



PRESS RELEASE

For release: October 2, 2006

Contact:

Financial

Kevin L. Tate, CPA
Chief Financial Officer
(610) 660-6813
ktate@uaigroupinc.com

Media

Paula Negro
Assistant Vice President, Marketing
(610) 668-6938
pnegro@unitednat.com

United America Indemnity, Ltd. (NASDAQ:INDM) Completes Sale of Agency Operations

George Town, Grand Cayman, Cayman Islands (October 2, 2006) – United America Indemnity, Ltd. (NASDAQ:INDM), announced today that, effective September 30, 2006, it completed the sale of substantially all of the assets of Penn Independent Corporation (PIC), a wholesale broker of commercial excess and surplus lines and specialty property and casualty insurance, to Brown & Brown, Inc. (NYSE:BRO). Terms of the transaction are not disclosed; however, the sale is expected to result in an increase to 2006 net income of approximately \$10 million to United America and an increase in book value of approximately \$0.27 per share.

United America acquired PIC on January 25, 2005 simultaneously with its acquisition of Penn-America Group, Inc., a specialty excess and surplus lines insurance company. With the divestiture of PIC complete, United America will remain focused on its core competency, providing excess and surplus lines and specialty property and casualty insurance and reinsurance products.

About United America Indemnity, Ltd.

United America Indemnity, Ltd. through its several direct and indirect wholly owned subsidiary insurance companies is a national and international provider of excess and surplus lines and specialty property and casualty insurance and reinsurance, both on an admitted and on a non-admitted basis. The company's principal operating subsidiaries include:

- ➔ **Penn-America**, a provider to small businesses across the United States of excess and surplus lines property and casualty insurance through a select network of general agents;

- **United National**, a provider of specialty excess and surplus lines property and casualty insurance products in four distinct market segments – professional liability, class specific property and casualty insurance programs, specialty property and casualty brokerage, and umbrella/excess liability;
- **Wind River Insurance Company, Ltd.**, a Bermuda based treaty and facultative reinsurer of excess and surplus lines and specialty property and casualty insurance.

For more information, visit the United America Indemnity, Ltd.'s Web site at www.uai.ky.

Forward-Looking Information

This release contains forward-looking information about United America Indemnity, Ltd. and the operations of United America Indemnity, Ltd. that is intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. Forward looking statements are statements that are not historical facts. These statements can be identified by the use of forward-looking terminology such as "believe," "expect," "may," "will," "should," "project," "plan," "seek," "intend," or "anticipate" or the negative thereof or comparable terminology, and include discussions of strategy, financial projections and estimates and their underlying assumptions, statements regarding plans, objectives, expectations or consequences of the transactions, and statements about the future performance, operations, products and services of the companies. The business and operations of United America Indemnity, Ltd. is and will be subject to a variety of risks, uncertainties and other factors. Consequently, actual results and experience may materially differ from those contained in any forward-looking statements. Such risks, uncertainties and other factors that could cause actual results and experience to differ from those projected include, but are not limited to, the following: (1) the ineffectiveness of United America Indemnity, Ltd.'s business strategy due to changes in current or future market conditions; (2) the effects of competitors' pricing policies, and of changes in laws and regulations on competition, including industry consolidation and development of competing financial products; (3) greater frequency or severity of claims and loss activity than United America Indemnity, Ltd.'s underwriting, reserving or investment practices have anticipated; (4) decreased level of demand for United America Indemnity, Ltd.'s insurance products or increased competition due to an increase in capacity of property and casualty insurers; (5) risks inherent in establishing loss and loss adjustment expense reserves; (6) uncertainties relating to the financial ratings of United America Indemnity, Ltd.'s insurance subsidiaries; (7) uncertainties arising from the cyclical nature of United America Indemnity, Ltd.'s business; (8) changes in

United America Indemnity, Ltd.'s relationships with, and the capacity of, its general agents; (9) the risk that United America Indemnity, Ltd.'s reinsurers may not be able to fulfill obligations; (10) investment performance and credit risk; and (11) uncertainties relating to governmental and regulatory policies. The foregoing review of important factors should be read in conjunction with the other cautionary statements that are included in United America Indemnity, Ltd.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as well as in the materials filed and to be filed with the U.S. Securities and Exchange Commission (SEC). United America Indemnity, Ltd. does not make any commitment to revise or update any forward-looking statements in order to reflect events or circumstances occurring or existing after the date any forward-looking statement is made.

#