

UNITED INSURANCE HOLDINGS CORP.

Form 10-Q

August 13, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2009

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File number 000-52833

United Insurance Holdings Corp.

(Exact name of Registrant as specified in its charter)

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Delaware
(State of Incorporation)

75-3241967
(IRS Employer Identification Number)

360 Central Avenue, Suite 900

St. Petersburg, Florida 33701

(Address, including zip code, of principal executive offices)

727-895-7737

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 13, 2009, 10,573,932 shares of common stock, par value \$0.0001 per share, were issued and outstanding.

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Table of Contents**UNITED INSURANCE HOLDINGS CORP.****PART I. FINANCIAL INFORMATION****Item 1: Financial Statements****Condensed Consolidated Balance Sheets***In thousands, except share and par value amounts*

	June 30, 2009	December 31, 2008
	<i>Unaudited</i>	
ASSETS		
Investments available for sale, at fair value:		
Fixed maturities (amortized cost of \$83,911 and \$114,078, respectively)	\$ 84,911	\$ 115,332
Equity securities (cost of \$10,991 and \$14,229, respectively)	10,046	10,586
Other long-term investments (cost of \$300)	300	300
Total investments	95,257	126,218
Cash and cash equivalents	100,908	31,689
Accrued investment income	1,112	1,392
Premiums receivable, net of allowances for credit losses of \$403 and \$305, respectively	15,095	10,216
Reinsurance recoverable on paid and unpaid losses	22,716	22,604
Prepaid reinsurance premiums	82,232	26,518
Deferred policy acquisition costs, net	12,566	9,075
Property and equipment at cost, net of accumulated depreciation and amortization of \$293 and \$254, respectively	255	294
Capitalized software, net of accumulated amortization of \$166 and \$53, respectively	1,204	1,232
Deferred income tax assets, net	578	2,744
Other assets	1,519	1,139
Total Assets	\$ 333,442	\$ 233,121
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 41,443	\$ 40,098
Unearned premiums	93,866	74,384
Reinsurance payable	85,281	16,694
Advance premiums	5,453	2,152
Accounts payable and accrued expenses	15,275	12,871
Current portion of notes payable	5,209	4,621
Income taxes payable	107	1,366
Other liabilities	542	1,326
Long-term notes payable	36,296	36,682

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Total Liabilities	283,472	190,194
Commitments and contingencies (Note 9)		
Stockholders' Equity:		
Preferred stock, \$0.0001 par value; 1,000,000 shares authorized; none issued or outstanding for 2009 and 2008		
Common stock, \$0.0001 par value; 50,000,000 shares authorized; 10,573,932 and 10,548,932 issued and outstanding for 2009 and 2008, respectively		
	1	1
Additional paid-in capital	75	
Accumulated other comprehensive income (loss)	34	(1,490)
Retained earnings	49,860	44,416
Total Stockholders' Equity	49,970	42,927
Total Liabilities and Stockholders' Equity	\$ 333,442	\$ 233,121

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**UNITED INSURANCE HOLDINGS CORP.****Condensed Consolidated Statements of Income****(Unaudited)***In thousands, except share and per share amounts*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
REVENUE:				
Gross premiums written	\$ 58,147	\$ 41,518	\$ 95,178	\$ 70,608
Gross premiums ceded	(86,073)	(52,203)	(87,974)	(53,565)
Net premiums written	(27,926)	(10,685)	7,204	17,043
Decrease in net unearned premiums	49,821	30,335	36,233	23,242
Net premiums earned	21,895	19,650	43,437	40,285
Net investment income	1,288	1,721	2,683	3,354
Net realized investment gains	1,513	1,035	705	878
Other-than-temporary impairments of investments			(1,878)	
Commission and fees	867	651	1,633	1,298
Policy assumption bonus		1,371		4,283
Other revenue	757	512	1,724	1,292
Total revenue	26,320	24,940	48,304	51,390
EXPENSES:				
Losses and loss adjustment expenses	11,538	5,343	18,739	12,474
Policy acquisition costs	5,574	4,377	10,502	8,599
Operating and underwriting expenses	2,061	1,554	3,864	3,092
Salaries and wages	766	722	2,050	1,530
General and administrative expenses	970	1,041	1,983	2,378
Interest expense	783	601	1,537	1,466
Total expenses	21,692	13,638	38,675	29,539
Income before income taxes	4,628	11,302	9,629	21,851
Provision for income taxes	1,781	2,143	3,657	4,159
Net income	\$ 2,847	\$ 9,159	\$ 5,972	\$ 17,692
Weighted average shares outstanding				
Basic	10,573,932	10,548,932	10,562,468	10,548,932
Diluted	10,573,932	11,797,768	10,562,468	11,757,811

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Earnings per share								
Basic	\$	0.27	\$	0.87	\$	0.57	\$	1.68
Diluted	\$	0.27	\$	0.78	\$	0.57	\$	1.50
Dividends declared per share								
	\$	0.15	\$		\$	0.15	\$	

PRO FORMA COMPUTATION OF INCOME TAXES FOR HISTORICAL PERIOD PRIOR TO THE MERGER [See Note 2(d)]:

Historical income before income taxes	\$	11,302	\$	21,851
Pro forma provision for income taxes		4,360		8,429
Pro forma net income	\$	6,942	\$	13,422
Pro forma earnings per share				
Basic	\$	0.66	\$	1.27
Diluted	\$	0.59	\$	1.14

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**UNITED INSURANCE HOLDINGS CORP.****Condensed Consolidated Statements of Cash Flows****(Unaudited)***In thousands, except share amounts*

	Six Months Ended June 30,	
	2009	2008
Cash flows provided by operating activities:		
Net income	\$ 5,972	\$ 17,692
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	630	345
Net realized investment (gains) losses	1,173	(878)
Amortization of discount on notes payable	202	
Provision for uncollectible premiums	107	
Deferred income taxes, net	1,246	1,102
Stock-based compensation	75	
Changes in operating assets and liabilities:		
Accrued investment income	280	53
Premiums receivable, net	(4,986)	(2,176)
Reinsurance recoverable on paid and unpaid losses	(112)	