UNIVERSAL INSURANCE HOLDINGS, INC.
Form 10QSB
August 13, 2007

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

FORM 10-QSB

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2007

OR

[ ] 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 000-20848

UNIVERSAL INSURANCE HOLDINGS, INC.
(Exact name of small business issuer as specified in its charter)

Delaware	65-0231984
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1110 W. Commercial Blvd.
Suite 100
Fort Lauderdale, Florida 33309
(Address of principal executive offices)

(954) 958-1200
(Issuer's telephone number)

State the number of shares outstanding of each of the issuer's classes of common equity, as of the last practicable date: 39,057,103 shares of common stock as of August [13], 2007.

Transitional Small Business Disclosure Format Yes ___ No _X_

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Stockholders of

Universal Insurance Holdings, Inc. and Subsidiaries

Fort Lauderdale, Florida

We have reviewed the accompanying condensed consolidated balance sheet of UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES as of June 30, 2007 and the related condensed consolidated statements of operations for the six-month and three-month periods ended June 30, 2007 and 2006, and the condensed consolidated statements of cash flows for each of the six-month periods ended June 30, 2007 and 2006. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

/s/ Blackman Kallick Bartelstein, LLP

Chicago, Illinois

August 13, 2007

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PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
JUNE 30, 2007
(Unaudited)

ASSETS

Cash and cash equivalents	$ 256,049,954
Real estate, net	3,211,986
Prepaid reinsurance premiums	180,970,635
Reinsurance recoverables and other reinsurance receivable	86,036,298
Premiums and other receivables, net	19,223,252
Property and equipment, net	607,620
Deferred income taxes	9,874,117
Other assets	16,222

Total assets	$ 555,990,084

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:	
Unpaid losses and loss adjustment expenses	$ 52,130,976
Unearned premiums	271,885,614
Deferred ceding commission, net	1,558,077
Accounts payable	1,673,508
Reinsurance payable	101,898,123
Federal and state income taxes payable	19,401,565
Dividends payable	2,446,392
Other accrued expenses	13,279,300
Other liabilities	11,987,103
Loans payable	3,025,940
Long-term debt	25,040,870
Total liabilities	504,327,468
STOCKHOLDERS' EQUITY:	
Cumulative convertible preferred stock, $.01 par value, 1,000,000 shares authorized, 138,640 shares issued and outstanding, minimum liquidation preference of $1,419,700	1,387
Common stock, $.01 par value, 55,000,000 shares authorized, 39,057,103 shares issued and 35,762,729 shares outstanding	390,572
Common stock in treasury, at cost - 394,374 shares	(974,746)
Common stock held in trust, at cost - 2,900,000 shares	(2,349,000)
Additional paid-in capital	21,759,615
Retained earnings	32,834,788
Total stockholders' equity	51,662,616
Total liabilities and stockholders' equity	$ 555,990,084

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Six Months Ended	
	June 30, 2007	June 30, 2006
PREMIUMS EARNED AND OTHER REVENUES:		
Direct premiums written	$ 262,563,270	$ 114,003,676
Ceded premiums written	(185,148,008)	(77,945,774)
Net premiums written	77,415,262	36,057,902
Decrease (increase) in net unearned premiums	5,228,113	(25,079,437)

Premiums earned, net	82,643,375	10,978,465
Net investment income	5,475,079	969,183
Commission revenue	9,773,589	2,715,592
Other revenue	110,233	16,202
Total premiums earned and other revenues	98,002,276	14,679,442
OPERATING COSTS AND EXPENSES		
Losses and loss adjustment expenses	24,866,277	5,974,787
General and administrative expenses	21,304,473	2,041,208
Total operating costs and expenses	46,170,750	8,015,995
INCOME BEFORE INCOME TAXES	51,831,526	6,663,447
Income taxes, current	23,105,624	2,615,933
Income taxes, deferred	(1,202,361)	(1,238,670)
Income taxes, net	21,903,263	1,377,263
NET INCOME	$ 29,928,263	$ 5,286,184
INCOME PER COMMON SHARE:		
Basic	$ 0.84	$ 0.15
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC	35,528,000	34,373,000
INCOME PER COMMON SHARE:		
Diluted	$ 0.73	$ 0.14
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED	41,217,000	36,863,000
CASH DIVIDEND DECLARED PER COMMON SHARE	$ 0.07	$ 0.08

The accompanying notes to condensed consolidated financial statements are an integral pa

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UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Six Months Ended
June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$ 29,928,263
Adjustments to reconcile net income to cash provided by operations:	
Amortization and depreciation	166,318
Loss on disposal of assets	25,627
Issuance of common stock as compensation	793,508
Deferred taxes	(1,202,361)
Tax benefit on exercise of stock options	(1,143,325)
Net change in assets and liabilities relating to operating activities:	
Reinsurance recoverables and other reinsurance receivable	(10,481,569)
Prepaid reinsurance premiums	(46,767,461)
Premiums and other receivables	3,687,011
Allowance for doubful accounts	1,384,390
Deferred acquisition costs, net	2,106,116
Other assets	1,502
Reinsurance payable	(958,956)
Deferred ceding commission, net	1,558,077
Other liabilities	7,458,003
Accounts payable	(1,052,541)
Taxes payable	5,529,959
Other accrued expenses	(1,689,970)
Unpaid losses and loss adjustment expenses	2,566,462
Unearned premiums	41,539,348
Net cash provided by operating activities	33,448,401
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures	(123,287)
Building improvements	(16,290)
Net cash used in investing activities	(139,577)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Preferred stock dividend	(24,975)
Issuance of common stock	835,500
Acquisition of treasury stock	(872,926)
Tax benefit on exercise of stock options	1,143,325
Common stock dividend paid	(1,915,354)
Repayments of loans payable	(9,314,737)
Net cash used in financing activities	(10,149,167)
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,159,657
CASH AND CASH EQUIVALENTS, Beginning of period	232,890,297
CASH AND CASH EQUIVALENTS, End of period	$256,049,954
Non-cash items	
Declared dividends payable	$ 2,446,392

The accompanying notes to condensed consolidated financial statements are an integral part of

UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2007
(Unaudited)

NOTE 1 -- BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements include the accounts of Universal Insurance Holdings, Inc. ("Company"), its wholly owned property and casualty insurance subsidiary, Universal Property & Casualty Insurance Company, and other wholly owned subsidiaries including Atlas Florida Financial Corporation (parent of Atlas Premium Finance Company), Atlas Premium Finance Company, and the Universal Insurance Holdings, Inc. Stock Grantor Trust. All intercompany accounts and transactions have been eliminated in consolidation.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") that differ from statutory accounting practices prescribed or permitted for insurance companies by regulatory authorities. In addition, the accompanying financial statements have been prepared in accordance with the instructions to Form 10-QSB and Regulation S-B. Accordingly, they omit or condense certain footnotes and other information normally included in financial statements prepared in conformity with GAAP and thus should be read in conjunction with the audited consolidated financial statements and notes included in the Company's annual report on Form 10-KSB for the year ended December 31, 2006.

The condensed consolidated balance sheet of the Company as of June 30, 2007, the related condensed consolidated statements of operations for the six-month and three-month periods ended June 30, 2007 and 2006 and condensed consolidated statements of cash flows for the six-month periods ended June 30, 2007 and 2006 are unaudited. There were no items comprising comprehensive income for the six months ended June 30, 2007 and 2006. Accordingly, consolidated statements of comprehensive income are not presented. The significant accounting policies followed for quarterly financial reporting are the same as those disclosed in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2006, except for the adoption of a new accounting pronouncement as noted below.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accompanying financial statements reflect all adjustments (consisting primarily of normal and recurring accruals and adjustments) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented.

Results of operations for the six months ended June 30, 2007 are not necessarily indicative of the results for the year ending December 31, 2007.

SIGNIFICANT ACCOUNTING POLICIES

NEW ACCOUNTING PRONOUNCEMENTS

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes -- an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 prescribes that a company should use a more-likely-than-not recognition threshold based on the technical merits of the tax position taken. Tax positions that meet the more-likely-than-not threshold should be measured in order to determine the tax benefit to be recognized in the financial statements. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company analyzed its tax positions in accordance with this interpretation and determined that it did not result in a reserve for uncertain tax positions as of June 30, 2007. Therefore, no cumulative effect of a change in accounting principle or adjustment to a liability for unrecognized tax benefits was recognized as a result of adoption of FIN 48. As of January 1, 2007, the Company had zero unrecognized tax benefits. Accordingly, the adoption of FIN 48 did not have an effect on the results of operations or financial position of the Company.

In September 2005, the FASB issued SFAS No. 157 which redefines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS No. 157 applies where other accounting pronouncements require or permit fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The effects of adoption will be determined by the types of instruments carried at fair value in the Company's financial statements at the time of adoption as well as the method utilized to determine their fair values prior to adoption. Based on the Company's current use of fair value measurements, SFAS No. 157 is not expected to have a material effect on the results of operations or financial position of the Company.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159") which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 will become effective for the Company on January 1, 2008. The Company is currently evaluating the impact of adopting SFAS 159 on its financial position, cash flows, and results of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES. Management has reassessed the critical accounting policies as disclosed in the Company's 2006 Annual Report to Stockholders on Form 10-KSB and determined that no changes, additions or deletions are needed to the policies as disclosed. Also there were no significant changes in the Company's estimates associated with those policies.

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NOTE 2 -- RESULTS OF OPERATIONS

INSURANCE OPERATIONS

UPCIC commenced its insurance activity in February 1998 by assuming policies from the Florida Residential Property and Casualty Joint Underwriting Association ("JUA"). UPCIC received the unearned premiums of the assumed policies and began servicing such policies. Since then, UPCIC has developed its business by actively soliciting business in the open market through independent agents.

Unearned premiums represent amounts that UPCIC would be required to refund policyholders if their policies were canceled. UPCIC determines unearned premiums by calculating the pro-rata amount that would be due to the policyholders at a given point in time based upon the premiums due for the full policy term. At June 30, 2007, UPCIC had direct unearned premiums totaling $271,885,614 and in-force premiums of approximately $510,000,000.

Premiums earned are included in earnings on a pro-rata basis over the terms of the policies. UPCIC does not have policies that provide for retroactive premium adjustments.

Policy acquisition costs, consisting of commissions and other costs that vary with and are directly related to the production of business, net of ceding commissions, are deferred and amortized over the terms of the policies, but only to the extent that unearned premiums are sufficient to cover all related costs and expenses. Deferred policy acquisition costs are reviewed to determine if they are recoverable from unearned premiums, and if not, are charged to expense. For the six-month periods ended June 30, 2007 and June 30, 2006, respectively, no amounts of deferred policy acquisition costs were charged to expense as a result of the recoverability testing. As of June 30, 2007, deferred ceding commissions exceeded deferred policy acquisition costs and were recorded as a net liability in the amount of $1,558,077.

An allowance for doubtful accounts is established when it becomes evident that collection is doubtful, typically after 90 days past due. As of June 30, 2007, UPCIC had recorded an allowance for doubtful accounts in the amount of $1,993,369.

Loss and loss adjustment expenses ("LAE"), less related reinsurance, are recorded as claims are incurred. The provision for unpaid loss and LAE includes: (1) the accumulation of individual case estimates for loss and LAE reported, but not paid prior to the close of the accounting period; (2) estimates for incurred but unreported claims based on past experience modified for current trends; and (3) estimates of expenses for investigating and adjusting claims based on past experience.

Management continues to take action to strengthen UPCIC's financial condition. On the Company's Homeowner's program ("HO"), premium rate increases averaging 10.1% and 13.2% statewide were approved by the Florida Office of Insurance Regulation ("OIR") and implemented with effective dates in May 2006 and October 2006, respectively. On the Company's Dwelling Fire program ("DP"), premium rate increases averaging 11.2% and 30.6% statewide were also approved by the OIR and implemented with effective dates in May 2006 and September 2006, respectively. Further, a rate decrease averaging 11.1% statewide (HO) and 3.2% statewide (DP) reflecting anticipated reinsurance savings was filed March 15, 2007 and

implemented in UPCIC's rates on June 1, 2007 and is subject to approval by the OIR. UPCIC will make a subsequent rate filing by September 30, 2007, reflecting any changes that took place from the June 1, 2007 filing.

In light of the four windstorm catastrophes Florida experienced in 2004, and three windstorm catastrophes Florida experienced in 2005, there was a significant increase in the cost of catastrophe reinsurance coverage for the June 1, 2006 renewal which the Company had anticipated and factored into its policy pricing. Effective May 1, 2004 the Company brought in house the system it utilizes for policy issuance and administration. This has enhanced UPCIC's operating results through its ability to improve and better control underwriting and loss adjusting activities. In addition, UPCIC changed the geographic and coverage mix of the property insurance it writes, which is a key determinant in the amount and pricing of reinsurance procured by UPCIC. Management believes the implementation of, and results attributable to, the actions described above will continue to enhance UPCIC's surplus. However, there can be no assurance of the ultimate success of these plans, or that the Company will be able to maintain profitability.

NOTE 3 -- REINSURANCE

In the normal course of business, UPCIC seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsurance contracts. Reinsurance premiums, losses and loss adjustment expenses are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Reinsurance ceding commissions received are deferred and netted against policy acquisition costs and amortized over the effective period of the related insurance policies.

UPCIC limits the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring (ceding) certain levels of risks with other insurers or reinsurers, either on an automatic basis under general reinsurance contracts known as "treaties" or by negotiation on substantial individual risks. The reinsurance arrangements are intended to provide UPCIC with the ability to maintain its exposure to loss within its capital resources. Such reinsurance includes quota share, excess of loss and catastrophe forms of reinsurance. While ceding premiums to reinsurers reduces UPCIC's risk of exposure in the event of catastrophic losses, it also reduces UPCIC's potential for greater profits should such catastrophic events fail to occur. The Company submits the UPCIC reinsurance program for regulatory review to the OIR.

In light of the four windstorm catastrophes Florida experienced in 2004, and three windstorm catastrophes Florida experienced in 2005, there was a significant increase in catastrophe reinsurance cost for the June 1, 2006 renewal which the Company had planned and factored into its policy pricing. Effective June 1, 2006, UPCIC reduced the rate of cession on its quota share reinsurance. Quota share reinsurance is used primarily to increase UPCIC's underwriting capacity and to reduce exposure to losses. Quota share reinsurance refers to a form of reinsurance under which the reinsurer participates in a specified percentage of the premiums and losses on all reinsured policies in a given class of business. As a result of this reduction of UPCIC's quota share reinsurance from 80% to 50%, UPCIC has retained and earned more premiums UPCIC

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writes, but has also retained more related losses. UPCIC's increased exposure to potential losses could have a material adverse effect on the business, financial condition and results of operations of UPCIC and the Company. During 2006 and the six months ended June 30, 2007, UPCIC did not experience any catastrophic events.

Effective June 1, 2007, UPCIC entered into a quota share reinsurance treaty and excess per risk agreements with various reinsurers. Under the quota share treaty, through May 31, 2008, UPCIC cedes 50% of its gross written premiums, losses and LAE for policies with coverage for wind risk with a ceding commission payable to UPCIC equal to 31% of ceded gross written premiums. In addition, the quota share treaty has a limitation for any one occurrence of 40% of gross premiums earned, not to exceed $100,000,000 (of which UPCIC's net liability in a first event scenario is $45,000,000, in a second event scenario is $9,300,000 and in a third event scenario is $9,300,000) and a limitation from losses arising out of events that are assigned a catastrophe serial number by the Property Claims Services ("PCS") office of 112% of Gross Premiums Earned, not to exceed $280,000,000. Effective June 1, 2007 through May 31, 2008, UPCIC entered into a multiple line excess per risk agreement with various reinsurers. Under the multiple line excess per risk agreement, UPCIC obtained coverage of

$1,300,000 in excess of $500,000 ultimate net loss for each risk and each property loss, and $1,000,000 in excess of $300,000 for each casualty loss. A $5,200,000 aggregate limit applies to the term of the contract. Effective June 1, 2007 through May 31, 2008, UPCIC entered into a property per risk excess agreement covering ex-wind only policies. Under the property per risk excess agreement, UPCIC obtained coverage of $300,000 in excess of $200,000 for each property loss. A $2,100,000 aggregate limit applies to the term of the contract.

Effective June 1, 2007 through May 31, 2008, under an excess catastrophe contract, UPCIC obtained catastrophe coverage of $576,000,000 in excess of $100,000,000 covering certain loss occurrences including hurricanes. The contract contains a provision for one reinstatement in the event coverage is exhausted; additional premium is calculated pro rata as to amount and 100% as to time. Effective June 1, 2007 through May 31, 2008, UPCIC purchased a reinstatement premium protection contract which reimburses UPCIC for its cost to reinstate the catastrophe coverage of the first $426,000,000 in excess of $100,000,000. Effective June 1, 2007, UPCIC also obtained subsequent catastrophe event excess of loss reinsurance to cover certain levels of UPCIC's net retention through three catastrophe events including hurricanes. UPCIC also obtained coverage from the Florida Hurricane Catastrophe Fund ("FHCF"). The approximate coverage is estimated to be for 90% of $1,071,600,000 in excess of $209,900,000. Also at June 1, 2007, the FHCF made available, and UPCIC obtained, $10,000,000 of additional catastrophe excess of loss coverage with one free reinstatement of coverage to carriers qualified as Limited Apportionment Companies or companies that participated in the Insurance Capital Build-Up Incentive Program, such as UPCIC. This particular layer of coverage is $10,000,000 in excess of $18,600,000. UPCIC also purchased Florida Hurricane Catastrophe Fund Recovery Shortfall Reinsurance in the event FHCF cannot fulfill its payment obligations for the 2007-2008 Hurricane Season.

The total cost of UPCIC's underlying catastrophe private reinsurance program effective June 1, 2007 through May 31, 2008 is $113,178,000 of which UPCIC's cost is 50%, or $56,589,000, and the quota share reinsurers' cost is the remaining 50%. In addition, UPCIC purchases reinsurance premium protection as described above which amounts to $14,213,402 of cost. The cost of subsequent

event catastrophe reinsurance is $11,184,125. The estimated premium UPCIC plans to cede to the FHCF for the 2007 hurricane season is $43,100,000 of which UPCIC's cost is 50%, or $21,550,000, and the quota share reinsurers' cost is the remaining 50%. UPCIC is also participating in the additional coverage option for Limited Apportionment Companies or companies that participated in the Insurance Capital Build-Up Incentive Program offered by the FHCF, the premium for which is $5,000,000 of which UPCIC's cost is 50%, or $2,500,000, and the quota share reinsurers' cost is the remaining 50%. The total cost of UPCIC's Florida Hurricane Catastrophe Fund Recovery Shortfall Reinsurance is $7,715,520, of which UPCIC's cost is 50%, or $3,857,760.

Effective June 1, 2007, the Company obtained $30,000,000 of coverage via a catastrophe risk-linked transaction product in the event UPCIC's catastrophe coverage and FHCF coverage are exhausted. The total cost of the Company's risk-linked transaction product is $3,525,000.

UPCIC is responsible for losses related to catastrophic events with incurred losses in excess of coverage provided by UPCIC's reinsurance program which could have a material adverse effect on the UPCIC's and the Company's business, financial condition and results of operations.

The reinsurance arrangements had the following effect on certain items in the accompanying consolidated financial statements:

	Six Months Ended June 30, 2007			Six Ju	
	Premiums Written	Premiums Earned	Loss and Loss Adjustment Expenses	Premiums Written	
Direct	262,563,270	221,023,922	48,700,037	$114,003,676	$
Ceded	(185,148,008)	(138,380,547)	(23,833,760)	(77,945,774)	(
Net	77,415,262	82,643,375	24,866,277	$ 36,057,902	$

	Three Months Ended June 30, 2007			Three Jun	
	Premiums Written	Premiums Earned	Loss and Loss Adjustment Expenses	Premiums Written	
Direct	131,573,917	120,510,374	25,333,276	$ 77,159,159	$
Ceded	(91,071,965)	(77,305,262)	(12,835,733)	(45,963,214)	(
Net	40,501,952	43,205,112	12,497,543	$31,195,945	

OTHER AMOUNTS:

	June 30,
Reinsurance recoverable on paid and unpaid losses and loss adjustment expenses	40,869
Other reinsurance receivable	45,167
Reinsurance recoverables and other reinsurance receivable	$86,036

UPCIC's reinsurance contracts do not relieve UPCIC from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to UPCIC; consequently, allowances are established for amounts deemed uncollectible. No allowance is deemed necessary at June 30, 2007. UPCIC evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. UPCIC currently has reinsurance contracts with various reinsurers located throughout the United States and internationally. UPCIC believes that ceding risks to reinsurers whom it considers to be financially sound combined with the distribution of reinsurance contracts to an array of reinsurers adequately minimizes UPCIC's risk from any potential operating difficulties of its reinsurers.

UPCIC may also be subject to assessments by Citizens Property Insurance Corporation ("Citizens"), the state-run insurer of last resort and the FHCF as a result of operating deficiencies related to windstorm catastrophes. In addition, the Company is subject to assessments by the Florida Insurance Guaranty Association ("FIGA"). FIGA services pending claims by or against Florida policyholders of member insurance companies which become insolvent and are ordered liquidated. FIGA's membership is composed of all Florida licensed direct writers of property or casualty insurance. Under current regulations, insurers may recoup the amount of their assessments from policyholders, or in some cases collect the amount of the assessments from policyholders as surcharges for the benefit of the assessing entity.

On June 12, 2006, the OIR ordered an emergency FHCF assessment of 1% of direct premiums written for policies with effective dates beginning January 1, 2007, which UPCIC is currently collecting from policyholders, as the assessment is to policyholders, not UPCIC. This assessment was a result of catastrophe losses Florida experienced in 2004 and 2005. The assessments collected from policyholders are remitted to FHCF quarterly.

On September 14, 2006, the Board of Governors of Citizens authorized the levying of a regular assessment on assessable insurers to recoup the 2005 Plan Year Deficit incurred in the High Risk Account. The assessment is based upon UPCIC's share of direct written premium for the subject lines of business in the State of Florida for the calendar year preceding the plan year in which the deficit occurred. UPCIC's participation in this assessment totaled $263,650. Pursuant to Florida statutes, insurers are permitted to recoup the assessment by adding a surcharge to policies in an amount not to exceed the amount paid by the insurer to Citizens. As a result, UPCIC recorded this assessment as an expense during the year ended December 31, 2006 and is implementing the recoupment in connection with this assessment in 2007.

During its meeting on December 14, 2006, the Board of Directors of FIGA determined the need for an emergency assessment upon its member companies. The Board decided on an emergency assessment on member companies of 2% of the Florida net direct premiums for the calendar year 2005. Based on the 2005 net direct premiums of $11.2 billion, this would generate approximately $225 million. UPCIC's participation in this assessment totaled $1,772,861. Pursuant to Florida statutes, insurers are permitted to recoup the assessment by adding a surcharge to policies in an amount not to exceed the amount paid by the insurer to FIGA. As a result, UPCIC recorded this assessment as an expense during the year ended December 31, 2006 and is implementing the recoupment in connection with this assessment in 2007.

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NOTE 4 -- EARNINGS PER SHARE

Earnings per share ("EPS") amounts are calculated in accordance with SFAS No. 128, EARNINGS PER SHARE. Basic EPS is based on the weighted average number of shares outstanding for the period, excluding any dilutive common share equivalents. Diluted EPS reflects the potential dilution that could occur if securities to issue common stock were exercised.

A reconciliation of shares used in calculating basic and diluted EPS for the six-month periods ended June 30, 2007 and June 30, 2006, respectively, follows:

	Six Months Ended
June 30, 2007	

Number of shares used in calculating basic EPS	35,528,000
Effect of assumed conversion of common stock equivalents	5,689,000
Number of shares used in calculating diluted EPS	41,217,000

	Three Months Ended
	June 30, 2007
Number of shares used in calculating basic EPS	35,577,000
Effect of assumed conversion of common stock equivalents	5,274,000
Number of shares used in calculating diluted EPS	40,851,000

NOTE 5 -- STOCK-BASED COMPENSATION PLANS AND WARRANTS

Effective January, 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123 (R), "Share-Based Payments," and began recognizing compensation expense in its Consolidated Statements of Operations for its stock option grants based on the fair value of the awards. Prior to January 1, 2006 the Company elected to apply Accounting Principles Board ("APB") No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES, and related interpretations in accounting for its stock options granted to employees and directors, and SFAS No. 123 ACCOUNTING FOR STOCK-BASED COMPENSATION, for its stock options granted to non-employees. Under APB No. 25, because the exercise price of the Company's employee and director stock options equal the market price of underlying stock on the date of the grant, no compensation expense was recognized. The Company expensed the fair value (determined as of the grant date) of options and warrants granted to non-employees in accordance with SFAS No. 123. SFAS 123 (R) was adopted using the modified prospective transition method. Under this transition method, compensation cost recognized in the periods after adoption includes (i) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006 based on the grant-date fair value estimated in accordance with the original provision of SFAS 123, and (ii) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123 (R). Results from prior periods have not been restated. As a result of adopting SFAS 123 (R), the Company's income before income taxes and net income for the six months ended June 30, 2007 are $679,911 and $407,945

lower, respectively, and for the three months ended June 30, 2007 are $22,089 and $13,253 lower, than if it had continued to account for share-based compensation under APB 25. In addition, during the six months ended June 30, 2007, the Company issued common stock valued at $925,000 as compensation. This expense is being recognized over a three-year vesting period which commenced March 14, 2007.

At June 30, 2007, there were options outstanding to purchase 5,530,000 shares of common stock with an intrinsic value of $28,020,000, a weighted average remaining contract term of 3.34 years and a weighted exercise price of $1.13. Of the total options outstanding, options to purchase 3,780,000 shares of common stock are currently exerciseable with an intrinsic value of $19,025,000, a weighted average remaining contract term of 3.71 years, and a weighted exercise price of $1.16. Options to purchase 435,000 shares of common stock were granted during the six months ended June 30, 2007 at a weighted average exercise price of $3.70. There were 750,000 options exercised during the six months ended June

30, 2007. On July 12, 2007, the Company granted options to purchase an aggregate of 1,575,000 shares of common stock to the Company's directors and executive officers. All of the options granted on July 12, 2007 vest on July 12, 2008, have an exercise price of $6.50 per share, and expire on July 12, 2012. The options granted to Bradley I. Meier, the Company's President and Chief Executive Officer, and to Sean P. Downes, the Company's Chief Operating Officer and Senior Vice President, shall only be exercisable on such date or dates as the fair market value (as defined in their respective option agreements) of the Company's common stock is and has been at least one hundred fifty percent (150%) of the exercise price for the previous twenty (20) consecutive trading days.

At June 30, 2007, there were warrants outstanding and currently exercisable to purchase 850,000 shares of common stock with an intrinsic value of $4,659,500, a weighted average remaining contract term of 2.99 years and a weighted average exercise price of $0.72. There were no warrants exercised during the six months ended June 30, 2007.

The Company estimated the fair value of all stock options awards as of the grant date by applying the Black-Scholes-Merton option pricing model. The use of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense and include the expected life of the option, stock price volatility, risk-free interest rate, dividend yield, exercise price, and forfeiture rate. Under SFAS 123(R), forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. The forfeiture rate is adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimate. Under SFAS 123 and APB 25, the Company elected to account for forfeitures when awards were actually forfeited and reflect the forfeitures as a cumulative adjustment to the pro forma expense.

The fair value of options granted in 2007 was estimated assuming the following: weighted average expected life of 2.5 years, dividend yield of 4.0 percent, risk-free interest rate of 4.76 percent, and expected volatility of 65.4 percent. In accordance with SFAS 123(R), fair values of options granted prior to adoption and determined for purposes of disclosure under SFAS 123 have not been changed. The fair values of options granted prior to adoption of SFAS 123(R) was estimated assuming the following: weighted average expected life of five years, dividend yield of 0.0 percent, risk-free interest rate of 6.5 percent, and expected volatility of 154.5 percent and 126.3 percent for grants issued in 2004 and 2002, respectively.

NOTE 6 -- RELATED PARTY TRANSACTIONS

All underwriting, rating, policy issuance, reinsurance negotiations and administration functions for UPCIC are performed by UPCIC, Universal Risk Advisors, Inc., a wholly owned subsidiary of the Company, and unaffiliated third parties. Claims adjusting functions are performed by Universal Adjusting Corporation, a wholly owned subsidiary of the Company, and affiliated and unaffiliated third parties.

Downes and Associates, a multi-line insurance adjustment corporation based in Deerfield Beach, Florida performs certain claims adjusting work for UPCIC. Downes and Associates is owned by Dennis Downes, who is the father of Sean P. Downes, Chief Operating Officer and Senior Vice President of UPCIC. During the six months ended June 30, 2007 and 2006, the Company expensed claims adjusting fees of $540,000 and $496,000, respectively, to Downes and Associates.

In September 2006, the Company initiated the process of acquiring all of the outstanding common stock of Atlas Florida Financial Corporation, which owned all of the outstanding common stock of Sterling Premium Finance Company, Inc. ("Sterling"), from the Company's Chief Executive Officer and Chief Operating Officer for $50,000, which approximated Sterling's book value. The Company intends to seek approval of the acquisition from the OIR during the third quarter of 2007. Sterling has been renamed Atlas Premium Finance Company.

NOTE 7 -- STOCK ISSUANCES

On March 14, 2007, the Company issued 250,000 shares of restricted common stock at a price of $3.70 per share to an employee in consideration for services rendered pursuant to the terms of an employee agreement. The shares will vest over a three year period. On May 1, 2007, the Company issued 22,143 shares of restricted common stock at a price of $1.87 per share, on a "cashless" basis, to James M. Lynch, CFO of the Company, pursuant to Mr. Lynch's exercise of stock options. Also on May 1, 2007, the Company issued 387,234 shares of restricted common stock at a price of $1.06 per share, on a "cashless" basis, to Norman M. Meier, a director of the Company, pursuant to Mr. Meier's exercise of stock options. Also on May 1, 2007, the Company issued 77,447 shares of restricted common stock at a price of $1.06 per share, on a "cashless" basis, to Joel Wilentz, a director of the Company, pursuant to Mr. Wilentz's exercise of stock options. Also on May 1, 2007, the Company issued 77,447 shares of restricted common stock at a price of $1.06 per share, on a "cashless" basis, to Reed Slogoff, a director of the Company, pursuant to Mr. Slogoff's exercise of stock options. Unless otherwise specified, such as in the case of the exercise of stock options or warrants, the per share prices were determined using the closing price of the Company's common stock as quoted on the OTC Bulletin Board or the AMEX and the shares were issued in private transactions pursuant to Section 4(2) of the Securities Act of 1933, as amended.

NOTE 8 -- PROVISION FOR INCOME TAX EXPENSE

A provision for income tax expense of $21,903,263 was recorded for the six months ended June 30, 2007 as a result of current profitable operations. A provision for income tax expense of $1,377,263 was recorded for the six months ended June 30, 2006 due to operating loss carry-forwards that existed at that time.

NOTE 9 -- SUBSEQUENT EVENTS

On July 12, 2007, the Company's Board of Directors declared a dividend of $.08 per share on its Common Stock. The dividend is payable on October 22, 2007 to stockholders of record as of September 27, 2007.

On July 12, 2007, the Company granted options to purchase an aggregate of 1,575,000 shares of common stock to the Company's directors and executive officers. All of the options granted on July 12, 2007 vest on July 12, 2008, have an exercise price of $6.50 per share, and expire on July 12, 2012. The options granted to Bradley I. Meier, the Company's President and Chief Executive Officer, and to Sean P. Downes, the Company's Chief Operating Officer and Senior Vice President, shall only be exercisable on such date or dates as the fair market value (as defined in their respective option agreements) of the Company's common stock is and has been at least one hundred fifty percent (150%) of the exercise price for the previous twenty (20) consecutive trading days.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis by management of the Company's consolidated financial condition and results of operations should be read in conjunction with the Company's Condensed Consolidated Financial Statements and Notes thereto.

FORWARD-LOOKING STATEMENTS

Certain statements made by the Company's management may be considered to be "forward-looking statements" within the meaning of the Private Securities Reform Litigation Act of 1995. Forward-looking statements are based on various factors and assumptions that include known and unknown risks and uncertainties. The words "believe," "expect," "anticipate," and "project," and similar expressions, identify forward-looking statements, which speak only as of the date the statement was made. Such statements may include, but not be limited to, projections of revenues, income or loss, expenses, plans, as well as assumptions relating to the foregoing. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Future results could differ materially from those described in forward-looking statements as a result of the risks set forth in the following discussion and in the section below entitled "Factors Affecting Operation Results and Market Price of Stock," among others.

OVERVIEW

The Company is a vertically integrated insurance holding company. The Company, through its subsidiaries, is currently engaged in insurance underwriting, distribution and claims. UPCIC generates revenue from the collection and investment of premiums. The Company's agency operations, which include Universal Florida Insurance Agency and Coastal Homeowners Insurance Specialists, Inc., generate income from commissions. Universal Risk Advisors, Inc., the Company's managing general agent, generates revenue through policy fee income and other administrative fees from the marketing of UPCIC's and third-party insurance products through the Company's distribution network and UPCIC. Universal Risk

Life Advisors, Inc. was formed to be the Company's managing general agent for life insurance products. In addition, the Company has formed an independent claims adjusting company, Universal Adjusting Corporation, which adjusts UPCIC claims, and an inspection company, Universal Inspection Corporation, which performs property inspections for homeowners' policies underwritten by UPCIC.

UPCIC is in the process of preparing Certificate of Authority (COA) applications to write homeowners insurance policies in five additional states. Those states are Texas, Hawaii, Georgia, South Carolina and North Carolina. UPCIC has notified the Florida OIR that it intends to file COA applications in the additional states.

FINANCIAL CONDITION

Cash and cash equivalents at June 30, 2007 aggregated $256,049,954. The source of liquidity for possible claims payments consists of the collection of net premiums after deductions for expenses, reinsurance recoverables and short-term loans.

The Company believes that premiums will be sufficient to meet the Company's working capital requirements for at least the next twelve months. The Company's policy is to invest amounts considered to be in excess of current working capital requirements. At June 30, 2007, the Company's investments were comprised of $218,485,216 in cash and overnight repurchase agreements, $37,564,738 in a money market account, and $3,211,986 in real estate consisting of a building purchased by UPCIC that the Company is currently using as its home office.

Policies originally assumed from the Florida Residential Property and Casualty Joint Underwriting Association ("JUA") provided the opportunity for UPCIC to solicit future renewal premiums. UPCIC does not expect to assume additional policies from the JUA. As of June 30, 2007, UPCIC was servicing approximately 341,000 homeowners' and dwelling fire insurance policies and in-force premiums of approximately $510,000,000.

RESULTS OF OPERATIONS - SIX MONTHS ENDED JUNE 30, 2007 COMPARED TO SIX MONTHS ENDED JUNE 30, 2006

Gross premiums written increased 130.3% to $262,563,270 for the six-month period ended June 30, 2007 from $114,003,676 for the six-month period ended June 30, 2006. The increase in gross premiums written is primarily attributable to an increase in new business as well as premium rate increases. The increase in new business is attributable to improving relationships with existing agents, an increase in new agents due to increased marketing efforts to agents, a new web-based policy administration platform and the disruption in the marketplace as a result of the windstorm catastrophes in 2004 and 2005.

Net premiums earned increased 652.8% to $82,643,375 for the six-month period ended June 30, 2007 from $10,978,465 for the six-month period ended June 30, 2006. The increase is due to an increase in new business, premium rate increases and changes in the reinsurance program as described in Note 3 - Reinsurance.

Investment income increased 464.9% to $5,475,079 for the six-month period ended June 30, 2007 from $969,183 for the six-month period ended June 30, 2006. The increase is primarily due to higher investment balances and a higher interest rate environment during the six-month period ended June 30, 2007.

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Commission revenue increased 259.9% to $9,773,589 for six-month period ended June 30, 2007 from $2,715,592 for the six-month period ended June 30, 2006. Commission revenue is comprised principally of the managing general agent's policy fee income and service fee income on all new and renewal insurance policies, reinsurance commission sharing agreements, and commissions generated from agency operations. The increase is primarily attributable to an increase in managing general agent's policy fee income and a greater amount of reinsurance commission sharing.

Other revenue increased to $110,233 for the six-month period ended June 30, 2007 from $16,202 for the six-month period ended June 30, 2006.

Net losses and LAE incurred increased 316.2% to $24,866,277 for the six-month period ended June 30, 2007 from $5,974,787 for the six-month period ended June 30, 2006. Losses and LAE incurred increased as a result of increased premium volume and changes in UPCIC's reinsurance program. The Company's net loss ratio for the six-month period ended June 30, 2007 was 30.1% compared to 54.4% for the six-month period ended June 30, 2006. Losses and LAE are influenced by loss severity and frequency. Losses and LAE, the Company's most significant expenses, represent actual payments made net of reinsurance and changes in estimated future net payments to be made to or on behalf of its policyholders, including expenses required to settle claims and losses.

Catastrophes are an inherent risk of the property-liability insurance business which may contribute to material year-to-year fluctuations in UPCIC's and the Company's results of operations and financial position. During 2006 and the six months ended June 30, 2007, UPCIC did not experience any catastrophic events.

The level of catastrophe loss experienced in any year cannot be predicted and could be material to the results of operations and financial position. While management believes UPCIC's and the Company's catastrophe management strategies will reduce the severity of future losses, UPCIC and the Company continue to be exposed to catastrophic losses.

General and administrative expenses increased 943.7% to $21,304,473 for the six-month period ended June 30, 2007 from $2,041,208 for the six-month period ended June 30, 2006. The increase in general and administrative expenses was due to several factors. Commission expense increased by approximately $19,400,000 due to the increase in direct written premium. The increase in commission expense was offset by an increase in ceding commissions of approximately $22,000,000 due to an increase in ceded written premium and a higher commission rate. Ceded written premium increased due to the increase in direct written premium as well as changes in UPCIC's reinsurance program. Compensation expense increased nearly $6,400,000 as the Company hired additional staff and increased incentive compensation in order to retain existing staff to support the substantial growth of the Company. Inspection expense increased approximately $500,000 due to the increase in the number of policies underwritten. General and administrative expenses increased approximately $3,400,000 due to the purchase of a catastrophe risk-linked transaction product that protects the Company from catastrophic losses. There was an increase in expenses in the approximate amount of $5,600,000 for the change in deferred policy acquisition costs, net of deferred ceding commissions, which relates to an increase in direct and ceded unearned premiums as well as changes in UPCIC's reinsurance program. Premium taxes increased nearly $2,200,000 as a result of the increase in direct written

premium. Expenses related to assessments decreased approximately $1,800,000 as there were no assessments incurred by UPCIC during the first six months of 2007. As UPCIC's balance of premiums receivable increased as a result of the increase in production, the Company recorded an additional allowance for doubtful accounts in the approximate amount of $1,400,000. Interest expense increased approximately $1,100,000 due to outstanding debt balances on the Florida State Board of Administration surplus note and Benfield Greig (Holdings), Inc. secured promissory note described in the "Liquidity and Capital Resources" section below. Other general and administrative expenses increased approximately $3,100,000 primarily due to increases in premium volume.

RESULTS OF OPERATIONS - THREE MONTHS ENDED JUNE 30, 2007 COMPARED TO THREE MONTHS ENDED JUNE 30, 2006

Gross premiums written increased 70.5% to $131,573,917 for the three-month period ended June 30, 2007 from $77,159,159 for the three-month period ended June 30, 2006. The increase in gross premiums written is primarily attributable to an increase in new business as well as premium rate increases. The increase in new business is attributable to improving relationships with existing agents, an increase in new agents due to increased marketing efforts to agents, a new web-based policy administration platform and the disruption in the marketplace as a result of the windstorm catastrophes in 2004 and 2005.

Net premiums earned increased 545.5% to $43,205,112 for the three-month period ended June 30, 2007 from $6,692,879 for the three-month period ended June 30, 2006. The increase is due to an increase in new business, premium rate increases and changes in the reinsurance program as described in Note 3 - Reinsurance.

Investment income increased 369.7% to $2,748,858 for the three-month period ended June 30, 2007 from $585,216 for the three-month period ended June 30, 2006. The increase is primarily due to higher investment balances and a higher interest rate environment during the three-month period ended June 30, 2007.

Commission revenue increased 321.1% to $7,420,733 for three-month period ended June 30, 2007 from $1,762,219 for the three-month period ended June 30, 2006. Commission revenue is comprised principally of the managing general agent's policy fee income and service fee income on all new and renewal insurance policies, reinsurance commission sharing agreements, and commissions generated from agency operations. The increase is primarily attributable to greater reinsurance commission sharing and to an increase in managing general agent's policy fee income.

Other revenue increased to $58,531 for the three-month period ended June 30, 2007 from $9,853 for the three-month period ended June 30, 2006.

Net losses and LAE incurred increased 171.9% to $12,497,543 for the three-month period ended June 30, 2007 from $4,597,154 for the three-month period ended June 30, 2006. Losses and LAE incurred increased as a result of increased premium volume and changes in UPCIC's reinsurance program. The Company's net loss ratio for the three-month period ended June 30, 2007 was 28.9% compared to 68.7% for the three-month period ended June 30, 2006. Losses and LAE are influenced by

loss severity and frequency. Losses and LAE, the Company's most significant expenses, represent actual payments made net of reinsurance and changes in estimated future net payments to be made to or on behalf of its policyholders, including expenses required to settle claims and losses.

Catastrophes are an inherent risk of the property-liability insurance business which may contribute to material year-to-year fluctuations in UPCIC's and the Company's results of operations and financial position. During the three-month periods ended June 30, 2007 and June 30, 2006, respectively, UPCIC did not experience any catastrophic events. The level of catastrophe loss experienced in any year cannot be predicted and could be material to the results of operations and financial position. While management believes UPCIC's and the Company's catastrophe management strategies will reduce the severity of future losses, UPCIC and the Company continue to be exposed to catastrophic losses.

General and administrative expenses increased 337.7% to $11,292,398 for the three-month period ended June 30, 2007 from $2,579,902 for the three-month period ended June 30, 2006. The increase in general and administrative expenses was due to several factors. Commission expense increased by approximately $7,800,000 due to the increase in direct written premium. The increase in commission expense was offset by an increase in ceding commissions of approximately $13,200,000 due to an increase in ceded written premium and a higher commission rate. Ceded written premium increased due to the increase in direct written premium as well as changes in UPCIC's reinsurance program. Compensation expense increased nearly $2,700,000 as the Company hired additional staff and increased incentive compensation in order to retain existing staff to support the substantial growth of the Company. General and administrative expenses also increased approximately $3,600,000 due to the purchase of a catastrophe risk-linked transaction product that protects the Company from catastrophic losses. There was an increase in expenses in the approximate amount of $5,900,000 for the change in deferred policy acquisition costs, net of deferred ceding commissions, which relates to an increase in direct and ceded unearned premiums as well as changes in UPCIC's reinsurance program. Premium taxes increased nearly $1,100,000 as a result of the increase in direct written premium. Expenses related to assessments decreased approximately $1,800,000 as there were no assessments incurred by UPCIC during the second quarter of 2007. As the UPCIC's balance of premiums receivable increased as a result of the increase in production, the Company recorded an additional allowance for doubtful accounts in the approximate amount of $400,000. Interest expense increased approximately $500,000 due to outstanding debt balances on the Florida State Board of Administration surplus note and Benfield Greig (Holdings), Inc. secured promissory note described in the "Liquidity and Capital Resources" section below. Other general and administrative expenses increased approximately $1,700,000 primarily due to increases in premium volume

LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW

The Company's primary sources of cash flow are the receipt of premiums, commissions, policy fees, investment income, reinsurance recoverables and short-term loans.

For the six-month period ended June 30, 2007, cash flows provided by operating activities were $33,448,401. Cash flows from operating activities are expected to be positive in both the short-term and reasonably foreseeable future. In addition, the Company's investment portfolio is highly liquid as it consists entirely of cash, overnight repurchase agreements and a money market account.

The Company believes that its current capital resources are sufficient to support current operations and expected growth for at least twelve months.

COMPANY BORROWINGS

In June 2005, the Company borrowed monies from two private investors and issued two promissory notes for the aggregate principal sum of $1,000,000 payable in 10 monthly installments of $100,000. Payment on one note commenced in July 31, 2006 and commenced on the other note on November 30, 2006. As of March 28, 2007, these loans were fully paid. The loan proceeds were subsequently contributed to UPCIC as additional paid-in-capital. In conjunction with the notes, the Company granted a warrant to one of the investors to purchase 200,000 shares of restricted common stock at an exercised price of $.05 per share, expiring in June 2010. These transactions were approved by the Company's Board of Directors.

In order to improve the Company's financial position and achieve profitable operations, management has implemented rate increases for new and renewal business, has restructured the homeowners' coverage offered, has restructured its catastrophic reinsurance coverage to reduce cost, and has worked to control general and administrative expenses. However, there can be no assurance of the ultimate success of these plans, or that the Company will be able to maintain profitability.

On November 9, 2006, UPCIC entered into a $25.0 million surplus note with the Florida State Board of Administration under Florida's Insurance Capital Build-Up Incentive Program. Under the program, which was implemented by the Florida legislature to encourage insurance companies to write additional residential insurance coverage in Florida, the State Board of Administration matched UPCIC's funds of $25.0 million that were earmarked for participation in the program. The surplus note brings the current capital and surplus of UPCIC to approximately $82.5 million. The $25.0 million is invested in a treasury money market account.

The surplus note has a twenty-year term and accrues interest at a rate equivalent to the 10-year U.S. Treasury Bond Rate, adjusted quarterly based on the 10-year Constant Maturity Treasury rate. For the first three years of the term of the surplus note, UPCIC is required to pay interest only, although principal payments can be made during this period. Any payment of principal or interest by UPCIC on the surplus note must be approved by the Commissioner of Florida's OIR.

An event of default will occur under the surplus note if UPCIC: (i) defaults in the payment of the surplus note; (ii) fails to meet at least a 2:1 ratio of net premium to surplus ("Minimum Writing Ratio") requirement by June 1, 2007; (iii) fails to submit quarterly filings to the OIR; (iv) fails to maintain at least $50 million of surplus during the term of the surplus note, except for certain situations; (v) misuses proceeds of the surplus note; (vi) makes any misrepresentations in the application for the program; or (vii) pays any dividend when principal or interest payments are past due under the surplus

note. As of June 30, 2007, the Company is in compliance with each of the aforementioned loan covenants except for the Minimum Writing Ratio.

If UPCIC fails to increase its writing ratio for two consecutive quarters prior to June 1, 2007, fails to obtain the 2:1 Minimum Writing Ratio by June 1, 2007, or drops below the 2:1 Minimum Writing Ratio once it is obtained for two consecutive quarters, the interest rate on the surplus note will increase during such deficiency by 25 basis points if the resulting writing ratio is between 1.5:1 and 2:1 and the interest rate will increase by 450 basis points if the writing ratio is below 1.5:1. If the writing ratio remains below 1.5:1 for three consecutive quarters after June 1, 2007, UPCIC must repay a portion of the surplus note so that the Minimum Writing Ratio will be obtained for the following quarter.

To meet its matching obligation under the Insurance Capital Build-Up Incentive Program, on November 3, 2006, the Company entered into a Secured Promissory Note with Benfield Greig (Holdings), Inc. in the aggregate principal amount of $12 million. Interest on the note accrues at the rate of 12.75% per annum. The outstanding principal is due in six monthly installments of $1.5 million and a final seventh monthly installment of the remaining balance plus all accrued interest under the terms of the note starting on January 31, 2007 and ending on July 31, 2007. In connection with the loan, the Company and its subsidiaries appointed Benfield Inc. as their reinsurance intermediary for all of their reinsurance placements for the contract year beginning on June 1, 2007. As of June 30, 2007, the Company had made the first six payments in accordance with the Note. Final payment was made on July 18, 2007.

There can be no assurance that the above described transactions will be sufficient to ensure UPCIC's future compliance with Florida insurance regulations, or that the Company will be able to maintain profitability. Failure by UPCIC to maintain the required level of statutory capital and surplus could result in the suspension of UPCIC's authority to write new or renewal business, other regulatory actions or ultimately, in the revocation of UPCIC's certificate of authority by the OIR.

AVAILABLE CASH

The balance of cash and cash equivalents at June 30, 2007 is $256,049,954, most of which is available to pay claims. A portion of those paid losses would be recoverable through the Company's catastrophic reinsurance upon presentation to the reinsurer of evidence of claim payment.

Accounting principles generally accepted in the United States of America differ in some respects from reporting practices prescribed or permitted by the OIR. To retain its certificate of authority, the Florida insurance laws and regulations require that UPCIC maintain capital and surplus equal to the statutory minimum capital and surplus requirement defined in the Florida Insurance Code as the greater of 10% of the insurer's total liabilities or $4,000,000. UPCIC's statutory capital and surplus was $82,678,719 at June 30, 2007 and exceeded the minimum capital and surplus requirements. UPCIC is also required to adhere to prescribed premium-to-capital surplus ratios.

The maximum amount of dividends which can be paid by Florida insurance companies without prior approval of the OIR Commissioner is subject to restrictions relating to statutory surplus. The maximum dividend that may be paid by UPCIC

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without prior approval is limited to the lesser of statutory net income from operations of the preceding calendar year or 10.0% of statutory unassigned surplus as of the preceding year end. Statutory unassigned surplus (deficit) at December 31, 2006 was $(1,088,159).

The Company is required to comply with the National Association of Insurance Commissioners' ("NAIC") Risk-Based Capital ("RBC") requirements. RBC requirements prescribe a method of measuring the amount of capital appropriate for an insurance company to support its overall business operations in light of its size and risk profile. NAIC's RBC requirements are used by regulators to determine appropriate regulatory actions relating to insurers who show signs of weak or deteriorating condition. As of December 31, 2006, based on calculations using the appropriate NAIC RBC formula, the Company's reported total adjusted capital was in excess of the requirements.

CASH DIVIDENDS

On March 15, 2007, the Company declared a dividend of $.07 per share on its outstanding common stock to be paid on August 10, 2007 to the shareholders of record of the Company at the close of business on July 20, 2007. The dividend payable as of June 30, 2007 in the amount of $2,446,392 was subsequently paid on August 10, 2007. During the second quarter, the Company paid a dividend of $.05 per share of outstanding Common Stock that was accrued at December 31, 2006. The aggregate amount of the dividend was $1,747,423. On July 12, 2007, the Company's Board of Directors declared a dividend of $.08 per share on its Common Stock. The dividend is payable on October 22, 2007 to stockholders of record as of September 27, 2007.

OFF-BALANCE SHEET ARRANGEMENTS

There were no off-balance sheet arrangements during the six months ended June 30, 2007.

FACTORS AFFECTING OPERATION RESULTS AND MARKET PRICE OF STOCK

The Company and its subsidiaries operate in a rapidly changing environment that involves a number of uncertainties, some of which are beyond the Company's control. This report contains in addition to historical information, forward-looking statements that involve risks and uncertainties. The words "expect," "estimate," "anticipate," "believe," "intend," "plan" and similar expressions and variations thereof are intended to identify forward-looking statements. The Company's actual results could differ materially from those set forth in or implied by any forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those uncertainties discussed below as well as those discussed elsewhere in this report.

NATURE OF THE COMPANY'S BUSINESS

Factors affecting the sectors of the insurance industry in which the Company operates may subject the Company to significant fluctuations in operating results. These factors include competition, catastrophe losses and general economic conditions including interest rate changes, as well as legislative initiatives, the regulatory environment, the frequency of litigation, the size of judgments, severe weather conditions, the role of federal or state government in the insurance market, judicial or other authoritative interpretations of laws

and policies, and the availability and cost of reinsurance. Specifically the homeowners' insurance market, which comprises the bulk of the Company's current operations, is influenced by many factors, including state and federal laws, market conditions for homeowners' insurance and residential plans. Additionally, an economic downturn could result in fewer home sales and less demand for new homeowners seeking insurance.

Historically, the financial performance of the property and casualty insurance industry has tended to fluctuate in cyclical patterns of soft markets followed by hard markets. Although an individual insurance company's financial performance is dependent on its own specific business characteristics, the profitability of most property and casualty insurance companies tends to follow this cyclical market pattern.

The Company believes that a substantial portion of its future growth will depend on its ability, among other things, to successfully implement its business strategy, including expanding the Company's product offering by underwriting and marketing additional insurance products and programs through its distribution network and further penetrating the Florida market by establishing relationships with additional independent agents in order to expand its distribution network and to further disperse its geographic risk. Any future growth is contingent on various factors, including the availability of adequate capital, the Company's ability to hire and train additional personnel, regulatory requirements, the competitive environment, and rating agency considerations. There is no assurance that the Company will be successful in expanding its business, that the existing infrastructure will be able to support additional expansion or that any new business will be profitable. Moreover, as the Company expands its insurance products and programs and the Company's mix of business changes, there can be no assurance that the Company will be able to maintain or improve its profit margins or other operating results. There can also be no assurance that the Company will be able to obtain the required regulatory approvals to offer additional insurance products. UPCIC also is required to maintain minimum surplus to support its underwriting program. The surplus requirement affects UPCIC's potential growth.

MANAGEMENT OF EXPOSURE TO CATASTROPHIC LOSSES

UPCIC is exposed to potentially numerous insured losses arising out of single or multiple occurrences, such as natural catastrophes. As with all property and casualty insurers, UPCIC expects to and will incur some losses related to catastrophes and will price its policies accordingly. UPCIC's exposure to catastrophic losses arises principally out of hurricanes and windstorms. Through the use of standard industry modeling techniques that are susceptible to change, UPCIC manages its exposure to such losses on an ongoing basis from an underwriting perspective. In addition, UPCIC protects itself against the risk of catastrophic loss by obtaining reinsurance coverage up to approximately the "150 year Probable Maximum Loss" ("PML") as of the beginning of hurricane season on June 1 of each year. UPCIC's reinsurance program consists of excess of loss, quota share and catastrophe reinsurance for multiple hurricanes. UPCIC's catastrophe reinsurance program currently covers three events. However, UPCIC may not buy enough reinsurance to cover multiple storms going forward or be able to timely obtain reinsurance. In addition, UPCIC is responsible for losses related to catastrophic events with incurred losses in excess of coverage provided by the UPCIC's reinsurance program such as losses beyond approximately

the 150 year PML which could have a material adverse effect on UPCIC's and the Company's business, financial condition and results of operations.

RELIANCE ON THIRD PARTIES AND REINSURERS

UPCIC is dependent upon third parties to perform certain functions including, but not limited to the purchase of reinsurance and risk management analysis. UPCIC also relies on reinsurers to limit the amount of risk retained under its policies and to increase its ability to write additional risks. UPCIC's intention is to limit its exposure and therefore protect its capital, even in the event of catastrophic occurrences, through reinsurance agreements that currently transfer the risk of loss in excess of $45,000,000 for the first event and $9,300,000 for the second and third events up to approximately the 150 year PML as of the beginning of hurricane season on June 1 of each year. This amount may change in the future.

REINSURANCE

The property and casualty reinsurance industry is subject to the same market conditions as the direct property and casualty insurance market, and there can be no assurance that reinsurance will be available to UPCIC to the same extent and at the same cost as currently in place for UPCIC. Future increases in catastrophe reinsurance costs are possible and could adversely affect UPCIC's results. Reinsurance does not legally discharge an insurer from its primary liability for the full amount of the risks it insures, although it does make the reinsurer liable to the primary insurer. Therefore, UPCIC is subject to credit risk with respect to its reinsurers. Management evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. A reinsurer's insolvency or inability to make payments under a reinsurance treaty could have a material adverse effect on the financial condition and profitability of UPCIC and the Company. In addition, while ceding premiums to reinsurers reduces UPCIC's risk of exposure in the event of catastrophic losses, it also reduces the UPCIC's potential for greater profits should such catastrophic events fail to occur. The Company believes that the extent of UPCIC's reinsurance is typical of a company of its size in the homeowners insurance industry.

ADEQUACY OF LIABILITIES FOR LOSSES

The liabilities for losses and loss adjustment expenses periodically established by UPCIC are estimates of amounts needed to pay reported and unreported claims and related loss adjustment expenses. The estimates necessarily will be based on certain assumptions related to the ultimate cost to settle such claims. There is an inherent degree of uncertainty involved in the establishment of liabilities for losses and loss adjustment expenses and there may be substantial differences between actual losses and UPCIC's liabilities estimates. UPCIC relies on industry data, as well as the expertise and experience of independent actuaries in an effort to establish accurate estimates and adequate liabilities. Furthermore, factors such as storms and weather conditions, inflation, claim settlement patterns, legislative activity and litigation trends may have an impact on UPCIC's future loss experience. Accordingly, there can be no assurance that UPCIC's liabilities will be adequate to cover ultimate loss developments.

The profitability and financial condition of UPCIC and the Company could be adversely affected to the extent that its liabilities are inadequate.

UPCIC is directly liable for loss and loss adjustment expenses ("LAE") payments under the terms of the insurance policies that it writes. In many cases, several years may elapse between the occurrence of an insured loss and UPCIC's payment of that loss. As required by insurance regulations and accounting rules, UPCIC reflects its liability for the ultimate payment of all incurred losses and LAE by establishing a liability for those unpaid losses and LAE for both reported and unreported claims, which represent estimates of future amounts needed to pay claims and related expenses.

When a claim involving a probable loss is reported, UPCIC establishes a liability for the estimated amount of UPCIC's ultimate loss and LAE payments. The estimate of the amount of the ultimate loss is based upon such factors as the type of loss, jurisdiction of the occurrence, knowledge of the circumstances surrounding the claim, severity of injury or damage, potential for ultimate exposure, estimate of liability on the part of the insured, past experience with similar claims and the applicable policy provisions.

All newly reported claims received are set up with an initial average liability. That claim is then evaluated and the liability is adjusted upward or downward according to the facts and damages of that particular claim.

In addition, management provides for a liability on an aggregate basis to provide for losses incurred but not reported ("IBNR"). UPCIC utilizes independent actuaries to help establish its liability for unpaid losses and LAE. UPCIC does not discount the liability for unpaid losses and LAE for financial statement purposes.

The estimates of the liability for unpaid losses and LAE are subject to the effect of trends in claims severity and frequency and are continually reviewed. As part of this process, UPCIC reviews historical data and considers various factors, including known and anticipated legal developments, changes in social attitudes, inflation and economic conditions. As experience develops and other data become available, these estimates are revised, as required, resulting in increases or decreases to the existing liability for unpaid losses and LAE. Adjustments are reflected in results of operations in the period in which they are made and the liabilities may deviate substantially from prior estimates.

Among the classes of insurance underwritten by UPCIC, the homeowners' liability claims historically tend to have longer time lapses between the occurrence of the event, the reporting of the claim to UPCIC and the final settlement than do homeowners' property claims. Liability claims often involve third parties filing suit and the ensuing litigation. By comparison, property damage claims tend to be reported in a relatively shorter period of time with the vast majority of these claims resulting in an adjustment without litigation.

There can be no assurance that UPCIC's liability for unpaid losses and LAE will be adequate to cover actual losses. If UPCIC's liability for unpaid losses and LAE proves to be inadequate, UPCIC will be required to increase the liability with a corresponding reduction in UPCIC's net income in the period in which the

deficiency is identified. Future loss experience substantially in excess of established liability for unpaid losses and LAE could have a material adverse effect on UPCIC's and the Company's business, results of operations and financial condition.

GOVERNMENT REGULATION

Florida insurance companies are subject to regulation and supervision by the Florida Office of Insurance Regulation ("OIR"). The OIR has broad regulatory, supervisory and administrative powers. Such powers relate, among other things, to the granting and revocation of licenses to transact business; the licensing of agents (through the Department of Financial Services); the standards of solvency to be met and maintained; the nature of, and limitations on, investments; approval of policy forms and rates; review of reinsurance contracts; periodic examination of the affairs of insurance companies; and the form and content of required financial statements. Such regulation and supervision are primarily for the benefit and protection of policyholders and not for the benefit of investors and actions by the OIR could adversely affect the Company.

In addition, the Florida legislature and the National Association of Insurance Commissioners from time to time consider proposals that may affect, among other things, regulatory assessments and reserve requirements. UPCIC cannot predict the effect that any proposed or future legislation or regulatory or administrative initiatives may have on the financial condition or operations of UPCIC.

LEGISLATIVE INITIATIVES

The State of Florida operates Citizens Property Insurance Corporation ("Citizens") to provide insurance to Florida homeowners in high-risk areas and others without private insurance options. As of June 30, 2007, there were 1,308,431 Citizens policies in force. In May 2007, the State of Florida passed legislation that freezes property insurance rates for Citizens customers at December 2006 levels through December 31, 2008 and permits private insurance customers to opt into Citizens when the price of a private policy is 15% more than the Citizens rate, compared to the previous opt-in threshold of 25%. These initiatives, together with any future initiatives that seek to further relax eligibility requirements or reduce premium rates for Citizens customers, could adversely affect the ability of UPCIC and the Company to do business profitably.

DEPENDENCE ON KEY INDIVIDUALS

UPCIC's operations depend in large part on the efforts of Bradley I. Meier, who serves as President of UPCIC. Mr. Meier has also served as President, Chief Executive Officer and Director of the Company since its inception in November 1990. In addition, UPCIC's operations have become materially dependent on the efforts of Sean P. Downes, who serves as Chief Operating Officer of UPCIC. Mr. Downes has also served as Chief Operating Officer, Senior Vice President and Director of the Company since January 2005 and as a Director of UPCIC since May 2003. The loss of the services provided by Mr. Meier or Mr. Downes could have a material adverse effect on UPCIC's and the Company's financial condition and results of operations.

COMPETITION

The insurance industry is highly competitive and many companies currently write homeowners' property and casualty insurance. Additionally, the Company and its subsidiaries must compete with companies that have greater capital resources and longer operating histories. Increased competition from other private insurance companies as well as Citizens could adversely affect the Company's ability to do business profitably. Although the Company's pricing is inevitably influenced to some degree by that of its competitors, management of the Company believes that it is generally not in the Company's best interest to compete solely on price, choosing instead to compete on the basis of underwriting criteria, its distribution network and high quality service to its agents and insureds.

ITEM 3. CONTROLS AND PROCEDURES

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 as of the period covered by this report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that information required to be disclosed by the Company in its reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commissions rules and forms. There was no change in the Company's internal controls over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company did not have any reportable legal proceedings during the six months ending June 30, 2007. Certain claims and complaints have been filed or are pending against the Company with respect to various matters. In the opinion of management, none of these lawsuits is material, and they are adequately provided for or covered by insurance or, if not so covered, are without any or have little merit or involve such amounts that if disposed of unfavorably would not have a material adverse effect on the Company.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On March 14, 2007, the Company issued 250,000 shares of restricted common stock at a price of $3.70 per share to an employee in consideration for services rendered pursuant to the terms of an employee agreement. The shares will vest over a three year period. On May 1, 2007, the Company issued 22,143 shares of restricted common stock at a price of $1.87 per share, on a "cashless" basis, to James M. Lynch, CFO of the Company, pursuant to Mr. Lynch's exercise of stock options. Also on May 1, 2007, the Company issued 387,234 shares of restricted common stock at a price of $1.06 per share, on a "cashless" basis, to Norman M. Meier, a director of the Company, pursuant to Mr. Meier's exercise of stock

options. Also on May 1, 2007, the Company issued 77,447 shares of restricted common stock at a price of $1.06 per share, on a "cashless" basis, to Joel Wilentz, a director of the Company, pursuant to Mr. Wilentz's exercise of stock options. Also on May 1, 2007, the Company issued 77,447 shares of restricted common stock at a price of $1.06 per share, on a "cashless" basis, to Reed Slogoff, a director of the Company, pursuant to Mr. Slogoff's exercise of stock options. Unless otherwise specified, such as in the case of the exercise of stock options or warrants, the per share prices were determined using the closing price of the Company's common stock as quoted on the OTC Bulletin Board or the AMEX and the shares were issued in private transactions pursuant to Section 4(2) of the Securities Act of 1933, as amended.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its Annual Meeting of Stockholders on May 18, 2007 in Fort Lauderdale, Florida. The following proposals were adopted at the meeting.

Proposal 1A: Election of two directors by holders of Series M Preferred Stock

Name	For	Withheld	Abstain
Bradley I. Meier	88,690	0	0
Norman M. Meier	88,690	0	0

Proposal 1B: Election of four directors by holders of Common Stock, Series A Preferred Stock an voting together as a class

Name	For	Withheld	Abstain
Sean P. Downes	28,846,123	132,600	0
Reed J. Slogoff	28,953,153	25,600	0
Joel M. Wilentz	28,953,153	25,600	0
Ozzie A. Schindler	28,953,153	25,600	0

Proposal 2: Amendment of the Company's certificate of incorporation to increase the number of Common Stock from 50,000,000 shares to 55,000,000 shares

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For	Against	Abstain	Broker N
28,789,894	187,453	1,406	

Proposal 3: Approval of the formulas used to calculate performance bonuses in each of the amen agreements of the Chief Executive Officer and the Chief Operating Officer of the C

For	Against	Abstain	Broker N
23,008,722	1,632,640	14,306	

Proposal 4: Ratification of appointment of Blackman Kallick Bartelstein LLP as the Company's i public accounting firm for the year ending December 31, 2007.

For	Against	Abstain	Broker N

28,954,803	23,850	100

ITEM 5. OTHER INFORMATION

NONE.

ITEM 6. EXHIBITS

Exhibit No.	Exhibit
3.1	Registrant's Restated Amended and Restated Certificate of Incorporation (1)
3.2	Certificate of Designation for Series A Convertible Preferred Stock dated October 11, 1994 (2)
3.3	Certificate of Designations, Preferences, and Rights of Series M Convertible Preferred Stock dated August 13, 1997 (3)
3.4	Certificate of Amendment of Amended and Restated Certificate of Incorporation dated October 19, 1998 (2)
3.5	Certificate of Amendment of Amended and Restated Certificate of Incorporation dated December 18, 2000 (2)
3.6	Certificate of Amendment of Certificate of Designations of the Series A Convertible Preferred Stock dated October 29, 2001 (2)

3.7	Certificate of Amendment of Amended and Restated Certificate of Incorporation dated December 7, 2005 filed herewith
3.8	Certificate of Amendment of Amended and Restated Certificate of Incorporation dated May 18, 2007 filed herewith
11.1	Statement Regarding Computation of Per Share Income
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Title 18, United States Code, Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (File No. 33-51546) declared effective on December 14, 1992

(2) Incorporated by reference to the Registrant's Annual Report on Form 10-KSB for the year ended December 31, 2002 filed on April 9, 2003

(3) Incorporated by reference to the Registrant's Annual Report on Form

10-KSB for the year ended April 30, 1997 filed on August 13, 1997, as amended

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNIVERSAL INSURANCE HOLDINGS, INC.

Date: August 13, 2007

/s/ Bradley I. Meier

Bradley I. Meier, President and Chief Executive Officer

/s/ James M. Lynch

James M. Lynch, Chief Financial Officer