

Universal Insurance Holdings, Inc. NYSE:UVE

FQ2 2022 Earnings Call Transcripts

Thursday, July 28, 2022 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2022-			-FQ3 2022-	-FY 2022-	-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.38	0.47	▲ 23.68	0.32	1.20	NA
Revenue (mm)	296.81	292.01	▼ (1.62 %)	303.91	1198.74	NA

Currency: USD

Consensus as of Jul-18-2022 5:21 PM GMT

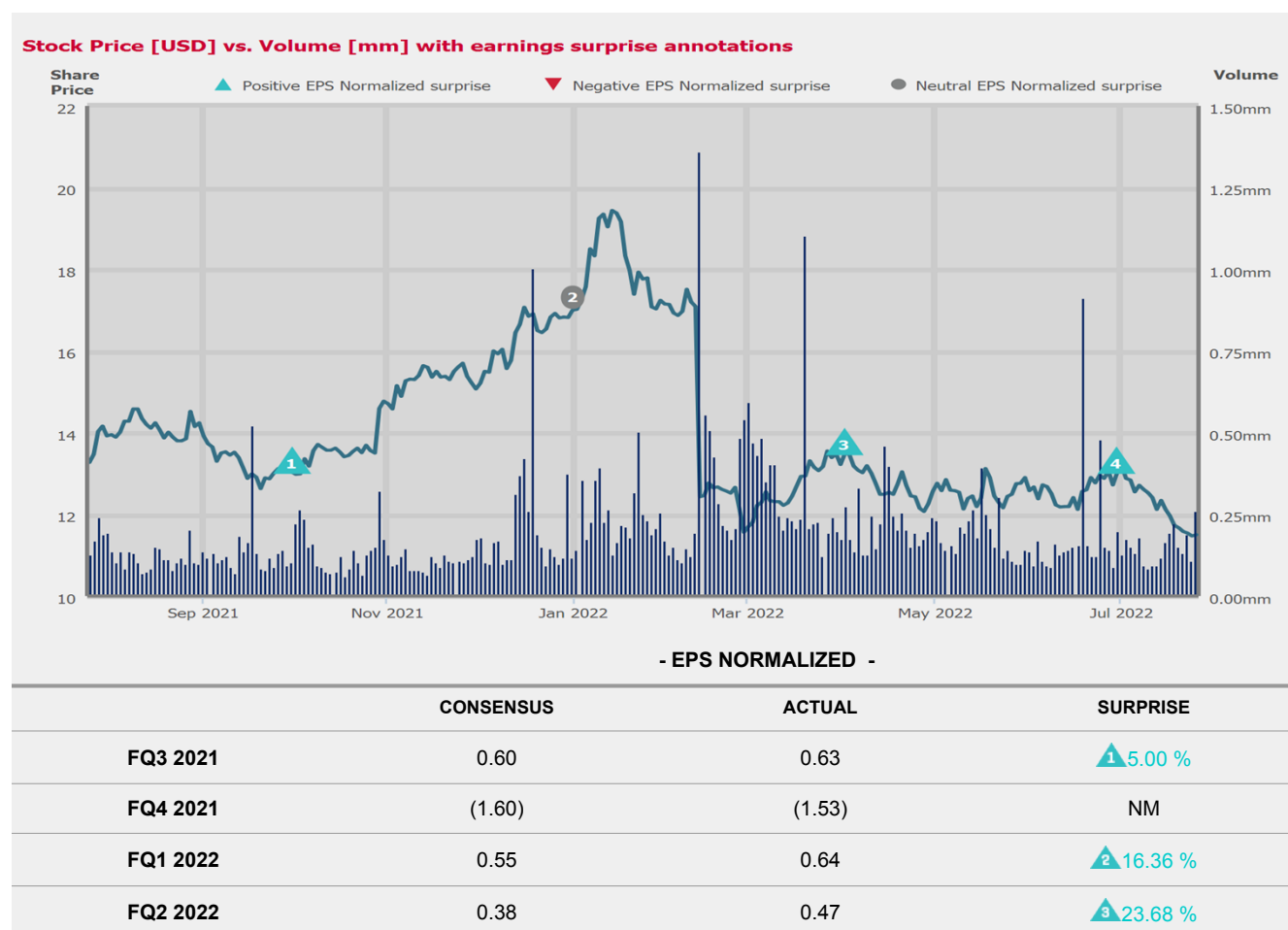


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Call Participants

EXECUTIVES

Arash Soleimani
Chief Strategy Officer

Frank Crawford Wilcox
Chief Financial Officer

Stephen Joseph Donaghy
CEO & Director

Presentation

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. We reported a 12.8% annualized adjusted return on common equity in the quarter, an impressive feat in the current environment. Direct premiums written growth of 12.4% accelerated from 8.5% in the first quarter of this year and significantly outpaced an 8.5% policies in force decline. In addition to rate increases, we continue to optimize and rebalance our portfolio, increasing exposure to more profitable regions while reducing exposure to less profitable geographies.

Our capital position remains strong at both of our insurance subsidiaries and on an enterprise-wide basis. And I'm particularly proud of the robust reinsurance program that we completed prior to the June 1 renewal date. Despite the challenging reinsurance market, our program includes full protection for both hurricanes and tropical storms, has no gaps in coverage and no co-participation and provides coverage across multiple events. We are well prepared for hurricane season and expect the actions we've taken to bear fruit in future periods. I'll turn it over to Frank to walk through our financial results. Frank?

Frank Crawford Wilcox
Chief Financial Officer

Thanks, Steve, and good morning. Adjusted EPS was \$0.47, down from \$0.65 in the prior year quarter with the decline mostly attributable to a higher net combined ratio, partially offset by higher commission revenue and net investment income. Core revenue of \$301.6 million was up 8.7% year-over-year with growth primarily stemming from higher direct premiums earned, net investment income and commission revenue.

Direct premiums written of \$532.5 million were up 12.4% from the prior year quarter, including 13.2% growth in Florida and 8.3% growth in other states. Direct premiums earned of \$428.8 million were up 9.2% year-over-year. Rate was the main driver of premium growth, particularly given the policies in force decline that Steve mentioned in his remarks.

The net combined ratio was 100.9%, up 3.6 points compared to the prior year quarter. The increase reflects the higher net loss ratio, partially offset by a lower net expense ratio. The 72.3% net loss ratio was up 7 points year-over-year with the increase mostly attributable to a higher initial accident year attritional loss pick associated with the current Florida claims environment and inflationary and weather trends, partly offset by lower adverse prior year reserve development as a percentage of net premiums earned.

The 28.6% net expense ratio improved by 3.4 points year-over-year, reflecting lower renewal commission rates paid to distribution partners, economies of scale and disciplined expense management. During the quarter, the company repurchased approximately 283,000 shares at an aggregate cost of \$3.5 million. The company's current share repurchase authorization program has \$10.4 million remaining as of June 30, 2022 and runs through November 3, 2022. On July 19, 2022, the Board of Directors declared a quarterly cash dividend of \$0.16 per share of common stock payable on August 9, 2022, to shareholders of record as of the close of business on August 2, 2022. With that, I'd like to ask the operator to open up the line for questions.

Operator

[Operator Instructions]

And I'm currently showing no questions at this time. I'd like to turn the call back over to Steve Donaghy for closing remarks.

Stephen Joseph Donaghy

CEO & Director

Thanks, Janice. I'd like to thank all our associates, consumers, agents and our stakeholders for their continued support of Universal. Have a great day.

Operator

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

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