

2000 PROPERTY AND CASUALTY MARKET CONDUCT EXAMINATION

OF

GRANADA INSURANCE COMPANY

BY

THE FLORIDA DEPARTMENT OF INSURANCE

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I. INTRODUCTION

Granada Insurance Company is a domestic property and casualty insurer licensed to conduct business in the State of Florida during the scope of this examination, January 1996 through December 1998. This examination began March 2, 2000 and ended April 15, 2000. The last examination of this insurer by the Florida Department of Insurance was completed in 1995.

During this examination, records reviewed included policies, cancellations/nonrenewals, agent/MGA licensing, claims and consumer complaints for the period of January 1996 through December 1998, as reflected in the report.

This report contains examination results addressing all areas of noncompliance found during the course of the examination. In all instances, the Company was directed to take corrective action as required, issue appropriate refunds, make all necessary filings with the Department and immediately cease any activity that continues to place the Company in noncompliance with Florida Statutes/Rules.

II. PRE-EXAM REVIEW OF COMPANY'S WRITINGS

A. CERTIFICATE OF AUTHORITY - AUTHORIZED LINES

1. General Comments

The Certificate of Authority/Renewal Invoices were reviewed for all years within the scope of the examination.

2. Error Percentages

The review included verification of the lines of business the Company was authorized to write during the scope of examination versus those lines actually being written. It also included verification that notification requirements were met for any line of business that was discontinued.

No errors were found.

III. REVIEW OF POLICIES

A. FIRE AND ALLIED LINES

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

Granada Insurance Company is an Insurance Service Office (ISO) service purchaser and as such ISO does not file rates/ rules on the Company's behalf. The Company independently files rules/rates in accordance with Section 627.062, Florida Statutes.

b. Form Filings

Granada Insurance Company is an Insurance Service Office (ISO) service purchaser and as such ISO is not authorized to file forms on the Company's behalf. The Company independently files forms in accordance with Section 627.410, Florida Statutes.

c. Statistical Affiliation

The National Association of Independent Insurers (NAII) acts as the Company's official statistical agent.

2. Premium and Policy Counts

Direct Premiums Written and in-force policy counts for the scope of the examination are as follows:

<u>Year</u>	<u>DPW</u>	<u>Policy Count</u>
1998	\$1,792,559	1,882
1997	\$2,079,251	2,122
1996	\$1,620,089	1,532

3. Exam Findings

Thirty (30) policy files were examined.

No errors were found.

B. COMMERCIAL AUTOMOBILE

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

Granada Insurance Company is an Insurance Service Office (ISO) service purchaser and as such ISO does not file rates/ rules on the Company's behalf. The Company independently files rules/rates in accordance with Section 627.062, Florida Statutes.

b. Form Filings

Granada Insurance Company is an Insurance Service Office (ISO) service purchaser and as such ISO is not authorized to file forms on the Company's behalf. The Company independently files forms in accordance with Section 627.410, Florida Statutes.

c. Statistical Affiliation

The National Association of Independent Insurers (NAII) acts as the Company's official statistical agent.

2. Premium and Policy Counts

Direct Premiums Written and in-force policy counts for the scope of the examination are as follows:

<u>Year</u>	<u>DPW</u>	<u>Policy Count</u>
1998	\$7,760,109	7,376
1997	\$8,325,980	3,862
1996	\$7,012,806	5,122

3. Exam Findings

Fifty (50) policy files were examined.

Fifty (50) errors were found.

None of the errors affected premium.

The errors are broken down as follows:

1. Fifty (50) errors were due to failure to provide risk management guidelines. This constitutes a violation of Section 627.0625, Florida Statutes.

C. OTHER LIABILITY

1. Application of Rules, Rates and Forms

a. Rate/Rule Filings

Granada Insurance Company is an Insurance Service Office (ISO) service purchaser and as such ISO does not file rates/ rules on the Company's behalf. The Company independently files rules/rates in accordance with Section 627.062, Florida Statutes.

b. Form Filings

Granada Insurance Company is an Insurance Service Office (ISO) service purchaser and as such ISO is not authorized to file forms on the Company's behalf. The Company independently files forms in accordance with Section 627.410, Florida Statutes.

c. Statistical Affiliation

The National Association of Independent Insurers (NAII) acts as the Company's official statistical agent.

2. Premium and Policy Counts

Direct Premiums Written and in-force policy counts for the scope of the examination are as follows:

<u>Year</u>	<u>DPW</u>	<u>Policy Count</u>
1998	\$3,671,231	3,377
1997	\$4,238,425	3,862
1996	\$3,609,233	3,288

3. Exam Findings

Fifty (50) policy files were examined.

No errors were found.

IV. AGENTS/MGA REVIEW

Thirty (30) applications/policies written during the scope of examination were examined.

No errors were found.

V. CANCELLATIONS/NONRENEWALS REVIEW

Thirty (30) cancelled/nonrenewed policies were examined.

No errors were found.

VI. CLAIMS REVIEW

Thirty (30) claims were examined.

No errors were found.

The Company's internal claims handling procedures and reserving practices are described in Exhibit I.

VII. COMPLAINTS REVIEW

A complete record of all the complaints received by the Company since the date of the last examination has been maintained as is required by Section 626.9541(1)(j), Florida Statutes. Procedures for handling these complaints have been established by the Company. Complaint handling procedures are described in Exhibit II.

Department of Insurance consumer complaints received during the scope of examination were reviewed and findings are as follows:

- 1) Consumer Hayes; dated of complaint to the Department 5/23/95. Consumer made an allegation of violation of Section 626.9541, Florida Statutes. Review determined Company properly handled file.

- 2) Consumer Singarella; date of complaint to the Department 12/06/93. Consumer made allegation of improper claim denial, a violation of Section 626.9541, Florida Statutes. Review determined Company properly handled file.

VIII. EXHIBITS

<u>SUBJECT</u>	<u>EXHIBIT NUMBER</u>
CLAIMS HANDLING PROCEDURE	I
COMPLAINT HANDLING PROCEDURE	II