



**EXAMINATION REPORT
OF
GRANADA INSURANCE COMPANY**

NAIC Company Code: 16870

**Miami, Florida
as of
DECEMBER 31, 2019**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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April 9, 2021

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 690-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (“the NAIC”), we have conducted an examination as of December 31, 2019, of the financial condition and corporate affairs of

Granada Insurance Company
4075 SW 83rd Avenue
Miami, Florida 33155

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, 2015 through December 31, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on July 23, 2020 through July 24, 2020. The fieldwork concluded as of April 9, 2021. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2010 to December 31, 2014.

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

This examination report includes information obtained from the examination of the records, accounts, files and documents of or relative to the Company and other information as permitted by Section 624.319, Florida Statutes. There may be other items identified during the examination that, due to their nature (for 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 significant findings as a result of this examination.

Previous Examination Findings

There were no significant findings in the previous examination.

COMPANY HISTORY

General

The Company was incorporated in Florida on August 27, 1986 and commenced business on May 20, 1987.

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, 2019, the Company's capitalization was as follows:

Number of authorized common capital shares	1,955,802
Number of shares issued and outstanding	1,955,802
Total common capital stock	\$1,955,802
Par value per share	\$1.00

Control of the Company was maintained by its parent, Hattbert Holdings Inc. (Hattbert), a Florida corporation, which owned 100% of the stock issued by the Company. The parent contributed \$800,000 to the Company during the period under examination as follows:

2015	\$350,000
2016	\$450,000

Surplus Notes

The Company did not have or issue any surplus notes during the period under examination.

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period under 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, 2019, are shown below with the first person listed being the Chairman of the Board:

Directors		
Name	City, State	Principal Occupation, Company Name
Juan M. Diaz-Padron	Coral Gables, Florida	Chief Executive Officer Granada Insurance Company
Carmen M. Diaz-Padron	Coral Gables, Florida	President Granada Insurance Company
Carlos M. Diaz-Padron, Esq.	Coral Gables, Florida	Secretary / General Counsel Granada Insurance Company
Richard S. Friedberg	Spartanburg, South Carolina	Retired
Ramon Arias	Palmetto Bay, Florida	Independent Management Consultant Intermark American
Alberto N. Parjus	Miami, Florida	Budget Coordinator Miami-Dade County
Anthony F. Sierra	Coral Gables, Florida	President / CEO Best Meridian Insurance Company

In accordance with the Company's Bylaws, the Board of Directors ("Board") appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
Juan M. Diaz-Padron	Coral Gables, Florida	Chief Executive Officer
Carmen M. Diaz-Padron	Coral Gables, Florida	President
Carlos M. Diaz-Padron, Esq.	Coral Gables, Florida	Secretary, General Counsel
Delfin F. Campana	Miami, Florida	Vice President of Claims
Celia I. Acosta- Galvin	Miami, Florida	Vice President of Underwriting

The following were the principal internal board committees and their members as of December 31, 2019. The first person listed for each committee is the chairman.

Executive Committee		
Name	City, State	Title, Company Name
Ramon Arias	Palmetto Bay, Florida	Independent Management Consultant Intermark American
Richard S. Friedberg	Spartanburg, South Carolina	Retired
Alberto N. Parjus	Miami, Florida	Budget Coordinator Miami-Dade County
Anthony F. Sierra Coral	Gables, Florida	President / CEO Best Meridian Insurance Company

The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

Holding Company System

A holding company registration statement was filed with the Office on April 1, 2019, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

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

Managing General Agent Agreement

The Company entered into a Managing General Agency (MGA) Agreement with its affiliate, GIC Underwriters, Inc., on September 10, 2003. This MGA Agreement was amended on April 28, 2016. The MGA Agreement continues in force unless otherwise terminated within the guidelines of the MGA Agreement. MGA fees were based on 22.5% of direct written premium and included a \$25 policy fee. Claims administration services were included in the MGA Agreement. Fees incurred under this MGA Agreement during 2019 amounted to \$20,148,000.

Expense Allocation Agreement

The Company entered into an expense allocation agreement with Hattbert Holdings Inc., GIC Underwriters Inc., and Granada Premium Finance Company on January 1, 2012. The agreement allocated costs based upon the scope of work and responsibilities performed for the benefit of the affiliated company. Costs allocated under this agreement during 2019 amounted to \$670,000.

ACCOUNTS AND RECORDS

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

The Company and non-affiliates had the following material agreements:

Custodial Agreement

The Company maintained a custodial agreement with Wells Fargo effective August 1, 2014. The agreement complied with Rule 69O-143.042, Florida Administrative Code.

Independent Auditor Agreement

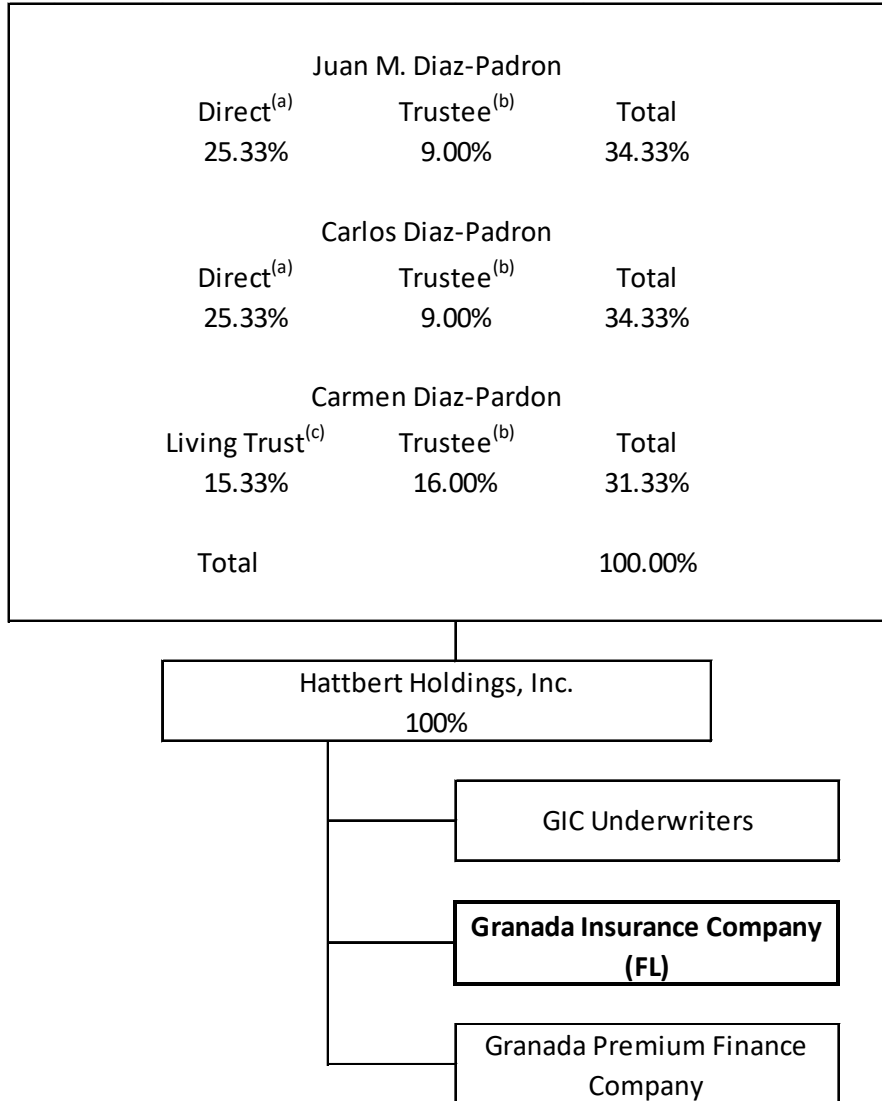
An independent CPA, GLSC & Company, PLLC., audited the Company's statutory basis financial statements annually for all of the years under examination

Corporate Records Review

The recorded minutes of the Shareholder, the Board and the Audit Committee were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events.

An organizational chart as of December 31, 2019, reflecting the holding company system, is shown on the following page.

**Granada Insurance Company
Organizational Chart
December 31, 2019**



Notes to Organizational Chart:

- (a) Represents the percentage of shares in Hattbert Holdings, Inc. owned directly by the person named immediately above.
- (b) Represents the percentage of shares in Hattbert Holdings, Inc. controlled by the person named immediately above in their role as trustees of irrevocable trusts for someone other than themselves.
- (c) Represents the percentage of shares in Hattbert Holdings, Inc. controlled by the person named immediately above in their role as trustee and beneficiary of a living trust.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in the states of Florida and Georgia; however, the Company has not written business in Georgia as of December 31, 2019.

The Company was authorized to transact insurance in Florida on May 20, 1987, and is currently authorized for the following lines of business as of December 31, 2019:

Fire	Other Liability
Allied Lines	Commercial Auto Liability
Commercial Multiple Peril	Commercial Auto Physical Damage
Inland Marine	Glass
Private Passenger Auto Physical Damage	

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

The Company did not assume any reinsurance during the period of this examination.

Reinsurance Ceded

The Company ceded risk on a quota share and excess of loss basis to reinsurers under various reinsurance treaties. The Company's retention under its excess of loss treaty was \$300,000. Additionally, the Company ceded risks on an 80/20 and 95/5 quota share basis. Quota share treaties covered risks for specific lines of the Company's business in accordance with the reinsurance treaty.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income; the statutory Statement of Cash Flow; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2019. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2019. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

Granada Insurance Company
Assets
December 31, 2019

	Per Company
Bonds	\$3,010,200
Cash and short-term investments	\$14,195,606
Interest income due and accrued	\$9,622
Agents' balances	
Uncollected premium	\$3,495,664
Deferred premium	\$28,451,968
Amounts recoverable from reinsurer	\$6,276,750
Current federal and foreign income taxes recoverable	
Net deferred tax asset	\$316,026
Electronic data processing equipment	\$235,839
Receivable from parent, subsidiaries and affiliates	\$350,000
Totals	\$56,341,674

**Granada Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2019**

	Per Company
Losses	\$16,635,821
Loss adjustment expenses	\$2,132,589
Other expenses	\$192,638
Taxes, licenses and fees	\$506,657
Current federal income taxes	\$1,017,561
Unearned premiums	\$6,920,539
Funds held under reinsurance treaties	\$10,486,483
Total liabilities	\$37,892,288
Common capital stock	\$1,955,802
Surplus notes	
Gross paid-in and contributed surplus	\$8,170,816
Unassigned funds (surplus)	\$8,322,771
Surplus as regards policyholders	\$18,449,387
Total liabilities, surplus and other funds	\$56,341,675

Granada Insurance Company
Statement of Income
December 31, 2019

	Per Company
Underwriting Income	
Premiums earned	\$13,330,141
Deductions	
Losses Incurred	\$7,843,577
Loss expenses incurred	\$3,089,474
Other underwriting expenses incurred	\$3,652,696
Aggregate write-ins for underwriting deductions	
Total underwriting deductions	\$14,585,747
Net underwriting gain (loss)	(\$1,255,606)
Investment Income	
Net investment income earned	\$6,073
Net investment gain or (loss)	\$6,073
Other Income	
Net gain or (loss) from agents' or premium balances charged off	(\$465,212)
Finance and service charges not included in premiums	\$4,938,712
Total other income	\$4,473,500
Net income before dividends to policyholders and before federal & foreign income taxes	\$3,223,967
Federal & foreign income taxes	\$650,000
Net Income	\$2,573,967

	Per Company
Capital and Surplus Account	
Surplus as regards policyholders December 31 prior year	\$15,921,145
Net income	\$2,573,967
Change in net deferred income taxes	(\$42,225)
Change in non-admitted assets	(\$3,500)
Change in surplus as regards policyholders for the year	\$2,528,242
Surplus as regards policyholders, December 31, current year	\$18,449,387

**Granada Insurance Company
Reconciliation of Capital and Surplus
December 31, 2019**

No adjustments were made to surplus as regards policyholders as a result of this examination

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2014, per Company			\$8,320,355
	Increase	Decrease	
Net income	\$6,871,716		\$6,871,716
Change in net deferred income tax		\$434,034	(\$434,034)
Change in non-admitted assets		\$8,650	(\$8,650)
Change in paid in capital	\$2,900,000		\$2,900,000
Change in paid in surplus	\$800,000		\$800,000
Net increase (or decrease)			\$10,129,032
Surplus at December 31, 20019 per Company			\$18,449,387

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Brad St. Pierre ACAS, MAAA, Principal, St. Pierre Actuarial Consulting, LLC, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2019, 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, Michael W. Morro, ACAS, MAAA, Consulting Actuary, INS Consultants, Inc., reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$18,449,387 exceeded the minimum of \$10,000,000 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulatory decisions, and the impact on the financial markets, all of which are uncertain and cannot be predicted. As of December 18, 2020, the Company's operations are functioning well in a largely "remote" environment. The conservative nature of the Company's investment portfolio and limited exposure in equity investments has largely insulated the Company from volatility in the financial markets and preserved its surplus and liquidity positions. The extent to which COVID-19 may impact the Company's financial condition or results of operations is uncertain, given the uncertainty regarding the future of the pandemic, as of the date of this report, the Company has maintained largely stable operations and financial results.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Granada Insurance Company as of December 31, 2019, consistent with the insurance laws of the State of Florida.

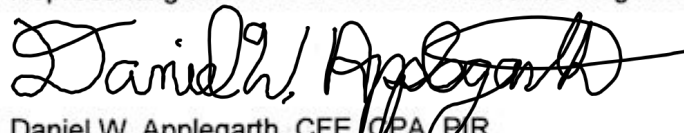
In addition to the undersigned, the following also participated in the examination

Jeff Rockwell	Exam Manager	Office
Chris Brown, APIR	Examiner	Office
Kelly Willison, CFE, CPA	Exam Manager	INS Companies, Inc.
Michael Morro, ACAS, MAAA	Consulting Actuary	INS Companies, Inc.
Peter Vuong, FCAS, MAAA	Consulting Actuary	INS Companies, Inc.
Dave Gordon, CISA, CFE (Fraud), CDFE	IT Is managing Examiner	INS Companies, Inc.
Lisa Bringman, CRP, CBA	IT Examiner	INS Companies, Inc.

Respectfully submitted,



Peter Bliss CFE
Examiner-in-Charge
INS Companies, Inc.
Representing the Florida Office of Insurance Regulation



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