

**REPORT ON EXAMINATION**  
**OF**  
**CORAL INSURANCE COMPANY, INC.**  
**HOLLYWOOD, FLORIDA**  
**AS OF**  
**DECEMBER 31, 2006**

**BY THE**  
**OFFICE OF INSURANCE REGULATION**

## TABLE OF CONTENTS

<b>LETTER OF TRANSMITTAL .....</b>	<b>-</b>
<b>SCOPE OF EXAMINATION.....</b>	<b>1</b>
STATUS OF ADVERSE FINDINGS FROM PRIOR EXAMINATION .....	2
<b>HISTORY .....</b>	<b>2</b>
GENERAL .....	2
CAPITAL STOCK.....	3
PROFITABILITY OF COMPANY .....	3
DIVIDENDS TO STOCKHOLDERS .....	4
MANAGEMENT.....	4
CONFLICT OF INTEREST PROCEDURE.....	5
CORPORATE RECORDS .....	5
<b>AFFILIATED COMPANIES .....</b>	<b>5</b>
MANAGING GENERAL AGENT AGREEMENT .....	6
COST SHARING AGREEMENT.....	6
<b>ORGANIZATIONAL CHART .....</b>	<b>7</b>
<b>FIDELITY BOND AND OTHER INSURANCE.....</b>	<b>8</b>
<b>PENSION, STOCK OWNERSHIP AND INSURANCE PLANS .....</b>	<b>8</b>
<b>STATUTORY DEPOSITS.....</b>	<b>8</b>
<b>INSURANCE PRODUCTS.....</b>	<b>9</b>
TERRITORY AND PLAN OF OPERATIONS .....	9
TREATMENT OF POLICYHOLDERS.....	9
<b>REINSURANCE .....</b>	<b>10</b>
CEDED .....	10
<b>ACCOUNTS AND RECORDS.....</b>	<b>11</b>
CUSTODIAL AGREEMENT .....	12
CLAIMS ADMINISTRATION SERVICES AGREEMENT .....	12
POLICY ADMINISTRATION SERVICES AGREEMENT.....	12
SOFTWARE LICENSE AGREEMENT.....	13
INFORMATION TECHNOLOGY REPORT.....	13
<b>FINANCIAL STATEMENTS PER EXAMINATION.....</b>	<b>13</b>
ASSETS .....	14
LIABILITIES, SURPLUS AND OTHER FUNDS .....	15
STATEMENT OF INCOME.....	16
<b>COMMENTS ON FINANCIAL STATEMENTS.....</b>	<b>17</b>
ASSETS .....	17

LIABILITIES .....	18
CAPITAL AND SURPLUS .....	18
<b>COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS.....</b>	<b>19</b>
<b>SUMMARY OF FINDINGS .....</b>	<b>20</b>
<b>SUBSEQUENT EVENTS.....</b>	<b>21</b>
<b>CONCLUSION .....</b>	<b>22</b>

Tallahassee, Florida

February 8, 2008

Kevin M. McCarty  
Commissioner  
Office of Insurance Regulation  
State of Florida  
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2006, of the financial condition and corporate affairs of:

**CORAL INSURANCE COMPANY, INC.  
4000 Hollywood Blvd., Suite 285 S  
Hollywood, Florida 33021**

Hereinafter referred to as the "Company". Such report of examination is herewith respectfully submitted.

## SCOPE OF EXAMINATION

This examination covered the period of January 1, 2006 through December 31, 2006. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2005. This examination commenced, with planning at the Office, on November 5, 2007, to November 9, 2007. The fieldwork commenced on November 13, 2007, and was concluded as of February 8, 2008.

This financial examination was a statutory financial examination conducted in accordance with the Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code, with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

In this examination, emphasis was directed to the quality, value and integrity of the statement of assets and the determination of liabilities, as those balances affect the financial solvency of the Company as of December 31, 2006. Transactions subsequent to year-end 2006 were reviewed where relevant and deemed significant to the Company's financial condition.

The examination included a review of the corporate records and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC IRIS ratio reports, the A.M. Best Report, the Company's independent audit reports and certain work papers prepared by the Company's independent certified public accountant (CPA) and other reports as considered necessary were reviewed and utilized where applicable within the scope of this examination.

This report of examination is confined to financial statements and comments on matters that involve departures from laws, regulations or rules, or which are deemed to require special explanation or description.

### **Status of Adverse Findings from Prior Examination**

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2005, along with resulting action taken by the Company in connection therewith.

#### **Accounts and Records**

The Company maintained a Premium Trust Bank Account with Glacier Bank, located in Bigfork, Montana which was outside the State of Florida and was not in compliance with Section 628.271, Florida Statutes. **Resolution:** The Company moved this account to the Wilmington Trust Bank in North Palm Beach, Florida in compliance with Section 628.271, Florida Statutes.

## **HISTORY**

### **General**

The Company was incorporated in Florida on January 15, 2004 and commenced business on April 1, 2004 under the name of Coral Insurance Company, Inc. The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code.

In accordance with Section 624.401(1), Florida Statutes, the Company was authorized to transact Home owners multiple peril insurance coverage in Florida on December 31, 2006.

The articles of incorporation and the bylaws were not amended during the period covered by this examination.

## Capital Stock

As of December 31, 2003, the Company's capitalization was as follows:

Number of authorized common capital shares	1,000,000
Number of shares issued and outstanding	1,000,000
Total common capital stock	\$1,000,000
Par value per share	\$1.00

Control of the Company was maintained by its parent, Coral Enterprises, LLC, which was 100% owned by 33 investors.

## Profitability of Company

The following table shows the profitability trend (in dollars) of the Company for the period of examination, as reported in the filed annual statements.

	<b>2006</b>	<b>2005</b>	<b>2004</b>
Premiums Earned	8,670,079	6,315,508	80,034
Net Underwriting Gain/(Loss)	(2,431,233)	(472,651)	(1,845,922)
Net Income	(1,907,444)	(171,838)	(1,738,845)
Total Assets	23,628,673	15,914,391	8,698,233
Total Liabilities	17,990,025	9,290,788	2,539,062
Surplus As Regards Policyholders	5,638,648	6,623,603	6,159,172

## Dividends to Stockholders

The Company did not declare or pay dividends to its stockholders during the period under examination.

## Management

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.1601 and 628.231, Florida Statutes. Directors serving as of December 31, 2006, were:

### Directors

<b>Name and Location</b>	<b>Principal Occupation</b>
Norman Barham Palm Beach Gardens, Florida	Chairman Coral insurance Company
Susan Straker Virtue Fort Lauderdale, Florida	President and Chief Executive Officer Coral Insurance Company
David Jay Carbine Fort Lauderdale, Florida	Vice President Coral Insurance Company
Bernard Meyers Palm Beach Gardens, Florida	Director Coral Insurance Company
Christine LaSala New York, New York	Chief Executive Officer World Trade Center Captive Insurance Co.

The Board of Directors in accordance with the Company's bylaws appointed the following senior officers:

### Senior Officers

<b>Name</b>	<b>Title</b>
Susan Straker Virtue	President/Chief Executive Officer
David Menkedick	Treasurer/Secretary
David Jay Carbine	Vice President
Christine LaSala	Vice President

The Company's board appointed an internal committee in accordance with Section 607.0825, Florida Statutes. Following is the principal internal board committee and their members as of December 31, 2006:

**Audit Committee**

Bernard Meyers<sup>1</sup>

Christine LaSala

David Simon

<sup>1</sup> Chairman

**Conflict of Interest Procedure**

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook. No exceptions were noted during this examination period.

**Corporate Records**

The recorded minutes of the shareholder, Board of Directors, and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board documented its approval of the Company's investment transactions and events in accordance with Section 607.1601, Florida Statutes, including the authorization of investments as required by Section 625.304, Florida Statutes.

**AFFILIATED COMPANIES**

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration

statement was filed with the State of Florida on February 27, 2006, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

The following agreements were in effect between the Company and its affiliates:

### **Managing General Agent (MGA) Agreement**

The Company had a MGA agreement with its affiliate, Coral Insurance Advisors, LLC (CIA), at December 31, 2006. The agreement stipulated that CIA was appointed and authorized to market, underwrite, and manage the Company's homeowners' insurance program on its behalf.

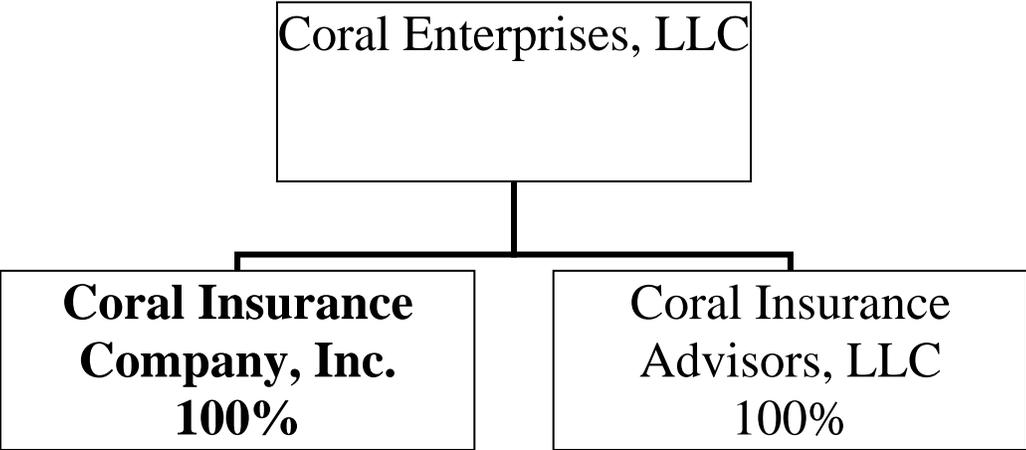
### **Cost Sharing Agreement**

The Company had a cost sharing agreement with its affiliates, Coral Enterprises, LLC (CE) and CIA, at December 31, 2006. The agreement stipulated that the parties shared in the costs of certain office space, facilities, furniture, equipment, computer hardware and software. The companies shared the costs for employees who performed technical, administrative, financial and regulatory services on behalf of one or all other parties. The parties reimbursed each other for services performed.

A simplified organizational chart as of December 31, 2006, reflecting the holding company system, is shown below. Schedule Y of the Company's 2006 annual statement provided a list of all related companies of the holding company group.

**CORAL INSURANCE COMPANY, INC.  
ORGANIZATIONAL CHART**

**DECEMBER 31, 2006**



## FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to \$1,000,000 with a deductible of \$25,000, which adequately covered the suggested minimum amount of coverage for the Company as recommended by the NAIC. The Company also maintained workers compensation, commercial umbrella, business auto, property, and general liability insurance coverages to protect Company assets.

## PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company provided a 401K plan and a full health insurance benefit package to all eligible employees.

## STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes as permitted by law:

<b>STATE</b>	<b>DESCRIPTION</b>	<b>Par Value</b>	<b>Market Value</b>
FL	Cash	\$ 250,000	\$ 250,000
FL	Cash Interest	27,232	27,232
TOTAL FL DEPOSITS		<u>\$ 277,232</u>	<u>\$ 277,232</u>
TOTAL SPECIAL DEPOSITS		<u>\$ 277,232</u>	<u>\$ 277,232</u>

## **INSURANCE PRODUCTS**

### **Territory and Plan of Operations**

The Company was authorized to transact homeowners insurance only in the State of Florida.

### **Treatment of Policyholders**

The Company established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes.

The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1)(i)3,a, Florida Statutes. During the examination of the claims database file, there were ten claims files noted which were open but had no outstanding reserve amounts. Eight of the ten were verified as actually being closed in 2006; however, the other two were not closed until 2007. Of the 47 physical claims files reviewed: 4 files were missing documentation of cancelled checks; 1 file indicated that the date of loss was January 4, 2006 whereas the database indicated a date of loss of January 19, 2006; 2 file claims had more than one claim number per claim; and 5 claim numbers could not be found. All errors were made by the third party administrator (TPA), Insurance Services and Adjusting Company (ISAC).

Subsequent Event: Subsequent to the examination period effective March 15, 2007, the Company terminated their contract with ISAC and entered into an agreement with GAB Robin, Inc. to administer all claims handling processes. Additionally, on August 8, 2007 the Company

employed a claims professional with more than 20 years experience to monitor and control the claims process.

## **REINSURANCE**

The reinsurance agreements reviewed were found to comply with NAIC standards with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting and settlement information deadlines.

### **Assumed**

The Company did not assume risk under any reinsurance agreements during 2006.

### **Ceded**

As of December 31, 2006, the Company's reinsurance program consisted of a quota share, Florida Hurricane CAT Fund (FHCF), property excess of loss reinsurance for catastrophic events, property per risk coverages, as well as a reinstatement premium protection. The Company's quota share agreement effective June 1, 2006 was with ACE Tempest Re on behalf of ACE Property and Casualty Insurance Company, and QBE Reinsurance Corporation, with 72.5% and 27.5% of the exposure, respectively. The contract coverage was for 50% of all losses, net of other reinsurance coverages. The maximum liability per occurrence was \$1 million and any one risk was 50% of \$600, 000.

The ceding of net premium stipulated in the contract between the Company and the reinsurers was a provisional commission of 30% at the minimum amount was 23.5% at a 57.5% or greater loss/loss adjustment expense ratio and at the maximum amount was 40% at a 37.5% or lower loss

and loss adjustment expenses ratio. The agreement also required that reports were generated 45 days after the end of each month.

The Company's excess per risk reinsurance agreement, effective June 1, 2006 was with QBE Reinsurance Corporation and Lloyd's Syndicate, at 40% and 60%, respectively. Both were authorized reinsurers. The contract coverage was for \$1.1 Million excess of \$600,000 for any one risk and \$1.65 Million per occurrence.

The Company also had four layers of catastrophe excess of loss reinsurance coverage. The first layer was for \$10 Million excess of \$2 Million, the second layer was \$6 Million excess of \$12 Million, the third layer was \$10 Million excess of \$18 Million and the final layer was for \$30 Million excess of \$28 Million.

## **ACCOUNTS AND RECORDS**

An independent certified public accountant (CPA) audited the Company's statutory basis financial statements annually for the years 2005 and 2006, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

The Company's accounting records were maintained on a computerized system. Their balance sheet accounts were verified with the line items of the annual statement submitted to the Office. The Company maintained a Premium Trust bank account with Glacier Bank, located in Bigfork, Montana. Section 628.271(2), Florida Statutes, requires that bank accounts be located within the state of Florida. The Company closed the account with Glacier Bank effective December 31, 2006

and the deposits were moved to the Wilmington Trust First State Bank in North Palm Beach, Florida.

The Company maintained its principal operational offices in Hollywood, Florida, where this examination was conducted.

The Company and non-affiliates had the following agreements:

### **Custodial Agreement**

The Company entered into a custodial agreement with Wilmington Trust Federal Savings Bank dated February 27, 2004. The custodial agreement provided the proper safeguards and controls indemnifying the Company as provided by Rule 69O-143.042, Florida Administrative Code.

### **Claims Administration Services Agreement**

The Company entered into a claims administration services agreement with Insurance Servicing and Adjusting Company (ISAC), on March 15, 2004. The agreement stipulated that ISAC provide claims administration services for the Company. Services included investigating, adjusting, processing, record keeping and periodic reporting of the Company's claims liabilities to Company management. On March 15, 2007 the Company terminated their agreement with ISAC and signed an agreement with GAB Robins to handle all processing of claims.

### **Policy Administration Services Agreement**

The Company, through its affiliate, CIA, entered into a policy administration services agreement with The Waterstreet Company (Waterstreet), a Montana corporation, on March 1, 2004. The agreement stipulated that Waterstreet provide policy administration services for the Company. The

services included managing, premium billing and collection functions, agent commission disbursements, as well as accounting and periodic reporting of the Company's premium policies to Company management.

### **Software License Agreement**

The Company entered into a computer software license agreement with The Freedom Group, Inc. (TFG), an Iowa corporation, on December 15, 2003. The agreement granted the Company a license to utilize all facets of TFG's computer software program for the course of ordinary daily business operations.

### **Information Technology Report**

Computer systems evaluation was performed on the Company. Results of the evaluation were noted in the information technology (IT) report provided to the Company and noted no material exceptions with the IT process.

## **FINANCIAL STATEMENTS PER EXAMINATION**

The following pages contain financial statements showing the Company's financial position as of December 31, 2006, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

**CORAL INSURANCE COMPANY, INC.**  
**Assets**

**DECEMBER 31, 2006**

	Per Company	Examination Adjustments	Per Examination
Bonds	\$ 9,600,000		\$ 9,600,000
Cash and short-term investments	504,362		504,362
Investment income due and accrued	118,953		118,953
Agents' Balances:			
Uncollected premium	2,591,908		2,591,908
Reinsurance Recoverable	732,731		732,731
Other amounts receivable under reinsurance contracts	0	\$4,292,502	4,292,502
Current federal income tax recoverable	260,000		260,000
Net deferred tax asset	498,282		498,282
Guaranty funds receivable	595,039		595,039
Aggregate write-ins for other than invested assets	8,727,399	(8,674,121)	53,278
Totals	<u>\$ 23,628,673</u>	<u>\$ (4,381,619)</u>	<u>\$ 19,247,054</u>

**CORAL INSURANCE COMPANY, INC.**  
**Liabilities, Surplus and Other Funds**

**DECEMBER 31, 2006**

	Per Company	Examination Adjustments	Per Examination
Losses	\$1,051,825		\$1,051,825
Loss adjustment expenses	31,437		31,437
Other expenses	56,378		56,378
Taxes, licenses and fees	167,928		167,928
Unearned premium	12,987,104	(\$4,381,619)	8,605,485
Advance premium	448,863		448,863
Ceded reinsurance premiums payable	2,357,281		2,357,281
Remittances and items not allowed	71,827		71,827
Payable to parent, subsidiaries and affiliates	278,341		278,341
Aggregate write-ins for liabilities	539,041		539,041
<b>Total Liabilities</b>	<b>\$17,990,025</b>	<b>(\$4,381,619)</b>	<b>\$13,608,406</b>
Common capital stock	\$1,000,000		\$1,000,000
Surplus notes	1,000,000		1,000,000
Gross paid in and contributed surplus	7,000,000		7,000,000
Unassigned funds (surplus)	(3,361,352)		(\$3,361,352)
Surplus as regards policyholders	\$5,638,648		\$5,638,648
<b>Total liabilities, surplus and other funds</b>	<b>\$23,628,673</b>	<b>(\$4,381,619)</b>	<b>\$19,247,054</b>

**CORAL INSURANCE COMPANY, INC.**  
**Statement of Income**

**DECEMBER 31, 2006**

**Underwriting Income**

Premiums earned		\$8,670,079
	<b>Deductions:</b>	
Losses incurred		2,418,621
Loss expenses incurred		235,051
Other underwriting expenses incurred		7,941,070
Aggregate write-ins for underwriting deductions		506,569
Total underwriting deductions		\$11,101,312
Net underwriting gain or (loss)		(\$2,431,233)

**Investment Income**

Net investment income earned		\$482,208
Net realized capital gains or (losses)		0
Net investment gain or (loss)		\$482,208

**Other Income**

Net gain or (loss) from agents' or premium balances charged off		(\$21,130)
Finance and service charges not included in premiums		24,033
Aggregate write-ins for miscellaneous income		53,278
Total other income		\$56,181
Net income before dividends to policyholders and before federal & foreign income taxes		(\$1,892,844)
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		(\$1,892,844)
Federal & foreign income taxes		14,600
Net Income		(\$1,907,444)

**Capital and Surplus Account**

Surplus as regards policyholders, December 31 prior year		\$6,623,603
Net Income		(\$1,907,444)
Change in net deferred income tax		617,039
Change in non-admitted assets		(694,550)
Change in surplus notes		1,000,000
Examination Adjustment		0
Change in surplus as regards policyholders for the year		(\$984,955)
Surplus as regards policyholders, December 31 current year		\$5,638,648

## COMMENTS ON FINANCIAL STATEMENTS

### Assets

**Aggregate write-ins for other than invested assets** \$53,278

The entry for Aggregate write-ins for other than invested assets was for Prepaid reinsurance. This was incorrectly reported as Aggregate write-ins for other than invested assets and was not in compliance with SSAP No. 62, paragraph 43, which states "With regard to reinsurance premium paid by ceding entity after the reinsurance contract is in effect but prior to the due date, the ceding entity shall treat this item as a reduction to the liability for ceded reinsurance premiums payable. That liability reflects not only premiums unpaid but also amounts booked but deferred and not yet due." The other amounts receivable under reinsurance contracts account was increased by \$4,292,502, Unearned premium was decreased by \$4,381,619, and Aggregate write-ins for other than invested assets was decreased by the total amount of both adjustments, which was \$8,674,121.

There was no impact to Surplus as a result of this reclassification.

The Company conferred with their CPA firm concerning the proper recording of prepaid reinsurance premiums and were confident at year-end 2006 that this was the proper way to report prepaid reinsurance.

Subsequent Event: The NAIC clarified the proper reporting of Prepaid reinsurance premiums. The Company changed their reporting in the third quarter 2007 quarterly financial statement.

## **Liabilities**

### **Losses and Loss Adjustment Expenses**

\$1,083,262

An outside actuarial firm, Butler, Dunlap & Lindquist, LLC, appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2006, make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The actuary appointed by the Office, Dana Joseph, FCAS, MAAA of Oliver Wyman Actuarial Consulting, Inc., reviewed the work papers provided by the Company and noted no material exception with this opinion.

### **Capital and Surplus**

The amount reported by the Company of \$5,638,648, exceeded the minimum amount of \$4,000,000 required by Section 624.408, Florida Statutes.

A Comparative analysis of changes to surplus is shown below.

**CORAL INSURANCE COMPANY, INC.  
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS**

**DECEMBER 31, 2006**

The following is a reconciliation of Surplus as regards policyholders between that reported by the Company and as determined by the examination.

Surplus as Regards Policyholders December 31, 2006, per Annual Statement	\$5,638,648
---	-------------

	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:	\$23,628,673	\$19,247,054	(\$4,381,619)
LIABILITIES:	17,990,025	13,608,406	4,381,619
 Net Change in Surplus:			<u>0</u>
 Surplus as Regards Policyholders December 31, 2006, Per Examination			<u>\$5,638,648</u>

## SUMMARY OF FINDINGS

### **Compliance with previous directives**

The Company has taken the necessary actions to comply with the comments made in the 2005 examination report issued by the Office.

### **Current examination comments and corrective action**

The following is a brief summary of items of interest and corrective action to be taken by the Company regarding findings in the examination as of December 31, 2006.

### **Claims**

The Company was not in compliance with Section 607.1601, Florida Statutes, which requires the Company to maintain accurate accounting records. During the examination of the claims database file there were 10 claims files which were listed as open in the database file but had no outstanding reserve amounts. Eight of the 10 files were verified as closed in 2006; however the other 2 files were not closed until 2007. Of the 47 physical claims files reviewed: 4 files were missing documentation of cancelled checks; 1 file indicated that the date of loss was January 4, 2006 whereas the database indicated a date of loss of January 19, 2006; 2 claims had more than 1 claim number per claim; and 5 claim numbers could not be found. **We recommend that the Company develop tighter controls over the claims administration process.**

## **SUBSEQUENT EVENTS**

Several management changes have been made to the Company subsequent to the examination date. On January 1, 2007 the Board of Directors elected Robert K. Meyers as President and CEO, replacing Susan Straker, who was retiring effective August 31, 2007. David Menkedick, Secretary and Treasurer, resigned effective January 15, 2008 and was replaced by Todd Linguist effective February 11, 2008. The Board approved the appointment of William Bolinder effective as of December 4, 2007.

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Coral Insurance Company, Inc.** as of December 31, 2006, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was \$5,638,648, in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, John C. Berry, Financial Examiner/Analyst Supervisor, Dana Joseph, FCAS, MAAA, of Oliver Wyman Actuarial Consulting, Inc., and Tracy D. Gates, CISA, CPA, Highland Clark, LLC participated in the examination.

Respectfully submitted,

---

Richard A. Shaffer  
Financial Specialist  
Florida Office of Insurance Regulation