

Homeowners Choice, Inc.
Form 10-Q
November 14, 2011
Table of Contents

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

Form 10-Q

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

For the quarterly period ended September 30, 2011

OR

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

Commission File Number 001-34126

Homeowners Choice, Inc.

(Exact name of Registrant as specified in its charter)

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Florida
(State of Incorporation)

20-5961396
(IRS Employer

Identification No.)

5300 West Cypress Street, Suite 100

Tampa, FL 33607

(Address, including zip code of principal executive offices)

(813) 405-3600

(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 (§232.405 of this chapter) 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

The aggregate number of shares of the Registrant's Common Stock, no par value, outstanding on November 10, 2011 was 6,181,802.

Table of Contents

HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

	Page
PART I FINANCIAL INFORMATION	
ITEM 1 <u>FINANCIAL STATEMENTS</u>	
<u>Condensed Consolidated Balance Sheets,</u> <u>September 30, 2011 (unaudited) and December 31, 2010</u>	1
<u>Condensed Consolidated Statements of Earnings</u> <u>Three and nine months ended September 30, 2011 and 2010 (unaudited)</u>	2
<u>Condensed Consolidated Statements of Cash Flows</u> <u>Nine months ended September 30, 2011 and 2010 (unaudited)</u>	3-4
<u>Condensed Consolidated Statement of Stockholders' Equity</u> <u>Nine months ended September 30, 2011 (unaudited)</u>	5
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	6-24
ITEM 2 <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	25-37
ITEM 3 <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	37
ITEM 4 <u>CONTROLS AND PROCEDURES</u>	38
PART II OTHER INFORMATION	
ITEM 1 <u>LEGAL PROCEEDINGS</u>	38
ITEM 1a <u>RISK FACTORS</u>	38
ITEM 2 <u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	39
ITEM 6 <u>EXHIBITS</u>	40-44
<u>SIGNATURES</u>	45
<u>CERTIFICATIONS</u>	

Table of Contents**PART I FINANCIAL INFORMATION****Item 1 Financial Statements****HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets****(Dollars in thousands, except share amounts)**

	At September 30, 2011 (Unaudited)	At December 31, 2010
Assets		
Investments:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost \$35,350 and \$28,456)	\$ 35,326	28,564
Equity securities, available-for-sale, at fair value	4,757	884
Time deposits	14,442	14,033
Total investments	54,525	43,481
Cash and cash equivalents	61,956	54,849
Accrued interest and dividends receivable	244	180
Premiums receivable	10,050	5,822
Assumed reinsurance balances receivable	63	26
Prepaid reinsurance premiums	17,228	17,787
Deferred policy acquisition costs	11,157	9,407
Income taxes receivable	774	
Property and equipment, net	16,788	7,755
Deferred income taxes		584
Other assets	1,378	1,057
Total assets	\$ 174,163	140,948
 Liabilities and Stockholders' Equity		
Losses and loss adjustment expenses	23,693	22,146
Unearned premiums	78,289	65,034
Advance premiums	4,584	1,114
Deferred income taxes	285	
Accrued expenses	3,247	2,385
Dividends payable	218	
Income taxes payable		310
Other liabilities	4,668	3,330
Total liabilities	114,984	94,319
 Stockholders' equity:		
7% Series A cumulative convertible preferred stock (liquidation preference \$10.00 per share), no par value, 1,500,000 shares authorized, 1,247,700 shares issued and outstanding in 2011		
Preferred stock (no par value 18,500,000 shares authorized, no shares issued or outstanding)		
Common stock, (no par value, 40,000,000 shares authorized, 6,111,802 and 6,205,396 shares issued and outstanding in 2011 and 2010)		
Additional paid-in capital	28,572	18,606

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Retained earnings	30,803	28,065
Accumulated other comprehensive loss	(196)	(42)
Total stockholders' equity	59,179	46,629
Total liabilities and stockholders' equity	\$ 174,163	140,948

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Earnings****(Unaudited)****(Dollars in thousands, except per share amounts)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenue				
Gross premiums earned	\$ 31,741	29,398	93,855	89,720
Premiums ceded	(13,906)	(14,314)	(42,302)	(42,750)
Net premiums earned	17,835	15,084	51,553	46,970
Net investment income	529	473	1,602	1,572
Policy fee income	424	434	1,278	1,309
Realized investment gains	123	1,028	416	1,534
Gain on bargain purchase			936	
Other	1,184	53	2,143	86
Total revenue	20,095	17,072	57,928	51,471
Expenses				
Losses and loss adjustment expenses	10,431	8,783	31,357	29,459
Policy acquisition and other underwriting expenses	3,529	3,730	10,572	10,689
Other operating expenses	2,829	2,021	7,617	5,604
Total expenses	16,789	14,534	49,546	45,752
Income before income taxes	3,306	2,538	8,382	5,719
Income taxes	1,232	881	3,214	2,081
Net income	\$ 2,074	1,657	5,168	3,638
Preferred stock dividends	(218)		(596)	
Income available to common stockholders	\$ 1,856	1,657	4,572	3,638
Basic earnings per common share	\$.30	.27	.75	.59
Diluted earnings per common share	\$.27	.25	.70	.54
Dividends per common share	\$.10		.30	

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See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES****Condensed Consolidated Statements of Cash Flows****(Unaudited)****(Dollars in thousands)**

	Nine Months Ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 5,168	3,638
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	22	77
Net amortization of premiums (discounts) on investments in fixed maturity securities	115	(45)
Depreciation and amortization	325	117
Deferred income taxes	975	2,410
Realized gains on sales of investments	(416)	(1,534)
Gain on bargain purchase	(936)	
Changes in operating assets and liabilities:		
Premiums receivable	(4,228)	(4,428)
Assumed reinsurance balances receivable	(37)	19,525
Advance premiums	3,470	4,122
Prepaid reinsurance premiums	559	(9,019)
Accrued interest and dividends receivable	(64)	66
Income taxes receivable	(774)	(1,231)
Other assets	(189)	(209)
Assumed reinsurance balances payable		243
Deferred policy acquisition costs	(1,750)	195