UNIVERSAL INSURANCE HOLDINGS INC
Form 10KSB
April 09, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 0-20848

UNIVERSAL INSURANCE HOLDINGS, INC.
(Name of small business issuer in its charter)

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

2875 N.E. 191ST STREET, SUITE 300 MIAMI, FLORIDA	33180
(Address of principal executive offices)	(ZIP CODE)

Company's telephone number, including area code: (305) 792-4200

Securities registered pursuant to Section 12(g) of the Exchange Act:

COMMON STOCK, $.01 PAR VALUE	OTC BULLETIN BOARD
REDEEMABLE COMMON STOCK PURCHASE WARRANTS	OTC BULLETIN BOARD
(Title of each class)	(Name of exchange where registered)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 X NO ____

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

State issuer's revenues for its most recent fiscal year: $9,262,108

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold as of December 31, 2002: $1,228,846

State the number of shares of Common Stock of Universal Insurance Holdings, Inc. outstanding as of March 1, 2003: 24,576,914

Transitional Small Business Disclosure Format: YES ___ NO X

PART I

ITEM 1. DESCRIPTION OF BUSINESS

THE COMPANY

Universal Insurance Holdings, Inc. ("UIH" or the "Company") was originally organized as Universal Heights, Inc. in 1990. The Company changed its name to Universal Insurance Holdings, Inc. on January 12, 2001. In April 1997, the Company organized a subsidiary, Universal Property & Casualty Insurance Company ("UPCIC"), as part of its strategy to take advantage of what management believed to be profitable business and growth opportunities in the marketplace. UPCIC was formed to participate in the transfer of homeowner insurance policies from the Florida Residential Property and Casualty Joint Underwriting Association ("JUA"). The Company has since evolved into a vertically integrated insurance holding company, which, through its various subsidiaries, covers substantially all aspects of insurance underwriting, distribution and claims processing.

The Company was incorporated under the laws of the State of Delaware on November 13, 1990 and its principal executive offices are located at 2875 N.E. 191st Street, Suite 300, Miami, Florida 33180, and its telephone number is (305) 792-4200.

INSURANCE BUSINESS

On October 29, 1997, the Florida Department of Insurance ("DOI") approved UPCIC's application for a permit to organize as a domestic property and casualty insurance company in the State of Florida. On December 4, 1997, UIH raised approximately $6.7 million in a private placement of common stock with various institutional and other accredited investors. The proceeds of the offering were used to meet the minimum regulatory capitalization requirements ($5.3 million) of the DOI to obtain an insurance company license and for general working capital purposes. UPCIC received a license to engage in underwriting homeowners' insurance in the State of Florida on December 31, 1997. In 1998, UPCIC began operations through the assumption of homeowner insurance policies issued by the JUA.

The JUA was established in 1992 as a temporary measure to provide insurance coverage for individuals who could not obtain coverage from private carriers because of the impact on the private insurance market of Hurricane Andrew in 1992. Rather than serving as a temporary source of emergency insurance coverage as was originally intended, the JUA became a major provider of original and renewal insurance coverage for Florida residents. In an attempt to reduce the number of policies in the JUA, and thus the exposure of the program to liability, the Florida legislature approved a number of initiatives to depopulate the JUA. The Florida legislature subsequently approved, and the DOI implemented, a Market Challenge/Takeout Bonus Program ("Takeout Program"), which provided additional incentives to private insurance companies to acquire policies from the JUA.

UPCIC's initial business and operations consisted of providing property and casualty coverage through homeowners' insurance policies acquired from the JUA. The insurance business acquired from the JUA provided a base for renewal premiums. The majority of these policies subsequently renewed with UPCIC. In an effort to further grow its insurance operations, in 1998 UPCIC also began to solicit business actively in the open market through independent agents. In determining appropriate guidelines for such open market policy sales, UPCIC employs standards similar to those used in its selection of JUA policies. Through renewal of the JUA business combined with business solicited in the

market through independent agents, UPCIC is currently servicing approximately 44,500 homeowners' insurance policies covering homes and condominium units.

The Company's primary product is homeowners insurance. The Company's criteria for selecting insurance policies includes the use of specific policy forms, limitations on coverage amounts on buildings and contents, acceptance of policies with low frequency of claims, and required compliance with local building codes. Also, to improve underwriting and manage risk, the Company uses analytical tools and data currently developed in conjunction with Risk Management Solutions. UPCIC's portfolio at December 31, 2002 includes approximately 34,000 policies with coverage for wind risks and 10,500 policies without wind risk. The average wind premium is approximately $850 and the average ex-wind premium is approximately $540. Approximately 31% of the policies are located in Dade, Broward and Palm Beach counties.

OPERATIONS

All underwriting, rating, policy issuance and administration functions for UPCIC were previously performed by Universal Property and Casualty Management, Inc. ("Universal Management"), an outside management company, pursuant to a management agreement. Universal Management is a wholly-owned subsidiary of American European Group, Inc. ("AEG"), a Delaware insurance holding company. UPCIC and Universal Management terminated the management agreement effective as of January 15, 2002. Services previously provided by Universal Management to UPCIC under the management agreement are now performed by UPCIC, Universal Risk Advisors, Inc., a wholly-owned subsidiary of the Company, and unaffiliated third parties.

Claims handling functions for UPCIC were initially administered by an independent claims adjustment firm licensed in Florida. In 1999, the Company formed Universal Adjusting Corporation, a wholly-owned subsidiary, which currently performs claims adjustment for UPCIC. This gives the Company greater command over its loss control and expenditures.

The earnings of UPCIC from policy premiums are supplemented by the generation of investment income from investment policies adopted by the Board of Directors of UPCIC. UPCIC's principal investment goals are to maintain safety and liquidity, enhance equity values and achieve an increased rate of return consistent with regulatory requirements.

MANAGEMENT OPERATIONS

The Company has developed into a vertically integrated insurance holding company performing various aspects of insurance underwriting, distribution and claims. Universal Risk Advisors, Inc., the Company's wholly-owned Managing General Agent ("MGA"), was incorporated in Florida on July 2, 1998 and became licensed by the DOI on September 28, 1998. Through the MGA, the Company has underwriting and claims authority for UPCIC as well as third party insurance companies. In addition, Universal Risk Life Advisors, Inc. was incorporated in Florida on June 1, 1999 as the Company's wholly-owned managing general agent for life insurance products. The MGA seeks to generate revenue through policy fee income and other administrative fees from the marketing of UPCIC as well as third party insurance products through the Company's distribution network. The Company markets and distributes UPCIC's products and services in Florida through a network of approximately 1,000 active independent agents.

AGENCY OPERATIONS

Universal Florida Insurance Agency was incorporated in Florida on July 2, 1998 and U.S. Insurance Solutions, Inc. was incorporated in Florida on August 4, 1998 as wholly-owned subsidiaries of the Company to solicit voluntary business. These two entities are a part of the Company's agency operations which seek to generate income from commissions, premium financing referral fees and the marketing of ancillary services. U.S.A. Insurance Solutions, Inc. was incorporated in Florida on December 10, 1998 as a wholly-owned subsidiary of U.S. Insurance Solutions, Inc. to acquire the assets of an insurance agency.

DIRECT SALES OPERATIONS

The Company has formed subsidiaries that specialize, or will specialize, in selling insurance via the Internet. Tigerquote.com Insurance & Financial Services Group, Inc. ("TigerQuote.com") and Tigerquote.com Insurance Solutions, Inc. were incorporated in Delaware on June 6, 1999 and August 23, 1999, respectively. Tigerquote.com is an Internet insurance lead generating network while Tigerquote.com Insurance Solutions, Inc. is a currently operating network of Internet insurance agencies. To date, these insurance agencies have been established in 22 states. Separate legal entities have been formed for each state and are governed by the respective states' departments of insurance.

OTHER OPERATIONS

On June 2, 2000, Capital Resources Group, LTD. was incorporated as a subsidiary of UIH to participate in the international insurance and reinsurance markets. On January 3, 2000, Universal Inspection Corporation was incorporated in Florida as a subsidiary of UIH. Universal Inspection Corporation performs property inspections for homeowners' policies underwritten by UPCIC and the JUA.

3

During 2001, the Company formed Tiger Home Services, Inc., which furnishes pest control, pool services, landscaping, house cleaning and hurricane shutters to homeowners. The services are currently offered to commercial and residential customers in certain areas in the state of Florida. Various plans are offered to fit customer needs.

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 frequency of litigation, the size of judgments and severe weather conditions. 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 homeowner sales and less demand for homeowners 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. 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 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 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 a minimum capital surplus to support its underwriting program. The capital surplus requirement impacts UPCIC's potential growth.

LIMITED INSURANCE COMPANY OPERATING HISTORY

UPCIC was incorporated in April 1997 and began operations in February 1998. Accordingly, UPCIC did not generate significant revenue until the second quarter of 1998 when it had completed the acquisition of, and received premiums for, policies from the JUA. UPCIC's growth to date may not be an accurate indication of future results of operations in light of UPCIC's short operating history, the competitive nature of the insurance industry, and the effects, if any, of seasonality on UPCIC's results of operations.

Because of UPCIC's limited operating history, there can be no assurance that UPCIC will achieve or sustain profitability or significant revenues. There can be no assurance that management's efforts will successfully address these risks or that UPCIC and the Company will attain profitability.

MANAGEMENT OF EXPOSURE TO CATASTROPHIC LOSSES

UPCIC is exposed to multiple insured losses arising out of a single occurrence, such as a natural catastrophe. As with all property and casualty insurers, UPCIC 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, 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 100 year Probable Maximum Loss ("PML"). UPCIC's reinsurance program consists of excess of loss, quota share and catastrophe reinsurance.

RELIANCE ON THIRD PARTIES AND REINSURERS

UPCIC is dependent upon third parties to perform certain functions including, but not limited to, claims management, investment management, the purchase of reinsurance, underwriting, policy origination 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 $200,000 up to approximately the 100 year PML. Commencing January 15, 2002, Universal Risk Advisors, Inc. began performing certain administrative functions previously provided by third parties.

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. 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 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.

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. In the case of UPCIC, this uncertainty is compounded by UPCIC's limited historical claims experience. UPCIC relies on industry data and JUA 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. UPCIC's profitability and financial condition 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 and reporting of an insured loss, the reporting of the loss to the Company and the Company's payment of that loss. As required by insurance regulations and accounting rules, the Company 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, the Company establishes a liability for the estimated amount of the Company'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"). The Company utilizes independent actuaries to help establish its liability for unpaid losses and LAE. The Company 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, the Company 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 the Company, the homeowner's liability claims historically tend to have longer time lapses between the occurrence of the event, the reporting of the claim to the Company and the final settlement than do homeowners property claims. Liability claims often involve parties filing suit and therefore may result in litigation. By comparison, property damage claims tend to be reported in a relatively shorter period of time and settle in a shorter time frame with less occurrence of litigation.

There can be no assurance that the Company's liability for unpaid losses and LAE will be adequate to cover actual losses. If the Company's liability for unpaid losses and LAE proves to be inadequate, the Company will be required to increase the liability with a corresponding reduction in the Company'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 the Company's business, results of operations and financial condition.

The following table sets forth a reconciliation of beginning and ending liability for unpaid losses and LAE as shown in the Company's consolidated financial statements for the periods indicated.

	Year Ended December 31, 2002	Year Ended December 31, 2001

Balance at beginning of year	$ 6,246,867	$ 3,468,124
Less reinsurance recoverable	(3,278,316)	(2,094,643)
Net balance at beginning of year	2,968,551	1,373,481
Incurred related to:		
Current year	3,908,724	7,344,980
Prior years	729,436	423,000
Total incurred	4,638,160	7,767,980
Paid related to:		
Current year	2,894,786	4,790,090
Prior years	3,121,625	1,382,820
Total paid	6,016,411	6,172,910
Net balance at end of year	1,590,300	2,968,551
Plus reinsurance recoverable	5,634,455	3,278,316
Balance at end of year	$ 7,224,755	$ 6,246,867

As shown above, as a result of the Company's review of its liability for losses and LAE, which includes a re-evaluation of the adequacy of reserve levels for prior year's claims, the Company increased its liability for loss and LAE for claims occurring in prior years by $729,000 for the year ended December 31, 2002 and $423,000 in 2001. There can be no assurance concerning future adjustments of reserves, positive or negative, for claims through December 31, 2002.

Based upon consultations with the Company's independent actuarial consultants and their statement of opinion on losses and LAE, the Company believes that the liability for unpaid losses and LAE is currently adequate to cover all claims and related expenses which may arise from incidents reported and IBNR.

The following table presents total unpaid loss and LAE, net, and the corresponding total reinsurance recoverables shown in the Company's consolidated financial statements for the periods indicated.

	YEARS ENDED DECEMBER 31,	
	2002	2001
	(DOLLARS IN THOUSANDS)	
Loss and LAE, net	$939	$2,003
IBNR, net	651	966
Total unpaid loss and LAE, net	$1,590	$2,969
Reinsurance recoverable	$3,133	$2,578
IBNR recoverable	2,501	700

Total reinsurance recoverable	$5,634	$3,278

The following table presents the liability for unpaid losses and LAE for the Company for the years ended December 31, 2002 and 2001. The top line of the table shows the estimated net liabilities for unpaid losses and LAE at the

7

balance sheet date for each of the periods indicated. These figures represent the estimated amount of unpaid losses and LAE for claims arising in all prior years that were unpaid at the balance sheet date, including losses that had been incurred but not yet reported. The portion of the table labeled "Cumulative paid as of" shows the net cumulative payments for losses and LAE made in succeeding years for losses incurred prior to the balance sheet date. The lower portion of the table shows the re-estimated amount of the previously recorded liability based on experience as of the end of each succeeding year.

YEARS ENDED DECEMBER 31,	2002	2001
	(DOLLARS IN THOUSANDS)	
Balance sheet liability	$1,590	$2,969
Cumulative paid as of:		
One year later	-	3,659
Two years later	-	-
Three years later	-	-
Re-estimated liability as of:		
End of year	$1,590	$2,969
One year later	-	4,235
Two years later	-	-
Three years later	-	-
Cumulative redundancy (deficiency)	-	$(1,266)

The cumulative redundancy or deficiency represents the aggregate change in the estimates over all prior years. A deficiency indicates that the latest estimate of the liability for losses and LAE is higher than the liability that was originally estimated and a redundancy indicates that such estimate is lower. It should be emphasized that the table presents a run-off of balance sheet liability for the periods indicated rather than accident or policy loss development for those periods. Therefore, each amount in the table includes the cumulative effects of changes in liability for all prior periods. Conditions and trends that have affected liabilities in the past may not necessarily occur in the future.

Underwriting results of insurance companies are frequently measured by their combined ratios. However, investment income, Federal income taxes and other non-underwriting income or expense are not reflected in the combined ratio. The profitability of property and casualty insurance companies depends on income from underwriting, investment and service operations. Underwriting results are considered profitable when the combined ratio is under 100% and unprofitable when the combined ratio is over 100%.

The following table sets forth loss ratios, expense ratios and combined ratios for the periods indicated for the insurance business of Universal

Insurance Holdings, Inc. The ratios, inclusive of unallocated loss adjustment expenses ("ULAE"), are shown in the table below, and are computed based upon SAP. The expense ratio includes management fees paid to the Company in the amount of $1,374,492 in 2002.

	YEARS ENDED DECEMBER 31,	
	2002	2001
Loss Ratio	116%	101%
Expense Ratio	35	25
Combined Ratio	151%	126%

In order to reduce losses and thereby reduce the loss ratio and the combined ratio, the Company has taken several steps. These include implementing rate increases for new and renewal business, restructuring the homeowners' coverage offered, restructuring its catastrophic reinsurance coverage to reduce the cost, and working to reduce general and administrative expenses.

GOVERNMENT REGULATION

Florida insurance companies are subject to regulation and supervision by the DOI. The DOI 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; the standards of solvency to be met and maintained; the nature of and limitations on investments; approval of policy forms and rates; 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.

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.

DEPENDENCE ON KEY INDIVIDUALS AND THIRD PARTIES

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. The loss of the services provided by Mr. Meier could have a material adverse effect on UPCIC'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 insurance companies 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.

EMPLOYEES

As of March 1, 2003, the Company had 60 full time employees. None of the Company's employees is represented by a labor union. The Company has an employment agreement with its President and Chief Executive Officer. See "Executive Compensation--Employment Agreement."

ITEM 2. DESCRIPTION OF PROPERTY

The Company leases approximately 9,200 square feet of office space for its corporate headquarters in Miami, Florida under a three-year lease expiring December 31, 2004. The Company leases approximately 600 square feet of office space in its Ormond Beach agency operation under a month to month lease.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in certain lawsuits. In the opinion of management, except for the lawsuit described below, none of these lawsuits (1) involve claims for damages exceeding 10% of the current assets of the Company, (2) involve matters that are not routine litigation incidental to the business, (3) involve bankruptcy, receivership, or similar proceedings, (4) involve material federal, state, or local environmental laws, (5) involve a damages claim for more than 10% of the current assets of the Company or potentially involve more than $100,000 in sanctions and a governmental authority is a party,

or (6) are material proceedings to which any director, officer, affiliate of the Company, beneficial owner of more than 5% of any class of voting securities of the Company, or security holder is a party adverse to the Company or has a material interest adverse to the Company.

Universal Management performed various services with respect to UPCIC insurance policies and received fees for performing these services based upon policies written pursuant to an agreement originally executed in 1997. The parties agreed to terminate the agreement effective January 15, 2002. Universal Management communicated to UPCIC that all management services would cease on the date of termination of the agreement rather than continuing through the life of the policies for which fees were paid on a premiums written basis. As a result, UPCIC ceased remittance of the management fees to Universal Management as of September 1, 2001. On November 6, 2001, UPCIC filed a Complaint against Universal Management in the United States District Court for The Southern District of Florida, Miami Division, alleging breach of contract and demanding specific performance and unspecified damages. On December 28, 2001, Universal Management filed a counterclaim for breach of contract, alleging that it is entitled to fees for policies written from September 2001 through the date of termination. As of December 31, 2002, UPCIC has recorded a receivable from Universal Management in the amount of $171,078 representing the management fees remitted on the basis of premiums earned subsequent to the termination date, January 15, 2002, and provided an allowance for doubtful accounts in the amount of $171,078, representing the entire receivable. The parties are trying to settle the matter out of court, the terms of the settlement have not yet been finalized. Accordingly, the Company has not accrued a liability with respect to the management fees claimed by Universal Management.

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

None.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's $.01 par value Common Stock ("Common Stock") is quoted on the OTC Bulletin Board under the symbol UVIH. The following table sets forth prices of the Common Stock, as reported by the OTC Bulletin Board. The following data reflects inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Year ended December 31, 2001	High	Low
First Quarter	$ 0.55	$ 0.17
Second Quarter	0.55	0.20
Third Quarter	0.50	0.15
Fourth Quarter	0.48	0.16

Year ended December 31, 2002	High	Low
First Quarter	$ 0.25	$ 0.10
Second Quarter	0.13	0.07
Third Quarter	0.10	0.04
Fourth Quarter	0.15	0.01

At March 1, 2003, there were 37 shareholders of record of the Company's Common Stock. There were 425 beneficial owners of its Common Stock. In addition, there were three shareholders of the Company's Series A and Series M Preferred Stock ("Preferred Stock").

In October 1994, 49,950 shares of Series A Preferred Stock were issued in repayment of $499,487 of related party debt and 88,690 shares of Series M Preferred Stock were issued during fiscal year ended April 30, 1997, for repayment of $88,690 of related party debt. Each share of Preferred Stock is convertible into 2.5 shares of Common Stock and 5 shares of Common Stock, respectively, into an aggregate of 568,326 common shares. Beginning May 1, 1998,

the Series A Preferred Stock paid a cumulative dividend of $.25 per quarter. During 2002, dividends on the Preferred Stock of $49,950 were declared. During 2001, dividends on the Preferred Stock of $49,950 were declared and paid.

Applicable provisions of the Delaware General Corporation Law may affect the ability of the Company to declare and pay dividends on its Common Stock. In particular, pursuant to the Delaware General Corporation Law, a company may pay dividends out of its surplus, as defined, or out of its net profits, for the fiscal year in which the dividend is declared and/or the preceding year. Surplus is defined in the Delaware General Corporation Law to be the excess of net assets of the company over capital. Capital is defined to be the aggregate par value of shares issued. Moreover, the ability of the Company to pay dividends, if and when declared by its Board of Directors, may be restricted by regulatory limits on the amount of dividends which UPCIC is permitted to pay the Company. Section 628.371 of the Florida statutes sets forth limitations, based on net income and statutory capital, on the amount of dividends that UPCIC may pay to the Company without approval from the Department.

During 2002, the Company did not pay a dividend to common stockholders.

OTHER STOCK ISSUANCES

During the year ended December 31, 2002, the Company issued 6,782,330 shares of Common Stock in conjunction with amendments approved by the Board of Directors to the employment agreement between the Company and Bradley I. Meier, the Company's President, whereby Mr. Meier converted salary and accrued vacation into shares of common stock. The shares were issued to Mr. Meier in private transactions performed in accordance with the terms of the amendments and pursuant to section 4(2) of the Securities Act of 1933 as amended.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

A NUMBER OF STATEMENTS CONTAINED IN THIS REPORT ARE FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 THAT INVOLVE RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED IN THE APPLICABLE STATEMENTS. THESE RISKS AND UNCERTAINTIES INCLUDE BUT ARE NOT LIMITED TO THE COSTS AND THE UNCERTAINTIES ASSOCIATED WITH THE RISK FACTORS SET FORTH IN ITEM 1 ABOVE.

OVERVIEW

UPCIC's application to become a Florida licensed property and casualty insurance company was filed with the DOI on May 14, 1997 and approved on October 29, 1997. UPCIC's proposal to begin operations through the acquisition of homeowner insurance policies issued by the JUA was approved by the JUA on May 21, 1997, subject to certain minimum capitalization and other requirements. One of the requirements imposed by the DOI was to limit the number of policies UPCIC could assume from the JUA to 30,000.

The DOI requires applicants to have a minimum capitalization of $5.3 million to be eligible to operate as an insurance company in the State of Florida. Upon being issued an insurance license, companies must maintain capitalization of at least $4 million. If an insurance company's capitalization falls below $4 million, then the company will be deemed out of compliance with DOI requirements, which could result in revocation of the participant's license to operate as an insurance company in the State of Florida.

The Company has continued to implement its plan to become a financial services company and, through its wholly-owned insurance subsidiaries, has sought to position itself to take advantage of what management believes to be profitable business and growth opportunities in the marketplace.

The Company entered into an agreement with the JUA whereby during 1998, UPCIC assumed approximately 30,000 policies from the JUA. In addition, UPCIC received bonus incentive funds from the JUA for assuming the policies. The bonus funds were maintained in an escrow account for three years. These bonus payments were not included in the Company's assets until receipt at the end of the three-year period. UPCIC could not cancel the policies from the JUA for this three-year period at which point UPCIC received the bonus funds. The Company will not be receiving any additional bonus payments.

The Company expects that premiums from renewals and new business will be sufficient to meet the Company's working capital requirements beyond the next twelve months.

UPCIC does not expect to obtain additional policies from the JUA. The policies obtained from the JUA provided the opportunity for UPCIC to solicit future renewal premiums. The majority of the policies obtained from the JUA

subsequently renewed with UPCIC. In an effort to further grow its insurance operations, in 1998 the Company began to solicit business actively in the open market. Through renewal of JUA business combined with business solicited in the market through independent agents, UPCIC is currently servicing approximately 44,500 homeowners insurance policies. In determining appropriate guidelines for such open market policy sales, UPCIC employs standards similar to those used in its selection of JUA policies. Also, to improve underwriting and manage risk, the Company uses analytical tools and data currently developed in conjunction with Risk Management Solutions. To diversify UPCIC's product lines, UPCIC has begun underwriting inland marine policies. Management may consider underwriting other types of policies in the future. Any such program will require DOI approval. See "Factors Affecting Operation Results and Market Price of Stock - Competition" for a discussion of the material conditions and uncertainties that may affect UPCIC's ability to obtain additional policies.

CRITICAL ACCOUNTING POLICIES

USE OF ESTIMATES. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("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 periods. The Company's primary areas of estimate are described below.

RECOGNITION OF PREMIUM REVENUES. Property and liability premiums are recognized as revenue on a pro rata basis over the policy term. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums. The Company believes that its revenue recognition policies conform to Staff Accounting Bulletin 101, Revenue Recognition in Financial Statements.

INSURANCE LIABILITIES. Claims and claim adjustment expenses are provided for as claims are incurred. The provision for unpaid claims and claim adjustment expenses includes: (1) the accumulation of individual case estimates for claims and claim adjustment expenses reported prior to the close of the accounting period; (2) estimates for unreported claims based on industry data; and (3) estimates of expenses for investigating and adjusting claims based on the experience of the Company and the industry.

Inherent in the estimates of ultimate claims are expected trends in claim severity, frequency and other factors that may vary as claims are settled. The amount of uncertainty in the estimates for casualty coverage is significantly affected by such factors as the amount of claims experience relative to the development period, knowledge of the actual facts and circumstances and the amount of insurance risk retained. In the case of UPCIC, this uncertainty is compounded by UPCIC's limited history of claims experience. In addition, UPCIC's policyholders are currently concentrated in South Florida, which is periodically subject to adverse weather conditions such as hurricanes and tropical storms. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in earnings currently.

DEFERRED POLICY ACQUISITION COSTS. Commissions and other costs of acquiring insurance that vary with and are primarily related to the production of new and renewal business are deferred and amortized over the terms of the policies or reinsurance treaties to which they are related. Determination of costs other than commissions that vary with and are primarily related to the production of new and renewal business requires estimates to allocate certain operating expenses. When determining the maximum amount of deferred policy acquisition costs, investment income to be earned over the remaining policy period is estimated and taken into consideration. Estimates of the costs of losses, catastrophic reinsurance and policy maintenance are also required in the

determination of the maximum amount of deferred policy acquisition costs. Deferred reinsurance commissions have reduced net deferred policy acquisition costs to $0 at December 31, 2002.

PROVISION FOR PREMIUM DEFICIENCY. It is the Company's policy to evaluate and recognize losses on insurance contracts when estimated future claims and maintenance costs under a group of existing contracts will exceed anticipated future premiums and investment income. The determination of the provision for premium deficiency requires estimation of the costs of losses, catastrophic

reinsurance and policy maintenance to be incurred and investment income to be earned over the remaining policy period.

REINSURANCE. In the normal course of business, the Company seeks to reduce the risk of 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 provisions of the reinsurance agreement and consistent with the establishment of the liability of the Company. The Company's reinsurance policies do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible.

RELATED PARTIES

All underwriting, rating, policy issuance and administration functions for UPCIC were previously performed by Universal Management pursuant to a Management Agreement dated June 2, 1997 and Addenda thereto dated June 12, 1997 and June 1, 1998. UPCIC and Universal Management terminated the management agreement effective as of January 15, 2002. Services previously provided by Universal Management to UPCIC under the management agreement are now performed by UPCIC, Universal Risk Advisors, and unaffiliated third parties.

RESULTS OF OPERATIONS - YEAR ENDED DECEMBER 31, 2002 AND YEAR ENDED DECEMBER 31, 2001.

Gross premiums written increased 29.9% to $33,160,567 for the year ended December 31, 2002 from $25,536,716 for the year ended December 31, 2001. The increase in gross premiums written is primarily attributable to an increase in new business as well as premium rate increases.

Net premiums written decreased 76.5% to $1,947,182 for the year ended December 31, 2002 from $8,302,716 for the year ended December 31, 2001. The decrease in net premiums written reflects the impact of reinsurance, since $31,213,385 or 94.1% of premiums written were ceded to reinsurers for the year ended December 31, 2002 as compared to $17,234,000 or 67.5% for the year ended December 31, 2001. This fluctuation was a result of the Company's election under its quota share reinsurance treaty to cede 50% of gross written premiums, losses, and loss adjustment expenses during 2001, versus 50% during the first five months of 2002, 80% during the subsequent four months and 90% during the remaining three months of 2002. The company ceded the additional amounts in order to limit its loss exposure while it further stabilized operations.

Net premiums earned decreased 36.5% to $4,895,623 for the year ended December 31, 2002 from $7,711,804 for the year ended December 31, 2001. The decrease in net premiums earned is attributable to the Company's election under its quota share reinsurance treaty to cede 50% of gross written premiums, losses, and loss adjustment expenses during 2001, versus 50% during the first

five months of 2002, 80% during the subsequent four months and 90% during the remaining three months of 2002.

Commission revenue increased 27.9% to $2,285,091 for the year ended December 31, 2002 from $1,786,675 for the year ended December 31, 2001. Commission income is comprised mainly of the Managing General Agent's policy fee income on all new and renewal insurance policies and commissions generated from agency operations. The increase is primarily due to the Company's effort to solicit business in the open market.

Investment income consists of net investment income and net realized gains (losses). Investment income decreased 38.2% to $357,623 for the year ended December 31, 2002 from $578,903 for the year ended December 31, 2001. The decrease is primarily due to lower investment balances and a lower interest rate environment during 2002.

Other revenue increased 830.1% to $1,723,771 for the year ended December 31, 2002 from $185,726 for the year ended December 31, 2001, after segregating the one-time JUA bonus payment of $2,723,600 and related interest of $452,947 during 2001. Other revenue is comprised of fee revenue from direct sales operations and service revenue from other operations. The increase is

primarily attributable to the fact that there is more activity in the direct sales and service operations this year.

Losses and loss adjustment expenses ("LAE") incurred decreased 40.3% to $4,638,160 for the year ended December 31, 2002 from $7,767,980 for the year ended December 31, 2001 as compared to net premiums earned which decreased 36.5% to $4,895,623 for the year ended December 31, 2002 from $7,711,804 for the year ended December 31, 2001. The Company's direct loss ratio for the year ended December 31, 2002 was 62.5% compared to 58.1% for the year ended December 31, 2001. The Company's direct loss ratio decreased principally due to the higher severity of claims in 2002. The Company's net loss ratio for the year ended December 31, 2002 was 94.7% compared to 100.7% for the year ended December 31, 2001. Losses and LAE, the Company's most significant expense, represent actual payments made and changes in estimated future payments to be made to or on behalf of its policyholders, including expenses required to settle claims and losses. Losses and LAE are influenced by loss severity and frequency. The net loss ratio decreased due to the decrease in net losses incurred in conjunction with changes to the Company's reinsurance programs discussed above. During 2002 and 2001, Florida did not experience windstorm catastrophes.

Catastrophes are an inherent risk of the property-liability insurance business which may contribute to material year-to-year fluctuations in UPCIC's results of operations and financial position. 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 its catastrophe management strategies will reduce the severity of future losses, UPCIC continues to be exposed to similar or greater catastrophes.

The reserve for unpaid losses and loss adjustment expenses at December 31, 2002 is $7,224,755. Based upon consultations with the Company's independent actuarial consultants and their statement of opinion on losses and loss adjustment expenses, the Company believes that the liability for unpaid losses and loss adjustment expenses is adequate to cover all claims and related expenses which may arise from incidents reported. The range of direct loss reserve estimates as determined by the Company's independent actuarial consultants is a low of $5,974,000 and a high of $7,301,000. The key assumption used to arrive at management's best estimate of loss reserves in relation to the

actuary's range and the specific factors that led to management's best estimate is that the liability is based on management's estimate of the ultimate cost of settling each loss and an amount for losses incurred but not reported.

As a result of the Company's review of its liability for losses and loss adjustment expenses, which includes a re-evaluation of the adequacy of reserve levels for prior year claims, the Company's liabilities for unpaid losses and LAE, net of related reinsurance recoverables, at December 31, 2002 and December 31, 2001 were increased in the following year by $729,436 and 423,000, respectively, for claims that had occurred on or prior to the balance sheet date. This unfavorable loss emergence resulted principally from settling homeowners' losses established in the prior year for amounts that were more than expected. At December 31, 2002 a change in a key assumption made to estimate reserves since the last reporting date is to reserve to the coverage limit for certain potentially large claims, specifically sinkhole claims. Changes of this nature were made in 2002 on related outstanding claims, this was primarily for conservative reasons. Recognition of this change occurred in 2002 in light of the Company experience with claims of this nature, which occurred primarily in 2001 due to contributing weather conditions. Reported claims of this nature were less frequent in 2002. Nonetheless, there can be no assurance concerning future adjustments of reserves, positive or negative, for claims through December 31, 2002.

General and administrative expenses decreased 47.7% to $4,552,897 for the year ended December 31, 2002 from $8,711,025 for the year ended December 31, 2001. General and administrative expenses have decreased primarily due to higher ceding commissions on premiums ceded to reinsurers as well as ceding commission recognized as a result of the change in the quota share ceding percentage from 50% for the year ended December 31, 2001 to 50% during the first five months of 2002, 80% during the subsequent four months and 90% during the remaining three months of 2002.

14

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of cash flow are premium revenues, commission income and investment income.

For the year ended December 31, 2002, cash flows used by operating activities were $8,517,522. Cash flows from operating activities are negative, primarily due to payments made to reinsurers, including the transfer of the unearned premium related to the quota share reinsurance agreement that became effective June 1, 2002 and an additional transfer of unearned premium at September 30, 2002 related to an increase in the rate of cession. The Company's investment portfolio is highly liquid as it consists almost entirely of readily marketable securities. Cash flows from investing activities are primarily comprised of purchases and sales of debt and equity securities. Cash flows from financing activities primarily relate to Company borrowings.

During 2002, the Company became a party to a senior Promissory Note with a reinsurer for $750,000 payable in 12 monthly installments through July 2003 at an annual interest rate of 9%. The funds were used to make an additional capital contribution to UPCIC. Payments have been made in a timely manner. During 2001 the Company borrowed monies in the amount of $306,665 to finance several vehicles and a boat, all acquired for business use. The amounts will become due during the years 2003, 2004 and 2011.

The balance of cash and cash equivalents at December 31, 2002 is $4,587,920. This amount along with readily marketable debt and equity securities aggregating $563,779 would be available to pay claims in the event of a

catastrophic event pending reimbursement for any aggregate amount in excess of $200,000 up to the 100 year PML which would be covered by reinsurers. Catastrophic reinsurance is recoverable upon presentation to the reinsurer of evidence of claim payment.

Generally accepted accounting principles differ in some respects from reporting practices prescribed or permitted by the Florida Department of Insurance. To retain its certificate of authority, the Florida insurance laws and regulations require that UPCIC maintain capital surplus equal to the statutory minimum capital and surplus requirement defined in the Florida Insurance Code. The Company is also required to adhere to prescribed premium-to-capital surplus ratios. The Company is in compliance with these requirements.

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

IMPACT OF INFLATION AND CHANGING PRICES

The consolidated financial statements and related data presented herein have been prepared in accordance with generally accepted accounting principles which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary assets of the Company are monetary in nature. As a result, interest rates have a more significant impact on the Company's performance than the effects of the general levels of inflation. Interest rates do not necessarily move in the same direction or with the same magnitude as the cost of paying losses and LAE.

Insurance premiums are established before the Company knows the amount of loss and LAE and the extent to which inflation may affect such expenses. Consequently, the Company attempts to anticipate the future impact of inflation when establishing rate levels. While the Company attempts to charge adequate rates, the Company may be limited in raising its premium levels for competitive and regulatory reasons. Inflation also affects the market value of the Company's investment portfolio and the investment rate of return. Any future economic changes which result in prolonged and increasing levels of inflation could cause increases in the dollar amount of incurred loss and LAE and thereby materially adversely affect future liability requirements.

ITEM 7. FINANCIAL STATEMENTS

The financial statements of the Company are annexed to this report and are referenced as pages F-1 to F-26.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On October 28, 2002, the Company filed a Form 8-K with the Securities and Exchange Commission reporting that the Company engaged Blackman Kallick Bartelstein LLP as the Company's new independent accountants effective as of October 28, 2002. On September 30, 2002, the Company filed a Form 8-K with the Securities and Exchange Commission Reporting that Deloitte & Touche LLP resigned as the independent auditor for the Company effective as of September 30, 2002.

During the Company's two most recent fiscal years ended December 31, 2001, and the subsequent interim period through September 30, 2002, there were no disagreements between the Company and Deloitte & Touche LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of Deloitte & Touche LLP, would have caused Deloitte and Touche LLP to make reference to the subject matter of the disagreements in connection with its reports. In connection with the audit of the Company's consolidated financial statements for the year ended December 31, 2001, Deloitte & Touche LLP informed the Company that a material weakness under standards established by the American Institute of Certified Public Accountants existed in the design and operation of the Company's internal control related to the processing of claims payments, including the duplication of drafts issued and the omission of drafts from the accounting records. This matter was discussed by Deloitte & Touche LLP with the Company's Audit Committee. The Company also authorized Deloitte & Touche LLP to respond to Blackman Kallick Bartelstein LLP's inquiries. In addition, the Company took a number of steps to address Deloitte & Touche LLP's concerns regarding the material control weakness. These are discussed under Item 14 Controls and Procedures.

Except as noted above, during the two most recent years and through the subsequent interim period through September 30, 2002, there have been no events of the type described in Item 304 (a)(1)(iv) of Regulation S-B.

The audit reports of Deloitte & Touche LLP on the consolidated financial statements of the Company as of and for the fiscal years ended December 31, 2000 and 2001 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles, except that the audit report of Deloitte & Touche LLP for the fiscal year ended December 31, 2001 contained a separate paragraph regarding the Company's ability to continue as a going concern.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

The directors and executive officers of the Company as of December 31, 2002 are as follows:

Name	Age	Position
Bradley I. Meier	35	President, Chief Executive Officer, Assistant Secretary and Director
Norman M. Meier	63	Director
Irwin L. Kellner	64	Director, Secretary
Reed J. Slogoff	34	Director

Name	Age	Position
Joel M. Wilentz	68	Director
James M. Lynch	48	Vice President and Chief Financial Officer

BRADLEY I. MEIER has been President, Chief Executive Officer and a Director of the Company since its inception in November 1990. He has served as President of UPCIC, a wholly-owned subsidiary of the Company, since its formation in April 1997. In 1990, Mr. Meier graduated from the Wharton School of Business with a B.S. in Economics.

NORMAN M. MEIER has been a Director of the Company since July 1992. From December 1986 until November 1999, Mr. Meier was President, Chief Executive Officer and a Director of Columbia Laboratories, Inc., a publicly-traded corporation in the pharmaceuticals business. From 1971 to 1977, Mr. Meier was Vice President of Sales and Marketing for Key Pharmaceuticals. From 1977 until 1986, Mr. Meier served as a consultant to Key Pharmaceuticals.

IRWIN L. KELLNER has been a Director of the Company since March 1997. Since 1997, Dr. Kellner has been the Augustus B. Weller Distinguished Chair of Economics at Hofstra University, author of Hofstra University's Economic Report, and Chief Economist for CBS Market Watch, an interactive financial news website. Since February 2001, Dr. Kellner has served as chief economist for North Fork Bank Corporation. From 1997 to 1998, Dr. Kellner worked as an independent consultant. From 1996 through 1997, Dr. Kellner was the Chief Economist for Chase Manhattan's Regional Bank, and held the same position from 1980 to 1996 at Chemical Bank and Manufacturers Hanover Trust, predecessors to Chase. The bank had employed Dr. Kellner since 1970. Dr. Kellner is a member of the boards of several organizations, including Claire's Stores, DataTreasury Corporation, Inc., FreeTrek.com Inc., International Bioimmune Systems, and the North Shore Health System, and serves on the New York State Comptroller's Economic Advisory Committee. Dr. Kellner is a past president of the Forecasters Club of New York and the New York Association of Business Economists. He is a member of several professional associations, including the American Economic Association, American Statistical Association and the National Association of Business Economists.

REED J. SLOGOFF has been a Director of the Company since March 1997. Mr. Slogoff is currently a principal with Pearl Properties Commercial Management, LLC, a commercial real estate investment and management firm based in Philadelphia, Pennsylvania. Mr. Slogoff was formerly with Entercom Communications Corp., a publicly-traded radio broadcasting company and previously was a member of the corporate and real estate group of the law firm of Dilworth, Paxson, LLP. Mr. Slogoff received a B.A. with honors from the University of Pennsylvania in 1990, and a J.D. from the University of Miami School of Law in 1993.

JOEL M. WILENTZ has been a Director of the Company since March 1997. Dr. Wilentz is one of the founding members of Dermatology Associates in Florida, founded in 1970. He is a member of the boards of the Neurological Injury Compensation Associate for Florida, the Broward County Florida Medical Association, and the American Arm of the Israeli Emergency Medical Service for the southeastern United States, of which he is also President. Dr. Wilentz is a past member of the Board of Overseers of the Nova Southeastern University School of Pharmacy.

JAMES M. LYNCH has been Vice President and Chief Financial Officer of the Company since August 1998. Before joining the Company in August 1998, Mr. Lynch was Chief Financial Officer of Florida Administrators, Inc., an organization specializing in property and casualty insurance. Prior to working at Florida Administrators, Inc., Mr. Lynch held the position of Senior Vice President of Finance and Comptroller of Trust Group, Inc., which also specialized in property and casualty insurance. Before his position at Trust Group, Mr. Lynch was a Manager with the accounting and auditing firm of Coopers & Lybrand, which later became PricewaterhouseCoopers LLC.

Norman M. Meier and Bradley I. Meier are father and son, respectively,

and Irwin L. Kellner and Norman M. Meier are first cousins. There are no other family relationships among the Company's executive officers and directors.

All directors hold office until the next annual meeting of stockholders and the election and qualification of their successors. Directors receive no compensation for serving on the Board, except for the receipt of stock options and the reimbursement of reasonable expenses incurred in attending

meetings. Officers are elected annually by the Board of Directors and serve at the discretion of the Board.

The Company has entered into indemnification agreements with its executive officers and directors pursuant to which the Company has agreed to indemnify such individuals, to the fullest extent permitted by law, for claims made against them in connection with their positions as officers, directors or agents of the Company.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

All required disclosures of Forms 3, 4 and 5 were timely filed by directors, officers and 10% beneficial owners.

ITEM 10. EXECUTIVE COMPENSATION

The tables and descriptive information set forth below are intended to comply with the Securities and Exchange Commission compensation disclosure requirements applicable to, among other reports and filings, annual reports on Form 10-KSB. This information is furnished with respect to the Company's executive officers who earned in excess of $100,000 during the fiscal year ended December 31, 2002.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION		
Name and Principal Position	Year Ended December 31	Salary	Bonus	Long Term C Securities Und
Bradley I. Meier	2002	$ 346,500	$ 0	
President and CEO	2001	315,000	0	150
	2000	262,500	0	166
James M. Lynch	2002	$ 149,250	$15,000	
Vice President and CFO	2001	140,500	5,000	100
	2000	122,500	10,000	20

(1) Options granted under TigerQuote.com non-qualified stock option plan. TigerQuote.com is a wholly-owned subsidiary of the Company.

OPTION GRANTS IN LAST FISCAL YEAR

None.

AGGREGATED OPTION EXERCISES AND OPTION VALUES
FOR THE YEAR ENDED DECEMBER 31, 2002

None.

EMPLOYMENT AGREEMENTS

As of August 11, 1999, the Company entered into a four-year employment agreement with Bradley I. Meier, amending and restating the previous employment agreement of May 1, 1997 between the Company and Mr. Meier. Under the terms of the employment agreement, Mr. Meier will devote substantially all of his time to the Company and will be paid a base salary of $250,000 per year which shall be increased by 5% each year beginning with the first anniversary of the effective date. Additionally, pursuant to the employment agreement, and during each year thereof, Mr. Meier will be entitled to a bonus equal to 3% of pretax profits up to $5 million and 4% of pretax profits in excess of $5 million. On May 4, 2001, Addendum No. 3 to the employment agreement was approved by the Board of Directors, whereby Mr. Meier was entitled to receive an additional fifteen percent (15%) increase in his base compensation in addition to the cumulative base compensation and increase calculated at the beginning of 2001, retroactive to January 1, 2001 and under Addendum No. 3, for each successive year of the term of the employment agreement, the base compensation as adjusted by previous increase(s) will be increased by ten (10%) percent. The employment agreement with Mr. Meier contains non-competition and non-disclosure covenants. In addition, the agreement shall be extended automatically for one year at each anniversary of the date of the agreement up to the fourth year of the agreement, at the option of Mr. Meier. Under the terms of the employment agreement dated May 1, 1997, Mr. Meier was granted ten-year stock options to purchase 1,500,000 shares of Common Stock at $1.06 per share, of which 500,000 options vested immediately, 500,000 options vested after one year and the remaining options vested after two years. During the year ended December 31, 2002, the Company issued 6,782,330 shares of Common Stock in conjunction with amendments approved by the Board of Directors to the employment agreement between the Company and Bradley I. Meier, the Company's president, whereby Mr. Meier converted salary and accrued vacation into shares of common stock. The shares were issued to Mr. Meier in private transactions performed in accordance with the terms of the amendments and pursuant to section 4(2) of the securities act of 1933 as amended.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

EQUITY COMPENSATION PLAN INFORMATION

The following table provides certain information with respect to all of the Company's equity compensation plans in effect as of December 31, 2002:

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities to be issued upon exercise of	Weighted-average exercise price of	Number o remainin issuance compensa

	outstanding options, warrants and rights(a)	outstanding options, warrants and rights(b)	(excludi reflecte
Equity compensation plans approved by security holders	12,297,276	$1.22	
Equity compensation plans not approved by security holders	-	-	
Total	12,297,276	$1.22	

Descriptions of the plans are contained in Note 12 of the footnotes to the Consolidated Financial Statements.

19

SERIES M PREFERRED STOCK

As of March 1, 2003, directors and named executive officers, individually and as a group, beneficially owned Series M Preferred Stock as follows:

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership	Percent of Class
Bradley I. Meier*(2)	48,890	48.0%
Norman M. Meier* (3)	53,000	52.0%
Officers and directors as a group (2 persons) (4)	86,890	98.0%

* Director

(1) Unless otherwise indicated, the Company believes that each person has sole voting and investment rights with respect to the shares of Series M Preferred Stock of the Company specified opposite his name. Unless otherwise indicated, the mailing address of each shareholder is c/o Universal Insurance Holdings, Inc., 2875 N.E. 191st Street, Suite 300, Miami, Florida 33180.

(2) Consists of (i) 33,890 shares of Series M Preferred Stock and (ii) 15,000 shares of Series M Preferred Stock beneficially owned by Belmer Partners, a Florida General Partnership ("Belmer"), of which Mr. Meier is a general partner. Excludes all shares of Series M Preferred Stock owned by Norman M. Meier and Phyllis R. Meier, Mr. Meier's father and mother, respectively, as to which Mr. Meier disclaims beneficial ownership.

(3) Consists of (i) 38,000 shares of Series M Preferred Stock and (ii) 15,000 shares of Series M Preferred Stock beneficially owned by Belmer, of which Mr. Meier is a general partner. Excludes all shares of Series M Preferred Stock owned by Bradley I. Meier and Phylis R. Meier, Mr. Meier's son and former spouse, respectively, as to which Mr. Meier disclaims beneficial ownership.

(4) See footnotes (1) - (3) above.

SERIES A PREFERRED STOCK

As of March 1, 2003, directors and named executive officers, individually and as a group, beneficially owned Series A Preferred Stock as follows:

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership	Percent of Class
Norman M. Meier* (2)	9,975	20%
Officers and directors as a group (1 person) (3)		

* Director

(1) Unless otherwise indicated, the Company believes that each person has sole voting and investment rights with respect to the shares of Series M Preferred Stock of the Company specified opposite his name. Unless otherwise indicated, the mailing address of each shareholder is c/o Universal Insurance Holdings, Inc., 2875 N.E. 191st Street, Suite 300, Miami, Florida 33180.

(2) Consists of 9,975 shares of Series A Preferred Stock beneficially owned by Belmer, of which Mr. Meier is a general partner. Excludes all shares of Series A Preferred Stock owned by Bradley I. Meier and Phylis R. Meier, Mr. Meier's son and former spouse, respectively, as to which Mr. Meier disclaims beneficial ownership.

(3) See footnotes (1) - (2) above.

COMMON STOCK

As of March 1, 2003, directors and named executive officers, individually and as a group, beneficially owned Common Stock as follows:

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership(2)	Percent of Class
Bradley I. Meier (3)	12,315,874	50.1%
Norman M. Meier (4)	2,620,654	10.7%
Irwin L. Kellner (5)	220,000	.9%
Reed J. Slogoff (6)	220,000	.9%
Joel M. Wilentz (7)	220,000	.9%
James M. Lynch (8)	75,000	.3%
Officers and directors as a group (7 people) (10)	15,671,528	63.8%

(1) Unless otherwise indicated, the Company believes that each person has sole voting and investment rights with respect to the shares of Common Stock of the Company specified opposite his name. Unless otherwise indicated, the mailing address of each shareholder is c/o Universal Insurance Holdings, Inc., 2875 N.E. 191st Street, Suite 300, Miami, Florida 33180.

(2) A person is deemed to be the beneficial owner of Common Stock that can be acquired by such person within 60 days of the date hereof upon the exercise of warrants or stock options or conversion of Series A

Preferred Stock, Series M Preferred Stock or convertible debt. Except as otherwise specified, each beneficial owner's percentage ownership is determined by assuming that warrants, stock options, Series A Preferred Stock, Series M Preferred Stock and convertible debt that is held by such person (but not those held by any other person) and that are exercisable or convertible within 60 days from the date hereof, have been exercised or converted.

(3) Consists of (i) (a) 7,745,159 shares of Common Stock, (b) options to purchase 1,875 shares of Common Stock at an exercise price of $9.00 per share, options to purchase 1,875 shares of Common Stock at an exercise price of $12.50 per share, ten-year options to purchase 90,000 shares at an exercise price of $2.88 as to 45,000 shares and $3.88 as to the remaining 45,000 shares granted pursuant to Mr. Meier's employment agreement, options to purchase 90,000 shares of Common Stock at an exercise price of $1.13 per share and options to purchase 500,000 shares of Common Stock at an exercise price of $1.25 per share, (c) warrants to purchase 15,429 shares of Common Stock at an exercise price of $1.75 per share, warrants to purchase 339,959 shares of Common Stock at an exercise price of $3.00 per share, warrants to purchase 82,000 shares of Common Stock at an exercise price of $1.00 per share and warrants to purchase 131,700 shares of Common Stock at an exercise price of $.75 per share, (d) 169,450 shares of Common Stock issuable upon conversion of Series M Preferred Stock, (e) options to purchase 250,000 shares of Common Stock at an exercise price of $1.06 per share which vested on November 2, 1997,

(f) options to purchase 500,000 shares of Common Stock at an exercise price of $1.06 per share which vested on May 1, 1997 granted pursuant to Mr. Meier's employment agreement, options to purchase 500,000 shares of Common Stock at $1.06 per share which vested on May 1, 1998 granted pursuant to Mr. Meier's employment agreement and options to purchase 500,000 shares of Common Stock at an exercise price of $1.06 per share which vested on May 1, 1999 granted pursuant to Mr. Meier's employment agreement, (g) options to purchase 250,000 shares of Common Stock at an exercise price of $1.63 per share, (h) options to purchase 150,000 shares of Common Stock at an exercise price of $1.25 per share which vested on December 23, 1999 and (ii) an aggregate of 331,761 shares of Common Stock (including shares of Common Stock issuable upon exercise of warrants and conversion of Series A and Series M Preferred Stock) beneficially owned by Belmer Partners, of which Mr. Meier is a general partner. Excludes options to purchase 625,000 shares of Common Stock of Tigerquote.com at an exercise price of $.50 per share. Also excludes all securities owned by Norman M. Meier and Phyllis R. Meier, Mr. Meier's father and mother, respectively, as to which Mr. Meier disclaims beneficial ownership. Includes 416,666 and 250,000 shares owned by Lynda Meier and Eric Meier, respectively, who are the sister and brother, respectively, of Bradley I. Meier, which shares are subject to proxies granting voting rights for such shares to Bradley I. Meier.

(4) Consists of (i) (a) 457,371 shares of Common Stock, (b) options to purchase 3,750 shares of Common Stock at an exercise price of $12.50 per share, options to purchase 3,750 shares of Common Stock at an exercise price of $9.00 per share and options to purchase 250,000 shares of Common Stock at an exercise price of $1.25 per share, (c) warrants to purchase 3,082 shares of Common Stock at an exercise price of $22.00 per share, warrants to purchase 2,494 shares of Common Stock at an exercise price of $4.25 per share, warrants to purchase 28,538

shares of Common Stock at an exercise price of $1.50 per share, warrants to purchase 120,000 shares of Common Stock at an exercise price of $3.00 per share and warrants to purchase 129,970 shares of Common Stock at an exercise price of $1.00 per share, (d) 214,938 shares of Common Stock issuable upon conversion of Series A and Series M Preferred Stock, (e) options to purchase 500,000 shares of Common Stock at an exercise price of $1.06 per share which vested on November 2, 1997, (f) options to purchase 500,000 shares of Common Stock at an exercise price of $1.63 per share, (g) options to purchase 75,000 shares of Common Stock at an exercise price of $1.25 per share, and (ii) an aggregate of 331,761 shares of Common Stock (including shares of Common Stock issuable upon exercise of warrants and conversion of Series A and Series M Preferred Stock) beneficially owned by Belmer, of which Mr. Meier is a general partner. Excludes options to purchase 100,000 shares of Common Stock of Tigerquote.com at an exercise price of $.50 per share. Excludes all securities owned by Bradley I. Meier or Phyllis Meier, Mr. Meier's son and former spouse, respectively, as to which Mr. Meier disclaims beneficial ownership.

(5) Consists of (i) options to purchase 100,000 shares of Common Stock at an exercise price of $1.06 per share, (ii) options to purchase 100,000 shares of Common Stock at an exercise price of $1.63 per share and (iii) options to purchase 20,000 shares of Common Stock at an exercise price of $1.25 per share. Excludes options to purchase 20,000 shares of Common Stock of Tigerquote.com at an exercise price of $.50 per share.

(6) Consists of (i) options to purchase 100,000 shares of Common Stock at an exercise price of $1.06 per share, (ii) options to purchase 100,000 shares of Common Stock at an exercise price of $1.63 per share, of which 50,000 are held in a custodial account for Mr. Slogoff's minor son, and (iii) options to purchase 20,000 shares of Common Stock at an exercise price of $1.25 per share. Excludes options to purchase 20,000 shares of Common Stock of TigerQuote.com at an exercise price of $.50 per share.

(7) Consists of (i) options to purchase 100,000 shares of Common Stock at an exercise price of $1.06 per share, (ii) options to purchase 100,000 shares of Common Stock at an exercise price of $1.63 per share and (iii) options to purchase 20,000 shares of Common Stock at an exercise price of $1.25 per share. Excludes options to purchase 20,000 shares of Common Stock of TigerQuote.com at an exercise price of $.50 per share.

(8) Consists of (i) options to purchase 50,000 shares of Common Stock at an exercise price of $1.87 per share and (ii) options to purchase 25,000 shares of Common Stock at an exercise price of $1.25 per share. Excludes options to purchase 20,000 shares of Common Stock of TigerQuote.com at an exercise price of $.50 per share.

22

(9) Consists of options to purchase 75,000 shares of Common Stock at an exercise price of $1.00 per share.

(10) See footnotes (1) - (9) above

SERIES M PREFERRED STOCK

As of March 1, 2003, the following table sets forth information regarding the number and percentage of Series M Preferred Stock held by all

persons, other than those persons listed immediately above, who are known by the Company to beneficially own or exercise voting or dispositive control over 5% or more of the Company's outstanding Series M Preferred Stock:

Name and Address (1)	Amount and Nature of Beneficial Ownership	Percent of Class
Phyllis R. Meier (2) Universal Insurance Holdings, Inc. 2875 N.E. 191st Street Suite 300 Miami, Florida 33180	16,800	18.9%
Belmer Partners (3) c/o Phyllis R. Meier Managing General Partner Universal Insurance Holdings, Inc. 2875 N.E. 191st Street Suite 300 Miami, Florida 33180	15,000	16.9%

23

(1) Unless otherwise indicated, the Company believes that each person has sole voting and investment rights with respect to the shares of Series M Preferred Stock specified opposite her or its name.

(2) Consists of (i) 1,800 shares of Series M Preferred Stock and (ii) 15,000 shares of Series M Preferred Stock beneficially owned by Belmer, of which Ms. Meier is the managing general partner. Excludes all securities owned by Bradley I. Meier and Norman M. Meier, the son and former spouse, respectively, as to which Ms. Meier disclaims beneficial ownership.

(3) Belmer Partners is a Florida general partnership in which Phylis R. Meier is managing general partner and Bradley I. Meier and Norman M. Meier are general partners.

SERIES A PREFERRED STOCK

As of March 1, 2003, the following table sets forth information regarding the number and percentage of Series A Preferred Stock held by all persons, other than those persons listed immediately above, who are known by the Company to beneficially own or exercise voting or dispositive control over 5% or more of the Company's outstanding Series A Preferred Stock:

Name and Address (1)	Amount and Nature of Beneficial Ownership	Percent of Class
Phyllis R. Meier (2) Universal Insurance Holdings, Inc. 2875 N.E. 191st Street Suite 300 Miami, Florida 33180	9,975	20.0%
Belmer Partners (3) c/o Phyllis R. Meier Managing General Partner Universal Insurance Holdings, Inc.	30,000	60.0%

2875 N.E. 191st Street
Suite 300
Miami, Florida 33180

24

(1) Unless otherwise indicated, the Company believes that each person has sole voting and investment rights with respect to the shares of Series A Preferred Stock specified opposite her or its name.

(2) Consists of 9,975 shares of Series A Preferred Stock beneficially own. Excludes all securities owned by Bradley I. Meier and Norman M. Meier, the son and former spouse, respectively, as to which Ms. Meier disclaims beneficial ownership.

(3) Belmer Partners is a Florida general partnership in which Phylis R. Meier is managing general partner and Bradley I. Meier and Norman M. Meier are general partners

COMMON STOCK

As of March 1, 2003, the following table sets forth information regarding the number and percentage of Common Stock held by all persons, other than those persons listed immediately above, who are known by the Company to beneficially own or exercise voting or dispositive control over 5% or more of the Company's outstanding Common Stock:

Name and Address (1)	Amount and Nature of Beneficial Ownership (2)	Percent of Class
Phyllis R. Meier (3) Universal Insurance Holdings, Inc. 2875 N.E. 191st Street Suite 300 Miami, Florida 33180	1,076,456	6.0%

(1) Unless otherwise indicated, the Company believes that each person has sole voting and investment rights with respect to the shares of Common Stock of the Company specified opposite her name.

(2) A person is deemed to be the beneficial owner of Common Stock that can be acquired by such person within 60 days of the date hereof upon the exercise of warrants or stock options or conversion of Series A and Series M Preferred Stock or convertible debt. Except as otherwise specified, each beneficial owner's percentage ownership is determined by assuming that warrants, stock options, Series A and Series M Preferred Stock and convertible debt that are held by such a person (but not those held by any other person) and that are exercisable within 60 days from the date hereof, have been exercised or converted.

(3) Consists of (i) (a) 333,792 shares of Common Stock, (b) 2,880 shares of Common Stock issuable upon conversion of related party debt, (c) warrants to purchase 374,085 shares of Common Stock, and (d) 33,938 shares of Common Stock issuable upon conversion of Series A and Series M Preferred Stock owned by Ms. Meier, and (ii) an aggregate of 331,761 shares of Common Stock (including shares of Common Stock issuable upon exercise of warrants and conversion of Series A and Series M Preferred Stock) beneficially owned by Belmer. Excludes all securities owned by Bradley Meier and Norman Meier, the son and former spouse of Ms.

Meier, respectively, as to which Ms. Meier disclaims beneficial ownership.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

All underwriting, rating, policy issuance and administration functions for UPCIC were previously performed by Universal Property and Casualty Management, Inc. ("Universal Management") pursuant to a Management Agreement dated June 2, 1997 and Addenda thereto dated June 12, 1997 and June 1, 1998. Universal Management is a wholly-owned subsidiary of American European Group, Inc. ("AEG") which is a Delaware insurance holding company. During the year ended December 31, 2001, UPCIC incurred administrative costs to Universal Management of $911,449. UPCIC and Universal Management terminated the management agreement effective as of January 15, 2002. Services previously provided by Universal Management to UPCIC under the management agreement are now performed by UPCIC, Universal Risk Advisors, Inc. and unaffiliated third parties.

25

As of December 31, 2002, corporate counsel held $290,000 in trust, for the benefit of the Company, which funds were placed in trust in connection with a dispute involving a Company director and an unrelated entity. These funds are included in the Company's assets as of December 31, 2002.

Transactions between the Company and its affiliates are on terms no less favorable to the Company than can be obtained from third parties on an arms' length basis. Transactions between the Company and any of its executive officers or directors require the approval of a majority of disinterested directors.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

EXHIBITS

3.1 Registrant's Restated Amended and Restated Certificate of Incorporation (1)

3.2 Registrant's Bylaws (1)

3.3 Certificate of Designation for Series A Convertible Preferred Stock dated October 11, 1994 filed herewith.

3.4 Certificate of Designations, Preferences, and Rights of Series M Convertible Preferred Stock dated August 13, 1997 (2)

3.5 Certificate of Amendment of Amended and Restated Certificate of Incorporation dated October 19, 1998 filed herewith.

3.6 Certificate of Amendment of Amended and Restated Certificate of Incorporation dated December 18, 2000 filed herewith.

3.7 Certificate of Amendment of Certificate of Designations of the Series A Convertible Preferred Stock dated October 29, 2001 filed herewith.

4.1 Form of Common Stock Certificate (1)

4.2 Form of Warrant Certificate (1)

4.3 Form of Warrant Agency Agreement (1)

4.4 Form of Underwriter Warrant (1)

4.5 Affiliate Warrant (1)

4.6 Form of Warrant to purchase 100,000 shares of Common Stock at an exercise price of $2.00 per share issued to Steven Guarino dated as of April 24, 1997. (Substantially similar in form to two additional warrants to purchase 100,000 shares of Common Stock issued to Mr. Guarino dated as of April 24, 1997, with exercise prices of $2.75 and $3.50 per share, respectively) (2)

10.1 Registrant's 1992 Stock Option Plan (1)

10.2 Form of Indemnification Agreement between the Registrant and each of its directors and executive officers (1)

10.5 Management Agreements by and between Universal Property & Casualty Insurance Company and Universal P&C Management, Inc. dated as of June 2, 1997 (2)

10.6 Employment Agreement dated as of May 1, 1997 between Universal Heights, Inc. and Bradley I. Meier (2)

16.1 Letter on change in certifying accountants from Millward & Co. CPA's dated February 12, 1999, and as amended February 26, 1999 (3)

21.1 List of Subsidiaries

(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 April 30, 1997 filed with the Securities and Exchange Commission on August 13, 1997, as amended

(3) Incorporated by reference to the Registrant's Current Report on Form 8-K and Current Report on Form 8-K/A, filed with the Securities and Exchange Commission on February 12, 1999 and February 26, 1999, respectively

REPORTS ON FORM 8-K

1. Form 8-K was filed on September 30, 2002, reporting that Deloitte & Touche LLP resigned as the independent auditor for the Company.

2. Form 8-K Was filed on October 28, 2002 reporting the Company engaged Blackman Kallick Bartelstein LLP as its new independent auditors.

ITEM 14. CONTROLS AND PROCEDURES.

The Company initially became aware of problems related to its internal controls as a result of errors in processing data recorded and transferred to the Company by the former policy administrator in connection with the conversion of administration systems. In connection with the audit of the Company's consolidated financial statements for the year ended December 31, 2001, Deloitte & Touche LLP informed the Company that a material weakness under standards established by the American Institute of Certified Public Accountants existed in the design and operation of the Company's internal control related to the

processing of claims payments, including the duplication of drafts issued and the omission of drafts from the accounting records. Prior to receiving such notice from Deloitte & Touche LLP, the Company had begun taking action to address the weakness in its internal controls including, but not limited to, working with the new vendor to fully implement a new claims system and hiring a consulting firm, i4 Intergraded Services, LLC, to provide professional consulting services in implementing an online analytical processing and management reporting system for the Company. The purpose of the new reporting system is to enhance the Company's reporting and analysis of its policy and claims data. The Company has also implemented the recommendations provided by Deloitte & Touche LLP for elimination of the material weakness. Specifically, drafts are not issued until the completed and signed proof of loss is obtained from the insured and the correct payee is verified. This has resulted in fewer drafts being issued. In addition, the controls over the issuance and recording of drafts has been evaluated and improved. A listing of voided drafts is prepared and compared to the outstanding report on a periodic basis. In addition, drafts are not issued without evidence of being recorded. Finally, an analysis of aged outstanding drafts is performed on a regular basis to determine that they are valid outstanding drafts. With the new system in place since January 15, 2002, the Company believes that it now has adequate control over policy data and claims.

Based on the evaluation by the Chief Executive Officer and Chief Financial Officer of the Company as of a date within 90 days of the filing date of this annual report, the Company's disclosure controls and procedures are adequately designed to ensure that the information required to be included in this report has been recorded, processed, summarized and reported on a timely basis. There have not been any significant changes in the Company's internal controls or in any other factors that could significantly affect these controls and there have been no corrective actions taken with regard to significant deficiencies and material weaknesses subsequent to the date of such officers' evaluation.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

UNIVERSAL INSURANCE HOLDINGS, INC.

Dated: April 9, 2003 By: /s/ Bradley I. Meier

Bradley I. Meier, President and
Chief Executive Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Bradley I. Meier Bradley I. Meier	President, Chief Executive Officer and Director	April 9, 2003
/s/ James M. Lynch James M. Lynch	Chief Financial Officer	April 9, 2003

/s/ Norman M. Meier Norman M. Meier	Director	April 9, 2003
/s/ Irwin L. Kellner Irwin I. Kellner	Director	April 9, 2003
/s/ Reed J. Slogoff Reed J. Slogoff	Director	April 9, 2003
/s/ Joel M. Wilentz Joel M. Wilentz	Director	April 9, 2003

28

CERTIFICATION

I, Bradley I. Meier, certify that:

1. I have reviewed this annual report on Form 10-KSB of Universal Insurance Holdings, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent

functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 9, 2003

/s/ Bradley I. Meier

Bradley I. Meier, Chief Executive Officer

29

CERTIFICATION

I, James M. Lynch, certify that:

1. I have reviewed this annual report on Form 10-KSB of Universal Insurance Holdings, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent

functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 9, 2003

/s/ James M. Lynch

James M. Lynch, Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Universal Insurance Holdings, Inc. ("Company") on Form 10-KSB for the period ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof ("Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

April 9, 2003

/s/ Bradley I. Meier

Bradley I. Meier, Chief Executive Officer

/s/ James M. Lynch

James M. Lynch, Chief Financial Officer

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

Page

Independent Auditors' Report..F-2

Consolidated Balance Sheet - December 31, 2002..............................F-3

Consolidated Statements of Operations for the Years
Ended December 31, 2002 and 2001 ....F-4

Consolidated Statements of Stockholders' Equity and
Comprehensive Income (Loss) for the Years Ended December 31, 2002
and 2001..F-5

Consolidated Statements of Cash Flows for the Years
Ended December 31, 2002 and 2001....................................F-6 - F-7

Notes to Consolidated Financial Statements..........................F-8 - F-26

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Universal Insurance Holdings, Inc.

We have audited the accompanying consolidated balance sheet of Universal Insurance Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2002, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated statements of operations, stockholders' equity and comprehensive loss and cash flows of Universal Insurance Holdings, Inc. and subsidiaries for the year ended December 31, 2001 were audited by other auditors whose report, dated April 9, 2002, expressed an unqualified opinion on those statements and included an explanatory paragraph describing conditions that raised substantial doubt about the Company's ability to continue as a going concern.

We conducted our audit in accordance with auditing standards opinion generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Universal Insurance Holdings, Inc. and subsidiaries as of December 31, 2002, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Blackman Kallick Bartelstein LLP

Certified Public Accountants

/s/ Blackman Kallick Bartelstein LLP

February 14, 2003

UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
December 31, 2002

ASSETS

Cash and cash equivalents	$ 4,587,920
Debt securities held-to-maturity (fair value of $348,751)	334,499
Equity securities available for sale (cost of $303,951)	229,280
Investments in real estate	323,943
Prepaid reinsurance premiums and reinsurance recoverables	25,834,319
Premiums and other receivables	1,201,574
Property, plant and equipment net	790,213
Other assets	90,677
Total assets	$ 33,392,425

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:	
Unpaid losses and loss adjustment expenses	$ 7,224,755
Unearned premiums	18,425,029
Accounts payable	1,335,219
Reinsurance payable	1,046,813
Other accrued expenses	973,448
Loans payable	699,432
Total Liabilities	29,704,696
COMMITMENTS AND CONTINGENCIES (Notes 13 and 14)	
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 40,000,000 shares authorized, 21,676,914 shares issued and 21,468,269 shares outstanding	167,175
Common stock in treasury, at cost - 208,645 shares	(101,820)
Additional paid-in capital	15,003,976

Accumulated deficit	(11,308,318)
Accumulated other comprehensive loss	(74,671)
Total stockholders' equity	3,687,729
Total liabilities and stockholders' equity	$ 33,392,425

The accompanying notes to consolidated financial statements are an integral part of this statement.

F-3

UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2002	Year Ended December 31, 2001
PREMIUMS EARNED AND OTHER REVENUES:		
Premium income, net	$ 4,895,623	$ 7,711,804
Net investment income	357,623	578,903
Commission revenue	2,285,091	1,786,675
JUA bonus and accrued interest	-	3,176,547
Other revenue	1,723,771	185,726
Total revenues	9,262,108	13,439,655
OPERATING COSTS AND EXPENSES		
Losses and loss adjustment expenses	4,638,160	7,767,980
General and administrative expenses	4,552,897	8,711,025
Total operating costs and expenses	9,191,057	16,479,005
NET INCOME (LOSS)	$ 71,051	$ (3,039,350)
INCOME (LOSS) PER COMMON SHARE:		
Basic	$ 0.00	$ (0.21)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC	15,600,921	14,698,000
INCOME (LOSS) PER COMMONSHARE		
Diluted	$ 0.00	$ (0.21)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED	16,173,956	14,698,000

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

UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME (LOSS)

YEARS ENDED DECEMBER 31, 2002 AND 2001

	Preferred Stock		Common Stock		Treasury Stock		Additional Paid-in Capital
	Shares	Amount	Shares	Amount	Shares	Amount	
BALANCE, January 1, 2001	138,640	$1,387	14,894,584	$148,946	141,795	$(84,254)	$15,126,242
Net loss	-	-	-	-	-	-	-
Net change in unrealized losses on available for sale securities	-	-	-	-	-	-	-
Comprehensive loss	-	-	-	-	-	-	-
Preferred stock dividend	-	-	-	-	-	-	-
Common stock dividend	-	-	-	-	-	-	(148,945)
Purchase of treasury stock	-	-	-	-	66,850	(17,566)	-
BALANCE, December 31, 2001	138,640	1,387	14,894,584	148,946	208,645	(101,820)	14,977,297
Net income	-	-	-	-	-	-	-
Net change in unrealized losses on available for sale securities	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	-	-	-
Preferred stock dividend	-	-	-	-	-	-	-
Common stock dividend	-	-	-	-	-	-	-
Issuance of common stock	-	-	6,782,330	18,229	-	-	26,679
BALANCE, December 31, 2002	138,640	$1,387	21,676,914	$167,175	208,645	$(101,820)	$15,003,976 $

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

UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2002
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income (loss)	$ 71,051
Adjustments to reconcile net income (loss) to cash provided by (used in) operations:	
Amortization and depreciation	236,316
Issuance of common stock as compensation	44,908
Gains on sales of equity securities available for sale	-
Net accretion of bond premiums and discounts	(2,161)
Net change in assets and liabilities relating to operating activities:	
Prepaid reinsurance premiums and reinsurance recoverable	(11,674,228)
Premiums and other receivables	7,345
Deferred policy acquisition costs	529,942
Reinsurance payable	(3,327,902)
Accounts payable	(28,505)
Other accrued expenses	282,792
Accrued taxes, licenses and fees	(6,758)
Unpaid losses and loss adjustment expenses	977,888
Unearned premiums	4,371,790
Due from related parties	-
Net cash provided by (used in) operating activities	(8,517,522)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures	(155,345)
Purchase of equity securities available for sale	(18,160)
Proceeds from sale of equity securities available for sale	-
Purchase of debt securities held to maturity	-
Proceeds from maturities of debt securities held to maturity	2,699,235
Purchase of real estate	(280,487)
Sale of real estate	173,102
Net cash provided by (used in) investing activities	2,418,345
CASH FLOWS FROM FINANCING ACTIVITIES:	
Preferred stock dividend	(49,950)
Common stock dividend	-
Purchase of treasury stock	-
Proceeds from loans payable	255,348
Net cash provided by financing activities	205,398

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,893,779)
CASH AND CASH EQUIVALENTS, Beginning of year	10,481,699

UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
CONTINUED

	Year Ended December 31, 2002	Year Ended December 31, 2001
SUPPLEMENTAL NONCASH FINANCING AND INVESTING ACTIVITIES:	$ -	$ -

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

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

NOTE 1 - NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of Operations

Universal Insurance Holdings, Inc. (the "Company") was originally incorporated as Universal Heights, Inc. in Delaware in November 1990. The Company changed its name to Universal Insurance Holdings, Inc. on January 12, 2001. The Company, through its wholly-owned subsidiary, Universal Insurance Holding Company of Florida, formed Universal Property & Casualty Insurance Company ("UPCIC") in 1997. UPCIC's application to become a Florida licensed property and casualty insurance company was filed in May 1997 with the Florida Department of Insurance ("DOI") and was approved on October 29, 1997. In 1998, UPCIC began operations through the acquisition of homeowner insurance policies issued by the Florida Residential Property and Casualty Joint Underwriting Association ("JUA").

The JUA was established in 1992 as a temporary measure to provide insurance coverage for individuals who could not obtain coverage from private carriers because of the impact on the private insurance market of Hurricane Andrew in 1992. Rather than serving as a temporary source of emergency insurance coverage as was originally intended, the JUA became a major provider of original and renewal insurance coverage for Florida residents. In an attempt to reduce the number of policies in the JUA, and thus the exposure of the program to liability, the Florida legislature approved a number of initiatives to

depopulate the JUA, which resulted in policies being acquired by private insurers and provided additional incentives to private insurance companies to acquire policies from the JUA.

On December 4, 1997, the Company raised approximately $6,700,000 in a private offering with various institutional and/or otherwise accredited investors pursuant to which the Company issued, in the aggregate, 11,208,996 shares of its common stock at a price of $.60 per share. The proceeds of this transaction were used partially for working capital purposes and to meet the minimum regulatory capitalization requirements ($5,300,000) required by the Florida Department of Insurance to engage in this type of homeowners insurance company business.

In February 1998, the Company commenced its insurance business. Since then the Company has developed into a vertically integrated insurance holding company performing all aspects of insurance underwriting, distribution and claims. Universal Risk Advisors, Inc. was incorporated in Florida on July 2, 1998, and became licensed by the Florida Department of Insurance on September 28, 1998 as the Company's wholly-owned managing general agent ("MGA"). Through the MGA, the Company has underwriting and claims authority for UPCIC as well as third party insurance companies. The MGA seeks to generate revenue through policy fee income and other administrative fees from the marketing of UPCIC and third party insurance products through the Company's distribution network and UPCIC.

Universal Florida Insurance Agency was incorporated in Florida on July 2, 1998 and U.S. Insurance Solutions, Inc. was incorporated in Florida on August 4, 1998 as wholly-owned subsidiaries of Universal Insurance Holdings, Inc. to solicit voluntary business and generate commission revenue. These two entities are a part of the Company's agency operations, which seek to generate income from commissions, premium financing referral fees and the marketing of ancillary services. U.S.A. Insurance Solutions, Inc., was incorporated in Florida on December 10, 1998 as a wholly-owned subsidiary of U.S. Insurance Solutions, Inc. to acquire the assets of an insurance agency. In addition, Capital Resources Group, LTD. was incorporated in the British Virgin Islands on June 2, 2000 as a subsidiary of the Company to participate in contingent capital products. Universal Risk Life Advisors, Inc. was incorporated in Florida on June 1, 1999 as the Company's wholly-owned managing general agent for life insurance products. The Company has also formed a claims adjusting company, Universal Adjusting Corporation, which was incorporated in Delaware on August 9, 1999. Universal Adjusting Corporation currently has claims authority for Universal Property & Casualty Insurance Company claims. The Company has also formed subsidiaries that specialize, or will specialize, in selling insurance and generating insurance leads via the Internet. Tigerquote.com Insurance & Financial Services Group, Inc. ("Tigerquote.com") and Tigerquote.com Insurance Solutions, Inc. were incorporated in Delaware on June 6, 1999 and August 23, 1999, respectively. Tigerquote.com is an Internet insurance lead generating network while Tigerquote.com Insurance Solutions, Inc. is a currently operating

F-8

network of Internet insurance agencies. As of December 31, 2002, these insurance agencies have been established in 22 states. During 2001, the Company formed Tiger Home Services, Inc., which furnishes pest control, pool services, landscaping, house cleaning and hurricane shutters to homeowners. The services are currently offered to commercial and residential customers in certain areas in the state of Florida. Various plans are offered to fit customer needs.

BASIS OF PRESENTATION

The accompanying consolidated 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. The Company has one

reportable segment during each period reported in the accompanying consolidated financial statements, based upon management reporting.

UPCIC's statutory annual statement as of December 31, 2001 reflected an inadequate level of Risk Based Capital (RBC). Total adjusted capital was equivalent to a company-action level. In addition, UPCIC has been experiencing recurring losses from operations and increasing loss ratios for the last four years. This period includes 2001 which had nonrecurring bonus revenue of about $3.2 million.

These factors, among others, raised substantial doubt that the Company would be able to continue as a going concern for a reasonable time. The Company's continuation as a going concern is dependent in part on UPCIC's ability to meet minimum statutory and risk-based capital requirements.

As a result of the company-action level event discussed above, management was required to file a risk-based capital plan (the "Plan") addressing certain items specified in the Florida insurance statutes, and, in sum, identify steps UPCIC will take to raise its RBC to an acceptable level. These steps, if successful, would also enhance its ability to continue as a going concern.

Management attributes the recent operating losses and increasing loss ratios of UPCIC primarily to higher than expected costs of catastrophic reinsurance and adverse loss experience in the homeowners line of business. Management has taken the following actions to improve and strengthen the UPCIC's financial condition. Premium rate increases of approximately 7% and 9% were implemented in July, 2001 and April, 2002, respectively. 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. The Company has achieved more favorable ceding commission terms on its quota share reinsurance program. UPCIC was also able to obtain a less expensive catastrophic reinsurance program from 2002-2003.

In addition to the actions described above, the Company terminated its outside management agreement in January, 2002. The Company believes that this will enhance UPCIC's operating results through its ability to improve and better control underwriting and loss adjusting activities, as well as reducing overall management expenses.

Management believes the implementation of, and results attributable to, the actions described above, along with the capital contribution to UPCIC of $1,768,000 in 2002, removes the substantial doubt associated with UPCIC's ability to continue as a going concern for a reasonable period of time as UPCIC has met the minimum statutory requirements as of December 31, 2002. However, there can be no assurance of the ultimate success of these plans or that the company will be able to achieve profitability.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Company are summarized as follows:

USE OF ESTIMATES. 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 periods. The Company's primary areas of estimate are the recognition of premium revenues, insurance liabilities, deferred policy acquisition costs, provision for premium deficiency and reinsurance. Actual results could differ from those estimates.

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the

accounts, after intercompany eliminations, of the Company and its subsidiaries.

CASH AND CASH EQUIVALENTS. The Company includes all short-term, highly liquid investments that are readily convertible to known amounts of cash and have an original maturity of three months or less in cash equivalents.

SECURITIES HELD TO MATURITY. Debt securities which the Company has the intent and ability to hold to maturity are reported at amortized cost, adjusted for amortization of premiums or accretion of discounts and other-than-temporary declines in fair value.

INVESTMENTS IN REAL ESTATE. Investments in real estate are reported at the lower of cost or appraised value. Real estate represents residential properties, purchased by UPCIC information with the settlement of certain claims. The properties are rented for the production of income until they can be sold. No depreciation is recorded.

SECURITIES AVAILABLE FOR SALE. Equity securities are reported at fair value, with unrealized gains and losses reported as a separate component of stockholders' equity. Realized gains and losses are determined on the specific identification method.

PROPERTY, PLANT AND EQUIPMENT. Property, plant and equipment is recorded at cost. Depreciation is provided on the straight-line basis over the estimated useful life of the assets. Estimated useful life of all property, plant and equipment ranges from three to five years. Routine repairs and maintenance are expensed as incurred. Website development costs are capitalized and amortized over their estimated useful life.

RECOGNITION OF PREMIUM REVENUES. Property and liability premiums are recognized as revenue on a pro rata basis over the policy term. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums. The Company believes that its revenue recognition policies conform to Staff Accounting Bulletin 101, REVENUE RECOGNITION IN FINANCIAL STATEMENTS.

RECOGNITION OF COMMISSION REVENUE. Commission revenue, which is comprised of the managing general agent's policy fee income on all new and renewal insurance policies and commissions generated from agency operations is recognized as

income upon policy inception. The Company believes that its revenue recognition policies conform to Staff Accounting Bulletin 101, REVENUE RECOGNITION IN FINANCIAL STATEMENTS.

DEFERRED POLICY ACQUISITION COSTS. Commissions and other costs of acquiring insurance that vary with and are primarily related to the production of new and renewal business net of reinsurance commissions are deferred and amortized over the terms of the policies or reinsurance treaties to which they are related. Investment income is taken into consideration when calculating the maximum amount of deferred acquisition cost.

INSURANCE LIABILITIES. Unpaid losses and loss adjustment expenses are provided for as claims are incurred. The provision for unpaid losses and loss adjustment expenses includes: (1) the accumulation of individual case estimates for claims and claim adjustment expenses reported prior to the close of the accounting period; (2) estimates for unreported claims based on industry data; and (3) estimates of expenses for investigating and adjusting claims based on the experience of the Company and the industry.

Inherent in the estimates of ultimate claims are expected trends in claim

severity, frequency and other factors that may vary as claims are settled. The amount of uncertainty in the estimates for casualty coverage is significantly affected by such factors as the amount of claims experience relative to the development period, knowledge of the actual facts and circumstances and the amount of insurance risk retained. In the case of UPCIC, this uncertainty is compounded by UPCIC's limited history of claims experience. In addition, UPCIC's policyholders are currently concentrated in South Florida, which is periodically subject to adverse weather conditions such as hurricanes and tropical storms. The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in current earnings.

PROVISION FOR PREMIUM DEFICIENCY. It is the Company's policy to evaluate and recognize losses on insurance contracts when estimated future claims and maintenance costs under a group of existing contracts will exceed anticipated future premiums. No accrual for premium deficiency was considered necessary at December 31, 2002.

REINSURANCE. In the normal course of business, the Company seeks to reduce the risk of 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 provisions of the reinsurance agreement and consistent with the establishment of the liability of the Company.

INCOME TAXES. Income tax provisions are based on the asset and liability method. Deferred federal income taxes have been provided for temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements.

INCOME (LOSS) PER SHARE OF COMMON STOCK. Basic earnings per share is computed by dividing the Company's net income (loss) less cumulative Preferred Stock dividends by the weighted average number of shares of Common Stock outstanding during the period. Diluted earnings per share is computed by dividing the Company's net income (loss) minus Preferred Stock dividends by the weighted average number of shares of Common Stock outstanding during the period and the impact of all dilutive potential common shares, primarily Preferred Stock, options and warrants. The dilutive impact of stock options and warrants is determined by applying the treasury stock method and the dilutive impact of the Preferred Stock is determined by applying the "if converted" method.

FAIR MARKET VALUE OF FINANCIAL INSTRUMENTS. Statement of Financial Accounting Standards ("SFAS") No. 107, DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS, requires disclosure of the estimated fair value of all financial instruments including both assets and liabilities unless specifically exempted. The Company uses the following methods and assumptions in estimating the fair value of financial instruments.

Cash and cash equivalents: the carrying amount reported in the consolidated balance sheet for cash and cash equivalents approximates fair value due to the short-term nature of those items.

Premiums and other receivables and accounts payable: the carrying amounts reported in the consolidated balance sheet for premiums and other receivables and accounts payable approximate their fair value due to their short-term nature.

Equity securities available-for-sale and debt securities held-to-maturity:

fair values for equity and debt securities are based on quoted market prices.

Loans payable: the carrying amount reported in the consolidated balance sheet for loans payable is equal to the amount of the respective notes.

CONCENTRATIONS OF CREDIT RISK. Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash, investments, premiums receivable and reinsurance recoverables. Concentrations of credit risk with respect to premiums receivable are limited due to the large number of individuals comprising the Company's customer base. However, the majority of the Company's revenues are currently derived from products and services offered to customers in Florida which could be adversely affected by economic downturns, an increase in competition or other environmental changes. In order to reduce credit risk for amounts due from reinsurers, the Company seeks to do business with financially sound reinsurance companies and regularly evaluates the financial strength of all reinsurers used.

STOCK OPTIONS. The Company grants options for a fixed number of shares to employees and outside directors with an exercise price equal to the fair value of the shares at the grant date. The Company has 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 Statement of Financial Accounting Standard ("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 equals the market price of underlying stock on the date of the grant, no compensation expense is recognized. The Company expenses the fair value (as determined at the grant date) of options and warrants granted to non-employees in accordance with SFAS No. 123. The Company has adopted the disclosure only provisions of SFAS No. 123 (see Note 12).

NEW ACCOUNTING PRONOUNCEMENTS. The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the Insurance Department of the State of Florida. Effective January 1, 2001, the Insurance Department of the State of Florida required that insurance companies domiciled in the State of Florida prepare their statutory financial statements in accordance with the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual--Version effective January 1, 2001 (the "Manual"), as modified by the Insurance Department of the State of Florida. Accordingly, the admitted assets, liabilities, and capital and surplus of Universal Property & Casualty Insurance Company as of December 31, 2002, and the results of its operations and its cash flow for the year then ended have been determined in accordance with the new accounting principles.

In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, BUSINESS COMBINATIONS, and SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS. These standards establish accounting and reporting for business combinations. SFAS No. 141 requires all business combinations entered into subsequent to June 30, 2001 to be accounted for using the purchase method of accounting. SFAS No. 142 provides that goodwill and other intangible assets with indefinite lives will not be amortized, but will be tested for impairment on an annual basis. Universal adopted the provisions of these statements in the first quarter of 2002. The impact of such adoption did not have a material effect on the Company's consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS, which is effective for fiscal years beginning after December 15, 2001. This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supercedes SFAS No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF, and the accounting and reporting provisions

of Accounting Principles Board Opinion No. 30, REPORTING THE RESULTS OF OPERATIONS - REPORTING THE EFFECTS OF DISPOSAL OF A SEGMENT OF A BUSINESS, AND EXTRAORDINARY, UNUSUAL AND INFREQUENTLY OCCURRING EVENTS AND TRANSACTIONS, for the disposal of a segment of a business (as previously defined in that opinion). This statement also amends Accounting Research Bulletin No. 51, CONSOLIDATED

FINANCIAL STATEMENTS, to eliminate the exception to consolidation for subsidiaries for which control is likely to be temporary. Universal adopted SFAS No. 144 in the first quarter of 2002. The impact of such adoption did not have a material effect on the Company's consolidated financial statements.

In December 2002, the Financial Accounting Standards Board issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." This Statement, which is effective for years ending after December 15, 2002, amends Statement No. 123, "Accounting for Stock-Based Compensation," and provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. In addition, Statement No. 148 amends the disclosure requirements of Statement No. 123 regardless of the accounting method used to account for stock-based compensation. The Company has chosen to continue to account for stock-based compensation of employees using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. However, the enhanced disclosure provisions as defined by SFAS No. 148 will be effective for the quarter ending March 31, 2003.

RECLASSIFICATIONS. Certain prior year amounts in the consolidated financial statements have been reclassified to conform with the current year presentation.

NOTE 3 - INSURANCE OPERATIONS

UPCIC commenced its insurance activity in February 1998 by assuming policies from the JUA. UPCIC received the unearned premiums and began servicing the policies. Subsequently, UPCIC was successful in renewing a large number of these policies while commencing solicitation of business in the voluntary market through independent agents. Unearned premiums represent amounts that UPCIC would refund policyholders if their policies were canceled. Accordingly, UPCIC determines unearned premiums by calculating the pro-rata amount that would be due to the policyholder at a given point in time based upon the premiums owed over the life of each policy. At December 31, 2002, the Company has direct unearned premiums of $18,425,029.

UPCIC's obligation for liabilities for policies assumed from the JUA began at 11:59 p.m. on the date of assumption of the policies. UPCIC has no liability for assumed policies prior to the assumption date nor does UPCIC have any liability for claims made to the JUA. Similarly, the JUA has no liability for assumed liabilities subsequent to the assumption date.

Through December 31, 2001, UPCIC received bonus payments of approximately $2,723,600 based upon a portfolio takeout of approximately 30,000 policies. Bonus payments were held in escrow for three years. After the three-year period, based upon certain conditions being met, including maintaining a minimum number of policies, UPCIC gained unrestricted use of the bonus payments. In addition, UPCIC received investment income from the bonus payments also at the end of the three years. These bonus payments were not included in the Company's assets until receipt at the end of the three-year period. Bonus payments of $2,723,600 were released from escrow for 27,278 policies which reached their three-year anniversary in 2001. The Company will not be receiving any additional bonus

payments. Investment income of $452,947 was recognized in 2001 and was received in January 2002.

NOTE 4 - REINSURANCE

UPCIC's in-force policyholder coverage for windstorm exposures as of December 31, 2002 was approximately $4.7 billion. In the normal course of business, UPCIC also seeks to reduce the risk of 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 policy. 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 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.

QUOTA SHARE

Effective June 1, 2002, UPCIC entered into a quota share reinsurance treaty and excess per risk agreements with various reinsurers. Under the quota share treaty, UPCIC originally ceded 80% of its gross written premiums, losses and loss adjustment expenses with a ceding commission equal to 26% of ceded gross premium written. Effective September 30, 2002, UPCIC

amended its quota share reinsurance treaty to cede an additional 10% of its gross premium written. During the first five months of 2002, UPCIC ceded 50% of gross written premiums, losses and loss adjustment expenses with a provisional ceding commission ranging from 27% to 35%; the commission percentage reflected in these financial statements is 27% based on the ceded loss ratio with a provisional ceding commission rating. For the year ended December 31, 2001, UPCIC ceded 50% of gross written premiums, losses and loss adjustment expenses. In addition, the quota share treaty has a limitation for any one occurrence of $2,000,000.

EXCESS PER RISK

Effective June 1, 2002, UPCIC entered into an excess per risk agreement with various reinsurers. Under the excess per risk agreement, UPCIC obtained coverage of $1,300,000 in excess of $500,000 ultimate net loss for each risk, each property loss, and $1,000,000 in excess of $300,000 each casualty, loss, excluding losses arising from the peril of wind to the extent such wind related losses are the result of a hurricane. A $2,600,000 limit applies to any one-loss occurrence.

EXCESS CATASTROPHE

The excess catastrophe reinsurance agreement provides four layers of excess

catastrophe coverage as of December 31, 2001 as follows:

	FIRST LAYER	SECOND LAYER	THIRD LAYER
Coverage	$5,000,000 in excess of $2,000,000 each loss occurrence	$9,500,000 in excess of $7,000,000 each loss occurrence	$14,000,000 in excess of $16,500,000 each loss occurrence
Deposit premium	$1,800,000	$2,565,000	$1,862,000
Minimum premium	$1,440,000	$2,052,000	$1,489,600
Premium rate -% of Total insured value	0.036%	0.0513%	0.03724%

Effective June 1, 2002, UPCIC revised and enhanced its excess catastrophe reinsurance program. The excess catastrophe reinsurance agreement provides three layers of excess catastrophe coverage as of December 31, 2002 as follows:

	FIRST LAYER	SECOND LAYER	THIRD LAYER
Coverage	$12,000,000 in excess of $2,000,000 each loss occurrence	$25,000,000 in excess of $14,000,000 each loss occurrence	$13,000,000 in excess of $19,000,000 each loss occurrence
Deposit premium	$3,600,000	$2,750,000	$1,300,000
Minimum premium	$2,880,000	$2,600,000	$1,040,000
Premium rate -% of Total insurance value	0.078%	0.016%	0.028%

F-13

Loss occurrence is defined as all individual losses directly occasioned by any one disaster, accident or loss or series of disasters, accidents or losses arising out of one event, which occurs within the area of one state of the United States or province of Canada and states or provinces contiguous thereto and to one another.

Effective June 1, 2001 UPCIC entered a reimbursement agreement with the Florida Hurricane Catastrophe Fund (the "Fund") which is administered by the Florida State Board of Administration. Under the reimbursement agreement, the Fund would reimburse the Company, with respect to each loss occurrence during the contract year (June 1, 2001 to May 31, 2002) for 90% of the ultimate loss paid by the Company in excess of the Company's retention plus 5% of the reimbursed losses to cover loss adjustment expenses. A covered event means any one storm declared to be a hurricane by the National Hurricane Center for losses incurred in Florida, both while it is a hurricane and through subsequent downgrades. The Fund provided UPCIC with coverage of $55,115,106 in excess of $16,646,510. The premium for this coverage was $2,473,274. Effective June 1, 2002, UPCIC entered a subsequent reimbursement agreement with the Fund under the same terms through

May 31, 2003. The Fund has provided UPCIC with coverage of $56,312,219 in excess of $19,228,181 as of December 31, 2002. The premium for this coverage was $2,394,227. In the event of depletion of the Fund due to losses arising from catastrophic events, the Fund would assess homeowners' insurers writing business in the state of Florida.

Effective July 1, 2001, UPCIC purchased industry loss warranty catastrophe reinsurance, covering the period July 1, 2001 to June 30, 2002, which could supplement other coverages. The premiums for these coverages were $352,855. No replacement coverage of this nature was subsequently purchased as it would duplicate other coverages in place.

Amounts recoverable from reinsurers are estimated in accordance with the reinsurance contract. Reinsurance premiums, losses and loss adjustment expenses ("LAE") are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

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

	Year Ended December 31, 2002				
	Premiums Written	Premiums Earned	Loss and Loss Adjustment Expenses	Premiums Written	
Direct	$ 33,160,567	$ 28,788,776	$ 17,998,488	$ 25,536,716	$ 2
Assumed	-	-	-	-	
Ceded	(31,213,385)	(23,893,153)	(13,360,328)	(17,234,000)	(1
Net	$ 1,947,182	$ 4,895,623	$ 4,638,160	$ 8,302,716	$

Other amounts:

	DECEMBER 31, 2002
Reinsurance recoverable on unpaid losses and loss adjustment expenses	$5,634,455
Reinsurance recoverable on paid losses	3,264,702
Unearned premiums ceded	16,935,162
Prepaid reinsurance premiums and reinsurance recoverable	$25,834,319
Reinsurance payable	$1,046,813

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. UPCIC evaluates the similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. Three reinsurers have unsecured balances greater than 10% of the total amounts of prepaid reinsurance premiums and reinsurance recoverables. The balance for those reinsurers are $5,363,000, $5,102,000, and $2,827,000. As of December 31, 2002, UPCIC has reinsurance contracts with various reinsurers located throughout the United States and internationally. UPCIC believes that this distribution of reinsurance contracts adequately minimizes UPCIC's risk from any potential operating difficulties of its reinsurers.

NOTE 5 - INVESTMENTS

Major categories of net investment income are summarized as follows:

	Year Ended December 31, 2002	Year Ended December 31, 2001
Debt securities held-to-maturity	$ 237,440	$ 241,913
Common stocks	2,040	1,294
Cash and cash equivalents	130,951	361,243
	370,431	604,450
Investment expenses	12,808	25,547
	$ 357,623	$ 578,903

Proceeds from the sale of equity securities during 2002 and 2001 were $0 and $23,195, respectively. Gross gains on the sale of securities during 2002 and 2001 were $81,299 and $11,215, respectively. Gross losses on the sale of securities during 2002 and 2001 were $2,644 and $7,881, respectively.

The aggregate amortized cost, gross unrealized holding gains, gross unrealized holding losses and fair value as of December 31, 2002 for available-for-sale and held-to-maturity securities by major security type are as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Available-for-sale securities:				
Equity securities	$ 303,952	-	$ (74,672)	$
Held-to-maturity securities:				

US government agencies	$ 100,614	$ 6,823	$ -	$
Mortgage backed securities	$ 233,885	9,042	(1,613)	
Total	$ 334,499	$ 15,865	$ (1,613)	$

The scheduled maturities of held-to-maturity securities at December 31, 2002 were as follows:

	Amortized Cost	Fair Value
Due after one year through five years	$100,614	$107,437
Due after five years through ten years	-	-
Due after ten years	233,885	241,314
Total	$334,499	$348,751

The preceding data is based on the stated maturities of the securities. Actual maturities may differ as borrowers may have the right to call or prepay obligations.

At December 31, 2002, investments with a carrying value of $1,500,000 were on deposit with regulatory authorities.

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2002 consisted of the following:

Computers	$ 434,812
Furniture	83,572
Automobiles and equipment	747,197
Total cost	1,265,581
Less: Accumulated depreciation	(475,368)
Net carrying value	$ 790,213

NOTE 7 - LIABILITY FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

As described in Note 2, UPCIC establishes liabilities for unpaid losses and loss adjustment expense on reported and unreported claims of insured losses. These liability estimates are based on known facts and interpretation of factors such as claim payment patterns, loss payments, pending levels of unpaid claims, product mix and industry experience. The establishment of appropriate liabilities, including liabilities for catastrophes, is an inherently uncertain process. This uncertainty is compounded by UPCIC's limited history of claims experience. UPCIC regularly updates its estimates as new facts become known and further events occur which may impact the resolution of unsettled claims.

The level of catastrophe loss experienced in any year cannot be predicted and could be material to results of operations and financial position. UPCIC's policyholders are concentrated in South Florida, which is periodically subject to adverse weather conditions such as hurricanes and tropical storms. UPCIC's in-force policyholder coverage for windstorm exposures as of December 31, 2002 was approximately $4.7 billion. UPCIC continuously evaluates alternative business strategies to more effectively manage its exposure to catastrophe losses, including the maintenance of catastrophic reinsurance coverage as discussed in Note 4.

Management believes that the liabilities for claims and claims expense at December 31, 2002 is appropriately established in the aggregate and adequate to cover the ultimate cost of reported and unreported claims arising from losses which had occurred by that date.

Activity in the liability for unpaid losses and loss adjustment expenses is summarized as follows:

	Year Ended December 31, 2002	Year Ended December 31, 2001
Balance at beginning of year	$ 6,246,867	$ 3,468,124
Less reinsurance recoverable	(3,278,316)	(2,094,643)
Net balance at beginning of year	2,968,551	1,373,481
Incurred related to:		
Current year	3,908,724	7,344,980
Prior years	729,436	423,000
Total incurred	4,638,160	7,767,980
Paid related to:		
Current year	2,894,786	4,790,090
Prior years	3,121,625	1,382,820
Total paid	6,016,411	6,172,910
Net balance at end of year	1,590,300	2,968,551
Plus reinsurance recoverable	5,634,455	3,278,316
Balance at end of year	$ 7,224,755	$ 6,246,867

The Company's liabilities for unpaid losses and LAE, net of related reinsurance recoverables, at December 31, 2002 and December 31, 2001 were increased in the following year by $729,436 and 423,000, respectively, for claims that had occurred on or prior to the balance sheet date. This unfavorable loss emergence resulted principally from settling homeowners' losses established in the prior year for amounts that were more than expected.

NOTE 8 - LOANS PAYABLE

On May 29, 2002 Universal Insurance Holdings, Inc. entered into a Senior Promissory Note with Renaissance Reinsurance LTD. for the principal sum of $750,000 payable in 12 monthly installments of $62,500. Interest accrues on the unpaid balance of the principal amount at a fixed annual rate of 9%. Universal Risk Advisors, Inc. signed as guarantor of the note. The loan amount was contributed to UPCIC as additional paid in capital.

Loans payable at December 31, 2002 also consists of the following bank loans secured by the respective assets: a boat loan for $142,394, principal due in May 2011, with interest paid monthly at 8.8%, and several vehicle loans totaling $301,690, principal due from January 2003 to September 2004, with interest paid monthly ranging from 7.5% to 10%.

Loan repayments are due as follows:

2003	519,990
2004	65,130
2005	13,578
2006	14,822
2007	14,822
Thereafter	71,090
	$ 699,432

NOTE 9 - REGULATORY REQUIREMENTS AND RESTRICTIONS

UPCIC is subject to comprehensive supervision and regulation by the DOI. The Florida Insurance Code (the "Code") requires that UPCIC maintain minimum statutory surplus of $4,000,000. UPCIC is also required to adhere to prescribed premium-to-surplus ratios under the Code and to maintain approved securities on deposit with the State of Florida.

On December 31, 1997, UPCIC entered into a consent order with the DOI related to the issuance of its certificate of authority (the "Consent Order"). Under the terms of the Consent Order, during its first four years of operations, UPCIC could only pay dividends on its common stock approved in advance and in writing by the DOI. No dividends were declared or paid by UPCIC on its common stock during 2002 or 2001. The Consent Order also required that UPCIC obtain prior written approval of the DOI before amending, updating, or changing any managing general agent contracts. During 2001, UPCIC amended the contract with its managing general agent, Universal Risk Advisors, Inc., in regards to the calculation of the management fee and in 2002 to assume the management company functions formerly performed by Universal Property & Casualty Management, Inc. ("Universal Management"). These amendments have been submitted to the Department of Insurance for approval.

On January 16, 1998, UPCIC entered into a consent order with the DOI related to participation in the JUA depopulation program (the "Depopulation Consent Order"). Under the Depopulation Consent Order, UPCIC was required to maintain catastrophe reinsurance up to its 100 year Probable Maximum Loss with reinsurers who are authorized and/or approved or approved in advance and in writing by the DOI. The Depopulation Consent Order also required UPCIC to materially abide by its depopulation plan submitted to the DOI, which limited UPCIC's depopulation assumptions to 30,000 policies. The premium limits and surplus requirements impacted UPCIC's potential growth. UPCIC's ability to exceed these limitations will be subject to its ability to continue to renew policies transferred from the Takeout Program and attract additional policyholders from the voluntary insurance market as well as maintaining capital and surplus to support its underwriting program. As of December 31, 2001 UPCIC was in compliance with requirements of the Consent Order and the Depopulation Consent Order. The Consent Order expired December 31, 2001. The Depopulation Consent Order expired January 16, 2001.

The following schedule reconciles statutory net loss and surplus of UPCIC as reported in the 2002 and 2001 annual statements filed with the DOI, prepared on the basis of statutory accounting principles, to UPCIC's net loss for the years ended December 31, 2002 and 2001 and stockholders' equity under GAAP at December 31, 2002:

	Year Ended December 31, 2002		Year December
	NET LOSS	SURPLUS	NET
Balance per statutory financial statement, as originally filed	$ (475,329)	$ 4,741,628	$ (1,13
Increase allowance for other receivables	-	-	(9
Increase accrued expenses	-	-	(9
Decrease liability for losses	-	-	6
Increase deferred income tax asset	-	-	5
Balance per statutory financial statement, as adjusted	(475,329)	4,741,628	(1,20
Deferred policy acquisition costs	(529,942)	-	(1,26
Deferred income taxes	81,232	159,456	28
Policy assessment	287,332	287,332	
Increase non admitted assets	-	656,839	
Other	-	(9,776)	
Balance in conformity with GAAP	$ (636,707)	$ 5,835,479	(2,18

NOTE 10 - RELATED PARTY TRANSACTIONS

All underwriting, rating, policy issuance and administration functions for UPCIC were previously performed by Universal Management pursuant to a Management

Agreement dated June 2, 1997 and Addenda thereto dated June 12, 1997 and June 1, 1998. Universal Management is a wholly-owned subsidiary of American European Group, Inc., a Delaware insurance holding company. UPCIC and Universal Management terminated the management agreement effective as of January 15, 2002. During the year ended December 31, 2001, UPCIC incurred administrative costs to Universal Management of $911,449. Services previously provided by Universal Management to UPCIC under the management agreement are now performed by UPCIC, Universal Risk Advisors, Inc., a wholly-owned subsidiary of the Company, and unaffiliated third parties.

As of December 31, 2002, corporate counsel held $290,000 in trust, for the benefit of the Company, which funds were placed in trust in connection with a dispute involving a Company director and an unrelated entity. These funds are included in cash and cash equivalents as of December 31, 2002.

NOTE 11- INCOME TAX PROVISION

Since its inception, the Company has incurred cumulative tax-operating losses. Therefore, the Company has not incurred any significant income tax liabilities during that time. As of December 31, 2002, the Company had net operating loss carryforwards totaling approximately $8,976,000 which are available to offset future taxable income, if any, through 2021.

The following table reconciles the statutory federal income tax rate to the Company's effective tax rate for the years ended December 31, 2002 and 2001:

	2002	2001
Statutory federal income tax rate	34.0%	34.0%
Increases (decreases) resulting from:		
Change in valuation allowance	(27.7%)	(36.7%)
Other	(6.3%)	2.7%
Effective tax rate	0.0%	0.0%

Deferred income taxes at December 31, 2002 are provided for the temporary differences between financial reporting basis and the tax basis of the Company's assets and liabilities under SFAS 109. The tax effects of temporary differences are as follows:

Deferred income tax assets:	
Net operating loss carryforward	$ 3,378,000
Unearned premiums	112,000
Unpaid losses	69,000
Organizational costs	20,000
	3,579,000
Deferred income tax liabilities:	
Property, plant and equipment	(56,000)

	(56,000)
Net deferred income tax asset	3,523,000
Less: valuation allowance	(3,523,000)
Net deferred income tax asset	$ -

The Company has prepared projections that indicate it may generate some amount of income from operations in the future. However, a valuation allowance is deemed necessary because management does not believe that is more likely than not that the Company will generate substantial taxable income sufficient to realize the tax benefits associated with the net deferred tax asset shown above in the near term.

The remaining net operating loss carryforwards will expire as follows:

Expiration	
2007	$ 328,000
2008	1,010,000
2009	1,116,000
2010	677,000
2011	1,570,000
2012	1,379,000
2013	5,000
2020	1,229,000
2021	1,258,000
2022	404,000
	$ 8,976,000

NOTE 12 - STOCKHOLDERS' EQUITY

CUMULATIVE PREFERRED STOCK

In October 1994, 49,950 shares of Series A Preferred Stock were issued in repayment of $499,487 of related party debt, and 88,690 shares of Series M Preferred Stock were issued during fiscal year ended April 30, 1997 for repayment of $88,690 of related party debt. Each share of Series A and M Preferred Stock is convertible by the Company into 2.5 shares of Common Stock and 5 shares of Common Stock, respectively, into an aggregate of 568,326 common shares. Beginning May 1, 1998, the Series A Preferred Stock pays a cumulative dividend of $.25 per share per quarter. In connection with this issuance of the Series A Preferred Stock, the Company issued the holders warrants to purchase

12,488 shares of Common Stock at $4.25 per share, exercisable through October 17, 2004.

STOCK OPTIONS

The Company adopted a 1992 Stock Option Plan (the "Plan") under which shares of Common Stock are reserved for issuance upon the exercise of the options. The Plan is designed to serve as an incentive for attracting and retaining qualified and competent employees, officers, directors and consultants of the Company. All

employees, officers, directors and consultants of the Company or any subsidiary are eligible to participate in the Plan.

A summary of the option activity for the years ended December 31, 2002 and 2001 is presented below:

	Number of Shares	Option Price Per Share Low	High	Weighted	Nu of
Outstanding January 1, 2001	6,268,624	$ 0.63	$ 22.00	$ 1.30	6
Granted	570,000	$ 0.50	$ 1.00	$ 0.59	
Outstanding December 31, 2001	6,838,624	$ 0.50	$ 22.00	$ 1.24	6
Granted	230,000	$ 0.04	$ 0.50	$ 0.09	
Outstanding December 31, 2002	7,068,624	$ 0.04	$ 22.00	$ 1.20	7

The following table summarizes the information about options outstanding at December 31, 2002:

OPTIONS OUTSTANDING AND EXERCISABLE

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price
$.0.04 - $1.87	6,890,000	5.1	$1.12
$2.88 - $3.88	142,999	2.4	$3.39
$6.00 - $22.00	35,625	1.0	$14.52
	7,068,624		

The Company adopted a 2000 Stock Option Plan (the "Tigerquote.com Plan") under which shares of Common Stock of Tigerquote.com are reserved for issuance upon the exercise of the options. The Tigerquote.com Plan is designed to serve as an incentive for attracting and retaining qualified and competent employees, officers, directors and consultants of the Company. All employees, officers, directors and consultants of the Company or any subsidiary are eligible to participate in the Plan.

A summary of the option activity of the Tigerquote.com Plan for the years ended December 31, 2002 and 2001 is presented below:

	Number of Shares	Option Price Per Share Low	High	Weighted	Nu of
Outstanding January 1, 2001	835,000	$ 0.50	$ 0.50	$ 0.50	
Granted	-	$ -	$ -	$ -	
Outstanding December 31, 2001	835,000	$ 0.50	$ 0.50	$ 0.50	
Granted	-	$ -	$ -	$ -	
Outstanding December 31, 2002	835,000	$ 0.50	$ 0.50	$ 0.50	

The following table summarizes the information about options outstanding at December 31, 2002:

OPTIONS OUTSTANDING AND EXERCISABLE

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price
$.0.50	835,000	7.25	$0.50
	835,000		

As described in Note 2, the Company accounts for stock-based compensation using the provisions of APB No. 25 and related interpretations. No compensation expense has been recognized in the years ended December 31, 2002 and 2001 for options granted to employees and directors as the exercise prices for stock options granted are equal to their fair market value at the time of grant. The Company expenses the fair value (as determined at the grant date) of options and warrants granted to non-employees over the vesting period. Had compensation cost for options granted to employees and directors been determined in accordance with the fair value provisions of SFAS 123, the Company's net income (loss) and net income (loss) per share would have been as follows:

	Year Ended December 31, 2002	Year Ended December 31, 2001
Net income (loss):		
As reported	$ 71,051	$ (3,039,350)
Pro forma	(305,141)	$ (3,415,783)
Net income (loss) per share:		
Basic		
As reported	$ 0.00	$ (0.21)
Pro forma	$ (0.02)	$ (0.23)

Diluted		
As reported	$ 0.00	$ (0.21)
Pro forma	$ (0.02)	$ (0.23)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted-average assumptions.

	Year Ended December 31, 2002	Year Ended December 31, 2001
Dividend yield	0.00%	0.00%
Expected life of option	5 years	5 years
Risk free interest rate	6.50%	6.50%
Expected volatility	126.03%	104.69%

Using the Black-Scholes Pricing Model, the estimated weighted average fair value per option granted during the years ended December 31, 2002 and 2001 was $0.05 and $0.12, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

The pro forma amounts may not be representative of the future effects on reported net income (loss) and net income (loss) per share that will result from the future granting of stock options since the pro forma compensation expense is allocated over the periods in which options become exercisable and new option awards are granted each year.

WARRANTS

A summary of the warrant activity for the years ended December 31, 2002 and 2001 is presented below:

		Warrants Exercisable			
	Number of Shares	Warrant Price Per Share Low	High	Weighted	We A N of
Outstanding January 1, 2001	$ 4,393,652	0.75	6.00	1.34	
Granted	-	-	-	-	
Outstanding December 31, 2001	$ 4,393,652	0.75	6.00	1.34	

Granted	-	-	-	-
Outstanding December 31, 2001	4,393,652	0.75	6.00	1.34

The following table summarizes the information about warrants outstanding at December 31, 2002:

WARRANTS OUTSTANDING AND EXERCISABLE

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price
$.0.75 - $1.50	3,614,109	2.0	$1.01
$1.75 - $6.00	779,543	2.9	$2.84
	4,393,652		

No warrants were issued in 2001 or 2002.

OTHER STOCK ISSUANCES

During the year ended December 31, 2002, the Company issued 6,782,330 shares of Common Stock in conjunction with amendments approved by the Board of Directors to the employment agreement between the Company and Bradley I. Meier, the Company's President, whereby Mr. Meier converted salary and accrued vacation into shares of common stock. The shares were issued to Mr. Meier in private transactions performed in accordance with the terms of the amendments and pursuant to Section 4(2) of the Securities Act of 1933 as amended. During the year ended December 31, 2001, the Company issued no shares of Common Stock

STOCK GRANTOR TRUST

On April 3, 2000, the Company established the Universal Insurance Holdings, Inc. Stock Grantor Trust ("SGT") to fund its obligations arising from its various stock option agreements. The Company funded the SGT with 2,900,000 shares of Company Common Stock. In exchange, the SGT has delivered $29,000 and a promissory note to the Company for approximately $2,320,000 which together represent the purchase price of the shares. Amounts owed by the SGT to the Company will be repaid by cash received by the SGT, which will result in the SGT releasing shares to satisfy Company obligations for stock options.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

EMPLOYMENT AGREEMENT

In 1997 the Company entered into a four-year employment agreement with the

President of the Company. Under the terms of the employment agreement, the President will devote substantially all of his time to the Company and will be paid a base salary of $250,000 per year with a 5% annual increase. Additionally, pursuant to the employment agreement, and during each year thereof, the President is entitled to a bonus equal to 3% of pretax profits up to $5,000,000 and 4% of pretax profits in excess of $5,000,000. On May 4, 2001, Addendum No. 3 to the employment agreement was approved by the Board of Directors, whereby Mr. Meier was entitled to receive an additional fifteen (15%) percent increase in his base compensation in addition to the cumulative base compensation and increase calculated at the beginning of 2001, retroactive to January 1, 2001; and for each successive year of the term of the employment agreement the base compensation as adjusted by previous increase(s) shall be increased by ten (10%) percent. The employment agreement contains non-competition and non-disclosure covenants. Under the terms of the agreement in 1999, the President was granted ten-year stock options to purchase 1,500,000 shares of Common Stock at $1.00 per share, of which 500,000 options vested immediately, 500,000 options vested after one year and the remaining options vested after two years. The exercise price of the options equaled the market price of the Company's Common Stock at the date of grant. In addition, the agreement may be extended for an additional two years at the option of the President. See Note 12 for disclosure regarding 2002 stock issuance under this agreement.

NOTE 14 - LITIGATION

Certain lawsuits have been filed against the Company. In the opinion of management, none of these lawsuits, except for the lawsuit described below, are material and they are all adequately reserved for or covered by insurance or, if not so covered, are without merit or involve such amounts that if disposed of unfavorably would not have a material adverse effect on the Company's financial position or results of operations.

Universal Management performed various services with respect to UPCIC insurance policies and received fees for performing these services based upon policies written pursuant to an agreement originally executed in 1997. The parties agreed to terminate the agreement effective January 15, 2002. Universal Management communicated to UPCIC that all management services would cease on the date of termination rather than continuing through the life of the policies for which fees were paid on a premiums written basis. As a result, UPCIC ceased remittance of the management fees to Universal Management as of September 1, 2001. On November 6, 2001, UPCIC filed a Complaint against Universal Management in the United States District Court for The Southern District of Florida, Miami Division, alleging breach of contract and demanding specific performance and unspecified damages. On December 28, 2001, Universal Management filed a counterclaim for breach of contract, alleging that it is entitled to fees for policies written from September 2001 through the date of termination. Such fees would amount to approximately $672,000 as of December 31, 2002. As of December 31, 2002, UPCIC has recorded a receivable from Universal Management representing the management fees remitted on the basis of premiums earned subsequent to the termination date, and has provided an allowance for doubtful accounts for the entire receivable. The parties are trying to settle the matter out of court. The terms of the settlement have not yet been finalized accordingly, the Company has not accrued a liability with respect to the management fees claimed by Universal Management.

NOTE 15 - EARNINGS PER SHARE

The following table reconciles the numerator (earnings) and denominator (shares) of the basic and diluted earnings per share computations for net income (loss) for the years ended December 31, 2002 and 2001.

	Year Ended December 31, 2002			
	Loss Available to Common Stockholders Amount	Shares	Per Share Amount	Loss Available Common Stockholde Amount
Net income (loss)	$ 71,051			$ (3,039,3
Less: Preferred stock dividends	(49,950)			(49,9
Income (loss) available to common stockholders	21,101	15,600,921	$ 0.00	(3,089,3
Effect of dilutive securities:				
Stock options and warrants	-	4,710	-	-
Preferred stock	49,950	568,325	-	-
Income (loss) available to common stockholders and assumed conversion	$ 71,051	16,173,956	$ 0.00	$ (3,089,3

Options and warrants totaling 11,457,566 and 11,232,276 were excluded from the calculation of diluted earnings per share as their effect was anti-dilutive for the years ended December 31, 2002 and 2001, respectively.

EXHIBIT 21.1

LIST OF SUBSIDIARIES

Capital Resources Group, Ltd.
Coastal Homeowners Insurance Specialists, Inc.
Pinpoint Adjusting Corporation
Pinpoint Inspection Corporation
Pinpoint Property Appraisal Corporation
Pinpoint Residential Inspection Corporation
Quoters, Inc.
Tiger Home Services, Inc.
Tigerquote.com Insurance & Financial Services Group, Inc.
Tigerquote.com Insurance Solutions, Inc.
Tigerquote.com Insurance Solutions of Arizona, Inc.
Tigerquote.com Insurance Solutions of California, Inc.
Tigerquote.com Insurance Solutions of Colorado, Inc.
Tigerquote.com Insurance Agency of Georgia, Inc.

Tigerquote.com Insurance Solutions of Illinois, Inc.
Tigerquote.com Insurance Solutions of Indiana, Inc.
Tigerquote.com Insurance Solutions of Iowa, Inc.
Tigerquote.com Insurance Solutions of Kentucky, Inc.
Tigerquote.com Insurance Solutions of Michigan, Inc.
Tigerquote.com Insurance Solutions of Missouri, Inc.
Tigerquote.com Insurance Solutions of Nevada, Inc.
Tigerquote.com Insurance Agency of New York, Inc.
Tigerquote.com Insurance Solutions of Ohio, Inc.
Tigerquote.com Insurance Solutions of Oregon, Inc.
Tigerquote.com Insurance Solutions of Pennsylvania, Inc.
Tigerquote.com Insurance Solutions of Tennessee, Inc.
Tigerquote.com Insurance Solutions of Texas, Inc.
Tigerquote.com Insurance Solutions of Vermont, Inc.
Tigerquote.com Insurance Solutions of Virginia, Inc.
Tigerquote.com Insurance Solutions of Washington, Inc.
Tigerquote.com Insurance Services of Wisconsin, Inc.
Tigerquote.com Life Managing General Agency, Inc.
Tigerquote.com Managing General Agency, Inc.
US Insurance Solutions, Inc.
Universal Adjusting Corporation
Universal Florida Insurance Agency, Inc.
Universal Inspection Corporation
Universal Insurance Holding Company of Florida
Universal Life Support Corporation
Universal Property & Casualty Insurance Company
Universal Risk Advisors
Universal Risk Life Advisors, Inc.
USA Insurance Solutions, Inc.