

**REPORT ON EXAMINATION**  
**OF**  
**UNIVERSAL INSURANCE COMPANY OF**  
**NORTH AMERICA**

**SARASOTA, FLORIDA**

**AS OF**

**DECEMBER 31, 2012**

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

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March 21, 2014

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, 2012, of the financial condition and corporate affairs of:

**UNIVERSAL INSURANCE COMPANY OF NORTH AMERICA  
101 PARAMOUNT DRIVE, SUITE 220  
SARASOTA, FLORIDA 34232**

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, 2008 through December 31, 2012. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2007. This examination commenced with planning at the Office on December 2, 2013 to December 6, 2013. The fieldwork commenced on December 16, 2013 and concluded as of March 21, 2014.

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**

The following is a summary of material adverse findings, significant non-compliance findings, or material changes in the financial statements noted during this examination.

#### **General**

The Company's custodian agreement with Salem Trust was not in compliance with Rule 69O-143.042, Florida Administrative Code. Refer to the Custodial Agreement section of this exam report for details of exception.

#### **Management**

The Company had various changes in officers and directors that occurred throughout the examination period. Notices were not consistently provided to the Office on a timely basis. As such, the Company was not in compliance with Section 628.261, Florida Statutes.

### **Prior Exam Findings**

There were no findings, exceptions or corrective action to be taken by the Company for the examination as of December 31, 2007.

## **SUBSEQUENT EVENTS**

John W. Burns resigned as CFO effective September 9, 2013 and Laura Lopez, VP of Finance, took over the acting CFO responsibilities.

## **HISTORY**

### **General**

The Company was incorporated in Florida on April 23, 2004 and commenced business on May 19, 2004, as Universal Insurance Company of North America.

The Company was party to Consent Order 76188-04-CO filed May 19, 2004, regarding the application for the issuance of a Certificate of Authority. The Company also obtained certificates of authority from South Carolina on October 14, 2009; Texas on October 26, 2009; and North Carolina on August 17, 2011.

The Company was authorized to transact the following insurance coverages in Florida on various dates beginning in 2004 and continue to be authorized as of December 31, 2012:

Homeowners multi peril	Fire
Commercial multi peril	Allied Lines
Other Liability	Inland Marine

The Company did not write Inland Marine and/or Other Liability business during calendar year 2012. As such, the Company was not in compliance with Section 624.430, Florida Statutes.

The Articles of Incorporation were amended during the period covered by this examination, due to the change in the par value of the Company's authorized shares from \$1.00 per share to \$100.00 per share. An increase in the number of authorized shares from 1,000 to 25,000 also occurred.

### **Dividends to Stockholders**

The Company declared and paid a dividend of \$7.5 million to their parent, Universal Insurance Holdings of North America (Universal Holdings), on December 15, 2009. The Office deemed this not to be an extraordinary dividend and therefore did not require approval.

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

As of December 31, 2012, the Company's capitalization was as follows:

Number of authorized common capital shares	25,000
Number of shares issued and outstanding	25,000
Total common capital stock	\$2,500,000
Par value per share	\$100.00

Control of the Company was maintained by its parent, Universal Holdings, who owned 100% of the stock issued by the Company, who in turn was 100% owned by Universal Overseas, Inc., a Puerto Rico corporation, who was ultimately 100% owned by Universal Group, Inc., also a Puerto Rico corporation.

### **Surplus Notes**

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

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

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

## **CORPORATE RECORDS**

The recorded minutes of the Shareholder(s), Board of Directors (Board) and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, in compliance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code including the authorization of investments as required by Section 625.304, Florida Statutes.

## **Conflict of Interest**

The Company adopted a policy statement requiring periodic 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, 2012, were:

## DIRECTORS

<b>Name and Location</b>	<b>Principal Occupation</b>
Monique Miranda Merle San Juan, Puerto Rico	President, Universal Insurance Company, Inc.
Josely Vega Dorado, Puerto Rico	Chief Legal Counsel & VP, Universal Group, Inc.
Jorge Luis Padilla San Juan, Puerto Rico	CFO/Senior Vice President, Universal Group, Inc.
Luis Berritos Monge San Juan, Puerto Rico	Secretary, Universal Insurance Company, Inc.
Donald Kevane San Juan, Puerto Rico	Chairman of the Partnership, Kevane Soto Pasarell Grant Thornton LLP
Jose Medina San Juan, Puerto Rico	Marketing Vice President, Eastern America Insurance Agency
Jorge Amadeo Guaynabo, Puerto Rico	Executive Vice President, Eastern America Insurance Agency
Waldemar Fabery-Villaespesa San Juan, Puerto Rico	Of Counsel, Toro Colón Mullet Rivera Sifre, PSC

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

## Senior Officers

<b>Name</b>	<b>Title</b>
Miguel Angel Barrales	President
Josely Vega	Secretary
Jorge Luis Padilla	Treasurer
Monique Miranada Merle	Chief Executive Officer
John William Burns (a)	CFO, VP & Assistant Treasurer
Suzanne Morrow	Vice President
Katherine Allison Moore	Vice President
Patrick McCrink	Vice President
Jorge A. Gomez	Vice President
James R. Watje	Vice President
Craig L. Justice	Vice President

(a) Mr. Burns resigned from the position of CFO effective September 9, 2013. Laura Lopez took over the acting CFO responsibilities; however, was not appointed as an Officer.

The Board of Universal Holdings appointed two internal committees tasked with governance over the Company. Following were the principal internal board committees and their members as of December 31, 2012:

**Audit Committee**

Donald Kevane <sup>1</sup>  
Monique Miranda Merle  
Plinio Perez  
Ana I. Vila  
Waldemar Fabery

**Investment Committee**

Monique Miranda Merle <sup>1</sup>  
Donald Kevane  
Plinio Perez  
Ana I. Vila  
Jorge Padilla  
Josely Vega  
Maritere Jimenez  
Linda Viera  
Jose Benitez  
Raul Ramirez

<sup>1</sup> Chairman

**Affiliated Companies**

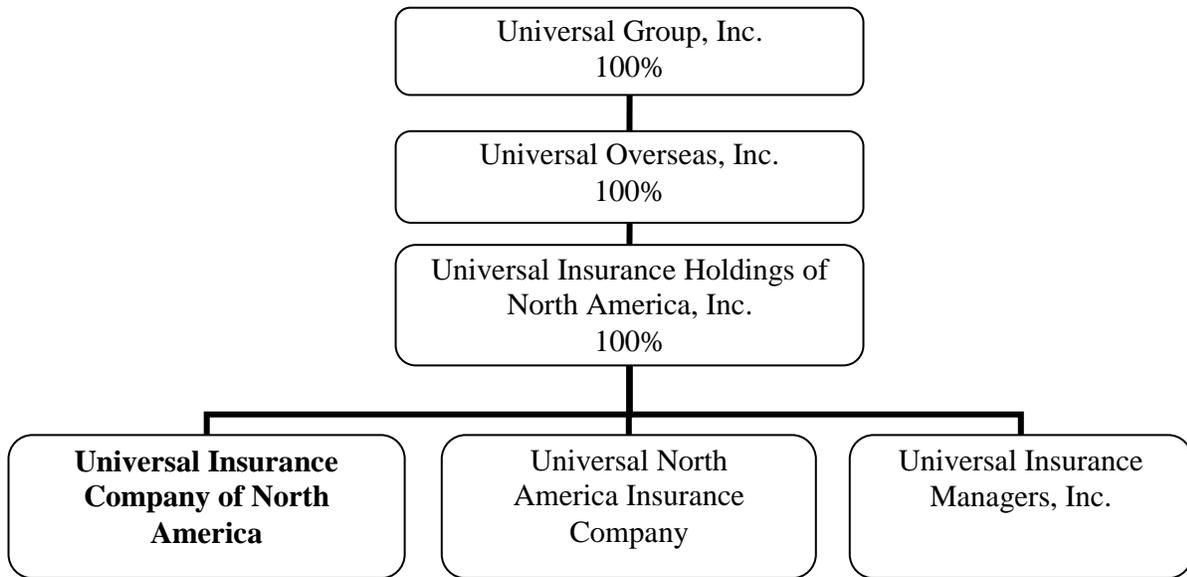
The most recent holding company registration statement was filed with the State of Florida on February 28, 2013, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

A simplified organizational chart as of December 31, 2012, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2012 annual statement provided a list of all related companies of the holding company group.

**UNIVERSAL INSURANCE COMPANY OF NORTH AMERICA**

**Organizational Chart**

**DECEMBER 31, 2012**



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

### **Tax Sharing Agreement**

The Company entered into a Tax Sharing Agreement on March 31, 2005 with Universal Holdings. This agreement was amended on July 1, 2011. Under this agreement, Universal Holdings estimated tax liabilities for the members, prepared consolidated return and ensured settlements with the IRS occurred. The agreement was effective for all taxable years beginning with 2005.

### **Executive Management Services Agreement**

The Company entered into an Executive Management Services Agreement on July 19, 2010, with Universal Holdings. Universal Holdings housed and maintained the Company's books and records, provided facilities for Board of Director meetings and provided investment management services. Universal Holdings received no compensation for the services provided.

### **Managing General Agency and Claims Administration Agreement**

The Company entered into a claims administration and managing general agency (MGA) agreement on April 26, 2004, with its affiliate Universal Insurance Managers, Inc., to produce and administer policies on behalf of the Company. As consideration for the services provided by the MGA (excluding claims services), the Company paid Universal Insurance Managers, Inc. 23% of total written premiums. The agreement limited the premiums written to \$250,000,000 by the MGA in any one year. In addition, the agreement granted the MGA authority to fully investigate, evaluate, handle, adjust and settle up to the closure each claim as applicable by state law. Fees for these claims services were 5% of the Company's total earned premium. Universal Insurance Managers, Inc. also handled the salvage and subrogation processes on

behalf of the Company, for which they were compensated 50% of all amounts collected, totaling \$763,000 in 2012.

### **FIDELITY BOND AND OTHER INSURANCE**

The Company maintained fidelity bond coverage up to \$1,250,000 with a deductible of \$250,000, which reached the suggested minimum as recommended by the NAIC. The Company also maintained Directors and Officers (D&O) liability insurance and Errors and Omissions (E&O) coverage with limits of \$20,000,000 and \$10,000,000, respectively, and deductibles of \$350,000 and \$500,000, respectively.

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

There were no pensions, stock ownership or insurance plans in place at the Company during the period of this examination.

### **TERRITORY AND PLAN OF OPERATIONS**

The Company was authorized to transact insurance in the following states:

Florida            Texas            North Carolina            South Carolina

## **Treatment of Policyholders**

The Company established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes.

The 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**

The Company has shown an overall decrease in premiums written from the prior examination date of 2007. In 2007, direct and assumed premiums written were approximately \$190 million, compared to approximately \$140 million in 2012. The Company showed relatively consistent direct written premium volume over the course of the examination; however their earned premiums over the course of the examination have increased from \$38.5 million to \$64 million. In 2009 and 2010, the Company began writing business in Texas and North Carolina, as well as assumed a block of business from an affiliate, which led to the significant increases in premiums written and losses incurred in 2010. For the period under examination, the Company's premiums written have remained fairly constant for the period as a whole. The Company's annual written premiums fluctuated over the period under examination, but their 2012 written premiums were approximately \$140 million and were in line with the average premium written over the period of examination. The Company reduced their primary quota share ceding percentages from 62% overall to 32% overall in 2009. Additionally, the Company had a reinsurance assumption program in place which increased the liability on the books of the Company for 2009. These two factors were the primary drivers in the large net loss in 2009. The Company also experienced a significant decline in overall profitability from 2010 to 2011, which was mainly due to the increase in sinkhole claims and losses that the Company experienced. The Company placed a retroactive reinsurance treaty to mitigate

sinkhole losses in 2012 and was able to improve 2012 financial performance, but still experienced negative net income and significant net underwriting losses.

### **Profitability of Company**

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

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Premiums Earned	64,041,796	74,724,160	86,454,354	46,989,553	38,502,484
Net Underwriting Gain/(Loss)	(7,932,641)	(10,658,446)	929,285	(19,120,480)	7,227,772
Net Income/(loss)	(3,827,126)	(4,193,917)	2,700,345	(9,749,258)	8,313,754
Total Assets	134,356,372	149,420,169	149,267,331	121,008,723	105,866,815
Total Liabilities	99,655,298	109,866,118	106,942,017	91,089,817	59,745,884
Surplus As Regards Policyholders	34,701,074	39,554,051	42,325,314	29,918,906	46,120,931

### **LOSS EXPERIENCE**

During the current examination period, the Company showed unfavorable development overall. This was a result of adverse development on sinkhole claims occurring throughout the examination period. The one and two-year net loss developments at the end of the current examination period were both unfavorable at \$3.6 million and \$13.6 million, respectively.

## **REINSURANCE**

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting and settlement information deadlines.

### **Assumed**

During the period under examination, the Company assumed premiums on a quota share basis from subsidiary, Universal Specialty Insurance Company. This contract was terminated effective January 1, 2011. This subsidiary was dissolved, wherein the Company purchased 100% of the stock. No business was assumed in 2012.

### **Ceded**

At December 31, 2012, the Company's reinsurance program consisted of quota share and excess of loss reinsurance agreements for per risk, catastrophic and non-catastrophic events. The Company had various quota share contracts in place on a state specific basis due to the risk profiles within those applicable states (i.e., Florida only, Texas only, etc). The Company also had a net quota share agreement in place for all business not covered by the other applicable state contracts or their property excess per risk and excess of loss treaties.

The structure of the program contained various contracts that would only apply in the event the other insurance contracts were exhausted. The per risk excess of loss and Florida Hurricane Catastrophe Fund (FHCF) treaties were triggered first and inured to the benefit of state specific quota share agreements, all of which further inured to the benefit of catastrophe excess of loss program in place. The net quota share agreement overarched these treaties and was applicable

to business not covered by the aforementioned treaties, and/or losses exceeding the occurrence/aggregate limits.

The Company had excess of loss treaties in place, which provided coverage up to \$10 million on any single property risk, on a non-catastrophic loss. For all Florida and Texas property risks, the attachment point for the per risk excess of loss treaty was \$750,000; for all other states, the attachment point was \$500,000.

In 2012, the Company reduced its Florida quota share participation to a placement of 8% from 10.5% in 2011. The Company's 2012 Florida quota share agreements provided coverage for losses, subject to a maximum occurrence limit of \$245 million and an aggregate limit of \$515 million.

In 2012, the Company reduced its Texas quota share participation to a placement of 19.5% from 36% in 2011. The Company's 2012 Texas quota share agreements provided for coverage for losses, subject to a maximum occurrence limit of \$125 million and an aggregate limit of \$265 million.

The 2012 Catastrophe Excess of Loss Treaties provided coverage, net of the FHCF and quota share agreements, for each loss occurrence in excess of \$5 million and not to exceed \$220 million with respect to any one event. In 2012, the Company also purchased a "Second Event Florida Only" layer to provide second event coverage up to \$310 million.

In 2012, the Company maintained a net quota share agreement for 25% of all other losses, without an aggregate or occurrence limit.

The Company also entered into a retroactive reinsurance agreement which provided coverage for sinkhole losses with accident dates prior to January 1, 2012. The attachment point of the

agreement was \$25 million, net of reinsurance, with coverage up to \$43.9 million with a 10% co-participation.

The Company had casualty excess of loss treaties in place which provided coverage up to \$4 million with an initial attachment point of \$350,000.

The reinsurance contracts were reviewed by the Company's appointed actuary and were utilized in determining the ultimate loss opinion.

## **ACCOUNTS AND RECORDS**

The Company maintained its principal operational offices in Sarasota, Florida.

The Company's accounting records were maintained on SunGard iWorks financial reporting software. Journal entries are manually entered into SunGard iWorks based on reports from auxiliary systems or import files generated by the claims and policy management systems.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2008, 2009, 2010, 2011 and 2012, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA as required by Rule 69O-137.001, Florida Administrative Code.

The Company and non-affiliates had the following agreements:

### **Custodial Agreement**

The Company maintained two custodial agreements. The US Bank custodial agreement was in compliance with Rule 69O-143.042, Florida Administrative Code. The Salem Trust custodial agreement was not in compliance with Section 2, clauses (g), (j), (n) and (o) of Rule 69O-143.042, Florida Administrative Code.

### **Managing General Agent Agreement**

The Company utilized a non-affiliated managing general agent (MGA), Arrowhead General Insurance Agency, Inc. (Arrowhead) to produce insurance business in the states of Texas, North Carolina and South Carolina. Arrowhead was responsible for quoting policies to customers and billing and collecting premiums on behalf of the insurer. The Company retained the right for binding authority and ensures all policies meet Company underwriting guidelines. Arrowhead's affiliate, American Claims Management, Inc., provided the claims administration services to the Company.

### **Independent Auditor Agreement**

An independent CPA audited the Company's statutory basis financial statements annually for the years 2008, 2009, 2010, 2011 and 2012, in accordance with Section 624.424(8), Florida Statutes. Supporting workpapers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

## INFORMATION TECHNOLOGY REPORT

Ian Staab, CISA, of ParenteBeard LLC performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

## 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	Book Value	Market Value
FL	Cash	<u>\$ 300,000</u>	<u>\$ 300,000</u>
TOTAL FLORIDA DEPOSITS		\$ 300,000	\$ 300,000
NC	WAKE CNTY MBD, 5%, 03/01/19	\$ 361,036	\$ 368,673
SC	FFCB DEB, 4.7%, 08/10/15	<u>129,470</u>	<u>138,805</u>
TOTAL OTHER DEPOSITS		<u>\$ 490,506</u>	<u>\$ 507,478</u>
TOTAL SPECIAL DEPOSITS		<u>\$ 790,506</u>	<u>\$ 807,478</u>

## FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2012, 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."

**UNIVERSAL INSURANCE COMPANY OF NORTH AMERICA**  
**Assets**

**DECEMBER 31, 2012**

	<b>Per Company</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Bonds	\$110,523,826		\$110,523,826
Stocks:			
Common	773,625		773,625
Cash and Short-Term Investments	(2,081,375)		(2,081,375)
Investment income due and accrued	907,092		907,092
Premiums and Considerations:			
Uncollected premium	9,214,779		9,214,779
Deferred premium	1,903,217		1,903,217
Reinsurance:			
Amounts recoverable	3,528,272		3,528,272
Funds Held	2,156,120		2,156,120
Current Fed and For Income Tax	124,104		124,104
Net Deferred Tax Asset	4,526,227		4,526,227
Receivable from parents, subsidiaries and affiliates	1,611,376		1,611,376
Aggregate write-in for other than invested assets	1,169,109		1,169,109
Totals	\$134,356,372	\$0	\$134,356,372

**UNIVERSAL INSURANCE COMPANY OF NORTH AMERICA**  
**Liabilities, Surplus and Other Funds**

**DECEMBER 31, 2012**

	Per Company	Examination Adjustments	Per Examination
Losses	\$33,871,179		\$33,871,179
Reinsurance payable	\$371,465		\$371,465
Loss adjustment expenses	2,163,554		2,163,554
Commissions Payable	601,307		601,307
Other expenses	221,755		221,755
Taxes, licenses and fees	1,006,448		1,006,448
Unearned premium	32,171,425		32,171,425
Advance Premiums	2,306,206		2,306,206
Ceded Reinsurance payable	25,849,308		25,849,308
Remittances and items not allowed	92,928		92,928
Aggregate write-ins for liabilities	999,723		999,723
Total Liabilities	\$99,655,298	\$ -	\$99,655,298
Common capital stock	\$2,500,000		\$2,500,000
Gross paid in and contributed surplus	33,216,412		33,216,412
Unassigned funds (surplus)	(1,015,338)		(1,015,338)
Surplus as regards policyholders	\$34,701,074	\$ -	\$34,701,074
Total liabilities, surplus and other funds	\$134,356,372	\$ -	\$134,356,372

**UNIVERSAL INSURANCE COMPANY OF NORTH AMERICA**  
**Statement of Income**

**DECEMBER 31, 2012**

**Underwriting Income**

Premiums earned		\$64,041,796
	<b>Deductions:</b>	
Losses incurred		\$36,372,147
Loss expenses incurred		11,503,625
Other underwriting expenses incurred		24,098,665
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		<u>\$71,974,437</u>
Net underwriting gain or (loss)		(\$7,932,641)

**Investment Income**

Net investment income earned		\$3,027,472
Net realized capital gains or (losses)		3,514,601
Net investment gain or (loss)		<u>\$6,542,073</u>

**Other Income**

Net gain or (loss) from agents' or premium balances charged off		(\$48,663)
Finance and service charges not included in premiums		290,143
Aggregate write-ins for miscellaneous income		(2,962,035)
Total other income		<u>(\$2,720,555)</u>
Net income before dividends to policyholders and before federal & foreign income taxes		(\$4,111,123)
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		(\$4,111,123)
Federal & foreign income taxes		(283,997)
Net Income		<u><u>(\$3,827,126)</u></u>

**Capital and Surplus Account**

Surplus as regards policyholders, December 31 prior year		\$39,554,051
Net Income		(\$3,827,126)
Change in net unrealized capital gains or (losses)		(1,645,671)
Change in net deferred income tax		2,365,879
Change in non-admitted assets		(1,746,059)
Change in excess statutory over statement reserves		0
Surplus adjustments: Paid in		0
Aggregate write-ins for gains and losses in surplus		0
Examination Adjustment		0
Change in surplus as regards policyholders for the year		<u>(\$4,852,977)</u>
Surplus as regards policyholders, December 31 current year		<u><u>\$34,701,074</u></u>

A comparative analysis of changes in surplus is shown below.

**UNIVERSAL INSURANCE COMPANY OF NORTH AMERICA**  
**Comparative Analysis of Changes in Surplus**

**DECEMBER 31, 2012**

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, 2012, per Annual Statement	\$34,701,074
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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, 2012, per examination			<u><u>\$34,701,074</u></u>

## COMMENTS ON FINANCIAL STATEMENTS

### Liabilities

**Losses and Loss Adjustment Expenses** \$36,034,733

An outside actuarial firm appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2012, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Ronald Kuehn, FCAS, MAAA of Huggins Actuarial Services Inc., reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

### Capital and Surplus

The amount of capital and surplus reported by the Company of \$34,701,074, exceeded the minimum of \$9,773,286 required by Section 624.408, Florida Statutes.

## **SUMMARY OF RECOMMENDATIONS**

### **General**

We recommend that the Company comply with Rule 69O-143.042, Florida Administrative Code, which requires the Company's custodial agreement to contain all provisions in Rule 69O-143.042, Florida Administrative Code.

### **Management**

We recommend that the Company comply with Section 628.261, Florida Statutes and provide notice of all changes to officers and/or directors within 45 days to the Office.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Universal Insurance Company of North America** as of December 31, 2012, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards policyholders was \$34,701,074, which exceeded the minimum of \$9,773,286 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Phil Schmoyer, CFE, Examiner-In-Charge, Taylor Tommasino and Eric Cortese, Participating Examiner(s), of ParenteBeard LLC participated in the examination. Additionally, Ronald Kuehn, FCAS, MAAA, CERA, CPCU, ARM, FCA and Todd Dashoff, ACAS, MAAA, ARM, consulting actuaries of Huggins Actuarial Services, Inc., Ian Staab, CISA, IT Manager of ParenteBeard LLC, and Sarah Lucibello, CPA, CFE, Examination Manager, of Lewis and Ellis, Inc., participated in the examination.

Respectfully submitted,

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Robin Brown, CFE  
Chief Examiner  
Florida Office of Insurance Regulation