Homeowners Choice, Inc.
Form 10-Q
May 09, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2013

OR

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

Commission File Number

001-34126

Homeowners Choice, Inc.

(Exact name of Registrant as specified in its charter)

Florida	**20-5961396**
(State of Incorporation)	**(IRS Employer Identification No.)**

5300 West Cypress Street, Suite 100

Tampa, FL 33607

(Address, including zip code, of principal executive offices)

(888) 210-5235

(Registrant s telephone number, including area code)

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

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

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate number of shares of the Registrant s Common Stock, no par value, outstanding on April 29, 2013 was 10,905,918.

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HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION

Item 1 *Financial Statements*

HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(Dollars in thousands, except share amounts)

	March 31, 2013 (Unaudited)	December 31, 2012
Assets		
Fixed-maturity securities, available-for-sale, at fair value	$ 35,117	35,953
Equity securities, available-for-sale, at fair value	9,944	8,876
Other investments	16,059	16,087
Total investments	61,120	60,916
Cash and cash equivalents	279,327	230,214
Accrued interest and dividends receivable	272	375
Premiums and reinsurance receivable	17,125	10,642
Prepaid reinsurance premiums	16,035	9,112
Deferred policy acquisition costs	11,822	10,032
Property and equipment, net	12,981	10,853
Deferred income taxes	4,921	3,848
Other assets	3,957	2,296
Total assets	$ 407,560	338,288
Liabilities and Stockholders Equity		
Losses and loss adjustment expenses	$ 41,751	41,168
Unearned premiums	140,951	154,249
Advance premiums	15,905	4,029
Assumed reinsurance balances payable	991	1,377
Accrued expenses	6,727	3,041
Dividends payable	37	42
Income taxes payable	13,802	8,813
Long-term debt	40,250	
Other liabilities	7,418	4,316
Total liabilities	267,832	217,035
Stockholders equity:		
7% Series A cumulative convertible preferred stock (liquidation preference $10.00 per share), no par value, 1,500,000 shares authorized, 210,555 and 241,182 shares issued and outstanding in 2013 and 2012, respectively		
Preferred stock (no par value, 18,500,000 shares authorized, no shares issued or outstanding)		
Common stock, (no par value, 40,000,000 shares authorized, 10,907,244 and 10,877,537 shares issued and outstanding in 2013 and 2012, respectively)		
Additional paid-in capital	64,286	63,875
Retained income	73,657	55,758
Accumulated other comprehensive income	1,785	1,620

Total stockholders equity	139,728	121,253
Total liabilities and stockholders equity	$ 407,560	338,288

See accompanying Notes to Consolidated Financial Statements.

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HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

Consolidated Statements of Income

(Unaudited)

(Dollars in thousands, except per share amounts)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Revenue		
Gross premiums earned	$ 82,547	54,698
Premiums ceded	(21,996)	(14,267)
Net premiums earned	60,551	40,431
Net investment income	139	522
Policy fee income	772	515
Net realized investment gains	20	21
Other	329	163
Total revenue	61,811	41,652
Expenses		
Losses and loss adjustment expenses	15,872	19,168
Policy acquisition and other underwriting expenses	5,968	6,836
Interest expense	686	
Other operating expenses	6,115	4,267
Total expenses	28,641	30,271
Income before income taxes	33,170	11,381
Income taxes	12,783	4,413
Net income	$ 20,387	6,968
Preferred stock dividends	(34)	(181)
Income available to common stockholders	$ 20,353	6,787
Basic earnings per common share	$ 1.87	$ 1.07
Diluted earnings per common share	$ 1.81	$ 0.88
Dividends per common share	$ 0.23	$ 0.15

See accompanying Notes to Consolidated Financial Statements.

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HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(Unaudited)

(Dollars in thousands)

	Three Months Ended March 31, 2013	2012
Net income	$ 20,387	6,968
Other comprehensive income:		
Change in unrealized gain on investments:		
Unrealized gain arising during the period	275	1,274
Call and repayment losses charged to investment income	15	
Reclassification adjustment for realized gains	(20)	(21)
Net change in unrealized gain	270	1,253
Deferred income taxes on above change	(105)	(483)
Total other comprehensive income	165	770
Comprehensive income	$ 20,552	7,738

See accompanying Notes to Consolidated Financial Statements.

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HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

(Dollars in thousands)

	Three Months Ended March 31, 2013	2012
Cash flows from operating activities:		
Net income	$ 20,387	6,968
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	389	53
Net amortization of premiums on investments in fixed-maturity securities	76	58
Depreciation and amortization	619	294
Deferred income tax benefits	(1,178)	(1,196)
Net realized investment gains	(20)	(21)
Foreign currency remeasurement loss	10	
Changes in operating assets and liabilities:		
Premiums and reinsurance receivable	(6,483)	(1,027)
Advance premiums	11,876	9,072
Prepaid reinsurance premiums	(6,923)	11,075
Accrued interest and dividends receivable	103	93
Other assets	(432)	(810)
Assumed reinsurance balances payable	(386)	
Deferred policy acquisition costs	(1,790)	2,971
Losses and loss adjustment expenses	583	6,052
Unearned premiums	(13,298)	(17,802)
Income taxes payable	4,989	141
Accrued expenses and other liabilities	6,755	1,579
Net cash provided by operating activities	15,277	17,500
Cash flows from investing activities:		
Purchase of property and equipment, net	(2,364)	(296)
Purchase of other investments	(52)	(131)
Purchase of fixed-maturity securities	(1,629)	(4,336)
Purchase of equity securities	(1,024)	(2,877)
Proceeds from sales of fixed-maturity securities	1,037	1,222
Proceeds from calls, repayments and maturities of fixed-maturity securities	1,237	
Proceeds from sales of equity securities	361	100
Increase in time deposits, net		(119)
Net cash used in investing activities	(2,434)	(6,437)
Cash flows from financing activities:		
Proceeds from the exercise of common stock warrants		195
Proceeds from the issuance of long-term debt	40,250	
Cash dividends paid	(2,493)	(1,174)
Debt issuance costs	(1,502)	
Tax benefit from restricted stock dividends	22	
Excess tax benefit from common stock options exercised		437

Net cash provided by (used in) financing activities	36,277	(542)

(continued)

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HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows, continued

(Unaudited)

(Dollars in thousands)

	Three Months Ended March 31, 2013	2012
Effect of exchange rate changes on cash	(7)	
Net increase in cash and cash equivalents	49,113	10,521
Cash and cash equivalents at beginning of period	230,214	100,355
Cash and cash equivalents at end of period	$ 279,327	110,876
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 8,950	5,030
Non-cash investing and financing activities:		
Unrealized gain on investments in available-for-sale securities, net of tax	$ 165	770
Conversion of Series A Preferred Stock to common stock	$ 278	1,823

See accompanying Notes to Consolidated Financial Statements.

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HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders Equity

Three Months Ended March 31, 2013

(Unaudited)

(Dollars in thousands, except share amounts)

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Income	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2012	241,182	$	10,877,537	$	$ 63,875	$ 55,758	$ 1,620	$ 121,253
Net income						20,387		20,387
Change in unrealized gain on available-for-sale securities, net of income taxes							165	165
Conversion of preferred stock to common stock	(30,627)		30,627					
Forfeiture of restricted stock			(920)					
Common stock dividends						(2,454)		(2,454)
Preferred stock dividends						(34)		(34)
Tax benefit from restricted stock dividends					22			22
Stock-based compensation					389			389
Balance at March 31, 2013	210,555	$	10,907,244	$	$ 64,286	$ 73,657	$ 1,785	$ 139,728

See accompanying Notes to Consolidated Financial Statements.

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HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders Equity - continued

Three Months Ended March 31, 2012

(Unaudited)

(Dollars in thousands, except share amounts)

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Income	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2011	1,247,700	$	6,202,485	$	$ 29,636	$ 33,986	$ 208	$ 63,830
Net income						6,968		6,968
Change in unrealized gain on available-for-sale securities, net of income taxes							770	770
Exercise of common stock options			145,594					
Exercise of common stock warrants			31,921		195			195
Excess tax benefit from stock options exercised					437			437
Conversion of preferred stock to common stock	(201,141)		201,141					
Common stock dividends						(2,274)		(2,274)
Preferred stock dividends						(181)		(181)
Stock-based compensation					53			53
Balance at March 31, 2012	1,046,559	$	6,581,141	$	$ 30,321	$ 38,499	$ 978	$ 69,798

See accompanying Notes to Consolidated Financial Statements.

HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited)

Note 1 Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited, consolidated financial statements for Homeowners Choice, Inc. and its subsidiaries (collectively, the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information, and the Securities and Exchange Commission (SEC) rules for interim financial reporting. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been omitted pursuant to such rules and regulations. However, in the opinion of management, the accompanying financial statements reflect all normal recurring adjustments necessary to present fairly the Company s financial position as of March 31, 2013 and the results of operations and cash flows for the periods presented. The results of operations for the interim periods presented are not necessarily indicative of the results of operations to be expected for any subsequent interim period or for the fiscal year ending December 31, 2013. The accompanying unaudited consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012 included in the Company s Form 10-K, which was filed with the SEC on March 14, 2013.

In preparing the interim unaudited consolidated financial statements, management was required to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the financial reporting date and throughout the periods being reported upon. Certain of the estimates result from judgments that can be subjective and complex and consequently actual results may differ from these estimates.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of losses and loss adjustment expenses, assumed reinsurance balances, the recoverability of deferred policy acquisition costs, and the determination of deferred income taxes. Although considerable variability is inherent in these estimates, management believes that the amounts provided are reasonable. These estimates are continually reviewed and adjusted as necessary. Such adjustments are reflected in current operations.

All significant intercompany balances and transactions have been eliminated.

Reclassifications. Certain reclassifications of prior period amounts have been made to conform to the current period presentation.

Note 2 Recent Accounting Pronouncements

There have been no recent accounting pronouncements or changes in recent accounting pronouncements during the three months ended March 31, 2013, as compared to those described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, that are of significance, or potential significance, to the Company.

HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited)

Note 3 Investments

The Company holds investments in fixed-maturity securities as well as equity securities, which are classified as available-for-sale. At March 31, 2013 and December 31, 2012, the amortized cost, gross unrealized gains and losses, and estimated fair value of the Company s available-for-sale securities by security type were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
As of March 31, 2013				
Fixed-maturity securities				
U.S. Treasury and U.S. government agencies	$ 1,669	89		1,758
Corporate bonds	10,569	551	(3)	11,117
Commercial mortgage-backed securities	9,944	801	(4)	10,741
State, municipalities, and political subdivisions	9,747	918	(1)	10,664
Redeemable preferred stock	818	19		837
Total	$ 32,747	2,378	(8)	35,117
Equity securities	$ 9,407	648	(111)	9,944
As of December 31, 2012				
Fixed-maturity securities				
U.S. Treasury and U.S. government agencies	$ 1,359	88		1,447
Corporate bonds	10,298	572	(10)	10,860
Commercial mortgage-backed securities	10,708	936		11,644
State, municipalities, and political subdivisions	10,152	914		11,066
Redeemable preferred stock	919	18	(1)	936
Total	$ 33,436	2,528	(11)	35,953
Equity securities	$ 8,756	303	(183)	8,876

The scheduled maturities of fixed-maturity securities at March 31, 2013 are as follows (in thousands):

	Amortized Cost	Estimated Fair Value
Available-for-sale		
Due in one year or less	$ 1,454	1,457
Due after one year through five years	9,586	9,976
Due after five years through ten years	6,451	6,968
Due after ten years	5,312	5,975
Commercial mortgage-backed securities	9,944	10,741
	$ 32,747	35,117

HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited)

Investment Sales

Proceeds received, and the gross realized gains and losses, from sales of available-for-sale securities for the three months ended March 31, 2013 and 2012 were as follows (in thousands):

	Proceeds	Gross Realized Gains	Gross Realized Losses
Three months ended March 31, 2013			
Fixed-maturity securities	$ 1,037	32	
Equity securities	$ 361	20	(32)
Three months ended March 31, 2012			
Fixed-maturity securities	$ 1,222	29	(3)
Equity securities	$ 100		(5)

Other-than-temporary Impairment

The Company regularly reviews its individual investment securities for other-than-temporary impairment. The Company considers various factors in determining whether each individual security is other-than-temporarily-impaired including:

- the financial condition and near-term prospects of the issuer, including any specific events that may affect its operations or earnings;
- the length of time and the extent to which the market value of the security has been below its cost or amortized cost;
- general market conditions and industry or sector specific factors;
- nonpayment by the issuer of its contractually obligated interest and principal payments; and
- the Company s intent and ability to hold the investment for a period of time sufficient to allow for the recovery of costs.

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HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited)

Securities with gross unrealized loss positions at March 31, 2013, aggregated by investment category and length of time the individual securities have been in a continuous loss position, are as follows (in thousands):

	Less Than Twelve Months		**Twelve Months or Greater**		**Total**	
As of March 31, 2013	**Gross Unrealized Loss**	**Estimated Fair Value**	**Gross Unrealized Loss**	**Estimated Fair Value**	**Gross Unrealized Loss**	**Estimated Fair Value**
Fixed-maturity securities						
Corporate bonds	$ (3)	442			(3)	442
Commercial mortgage-backed securities	(4)	356			(4)	356
State, municipalities, and political subdivisions	(1)	226			(1)	226
Redeemable preferred stock		54				54
Total fixed-maturity securities	(8)	1,078			(8)	1,078
Equity securities	(80)	2,652	(31)	192	(111)	2,844
Total available-for-sale securities	$ (88)	3,730	(31)	192	(119)	3,922

The Company believes there are no fundamental issues such as credit losses or other factors with respect to any of its available-for-sale securities. The unrealized losses on investments in fixed-maturity securities were caused primarily by interest-rate changes. It is expected that the securities will not be settled at a price less than the par value of the investments. In determining whether equity securities are other-than-temporarily-impaired the Company considers its intent and ability to hold a security for a period of time sufficient to allow for the recovery of cost. Because the declines in fair value are attributable to changes in interest rates or market conditions and not credit quality, and because the Company has the ability and intent to hold its available-for-sale investments until a market price recovery or maturity, the Company does not consider any of its investments to be other-than-temporarily impaired at March 31, 2013.

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HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited)

Other Investments

Other investments consist of the following as of March 31, 2013 and December 31, 2012 (in thousands):

	March 31, 2013	December 31, 2012
Land	$ 10,993	10,993
Land improvements	1,328	1,326
Buildings	2,869	2,869
Other	1,303	1,238
Total, at cost	16,493	16,426
Less: accumulated depreciation and amortization	(434)	(339)
Other investments	$ 16,059	16,087

Depreciation and amortization expense related to other investments was $95,000 and $29,000, respectively, for the three months ended March 31, 2013 and 2012.

Note 4 Property and Equipment, net

On February 28, 2013, the Company purchased real estate in Ocala, Florida for a total purchase price of $2.0 million. The real estate consists of 1.6 acres of land and a vacant office building with rentable area of approximately 16,000 square feet. The facility will be used by the Company s insurance operations and, also, as an alternative location in the event a catastrophic event impacts the Company s home office and other support operations.

Note 5 Long-Term Debt

On January 17, 2013, the Company completed the sale of unsecured senior notes in a public offering for an aggregate principal amount of $35 million. In addition, effective January 25, 2013, the Company received an aggregate principal amount of $5.3 million pursuant to the underwriters exercise of the over-allotment option. The offering was made pursuant to the Company s effective registration statement on Form S-3, as amended (Registration Statement No. 333-185228) and the prospectus supplement dated January 10, 2013. The combined net proceeds after underwriting and issuance costs of approximately $1.6 million were $38.7 million. Approximately $1.5 million of the $1.6 million of underwriting and issuance costs was paid during the three months ended March 31, 2013. The notes will mature on January 30, 2020 and bear interest at a fixed annual rate of 8% payable quarterly on January 30, April 30, July 30 and October 30, commencing on April 30, 2013. The notes may be redeemed, in whole or in part, at any time on and after January 30, 2016 upon not less than 30 or more than 60 days notice. The redemption price will be equal to 100% of the principal amount redeemed plus accrued and unpaid interest. Additionally, the Company may, at any time, repurchase the senior notes at any price in the open market and may hold, resell or surrender the notes for cancellation.

The senior notes rank on a parity with all of the Company s other existing and future senior unsecured obligations. In addition, to the extent the senior notes are unsecured, they also rank junior in right of payment to any secured debt that the Company may have outstanding to the extent of the value of the assets securing such debt.

The senior notes contain customary restrictive covenants relating to merger, modification of the indenture, subordination, issuance of debt securities and sale of assets, the most significant of which include limitations with respect to certain designated subsidiaries on the incurrence of additional indebtedness or guarantees secured by any security interest on any shares of their capital stock. The senior note covenants also limit the Company s ability to sell or otherwise dispose of any shares of capital stock of such designated subsidiaries. The senior note covenants do not contain any restrictions on the Company s payment or declaration of dividends nor require a sinking fund to be established for the purpose of redemption.

Interest expense with respect to the senior notes was approximately $686,000 for the three months ended March 31, 2013 and included amortization of debt issuance costs of approximately $33,000. The effective interest rate, taking into account the stated interest expense and amortization of debt issuance costs, approximates 8.7%.

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HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited)

Note 6 Fair Value Measurements

The Company records and discloses certain financial assets at their estimated fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2	Other inputs that are observable for the asset and liability, either directly or indirectly.
Level 3	Inputs that are unobservable.

Long-term debt:

Long-term debt represents the Company s 8.00% senior notes due 2020. The senior notes were initially sold to the public in January 2013 and trade on the New York Stock Exchange. The fair value is based on the closing market price.

The following table presents information about the Company s financial assets and liabilities measured at estimated fair value on a recurring basis as of March 31, 2013 and December 31, 2012, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value (in thousands):

	Fair Value Measurements Using			
	(Level 1)	**(Level 2)**	**(Level 3)**	**Total**
As of March 31, 2013				
Cash and cash equivalents	$ 279,327			279,327
Fixed-maturity securities:				
U.S. Treasury and U.S. government agencies	582	1,176		1,758
Corporate bonds	11,117			11,117
Commercial mortgage-backed securities		10,741		10,741
State, municipalities, and political subdivisions	10,664			10,664
Redeemable preferred stock	837			837
Total fixed-maturity securities	23,200	11,917		35,117
Equity securities	9,944			9,944
Total available-for-sale securities	33,144	11,917		45,061
Total	$ 312,471	11,917		324,388
Long-term debt	$ 43,470			43,470

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HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited)

	Fair Value Measurements Using (Level 1)	(Level 2)	(Level 3)	Total
As of December 31, 2012				
Cash and cash equivalents	$ 230,214			230,214
Fixed-maturity securities:				
U.S. Treasury and U.S. government agencies	583	864		1,447
Corporate bonds	10,860			10,860
Commercial mortgage-backed securities		11,644		11,644
State, municipalities, and political subdivisions	11,066			11,066
Redeemable preferred stock	936			936
Total fixed-maturity securities	23,445	12,508		35,953
Equity securities	8,876			8,876
Total available-for-sale securities	32,321	12,508		44,829
Total	$ 262,535	12,508		275,043

There were no transfers between Level 1, 2 or 3 during the three months ended March 31, 2013 or during the year ended December 31, 2012.

Note 7 Reinsurance

The Company cedes a portion of its homeowners insurance exposure to other entities under catastrophe excess of loss reinsurance treaties. The Company remains liable with respect to claims payments in the event that any of the reinsurers are unable to meet their obligations under the reinsurance agreements. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies. The Company contracts with a number of well-known and rated reinsurers to secure its annual reinsurance coverage, which becomes effective June 1st each year. The Company purchases reinsurance each year taking into consideration maximum projected losses and reinsurance market conditions.

The impact of the catastrophe excess of loss reinsurance treaties on premiums written and earned is as follows (in thousands):

	Three Months Ended March 31, 2013	2012
Premiums Written:		
Direct	$ 70,849	38,174
Assumed	(1,600)	(1,278)
Gross written	69,249	36,896
Ceded	(21,996)	(14,267)
Net premiums written	$ 47,253	22,629
Premiums Earned:		
Direct	$ 53,127	33,298

Assumed	29,420	21,400
Gross earned	82,547	54,698
Ceded	(21,996)	(14,267)
Net premiums earned	$ 60,551	40,431

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HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited)

During the three months ended March 31, 2013 and 2012, there were no recoveries pertaining to reinsurance contracts that were deducted from losses incurred. At March 31, 2013 and December 31, 2012, prepaid reinsurance premiums related to 31 reinsurers and there were no amounts receivable with respect to reinsurers. Thus, there were no concentrations of credit risk associated with reinsurance receivables and prepaid reinsurance premiums as of March 31, 2013 and December 31, 2012.

Note 8 Losses and Loss Adjustment Expenses

The liability for losses and loss adjustment expenses is determined on an individual case basis for all claims reported. The liability also includes amounts for unallocated expenses, anticipated future claim development and losses incurred, but not reported.

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

	Three Months Ended March 31,	
	2013	**2012**
Balance, beginning of period	$ 41,168	27,424
Incurred related to:		
Current period	16,931	18,406
Prior period	(1,059)	762
Total incurred	15,872	19,168
Paid related to:		
Current period	(3,732)	(4,391)
Prior period	(11,557)	(8,725)
Total paid	(15,289)	(13,116)
Balance, end of period	$ 41,751	33,476

The establishment of loss reserves is an inherently uncertain process and changes in loss reserve estimates are expected as such estimates are subject to the outcome of future events. Changes in estimates, or differences between estimates and amounts ultimately paid, are reflected in the operating results of the period during which such adjustments are made. During the three months ended March 31, 2013, the Company experienced overall favorable development of approximately $1.1 million with respect to its net unpaid losses and loss adjustment expenses established as of December 31, 2012, which contributed to the overall favorable variance of approximately $3.3 million with respect to the total losses and loss adjustment expenses incurred during the three months ended March 31, 2013 as compared to the three months ended March 31, 2012.

The Company writes insurance in the state of Florida, which could be exposed to hurricanes or other natural catastrophes. Although the occurrence of a major catastrophe could have a significant effect on our monthly or quarterly results, the Company believes that such an event would not be so material as to disrupt the overall normal operations of the Company. However, the Company is unable to predict the frequency or severity of any such events that may occur in the near term or thereafter.

Note 9 Income Taxes

During the three months ended March 31, 2013 and 2012, the Company recorded approximately $12.8 million and $4.4 million, respectively, of income taxes, which resulted in estimated annual effective tax rates of 38.5% and 38.8%, respectively. The Company s estimated annual effective tax rate differs from the statutory federal income tax rate due to state and foreign income taxes and stock-based compensation as well as certain nondeductible items.

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HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited)

Note 10 Earnings Per Share

U.S. GAAP requires the Company to use the two-class method in computing basic earnings per share since holders of the Company s restricted stock have the right to share in dividends, if declared, equally with common stockholders. These participating securities effect the computation of both basic and diluted earnings per share during periods of net income.

A summary of the numerator and denominator of the basic and diluted earnings per common share is presented below (dollars and shares in thousands, except per share amounts):

	Three Months Ended March 31, 2013			Three Months Ended March 31, 2012		
	Income (Numerator)	**Shares (Denominator)**	**Per Share Amount**	**Income (Numerator)**	**Shares (Denominator)**	**Per Share Amount**
Net income	$ 20,387			$ 6,968		
Less: Preferred stock dividends	(34)			(181)		
Less: Income attributable to participating securities	(459)					
Basic Earnings Per Share:						
Income allocated to common stockholders	19,894	10,650	$ 1.87	6,787	6,326	$ 1.07
Effect of Dilutive Securities:						
Stock options		159			240	
Convertible preferred stock	34	222		181	1,207	
Warrants					128	
Diluted Earnings Per Share:						
Income available to common stockholders and assumed conversions	$ 19,928	11,031	$ 1.81	$ 6,968	7,901	$ 0.88

Note 11 Stockholders Equity

Common Stock

On January 22, 2013, the Company s Board of Directors declared a quarterly dividend of $0.225 per common share. The dividends were paid on March 15, 2013 to stockholders of record on February 15, 2013.

Common Stock Warrants

All common stock warrants were either exercised or cancelled during the year ended December 31, 2012.

HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited)

Preferred Stock

As of March 31, 2013, 210,555 shares of Series A cumulative convertible preferred stock (Series A Preferred) remain outstanding. During the three months ended March 31, 2013, holders of 30,627 shares of Series A Preferred converted their Series A Preferred shares to 30,627 shares of common stock.

On March 7, 2013, the Company s Board of Directors declared a cash dividend on its Series A Preferred shares in the amount of $0.05833 per share for each of the months of March, April, and May 2013. The March dividend was paid on April 29, 2013 to shareholders of record at the close of business on April 1, 2013. The April dividend is payable on May 28, 2013 to shareholders of record at the close of business on May 1, 2013. The May dividend is payable on June 27, 2013 to shareholders of record at the close of business on June 3, 2013.

Note 12 Stock-Based Compensation

Stock Option and Incentive Plan

The Company currently has outstanding stock options and restricted stock granted under the 2007 Stock Option and Incentive Plan (2007 Plan) and the 2012 Omnibus Incentive Plan (the 2012 Plan). The 2007 Plan was terminated in 2012. Thus, there are no longer available shares for future grant under the 2007 Plan. Under the 2012 Plan, the aggregate number of shares of the Company s common stock reserved and available for issuance is 5,000,000 of which only 4,000,000 shares may be issued upon the exercise of incentive stock options. With respect to the 2012 Plan at March 31, 2013, no incentive stock options have been granted, 45,400 shares of restricted stock are outstanding, and 4,954,600 shares are available for future grant.

Stock Options

Outstanding stock options granted under the 2007 Plan vest over periods ranging from immediately vested to five years and are exercisable over the contractual term of ten years.

A summary of the activity in the Company s 2007 Plan for the three months ended March 31, 2013 and 2012 is as follows (dollars in thousands, except per share amounts):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2012	280,000	$ 2.91	4.9 years	$ 5,007
Outstanding at March 31, 2013	280,000	2.91	4.7 years	$ 6,816
Exercisable at March 31, 2013	260,000	$ 2.65	4.4 years	$ 6,397
Outstanding at December 31, 2011	620,000	$ 2.97	5.7 years	$ 3,122
Exercised	(217,003)	3.33		
Outstanding at March 31, 2012	402,997	2.78	5.5 years	$ 3,997

Exercisable at March 31, 2012	369,797	$ 2.50	5.2 years	$ 3,772

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HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited)

The following table summarizes information about options exercised for the three months ended March 31, 2013 and 2012:

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Options exercised		217,003
Total intrinsic value of exercised options	n/a	$ 1,470,101
Tax benefits realized	n/a	$ 437,000

During the three months ended March 31, 2012, a total of 217,003 options were exercised and net settled by surrender of 71,409 shares. No stock options vested during the three months ended March 31, 2013 and 2012. Compensation expense recognized for the three months ended March 31, 2013 and 2012 totaled approximately $4,700 and $53,000, respectively. At March 31, 2013, there was approximately $20,000 of unrecognized compensation expense related to nonvested stock options granted under the plan. The Company expects to recognize the remaining compensation expense over a weighted-average period of 12.6 months. Deferred tax benefits related to stock options for the three months ended March 31, 2013 and 2012 were immaterial. No stock options were granted during the three months ended March 31, 2013.

Restricted Stock Awards

During 2012, the Company granted restricted stock awards to certain executive officers and other employees in connection with their service to the Company. The terms of the Company s restricted stock grants include both service and market-based conditions. The fair value of the awards with market-based conditions is determined using a Monte Carlo simulation method which calculates many potential outcomes for an award and then establishes fair value based on the most likely outcome. The determination of fair value with respect to the awards with only service-based conditions is based on the value of the Company s common stock on the grant date.

Information with respect to the activity of unvested restricted stock awards during the three months ended March 31, 2013 is as follows:

	Number of Restricted Stock Awards	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2012	246,320	$ 14.54
Forfeited	(920)	
Nonvested at March 31, 2013	245,400	$ 14.51

The Company recognized compensation expense of $384,700 for the three months ended March 31, 2013. At March 31, 2013, there was approximately $2.4 million of total unrecognized compensation expense related to nonvested restricted stock arrangements granted under the Company s 2007 Plan and 2012 Plan. For the three months ended March 31, 2013, the Company recognized deferred tax benefits of approximately $148,000 related to restricted stock awards and realized tax benefits of approximately $22,000 related to cash dividends paid on restricted stock.

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HOMEOWNERS CHOICE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (unaudited)

The Company expects to recognize the remaining compensation expense over a weighted-average period of 27 months. No restricted stock was granted during the three months ended March 31, 2013 and 2012. There were no shares of restricted stock issued or outstanding during the three months ended March 31, 2012.

Note 13 Commitments and Contingencies

Environmental Matters

In connection with the acquisition of one of the Company s properties located in Pinellas County, Florida, the Company assumed the liability to complete a site assessment and remediation of environmental contamination that resulted from a petroleum release at the marina site in late 2009. At acquisition, the Company recorded a liability of $150,000 with respect to the planned remedial action. Such liability was determined based on reasonably estimable costs of completing the actions defined in the work plan. As of March 31, 2013, a total of $58,000 has been expended with respect to the site assessment and remediation and the remaining $92,000 accrued at acquisition is included in other liabilities in the accompanying consolidated balance sheets. Even with the Company s best effort in estimating the costs, it is possible that additional testing and additional environmental monitoring and remediation will be required as part of the Company s ongoing discussions with the Florida Department of Health, the agency contracted by the Florida Department of Environmental Protection to administer cases of petroleum contamination in Pinellas County, in which case additional expenses could exceed the current estimated liability. However, based on information known at March 31, 2013, the Company does not expect that such additional expenses would have a material adverse effect on the liquidity or financial condition of the Company.

Note 14 Subsequent Events

On April 8, 2013, the Company s Board of Directors declared a quarterly dividend of $0.225 per common share. The dividends are payable on June 21, 2013 to stockholders of record on May 17, 2013.

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

You should read the following discussion in conjunction with our consolidated financial statements and related notes and information included under this Item 2 and elsewhere in this quarterly report on Form 10-Q and in our Form 10-K filed with the Securities and Exchange Commission (SEC) on March 14, 2013. Unless the context requires otherwise, as used in this Form 10-Q, the terms HCI, we, us, our, the Company, our company, and similar references refer to Homeowners Choice, Inc. and its subsidiaries.

Forward-Looking Statements

In addition to historical information, this quarterly report contains forward-looking statements as defined under federal securities laws. Such statements involve risks and uncertainties, such as statements about our plans, objectives, expectations, assumptions or future events. These statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from any future results, performances or achievements expressed or implied by the forward-looking statements. Typically, forward-looking statements can be identified by terminology such as anticipate, estimate, plan, project, continuing, ongoing, expect, believe, intend, may, will, should, could, and similar expressions. The important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include but are not limited to the effect of governmental regulation; changes in insurance regulations; the frequency and extent of claims; uncertainties inherent in reserve estimates; catastrophic events; a change in the demand for, pricing of, availability of or collectability of reinsurance; restrictions on our ability to change premium rates; increased rate pressure on premiums; and other risks and uncertainties detailed herein and from time to time in our SEC reports.

OVERVIEW

General

HCI is a Florida-based holding company established in 2006. We expect to change our name in May 2013 to HCI Group, Inc. pending an approval by our shareholders. Our property and casualty insurance operations began in 2007. Over the past few years, we have broadened and diversified our business portfolio through acquisitions to include information technologies and, also, real estate operations under which we operate one restaurant and two marina facilities. Based on the organizational structure, revenue sources, and evaluation of financial and operating performances by management, we have the following operating segments:

a) Insurance Operations

Property and casualty insurance

Reinsurance

b) Other Operations

Real estate

Information technology

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For the three months ended March 31, 2013 and 2012, revenues from property and casualty insurance operations represented 94.6% and 95.1%, respectively, of total revenues of all operating segments. As a result, we have determined the property and casualty insurance operations to be our only reportable operating segment.

Insurance Operations

Property and Casualty Insurance

Through certain subsidiaries, primarily Homeowners Choice Property & Casualty Insurance, Inc. (HCPCI), we provide property and casualty insurance to homeowners, condominium owners, and tenants in the state of Florida. Under our *Homeowners Choice* brand, HCPCI offers insurance products at competitive rates, while pursuing profitability using selective underwriting criteria.

HCPCI began operations in 2007 by participating in a take-out program which is a legislatively mandated program designed to encourage private companies to assume policies from Citizens Property Insurance Corporation (Citizens), a Florida state-supported insurer. Our growth since inception has resulted primarily from a series of policy assumptions from Citizens and one from HomeWise Insurance Company (HomeWise). This growth track has been beneficial to us in terms of reduced policy acquisition costs and periods of lower reinsurance costs. Even though expanding our policyholder base through opportunistic assumptions continues to be important to our growth plan, we plan to seek opportunities to expand and to provide new product offerings.

Reinsurance

We have one Bermuda-based reinsurance subsidiary, Claddaugh Casualty Insurance Company Ltd., which participates in the reinsurance program to HCPCI under our *Claddaugh* brand.

Other Operations

Real Estate

Operated under our *Greenleaf Capital* brand, real estate operations include several properties we own including our headquarters building in Tampa, Florida and a secondary site in Ocala, Florida, which will be used by our insurance operations and, also, by our home office operations in the event we experience any disruption from a catastrophic event. In addition, we own properties in Treasure Island, Florida and Tierra Verde, Florida with a combined 20 acres of waterfront property.

With the exception of the Ocala location, we lease office or retail space at each location to non-affiliates on various terms. In addition, we own and operate one full-service restaurant and two marinas that we acquired in connection with our purchase of the waterfront properties. The combined marina facilities provide services to include: a) one dry stack boat storage building with capacity for approximately 180 boats; b) approximately 70 wet slips; c) two fuel facilities; and d) open areas for parking and storage. Dry stack boat storage space is generally rented on a monthly or annual basis while the wet slips are rented on a daily or monthly basis.

Information Technology

Our information technology segment includes a team of experienced programmers with extensive experience in developing web-based products and applications for mobile devices. The operations, which are primarily in India, are focused on developing innovative products or services that can be marketed to the public and also on providing affiliates with back-office technology support services that can facilitate and improve ongoing operations.

We plan to improve and upgrade for commercial use the technologies originally developed in-house for our own insurance operations and market these technologies to third parties under our *Exzeo* brand.

Recent Developments

On April 8, 2013, our Board of Directors declared a quarterly dividend of $0.225 per common share. The dividends are payable on June 21, 2013 to stockholders of record on May 17, 2013.

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RESULTS OF OPERATIONS

The following table summarizes our results of operations for the three months ended March 31, 2013 and 2012 (dollars in thousands, except per share amounts):

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Operating Revenue		
Gross premiums earned	$ 82,547	54,698
Premiums ceded	(21,996)	(14,267)
Net premiums earned	60,551	40,431
Net investment income	139	522
Policy fee income	772	515
Realized investment gains	20	21
Other income	329	163
Total operating revenue	61,811	41,652
Operating Expenses		
Losses and loss adjustment expenses	15,872	19,168
Policy acquisition and other underwriting expenses	5,968	6,836
Interest expense	686	
Other operating expenses	6,115	4,267
Total operating expenses	28,641	30,271
Income before income taxes	33,170	11,381
Income taxes	12,783	4,413
Net income	$ 20,387	6,968
Preferred stock dividends	(34)	(181)
Income available to common stockholders	$ 20,353	6,787
Ratios to Net Premiums Earned:		
Loss Ratio	26.21%	47.41%
Expense Ratio	21.09%	27.46%
Combined Ratio	47.30%	74.87%
Ratios to Gross Premiums Earned:		
Loss Ratio	19.23%	35.04%
Expense Ratio	15.47%	20.30%
Combined Ratio	34.70%	55.34%
Per Share Data:		
Basic earnings per common share	$ 1.87	$ 1.07

Diluted earnings per common share	$ 1.81	$ 0.88

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Comparison of the Three Months ended March 31, 2013 to the Three Months ended March 31, 2012

Our results of operations for the three months ended March 31, 2013 reflect income available to common stockholders of approximately $20.4 million, or $1.81 earnings per diluted common share, compared to income available to common stockholders of approximately $6.8 million, or $0.88 earnings per diluted common share, for the three months ended March 31, 2012.

Revenue

Gross Premiums Earned for the three months ended March 31, 2013 and 2012 were $82.5 million and $54.7 million, respectively, and primarily reflect the revenue from policies acquired from HomeWise and Citizens and subsequent renewals. The $27.8 million increase over the corresponding period in 2012 was primarily attributable to $29.4 million of revenue from the Citizens assumption we completed in November 2012 offset by a net decrease of $1.6 million, which was due to a combination of policy attrition, offset in part by a rate increase we implemented in February 2013.

Premiums Ceded for the three months ended March 31, 2013 and 2012 were approximately $22.0 million and $14.3 million, respectively. Our premiums ceded represent amounts paid to reinsurers to cover losses from catastrophes that exceed the thresholds defined by our catastrophe excess of loss reinsurance treaties. Our reinsurance rates are based primarily on policy exposures reflected in gross premiums earned. Premiums ceded were 26.6% and 26.1% of gross premiums earned during the three months ended March 31, 2013 and 2012, respectively. We expect our reinsurance premiums applicable to the 2013-14 reinsurance treaty year will increase due to the increase in exposure as a result of our November 2012 assumption of policies from Citizens. Our reinsurance costs are expected to be approximately 39% to 42% of gross written premiums during the period from June 1, 2013 through May 31, 2014.

Net Premiums Earned for the three months ended March 31, 2013 and 2012 were $60.6 million and $40.4 million, respectively, and reflect the gross premiums earned less the appropriate reinsurance costs as described above.

Net Premiums Written during the three months ended March 31, 2013 and 2012 totaled $47.3 million and $22.6 million, respectively. Net premiums written represent the premiums charged on policies issued during a fiscal period less any applicable reinsurance costs.

The following is a reconciliation of our total Net Premiums Written to Net Premiums Earned for the three months ended March 31, 2013 and 2012 (dollars in thousands):

	Three Months Ended March 31,	
	2013	2012
Net Premiums Written	$ 47,253	22,629
Decrease in Unearned Premiums	13,298	17,802
Net Premiums Earned	$ 60,551	40,431

Net Investment Income for the three months ended March 31, 2013 and 2012 was $139,000 and $522,000, respectively. The decline in 2013 is primarily due to operating losses of the business activities associated with the real estate we acquired in April 2012. There were no other-than-temporary impairments recorded during the three months ended March 31, 2013 and 2012.

Realized Investment Gains for the three months ended March 31, 2013 and 2012 of $20,000 and $21,000, respectively, reflect the net gain realized from sales of securities during the period.

Expenses

Our *Losses and Loss Adjustment Expenses* amounted to $15.9 million and $19.2 million, respectively, during the three months ended March 31, 2013 and 2012. During the three months ended March 31, 2013, we experienced favorable development of approximately $1.1 million with respect to our net unpaid losses and loss adjustment expanses established as of December 31, 2012, which contributed to the overall favorable variance of approximately $3.3 million with respect to the total losses and loss adjustment expenses incurred during the three months ended March 31, 2013 as compared to the three months ended March 31, 2012. Our liability for losses and loss adjustment expense (Reserves), which is more fully described below under Critical Accounting Policies and Estimates, are specific to property insurance, which is HCPCI s only line of business. These Reserves include both case reserves on reported claims and our reserves for incurred but not reported (IBNR) losses. At each period-end date, the balance of our Reserves is based on our best estimate of the ultimate cost of each claim for those known cases and the IBNR loss reserves are estimated based primarily on our historical experience. Our Reserves increased from $41.2 million at December 31, 2012 to $41.8 million at March 31, 2013. The $0.6 million increase in our Reserves is comprised of $13.2 million in new reserves specific to the three months ended March 31, 2013 offset by reductions of $10.1 million and $2.5 million in our Reserves for 2012 and prior loss years, respectively. The $13.2 million in Reserves established for 2013 claims is primarily due to the increase in our policy exposure. The decrease of $12.6 million specific to our 2012 and prior loss-year reserves is due to favorable development arising from lower than expected loss development during 2013 relative to expectations used to establish our Reserve estimates at the end of 2012. Factors that are attributable to this favorable development may include a lower severity of claims than the severity of claims considered in establishing our Reserves, a lower number of new claims reported than anticipated, and actual case development may be more favorable than originally anticipated.

Policy Acquisition and Other Underwriting Expenses for the three months ended March 31, 2013 and 2012 of $6.0 million and $6.8 million, respectively, primarily reflect the amortization of deferred acquisition costs, commissions payable to agents for production and renewal of policies, premium taxes, marketing costs, and policy fees. The net decrease from the corresponding period in 2012 is primarily attributable to a $1.2 million one-time charge in 2012 resulting from a U.S. GAAP change in accounting for deferred acquisition costs, the effect of which is partially offset by an increase in commissions and premium taxes related to the increase in policy renewals in 2013.

Other Operating Expenses for the three months ended March 31, 2013 and 2012 were $6.1 million and $4.3 million, respectively. The $1.8 million increase is primarily attributable to a $1.3 million increase in compensation and related expenses and a $0.5 million increase in our other administrative costs, which include a variety of professional service fees, license fees, corporate insurance, lease expense, information system expense, and other general expenses. As of March 31, 2013, we had 163 employees located at our headquarters in Tampa, Florida compared to 126 employees as of March 31, 2012. We also have 59 employees located in Noida, India at March 31, 2013 versus 64 at March 31, 2012.

Income Taxes for the three months ended March 31, 2013 and 2012 were $12.8 million and $4.4 million, respectively, for state, federal, and foreign income taxes resulting in an effective tax rate of 38.5% for 2013 and 38.8% for 2012.

Ratios:

The loss ratio applicable to the three months ended March 31, 2013 (losses and loss adjustment expenses incurred related to net premiums earned) was 26.2% compared to 47.4% for the three months ended March 31, 2012. Our loss ratio was positively impacted by a significant increase in our gross premiums earned during 2013 (see *Gross Premiums Earned* above) and, also, by continued favorable trends in 2013 related to our losses and loss adjustment expenses.

The expense ratio applicable to the three months ended March 31, 2013 (policy acquisition and other underwriting expenses related to net premiums earned plus interest and other administrative expenses) was 21.1% compared to 27.5% for the three months ended March 31, 2012. The decrease in our expense ratio is primarily attributable to the significant increase in 2013 in our gross premiums earned.

The combined loss and expense ratio (total of all expenses related to net premiums earned) is the key measure of underwriting performance traditionally used in the property and casualty industry. A combined ratio that is less than 100% generally reflects favorable underwriting results. A combined ratio over 100% generally reflects unprofitable underwriting results. Our combined ratio for the three months ended March 31, 2013 was 47.3% compared to 74.9% for the three months ended March 31, 2012. Our combined ratio was positively impacted by a significant increase in our gross premiums earned during 2013 (see *Gross Premiums Earned* above) and, also, by continued favorable trends in 2013 related to our losses and loss adjustment expenses.

Due to the impact our reinsurance costs have on net premiums earned from period to period, our management believes the combined loss and expense ratio measured to gross premiums earned is more relevant in assessing overall performance. The combined loss and expense ratio to gross premiums earned for the three months ended March 31, 2013 was 34.7% compared to 55.3% for the three months ended March 31, 2012.

Seasonality of Our Business

Our insurance business is seasonal as hurricanes and tropical storms typically occur during the period from June 1 through November 30 each year. With our reinsurance treaty year effective June 1 each year, any variation in the cost of our reinsurance, whether due to changes in reinsurance rates or changes in the total insured value of our policy base, will occur and be reflected in our financial results beginning June 1 each year.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, our liquidity requirements have been met through issuance of our common and preferred stock, our recent debt offering and funds from operations. We expect our future liquidity requirements will be met by funds from operations, primarily the cash received by HCPCI from premiums written and investment income. In addition, we may consider raising capital through future debt and equity offerings.

HCPCI requires liquidity and adequate capital to meet ongoing obligations to policyholders and claimants and to fund operating expenses. In addition, we attempt to maintain adequate levels of liquidity and surplus to manage any differences between the duration of our liabilities and invested assets. In the insurance industry, cash collected for premiums from policies written is invested, interest and dividends are earned thereon, and loss and loss adjustment expenses are paid out over a period of years. This period of time varies by the circumstances surrounding each claim. A substantial portion of our losses and loss adjustment expenses are fully settled and paid within 90 days of the claim receipt date. Additional cash outflow occurs through payments of underwriting costs such as commissions, taxes, payroll, and general overhead expenses.

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We believe that we maintain sufficient liquidity to pay HCPCI s claims and expenses, as well as to satisfy commitments in the event of unforeseen events such as reinsurer insolvencies, inadequate premium rates, or reserve deficiencies. We maintain a comprehensive reinsurance program at levels management considers adequate to diversify risk and safeguard our financial position.

In the future, we anticipate our primary use of funds will be to pay claims and reinsurance premiums, and fund operating expenses.

Preferred Stock

Our cumulative convertible preferred stock (Series A Preferred) is not redeemable prior to March 31, 2014. If we issue a conversion cancellation notice, the Series A Preferred will be redeemable on or after March 31, 2014 for cash, at our option, in whole or in part, at $10.00 per share, plus accrued and unpaid dividends to the redemption date. Otherwise, the Series A Preferred will be redeemable for cash, at our option, in whole or in part, at a redemption price equal to $10.40 per share for redemptions on or after March 31, 2014; $10.20 per share for redemptions on or after March 31, 2015; and $10.00 per share for redemptions on or after March 31, 2016, in each case, plus accrued and unpaid dividends to the redemption date.

The Series A Preferred shares have no stated maturity and are not subject to any sinking fund or mandatory redemption requirements. Holders of the Series A Preferred shares generally have no voting rights, except under limited circumstances, and holders are entitled to receive cumulative preferential dividends when and as declared by our Board of Directors.

Senior Notes Due 2020

In January 2013, we completed the sale of an aggregate of approximately $40.3 million of our 8.00% senior notes (Senior Notes) due 2020. The Senior Notes were issued under an Indenture, dated January 17, 2013, between us and The Bank of New York Mellon Trust Company, N.A., as Trustee. The Senior Notes bear interest at a rate of 8.00% per year, payable quarterly on January 30, April 30, July 30 and October 30 of each year, beginning on April 30, 2013. Interest on the Senior Notes began accruing from January 17, 2013, and the Senior Notes will mature on January 30, 2020. We may redeem the Senior Notes, in whole or in part, at any time on and after January 30, 2016, at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date. Additionally, we may at any time repurchase Senior Notes at any price in the open market and may hold, resell or surrender such Senior Notes to the Trustee for cancellation. The Senior Notes are our senior unsecured obligations, and rank on a parity with all of our other existing and future senior unsecured obligations. The Indenture relating to the Senior Notes, as supplemented, contains customary events of default. If an event of default occurs and is continuing with respect to any series of the Senior Notes, then the Trustee or the holders of at least 25% of the principal amount of the outstanding Senior Notes may declare the Senior Notes to be due and payable immediately. In addition, in the case of an event of default arising from certain events of bankruptcy, insolvency or reorganization, all outstanding Senior Notes will become due and payable immediately. See Note 5 Long-Term Debt to our unaudited consolidated financial statements under Item 1 of this Quarterly Report on Form 10-Q for additional information.

Our Senior Notes were listed on the New York Stock Exchange and trade under the symbol HCJ.

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Cash Flows

Cash Flows for the Three months ended March 31, 2013

Net cash provided by operating activities for the three months ended March 31, 2013 was approximately $15.3 million, which consisted primarily of cash received from net written premiums less cash disbursed for operating expenses and losses and loss adjustment expenses. Net cash used in investing activities of $2.4 million was primarily due to the purchases of available-for-sale securities of $2.6 million, and the purchase of $2.4 million in property and equipment offset by redemptions and repayments of fixed-maturity securities of $1.2 million, and the proceeds from sales of available-for-sale securities of $1.4 million. Net cash provided by financing activities totaled $36.3 million, which was primarily due to approximately $40.3 million from the sale of Senior Notes offset by $1.5 million in related underwriting and issuance costs paid during the quarter and, also, $2.5 million in cash dividends paid .

Cash Flows for the Three months ended March 31, 2012

Net cash provided by operating activities for the three months ended March 31, 2012 was $17.5 million, which consisted primarily of cash received from net written premiums less cash disbursed for operating expenses and losses and loss adjustment expenses. Net cash used in investing activities of $6.4 million was primarily due to the purchase of various available-for-sale securities. Net cash used in financing activities totaled $0.5 million, which was primarily due to cash dividends paid.

Investments

The main objective of our investment policy is to maximize our after-tax investment income with a minimum of risk given the current financial market. Our excess cash is invested primarily in money market accounts and available-for-sale investments.

At March 31, 2013, we had $45.1 million of available-for-sale investments, which are carried at fair value. Changes in the general interest rate environment affect the returns available on new fixed-maturity investments. While a rising interest rate environment enhances the returns available on new investments, it reduces the market value of existing fixed-maturity investments and thus the availability of gains on disposition. A decline in interest rates reduces the returns available on new fixed-maturity investments but increases the market value of existing fixed-maturity investments, creating the opportunity for realized investment gains on disposition.

With the exception of large national banks, it is our current policy not to maintain cash deposits of more than an aggregate of $5.5 million in any one bank at any time. From time to time, we may have in excess of $5.5 million of cash designated for investment and on deposit at a single national brokerage firm. In the future, we may alter our investment policy to include or increase investments in federal, state and municipal obligations, preferred and common equity securities and real estate mortgages, as permitted by applicable law, including insurance regulations.

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OFF-BALANCE SHEET ARRANGEMENTS

As of March 31, 2013 and December 31, 2012, we had no off-balance sheet arrangements as defined in Item 303(a)(4) of SEC Regulation S-K.

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations as of March 31, 2013:

	Payment Due by Period (in thousands)				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating lease (1)	$ 1,336	125	270	298	643
Service agreement (1)	241	23	49	53	116
Long-term debt obligations (2)	62,906	3,336	6,440	6,440	46,690
Total	$ 64,483	3,484	6,759	6,791	47,449

(1) Represents the lease and maintenance service agreement for office space in Noida, India. Liabilities were converted from India Rupee to U.S. dollars using the April 1, 2013 exchange rate, the first available rate subsequent to March 31, 2013, which was a non-business day.

(2) Amounts represent principal and interest payments over the life of the Senior Notes due January 30, 2020.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have prepared our consolidated financial statements in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates and judgments to develop amounts reflected and disclosed in our financial statements. Material estimates that are particularly susceptible to significant change in the near term are related to our Reserves, which include amounts estimated for claims incurred but not yet reported. Reserves are determined by establishing liabilities in amounts estimated to cover incurred losses and loss adjustment expenses. Such Reserves are determined based on our assessment of claims reported and the development of pending claims. These Reserves are based on individual case estimates for the reported losses and loss adjustment expenses and estimates of such amounts that are incurred but not reported. Changes in the estimated liability are charged or credited to operations as the losses and loss adjustment expenses are adjusted.

The IBNR represents our estimate of the ultimate cost of all claims that have occurred but have not been reported to us, and in some cases may not yet be known to the insured, and future development of reported claims. Estimating the IBNR component of our Reserves involves considerable judgment on the part of management. At March 31, 2013, $22.5 million of the total $41.8 million we have reserved for losses and loss adjustment expenses is specific to our estimate of IBNR. The remaining $19.3 million relates to known cases which have been reported but not yet fully settled in which case we have booked a reserve based on our best estimate of the ultimate cost of each claim. At March 31, 2013, $12.4 million of the $19.3 million in reserves for known cases relates to claims incurred during prior years.

Based on all information known to us, we believe our Reserves at March 31, 2013 are adequate to cover our claims for losses that had occurred as of that date including losses yet to be reported. However, these estimates are subject to trends in claim severity and frequency and must continually be reviewed by management. As part of the process, we review historical data and consider various factors, including known and anticipated regulatory and legal developments, changes in social attitudes, inflation and economic conditions. As experience develops and other data becomes available, these estimates are revised, as required, resulting in increases or decreases to the existing unpaid losses and loss adjustment expenses. Adjustments are reflected in the results of operations in the period in which they are made and the liabilities may deviate substantially from prior estimates.

In addition to Reserves, we believe our accounting policies specific to premium revenue recognition, losses and loss adjustment expenses, reinsurance, deferred policy acquisition costs, income taxes, and stock-based compensation expense involve our most significant judgments and estimates material to our consolidated financial statements. These accounting estimates and related risks that we consider to be our critical accounting estimates are more fully described in our Annual Report on Form 10-K, which we filed with the SEC on March 14, 2013. For the three months ended March 31, 2013, there have been no material changes with respect to any of our critical accounting policies.

RECENT ACCOUNTING PRONOUNCEMENTS

For information with respect to recent accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 2 to our Notes to Consolidated Financial Statements.

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ITEM 3 ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

Our investment portfolio at March 31, 2013 included fixed-maturity and equity securities, the purposes of which are not for trading or speculation. Our main objective is to maximize after-tax investment income and maintain sufficient liquidity to meet policyholder obligations while minimizing market risk which is the potential economic loss from adverse fluctuations in securities prices. We consider many factors including credit ratings, investment concentrations, regulatory requirements, anticipated fluctuation of interest rates, durations and market conditions in developing investment strategies. Investment securities are managed by investment companies and are overseen by the investment committee appointed by our board of directors. Our investment portfolios are primarily exposed to interest rate risk, credit risk and equity price risk. We classify our fixed-maturity and equity securities as available-for-sale and report any unrealized gains or losses, net of deferred income taxes, as a component of other comprehensive income within our stockholders equity. As such, any material temporary changes in their fair value can adversely impact the carrying value of our stockholders equity.

Interest Rate Risk

Our fixed-maturity securities are sensitive to potential losses resulting from unfavorable changes in interest rates. We manage the risk by analyzing anticipated movement in interest rates and considering our future capital needs.

The following table illustrates the impact of hypothetical changes in interest rates to the fair value of our fixed-maturity securities at March 31, 2013 (in thousands):

Hypothetical Change in Interest Rates	Estimated Fair Value	Change in Estimated Fair Value	Percentage Increase (Decrease) in Estimated Fair Value
300 basis point increase	$ 30,914	$ (4,203)	(11.97)%
200 basis point increase	32,315	(2,802)	(7.98)%
100 basis point increase	33,716	(1,401)	(3.99)%
100 basis point decrease	36,454	1,337	3.81%
200 basis point decrease	37,545	2,428	6.91%
300 basis point decrease	38,241	3,124	8.90%

Credit Risk

Credit risk can expose us to potential losses arising principally from adverse changes in the financial condition of the issuers of our fixed-maturity securities. We mitigate the risk by investing in fixed-maturity securities that are generally investment grade and by diversifying our investment portfolio to avoid concentrations in any single issuer or business sector.

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The following table presents the composition of our fixed-maturity securities, by rating, at March 31, 2013 (in thousands):

Comparable Rating	Amortized Cost	% of Total Amortized Cost	Estimated Fair Value	% of Total Estimated Fair Value
AAA	$ 9,944	30	$ 10,772	31
AA+, AA, AA-	4,585	14	4,971	14
A+, A, A-	8,117	25	8,550	24
BBB+, BBB, BBB-	7,910	24	8,434	24
BB+, BB	2,191	7	2,390	7
Total	$ 32,747	100	$ 35,117	100

Equity Price Risk

Our equity investment portfolio at March 31, 2013 included common stocks, perpetual preferred stocks, mutual funds and exchange traded funds. We may incur potential losses due to adverse changes in equity security prices. We manage the risk primarily through industry and issuer diversification and asset allocation techniques.

The following table illustrates the composition of our equity securities at March 31, 2013 (in thousands):

	Estimated Fair Value	% of Total Estimated Fair Value
Stocks by sector:		
Financial	$ 2,227	22
Energy	1,180	12
Consumer	551	6
Other (1)	508	5
	4,466	45
Mutual funds and Exchange traded funds by type:		
Debt	5,237	53
Equity	241	2
	5,478	55
Total	$ 9,944	100

(1) Represents an aggregate of less than 5% sectors.

Foreign Currency Exchange Risk

At March 31, 2013, we did not have any material exposure to foreign currency related risk.

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ITEM 4 ***CONTROLS AND PROCEDURES***

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial officer), we have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report, and, based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal controls over financial reporting during the quarter ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, implementation of possible controls and procedures depends on management s judgment in evaluating their benefits relative to costs.

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PART II OTHER INFORMATION

ITEM 1 *LEGAL PROCEEDINGS*

The Company is a party to claims and legal actions arising routinely in the ordinary course of our business. Although we cannot predict with certainty the ultimate resolution of the claims and lawsuits asserted against us, we do not believe that any currently pending legal proceedings to which we are a party will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

ITEM 1a *RISK FACTORS*

With the exception of the item described below, there have been no material changes from the risk factors previously disclosed in the section entitled Risk Factors in our Form 10-K, which was filed with the SEC on March 14, 2013.

As a holding company, Homeowners Choice, Inc. depends on the ability of its subsidiaries to generate and transfer funds to meet its Senior Notes obligation.

Homeowners Choice, Inc. does not have significant operations of its own. Our ability to make scheduled payments on our Senior Notes obligation depends on the financial condition and operating performance of our subsidiaries. If the funds we receive from our subsidiaries are insufficient to meet our Senior Notes obligation, we may be required to raise funds through the issuance of additional debt or equity securities or a reduction in or suspension of dividend payments, or the sale of assets.

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

(a) Sales of Unregistered Securities

None.

(b) Use of Proceeds

None.

(c) Repurchases of Securities

None.

Working Capital Restrictions and Other Limitations on Payment of Dividends

We are not subject to working capital restrictions or other limitations on the payment of dividends. Our insurance subsidiary, however, is subject to restrictions on the dividends it may pay. Those restrictions could impact HCI s ability to pay future dividends.

Under Florida law, a domestic insurer such as our insurance subsidiary, HCPCI, may not pay any dividend or distribute cash or other property to its stockholder except out of that part of its

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available and accumulated capital and surplus funds which is derived from realized net operating profits on its business and net realized capital gains. Additionally, Florida statutes preclude our insurance subsidiary from making dividend payments or distributions to its stockholder, HCI, without prior approval of the Florida Office of Insurance Regulation if the dividend or distribution would exceed the larger of (1) the lesser of (a) 10.0% of its capital surplus or (b) net income, not including realized capital gains, plus a two year carry forward, (2) 10.0% of capital surplus with dividends payable constrained to unassigned funds minus 25% of unrealized capital gains or (3) the lesser of (a) 10.0% of capital surplus or (b) net investment income plus a three year carry forward with dividends payable constrained to unassigned funds minus 25% of unrealized capital gains.

ITEM 3 ***DEFAULTS UPON SENIOR SECURITIES***

None.

ITEM 4 ***MINE SAFETY DISCLOSURES***

None.

ITEM 5 ***OTHER INFORMATION***

None.

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ITEM 6 ***EXHIBITS***

The following documents are filed as part of this report:

EXHIBIT NUMBER	DESCRIPTION
3.1	Articles of Incorporation, with amendments. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-K filed March 29, 2011.
3.2	Bylaws as amended April 16, 2009. Incorporated by reference to the correspondingly numbered exhibit to our Current Report on Form 8-K filed April 23, 2009.
4.1	Form of Common Stock Certificate. Incorporated by reference to the correspondingly numbered exhibit to our Post-Effective Amendment No. 1 to our Registration Statement on Form S-1 (File No. 333-150513) filed August 6, 2008.
4.2	Supplement No. 1, dated as of January 17, 2013, to the Indenture, dated as of January 17, 2013, between Homeowners Choice, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee. Incorporated by reference to the correspondingly numbered exhibit to our Form 8-K filed January 17, 2013.
4.3	Form of 8.00% Senior Note due 2020 (included in Exhibit 4.2). Incorporated by reference to the correspondingly numbered exhibit to our Form 8-K filed January 17, 2013.
4.4	Indenture, dated as of January 17, 2013, between Homeowners Choices, Inc. and The Bank of New York Mellon Trust Company, N.A. Incorporated by reference to Exhibit 4.4 to Amendment No. 1 to our Registration Statement on Form S-3 (File No. 333-185228) filed December 10, 2012.
4.6	Form of Subordinated Indenture. Incorporated by reference to the correspondingly numbered exhibit to Amendment No. 1 to our Registration Statement on Form S-3 (File No. 333-185228) filed December 10, 2012.
4.7	Warrant Agreement dated July 30, 2008, between Homeowners Choice, Inc. and GunnAllen Financial, Inc. Incorporated by reference to the correspondingly numbered exhibit to our Post-Effective Amendment No. 1 to our Registration Statement on Form S-1 (File No. 333-150513) filed August 6, 2008.

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4.8	Letter Agreement dated August 1, 2008 among Homeowners Choice, Inc., Anderson & Strudwick, Incorporated and GunnAllen Financial, Inc., whereby we waive certain cancellation rights under warrants issued to the other parties. Incorporated by reference to the correspondingly numbered exhibit to our Post-Effective Amendment No. 1 to our Registration Statement on Form S-1 (File No. 333-150513) filed August 6, 2008.
4.9	See Exhibits 3.1 and 3.2 of this report for provisions of the Articles of Incorporation, as amended, and our Bylaws, as amended, defining certain rights of security holders. See also Exhibits 10.5, 10.6 and 10.7 defining certain rights of the recipients of stock options and other equity-based awards.
4.10	Specimen 7% Series A Cumulative Preferred Stock Certificate Incorporated by reference to Exhibit 4.2 to Form 8-A filed March 25, 2011.
4.11	Warrant Agreement dated November 2, 2011 between Homeowners Choice, Inc. and Glencoe Acquisition, Inc. as to the issuance of 1,000,000 warrants. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-Q filed August 14, 2012.
10.1	Excess of Loss Retrocession Contract, effective June 1, 2012, issued to Claddaugh Casualty Insurance Company, Ltd. Incorporated by reference to Exhibit 10.1 to our Form 8-K filed August 13, 2012.
10.2**	Executive Agreement dated May 1, 2007 between Homeowners Choice, Inc. and Richard R. Allen. Incorporated by reference to the correspondingly numbered exhibit to our Registration Statement on Form S-1 (File No. 333-150513), originally filed April 30, 2008, effective July 24, 2008, as amended.
10.3	Placement Agreement dated March 25, 2011 between Homeowners Choice, Inc. and Anderson & Strudwick, Incorporated. Incorporated by reference to Exhibit 1.1 to our Form 8-K filed March 31, 2011.
10.4**	Executive Employment Agreement dated July 1, 2011 between Homeowners Choice, Inc. and Paresh Patel. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-Q filed August 12, 2011.
10.5**	Homeowners Choice, Inc. 2012 Omnibus Incentive Plan. Incorporated by reference to Appendix A to our Definitive Proxy Statement on Schedule 14A filed April 27, 2012.
10.6**	Homeowners Choice, Inc. 2007 Stock Option and Incentive Plan. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-Q filed August 29, 2008.

10.7**	Form of Incentive Stock Option Agreement. Incorporated by reference to the correspondingly numbered exhibit to our Registration Statement on Form S-1 (File No. 333-150513), originally filed April 30, 2008, effective July 24, 2008, as amended.
10.8	Warrant Purchase Agreement dated November 19, 2012 between Homeowners Choice, Inc. and the bankruptcy trustee of Glencoe Acquisition, Inc. Incorporated by reference to Exhibit 10.8 of our Form 8-K filed November 19, 2012.
10.10	PR-M Non-Bonus Assumption Agreement dated December 1, 2007 by and between Homeowners Choice Property & Casualty Insurance Company, Inc. and Citizens Property Insurance Corporation. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-K filed March 30, 2010.
10.11	Reinstatement Premium Protection Agreement effective June 1, 2012 by Homeowners Choice Property & Casualty Insurance Company, Inc. and Subscribing Reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-Q filed August 14, 2012.
10.12	Excess Catastrophe Reinsurance Contract effective June 1, 2012 by Homeowners Choice Property & Casualty Insurance Company, Inc. and Subscribing Reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-Q filed August 14, 2012.
10.13	Excess Catastrophe Reinsurance Contract effective June 1, 2012 by Homeowners Choice Property & Casualty Insurance Company, Inc. and Subscribing Reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-Q filed August 14, 2012.
10.14	Reinstatement Premium Protection Agreement effective June 1, 2012 by Homeowners Choice Property & Casualty Insurance Company, Inc. and Subscribing Reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-Q filed August 14, 2012.
10.15	Aggregate Excess Catastrophe Reinsurance Agreement dated June 1, 2012 by Homeowners Choice Property & Casualty Insurance Company, Inc. and Subscribing Reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-Q filed August 14, 2012.

10.16	Aggregate Excess Catastrophe Reinsurance Agreement dated June 1, 2012 by Homeowners Choice Property & Casualty Insurance Company, Inc. and Subscribing Reinsurers (Layer B). Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-Q filed August 14, 2012.
10.17	Form of indemnification agreement for our officers and directors. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-Q filed August 12, 2009.
10.19	Reimbursement Contract effective June 1, 2012 between Homeowners Choice Property & Casualty Insurance Company and the State Board of Administration which administers the Florida Hurricane Catastrophe Fund. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-Q filed August 14, 2012.
10.20	Per Occurrence Excess Of Loss Reinsurance contract dated June 1, 2012 by Homeowners Choice Property & Casualty Insurance Company, Inc. and subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-Q filed August 14, 2012.
10.22	All Other Perils Excess Catastrophe Reinsurance Contract, effective January 1, 2012 through May 31, 2012, by and between Homeowners Choice Property & Casualty Insurance Company, Inc. and various reinsurers. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-K filed March 30, 2012.
10.23**	Retention Bonus Agreement dated February 16, 2012 (effective January 16, 2012) between Homeowners Choice, Inc. and Paresh Patel. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-K filed March 30, 2012.
10.24**	Executive Employment Agreement dated March 8, 2012 between Homeowners Choice, Inc. and Scott R. Wallace. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-K filed March 30, 2012.
10.25	Assumption Agreement dated November 2, 2011 by and between Homeowners Choice Property & Casualty Insurance Company, Inc. and HomeWise Insurance Company. Incorporated by reference to the correspondingly numbered exhibit to our Form 10-K filed March 30, 2012.
10.26	Commercial Real Estate Contract dated March 9, 2012 among HCI Holdings LLC and Rice Family Holdings, LLLP, John s Pass Marina, Inc. and Gators on the Pass, Inc. Incorporated by reference to Exhibit 10.26 of our Form 10-Q filed May 14, 2012.

10.27**	Restricted Stock Agreement dated April 20, 2012 whereby Homeowners Choice, Inc. issued 100,000 shares of restricted common stock to Scott R. Wallace. Incorporated by reference to Exhibit 10.27 of our Form 10-Q filed May 14, 2012.
10.28**	Restricted Stock Agreement dated May 8, 2012 whereby Homeowners Choice, Inc. issued 30,000 shares of restricted common stock to Richard R. Allen. Incorporated by reference to Exhibit 10.28 of our Form 8-K filed May 10, 2012.
10.29**	Restricted Stock Agreement dated May 8, 2012 whereby Homeowners Choice, Inc. issued 30,000 shares of restricted common stock to Sanjay Madhu. Incorporated by reference to Exhibit 10.29 of our Form 8-K filed May 10, 2012.
10.30**	Restricted Stock Agreement dated May 8, 2012 whereby Homeowners Choice, Inc. issued 20,000 shares of restricted common stock to Andrew L. Graham. Incorporated by reference to Exhibit 10.30 of our Form 8-K filed May 10, 2012.
10.31	PR-M Non-Bonus Assumption Agreement, dated September 20, 2012, by and between Homeowners Choice Property & Casualty Insurance Company and Citizens Property Insurance Corporation. Incorporated by reference to Exhibit 10.10 of our Form 8-K filed September 25, 2012.
10.32	Endorsement No. 1 to the Per Occurrence Excess of Loss Reinsurance Contract Effective June 1, 2012 by Homeowners Choice Property & Casualty Insurance Company, Inc. and subscribing reinsurers.
10.33	Working Layer Catastrophe Excess of Loss Reinsurance Contract effective June 1, 2013 issued to Homeowners Choice Property & Casualty Insurance Company by subscribing reinsurers. Portions of this exhibit have been omitted pursuant to a request for confidential treatment.
14	Code of Conduct of Homeowners Choice, Inc. Incorporated by reference to Exhibit 99.1 to our Form 8-K filed October 18, 2012.
31.1	Certification of the Chief Executive Officer
31.2	Certification of the Chief Financial Officer
32.1	Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C.ss.1350
32.2	Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C.ss.1350
101.INS	XBRL Instance Document.(1)
101.SCH	XBRL Taxonomy Extension Schema.(1)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.(1)
101.DEF	XBRL Definition Linkbase.(1)
101.LAB	XBRL Taxonomy Extension Label Linkbase.(1)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.(1)

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(1) Pursuant to Rule 406T of U.S. Securities and Exchange Commission Regulation S-T, the interactive data files on Exhibit 101 of this report are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

** Management contract or compensatory plan.

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SIGNATURES

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

	HOMEOWNERS CHOICE, INC.
May 9, 2013	By: /s/ Paresh Patel Paresh Patel Chief Executive Officer (Principal Executive Officer)
May 9, 2013	By: /s/ Richard R. Allen Richard R. Allen Chief Financial Officer (Principal Financial and Accounting Officer)

A signed original of this document has been provided to Homeowners Choice, Inc. and will be retained by Homeowners Choice, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.