S&P Global
Market Intelligence

Universal Insurance Holdings, Inc.

NYSE:UVE

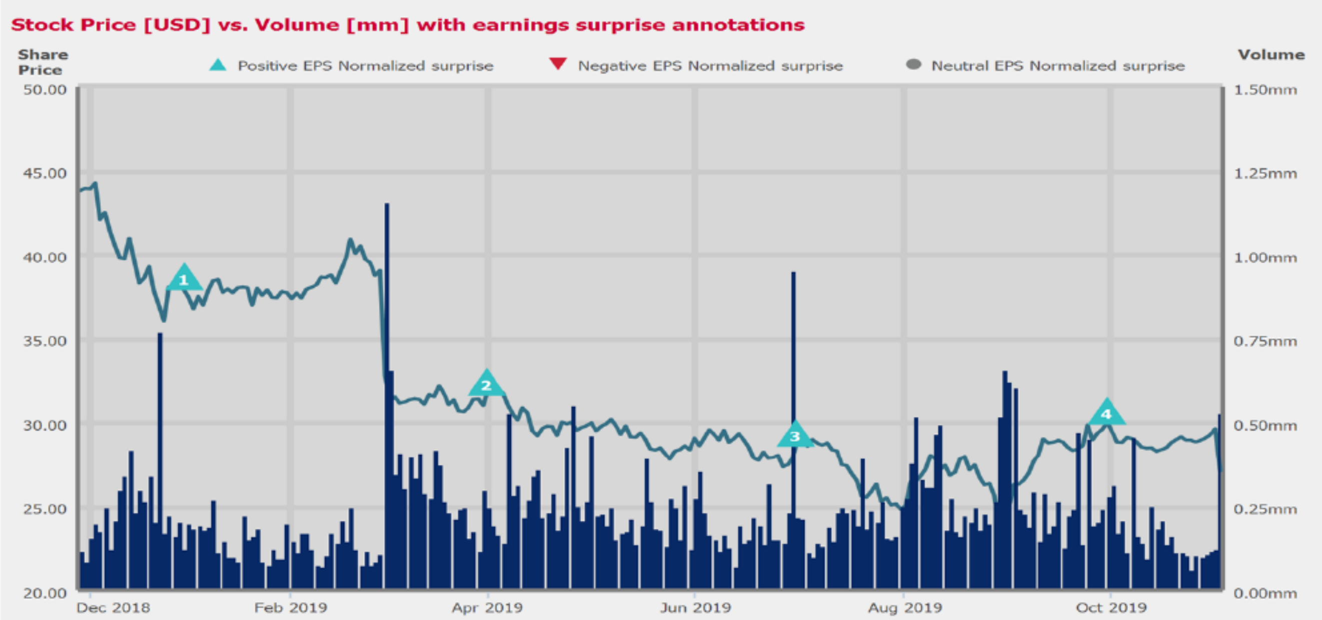
FQ3 2019 Earnings Call Transcripts

Thursday, October 31, 2019 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2019-			-FQ4 2019-	-FY 2019-	-FY 2020-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.50	0.61	▲22.00	(0.24)	2.30	2.85
Revenue (mm)	227.76	229.64	▲0.83	233.83	931.90	1031.79

Currency: USD
Consensus as of Oct-07-2019 9:10 PM GMT



	- EPS NORMALIZED -		
	CONSENSUS	ACTUAL	SURPRISE
FQ4 2018	0.06	0.13	▲116.67 %
FQ1 2019	0.98	1.00	▲2.04 %
FQ2 2019	1.00	1.05	▲5.00 %
FQ3 2019	0.50	0.61	▲22.00 %

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Call Participants

EXECUTIVES

Frank Crawford Wilcox
CFO & Principal Accounting Officer

Jon William Springer
President, Chief Risk Officer & Director

Rob Luther
Vice President of Corporate Development, Strategy & Investor Relations

Stephen Joseph Donaghy
Chief Executive Officer

ANALYSTS

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

William Harry Broomall
Dowling & Partners Securities, LLC

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the UVE Third Quarter 2019 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
Vice President of Corporate Development, Strategy & Investor Relations

Thank you, and good morning, everyone. Welcome to our discussion on our third quarter 2019 earnings results, which we reported yesterday. On the call with me today is Steve Donaghy, Chief Executive Officer; Jon Springer, President and Chief Risk 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, our 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 release.

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

Stephen Joseph Donaghy
Chief Executive Officer

Thank you, Rob, and good morning, everyone. Thank you for joining us today. Yesterday, we reported strong third quarter results with non-GAAP adjusted EPS of $0.61 on revenue growth of 11.4% versus the year-ago quarter. Year-to-date, total revenue was up 15.2% to $699.9 million. Direct premiums written were up 7.4% due in large part to strong growth outside of Florida in addition to rate increases within Florida and other states. Year-to-date, EPS was $2.82 on a GAAP basis and $2.67 on a non-GAAP adjusted basis. Our year-to-date annualized return on average equity was 23.9%. Book value per share grew 12.7%, and our pretax income margin was a strong 18.9% year-to-date, all supported by premium volume, pricing, integrated services and our investment portfolio performance.

We believe these results, combined with the outstanding work our claims servicing team has done in bringing closure to prior year catastrophe events, and the launch this quarter of our multi-rater quote-to-bind platform on Clovered, where consumers can now receive up to 5 side-by-side quotes online from different carriers, positions us well to continue to deliver on our strategic priorities.

So with that, in a moment, Jon will provide an update on some risk management topics. But first, let me now turn it over to Frank to walk through our financial results. Frank?

Frank Crawford Wilcox
CFO & Principal Accounting Officer

Thank you, Steve, 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 extraordinary reinstatement premiums and related commissions. Adjusted operating income also excludes interest expense.

Total revenue grew 11.4% for the quarter and 15.2% year-to-date, driven primarily by continued organic premium volume growth, pricing and our investment portfolio performance.

Pretax income margin was 12.1% for the quarter, impacted by weather events above plan, partially offset by returns on our investment portfolio and integrated service performance. Year-to-date, pretax income produced an 18.9% margin. EPS for the quarter was $0.59 on a GAAP basis and $0.61 on a non-GAAP adjusted EPS basis, and $2.82 and $2.67 year-to-date, respectively. These results reflect positive momentum from premium growth, investment performance and a reduced share count, offset by a higher core booked loss ratio in 2019 when compared to 2018, weather events above plan and a lower benefit from integrated services as prior year's claims conclude.

In addition, the year-to-date EPS decline relative to 2018 was driven by a pretax $6.5 million nonrecurring benefit in policy acquisition costs in the second quarter of 2018. The company produced a strong annualized year-to-date return on average equity of 23.9% and book value per share growth of 12.7% year-over-year.

Turning to our underwriting results. Premiums in force grew to approximately $1.3 billion, an increase of 8.5% from the prior year. Direct premiums written were up 10.9% for the quarter, led by the full quarter's impact of rate increases in Florida and other states taking effect as well as strong direct premium growth of 27.6% in states outside of Florida. Year-to-date, direct premiums written were up 7.4%, led by the rate increases taking effect as well as strong direct premium written growth of 29.1% in other states.

Net premiums earned were up 9.3% for the quarter and 11.2% year-to-date, driven by the previously mentioned factors, partially offset by the increases in ceded premiums earned in the third quarter for our previously released June 1 reinsurance program announcement, where we increased first event all states reinsurance program coverage to $3.3 billion.

On the expense side, the combined ratio increased 15.8 points for the quarter to 97.8% and 11.9 points year-to-date to 90.5%, driven primarily by geographic diversification, an increase in our core booked loss ratio at the start of 2019, weather events above plan and a reduced benefit from our claims adjusting business, partially offset by a reduction in our expense ratio as set forth in the following.

The expense ratio improved by 3 points for the quarter to 33.5%, primarily related to a 2.3 point improvement in the other operating expense ratio. Year-to-date, the expense ratio improved by 70 basis points to 33.2%, driven by a 1.7 point decrease in the other operating expense ratio, partially offset by a 90 basis point increase in the policy acquisition cost ratio. The improvement in the other operating expense ratio for the quarter and year-to-date was due to economies of scale, executive compensation reductions and higher reinstatement premiums in the prior year's comparison affecting the base of the ratio. The increase in the policy acquisition cost ratio year-to-date relative to the first 9 months of 2018 was due to a nonrecurring benefit of $6.5 million recorded in the second quarter of 2018 related to a refund of prior year premium taxes as a result of the settlement with the Florida Department of Revenue and higher reinstatement premiums in the prior year's comparison affecting the base of the ratio.

We now expect the expense ratio for the full year to be between 33% and 34%. The net loss and loss adjustment expense ratio increased 18.8 points for the quarter to 64.3% and 12.7 points year-to-date to 57.3%.

Quarterly and year-to-date drivers include weather events in excess of plan of $15 million or 7.3 points for the quarter was related to weather events in Minnesota and a series of wind events in the southeastern states, including Hurricane Dorian. This is in comparison to $7.5 million in the third quarter of 2018. Year-to-date weather events in excess of plan were $22 million or 3.5 points compared to $12.5 million for the first 9 months of 2018.

Prior year reserve development of $3.2 million or 1.6 points was recorded for the quarter, and $3.7 million or 60 basis points was recorded year-to-date related to prior year's catastrophe events. For comparison, there was an immaterial development in the third quarter of 2018 and an unfavorable development of $2.2 million or 40 basis points for the first 9 months of 2018.

All other net losses and LAE of $114.4 million or 55.4 points for the quarter and $333.3 million or 53.2 points year-to-date includes diversified growth in the company's underlying business, an increase in our core booked loss ratio at the start of 2019 and a reduced benefit from our adjusting business as prior year's claims conclude.

Turning to services. Total services revenue increased 17.7% to $14.9 million for the quarter and 8.6% to $40.9 million year-to-date, driven by commission revenue earned on ceded premiums by our reinsurance intermediary, Blue Atlantic, and an increase in MGA policy fees and other revenue related to new and renewal policy volume.

On our investment portfolio, net investment income increased 14.6% to $7.6 million for the quarter and 34.6% to $23.2 million year-to-date, primarily due to increased assets under management and an asset mix shift to higher-yielding investment-grade bonds during 2018 and 2019, which are having a greater impact on net investment income. Yields from the fixed income portfolio are dependent upon future market forces, monetary policy and interest rate policy from the Federal Reserve. The company continually monitors the current Federal Reserve interest rate trends, which has impacted effective yields on new fixed income and overnight cash purchases in 2019, but the impact has been somewhat limited in comparison to the prior year due to prudent duration strategies and asset mix shifts.

Realized losses for the year-to-date period were primarily the result of liquidating underperforming equity securities. Unrealized gains were driven by market fluctuations in equity securities, resulting in a favorable outcome for the quarter and year-to-date periods.

Taxes. Excluding discrete items, the effective tax rate for the third quarter was 29%, an increase of 2.5 points over the prior year's quarter. Year-to-date, the effective tax rate was 27%, an increase of 1.1 points over the prior year's first 9 months. These increases were largely due to a change in the amount of both permanent differences and taxable income. Barring any unforeseen events, the remainder of the year for 2019, we expect an effective tax rate of approximately 27% to 28% before discrete items.

In regards to capital deployment, during the third quarter, the company repurchased approximately 964,000 shares at an aggregate cost of $25.7 million. Year-to-date, the company repurchased approximately 1.8 million shares at an aggregate cost of $49.9 million. The $49.9 million returned to shareholders through opportunistic share repurchases year-to-date is the largest amount of capital deployed for share repurchases over any other corresponding 9-month period in the company's history.

On June 5, 2019, the Board of Directors of the company declared a quarterly cash dividend of $0.16 per share, which was paid in the third quarter on July 17, 2019, to shareholders of record as of the close of business on July 3, 2019.

Let me now turn it over to Jon 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 on past cat events and current accident year weather events and will conclude with some comments on the current risk management market dynamics.

The third quarter saw us make major progress in closing past catastrophe claims. Our in-house claim staff has done a tremendous job in servicing our policyholders in handling over 100,000 catastrophe claims in the past 2 years alone.

On Hurricanes Matthew and Florence, we're nearing the end of the claims handling with approximately 20 claims remaining open on each storm at 9/30. We did increase the total gross losses just slightly to $47.5 million and $52 million, respectively. On Hurricane Michael, total gross loss remains unchanged at $350 million with approximately 400 claims remaining open at 9/30.

On Hurricane Irma, we started the quarter with 5,500 open claims and made significant progress during the quarter. As of 9/30, we increased our total gross loss to $1.25 billion with just under 2,000 claims remaining open. We have made even further progress in October and stand here today with less than 1,000 open Irma claims. From a net exposure standpoint, as we've noted in the past, at this point in the life cycle of Hurricane Irma, the vast majority of any increase in loss is covered by the Florida Hurricane Catastrophe Fund.

In regards to our current accident year weather events, for the hailstorm in Brevard County, Florida, in Q1, approximately 90% of claims have been closed with incurred losses within our original plan for this event. When looking at the weather events that took place nationally in Q2, we were fortunate to only be exposed to roughly half of the events due to our geographic business footprint. In the third quarter, there were meaningful weather events in Minnesota as well as a series of wind events in Southeastern states, including Hurricane Dorian, all of which led us to booking an additional $15 million beyond plan, as Frank mentioned earlier. The majority of this additional weather loss booked in Q3 is related to Hurricane Dorian.

This is a retention event, so gross would equal net for all intents and purposes. When coming up with the estimated gross loss, we considered several factors, including modeled loss estimates specific to our book of business, which is obviously more granular than a high-level state or regional market share analysis, but also considered, total market-wide loss estimates widely reported by the generally accepted catastrophe models and applied load and market share estimates across several states. Lastly, we looked at our own trend data thus far for claims volume. In looking at all of these factors, we have taken a prudent approach to reserving for this event and feel comfortable in our booked position this quarter.

As a reinsurance update, the majority of the Atlantic hurricane season is in the rearview mirror. We believe this was a largely benign hurricane season for Florida with primary insurers absorbing the lion's share of losses within their retention. This result will serve as a strong bottom line outcome for our reinsurance partners in the Florida market. Following the active loss seasons of 2017 and 2018, this is a well-earned result for all parties involved. It is far too early to speculate on June 1, 2020, reinsurance renewals as we will allow the hurricane season to formally end, continue to track the positive effects of the Florida AOB Legislation Reform and, of course, monitor the reinsurance capacity effects of weather events around the globe.

With that, I'd like to turn it back to Rob.

Rob Luther
Vice President of Corporate Development, Strategy & Investor Relations
Thanks, Jon. 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 the line of Christopher Campbell of KBW.

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

I guess I'll start off with the large amount of repurchases this quarter. I mean, obviously, a big slug there. So like how should we view the $25 million approximately that you bought back this quarter? Is that like a good run rate going forward? Or how should we think about modeling repurchases?

Stephen Joseph Donaghy
Chief Executive Officer

Yes. So obviously, those repurchases were in light of what we believe to be an undervalued price for us, and we took the opportunity with some capital that we had to repurchase that. I wouldn't look at that necessarily as the run rate going forward. I think that there are a lot of factors at play going forward, including what the stock price does, capital that we may or may not have available to deploy. We look at the best use of our capital at any given point in time.

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

Got it. And how much excess capital would you guys estimate that you have right now?

Stephen Joseph Donaghy
Chief Executive Officer

Well, it's not a disclosure that we make on an interim basis. So at the end of the year, we will have holding company only financial statements, and you'll be able to gauge that from there.

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

Okay, perfect. And then kind of looking at the commission revenue, that rose year-over-year. How should we think about modeling that one -- that line item as well?

Stephen Joseph Donaghy
Chief Executive Officer

Well, the amount that we earned went up for a couple of reasons. First of all, because our exposures have increased. And with that, the amount of reinsurance that we buy. But we also are purchasing a larger percentage of our reinsurance from third parties, which is the portion that earns us that commission. The cat fund is a smaller percentage of our overall program because there's a higher participation rate among other participants in that program.

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

Okay, got it. So the way we should be thinking about the main life drivers behind that should just be on the commission. So that's not like commission revenue that you are getting from like the -- from the new platform, correct?

Stephen Joseph Donaghy
Chief Executive Officer

No, no. The vast majority of that is the commissions earned on the reinsurance program.

Christopher Campbell

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

Okay. So that's the reinsurer. That is not like the commission you guys get from this new like multi-quote platform?

Stephen Joseph Donaghy
Chief Executive Officer

No.

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

Okay, got it. And then looking at the expense ratio, that was pretty strong this quarter. I mean, it's like mid- 30s, like 33%, 34% net expense ratio, where we should be thinking about modeling you all?

Stephen Joseph Donaghy
Chief Executive Officer

Yes. I mean, there are a lot -- the answer -- the short answer is yes. There are a lot of variables involved in that equation. There are 2 sides of the equation or the spend itself, which is your numerator. And then there's the net earned premium, and both are affected by different things. As far as the denominator supply and demand of the product, primary rates, cost of reinsurance are all going to be at play there. And those things can put pressure or ease pressure, depending on which direction they go on the expense ratio. As far as our spend goes, our ratio is right within the range that we've been sharing with our folks, although on the lower end of that range, and we feel good about that. We feel that we've been disciplined with our spend. We don't spend it unless we believe that it's going to generate good dividends. So going forward, it depends. It depends on what happens with reinsurance prices. It depends on what happens with primary rates that are driven by a variety of different factors.

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

Okay, great. So you had mentioned reinsurance prices. I go ahead and open up like Pandora's box, right, for Jon, right? So given all of the Japanese typhoons, the potential impact on retro, I guess, we're almost through wind season, it looks like Florida has mostly escaped the crosshairs of any big storm. So I guess, just how should we be thinking about like a midyear reinsurance renewals? What would be the impact -- what would be the potential impact? What's happening in Japan? And then how sensitive do you think like next years's reinsurance pricing is going to be to the rest of our market that renews at 1/1?

Jon William Springer
President, Chief Risk Officer & Director

Yes. Well, there's a lot there. And the short answer to almost all of those is it's really too early to tell. And I don't mean to be coy with you, Chris, I would give you more if I had you. We've talked to a lot of our reinsurance partners. As I said in the opening, it was -- or we are on our way, I should say, to a well-earned relatively loss-free year, which our reinsurance partners certainly deserve, our policyholders could use a year off from a major impact here in Florida as well as our claims staff. So it's -- everybody has deserved the year that we're on our way to. It is just simply too early to tell in part because of what you just laid out. There are so many factors at play, including losses around the globe, including how that impacts the retro market for our reinsurance partners. There's a lot to sort out, and it's too early.

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

Got it. And then, I guess, just like when we're looking at the different renewals. I guess, just like how independent or not independent is the Florida renewal versus, right? We're going to get a read-through on 1/1. There'll be some property stuff there. And obviously, 4/1 is all like it's mostly Japan. So I guess, just when we're looking at that, like what would be like if you had to like come up with a gross correlation, like what would be like -- how reliable would looking at either of those 2 renewals be in terms of predicting what's going to happen in midyear? I mean, is it like 10% correlated? Or -- I'm trying to think, because the last few years within Florida, right? Florida got hit by a lot of cats, and then that didn't impact the Japanese renewals. So it looks like there is kind of some of the independence between the different areas, the way that the reinsurers could be differentiating the pricing?

Jon William Springer
President, Chief Risk Officer & Director

There's definitely independence, and we'll watch these things closely as you do, see what the experience is of those that buy at 1/1, see what happens on the 4/1 Japanese. But at the end of the day, Florida renewals stand on their own, and they can move directionally like the 1/1s and the 4/1s, or they could do something totally different. They really are independent.

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

Okay, got it. And then I was looking at Slide 7 of the deck, and it looks like, and you guys had like, I think, Jon, you mentioned a little bit in your script about Irma losses. The Irma gross loss is now $1.25 billion, but you're holding the Michael -- the Michael loss pick. So it looks like most of the $205 million of gross adverse development was Irma. So I guess just where do you stand in terms of like your 2017 tower? Looks like the breakout between the limit you have available in indemnity versus like what's still available in terms of like the LAE pieces of that?

Jon William Springer
President, Chief Risk Officer & Director

Yes. Even though we've increased the Irma loss, my statement is going to be very similar to the one that I made last quarter and that I made in the opening remarks, where we are in the life cycle of this storm, is that the vast, vast majority of this increase is being borne by the Florida Hurricane Cat Fund. And when you factor in some of the strategies that we deployed early on in this event with front-loading some of the loss adjustment expenses, we're in a position where an even greater share is being covered by the Florida Hurricane Cat Fund than may otherwise be apparent.

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

Okay, got it. And then, I guess, just -- are you guys starting to see any benefits like on the core loss ratio from like AOB reform? Are there any like operational metrics that you're seeing within the claims department that things are getting better? And then if so, how is that going to impact your upcoming rate filing?

Stephen Joseph Donaghy
Chief Executive Officer

Chris, this is Steve. From an AOB perspective, we continue to be cautiously optimistic about that legislation. And we have seen benefit since the run-up at $6.1 million. One thing that we lose sight of at times, though is that the AOB legislation in conjunction with our own internal adjusting firm and the fast track process. We have people on-site at many of our claims within 48 hours of the call in on the initial claim. And I think a lot of people get comfort from that, and we issue checks on site. So I think our process is unique, so we may see benefits that others may not due to our operational structure and our focus on claims. And again, it's not lost on all of us here that we sit here today, as Jon had mentioned, under 1,000 claims on Irma, which was roughly a 95,000 claim event. So organizationally, we have proven that we can manage through the difficult events that occur in any of the states that we do business in. I'll let Jon handle the last portion of your question.

Jon William Springer
President, Chief Risk Officer & Director

From a rate filing perspective, again, as we said last quarter, we're planning to make a filing by the end of this year. So we wanted to let a little bit of time pass. So we get some more data and more accurate data to use in this next filing. We also did have a Florida rate filing that just went into effect on renewals at the end of May of this year. So this upcoming filing will be made so that it times up with another may effective date.

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

Got it. And then it's my understanding that the '20 -- is that the new rate filings in the -- within 2020 have to account for like any AOB benefits. Is that correct?

Jon William Springer
President, Chief Risk Officer & Director

Well, I think there's still some details to be sorted out in that space, Chris.

Operator

[Operator Instructions] Next question comes from the line of Bill Broomall of Dowling and Partners.

William Harry Broomall
Dowling & Partners Securities, LLC

I just had a quick question on the strong growth outside of Florida. Do you mind just telling us kind of giving some overview of where that's coming from, where you're having the most success?

Stephen Joseph Donaghy
Chief Executive Officer

Bill, this is Steve, and thanks for the question. The growth outside of Florida really is predominant from the various agents that we've partnered with. And as we see multiple agencies operate in many of our states, we benefit from their growth relative to their footprint. So when you look at specific states, some are growing faster than others, and many of them are a direct result of the relationships that we have in that state. So North Carolina, for example, where we've been for a long time, we grow more than we do in Illinois, where we just got into and are kind of spreading our wings, so to say. So there's really not a particular area that I would say is better than another. It's more a byproduct of the relationships we build and the trust, the agency force and our direct-to-consumer channel can generate in the marketplace.

William Harry Broomall
Dowling & Partners Securities, LLC

Got it. Okay. And maybe talk on a philosophical level about Clovered and how you think about kind of ramping up and getting flow through that platform. Is there kind of a strategy obviously, there's a strategy. But maybe you could talk about your strategy to kind of grow that platform?

Stephen Joseph Donaghy
Chief Executive Officer

Yes. The Clovered, which was originally Universal Direct and has morphed into Clovered. We continue to learn more and more about that space every quarter, Bill. And the byproduct of that is increased premium growth across the platform. So we're growing Clovered in every state that we operate in. And as you know, we've recently announced the ability to have multiple quotes presented to the consumer, which we see as the next-generation of the online efficiency in acquiring an insurance product for an insured. So now an insured can look at a Universal product next to 4 other carriers and make a selection that suits he or she the best. And we feel very optimistic that, that will continue to provide a platform for us and for the -- and for consumers to kind of exercise their desire to get insurance on their own.

William Harry Broomall
Dowling & Partners Securities, LLC

And is the quote buying capability available on -- across all products that are offered through Clovered to like auto, home, everything?

Stephen Joseph Donaghy
Chief Executive Officer

Yes, it's a great question. A lot of it depends on the carrier. We've been the first quote combined carrier that we were aware of that you could do without speaking to anyone. Many of the auto carriers present something similar. But in the home space, it's a byproduct of the technology of the carriers. And we're trying to kind of pull them along with us to allow us to bind online, but we want to make sure we're following their rules and making sure they're getting the kind of risk they'd like to get within their portfolio. And I think it's something that will evolve over time. But being a good partner in that particular venue, we don't want to do things that they're uncomfortable with. So we kind of work very closely with them. And I think, over time, more and more products will be presented in a multi-quote ability, such as flood and others, to really round out what the insured can acquire at one-time online. So we like the space, we like the technology, and we've always benefited from building that on home-grown technology rather than buying it from third parties.

William Harry Broomall
Dowling & Partners Securities, LLC

Got it. And is it the same Clovered or quota buying I guess platform, is it covering the same states that Universal Direct is. So it's in all the states that Florida plus outside of Florida, the footprint?

Jon William Springer
President, Chief Risk Officer & Director

Yes. It's in 18 states currently. Yes.

William Harry Broomall
Dowling & Partners Securities, LLC

Great. That's helpful. And if I could just 1 -- maybe 2 clarifications on the cat. You see Dorian was a full retention loss. So I'm assuming that was -- I'm just taking that to mean that losses outside of Florida were over the $10 million for your other states program. Did I hear that correctly?

Jon William Springer
President, Chief Risk Officer & Director

No. No, I'm glad you asked for clarification there, Bill. What I said is it is a retention loss, meaning that we would not be anticipating that the loss to reach a point where we would be able to recover.

William Harry Broomall
Dowling & Partners Securities, LLC

Oh, got it, got it, got it. Okay. I'm sorry. And just for my modeling purposes, when you say $15 million above plan in your 37% loss pick, how much in Q3 do you kind of build in there for kind of weather events?

Frank Crawford Wilcox
CFO & Principal Accounting Officer

Yes, I've got a number here. So our original plan as set forth at the beginning of the year, we were setting aside a little over $21 million for all-weather events in the third quarter. And now, with the impact of Dorian as well as a rather meaningful event in Minnesota in early August, we've decided to add an additional $15 million to that number.

Operator

At this time, I'd like to turn the call over to CEO, Stephen Donaghy, for closing remarks. Sir?

Stephen Joseph Donaghy
Chief Executive Officer

In closing, I would like to thank our associates, consumers, agencies and our stakeholders for their continued support of Universal. Have a great day.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.