



# Second Quarter 2020 Results

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Earnings Call Presentation

July 30, 2020



# Forward-looking statements and Regulation G Disclosure Statement

## Forward-looking statements

This press release may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. The words “believe,” “expect,” “anticipate,” “will,” “plan,” 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, including the ongoing impact of the coronavirus (COVID-19) pandemic and those risks and uncertainties to be described under the heading “risk factors” and “Liquidity and Capital Resources” in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 as well as in the Form 8-K filed on July 29, 2020. 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 and the most recent quarterly reports on Form 10-Q.

## Regulation G Disclosure Statement and Key Performance Indicators

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 second quarter of 2020, filed with the SEC as an exhibit to a Current Report on Form 8-K on July 29, 2020, and also available on the Company’s website at <https://UniversalInsuranceHoldings.com> under “Investors” with the subheading of “Earnings Releases.” For more information regarding our key performance indicators, please refer to the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Key Performance Indicators” in our forthcoming Quarterly Report on Form 10-Q for the quarter ended June 30, 2020.

# 2Q20 & 1H20 results against multi-year strategic priorities

## 1 Grow other states and Florida

- Total direct premiums written up 13.1%; 1H up 14.2%.
- Other states (Non-Florida) direct premiums written up 14.5%; 1H up 16.5%.
- Florida direct premiums written up 12.8%; 1H up 13.8%.

## 2 Maintain strong balance sheet

- Successfully secured more 2020-2021 reinsurance catastrophe coverage than at any point in Company's history, on time and on budget.
- Book value per share up 8.5% to \$16.56 when compared to last quarter.
- Cash and cash equivalents up 82.2% to \$331.7M as a result of taking defensive measures as COVID-19 impacts continue to be felt across the global economy.

## 3 Focus on disciplined growth and maximize earnings stability

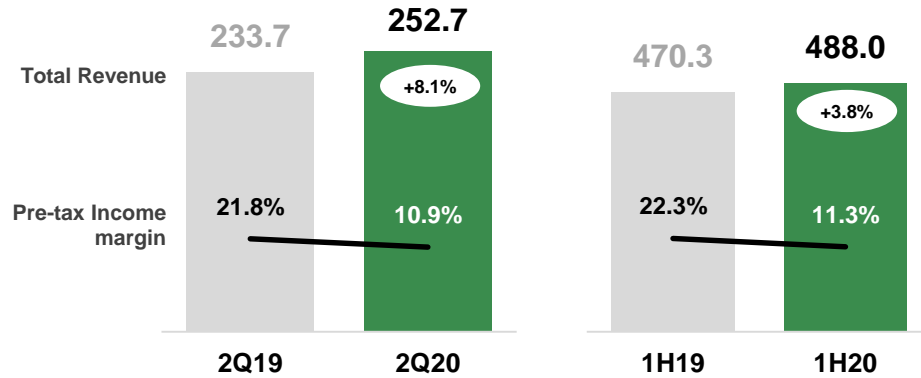
- Diluted GAAP EPS of \$0.62, non-GAAP adjusted EPS\* of \$0.52; 1H Diluted GAAP EPS of \$1.23, non-GAAP adjusted EPS\* of \$1.32.
- Continued to enter new states as an agent, servicing independent third-party carriers with our digital insurance agency Clovered<sup>SM</sup>.
- 1H Annualized return on average equity of 15.5%.

# 2Q20 and 1H20 financial results

## Total Revenue

Premium volume, pricing, and our integrated services, partially offset by higher reinsurance costs and decreased net investment income

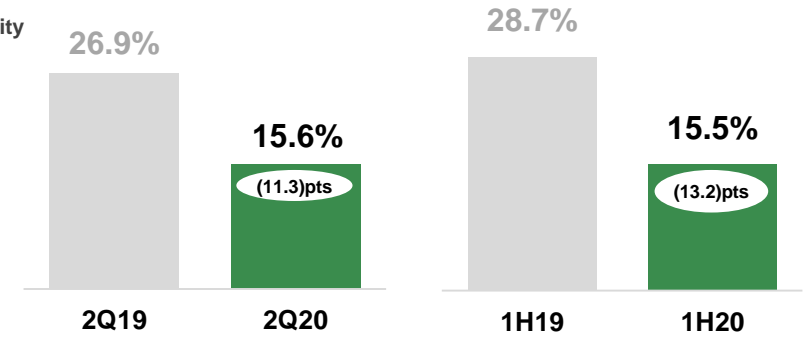
(\$million)



Income before income tax	50.9	27.4	104.7	55.0
Adjusted operating income*	49.7	23.4	97.0	58.8

## Annualized Return on Average Equity (ROE)

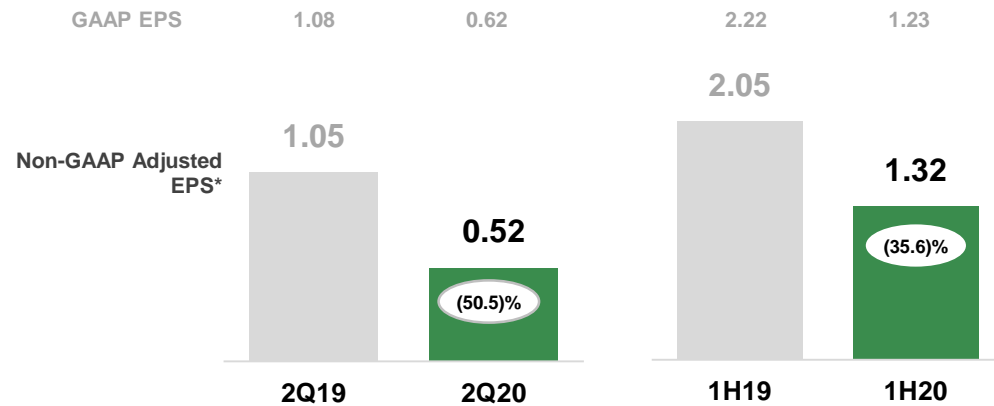
Return on Average Equity



## Earnings per Diluted Share (EPS)

Historically above average second quarter weather events, and accruing incremental reserves, partially offset by a reduced share count

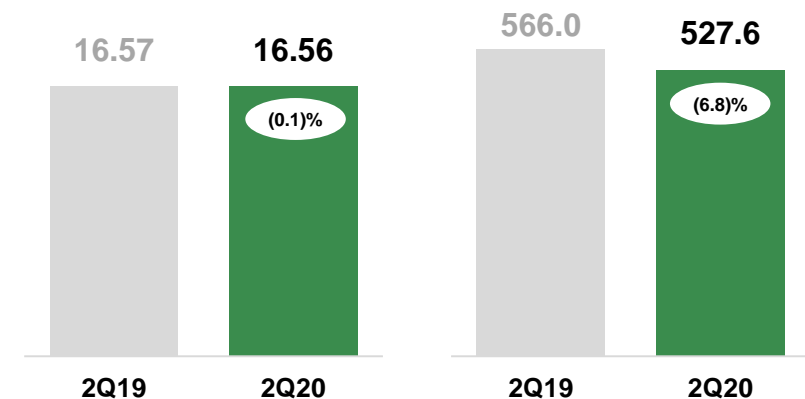
(\$ per share)



## Book Value, end of period

\$ book value per share (BVPS)\*\*

\$million book value\*\*



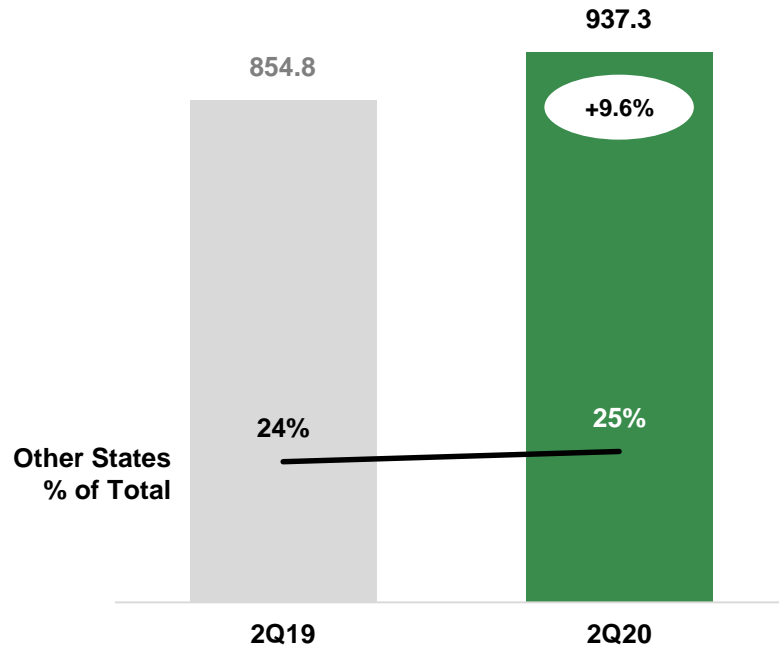
\*Reconciliations of such non-GAAP financial measures in this presentation to the most comparable GAAP financial measures can be found in the Company's earnings release for the second quarter of 2020, filed with the SEC as an exhibit to a Current Report on Form 8-K on July 29, 2020, and also available on the Company's website at <https://UniversalInsuranceHoldings.com> under "Investors" with the subheading of "Earnings Releases."

\*\*Excludes preferred stock

# Underwriting

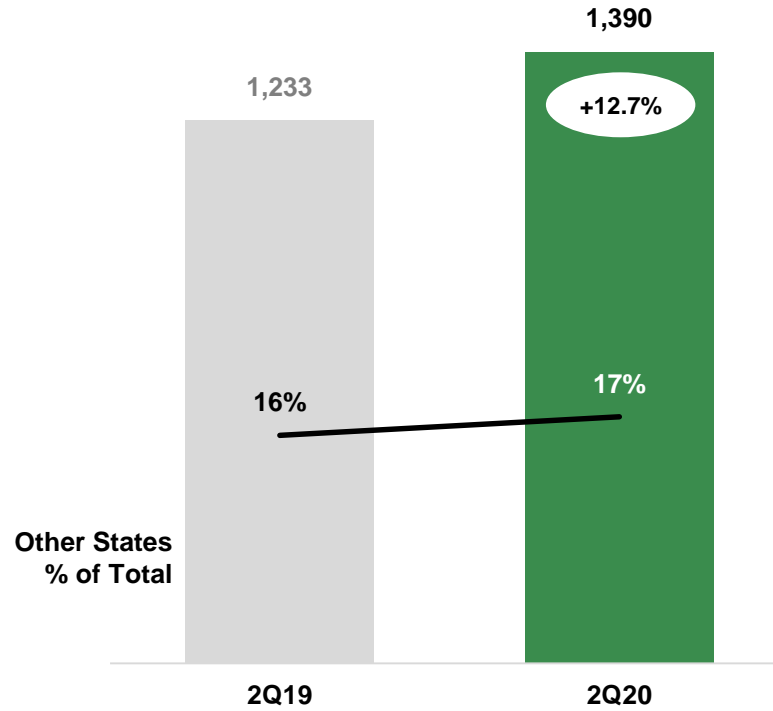
## Policies in force

(thousands)



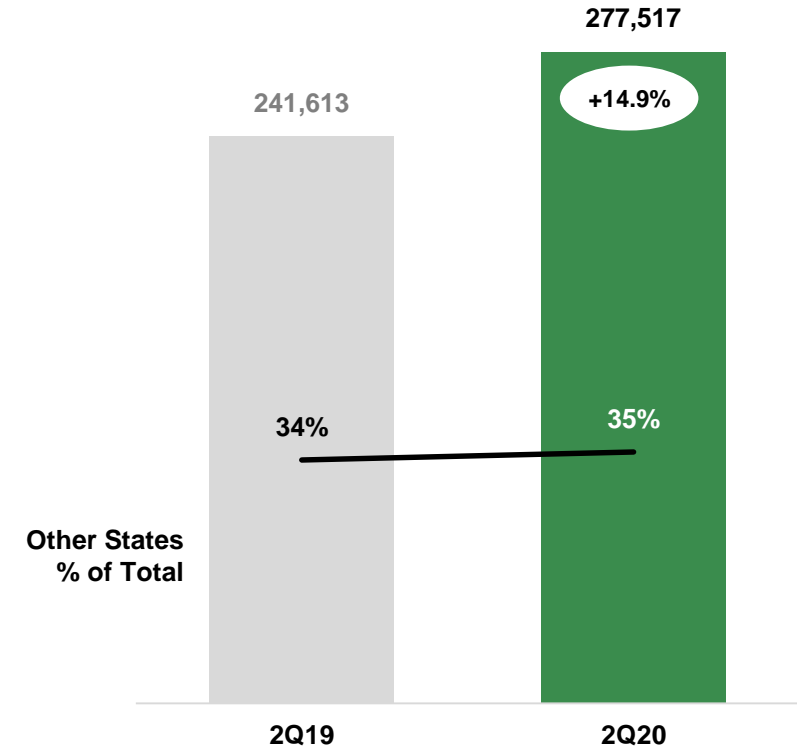
## Premiums in force

(\$million)



## Total Insured Value (TIV)

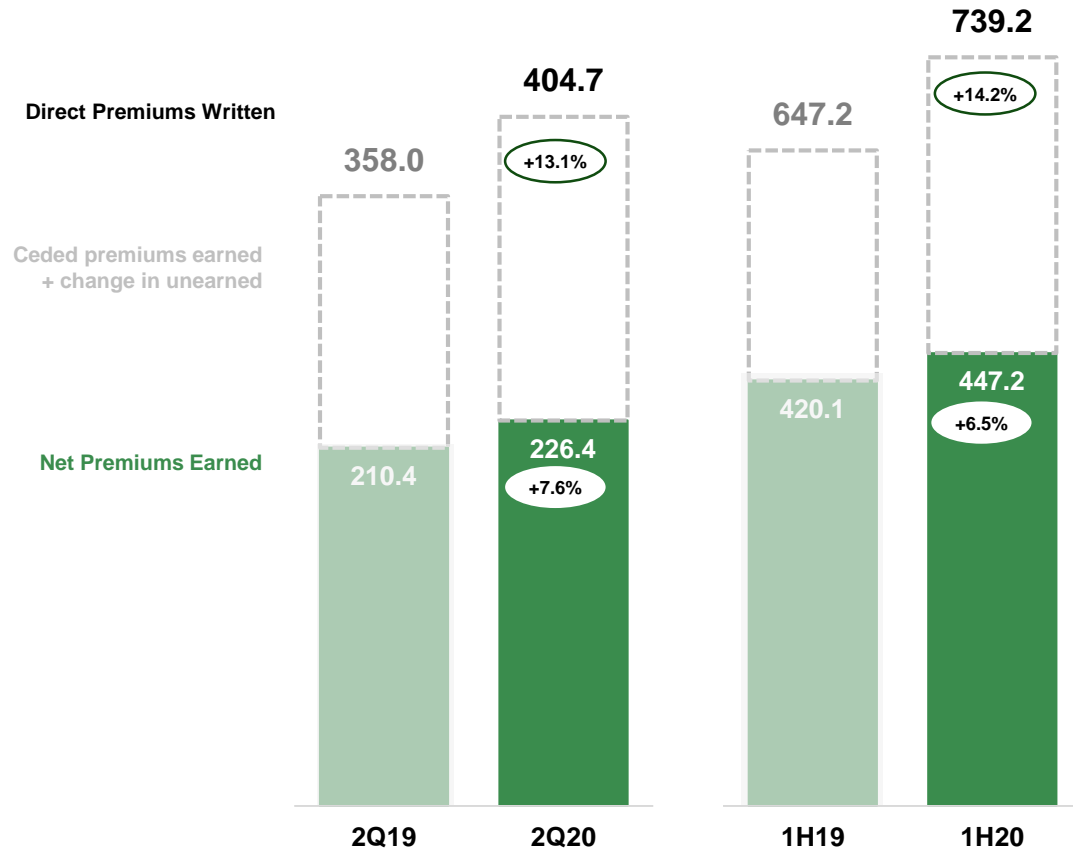
(\$million)



# Underwriting

## Revenue (Direct and net premiums)

(\$million)



Direct Premiums Earned	303.1	337.6	598.5	663.6
Ceded Premiums earned as % of Direct Premiums Earned*	30.3%	33.0%	29.7%	32.6%

2Q direct premiums written up 13.1%; 1H up 14.2%

- 17.3% of total direct premiums written in 2Q from Other States
- 2Q other states direct premiums written up 14.5% to \$69.9M; 1H up 16.5% to \$126.0M
- 2Q Florida direct premiums written up 12.8% to \$334.8M; 1H up 13.8% to \$613.3M

2Q ceded premiums earned as a percent of direct premiums earned\* increased 2.7 points to 33.0%; 1H up 2.9 points

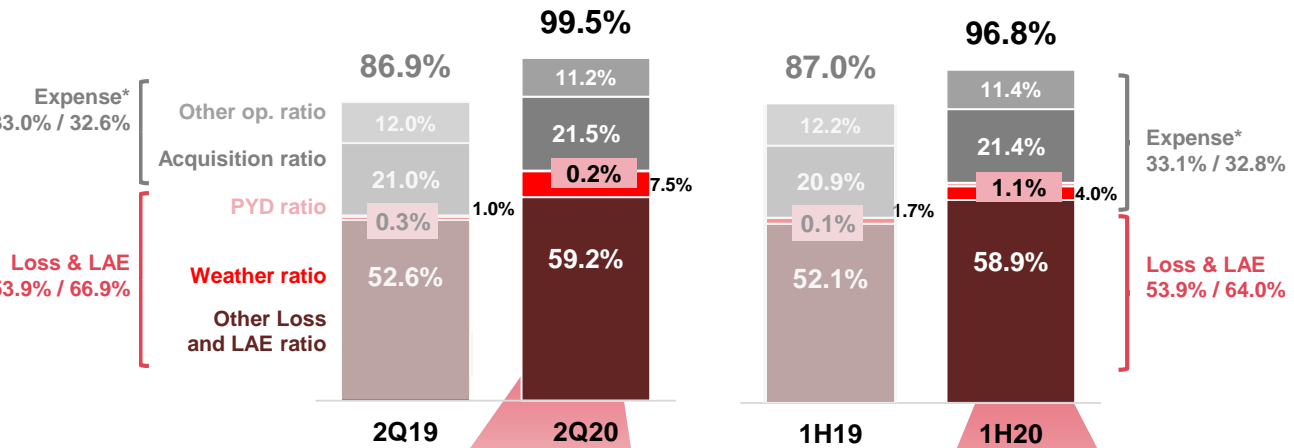
- 2Q ceded premiums earned of \$111.3M\*; 1H 216.4M\*
  - Dollar cost of reinsurance program in 1H driven by volume and loss experience
  - No reinstatement premiums, net of commissions in the 1H

\*Excludes reinstatement premiums

# Underwriting

## Consolidated GAAP Combined Ratio

(related expense / Net premiums earned)

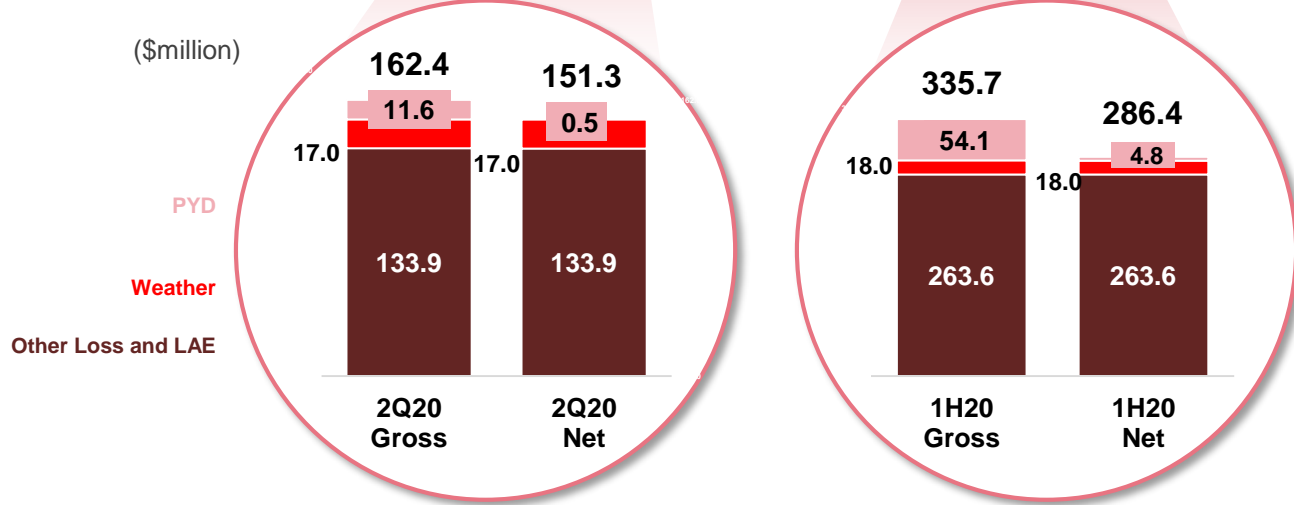


2Q & 1H Expense ratio\* increase driven primarily by economies of scale, partially offset by the impact of higher reinsurance costs

2Q Other Loss and LAE: Gross \$133.9M, \$133.9M net; 1H Gross \$263.6M, \$263.6M net

- Increased losses in connection with the growth in our underlying business and increased core booked loss ratio to bolster reserves

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



2Q Prior Year Development: Gross \$11.6M, \$478K net; 1H Gross \$54.1M, \$4.8M net were primarily related to hurricanes in prior accident years

2Q weather loss: Gross \$17.0M, \$17.0M net; 1H Gross \$18.0M, \$18.0M net

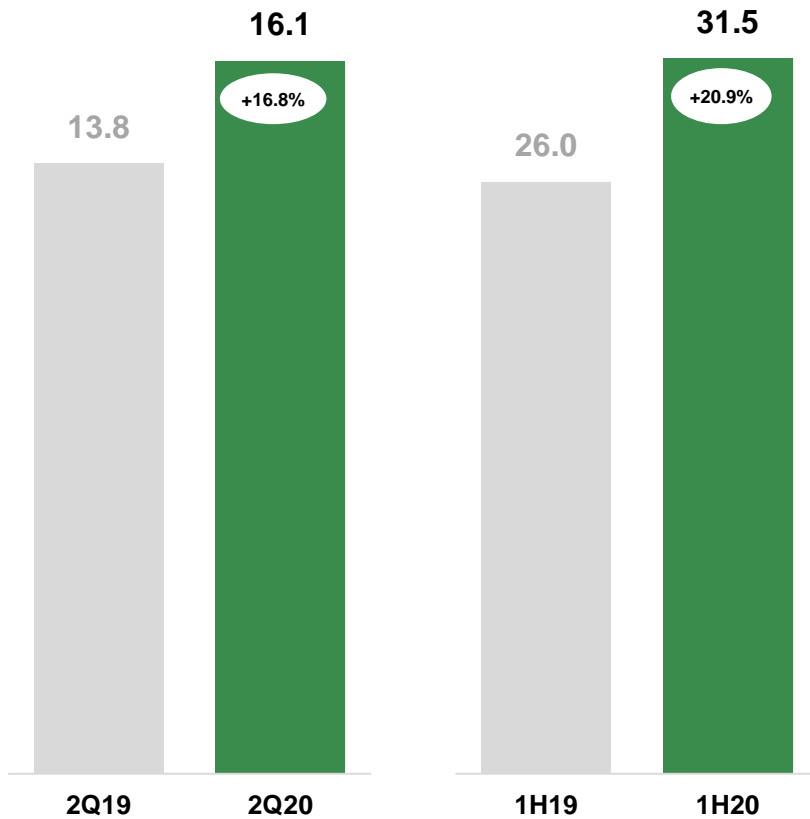
- 14 Property Claims Services (PCS) events across a series of states where the company does business

\*Excludes interest expense

# Services

## Revenue

(\$million)



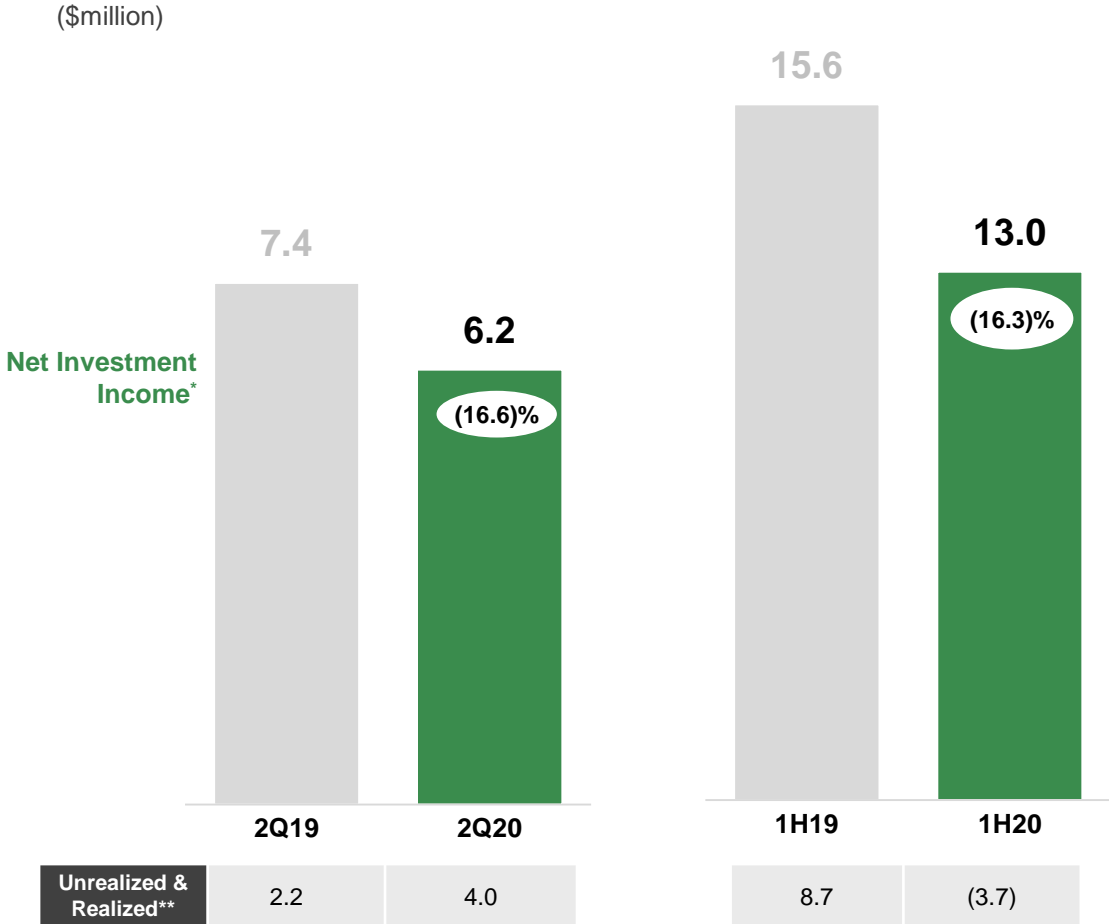
2Q Services revenue up 16.8%; 1H up 20.9%

- 2Q risk management commissions up 28.3% to \$7.8M; 1H up 27.9% to \$14.8M
- 2Q MGA policy fees up 9.2% to \$6.5M; 1H up 9.7% to \$12.1M
- 2Q policy installment fees, premium financing, and other revenue up 3.2% to \$1.8M; 1H up 33.5% to \$4.6M



# Investments

## Net investment income



Total unrestricted cash and invested assets up 15.5% to \$1.3B since year-end

- Invested Assets: \$934.5M
- Unrestricted cash: up 82.2% to \$331.7M since year-end as a result of taking defensive measures as COVID-19 impacts continue to be felt across the global economy

2Q Net investment income down 16.6% to \$6.2M; 1H down 16.3% to \$13.0M

- Lower yields on cash and short term investments during the 1H
- Prior year compare also included one-time income benefits from a special dividend received and a one-time reduction in investment expenses
- Average fixed income credit rating of A+ during 2Q20 with duration of 3.4 years

\*Includes interest earned on 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 and realized gains (losses) on investments