



MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001
WOOLFOLK BUILDING
JACKSON, MISSISSIPPI 39201
www.mid.ms.gov

MAILING ADDRESS
Post Office Box 79
Jackson, Mississippi 39205-0079
TELEPHONE: (601) 359-3569
FAX: (601) 359-2474

MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of Insurance

RICKY DAVIS
State Chief Deputy Fire Marshal

June 20, 2018

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. John B. Sneed, Interim President
Coastal American Insurance Company
1105 30th Avenue, Suite 203
Gulfport, MS 39501

RE: Report of Examination as of December 31, 2016

Dear Mr. Sneed:

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


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. 18-7302

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 April 25, 2018, the draft Report of Examination concerning Coastal American Insurance Company for the period of January 1, 2012 through December 31, 2016, was submitted to the Department by the Examiner-In-Charge, R. Dale Miller.

V.

That on or about May 30, 2018, 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 15-day period to submit any rebuttal to the draft report. On or about June 19, 2018, the Company responded by email.

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 20th day of June 2018.



J. Mark Haire
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 27th day of June 2018, to:

**Mr. John B. Sneed, Interim President
Coastal American Insurance Company
1105 30th Avenue, Suite 203
Gulfport, MS 39501**



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, 2016

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

State of Mississippi,

County of Madison,

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, 2016.
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, CPA, CFE, CFF
Examiner-in-Charge

Subscribed and sworn before me by R. Dale Miller on this 30th day of

May 18, 2018.




Notary Public

My commission expires October 10, 2020 [date]



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of
Insurance

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FAX: (601) 576-2568

April 20, 2018

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, 2016, of the affairs and financial condition of:

COASTAL AMERICAN INSURANCE COMPANY

1105 30th Avenue, Suite 203
Gulfport, Mississippi 39501

License #	NAIC Group #	NAIC #	FEETS #	MATS#
0900020	N/A	13741	13741- MS-2016-8	MS-MARTINJ-6

This examination was commenced in accordance with Miss. Code Ann. §83-5-201 et seq. and was performed in Gulfport, Mississippi, at the statutory home office of the Company. The report of examination is herewith submitted.

SCOPE OF EXAMINATION

We have performed our full-scope financial examination of Coastal American Insurance Company (“CAIC” or “Company”). The last examination covered the period of January 1, 2010 through December 31, 2011. This examination covers the period of January 1, 2012 through December 31, 2016.

We conducted our examination in accordance with the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in the Miss. Code Ann. §83-5-201 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 the examination report but separately communicated to other regulators and/or the Company.

COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION

There were no comments and/or recommendations made by the Mississippi Insurance Department (“MID”) examination team in the previous examination report, which covered the period from January 1, 2010 through December 31, 2011.

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.

Effective May 18, 2012, and pursuant to an Agreement and Plan of Exchange approved by the MID, Coastal American Holdings, Inc. (“CAHI”) acquired 100% of the outstanding voting securities of the Company. During this transaction, each shareholder of CAIC surrendered their shares of common stock in the Company and received the same number of shares of common stock in CAHI. The surrendered shares were cancelled and reissued to CAHI, now the sole shareholder and ultimate controlling person of CAIC.

On December 20, 2012, the Company executed a surplus note agreement with its parent, CAHI, for \$400,000. The interest accrued on the unpaid principal amount at a rate equal to the interest payable on ten year U.S. Treasury Bonds but cannot fall below 6%. The interest rate adjusts every second anniversary date and effective December 20, 2016, the interest rate was 6%. The entire amount of principle and accrued unpaid interest is payable on December 20, 2022, subject to approval by the MID.

In 2014, Sunshine State Insurance Company (“SSIC”), owning 25% of the outstanding shares of CAHI, was placed in liquidation by the State of Florida. In August 2015, CAHI repurchased and retired 162,500 shares of CAHI stock previously held by the Florida Department of Financial Services as the receiver of SSIC for a purchase price of \$500,000. To fund the repurchase of shares, CAHI entered into a loan agreement whereby CAIC was the guarantor.

The Company writes wind and ex-wind homeowner’s policies primarily in the six southern counties of the State of Mississippi, although the Company was able to write policies throughout the remainder of the State. 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. Policies issued with windstorm coverage mandate and warrant an adequate flood policy to be maintained throughout the period of coverage in certain counties. During 2016, the Company began offering a combined wind/flood endorsement in which policyowners would no longer need to purchase a stand-alone flood policy. Effective February 19, 2016, the Company became licensed in the State of Alabama but did not write any business in the State of Alabama during 2016.

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, 2016, the Company had 1,000,000 common shares of \$1 par value common stock authorized with 650,000 shares issued and outstanding. CAHI owned 100% of the shares issued and outstanding. Twenty-five persons and entities collectively owned 100% of the outstanding voting securities of CAHI.

The Company paid the following ordinary dividends during the exam period:

2014	\$	75,000
2015	\$	28,000
2016	\$	142,000

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, 2016, were as follows:

Name and Residence	Year Elected/Appointed	Principal Occupation
Sherwood Ray Bailey, Jr. Gulfport, Mississippi	2009	President of Bailey Lumber & Supply Company
Robert Edward Dolese Gulfport, Mississippi	2010	President of CAIC
Donald Earl Halle Gulfport, Mississippi	2009	Business owner in industries related to construction and real estate
Steven Henry Day Gulfport, Mississippi	2011	Chief Financial Officer of CAIC and President of Riverbend Utilities, Inc.
Strom Wilson Smith Gulfport, Mississippi	2009	Business owner and professional in the petroleum engineering industry

Jeanne Carter Luckey Ocean Springs, Mississippi	2013	Director of Children's House of Montessori School, Gulf Coast YMCA and Walter Anderson
Mark Kendall Mohler Vanceleve, Mississippi	2016	Business owner of Lemon-Mohler Insurance Agency
Mariano Javier Barvie Gulfport, Mississippi	2016	Local attorney and member of Hopkins, Barvie, & Hopkins, PLLC

Committees

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

Audit Committee:

The Audit Committee was primarily responsible for the oversight of the Company's external auditors. This oversight function included, but was 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 was also responsible for overseeing the financial reporting and internal controls of the Company. The Audit Committee reported directly to the Board.

Finance and Investment Committee:

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

Underwriting Committee:

The Underwriting Committee, also comprised of Board and non-Board members, was responsible for overseeing the underwriting process of the Company and advising the Board on products, marketing, and other key underwriting issues.

Executive Committee:

The Executive Committee had the power to exercise, conduct and control the business of the Company between meetings of the Board.

The following members served on the committees mentioned above at December 31, 2016.

Audit	Investment
Sherwood Ray Bailey, Jr.	Steven Henry Day
Steven Henry Day	Sherwood Ray Bailey, Jr.
	Robert Edward Dolese

Underwriting	Executive
Robert Edward Dolese	Steven Henry Day
Roy Nicholas Mattina	Strom Wilson Smith
Mark Kendall Mohler	Robert Edward Dolese
Robert Dandridge Portwood	
Camors Christopher Roth	
Angelyn Scardino Treutel	
Michael Joseph Solano	

Officers

The officers of the Company as of December 31, 2016 were:

Name of Officer	Number of Years with Company	Title
Robert Edward Dolese	6	President
Steven Henry Day	6	Chief Financial Officer and Treasurer
Laurie Gex Frederickson	1	Secretary

Conflict of Interest

The Company had 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.

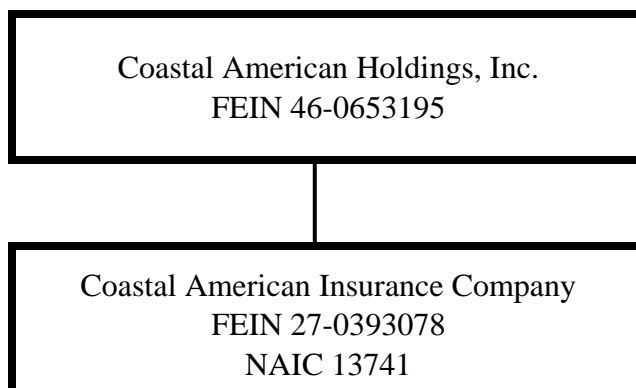
HOLDING COMPANY STRUCTURE

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.

Organizational Chart

The following chart depicts the Company's ownership as of December 31, 2016:



Twenty-five persons and entities collectively owned 100% of the outstanding voting securities of CAHI. Four of the aforementioned twenty-five persons and entities owned or controlled more than 10%. A Disclaimer of Affiliation was filed with the MID, on behalf of the four persons and entities disclaiming control of CAIC.

Affiliated and Related Party Transactions

The Company, along with its parent, filed a consolidated federal income tax return. The method of allocation among companies is subject to a written agreement, approved by the Board, whereby allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return. Intercompany tax balances are settled monthly.

As a result of the liquidation of SSIC, the previous underwriting and management agreement with Sunshine State Underwriting Agencies, Inc., an affiliate of SSIC, was terminated. In 2014, CAIC entered into a similar agreement with an unaffiliated service provider. Further, CAIC terminated its Reinsurance Intermediate Broker Letter of Authority with its former affiliate, U.S. RE Corporation, and entered into a similar arrangement with an unaffiliated reinsurance intermediary.

On December 20, 2012, the Company executed a surplus note agreement with its parent, CAHI, for \$400,000. Interest payments of \$48,000 and \$24,000 were paid on May 8, 2015 and November 12, 2015, respectively, to cover the interest incurred for the first three years. No interest payments were made in 2016. The principal balance owned at December 31, 2016, was \$400,000.

The Company guaranteed CAHI's note payable with a financial institution for an original loan

balance of \$500,000. The proceeds were used to purchase shares of stock previously owned by SSIC. The note was dated August 13, 2015 with a maturity date of August 15, 2020. The unpaid principal balance at December 31, 2016, was \$382,696.

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 provided medical insurance to its employees and offered a SIMPLE IRA plan.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2016, the Company was authorized to transact the following lines of business in the State of Mississippi:

Casualty/Liability	Home/Farm Owners
Fire/Allied Lines	Inland Marine
Industrial Fire	

Effective February 19, 2016, the Company became licensed in the State of Alabama to offer property and miscellaneous casualty, including surety bonds.

GROWTH OF COMPANY

	2016	2015	2014	2013	2012
Total admitted assets	\$ 9,367,884	\$ 7,755,173	\$ 7,578,715	\$ 6,574,658	\$ 5,733,495
Total liabilities	\$ 4,617,739	\$ 3,352,559	\$ 3,755,849	\$ 3,379,613	\$ 2,721,718
Surplus as regards policyholders	\$ 4,750,145	\$ 4,402,612	\$ 3,822,867	\$ 3,195,045	\$ 3,011,777
Net cash from operations	\$ 1,729,848	\$ 487,508	\$ 994,506	\$ 781,649	\$ 879,877
Total adjusted capital	\$ 4,750,145	\$ 4,402,612	\$ 4,222,867	\$ 3,195,045	\$ 3,011,777
Authorized control level risk-based capital	\$ 870,715	\$ 842,219	\$ 985,898	\$ 881,012	\$ 837,774

Direct premiums written	\$	6,960,377	\$	6,350,848	\$	6,412,200	\$	5,476,394	\$	4,300,541
Ceded premiums written	\$	2,481,808	\$	2,197,658	\$	2,131,451	\$	2,553,276	\$	1,114,431
Net premiums written	\$	4,478,569	\$	4,153,190	\$	4,280,749	\$	2,923,118	\$	3,186,110
Net underwriting gain (loss)	\$	630,286	\$	859,505	\$	440,770	\$	(30,280)	\$	(435,751)
Net investment gain	\$	166,170	\$	63,267	\$	130,436	\$	116,566	\$	102,680
Net income (loss)	\$	538,336	\$	813,267	\$	571,207	\$	88,077	\$	(333,070)
Return on equity		11.3%		18.5%		14.9%		2.8%		(11.1)%
Net loss ratio		28.1%		31.3%		30.8%		22.8%		34.4%
Expense ratio		49.4%		50.0%		52.5%		65.1%		56.4%
Investment yield		2.0%		0.90%		1.9%		1.9%		2.2%
Liquidity ratio		51.0%		44.5%		49.5%		51.1%		45.8%

MORTALITY AND LOSS EXPERIENCE

The MID contracted with Bickerstaff, Whatley, Ryan & Burkhalter 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 appeared to be reasonably stated in all material respects.

REINSURANCE

At December 31, 2016 the Company had excess of loss agreements in place with various reinsurers. Holborn Corporation 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, 2016, the Company's retention limit was \$750,000. The Company did not assume any reinsurance during the period of this examination.

At the examination date, the principle reinsurers and respective premium amounts ceded and total amounts payable at December 31, 2016, were as follows:

	Ceded Premiums	Reinsurance Payable
Arch RE Insurance Company	\$ 465,000	\$ 28,000
Lloyd's Syndicate 2001	\$ 334,000	\$ 16,000
Lloyd's Syndicate 958	\$ 185,000	\$ 9,000
Lloyd's Syndicate 2010	\$ 185,000	\$ 9,000

Allied World Ins Co	\$	170,000	\$	8,000
Lloyd's Syndicate 2014	\$	141,000	\$	7,000
Lloyd's Syndicate 4141	\$	134,000	\$	4,000
Everest Reins Co	\$	131,000	\$	6,000
Lloyd's Syndicate 623	\$	111,000	\$	5,000
Renaissance Reinsurance	\$	106,000	\$	5,000

The Company had the following reinsurance agreements in place at December 31, 2016:

Catastrophe Excess of Loss Reinsurance Agreement (Layers 1-5)

The effective date of these contracts was June 1, 2016 with annual renewals. The reinsurers agreed to reinsure the net excess liability for the Company's policies in force at the effective date or issued or renewed during the term of the contract and classified by the Company as property business. The Company retained the ultimate net loss ("UNL") set forth below, arising out of each and every loss occurrence. The reinsurers were liable for the amount by which such UNL exceeded the Company's retention, subject to a limit of liability to the reinsurer.

	LAYER 1	LAYER 2	LAYER 3
Attachment:	\$750,000	\$3,000,000	\$10,000,000
Deposit Premium:	\$382,500	\$612,500	\$1,000,000
Reinstatement:	1 at 100%	1 at 100%	1 at 100%
Contract Aggregate Limit:	100% of \$4,500,000	100% of \$14,000,000	100% of \$50,000,000
Limit:	100% of \$2,250,000	100% of \$7,000,000	100% of \$25,000,000
	LAYER 4	LAYER 5	
Attachment:	\$35,000,000	\$42,500,000	
Deposit Premium:	\$150,000	\$47,500	
Reinstatement:	1 at 100%	1 at 100%	
Contract Aggregate Limit:	100% of \$15,000,000	100% of \$5,000,000	
Limit:	100% of \$7,500,000	100% of \$2,500,000	

Property Facultative Agreement of Reinsurance

The effective date of this contract was June 1, 2016 with annual renewal. This agreement applied to property coverage for homeowner policies and dwelling fire policies. For each and every loss, each and every risk, the reinsurer was liable for excess UNL over and above the Company retention of UNL, subject either to the limit of liability of the reinsurer or to the amount of reinsurance limit reported and ceded to the reinsurer, whichever was less. The reinsurer was liable for a maximum of \$1,600,000 in any one loss occurrence.

Company Retention:	\$400,000
Limit of Liability of the Reinsurer:	\$800,000
Minimum Premium:	\$50,000 adjusted on July 15, 2017

Reinstatement Premium Protection (Layers 1-5)

The effective date of these contracts was June 1, 2016 with annual renewals. The reinsurers agreed

to indemnify the Company for 100% of any reinstatement premium which the Company paid or became liable to pay as a result of loss occurrences commencing during the term of the contract under the Company's Catastrophe Excess of Loss Reinsurance Agreement discussed above.

	LAYER 1	LAYER 2	LAYER 3	LAYER 4	LAYER 5
Reinstatement Factor:	1.1	1.1	1.1	Flat	Flat
Deposit Premium:	\$71,528	\$58,953	\$44,000	\$6,000	\$1,900

ACCOUNTS AND RECORDS

The Company utilized a computerized accounting system on which general ledger information was maintained. The 2016 trial balance of the Company's accounts were traced to the Company's statutory annual statement filed with the MID, without material exception. CAIC was audited annually by an independent CPA firm.

At December 31, 2016, the Company outsourced a significant portion of its underwriting, premium and claims administration to non-affiliated companies. Waterstreet Company provided underwriting and policy administration services to the Company. Claims handling was performed by National Catastrophe Adjusters, Inc. and Associated Adjusters International. The Company's reinsurance intermediary was Holborn Corporation.

STATUTORY DEPOSITS

The Company's statutory deposits with the State of Mississippi complied with Miss. Code Ann. §83-19-31(2). The following chart displays the Company's deposits at December 31, 2016.

Description	State Deposited	Par Value	Carrying Value	Fair Value
FHLMC Bond	Mississippi	\$ 100,000	\$ 99,524	\$ 105,344
Municipal Bond	Mississippi	60,000	60,881	60,701
Municipal Bond	Mississippi	80,000	80,630	80,530
Municipal Bond	Mississippi	75,000	75,000	77,940
Municipal Bond	Mississippi	25,000	25,000	24,609
Money Market	Mississippi	-	6,873	6,873
Total Held in Mississippi		\$ 340,000	\$ 347,908	\$ 355,997

COASTAL AMERICAN INSURANCE COMPANY
FINANCIAL STATEMENTS
EXAMINATION AS OF DECEMBER 31, 2016

Introduction

The following financial statements reflect the same amounts reported by the Company and consist of a Statement of Admitted Assets, Liabilities, Surplus and Other Funds - Statutory at December 31, 2016, a Statement of Income - Statutory for year ended December 31, 2016, a Reconciliation of Capital and Surplus - Statutory for examination period ended December 31, 2016, and a Reconciliation of Examination Changes to Surplus - Statutory at December 31, 2016.

**Statement of Admitted Assets, Liabilities, Surplus and Other Funds – Statutory
December 31, 2016**

Admitted Assets

Bonds	\$	7,319,742
Cash, cash equivalents and short-term investments		1,601,603
Investment income due and accrued		60,501
Uncollected premiums and agents' balances in the course of collection		292,176
Deferred premiums, agents' balances and installments booked but deferred and not yet due		38,837
Net deferred tax asset		55,027
Total admitted assets	\$	9,367,886

Liabilities, Surplus and Other Funds

Losses	\$	391,823
Loss adjustment expenses		59,921
Commissions payable, contingent commissions and other similar charges		66,807
Other expenses		54,035
Taxes, licenses and fees		87,052
Current federal and foreign income taxes		114,830
Unearned premiums		3,571,776
Advance premium		129,398
Ceded reinsurance premiums payable		119,590
Aggregate write-ins for liabilities		22,504
Total liabilities		4,617,736

Common capital stock		650,000
Surplus notes		400,000
Gross paid in and contributed surplus		4,550,000
Unassigned funds (surplus)		(849,855)
Surplus as regards policyholders		4,750,145
Total liabilities and surplus as regards policyholders	\$	9,367,881

**Statement of Income – Statutory
For the Examination Period Ended December 31, 2016**

Underwriting Income	
Premiums earned	\$ 3,953,816
Deductions:	
Losses incurred	857,621
Loss adjustment expenses incurred	252,141
Other underwriting expenses incurred	2,213,769
Total underwriting deductions	3,323,531
Net underwriting gain (loss)	630,285
<hr/>	
Investment Income	
Net investment income earned	165,504
Net realized capital gains (losses) less capital gains tax	667
Net investment gain	166,171
<hr/>	
Other Income	
Miscellaneous income	34,376
Total other income	34,376
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Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	830,832
Federal and foreign income taxes incurred	292,496
Net Income	\$ 538,336
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**Reconciliation of Capital and Surplus – Statutory
For the Examination Period Ended December 31, 2016**

	2016	2015	2014	2013	2012
Surplus as regards policyholders, beginning of the year	\$ 4,402,612	\$ 3,822,867	\$ 3,195,045	\$ 3,011,777	\$ 2,944,579
Net income	538,336	813,267	571,207	88,077	(333,070)
Change in net deferred income tax	4,445	(265,029)	(198,664)	(33,132)	101,142
Change in nonadmitted assets	(53,247)	59,507	330,279	128,323	(100,874)
Change in surplus notes	-	-	-	-	400,000
Dividends to stockholders	(142,000)	(28,000)	(75,000)	-	-
Surplus as regards policyholders, end of the year	\$ 4,750,145	\$ 4,402,612	\$ 3,822,867	\$ 3,195,045	\$ 3,011,777

**Reconciliation of Examination Adjustments to Surplus
For the Examination Period Ended December 31, 2016**

There were no changes made to the assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2016. The surplus as regards policyholders, which totaled \$4,750,145 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

On January 21, 2017 the Company incurred a catastrophic tornado loss in and around the Hattiesburg, Mississippi surrounding area. The Company's gross incurred losses were approximately \$850,000.

Effective April 20, 2017, Strom Wilson Smith was elected as Chairman of the Board of Directors.

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:	Christopher Burkhalter, FCAS, MAAA
Lead IT Specialist:	Francois Houde, CPA, CA, CFE, CISA, AES
Examiner:	Andrea J. Harbison, CPA
Examiner:	Daniel H. Bryde
Examiner:	Nicole B. Beasley
Department Designee:	Mark Cooley, CFE

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



Mark Cooley, CFE
MS Insurance Department Designee