



**EXAMINATION REPORT
OF**

**US COASTAL PROPERTY & CASUALTY
INSURANCE COMPANY**

NAIC Company Code: 15900

**Jonesville, Florida
as of
December 31, 2017**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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April 24, 2019

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 (NAIC), we have conducted an examination as of December 31, 2017, of the financial condition and corporate affairs of

US Coastal Property & Casualty Insurance Company
301 NW 138th Terrace
Jonesville, Florida 32669

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, 2017, through December 31, 2017, and commenced with planning at the Florida Office of Insurance Regulation (“Office”) on October 8, 2018, to October 12, 2018. The fieldwork commenced on October 8, 2018, and concluded as of April 24, 2019. This represents the second-year examination of the Company. This examination was coordinated with the New York Department of Financial Services serving as lead state.

The examination was a single state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the examination be 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 Statements of Statutory Accounting Principles (“SSAP”).

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 (example, subjective conclusions or proprietary information), 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 for the examination period.

Previous Examination Findings

There were no findings, exceptions, or corrective actions to be taken by the Company for the examination as of December 31, 2016.

COMPANY HISTORY

General

The Company was incorporated in Florida on January 19, 2016, and commenced business on March 28, 2016.

Dividends

The Company did not declare or pay any dividends during the period of this examination.

Capital Stock and Capital Contributions

As of December 31, 2017, the Company's capitalization was as follows:

Number of authorized common capital shares	2,250,000
Number of shares issued and outstanding	2,250,000
Total common capital stock	\$2,250,00
Par value per share	\$1.00

The Company received a capital contribution approved by the Office on October 13, 2017.

Surplus Notes

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

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, dissolutions and purchase or sales through reinsurance during the period of this examination.

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, 2017, are shown below.

Directors

Name	City, State	Principal Occupation
Ronda Lyn Loshonkohl	Newberry, Florida	Executive Vice President – Admitted Lines Underwriting, Customer Support, and Systems/IT, Cabrillo Coastal General Insurance Agency, LLC
Michael Lee McNitt	Gainesville, Florida	President and Chief Executive Officer, Cabrillo Coastal General Insurance Agency, LLC and Harbor Claims, LLC
Roger Lee McNitt	La Jolla, California	Of Counsel, Blanchard, Krasner & French
Bradley Mitchell Jones	High Springs, Florida	Controller, Cabrillo Coastal General Insurance Agency, LLC; Chief Financial Officer, US Coastal Property & Casualty Insurance Company; and Chief Financial Officer, US Coastal Insurance Company
Jeffrey Ryan Hershman	Chalfont, Pennsylvania	President – E&S Division, Cabrillo Coastal General

John Walter Rollins	High Springs, Florida	Insurance Agency, LLC, and Executive Vice President, Harbor Claims, LLC Chief Risk Officer, Cabrillo Coastal General Insurance Agency, LLC
Richard James Roth, Jr.	Huntington Beach, California	Associated with Bickerstaff, Whatley, Ryan & Burkhalter Consulting Actuaries

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

Senior Officers

Name	City, State	Title
Michael Lee McNitt	Gainesville, Florida	President, Chief Executive Officer
Bradley Mitchell Jones ¹	High Springs, Florida	Chief Financial Officer, Treasurer
Ronda Lyn Loshonkohl	Newberry, Florida	Executive Vice President
Jeffrey Ryan Hershman	Chalfont, Pennsylvania	Executive Vice President
Mohammad Sherif Sherif ²	Gainesville, Florida	Secretary/General Counsel
John Walter Rollins ³	High Springs, Florida	Executive Vice President, Chief Risk Officer

¹ Effective February 15, 2019, Chief Financial Officer Bradley M. Jones resigned, and Maria I. Moller was appointed as Chief Financial Officer.

² Effective December 14, 2018, General Counsel and Secretary Mohammad S. Sherif resigned, and Julia Knight was appointed as General Counsel and Secretary.

³ Effective March 14, 2018, Chief Risk Officer John Walter Rollins resigned, and John W. Elbl was appointed as Chief Risk Officer effective September 4, 2018.

The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes. The Company's Board did not appoint any other internal committees as of December 31, 2017.

Audit Committee Members

Michael Lee McNitt	Roger Lee McNitt	Ronda Lyn Loshonkohl
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Jeffrey Ryan Hershman

Richard Roth, Jr.

Bradley M. Jones

John Rollins

Control

Control of the Company was maintained by its parent, USCPC Holdings, Inc. which owned one hundred percent (100%) of the stock issued by the Company. Cabrillo Holdings, LLC owns one hundred percent (100%) of USCPC Holdings, Inc. As of December 31, 2017, the parent has contributed \$25,500,000 in cash to the Company.

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

Tax Allocation Agreement

The Company, along with USCPC Holdings, Inc., filed a consolidated federal income tax return.

Cost Sharing Agreement

The Company entered into a Cost Sharing Agreement with USCPC Holdings, Inc., Cabrillo Holdings, LLC, Cabrillo Coastal General Insurance Agency, LLC, and Harbor Claims, LLC effective January 18, 2016. The Company did not incur any expenses in 2017 as a result of this agreement.

Claims Management Agreement

The Company entered into a Claims Management Agreement with Harbor Claims, LLC effective January 18, 2016, to provide claims management services. Harbor Claims, LLC has been granted limited authority to manage and settle claims arising under insurance policies issued by the Company. Per the Agreement, Harbor Claims, LLC has the authority for processing, investigating, adjusting, compromising, defending, litigating, supervising, and payment of claims of \$25,000 each. Claims above that amount must be approved by the Company.

Managing General Agency Agreement

The Company entered into a Managing General Agency (“MGA”) Agreement with Cabrillo Coastal General Insurance Agency effective January 18, 2016. The agreement continues in force until terminated upon either party giving ninety (90) days prior written notice of termination to the other. The Company appoints Cabrillo Coastal General Insurance Agency to supervise and conduct the writing of insurance business that the Company is authorized to write in Florida.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Jonesville, Florida.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company maintained a custodial agreement with US Bank National Association that was filed with the office on April 25, 2016. The agreement contained all of the required clauses of Rule 69O-143.042, Florida Administrative Code.

Brokerage Agreement

Effective December 1, 2016 through December 31, 2017, the Company and BMS Intermediaries, Inc. (“BMS”) entered into a Reinsurance Brokerage Agreement. The Reinsurance Brokerage Agreement applies to 2016 and to the actual gross cash revenue received by BMS during 2017 calendar year attributable to the reinsurance contracts placed by BMS for the Company.

Investment Management Agreement

Effective April 1, 2017, the Company entered into an investment management agreement with Asset Allocation & Management Company, LLC (“AAM”). The Company appoints AAM as an Investment Manager for the management of the assets designated to be held in the Company's investment account.

Corporate Records Review

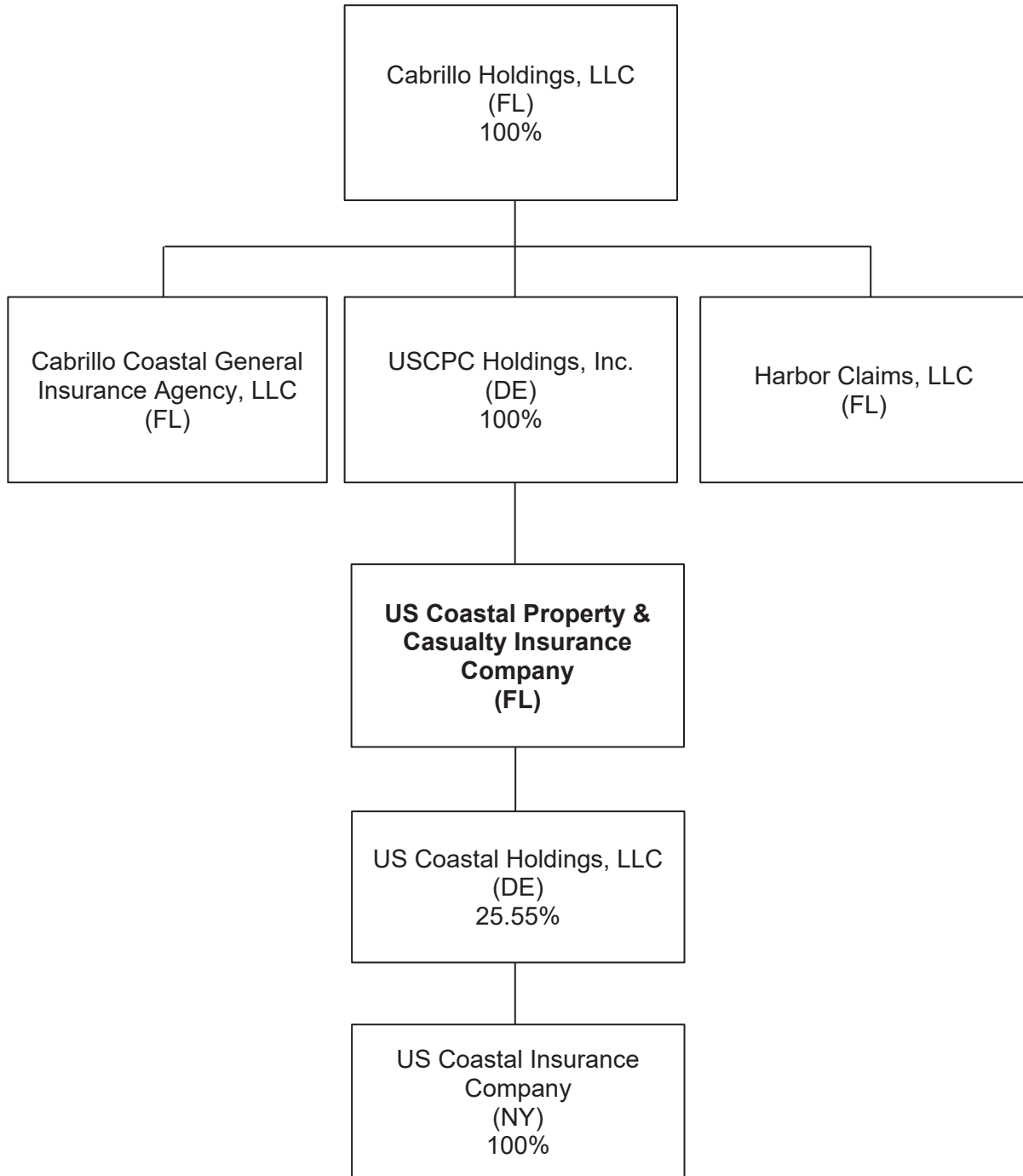
The recorded minutes of the Shareholder(s), Board of Directors (“Board”) and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, in compliance with the Handbook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

Conflict of Interest

The Company adopted a policy statement requiring periodic disclosure of conflicts of interest in accordance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

A simplified organizational chart as of December 31, 2017, reflecting the holding company system, is shown on the following page. Schedule Y of the Company’s 2017 annual statement provided a list of all related companies of the holding company group.

US Coastal Property & Casualty Insurance Company
Simplified Organizational Chart
December 31, 2017



TERRITORY AND PLAN OF OPERATIONS

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

The Company was authorized to transact insurance coverage in Florida on February 23, 2016, and continued to be authorized for the following coverages as of December 31, 2017:

Fire	Homeowners Multi-Peril	Allied Lines
Other Liability	Inland Marine	Mobile Home Multi-Peril
Mobile Home Physical Damage		

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541(1)(i)(3)(a), 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)(j), Florida Statutes.

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

As of December 31, 2017, the Company's assumed reinsurance program consisted of quota share reinsurance agreements with an affiliate, US Coastal Insurance Company, and two non-affiliates, Spinnaker Insurance Company and Palomar Specialty Insurance Company.

Reinsurance Ceded

As of December 31, 201, the Company's ceded reinsurance program consisted of excess of loss and catastrophe reinsurance provided by agreements with various commercial reinsurers. The Company also participates in the Florida Hurricane Catastrophe Fund.

STATUTORY DEPOSITS

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

State	Description	Par Value	Market Value
FL	CASH	<u>300,000</u>	<u>300,000</u>
	TOTAL FLORIDA DEPOSITS	\$ <u>300,000</u>	\$ <u>300,000</u>

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 Florida Office of Insurance Regulation, are reflected on the following pages.

US Coastal Property & Casualty Insurance Company

Assets

December 31, 2017

	Per Company	Examination Adjustments	Per Examination
Bonds	\$22,876,799		\$22,876,799
Real Estate	860226		860226
Cash and Short-Term Investments	6289203		6289203
Other investments	2672040		2672040
Investment income due and accrued	107908		107908
Agents' Balances:			
Uncollected premium	884845		884845
Deferred premium	402137		402137
Amounts recoverable from reinsurers	89134		89134
Funds held by or deposited with reinsured companies	330000		330000
Net deferred tax asset	819353		819353
Aggregate write-in for other than invested assets	<u>0</u>		<u>0</u>
Totals	<u><u>\$35,331,645</u></u>	<u><u>\$0</u></u>	<u><u>\$35,331,645</u></u>

**US Coastal Property & Casualty Insurance Company
Liabilities, Surplus and Other Funds**

December 31, 2017

	Per Company	Examination Adjustments	Per Examination
Losses	\$3,397,747		\$3,397,747
Reinsurance payable on paid losses and loss adjustment expenses	544,409		544,409
Loss adjustment expenses	415,166		415,166
Commissions payable, contingent commissions and other similar charges	91,711		91,711
Other expenses	937		937
Taxes, licenses and fees	63,209		63,209
Unearned premium	6,702,586		6,702,586
Advance premium	124,309		124,309
Ceded reinsurance premiums payable (net of ceding commissions)	1,162,304		1,162,304
Provision for reinsurance	9,000		9,000
Aggregate write-ins for liabilities	0		0
Total Liabilities	<u>\$12,511,378</u>	<u>\$0</u>	<u>\$12,511,378</u>
Common capital stock	\$2,250,000		\$2,250,000
Gross paid in and contributed surplus	23,250,000		23,250,000
Unassigned funds (surplus)	(2,679,733)		(2,679,733)
Surplus as regards policyholders	<u>\$22,820,267</u>	<u>\$0</u>	<u>\$22,820,267</u>
Total liabilities, surplus and other funds	<u>\$35,331,645</u>	<u>\$0</u>	<u>\$35,331,645</u>

US Coastal Property & Casualty Insurance Company
Statement of Income
December 31, 2017

Underwriting Income

Premiums earned		\$9,543,528
	Deductions:	
Losses incurred		6230208
Loss expenses incurred		1200290
Other underwriting expenses incurred		4912098
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		\$12,342,596
Net underwriting gain or (loss)		(\$2,799,068)

Investment Income

Net investment income earned		413,590
Net realized capital gains or (losses)		6,153
Net investment gain or (loss)		\$419,743

Other Income

Net gain or (loss) from agents' or premium balances charged off		\$0
Finance and service charges not included in premiums		0
Aggregate write-ins for miscellaneous income		0
Total other income		\$0
Net income before dividends to policyholders and before federal & foreign income taxes		(\$2,379,325)
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		(2,379,325)
Federal & foreign income taxes		0
Net Income		(\$2,379,325)

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$23,439,756
Net Income		(\$2,379,325)
Net unrealized capital gains or losses		(30,865)
Change in non-admitted assets		(2,789)
Change in net deferred income tax		302,490
Change in provision for reinsurance		(9,000)
Surplus adjustments: Paid in		1,500,000
Aggregate write-ins for gains and losses in surplus		0
Examination Adjustment		0
Change in surplus as regards policyholders for the year		(\$619,489)
Surplus as regards policyholders, December 31 current year		\$22,820,267

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Richard Roth, FCAS, FCA, of Bickerstaff, Whatley, Ryan & Burkhalter Consulting Actuaries, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2017, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Katie Koch, FCAS, MAAA, of Lewis & Ellis, Inc., reviewed the loss and loss adjustment expense work papers provided by the Company and was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$22,820,267, exceeded the minimum of \$20,000,000 required by Consent Order 181842-15-CO.

SUBSEQUENT EVENTS

There were no significant subsequent events identified at the conclusion of the examination.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **US Coastal Property & Casualty Insurance Company** as of December 31, 2017, consistent with the insurance laws of the State of Florida.

Per examination annual financial statements, the Company's surplus as regards to policyholders was \$22,820,267, which exceeded the minimum of \$20,000,000 required by Consent Order 181842-15-CO.

In addition to the undersigned, the following also participated in the examination:

Ryne Davison, CFE	Examiner-in-Charge	Lewis & Ellis, Inc.
Jeffrey Rockwell	Examination Manager	Office
Christopher Brown	Participating Examiner	Office
David Palmer, CFE	Participating Examiner	Lewis & Ellis, Inc.
Katie Koch, FCAS, MAAA	Exam Actuary	Lewis & Ellis, Inc.
Dilbrina Belgrave	IT Specialist	New York Department of Insurance and Financial Services
Nellie Rosin	IT Specialist	New York Department of Insurance and Financial Services

Respectfully submitted,



Brian Sewell, CFE, MCM
Chief Examiner
Florida Office of Insurance Regulation