

HCC INSURANCE HOLDINGS INC/DE/
Form 11-K
June 30, 2014
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

**FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS
AND SIMILAR PLANS PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(Mark one)

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

For the fiscal year ended December 31, 2013

OR

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

For the transition period from _____ to _____.

Commission file number 001-13790.

A. Full title of the plan and address of the plan, if different from that of the issuer named below:

HCC INSURANCE HOLDINGS, INC.
2013 EMPLOYEE STOCK PURCHASE PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

HCC INSURANCE HOLDINGS, INC.

13403 Northwest Freeway

Houston, Texas 77040

Table of Contents

HCC INSURANCE HOLDINGS, INC.

2013 EMPLOYEE STOCK PURCHASE PLAN

TABLE OF CONTENTS

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	1
Financial Statements:	
<u>Statement of Financial Condition as of December 31, 2013</u>	2
<u>Statement of Income and Changes in Plan Equity for the period from May 22, 2013 through December 31, 2013</u>	3
<u>Notes to Financial Statements</u>	4
<u>Signature</u>	8
Exhibit 23.1 Consent of Ham, Langston & Brezina, L.L.P., Independent Registered Public Accounting Firm	

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Compensation Committee

HCC Insurance Holdings, Inc.

2013 Employee Stock Purchase Plan

We have audited the accompanying Statement of Financial Condition of the HCC Insurance Holdings, Inc. 2013 Employee Stock Purchase Plan (the Plan) as of December 31, 2013 and the related Statement of Income and Changes in Plan Equity for the period from May 22, 2013 through December 31, 2013. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of the Plan as of December 31, 2013, and the changes in plan equity for the period from May 22, 2013 through December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ Ham, Langston & Brezina, L.L.P.

Houston, Texas
June 30, 2014

Table of Contents

HCC INSURANCE HOLDINGS, INC.
2013 EMPLOYEE STOCK PURCHASE PLAN
STATEMENT OF FINANCIAL CONDITION
December 31, 2013

Assets:	
Participant deposits due from HCC Insurance Holdings, Inc.	\$ 1,050,652
Total assets	1,050,652
Liabilities:	
Distribution due to participants for the purchase of stock	1,050,652
Total liabilities	1,050,652
Plan equity	\$

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

Table of Contents

HCC INSURANCE HOLDINGS, INC.
2013 EMPLOYEE STOCK PURCHASE PLAN
STATEMENT OF INCOME AND CHANGES IN PLAN EQUITY
For the period from May 22, 2013 through December 31, 2013

Additions to net assets attributable to:	
Employee contributions	\$ 1,050,652
Total additions	1,050,652
Deductions from net assets attributable to:	
Distribution due to participants for the purchase of stock	1,050,652
Total deductions	1,050,652
Net change in plan equity	
Plan equity, inception of plan	
Plan equity, end of year	\$

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

Table of Contents

HCC INSURANCE HOLDINGS, INC.

2013 EMPLOYEE STOCK PURCHASE PLAN

NOTES TO FINANCIAL STATEMENTS

1. Description of Plan

The following description of the HCC Insurance Holdings, Inc. 2013 Employee Stock Purchase Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan was approved by the Board of Directors of HCC Insurance Holdings, Inc. (together with its subsidiaries, the Company) on March 13, 2013. The Company's stockholders approved the Plan on May 22, 2013. There are 2,000,000 shares (subject to adjustment) of the Company's common stock, \$1.00 par value per share, authorized for purchase by the Plan.

The Plan generally operates in successive six-month periods, referred to as Offering Periods. Currently, there will be consecutive Offering Periods starting on the first trading day on or after September 16 and ending on the last trading day on or before the following March 15, with the next Offering Period starting on the first trading day on or after March 16 and ending on the last trading day on or before the following September 15. The first Offering Period started on September 16, 2013 and ended on March 14, 2014. Therefore, there were no stock purchases during the period from May 22, 2013 through December 31, 2013. The Committee has the ability to change the starting dates and lengths of Offering Periods in the future.

Administration

The Compensation Committee of the Board of Directors of the Company (the Committee) is the administrator of the Plan. The Company has retained E*TRADE Corporate Financial Services (E*Trade) to provide certain stock plan administration services. Each participant in the Plan has an account at E*Trade, into which shares acquired under the Plan are credited.

Eligibility

Edgar Filing: HCC INSURANCE HOLDINGS INC/DE/ - Form 11-K

Employees of the Company who are 18 years of age or older and who have been employed by the Company for at least 30 days prior to the beginning of an offering period (described below) are eligible to participate in the Plan. Contract and temporary staff of the Company are not eligible to participate.

Participant accounts

Participant accounts are maintained by the Company and reflect contributions received from participants. Participant assets are not assets of the Plan or the Company.

Table of Contents

HCC INSURANCE HOLDINGS, INC.

2013 EMPLOYEE STOCK PURCHASE PLAN

NOTES TO FINANCIAL STATEMENTS

1. Description of Plan, continued

Contributions

Participants may contribute up to 15% of their base salary each pay period. Contributions are made through payroll deductions. As required by applicable tax rules, participants may not purchase more than \$25,000 of Company stock under the Plan in any one calendar year and may not purchase stock under the Plan if it would cause the participant to own 5% or more of the Company's common stock. The \$25,000 calendar year limitation is generally applied based on 100% of the market value of the Company's stock on the first day of the applicable Offering Period.

If two Offering Periods occur in a calendar year, the value of the stock acquired in the first Offering Period will reduce the maximum number of shares that could be acquired in the second Offering Period. In addition, the maximum number of shares to be purchased by a participant during an Offering Period is 1,500 shares.

An open enrollment period is held prior to each Offering Period. During an Offering Period, participants may not elect to increase or decrease the level of contributions for that Offering Period; however, they may elect to suspend contributions by decreasing the rate of future contributions to 0%. Participants may withdraw from the Plan at any time during an Offering Period and receive a refund of contributions made to date during that Offering Period. If an employee dies, retires, becomes disabled or terminates employment during an Offering Period, participation for that Offering Period will cease and any contributions made to date during that Offering Period will be returned to the participant.

Purchase of Stock

Participants are granted an option to acquire shares of Company stock on the first day of an Offering Period. On the last day of that Offering Period, the option will automatically be exercised, unless participation was terminated as described above. The number of shares of Company stock that will be acquired upon exercise of the option will equal the amount of cash contributions during the Offering Period divided by the lesser of: 1) 85% of the market value of a share of Company stock on the first business day of the Offering Period, or 2) 85% of the market value of a share of Company stock on the last day of the Offering Period. Market value for this purpose means the closing price per share of Company stock on the New York Stock Exchange on the applicable date. Once acquired, the shares will be credited to the participants individual accounts at E*Trade.

Administrative Expenses

The Company is responsible for payment of administrative expenses related to the Plan. For the period from May 22, 2013 through December 31, 2013, the Company paid \$63,317 of expenses related to the Plan.

Table of Contents

HCC INSURANCE HOLDINGS, INC.
2013 EMPLOYEE STOCK PURCHASE PLAN
NOTES TO FINANCIAL STATEMENTS

1. Description of Plan, continued

Plan Termination

Although the Company has not expressed any intent to do so, the Committee has the right to suspend or terminate the Plan, but no such action may adversely affect Participants' rights and obligations with respect to purchase rights outstanding at the time. No Offering Period may commence while the Plan is suspended or after it is terminated.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Plan are prepared under the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of net assets available for benefits and changes therein. Actual results could differ from those estimates.

Participant deposits due from the Company represents accumulated payroll deductions less amounts disbursed for participant initiated withdrawals occurring prior to December 31, 2013.

The distribution due to participants for the purchase of stock represents accumulated payroll deductions through December 31, 2013 that will be used for the purchase of Company stock at the end of the Offering Period.

3. Tax Status

The Plan is intended as an employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986, as amended (the Code), which results in potentially favorable tax treatment to participants. The Plan is not subject to the requirements of the Employee Retirement Income Security Act of 1974, as amended, nor is the Plan qualified under Section 401(a) of the Code to be a qualified pension, profit sharing or stock bonus plan.

Amounts withheld from participants' earnings to purchase Company stock under the Plan are taxable income to the employee. An employee is not considered to have income for Federal income tax purposes from the granting of a right to purchase stock or the discount received at the time of purchase of stock. Generally, the employee will recognize income for Federal income tax purposes in the year of disposition of the purchased Company stock. The Federal income tax liability will depend on whether the disposition of shares is a qualifying or disqualifying disposition. A qualifying disposition occurs if the sale or other disposition of the Company stock is made more than two years after the offering date and more than one year after the purchase date.

Table of Contents

HCC INSURANCE HOLDINGS, INC.
2013 EMPLOYEE STOCK PURCHASE PLAN
NOTES TO FINANCIAL STATEMENTS

4. Subsequent Event

On March 14, 2014, the Plan acquired 44,051 shares of the Company's stock for \$1,622,046 on behalf of the participants for the six-month Offering Period ended March 14, 2014.

Table of Contents

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the administrator of the HCC Insurance Holdings, Inc. 2013 Employee Stock Purchase Plan has duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Houston, State of Texas, on June 30, 2014.

HCC INSURANCE HOLDINGS, INC.

2013 EMPLOYEE STOCK PURCHASE PLAN, Administrator

By: HCC Insurance Holdings, Inc.

By: /s/ Pamela J. Penny
Pamela J. Penny
Executive Vice President and Chief Accounting Officer
HCC Insurance Holdings, Inc.