# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended March 31, 2017**

**or**

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

**For the transition period from __________ to __________**

**Commission File Number 001-33251**

# UNIVERSAL INSURANCE HOLDINGS, INC.
**(Exact name of registrant as specified in its charter)**

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

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

**(954) 958-1200**
**(Registrant's telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ (Do not check if a smaller reporting company) | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 35,072,667 shares of common stock, par value $0.01 per share, outstanding on April 27, 2017 .

**UNIVERSAL INSURANCE HOLDINGS, INC.**
**TABLE OF CONTENTS**

**PART I – FINANCIAL INFORMATION**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To The Board of Directors and Stockholders of
Universal Insurance Holdings, Inc. and Subsidiaries
Fort Lauderdale, Florida

We have reviewed the accompanying condensed consolidated balance sheet of Universal Insurance Holdings, Inc. and its wholly-owned subsidiaries (the "Company") as of March 31, 2017 and the related condensed consolidated statements of income, comprehensive income and cash flows for the three-month periods ended March 31, 2017 and 2016. These interim financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Universal Insurance Holdings, Inc. and Subsidiaries as of December 31, 2016 and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the year then ended (not presented herein) and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated February 23, 2017. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2016, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Plante & Moran, PLLC
Chicago, Illinois
May 1, 2017

## PART I — FINANCIAL INFORMATION

### Item 1. Financial Statements

**UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)**
**(in thousands, except per share data)**

| | As of | |
|---|---|---|
| | March 31, 2017 | December 31, 2016 |
| **ASSETS** | | |
| Fixed maturities, at fair value | $ 597,675 | $ 584,361 |
| Equity securities, at fair value | 50,286 | 50,803 |
| Short-term investments, at fair value | 5,001 | 5,002 |
| Investment real estate, net | 13,104 | 11,435 |
| Total invested assets | 666,066 | 651,601 |
| | | |
| Cash and cash equivalents | 160,364 | 105,730 |
| Restricted cash and cash equivalents | 2,635 | 2,635 |
| Prepaid reinsurance premiums | 49,754 | 124,385 |
| Reinsurance recoverable | 605 | 106 |
| Premiums receivable, net | 56,224 | 53,833 |
| Other receivables | 5,388 | 5,824 |
| Property and equipment, net | 32,507 | 32,162 |
| Deferred policy acquisition costs | 66,524 | 64,912 |
| Income taxes recoverable | — | 3,262 |
| Deferred income tax asset, net | 15,389 | 10,674 |
| Other assets | 4,983 | 4,883 |
| Total assets | $ 1,060,439 | $ 1,060,007 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| LIABILITIES: | | |
| Unpaid losses and loss adjustment expenses | $ 31,463 | $ 58,494 |
| Unearned premiums | 484,796 | 475,756 |
| Advance premium | 28,397 | 17,796 |
| Accounts payable | 3,317 | 3,187 |
| Reinsurance payable, net | 42,270 | 80,891 |
| Income taxes payable | 19,150 | — |
| Other liabilities and accrued expenses | 38,310 | 37,665 |
| Long-term debt | 13,971 | 15,028 |
| Total liabilities | 661,674 | 688,817 |
| | | |
| Commitments and Contingencies (Note 12) | | |
| | | |
| STOCKHOLDERS' EQUITY: | | |
| Cumulative convertible preferred stock, $.01 par value | — | — |
| Authorized shares - 1,000 | | |
| Issued shares - 10 and 10 | | |
| Outstanding shares - 10 and 10 | | |
| Minimum liquidation preference, $9.99 and $9.99 per share | | |
| Common stock, $.01 par value | 454 | 453 |
| Authorized shares - 55,000 | | |
| Issued shares - 45,445 and 45,324 | | |
| Outstanding shares - 35,073 and 35,052 | | |
| Treasury shares, at cost - 10,372 and 10,272 | (89,530) | (86,982) |
| Additional paid-in capital | 83,657 | 82,263 |
| Accumulated other comprehensive income (loss), net of taxes | (3,944) | (6,408) |
| Retained earnings | 408,128 | 381,864 |
| Total stockholders' equity | 398,765 | 371,190 |
| Total liabilities and stockholders' equity | $ 1,060,439 | $ 1,060,007 |

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

**UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)**
**(in thousands, except per share data)**

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 |
|---|---|---|
| PREMIUMS EARNED AND OTHER REVENUES | | |
| Direct premiums written | $ 245,415 | $ 227,973 |
| Change in unearned premium | (9,040) | (6,721) |
| Direct premium earned | 236,375 | 221,252 |
| Ceded premium earned | (74,816) | (68,804) |
| Premiums earned, net | 161,559 | 152,448 |
| Net investment income (expense) | 2,704 | 1,605 |
| Net realized gains (losses) on investments | (63) | 667 |
| Commission revenue | 4,598 | 4,113 |
| Policy fees | 4,483 | 4,114 |
| Other revenue | 1,593 | 1,499 |
| Total premiums earned and other revenues | 174,874 | 164,446 |
| OPERATING COSTS AND EXPENSES | | |
| Losses and loss adjustment expenses | 70,570 | 66,117 |
| General and administrative expenses | 56,933 | 57,230 |
| Total operating costs and expenses | 127,503 | 123,347 |
| INCOME BEFORE INCOME TAXES | 47,371 | 41,099 |
| Income tax expense | 16,172 | 15,873 |
| NET INCOME | $ 31,199 | $ 25,226 |
| Basic earnings per common share | $ 0.89 | $ 0.73 |
| Weighted average common shares outstanding - Basic | 35,140 | 34,527 |
| Diluted earnings per common share | $ 0.86 | $ 0.71 |
| Weighted average common shares outstanding - Diluted | 36,180 | 35,594 |
| Cash dividend declared per common share | $ 0.14 | $ 0.14 |

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)**

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 |
|---|---|---|
| Net income | $ 31,199 | $ 25,226 |
| Other comprehensive income (loss) | 2,464 | 3,281 |
| Comprehensive income | $ 33,663 | $ 28,507 |

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

**UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**
**(in thousands)**

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net cash provided by (used in) operating activities | $ 71,998 | $ 43,737 |
| Cash flows from investing activities: | | |
| Proceeds from sale of property and equipment | 8 | — |
| Purchases of property and equipment | (1,255) | (1,728) |
| Purchases of equity securities | (243) | (20,178) |
| Purchases of fixed maturities | (26,610) | (95,889) |
| Purchases of investment real estate, net | (1,714) | (2,021) |
| Proceeds from sales of equity securities | 2,500 | 13,210 |
| Proceeds from sales of fixed maturities | 914 | 16,152 |
| Proceeds from sales of short-term investments | — | 12,500 |
| Maturities of fixed maturities | 18,915 | 10,504 |
| Net cash provided by (used in) investing activities | (7,485) | (67,450) |
| Cash flows from financing activities: | | |
| Preferred stock dividend | (3) | (3) |
| Common stock dividend | (4,924) | (4,915) |
| Purchase of treasury stock | (2,548) | (1,874) |
| Payments related to tax withholding for share-based compensation | (1,337) | (3,897) |
| Excess tax benefits (shortfall) from share-based compensation | — | (1,510) |
| Repayment of debt | (1,067) | (1,068) |
| Net cash provided by (used in) financing activities | (9,879) | (13,267) |
| Net increase (decrease) in cash and cash equivalents | 54,634 | (36,980) |
| Cash and cash equivalents at beginning of period | 105,730 | 197,014 |
| Cash and cash equivalents at end of period | $ 160,364 | $ 160,034 |

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

**1. Nature of Operations and Basis of Presentation**

**Nature of Operations**

Universal Insurance Holdings, Inc. (“UVE”) is a Delaware corporation incorporated in 1990. UVE with its wholly-owned subsidiaries (the “Company”) is a vertically integrated insurance holding company performing all aspects of insurance underwriting, distribution and claims. Through its wholly-owned subsidiaries, Universal Property & Casualty Insurance Company (“UPCIC”) and American Platinum Property and Casualty Insurance Company (“APPCIC”), together referred to as the “Insurance Entities,” the Company is principally engaged in the property and casualty insurance business offered primarily through a network of independent agents. Risk from catastrophic losses is managed through the use of reinsurance agreements. The Company’s primary product is homeowners’ insurance currently offered in fourteen states as of March 31, 2017, including Florida, which comprises the vast majority of the Company’s in-force policies. See “—Note 5 (Insurance Operations)” for more information regarding the Company’s insurance operations.

The Company generates revenues primarily from the collection of premiums and invests funds in excess of those retained for claims-paying obligations and insurance operations. Other significant sources of revenue include brokerage commissions collected from reinsurers on reinsurance programs placed by the Insurance Entities, policy fees collected from policyholders by our wholly-owned managing general agency subsidiary and payment plan fees charged to policyholders who choose to pay their premiums in installments.

**Basis of Presentation**

The Company has prepared the accompanying unaudited Condensed Consolidated Financial Statements (“Financial Statements”) in accordance with the rules and regulations of the United States Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, the Financial Statements do not include all of the information and footnotes required by United States Generally Accepted Accounting Principles (“GAAP”) for annual financial statements. Therefore, the Financial Statements should be read in conjunction with the audited Consolidated Financial Statements contained in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed with the SEC on February 24, 2017. The condensed consolidated balance sheet at December 31, 2016, was derived from audited financial statements, but does not include all disclosures required by GAAP. In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation have been included in the Financial Statements. The results for interim periods do not necessarily indicate the results that may be expected for any other interim period or for the full year.

To conform to the current period presentation, certain amounts in the prior periods’ consolidated financial statements and notes have been reclassified. Such reclassifications were of an immaterial amount and had no effect on net income or stockholders’ equity.

The Financial Statements include the accounts of UVE and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

Management must make estimates and assumptions that affect amounts reported in the Company’s Financial Statements and in disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

## 2. Significant Accounting Policies

The Company reported Significant Accounting Policies in its Annual Report on Form 10-K for the year ended December 31, 2016. The following are new or revised disclosures or disclosures required on a quarterly basis.

### *Recently Adopted Accounting Pronouncements*

In March 2016, the Financial Accounting Standards Board ("FASB") issued guidance which simplifies several aspects of the accounting for share-based payment transactions. The new guidance requires excess income tax benefits (windfalls) and deficiencies (shortfalls) to be recognized in the income statement as income tax benefits or charges when the awards vest or are settled. The former guidance required the recognition of excess tax benefits or deficiencies in stockholders' equity. In addition, all income tax-related cash flows resulting from share-based payments will be reported as operating activities in the statement of cash flows under the new guidance. The guidance also allows us to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting; clarifies that all cash payments for tax withholdings made on an employee's behalf should be presented as a financing activity on the Company's statement of cash flows; and provides an accounting policy election to account for forfeitures as they occur. The guidance is effective for fiscal years and interim periods beginning after December 15, 2016, with early adoption permitted. The Company adopted this guidance effective January 1, 2017.

The adoption of the new standard resulted in the recognition of excess tax benefits of $0.8 million reflected in the Company's Condensed Consolidated Statements of Income as an income tax benefit for the three months ended March 31, 2017. Additionally, excess tax benefits on the Company's Condensed Consolidated Statement of Cash Flows are presented as an operating activity on a prospective basis. The presentation requirement for cash flows related to employee taxes paid for withheld shares did not impact any of the periods presented in the Company's Condensed Consolidated Statement of Cash Flows since these cash flows have historically been presented as a financing activity. The Company will continue to account for forfeitures as they occur. The standard also modifies the calculation of dilutive earnings per share to no longer use proceeds from tax benefits or deficiencies.

**3. Investments**

*Securities Available for Sale*

The following table provides the cost or amortized cost and fair value of securities available for sale as of the dates presented (in thousands):

| | March 31, 2017 | | | |
|---|---|---|---|---|
| | Cost or Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Fixed Maturities: | | | | |
| U.S. government obligations and agencies | $ 78,055 | $ 1 | $ (587) | $ 77,469 |
| Corporate bonds | 194,289 | 727 | (975) | 194,041 |
| Mortgage-backed and asset-backed securities | 215,670 | 128 | (1,797) | 214,001 |
| Municipal bonds | 100,762 | 307 | (3,177) | 97,892 |
| Redeemable preferred stock | 13,777 | 524 | (29) | 14,272 |
| Equity Securities: | | | | |
| Common stock | 214 | — | (119) | 95 |
| Mutual funds | 51,616 | 953 | (2,378) | 50,191 |
| Short-term investments | 5,000 | 1 | — | 5,001 |
| Total | $ 659,383 | $ 2,641 | $ (9,062) | $ 652,962 |

| | December 31, 2016 | | | |
|---|---|---|---|---|
| | Cost or Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Fixed Maturities: | | | | |
| U.S. government obligations and agencies | $ 74,937 | $ — | $ (670) | $ 74,267 |
| Corporate bonds | 192,328 | 402 | (1,300) | 191,430 |
| Mortgage-backed and asset-backed securities | 216,679 | 135 | (2,038) | 214,776 |
| Municipal bonds | 94,794 | 130 | (3,727) | 91,197 |
| Redeemable preferred stock | 12,723 | 125 | (157) | 12,691 |
| Equity Securities: | | | | |
| Common stock | 214 | — | (121) | 93 |
| Mutual funds | 53,900 | 407 | (3,597) | 50,710 |
| Short-term investments | 5,000 | 2 | — | 5,002 |
| Total | $ 650,575 | $ 1,201 | $ (11,610) | $ 640,166 |

The following table provides the credit quality of investment securities with contractual maturities or the issuer of such securities as of the dates presented (in thousands):

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| Comparable Ratings | Fair Value | % of Total Fair Value | Fair Value | % of Total Fair Value |
| AAA | $ 129,495 | 21.5% | $ 131,260 | 22.3% |
| AA | 282,340 | 46.9% | 275,480 | 46.7% |
| A | 111,734 | 18.5% | 107,418 | 18.2% |
| BBB | 70,754 | 11.7% | 67,263 | 11.4% |
| BB+ and Below | 3,706 | 0.6% | 3,444 | 0.6% |
| No Rating Available | 4,647 | 0.8% | 4,498 | 0.8% |
| Total | $ 602,676 | 100.0% | $ 589,363 | 100.0% |

The tables above include comparable credit quality ratings by Standard and Poor’s Rating Services, Inc., Moody’s Investors Service, Inc. and Fitch Ratings, Inc.

The following table summarizes the cost or amortized cost and fair value of mortgage-backed and asset-backed securities as of the dates presented (in thousands):

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Cost or Amortized Cost | Fair Value | Cost or Amortized Cost | Fair Value |
| Mortgage-backed Securities: | | | | |
| Agency | $ 111,148 | $ 109,720 | $ 110,724 | $ 109,022 |
| Non-agency | 18,247 | 18,128 | 19,408 | 19,265 |
| Asset-backed Securities: | | | | |
| Auto loan receivables | 36,900 | 36,857 | 37,390 | 37,429 |
| Credit card receivables | 38,617 | 38,553 | 38,640 | 38,568 |
| Other receivables | 10,758 | 10,743 | 10,517 | 10,492 |
| Total | $ 215,670 | $ 214,001 | $ 216,679 | $ 214,776 |

The following table summarizes the fair value and gross unrealized losses on securities available for sale, aggregated by major investment category and length of time that individual securities have been in a continuous unrealized loss position as of the dates presented (dollars in thousands):

| | March 31, 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Less Than 12 Months | | | 12 Months or Longer | | |
| | Number of Issues | Fair Value | Unrealized Losses | Number of Issues | Fair Value | Unrealized Losses |
| Fixed Maturities: | | | | | | |
| U.S. government obligations and agencies | 12 | $ 72,345 | $ (540) | 2 | $ 3,511 | $ (47) |
| Corporate bonds | 92 | 76,775 | (934) | 2 | 289 | (41) |
| Mortgage-backed and asset-backed securities | 86 | 148,308 | (1,651) | 8 | 14,521 | (146) |
| Municipal bonds | 65 | 76,343 | (3,177) | — | — | — |
| Redeemable preferred stock | 14 | 1,606 | (29) | — | — | — |
| Equity Securities: | | | | | | |
| Common stock | 1 | 20 | (5) | 2 | 75 | (114) |
| Mutual funds | 1 | 16,685 | (116) | 1 | 9,090 | (2,262) |
| Total | 271 | $ 392,082 | $ (6,452) | 15 | $ 27,486 | $ (2,610) |

| | December 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Less Than 12 Months | | | 12 Months or Longer | | |
| | Number of Issues | Fair Value | Unrealized Losses | Number of Issues | Fair Value | Unrealized Losses |
| Fixed Maturities: | | | | | | |
| U.S. government obligations and agencies | 11 | $ 70,453 | $ (608) | 2 | $ 3,504 | $ (62) |
| Corporate bonds | 116 | 96,379 | (1,219) | 4 | 3,250 | (80) |
| Mortgage-backed and asset-backed securities | 73 | 149,928 | (1,923) | 5 | 9,660 | (115) |
| Municipal bonds | 69 | 79,402 | (3,726) | — | — | — |
| Redeemable preferred stock | 50 | 6,340 | (158) | — | — | — |
| Equity Securities: | | | | | | |
| Common stock | 1 | 18 | (7) | 2 | 75 | (115) |
| Mutual funds | 3 | 28,020 | (774) | 2 | 11,529 | (2,823) |
| Total | 323 | $ 430,540 | $ (8,415) | 15 | $ 28,018 | $ (3,195) |

*Evaluating Investments for Other Than Temporary Impairment (“OTTI”)*

At March 31, 2017, the Company held fixed maturity, equity securities and short-term investments that were in an unrealized loss position as presented in the table above. For fixed maturity securities with significant declines in value, the Company performs quarterly fundamental credit analysis on a security-by-security basis, which includes consideration of credit quality and credit ratings, review of relevant industry analyst reports and other available market data. For fixed maturity, equity securities and short-term investments, the Company considers whether it has the intent and ability to hold the securities for a period of time sufficient to recover its cost basis. Where the Company lacks the intent and ability to hold to recovery, or believes the recovery period is extended, the security’s decline in fair value is considered other than temporary and is recorded in earnings. Based on our analysis, we believe that our fixed income portfolio is of high quality and that we w ill recover the amortized cost basis of our fixed income securities. We continually monitor the credit quality of our fixed income investments to assess if it is probable that we will receive our contractual or estimated cash flows in the form of principa l and interest. Additionally, the Company considers management's intent and ability to hold the securities until recovery and its credit analysis of the individual issuers of the securities. Based on this process and analysis, management has no reason to b elieve the unrealized losses for securities available for sale at March 31, 2017 are other than temporary.

As of March 31, 2017, the Company held approximately $9.2 million equity securities that were in an unrealized loss position twelve months or longer. The unrealized loss on these securities was $2.4 million. Based on our analysis, the Company believes each security will recover in a reasonable period of time and the Company has the intent and ability to hold them until recovery. There were no OTTI losses recognized in the periods presented on the equity portfolio.

The following table presents the amortized cost and fair value of investments with contractual maturities as of the date presented (in thousands):

| | March 31, 2017 | |
|---|---|---|
| | Cost or Amortized Cost | Fair Value |
| Due in one year or less | $ 53,558 | $ 53,570 |
| Due after one year through five years | 229,273 | 228,831 |
| Due after five years through ten years | 38,207 | 37,658 |
| Due after ten years | 57,068 | 54,344 |
| Mortgage-backed and asset-backed securities | 215,670 | 214,001 |
| Perpetual maturity securities | 13,777 | 14,272 |
| Total | $ 607,553 | $ 602,676 |

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay with or without penalty.

The following table provides certain information related to securities available for sale during the periods presented (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| Proceeds from sales and maturities (fair value) | $ 22,329 | $ 52,366 |
| Gross realized gains | $ — | $ 685 |
| Gross realized losses | $ (63) | $ (18) |

The following table presents the components of net investment income, comprised primarily of interest and dividends, for the periods presented (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| Fixed maturities | $ 2,710 | $ 1,831 |
| Equity securities | 382 | 203 |
| Short-term investments | 15 | 115 |
| Other (1) | 144 | 73 |
| Total investment income | 3,251 | 2,222 |
| Less: Investment expenses (2) | (547) | (617) |
| Net investment (expense) income | $ 2,704 | $ 1,605 |

(1) Includes interest earned on cash and cash equivalents and restricted cash and cash equivalents. Also includes investment income earned on real estate investments.

(2) Includes bank fees, investment accounting and advisory fees, and expenses associated with real estate investments.

*Investment Real Estate*

Investment real estate consisted of the following as of the dates presented (in thousands):

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Income Producing: | | |
| Investment real estate | $ 6,918 | $ 6,918 |
| Less: Accumulated depreciation | (326) | (281) |
| | 6,592 | 6,637 |
| Non-Income Producing: | | |
| Properties under development | 6,512 | 4,798 |
| Investment real estate, net | $ 13,104 | $ 11,435 |

**4. Reinsurance**

The Company seeks to reduce its risk of loss by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers, generally as of the beginning of the hurricane season on June 1st of each year. The Company's current reinsurance program consists of catastrophe excess of loss reinsurance, subject to the terms and conditions of the applicable agreements. The Company is responsible for insured losses related to catastrophes and other events in excess of coverage provided by its reinsurance program. The Company remains responsible for the settlement of insured losses irrespective of the failure of any of its reinsurers to make payments otherwise due to the Company.

Amounts recoverable from reinsurers are estimated in a manner consistent with the terms of the reinsurance contracts. Reinsurance premiums, losses and LAE are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

In order to reduce credit risk for amounts due from reinsurers, the Insurance Entities seek to do business with financially sound reinsurance companies and regularly evaluate the financial strength of all reinsurers used.

The following table presents ratings from rating agencies and the unsecured amounts due from the Company's reinsurers whose aggregate balance exceeded 3% of the Company's stockholders' equity as of the dates presented (in thousands):

| | Ratings as of March 31, 2017 | | | Due from as of | |
|---|---|---|---|---|---|
| Reinsurer | AM Best Company | Standard and Poor's Rating Services | Moody's Investors Service, Inc. | March 31, 2017 | December 31, 2016 |
| Florida Hurricane Catastrophe Fund (1) | n/a | n/a | n/a | $ 18,545 | $ 46,364 |
| Total (2) | | | | $ 18,545 | $ 46,364 |

(1) No rating is available, because the fund is not rated.
(2) Amounts represent prepaid reinsurance premiums .

The Company's reinsurance arrangements had the following effect on certain items in the Condensed Consolidated Statements of Income for the periods presented (in thousands):

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | | 2016 | | |
| | Premiums Written | Premiums Earned | Losses and Loss Adjustment Expenses | Premiums Written | Premiums Earned | Losses and Loss Adjustment Expenses |
| Direct | $ 245,415 | $ 236,375 | $ 70,783 | $ 227,973 | $ 221,252 | $ 66,148 |
| Ceded | (186) | (74,816) | (213) | (74,059) | (68,804) | (31) |
| Net | $ 245,229 | $ 161,559 | $ 70,570 | $ 153,914 | $ 152,448 | $ 66,117 |

The following prepaid reinsurance premiums and reinsurance recoverable (payable) and receivable are reflected in the Condensed Consolidated Balance Sheets as of the dates presented (in thousands):

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Prepaid reinsurance premiums | $ 49,754 | $ 124,385 |
| Reinsurance recoverable (payable) on unpaid losses and LAE | $ (2,353) | $ 106 |
| Reinsurance recoverable (payable) on paid losses | 605 | (1,532) |
| Reinsurance receivable, net | — | 186 |
| Reinsurance recoverable (payable) and receivable | $ (1,748) | $ (1,240) |

**5. Insurance Operations**

*Deferred Policy Acquisition Costs*

The Company defers certain costs in connection with written policies, called Deferred Policy Acquisition Costs (“DPAC”). DPAC is amortized over the effective period of the related insurance policies.

The following table presents the beginning and ending balances and the changes in DPAC for the periods presented (in thousands):

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 |
|---|---|---|
| DPAC, beginning of period | $ 64,912 | $ 60,019 |
| Capitalized Costs | 33,756 | 30,735 |
| Amortization of DPAC | (32,144) | (29,596) |
| DPAC, end of period | $ 66,524 | $ 61,158 |

*Regulatory Requirements and Restrictions*

The Insurance Entities are subject to regulations and standards of the Florida Office of Insurance Regulation (“FLOIR”). UPCIC also is subject to regulations and standards of regulatory authorities in other states where it is licensed, although as a Florida-domiciled insurer its principal regulatory authority is the FLOIR. These standards require the Insurance Entities to maintain specified levels of statutory capital and restrict the timing and amount of dividends and other distributions that may be paid by the Insurance Entities to the parent company. Except in the case of extraordinary dividends, these standards generally permit dividends to be paid from statutory unassigned surplus of the regulated subsidiary and are limited based on the regulated subsidiary’s level of statutory net income and statutory capital and surplus. The maximum dividend that may be paid by UPCIC and APPCIC to their immediate parent company, Universal Insurance Holding Company of Florida (“UVECF”), without prior regulatory approval is limited by the provisions of Florida Statutes. These dividends are referred to as “ordinary dividends.” However, if the dividend, together with other dividends paid within the preceding twelve months, exceeds this statutory limit or is paid from sources other than earned surplus, the entire dividend is generally considered an “extraordinary dividend” and must receive prior regulatory approval.

In accordance with Florida Statutes, and based on the calculations performed by the Company as of December 31, 2016, UPCIC has the capacity to pay ordinary dividends of $57.7 million during 2017. APPCIC does not have the capacity to pay ordinary dividends during 2017. For the three months ended March 31, 2017, no dividends were paid from UPCIC or APPCIC to UVECF. Dividends paid to the shareholders of UVE in 2017 have been paid from the earnings of UVE and its non-insurance subsidiaries.

The Florida Insurance Code requires insurance companies to maintain capitalization equivalent to the greater of ten percent of the insurer’s total liabilities or $10.0 million. The following table presents the amount of capital and surplus calculated in accordance with statutory accounting principles, which differ from U.S. GAAP, and an amount representing ten percent of total liabilities for both UPCIC and APPCIC as of the dates presented (in thousands):

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Ten percent of total liabilities | | |
| UPCIC | $ 62,489 | $ 57,560 |
| APPCIC | $ 541 | $ 464 |
| Statutory capital and surplus | | |
| UPCIC | $ 332,641 | $ 313,753 |
| APPCIC | $ 17,363 | $ 17,280 |

As of the dates in the table above, both UPCIC and APPCIC exceeded the minimum capitalization requirement. UPCIC also met the capitalization requirements of the other states in which it is licensed as of March 31, 2017. UPCIC and APPCIC are also required to adhere to prescribed premium-to-capital surplus ratios and have met those requirements at such dates.

The Insurance Entities are required by various state laws and regulations to maintain certain assets in depository accounts. The following table represents assets held by insurance regulators as of the dates presented (in thousands):

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Restricted cash and cash equivalents | $ 2,635 | $ 2,635 |
| Investments | $ 3,959 | $ 3,952 |

**6 . L iability for U npaid L osses and L oss A djustment E xpenses**

Set forth in the following table is the change in liability for unpaid losses and LAE for the periods presented (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| Balance at beginning of period | $ 58,494 | $ 98,840 |
| Less: Reinsurance recoverable | (106) | (13,540) |
| Net balance at beginning of period | 58,388 | 85,300 |
| Incurred (recovered) related to: | | |
| Current year | 70,474 | 66,101 |
| Prior years | 96 | 16 |
| Total incurred | 70,570 | 66,117 |
| Paid related to: | | |
| Current year | 22,890 | 18,618 |
| Prior years | 72,252 | 55,533 |
| Total paid | 95,142 | 74,151 |
| Net balance at end of period | 33,816 | 77,266 |
| Plus: Reinsurance recoverable (payable) | (2,353) | 7,709 |
| Balance at end of period | $ 31,463 | $ 84,975 |

**7 . Long-Term Debt**

Long-term debt consists of the following as of the dates presented (in thousands):

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Surplus note | $ 13,971 | $ 14,338 |
| Promissory note | — | 690 |
| Total | $ 13,971 | $ 15,028 |

UPCIC was in compliance with the terms of the surplus note as of March 31, 2017.

In addition to the long-term debt listed above, UVE has an unsecured line of credit that contains certain covenants and restrictions applicable while amounts are outstanding thereunder. UVE had not borrowed any amounts under this line of credit as of March 31, 2017. Should UVE borrow and default on this unsecured line of credit, it will be prohibited from paying dividends to its shareholders.

**8 . Stockholders' Equity**

*Common Stock*

The following table summarizes the activity relating to shares of the Company's common stock during the three months ended March 31, 2017 (in thousands):

| | Issued Shares | Treasury Shares | Outstanding Shares |
|---|---|---|---|
| Balance, as of December 31, 2016 | 45,324 | (10,272) | 35,052 |
| Shares repurchased | — | (100) | (100) |
| Vesting of performance share units | 115 | — | 115 |
| Stock option exercises | 65 | — | 65 |
| Shares acquired through cashless exercise (1) | — | (59) | (59) |
| Shares cancelled | (59) | 59 | — |
| Balance, as of March 31, 2017 | 45,445 | (10,372) | 35,073 |

(1) All shares acquired represent shares tendered to cover the strike price for options and tax withholdings on the intrinsic value of options exercised or performance share units vested. These shares have been cancelled by the Company.

In June 2016, UVE announced that its Board of Directors authorized a share repurchase program under which UVE may repurchase in the open market in compliance with Exchange Act Rule 10b-18 up to $20 million of its outstanding shares of common stock through December 31, 2017. During the three months ended March 31, 2017, UVE repurchased 100,079 shares, at an aggregate price of approximately $2.5 million, pursuant to such repurchase program.

*Dividends*

On January 23, 2017, UVE declared a cash dividend of $0.14 per share on its outstanding common stock paid on March 2, 2017, to the shareholders of record at the close of business on February 17, 2017.

**9 . Income Taxes**

During the three months ended March 31, 2017 and 2016, the Company recorded approximately $16.2 million and $15.9 million of income tax expense, respectively. The effective tax rate for the three months ended March 31, 2017 is 34.1% compared to a 38.6% effective tax rate for the same period in the prior year.

In the first quarter of 2017, the Company's excess tax benefit of $0.8 million was reflected as an income tax benefit in the condensed consolidated statements of income as a component of the provision for income taxes as a result of the adoption of the accounting guidance for share-based payment transactions. See "Note 2 – Significant Accounting Policies – Recently Adopted Accounting Pronouncements" for more information. The Company recorded another discrete item as a credit to income tax expense of $1.3 million resulting from anticipated recoveries of income taxes paid for the 2013-2015 tax years.

In arriving at these rates, the Company considers a variety of factors including the forecasted full year pre-tax results, the U.S. federal tax rate of 35%, expected non-deductible expenses, and estimated state income taxes. The Company's final effective tax rate for the full year will be dependent on the level of pre-tax income, discrete items, the apportionment of taxable income among state tax jurisdictions and the extent of non-deductible expenses in relation to pre-tax income.

The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. The Company's 2013 through 2015 tax years are still subject to examination by the Internal Revenue Service and v arious tax years remain open to examination in certain state jurisdiction.

**10. Earnings Per Share**

Basic earnings per share ("EPS") is based on the weighted average number of common shares outstanding for the period, excluding any dilutive common share equivalents. Diluted EPS reflects the potential dilution resulting from the exercise of stock options, vesting of restricted stock, vesting of performance share units, and conversion of preferred stock.

The following table reconciles the numerator (i.e., income) and denominator (i.e., shares) of the basic and diluted earnings per share computations for the periods presented (in thousands, except per share data):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| **Numerator for EPS:** | | |
| Net income | $ 31,199 | $ 25,226 |
| Less: Preferred stock dividends | (3) | (3) |
| Income available to common stockholders | $ 31,196 | $ 25,223 |
| **Denominator for EPS:** | | |
| Weighted average common shares outstanding | 35,140 | 34,527 |
| Plus: Assumed conversion of stock-based compensation (1) | 1,015 | 1,042 |
| Assumed conversion of preferred stock | 25 | 25 |
| Weighted average diluted common shares outstanding | 36,180 | 35,594 |
| Basic earnings per common share | $ 0.89 | $ 0.73 |
| Diluted earnings per common share | $ 0.86 | $ 0.71 |

(1) Represents the dilutive effect of unvested Restricted Stock, unvested Performance Share Units and unexercised Stock Options.

**11. Other Comprehensive Income (Loss)**

The following table provides the components of other comprehensive income (loss) on a pre-tax and after-tax basis for the periods presented (in thousands):

| | For the Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | | 2016 | | |
| | Pre-tax | Tax | After-tax | Pre-tax | Tax | After-tax |
| Net unrealized gains (losses) on investments available for sale arising during the period | $ 3,925 | $ 1,500 | $ 2,425 | $ 6,020 | $ 2,327 | $ 3,693 |
| Less: Amounts reclassified from accumulated other comprehensive income (loss) | 63 | 24 | 39 | (667) | (255) | (412) |
| Net current period other comprehensive income (loss) | $ 3,988 | $ 1,524 | $ 2,464 | $ 5,353 | $ 2,072 | $ 3,281 |

The following table provides the reclassifications out of accumulated other comprehensive income for the periods presented (in thousands):

| Details about Accumulated Other Comprehensive Income (Loss) Components | Amounts Reclassified from Accumulated Other Comprehensive Income (Loss) Three Months Ended March 31, 2017 | 2016 | Affected Line Item in the Statement Where Net Income is Presented |
|---|---|---|---|
| Unrealized gains (losses) on investments available for sale | | | |
| | $ (63) | $ 667 | Net realized gains (losses) on investments |
| | 24 | (255) | Income taxes |
| | $ (39) | $ 412 | Net of tax |

## 12. Commitments and Contingencies

*Litigation*

Lawsuits are filed against the Company from time to time. Many of these lawsuits involve claims under policies that we underwrite and reserve for as an insurer. We believe that the resolution of these claims will not have a material adverse effect on our financial condition or results of operations. We are also involved in various other legal proceedings and litigation unrelated to claims under our policies that arise in the ordinary course of business operations. Management believes that any liabilities that may arise as a result of these legal matters will not have a material adverse effect on our financial condition or results of operations. The Company contests liability and/or the amount of damages as appropriate in each pending matter.

In accordance with applicable accounting guidance, the Company establishes an accrued liability for legal matters when those matters present loss contingencies that are both probable and estimable.

Legal proceedings are subject to many uncertain factors that generally cannot be predicted with assurance, and the Company may be exposed to losses in excess of any amounts accrued. The Company currently estimates that the reasonably possible losses for legal proceedings, whether in excess of a related accrued liability or where there is no accrued liability, and for which the Company is able to estimate a possible loss, are immaterial. This represents management's estimate of possible loss with respect to these matters and is based on currently available information. These estimates of possible loss do not represent our maximum loss exposure, and actual results may vary significantly from current estimates.

*Other*

In 2014, UVE entered into a letter agreement with Ananke Catastrophe Investment Ltd., an affiliate of Nephila Capital Ltd., that calls for a minimum annual spend of $5 million towards covered loss index swaps during the period from June 1, 2016 through May 31, 2025, of which UVE incurred $900 thousand towards that minimum annual spend through March 31, 2017. UVE has an annual spend remaining of $4.1 million towards covered loss index swaps by May 31, 2017.

### 13. Fair Value Measurements

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. GAAP describes three approaches to measuring the fair value of assets and liabilities: the market approach, the income approach and the cost approach. Each approach includes multiple valuation techniques. GAAP does not prescribe which valuation technique should be used when measuring fair value, but does establish a fair value hierarchy that prioritizes the inputs used in applying the various techniques. Inputs broadly refer to the assumptions that market participants use to make pricing decisions, including assumptions about risk. Level 1 inputs are given the highest priority in the hierarchy while Level 3 inputs are given the lowest priority. Assets and liabilities carried at fair value are classified in one of the following three categories based on the nature of the inputs to the valuation technique used:

- Level 1 — Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 — Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 — Unobservable inputs that are not corroborated by market data. These inputs reflect management’s best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

*Summary of significant valuation techniques for assets measured at fair value on a recurring basis*

Level 1

*Common stock:* Comprise actively traded, exchange-listed U.S. and international equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Company can access.

*Mutual funds:* Comprise actively traded funds. Valuation is based on daily quoted net asset values for identical assets in active markets that the Company can access.

Level 2

*U.S. government obligations and agencies:* Comprise U.S. Treasury Bills or Notes or U.S. Treasury Inflation Protected Securities. The primary inputs to the valuation include quoted prices for identical assets in inactive markets or similar assets in active or inactive markets, contractual cash flows, benchmark yields and credit spreads.

*Corporate bonds:* Comprise investment-grade fixed income securities. The primary inputs to the valuation include quoted prices for identical assets in inactive markets or similar assets in active or inactive markets, contractual cash flows, benchmark yields and credit spreads.

*Mortgage-backed and asset-backed securities:* Comprise securities that are collateralized by mortgage obligations and other assets. The primary inputs to the valuation include quoted prices for identical assets in inactive markets or similar assets in active or inactive markets, contractual cash flows, benchmark yields, collateral performance and credit spreads.

*Municipal bonds:* Comprise fixed income securities issued by a state, municipality or county. The primary inputs to the valuation include quoted prices for identical assets in inactive markets or similar assets in active or inactive markets, contractual cash flows, benchmark yields and credit spreads.

*Redeemable preferred stock:* Comprise preferred stock securities that are redeemable. The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active.

*Short-term investments:* Comprise investment securities subject to remeasurement with original maturities within one year but more than three months. The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active.

As required by GAAP, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company’s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the placement of the asset or liability within the fair value hierarchy levels.

The following tables set forth by level within the fair value hierarchy the Company's assets that were measured at fair value including those on a recurring basis as of the dates presented (in thousands):

| | Fair Value Measurements March 31, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Fixed Maturities: | | | | |
| U.S. government obligations and agencies | $ — | $ 77,469 | $ — | $ 77,469 |
| Corporate bonds | — | 194,041 | — | 194,041 |
| Mortgage-backed and asset-backed securities | — | 214,001 | — | 214,001 |
| Municipal bonds | — | 97,892 | — | 97,892 |
| Redeemable preferred stock | — | 14,272 | — | 14,272 |
| Equity Securities: | | | | |
| Common stock | 95 | — | — | 95 |
| Mutual funds | 50,191 | — | — | 50,191 |
| Short-term investments | — | 5,001 | — | 5,001 |
| Total assets accounted for at fair value | $ 50,286 | $ 602,676 | $ — | $ 652,962 |

| | Fair Value Measurements December 31, 2016 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Fixed Maturities: | | | | |
| U.S. government obligations and agencies | $ — | $ 74,267 | $ — | $ 74,267 |
| Corporate bonds | — | 191,430 | — | 191,430 |
| Mortgage-backed and asset-backed securities | — | 214,776 | — | 214,776 |
| Municipal bonds | — | 91,197 | — | 91,197 |
| Redeemable preferred stock | — | 12,691 | — | 12,691 |
| Equity Securities: | | | | |
| Common stock | 93 | — | — | 93 |
| Mutual funds | 50,710 | — | — | 50,710 |
| Short-term investments | — | 5,002 | — | 5,002 |
| Total assets accounted for at fair value | $ 50,803 | $ 589,363 | $ — | $ 640,166 |

The Company utilizes third-party independent pricing services that provide a price quote for each fixed maturity, equity security and short-term investment. Management reviews the methodology used by the pricing services. If management believes that the price used by the pricing service does not reflect an orderly transaction between participants, management will use an alternative valuation methodology. There were no adjustments made by the Company to the prices obtained from the independent pricing source for any fixed maturities or equity securities included in the tables above.

The following table summarizes the carrying value and estimated fair values of the Company's financial instruments that are not carried at fair value as of the dates presented (in thousands):

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Carrying Value | (Level 3) Estimated Fair Value | Carrying Value | (Level 3) Estimated Fair Value |
| **Liabilities (debt):** | | | | |
| Surplus note | $ 13,971 | $ 12,418 | $ 14,338 | $ 13,282 |
| Promissory note | $ — | $ — | $ 690 | $ 690 |

Level 3

*Long-term debt:* The fair value of the surplus note was determined by management from the expected cash flows discounted using the interest rate quoted by the holder. The State Board of Administration of Florida ("SBA") is the holder of the surplus note and the quoted interest rate is below prevailing rates quoted by private lending institutions. However, as the Company's use of funds from the surplus note is limited by the terms of the agreement, the Company has determined the interest rate quoted by the SBA to be appropriate for purposes of establishing the fair value of the note.

The fair value of the promissory note is not materially different than its carrying value.

**14. Subsequent Events**

The Company performed an evaluation of subsequent events through the date the Financial Statements were issued and determined there were no recognized or unrecognized subsequent events that would require an adjustment or additional disclosure in the Financial Statements as of March 31, 2017.

On April 12, 2017, UVE declared a cash dividend of $0.14 per share on its outstanding common stock payable on July 3, 2017, to the shareholders of record at the close of business on June 14, 2017.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*Unless the context otherwise requires, all references to "we," "us," "our," and "Company" refer to Universal Insurance Holdings, Inc. and its wholly-owned subsidiaries. You should read the following discussion together with our condensed consolidated financial statements ("Financial Statements") and the related notes thereto included in Part I, Item 1 "Financial Statements." Operating results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for the year.*

### Forward-Looking Statements

*In addition to historical information, the following discussion may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act. Forward-looking statements are based on various factors and assumptions that include known and unknown risks and uncertainties, some of which are beyond our control and cannot be predicted or quantified. Certain statements made in this report reflect management's expectations regarding future events, and the words "expect," "estimate," "anticipate," "believe," "intend," "project," "plan" and similar expressions and variations thereof, speak only as of the date the statement was made and are intended to identify forward-looking statements. Such statements may include, but not be limited to, projections of revenues, income or loss, expenses, plans, as well as assumptions relating to the foregoing. Future results could differ materially from those in the following discussion and those described in forward-looking statements as a result of the risks set forth below which are a summary of those set forth in our Annual Report on Form 10-K for the year ended December 31, 2016.*

*Risks Relating to our Business*

- *As a property and casualty insurer, we may face significant losses from catastrophes and severe weather events,*
- *Actual claims incurred may exceed current reserves established for claims and may adversely affect our operating results and financial condition,*
- *Our success depends in part on our ability to accurately price the risks we underwrite,*
- *Unanticipated increases in the severity or frequency of claims may adversely affect our profitability and financial condition,*
- *The failure of the risk mitigation strategies we utilize could have a material adverse effect on our financial condition or results of operations,*
- *Because we rely on independent insurance agents, the loss of these independent agent relationships and the business they control or our ability to attract new independent agents could have an adverse impact on our business,*
- *The inherent uncertainty of models and our reliance on such models as a tool to evaluate risks may have an adverse effect on our financial results,*
- *Reinsurance may be unavailable in the future at current levels and prices, which may limit our ability to write new business or to adequately mitigate our exposure to loss,*
- *Reinsurance subjects us to the credit risk of our reinsurers, which could have a material adverse effect on our operating results and financial condition,*
- *Our financial condition and operating results and the financial condition and operating results of our Insurance Entities may be adversely affected by the cyclical nature of the property and casualty business,*
- *Because we conduct the substantial majority of our business in Florida, our financial results depend on the regulatory, economic and weather conditions in Florida,*
- *Changing climate conditions may adversely affect our financial condition, profitability or cash flows,*
- *We have entered and in the future may enter new markets, but there can be no assurance that our diversification and growth strategy will be effective,*
- *Loss of key executives or our inability to otherwise attract and retain talent could affect our operations,*
- *We could be adversely affected if our controls designed to ensure compliance with guidelines, policies and legal regulatory standards are not effective,*
- *The failure of our claims department to effectively manage claims could adversely affect our insurance business, financial results and capital requirements,*
- *Litigation or regulatory actions could have a material adverse impact on us,*
- *Our future results are dependent in part on our ability to successfully operate in a highly competitive insurance industry,*

- *A downgrade in our Financial Stability Rating ® may have an adverse effect on our competitive position, the marketability of our product offerings, and our liquidity, operating results and financial condition ,*
- *Breaches of our information systems or denial of service on our website could have an adverse impact on our business and reputation, and*
- *Lack of effectiveness of exclusions and other loss limitation methods in the insurance policies we write could have a material adverse effect on our financial condition or our results of operations.*

*Risks Relating to Investments*

- *We are subject to market risk which may adversely affect investment income and*
- *Our overall financial performance is dependent in part on the returns on our investment portfolio, which may have a material adverse effect on our financial condition or results of operations or cause such results to be volatile.*

*Risks Relating to the Insurance Industry*

- *We are subject to extensive regulation and potential further restrictive regulation may increase our operating costs and limit our growth,*
- *UVE is a holding company and, consequently, its cash flow is dependent on dividends and other permissible payments from its subsidiaries,*
- *Regulations limiting rate changes and requiring us to participate in loss sharing or assessments may decrease our profitability,*
- *The amount of statutory capital that each of the Insurance Entities has and the amount of statutory capital it must hold can vary and are sensitive to a number of factors outside of our control, including market conditions and the regulatory environment and rules, and*
- *Our Insurance Entities are subject to examination and actions by state insurance departments.*

*Risks Relating to Debt Obligations*

- *Our revolving line of credit has restrictive terms, and our failure to comply with any of these terms could have an adverse effect on our business and prospects and*
- *Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs or our ability to obtain credit on acceptable terms.*

*Risks Relating to Ownership of Our Common Stock*

- *The price of our common stock may fluctuate significantly, and you could lose all or part of your investment,*
- *Any issuance of preferred stock could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common stock, which could depress the price of our common stock, and*
- *Future sales of our common stock may depress our stock price.*

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand the results of operations and financial condition of Universal Insurance Holdings, Inc. and its wholly-owned consolidated subsidiaries. MD&A is provided as a supplement to, and should be read in conjunction with, our financial statements and accompanying notes in Item 1 above.

**OVERVIEW**

Universal Insurance Holdings, Inc. ("UVE," and together with its wholly-owned subsidiaries, "we," "our," "us," or "the Company") is the largest private personal residential insurance company in Florida by direct written premium in-force, with approximately 9.7% market share as of December 31, 2016, according to the most recent data reported by the Florida Office of Insurance Regulation ("FLOIR"). We perform substantially all aspects of insurance underwriting, policy issuance, general administration and claims processing and settlement internally through our vertically integrated operations. Our wholly-owned licensed insurance subsidiaries, Universal Property & Casualty Insurance Company ("UPCIC") and American Platinum Property and Casualty Insurance Company ("APPCIC" and together with UPCIC, the "Insurance Entities"), currently write personal residential insurance policies, predominantly in Florida with $218.4 million in direct written premium for the three months ended March 31, 2017. UPCIC also writes homeowners insurance policies in Alabama , Delaware, Georgia, Hawaii, Indiana, Maryland, Massachusetts, Michigan, Minnesota, North Carolina, Pennsylvania, South Carolina, and Virginia with $27.0 million in direct written premium for the three months ended March 31, 2017, and is licensed to issue policies in Iowa, New Hampshire, New Jersey, New York, and West Virginia. We believe that our longevity in the Florida market and our resulting depth of experience will enable us to continue to successfully grow our business in both hard and soft markets.

We generate revenues primarily from the collection of premiums. The nature of our business tends to be seasonal, reflecting consumer behaviors in connection with the Florida residential real estate market and the hurricane season. The amount of direct written premium tends to increase just prior to the second quarter of our fiscal year and tends to decrease approaching the fourth quarter. Other sources of revenue include: commissions paid by our reinsurers to our reinsurance intermediary subsidiary, Blue Atlantic Reinsurance, on reinsurance it places for the Insurance Entities, policy fees collected from policyholders by our managing general agency subsidiary, Universal Risk Advisors, and financing fees charged to policyholders who choose to defer premium payments. We also generate income by investing our assets.

Over the past several years, we have grown our business both within Florida and elsewhere in the United States through our distribution network of approximately 8,600 licensed independent agents. Our goals are to profitably grow our business, invest in our vertically integrated structure, expand our independent agent network, and return value to shareholders. Some of our key strategies include increasing our policies in force in Florida through continued profitable and organic growth; expanding into other states to diversify our revenue and risk; optimizing our reinsurance program; and continuing to provide high quality service through our vertically integrated business. We believe each of these strategies has contributed towards an increase in earnings and earnings per share as well as an improvement in our overall financial condition. See “— *Results of Operations* ” below for a discussion of our results for the three months ended March 31, 2017 compared to the same period in 2016.

Our overall organic growth strategy emphasizes taking prudent measures to increase our policy count and improving the quality of our business rather than merely increasing our policy count. Our focus on long-term capital strength and organic growth causes us to be selective in the risks we accept. Our goal is to write risks that are priced adequately and meet our underwriting standards. We believe that our strategy of organically expanding our premium growth through our independent agent distribution network, streamlining claims management and balancing appropriate pricing with disciplined underwriting standards will maximize our profitable growth. We also intend to continue our expansion outside of Florida in markets that allow us to write profitable business and to diversify our revenue and risk. Upon entering new markets, we leverage our existing independent agent network to generate new local relationships and business and we take the time to learn about each new market and any of its unique risks in order to carefully develop our own policy forms, rates and informed underwriting standards. Our expansion efforts differ from many of our competitors that have grown in recent years primarily through assumption of policies from Citizens Property Insurance Corporation, Florida’s statutory residual property insurance market.

As a result of our organic growth strategy and initiatives, we have seen increases in policy count and insured value in all states for over two years. Our total insured value for states outside of Florida increased from 17.1% as of March 31, 2016 to 22.2% as of March 31, 2017. The following table provides direct written premium for Florida and other states for the three months ended March 31, 2017 and 2016 (dollars in thousands):

| | For the Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | March 31, 2017 | | March 31, 2016 | | Growth year over year | |
| State | Direct Written Premium | % | Direct Written Premium | % | $ | % |
| Florida | $ 218,438 | 89.0% | $ 209,360 | 91.8% | $ 9,078 | 4.3% |
| Other states | 26,977 | 11.0% | 18,613 | 8.2% | 8,364 | 44.9% |
| Total | $ 245,415 | 100.0% | $ 227,973 | 100.0% | $ 17,442 | 7.7% |

We believe our ability to achieve rate adequacy relative to the risks written improves our underwriting profit. This, together with our improved financial strength, was a key factor in our decision to retain a greater share of our profitable business by reducing our quota share cession rate in our 2014-2015 reinsurance program and eliminating the use of quota share reinsurance in our 2015-2016 and 2016-2017 reinsurance program.

**First-Quarter 2017 Highlights**

- Gross direct written premiums overall grew by $17.4 million, or 7.7%, to $245.4 million compared to the first quarter of 2016.

- Net earned premiums grew by $ 9.1 million, or 6.0 %, to $ 161.6 million compared to the first quarter of 201 6 .
- Total revenues increased by $10.4 million, or 6.3%, to $174.9 million compared to the first quarter of 2016.
- Net income increased by $6.0 million, or 23.7%, to $31.2 million compared to the first quarter of 2016.
- Diluted EPS increased by $0.15 to $0.86 per share compared to the first quarter of 2016.
- Declared dividends of $0.14 per share.
- Repurchased approximately 100 thousand shares during the quarter at an aggregate cost of $2.5 million.
- Received Certificate of Authority from Iowa.

**UPCIC's 2016-2017 Reinsurance Program**

*Third-Party Reinsurance*

Our annual reinsurance program, which is segmented into layers of coverage, as is industry practice, protects us against excess property catastrophe losses. Our 2016-2017 reinsurance program includes the mandatory coverage required by law to be placed with the Florida Hurricane Catastrophe Fund ("FHCF"), in which we have elected to participate at 90%, or the highest level, and also includes private reinsurance below, alongside and above the FHCF layer. In placing our 2016-2017 reinsurance program, we obtained multiple years of coverage for a portion of the program. We believe this multi-year arrangement will allow us to capitalize on favorable pricing and contract terms and conditions and allow us to mitigate uncertainty with respect to the price of future reinsurance coverage, our single largest cost.

The total cost of UPCIC's private catastrophe reinsurance program for all states as described below, effective June 1, 2016 through May 31, 2017, is $150 million. In addition, UPCIC has purchased reinstatement premium protection as described below, the cost of which is $28.4 million. The largest private participants in UPCIC's reinsurance program include leading reinsurance companies and providers such as Nephila Capital, Everest Re, Renaissance Re, Chubb Tempest Re and Lloyd's of London syndicates.

We have used the model results noted above to stress test the completeness of the program by simulating a recurrence of the 2004 calendar year, in which four large catastrophic hurricanes made landfall in Florida. This season is considered to be the worst catastrophic year in Florida's recorded history. Assuming the reoccurrence of the 2004 calendar year events, including the same geographic path of each such hurricane, the modeled estimated net loss to us in 2016 with the reinsurance coverage described herein, would be approximately $84 million (after tax, net of all reinsurance recoveries), the same as it would have been in 2015. We estimate that, based on our portfolio of insured risks as of December 31, 2016 and 2015, a repeat of the four 2004 calendar year events would have exhausted approximately 25% and 18.4%, respectively, of our property catastrophe reinsurance coverage.

<u>UPCIC's Retention</u>

UPCIC has a net retention of $35 million per catastrophe event for losses incurred, up to a first event loss of $2.487 billion. UPCIC also purchases a separate underlying catastrophe program to further reduce its retention for all losses occurring in any state other than Florida (the "Other States Reinsurance Program"). UPCIC retains only $5 million under its Other States Reinsurance Program. These retention amounts are gross of any potential tax benefit we would receive in paying such losses.

<u>First Layer</u>

Immediately above UPCIC's net retention, we have $55 million of reinsurance coverage from third-party reinsurers for up to four separate catastrophic events, for all states. Specifically, we have purchased reinsurance coverage for the first and third catastrophic events, and each such coverage allows for one reinstatement upon the payment of reinstatement premiums, which would cover the second and fourth catastrophic events. This coverage has been obtained from three contracts as follows:

- 68.33% of $55 million in excess of $35 million provides coverage on a multi-year basis through May 31, 2019;
- 31.67% of $55 million in excess of $35 million provides coverage for the 2016-2017 period; and
- 100% of $55 million in excess of $35 million and in excess of $110 million otherwise recoverable (from the first and second events) provides the third and fourth event coverage for the 2016-2017 period.

For the first two contracts above, to the extent that all of our coverage or a portion thereof is exhausted in a catastrophic event, we have purchased reinstatement premium protection to pay the required premium necessary for the reinstatement of these coverages.

Second Layer

Above the first layer, for losses exceeding $90 million, we have purchased a second layer of coverage for losses up to $445 million – in other words, for the next $355 million of losses. This coverage has been obtained from two contracts as follows:

- 58% of $355 million in excess of $90 million (originally effective June 1, 2015) continues to provide coverage through May 31, 2018; and
- 42% of $355 million in excess of $90 million provides coverage for the 2016-2017 period

In this layer, to the extent that all of our coverage or a portion thereof is exhausted in a catastrophic event, we have purchased reinstatement premium protection insurance to pay the required premium necessary for the reinstatement of these coverages. Both of these contracts extend coverage to all states.

Third Layer

Above the first and second layers, we have purchased a third layer of coverage for losses up to $540 million – in other words, for the next $95 million of losses. This coverage was obtained from two contracts as follows:

- 68.33% of $95 million in excess of $445 million provides coverage on a multi-year basis through May 31, 2019; and
- 31.67% of $95 million in excess of $445 million provides coverage for the 2016-2017 period.

In this layer, to the extent that all of our coverage or a portion thereof is exhausted in a catastrophic event, we have purchased reinstatement premium protection insurance to pay the required premium necessary for the reinstatement of these coverages. Both of these contracts extend coverage to all states.

Fourth and Fifth Layers

In the fourth and fifth layers, we have purchased reinsurance for $173 million of coverage in excess of $540 million in losses incurred by us (net of the FHCF layer) and $130 million of coverage in excess of $713 million in losses incurred by us (net of the FHCF layer), respectively, for a total of $808 million of coverage (net of the FHCF layer) by third-party reinsurers. Both layers' coverage extends to all states.

UPCIC structures its reinsurance coverage into layers and utilizes a cascading feature such that the second, third, fourth and fifth reinsurance layers all attach at $90 million. Any layers above the $90 million attachment point are excess of loss over the immediately preceding layer. If the aggregate limit of the preceding layer is exhausted, the next layer cascades down in its place for future events. Further, UPCIC buys four dedicated limits of $55 million in excess of $35 million for the first four catastrophe events. This means that, unless losses exhaust the top layer of our coverage, we are exposed to only $35 million in losses, pre-tax, per catastrophe for each of the first four events. In addition to tax benefits that could reduce our ultimate loss, we would expect fees paid to our subsidiary service providers by our Insurance Entities and, indirectly, our reinsurers, would also increase during an active hurricane season, which could also offset claim-related losses we would have to pay on our insurance policies.

Other States Reinsurance Program

The total cost of UPCIC's private catastrophe reinsurance program for other states as described below, effective June 1, 2016 through May 31, 2017, is $5.5 million. In addition, UPCIC has purchased reinstatement premium protection as described below, the cost of which is $1.6 million.

Effective June 1, 2016 through June 1, 2017, under an excess catastrophe contract specifically covering risks located outside the state of Florida and intended to further reduce UPCIC's $35 million net retention, as noted above, UPCIC has obtained catastrophe coverage of $30 million in excess of $5 million covering certain loss occurrences, including hurricanes, in states outside of Florida. This catastrophe coverage has a second full limit available with additional premium calculated pro rata as to amount and 100% as to time, as applicable. All catastrophe layers are placed with a cascading feature so that all capacity could be made available in excess of $5 million under certain loss scenarios.

In certain circumstances involving a catastrophic event impacting both Florida and other states, UPCIC's retention could result in pre-tax net liability as low as $5,000,000 – the $35 million net retention under the all states reinsurance program could be offset by as much as $30 million in coverage under the Other States Reinsurance Program – or 1.8% of UPCIC's statutory policyholders' surplus as of March 31, 2016.

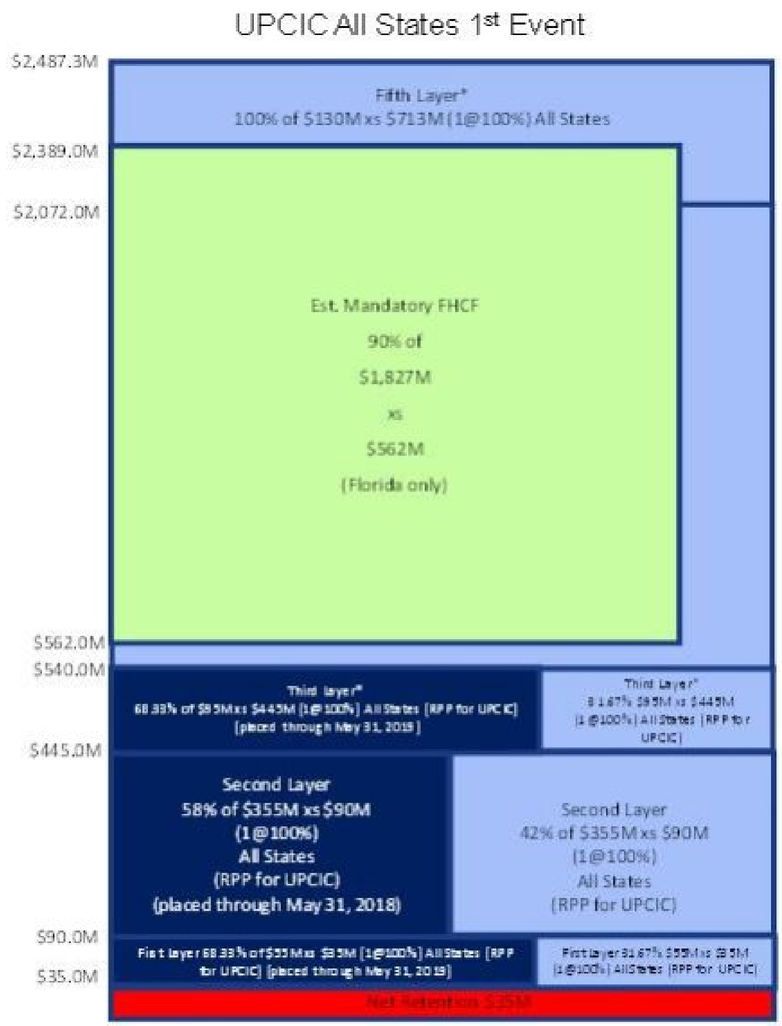
*FHCF*

UPCIC's third-party reinsurance program supplements the FHCF coverage we are required to purchase every year. The limit and retention of the FHCF coverage we receive each year is subject to upward or downward adjustment based on, among other things, submitted exposures to the FHCF by all participants. We estimate our FHCF coverage includes a maximum provisional limit of 90%

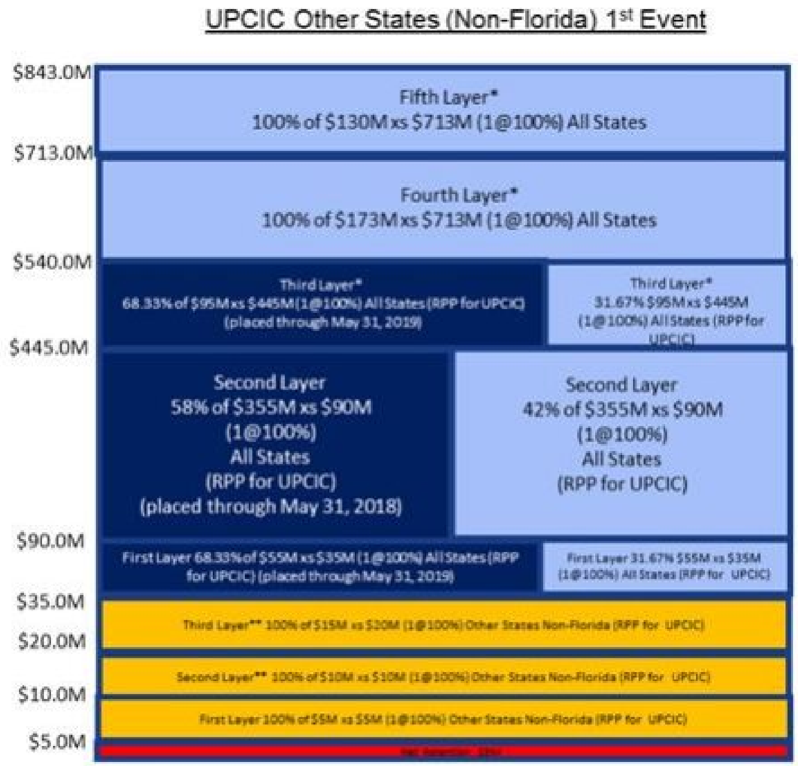
of $1,827 million, or $1,644 million, in excess of $562 million. The estimated premium that UPCIC plans to cede to the FHCF for the 2016 hurricane season is $110.1 million.

Coverage purchased from third-party reinsurers, as described above, adjusts to fill in gaps in FHCF coverage. The FHCF coverage cannot be reinstated once exhausted, but it does provide coverage for multiple events. The FHCF coverage extends only to losses to our Florida portfolio due to peril of hurricane.

The third-party reinsurance we purchase for UPCIC is therefore net of FHCF recovery. When our FHCF and third-party reinsurance coverages are taken together, UPCIC has reinsurance coverage of up to $2,487 million for the first event, as illustrated by the graphic below. Should a catastrophic event occur, we would retain $35 million pre-tax for each catastrophic event, and would also be responsible for any additional losses that exceed our top layer of coverage.



* Layer cascades to $90M




* Layer cascades to $90M
** Layer cascades to $5M

**APPCIC's 2016-2017 Reinsurance Program**

*Third-Party Reinsurance*

The total cost of APPCIC's private catastrophe and multiple line excess reinsurance program, effective June 1, 2016 through May 31, 2017, is $1.7 million. In addition, APPCIC has purchased reinstatement premium protection as described below, the cost of which is $52,300. The largest private participants in APPCIC's reinsurance program include leading reinsurance companies such as Everest Re, Chubb Tempest Re, Hiscox, Hannover Ruck, and Lloyd's of London syndicates.

<u>APPCIC's Retention</u>

APPCIC has a net retention of $2 million for all losses per catastrophe event for losses incurred up to a first event loss of $30.9 million. This retention amount is gross of any potential tax benefit we would receive in paying such losses.

<u>First Layer</u>

Immediately above APPCIC's net retention we have $3.3 million of reinsurance coverage from third-party reinsurers. Specifically, we have purchased reinsurance coverage for the first event, and such coverage allows for one reinstatement upon the payment of reinstatement premiums, which would cover the second and potentially more catastrophic events. We have purchased reinstatement premium protection to pay the required premium necessary for the initial reinstatement of this coverage for a second catastrophic event.

<u>Second and Third Layers</u>

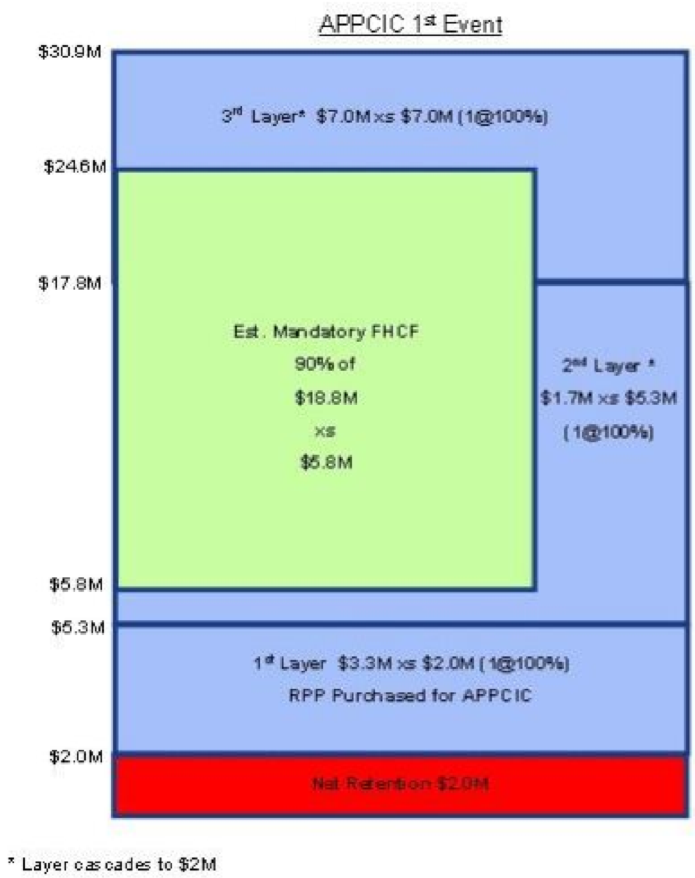
In the second and third layers, we have purchased reinsurance for $1.7 million of coverage in excess of $5.3 million in losses incurred by us (net of the FHCF layer) and $7 million of coverage in excess of $7 million in losses incurred by us (net of the FHCF layer), respectively.

APPCIC structures its reinsurance coverage into layers and utilizes a cascading feature such that the second and third reinsurance layers all attach at $2 million. Any layers above the $2 million attachment point are excess of loss over the immediately preceding layer. If the aggregate limit of the preceding layer is exhausted, the next layer cascades down in its place for future events. This means that, unless losses exhau st the top layer of our coverage, we are only exposed to $2 million in losses, pre-tax, per catastrophe for each of the first two events. In addition to tax benefits that could reduce our ultimate loss, we would expect fees paid to our subsidiary service p roviders by our Insurance Entities and, indirectly, our reinsurers would also increase during an active hurricane season, which could also offset losses we would have to pay on our insurance policies.

*FHCF*

APPCIC's third-party reinsurance program is used to supplement the FHCF reinsurance we are required to purchase every year. The limit and retention of the FHCF coverage we receive each year is subject to upward or downward adjustment based on, among other things, submitted exposures to the FHCF by all participants. We estimate our FHCF coverage includes a maximum provisional limit of 90% of $18.8 million, or $16.9 million, in excess of $5.8 million. The estimated premium that APPCIC plans to cede to the FHCF for the 2016 hurricane season is $1.1 million. Factoring in our estimated coverage under the FHCF, we purchase coverage alongside our FHCF coverage from third-party reinsurers as described above, which adjusts to fill in gaps in FHCF coverage. The FHCF coverage cannot be reinstated once exhausted, but it does provide coverage for multiple events. The FHCF coverage extends only to losses to our portfolio impacted by the peril of hurricanes.

The third-party reinsurance we purchase for APPCIC is therefore net of FHCF recovery. When our FHCF and third-party reinsurance coverages are taken together, APPCIC has reinsurance coverage of up to $30.9 million, as illustrated by the graphic below. Should a catastrophic event occur, we would retain $2 million pre-tax for each catastrophic event, and would also be responsible for any additional losses that exceed our top layer of coverage.




*Multiple Line Excess of Loss*

APPCIC also purchases extensive multiple line excess per risk reinsurance with various reinsurers due to the high valued risks it insures. Under this multiple line excess per risk contract, APPCIC has coverage of $8.5 million in excess of $0.5 million ultimate net loss for each risk and each property loss, and $1 million in excess of $0.3 million for each casualty loss. A $19.5 million aggregate limit applies to the term of the contract for property related losses and a $2.0 million aggregate limit applies to the term of the contract for casualty-related losses. This contract also contains a profit sharing feature available to APPCIC if the contract meet s specific performance measures.

**Results of Operations—Three Months Ended March 31, 2017, Compared to Three Months Ended March 31, 2016**

Net income increased by $6.0 million, or 23.7%, to $31.2 million for the three months ended March 31, 2017, compared to $25.2 million for the three months ended March 31, 2016. The increase in net income was the result of total premiums earned and other revenues increasing by $10.4 million or 6.3% over the prior year offset by total operating costs and expenses increasing by $4.2 million, or 3.4% over the prior year and increased taxes of $0.3 million or 1.9% over the prior year. Expenses this quarter include $3.0 million of weather events beyond expected compared to $8.5 million in the prior year. Our growth in 2017 is driven by our organic growth in written premium both in Florida, up 4.3% to $218.4 million and in our expansion states outside Florida which were up 44.9% to $27.0 million. Diluted earnings per common share increased by $0.15 to $0.86 for the three months ended March 31, 2017, compared to $0.71 for the three months ended March 31, 2016, as a result of the increase in net income. A more detailed discussion of this and other factors follows the table below.

| | (in thousands) Three Months Ended March 31, | | Change | |
|---|---|---|---|---|
| | 2017 | 2016 | $ | % |
| PREMIUMS EARNED AND OTHER REVENUES | | | | |
| Direct premiums written | $ 245,415 | $ 227,973 | $ 17,442 | 7.7% |
| Change in unearned premium | (9,040) | (6,721) | (2,319) | 34.5% |
| Direct premium earned | 236,375 | 221,252 | 15,123 | 6.8% |
| Ceded premium earned | (74,816) | (68,804) | (6,012) | 8.7% |
| Premiums earned, net | 161,559 | 152,448 | 9,111 | 6.0% |
| Net investment income (expense) | 2,704 | 1,605 | 1,099 | 68.5% |
| Net realized gains (losses) on investments | (63) | 667 | (730) | NM |
| Commission revenue | 4,598 | 4,113 | 485 | 11.8% |
| Policy fees | 4,483 | 4,114 | 369 | 9.0% |
| Other revenue | 1,593 | 1,499 | 94 | 6.3% |
| Total premiums earned and other revenues | 174,874 | 164,446 | 10,428 | 6.3% |
| OPERATING COSTS AND EXPENSES | | | | |
| Losses and loss adjustment expenses | 70,570 | 66,117 | 4,453 | 6.7% |
| General and administrative expenses | 56,933 | 57,230 | (297) | -0.5% |
| Total operating costs and expenses | 127,503 | 123,347 | 4,156 | 3.4% |
| INCOME BEFORE INCOME TAXES | 47,371 | 41,099 | 6,272 | 15.3% |
| Income tax expense | 16,172 | 15,873 | 299 | 1.9% |
| NET INCOME | $ 31,199 | $ 25,226 | $ 5,973 | 23.7% |
| Other comprehensive income (loss), net of taxes | 2,464 | 3,281 | (817) | -24.9% |
| COMPREHENSIVE INCOME | $ 33,663 | $ 28,507 | $ 5,156 | 18.1% |

Premiums earned, net in the current period reflect premiums written over the past 12 months and any changes in rates or policy count during that time. Premiums earned, net were $161.6 million for the three months ended March 31, 2017, compared to $152.4 million for the three months ended March 31, 2016. The increase in net earned premiums of $9.1 million, or 6.0%, includes an increase in direct earned premiums of $15.1 million and an increase in ceded earned premiums of $6.0 million. Direct written premiums increased $17.4 million or 7.7% which was made up of an increase in Florida business of $9.1 million or 4.3% over the prior year and direct written premiums in other states increased $8.3 million or 44.9% over the same period in 2016.

Our reinsurance programs run from June 1 to May 31 of the following year. The net increase in ceded earned premiums of $6.0 million is attributable to the costs associated with our 2016-2017 reinsurance program which took effect June 1, 2016. Ceded premiums earned were higher due to increased exposure from policy growth which increased total policy insured value, increases to our reinsurance limits and our new costs associated with lower reinsurance attachment points for our growth in business outside of Florida.

Net investment income was $2.7 million for the three months ended March 31, 2017, compared to $1.6 million for the same three months in 2016. The increase in net investment income of $1.1 million is the result of an increase in the size of our investment portfolio fueled by reinvestments of returns and cash flows generated from operations and actions taken to increase yield by investing these new funds along with maturities in higher yielding securities while maintaining high credit quality. Total average investments were $ 6 58.5 million with an average credit rating of AA- during the three months ended March 31, 2017 compared to $523.6 million with an average credit rating of AA- for the same period in 2016.

Management sells investment securities from its portfolio of securities available for sale from time to time when opportunities arise or circumstances could result in greater losses if held. We sold investment securities available for sale during the three months ended March 31, 2017 generating net realized loss of $63 thousand compared to net realized gains of $667 thousand for the three months ended March 31, 2016.

Commission revenue is comprised principally of brokerage commissions we earn from reinsurers on reinsurance placed for the Insurance Entities. For the three months ended March 31, 2017 commission revenue was $4.6 million, compared to $4.1 million for the three months ended March 31, 2016. The increase in commission revenue of $485 thousand, or 11.8%, was the result of overall changes in the structure of the reinsurance programs in effect and earned during the three months ended March 31, 2017, compared to the three months ended March 31, 2016, including the amount of premiums paid for reinsurance on our growing exposures and the types of reinsurance contracts used in each program.

Policy fees for the three months ended March 31, 2017, were $4.5 million compared to $4.1 million for the same period in 2016. The increase of $369 thousand, or 9.0%, was the result of an increase in the number of policies written during the three months ended March 31, 2017 compared to the same period in 2016.

Other revenue for the three months ended March 31, 2017 was $1.6 million compared to $1.5 million for the same period in 2016. Other revenue represents revenue from premium financing and other miscellaneous income. The increase of $94 thousand, or 6.3% was the result of an increase in the number of financed policies.

Losses and LAE, net of reinsurance were $70.6 million for the three months ended March 31, 2017, compared to $66.1 million during the same period in 2016 as follows (dollars in thousands):

| | Three Months Ended March 31, 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Direct | Loss Ratio | Ceded | Loss Ratio | Net | Loss Ratio |
| Premiums earned | $ 236,375 | | $ 74,816 | | $ 161,559 | |
| Loss and loss adjustment expenses: | | | | | | |
| Loss and loss adjustment expenses | $ 67,783 | 28.7% | $ 213 | 0.3% | $ 67,570 | 41.8% |
| Weather events* | 3,000 | 1.3% | — | — | 3,000 | 1.9% |
| Total loss and loss adjustment expenses | $ 70,783 | 30.0% | $ 213 | 0.3% | $ 70,570 | 43.7% |

| | Three Months Ended March 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Direct | Loss Ratio | Ceded | Loss Ratio | Net | Loss Ratio |
| Premiums earned | $ 221,252 | | $ 68,804 | | $ 152,448 | |
| Loss and loss adjustment expenses: | | | | | | |
| Loss and loss adjustment expenses | $ 57,648 | 26.1% | $ 31 | 0.0% | $ 57,617 | 37.8% |
| Weather events* | 8,500 | 3.8% | — | — | 8,500 | 5.6% |
| Total loss and loss adjustment expenses | $ 66,148 | 29.9% | $ 31 | 0.0% | $ 66,117 | 43.4% |

*Includes only weather events beyond expected

See “Item 1 — Note 6 (Liability for Unpaid Losses and Loss Adjustment Expenses)” for change in liability for unpaid losses and LAE.

Losses and LAE were $70.6 million for the three months ended March 31, 2017, compared to $66.1 million during the same period in 2016. The increase of $4.5 million year over year was principally driven by three factors; first, an increase in our core loss ratio from 26.1% to 28.7%, which accounts for $6 million of the increase; second, an increase of $4 million as a result of increased premium volume; and third, a reduction in weather events of $5.5 million, which was $3 million this quarter compared to $8.5 million last year. The increase in the core loss ratio is in line with our year end actuarial study and current indications. As a result of the above, the net loss and LAE ratios, or net losses and LAE as a percentage of net earned premiums, were 43.7% and 43.4% during the three months ended March 31, 2017 and 2016, respectively.

General and administrative expenses were $56.9 million for the three months ended March 31, 2017, compared to $57.2 million during the same period in 2016 as follows (dollars in thousands):

| | Three Months Ended March 31, | | | | Change | |
|---|---|---|---|---|---|---|
| | 2017 | | 2016 | | | |
| | $ | Ratio | $ | Ratio | $ | % |
| Premiums earned | $ 161,559 | | $ 152,448 | | $ 9,111 | 6.0% |
| General and administrative expenses: | | | | | | |
| Policy acquisition costs | 32,428 | 20.1% | 29,596 | 19.4% | 2,832 | 9.6% |
| Other operating costs | 24,505 | 15.2% | 27,634 | 18.1% | (3,129) | (11.3%) |
| Total general and administrative expenses | $ 56,933 | 35.3% | $ 57,230 | 37.5% | $ (297) | (0.5%) |

For the three months ended March 31, 2017, general and administrative expenses were $56.9 million, compared to $57.2 million for the same period in 2016. The net decrease in general and administrative costs of $297 thousand was the result of decreases in other operating costs of $3.1 million offset by increases in acquisition costs of $2.8 million. Increases in acquisition costs of $2.8 million was the result of increased premium volume and an increase in our blended commission rate in states outside of Florida. Other operating costs decreased $3.1 million as a result of reduction in stock based compensation, a reduction in amounts spent on insurance swap contracts offset by increases in advertising to promote growth within Florida and in our expansion states. Overall the expense ratio (general and administrative expenses as a percentage of net earned premiums), benefited from economies of scale as expenses did not increase as the same rate as revenues. As a result the ratio as a percentage of net earnings fell to 35.3% for the three months ended March 31, 2017 compared to 37.5% for the same period in 2016.

Income taxes increased by $299 thousand, or 1.9%, primarily as a result of an increase in income before income taxes offset by the benefit derived from two discrete items. The first was a credit to income tax expense of $779 thousand for excess tax benefits resulting from stock-based awards that vested and/or were exercised during the first quarter of 2017. This credit to income tax expense represents the application of a new accounting pronouncement. Prior to this quarter, excess benefits were recorded in stockholders' equity. The other discrete item is a credit to income tax expense of $1.3 million resulting from anticipated recoveries of income taxes paid for the 2013-2015 tax years. Collectively, these discrete items, representing 4.3% of the ratio, lowered our effective tax rate to 34.1% as compared to 38.6% for the three months ended March 31, 2017 and 2016, respectively. See "Item 1 — Note 9 (Income Taxes)" for an explanation of the change in effective tax rate.

Comprehensive income includes net income and other comprehensive income or loss. Other comprehensive income for the three months ended March 31, 2017 and 2016, reflects after tax changes in fair value of securities held in our portfolio of securities available for sale and a reclassification out of cumulative other comprehensive income for securities sold. See "Item 1 — Note 11 (Other Comprehensive Income (Loss))."

**Analysis of Financial Condition—As of March 3 1 , 201 7 Compared to December 31, 201 6**

We believe that cash flows generated from operations will be sufficient to meet our working capital requirements for at least the next twelve months. Our policy is to invest amounts considered to be in excess of current working capital requirements.

The following table summarizes, by type, the carrying values of investments as of the dates presented (in thousands):

| Type of Investment | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Fixed maturities | $ 597,675 | $ 584,361 |
| Equity securities | 50,286 | 50,803 |
| Short-term investments | 5,001 | 5,002 |
| Investment real estate, net | 13,104 | 11,435 |
| Total | $ 666,066 | $ 651,601 |

See "Item 1 — Condensed Consolidated Statements of Cash Flows" for explanations of changes in investments.

Prepaid reinsurance premiums represent the portion of unearned ceded written premiums that will be earned pro-rata in the future. The decrease of $74.6 million to $49.8 million was primarily due to the amortization of reinsurance costs relating to our catastrophe reinsurance program beginning June 1, 2016.

Premiums receivable represents amounts receivable from policyholders. The increase in premiums receivable of $2.4 million to $56.2 million as of March 31, 2017 relates to the growth in the Company's business and seasonality of our business.

Deferred tax assets and liabilities represent temporary differences between U.S. GAAP and the tax basis of a company's assets and liabilities. During the three months ended March 31, 2017 deferred tax assets increased by $4.7 million primarily due to fluctuations in unearned premiums, unrealized gains and losses, deferred policy acquisition costs, and equity based compensation.

See "Item 1 — Note 5 (Insurance Operations)" for a roll-forward in the balance of our deferred policy acquisition costs.

See "Item 1 — Note 6 (Liability for Unpaid Losses and Loss Adjustment Expenses)" for a roll-forward in the balance of our unpaid losses and LAE. Unpaid losses and loss adjustment expenses decreased $27.0 million to $31.5 million during the three months ended March 31, 2017. This reduction was the result of continuing initiatives to expedite claims payments including the ability of our mobile claims teams to rapidly settle certain claims, which we refer to as "Fast Track," and the anticipated benefit from subrogation collections.

Unearned premiums represent the portion of direct written premiums that will be earned pro rata in the future. The increase of $9.0 million to $484.8 million as of March 31, 2017 reflects both organic growth and seasonality of our business as described under "*– Overview* ".

Advance premium represents premium payments made by policyholders ahead of the effective date of the policies.  The increase of $10.6 million to $28.4 million as of March 31, 2017 reflects both organic growth and seasonality of our business as described under "*– Overview* ".

Reinsurance payable, net decrease of $41.0 million to $39.9 million was the result of installments payments to reduce the Company's remaining obligation to the costs incurred under the Company's 2016/2017 reinsurance program entered into as of June 1, 2016.

Income taxes payable increased $22.4 million to $19.2 million as of March 31, 2017 from an income tax recoverable of $3.2 million as of December 31, 2016. The increase represents amounts due to taxing jurisdictions within one year and arise when tax obligations exceed tax payments. Income taxes payable of $19.2 million as of March 31, 2017 represents amounts payable for federal and state income taxes.

See "*– Liquidity and Capital Resources"* for explanation of changes in total capital.

**Liquidity and Capital Resources**

*Liquidity*

Liquidity is a measure of a company's ability to generate sufficient cash flows to meet its short and long-term obligations. Funds generated from operations have been sufficient to meet our liquidity requirements and we expect that in the future funds from operations will continue to meet such requirements.

The balance of cash and cash equivalents as of March 31, 2017, was $160.4 million compared to $105.7 million at December 31, 2016. See "Item 1 — Condensed Consolidated Statements of Cash Flows" for a reconciliation of the balance of cash and cash equivalents between March 31, 2017, and December 31, 2016. The increase in cash and cash equivalents was driven by cash flows generated from profits and operations in excess of those used for investing and financing activities. Most of the balance of cash and cash equivalents maintained is available to pay claims in the event of a catastrophic event in addition to any amounts recovered under our reinsurance agreements.

The balance of restricted cash and cash equivalents as of March 31, 2017 and December 31, 2016 includes cash equivalents on deposit with regulatory agencies in the various states in which our Insurance Entities do business.

As referenced in "Item 1 — Note 7 (Long-Term Debt)," UVE entered into a revolving loan agreement and related revolving note ("DB Loan") with Deutsche Bank Trust Company Americas ("Deutsche Bank") in March 2013, which was most recently amended in July 2015. The DB Loan makes available to UVE an unsecured line of credit in an aggregate amount not to exceed $15 million. Draws under the DB Loan would have a maturity date of July 31, 2017 and carry an interest rate of LIBOR plus a margin of 5.50% or Deutsche Bank's prime rate plus a margin of 3.50%, at the election of UVE. The DB Loan contains certain covenants and restrictions applicable while amounts are outstanding thereunder, including limitations with respect to our indebtedness, liens, distributions, mergers or dispositions of assets, organizational structure, transactions with affiliates and business activities. As of March 31, 2017, UVE was in compliance with all such covenants, and no amounts have been drawn under this unsecured line of credit.

Liquidity for UVE and its non-insurance subsidiaries is required to cover the payment of general operating expenses, dividends to shareholders (if and when authorized and declared by our Board of Directors), payment for the possible repurchase of our common stock (if and when authorized by our Board of Directors), payment of income taxes, and interest and principal payments on outstanding debt obligations, if any. The declaration and payment of future dividends by UVE to its shareholders, and any future repurchases of UVE common stock, will be at the discretion of our Board of Directors and will depend upon many factors, including our operating results, financial condition, debt covenants and any regulatory constraints. Principal sources of liquidity for UVE and its non-insurance subsidiaries include revenues generated from fees paid by the Insurance Entities to affiliated companies for policy administration, inspections and claims adjusting services. Additional sources of liquidity include brokerage commissions earned on reinsurance contracts, policy fees and any unused credit lines. UVE also maintains investments in equity securities which would generate funds upon sale. As discussed in "Item 1 – Note 5 (Insurance Operations)," there are limitations on the dividends the Insurance Entities may pay to their immediate parent company, Universal Insurance Holding Company of Florida ("UVECF").

The maximum amount of dividends that can be paid by Florida insurance companies without prior approval of the Commissioner of the FLOIR is subject to restrictions as referenced in "Item I – Note 5 – Insurance Operations." During the three months ended March 31, 2017 and the year ended December 31, 2016, the Insurance Entities did not pay dividends to UVECF.

Liquidity for the Insurance Entities is primarily required to cover payments for reinsurance premiums, claims payments including potential payments of catastrophe losses offset by recovery of any reimbursement amounts under our reinsurance agreements, fees paid to affiliates for managing general agency services, inspections and claims adjusting services, agent commissions, premiums and income taxes, regulatory assessments, general operating expenses, and interest and principal payments on debt obligations. The principal source of liquidity for the Insurance Entities consists of the revenue generated from the collection of net premiums, after deductions for expenses and the collection of reinsurance recoverable.

Our insurance operations provide liquidity in that premiums are generally received months or even years before losses are paid under the policies written. The Insurance Entities maintain substantial investments in highly liquid, marketable securities which would generate funds upon sale.

The Insurance Entities are responsible for losses related to catastrophic events in excess of coverage provided by the Insurance Entities' reinsurance programs and for losses that otherwise are not covered by the reinsurance programs, which could have a material adverse effect on either the Insurance Entities or our business, financial condition, results of operations and liquidity.

*Capital Resources*

Capital resources provide protection for policyholders, furnish the financial strength to support the business of underwriting insurance risks, and facilitate continued business growth. At March 31, 2017, we had total capital of $412.8 million , comprised of stockholders' equity of $398.8 million and total long-term debt of $14.0 million. Our debt-to-total-capital ratio and debt-to-equity ratio were 3.4% and 3.5%, respectively, at March 31, 2017. At December 31, 2016, we had total capital of $386.2 million, comprised of stockholders' equity of $371.2 million and total long-term debt of $15.0 million. Our debt-to-total-capital ratio and debt-to-equity ratio were 3.9% and 4.0%, respectively, at December 31, 2016.

As described in our Form 10-K for the year ended December 31, 2016, UPCIC entered into a surplus note with the State Board of Administration of Florida under Florida's Insurance Capital Build-Up Incentive Program on November 9, 2006. The surplus note has a twenty-year term, with quarterly payments of principal and interest that accrues per the terms of the note agreement. At March 31, 2017, UPCIC was in compliance with the terms of the surplus note. Total adjusted capital surplus was in excess of regulatory requirements for both UPCIC and APPCIC.

On June 13, 2016, the Company announced that its Board of Directors authorized the repurchase of up to $20 million of the Company's outstanding common stock through December 31, 2017. The Company may repurchase shares from time to time at its discretion, based on ongoing assessments of the capital needs of the Company, the market price of its common stock and general market conditions. The Company will fund the share repurchase program with cash from operations.

During the three months ended March 31, 2017, we repurchased an aggregate of 100,079 shares of UVE's common stock in the open market. Also see "Part II, Item 2 — Unregistered Sales of Equity Securities and Use of Proceeds" for share repurchase activity during the three months ended March 31, 2017.

**Cash Dividends**

On January 23, 2017, we declared a cash dividend of $0.14 per share on our outstanding common stock which was paid on March 2, 2017, to the shareholders of record at the close of business on February17, 2017.

On April 12, 2017, we declared a cash dividend of $0.14 per share on our outstanding common stock payable on July 3, 2017, to the shareholders of record at the close of business on June14, 2017.

**Contractual Obligations**

The following table represents our contractual obligations for which cash flows are fixed or determinable as of March 31, 2017 (in thousands):

| | Total | Less than 1 year | 1-3 years | 3-5 years | Over 5 years |
|---|---|---|---|---|---|
| Unpaid losses and LAE, direct (1) | $ 31,463 | $ 20,136 | $ 9,093 | $ 1,636 | $ 598 |
| Long-term debt | 15,666 | 1,357 | 5,222 | 3,298 | 5,789 |
| Covered loss index swaps | 44,100 | 4,100 | 15,000 | 10,000 | 15,000 |
| Total contractual obligations | $ 91,229 | $ 25,593 | $ 29,315 | $ 14,934 | $ 21,387 |

(1) There are generally no notional or stated amounts related to unpaid losses and LAE. Both the amounts and timing of future loss and LAE payments are estimates and subject to the inherent variability of legal and market conditions affecting the obligations and making the timing of cash outflows uncertain. The ultimate amount and timing of unpaid losses and LAE could differ materially from the amounts in the table above. Further, the unpaid losses and LAE do not represent all of the obligations that will arise under the contracts, but rather only the estimated liability incurred through March 31, 2017.

**Critical Accounting Policies and Estimates**

Other than as disclosed in "Item 1 — Note 2 (Significant Accounting Policies)," there have been no material changes during the period covered by this Quarterly Report on Form 10-Q to Critical Accounting Policies and Estimates previously disclosed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2016.

**Recent Accounting Pronouncements Not Yet Adopted**

In November 2016, the Financial Accounting Standards Board ("FASB") issued guidance intended to reduce diversity in the classification and presentation of changes in restricted cash in the statement of cash flows. The new standard requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities will also be required to reconcile such total to amounts on the balance sheet and disclose the nature of the restrictions. The guidance is effective in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The adoption of this guidance will result in a change in presentation of the statement of cash flows and is not expected to impact our results of operations, financial position or liquidity.

In August 2016, the FASB issued guidance intended to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The new guidance will apply to: 1) debt prepayment or debt extinguishment costs, 2) settlement of zero-coupon debt instruments, 3) contingent consideration payments made after business combination, 4) proceeds from the settlement of insurance claims, 5) proceeds from the settlement of corporate-owned life insurance policies, 6) distributions received from equity method investments, 7) beneficial interests in securitization transactions, and 8) separately identifiable cash flows and application of the predominance principle. The guidance is effective in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We are currently evaluating the impact that this standard will have on our consolidated financial statements.

In June 2016, the FASB issued guidance that introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. The new guidance will apply to: 1) loans, accounts receivable, trade receivables, and other financial assets measured at amortized cost, 2) loan commitments and certain other off-balance sheet credit exposures, 3) debt securities and other financial assets measured at fair value through other comprehensive income, and 4) beneficial interests in securitized financial assets. The guidance is effective in fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are currently evaluating the impact that this standard will have on our consolidated financial statements.

In January 2016, the FASB issued guidance on recognition and measurement of financial instruments. The new guidance requires certain equity investments to be measured at fair value with changes in fair value reported in earnings and requires changes in instrument-specific credit risk for financial liabilities recorded at fair value under the fair value option to be reported in other comprehensive income ("OCI"). The new guidance is effective in fiscal years beginning after December 15, 2017, with early adoption permitted for the provisions related to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in OCI.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Market risk is the potential for economic losses due to adverse changes in fair value of fixed maturities, equity securities and short-term investments ("Financial Instruments"). We carry all of our Financial Instruments at market value in our statement of financial condition. Our investment portfolio as of March 31, 2017 is comprised of fixed maturities, equity securities and short-term investments, which thereby expose us to changes in interest rates and equity prices.

The primary objective of the portfolio is the preservation of capital and providing adequate liquidity for claims payments and other cash needs. The portfolio's secondary investment objective is to provide a total rate of return with an emphasis on investment income. None of our investments in risk-sensitive Financial Instruments were entered into for trading purposes.

See "Item 1 – Note 3 (Investments)" for more information about our Financial Instruments.

**Interest Rate Risk**

Interest rate risk is the sensitivity of a fixed-rate Financial Instruments to changes in interest rates. When interest rates rise, the fair value of our fixed-rate Financial Instruments declines.

The following table provides information about our fixed income F inancial I nstruments , which are sensitive to cha nges in interest rates. The table presents cash flows of principal amounts and related weighted average interest rates by expected maturity dates for fixed income F inancial I nstruments available for sale as of the dates presented (in thousands):

| | March 31, 2017 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Amortized Cost | | | | | | | | Fair Value |
| | 2017 | 2018 | 2019 | 2020 | 2021 | Thereafter | Other (1) | Total | Total |
| Fixed income Financial Instruments | $ 38,659 | $ 45,980 | $ 85,713 | $ 50,221 | $ 57,400 | $ 100,413 | $ 229,167 | $ 607,553 | $ 602,676 |
| Weighted average interest rate | 1.77% | 2.41% | 1.86% | 2.20% | 2.26% | 4.37% | 2.94% | 2.78% | 2.77% |

| | December 31, 2016 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Amortized Cost | | | | | | | | Fair Value |
| | 2017 | 2018 | 2019 | 2020 | 2021 | Thereafter | Other (1) | Total | Total |
| Fixed income Financial Instruments | $ 48,919 | $ 46,183 | $ 84,855 | $ 41,500 | $ 57,071 | $ 88,861 | $ 229,072 | $ 596,461 | $ 589,363 |
| Weighted average interest rate | 2.03% | 2.41% | 1.87% | 2.15% | 2.26% | 4.53% | 2.96% | 2.79% | 2.78% |

(1) Comprised of mortgage-backed and asset-backed securities that have multiple maturity dates, and perpetual maturity securities, and are presented separately for the purposes of this table.

The tables above represent average contract rates that differ from the book yield of the fixed maturities. The fixed income Financial Instruments in our available for sale portfolio are comprised of United States government and agency securities, corporate bonds, redeemable preferred stock, mortgage-backed and asset-backed securities, municipal securities and certificates of deposit. Duration is a measure of interest rate sensitivity expressed as a number of years. The weighted average duration of the fixed maturity Financial Instruments in our available for sale portfolio at March 31, 2017 was 3.4 years .

To a lesser extent, we also have exposure to interest on our debt obligations which are in the form of a surplus note, and on any amounts we draw under the DB Loan. The surplus note accrues interest at an adjustable rate based on the 10-year Constant Maturity Treasury rate. Draws under the DB Loan accrue interest at a rate based on LIBOR or Deutsche Bank's prime rate plus an applicable margin.

**Equity Price Risk**

Equity price risk is the potential for loss in fair value of Financial Instruments in common stock and mutual funds from adverse changes in the prices of those Financial Instruments.

The following table provides information about the Financial Instruments in our available for sale portfolio subject to price risk as of the dates presented (in thousands):

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Fair Value | Percent | Fair Value | Percent |
| Equity Securities: | | | | |
| Common stock | $ 95 | 0.2% | $ 93 | 0.2% |
| Mutual funds | 50,191 | 99.8% | 50,710 | 99.8% |
| Total equity securities | $ 50,286 | 100.0% | $ 50,803 | 100.0% |

A hypothetical decrease of 20% in the market prices of each of the equity securities held at March 31, 2017 and December 31, 2016 would have resulted in a decrease of $10.1 million and $10.2 million, respectively, in the fair value of those securities.

## I tem 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 as of the end of the period covered by this report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that disclosure controls and procedures were effective as of March 31, 2017, to ensure that information required to be disclosed by the Company in its reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the Company's management, including its principal executive and principal financial officers as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal controls over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II — OTHER INFORMATION

## Item 1. Legal Proceedings

Lawsuits are filed against the Company from time to time. Many of these lawsuits involve claims under policies that we underwrite and reserve for as an insurer. We believe that the resolution of these claims will not have a material adverse effect on our financial condition or results of operations. We are also involved in various other legal proceedings and litigation unrelated to claims under our policies that arise in the ordinary course of business operations. Management believes that any liabilities that may arise as a result of these legal matters will not have a material adverse effect on our financial condition or results of operations. The Company contests liability and/or the amount of damages as appropriate in each pending matter.

In accordance with applicable accounting guidance, the Company establishes an accrued liability for legal matters when those matters present loss contingencies that are both probable and estimable.

Legal proceedings are subject to many uncertain factors that generally cannot be predicted with assurance, and the Company may be exposed to losses in excess of any amounts accrued. The Company currently estimates that the reasonably possible losses for legal proceedings, whether in excess of a related accrued liability or where there is no accrued liability, and for which the Company is able to estimate a possible loss, are immaterial. This represents management's estimate of possible loss with respect to these matters and is based on currently available information. These estimates of possible loss do not represent our maximum loss exposure, and actual results may vary significantly from current estimates.

**I tem 1A. Risk Factors**

In the opinion of management, there have been no material changes during the period covered by this Quarterly Report on Form 10-Q to the risk factors previously disclosed in Part I, Item 1A, “Risk Factors,” included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

A summary of UVE’s repurchases of common stock for the three months ended March 31, 2017 is as follows:

| | Total Number of Shares Purchased | Average Price Paid per Share (1) | Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs | Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs (2) |
|---|---|---|---|---|
| 1/1/17 - 1/31/17 | — | $ — | — | — |
| 2/1/17 - 2/28/17 | — | $ — | — | — |
| 3/1/17 - 3/31/17 | 100,079 | $ 25.42 | 100,079 | 628,182 |
| Total | 100,079 | $ 25.42 | 100,079 | 628,182 |

(1) Average price paid per share does not reflect brokerage commissions paid to acquire shares in open market transactions.
(2) Number of shares was calculated using a closing price at March 31, 2017 of $24.50 per share.

In June 2016, we announced that the Board of Directors authorized a share repurchase program under which the Company may repurchase in the open market in compliance with Exchange Act Rule 10b-18 under the Securities Exchange Act of 1934, as amended, up to $20 million of its outstanding shares of common stock through December 31, 2017. Since June 2016, we have repurchased 199,008 shares pursuant to this program through March 31, 2017 at an aggregate cost of approximately $4.6 million.

**I tem 6. Exhibits**

| Exhibit No. | Exhibit |
|---|---|
| 15.1 | Accountants' Acknowledgment |
| 31.1 | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32 | Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS-XBRL | Instance Document |
| 101.SCH-XBRL | Taxonomy Extension Schema Document |
| 101.CAL-XBRL | Taxonomy Extension Calculation Linkbase Document |
| 101.DEF-XBRL | Taxonomy Extension Definition Linkbase Document |
| 101.LAB-XBRL | Taxonomy Extension Label Linkbase Document |
| 101.PRE-XBRL | Taxonomy Extension Presentation Linkbase Document |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

| | |
|---|---|
| | UNIVERSAL INSURANCE HOLDINGS, INC. |
| Date: May 1, 2017 | /s/ Sean P. Downes |
| | Sean P. Downes, Chief Executive Officer and Principal Executive Officer |
| Date: May 1, 2017 | /s/ Frank C. Wilcox |
| | Frank C. Wilcox, Chief Financial Officer and Principal Accounting Officer |

EXHIBIT 15.1

ACCOUNTANTS' ACKNOWLEDGMENT

We hereby acknowledge our awareness of the use of our report dated May 1, 2017, included within the Quarterly Report on Form 10-Q of Universal Insurance Holdings, Inc. for the quarter ended March 31, 2017, in Registration Statement number 333-185484 on Form S-3 and Registration Statement numbers 333-163564, 333-174125, 333-181994, 333-189122, 333-203866 and 333-215750 on Form S-8.

Pursuant to Rule 436 under the Securities Act of 1933 (the "Act"), such report is not considered a part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ Plante & Moran, PLLC

May 1, 2017

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sean P. Downes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2017 of Universal Insurance Holdings, Inc. (the "Registrant");

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and we have:

    (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

    (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

    (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

    (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 1, 2017

/s/ Sean P. Downes
Sean P. Downes
Chief Executive Officer and Principal Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Frank C. Wilcox, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2017 of Universal Insurance Holdings, Inc. (the “Registrant”);

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and we have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: May 1, 2017

/s/ Frank C. Wilcox
Frank C. Wilcox
Chief Financial Officer and Principal Accounting Officer

EXHIBIT 32

CERTIFICATIONS 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 Quarterly Report of Universal Insurance Holdings, Inc. (“Company”) on Form 10-Q for the fiscal quarter ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (“Report”), the undersigned, in the capacity and on the date indicated below, each 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.

| | | |
|---|---|---|
| Date: May 1, 2017 | By: | /s/ Sean P. Downes |
| | Name: | Sean P. Downes |
| | Title: | Chief Executive Officer and Principal Executive Officer |
| Date: May 1, 2017 | By: | /s/ Frank C. Wilcox |
| | Name: | Frank C. Wilcox |
| | Title: | Chief Financial Officer and Principal Accounting Officer |