

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Universal Fire & Casualty Insurance Company)
3214 Chicago Drive)
Hudsonville, Michigan 49426)

Examination of **Universal Fire & Casualty Insurance Company**

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of **Universal Fire & Casualty Insurance Company**, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each Director of **Universal Fire & Casualty Insurance Company** shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

June 20, 2012)
Date)
Cynthia D. Donovan)
Cynthia D. Donovan)
Chief Financial Examiner)

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0000 3471 94

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Universal Fire & Casualty Insurance Company)
3214 Chicago Drive)
Hudsonville, Michigan 49426)

**Examination of Universal Fire & Casualty Insurance
Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the **Midwestern United Life Insurance Company** (hereinafter "Company") for the time period January 1, 2006 through December 31, 2010.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on April 30, 2012.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 16, 2012 and was received by the Company on May 18, 2012.

On May 31, 2012, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company's response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2010.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, as amended, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination, as amended. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed and Sealed this 20th day of June, 2012.


Stephen W. Robertson
Insurance Commissioner

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

UNIVERSAL FIRE & CASUALTY INSURANCE COMPANY
NAIC COMPANY CODE 32867

As of

December 31, 2010

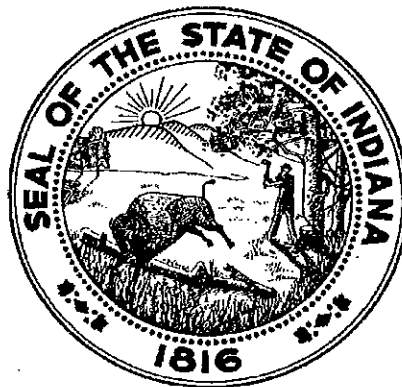


TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION.....	3
HISTORY.....	3
CAPITAL AND SURPLUS.....	3
TERRITORY AND PLAN OF OPERATION.....	4
GROWTH OF COMPANY.....	4
MANAGEMENT AND CONTROL.....	4
Board of Directors.....	4
Officers.....	5
CONFLICT OF INTEREST.....	5
OATH OF OFFICE.....	5
CORPORATE RECORDS.....	5
Articles of Incorporation and Bylaws.....	5
Minutes.....	6
AFFILIATED COMPANIES.....	6
Organizational Structure.....	6
Affiliated Agreements.....	6
FIDELITY BOND AND OTHER INSURANCE.....	7
STATUTORY DEPOSITS.....	7
REINSURANCE.....	8
Reinsurance Ceded.....	8
ACCOUNTS AND RECORDS.....	8
FINANCIAL EXHIBITS.....	9
FINANCIAL STATEMENTS.....	10
Assets.....	10
Liabilities, Surplus and Other Funds.....	11
Statement of Income.....	12
Capital and Surplus Account.....	13
COMMENTS ON THE FINANCIAL STATEMENTS.....	14
OTHER SIGNIFICANT FINDINGS.....	14
SUBSEQUENT EVENTS.....	14
MANAGEMENT REPRESENTATION.....	14
AFFIDAVIT.....	15



STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

IDOI

INDIANA DEPARTMENT OF INSURANCE

311 W. WASHINGTON STREET, SUITE 300
INDIANAPOLIS, INDIANA 46204-2787
TELEPHONE: (317) 232-2385
FAX: (317) 232-5251

Stephen W. Robertson, Commissioner

May 1, 2012

Honorable Stephen W. Robertson
Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3709, an examination has been made of the affairs and financial condition of:

Universal Fire & Casualty Insurance Company
510 Branch Court
Columbia City, IN 49426

an Indiana stock insurance company, hereinafter referred to as the "Company." The examination was conducted at the Company's corporate offices located in Hudsonville, Michigan.

The Report of Examination, showing the financial status of the Company as of December 31, 2010, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
(317) 232-2395
In-State 1-800-622-4461

EXAMINATIONS / FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

SECURITIES / COMPANY RECORDS
(317) 232-1991

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2005. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (TTCGI) and covered the period from January 1, 2006 through December 31, 2010, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

In conducting the examination, the INDOI, by its representatives, has relied upon the independent audit reports and opinions contained therein rendered by BDO Seidman, LLP for the exam period. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

Actuarial specialists were not considered necessary in support of examination objective due to the nature of the surety (bail bond) product sold by the Company. No loss or loss adjustment expenses were incurred or accrued as of December 31, 2010, as the agents assume 100% of the liability for any potential bond forfeitures. Further, the Company insulates itself from potential liability through maintenance of a buildup fund that can be utilized in the event of an agent default. Examiners verified that no loss or loss claims related activity occurred during or subsequent to the exam period ending December 31, 2010.

The Examiners conducted a review of information controls. The examiners gained an understanding of the information systems utilized and concluded that there would be moderate reliance on information systems.

The risk-focused examination was conducted in accordance with procedures and guidelines prescribed by the National Association of Insurance Commissioners (NAIC) for the purpose of determining the Company's financial condition. Examination procedures included the verification and evaluation of assets, determination of liabilities and review of income and disbursement items, minutes, corporate documents, policy and claim files, and other records to the extent deemed necessary.

HISTORY

The Company was formed and licensed in 1976 as Physicians & Surgeons Liability Insurance Company, Inc. Effective June 26, 2002, North Point Holdings Corporation acquired the Company, maintaining a 40% ownership share, while its wholly-owned subsidiary North Pointe Insurance Company maintained the remaining 60% ownership share. Effective July 1, 2003, the Company was purchased by Universal Holding Corporation ("UHC"). The agreement was a clean shell purchase of 100% of the stock. The shell consisted of seven (7) state licenses and \$5.0 million in unencumbered capital and surplus.

CAPITAL AND SURPLUS

As of December 31, 2010, the Company had 400,000 shares of class A no par value common stock authorized and 372,000 shares issued to its parent, UHC. The Company has 60,000 shares of class B no par value common stock authorized and none issued. The Company has 350 shares of \$1,000 par value preferred stock authorized with 250 shares issued and outstanding. The Company reported capital stock totaling \$2,250,000 and surplus \$3,999,367. On June 27, 2006, the INDOI approved a request to transfer \$893,480 from Common Capital Stock (line 28) to Gross Paid-In and Contributed Surplus (line 32) on page 3 of the Annual Statement. The transfer was requested by the Company to meet minimum surplus

requirements in the State of Virginia. After the transfer, the Company is still in compliance with minimum capital requirements as set forth in IC 27-1-6-14. The Company declared an \$112,599.07 ordinary dividend to Universal Holding Corporation (UHC) on December 3, 2007 and the dividend was paid on December 3, 2007.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to transact insurance business in twenty-eight (28) states, writing in twenty three (23). The majority of 2010 premiums were produced in the five (5) states of Connecticut, Florida, Indiana, Michigan, and Ohio. During 2010, the Company obtained a license to transact business in New Jersey. The Company entered into new agency agreements with agents in Connecticut, Florida, Iowa, and Michigan in 2010. Surety bail is the Company's sole line of business. The Company enters into a fronting agreement with each of its contracted agents. Under the terms of these agreements, the agent retains the majority of the premiums (up to 89%) and assumes 100% of the liability for forfeiture of the bond.

GROWTH OF COMPANY

The following exhibit depicts the Company's financial results throughout the examination period:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total admitted assets	\$10,249,369	\$9,058,307	\$8,502,020	\$7,562,012	\$6,913,254
Total liabilities	4,000,002	2,929,989	2,432,923	1,724,920	1,348,233
Policyholder surplus	6,249,367	6,128,318	6,069,097	5,837,092	5,565,021
Net income	120,249	59,221	228,605	418,770	226,867
Net premiums written	2,903,485	2,293,175	2,230,797	2,063,800	1,840,667

The Company has reported positive net income in each of the years under examination.

MANAGEMENT AND CONTROL

Board of Directors

The Articles of Incorporation provide that the business affairs of the Company are to be managed by a Board of Directors consisting of not less than three (3) and no more than twelve (12) persons, at least one (1) of which must be a resident of the State of Indiana. The shareholders, at the annual meeting, elect the members of the Board of Directors. The following persons served as directors of the Company as of December 31, 2010:

<u>Name</u>	<u>Residence</u>	<u>Affiliation</u>
Thomas M. Parker	Bloomfield Village, MI	Chairman and President Universal Fire & Casualty Insurance Company
Eddie E. Lee	Columbia City, IN	President Lee Marketing, Inc. & Midwest Bonding, Inc.

Robert C. Ryzanca	Jenison, MI	Vice President & Operations Manager Universal Fire & Casualty Insurance Company
Peter C. Loughrin	Verona, WI	President Loughrin Accounting & Tax Services, SC
Lloyd A. Schwartz	West Bloomfield, MI	Treasurer Universal Fire & Casualty Insurance Company

Officers

The Company's Bylaws state the officers of the Company, who shall be chosen by the Board of Directors, shall consist of a Chairman of the Board of Directors, President, Secretary, Treasurer, Controller, one (1) or more Vice Presidents, and such other subordinate officers as may be prescribed by the Bylaws. The same person may hold any two (2) or more offices, except the duties of the President and Secretary shall not be performed by the same person. The following is a list of key officers and their respective titles as of December 31, 2010:

<u>Name</u>	<u>Office</u>
Thomas M. Parker	Chairman and President
Brian M. Lietzke	Secretary
Lloyd A. Schwartz	Treasurer
Robert C. Ryzanca	Vice President
Eddie E. Lee	Vice President

CONFLICT OF INTEREST

The Company has in place an established conflict of interest policy and procedures for the disclosure of any material interest or affiliation by any director, officer, or key employee, which is likely to conflict with their official duties. From a review of the officers and directors signed statements, there were no significant conflicts of interest reported by any of the officers or directors.

OATH OF OFFICE

Indiana Code 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly and diligently administer the affairs of the corporation, and will not knowingly violate any of the laws applicable to such corporation. It was noted during the examination that in 2006 the elected Board did not subscribe to an "Oath of Office." See the "Other Significant Findings" section of this report for further explanation on this exception.

CORPORATE RECORDS

Articles of Incorporation and Bylaws

There were no amendments made to the Articles of Incorporation during the period under examination. The Company amended its Bylaws on May 10, 2006, the amendment relates to a correction in address, office, and the number of Directors. The Amended Bylaws in Section 5.01 report that the business of the Corporation shall be managed by the Board of no less than five (5), and not more than nine (9) Directors.

Minutes

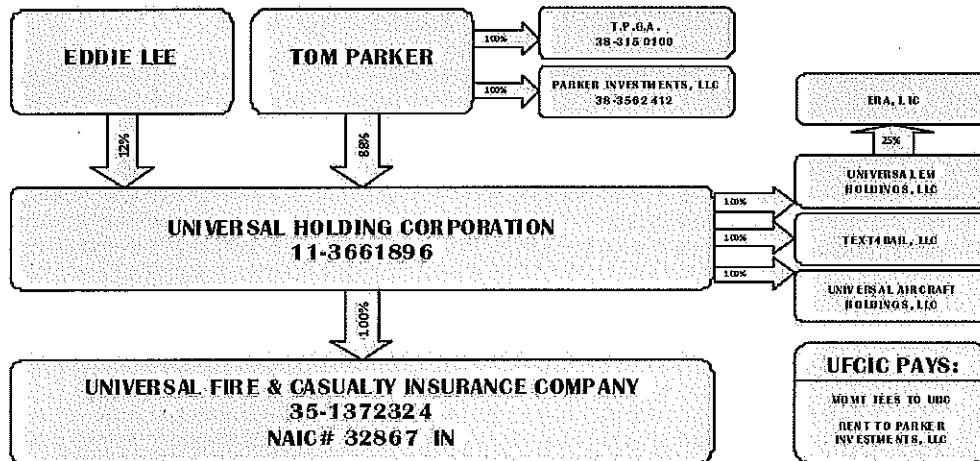
The Board of Directors and Shareholder meeting minutes were reviewed for the period under examination through the fieldwork completion date, and significant actions taken during each meeting were noted. It was noted that the annual meetings and other regular Board meetings were held in accordance with the Company's Bylaws.

AFFILIATED COMPANIES

Organizational Structure

The Company is a member of an insurance holding company system as defined within IC 27-1-23 and Regulation of Insurance Holding Company Systems. The Company is wholly owned by Universal Holding Corporation, a Michigan domiciled corporation. The following organizational chart depicts the Company's relationship within the holding company system.

ORGANIZATIONAL CHART



It was noted during the examination that the Company did not disclose Kozy Corporation in the holding company registration statement filed with INDOI. See the "Other Significant Findings" section of this report for explanation on this exception.

Affiliated Agreements

Management Service Production Agreement

The Company has a management agreement with its parent, Universal Holding Corporation (UHC),

whereby UHC provides regulatory and human resource management services for the Company. Expenses of \$450,000 and \$550,000 were paid or accrued under this agreement during 2010 and 2009, respectively. The significant increase in 2009 was due to a one-time transaction approved by the INDOI that enabled UHC to provide services that included financing assistance to new or existing Company agents who are interested in expanding their business through acquisitions or by expansion of their current agencies. In addition, Tom Parker General Agency (TPGA), an affiliate, has continually turned over its entire agent base in each state that UFC obtains a certificate of authority and is compensated based upon a percentage of direct written premiums (surety only). Underwriting expenses paid to TPGA included \$650,870 and \$563,773 in 2010 and 2009, respectively. The INDOI approved the related party agreement on December 5, 2003.

Lease Agreement

The Company consolidated its Operations and Corporate offices effective May 1, 2006. Prior to the consolidation, the Company leased space from TPGA for its corporate office. The Company now leases from Parker Investments, LLC. The Company paid rent to Parker Investments, LLC based on the lease which was effective January 1, 2006. The lease included incremental increases for the use of more space and renovations done to the building to meet the Company's needs. The lease is for ten years which has a ten year renewal without notice of termination within six months. The total lease expense paid to Parker Investments, LLC during 2010 was \$193,875. The INDOI approved the related party lease agreement on January 31, 2006.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by National Union Fire. The bond has aggregate coverage of \$100,000 with a single loss limit of \$100,000 and it carried a single loss deductible of \$10,000.

The Company had additional types of coverage in-force at December 31, 2010 including, but not limited to, property and liability, workers' compensation, and employers' liability.

STATUTORY DEPOSITS

The Company reported special deposits comprised of U.S. Treasury Notes and short-term investments held by various Departments of Insurance at December 31, 2010:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For all Policyholders		
Indiana	\$ 1,556,676	\$ 1,613,559
Total for all Policyholders	<u>\$ 1,556,676</u>	<u>\$ 1,613,559</u>
All Other Special Deposits		
Florida	\$ 100,000	\$ 100,000
Indiana	79,902	79,902
Kansas	75,000	75,000
Michigan	75,378	75,419
Nevada	202,474	209,294
New Mexico	106,264	108,434
South Carolina	232,142	233,911
Virginia	200,074	200,364
Total Other Special Deposits	<u>\$ 1,071,234</u>	<u>\$ 1,082,324</u>

REINSURANCE

Reinsurance Ceded

Effective October 1, 2010, the Company and Star Insurance Company entered into a quota share reinsurance agreement. Bonds with limits greater than \$600,000 up to \$1,000,000 shall be included under the Agreement. The reinsurer shall pay to the Company 40% of all paid losses and loss expenses. In consideration for the reinsurance provided, there will be a reinsurance premium (ceded premium) by the Company, which equals 40% of the gross written premium less the ceding commission. The ceding commission for this Agreement shall be 87% of ceded premium for the Company's general administrative expenses, marketing, assessment fees, commissions, claims handling, loss control, underwriting, bond issuance compliance, and accounting service. The ceding commission for this Agreement shall also be 3% of ceded premium for applicable premium taxes, fees for board and bureaus and liabilities for assessment and pools. The Agreement shall cover the same territory as the bonds written by the Company.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2006 to 2010, were agreed to the respective Annual Statements. The Annual Statement for the year ended December 31, 2010, was agreed to the year's independent audit report with no exception noted.

The Company's independent auditors issued unqualified opinions on the Company's audited financial statements for each year during the examination period. No material exceptions were noted when agreeing the Company's audited financial statements to the respective Annual Statements. All of the independent audit work papers were made available to the examiners during the examination.

FINANCIAL EXHIBITS

Comparative Exhibit – Statutory Statement of Admitted Assets
Comparative Exhibit – Statutory Statement of Liabilities, Surplus and Other Funds
Comparative Exhibit - Statutory Summary of Operations
Comparative Exhibit – Statutory Capital and Surplus Account

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

UNIVERSAL FIRE & CASUALTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

	As of December 31, 2010			
	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Assets:				
Bonds	\$ 5,143,888	\$ -	\$ 5,143,888	\$ 4,947,645
Cash \$517,503 cash equivalents \$0 and short-term investments \$459,691	977,194	-	977,194	1,035,291
Subtotals, cash and invested assets	<u>\$ 6,121,082</u>	<u>\$ -</u>	<u>\$ 6,121,082</u>	<u>\$ 5,982,936</u>
Investment income due and accrued	84,177	-	84,177	83,822
Uncollected premiums and agents' balances in the course of collection	129,000	-	129,000	129,000
Current federal and foreign income tax recoverable and interest thereon	30,798	-	30,798	22,312
Aggregate write-ins for other than invested assets	3,884,312	-	3,884,312	2,840,237
Total Assets	<u>\$ 10,249,369</u>	<u>\$ -</u>	<u>\$ 10,249,369</u>	<u>\$ 9,058,307</u>

UNIVERSAL FIRE & CASUALTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

As of December 31, 2010

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Liabilities:				
Other expenses	\$ 2,550	\$ -	\$ 2,550	\$ 2,300
Taxes, licenses and fees	40,240		40,240	13,752
Net deferred tax liability	34,200	-	34,200	35,000
Payable to parent, subsidiaries and affiliates	38,700	-	38,700	38,700
Aggregate write-ins for liabilities	3,884,312	-	3,884,312	2,840,237
Total Liabilities	\$ 4,000,002	\$ -	\$ 4,000,002	\$ 2,929,989
Common capital stock	\$ 2,000,000	\$ -	\$ 2,000,000	\$ 2,000,000
Preferred capital stock	250,000	-	250,000	250,000
Gross paid in and contributed surplus	893,480	-	893,480	893,480
Unassigned funds (surplus)	3,105,887	-	3,105,887	2,984,838
Surplus as regards to policy holders	\$ 6,249,367	\$ -	\$ 6,249,367	\$ 6,128,318
Total liabilities and surplus	\$ 10,249,369	\$ -	\$ 10,249,369	\$ 9,058,307

UNIVERSAL FIRE & CASUALTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Statement of Income

As of December 31, 2010

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Underwriting Income				
Premiums earned	\$ 2,903,485	\$ -	\$ 2,903,485	\$ 2,293,175
Deductions				
Other underwriting expenses incurred	2,977,338	-	2,977,338	2,403,275
Total underwriting deductions	\$ 2,977,338	\$ -	\$ 2,977,338	\$ 2,403,275
Net underwriting gain (loss)	\$ (73,853)	\$ -	\$ (73,853)	\$ (110,100)
Investment Income				
Net investment income	\$ 138,384	\$ -	\$ 138,384	\$ 138,021
Net investment gain	\$ 138,384	\$ -	\$ 138,384	\$ 138,021
Other Income				
Aggregate write-ins for miscellaneous income	16,018	-	16,018	-
Total other income	\$ 16,018	\$ -	\$ 16,018	\$ -
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 80,549	\$ -	\$ 80,549	\$ 27,921
Dividends to policyholders	-	-	-	-
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 80,549	\$ -	\$ 80,549	\$ 27,921
Federal and foreign income taxes incurred	(39,700)	-	(39,700)	(31,300)
Net Income	\$ 120,249	\$ -	\$ 120,249	\$ 59,221

UNIVERSAL FIRE & CASUALTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

	<u>As of December 31, 2010</u>			
	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Surplus Account:				
Surplus as regards policyholders, December 31 prior year	\$ 6,128,318	\$ -	\$ 6,128,318	\$ 6,069,097
Net income	\$ 120,249	\$ -	\$ 120,249	\$ 59,221
Change in net deferred income tax	800	-	800	-
Change in surplus as regards policyholders for the year	\$ 121,049	\$ -	\$ 121,049	\$ 59,221
Surplus as regards policyholders, December 31 current year	\$ 6,249,367	\$ -	\$ 6,249,367	\$ 6,128,318

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2010, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

The following accounts and records findings or concerns were noted:

Oath of Office:

It was identified during the period under examination that in 2006 the Company's elected board members did not subscribe to an "Oath of Office" as required by IC 27-1-7-10(i), stating he or she will faithfully, honestly and diligently administer the affairs of the Company as his or her duties may encompass and will not knowingly violate or willingly permit to be violated any of the provision of laws applicable to the Company.

It is recommended the Company comply with IC 27-1-7-10(i) by requiring each elected director to subscribe to an "Oath of Office."

Holding Company Filing:

In 2009, Kozy Corporation was incorporated by Tom Parker, owner of Universal Holding Corporation, for the purpose of producing bail bond business for the Company and independently for Mr. Parker in the State of Michigan. Mr. Parker owns 100% of Kozy Corporation. It was identified during the examination that Kozy Corporation was not disclosed in a holding company registration statement filed with INDOI.

It is recommended that the Company comply with IC 27-1-23-3(b)(2) by identifying in its holding company registration statement filed with INDOI every member of its insurance holding company system.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork that were considered material events requiring disclosure in this report.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, the Examiners obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to the Examiners.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from The Thomas Consulting Group, Inc., hereinafter collectively referred to as the "Examiners" performed an examination of the **Universal Fire & Casualty Insurance Company** as of **December 31, 2010**.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

The examination was performed in accordance with those procedures required by the 2010 NAIC Financial Condition Examiner's Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standard and no audit opinion is expressed on the financial statements contained in this report.

The attached report of examination is a true and complete report of condition of the **Universal Fire & Casualty Insurance Company** as of **December 31, 2010**, as determined by the undersigned.



David Daulton, CFE
The Thomas Consulting Group, Inc.

State of: Indiana
County of: Vanderburgh

On this 8th day of May, 2012, before me personally appeared, David Daulton, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires 5/25/12 _____ Georganne E. McCarty
Notary Public



GEORGANNE E. McCARTY
Resident of Vanderburgh County, IN
Commission Expires: May 25, 2012