S&P Global
Market Intelligence

Universal Insurance Holdings, Inc. NYSE:UVE

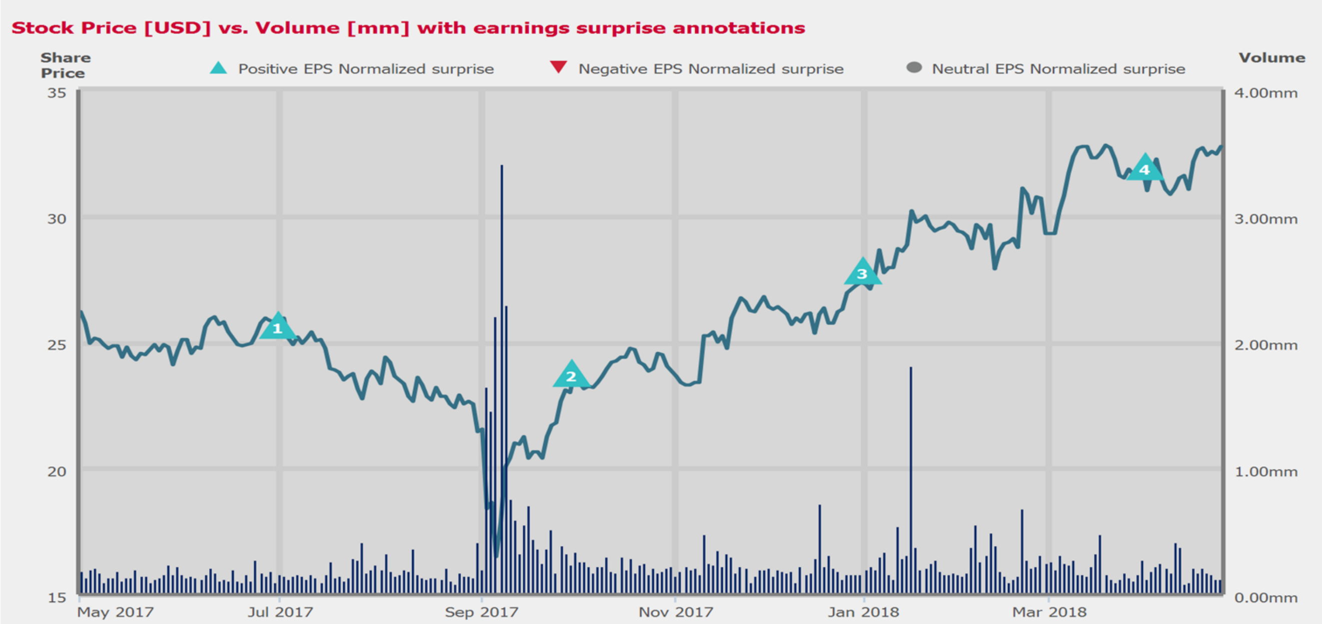
FQ2 2018 Earnings Call Transcripts

Thursday, July 26, 2018 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2018-			-FQ3 2018-	-FY 2018-	-FY 2019-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.97	1.29	▲32.99	0.85	4.05	4.15
Revenue (mm)	-	-	-	-	-	885.13

Currency: USD
Consensus as of Jul-26-2018 3:01 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2017	0.73	0.82	▲12.33 %
FQ3 2017	0.23	0.28	▲21.74 %
FQ4 2017	0.80	1.16	▲45.00 %
FQ1 2018	0.87	1.12	▲28.74 %

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Call Participants

EXECUTIVES

Dean Evans
Vice President of Investor Relations

Frank Crawford Wilcox
CFO & Principal Accounting Officer

Jon William Springer
President, Chief Risk Officer & Director

Sean Patrick Downes
Chairman of the Board & CEO

Unknown Executive

ANALYSTS

Arash Soleimani
Keefe, Bruyette, & Woods, Inc., Research Division

Samir Khare
Capital Returns Management, LLC

Presentation

Operator

Good day, ladies and gentlemen, and welcome to the UVE Second Quarter Earnings Conference Call [Operator Instructions] As a reminder, this conference call is been recorded.

I would now like to introduce your host for today's conference, Dean Evans. Sir, you may begin.

Dean Evans
Vice President of Investor Relations

Thank you, Ashley. Good morning, everyone. Welcome to the Second Quarter 2018 Earnings Conference Call for Universal Insurance Holdings, Inc. My name is Dean Evans, I am the Vice President of Investor Relations here at Universal. With me in the room today are Chairman and Chief Executive Officer, Sean Downes; President and Chief Risk Officer, Jon Springer; and Chief Financial Officer, Frank Wilcox.

Following Sean's opening remarks, Jon will provide an update on several important current topics and Frank will review financial results. The call will then be reopened for questions.

Yesterday afternoon, we issued our earnings release, which is available under the press release's section of our website at www.universalinsuranceholdings.com. A replay of this presentation will be available on the homepage of our website until August 9, 2018.

Before we begin, please note that this presentation may contain forward-looking statements about our business and financial results. Forward-looking statements reflect our current view of future events and are typically associated with words such as believe, expect and anticipate or similar expressions. We caution those listening, including investors, not to rely solely on forward-looking statements as they imply risks and uncertainties, some of which, cannot be predicted or quantified and future results can differ materially from our expectations. We encourage you to carefully consider the risks described in our filings with the Securities and Exchange Commission, which are available on the SEC's website or the SEC filings section of our website. We do not undertake any obligation to update or correct any forward-looking statements.

With that, I'd like to turn the presentation over to our Chairman and Chief Executive Officer, Sean Downes.

Sean Patrick Downes
Chairman of the Board & CEO

Thank you, Dean. And thank you, everyone, for joining us today. As usual, I will begin by providing some highlights from the quarter and will then review our growth initiatives and strategy. Jon will cover several important current topics, and Frank will conclude by discussing financial results. We will then open up the call for questions.

Overall we are pleased with our second quarter 2018 results, as we reported net income of $46.1 million, and diluted EPS of $1.29, which equates to an annualized ROE of 37.8%. We reported excellent topline growth in the second quarter with 15.7% growth in direct premiums written, including 13% growth within Florida and 36.5% growth in other states.

Our underwriting profitability was strong with a 77.2% combined ratio for the quarter. This includes weather losses above expectations of $5 million or 2.6 points, as well as $2.3 million or 1.2 points of adverse reverse development, primarily related to Hurricane Matthew. These items are largely offset by $6.5 million or 3.4 points of benefit received due to a settlement of prior year premium tax audit. Our service company subsidiaries continue to produce benefits in the aftermath of Hurricane Irma, as Universal Adjusting Corporation and Blue Atlantic Reinsurance Corporation contributed $8.4 million and $0.9 million, respectively, to second quarter results.

Lastly, as of the case during the first quarter, our effective tax rate benefited from the federal tax reform that was passed in 2017, which had a meaningful positive impact on our net income for the quarter, when compared to the prior year.

I'd like to briefly discuss our growth outlook heading forward. We believe we have positioned Universal well for the future by pursuing various organic growth avenues, which have resulted in a more stable, diversified and balanced business. Our core Florida book continues to produce strong organic growth with direct written premium growth of 13% in the second quarter. This includes our growth and policy count as well as the average statewide rate increase of 3.4% that was approved in December 2017. We continue to believe that we can profitably grow on an organic basis in Florida, running business through both our robust agency network and our direct-to-consumer platform, Universal Direct.

Geographic expansion is another key element of our growth strategy and direct premiums written within our Other States book grew a strong 36.5% in the second quarter. After writing our first policy in New Hampshire in early April, we are now active in 17 states, with licenses in additional 3 states, Illinois, Iowa and West Virginia. We expect to continue to expand our geographic footprint in a prudent and conservative manner going forward.

Universal Direct, our unique direct-to-consumer online homeowner's insurance platform, is available on all of our active states and continues to demonstrate a solid growth trajectory. We currently have 10,800 policies in force, for approximately $13 million of in-force premium.

We continue to believe that Universal is extremely well positioned going forward. We continue to grow our book of business, we remain confident that our multipart organic growth strategy will enable us to deliver profitable premium growth. We have a solid balance sheet with a conservative investment portfolio, minimal debt or goodwill and an appropriately set loss reserve position.

We are protected by a comprehensive reinsurance program which we enhanced at the most recent mid-year reinsurance renewal to include a digital conservatism, and our unique vertically integrated structure positions us well to capitalize in the event of a disruptive industry event, as highlighted by our Hurricane Irma performance, which continue to manifest itself favorably in the current quarter's results.

Given these strengths, we are excited about what the future holds for Universal, and we expect to continue to deliver substantial value to our shareholders for the remainder of 2018 and into the future.

With that, I will turn the call over to Jon Springer.

Jon William Springer
President, Chief Risk Officer & Director

Thank you, Sean. I would like to first start with an update on Hurricane Irma and will also provide a brief update on Hurricane Matthew, discuss the 2018 weather events to date and recap our updated reinsurance program following the June 1 renewal.

Following another 3 months of actively settling Hurricane Irma claims, we have increased our estimate of gross losses related to Hurricane Irma to $600 million. This change in gross loss estimate comes primarily due to the continuation of new reported claims and the aggressive nature of plaintiff attorneys on claims in Florida. We stress that this increase in gross losses for Hurricane Irma had a negligible change on our net retention, which remains at approximately $29 million for the event.

We had 7,746 new claims reported during the quarter, down from over 10,000 reported in the first quarter, bringing our total claim count as of 6/30 to 81,723. We have closed over 74,000, roughly 90% of these claims, with an average loss and LAE severity of approximately [$6,000] across all claims and an average loss and LAE severity of [$ 8,400] on claims closed with pay.

From a financial impact standpoint, we have now booked to a level that reaches the portion of our reinsurance programs that we are now responsible for paying reinstatement premiums. Specifically, for any Hurricane Irma losses ceded to our traditional reinsurance program in excess of $595 million, we will incur reinstatement cost of 9% for the first $193 million and 4.75% for the next $125 million. To the extent that this occurs, we would expect any additional reinstatement cost to likely be offset by further revenues earned by our service provider subsidiaries.

As a result of Hurricane Irma, the past 3 quarters have each included the benefit of additional revenues within our service provider subsidiary, which led to higher -- to a higher level of profitability than would otherwise be the case in a normal quarter. Blue Atlantic Reinsurance Corporation received $900,000 of reinstatement commissions during the second quarter of 2018 and Universal Adjusting Corporation produced $8.4 million of pretax profit during the second quarter of 2018, the vast majority of which was related to additional revenues created due to the continued increased workload as a result of Hurricane Irma.

Turning now to Hurricane Matthew. Second quarter 2018 results include $2.6 million or 1.3 points of net unfavorable prior year reserve development related to Hurricane Matthew, which occurred in the fourth quarter of 2016. The prior year's quarter included $1.1 million or 0.7 points of net unfavorable prior year reserve development, also related to Hurricane Matthew.

As of June 30, 2018, the Hurricane Matthew incurred loss stood at $42.7 million with only 78 remaining open claims. However, we elected to book this loss at $45 million to hopefully avoid any further development in this space. The net unfavorable prior year reserve development during this quarter is related to a negotiation on a specific multiyear reinsurance treaty that resulted in our agreement to cap losses ceded from Hurricane Matthew at $40 million growth for that particular reinsurance treaty in exchange for favorable treatment on reinstatement cost going forward.

Second quarter 2018 included $5 million or 2.6 points of weather events beyond plan in calendar year 2018 to date, compared to $6 million or 3.6 points of weather events beyond plan booked during the second quarter 2017. The current quarter's losses relate to several meaningful weather events that occurred during the first 6 months of 2018, including winter storm losses in early January and again in early March, a windstorm loss in late March and another in mid-April and the Hawaiian volcano in late May.

During the quarter, we completed our 2018, 2019 reinsurance programs for both of our insurance companies and continue to build on the recent trend of adding additional conservatism to our reinsurance programs without increasing the percentage of premium spent on reinsurance. Even with UPCIC's growing business, we structured our catastrophe coverage in a similar manner and maintained the same $35 million catastrophe retention for our Florida losses and the same $5 million catastrophe retention for the loss involving states other than Florida.

UPCIC also continue to purchase a contract to reduce its second, third, fourth and fifth event retention for a catastrophe loss involving states other than Florida and expanded the top of its reinsurance tower for a single event up to $3 billion.

With the manner in which UPCIC purchased its catastrophe coverage, in order for the company to utilize all of this purchase limit, UPCIC would need to incur 2 events of nearly $2 billion or 3 events of $1.3 billion or 4 events of $1 billion. In any of these catastrophe scenarios, the company would be responsible for its retention up to a maximum of $35 million per even plus a onetime reinstatement cost not to exceed $24.8 million.

To further insulate itself for future years, UPCIC has also announced successfully secured over $365 million of catastrophe coverage with contractually agreed limits that extend for 2 or more years. American Platinum was also able to continue the conservatism trend by utilizing a lower percentage of premium spent on reinsurance and adding coverage to the top end while maintaining the same $2 million catastrophe retention.

With that, I'll now turn the discussion over to Frank Wilcox for our financial highlights.

Frank Crawford Wilcox
CFO & Principal Accounting Officer

Thank you, John. For the second quarter of 2018, net income totaled $46.4 million -- $46.1 million an increase of 56.9% compared to the second quarter of 2017. Diluted EPS was $1.29, up $0.82 for the second quarter of 2017.

We reported strong total revenue growth of 13.1% for the quarter, driven by growth in premium volumes, net investment income, commission revenue and policy fees. Direct premiums earned grew 12% to $274 million, while net premiums earned grew 13.8% to $192.3 million. Ceded premiums earned, as a percent of direct premiums earned, was 29.8% for the second quarter of '18 compared to 30.9% in the second quarter of '17.

Commission revenue and policy fees each posted solid growth versus the prior year's quarter, up 22.9% and 9.8%, respectively, while other revenues declined slightly by 1.1%. Included within commission revenue was $0.9 million of fee income related to reinstatement commissions received by Blue Atlantic during the second quarter of 2018.

We generated a net combined ratio of 77.2% in the second quarter of '18 compared to 81.3% in the second quarter of '17. The net loss in LAE ratio improved to 46.7% from 47.4% in the prior year's quarter. Second quarter '18 included $5 million or 2.6 points of weather events above plan, compared to the $6 million or 3.6 points of weather losses above plan in the second quarter of '17.

Second quarter of '18 results include $2.3 million or 1.2 points of unfavorable prior year reserve development, primarily related to Hurricane Matthew, compared to $1.1 million or 0.7 points of unfavorable development during the second quarter of '17.

The second quarter of '18 loss adjustment expenses include a benefit of $8.4 million or 4.4 points from additional revenues earned by Universal Adjusting Corporation related to Hurricane Irma. Our underlying loss and LAE ratio increased compared to the prior year reflecting continued geographic expansion as noncatastrophe loss ratios in our Other States book are generally higher than in Florida and the marketplace dynamics within our home state of Florida, including the impact of AOB-related claims.

Our net expense ratio was 30.5% in the second quarter of '18 compared to 33.9% in the second quarter of '17. Our net policy acquisition cost ratio improved to 17.4% from 19.5% in the second quarter, driven primarily by a $6.5 million or 3.4 point benefit included in the second quarter of '18 from the settlement of prior year premium tax audits, including both the refund and a reversal of premium tax accruals.

Including this item, the policy acquisition cost ratio would -- I'm sorry, excluding this item, the policy acquisition costs ratio would have increased modestly, driven by geographic expansion, as our Other States books typically have a higher commission expense than within Florida. Our other operating expense ratio was 13% in the second quarter of '18 versus 14.4% in the prior year's quarter, which generally reflects the benefits of economies of scale.

Net investment income was $5.8 million, growth of 79.5% from the second quarter of 2017, driven by growth in cash and total investments, improving yields and actions taken to optimize treasury management. We reported $145,000 of realized investment gains during the second quarter of '18 compared to $1.7 million of realized investment gains in the second quarter of '17. We reported $1.5 million of unrealized investment losses during the second quarter of 2018, driven by decline in the value of our equity securities portfolio. This line item was added in the first quarter as a result of the adoption of accounting guidance for equity securities, the comparable number from our equity portfolio for the second quarter of '17 was $0.6 million of pretax losses, which was included in other comprehensive income on an after-tax basis rather than within net income.

Total unrestricted cash and invested assets were $1.06 billion at June 30, 2018, growth of 20.2% from June 30, 2017. We take a conservative approach to managing our investments and maintain a high-quality investment portfolio composed primarily of fixed maturities, which are 99.5% investment grade. The weighted average duration of the fixed maturity investments in our available-for-sale portfolio as of June 30, 2018 was 2.8 years. The effective tax rate for the second quarter of '18 was 24.8% compared to 38.7% in the prior year's quarter. The decrease in our effective tax rate is primarily the result of the enactment of the Tax Cuts and Jobs Act of 2017, which resulted in a reduction in the federal corporate income tax rate from 35% to 21% effective January 1, 2018.

The second quarter of 2018 included net discrete items of $0.6 million or 1 percentage points, primarily, from excess tax benefits resulting from stock-based awards that vested and/or were exercised during the quarter. We remain committed to actively managing our capital position.

During the second quarter of '18, we repurchased 250,000 shares for $8.4 million, an average cost of $33.48 per share. Our current share repurchase authorization program has $8.7 million remaining and runs through December 31, 2018. We paid a regularly quarterly dividend in the second quarter of '18 of $0.14 per share, which equates to an annualized dividend yield of 1.5% based on current share price levels.

Additionally, we announced, during the quarter that we had increased our regular quarterly dividend by $0.02 per share or 14.3%, beginning with the third quarter dividend. This increased dividend was paid on July 16 to shareholders of record on July 2, 2018.

Stockholders' equity was $492.1 million at June 30, 2018, growth of 5.8% from March 31, 2018, while book value per common share was $14.11 as of June 30, 2018, growth of 6.2% from the first quarter of '18, or 16.7% from the end of the second quarter of 2017.

Combined surplus for our insurance subsidiaries was $357 million at June 30, 2018 compared to $338 million at March 31, 2018, and $324 million at December 31, 2017. Annualized return on average common equity was 37.8% for the second quarter of 2018, compared to 27.9% in the prior year's quarter. We remain dedicated to providing value to our shareholders and believe this level of return on average equity is an excellent result.
At this point, I'd like to turn the call back to the operator for questions.

Question and Answer

Operator

[Operator Instructions] And our first question comes from the line of our Arash Soleimani with KBW.

Arash Soleimani
Keefe, Bruyette, & Woods, Inc., Research Division

Am I coming through?

Sean Patrick Downes
Chairman of the Board & CEO

Yes, we got you. Go ahead, buddy.

Arash Soleimani
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. The premium growth in Florida, the 13% growth there versus the 6% TIF growth, I know there's the rate increase, but what's getting it up to 13%? Is it that you're growing more now in Tri-County or areas of the state where you have higher than an average rate increase?

Sean Patrick Downes
Chairman of the Board & CEO

Yes. I think there's a few contributing factors. One, obviously, the 3.4% rate increase aggregate across the state of Florida is rolling through our books. Two, obviously, Universal Direct, I think, is helping us with regards to that. And as well I think there is somewhat of a disruption in the marketplace as it relates to certain parts of Florida. And obviously, we are getting into hurricane season and sometimes you see an increase there, it being a cyclical cycle where people buying insurance going into hurricane season, so I think all those are contributing factors that contribute to that rate.

Arash Soleimani
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And I guess, going forward then do you expect to still be in the double-digit range for the rest of the year in Florida?

Sean Patrick Downes
Chairman of the Board & CEO

I think the guidance we've given previously was high single digits so I think that's the expectation going forward.

Arash Soleimani
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And just a quick question on the ceded premium ratio. That was down a bit obviously this quarter. Is the $81.8 million of ceded premiums earned, is that, sort of, a fair run rate going forward? Or how should we look at that?

Jon William Springer
President, Chief Risk Officer & Director

Well, I think there's a couple of things going on there. We did save some money on our reinsurance program relative to our expected earned premiums. And then as you just asked, and Sean just answered, we had a large growth of premium in the second quarter so that extended that ratio out a little bit.

Arash Soleimani
Keefe, Bruyette, & Woods, Inc., Research Division

I just wanted to touch base on the adjusting income that you've been making at UAC, so obviously, that's been very strong. Do you get any pushback ever from your reinsurance partners on your ability to generate income as the losses go up?

Sean Patrick Downes
Chairman of the Board & CEO

No. It's to the contrary actually. Obviously, when a third party handles the loss, Arash, the loss adjustment expense is greater than when we handle it. And, obviously, with our large adjusting firm and litigation firm, our ability to control the cost from a loss adjustment expense is greater than a third party so they're pleased with it. Either way, they have to pay the expense, they'd much rather pay it to us where it's less than paying to third party.

Arash Soleimani
Keefe, Bruyette, & Woods, Inc., Research Division

And how does that work in cases as we get further away from the storm where you could have claims that -- it might be unclear if the loss is from Irma or from a different type of event. Is there a conversation with the reinsurers in that sort of scenario?

Sean Patrick Downes
Chairman of the Board & CEO

I'm not really getting your question. Obviously, we do our due diligence to determine what the cause of loss is and how obviously the damage that occurred. From the parallel, number one, a, is it covered under the policy; and two, is it directly correlated to Irma. That's not really that hard to determine. There are some cases, obviously, that get into a litigation environment where we have to determine that. But to answer your question, no, there wouldn't be any pushback or any issues with the reinsurers with regards to that.

Arash Soleimani
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And looking ahead into the third quarter, do you expect to see further income from the adjusting operations that you have?

Sean Patrick Downes
Chairman of the Board & CEO

I think it will be minimal. Obviously, we continue to receive claims, but I think the claims that you're going to be getting in over the next few months will be much smaller. We will have some -- we will be generating some income on our existing cases, but I think, it's much smaller number than we put out the last 2 quarters and frankly, I think it will be minimal.

Arash Soleimani
Keefe, Bruyette, & Woods, Inc., Research Division

All right. And, I think, Jon had mentioned that you're at the point where you would have to pay the reinstatement premiums, but you also had said that if the growth loss goes up, you expect that reinstatement premium to be offset by adjusting income. I guess, I was just curious, what would cause it to be, kind of, perfectly offset?

Sean Patrick Downes
Chairman of the Board & CEO

Well, obviously, when the loss increases then the loss adjustment expense piece increases. So if we're on the hook for 9% of the overall loss, that would be covered by the loss adjustment expense correlated directly to that overall increase in incurred loss. So that's, kind of, my stance on me saying it'd be minimal going forward with any quarters of putting up Universal Adjusting Corporation.

Arash Soleimani

Keefe, Bruyette, & Woods, Inc., Research Division

And maybe this is a question for Jon, but how -- you mentioned the $29 million retention. Does that include American Platinum? And if so how do you get from the $37 million to the $29 million?

Jon William Springer
President, Chief Risk Officer & Director

Yes, it includes American Platinum. The difference would be the recoveries that we had from our Other States catastrophe program that serve to offset the core retention.

Arash Soleimani
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And a quick one for Frank. On the net investment income, I know that yields and invested assets were up year-over-year but then looking sequentially from 1Q '18 to 2Q '18, you had about $1 million uptick in net investment income, so I just wanted to get a better sense for what drove that?

Frank Crawford Wilcox
CFO & Principal Accounting Officer

Well, I mean, we have several things. We're continuing to grow our cash and investment balances, obviously, with the premium that we're generating as -- we've got relatively short-duration portfolios so as our securities mature, we're reinvesting into the higher rates with the rate actions, the actions that the Fed has taken. We -- after Irma, we also realized that we didn't need to tap into the portfolio for liquidity. So we got a little bit more aggressive and we migrated some of the mix from our U.S. Treasury obligations over to corporate.

Arash Soleimani
Keefe, Bruyette, & Woods, Inc., Research Division

So is it fair to assume that the $5.8 million of net investment income this quarter should basically carry forward to future quarters or even get bigger?

Frank Crawford Wilcox
CFO & Principal Accounting Officer

I think that the current -- yes. So I think that the current yield is indicative of what to expect for going forward.

Arash Soleimani
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And I know there was a court case recently that basically said you could have multiple AOBs on the same claim. Does that -- do you see any impact to you guys from that?

Sean Patrick Downes
Chairman of the Board & CEO

No. Obviously, they were 2 court cases recently that have been in the media regarding specifically, cases from a homeowner's perspective. One is the -- one with HCI, as related to the fee -- sorry, the multiple AOB, as you mentioned, and then the fee multiplier from Federated. We haven't really seen anything on either one. Each one of our specific divisions handles any particular case differently, so in other words, we have a expert who would handle the water extraction, we have somebody who would handle the public adjuster from a represented perspective, we have somebody who would handle a case if it's in litigation. So all those different entities that would be on the same AOB case are covered and handled globally. So we never had an instance that's ever occurred for us or that's been an issue. And to touch base a little bit on the fee multiplier that people have been talking about recently, that's been around since 1985. So there hasn't been anything at all that's been different. I just think that was in -- something that's been in the media to cause some sort of upheaval regarding what's going on in this AOB marketplace. But that isn't anything that we've experienced, and isn't anything right now, that we think is an issue for us, frankly, or anybody.

Arash Soleimani
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Perfect. And just last question. Can you break out the UVE direct premiums for the quarter?

Sean Patrick Downes
Chairman of the Board & CEO

The UVE, the...

Unknown Executive

Universal Direct.

Sean Patrick Downes
Chairman of the Board & CEO

Universal Direct?

Arash Soleimani
Keefe, Bruyette, & Woods, Inc., Research Division

Yes, Universal Direct.

Sean Patrick Downes
Chairman of the Board & CEO

It was $2.7 million for the quarter.

Arash Soleimani
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And then what was the policy count?

Sean Patrick Downes
Chairman of the Board & CEO

Policy count, currently right now, for the quarter or -- for the quarter...

Arash Soleimani
Keefe, Bruyette, & Woods, Inc., Research Division

Just as of the end of 2Q?

Sean Patrick Downes
Chairman of the Board & CEO

I'll get back to you. I don't have the quarter right now.

Operator

[Operator Instructions] And our next question comes the line of Samir Khare with Capital Returns.

Samir Khare
Capital Returns Management, LLC

Just on the Hawaiian cat losses, how many claims did you get? And did that trigger any of your Other States insurance coverages?

Jon William Springer
President, Chief Risk Officer & Director

Yes, we've had 16 claims reported to date, and given that the majority of those occurred in May, when we had satisfied our otherwise recoverable on our aggregate program, we will have a reinsurance recovery there.

Samir Khare
Capital Returns Management, LLC

Okay, great. And then, on the rate increases. What are you guys putting in for rate increases for this year in Florida and outside Florida?

Sean Patrick Downes
Chairman of the Board & CEO

Yes, we just started the process right now for Florida. Other States are ongoing, we can get you that information, but for Florida right now, it's early days but we should have a pretty good idea here in the next month or so.

Samir Khare
Capital Returns Management, LLC

Okay. And then, you guys, in the press release, talked about, I guess, the cat losses that were above budget. In your, I guess, budgeted loss ratio, how much do you guys think is, kind of, budget for storms?

Frank Crawford Wilcox
CFO & Principal Accounting Officer

I'll have to dig that out real quick. I can comment a little bit on the events that led to us booking the additional $5 million. Actually, I did I think in my prepared remarks, couple of winter storms, storm losses that got up into the $2 million, $3 million range as well as some windstorm in March and April, also in the $3 million to $4 million range for those.

Samir Khare
Capital Returns Management, LLC

Okay. But what's your, I guess -- what's your planned loss ratio that you guys booked on the cost basis? Is that in 30s?

Frank Crawford Wilcox
CFO & Principal Accounting Officer

Okay. On a direct basis, 4.5 points.

Samir Khare
Capital Returns Management, LLC

Okay. And just about the increase of the Irma loss, when did you apply as reinsurers of that?

Jon William Springer
President, Chief Risk Officer & Director

We have ongoing discussions with our reinsurers, literally every day.

Samir Khare
Capital Returns Management, LLC

I'm just trying to figure out if that was a Q2, I guess, increase for them or was it a Q3 increase?

Jon William Springer
President, Chief Risk Officer & Director

Yes. I don't think that's necessarily for us to comment on, Samir.

Samir Khare

Capital Returns Management, LLC

Okay. Well, would we expect there to be any reinstatement commission income to Blue Atlantic in 3Q?

Jon William Springer
President, Chief Risk Officer & Director

Well we are paying -- Blue Atlantic has paid reinsurance -- excuse me, reinstatement brokerage as losses are billed and paid. So while we advise that we're booking Hurricane Irma to $600 million, we have not yet billed or collected the $600 million. So yes, there would be future reinstatement brokerage commissions for Blue Atlantic, although they will be small.

Samir Khare
Capital Returns Management, LLC

Okay, can you elaborate what you...

Jon William Springer
President, Chief Risk Officer & Director

Samir, you cut out there.

Samir Khare
Capital Returns Management, LLC

I was just saying -- can you hear me okay?

Sean Patrick Downes
Chairman of the Board & CEO

You're breaking up a little bit.

Samir Khare
Capital Returns Management, LLC

Is that better?

Sean Patrick Downes
Chairman of the Board & CEO

Yes. Go ahead.

Samir Khare
Capital Returns Management, LLC

I was wondering if you can elaborate on what you're seeing on Irma claims. I think you guys talked about you're seeing an increase of reopened claims. When did you start seeing that acceleration? What do you think is causing them? And then does your outlook on litigated -- your litigation rates on Irma claims change at all?

Sean Patrick Downes
Chairman of the Board & CEO

Let me answer your first question first. You kind of faded out in the second part, I'll let you come back to that. But, no, we haven't really seen an increase at all in our reopens per the guidance we gave previously in quarter 1. Currently, right now, we received around 7,800 claims in Q2 and closed those claims in Q2. So we're turning over the claims pretty quickly. We're not seeing a lot of reopens any greater than the number that we gave last quarter so it's running in line, actually it's decreasing a little bit. What was the second part of your question, Samir?

Samir Khare
Capital Returns Management, LLC

I think you answered it, that's fine.

Operator

And we do have a follow-up question from Arash Soleimani with KBW.

Arash Soleimani
Keefe, Bruyette, & Woods, Inc., Research Division

I'm not sure if you just heard, but Jon, I just wanted to know if you could repeat in statement, was it 9% of $193 million and then 4.75% of the next $125 million?

Jon William Springer
President, Chief Risk Officer & Director

Yes. And that would be beyond what we've booked already, so we've booked the loss, we marked the loss to $600 million. So to the extent that we cede losses to our traditional programs, every dollar of the first $193 million will be responsible for 9% and then, as you said, the additional $125 million at 4.75%.

Operator

And I am not showing any further questions at this time. I would now like to return the call back over to Sean Downes for any closing remarks.

Sean Patrick Downes
Chairman of the Board & CEO

Thank you. As always in closing, I would personally like to thank all of our shareholders, employees, Board of Directors, policyholders and my management team for their hard work and loyalty to Universal. This concludes the call. Thank you.

Operator
Ladies and gentleman, thank you for participating in today's conference. This does conclude today's program, and you may all disconnect. Everyone, have a wonderful day.