



EXAMINATION REPORT

OF

**UNIVERSAL PROPERTY & CASUALTY
INSURANCE COMPANY**

NAIC Company Code: 10861

**Fort Lauderdale, Florida
as of
December 31, 2018**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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May 22, 2020

David Altmaier
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Commissioner:

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, 2018, of the financial condition and corporate affairs of

Universal Property & Casualty Insurance Company

1100 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, 2014 through December 31, 2018. Fieldwork, which included planning meetings held at the Florida Office of Insurance Regulation (“the Office”) commenced on October 1, 2019, and concluded as of May 22, 2020. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2012 through December 31, 2013.

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the examination be planned and performed to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with the NAIC Statements of Statutory Accounting Principles. This examination was performed in conjunction with the Company’s affiliate, American Platinum Property and Casualty Insurance Company.

This examination report includes information obtained from the examination of the records, accounts, files and documents of or relative to the Company and other information as permitted by Section 624.319, Florida Statutes. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

The following is a summary of significant findings of fact or material changes in the financial statements. Context concerning these findings is also provided.

Reserve Deficiency

Examination Period Property & Casualty Industry Conditions in Florida

The Company predominately writes homeowner’s insurance with 85% of its total 2018 direct premium written in the State of Florida. Accurately estimating loss reserves has been difficult for many of those who write such policies in Florida; due in part to the following factors:

1. Assignment of Benefit (“AOB”) claims has steadily risen over time. According to the Florida Department of Financial Services, there were 405 AOB lawsuits in Florida in 2006, and that number had increased to 28,200 by 2016 (the last year figures were available). This type of legal action can be expensive.
2. And, there have been several catastrophes in recent years that have caused extensive damage and significant claim activity:
 - a. Hurricane Mathew, a category five hurricane that occurred in October of 2016;
 - b. Hurricane Irma, a category four hurricane that occurred in September 2017; and
 - c. Hurricane Michael, a category five hurricane that occurred in October 2018.

Finding

Reserves estimated by the opining actuary and booked by the Company as of December 31, 2017 and December 31, 2018 were deficient. This conclusion is based on both an analysis of the 2018 reserves by the examination actuary and by data reported in the Company’s 2019 Annual Statement loss reserve schedules. The following schedule shows the net amount of adverse development (in thousands) reported for 2017 and 2018 by the Company in their 2019 Schedule P—Part 2:

Description	Amount ('000s)
Net One Year Adverse Development (2018)	\$95,385
Net Two Year Adverse Development (2017)	\$193,251

The amount of Net One Year Adverse Development estimated by the Company was materially the same as that estimated by the examination actuary and takes into account the amount of reinsurance that the Company intends to collect. The examination actuary also estimated that the gross adverse development for 2018 was approximately \$296 million (note: the gross adverse

development does not take into account any reinsurance coverage the Company may have). The adverse development is a notation of fact and no adjustment to the 2018 financials will be made.

Previous Examination Findings

The following is an update on other significant regulatory information disclosed in the previous examination.

Letter of Credit

At December 31, 2013, the letter of credit supporting the reinsurance with Colisee Re provided for thirty days' notice prior to expiration date or non-renewal, which was not in compliance with Rule 69O-144.005(6)(d)(2), Florida Administrative Code, requiring no less than sixty (60) days notice. The Company provided an amended letter of credit to the Office on December 16, 2014 to correct this finding.

COMPANY HISTORY

General

The Company was incorporated in Florida on November 5, 1997 and commenced business on December 31, 1997, as Universal Property & Casualty Insurance Company.

Dividends

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its stockholder in 2017 in the amounts of \$30,000,000.

Capital Stock and Capital Contributions

As of December 31, 2018, the Company's capitalization was as follows:

Number of authorized common capital shares	3,010,000
Number of shares issued and outstanding	3,000,000
Total common capital stock	\$3,000,000
Par value per share	\$1.00

Surplus Notes

The Company issued a twenty-year surplus note to the State Board of Administration of Florida on November 6, 2006 in the amount of \$25,000,000. The surplus note was issued in exchange for cash for the purpose of increasing the number of residential policies that cover the risk of hurricanes that the Company writes in Florida. The outstanding balance on the note was \$11,397,059 as of December 31, 2018.

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period of this examination.

MANAGEMENT AND CONTROL**Corporate Governance**

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, 2018, are shown below:

Directors			
Name	City	State	Principal Occupation, Company Name
Sean Patrick Downes	Delray Beach	Florida	Chief Executive Officer/Director, The Company
Jon William Springer	Eagan	Minnesota	President/Chief Risk Officer, The Company
Joel Marc Wilentz, M.D.	Fort Lauderdale	Florida	Physician
Ozzie Abraham Schindler	Miami Beach	Florida	Attorney
Michael Anthony Pietrangelo	Germantown	Tennessee	Attorney
Scott Philip Callahan	Whitehouse Station	New Jersey	Retired
Richard Dale Peterson (a)	Mesa	Arizona	Chief Financial Officer, Dermavant Sciences, Inc.
Ralph Joseph Palmieri	Hingham	Massachusetts	Retired
Kimberly Denice Campos	Miami	Florida	Chief Information Officer/Chief Administrative Officer, The Company
<p>(a) Mr. Peterson left Dermavant Sciences, Inc. during February of 2019 and became the Chief Financial Officer of Botanix Pharmaceuticals Limited during August of 2019.</p>			

In accordance with the Company's Bylaws, the Board of Directors ("Board") appointed the following Senior Officers:

Senior Officers			
Name	City	City, State	Title
Sean Patrick Downes (a)	Delray Beach	Florida	Chief Executive Officer
Jon William Springer	Eagan	Minnesota	President
Frank Crawford Wilcox	Cooper City	Florida	Treasurer
Stephen Joseph Donaghy (b)	Delray Beach	Florida	Chief Operating Officer
<p>(a) Mr. Downes was named the Executive Chairman of the Company effective July 15, 2019.</p> <p>(b) Mr. Donaghy was named the Chief Executive Officer effective July 15, 2019. At that time, the title of Chief Operating Officer was discontinued.</p>			

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2018. The first person listed for each committee serves as the chair of that committee.

Audit Committee			
Name	City	State	Title, Company Name
Richard Dale Peterson	Mesa	Arizona	Chief Financial Officer, Dermavant Sciences, Inc.
Joel Marc Wilentz, M.D.	Ft Lauderdale	Florida	Physician
Ozzie Abraham Schindler	Miami Beach	Florida	Attorney

Investment Committee			
Name	City	State	Title, Company Name
Ralph Joseph Palmieri	Hingham	Massachusetts	Retired
Jon William Springer	Eagan	Minnesota	President/Chief Risk Officer/Director, The Company
Sean Patrick Downes	Delray Beach	Florida	Chief Executive Officer The Company
Scott Philip Callahan	Whitehouse Station	New Jersey	Retired

Risk Committee			
Name	City	State	Title, Company Name
Ozzie Abraham Schindler	Miami Beach	Florida	Attorney
Jon William Springer	Eagan	Minnesota	President/Chief Risk Officer/Director, The Company
Kimberly Denice Campos	Miami	Florida	Chief Information Officer/Chief Administrative Officer/Director, The Company

The Company's ultimate parent, Universal Insurance Holdings, Inc. maintains a Compensation Committee and a Nominating & Governance Committee, the activities of which may indirectly affect the Company's management. The first person listed for each committee serves as the chair of that committee.

Compensation Committee			
Name	City	State	Title, Company Name
Michael Anthony Pietrangelo	Germantown	Tennessee	Attorney
Joel Marc Wilentz, M.D.	Ft Lauderdale	Florida	Physician
Richard Dale Peterson	Mesa	Arizona	Chief Financial Officer, Dermavant Sciences, Inc.

Nominating & Governance Committee			
Name	City	State	Title, Company Name
Scott Philip Callahan	Whitehouse Station	New Jersey	Retired
Joel Marc Wilentz, M.D.	Ft Lauderdale	Florida	Physician
Michael Anthony Pietrangelo	Germantown	Tennessee	Attorney

Holding Company System

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

Tax Allocation Agreement

The Company is a party to a Tax Allocation Agreement, dated November 9, 2016, by and between Universal Insurance Holdings, Inc. (“Holding Company”), its wholly-owned subsidiary Universal Insurance Holding Company of Florida (“UIHCF”), the Company and its affiliates. Pursuant to this agreement, the Company, along with the other parties, filed a consolidated federal income tax return. On December 31, 2018, the method of allocation between the Company and Holding Company was on a separate-entity basis. Each member of the group recorded an inter-company income tax receivable or payable with Holding Company. All inter-company tax receivables/payables were settled within ninety (90) days of the remittance by Holding Company of any income tax payment to the taxing authority.

Cost Allocation Agreement

The Company entered into a Cost Allocation Agreement with the Holding Company and all of the Holding Company's subsidiaries effective January 1, 2013. The agreement allocated cost based upon the proportional benefit and interrelationship rule. Fees incurred under this agreement during 2018 amounted to \$6,368,270.

Management General Agency Agreement

The Company entered into a Management Agreement with its affiliate, Universal Risk Advisors, Inc. ("URA"), on November 10, 2008, to provide management and administration services. Pursuant to the terms of the agreement, URA's duties include, but are not limited to, the following: underwriting; reinsurance; loss prevention and analysis; premium collection; regulatory liaison; policy advisor and consultant; accounting services; books and records; retention of accountants and actuaries; marketing and agent relations; and ministerial functions. The agreement was most recently amended effective March 1, 2014, and will automatically renew yearly, unless otherwise terminated within the guidelines of the agreement. The management fee paid by the Company was equal to 4% of gross written premiums on new and renewed business plus a \$25 per policy fee. Expenses incurred under this agreement during 2018 amounted to \$44,596,022.

Policy Administration Agreement

The Company entered into a Policy Administration Agreement with its affiliate, URA on October 2, 2008. Pursuant to the terms of the agreement, URA's duties include, but are not limited to, the following: implementation services; testing services; policy processing services; financial reporting services; consumer assistance services; first notice of loss; systems backup; and policy systems consulting. The agreement will automatically renew annually unless otherwise terminated within the guidelines of the agreement. Policy administration fees were based on 5.5% of all earned premiums to a maximum of \$30,000,000 per year, then 4.5% of earned premiums in excess of \$30,000,000 per year. Fees incurred under this agreement during 2018 amounted to \$50,470,525.

Claims Services Agreement

The Company entered into a Claims Services Agreement with its affiliate, Universal Adjusting Corporation on July 1, 2011. The agreement was amended effective as of September 7, 2017, and is continuous, unless otherwise terminated within the guidelines of the agreement. Claims administration fees were calculated according to a fee schedule based on the size and type of claim

plus recorded statement, mileage, time, and expense charges. Costs incurred under this agreement during 2018 amounted to \$148,418,566.

Inspection Services Agreement

The Company entered into an Inspection Services Agreement with its affiliate, Universal Inspection Corporation (“UIC”) effective July 1, 2011. The agreement is continuous unless otherwise terminated within the guidelines of the agreement. UIC provides residential property inspections and written deliverables therein for flat rate fees of \$52 and \$32 for interior and exterior inspections, respectively. Fees incurred under this agreement during 2018 amounted to \$7,463,701.

Reinsurance Intermediary Agreement

The Company entered into a Reinsurance Intermediary Agreement with its affiliate, Blue Atlantic Reinsurance Corporation (“Blue Atlantic”) effective June 1, 2013. The agreement will automatically renew yearly unless otherwise terminated within the guidelines of the agreement. Blue Atlantic provides CAT modeling, risk, and competitive analyses, reinsurance analysis and development, reinsurance marketing and administration services. Blue Atlantic received a share of the customary brokerage fees paid by reinsurers on the reinsurance contracts placed for the Company.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Fort Lauderdale, Florida.

The Company had the following agreements with non-affiliates:

Custodial Agreement

The Company entered into custodial agreements with the following entities:

- USBank International Trust and Custody, effective May 16, 2008
- SunTrust Bank of South Florida, N.A, effective March 23, 2010
- State Street Bank and Trust Company, effective May 1, 2013
- Deutsche Bank Securities, Inc. effective May 2, 2013

The agreements were in compliance with Rule 69O-143.042, Florida Administrative Code.

Investment Management Agreement

The Company entered into an Investment Management Agreement with Deutsche Investment Management Americas, Inc. executed on April 2, 2013. The Company's Chief Executive Officer had previously served as the Investment Officer.

Independent Auditor Agreement

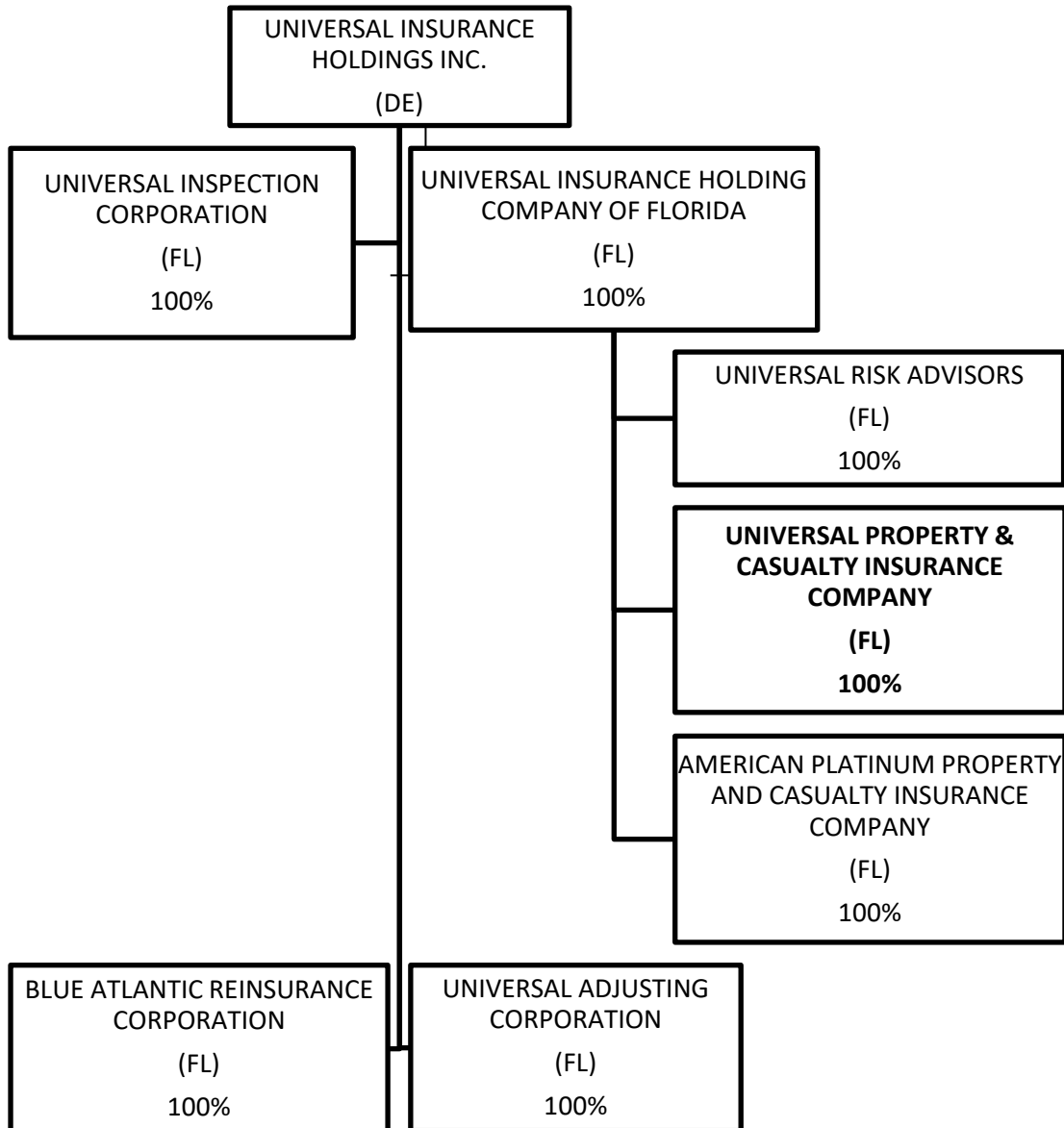
An independent CPA, Plante & Moran, PLLC audited the Company's statutory basis financial statements annually for the years 2014, 2015, 2016, 2017, and 2018, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA firm as required by Rule 69O-137.002, Florida Administrative Code.

Corporate Records Review

The recorded minutes of the Shareholder, Board of Directors (Board) and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions, including the authorization of investments, as required by Section 625.304, Florida Statutes.

**Universal Property and Casualty Insurance Company
Simplified Organizational Chart
December 31, 2018**

A simplified organizational chart as of December 31, 2018, reflecting the holding company system, is shown below. Schedule Y of the Company's 2018 annual statement provided a list of all related companies of the holding company group.



TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in the following states as of December 31, 2018:

Alabama	Delaware	Florida
Georgia	Hawaii	Illinois
Indiana	Iowa	Maryland
Massachusetts	Michigan	Minnesota
New Hampshire	New Jersey	New York
North Carolina	Pennsylvania	South Carolina
Virginia	West Virginia	

The Company is currently authorized to write the following coverages as of December 31, 2018:

Fire	Allied Lines
Homeowners Multiple Peril	Inland Marine
Other Liability	Burglary and Theft
Boiler and Machinery	Glass

As noted previously, the majority of its business is both in Homeowners Multiple Peril and written in the State of Florida.

REINSURANCE

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

Reinsurance Assumed

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

Reinsurance Ceded

The Company ceded risk on a catastrophic and excess of loss basis to various insurers, including the Florida Hurricane Catastrophe Fund and Allianz Risk Transfer AG. Agreements are renewed annually with the Company's affiliate, Blue Atlantic, and non-affiliate Guy Carpenter, serving as the intermediary. The Company ceded \$316,096,720 and \$359,611,916 in reinsurance premiums during 2017 and 2018, respectively.

INFORMATION TECHNOLOGY REPORT

Steven Sigler, CFE, AES, AMCM, CIS, and James Gowins, CISA, AES, AFE, MCM, both of Examination Resources, 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		Par Value	Market Value
FL	CASH		<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
TOTAL FLORIDA DEPOSITS			<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
GA	CASH		\$ 35,000	\$ 35,000
HI	USTNT	1.88%	3,318,780	3,305,197
MA	USTNT	1.25%	128,503	127,285
NC	CASH		800,007	800,007
SC	USTNT	1.38%	139,760	137,341
VA	USTNT	1.63%	<u>309,858</u>	<u>305,784</u>
TOTAL OTHER DEPOSITS			<u>\$ 4,731,908</u>	<u>\$ 4,710,614</u>
TOTAL STATUTORY DEPOSITS			<u><u>\$ 6,231,908</u></u>	<u><u>\$ 6,210,614</u></u>

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; the statutory Statement of Operations; the statutory Statement of Cash Flow; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2018. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2018.

Universal Property & Casualty Insurance Company
Assets
December 31, 2018

	Per Company	Examination Adjustments	Per Examination
Bonds	\$ 792,473,004	\$ -	\$ 792,473,004
Stocks:			
Preferred stocks	11,496,008		11,496,008
Common stocks	60,653,847		60,653,847
Real estate:			
Properties occupied by company	24,636,587		24,636,587
Properties held for the production of income	14,199,241		14,199,241
Properties held for sale	10,690,473		10,690,473
Cash, cash equivalents, and short-term investments	152,707,777		152,707,777
Investment income due and accrued	4,579,492		4,579,492
Agents' balances			
Uncollected premiums	11,509,424		11,509,424
Deferred premiums	47,734,358		47,734,358
Reinsurance recoverable	24,893,771		24,893,771
Net deferred tax asset	18,461,985		18,461,985
Electronic data processing equipment and software	785,904		785,904
Receivable from parents, subsidiaries and affiliates	22,318,520		22,318,520
Aggregate write-in for other than invested assets	399,744		399,744
Rounding	<u>1</u>	<u> </u>	<u>1</u>
Totals	<u>\$ 1,197,540,136</u>	<u>\$ -</u>	<u>\$ 1,197,540,136</u>

Universal Property & Casualty Insurance Company
Liabilities
December 31, 2018

	Per Company	Examination Adjustments	Per Examination
Losses	\$ 58,863,797	\$ -	\$ 58,863,797
Loss adjustment expenses	19,812,167	-	19,812,167
Commissions payable	20,002,136		20,002,136
Other expenses	2,488,933		2,488,933
Taxes, licenses and fees	4,169,894		4,169,894
Unearned premiums	457,504,568		457,504,568
Advance premium	25,569,206		25,569,206
Ceded reinsurance premiums payable	89,685,738		89,685,738
Reinsurance funds held by Company	334,329		334,329
Amounts withheld for others	107,923		107,923
Remittances and items not allocated	574,094		574,094
Provision for reinsurance	3,195,057		3,195,057
Drafts outstanding	176,261,103		176,261,103
Payable to parent, subsidiaries and affiliates	45,329,960		45,329,960
Aggregate write-ins for liabilities	<u>2,202,831</u>	<u>-</u>	<u>2,202,831</u>
Total Liabilities	<u>\$ 906,101,736</u>	<u>\$ -</u>	<u>\$ 906,101,736</u>
Common capital stock	\$3,000,000		\$3,000,000
Surplus Notes	11,397,059		11,397,059
Gross paid in and contributed surplus	137,156,834		137,156,834
Unassigned funds (surplus)	<u>139,884,507</u>	<u>-</u>	<u>139,884,507</u>
Surplus as regards policyholders	<u>291,438,400</u>	<u>-</u>	<u>291,438,400</u>
Total liabilities, surplus and other funds	<u>\$ 1,197,540,136</u>	<u>\$ -</u>	<u>\$ 1,197,540,136</u>

Universal Property & Casualty Insurance Company
Statement of Income
As of December 31, 2018

	Per Company	Examination Adjustments	Per Examination
Underwriting Income			
Premiums earned	\$764,916,129		\$764,916,129
Deductions			
Losses incurred	\$417,501,432	\$ -	\$417,501,432
Loss adjustment expenses incurred	66,923,978		66,923,978
Other underwriting expenses incurred	295,939,240		295,939,240
Total underwriting deductions	<u>\$ 780,364,650</u>	<u>\$ -</u>	<u>\$ 780,364,650</u>
Net underwriting gain or (loss)	<u>\$ (15,448,521)</u>	<u>\$ -</u>	<u>\$ (15,448,521)</u>
Investment Income			
Net investment income earned	\$21,642,549		\$21,642,549
Net realized capital gains or (losses)	(2,146,682)		(2,146,682)
Net investment gain or (loss)	<u>\$ 19,495,867</u>	<u>\$ -</u>	<u>\$ 19,495,867</u>
Other Income			
Net gain/(loss) from balances charged off	(\$536,607)		(\$536,607)
Finance and service charges not included in premiums	6,077,818		6,077,818
Aggregate write-ins for miscellaneous income	366,752		366,752
Total other income	<u>\$ 5,907,963</u>	<u>\$ -</u>	<u>\$ 5,907,963</u>
Rounding	\$ 1		\$ 1
Net income before federal & foreign income taxes	9,955,310	-	9,955,310
Federal & foreign income taxes	6,368,270		6,368,270
Net Income	<u>\$ 3,587,040</u>	<u>\$ -</u>	<u>\$ 3,587,040</u>
Capital and Surplus Account			
Surplus as regards policyholders, December 31 prior year	\$ 307,686,249		\$ 307,686,249
Net Income	3,587,040		3,587,040
Net unrealized capital gains or losses	(11,900,404)		(11,900,404)
Change in net deferred income tax	(3,081,819)		(3,081,819)
Change in non-admitted assets	(187,101)		(187,101)
Change in provision for reinsurance	(3,194,977)		(3,194,977)
Surplus adjustments: Paid in	(1,470,588)		(1,470,588)
Change in surplus	<u>\$ (16,247,849)</u>	<u>\$ -</u>	<u>\$ (16,247,849)</u>
Surplus as regards policyholders, December 31 current year	<u>\$ 291,438,400</u>	<u>\$ -</u>	<u>\$ 291,438,400</u>

Universal Property & Casualty Insurance Company
Reconciliation of Capital and Surplus
December 31, 2018

Surplus as regards policyholders December 31, 2015 per Examination		\$ 161,803,292
	<u>Increase</u>	<u>Decrease</u>
Net Income (loss)	\$ 188,846,119	
Change in net unrealized capital gain (loss)		(\$15,944,476)
Change in net deferred income tax		(1,598,008)
Change in non-admitted assets		(1,171,463)
Change in provision for reinsurance		(3,144,124)
Change in surplus notes		(7,352,940)
Dividends to stockholders		(30,000,000)
Total Gains and Losses	<u>\$ 188,846,119</u>	<u>\$ (59,211,011)</u>
Net Increase/(Decrease) in surplus as regards policyholders		<u>129,635,108</u>
Surplus as regards policyholders December 31, 2018 per Company		<u>291,438,400</u>
Examination Adjustment:		<u>-</u>
Surplus as regards policyholders December 31, 2018 per Examination		<u><u>\$ 291,438,400</u></u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Klayton N. Southwood, FCAS, MAAA, Willis Towers Watson, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2018, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The established reserves were found to be deficient for reasons explained above under “Current Examination Findings.”

Context concerning the finding above is provided below:

Examination Period Property & Casualty Industry Conditions in Florida

The Company predominately writes homeowner’s insurance with 85% of its total 2018 direct premium written in the State of Florida. Accurately estimating loss reserves has been difficult for many of those who write such policies in Florida; due in part to the following factors:

1. Assignment of Benefit (“AOB”) claims has steadily risen over time. According to the Florida Department of Financial Services, there were 405 AOB lawsuits in Florida in 2006, and that number had increased to 28,200 by 2016 (the last year figures were available). This type of legal action can be expensive.
2. And, there have been several catastrophes in recent years that have caused extensive damage and significant claim activity:
 - a. Hurricane Mathew, a category five hurricane that occurred in October of 2016;
 - b. Hurricane Irma, a category four hurricane that occurred in September 2017; and
 - c. Hurricane Michael, a category five hurricane that occurred in October 2018.

Capital and Surplus

The amount of capital and surplus reported by the Company and adjusted by the examination of \$291,438,400, exceeded the minimum of \$5,000,000 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

The following subsequent event that was not disclosed elsewhere in the report is discussed below:

On March 11, 2020, The World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, United States (“U.S.”) President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Office is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Office and all insurance regulators with the assistance of National Association of Insurance Commissioners are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. The Office has been in communication with the Company regarding the impact of COVID-19 on business operations and the financial position of the Company and no immediate action was deemed necessary at the time of this report.

SUMMARY OF RECOMMENDATIONS

None.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Universal Property & Casualty Insurance Company** as of December 31, 2018, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, the following participated in the examination:

Rachelle Gowins, CFE, MCM	Examination Supervisor	Examination Resources, LLC
Neal Rischall, CFE, JCJ	Participating Examiner	Examination Resources, LLC
Renee Hanshaw, CPA, CFE	Participating Examiner	Examination Resources, LLC
Solomon Frazier, FSA, FCAS, MAAA	Actuary	Taylor-Walker Consulting, LLC
Brent M. Sallay, FCAS, MAAA,	Actuary	Taylor-Walker Consulting, LLC
Steven Sigler, CFE, AES, AMCM, CISA	IT Specialist	Examination Resources, LLC
James Gowins, CISA, AES, AFE, MCM	IT Specialist	Examination Resources, LLC
Jeffrey Rockwell	Examination Manager	Office

Respectfully submitted,



Scott R. Kalna, CFE, AMICM
Examiner in Charge
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Representing the Florida Office of Insurance Regulation



Daniel W. Applegarth, CFE, CPA, PIR
Chief Financial Examiner
P&C Financial Oversight
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