. GAAP basis.

Tax years that remain open for purposes of examination of its income tax liability due to taxing authorities, include the years ended December 31, 2012, 2011 and 2010.

NOTE 13 EARNINGS PER SHARE

Basic earnings per share (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.

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The following table reconciles the numerator (i.e., income) and denominator (i.e., shares) of the basic and diluted earnings per share computations for net income for the periods presented (in thousands, except per share data):

	Year Ended December 31,		
	2013	2012	2011
Numerator for EPS:			
Net income	$ 58,977	$ 30,312	$ 20,109
Less: Preferred stock dividends	(29)	(287)	(20)
Income available to common stockholders	$ 58,948	$ 30,025	$ 20,089
Denominator for EPS:			
Weighted average common shares outstanding	35,866	39,614	39,184
Plus: Assumed conversion of stock-based compensation (1)	1,531	513	770
Assumed conversion of preferred stock	379	489	488
Weighted average diluted common shares outstanding	37,776	40,616	40,442
Basic earnings per common share	$ 1.64	$ 0.76	$ 0.51
Diluted earnings per common share	$ 1.56	$ 0.75	$ 0.50
Weighted average number of antidilutive shares	518	818	2,553

(1) Represents the dilutive effect of unvested restricted stock and unexercised stock options.
The Company purchased 7.257 million shares of UIH s common stock during the twelve months ended December 31, 2013, which decreased weighted average common shares outstanding and weighted average diluted common shares outstanding for these periods. The effect was to increase diluted earnings per common share by $0.17 for the twelve month period ended December 31, 2013. There were no repurchases of UIH s common stock during 2012 and 2011. See Note 8 (Stockholders Equity) for details on the repurchases of UIH s common stock.

NOTE 14 OTHER COMPREHENSIVE INCOME (LOSS)

The following table provides the components of other comprehensive income (loss) on a pretax and after-tax basis for the period presented (in thousands):

	Year Ended December 31, 2013		
	Pre-tax	Tax	After-tax
Net unrealized gains (losses) on investments available for sale arising during the year	$ 685	$ 264	$ 421
Amounts reclassified from accumulated other comprehensive income (loss)	(1,297)	(500)	(797)

Net current period other comprehensive income (loss)	($ 612)	($ 236)	($ 376)

There were no amounts of other comprehensive income for the years ended December 31, 2012 and 2011 and there were no amounts of accumulated other comprehensive income as of December 31, 2012.

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The following table provides the reclassifications out of accumulated other comprehensive income for the period presented (in thousands):

Details about Accumulated Other Comprehensive Income Components	Year Ended December 31, 2013 Amounts Reclassified from Accumulated Other Comprehensive Income		Affected Line Item in the Statement Where Net Income is Presented
Unrealized gains (losses) on investments available for sale			
	$	1,297	Net realized gains (losses) on investments
		(500)	Tax (expense) or benefit
Total reclassification for the year	$	797	Net of tax

NOTE 15 COMMITMENTS AND CONTINGENCIES

Operating Leases and Other

On July 12, 2013, UPCIC entered into a lease agreement (Lease Agreement) for an office building containing 29,018 rentable square feet adjacent to its principal office in Fort Lauderdale, Florida (Property). The Company expects to use the Property for additional office and storage space. Pursuant to the Lease Agreement, the monthly rent for the Property is approximately $51 thousand and is subject to annual increases. The term of the lease is ten years, subject to UPCIC s purchase of the Property as described below which is expected to take place no later than February 2015. The Company took possession of the office building and began making monthly rental payments in October 2013. Based on the terms of the Lease Agreement, the Company is accounting for this arrangement as an operating lease.

Also on July 12, 2013, UPCIC entered into a purchase agreement to acquire the Property (Purchase Agreement). The Purchase Agreement provides that the closing for the sale of the Property will take place no later than February 5, 2015. The closing for the sale of the Property is subject to certain closing conditions. The purchase price for the Property is $5.99 million, and UPCIC will receive a credit toward the purchase price for a portion of the rent it pays under the Lease Agreement.

The Company has leased certain computer equipment and software under a master equipment lease agreement with Relational Funding, Inc. with an original equipment cost of $2.7 million. The Company also has several leases on other office space.

The following table provides future minimum rental payments required under the non-cancelable operating leases as of the period presented (in thousands):

	As of December 31, 2013
2014	$ 882
2015	120

Total	$ 1,002

Total rental expense was $423 thousand, $286 thousand and $451 thousand in 2013, 2012 and 2011, respectively.

Litigation

Certain lawsuits have been filed against the Company. These lawsuits involve matters that are routine litigation incidental to the claims aspect of the Company s business for which estimated losses are included in Unpaid Losses and Loss Adjustment Expenses in the Company s Consolidated Financial Statements. In the opinion of management, these lawsuits are not material individually or in the aggregate to the Company s financial position or results of operations. Accruals made or assessments of materiality of disclosure related to probable or possible losses do not consider any anticipated insurance proceeds.

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NOTE 16 FAIR VALUE MEASUREMENTS

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. GAAP describes three approaches to measuring the fair value of assets and liabilities: the market approach, the income approach and the cost approach. Each approach includes multiple valuation techniques. GAAP does not prescribe which valuation technique should be used when measuring fair value, but does establish a fair value hierarchy that prioritizes the inputs used in applying the various techniques. Inputs broadly refer to the assumptions that market participants use to make pricing decisions, including assumptions about risk. Level 1 inputs are given the highest priority in the hierarchy while Level 3 inputs are given the lowest priority. Assets and liabilities carried at fair value are classified in one of the following three categories based on the nature of the inputs to the valuation technique used:

Level 1 Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 Unobservable inputs that are not corroborated by market data. These inputs reflect management s best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Summary of significant valuation techniques for assets measured at fair value on a recurring basis

Level 1

Cash and cash equivalents and restricted cash and cash equivalents: Cash equivalents and restricted cash equivalents comprise actively traded money market funds that have daily quoted net asset values for identical assets that the Company can access. The carrying value of cash and cash equivalents and restricted cash and cash equivalents approximates fair value due to its liquid nature.

Common stock: Comprise actively traded, exchange-listed U.S. and international equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.

Exchange-traded and mutual funds: Comprise actively traded funds. Valuation is based on daily quoted net asset values for identical assets in active markets that the Company can access.

Other investments: Currently comprise physical metal positions held by the Company. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.

Level 2

U.S. government obligations and agencies: Comprise U.S. Treasury Bills or Notes or U.S. Treasury Inflation Protected Securities (TIPS). The primary inputs to the valuation include quoted prices for identical assets in inactive markets or similar assets in active or inactive markets, contractual cash flows, benchmark yields and credit spreads.

Corporate Bonds: Comprise investment-grade fixed maturity securities. The primary inputs to the valuation include quoted prices for identical assets in inactive markets or similar assets in active or inactive markets, contractual cash flows, benchmark yields and credit spreads.

Mortgage-backed and asset-backed securities: Comprise securities that are collateralized by mortgage obligations and other assets. The primary inputs to the valuation include quoted prices for identical assets in inactive markets or similar assets in active or inactive markets, contractual cash flows, benchmark yields, collateral performance, prepayment speeds and credit spreads.

Derivatives: The primary inputs to the valuation include quoted prices or quoted net asset values for identical or similar assets in markets that are not active or highly active.

As required by GAAP, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect their placement within the fair value hierarchy levels.

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The following tables set forth by level within the fair value hierarchy the Company s assets that were accounted for at fair value on a recurring basis as of the periods presented (in thousands):

	Fair Value Measurements As of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 117,275	$	$	$ 117,275
Restricted cash and cash equivalents	2,600			2,600
Available for sale portfolio:				
Fixed maturities:				
US government obligations and agencies		104,215		104,215
Corporate bonds		94,203		94,203
Mortgage-backed and asset-backed securities		91,000		91,000
Equity securities:				
Common stock	9,295			9,295
Mutual funds	55,727			55,727
Total available for sale portfolio investments	$ 65,022	$ 289,418	$	$ 354,440
Total assets accounted for at fair value	$ 184,897	$ 289,418	$	$ 474,315

	Fair Value Measurements As of December 31, 2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 347,392	$	$	$ 347,392
Restricted cash and cash equivalents	33,009			33,009
Trading portfolio:				
Fixed maturities:				
US government obligations and agencies		4,009		4,009
Equity securities:				
Common stock:				
Metals and mining	26,130			26,130
Energy	10,868			10,868
Other	8,215			8,215
Exchange traded and mutual funds:				
Metals and mining	21,989			21,989
Agriculture	10,265			10,265
Energy	5,068			5,068
Indices	2,506			2,506
Non-hedging derivative liability, net		(21)		(21)
Other investments	317			317
Total trading portfolio investments	$ 85,358	$ 3,988	$	$ 89,346
Total assets (liabilities) accounted for at fair value	$ 465,759	$ 3,988	$	$ 469,747

The Company utilizes third-party independent pricing services that provide a price quote for each fixed maturity, equity security and derivative. Management reviews the methodology used by the pricing services. If management believes that the price used by the pricing service does not reflect an orderly transaction between participants, management will use an alternative valuation methodology. There were no adjustments made by the Company to the prices obtained from the independent pricing source for any fixed maturities, equity securities or derivatives included in the tables above.

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The following table summarizes the carrying value and estimated fair values of the Company s financial instruments that are not carried at fair value (in thousands):

	As of December 31, 2013	
	Carrying value	(Level 3) Estimated Fair Value
Liabilities (debt):		
Surplus note	$ 18,750	$ 15,900
Term loan	$ 18,490	$ 18,490

	As of December 31, 2012	
	Carrying value	(Level 3) Estimated Fair Value
Liabilities (debt):		
Surplus note	$ 20,221	$ 18,057

Level 3

Long-term debt: The fair value of the surplus note was determined by management from the expected cash flows discounted using the interest rate quoted by the issuer. The State Board of Administration of Florida (SBA) is the issuer of the surplus note and the quoted interest rate is below prevailing rates quoted by private lending institutions. However, as the Company s use of funds from the surplus note is limited by the terms of the agreement, the Company has determined the interest rate quoted by the SBA to be appropriate for purposes of establishing the fair value of the note.

The fair value of the Term Loan approximates the carrying value given the original issue discount which was calculated based on the present value of future cash flows using the Company s effective borrowing rate for similar instruments.

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NOTE 17 QUARTERLY RESULTS FOR 2013 AND 2012 (UNAUDITED)

The following table provides a summary of quarterly results for the periods presented (in thousands except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
For the year ended December 31, 2013				
Net premiums earned	$ 65,409	$ 66,867	$ 68,927	$ 66,452
Investment income	12	137	382	1,397
Total revenues	67,455	77,756	78,368	77,580
Total expenses	47,693	48,068	53,255	51,587
Net income	11,959	17,029	14,407	15,582
Basic earnings per share	0.30	0.47	0.43	0.46
Diluted earnings per share	0.29	0.44	0.40	0.44
For the year ended December 31, 2012				
Net premiums earned	$ 48,640	$ 55,694	$ 59,512	$ 67,274
Investment income	(36)	(16)	215	278
Total revenues	60,247	59,928	74,537	75,227
Total expenses	44,018	46,936	60,563	65,863
Net income	9,873	7,777	8,256	4,406
Basic earnings per share	0.24	0.20	0.21	0.11
Diluted earnings per share	0.24	0.19	0.20	0.11

The improvement in the fourth quarter results for 2013 compared to 2012 is attributable to an increase in revenues of $2.4 million and a decrease in operating expenses of $14.3 million. The increase in revenues is comprised mostly of an increase in net investment income of $1.1 million from dividends received on the Company s equity investments and a non-repeating net unrealized loss of $2.0 million recorded in the fourth quarter of 2012, for investments held in the trading portfolio which was liquidated in the first quarter of 2013. The decrease in operating expenses is comprised of a reduction in losses and loss adjustment expenses of $5.7 million and a reduction in general and administrative expenses of $8.6 million. The reduction in general and administrative expenses reflects the recovery of a portion of FIGA assessments during the fourth quarter of 2013 that were charged in full to earnings in the fourth quarter of 2012. The effective tax rate for the fourth quarter of 2013 was 40.0% compared to 52.9% in the fourth quarter of 2012. The effect of non-deductible expenses in the fourth quarter of 2012 compared to 2013 was more pronounced given the lower amount of income before taxes for 2012 compared to 2013. Diluted earnings per share for the fourth quarter of 2013 includes a benefit of $0.08 resulting from repurchases of the Company s shares during 2013 from the Company s former CEO.

NOTE 18 SUBSEQUENT EVENTS

The Company performed an evaluation of subsequent events through the date the financial statements were issued and determined there were no recognized or unrecognized subsequent events that would require an adjustment or additional disclosure in the consolidated financial statements as of December 31, 2013 except for the following.

On January 2, 2014, the Company repurchased an additional 675,000 shares of the Company s common stock from Bradley I. Meier, the Company s former Chief Executive Officer, at approximately $11.11 per share, in a privately negotiated transaction. As previously described, the Company has a right of first refusal to purchase shares of the Company s Common Stock offered for sale by Mr. Meier through December 31, 2014. See Note 11 RELATED PARTY TRANSACTIONS. The repurchase price represents a discount of approximately 23 percent from the December 31, 2013 closing price of the Company s common stock. The Company funded the share repurchase using cash on hand.

On January 30, 2014, the Company declared a dividend of $0.10 per share on its outstanding common stock payable on March 3, 2014, to shareholders of record on February 19, 2014.

On February 24, 2014, the S&P Dow Jones Indices announced that the Company will join S&P SmallCap 600 Index after the close of trading on February 28, 2014.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NONE

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 (Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, and that such information is accumulated and communicated to the Company s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of its principal executive officer and principal 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 Exchange Act. Based on that evaluation, the Company s Chief Executive Officer and Chief Financial Officer concluded that disclosure controls and procedures were effective as of December 31, 2013.

Management s Report on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company s internal control system was designed to provide reasonable assurance to the Company s management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth in 1992 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that, as of December 31, 2013, the Company s internal control over financial reporting is effective based on those criteria.

Management s assessment of the effectiveness of internal control over financial reporting as of December 31, 2013 has been audited by Plante & Moran, PLLC, the independent registered public accounting firm who also audited the Company s consolidated financial statements. The auditor s attestation report on management s assessment of the Company s internal control over financial reporting is presented above at Report of Independent Registered Public Accounting Firm.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company s internal control over financial reporting during the fourth quarter of 2013 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

NONE

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics that is applicable to all directors, officers and employees of the Company. The code is publicly available at the Company s headquarters in Fort Lauderdale, Florida and also on the Company s website at www.universalinsuranceholdings.com. A copy of the Company s Code of Business Conduct and Ethics may be obtained free of charge by written request to Frank C. Wilcox, CFO, Universal Insurance Holdings, Inc., 1110 West Commercial Boulevard, Suite 100, Fort Lauderdale, FL 33309.

For information regarding our Directors, Executive Officers and Corporate Governance, reference is made to our definitive proxy statement for our Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2013 and which is incorporated herein by reference.

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ITEM 11. EXECUTIVE COMPENSATION

For information regarding Executive Compensation, reference is made to our definitive proxy statement for our Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2013 and which is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

For information regarding Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, reference is made to our definitive proxy statement for our Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2013 and which is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

For information regarding Certain Relationships and Related Transactions, and Director Independence, reference is made to our definitive proxy statement for our Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2013 and which is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

For information regarding Principal Accountant Fees and Services, reference is made to our definitive proxy statement for our Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2013 and which is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) Financial Statements

The following consolidated financial statements of the Company and the report of the Independent Registered Public Accounting Firm thereon filed with this report:

Report of Independent Registered Public Accounting Firm (Plante & Moran, PLLC).

Report of Independent Registered Public Accounting Firm (Blackman Kallick, LLP)

Consolidated Balance Sheets as of December 31, 2013 and 2012.

Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011.

Consolidated Statements of Stockholders Equity for the years ended December 31, 2013, 2012 and 2011.

Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011.

Notes to Consolidated Financial Statements.

(2) Financial Statement Schedules

The following additional financial statement schedules are furnished herewith pursuant to the requirements of Form 10-K.

All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the Consolidated Financial Statements or in notes thereto.

(3) EXHIBITS

3.1	Registrant s Amended and Restated Certificate of Incorporation, as amended (9)
3.2	Registrant s Amended and Restated Bylaws (3)
3.3	Certificate of Designation for Series A Convertible Preferred Stock dated October 11, 1994 (2)
3.4	Certificate of Designations, Preferences, and Rights of Series M Convertible Preferred Stock dated August 13, 1997 (1)
3.5	Certificate of Amendment of Amended and Restated Certificate of Incorporation dated October 19, 1998 (2)
3.6	Certificate of Amendment of Amended and Restated Certificate of Incorporation dated December 18, 2000 (2)
3.7	Certificate of Amendment of Certificate of Designations of the Series A Convertible Preferred Stock dated October 29, 2001 (2)
3.8	Certificate of Amendment of Amended and Restated Certificate of Incorporation dated December 7, 2005 (6)
3.9	Certificate of Amendment of Amended and Restated Certificate of Incorporation dated May 18, 2007 (6)
4.1	Form of Common Stock Certificate (9)
10.1	The Universal Insurance Holdings, Inc. Second Amended and Restated 2009 Omnibus Incentive Plan (10)*
10.2	Non-Qualified Stock Option Agreement, dated February 4, 2010, by and between the Company and Sean P. Downes (7)*
10.3	Director Services Agreement, dated July 12, 2007, by and between the Company and Ozzie A. Schindler (4)*
10.4	Director Services Agreement, dated July 12, 2007, by and between the Company and Joel M. Wilentz (4)*
10.5	Director Services Agreement, dated July 12, 2007, by and between the Company and Reed J. Slogoff (4)*
10.6	Performance-Based Restricted Stock Award, dated March 28, 2011, by and between the Company and Sean P. Downes (8)*
10.7	Restricted Stock Award Agreement dated August 27, 2012, by and between the Company and Sean P. Downes (11)*
10.8	Non-qualified Stock Option Agreement by and between the Company and Sean P. Downes (11)*
10.9	Form of Indemnification Agreement (12)*
10.10	Founder and Adviser Agreement, dated February 6, 2013, by and between the Company and Bradley I. Meier (13)*
10.11	Amended and Restated Employment Agreement, dated February 22, 2013, by and between the Company and Sean P. Downes (14)*
10.12	Employment Agreement, dated February 22, 2013, by and between the Company and Jon W. Springer (14)*
10.13	Employment Agreement, dated February 22, 2013, by and between the Company and Norman M. Meier (14)*
10.14	Employment Agreement, dated March 21, 2013, by and between the Company and Stephen J. Donaghy (15)*
10.15	Employment Agreement, dated as of August 5, 2013, by and between Frank Wilcox and the Company (22)*
10.16	Director Services Agreement, dated June 6, 2013, by and between the Company and Scott P. Callahan (19)*
10.17	Director Services Agreement, dated June 6, 2013, by and between the Company and Darryl L. Lewis (19)*
10.18	Amendment to Second Amended and Restated 2009 Omnibus Incentive Plan (20)*
10.19	Management Agreements by and between Universal Property & Casualty Insurance Company and Universal P&C Management, Inc. dated as of June 2, 1997 (1)
10.20	

	Florida Insurance Capital Build-Up Incentive Program Surplus Note (Surplus Note) between the Company and The State B of Administration of Florida (SBA) (5)
10.21	Addendum No. 1 to the Surplus Note between the Company and SBA (5)

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10.22	Multiple Line Quota Share Reinsurance Contract between the Company and Everest Reinsurance Company (5)
10.23	Independent Adjusting Firm Agreement between the Company and Downes and Associates (5)
10.24	Revolving Loan Agreement, dated March 29, 2013, by and between the Company and Deutsche Bank Trust Company Americas (16)
10.25	Revolving Note, dated March 29, 2013, by the Company in favor of Deutsche Bank Trust Company Americas, in the original principal amount of $10,000,000 (16)
10.26	Repurchase Agreement, dated April 1, 2013, by and between the Company and Bradley I. Meier (17)
10.27	Term Loan Agreement, dated May 23, 2013, by and between the Company and RenaissanceRe Ventures Ltd. (18)
10.28	Term Note, dated May 23, 2013, by the Company in favor of RenaissanceRe Ventures Ltd., in the original principal amount of $20,000,000 (18)
10.29	Sharing Agreement, dated May 23, 2013, by and between RenaissanceRe Ventures Ltd. and Deutsche Bank Trust Company Americas and acknowledged by the Company and the guarantors party thereto (18)
10.30	First Amendment and Consent to Revolving Loan Agreement, dated May 23, 2013, by and between Deutsche Bank Trust Company Americas and the Company (18)
10.31	Office Lease, dated July 12, 2013, by and between Commercial Station LLC and Universal Property & Casualty Insurance Company (21)
10.32	Agreement of Purchase and Sale, dated July 12, 2013, by and between Commercial Station LLC and Universal Property & Casualty Insurance Company (21)
10.33	Consulting Agreement, dated as of August 5, 2013, by and between George De Heer and the Company (22)
21	List of Subsidiaries
23.1	Consent of Independent Registered Public Accounting Firm (Plante & Moran, PLLC)
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications 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
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Exhibit Numbers 10.1-10.19 are management contracts or compensatory plans required to be filed as Exhibits to this Form 10-K.

(1) Incorporated by reference to the Registrant s Annual Report on Form 10-KSB for the year ended April 30, 1997 filed with the Securities and Exchange Commission on August 13, 1997, as amended.

(2) Incorporated by reference to the Registrant s Annual Report on Form 10-KSB for the year ended December 31, 2002 filed with the Securities and Exchange Commission on April 9, 2003.

(3) Incorporated by reference to the Registrant s Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 11, 2007.

(4) Incorporated by reference to the Registrant s Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 10, 2007.

(5) Incorporated by reference to the Registrant s Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 10, 2009.

(6) Incorporated by reference to the Registrant s Registration Statement on Form S-8 (File No. 333-163564) filed with the Securities and Exchange Commission on December 8, 2009.
(7) Incorporated by reference to the Registrant s Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 10, 2010.
(8) Incorporated by reference to the Registrant s Current Report on Form 8-K, file with the Securities and Exchange Commission on May 12, 2011.
(9) Incorporated by reference to the Registrant s Annual Report on Form 10-K for the year ended December 31, 2011 filed with the SEC on March 26, 2012.
(10) Incorporated by reference to the Registrant s Current Report on Form 8-K, file with the Securities and Exchange Commission on June 14, 2012.
(11) Incorporated by reference to the Registrant s Current Report on Form 8-K, file with the Securities and Exchange Commission on August 29, 2012.
(12) Incorporated by reference to the Registrant s Current Report on Form 8-K, file with the Securities and Exchange Commission on November 15, 2012.
(13) Incorporated by reference to the Registrant s Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 7, 2013.
(14) Incorporated by reference to the Registrant s Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 22, 2013.
(15) Incorporated by reference to the Registrant s Current Report on Form 8-K, filed with the Securities and Exchange Commission on March 21, 2013.
(16) Incorporated by reference to the Registrant s Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 4, 2013.
(17) Incorporated by reference to the Registrant s Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 1, 2013.
(18) Incorporated by reference to the Registrant s Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 24, 2013.
(19) Incorporated by reference to the Registrant s Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 6, 2013.
(20) Incorporated by reference to the Registrant s Registration Statement on Form S-8 (File No. 333-189122) deemed effective on June 6, 2013.
(21) Incorporated by reference to the Registrant s Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 18, 2013.
(22) Incorporated by reference to the Registrant s Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 5, 2013.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report on Form 10-K to be signed on its behalf by the undersigned, hereunto duly authorized.

UNIVERSAL INSURANCE HOLDINGS, INC.

Dated: March 3, 2014	By: /s/ Sean P. Downes Sean P. Downes, President and Chief Executive Officer
	By: /s/ Frank C. Wilcox Frank C. Wilcox, Chief Financial Officer and Principal Accounting Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Sean P. Downes Sean P. Downes	President, Chief Executive Officer and Director	March 3, 2014
/s/ Jon W. Springer Jon W. Springer	Executive Vice President, Chief Operating Officer and Director	March 3, 2014
/s/ Frank C. Wilcox Frank C. Wilcox	Chief Financial Officer	March 3, 2014
/s/ Scott P. Callahan Scott P. Callahan	Director	March 3, 2014
/s/ Darryl L. Lewis Darryl L. Lewis	Director	March 3, 2014
/s/ Michael A. Pietrangelo Michael A. Pietrangelo	Director	March 3, 2014
/s/ Ozzie A. Schindler Ozzie A. Schindler	Director	March 3, 2014
/s/ Reed J. Slogoff Reed J. Slogoff	Director	March 3, 2014

/s/ Joel M. Wilentz	Director	March 3, 2014
Joel M. Wilentz		

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SCHEDULE II CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Universal Insurance Holdings, Inc. had no long term obligations, guarantees or material contingencies as of December 31, 2013 and 2012. The following summarizes the major categories of the parent company s financial statements (in thousands, except per share data):

CONDENSED BALANCE SHEETS

	As of December 31, 2013	2012
ASSETS		
Cash and cash equivalents	$ 4,878	$ 17,733
Investments in subsidiaries and undistributed earnings	174,068	121,496
Equity securities (available for sale), at fair value	10,474	
Equity securities (trading), at fair value		13,944
Fixed matuties (available for sale), at fair value	750	
Receivable from securities		175
Other receivables	244	8
Income taxes recoverable	8,152	2,594
Deferred income taxes	12,052	19,178
Other assets	346	329
Total assets	$ 210,964	$ 175,457
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES:		
Accounts payable	$ 146	$ 339
Payable for securities purchased		53
Income taxes payable	2,566	699
Long-term debt	18,490	
Other accrued expenses	14,153	10,852
Total liabilities	35,355	11,943
STOCKHOLDERS EQUITY:		
Cumulative convertible preferred stock, $.01 par value		1
Authorized shares 1,000		
Issued shares 30 and 108		
Outstanding shares 30 and 108		
Minimum liquidation preference $6.98 and $2.66 per share		
Common stock, $.01 par value	436	419
Authorized shares 55,000		
Issued shares 43,641 and 41,889		
Outstanding shares 35,366 and 40,871		
Treasury shares, at cost 8,275 and 1,018	(35,467)	(3,101)

Additional paid-in capital	42,282	38,684
Accumulated other comprehensive income, net of taxes	(376)	
Retained earnings	168,734	127,511
Total stockholders equity	175,609	163,514
Total liabilities and stockholders equity	$ 210,964	$ 175,457

See accompanying notes to condensed financial statements

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CONDENSED STATEMENTS OF INCOME

	For the Years Ended December 31,		
	2013	2012	2011
PREMIUMS EARNED AND OTHER REVENUES			
Assumed premiums written	$	$ 10,686	$ 20,703
Premiums earned		10,686	20,703
Net investment income	207	25	54
Net realized gains (losses) on investments	(2,947)	(1,880)	(1,186)
Net change in unrealized gains (losses) on investments	1,625	1,162	(3,009)
Management fee	134	142	142
Total premiums earned and other revenues	(981)	10,135	16,704
OPERATING COSTS AND EXPENSES			
General and administrative expenses	32,476	25,051	20,830
Total operating cost and expenses	32,476	25,051	20,830
LOSS BEFORE INCOME TAXES AND EQUITY IN NET EARNINGS OF SUBSIDIARIES	(33,457)	(14,916)	(4,126)
Benefit from income taxes	(13,834)	(6,312)	(1,667)
LOSS BEFORE EQUITY IN NET EARNINGS OF SUBSIDIARIES	(19,623)	(8,604)	(2,459)
Equity in net income of subsidiaries	78,600	38,916	22,568
CONSOLIDATED NET INCOME	$ 58,977	$ 30,312	$ 20,109

See accompanying notes to condensed financial statements

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CONDENSED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2013	2012	2011
Cash flows from operating activities			
Net Income	$ 58,977	$ 30,312	$ 20,109
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in net income of subsidiaries	(78,600)	(38,916)	(22,568)
Amortization of stock-based compensation	6,417	3,830	2,848
Net realized (gains) losses on investments	2,947	1,880	1,186
Net change in unrealized (gains) losses on investments	(1,625)	(1,162)	3,009
Deferred income taxes	7,363	3,813	(9,543)
Excess tax benefits from stock-based compensation	(359)	1,760	(195)
Other			5
Net changes in assets and liabilities relating to operating activities:			
Restricted cash and cash equivalents		30,220	(18,880)
Purchases of equity securities, trading	(3,972)	(58,836)	(77,691)
Proceeds from sale of equity securities, trading	16,712	60,379	66,526
Income taxes recoverable	(5,558)	(2,594)	
Income taxes payable	2,226	(13,801)	4,653
Other operating assets and liabilities	1,347	2,911	1,405
Net cash provided by (used in) operating activities	5,875	19,796	(29,136)
Cash flows from investing activities:			
Capital contributions to subsidiaries	(1,600)	(28,555)	(49,001)
Distribution of income from subsidiaries	26,898	40,222	89,322
Purchases of equity securities, available for sale	(10,357)		
Purchase of fixed maturities, available for sale	(750)		
Net cash provided by (used in) investing activities	14,191	11,667	40,321
Cash flows from financing activities:			
Proceeds from borrowings	20,000		
Preferred stock dividend	(29)	(287)	(20)
Common stock dividend	(17,725)	(18,669)	(12,750)
Issuance of common stock		207	5
Purchase of treasury stock	(32,365)		
Payments related to tax withholding for share-based compensation	(3,161)	(121)	(172)
Excess tax benefits (shortfall) from stock-based compensation	359	(1,760)	195
Net cash provided by (used in) financing activities	(32,921)	(20,630)	(12,742)
Net increase (decrease) in cash and cash equivalents	(12,855)	10,833	(1,557)
Cash and cash equivalents at beginning of period	17,733	6,900	8,457

Cash and cash equivalents at end of period	$ 4,878	$ 17,733	$ 6,900

See accompanying notes to condensed financial statements

NOTE 1 GENERAL

The financial statements of the Registrant should be read in conjunction with the consolidated financial statements in Item 8.

Nature of Operations and Basis of Presentation

Universal Insurance Holdings, Inc. (the Company), is a Delaware corporation originally incorporated as Universal Heights, Inc. in November 1990. The Company is an insurance holding company whose wholly-owned subsidiaries perform all aspects of insurance underwriting, distribution and claims. Through its wholly-owned subsidiaries, including Universal Property & Casualty Insurance Company and American Platinum Property and Casualty Insurance Company, collectively referred to as the (Insurance Entities), the Company is principally engaged in the property and casualty insurance business offered primarily through a network of independent agents. Risk from catastrophic losses is managed through the use of reinsurance agreements.

The Company generates revenues from premiums earned on reinsurance contracts entered into with the Insurance Entities and earnings on investments. The Company also receives distributions of earnings from its insurance and non-insurance subsidiaries.

Certain amounts in the prior periods condensed financial statements have been reclassified in order to conform to current period presentation. Such reclassifications were of immaterial amounts and had no effect on net income or stockholders equity.

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SCHEDULE V VALUATION ALLOWANCES AND QUALIFYING ACCOUNTS

The following table summarizes activity in the Company s allowance for doubtful accounts for the periods presented (in thousands):

Description	Beginning Balance	Additions Charges to Earnings	Additions Charges to Other Accounts	Deductions	Ending Balance
Year Ended December 31, 2013:					
Allowance for doubtful accounts	$ 530	428		512	$ 446
Year Ended December 31, 2012:					
Allowance for doubtful accounts	$ 715	319		504	$ 530
Year Ended December 31, 2011:					
Allowance for doubtful accounts	$ 111	650		46	$ 715

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SCHEDULE VI SUPPLEMENTAL INFORMATION CONCERNING CONSOLIDATED PROPERTY AND CASUALTY INSURANCE OPERATIONS

The following table provides certain information related to the Company s property and casualty operations as of, and for the periods presented (in thousands):

	As of December 31,	For the Year Ended December 31,			
	Reserves for Unpaid Losses and LAE	Incurred Loss and LAE current year	Incurred Loss and LAE prior years	Paid Losses and LAE	Net Investment Income
2013	$ 159,222	$ 111,560	($ 2,945)	$ 129,803	$ 1,928
2012	$ 193,241	$ 119,458	$ 6,729	$ 113,574	$ 441
2011	$ 187,215	$ 112,838	$ 11,471	$ 104,910	$ 788

	As of December 31,	For the Year Ended December 31,			As of December 31,
	Deferred Policy Acquisition Cost (DAC)	Amortization of DAC	Net Premiums Written	Net Premiums Earned	Unearned Premiums
2013	$ 15,899	($ 21,685)	$ 261,778	$ 267,655	$ 383,488
2012	$ 17,282	($ 16,190)	$ 262,524	$ 231,120	$ 388,071
2011	$ 12,996	($ 21,477)	$ 208,483	$ 198,985	$ 359,842

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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 audited the accompanying consolidated balance sheet of **Universal Insurance Holdings, Inc. and Subsidiaries** (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of income, stockholders equity and cash flows for each of the years in the two-year period ended December 31, 2013, and the Company s internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 *Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*; such consolidated financial statements and report are included elsewhere in this Form 10-K and are incorporated herein by reference. Our audits also included the consolidated financial statement schedules of the Company listed in the accompanying index at Item 15. These consolidated financial statement schedules are the responsibility of the Company s management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ Plante & Moran, PLLC

Chicago, Illinois

March 3, 2014

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Report of Independent Registered Public Accounting Firm

Board of Directors

Universal Insurance Holdings, Inc.

Fort Lauderdale, Florida

We have audited the accompanying consolidated statements of income, stockholders equity and cash flows of **Universal Insurance Holdings, Inc. and Subsidiaries** (the Company) for year ended December 31, 2011; such consolidated financial statements and report are included elsewhere in this Form 10-K and are incorporated herein by reference. Our audit also included the consolidated financial statement schedules of the Company listed in the accompanying index at Item 15. These consolidated financial statement schedules are the responsibility of the Company s management. Our responsibility is to express an opinion based on our audit. In our opinion, such consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ Blackman Kallick, LLP

Chicago, Illinois

March 23, 2012