



# Fourth Quarter 2019 Results

---

Earnings Call Presentation

March 3, 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,” “predict,” “project,” “should,” “anticipate,” “will,” “plan,” and similar expressions identify forward-looking statements, which speak only as of the date the statements were made and include, but are not limited to, statements regarding the outlook for the Company’s future business and financial performance. Such statements may also include commentary on plans, products and lines of business, marketing arrangements, reinsurance programs and other business developments and assumptions relating to the foregoing. Such forward-looking statements are based on the current beliefs of our management as well as assumptions made by and information currently available to them, which are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. 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.

## 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 of 2019, filed with the SEC as an exhibit to a Current Report on Form 8-K on December 31, 2019, and also available on the Company’s website at <https://UniversalInsuranceHoldings.com> under “Investors” with the subheading of “Earnings Releases.”

# FY19 results against multi-year strategic priorities

## 1 Focus on disciplined growth

- Total revenue up 10.6%; FY19 up 14.0%.
- Other states (Non-Florida) direct premiums written up 23.3%; FY19 up 27.6%.
- Diluted GAAP EPS of \$(1.55), non-GAAP adjusted EPS\* of \$(1.57).
- FY19 Annualized return on average equity of 9.2%.

## 2 Maintain strong balance sheet

- Over 75% of reinsurance capacity for June 1st, 2020 renewals already secured.
- YoY Book value per share up 4.9%.
- FY19 debt-to-equity ratio of 2.0%.
- Total unrestricted cash and invested assets up 2.1% to \$1.1B YoY.

## 3 Maximize earnings stability

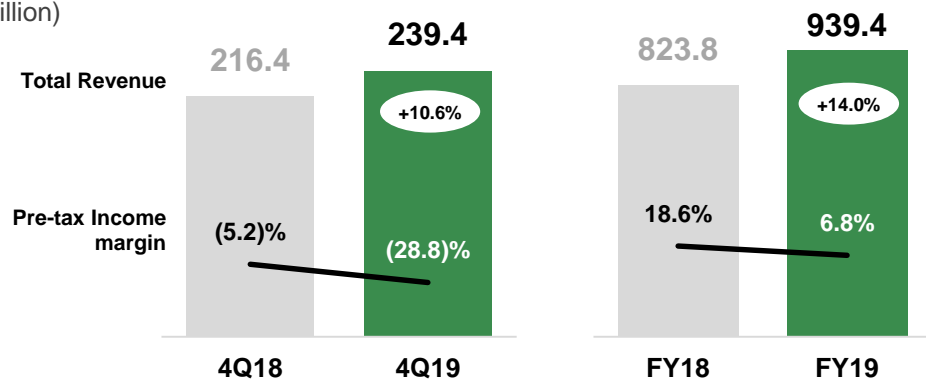
- UPCIC filed for a 12.4% overall primary rate increase in Florida.
- UPCIC commenced writing homeowners policies in Illinois.
- Launched multi-rater quote-to-bind digital platform, Clovered<sup>SM</sup>.
- Initiated FY20 guidance: GAAP and non-GAAP adjusted EPS \$2.80 - \$3.10 (assuming no extraordinary weather events in 2020); ROAE 17% - 20%.

# 4Q19 and FY19 financial results

## Total Revenue

Premium volume and retention due to our marketing strategy, agent relations, and customer service efforts

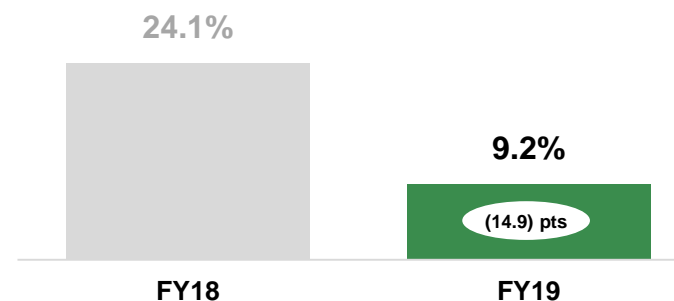
(\$million)



Income before income tax	(11.2)	(69.1)	152.9	63.5
Adjusted operating income*	3.3	(69.7)	192.8	55.8

## Annualized Return on Average Equity (ROE)

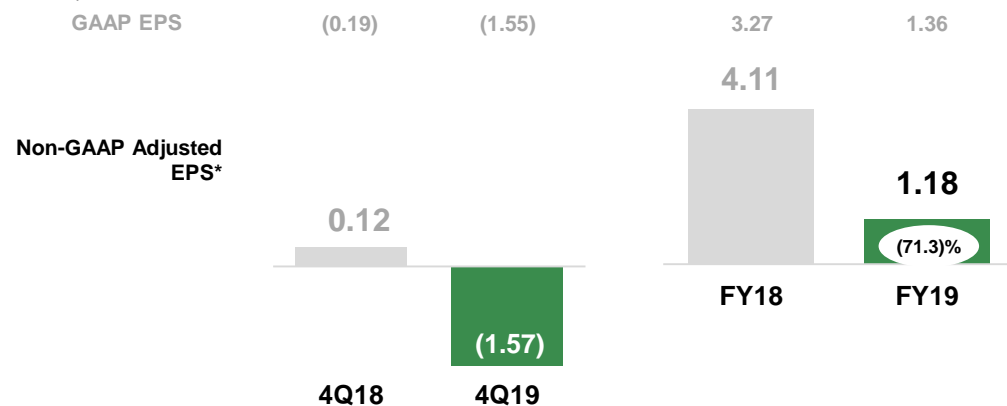
Return on Average Equity



## Earnings per Diluted Share (EPS)

Benefitted from top line growth including investment performance, and commission revenue, offset by a lower benefit from our claims adjusting business as prior years catastrophe claims conclude, current year reserve strengthening, and current year weather events above plan.

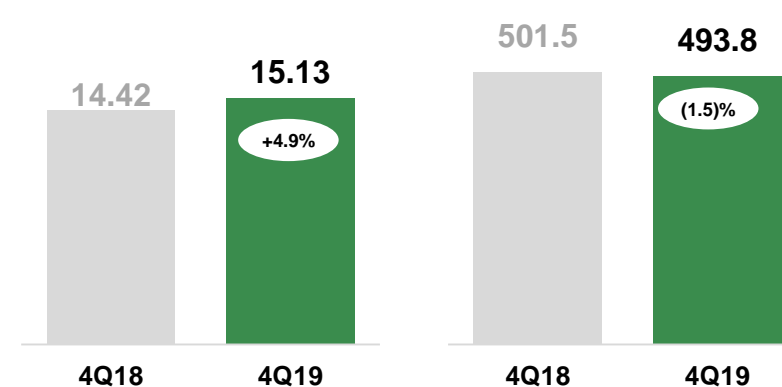
(\$ per share)



## Book Value, end of period

\$ book value per share (BVPS)

\$ million book value\*\*



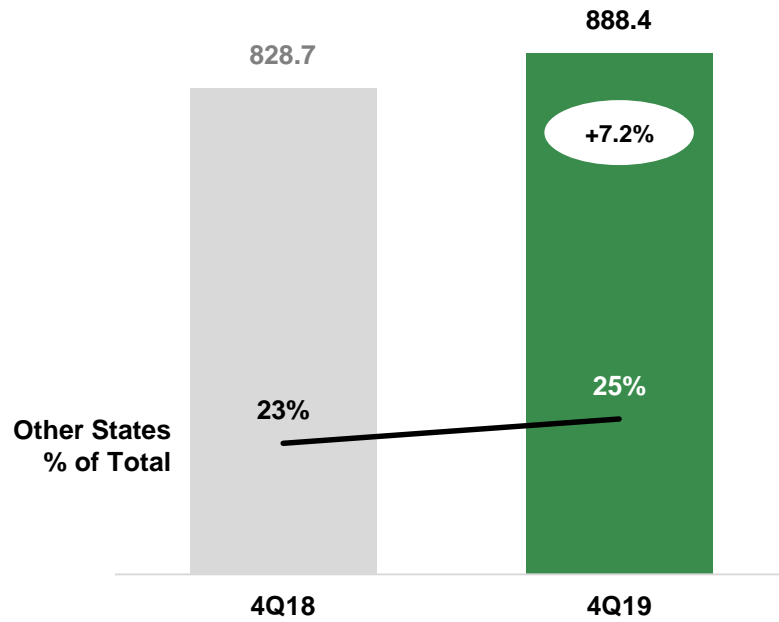
\*Reconciliations of such non-GAAP financial measures in this presentation to the most comparable GAAP financial measures can be found in the Company's earnings release for the fourth quarter of 2019, filed with the SEC as an exhibit to a Current Report on Form 8-K on March 2, 2019, and also available on the Company's website at <https://UniversalInsuranceHoldings.com> under "Investors" with the subheading of "Earnings Releases."

\*\*Excludes preferred stock

# Underwriting

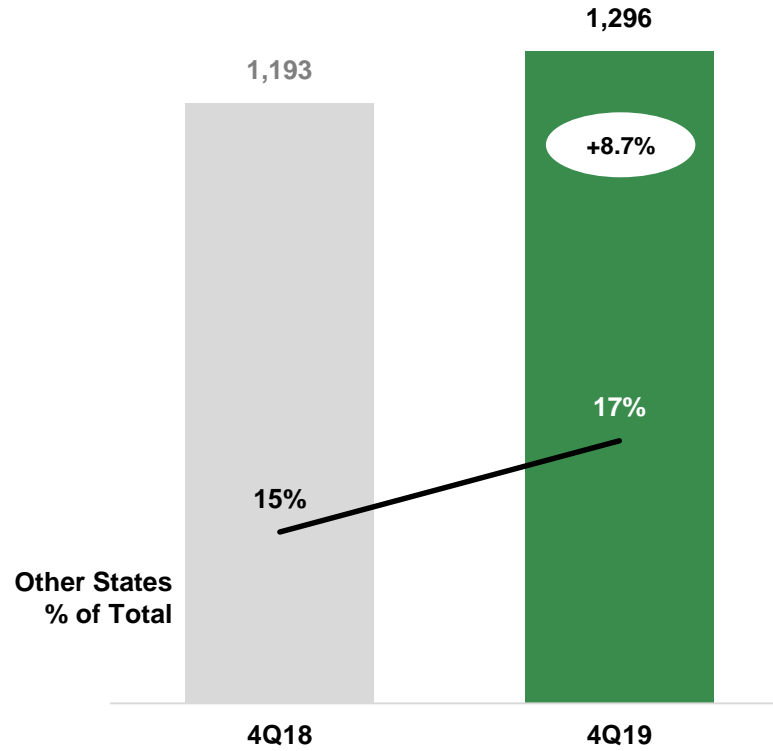
## Policies in force

(thousands)



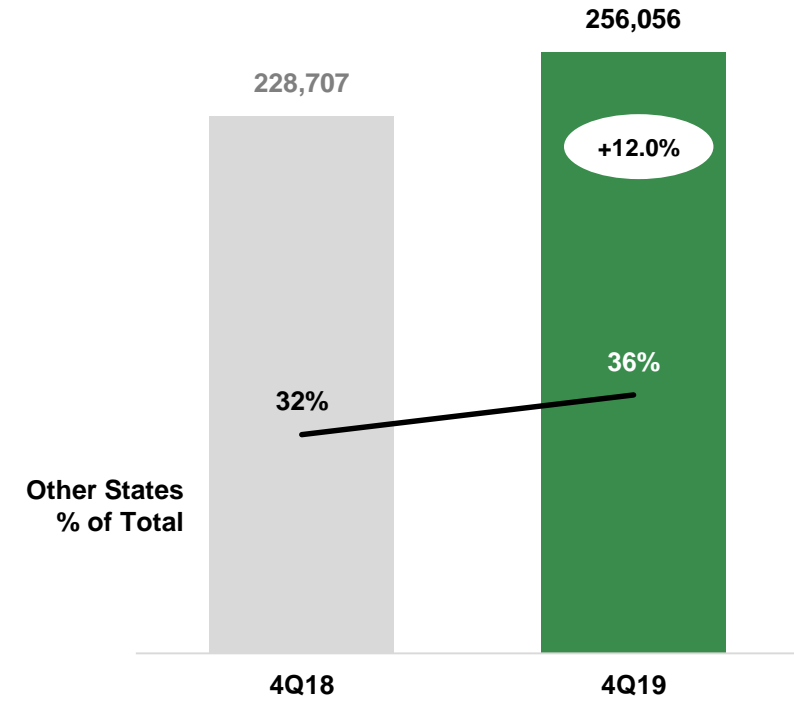
## Premiums in force

(\$million)



## Total Insured Value (TIV)

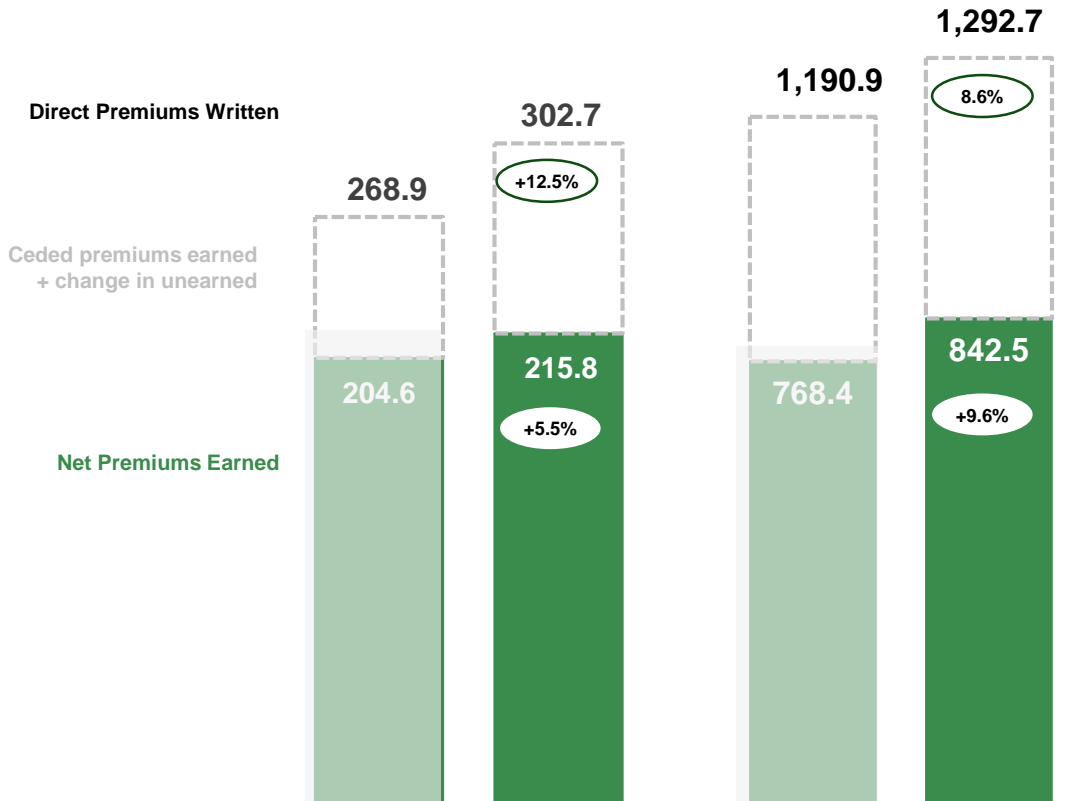
(\$million)



# Underwriting

## Revenue (Direct and net premiums)

(\$million)



4Q18

4Q19

FY18

FY19

Direct Premiums Earned	296.9	321.6
Ceded Premiums earned as % of Direct Premiums Earned*	28.8%	32.7%

1,121.6	1,233.1
29.7%	31.5%

### 4Q Direct premiums written up 12.5%; FY19 up 8.6%

- 18.4% of total direct premiums written in 4Q from Other States
- 4Q other states direct premiums written up 23.3% to \$55.7M; FY19 up 27.6% to \$226.6M
- 4Q Florida direct premiums written up 10.4% to \$246.9M; FY19 up 5.2% to \$1,066.1M

### 4Q Ceded premiums earned (excluding reinstatement premium) as a percent of direct premiums earned increased 3.9 points to 32.7%; FY19 up 1.8 points to 31.5%

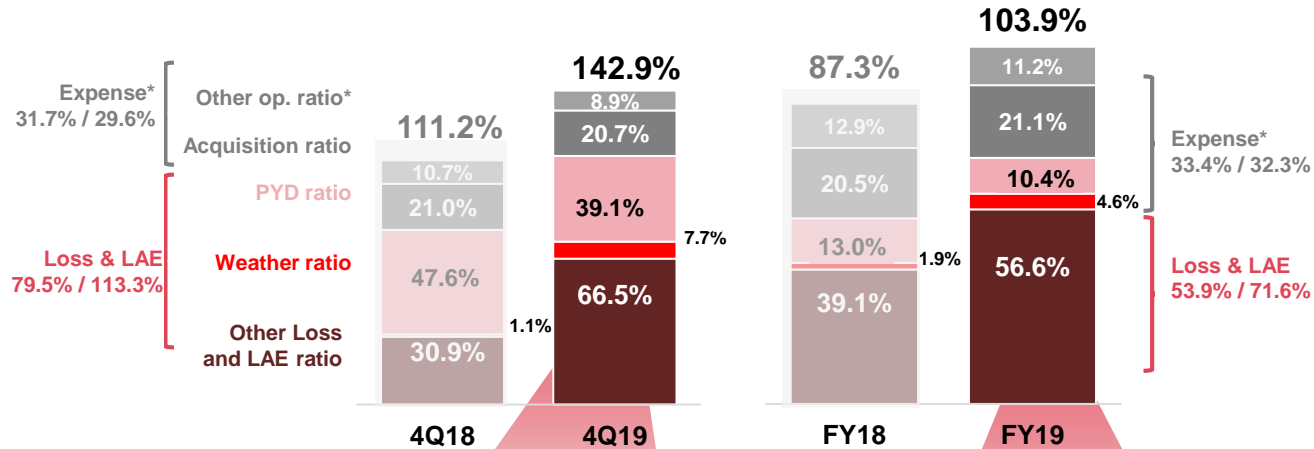
- 4Q ceded premiums earned of \$105.2M\*; FY19 \$388.0M\*
  - Growth in policies in force
  - Increased 2019-2020 reinsurance program effective June 1
  - 4Q & FY19 reinstatement premium, net of commissions of \$582.2K and \$2.5M due to commissions earned on reinsurance premiums associated with the reinsurance program

\*Excludes reinstatement premium

# Underwriting

## Consolidated GAAP Combined Ratio

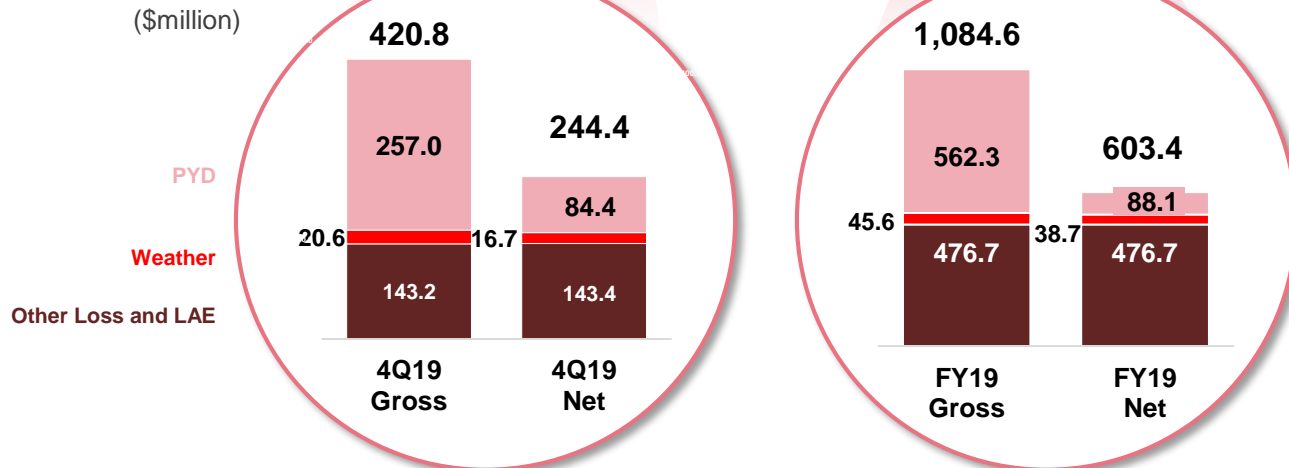
(related expense / Net premiums earned)



## Loss and LAE

(gross and net of reinsurance)

(\$million)



4Q & FY19 Expense ratio improvement driven by economies of scale, lower executive compensation, and a lower level of costs from reinstatement premiums impacting premiums earned

4Q Other Loss and LAE: Gross \$143.2M, \$143.4M net; FY19 Gross and net of \$476.7M

- Diversified growth
- Increase in core booked loss ratio for current year strengthening
- Reduced benefits from claims settlement fees as prior years catastrophe claims conclude

4Q Prior Year Development: Gross \$257.0M, \$84.4M net; FY19 Gross \$562.3M, \$88.1M net (\$40.7M of which is made up of a reduction in prior years anticipated subrogation recoveries)

4Q Weather events in excess of plan: Gross \$20.6M, \$16.7M net; FY19 Gross \$45.6M, \$38.7M net

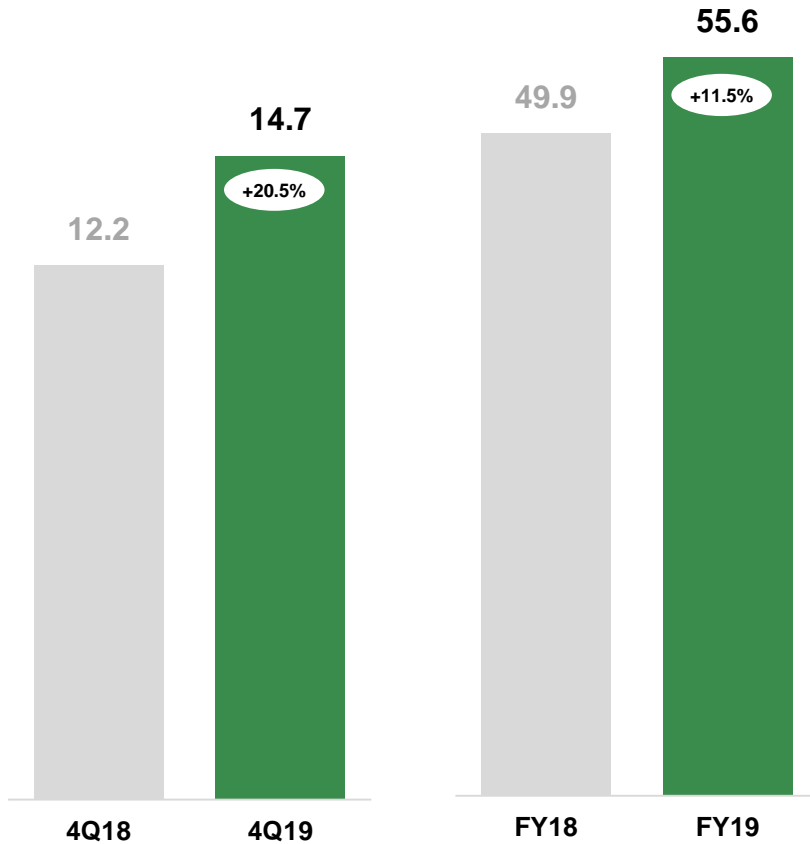
- 1Q19 hail storm that affected Brevard County, Florida
- 2Q19 weather events in excess of plan related to a series of wind events in the southeastern states
- 3Q19 weather events that impacted Minnesota and southeastern states, including Hurricane Dorian
- 4Q19 primarily related to strengthening IBNR and weather events in southeastern states

\*Excludes interest expense

# Services

## Revenue

(\$million)



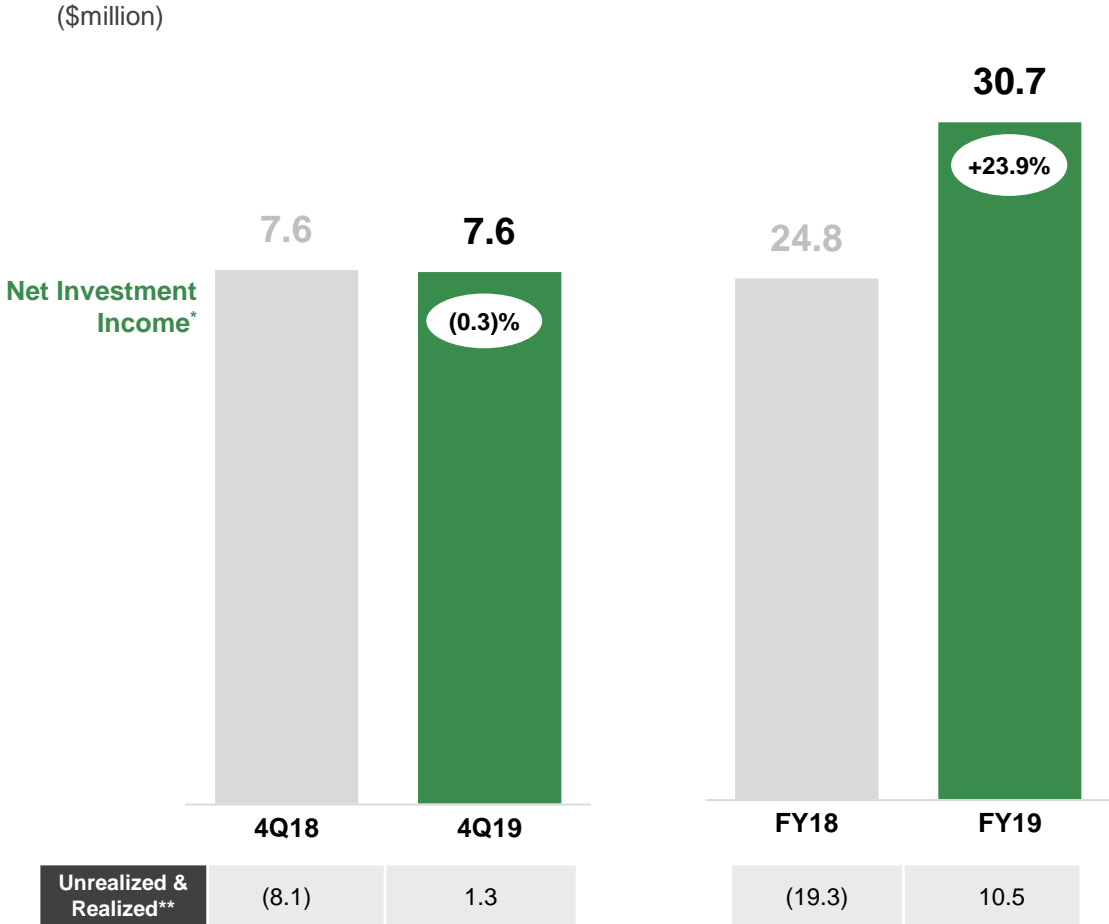
4Q Services revenue up 20.5%; FY19 up 11.5%

- 4Q risk management commissions up 23.6% to \$7.2M; FY19 up 16.3% to \$26.1M
- 4Q MGA policy fees up 9.7% to \$5.0M; FY19 up 6.3% to \$21.6M
- 4Q policy installment fees, premium financing, and other revenue up 36.6% to \$2.6M; FY19 up 11.3% to \$8.0M



# Investments

## Net investment income



Total unrestricted cash and invested assets up 2.1% to \$1.1B YoY

- Invested Assets: \$914.6M
- Unrestricted cash: \$182.1M

4Q Net investment income down 0.3% to \$7.6M; FY19 up 23.9% to \$30.7M

- Increased assets under management
- Optimized portfolio asset mix and duration strategies
- Yield partially offset by a lower trend in yields on cash and short term investments during the second half of 2019
- Average fixed income credit rating of A+ during FY19

\*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