UNIVERSAL INSURANCE HOLDINGS INC
Form 10QSB
August 14, 2002

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

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2002

OR

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

COMMISSION FILE NUMBER 0-20848

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

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

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

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

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

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 six months ended June 30, 2002 are not necessarily indicative of the results for the year ending December 31, 2002.

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UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
JUNE 30, 2002
(Unaudited)

ASSETS

Cash and cash equivalents	$ 7,899,608
Debt securities held-to-maturity (fair-value of $2,497,636)	2,498,967
Equity securities available for sale (cost of $285,404)	244,220
Prepaid reinsurance premiums and reinsurance recoverables	22,285,479
Premiums and other receivables	954,866
Investments in real estate	527,385
Deferred policy acquisition costs	376,155
Property, plant and equipment, net	900,835
Total assets	$ 35,687,515

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:	
Unpaid losses and loss adjustment expenses	$ 5,485,153
Unearned premiums	14,608,137
Reinsurance payable	9,519,003
Accounts payable	1,427,531
Other accrued expenses	521,835
Loans payable	1,117,399
Total liabilities	32,679,058
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, 14,894,584 shares issued and 14,685,939 outstanding	148,946

Common stock in treasury, at cost - 208,645 shares	(101,820)
Additional paid-in capital	14,977,297
Accumulated deficit	(12,000,351)
Accumulated other comprehensive loss	(17,002)
Total stockholders' equity	3,008,457
Total liabilities and stockholders' equity	$ 35,687,515

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)

	June, 30 2002	June, 30 2001	June, 30 2002	June 20
PREMIUMS EARNED AND OTHER REVENUES:				
Premium income, net	$ 3,501,462	$ 4,118,080	$ 1,617,141	$ 1,805,
Net investment income	179,272	354,237	82,706	163,
Commission revenue	876,521	851,991	579,364	532,
Other revenue	774,893	2,637,300	303,375	822,
Total revenues	5,332,148	7,961,608	2,582,586	3,322,
OPERATING COSTS AND EXPENSES				
Losses and loss adjustment expenses	3,200,461	3,220,248	1,863,658	1,746,
General and administrative expenses	2,795,178	3,726,765	1,425,253	2,064,
Total operating costs and expenses	5,995,639	6,947,013	3,288,911	3,810,
NET INCOME (LOSS)	$ (663,491)	$ 1,014,595	$ (706,325)	$ (488,
INCOME (LOSS) PER COMMON SHARE:				
Basic	$ (0.05)	$ 0.07	$ (0.05)	$ (0
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC	14,686,000	14,698,000	14,686,000	14,687,
INCOME (LOSS) PER COMMON SHARE				
Diluted	$ (0.05)	$ 0.07	$ (0.05)	$ (0
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED	14,686,000	15,266,000	14,686,000	14,687,

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

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

	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001
NET INCOME (LOSS)	$(663,491)	$1,014,595	$(706,325)	$(488,393)
OTHER COMPREHENSIVE INCOME:				
Change in net unrealized gain (loss) on available-for-sale securities	22,834	39,577	(1,510)	54,077
COMPREHENSIVE INCOME (LOSS)	$(640,657)	$1,054,172	$(707,835)	$(434,316)

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

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

	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (663,491)	$ 1,014,595
Adjustments to reconcile net income to cash (used in) provided by operations		
Amortization and depreciation	113,127	72,109
Net accretion of bond premiums and discounts	(10,234)	(12,739)

Net change in assets and liabilities relating to operating activities:		
Prepaid reinsurance premiums and reinsurance recoverables	(9,172,201)	3,246,570
Premiums and other receivables	198,713	(81,548)
Reinsurance payables	6,191,101	--
Deferred policy acquisition costs	153,787	(529,690)
Accounts payable	63,807	(248,932)
Other accrued expenses	14,149	(116,452)
Accrued taxes, licenses and fees	(189,728)	(212,233)
Unpaid losses and loss adjustment expenses	(761,714)	740,621
Due from related parties and other	--	(20,040)
Unearned premiums	554,898	(3,404,677)
Net cash (used in) provided by operating activities	(3,507,786)	447,584
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(52,101)	(197,572)
Purchase of real estate	(255,487)	--
Purchase of debt securities held to maturity	--	(601,062)
Proceeds from maturities of debt securities held to maturity	559,968	425,427
Net cash provided by (used in) investing activities	252,380	(373,207)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends	--	(202,921)
Loan payable	673,315	259,206
Purchase of treasury stock	--	(17,565)
Net cash provided by financing activities	673,315	38,720
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,582,091)	113,097
CASH AND CASH EQUIVALENTS, Beginning of period	10,481,699	10,357,663
CASH AND CASH EQUIVALENTS, End of period	$ 7,899,608	$ 10,470,760

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

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UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2002
(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 June 30, 2002, the related condensed consolidated statements of operations and comprehensive operations for the six months and three months ended June 30, 2002 and 2001 and cash flows for the six months ended June 30, 2002 and 2001 are unaudited. The accounting policies followed for quarterly financial reporting are the same as those disclosed in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2001. The interim financial statements reflect all adjustments (consisting of only normal and recurring accruals and adjustments) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The Company's operating results for any particular interim period may not be indicative of results for the full year and thus should be read in conjunction with the Company's annual statements.

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

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

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.

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 a rate increase for new and renewal business, is restructuring the homeowners' coverage offered, has restructured its catastrophic reinsurance coverage to reduce the cost, and is working to reduce general and administrative expenses. In addition, management is exploring sources of additional capital. 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. Specific to a recent rate increase implemented by the Company on a use and file basis, effective February 28, 2002 for new business and April 20, 2002 for renewal business, the Florida Department of Insurance ("DOI") notified UPCIC in June of its intent to disapprove the requested rate change. UPCIC's request to raise homeowners' insurance rates is currently under arbitration with the DOI. The case remains in its early stages and it is therefore unclear whether all or any part of the rate change will be granted or whether any award providing for less than the entire requested change will have retroactive or prospective application. The financial statements of the Company do not include any adjustment that might arise from denial of the requested rate change.

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 June 30, 2002, the Company had unearned premiums totaling $14,608,137.

Effective January 15, 2002, UPCIC and Universal Property and Casualty Management, Inc., ("Universal Management") an unaffiliated managing agency, terminated their prior management agreement whereby services provided by Universal Management are now provided by UPCIC, Universal Risk Advisors, Inc. and unaffiliated third parties. Universal Risk Advisors, Inc. is an affiliated managing general agency that provides the Company with management and personnel for UPCIC's underwriting, together with support offices, equipment and services.

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

Policy acquisition costs, consisting of commissions and other costs that vary with and are directly related to the production of business, net of ceding commissions, are deferred and amortized over the terms of the policies, but only to the extent that unearned premiums are sufficient to cover all related costs

and expenses. At June 30, 2002, deferred policy acquisition costs amounted to $376,155.

An allowance for uncollectible premiums receivable is established when it becomes evident collection is doubtful. No allowance is deemed necessary at June 30, 2002.

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

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

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

NOTE 3 - REINSURANCE

UPCIC's in-force policyholder coverage for windstorm exposures as of June 30, 2002 was approximately $4.5 billion. In the normal course of business, UPCIC seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers.

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

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

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Effective June 1, 2002, UPCIC entered into a quota share reinsurance treaty and excess per risk agreements with various reinsurers, all rated A or better by A.M. Best. Under the quota share treaty, UPCIC cedes 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 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, each property loss, and $1,000,000 in excess of $300,000 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 coverage of $30,000,000 in excess of $2,000,000. UPCIC also obtained coverage from the Florida Hurricane Catastrophe Fund. The coverage is estimated to be $55,000,000.

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

	SIX MONTHS ENDED JUNE 30, 2002			SIX MONTHS ENDED JUNE 30, 2001	
	PREMIUMS WRITTEN	PREMIUMS EARNED	LOSS AND LOSS ADJUSTMENT EXPENSES	PREMIUMS WRITTEN	PREMIUMS EARNED
Direct	$14,543,187	$13,988,288	$7,892,205	$10,433,019	$13,837,696
Ceded	(13,282,182)	(10,486,826)	(4,691,744)	(6,190,344)	(9,719,616
Net	$1,261,005	$3,501,462	$3,200,461	$4,242,675	$4,118,080

	THREE MONTHS ENDED JUNE 30, 2002			THREE MONTHS ENDE JUNE 30, 2001	
	PREMIUMS WRITTEN	PREMIUMS EARNED	LOSS AND LOSS ADJUSTMENT EXPENSES	PREMIUMS WRITTEN	PREMIUMS EARNED
Direct	$6,630,198	$7,071,999	$4,991,788	$4,606,243	$6,876,081
Ceded	(9,325,687)	(5,454,858)	(3,128,130)	(3,812,164)	(5,070,804
Net	$(2,695,489)	$1,617,141	$1,863,658	$794,079	$1,805,277

Other Amounts:

	JUNE 30, 2002
Reinsurance recoverable on paid and unpaid losses and loss adjustment expenses	$ 9,875,693
Unearned premiums ceded	12,409,786
Prepaid reinsurance premiums and reinsurance recoverable	$ 22,285,479

UPCIC's reinsurance contracts do not relieve UPCIC from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to UPCIC; consequently, allowances are established for amounts deemed uncollectible. No allowance is deemed necessary at June 30, 2002. UPCIC evaluates the similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. UPCIC currently has reinsurance contracts with various reinsurers located throughout the United States and internationally. UPCIC believes that this distribution of reinsurance contracts adequately minimizes UPCIC's risk from any potential operating difficulties of its reinsurers.

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.

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. Discovery is in the early stages and the likelihood of an unfavorable outcome or the likely amount associated therewith cannot be estimated. Therefore, UPCIC has not accrued a liability with respect to the management fees claimed by Universal Management.

NOTE 6 - SUBSEQUENT EVENTS

The Company entered into a letter of intent to sell its insurance operations to Holding Company of America, Inc. ("HCA") subject to an exclusive ninety-day review period to conduct due diligence. The letter of intent contemplates the sale of the following entities, constituting all of the Company's insurance operations, each of which is a wholly-owned direct or indirect subsidiary of the Company: Universal Insurance Holding Company of Florida; Universal Property & Casualty Insurance Company; Universal Risk Advisors, Inc.; Universal Adjusting Corporation; Universal Florida Insurance Agency, Inc.; U.S. Insurance Solutions, Inc.; U.S.A Insurance Solutions, Inc.; Universal Inspection Corporation. The purchase price is to be determined pursuant to various formulas for valuing the insurance operations that take into account capital and financial performance.

In addition, the letter and a July 1, 2002 supplement provide for HCA to contribute $2.5 million to the capital of Universal Property & Casualty Insurance Company upon the execution of a promissory note by Universal Risk Advisors, Inc. and the Company's guaranty. The note will be payable to HCA upon the occurrence of certain events including the failure to (i) enter into a purchase and sale agreement as contemplated by the letter of intent, (ii) obtain the approval of the Florida Department of Insurance or (iii) close the transaction, and will be payable in eight quarterly installments that bear interest at the prime rate plus two percent. The amount has not yet been funded as of August 14, 2002.

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

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

FORWARD-LOOKING STATEMENTS

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

OVERVIEW

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

The Company has formed two subsidiaries that specialize in selling insurance via the Internet. Tigerquote.com Insurance & Financial Services Group, Inc., and its wholly owned subsidiary Tigerquote.com Insurance Solutions, Inc. are a network of Internet insurance agencies. At June 30, 2002, agencies have been established in 22 states. Separate legal entities have been formed for each state and are governed by the respective states' department of insurance.

The Company has also formed Tiger Home Services, Inc. which furnishes pest control, pool services, landscaping, house cleaning and hurricane shutters to homeowners. The Tiger Home Division earned approximately $240,000 in revenue in the first six months of 2002. Management believes this will be a growing part of the Company's overall business.

FINANCIAL CONDITION

Cash and cash equivalents at June 30, 2002 aggregated $7,899,608. 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 June 30, 2002 UPCIC's investments were comprised of $7,899,608 in cash and repurchase agreements, $2,498,967 in fixed maturity securities and $244,220 in equity securities.

Policies originally obtained from the Florida Residential Property and Casualty Joint Underwriting Association ("JUA") provided the opportunity for UPCIC to solicit future renewal premiums. Less than 50% of the policies obtained from the JUA are currently renewed with the Company. UPCIC does not expect to participate in takeouts of additional policies from the JUA. In an effort to further grow its insurance operations, in 1998 the Company began to solicit business actively in the open market. Through renewal of JUA business combined with business solicited in the market through independent agents, UPCIC is currently servicing approximately 41,000 homeowners and dwelling fire insurance policies. In determining appropriate guidelines for such open market policy sales, UPCIC employs standards similar to those used in its selection of JUA policies. Also, to improve underwriting and manage risk, the Company uses analytical tools and data currently developed in conjunction with the Company's reinsurers and their utilization of catastrophe model utilizing Risk Management Solutions (RMS). To diversify UPCIC's product lines, management may consider underwriting personal umbrella liability policies in the future. Any such program will require the approval of the Florida Department of Insurance.

RESULTS OF OPERATIONS - SIX MONTHS ENDED JUNE 30, 2002 VERSUS SIX MONTHS ENDED JUNE 30, 2001

Gross premiums written increased 39.4% to $14,543,187 for the six month period ended June 30, 2002 from $10,433,019 for the six month period ended June 30, 2001. The increase in gross premiums written is primarily attributable to an increase in new business as well as premium rate increases.

Net premiums earned decreased 16.4% to $3,501,462 for the six month period ended June 30, 2002 from $4,188,080 for the six month period ended June 30, 2001. The decrease is primarily due to non-renewal of certain policies in high exposure areas in late 2001 and to a lesser extent the change in the reinsurance program effective June 1, 2002.

Investment income decreased 49.4% to $179,272 for the six month period ended June 30, 2002 from $354,237 for the six month period ended June 30, 2001. The decrease is primarily due to the lower interest rate environment during the six months ended June 30, 2002.

Other revenue decreased 70.6% to $774,893 for the six month period ended June 30, 2002 from $2,637,300 for the six month period ended June 30, 2001. The decrease is primarily attributable to the JUA bonus of $2,637,300 received in the first six months of 2001 offset primarily by home service revenues in 2002.

Commission income increased 2.97% to $876,521 for the six month period ended June 30, 2002 from $851,991 for the six month period ended June 30, 2001. Commission income is comprised principally of the managing general agent's policy fee income on all new and renewal insurance policies and to a lesser

extent commissions generated from agency operations. The increase is primarily attributable to an increase in new business.

Losses and loss adjustment expenses ("LAE") incurred decreased .1% to $3,200,461 for the six month period ended June 30, 2002 from $3,220,248 for the six month period ended June 30, 2001. The Company's direct loss ratio for the six month period ended June 30, 2002 was 56.4% compared to 49.3% for the six month period ended June 30, 2001. The Company's direct loss ratio increased principally due to the higher frequency and severity of claims in the six months ended June 30, 2002. 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 25.0% to $2,795,178 for the six month period ended June 30, 2002 from $3,726,765 for the six month period ended June 30, 2001. General and administrative expenses have decreased mainly due to higher ceding commissions on premiums ceded to reinsurers as well as ceding commission recognized as a result of the change in the quota share ceding percentage from 50% to 80% on June 1, 2002.

RESULTS OF OPERATIONS - THREE MONTHS ENDED JUNE 30, 2002 VERSUS THREE MONTHS ENDED JUNE 30, 2001

Gross premiums written increased 43.9% to $6,630,198 for the three month period ended June 30, 2002 from $4,606,243 for the three month period ended June 30, 2001. The increase in gross premiums written is primarily attributable to an increase in new business as well as premium rate increases.

Net premiums earned decreased 10.4% to $1,617,141 for the three month period ended June 30, 2002 from $1,805,277 for the three month period ended June 30, 2001. The decrease is primarily due to non-renewal of certain policies in high exposure areas in late 2001 and to a lesser extent the change in the reinsurance program effective June 1, 2002.

Investment income decreased 49.3% to $82,706 for the three month period ended June 30, 2002 from $163,015 for the three month period ended June 30, 2001. The decrease is primarily due to the lower interest rate environment during the three months ended June 30, 2002.

Other revenue decreased 63.1% to $303,375 for the three month period ended June 30, 2002 from $822,100 for the three month period ended June 30,

2001. The decrease is primarily attributable to the JUA bonus of $822,100 received in the first three months of 2001 offset primarily by home service revenues in 2002.

Commission income increased 8.9% to $579,364 for the three month period ended June 30, 2002 from $532,156 for the three month period ended June 30, 2001. Commission income is comprised principally of the managing general agent's policy fee income on all new and renewal insurance policies and to a lesser

extent commissions generated from agency operations. The increase is primarily attributable to an increase in new business.

Losses and loss adjustment expenses ("LAE") incurred increased 6.7% to $1,863,658 for the three month period ended June 30, 2002 from $1,746,122 for the three month period ended June 30, 2001. The Company's direct loss ratio for the three month period ended June 30, 2002 was 70.6% compared to 54.3% for the three month period ended June 30, 2001. The Company's direct loss ratio increased principally due to the higher frequency and severity of claims in the three months ended June 30, 2002. This is primarily the result of unusually rainy weather during the three months ended June 30, 2002. 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 31.0% to $1,425,253 for the three month period ended June 30, 2002 from $2,064,819 for the three month period ended June 30, 2001. General and administrative expenses have decreased mainly due to higher ceding commissions on premiums ceded to reinsurers as well as ceding commission recognized as a result of the change in the quota share ceding percentage from 50% to 80% on June 1, 2002.

LIQUIDITY AND CAPITAL RESOURCES

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

For the six month period ended June 30, 2002, cash flows used by operating activities were $3,507,786. Cash flows from operating activities are negative, primarily due to payments made to reinsurers including the transfer of the unearned premium related to the new quota share reinsurance agreement in the second quarter of 2002. The Company's investment portfolio is highly liquid as it consists almost entirely of readily marketable securities. Cash flows from investing activities are primarily comprised of proceeds from maturities of debt securities held to maturity. 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.

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 a rate increase for new and renewal business, is restructuring the homeowners' coverage offered, has restructured its catastrophic reinsurance coverage to reduce the cost, and is working to reduce general and administrative expenses. In addition, management is exploring sources of additional capital. 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. Specific to a recent rate increase implemented by the Company on a use and file basis, effective February 28, 2002 for new business and April 20, 2002 for renewal business, the Florida Department of Insurance ("DOI") notified UPCIC in June of its intent to disapprove the requested rate change. UPCIC's request to raise homeowners' insurance rates is currently under arbitration with the DOI. The case remains in its early stages and it is therefore unclear whether all or any part of the rate change will be granted or whether any award providing for less than the entire requested change will have retroactive or prospective application. The financial statements of the Company do not include any adjustment that might arise from denial of the requested rate change.

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 June 30, 2002 is $7,899,608. Most of this amount, along with readily marketable equity securities aggregating $244,220 would be available to pay claims in the event of a catastrophic event pending reimbursement for any aggregate amount in excess of $400,000 up to the 100 year probable maximum loss which would be covered by reinsurers. Catastrophic reinsurance is recoverable upon presentation to the reinsurer of evidence of claim payment.

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 June 30, 2002. 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, 2001, based on calculations using the appropriate NAIC RBC formula, the Company's total reported adjusted capital was in excess of three of the four ratios which would require any form of regulatory action, however, UPCIC'S surplus as reported was below the company action level, triggering a Company Action Level event in accordance with Florida Insurance Statutes. Accordingly, UPCIC was required to file a Risk Based Capital Plan containing items specified in Florida statutes. The Risk Based Capital Plan has been approved by the DOI contingent upon certain items specified by the DOI, including DOI approval of any rate changes contemplated by the plan and determination by the DOI that a reinsurance agreement that is part of the plan is acceptable.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company did not have any reportable legal proceedings during the six months ending June 30, 2002. Certain claims and complaints have been filed or are pending against the Company with respect to various matters. In the opinion of management none of these lawsuits, except for the lawsuit with Universal Property and Casualty Management Company described in Note 4 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

Under an amendment to the employment agreement between the Company and Bradley I. Meier dated June 27, 2002, and approved by the Board of Directors, Mr. Meier elected to convert vacation benefits and salary into 747,827 shares of common stock. The shares were issued to Mr. Meier in a private transaction on August 5, 2002 in accordance with the terms of the amendment and pursuant to Section 4(2) of the Securities Act of 1933, as amended.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

EXHIBIT NO.	EXHIBIT
10.8	Amendment No. 5 to Employment Agreement between Universal Insurance Holdings, Inc. and Bradley I. Meier, dated June 27, 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: August 14, 2002

/s/ Bradley I. Meier

Bradley I. Meier, Chief Financial Officer

/s/ James M. Lynch

James M. Lynch, Chief Financial Officer

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CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Universal Insurance Holdings, Inc. ("Company") on Form 10-QSB for the period ended June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof ("Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

August 14, 2002

/s/ Bradley I. Meier

Bradley I. Meier, Chief Financial Officer

/s/ James M. Lynch

James M. Lynch, Chief Financial Officer