S&P Global
Market Intelligence

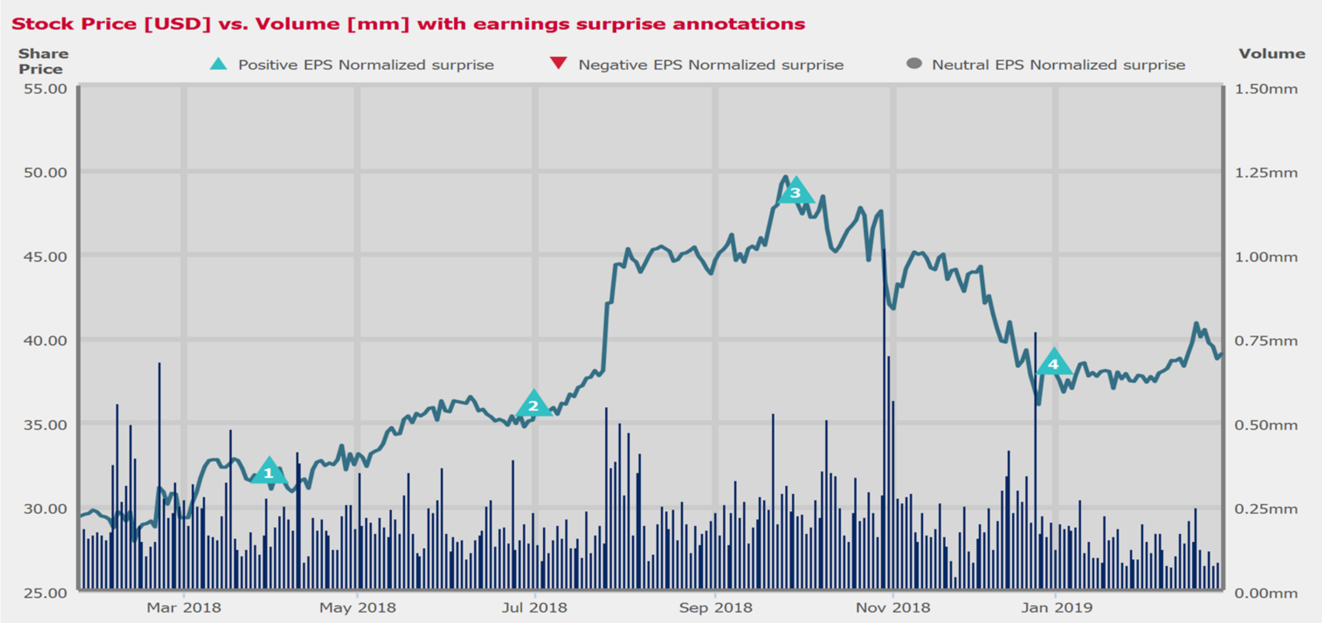
Universal Insurance Holdings, Inc.
NYSE:UVE
FQ4 2018 Earnings Call Transcripts

Friday, March 01, 2019 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2018-			-FQ1 2019-	-FY 2018-			-FY 2019-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.06	0.13	▲116.67	1.27	3.75	4.11	▲9.60	4.76
Revenue (mm)	226.55	216.37	▼(4.49 %)	234.26	833.99	823.82	▼(1.22 %)	978.35

Currency: USD
Consensus as of Dec-13-2018 4:48 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2018	0.87	1.12	▲1 28.74 %
FQ2 2018	0.97	1.29	▲2 32.99 %
FQ3 2018	1.00	1.08	▲3 8.00 %

Contents

FQ4 2018	0.06	0.13	▲ 116.67 %

Table of Contents

Call Participants

EXECUTIVES

Frank Crawford Wilcox
CFO & Principal Accounting Officer

Jon William Springer
President, Chief Risk Officer & Director

Rob Luther

Sean Patrick Downes
Chairman of the Board & CEO

ANALYSTS

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

Samir Khare
Capital Returns Management, LLC

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the UVE Fourth Quarter 2018 Earnings Conference Call. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to turn the conference over to Rob Luther, Vice President of Corporate Strategy and Investor Relations.

Rob Luther

Thank you, and good morning, everyone. Welcome to our discussion on our fourth quarter 2018 earnings results, which we reported yesterday. On the call with me today is Sean Downes, Chairman and Chief Executive Officer; Jon Springer, President and Chief Risk Officer; Steve Donaghy, Chief Operating 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, the all-new earnings presentation and UVE'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 releases.

With that, Sean, I'll turn it over to you.

Sean Patrick Downes
Chairman of the Board & CEO

Thank you, Rob, and good morning, everyone. Thank you for joining us today. Let me start by touching at a high level on our financial results and then I'll go into some of the exciting new strategic initiatives we've been working on.

We ended 2018 with fourth quarter direct written premium up 12.3% due to strong growth in Florida and Other States. GAAP EPS of an $0.18 loss was primarily impacted by Hurricane Irma companion claims, which propagated into non-GAAP non-cat systemic claims representation in Florida, resulting an increase in prior year development. This strengthening resulted from an increase in the frequency and severity of non-cat claims spanning several prior accident years including reopened claims, newly reported claims, increased litigation and increased loss settlements of claims above carried values.

This reflects the trends and dynamics in the Florida marketplace attributable to assignment of benefits and the increased solicitation of prior year's claims in the post-Irma environment. On a non-GAAP adjusted EPS basis, excluding net realized and unrealized gains and losses on investments, which are not core operations of our business, as well as extraordinary reinstatement premiums and associated commissions, we report a quarterly adjusted EPS of $0.13.

We continue to monitor assignment of benefits, AOB legislation in Florida and continue to take steps to address the Florida market dynamics. Over the past year, particularly in the fourth quarter, we have accelerated our operational focus on claims resolutions, including increasing our litigation talent pool, appointing a new Chief Legal Officer from our board, Darryl Lewis, and most importantly, resolving outstanding claims in a timely, fair and equitable manner, enabled going forward with our digital claims tracker to improve the customers' experience. These efforts have resulted in a reduction in our outstanding non-cat litigating claims year-over-year as well as a reduction in our new inbound litigating claims since the changes we implemented, creating earnings stability for the future.

For the full year, GAAP EPS grew 9.4% to $3.27, and non-GAAP adjusted EPS had growth of 39.3% to $4.11. Return on average equity was 24.1%, which marks our sixth consecutive year with a 20% plus return on average equity. Book value per share grew 13.8% and our pretax income margin was a strong 18.6%, all supported by premium volume pricing and our integrated service-based businesses.

On our strategic initiatives, yesterday afternoon we announced a customer-facing digital transformation of our presence online to improve the customer experience. These changes provide key value-added services to our customers and better position us for the future. We have formally launched our revitalized parent company brand, an all-new investor website to provide distinction to our primary insurance line subsidiaries and suite of integrated service capabilities. In addition, we have refreshed our Universal Property brand and created a new online presence for Universal Property in American Platinum that enables consumers to download policy documents, track a claim for certain loss types and bind a policy.

Lastly, over the past couple of years, we have developed an online distribution proof-of-concept called Universal Direct. Under the supervision of Steve Donaghy, our COO, which is the fastest-growing agency in our entire portfolio and one of our largest of all of our agent partners. We have built credibility in the execution of online distribution and are excited today to announce Clovered, our all-new digital insurance distribution channel. Clovered is going live today to enable consumers to learn how to prepare, protect and recover from the unexpected with educational resources. In addition to providing the consumer with thought-provoking content, Clovered will also be enabled in 2019 with a new streamlined process to quickly purchase a policy online. Clovered has been established as a subsidiary of our new intermediary holding company, Oak90, to allow Clovered autonomy in the creation of high-quality content for consumers prospecting and managing the business.

UVE's overall strategic focus is on creating a best-in-class experience for our customers across the insurance continuum. Our business strategy leverages our differentiated capabilities to support our primary insurance companies with an end-market focus across the insurance value chain to provide our customers with a streamlined experience.

As part of our strategy, we continue to evaluate ways in which we can improve the customer experience, provide disciplined underwriting, maintain a strong balance sheet backed by our reinsurance programs and geographic diversification and maximize earnings stability through inversely correlated or complementary high-quality earning streams.

In short, we are excited about taking steps to strengthen our foundation and what it means for our consumers, our combined businesses and our stakeholders.

Let me now turn over to Frank to walk through our financial results.

Frank Crawford Wilcox
CFO & Principal Accounting Officer

Thank you, Sean, and good morning, everyone. As a reminder, discussions today on adjusted operating income and adjusted EPS are on a non-GAAP basis and exclude impacts from unrealized and realized gains and losses on investments and reinstatement premiums and related commissions. Adjusted operating income also excludes interest expense.

Total revenue grew 7.5% for the quarter and 9.6% for the year, driven primarily by higher organic premium volume and rate increases, partially offset by unrealized losses. Pretax income margin was 18.6% for the year, bolstered by our integrated service businesses.

EPS for the quarter was an $0.18 loss on a GAAP basis and a $0.13 gain on a non-GAAP adjusted EPS basis and $3.27 and $4.11 for the full year, respectively. Average equity was 24.1%, and book value per share grew 13.8% for the year.

Turning to our underwriting results, in-force premium grew to approximately $1.2 billion, an increase of 12.8% from the prior year. Direct premiums written were up 12.3% for the quarter led by growth of 8.7% in Florida and 33.9% in Other States. For the year, direct premiums written were also up double digits led by 9.7% in Florida and 34.6% in Other States. Underlying growth in Florida was strengthened by the statewide average rate increase of 3.4% approved in late 2017 and policy mix, while our Other States geographic expansion continues to be strong.

Ceded premium, excluding reinstatement premium, as a percent of direct premium earned, declined 1.5 points to 28.8% for the quarter and was down 1.4 points to 29.7% for the year.

On the expense side, the combined ratio increased 33.6 points for the quarter to 111.2% and 2.9 points for the year to 87.3%, driven by an increase in prior year development, partially offset by our adjusting business and relatively flat expense ratio as set forth in the following. The expense ratio improved 60 basis points for the quarter to 31.7%, driven by a 90 basis points improvement in the other operating expense ratio to 10.7%, related to decreases in performance rewards, partially offset by 30 basis points increase in the policy acquisition cost ratio to 21%. For the year, the expense ratio improved 10 basis points to 33.4%, driven by a 40 basis points improvement in the other operating expense ratio to 12.9%, partially offset by a 30 basis points increase in the policy acquisition cost ratio to 20.5%.

The net losses and loss adjustment expense ratio increased 34.2 points for the quarter to 79.5% and 3 points for the year to 53.9%. This reflects an increase in prior year development and catastrophe-related losses, partially offset by inversely correlated earnings generated by our adjusting business. Quarterly and full year losses and LAE drivers for 2018 include: prior year reserve development of $97.3 million or 47.6 points was recorded for the quarter and $99.5 million or 13 points for the year. For comparison, unfavorable prior year reserve development included $26.2 million or 14.3 points in the fourth quarter of 2017 and $27.5 million or 4 points for the full year in 2017. Weather events in excess of plan of $9.8 million or 4.8 points for the quarter were directly related to Hurricane Michael compared to a benefit in the fourth quarter in 2017 of $9.2 million or 5 points from recoveries received from our reinsurance program related to Hurricane Irma. For the full year, weather events in excess of plan were $14.8 million or 1.9 points. All other losses and loss adjustment expense of $55.7 million or 27.2 points for the quarter and $300 million or 39.1 points for the year includes the benefit of inversely correlated earnings generated by our adjusting business.

Total services revenue declined for the quarter to $12.2 million as a result of the prior year's quarter commission revenue, including an incremental $1.3 million reinstatement premium commissions to our reinsurance intermediary, Blue Atlantic, partially offset by policy fees due to continued growth in premium volume. For the full year, total service revenue increased 5.9% to $49.9 million as a result of growth in all 3 service categories led by policy fees from premium volume.

Net investment income increased 70.9% to $7.6 million for the quarter and 84.4% to $24.8 million for the year due to higher long-term and short-term interest rates, asset mix as well as higher average levels of invested assets. Realized losses in 2018 were the result of liquidating municipal bonds in light of diminished tax benefits. Unrealized losses were driven by market volatility in equity securities.

The effective tax rate for the full year was 23.4%, an improvement of 13.9 points over the prior year. Excluding discrete items recorded in both 2017 and 2018, there was a decrease in the underlying effective tax rate of 11.7 points due to the reduction in the statutory rate of 13.5%, offset by an increase from the effect of the tax act on permanent items of 1.8%, which, when you apply to the taxable income for 2018 of $152.9 million, generated savings of $17.8 million or $0.50 of GAAP diluted earnings per share.

During the fourth quarter, the company repurchased approximately 346,000 shares for a total cost of $14.2 million. For the full year, the company repurchased approximately 689,000 shares at an aggregate cost of $25.3 million. The company's current share repurchase authorization program has $14.5 million remaining as of December 31, 2018, and runs through May 31, 2020.

In the third quarter, we increased our normal dividend 14% to $0.16 per share. Additionally, on January 31, 2019, the Board of Directors of the company declared a quarterly cash dividend of $0.16 per share of common stock payable March 25, 2019, to shareholders of record as of the close of business on March 11, 2019.

Let me now turn it over to John to walk through some additional specifics.

Jon William Springer
President, Chief Risk Officer & Director

Thank you, Frank, and good morning, everyone. I would like to start with some additional color surrounding the continued impact from Hurricane Irma, then give an update on the third quarter event of Hurricane Florence and the fourth quarter event of Hurricane Michael. I will also discuss our reserve position, and lastly, touch briefly on the upcoming June 1 reinsurance renewal.

On Hurricane Irma. We continued to experience new claims reported in the fourth quarter. Specifically, we received 2,200 new Irma claims. As of 12/31/18, we had received just over 88,000 Irma claims in total with less than 6,000 remaining open at that time. In evaluating this loss with our outside actuaries, we elected to book Hurricane Irma to a total gross loss and LAE of $956 million for UPCIC and $4.3 million for APPCIC. Looking at where the loss stood on 12/31/18 from an incurred loss and LAE basis, this new total ultimate number of $960 million included over $100 million of remaining IBNR.

On Hurricane Florence. As of 12/31/18, we had just under 5,000 claims reported and less than 50 remained open at that time. The total gross loss and LAE was booked at $45 million for UPCIC. Again, looking at where the loss stood on 12/31/18 from an incurred loss and LAE basis, this total ultimate number of $45 million, which is unchanged from our original estimate included nearly $8 million of remaining IBNR.

On Hurricane Michael. As of 12/31/18, we had 8,300 claims reported and approximately 600 remained open. The total loss and LAE was booked at $350 million for UPCIC. Again, looking at where the loss stood on 12/31/18 from an incurred loss and LAE basis, this total ultimate number of $350 million, which is also unchanged from our original estimate, included nearly $200 million of remaining IBNR.

As regards to our reserve position. As Frank noted a few moments ago, as of 12/31/18, for the year we booked an increase in older accident years totaling $99.5 million. This amount was spread across several older accident years and driven, in large part, by the recent resolution of many litigated claims. As Sean mentioned in his opening remarks, the creation of the new position of Chief Legal Officer in August of 2018 and the addition of a lawyer as qualified as Darryl Lewis to fill that position has allowed us to stimulate our operational focus on litigated claims resolutions.

In looking at our universe of non-cat litigated claims since 2014, as of 12/31/18, we stood at our highest level of closure with over 72% of these claims now closed. By way of comparison, this number was 59% at year-end a year ago. This is particularly impressive when you factor in that 3,700 new litigated non-cat claims were reported during 2018, many of which are companion claims to Hurricane Irma from prior accident years. We are confident that Darryl and his team have the policies and procedures in place to resolve the remaining outstanding claims in a timely, fair and equitable manner.

As a reinsurance update, we are in the early stages of the 2019 reinsurance renewal, so there continues to be uncertainty around the magnitude of change for catastrophe pricing at June 1. It is far too early to give any real guidance in this space. However, as a reminder, we already have over $365 million of open market catastrophe capacity secured at predetermined pricing via multiyear deals. This capacity represents over 50% of our need in the costliest part of our program below the FHCF.

And with that, I'll turn it back to Rob.

Rob Luther
Thanks, John. I'd like to ask the operator to now open the line for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Christopher Campbell with KBW.

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

First question, reserve charge, I guess, is there a way to break down, like, the $97 million by accident year and maybe like geography of where you're seeing that?

Sean Patrick Downes
Chairman of the Board & CEO

This is Sean, Chris. It's statewide, but obviously, there's a predominance of it as it relates to the areas that Irma affected. We can get you the breakdown. I don't think we have the exact breakdown right now per year. But I think we can look it up and give us a couple of minutes to get you that. The adverse development is directly correlated to the massive solicitation of claims from plaintiff's firms post Hurricane Irma, as John mentioned previously in his remarks. In the middle of Q3, we started to see our litigation increasing for both cat and non-cat claims. The non-cat claims being the companion claims that John mentioned being claims that were either previously a claim of ours that was reopened by the plaintiff's firm or AOB vendor and/or new claims that were opened for year '17 and prior. Around the middle of the third quarter, we started to see this increase in our litigation get to a point where we decided that we needed to make a few changes. As John alluded to earlier, and as I did, we hired Darryl Lewis to be our COO, who is one of the leading litigators in the country and was a member of our Board of Directors. And the 3 things that we asked Darryl to do was to assess our personnel in our law firm, which consists of more than 165 people; assess our processes, the way in which our law firm communicates and discusses the individual claims with the insurance company, the claims company as well as outside counsel; and then most importantly, to assess our litigation inventory. Darryl was a very important part of the decision process going forward and some changes that we implemented after that. Specifically, we made a concerted effort to improve the communication between ourselves and opposing counsel and outside vendors. And we invited those folks to our campus, asked them to bring their litigation inventory and we sat down and began having large settlement conferences. We were highly successful in these settlement conferences and settled thousands of claims for not only ourselves but for our reinsurance partners. And we made a business decision that we thought was in the best interest of both parties to settle these claims a little bit over what we had them reserved at the time to circumvent any adverse DC costs in the future. So that really is what this number is directed to. Since we have improved the communication and opened up the dialogue with opposing counsel and AOB vendors, we have seen a trend in our new litigation trending downwards, which is obviously positive for us, and we also have been focused with these outside vendors to try to find resolution in these claims in a pre-litigation manner. And so far, we're seeing success. We continue having these settlement conferences. And obviously, because of the settlement conferences, we incurred more monies for those years that we had up, so we had to put that money up at the end of the year, and then we had to put up monies to protect ourselves for the litigation that still exists to preclude this event happening again.

Jon William Springer
President, Chief Risk Officer & Director

Chris, this is Jon. Sean, gave me time to dig out some numbers. The breakdown of the charge would be roughly 1/3 of it into accident year 2017, roughly 1/3 in the accident year 2016 and then the remaining 1/3 would be spread across prior accident years, '15 and prior.

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

Got it. And then how does that all feed into you, I guess, that goes into my next question is just given you've had the adverse development and it looks like it's '17 and before, how is that feeding? Are you -- could you expect something similar in accident year '18? And then how is this increased solicitation of litigation, how is that feeding into your current year loss picks?

Sean Patrick Downes
Chairman of the Board & CEO

This is Sean, Chris. Number one, our '18 is performing well at this time per our actuary review. Obviously, we increased our loss ratio in '18 compared to '17. And I think going back to some things that I mentioned earlier with the way in which we have changed the communication or the relationship and dialogue with our outside vendors and opposing counsel, we believe that '18 is looking good. From a '19 perspective, we are going to increase our loss pick to 37% and I'll break that down for you. The reason for that is because of our increased portfolio spread in Other States, that's kind of -- is basically about a point we're looking at. And then we're going to increase 2 more points for Florida, making sure that we are sitting in a conservative position in case anything arises for the future.

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

Got it. And that 37, that is a net core loss ratio or is that a gross one?

Sean Patrick Downes
Chairman of the Board & CEO

Direct.

Jon William Springer
President, Chief Risk Officer & Director

It is direct.

Sean Patrick Downes
Chairman of the Board & CEO

And that 37 basically is the 3-year average of our last 3 years.

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay, got it. But then the trend would have 100 bps for Other States just expanding into there and then additional an 2% to be more conservative in Florida. Is that the right way to think about it? That's embedded in the 37, correct?

Jon William Springer
President, Chief Risk Officer & Director

That's right. Both of those things are embedded in the 37.

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay, got it. And then just, I don't know where you guys are at in terms of the rate filing process. So I guess just given you've had the adverse development and you're raising your loss picks, what's the opportunity to increase or to take more rate in terms of maybe helping to counteract that loss ratio increase?

Jon William Springer
President, Chief Risk Officer & Director

Well, rate is definitely part of the answer. We do have a pending rate filing in Florida right now. So -- and we did, of course, have a rate filing that included some meaningful increases in some of the most accident-prone areas or claim-prone areas of the state last year. So we'll have something to report on this rate filing we expect within the next 30 days or so.

Sean Patrick Downes
Chairman of the Board & CEO

And we also -- this is Sean again. We also had some rate increases that are flowing through and started the process in some other states outside of Florida, Pennsylvania, Indiana, Minnesota, Virginia and Georgia.

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

All right, great. And then probably for you, John, just a question on the reinsurance renewals. I guess, it's still early. Where did you guys renew your cat fund participation at?

Jon William Springer
President, Chief Risk Officer & Director

90%.

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And that was the same year-over-year, correct?

Jon William Springer
President, Chief Risk Officer & Director

Yes.

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Now I'm just wondering, a competitor was able to get like 15% lever alongside their 75% participation just at like the same price as the cat fund. So I guess if you would have that opportunity to buy more private market cover at the same price as what the state fund is giving, which my impression is that it's a little bit better coverage all in. Like, why wouldn't you guys go down to the 75% versus staying at 90%? I guess, could you just walk us through the calculus on your thinking there?

Jon William Springer
President, Chief Risk Officer & Director

Yes. I don't know if we have enough time on this call, but it's something that we evaluate every year and everybody's cat fund fits slightly differently within their reinsurance tower. I think that's a big misnomer. I think a lot of people who don't spend every day on reinsurance think that everybody's cat fund attaches at the same return time and exits at the same return time and that's not the case. Everybody fits a little bit different. So some people will inevitably view the cat fund's rates as more attractive than the open market and some the other way. So it's something that each company has to evaluate individually. The amount of capacity can come into play, we're projecting to receive over $2 billion of limit from the cat fund. So for us to think about changing our percentage from 90% to 75% or to 45%, you're talking about a rather meaningful open market purchase to replace that. It's not as simple as potentially some of the other smaller companies.

Christopher Campbell
Keefe, Bruyette, & Woods, Inc., Research Division

Okay, got it. And in that layer for this particular company, was loss impacted by Irma clearly? And then you were able to get flat pricing. I guess just what are your thoughts on just seeing a data point like that in the market as an early read through in the midyear? Or is it something you can't read through because every company is different?

Jon William Springer
President, Chief Risk Officer & Director

Every company is different, Chris. And I wouldn't read anything into that 1 data point.

Operator

[Operator Instructions] Our next question comes from Samir Khare with Capital Returns Management.

Samir Khare
Capital Returns Management, LLC

I was wondering how much the loss ratio did benefit from the claims adjusting reserves? And if you can break those -- sorry, not reserves, revenues? And if you can break those revenues out by the catastrophe that contributed to it?

Sean Patrick Downes
Chairman of the Board & CEO

While Frank is getting the numbers, we don't have the exact numbers broken down per catastrophe, but as you're fully aware, our revenues directly correlated to UAC were from Hurricane Florence, large event Hurricane Michael as well as, as John mentioned, the continued claims that we received in Q4 of approximately 2,400 from Irma plus our non-cat claims that were handled in quarter 4. But we can get you that breakdown somewhere, we just don't have that in front of us right now.

Frank Crawford Wilcox
CFO & Principal Accounting Officer

So Samir, in the aggregates, for the fourth quarter of '18, UAC generated $36.6 million versus $33 million last year. And as a percent, that's pretty much flat. So the contribution is relative flowing through each last year's ratios.

Samir Khare
Capital Returns Management, LLC

Okay. And how do you envision these revenues coming in for the next few quarters? I know last quarter you said from Irma, it would be de minimis. But going forward, it seems like it could be quite a benefit.

Sean Patrick Downes
Chairman of the Board & CEO

I just think -- obviously, the cat claims are slowing down specifically as it relates to Michael and Florence. We're going to continue, obviously, still getting some Irma claims in, but that is trending down quarter-over-quarter. So I would expect it right now just to look at it from a flat perspective going forward because I don't think we're going to be seeing that much -- that many claims that are coming from the cat environment.

Samir Khare
Capital Returns Management, LLC

Okay. And just on Michael, if you can break that down. I think you said $9.8 million on that. And clearly, it's benefiting from some claims revenues, but also probably from the Other States program. Could you break it down $35 million retention initially last quarter and then from there?

Jon William Springer
President, Chief Risk Officer & Director

Yes, sure. So you're exactly right that the difference between the $35 million and the $9.8 million is primarily attributable to the recovery from the Other States part of the Michael loss. So not to mention, we did have a drop-down retention for second event outside of Florida, so that came into play, we recovered a little bit from that program as well. So that's the answer.

Samir Khare
Capital Returns Management, LLC

Okay, got it. So that $9.8 million doesn't reflect any benefit from the claims revenues attributable to Michael?

Jon William Springer
President, Chief Risk Officer & Director

No. That has nothing to do with it. That's just the net retention after the coordination of all the reinsurance programs.

Samir Khare
Capital Returns Management, LLC

Got it, okay. And the subrogation receivables, has that changed at all? And can you talk about what we can expect to see from the yellow books? And if that contributed to any of the reserves strengthening?

Jon William Springer
President, Chief Risk Officer & Director

The subro reserves, it's a unique relationship, obviously, with the losses. So as we increase our predicted losses or if our outside actuary increases our predicted losses, then Universe for subro opportunity becomes greater. So subro that you'll see in the yellow book will be up slightly. The ratio of that anticipated subro to the predicted losses will stay the same.

Samir Khare
Capital Returns Management, LLC

Okay. How much capital do you guys have in the unregulated entities that would be available for buybacks?

Frank Crawford Wilcox
CFO & Principal Accounting Officer

Let me just pull that for a second here.

Jon William Springer
President, Chief Risk Officer & Director

While Frank is pulling that out, I just would add one thing related to subro. I know you're always interested in it, Samir. Well, we did bring in an increase of 40% year-over-year in subro recoveries.

Frank Crawford Wilcox
CFO & Principal Accounting Officer

Samir, we had $91 million in cash available at the holding company level.

Samir Khare
Capital Returns Management, LLC

Okay. I appreciate the detail on the Michael and Irma that you had before. Could you give me the same detail on Florence as to what the gross loss is there? How many claims?

Jon William Springer
President, Chief Risk Officer & Director

Yes, sure. So we booked the gross loss at $45 million, which is the same as our original number. As of year-end, we had just under 5,000 claims reported and less than 50 remained open at that time.

Samir Khare
Capital Returns Management, LLC

Okay, great. And just on the reinstatements premium in the quarter, any other reinstatements amount left in the 2017 cat tower if Irma develops from here?

Jon William Springer
President, Chief Risk Officer & Director

Yes. So the total limit is $23 million. And through 2018, we incurred $20.7 million, so just around $3 million left on that.

Samir Khare
Capital Returns Management, LLC

Okay. And would that develop if the gross Irma loss developed from here? Or would that have kind of -- would it develop kind of at a much higher point in the tower?

Jon William Springer
President, Chief Risk Officer & Director

It will develop beyond the $960 million ultimate that we booked, but it will develop very slowly because we're at a point in this loss where we're collecting the majority of the money from the Florida Hurricane Cat Fund, which obviously there's no reinstatement there. So we're collecting just a little bit along the side from the open market. So that amount will stretch for a long time.

Samir Khare
Capital Returns Management, LLC

Okay. And then in a similar question, are there any reinstatement premiums that would have to be paid if either Florence or Michael develop adversely from here? And at what levels?

Sean Patrick Downes
Chairman of the Board & CEO

Definitely none from Florence. And we booked Michael at $350 million, which includes nearly $200 million of IBNR as of year-end, and it would need to probably close to double from the $350 million before we would incur any reinstatements.

Operator

And I am not showing any further questions at this time. I would now like to turn the call back over to Sean Downes, Chairman and Chief Executive Officer, for any closing remarks.

Sean Patrick Downes
Chairman of the Board & CEO

Thank you. As always, in closing, I would personally like to thank all of our insurers, our employees, our agents and our stakeholders for their continued support of Universal. This concludes the conference. Thank you, and have a nice day.

Operator
Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program, and you may all disconnect. Everyone, have a wonderful day.