Universal Insurance Holdings, Inc. NYSE:UVE

Earnings Call

Friday, July 26, 2024 3:00 PM GMT

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.