



# Fourth Quarter 2018 Results

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Earnings Call Presentation

March 1, 2019



# Forward-looking statements and Regulation G Disclosure Statement

## Forward-looking statements

This presentation may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believe," "expect," "anticipate," and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. Such statements may include commentary on plans, products and lines of business, marketing arrangements, reinsurance programs and other business developments and assumptions relating to the foregoing. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Future results could differ materially from those described, and the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. For further information regarding risk factors that could affect the Company's operations and future results, refer to the Company's reports filed with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K to be filed for the fiscal year ended December 31, 2018.

## Regulation G Disclosure Statement

This presentation includes financial results with respect to adjusted operating income, and adjusted earnings per share, which are non-GAAP financial measures as defined by the SEC's Regulation G. Non-GAAP financial measures should be viewed as supplementing, and not as an alternative or substitute for the Company's financial results prepared in accordance with GAAP. Reconciliations of such non-GAAP financial measures in this presentation to the most comparable GAAP financial measures can be found in the Company's earnings release for the fourth quarter and full year of 2018, filed with the SEC as an exhibit to a Current Report on Form 8-K on March 1, 2019, and also available on the Company's website at <https://UniversallInsuranceHoldings.com> under "Investors" with the subheading of "Earnings Releases."

# Solid FY18 results against strategic priorities

## 1 Grow Other States and Florida

- 4Q18 direct premiums written up 12.3%; FY18 up 12.8%
- 4Q18 other states direct premiums written up 33.9%; FY18 up 34.6%
- 4Q18 Florida direct premiums written up 8.7%; FY18 up 9.7%

## 2 Focus on disciplined growth

- FY18 diluted GAAP EPS up 9.4% to \$3.27, non-GAAP adjusted EPS\* up 39.3% to \$4.11
- FY18 combined ratio of 87.3%
- FY18 return on average equity of 24.1%

## 3 Maintain strong balance sheet

- Gross catastrophe losses well below 18'-19' reinsurance first event ceiling of ~\$3.1B
- YoY Book value per share up 13.8%
- Total unrestricted cash and invested assets up 13.9% to \$1.1B

# Improving customer experience through digital transformation



Revitalized UVE brand and launched all new Investor website.



Refreshed Universal Property brand; New online presence to get a quote, bind a policy, download policy docs, and track a claim.

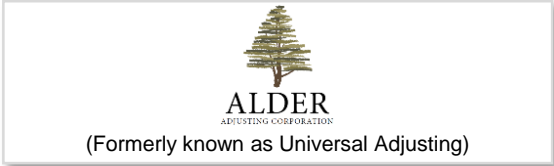


New online presence to get a quote, bind a policy, download policy docs, and track a claim.



- Launching our new digital insurance distribution channel Clovered.com.
- Enables consumers to learn how to Prepare, Protect, and Recover from the unexpected.
- Will be enabled in 2019 with a streamlined process to purchase a policy online.
- Established as a subsidiary of our new holding company Oak90, to maintain autonomy.

# Organizing around capabilities ...



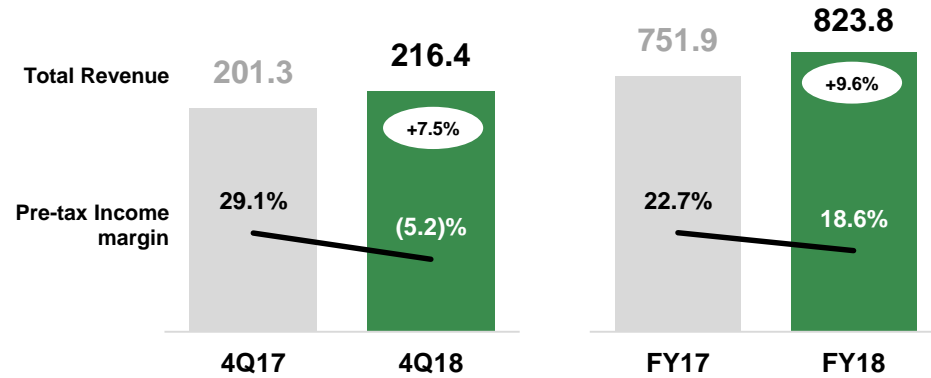
# ... with an end-market focus across the insurance value chain



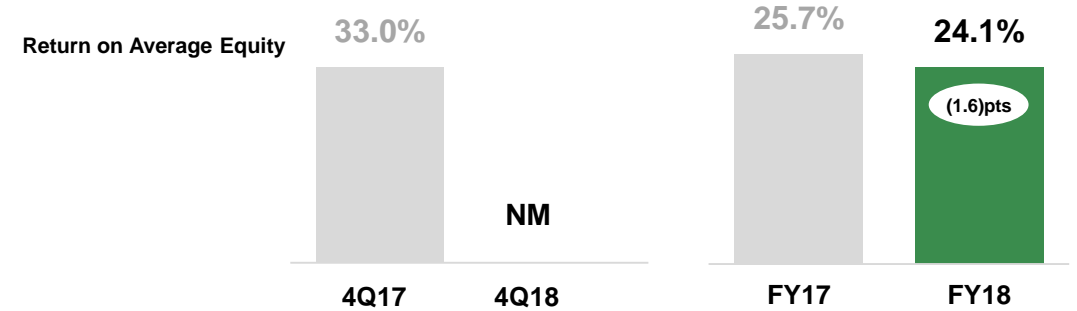
# 4Q18 and FY18 financial results

## Total Revenue

(Million) Premium volume, pricing, and services driving growth, partially offset by unrealized and realized gains and losses on investments, and reinstatement premiums



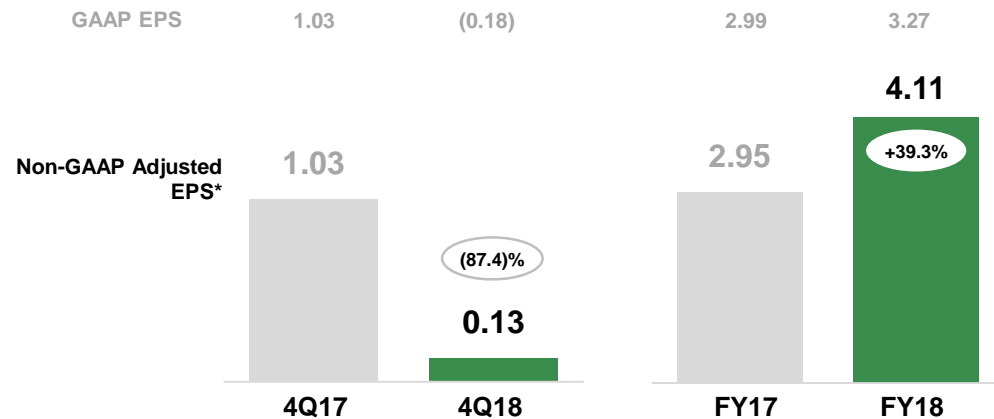
## Annualized Return on Average Equity (ROE)



Income before income tax	58.6	(11.2)	170.5	152.9
Adjusted operating income*	58.6	3.3	168.3	192.8

## Earnings per Diluted Share (EPS)

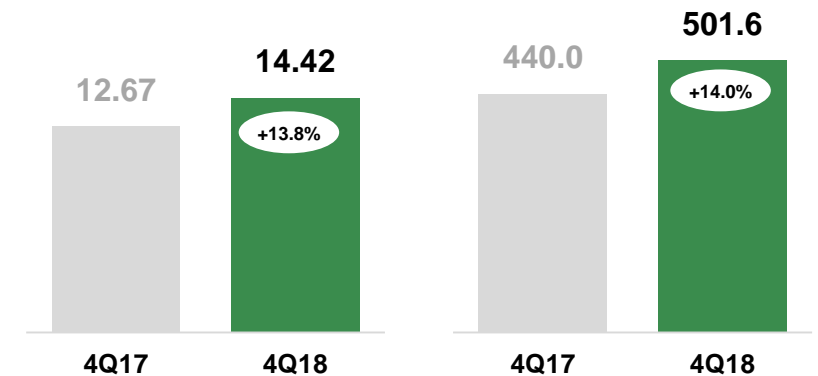
(per share) Premium volume, pricing, taxes, and services driving growth, offset by strengthening prior accident years' loss reserves



## Book Value, end of period

\$ book value per share (BVPS)

\$million book value

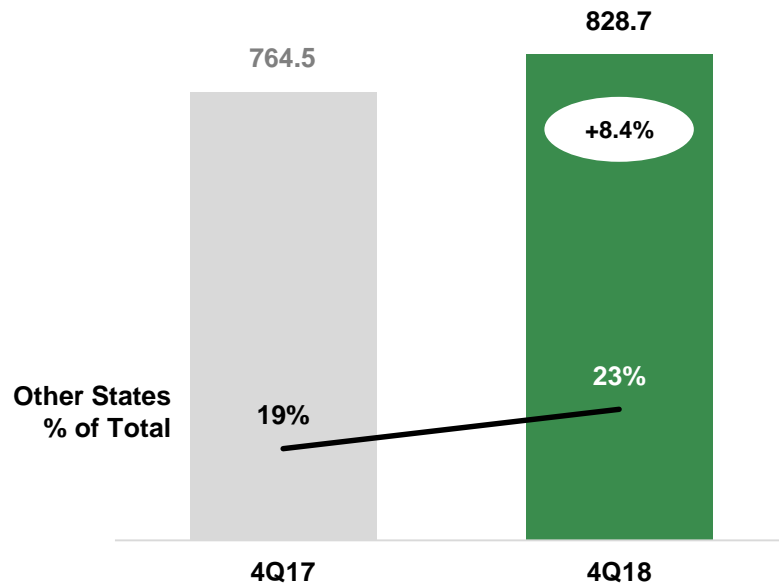


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# Underwriting

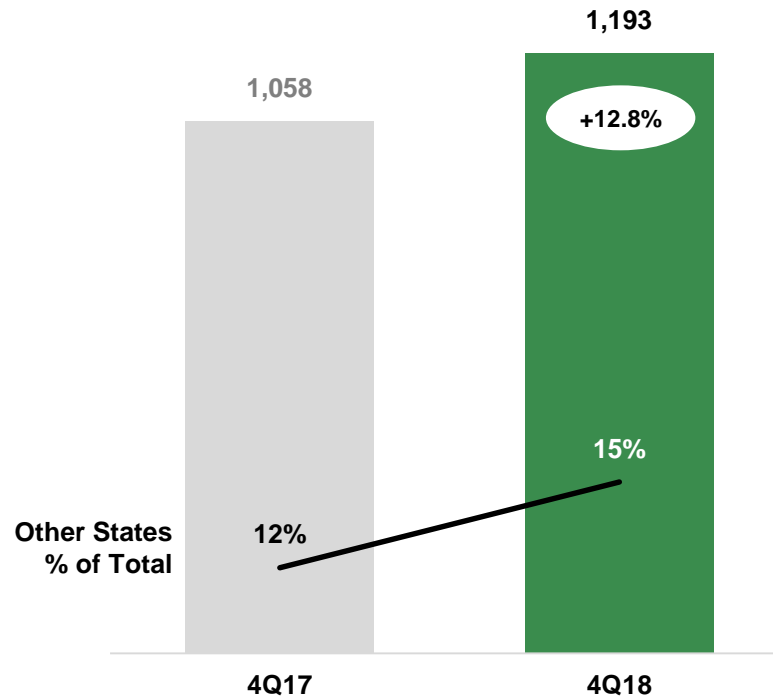
## Policies-in-force

(thousands)



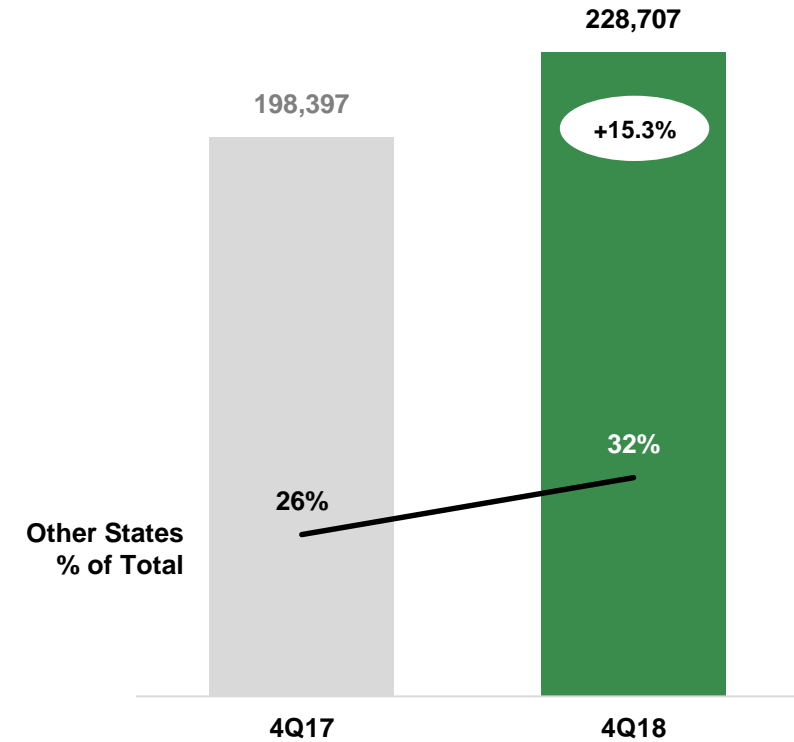
## In-force premium

(\$million)



## Total Insured Value (TIV)

(\$million)

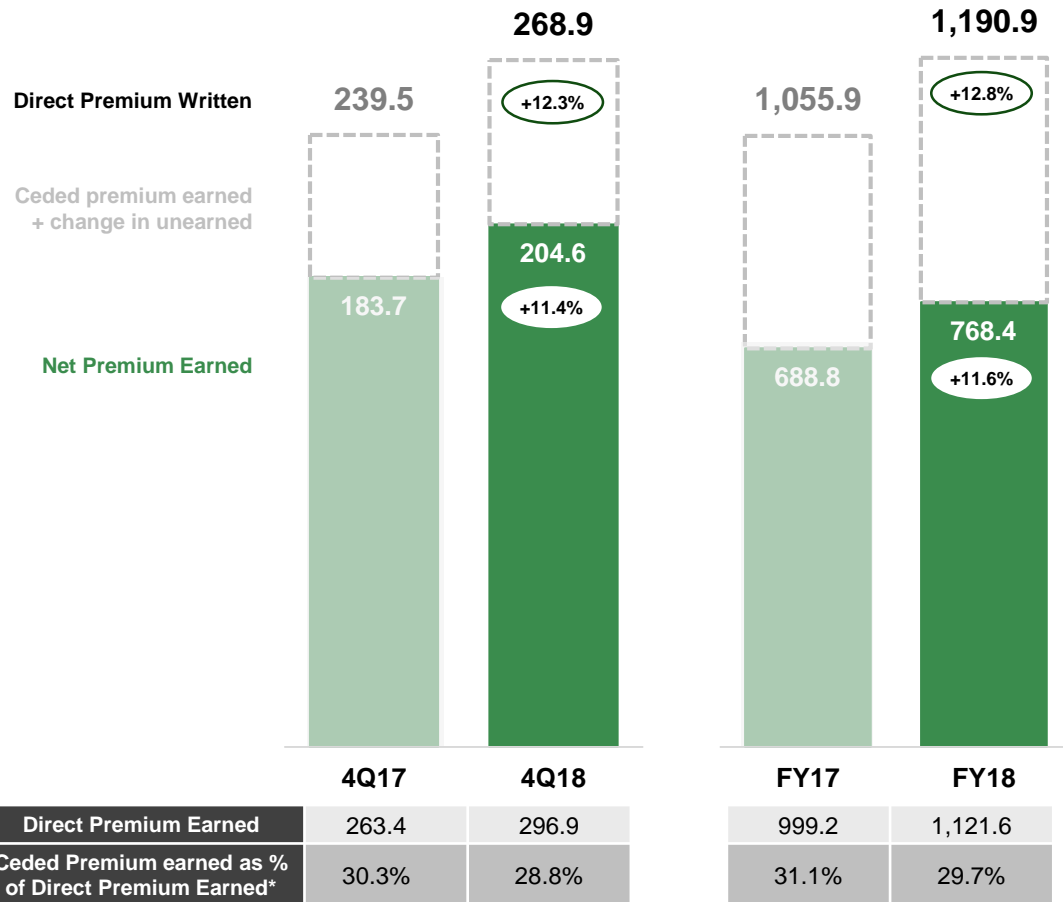




# Underwriting

## Revenue (Direct and net premiums)

(\$million)



4Q direct premium written up 12.3%; FY18 up 12.8%

- 16.8% of total direct premium written in 4Q from Other States
- 4Q other states direct premium written up 33.9% to \$45.2M; FY18 up 34.6% to \$177.6M
- 4Q Florida direct premium written up 8.7% to \$223.8M; FY18 up 9.7% to \$1.0B

4Q ceded premium earned (excluding reinstatement premium) as a percent of direct premium earned declined 1.5 points to 28.8%; FY18 down 1.4 points

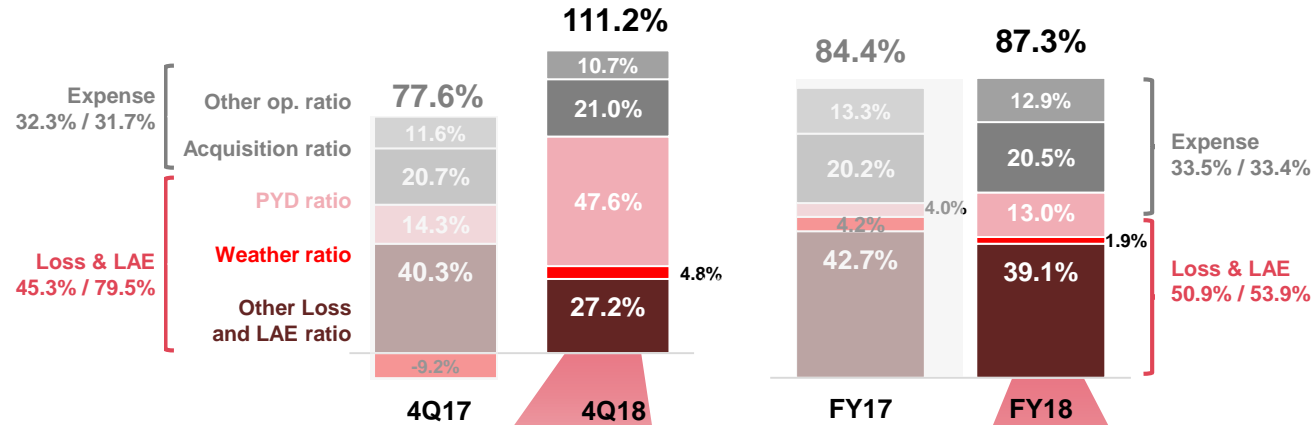
- 4Q ceded premium earned of \$85.6M\*; FY18 \$332.6M\*
  - Dollar cost of reinsurance program driven by volume
  - 4Q reinstatement premium, net of commissions of \$6.4M, FY18 \$20.4M due to losses on Hurricane Irma

\*Excludes reinstatement premium

# Underwriting

## Consolidated GAAP Combined Ratio

(related expense / Net premium earned)



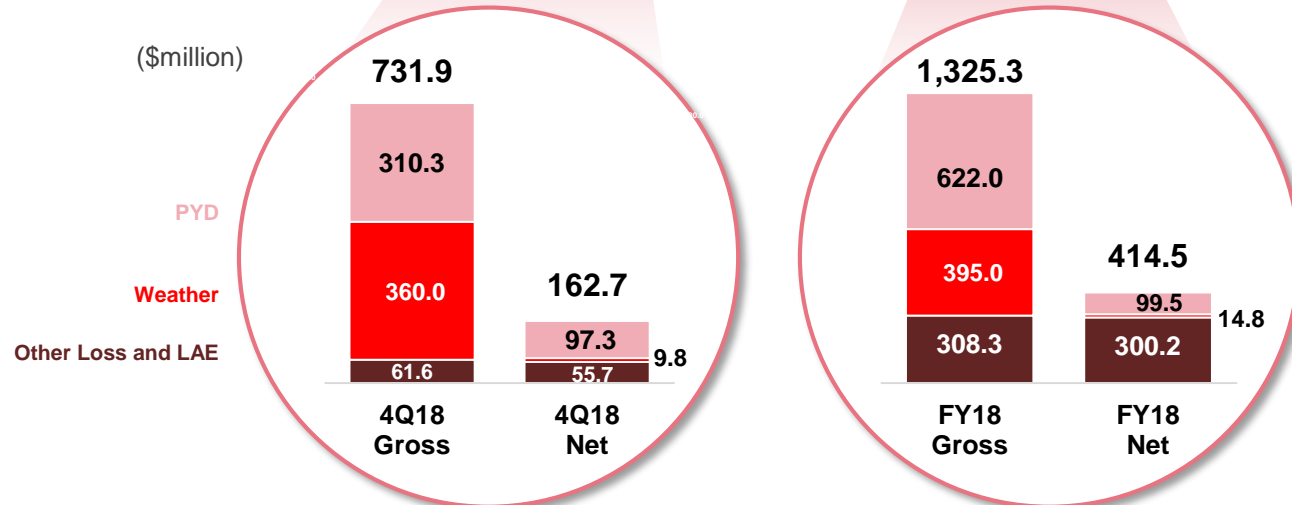
4Q General and Administrative expenses decrease related to performance rewards; FY18 flat

4Q Prior Year Development: \$97.3M; FY18 \$99.5M

- Systemic claims representation in Florida (Increased frequency and severity of non-catastrophe claims spanning several prior accident years)
- Companion claims to Hurricane Irma
- Accelerated operational focus on claims resolutions

## Loss and LAE (gross and net of reinsurance)

(\$million)



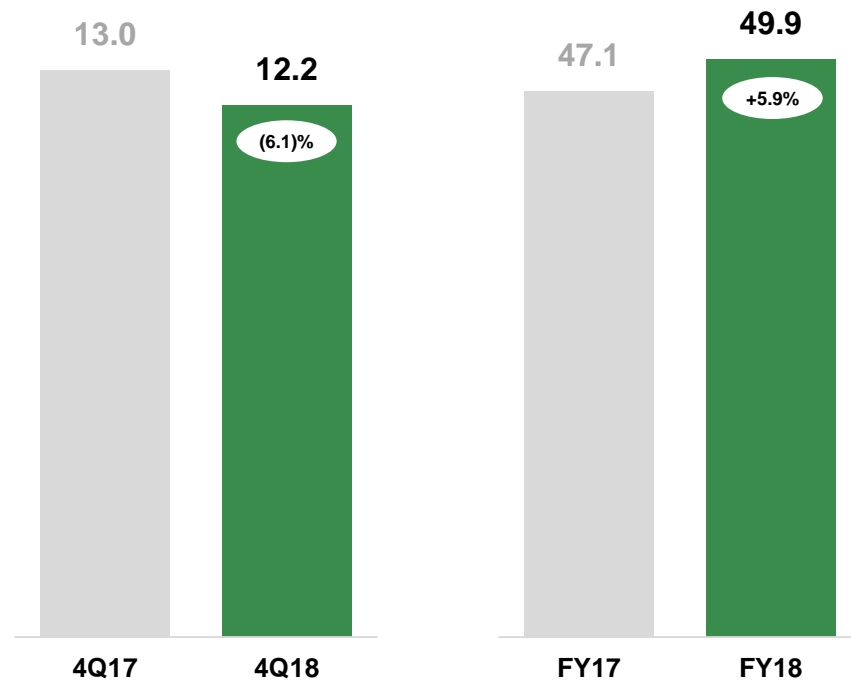
4Q weather loss: Gross \$360M, \$9.8M net; FY18 \$395M gross, \$14.8M net

- 3Q18 Hurricane Florence
- 4Q18 Hurricane Michael

# Services

## Revenue

(\$million)



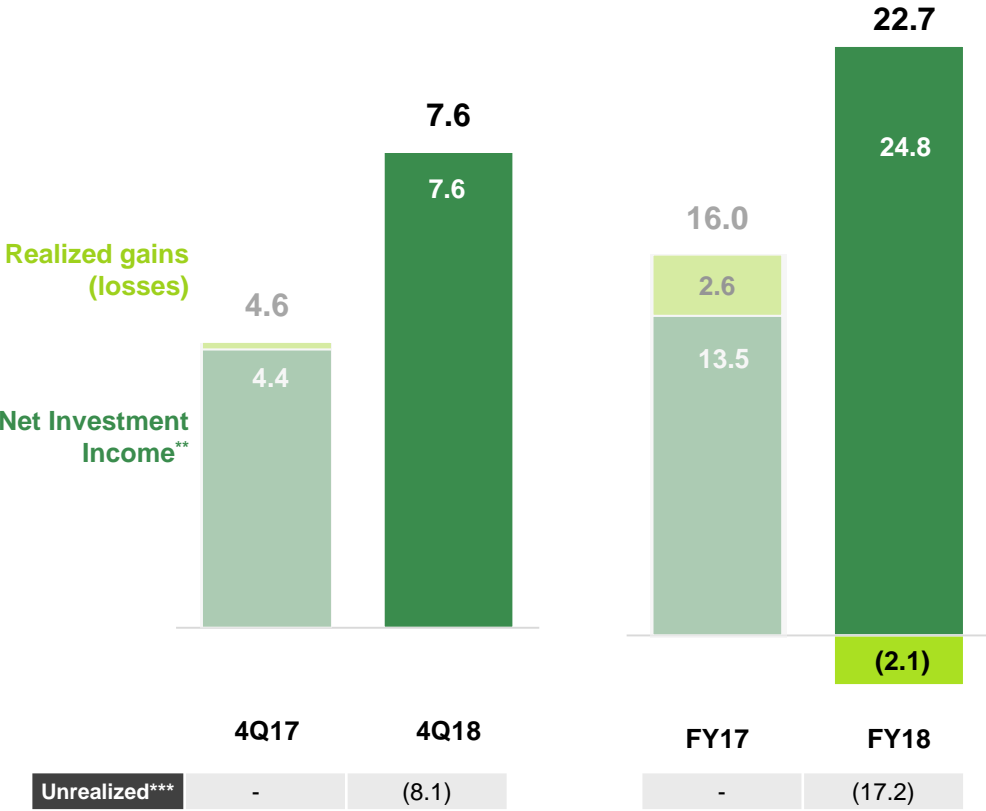
4Q Services revenue down 6.1%; FY18 up 5.9%

- 4Q risk management commissions down 13.5% to \$5.8M; FY18 up 5.6% to \$22.4M
- 4Q MGA policy fees up 6.8% to \$4.5M; FY18 up 7.6% to \$20.3M
- 4Q policy installment fees, premium financing, and other revenue down 8.6% to \$1.9M; FY18 up 2.3% to \$7.2M

# Investments

## Net investment income and realized gains (losses)\*

(\$million)



4Q total unrestricted cash and invested assets up 13.9% to \$1.1B

- Unrestricted cash: \$166.4M
- Invested Assets: \$908.2M

4Q Net investment income up 70.9% to \$7.6M; FY18 up 84.4% to \$24.8M

- Increased cash and invested assets
- Increase in yields due to shift in asset mix and rising interest rates
- Average fixed income credit rating of A+ during 4Q18

\*Excludes net unrealized gains and losses on investments.

\*\*Includes interest earned on cash and cash equivalents, restricted cash and cash equivalents and investment income earned on real estate investments. Net of custodial fees, investment accounting, advisory fees and expenses associated with real estate investments

\*\*\* Net unrealized gains (losses) on investments

# FY19 and beyond strategic priorities

**1** Make customer service and continuous improvement a way-of-life

**2** Focus on disciplined growth

**3** Maintain a strong balance sheet

**4** Maximize earnings stability