

Universal Insurance Holdings, Inc. NYSE:UVE

FQ4 2024 Earnings Call Transcripts

Wednesday, February 26, 2025 3:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2024-			-FQ1 2025-	-FY 2024-			-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.09	0.25	▲ 177.78	1.16	1.93	1.79	▼ (7.25 %)	2.65
Revenue (mm)	349.90	384.81	▲ 9.97	352.57	1485.63	1520.54	▲ 2.35	1428.74

Currency: USD

Consensus as of Oct-28-2024 3:46 PM GMT

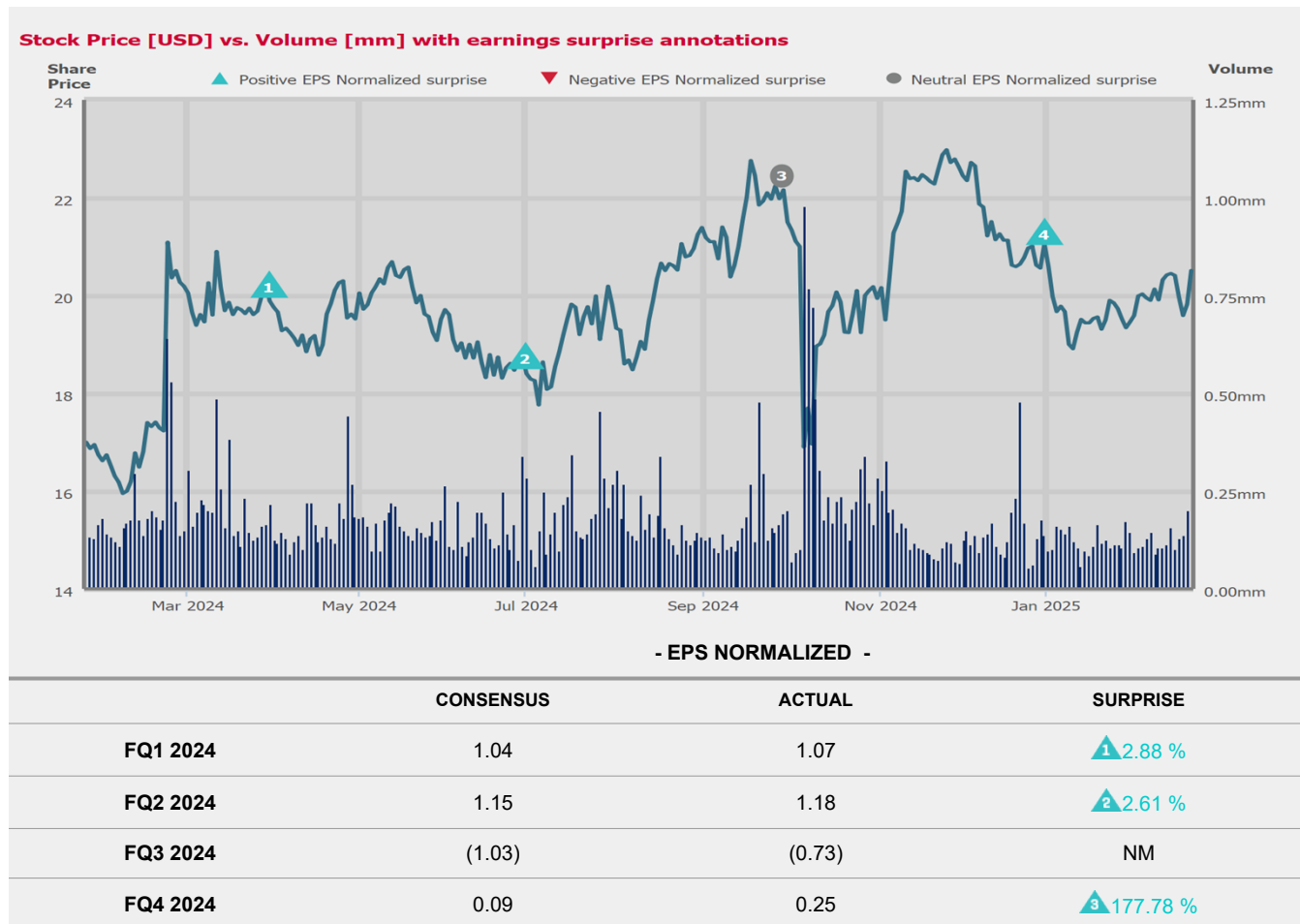


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Call Participants

EXECUTIVES

Arash Soleimani
Chief Strategy Officer

Frank Crawford Wilcox
Chief Financial Officer

Stephen Joseph Donaghy
CEO & Director

ANALYSTS

Jon Paul Newsome
Piper Sandler & Co., Research Division

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the Universal's Fourth Quarter 2024 Earnings Conference Call. As a reminder, this conference is being recorded. I would now like to turn the conference over to Arash Soleimani, Chief Strategy Officer. Please go ahead.

Arash Soleimani *Chief Strategy Officer*

Good morning. Thank you for joining us today. Welcome to our quarterly earnings call. On the call with me today are Steve Donaghy, Chief Executive Officer; and Frank Wilcox, Chief Financial Officer. Before we begin, please note today's discussion may contain forward-looking statements and non-GAAP financial measures. Forward-looking statements involve assumptions, risks and uncertainties that could cause actual results to differ materially from those statements. For more information, please see the press release and Universal's SEC filings all of which are available on the Investors section of our website at universalinsuranceholdings.com and on the SEC's website. A reconciliation of non-GAAP financial measures to comparable GAAP measures is included in the quarterly press release and can also be found on Universal's website at universalinsuranceholdings.com. With that, I'll turn the call over to Steve.

Stephen Joseph Donaghy *CEO & Director*

Thanks, Arash. Good morning, everyone. In 2024, we experienced three hurricanes, including Debby, Helene and Milton, and we're working hard, as we always do, to help our customers restore their lives. We continue to see progress relative to the claims trends in our Florida book and recently filed a modest rate decrease in the state that's directly correlated with the legislative changes made in December 2022. We're already well underway negotiating and placing our 2025 reinsurance program with 92% of our first event catastrophe tower already placed as we stand here today along with significant additional multiyear capacity secured for the 2026 hurricane season.

I'll turn it over to Frank to walk through our financial results. Frank?

Frank Crawford Wilcox *Chief Financial Officer*

Thanks, Steve. Good morning. Adjusted diluted earnings per common share was \$0.25, down from adjusted diluted earnings per common share of \$0.43 in the prior year quarter. The decrease mostly stems from lower underwriting income, partially offset by higher net investment income and commission revenue. Core revenue of \$386.4 million was up 5.7% year-over-year, with growth primarily stemming from higher net premiums earned, net investment income and commission revenue. Direct premiums written were \$470.9 million, up 8.8% from the prior year quarter, including 0.8% growth in Florida, and 38.4% growth in other states. Overall, growth mostly reflects higher policies in force, higher rates and inflation adjustments. Direct premiums earned of \$519.3 million were up 7.7% year-over-year, reflecting direct premiums written growth over the last 12 months. Net premiums earned were \$348.4 million, up 3.9% from the prior year quarter. The increase is primarily attributable to higher direct premiums earned, partially offset by higher ceded premium ratio. The net combined ratio was 107.9%, up 4.2 points compared to the prior year quarter. The increase reflects higher net loss and expense ratios. The loss ratio was 82.3%, up 0.4 points compared to the prior year quarter. The increase primarily reflects higher weather losses primarily from Hurricane Milton, partially offset by more favorable prior year reserve development.

The net expense ratio was 25.6%, up 3.8 points from 21.8% in the prior year quarter. The increase was primarily driven by higher policy acquisition costs associated with growth outside Florida and higher other operating costs. During the fourth quarter, the company repurchased approximately 370,000 shares at an aggregate cost of \$7.7 million. The company's current share repurchase authorization program has \$2.6 million remaining. On February 6, 2025, the Board of Directors declared a regular quarterly cash dividend of \$0.16 per common share payable March 14, 2025, to shareholders of record as of the close of business on March 7, 2025. With that, I'd like to ask the operator to open the line for questions.

Question and Answer

Operator

[Operator Instructions] And our first question will be coming from Adam McMahon of EUV.

Our next question will be coming from Paul Newsome of Piper Sandler.

Jon Paul Newsome

Piper Sandler & Co., Research Division

Maybe just a couple of -- start with the sort of modeling questions. Could you talk about the size of the reserve development in the quarter? And maybe talk about the level of cat losses, including a little bit more detail.

Frank Crawford Wilcox

Chief Financial Officer

Yes. Paul, this is Frank. So Milton, I'll start with Milton. Milton was a \$45 million net retention event. As you know, with our second event, that \$66 million in excess of \$45 million is covered by third party. So the captive did not -- was not a factor this quarter. Prior year development was down significantly, \$45 million down from last year, which was \$76 million.

Jon Paul Newsome

Piper Sandler & Co., Research Division

Great. And then could you -- maybe a little bit more color on the growth efforts and where you're standing and where you think you're seeing the most opportunity? And then I'll just ask the next question. Any thoughts on reinsurance renewals as they come forward later this year?

Stephen Joseph Donaghy

CEO & Director

Yes. Thanks, Paul. I would say from a growth perspective, with our agency relationships and marketing ability that we've demonstrated over the years, we continue to be laser-focused on profitability and writing business where it makes the most sense. We continue to be closed in markets that are not -- we don't feel as though we're rate adequate and open and others. The growth in the other states probably was the benefit of our entry into some new markets over the last 12 months. And I think as people hear our story and understand how we differentiate ourselves, it results in an opportunity to grow business. And again, it's all focused on profitability and rate adequacy across all markets. And I have the great help of our folks in our Minnesota office doing that on a daily -- quarterly basis, so it works out quite well. What was the second question, Paul?

Jon Paul Newsome

Piper Sandler & Co., Research Division

Reinsurance, what you have -- what are your thoughts on prospectively for -- as we get into the important reinsurance business?

Stephen Joseph Donaghy

CEO & Director

Yes. We were very, very pleased to announce that we were 92% already accomplished in our first tower, Paul. And we found the market quite receptive. And we always try and go out as really as possible to secure the reinsurance that we need and then leave the market really to kind of dictate what's available to others. So we find that reinsurers like our story, like the presentation and are interested in getting on board with us as early as possible. We are also similarly pleased on interest in renewing multiyear capability that takes pressure off us. So we renewed some of that in 2026. And we'll release all the details from a cost and other perspective in our May press release as we normally do. We're still in the market for some. So we don't want to let too much out at this point, but we'll give the full update in May as normal.

Operator

[Operator Instructions] And I'm showing no further questions. I would now like to turn the conference back to Steve Donaghy, Chief Executive Officer, for closing remarks.

Stephen Joseph Donaghy

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CEO & Director

Yes. Thank you. I'd like to thank all our associates, our consumers, agents and our stakeholders for their continued support of Universal. And I wish you all a great day. Thank you.

Operator

And this concludes today's conference. Thank you for participating. You may now disconnect.

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