

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	1.35
Revenue (mm)	296.81	292.01	▼ (1.62 %)	303.91	1198.74	1314.79

Currency: USD

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

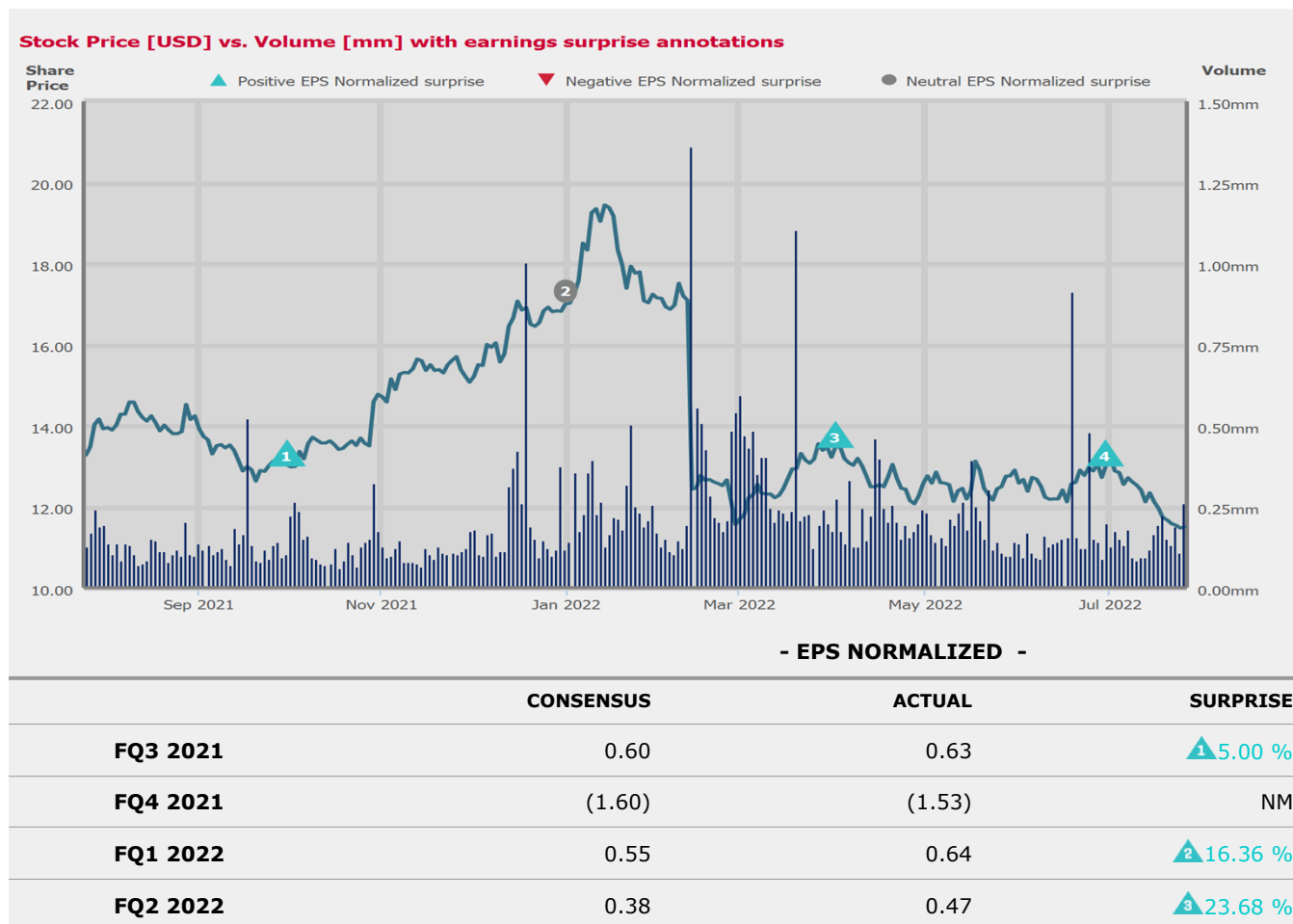


Table of Contents

Call Participants	3
Presentation	4

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.

Copyright © 2022 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2022 S&P Global Market Intelligence.