

Homeowners Choice, Inc.
Form 10-Q
August 12, 2011
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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 June 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) 403-3600

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 (The registrant has not yet been phased into the interactive data requirements)

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 August 5, 2011 was 6,111,802.

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HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

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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 June 30, 2011 (Unaudited)	At December 31, 2010
Assets		
Investments:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost \$23,276 and \$28,456)	\$ 23,404	28,564
Equity securities, available-for-sale, at fair value	5,025	884
Time deposits	14,306	14,033
Total investments	42,735	43,481
Cash and cash equivalents	80,256	54,849
Accrued interest and dividends receivable	186	180
Premiums receivable	10,263	5,822
Assumed reinsurance balances receivable		26
Prepaid reinsurance premiums	8,866	17,787
Deferred policy acquisition costs	10,062	9,407
Income taxes receivable	3,033	
Property and equipment, net	15,778	7,755
Deferred income taxes		584
Other assets	1,665	1,057
Total assets	\$ 172,844	140,948
Liabilities and Stockholders Equity		
Losses and loss adjustment expenses	24,973	22,146
Unearned premiums	70,530	65,034
Advance premiums	6,900	1,114
Deferred income taxes	1,432	
Payable for securities purchased	3,002	
Accrued expenses	2,848	2,385
Assumed reinsurance balances payable	51	
Dividends payable	218	
Income taxes payable		310
Other liabilities	4,857	3,330
Total liabilities	114,811	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)		

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Common stock, (no par value, 40,000,000 shares authorized, 6,101,802 and 6,205,396 shares issued and outstanding in 2011 and 2010)		
Additional paid-in capital	28,532	18,606
Retained earnings	29,559	28,065
Accumulated other comprehensive loss	(58)	(42)
Total stockholders' equity	58,033	46,629
Total liabilities and stockholders' equity	\$ 172,844	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 June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenue				
Gross premiums earned	\$ 31,218	29,978	62,114	60,322
Premiums ceded	(14,174)	(14,333)	(28,396)	(28,436)
Net premiums earned	17,044	15,645	33,718	31,886
Net investment income	509	569	1,073	1,100
Realized investment gains	140	505	293	505
Gain on bargain purchase	936		936	
Other	1,155	692	1,813	908
Total revenue	19,784	17,411	37,833	34,399
Expenses				
Losses and loss adjustment expenses	10,523	10,863	20,926	20,676
Policy acquisition and other underwriting expenses	2,780	2,668	7,043	6,960
Other operating expenses	2,660	1,886	4,787	3,583
Total expenses	15,963	15,417	32,756	31,219
Income before income taxes	3,821	1,994	5,077	3,180
Income taxes	1,520	712	1,983	1,200
Net income	\$ 2,301	1,282	3,094	1,980
Preferred stock dividends	(361)		(378)	
Income available to common stockholders	\$ 1,940	1,282	2,716	1,980
Basic earnings per common share	\$.32	.21	.44	.32
Diluted earnings per common share	\$.30	.19	.43	.29
Dividends per common share	\$.10		.20	

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)**

	Six Months Ended June 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 3,094	1,980
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	19	68
Net amortization of premiums (discounts) on investments in fixed maturity securities	61	(39)
Depreciation and amortization	158	57
Deferred income taxes (benefit)	2,026	(136)
Realized gains on sales of investments	(293)	(505)
Gain on bargain purchase	(936)	
Changes in operating assets and liabilities:		
Premiums receivable	(4,441)	(5,130)
Assumed reinsurance balances receivable	26	19,525
Advance premiums	5,786	5,948
Prepaid reinsurance premiums	8,921	(488)
Accrued interest and dividends receivable	(6)	10
Income taxes receivable	(3,033)	
Other assets	(476)	(463)
Assumed reinsurance balances payable	51	658
Deferred policy acquisition costs	(655)	