



EXAMINATION REPORT

OF

AMERICAN COASTAL INSURANCE COMPANY

NAIC Company Code: 12968

ST. PETERSBURG, FLORIDA

as of December 31, 2019

BY THE

FLORIDA OFFICE OF INSURANCE REGULATION

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January 20, 2021

David Altmaier
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 69O- 138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (“the NAIC”), we have conducted an examination as of December 31, 2019, of the financial condition and corporate affairs of

American Coastal Insurance Company
800 2nd Avenue South
St. Petersburg, Florida 33701

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, 2016 through December 31, 2019 and commenced with planning at the Office on June 26, 2020. The fieldwork commenced on July 9, 2020 and concluded as of January 20, 2021. The Company was last examined by representatives of the Florida Office of Insurance Regulation (“the Office”) covering the period of January 1, 2011 through December 31, 2015.

The examination was a multi-state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (“the Handbook”). The Handbook requires that the examination is planned and performed 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.

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statutes 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.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

There were no material adverse findings, significant non-compliance findings or material changes in the financial statements noted during the examination as of December 31, 2019.

Prior Examination Findings

The following is an update on other significant regulatory information disclosed in the previous examination.

Letters of Credit

In accordance with Rule 690-144.005(6), Florida Administrative Code, letters of credit shall indicate they are not subject to any condition or qualification outside of the letter of credit and be subject to and governed by the laws of the state of Florida. These clauses were not included in all letters of credit maintained by the Company during the examination period.

UPDATE: The Company has updated the letters of credit to include the above provisions.

Reinsurance Intermediary Broker Agreement

In accordance with Section 626.7492(4), Florida Statutes, a reinsurance intermediary broker agreement must contain certain provisions including 1) the insurer may terminate the reinsurance broker's authority at any time, 2) the reinsurance intermediary broker must render accounts and remit all funds due to the insurer within thirty (30) days after receipt, and 3) the reinsurance intermediary broker will comply with the provisions of Section 626.7492(5), Florida Statutes. During the examination period, the Company was a party to a reinsurance intermediary broker agreement that did not contain these provisions.

UPDATE: Current reinsurance intermediary agreements do not include the required provision regarding Section 626.7492(5), Florida Statutes.

Management

We recommended the meeting for the election of Directors be in accordance with Section 628.231, Florida Statutes.

UPDATE: The Company annually elected its board of Directors in compliance with Section 628.231, Florida Statutes.

COMPANY HISTORY

General

The Company is a property and casualty insurer domiciled and only licensed to write in the State of Florida. It was organized on June 1, 2007 and commenced business on June 21, 2007. The Company is a wholly owned subsidiary of AmCo Holding Company LLC (AmCo), which is wholly owned by United Insurance Holdings Corp (UIHC).

Prior to June 1, 2015, AmCo Holding Company was one hundred percent (100%) owned by BB&T Corporation ("BB&T"). BB&T entered into an agreement with AmCo Holding Company and RDX Holding Company, LLC ("RDX") whereby effective June 1, 2015, RDX acquired one hundred percent (100%) of the stock of AmCo Holding Company. RDX's ultimate controlling person is Robert Daniel Peed who owns all of the voting interests, and through Peed FLP1, Ltd., LLP, owns eighty-four and sixty-nine hundredths percent (84.69%) of RDX.

The Articles of Incorporation and the Bylaws were not amended during the period covered by this examination.

Dividends

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its parent, AmCo, in 2016, 2017, and 2018 in the amounts of \$34,475,335, \$35,601,000, \$50,000,000, respectively. In 2019, the Company declared and paid a dividend to UIHC in the amount of \$13,578,898.

Capital Stock and Capital Contributions

As of December 31, 2019, the Company's capitalization was as follows:

Number of authorized common capital shares	100,000
Number of shares issued and outstanding	100
Total common capital stock	\$100
Par value per share	\$1

Surplus Notes

The Company did not have any surplus notes during the period of this examination.

Acquisitions, Mergers, Disposals, and Dissolutions

The Company is a wholly owned subsidiary of AmCo Holding Company, which was acquired by UIHC on April 3, 2017. UIHC owns one hundred percent (100%) of the stock of AmCo.

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2019, are shown below with the chairman of the board being listed first:

Directors		
Name	City, State	Principal Occupation, Company Name
Gregory Croswell Branch ^(a)	Ocala, Florida	Chairman and Owner, Branch Properties Inc.
Alec Loyd Poitevint II	Bainbridge, Georgia	Chairman and President, Southeastern Minerals, Inc.
Kent Guy Whittemore	St. Petersburg, Florida	President and Shareholder, Whittemore Law Group
William Hall Hood III	Palm Harbor, Florida	Sole Member, Hall Capital Holdings LLC
Kern Michael Davis	St. Petersburg, Florida	President, Pathology Associates Group
Sherrill Wayne Hudson	Coral Gables, Florida	Chairman, TECO Energy, Inc.
Michael Randolph Hogan	Mussels Inlet, South Carolina	Insurance Agent
Robert Daniel Peed ^(a)	Spring, Texas	President and CEO, AmRisc
Patrick Francis Maroney	Tallahassee, Florida	Professor Emeritus (Retired), Florida State University
John Leslie Forney ^(b)	St. Petersburg, Florida	President and CEO, United Insurance Holdings Corp.

- (a) Effective July 1, 2020, Mr. Peed became the Chairman of the Board.
- (b) Resigned on June 30, 2020 and his position on the Board was not replaced.

In accordance with the Company's Bylaws, the Board appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
John Leslie Forney *	St. Petersburg, Florida	President, Chief Executive Officer
Bennett Bradford Martz	St. Petersburg, Florida	Chief Financial Officer
Paul DiFrancesco	Tampa, Florida	Chief Operating Officer
Deepak Menon	St. Petersburg, Florida	Chief Revenue Officer
Christopher Griffith	St. Petersburg, Florida	Chief Information Officer
Scott St. John	St. Petersburg, Florida	Chief Claims Officer
Brad Kalter	Safety Harbor, Florida	General Counsel and Chief Legal Officer

* John L. Forney resigned in 2020; R. Daniel Peed assumed CEO responsibilities as of July 1, 2020 and B. Bradford Martz assumed the President duties.

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2019. The first person listed for each committee is the chairman.

Finance and Investment Committee		
Name	City, State	Title
Alec Poitevint	Bainbridge, Georgia	Chairman and President, Southeastern Minerals, Inc.
William Hood	Palm Harbor, Florida	Sole Member, Hall Capital Holdings LLC
Patrick Maroney	Tallahassee, Florida	Professor Emeritus (Retired), Florida State University

Compensation and Benefits Committee		
Name	City, State	Title
Kent Whittemore	St. Petersburg, Florida	President and Shareholder, Whittemore Law Group
Alec Poitevint	Bainbridge, Georgia	Chairman and President, Southeastern Minerals, Inc.
Sherrill Hudson	Coral Gables, Florida	Chairman, TECO Energy, Inc.
Daniel Peed	Spring, Texas	President and CEO, AmRisc

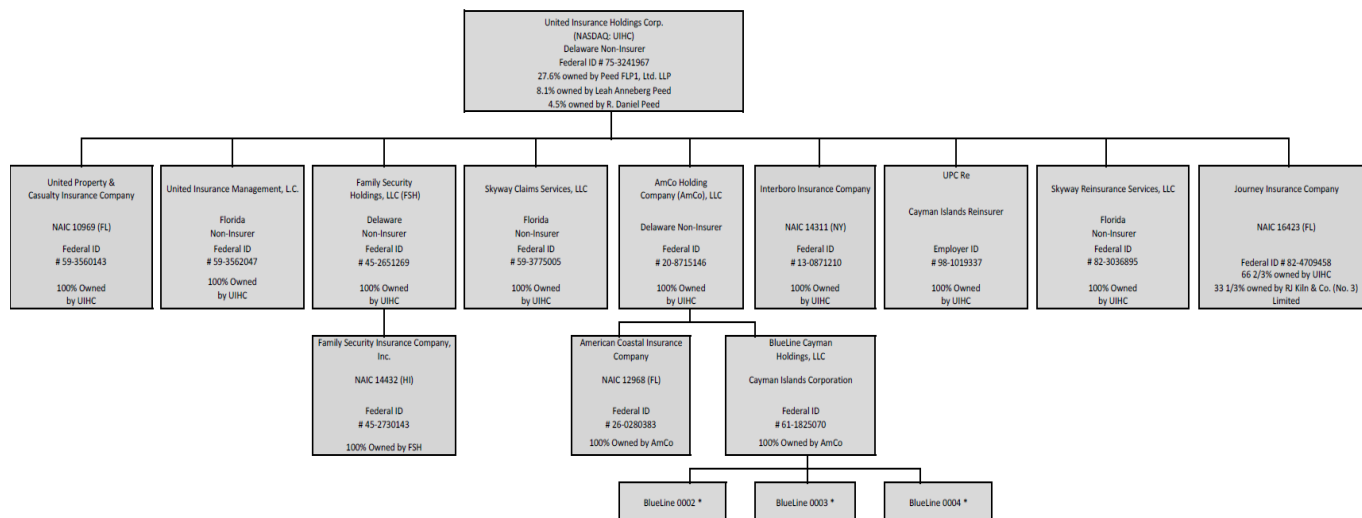
Nominating & Corporate Governance Committee		
Name	City, State	Title
Kern Davis, M.D.	St. Petersburg, Florida	President, Pathology Associates Group
Kent Whittemore	St. Petersburg, Florida	President and Shareholder, Whittemore Law Group
Michael Hogan	Mussells Inlet, South Carolina	Insurance Agent

The Company maintained an audit committee, as required by Section 624.424(8) (c), Florida Statutes.

Audit Committee		
Name	City, State	Title
Sherrill Hudson	Coral Gables, Florida	Chairman, TECO Energy, Inc.
Patrick Maroney	Tallahassee, Florida	Professor Emeritus (Retired), Florida State University
Kern Davis, M.D.	St. Petersburg, Florida	President, Pathology Associates Group

An organizational chart as of December 31, 2019, reflecting the holding company system, is shown on the next page:

Holding Company System Organizational Chart December 31, 2019



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

Tax Allocation Agreement

Effective July 1, 2012, a tax allocation agreement was executed between the Company's parent, United Insurance Holdings Corporation, and its affiliated companies. This agreement was amended on February 3, 2015 and on September 19, 2018 to include additional affiliates. The Company, along with its parent, files a consolidated federal income tax return. Pursuant to the agreement, income taxes are allocated to each subsidiary in proportion to the amount of taxable income that each subsidiary contributed to the consolidated taxable return.

Reinsurance Allocation Agreement

Effective January 1, 2019, the Company entered into a reinsurance allocation agreement with three other affiliated insurance companies: United Property & Casualty Insurance Company, (“UPCIC”), Family Security Insurance Company (“FSIC”), and Interboro Insurance Company (“IIC”). Under this agreement each insurer is allocated a share of the total losses incurred and total premiums paid based upon the following ratio: Each company’s anticipated covered losses divided by the total anticipated covered losses for all four of the participants. During 2019, the Company incurred \$41,228,821 in reinsurance costs and \$13,422,150 in ceded loss and LAE incurred.

Reinsurance Pooling Agreement

Effective January 1, 2019, the Company, along with UPCIC and FSIC, entered into a pooling agreement where UPCIC is the lead insurer and accepts one hundred percent (100%) of the net liabilities from the Company and FSIC. UPCIC then retrocedes each pooled member's share of the net liabilities backed to the participants based upon the following ratio: Each participant's prior quarter surplus divided by the sum of all three participants' prior quarter surplus.

The pooling participants and each of their ending percentage participations in the pooled results as of December 31, 2019 is as follows:

Insurer	Percentage Participation
UPC	52.6%
ACIC (the Company)	30.9%
FSIC	16.5%

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in St. Petersburg, Florida.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company had a custodial agreement with Branch Banking and Trust Company effective July 10, 2015.

Independent Auditor Agreement

An independent CPA, RSM audited the Company's statutory basis financial statements annually for the years 2016 through 2017. The Company made a change to Deloitte & Touche LLP (D&T) in 2018. D&T audited the Company's statutory basis financial statements annually for the years 2018 through 2019.

Amended and Restated Managing Agency Contract

Effective June 1, 2015, the Company entered into an Amended and Restated Managing Agency Agreement with AmRisc, LLC (AmRisc), whereby AmRisc would provide certain services including:

- 1) All underwriting and policy issuance;
- 2) Reinsurance advice and negotiation;
- 3) Claims services;
- 4) Premium collection;
- 5) Regulatory liaison;
- 6) Insurance advisor and consultant in connection with policy, business and strategic decisions;
- 7) Accounting of all monies handled on the Company's behalf;
- 8) Maintain complete and accurate records of the Company's activity;
- 9) Make recommendations regarding the retention of accountants and actuaries; and
- 10) At the Company's direction, provide advertising and marketing.

The agreement was amended on August 15, 2017 to include additional affiliates. During 2019, the Company incurred expenses of \$68,794,419 for commission and management fees under the contract.

R. Daniel Peed, CEO of the Company and Chairman of the Board of Directors, beneficially owned approximately 7.7% of AmRisc and was also the Chief Executive Officer of AmRisc during 2018. On December 31, 2018, Mr. Peed sold his interest in AmRisc and, effective January 1, 2019, became Non-Executive Vice Chairman of AmRisc. Effective December 31, 2019, Mr. Peed resigned from his position as Non-Executive Vice Chairman of AmRisc.

Reinsurance Intermediary Broker Agreements

Effective November 19, 2018, the Company became part of a Brokerage Services Agreement with TigerRisk Partners LLC (TigerRisk) and Skyway Reinsurance Services LLC (Skyway). The original agreement had an effective date of June 1, 2018 in which the agreement is effective until May 31, 2021. TigerRisk and Skyway agree to provide reinsurance intermediary services as directed by UIM.

Corporate Records Review

The recorded minutes of the Board of Directors (Board) and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code including the authorization of investments as required by Section 625.304, Florida Statutes.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the State of Florida. This authorization was granted on June 1, 2007. The Company was authorized for the following lines of business as of December 31, 2019:

Fire	Allied Lines
Homeowners Multi-Peril	Commercial Multi-Peril
Inland Marine	Other Liability

REINSURANCE

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

Reinsurance Assumed

Other than the assumed balances as part of the pooling arrangement mentioned above under the header "Reinsurance Pooling Agreement," ACIC did not have any current active assumed contracts.

Reinsurance Ceded

The Company placed its reinsurance program for the 2019 treaty year beginning June 1, 2019 and ending on May 31, 2020. The agreements incorporate the mandatory coverage required by and placed with the Florida Hurricane Catastrophe Fund ("FHCF"). The FHCF is a Florida state-sponsored trust fund that provides reimbursement in Florida against storms that the National Hurricane Center designates as hurricanes.

The Company's private reinsurance program placed for the 2019 treaty year provides coverage against severe weather events such as named or numbered windstorms and earthquakes. The

Company's private reinsurance program (excluding the FHCF replacement coverage) also covers its affiliates: UPC, FSIC, IIC, and BlueLine Cayman Holdings.

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. If an adjustment is identified during the course of the examination, the impact of such adjustment will be documented separately following the Company's financial statements. Financial statements, as reported and filed by the Company with the Office, are reflected on the following pages.

American Coastal Insurance Company

Assets

December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Bonds	\$194,978,576	\$0	\$194,978,576
Stocks: Common	39,433,668		39,433,668
Cash and Short-Term Investments	12,287,350		12,287,350
Other Invested Assets	1,786,366		1,786,386
Subtotal cash and invested assets	\$248,485,980	\$0	\$248,485,980
Investment income due and accrued	1,323,483		1,323,483
Premiums and considerations: Uncollected Premium	265,276,842		265,276,842
Reinsurance recoverable	21,193,497		21,193,497
Current federal and foreign income tax recoverable and interest thereon	1,389,038		1,389,038
Net deferred tax asset	4,305,629		4,305,629
Receivables from parent, subsidiaries, and affiliates	23,547,728		23,547,728
Totals	\$565,522,177	\$0	\$565,522,177

American Coastal Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Losses	\$61,987,906	\$0	\$61,987,906
Reinsurance payable on paid losses	78,652,549		78,652,549
Loss adjustment expenses	10,825,479		10,825,479
Other expenses	3,299,564		3,299,564
Taxes, licenses, and fees	2,934,584		2,934,584
Unearned premium	115,030,621		115,030,621
Ceded reinsurance premiums payable	184,508,298		184,508,298
Provision for reinsurance	98,000		98,000
Payable to parent, subsidiaries, and affiliates	378,328		378,328
Aggregate write-ins for liabilities	97,213		97,213
Total Liabilities	\$457,812,542	\$0	\$457,812,542
Common capital stock	\$100		\$100
Gross paid in and contributed surplus	49,999,900		49,999,900
Unassigned funds (surplus)	57,709,635		57,709,635
Surplus as regards policyholders	\$107,709,635	\$0	\$107,709,635
Total liabilities, surplus and other funds	\$565,522,177	\$0	\$565,522,177

American Coastal Insurance Company
Statement of Income and Capital and Surplus Account
December 31, 2019

Underwriting Income	
Premiums earned	\$236,961,511
Deductions	
Losses incurred	\$134,700,273
Loss expenses incurred	16,765,662
Other underwriting expenses incurred	112,201,884
Total underwriting deductions	\$263,667,819
Net underwriting gain or (loss)	\$(26,706,308)
Investment Income	
Net investment income earned	\$7,389,649
Net realized capital gains or (losses)	379,077
Net investment gain or (loss)	\$7,768,726
Other Income	
Aggregate write-ins for miscellaneous income	14,800
Total other income	\$14,800
Net income before federal & foreign income taxes	(\$18,922,782)
Federal & foreign income taxes	(1,489,920)
Net Income	\$(17,432,862)

Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$129,413,260
Net Income	\$(17,432,862)
Change in net unrealized capital gains (losses)	6,686,684
Change in net deferred income tax	2,718,451
Change in provision for reinsurance	(97,000)
Dividends to stockholders	(13,578,989)
Change in surplus as regards policyholders for the year	(\$21,703,625)
Surplus as regards policyholders, December 31 current year	\$107,709,635

American Coastal Insurance Company
Reconciliation of Capital and Surplus
December 31, 2019

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2015, per Examination			\$174,749,292
	Increase	Decrease	
Net income	\$56,754,114		\$56,754,114
Change in net unrealized capital gains (loss)	\$7,242,955		\$7,242,955
Change in net deferred income tax		(\$90,100)	(\$90,100)
Change in non-admitted assets	\$2,806,607		\$2,806,607
Change in provision for reinsurance		(\$98,000)	(\$98,000)
Dividends to stockholders			(\$133,655,233)
Net increase (or decrease)			(\$67,039,657)
Surplus at December 31, 2019 per examination			\$107,709,635

Analysis of Changes in Financial Statement Resulting from the Examination

December 31, 2019

No adjustments were made to surplus as regards policyholders as a result of this examination.

COMMENTS ON FINANCIAL STATEMENTS

Losses and Loss Adjustment Expenses

Arthur R. Randolph, II, FCAS, MAAA, CPCU, ARM, ARe, of the actuarial firm Pinnacle Actuarial Resources, Inc., was appointed by the Board and rendered an opinion that the amounts carried in the balance sheet as of December 31, 2019, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

Kathryn R. Koch, FCAS, MAAA of Lewis & Ellis, Inc., representing the Office, reviewed the loss and loss adjustment expense work papers provided by the Company and she was in concurrence with this opinion

Capital and Surplus

The amount of capital and surplus reported by the Company of \$159,003,538 exceeded the minimum of \$26,669,177 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

Since December 31, 2019, there has been an outbreak of the novel strain of COVID-19, which has been declared a pandemic by the World Health Organization in March 2020. This has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, state and local “work from home” orders and social distancing, have caused material disruption to businesses globally. In addition, global equity markets have experienced significant volatility and weakness. The scope, severity and longevity of any potential business shutdowns or disruptions as a result of COVID-19 outbreak is highly uncertain and cannot be predicted at this time, as new information may continue to emerge concerning actions governments may take to contain or mitigate the spread of the virus or address its impact on individuals, businesses, and the economy. At this time, it is not possible to reasonably estimate the extent of the impact of the economic uncertainties on the financial results and conditions in future periods.

CONCLUSION

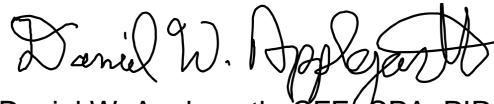
The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **American Coastal Insurance Company** as of December 31, 2019, consistent with the insurance laws of the State of Florida.

Christopher R. Brown, APIR	Participating Examiner	Office
David Palmer, CFE, MCM	Exam Manager	Lewis & Ellis, Inc
Amy Carter, CFE, CPA	Participating Examiner	Lewis & Ellis, Inc.
Derek Petersen, CFE, MCM	Participating Examiner	Lewis & Ellis, Inc
Kathryn Koch, FCAS, MAAA	Actuary Specialist	Lewis & Ellis, Inc
Lindsey Pittman, CFE, CPA, AES, CISA, MCM	IT Specialist	Lewis & Ellis, Inc.
Jenny Jeffers, AES, CISA, CFE	IT Specialist	Jennan Enterprises, LLC
Joanna Latham, AES, CISA, CPA, CFE, CRISC	IT Specialist	Jennan Enterprises, LLC

Respectfully submitted,



Omar D. Akel, CFE
Examiner-in-Charge
Lewis & Ellis, Inc.
Representing the Florida Office of Insurance Regulation



Daniel W. Applegarth, CFE, CPA, PIR
Chief Financial Examiner
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