

All Earnings Call Transcript

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Operator: Hello, and thank you for standing by. My name is Tiffany, and I will be your conference operator today. At this time, I would like to welcome everyone to the American Integrity Insurance Group Third Quarter 2025 Earnings Conference Call. [Operator Instructions] As a reminder, this call is being recorded. But before we begin, please note that today's remarks may contain forward-looking statements, including comments about the company's outlook, strategy, plans and expected performance. These statements are based on current expectations and assumptions and are subject to risks and uncertainties that may cause actual results to differ materially. A full discussion of the risk factors can be found in the company's SEC filings, including its most recently filed quarterly report on Form 10-Q. Management undertakes no obligation to update any forward-looking statements. Furthermore, today's remarks may contain non-GAAP financial measures. A reconciliation of non-GAAP financial measures to their most comparable GAAP measures is included in the company's quarterly press release and can also be found on its website at www.aii.com. References to American Integrity or the company prior to the consummation of the IPO refer to American Integrity Insurance Group, LLC and after the consummation of the IPO, referred to American Integrity Insurance Group, Inc. With that, I'll turn the call over to American Integrity's Founder and Chief Executive Officer, Bob Ritchie. Please go ahead.

Robert Ritchie: Thank you, Tiffany, and good morning, everyone. This is our third earnings call as a public company, and we're now fully in our stride, building on the success, broadening our reach and sharpening our focus. I'm pleased to be speaking with you to discuss our third quarter results and the initiatives that are advancing the value of American Integrity for all of our stakeholders. We are executing consistently, growing responsibly and strengthening the franchise. Our third quarter results are a continuation of a very strong year for American Integrity. Not only did we continue to deliver strong earnings, but our consistent profitable policy growth continues to set us up for future success. The environment has been favorable with a very benign cat and a non-cat loss backdrop. And this has been coupled with softening reinsurance rates and continued operating discipline. We remain focused on the drivers that we control: underwriting quality, expense discipline and thoughtful growth. So our performance remains durable and repeatable. Our growth initiative in the Tri-County region of Florida is underway and is gaining momentum. At the end of the third quarter, we had 26,493 policies in force in Tri-County, representing 6.5% of our book, well below our potential market share for an area, representing about 26% of the state's households. While most of this business came from the Citizens takeouts over the last year, our Tri-County voluntary policy writings are increasing, and we believe they will continue to grow meaningfully in 2026. This is a multiyear opportunity, and we're approaching it with discipline and capacity. Yet this expansion is more than policy growth. It reflects expanding trust among Florida homeowners who value stability and integrity in their insurer. We're also making progress reorienting our sales and production efforts to ramp up our writings of middle-aged homes. And in recent years, our mix of business has skewed toward new build homes. Given our conservative underwriting stance, our distribution advantages and our belief that prior to legislative reforms, the middle-aged homes business at that point was unlikely to meet our underwriting criteria. Post reform, entirely different story. We have reassessed this market, and we know there is now attractive business, in fact, some that we used to write that we will write again and that meet our underwriting standards. At

the end of the third quarter, we had 32,202 HO3 policies in force. that we characterize as middle-aged homes, representing 7.9% of our portfolio compared to an estimated 25% of the statewide housing stock that meets the same criteria, hence, our bullishness in the growth potential. This represents another large addressable market and one that is underpenetrated currently by American Integrity, yet we're continuing what we have done decades before. We have started to write policies again on middle-aged homes, and we see solid potential, though we will remain focused as we always are, on stringent disciplined underwriting to ensure we are earning adequate risk-adjusted returns. Another exciting entry, we've launched our commercial residential product in October just a month ago, and this is designed to deliver comprehensive and reliable protection for Florida's condominium, townhome and residential homeowners associations. We expect our first writings in the fourth quarter, including a modest participation in the November 2025 Citizens takeout. So we're growing prudently, and we're leveraging early insights to refine the product and to scale it responsibly. We continue to have success growing our writings in Georgia and South Carolina, as we've talked about before. This is largely again through our homebuilder agent relationships. We'll also announce and we have announced that we're beginning to write in about a month, policies in North Carolina, so in December of this year. Having said that, Florida will remain our core market for years to come. I am confident to report that American Integrity remains strong and profitable while growing responsibly in the attractive Florida market. Years of investment and underwriting have positioned us to have the capital and market relationships that we expect will deliver strong, profitable, organic growth for years to come. Our progress this year reflects the power of the simple idea, discipline creates opportunity and opportunity creates lasting value. With that, I'll turn the call over to Jon to discuss operational execution and growth initiatives in more detail.

Jon Ritchie: Thanks, Bob. I'll focus on how our disciplined execution this quarter positions us for sustainable growth into 2026. Starting with our results, we continue to grow in our core Florida market. In the third quarter, we wrote 25,985 new policies in the voluntary market, bringing our year-to-date total to over 78,000, representing a 25% increase over the same 9 months of 2024. Combined with retention levels reaching 82.8% this quarter, our voluntary policies in force has increased 19% over the past year to 315,000 policies. Overall, our policy count at September 30, 2025, stood at 406,000 policies, up 49% over the past year. While the Citizens takeouts in late 2024 and the first 3 quarters of 2025 contributed to this, so did our voluntary business. Going forward, we view Citizens takeouts as a modest contributor. Voluntary growth is the more predictable and we believe more significant driver. As Bob mentioned, we are seeing progress as we expand into South Florida and return to underwriting middle-aged homes. We have appointed a territory sales manager to lead the South Florida region and are actively growing our distribution in the region. For middle-aged homes, we are adjusting our product mix to be more competitive in this segment, which we believe we can do profitably given the changes in the Florida marketplace following legislative reform. Our pricing forms and appetite are aligned to compete and to win without compromising underwriting standards. Underlying our non-cat losses continue to be favorable. We are pleased to report that our non-cat losses continue to perform as expected. For every dollar of gross premium we earn, we are paying out about \$0.17 in underlying non-cat losses, which is as expected for 2025. We believe this represents a strong ratio based on our underwriting focus and higher market share of newer homes. This has also been a favorable year for catastrophe losses thus far, and we are optimistic that we may have a season without a meaningful catastrophe loss for the first time in many years. That would be welcome news for Florida, our policyholders and our shareholders, and it would be constructive for our cap on in excess of loss renewals next year. With that, let me turn the call over to Ben to walk through the financials.

Benjamin Lurie: Thanks, Jon. Our financial performance this quarter continues the steady trajectory we've built since the IPO. The theme is converting scale into earnings while maintaining discipline. Gross premiums written increased by 49% to \$239 million compared to \$161 million in the third quarter of '24. Gross premiums earned increased by 34% to \$222 million compared to \$165 million in the third quarter of '24. Net premiums earned increased by 28% to \$52 million compared to \$40 million in the third quarter of '24. The increase in gross premiums written, gross premiums earned and net premiums earned continued to be driven primarily by new and renewal policies written through the voluntary market and from our strategic participation in the Citizens takeout program, although that is anticipated to be a more modest part of our growth story going forward. Ceded premiums earned increased by

36% to \$170 million compared to \$125 million in the third quarter of last year due to the increase in gross premiums earned and the placement of our '25, '26 catastrophe excess of loss reinsurance program. The company purchased more reinsurance coverage compared to prior years, reflecting the increase in-force premium and total insured value. Net investment income increased 84% to \$6.9 million compared to \$3.8 million in the third quarter of '24, driven by an increase in invested assets, primarily due to the IPO proceeds and the growth in our in-force premiums. Losses and loss adjustment expenses increased 19% to \$30 million compared to \$25 million in the third quarter of '24, driven primarily by an increase in gross premiums earned, offset by the lack of catastrophe losses. Our underlying loss and loss adjustment expense ratio was 50% for the third quarter of '25 compared to 36% in the third quarter of '24. Year-to-date through 3Q '25, the underlying loss in LAE ratio was 37%, roughly flat from the 37% for the same period of 2024. As Jon indicated, our gross non-cat losses are coming in almost exactly at expectations for the year, although their expected quarterly fluctuations in our net results, largely driven by structural features in our quota share reinsurance arrangement. These ratios reflect normal quarterly variability and remain within our underwriting expectations. Policy acquisition expenses decreased 20% to \$6.2 million compared to \$7.8 million in the third quarter of '24, driven by slightly lower acquisition costs associated with Citizens takeouts and increased ceding commissions. Our expense ratio decreased by 10 percentage points to 25% for the third quarter of '25 from 35% in the third quarter of '24 reflecting enduring scale benefits and stronger ceding commissions. The combined ratio was 79% for the third quarter of '25 compared to 94% for the third quarter of '24. For the third quarter of 2025, our net income available to common shareholders was \$13 million and adjusted net income was \$14 million. Net income was \$0.67 per diluted share and adjusted net income was \$0.71 per diluted share based on weighted average common shares outstanding of approximately 19.5 million. Total shareholders' equity increased 95% to \$316 million at September 30, 2025, compared to \$162 million as of December 31, '24. Our book value per share at September 30, '25 was \$16.14, up 28.2% from \$12.58 at year-end '24. These results highlight our ability to translate growth into profitability and sustained margin improvement through structural not temporary gains. Our performance demonstrates that growth and profitability can advance hand in hand. I'll now turn the call back to the operator to open the line for questions.

Operator: [Operator Instructions] Your first question comes from the line of Michael Phillips with Openheimer.

Michael Phillips: I guess I was hoping you could talk about any impacts you expect going forward on your core loss ratios from going after those middle-age roofed homes?

Robert Ritchie: Sure. Jon, can you take that, please?

Jon Ritchie: Yes. It's Jon here. No, we expect that certainly, the middle-aged home will perform in line with our expectations, probably not to the same extent of our new construction just given the loss cost there comparatively speaking, from a building standard. But given the premium that we're collecting, we feel very comfortable with where this is going to land once it settles back in for us.

Michael Phillips: Okay, Jon. I guess unrelated second question would be, can you talk about how your experience that you gained over the years in your homeowners market from pricing actuarial, all that you do on that side, any learning that you can take from that, that translates into the commercial side as you go into that market? Does that help you in this, is it going to be more of a new thing for you to learn from?

Robert Ritchie: Yes. This is Bob Ritchie. I want to assure you, we spent 18 months studying, developing, staffing and preparing both the filings, core expertise and underwriting sales and claims. And this has been well thought out, and it's a positioning not to make the sort of approach where this accentuates the top line dramatically, yet it will be a steady process. We'll begin with a very small takeout, and then we are also in the pipeline getting voluntary submissions. It will be meaningful, measured, profitable and all of our homework has been done. And none of that we're doing here would violate any of our underwriting terms or expected profitability. So we're bullish about it, yet it won't drive the needle in terms of top line. That wasn't the intent of it. The market is hard. There are some new entrants. It still is scarce in its capacity. We'll be protective of the submissions. And by the way, also very guarded on the distributors, only 65, 70 folks -- distributors that have the authority. So we've only appointed those that are experts in the business. I hope that helps.

Michael Phillips: No, it does. Yes. One quick follow-up on that, Bob. When you say the market's hard, is there a difference between that and the different subsectors of what you're going to condo versus the HOA business?

Robert Ritchie: Jon, can you take that?

Jon Ritchie: Yes. So specifically for the HOAs, we still feel that the market is hard. And certainly, there's opportunity there. And as Bob said, the competitive landscape here in Florida is pretty scarce. So certainly, we do believe that the pricing environment for commercial HOA business that we're targeting, which are garden-style HOAs, we believe, is appropriate and attractive.

Operator: Your next question comes from the line of Tommy McJoynt with KBW.

Thomas Mcjoynt-Griffith: If we could spend some time talking about the underlying loss ratio, that would be helpful. And we look at the kind of the previous 3 quarters and the year-over-year swings that you've seen in that ratio, and there's been a good amount of volatility. And it sounds like you called out some structural features of the quota share, which adds some of that volatility, so could you help explain the mechanics of that? And importantly, help us think about modeling individual quarters next year for that underlying loss ratio.

Robert Ritchie: Sure. Well, I have a plan, Ben Lurie will start out though. Ben, please.

Benjamin Lurie: Absolutely. So I think the first thing to think about when you talk about our underlying losses is looking at them on a gross basis on gross premium because there's a lot of noise that comes through because of the quota share structure and our XOL program. And our underlying losses year-to-date are coming in at a 17.4% gross rate, so \$0.17 out of every premium dollar goes to non-cat losses and that's exactly on line with our expectations for the year. If you were to strip out our quota share, then we have a 33% net underlying loss ratio for the year. So that's an easier way in those 2 statistics are an easier way to think about what our underlying loss ratio actually is. So when you talk about the structural issue with our quota share the idiosyncrasy of that is that in a period with no cats, we have a slightly higher underlying loss ratio. So from a modeling standpoint, when you have no cats, you can expect to see that happen. And if you're with cats, we're able to see an additional portion of our underlying losses to the quota share program. So that creates that variance that would be idiosyncratic to our program.

Thomas Mcjoynt-Griffith: Okay. Got it. And so I guess just maybe to ask a follow-up here. If we think about always modeling sort of the next year period. And so if we were to think about the third quarter of '26 and we were to expect some baseline amount of catastrophe losses in there, that should mean that the underlying loss ratio should come down year-over-year? I just want to make sure I'm sort of understanding that correctly, and let me know if I'm wrong.

Benjamin Lurie: No, that's exactly right. And then with the added element of our intention to our expectation to lower our quota share for next year. That kind of creates several moving pieces, and we'll communicate closely with you and the analyst community as we plan for next year so that you can think about how those impacts are going to flow through our financials.

Thomas Mcjoynt-Griffith: Okay. Got it. And then staying on the loss ratio side, but looking at another component of it. The prior year net reserve development was a bit unfavorable in the third quarter. And we've seen small movements a few of the recent quarters. As we look across the personal lines industry space across property, we're seeing a lot of favorable development by peers. So what's driving the sort of the unfavorable development that you guys saw in 3Q and maybe even some of the other quarters as well?

Benjamin Lurie: No, that's a good question. I'm sorry, Bob.

Robert Ritchie: No, no. Please go ahead. Jon and I'll have an add-on, but Ben, you take it.

Benjamin Lurie: Okay. Well, we saw the favorable development come through last year as the environment improved. And then we adjusted our underwriting accordingly. If you look at year-to-date this year, we've got about \$1 million total of unfavorable development over the first 9 months. So that really comes in pretty much in line with expectations. Of course, there will be quarterly variance in that number, but we look at it as immaterial. We work with Ernst & Young in order to review our actuarial conclusions. And at the end of the day, we think they're doing a great job.

Operator: Your next question comes from the line of Gregory Peters with Raymond James.

Charles Peters: I guess I just wanted to close the loop on the underlying loss ratio, you said it runs on a gross basis outside of the reinsurance, the AOP is -- runs around 33%. Is that fairly consistent from first quarter to second quarter to third quarter this year? Or was there any variability in that gross AOP loss ratio from quarter to quarter to quarter?

Benjamin Lurie: So the gross loss ratio is pretty consistent as far as our -- the dollars for -- the losses for every dollar of premium that we charge. What's affected that is the windfall from the Citizens takeouts that has a denominator effect. And that's the reason you've seen variance in the net results but at the end of the day, our underlying losses, as you say, have remained very consistent quarter-over-quarter.

Charles Peters: Thanks for that clarification. I thought that was the case. I just wanted to -- just -- have you restate that. I want to go to -- I think you talked about the durability of what you're growing at your company and your long-standing track record. And I guess what I'm concerned about when I think about the longer-term durability is initiatives by the politicians to potentially, at some point, unwind some of the successful legislation that's helped curb some of the system abuses on the legal side. So considering the results are going to be good for the market this year, how do you think -- how are you going to reconcile the political motivations to lower or reduce some of those legislative benefits in the next year's legislative session?

Robert Ritchie: Greg, this is Bob. Thank you for the question. Here's reality, takes 3 leaders to pass any reform or undo any reform. That's the governor, speaker of the house, and the Senate President. We're very close to all 3, and I can tell you with complete certainty that it only takes one, by the way, we have 2 of the 3 that clearly are in favor of continuing reform and not even hearing bills. The unpredictable could be the speaker of the house and any house bills. However, the Senate is firm, so is the governor's office. And I can tell you with conviction in these next series of years, these reforms are solid and they will not be undone. Hence, the reason we went public, hence, the reason that we're growing.

Charles Peters: Excellent. Excellent. That's good. I guess the final cleanup question I had was you mentioned potential lower retention or lower reinsurance changes in 2026. Can I -- is there any meat that you can share with us on what you're thinking at this point in time? Or would you prefer to wait until the renewal time to give us more disclosure.

Robert Ritchie: Obviously, we haven't gone to market yet. We know indications, though, based upon how the 1/1 renewals are happening based upon a likely loss-free year in Florida. With that, Jon, you can't give solid information, but you can give trends. Go ahead.

Jon Ritchie: Yes. I would say, Greg, that directionally, we view the reinsurance capacity and pricing environment in a favorable or through a favorable lens. Certainly, for us, we'll first enter this market as we renew our catastrophe bonds, which will be in January. And all indications both on the ILS side and the traditional side is capacity and appetite for Florida is ample. And certainly, as Bob said, a loss-free year is going to be favorable for the entirety of the Florida market.

Benjamin Lurie: Now Greg, to the extent your question is also about quota share, it's been our communication to the market and our expectation that we're going to reduce our use of quota share gradually over time in order to keep more of this profitable premium on our books. We have not yet determined the exact amount of reduction that we're going to do at the end of the year because we're going to balance that against our other growth initiatives that we see in front of us and optimize for what we think is the best path forward, but as we start to make those decisions, we will communicate that to the market.

Operator: Your next question is from Paul Newsome with Piper Sandler.

Jon Paul Newsome: I want to touch on the reserve development, just one more time. And maybe you could talk a little bit more about the changes that you did make. And would that change, the historic pattern of what we should expect respectively, I guess a question to ask the question a little differently. Most companies sort of have a bias towards favorable development over time. And so when it goes negative, that's a signal that there's something you want to talk about. But there are a few companies, Progressive would be a great example, that don't, that actually shoot for sort of 0. And so variations -- small variations around 0, up and down are normal. Maybe you could talk about sort of what changes you made? And then where would you push yourself in the spectrum of folks in terms of the overall

philosophy of reserves?

Jon Ritchie: Yes, I would say -- go ahead. Go ahead.

Benjamin Lurie: No, Jon, sorry, you go ahead.

Jon Ritchie: I would say, look, we have seen favorable reserve development on our non-catastrophe underlying losses, and that has continued for a series of quarters. And then that was partially offset by some unfavorable catastrophe development. But the core book of business that we're underwriting to, we're continuing to see positive development in terms of gross loss ratio being in target of what we would have expected. And prior year development being favorable for that underlying core book of business that we're underwriting for non-cat losses.

Robert Ritchie: And I can say this to you, Paul. We have a fellow, [full] fellow that runs our actuarial department, at not 1, but 2 outside folks that look at where we're going here. We're very happy both with how we forecast, how we manage the book, where the trends are going. And most importantly, here's the operative thing, how our inventory of catastrophe lawsuits has not only plummeted but nearly evaporated. And so with that, given the volatility of Florida, we're best-in-class in terms of how we have stayed safe, secure and solvent during the crisis and how we're growing after the crisis, and I'm very pleased with it.

Jon Paul Newsome: Great. And maybe as a second question, a different one. Any additional thoughts on expansion state-wise beyond the ones that you mentioned already?

Jon Ritchie: Yes. Currently, the only additional state that we're expanding into is the one that we mentioned earlier on the call is in North Carolina. Again, that's driven by capacity needs from our new homebuilder agents and on a stand-alone basis, the business that we're writing or will write in North Carolina and the business we have written in South Carolina and Georgia is a profitable business, but it also is giving us buying power back here in our home state of Florida to get more share of wallet from those builder agents. But to answer your question concisely. No, there's no immediate plans beyond the North Carolina announcement.

Robert Ritchie: We have -- look, I'm very pleased. I'm very, very pleased with our success in South Carolina, the Palmetto State, very pleased. I'm very happy with Georgia. I'm happy how we have not only any of these markets, but done it thoughtfully with all the internal and external homework. However, we're a Florida-based company. There are so many opportunities right in our backyard, and the 4 minimal ones are Tri-County, middle-age homes.

Operator: Your next question is a follow-up from Tommy McJoynt with KBW.

Thomas Mcjoynt-Griffith: I just wanted to clarify one thing around the underlying loss ratio. I think you pointed to it being on a gross basis, 17% year-to-date. How does that compare to the prior year 9-month period?

Jon Ritchie: That would have been fairly on point from the 9-month period from last year. We've seen the last 2 calendar years or 18 months, if you will, be pretty consistent with our gross non-cat loss ratio. So we're very pleased with it, and the year-to-date number of 17.4% is absolutely almost on the point of our projection of 17.3%. So we're really happy with how the book is performing.

Robert Ritchie: And that's a function, obviously, we can talk loss ratio. I prefer to talk about pure premium, frequency and severity. Severity is modestly up for the industry because of inflation is not 0. Frequency has dropped like a rock for the industry and more so for us. Hence, the reason that this gross loss ratio is so admirable given the trend that have happened here.

Thomas Mcjoynt-Griffith: Got it. And do you have any expectations for what -- as we think about the next 9 to 12-month period, if that gross loss ratio trend should diverge much from the 17% number that it's been trending at, either better or worse given the underlying input.

Robert Ritchie: Ben, do you want to tackle that one?

Benjamin Lurie: No Tommy, you should expect it to go up, call it a point over the next 12 months. That will be a mix of inflation, the impact of the Citizens book and whatnot. But the change will be muted, but we want to be conservative in our projection.

Operator: That concludes our question-and-answer session. I will now turn the call back over to Bob Ritchie for closing remarks.

Robert Ritchie: Thank you, Tiffany, and thank you to all of you for these in-depth questions. They've been very impactful. Appreciate your support. We continue to be well positioned to deliver strong

growth and profits for investors, our team, our technology platform, and importantly, our distribution network and our balance sheet have never been stronger. As I've mentioned, we have significant room to profitably grow our market share as we expand into markets very thoughtfully, but especially here in Florida as we prudently introduce new products. This will sustain our growth for years to come. The foundation we built is anchored in integrity, focus and resilience and it positions American Integrity to thrive in any market environment and to continue delivering long-term shareholder value. We're pleased with the progress we've made, but even we're more focused on what lies ahead. Every leader, every employee is focused. And so the best measure of our success, in my view, is the confidence of our partners, our policyholders and our investors that is placed in us each and every day. We're excited about the opportunities ahead and look forward to updating you on our fourth quarter on our next call. And I appreciate your time. Thank you.

Operator: Ladies and gentlemen, this concludes today's call. Thank you all for joining. You may now disconnect.