

Homeowners Choice, Inc.
Form 10-Q
November 13, 2012
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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 September 30, 2012

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 5, 2012 was 10,187,277.

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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)**

	September 30, 2012 (Unaudited)	December 31, 2011
Assets		
Fixed-maturity securities, available-for-sale, at fair value (amortized cost \$38,624 and \$34,147)	\$ 41,397	34,642
Equity securities, available-for-sale, at fair value	9,522	5,207
Time deposits	7,267	12,427
Other investments	15,696	6,483
Total investments	73,882	58,759
Cash and cash equivalents	141,922	100,355
Accrued interest and dividends receivable	334	408
Premiums receivable	17,499	12,222
Assumed reinsurance balances receivable		1,687
Prepaid reinsurance premiums	21,781	14,169
Deferred policy acquisition costs	12,548	12,321
Property and equipment, net	10,840	10,499
Goodwill	161	161
Income taxes receivable	1,495	
Deferred income taxes		2,368
Other assets	1,849	1,869
Total assets	\$ 282,311	214,818
Liabilities and Stockholders Equity		
Losses and loss adjustment expenses	\$ 38,726	27,424
Unearned premiums	120,845	108,677
Advance premiums	6,702	2,132
Assumed reinsurance balances payable	1,329	
Accrued expenses	5,053	3,478
Deferred income taxes	977	
Dividends payable	98	218
Income taxes payable		4,956
Other liabilities	7,494	4,103
Total liabilities	181,224	150,988
Stockholders equity:		
7% Series A cumulative convertible preferred stock (liquidation preference \$10.00 per share), no par value, 1,500,000 shares authorized, 331,525 and 1,247,700 shares issued and outstanding in 2012 and 2011, respectively		
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, 9,601,019 and 6,202,485 shares issued and outstanding in 2012 and 2011, respectively)		

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Additional paid-in capital	53,209	29,636
Retained earnings	46,045	33,986
Accumulated other comprehensive income	1,833	208
Total stockholders' equity	101,087	63,830
Total liabilities and stockholders' equity	\$ 282,311	214,818

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenue				
Gross premiums earned	\$ 53,109	31,741	161,579	93,855
Premiums ceded	(22,506)	(13,211)	(53,475)	(41,607)
Net premiums earned	30,603	18,530	108,104	52,248
Net investment income	47	486	871	1,557
Policy fee income	624	424	2,167	1,278
Realized investment (losses) gains	(4)	123	26	416
Gain on bargain purchase			179	936
Other	211	150	641	808
Total revenue	31,481	19,713	111,988	57,243
Expenses				
Losses and loss adjustment expenses	15,017	10,431	50,382	31,357
Policy acquisition and other underwriting expenses	6,611	3,529	19,690	10,572
Other operating expenses	4,728	2,447	13,401	6,932
Total expenses	26,356	16,407	83,473	48,861
Income before income taxes	5,125	3,306	28,515	8,382
Income taxes	2,299	1,232	11,459	3,214
Net income	\$ 2,826	2,074	17,056	5,168
Preferred stock dividends	(42)	(218)	(286)	(596)
Income available to common stockholders	\$ 2,784	1,856	16,770	4,572
Basic earnings per common share	\$ 0.30	\$ 0.30	\$ 2.08	\$ 0.75
Diluted earnings per common share	\$ 0.27	\$ 0.27	\$ 1.79	\$ 0.70
Dividends per common share	\$ 0.20	\$ 0.10	\$ 0.55	\$ 0.30

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	\$ 2,826	2,074	17,056	5,168
Other comprehensive income:				
Change in unrealized gain (loss) on investments:				
Unrealized gain arising during the period	1,223	(111)	2,672	156
Reclassification adjustment for realized (losses) gains	4	(123)	(26)	(416)
Net change in unrealized gain (loss)	1,227	(234)	2,646	(260)
Deferred income taxes on above change	(474)	96	(1,021)	