

UNITED INSURANCE HOLDINGS CORP.
Form 10-Q
August 09, 2010

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

FORM 10-Q

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

For the quarterly period ended June 30, 2010
Commission File Number 000-52833

United Insurance Holdings Corp.
(Exact name of Registrant as specified in its charter)

Delaware 75-3241967
(State of Incorporation) (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 9, 2010, 10,573,932 shares of common stock, par value \$0.0001 per share, were outstanding.

UNITED INSURANCE HOLDINGS CORP.

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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, 2010	December 31, 2009
	(Unaudited)	
ASSETS		
Investments available for sale, at fair value:		
Fixed maturities (amortized cost of \$127,081 and \$125,920, respectively)	\$ 131,257	\$ 128,020
Equity securities (adjusted cost of \$5,000 in 2010 and 2009)	4,396	4,704
Other long-term investments	300	300
Total investments	135,953	133,024
Cash and cash equivalents	22,387	27,086
Accrued investment income	1,089	1,119
Premiums receivable, net of allowances for credit losses of \$381 and \$370, respectively	11,643	7,544
Reinsurance recoverable on paid and unpaid losses	27,544	25,477
Prepaid reinsurance premiums	82,108	40,285
Deferred policy acquisition costs	10,861	9,256
Other assets	6,280	3,967
Total Assets	\$ 297,865	\$ 247,758
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Unpaid losses and loss adjustment expenses	\$ 47,575	\$ 44,112
Unearned premiums	88,743	73,831
Reinsurance payable	84,797	28,162
Other liabilities	12,802	12,154
Notes payable, net of unamortized debt discount of \$0 and \$885, respectively	18,824	41,428
Total Liabilities	252,741	199,687
Commitments and contingencies (Note 9)		
Stockholders' Equity:		
Preferred stock, \$0.0001 par value; 1,000,000 shares authorized; none issued or outstanding for 2010 and 2009	—	—
Common stock, \$0 .0001 par value; 50,000,000 shares authorized; 10,573,932 issued and outstanding for 2010 and 2009	1	1
Additional paid-in capital	75	75
Accumulated other comprehensive income	2,194	1,108
Retained earnings	42,854	46,887

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Total Stockholders' Equity	45,124	48,071
Total Liabilities and Stockholders' Equity	\$ 297,865	\$ 247,758

See accompanying notes to unaudited condensed consolidated financial statements.

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UNITED INSURANCE HOLDINGS CORP.

Condensed Consolidated Statements of Income
(Unaudited)

In thousands, except share and per share amounts

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
REVENUE:				
Gross premiums written	\$ 55,675	\$ 58,147	\$ 91,242	\$ 95,178
Gross premiums ceded	(85,635)	(86,073)	(87,160)	(87,974)
Net premiums written	(29,960)	(27,926)	4,082	7,204
Decrease in net unearned premiums	46,260	49,821	26,911	36,233
Net premiums earned	16,300	21,895	30,993	43,437
Net investment income, including net realized gains	1,010	2,801	2,044	1,510
Other revenue	2,059	1,624	3,280	3,357
Total revenue	19,369	26,320	36,317	48,304
EXPENSES:				
Losses and loss adjustment expenses	8,546	11,538	21,015	18,739
Policy acquisition costs	5,325	5,574	10,979	10,502
Operating, general and administrative expenses	3,985	3,797	7,741	7,897
Interest expense	391	783	1,482	1,537
Total expenses	18,247	21,692	41,217	38,675
Income (loss) before other expenses	1,122	4,628	(4,900)	9,629
Other expenses	726	—	726	—
Income (loss) before income taxes	396	4,628	(5,626)	9,629
Provision for (benefit from) income taxes	201	1,781	(2,122)	3,657
Net income (loss)	\$ 195	\$ 2,847	\$ (3,504)	\$ 5,972
OTHER COMPREHENSIVE INCOME (LOSS):				
Change in net unrealized holding gain on investments	684	2,707	1,796	1,271
Reclassification adjustment for net realized investment gains	(42)	(1,513)	(28)	(705)
Reclassification adjustment for recognized other-than-temporary impairments	—	—	—	1,878
Income tax expense related to items of other comprehensive income	(247)	(459)	(682)	(920)
Total comprehensive income (loss)	\$ 590	\$ 3,582	\$ (2,418)	\$ 7,496
Weighted average shares outstanding				
Basic and Diluted	10,573,932	10,573,932	10,573,932	10,562,468

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Earnings (loss) per share				
Basic and Diluted	\$ 0.02	\$ 0.27	\$ (0.33)	\$ 0.57
Dividends declared per share	\$ —	\$ 0.05	\$ 0.05	\$ 0.05

See accompanying notes to unaudited condensed consolidated financial statements.

UNITED INSURANCE HOLDINGS CORP.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

In thousands, except share amounts

	Six Months Ended June 30,	
	2010	2009
OPERATING ACTIVITIES		
Net income (loss)	\$ (3,504	) \$ 5,972
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	485	630
Net realized investment (gains) losses	(28	) 1,173
Amortization of discount on notes payable	159	202
Loss on extinguishment of debt	726	—
Provision for uncollectible premiums	11	107
Deferred income taxes, net	(260	) 1,246
Stock-based compensation	—	75
Changes in operating assets and liabilities:		
Accrued investment income	30	280
Premiums receivable	(4,110	) (4,986
Reinsurance recoverable on paid and unpaid losses	(2,067	) (112
Prepaid reinsurance premiums	(41,823	) (55,714
Deferred policy acquisition costs, net	(1,605	) (3,898
Other assets	(2,229	) (1,639
Unpaid losses and loss adjustment expenses	3,463	1,345
Unearned premiums	14,912	19,482
Reinsurance payable	56,635	68,587
Other liabilities	3,084	5,864
Net cash provided by operating activities	23,879	38,614
INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments available for sale	46,198	46,964
Purchases of investments available for sale	(47,681	) (15,211
Cost of property and equipment acquired	(72) —
Cost of capitalized software acquired	(192	) (84
Net cash provided by (used in) investing activities	(1,747	) 31,669
FINANCING ACTIVITIES		
Repayments of borrowings	(23,489) —
Dividends	(529	) (528