

Universal Insurance Holdings, Inc. NYSE:UVE

FQ1 2025 Earnings Call Transcripts

Friday, April 25, 2025 2:00 PM GMT
S&P Global Market Intelligence Estimates

	-FQ1 2025-			-FQ2 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.12	1.44	▲28.57	1.14	2.65	NA
Revenue (mm)	354.97	394.87	▲11.24	358.23	1443.57	NA

Currency: USD
Consensus as of Feb-26-2025 9:42 PM GMT

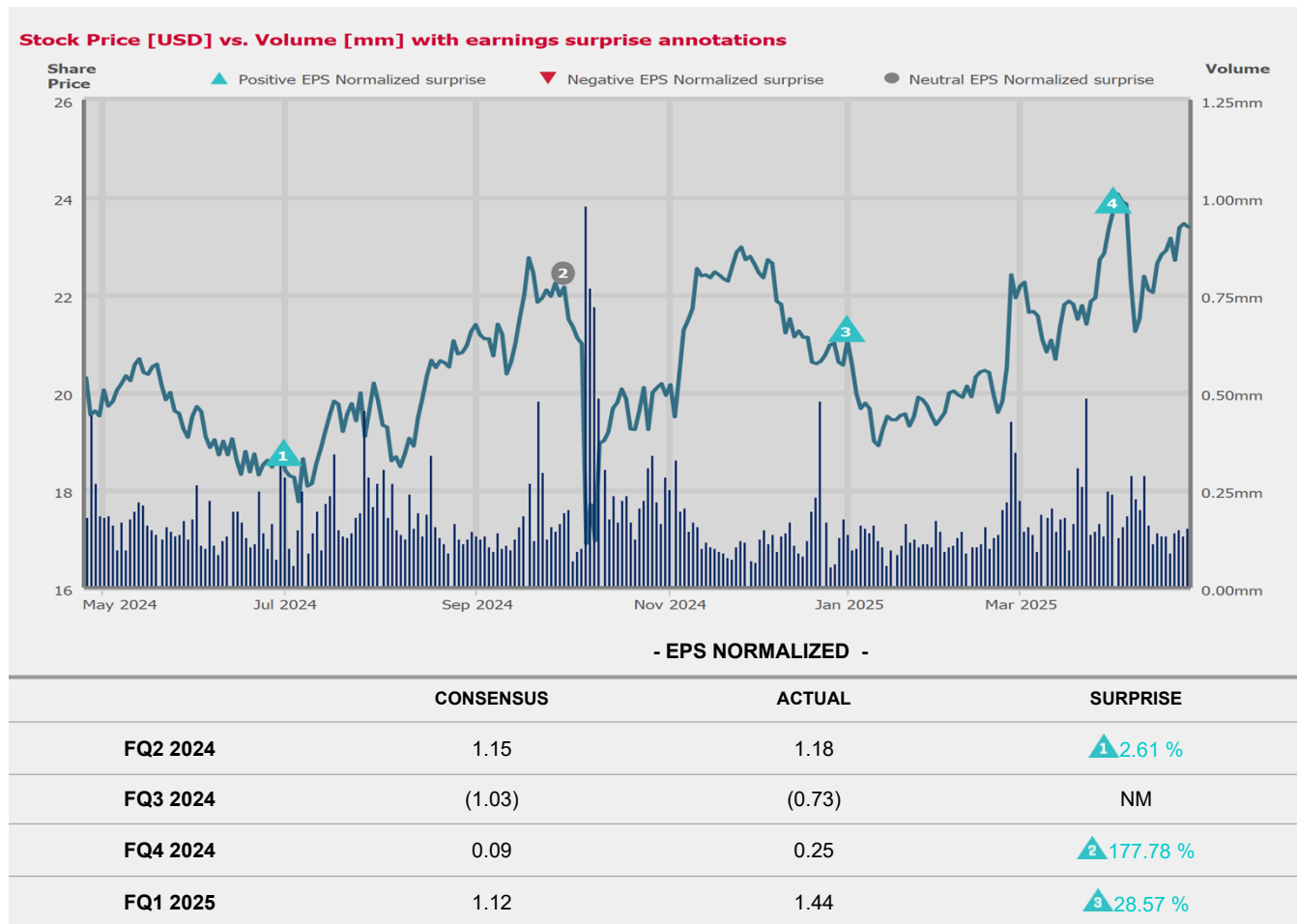


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Call Participants

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

Nicolas Iacoviello
Dowling & Partners Securities, LLC

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to Universal's First Quarter 2025 Earnings Conference Call. As a reminder, this conference call is being recorded.

I'd 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 on 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 continue to see signs that the 2022 Florida legislative reforms are working, providing much needed stability to the property insurance market, which ultimately benefits policyholders with increased certainty and choice. In the quarter, we experienced lower weather losses, benefiting the loss and LAE ratio.

On a separate note, I'm pleased to announce the completion of our 2025-2026 reinsurance renewal for our insurance entities. Our program was fully supported and secured well before the June 1 inception date, something we have consistently achieved over the last few renewal cycles.

We also secured \$352 million of additional multiyear coverage, taking us through the 2026-2027 hurricane season. The program cost and coverage were consistent with our expectations, and we'll provide specific details at the end of May, as we typically do.

The solid execution of our reinsurance strategy is a testament to the strength and consistency of our long-term reinsurance partnerships, some of which span 2 decades.

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 \$1.44 compared to adjusted diluted earnings per common share of \$1.07 in the prior year quarter. The higher adjusted diluted earnings per common share mostly stems from higher underwriting and net investment income and higher commission revenue.

Core revenue of \$394.9 million was up 8.2% year-over-year, with growth primarily stemming from higher net premiums earned, net investment income and commission revenue. Direct premiums written were \$467.1 million, up 4.7% from the prior year quarter. The increase stems from 34.7% growth in other states, partially offset by a 3% decrease in Florida. Overall growth mostly reflects higher policies in force, higher rates and inflation adjustments.

Direct premiums earned were \$513.3 million, up 6.5% from the prior year quarter, reflecting direct premiums written growth over the last 12 months. Net premiums earned were \$355.7 million, up 6.5% from the prior year quarter. The increase is primarily attributable to higher direct premiums earned.

The net combined ratio was 95%, down 0.5 points compared to the prior year quarter. The decrease reflects a lower net loss ratio, partially offset by a higher net expense ratio. The 70.5% net loss ratio was down 1.4 points compared to the prior year quarter, with the decrease primarily reflecting lower weather losses in the current year quarter.

The net expense ratio was 24.5%, up 0.9 points compared to the prior year quarter, with the increase primarily driven by higher policy acquisition costs associated with growth outside of Florida and higher other operating costs.

On April 14, 2025, the Board of Directors declared a regular quarterly cash dividend of \$0.16 per share of common stock payable on May 16, 2025, to shareholders of record as of the close of business on May 9, 2025.

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 the line of Paul Newsome of Research.

Jon Paul Newsome

Piper Sandler & Co., Research Division

Maybe we could start with a little bit more detail on both the competitive environment as well as your thoughts on growth prospectively. It looks like you're growing a little bit and a little faster than I thought and both Florida and outside of Florida is your view, please.

Stephen Joseph Donaghy

CEO & Director

Yes. Paul, this is Steve. From a growth perspective, we are laser-focused on profitability and managing the overall book of business. So as we continue to work on our internal profitability model, we use that to gauge where we are open and where we want to grow our business profitably.

From a competitive environment, we're very interested in ensuring that there is no adverse development within our books. So we want to grow where we know we will grow profitably. And we don't really let competition drive our pricing, so to say.

We have seen new entrants in Florida. We haven't seen anyone growing across the entire state. So I think a lot of companies are looking at specific areas to write and grow. And again, as we talked about earlier, it is leading to a healthier environment across the state of Florida, which is very positive for everyone.

Jon Paul Newsome

Piper Sandler & Co., Research Division

Maybe a little bit more detail on the reinsurance. I know you'll give us more in the future, but Aon this morning was talking about sort of June renewals that would be down 5% to 20%, I think they said, if I recall correctly. That seems like a step function a little bit more in the favor of buyers than we would have thought at the beginning of the year. Just any thoughts there? And directionally, are you thinking that your deals were in the same -- in the direction of what Aon was talking about this morning?

Stephen Joseph Donaghy

CEO & Director

Yes. Paul, we were very pleased with the capacity and the response to our offer, so to say. So I think across the board, we were pleased to get out early, establish our own market, and we were very happy with the way we were treated.

And we see rates favorable compared to where they could have been when you contemplate 2 hurricanes or 3 hurricanes in '24. And the fact that in my experience for 20 years at the company, anytime that would have occurred, you would have seen an increase in rates across the board. And I think even flat or a little bit of a reduction is very acceptable to us for this year's renewal. And as you said, we'll get you all the details in May surrounding that.

But again, I think with the number of hurricanes you saw and to have a -- have no capacity issue and have favorable rates, it really speaks volumes to the legislative changes that occurred in '22 and the market's perspective on those changes and their interest to continue writing reinsurance and rewarding good carriers with favorable terms and conditions.

Jon Paul Newsome

Piper Sandler & Co., Research Division

Do you think the reinsurers have reflected the tort reform impacts yet in any large way or just -- or not? I guess that's the question. Do you think it's been reflected as much as -- folks think maybe next year, it gets more reflected. I don't know about that or not, but any thoughts there?

Stephen Joseph Donaghy

CEO & Director

Well, again, as I said, I think at any time you have a number of hurricanes and people are impacted, reinsurers in particular, and the global nature of that business to have lots of capacity and favorable pricing, I think it is reflected in their approach to the market. And I think it's certainly reflected in our approach to the market.

So the healthier the market, the better and more people that are writing business both from a P&C perspective and also reinsurance. So -- and I think it will continue to be demonstrated in the future, maybe more meaningfully in the future as we continue to go.

Jon Paul Newsome
Piper Sandler & Co., Research Division

And then one last question and then I'll let other folks ask. I know you've been trying to build conservatism in the reserves. Was there any reserve development in the quarter?

Frank Crawford Wilcox
Chief Financial Officer

Paul, this is Frank. No, the answer is there is no prior year development. We took a conservative approach to both the first quarter of '24, and we continue doing that with '25. The difference is the non-cat weather this quarter was much lighter.

Operator

Our next question comes from the line of Nicolas Iacoviello of Dowling & Partners.

Nicolas Iacoviello
Dowling & Partners Securities, LLC

Was there any claims handling benefit booked in the quarter?

Frank Crawford Wilcox
Chief Financial Officer

It was negligible.

Nicolas Iacoviello
Dowling & Partners Securities, LLC

Great. And then I know we'll get the full details on the reinsurance placement closer to 6/1. But is there anything you could add maybe around the GAAP retention? Should we expect it to be similar to the \$111 million pretax last year with \$66 million of coverage from the captive?

Frank Crawford Wilcox
Chief Financial Officer

Yes. The company plans to use that cover in the same exact capacity. So it would be covering the first layer above the \$45 million of retention, so \$66 million in excess of \$45 million translating to \$111 million net for the first event. And the second event, that \$66 million layer is covered by third-party coverage.

Operator

I'm showing no further questions at this time. I'll now turn it back to Steve Donaghy, Chief Executive Officer, for 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 in today's conference. This does conclude the program. You may now disconnect.

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