



MISSISSIPPI INSURANCE DEPARTMENT

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MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of Insurance

December 28, 2012

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Mr. Robert Edward Dolese, President
Coastal American Insurance Company
1285 Spring Street, Suite B
Gulfport, MS 39507

RE: Report of Examination as of December 31, 2011

Dear Mr. Dolese:

In accordance with Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), an examination of your Company has been completed. Enclosed herewith is the Order adopting the report and a copy of the final report as adopted.

Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department will open the report for public inspection.

If you have any questions or comments, please feel free to contact me.

Sincerely,

MIKE CHANEY
COMMISSIONER OF INSURANCE

BY

A handwritten signature in black ink, appearing to read "Christina Kelsey", written over a horizontal line.

Christina Kelsey
Senior Attorney

MC/CK/bs
Encls. Order w/exhibit

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF MISSISSIPPI**

**IN RE: REPORT OF EXAMINATION OF
 COASTAL AMERICAN INSURANCE COMPANY**

CAUSE NO. 12-6593

ORDER

THIS CAUSE came on for consideration before the Commissioner of Insurance of the State of Mississippi ("Commissioner"), or his designated appointee, in the Offices of the Commissioner, 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011). The Commissioner, having fully considered and reviewed the Report of Examination together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

JURISDICTION

I.

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011).

II.

That Coastal American Insurance Company is a Mississippi-domiciled company licensed to write Casualty/Liability; Fire/Allied Lines; Home/Farm Owners; Industrial Fire and Inland Marine coverages.

FINDINGS OF FACT

III.

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. § 83-5-201 et seq. (Rev. 2011), called for an examination of Coastal American Insurance Company and appointed R. Dale Miller, Examiner-In-Charge, to conduct said examination.

IV.

That on or about September 8, 2012, the draft Report of Examination concerning Coastal American Insurance Company for the period of January 1, 2010 through December 31, 2011, was submitted to the Department by the Examiner-In-Charge, R. Dale Miller.

V.

That on or about December 10, 2012, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 2011), the Department forwarded to the Company a copy of the draft report and allowed the Company a 10-day period to submit any rebuttal to the draft report. On or about December 20, 2012, the Company responded by letter citing no comments or concerns with the report.

CONCLUSIONS OF LAW

VI.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 2011), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.

IT IS, THEREFORE, ORDERED, after reviewing the revised Report of Examination, the Company's rebuttal, and all relevant examiner work papers, that the revised Report of Examination of Coastal American Insurance Company, attached hereto as Exhibit "A", should be and same is hereby adopted as final.

IT IS FURTHER ORDERED that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

IT IS FURTHER ORDERED that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 2011), that within thirty (30) days of the issuance of the adopted report, Coastal American Insurance Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

IT IS FURTHER ORDERED that Coastal American Insurance Company take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

SO ORDERED, this the 28th day of December 2012.





J. MARK HAIRE
DEPUTY COMMISSIONER OF INSURANCE
STATE OF MISSISSIPPI

CERTIFICATE OF MAILING

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 20th day of December 2012, to:

**Mr. Robert Edward Dolese, President
Coastal American Insurance Company
1285 Spring Street, Suite B
Gulfport, MS 39507**



Christina Kelsey
Senior Attorney

Christina Kelsey
Senior Attorney
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 9853



Mississippi Insurance Department

Report of Examination

of

Coastal American Insurance Company

as of

December 31, 2011

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**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN EXAMINATION**

State of Mississippi,

County of Hinds

R. Dale Miller, being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Coastal American Insurance Company as of December 31, 2011.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Coastal American Insurance Company was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

The affiant says nothing further.

R Dale Miller

R. Dale Miller, CPA, CFE, CFF
Examiner-in-charge

Subscribed and sworn before me by R Dale Miller on this 20th day of December, 2012.

(SEAL)

[Signature]
Notary Public



My commission expires _____ [date].



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

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MARK HAIRE
Deputy Commissioner of
Insurance

September 8, 2012

Honorable Mike Chaney
Commissioner of Insurance
Mississippi Insurance Department
1001 Woolfolk Building
501 North West Street
Jackson, Mississippi 39201

Dear Commissioner Chaney:

Pursuant to your instructions and authorization and in compliance with statutory provisions, an examination has been conducted, as of December 31, 2011, of the affairs and financial condition of:

COASTAL AMERICAN INSURANCE COMPANY

1285 Spring Street, Suite B
Gulfport, MS 39507

License #	NAIC Group #	NAIC #	FEETS#	ETS#
0900020	4689	13741	13741-MS-2010-5	MS120-M13

This examination was commenced in accordance with Miss. Code Ann. § 83-5-201 et seq. and was performed primarily in Saint Augustine, Florida, at the Company's affiliated office and in Sarasota, Florida, at the Company's third party administrator's office. The report of examination is herewith submitted.

COMMENCEMENT EXAMINATION

We have performed our full-scope commencement financial examination of Coastal American Insurance Company (“CAIC” or “Company”). For purposes of this examination report, the examination date is defined as December 31, 2011. The commencement examination period is defined as January 1, 2010 through December 31, 2011, including material transactions and/or events occurring subsequent to the examination date through September 8, 2012.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* (“Handbook”). The Handbook requires that we plan and perform the examination 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, management’s compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY OF THE COMPANY

CAIC was formed in 2009 and granted a Privilege License and Certificate of Authority to engage in the insurance business within the State of Mississippi effective January 1, 2010. The Company commenced operations on May 1, 2010. During 2009, the Company issued 625,000 shares and an additional 25,000 shares during 2010. No shares were issued in 2011.

CAIC is authorized to offer the following lines of homeowners insurance: casualty/liability, fired/allied lines, home/farm owners, and industrial fire. The Company primarily writes wind and ex-wind homeowner’s policies primarily in the six southern counties of Mississippi. The need for this type of company arose out of the fact that certain homeowner’s carriers in the state’s three coastal counties were not writing new wind/hail coverage or were not renewing existing wind/hail coverage post-Hurricane Katrina.

CORPORATE RECORDS

The Articles of Incorporation, Bylaws and amendments thereto were reviewed and duly applied in other sections of this report where appropriate. Minutes of the meetings of the stockholders, Board of Directors (“Board”) and various committees, as recorded during the period covered by this examination, were reviewed and appeared to be complete and in order with regard to actions brought up at the meetings for deliberation and appropriate action, which included the approval and support of the Company’s transactions and events, as well as the review of the audit and examination report.

MANAGEMENT AND CONTROL

Stockholders

At December 31, 2011, the Company had 1,000,000 shares of \$1 par value common stock authorized and 650,000 issued and outstanding. The outstanding shares of the Company were owned by 23 individuals and companies. Sunshine State Insurance Company (“SSIC”), owned 25% of the outstanding shares of the Company at December 31, 2011, and was the only shareholder to own more than 10% of the Company’s outstanding shares. SSIC is a wholly-owned subsidiary of Sunshine State Insurance Holding Corporation which is a wholly-owned subsidiary of Fenelon Ventures, LLC.

Board of Directors

The Articles of Incorporation and Bylaws vest the management and control of the Company’s business affairs with the Board. The Company’s Board is comprised of eight members who are elected by the shareholders of the Company. The members of the duly elected Board, along with their place of residence, year elected/appointed, and principal occupation, at December 31, 2011, were as follows:

Name and Residence	Year Elected/Appointed	Principal Occupation
John Boswell Sneed Chairman Gulfport, Mississippi	2009	Chief Executive Officer of CAIC
Sherwood Ray Bailey, Jr. Gulfport, Mississippi	2009	President of Bailey Lumber & Supply Company
Steven Henry Day Gulfport, Mississippi	2011	Owner-Water & Sewer Utility company
Robert Edward Dolese Waveland, Mississippi	2010	President of CAIC and career professional in the insurance industry
Stephen Allen Korducki St. Augustine, Florida	2010	President of SSIC
Robert Edward Sandoz Biloxi, Mississippi	2011	Retired
Strom Wilson Smith Gulfport, Mississippi	2009	Vice-President of CAIC, business owner and career professional in the petroleum engineering industry.
Donald Earl Halle Gulfport, Mississippi	2009	Business owner in industries related to construction and real estate

Committees

During the time period covered by this examination, the following committees were utilized by the Company to carry out certain specified duties: Audit Committee, Finance and Investment Committee, and Underwriting Committee.

Audit Committee:

The Audit Committee consists of four Board members and is primarily responsible for the oversight of the Company's external auditors. This oversight function includes, but is not limited to, assessing the independence of the external auditors, reviewing the Company's audited financial statements, ensuring timely filing of these statements, and serving as the primary contact for the external auditors. The committee is also responsible for overseeing the financial reporting and internal controls of the Company. The Audit Committee reports directly to the Board of Directors.

Finance and Investment Committee:

The Finance and Investment Committee is comprised of Board and non-Board members. The committee is responsible for overseeing the investment activity of the Company and ensuring that the designated investment portfolio complements and supports the operations of the Company. The committee reports to the Board regarding the condition of the funds, securities and investments of the Company.

Underwriting Committee:

The Underwriting Committee is responsible for overseeing the underwriting process of the Company and advising the Board on products, marketing, and other key underwriting issues.

The following members served on the committees mentioned above at December 31, 2011.

Audit	Investment	Underwriting
John Boswell Sneed Chairman	Steven Henry Day Chairman	Robert Edward Dolese Chairman
Sherwood Ray Bailey, Jr.	Sherwood Ray Bailey, Jr.	Roy Mattina
Steven Henry Day	Barbara Jeanne Davis Daigle	Mark Mohler
Stephen Allen Korducki	Robert Edward Dolese	Bobby Portwood
	John Boswell Sneed	Chris Roth
		John Boswell Sneed
		Angelyn Treutel
		Mike Solano

Officers

The officers of the Company at December 31, 2011 were:

Name	Year Elected/Appointed	Title
John Boswell Sneed	2009	Chief Executive Officer
Robert Edward Dolese	2010	President
Barbara Jeanne Davis Daigle	2009	Chief Financial Officer/ Secretary
Steven Henry Day	2009	Treasurer
Strom Smith	2009	Vice President

Conflict of Interest

The Company has formal procedures whereby disclosures were made to the Board of any material interest or affiliation on the part of any officer or director that was, or would likely be, a conflict with their official duties.

Corporate Governance

Upon review of the corporate governance structure, it was noted that CAIC employed only two full-time individuals, the Chief Financial Officer and President. The Company's Board appears to have sufficient knowledge of the Company and the insurance industry in order to carry out their duties as outlined in the Company's Bylaws. Additionally, the President of SSIC, the Company's largest shareholder, also served as a director on the Company's Board. There did not appear to be any compensation arrangements that caused unusual emphasis on earnings. Management records, such as Board minutes, appeared to be in order.

The Board's involvement and oversight was considered during the course of the examination. Other key variables in our consideration of the Board's involvement included but were not limited to factors such as: (1) the frequency of Board meetings and attendance of the directors, (2) the sufficiency and timeliness of information provided to the Board prior to meetings, (3) the topics discussed along with the depth and quality of discussions, (4) key communication channels between management and the Board, and (5) the Board's role in setting the overall "tone at the top". Information regarding the Board members, committees and other related information can be found in the Management and Control section of this report.

The appropriateness of the entity's organizational structure and its ability to provide the necessary information flow to manage its activities were considerations in obtaining our understanding of the organizational structure. Our consideration also encompassed understanding the assignment of authority and responsibility.

Our consideration of corporate governance encompassed the risk management function through

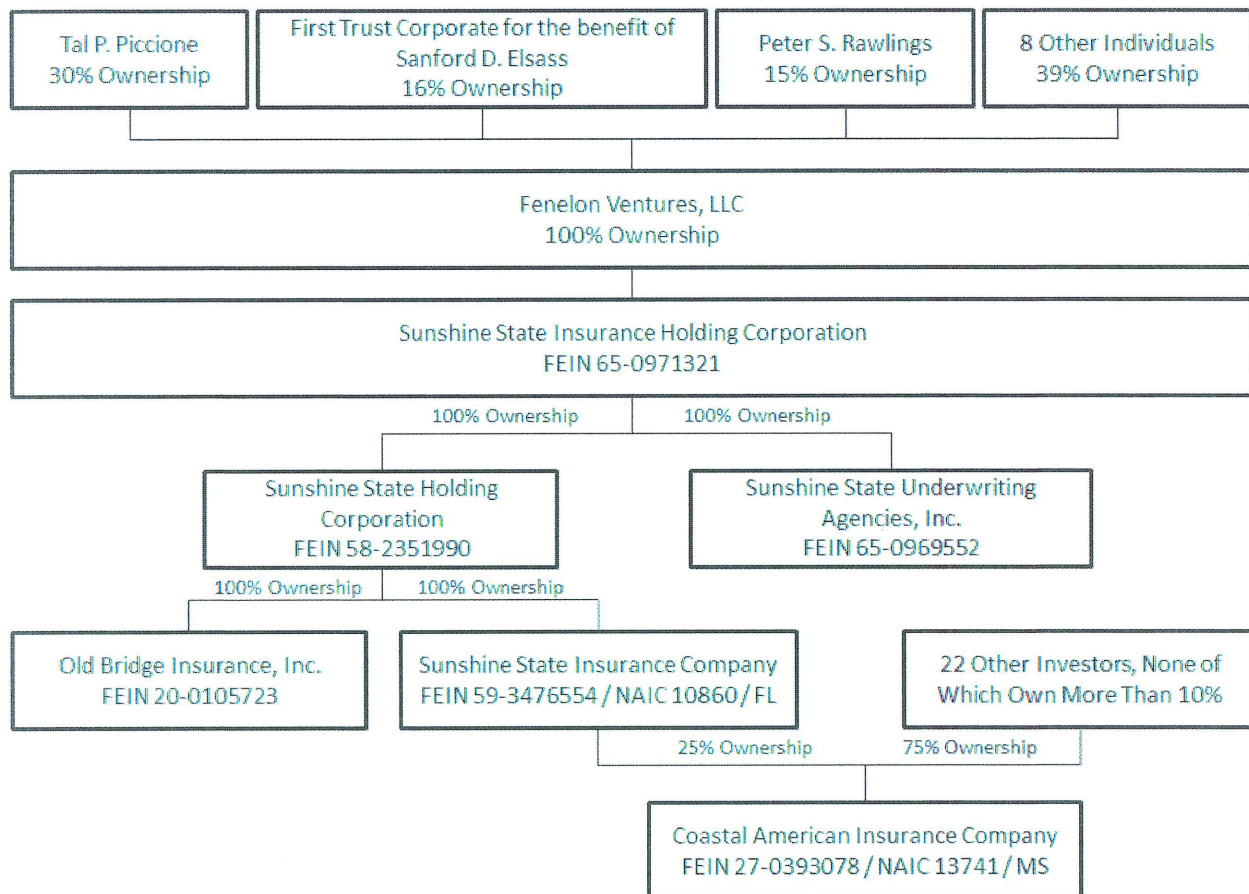
discussions with management and members of the Board and through gaining an understanding of the risk management function.

Management competence is a consideration in the overall assessment of corporate governance. In our review of this area, we considered factors such as management’s experience level and management turnover.

HOLDING COMPANY STRUCTURE

During the time period covered by this examination, the Company reported as a member of an insurance company holding system as defined by Miss. Code Ann. §83-6-1. Holding Company Registration Statements, for the period under examination, were filed with the MID in accordance with Miss. Code Ann. §83-6-5 and §83-6-9. These filed statements were reviewed and it appeared that any changes and material transactions by and between the Company and its affiliates, as defined in the filed statements, were appropriately disclosed.

Organizational Chart



Fenelon Ventures, LLC, a Delaware limited liability company, owned 3,488.75 shares of common stock of Sunshine State Insurance Holding Corporation, constituting 100% of the outstanding voting securities. Sunshine State Insurance Holding Corporation is a business corporation organized under the laws of the State of Florida. Through its subsidiary, Sunshine State Insurance Company, it is primarily engaged in the business of writing homeowners insurance coverage in Florida and South Carolina.

As previously mentioned SSIC owned 25% of the outstanding shares of CAIC and was the only shareholder to own more than 10% of the Company's outstanding shares. The remaining outstanding shares of the Company were owned by 22 individuals and companies.

Affiliated and Related Party Transactions

CAIC and Sunshine State Underwriting Agencies, Inc. ("SSUA") entered into an agreement effective December 11, 2009, whereby SSUA provides oversight of management and underwriting services to CAIC.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained a corporate crime policy which provided coverage for employee dishonesty and had an aggregate limit of liability of \$300,000. This coverage exceeded the NAIC's suggested minimum amount for fidelity coverage.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company does not provide employment benefits, such as retirement plan, 401(k) or insurance coverage to its employees.

TERRITORY AND PLAN OF OPERATION

The Company writes wind and ex-wind homeowner's policies primarily in the six southern counties of Mississippi. Policies issued with windstorm coverage mandate and warrant an adequate flood policy be maintained throughout the period of coverage in the counties of Hancock, Harrison and Jackson. The Company is also available to write policies throughout the remainder of the State.

The distribution network is comprised of a substantial number of independent agencies across the Mississippi Gulf Coast.

GROWTH OF COMPANY

The Company commenced operations on May 1, 2010. As operations commenced less than two years ago, the Company's financial statements for 2011 are not expected to be indicative of future operating results or future financial positions.

A comparison of 2011 financial statements to 2010 financial statement has limited relevance since the Company was engaged in startup activities during the first half of 2010 and incurred significant costs relating to such. The Company commenced operations on May 1, 2010 and issued policies at a conservative pace due to testing of procedures, systems, underwriting and product pricing. Additional costs were also incurred in 2010 after operations began, to implement adjustment to underwriting, product pricing and product configuration.

	<u>2011</u>	<u>2010</u>
Total admitted assets	\$ 4,379,092	\$ 4,244,748
Total liabilities	\$ 1,434,513	\$ 613,537
Total capital and surplus	\$ 2,944,579	\$ 3,631,211
Net cash from operations	\$ (39,760)	\$ (664,023)
Total adjusted capital	\$ 2,944,579	\$ 3,631,211
Authorized control level risk-based capital	\$ 442,116	\$ 440,103
Direct premiums written	\$ 2,038,113	\$ 512,851
Assumed premium written	\$ -	\$ -
Ceded premiums written	\$ (892,020)	\$ (286,787)
Net premiums written	\$ 1,146,093	\$ 226,064
Net underwriting loss	\$ (810,030)	\$ (1,141,937)
Investment income	\$ 97,270	\$ 103,986
Net income (loss)	\$ (712,760)	\$ (1,038,066)
Net loss ratio	117.0%	-31.0%
Expense ratio	140.0%	421.0%
Investment yield	2.4%	4.8%

MORTALITY AND LOSS EXPERIENCE

The MID contracted with Lewis and Ellis, Inc. to review the actuarial analysis supporting the Company's carried loss and loss adjustment expense reserves. Based on the examination

actuarial evaluation, the Company's estimates for gross and net unpaid loss and loss adjustment expenses appear to be reasonably stated in all material aspects.

REINSURANCE

As mentioned above, the Company primarily writes wind and ex-wind homeowners policies in the coastal counties of Mississippi. Therefore, appropriate reinsurance coverage to help offset losses from major storms is critical.

At December 31, 2011 the Company had excess of loss agreements in place with various reinsurers. US Re served as the Company's reinsurance intermediary for all of its reinsurance activity. The Company limits the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring (ceding) certain levels of risk with other insurers or reinsurers, either on an automatic basis, under general reinsurance contracts known as "treaties," or by negotiation for substantial individual risks. At December 31, 2011, the Company's retention limit was \$500,000. Through the examination date, the Company had not issued claim payments in excess of its retention level.

At the examination date, the principle reinsurers along with the respective premium amounts ceded were as follows:

	Ceded Premiums
Arch Reinsurance Company	\$ 32,000
American Agricultural Insurance Company	\$ 18,000
Protective Insurance Company	\$ 108,000
Houston Casualty Company	\$ 8,000
Lloyd's Syndicates	\$ 423,000
Flagstone Reassurance Suisse SA	\$ 63,000
Amlin Bermuda, a Branch of Amlin AG	\$ 77,000
Renaissance Reinsurance, LTD	\$ 98,000
DaVinci Reinsurance, LTD	\$ 65,000
	\$ 892,000

The Company had the following reinsurance coverage in force at December 31, 2011:

Ceded:

Type of Agreement	Class of business	Company Retention	Reinsurers' Limit
Facultative Single Reinsurer Arch Renaissance Company	HO, Dwelling Fire	\$ 270,000 Each Risk	\$ 330,000 Per Loss Occurrence
Excess of Loss Pooling Arrangement	Property Catastrophe	\$ 500,000 Layer 1	\$ 1,500,000 Per Loss Occurrence \$ 3,000,000 Contract Limit
Participation percentages as outlined below		\$ 2,000,000 Layer 2	\$ 6,000,000 Per Loss Occurrence \$ 12,000,000 Contract Limit
Premium Protection Pooling Arrangement DaVinci: 40% Renaissance Re: 60%	100% of any reinstatement premium	N/A	N/A

The following reinsurers participated in the property catastrophe excess of loss agreement as follows, providing diversification within its group of reinsurers.

Reinsurer	Layer 1	Layer 2	A.M. Best Rating	Ceded Premiums 2011
American Agricultural Insurance Company	0.00%	4.00%	A	\$ 18,000
Amlin Bermuda, a Branch of Amlin AG	8.67%	9.85%	A	\$ 77,000
DaVinci Reinsurance Limited	4.00%	0.00%	A	\$ 65,000
Flagstone Reassurance Suisse SA	25.00%	0.00%	A-	\$ 63,000
Houston Casualty Company	0.00%	7.38%	A+	\$ 8,000
Lloyd's Syndicates	56.33%	78.77%	A	\$ 423,000
Protective Insurance Co	0.00%	0.00%	A+	\$ 108,000
Renaissance Reinsurance Ltd.	6.00%	0.00%	A+	\$ 98,000
	100.00%	100.00%		\$ 860,000

ACCOUNTS AND RECORDS

The Company utilized a computerized accounting system on which general ledger information was maintained. Detailed general ledger information was traced to the trial balance and the December 31, 2011 annual statement, without material exception.

The Company outsourced a significant portion of its underwriting, premium and claims

administration to affiliated and non-affiliated companies. Sunshine State Underwriting Agencies, Inc. is an affiliate of SSIC and provided underwriting and administration services to the Company. Computer Sciences Corporation provided specific services relating to policy administration, financial accounting, regulatory reporting and was the primary source of computer services for the Company. Claims handling was performed by Blue Hill Claims Management, LLC, which assigned the contract to National Catastrophe Adjusters, Inc. The Company's reinsurance intermediary was US Re.

The Company does not have an internal audit function, however supervision of the methods and procedures utilized and standards followed is performed by the Company on activities outsourced. The Company was audited annually by an independent CPA firm.

The outstanding shares of the Company are owned by 23 individuals and companies. Sunshine State Insurance Company (SSIC) owns 25 percent of the outstanding shares of the Company and is the only shareholder who owns 10 percent or more of outstanding shares. Sunshine State Underwriting Agencies, Inc. (SSUA) is an affiliate of SSIC and provides underwriting and administrative services to the Company. The only transfers by the Company to SSUA and SSIC were cash payments for services and reimbursement of direct pass-through expenses below. The Company received no transfer from SSUA or SSIC.

Description	Affiliate	Amount
Underwriting and administration management fees	SSUA	\$ 191,965
Reimbursements of direct pass-through costs for systems programming	SSUA	83,777
Reimbursements of direct pass-through costs for postage, printing and stock	SSUA	8,324
Reimbursements of direct pass-through costs for accounting support fees	SSUA	108,060
Reimbursement of agent appointment fees	SSIC	40
Reimbursement of direct pass-through costs for agency download software service	SSUA	292
Reimbursement of return premium check issued by SSIC in error	SSIC	316
Reimbursements of direct pass-through costs for investment reporting service	SSIC	4,200
		\$ 396,974

Below is a summary of the dollar amount transactions with SSUA and SSIC for expenses recorded. These amounts are reflected in the statutory financial statements within income and expense categories for purposes noted.

Description	Affiliate	Amount
Underwriting and administration management fees	SSUA	\$ 208,621
Reimbursements of direct pass-through costs for systems programming	SSUA	(32,042)
Reimbursements of direct pass-through costs for postage, printing and stock	SSUA	8,938
Reimbursement of direct pass-through costs for agency download software service	SSIC	292
Reimbursements of direct pass-through costs for accounting support fees	SSUA	30,120
Reimbursements of direct pass-through costs for investment reporting service	SSIC	4,200
		\$ 220,129

No amounts were due to the Company from related parties as of December 31, 2011. Outstanding amounts payable to SSUA and SSIC as of December 31, 2011 are below

Affiliate	Amount
Due to Sunshine State Underwriting Agencies, Inc.	\$ 36,265
Due to Sunshine State Insurance Company	225
	\$ 36,490

STATUTORY DEPOSITS

The Company's statutory deposit with the state of Mississippi complied with Miss. Code Ann. §83-19-31(2). The following chart displays the Company's deposit at December 31, 2011.

Description	State Deposited	Par Value	Carrying Value	Fair Value
State Bond	Mississippi	\$ 300,000	\$ 318,419	\$ 338,719

**COASTAL AMERICAN INSURANCE COMPANY
FINANCIAL STATEMENTS
EXAMINATION AS OF DECEMBER 31, 2011**

Introduction

The following financial statements reflect the same amounts reported by the Company and consist of a Statement of Assets, Liabilities, Surplus and Other Funds - Statutory at December 31, 2011, a Statement of Income - Statutory for year ended December 31, 2011, a Reconciliation of Capital and - Statutory for examination period ended December 31, 2011, and a Reconciliation of Examination Changes to Surplus - Statutory at December 31, 2011.

Coastal American Insurance Company
Statement of Assets, Liabilities,
Surplus and Other Funds – Statutory

December 31, 2011

Assets	
Bonds	\$ 3,528,260
Cash	548,867
<hr/>	
Subtotals, cash and invested assets	4,077,127
Investment income due and accrued	28,691
Uncollected premiums and agents' balances in the course of collection	115,842
Deferred premiums, agents' balances and installments booked but deferred and not yet due	157,432
<hr/>	
Total admitted assets	\$ 4,379,092
<hr/>	
Liabilities, Surplus and Other Funds	
Losses	\$ 60,598
Loss adjustment expenses	21,545
Commissions payable, contingent commissions and other similar charges	40,832
Other expenses (excluding taxes, licenses and fees)	75,802
Taxes, licenses and fees (excluding federal and foreign income taxes)	(21,788)
Unearned premiums	1,160,690
Advance premium	34,574
Ceded reinsurance premiums payable (net of ceding commissions)	30,464
Agregate write-ins for liabilities	31,796
<hr/>	
Total liabilities	1,434,513
Common capital stock	650,000
Gross paid in and contributed surplus	4,550,000
Unassigned funds (surplus)	(2,255,421)
<hr/>	
Surplus as regards policyholders	2,944,579
<hr/>	
Total Liabilities, Surplus and Other Funds	\$ 4,379,092

Coastal American Insurance Company
Statement of Income - Statutory

For the Year Ended December 31, 2011

Underwriting Income

Premiums earned \$ 356,431

DEDUCTIONS

Loss incurred 125,564

Loss adjustment expenses incurred 77,895

Other underwriting expenses incurred

 Commission and brokerage fees 303,199

 Allowances to manager and agents 215,637

 Salary and related items 253,238

 Other expenses 190,928

Total underwriting deductions 1,166,461

Net Underwriting loss (810,030)

Investment Income

Net investment income earned 98,370

Net realized capital loss (1,100)

Net investment loss 97,270

Net Income \$ (712,760)

Coastal American Insurance Company
Reconciliation of Capital and Surplus - Statutory

<i>For the Examination Period Ended December 31, 2011</i>	2010	2011
Surplus as regards policyholders, December 31 prior year	\$ 4,556,208	\$ 3,631,211
Net income	(1,038,066)	(712,760)
Change in deferred income tax	517,321	313,466
Change in nonadmitted assets	(554,252)	(287,338)
Capital changes: paid in	18,750	-
Surplus adjustments: paid in	131,250	-
Change in surplus as regards policyholders for the year	(924,997)	(686,632)
Surplus as regards policyholder, December 31 current year	\$ 3,631,211	\$ 2,944,579

Coastal American Insurance Company
Reconciliation of Examination Changes to Surplus - Statutory

There were no changes made to the assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2011. The surplus as regards policyholders, which totaled \$2,944,579 as of the examination date, was determined to be reasonably stated and in compliance with Miss. Code Ann. §83-19-31.

MARKET CONDUCT ACTIVITIES

A full scope market conduct examination was not performed; however, limited procedures were performed on certain areas of the Company's market conduct. The areas in which limited procedures were performed included operations/management, complaint handling, producer licensing, underwriting and rating, and claims. No significant exceptions with regard to the limited procedures performed were noted.

COMMITMENTS AND CONTINGENT LIABILITIES

During and subsequent to the examination period, the Company was not involved in litigation outside the normal course of business.

SUBSEQUENT EVENTS

During 2012, the Company and its shareholders executed a Plan of Exchange which resulted in the Company becoming the wholly-owned subsidiary of Coastal American Holdings, Inc., and each share of outstanding common stock of the Company was converted into one share of the holding company common stock. The former CAIC shareholders now own the holding company. The Plan of Exchange was appropriately submitted to MID and approved effective May 16, 2012. . The Company was exempt from filing a Form A with the MID related to the formation of the Holding Company and its inclusion into the system.

The Company is exploring the possibility of expanding its activities in additional coastal areas, some of which are outside of Mississippi.

On August 22, 2012, Hurricane Isaac made landfall west of the Mississippi River, resulting in flooding across the coastal counties of Mississippi. As of September 8, 2012, the Company had received 30 wind/hurricane related claims. An additional loss and LAE reserve of approximately \$250,000 was recorded relating to these claims. The Company considers this reserve to be adequate.

COMMENTS AND RECOMMENDATIONS

There were no comments and/or recommendations deemed necessary for purposes of this examination report.

ACKNOWLEDGMENT

The examiners representing the Mississippi Insurance Department and participating in this examination were:

Examiner-in-charge:	R. Dale Miller, CPA, CFE, CFF
Supervising Examiner:	Joseph R. May, CPA, CMA, CFE, CIE, FAHM
Lead Actuary:	Gregory Wilson, FCAS, MAAA
IT Specialist/Examiner	Francois Houde, CPA, CA, CFE, CISA, AES
Examiner	Breanne Hancock, CPA
Examiner	Andrea Harbison, CPA
Examiner	Sara Schumacher, CPA

The courteous cooperation of the officers and employees responsible for assisting in the examination is hereby acknowledged and appreciated.

Respectfully submitted,



R. Dale Miller, CPA, CFE, CFF
Examiner-in-charge