

COASTAL INSURANCE RISK RETENTION GROUP, INC.

(CIRRG)

STOCKHOLDERS' MEETING

MAY 13, 2010

Presentation By:

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President/CEO

WELCOME

Good Morning, Mr. Chairman, Board Members, Stockholders, Insured's, Staff and Guest – on behalf of the company management, I welcome you to the 2010 Stockholders' Meeting of Coastal Insurance Risk Retention Group, Inc. (hereinafter, I will call it CIRRG).

Recently, I was commenting to our Board Chairman - Bob Chapman - that I still had to prepare my 'State of the Company' presentation for the upcoming Stockholders' meeting. He advised me to simply comment on the great results we had in 2009 and say "two words are better than ten and the results say it all". I must admit that I am tempted. But, when there is good news to be presented why not take the opportunity.

SUCCESSFUL YEAR

The last year has been successful in many ways. The core philosophy of CIRRG is to provide medical malpractice and general liability insurance to hospitals, physicians and allied healthcare providers in Alabama at an affordable price on a constant basis. The relationships that have been built with our clients using this philosophy are not typical of insurance industry relationships. Our relationship is much closer and is enhanced by the providing of superior services. During 2009, we were told by several clients that our services and helpful attitude was extremely helpful to them and respectfully appreciated. Those services assist them in running their operations in an effective manner. Some examples: Underwriting assisting hospitals with getting insurance coverage for physicians on short notice when the physician is needed to cover the ER. Risk Management Consultants working with clients that have contacted us with request to provide information they need to handle a risk management crises. This often happens in situations where the client is waiting in their office for the information. Or, Claim Managers assisting a client's management team work through the best method of dealing with a patient's family when the patient has experienced an untoward event. These are

examples of superior service. We provide this on a daily basis. Once you have provided this level of service for years, it becomes a challenge to retain the clients' awareness that this is not the standard level of service in the insurance industry.

In this regard, I would like to acknowledge the employees of CIRRG. Their efforts and caring attitudes are the foundation of this level of service. They sincerely care for our clients. And, want to assist them as much as they can. Without this, the level of service that we provide would not be possible.

The 2009 financial results are outstanding. Let's review these results at a summary level.

- CIRRG now has "Surplus" of \$17.9 million. This provides a "Net Premium to Surplus" ratio of 0.34. Medical Malpractice insurance companies with a ratio of 1.0 are considered to be financially healthy. We are much better than that.
- The "Admitted Assets" are \$45.3 million. This gives CIRRG enough capital base to be much more than a small, struggling insurance operation.
- The success of CIRRG is demonstrated in its profits this year. "Net Underwriting Gain" is \$7.4 million. This is insurance company operating profit before investment income. Adding investment income, CIRRG earned \$7.7 million "Income Before Income Taxes". And, after income taxes "Net Income" was \$4.99 million.

While this result is recognized in 2009, it is actually a cumulative profit from several years of successful operations. During 2009, the outside professionals that calculate how much it will ultimately cost to settle all of our claims – our outside actuarial firm - informed us that we now have enough of our own claim experience data to use our own experience to calculate trending factors rather than using standard industry trending factors. The result of this was a significant reduction in the projected ultimate claim cost for many of CIRRG's past 7 years. The cumulative result is approximately \$6.5 million of the \$7.4 million underwriting profit for 2009. This is a one- time occurrence at this level. But, even if it is a one-time occurrence we are very pleased to be reporting this to you this year.

ACCOMPLISHMENTS

I would like to make you aware of two of the accomplishments that have been recognized since our last stockholders meeting.

One, Risk Management has made available CME accredited courses for physicians over the internet. Physicians can now take CME accredited courses in the comfort and convenience of their office or home at any time – night or day, weekday or weekend. These courses are designed to provide healthcare risk management information to healthcare professionals that assist them in preventing claims. In recognition of the benefits of physicians taking these risk management oriented courses, underwriting is providing premium credits to those physicians that take the courses. There are multiple courses available. And, Underwriting will award 1% premium credit for each 1 hour CME course taken up to 5 courses – 5% premium credit per year.

Second, CIRRG is moving their Montgomery Office. On June 1st of this year we will be in our new offices. Our new landlord will be the Alabama Hospital Association. A friend and close business associate since our beginning. The new office will have several new advantages. A class room with audio and visual equipment that will accommodate over 50 people classroom style for training sessions or seminars. Storage space, so that we will be able to store all of our files on site. And, several meeting rooms for individual use or occasions where there are multiple meetings occurring at the same time. Next years' Stockholders' meeting will be held in the new office.

CHALLENGES

Now, let us take a look at the challenges that are facing us during the coming year.

The first and most vital challenge is growth. Growth was presented as a challenge in my presentation last year and, has been an area of attention during the past year. An impediment to growth is that the insurance industry is in a 'soft market'. 'Soft Markets' are periods in the insurance industry cycle where there is excessive competition with aggressive actions being taken to expand the amount of business written. This aggressiveness ultimately leads to insurance companies withdrawing from the market place due to significant losses; or, in the worst cases, insolvency of the insurance company. The principle challenge to CIRRG in this market place is that a few of our competitors are willing to offer prices that are not healthy for long term financial viability. Since CIRRG is committed to offering a constant, stable market for medical malpractice insurance over the long term, we are not able to enter and leave the market place as it is in CIRRG's best interest. We are committed to staying the course.

A second challenge is the changing rules, regulations and laws about healthcare, accounting and insurance companies that are being developed and implemented by the state and federal government. As an example, what will be the impact of the Healthcare Reform Act on medical malpractice claims?

The answer to that question is currently unknown. It will depend greatly on the regulations and healthcare payment terms that are developed.

Another governmental change is the regulation regarding Medicare set asides. The government is seeking to make certain that Medicare is reimbursed for any healthcare payments made by medical malpractice, workers' compensation, etc. insurance companies. The actual implementation of this program has been delayed until January, 2011 due to the amount of data that will be collected. The known impact of this change will be the added complexity of settling claims. Everyone must be certain that the government set asides are identified and accounted for when negotiating the settlement of a claim.

CLOSING

In conclusion, I would like to thank you for your business and your confidence in us as your medical malpractice insurance provider. Please do not hesitate to call any of us with any questions or concerns that you might have regarding our products or services.

Thank you for your attention. Mr. Chairman, this concludes my prepared comments. If there are any questions, I would be pleased to answer them.