REPORT ON EXAMINATION

OF

ICAT SPECIALTY INSURANCE COMPANY

SARASOTA, FLORIDA

AS OF

DECEMBER 31, 2008

BY THE

OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida

April 20, 2010

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

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, 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:

ICAT SPECIALTY INSURANCE COMPANY
101 ARTHUR ANDERSEN PARKWAY
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, 2008. 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 15, 2009, to December 17, 2009. The fieldwork commenced on January 4, 2010, and concluded as of April 20, 2010.

This financial examination was a statutory risk focused 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 can result in 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 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 in the examination as of December 31, 2007.

HISTORY

General

The Company was incorporated in Florida on May 24, 2006, and commenced business on July 1, 2006, as ICAT Specialty Insurance Company.

The Company was party to Consent Order 85523-06-CO, filed April 14, 2006, regarding the application for the issuance of a Certificate of Authority. The Company was in compliance with all of the provisions of this Consent Order.

The Company was authorized to transact the following insurance coverage in Florida on December 31, 2008:

Allied Lines	Inland Marine

Subsequent Event: On March 20, 2009, the Office issued Consent Order 102818-09 to the Company to no longer write difference in conditions policies in the State of Florida because the Company was not reporting this business as Allied Lines as prescribed by the Office. The

Company had previously been reporting this business under Inland Marine, which is not required to file rates with the Office.

The Company did not amend its Articles or By-laws during the period of this examination.

Capital Stock

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

Number of authorized common capital shares	15,000,000
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 parent, ICAT Holdings, LLC (Holdings), a limited liability company, organized under Delaware law. The shareholders of Holdings include Vulcan Insurance Managers, LLC (Vulcan) (82%), John Collins Graham (12%), and other key employees. Paul Gardner Allen is the ultimate controlling person of Vulcan.

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.

	2008	2007	2006
Premiums Earned	738,505	4,086,287	803,925
Net Underwriting Gain/(Loss)	(2,940)	(2,314,534)	(700,803)
Net Income	566,747	(1,488,853)	(279,058)
Total Assets	19,608,216	19,771,894	19,233,084
Total Liabilities	5,858,919	6,212,334	4,672,753
Surplus As Regards Policyholders	13,749,297	13,559,560	14,560,331

Dividends

No dividends were paid during 2008.

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 Location	Principal Occupation
William Frederick Schmidt King of Prussia, Pennsylvania	Executive Vice President, ICAT Holdings, LLC
John Collins Graham Boulder, Colorado	Chairman and Chief Executive Office, ICAT Holdings, LLC
Jeff Patrick Dunn Seattle, Washington	Portfolio Manager, Vulcan Insurance Managers, LLC

Derek Alan Cochems Boulder, Colorado	Chief Financial Officer, ICAT Holdings, LLC
Thomas Geoffry McKay Seattle, Washington	Investment Professional, Vulcan Insurance Managers, LLC
Jeff Rowe Baker Boulder, Colorado	President, Boulder Claims, LLC

The Board of Directors (Board) in accordance with the Company's bylaws appointed the following senior officers:

Senior Officers

Name	**Title**
John Collins Graham	President
Alan Barry Litner	Secretary
Derek Alan Cochems	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 Committee	**Compensation Committee**	**Claims Committee**
Thomas McKay[1]	John Graham[1]	Jeff Baker [1]
Jeff Dunn	Jeff Dunn	John Graham
William Schmidt	Thomas McKay	Alan Litner
		Ron Davies
		Derek Cochems

[1] Chairman

Steering Committee

John Graham [1]
Ron Davies
Bob Rose
Megan McConnell
Isaac McLean
Derek Cochems
Jean Verrier
Alan Litner
Matt Smith

Risk Management Committee

Chris Austin [1]
Bonner Culp
Jeff Baker
Greg Butler
Derek Cochems
Ron Davies
John Graham
Alan Litner
Thomas Mercer
Bob Rose

[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 adopted by Rule 69O-138.001, Florida Administrative Code.

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 its meetings and approval of Company transactions and events in accordance with Section 607.1601, Florida Statutes, including the authorization of investments as required by Section 625.304, Florida Statutes.

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

Subsequent Event:

On June 2, 2009, the Company was acquired by Universal Insurance Holdings of North America, Inc. as approved by Consent Order 104591-09-CO issued by the Office. As a result of the acquisition, the Office approved the Company's request to change its name to Universal Specialty Insurance Company.

Surplus Debentures

The Company had no surplus debentures outstanding during the period of examination.

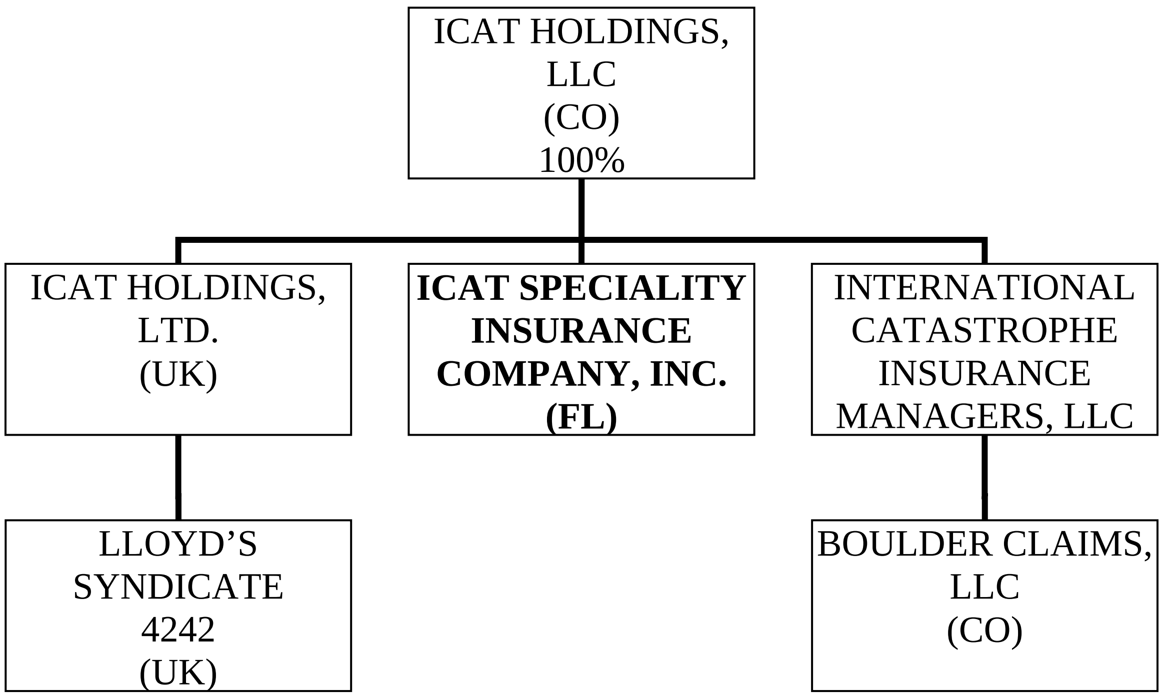
AFFILIATED COMPANIES

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 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.

ICAT SPECIALTY INSURANCE COMPANY, INC.
ORGANIZATIONAL CHART

DECEMBER 31, 2008



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

Program Manager Agreement

The Company had a Program Manager Agreement with its affiliate, ICAT Managers, LLC (Managers), at December 31, 2008, which had a base commission rate of 23.00 percent and only covered the policies written in the state of Florida. The Company had another Program Manager Agreement with Managers, at December 31, 2008, which had a base commission rate of 25.25 percent and only covered the policies written in the state of Hawaii.

Both agreements were effective on June 1, 2006, and stipulated that Managers was authorized to market, produce, underwrite, quote, issue, and administer insurance policies, binders, and endorsements subject to the terms, limitations, and conditions set forth in the Agreement. Under the terms of the Agreement, Managers could bind coverage, issue, endorse, cancel, and non-renew policies as well as bill and collect premiums. Subject to the limitations contained in this agreement, Managers was required to take any actions necessary to administer the policies as well as to issue the policies in compliance with the Company's guidelines.

Effective June 1, 2007, the Company's Program Manager Agreements with Managers were amended to increase the commissions paid to Managers from 23.00 percent of net written premium to 26.50 percent. There were no changes to the agreement during 2008.

Claims Administration Agreement

The Company entered into a claims administration agreement with an affiliate, Boulder Claims, LLC (Boulder), effective June 1, 2006. The agreement stipulated that Boulder would examine all reported claims, maintain a claim file for each reported claim, and investigate all reported claims as necessary using a vendor from a list approved in writing by the Company. Boulder was required to provide information to the Company upon request and would determine and evaluate any insurance coverage issues arising out of or in connection with such claims. Boulder would also make timely payment of claims and allocated loss adjusting expenses from the Claim Trust Account in accordance with payment procedures established by the Company.

The agreement also stipulated that Boulder had no authority to deny coverage unless and until it had received authorization from the Company. Boulder was required to report suspected fraud as required by any applicable law or regulation and would coordinate with Managers as requested or required by the Company. Boulder was required to respond directly to any State Insurance Department complaint or inquiry regarding a claim or policy after preparing a response and obtaining the Company's authorization for such response.

Effective June 1, 2007, the Company's Claims Administrative Agreement with Boulder was amended to increase the commissions paid to Boulder from 0.75 percent of net written premium to 1.00 percent. There were no changes to the agreement during 2008.

Reinsurance Agreement

Effective January 1, 2007, the Company entered into a reinsurance agreement with an affiliate, Lloyds Syndicate 4242, (Syndicate 4242). The agreement specified that the Syndicate 4242 would accept a 44.615 share in the interests and liabilities of the Company as set forth in the Quota Share Reinsurance Agreement. The agreement would continue in force until terminated in accordance with the provisions of the Contract. There were no changes to the agreement during 2008.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to $5,000,000 with a deductible of $500,000, which adequately met the suggested minimum recommended by the NAIC.

The Company also maintained a professional liability insurance policy with limits of $5,000,000 per loss and per policy period with a deductible of $250,000. The policy only covered claims first made against the Company during the policy period.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company's had no pension liabilities.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Sections 624.411 and 625.51(2), Florida Statutes

STATE	Description	Par Value	Market Value
FL	Cash	$ 300,000	$ 300,000
FL	Cash	$1,450,000	$1,450,000
TOTAL FLORIDA/SPECIAL DEPOSITS		$1,750,000	$ 1,750,000

INSURANCE PRODUCTS

The Company wrote commercial multi peril coverage for catastrophe-exposed commercial and residential risks including both wind only policies and wrap around policies to provide coverage for perils excluded by standard all risks polices in the State of Florida. The Company also wrote residential named hurricane insurance for dwellings, apartments, town homes and condominiums in the State of Hawaii.

Territory

The Company was authorized to transact insurance in Florida and Hawaii.

Treatment of Policyholders

The Company's claim administrator, Boulder, had established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes.

Boulder 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.

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 during the examination period.

Ceded

The Company entered into a layered excess of loss agreement with twelve participating reinsurers providing protection from the severe accumulation of commercial property losses arising out of a single catastrophe occurrence in Florida. The agreement had a maximum limit of $32.5 million per occurrence and $65.0 million in the aggregate after the Company's retention of $2.0 million per occurrence and $85.0 million in the aggregate, from December to June only.

The Company entered into a net excess of loss agreement with Syndicate 4242, which reduced the Company's retention in the event of a catastrophe event to $250,000 per occurrence, subject to a $2.5 million aggregate retention.

The Company entered into a reinstatement premium protection agreement with Syndicate 4242, indemnifying the Company for 100% of any reinstatement premium paid to reinstate the net excess of loss contract after an event.

The Company ceded risk on a 97.5 percent quota share basis to twelve participating reinsurers, including Syndicate 4242, that assumed a 35 percent share, for Hawaii residential property policies covering named hurricanes. The reinsures' liability under the agreement is limited to 15 and 25 times the amount of direct written premium subject to a maximum of $165.0 million per occurrence and $275.0 million in the aggregate, respectively. The Company was notified that it was in violation of Rule 69O-143.047, Florida Insurance Code, on June 20, 2008, with respect to the execution of the reinsurance agreement with Syndicate 4242, without the proper notification to the Office. On July 21, 2008, the Company acknowledged by letter that it had reviewed the applicable rule and that it would comply with the rule in the future with respect to its affiliated agreements. **Subsequent Event:** The Office received the agreements on December 31, 2008 and they were approved on February 16, 2009.

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 where this examination was conducted.

An independent CPA audited the Company's statutory basis financial statements annually for the years 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 Managers' 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:

Reimbursement Contract

On June 1, 2007, the Company entered into a reimbursement contract with the State Board of Administration of the State of Florida (SBA) which administers the Florida Hurricane Catastrophe Fund (FHCF). This contract provides reimbursement to the Company under certain circumstances, and does not provide or extend insurance or reinsurance coverage to any person, firm, or corporation or other entity. Under the terms of the contract, the SBA is required to reimburse the Company for its ultimate net loss on covered policies in excess of the Company's retention as a result of each loss occurrence commencing during the contract year, to the extent funds are available.

Reinsurance Brokerage Agreement

Managers entered into a reinsurance brokerage agreement with Benfield, Inc. (Benfield) on June 1, 2006, which also included the Company as a party to the agreement. Under the terms of the agreement, Benfield was to facilitate the placement of reinsurance contracts that provide coverage to business underwritten or generated by Managers for insurers and/or Syndicates at Lloyd's of London. In consideration for Mangers providing certain assistance and service to Benfield, Benfield agreed to share with Mangers, Benfield's earned brokerage revenues that were derived from the placement of the subject reinsurance agreements, excluding any brokerage paid to corresponding brokers or sub-brokers not affiliated with Benfield.

Investment Management Agreement

Effective April 1, 2006, the Company entered into an investment management agreement with Gen Re-New England Asset Managers (Gen Re-New England). The agreement stipulated that Gen Re-New England would manage and determine all investment decisions for the account, in their sole discretion and without first consulting or notifying the Company, in accordance with the investment restrictions and guidelines set by the Company. Effective September 1, 2007, the agreement was amended by deleting the Investment Accounting Fees language in Section III entirely and replacing the language in Section III with a new fee schedule.

Custodial Agreement

The Company had a custodial agreement with JP Morgan Chase Bank (Chase) in Columbus, Ohio, effective August 18, 2006. The custodial agreement contained the required clauses and was in compliance with Rule 69O-143.042, Florida Insurance Code.

Information Technology Report

Ryan Donahue, CISA, Eide Bailly Manager, 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.

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."

ICAT SPECIALTY INSURANCE COMPANY
Assets

DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Bonds	$10,351,497		$10,351,497
Cash:	5,817,129		5,817,129
Premiums and considerations:			
Uncollected premium	3,062,995		3,062,995
Reinsurance recoverable	3,313		3,313
Current federal and foreign tax recov.	26,167		26,167
Interest and dividend income due & accrued	66,727		66,727
Net deferred tax asset	280,388		280,388
Totals	$19,608,216	$0	$19,608,216

ICAT SPECIALTY INSURANCE COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Losses	$0		$0
Loss adjustment expenses	195		195
Commissions payable, contingent commissions	(684,560)		(684,560)
Other expenses	15,882		15,882
Taxes, licenses and fees	(143,474)		(143,474)
Unearned premium	652,436		652,436
Ceded reinsurance premium payable	3,155,186		3,155,186
Payable to parent, subsidiaries and affiliates	1,520,584		1,520,584
Aggregate write-ins for liabilities	1,342,670		1,342,670
Total Liabilities	$5,858,919	$0	$5,858,919
Common capital stock	$3,000,000		$3,000,000
Gross paid in and contributed surplus	12,000,000		12,000,000
Unassigned funds (surplus)	(1,250,703)		(1,250,703)
Surplus as regards policyholders	$13,749,297		$13,749,297
Total liabilities, surplus and other funds	$19,608,216	$0	$19,608,216

ICAT SPECIALTY INSURANCE COMPANY
Statement of Income

DECEMBER 31, 2008

Underwriting Income	
Premiums earned	$738,505
Deductions:	
Losses incurred	378
Loss expenses incurred	384,191
Other underwriting expenses incurred	356,876
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	$741,445
Net underwriting gain or (loss)	($2,940)
Investment Income	
Net investment income earned	$556,365
Net realized capital gains or (losses)	14,887
Net investment gain or (loss)	$571,252
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	$568,312
Dividends to policyholders	0
Net Income, after dividends to policyholders, but before federal & foreign income taxes	$568,312
Federal & foreign income taxes	1,565
Net Income	$566,747
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	$13,559,560
Net Income	$566,747
Net unrealized capital gains or losses	(18,069)
Change in net deferred income tax	(167,317)
Change in non-admitted assets	(191,624)
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	$189,737
Surplus as regards policyholders, December 31 current year	$13,749,297

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses $195

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, 2008, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Company writes business under policies requiring named events as defined losses. During the examination period, there were no events which met these conditions resulting in no required loss reserves. The Company's reserve balances were reviewed and agreed to by the Company's outside actuary as well as the external auditors; accordingly, no additional independent evaluation was warranted.

Capital and Surplus

The amount reported by the Company of $13,749,297, exceeded the minimum of $4,000,000 required by Section 624.408, Florida Statutes.

A comparative analysis of changes in surplus is shown below.

ICAT SPECIALTY 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				$13,749,297
	PER COMPANY	PER EXAM	INCREASE (DECREASE) IN SURPLUS	
ASSETS:				
		No Adjustments		
LIABILITIES:				
		No Adjustments		
Net Change in Surplus:				0
Surplus as Regards Policyholders December 31, 2008, Per Examination				$13,749,297

SUMMARY OF FINDINGS

Compliance with previous directives

There were no exceptions or findings in the examination as of December 31, 2007.

Current examination comments and corrective action

There were no items of interest or corrective action to be taken by the Company regarding findings in the examination as of December 31, 2008.

SUBSEQUENT EVENTS

On June 2, 2009, the Office approved the purchase of the Company by Universal Insurance Holdings of North America, Inc. under Consent Order 104592-09-CO. Many changes have been made to the management of the Company subsequent to the examination date. The following is a listing of directors and officers serving as of December 31, 2009.

Directors:

Luis Miranda Casanas, Chairman

Jorge Luis Padilla

Monique Miranda Merle

Josely Vega

Luis Berrios Monge

Ricardo A. Espino

Jorge Amadeo

Jose Medina

Jorge Freyre

Officers:

Luis Miranda Casanas, Chief Executive Officer

Ricardo A. Espino, President

Monique Miranda Merle, Secretary

Lora S. Rees, Senior Vice President and Asst. Secretary

Jorge Padilla, Treasurer

John W. Burns, Chief Financial Officer and Asst. Treasurer

Ramsey H. Campbell, Vice President of Claims

David F. Valenzano, Vice President of Underwriting

Katherine Moore, Vice President of Texas Operations

Petra Charbonneau, Vice President of Expansion Operations

Suzanne Morrow, Vice President of Sales and Agent Relations

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **ICAT Specialty 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 $13,729,297, in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, Rick Nelson, CFE, CIE, Eide Bailly (EB) Principal, Patrick Chaffee, CPA, EB Manager, Eric Kegler, EB Staff, Chelsie Groslie EB Staff and Ryan Donahue, CISA, EB Information Systems Manager, participated in the examination.

Respectfully submitted,

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