

Homeowners Choice, Inc.
Form DEF 14A
April 27, 2012

SCHEDULE 14A

(Rule 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant ☐

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material Pursuant to 240.14a-12

HOMEOWNERS CHOICE, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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b No fee required.

.. Fee computed on the table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**NOTICE OF ANNUAL MEETING
AND PROXY STATEMENT
2012**

April 27, 2012

TO OUR SHAREHOLDERS:

You are cordially invited to attend our 2012 Annual Shareholders Meeting, which will be held at our headquarters, Cypress Commons, 5300 West Cypress Street, Suite 105, Tampa, Florida 33607, on Thursday, May 24, 2012, at 3 p.m., local time. Shareholders will be admitted beginning at 2:30 p.m.

We look forward to reporting to you and discussing with you our achievements during the past year, the challenges we face, and our plans for the future.

Please read these materials carefully. Also, please sign and return the accompanying proxy card, or follow the instructions on the card for voting by telephone or Internet. That way, your shares will be voted as you direct even if you can't attend the meeting.

Paresh Patel

Chairman of the Board

Chief Executive Officer

5300 WEST CYPRESS STREET, SUITE 100

TAMPA, FLORIDA 33607

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS OF HOMEOWNERS CHOICE, INC.:

TIME: 3 p.m., local time, on Thursday, May 24, 2012. Shareholders will be admitted beginning at 2:30 p.m.

PLACE: Cypress Commons
5300 West Cypress Street, Suite 105
Tampa, Florida 33607

ITEMS OF

- BUSINESS:**
1. To elect Class A directors;
 2. To ratify the appointment of Hacker, Johnson & Smith P.A. as the company's independent registered public accounting firm for the year ending December 31, 2012;
 3. To approve the company's proposed 2012 Omnibus Incentive Plan; and
 4. To transact such other business that may properly come before the meeting or any adjournments or postponements thereof.

RECORD DATE You can vote only if you were a shareholder of record on April 9, 2012.

ANNUAL REPORT Our 2011 Annual Report to Shareholders, which is not a part of this proxy statement, is enclosed.

PROXY VOTING It is important that your shares be represented at the annual meeting and voted in accordance with your instructions. Please indicate your instructions by promptly signing and dating the enclosed proxy card and mailing it in the enclosed postage paid, pre-addressed envelope or by following the instructions on the proxy card for telephone or Internet voting.

By Order of the Board of Directors,

Andrew L. Graham

Secretary and General Counsel

5300 WEST CYPRESS STREET, SUITE 100

PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 24, 2012

TO THE SHAREHOLDERS OF

April 27, 2012

HOMEOWNERS CHOICE, INC.:

This proxy statement and the form of proxy (first sent to shareholders on the approximate date set forth above) are delivered in connection with the solicitation by directors of Homeowners Choice, Inc. (the company, we, or us), a Florida corporation, of proxies to be voted at our 2012 Annual Meeting of Shareholders and at any adjournments or postponements thereof.

You are invited to attend our Annual Meeting of Shareholders on Thursday, May 24, 2012, beginning at 3 p.m., local time. The Annual Meeting will be held at our headquarters, Cypress Commons, 5300 West Cypress Street, Suite 105, Tampa, Florida 33607. Shareholders will be admitted beginning at 2:30 p.m.

It is important that your proxy be returned promptly to avoid unnecessary expense to the company. Therefore, whether you plan to attend the Annual Meeting or not and regardless of the number of shares you own, please date, sign and return the enclosed proxy card promptly or follow the instructions on the card for voting by telephone or Internet.

At the meeting, the use of cameras, audio or video recording equipment, communications devices or similar equipment will be prohibited.

Important Notice Regarding the Availability of Proxy Materials
for the Shareholder Meeting to be Held on May 24, 2012:

This Proxy Statement and the 2011 Annual Report to Shareholders are available at

<http://www.hcpci.com/2012proxymaterials>

Upon your written request, we will provide you with a copy of our 2011 annual report on Form 10-K, including exhibits, free of charge. Send your request to Homeowners Choice, Inc., c/o Jay Madhu, Director of Investor Relations, 5300 West Cypress Street, Suite 100, Tampa, Florida 33607.

5300 WEST CYPRESS STREET, SUITE 100

TAMPA, FLORIDA 33607

ABOUT THE ANNUAL MEETING

What is the purpose of the meeting?

The principal purposes of the Annual Meeting are to elect two directors to the company's Board of Directors, to ratify the appointment of Hacker, Johnson & Smith P.A. as the company's independent registered public accounting firm for the year ending December 31, 2012 and to approve the company's proposed 2012 Omnibus Incentive Plan. In addition, our management will report on our performance during 2011 and respond to questions from shareholders.

When were these materials mailed?

We began mailing this Proxy Statement on or about April 27, 2012.

Who is entitled to vote?

Shareholders of record at the close of business on the record date, April 9, 2012, are entitled to vote in person or by proxy at the Annual Meeting. In general, shareholders are entitled to one vote per share on each matter voted upon. In an election for directors, however, shareholders are entitled to vote the number of shares they own for as many director candidates as there are directors to be elected. The Board of Directors has determined that the Board of Directors should include two Class A directorships. Accordingly, since two directors are to be elected at this Annual Meeting, in electing directors, each share will entitle the shareholder to two votes, one per director. Shareholders may not cumulate their votes. As of April 9, 2012 there were 6,765,958 common shares outstanding.

What constitutes a quorum?

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority of the shares outstanding will constitute a quorum, permitting us to conduct the business of the meeting. Proxies received but marked as "WITHHOLD AUTHORITY" and broker non-votes will be included in the calculation of the number of shares considered to be present at the Annual Meeting, but will not be counted for any other purpose. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular proposal and has not received instructions as to that proposal from the beneficial owner.

What is the difference between a shareholder of record and a beneficial owner?

If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, LLC, then you are a shareholder of record. This Notice of Meeting and Proxy Statement has been provided directly to you by Homeowners Choice, Inc. You may vote by ballot at the meeting or vote by proxy. To vote by proxy, sign, date and return the enclosed proxy card or follow the instructions on the proxy card for voting by telephone or Internet.

If your shares are held for you in a brokerage, bank or other institutional account (that is, held in street name), then you are not a shareholder of record. Rather, the institution is the shareholder of

record and you are the beneficial owner of the shares. This Notice of Meeting and Proxy Statement has been forwarded to you by that institution. If you complete and properly sign the accompanying proxy card and return it in the enclosed envelope, or follow the instructions on the proxy card for voting by telephone or Internet, the institution will cause your shares to be voted in accordance with your instructions. If you are a beneficial owner of shares and wish to vote in person at the Annual Meeting, then you must obtain a proxy, executed in your favor, from the holder of record (the institution).

How do I vote?

By Ballot at the Meeting. If you are a shareholder of record and attend the Annual Meeting, you may vote in person by ballot at the Annual Meeting. To vote by ballot, you must register and confirm your shareholder status at the meeting. If the shareholder of record is a corporation, partnership, limited liability company or other entity of which you are an officer or other authorized person, then you should bring evidence of your authority to vote the shares on behalf of the entity. If your shares are held for you in a brokerage, bank or other institutional account (that is, in street name), you must obtain a proxy, executed in your favor, from that institution (the holder of record) to vote your beneficially-owned shares by ballot at the Annual Meeting. In the election of directors (Matter No. 1), each share held by a shareholder of record will be entitled to two votes, one for each director to be elected. Your option with respect to each director will be to vote FOR the director or to abstain from voting. In the vote to ratify the appointment of Hacker, Johnson & Smith P.A. as the company's independent registered public accounting firm for the year ending December 31, 2012 (Matter No. 2), each share held by a shareholder of record will be entitled to one vote. Your options will be to vote FOR or AGAINST or to ABSTAIN. In the vote to approve the 2012 Omnibus Incentive Plan (Matter No. 3), each share held by a shareholder of record will be entitled to one vote. Your options will be to vote FOR or AGAINST or to ABSTAIN.

By Proxy. If you complete, sign and return the accompanying proxy card or follow the instructions on the proxy card for voting by telephone or Internet, then your shares will be voted as you direct. In the election of directors (Matter No. 1), your options with respect to each director are to direct a vote FOR or to WITHHOLD AUTHORITY. In the proposal to ratify the appointment of Hacker, Johnson & Smith P.A. as the company's independent registered public accounting firm for the year ending December 31, 2012 (Matter No. 2), your options will be to direct votes FOR or AGAINST or to direct the proxy to ABSTAIN from voting on that proposal. In the vote to approve the 2012 Omnibus Incentive Plan (Matter No. 3), each share held by a shareholder of record will be entitled to one vote. Your options will be to vote FOR or AGAINST or to ABSTAIN. If you are a shareholder of record, then you may opt to deliver your completed proxy card in person at the Annual Meeting.

Can I vote by telephone or Internet?

Yes. If you follow the instructions on the proxy card for voting by telephone or Internet, your shares will be voted as you direct.

What does it mean if I receive more than one proxy card?

You will receive separate proxy cards when you own shares in different ways. For example, you may own shares individually, as a joint tenant, in an individual retirement account, in trust or in one or more brokerage accounts. You should complete, sign and return each proxy card you receive or follow the telephone or Internet instructions on each card. The instructions on each proxy card may differ. Be sure to follow the instructions on each card.

Can I change my vote or instruction?

Yes. You may follow the instructions on the proxy card to change your votes or instructions any time before midnight the day before the meeting.

In addition, if you are a shareholder of record, you may revoke your proxy any time before your shares are voted by filing with the secretary of the company a written notice of revocation or submitting a duly executed proxy bearing a later date. If you file a notice of revocation, you may then vote (or abstain from voting) your shares in person at the Annual Meeting. If you submit a later dated proxy, then your shares will be voted in accordance with that later dated proxy. No such notice of revocation or later dated proxy, however, will be effective unless received by us at or before the Annual Meeting and before your shares have been voted. Unless the proxy is revoked, the shares represented thereby will be voted at the Annual Meeting or any adjournment thereof as indicated on the proxy card. Sending in a proxy does not affect your right to vote in person if you attend the meeting, although attendance at the meeting will not by itself revoke a previously granted proxy.

If I submit a proxy card, how will my shares be voted?

Your shares will be voted as you instruct on the proxy card.

What happens if I submit a proxy card and do not give specific voting instructions?

If you are a shareholder of record and sign and return the proxy card without indicating your instructions, your shares will be voted in accordance with the recommendations of the Board of Directors. With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion. As of the date this proxy statement went to print, we did not know of any other matter to be raised at the Annual Meeting.

If you are a beneficial shareholder and you sign and return your proxy card without indicating your instructions, then your broker or nominee will vote, or not vote, in accordance with the rules of the New York Stock Exchange (provided the broker or nominee is a member of the New York Stock Exchange). If a voting matter is designated by the New York Stock Exchange as *routine* then your broker or nominee may vote or not vote in its own discretion. If a voting matter is designated *non-routine* by the New York Stock Exchange, then your broker or nominee cannot vote without your instructions.

Which voting matters are considered routine or non-routine?

In general, uncontested matters and matters not involving a merger or consolidation or affecting substantially the rights or privileges of the stock are considered routine under the rules of the New York Stock Exchange. Accordingly we expect the New York Stock Exchange will designate as routine the proposal to ratify the appointment of Hacker, Johnson & Smith P.A. as the company's independent registered public accounting firm for the year ending December 31, 2012 (Matter No. 2) and brokers and other nominees will be permitted to vote on that matter. On the other hand, the New York Stock Exchange views matters involving the election of directors and matters involving the implementation of any equity compensation plan to be non-routine. Accordingly, the election of directors (Matter No. 1) and approval of the 2012 Omnibus Incentive Plan (Matter No. 3) will be designated by the Exchange as non-routine and brokers and other nominees will not be permitted to vote on those matters without instructions from the beneficial owner.

What happens if I do not submit a proxy card and do not vote by telephone or Internet?

If you are a shareholder of record and you neither designate a proxy nor attend the Annual Meeting, your shares will not be represented at the meeting. If you are the beneficial owner of shares held in the name of a member of the New York Stock Exchange, that member may vote in its discretion on matters deemed routine by the New York Stock Exchange. The member may not vote on matters considered non-routine.

What are the Board's recommendations?

The Board's recommendations are set forth elsewhere in this proxy statement. In summary, the Board recommends votes

Ø FOR election of the following nominees for director positions:

Harish M. Patel

Martin A. Traber

Ø FOR ratification of the appointment of Hacker, Johnson & Smith P.A. as the company's independent registered public accounting firm for the year ending December 31, 2012.

Ø FOR approval of the Homeowners Choice, Inc. 2012 Omnibus Incentive Plan.

What vote is required to approve each item?

Election of directors. In the election of directors, the two highest recipients of FOR votes will be elected. A properly executed proxy card marked WITHHOLD AUTHORITY with respect to the election of one or more director nominees will not be voted with respect to the director or directors indicated, even though it will be counted for purposes of determining whether there is a quorum present at the Annual Meeting.

Ratification of appointment of independent registered public accounting firm. The proposal to ratify the appointment of Hacker, Johnson & Smith P.A. as the company's independent registered public accounting firm for the year ending December 31, 2012 will be approved if the number of votes for the proposal exceeds the number of votes against the proposal.

Approval the Homeowners Choice, Inc. 2012 Omnibus Incentive Plan. The 2012 Omnibus Incentive Plan will be approved if the number of votes for approval exceeds the number of votes against approval.

Other Matters. We do not anticipate other matters coming to a vote at the Annual Meeting. Should any other matter be brought to a vote, the matter will be approved if the number of votes favoring the matter exceeds the number of votes opposing the matter.

How will votes be counted?

All votes will be tabulated by the secretary of the company. We have engaged Broadridge Financial Solutions, Inc. to collect and tabulate proxy instructions. Although abstentions and broker non-votes are each included in the determination of the number of shares present, they are not counted on any matters brought before the meeting.

Who is paying for the preparation and mailing of the proxy materials and how will solicitations be made?

We will pay the expenses of soliciting proxies. Proxies may be solicited on our behalf by directors, officers or employees in person or by mail, telephone, facsimile or electronic transmission. We have requested brokerage houses and other custodians, nominees and fiduciaries to forward soliciting material to beneficial shareholders and have agreed to reimburse those institutions for their out-of-pocket expenses.

RULES OF CONDUCT

To ensure fair, orderly and constructive meetings, the Board of Directors has adopted the following rules of conduct for shareholder meetings.

1. All attendees must register before entering the meeting room.
2. The meeting will follow the schedule set forth on the agenda.
3. Only shareholders of record as of the record date or their duly authorized representatives are entitled to vote or address the meeting.
4. No business will come before the meeting except in compliance with Article II, Section 10 of our bylaws and its prior notice requirements.
5. No one may address the meeting unless recognized by the presiding officer of the meeting.
6. Each speaker will be limited to 3 minutes and 3 questions. Questions and comments must be directly relevant to the company's business or operations. Questions or comments that are repetitious, relate to pending or threatened litigation, or deal with general economics, politics or public policy are prohibited.
7. Rude or disruptive behavior is prohibited.
8. The use of cameras, audio or video recording equipment, communications devices or similar equipment is prohibited.
9. Attendees who violate these rules may be removed.
10. The decisions of the presiding officer in interpreting and enforcing these rules of conduct will be final.

MATTER NO. 1

Election of Directors

Two directors are to be elected at the Annual Meeting. In accordance with the company's articles of incorporation, the Board of Directors is divided into three classes. Each class consists of two or three directors. All directors within a class have the same three-year terms of office. The class terms expire at successive annual meetings so that each year a class of directors is elected. The current terms of director classes expire in 2012 (Class A directors), 2013 (Class B directors) and 2014 (Class C directors). Each of the Class A directors elected at the 2012 Annual Meeting will be elected to serve a three year term.

With the recommendation of the Governance and Nominating Committee, the Board of Directors has nominated the following persons to stand for election as Class A directors at the 2012 Annual Meeting of Shareholders, with terms expiring in 2015:

Harish M. Patel

Martin A. Traber

Each of the nominees for election as a director has consented to serve if elected. If, as a result of circumstances not now known or foreseen, one or more of the nominees should be unavailable or unwilling to serve as a director, proxies may be voted for the election of such other persons as the Board of Directors may select. The Board of Directors has no reason to believe that any of the nominees will be unable or unwilling to serve.

The persons named in the enclosed proxy card intend, unless otherwise directed, to vote such proxy **FOR** the election of Harish M. Patel and Martin A. Traber as Class A directors of Homeowners Choice, Inc. The nominees receiving the two highest **FOR** vote totals will be elected as directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE **FOR** ELECTION OF EACH OF THE NOMINEES AS DIRECTORS OF THE COMPANY **ITEM 1 ON YOUR PROXY CARD.**

DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS

Directors Standing for Election (Class A)

Harish M. Patel, age 55, was appointed on April 9, 2011 by our Board of Directors to fill a vacancy among our Class A directors and to serve on the company's audit committee. Harish Patel has no familial relationship to Paresh Patel, our Chief Executive Officer and Chairman of the Board. From 1976 to 1987, Mr. Patel served in various capacities, including as director of sales, director of operations and director at large, for Colorama Photo Processing Laboratories, a family-owned photo

processing business located in London, England which pioneered the provision of next day and same day photo processing services to retail outlets in Central London and later provided those services to other regions of the United Kingdom. From 1987 to 1992, Mr. Patel served in various capacities, including as director at large, for Colorama Pharmaceuticals Ltd., a family-owned start-up venture which distributed pharmaceuticals to the client base of the photo processing company. From 1992 to 2005, he served as director for Kwik Photo Retail Stores, a London-based, operator of stand-alone and in-store retail photo processing labs. During his tenure, that company expanded from 23 company-owned stores to over 100 outlets. In addition he established and managed a United States-based data processing subsidiary for that company. Since 2006, he has served as a director for Medenet, Inc. a medical software company based in St. Petersburg, Florida. None of the foregoing companies are affiliated with our company. Mr. Patel holds a Bachelor's Degree in Business Administration from South Bank Polytechnic.

Mr. Patel brings a wide range of business and management experience to the Board of Directors. We expect Mr. Patel's business and management experience will enhance oversight of the company's business performance and financial disclosure. We believe also the knowledge he has gained from his experiences, in particular his knowledge of software systems and health care, will be valuable as the company considers and seeks growth opportunities. Also important, Mr. Patel has a substantial personal investment in the company.

Martin A. Traber, age 66, is a founder of the company. He has been a director of the company since its inception. Since 1994 Mr. Traber has been a partner of Foley & Lardner LLP, in Tampa, Florida, representing clients in securities and corporate law transactions. Mr. Traber earned a Bachelor of Arts and a Juris Doctor from Indiana University. Mr. Traber is a founder of NorthStar Bank in Tampa, Florida and from 2007 to 2011 served as a member of the Board of Directors of that institution. Mr. Traber serves on the Board of Directors of Exeter Trust Company, Portsmouth, New Hampshire and JHS Capital Holdings, Tampa, Florida and on the Advisory Board of Platinum Bank, Tampa, Florida.

Mr. Traber brings considerable legal, financial and business experience to the Board of Directors. He has counseled and observed numerous businesses in a wide range of industries. The knowledge gained from his observations and his knowledge and experience in business transactions and securities law are considered of importance in monitoring the company's performance and when we consider and pursue business acquisitions and financial transactions. Mr. Traber also serves on the governance and nominating committee and our compensation committee. As a corporate and securities lawyer he has a fundamental understanding of governance principles and business ethics. His knowledge of other businesses and industries is useful in determining management and director compensation. Important also, Mr. Traber has a substantial personal investment in the company.

Directors Continuing in Office

Directors whose present terms continue until 2013 (Class B):

George Apostolou, age 61, has been a director of the company since May 2007. Born in Erithri-Attikis, Greece, Mr. Apostolou moved to the United States in 1971 and earned his state of Florida Contractors License in 1983. In 1987, he established George Apostolou Construction

Corporation and has since built more than 200 commercial buildings, including government services buildings, churches, office buildings and retail centers. George Apostolou Construction Corporation is not affiliated with Homeowners Choice, Inc. In addition to contracting, Mr. Apostolou has been involved in the development and investment of many commercial projects and now owns more than 20 properties in the Tampa Bay area.

Mr. Apostolou brings considerable business, management and real estate experience to the Board of Directors. We expect Mr. Apostolou's business and management experience will enhance oversight of the company's business performance. Moreover, real estate experience has become increasingly important to the company as it makes and considers significant real estate investments. Mr. Apostolou also serves on our audit committee and our governance and nominating committee. His business experience gives him a fundamental understanding of financial statements and business operations. Important also, Mr. Apostolou has a substantial personal investment in the company and he played a large role in bringing initial investors to the company.

Paresh Patel, age 49, is currently Chairman and Chief Executive Officer of the company. Mr. Patel is a founder of the company. He has been a director of the company since its inception and has served as the Chairman of our Board since May 2007. Mr. Patel developed and continues to oversee development of the company's policy administration systems. Since 2006, Mr. Patel has served also as president of Scorpio Systems, Inc., a software development company of which he is the sole owner (see Software License Agreement and Consulting Agreement under Transactions with Related Persons below). Since 2011, Mr. Patel has served as chairman of the board of First Home Bancorp, Inc., a bank holding company in Seminole, Florida. He is a founder of NorthStar Bank in Tampa, Florida and from 2006 to 2010 served on the board of directors of its parent company, NorthStar Holding Company. As a private investor from 2000 to 2006, Mr. Patel used statistical and probability techniques to develop and implement a system for managing money as a business to generate cash flow. Before that, Mr. Patel was director of customer care and billing with Global Crossing from 1998 to 2000. In that position, Mr. Patel defined business processes and systems, hired and trained department staff and led the merger of the customer care and billing systems with those of that company's acquisitions. As an independent consultant from 1991 to 1998, Mr. Patel worked with large international telephone companies. Mr. Patel holds a Bachelor's and a Master's degree in Electronic Engineering from the University of Cambridge in United Kingdom.

Mr. Patel brings to the Board of Directors considerable experience in business, management, systems and technology, and because of those experiences and his education, he possesses analytical and technology skills which are considered of importance to the operations of company, the oversight of its performance and the evaluation of its future growth opportunities. Furthermore, his performance as Chief Executive Officer has indicated an in depth understanding of the company's insurance business. He is a founder of the company and has a substantial personal investment in the company.

Gregory Politis, age 59, is a founder of the company and has been a director since its inception. Mr. Politis has been in the real estate business since 1974 and is president of Xenia Management Corporation, a real estate portfolio management company he established in 1988. Mr. Politis has interests in 39 real estate developments in the Miami-Dade County, Orlando, Greater Tampa Bay and Montreal, Canada areas. Xenia Management Corporation is not affiliated with Homeowners Choice, Inc. (see Office Lease under Transactions with Related Persons below). During his career,

Mr. Politis has developed and retained ownership of retail, industrial, and commercial office spaces, with a primary focus on buildings housing federal and state government agencies. He was a founding member of Hellenic American Board of Entrepreneurs and a recipient of the Building Owners and Managers Association (BOMA) Building of the Year Award. Mr. Politis has served as a director of NorthStar Bank and Florida Bank.

Mr. Politis brings considerable business, management and real estate experience to the Board of Directors. We expect his business and management experience will enhance oversight of the company's business performance. Moreover, real estate experience has become increasingly important to the company as it makes and considers significant real estate investments. Mr. Politis serves on the company's investment committee, compensation committee, governance and nominating committee as well as the chair for the building committee. His business experience gives him a fundamental understanding of business operations. Important also, Mr. Politis has a substantial personal investment in the company.

Directors whose present terms continue until 2014 (Class C):

Sanjay Madhu, age 45, has been a director of our company since May 2007 and he currently serves as our Division President – Real Estate Operations and Vice President of Investor Relations. Mr. Madhu has served as Division President of Real Estate Operations since June 2011 and as our Director of Investor Relations since February 2008. He also served as our Vice President for marketing from 2008 to 2011. As an owner and manager of commercial properties, Mr. Madhu has been president of 5th Avenue Group LC since 2002 and President of Forrest Terrace LC since 1999. In addition, Mr. Madhu is an investor in banking and health maintenance organizations. He has also been President of The Mortgage Corporation Network (correspondent lenders) since 1996. Prior to that, Mr. Madhu was Vice President, mortgage division, First Trust Mortgage & Finance, from 1994 to 1996; Vice President, residential first mortgage division, Continental Management Associates Limited, Inc., from 1993 to 1994; and President, S&S Development, Inc. from 1991 to 1993. None of the foregoing companies is an affiliate of Homeowners Choice, Inc. He attended Northwest Missouri State University, where he studied marketing and management.

Mr. Madhu brings considerable business, marketing and real estate experience to the Board of Directors. Real estate experience has become increasingly important to the company as it makes and considers significant real estate investments. In addition, Mr. Madhu has a substantial personal investment in the company.

Anthony Saravanos, age 41, has been a director of the company since May 2007. Since 2005, Mr. Saravanos has been vice president of The Boardwalk Company, a full-service real estate company located in Palm Harbor, Florida. The Boardwalk Company is not affiliated with Homeowners Choice, Inc. Since 2001, he has been managing partner of several commercial property entities with a combined total of 13 properties in Florida and New York. From 1997 to 2001, he served as district manager, marketing and sales, for DaimlerChrysler Motors Corporation, Malvern, Pennsylvania. Mr. Saravanos graduated from Ursinus College, Collegeville, Pennsylvania, with a double major in Economics and Spanish. He earned a master's degree in Business Administration with an emphasis in marketing from Villanova University, Villanova, Pennsylvania. At Villanova he was inducted into the Beta Gamma Sigma Honor Society. Mr. Saravanos also attended Quanaouac Institute, Cuernavaca,

Mexico, for intensive Spanish studies and a cultural immersion program. A licensed real estate broker, Mr. Saravanos is a Certified Commercial Investment Member. He was named #1 Top Producer for 2010 by the Florida Gulfcoast Commercial Association of Realtors.

Mr. Saravanos brings considerable business, management, finance, marketing and real estate experience and business education to the Board of Directors. Real estate experience has become increasingly important to the company as it makes and considers significant real estate investments. Mr. Saravanos also serves as chairman of our audit committee. His financial sophistication is evidenced by his business education and his work experiences. For example, as a district manager for DaimlerChrysler Motors Corporation he was required to read, understand and analyze financial information. His ability to analyze financial information is considered of importance in enhancing oversight of the company's performance, monitoring its financial disclosure and evaluating growth opportunities. Important also, Mr. Saravanos has a substantial personal investment in the company and he played a large role in bringing initial investors to the company.

Arrangements as to Selection and Nomination of Directors

We are aware of no arrangements as to the selection and nomination of directors.

Independent Directors

Based upon recommendations of our Governance and Nominating Committee, our Board of Directors has determined that current directors George Apostolou, Harish M. Patel, Gregory Politis, Anthony Saravanos and Martin A. Traber are independent directors as defined by Rule 5605(a)(2) of The Nasdaq Stock Market LLC. Under that rule, the Board of Directors determines whether a director has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In the case of Mr. Traber, the Committee considered his role as a partner of Foley & Lardner LLP, which provides legal services to the company, and determined that the fees received by the law firm from us amount to less than 1% of the firm's total revenue. The Committee also considered Mr. Traber's personal financial substance, his other sources of income and his lack of dependence upon legal fees from the company.

EXECUTIVE OFFICERS

The following table provides information with respect to our executive officers as of April 9, 2012:

Name	Age	Title
Paresh Patel	49	Chairman and Chief Executive Officer
Richard R. Allen	65	Chief Financial Officer
Sanjay Madhu	45	Director, Division President Real Estate Operations, and Vice President of Investor Relations
Andrew L. Graham	54	Vice President, General Counsel and Corporate Secretary
Scott R. Wallace	60	Nominee Division President Property and Casualty

Biographical information for Messrs. Patel and Madhu appears above under the heading Directors.

Richard R. Allen has served as the Chief Financial Officer of our company since November 2006 and also serves as a director of our subsidiary, Claddaugh Casualty Insurance Company, Ltd. Mr. Allen has over thirty years of experience in property/casualty insurance finance and management to include agency/broker relations, reinsurance and financial controls and reporting and third party administration. He has held various positions with several insurance companies as Chief Financial Officer, Controller and Senior Accounting Manager. From 1999 to 2005, Mr. Allen served as the Internal Auditor of Anthem Blue Cross and Blue Shield. From 1996 to 1998, Mr. Allen served as Controller for Symons International Group. From 1994 to 1996, Mr. Allen served as Controller/Treasurer of Coronet Insurance. In addition, Mr. Allen served as the Budget/Cost Manager of Bankers Life and Casualty from 1982 to 1990, and as the Controller of Bankers Standard Insurance Company, an affiliate of CIGNA, from 1969 to 1981. He has experience in forensic accounting and has participated as a consultant in numerous projects with state insurance departments. Mr. Allen earned his Bachelor of Science Degree from Quincy University in Quincy, Illinois.

Andrew L. Graham has served as our General Counsel since June 1, 2008 and also currently serves as our Corporate Secretary. Mr. Graham served from 1999 to 2007 in various capacities, including General Counsel, for Trinsic, Inc. (previously named Z-Tel Technologies, Inc.), a publicly-held provider of communications services headquartered in Tampa, Florida. Since 2011, Mr. Graham has served on the Internal Audit Committee of Hillsborough County, Florida. From 2007 to 2011, he served on the Board of Trustees of Hillsborough Community College, state institution serving over 45,000 students annually. Mr. Graham holds a Bachelor of Science degree from Florida State University and a Juris Doctor, as well as a Master of Laws (L.L.M.) in Taxation, from the University of Florida College of Law.

Scott R Wallace has agreed to serve as our Division President Property and Casualty Insurance commencing in mid April 2012. As such he will serve as president of Homeowners Choice

Property & Casualty Insurance Company, Inc., our principal operating subsidiary. Mr. Wallace has over 30 years of property and casualty insurance and reinsurance experience. Since 2007, he has served as the president, chief executive officer and executive director of Citizens Property Insurance Corporation, Florida's state backed property insurer, where he was responsible for management and operations of Florida's largest homeowners insurance company. Before becoming president, he served as a consultant to Fairway Holdings, a managing general agency. From 1992 to 2005, he served in various executive roles at W.R. Berkley Corporation, a multi-billion dollar New York Stock Exchange-listed insurance holding company. Mr. Wallace holds a Bachelor of Science degree in marketing from Arizona State University.

ARRANGEMENTS AS TO SELECTION AND NOMINATION OF EXECUTIVE OFFICERS

We are aware of no arrangements as to the selection or appointment of executive officers.

TRANSACTIONS WITH RELATED PERSONS

Transactions

Office Lease

On April 8, 2008, we entered into a lease with Xenia Management LLC, a company owned and operated by Gregory Politis, one of our directors. The lease is for 6,000 square feet of office space and 1,498 square feet of common area, in Clearwater, Florida. The lease commenced in July 2008 and requires us to make monthly lease payments of \$12,500, which includes \$2,500 for common area maintenance. The initial term of the lease will expire July 15, 2013. We, at our option, may renew the initial term of the lease for three additional periods of five years each by providing written notice of renewal at least six calendar months before the end of the initial five year term. If we renew the lease, the monthly lease payments will increase by approximately 15% in each successive five year renewal period.

Software License Agreement

Prior to July 1, 2011, we licensed our policy administration software from Scorpio Systems, Inc., a company owned and operated by Paresh Patel, the Chairman of our Board of Directors. The license agreement was effective as of November 1, 2007. The license agreement was perpetual unless terminated by either party upon six months' written notice or by Scorpio Systems, Inc. upon thirty days' written notice to us within three months following the occurrence of a change in control of our company. Under the terms of the license agreement, Scorpio Systems, Inc. granted us an exclusive, perpetual, nontransferable, worldwide license to use the software in connection with policy administration services performed with regard to insurance policies issued by our company or any of our wholly-owned subsidiaries. In exchange for the license, we agreed to pay to Scorpio Systems, Inc. a license fee of one dollar per policy generated as a new policy issued or a paid renewal policy. For 2011, the license fees totaled \$30,801. Effective June 30, 2011, all rights to the software license were assigned to the company in exchange for a one-time payment of \$50,000. The related software license and consulting agreements were terminated coincident with this exchange (see Consulting Agreement below).

Consulting Agreement

On June 1, 2007, we entered into a consulting agreement with Scorpio Systems, Inc., a company owned and operated by Paresch Patel, our Chief Executive Officer and Chairman of our Board of Directors.

Under the terms of the agreement, Scorpio Systems, Inc. provided us with business advice, information and consultation regarding the insurance industry. In consideration for these services, we agreed to pay a monthly fee of \$25,000 to Scorpio Systems, Inc. and reimburse Scorpio Systems, Inc. for its reasonable and customary business expenses incurred in the performance of its services. This consulting agreement was terminated effective June 30, 2011 (see Software License Agreement above). For 2011 consulting fees totaling \$150,000 were paid to Scorpio Systems, Inc. with respect to this agreement.

Legal Services

One of our directors, Martin A. Traber, is a partner at the law firm of Foley & Lardner LLP, and since our inception in 2007, the firm has provided legal representation to us on certain matters, including our 2008 initial public offering. During 2011, Foley & Lardner LLP billed us approximately \$232,000. Such amount includes fees billed in connection with our preferred stock offering and represents less than 1% of Foley's fee revenue. These services were provided on an arms-length basis, and paid for at fair market value. We believe that such services were performed on terms at least as favorable to us as those that would have been realized in transactions with unaffiliated entities or individuals.

Stock Repurchases

On April 4, 2011, the company repurchased from one of our then directors, Krishna Persaud, 80,000 shares of the company's common stock at a price of \$8.00 per share for a total cost of \$640,000. Such shares were repurchased from Mr. Persaud under a stock purchase agreement at a price below the \$8.20 market value of the company's common stock on the date of the transaction. Such repurchases were not part of a publicly announced plan or program. Mr. Persaud declined to seek re-election to the company's Board of Directors effective April 9, 2011.

Effective June 27, 2011, the company repurchased and retired a total of 85,200 shares of the company's common stock at a price of \$6.50 per share for a total cost of \$553,800. Such shares were repurchased under a stock purchase agreement with the company's former chief executive officer, Francis McCahill, at a price below the \$6.96 market value of the company's common stock on the date of the transaction. Such repurchases were not part of a publicly announced plan or program.

Policies for Approval or Ratification of Transactions with Related Persons

Our policy for approval or ratification of transactions with related persons is for those transactions to be reviewed and approved by the Audit Committee. That policy is set forth in the Audit Committee Charter. Our practice is that such transactions are approved by a majority of disinterested directors. The policy sets forth no standards for approval. Directors apply their own individual judgment and discretion in deciding such matters.

ADVERSE INTERESTS

We are not aware of any material proceedings in which an executive officer or director is a party adverse to the company or has a material interest adverse to the company.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely upon a review of Forms 3, 4, and 5 filed for the year 2011, we believe that all of our directors, officers, and 10% beneficial owners complied with all Section 16(a) filing requirements applicable to them. In addition all such forms were filed timely.

CODE OF ETHICS

We have adopted a code of ethics applicable to all employees and directors, including our Chief Executive Officer and Chief Financial Officer. We have posted the text of our code of ethics to our Internet web site: www.hcpci.com. Select Investors from the left and then select Corporate Governance and then Code of Conduct. We intend to disclose any change to or waiver from our code of ethics by posting such change or waiver to our Internet web site within the same section as described above.

MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors held ten formal meetings during 2011. During 2011, no director attended less than 75% of the board and applicable committee meetings.

Board members are encouraged, but not required to attend the Annual Meeting of the Shareholders. All directors attended the 2011 Annual Meeting of the Shareholders.

SHAREHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

We have established procedures by which shareholders may communicate with members of the Board of Directors. If you wish to communicate with the Board of Directors or a specified member of the Board you may send written communications addressed to Board of Directors, Homeowners Choice, Inc., c/o Andrew L. Graham, Secretary of the Corporation, 5300 West Cypress Street, Suite 100, Tampa, Florida 33607. The communication should include your name and the class and number of shares you own. Communications that are not racially, ethically or religiously offensive, commercial, pornographic, obscene, vulgar, profane, defamatory, abusive, harassing, threatening, malicious, false or frivolous in nature will be promptly forwarded to the Board of Directors or the specified member of the Board to whom the communication is addressed.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has an Audit Committee, a Compensation Committee, and a Governance and Nominating Committee.

Audit Committee

The company has a separately-designated standing audit committee established in accordance with the Securities and Exchange Act of 1934. The Audit Committee's responsibilities include the following:

assisting our Board of Directors in its oversight of the quality and integrity of our accounting, auditing, and reporting practices;

overseeing the work of our internal accounting and auditing processes;

discussing with management our processes to manage business and financial risk,

making appointment, compensation, and retention decisions regarding, and overseeing the independent auditor engaged to prepare or issue audit reports on our financial statements;

establishing and reviewing the adequacy of procedures for the receipt, retention and treatment of complaints received by our company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;

reviewing and discussing with management and the independent auditors our annual and quarterly financial statements and related disclosures; and

conducting an appropriate review and approval of all related party transactions for potential conflict of interest situations on an ongoing basis.

The Audit Committee is composed of three members: Anthony Saravanos, its chairman, George Apostolou and Harish M. Patel. Since our common shares are listed on The NASDAQ Global Select Market, we are governed by its listing standards. Accordingly, each member of the Audit Committee is an independent director as defined by Rule 5605(a)(2) of The Nasdaq Stock Market LLC and meets the criteria for independence set forth in Rule 10A-3(b)(1) of the Securities and Exchange Commission. The Board of Directors has determined that Mr. Saravanos is an audit committee financial expert. The Audit Committee met formally four times during 2011 and otherwise acted by unanimous written consent. The Board of Directors has adopted a written Audit Committee Charter. A current copy of the charter is available on our website www.hcpci.com. Click Investors and then Corporate Governance.

Compensation Committee

The compensation committee's responsibilities include the following:

reviewing and approving the compensation programs applicable to our executive officers;

recommending to the board and periodically reviewing policies for the administration of the executive compensation programs;

reviewing and approving the corporate goals and objectives relevant to the compensation of the executive officers, evaluating the performance of the executive officers in light of those goals, objectives and strategies, and setting the compensation level of the executive officers based on this evaluation;

reviewing on a periodic basis the operation of our executive compensation programs to determine whether they are properly coordinated and achieving their intended purposes;

administering and making awards under the company's 2007 Stock Option and Incentive Plan and monitoring and supervising the administration of any other benefit plans the company may have; and

reviewing and approving compensation to outside directors.

The Compensation Committee has the authority to determine the compensation of the Chief Executive Officer and the non-employee directors, including the Executive Chairman. At least annually the Compensation Committee considers the results of the company's operations and its financial position and makes compensation determinations. The Compensation Committee has not engaged or relied on consultants, instead relying on the judgment and knowledge of its own members. It views the determination of such compensation to be a collaborative effort and accordingly it welcomes recommendations and advice from executive officers and other directors. The Compensation Committee is composed of four members: Martin A. Traber, Chairman, and Gregory Politis, Anthony Saravanos and George Apostolou, each of whom is an independent director as defined by Rule 5605(a)(2) of The Nasdaq Stock Market LLC. The Compensation Committee met formally six times during 2011 and otherwise acted by unanimous written consent. The Board of Directors has adopted a formal Compensation Committee Charter. A current copy of the charter is available on our website www.hcpci.com. Click Investors and then Corporate Governance.

Governance and Nominating Committee

The functions of Governance and Nominating Committee include the following:

establishing criteria for selection of potential directors, taking into account all factors it considers appropriate;

identifying and selecting individuals believed to be qualified as candidates to serve on the board and recommending to the board candidates to stand for election as directors at the annual meeting of shareholders or, if applicable, at a special meeting of the shareholders;

recommending members of the board to serve on the committees of the board;

evaluating and ensuring the independence of each member of each committee of the board required to be composed of independent directors;

developing and recommending to the board a set of corporate governance principles appropriate for our company and consistent with the applicable laws, regulations, and listing requirements;

developing and recommending to the board a code of conduct for our company's directors, officers, and employees;

ensuring that we make all appropriate disclosures regarding the process for nominating candidates for election to the board, including any process for shareholder nominations, the criteria established by the committee for candidates for nomination for election to the board, and any other disclosures required by applicable laws, regulations, or listing standards;

reporting regularly to the board (i) regarding meetings of the committee, (ii) with respect to such other matters as are relevant to the committee's discharge of its responsibilities, and (iii) with respect to such recommendations as the committee may deem appropriate. The Governance and Nominating Committee is composed of three members: Martin A. Traber, Anthony Saravanos and George Apostolou, each of whom is an independent director as defined by Rule 5605(a)(2) of The Nasdaq Stock Market LLC. The Governance and Nominating Committee held two meetings in 2011. The Board of Directors has adopted a written Nominating Committee Charter. A current copy of the charter is available on our website www.hcpai.com. Click Investors and then Corporate Governance.

Each of the proposed director nominees was recommended by the Governance and Nominating Committee to the Board of Directors.

The Governance and Nominating Committee identifies director candidates in numerous ways. Generally, the candidates are known to and recommended by members of the Board of Directors or management. In evaluating director candidates, the Governance and Nominating Committee considers a variety of attributes, criteria and factors, including experience, skills, expertise, diversity, personal and professional integrity, character, temperament, business judgment, time availability, dedication and conflicts of interest. At a minimum, director candidates must be at least 18 years of age and have such business, financial, technological or legal experience or education to enable them to make informed decisions on behalf of the company. The Governance and Nominating Committee has not adopted a specific policy on diversity. However, in practice it has identified and recommended individuals of diverse ethnic, cultural and business backgrounds.

The Governance and Nominating Committee will consider director candidates recommended by shareholders. If you wish to recommend one or more director candidates you should send your recommendations before November 1 of the year preceding the next annual meeting of shareholders to the Secretary of the Corporation, Andrew L. Graham, 5300 West Cypress Street, Suite 100, Tampa, Florida 33607. Each recommendation should set forth the candidate's name, age, business address, business telephone number, residence address, and principal occupation or employment and any other attributes or factors you wish the committee to consider, as well as your name, address and telephone number and the class and number of shares you hold. The Committee may require the recommended candidate to furnish additional information. The secretary will forward recommendations of qualified candidates to the Governance and Nominating Committee and those candidates will be given the same consideration as all other candidates.

A shareholder wishing to nominate an individual for election to the Board of Directors at the Annual Meeting of the Shareholders, rather than recommend a candidate to the Governance and Nominating Committee, must comply with the advance notice requirements set forth in our bylaws. See [Shareholder Proposals for Presentation at the 2013 Annual Meeting](#) for further information.

Board of Directors Leadership Structure

Our business and affairs are managed under the direction of the Board of Directors. Under our current leadership structure Paresh Patel serves as Chairman of the Board and Chief Executive Officer. Mr. Patel's role includes providing continuous feedback on the direction and performance of the company, serving as chairman of regular meetings of the Board of Directors, setting the agenda of meetings of the Board of Directors and leading the Board of Directors in anticipating and responding to changes in our business. Mr. Patel plays a significant role also in formulating and executing the company's strategic plans, technology efforts and investment decisions. We believe board oversight and planning is a collaborative effort among the directors, each of whom has unique skills, experience and education, and this structure facilitates collaboration and communication among the directors and management and makes best use of their respective skills. The Board of Directors may determine to alter this leadership structure anytime based on then existing circumstances.

Board of Directors Role in Risk Oversight

The Board of Directors plays a significant role in monitoring risks to the company. Where major risks are involved the Board of Directors takes a direct role in approving those matters. For example, the Board of Directors annually approves the level and design of our reinsurance program. Reinsurance is insurance we buy from other insurance companies to cover hurricanes and other catastrophes. The Board of Directors also approves any strategic initiatives and any large or unusual investment or other such expenditure of the company's resources. The Board of Directors has established committees to assist in ensuring that material risks are identified and managed appropriately. Among them are the Audit Committee, the Compensation Committee, the Investment Committee and the Governance and Nominating Committee. The Board and its committees regularly review material operational, financial, compensation and compliance risks with executive management. The Audit Committee is responsible for assisting the Board of Directors in its oversight

of the quality and integrity of our accounting, auditing, and reporting practices and discussing with management our processes to manage business and financial risk. The Compensation Committee considers risk in connection with its design of our compensation programs for our executives. The Investment Committee manages the company's normal investments. The Governance and Nominating Committee regularly reviews the company's corporate governance structure and board committee assignments. Each committee regularly reports to the Board of Directors.

AUDIT COMMITTEE REPORT

TO: The Board of Directors of Homeowners Choice, Inc.

The Audit Committee oversees the financial reporting processes of Homeowners Choice, Inc. on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in the Annual Report with management and discussed with management the quality, in addition to the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Audit Committee reviewed with representatives of Hacker, Johnson & Smith P.A., the company's independent registered public accounting firm responsible for auditing the company's financial statements and expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States of America, their judgments as to the quality, not just the acceptability, of the company's accounting principles. The Audit Committee has discussed with the independent registered public accounting