

**REPORT ON EXAMINATION**

**OF**

**AMERICAN PLATINUM PROPERTY AND  
CASUALTY INSURANCE COMPANY**

**FORT LAUDERDALE, FLORIDA**

**AS OF**

**DECEMBER 31, 2010**

**BY THE**

**OFFICE OF INSURANCE REGULATION**

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June 17, 2011

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 690-138.005, 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, 2010, of the financial condition and corporate affairs of:

**AMERICAN PLATINUM PROPERTY AND CASUALTY INSURANCE COMPANY  
1110 WEST COMMERCIAL BOULEVARD  
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 January 1, 2010, through December 31, 2010. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2009. This examination commenced with planning at the Office on March 21, 2011, to March 24, 2011. The fieldwork commenced on March 28, 2011, and concluded as of June 17, 2011.

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**

There were no material findings or exceptions noted during the examination as of December 31, 2010.

### **Prior Exam Findings**

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2009, along with resulting action taken by the Company in connection therewith.

### **Discontinuance of Lines of Business**

The Company had not written or assumed any business since it was authorized to transact business on December 12, 2008. **Resolution:** The Company did not resolve this prior examination finding until November, 2011.

## **SUBSEQUENT EVENTS**

The Company received approval May 23, 2011, of a rate filing which was submitted to the Office in March of 2011, for homeowners insurance.

## **HISTORY**

### **General**

The Company was incorporated as Infinity Property and Casualty Insurance Company, 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. The Company is a wholly owned subsidiary of Universal Insurance Holding Company of Florida, an insurance holding company domiciled in the State of Florida. The Company's name was changed to American Platinum Property and Casualty Insurance Company the same year, 2008.

The Company was party to Consent Order 97807-08-CO, filed October 1, 2008, with the Office 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 on December 31, 2010:

Homeowner's multi peril

Allied lines

Inland marine

The Articles of Incorporation and the Bylaws were not amended during the period covered by this examination.

### **Dividends to Stockholders**

The Company did not declare or pay any dividends during the period of this examination.

### **Capital Stock and Capital Contributions**

As of December 31, 2010, 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, a Delaware corporation.

### **Surplus Debentures**

The Company did not have any surplus debentures during the period of this examination.

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

The Company had no acquisitions, mergers, disposals, and purchase or sales through reinsurance during the period of this examination.

## **CORPORATE RECORDS**

The recorded minutes of the Board of Directors (Board), were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, including 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 Section 628.231, Florida Statutes. Directors serving as of December 31, 2010, were:

#### **Directors**

##### **Name and Location**

##### **Principal Occupation**

Bradley I. Meier  
Golden Beach, FL

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

Norman M. Meier  
Hollywood, FL

Pharmaceutical Executive

Sean P. Downes  
Delray Beach, FL

Chief Operating Officer of Universal  
Insurance Holdings, Inc.

Ozzie A. Schindler  
Miami, FL

Attorney

Reed J. Slogoff  
Merion, PA

Real Estate

Joel M. Wilentz, M.D.  
Fort Lauderdale, FL

Physician

Michael A. Pietrangelo  
German Town, Tennessee

Attorney

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

#### **Senior Officers**

<b>Name</b>	<b>Title</b>
Bradley Ian Meier	President and Chief Executive Officer
Sean P. Downes	Chief Operating Officer
Norman M. Meier	Secretary
George Robert De Heer	Treasurer

The Company's Board appointed an internal committee. Following was the principal internal board committee and its members as of December 31, 2010:

#### **Audit Committee**

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

<sup>1</sup> Chairman

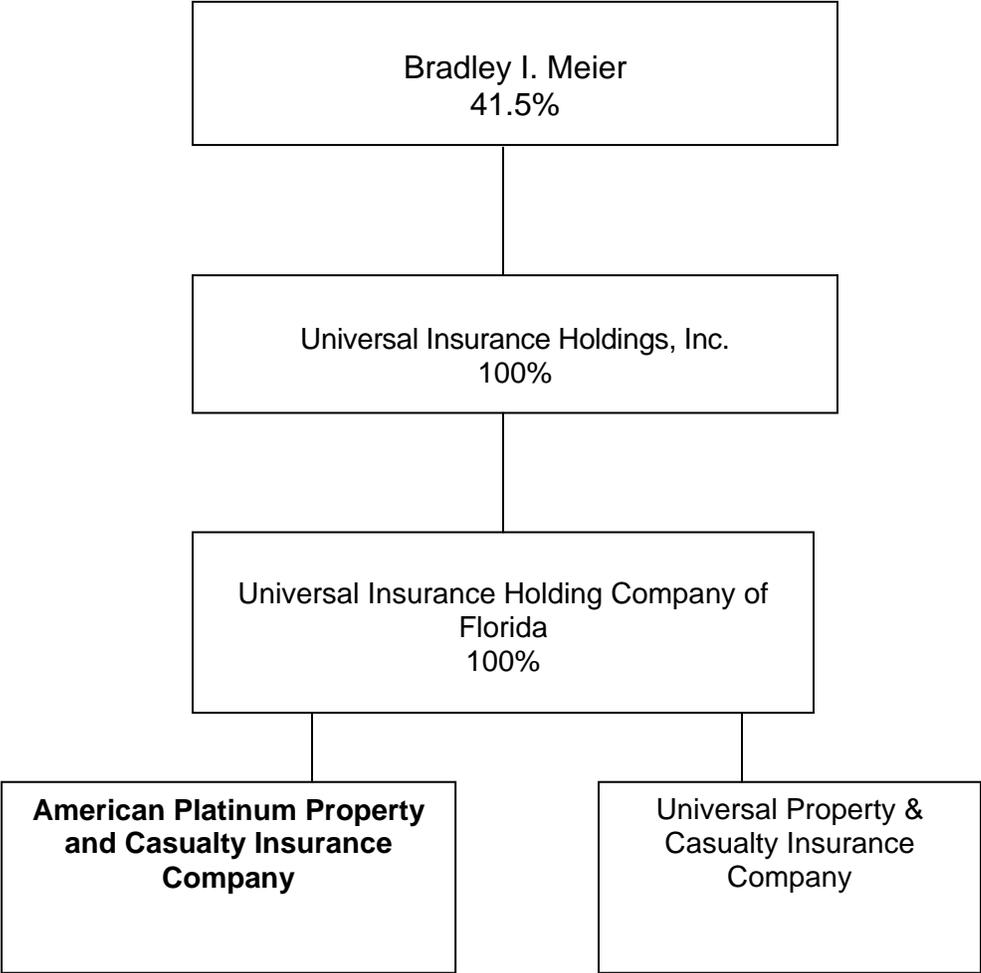
## **Affiliated Companies**

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, 2011, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

An organizational chart as of December 31, 2010, reflecting the holding company system, is shown below. Schedule Y of the Company's 2010 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, 2010**



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, Universal Insurance Holdings, Inc. (UIH) and other subsidiaries. Under the agreement, the Company incurred income taxes based on a computation of taxes as if it were a stand-alone taxpayer.

### **Service Agreement**

The Company had a service agreement with its affiliate, Universal Risk Advisors, Inc. (URA). However, no business had been written as of the date of this examination; therefore, no services were provided by URA.

### **Intercompany Cost Allocation Agreement**

During the 2008 period, the Company entered into a cost allocation agreement with UIH and its 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 were 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 invoice or 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 (MGA). URA was licensed on August 17, 1998. All of the Company's business would be written exclusively through this MGA, which also writes business on behalf of the Company's affiliate, Universal Property & Casualty Insurance Company.

Pursuant to the terms of the agency contract, URA would underwrite the policies, administer claim settlement, collect premiums, negotiate reinsurance on behalf of the Company, and provide other administrative services.

The Company had no payments to URA during the period of this examination.

### **Reinsurance Intermediary Agreement**

The Company and its managing general agent, URA, have 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 its capacity as managing general agent, URA advises the Company with regard to its reinsurance structure and negotiates reinsurance transactions on behalf of the Company. It is also a party to this agreement.

### **Pricing Agreement**

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

## **FIDELITY BOND AND OTHER INSURANCE**

The Company maintained fidelity bond coverage up to \$10,000,000 with a deductible of \$100,000, which was the suggested minimum as recommended by the NAIC.

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

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

The Company had no employees and therefore no pension, stock ownership or insurance plans.

## **TERRITORY AND PLAN OF OPERATIONS**

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

### **Treatment of Policyholders**

The Company had no direct written or assumed business for the examination period and therefore no 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.

	2010	2009
Premiums Earned	\$0	\$0
Net Underwriting Gain/(Loss)	(197,064)	(124,181)
Net Income	1,389,084	(69,752)
Total Assets	12,077,945	9,957,855
Total Liabilities	826,216	47,011
Surplus As Regards Policyholders	11,251,729	9,910,844

## LOSS EXPERIENCE

In that the Company had no written or assumed business to date, it did not incur any losses.

## REINSURANCE

In that the Company had no written or assumed business to date, it did not obtain reinsurance coverage for the examination period.

### Assumed

The Company did not assume any reinsurance during the period of this examination.

**Ceded**

The Company did not cede any reinsurance during the period of this examination.

**ACCOUNTS AND RECORDS**

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

The Company had no business and did not have any policyholders. As such, and pursuant to Section 624.424(8), Florida Statute, it has been exempt from filing an independent CPA audit since it was licensed.

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 Rule 69O-143.041 and Rule 69O-143.042, Florida Administrative Code.

**INFORMATION TECHNOLOGY REPORT**

There was no IT Specialist work warranted or performed in conjunction with this examination for the following reasons: the Company did not have any premium or loss transactions/balances for the year 2010; the only material key activity were investments and an Information Technology

review report was provided covering the year 2008 at the parent company level which was utilized to gain an understanding of the financial reporting operations overall.

### STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes and with various state officials as required or permitted by law:

STATE	Description	Par Value	Market Value
Florida	Cash	\$ 300,000	\$ 300,000
TOTAL SPECIAL DEPOSITS		<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, 2010, 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, 2010**

	<b>Per Company</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Stocks:			
Common	\$6,017,187		\$6,017,187
Cash and Short-Term Investments	4,615,973		4,615,973
Derivatives	2		2
Receivables for securities	1,399,465		1,399,465
Investment income due and accrued	7,807		7,807
Net deferred tax asset	37,511		37,511
	<hr/>		
Totals	<u>\$12,077,945</u>	<u>\$0</u>	<u>\$12,077,945</u>

**American Platinum Property and Casualty Insurance Company  
Liabilities, Surplus and Other Funds**

**DECEMBER 31, 2010**

	<b>Per Company</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Other expenses	\$33,321		\$33,321
Taxes, licenses and fees	109,386		109,386
Current federal and foreign income taxes	653,847		653,847
Payable for securities	29,662		29,662
Total Liabilities	\$826,216	\$0	\$826,216
Common capital stock	\$5,000,000		\$5,000,000
Gross paid in and contributed surplus	5,000,000		5,000,000
Unassigned funds (surplus)	1,251,729		1,251,729
Surplus as regards policyholders	\$11,251,729	\$0	\$11,251,729
Total liabilities, surplus and other funds	\$12,077,945	\$0	\$12,077,945

**American Platinum Property and Casualty Insurance Company**  
**Statement of Income**

**DECEMBER 31, 2010**

Net underwriting gain or (loss) (\$197,064)

**Investment Income**

Net investment income earned	\$30,830
Net realized capital gains or (losses)	1,459,926
Net investment gain or (loss)	\$1,490,756

**Other Income**

Net gain or (loss) from agents' or premium balances charged off	\$0
Finance and service charges not included in premiums	0
Aggregate write-ins for miscellaneous income	0
Total other income	\$0

Net income before dividends to policyholders and before federal & foreign income taxes	\$1,293,692
Dividends to policyholders	0
Net Income, after dividends to policyholders, but before federal & foreign income taxes	\$1,293,692
Federal & foreign income taxes	(95,392)
Net Income	\$1,389,084

**Capital and Surplus Account**

Surplus as regards policyholders, December 31 prior year	\$9,910,844
Net Income	\$1,389,084
Net transfers	0
Change in net unrealized capital gains or (losses) less capital gains tax	(84,639)
Change in net unrealized foreign exchange capital gain (loss)	(1,119)
Change in net deferred income tax	37,559
Change in nonadmitted assets	0
Aggregate write-ins for gains and losses in surplus	0
Examination Adjustment	0
Change in surplus as regards policyholders for the year	\$1,340,885
Surplus as regards policyholders, December 31 current year	\$11,251,729

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, 2010**

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, 2010, per Annual Statement	\$11,251,729
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	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS: No Adjustment			
LIABILITIES: No Adjustment			
Net Change in Surplus:			<u>0</u>
Surplus as Regards Policyholders December 31, 2010, Per Examination			<u><u>\$11,251,729</u></u>

## **COMMENTS ON FINANCIAL STATEMENTS**

### **Capital and Surplus**

The amount reported by the Company of \$11,251,729, 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, 2010, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was \$11,251,729, which exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Sheri Kenney, CFE, Examiner-In-Charge and Brad Hazelwood, Participating Examiner, of Highland Clark, LLC participated in the examination. In addition, Chibueze Alutu Financial Examiner/Analyst II of the Office also participated in the examination.

Respectfully submitted,

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Gary Farmer, CPA, CFE, AES  
Financial Examiner/Analyst Supervisor  
Florida Office of Insurance Regulation