

S&P Global

Market Intelligence

Universal Insurance Holdings, Inc. NYSE:UVE

Earnings Call

Friday, July 26, 2024 3:00 PM GMT

CALL PARTICIPANTS	2
PRESENTATION	3
QUESTION AND ANSWER	5

Call Participants

EXECUTIVES

Arash Soleimani
Chief Strategy Officer

Frank Crawford Wilcox
Chief Financial Officer

Stephen Joseph Donaghy
CEO & Director

ANALYSTS

Jon Paul Newsome
*Piper Sandler & Co., Research
Division*

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to Universal Second Quarter 2024 Earnings Conference Call. As a reminder, this conference call is being recorded. I would now like to turn the conference over to Arash Soleimani, Chief Strategy Officer.

Arash Soleimani

Chief Strategy Officer

Good morning. Thank you for joining us today. Welcome to our quarterly earnings call. On the call with me today are Steve Donaghy, Chief Executive Officer; and Frank Wilcox, Chief Financial Officer. Before we begin, please note today's discussion may contain forward-looking statements and non-GAAP financial measures. Forward-looking statements involve assumptions, risks and uncertainties that could cause actual results to differ materially from those statements.

For more information, please see the press release and Universal's SEC filings, all of which are available on the Investors section of our website at universalinsuranceholdings.com and on the SEC's website. A reconciliation of non-GAAP financial measures to comparable GAAP measures is included in the quarterly press release and can also be found on Universal's website at universalinsuranceholdings.com.

With that, I'll turn the call over to Steve.

Stephen Joseph Donaghy

CEO & Director

Thanks, Arash. Good morning, everyone. In the quarter, we delivered a solid 30.5% annualized adjusted return on common equity and 35.6% adjusted diluted earnings per share growth year-over-year. Results were driven by strong underwriting performance, and we continue to see encouraging claims and litigation trends. Florida policies in force increased sequentially for the second quarter in a row and overall policies in force increased year-over-year for the first time since 2021.

As we mentioned previously, we completed the placement of our 2024-2025 reinsurance renewal for our insurance entities. We're very pleased with the outcome of the program and the support we received from our long-standing reinsurance partners and from new partners as well. Importantly, despite having substantially more demand for private market reinsurance, following the expirations of the Reinsurance to Assist Policyholders layer and our catastrophe bond, the overall cost of our program was only up modestly.

I'll turn it over to Frank to walk through our financial results. Frank?

Frank Crawford Wilcox

Chief Financial Officer

Thanks, Steve. Good morning. Adjusted diluted earnings per common share was \$1.18, up from \$0.87 in the prior year quarter. The increase mostly stems from higher underwriting and net investment income. Core revenue of \$379.2 million, was up 12.5% year-over-year with growth primarily stemming from higher net premiums earned and net investment income, partially offset by lower commission revenue.

Direct premiums written were \$578.3 million, up 5.7% from the prior year quarter, including 0.9% growth in Florida and 30.1% growth in other states. Overall growth mostly reflects higher rates, inflation adjustments and higher policies in force. Direct premiums earned were \$490.6 million, up 5.9% from the prior year quarter, reflecting direct premiums written growth over the last 12 months.

Net premiums earned were \$345 million, up 13.7% from the prior year quarter. The increase is primarily attributable to higher direct premiums earned and a lower ceded premium ratio. The net combined ratio was 95.9%, down 3.2 points compared to the prior year quarter. The decrease reflects a lower net loss ratio. The 70.6% net loss ratio was down 3.2 points compared to the prior year quarter, with the decrease

primarily attributable to higher net premiums earned associated with lower reinsurance costs in the current year quarter and a lack of reserve development in the current year quarter.

The net expense ratio was 25.3%, unchanged from the prior year quarter. During the second quarter, the company repurchased approximately 274,000 shares at an aggregate cost of \$5.3 million. The company's current share repurchase authorization program has approximately \$14.7 million remaining. On July 11, 2024, the Board of Directors declared a quarterly cash dividend of \$0.16 per share of common stock payable on August 09, 2024 to shareholders of record as of the close of business on August 2, 2024. With that, I'd like to ask the operator to open the line for questions.

Question and Answer

Operator

[Operator Instructions] And our first question comes from Paul Newsome with Piper Sandler.

Jon Paul Newsome

Piper Sandler & Co., Research Division

Congrats on the quarter. I was going to ask sort of any updated thoughts on the impact of tort reform in Florida? And I've got just other -- just miscellaneous questions to ask.

Stephen Joseph Donaghy

CEO & Director

Paul, this is Steve Donaghy. Yes, we continue to see the positive impacts of the legislation from [December '22], and it continues to flow through, primarily relative to represented and litigation affecting our book. So continue to see positive impacts, obviously turned from cautiously optimistic to optimistic a while back, and we continue to see positive outlook, which really leads us to be very positive on our share repurchases and happy with the position we're in right now.

Jon Paul Newsome

Piper Sandler & Co., Research Division

Great. Were there any movement in the reserves development wise in the quarter?

Frank Crawford Wilcox

Chief Financial Officer

We had 0 -- Paul, this is Frank. So no, we had 0 net development this quarter on reserves.

Jon Paul Newsome

Piper Sandler & Co., Research Division

Okay. What about like the catastrophe losses, and I think in the past, you've talked about weather above plan. It looks like it was knock on wood, pretty good weather quarter, all things even.

Frank Crawford Wilcox

Chief Financial Officer

Yes, sure. I mean we have weather every quarter, but it was well contained within our loss pick.

Jon Paul Newsome

Piper Sandler & Co., Research Division

Great. So back to the tort reform question, some questions about whether or not the industry is going to push back, and we're going to get a fairly quick level of competition coming in with filed rate declines. Is that something that we should be watching? Any thoughts on maybe, if the regulators are asking for lower rates at this point given the tort reform?

Stephen Joseph Donaghy

CEO & Director

Paul, it's an interesting question. We're not getting any pressure from anyone relative to rates or anything else. We are currently in the midst of analyzing our rates with our actuaries and external actuaries on what the impact will be to 2024. We do see the impacts of the tort reform, clearly, are we're seeing -- expecting a reduction in what is supposed to be passed along.

And then we'll weigh that as we always have with how we see the market as we take rate going forward. But again, we're optimistic. And the hope is that the market will continue to be successful. But as a company, we don't worry a tremendous amount about the competition. We are really focused on rate

adequacy and our relationship with our agency force has proven to be stellar. So we have a high degree of confidence in our ability going forward relative to the market and where we'll be positioned.

Operator

Thank you. There are no further questions at this time. I'd like to turn the call back over to Steve Donaghy for any closing remarks.

Stephen Joseph Donaghy

CEO & Director

Thank you. I'd like to thank all of our associates, consumers, our agency force and our stakeholders for their continued support of Universal. Have a great day.

Operator

Thank you for your participation. This does conclude the program. You may now disconnect. Everyone, have a great day.

Copyright © 2024 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2024 S&P Global Market Intelligence.