S&P Capital IQ

CONTENTS

Universal Insurance Holdings, Inc. NYSE:UVE

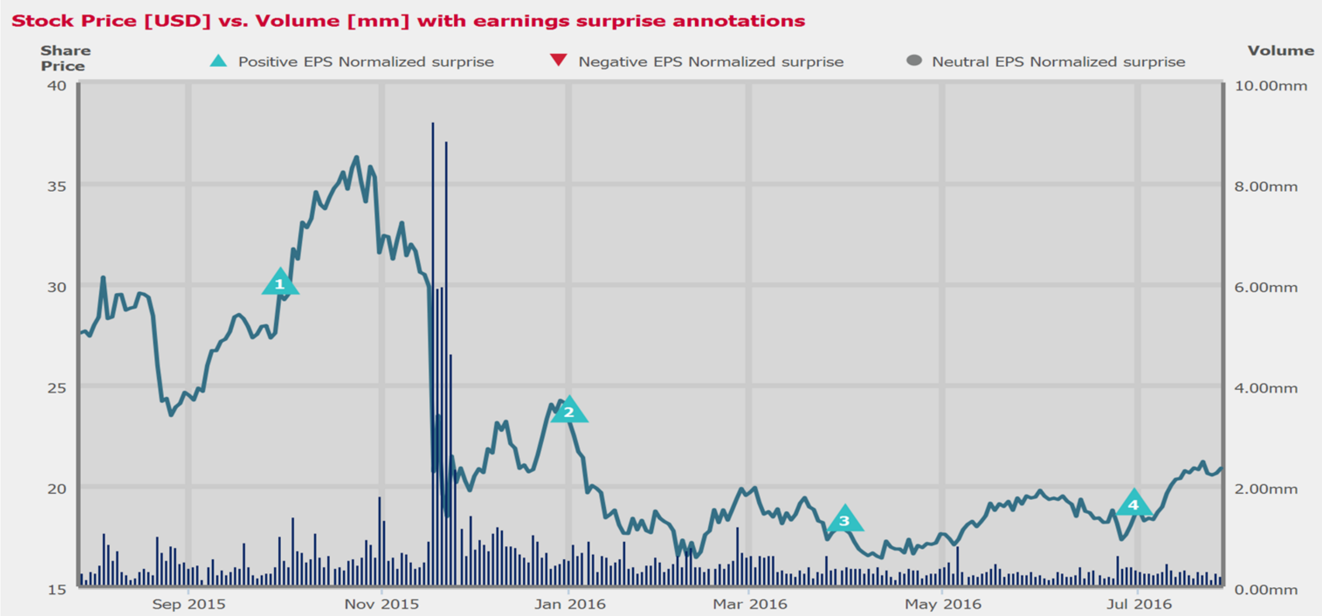
FQ3 2016 Earnings Call Transcripts

Wednesday, November 02, 2016 8:45 PM GMT

S&P Capital IQ Estimates

	-FQ3 2016-			-FY 2016-	-FY 2017-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS
EPS Normalized	0.60	0.75	▲25.00	2.44	3.20
Revenue (mm)	158.79	172.44	▲8.60	-	735.06

Currency: USD
Consensus as of Oct-13-2016 9:20 PM GMT



- EPS NORMALIZED -	CONSENSUS	ACTUAL	SURPRISE
FQ3 2015	0.67	0.84	▲1 25.37 %
FQ4 2015	0.72	0.82	▲2 13.89 %
FQ1 2016	0.63	0.71	▲3 12.70 %
FQ2 2016	0.81	0.94	▲4 16.05 %

Call Participants

EXECUTIVES

Frank C. Wilcox
Chief Financial Officer and Principal Accounting Officer

Jon W. Springer
President, Chief Risk Officer and Director

Matt Palmieri

Sean P. Downes
Chairman and Chief Executive Officer

ANALYSTS

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

ATTENDEES

Unknown Attendee

Presentation

Operator

Good day, ladies and gentlemen, and welcome to the Universal Insurance Holdings Third Quarter 2016 Earnings Call. [Operator Instructions] As a reminder, this conference is being recorded.

I would now like to turn the conference over to Matt Palmieri, Senior Vice President. Sir, you may begin.

Matt Palmieri

Thank you, Shannon, and good afternoon, everyone. Welcome to the Third Quarter 2016 Earnings Conference Call for Universal Insurance Holdings, Inc. With me today are Sean Downes, Chairman and Chief Executive Officer; Jon Springer, our Director, President and Chief Risk Officer; and Frank Wilcox, Chief Financial Officer. Following Sean's opening remarks, Jon will provide an operational update, and Frank will review financial results for the third quarter of 2016. The call will then be reopened for questions.

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 the words such as believe, expect, anticipate and 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 SEC filings with the SEC, which are available on 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 Sean Downes. Sean?

Sean P. Downes
Chairman and Chief Executive Officer

Thank you, Matt, and thank you all for joining us this afternoon. Before I begin, Universal lost a member of its extended family last month, Ken Leonard. Ken was an actuary with Willis Towers Watson and one of our key consulting actuaries for over a decade. Ken was an integral part of our actuarial team and will be greatly missed. Our heartfelt condolences are with Ken's family and business colleagues.

I would like to begin today by providing some highlights from the quarter and then take a moment to review our strategy and growth initiatives. Jon will then discuss our operational highlights, and Frank will conclude by discussing our financial results.

As I'm sure some of you saw in today's press release, we are pleased to have delivered another profitable quarter, even with Hurricane Hermine making landfall in Florida. During the third quarter, we reported record total revenue of $172.4 million, a 9.8% increase over the same period in 2015, and net earned premiums of $159.5 million, a 9.2% increase over the same period in 2015. Net income for the quarter was $26.9 million, and diluted EPS was $0.75.

We achieved these strong results despite a previously mentioned weather-related impact, highlighting the underlying strength of our business model and continued improvements in our underwriting and claims divisions as well as our increased conservatism as it relates to our reinsurance spend. We believe that these vast improvements demonstrate our ability to deliver healthy profits even when faced with challenging weather conditions.

Our continued geographic expansion has led to an increase in policy count of approximately 47,000 policies through the first 9 months of the year. As our geographic portfolio becomes more diversified, we are simultaneously creating a more robust organic growth engine and stronger, more resilient business model.

Contributing to our organic growth is Universal Direct. We are excited to see the continued expansion of our direct-to-consumer online platform for homeowners insurance into new markets and the positive feedback we have been receiving from our customers. Today, Universal Direct is available in 11 states. And since our second quarter 2016 launch, we have written more than 1,000 policies for approximately $1 million in premium.

As we continue to enter and test new markets, we are focused on growing our scale to reach more customers and offer more products to our current and future policyholders. It is clear from the feedback we have received that our current Universal Direct customers are interested in purchasing multiple insurance products through our online platform. In the coming months, we will be announcing strategic partnerships that will allow Universal Direct to provide our customers in each state with a variety of insurance products beyond our traditional homeowners insurance.

In August, we announced that our wholly owned subsidiary, American Platinum Property and Casualty Insurance Company, received authorization from the Florida Office of Insurance Regulation to amend its Certificate of Authority to add fire, commercial, multi-peril and other lines of business in Florida.

Expanding into the commercial residential business is a significant step for us as it provides us with the ability to tap into large complementary markets and pursue organic growth opportunities by expanding the depth of our operations. We are pleased to announce that our rates have been officially approved, and we plan to begin operating our commercial insurance products sometime in the fourth quarter.

Before turning the call over to Jon, I'd like to take a moment to discuss our preliminary assessment of Hurricane Matthew losses. First, our thoughts and prayers go out to all the families who experienced this catastrophe, and we hope everybody's lives are back to normal very soon. Universal received 5,657 claims to date, and currently, we have closed over 80% of our claims compared to the industry closure rate of approximately 45%. We believe this is a testament to the strength of our internal claims infrastructure, including our Fast Track team, which was instrumental in our ability to close claims quickly.

As we sit here today, from a conservative perspective, we believe that the after-tax impact to our fourth quarter results will be a reduction in profits of approximately $14 million to $18 million, still enabling us to have a profitable fourth quarter.

With that, I will now turn it over to Jon.

Jon W. Springer
President, Chief Risk Officer and Director

Thank you, Sean. I will comment further on 2 items you briefly mentioned: the recent growth trends in UPCIC; and also how the year-to-date catastrophe loss activity impacted our third quarter results and our current reinsurance program.

First, regarding recent growth. We continue to be pleased with our organic growth rate, both inside Florida as well as within our 12 other active states. For the third quarter of 2016, from a pure policy count growth standpoint, our total portfolio experienced a second consecutive quarter of net growth of approximately 17,000 policies, 50% of which came in Florida. Outside of Florida, North Carolina, Georgia, Pennsylvania and Indiana led the way, with both Massachusetts and Minnesota continuing to build momentum. It is important to remember that we continue with our strategy of adding business organically one policy at a time.

As of 9/30/16, 14.6% of UPCIC's policies in force and 20% of its insured values now reside outside the state of Florida. This diversification ratios have improved since year-end 2015 from just 12% of policies and 16% of insured values and from year-end 2014 of only 9% of policies and 12% of insured values.

And as Sean referred to a moment ago, we booked additional loss in the third quarter totaling $11 million due to Hurricane Hermine and the strengthening of reserves for catastrophe events that occurred earlier in 2016. We believe this positions us well for the first 9 months of catastrophe activity.

As respect to Hurricane Matthew, as a reminder, the UPCIC reinsurance program contains a pretax net retention of $35 million for our core all-states catastrophe tower and also includes a supplemental catastrophe tower covering all states outside of Florida with a pretax retention of $5 million. As previously described, these retentions are not additive. Rather, the other states program serves as a supplement that would potentially reduce the core program's retention.

Given current loss estimates for Hurricane Matthew in Georgia and the Carolinas, at this time, we are indeed expecting a reinsurance recovery from the first layer of this supplemental other states reinsurance tower. Reinsurers have been notified, and several have already offered to advance funds.

It may be interesting to put some perspective on the overall strength of our catastrophe reinsurance program. PCS recently estimated that Hurricane Matthew personal lines loss for all impacted states for the entire industry would be $2.2 billion. With the top end of our catastrophe reinsurance tower stretching to above $2.4 billion, the UPCIC reinsurance program would have enough limit to cover the personal lines loss from Hurricane Matthew for the entire industry. And in that scenario, our pretax retention would have been just $5 million.

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

Frank C. Wilcox
Chief Financial Officer and Principal Accounting Officer

Thank you, Jon. We generated profits during the third quarter of 2016, notwithstanding the $11 million of incremental pretax losses and LAE recorded for Hurricane Hermine and other severe weather events occurring earlier in 2016.

Net income for the third quarter of 2016 totaled $26.9 million, a decrease of $3.4 million or 11.3% compared to $30.3 million in 2015. Diluted EPS for the second quarter was $0.75, down $0.09 or 10.7% from the same quarter in 2015 as a result of the decrease in net income, partially offset by a modest decrease in diluted shares outstanding.

During this time, we experienced top line growth with increases in every category of revenue for the third quarter of 2016 compared to 2015. Net earned premiums and total revenues were higher than any other quarter in the company's history. We generated a combined net ratio of 80.4% for the third quarter of 2016 compared to 74.7% for the same quarter in 2015 and 73.4% for the second quarter of 2016. The $11 million incremental charge to losses and LAE added 6.9 percentage points to our combined net ratio for the third quarter of 2016.

Direct premiums earned of $234.5 million, offset by ceded premiums earned of $75 million, generated $159.5 million of net earned premiums for the third quarter of 2016 compared to $146.1 million for the same period in 2015. The increase in net earned premiums of $13.4 million or 9.2% was the result of organic growth, which generated an increase in both direct and ceded earned premiums of $19.7 million and $6.3 million, respectively. Ceded premiums earned as a percent of direct premiums earned was 32% during the third quarter of 2016 and 2015.

Net investment income for the third quarter -- for the quarter of $2.3 million was $1 million or 76.3% greater than the third quarter of 2016. This reflects both an increase in our invested assets and actions taken to maximize yields as securities mature while maintaining high credit quality. Total invested assets reached $643.9 million as of September 30, 2016, compared to $545.2 million 1 year prior, an increase of 18.1%.

Commission revenue of $4.6 million for the third -- for the quarter was up by $0.5 million or 11.9% compared to the same quarter in 2016, reflecting the differences in our reinsurance programs in effect during those periods, including an increase in our exposures covered by reinsurance.

Policy fees of $4.2 million for the quarter were up $406,000 or 10.6% year-over-year from an increase in the number of policies written during the third quarter of 2016 compared to the same period in 2015.

Losses and LAE net were $73.5 million for the 3 months ended September 30, 2016, compared to $53.9 million during the same period in 2015. A large portion of the overall increase in net losses and LAE of $19.6 million was driven by the $11 million in incremental loss and LAE charges related to severe weather in 2016, which added 6.9 percentage points to our net loss ratio for the third quarter.

General and administrative expenses were $54.7 million for the third quarter of 2016 compared to $55.3 million for the same quarter in 2015, a decrease of $564,000. An increase in acquisition costs of $2.2 million and other operating cost of $494,000, stemming from growth, were more than offset by a decrease in stock-based compensation of $3.3 million.

Our expense ratio, which is G&A as a percentage of net earned premiums, for the third quarter of 2016 was 34.3% compared to 37.8% for the same period in 2015. The factors behind the decrease in the expense ratio include a reduction in stock-based compensation and economies of scale.

The effective income tax rate increased to 39.1% in the third quarter of 2016 compared to 36.7% for the same period in 2015. Excluding discrete items for both periods, the underlying effective tax rates are 38.1% for the third quarter of '16 and 39.2% for the third quarter of 2015.

Our underlying effective tax rate has been trending down primarily from reductions in the amount of nondeductible executive compensation, increasing use of tax-exempt securities and lower state income taxes as we diversify outside of Florida.

Our balance sheet remained strong and continues to grow, with stockholders' equity and book value per common share reaching all-time highs of $373.3 million and $10.66 per share, respectively, as of September 30, 2016. Consolidated unrestricted cash and cash equivalents were $205.2 million, and combined surplus for our insurance subsidiaries was $326.2 million as of September 30, 2016, respectively.
At this point, I'd like to turn the call back to the operator.

Question and Answer

Operator

[Operator Instructions] Our first question is from Arash Soleimani with KBW.

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

Just wanted to ask a few questions. So a lot of your peers have been reporting adverse development. Just wanted to get your thoughts on how you feel about your reserves and what risks do you see in that regard.

Sean P. Downes
Chairman and Chief Executive Officer

Well, we really can't expound upon our peers. Obviously, as you're fully aware, we have made large investments into our claims operation over the last 3 years. Personnel-wise, platforms-wise, I believe we're starting to see the dividends of that. As it relates to our reserves, we feel very confident in our reserves. If we take a look at the last 4, 5 years, we have received over 100,000, 120,000 claims. We currently have approximately 1,500 claims open pre '16. With this Fast Track division and our internal division, we're just getting to claims quickly. We're settling claims quickly. We're alleviating the adverse development that you see in a lot of claims when IAs are involved or when claims linger. So I just think that it's an evolution of the company from -- over the last few years and the hard work and dedication of our employees, specifically from a claims perspective. So I think we feel very confident about where we stand with our reserves currently.

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

In terms of AOB, how has your experience with AOB and AOB-related litigation changed this quarter versus last quarter and versus last year? Would you say it's improved, stayed the same or gotten worse?

Sean P. Downes
Chairman and Chief Executive Officer

If you compare the first 3 quarters of 2015 to 2016, we're basically down 5 points as it relates to AOB claims or cases that are in-house. So we're seeing a modest reduction. This AOB issue is an issue for all companies. I think what maybe separates us from some others is just the way in which we handle the claim, as we previously expounded upon, and the way in which we're getting to these claims quickly, and we're paying these claims and a lot of it is in the same day. When you're indemnifying the insured, the potential for an AOB situation is negated. So we think by getting to these claims quickly, we are mitigating the potential for a lot of this AOB situation. So I just think it's a claims handling situation for us. We're all experiencing it. But year-over-year, we're relatively flat, down 5 points, if you will, as it relates to litigation related to AOB.

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

So with that said, does that imply that your accident -- your loss pick kind of going forward versus last year, we shouldn't expect them to increase as a result of AOB. We should actually expect that they're getting better because of that 5% decrease you mentioned.

Sean P. Downes
Chairman and Chief Executive Officer

What I would tell you is that I do not expect any increase at all in our loss pick for '16. We currently right now have submitted our third quarter data to our outside actuary, and we'll be getting some input from them in the next few weeks. And then again, they will analyze it at the end of the year. But we feel very confident about where we stand with our claims department specifically and the way in which we are handling these issues. So I don't foresee any increase at all as it relates to our loss pick directly attributed to AOB or anything else.

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

Okay. So you had mentioned Hurricane Matthew. Even though Matthew was not as bad as a lot of people originally thought, do you -- are you seeing any AOBs stemming from Matthew? Are you seeing the public adjusters and attorneys take advantage of that situation?

Sean P. Downes
Chairman and Chief Executive Officer

We really haven't seen it that much. Again, as I stated, we were able to mobilize our Fast Track adjusters immediately after the loss. And I believe that's mitigated many of the challenges presented by AOB. I have not seen any AOB issues so far. We have seen a few public adjusters involved in some cases. But like I said, we pretty much have touched 97% of all of our claims and closed 80% of them. And the ones that we have not closed, we have a proper reserve on them that's in line with the cases that we have closed. I'm sure we'll see something, but we have not seen anything as of yet. And I believe the -- our ability to pay the claim quickly and to close a claim out, obviously, is fixing that situation as far as AOB is concerned.

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

And that $14 million to $18 million range that, I think, Jon had provided, so even if I take the upper end of that, the $18 million, pretax, that would imply about $28 million. So that's below your retention. Can you just comment quickly on how you were able to get the, I guess, total loss to be below your retention pretax?

Jon W. Springer
President, Chief Risk Officer and Director

Well, there's a couple of things going on there. Both our current view of what the gross loss might be as well as, as I've tried to explain a couple of times, our other states reinsurance program serves as a supplement that as we recover from that, it will reduce our retention. So with the losses that we've seen so far in Georgia and the Carolinas, as I believe I mentioned in the opening remarks, we are indeed expecting a recovery from the first layer of that program.

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

And then basically, anything above $5 million reduces your overall retention.

Jon W. Springer
President, Chief Risk Officer and Director

Yes, if the event in total, including Florida, exceeds $35 million.

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

Okay. That makes sense. But it's fair to think of the pretax amount as being a maximum of $28 million?

Jon W. Springer
President, Chief Risk Officer and Director

Yes. I think using a 40% round number tax rate, $14 million to $18 million becomes $23 million to $30 million pretax.

Arash Soleimani

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

Okay. Okay. And do you -- I mean, I know it's early compared to June 1, 2017, renewals. But do you think that Matthew's occurrence will at all impair your negotiating ability? Or do you think it was too small to really have that effect?

Jon W. Springer
President, Chief Risk Officer and Director

Well, I think you're talking about an event. PCS came out with some numbers the other day, and they had the personal lines loss at about $2.2 billion and, I believe, just another $500 million or so for the commercial component. So you're talking about a $3 billion event. Given the capital position in today's reinsurance market, I don't think that moves the dial at all. In fact, I'm not sure it's even a noticeable event for the vast majority of our reinsurance partners. Also, I'd like to take that -- this opportunity to remind you that one of the things that we do intentionally to insulate ourselves from this potential is we have purchased a fairly significant amount of our catastrophe reinsurance on a multiyear basis. So when you factor in -- just ballpark numbers, when you factor in the amount of coverage that we buy from the Florida hurricane cat fund and the amount of coverage that we have purchased multiyear, where the terms are fixed or they could potentially go down depending upon certain circumstances but they cannot go up, when you factor those 2 things in, we have 2/3 -- over 2/3 of our catastrophe reinsurance spend at a fixed price, so it can't go up. So even if Matthew or any other event were to occur that was able to move the reinsurance marketplace pricing, we would only have -- heading into '17, we'd only have 1/3 of our catastrophe spend at risk of that pricing adjustment.

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

And is this specifically for what you said the coverage below the cat fund?

Jon W. Springer
President, Chief Risk Officer and Director

The 2/3 is in total of everything.

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

All right. In terms of the -- your growth inside and outside Florida, I mean, I guess, is what we saw this quarter and last quarter, is that kind of a fair run rate to assume kind of over the next year or so, the sustainable growth rate?

Jon W. Springer
President, Chief Risk Officer and Director

Yes. I think generally, I'll make a few comments, and you can do with it what you will for your pro forma. But over the course of the last 12 months, we've grown by approximately 8.5%, $75-ish million. We tend to look at Florida and our other states portfolio separately. So Florida grew during that period of time about 6%, whereas the other states, of course, with a more modest starting point, grew by closer to 45%. That's the past 12 months. As we look forward, I think it's safe to assume that Florida will continue to grow in that sort of 5% to 6% range annually. And then if you're talking about the other states portfolio, obviously, each year that goes by, we develop more critical mass. So I think the dollars that we grew in that other states program, which, over the course of the last 12 months, was about $27 million, I think, will continue to grow sort of in that $30 million to maybe $40 million a year. Obviously, as that portfolio gets bigger, it will become much more difficult to grow by the 45%. I think that percent will slowly come down, but we'll grow $30 million to $40 million a year in the other states portfolio for that coming 2 to 3 years.

Sean P. Downes
Chairman and Chief Executive Officer

And Arash, obviously, one of the unknowns really is the Universal Direct strategy. Obviously, we mentioned that we've written approximately $1 million to date in premium, but we haven't really thrown a lot of marketing dollars at it per se. So that's one of the unknowns really of where we're trying to forecast what our gross is going to be forward. We think that's going to be a positive effect. We just can't really go ahead and put a number on it yet.

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

And since you mentioned Universal Direct, can you, I guess, talk a little bit more about that and, I guess, your vision for that new product line and some of the partnerships you were mentioning? And are we talking partnerships with the auto carriers?

Sean P. Downes
Chairman and Chief Executive Officer

Yes. Obviously, we're pleasantly surprised by the success of Universal Direct. A lot of people thought that people wouldn't take the time and effort to purchase a homeowners policy online. The IT department here at Universal did an excellent job in creating this platform for us and made it pretty easy for us and people to use. We're excited about it. We do have a lot of opportunities. Nothing that we have declared yet, but we have a lot of opportunities to work with some auto carriers, some other homeowners companies that write businesses a little differently than we do. So I think in the next quarter, this quarter or the next quarter, you'll see us put some things to paper and announce some good joint ventures that will be very positive for Universal Direct.

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

Are you using Dan Marino in all the states?

Sean P. Downes
Chairman and Chief Executive Officer

In states where they like him.

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

And would you say -- I guess, the other new product you kind of mentioned was commercial/residential. I guess, what do you -- how should we think about that going forward? Is that going to be Florida only? Is that going to be multi states? And can you just talk a little bit more about why you're interested in that line?

Jon W. Springer
President, Chief Risk Officer and Director

Sure. Absolutely. Initially, it will be Florida only, and we'll be writing it in American Platinum, Universal Property and Casualty's sister company, which, prior to this, had been focused on high-value homeowner business. We think there's a tremendous opportunity in the commercial/residential marketplace, specifically in Florida, especially for an admitted carrier. And we've spoken to a lot of our existing agent partners, and there definitely is a need for another carrier in this space. So our target will be the 1- to 4-story garden-style condos. We're not going to be writing the 20-story condo buildings on the water. We're after a different business. We've been working on this for quite some time, including building up our underwriting team over the course of the last 6 months, preparing our systems to handle commercial business as opposed to previously only personal lines. As I think you've heard us say before and Sean's alluded to, the rates were filed in July, proved near the end of October. And we're on the home stretch feeling confident that we'll be able to write our first commercial policy yet here in the fourth quarter of 2016.

Sean P. Downes

Chairman and Chief Executive Officer

And with that, Arash, we obviously feel that we have the expertise in-house as far as claims are concerned and the underwriting, as Jon said earlier. But of one note, all of the platforms that we are using and going to be using for the commercial side, were all the things that we have created internally and not off the shelf or paying fees for. So we own all of our own systems, and we think that there is going to be a good positive line of organic growth source as it relates to this commercial product.

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

And is the same agency you work with on the personal lines side that you'd worked right here as well?

Sean P. Downes
Chairman and Chief Executive Officer

Correct.

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

And just very last quick number question maybe for Frank. I know you said the $11 million was for Hermine and included some of the development from storms. Aside from that, was there any development in the quarter, favorable or unfavorable?

Frank C. Wilcox
Chief Financial Officer and Principal Accounting Officer

No.

Sean P. Downes
Chairman and Chief Executive Officer

No. There was not.

Operator

Our next question is from Peter McHugh [ph], a private investor.

Unknown Attendee

Frank, I was just wondering if you could touch -- elaborate on your opening remarks on the differences in the effective tax rate on a year-over-year basis for the third quarter.

Frank C. Wilcox
Chief Financial Officer and Principal Accounting Officer

Sure. Sure, Peter, I'd be happy to. So in order to appreciate the effective rates in the third quarter of any given year, you should understand that, that is the quarter when we complete our income tax returns for the prior year. So in any given year, we estimate what our ultimate tax liability will be with the taxing jurisdictions, and we put up -- a number up through the end of the year. And when we complete those tax returns, we make any adjustments. So when I was talking about those discrete items that I backed out in order to normalize the effective tax rate, the vast majority of that is from the true-up to the tax returns. So last year, we actually overestimated -- I'm sorry, in 2014, we overestimated the income tax provision and wound up with a refund and a credit to income tax expense, which reduced our effective tax rate by 269 basis points. This year, we actually had a small adjustment going the other way. And when you normalize your effective tax rates by taking out those discrete items, that's where you land with 38.1% for this quarter in 2016 versus 39.1% for the same quarter last year. Now the 38.1% compares to about 30 -- I think it was 39.4% for the full year of 2015. So looking at a quarter in isolation is not always the best thing to do. The best thing to do would be to look at your trends over time. We expect that our full year effective rate for 2016 should be somewhere between 38.8% to 39.1%.

Operator

Our next question is from Vimal Gupta [ph], a private investor.

Unknown Attendee

Could you elaborate on the market conduct exam, which was intently was done for UVE?

Sean P. Downes
Chairman and Chief Executive Officer

You said a market conduct exam?

Unknown Attendee

Yes.

Sean P. Downes
Chairman and Chief Executive Officer

Okay. It's for Jon.

Jon W. Springer
President, Chief Risk Officer and Director

Yes, I'll take that one. Thanks, Vimal [ph]. As a Florida-domiciled company, Universal, Property and Casualty and American Platinum are subject to a financial exam from the Florida OIR once every 5 years as well as any other type of exams that they want to do, which they typically refer to as a market conduct exams. There's no set intervals for those. So I think what you're referring to is most recently, we just completed a market conduct exam which was really done for the OIR to assess our response as a company to the well-publicized exam and resulting consent order from 2013. I'm very pleased with the result of this most recent examination. Clearly, the OIR recognized the benefits of the changes that we made in both personnel and procedures beginning in late 2013 and carrying on into 2014 and really ever since. Obviously, our goal is always to be 100% error-free in all aspects of our business. But just being honest, that's probably impossible given the nature of the insurance business and all of the unique customer interactions that we're required to have every year. I think it's important for you to know, Vimal [ph], and other investors to know that during the course of this most recent exam, we had lots of constructive dialogue with the OIR. In fact, in their report, they specifically noted the positive impacts of the personnel and procedural changes that we had made. So my understanding is that the Florida OIR will be publishing the final report here soon if they haven't already. And then maybe just lastly, to touch on the first type of exam that I mentioned, the financial exam, Universal just finished -- or rather, finished its most recent financial exam in March of 2015, and the results of that exam were no financial adjustments and no recommendations. At that time, they also did a financial examination on American Platinum. And likewise, no adjustments or recommendations from that exam.

Unknown Attendee

Okay. I need a couple of stats. You mentioned about new policies, 47,000 in the 9 months. Could you give what were the total policies outstanding on 30th September this year?

Jon W. Springer
President, Chief Risk Officer and Director

Yes. I'm sorry. Could you repeat that, Vimal [ph]? Our total number of...

Unknown Attendee

The total number of policies insured by UVE quarter-end 30th September 2016.

Jon W. Springer
President, Chief Risk Officer and Director

671,366.

Unknown Attendee

Okay. And the total number of employees you had on 30th of September? Total number of employees, personnel of the company?

Frank C. Wilcox
Chief Financial Officer and Principal Accounting Officer

I may have that here.

Jon W. Springer
President, Chief Risk Officer and Director

Give him 1 second.

Frank C. Wilcox
Chief Financial Officer and Principal Accounting Officer

Probably 1 second.

Jon W. Springer
President, Chief Risk Officer and Director

I think Frank can look it up, but it's approximately 450, 440 right in that range, Vimal [ph].

Sean P. Downes
Chairman and Chief Executive Officer

And Vimal [ph], just for a little color, too. Of those 671,000 give or take, roughly 100,000 of those policies are now in other states outside of Florida.

Unknown Attendee

Okay. My last question is since this quarter was such a wonderful quarter, should the shareholder be looking for the bonus dividend that you declared in December? Could you comment something on that for the fourth quarter?

Sean P. Downes
Chairman and Chief Executive Officer

I would say that we're having our Board of Directors meeting tomorrow. We will be discussing that, and we will be releasing something very soon.

Operator

I'm showing no further questions. I'd like to turn the call back over to management.

Sean P. Downes
Chairman and Chief Executive Officer

In closing, we believe that our continued geographic expansion efforts, growing distribution channels, broader portfolio of offerings and the strategic changes we have made over the past year has and will continue to drive operational and financial improvements. Looking ahead into 2017, we are confident that we will end the year on a positive note, and we'll continue to focus on writing organically grown, rate-adequate businesses in all of our markets.

Finally, I would like to personally thank our employees for their hard work and dedication. Our success so far this year would not be possible without their tireless commitment. I would also like to thank all of our agents, shareholders, our Board of Directors and, of course, our management team. Thank you.

Operator

Ladies and gentlemen, this concludes today's conference. Thank you for your participation. Have a wonderful day. You may now disconnect.