

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

IN THE MATTER OF:)
)
Universal Fire & Casualty Insurance Company)
518 Branch Ct.)
Columbia City, Indiana 46725-1323)

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

NOTICE OF ENTRY OF ORDER

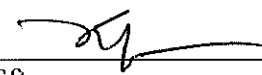
Enclosed is the Final Order entered by Amy L. Beard, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Universal Fire & Casualty Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. 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.

6/16/2022

Date



Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7018 1130 0001 7982 6680

STATE OF INDIANA) BEFORE THE INDIANA
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IN THE MATTER OF:)
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Columbia City, Indiana 46725-1323)

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

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Universal Fire & Casualty Insurance Company (hereinafter “Company”) for the time period January 1, 2016 through December 31, 2020.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on May 19, 2022.

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 31, 2022 and was received by the Company on June 3, 2022.

On June 6, 2022, 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, 2020.
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 this 16 day of
June, 2022.



Amy L. Beard
Insurance Commissioner

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

UNIVERSAL FIRE & CASUALTY INSURANCE COMPANY
NAIC COMPANY CODE 32867

As of

December 31, 2020

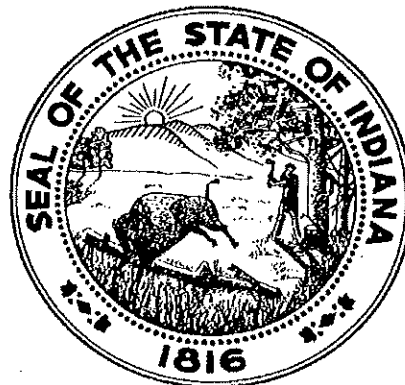


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Amy L. Beard, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

May 19, 2022

Honorable Amy L. Beard
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 4088, an examination has been made of the affairs and financial condition of:

Universal Fire & Casualty Insurance Company
518 Branch Court
Columbia City, IN 46725

an Indiana stock insurance company, hereinafter referred to as the "Company." The examination was conducted at the Company's corporate offices located at 2121 Airport Road, Waterford, MI 48327.

The Report of Examination, showing the financial status of the Company as of December 31, 2020, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2389 COMPANY COMPLIANCE 317-232-3495 CONSUMER SERVICES 317-232-2395/1-800-622-4461 FINANCIAL SERVICES 317-232-2390 MEDICAL MALPRACTICE 317-232-2402 COMPANY RECORDS 317-232-5692 STATE HEALTH INSURANCE PROGRAM 1-800-452-4800

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of December 31, 2015. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2016, through December 31, 2020, 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 risk-focused examination, the INDOI, by its representatives, relied upon the independent audit reports and opinions contained therein rendered by BDO USA, LLP for each year of the examination 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) products sold by the Company and the agents assume 100% of the liability for any potential bond forfeitures. Furthermore, the Company insulates itself from potential liability through maintenance of a buildup fund that can be utilized in the event of an agent default.

In accordance with the 2020 NAIC *Financial Condition Examiners Handbook*, Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Company and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks, and documentation of system controls and procedures used to mitigate the identified risks.

This Report of Examination includes significant findings of fact, as mentioned in the Indiana Code (IC) 27-1-3.1-10, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within this report but were separately communicated to other regulators and/or the Company.

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, Universal Holding Corporation (UHC) purchased the Company. The agreement was a clean shell purchase of 100% of the stock. The shell consisted of seven (7) state licenses and \$5,000,000 in unencumbered capital and surplus. In 2020, the Company was transferred to a new holding company system, UIM Holding Company (UIM), to prepare to raise additional capital for the Company in order to expand its property and casualty operations.

CAPITAL AND SURPLUS

Pursuant to the Articles of Incorporation, the Company has 400,000 shares of authorized common stock Class A with no par value, of which 372,000 shares were outstanding to its parent, UHC. The Company has 60,000 shares of Class B no par value common stock authorized with none issued and 350 shares of \$1,000 par value preferred stock authorized with none outstanding. As of December 31, 2020, the Company

reported common capital stock totaling \$3,000,000, gross paid in and contributed surplus totaling \$675,000, and unassigned funds (surplus) totaling \$6,533,981.

Effective March 31, 2020, the Company received approval from the INDOI to purchase 250 shares of preferred capital stock that was owned by its parent UHC. UHC then contributed the proceeds of the sale to gross paid-in and contributed surplus. Additionally, the INDOI approved a transfer of \$531,250 from unassigned funds with \$400,000 being allocated to common capital stock bringing the new balance to \$3,000,000 and \$131,250 to gross paid-in and contributed surplus resulting in a final balance of \$675,000.

DIVIDENDS TO STOCKHOLDERS

There were no dividends declared or paid during the examination period.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to transact insurance business in forty (40) states, writing in thirty (30) of those. The majority of the 2020 premiums were produced in South Carolina (\$4,504,179), Michigan (\$636,621), and Ohio (\$434,564). The Company is a mono-line surety insurer specializing primarily in issuance of bail bonds, but in 2017 the Company was authorized to write court related civil bonds in Maryland. During 2019, the Company was granted a treasury listing with the federal government allowing the Company to write federal surety bonds, which created an additional premium reserve of \$205,000. The Company enters into a fronting agreement with each of its contracted agents. Under the terms of this agreement, the agent retains the majority of the premiums (up to 89%) and assumes 100% of the liability for forfeiture of the bond.

GROWTH OF THE COMPANY

The Company has reported positive net income in each of the years under examination. The following exhibit depicts the Company's financial results throughout the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	<u>Direct Written Premiums</u>	<u>Net Income (Loss)</u>
2020	\$22,441,361	\$12,232,380	\$10,208,981	\$7,990,402	\$933,491
2019	19,006,222	9,516,214	9,490,007	3,113,836	564,788
2018	18,240,711	9,506,079	8,734,632	3,304,437	956,783
2017	17,180,446	9,328,732	7,851,714	3,176,128	525,581
2016	15,414,592	8,134,843	7,279,749	3,061,284	488,123

Note: Amounts are shown in whole dollars and rows may not total due to rounding.

MANAGEMENT AND CONTROL

Directors

The Company's By-Laws provide that the business affairs of the Company are to be managed by its Board of Directors (Board). The Board shall consist of not less than five (5), and no more than nine (9), persons

and at least one (1) of which must be a resident of the State of Indiana. The following persons served as directors of the Company as of December 31, 2020:

<u>Name and Residence</u>	<u>Position and Principal Occupation</u>
Thomas M. Parker Bloomfield Hills, Michigan	Chairman Universal Fire & Casualty Insurance Company
Frank H. Freund Spring Lake, Michigan	Treasurer Universal Fire & Casualty Insurance Company
Richard J. Klimaszewski Houston, Texas	President and Chief Operating Officer Universal Fire & Casualty Insurance Company
Richard L. Roehling Columbia City, Indiana	Owner Midwest Bonding Company
Christopher J. Timm Columbus, Ohio	Chief Executive Officer and Director UIM Holding Company

Officers

The Company's Bylaws state the officers of the Company shall consist of a Chairman, President, one (1) or more Vice Presidents, Treasurer, Secretary, and Controller, if any are elected by the Board, and such other subordinate officers as may be appointed by the Board. The same person may hold any two (2) or more offices, except the duties of the President and Secretary. The following is a list of key officers and their respective titles as of December 31, 2020:

<u>Name</u>	<u>Office</u>
Thomas M. Parker	Chairman
Richard J. Klimaszewski	President and Chief Operating Officer
Travis R. Harrison	Chief Financial Officer
Brian M. Lietzke	Secretary

Corporate Governance

Corporate governance for the Company is monitored by the Board of UIM. Thomas M. Parker (100% owner of UHC) is still the ultimate controlling party of UIM with 81.80 % control. The UIM Board is now the primary body of oversight for the insurer's risk appetite, determination, earnings, capital, liquidity, operations, and reputation. UIM's Board is responsible for management decisions relating to the operations of the holding company, providing oversight to the insurer, and monitoring corporate governance compliance of each for its subsidiaries. The Board for the Company is responsible for review and oversight of the operations of the insurance company.

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 material conflicts of interest noted for the period under examination.

OATH OF OFFICE

IC 27-1-7-10(i) requires 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. Each director serving as of December 31, 2020, signed an Oath of Office statement when elected.

CORPORATE RECORDS

Articles of Incorporation

There were no changes to the Company's Articles of Incorporation during the examination period.

Bylaws

There were no changes to the Company's Bylaws during the examination period.

Minutes

The Board and Shareholders 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 determined that the Annual Board Meetings were held in accordance with IC 27-1-7-7(b) and 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. UHC, a Michigan domiciled corporation, is a holding company owned by Thomas M. Parker, the ultimate controlling person. The following organizational chart depicts the Company's relationship within the holding company system.

- Thomas Parker
 - Universal Holding Corporation (100%)
 - UIM Holding Company (81.00%)
 - UIM Acquisition Company (100%)
 - Universal Fire & Casualty Insurance Company NAIC Code #32867 (100%)**
 - Venture Insurance Services LLC (25%)
 - Kozy Corporation (100%)
 - Universal Flight Support LLC (25%)

Affiliated Agreements

The following affiliated agreements were disclosed as part of the Form B Holding Company Registration Statement and were filed with, and not disapproved by, the INDOI in accordance with IC 27-1-23-4(b)(4).

Intercompany Management, Services, and Production Agreement

The Company entered into an Intercompany Management, Services, and Production Agreement with UHC, under which the Company receives services such as management, consulting, underwriting, licensing, human resources, regulatory filings, preparing financial statements, agent appointments, and other consulting services. The agreement is effective from January 1, 2018 through December 31, 2022. The Company requested an increase to \$40,000 per month for fixed costs and up to 5% of commercial property and casualty premiums. The Company incurred management fees to UHC of \$433,500 and \$423,000 for 2019 and 2020, respectively

Commercial Lease Agreement

The Company (Tenant) entered into a Commercial Lease Agreement with Universal Flight Support, LLC (Landlord) effective January 15, 2020. The lease expires December 31, 2025. Total lease expenses paid were \$0 and \$120,000 for 2019 and 2020, respectively.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by its employees through a fidelity bond issued by Travelers Casualty and Surety Company of America. The bond has aggregate coverage of \$400,000 with a single loss limit of \$400,000.

The Company had additional types of coverage in-force as of December 31, 2020, including, but not limited to, cyber, professional liability, property and liability, workers' compensation, and employers' liability.

Contrary to the requirements of IC 27-1-7-14, the Company's fidelity bond was not approved by its Board during the period under examination. **(Please see the "OTHER SIGNIFICANT FINDINGS" section of this report regarding this issue.)**

STATUTORY AND SPECIAL DEPOSITS

The Company reported special deposits comprised of U.S. Treasury Notes and short-term investments held by various Departments of Insurance as of December 31, 2020:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
Deposits For the Benefit of All Policyholders:		
Indiana	\$ 2,746,240	\$ 2,815,395
All Other Special Deposits:		
Florida	100,000	100,000
Indiana	81,246	81,246
Kansas	75,163	78,848
Michigan	74,803	77,264
Nevada	224,872	232,931
New Mexico	214,854	217,823
North Carolina	1,222,413	1,237,883
Pennsylvania	25,094	25,094
South Carolina	229,780	233,705
Tennessee	79,368	85,979
Texas	502,639	502,639
Virginia	219,890	221,622
Total Deposits	<u>\$ 5,796,362</u>	<u>\$ 5,910,429</u>

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

REINSURANCE

Reinsurance Assumed

The Company participated in an assumed surety program written through shared agents with other similar surety carriers. The program assumed certain bonds on a quota share agreement or when a carrier had limitations based on bond size. In 2020, the total amount of reinsurance assumed was \$71,431. This program is no longer utilized.

Reinsurance Ceded

Effective December 1, 2018, with an expiration date of June 1, 2020, the Company entered into an endorsement on its Principal Surety Excess of Loss Reinsurance Agreement. BMS acted as the broker on this contract and this business was placed in London markets. The business placed under this contract was treasury listing federal surety bonds for which the Company was granted authority by the federal government to write during 2019.

Effective October 5, 2020, the Company entered into a 100% Quota Share Reinsurance Agreement with Shield Indemnity, Inc. (Reinsurer), hereinafter referred to as Shield Indemnity. The business that was reinsured under this agreement was on a Claims Made and Reported Liability Insurance Policy issued to the United States Concealed Carry Association on October 15, 2020. In conjunction with this agreement, the Company entered into a tri-party Reinsurance Trust Agreement effective July 1, 2020, with Comerica

Bank & Trust National Association (Trustee), the Company (Beneficiary), and Shield Indemnity (Grantor). The Company also entered into a Claims Services and Indemnity Contract dated October 5, 2020, whereby Shield Indemnity provides claims administration services.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detailed trial balances prepared from the Company's general ledger for the years ending December 31, 2016, to 2020, were agreed to the respective Annual Statements without exception. The Annual Statement for the year ending December 31, 2020, 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 Thomas Consulting 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 Statement of Income
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, 2020

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Assets:				
Bonds	\$ 3,064,400	\$ -	\$ 3,064,400	\$ 3,572,278
Common stocks	184,490	-	184,490	1,045,777
Cash, cash equivalents and short-term investments	8,637,283	-	8,637,283	4,601,976
Other invested assets	<u>207,354</u>	-	<u>207,354</u>	<u>302,341</u>
Subtotals, cash and invested assets	<u>\$ 12,093,527</u>	<u>\$ -</u>	<u>\$ 12,093,527</u>	<u>\$ 9,522,372</u>
Investment income due and accrued	\$ 29,403	\$ -	\$ 29,403	\$ 36,494
Uncollected premiums and agents' balances in the course of collection	370,719	-	370,719	284,854
Current federal and foreign income tax recoverable and interest thereon	-	-	-	43,642
Net deferred tax asset	13,767	-	13,767	-
Receivable from parent, subsidiaries and affiliates	170,843	-	170,843	-
Aggregate write-ins for other than invested assets	9,763,102	-	9,763,102	9,118,860
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>\$ 22,441,361</u>	<u>\$ -</u>	<u>\$ 22,441,361</u>	<u>\$ 19,006,222</u>
Total Assets	<u><u>\$ 22,441,361</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,441,361</u></u>	<u><u>\$ 19,006,222</u></u>

UNIVERSAL FIRE & CASUALTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

As of December 31, 2020

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Liabilities:				
Other expenses (excluding taxes, licenses and fees)	\$ 108,359	\$ -	\$ 108,359	\$ 33,738
Taxes, licenses and fees (excluding federal and foreign income taxes)	145,242	-	145,242	76,123
Current federal income taxes (including \$68,689 on realized capital gains)	117,327	-	117,327	-
Net deferred tax liability	-	-	-	62,151
Unearned Premiums (after deducting unearned premiums for ceded reinsurance of \$11,452)	246,297	-	246,297	208,058
Advance premium	3,943	-	3,943	6,785
Funds held by company under reinsurance treaties	1,817,611	-	1,817,611	-
Amounts withheld or retained by company for account of others	30,500	-	30,500	10,500
Aggregate write-ins for liabilities	<u>9,763,102</u>	<u>-</u>	<u>9,763,102</u>	<u>9,118,860</u>
Total liabilities excluding protected cell liabilities	<u>\$ 12,232,380</u>	<u>\$ -</u>	<u>\$ 12,232,380</u>	<u>\$ 9,516,214</u>
Total liabilities	<u>\$ 12,232,380</u>	<u>\$ -</u>	<u>\$ 12,232,380</u>	<u>\$ 9,516,214</u>
Common capital stock	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 2,600,000
Preferred capital stock	-	-	-	250,000
Gross paid in and contributed surplus	675,000	-	675,000	293,480
Unassigned funds (surplus)	<u>6,533,981</u>	<u>-</u>	<u>6,533,981</u>	<u>6,346,527</u>
Surplus as regards policyholders	<u>\$ 10,208,981</u>	<u>\$ -</u>	<u>\$ 10,208,981</u>	<u>\$ 9,490,007</u>
Total Liabilities, Surplus and Other Funds	<u>\$ 22,441,361</u>	<u>\$ -</u>	<u>\$ 22,441,361</u>	<u>\$ 19,006,221</u>

UNIVERSAL FIRE & CASUALTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Statement of Income

As of December 31, 2020

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Underwriting Income				
Premiums earned	\$ 3,476,447	\$ -	\$ 3,476,447	\$ 2,944,840
Losses incurred	<u>38,214</u>		<u>38,214</u>	
Other underwriting expenses incurred	\$ 2,925,622	\$ -	\$ 2,925,622	\$ 2,482,822
Total underwriting deductions	\$ 2,963,836	\$ -	\$ 2,963,836	\$ 2,482,822
Net underwriting gain or (loss)	\$ 512,611	\$ -	\$ 512,611	\$ 462,018
Investment Income				
Net investment income earned	\$ 98,161	\$ -	\$ 98,161	\$ 258,991
Net realized capital gains (losses) less capital gains tax	<u>258,406</u>	<u>-</u>	<u>258,406</u>	<u>-</u>
Net investment gain (loss)	\$ 356,567	\$ -	\$ 356,567	\$ 258,991
Other Income				
Aggregate write-ins for miscellaneous income	\$ 241,592	\$ -	\$ 241,592	\$ 56,428
Total Other Income	\$ 241,592	\$ -	\$ 241,592	\$ 56,428
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 1,110,770	\$ -	\$ 1,110,770	\$ 777,437
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income tax	\$ 1,110,770	\$ -	\$ 1,110,770	\$ 777,437
Federal and foreign income taxes incurred	<u>177,279</u>	<u>-</u>	<u>177,279</u>	<u>212,649</u>
Net Income	\$ 933,491	\$ -	\$ 933,491	\$ 564,788

UNIVERSAL FIRE & CASUALTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Capital and Surplus Account:					
Surplus as regards policyholders, December 31, prior year	\$ 9,490,006	\$ 8,734,632	\$ 7,851,713	\$ 7,279,749	\$ 6,802,028
Net income	\$ 933,491	\$ 564,788	\$ 956,783	\$ 525,581	\$ 488,123
Change in net unrealized capital gains or (losses) less capital gains tax	(237,649)	138,289	(70,165)	89,977	(551)
Change in net deferred income tax	23,132	52,298	(3,699)	(43,594)	(9,851)
Capital Changes: Paid-in	150,000	-	-	-	600,000
Surplus adjustments: Paid-in	381,520	-	-	-	(600,000)
Aggregate write-ins for gains and losses in surplus	(531,520)	-	-	-	-
Change in surplus as regards policyholders for the year	<u>\$ 781,974</u>	<u>\$ 755,375</u>	<u>\$ 882,919</u>	<u>\$ 571,964</u>	<u>\$ 477,721</u>
Surplus as regards policyholders, December 31 current year	<u>\$ 10,208,981</u>	<u>\$ 9,490,006</u>	<u>\$ 8,734,632</u>	<u>\$ 7,851,713</u>	<u>\$ 7,279,749</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2020, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

Fidelity Bond

Contrary to the requirements of IC 27-1-7-14, the Company's fidelity bond was not approved by its Board during the period under examination (See page 6).

It is recommended that the Company's Board approve its fidelity bond in accordance with IC 27-1-7-14.

SUBSEQUENT EVENTS

On December 28, 2021, the INDOI approved the Form A filing of the proposed acquisition of control of the Company by the applicants, Universal Shield Insurance Group, Inc. (Universal Shield), Shield Holdings, LLC (Shield Holdings), Timothy Schmidt, Sr. (Mr. Schmidt), and Tonnie Schmidt (Ms. Schmidt).

On November 15, 2021, the Director/Superintendent of the Ohio Department of Insurance approved the Form A application to acquire control of Shield Indemnity (NAIC No. 16762), an Ohio licensed property and casualty insurance company, and designated as a domestic surplus lines insurer by Universal Shield, UIM, UIM Acquisition Company, and the Company. Subsequent to the acquisition, Shield Indemnity became a wholly owned subsidiary of the Company.

By a letter dated April 28, 2021, the INDOI did not disapprove the Company's Form D filing dated March 22, 2021, pertaining to the Intercompany Management, Services, and Production Agreement with UIM, whereby the Company receives certain management and operational services. The agreement is effective April 1, 2021 through March 31, 2024.

On December 31, 2021, the Company's parent, Universal Shield, contributed \$18,000,000 to gross paid-in and contributed surplus as part of the Form A transaction. There was also \$22,181,884 of additional paid-in capital contribution by Shield Indemnity.

MANAGEMENT REPRESENTATION

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

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., performed an examination of the **Universal Fire & Casualty Insurance Company** as of **December 31, 2020**.


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 2020 NAIC *Financial Condition Examiners 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, 2020**, as determined by the undersigned.



David Daulton, CFE
The Thomas Consulting Group, Inc.

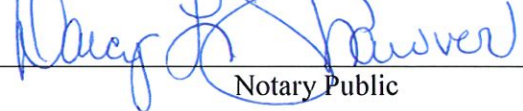


Jerry Ehlers, CFE, CPA
Indiana Department of Insurance

State of:
County of:

On this 31st day of May, 2022, before me personally appeared, David Daulton and Jerry Ehlers, 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 October 4, 2025 

Notary Public

DARCY L. SHAWVER
NOTARY PUBLIC
SEAL
MARION COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 706053

