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# **Universal Insurance Holdings, Inc.** NYSE:UVE

## *Earnings Call*

*Friday, October 25, 2024 3:00 PM GMT*

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# Call Participants

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## 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*

**Nicolas Iacoviello**  
*Dowling & Partners Securities, LLC*

# Presentation

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## Operator

Good morning, ladies and gentlemen, and welcome to Universal's Third 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 and 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](https://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](https://universalinsuranceholdings.com).

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

**Stephen Joseph Donaghy**  
*CEO & Director*

Thanks, Arash. Good morning, everyone. Our hearts and thoughts go out to those impacted by recent disasters, including Hurricanes Debbie and Helene in the third quarter and Hurricane Milton in the fourth quarter. We've been through many hurricanes in our nearly 3-decade history, arming us with the requisite experience to quickly and efficiently get policyholders back on their feet.

Our substantial reinsurance protection and the strong reinsurance relationships that we've built over many years provide us with the financial resilience to weather both high frequency and high severity storm seasons. As we've previously disclosed, our consolidated retention drops for subsequent events and we expect a smaller financial impact from weather in the fourth quarter, inclusive of Hurricane Milton.

Non-catastrophe underwriting trends continue to improve and we're highly encouraged as we look ahead. On a separate note, we opened for business in Wisconsin at the beginning of the month, our 19th state. We're excited to offer our insurance products there as we continue to expand to new markets, diversifying our book of business and growing our addressable market.

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 loss per common share was \$0.73, compared to an adjusted loss per common share of \$0.16 in the prior year quarter. The higher adjusted net loss available to common stockholders mostly stems from lower underwriting income, partially offset by higher net investment income and commission revenue. .

Core revenue of \$381.4 million was up 5.4% year-over-year with growth primarily stemming from higher net premiums earned, net investment income and commission revenue. Direct premiums written were \$574.4 million, up 8% from the prior year quarter, including 2.1% growth in Florida and 32.9% growth in other states. Overall, growth mostly reflects higher policies in force, higher rates and inflation adjustments.

Direct premiums earned were \$507.7 million, up 7% from the prior year quarter, reflecting direct premiums written growth over the past 12 months. Net premiums earned with \$345.7 million, up 4.4% from the prior year quarter. The increase is primarily attributable to higher direct premiums earned, partially offset by a higher ceded premium ratio. The net combined ratio was 116.9%, up 6.2 points compared to the prior year quarter. The increase reflects higher net loss and expense ratios. The 91.7% net loss ratio was up 4.7 points compared to the prior year quarter, with the increase primarily attributable to higher weather losses mostly from Hurricane Helene, partially offset by more favorable prior year reserve development.

The net expense ratio was 25.2%, up 1.5 points compared to the prior year quarter, with the increase primarily attributable to higher policy acquisition costs associated with growth outside Florida and higher operating costs.

During the quarter, the company repurchased 226,000 shares at an aggregate cost of \$4.4 million. The company's current share repurchase authorization program has approximately \$10.3 million remaining. On July 11, 2024, and -- the Board of Directors declared a quarterly cash dividend of \$0.16 per share of common stock payable on August 9, 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

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### Operator

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

### Jon Paul Newsome

*Piper Sandler & Co., Research Division*

And always appreciate the help. Can we talk about the reserve development to start with, just give us some ideas about what the sources of the development was?

### Frank Crawford Wilcox

*Chief Financial Officer*

Paul, it's Frank. We actually had favorable development this quarter of just around \$2.2 million from prior year cats.

### Jon Paul Newsome

*Piper Sandler & Co., Research Division*

Great. Any particular source of just cats or all property?

### Frank Crawford Wilcox

*Chief Financial Officer*

Well, a lot of the names that you recognize, Irma, Ian, Matthew, Michael, some of which were minor, other which a little bit more significant.

### Jon Paul Newsome

*Piper Sandler & Co., Research Division*

Any additional detail you can give us on the cat losses in the quarter between Helene and other as well? As -- is there anything in those cat losses that are unusual or different than what you typically see after a large storm? I mean I think flood versus -- versus wind mix may be a little different with some around, but that's just a conjecture on my part.

### Stephen Joseph Donaghy

*CEO & Director*

Yes. Paul, Steve Donaghy. Yes, I think from a loss perspective, as we look at the 3 hurricanes now between Debbie, Helene and Milton, we're looking at a range for all 3 storms, somewhere between \$600 million and \$900 million to the company. Our net retention on those Debbie is small, it's probably somewhere under \$20 million. And Helene will be a full retention loss to the company, along with our Isosceles. So roughly \$111 million to the company, and the rest will be picked up by our reinsurance partners. .

And then Milton will be, as you know, is a lower -- our second tower has a lower retention of \$45 million. So we expect that to be incurred in Q4. And thanks to our claims operation, which is heavily deployed and trying to assist all of our policyholders in the various areas impacted, which is a pretty serious geography for all the carriers.

They are now handling the storm and we're trying to handle as many of the claims internally as possible because we feel we do it better, and we also kind of understand how to adjust. Our teams really experience between the flood and the wind and what the impacts of those 2 are. So we're being very careful how we do it.

I think from a claims incoming perspective, while every storm has some nuance. The claim counts have been coming in at a steady flow. So I think people were listening to the messaging to be safe and get out of the impacted areas. I think that's a new -- it's a very good dynamic for the state.

And I think that it's good that insurers are listening to their -- the folks that are trying to help them. So we've seen a steady flow rather than a real big peak, so to say. So we feel good about where we're at, and we're hoping to recover as much of those retentions in Q4 with our operating staff. So if you have any other questions, happy to answer, but that's kind of an overview.

**Jon Paul Newsome**

*Piper Sandler & Co., Research Division*

Do you think most of the recovery of revenue for claims management, et cetera, will happen for both storms in the fourth quarter? Or do you think we might see something perhaps per Milton all the way to first?

**Stephen Joseph Donaghy**

*CEO & Director*

It's a great question. yes, great question, Paul. We don't -- as we sit here today, we're not 100% sure that we'd recover all those expenses, especially in Q4. I think you'll see some of that tail into 2025.

So hard to tell exactly what we're going to recover as we sit here now. We'll have a better idea of that as we get into Q4. But the most important thing for us is to get out, see the insurers, make sure we're doing the right things and getting them back on their feet at their moment of need. So that's the paramount goal for us as we're entering Q4 right now.

**Jon Paul Newsome**

*Piper Sandler & Co., Research Division*

Maybe just one last big picture question. The weather obviously makes it more complicated to figure out kind of what's going on, on a normalized basis. Could you give us your most recent thoughts maybe year-to-date or so. about what you think is happening on kind of that normalized underwriting basis because you've got a lot of stuff going on with pricing and to reform and other factors? Do you think you're still making improvements in the underwriting results into next year because of those factors?

**Stephen Joseph Donaghy**

*CEO & Director*

Yes, Paul, we changed our kind of tone from cautiously optimistic to optimistic sometime this year. And we see very favorable underwriting results coming in the door. I think our agency relationships continue to generate business where we are open. And I think outside the state of Florida, our relationships as they grow in our newer states people develop a comfort level with us about how we operate, how we respond to their questions and needs and how we treat their clients or are insured, so to say.

I think as we looked at the legislative reforms, and we looked at our rates, we adjusted some models in a positive manner to Floridians. So we ended up in a scenario where we had a small reduction in premium at our most recent filings, which I think when you think of the typical insured in Florida after getting increases of somewhere between 10% and 15% over the last several years, a flat or a reduction is a really good impact to the people that own homes in Florida.

So -- and we're being very cautious about where we're open and continuing to work on our spread of business within the state of Florida. I think you would say that as we continue to grow and mature, we're trying to be as smart as possible with the experience we've gained over; for me, 20 years and for others in the company over the last 30 years. in the state of Florida. So good -- we feel good about the future. Very good.

**Jon Paul Newsome**

*Piper Sandler & Co., Research Division*

Appreciate the help as always.

**Stephen Joseph Donaghy**

*CEO & Director*

Thanks, Paul.

**Operator**

And our first question comes from Nick Iacoviello from Dowling & Partners.

**Nicolas Iacoviello**

*Dowling & Partners Securities, LLC*

Sorry, if you had already answered this question. But can we be considering any additional reinstatement premiums that flow through following Milton?

**Frank Crawford Wilcox**

*Chief Financial Officer*

Well, a lot of the layers, especially at the lower end of the tower, and I don't have it in front of me are covered by a reinstatement premium protection., So although layers would have to be replenished, many would not trigger a reinstatement premium for us that would drop to the bottom line. Depending on how far it goes into the tower, the possibility exists. But as I said, I don't have it in front of me to say when that would occur.

**Stephen Joseph Donaghy**

*CEO & Director*

And Nick, if it helps for your models, I wouldn't see any of that occurring in Q4 due to the nature and pace of claims coming in.

**Nicolas Iacoviello**

*Dowling & Partners Securities, LLC*

Okay. That's helpful. That was the only question I had.

**Operator**

And I am showing no further questions. I would now like to turn the call back over to Steve Donaghy, Chief Executive Officer.

**Stephen Joseph Donaghy**

*CEO & Director*

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

**Operator**

This concludes today's conference call. Thank you for participating. You may now disconnect.

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