UNIVERSAL INSURANCE HOLDINGS INC
Form 10QSB
May 14, 2003

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

FORM 10-QSB

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______________ to ______________

COMMISSION FILE NUMBER 0-20848

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

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

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

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

Yes [X] No [ ]

State the number of shares outstanding of each of the issuer's classes of common equity, as of the last practicable date: 25,576,914 shares of common stock as of May 1, 2003.

Transitional Small Business Disclosure Format Yes __ No X

UNIVERSAL INSURANCE HOLDINGS, INC.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The following unaudited consolidated financial statements of Universal Insurance Holdings, Inc. have been prepared in accordance with the instructions to Form 10-QSB and, therefore, omit or condense certain footnotes and other information normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial information for the interim periods reported have been made. Results of operations for the three months ended March 31, 2003 are not necessarily indicative of the results for the year ending December 31, 2003.

UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
MARCH 31, 2003
(Unaudited)

ASSETS

Cash and cash equivalents	$ 5,569,027
Debt securities held-to-maturity (fair-value of $274,109)	262,763
Equity securities available for sale (cost of $303,281)	156,656
Prepaid reinsurance premiums and reinsurance recoverables	26,350,229
Premiums and other receivables	592,881
Investments in real estate	253,632
Property, plant and equipment, net	773,832
Total assets	$ 33,959,020

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:	
Unpaid losses and loss adjustment expenses	$ 8,560,555
Unearned premiums	17,884,557
Accounts payable	1,161,238
Reinsurance payable	965,846
Other accrued expenses	1,046,300
Loans payable	715,201
Total liabilities	30,333,697
COMMITMENTS AND CONTINGENCIES (Note 5)	
STOCKHOLDERS' EQUITY:	
Cumulative convertible preferred stock, $.01 par value, 1,000,000 shares authorized, 138,640 shares issued and outstanding, minimum liquidation preference of $1,419,700	$ 1,387
Common stock, $.01 par value, 40,000,000 shares authorized, 21,676,914 shares issued and 21,468,269 shares outstanding	167,175
Common stock in treasury, at cost - 208,645 shares	(101,820)
Additional paid-in capital	15,003,976
Accumulated deficit	(11,298,770)
Accumulated other comprehensive loss	(146,625)

Total stockholders' equity	3,625,323
Total liabilities and stockholders' equity	$ 33,959,020

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

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

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002
PREMIUMS EARNED AND OTHER REVENUES:		
Premium income, net	$ 622,014	$ 1,884,321
Net investment income	28,995	96,566
Commission revenue	563,762	297,157
Other revenue	382,748	471,518
Total revenues	1,597,519	2,749,562
OPERATING COSTS AND EXPENSES		
Losses and loss adjustment expenses	443,837	1,336,803
General and administrative expenses	1,131,647	1,369,925
Total operating costs and expenses	1,575,484	2,706,728
NET INCOME	$ 22,035	$ 42,834
INCOME PER COMMON SHARE:		
Basic	$ 0.00	$ 0.00
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC	21,468,000	14,686,000
INCOME PER COMMON SHARE		
Diluted	$ 0.00	$ 0.00
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED	22,036,000	15,254,264

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

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

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002
NET INCOME	$ 22,035	$ 42,834
OTHER COMPREHENSIVE INCOME:		
Change in net unrealized gain (loss) on available-for-sale securities	(65,987)	24,344
COMPREHENSIVE INCOME	$(43,952)	$67,178

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

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

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 22,035	$ 42,834
Adjustments to reconcile net income to cash (used in) provided by operations:		
Amortization and depreciation	61,028	52,956
Net accretion of bond premiums and discounts	284	(2,793)
Net change in assets and liabilities relating to operating activities:		
Prepaid reinsurance premiums and reinsurance recoverables	(515,910)	1,886,025
Premiums and other receivables	608,693	177,397
Reinsurance payables	(80,967)	(3,327,902)
Deferred policy acquisition costs	-	(364,147)
Accounts payable	(173,981)	(787,309)
Other accrued expenses	72,852	(49,026)
Accrued taxes, licenses and fees	-	(69,376)
Unpaid losses and loss adjustment expenses	1,335,800	(1,458,827)
Unearned premiums	(540,472)	996,700

Net cash provided by (used in) operating activities	789,362	(2,903,468)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	-	(15,974)
Purchase of real estate	-	(110,812)
Proceeds from maturities of debt securities held to maturity	72,122	312,175
Proceeds from disposal of fixed assets	46,030	-
Sale of real estate	70,311	-
Net cash provided by investing activities	188,463	185,389
CASH FLOWS FROM FINANCING ACTIVITIES:		
Preferred stock dividend	(12,487)	-
Repayments of loans payable	(234,231)	(37,690)
Proceeds from loans payable	250,000	-
Net cash provided by (used in) financing activities	3,282	(37,690)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	981,107	(2,755,769)
CASH AND CASH EQUIVALENTS, Beginning of period	4,587,920	10,481,699
CASH AND CASH EQUIVALENTS, End of period	$ 5,569,027	$ 7,725,930

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

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UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2003
(Unaudited)

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

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

The condensed consolidated balance sheet of the Company as of March 31, 2003, the related condensed consolidated statements of operations and comprehensive operations for the three months ended March 31, 2003 and 2002 and cash flows for the three months ended March 31, 2003 and 2002 are unaudited. The accounting policies followed for quarterly financial reporting are the same as those disclosed in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2002. The interim financial statements reflect all adjustments (consisting of only normal and recurring accruals and adjustments) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The Company's operating results for any particular interim period may not be indicative of results for the full year and thus should be read in conjunction with the Company's annual statements.

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

OFF -BALANCE SHEET ARRANGEMENTS. There were no off-balance sheet arrangements during the first three months of 2003.

NEW ACCOUNTING PRONOUNCEMENTS. In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, BUSINESS COMBINATIONS, and SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS, which establish accounting and reporting standards for business combinations. SFAS No. 141 requires all business combinations entered into subsequent to June 30, 2001 to be accounted for using

the purchase method of accounting. SFAS No. 142 provides that goodwill and other intangible assets with indefinite lives be tested for impairment on an annual basis rather than amortized. The Company adopted the provisions of these statements in the first quarter of 2002 which did not have a material effect on the Company's consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS, which is effective for fiscal years beginning after December 15, 2001. This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supercedes SFAS No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF, and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, REPORTING THE RESULTS OF OPERATIONS - REPORTING THE EFFECTS OF DISPOSAL OF A SEGMENT OF A BUSINESS, AND EXTRAORDINARY, UNUSUAL AND INFREQUENTLY OCCURRING EVENTS AND TRANSACTIONS, for the disposal of a segment of a business (as previously defined in that opinion). This statement also amends Accounting Research Bulletin No. 51, CONSOLIDATED FINANCIAL STATEMENTS, to eliminate the exception to consolidation for subsidiaries for which control is likely to be temporary. The Company adopted SFAS No. 144 in the first quarter of 2002 which did not have a material effect on the Company's consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, ACCOUNTING FOR STOCK-BASED COMPENSATION - TRANSITION AND DISCLOSURE. This Statement, which is effective for years ending after December 15, 2002, amends Statement No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION, and provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. In addition, Statement No. 148 amends the disclosure requirements of Statement No. 123 regardless of the accounting method used to account for stock-based compensation. The Company has chosen to continue to account for stock-based compensation of employees using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, and related interpretations. However, the enhanced disclosure provisions as defined by SFAS No. 148 are effective for the quarter ended March 31, 2003. There was no stock based compensation during the quarter.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES. Management has reassessed the critical accounting policies as disclosed in our 2002 Annual Report to Stockholders on Form 10-K and determined that no changes, additions, or deletions are needed to the policies as disclosed. Also there were no significant changes in our estimates associated with those policies.

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

Management attributes recent operating losses and increasing loss ratios of UPCIC primarily to higher than expected costs of catastrophic reinsurance and adverse loss experience in the homeowners line of business. Management has taken the following actions to improve and strengthen UPCIC's financial condition. Premium rate increases of approximately 7% and 9% were implemented in July, 2001 and April, 2002, respectively. UPCIC changed the geographic and coverage mix of

the property insurance it writes, which is a key determinant in the amount and pricing of reinsurance procured by UPCIC. The Company has achieved more favorable ceding commission terms on its quota share reinsurance program. UPCIC was also able to obtain a less expensive catastrophic reinsurance program for 2002 - 2003.

In addition to the actions described above, the Company terminated its outside management agreement in January, 2002. The Company believes that this will enhance UPCIC's operating results through its ability to improve and better control underwriting and loss adjusting activities, as well as reducing overall management expenses.

Management believes the implementation of, and results attributable to, the actions described above, along with the capital contribution to UPCIC of $1,768,000 in 2002, removes the substantial doubt associated with UPCIC's ability to continue as a going concern for a reasonable period of time, as UPCIC has met the minimum statutory requirements for surplus as regards policyholders as of March 31, 2003. However, there can be no assurance of the ultimate success of these plans, or that the Company will be able to renew its reinsurance program under as favorable terms, or that the Company will be able to achieve profitability.

NOTE 2 - INSURANCE OPERATIONS

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

Unearned premiums represent amounts that UPCIC would refund policyholders if their policies were canceled. UPCIC determines unearned premiums by calculating the pro-rata amount that would be due to the policyholder at a given point in time based upon the premiums owed over the life of each policy. At March 31, 2003, the Company had unearned premiums totaling $17,884,557.

Effective January 15, 2002, UPCIC and Universal Property and Casualty Management, Inc. ("Universal Management"), an unaffiliated managing agency, terminated their prior management agreement so that services previously provided by Universal Management are now provided by UPCIC, Universal Risk Advisors, Inc.

and unaffiliated third parties. Universal Risk Advisors, Inc. is an affiliated managing general agency that provides the Company with management and personnel for UPCIC's underwriting, together with support offices, equipment and services.

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

Policy acquisition costs, consisting of commissions and other costs that vary with and are directly related to the production of business, net of ceding commissions, are deferred and amortized over the terms of the policies, but only to the extent that unearned premiums are sufficient to cover all related costs and expenses. At March 31, 2003, deferred policy acquisition costs amounted to $0 due to the effect of deferred reinsurance commissions.

An allowance for uncollectible premiums receivable is established when it becomes evident collection is doubtful. No allowance is deemed necessary at March 31, 2003.

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

Liabilities for unpaid claims and claims adjustment expenses are based on estimates of ultimate cost of settlement. Changes in claims estimates resulting from the continuous review process and differences between estimates and ultimate payments are reflected in expense for the period in which the revision of these estimates first becomes known. UPCIC estimates claims and claims expenses based on its historical experience and payment and reporting patterns for the type of risk involved. These estimates are continuously reviewed by UPCIC's management professionals and any resulting adjustments are reflected in operations for the period in which they are determined.

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

NOTE 3 - REINSURANCE

UPCIC's in-force policyholder coverage for windstorm exposures as of March 31, 2003 was approximately $4.8 billion. In the normal course of business, UPCIC seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers.

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

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

Effective June 1, 2002, UPCIC entered into a quota share reinsurance treaty and excess per risk agreements with various reinsurers. Under the quota share treaty, UPCIC originally ceded 80% of its gross written premiums, losses and loss adjustment expenses with a ceding commission equal to 26% of ceded gross

written premium. In addition, the quota share treaty has a limitation for any one occurrence of $2,000,000. Effective September 30, 2002, UPCIC amended its quota share reinsurance treaty to cede an additional 10% of its gross written premium. Effective June 1, 2002, UPCIC entered into an excess per risk agreement. Under the excess per risk agreement, UPCIC obtained coverage of $1,300,000 in excess of $500,000 ultimate net loss for each risk and each property loss, and $1,000,000 in excess of $300,000 for each casualty loss, excluding losses arising from the peril of wind to the extent such wind related losses are the result of a hurricane. A $2,600,000 limit applies to any one-loss occurrence.

Effective June 1, 2002, under an excess catastrophe contract, UPCIC obtained catastrophe coverage of $30,000,000 in excess of $2,000,000 covering certain loss occurrences including hurricanes. UPCIC also obtained coverage from the Florida Hurricane Catastrophe Fund. The coverage is for approximately $55,000,000.

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

	Three Months Ended March 31, 2003			Three Months Ended March 31, 2002		
	Premiums Written	Premiums Earned	Loss and Loss Adjustment Expenses	Premiums Written	Premiums Earned	Loss and Loss Adjustment Expenses
Direct	$7,537,402	$8,077,875	$3,704,202	$7,912,989	$6,916,289	$2,900,417
Ceded	(7,033,955)	(7,455,861)	(3,260,365)	(3,956,495)	(5,031,968)	(1,563,614)
Net	$503,447	$622,014	$443,837	$3,956,494	$1,884,321	$1,336,803

Other Amounts:

	March 31, 2003
Reinsurance recoverable on paid and unpaid losses and loss adjustment expenses	$ 8,871,126

Unearned premiums ceded	16,513,257
Prepaid reinsurance premiums and reinsurance recoverable	$ 25,384,383

UPCIC's reinsurance contracts do not relieve UPCIC from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to UPCIC; consequently, allowances are established for amounts deemed uncollectible. No allowance is deemed necessary at March 31, 2003. UPCIC evaluates the similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. UPCIC currently has reinsurance contracts with various reinsurers located throughout the United States and internationally. UPCIC believes that this distribution of reinsurance contracts adequately

minimizes UPCIC's risk from any potential operating difficulties of its reinsurers.

NOTE 4 - LOAN PAYABLE

On May 29, 2002, Universal Insurance Holdings, Inc. entered into a Senior Promissory Note with Renaissance Reinsurance LTD. for the principal sum of $750,000 payable in 12 monthly installments of $62,500. Interest accrues on the unpaid balance of the principal amount at a fixed annual rate of 9%. Universal Risk Advisors, Inc. signed as guarantor of the note. The loan amount was contributed to UPCIC as additional paid in capital. Loans payable also consists of various bank loans secured by the respective asset for which they are subject to and amounts loaned by vendors.

NOTE 5 - LEGAL PROCEEDINGS

Universal Management performed various services with respect to UPCIC insurance policies and received fees for performing these services based upon policies written pursuant to an agreement originally executed in 1997. The parties agreed to terminate the agreement effective January 15, 2002. Universal Management communicated to UPCIC that all management services would cease on the date of termination rather than continuing through the life of the policies for which fees were paid on a premiums written basis. As a result, UPCIC ceased remittance of the management fees to Universal Management as of September 1, 2001. On November 6, 2001, UPCIC filed a Complaint against Universal Management in the United States District Court for The Southern District of Florida, Miami Division, alleging breach of contract and demanding specific performance and unspecified damages. On December 28, 2001, Universal Management filed a counterclaim for breach of contract, alleging that it is entitled to fees for policies written from September 2001 through the date of termination. As of December 31, 2001, UPCIC has recorded a receivable from Universal Management representing the management fees remitted on the basis of premiums earned subsequent to the termination date, January 15, 2002, and provided an allowance for doubtful accounts for the entire receivable balance of $80,000. The parties are trying to settle the matter out of court. The terms of the settlement have not yet been finalized. Accordingly, the Company has not accrued a liability with respect to the management fees claimed by Universal Management.

NOTE 6 - EARNINGS PER SHARE

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

A reconciliation of shares used in calculating basic and diluted EPS for the three months ended March 31, 2003 and March 31, 2002, respectively, follows:

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002
Basic EPS	21,468,000	14,686,000
Effect of assumed conversion of common stock equivalents	568,000	568,000
Diluted EPS	22,036,000	15,254,000

Options and warrants to purchase approximately 11,462,000 and 11,262,000 shares of common stock were outstanding during the three months ended March 31, 2003 and March 31, 2002, respectively. Such options and warrants could potentially dilute basic EPS in the future but were excluded from the computation of diluted earnings per share due to being anti-dilutive.

Pursuant to SFAS No. 123, the Company elected to account for stock-based compensation plans under Accounting Principles Board Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES. Accordingly, no compensation expense was included in the determination of net income for the three months ended March 31, 2003 and March 31, 2002. Had compensation cost for stock options been recognized based on the fair value at the grant dates for the options, consistent with the provisions of SFAS No. 123, net income (loss) and earnings (loss) per share would have been as indicated in the table below.

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002
Net income (loss)		
As reported	$22,035	$42,834
Pro forma	$(75,828)	$(54,836)
Basic and diluted earnings (loss) per share		
As reported	$0.00	$0.00
Pro forma	$0.00	$0.00

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

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

FORWARD-LOOKING STATEMENTS

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

OVERVIEW

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

The Company has formed subsidiaries that specialize, or will specialize, in selling insurance and generating insurance leads via the Internet. Tigerquote.com Insurance & Financial Services Group, Inc. is an Internet insurance lead generating network, and its wholly-owned subsidiary Tigerquote.com Insurance Solutions, Inc., is a network of Internet insurance agencies. At March 31, 2003, agencies have been established in 22 states. Separate legal entities have been formed for each state and are governed by the respective states' departments of insurance.

The Company has also formed Tiger Home Services, Inc., which furnishes pest control, pool services, landscaping, house cleaning and hurricane shutters to homeowners. The services are currently offered to commercial and residential customers in certain areas in the state of Florida.

FINANCIAL CONDITION

Cash and cash equivalents at March 31, 2003 aggregated $5,569,027. The source of liquidity for possible claims payments consists of net premiums, after deductions for expenses.

UPCIC believes that premiums will be sufficient to meet UPCIC's working capital requirements for at least the next twelve months. Amounts considered to be in excess of current working capital requirements have been invested. At March 31, 2003, UPCIC's investments were comprised of $5,569,027 in cash and repurchase agreements, $262,763 in fixed maturity securities and $156,656 in equity securities.

Policies originally obtained from the Florida Residential Property and Casualty Joint Underwriting Association ("JUA") provided the opportunity for UPCIC to solicit future renewal premiums. Less than 50% of the policies obtained from the JUA are currently renewed with the Company. UPCIC does not expect to participate in takeouts of additional policies from the JUA. In an effort to further grow its insurance operations, in 1998 the Company began to solicit business actively in the open market. Through renewal of JUA business combined with business solicited in the market through independent agents, UPCIC is currently servicing approximately 46,000 homeowners and dwelling fire insurance

policies. In determining appropriate guidelines for such open market policy sales, UPCIC employs standards similar to those used in its selection of JUA policies. Also, to improve underwriting and manage risk, the Company uses analytical tools and data currently developed in conjunction with the Company's reinsurers and their utilization of catastrophe model utilizing Risk Management Solutions (RMS). To diversify UPCIC's product lines, management may consider underwriting personal umbrella liability policies in the future. Any such program will require the approval of the Florida Department of Insurance.

RESULTS OF OPERATIONS - THREE MONTHS ENDED MARCH 31, 2003 VERSUS THREE MONTHS ENDED MARCH 31, 2002

Gross premiums written decreased 4.7% to $7,537,402 for the three month period ended March 31, 2003 from $7,912,989 for the three month period ended March 31, 2002. The decrease in gross premiums written is primarily attributable to non-renewal of certain policies in high exposure areas in the first quarter of 2003 and was partially mitigated by premium rate increases.

Net premiums earned decreased 67.0% to $622,014 for the three month period ended March 31, 2003 from $1,884,321 for the three month period ended March 31, 2002. The decrease is primarily due to the change in the reinsurance program effective June 1, 2002.

Investment income decreased 70.0% to $28,995 for the three month period ended March 31, 2003 from $96,556 for the three month period ended March 31, 2002. The decrease is primarily due to the lower interest rate environment and lower investment balances during the three months ended March 31, 2003.

Other revenue decreased 18.8% to $382,748 for the three month period ended March 31, 2003 from $471,518 for the three month period ended March 31, 2002. The decrease is primarily attributable to a decrease in revenue generated by Tigerquote.com for leads sold over the Internet during the three months ended March 31, 2003.

Commission income increased 89.7% to $563,762 for the three month period ended March 31, 2003 from $297,157 for the three month period ended March 31, 2002. Commission income is comprised principally of the managing general agent's policy fee income on all new and renewal insurance policies and to a lesser extent commissions generated from agency operations. The increase is primarily attributable to an increase in commissions from agency operations.

Losses and loss adjustment expenses ("LAE") incurred decreased 66.8% to $443,837 for the three month period ended March 31, 2003 from $1,336,803 for the three month period ended March 31, 2002. Losses and LAE incurred decreased due to changes related to the Company's reinsurance program. The Company's direct loss ratio for the three month period ended March 31, 2003 was 45.9% compared to 41.9% for the three month period ended March 31, 2002. The Company's direct loss ratio increased principally due to the higher frequency and severity of claims in the three months ended March 31, 2003. Losses and LAE, the Company's most significant expenses, represent actual payments made and changes in estimated future payments to be made to or on behalf of its policyholders, including expenses required to settle claims and losses. Losses and LAE are influenced by loss severity and frequency.

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

General and administrative expenses decreased 17.4% to $1,131,647 for the three month period ended March 31, 2003 from $1,369,925 for the three month period ended March 31, 2002. General and administrative expenses have decreased mainly due to higher ceding commissions on premiums ceded to reinsurers.

LIQUIDITY AND CAPITAL RESOURCES

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

For the three month period ended March 31, 2003, cash flows provided by operating activities were $789,362. The Company's investment portfolio is highly liquid as it consists almost entirely of readily marketable securities. Cash flows from investing activities are primarily comprised of proceeds from maturities of debt securities held to maturity and sale of real estate. Cash flows from financing activities primarily relate to Company borrowings. The Company is party to a senior Promissory Note with a reinsurer for $750,000 payable in 12 monthly installments through July 2003. The funds were used to make an additional capital contribution to UPCIC. Payments have been made in a timely manner. In January 2003, loans in the amount of $250,000 were made to the Company by two vendors. The proceeds from the loans are being used for working capital.

The Company has incurred losses in the past two years. In order to improve the Company's financial position and achieve profitable operations, management has implemented rate increases for new and renewal business, has restructured the homeowners' coverage offered, has restructured its catastrophic reinsurance coverage to reduce the cost, and has worked to reduce general and administrative expenses. In addition, management is exploring sources of additional capital, including the sale of its insurance operations.

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

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

The balance of cash and cash equivalents at March 31, 2003 is $5,569,027. Most of this amount, along with readily marketable securities aggregating $419,419, would be available to pay claims in the event of a catastrophic event pending reimbursement for any aggregate amount in excess of $200,000 up to approximately the 100 year probable maximum loss which would be covered by reinsurers. Catastrophic reinsurance is recoverable upon presentation to the reinsurer of evidence of claim payment.

Generally accepted accounting principles differ in some respects from reporting practices prescribed or permitted by the DOI. To retain its certificate of authority, the Florida insurance laws and regulations require that UPCIC maintain capital surplus equal to the statutory minimum capital and surplus requirement defined in the Florida Insurance Code. UPCIC's statutory capital and surplus exceeded the minimum capital and surplus requirements of $4,000,000 as of March 31, 2003. UPCIC is also required to adhere to prescribed premium-to-capital surplus ratios. UPCIC is in compliance with these requirements and expects to remain in compliance, if management's plans are successful.

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

The Company is required to comply with the National Association of Insurance Commissioner's ("NAIC") Risk-Based Capital ("RBC") requirements. RBC requirements prescribe a method of measuring the amount of capital appropriate for an insurance company to support its overall business operations in light of its size and risk profile. NAIC's RBC requirements are used by regulators to determine appropriate regulatory actions relating to insurers who show signs of weak or deteriorating condition. As of December 31, 2002, based on calculations using the appropriate NAIC RBC formula, the Company's total reported adjusted capital was in excess of the requirements.

OFF-BALANCE SHEET ARRANGEMENTS

There were no off-balance sheet arrangements during the first three months of 2003.

Item 3. Controls and Procedures

Based on the evaluation by the Chief Executive Officer and Chief Financial Officer of the Company as of a date within 90 days of the filing date of this quarterly report, the Company's disclosure controls and procedures are adequately designed to ensure that the information required to be included in this report has been recorded, processed, summarized and reported on a timely basis. There have not been any significant changes in the Company's internal controls or in any other factors that could significantly affect these controls and there have been no corrective actions taken with regard to significant deficiencies and material weaknesses subsequent to the date of such officers' evaluation.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company did not have any reportable legal proceedings during the three months ending March 31, 2003. Certain claims and complaints have been filed or are pending against the Company with respect to various matters. In the opinion of management none of these lawsuits, except for the lawsuit with Universal Property and Casualty Management Company described in Note 5 to the condensed consolidated Financial Statements included herewith, are material, and they are adequately provided for or covered by insurance or, if not so covered, are without any or have little merit or involve such amounts that if disposed of unfavorably would not have a material adverse effect on the Company.

Item 2. Changes in Securities

None.

Item 3. Defaults upon Senior Securities

None.

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

None.

Item 5. Other Information

Effective May 1, 2003, Irwin L. Kellner resigned from the Company's Board of Directors. The Company plans on timely filling this vacancy when a qualified candidate becomes available. The resignation was not because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Exhibit
99.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Title 18, United States Code, Section 1350, as Adopted Pursuant to Section 906 of the Sabanes-Oxley Act of 2002
11.1	Statement Regarding Computation of Per Share Income

(b) Reports on Form 8-K

None.

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SIGNATURES

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

UNIVERSAL INSURANCE HOLDINGS, INC.

Date: May 14, 2003

/s/ Bradley I. Meier

Bradley I. Meier, Chief Executive Officer

/s/ James M. Lynch

James M. Lynch, Chief Financial Officer

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CERTIFICATION

I, Bradley I. Meier, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Universal Insurance Holdings, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our

most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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Date: May 14, 2003 /s/ Bradley I. Meier

Bradley I. Meier, Chief Executive Officer

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CERTIFICATION

I, James M. Lynch, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Universal Insurance Holdings, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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Date: May 14, 2003

/s/ James M. Lynch

James M. Lynch, Chief Financial Officer

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