

**COASTAL INSURANCE RISK RETENTION GROUP, INC.
CIRRG**

STOCKHOLDERS' MEETING

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Presentation By:

**Melvin L. Capell CPCU, MBA, ARM
President/CEO**

Opening

Good Morning, Mr. Chairman, Board Members, Stockholders, Insureds, Staff and Guest – on behalf of the company management, I welcome you to the 2008 Stockholders' meeting of Coastal Insurance Risk Retention Group, Inc. (hereinafter I will call it CIRRG). The purpose of my presentation today will be to advise you about the current status of CIRRG, explain the environment that is affecting our operations and present an overview of where management is leading the company.

I recently saw a list of 'Ponderisms' on the internet that I found to be thought provoking. Let me share a few of these with you.

1. How important does a person have to be before they are considered assassinated instead of just murdered?
2. If corn oil is made from corn, and vegetable oil is made from vegetables, what is baby oil made from?
3. Do the alphabet song and 'twinkle, twinkle little star' have the same tune?
 - a. Why did you just try singing the two songs above?
4. And as a last ponderism, did you ever notice that when you blow in a dog's face, he gets mad at you, but when you take him for a car ride, he sticks his head out the window.

Now I have truly given you something to think about. And, I apologize if you are still pondering some of these tomorrow.

We may ponder these thoughts. But, one thing that is for certain is the CIRRG has been in business for 5 successful years. For those that pondered on whether CIRRG would "make it". The clear, emphatic answer is yes. Not only did it "make it", CIRRG is financially sound and ready to go into the future in grand style.

2007 Results

I am privileged to be able to tell you that 2007 was a profitable year for CIRRG. And, I feel even more privileged to tell you that this is the fourth (4th) consecutive year that CIRRG has operated at a profit.

During 2007, CIRRG took in \$14.2 million of “Gross premiums written” and \$1.9 million of “Net Investment Gain” for a total income of \$16.1 million. Expenses, including reinsurance, operational expenses and claims cost are subtracted from this figure giving CIRRG an “Income Before Income Taxes” of \$1.17 million. That is a successful year.

Activity Report

During last years stockholders’ meeting, I presented 3 projects as our “Plans For The Coming Year”. The following is an update on the status of each of these projects.

1. Profit Return Program. Several potential profit return programs were identified and analyzed. Each had unique sets of strengths and downsides which were studied. This information was then brought to the Board of Directors for their review and action. As a result of this process, it has been determined that payment of stock dividends is the preferable program for returning profits to the owners.

The Board additionally gave management a set of guidelines for calculating the amount of profit to be returned. This process involves several steps: First, the calculation should be based on the amount of “Net Income” shown in the audited financial statement. If this figure is positive, we can proceed with the calculation. If it is negative, no profit is available to be returned. Second, the first priority for use of profits is to maintain an adequate level of surplus in the company. Surplus is a key indicator of an insurance company’s financial strength. Therefore, a primary step will be to analyze the company’s level of surplus and determine what amount of additional surplus is needed to put the company in the position that it wants. Third, the remaining profit is to be divided between payments to departed insureds’ for amounts owed them for reclaimed stock and stock dividends for current stockholders. The amount to be paid in stock dividends will match or exceed the amount used to pay departed insureds. Finally, management is to bring a recommendation to the Board for review and final action. On this point, I am pleased to advise you that one of the items on the agenda of the Board of Directors’ meeting that will follow this stockholders’ meeting is to have the Board review a proposed stockholder dividend.

2. Paperless Liability Claims Operation. Current active claims files have been converted into this program. Steps are now being taken to convert all claim files into the program. I will add that it has been a success. And, liability

underwriting, workers' compensation claims and the agency operation are all involved in transitioning to paperless operations.

3. Strategic Planning Program. A lot of effort was dedicated to this program during all of last year. These efforts were brought into focus during a two day session attended by the Board Members of CIRRG, HWCF and CIS. Plus, the staff officers of the organization and a professional, outside facilitator. The product of this two day session was a five year strategic map, showing key areas to be addressed and developed over this period. An important benefit of this map is that the Board Members and officers are in agreement with where the organization needs to proceed in its efforts to move forward.

One area came out high on everyone's list - that is growth. I would like to take most of the remainder of this presentation to discuss this area. This also becomes the primary plan for 2008.

Growth

The first question is - Why is growth so important? There are several reasons. One, is that new business provides a greater base to spread expenses, especially overhead expenses. A portion of every insurance premium dollar goes to pay claims, the rest goes to operating expenses and hopefully some profit. A second reason is that the addition of new accounts is needed to replace accounts that have left. Every company experiences some attrition of business, CIRRG is no different. Therefore, we need to be adding new accounts to keep from experiencing a decline in premium income. This was a specific concern to CIRRG two years ago when we learned that we would be losing one of our largest accounts to a merger situation. That loss has been modified over the last year by the addition of some new hospital insureds. But, this is a great example of why we need to grow. Third, greater numbers of insureds and larger amounts of expense dollars provide the capability to expand services. I want to be careful here, because we provide a very high level of service now. It is just a matter of numbers that with a larger base, you have more opportunities to provide even more services.

The second question is - How do we accomplish growth? Again I provide several answers to this question.

A classic method to create growth in any industry is to have the cheapest price. However, the insurance industry has a unique exposure as regards cheap prices. Insurance is a promise to pay future claims. Therefore, insureds pay their premium today, on the promise that when they have a claim in the future the insurance company will be there to handle the claim. Unscrupulous insurance companies can reduce their premiums to offer fantastic deals. This leads to rapid growth. However, the catch is that they do not have sufficient funds to pay the claims that they are presented in the future. This is a key reason for governmental regulation and oversight of the insurance industry.

So does this mean that insurance companies cannot compete on price. No, that is not what this means. It is important that to be competitive you must offer competitive prices. However, a sound insurance company will know when they have reached their fiscally sound price level. Once reached the company cannot continue lowering prices even in response to competition.

Another opportunity to grow occurs when other insurance companies do not feel that they can make a profit writing a certain type of insurance in a specific area. When this happens, those companies will withdraw from offering that insurance. This creates a condition called “limited availability of insurance”. CIRRG is a specialist in writing medical malpractice in Alabama. We know the healthcare industry in Alabama and we are committed to serving the needs of the healthcare industry in Alabama. We will be providing a market when most other companies have left the state. Right now, Alabama is experiencing abundant availability. Therefore, this opportunity is not available. However, history has shown that due to the “insurance cycle” this will change over time. CIRRG must financially and operationally be preparing now to be able to write the business being abandoned by other insurance companies when that time comes.

Another important area of competition is service. This is a critical area of competition for CIRRG. All insurance companies tell their clients and potential clients that they have superior levels of service. However, all too frequently that level of service is ‘big talk’ and not the ‘real walk’. CIRRG has always placed a genuine emphasis on the services that we provide. It thus becomes our challenge to convince potential insureds that we are the “real thing”. Our message needs to communicate that we place a lot of emphasis on value. What do we mean by that? “Emphasis on value places the buyer, not the competition, at the center of strategic thinking; emphasis on innovation pushes managers to consider totally new ways of doing things”.

Examples make this point clearer.

In underwriting, this means that we return phone calls in a timely manner. And, we either answer the question or get an answer in a timely manner. It also means that we listen to the client or potential client and truly hear what they are trying to tell us. Then taking that information, we analyze the situation and determine if there is a way to respond to the clients needs. Finding a way to say ‘yes’ is often harder than simply saying ‘No’.

In claims, this means that we make an effort to talk with insureds named in a lawsuit and listen to their concerns. It means that we talk with insured physicians about their case – both the good and the bad points. It means that we provide loss runs when requested.

In risk management, this means that we want you to call us with questions about how to best manage unusual hazards. It means that we are happy to provide classes for you and your employees that can help reduce risk. And, that we are sincerely pleased to assist you with your risk management program.

In accounting, this means that we want to be transparent. We want you to be comfortable with our financial situation. And, we want that comfort to be based on knowledge and trust, not on the basis of “we told you that we are in good condition”.

Summarizing, we want the client to be the center of our services. We want new clients coming to us because they recognize and value our level of service.

Closing

In conclusion, I would like to thank you for your business and your trust in us as your insurance carrier. Please do not hesitate to call any of us with any question or concern that you might have regarding our products or services. And, thank you for your attention today.

Mr. Chairman that concludes my prepared comments. If there are any questions I would be pleased to answer them.