UNIVERSAL INSURANCE HOLDINGS INC
Form 10QSB
August 16, 2004

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, 2004

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: 34,408,775 shares of common stock as of August 1, 2004.

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, 2004 are not necessarily indicative of the results for the year ending December 31, 2004.

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UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
JUNE 30, 2004
(Unaudited)

ASSETS

Cash and cash equivalents	$ 10,867,948
Debt securities held-to-maturity (fair-value of $100,528)	100,051
Prepaid reinsurance premiums and reinsurance recoverables	22,092,484
Premiums and other receivables (net of allowance for doubtful accounts of $93,887)	615,846
Investments in real estate	176,447
Property, plant and equipment, net	1,060,095
Other assets	132,660
Total assets	$ 35,045,531

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:	
Unpaid losses and loss adjustment expenses	$ 6,009,843
Unearned premiums	16,880,263
Accounts payable	1,158,195
Reinsurance payable	5,712,574
Other accrued expenses	897,087
Loans payable	606,188
Total liabilities	31,264,150
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, 34,408,775 shares issued and 31,300,130 shares outstanding	265,493
Common stock in treasury, at cost - 208,645 shares	(101,820)
Additional paid-in capital	15,114,406
Accumulated deficit	(11,498,085)

Total stockholders' equity	3,781,381
Total liabilities and stockholders' equity	$ 35,045,531

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 OPERATIONS
(Unaudited)

	Six Months Ended		Three Months Ende	
	June 30, 2004	June 30, 2003	June 30, 2004	Ju 2
PREMIUMS EARNED AND OTHER REVENUES:				
Premium income, net	$ 2,123,058	$ 1,217,416	$ 1,392,830	$ 5
Net investment income	39,819	41,452	24,264	
Commission revenue	748,615	1,155,004	368,587	5
Transaction fees	1,188,231	550,243	503,778	2
Other revenue	407,741	149,917	145,637	
Total revenues	4,507,464	3,114,032	2,435,096	1,5
OPERATING COSTS AND EXPENSES				
Losses and loss adjustment expenses	540,464	670,329	344,467	2
General and administrative expenses	3,800,319	2,319,662	1,952,613	1,1
Total operating costs and expenses	4,340,783	2,989,991	2,297,080	1,4
NET INCOME	$ 166,681	$ 124,041	$ 138,016	$ 1
INCOME PER COMMON SHARE: Basic	$ 0.01	$ 0.01	$ 0.00	$
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC	30,214,000	22,197,000	31,129,000	22,3
INCOME PER COMMON SHARE Diluted	$ 0.01	$ 0.01	$ 0.00	$
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED	30,929,000	22,765,000	31,890,000	22,9

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)

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003	Three Months En June 30, 2004	Ju
NET INCOME	$ 166,681	$ 124,041	$ 138,016	$ 1
OTHER COMPREHENSIVE INCOME:				
Change in net unrealized gain (loss) on available-for-sale securities	26,657	10,839	(3,835)	
COMPREHENSIVE INCOME	$ 193,338	$ 134,880	$ 134,181	$ 1

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 CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 2004	Six Months June 30,
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 166,681	$ 12
Adjustments to reconcile net income to cash provided by operations:		
Amortization and depreciation	188,352	12
Loss on dispoal of assets	(19,325)	
Issuance of common stock as compensation	140,749	
Net accretion of bond premiums and discounts	-	
Net change in assets and liabilities relating to operating activities:		
Prepaid reinsurance premiums and reinsurance recoverables	2,745,055	23
Premiums and other receivables	(132,660)	48
Reinsurance payables	576,740	1,00
Accounts payable	(18,459)	(21
Other accrued expenses	75,069	(28
Unpaid losses and loss adjustment expenses	(1,671,029)	87
Unearned premiums	774,687	(1,15

Other assets	(79,260)	
Net cash provided by operating activities	2,746,600	1,19
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	178,378	
Proceeds from maturities of debt securities held to maturity	-	19
Proceeds from sale of equity securities available for sale	194,976	
Proceeds from disposal of fixed assets	-	2
Purchase of real estate	(58,468)	
Sale of real estate	55,243	10
Net cash provided by investing activities	370,129	31
CASH FLOWS FROM FINANCING ACTIVITIES:		
Preferred stock dividend	(24,978)	(2
Repayments of loans payable	(235,081)	(46
Proceeds from loans payable	-	25
Issuance of common stock	-	1
Net cash used in financing activities	(260,059)	(23
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,856,670	1,27
CASH AND CASH EQUIVALENTS, Beginning of period	8,011,278	4,58
CASH AND CASH EQUIVALENTS, End of period	$ 10,867,948	$ 5,86

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

UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2004
(Unaudited)

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

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

The condensed consolidated balance sheet of the Company as of June 30, 2004, the related condensed consolidated statements of operations and comprehensive operations for the three and six months ended June 30, 2004 and 2003 and cash flows for the six months ended June 30, 2004 and 2003 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, 2003. 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 six months of 2004.

NEW ACCOUNTING PRONOUNCEMENTS. In December 2002, the Financial Accounting Standards Board ("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 which became effective in the first quarter of 2003 have been implemented.

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In February 2004, the FASB's Emerging Issues Task Force reached a consensus regarding certain disclosure requirements in EITF Issue No. 03-1, THE MEANING OF OTHER-THAN-TEMPORARY IMPAIRMENT AND ITS APPLICATION TO CERTAIN INVESTMENTS ("EITF No. 03-1"). EITF No. 03-1 describes certain quantitative and qualitative disclosures that are required for marketable equity securities covered by Statement No. 115, including the aggregate amount of unrealized losses and the aggregate related fair value of investments with unrealized losses, by investment type, as well as the nature of the investment(s), cause of impairment, number of positions held, severity and duration of the impairment. The disclosures required by EITF No. 03-1 are effective for fiscal years ending after December 15, 2003. The Emerging Issues Task Force is discussing further the other issues addressed in EITF No. 03-1, including the meaning of other-than-temporary impairment and its application to investments accounted for under the cost method or the equity method, or as either available-for-sale or held-to-maturity under Statement No. 115. The impact of such adoption is not anticipated to have a material effect on the Company's consolidated financial statements.

On December 31, 2003, the FASB issued a revised version of FIN 46 ("FIN 46R"), which incorporates a number of modifications and changes made to the original version. FIN 46R replaces the previously issued FIN 46, CONSOLIDATION OF VARIABLE INTEREST ENTITIES, which requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual returns or both. FIN 46R does not have an impact on the Company's consolidated financial condition or results of operations. Further, FIN 46R requires the disclosure of certain information related to variable interest entities in which the Company holds a significant variable interest. The Company does not own any such interests.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES. Management has reassessed the critical accounting policies as disclosed in our 2003 Annual Report to Stockholders on Form 10-KSB and determined that no changes, additions or deletions are needed to the policies as disclosed. Also there were no significant changes in our estimates associated with those policies.

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

Management continues to take action to improve and strengthen UPCIC's financial condition. Premium rate increases of 7.5% and 7.8% were implemented in June 2003 and January 2004, 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 effective June 1, 2004. UPCIC was also able to obtain a less expensive catastrophic reinsurance program for 2004 - 2005.

In addition to the actions described above, effective May 1, 2004 the Company brought in house the system it utilizes for policy issuance and administration. 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 expects

the cost savings from this change to be obtained commencing in the second quarter of 2005.

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

NOTE 2 - RESULTS OF OPERATIONS

INSURANCE OPERATIONS

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

Unearned premiums represent amounts that UPCIC would refund policyholders if their policies were canceled. UPCIC determines unearned premiums by calculating the pro-rata amount that would be due to the policyholder at a given point in time based upon the premiums owed over the life of each policy. At June 30, 2004, the Company had unearned premiums totaling $16,880,263.

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, 2004, deferred policy acquisition costs amounted to $0 due to the effect of deferred reinsurance commissions.

An allowance for uncollectible premiums receivable is established when it becomes evident collection is doubtful, typically after 90 days past due. No allowance is deemed necessary at June 30, 2004.

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. The Company's loss ratio has decreased from the prior year due to lower frequency and severity of claims.

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

UPCIC's management professionals and any resulting adjustments are reflected in operations for the period in which they are determined.

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

ONLINE COMMERCE OPERATIONS

The Company has formed subsidiaries that specialize, or will specialize, in selling insurance and generating insurance leads via the Internet. Tigerquote.com Insurance & Financial Services Group, Inc. ("Tigerquote.com") and Tigerquote.com Insurance Solutions, Inc. were incorporated in Delaware on June 6, 1999 and August 23, 1999, respectively. Tigerquote.com is an Internet insurance lead generating network while Tigerquote.com Insurance Solutions, Inc. is a network of Internet insurance agencies. These entities seek to generate income from the selling of leads and commissions on policies written. During the second quarter of 2004 the Company began to transition these operations from its previous Arizona location to the Company's home office in Florida.

CORPORATE AND OTHER OPERATIONS

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

NOTE 3 - REINSURANCE

UPCIC's in-force policyholder coverage for windstorm exposures as of June 30, 2004 was approximately $4.6 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, 2004, UPCIC entered into a quota share reinsurance treaty and excess per risk agreements with various reinsurers. Under the quota share treaty, UPCIC cedes 80% of its gross written premiums, losses and loss adjustment expenses for policies with coverage for wind risk with a ceding commission equal to 31% of ceded gross written premium. In addition, the quota share treaty has a limitation for any one occurrence of $2,000,000. Effective June 1, 2004, UPCIC entered into multiple line excess per risk agreement. Under the multiple line excess per risk agreement, UPCIC obtained coverage of $1,300,000 in excess of $500,000 ultimate net loss for each risk and each property loss, and $1,000,000 in excess of $300,000 for each casualty loss, excluding losses arising from the peril of wind to the extent such wind related losses are the result of a hurricane. A $1,300,000 limit applies to the term of the contract for property losses and a $1,000,000 limit applies to the term of the contract for casualty losses. Effective June 1, 2004, UPCIC entered into a property per risk excess agreement covering ex-wind only policies. Under the property per risk excess agreement, UPCIC obtained coverage of $300,000 in excess of $200,000 each property loss. A $900,000 limit applies to the term of the contract.

Effective June 1, 2004, under an excess catastrophe contract, UPCIC obtained catastrophe coverage of $22,200,000 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 $60,300,000.

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

	Six Months Ended	Six Months Ended

	June 30, 2004			June 30, 2003	
	Premiums Written	Premiums Earned	Loss and Loss Adjustment Expenses	Premiums Written	Premiums Earned
Direct	$16,067,173	$15,292,485	$3,057,306	$15,380,462	$16,537,643
Ceded	(12,355,714)	(13,169,427)	(2,516,842)	(14,026,986)	(15,320,227
Net	$3,711,459	$2,123,058	$540,464	$1,353,476	$1,217,416

	Three Months Ended June 30, 2004			Three Months End June 30, 2003	
	Premiums Written	Premiums Earned	Loss and Loss Adjustment Expenses	Premiums Written	Premiums Earned
Direct	$9,101,968	$7,718,138	$1,843,527	$7,843,060	$8,459,768
Ceded	(6,032,199)	(6,325,308)	(1,499,060)	(6,993,031)	(7,864,366
Net	$3,069,769	$1,392,830	$344,467	$850,029	$595,402

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Other Amounts:

	June 30, 2004
Reinsurance recoverable on paid and unpaid losses and loss adjustment expenses	$ 7,432,034
Unearned premiums ceded	13,368,659
Other reinsurance receivable	1,291,791
Prepaid reinsurance premiums and reinsurance recoverable	$ 22,092,484

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, 2004. UPCIC evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. UPCIC currently has reinsurance contracts with various reinsurers located throughout the United States and internationally. UPCIC believes only ceding risks to reinsurers whom it considers to be financially sound combined with distribution of reinsurance contracts adequately minimizes UPCIC's risk from any potential operating difficulties of its reinsurers.

NOTE 4 - EARNINGS PER SHARE

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

A reconciliation of shares used in calculating basic and diluted EPS for the six month and three month periods ended June 30, 2004 and June 30, 2003, respectively, follows:

	Six Months Ended	
	June 30, 2004	June 30, 2003
Basic EPS	30,214,000	22,197,000
Effect of assumed conversion of common stock equivalents	715,000	568,000
Diluted EPS	30,929,000	22,765,000

Options and warrants to purchase approximately 10,280,000 and 11,462,000 shares of common stock were outstanding during the six months ended June 30, 2004 and June 30, 2003, 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.

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	Three Months Ended	
	June 30, 2004	June 30, 2003
Basic EPS	31,129,000	22,369,000
Effect of assumed conversion of common stock equivalents	761,000	568,000
Diluted EPS	31,890,000	22,937,000

Options and warrants to purchase approximately 10,233,000 and 11,462,000 shares of common stock were outstanding during the three months ended June 30, 2004 and June 30, 2003, respectively. Such options and warrants could potentially dilute basic EPS in the future but were excluded from the computation of diluted earnings per share due to being anti-dilutive.

NOTE 5 - STOCK BASED COMPENSATION

Pursuant to SFAS No. 123, the Company elected to account for stock-based compensation plans under Accounting Principles Board Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES. Accordingly, no compensation expense was included in the determination of net income for the six months ended June 30, 2004 and June 30, 2003. 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.

	Six Months Ended	
	June 30, 2004	June 30, 2003

Net income (loss):		
As reported	$ 166,681	$ 124,041
Compensation expense	(50,977)	(144,895)
Pro forma	115,704	(20,854)
Net income (loss) per share:		
Basic		
As reported	$0.01	$0.01
Compensation expense	0.00	0.01
Pro forma	$0.01	$0.00
Diluted		
As reported	$0.01	0.01
Compensation expense	0.00	0.01
Pro forma	$0.01	$0.00

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	Three Months Ended June 30, 2004	June 30, 2003
Net income (loss):		
As reported	$138,016	$102,006
Compensation expense	(26,090)	(50,526)
Pro forma	111,926	51,480
Net income (loss) per share:		
Basic		
As reported	$0.01	$0.00
Compensation expense	0.00	0.00
Pro forma	$0.01	$0.00
Diluted		
As reported	$0.01	0.00
Compensation expense	0.00	0.00
Pro forma	$0.01	$0.00

For the purposes of estimating the compensation cost of the Company's option grants in accordance with SFAS No. 123, the fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model, with the following weighted average assumptions used for grants during the six months ended June 30, 2004: expected price volatility of 154%; risk-free interest rate of 6.5%; no dividends; and expected lives of five years. There were no option grants in 2003.

NOTE 6 - SEGMENT INFORMATION

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

The accounting policies of the segments are the same as those described in the summary of the significant accounting policies and practices. The Company evaluates its business segments based on GAAP pretax operating earnings. Corporate overhead expenses are allocated to business segments. Transactions between reportable segments are accounted for at fair value.

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

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

	Six months ended June 30, 2004	Six months ended June 30, 2003
Total revenue		
Insurance segment	$5,120,998	$4,221,035
Online commerce segment	1,245,886	608,185
Corporate and other	199,899	147,127
Total operating segments	6,566,783	4,976,347
Intercompany eliminations	(2,059,319)	(1,862,315)
Total revenues	$4,507,464	$3,114,032
Earnings (loss) before income taxes		
Insurance segment	$954,910	$691,498
Online commerce segment	76,204	44,128
Corporate and other	(864,433)	(611,585)
Total earnings before income taxes	$166,681	$124,041

	Three months ended June 30, 2004	Three months ended June 30, 2003
Total revenue		
Insurance segment	$3,040,975	$2,080,563
Online commerce segment	524,047	274,598
Corporate and other	92,903	66,957
Total operating segments	3,657,925	2,422,118
Intercompany eliminations	(1,222,829)	(905,605)
Total revenues	$2,435,096	$1,516,513

Earnings (loss) before income taxes		
Insurance segment	$722,396	$356,086
Online commerce segment	(191,231)	(10,172)
Corporate and other	(393,149)	(243,908)
Total earnings before income taxes	$138,016	$102,006

Information regarding total assets as of June 30, 2004 and June 30, 2003:

	June 30, 2004	June 30, 2003
Total assets		
Insurance segment	$43,655,525	$38,977,584
Online commerce segment	1,623,968	1,002,214
Corporate and other	22,289,715	22,281,744
Total operating segments	$67,569,208	$62,261,542
Intercompany eliminations	(32,523,677)	(28,755,630)
Total assets	$35,045,531	$33,505,912

NOTE 7 - SUBSEQUENT EVENTS

On July 31, 2004, the Company purchased a building located in Fort Lauderdale, Florida that it intends to use as its home office. The cost of the building was $1,625,000. The Company expects to incur approximately $500,000 in additional expense to complete the build out of the building. The Company plans on relocating its corporate headquarters to the building by the first quarter of 2005. Approximately 50% of the purchase price was initially financed. This amount has subsequently been paid off.

In July 2004 the Company moved its online commerce operations from its previous Arizona headquarters to the Company's headquarters. In conjunction with the move the Company terminated employment of the Arizona based employees. Related termination costs of approximately $100,000 were incurred in July. In addition, the Company set up an allowance for doubtful accounts of $70,000 in the June 30, 2004 financial statements.

In July 2004 the Company sold the landscaping division of Tiger Home Services, Inc. In conjunction with the sale the Company set up an allowance for doubtful accounts of $23,887 in the June 30, 2004 financial statements.

In July 2004 the Company borrowed monies in the amount of $425,000 for working capital. The terms of the notes are interest payments only at a rate of 10% through January 2005 with equal monthly payments of principal plus interest thereafter until January 2006. In conjunction with the loans the Company issued warrants to purchase 425,000 shares of the Company's common stock at an exercise price of $.05 per share.

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

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

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FORWARD-LOOKING STATEMENTS

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

OVERVIEW

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

The Company has formed subsidiaries that specialize, or will specialize, in selling insurance and generating insurance leads via the Internet. Tigerquote.com Insurance & Financial Services Group, Inc. is an Internet insurance lead generating network, and Tigerquote.com Insurance Solutions, Inc., is a network of Internet insurance agencies. At June 30, 2004, agencies have been established in 22 states, of which 1 is currently active. Separate legal entities have been formed for each state and are governed by the respective states' departments of insurance.

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

FINANCIAL CONDITION

Cash and cash equivalents at June 30, 2004 aggregated $10,867,948. 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, 2004, UPCIC's investments were comprised of $10,867,948 in cash and repurchase agreements and $100,051 in fixed maturity 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 20% of the policies obtained from the JUA are currently renewed with the Company. UPCIC does not expect to participate in takeouts of additional policies from the JUA. In 1998 the Company began to solicit business actively in the open market in an effort to further grow its insurance operations. Through renewal of JUA business combined with business solicited in the market through independent agents, UPCIC is currently servicing approximately 39,000 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 models. 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.

The Company has also diversified its operations by establishing online commerce and other ancillary operations.

RESULTS OF OPERATIONS - SIX MONTHS ENDED JUNE 30, 2004 VERSUS SIX MONTHS ENDED JUNE 30, 2003

Gross premiums written increased 4.5% to $16,067,173 for the six-month period ended June 30, 2004 from $15,380,462 for the six-month period ended June 30, 2003. The increase in gross premiums written is primarily attributable to an increase in new business as well as premium rate increases.

Net premiums earned increased 74.4% to $2,123,058 for the six-month period ended June 30, 2004 from $1,217,416 for the six-month period ended June 30, 2003. The increase is due to an increase in new business, premium rate increases and changes in the reinsurance program effective June 1, 2004.

Investment income decreased 3.9% to $39,819 for the six-month period ended June 30, 2004 from $41,452 the six-month period ended June 30, 2003. The decrease is primarily due to the lower interest rate environment during the six months ended June 30, 2004.

Transaction fee revenue increased 115.9% to $1,188,231 for the six-month period ended June 30, 2004 from $550,243 for the six-month period ended June 30, 2003. The increase is primarily due to increased sales of insurance leads to insurance agents.

Other revenue increased 172.0% to $407,741 for the six-month period ended June 30, 2004 from $149,917 for the six-month period ended June 30, 2003. The increase is primarily attributable to more activity in the direct sales and service operations during the six months ended June 30, 2004.

Commission income decreased 35.2% to $748,615 for the six-month period ended June 30, 2004 from $1,155,004 for the six-month period ended June 30, 2003. Commission income is comprised principally of the managing general agent's

policy fee income on all new and renewal insurance policies and commissions generated from agency operations. The decrease is primarily attributable to a decrease in commissions generated from agency operations.

Net losses and loss adjustment expense ("LAE") incurred decreased 19.4% to $540,464 for the six-month period ended June 30, 2004 from $670,329 for the six-month period ended June 30, 2003. Losses and LAE incurred decreased due to lower frequency and severity of claims in 2004 mitigated by changes related to the Company's reinsurance program. The Company's direct loss ratio for the six-month period ended June 30, 2004 was 20.0% compared to 37.1% for the six-month period ended June 30, 2003. Losses and LAE are influenced by loss severity and frequency. They are also influenced by underwriting and adjusting philosophy. The Company's direct loss ratio decreased principally due to the lower frequency and severity of claims and also because of premium rate increases in the six months ended June 30, 2004. Losses and LAE, the Company's most significant expenses, represent actual payments made net of reinsurance and changes in estimated future net payments to be made to or on behalf of its policyholders, including expenses required to settle claims and losses.

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

General and administrative expenses increased 63.8% to $3,800,319 for the six-month period ended June 30, 2004 from $2,319,662 for the six-month period ended June 30, 2003. General and administrative expenses have increased mainly due to further development of the Company's insurance operations.

RESULTS OF OPERATIONS - THREE MONTHS ENDED JUNE 30, 2004 VERSUS THREE MONTHS ENDED JUNE 30, 2003

Gross premiums written increased 16.1% to $9,101,968 for the three-month period ended June 30, 2004 from $7,843,060 for three-month period ended June 30, 2003. The increase in gross premiums written is primarily attributable to an increase in new business as well as premium rate increases.

Net premiums earned increased 133.9% to $1,392,830 for the three-month period ended June 30, 2004 from $595,402 for the three-month period ended June 30, 2003. The increase is primarily due to an increase in new business, premium rate increases and changes in the reinsurance program effective June 1, 2004.

Investment income increased 94.8% to $24,264 for the three-month period ended June 30, 2004 from $12,457 for the three-month period ended June 30, 2003. The increase is primarily due to higher investment balances during the three months ended June 30, 2004.

Transaction fee revenue increased 104.3% to $503,778 for the three-month period ended June 30, 2004 from $246,564 for the three-month period ended June 30, 2003. The increase is primarily due to increased sales of insurance leads to insurance agents.

Other revenue increased 105.6% to $145,637 for the three-month period ended June 30, 2004 from $70,848 for the three-month period ended June 30, 2003. The increase is primarily attributable to more activity in the direct sales and service operations during the three months ended June 30, 2004.

Commission income decreased 37.7% to $368,587 for the three-month period ended June 30, 2004 from $591,242 for the three-month period ended June 30, 2003. Commission income is comprised principally of the managing general agent's policy fee income on all new and renewal insurance policies and commissions generated from agency operations. The decrease is primarily attributable to a decrease in commissions generated from agency operations.

Net losses and loss adjustment expense ("LAE") incurred increased 52.1% to $344,467 for the three-month period ended June 30, 2004 from $226,492 for the three-month period ended June 30, 2003. Losses and LAE incurred increased due to changes related to the Company's reinsurance program mitigated by lower frequency and severity of claims in 2004. The Company's direct loss ratio for the three-month period ended June 30, 2004 was 23.9% compared to 26.2% for the three-month period ended June 30, 2003. Losses and LAE are influenced by loss severity and frequency. They are also influenced by underwriting and adjusting philosophy. The Company's direct loss ratio decreased principally due to the lower frequency and severity of claims and also because of premium rate increases in the three months ended June 30, 2004. Losses and LAE, the Company's most significant expenses, represent actual payments made net of reinsurance and changes in estimated future net payments to be made to or on behalf of its policyholders, including expenses required to settle claims and losses.

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

General and administrative expenses increased 64.4% to $1,952,613 for the three-month period ended June 30, 2004 from $1,188,015 for the three-month period ended June 30, 2003. General and administrative expenses have increased mainly due to further development of the Company's insurance operations.

LIQUIDITY AND CAPITAL RESOURCES

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

For the six-month period ended June 30, 2004, cash flows provided by operating activities were $2,746,600. Cash flows from operating activities are expected to be positive in both the short-term and reasonably foreseeable

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future. In addition, the Company's investment portfolio is highly liquid as it consists almost entirely of cash and readily marketable securities.

In order to improve the Company's financial position and achieve profitable operations, management has implemented rate increases for new and renewal business, has restructured the homeowners' coverage offered, has restructured its catastrophic reinsurance coverage to reduce cost, and has worked to control future general and administrative expenses. In addition, management is exploring sources of additional capital.

Management believes that the continued implementation of these plans will be successful over the next twelve months. However, there can be no assurance that successful implementation of these plans will be achieved or will be sufficient to ensure UPCIC's future compliance with Florida insurance regulations, or that the Company will be able to maintain profitability. Failure by UPCIC to maintain the required level of statutory capital and surplus could result in the suspension of UPCIC's authority to write new or renewal business, other regulatory actions or ultimately, in the revocation of UPCIC's certificate of authority by the Florida 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 June 30, 2004 is $10,867,948. Most of this amount, along with readily marketable securities aggregating $100,051, 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 approximately the 100 year probable maximum loss which would be covered by reinsurers. Catastrophic reinsurance is recoverable upon presentation to the reinsurer of evidence of claim payment.

Generally accepted accounting principles differ in some respects from reporting practices prescribed or permitted by the OIR. To retain its certificate of authority, the Florida insurance laws and regulations require that UPCIC maintain capital and surplus equal to the statutory minimum capital and surplus requirement defined in the Florida Insurance Code. UPCIC's statutory capital and surplus exceeded the minimum capital and surplus requirements of $4,000,000 as of June 30, 2004. 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 surplus as of the preceding year end. Statutory unassigned surplus (deficit) at December 31, 2003 was $(3,194,264).

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, 2003, based on calculations using the appropriate NAIC RBC formula, the Company's reported total adjusted capital was in excess of the requirements.

OFF-BALANCE SHEET ARRANGEMENTS

There were no off-balance sheet arrangements during the first six months of 2004.

Item 3. Controls and Procedures.

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

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On July 2, 2004, the Company and its subsidiary Tigerquote.com Insurance and Financial Services Group, Inc. settled a dispute with former employee Patric Allan. The subsidiary filed suit against Mr. Allan on June 12, 2004, in the United States District Court for the Southern District of Florida. The suit alleged that Mr. Allan breached his employment agreement with the subsidiary by failing to perform his duties for an extended period and by establishing a competing business while employed by the subsidiary. The former employee filed a separate action in the Superior Court in and for Maricopa County, Arizona, alleging that the subsidiary and the Company breached the employment agreement and caused emotional distress to the former employee. Both actions were dismissed pursuant to the settlement agreement entered into as of July 2, 2004. Among its provisions, the settlement agreement specified that the Company and the subsidiary would transfer ownership of an Arizona-based insurance agency affiliate to Mr. Allan.

The Company did not have any other reportable legal proceedings during the six months ending June 30, 2004. Certain claims and complaints have been filed or are pending against the Company with respect to various matters. In the opinion of management, none of these lawsuits is material, and they are

adequately provided for or covered by insurance or, if not so covered, are without any or have little merit or involve such amounts that if disposed of unfavorably would not have a material adverse effect on the Company.

Item 2. Changes in Securities and Small Business Issuer Purchases of Equity Securities

At a meeting of the Company's Board of Director's on March 4, 2004, certain employee and director compensation actions were approved. Patric Allan, former CEO of Tigerquote.com, was granted 100,000 shares of common stock, options to purchase 500,000 shares of common stock with an exercise price of $0.025 per share, and additional options to purchase 500,000 shares of common stock with an exercise price of $0.025 per share that are exercisable upon profit goals attained. All stock and options were to be issued upon signing of a new employment agreement. The agreement was finalized in April 2004. The shares were issued in May and are reflected in the second quarter of 2004. The Company delivered an option agreement in July 2004, which will be reflected in the third quarter 2004. Pursuant to the settlement agreement referenced at Part II, Item I above, Mr. Allan forfeited all ownership rights in the 100,000 shares issued to him and to all options granted or to be granted to him. Sean P. Downes, COO of UPCIC, agreed to convert a $50,000 bonus into 2,000,000 shares of common stock. The shares were issued in April 2004 and are reflected in the second quarter of 2004.

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
11.1	Statement Regarding Computation of Per Share Income
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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

(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 16, 2004

/s/ Bradley I. Meier

Bradley I. Meier, Chief Executive Officer

/s/ James M. Lynch

James M. Lynch, Chief Financial Officer

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