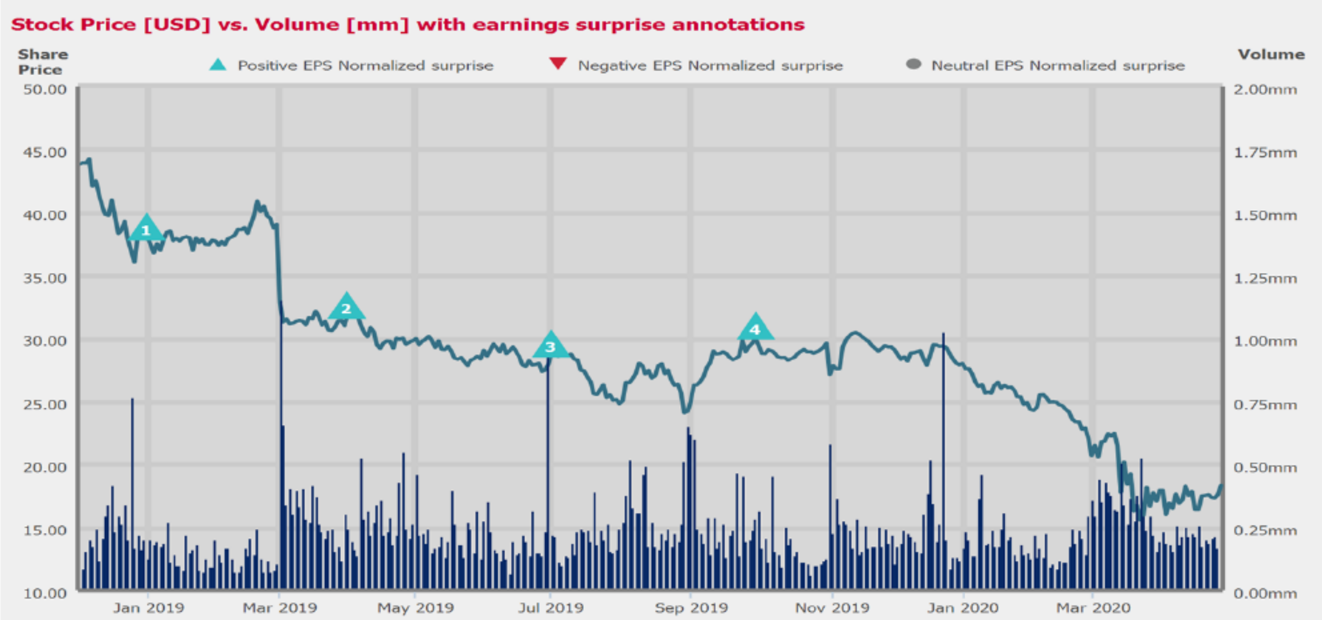
S&P Global
Market Intelligence

Universal Insurance Holdings, Inc.
NYSE:UVE
FQ1 2020 Earnings Call Transcripts
Tuesday, April 28, 2020 1:00 PM GMT
S&P Global Market Intelligence Estimates

	-FQ3 2019-
	CONSENSUS
EPS Normalized	0.50
Revenue (mm)	227.76

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



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2018	0.06	0.13	1 116.67 %
FQ1 2019	0.98	1.00	2 2.04 %
FQ2 2019	1.00	1.05	3 5.00 %
FQ3 2019	0.50	0.61	4 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
CEO & Director

ANALYSTS

Thomas Henry Shimp
Piper Sandler & Co., Research Division

William Harry Broomall
Dowling & Partners Securities, LLC

Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Universal Insurance Holdings First Quarter 2020 Results Call. [Operator Instructions]. Please be advised that today's conference is being recorded. [Operator Instructions]. I would now like to hand the conference over to your speaker today, Vice President of Corporate Strategy and Investor Relations, Mr. Rob Luther. Sir, please begin.

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

Thank you, and good morning, everyone. Welcome to our discussion on our first quarter 2020 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
CEO & Director

Thank you, Rob, and good morning, everyone. Thank you for joining us today. As we mentioned in our release yesterday afternoon, the circumstances over the past few months, in all of our communities, have been both difficult and inspiring. Our hearts go out to all those affected by the COVID-19 pandemic. We are inspired by the health care providers, the first responders, the ingenuity of our communities, businesses and governments. We commenced business operations more than 20 years ago, intent on protecting and serving our consumers in their most critical time in some of the most challenging coastal areas in the United States for natural disasters. We have remained highly proficient and steadfast in that commitment. We entered this critical time in a position of strength with a debt-to-equity ratio of less than 2%. And currently accruing more reserves than at any point in the company's history and with a highly experienced rapid response disaster team. We are off to a good start in 2020 with solid first quarter results, including an annualized return on average equity of 16.1% and progress on our reinsurance renewals for June 1.

In this dynamic environment, we continue to support our consumers whether they are shopping for new policies, submitting claims, refinancing or extending terms, while having substantially all of our employees in our rapid response virtual protocol.

On those last 2 points, I would like to highlight the following. First, since March 15, we have extended favorable terms to consumers of all states upon request. Secondly, around the same mid-March time frame, we implemented our rapid response virtual protocol, which included outfitting employees with remote capabilities and enhancing our consumer outreach via virtual solutions. In addition, we have accelerated the use of our virtual inspection software and trained an additional 100 employees on the application. We have utilized various virtual tools to continue to attend appraisals, mediations and depositions.

All of our continuous improvement training has been uninterrupted through the use of Microsoft teams, led by our learning and development organization. Most importantly, we continued to accelerate the use of virtual desk adjusting when appropriate. And for the claims that cannot be adjusted virtually, we recognize the increased hardship placed both on the consumer and our field staff. So as an essential business, we have outfitted our adjusters with the appropriate personal protective equipment.

We do not have exposure to many lines of business directly impacted by COVID-19. But we continue to monitor the currently unknowable longer tail impacts to the housing and rental markets. We believe we remain well positioned for 2020 and remain resolute in serving our consumers and creating value for our stakeholders. So with that, 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 effects from unrealized and realized gains and losses on investments, and extraordinary reinstatement premiums and related commissions. Adjusted operating income also excludes interest expense. EPS for the quarter was $0.61 on a GAAP basis and $0.79 on a non-GAAP adjusted EPS basis. Direct premiums written were up 15.7% for the quarter, led by strong direct premium growth of 19% in other states and 15% in Florida. Net premiums earned were up 5.3% for the quarter, reflecting an increase in direct premiums earned offset by increased costs for reinsurance.

On the expense side, the combined ratio increased 7 points for the quarter to 94.1%, driven primarily by increased losses in connection with the continued diversification in the company's underlying business to states outside of Florida, an increase in core loss pick for 2020, an increase in prior year adverse development, partially offset by a lower level of weather events in 2020 and a small reduction in the expense ratio.

Turning to services. Total services revenue increased 25.6% to $15.3 million for the quarter, driven primarily by commission revenue earned on ceded premiums. On our investment portfolio, net investment income decreased 16.1% to $6.8 million for the quarter, primarily due to significantly lower yields on cash and short-term investments during the first quarter of 2020 when compared to the first quarter of 2019. The prior year also includes onetime income benefits from a special dividend received and a onetime reduction in investment expenses. The company continually monitors the Federal Reserve actions, which has impacted effective yields on new fixed income and overnight cash purchases. During March of this year, as a result of the COVID-19 pandemic, we saw extreme instability in the fixed income market prior to the Federal Reserve, providing liquidity into that market. As a result of the instability, we had a decline in the amount of unrealized gains in our fixed income portfolio, which affected the balance sheet only. That said, we still ended the quarter with an overall unrealized gain in our fixed income portfolio of $15.4 million, which has further improved subsequent to the end of the first quarter

To be clear, the impact COVID-19 had during the first quarter on debt and equity markets affected our book value per share by approximately $0.45, made up of approximately $0.27 related to the balance sheet-only impact from the decline in the amount of unrealized gains in our fixed income portfolio with the remainder being attributable to the effect of unrealized losses on our equity securities reflected in the P&L and consequently in retained earnings.

With the exception to these factors, our book value per share growth would have been enhanced in the quarter. The credit rating on our fixed income securities was A plus at the end of the first quarter with a duration of 3.6 years, which we feel gives us a strong foundation to weather the current market conditions. Unrealized losses on our equity securities were, again, driven by market volatility related to the COVID-19 pandemic, resulting in an unfavorable outcome for the quarter.

In response to the pandemic, the Board's Investment Committee has approved measures to continue building our portfolio's cash position to preserve capital for both risks and opportunities. In regards to capital deployment, during the first quarter, the company repurchased approximately 312,000 of UVE shares at an aggregate cost of $6.6 million. On April 16, 2020, the Board of Directors declared a quarterly cash dividend of $0.16 per share payable on May 21, 2020 to shareholders of record as of the close of business on May 14, 2020.

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. As we have done every quarter since Hurricane Irma made landfall, I would like to start with some additional color on past cat events, then talk briefly about 1Q weather and lastly, provide an update on our June 1 reinsurance placement efforts. On past cat events, we continue to make progress in resolving the remaining open claims and, of course, handling the newly reported claims as quickly as possible. Our in-house claims and legal staff continue to deliver day in and day out for our company and for our reinsurance partners as we approach the finish line on these cat events. As of 3/31, Hurricanes Matthew and Florence, each were approaching single-digit open claims and are very near the end. Hurricane Michael had approximately 200 open claims and continues to be booked at the same $360 million as year-end.

On Hurricane Irma, despite the fact that new claims continued to be reported throughout the first quarter, we still successfully reduced the remaining open claim countdown to below 600. As we prepare for the 3-year statute of limitation for filing new Irma claims, we elected to add another $50 million of IBNR to this event. This brings our booked ultimate to $1.45 billion at 3.31%. As a reminder, at this point in the life cycle of Hurricane Irma, the vast majority of any increase in ultimate is covered by the Florida Hurricane Catastrophe Fund. However, booking this level of additional IBNR did result in some net exposure as outlined in our release.

Turning now to 1Q weather. For the most part, 1Q weather for us was within plan. However, we continue to closely monitor 2 smaller cat events, one occurring in mid-January, impacting us, primarily in Georgia and Alabama; and a second occurring in early February and impacting us, primarily in Florida and the Carolinas. As noted in our release, we have added an additional $1 million to accident year 2020 losses as we monitor these events.

As a reinsurance update, over the course of the past several months, we've met with nearly all of our reinsurance partners to discuss our upcoming June 1 reinsurance renewal. As you might imagine, most of these meetings were forced to be conducted virtually, but the reinsurance market, overall, was very receptive and appreciative of the time and effort put forth to be able to share our message and answer their questions directly. As is our normal practice from a timing perspective, we have already begun securing the necessary catastrophe capacity to be effective at June 1.

It goes without saying that the impacts of COVID-19 are being felt by many of our long-time reinsurance partners, and we could not be more appreciative of their professionalism in the face of this challenge. While we all might like to press pause on this reinsurance renewal, that is unfortunately not an option. We will not be sharing any pricing specifics today as the negotiations are still in progress. However, I do feel it important to provide a few high-level comments on the overall status of our core first event reinsurance tower for this year. As we disclosed during our year-end earnings call, with capacity already locked in via the Florida Hurricane Catastrophe Fund and multiyear deals, we stood at over 75% of our desired core first event reinsurance tower complete. The market pricing for the remaining capacity has already been sent into the worldwide catastrophe reinsurance market for its proper subscriptions. And since last week, we have already been receiving authorizations from our reinsurance partners for the June 1, 2020 program. As of today, the percentage complete is approaching 90%, so we are well on our way. With that, I'll 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 Bill Broomall of Dowling & Partners.

William Harry Broomall
Dowling & Partners Securities, LLC

Just to start with the growth. It looks like Universal showed another quarter of strong top line growth. Can you just help us -- let me think about, what do you think has allowed you to be so successful in growing the top line? And maybe can you help us think about rate versus exposure growth?

Stephen Joseph Donaghy
CEO & Director

Bill, I think the continued growth that we experience is a byproduct, one, of our organization, our commitment to doing our own underwriting over the years and growing that book of business organically ever since the company was founded. Without an organic book of business that you thoughtfully underwrite, you run the risk of taking on business that may not be rate adequate or fit within the desires of our underwriting and reinsurance teams to fulfill the goals of the company. And further, the relationships that -- relationship is an overused term in today's society. But I feel strongly that the relationships we've built with our agents and our desire to solicit their help in growing our book of business has served us well. And I still find that we're one of the few people online that allow the complete fulfillment of a bindable policy in our Clovered business. So I think it's a plethora of things that roll into it. And ultimately, it's the execution in The Street that really serves us well in that regard. And it's something we've managed to -- we do it really well in Florida, and we've been able to expand that into the other states that we serve and continue that expansion.

William Harry Broomall
Dowling & Partners Securities, LLC

Okay. And you mentioned Clovered. Can you just talk about the growth in that portion of your book and the success you're having, maybe relative to the non -- let's call it, the non-Clovered percent of your book? I'm just trying to think of the contribution Clovered might have to the overall growth.

Stephen Joseph Donaghy
CEO & Director

Well, again, I think the strategy that we implemented 3 years ago was something, one, to enter a new market, be a leader in the direct-to-consumer channel and also have a position that we can protect our growth should others March into the online space and the experience we've garnered kind of leads us to have a system today that not only serves our consumers, but is also really tasked our underwriting team and others to make sure that our systems are ultimately adaptable to the online environment. So, one, as Clovered sits today, it is our fastest-growing agency out of 10,000 agents that are appointed with us. And all of those people are located in one room servicing customers, where we have agency partners that have over 150 facility locations that are doing the same thing with really, really good people that help us every day as well. But the platform and the efficiencies that are built into it serves us well. And we track our loss ratio. We track the spread of the business, and it all has served us very well thus far.

And I would also tell you, Bill, that as the COVID pandemic continues, we've seen a different type of consumer come into the Clovered net, so to say. It is people that may be at home and are getting insurance bills and are trying to do some research online. And we've been very pleased with the organic nature of the leads since the event have been able to help consumers, while they're at home asking questions about their policy.

William Harry Broomall
Dowling & Partners Securities, LLC

Okay. And just staying on the COVID topic. I think in your press release, you talked about the rental market, homeowners market. Is that from your perspectives the focus point for where you think COVID might impact you the most? There's nothing outside of that, I guess, that would concern you at all. I'm just trying to make sure that I understand all the different items that might impact universal weather relative to maybe the other insurance companies that we hear about in the press. Just trying to categorize the different maybe lines of business where you could have, again, it won't be material, but areas that you're looking at.

Stephen Joseph Donaghy
CEO & Director

Yes, Bill, it's a great question. And it's a question we passed our internal legal team with in early March as we kind of anticipated some of the events, we didn't foresee the size of this event. But our internal legal team came back. They did a solid policy review, word review. We don't see a lot of -- even in rental market and others, direct physical damage resulting from the pandemic. But we've got a small double-digit number of claims that have already been filed. And many of them after we talk to the consumer, they understand that the exclusions for contaminant or communicable disease exclusions kind of eliminate payments under that policy form. So we're not very far around in our first lap of the mile run. But we will continue to track it very, very closely and provide you updates as we go where it's applicable.

William Harry Broomall
Dowling & Partners Securities, LLC

And these claims, these were homeowner claims that were coming in and then people were -- the virus under the homeowners policy, is that true? And you talked about policy wording. Do your policies have virus exclusions or anything like that?

Stephen Joseph Donaghy
CEO & Director

They have a series of exclusions relative to disease and contaminants built. And I think we're always -- we always try and be considerate of the people that call in. Sometimes we'll have people call in relative to, "Hey, I can't get the work, do I have any coverage?" And some of those are very easy answers for us to provide because we don't provide coverage in many of those regards. Some people are concerned that the -- their home has additional people in it. And is their coverage? And can I file a claim for various reasons. And we try and tend to those as politely as possible. And thus far, we haven't come across a request that merits any reserve or consideration thus far. But not to say that, in the future, something couldn't come across that we're -- we don't expect that we haven't thought of yet.

William Harry Broomall
Dowling & Partners Securities, LLC

Okay. Got it. And then on the IBNR, it was a more modest amount. But over the past 2 years, Q1 tends to have no development. And I was just wondering what you saw in Q1 relative to the review you did last quarter that had you add a little bit to the IBNR grant, it was 2 points. But any thoughts there would be helpful.

Jon William Springer
President, Chief Risk Officer & Director

Yes, Bill, this is Jon. Those 2 points were primarily related to IBNR on prior cat events. So as we're monitoring Irma, approaching the statute of limitations, which is just a little over 4 months away, we're trying to pay close attention to that and do our best to make sure that we have the appropriate IBNR set up for new claims that continue to come in on that event.

William Harry Broomall
Dowling & Partners Securities, LLC

Got it. And how come -- with the small increase for Irma, how come there wasn't any reinstatement premium included in the reconciliation? Because I thought as -- if there is -- I guess, if it goes to

FHCF, you wouldn't, but I'm just trying to understand how come with that earning, there wasn't any reinstatement premium, even though, you did tweak the Irma loss?

Jon William Springer
President, Chief Risk Officer & Director

Yes. So we book -- what we did is we booked another $50 million of fresh IBNR into Irma, bringing the total up to $1.45 billion. So that leaves us -- booking to that level leaves us where what we have left for coverage would be a little over $1.3 billion of FHCF limit at the 90% level. And I think it's important -- I try to say this on every call, I think, it's important that listeners and readers understand that we do have that coverage amount $1.33 billion left at the 90% level. And with the size of our claims and legal teams we're able to handle these remaining claims and any potential new claims internally, so we'll have minimal outside LAE.

William Harry Broomall
Dowling & Partners Securities, LLC

Got it. Okay. That's -- and then with the COVID kind of shutting down a lot of states and has impacted Florida, I was wondering, how has that affected litigation trends in the kind of aggressiveness of the trial bar to get -- to file claims because as we have talked about this quarter in past with a 3-year coming up, has it slowed it down at all? And then if it has, as we come out, we heard hearing Governor DeSantis talking about reopening the state. As the state reopens, do you think litigation trends might change at all once the economy starts to open up? Any thoughts on how to think about the activity would be helpful.

Stephen Joseph Donaghy
CEO & Director

Yes, Bill, that's a broad question. I'll do my best. If I don't get to all the points, don't hesitate to remind me of what I missed. As we look at other states, the litigation trends are less than what we've traditionally seen in Florida, and that continues. And within Florida, we -- CaseGlide clearly has served us well that our claims that go to litigation continue to reduce, not by drastic amounts, but in a steady downward decline, which we're very pleased with. Relative to the current environment, our entire legal team of over 150 people were all available to work from home since we declared that, that was our intent on March 17. And I sit here today, we feel good because we're getting to more claims because we can. And we don't see as much of an aggressive response from the trial bar since the pandemic has really taken hold. As far as looking into the future, I left my crystal ball at the house. We think optimistically, but we prepare pessimistically. So we're doing the best we can, and we hope that things continue on that pattern. But we feel pretty good about where we're at and CaseGlide is a good indication for us in the future state of the business for that piece of it.

Operator

Our next question comes from Tom Shimp of Piper Sandler.

Thomas Henry Shimp
Piper Sandler & Co., Research Division

I was hoping we could talk about the guidance you guys gave on the fourth quarter. Your underlying loss ratio picked up a few points year-over-year. How do you guys feel in regards to the guidance that you guys gave in the fourth quarter now that we're at quarter end?

Stephen Joseph Donaghy
CEO & Director

Yes. Thanks, Tom. We feel good about the guidance, and we continue to stand behind it. We were very thoughtful in our approach to issuing guidance for the first time. And as we looked and contemplated and we saw in the market that it was fair for many people to withdraw their guidance for a host of very valid reasons. The key variables within our model continue to represent our ability to execute within the range we provided. And those variables are considerable and extensive. And we sat and talked a lot about it and as we indicated when we issued the guidance, if one of the large pillars or something would change, we would revisit that with the market when we see it. But as we sit here today, we feel good about it, about the range. And the variables that roll into that guidance continue to move favorably for our stakeholders.

Frank Crawford Wilcox
CFO & Principal Accounting Officer

Yes, Tom, and this is Frank. Just to follow on to Steve's comments. When we created the guidance at the beginning of the year, our GAAP EPS and operating EPS were the same because we simply don't plan for unrealized gains and losses and reinstatement premium as well as realized gains and losses. So throughout the year, as those things naturally occur, which they did in the first quarter, there's the diversions. So I think it's fair to say that operating EPS guidance has not changed, but GAAP could be affected by those unforeseen events.

Thomas Henry Shimp
Piper Sandler & Co., Research Division

Okay. And then this relates to COVID. Various jurisdictions have been pushing for payment forgiveness and grace periods and whatnot. Does your expense ratio include any assumption for bad debt related to the potential for that?

Frank Crawford Wilcox
CFO & Principal Accounting Officer

Yes. So we implemented that new accounting principle this quarter, widely known as CECL and for us, there are 3 broad categories, where we have credit exposure. We've got credit exposure to the extent that policyholders don't pay their premium. We have credit exposure to the extent that we don't collect monies that were due from our reinsurers. And then finally, inherently, within our fixed income portfolio, the debt securities present us with credit risk as well. Now I'll handle each one of those individually. But back during the latter part or actually during 2019, we tested the CECL model on the various parts of those that I just discussed to see what the potential impact would be. And we found that in all instances, they would be immaterial. That being said, we did implement it, and we put some disclosures in our 10-Q, including an adjustment to the beginning retained earnings, which is appropriate under these circumstances.

So when you look at the premiums receivable, inherently in our business, is a business model that includes collecting the vast majority of the premium before we earn that. So when you look at our book of business, we have about $1.4 billion of in-force premium and yet we only have a receivable of about $65 million from agents. Historically, our write-off of those uncollectible amounts are somewhere between $400,000 and $500,000 a year. Obviously, as we grow, they incrementally grow with that growth. And then the balance that we historically carry, as an allowance for those receivables, is somewhere around $600,000 or $700,000. So we don't feel that the CECL model has caused us to reevaluate that. So we're continuing with that model. So once again, the agent balance is receivable, not material under CECL.

And then secondly, the reinsurance recoverables. Reinsurance recoverables are collateralized by amounts either held in trust or letters of credit that we gain or gather from certain reinsurers. So we -- the vast majority of that is collateralized. In our history, we've not had an incident where we had to write-off any sort of uncollected amount from a reinsurer. So once again, not material, and we didn't put any adjustments on the books in the first quarter for reinsurance recoverables.

And then finally, the investment portfolio. The average credit quality of our investment portfolio is A plus. And during this quarter, during the COVID pandemic, and to date, we've only seen 3 downgrades, and it's just not material to our book of business. Obviously, we're going to continue to monitor that as a lot of the credit agencies, the rating agencies catch up with those. But I've mentioned before that we had done several calculations in anticipation of adopting this, including looking at the unrealized loss balance that we had at 12/31/18. June 30, 12/31/19, and then again at 03/31 of this year and none of those amounts calculated under the CECL model exceeded $1 million. So what we chose to do is, based upon the calculation that was yielded as of 03/31, we decided to put up a standing allowance for that effective January 1, and that was just under $800,000 and had an after-tax effect on retained earnings of less than $600,000. So as you can see, for us, clearly not material, but we will continue to monitor the credit quality of the investment portfolio and take appropriate actions.

And as Steve said, to the extent that we see anything arising, we'll be out there letting folks know.

Thomas Henry Shimp
Piper Sandler & Co., Research Division

All right. Great. Appreciate it. And then I was hoping we could talk about working from home. I'm sure most of your employees are working from home right now. Is there any thoughts on how for some of those employees that might be permanent? And I bring that up knowing that I think you guys have an office building under construction for future growth. So I was hoping for your thoughts on that topic.

Stephen Joseph Donaghy
CEO & Director

Yes, Tom, we continue to work on the plan. As a Florida domestic carrier, we've always had a focus on disasters and preparations. And standing at about 320 pages, our business continuity plan, disaster recovery plan had a whole lot of things contemplated. A pandemic and everybody working from home wasn't one of them. Fortunately, we managed to acquire a sufficient amount of laptops and outfitted -- I'd say, over 98% of our associates with the ability to work from home. We modified our technology where necessary, so that we could track production, productivity. And thus far, all of our controls in place and all of the metrics by which we run the company and our associate force have come through in an amazing fashion.

The go-forward plan is to really listen to the state officials, see what is necessary and then adapt to our new plan. And you rightfully bring up our building under construction, which we hope to be completed very close to the advent of hurricane season. And one of the things we'll be doing is taking social distancing into account for the health and safety of our associates. So that rather than have cube after cube after cube, we'll build in a moderate amount of space for each associate. We are contemplating shifts that may come in various days of the week because there's clearly some training and some advantage to having people on the campus. And we're looking at kind of adapting our thinking to, one, protect people and, two, ensure that the business continues to run the way we like it to. And I think we'll be able to manage through that very well. We sit here with a management team, Tom, that not only has been here for a while, but we understand each other and how to cooperate due to some -- in some ways, due to the hurricanes we've experienced and come through, but also just generally in a good way we care about each other. And we're very fortunate to work with each other and have that trust. So kind of a long-winded answer, but there's a lot of points there to take in. So hopefully, that helps.

Thomas Henry Shimp
Piper Sandler & Co., Research Division

I appreciate it. And then just from your customers staying at home, are you guys seeing any potential benefit from loss mitigation? Just from the sense of like, for example, there's a leak in the kitchen or the bathroom and you're able -- the customer is able to mitigate that loss more quickly than versus if they were at work and it turn it to a much bigger loss?

Stephen Joseph Donaghy
CEO & Director

Yes. That's an interesting question, Tom. I think there's a few things to consider there. One is that when you're at home and the water starts to leak, you turn it off or fix it. And I think we're probably going to benefit from some of that. So a claim that could have grown, maybe gets nipped in the bud, so to say, more quickly. I also think if anybody is like my neighborhood, there's a whole lot of people doing stuff to their house, which I think ultimately makes the house a more -- or less risky potential for a claim. So I think there's a lot of care and feeding that is occurring to our insureds biggest asset, their home. So hopefully, that comes to fruition. But again, we're prepared to manage through it, whatever comes at us, I think.

Thomas Henry Shimp
Piper Sandler & Co., Research Division

Okay. And then lastly, you guys mentioned about your Board approving measures to build the company's cash position. Is there anything we should read through in relates to stock buybacks for the rest of the year?

Stephen Joseph Donaghy
CEO & Director

Tom, there's an environment out there with a lot of different perspectives. We're ending up a very strong quarter, and we're not adjusting our guidance. We will review with the Board and our Executive Chair how to proceed with buybacks when appropriate. But we would not want to do anything that would lead people to question our intent and our integrity, so to say, going forward. So we'll try and be very thoughtful and seek counsel from folks in the business as we look to that.

Operator

We have a follow-up from Bill Broomall of Dowling & Partners.

William Harry Broomall
Dowling & Partners Securities, LLC

Great. Just a follow-up on the reinsurance. I think you commented last quarter about 75% of your capacity, including FHCF, being done and your update this quarter was 90%. On that incremental change, I was wondering -- I know you don't probably want to touch on pricing, but were -- did you see participation from previous reinsurers have participated in the past coming back and participating again this year? And then part of that is, have you seen changes in terms and conditions at all from the reinsurance community as you have gone through the process?

Jon William Springer
President, Chief Risk Officer & Director

Yes. Thanks Bill. Just talking about the first part. I think you've known us long enough to know that we are a very consistent buyer. We buy from the traditional market. And probably 95% or more of our panel stays very similar from year to year-to-year. We will occasionally entertain new capacity here or there. But in terms of the move that we've made from 75% to approaching 90%, that's just our existing partners that have issued authorizations on our firm order terms. And we've been really, really pleased so far, majority of those that have taken a decision on our firm order terms have authorized, including several authorizing increased capacity. So, so far, so good. We still have a ways to go. We still have a lot of our reinsurance partners to hear from those that are still evaluating what they can or can't do in this challenging environment. But we're pleased with where we are at this point on April 28. We think we're in good shape. We think that the majority of our reinsurance partners view Universal as a quality partner from a counterparty credit risk standpoint, which is becoming more and more important to them. And then obviously, they're viewing the terms that we've offered as fair terms for this renewal.

William Harry Broomall
Dowling & Partners Securities, LLC

And any update -- has anyone been pushing, without naming -- has -- I guess, broadly, the reinsurance market, have they been pushing for any changes to terms and conditions from what you're seeing for the past couple of years?

Jon William Springer
President, Chief Risk Officer & Director

I think it's been fairly well-publicized that there's a few reinsurers that are pushing for some rather significant changes. And I think some of those changes may make sense. Others, I think, have challenges associated with them, and they really need to be discussed from a company-to-company standpoint. They're not the type of changes that should be just broadly painted across the entire marketplace. So we've had those conversations with those reinsurers and with all of our reinsurers about the ones that we feel that are appropriate for a company like Universal, like I said, a consistent buyer, year in, year out, buying from the traditional market, offering fair terms. One thing they can count on is that we're here this year, we're going to be back next year. It's unlikely that you see us making radical changes in our buying behavior. And I think our reinsurance partners appreciate that.

Operator

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

Stephen Joseph Donaghy
CEO & Director

Thank you. In closing, I would like to thank our associates, consumers, agents and our stakeholders for their continued support of Universal. We find ourselves living through surreal and incredible times and adapting to a new normal. I'm extremely proud to lead an organization that was able to seamlessly transform our business to ensure the team's safety and continued operating success. Our highly experienced and battle-tested individuals have us ready to weather and navigate the storm, while ensuring we are in a position of strength as a company going forward. Stay safe, and thanks for your time today.

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