

**REPORT ON EXAMINATION**  
**OF**  
**AMERICAN PLATINUM PROPERTY AND**  
**CASUALTY**  
**INSURANCE COMPANY**  
**FORT LAUDERDALE, FLORIDA**

**AS OF**  
**DECEMBER 31, 2009**

**BY THE**  
**OFFICE OF INSURANCE REGULATION**

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**TALLAHASSEE, FLORIDA**

August 25, 2010

Kevin M. McCarty  
Commissioner  
Office of Insurance Regulation  
State of Florida  
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 69O-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2009, of the financial condition and corporate affairs of:

**AMERICAN PLATINUM PROPERTY AND CASUALTY INSURANCE COMPANY  
1110 WEST COMMERCIAL BLVD  
FORT LAUDERDALE, FLORIDA 33309**

Hereinafter referred to as, the "Company". Such report of examination is herewith respectfully submitted.

## **SCOPE OF EXAMINATION**

This examination covered the period of December 2, 2008, through December 31, 2009. This is the first examination conducted by representatives of the Florida Office of Insurance Regulation (Office). This examination commenced with planning at the Office on April 14, 2010. The fieldwork commenced on May 17, 2010, and concluded as of August 25, 2010.

This financial examination was a statutory financial examination conducted in accordance with the Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code, with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

The Financial Condition Examiners Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

This report of examination is confined to significant adverse findings, a material change in the financial statements or other information of regulatory significance or requiring regulatory action. The report comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

## **SUMMARY OF SIGNIFICANT FINDINGS**

### **Current Exam Findings**

This was a first year (1<sup>st</sup>) examination of the Company. There were no material findings or exceptions noted during the examination as of December 31, 2009.

## **HISTORY**

### **General**

The Company was incorporated on November 12, 2008, under the laws of the State of Florida, as a property and casualty insurer and commenced operations on December 2, 2008, under the name of Infinity Property & Casualty Insurance Company. Effective January 21, 2009, the Company's name was changed to American Platinum Property and Casualty Insurance Company.

The Company was party to Consent Order 97807-08-CO, filed October 2, 2008, regarding the application for the issuance of a Certificate of Authority. The Company complied with the provisions of this consent order.

The Company was authorized to transact the following insurance coverage in Florida:

Homeowners multi peril  
Allied lines  
Inland marine

The Company has not written or assumed any business since it was authorized to transact insurance coverage in Florida. As such, in accordance with the provisions of Section 624.430, Florida Statute, any insurer which does not write any premiums in a line of business within a calendar year shall have that line of business removed from its Certificate of Authority. This authority will be restored when the insurer demonstrates that it has the available expertise necessary and that it meets other requirements imposed by statute to write those lines of business.

**Subsequent event:** The Company provided documentation of pending plans to write business in these lines as required by Section 624.430, Florida Statutes. A revised rate filing was submitted to the Office on January 28, 2011 and approval from the Office is pending.

The Articles of Incorporation were amended on January 21, 2009, to change the Company's name from "Infinity Property and Casualty Insurance Company". The Bylaws were not amended during the period covered by this examination.

## **Dividends to Stockholders**

The Company did not pay dividends during the examination period.

## **Capital Stock and Capital Contributions**

As of December 31, 2009, the Company's capitalization was as follows:

Number of authorized common capital shares	1,000,000
Number of shares issued and outstanding	100,000
Total common capital stock	5,000,000
Par value per share	\$50.00

Control of the Company was maintained by its parent, Universal Insurance Holding Company of Florida, which owned 100% of the stock issued by the Company, who in turn was 100% owned by Universal Insurance Holdings, Inc. (UIH), a Delaware corporation.

In addition to the purchase of the capital common stock, the parent also contributed an additional \$5,000,000 in cash to the Company on November 7, 2008, thereby generating the initial capitalization of \$10,000,000.

## **Surplus Debentures**

The Company had not issued any surplus debentures.

## **Acquisitions, Mergers, Disposals, Dissolutions, and Purchase or Sales Through Reinsurance**

The Company was not party to any acquisitions, mergers, dissolutions or purchase or sale through reinsurance transactions during the examination period.

## **CORPORATE RECORDS**

The recorded minutes of the Board of Directors (Board) adequately documented the authorization of investments as required by Section 625.304, Florida Statutes.

### **Conflict of Interest**

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

## **MANAGEMENT AND CONTROL**

### **Management**

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.1601 and 628.231, Florida Statutes. Directors serving as of December 31, 2009, were:

#### **Directors**

##### **Name and Address**

##### **Principal Occupation**

Bradley I. Meier  
Golden Beach, Florida

Owner, President and Chief Executive  
Officer of Universal Insurance Holdings,  
Inc.

Norman M. Meier  
Hollywood, Florida

Pharmaceutical Executive

Sean P. Downes  
Delray Beach, Florida

Chief Operating Officer of Universal  
Insurance Holdings, Inc.

Ozzie A. Schindler Miami, Florida	Attorney
Reed J. Slogoff Merion, Pennsylvania	Real Estate
Joel M. Wilentz, M.D. Fort Lauderdale, Florida	Physician

The Board, in accordance with the Company's bylaws, appointed the following senior officers:

**Senior Officers**

<b>Name</b>	<b>Title</b>
Bradley I. Meier	President and Chief Executive
Sean P. Downes	Chief Operating Officer
Norman M. Meier	Secretary
James M. Lynch	Treasurer

The Company had several internal committees. Following were the principal internal committees and their members as of December 31, 2009:

**Audit Committee**

Ozzie A. Schindler<sup>1</sup>  
Reed J. Slogoff  
Joel M. Wilentz, M.D.

<sup>1</sup> Chairman

**Investment Committee**

Bradley I. Meier<sup>1</sup>  
Sean P. Downes  
Joel M. Wilentz, M.D.

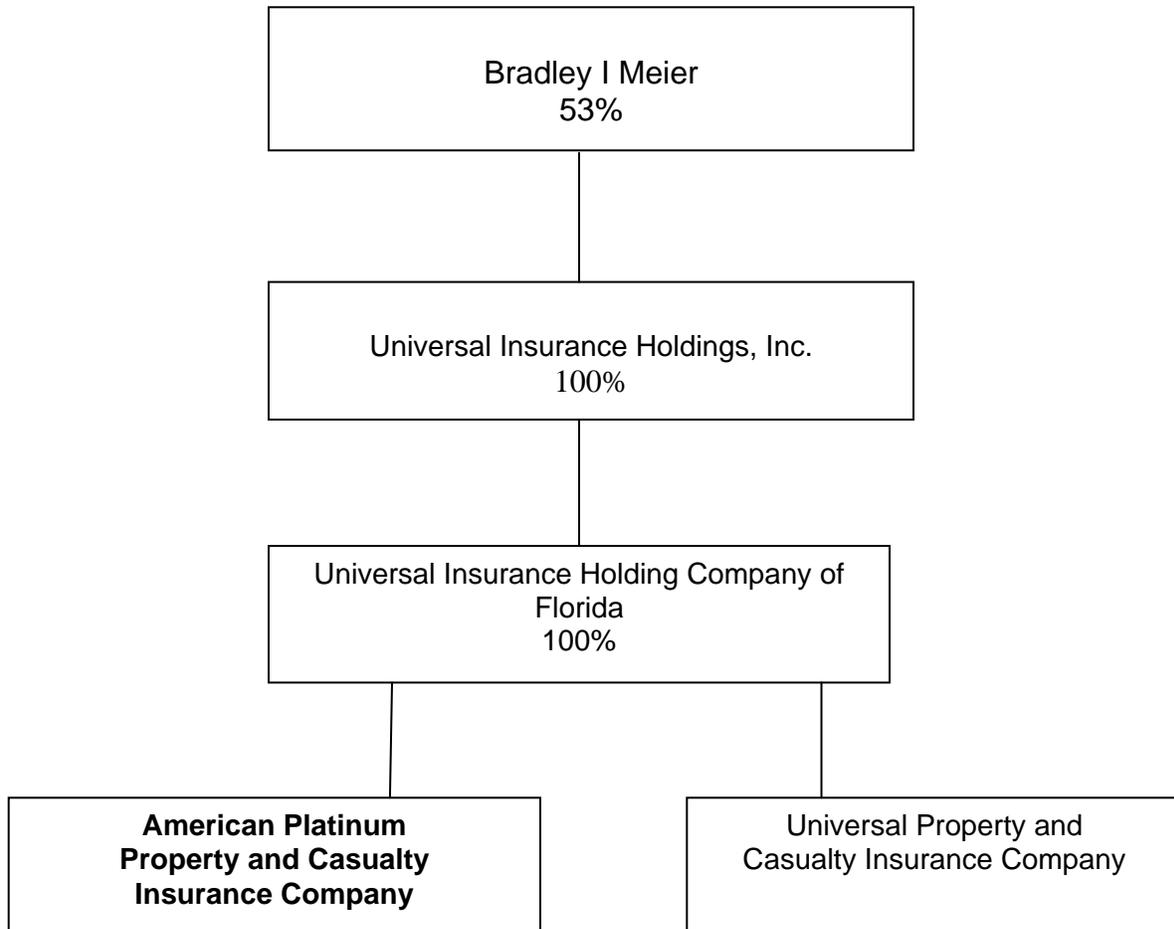
Reed J. Slogoff  
Norman M. Meier  
Ozzie A. Schindler

## **Affiliated Companies**

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration statement was filed with the State of Florida on March 1, 2010, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

An organizational chart, as of December 31, 2009, reflecting the basic holding company system is shown below. Schedule Y of the Company's 2009 annual statement provided a list of all related companies of the holding company group.

**AMERICAN PLATINUM PROPERTY AND CASUALTY INSURANCE COMPANY**  
**Organizational Chart**  
**DECEMBER 31, 2009**



Note: The remaining 47% ownership of Universal Insurance Holdings, Inc. held by various investors, none of whom hold a 10% or greater share.

The following agreements were in effect between the Company and its affiliates:

### **Tax Allocation Agreement**

The Company was party to a consolidated federal income tax agreement with its ultimate parent, UIH, and UIH's other subsidiaries. Under the agreement, the Company incurred income taxes based on a computation as if it were a stand-alone taxpayer.

### **Service Agreement**

Under the terms of service agreement with its affiliate, Universal Risk Advisors, Inc. (URA), all policy processing functions was performed by URA, which encompassed the receipt of applications, the issuance of policies, the billing and collection of premiums on behalf of the Company, and the calculation of return premiums and commissions. URA was responsible for generating policy forms, endorsements, renewal notices, nonrenewal notices, cancellation notices and other similar forms.

As compensation for these services, URA received five and one-half percent (5.5%) on the first \$30 million of all premiums earned by the Company, and four percent (4%) of all premiums earned above \$30 million.

### **Intercompany Cost Allocation Agreement**

In 2008, the Company entered into a cost allocation agreement with UIH and two affiliates, URA and Universal Adjusting Corporation (UAC). Pursuant to the terms of this agreement, the parties agreed to allocate certain joint expenses. The allocation methodology was based on proportional benefit derived by the respective parties. Expenses that cannot be readily allocated would be shared equally among the parties. Balances were settled through the

respective intercompany accounts. The agreement also required that allocations be made within thirty (30) days after payment and that reimbursements be made within thirty (30) days thereafter.

### **Managing General Agent Agreement**

On November 10, 2008, the Company appointed its affiliate, URA as a managing general agent. URA was licensed on August 17, 1998. All of the Company's business was written exclusively through this MGA.

Pursuant to the terms of the agency contract, URA underwrote the policies, administered claim settlements, collected premiums, negotiated reinsurance on behalf of the Company, and provided other administrative services.

The Company paid URA four percent (4%) of written premiums (net of cancellations and return premiums) plus a policy fee not to exceed \$25.00.

### **Reinsurance Intermediary Agreement**

The Company and its managing general agent, URA, contracted with an affiliated reinsurance intermediary, Blue Atlantic Reinsurance Corporation (Blue Atlantic) for assistance in developing, negotiating and placing the Company's reinsurance structure/program. In that as its managing general agent, URA advised the Company with regard to its reinsurance structure and negotiates reinsurance transactions on behalf of the Company, URA was also a party to this agreement.

### **Pricing Agreement**

On November 10, 2008, the Company executed an agreement (in the form of a memorandum) with its affiliate, UAC, for claims adjusting services. Under the terms of this agreement, UAC provided the Company with appraisals of damages to insured property.

### **Reinsurance Agreement with Affiliate**

The Company and its affiliate, Universal Property and Casualty Insurance Company (UPCIC), entered into an annually renewed, segregated account transaction with an affiliated, Bermuda domiciled, unauthorized reinsurer, White Rock Insurance Ltd. The agreement provided coverage with a maximum limit of \$50 million, funded by a trust account from UPCIC and UIH. The balance of the trust account at all times was to be at least equal to the limit of reinsurance potentially payable by the reinsurer less any amounts due to the reinsurer from the ceding insurer. Amounts held in excess of any ultimate loss obligation and expenses would be paid to UIH. In 2009, the Company did not write any direct business and the agreement was terminated with all funds in excess of expenses returned to UIH.

## **FIDELITY BOND AND OTHER INSURANCE**

The Company maintained fidelity bond coverage up to \$10,000,000 with a deductible of \$100,000, which was considered adequate by the NAIC guidelines.

The Company was the named insured on other policies that provided protection in connection with its business activities. These policies included director's and officers, workers' compensation, professional liability, general liability, commercial property coverages and excess umbrella coverages.

## **PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company did not offer any pension or stock ownership plans.

## **TERRITORY AND PLAN OF OPERATIONS**

The Company was authorized to transact insurance only in the State of Florida.

### **Treatment of Policyholders**

The Company did not write any direct business or assume any business and thus did not have any policyholders. The holding company had established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes.

The holding company maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1) (i) 3a, Florida Statutes.

## **COMPANY GROWTH**

### **Profitability of Company**

The following table shows the profitability trend (in dollars) of the Company for the period of operations, as reported in the filed annual statements.

	<b>2009</b>	<b>2008</b>
Premiums Earned	\$0	\$0
Net Underwriting Gain/(Loss)	(124,181)	(185)
Net Income	(69,752)	2,062
Total Assets	9,957,855	10,003,356
Total Liabilities	47,011	1,295
Surplus As Regards Policyholders	9,910,844	10,002,062

### **LOSS EXPERIENCE**

In that the Company had not written or assumed any business, it did not incur any losses.

### **REINSURANCE**

#### **Assumed**

The Company did not assume any business during the examination.

#### **Ceded**

The Company had not written any direct business since it was licensed. However, it was covered under the reinsurance structure that its affiliate “Universal Property and Casualty Insurance Company” negotiated for the June 1, 2009, through May 31, 2010. While the Company was a ceding insurer under these agreements, no reinsurance transactions occurred.

### **ACCOUNTS AND RECORDS**

The Company maintained its principal operational offices in Fort Lauderdale, Florida, where this examination was conducted.

The Company had not written any business and did not have any policyholders. As such, pursuant to Section 624.424(8), Florida Statutes it was exempt from a CPA audit.

The Company's accounting records were maintained on a computerized system. The Company's balance sheet accounts were verified with the line items of the annual statement submitted to the Office.

The Company and non-affiliates had the following agreements:

**Custodial Agreement**

The Company had a custodial agreement with SunTrust Bank, which complied with the provisions of Rules 69O-143.041 and 69O-143.042, Florida Administrative Code.

**Information Technology Report**

Examination Resources, LLC performed an evaluation of the Company's information technology and computer systems, and prepared a report that was provided to the Company.

**STATUTORY DEPOSITS**

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes:

State	Description	Book/Adjusted Carrying Value	Market Value
Florida	Cash	\$300,000	\$300,000
<b>TOTAL SPECIAL DEPOSITS</b>		<u>\$300,000</u>	<u>\$300,000</u>

## **FINANCIAL STATEMENTS PER EXAMINATION**

The following pages contain financial statements showing the Company's financial position as of December 31, 2009, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

**AMERICAN PLATINUM PROPERTY AND CASUALTY INSURANCE COMPANY**  
**Assets**

**DECEMBER 31, 2009**

	Per Company	Examination Adjustments	Per Examination
Stocks:			
Common	\$1,195,137		\$1,195,137
Cash	23,284		23,284
Short-term investments	8,611,253		8,611,253
Receivable for securities	83,056		83,056
Interest and dividend income due & accrued	2,615		2,615
Current federal income tax recoverable	36,449		36,449
Aggregate write-in for other than invested assets	6,061		6,061
Totals	\$9,957,855	\$0	\$9,957,855

**AMERICAN PLATINUM PROPERTY AND CASUALTY INSURANCE COMPANY**

**Liabilities, Surplus and Other Funds**

**DECEMBER 31, 2009**

	<b>Per Company</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Other expenses	\$787		\$787
Net deferred tax liability	46,224		46,224
	<hr/>		
Total Liabilities	\$47,011	\$0	\$47,011
	<hr/>		
Common capital stock	\$5,000,000		\$5,000,000
Gross paid in and contributed surplus	5,000,000		5,000,000
Unassigned funds (surplus)	(89,156)		(89,156)
	<hr/>		
Surplus as regards policyholders	\$9,910,844	\$0	\$9,910,844
	<hr/>		
Total liabilities, surplus and other funds	\$9,957,855	\$0	\$9,957,855

# AMERICAN PLATINUM PROPERTY AND CASUALTY INSURANCE COMPANY

## Statement of Income

DECEMBER 31, 2009

### Underwriting Income

Premiums earned		\$0
	<b>Deductions:</b>	
Losses incurred		\$0
Loss expenses incurred		
Other underwriting expenses incurred		124,181
Total underwriting deductions		<u>\$124,181</u>
Net underwriting gain or (loss)		<u>(\$124,181)</u>

### Investment Income

Net investment income earned		\$15,466
Net realized capital gains or (losses)		913
Net investment gain or (loss)		<u>\$16,379</u>
Net income before all federal income taxes		<u>(\$107,802)</u>
Federal & foreign income taxes		<u>(38,050)</u>
Net Income		<u><u>(\$69,752)</u></u>

### Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		<u>\$10,002,062</u>
Net Income		(\$69,752)
Change in net unrealized capital gains or losses		14,974
Change in net unrealized foreign exchange capital gains or losses		1,119
Change in net deferred income tax		(37,559)
Examination Adjustment		0
Change in surplus as regards policyholders for the year		<u>(\$91,218)</u>
Surplus as regards policyholders, December 31 current year		<u><u>\$9,910,844</u></u>

A comparative analysis of changes in surplus is shown below.

**AMERICAN PLATINUM PROPERTY AND CASUALTY INSURANCE COMPANY**

**Comparative Analysis Of Changes In Surplus**

**DECEMBER 31, 2009**

The following is a reconciliation of Surplus as regards policyholders between that reported by the Company and as determined by the examination.

Surplus as Regards Policyholders  
December 31, 2009, per Annual Statement \$9,910,844

	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:			
No Adjustments			\$0
LIABILITIES:			
No Adjustments			\$0
Net Change in Surplus:			<u>\$0</u>
Surplus as Regards Policyholders December 31, 2009, Per Examination			<u><u>\$9,910,844</u></u>

## **COMMENTS ON FINANCIAL STATEMENTS**

### **Capital and Surplus**

The amount reported by the Company of \$9,910,844, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **American Platinum Property and Casualty Insurance Company** as of December 31, 2009, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was \$9,910,844, which exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Douglas Befort, CFE, CIE, Deanna Leyden, CISA, CFE (IS Specialist) and Rachelle Gowins, CFE, all from Examination Resources participated in the examination.

Respectfully submitted,

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Kethessa Carpenter, CPA  
Financial Examiner/Analyst Supervisor  
Florida Office of Insurance Regulation