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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2016

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

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

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

Title of each class	Name of each exchange on which registered
Common Stock, $.01 Par Value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller Reporting Company	☐

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold as of June 30, 2016: $605,585,706.

Indicate the number of shares outstanding of Common Stock of Universal Insurance Holdings, Inc. as of February 14, 2017: 35,172,746

UNIVERSAL INSURANCE HOLDINGS, INC.
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DOCUMENTS INCORPORATED BY REFERENCE

Information called for in PART III of this Form 10-K is incorporated by reference to the registrant's definitive Proxy Statement to be filed within 120 days of the close of the registrant's fiscal year in connection with the registrant's annual meeting of shareholders.

NOTE ABOUT 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, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The forward-looking statements anticipate results based on our estimates, assumptions and plans that are subject to uncertainty. Forward-looking statements may appear throughout this report, including without limitation, the following sections: "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Risk Factors." These forward-looking statements may be identified by their use of words like "plans," "seeks," "expects," "will," "should," "anticipates," "estimates," "intends," "believes," "likely," "targets" and other words with similar meanings. These statements may address, among other things, our strategy for growth, catastrophe exposure management, product development, investment results, regulatory approvals, market position, expenses, financial results, litigation and reserves. We believe that these statements are based on reasonable estimates, assumptions and plans. However, if the estimates, assumptions or plans underlying the forward-looking statements prove inaccurate or if other risks or uncertainties arise, actual results could differ materially from those communicated in these forward-looking statements. A detailed discussion of risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in the section titled "Risk Factors" (Part I, Item 1A of this report). We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

PART I

I TEM 1. BUSINESS

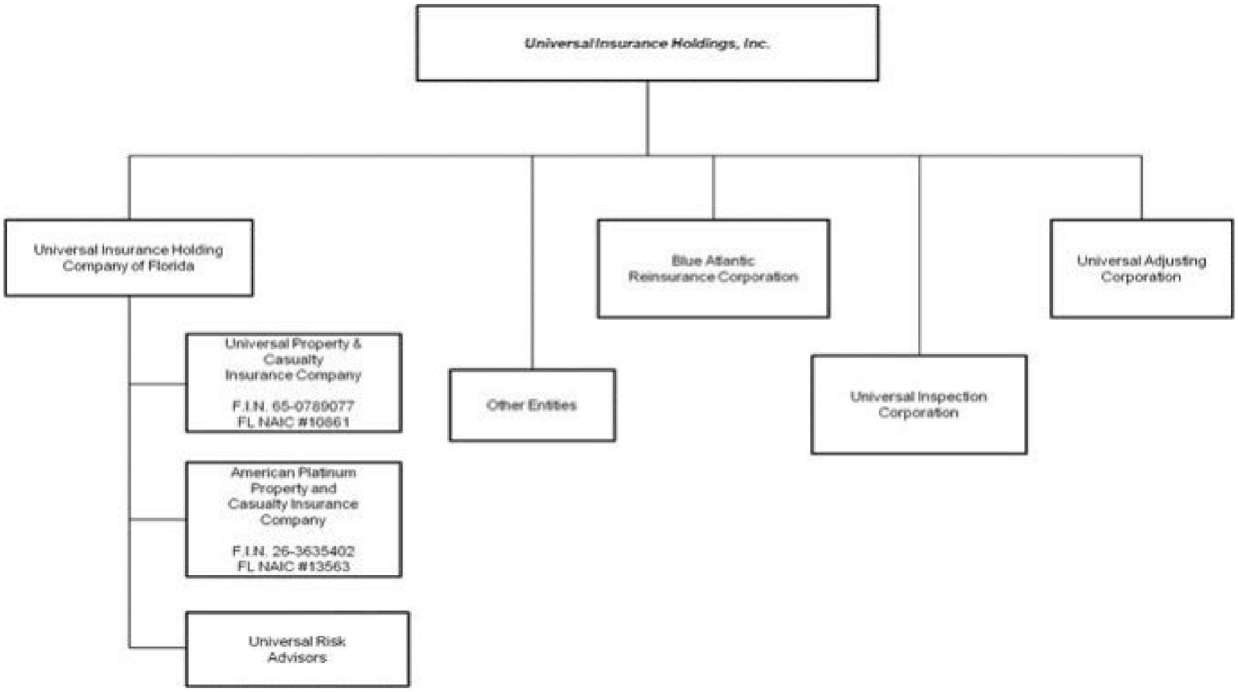
INTRODUCTION

Universal Insurance Holdings, Inc. ("UVE," and together with its wholly-owned subsidiaries, "we," "our," "us," or "the company") is the largest private personal residential homeowners insurance company in Florida by direct written premium in-force, with a 9.6% market share as of September 30, 2016, according to the most recent data reported by the Florida Office of Insurance Regulation (the "FLOIR"). We perform substantially all aspects of insurance underwriting, policy issuance, general administration and claims processing and settlement internally through our vertically integrated operations. We wholly-own two 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"). UPCIC currently writes homeowners insurance policies in 14 states (Alabama, Delaware, Florida, Georgia, Hawaii, Indiana, Maryland, Massachusetts, Michigan, Minnesota, North Carolina, Pennsylvania, South Carolina and Virginia), with $948.0 million in direct written premium for the year ended December 31, 2016. UPCIC is also licensed to issue policies in New Hampshire, New Jersey, New York, and West Virginia. APPCIC currently writes homeowners and commercial residential insurance policies in Florida, with $6.6 million in direct written premium for the year ended December 31, 2016. 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. Our business outside of Florida represents approximately 21% of our total insured value as of December 31, 2016.

We generate revenues primarily from the collection of premiums. Other sources of revenue include: commissions paid by our reinsurers to our reinsurance intermediary subsidiary on reinsurance it places for the Insurance Entities; policy fees collected from policyholders by our managing general agency subsidiary; and financing fees charged to policyholders who choose to finance premium payments.

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. In writing business, we adhere to a disciplined underwriting approach – writing risks that are priced adequately and meet our underwriting standards – designed to achieve profitable growth as opposed to merely increasing the total number of policies written. We believe we are better positioned than many of our competitors to expand profitably and service our policyholders due to our established internal capabilities; protection afforded us by our reinsurance program; our experienced management team that successfully navigated prior active hurricane seasons, including 2004, 2005, and 2016; our strong surplus and capital base; our success in growing organically in Florida without relying on the assumption of policies from Citizens Property Insurance Corporation ("Citizens"), the Florida state-sponsored insurer of last resort; and our growing geographic diversification. We also believe that our reinsurance program is structured such that if we were to experience an active hurricane season like the hurricane seasons in 2004, 2005, and 2016, we would be able to pay policyholder claims, maintain sufficient surplus to grow profitably and take advantage of the resulting market dislocation that would likely follow. 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 markets (i .e. periods of capital shortages resulting in a lack of insurance availability, relatively low levels of price competition, more selective underwriting of risks and relatively high premium rates) and soft markets (i.e. periods of relatively high levels of price competition, less restrictive underwriting standards and generally low premium rates).

Below is an organization chart that summarizes our corporate structure:



The Insurance Entities are our insurance operating subsidiaries. Most of our policies are written by UPCIC. Universal Risk Advisors ("URA") is our managing general agent and manages our distribution network and negotiates our reinsurance. Universal Inspection Corporation conducts inspections as part of our underwriting process, and Universal Adjusting Corporation ("UAC") manages our claims processing and adjustment functions. Blue Atlantic Reinsurance Corporation ("BARC") is our reinsurance intermediary. These service companies are vertically aligned with our Insurance Entities to maintain quality throughout the policy origination and claim settlement process. In addition, our servicing subsidiaries reduce, to us, the costs typically associated with outsourced business functions, enhance our ability to expand geographically due to economies of scale in our operations and allow us to expand our business incrementally and more effectively.

OUR STRATEGY

Increase our Policies in-Force in Florida through Continued Profitable and Organic Growth

We intend to continue profitably growing our business organically in Florida through our established network of approximately 4,400 independent Florida agents, the top 20% of whom originated approximately 71% of our direct written premium for the year ended December 31, 2016, and approximately 1,300 of whom have written business with our company for over a decade. Many of our competitors have experienced growth in recent years primarily as a result of assuming policies from Citizens. Because we perform all of our own marketing and underwriting as part of our organic growth strategy, we believe that we are more deliberate in seeking out profitable business from our independent agent force and selective in the policies we write as compared to Citizens, which generally must provide coverage to policyholders who have been unable to obtain insurance elsewhere. We have not assumed any policies from Citizens or its predecessor, Florida Residential Property and Casualty Joint Underwriting Association, since a single, small transaction in 1998, and have no plans to do so in the future. By contrast, some of our competitors in the Florida market collectively have assumed more than 750,000 policies from Citizens since January 1, 2014. As of September 30, 2016, Citizens had approximately 479,000 policies outstanding (down from a peak level of approximately 1.5 million policies in late 2011) . We believe that our continuing commitment to organic growth and to servicing our policyholders has created not only a superior premium base but also positive, long-term relationships with our independent agents and policyholders, which will foster our continued growth in and outside of Florida. For the nine months ended September 30, 2016, we issued 117,829 new policies, compared to 76,057 new policies issued by Citizens and 639,550 new policie s (in each case, excluding mobile homeowners and farmowners) issued by the remaining top 25 personal and commercial residential homeowners insurers in Florida combined during the same period, according to the most recent data published by the FLOIR.

Increase our Policies in-Force Outside of Florida to Grow Profitably and Diversify Revenue and Risk

We intend to continue our expansion outside of Florida primarily to take advantage of opportunities to write profitable business as well as to diversify our revenue and risk. We are targeting states with underserved homeowners insurance markets where we believe there is price adequacy for our products and where policyholders would benefit from our market knowledge and integrated service model. In new markets, we seek to replicate the successful growth strategy we implemented in Florida, including the careful appointment of new agents that we believe will generate profitable business for our company. We intend to leverage our existing agent network to generate new relationships and business. We will continue in our commitment to careful, profitable business growth through such independent agents, with the intent to grow quickly when the opportunity arises, including following any market dislocation. Our strategy involves taking the time to learn about each new market and its unique risks in order to carefully develop our own policy forms, rates and informed underwriting standards.

We also believe further geographic diversification will decrease our relative reinsurance costs as our risk profile changes to include more risks not tied to the Florida hurricane season. We believe that such diversification will produce more earnings stability as we expand to states with different market cycles than Florida and where the risks insured could offset Florida losses during an active hurricane season. We write homeowners policies in Alabama, Delaware, Georgia, Hawaii, Indiana, Maryland, Massachusetts, Michigan, Minnesota, North Carolina, Pennsylvania, South Carolina, and Virginia, and are also licensed to issue policies in New Hampshire, New Jersey, New York, and West Virginia. As of December 31, 2016, policies outside of Florida accounted for 21% of our total insured value, or $35.5 billion, an increase from 16% as of December 31, 2015.

Optimize our Reinsurance Program as our Risk Profile Changes

We will continue to obtain what we believe to be appropriate reinsurance limits, coverage and terms so that our policyholders and shareholders are adequately protected in the event of an active hurricane season. Significant additional, new capital entering portions of the reinsurance marketplace has provided us with the opportunity to obtain favorable pricing and contract terms. Our dedicated reinsurance team at BARC includes seasoned industry professionals whom we hired from Willis Re almost 11 years ago as well as added more key personnel and talent over the years from leading global reinsurance intermediaries. BARC differentiates us from our competitors by enabling us to act as our own reinsurance intermediary, developing a bespoke reinsurance program tailored to our needs in both soft and hard reinsurance markets. This team has developed and enhanced existing strong long term relationships with world leading reinsurance companies, providing better efficiency in the manner in which we buy reinsurance annually. We had in excess of 57 reinsurance partners for the 2016-2017 reinsurance year from companies in the United States, Bermuda, London, Continental Europe and Asia. BARC works in conjunction with URA in providing these services. We also receive reinsurance intermediary services from Aon Benfield and thereby benefit from its depth of experience and knowledge of market standards. Aon Benfield works closely with our teams at BARC and URA in designing our reinsurance program and allowing us to obtain favorable pricing. Our internal team and Aon Benfield continually evaluate prevailing costs and the level of coverage that we determine is necessary in order to proactively capitalize on favorable market conditions.

Effective June 1, 2015, we eliminated our quota share reinsurance arrangements; purchased additional excess of loss catastrophe cover; and converted from a two-tower reinsurance program to a single tower reinsurance program covering our nationwide business based on our improving financial condition, our evaluation of market conditions and our changing coverage needs. We also supplemented this nationwide reinsurance program with a stand-alone supplemental non-Florida catastrophe reinsurance program for the 2016-2017 period which provides coverage for catastrophic events affecting UPCIC states outside of Florida. We believe that restructuring our reinsurance program in this manner and continuously re-evaluating that structure has allowed us to take advantage of attractive reinsurance pricing and terms and to retain profitable business by eliminating our quota share program, while still maintaining reinsurance coverage that we believe is sufficient to protect our policyholders and shareholders.

Superior Claims Operations

Over the last decade, we have developed a proprietary claims administration system that allows us to efficiently process nearly all aspects of claims resolution for our policyholders. Our technology system has shortened claims handling and processing times, reduced associated claims resolution costs and has generated positive feedback from our policyholders and independent insurance agents. In addition, we launched our Fast Track ("Fast Track") initiative in 2015, which expedites the claims settlement process to close certain types of claims in as little as 24 hours. The initiative sends select field adjusters to make on-site evaluations, with authorization to make payments to policyholders for certain types of claims. Our internal claims operation allows us to identify any trends or problems that may become apparent as claims are processed such that we can revise and bolster our underwriting guidelines as necessary in order to continue adequately pricing risks. Further, we continue to retain select third-par ty Florida claims administrators and adjusters as well as one national administrator to perform field services for and adjust a portion of our claims in order to maintain our relationships with them so that they can assist us during periods of high claims volume in providing high quality and timely service to our policyholders. We recognize the importance of claims processing and will continue to invest in this functionality.

Continue to Provide High Quality Service through our Vertically Integrated Structure

We are committed to proactively managing our losses, loss adjustment expenses ("LAE") and claims administration procedures through prudent underwriting and the use of internal claims adjustment services. In 2016 our mobile adjusting force increased by 29% in headcount. We increased the amount of Fast Track claims closed within seven days by more than two times, from 4,255 in 2015 to 9,586 in 2016 through an expedited resolution process. Our Fast Track process was enhanced through the acquisition of Aplin Peer & Associates Inc. in 2015 whereby we integrated their claims adjusting staff into our existing claims group. In 2016, we received 10,327 catastrophe claims. This is a significant increase over 2015 where we received 945 catastrophe claims. Our team of staff adjusters responded to 86% of our Hermine claims, and was able to close 92% of its claims within two weeks. This well-exceeded the Florida industry average of 34% (as reported by the FLOIR). On Matthew claims, we handled 42% of losses with our own staff adjusters and closed 80% within three weeks of landfall well ahead of the Florida Industry average of 45%. We believe our staff increase and commitment to in house claims handling has improved the policyholder experience and, therefore, our relationship with the policyholders agents, which we believe increases retention of policies in-force.

In the future, we will continue to capitalize on our vertically integrated structure by retaining certain fees that we pay to our subsidiary service providers for reinsurance brokerage, adjusting and other services. We currently administer 100% of all claims and outsource 35% of on-site field adjustment assignments, and thereby retain a corresponding portion of fees that would have otherwise been paid to external adjusters. These cost efficiencies will help us better withstand the financial impact of potential catastrophic storms. We also continue to retain select third-party claims adjusters to perform field services and adjust the remaining portion of our claims in order to maintain our relationships with them, so they can assist us during periods of high claims volume in providing high quality and timely service to our policyholders. Accordingly, we believe we are able to reduce expenses during non-catastrophe years while providing a high level of customer service during all years.

OUR COMPETITIVE STRENGTHS

We believe that our success, historical growth and ability to capitalize on our future growth prospects are a result of the following competitive strengths of our business and management team.

Experienced Leadership Team with a Long History in the Florida Personal Residential Insurance Market

We have a deep and experienced leadership team with extensive experience in the Florida personal residential insurance market. Our Chief Executive Officer, Sean P. Downes, has more than 25 years of experience in the insurance industry. Prior to Mr. Downes' arrival, all of our claims processing was outsourced to third parties. When Mr. Downes joined our company in 1999, he oversaw our claims operations and later oversaw the development of our vertically integrated structure. Mr. Downes has worked in the Florida insurance industry during all of its most recent active hurricane seasons. In particular, Mr. Downes led the claims team of a multi-line insurance claims adjusting corporation following Hurricane Andrew and served as Chief Operating Officer of UPCIC during the 2004 and 2005 active hurricane seasons. Jon W. Springer, our President and Chief Risk Officer, has 24 years of experience in the insurance industry, including 9 years leading a team of reinsurance specialists for Willis Re before joining us to implement and oversee our reinsurance program. Prior to becoming our President and Chief Risk Officer, Mr. Springer was Chief Operating Officer and an Executive Vice President of URA and BARC.

We believe this leadership team has led us in a new strategic direction that has realized many benefits for our shareholders and policyholders, evidenced in part by the 126.3% increase in our stockholders' equity and the 129.4% increase in policyholders' surplus that we have realized since their tenure began. Further, they are supported by a group of highly qualified individuals with industry expertise and extensive operational history, which enables us to capitalize on our experience of having emerged from the 2004 and 2005 active hurricane seasons in sound financial condition, whereas many of our competitors are new to the market and have not experienced the challenges of an active Florida hurricane season.

Focus on Underwriting Discipline

We seek to consistently generate an underwriting profit on the business we write in hard and soft markets through carefully developed underwriting guidelines informed by our experience in evaluating risks and in handling and processing claims, which enable us to set prices relative to the risk we are assuming. By focusing on appropriately identifying and assessing key risks and exposures in the market, we believe we are able to accurately price elig ible risks and generate consistent profits. We assumed only one small group of policies from Citizens' predecessor in 1998 when we first began our operations. Since then, we have grown our business by leveraging our network of approximately 4,400 independe nt agents in Florida, and by expanding to other geographic areas that present market opportunities. We periodically review the renewal rates and quality of business generated by our independent agents to ensure underwriting profitability and work with agen ts where we believe improvement is warranted. As a result of this organic expansion and our vertically integrated structure, all of our operating units possess extensive knowledge of the personal residential homeowners insurance market.

Robust Internal Capabilities

We are vertically integrated with substantially all aspects of insurance underwriting, policy issuance, general administration and claims processing and settlement performed internally. Our ability to provide these services ourselves allows us to compress the cycle time of claim resolution in order to promptly pay valid claims and to control claims handling costs. In particular, by performing our own claims adjustment processes, we can better expedite meritorious claims as well as devote attention to potentially suspicious or inflated claims. As a result, we are generally able to begin the adjustment and mitigation process much earlier than if we relied more heavily on third parties, thereby reducing LAE and ultimate loss payouts. Our statutory net loss and LAE ratio for the nine months ended September 30, 2016 was 44.93%, lower than most of our peer companies. We are also able to retain a significant portion of the management and service fees that we and, indirectly, our reinsurers would otherwise pay to third parties for rendering such services. We do, however, intend to continue having a small portion of claims handled by select third parties as we believe that maintaining relationships with third-party service providers will benefit us in the event we need their assistance in handling claims due to a catastrophic event.

We also believe our model provides a superior level of customer service for our policyholders, enhancing our reputation and increasing the likelihood that our policyholders will renew their policies with us. Our monthly weighted average renewal retention rate for 2016 was 88.1%. We believe that when policyholders have high levels of customer satisfaction with our company, we are able to strengthen our reputation and relationships with our independent insurance agent network.

Strong Independent Agent Distribution Network

We have developed long-term relationships with a network of approximately 8,600 licensed independent insurance agents – with approximately 4,400 in Florida and approximately 4,200 outside of Florida. Of our 4,400 independent Florida agents, approximately 1,300 have written business with us for over a decade. Our relationships with our Florida independent agents are critical to our success in growing our business in the future and are key differentiators when compared with competitors that have relied upon assumptions of policies from Citizens for their growth and, as a result, may not have developed the same degree of loyalty with as large a group of independent agents in Florida. We believe we have been able to build this network due to our reputation, commitment to the Florida market, experience, and integrity in the underwriting process, as well as our consistency in offering our products through hard and soft markets.

Further, the responsiveness of our operating units due to our vertically integrated structure enhances our relationships with our independent agents. By developing and controlling our proprietary technology system, we can rapidly respond to enhancement requests from our independent agents regarding our policy processing system.

MARKET

Florida

According to the U.S. Census Bureau, at June 30, 2016, Florida was the third largest state in terms of population, with approximately 20 million people. The University of Florida Bureau of Economic and Business Research estimates that Florida is expected to reach a population of approximately 26 million people by 2040, an increase of 40% from 2010. Property ownership and development represent key drivers of the Florida economy. Because of its location, Florida is exposed to an increased risk of hurricanes during the entire six months of the Atlantic hurricane season, which spans from June 1 through November 30. Eight hurricanes in 2004 and 2005, including Hurricanes Charley, Katrina, Rita and Wilma, caused combined estimated nationwide property damage of over $127 billion, a significant portion of which occurred in Florida. As a result, availability of personal residential insurance and claims servicing are vitally important to Florida residents.

The Florida residential insurance market is highly fragmented and dominated by in-state insurance companies, including Citizens. Significant dislocation in the Florida property insurance market began following Hurricane Andrew in 1992 and accelerated following the 2004 and 2005 hurricane seasons. National and regional insurers significantly reduced their share of the market in Florida between

1999 and 2012. As national and regional insurance companies reduced their exposure in Florida, Citizens, which was at the time and remains today, by law, an insurer of last resort, increased efforts to provide affordable residential insurance to those residents unable to obtain coverage in the private market. As a result, Citizens' policy count grew from roughly 800,000 policies in 2005 to a peak level of approximately 1.5 million policies in late 2011. To reduce Citizens' risk exposure, beginning in 2010, Florida's elected officials encouraged Citizens to focus on reducing the size of its portfolio by returning policies to the private market. Depopulation efforts have been successful, as Citizens' policy count at September 30, 2016 was approximately 479,000. To be eligible for a Citizens policy, an applicant must either be denied comparable coverage offers from the private insurance market or have received coverage offerings from the private insurance market requiring premium payments that are more than 15% higher than a comparable Citizens policy.

According to data compiled by the FLOIR, Citizens was the second largest residential insurer in Florida as of September 30, 2016, with a market share of approximately 8.6% based on total direct premiums written in-force for personal residential insurance (excluding mobile homeowners and farmowners). As of December 31, 2016, less than 1,000 of our 577,783 Florida in-force policies, or 0.2%, were assumed from Citizens' predecessor, as compared to some of our competitors who collectively have assumed more than 750,000 policies from Citizens since January 1, 2014. We believe we have the opportunity to significantly expand the size of our personal residential homeowners insurance business both inside and outside of Florida by pursuing organic growth and have demonstrated our ability to for more than 10 years.

All residential insurance companies that write business in Florida, including us, are required to obtain a form of reinsurance through the Florida Hurricane Catastrophe Fund (the "FHCF"), a state-sponsored entity that provides a layer of reinsurance protection at a price that is typically lower than what would otherwise be available in the general market. The purpose of the FHCF is to protect and advance the state's interest in maintaining insurance capacity in Florida by providing reimbursements to insurers for a portion of their catastrophe hurricane losses. Currently, the FHCF provides $17 billion of capacity annually to its participating insurers, which may be adjusted by statute from time to time.

Other States

While we are concentrated in Florida, part of our strategy is to continue our expansion outside of Florida primarily to take advantage of opportunities to write profitable business as well as to diversify our revenue and risk. We are targeting states with underserved homeowners insurance markets where we believe there is price adequacy for our products and where policyholders would benefit from our market knowledge and integrated service model. We write homeowners policies in Alabama, Delaware, Georgia, Hawaii, Indiana, Maryland, Massachusetts, Michigan, Minnesota, North Carolina, Pennsylvania, South Carolina, and Virginia, and are also licensed to issue policies in New Hampshire, New Jersey, New York, and West Virginia. We look to expand to markets that have opportunities for reasoned, profitable growth and that allow us to position ourselves to take advantage of market dislocation opportunities similar to what we capitalized on in Florida following the 2004 and 2005 hurricane seasons.

COMPETITION

The market for personal residential homeowners insurance is highly competitive. In our primary market, Florida, there are approximately 130 licensed insurance companies that write homeowners policies. See "Item 1A—Risk Factors—Risks Relating to Our Business—Our future results are dependent in part on our ability to successfully operate in a highly competitive insurance industry."

The table below shows policy count, direct written premium in-force, total insured value and market share (excluding mobile homeowners and farmowners) for the top 20 personal residential homeowners insurance companies by direct written premium in Florida as of September 30, 2016, which is the most recent date that the information is publicly available. We compete to varying degrees with all of these companies and others, including large national carriers.

Company Name	Policies in-Force	Percentage Distribution	Direct Written Premium in-Force	Percentage Distribution	Total Insured Value**	Percentage Distribution
	Florida Homeowners Insurance Market - Personal Residential - Ranked by Direct Written Premium In-Force*					
Universal Property & Casualty Insurance Company	**572,865**	**10.1%**	**$ 865,758**	**9.6%**	**$ 99,186,914**	**5.5%**
Citizens Property Insurance Corporation	416,814	7.4%	774,507	8.6%	128,899,786	7.1%
Federated National Insurance Company	271,461	4.8%	470,751	5.3%	102,180,523	5.6%
Heritage Property & Casualty Insurance Company	234,477	4.1%	449,690	5.0%	68,457,821	3.8%
Homeowners Choice Property & Casualty Insurance Company, Inc.	146,260	2.6%	360,402	4.0%	45,062,403	2.5%
Security First Insurance Company	328,266	5.8%	343,571	3.8%	90,071,876	5.0%
United Property & Casualty Insurance Company	184,076	3.3%	315,303	3.5%	71,776,095	4.0%
People’s Trust Insurance Company	150,077	2.6%	272,874	3.0%	46,048,328	2.5%
United Services Automobile Association	124,004	2.2%	266,165	3.0%	47,297,596	2.6%
Florida Peninsula Insurance Company	117,720	2.1%	254,958	2.8%	43,522,344	2.4%
St. Johns Insurance Company, Inc.	166,942	2.9%	254,025	2.8%	69,492,456	3.8%
First Protective Insurance Company	98,114	1.7%	250,614	2.8%	58,796,698	3.2%
Tower Hill Prime Insurance Company	142,693	2.5%	226,177	2.5%	58,606,682	3.2%
American Integrity Insurance Company of Florida	200,708	3.5%	225,316	2.5%	70,796,862	3.9%
Federal Insurance Company	33,089	0.6%	191,239	2.1%	57,453,559	3.2%
AIG Property Casualty Company	14,867	0.3%	165,437	1.8%	45,734,240	2.5%
ASI Preferred Insurance Corp.	122,263	2.2%	143,392	1.6%	38,817,790	2.1%
Tower Hill Signature Insurance Company	86,017	1.5%	138,042	1.6%	28,089,695	1.5%
Olympus Insurance Company	82,811	1.5%	137,637	1.5%	44,809,425	2.5%
USAA Casualty Insurance Company	61,138	1.1%	130,935	1.5%	17,041,033	0.9%
Total - Top 20 Insurers	3,554,662	62.8%	$ 6,236,793	69.3%	$ 1,232,142,126	67.8%
Total - All Insurers	5,662,019	100.0%	$ 8,999,582	100.0%	$ 1,814,916,367	100.0%

* The information displayed in the table above is compiled and published by the FLOIR as of September 30, 2016 based on information filings submitted quarterly by all Florida licensed insurance companies and downloaded from FLOIR’s database as of February 6, 2017. Such information is presented for each individual company and is not consolidated or aggregated. State Farm Florida Insurance Company does not report this type of information to the FLOIR. Dollar values are in thousands, rounded to the nearest thousand.

** Total insured values are for policies in-force that include wind coverage.

We compete primarily on the basis of the strength of our distribution network, high-quality service to our independent agents and policyholders, our reputation and commitment to the Florida market, claims handling ability, product features tailored to our markets and price. Our successful track record in writing homeowners insurance in catastrophe-exposed areas has enabled us to develop sophisticated risk selection and pricing techniques that endeavor to identify desirable risks and accurately reflect the risk of loss while allowing us to be competitive in our target markets. This risk selection and pricing approach allows us to profitably offer competitive products in areas that have a high demand for property insurance yet are underserved by the national carriers. Each of the Insurance Entities is currently rated “A” (“Exceptional”) by Demotech, Inc. (“Demotech”), a rating agency specializing in evaluating the financial stability of insurers.

PRODUCTS AND DISTRIBUTION

Products

Our focus and our primary product is personal residential insurance, which accounts for the vast majority of business that we write. Our homeowners insurance products provide policyholders with the ability to receive homeowners, renters, condominium, dwelling, fire, other structures, personal property, personal liability and personal articles coverages. In 2016, we wrote an average of 16,755 new policies per month, an increase of 4.0% as compared to the prior year, and homeowners policies produced direct written premium of $880.9 million. Homeowners policies accoun ted for 92.3% of our total direct written premium, with the remaining 7.7% comprised of fire and allied lines coverage.

The nature of our business, with respect to both claims and sales, tends to be seasonal over the course of a year, reflecting consumer behaviors in connection with the Florida residential real estate market and the need to be insured before the start of the hurricane season. The amount of written premium tends to increase just prior to the second quarter of our fiscal year and to decrease approaching the fourth quarter. We also face cyclicality resulting from hard and soft market cycles. See " Item 1A— Risk Factors—Risks Relating to Our Business—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 insurance business."

The geographical distribution of our policies in-force, in-force premium and total insured value for Florida by county were as follows as of December 31, 2016 (dollars in thousands):

	As of December 31, 2016					
County	Count	%	In-Force Premium	%	Total Insured Value	%
South Florida						
Broward	79,958	13.9%	$ 160,739	18.6%	$ 20,979,081	15.6%
Palm Beach	71,866	12.4%	129,601	15.0%	19,040,852	14.2%
Miami-Dade	68,783	11.9%	139,404	16.2%	15,215,886	11.3%
South Florida exposure	220,607	38.2%	429,744	49.8%	55,235,819	41.1%
Other significant* Florida counties						
Pinellas	38,027	6.6%	44,726	5.2%	6,594,479	4.9%
Lee	27,021	4.7%	27,285	3.1%	4,292,367	3.2%
Hillsborough	24,901	4.3%	32,795	3.8%	5,892,299	4.4%
Collier	20,940	3.6%	27,413	3.2%	3,580,893	2.7%
Escambia	19,488	3.4%	30,796	3.6%	5,513,655	4.1%
Brevard	19,072	3.3%	24,036	2.8%	3,846,081	2.8%
Polk	18,716	3.2%	25,727	3.0%	5,583,162	4.1%
Total other significant* counties	168,165	29.1%	212,778	24.7%	35,302,936	26.2%

Summary for all of Florida	Count	%	In-Force Premium	%	Total Insured Value	%
South Florida exposure	220,607	38.2%	429,744	49.8%	55,235,819	41.1%
Total other significant* counties	168,165	29.1%	212,778	24.7%	35,302,936	26.2%
Other Florida counties	189,011	32.7%	219,810	25.5%	43,954,715	32.7%
Total Florida	577,783	100.0%	$ 862,332	100.0%	$ 134,493,470	100.0%

* Significant counties defined as in-force premium greater than 2.5% as of December 31, 2016.

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The geographical distribution of our policies in-force, in-force premium and total insured value across all states were as follows, as of December 31, 2016, 2015 and 2014 (dollars in thousands, rounded to the nearest thousand):

	As of December 31, 2016					
State	Count	%	In-Force Premium	%	Total Insured Value	%
Florida	577,783	84.6%	$ 862,332	90.2%	$ 134,493,470	79.1%
North Carolina	41,393	6.1%	30,858	3.2%	11,972,066	7.0%
Georgia	24,257	3.6%	23,849	2.5%	8,450,315	5.0%
South Carolina	12,230	1.8%	12,393	1.3%	3,592,203	2.1%
Massachusetts	7,451	1.1%	9,964	1.0%	4,352,990	2.6%
Indiana	6,835	1.0%	5,381	0.6%	2,162,967	1.3%
Pennsylvania	5,303	0.8%	3,677	0.4%	1,925,226	1.1%
Minnesota	2,089	0.3%	2,251	0.2%	896,969	0.5%
Hawaii	1,767	0.2%	1,689	0.2%	756,428	0.4%
Maryland	1,756	0.2%	1,413	0.1%	640,919	0.4%
Delaware	621	0.1%	663	0.1%	289,941	0.2%
Michigan	538	0.1%	651	0.1%	190,360	0.1%
Alabama	624	0.1%	624	0.1%	182,456	0.1%
Virginia	269	0.0%	224	0.0%	130,556	0.1%
Total	682,916	100.0%	$ 955,969	100.0%	$ 170,036,866	100.0%

	As of December 31, 2015					
State	Count	%	In-Force Premium	%	Total Insured Value	%
Florida	550,800	88.2%	$ 821,631	92.6%	$ 127,705,731	84.0%
North Carolina	34,084	5.4%	25,411	2.9%	9,981,069	6.6%
Georgia	17,425	2.8%	16,013	1.8%	5,716,851	3.8%
South Carolina	10,479	1.7%	11,744	1.3%	3,135,568	2.1%
Massachusetts	4,720	0.8%	6,455	0.7%	2,790,054	1.8%
Indiana	2,694	0.4%	2,146	0.3%	851,536	0.6%
Pennsylvania	1,017	0.2%	738	0.1%	360,991	0.2%
Minnesota	251	0.0%	277	0.0%	108,337	0.1%
Hawaii	1,523	0.2%	1,547	0.2%	680,701	0.4%
Maryland	1,278	0.2%	1,026	0.1%	464,081	0.3%
Delaware	396	0.1%	407	0.0%	181,857	0.1%
Michigan	—	—	—	—	—	—
Alabama	—	—	—	—	—	—
Virginia	—	—	—	—	—	—
Total	624,667	100.0%	$ 887,395	100.0%	$ 151,976,776	100.0%

	As of December 31, 2014					
State	Count	%	In-Force Premium	%	Total Insured Value	%
Florida	506,913	91.1%	$ 749,181	94.3%	$ 115,248,811	87.9%
North Carolina	26,251	4.9%	19,871	2.5%	7,671,188	5.9%
Georgia	10,570	1.9%	9,651	1.2%	3,331,523	2.5%
South Carolina	8,037	1.4%	10,204	1.3%	2,463,221	1.9%
Massachusetts	2,359	0.4%	3,311	0.4%	1,462,206	1.1%
Indiana	—	—	—	—	—	—
Pennsylvania	—	—	—	—	—	—
Minnesota	—	—	—	—	—	—
Hawaii	1,306	0.2%	1,354	0.2%	586,845	0.5%
Maryland	799	0.1%	670	0.1%	308,312	0.2%
Delaware	113	0.0%	112	0.0%	51,622	0.0%
Michigan	—	—	—	—	—	—
Alabama	—	—	—	—	—	—
Virginia	—	—	—	—	—	—
Total	556,348	100.0%	$ 794,354	100.0%	$ 131,123,728	100.0%

Also see " Item 7—Management ' s Discussion and Analysis of Financial Condition and Results of Operations " and " Item 1A— Risk Factors—Risks Relating to Our Business—Because we conduct the substantial majority of our business in Florida, our financial results depend on the re gulatory, economic and weather conditions in Florida" for discussion on geographical diversification.

Product Pricing

The premiums we charge are based on rates specific to individual risks and locations and are generally subject to regulatory review and approval before they are implemented. We periodically submit our rate revisions to regulators as required by law or as we deem necessary or appropriate for our business. The premiums we charge to policyholders are affected by legislative enactments and administrative rules, including state-mandated programs in Florida requiring residential property insurance companies like us to provide premium discounts when policyholders verify that insured properties have certain construction features or windstorm loss reduction features.

The following table shows UPCIC's most recently approved rate changes. All percentage increases and decreases are expressed as statewide averages.

	2016 Rate Changes			2015 Rate Changes			2014 Rate Changes		
	Effective Dates	State	Percentage Increase (Decrease)	Effective Dates	State	Percentage Increase (Decrease)	Effective Dates	State	Percentage Increase (Decrease)
Homeowners	None	FL	None	April 15, 2015 for new business; May 25, 2015 for renewal business	FL	2.20%	January 1, 2014 for new business; March 9, 2014 for renewal business	FL	(2.40%)
	None	NC	None	June 1, 2015 for new business and renewal business	NC	0.60%	None	NC	None
	None	SC	None	November 20, 2015 for new business; January 6, 2016 for renewal business	SC	2.46%	None	SC	None
	June 1, 2016 for new business and renewal business	GA	7.50%	None	GA	None	None	GA	None
Fire	August 31, 2016 for new business; October 19, 2016 for renewal business	FL	3.70%	April 20, 2015 for new business; June 5, 2015 for renewal business	FL	4.90%	January 10, 2014 for new business; March 3, 2014 for renewal business	FL	8.10%
	None	NC	None	April 1, 2015 for new business and renewal business	NC	1.22%	April 1, 2014 for new business and renewal business	NC	2.98%

For a discussion of our policy acquisition costs and deferred tax assets, see "Item 7 –Management's Discussion and Analysis of Financial Condition and Results of Operations –Critical Accounting Policies and Estimates –Deferred Policy Acquisition Costs/Deferred Ceding Commissions," "Item 7 –Management's Discussion and Analysis of Financial Condition and Results of Operations –Results of Operations," and "Item 8 –Note 12 (Income Taxes)."

Distribution

We market and sell our products solely through our network of approximately 8,600 licensed independent agents, which we continue to build both in Florida and in other states. Of these independent agents, the top 20% accounted for approximately 87% of our direct written premium for the year ended December 31, 2016. Currently we have approximately 4,400 independent agents in Florida and approximately 4,200 independent agents outside of Florida. Our relationships with independent agents and their relationships with their customers are critical to our ability to identify, attract and retain profitable business. See " Item 1A— Risk Factors—Risks Relating to Our Business—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." We have developed our independent agency distribution channel since our inception, and we believe we have built significant credibility and loyalty within the independent agent community in the states in which we operate, particularly Florida. We actively participate in the recruitment and training of our independent agents and provide each agency with training sessions on topics such as submitting claims and underwriting guidelines, either over the phone or through an internet portal. We also engage a third-party market representative to assist in ongoing training and recruitment initiatives in all of the states in which we write business.

A key part of our distribution strategy is to utilize an attractive commission-based compensation plan as an incentive for independent agents to place business with us. We also attempt to provide excellent service to our independent agents and brokers, maintaining a consistent partnership with our independent agents and a consistent presence in our target markets through hard and soft market cycles. Our internal staff and specialists provide support to our independent agents, including use of various technologies to assist with the delivery of service to our policyholders. Our independent agents have access to all policy and payment information through our online, proprietary system. This system allows our independent agents to provide quotes within minutes, and because we control our technology, we are able to quickly respond to agents who need troubleshooting assistance or who offer recommendations for improvement. This system has evolved into a highly valued tool that enables agents to quickly understand the status of a policy and assist their clients with any policy-related questions. We regularly monitor and enhance the system to provide the best point of sale tools possible. Agents are provided dedicated internal contacts should they need assistance, and agencies are proactively contacted on a quarterly basis to solicit feedback.

As a result of the superior service and compensation we provide, we have relatively little turnover among many of our key independent agents. Approximately 1,300, or 15%, of our independent agents have relationships with us that span a decade or more.

Universal Direct SM

In April 2016 the Company launched a direct-to-consumer online platform, called Universal Direct SM , which enables homeowners to directly purchase, pay for and bind a homeowners policies online without the need to interface with any intermediaries. Designed to simplify the process of purchasing homeowners insurance, Universal Direct SM includes an intuitive interface, real-time quotes, educational materials, support tools and a seamless purchasing process. Customers will have the ability to manage their policies, select payment plans and make payments online, while also having access to live customer support agents, by phone or online, for additional assistance as needed. Universal Direct SM was launched in the following 13 states during 2016. Pennsylvania, Minnesota, Alabama, Indiana, South Carolina, Delaware, Georgia, Florida, Hawaii, North Carolina, Virginia, Massachusetts and Maryland. During 2016, 1,320 policies were written representing $1.4 million in gross written premium.

Services

We are vertically integrated with substantially all aspects of insurance underwriting, policy issuance, general administration and claims processing and settlement performed internally, which allows us to retain a majority of the economics associated with the issuance and administration of our insurance policies in-force. Vertical integration also maintains quality service throughout the policy life cycle. Below is a summary of the services we provide.

Underwriting

All underwriting is performed internally utilizing our state-approved underwriting manuals as the basis of our rate-making and risk assessment. Our manuals have been developed and enhanced over a number of years based on our deep knowledge of the homeowners insurance industry, and based on an ongoing analysis of our own loss experience. Initially, all new business must be submitted to us through our proprietary policy processing system and risk criteria which allows our independent agent partners to generate quotes and bind policies subject to compliance with our binding authority guidelines and risk criteria. Policies that are bound are further reviewed by our underwriting staff for accuracy of data, including reports of on-site inspections. Our underwriting process is constantly evolving as new and different type of risks and claim types become prevalent. However, see "Item 1A—Risk Factors—Risks Relating to Our Business—The failure of the risk mitigation strategies we utilize could have a material adverse effect on our financial condition or results of operations."

Policy Administration

We have developed a proprietary suite of applications that provide underwriting, policy and claim administration services, including billing, policy maintenance, inspections, refunds, commissions and data analysis. Our proprietary rating engine aligns with various state requirements to support our geographic expansion. This sophisticated policy processing system is solely managed by our employees and enhancements are implemented while adhering to strict internal control requirements to ensure business continuity.

Claims Administration

We closely manage all aspects of the claims process, from processing the initial filing to claim conclusion. When a policyholder contacts us to report a claim, members of our claims department create a claim file and aggregate the appropriate supporting documentation. Claims are then reviewed by our managers and staff adjusters, who assess the extent of the loss, complete on site investigations when required, and determine the resources needed to adjust each claim. We perform or supervise the adjusting services rendered for our policyholders at all stages of the claims process, which we believe allows us to reduce cost and provide a high level of customer service. We assign a small percentage of field inspections to third-party adjusters in order to maintain relationships that will allow us to continue to provide high quality and timely service following a catastrophe or any other period of unusually high claim volume.

Reinsurance Intermediary

We manage our reinsurance program through our internal reinsurance intermediary, BARC, in conjunction with URA. Approximately 10 years ago, we hired a dedicated team of reinsurance specialists from Willis Re, including our President and Chief Risk Officer, Jon W. Springer, to design a customized reinsurance strategy for us and to develop our in-house analytical capabilities. Our reinsurance team has an average of 24 years of knowledge and expertise of the reinsurance industry. We have two experienced actuaries and analytics modeling personnel on staff at BARC to assist in evaluating and designing our reinsurance program. Not only do we receive a portion of the fees that otherwise would be paid in commissions to a third-party reinsurance intermediary, we also develop and maintain long-term relationships with our reinsurers. We also utilize Aon Benfield as a third-party reinsurance intermediary as needed, enabling us to capitalize on its market experience and knowledge as well as our internal capabilities. Aon Benfield works closely with our teams at BARC and URA in designing our reinsurance program to obtain favorable pricing, as well as continually evaluating prevailing costs and the level of coverage we feel we need in order to capitalize on favorable market conditions.

REINSURANCE

Developing and implementing our reinsurance strategy to adequately protect us in the event of one or more catastrophes while maintaining efficient reinsurance costs has been a key focus for our leadership team. In recent years, the property and casualty insurance market has experienced a substantial increase in the availability of property catastrophe reinsurance resulting from the increased supply of capital from non-traditional reinsurance providers, including private capital and hedge funds. This increased capital supply, coupled with a lack of recent significant catastrophic activity in Florida and elsewhere around the world, and underwriting improvements, such as Florida’s wind mitigation efforts to strengthen homes subject to wind events, has reduced the cost of property catastrophe reinsurance, directly benefitting significant reinsurance buyers, such as us.

In order to limit our potential exposure to catastrophic events, we purchase significant reinsurance from third-party reinsurers. We rely on third-party reinsurers and the FHCF and do not have any captive or affiliated reinsurance arrangements in place. The FLOIR requires us and all insurance companies doing business in Florida to have a certain amount of capital and reinsurance coverage in order to cover losses upon the occurrence of a single catastrophic event and a series of catastrophic events occurring in the same hurricane season. Our 2016-2017 reinsurance program meets and provides reinsurance in excess of the FLOIR’s requirements, which are based on, among other things, the probable maximum loss that we would incur from an individual catastrophic event estimated to occur once in every 100 years based on our portfolio of insured risks and a series of stress test catastrophe loss scenarios based on past historical events. As respects the single catastrophic event, the nature, severity and location of the event giving rise to such a probable maximum loss differs for each insurer depending on the insurer’s portfolio of insured risks, including, among other things, the geographic concentration of insured value within the insurer’s portfolio. Accordingly, a particular catastrophic event could be a one-in-100 year loss event for one insurance company while having a greater or lesser probability of occurrence for another insurance company.

We believe our retention under the reinsurance program is appropriate and structured to protect our policyholders. We test the sufficiency of our reinsurance program by subjecting our personal residential exposures to statistical testing using a third-party hurricane model, RMS RiskLink v15.0 (Build 1625). This model combines simulations of the natural occurrence patterns and characteristics of hurricanes, tornadoes, earthquakes and other catastrophes with information on property values, construction types and occupancy classes. The model ou tputs provide information concerning the potential for large losses before they occur so companies can prepare for their financial impact .

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 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. (For 2015-2016, we eliminated our quota share reinsurance effective as of June 1, 2015, while obtaining additional excess of loss catastrophe coverage. We believe that this new structure will continue to protect us in years in which a catastrophe may occur, and in non-catastrophe years will decrease our reinsurance costs and increase the amount of premium we retain. These lower costs and higher premium retention will enable us to further increase our stockholders' equity in order to profitably grow our business.)

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.

UPCIC's Retention

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.

First Layer

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 th e Other States Reinsurance Program – or 1.8% of UPCIC's statutory policyholders' surplus as of March 31, 2016.

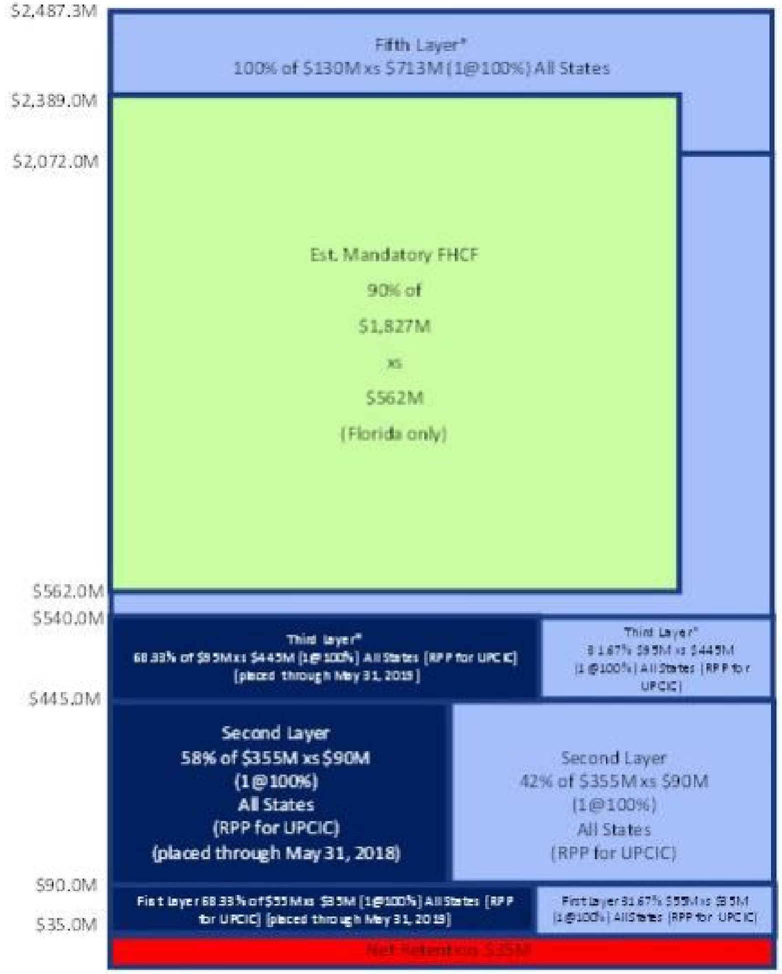
FHCF

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.

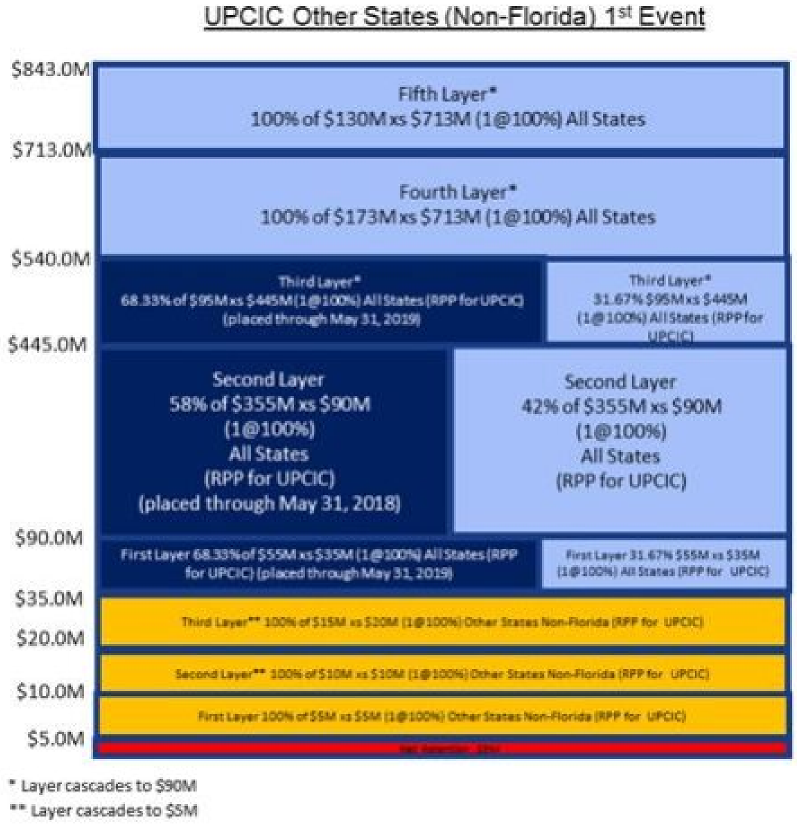
Coverage purchased from third-party reinsurers, as described above, adjusts to fill in gaps in FHCF coverage. The FHCF coverage cannot be reinstated once exhausted, but it does provide coverage for multiple events. The FHCF coverage extends only to losses to our Florida portfolio due to peril of hurricane.

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.

UPCIC All States 1st Event



* Layer cascades to $90M



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 .

APPCIC's Retention

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.

First Layer

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.

Second and Third Layers

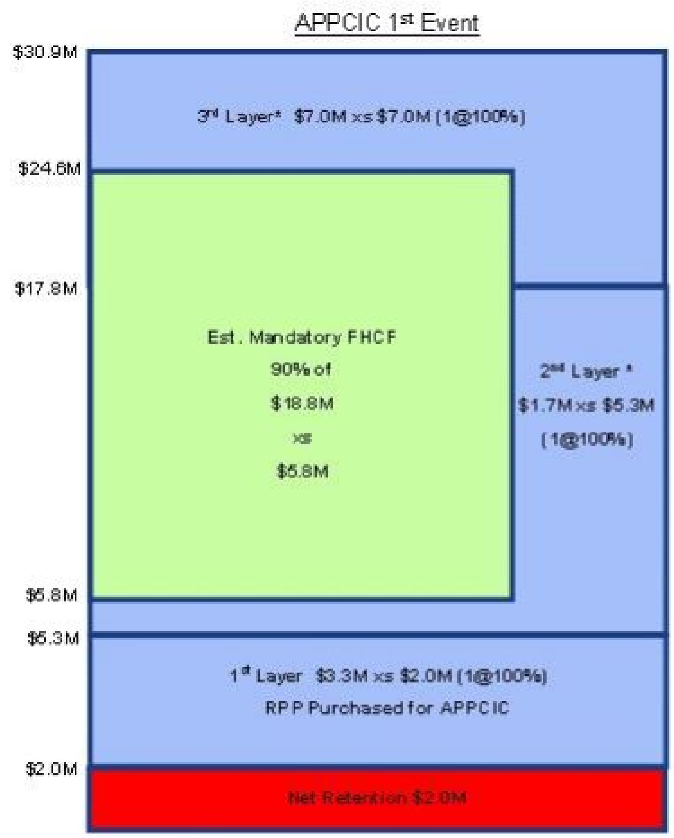
In the second and third layers, we have purchased reinsurance for $1.7 million of coverage in excess of $5.3 million in losses incurred by us (net of the FHCF layer) and $7 million of coverage in excess of $7 million in losses incurred by us (net of the FHCF layer), respectively.

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 immediate ly 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 exhaust 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 providers by our Insurance Entities and, indirectly, our reinsurers would also i ncrease 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.



* Layer cascades to $2M

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 meets specific performance measures.

INVESTMENTS

We conduct investment activities through each of the Insurance Entities and UVE. We have retained third-party investment advisers to advise us and manage our securities portfolio, other than cash-based equivalents. Our Board's Investment Committee oversees these advisers and reports overall investment results to our Board of Directors, at least on a quarterly basis.

The investment activities of the Insurance Entities are subject to regulation and supervision by the FLOIR. See "— *Government Regulation and Initiatives* . " The Insurance Entities may only make investments that are consistent with regulatory guidelines, and our investment policies for the Insurance Entities accordingly limit the amount of investments in, among other things, non-investment grade fixed maturity securities (including high-yield bonds) and the amount of total investments in preferred stock and common stock. While we seek to appropriately limit the size and scope of investments in our portfolio, UVE is not similarly restricted by Florida law. Therefore, the investments made by UVE may differ from those made by the Insurance Entities. We do not purchase securities on margin.

The primary objectives of our investment portfolio are the preservation of capital and providing adequate liquidity for claims payments and other cash needs. Our investment portfolio's secondary investment objective is to provide a total rate of return with an emphasis on investment income. We focus on relatively short-term investments, with approximately 8.3% of the fair value of our portfolio with contractual maturities due in one year or less, and another 38.7% due after one year but before five years.

See " Item 8—Note 3 (Investments) " and "Item 1A—Risk Factors—Risks Relating to Investments" for more information about our investments.

LIABILITY FOR UNPAID LOSSES AND LAE

We generally use the terms "loss" or "losses" to refer to both loss and LAE. We establish reserves for both reported and unreported unpaid losses that have occurred at or before the balance sheet date for amounts we estimate we will be required to pay in the future. Our policy is to establish these loss reserves after considering all information known to us at each reporting period. In many cases, several years may elapse between the occurrence of an insured loss and our payment of a liability claim. Liability claims historically tend to have longer time lapses between the occurrence of the event, the reporting of the claim to the Insurance Entities and the final settlement than do property claims. Liability claims often involve third parties filing suit and ensuing litigation. By comparison, property damage claims tend to be reported in a relatively shorter period of time with the vast majority of these claims resulting in an adjustment without litigation. It is also common for property damage claims to be adjusted downward for subrogation recoveries, when a third party is found responsible for damage caused to the insured's property. Accordingly, at any given point in time, our loss reserve represents our best estimate of the ultimate settlement and administration cost of our insured claims incurred and unpaid. Since the process of estimating loss reserves requires significant judgment due to a number of variables, such as fluctuations in inflation, judicial decisions, legislative changes and changes in claims handling procedures, our ultimate liability will likely differ from these estimates. See "Item 1A—Risk Factors—Risks Relating to Our Business—Actual claims incurred may exceed current reserves established for claims and may adversely affect our operating results and financial condition." We revise our reserve for unpaid losses as additional information becomes available, and reflect adjustments, if any, in our earnings in the periods in which we determine the adjustments are necessary.

When a claim involving a probable loss is reported, we establish a liability for the estimated amount of our ultimate loss and LAE payments. The estimate of the amount of the ultimate loss is based upon such factors as the type of loss, jurisdiction of the occurrence, knowledge of the circumstances surrounding the claim, severity of injury or damage, potential for ultimate exposure, estimate of liability on the part of the insured, past experience with similar claims and the applicable policy provisions. All newly reported claims begin with an initial average liability. That claim is then evaluated and the liability is adjusted upward or downward according to the facts and damages of that particular claim. In addition, management aggregates liabilities to provide for losses incurred but not reported (" IBNR "). We utilize independent actuaries to help establish liabilities for unpaid losses, anticipated loss recoveries, and

LAE. We do not discount the liability for unpaid losses and LAE for financial statement purposes. As discussed above, we maintain an in-house claims staff that monitors and directs all aspects of our claims process, and oversees claims processed by third parties.

The estimates of the liability for unpaid losses, anticipated recoveries, and LAE are subject to the effect of trends in claims severity and frequency and are continually reviewed. As part of this process, we review historical data and consider various factors, including known and anticipated legal developments, changes in social attitudes, inflation and economic conditions. As experience develops and other data become available, these estimates are revised, as required, resulting in increases or decreases to the existing liability for unpaid losses and LAE. Adjustments are reflected in results of operations in the period in which they are made and the liabilities may deviate substantially from prior estimates. See " Item 1A— Risk Factors—Risks Relating to Our Business—Actual claims incurred may exceed current reserves established for claims and may adversely affect our operating results and financial condition."

GOVERNMENT REGULATION AND INITIATIVES

We are subject to extensive regulation in the markets we serve, primarily at the state level, and will be subject to the regulations of any other states in which we seek to conduct business in the future. These regulations cover all aspects of our business and are generally designed to protect the interests of policyholders, as opposed to the interests of shareholders. Such regulations relate to authorized lines of business, capital and surplus requirements, allowable rates and forms, investment parameters, underwriting limitations, transactions with affiliates, dividend limitations, changes in control, market conduct, maximum amount allowable for premium financing service charges and a variety of other financial and non-financial components of our business.

Financial Reporting

The Insurance Entities prepare and file with various insurance regulatory authorities quarterly and annual audited financial statements in accordance with requirements established by the National Association of Insurance Commissioners ("NAIC") and adopted by administrative rules in Florida as the Insurance Entities ' domiciliary state. The Insurance Entities ' financial statements are prepared in accordance with statutory accounting principles, which differ from United States generally accepted accounting principles.

Examinations

As part of their regulatory oversight process, state insurance departments conduct periodic financial examinations of the books, records, accounts and operations of insurance companies that are domiciled in their states. In general, insurance regulatory authorities defer to the insurance regulatory authority in the state in which an insurer is domiciled; however, insurance regulatory authorities in any state in which we operate may conduct examinations at their discretion. Under Florida law, these examinations generally occur every five years, although the FLOIR may conduct limited or full scope reviews more frequently. The financial examination reports are available to the public at the conclusion of the examination process. In addition, state insurance regulatory authorities may make inquiries, conduct investigations and administer market conduct examinations with respect to insurers ' compliance with applicable insurance laws and regulations. These inquiries or examinations may address, among other things, the form and content of disclosures to consumers, advertising, sales practices, claims practices and complaint handling. The reports arising from insurance authorities ' examination processes typically are available to the public at the conclusion of the examinations.

NAIC

The NAIC is an organization whose mandate is to benefit state insurance regulatory authorities and consumers by promulgating model insurance laws and regulations for adoption by the states. The NAIC also provides standardized insurance industry accounting and reporting guidance through its Accounting Practices and Procedures Manual (the " Manual "). However, model insurance laws and regulations are only effective when adopted by the states, and statutory accounting and reporting principles continue to be established by individual state laws, regulations and permitted practices. Changes to the Manual or modifications by the various state insurance departments may impact the statutory capital and surplus of the Insurance Entities. We cannot predict what additional compliance costs these pending model laws or regulations may impose if adopted by Florida or other states in the future.

Insurance Holding Company Laws

UVE, as the ultimate parent company of the Insurance Entities, is subject to the insurance holding company laws of the State of Florida. These laws, among other things , (i) require us to file periodic information with the FLOIR, including information concerning our capital structure, ownership, financial condition and general business operations, (ii) regulate certain transactions between us and our affiliates, including the amount of dividends and other distributions, the terms of surplus notes and amounts that our affiliates can charge the Insurance Entities for services such as policy administration and claims administration, and (iii) restrict the ability of any one person to acquire certain levels of our voting securities without prior regulatory approval.

The Florida Insurance Code prohibits any person from acquiring control of the Insurance Entities or their holding companies unless that person has filed a notific ation with specified information with the FLOIR and has obtained the FLOIR ' s prior approval. Under the Florida Insurance Code, acquiring 10% or more of the voting securities of an insurance company or its parent company is presumptively considered an acqui sition of control of the insurance company, although such presumption may be rebutted. Some U.S. state insurance laws require prior notification to state insurance regulators of an acquisition of control of a non-domiciliary insurance company doing busines s in that state. These laws may discourage potential acquisition proposals and may delay, deter or prevent an acquisition of control of UVE (in particular through an unsolicited transaction), even if the shareholders of UVE might consider such transaction to be desirable. See " Item 1A— Risk Factors—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."

Insurance holding company regulations also govern the amount any affiliate of the holding company may charge insurance affiliates for services (e.g., claims adjustment, administration, management fees and commissions). Further, insurance holding company regulations may also require prior approval of insurance regulators for amendments to or terminations of certain affiliate agreements.

Florida holding company laws also require us to submit an own-risk and solvency assessment, or ORSA, summary report to the FLOIR each year beginning in 2017. Additionally, beginning in 2018, we will be required to submit a corporate governance annual disclosure to the FLOIR.

Capital Requirements

State insurance authorities monitor insurance companies ' solvency and capital requirements using various statutory requirements and industry ratios. Initially, states require minimum capital levels based on the lines of business written by a company, and set requirements regarding the ongoing amount and composition of capital. State regulators also require the deposit of state deposits in each state. See "Item 8—Note 5 (Insurance Operations)" for more information about state deposits. As a company grows, additional capital measures and standards may be implemented by a regulator. Regulatory authorities use a risk-based capital (" RBC ") model published by the NAIC to monitor and regulate the solvency of licensed property and casualty insurance companies. These guidelines measure three major areas of risk facing property and casualty insurers: (i) underwriting risks, which encompass the risk of adverse loss developments and inadequate pricing, (ii) declines in asset values arising from credit risk and (iii) other business risks. Most states, including Florida, have enacted the NAIC guidelines as statutory requirements, and insurers having less surplus than required by applicable statutes and ratios are subject to varying degrees of regulatory action depending on the level of capital inadequacy. As of December 31, 2016, the Insurance Entities ' RBC ratios exceed applicable statutory requirements. See " Item 1A— Risk Factors —Risks Relating to the Insurance Industry—The amount of statutory capital and surplus that each of the Insurance Entities has and the amount of statutory capital and surplus it must hold can vary and are sensitive to a number of factors outside our control, including market conditions and the regulatory environment and rules."

Restrictions on Dividends and Distributions

As a holding company with no significant business operations of its own, UVE relies on payments from its subsidiaries as its principal sources of cash to pay dividends and meet its obligations. Dividends paid by our subsidiaries other than the Insurance Entities are not subject to the statutory restrictions set forth in the Florida Insurance Code. However, insurance holding company regulations govern the amount that any affiliate within the holding company system may charge any of the Insurance Entities for services. See "Item 1A—Risk Factors—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." Dividends paid to our shareholders in 2016 were paid from the earnings of UVE and its non-insurance subsidiaries and not from the capital and surplus of the Insurance Entities. State insurance laws govern the payment of dividends by insurance companies. 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 relating to statutory surplus. The maximum dividend that may be paid by the Insurance Entities to UVE without prior approval is limited to the lesser of statutory net income from operations of the preceding calendar year or statutory unassigned surplus as of the preceding year end. During the years ended December 31, 2016 and 2015, the Insurance Entities did not pay dividends to UVE.

Underwriting and Marketing Restrictions

During the past several years, various regulatory and legislative bodies in Florida and in other states have adopted or proposed new laws or regulations to address the cyclical nature of the insurance industry, catastrophic events and insurance capacity and pricing. These regulations (i) restrict certain policy non-renewals or cancellations and require advance notice on certain policy non-renewals and (ii) from a practical standpoint, limit rate increases or decrease rates permitted to be charged.

Most states, including Florida, also have insurance laws requiring that rate schedules and other information be filed with the insurance regulatory authority. The insurance regulatory authority may disapprove a rate filing if it finds that the rates are inadequate, excessive or unfairly discriminatory. Rates, which are not necessarily uniform for all insurers, vary by class of business, hazard covered and size of risk.

Most states, including Florida, require licensure or insurance regulatory authority approval prior to the marketing of new insurance products. Typically, licensure review is comprehensive and includes a review of a company's business plan, solvency, reinsurance, character of its officers and directors, rates, forms and other financial and non-financial aspects of a company. The insurance regulatory authorities may prohibit entry into a new market by not granting a license or by withholding approval for an insurer to write new lines of business.

Privacy and Information Security Regulation

Federal and state laws and regulations require financial institutions to protect the security and confidentiality of non-public personal information and to notify customers and other individuals about their policies and practices relating to their collection and disclosure of customer information and their practices relating to protecting the security and confidentiality of that information. The NAIC also is developing model laws on cybersecurity, which might lead to adoption of the same or similar provisions in the states where we do business. In addition, some states have adopted, and other might adopt, cybersecurity regulations that differ from proposed model acts or from the laws enacted in other states. Federal and state lawmakers and regulatory bodies may be expected to consider additional or more detailed regulation regarding these subjects and the privacy and security of non-public personal information.

Statutory Insurance Organizations

Many states in which the Insurance Entities operate have statutorily-mandated insurance organizations or other insurance mechanisms in which the Insurance Entities are required to participate or to potentially pay assessments. Each state has insurance guaranty association laws providing for the payment of policyholders ' claims when insurance companies doing business in that state become insolvent. These guaranty associations typically are funded by assessments on insurance companies transacting business in the respective states. When the Insurance Entities are subject to assessments they generally must remit the assessed amounts to the guaranty associations. The Insurance Entities subsequently seek to recover the assessed amounts through recoupments from policyholders. In the event the Insurance Entities are not able to fully recoup the amounts of those assessments, such unrecovered amounts can be credited against future assessments, or the remaining receivable may be written off. While we cannot predict the amount or timing of future guaranty association assessments, we believe that any such assessments will not have a material effect on our financial position or results of operations. See "Item 1A—Risk Factors—Risks Relating to the Insurance Industry—Regulations limiting rate changes and requiring us to participate in loss sharing or assessments may decrease our profitability."

Several states, including Florida, have insurance mechanisms that provide insurance to consumers who are not otherwise able to obtain coverage in the private insurance market. The largest such insurance mechanism is Citizens. The degree to which these state-authorized insurance mechanisms compete with private insurers such as the Insurance Entities varies over time depending on market and public policy considerations beyond our control. In addition, these insurance mechanisms often rely on assessments of insurers to cover any operating shortfalls. Also, most property and casualty insurers operating in Florida, including the Insurance Entities, are subject to assessment if the FHCF lacks sufficient claims-paying resources to meet its reimbursement obligations to insurers. FHCF assessments are added to policyholders ' premiums and are collected and remitted by the Insurance Entities.

EMPLOYEES

As of February 14, 2017, we had 483 full-time employees. None of our employees are represented by a labor union.

AVAILABLE INFORMATION

Our internet address is http://www.universalinsuranceholdings.com, and our telephone number is (954) 958-1200. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K are available, free of charge, through our website as soon as reasonably practicable after their filing with the Securities and Exchange Commission (" SEC "). The SEC maintains an internet site that contains our SEC filings at http://www.sec.gov .

ITEM 1A. RI SK FACTORS

We are subject to a variety of risks, the most significant of which are described below. Our business, results of operations and financial condition could be materially and adversely affected by any of these risks or additional risks.

RISKS RELATING TO OUR BUSINESS

As a property and casualty insurer, we may face significant losses from catastrophes and severe weather events.

Because of the exposure of our property and casualty business to catastrophic events, our operating results and financial condition may vary significantly from one period to the next, and historical results of operations may not be indicative of future results of operations. Property damage resulting from catastrophes is the greatest risk of loss we face in the ordinary course of our business. Catastrophes can be caused by various natural and man-made disasters, including hurricanes, wildfires, tornadoes, tropical storms, sinkholes, windstorms, hailstorms, explosions, earthquakes and acts of terrorism. Because of our concentration in Florida, and in particular in Broward, Palm Beach and Miami-Dade counties, we are exposed to hurricanes and windstorms, and other catastrophes affecting Florida. We may incur catastrophe losses in excess of: those experienced in prior years; those estimated by a catastrophe model we use; the average expected level used in pricing; and our current reinsurance coverage limits. We are also subject to claims arising from weather events such as rain, hail and high winds. The nature and level of catastrophes and the incidence and severity of weather conditions in any period cannot be predicted and could be material to our operations.

The loss estimates developed by the models we use are dependent upon assumptions or scenarios incorporated by a third-party developer and by us. However, if these assumptions or scenarios do not reflect the characteristics of future catastrophic events that affect areas covered by our policies or the resulting economic conditions, then we could have exposure for losses not covered by our reinsurance program, which could adversely affect our financial condition, profitability and results of operations. Further, although we use widely recognized and commercially available models to estimate hurricane loss exposure, other models exist that might produce higher or lower loss estimates. See "— *The inherent uncertainty of models and our reliance on such models as a tool to evaluate risk may have an adverse effect on our financial results* ." Despite our catastrophe management programs, we retain significant exposure to catastrophic events. Our liquidity could be constrained by a catastrophe, or multiple catastrophes, which could result in extraordinary losses and have a negative impact on our net income and business. Catastrophes may also negatively affect our ability to write new or renewal business. Increases in the value and geographic concentration of insured property and the effects of inflation could increase the severity of claims from catastrophic events in the future.

Actual claims incurred may exceed current reserves established for claims and may adversely affect our operating results and financial condition.

We maintain loss reserves to cover our estimated ultimate liability for unpaid losses and LAE for reported and unreported claims incurred as of the end of each accounting period. Recorded claim reserves in the property and casualty business are based on our best estimates of what the ultimate settlement and administration of claims will cost, both reported and IBNR. These estimates, which generally involve actuarial projections, are based on management's assessment of known facts and circumstances, including our experience with similar cases, actual claims paid, historical trends involving claim payment patterns, pending levels of unpaid claims and contractual terms. External factors are also considered, which include but are not limited to changes in the law, court decisions, changes to regulatory requirements and economic conditions. Many of these factors are not quantifiable.

Additionally, there may be a significant reporting lag between the occurrence of an event and the time it is reported to us. The inherent uncertainties of estimating reserves are greater for certain types of liabilities, particularly those in which the various considerations affecting the type of claim are subject to change and in which long periods of time may elapse before a definitive determination of liability is made. We continually refine reserve estimates as experience develops and further claims are reported and settled. Adjustments to reserves are reflected in the results of periods in which such estimates are changed. Because setting reserves is inherently uncertain, the ultimate cost of losses may vary materially from recorded reserves and such variance may adversely affect our operating results and financial condition.

Our success depends in part on our ability to accurately price the risks we underwrite.

Our results of operations and financial condition depend on our ability to underwrite and set premium rates accurately for a variety of risks. Rate adequacy is necessary to generate sufficient premiums to pay losses, LAE, reinsurance costs and underwriting expenses and to earn a profit. In order to price our products accurately, we must collect and properly analyze a substantial amount of data; develop, test and apply appropriate rating formulas; closely monitor and timely recognize changes in trends; and project both severity and frequency of losses with reasonable accuracy. Our ability to price our products accurately is subject to a number of risks and uncertainties, some of which are outside our control, including:

- the availability of sufficient reliable data;
- regulatory delays in approving filed rate changes or our failure to gain regulatory approval;
- the uncertainties that inherently characterize estimates and assumptions;
- changes in legal standards, claim resolution practices and restoration costs; and
- legislatively imposed consumer initiatives.

In addition, we could underprice risks, which would negatively affect our profit margins and result in significant underwriting losses. We could also overprice risks, which could reduce the number of policies we write and our competitiveness. In either event, our profitability could be materially and adversely affected.

Unanticipated increases in the severity or frequency of claims may adversely affect our profitability and financial condition.

Changes in the severity or frequency of claims may affect our profitability. Changes in homeowners claim severity can be driven by inflation in the construction industry, in building materials and in home furnishings and by other economic and environmental factors, including increased demand for services and supplies in areas affected by catastrophes, market conditions and prevailing attitudes towards insurers and the claims process. However, changes in the level of the severity of claims are not limited to the effects of inflation and demand surge in these various sectors of the economy. Increases in claim severity can also arise from unexpected events that are inherently difficult to predict. A significant long-term increase in claim frequency could have an adverse effect on our operating results and financial condition. Further, the level of claim frequency we experience may vary from period to period and may not be sustainable over the longer term. Although we pursue various loss management initiatives in order to mitigate future increases in claim severity, there can be no assurances that these initiatives will successfully identify or reduce the effect of future increases in claim severity.

The failure of the risk mitigation strategies we utilize could have a material adverse effect on our financial condition or results of operations.

We utilize a number of strategies to mitigate our risk exposure, such as:

- engaging in rigorous underwriting;
- carefully evaluating terms and conditions of our policies and binding guidelines; and
- ceding risk to reinsurers.

However, there are inherent limitations in all of these strategies, and no assurance can be given that an event or series of events will not result in loss levels in excess of our probable maximum loss models, or that our non-catastrophe modeling is accurate, which could have a material adverse effect on our financial condition or results of operations. It is also possible that losses could manifest themselves in ways that we do not anticipate and that our risk mitigation strategies are not designed to address. Such a manifestation of losses 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.

We currently market our policies to a broad range of prospective policyholders through approximately 4,400 independent insurance agents in Florida as well as approximately 4,200 independent insurance agents outside of Florida. As a result, our business depends on the marketing efforts of these independent agents and on our ability to offer products and services that meet their and their customers' requirements. These independent insurance agents maintain the primary customer relationship. Independent agents typically represent other insurance companies in addition to representing us, and such agents are not obligated to sell or promot e our products. Other insurance companies may pay higher commissions than we do, provide services to the agents that we do not provide, or may be more attractive to the agents than we are. We cannot provide assurance that we will retain our current relatio nships, or be able to establish new relationships, with independent agents. The loss of these marketing relationships could adversely affect our ability to attract new agents, retain our agency network, or write new or renewal insurance policies, which cou ld materially adversely affect our business, financial condition and results of operations.

The inherent uncertainty of models and our reliance on such models as a tool to evaluate risk may have an adverse effect on our financial results.

Along with other insurers in the industry, we use models developed by third-party vendors in assessing our exposure to catastrophe losses, and these models assume various conditions and probability scenarios, most of which are not known to us or are not within our control. However, these models may not accurately predict future losses or accurately measure losses incurred. Catastrophe models, which have been evolving since the early 1990s, use historical information about various catastrophes and detailed information about our in-force business. While we use this information in connection with our pricing and risk management activities, there are limitations with respect to their usefulness in predicting losses in any reporting period. Examples of these limitations are significant variations in estimates between models and modelers and material increases and decreases in model results due to changes and refinements of the underlying data elements and assumptions. Such limitations lead to questionable predictive capability and post-event measurements that have not been well understood or proven to be sufficiently reliable. In addition, the models are not necessarily reflective of company or state-specific policy language, demand surge for labor and materials or loss settlement expenses, all of which are subject to wide variation by catastrophe.

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.

Our reinsurance program is designed to mitigate our exposure to catastrophes. Market conditions beyond our control determine the availability and cost of the reinsurance we purchase. No assurances can be made that reinsurance will remain continuously available to us to the same extent and on the same terms and rates as are currently available. In addition, our ability to afford reinsurance to reduce our catastrophe risk may be dependent upon our ability to adjust premium rates for our cost, and there are no assurances that the terms and rates for our current reinsurance program will continue to be available next year or that we will be able to adjust our premiums. The Insurance Entities are responsible for losses related to catastrophic events with incurred losses in excess of coverage provided by our reinsurance program and the FHCF, and for losses that otherwise are not covered by the reinsurance program. If we are unable to maintain our current level of reinsurance or purchase new reinsurance protection in amounts that we consider sufficient and at prices that we consider acceptable, we would have to either accept an increase in our exposure risk, reduce our insurance writings, seek rate adjustments at levels that might not be approved or might adversely affect policy retention, or develop or seek other alternatives, which could have an adverse effect on our profitability and results of operations.

Reinsurance subjects us to the credit risk of our reinsurers, which could have a material adverse effect on our operating results and financial condition.

Reinsurance does not legally discharge us from our primary liability for the full amount of the risk we insure, although it does make the reinsurer liable to us in the event of a claim. As such, we are subject to credit risk with respect to our reinsurers. The collectability of reinsurance recoverables is subject to uncertainty arising from a number of factors, including our reinsurers' financial capacity and willingness to make payments under the terms of a reinsurance treaty or contract; whether insured losses meet the qualifying conditions under our reinsurance contracts for covered events such as windstorms, vandalism, brush fires, earthquakes and riots or are excluded explicitly for events such as a terrorism event; and changes in market conditions. Further, if a reinsurer fails to pay an amount due to us within 90 days of such amount coming due, we are required by certain accounting rules to account for a portion of this unpaid amount as an unadmitted asset, which could negatively impact our surplus. Our inability to collect a material recovery from a reinsurer, or to collect such recovery in a timely fashion, could have a material adverse effect on our operating results, financial condition, liquidity and surplus.

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 insurance business.

The property and casualty insurance market is cyclical and has experienced periods characterized by relatively high levels of price competition, less restrictive underwriting standards and relatively low premium rates, followed by periods of relatively lower levels of competition, more selective underwriting standards and relatively high premium rates. As premium levels increase and competitors perceive an increased opportunity for profitability, there may be new entrants to the market, which could then lead to increased competition, a significant r eduction in premium rates, less favorable policy terms and fewer opportunities to underwrite insurance risks. This could have a material adverse effect on our results of operations and cash flows. In addition to these considerations, changes in the frequen cy and severity of losses suffered by insureds and insurers, including changes resulting from multiple and/or catastrophic hurricanes, may affect the cycles of the property and casualty insurance business significantly. Negative market conditions may impai r our ability to write insurance at rates that we consider appropriate relative to the risk written. If we cannot write insurance at appropriate rates, our business would be materially and adversely affected. We cannot predict whether market conditions wil l improve, remain constant or deteriorate. An extended period of negative market conditions could have a material adverse effect on our business, financial condition and results of operations.

Because we conduct the substantial majority of our business in Florida, our financial results depend on the regulatory, economic and weather conditions in Florida.

Though we are licensed to transact insurance business in Alabama, Delaware, Florida, Georgia, Hawaii, Indiana, Maryland, Massachusetts, Michigan, Minnesota, New Hampshire, New Jersey, North Carolina, New York, Pennsylvania, South Carolina, Virginia and West Virginia , we write a substantial majority of our premium in Florida. Therefore, prevailing regulatory, legal, economic, political, demographic, competitive, weather and other conditions in Florida disproportionately affect our revenues and profitability. Changes in conditions could make doing business in Florida less attractive for us and would have a more pronounced effect on us than it would on other insurance companies that are more geographically diversified throughout the United States. Further, a single catastrophic event, or a series of such events, specifically affecting Florida, particularly more densely populated areas of the state, could have a disproportionately adverse impact on our business, financial condition and results of operations. This is particularly true in certain Florida counties where we write a high concentration of policies, which mirrors the distribution and concentration of the population in Florida. We currently have a large concentration of in-force policies written in the coastal counties of Broward, Palm Beach and Miami-Dade such that a catastrophic event, or series of catastrophic events, in these counties could have a significant impact on our business, financial condition and results of operations. While we actively manage our exposure to catastrophic events through our underwriting process and the purchase of reinsurance, the fact that our business is concentrated in Florida subjects us to increased exposure to certain catastrophic events and destructive weather patterns such as hurricanes, tropical storms and tornadoes.

Changing climate conditions may adversely affect our financial condition, profitability or cash flows.

Although the incidence and severity of weather conditions are largely unpredictable, the frequency and severity of property claims generally increase when severe weather conditions occur. Longer-term weather trends may be changing and new types of catastrophe losses may be developing due to climate change, a phenomenon that has been associated with extreme weather events linked to rising temperatures, including effects on global weather patterns, greenhouse gases, sea, land and air temperature, sea levels, rain and snow. The science regarding climate change is still emerging and developing. However, to the extent the frequency or severity of weather events is exacerbated due to climate change, we may experience increases in catastrophe losses in both coastal and non-coastal areas. This may cause an increase in claims-related and/or reinsurance costs or may negatively affect our ability to provide homeowners insurance to our policyholders in the future. Governmental entities may also respond to climate change by enacting laws and regulations that may adversely affect our cost of providing homeowners insurance in the future.

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 .

We seek to take advantage of prudent opportunities to expand our core business into other states where we believe the independent agent distribution channel is strong. As a result of a number of factors, including the difficulties of finding appropriate expansion opportunities and the challenges of operating in an unfamiliar market, we may not be successful in this diversification even after investing significant time and resources to develop and market products and services in additional states. Initial timetables for expansion may not be achieved, and price and profitability targets may not be feasible. Because our business and experience is based substantially on the Florida insurance market, we may not understand all of the risks associated with entering into an unfamiliar market. For example, the occurrence of significant winter storms in certain states we have expanded into may limit the effectiveness of our revenue and risk diversification strategy by decreasing revenue we expected to receive during the non-Florida hurricane season or increasing our overall risk in ways we had not anticipated when entering those markets. This inexperience could affect our ability to price risk adequately and develop effective underwriting standards. External factors, such as compliance with state regulations, obtaining new licenses, competitive alternatives and shifting customer preferences, may affect the successful implementation of our geographic growth strategy. Such external factors and requirements may increase our costs and potentially affect the speed with which we will be able to pursue new market opportunities. There can be no assurance that we will be successful in expanding into any one state or combination of states. Failure to manage these risks successfully could have a material adverse effect on our business, results of operations and financial condition.

Loss of key executives or our inability to otherwise attract and retain talent could affect our operations.

Our future operations will depend in large part on the efforts of our Chief Executive Officer, Sean P. Downes, and of our President and Chief Risk Officer, Jon W. Springer, both of whom have served in executive roles at UVE or its affiliates for many years. The loss of the services provided by Mr. Downes or Mr. Springer could have a material adverse effect on our financial condition and results of operations. Further, our ability to successfully operate may also be impaired if we are not effective in filling critical leadership positions, in developing the talent and skills of our human resources, in assimilating new executive talent into our organization, or in deploying human resource talent consistent with our business goals.

We could be adversely affected if our controls designed to ensure compliance with guidelines, policies and legal and regulatory standards are not effective.

Our business is highly dependent on the ability to engage on a daily basis in a large number of insurance underwriting, claims processing and investment activities, many of which are highly complex. These activities often are subject to internal guidelines and policies, as well as legal and regulatory standards. A control system, no matter how well designed and operated, can provide only a reasonable guarantee that the control system ' s objectives will be met. Our failure to comply with these guidelines, policies or standards could lead to financial loss, unanticipated risk exposure, regulatory sanctions or penalties, civil or administrative litigation, or damage to our reputation.

The failure of our claims department to effectively manage claims could adversely affect our insurance business, financial results and capital requirements.

We rely primarily on our claims department to facilitate and oversee the claims adjustment process for our policyholders. Many factors could affect the ability of our claims department to effectively manage claims by our policyholders, including:

- the accuracy of our adjusters as they make their assessments and submit their estimates of damages;
- the training, background and experience of our claims representatives;
- the ability of our claims department to ensure consistent claims handling;
- the ability of our claims department to translate the information provided by adjusters into acceptable claims resolutions; and
- the ability of our claims department to maintain and update its claims handling procedures and systems as they evolve over time based on claims and geographical trends in claims reporting.

Any failure to effectively manage the claims adjustment process, including failure to pay claims accurately and failure to oversee third-party claims adjusters, could lead to material litigation, regulatory penalties or sanctions, undermine our reputation in the marketplace and with our network of independent agents, impair our corporate image and negatively affect our financial results.

Litigation or regulatory actions could have a material adverse impact on us.

From time to time, we are subject to civil or administrative actions and litigation. Civil litigation frequently results when we do not pay insurance claims in the amounts or at the times demanded by policyholders or their representatives. We also may be subject to litigation or administrative actions arising from the conduct of our business and the regulatory authority of state insurance departments. Further, we are subject to other types of litigation inherent in operating our businesses, employing personnel, contracting with vendors and otherwise carrying out our affairs. As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may arise, including judicial expansion of policy coverage and the impact of new theories of liability, plaintiffs targeting property and casualty insurers in purported class-action litigation relating to claims-handling and other practices, and adverse changes in loss cost trends, including inflationary pressures in home repair costs. Multiparty or class action claims may present additional exposure to substantial economic, non-economic or punitive damage awards. Current and future litigation or regulatory matters may negatively affect us by resulting in the payment of substantial awards or settlements, increasing legal and compliance costs, requiring us to change certain aspects of our business operations, diverting management attention from other business issues, harming our reputation with agents and customers or making it more difficult to retain current customers and to recruit and retain employees or agents.

Our future results are dependent in part on our ability to successfully operate in a highly competitive insurance industry.

The property and casualty insurance industry is highly competitive. We compete with companies including large national carriers that have greater capital resources and longer operating histories, regional carriers and managing general agencies, and newly formed and less-capitalized companies that might have more aggressive underwriting or pricing strategies. Many of these entities may also be affiliated with other entities that have greater financial and other resources than we have. Competitors may attempt to increase market share by lowering rates. In that case, we would experience reductions in our underwriting margins, or sales of our insurance policies could decline as customers purchase lower-priced products from our competitors. Because of the competitive nature of the insurance industry, including competition for producers such as independent agents, there can be no assurance that we will continue to develop and maintain productive relationships with independent agents, effectively compete with our industry rivals, or that competitive pressures will not have a material adverse effect on our business, operating results or financial condition.

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.

Financial Stability Ratings ® are important factors in establishing the competitive position of insurance companies and generally have an effect on an insurance company ’ s business. On an ongoing basis, rating agencies review the financial performance and condition of insurers and could downgrade or change the outlook on an insurer ’ s ratings due to, for example, a change in an insurer ’ s statutory capital; a change in a rating agency ’ s determination of the amount of risk-adjusted capital required to maintain a particular rating; a change in the perceived adequacy of an insurer ’ s reinsurance program; an increase in the perceived risk of an insurer ’ s investment portfolio; a reduced confidence in management or a host of other considerations that may or may not be within an insurer ’ s control. Demotech has assigned a Financial Stability Rating ® of A for each Insurance Entity. Because these ratings are subject to continuous review, the retention of these ratings cannot be assured. A downgrade in or withdrawal of these ratings, or a decision by Demotech to require us to make a capital infusion into the Insurance Entities to maintain their ratings, may adversely affect our liquidity, operating results and financial condition. In addition, our failure to maintain a financial strength rating acceptable in the secondary mortgage market would adversely affect our ability to write new and renewal business. Financial Stability Ratings ® are primarily directed towards policyholders of the Insurance Entities, and are not evaluations directed toward the protection of our shareholders, and are not recommendations to buy, sell or hold securities.

Breaches of our information systems or denial of service on our website could have an adverse impact on our business and reputation.

Our business, including our customer service, marketing, sales activities, customer relationship management and financial statement production, depends significantly on the effective operation of our information systems, as we retain confidential and proprietary information on them. Our business and operations rely on secure and efficient processing, storage and transmission of customer and company data, including personally identifiable information. Our ability to effectively operate our business depends on our ability, and the ability of certain third-party vendors and business partners, to access our computer systems to perform necessary business functions, such as providing quotes and product pricing, billing and processing premiums, administering claims and reporting our financial results.

We retain confidential information on our computer systems, including customer information and proprietary business information belonging to us and our policyholders. Our business and operations depend upon our ability to safeguard this personally identifiable information. Our systems may be vulnerable to unauthorized access and hackers, computer viruses and other scenarios in which our data may be compromised.

Cyber attacks involving these systems, or those of our third-party vendors, could be carried out remotely and from multiple sources and could interrupt, damage or otherwise adversely affect the operations of these critical systems. Our information systems have been, and likely will continue to be, subject to computer viruses, other malicious codes or other computer-related penetrations. To date, we are not aware of a material breach of cybersecurity. We commit significant resources to administrative and technical controls to prevent cyber incidents and protect our information technology, but our preventative actions to reduce the risk of cyber threats may be insufficient to prevent physical and electronic break-ins and other cyber attacks or security breaches. Any such event could compromise our confidential information as well as that of our customers and third parties with whom we interact, impede or interrupt business operations and may result in other negative consequences, including loss of revenue, additional regulatory scrutiny and litigation and reputational damage. In addition, any data security breach of our independent agents or third-party vendors, or any prolonged denial of service on our website, could harm our business and reputation.

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 conditi on or our results of operations.

Many of the policies we issue include exclusions or other conditions that define and limit coverage, which exclusions and conditions are designed to manage our exposure to certain types of risks and expanding theories of legal liability. In addition, our policies and applicable law limit the period during which a policyholder may bring a claim under the policy. It is possible that a court or regulatory authority could nullify or void an exclusion or limitation or interpret existing coverages more broadly than we anticipate, or that legislation could be enacted modifying or barring the use of these exclusions or limitations. This could result in higher than anticipated losses and LAE by extending coverage beyond our underwriting intent or increasing the number or size of claims, which could have a material adverse effect on our operating results. In some instances, these changes may not become apparent until sometime after we have issued the insurance policies that are affected by the change. As a result, the full extent of liability under our insurance contracts may not be known for many years after a policy is issued.

RISKS RELATING TO INVESTMENTS

We are subject to market risk, which may adversely affect investment income.

Our primary market risk exposures are changes in equity prices and interest rates. A decline in market interest rates could have an adverse effect on our investment income as we invest cash in new interest bearing investments that may yield less than our portfolio ’ s average rate of return. A decline in market interest rates could also lead us to purchase longer-term or riskier assets in order to obtain adequate investment yields resulting in a duration gap when compared to the duration of liabilities. An increase in market interest rates could also have an adverse effect on the value of our investment portfolio by decreasing the fair values of the fixed maturity securities that comprise a large portion of our investment portfolio. A decline in the quality of our investment portfolio as a result of adverse economic conditions or otherwise could cause realized losses on securities.

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.

The performance of our investment portfolio is independent of the revenue and income generated from our insurance operations, and there is no direct correlation between the financial results of these two activities. Thus, to the extent that our investment portfolio does not perform well due to the factors discussed above or otherwise, our results of operations may be materially adversely affected even if our insurance operations perform favorably. Further, because the returns on our investment portfolio may be volatile, our overall results of operations may likewise be volatile from period to period even if we do not experience significant financial variances in our insurance operations.

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.

The laws and regulations affecting the insurance industry are complex and subject to change. Moreover, they are administered and enforced by a number of different governmental authorities, including state insurance regulators, the U.S. Department of Justice, and state attorneys general, each of which exercises a degree of interpretive latitude. Consequently, we are subject to the risk that compliance with any particular regulator ’ s or enforcement authority ’ s interpretation of a legal issue may not result in compliance with another ’ s interpretation of the same issue, particularly when compliance is judged in hindsight. In addition, there is risk that any particular regulator ’ s or enforcement authority ’ s interpretation of a legal issue may change over time to our detriment, or that changes in the overall legal environment may, even absent any particular regulator ’ s or enforcement authority ’ s interpretation of a legal issue changing, cause us to change our views regarding the actions we need to take from a legal risk management perspective, thus necessitating changes to our practices that may, in some cases, limit our ability to grow and achieve or improve the profitability of our business. Furthermore, in some cases, these laws and regulations are designed to protect or benefit the interests of a specific constituency rather than a range of constituencies. For example, state insurance laws and regulations are generally intended to protect or benefit purchasers or users of insurance products, and not shareholders. In many respects, these laws and regulations limit our ability to grow and improve the profitability of our business.

The Insurance Entities are highly regulated by state insurance authorities in Florida, the state in which each is domiciled, and UPCIC is also regulated by state insurance authorities in the other states in which it conducts business. Such regulations, among other things, require that certain transactions between the Insurance Entities and their affiliates must be fair and reasonable and require prior notice and non-disapproval by the applicable state insurance authority. State regulations also limit the amount of dividends and other payments that can be made by the Insurance Entities without prior regulatory approval and impose restrictions on the amount and type of investments the In surance Entities may have. Other state regulations require insurance companies to file insurance premium rate schedules and policy forms for review and approval, restrict our ability to cancel or non-renew policies and determine the accounting standards we use in preparation of our financial statements. These regulations also affect many other aspects of the Insurance Entities ' businesses. Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in these laws an d regulations may materially increase our direct and indirect compliance efforts and other expenses of doing business. If the Insurance Entities fail to comply with applicable regulatory requirements, the regulatory agencies can revoke or suspend the Insur ance Entities' licenses, withhold or withdraw required approvals, require corrective action, impose operating limitations, impose penalties or pursue other remedies available under applicable laws and regulations.

State insurance regulations also frequently impose notice or approval requirements for the acquisition of specified levels of ownership in the insurance company or insurance holding company. For example, Florida law requires that a person may not, individually or in conjunction with any affiliated person of such person, acquire directly or indirectly, conclude a tender offer or exchange offer for, enter into any agreement to exchange securities for, or otherwise finally acquire 10% or more of the outstanding voting securities of a Florida domiciled stock insurer or of a controlling company, unless it is in compliance with certain notice and approval requirements. Such restriction may inhibit our ability to grow our business or achieve our business objectives.

Further, regulatory authorities have relatively broad discretion to deny or revoke licenses for various reasons, including the violation of regulations. In some instances, we follow practices based on our interpretations of regulations or practices that we believe may be generally followed by the industry. These practices may turn out to be different from the interpretations of regulatory authorities. If we do not have the requisite licenses and approvals or do not comply with applicable regulatory requirements, insurance regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us. This could adversely affect our ability to operate our business.

State legislatures and insurance regulators regularly re-examine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof, can be made for the benefit of the consumer, or for other reasons, at the expense of insurers, and thus could have an adverse effect on our financial condition and results of operations.

Although the federal government does not directly regulate the insurance business, federal legislation and administrative policies in several areas, including employee benefits regulation, age, sex and disability-based discrimination, financial services regulation, securities regulation and federal taxation, can significantly affect the insurance business. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") created the Federal Insurance Office within the U.S. Department of the Treasury headed by a Director appointed by the Treasury Secretary. The Federal Insurance Office is designed principally to exercise a monitoring and information gathering role, rather than a regulatory role. Nonetheless, these activities could ultimately lead to changes in the regulation of insurers and reinsurers in the United States, including insurance group holding companies. The Dodd-Frank Act requires extensive rule-making and other future regulatory action, which in some cases will take a period of years to implement.

In recent years, the state insurance regulatory framework has come under public scrutiny and members of Congress have discussed proposals to provide for federal chartering of insurance companies. We can make no assurances regarding the potential impact of state or federal measures that may change the nature or scope of insurance regulation.

UVE is a holding company and, consequently, its cash flow is dependent on dividends and other permissible payments from its subsidiaries.

UVE is a holding company that conducts no insurance operations of its own. All operations are conducted by the Insurance Entities and by other operating subsidiaries that support the business of the Insurance Entities. As a holding company, UVE ' s sources of cash flow consist primarily of dividends and other permissible payments from its subsidiaries. The ability of our non-insurance company subsidiaries to pay dividends may be adversely affected by reductions in the premiums or number of policies written by the Insurance Entities, by changes in the terms of the parties ' contracts, or by changes in the regulation of insurance holding company systems. UVE depends on such payments for general corporate purposes, for its capital management activities and for payment of any dividends to its common shareholders. The ability of the Insurance Entities to make such payments is limited by applicable law, as set forth in "Item 1— Business—Government Regulation and Initiatives—Restrictions on Dividends and Distributions. " For more details on our cash flows, see " Item 7—Management ' s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources. "

Regulations limiting rate changes and requiring us to participate in loss sharing or assessments may decrease our profitability.

From time to time, public policy preferences and perceptions affect the insurance market, including insurers' efforts to effectively maintain rates that allow us to reach targeted levels of profitability. Despite efforts to address rate needs and other operational issues analytically, facts and history demonstrate that public policymakers, when faced with untoward events and adverse public sentiment, can act in ways that impede a satisfactory correlation between rates and risk. Such acts may affect our ability to obtain approval for rate changes that may be required to attain rate adequacy along with targeted levels of profitability and returns on equity. Our ability to afford reinsurance required to reduce our catastrophe risk may be dependent upon the ability to adjust rates for our cost.

Additionally, we are required to participate in guaranty funds for insolvent insurance companies and other statutory insurance entities. The guaranty funds and other statutory entities periodically levy assessments against all applicable insurance companies doing business in the state and the amounts and timing of those assessments are unpredictable. Although we seek to recoup these assessments from our policyholders, we might not be able to fully do so and at any point in time or for any period, our operating results and financial condition could be adversely affected by any of these factors.

The amount of statutory capital and surplus that each of the Insurance Entities has and the amount of statutory capital and surplus 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.

The Insurance Entities are subject to RBC standards and other minimum capital and surplus requirements imposed under applicable state laws. The RBC standards, based upon the Risk-Based Capital Model Act adopted by the NAIC, require us to report our results of RBC calculations to the FLOIR and the NAIC. These RBC standards provide for different levels of regulatory attention depending upon the ratio of an insurance company's total adjusted capital, as calculated in accordance with NAIC guidelines, to its authorized control level RBC. Authorized control level RBC is determined using the NAIC's RBC formula, which measures the minimum amount of capital that an insurance company needs to support its overall business operations.

An insurance company with total adjusted capital that (i) is at less than 200% of its authorized control level RBC, or (ii) falls below 300% of its RBC requirement and also fails a trend test, is deemed to be at a "company action level," which would require the insurance company to file a plan that, among other things, contains proposals of corrective actions the company intends to take that are reasonably expected to result in the elimination of the company action level event. Additional action level events occur when the insurer's total adjusted capital falls below 150%, 100%, and 70% of its authorized control level RBC. The lower the percentage, the more severe the regulatory response, including, in the event of a mandatory control level event (total adjusted capital falls below 70% of the insurer's authorized control level RBC), placing the insurance company into receivership.

In addition, the Insurance Entities are required to maintain certain minimum capital and surplus and to limit written premiums to specified multiples of capital and surplus. Our Insurance Entities could exceed these ratios if their volume increases faster than anticipated or if their surplus declines due to catastrophe or non-catastrophe losses or excessive underwriting and operational expenses.

Any failure by the Insurance Entities to meet the applicable RBC or minimum statutory capital requirements imposed by the laws of Florida (or other states where we currently or may eventually conduct business) could subject them to further examination or corrective action imposed by state regulators, including limitations on our writing of additional business, state supervision or liquidation, which could have a material adverse impact on our reputation and financial condition.

Any changes in existing RBC requirements, minimum statutory capital requirements, or applicable writings ratios may require us to increase our statutory capital levels, which we may be unable to do, or require us to reduce the amount of premiums we write, which could adversely affect our business and our operating results.

Our Insurance Entities are subject to examination and actions by state insurance departments.

The Insurance Entities are subject to extensive regulation in the states in which they do business. State insurance regulatory agencies conduct periodic examinations of the Insurance Entities on a wide variety of matters, including policy forms, premium rates, licensing, trade and claims practices, investment standards and practices, statutory capital and surplus requirements, reserve and loss ratio requirements and transactions among affiliates. Further, the Insurance Entities are required to file quarterly, annual and other reports with state insurance regulatory agencies relating to financial condition, holding company issues and other matters. If an insurance company fails to obtain required licenses or approvals, or if the Insurance Entities fail to comply with other regulatory requirements, the regulatory agencies can suspend or revoke their licenses, withdraw or withhold required approvals, require corrective action and impose operating limitations, penalties or other remedies available under applicable laws and regulations. See "Item 1—Business—Government Regulation and Initiatives."

RISKS RELATING TO DEBT OBLIG ATIONS

Our revolving line of credit and term loan have restrictive terms, and our failure to comply with any of these terms could have an adverse effect on our business and prospects.

We have entered into a revolving line of credit and term loan, each of which contains a number of affirmative and negative covenants so long as any amounts are outstanding thereunder. The negative covenants in these instruments limit our ability and the ability of our subsidiaries to, among other things:

- incur additional indebtedness;
- merge, consolidate or dispose of our assets or the capital stock or assets of any subsidiary;
- pay dividends, make distributions or redeem capital stock;
- enter into certain transactions with our affiliates;
- make material changes or modifications to our organizational structure; and
- grant liens on our assets or the assets of our subsidiaries.

Our revolving line of credit also includes certain affirmative covenants, including financial covenants requiring us to maintain minimum unencumbered liquid assets of $5 million, minimum shareholders ' equity of $120 million and a maximum leverage percentage of 30%, in each case, as such terms are defined and calculated under the revolving line of credit. A breach of any of these covenants would result in a default under our revolving line of credit, which could have a material adverse effect on our business and financial condition.

Adverse capital and credit market conditions may significantly affect our ability to meet liquidity needs or our ability to obtain credit on acceptable terms.

The capital and credit markets have been experiencing extreme volatility and disruption. In some cases, the markets have exerted downward pressure on the availability of liquidity and credit capacity. In the event that we need access to additional capital to pay our operating expenses, make payments on our indebtedness, pay for capital expenditures or fund acquisitions, our ability to obtain such capital may be limited and the cost of any such capital may be significant. Our access to additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the overall availability of credit to our industry, and credit capacity, as well as lenders ' perception of our long- or short-term financial prospects. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. If a combination of these factors were to occur, our internal sources of liquidity may prove to be insufficient, and in such case, we may not be able to successfully obtain financing on favorable 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.

Volatility in the market price of our common stock may prevent you from being able to sell your shares at or above the price you paid for them. The market price for our common stock could fluctuate significantly for various reasons, including:

- our operating and financial performance and prospects;
- our quarterly or annual earnings or those of other companies in our industry;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- changes in, or failure to meet, earnings estimates or recommendations by research analysts who track our common stock or the stock of other companies in our industry;
- being targeted by short sellers;

- the failure of research analysts to cover our common stock;
- general economic, industry and market conditions;
- strategic actions by us, our customers or our competitors, such as acquisitions or restructurings;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business, or other adverse regulatory actions;
- changes in accounting standards, policies, guidance, interpretations or principles;
- material litigation or government investigations;
- changes in general conditions in the United States and global economies or financial markets, including those resulting from war, incidents of terrorism or responses to such events;
- negative perceptions of the residential insurance market or the prospects of residential insurers in Florida or other key markets in which we operate;
- changes in key personnel;
- sales of common stock by us, our principal stockholders or members of our management team;
- the granting or exercise of employee stock options; and
- volume of trading in our common stock.

In addition, in recent years, the stock market has regularly experienced significant price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry. The changes frequently appear to occur without regard to t he operating performance of the affected companies. Hence, the price of our common stock could fluctuate based upon factors that have little or nothing to do with us and these fluctuations could materially reduce our share price.

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.

Our board of directors has the authority to issue preferred stock and to determine the preferences, limitations and relative rights of shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discouraging bids for our common stock at a premium over the market price, and adversely affect the market price and the voting and other rights of the holders of our common stock.

Future sales of our common stock may depress our stock price.

Sales of a substantial number of shares of our common stock in the public market or otherwise, by us or by a major shareholder, could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

In addition, we may issue additional shares of our common stock from time to time in the future in amounts that may be significant. The sale of substantial amounts of our common stock, or the perception that these sales may occur, could adversely affect our stock price.

As of December 31, 2016, there were 1,249,012 shares issuable upon the exercise of outstanding and exercisable stock options, 1,964,521 shares issuable upon the exercise of outstanding stock options that are unvested and 172,563 additional shares of performance share units outstanding. The market price of the common shares may be depressed by the potential exercise of these options or grant of these shares. The holders of these options are likely to exercise them when we would otherwise be able to obtain additional capital on more favorable terms than those provided by the options.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We conduct our operations primarily from our company-owned campus located at 1110 West Commercial Boulevard, Suite 100, Fort Lauderdale, Florida 33309, which contains approximately 68,500 square feet of office space. The facilities in our campus are suitable and adequate for our operations.

There are no mortgages or lease arrangements for the buildings in our campus and are all adequately covered by insurance.

ITEM 3. 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.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock, par value $0.01 per share ("Common Stock"), is quoted and traded on the New York Stock Exchange LLC ("NYSE") under the symbol UVE.

The following table sets forth the daily close prices of the Common Stock, as reported by the NYSE:

For the Year Ended December 31, 2016	High	Low	Dividends Declared
First Quarter	$ 22.49	$ 16.44	$ 0.14
Second Quarter	$ 19.77	$ 16.41	$ 0.14
Third Quarter	$ 25.71	$ 18.26	$ 0.14
Fourth Quarter	$ 28.50	$ 19.40	$ 0.27

For the Year Ended December 31, 2015	High	Low	Dividends Declared
First Quarter	$ 26.68	$ 19.32	$ 0.12
Second Quarter	$ 27.29	$ 23.74	$ 0.12
Third Quarter	$ 30.35	$ 23.48	$ 0.12
Fourth Quarter	$ 36.32	$ 18.47	$ 0.27

As of February 14, 2017, there were 36 registered shareholders of record of our Common Stock.

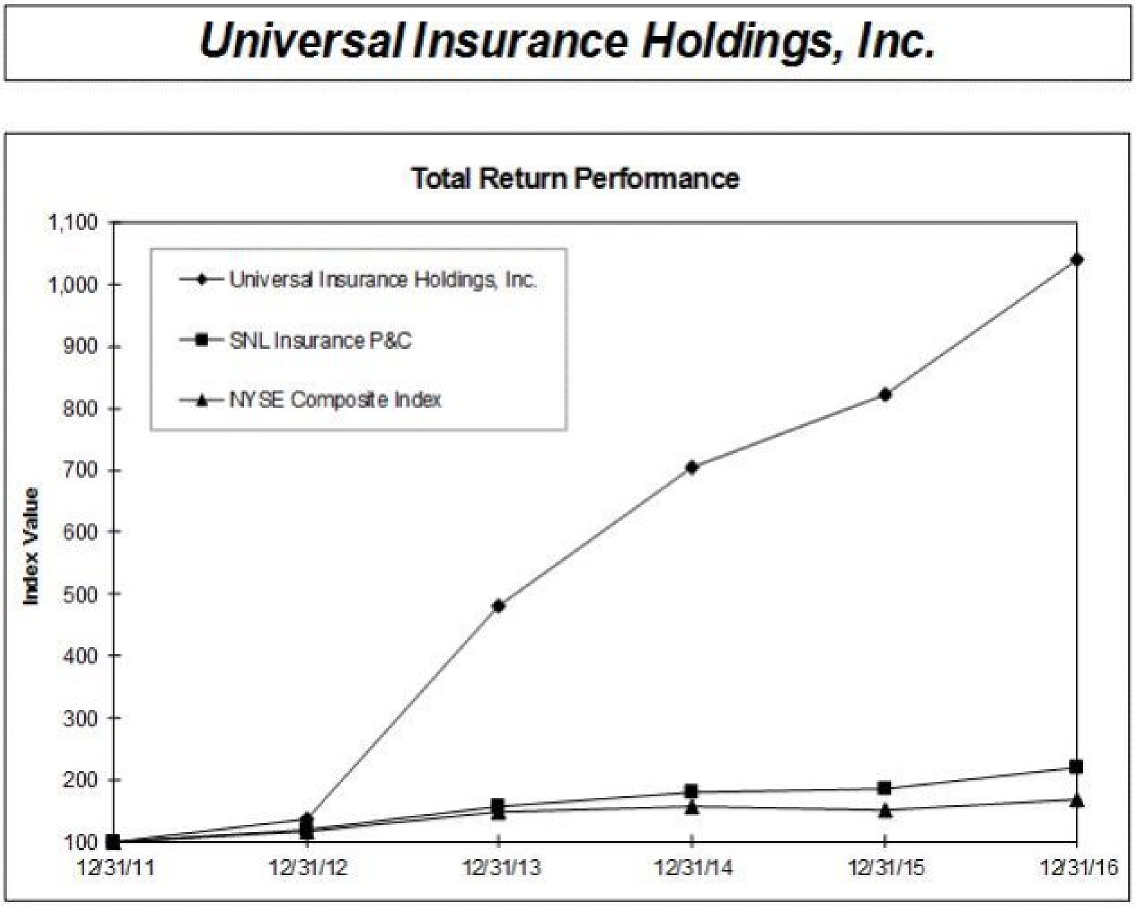
As of December 31, 2016 and 2015, there was one shareholder of our Series A Cumulative Convertible Preferred Stock ("Preferred Stock"). We declared and paid aggregate dividends to this holder of record of the company's Series A Preferred Stock of $10,000 for each of the years ended December 31, 2016 and 2015.

Applicable provisions of the Delaware General Corporation Law may affect our ability to declare and pay dividends on our Common Stock. In particular, pursuant to the Delaware General Corporation Law, a company may pay dividends out of its surplus, as defined, or out of its net profits, for the fiscal year in which the dividend is declared and/or the preceding year. Surplus is defined in the Delaware General Corporation Law to be the excess of net assets of the company over capital. Capital is defined to be the aggregate par value of shares issued. See "Part I – Restrictions on Dividends and Distributions", "Item 1A –Risk Factors – Risks Relating to Insurance Industry", and "Part II, Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations".

In addition, under our revolving loan agreement and related revolving note (the "DB Loan") with Deutsche Bank Trust Company Americas ("Deutsche Bank") so long as any amounts or obligations are outstanding thereunder, we will be restricted from paying dividends to its shareholders if an event of default (or an event, the giving of notice of which or with the lapse of time or both, would become an event of default) is continuing at the time of and immediately after paying such dividend.

Stock Performance Graph

The following graph compares the cumulative total stockholder return of UVE's Common Stock from December 31, 2011 through December 31, 2016 with the cumulative total return of the SNL Insurance P&C and the NYSE Composite Index.



	Period Ending				
Index	**12/31/12**	**12/31/13**	**12/31/14**	**12/31/15**	**12/31/16**
Universal Insurance Holdings, Inc.	$ 137.15	$ 481.57	$ 705.32	$ 821.88	$ 1,039.60
SNL Insurance P&C	118.04	156.39	179.61	185.79	219.27
NYSE Composite Index	116.15	146.80	156.87	150.64	168.63

SNL Insurance P&C includes all publicly traded insurance underwriters in the property and casualty sector in the United States and was prepared by SNL Financial, Charlottesville, Virginia. The graph assumes the investment of $100 in UVE's Common Stock and in each of the two indices on December 31, 2011 with all dividends being reinvested on the ex-dividend date. The closing price of UVE's Common Stock on December 30, 2016 (the last trading day of the year) was $28.40 per share. The stock price performance on the graph is not necessarily indicative of future price performance.

The stock prices used to calculate total shareholder return for UVE are based upon the prices of our common shares quoted and traded on NYSE.

We believe that the increase in stock price and increase in the total return performance relative to other indices since the first quarter of 2013 is attributable to the increase of our profitability, our focus on long-term capital growth and strategic initiatives intended to increase shareholder value such as share repurchases and increasing cash dividends per share. Other contributing factors may include moving to the NYSE, obtaining analyst coverage and engaging a leading global investment adviser to manage our investment portfolio.

Future Dividend Policy

Future cash dividend payments are subject to business conditions, our financial position, and requirements for working capital and other corporate purposes.

Unregistered Sales of Equity Securities and Use of Proceeds

The table below presents our purchases of UVE Common Stock during the three months ended December 31, 2016, as defined in Rule 10b-18(a)(3) under the Exchange Act.

	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)
10/1/16 - 10/31/16	-	$ -	-	-
11/1/16 - 11/30/16	3,929	$ 24.03	3,929	723,157
12/1/16 - 12/31/16	-	$ -	-	-
Total for the three months ended December 31, 2016	3,929	$ 24.03	3,929	723,157

(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 December 30, 2016 of $28.40 per share.

In November 2015, 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 $10 million of its outstanding shares of common stock through December 31, 2016. Since November 2015, we have repurchased 527,107 shares pursuant to this program at an aggregate cost of $10.0 million. We completed this repurchase program in June 2016.

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. We have repurchased 98,929 shares pursuant to this program through December 31, 2016 at an aggregate cost of approximately $2.1 million.

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I TEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and notes thereto and “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations” appearing elsewhere in the Annual Report on Form 10-K.

The following tables provide selected financial information as of and for the periods presented (in thousands, except per share data):

	Years Ended December 31,				
	2016	2015	2014	2013	2012
Income statement data:					
Direct premiums written	$ 954,617	$ 883,409	$ 789,577	$ 783,894	$ 780,128
Change in unearned premium	(33,390)	(46,617)	(12,260)	4,583	(28,229)
Direct premium earned	921,227	836,792	777,317	788,477	751,899
Ceded premium earned	(288,811)	(332,793)	(450,440)	(520,822)	(520,779)
Premiums earned, net	$ 632,416	$ 503,999	$ 326,877	$ 267,655	$ 231,120
Total revenue	$ 685,289	$ 546,544	$ 369,276	$ 301,159	$ 269,939
Total expenses	522,406	371,521	241,672	200,603	217,380
Income before income taxes	162,883	175,023	127,604	100,556	52,559
Income taxes, net	63,473	68,539	54,616	41,579	22,247
Net income	$ 99,410	$ 106,484	$ 72,988	$ 58,977	$ 30,312
Earnings per share data:					
Basic earnings per common share	$ 2.85	$ 3.06	$ 2.17	$ 1.64	$ 0.76
Diluted earnings per common share	2.79	2.97	2.08	1.56	0.75
Dividends declared per common share	$ 0.69	$ 0.63	$ 0.55	$ 0.49	$ 0.46

	As of December 31,				
	2016	2015	2014	2013	2012
Balance sheet data:					
Total assets	$ 1,060,007	$ 993,548	$ 911,774	$ 920,090	$ 925,735
Total liabilities	688,817	700,456	692,858	744,481	762,221
Unpaid losses and loss adjustment expenses	58,494	98,840	134,353	159,222	193,241
Unearned premiums	475,756	442,366	395,748	383,488	388,071
Long-term debt	15,028	24,050	30,610	37,240	20,221
Total stockholders' equity	$ 371,190	$ 293,092	$ 199,916	$ 175,609	$ 163,514

I TEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 UVE. MD&A is provided as a supplement to, and should be read in conjunction with, our financial statements and accompanying notes in Part II, Item 8 below.

OVERVIEW

UVE is the largest private personal residential insurance company in Florida by direct written premium in-force, with approximately 9.6% market share as of September 30, 2016, according to the most recent data reported by the 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, UPCIC and APPCIC, currently write personal residential insurance policies, predominantly in Florida with $860.6 million in direct written premium for the year ended December 31, 2016. UPCIC also writes homeowners insurance policies in Alabama, Delaware, Georgia, Hawaii, Indiana, Maryland, Massachusetts, Michigan, Minnesota, North Carolina, Pennsylvania, South Carolina, and Virginia with $94.0 million in direct written premium for the year ended December 31, 2016, and is licensed to issue policies in 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, BARC, on reinsurance it places for the Insurance Entities, policy fees collected from policyholders by our managing general agency subsidiary, URA, 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 annual results for 2016 compared to the same period in 2015.

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 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 our competitors that have grown in recent years primarily through assumption of policies from Citizens, 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. As for states outside of Florida, our total insured value increased from 16% as of December 31, 2015 to 21% as of December 31, 2016. The following table provides direct written premium for Florida and other states for the years ended December 31, 2016 and 2015 (dollars in thousands):

	Year Ended December 31, 2016		Year Ended December 31, 2015		Growth Year Over Year	
State	Direct Written Premium	%	Direct Written Premium	%	$	%
Florida	$ 860,647	90.2%	$ 817,704	92.6%	$ 42,943	5.3%
Other states	93,970	9.8%	65,705	7.4%	28,265	43.0%
Grand total	$ 954,617	100.0%	$ 883,409	100.0%	$ 71,208	8.1%

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 programs .

2016 Highlights

- Gross direct premiums overall grew $71.2 by million, or 8.1%, to $954.6 million compared to 2015.
- Net earned premiums grew by $128.4 million, or 25.5%, to $632.4 million compared to 2015.
- Total revenues increased by $139.1 million, or 25.5%, to $685.7 million compared to 2015.
- Net income decreased by $7.1 million, or 6.6%, to $99.4 million.
- Diluted EPS decreased by $0.18, or 6.0%, to $2.79 per common share.
- Declared and paid dividends per common share of $0.69, including a $0.13 special dividend in December
- Repurchased approximately 441 thousand shares in 2016 at an aggregate cost of $8.5 million.
- APPCIC received authorization from the FLOIR to amend its Certificate of Authority to add Fire, Commercial Multi-Peril, and Other Liability (collectively "Commercial Residential") lines of business in Florida.
- Offered Universal Direct SM in all 14 states as of December 31, 2016.

2016 – 2017 Reinsurance Program

Developing and implementing our reinsurance strategy to adequately protect us in the event of one or more catastrophes while maintaining efficient reinsurance costs has been a key focus for our leadership team. We believe that our reinsurance program is structured such that if we were to experience an active hurricane season like the hurricane seasons in 2004 and 2005, we would be able to pay policyholder claims, maintain sufficient surplus to grow profitably and take advantage of the resulting market dislocation that would likely follow. Effective June 1, 2016, we entered into multiple reinsurance agreements comprising our 2016-2017 reinsurance program. See "Item 8—Note 4 (Reinsurance)."

Reinsurance Generally

We use reinsurance to reduce our exposure to catastrophic losses primarily through excess of loss reinsurance. We believe that the overall terms of the 2016-2017 reinsurance program are more favorable than the 2015-2016 reinsurance program. We eliminated our quota share reinsurance arrangements effective June 1, 2015; purchased additional excess of loss catastrophe cover; converted the exposure of all UPCIC states from a two-tower reinsurance program to a single tower reinsurance program; purchased a stand-alone non-Florida supplemental catastrophe reinsurance program; realized cost reductions in part due to market conditions and our preparation and efforts to manage risk exposure; and further enhanced our reinsurance coverage terms and conditions

We believe that restructuring our reinsurance program and re-evaluating that structure on an ongoing basis has allowed us to take advantage of attractive reinsurance pricing, while still maintaining reinsurance coverage that we believe is sufficient to protect our policyholders and shareholders. While we believe the changes to the current reinsurance program are beneficial, there can be no assurance that our actual results of operations or financial condition will be positively affected. The Insurance Entities remain responsible for insured losses notwithstanding the failure of any reinsurer to make payments otherwise due to the Insurance Entities. Below is a description of our 2016-2017 reinsurance program for each of the Insurance Entities.

UPCIC Reinsurance Program

UPCIC's reinsurance program, runs from June 1 through May 31 of the following year, consists of various forms of catastrophe coverage. Under the 2016-2017 reinsurance program, UPCIC has a net retention of $35 million per catastrophe event for all losses incurred up to a first event loss of $2.487 billion. UPCIC purchases a separate supplemental underlying cover to further reduce its retention for all losses occurring in states outside of Florida. With this cover, UPCIC retains only $5 million under its program in its non-Florida states. In certain circumstances involving a catastrophic event affecting both Florida and other states, UPCIC's retention could result in pre-tax net liability as low as $5 million – 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 (non-Florida) Reinsurance Program. These retention amounts are gross of any potential tax benefit we would receive in paying such losses. UPCIC has mandat ory catastrophe coverage through the FHCF plus voluntary catastrophe coverage with private reinsurers.

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.

The estimated total net cost of UPCIC's FHCF and catastrophe related coverage, including reinstatement premium protection coverage, is $295.6 million. The largest private participants in UPCIC's program include Allianz Risk Transfer AG, Bermuda Branch (Nephila Capital), Everest Re, Renaissance Re, Chubb Tempest Re, and various Lloyd's of London syndicates. The table below provides the A.M. Best and Standard and Poor's ("S&P") financial strength ratings for each of the largest third party reinsurers in UPCIC's 2016-2017 reinsurance program.

Reinsurer	**A.M. Best**	**S&P**
Allianz Risk Transfer AG, Bermuda Branch (Nephila Capital)	A+	AA-
Everest Re	A+	A+
Renaissance Re	A+	AA-
Chubb Tempest Re	A++	AA
Various Lloyd's of London Syndicates	A	A+

APPCIC Reinsurance Program

APPCIC's reinsurance program, which runs from June 1 through May 31 of the following year, consists of various forms of catastrophe and multiple line excess of loss coverage. Under the 2016-2017 reinsurance program, APPCIC has a net retention on its catastrophe program of $2 million for all losses per catastrophe event for losses incurred up to a first event loss of $30.9 million. The retention amount is gross of any potential tax benefit we would receive in paying such losses. APPCIC has mandatory catastrophe coverage through the FHCF plus voluntary catastrophe coverage with private reinsurers.

APPCIC structures its catastrophe 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 exhaust 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.

APPCIC's multiple line excess of loss reinsurance program has a property retention of $0.5 million with coverage up to $9.0 million per individual property loss and a casualty retention of $0.3 million with coverage up to $1.3 million per individual casualty loss.

The estimated total net cost of APPCIC's FHCF, per risk and catastrophe related coverage, including reinstatement premium protection coverage is $2.9 million. The largest private participants in APPCIC's program include Everest Re, Chubb Tempest Re, Hiscox, Hannover Ruck and Lloyd's of London syndicates. The table below provides the A.M. Best and Standard and Poor's ("S&P") financial strength ratings for each of the largest third party reinsurers in APPCIC's 2016-2017 reinsurance program.

Reinsurer	**A.M. Best**	**S&P**
Everest Re	A+	A+
Chubb Tempest Re	A++	AA
Hiscox Insurance Co (Bermuda)	A	AA-
Hannover Re	A+	AA-
Various Lloyd's of London Syndicates	A	A+

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Our primary areas of estimates are described below.

Recognition of Premium Revenues

Property and liability premiums are recognized as revenue on a pro rata basis over the policy term. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums.

Liability for Unpaid Losses and LAE

A liability is established to provide for the estimated costs of paying losses and LAE under insurance policies the Insurance Entities have issued. Underwriting results are significantly influenced by an estimate of a liability for unpaid losses and LAE. The liability is an estimate of amounts necessary to settle all outstanding claims, including claims that have been incurred, but not yet reported as of the financial statement date.

See "Item 8 — Note 17 (Liability for Unpaid Losses and Loss Adjustment Expenses)" for a discussion of the company's basis and methodologies used to establish its liability for unpaid losses and loss adjustment expenses along with the following quantitative disclosures:

- Five year accident year table on incurred claim and allocated claim adjustment expenses, net of reinsurance including columns of:
    - IBNR-Total of Incurred-but-not-reported liabilities plus expected development on reported claims by accident year and
    - Claim counts-cumulative number of reported claims by accident year
- Five year accident year table on cumulative paid claims and allocated claim adjustment expenses, net of reinsurance
- Reconciliation of tables to the financial statements- Reconciliation of net incurred and paid claims development table to the liability for claims and claim adjustment expenses in the Consolidated Balance Sheet.
- Duration- a table of the average historical claims duration for the past 5 years

In establishing the liability for unpaid losses and LAE, actuarial judgment is relied upon in order to make appropriate assumptions to estimate a best estimate of ultimate losses. There are inherent uncertainties associated with this estimation process, especially when a company is undergoing changes in its claims settlement practices, or when a company has limited experience in a certain area. Claims reported in 2013 and 2014, for example, benefited from several initiatives designed to expedite claim closure rates and reduce settlement costs introduced in our claims department during those 24 months. A more dramatic change occurred during calendar year 2015 when we realigned our adjusting teams as well as launched our Fast Track initiative, reducing settlement costs and strengthening case reserve adequacy for claims reported during the year. These changes have had a meaningful influence on development pattern selections applied to 2012 through 2016 accident year claims in the reserving estimates for each of the methods described in "Item 8 — Note 17 (Liability for Unpaid Losses and Loss Adjustment Expenses)". Most recently, in 2016 there has been a significant increase in efforts to pursue subrogation against third parties responsible for property damage losses to our insureds. As a result, anticipated subrogation recoveries are reviewed and estimated on a stand-alone basis in the Company's reserve analysis. However, with the passing of each year, our own trends become more reliable for use in predicting future results, and the confidence in prior accident year estimates grows.

Factors Affecting Reserve Estimates

Reserve estimates are developed based on the processes and historical development trends discussed in "Item 8 — Note 17 (Liability for Unpaid Losses and Loss Adjustment Expenses)" to the consolidated financial statements. These estimates are considered in conjunction with known facts and interpretations of circumstances and factors including our experience with similar cases, actual claims paid, differing payment patterns and pending levels of unpaid claims, loss management programs, product mix and contractual terms, changes in law and regulation, judicial decisions, and economic conditions. When these types of changes are experienced, actuarial judgment is applied in the determination and selection of development factors in order to better reflect new trends or expectations. For example, if a change in law is expected to have a significant impact on the development of claim severity, actuarial judgment is applied to determine appropriate development factors that will most accurately reflect the expected impact on that specific estimate. This example appropriately describes the reserving methodology selection for use in estimating sinkhole liabilities after the passing of legislation, as noted in "Item 8 —Note 17 (Liability for Unpaid Losses and Loss Adjustment Expenses)" to the consolidated financial statements. Another example would be when a change in e conomic conditions is expected to affect the cost of repairs to property; actuarial judgment is applied to determine appropriate development factors to use in the reserve estimate that will most accurately reflect the expected impacts on severity developme nt.

Changes in homeowners current year claim severity are generally influenced by inflation in the cost of building materials, the cost of construction and property repair services, the cost of replacing home furnishings and other contents, the types of claims that qualify for coverage, deductibles and other economic and environmental factors. We employ various loss management programs to mitigate the effect of these factors.

Key assumptions that materially affect the estimate of the reserve for loss and LAE relate to the effects of emerging claim and coverage issues. As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claim and coverage may emerge. These issues may adversely affect our business by either extending coverage beyond our underwriting intent or by increasing the number or size of claims. Key assumptions that are premised on future emergence that are inconsistent with historical loss reserve development patterns include but are not limited to:

- adverse changes in loss cost trends, including inflationary pressures in home repair costs;
- judicial expansion of policy coverage and the impact of new theories of liability; and
- plaintiffs targeting property and casualty insurers, in purported class action litigation related to claims-handling and other practices.

As loss experience for the current year develops for each type of loss, it is monitored relative to initial assumptions until it is judged to have sufficient statistical credibility. From that point in time and forward, reserves are re-estimated using statistical actuarial processes to reflect the impact loss trends have on development factors incorporated into the actuarial estimation processes.

Causes of Reserve Estimate Uncertainty

Since reserves are estimates of the unpaid portions of claims and claims expenses that have occurred, the establishment of appropriate reserves, including reserves for catastrophes, requires regular reevaluation and refinement of estimates to determine ultimate loss and LAE estimates.

At each reporting date, the highest degree of uncertainty in reserve estimates arises from claims remaining to be settled for the current accident year and the most recent preceding accident year, and claims that have occurred but have not been reported. The estimate for the current accident year contains the greatest degree of uncertainty because it contains the greatest proportion of losses that have not been reported or settled but must be estimated as of the current reporting date. During the first year after the end of an accident year, a large portion of the total losses for that accident year are settled. When accident year losses paid through the end of the first year following the initial accident year are incorporated into updated actuarial estimates, the trends inherent in the settlement of claims emerge more clearly. Consequently, this is the point in time at which the largest re-estimates of losses for an accident year can occur. After the second year, the losses paid for the accident year typically relate to claims that are more difficult to settle, such as those involving litigation.

Reserves for Catastrophe Losses

Loss and LAE reserves also include reserves for catastrophe losses. Catastrophe losses are an inherent risk of the property-casualty insurance industry that have contributed, and will continue to contribute, to potentially material year-to-year fluctuations in results of operations and financial position. A catastrophe is an event that produces significant pre-tax losses before reinsurance and involves multiple first party policyholders, or an event that produces a number of claims in excess of a preset, per-event threshold of average claims in a specific area, occurring within a certain amount of time following the event. Catastrophes are caused by various natural events including high winds, tornadoes, wildfires, tropical storms and hurricanes.

The estimation of claims and claims expense reserves for catastrophes also comprises estimates of losses from reported and unreported claims, primarily for damage to property. In general, estimates for catastrophe reserves are based on claim adjuster inspe ctions and the application of historical loss development factors as described previously and in " Item 8 — Note 17 (Liability for Unpaid Losses and Loss Adjustment Expenses) " to the consolidated financial statements. However, depending on the nature of the catastrophe, as noted above, the estimation process can be further complicated. For example, for hurricanes, complications could include the inability of insureds to be able to promptly report losses, limitations placed on claims adjusting staff affecting their ability to inspect losses, determining whether losses are covered by our homeowners policy (generally for damage caused by wind or wind driven rain), or specifically e xcluded coverage caused by flood, estimating additional living expenses, and assessing the impact of demand surge and exposure to mold damage. The effects of numerous other considerations, include the timing of a catastrophe in relation to other events, su ch as at or near the end of a financial reporting period, which can affect the availability of information needed to estimate reserves for that reporting period. In these situations, practices are adapted to accommodate these circumstances in order to dete rmine a best estimate of losses from a catastrophe.

Key Actuarial Assumptions That Affect the Loss and LAE Estimate

The aggregation of estimates for reported losses and IBNR forms the reserve liability recorded in the Consolidated Balance Sheets.

At any given point in time, the recorded loss reserve represents our best estimate of the ultimate settlement and administration cost of insured claims incurred and unpaid. Since the process of estimating loss reserves requires significant judgment due to a number of variables, such as fluctuations in inflation, judicial decisions, legislative changes and changes in claims handling procedures, ultimate liability may exceed or be less than these estimates. Reserves for losses and LAE are revised as additional information becomes available, and adjustments, if any, are reflected in earnings in the periods in which they are determined.

In selecting development factors and averages described in "Item 8 —Note 17 (Liability for Unpaid Losses and Loss Adjustment Expenses)" to the consolidated financial statements, due consideration is given to how the historical experience patterns change from one year to the next over the course of several consecutive years of recent history. Predictions surrounding these patterns drive the estimates that are produced by each method, and are based on statistical techniques that follow standard actuarial practices.

In compliance with annual statutory reporting requirements, our appointed independent actuary provides a Statement of Actuarial Opinion ("SAO") indicating that carried loss and LAE reserves recorded at each annual balance sheet date make a reasonable provision for all of the Insurance Entities' unpaid loss and LAE obligations under the terms of contracts and agreements with our policyholders. Recorded reserves are compared to the indicated range provided in the actuary's report accompanying the SAO. At December 31, 2016, the recorded amount for net loss and LAE falls within the range determined by the appointed independent actuaries and approximates their best estimate.

Potential Reserve Estimate Variability

The methods employed by actuaries include a range of estimated unpaid losses, each reflecting a level of uncertainty. Projections of loss and LAE liabilities are subject to potentially large variability in the estimation process since the ultimate disposition of claims incurred prior to the financial statement date, whether reported or not, is subject to the outcome of events that have not yet occurred. Examples of these events include jury decisions, court interpretations, legislative changes, public attitudes, and social/economic conditions such as inflation. Any estimate of future costs is subject to the inherent limitation on one's ability to predict the aggregate course of future events. It should therefore be expected that the actual emergence of losses and LAE will vary, perhaps materially, from any estimate.

In selecting the range of reasonable estimates, the range of indications produced by the various methods is inspected, the relative strengths and weaknesses of each method are considered, and from those inputs a range of estimates can be selected. For reasons cited above, this range of estimated ultimate losses is typically smaller for older, more mature accident periods and greater for more recent, less mature accident periods. The greatest level of uncertainty is associated with the most recent accident years, and particularly years during which catastrophe events occurred.

The inherent uncertainty associated with our loss and LAE liability is magnified due to our concentration of property business in catastrophe-exposed coastal states, primarily Florida. As an example, the 2004 and 2005 hurricanes created great uncertainty in determining ultimate losses for these natural catastrophes due to issues related to applicability of deductibles, availability and cost of repair services and materials, and other factors. UPCIC experienced unanticipated unfavorable loss development on catastrophe losses from claims related to 2004 and 2005 being reopened and new claims being opened due to public adjusters encouraging policyholders to file new claims, and from homeowners' association assessments related to condominium policies. Due to the inherent uncertainty, the parameters of the loss estimation methodologies are updated on an annual basis as new information emerges.

Adequacy of Reserve Estimates

We believe our net loss and LAE reserves are appropriately established based on available methodology, facts, technology, laws and regulations. We calculate and record a single best reserve estimate, in conformance with generally accepted actuarial standards, for reported losses and IBNR losses and as a result we believe no other estimate is better than our recorded amount.

We have created a proprietary claims analysis tool Peer-2-Peer ("P2P") to analyze and calculate reserves to supplement analysis performed by our independent actuaries. P2P is a custom built application that aggregates, analyzes and forecasts reserves based on historical data that spans more than a decade. It identifies historical claims data using same like kind and quality variables that exist in present claims and sets forth appropriate, more accurate reserves on current claims. P2P is utilized by management in reviewing the topography of existing and incoming claims. P2P is analyzed at each quarters end and adjustments to reserves are made at an aggregate level when appropriate.

Due to the uncertainties involved, the ultimate cost of losses may vary materially from recorded amounts, which are based on our best estimates. The liability for unpaid losses and LAE at December 31, 2016 is $58.5 million.

Deferred Policy Acquisition Costs/Deferred Ceding Commissions

We incur costs in connection with the production of new and renewal insurance policies that are referred to as policy acquisition costs. Commissions and state premium taxes are costs of acquiring insurance policies that vary with, and are directly related to, the successful production of new and renewal business. These costs are deferred and amortized over the period during which the premiums are earned on the underlying policies. We have collected ceding commissions from certain reinsurers in connection with our use of quota share reinsurance contracts in the past. As discussed above, we eliminated the use of quota share reinsurance effective June 1, 2015. We estimated the amount of ceding commissions to be deferred on a basis consistent with the deferral of acquisition costs incurred with the production of the original policies issued and the terms of the applicable reinsurance contracts. The deferred ceding commissions were offset against the deferred policy acquisition costs with the net result presented as "deferred policy acquisition costs, net" on our Consolidated Balance Sheets. As of December 31, 2016, deferred policy acquisition costs, net, were $64.9 million compared to deferred policy acquisition costs, net of $60.0 million as of December 31, 2015.

Provision for Premium Deficiency

We evaluate and recognize losses on insurance contracts when estimated future claims and maintenance costs under a group of existing policy contracts will exceed anticipated future premiums and investment income. The determination of the provision for premium deficiency requires estimation of the costs of losses, catastrophic reinsurance and policy maintenance to be incurred and investment income to be earned over the remaining policy period. Management has determined that a provision for premium deficiency was not warranted as of December 31, 2016.

Reinsurance

In the normal course of business, we seek to reduce the risk of loss that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers. While ceding premiums to reinsurers reduces our risk of exposure in the event of catastrophic losses, it also reduces our potential for greater profits in the event that such catastrophic events do not occur. We believe that the extent of our reinsurance is typical of a company of our size in the Florida homeowners' insurance market. Amounts recoverable from reinsurers are estimated in a manner consistent with the provisions of the reinsurance agreement and consistent with the establishment of our liability. The Insurance Entities' reinsurance policies do not relieve them from their obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses; consequently, allowances are established for amounts deemed uncollectible. No such allowance was deemed necessary as of December 31, 2016.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2016 COMPARED TO YEAR ENDED DECEMBER 31, 2015

Net income decreased by $7.1 million, or 6.6%, to $99.4 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. Net income was impacted by $51.4 million in gross losses and LAE associated with weather events occurring in 2016. Weather events in 2016 were comprised of a series of severe storms in the first quarter of 2016 and then the impact of two hurricanes in 2016, Hermine in the third quarter and Matthew in the fourth quarter. Premium growth and the elimination of our quota share reinsurance contracts effective June 1, 2015, and a lower expense ratio are significant factors behind our 2016 results and comparison to prior years periods. Diluted earnings per common share decreased by $0.18, or 6.0%, to $2.79 for the year ended December 31, 2016 compared to $2.97 per share the year ended December 31, 2015, as a result of a decrease in net income and a slight decrease in weighted average shares outstanding (diluted). A more detailed discussion of this and other factors follows the table below.

	(in thousands) Years Ended December 31,		Change	
	2016	2015	$	%
PREMIUMS EARNED AND OTHER REVENUES				
Direct premiums written	$ 954,617	$ 883,409	$ 71,208	8.1%
Change in unearned premium	(33,390)	(46,617)	13,227	-28.4%
Direct premiums earned	$ 921,227	$ 836,792	$ 84,435	10.1%
Ceded premiums earned	(288,811)	(332,793)	43,982	-13.2%
Premiums earned, net	632,416	503,999	128,417	25.5%
Net investment income (expense)	9,540	5,155	4,385	85.1%
Net realized gains (losses) on investments	2,294	1,060	1,234	116.4%
Commission revenue	17,733	14,870	2,863	19.3%
Policy fees	16,880	15,440	1,440	9.3%
Other revenue	6,426	6,020	406	6.7%
Total premiums earned and other revenues	685,289	546,544	138,745	25.4%
OPERATING COSTS AND EXPENSES				
Losses and loss adjustment expenses	301,229	187,739	113,490	60.5%
General and administrative expenses	221,177	183,782	37,395	20.3%
Total operating costs and expenses	522,406	371,521	150,885	40.6%
INCOME BEFORE INCOME TAXES	162,883	175,023	(12,140)	-6.9%
Income tax expense	63,473	68,539	(5,066)	-7.4%
NET INCOME	$ 99,410	$ 106,484	$ (7,074)	-6.6%
Other comprehensive income (loss), net of taxes	(2,402)	(2,171)	(231)	10.6%
COMPREHENSIVE INCOME	$ 97,008	$ 104,313	$ (7,305)	-7.0%

Premium earned, net in the current period includes premium written over the past 12 months and any changes in rates or policy count during that time. Premiums earned, net were $632.4 million for the year ended December 31, 2016, compared to $504.0 million for the year ended December 31, 2015. The increase in net earned premiums of $128.4 million, or 25.5%, includes an increase in direct earned premiums of $84.4 million and a decrease in ceded earned premiums of $44.0 million. The increase in direct earned premium includes organic growth in all states during 2016 as well as rate changes that took effect over the past twelve months. Direct written premiums increased $71.2 million or 8.1% which was made up of an increase in Florida business of $42.9 million or 5.3% over the prior year and direct written premiums in other states increased $28.3 million or 43.0% over the prior year.

Our reinsurance programs run from June 1 to May 31 of the following year. In June 2015, we eliminated quota share reinsurance on a cut off basis. Ceded earned quota share premiums in 2015 were $97.5 million and none in 2016 as a result of the termination of the quota share. Ceded earned premiums relating to our catastrophe reinsurance program were $235.3 million in 2015 compared to $288.8 million in 2016. The increase in the ceded earned premiums relating to our catastrophe reinsurance program relate to coverage and limit improvements over 2015.

Net investment income was $9.5 million for the year ended December 31, 2016, an increase of 85.1%, compared to $5.2 million for the year ended December 31, 2015. The increase in net investment income of $4.4 million is principally the result of increases in our fixed income investment portfolio fueled by cash flows generated from operations and actions taken to increase yield by investing these new funds along with maturities in higher yield securities while maintaining high credit quality. Total average investments were $592.6 million during the year ended December 31, 2016 compared to $470.4 mi llion in the same period in 2015.

We sold investment securities available for sale during the year ended December 31, 2016 resulting in a net realized gain of $2.3 million compared to a net realized gain of $1.1 million during the year ended December 31, 2015.

Commission revenue is comprised principally of brokerage commissions we earn from reinsurers on reinsurance placed for the Insurance Entities. For the year ended December 31, 2016 commission revenue was $17.7 million, compared to $14.9 million for the year ended December 31, 2015. The increase in commission revenue of $2.9 million, or 19.3%, was the result of overall changes in the structure of the reinsurance programs in effect during the year ended December 31, 2016, compared to the year ended December 31, 2015, including an increase in our exposures covered by reinsurance.

Policy fees for the year ended December 31, 2016, were $16.9 million compared to $15.4 million for the same period in 2015. The increase of $1.4 million, or 9.3%, was the result of an increase in policies written during the year ended December 31, 2016 compared to the same period in 2015.

Other revenue for the year ended December 31, 2016 was $6.4 million compared to $6.0 million for the same period in 2015. Other revenue represents revenue from policy installment fees, premium financing and other miscellaneous income. The increase of $406 thousand, or 6.7% reflects an increase in the number of policies written during the year ended December 31, 2016 compared to the same period in 2015 and consumer behavior underlying the composition of our insurance portfolio.

Losses and LAE, net of reinsurance were $301.2 million for the year ended December 31, 2016 compared to $187.7 million for the same period in 2015 as follows:

	For the Year Ended December 31, 2016					
	Direct	Loss Ratio	Ceded	Loss Ratio	Net	Loss Ratio
Premiums earned	$ 921,227		$ 288,811		$ 632,416	
Loss and loss adjustment expenses:						
Loss and loss adjustment expenses	$ 251,636	27.3%	$ (3,493)	-1.2%	$ 255,129	40.3%
Weather events*	51,400	5.6%	5,300	1.8%	46,100	7.3%
Total loss and loss adjustment expenses	$ 303,036	32.9%	$ 1,807	0.6%	$ 301,229	47.6%

	For the Year Ended December 31, 2015					
	Direct	Loss Ratio	Ceded	Loss Ratio	Net	Loss Ratio
Premiums earned	$ 836,792		$ 332,793		$ 503,999	
Total Loss and loss adjustment expenses	$ 214,491	25.6%	$ 26,752	8.0%	$ 187,739	37.2%

*Includes only weather events beyond expected

See “Item 8— Note 17 (Liability for Unpaid Losses and Loss Adjustment Expenses)” for change in liability for unpaid losses and LAE.

On a direct basis, loss and LAE increased $88.5 million year over year principally as a result of weather events occurring in 2016 ($51.4 million), coupled with increased losses and LAE as a result of increases in premiums earned ($23.0 million) and increased losses and LAE related to the current year. Weather events in 2016 were comprised of a series of severe storms in the first quarter of 2016 and then the impact of two hurricanes in 2016, Hermine in the third quarter and Matthew in the fourth quarter. Ceded losses in 2016 were down $24.9 million principally as a result of the termination of the quota share reinsurance agreement in 2015. 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 47.6% and 37.2% during the years ended December 31, 2016 and 2015, respectively.

Each year reserve re-estimates, as described in “Item 8-Note 17 (Liability for Unpaid Losses and Loss Adjustment Expenses)”, are conducted and the difference between indicated reserves based on new reserve estimates and the previously recorded estimate is recorded and included in “Losses and loss adjustment expenses” in the Consolidated Statements of Income. Reserve re-estimates in 2016 and 2015 resulted in favorable development of $4.7 million and $0.3 million, respectively.

For the year ended December 31, 2016, gener al and administrative expenses were $221.2 million, compared to $183.8 million for the same period in 2015. The overall net increase in general and administrative expenses of $37.4 million, or 20.3%, includes a $37.5 million increase in acquisitions costs, a $7.0 million increase in other operating costs and a $7.1 million decrease in stock-based compensation. The increase in acquisition and operating costs were incurred to support the increase of policies in force. The increase in acquisition costs also re flects the absence, during 2016, of ceding commission subsequent to the elimination of quota share reinsurance in June 2015. The expense ratio-net or general and administrative expenses as a percentage of net earned premiums, was 35.0% for the year ended D ecember 31, 2016 compared to 36.5% for the same period in 2015. The decrease in the expense ratio resulted from the economies of scale caused by our higher premium volume as compared to the prior period and a reduction in stock-based compensation, partiall y offset by an increase in net acquisition costs resulting from the absence of ceding commission in 2016.

Income taxes decreased by $5.1 million, or 7.4% primarily as a result of a decrease in income before income taxes. The effective tax rate decreased to 39.0% from 39.2% for the years ended December 31, 2016 and 2015, respectively. See “Item 8—Note 12 (Income Taxes)” for a reconciliation from the statutory income tax rates to our effective tax rates for these periods.

Comprehensive income includes net income and other comprehensive income or loss. The other comprehensive loss for the years ended December 31, 2016 and 2015, reflect after tax changes in fair value of securities held in our portfolio of securities available for sale and reclassification out of cumulative other comprehensive income for securities sold. See “Item 8—Note 14 (Other Comprehensive Income (Loss)).”

YEAR ENDED DECEMBER 31, 2015 COMPARED TO YEAR ENDED DECEMBER 31, 2014

Net income increased by $33.5 million, or 45.9%, to $106.5 million for the year ended December 31, 2015 compared to the year ended December 31, 2014. Diluted earnings per common share increased by $0.89, or 42.8%, to $2.97 for the year ended December 31, 2015 compared to the year ended December 31, 2014, as a result of an increase in net income.

The increase in net income of $33.5 million, or 45.9%, for the year ended December 31, 2015 compared to the year ended December 31, 2014 reflects an increase in net earned premiums, net investment income, commissions and policy fees. These were partially offset by a decrease in realized gains from investments sold from our portfolio of investments available-for-sale and an increase in operating expenses. The elimination of our quota share reinsurance contracts is a significant factor behind our results. A more detailed discussion of this and other factors follows the table below.

	(in thousands) Years Ended December 31, 2015	2014	Change $	%
PREMIUMS EARNED AND OTHER REVENUES				
Direct premiums written	$ 883,409	$ 789,577	$ 93,832	11.9%
Change in unearned premium	(46,617)	(12,260)	(34,357)	280.2%
Direct premiums earned	836,792	777,317	59,475	7.7%
Ceded premiums earned	(332,793)	(450,440)	117,647	-26.1%
Premiums earned, net	503,999	326,877	177,122	54.2%
Net investment income (expense)	5,155	2,375	2,780	117.1%
Net realized gains (losses) on investments	1,060	5,627	(4,567)	-81.2%
Commission revenue	14,870	14,205	665	4.7%
Policy fees	15,440	13,982	1,458	10.4%
Other revenue	6,020	6,210	(190)	-3.1%
Total premiums earned and other revenues	546,544	369,276	177,268	48.0%
OPERATING COSTS AND EXPENSES				
Losses and loss adjustment expenses	187,739	123,275	64,464	52.3%
General and administrative expenses	183,782	118,397	65,385	55.2%
Total operating costs and expenses	371,521	241,672	129,849	53.7%
INCOME BEFORE INCOME TAXES	175,023	127,604	47,419	37.2%
Income tax expense	68,539	54,616	13,923	25.5%
NET INCOME	$ 106,484	$ 72,988	$ 33,496	45.9%
Other comprehensive income (loss), net of taxes	(2,171)	(1,459)	(712)	48.8%
COMPREHENSIVE INCOME	$ 104,313	$ 71,529	$ 32,784	45.8%

Premium earned in the current period reflects premium written over the past 12 months and any changes in rates or policy count during that time. Net earned premiums were $504.0 million for the year ended December 31, 2015, compared to $326.9 million for the year ended December 31, 2014. The increase in net earned premiums of $177.1 million, or 54.2%, reflects an increase in direct earned premiums of $59.5 million and a decrease in ceded earned premiums of $117.6 million. The increase in direct earned premium reflects organic growth in all states during 2015 as well as rate changes in Florida that took effect in 2015. Specifically, UPCIC received approval from the FLOIR for rate changes for its homeowners and dwelling fire programs within Florida. The rate changes are expected to result in an average increase of approximately 2.2% statewide for UPCIC’s homeowners program, effective April 15, 2015 for new business and May 25, 2015 for renewal business, and 4.9% for UPCIC’s dwelling fire program, effective April 20, 2015 for new business and June 5, 2015 for renewal business.

The decrease in ceded earned premiums is attributable to the reduction and ultimate elimination of quota share reinsurance. Our reinsurance programs run from June 1 to May 31 of the following year. In June 2014, we reduced our quota share cession rate from 45% in our 2013-2014 reinsurance program to 30% in our 2014-2015 reinsurance program. In June 2015, we eliminated the quota share in our 2015-2016 reinsurance program. The termination of our quota share reinsurance agreement in 2015 was done on a cut-off basis resulting in the return of $128.3 million of unearned ceded premium at June 1, 2015 and $36.7 million of ceded unearned commissions at June 1, 2015. As discussed above in “— *Overview* ,” we have taken what we believe to be prudent measures leading to our decision to eliminate quota share reinsurance.

Net investment income was $5.2 million for the year ended December 31, 2015 compared to $2.4 million for the year ended December 31, 2014. Net investment income is generated primarily from our investment portfolio of securities available for sale, short-term investments, cash and cash equivalents, and investment real estate. The increase in net investment income is the result of increases in our investments funded by cash flows from operations and actions taken to rebalance our portfolio. Invested assets increased 27.2% to $689.1 million at December 31, 2015 compar ed to $541.6 million at December 31, 2014. Also, management rebalanced the fixed maturities (bonds) portfolio by selling lower yielding investments and reinvesting cash and maturities into fixed income investments with longer maturities resulting in an inc rease in yield.

Management sells investment securities from its portfolio of securities available for sale from time to time when opportunities arise. We sold investment securities available for sale during the year ended December 31, 2015, resulting in a net realized gain of $1.1 million compared to a net realized gain of $5.6 million during the year ended December 31, 2014.

Policy fees for the year ended December 31, 2015, were $15.4 million compared to $14.0 million for the same period in 2014. The increase of $1.4 million, or 10.4%, was the result of an increase in policy count during 2015.

Losses and LAE were $187.7 million for the year ended December 31, 2015 compared to $123.3 million for the same period in 2014. The increase in net losses and LAE of $64.4 million primarily resulted from the elimination of the 30% quota share reinsurance agreement effective June 1, 2015 as discussed above and to a lesser extent to the growth in exposure. The net loss and LAE ratios, or net losses and LAE as a percentage of net earned premiums, were 37.2% and 37.7% during the years ended December 31, 2015 and 2014, respectively. The improvement in the net loss and LAE ratio from 2014 to 2015 was the result of lower reinsurance costs in 2015 relative to earned premiums. Losses and LAE were comprised of the following components (in thousands):

	For the Year Ended December 31, 2015		
	Direct	Ceded	Net
Loss and loss adjustment expenses	$ 214,491	$ 26,752	$ 187,739
Premiums earned	$ 836,792	$ 332,793	$ 503,999
Loss & LAE ratios	25.6%	8.0%	37.2%

	For the Year Ended December 31, 2014		
	Direct	Ceded	Net
Loss and loss adjustment expenses	$ 199,181	$ 75,906	$ 123,275
Premiums earned	$ 777,317	$ 450,440	$ 326,877
Loss & LAE ratios	25.6%	16.9%	37.7%

See “Item 8—Note 17 (Liability for Unpaid Losses and Loss Adjustment Expenses)” for change in liability for unpaid losses and LAE.

For the year ended December 31, 2015, general and administrative expenses were $183.8 million, compared to $118.4 million for the same period in 2014. The overall increase in general and administrative expenses of $65.4 million, or 55.2%, includes an increase of $54.4 million in the amortization of deferred policy acquisition costs, net, resulting mostly from the elimination of quota share reinsurance effective June 1, 2014. We also had an increase of $5.0 million in the amount of stock-based compensation, an increase in bonuses of $3.6 million, and an increase of $2.4 million in other remaining expenses combined.

Income taxes increased by $13.9 million, or 25.5% primarily as a result of an increase in income before income taxes. The effective tax rate decreased to 39.2% from 42.8% for the years ended December 31, 2015 and 2014, respectively. See “Item 8—Note 12 (Income Taxes)” for a reconciliation from the statutory income tax rates to our effective tax rates for these periods.

Comprehensive income includes net income and other comprehensive income or loss. The other comprehensive loss for the years ended December 31, 2015 and 2014, reflect after tax changes in fair value of securities held in our portfolio of securities available for sale and reclassification out of cumulative other comprehensive income for securities sold. See “Item 8—Note 14 (Other Comprehensive Income (Loss)).”

ANALYSIS OF FINANCIAL CONDITION CHANGES

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 those retained for claims-paying obligations and working capital requirements.

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

	As of December 31,	
Type of Investment	2016	2015
Fixed maturities	$ 584,361	$ 416,083
Equity securities	50,803	42,214
Short-term investments	5,002	25,021
Investment real estate, net	11,435	6,117
Total	$ 651,601	$ 489,435

See “Item 8—Consolidated Statements of Cash Flows” for explanations of changes in investments.

Prepaid reinsurance premiums represent the portion of unearned ceded written premium that will be earned pro rata in the future. The increase of $9.7 million to $124.4 as of December 31, 2016 was due primarily to increased reinsurance costs relating to our catastrophe reinsurance program beginning June 1, 2016.

Reinsurance recoverable represents the estimated amount of losses and LAE that are recoverable from reinsurers. The decrease of $22.7 million to $106 thousand as of December 31, 2016 was primarily due to the general wind down of the quota share since it was terminated in June 2015.

Premiums receivable represents amounts receivable from policyholders. The increase in premiums receivable of $2.9 million to $53.8 million as of December 31, 2016 relates to the growth of policies in force over the prior year.

Property and equipment, net increased by $5.1 million to $32.1 million as of December 31, 2016 primarily from the purchases of building improvements and capitalized software.

Income taxes recoverable represent amounts due from Federal and state tax jurisdictions and arise when tax payments exceed taxable income. The tax amount due from Federal income taxes of $5.4 million as of December 31, 2015 was settled with a refund received from the Department of Treasury during 2016. The amount of $3.3 million due from both Federal and state tax jurisdictions as of December 31, 2016 represents estimated payments in excess of amounts due.

Deferred tax assets and liabilities represent temporary differences between GAAP and tax basis of a company's assets and liabilities. During the year ended December 31, 2016 deferred tax assets decreased by $3.2 million primarily due to fluctuations in unrealized gains and losses, deferred policy acquisition costs, and equity based compensation.

See “Item 8 — Note 5 (Insurance Operations)” for a roll-forward in the balance of our deferred policy acquisition costs, net.

See “Item 8 — Note 17 (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 $40.3 million to $58.5 million during the year ended December 31, 2016. 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”.

Unearned premium represents the portion of direct written premium that will be earned pro rata in the future. The increase of $33.4 million to $475.8 million as of December 31, 2016 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 decrease of $7.0 million to $17.8 million as of December 31, 2016 reflects the payment pattern of our customers and seasonality of our business as described under *“ — Overview”* .

Reinsurance payable, net increase of $7.3 million to $80.9 million as a result of amounts accrued during 2016 in connection with the Company’s 2016 –2017 reinsurance treaties which we entered into as of June 1, 2016 and unpaid as of year-end.

Long-term debt was reduced by $9.0 million primarily as a result of the cancellation of the Renaissance Re Ventures Ltd. Term Loan. See “– Liquidity and Capital Resources” for further discussion.

See “*— Liquidity and Capital Resources* ” for explanations of changes in common stock, long-term debt and treasury shares.

Additional paid-in-capital increased $11.5 million resulting from the reissuance of treasury shares pursuant to the RenaissanceRe Ventures Ltd. (“RenRe”) sale of UVE common stock of $7.7 million, share-based compensation expense for the year ended December 31, 2016 of $10.3 million and stock option exercises of $0.9 million. This was offset by tax withholdings for share-based compensation of $6.2 million and a tax shortfall for share-based compensation of $1.2 million.

Accumulated other comprehensive income (loss), net of taxes increased to a $6.4 milli on loss, an increase of $2.4 million loss from the prior year end. This increase reflects the after tax changes in fair value of our investment portfolio's unrealized losses since December 31, 2015.

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 December 31, 2016 was $105.7 million compared to $197.0 million at December 31, 2015. See "Item 8—Consolidated Statements of Cash Flows" for a reconciliation of the balance of cash and cash equivalents between December 31, 2016 and 2015. The decrease in cash and cash equivalents was driven by cash flows used for investing and financing activities in excess of those generated from profits and operations. 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 December 31, 2016 and 2015 includes cash equivalents on deposit with regulatory agencies in the various states in which our Insurance Entities do business.

As discussed in "Item 8—Note 7 (Long-Term Debt)," UVE entered into a revolving loan agreement and related revolving loan "(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 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 December 31, 2016, UVE was in compliance with all such covenants, and no amounts have been drawn under this unsecured line of credit .

In May 2013, UVE also entered into a $20 million unsecured term loan agreement and related term loan ("Term Loan") with RenRe Ventures also discussed in "Item 8—Note 7 (Long-Term Debt)." The Term Loan provided an interest rate of 50 basis points per annum and matured on the earlier of May 23, 2016, or the date that all principal under the Term Loan was prepaid or deemed paid in full. The Term Loan was amortized over the three-year term and UVE could elect to prepay the loan without penalty. The Term Loan contained certain covenants and restrictions applicable while amounts were outstanding thereunder, including limitations with respect to our indebtedness, liens, distributions, mergers or dispositions of assets, organizational structure, transactions with affiliates and business activities. On April 28, 2016, the Company repaid the Term Loan in connection with the sale of $10 million of UVE common stock to RenRe. Refer to "Item 8 — Note 7 (Long-Term Debt) and Note 8 (Stockholder' Equity)" for details on the cancellation of the Term Loan.

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 debt obligations. 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 and any unused credit lines. UVE also maintains investments in equity securities which would generate funds upon sale. As discussed in "Item 8 — Note 5 (Insurance Operations)," there are limitations on the dividends the Insurance Entities may pay to their immediate parent company .

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 relating to statutory surplus. The maximum dividend that may be paid by the Insurance Entities to Universal Insurance Holding Company of Florida ("UVECF") without prior approval is limited to the lesser of statutory net income from operations of the preceding calendar year or statutory unassigned surplus as of the preceding year end. During the years ended December 31, 2016 and 2015, 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, a gent 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 th e 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 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. At December 31, 2015, we had total capital of $317.2 million, comprised of stockholders' equity of $293.1 million and total long term debt of $24.1 million. Our debt-to-total-capital ratio and debt-to-equity ratio were 7.6% and 8.2%, respectively, at December 31, 2015.

The Insurance Entities are required annually to comply with the NAIC RBC requirements. RBC requirements prescribe a method of measuring the amount of capital appropriate for an insurance company to support its overall business operations in light of its size and risk profile. NAIC's RBC requirements are used by regulators to determine appropriate regulatory actions relating to insurers who show signs of weak or deteriorating condition. As of December 31, 2016, based on calculations using the appropriate NAIC RBC formula, the Insurance Entities' reported and respective total adjusted capital was in excess of the requirements. Failure by the Insurance Entities to maintain the required level of statutory capital and surplus could result in the suspension of their authority to write new or renewal business, other regulatory actions, or ultimately, in the revocation of their certificate of authority by the FLOIR.
In 2006, UPCIC entered into a $25.0 million surplus note with the State Board of Administration of Florida (the "SBA") under Florida's Insurance Capital Build-Up Incentive Program (the "ICBUI"). The surplus note has a twenty-year term and accrues interest, adjusted quarterly based on the 10-year Constant Maturity Treasury Index. UPCIC is in compliance with each of the loan's covenants as implemented by rules promulgated by the SBA. An event of default will occur under the surplus note, as amended, if UPCIC: (i) defaults in the payment of the surplus note; (ii) fails to submit quarterly filings to the FLOIR; (iii) fails to maintain at least $50 million of surplus during the term of the surplus note, except for certain situations; (iv) misuses proceeds of the surplus note; (v) makes any misrepresentations in the application for the program; (vi) pays any dividend when principal or interest payments are past due under the surplus note; or (vii) fails to maintain a level of surplus and reinsurance sufficient to cover in excess of UPCIC's 1-in-100 year probable maximum loss as determined by a hurricane loss model accepted by the Florida Commission on Hurricane Loss Projection Methodology as certified by the FLOIR annually. To avoid a penalty rate, UPCIC must maintain either a ratio of net written premium to surplus of 2:1 or a ratio of gross written premium of 6:1 according to a calculation method set forth in the surplus note. As of December 31, 2016, UPCIC's net written premium to surplus ratio and gross written premium to surplus ratio were in excess of the required minimums and, therefore, UPCIC is not subject to increases in interest rates. At December 31, 2016, 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. This new authorization follows completion of the Board authorized share repurchase program announced on November 19, 2015, pursuant to which the Company repurchased 527,107 shares of common stock at an average price of $18.93 per share on the open market. The Company financed the share repurchases under the program using cash on hand.

On April 28, 2016, the Company entered into a Purchase and Exchange Agreement with RenRe, pursuant to which the Company sold an aggregate of 583,771 shares of common stock at a purchase price of $17.13 per share for a total of $10 million, which was comprised of $2,965,000 in cash and $7,035,000 in cancellation of outstanding indebtedness.

During the year ended December 31, 2016, we repurchased an aggregate of 441,036 shares of UVE's common stock in the open market. Also see " Part II, Item 5 — Unregistered Sales of Equity Securities and Use of Proceeds " for share repurchase activity during the three months ended December 31, 2016.

Cash Dividends

On January 14, 2016, we declared a cash dividend of $0.14 per share on our outstanding common stock which was paid on March 2, 2016, to the shareholders of record at the close of business on February 18, 2016.

On April 13, 2016, we declared a cash dividend of $0.14 per share on our outstanding common stock which was paid on July 5, 2016 to shareholders of record at the close of business on June 15, 2016.

On August 31, 2016, we declared a cash dividend of $0.14 per share on our outstanding common stock which was paid on October 24, 2016 to shareholders of record at the close of business on September 12, 2016.

On November 15, 2016, we declared a cash dividend of $0.27 per share on our outstanding common stock which was paid on December 12, 2016 to shareholders of record at the close of business on December 1, 2016.

LIABILITY FOR UNPAID LOSSES AND LAE

We are required to periodically estimate and reflect on our balance sheet the amount needed to pay losses and related loss adjustment expenses on reported and unreported claims. See "Item 1—Business—Liability for Unpaid Losses and LAE," for a description of this process. The following table sets forth a reconciliation of beginning and ending liability for unpaid losses and LAE as shown in our consolidated financial statements for the periods presented (in thousands):

	Year Ended December 31,		
	2016	2015	2013
Balance at beginning of year	$ 98,840	$ 134,353	$ 159,222
Less: Reinsurance recoverable	(13,540)	(47,350)	(68,584)
Net balance at beginning of year	85,300	87,003	90,638
Incurred (recovered) related to:			
Current year	305,919	188,040	124,011
Prior years	(4,690)	(301)	(736)
Total incurred	301,229	187,739	123,275
Paid related to:			
Current year	229,761	123,952	73,981
Prior years	98,380	65,490	52,929
Total paid	328,141	189,442	126,910
Net balance at end of year	58,388	85,300	87,003
Plus: Reinsurance recoverable	106	13,540	47,350
Balance at end of year	$ 58,494	$ 98,840	$ 134,353

During 2016 reserves for unpaid losses and loss adjustment expenses were reduced by 40.8% from $98.8 million as of December 31, 2015 to $58.5 million as of December 31, 2016. 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, referred to as "Fast Track."

Based upon consultations with our independent actuarial consultants and their statement of opinion on losses and LAE, we believe that the liability for unpaid losses and LAE is currently adequate to cover all claims and related expenses that may arise from incidents reported and IBNR. Our carried reserves as of December 31, 2016 were confirmed by our year end independent actuarial analysis and are in excess of their point or central estimate of their findings. Our annual actuarial process includes two reviews during the year by our independent actuarial firm. We use these external reviews to confirm data and emerging trends to observed changes. The actuarial process, including the external independent reviews, results in re-estimates of carried reserves for both current and prior accident years. See "Item 7- (Liability for Unpaid Losses and LAE)" and "Item 8 - Note 17 (Liability for Unpaid Losses and Loss Adjustment Expenses)" for a further discussion of the actuarial estimation process used for loss and LAE reserving. As a result of the ongoing actuarial process, reserves for the current accident year were strengthened in the fourth quarter to align with 2016 full year actuarial loss estimates and the impact of weather events that occurred in 2016. Re-estimates of prior accident years ultimate losses and LAE were performed during the year and changes resulting in both favorable and unfavorable development were recorded. We believe the changes we have made in adjudicating and settling claims are conservatively reflected in the actuarial process. We will continue to validate our actuarial process as the benefits of our accelerated claims settlement process become more apparent. The cumulative redundancy or deficiency in prior year reserve changes is reflected in the chart above.

The following table provides total unpaid loss and LAE, net of related reinsurance recoverable for the dates presented (in thousands):

	Years Ended December 31, 2016	2015
Unpaid Loss and LAE, net	$ 63,699	$ 42,112
IBNR loss and LAE, net	(5,311)	43,188
Total unpaid loss and LAE, net	$ 58,388	$ 85,300
Reinsurance recoverable on unpaid loss and LAE	$ 856	$ 8,455
Reinsurance recoverable on IBNR loss and LAE	(750)	5,085
Total reinsurance recoverable on unpaid loss and LAE	$ 106	$ 13,540

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

The following table provides the statutory loss ratios, expense ratios and combined ratios for the periods indicated for the Insurance Entities:

	Years Ended December 31, 2016	2015
Loss Ratio (1)		
UPCIC	50%	41%
APPCIC	30%	19%
Expense Ratio (1)		
UPCIC	36%	34%
APPCIC	55%	55%
Combined Ratio (1)		
UPCIC	86%	75%
APPCIC	85%	74%

(1) The ratios are net of reinsurance, including catastrophe reinsurance premiums which comprise a significant cost, and inclusive of LAE. The expense ratio includes management fees and commissions, including a markup, paid to an affiliate of the Insurance Entities in the amount of $78.0 million and $70.7 million for UPCIC for the years ended December 31, 2016 and 2015, respectively and $0.7 million and $0.8 million for the years ended December 31, 2016 and 2015, respectively for APPCIC. The management fees and commissions paid to the affiliate are eliminated in consolidation.

RATINGS

The Insurance Entities' financial strength is rated by a rating agency to measure the Insurance Entities' ability to meet their financial obligations to its policyholders. The agency maintains a letter scale Financial Stability Rating ® system ranging from A" (A double prime) to L (licensed by state regulatory authorities).

In November 2016, Demotech, Inc. affirmed the Financial Stability Rating ® of "A" for the Insurance Entities. According to Demotech, Inc., the assigned rating represents a company's continued positive surplus related to policyholders, liquidity of invested assets, an acceptable level of financial leverage, reasonable loss and loss adjustment expense reserves, and realistic pricing. The ratings of the Insurance Entities are subject to at least annual review by Demotech, Inc., and may be revised upward or downward or revoked at the sole discretion of Demotech, Inc. Financial Stability Ratings® are primarily directed towards policyholders, and are not evaluations directed toward the protection of investors in the company, including holders of the company's common stock, and are not recommendations to buy, sell or hold securities. See "Item 1A—Risk Factors—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."

CONTRACTUAL OBLIGATIONS

The following table represents our contractual obligations for which cash flows are fixed or determinable as of December 31, 2016 (in thousands):

	Total	Less than 1 year	1-3 years	3-5 years	Over 5 years
Unpaid losses and LAE, direct (1)	$ 58,494	$ 37,436	$ 16,905	$ 3,042	$ 1,111
Long-term debt	15,512	1,691	4,937	3,176	5,708
Total contractual obligations	$ 74,006	$ 39,127	$ 21,842	$ 6,218	$ 6,819

(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 make 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 December 31, 2016.

IMPACT OF INFLATION AND CHANGING PRICES

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

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

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. We are currently evaluating the impact that this standard will have on our consolidated financial statements.

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 March 2016, the FASB issued gu idance that will change certain aspects of accounting for share-based payments to employees. The new guidance will require all income tax effects of awards to be recognized in the income statement when the awards vest or are settled. It also will allow an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. The guidance is effective for annual reportin g periods beginning after December 15, 2016, and interim periods within that reporting period. Early adoption is permitted in any annual or interim period for which financial statements haven't been issued or made available for issuance, but all of the gui dance must be adopted in the same period. The adoption of this guidance is not expected to have a material effect on our results of operations, financial position or liquidity.

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.

I TEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the potential for economic losses due to adverse changes in fair value of financial instruments. We carry all of our investments at market value in our statement of financial condition. Our investment portfolio as of December 31, 2016, is comprised of fixed maturities and equity securities exposing us to changes in interest rates and equity prices.

Our investment objectives with respect to fixed maturities are to maximize after-tax investment income without exposing the surplus of our Insurance Entities to excessive volatility. Our investment objectives with respect to equity securities are to enhance our long-term surplus levels through capital appreciation and earn a competitive rate of total return versus appropriate benchmarks. We cannot provide any assurance that we will be able to achieve our investment objectives. None of our investments in risk sensitive instruments were entered into for trading purposes.

See “Item 8—Note 3 (Investments)” and “Item 1—Business—Investments” for more information about our investments.

Interest Rate Risk

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

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

	December 31, 2016								
	Amortized Cost								Fair Value
	2017	2018	2019	2020	2021	Thereafter	Other (1)	Total	Total
Fixed income investments	$ 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%

	December 31, 2015								
	Amortized Cost								Fair Value
	2016	2017	2018	2019	2020	Thereafter	Other (1)	Total	Total
Fixed income investments	$ 57,229	$ 53,023	$ 78,272	$ 61,659	$ 30,634	$ 86,605	$ 76,212	$ 443,634	$ 441,104
Weighted average interest rate	1.12%	2.09%	1.65%	1.70%	1.93%	3.23%	1.65%	1.96%	1.95%

(1) Comprised of mortgage-backed and asset-backed securities which 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 investments 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 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 investments in our available for sale portfolio at December 31, 2016 was 3.6 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 investments in common stock and mutual funds from adverse changes in the prices of those instruments.

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

	December 31, 2016		December 31, 2015	
	Fair Value	Percent	Fair Value	Percent
Equity securities:				
Common stock	$ 93	0.2%	$ 10,762	25.5%
Mutual funds	50,710	99.8%	31,452	74.5%
Total equity securities	$ 50,803	100.0%	$ 42,214	100.0%

A hypothetical decrease of 20% in the market prices of each of the equity securities held at December 31, 2016 and 2015 would have resulted in a decrease of $10.2 million and $8.4 million, respectively, in the fair value of those securities.

I TEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

R eport 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 audited the accompanying consolidated balance sheets of **Universal Insurance Holdings, Inc. and Subsidiaries** (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2016. We also have audited the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in the *2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)* . The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control over Financial Reporting." Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Universal Insurance Holdings, Inc. and Subsidiaries** as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in the *2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)* .

/s/ Plante & Moran, PLLC
Chicago, Illinois
February 23, 2017

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

	December 31, 2016	December 31, 2015
ASSETS		
Cash and cash equivalents	$ 105,730	$ 197,014
Restricted cash and cash equivalents	2,635	2,635
Fixed maturities, at fair value	584,361	416,083
Equity securities, at fair value	50,803	42,214
Short-term investments, at fair value	5,002	25,021
Investment real estate, net	11,435	6,117
Prepaid reinsurance premiums	124,385	114,673
Reinsurance recoverable	106	22,853
Premiums receivable, net	53,833	50,980
Other receivables	5,824	4,979
Property and equipment, net	32,162	27,065
Deferred policy acquisition costs, net	64,912	60,019
Income taxes recoverable	3,262	5,420
Deferred income tax asset, net	10,674	13,912
Other assets	4,883	4,563
Total assets	$ 1,060,007	$ 993,548
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Unpaid losses and loss adjustment expenses	$ 58,494	$ 98,840
Unearned premiums	475,756	442,366
Advance premium	17,796	24,813
Accounts payable	3,187	378
Reinsurance payable, net	80,891	73,585
Other liabilities and accrued expenses	37,665	36,424
Long-term debt	15,028	24,050
Total liabilities	688,817	700,456
Commitments and Contingencies (Note 15)		
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	453	455
Authorized shares - 55,000		
Issued shares - 45,324 and 45,525		
Outstanding shares - 35,052 and 35,110		
Treasury shares, at cost - 10,272 and 10,415	(86,982)	(80,802)
Additional paid-in capital	82,263	70,789
Accumulated other comprehensive income (loss), net of taxes	(6,408)	(4,006)
Retained earnings	381,864	306,656
Total stockholders' equity	371,190	293,092
Total liabilities and stockholders' equity	$ 1,060,007	$ 993,548

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

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

	For the Years Ended December 31, 2016	2015	2014
PREMIUMS EARNED AND OTHER REVENUES			
Direct premiums written	$ 954,617	$ 883,409	$ 789,577
Change in unearned premium	(33,390)	(46,617)	(12,260)
Direct premium earned	921,227	836,792	777,317
Ceded premium earned	(288,811)	(332,793)	(450,440)
Premiums earned, net	632,416	503,999	326,877
Net investment income (expense)	9,540	5,155	2,375
Net realized gains (losses) on investments	2,294	1,060	5,627
Commission revenue	17,733	14,870	14,205
Policy fees	16,880	15,440	13,982
Other revenue	6,426	6,020	6,210
Total premiums earned and other revenues	685,289	546,544	369,276
OPERATING COSTS AND EXPENSES			
Losses and loss adjustment expenses	301,229	187,739	123,275
General and administrative expenses	221,177	183,782	118,397
Total operating costs and expenses	522,406	371,521	241,672
INCOME BEFORE INCOME TAXES	162,883	175,023	127,604
Income tax expense	63,473	68,539	54,616
NET INCOME	$ 99,410	$ 106,484	$ 72,988
Basic earnings per common share	$ 2.85	$ 3.06	$ 2.17
Weighted average common shares outstanding - Basic	34,919	34,799	33,569
Diluted earnings per common share	$ 2.79	$ 2.97	$ 2.08
Weighted average common shares outstanding - Diluted	35,650	35,884	35,150
Cash dividend declared per common share	$ 0.69	$ 0.63	$ 0.55

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended December 31, 2016	2015	2014
Net income	$ 99,410	$ 106,484	$ 72,988
Other comprehensive income (loss)	(2,402)	(2,171)	(1,459)
Comprehensive income (loss)	$ 97,008	$ 104,313	$ 71,529

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

UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 and 2014
(in thousands)

	Common Shares Issued	Preferred Shares Issued	Common Stock Amount	Preferred Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2013	43,641	30	$ 436	$ —	$ 42,282	$ 168,734	$ (376)	$ (35,467)	$ 175,609
Stock option exercises	1,900	—	19	—	9,347	—	—	(15,402)	(6,036)
Grants and vesting of restricted stock	950	—	10	—	(10)	—	—	(11,545)	(11,545)
Conversion of preferred stock	65	(18)	1	—	(1)	—	—	—	—
Purchases of treasury stock	—	—	—	—	—	—	—	(29,736)	(29,736)
Treasury shares reissued	—	—	—	—	(3,050)	—	—	3,050	—
Retirement of treasury shares	(1,787)	—	(18)	—	(26,929)	—	—	26,947	—
Share-based compensation	—	—	—	—	12,342	—	—	—	12,342
Net income	—	—	—	—	—	72,988	—	—	72,988
Change in net unrealized gains (losses) (1)	—	—	—	—	—	—	(1,459)	—	(1,459)
Excess tax benefit (shortfall), net (2)	—	—	—	—	7,006	—	—	—	7,006
Declaration of dividends	—	—	—	—	—	(19,253)	—	—	(19,253)
Balance, December 31, 2014	44,769	12	448	—	40,987	222,469	(1,835)	(62,153)	199,916
Stock option exercises	751	—	7	—	3,807	—	—	(8,101)	(4,287)
Grants and vesting of restricted stock	615	—	6	—	(6)	—	—	(7,344)	(7,344)
Purchase of preferred stock	—	(2)	—	—	(256)	—	—	—	(256)
Purchases of treasury stock	—	—	—	—	—	—	—	(18,649)	(18,649)
Reclassification of contingently redeemable common stock to common stock	—	—	—	—	19,000	—	—	—	19,000
Retirement of treasury shares	(610)	—	(6)	—	(15,439)	—	—	15,445	—
Share-based compensation	—	—	—	—	17,386	—	—	—	17,386
Net income	—	—	—	—	—	106,484	—	—	106,484
Change in net unrealized gains (losses) (1)	—	—	—	—	—	—	(2,171)	—	(2,171)
Excess tax benefit (shortfall), net (2)	—	—	—	—	5,310	—	—	—	5,310
Declaration of dividends	—	—	—	—	—	(22,297)	—	—	(22,297)
Balance, December 31, 2015	45,525	10	455	—	70,789	306,656	(4,006)	(80,802)	293,092
Stock option exercises	124	—	1	—	905	—	—	(6,238)	(5,332)
Grants and vesting of restricted stock	—	—	—	—	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	—	—	—	(8,510)	(8,510)
Treasury shares reissued	—	—	—	—	7,670	—	—	2,330	10,000
Retirement of treasury shares	(325)	—	(3)	—	(6,235)	—	—	6,238	—
Share-based compensation	—	—	—	—	10,288	—	—	—	10,288
Net income	—	—	—	—	—	99,410	—	—	99,410
Change in net unrealized gains (losses) (1)	—	—	—	—	—	—	(2,402)	—	(2,402)
Excess tax benefit (shortfall), net (2)	—	—	—	—	(1,154)	—	—	—	(1,154)
Declaration of dividends	—	—	—	—	—	(24,202)	—	—	(24,202)
Balance, December 31, 2016	45,324	10	$ 453	$ —	$ 82,263	$ 381,864	$ (6,408)	$ (86,982)	$ 371,190

(1) Represents change in fair value of available for sale investments, net of tax benefit of $1,486 thousand, $1,369 thousand and $916 thousand in years ended December 31, 2016, 2015 and 2014, respectively.

(2) Excess tax benefit (shortfall) relate to share-based compensation.

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

UNIVERSAL INSURANCE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Years Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net Income	$ 99,410	$ 106,484	$ 72,988
Adjustments to reconcile net income to net cash provided by operating activities:			
Bad debt expense	406	611	431
Depreciation and amortization	3,242	2,033	1,194
Amortization of share-based compensation	10,288	17,386	12,342
Amortization of original issue discount on debt	149	521	840
Accretion of deferred credit	(149)	(521)	(840)
Book overdraft increase (decrease)	—	(5,924)	(9,023)
Net realized (gains) losses on investments	(2,294)	(1,060)	(5,627)
Amortization of premium/accretion of discount, net	3,481	1,831	2,116
Deferred income taxes	4,724	(693)	1,118
Excess tax (benefits) shortfall from share-based compensation	1,154	(5,310)	(7,006)
Other	31	42	19
Net change in assets and liabilities relating to operating activities:			
Restricted cash and cash equivalents	—	—	(35)
Prepaid reinsurance premiums	(9,712)	75,832	50,709
Reinsurance recoverable	22,747	32,334	52,660
Reinsurance receivable, net	167	7,115	(7,265)
Premiums receivable, net	(3,249)	(385)	(4,911)
Accrued investment income	(1,514)	(298)	(230)
Other receivables	1,087	(1,783)	12
Income taxes recoverable	1,004	255	2,477
Deferred policy acquisition costs, net	(4,893)	(34,359)	(9,761)
Other assets	(320)	(750)	(740)
Unpaid losses and loss adjustment expenses	(40,346)	(35,513)	(24,869)
Unearned premiums	33,390	46,618	12,260
Accounts payable	2,809	(3,743)	680
Reinsurance payable, net	7,306	7,519	(20,166)
Income taxes payable	—	3,510	6,239
Other liabilities and accrued expenses	(505)	625	2,774
Advance premium	(7,017)	6,894	(5,040)
Net cash provided by (used in) operating activities	121,396	219,271	123,346
Cash flows from investing activities:			
Proceeds from sale of property and equipment	36	86	84
Purchases of property and equipment	(8,223)	(11,869)	(9,267)
Payments to acquire a business	—	(1,000)	—
Purchases of equity securities	(66,688)	(65,038)	(116,541)
Purchases of fixed maturities	(320,131)	(178,198)	(106,885)
Purchases of short-term investments	—	(87,538)	(50,000)
Purchases of investment real estate, net	(5,496)	(6,220)	—
Proceeds from sales of equity securities	60,558	41,456	163,981
Proceeds from sales of fixed maturities	86,018	38,379	17,153
Proceeds from sales of short-term investments	—	12,500	—
Maturities of fixed maturities	54,615	74,390	24,287
Maturities of short-term investments	25,000	100,000	—
Net cash provided by (used in) investing activities	(174,311)	(83,052)	(77,188)
Cash flows from financing activities:			
Preferred stock dividend	(10)	(10)	(13)
Common stock dividend	(24,192)	(22,287)	(19,240)
Issuance of common stock	119	511	73
Purchase of treasury stock	(8,510)	(18,649)	(29,736)
Sale of treasury stock	2,965	—	—
Purchase of preferred stock	—	(256)	—
Proceeds received from issuance of contingently redeemable common stock	—	—	19,000
Payments related to tax withholding for share-based compensation	(5,451)	(12,141)	(17,655)
Excess tax benefits (shortfall) from share-based compensation	(1,154)	5,310	7,006
Repayment of debt	(2,136)	(8,470)	(7,471)
Borrowings under promissory note	—	1,390	—
Net cash provided by (used in) financing activities	(38,369)	(54,602)	(48,036)
Net increase (decrease) in cash and cash equivalents	(91,284)	81,617	(1,878)
Cash and cash equivalents at beginning of period	197,014	115,397	117,275
Cash and cash equivalents at end of period	$ 105,730	$ 197,014	$ 115,397
Supplemental cash and non-cash flow disclosures:			
Interest paid	$ 421	$ 963	$ 1,486
Income taxes paid	$ 63,378	$ 65,383	$ 44,769
Income tax refund	$ 5,633	$ —	$ —

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

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

NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of Operations, Basis of Presentation and Consolidation

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 December 31, 2016, 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 or 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.

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP"). The consolidated financial statements include the accounts of UVE and its wholly owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

To conform to 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.

Consolidated Statement of Cash Flows – Additional Disclosure

As discussed in *"—Note 8 (Stockholders' Equity)"* , in April 2016 the Company entered into a Purchase and Exchange Agreement with RenaissanceRe Ventures Ltd. pursuant to which the Company sold an aggregate of 583,771 shares of UVE common stock at a price of $17.13 per share for a total consideration of $10 million of which $7.035 million represents cancellation of outstanding indebtedness, non-cash portion, and the balance of $2.965 million was received in cash. The non-cash portion of the transaction has been excluded from the consolidated statement of cash flows.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. The Company's primary areas of estimate are the recognition of premium revenues, liabilities for unpaid losses and loss adjustment expenses, provision for premium deficiency and reinsurance. Actual results could differ from those estimates.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

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

Cash and Cash Equivalents. The Company includes in cash equivalents all short-term, highly liquid investments that are readily convertible to known amounts of cash and have an original maturity of three months or less. These amounts are carried at cost, which approximates fair value. The Company excludes any net negative cash balances from cash and cash equivalents that the Company has with any single financial institution. These amounts represent outstanding checks not yet presented to the financial institution and are reclassified to liabilities and presented as book overdraft in the Company's Consolidated Balance Sheets.

Restricted Cash and Cash Equivalents. The Company classifies amounts of cash and cash equivalents that are restricted in terms of their use and withdrawal separately on the face the Consolidated Balance Sheets. See "*— Note 5 (Insurance Operations)* ," for a discussion of the nature of the restrictions.

Investment Securities, Available for Sale . Investment securities available for sale consist of fixed maturities, eq uity securities and short-term investments with maturities of greater than three months. Investment securities available for sale are recorded at fair value on the consolidated balance sheet. Unrealized gains and losses on securities available for sale are excluded from earnings and reported as a component of other comprehensive income, net of related deferred taxes until reclassified to earnings upon the consummation of sales transaction with an unrelated third party or when the decline in fair value is de emed other than temporary.

The assessment of whether the impairment of a security's fair value is other than temporary is performed using a portfolio review as well as a case-by-case review considering a wide range of factors. There are a number of assumptions and estimates inherent in evaluating impairments and determining if they are other than temporary, including: 1) the Company's ability and intent to hold the investment for a period of time sufficient to allow for an anticipated recovery in value; 2) the expected recoverability of principal and interest; 3) the extent and length of time to which the fair value has been less than amortized cost for fixed maturity securities or cost for equity securities and short-term investments referred to as severity and duration; 4) the financial condition, near-term and long-term prospects of the issue or issuer, including relevant industry conditions and trends, and implications of rating agency actions and offering prices referred to as credit quality; and 5) the specific reasons that a security is in a significant unrealized loss position, including market conditions which could affect liquidity. Additionally, once assumptions and estimates are made, any number of changes in facts and circumstances could cause the Company to subsequently determine that an impairment is other than temporary, including: 1) general economic conditions that are worse than previously forecasted or that have a greater adverse effect on a particular issuer or industry sector than originally estimated; 2) changes in the facts and circumstances related to a particular issue or issuer's ability to meet all of its contractual obligations; and 3) changes in facts and circumstances obtained that causes a change in our ability or intent to hold a security to maturity or until it recovers in value. Management's intent and ability to hold securities is a determination that is made at each respective balance sheet date giving consideration to factors known to management for each individual issuer of securities such as credit quality and other publicly available information.

Gains and losses realized on the disposition of investment securities available for sale are determined on the FIFO basis and credited or charged to income. Premium and discount on investment securities are amortized and accreted using the interest method and charged or credited to investment income.

Investment Real Estate. Investment real estate is recorded at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. Real estate taxes, interest and other costs incurred during development and construction of non-income producing properties are capitalized. Income and expenses from income producing real estate are reported under net investment income. Investment real estate is evaluated for impairment when events or circumstances indicate the carrying value may not be recoverable.

Premiums Receivable. Generally, premiums are collected prior to providing risk coverage, minimizing the Company's exposure to credit risk. The Company performs a policy level evaluation to determine the extent the premiums receivable balance exceeds the unearned premiums balance. The Company then ages this exposure to establish an allowance for doubtful accounts based on prior experience. As of December 31, 2016 and 2015, the Company had recorded allowances for doubtful accounts in the amounts of $527 thousand and $344 thousand, respectively.

Property and Equipment. Property and equipment is recorded at cost less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful life of the assets. Estimated useful life of all property and equipment ranges from three to twenty-seven-and-one-half years. Expenditures for improvements are capitalized and depreciated over the remaining useful life of the asset. Routine repairs and maintenance are expensed as incurred. Website development costs are capitalized and amortized over their estimated useful life. The Company reviews its property and equipment annually and whenever changes in circumstances indicate that the carrying amount may not be recoverable.

Recognition of Premium Revenues. The Company recognizes revenue when realized or realizable and earned. Property and liability premiums are recognized as revenue on a pro rata basis over the policy term. The portion of premiums that will be earned in the future is deferred and reported as unearned premiums. The Company believes that its revenue recognition policies conform to GAAP. In the event policyholders cancel their policies, unearned premiums represent amounts that the Insurance Entities would refund policyholders. Accordingly, the Company determines unearned premiums by calculating the pro rata amount that would be due to the policyholders at a given point in time based upon the premiums owed over the life of each policy.

Recognition of Commission Revenue and Policy Fees . Commission revenue generated from agency operations and the Managing General Agent (MGA)'s policy fee on all new and renewal insurance policies are recognized as income upon policy inception. Brokerage commission revenue earned on ceded reinsurance is recognized over the term of the reinsurance agreements.

Recognition of Policyholder Payment Plan Fee Revenue. The Company offers its policyholders the option of paying their policy premiums in full at inception or in two or four installment payments. The Company charges fees to its policyholders that elect to pay their premium i n installments and records such fees as revenue when the policyholder makes the installment payment election and the Company bills the fees to the policyholder. These fees are included in Other Revenue in the Company's Consolidated Statements of Income.

Deferred Policy Acquisition Costs . Certain costs incurred in connection with the successful acquisition and renewal of insurance business are deferred and amortized over the terms of the policies to which they are related. A portion of reinsurance ceding commissions received are deferred and amortized over the effective period of the related insurance policies. Deferred policy acquisition costs and deferred ceding commissions are netted for balance sheet presentation purposes.

Goodwill. Goodwill arising from the acquisition of a business is initially measured at cost and not subject to amortization. We assess goodwill for potential impairments at the end of each fiscal year, or during the year if an event or other circumstance indicates that we may not be able to recover the carrying amount of the asset. Goodwill is included under Other Assets in the Consolidated Balance Sheets.

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

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

Provision for Premium Deficiency . It is the Company's policy to evaluate and recognize losses on insurance contracts when estimated future claims and maintenance costs under a group of existing contracts will exceed anticipated future premiums. No accruals for premium deficiency were considered necessary as of December 31, 2016 and 2015.

Reinsurance . Ceded written premium is recorded upon the effective date of the reinsurance contracts and earned over the contract period. Amounts recoverable from reinsurers are estimated in a manner consistent with the provisions of the reinsurance agreements and consistent with the establishment of the liability of the Company. Allowances are established for amounts deemed uncollectible if any.

Income Taxes . Income tax provisions are based on the asset and liability method. Deferred federal and state income taxes have been provided for temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements, net of valuation allowance if any. The Company reviews its deferred tax assets for recoverability.

Income (Loss) Per Share of Common Stock . Basic earnings per share is computed by dividing the Company's net income (loss) available to common stockholders, by the weighted-average number of shares of Common Stock outstanding during the period. Diluted earnings per share is computed by dividing the Company's net income (loss) by the weighted average number of shares of Common Stock outstanding during the period and the impact of all dilutive potential common shares, primarily preferred stock, unvested shares and options. The dilutive impact of stock options and unvested shares is determined by applying the treasury stock method and the dilutive impact of the preferred stock is determined by applying the "if converted" method.

Fair Value Measurements . The Company's policy is to record transfers of assets and liabilities, if any, between Level 1 and Level 2 at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value.

Share-based Compensation. The Company accounts for share-based compensation based on the estimated grant-date fair value. The Company recognizes these compensation costs in general and administrative expenses and generally amortizes them on a straight-line basis over the requisite service period of the award, which is the vesting term. Individual tranches of performance-based awards are amortized separately since the vesting of each tranche is subject to independent annual measures. The fair value of stock option awards are estimated using the Black-Scholes option pricing model with the grant-date assumptions discussed in "*— Note 9 (Share-Based Compensation)* ." The fair value of the restricted share grants are determined based on the market price on the date of grant.

Statutory Accounting. UPCIC and APPCIC prepare statutory financial statements in conformity with accounting practices prescribed or permitted by the Florida Office of Insurance Regulation (the "FLOIR"). The FLOIR requires that insurance companies domiciled in Florida prepare their statutory financial statements in accordance with the Manual (the "Manual"), as modified by the FLOIR.

Accordingly, the admitted assets, liabilities and capital and surplus of UPCIC and APPCIC as of December 31, 2016 and 2015 and the results of operati ons and cash flows, for the years ended December 31, 2016, 2015 and 2014, have been determined in accordance with statutory accounting principles, but adjusted to GAAP for purposes of these financial statements. The statutory accounting principles are desi gned primarily to demonstrate the ability to meet obligations to policyholders and claimants and, consequently, differ in some respects from GAAP.

New Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board ("FASB") issued guidance addressing enhanced disclosure requirements for insurers relating to short-duration insurance contract claims and the unpaid claims liability rollforward for short-duration contracts. The disclosures are intended to provide users of financial statements with more transparent information about an insurance entity's initial claim estimates and subsequent adjustments to those estimates, the methodologies and judgments used to estimate claims, and the timing, frequency, and severity of claims. The guidance is effective for annual reporting periods beginning after December 15, 2015. Early application is permitted. The Company adopted this guidance effective January 1, 2016. The adoption of this guidance results in additional disclosures but did not impact the Company's results of operations, financial position or liquidity.

NOTE 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):

	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

	December 31, 2015			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed Maturities:				
U.S. government obligations and agencies	$ 126,209	$ —	$ (867)	$ 125,342
Corporate bonds	126,421	137	(1,041)	125,517
Mortgage-backed and asset-backed securities	151,328	97	(1,265)	150,160
Redeemable preferred stock	9,665	429	(29)	10,065
Other	5,000	—	(1)	4,999
Equity Securities:				
Common stock	10,991	15	(244)	10,762
Mutual funds	35,221	5	(3,774)	31,452
Short-term investments	25,011	10	—	25,021
Total	$ 489,846	$ 693	$ (7,221)	$ 483,318

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):

Comparable Ratings	December 31, 2016 Fair Value	December 31, 2016 % of Total Fair Value	December 31, 2015 Fair Value	December 31, 2015 % of Total Fair Value
AAA	$ 131,260	22.3%	$ 103,097	23.4%
AA	275,480	46.7%	189,600	43.0%
A	107,418	18.2%	83,850	19.0%
BBB	67,263	11.4%	41,408	9.4%
BB and Below	3,444	0.6%	4,261	1.0%
No Rating Available	4,498	0.8%	18,888	4.2%
Total	$ 589,363	100.0%	$ 441,104	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):

	December 31, 2016 Cost or Amortized Cost	December 31, 2016 Fair Value	December 31, 2015 Cost or Amortized Cost	December 31, 2015 Fair Value
Mortgage-backed securities:				
Agency	$ 110,724	$ 109,022	$ 74,353	$ 73,854
Non-agency	19,408	19,265	10,430	10,183
Asset-backed securities:				
Auto loan receivables	37,390	37,429	29,883	29,712
Credit card receivables	38,640	38,568	32,225	31,985
Other receivables	10,517	10,492	4,437	4,426
Total	$ 216,679	$ 214,776	$ 151,328	$ 150,160

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 (in thousands):

	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)

	December 31, 2015					
	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	10	$ 121,912	$ (690)	2	$ 3,429	$ (177)
Corporate bonds	101	90,717	(927)	6	4,789	(114)
Mortgage-backed and asset-backed securities	51	118,743	(974)	6	13,902	(291)
Redeemable preferred stock	5	764	(29)	—	—	—
Other	1	4,999	(1)	—	—	—
Equity securities:						
Common stock	3	8,690	(148)	2	93	(96)
Mutual funds	3	13,192	(374)	1	7,867	(3,400)
Total	174	$ 359,017	$ (3,143)	17	$ 30,080	$ (4,078)

Evaluating Investments in OTTI

As of December 31, 2016, 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, our fixed income portfolio is of high quality and we believe we will 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 principal 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 believe the unrealized losses for securities available for sale as of December 31, 2016 are other than temporary.

As of December 31, 2016, the Company held approximately $11.6 million equity securities that were in an unrealized loss position twelve months or longer. The unrealized loss on these securities was $2.9 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 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):

	December 31, 2016	
	Cost or Amortized Cost	Fair Value
Due in one year or less	$ 48,919	$ 48,920
Due after one year through five years	229,278	228,000
Due after five years through ten years	34,165	33,301
Due after ten years	54,697	51,675
Mortgage-backed and asset-backed securities	216,679	214,776
Perpetual maturity securities	12,723	12,691
Total	$ 596,461	$ 589,363

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):

	Years Ended December 31, 2016	Years Ended December 31, 2015
Sales proceeds (fair value)	$ 146,576	$ 92,335
Gross realized gains	$ 2,329	$ 1,553
Gross realized losses	$ (35)	$ (493)

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

	Years Ended December 31, 2016	2015	2014
Fixed maturities	$ 9,523	$ 5,642	$ 3,329
Equity securities	1,414	1,143	988
Short-term investments	75	246	46
Other (1)	734	409	83
Total investment income	11,746	7,440	4,446
Less: Investment expenses (2)	(2,206)	(2,285)	(2,071)
Net investment (expense) income	$ 9,540	$ 5,155	$ 2,375

(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):

	December 31, 2016	December 31, 2015
Income Producing:		
Investment real estate	$ 6,918	$ 6,220
Less: Accumulated depreciation	(281)	(103)
	6,637	6,117
Non-Income Producing:		
Properties under development	4,798	—
Investment real estate, net	$ 11,435	$ 6,117

NOTE 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.

The Company eliminated the quota share ceded by UPCIC to its reinsurers beginning with the reinsurance program effective June 1, 2015. Under the quota share contracts that were effective June 1, 2014 through May 31, 2015, the quota share ceded by UPCIC to its reinsurers was 30%. By eliminating the quota share, the Company expects to increase its profitability by retaining all premiums. The elimination of the quota share also decreases the amount of losses and LAE that may be ceded by UPCIC and effectively increases the amount of risk retained by UPCIC and the Company. The elimination of the quota share also eliminates ceding commissions earned from the Company's quota share reinsurer during the contract term and eliminates deferred ceding commissions, netted against deferred policy acquisition costs.

The following table presents quota-share cession rates by reinsurance program and the years they were in effect:

Reinsurance Program	Cession Rate
June 2012 - May 2013	45%
June 2013 - May 2014	45%
June 2014 - May 2015	30%
June 2015 - May 2016	0%
June 2016 - May 2017	0%

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. Ceding commissions received in connection with quota share reinsurance are deferred and netted against deferred policy acquisition costs and amortized over the effective period of the related insurance policies.

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 December 31, 2016			Due from as of December 31,	
Reinsurer	AM Best Company	Standard and Poor's Rating Services	Moody's Investors Service, Inc.	2016	2015
Florida Hurricane Catastrophe Fund	n/a	n/a	n/a	$ 46,364	$ 42,086
Odyssey Reinsurance Company	A	A-	A3	—	18,742
Total (1)				$ 46,364	$ 60,828

(1) Amounts represent prepaid reinsurance premiums, reinsurance receivables, and net recoverables for paid and unpaid losses, including incurred but not reported reserves, loss adjustment expenses, and offsetting reinsurance payables.

n/a No rating available, because entity is not rated.

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

	For the Year Ended December 31, 2016		
	Premiums Written	Premiums Earned	Losses and Loss Adjustment Expenses
Direct	$ 954,617	$ 921,227	$ 303,036
Ceded	(298,523)	(288,811)	(1,807)
Net	$ 656,094	$ 632,416	$ 301,229

	For the Year Ended December 31, 2015		
	Premiums Written	Premiums Earned	Losses and Loss Adjustment Expenses
Direct	$ 883,409	$ 836,792	$ 214,491
Ceded	(256,961)	(332,793)	(26,752)
Net	$ 626,448	$ 503,999	$ 187,739

	For the Year Ended December 31, 2014		
	Premiums Written	Premiums Earned	Losses and Loss Adjustment Expenses
Direct	$ 789,577	$ 777,317	$ 199,181
Ceded	(399,730)	(450,440)	(75,906)
Net	$ 389,847	$ 326,877	$ 123,275

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

	As of December 31,	
	2016	2015
Prepaid reinsurance premiums	$ 124,385	$ 114,673
Reinsurance recoverable on unpaid losses and LAE	$ 106	$ 13,540
Reinsurance recoverable (payable) on paid losses	(1,532)	9,313
Reinsurance receivable, net	186	353
Reinsurance recoverable (payable) and receivable	$ (1,240)	$ 23,206

NOTE 5 – INSURANCE OPERATIONS

Deferred Policy Acquisition Costs, net

The Company defers certain costs in connection with written policies, called Deferred Policy Acquisition Costs ("DPAC"), net of corresponding amounts of ceded reinsurance commissions, called Deferred Reinsurance Ceding Commissions ("DRCC"). Net 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, net of DRCC, for the periods presented (in thousands):

	Years Ended December 31,		
	2016	2015	2014
DPAC, beginning of year	$ 60,019	$ 54,603	$ 54,099
Capitalized Costs	130,243	116,954	108,072
Amortization of DPAC	(125,350)	(111,538)	(107,568)
DPAC, end of year	$ 64,912	$ 60,019	$ 54,603
DRCC, beginning of year	$ —	$ 28,943	$ 38,200
Ceding Commissions Written	—	(5,276)	64,810
Earned Ceding Commissions	—	(23,667)	(74,067)
DRCC, end of year	$ —	$ —	$ 28,943
DPAC (DRCC), net, beginning of year	$ 60,019	$ 25,660	$ 15,899
Capitalized Costs, net	130,243	122,230	43,262
Amortization of DPAC (DRCC), net	(125,350)	(87,871)	(33,501)
DPAC (DRCC), net, end of year	$ 64,912	$ 60,019	$ 25,660

Regulatory Requirements and Restrictions

The Insurance Entities are subject to regulations and standards of the 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"), withou t 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 l imit 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 year ended December 31, 2016, no dividends were paid from UPCIC or APPCIC to UVECF. Dividends paid to the shareholders of UVE in 2016 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 GAAP, and an amount representing ten percent of total liabilities for both UPCIC and APPCIC as of the dates presented (in thousands):

	As of December 31,	
	2016	2015
Ten percent of total liabilities		
UPCIC	$ 57,560	$ 55,928
APPCIC	$ 464	$ 463
Statutory capital and surplus		
UPCIC	$ 313,753	$ 256,987
APPCIC	$ 17,280	$ 14,777

As of the dates in the table above, both UPCIC and APPCIC exceeded the minimum statutory capitalization requirement. UPCIC also met the capitalization requirements of the other states in which it is licensed as of December 31, 2016. UPCIC and APPCIC are also required to adhere to prescribed premium-to-capital surplus ratios and have met those requirements at such dates.

Through UVECF, the Insurance Entities' parent company, UVE recorded capital contributions for the periods presented (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Capital Contributions	$ 2,000	$ —	$ —

UVECF made this contribution to APPCIC's capital in conjunction with APPCIC's request for FLOIR approval to transact commercial residential insurance products in Florida. The FLOIR granted APPCIC's request.

UPCIC and APPCIC are required annually to comply with the NAIC risk-based capital ("RBC") requirements. RBC requirements prescribe a method of measuring the amount of capital appropriate for an insurance company to support its overall business operations in light of its size and risk profile. NAIC RBC requirements are used by regulators to determine appropriate regulatory actions relating to insurers who show signs of weak or deteriorating condition. As of December 31, 2016, based on calculations using the appropriate NAIC RBC formula, UPCIC's and APPCIC's reported total adjusted capital was in excess of the requirements.

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):

	As of December 31,	
	2016	2015
Restricted cash and cash equivalents	$ 2,635	$ 2,635
Investments	$ 3,952	$ 3,876

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of the dates presented (in thousands):

	As of December 31, 2016	As of December 31, 2015
Land	$ 4,489	$ 3,987
Building	17,633	17,806
Computers	5,577	5,118
Furniture	1,381	1,284
Automobiles and other vehicles	5,523	5,096
Software	2,035	706
Total	36,638	33,997
Less: Accumulated depreciation	(8,527)	(7,173)
Net of accumulated deprecation	28,111	26,824
Construction in progress	4,051	241
Property and equipment, net	$ 32,162	$ 27,065

Depreciation and amortization was $3.1 million, $1.9 million and $1.2 million for the years ended December 31, 2016, 2015 and 2014, respectively.

The following table provides realized gains (losses) on the disposal of property and equipment during the periods presented (in thousands):

	For the Years Ended December 31, 2016	2015	2014
Realized gain (loss) on disposal	$ (31)	$ (26)	$ (19)

NOTE 7 – LONG-TERM DEBT

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

	As of December 31, 2016	As of December 31, 2015
Surplus note	$ 14,338	$ 15,809
Term loan	—	6,851
Promissory note	690	1,390
Total	$ 15,028	$ 24,050

Surplus Note

On November 9, 2006, UPCIC entered into a $25.0 million surplus note with the State Board of Administration of Florida (the “SBA”) under Florida’s Insurance Capital Build-Up Incentive Program (the “ICBUI”). The surplus note has a twenty-year term and accrues interest, adjusted quarterly based on the 10-year Constant Maturity Treasury Index. The carrying amount of the surplus note is included in the statutory capital and surplus of UPCIC of approximately $14.3 million as of December 31, 2016.

The effective interest rate paid on the surplus note was 1.88%, 2.21% and 2.73% for years ended December 31, 2016, 2015 and 2014, respectively. Any payment of principal or interest by UPCIC on the surplus note must be approved by the Commissioner of the OIR. Quarterly principal payments of $368 thousand are due through 2026. Aggregate principal payments of $1.5 million were made during each of the years ended December 31, 2016, 2015 and 2014.

UPCIC is in compliance with each of the loan’s covenants as implemented by rules promulgated by the SBA. An event of default will occur under the surplus note, as amended, if UPCIC: (i) defaults in the payment of the surplus note; (ii) fails to submit quarterly filings to the FLOIR; (iii) fails to maintain at least $50 million of surplus during the term of the surplus note, except for certain situations; (iv) misuses proceeds of the surplus note; (v) makes any misrepresentations in the application for the program; (vi) pays any dividend when principal or interest payments are past due under the surplus note; or (vii) fails to maintain a level of surplus and reinsurance sufficient to cover in excess of UPCIC’s 1-in-100 year probable maximum loss as determined by a hurricane loss model accepted by the Florida Commission on Hurricane Loss Projection Methodology as certified by the FLOIR annually. To avoid a penalty rate, UPCIC must maintain either a ratio of net written premium to surplus of 2:1 or a ratio of gross written premiums to surplus of 6:1

according to a calculation method set forth in the surplus note. As of December 31, 20 16, UPCIC's net written premium to surplus ratio and gross written premium to surplus ratio were in excess of the required minimums and, therefore, UPCIC is not subject to increases in interest rates.

Term Loan

On May 23, 2013, UVE entered into a $20 million unsecured term loan agreement and related term note (the "Term Loan") with RenaissanceRe Ventures Ltd. ("RenRe Ventures").

The Term Loan provided an interest at the rate of 0.50% per annum and matured on the earlier of May 23, 2016 or the date that all principal under the Term Loan was pre-paid or deemed paid in full. The Term Loan was amortized over the three-year term and UVE could elect whether to prepay the loan without penalty. Principal was paid annually on the anniversary of the closing date in three annual installments and interest was payable in arrears on the same dates as the principal payments. The Term Loan contained financial covenants.

The stated interest rate of the Term Loan of 0.50% was below the Company's borrowing rate resulting in imputed interest and an original issue discount computed by calculating the present value of the future principal and interest payments which utilized the Company's borrowing rate. Concurrent with the establishment of the original issue discount, the Company recorded a deferred credit, a component of other liabilities and accrued expenses, for an equal amount against premium payments the Company made in connection with a catastrophe risk-linked transaction contract entered into with RenRe on the same date and with the same maturity date as the Term Loan. The original issue discount was amortized to interest expense over the life of the Term Loan and the deferred credit was amortized as a reduction in insurance expense, a component of general and administrative expenses, over the life of a covered loss index swap with RenRe.

On April 28, 2016, the Company entered into a Purchase and Exchange Agreement with RenRe, pursuant to which the Company sold 583,771 shares of UVE common stock in a private placement to RenRe Ventures at a price of $17.13 per share for total consideration of $10.0 million, which was comprised of $2.965 million in cash and $7.035 million in cancellation of outstanding indebtedness, including accrued interest. See *"—Note 8 (Stockholders' Equity)"* for details of the cancellation of the Term Loan.

The following table provides the principal amount and unamortized original issue discount of the Term Loan as of the dates presented (in thousands):

	As of December 31, 2016	As of December 31, 2015
Principal amount	$ —	$ 7,000
Less: Unamortized discount	—	(149)
Term Loan, net of unamortized discount	$ —	$ 6,851

Through the interest rate payment of 0.50% per annum and the amortization of the discount, the effective interest rate on the Term Loan was 5.99%.

Amortization of the original issue discount is included in interest expense, a component of general and administrative expenses, in the Consolidated Statements of Income and was $149 thousand $521 thousand and $840 thousand for the years ended December 31, 2016, 2015 and 2014, respectively.

Unsecured Line of Credit

On March 29, 2013, UVE entered into a revolving loan agreement and related revolving note (the "DB Loan") with Deutsche Bank Trust Company Americas ("Deutsche Bank"), which was amended in July 2015. The DB Loan makes available to UVE an unsecured line of credit in an aggregate amount not to exceed $15.0 million. Draws under the DB Loan 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 December 31, 2016, UVE was in compliance with all such covenants. UVE had not drawn any amounts under the unsecured line of credit as of December 31, 2016.

Should UVE default on the DB Loan, it will be prohibited from paying dividends to its shareholders.

Maturities

The following table provides an estimate of principal payments to be made for the amounts due on the surplus note and the Term Loan as of December 31, 2016 (in thousands):

2017	$	2,161
2018		1,471
2019		1,471
2020		1,471
2021		1,471
Thereafter		6,983
Total	$	15,028

Interest Expense

Interest expense was $0.4 million, $1.0 million, and $1.5 million for the years ended December 31, 2016, 2015 and 2014, respectively.

NOTE 8 – STOCKHOLDERS' EQUITY

Cumulative Convertible Preferred Stock

As of December 31, 2016 and 2015, the Company had shares outstanding of Series A Preferred Stock. Each share of Series A Preferred Stock is convertible by the Company into shares of Common Stock.

The following table provides certain information for the convertible Series A preferred stock as of the dates presented (in thousands, except conversion factor):

	As of December 31,	
	2016	2015
Shares issued and outstanding	10	10
Conversion factor	2.50	2.50
Common shares resulting if converted	25	25

The Series A Preferred Stock pays a cumulative dividend of $0.25 per share per quarter. The Company declared and paid aggregate dividends to holders of record of the Company's Series A Preferred Stock of $10 thousand for each of the years ended December 31, 2016 and 2015.

Common Stock and Contingently Redeemable Common Stock

The following table summarizes the activity relating to shares of the Company's Common Stock and Contingently Redeemable Common Stock during the periods presented (in thousands):

	Issued Shares	Treasury Shares	Outstanding Shares
Balance, as of December 31, 2013	43,641	(8,275)	35,366
Conversion of preferred stock	65	—	65
Shares repurchased	—	(2,392)	(2,392)
Treasury shares reissued and classified as contingently redeemable common stock (1)	—	1,000	1,000
Options exercised	1,900	—	1,900
Restricted stock grant	950	—	950
Shares acquired through cashless exercise (2)	—	(1,787)	(1,787)
Shares cancelled	(1,787)	1,787	—
Balance, as of December 31, 2014	44,769	(9,667)	35,102
Shares repurchased	—	(748)	(748)
Options exercised	751	—	751
Restricted stock grant	615	—	615
Shares acquired through cashless exercise (2)	—	(610)	(610)
Shares cancelled	(610)	610	—
Balance, as of December 31, 2015	45,525	(10,415)	35,110
Shares repurchased	—	(441)	(441)
Shares reissued	—	584	584
Options exercised	124	—	124
Shares acquired through cashless exercise (2)	—	(325)	(325)
Shares cancelled	(325)	325	—
Balance, as of December 31, 2016	45,324	(10,272)	35,052

(1) Privately negotiated transaction at $19.00 per share, subject to holding period restrictions as of December 31, 2014. Subsequent to December 31, 2014, such restrictions were removed and contingently redeemable common stock was reclassified to common stock.

(2) All shares acquired represent shares tendered to cover the strike price for options and tax withholdings on the intrinsic value of options exercised or restricted stock (as defined in "— *Note 9 (Share-Based Compensation)* ") vested. These shares have been cancelled by the Company.

In April 2016, the Company sold 583,771 shares of UVE common stock in a private placement to RenRe Ventures at a price of $17.13 per share for total consideration of $10 million, which was comprised of $2.965 million in cash and $7.035 million in cancellation of outstanding indebtedness, including accrued interest. See *"—Note 7 (Long-Term Debt)"* for details of the Company's debt structure.

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 the Exchange Act Rule 10b-18 up to $20.0 million of its outstanding shares of common stock through December 31, 2017. UVE repurchased 98,929 shares, at an aggregate price of approximately $2.1 million, pursuant to such repurchase program through December 2016.

During the year ended December 31, 2016, UVE repurchased an aggregate of 441,036 shares of its common stock in the open market in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended, at a total cost of $8.5 million.

Dividends Declared

The Company declared dividends on its outstanding shares of common stock to its shareholders of record as follows for the periods presented (in thousands, except per share amounts):

	For the Years Ended December 31,					
	2016		2015		2014	
	Per Share Amount	Aggregate Amount	Per Share Amount	Aggregate Amount	Per Share Amount	Aggregate Amount
First Quarter	$ 0.14	$ 4,915	$ 0.12	$ 4,237	$ 0.10	$ 3,464
Second Quarter	$ 0.14	$ 4,913	$ 0.12	$ 4,283	$ 0.10	$ 3,502
Third Quarter	$ 0.14	4,903	$ 0.12	$ 4,275	$ 0.10	$ 3,429
Fourth Quarter	$ 0.27	9,461	$ 0.27	$ 9,492	$ 0.25	$ 8,845

Applicable provisions of the Delaware General Corporation Law may affect the ability of the Company to declare and pay dividends on its Common Stock. In particular, pursuant to the Delaware General Corporation Law, a company may pay dividends out of its surplus, as defined, or out of its net profits, for the fiscal year in which the dividend is declared and/or the preceding year. Surplus is defined in the Delaware General Corporation Law to be the excess of net assets of the company over capital. Capital is defined to be the aggregate par value of shares issued. Moreover, the ability of the Company to pay dividends, if and when declared by its Board of Directors, may be restricted by regulatory limits on the amount of dividends, which the Insurance Entities are permitted to pay the Company.

Restrictions limiting the payment of dividends by UVE

UVE pays dividends to shareholders, which are funded by earnings on investments and distributions from the earnings of its consolidated subsidiaries. Generally, other than as disclosed above and in "— *Note 7 (Long-Term Debt)* ," there are no restrictions for UVE limiting the payment of dividends. However, UVE's ability to pay dividends to shareholders may be affected by restrictions on the ability of the Insurance Entities to pay dividends to UVE through UVECF. See "— *Note 5 (Insurance Operations)* ," for a discussion of these restrictions. There are no such restrictions for UVE's non-insurance consolidated subsidiaries. Notwithstanding the restriction on the net assets of the Insurance Entities, UVE received distributions from the earnings of its non-insurance consolidated subsidiaries of $46.9 million, $58.2 million and $55.8 million during the years ended December 31, 2016, 2015 and 2014, respectively. During the year ended December 31, 2016, UVE made a capital contribution of $2.0 million to one of our Insurance Entities, APPCIC, in conjunction with APPCIC's plan to begin writing commercial residential products in Florida. There were no capital contributions by UVE to the Insurance Entities during the years ended December 31, 2015 and 2014. The Company prepares and files a consolidated federal tax return for UVE and its consolidated subsidiaries with all GAAP tax related entries recorded on the books of UVE. Since the GAAP tax related entries are not recorded at the subsidiary level, the Company does not have the ability to produce the amount of net assets for each of its subsidiaries in accordance with GAAP.

NOTE 9 – SHARE-BASED COMPENSATION

Equity Compensation Plan

Under the Company's 2009 Omnibus Incentive Plan, as amended (the "Incentive Plan"), 2,518,131 shares remained reserved for issuance and were available for new awards under the Incentive Plan as of December 31, 2016.

Awards under the Incentive Plan may include incentive stock options, non-qualified stock option awards ("Stock Option"), stock appreciation rights, non-vested shares of Common Stock ("Restricted Stock"), restricted stock units, performance share units ("PSUs"), other share-based awards and cash-based incentive awards. Awards under the Incentive Plan may be granted to employees, directors, consultants or other persons providing services to the Company or its affiliates. The Incentive Plan also provides for awards that are intended to qualify as "performance-based compensation" in order to preserve the deductibility of such compensation by the Company under Section 162(m) of the Internal Revenue Code.

The following table provides certain information related to Stock Options, Restricte d Stock, and PSUs during the year ended December 31, 2016 (in thousands, except per share data):

	For the Year Ended December 31, 2016							
	Stock Options				Restricted Stock		Performance Share Units	
	Number of Options	Weighted Average Exercise Price per Share (1)	Aggregate Intrinsic Value	Weighted Average Remaining Term	Number of Shares (2)	Weighted Average Grant Date Fair Value per Share (1)	Number of Share Units (2)	Weighted Average Grant Date Fair Value per Share (1)
Outstanding as of December 31, 2015	2,269	$ 13.22			615	$ 26.04	—	$ —
Granted	1,114	19.56			—	—	173	23.18
Forfeited	—	—			n/a	n/a	n/a	n/a
Exercised	(124)	7.29			n/a	n/a	n/a	n/a
Vested	n/a	n/a			(615)	26.04	—	—
Expired	(45)	4.70			n/a	n/a	n/a	n/a
Outstanding as of December 31, 2016	3,214	$ 15.77	$ 40,589	5.05	—	$ —	173	$ 23.18
Exercisable as of December 31, 2016	1,249	$ 11.23	$ 21,438	2.49				

(1) Unless otherwise specified, such as in the case of the exercise of Stock Options, the per share prices were determined using the closing price of the Company’s Common Stock as quoted on the exchanges on which the Company was listed. Shares issued upon exercise of options represent original issuances in private transactions pursuant to Section 4(2) of the Securities Act of 1933, as amended or issuances under the Company's Incentive Plan.

(2) All shares outstanding as of December 31, 2016 are expected to vest.

n/a Not applicable

The following table provides certain information in connection with the Company's share-based compensation arrangements for the periods presented (in thousands):

	Years Ended December 31, 2016	2015	2014
Compensation expense:			
Stock options	$ 3,641	$ 1,389	$ 675
Restricted stock	3,433	15,997	11,667
Performance share units	3,214	—	—
Total	$ 10,288	$ 17,386	$ 12,342
Deferred tax benefits:			
Stock options	$ 1,392	$ 532	$ 260
Restricted stock	1,312	4,816	83
Performance share units	1,229	—	—
Total	$ 3,933	$ 5,348	$ 343
Realized tax benefits:			
Stock options	$ 724	$ 5,369	$ 7,321
Restricted stock	4,326	—	967
Performance share units	—	—	—
Total	$ 5,050	$ 5,369	$ 8,288
Excess tax benefits (shortfall):			
Stock options	$ 642	$ 5,310	$ 6,472
Restricted stock	(1,796)	—	534
Performance share units	—	—	—
Total	$ (1,154)	$ 5,310	$ 7,006
Weighted average fair value per option or share:			
Stock option grants	$ 6.01	$ 6.34	$ 3.39
Restricted stock grants	$ —	$ 26.04	$ 12.88
Performance share unit grants	$ 23.18	$ —	$ —
Intrinsic value of options exercised	$ 1,894	$ 14,734	$ 18,979
Fair value of restricted stock vested	$ 11,319	$ 17,505	$ 28,350
Cash received for strike price and tax withholdings	$ 119	$ 519	$ 73
Shares acquired through cashless exercise (1)	325	611	1,787
Value of shares acquired through cashless exercise (1)	$ 6,238	$ 15,445	$ 26,947

(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 Restricted Stock vested. These shares have been cancelled by the Company.

The following table provides the amount of unrecognized compensation expense as of the most recent balance sheet date and the weighted average period over which those expenses will be recorded for both Stock Options, Restricted Stock, and PSUs (dollars in thousands):

	As of December 31, 2016 Stock Options	Restricted Stock	Performance Share Units
Unrecognized expense	$ 7,854	$ —	$ 786
Weighted average remaining years	1.92	—	1.56

Stock Options

Stock Options granted by the Company generally expire between 5 to 10 years from the grant date and generally vest over a 1 to 3 year service period commencing on the grant date.

The Company used the modified Black-Scholes model to estimate the fair value of employee Stock Options on the date of grant utilizing the assumptions noted below. The risk-free rate is based on the U.S. Treasury bill yield curve in effect at the time of grant for the expected term of the option. The expected term of options granted represents the period of time that the options are expected to be outstanding. Expected volatilities are based on historical volatilities of our Common Stock. The dividend yield was based on expected dividends at the time of grant.

The following table provides the assumptions utilized in the Black-Scholes model for Stock Options granted during the periods presented:

	Years Ended December 31,		
	2016	2015	2014
Weighted-average risk-free interest rate	1.40%	0.54%	0.48%
Expected term of option in years	5.44	3.38	2.98
Weighted-average volatility	45.2%	44.3%	40.3%
Dividend yield	3.4%	3.4%	3.9%
Weighted average grant date fair value per share	$ 6.01	$ 6.34	$ 3.39

Restricted Stock Grants

Restricted Stock grants are awarded to certain employees in consideration for services rendered pursuant to terms of employment agreements and or to provide to those employees with a continued incentive to share in the success of the Company. Restricted Stock generally vests over a three year service period commencing on the grant date.

Performance Share Units

PSUs are awarded to certain employees in consideration for services rendered pursuant to terms of employment agreements and to provide to those employees with a continued incentive to share in the success of the Company. Each performance share unit has a value equal to one share of common stock and generally vests over a three year service period commencing on the grant date.

NOTE 10 – EMPLOYEE BENEFIT PLAN

Effective January 1, 2009, the Company adopted a qualified retirement plan covering substantially all employees. It is designed to help the employees meet their financial needs during their retirement years. Eligibility for participation in the plan is generally based on employee’s date of hire or on completion of a specified period of service. Employer contributions to this plan are made in cash.

The plan titled the “Universal Property & Casualty 401(K) Profit Sharing Plan and Trust” (the “401(k) Plan”) is a defined contribution plan that allows employees to defer compensation through contributions to the 401(k) Plan. The contributions are invested on the employees’ behalf, and the benefits paid to employees are based on contributions and any earnings or loss. The 401(k) Plan includes a Company contribution of 100 percent of each eligible participant’s contribution that does not exceed five percent of their compensation during the 401(k) Plan year. The Company may make additional profit-sharing contributions. However, no additional profit-sharing contribution was made during the years ended December 31, 2016, 2015 and 2014.

The Company accrued for aggregate contributions of approximately $1.2 million, $1.0 million and $0.8 million to the 401(k) Plan during the years ended December 31, 2016, 2015 and 2014, respectively.

NOTE 11 – RELATED PARTY TRANSACTIONS

Scott P. Callahan, a director of the Company, provided the Company with consulting services and advice with respect to the Company’s reinsurance and related matters through SPC Global RE Advisors LLC, an entity affiliated with Mr. Callahan. The Company entered into the consulting agreement with SPC Global RE Advisors LLC effective June 6, 2013. The Company and SPC Global RE Advisors LLC terminated the consulting agreement on September 18, 2015 by mutual consent.

The following table provides payments made by the Company to related parties for the periods presented (in thousands):

	Year Ended December 31,		
	2016	2015	2014
SPC Global RE Advisors LLC	$ —	$ 90	$ 120

There were no amounts due to SPC Global RE Advisors LLC as of December 31, 2015. Payments due to SPC Global RE Advisors LLC were generally made in the month the services were provided.

NOTE 12 – INCOME TAXES

Significant components of the income tax provision are as follows for the periods presented (in thousands):

	For the Years Ended December 31,		
	2016	2015	2014
Current:			
Federal	$ 50,645	$ 61,830	$ 47,245
State and local	8,105	7,402	7,877
Total current expense (benefit)	58,750	69,232	55,122
Deferred:			
Federal	4,106	(775)	(152)
State and local	617	82	(354)
Total deferred expense (benefit)	4,723	(693)	(506)
Income tax expense	$ 63,473	$ 68,539	$ 54,616

The following table reconciles the statutory federal income tax rate to the Company's effective tax rate for the periods presented (in thousands):

	For the Years Ended December 31,		
	2016	2015	2014
Expected provision at federal statutory tax rate	35.0%	35.0%	35.0%
Increases (decreases) resulting from:			
Disallowed meals & entertainment	0.3%	0.2%	0.4%
Disallowed compensation	0.4%	1.1%	4.2%
State income tax, net of federal tax benefit	3.2%	3.4%	3.6%
Effect of change in rate	—	0.1%	—
Other, net	0.1%	(0.6%)	(0.4%)
Total income tax expense (benefit)	39.0%	39.2%	42.8%

Deferred income taxes represent the temporary differences between the GAAP and tax basis of the Company's assets and liabilities and available tax loss and credit carryforwards. As of December 31, 2016 and 2015, the significant components of the Company's deferred taxes consisted of the following (in thousands):

	As of December 31, 2016	As of December 31, 2015
Deferred income tax assets:		
Unearned premiums	$ 26,861	$ 25,082
Advanced premiums	1,314	1,859
Unpaid losses and LAE	374	1,105
Regulatory assessments	—	31
Share-based compensation	3,256	5,535
Accrued wages	297	164
Allowance for uncollectible receivables	284	214
Additional tax basis of securities	51	51
Capital loss carryforwards	759	850
Other comprehensive income	3,982	2,521
Other	131	—
Total deferred income tax assets	37,309	37,412
Valuation allowance	(133)	—
Deferred income tax assets, net of valuation allowance	37,176	37,412
Deferred income tax liabilities:		
Deferred policy acquisition costs, net	(24,812)	(22,969)
Prepaid expenses	(504)	(456)
Fixed assets	(880)	—
Other	(306)	(75)
Total deferred income tax liabilities	(26,502)	(23,500)
Net deferred income tax asset	$ 10,674	$ 13,912

At each balance sheet date, management assesses the need to establish a valuation allowance that reduces deferred tax assets when it is more likely than not that all, or some portion, of the deferred tax assets will not be realized. A valuation allowance would be based on all available information including the Company's assessment of uncertain tax positions and projections of future taxable income and capital gain from each tax-paying component in each jurisdiction, principally derived from business plans and available tax planning strategies.

As of December 31, 2016, the Company has state capital loss carryforwards of $8.3 million and $15.3 million for the periods ending December 31, 2012 and 2013, respectively. These state capital loss carryforwards will begin to expire beginning in 2017.

Management believes that it is more likely than not that a portion of the benefit from certain state capital loss carryforwards will not be realized. In recognition of this risk, the company has provided a valuation allowance of $133 thousand on the deferred tax asset relating to the state capital loss carryforward. If management's assumptions change and we determine the Company will be able to realize these capital loss carryforwards, the tax benefits related to any reversal of the valuation allowance on deferred tax assets as of December 31, 2016, will be accounted for as a future reduction in income tax expense and a corresponding increase in equity.

The Company has adopted ASC 740-10-05, Accounting for Uncertainty in Income Taxes, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. ASC 740 provides a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company's policy is to classify interest and penalties related to unrecognized tax positions in its provision for income taxes. As of December 31, 2016, 2015 and 2014, we have determined that no uncertain tax liabilities are required.

The Company filed a consolidated federal income tax return for the fiscal years ended December 31, 2015, 2014 and 2013 and intends to file the same for the year ended December 31, 2016. The tax allocation agreement between the Company and the Insurance Entities provide that they will incur income taxes based on a computation of taxes as if they were stand-alone taxpayers. The computations are made utilizing the financial statements of the Insurance Entities prepared on a statutory basis of accounting and prior to consolidating entries which include the conversion of certain balances and transactions of the statutory financial statements to a GAAP basis.

During 2015, the Company amended its 2010 federal tax return which resulted in a decrease to the 2013 Capital Loss carryforward and offsetting refund of approximately $5.6 million. As of December 31, 2016 the Company has recovered this refund.

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 in the U.S. Various state jurisdiction tax years remain open to exami nation. The Company has concluded its 2012 IRS examination, the results of which yielded no material change.

NOTE 13 – 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 exercises 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):

	Years Ended December 31, 2016	2015	2014
Numerator for EPS:			
Net income	$ 99,410	$ 106,484	$ 72,988
Less: Preferred stock dividends	(10)	(10)	(13)
Income available to common stockholders	$ 99,400	$ 106,474	$ 72,975
Denominator for EPS:			
Weighted average common shares outstanding	34,919	34,799	33,569
Plus: Assumed conversion of share-based compensation (1)	706	1,056	1,535
Assumed conversion of preferred stock	25	29	46
Weighted average diluted common shares outstanding	35,650	35,884	35,150
Basic earnings per common share	$ 2.85	$ 3.06	$ 2.17
Diluted earnings per common share	$ 2.79	$ 2.97	$ 2.08
Weighted average number of antidilutive shares	1,583	311	64

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

NOTE 14 – OTHER COMPREHENSIVE INCOME (LOSS)

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

	Years Ended December 31, 2016			2015			2014		
	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax	Pre-tax	Tax	After-tax
Net unrealized gains (losses) on investments available for sale arising during the period	$ (1,594)	(609)	$ (985)	$ (2,480)	$ (963)	$ (1,517)	$ 3,252	$ 1,255	$ 1,997
Less: Amounts reclassified from accumulated other comprehensive income (loss)	(2,294)	(877)	(1,417)	(1,060)	(406)	(654)	(5,627)	(2,171)	(3,456)
Net current period other comprehensive income (loss)	$ (3,888)	$ (1,486)	$ (2,402)	$ (3,540)	$ (1,369)	$ (2,171)	$ (2,375)	$ (916)	$ (1,459)

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

Details about Accumulated Other Comprehensive Income Components	Amounts Reclassified from Accumulated Other Comprehensive Income Years Ended December 31, 2016	2015	2014	Affected Line Item in the Statement Where Net Income is Presented
Unrealized gains (losses) on investments available for sale				
	$ 2,294	$ 1,060	$ 5,627	Net realized gains (losses) on investments
	(877)	(406)	(2,171)	Income taxes, current
	$ 1,417	$ 654	$ 3,456	Net of tax

NOTE 15 – 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 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 December 31, 2016. UVE has an annual spend remaining of $4.1 million towards covered loss index swaps by May 31, 2017.

NOTE 16 – 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.

Other: Comprise investment securities subject to remeasurement with original maturities beyond one year. 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 on a recurring basis as of the dates presented (in thousands):

	Fair Value Measurements As of 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

	Fair Value Measurements As of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Fixed maturities:				
U.S. government obligations and agencies	$ —	$ 125,342	$ —	$ 125,342
Corporate bonds	—	125,517	—	125,517
Mortgage-backed and asset-backed securities	—	150,160	—	150,160
Redeemable preferred stock	—	10,065	—	10,065
Other	—	4,999	—	4,999
Equity securities:				
Common stock	10,762	—	—	10,762
Mutual funds	31,452	—	—	31,452
Short-term investments	—	25,021	—	25,021
Total assets accounted for at fair value	$ 42,214	$ 441,104	$ —	$ 483,318

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):

	As of December 31,			
	2016		2015	
	Carrying Value	(Level 3) Estimated Fair Value	Carrying Value	(Level 3) Estimated Fair Value
Liabilities (debt):				
Surplus note	$ 14,338	$ 13,282	$ 15,809	$ 14,166
Term loan	$ —	$ —	$ 6,851	$ 6,851
Promissory note	$ 690	$ 690	$ 1,390	$ 1,390

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 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 val ue of the note.

The fair value of the term loan approximates the carrying value given the original issue discount which was calculated based on the present value of future cash flows using the Company's effective borrowing rate. The fair value of the promissory note is not materially different than its carrying value.

NOTE 17 – LIABILITY FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Set forth in the following tables is information about unpaid losses and loss adjustment expenses as of December 31, 2016, net of reinsurance, as well as cumulative claim counts and the total of incurred-but-not-reported liabilities plus expected development on reported claims included within the liability for unpaid losses and LAE (in thousands).

The information about unpaid losses and loss adjustment expenses for the years ended December 31, 2012 to 2015, is presented as supplementary information and is unaudited.

	Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance					As of December 31, 2016	
	For the Years Ended December 31,						
Accident Year	2012*	2013*	2014*	2015*	2016	Total of Incurred-but-Not-Reported Liabilities Plus Expected Development (Redundancy) on Reported Claims	Cumulative Number of Reported Claims
2012*	$ 109,073	$ 102,118	$ 101,888	$ 99,517	$ 95,727	$ (3,399)	24,272
2013*		100,111	96,993	96,012	88,493	(7,650)	20,415
2014*			111,739	118,289	112,251	(9,947)	22,347
2015*				170,381	187,431	(10,114)	26,502
2016					269,814	13,321	35,690
				Total	$ 753,716		

*UNAUDITED

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance				
	For the Years Ended December 31,				
Accident Year	2012*	2013*	2014*	2015*	2016
2012*	$ 54,155	$ 89,039	$ 94,817	$ 97,962	$ 98,510
2013*		61,117	88,843	93,489	95,059
2014*			69,703	112,059	119,798
2015*				115,328	191,481
2016					204,122
				Total	$ 708,970
			All outstanding liabilities before 2012, net of reinsurance*		381
			Liabilities for claims and claim adjustment expenses, net of reinsurance		$ 45,127

*UNAUDITED

Set forth is the following reconciliation of the net incurred and paid claims development tables to the liability for unpaid losses and LAE in the consolidated Balance Sheet as of December 31, 2016 (in thousands):

	December 31, 2016
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	$ 45,127
Reinsurance recoverable on unpaid claims	106
Unallocated claims adjustment expenses and other	13,261
Total gross liability for unpaid claims and claim adjustment expense	$ 58,494

Set forth is the supplementary information about average historical claims duration as of December 31, 2016:

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance					
Years	1	2	3	4	5
	64.0%	14.6%	8.7%	5.6%	3.5%

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

	Years Ended December 31,		
	2016	2015	2014
Balance at beginning of year	$ 98,840	$ 134,353	$ 159,222
Less: Reinsurance recoverable	(13,540)	(47,350)	(68,584)
Net balance at beginning of period	85,300	87,003	90,638
Incurred (recovered) related to:			
Current year	305,919	188,040	124,011
Prior years	(4,690)	(301)	(736)
Total incurred	301,229	187,739	123,275
Paid related to:			
Current year	229,761	123,952	73,981
Prior years	98,380	65,490	52,929
Total paid	328,141	189,442	126,910
Net balance at end of period	58,388	85,300	87,003
Plus: Reinsurance recoverable	106	13,540	47,350
Balance at end of year	$ 58,494	$ 98,840	$ 134,353

Basis for estimating liabilities for unpaid claims and claim adjustment expenses

The company establishes a liability to provide for the estimated unpaid portion of the costs of paying losses LAE under insurance policies the Insurance Entities have issued. Predominately all of the company's claims relate to the company's core product, homeowner's insurance and the various policy forms in which it is available. The liability for unpaid losses and LAE consists of the following:

- Case reserves, which are the reserves established by the claims examiner on reported claims
- Incurred but not reported ("IBNR"), which are anticipated losses expected to be reported to the company and development of reported claims
- LAE, which are the estimated expenses associated with the settlement of case reserves and IBNR

Underwriting results are significantly influenced by the company's practices in establishing its estimated liability for unpaid losses and LAE. The liability is an estimate of amounts necessary to ultimately settle all current and future claims and LAE on claims occurring during the policy coverage period each year as of the financial statement date.

Characteristics of Reserves

The liability for unpaid losses and LAE, also known as reserves, are established based on estimates of the ultimate future amounts needed to settle claims, either known or unknown, less losses that have been paid to date. Claims are typically reported promptly with relatively little reporting lag between the date of occurrence and the date the loss is reported. The company's claim settlement data suggests that homeowners' property losses have an average settlement time of less than one year, while homeowners' liability losses generally take longer.

Reserves are est imated for both reported and unreported claims, and include estimates of all expenses associated with processing and settling all incurred claims , including consideration for anticipated subrogation recoveries that will offset future loss payments. The com pany updates reserve estimates periodically as new information becomes available or as events emerge that may affect the resolution of unsettled claims. Changes in prior year reserve estimates (reserve re-estimates), which may be material, are determined b y comparing updated estimates of ultimate losses to prior estimates, and the differences are recorded as losses and LAE in the Consolidated Statements of Income in the period such changes are determined. Estimating the ultimate cost of losses and LAE is an inherently uncertain and complex process involving a high degree of subjective judgment and is subject to the interpretation and usage of numerous uncertain variables as discussed further below.

Reserves for losses and LAE are determined in three primary sectors. These sectors are (1) the estimation of reserves for Florida non-catastrophe losses, (2) hurricane losses, and (4) non-Florida non-catastrophe losses and any other losses. Evaluations are performed for gross loss, LAE and subrogation separately, and on a net and direct basis for each sector. The analyses for non-catastrophe losses are further separated into data groupings of like exposure or type of loss. These groups are property damage on homeowner policy forms HO-3 and HO-8 combined, property damage on homeowner policy forms HO-4 and HO-6 combined, property damage on dwelling fire policies, sinkhole claims, water damage claims and all liability exposures combined. Although our analysis is looked at in these three sectors, these sectors are aggregated into the single tables noted above due to the analogous nature of the product and similar claim settlement traits.

As claims are reported, the claims department establishes an estimate of the liability for each individual claim called case reserves. For certain liability claims of sufficient size and complexity, the field adjusting staff establishes case reserve estimates of ultimate cost, based on their assessment of facts and circumstances related to each individual claim. For other claims which occur in large volumes and settle in a relatively short time frame, it is not practical or efficient to set case reserves for each claim, and an initial case reserve of $2,500 is set for these claims. In the normal course of business, we may also supplement our claims processes by utilizing third party adjusters, appraisers, engineers, inspectors, other professionals and information sources to assess and settle catastrophe and non-catastrophe related claims.

The Actuarial Methods used to Develop Reserve Estimates

Reserve estimates for both unpaid losses and LAE are derived using several different actuarial estimation methods in order to provide the actuary with multiple predictive viewpoints to consider for each of the sectors discussed above. Each of the methods has merit, because they each provide insight into emerging patterns. These methods are each variations on two primary actuarial techniques: “chain ladder development” techniques and “counts and average” techniques. The “chain ladder development” actuarial technique is an estimation process in which historical payment and reserving patterns are applied to actual paid and/or reported amounts (paid losses, recovered subrogation or LAE plus individual case reserves established by claim adjusters) for an accident period to create an estimate of how losses or recoveries are likely to develop over time. The “counts and average” technique includes an evaluation of historical and projected costs per claim, and late-reported claim counts, for open claims by accident period. An accident period refers to classification of claims based on the date in which the claims occurred, regardless of the date they were reported to the company. These analyses are used to prepare estimates of required reserves for payments or recoveries to be made in the future. Transactions are organized into half-year accident periods for purposes of the reserve estimates. Key data elements used to determine our reserve estimates include historical claim counts, loss and LAE payments, subrogation received, case reserves, earned policy exposures, and the related development factors applicable to this data.

The first method for estimating unpaid amounts for each sector is a chain ladder method called the paid development method. This method is based upon the assumption that the relative change in a given accident period’s paid losses from one evaluation point to the next is similar to the relative change in prior periods’ paid losses at similar evaluation points. In utilizing this method, actual 6-month historical loss activity is evaluated. Successive periods can be arranged to form a triangle of data. Paid-to-Paid (“PTP”) development factors are calculated to measure the change in cumulative paid losses, LAE, and subrogation recoveries, from one evaluation point to the next. These historical PTP factors form the basis for selecting the PTP factors used in projecting the current valuation of losses to an ultimate basis. In addition, a tail factor is selected to account for loss development beyond the observed experience. The tail factor is based on trends shown in the data and consideration of industry loss development benchmarks. Utilization of a paid development method has the advantage of avoiding potential distortions in the data due to changes in case reserving methodology. This method’s implicit assumption is that the rate of payment of claims has been relatively consistent over time, and that there have been no material changes in the rate at which claims have been reported or settled. In instances where changes in settlement rates are detected, the PTP factors are adjusted accordingly, utilizing appropriate actuarial techniques. These adjusted techniques each produce additional development method estimates for consideration.

A second method is the reported development method. This method is similar to the paid development method; however, case reserves are considered in the analysis. Successive periods of reported loss estimates (including paid loss, subrogation recoveries, paid LAE and held case reserves) are organized similar to the paid development method in order to evaluate and select Report-to-Report (“RTR”) development factors. This method has the advantage of recognizing the information provided by current case reserves. Its implicit assu mption is that the relative adequacy of case reserves is consistent over time, and that there have been no material changes in the rate at which claims have been reported or settled. In cases where significant reserve strengthening or other changes have oc curred, RTR factors are adjusted accordingly, utilizing appropriate actuarial techniques.

A third method is the Bornhuetter-Ferguson ("B-F") method, which is also utilized for estimating unpaid loss and LAE amounts. Each B-F technique is a blend of chain ladder development methods and an expected loss method, whereby the total reserve estimate equals the unpaid portion of a predetermined expected unpaid ultimate loss projection. The unpaid portion is determined based on assumptions underlying the development methods. As an experience year matures and expected unreported (or unpaid) losses become smaller, the initial expected loss assumption becomes gradually less important. This has the advantage of stability, but it is less responsive to actual results that have emerged. Two parameters are needed in each application of the B-F method: an initial assumption of expected losses and the expected reporting or payment pattern. Initial expected losses for each accident period other than the current year is determined using the estimated ultimate loss ratio from the prior analysis. Initial expected losses for the current year's accident periods are determined based on trends in historical loss ratios, rate changes, and underlying loss trends. The expected reporting pattern is based on the reported or paid loss development method described above. This method is often used in situations where the reported loss experience is relatively immature or lacks sufficient credibility for the application of other methods.

A fourth method, called the counts and averages method, is utilized for estimates of loss, subrogation and LAE for each Florida sector. In this method, an estimate of unpaid losses or expenses is determined by separately projecting ultimate reported claim counts and ultimate claim severities (cost or recoveries per claim) on open and unreported claims for each accident period. Typically, chain ladder development methods are used to project ultimate claim counts and claim severities based on historical data using the same methodology described in the paid and reported development methods above. Estimated ultimate losses are then calculated as the product of the two items. This method is intended to avoid data distortions that may exist with the other methods for the most recent years as a result of changes in case reserve levels, settlement rates and claims handling fees. In addition, it may provide insight into the drivers of loss experience. For example, this method is utilized for sinkhole losses due to unique settlement patterns that have emerged since the passage of legislation that codified claim settlement practices with respect to sinkhole related claims and subsequent policy form changes we implemented. The method is also important as we implemented our Fast Track Initiative, which is an initiative to settle claims on an accelerated basis. These claims are expected to be reported and settled at different rates and ultimate values than historically observed, requiring a departure from traditional development methodologies.

The implicit assumption of these techniques is that the selected factors and averages combine to form development patterns or severity trends that are predictive of future loss development of incurred claims. In selecting relevant parameters utilized in each estimation method, due consideration is given to how the patterns of development change from one year to the next over the course of several consecutive years of recent history. Furthermore, the effects of inflation and other anticipated trends are considered in the reserving process in order to generate selections that include adequate provisions to estimate the cost of claims that settle in the future. Finally, in addition to paid loss, reported loss, subrogation recoveries, and LAE development triangles, various diagnostic triangles, such as triangles showing historical patterns in the ratio of paid-to-reported losses and closed-to-reported claim counts are prepared. These diagnostic triangles are utilized in order to monitor the stability of various determinants of loss development, such as consistency in claims settlement and case reserving.

Estimates of unpaid losses for hurricane experience are developed using a combination of company-specific and industry patterns, due to the relatively infrequent nature of storms and the high severity typically associated with them. Development patterns and other benchmarks are based on consideration of all reliable information, such as historical events with similar landfall statistics, the range of estimates developed from industry catastrophe models, and claim reporting and handling statistics from our field units. It is common for the company to update its projection of unpaid losses and LAE for a significant hurricane event on a monthly, or even weekly basis, for the first 6-months following an event.

Estimation methods described above each produce estimates of ultimate losses and LAE. Based on the results of these methods, a single estimate (commonly referred to as an actuarial point/central estimate) of the ultimate loss and LAE is selected accordingly for each accident-year claim grouping. Estimated IBNR reserves are determined by subtracting reported losses from the selected ultimate loss, and the paid LAE from the ultimate LAE. The estimated loss IBNR reserves are added to case reserves to determine total estimated unpaid losses. Note that estimated IBNR reserves can be negative for an individual accident-year claim grouping if the selected ultimate loss includes a provision for anticipated subrogation, or if there is a possibility that case reserves are overstated. No case reserves are carried for LAE, therefore the estimated LAE IBNR reserves equal the total estimated unpaid LAE. For each sector, the reserving methods are carried out on both a net and direct basis in order to estimate liabilities accordingly. When selecting a single actuarial point/central estimate on a net basis, careful consideration is given for the reinsurance arrangements that were in place during each accident year, exposure period and segment being reviewed.

How Reserve Estimates are Established and Updated

Reserve estimates are developed for both open claims and unreported claims. The actuarial methods described above are used to derive claim settlement patterns by determining development factors to be applied to specific data elements. Development factors are calculated for data elements such as claim counts reported and settled, paid losses and paid losses combined with case reserves, loss expense payments, and subrogation recoveries. Historical development patterns for these data elements are used as the assumptions to calculate reserve estimates.

Often, different estimates are prepared for each detailed component, incorporating alternative analyses of changing claim settlement patterns and other influences on losses, from which a best estimate is selected for each component, occasionally incorporating additional analyses and actuarial judgment as described above. These estimates are not based on a single set of assumptions. Based on a review of these estimates, the best estimate of required reserves is recorded for each accident year and the required reserves are summed to create the reserve balance carried on the Consolidated Balance Sheets.

Reserves are re-estimated periodically by combining historical payment and reserving patterns with current actual results. When actual development of claims reported, paid losses or case reserve changes are different than the historical development pattern used in a prior period reserve estimate, and as actuarial studies validate new trends based on indications of updated development factor calculations, new ultimate loss and LAE predictions are determined. This process incorporates the historic and latest trends, and other underlying changes in the data elements used to calculate reserve estimates. The difference between indicated reserves based on new reserve estimates and the previously recorded estimate of reserves is the amount of reserve re-estimates. The resulting increase or decrease in the reserve re-estimates is recorded and included in “Losses and loss adjustment expenses” in the Consolidated Statements of Income. Total reserve re-estimates conducted in 2016, 2015 and 2014, resulted in favorable development of $4.7 million in 2016, $0.3 million in 2015, and $0.7 million in 2014. The favorable development in 2016 was principally the result of increases in estimated subrogation recoveries.

Claim frequency

The methodology used to determine claim counts is based first around the event and then based on coverage. One event could have one or more claims based on the policy coverage, for example an event could have a claim for the first party coverage and a claim for third party liability regardless of the number of third party claimants. If multiple third party liability claims are reported together they would be counted as one claim.

NOTE 18 – QUARTERLY RESULTS FOR 2016 AND 2015 (UNAUDITED)

The following table provides a summary of quarterly results for the periods presented (in thousands except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
For the Year Ended December 31, 2016				
Premiums earned, net	$ 152,448	$ 156,461	$ 159,534	$ 163,973
Investment income	1,605	2,142	2,304	3,489
Total revenues	164,446	169,802	172,436	178,605
Total expenses	123,347	114,908	128,273	155,878
Net income	25,226	33,647	26,882	13,655
Basic earnings per share	$ 0.73	$ 0.96	$ 0.77	$ 0.39
Diluted earnings per share	$ 0.71	$ 0.94	$ 0.75	$ 0.38
For the Year Ended December 31, 2015				
Premiums earned, net	$ 94,360	$ 112,888	$ 146,153	$ 150,598
Investment income	862	1,207	1,307	1,779
Total revenues	103,810	123,591	157,043	162,100
Total expenses	65,787	82,371	109,143	114,220
Net income	22,330	24,704	30,298	29,152
Basic earnings per share	$ 0.65	$ 0.71	$ 0.87	$ 0.84
Diluted earnings per share	$ 0.62	$ 0.69	$ 0.84	$ 0.82

Total revenues for each quarter in 2016 exceeded 2015 whereby net income improved only during the first two quarters of 2016 versus 2015. In the fourth quarter of 2016 the company recorded losses and LAE for weather events including Hurricane Matthew which was the principal impact to reduced profitability offset somewhat by lower expense ratio in 2016 versus 2015. Net income for the fourth quarter of 2016 decreased 53.2%, or $15.5 million, to $13.7 million compared to net income of $29.2 in the fourth quarter of 2015. The primary drivers behind the increases in revenue were increased policy and premium counts year over year driven by organic growth in, and outside of Florida and the elimination of quota-share reinsurance in June 2015 .

NOTE 19 – 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 consolidated financial statements as of December 31, 2016.

On January 23, 2017, the Company declared a dividend of $ 0.14 per share on its outstanding common stock payable on March 2, 2017, to shareholders of record on February 17, 2017.

I TEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NONE

I TEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of its principal executive officer and principal 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 Exchange Act. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that disclosure controls and procedures were effective as of December 31, 2016.

Management's Report on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the *2013 Internal Control – Integrated Framework* . Based on this assessment under the framework in *2013 Internal Control – Integrated Framework* , management concluded that our internal control over financial reporting was effective as of December 31, 2016.

Management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2016 has been audited by Plante & Moran, PLLC, the independent registered public accounting firm who also audited the Company's consolidated financial statements. The auditor's attestation report on management's assessment of the Company's internal control over financial reporting is presented above at "Report of Independent Registered Public Accounting Firm."

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the fourth quarter of 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

I TE M 9B. OTHER INFORMATION

NONE

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics that is applicable to all directors, officers and employees of the Company. The code is available on the Company’s website at www.universalinsuranceholdings.com. A copy of the Company’s Code of Business Conduct and Ethics may be obtained free of charge by written request to Frank C. Wilcox, CFO, Universal Insurance Holdings, Inc., 1110 West Commercial Boulevard, Suite 100, Fort Lauderdale, FL 33309.

For information regarding our Directors, Executive Officers and Corporate Governance, reference is made to our definitive proxy statement for our Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2016 and which is incorporated herein by reference (the “2017 Proxy Statement”).

ITEM 11. EXECUTIVE COMPENSATION

For information regarding Executive Compensation, reference is made to the 2017 Proxy Statement and which is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

For information regarding Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, reference is made to the 2017 Proxy Statement and which is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

For information regarding Certain Relationships and Related Transactions, and Director Independence, reference is made to the 2017 Proxy Statement and which is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

For information regarding Principal Accountant Fees and Services, reference is made to the 2017 Proxy Statement and which is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) Financial Statements

The following consolidated financial statements of the Company and the report of the Independent Registered Public Accounting Firm thereon filed with this report:

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets as of December 31, 2016 and 2015.

Consolidated Statements of Income for the Years Ended December 31, 2016, 2015 and 2014.

Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2016, 2015 and 2014.

Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2016, 2015 and 2014.

Consolidated Statements of Cash Flows for the Years Ended December 31, 2016, 2015 and 2014.

Notes to Consolidated Financial Statements.

(2) Financial Statement Schedules

The following additional financial statement schedules are furnished herewith pursuant to the requirements of Form 10-K.

All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the Consolidated Financial Statements or in notes thereto.

ITEM 16. FORM 10-K SUMMARY

None.

(3) Exhibits

3.1	Registrant’s Certificate of Incorporation, as amended
3.2	Registrant’s Amended and Restated Bylaws (11)
4.1	Form of Common Stock Certificate (3)
10.1	The Universal Insurance Holdings, Inc. Second Amended and Restated 2009 Omnibus Incentive Plan (4)
10.2	Non-qualified Stock Option Agreement dated November 12, 2013, by and between Company and Sean P. Downes (13)
10.3	Director Services Agreement, dated July 12, 2007, by and between the Company and Ozzie A. Schindler (1)
10.4	Director Services Agreement, dated July 12, 2007, by and between the Company and Joel M. Wilentz (1)
10.5	Non-qualified Stock Option Agreement dated June 15, 2015, by and between Company and Sean P. Downes (13)
10.6	Non-qualified Stock Option Agreements dated February 29, 2016, by and between Company and Sean P. Downes (14)
10.7	Form of Indemnification Agreement (5)
10.8	Employment Agreement, dated January 12, 2016, by and between the Company and Sean P. Downes (12)
10.9	Employment Agreement, dated January 12, 2016, by and between the Company and Jon W. Springer (12)
10.10	Employment Agreement, dated January 12, 2016, by and between the Company and Stephen J. Donaghy (12)
10.11	Employment Agreement, dated January 12, 2016, by and between Frank Wilcox and the Company (12)
10.12	Director Services Agreement, dated June 6, 2013, by and between the Company and Scott P. Callahan (8)
10.13	Director Services Agreement, dated June 6, 2013, by and between the Company and Darryl L. Lewis (8)
10.14	Amendment to Second Amended and Restated 2009 Omnibus Incentive Plan (9)
10.15	Florida Insurance Capital Build-Up Incentive Program Surplus Note (“Surplus Note”) between the Company and the State Board of Administration of Florida (2)
10.16	Addendum No. 1 to the Surplus Note between the Company and the State Board of Administration (2)
10.17	Multiple Line Quota Share Reinsurance Contract between the Company and Everest Reinsurance Company (2)
10.18	Revolving Loan Agreement, dated March 29, 2013, by and between the Company and Deutsche Bank Trust Company Americas (6)
10.19	Revolving Note, dated March 29, 2013, by the Company in favor of Deutsche Bank Trust Company Americas, in the original principal amount of $10,000,000 (6)
10.20	First Amendment and Consent to Revolving Loan Agreement, dated May 23, 2013, by and between Deutsche Bank Trust Company Americas and the Company (7)
10.21	Director Services Agreement, dated June 5, 2014, by and between the Company and Ralph J. Palmieri (10)
10.22	Director Services Agreement, dated June 5, 2014, by and between the Company and Richard D. Peterson (10)
10.23	Non-qualified Stock Option Agreement dated March 12, 2013, by and between Company and Jon W. Springer (13)
10.24	Non-qualified Stock Option Agreement dated July 8, 2013, by and between Company and Jon W. Springer (13)
10.25	Non-qualified Stock Option Agreements dated February 29, 2016, by and between the Company and Jon W. Springer (14)
10.26	Non-qualified Stock Option Agreement dated November 12, 2013, by and between the Company and Stephen J. Donaghy (13)
10.27	Non-qualified Stock Option Agreement dated March 13, 2015, by and between the Company and Frank C. Wilcox (15)
10.28	Performance Share Unit Agreement dated January 1, 2016, by and between the Company and Sean P. Downes (14)
10.29	Performance Share Unit Agreement dated January 1, 2016, by and between the Company and Jon W. Springer (14)
14	Code of Business Conduct and Ethics (16)

21	List of Subsidiaries
23.1	Consent of Independent Registered Public Accounting Firm (Plante & Moran, PLLC)
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 Title 18, United States Code, Section 1350, as Adopted 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

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(1)	Incorporated by reference to the Registrant’s Current Report on Form 8-K, filed on August 10, 2007.
(2)	Incorporated by reference to the Registrant’s Current Report on Form 8-K, filed on November 10, 2009.
(3)	Incorporated by reference to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2011 filed on March 26, 2012.
(4)	Incorporated by reference to the Registrant’s Current Report on Form 8-K, file with on June 14, 2012.
(5)	Incorporated by reference to the Registrant’s Current Report on Form 8-K, file on November 15, 2012.
(6)	Incorporated by reference to the Registrant’s Current Report on Form 8-K, filed on April 4, 2013
(7)	Incorporated by reference to the Registrant’s Current Report on Form 8-K, filed on May 24, 2013
(8)	Incorporated by reference to the Registrant’s Current Report on Form 8-K, filed on June 6, 2013.
(9)	Incorporated by reference to the Registrant’s Registration Statement on Form S-8 (File No. 333-189122) deemed effective on June 6, 2013.
(10)	Incorporated by reference to the Registrant’s Current Report on Form 8-K, filed on June 6, 2014.
(11)	Incorporated by reference to the Registrant’s Current Report on Form 8-K, filed on November 7, 2016.
(12)	Incorporated by reference to the Registrant’s Current Report on Form 8-K, filed on January 19, 2016.
(13)	Incorporated by reference to the Registrant’s Current Report on Form 8-K, filed February 22, 2013.
(14)	Incorporated by reference to the Registrant’s Current Report on Form 8-K, filed January 19, 2016.
(15)	Incorporated by reference to the Registrant’s Current Report on Form 8-K, filed August 5, 2013.
(16)	Incorporated by reference to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2015, filed February 24, 2016.

S IGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report on Form 10-K to be signed on its behalf by the undersigned, hereunto duly authorized.

UNIVERSAL INSURANCE HOLDINGS, INC.

Dated: February 24, 2017

By: /s/ Sean P. Downes
Sean P. Downes, Chief Executive Officer and Principal Executive Officer

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

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

/s/ Sean P. Downes Sean P. Downes	Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2017
/s/ Jon W. Springer Jon W. Springer	President, Chief Risk Officer and Director	February 24, 2017
/s/ Frank C. Wilcox Frank C. Wilcox	Chief Financial Officer (Principal Accounting Officer)	February 24, 2017
/s/ Kimberly D. Cooper Kimberly D. Cooper	Chief Information Officer, Chief Administrator Officer and Director	February 24, 2017
/s/ Scott P. Callahan Scott P. Callahan	Director	February 24, 2017
/s/ Darryl L. Lewis Darryl L. Lewis	Director	February 24, 2017
/s/ Ralph J. Palmieri Ralph J. Palmieri	Director	February 24, 2017
/s/ Richard D. Peterson Richard D. Peterson	Director	February 24, 2017
/s/ Michael A. Pietrangelo Michael A. Pietrangelo	Director	February 24, 2017
/s/ Ozzie A. Schindler Ozzie A. Schindler	Director	February 24, 2017
/s/ Joel M. Wilentz Joel M. Wilentz	Director	February 24, 2017

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S CHEDULE II – CONDENSED FINANCIAL INFORMATION OF REGISTRANT

Universal Insurance Holdings, Inc. had no long term obligations, guarantees or material contingencies as of December 31, 2016 and 2015. The following summarizes the major categories of the parent company's financial statements (in thousands, except per share data):

CONDENSED BALANCE SHEETS

	As of December 31, 2016	As of December 31, 2015
ASSETS		
Cash and cash equivalents	$ 3,951	$ 2,046
Investments in subsidiaries and undistributed earnings	362,759	291,793
Fixed maturities, at fair value	3,003	2,980
Equity maturities, at fair value	625	551
Income taxes recoverable	3,262	5,420
Deferred income taxes	10,674	13,912
Other assets	1,003	358
Total assets	$ 385,277	$ 317,060
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable	$ 50	$ —
Long-term debt	—	6,851
Other accrued expenses	14,037	17,117
Total liabilities	14,087	23,968
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	453	455
Authorized shares - 55,000		
Issued shares - 45,324 and 45,525		
Outstanding shares - 35,052 and 35,110		
Treasury shares, at cost - 10,272 and 10,415	(86,982)	(80,802)
Additional paid-in capital	82,263	70,789
Accumulated other comprehensive income (loss), net of taxes	(6,408)	(4,006)
Retained earnings	381,864	306,656
Total stockholders' equity	371,190	293,092
Total liabilities and stockholders' equity	$ 385,277	$ 317,060

See accompanying notes to condensed financial statements

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CONDENSED STATEMENTS OF INCOME

	For the Years Ended December 31,		
	2016	2015	2014
REVENUES			
Net investment income (expense)	$ (35)	$ 22	$ (23)
Net realized gains (losses) on investments	667	66	625
Management fee	138	140	121
Other revenue	80	—	—
Total premiums earned and other revenues	850	228	723
OPERATING COSTS AND EXPENSES			
General and administrative expenses	35,342	48,056	39,062
Total operating cost and expenses	35,342	48,056	39,062
LOSS BEFORE INCOME TAXES AND EQUITY IN NET EARNINGS OF SUBSIDIARIES	(34,492)	(47,828)	(38,339)
Benefit from income taxes	(12,055)	(17,495)	(16,403)
LOSS BEFORE EQUITY IN NET EARNINGS OF SUBSIDIARIES	(22,437)	(30,333)	(21,936)
Equity in net income of subsidiaries	121,847	136,817	94,924
CONSOLIDATED NET INCOME	$ 99,410	$ 106,484	$ 72,988

See accompanying notes to condensed financial statements

CONDENSED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2016	2015	2014
Cash flows from operating activities			
Net Income	$ 99,410	$ 106,484	$ 72,988
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Equity in net income of subsidiaries	(121,847)	(136,817)	(94,924)
Distribution of income from subsidiaries	46,914	58,224	55,805
Depreciation	2	4	2
Amortization of share-based compensation	10,288	17,386	12,342
Amortization of original issue discount on debt	149	521	840
Accretion of deferred credit	(149)	(521)	(840)
Net realized (gains) losses on investments	(667)	(66)	(625)
Deferred income taxes	4,724	(693)	1,118
Excess tax benefits from share-based compensation	1,154	(5,310)	(7,006)
Net changes in assets and liabilities relating to operating activities:			
Income taxes recoverable	1,004	255	2,477
Income taxes payable	—	3,510	6,239
Other operating assets and liabilities	(596)	(1,338)	5,752
Other liabilities and accrued expenses	(2,896)	—	—
Net cash provided by (used in) operating activities	37,490	41,639	54,168
Cash flows from investing activities:			
Capital contributions to subsidiaries	—	—	(5,585)
Purchases of equity securities, available for sale	(2,037)	(1,442)	(15,836)
Purchase of fixed maturities, available for sale	(3,000)	—	(3,000)
Proceeds from sales of equity securities, available for sale	2,456	1,481	26,060
Proceeds from sales of fixed maturities, available for sale	3,229	—	770
Net cash provided by (used in) investing activities	648	39	2,409
Cash flows from financing activities:			
Repayment of debt	—	(7,000)	(6,000)
Preferred stock dividend	(10)	(10)	(13)
Common stock dividend	(24,192)	(22,287)	(19,240)
Issuance of common stock	119	511	73
Purchase of treasury stock	(8,510)	(18,649)	(29,736)
Sale of treasury stock	2,965	—	—
Purchase of preferred stock	—	(256)	—
Proceeds received from issuance of contingently redeemable common stock	—	—	19,000
Payments related to tax withholding for share-based compensation	(5,451)	(12,141)	(17,655)
Excess tax benefits (shortfall) from share-based compensation	(1,154)	5,310	7,006
Net cash provided by (used in) financing activities	(36,233)	(54,522)	(46,565)
Net increase (decrease) in cash and cash equivalents	1,905	(12,844)	10,012
Cash and cash equivalents at beginning of period	2,046	14,890	4,878
Cash and cash equivalents at end of period	$ 3,951	$ 2,046	$ 14,890

See accompanying notes to condensed financial statements

NOTE 1 – GENERAL

The financial statements of the Registrant should be read in conjunction with the consolidated financial statements in “Item 8.”

Nature of Operations and Basis of Presentation

Universal Insurance Holdings, Inc. (the “Company”) is a Delaware corporation incorporated in 1990. The Company is an insurance holding company whose wholly-owned subsidiaries perform all aspects of insurance underwriting, distribution and claims. Through its wholly-owned subsidiaries, including Universal Property & Casualty Insurance Company and American Platinum Property and Casualty Insurance Company, 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 generates revenues from earnings on investments and management fees. The Company also receives distributions of earnings from its insurance and non-insurance subsidiaries.

Certain amounts in the prior periods’ condensed financial statements have been reclassified in order to conform to current period presentation. Such reclassifications had no effect on net income or stockholders’ equity.

NOTE 2 – 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 consolidated financial statements as of December 31, 2016.

On January 23, 2017, the Company declared a dividend of $0.14 per share on its outstanding common stock payable on March 2, 2017, to shareholders of record on February 17, 2017.

S CHEDULE V – VALUATION ALLOWANCES AND QUALIFYING ACCOUNTS

The following table summarizes activity in the Company's allowance for doubtful accounts for the periods presented (in thousands):

Description	Beginning Balance	Additions: Charges to Earnings	Additions: Charges to Other Accounts	Deductions	Ending Balance
Year Ended December 31, 2016:					
Allowance for doubtful accounts	$ 344	397	—	214	$ 527
Year Ended December 31, 2015:					
Allowance for doubtful accounts	$ 357	395	—	408	$ 344
Year Ended December 31, 2014:					
Allowance for doubtful accounts	$ 446	431	—	520	$ 357

SCHEDULE VI – SUPPLEMENTAL INFORMATION CONCERNING CONSOLIDATED PROPERTY AND CASUALTY INSURANCE OPERATIONS

The following table provides certain information related to the Company's property and casualty operations as of, and for the periods presented (in thousands):

	As of December 31,	For the Year Ended December 31,			
	Reserves for Unpaid Losses and LAE	Incurred Loss and LAE Current Year	Incurred Loss and LAE Prior Years	Paid Losses and LAE	Net Investment Income
2016	$ 58,494	$ 305,919	$ (4,690)	$ 328,141	$ 9,540
2015	$ 98,840	$ 188,040	$ (301)	$ 189,442	$ 5,155
2014	$ 134,353	$ 124,011	$ (736)	$ 126,910	$ 2,375

	As of December 31,	For the Year Ended December 31,			
	Deferred Policy Acquisition Cost ("DPAC"), Net	Amortization of DPAC, Net	Net Premiums Written	Net Premiums Earned	Unearned Premiums
2016	$ 64,912	$ (125,350)	$ 656,094	$ 632,416	$ 475,756
2015	$ 60,019	$ (87,871)	$ 626,448	$ 503,999	$ 442,366
2014	$ 25,660	$ (33,501)	$ 389,847	$ 326,877	$ 383,488

R eport 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 audited the accompanying consolidated balance sheet of **Universal Insurance Holdings, Inc. and Subsidiaries** (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2016, and the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in the *2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)* ; such consolidated financial statements and report are included elsewhere in this Form 10-K and are incorporated herein by reference. Our audits also included the consolidated financial statement schedules of the Company listed in the accompanying index at Item 15. These consolidated financial statement schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein .

/s/ Plante & Moran, PLLC
Chicago, Illinois
February 23, 2017

Exhibit 3.1

<u>Delaware</u>

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS ON FILE OF "UNIVERSAL INSURANCE HOLDINGS, INC." AS RECEIVED AND FILED IN THIS OFFICE.

THE FOLLOWING DOCUMENTS HAVE BEEN CERTIFIED:

CERTIFICATE OF INCORPORATION, FILED THE THIRTEENTH DAY OF NOVEMBER, A.D. 1990, AT 9 O`CLOCK A.M.

RESTATED CERTIFICATE, FILED THE FOURTH DAY OF SEPTEMBER, A.D. 1992, AT 9 O`CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE ELEVENTH DAY OF OCTOBER, A.D. 1994, AT 9 O`CLOCK A.M.

CERTIFICATE OF REVIVAL, FILED THE NINETEENTH DAY OF DECEMBER, A.D. 1996, AT 10:38 O`CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE THIRTEENTH DAY OF AUGUST, A.D. 1997, AT 4:30 O`CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE NINETEENTH DAY OF OCTOBER, A.D. 1998, AT 3:30 O`CLOCK P.M.

/s/ Jeffrey W. Bullock
Jeffrey W. Bullock, Secretary of State

2246544 8100H
SR# 20171072817

[SEAL]

Authentication: 202070024
Date: 02-21-17

You may verify this certificate online at corp.delaware.gov/authver.shtml

<u>Delaware</u>

The First State

CERTIFICATE OF CHANGE OF REGISTERED AGENT, FILED THE THIRTIETH DAY OF NOVEMBER, A.D. 1999, AT 9 O`CLOCK A.M.

CERTIFICATE OF AMENDMENT, CHANGING ITS NAME FROM "UNIVERSAL HEIGHTS, INC." TO "UNIVERSAL INSURANCE HOLDINGS, INC.", FILED THE EIGHTEENTH DAY OF DECEMBER, A.D. 2000, AT 9 O`CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE TWENTY-NINTH DAY OF OCTOBER, A.D. 2001, AT 9 O`CLOCK A.M.

CERTIFICATE OF AMENDMENT, FILED THE SEVENTH DAY OF DECEMBER, A.D. 2005, AT 2:15 O`CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE EIGHTEENTH DAY OF MAY, A.D. 2007, AT 10:49 O`CLOCK A.M.

CERTIFICATE OF DESIGNATION, FILED THE NINTH DAY OF JUNE, A.D. 2015, AT 10:54 O`CLOCK A.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE AFORESAID CERTIFICATES ARE THE ONLY CERTIFICATES ON RECORD OF THE AFORESAID CORPORATION, "UNIVERSAL INSURANCE HOLDINGS, INC.".

/s/ Jeffrey W. Bullock
Jeffrey W. Bullock, Secretary of State

2246544 8100H
SR# 20171072817

[SEAL]

Authentication: 202070024
Date: 02-21-17

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 11/13/1990
690317015 - 2246544

CERTIFICATE OF INCORPORATION

OF

UNIVERSAL HEIGHTS, INC.

FIRST. The name of this corporation is:

UNIVERSAL HEIGHTS, INC.

SECOND. Its registered office in the State of Delaware is to be located at 1013 Centre Road, in the City of Wilmington, County of New Castle 19805, The registered agent at such address is CORPORATE AGENTS, INC.

THIRD. The purpose or purposes of the corporation shall be:

To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH. The total number of shares of stock which this Corporation is authorized to issue is:

One Thousand Five Hundred (1,500) shares without par value.

FIFTH. The name and mailing address of the incorporator is as follows:

Jacqueline N. Casper
CORPORATE AGENTS, INC.
1013 Centre Road
Wilmington, DE 19805

SIXTH. The Board of Directors shall have the power to adopt, amend or repeal the by-laws.

IN WITNESS WHEREOF, The undersigned, being the incorporator hereinbefore named, for the purposes of forming a Corporation under the laws of the State of Delaware has executed, signed and acknowledged this certificate of incorporation this thirteenth day of November, A.D. 1990.

/s/ Jacqueline N. Casper
Jacqueline N. Casper
Incorporator

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:OO AM 09/04/1992
922525399 - 2246544

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

UNIVERSAL HEIGHTS, INC.

Pursuant to Sections 103, 141, 228, 242 and 245 of the General Corporation Law of the State of Delaware, the undersigned Corporation adopts the following Amended and Restated Certificate of Incorporation.

The original Certificate of Incorporation was filed with the Secretary of State on November 13, 1990.

ARTICLE I

The name of the corporation is UNIVERSAL HEIGHTS, INC. (hereinafter called the "Corporation").

ARTICLE II

Its registered office in the State of Delaware is to be located at 1013 Centre Road, in the City of Wilmington, County of New Castle 19805. The registered agent at such address is Corporate Agents, Inc.

ARTICLE III

The purpose for which the Corporation is formed is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV

(a) The total number of shares of all classes of stock which the Corporation shall have authority to issue is 21,000,000 shares, of which:

(i) 20,000,000 shares shall be designated as Common Stock, having a par value of $.01 per share (the "Common Stock"); and

(ii) 1,000,000 shares shall be designated as Preferred Stock, having a par value of $.01 per share.

(b) A statement of the designations and powers, preferences and rights, and the qualifications, limitations or restrictions of the shares of stock of each class, is as follows:

(i) Except as otherwise provided by law or by paragraph (b)(ii) of this ARTICLE IV, the entire voting right shall be vested in the holders of the Common Stock.

(ii) (A) The Board of Directors is expressly authorized at any time and from time to time, to provide for the issuance of shares of Preferred Stock in one or more classes or series, with such voting powers, full or limited but not to exceed one vote per share, or without voting powers, and with such designations, preferences and relative, participating, optional or other special rights, qualifications, limitations or restrictions thereof, if any, as shall be stated and/ expressed in the resolution or resolutions providing for the issue thereof adopted by the Board of Directors, and as are not stated and expressed in these Articles of Incorporation, or any amendment thereto, including, but without limiting the generality of the foregoing the following:

(1) the designation of such class or series;

(2) the number of shares to constitute the class or series and the designations thereof;

(3) the dividend rate of such class or series, whether dividends are payable in cash, stock of the corporation or other property, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends shall bear to the dividends payable on any other class or classes or of any other series of capital stock, and whether such dividends shall be cumulative or noncumulative, and if cumulative, the date or dates from which such dividends shall accumulate;

(4) whether the shares of such class or series shall be subject to redemption by the corporation, and if made subject to such redemption, the times, prices and other terms and conditions of such redemption;

(5) the terms and amount of any sinking fund provided for the purchase or redemption of the shares of such class or series;

(6) whether or not the shares of such class or series shall be convertible into or exchangeable for shares of any other class or classes or series of capital stock of the Corporation, and, if provision be made for conversion or exchange, the times, prices, rates, adjustments and other terms and conditions of such conversion or exchange;

(7) the extent, if any, to which the holders of such class or series shall be entitled to vote as a class or otherwise with respect to the election of the directors or otherwise; provided, however, that in no event shall any holder of any class or series of Preferred Stock be entitled to more than one vote for each share of such Preferred Stock held by him;

(8) the restrictions, if any, on the issue or reissue of any additional shares or class or series of Preferred Stock;

(9) the rights of the holders of the shares of such class or series upon the dissolution of, or upon the distributions of assets of, the Corporation; and

(10) such other special rights and protective provisions with respect to any class or series as the Board of Directors may deem advisable.

(c) Except as otherwise required by law and except for such voting powers with respect to the election of directors or other matters as may be stated in the resolutions of the Board of Directors creating any class or series of Preferred Stock, the holders of any such series shall not have any voting power whatsoever.

(d) No holder of any stock of the corporation of any class now or hereafter authorized shall, as such holder, be entitled as of right to purchase or subscribe for any shares of stock of the corporation of any class or any series now or hereafter authorized, or any securities convertible into or exchangeable for any such shares, or any warrants, options, rights or other instruments evidencing rights to subscribe for, or purchase, any such shares, whether such shares, securities, warrants, options, rights or other instruments be unissued or issued and thereafter acquired by the corporation.

(e) Without action by the stockholders, the shares of any class or series of capital stock may be issued by the corporation from time to time for such consideration as may be fixed by the Board of Directors, provided that such consideration shall be not less than par value in the case of any class or series of stock having par value. Any and all shares so issued, the full consideration for which has been paid or delivered shall be deemed fully paid stock and shall not be liable to any further call or assessment thereon, and the holders of such shares shall not be liable for any further payment thereon.

ARTICLE V

On the date of filing of this Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware, the 1,500 issued and outstanding shares of the Corporation's previously authorized common stock, no par value per share (the "Old Common Stock"), shall thereby and thereupon be classified and converted into 1,777,778 validly issued, fully paid and nonassessable shares of Common Stock reflecting a conversion ratio of 1,185.1853333 shares of Common Stock for each one Share of Old Common Stock. Each certificate that heretofore represented shares of Old Common Stock shall not represent the number of shares of Common Stock into which the shares of Old Common Stock represented by such certificate were reclassified and converted; provided, however, that each person holding of record a stock certificate or certificates that represented shares of Old Common Stock shall receive, upon surrender of each such certificate or certificates, a new certificate or certificates evidencing and representing the number of shares of Common Stock to which such person is entitled.

ARTICLE VI

The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and shareholders:

(1) The number of directors of the Corporation shall be such as from time to time shall be fixed by, or in the manner provided in the bylaws. Election of the directors need not be by ballot unless the bylaws so provide.

(2) The Board of Directors shall have power without the assent or vote of the stockholders:

(a) To make, alter, amend, change, add to or repeal the bylaws of the Corporation, to fix and vary the amount to be reserved for any proper purpose; to authorize and cause to be executed mortgages and liens upon all or any part of the property of the Corporation; to determine the use and disposition of any surplus or net profits; and to fix the times for the declaration and payment of dividends.

(b) To determine from time to time whether, and to what times and places, and under what conditions the accounts and books of the Corporation (other than the stock ledger) or any of them, shall be open to the inspection of the stockholders.

(3) The directors in their discretion may submit any contract or act for approval or ratification at any annual meeting of the stockholders or at any meeting of the stockholders called for the purpose of considering any such act or contract, and any contract or act that shall be approved or be ratified by the vote of the holders of a majority of the stock of the Corporation which is represented in person or by proxy at such meeting and entitled to vote thereat (provided that a lawful quorum of stockholders be there represented in person or by proxy) shall be as valid and as binding upon the Corporation and upon all the stockholders as though it had been approved or ratified by every stockholder of the Corporation, whether or not the contract or act would otherwise be open to legal attack because of directors' interest, or for any other reason.

(4) In addition to the powers and authorities hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation; subject, nevertheless, to the provisions of the statutes of Delaware, of this certificate, and to any bylaws from time to time made by the stockholders; provided, however, that no bylaws so made shall invalidate any prior act of the directors which would have been valid if such bylaw had not been made.

ARTICLE VII

No director shall be liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except with respect to (1) a breach of the director's duty of loyalty to the Corporation or its stockholders, (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) liability under Section 174 of the Delaware General Corporation Law, or (4) a transaction from which the director derived an improper personal benefit, it being the intention of the foregoing provision to eliminate the liability of the Corporation's directors to the Corporation or its stockholders to the fullest extent permitted by Section 102(b)(7) of the Delaware General Corporation Law, as amended from time to time. The Corporation shall indemnify to the fullest extent permitted by Sections 102(b)(7) and 145 of the Delaware General Corporation Law, as amended from time to time, each person that such Sections grant the Corporation the power to indemnify.

ARTICLE VIII

Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware, may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths (3/4) in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement of the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

IN WITNESS WHEREOF, the Corporation has caused this Amended and Restated Certificate of Incorporation to be executed by Bradley I. Meier P resident, and attested by Brian S. Turtletaub, Secretary this 31 day of August, 1992.

/s/ Bradley I. Meier
President

Attest:

/s/ Brian S. Turtletaub
Secretary

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 10/11/1994
944191943 - 2246544

CERTIFICATE OF DESIGNATION

OF

UNIVERSAL HEIGHTS, INC.

It is hereby certified that:

1. The name of the corporation (the “Corporation”) is Universal Heights, Inc.

2. The entire board of directors of the Corporation, pursuant to the authority expressly vested in the Board by the Amended and Restated Certificate of Incorporation of the Corporation, has adopted the resolution attached hereto as Exhibit A creating and establishing the terms of a new series of Preferred Stock designated “Series A Preferred Stock.”

IN WITNESS WHEREOF, the undersigned Corporation has caused this Certificate of Designation to be signed this 7th day of October 1994, by its duly authorized officers, each of whom affirms, under penalties of perjury, that the facts stated herein are true.

UNIVERSAL HEIGHTS, INC.

By: /s/ Bradley I. Meier
Bradley I. Meier
Chairman and President

ATTEST:

By: /s/ Michael Siegel,
Michael Siegel,
Assistant Secretary

EXHIBIT A

BE IT FURTHER RESOLVED , that in order to effect the Debt Conversion and pursuant to the authority vested in the Board of Directors of the Corporation by its Certificate of Incorporation, the Board of Directors does hereby provide for and authorize the issuance of an aggregate of 49,950 shares of the preferred stock, par value $.01 per share, of the Corporation, to be designated "Series A Preferred Stock" of the presently authorized but unissued shares of preferred stock of the Corporation. The voting powers, designations, preferences, and relative, participating, optional or other special rights of the Series A Preferred Stock authorized hereunder and the qualifications, limitations and restricting of such preferences and rights are as follows:

1. Dividends .

(a) To the extent not prohibited by Delaware law, the Board of Directors of the Corporation shall declare and the Corporation shall pay preferential dividends to the holders of Series A Preferred Stock accrued as provided herein and no more dividends. Except as otherwise provided herein, dividends on each share of Series A Preferred Stock (a "Share") shall accrue cumulatively from and including the date of issuance at the rate of $.25 per share per quarter whether or not there are profits, surplus or other funds of the Corporation legally available for the payment of dividends. For purposes of this Section l (a), the date on which the Corporation initially issues any Share is its "date of issuance" regardless of the number of times transfer of such Share is made on the stock records maintained by or for the Corporation and regardless of the number of certificates that may be issued to evidence such Share (whether by reason of transfer of such Share or for any other reason).

(b) The Series A Preferred Stock shall be preferred as to the payment of dividends over the shares of all common stock, par value $.01 per share, of the Corporation (the "Common Stock"). Dividends (whether current or in arrears) on the Preferred Stock shall be paid before any dividends (other than dividends payable in Common Stock) on any junior stock shall be declared and set apart for payment or paid.

(c) All dividends payable on the Preferred Stock shall be cumulative and shall be paid on the last day of the Corporation's fiscal quarter of each fiscal year.

(d) Dividends not paid as required by the terms of the Series A Preferred Stock shall bear interest at the rate of 10% per annum.

(e) If at any time the Corporation pays less than the total amount of dividends then accrued with respect to the Series A Preferred Stock, such payment will be distributed ratably among the holders of Series A Preferred Stock so that an equal amount is paid with respect to each outstanding Share.

(f) The Corporation agrees to take all action that may be necessary or advisable to permit the Corporation to meet its obligations to the holders of Series A Preferred Stock.

(g) At the option of the Board of Directors of the Corporation, any dividend then accrued may be paid either in cash or in shares of the Common Stock having a "market price" (as hereinafter defined) equal to the amount of the dividend.

2. Voting . The holders of the shares of Series A Preferred Stock shall have the right to vote on all matters submitted to a vote of the Corporation's Shareholders, at the rate of ten (10) votes to each one share of Series A Preferred Stock held on the record date for such meeting.

3. Redemption .

(a) The Corporation, may at the option of the Board of Directors, at any time until October 6, 1999, with funds legally available for such purpose under Delaware law, redeem the whole or any part of the outstanding shares of Series A Preferred Stock at a redemption price of Ten Dollars ($10.00) per Share plus an amount equal to all accrued and unpaid dividends and interest thereon to and including the redemption date.

(b) If less than all shares of Series A Preferred Stock are redeemed at any time under this Section 3, shares of Series A Preferred Stock held by each holder of record thereof shall be called for redemption pro rata, according to the number of shares of Series A Preferred Stock held by such holder, subject, however, to such adjustment as may be equitably determined by the Corporation in order to avoid the redemption of fractional shares.

(c) Any redemption of any or all of the outstanding shares of Series A Preferred Stock shall be effected in accordance with the provisions of this Section 3 (c).

(i) Any such redemption shall be effected by written notice given by mail, postage prepaid, not less than fifteen (15) days nor more than thirty (30) days prior to the date fixed for redemption to the holders of record of Series A Preferred Stock whose shares are to be redeemed at their respective addresses as the same shall appear on the books of the Corporation. Each such notice of redemption shall specify the date fixed for redemption, the redemption price and place of payment thereof, and if less than all outstanding shares of Series A Preferred Stock are to be redeemed, the number of shares of Series A Preferred Stock held by each holder of record thereof which are being called for redemption. A holder of Series A Preferred Stock may, at its sole option, convert the Series A Preferred Stock called for redemption at any time within seven (7) days after first receiving the notice called for in this Section 3 (c)(i). Any such conversion shall be made in accordance with Section 4 hereof.

(ii) Notice of redemption having been duly given, then on the date for such redemption, the certificates for the Series A Preferred Stock called for redemption (whether or not surrendered) shall be deemed no longer outstanding for any purpose, and all rights with respect to such shares shall thereupon cease and terminate, except the right of the holders of such shares to receive, out of such deposit in trust, on the redemption date, the redemption price to which they are entitled, without interest.

(iii) In case any certificate for shares of Series A Preferred Stock shall be surrendered by the holder thereof for payment in connection with the redemption of only a portion of the shares represented thereby, the Corporation shall deliver to or upon the order of the holder thereof a certificate or certificates for the number of shares of Series A Preferred Stock represented by such surrendered certificate which are not being redeemed.

In case any holder of Series A Preferred Stock called for redemption shall not, within ninety (90) days after deposit by the Corporation of funds for the redemption thereof, claim the amount deposited for redemption thereof, the bank, trust company or transfer agent with which such funds were deposited shall, upon demand, pay over to the Corporation the balance of such amount so deposited and such bank, trust company or transfer agent shall thereupon be relieved of all responsibility to such holder, who shall thereafter look solely to the Corporation for payment of the redemption price of his shares.

4. Conversion . The holders of shares of Series A Preferred Stock shall have conversion rights as follows:

(a) Each holder of a share of Series A Preferred Stock shall have the right, at any time, to convert such share into fully paid and nonassessable shares of Common Stock, at the rate of 10 shares of Common Stock for each one share of the Series A Preferred Stock (the “conversion rate”).

(b) The Corporation shall not be required, in connection with any conversion of shares of Series A Preferred Stock to issue a fraction of a share of its Common Stock, but in lieu thereof the Corporation shall make a cash payment (calculated to the nearest cent--five mills being considered as nearer to the next higher cent) equal to such fraction multiplied by the market price of the Common Stock on the trading day prior to conversion.

(c) Any holder of shares of Series A Preferred Stock electing to convert such shares into Common Stock shall surrender the certificate or certificates for such shares at the office of the Corporation (or at such other place as the Corporation may designate by notice to the holders of shares of Series A Preferred Stock) during regular business hours, duly endorsed to the Corporation or in blank, or accompanied by instruments of transfer to the Corporation in blank, in form satisfactory to the Corporation and shall give written notice to the Corporation at such office that such holder elects to convert such shares of Series A Preferred Stock. The Corporation shall, as soon as practicable after such deposit of certificates for shares of this Series, accompanied by the written notice above prescribed, issue and deliver at such office to the holder for whose account such shares wee surrendered, or to his nominee, certificates representing the number of shares of Common Stock and the cash, if any, to which such holder is entitled upon such conversion.

(d) Conversion shall be deemed to have been made as of the date of surrender of certificates for the shares of Series A Preferred Stock to be converted, and the giving of written notice as hereinabove provided; and the person entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such Common Stock on such date. The Corporation shall not be required to deliver certificates for shares of its Common Stock while the stock transfer books for such stock or for this Series A Preferred Stock are duly closed for any purpose, but certificates for shares of Common Stock shall be issued and delivered as soon as practicable after the opening of such books.

(e) The conversion rate shall be adjusted from time to time as follows:

(i) In case the Corporation shall (a) pay a dividend or make a distribution in shares of its capital stock (whether shares of Common Stock or of capital stock of any other class) to holders of Common Stock, (b) subdivide its outstanding shares of Common Stock, (c) combine its outstanding shares of Common Stock into a smaller number of shares, or (d) issue by reclassification of its shares of Common Stock any shares of capital stock of the Corporation, the conversion right and the conversion rate in effect immediately prior to such action shall be adjusted so that the holder of any shares of this Series thereafter surrendered for conversion shall be entitled to receive the number of shares of capital stock of the Corporation which such holder would have owned immediately following such action and such shares of this Series A Preferred Stock been converted immediately prior thereto. An adjustment made pursuant to this subparagraph shall become effective retroactively immediately after the record date in the case of a dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification. If, as a result of an adjustment made pursuant to this Section, the holder of any shares of this Series thereafter surrendered for conversion shall become entitled to receive shares of two or more classes of capital stock of the Corporation, the Board of Directors (whose determination shall be conclusive) shall determine the allocation of the adjusted conversion rate between or among shares of such classes of capital stock.

(ii) In case the Corporation shall issue rights or warrants to all holders of its Common Stock entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the market price of the Common Stock on the record date referred to below, the conversion rate shall be adjusted so that it shall equal the rate determined by multiplying the conversion rate in effect immediately prior to the date of issuance of such rights or warrants by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase, and the denominator of which shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of shares that the aggregate offering price of the total number of shares so offered would purchase at such current market price. Such adjustment shall become effective retroactively immediately after the record date for the determination of stockholders entitled to receive such rights or warrants.

(iii) In case the Corporation shall distribute to all holders of its Common Stock evidences of its indebtedness or assets (exclusive of any cash dividend paid from retained earnings of the Corporation) or rights or warrants to subscribe to securities of the Corporation (excluding those hereinabove described), then in each such case the conversion rate shall be adjusted so that it shall equal the rate determined by multiplying the conversion rate in effect immediately prior to the date of such distribution by a fraction, the numerator of which shall be the current market price of the Common Stock on the record date referred to below, and the denominator of which shall be such current market price of the Common Stock less the then fair market value (as determined by the Board of Directors of the Corporation, whose determination shall be conclusive) of the portion of the assets or evidences of indebtedness so distributed or of such subscription rights or warrants applicable to one share of Common Stock. Such adjustment shall become effective retroactively immediately after the record date for the determination of stockholders entitled to receive such distribution.

(iv) Notwithstanding the foregoing, the Corporation shall not be required to make any adjustment of the conversion rate unless such adjustment would require an increase or decrease of at least 1% in such rate. Any lesser adjustment shall be carried forward and shall be made at the time of and together with the next subsequent adjustment which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least 1% in such rate.

(v) Whenever an adjustment in the conversion rate is required, the Corporation shall forthwith place on file with its Secretary a statement signed by its President or a Vice President and by its Secretary or Treasurer or one of its Assistant Secretaries of Assistant Treasurers, stating the adjusted conversion rate determined as provided herein. Such statements shall set forth in reasonable detail such facts as shall be necessary to show the reason and the manner of computing such adjustment. Promptly after the adjustment of the conversion rate, the Corporation shall mail a notice thereof to each holder of shares of Series A Preferred Stock.

(vi) In case of either (a) any consolidation or merger to which the Corporation is a party, other than a merger or consolidation in which the Corporation is the surviving or continuing corporation and which does not result in any reclassification of, or change (other than a change in par value or from par value to no par value or from no par value to par value, or as a result of a subdivision or combination) in, outstanding shares of Common Stock, or (b) any sale or conveyance to another corporation of all or substantially all of the assets of the Corporation, then the Corporation, or such successor corporation, as the case may be, shall make appropriate provision so that the holder of each of Series A Preferred Stock then outstanding shall have the right to convert such shares of Series A Preferred Stock into the kind and amount of shares or other securities and property receivable upon such consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock into which such shares of Series A Preferred Stock might have been converted immediately prior to consolidation, merger, sale or conveyance, subject to adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for hereunder. The provisions of this Section shall apply similarly to successive consolidations, mergers, sales or conveyances.

(vii) The Corporation shall take all necessary action to cause any shares of Series A Preferred Stock which shall at any time have been converted to resume the status of authorized but unissued shares of Series A Preferred Stock, without designation as to series, until such shares are once more designated as part of a particular series by the Board of Directors. The Corporation shall at all times reserve and keep available out of its authorized but unissued stock, for the purpose of effecting the conversion of the shares of this Series, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of this Series; provided, however, that nothing contained herein shall preclude the Corporation from satisfying its obligations in respect of the conversion of the shares by delivery of purchased shares of Common Stock which are held in the treasury of the Corporation.

(viii) If any shares of Common Stock required to be reserved for purposes of conversion of shares of Series A Preferred Stock hereunder require registration with or approval of any governmental authority before such shares may be issued upon conversion, the Corporation shall cause such shares to be duly registered or approved, as the case may be. The Corporation will endeavor to list the shares of Common Stock required to be delivered upon conversion of shares of this Series prior to such delivery upon each national securities exchange upon which the outstanding Common Stock is listed at the time of such delivery.

(ix) The Corporation shall pay any and all issue or transfer taxes that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of shares of Series A Preferred Stock pursuant hereto. The Corporation shall not, however, be required to pay any tax which is payable in respect of any transfer involved in the issue or delivery of Common Stock in a name other than in which the shares of Series A Preferred Stock so converted were registered, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Corporation the amount of such tax, or has established, to the satisfaction of the Corporation, that such tax has been paid.

(x) Before taking any action that would result in the conversion rate being less than the then par value of the Common Stock, the Corporation shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and nonassessable shares of Common Stock.

(xi) As used herein, the term “market price” shall mean the closing or last sales price for the security on the principal exchange on which the security is then traded or the NASDAQ National Market System, as the case may be, or if not so traded, the average of the closing bid and asked price on NASDAQ, or if not so traded, the average of the high or low bid prices as reported by the National Quotation Bureau, Incorporated. If no quotation is available for an applicable conversion record date, the quotation used shall be that for the most recent trading day prior to the record date of which a quotation is available. As used herein, the term “trading day” shall be a day on which the principal securities exchange on which the Common Stock is traded, is open for business.

5. Liquidation, Dissolution, Winding Up . In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, either voluntarily or involuntarily, the amount that shall be paid to the holder of each share of Series A Preferred Stock (the “liquidation value” of such shares) shall be the fixed amount of $10.00 for each such share and the additional sum representing declared but unpaid dividends thereon, if any. Neither the merger or consolidation of the Corporation, nor the sale, lease or conveyance of all or part of its assets, shall be deemed to be a liquidation, dissolution or winding up of the affairs of the Corporation, either voluntarily or involuntarily, within the meaning of this section.

6. Preferential Rank . All shares of Common Stock shall be of junior rank in respect of the preferences as to dividend, distributions and payments upon the liquidation, dissolution or winding up of the Corporation to all shares of Series A Preferred Stock. The rights of the shares of Common Stock shall be subject to the preferences and rights of the Series A Preferred Stock.

7. Reaquired Shares . Any shares of Series A Preferred Stock that have been issued and subsequently reacquired by the Corporation or redeemed or purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such Shares upon their cancellation shall become authorized but unissued shares of the preferred stock, par value $.01 per share, of the Corporation and may be redeemed as part of a new series of preferred stock of the Corporation to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth in the Corporation’s Certificate of Incorporation.

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 10:38 AM 12/19/1996
960375391 - 2246544

STATE OF DELAWARE
CERTIFICATE FOR RENEWAL
AND REVIVAL OF CHARTER

Universal Heights, Inc. , a corporation organized under the laws of Delaware, the charter of which was voided for non-payment of taxes, now desires to procure a restoration, renewal and revival of its charter, and hereby certifies as follows:

1. The name of this corporation is Universal Heights, Inc.

2. Its registered office in the State of Delaware is located at 1013 Centre Rd. Street, City of Wilmington Zip Code 19805 County of New Castle the name and address of its registered agent is Corporate Agents, Inc. 1013 Centre Rd. Wilmington, DE 19805 .

3. The date of filing of the original Certificate of Incorporation in Delaware was 11/13/90 .

4. The date when restoration, renewal, and revival of the charter of this company is to commence is the 29th day of February, 1996 , same being prior to the date of the expiration of the charter. This renewal and revival of the charter of this corporation is to be perpetual.

5. This corporation was duly organized and carried on the business authorized by its charter until the 1st day of March A.D. 19 96 , at which time its charter became inoperative and void for non-payment of taxes and this certificate for renewal and revival is filed by authority of the duly elected directors of the corporation in accordance with the laws of the State of Delaware.

IN TESTIMONY WHEREOF , and in compliance with the provisions of Section 312 of the General Corporation Law of the State of Delaware, as amended, providing for the renewal, extension and restoration of charters, Brad1ey I Meier the last and acting authorized officer hereunto set his/her hand to this certificate this 18th day of December 19 96 .

BY: /s/ Bradley I. Meier
TITLE OF OFFICER: President

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 04:30 PM 08/13/1997
971271180 - 2246544

CERTIFICATE OF DESIGNATION, PREFERENCES, AND RIGHTS OF SERIES M CONVERTIBLE PREFERRED STOCK

of

UNIVERSAL HEIGHTS, INC.

Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

Universal Heights, Inc. ("Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify that, pursuant to authority conferred upon the board of directors of the Company ("Board of Directors") or any committed of the Board of Directors ("Board Committee") by its Amended and Restated Certificate of Incorporation ("Certificate of Incorporation"), and pursuant to the provisions of Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors, at a meeting held on May 2, 1997, duly approved and adopted the following resolution ("Resolution"):

RESOLVED, that, pursuant to the authority conferred upon the Board of Directors by the Certificate of Incorporation of the Corporation, the Board of Directors of the Corporation does hereby create, authorize and provide for the issue of Series M Convertible Preferred Stock, par value $.01 per share, consisting of 88,690 shares, having the designations, preferences, relative, participating, optional and other special rights and the qualifications, limitations and restrictions thereof that are set forth in the Certificate of Incorporation and this Resolution as follows:

Section 1. DESIGNATION AND AMOUNT. (a) The shares of such series shall be designated as "Series M Convertible Preferred Stock" and the number of shares constituting such series shall be 88,690. The conversion price of the Series M Convertible Preferred Stock shall. be $1.00 per share ("Conversion Price").

(b) The Series M Convertible Preferred Stock shall, with respect to dividend rights and rights on liquidation, dissolution or winding up, rank prior to the Common Stock, par value $.01 per share, of the Corporation ("Common Stock") ;

Section 2. DIVIDENDS AND DISTRIBUTIONS. (a) The holders of shares of Series M Convertible Preferred Stock, in preference to the holders of shares of Common Stock and holders of any shares of other capital stock of the corporation ranking junior to the Series M Convertible Preferred Stock as to payment of dividends, shall be entitled to receive, when, as and if declared by the Board of Directors, out of the assets of the Corporation legally available therefor, cash dividends at an annual rate of S.20 per share, accruing and payable annually on the anniversary date of the first day of the calendar quarter immediately following the date hereof ("Issue Date"). In the event that accrued dividends on the Series M Convertible Preferred Stock are not paid for the preceding year, each holder of Series M Convertible Preferred Stock shall receive, in lieu of such accrued and unpaid dividends, an amount of Series M Convertible Preferred Stock equal in value to such accrued and unpaid dividends based upon the Liquidation Preference of Series M Convertible Preferred Stock.

(b) Dividends payable pursuant to paragraph (a) of this Section 2 shall begin to accrue and be cumulative from August 30, 1997. Dividends paid on the shares of the Series M Convertible Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of the Series M Convertible Preferred Stock entitled to receive payment of a dividend declared thereon, which record date shall be no more than sixty days nor less than ten days prior to the date fixed for the payment thereof.

Section 3, VOTING RIGHTS. In addition to any other voting rights required by law, the holders of shares of Series M Convertible Preferred Stock shall have the following voting rights:

(a) Each share of Series M Convertible Preferred Stock shall entitle the holder thereof to one vote on all matters submitted to a vote of the stockholders of the Corporation, and the holders of Series M Convertible Preferred Stock shall vote as a series on matters affecting their value including a) issuance of any new series of Preferred Stock of the Corporation with superior rights, and b) any merger , dissolution, or sale of the Corporation. All action requiring the approval of holders of shares of Series M Convertible Preferred Stock voting as a series shall be authorized by a majority vote of such holders.

(b) The holders of the Series M Convertible Preferred Stock, voting separately as a series, in person or by proxy, shall be entitled to elect two of the members of the Board of Directors of the Corporation at each annual meeting of the stockholders or any special meeting called for that purpose. The holders of the Common Stock and the holders of the Series M Convertible Preferred Stock, voting together as one class, in person or by proxy, shall be entitled to elect the remaining directors of the Corporation at each annual meeting of the stockholders or any special meeting called for that purpose.

Each director elected by the holders of shares of the Series M Convertible Preferred Stock as provided in paragraph (b) of this Section 3 shall, unless his or her term shall expire earlier, hold office until the annual meeting of stockholders next succeeding his or her election or until his or her successor, if any, is elected and qualified.

In case any vacancy shall occur among the directors elected by the holders of shares of the Series M Convertible Preferred Stock as provided in paragraph (b) of this Section 3, such vacancy may be filed for the unexpired portion of the term by vote of a majority of the remaining directors theretofore elected by such holders (if there are remaining directors), or such directors' successors in office. If any such vacancy is not so filled within twenty (20) days after the creation thereof or if the directors so elected by the holders of the Series M Convertible Preferred Stock shall cease to serve as directors before their terms shall expire, the holders of the Series M Convertible Preferred Stock then outstanding and entitled to vote for such directors may, by written consent as herein provided, or at special meeting of such holders called as provided herein, elect successors to hold office for the unexpired terms of the directors whose places shall be vacant.

Section 4. REACQUIRED SHARES. Any shares of Series M Convertible Preferred Stock redeemed, purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares of the Series M Convertible Preferred Stock shall, upon their cancellation, and upon the filing of an appropriate certificate with the Secretary of the State of Delaware, become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors. The Corporation will not repurchase Common Stock as long as Series M Convertible Preferred Stock is outstanding without the approval of the holders of the Series M Convertible Preferred Stock voting as a series.

Section 5. LIQUIDATION PREFERENCE. In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Corporation, the holders of Series M Convertible Preferred Stock shall be entitled to receive in preference to holders of Common Stock an amount equal to the Conversion Price of the Series M Convertible Preferred Stock plus any accrued but unpaid dividends thereon, whether or not declared, to the date of such payment. Any remaining proceeds shall be allocated between Common and Preferred Shareholders on a pro-rata basis, treating the shares of Series M Convertible Preferred Stock on an as-if converted basis.

Section 6. CONVERSION. (a) Each share of Series M Convertible Preferred Stock shall be convertible at the option of the holder thereof into fully paid and nonassessable shares of Common Stock on a 1 for 5 basis. The number of shares of Common Stock deliverable upon conversion of a share of the Series M Convertible Preferred Stock, adjusted as hereinafter provided, is referred to herein as the "Conversion Ratio." The Conversion ratio shall be subject to adjustment from time to time pursuant to Section 7 herein.

Section 7. ADJUSTMENTS TO REFLECT CAPITAL CHANGES.

(a) Sale or Reorganization. In case the Corporation shall enter into any reorganization, consolidation, merger, combination, or other transaction ("Transaction"), irrespective of whether the Corporation is the surviving entity, each share of Series M Convertible Preferred Stock shall, immediately prior to such Transaction and without further action, be converted into the same number of shares of stock or securities, cash, and/or any other property that the holder of shares of Series M Convertible Preferred Stock would have been entitled to receive pursuant to the terms of the Transaction if at the time of such Transaction the holder of Series M Convertible Preferred Stock had been the holder of record of a number of shares of Common Stock equal to the number of shares of Common Stock receivable on conversion of such shares of Series M Convertible Preferred Stock immediately prior to such Transaction.

(b) Recapitalization. In the event of any stock dividend, stock split or combination of shares of the Corporation's outstanding Common Stock, the number of shares of Series M Convertible Preferred Stock shall be adjusted to reflect such stock dividend, stock split or combination by multiplying the number of shares of Series M Convertible Preferred Stock by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. In the event the Corporation declares any stock dividend, stock split or combination of shares of the Corporation's outstanding Common Stock, the Conversion Price of the shares of Series M Convertible Preferred Stock shall be adjusted by multiplying the Conversion Price of Series M Convertible

Preferred Stock by a fraction, the numerator of which is the number of shares of Common Stock that were outstanding immediately prior to such event and the denominator of which is the number of shares of Common Stock outstanding immediately after such event.

Section 10. REDEMPTION. The shares of Series M Convertible Preferred Stock, on or before December 31, 2001, will be subject to redemption at the option of the holder, if not previously converted, at the earlier of a dissolution, winding up, or sale or merger wherein a “change of control” occurs (“Liquidity Events”). A change of control will occur: a) upon the sale or transfer of substantially all the assets of the Corporation by sale, merger or otherwise, or b) if any “person” (as such term is used in Sections l3(d) or 14(d) of the 1934 Act) is or becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing 50% or more of the combined voting power of the then-existing outstanding securities of the Corporation. If no Liquidity Event occurs on or before December 31, 2001, shares of Series M Convertible Preferred Stock then held will be subject to redemption, at the option of the holder, in equal amounts effective as of December 31, 2001 at a price equal to 125% of the Conversion Price of the Series M Convertible Preferred Stock; December 31, 2002 at price equal to 150% of the Conversion Price of the Series M Convertible Preferred Stock; and December 31, 2003 at a price equal to 200% of the Conversion Price of Series M Convertible Preferred Stock.

Section 11. AMENDMENT. The Certificate of Incorporation of the Corporation shall not be further amended in any manner that would materially alter or change the powers, preferences, or special rights of the Series M Convertible Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority of the outstanding shares of Series M Convertible Preferred Stock, voting separately as a series.

IN WITNESS WHEREOF, this Certificate of Designation is executed on behalf of the Corporation this 13th day of August, 1997.

UNIVERSAL HEIGHTS, INC.

By: /s/ Bradley I. Meier
Name: Bradley I. Meier
Title: President and Chief Executive officer

Attest:

By: /s/ Irwin L. Kellner
Name: Irwin L. Kellner
Title: Secretary

CERTIFICATE OF AMENDMENT
OF
AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
UNIVERSAL HEIGHTS, INC.

Universal Heights, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of the Corporation, by the unanimous written consent of its members and filed with the minutes of the Corporation, adopted a resolution proposing and declaring advisable the following amendment to the Amended and Restated Certificate of Incorporation of the Corporation:

RESOLVED, that the Corporation shall amend its Amended and Restated Certificate of Incorporation by deleting in its entirety paragraph (a) and subparagraphs (i) and (ii) thereunder of ARTICLE IV and inserting in its place the following:

ARTICLE IV

(a) The total number of shares of all classes of stock which the Corporation shall have authority to issue is 41,000,000 shares, of which:

(i) 40,000,000 shares shall be designated as Common Stock, having a par value of $.01 per share (the "Common Stock"); and

(ii) 1,000,000 shares shall be designated as Preferred Stock, having a par value of $.01 per share.

All other provisions of Article IV of the Corporation's Amended and Restated Certificate of Incorporation and all other provisions of the Corporation's Amended and Restated Certificate of Incorporation shall remain unchanged and in full force and effect.

SECOND: That in lieu of a meeting and vote of stockholders, the holders of outstanding shares of Common Stock having not less than the minimum number of votes which would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted have given their written consent to said amendment in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

THIRD: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Section 242 and Section 228 of the General Corporation Law of the State of Delaware.

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 03:30 PM 10/19/1998
981402566 – 2246544

DC-288399.01

IN WITNESS WHEREOF, the Corporation has caused this certi ficate to be signed by Bradley I . Meier, Its President, and attested by Irwin Kellner, its Secretary this 30 day of September, 1998.

UNIVERSAL HEIGHTS, INC.

By: /s/ Bradley I. Meier
Bradley I. Meier, President

(SEAL)

ATTEST:

By: /s/ Irwin Kellner
Irwin Kellner, Secretary

CERTIFICATE OF CHANGE OF LOCATION OF REGISTERED OFFICE AND OF REGISTERED AGENT OF UNIVERSAL HEIGHTS, INC.

It is hereby certified that:

1. The name of the corporation (hereinafter called the "Corporation") is: Universal Heights, Inc.

2. The registered office of the corporation within the State of Delaware is hereby changed to 1013 Centre Road, City of Wilmington 19805, County of New Castle.

3. The registered agent of the corporation within the State of Delaware is hereby changed to Corporation Service Company, the business office of which is identical with the registered office of the corporation as hereby changed.

4. The corporation has authorized the changes hereinbefore set forth by resolution of its Board of Directors.

Signed on October 20 , 1999

UNIVERSAL HEIGHTS, INC.

/s/ Bradley I. Meier

Bradley I. Meier, President

DC-329304

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 11/30/1999
991509405 - 2246544

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 12/18/2000
001632680 - 2246544

STATE *of* DELAWARE
CERTIFICATE *of* AMENDMENT *of*
CERTIFICATE *of* INCORPORATION

- **First:** That at a meeting of the Board of Directors of Universal Heights, Inc. resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of said corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said corporation for consideration thereof.

  The resolution setting forth the proposed amendment is as follows:

  Resolved , that the Certificate of Incorporation of this corporation be amended by changing the Article thereof numbered " First " so that, as amended, said Article shall be and read as follows:

  " The name of this corporation is:

  UNIVERSAL INSURANCE HOLDINGS, INC. "

- **Second:** That thereafter, pursuant to resolution of its Board of Directors, a special meeting of the stockholders of said corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

- **Third:** That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

- **Fourth:** That the capital of said corporation shall not be reduced under or by reason of said amendment.

By: /s/ Bradley I. Meier
(Authorized Officer)

NAME: Bradley I. Meier, President
(Type or Print)

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09: 00 AM 10/29/2001
010541491 - 2246544

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF DESIGNATIONS
OF THE
SERIES A CONVERTIBLE PREFERRED STOCK

OF

UNIVERSAL INSURANCE HOLDINGS, INC.

Pursuant to Section 242 of Title 8 of the
General Corporation Law of the State of
Delaware

The undersigned duly authorized officer of Universal Insurance Holdings, Inc. (formerly Universal Heights, Inc.), a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), in accordance with the provisions of Section 242 thereof, DOES HEREBY CERTIFY that the following resolution was duly adopted by the Board of Directors of the Corporation, by unanimous written consent, pursuant to Section 141(f) of the General Corporation Law of the State of Delaware as of October 19, 2001 and duly approved by at least a majority of the holders of Series A Preferred Stock of the Corporation, by consent, pursuant to Section 228 of the General Corporation Law of the State of Delaware as of October 19, 2001:

BE IT RESOLVED , that the Board of Directors of the Corporation deems it advisable to amend Section 2 of the Corporation's Certificate of Designation dated October 11, 1994 designating Series A Preferred Stock (the "Series A Certificate of Designation") by deleting in its entirety Section 2 and substituting therefor the following provision so that, as amended, said Section shall be read in its entirety as follows:

2. Voting , The holders of the shares of Series A Preferred Stock shall have the right to vote on all matters submitted to a vote of the Corporation's shareholders, at the rate of one (1) vote to each one share of Series A Preferred Stock held on the record date for such meeting.

All other provisions of the Series A Certificate of Designation shall remain unchanged and in full force and effect;

IN WITNESS WHEREOF, the Corporation has caused this Amended Certificate of Designations to be signed by a duly auth orized officer as of October 25, 2001.

UNIVERSAL INSURANCE HOLDINGS, INC.

By: /s/ Bradley I. Meier
Bradley I. Meier
President

ATTEST:

By: /s/ Irwin L. Kellner
Irwin L. Kellner, Secretary

CERTIFICATE OF AMENDMENT
TO
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
UNIVERSAL INSURANCE HOLDINGS, INC.

Universal Insurance Holdings, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), DOES HEREBY CERTIFY as follows:

FIRST: The Amended and Restated Certificate of Incorporation of the Corporation is hereby amended by deleting paragraph (a) of Article IV of the Amended and Restated Certificate of Incorporation in its entirety and substituting therefor the following:

(a) The total number of shares of all classes of stock which the Corporation shall have the authority to issue is 51,000,000 shares, of which:

(i).50,000,000 shares shall be designated as Common Stock, having a par value of $.01 per share (the "Common Stock"); and

(ii) 1,000,000 shares shall be designated as Preferred Stock, having a par value of $.01 per share.

SECOND: The capital of the Corporation will not be reduced under or by reason of this amendment to the Amended and Restated Certificate of Incorporation.

THIRD: The amendment to the Amended and Restated Certificate of Incorporation set forth in this Certificate of Amendment has been duly adopted by the vote of the stockholders of the Corporation in accordance with Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed by its duly authorized officer as of this 7th day of December, 2005.

UNIVERSAL INSURANCE HOLDINGS, INC.

By: /s/ Bradley I. Meier
Bradley I. Meier
President and Chief Executive Officer

State of Delaware
Secretary of State
Division of Corporations
Delivered 02:18 PM 12/07/2005
FILED 02:15 PM 12/07/2005
SRV 050995122 - 2246544 FILE

CERTIFICATE OF AMENDMENT
TO
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
UNIVERSAL INSURANCE HOLDINGS, INC.

Universal Insurance Holdings, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), DOES HEREBY CERTIFY as follows:

FIRST: The Amended and Restated Certificate of Incorporation of the Corporation is hereby amended by deleting paragraph (a) of Article IV of the Amended and Restated Certificate of Incorporation in its entirety and substituting therefor the following:

(a) The total number of shares of all classes of stock which the Corporation shall have the authority to issue is 56,000,000 shares, of which:

(i) 55,000,000 shares shall be designated as Common Stock, having a per value of $.01 per share (the "Common Stock"); and

(ii) 1,000,000 shares shall be designated as Preferred Stock, having a par value of $.01 per share.

SECOND: The capital of the Corporation will not be reduced under or by reason of this amendment to the Amended and Restated Certificate of Incorporation.

THIRD: The amendment to the Amended and Restated Certificate of Incorporation set forth in this Certificate of Amendment has been duly adopted by the vote of the stockholders of the Corporation in accordance with Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed by its duly authorized officer as of this 18th day of May, 2007.

UNIVERSAL INSURANCE HOLDINGS, INC.

By: /s/ Bradley I. Meier
Bradley I. Meier
President and Chief Executive Officer

State of Delaware
Secretary of State
Division of Corporations
Delivered 10:48 AM 05/18/2007
FILED 10:49 AM 05/18/2007
SRV 070583348 – 2246544 FILE

State of Delaware
Secretary of State
Division of Corporations
Delivered 10:54 AM 06/09/2015
FILED 10:54 AM 06/09/2015
SRV 150896145 - 2246544 FILE

CERTIFICATE OF ELIMINATION
OF SERIES M CONVERTIBLE PREFERRED STOCK
OF UNIVERSAL INSURANCE HOLDINGS, INC.

June 9, 2015

Pursuant to Section 151(g) of the General Corporation Law of the State of Delaware, Universal Insurance Holdings, Inc., a corporation organized and existing under the laws of the State of Delaware ("Company"), in accordance with the provisions of Section 151(g) of the General Corporation Law of the State of Delaware, hereby certifies as follows:

1. That, pursuant to Section 151 of the General Corporation Law of the State of Delaware and authority granted in the Certificate of Incorporation of the Company, as heretofore, amended, the Board of Directors of the Company ("Board"); by resolution duly adopted, authorized the issuance of 88,690 shares of Series M Convertible Preferred Stock, par value $0.01 per share ("Series M Stock"), and established the voting powers, designations, preferences and relative, participating and other rights, and the qualifications, limitations or restrictions thereof, and, on August 13, 1997, filed a Certificate of Designation, Preferences and Rights with respect to such Series M Stock in the office of the Secretary of State of the State of Delaware ("Certificate of Designation").

2. That no shares of Series M Stock are outstanding and no shares thereof will be issued subject to the Certificate of Designation.

3. That the Board has adopted the following resolutions:

WHEREAS, by resolution of the Board and by the Certificate of Designation, the Company authorized the issuance of 88,690 shares of Series M Stock and established the voting powers, designations, preferences and relative, participating and other rights, and the qualifications, limitations or resolutions thereof;

WHEREAS, as of the date hereof, all shares of Series M Stock that were issued by the Company have been converted into Company common stock or reacquired by the Company;

WHEREAS, as of the date hereof, no shares of Series M Stock are outstanding and no shares of Series M Stock will be issued subject to the Certificate of Designation; and

WHEREAS, the Board deems it desirable that all matters set forth in the Certificate of Designation with respect to the Series M Stock be eliminated from the Certificate of Incorporation, as heretofore amended, of the Company;

NOW,THEREFORE, BE IT RESOLVED , that all matters set forth in the Certificate of Designation with respect to the Series M Stock be eliminated from the Certificate of Incorporation, as heretofore amended, of the Company; and

RESOLVED FURTHER, that the officers of the Company be, and hereby are, authorized and directed to file a certificate with the office of the Secretary of State of the State of Delaware setting forth a copy of these resolutions whereupon all matters set forth in the Certificate of Designation with respect to the Series M Stock shall be eliminated from the Certificate of Incorporation, as heretofore amended, of the Company.

4. That, accordingly, all matters set forth in the Certificate of Designation with respect to the Series M Stock be, and hereby are, eliminated from the Certificate of Incorporation, as heretofore amended, of the Company.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Universal Insurance Holdings, Inc. has caused this certificate to be executed by its duly authorized officer as of the date first set forth above.

UNIVERSAL INSURANCE HOLDINGS, INC.

By:	/s/ Stephen J. Donaghy
Name:	Stephan J. Donaghy
Title:	Corporate Secretary

Exhibit 21

LIST OF SUBSIDIARIES

1. Coastal Homeowners Insurance Specialists, Inc. (Florida)
2. Tigerquote.com Insurance Solutions of Ohio, Inc. (Ohio)
3. Tigerquote.com Insurance Solutions of Pennsylvania, Inc. (Pennsylvania)
4. Universal Adjusting Corporation (Florida)
5. Universal Florida Insurance Agency Inc. (Florida)
6. Universal Inspection Corporation (Florida)
7. Universal Insurance Holding Company of Florida (Florida)
8. Universal Property & Casualty Insurance Company (Florida)
9. Universal Risk Advisors, Inc. (Florida)
10. Universal Risk Life Advisors, Inc. (Florida)
11. Atlas Florida Financial Corporation (Florida)
12. Atlas Premium Finance Company (Florida)
13. Blue Atlantic Reinsurance Corporation (Florida)
14. Infinity Property & Casualty Insurance Company (name changed to American Platinum Property and Casualty Insurance Company) (Florida)
15. Universal Logistics Corporation (Florida)
16. Financial & Insurance Management Resources, Inc. (Florida)
17. Universal Protection Plans, Inc. (Florida)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements on Form S-3 (333-185484) and on Form S-8 (333-16354, 333-174125, 333-181994, 333-189122, 333-203866 and 333-215750), of our report dated February 23, 2017 with respect to the consolidated financial statements and schedules, which appear in Universal Insurance Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the U.S. Securities and Exchange Commission; and to the reference to us as "Experts" in these Registration Statements.

/s/ Plante & Moran, PLLC

Chicago, Illinois
February 23, 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2016 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: February 24, 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2016 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: February 24, 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 Annual Report of Universal Insurance Holdings, Inc. (“Company”) on Form 10-K for the fiscal year ended December 31, 2016 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: February 24, 2017

By: /s/ Sean P. Downes
Name: Sean P. Downes
Title: Chief Executive Officer and Principal Executive Officer

Date: February 24, 2017

By: /s/ Frank C. Wilcox
Name: Frank C. Wilcox
Title: Chief Financial Officer and Principal Accounting Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being “filed” as part of the Form 10-K or as a separate disclosure document for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to liability under that section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act except to the extent that this Exhibit 32 is expressly and specifically incorporated by reference in any such filing.