

REPORT ON EXAMINATION
OF
UNIVERSAL PROPERTY AND
CASUALTY INSURANCE COMPANY
FORT LAUDERDALE, FLORIDA

AS OF
DECEMBER 31, 2008

BY THE
OFFICE OF INSURANCE REGULATION

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	-
SCOPE OF EXAMINATION.....	1
STATUS OF ADVERSE FINDINGS FROM PRIOR EXAMINATION	3
HISTORY	3
GENERAL	3
CAPITAL STOCK.....	4
PROFITABILITY OF COMPANY	5
DIVIDENDS TO STOCKHOLDERS	5
MANAGEMENT	5
CONFLICT OF INTEREST PROCEDURE.....	7
CORPORATE RECORDS	7
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS, AND PURCHASE OR SALES THROUGH REINSURANCE.....	7
SURPLUS DEBENTURES	8
AFFILIATED COMPANIES	8
ORGANIZATIONAL CHART	9
TAX ALLOCATION AGREEMENT.....	10
SERVICE AGREEMENT	10
INTERCOMPANY COST ALLOCATION AGREEMENT	10
MANAGING GENERAL AGENT AGREEMENT	11
REINSURANCE INTERMEDIARY AGREEMENT.....	11
PRICING AGREEMENT	12
INSPECTION SERVICES.....	12
FIDELITY BOND AND OTHER INSURANCE.....	12
PENSION, STOCK OWNERSHIP AND INSURANCE PLANS	12
STATUTORY DEPOSITS	13
INSURANCE PRODUCTS.....	13
TERRITORY	13
TREATMENT OF POLICYHOLDERS.....	13
REINSURANCE.....	14
ASSUMED.....	14
CEDED	14
ACCOUNTS AND RECORDS	16
CUSTODIAL AGREEMENT	17
INDEPENDENT AUDITOR AGREEMENT.....	17

INFORMATION TECHNOLOGY REPORT	17
FINANCIAL STATEMENTS PER EXAMINATION	17
ASSETS	18
LIABILITIES, SURPLUS AND OTHER FUNDS	19
STATEMENT OF INCOME.....	20
COMMENTS ON FINANCIAL STATEMENTS.....	21
ASSETS	21
LIABILITIES.....	21
CAPITAL AND SURPLUS.....	22
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS	23
SUMMARY OF FINDINGS	24
CONCLUSION.....	26

TALLAHASSEE, FLORIDA

May 7, 2010

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

Christina Urias
Secretary, Western Zone, NAIC
Director
Arizona Department of Insurance
2910 North 44th Street, Suite 210
Phoenix, Arizona 85018

James J. Donelon
Secretary, Southeastern Zone, NAIC
Commissioner
Louisiana Department of Insurance
1702 N. 3rd Street
Baton Rouge, Louisiana 70802

Honorable Alfred W. Gross
Chairman, NAIC Financial Condition (E) Committee
Commissioner, Virginia Bureau of Insurance
State Corporation Commission
1300 East Main St.
Richmond, Virginia 23219

Dear Sirs and Madam:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, 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, 2008, of the financial condition and corporate affairs of:

**UNIVERSAL 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, 2004, through December 31, 2008. The Company's was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2003. The Office also conducted a limited scope examination of the Company's reinsurance program as of June 30, 2008. This examination commenced with planning at the Office on January 4, 2010 to January 7, 2010. The fieldwork commenced on January 11, 2010 and concluded as of May 7, 2010.

This financial examination was an association zone 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.

Risk-focused examinations consist of a seven-phase process that can be used to identify and assess risk, assess the adequacy and effectiveness of strategies/controls used to mitigate risk and assist in determining the extent and nature of procedures and testing to be utilized in order to complete the review of that activity. The process should generally include a determination of the quality and reliability of the corporate governance structure and risk management programs. In addition, it can be used for verification of specific portions of the financial statements or other limited-scope reviews, increased focus on and increased substantive testing of, accounts identified as being at high risk of misstatement. Conversely, the risk assessment process should result in decreased focus on and fewer substantive tests on the accounts identified as being at low risk of misstatement. The risk-focused surveillance process can be used to assist examiners in targeting areas of high-risk.

In this examination emphasis was directed to the quality, value and integrity of the statement of assets and the determination of liabilities, as those balances affect the financial solvency of the Company as of December 31, 2008. Transactions subsequent to year-end 2008 were reviewed where relevant and deemed significant to the Company's financial condition.

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

The examination included a review of the corporate records and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC IRIS ratio reports, the Demotech rating report, the Company's independent audit reports and certain work papers prepared by the Company's independent certified public accountant (CPA) and other reports as

considered necessary were reviewed and utilized where applicable within the scope of this examination.

This report of examination was confined to financial statements and comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

Status of Adverse Findings from Prior Examination

There were no exceptions or findings from the examination conducted as of December 31, 2003, or the limited scope examination conducted as of June 30, 2008.

HISTORY

General

The Company was incorporated on November 3, 1997, under the laws of the State of Florida, as a property and casualty insurer and commenced operations on December 31, 1997, under the name of Universal Property & Casualty Insurance Company.

The Company was authorized to write the following lines of business on December 31, 2008:

- Homeowners Multi-Peril
- Fire
- Allied Lines
- Inland Marine
- Other Liability

The Articles of Incorporation were amended to increase the number of authorized shares of stock from 10,000 to 3,000,000 with a par value of \$1.00 per share. The Bylaws were not amended during the period covered by this examination.

Capital Stock

As of December 31, 2008, the Company's capitalization was as follows:

Number of authorized common capital shares	3,000,000
Number of shares issued and outstanding	3,000,000
Total common capital stock	\$3,000,000
Par value per share	\$1.00

Control of the Company was maintained by its ultimate parent, Universal Insurance Holdings, Inc., (UIH) a Florida Company, which is controlled by Bradley Meier, who beneficially owned approximately 53% of UIH at December 31, 2008.

In 2006, the Company received a capital contribution of \$25,000,000. The contribution was pursuant to an Insurance Capital Build-Up Incentive program offered by the State of Florida.

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.

	2008	2007	2006	2005	2004
Premiums Earned	147,413,699	154,418,452	54,135,951	15,725,027	4,226,712
Net Underwriting Gain/(Loss)	16,590,455	41,231,654	(1,630,814)	1,912,115	(1,991,701)
Net Income	15,692,969	37,280,309	(6,346,311)	2,257,622	(1,802,645)
Total Assets	331,513,851	330,116,480	315,491,038	79,549,488	87,582,505
Total Liabilities	237,520,549	231,429,486	253,472,362	68,438,029	82,363,430
Surplus As Regards Policyholders	93,993,302	98,686,993	62,018,676	11,111,458	5,219,075

Dividends to Stockholders

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its stockholder in 2008 in the amount of \$23,000,000.

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, 2008, were:

Directors

Name and Address	Principal Occupation
Bradley I. Meier Golden Beach, Florida	Owner, President and Chief Executive Officer Universal Insurance Holdings, Inc.

Norman M. Meier Hollywood, Florida	Pharmaceutical Executive
Sean P. Downes Delray Beach, Florida	Chief Operating Officer 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 of Directors (Board) in accordance with the Company's bylaws appointed the following senior officers:

Senior Officers

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

The Company's Board appointed several internal committees in accordance with Section 607.0825, Florida Statutes. Following were the principal internal Board committees and their members as of December 31, 2008:

Audit CommitteeOzzie A. Schindler¹

Reed J. Slogoff

Joel M. Wilentz, M.D.

Investment CommitteeBradley I. Meier¹

Sean P. Downes

Joel M. Wilentz, M.D.

Reed J. Slogoff

Norman M. Meier

Ozzie A. Schindler

¹ Chairman**Conflict of Interest Procedure**

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook.

Corporate Records

The recorded minutes of the Shareholder, Board of Directors and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented the authorization of investments as required by Section 625.304, Florida Statutes.

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.

Surplus Debentures

The Company received \$25,000,000 as proceeds of a surplus note from the State Board of Administration pursuant to the aforementioned Insurance Capital Build-Up Incentive Program. All principal and interest payments must be approved by the Florida Commissioner of Insurance.

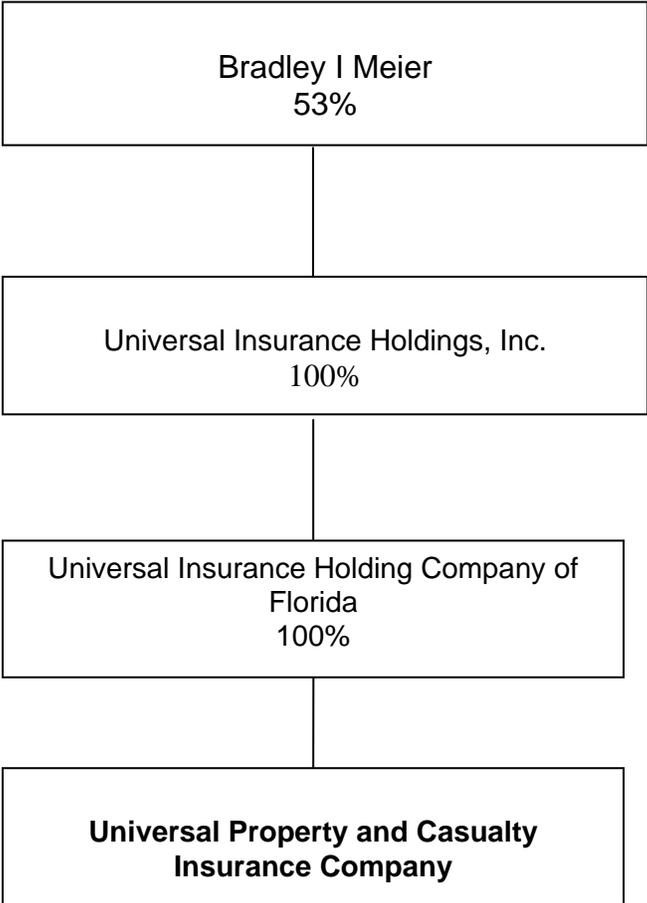
AFFILIATED COMPANIES

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 2, 2009, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

An organizational chart as of December 31, 2008, reflecting the basic holding company system, is shown below. Schedule Y of the Company's 2008 annual statement provided a list of all related companies of the holding company group.

**UNIVERSAL PROPERTY AND CASUALTY INSURANCE
ORGANIZATIONAL CHART**

DECEMBER 31, 2008



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

Tax Allocation Agreement

Since 2001, the Company has been party to a consolidated federal income tax allocation agreement with its ultimate parent, Universal Insurance Holdings, Inc. Under the agreement, the Company incurred income taxes based on a computation of taxes 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 were performed by URA, which encompasses 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 also responsible for generating policy forms, endorsements, renewal notices, nonrenewal notices, cancellation notices and other similar forms. URA received a fee of 5.5% on the first \$30m and 4.5% on all earned premiums written above \$30m.

Intercompany Cost Allocation Agreement

In 2004, the Company entered into a cost allocation agreement with its ultimate parent, 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 payment and that reimbursements be made within thirty (30) days thereafter.

Managing General Agent Agreement

On September 28, 1998, the Company appointed its affiliate, URA as a managing general agent. URA was licensed on August 17, 1998, (license number A298984) and its appointment was effective February 29, 2000. All of the Company's business was written exclusively through this MGA, which does not write business on behalf of any other insurance company.

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

The Company paid URA four percent (4%) of earned premiums (net of cancellations and return premiums) plus an MGA 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 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.

Pricing Agreement

On April 1, 2000, 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 damage appraisals to the Company.

Inspection Services

The Company's affiliate, Universal Inspection Corporation (UIC), performed inspections for the Company.

FIDELITY BOND AND OTHER INSURANCE

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

The Company was also the named insured on other policies that provided protection in connection with its business activities. These policies included directors and officers liability, 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.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes, as well as with other jurisdictions in which the Company was licensed:

State	Description	Book/Adjusted Carrying Value	Market Value
Florida	Cash	\$1,500,000	\$1,500,000
Hawaii	US Treasury Bond	2,626,958	2,674,230
North Carolina	First American Treasury Obligation	800,149	800,149
South Carolina	US Treasury Bond	143,525	151,338
TOTAL SPECIAL DEPOSITS		<u>\$5,070,483</u>	<u>\$5,125,865</u>

INSURANCE PRODUCTS

The Company wrote homeowners multi peril, fire, allied lines, inland marine and other liability coverage.

Territory

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

Florida
Hawaii
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 manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1) (i) 3a, Florida Statutes.

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

The Company did not assume any business.

Ceded

The Company entered into a number of reinsurance contracts protecting policyholders as of June 30, 2008, and each complied with SSAP No. 62.

Quota Share

Effective June 1, 2008, the Company entered into a 50% Quota Share treaty for policies with coverage for wind risks. The treaty established a 31% ceding commission and had a limitation for any one occurrence of 55% of gross premium earned, not to exceed \$150,000,000 and 164% of gross premium earned, not to exceed \$450,000,000 for losses arising from events that were assigned a catastrophe serial number by the Property Claims Services.

Excess Per Risk

Effective June 1, 2008, the Company entered into multiple line excess per risk agreements. Coverage was \$1,300,000 in excess of \$500,000 ultimate net loss for each risk and each property loss, and \$1,000,000 in excess of \$300,000 for each casualty loss. An aggregate limit of \$7,800,000 applied to this treaty.

Excess Catastrophe and Reinstatement Premium Protection

Effective June 1, 2008, the Company's excess catastrophe reinsurance agreements provided four layers of excess catastrophe coverage of \$499.0M in excess of \$150.0M as follows which provided one full reinstatement of coverage on each layer:

1st Layer	2nd Layer	3rd Layer	4th Layer *
\$140.0M xs \$150.0M each occurrence	\$134.0M xs \$290.0M each occurrence	\$125.0M xs \$424.0M each occurrence	90% of \$100.0M xs \$549.0M each occurrence

*Note – The 4th layer has an effective date of July 1, 2008.

Effective June 1, 2008, the Company obtained a reinstatement premium protection treaty reimbursing the Company for its costs to reinstate the catastrophe coverage of \$274.0M in excess of \$150.0M.

Effective June 1, 2008, the Company obtained subsequent catastrophe event excess of loss reinsurance to cover levels of net retention through 3 catastrophe events as follows:

2nd Event	3rd Event	Additional 3rd Event Effective July 1, 2008
\$110.4M xs \$39.6M each loss occurrence	\$120.0M xs \$30.0M each loss occurrence	80% of \$100.0M xs \$150.0M each loss occurrence

Florida Hurricane Catastrophe Fund

The Company also obtained coverage from the Florida Hurricane Catastrophe Fund (FHCF) which is administered by the Florida State Board of Administration. Under the contract, FHCF would reimburse the Company with respect to each loss occurring during the contract year an amount equal to 90% of ultimate loss paid in excess of the Company's retention, plus 5% of the reimbursed losses to cover loss adjustment expenses. Effective June 1, 2008, the Company

was required to purchase 90% of \$776.4M in excess of \$290.0M. Additionally, they also purchased optional coverage of Temporary Increase in Coverage Limit (TICL) from FHCF for 90% of \$563.6M. This brings the total of FHCF to an estimated 90% of \$1,340.0M xs \$290.0M.

As a participant in the Insurance Capital Build-Up Incentive Program, the Company obtained \$10.0M of additional catastrophe excess of loss coverage, with one free reinstatement of coverage.

In 2007, the Company obtained FHCF Recovery Shortfall Reinsurance in the event the FHCF could not fulfill its obligations under the 2007 contract. Such coverage was not purchased in 2008, because it was not available in 2008 to the extent needed by the Company.

ACCOUNTS AND RECORDS

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

An independent CPA audited the Company's statutory basis financial statements annually for the years 2004, 2005, 2006, 2007 and 2008, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

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 and US Bank National Association, each of which complied with the provisions of Rule 69O-143.041 and Rule 69O-143.042 Florida Administrative Code.

Independent Auditor Agreement

The Company had an agreement with Blackman Kallick, LLP to perform a statutory audit of its 2008 annual statement.

INFORMATION TECHNOLOGY REPORT

Examination Resources, LLC performed an evaluation of the information technology and computer systems of the Company.

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2008, 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 PROPERTY AND CASUALTY INSURANCE COMPANY
Assets

DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Bonds	\$4,334,404		\$4,334,404
Stocks:			
Common	1,314,370		1,314,370
Real Estate:			
Properties			
occupied by Company	3,399,609		3,399,609
Cash	(4,208,583)		(4,208,583)
Short-term investments	229,282,312		229,282,312
Investment income due or accrued	100,703		100,703
Agents' Balances:			
Uncollected premium	4,543,495		4,543,495
Deferred premium	36,634,422		36,634,422
Reinsurance recoverable	781,431		781,431
Other amounts receivable under reinsurance contracts	36,115,265		36,115,265
Current FIT	3,075,052		3,075,052
Net deferred tax asset	11,046,172		11,046,172
EDP Equipment	73,331		73,331
Aggregate write-in for other than invested assets	5,021,868		5,021,868
Totals	<u>\$331,513,851</u>	<u>\$0</u>	<u>\$331,513,851</u>

UNIVERSAL PROPERTY AND CASUALTY INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Losses	\$40,270,942	\$7,530,860	\$47,801,802
Loss adjustment expenses	4,292,363	799,737	5,092,100
Commissions payable	5,031,367		5,031,367
Other expenses	747,095		747,095
Taxes, licenses and fees	214,718		214,718
Unearned premium	85,442,685		85,442,685
Advance premiums	11,485,256		11,485,256
Ceded reinsurance premiums payable	60,099,513		60,099,513
Funds held by Company under reinsurance treaties	156,053		156,053
Remittances and items not allocated	1,374,944		1,374,944
Provision for reinsurance	1,259		1,259
Drafts outstanding	11,793,545		11,793,545
Payable to parent, subsidiaries and affiliates	5,103,599		5,103,599
Payable for securities	1,273,941		1,273,941
Deferred ceding commissions	8,320,962		8,320,962
Aggregate write-ins for liabilities	1,912,307		1,912,307
Total Liabilities	<u>\$237,520,549</u>	<u>\$8,330,597</u>	<u>\$245,851,146</u>
Common capital stock	\$3,000,000		\$3,000,000
Surplus notes	25,000,000		25,000,000
Gross paid in and contributed surplus	35,106,834		35,106,834
Unassigned funds (surplus)	<u>30,886,468</u>	<u>(\$8,330,597)</u>	<u>22,555,871</u>
Surplus as regards policyholders	<u>\$93,993,302</u>	<u>(\$8,330,597)</u>	<u>\$85,662,705</u>
Total liabilities, surplus and other funds	<u>\$331,513,851</u>	<u>0</u>	<u>\$331,513,851</u>

UNIVERSAL PROPERTY AND CASUALTY INSURANCE COMPANY
Statement of Income

DECEMBER 31, 2008

Underwriting Income

Premiums earned	\$147,413,699
Deductions:	
Losses incurred	70,086,084
Loss expenses incurred	12,460,619
Exam adjustment increasing the reserves for losses and loss adj. expenses	8,330,597
Other underwriting expenses incurred	48,276,541
Total underwriting deductions	\$139,153,841
Net underwriting gain or (loss)	\$8,259,858

Investment Income

Net investment income earned	\$1,613,603
Net realized capital gains or (losses)	0
Net investment gain or (loss)	\$1,613,603

Other Income

Net gain or (loss) from agents' or premium balances charged off	(\$1,566,770)
Finance and service charges not included in premiums	4,621,803
Aggregate write-ins for miscellaneous income	3,924,786
Total other income	\$6,979,819
Net income before dividends to policyholders and before federal & foreign income taxes	\$16,853,280
Dividends to policyholders	0
Net Income, after dividends to policyholders, but before federal & foreign income taxes	\$16,853,280
Federal & foreign income taxes	9,490,908
Net Income	\$7,362,372

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year	\$98,686,993
Net Income	\$7,362,372
Net unrealized capital gains or losses	26,279
Changes in net deferred income taxes	264,641
Change in non-admitted assets	2,079,123
Change in provision for reinsurance	243,297
Dividends to stockholders	(23,000,000)
Change in surplus as regards policyholders for the year	(\$13,024,288)
Surplus as regards policyholders, December 31 2008	\$85,662,705

COMMENTS ON FINANCIAL STATEMENTS

Assets

Properties Occupied by the Company \$3,399,609

This examination found that some expenditures were capitalized that should have been expensed. In that the amount of these expenditures is not material, an examination adjustment was not made. However, it is recommended that the Company implement procedures to ensure that real estate is valued in accordance with SSAP No, 40, and that the Company identify all such expenditures that were improperly capitalized and adjust the carrying value of the home office accordingly.

Uncollected Premiums \$4,543,495

The Company did not review balances less than 90 days past due for collectability as required by SSAP No. 6. It is recommended that the Company implement procedures to ensure that it complies with the provisions of SSAP No. 6.

Liabilities

Losses and Loss Adjustment Expenses \$52,893,902

Based on the actual development of losses during 2009, the examination actuary determined that the loss and loss adjustment reserves were deficient. As such, the reserve for losses and loss adjustment expense has been increased by \$8,330,597 on a net basis.

	Gross Loss and LAE Reserves	Net Loss and LAE Reserves
2008 Annual Statement	\$ 87,948,000	\$44,563,305
Examination Adjustment	<u>\$ 19,603,633</u>	<u>\$ 8,330,597</u>
Examination Balance	<u><u>\$107,551,633</u></u>	<u><u>\$52,893,902</u></u>

Capital and Surplus

The amount reported by the Company of \$93,993,302 exceeded the minimum of \$21,198,134 required by Section 624.408, Florida Statutes.

A comparative analysis of changes in surplus is shown below.

**UNIVERSAL PROPERTY AND CASUALTY INSURANCE COMPANY
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS**

DECEMBER 31, 2008

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, 2008, per Annual Statement	\$93,993,302
---	--------------

	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:			
No Adjustment			
LIABILITIES:			
Losses and LAE	\$44,563,305	\$52,893,902	(\$8,330,597)
Net Change in Surplus:			<u>(8,330,597)</u>
Surplus as Regards Policyholders December 31, 2008, Per Examination			<u>\$85,662,705</u>

SUMMARY OF FINDINGS

Compliance with previous directives

There were no exceptions or findings from the examination as of December 31, 2003.

Current examination comments and corrective action

The following is a brief summary of items of interest and corrective action to be taken by the Company regarding findings in the examination as of December 31, 2008.

Properties Occupied by the Company

The Company capitalized some expenditures that should have been expensed. **We recommend that the Company implement procedures to ensure that real estate is valued in accordance with SSAP No, 40, and that the Company identify all such expenditures that were improperly capitalized and adjust the carrying value of the home office accordingly.**

Uncollected Premiums

The Company did not review balances less than 90 days past due for collectability as required by SSAP No. 6. **We recommend that the Company implement procedures to ensure that it complies with the provisions of SSAP No. 6.**

Losses and Loss Adjustment Expenses

Based on the actual development of losses during 2009, the examination actuary determined that the loss and loss adjustment reserves were deficient. As such, the reserve for losses and loss adjustment expense has been increased by \$8,330,597 on a net basis. **We recommend that the Company implement procedures to ensure that Losses and Loss Adjustment**

**Expense are reviewed and adjusted to reflect actual conditions, per Section 625.091,
Florida Statutes.**

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **UNIVERSAL PROPERTY AND CASUALTY INSURANCE COMPANY** as of December 31, 2008, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was \$85,662,705 in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, Maurice Fuller, Financial Examiner/Analyst II of the Office participated in the examination, as well as Douglas Befort, CFE, CIE, Deanna Leyden, CISA, CFE (IS Specialist) and Rachelle Gowins, CFE, all from Examination Resources participated in the examination. The actuarial phase of the examination was performed by Randall D. Ross, ACAS, MAAA of Taylor-Walker Associates, Inc.

Respectfully submitted,

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

Mary M. James, CFE, CPM
Chief Examiner
Florida Office of Insurance Regulation