

07-May-2019

Heritage Insurance Holdings, Inc. (HRTG)

Q1 2019 Earnings Call

CORPORATE PARTICIPANTS

Arash Solemani

Executive VP & Director-Investor Relations, Heritage Insurance Holdings, Inc.

Kirk Howard Lusk

Chief Financial Officer, Heritage Insurance Holdings, Inc.

Bruce Thomas Lucas

Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

OTHER PARTICIPANTS

Frederique Sleiffer

Analyst, Keefe, Bruyette & Woods, Inc.

Bill Broomall

Analyst, Dowling & Partners Securities LLC

Tom Shimp

Analyst, Sandler O'Neill & Partners LP

MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to Heritage Insurance Holdings First Quarter 2019 Financial Results Conference Call. My name is Andrew, and I will be the operator today. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. Please note, this event is being recorded. [Operator Instructions]

I would now like to turn the conference over to Arash Solemani, Executive Vice President at Heritage Please go ahead.

Arash Solemani

Executive VP & Director-Investor Relations, Heritage Insurance Holdings, Inc.

Good morning and thanks for joining us today. We invite you to visit the Investors section of our website, investors.heritagepci.com, where the earnings release and our earnings call will be archived. These materials are available for replay or review at your convenience.

Today's call may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. In our earnings press release and in our SEC filings, we detail material risks that may cause our future results to differ from our expectations.

Our statements are as of today and we have no obligation to update any forward-looking statements we may make. For a description of the forward-looking statements and risks that could cause the results to differ materially from those described in the forward-looking statements, please refer to our annual report on Form 10-K, earnings release and other SEC filings.

With us on the call today are Bruce Lucas, our Chairman and Chief Executive Officer; and Kirk Lusk, our Chief Financial Officer. I will now turn the call over to Bruce.

Bruce Thomas Lucas

Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

Thank you, Arash. I would like to welcome all of you to our first quarter 2019 earnings call. Before we begin the call, I'd like to thank all of our employees for their dedication to our company. I am very happy with our first quarter results. Our gross written premium increased 2.9% year-over-year despite de-risking \$3.4 billion of total insured value or TIV from Florida's Tri-County region.

Our gross written premium growth is primarily related to our multistate diversification, as premiums grew by 6.6% outside of Florida, but only by 0.1% in Florida. We continue to see our book shift away from Florida and are projecting only 29% of our TIV to be in Florida by the end of 2019, which we believe is the best diversification amongst the Florida-based carriers.

As of the first quarter, only 5.2% of our consolidated TIV stems from personal residential business in the Florida's Tri-County region, which is well below our publicly-traded Florida peers. We are continuing to expand our geographic footprint across the East Coast and wrote our first policy in Virginia and launched our commercial residential program in New Jersey during the first quarter. Our year-over-year growth is impressive, particularly considering that we've been de-risking in Florida's Tri-County where premiums per policy are among the highest in the country, and we have been avoiding high concentrations of coastal business in our southeast states.

Good underwriting leads to good claims experience. Our claims metrics continue to impress every quarter, which is the exception in the Florida market. The percentage of Heritage's non-hurricane open claims in Florida's Tri-County is the lowest in the company's history and down 15 points year-over-year. Similarly, the percentage of Heritage's active non-hurricane losses in Florida's Tri-County is at a new record low for the company and is down 14 points year-over-year.

I have adamantly noted that companies that diversify away from the Tri-County region and Florida as a whole will outperform the peer group over the long run, which is heavily concentrated in these loss-prone areas. It is not surprising that virtually every claims metric is improving quarter-over-quarter and year-over-year as we have diversified away from the Tri-County. This is especially evident in our loss reserves, which developed favorably for the third consecutive quarter in the first quarter of 2019. We expect continued improvement in our loss trends as we execute on our business plan and the passage of Assignment of Benefit reform in Florida will only help these results going forward.

Our first quarter loss ratios were excellent until a large hailstorm hit Brevard County at the end of March. In connection with this event, we booked a net retention of \$10.2 million in the first quarter. Going forward, 80% of losses above this number are covered by reinsurance and we do not expect losses from the storm to develop in excess of current reserves.

With respect to capital management, we continue to strengthen our balance sheet by retiring \$15.8 million of debt principal in the first quarter. We also repurchased 347,740 shares at a 3% discount to the first quarter book value per share. Our share repurchase authorization at \$45 million remaining and we are committed to retiring our common stock as long as our share price is below fair value.

I will now turn the call over to Kirk to provide more details on our financials.

Kirk Howard Lusk

Chief Financial Officer, Heritage Insurance Holdings, Inc.

Thank you, Bruce. Good morning. Net income for the quarter was \$7 million, which equates to \$0.24 per diluted share. Before going into more details on the quarter, I would like to address our net income seasonality. As we have previously stated, the first quarter is typically the heaviest loss quarter for NBIC. As such, we expect the first quarter to be our weakest net income quarter in non-hurricane years due to our net exposure to winter weather. We then expect progressively stronger income throughout the year, again, absent any hurricanes, with the fourth quarter being by far the strongest. Looking ahead, we believe we are well-positioned given the steps we've taken to improve our overall risk profile and diversification.

One of those steps includes the structure and growth of our premiums-in-force. Florida premiums-in-force decreased by \$12.4 million or 2.4% year-over-year as of March 31, 2019, while at the same time premiums-in-force outside Florida grew by \$19.2 million or 4.7%, resulting in higher in-force premiums and better diversification. In the quarter, gross premiums written increased by 2.9%, which was driven by a 6.6% growth outside Florida and a 0.1% growth in Florida.

We continue to expand into geographies that we view are more profitable, while shrinking in areas we believe rates are insufficient. Heritage's geographic diversification has already yielded reinsurance synergies and we are encouraged by improving claims metrics.

Ceded premiums and the ceded premium ratio are down year-over-year. The decrease in absolute dollars and in the ratio reflects reinsurance synergies obtained via geographic diversification and the June 1, 2018 reduction to NBIC's gross quota share from 18.75% to 8%, which was partially offset by the December 31, 2018 increase in NBIC's net quota share from 49.5% to 52%.

Total revenue increased by \$6.2 million or 5.6%, reflecting the increase in net premiums earned and from unrealized gains on equity securities. Losses for the quarter were up \$9 million over the prior year's first quarter. The increase stems from higher current accident quarter net losses and LAE. Our reserves remained strong, and the first quarter 2019 represents the third consecutive quarter of favorable prior-year reserve development.

In addition, our claims metrics have been trending favorably with improvement in both the total number of open claims and the percentage of litigated claims. In 2016, when we began to reduce our exposures in the Florida Tri-County's area, that region accounted for 67% of our open non-hurricane claims. That statistic is now down to 46%.

Operating expenses increased year-over-year, predominantly due to the favorable impact of NBIC-related purchase accounting in the first quarter of 2018, policy acquisition costs and reduced ceding commission income associated with the smaller NBIC gross quota share reinsurance program. The purchase accounting benefit mostly impacted the first two quarters of 2018 as policy acquisition costs mostly normalized by the third quarter.

General and administrative expenses were lower year-over-year as staffing, compensation and benefits are aligned to company performance. Overall, we achieved a 97.3% net combined ratio for the first quarter of 2019, which is slightly higher than our internal projections due to the Brevard County hailstorm.

As stated at year-end 2018, we anticipate that our refinancing efforts would reduce interest expense by over \$7 million annually. In the first quarter 2019, interest expense and the amortization of debt issuance costs were down \$2.7 million year-over-year.

Book value for the first quarter increased by \$9.8 million to \$435.1 million from the year-end 2018's \$425.3 million. First quarter 2019 book value per share is \$14.78, a 2.4% increase from year-end 2018.

Bruce and I are now available to take your questions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] The first question comes from Freddie Sleiffer of KBW. Please go ahead.

Frederique Sleiffer
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Good morning.

Bruce Thomas Lucas
Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

A

Good morning.

Frederique Sleiffer
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Firstly, I was wondering if you could provide an update on your Irma and Michael gross loss estimates and roughly how many open claims you still have for each of those?

Bruce Thomas Lucas
Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

A

Sure. Irma is relatively unchanged. It's approximately \$900 million open claims there. Maybe 2,000, in total, ish, give or take 100 claims here or there. Michael, right now, we're still projecting roughly \$40 million. It will probably continue to develop a little bit higher, but we're not seeing a ton of activity on Michael, and maybe we have a couple hundred open claims there.

Frederique Sleiffer
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. And then, just following up on Irma. What are your current Irma gross incurred losses, your gross paid losses and how much IBNR do you have left?

Bruce Thomas Lucas
Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

A

Well. All of those things together total about \$900 million. I don't have the breakdown between each bucket in front of me, but that is our incurred loss with IBNR.

Frederique Sleiffer
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. And then, just on your ceded premiums in the quarter, they were a little bit above the last two quarters in dollar terms. Is that related to the higher costs for the NBIC renewal at 1/1?

Kirk Howard Lusk

Chief Financial Officer, Heritage Insurance Holdings, Inc.

A

I'm sorry. What's the question? The...

Frederique Sleiffer

Analyst, Keefe, Bruyette & Woods, Inc.

Q

The ceded premiums were a little higher than the last couple of quarters. It was like \$119 million and more like \$115 million in the last two quarters.

Kirk Howard Lusk

Chief Financial Officer, Heritage Insurance Holdings, Inc.

A

Yeah. Yeah. It [ph] has to be (00:12:30) basically the increase in the net quota share. The net quota share increased at year-end, at 12/31, from 49.5% to 52%.

Frederique Sleiffer

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay.

Kirk Howard Lusk

Chief Financial Officer, Heritage Insurance Holdings, Inc.

A

So, the third and fourth quarters would have seen the reduction in the gross quota share, the first quarter see the increase in the net quota share.

Bruce Thomas Lucas

Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

A

In the net quota share.

Frederique Sleiffer

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. Got it. And then, just moving on to expenses, I think, Kirk, you touched on this in your opening remarks. But why were your G&A expenses so much lower versus 1Q 2018?

Kirk Howard Lusk

Chief Financial Officer, Heritage Insurance Holdings, Inc.

A

A couple items there. One is when we look at some of the expense accruals and then also our staffing year-over-year is down slightly.

Frederique Sleiffer

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. And then, just on the accrual, how much lower was this [ph] than (00:13:12) your expected accrual worth in dollar terms?

Kirk Howard Lusk

Chief Financial Officer, Heritage Insurance Holdings, Inc.

A

It was about right where we expected it to be.

Frederique Sleiffer

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. And just following up on that, so your G&A was a bit lumpy last year. So, what should we use as a run rate going forward on that? Is the year-over-year comparison on last year's quarter best or is this quarter's close to \$20 million a better run rate? Or any guidance you can provide on G&A expenses.

Kirk Howard Lusk

Chief Financial Officer, Heritage Insurance Holdings, Inc.

A

Yeah. I mean – I think that our G&A is probably going to tick up a little bit in future quarters, but should not be substantial. Yeah.

Bruce Thomas Lucas

Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

A

Yeah.

Frederique Sleiffer

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay.

Kirk Howard Lusk

Chief Financial Officer, Heritage Insurance Holdings, Inc.

A

So I think the run rate you stated is not bad, just up slightly from there.

Frederique Sleiffer

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. Got it. And then, is there any color that you can provide on your – on the mid-year renewal, any changes you might be making to the structure of your tower and anything you're hearing in terms of pricing?

Bruce Thomas Lucas

Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

A

We do have indications on pricing. But since we haven't closed our program yet, we cannot comment on it. I can tell you our renewal is going, I think, fairly well. We should hope to have that sewed up here in the next couple of weeks. But other than that, I really can't comment.

Frederique Sleiffer

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. And then, just lastly, on the AOB legislation, how do you think this will impact you and your book? And do you think you'll move to offer any non-AOB product?

Bruce Thomas Lucas

Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

A

Well, I do think that the AOB statutes got some promise to it, and it could be very, very helpful in reducing some of the [ph] broad (00:14:56) abuses that we've seen in the Florida market. But the attorneys on the other side are pretty crafty. So, we're going to wait and see what happens. But our general feeling is that this is beneficial. This will reduce AOB abuses that we've seen in the past. I think it's particularly helpful on hurricane losses, because that's where you see the big surge in Assignment of Benefits. It's after the cap.

And so, that's going to have the biggest impact for us. We do see a lot of AOB in Florida's Tri-County region. But given that our reduction there has been about \$24 billion in TIV over the past 2.5 years, we just don't have the concentration there. So, it's not going to be as impactful on the dailies for us because we have a much smaller portfolio than the Florida group. But I do think it will have an outsized return on the hurricane events, just given the sheer number of claims that you get after one of those events.

Frederique Sleiffer

Analyst, Keefe, Bruyette & Woods, Inc.

Q

All right. Great. Thank you very much for the answers.

Bruce Thomas Lucas

Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

A

Thank you.

Operator: [Operator Instructions] The next question comes from Tom Shimp of Sandler O'Neill. Please go ahead.

Tom Shimp

Analyst, Sandler O'Neill & Partners LP

Q

Good morning, guys.

Bruce Thomas Lucas

Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

A

Good morning, Tom.

Tom Shimp

Analyst, Sandler O'Neill & Partners LP

Q

I'm going to start out with the combined ratio. On your last call in early March, you noted an expectation for the combined ratio would be right around 90.4%, just like it was in 2018. Do you still expect that to be at 90.4%? Has your thinking changed? And then, to add to that, does the 90.4% include a cat load for a hurricane in the third quarter or fourth quarter? And if so, by how much?

Bruce Thomas Lucas

Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

A

Yeah, I mean we're not really giving guidance right now, Tom. But I can tell you that any guidance that we've given in the past did not include a cat load. We generally approach it from the ex-cat vantage and, as a result, there would not be a cat load there.

Tom Shimp

Analyst, Sandler O'Neill & Partners LP

Q

Okay. And then, for the expense ratio, is the 40.7% that was reported something we should think of as a run rate going forward?

Kirk Howard Lusk

Chief Financial Officer, Heritage Insurance Holdings, Inc.

A

Yes...

Bruce Thomas Lucas

Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

A

Approximately.

Kirk Howard Lusk

Chief Financial Officer, Heritage Insurance Holdings, Inc.

A

Yes, I think our previous guidance, I think, is – or the previous indications we've given are still in line.

Tom Shimp

Analyst, Sandler O'Neill & Partners LP

Q

Okay. And then, from CAN, can you let us know how much that benefited underwriting in the first quarter?

Bruce Thomas Lucas

Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

A

Well, it's hard to really quantify because how much do we save on a loss when we're out there mitigating the water damage versus what we would have paid without the mitigation effort. I mean it's just – we know it's there, we know that it is a tangible benefit. We know that it improves the loss ratios. But it's just impossible to quantify it because you don't know what the loss would be, but – for the remediation efforts that we had at the CAN in the quarter.

Tom Shimp

Analyst, Sandler O'Neill & Partners LP

Q

Okay. And then, I was hoping you could just give some high-level comments on the AOB reform, just your expectations for the tort environment, underwriting in Florida, just in general.

Bruce Thomas Lucas

Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

A

Well, I think the number-one thing that the AOB legislation does is that it stomps a lot of the abusive litigation tactics we've seen. We've seen attorneys who report losses on day one, in some instances, they report it via a lawsuit. The new statute sets forth parameters that allow the insurance company to complete its investigation. Once that is done and you've made a determination on coverage and damageability, if there is coverage, if the plaintiff wants to sue, they have to give you a notice. It's a 10-day notice in advance. We then have an opportunity to put up our kind of final settlement offer. Their number that they respond with is very high. They have to collect at least 50% of that delta in order to collect on attorney's fees. And if they don't get that, they don't get attorney's fees at all, and they don't get attorney's fees just by filing the lawsuit, which is a different approach than what we've seen in the past. They're also on the hook for our attorney's fees if final judgment comes in within 25% of that delta that I mentioned earlier.

So, it's really putting a lot of risk on them to actually go to court, win and prove damages in order to get attorney's fees. And we just don't think that the outstanding plaintiff claims that we have, and we'll see in the future, are willing to go to trial across the board. But I can tell you that we are. And that is a conviction that we have internally. We will go to court. We will go to trial. We will make them prove it. And if at the end of the day they're paying our attorney's fees, so be it. But we feel pretty confident in our claims examination process that the numbers that we're putting out are correct. And so, it really, I think, will have a big chilling impact on the amount of litigation that you get. And I would also make the point that the disclosures required to the consumer are pretty high. A lot of consumers have no idea that they're assigning away their rights under their own insurance policy. And the right of rescission now is 14 days versus 3. And the information given on the consumer is pretty thorough and detailed, and I think that will also have a chilling effect on AOB.

Tom Shimp

Analyst, Sandler O'Neill & Partners LP

Q

Okay. Great. That was helpful. Just one last question. Just want to talk about the first quarter in general. We now had two heavy first quarters post-NBIC, are you experiencing a level of weather volatility greater than what you expected before acquiring the company? And if that's the case, is there a way to mitigate the volatility a bit more?

Bruce Thomas Lucas

Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

A

Well, I would say no. I mean, we do understand that first quarter for NBIC almost always – I can't think of a time in their financials where they made money in the first quarter ever. So, they always lose money in the first quarter. And that kind of goes to Kirk's point of earnings for the company are going to be – as a whole, will be the lowest in the first quarter and the highest in the fourth quarter, just given the nature of how the Northeast winter storm activity plays out in 1Q.

We did have an incredibly volatile year last year because we had record activity in terms of winter storms. This quarter was not nearly as volatile. I think NBIC, as a whole, only lost a couple hundred thousand dollars this quarter. So, it actually played out pretty well for us. We did increase the net quota share to try to hedge some of the volatility, but we took a 10 point reduction on the gross quota share.

So, our retained losses did increase vis-à-vis the quota share activity that we had in place at year-end. But overall, NBIC is performing exactly as we expected. I'm incredibly happy with the integration and the financial results in that acquisition.

Tom Shimp

Analyst, Sandler O'Neill & Partners LP

Q

Okay. Great. Thank you.

Bruce Thomas Lucas

Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

A

Thank you.

Operator: And we have a follow-up from Freddie Sleiffer of KBW. Please go ahead.

Frederique Sleiffer

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Hi. I just have a quick follow-up question on Irma gross losses. Is there any reason – is part of the reason why you're not increasing gross losses related to the reinsurance renewals that's coming up? And also, how much do the reinsurers have your gross losses at and does this differ from your \$900 million?

Bruce Thomas Lucas

Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

A

I – no, we're not moving gross losses up or down based on reinsurance renewals. We have a duty to adjust claims and reserve. We're where we are, because we had a lot of IBNR up. I don't know what the number is now, but we're not really seeing a big change in [ph] Irma (00:22:59) results at this time. I mean, over the long haul, things are probably going to trend up somewhat, just because they have another 11 months to file claims. But with respect to the second part of your question, I have no idea where reinsurers have our losses. I mean, I think they probably have our losses where we're setting them. That's the only information they have.

Frederique Sleiffer

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. Thank you very much.

Bruce Thomas Lucas

Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

A

Okay, thanks.

Operator: The next question comes from Bill Broomall of Dowling & Partners. Please go ahead.

Bill Broomall

Analyst, Dowling & Partners Securities LLC

Q

Great, thanks. On other legislation out there beyond AOB, when we look at the increase in the FHCF cap from 5% to 10% that can be collected, do you think that has any impact on the upcoming 6/1 renewal or is that longer term? Will that be reflected in the industry?

Bruce Thomas Lucas

Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

A

Well, I'm sure the reinsurers are adjusting their models. I mean, they would have to. I mean the insurers are good underwriters, our partners are pretty thorough. They put LAE loads into their models every year for everybody and it's the layers that are alongside and on top of the Cat Fund that are impacted by an increase of LAE from 5 points to 10 points at the FHCF. And that, obviously, reduces their risk, it should flow through to pricing. But I've yet to see anybody kind of breakdown what that does to pricing on their end, but I'm sure that they've adjusted their models for it.

Bill Broomall

Analyst, Dowling & Partners Securities LLC

Q

Great. Thank you. And just one more on the AOB legislation, I just want to make sure I kind of understand all the moving pieces and how it works. I mean, this kind of attorney's fees addresses when there's kind of an AOB is [ph] assigned (00:24:44). But if a lawyer goes direct to a consumer [ph] or an insurer (00:24:49) without kind of signing that AOB over to claims [ph] litigation (00:24:54) that kind of falls outside of this legislation. Am I understanding it correctly?

Bruce Thomas Lucas*Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.*

A

That is absolutely correct. And we've always said that AOB on our book is probably 15% to 20% of the problem, but direct lawsuits with the insurers out of the Tri-County region is the balance of that. Now, what it does do, though? I mean, it is more difficult to get an [ph] insured (00:25:20) individually to sign up to a lawsuit because most people just don't want to go through the legal process. They don't want to be deposed, have to go to court, be cross-examined, do examinations under oath. Most people don't want to do that.

However, the AOB contractors are more than willing to do it. I mean, these are corporations that were taking the Assignment of Benefits and then they refused to submit to examinations under oath. They took the position with a lot of success that they were not bound by the policy terms and conditions because they're not the [ph] insured (00:25:56). They just have the benefit of the payment. And when you are able to skirt all of the policy provisions, examinations under oath, et cetera, you're really not going to hesitate to file the lawsuit. When you're required to submit to the policy terms and conditions, be cross-examined, deposed, et cetera, totally different ballgame. And most [ph] insureds (00:26:21) are not going to want to do that, and I think there's a lot of AOB vendors that are not going to want to go through that process either.

Bill Broomall*Analyst, Dowling & Partners Securities LLC*

Q

Perfect. Thank you. And one last one. Last quarter, you talked about your strategic partnership with Safeco to offer the bundled home and auto. Do you mind just giving us a quick update on where you kind of stand with it?

Bruce Thomas Lucas*Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.*

A

Sure. I mean, we did launch it in the Northeast. We've had some great success there. We really do appreciate the partnership with Safeco. We're hoping to expand that relationship to other states. But this is a nice start for us. It was a long time coming and they're a great partner to have in our portfolio. But other than that, I never comment specifically about premium we get from any source of production.

Bill Broomall*Analyst, Dowling & Partners Securities LLC*

Q

Okay. Can you just tell us maybe how many states it's in?

Bruce Thomas Lucas*Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.*

A

Right now, we are in one state.

Bill Broomall*Analyst, Dowling & Partners Securities LLC*

Q

Got it. Perfect. All right. Thank you very much.

Bruce Thomas Lucas*Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.*

A

Thank you.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Bruce Lucas for any closing remarks.

Bruce Thomas Lucas

Chairman & Chief Executive Officer, Heritage Insurance Holdings, Inc.

I would just like to thank everyone for attending our first quarter earnings call.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2019 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.