



**LIMITED SCOPE EXAMINATION REPORT
OF**

**US COASTAL PROPERTY & CASUALTY
INSURANCE COMPANY**

NAIC Company Code: 15900

**Jonesville, Florida
as of
December 31, 2018**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	-
SCOPE OF EXAMINATION.....	1
SUMMARY OF SIGNIFICANT FINDINGS	2
CURRENT EXAMINATION FINDINGS	2
PREVIOUS EXAMINATION FINDINGS	2
COMPANY HISTORY	2
GENERAL	2
MANAGEMENT AND CONTROL	3
CORPORATE GOVERNANCE	3
AUDIT COMMITTEE	5
ENTERPRISE RISK MANAGEMENT	6
CONTROL	6
SIMPLIFIED ORGANIZATIONAL CHART.....	6
ACCOUNTS AND RECORDS	7
CORPORATE RECORDS REVIEW	7
SUBSEQUENT EVENTS	7
CONCLUSION.....	8

May 12, 2020

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, 2018, 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 was a limited scope examination of US Coastal Property & Casualty Insurance Company as directed by the Florida Office of Insurance Regulation (“the Office”). The Company was last examined by representatives of the Office as of December 31, 2017. To the extent applicable, the limited scope examination was conducted in accordance with the guidance of the National Association of Insurance Commissioners (NAIC) Financial Condition Examiner’s Handbook, the NAIC Accounting Practices and Procedures Manual and the Florida Administrative Code. This examination was limited to particular risk areas of operational processes and the focus is less comprehensive than a full-scope examination. This report is for a limited-scope examination and is not intended to communicate all matters of importance for an understanding of the Company’s financial condition.

The fieldwork commenced on January 23, 2020 and concluded as of May 11, 2020. Our limited scope examination only included material events occurring subsequent to December 31, 2018 and noted during the course of the examination as they related solely to the areas within the limited scope of the examination detailed in the following paragraph. This examination represents the third limited or full scope examination since the Company started operations in 2016 and was conducted by Eide Bailly, LLP.

The limited scope examination focused on the Company’s Corporate Governance Framework, Enterprise Risk Management function, Strategic Planning process and future plans, and follow-up on the implementation of processes and procedures noted in prior examinations. In addition, the examination included inquiries to clarify the Company’s previous responses to the Office regarding its 2019 Annual Statement.

Biographical information of Officers and Directors and provisions for disclosure of conflicts of interest were reviewed and assessed. The Articles of Incorporation and Bylaws were reviewed, along with any changes or amendments. Interviews were conducted with various members of executive management team and the appointed actuary to assess the scope of roles and responsibilities and evaluate recent turnover in executive positions.

The minutes of the Board of Directors and the Audit Committee for the period under examination were reviewed. Attendance at meetings, the election of Officer and Directors, review of investment transactions, compliance with committee charters and reserve discussions with the appointed actuary were review and assessed.

The Company's strategic plans were evaluated for potential expansion by geographic location and by line of business. The examiners obtained and reviewed the operational procedures, organizational structure and quality assurance processes. The Company implemented an Enterprise Risk Management program in 2018 and the ongoing implementation and monitoring of the program was also reviewed.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

The findings noted during this examination have been resolved by the Company subsequent to the examination period and have been discussed in the body of the report.

Previous Examination Findings

There were no findings, exceptions, or corrective actions to be taken by the Company for the prior examination as of December 31, 2017.

COMPANY HISTORY

General

The Company was incorporated in Florida on January 19, 2016, and commenced business on March 28, 2016. The Company was authorized to transact insurance only in the State of Florida on February 23, 2016, and continued to be authorized for the following lines of business as of December 31, 2018:

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

MANAGEMENT AND CONTROL

Corporate Governance

Directors serving as of December 31, 2018, are shown below:

Name	City, State	Principal Occupation, Company Name
Michael Lee McNitt	Gainesville, Florida	President and Chief Executive Officer, Cabrillo Coastal General Agency, LLC
Ronda Lyn Loshonkohl	Newberry, Florida	Executive Vice President Underwriting and Customer Support, Cabrillo Coastal General Agency, LLC
Bradley Mitchell Jones*	High Springs, Florida	Chief Financial Officer and Treasurer, US Coastal Property and Casualty Insurance Company
Jeffrey Ryan Hershman	Chalfont, Pennsylvania	Executive Vice President, Harbor Claims, LLC
Richard James Roth, Jr.	Huntington Beach, California	Consulting Actuary, Bickerstaff, Whatley, Ryan & Burkhalter
Roger Lee McNitt	La Jolla, California	Attorney, Blanchard Krasner & French

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

Name	City, State	Company Name
Michael Lee McNitt	Gainesville, Florida	President and Chief Executive Officer
Ronda Lyn Loshonkohl	Newberry, Florida	Executive Vice President
Bradley Mitchell Jones*	High Springs, Florida	Chief Financial Officer
Jeffrey Ryan Hershman	Chalfont, Pennsylvania	Executive Vice President
Julia Wade Knight	Gainesville, Florida	General Counsel and Secretary
John William Elbl	Framingham, Massachusetts	Chief Risk Officer

*Review of the Company's corporate records indicated that Bradley Jones was a member of the Board of Directors and the Chief Financial Officer (CFO) as of December 31, 2018. Mr. Jones resigned in February of 2019 and was replaced as CFO by Maria Moller. Mr. Jones was not listed on the 2018 Jurat Page as CFO nor as a member of the Board. The Jurat Page for the 2018 Annual Statement listed Maria Moller as a Board Member and CFO. Corporate records indicated Ms. Moller was appointed CFO by the Board in February of 2019, however they did not indicate she was elected as a member of the Board.

The Company experienced turnover in three (3) executive level positions in 2018 and 2019. The positions impacted included the Chief Risk Officer and General Counsel in 2018 and the CFO in 2019. Examiners obtained explanations for the reasons behind the turnover, reviewed the qualifications and performed interviews with the Company's replacements at those positions.

Subsequent Event: The Company filed an amended 2018 Jurat Page with the Office and the NAIC. The Company agreed to ensure that the Officers and Directors listed on future filings are consistent with the Company's corporate records.

Audit Committee

The Board appointed an Audit Committee Charter on November 6, 2017. The Board did not appoint any other committees as of December 31, 2018. The members of the Committee as of December 31, 2018 are listed below:

Name	City, State	Position
Michael Lee McNitt	Gainesville, Florida	President and Chief Executive Officer
Roger Lee McNitt	La Jolla, California	Attorney, Blanchard Krasner & French
Rhonda Lyn Loshonkohl	Newberry, Florida	Executive Vice President
Bradley Mitchell Jones*	High Springs, Florida	Chief Financial Officer
Jeffrey Ryan Hershman	Chalfont, Pennsylvania	Executive Vice President
Richard James Roth, Jr.	Huntington Beach, California	Consulting Actuary, Bickerstaff, Whatley, Ryan & Burkhalter

*Refer to footnote on page 4.

Review of corporate records indicated the Committee met a total of four (4) times in 2018 and 2019 in accordance with its Charter. The Committee held frequent discussions with the Company's external auditor, discussed the results of regulatory examinations, received updates on Cyber Security efforts from Cabrillo Holdings, LLC's Chief Technology Officer.

The Committee began receiving the results of quality assurance audits during 2019. The Committee Members are provided the results of the audits performed on a quarterly basis in the Audit Committee Packet. The Company's quality assurance reviews are primarily focused on Underwriting and Claims.

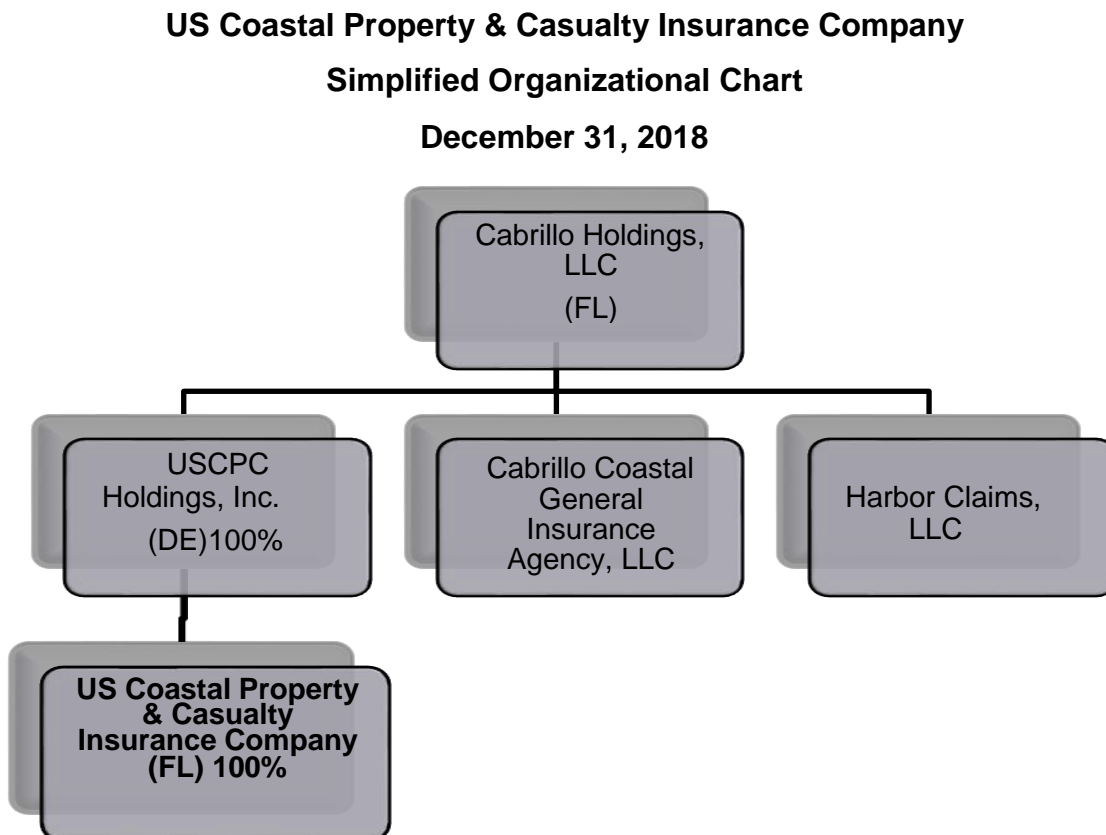
Enterprise Risk Management

The Company established an Enterprise Risk Management program in 2018 that is overseen by the Company's Chief Risk Officer. Senior Management identifies risks to the organization as well as corresponding controls serving to mitigate those risks. Documentation reviewed confirmed that Company executives review the risk register and mitigating controls on an annual basis, updating the information as necessary and providing periodic updates to the Board.

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, which in turn was one hundred percent (100%) owned by Cabrillo Holdings, LLC. During 2018 the Parent contributed \$900,000 to the Company in cash as additional paid-in capital. Schedule Y in the 2018 Annual Statement provides a complete list of affiliates and the ultimate controlling persons.

A simplified organizational chart as of December 31, 2018, reflecting the holding company system, is shown below:



Corporate Records Review

The minutes of the Shareholder, Board of Directors and the Audit Committee meetings were reviewed for the period under examination and through November of 2019. The minutes of the Board adequately documented its meetings and approval of Company transactions and events, including the authorization of investments and discussion with the appointed actuary on reserve related matters.

SUBSEQUENT EVENTS

Surplus Notes

On December 31, 2019 the Company issued a surplus note in the amount of \$4,000,000 to its Parent, USCPC Holdings, Inc.

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

CONCLUSION

Except as noted above, there were no significant findings identified during this limited-scope examination.

The insurance examination practices and procedures as promulgated by the NAIC and for a limited scope examination have been followed in ascertaining the condition of **US Coastal Property & Casualty Insurance Company** as of December 31, 2018, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, James Menck, CFE, Participating Examiner, of Eide Bailly, LLP, also participated in the examination. Members of the Office who participated in the examination include Jeff Rockwell, Examination Manager and Chris Brown, Participating Examiner.

Respectfully submitted,



Joseph Hofmeister, CFE
Examiner-in-Charge
Eide Bailly, LLP
Representing the Florida Office of Insurance Regulation



Daniel W. Applegarth, CFE, CPA, PIR
Chief Financial Examiner
P&C Financial Oversight
Florida Office of Insurance Regulation