



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of Insurance

RICKY DAVIS
State Chief Deputy Fire Marshal

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

October 15, 2021

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. H. Marcus Carter, President & CEO
Coastal American Insurance Company
1201 Camellia Blvd., Suite 201
Lafayette, LA 70508

RE: Report of Examination as of December 31, 2019

Dear Mr. Carter:

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. 21-7672

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 3, 2021, the draft Report of Examination concerning Coastal American Insurance Company for the period of January 1, 2017 through December 31, 2019, was submitted to the Department by the Examiner-In-Charge, R. Dale Miller.

V.

That on or about September 24, 2021, 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 October 1, 2021, 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 15th day of October 2021.



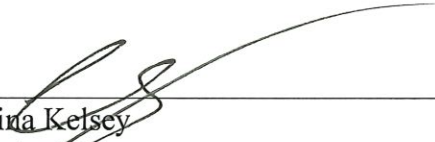
J. Mark Haire

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 15th day of October 2021, to:

Mr. H. Marcus Carter, President & CEO
Coastal American Insurance Company
1201 Camellia Blvd., Suite 201
Lafayette, LA 70508



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, 2019

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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, 2019.
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 23rd day of



My commission expires October 10, 2024 [date].

Coastal American Insurance Company
MID Examination as of December 31, 2019



MIKE CHANEY
Commissioner of Insurance
State Fire Marshal

MARK HAIRE
Deputy Commissioner of
Insurance

MISSISSIPPI INSURANCE DEPARTMENT

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TELEPHONE: (601) 359-3569
FAX: (601) 576-2568

August 31, 2021

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, 2019, of the affairs and financial condition of:

COASTAL AMERICAN INSURANCE COMPANY

1105 30th Avenue, Suite 203
Gulfport, MS 39501

License #	NAIC GROUP #	NAIC #	FEETS#	MATS#
0900020	4882	13741	13741-MS-2019-10	MS-MS099-30

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

SCOPE OF EXAMINATION

We have performed our multi-state and coordinated holding company group examination of Coastal American Insurance Company (“Company” or “CAIC”). The last examination covered the period of January 1, 2012 through December 31, 2016. This examination covers the period January 1, 2017 through December 31, 2019.

This examination was coordinated with the examination of Gulf States Insurance Company for the period ending December 31, 2019 which was conducted by the Louisiana Department of Insurance.

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, 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 in the previous examination report which covered the period from January 1, 2012 through December 31, 2016.

HISTORY OF THE COMPANY

The Company was incorporated on March 31, 2009 under the laws of the State of Mississippi with an effective date of January 1, 2010, and commenced business on May 1, 2010 as a property and casualty insurer.

The Company was a wholly owned subsidiary of Coastal American Holdings, Inc. (“Parent” or “CAHI”). Effective October 1, 2019, pursuant to a stock purchase agreement, Gulf States Holdings, Inc. (“GSH”), domiciled in the State of Louisiana, acquired 100% of CAHI and both the Company and its Parent became part of the GSH group.

CORPORATE RECORDS

The Articles of Incorporation, Bylaws, along with any amendments thereto, and the recorded minutes of the Board of Directors (“Board”), Shareholders, Audit Committee and Investment Committee, were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of significant Company transactions and events.

Minutes for the 2018 annual shareholder meeting was not documented by the Company as required per Article IV, Section 8, of the Company’s Bylaws. Officers were not annually elected during the exam period as required per Article IV, Section 2 of the Company’s Bylaws. In addition, as of December 31, 2019, there was not a named Treasurer as required per Article IV, Section 1 and Section 9 of the Company’s Bylaws. It is recommended that the Company comply with their Bylaws regarding documentation of the annual shareholder meetings and election of officers.

MANAGEMENT AND CONTROL

Stockholders

At December 31, 2019, the Company had 1,000,000 shares authorized and 650,000 shares issued and outstanding of common capital stock with a par value of \$1.00 per share. CAHI owned 100% of the shares issued and outstanding.

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

2017	\$ 119,000
2018	\$ 88,000
2019	\$ 150,000

Board of Directors

The Articles of Incorporation and Bylaws vest the management and control of the Company’s business affairs with the Board. The members of the duly elected Board, along with their place of residence, year elected/appointed, and principal occupation, at December 31, 2019, were as follows:

Board Member	Year Elected/ Appointed	Principal Occupation
Haley Marcus Carter, Jr. Chairman of the Board Lafayette, Louisiana	2019	President and Chief Executive Officer of Gulf States Holdings, Inc.
John Boswell Sneed Gulfport, Mississippi	2018	Director of and ultimate controlling person of Gulf States Holdings, Inc.
Bobby Paul Dupre Opelousas, Louisiana	2019	Owner of OUPAC, Inc.
Steven Christopher Schrempp Metairie, Louisiana	2019	Managing Member of GSI Investments, LLC
Steven Henry Day Gulfport, Mississippi	2011	President and Director of Riverbend Utilities, Inc.
Philip Shields Wunderlich Memphis, Tennessee	2019	Investment Advisor at B Riley Wealth Management
Jeanne Carter Luckey Ocean Springs, Mississippi	2013	Owner of JCL, LLC
Philip Richard Zanone, Jr. Memphis, Tennessee	2019	Chief Executive Officer of B Riley Wealth Management

Committees

As of December 31, 2019, the Company's Board appointed committees included an Audit Committee and Investment Committee.

Audit Committee:

The Audit Committee's purpose is to assist the Board in fulfilling its fiduciary responsibility to the shareholders, policyholders and to the Company relating to accounting, reporting and management practices of the Company, and the quality and integrity of the financial reports of the Company.

Investment Committee:

The Investment Committee's purpose is to assist the Board in discharging its responsibilities in overseeing management's investment of the Company's investment portfolio.

As of December 31, 2019, the aforementioned committee members were as follows:

Audit Committee	Investment Committee
John Boswell Sneed	Haley Marcus Carter, Jr.
Bobby Paul Dupre	John Boswell Sneed
Steven Christopher Schrempp	Bobby Paul Dupre

Steven Henry Day	Steven Christopher Schrempp
Philip Shields Wunderlich	Steven Henry Day
Jeanne Carter Luckey	Philip Shields Wunderlich
Philip Richard Zanone, Jr.	Jeanne Carter Luckey
	Philip Richard Zanone, Jr.

Officers

The senior officers of the Company as of December 31, 2019, were:

Name of Officer	Number of Years with GSH Group	Principal Occupation
Haley Marcus Carter, Jr.	3	President and Chief Executive Officer
Crystal Rose Bunol	3	Vice President
Noel Joseph Bunol IV	3	Executive Vice President and Secretary

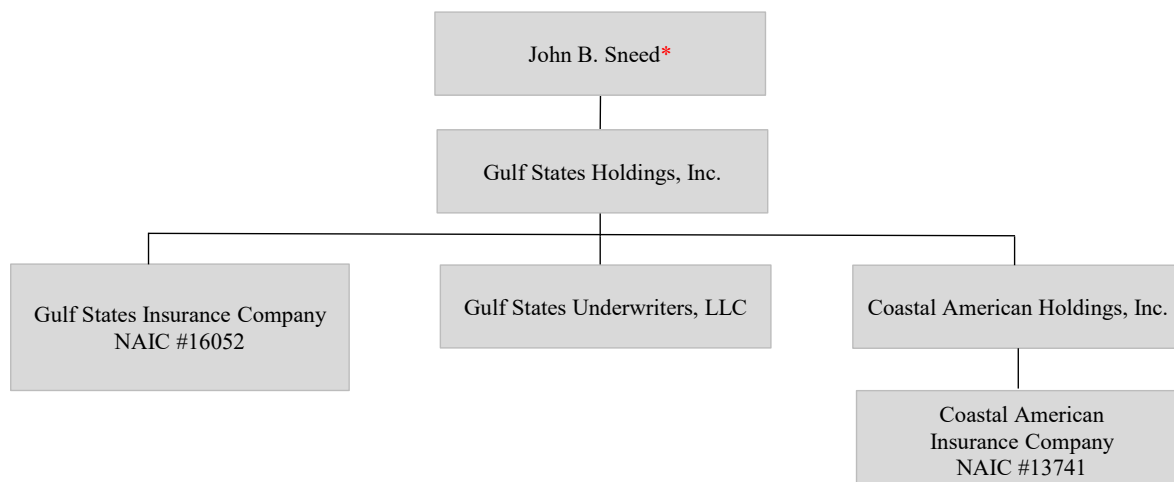
Conflict of Interest

The Company had formal procedures whereby disclosure was 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. These procedures were reviewed, and no conflicts or exceptions to the Company's policies were noted.

HOLDING COMPANY STRUCTURE

The Company is a member of an insurance holding company system as defined in Miss. Code Ann. §83-6-1. For the period covered by the examination, the Company filed holding company registration statements with the MID in compliance with Miss. Code Ann. §83-6-5 and §83-6-9.

A simplified organizational chart as of December 31, 2019, reflecting the holding company system, is shown below.



*With ownership of 16.5%, John B. Sneed is the ultimate controlling person of the GSH group.

Related Party and Other Transactions

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, 2019, 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. Interest payments of \$24,000 were paid each year under examination. The principal balance owed at December 31, 2019 was \$400,000.

The Company was a guarantor on a note payable executed by CAHI with a financial institution for an original loan balance of \$500,000. The note was dated August 13, 2015 with a maturity date of August 15, 2020. The unpaid principal balance at December 31, 2019 was \$80,346.

Effective July 1, 2019, the Company entered into a Program Administrator Agreement with Gulf States Underwriters, LLC (“GSU”) whereby the Company appointed and authorized GSU to (1) process and administer insurance from agents for specified lines of business; (2) collect and receive premiums on business written, issue, deliver, countersign, endorse and cancel policies; (3) processes commissions; (4) process claim payments; etc., in exchange for a fee of 2.50% of written premiums, subject to a minimum annual fee of \$250,000. Fees incurred under this agreement in 2019 totaled \$171,553. At December 31, 2019, the Company owed \$27,403 to GSU for services performed under this agreement.

For the nine month period ended September 30, 2019, the Company filed a consolidated income tax return with CAHI. For the last three months of 2019 and for future periods, the Company will file a consolidated income tax return with GSH, along with GSIC, GSU, and CAHI. The Tax Sharing and Allocation Agreement between GSH and its subsidiaries was not amended to add the Company as a named party which was not in compliance with the requirements of Statutory Accounting Principles (“SSAP”) No. 25. It is recommended that the Company amend the Tax

Sharing and Allocation Agreement to properly include the Company in order to be in compliance with SSAP No. 25.

FIDELITY BOND AND OTHER INSURANCE

The Company was a named insured on a commercial insurance policy for fidelity and crime coverages with a limit of \$300,000. This amount did not meet the NAIC suggested minimum fidelity coverage of \$350,000. It is recommended that the Company increase the fidelity bond coverage to comply with the NAIC recommended coverage.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

Effective October 1, 2019, the Company's employees were participants in a 401(k) plan that was in the name of the ultimate parent, GSH. Additionally, the Company offered paid vacation, holidays, and sick leave. The Company had no plan-related liabilities as of December 31, 2019.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2019, the Company was licensed in the State of Mississippi and the State of Alabama. The Company was authorized for the following lines of business in the State of Mississippi:

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

As of December 31, 2019, the Company was authorized for the following lines of business in the State of Alabama:

Property	Surety
Miscellaneous Casualty	Marine

GROWTH OF COMPANY

	2019	2018	2017
Balance Sheet			
Total admitted assets	\$ 12,773,618	\$ 12,344,427	\$ 9,658,243
Total liabilities	\$ 6,195,570	\$ 7,500,002	\$ 5,616,615
Surplus as regards policyholders	\$ 6,578,048	\$ 4,844,425	\$ 4,041,628
Cash Flow			
Net cash from operations	\$ 536,141	\$ 2,770,052	\$ 171,916
Risk-Based Capital Analysis			
Total adjusted capital	\$ 6,738,048	\$ 5,084,425	\$ 4,361,628
Authorized control level risk-based capital	\$ 2,665,536	\$ 1,985,036	\$ 1,744,872
Income Statement			
Gross premiums written	\$ 14,204,429	\$ 13,412,607	\$ 10,091,055
Ceded premiums written	\$ 10,419,974	\$ 5,147,267	\$ 4,268,194
Net premiums written	\$ 3,784,455	\$ 8,265,340	\$ 5,822,861
Net underwriting gain (loss)	\$ 1,743,951	\$ 1,029,258	\$ (881,543)
Net investment gain (loss)	\$ 239,259	\$ 190,246	\$ 158,943
Net income (loss)	\$ 1,803,706	\$ 906,056	\$ (529,038)
Return on revenue	25.6%	12.1%	-10.9%
Net loss ratio	52.0%	37.3%	54.6%
Expense ratio	40.1%	43.1%	51.7%
Investment yield	2.1%	1.9%	1.8%

MORTALITY AND LOSS EXPERIENCE

Casualty Actuarial Consultants, Inc. was engaged by the examination to review the actuarial analysis supporting the Company's carried loss and loss adjustment expense reserves as of December 31, 2019. Based on the examination actuarial evaluation, the Company's estimates for loss and loss adjustment expense reserves appeared to be reasonably stated in all material respects.

REINSURANCE

Assumed

The Company did not assume any reinsurance during the period of this examination.

Ceded

As of December 31, 2019, the Company ceded risks under various reinsurance agreements on both an excess of loss and quota share basis. The Company utilized the services of BMS Group (a reinsurance broker) to place reinsurance with reputable reinsurance companies and reduce the risk of reinsurer insolvency. Effective June 1, 2019, and in effect through June 1, 2020, BMS placed the Company's reinsurance risk with numerous domestic, Bermuda and London Market reinsurers.

As of December 31, 2019, the Company reported reinsurance recoverable of \$105,794 and ceded reinsurance payable (net of ceding commission) of \$1,871,458. Approximately 73% of direct written premium was ceded to non-affiliates. The Company had the following reinsurance agreements in place at December 31, 2019:

Quota Share Reinsurance Agreements

Effective June 1, 2019, the Company entered into quota share reinsurance agreements to cede 40% of its homeowner's exposure. Pursuant to these quota share agreements, the Company received a ceding commissions of 32%.

Property Catastrophe Excess of Loss Reinsurance Agreements (Layers 1-4 and Top Layer)

Effective June 1, 2019, the Company entered into multi-layer property catastrophe excess of loss reinsurance agreements that protect against losses in excess of specific limits. The Company's retention from one event was 60% (net of quota share) of \$1,250,000 or \$750,000. The catastrophe excess of loss was a follows:

1ST LAYER	\$ 5,000,000	in excess of	\$ 1,250,000
2ND LAYER	\$ 15,000,000	in excess of	\$ 5,000,000
3RD LAYER	\$ 50,000,000	in excess of	\$ 15,000,000
4TH LAYER	\$ 110,000,000	in excess of	\$ 50,000,000
TOP LAYER	\$ 120,000,000	in excess of	\$ 110,000,000

Multiple Line Excess of Loss Reinsurance Agreement

Effective June 1, 2019, the Company entered into a multi-line excess of loss coverage that protects against losses related to property and casualty business. The Company's retention was 60% of \$400,000 or \$240,000 from any one loss.

Reinstatement Premium Protection – Property Occurrence Catastrophe

Effective June 1, 2019, the Company entered into a reinstatement premium protection reinsurance contract where the reinsurers agreed to indemnify the Company for 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 Layers 1 – 4 of the Company’s Property Catastrophe Excess of Loss Reinsurance Agreements discussed above.

ACCOUNTS AND RECORDS

The 2019 trial balance of the Company’s accounts was traced to the balance sheet of the Company’s statutory annual statement filed with the MID, with no material exceptions noted. The Company was audited annually by an independent CPA firm.

At December 31, 2019, the Company outsourced a significant portion of its underwriting, premium and claims administration to a related entity, GSU.

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 total statutory deposits held at December 31, 2019.

Description	Par Value	Carrying Value	Fair Value
U.S. Treasury	\$ 20,000	\$ 20,083	\$ 20,746
Municipal Bond	60,000	60,110	60,153
Municipal Bond	80,000	84,712	88,792
Municipal Bond	75,000	75,000	78,143
Municipal Bond	25,000	25,000	25,274
Municipal Bond	100,000	100,000	102,408
Money Market	-	16,560	16,560
Total held in Mississippi	<u>\$ 360,000</u>	<u>\$ 381,465</u>	<u>\$ 392,076</u>

COASTAL AMERICAN INSURANCE COMPANY
FINANCIAL STATEMENTS
EXAMINATION AS OF DECEMBER 31, 2019

Introduction

The following financial statements reflect the same amounts reported by the Company and consist of the Statement of Admitted Assets, Liabilities, Surplus and Other Funds - Statutory at December 31, 2019, the Statement of Income - Statutory for the year ended December 31, 2019, and a Reconciliation of Capital and Surplus - Statutory for the examination period ended December 31, 2019, and a Reconciliation of Examination Changes to Surplus – Statutory at December 31, 2019.

**Statement of Admitted Assets, Liabilities, Surplus and Other Funds – Statutory
December 31, 2019**

Admitted Assets

Bonds	\$	10,030,182
Cash, cash equivalents, and short term investments		1,889,649
Investment income due and accrued		75,280
Uncollected premiums and agents' balances		182,954
Deferred premiums, agents' balances booked but deferred		350,759
Amounts recoverable from reinsurers		105,794
Net deferred tax asset		139,000
Total admitted assets	\$	12,773,618

Liabilities, Surplus and Other Funds

Losses	\$	595,573
Loss adjustment expenses		155,780
Commissions payable and other similar charges		212,745
Other expenses		55,109
Taxes, licenses and fees		127,265
Current federal and foreign income taxes		270,614
Unearned premiums		2,632,511
Advance premiums		222,569
Ceded reinsurance premiums payable		1,871,458
Aggregate write-ins for liabilities		51,946
Total liabilities		6,195,570

Common capital stock		650,000
Surplus notes		400,000
Gross paid in and contributed surplus		4,550,000
Unassigned funds (surplus)		978,048
Surplus as regards policyholders		6,578,048
Total liabilities and surplus as regards policyholders	\$	12,773,618

**Statement of Income – Statutory
December 31, 2019**

Underwriting Income

Premiums earned	\$	6,794,899
Losses incurred		2,877,438
Loss adjustment expenses incurred		656,890
Other underwriting expenses incurred		1,516,620
<hr/>		
Total underwriting deductions		5,050,948
<hr/>		
Net underwriting gain (loss)		1,743,951
<hr/>		

Investment Income

Net investment income earned	240,058
Net realized capital gains (losses) less capital gains tax	(798)
<hr/>	
Net investment gain	239,260
<hr/>	

Other Income

Miscellaneous income	91,109
<hr/>	
Total other income	91,109
<hr/>	

Net income before dividends to policyholders
and federal income taxes

2,074,320

Federal and foreign income taxes incurred

270,614

Net income

\$ 1,803,706

**Reconciliation of Capital and Surplus – Statutory
For the Examination Period Ended December 31, 2019**

	2019		2018		2017
Surplus as regards policyholders, beginning of the year	\$ 4,844,425	\$	4,041,628	\$	4,750,145
Net income (loss)	1,803,706		906,056		(529,038)
Change in net deferred income tax	(198,757)		41,857		(97,780)
Change in nonadmitted assets	252,767		(31,211)		37,299
Change in provision for reinsurance	25,907		(25,907)		-
Dividends to stockholders	(150,000)		(88,000)		(119,000)
Rounding	-		2		2
Surplus as regards policyholders, end of the year	\$ 6,578,048	\$	4,844,425	\$	4,041,628

**Reconciliation of Examination Adjustments to Surplus - Statutory
For the year ended December 31, 2019**

There were no changes made to the assets, liabilities or surplus balances reported by the Company for the year ended December 31, 2019. The surplus as regards policyholders reported by the Company of \$6,578,048 is accepted as reasonably stated for purposes of the balance sheet per the examination 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 specific areas reviewed included those items as indicated below.

Complaints

The Company maintained a complaint log during the period under examination. All complaints appeared to have been resolved amicably and no policyholder abuse or undesirable patterns 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

The full effect of COVID-19 on the U.S. and global insurance industry is still unknown at the time of releasing this report. The MID and all insurance regulators, with the assistance of the NAIC, are continuing to monitor the situation through coordinated efforts and will continue to assess the impacts of the pandemic on U.S. insurers. The MID has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position.

In December 2020, the surplus note issued in the amount of \$400,000 to CAHI was forgiven and accounted for as contributed surplus. Also, the Company received a capital contribution from its ultimate parent, GSH, in the amount of \$800,000 which was reported as a receivable from the parent and recognized as a capital contribution on the Company's 2020 Annual Statement.

As of June 30, 2021, the Company had received additional capital contributions from GSH in the amount of \$500,000.

On August 29, 2021, Hurricane Ida came ashore on the Louisiana Coast and traveled through Mississippi. The Company had a retention level amount of \$250,000 at the time of the event. The reinsurance retention limit in place appears to have limited the storm's impact to the surplus of the Company.

COMMENTS AND RECOMMENDATIONS

1. Annual Shareholder Meetings

Minutes for the 2018 annual shareholder meeting was not documented by the Company as required per Article IV, Section 8, of the Company's Bylaws.

It is recommended that the Company comply with their Bylaws regarding documentation of the annual meeting of the shareholders. (Page 4)

2. Election of Officers and Treasurer

Officers were not annually elected during the exam period as required per Article IV, Section 2 of the Company's Bylaws. In addition, as of December 31, 2019, there was not a named Treasurer as required per Article IV, Section 1 and Section 9 of the Company's Bylaws.

It is recommended that the Company comply with their Bylaws regarding the annual election of officers, including a named Treasurer. (Page 4)

3. Tax Sharing and Allocation Agreement

The Tax Sharing and Allocation Agreement between GSH and its subsidiaries was not amended to add the Company as a named party which was not in compliance with the requirements of SSAP No. 25

It is recommended that the Company amend the Tax Sharing and Allocation Agreement to properly include the Company in order to be in compliance with SSAP No. 25. (Page 7)

4. Fidelity Bond Coverage

The Company was a named insured on a commercial insurance policy for fidelity and crime coverages with a limit of \$300,000. This amount did not meet the NAIC suggested minimum fidelity coverage of \$350,000.

It is recommended that the Company increase the fidelity bond coverage to comply with the NAIC recommended coverage. (Page 8)

ACKNOWLEDGMENT

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

Supervising Examiner	Joseph R. May, CPA, CFE, CFF, CIE
Examiner-in-Charge	R. Dale Miller, CPA, CFE, CFF
Lead IT Specialist	Tom Baxter, CISA , CFE
Examination Actuary	Ed Costner, ACAS, MAAA
Senior Examiner	Andrea Harbison, CPA
Examiner	Sophia Tran, 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



Mark Cooley, CFE
Mississippi Insurance Department Designee