STATE BOARD OF ADMINISTRATION OF FLORIDA
INSURANCE CAPITAL BUILD-UP INCENTIVE PROGRAM ("PROGRAM")
APPLICATION

PART I

Contact Information

Application Date:	June 15, 2006
Insurer's Name:	United Property and Casualty Insurance Company
NAIC Number:	10969
Address:	700 Central Avenue Suite 302 Saint Petersburg, FL 33701
Contact:	Don Cronin (727) 895-7737 ext.113 Nick Griffin (727) 895-7737 ext.116 dcronin@upcic.com ngriffin@upcic.com

Surplus Note Requested

Principal Amount Requested:	$20,000,000
Date Funds Desired:	July 1, 2006
Amount of New Capital:	$20,000,000
Date of New Capital Infusion:	Upon approval of the Surplus Note
Will the New Capital be encumbered?	No
Source of New Capital:	United Insurance Holdings, L.C.
Address:	700 Central Avenue, Suite 302 Saint Petersburg, FL 33701
Contact for Source of New Capital:	Greg Branch, Chairman Ocala, Florida (352) 629-2150

Financial Information

Surplus as of last month end:	$16,780,270
Surplus as of last filed statement:	$16,112,265
Net written premium as of last filed statement:	$29,053,428*
NWP as of 12/13/06 with Surplus Note:	$113,355,612
Ratio of NWP to surplus as of last month end:	1.8:1

* NWP decreases annually at June 1 when the Company cedes premium under catastrophe reinsurance contracts.

PART II

Business Plan
Insurance Capital Build-Up Incentive Program

United Property and Casualty Insurance Company ("the Company") was licensed and began operation in April of 1999. Since inception, the Company has increased surplus every year despite the catastrophic storms of the last two years. The Company has written voluntary business each year since inception through its one hundred fifty independent agents across the state and has also increased premium through the completion of several takeouts from Citizens Property Insurance Corporation and through the voluntary writings. The Company's current policy makeup is approximately 40% from the voluntary market and 60% from the Citizens takeouts.

The Company plans to continue pursuing this strategy with the addition of new capital and the Surplus Note. The Company seeks to achieve an even balance between voluntary business written in the tri-county area and voluntary business written outside of the tri-county area. Specifically, the Company plans to write 2,000 policies per month beginning in October 2006 and elevating that number to 3,000 per month during 2007. In addition, the Company intends to complete four moderate takeouts of 25,000 policies each over the next 24 months. The Company will continue to utilize its existing underwriting criteria with regard to the voluntary business and with regard to the Citizens takeouts. Also, the Company is in the process of developing a new homeowner product to help address the rising cost of insurance to the consumer.

The Company's current book of business consists of approximately 74,000 policies covering the peril of wind. The following table summarizes the characteristics of these policies.

Policies in force 74,120

		Totals		Averages
Written premium	$	133,875,300	$	1,800
Total insured value		24,680,427,700		333,000
Coverage A		14,334,912,200		193,400
Coverage B		1,439,763,200		19,400
Coverage C		6,254,632,500		84,400
Coverage D		2,651,119,800		35,800

Amounts rounded to nearest hundred

The Company's policy administration system, claims processing capabilities and strong internal infrastructure are more than adequate to accommodate this planned premium growth.

Under this plan, the Company will commit to and achieve a 2:1 net written premium to surplus ration for 2007. The Company can also expand its voluntary business if necessary to meet the net written premium to surplus writing commitment.

Reinsurance Program

The Company protects its policyholders from catastrophes through a combination of quota share reinsurance and excess of loss treaties; these agreements are made with private reinsurance entities and with the Florida Hurricane Catastrophe Fund (FHCF).

The Company uses Classic/2 AIR 6.5 to calculate the 1 in 100-year projected maximum loss (PML). For the current treaty period beginning June 1, 2006, the 1 in 100-year PML is $411.8 million. The Company's net loss retention is $7.0 million per catastrophic occurrence. Thus far, the Company has secured catastrophe reinsurance to the 1 in 75 year return period or a maximum cover of $369.5 million for two full catastrophic events. The Company has also secured a quota share reinsurance agreement that covers 30.0% of all non-catastrophe losses.

Of the first $4.8 million of catastrophe losses related to a single event, 30% is ceded to a private reinsurance entity under a quota share arrangement and the remaining 70% ($3.36 million) is retained by the Company. The next $10 million of losses in excess of the $4.8 million is covered by an FHCF excess of loss treaty. Of the next $5.2 million of losses in excess of the $14.8 million, 30% is ceded to a private reinsurance entity under a quota share arrangement and the remaining 70% ($3.64 million) is retained by the Company. The next $68.79 million in excess of the $20 million is covered by two private excess of loss treaties. Of the next $280.56 million of losses in excess of the $88.79 million, 90% ($252.5 million) is covered by an FHCF excess of loss treaty, 3% (30% of 10%, or $8.42 million) is ceded to a private reinsurance entity under a quota share arrangement and the remaining 7% (70% of 10%, or $19.64 million) is retained by the Company. The chart attached to this document depicts the current treaty period's reinsurance structure as described above.

Part III

Interrogatories

1. **Will the New Capital contribution be in excess of the Minimum Contribution?**

   Yes, the Company will infuse new capital in excess of the Minimum Contribution.

2. **Have profits been retained to grow Surplus over the last five years? If yes, how much has been retained or contributed to Surplus each year?**

   Yes, the Company has retained profits to grow surplus over the last five years. The Company has not provided any dividends during the Company's seven year history. In addition, United Insurance Holdings, LC has contributed additional capital into the Company in the amount of $12.0 million during the last two years. The table below summarizes the amounts added to surplus over the last five years.

000s Omitted	2001	2002	2003	2004	2005
Beginning Surplus	$ 5,986	$ 6,012	$ 7,991	$ 9,691	$ 12,599
Additions to Surplus	26	1,978	1,700	2,909	2,891
Ending Surplus	$ 6,012	$ 7,991	$ 9,691	$ 12,599	$ 15,491

3. **Will profits be retained to grow Surplus should the Applicant be granted the Surplus Note proceeds associated with this Program?**

   Yes, the Company will retain all profits to continue to grow surplus.

4. **Does the Applicant have a related company or other person or entity that is willing to guarantee the Applicant's Surplus Note under this Program? If yes, provide details.**

   No, the Company does not have any individual or entity willing to guarantee the Surplus Note.

5. **Although not required, is the Applicant willing to commit collateral for the purpose of securing the state's interest in the proceeds of the Surplus Note?**

   No, the Company does not intend to commit collateral to secure the state's interest in the proceeds of the Surplus Note.

6. **Although not required, is the Applicant willing to deposit 10% or more of the proceeds derived from the Surplus Note in an account managed by the state?**

   Yes, the Company is willing to deposit 10% or more of the proceeds into an account managed by the state.

7. **Although not required, is the Applicant willing to prepay interest and principal for one year in advance?**

   Yes, the Company is willing to prepay principle and interest for one year in advance.

8. **Are there any commitments that the Applicant is willing to make as a condition of issuing the Surplus Note that would lessen the risk of default?**

   a. The Company is willing to repay the Surplus Note to the State under accelerated terms to lessen the risk of default. The Company would be willing to consider a ten-year payback time period.

   b. The Company is also willing to accept an increased interest rate to lessen the risk of default.

   c. The Company will be receiving approximately $21.5 million in currently escrowed bonus funds due from Citizens Property Insurance Corporation in 2007 and 2008. The Company is willing to commit these funds towards the repayment of this Surplus Note.

   d. To help alleviate pressure on the State and the current market, the Company is willing to commit to writing all new homeowners policies with wind exposure for the duration of the Surplus Note.

9. **Has the Applicant fully placed its 2006 hurricane season reinsurance program?**

   No, the Company is still working to complete the current reinsurance program.

10. If the 2006 hurricane season reinsurance program has been fully placed, can the Insurer withstand a 1 in 100-year event?

As stated above, the Company has currently secured catastrophe reinsurance protection to withstand two 1 in 75-year events. In addition, the Company has approximately $21.5 million in bonus funds that would be available to pay claims. The Company is still working to complete its reinsurance program.

11. What is the Applicant's current writing ratio?

As of March 31, 2006, the Company's net written premium to surplus ratio was 1.8 to 1. As of June 1, 2006 the Company will cede off approximately $65.0 million in catastrophe premiums and on our about June 30, 2006, the Company will be entering a quota share agreement that will be retrospective to January 1, 2006 that cede off approximately $38.1 million in written premium over the 2006 calendar year that will further reduce the Company's catastrophic risk and writing ratio.

12. What was the Applicant's writing ratio for the last five years?

The Company's net written premium to surplus ratio was elevated during the prior two years as a result of large net catastrophe losses. The Company has addressed this problem with a quota share agreement and through the filing of an appropriate rate increase in March 2006.

2005	2004	2003	2002	2001
5.1	5.8	1.6	2.5	2.4

13. Is the Applicant willing to commit to a writing ratio in excess of the minimum for the duration of the Surplus Note? If so, note any adverse impact upon policyholder security.

Yes, the Company will commit to a writing ratio in excess of 2:1 for the duration of the Surplus Note.

14. Does the Applicant have a rating from a rating agency? If so, indicate the agency and the rating, how long the rating has been in effect, and whether or not the Applicant has ever been downgraded by a rating agency and the circumstances.

The Company has been rated "A" or better by Demotech, Inc. since the Company's inception in 1999.

15. Is the Applicant currently being investigated by any federal or state regulatory authority?

No, the Company is not being investigated by any federal or state regulatory authority.

16. Is the Applicant under any type of regulatory control or order?

Yes. Last week, the Company agreed to voluntary supervision by the Office of Insurance Regulation for a period of 120 days or until the Company can demonstrate to the OIR that the Company has adequate reinsurance protection. The Company is working to demonstrate to the OIR that appropriate reinsurance is in place. To that end, the Company is securing a quota share agreement and pursuing other alternatives to complete our program. In addition, as stated above, the United Insurance Holdings, L.C. may provide the Company with additional capital. This order does not preclude the Company from writing new business, assuming or ceding premiums or buying additional catastrophe reinsurance.

PART IV

United Property and Casualty Insurance Company
Board of Directors and Officers

Greg Branch, Chairman, Don Cronin, Bill Hood, Kent Whittemore, Fazal Fazlin, Mark Berset, Alec Poitevint, Pat Delacey. Don Cronin, President, Mel Russell, Vice-President.

Don Cronin is President and CEO of the Company. Don joined the Company in 2001 as Vice President and was named President and CEO in November 2002. He has 29 years experience in the property and casualty insurance business, most recently as Vice President of Marketing, Underwriting and Operations of United Agents Insurance Company of Louisiana. While in Louisiana, Don served on the advisory board of the School of Insurance at Louisiana State University. He has been actively involved with a number of insurance associations throughout his career. He is a native of Washington D.C. and is married with five children

Mel Russell is Senior Vice President and Corporate Secretary of the Company. He joined the company in 1999. Mel has 28 years experience in the property and casualty business, with over 15 years in the Florida insurance market. Much of his time in the industry has been spent in management; prior to that, he gained valuable experience doing production underwriting of large, complex commercial accounts in both Florida and New England for two large multi-line national carriers. Mel holds the Certified Insurance Counselor (CIC) designation and has a B.A Degree from Gordon College in Massachusetts. He is married with four sons.

Documents to be Provided with this Application