REPORT ON EXAMINATION
OF
GRANADA INDEMNITY COMPANY

AS OF DECEMBER 31, 2022

EXAMINER:	**TEENA VARGHESE**
DATE OF REPORT:	**NOVEMBER 8, 2023**

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November 8, 2023

Honorable Adrienne A. Harris
Superintendent
New York State Department of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 32482 dated February 15, 2023, attached hereto, I have made an examination into the condition and affairs of Granada Indemnity Company as of December 31, 2022, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Granada Indemnity Company.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

1. SCOPE OF EXAMINATION

The Department has performed an examination of Granada Indemnity Company, a multi-state insurer. The previous examination was conducted as of December 31, 2017. This examination covered the 5-year period from January 1, 2018 through December 31, 2022. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook, which requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with New York laws, statutory accounting principles, and annual statement instructions.

This examination report includes, but is not limited to, the following:

Company history
Management and control
Territory and plan of operation
Reinsurance
Holding company description
Financial statement presentation
Loss review and analysis
Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to the recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations, or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

Granada Indemnity Company was incorporated under the laws of the State of New York on October 26, 1978 as the North Sea Insurance Company. It became licensed and commenced business on December 31, 1979.

On January 1, 2009, Lancer Financial Group ("LFG") purchased North Sea Holdings Inc., the Company's parent. In 2012, North Sea Holdings Inc. gave as a dividend, the Company and its remaining assets to LFG. North Sea Holdings Inc. then dissolved.

Effective January 1, 2013, the Company changed its name to Lancer Indemnity Company.

On December 1, 2020, Lancer Management Company, Inc. ("LMC"), a New York corporation, sold all of the issued and outstanding stock of Professional Mariners Alliance, Inc., an Illinois corporation, to the Company. On December 31, 2020, LFG transferred by dividend all issued and outstanding stock of the Company to the following LFG's shareholders, pro-rata in accordance with their ownership interests in LFG: David P. Delaney, Jr., Timothy D. Delaney, and Oxford Group, LLC. The Department found the transfer would not result in a change in control and granted an exemption from the Form A filing requirements of Section 1506 of the New York Insurance Law.

On April 15, 2021, LFG entered into an agreement and plan of merger with Core Specialty Insurance Holdings, Inc. ("Core Specialty") whereby each stockholder agreed to sell to Core Specialty, and Core Specialty agreed to purchase from each stockholder, all of the shares of capital stock of LFG held by such stockholder, subject to regulatory approvals. The Company was not part of the merger, and, with the Department's approval on February 10, 2022, its name was changed to its current title. Post-merger, for a term of three years, LFG's subsidiaries are under contract to provide services to the Company pursuant to a transition services agreement.

Effective February 2021, David P. Delaney, Jr. formed and owned Ambrose Investment Group, LLC ("Ambrose"), a Delaware limited liability company. In November 2021, Ambrose acquired Hattbert Holdings Inc. and its subsidiary, Granada Insurance Company, a Florida domiciled insurer. Effective September 2, 2022, Ambrose Investment Group, LLC changed its name to Granada Financial Group, LLC.

A. Corporate Governance

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than seven nor more than 13 members. The board met at least once during each calendar year of the examination period. At December 31, 2022, the board of directors was comprised of the following nine members:

Name and Residence	Principal Business Affiliation
Robert F. Boyle Massapequa, New York	Insurance Consultant, Granada Indemnity Company
Leonard S. Caronia Naples, Florida	Retired
George N. Cochran Boca Grande, Florida	Retired
David P. Delaney, Jr. Ponte Vedra Beach, Florida	President, Granada Indemnity Company
Timothy D. Delaney Islamorada, Florida	Member, LFG Capital Partners, LLC
Timothy H. Delaney Rockville Centre, New York	Senior Vice President, Lancer Insurance Company
Michael G. O'Rourke Chicago, Illinois	President and Chief Executive Officer, Signature Bank
Joseph G. Syage Bridgewater, New Jersey	Retired
John J. Waller Chicago, Illinois	Director, Waller Helms Advisors

As of December 31, 2022, the principal officers of the Company were as follows:

Name	Title
David P. Delaney, Jr.	President
John A. Petrilli	Secretary
Timothy R. O'Sullivan	Chief Financial Officer and Treasurer
Wayne S. Ricci	Executive Vice President
Robert A. Mackenzie	Senior Vice President

Name	Title
Kim T. Aquilino	Senior Vice President
Sean Metzger	Vice President
Kirt Vovou	Vice President

Conflict of Interest Statements

In reviewing the conflict of interest statements, the examiner noted that the Company was unable to provide some of the signed conflict of interest statements for 2022.

The Company's policy statement on conflict of interest states, in part:

> ". . . On an annual basis, directors and officer [sic] will complete a statement for the purpose of disclosing actual or potential conflicts of interest as well as circumstances which may be relevant to the licensing or certificates of authority held or sought by Granada companies . . ."

It is recommended that all of the Company's officers and directors sign the conflict of interest statement on an annual basis.

B. Territory and Plan of Operation

As of December 31, 2022, the Company was licensed to write business in 19 states. During the examination period, the Company wrote business in six states: California, Connecticut, Florida, New Jersey, New York, and Pennsylvania.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

Paragraph	Line of Business
3	Accident and health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability

Paragraph	Line of Business
16	Fidelity and surety
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Company is also empowered to transact such workers' compensation insurance as may be incident to coverage contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69th Congress as amended; 33 USC Section 901 et seq. as amended). In addition, the Company is licensed to write special risk insurance pursuant to Article 63 of the New York Insurance Law.

Based upon the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13, 41, and 63 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $12,172,408.

The following schedule shows the direct written premiums and premiums assumed by the Company for the period under examination:

Calendar Year	Direct Premiums	Assumed Premiums	Total Gross Premiums
2018	$ 3,038,608	$ 0	$ 3,038,608
2019	$ 8,304,577	$ 0	$ 8,304,577
2020	$11,109,219	$ 0	$11,109,219
2021	$15,084,681	$ 9,305,388	$24,390,069
2022	$18,720,012	$24,671,478	$43,391,490

Effective January 1, 2018, the Company began writing workers' compensation. The Company wrote this business in Florida for a business affinity group, and in New York, New Jersey, and California for small to medium-sized businesses. During 2019, the Company discontinued writing the non-Florida workers' compensation business, and at December 31, 2020, discontinued writing the remaining workers' compensation business. The Company provides commercial multiple-peril, general liability, fire, and allied lines of insurance for small to medium-sized retail businesses, primarily in New York City and Long Island. The Company also writes marine insurance including legal defense for merchant marine officers, sea pilots, and tankermen. As of December 31, 2022, the Company wrote 94% of its business in commercial multiple-peril. In 2022, approximately 80% of the Company's direct written business derived from New York, followed by New Jersey (10%), Pennsylvania (7%), Connecticut (2%), and Florida (1%). The Company's business was produced by a network of 1,400 independent brokers.

Effective January 1, 2022, the Company has a managing general agency agreement with its former affiliate, LMC. LMC is authorized to write fire and allied lines, general liability, and equipment breakdown on behalf of the Company.

Effective January 1, 2021, the Company entered into a quota share agreement with Lancer Insurance Company ("LIC"), a former affiliated insurance company. Pursuant to the terms of the agreement, the Company assumes 100% of the ultimate net loss resulting from occurrences under policies in relation to business covered, which includes commercial multiple peril, business owners policies, and marine protection and indemnity insurance program business.

Effective January 1, 2021, the Company entered into a quota share agreement with Lancer Insurance Company of New Jersey ("LICNJ"). Pursuant to the terms of the agreement, the Company assumes 100% of the ultimate net loss resulting from occurrences under policies in relation to commercial multi-peril business.

Based on the review of Schedule F – Part 1 of the 2022 Annual Statement, the Company reported the amount for LICNJ under the agreement with LIC, instead of separately listing them on Schedule F – Part 1.

It is recommended the Company institute controls to ensure it properly reflects reinsurance transactions in Schedule F – Part 1 of the Annual Statement.

Effective July 1, 2022, the Company entered into a quota share agreement with non-affiliated entities of the Clearblue Insurance Group to assume 12.5% of their homeowners multiple peril business. As of December 31, 2022, the Company assumed $15.6 million in premiums under this quota share agreement.

C. <u>Reinsurance Ceded</u>

The Company has structured its ceded reinsurance program as follows:

Type of Coverage	Cession
Property and Casualty Excess of Loss	
Property	\$2,000,000 plus, as respects adjustment expense only, \$50,000 in excess of \$1,000,000 net loss for each risk; \$6,000,000 with respect to all net loss on all risks in one occurrence with an aggregate limit of \$10,000,000 with respect to all net loss on all risks in all occurrences.
Casualty	
2 layers	\$3,000,000 in excess of \$1,000,000 net loss for each occurrence with an aggregate limit of \$4,000,000 under second excess cover with respect to all net loss for all occurrences.
Property Catastrophe Excess of Loss 2 layers	\$15,000,000 in excess of \$1,000,000 ultimate net loss for each loss occurrence with an aggregate limit of \$6,000,000 under the first excess cover and \$24,000,000 under the second excess cover as respects to any one loss occurrence.
Equipment Breakdown Quota Share	100% quota share participation of the Company’s net retained liability with a limit of liability of \$10,000,000 on any one risk.

The Company has a loss development cover with its former affiliate, LIC, effective July 1, 2017, wherein LIC reinsures future development (favorable or unfavorable) of the Company’s net loss and loss adjustment expense reserves prior to July 1, 2017.

All reinsurance was ceded to authorized reinsurers. All significant ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

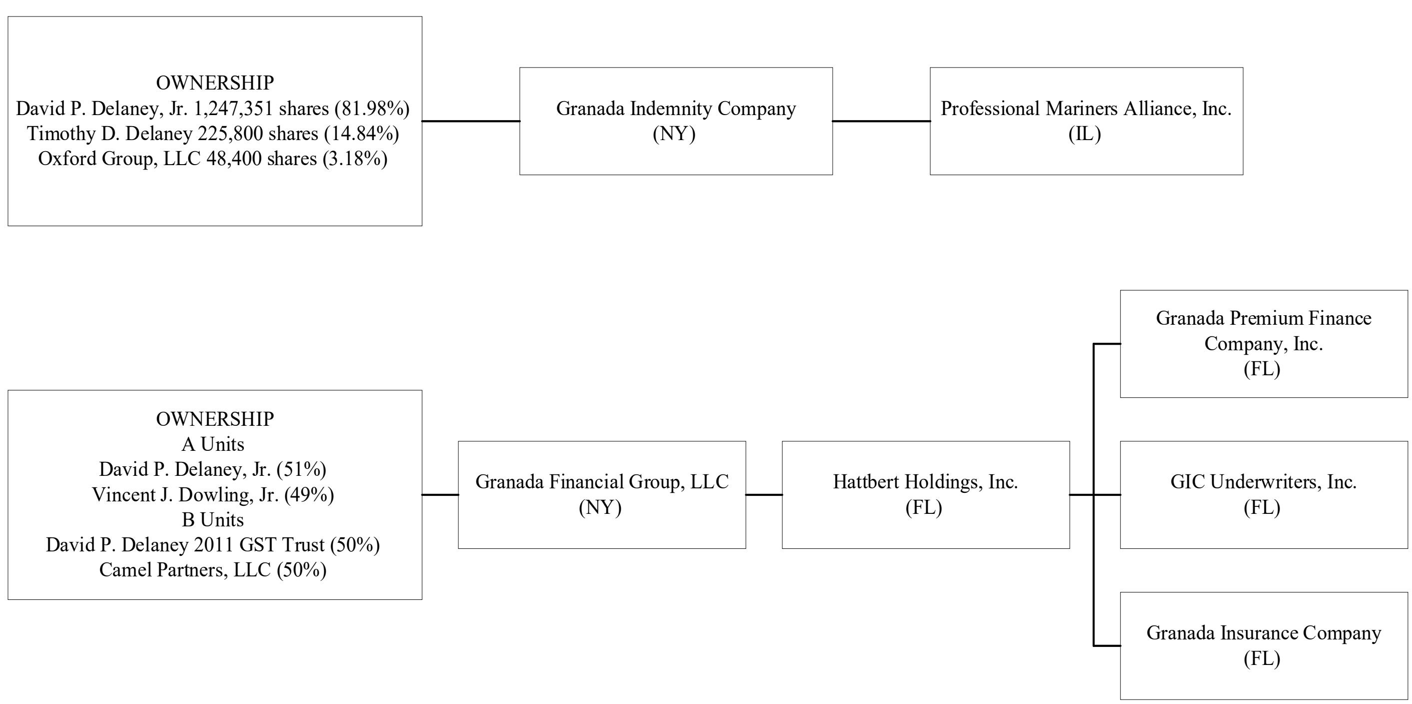
Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles (“SSAP”) No. 62R. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC annual statement instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62R.

D. Holding Company System

The Company is a privately held company. David P. Delaney, Jr. owns 81.98%, Timothy D. Delaney owns 14.84%, and Oxford Group, LLC, a Delaware limited liability company managed by David P. Delaney, Jr., owns 3.18%. David P. Delaney, Jr. is the ultimate controlling person of the Company. David P. Delaney, Jr. is also the ultimate controlling person of Granada Financial Group, LLC ("GFG"). GFG owns Hattbert Holdings, Inc., a Florida holding company that is the parent of Granada Insurance Company, a Florida domestic property and casualty company.

Pursuant to Article 15 of the New York Insurance Law, the aforementioned companies are part of a holding company system. Based on common ownership and control, the Department requested that the Company obtain an NAIC group code. Subsequent to the examination date, the Company obtained an NAIC group code for GFG. It is recommended that the Company institute procedures to ensure ongoing compliance with the relevant filing and reporting requirements of Article 15 of the New York Insurance Law and the annual statement instructions.

The following is an abridged chart of the holding company system at December 31, 2022:



E. Significant Ratios

The Company's operating ratios, computed as of December 31, 2022, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

Operating Ratios	Result
Net premiums written to policyholders' surplus	98%
Adjusted liabilities to liquid assets	49%
Two-year overall operating	82%

Underwriting Ratios

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination:

	Amount	Ratio
Losses and loss adjustment expenses incurred	$16,026,589	38.65%
Other underwriting expenses incurred	21,179,868	51.08%
Net underwriting gain (loss)	4,255,866	10.26%
Premiums earned	$41,462,323	100.00%

The Company's reported risk-based capital ("RBC") score was 1,124.6% at December 31, 2022. The RBC score is a measure of the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile. An RBC score of 200% or below can result in regulatory action.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2022, as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$34,991,677	$ 0	$34,991,677
Cash, cash equivalents and short-term investments	33,564,951	0	33,564,951
Receivables for securities	880,000	0	880,000
Investment income due and accrued	247,636	0	247,636
Uncollected premiums and agents' balances in the course of collection	3,830,802	0	3,830,802
Deferred premiums, agents' balances and installments booked but deferred and not yet due	8,140,453	0	8,140,453
Amounts recoverable from reinsurers	1,049,651	0	1,049,651
Current federal and foreign income tax recoverable and interest thereon	139,066	0	139,066
Net deferred tax asset	1,077,517	63,222	1,014,295
Furniture and equipment, including health care delivery assets	4,857	4,857	0
State corporate and premium tax refund	33,361	0	33,361
Funds on deposit with others	322,763	0	322,763
Receivable on retroactive reinsurance	221,998	0	221,998
Prepaid expenses	53,998	53,998	0
Total assets	$84,558,730	$122,077	$84,436,653

Liabilities, Surplus and Other Funds

Liabilities

Losses and loss adjustment expenses		$15,432,274
Reinsurance payable on paid losses and loss adjustment expenses		2,660,747
Other expenses (excluding taxes, licenses and fees)		270,031
Taxes, licenses and fees (excluding federal and foreign income taxes)		161,001
Unearned premiums		22,244,859
Policyholders (dividends declared and unpaid)		17,094
Ceded reinsurance premiums payable (net of ceding commissions)		393,685
Other payables		1,383,789
Total liabilities		$42,563,480
Surplus and Other Funds		
Special surplus funds from retroactive reinsurance	$(5,571,103)	
Common capital stock	12,172,408	
Gross paid in and contributed surplus	23,627,604	
Unassigned funds (surplus)	11,644,264	
Surplus as regards policyholders		41,873,173
Total liabilities, surplus and other funds		$84,436,653

Note: The Internal Revenue Service has not audited tax returns covering tax years 2018 through 2022. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

The net income for the examination period as reported by the Company was $672,443, as detailed below:

Underwriting Income		
Premiums earned		$41,462,323
Deductions:		
Losses and loss adjustment expenses incurred	$16,026,589	
Other underwriting expenses incurred	21,179,868	
Total underwriting deductions		37,206,457
Net underwriting gain or (loss)		$ 4,255,866
Investment Income		
Net investment income earned	$ 2,771,651	
Net realized capital gain	(75,947)	
Net investment gain or (loss)		2,695,704
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ (12,259)	
Gain (loss) on retroactive reinsurance	(5,031,660)	
Total other income		(5,043,919)
Net income before dividends to policyholders and before federal and foreign income taxes		$ 1,907,651
Dividends to policyholders		71,752
Net income after dividends to policyholders but before federal and foreign income taxes		$ 1,835,899
Federal and foreign income taxes incurred		1,163,456
Net income		$ 672,443

C. Capital and Surplus

Surplus as regards policyholders increased $30,311,431 during the five-year examination period January 1, 2018 through December 31, 2022, as reported by the Company, detailed as follows:

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders as reported by the Company as of December 31, 2017			$11,561,742
Net income	$ 672,443		
Net unrealized capital gains or (losses)	58		
Change in net deferred income tax	743,369		
Change in nonadmitted assets		$104,451	
Capital changes paid in	8,172,408		
Surplus adjustments paid in	20,827,604	0	
Total gains and losses	$30,415,882	$104,451	
Net increase (decrease) in surplus			30,311,431
Surplus as regards policyholders as reported by the Company as of December 31, 2022			$41,873,173

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

Capital paid in is $12,172,408 consisting of 1,521,551 shares of $8.00 par value per share common stock. Due to a change in the Company's charter, further described herein, gross paid in and contributed surplus and capital paid in increased during the examination period, as follows:

Year	Description	Common Capital Stock	Gross Paid in and contributed surplus
2018	Beginning common capital stock and gross paid in and contributed surplus	$ 4,000,000	$ 2,800,000
2021	Capital and surplus contribution	8,172,408	20,827,604
2022	Ending common capital stock and gross paid in and contributed surplus	$12,172,408	$23,627,604

The Department approved the Company's Fourth Amended and Restated Charter, which, among other items, increased the number of authorized shares of common stock from 500,000 to 1,521,551 at a par value of $8.00 per share, thereby increasing the amount of authorized capital from $4,000,000 to $12,172,408. Effective December 31, 2021, David P. Delaney, Jr. purchased an additional 1,021,551 of common stock at approximately $28.388 per share.

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $15,432,274 is the same as reported by the Company as of December 31, 2022. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with actuarial standards of practice and statutory accounting principles, including SSAP No. 55.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained two recommendations as follows (page numbers refer to the prior report):

ITEM		PAGE NO.
A.	Holding Company System	
	It was recommended that the Company settle intercompany expenses within 30 days in accordance with the intercompany expense agreement.	11
	This recommendation is no longer applicable because the intercompany expense agreement has been terminated.	
B.	Accounts and Records	
	It was recommended that the Company provide written notification to the Superintendent within 30 days of any change in audit committee membership pursuant to Part 89.12(e) of Department Regulation 118.	12
	The Company has complied with this recommendation.	

6. <u>SUMMARY OF COMMENTS AND RECOMMENDATIONS</u>

ITEM		PAGE NO.
A.	Corporate Governance	
	It is recommended that all of the Company's officers and directors sign the conflict of interest statement on an annual basis.	5
B.	Territory and Plan of Operation	
	It is recommended the Company institute controls to ensure it properly reflects reinsurance transactions in Schedule F – Part 1 of the Annual Statement.	7
C.	Holding Company System	
	It is recommended that the Company institute procedures to ensure ongoing compliance with the relevant filing and reporting requirements of Article 15 of the New York Insurance Law and the annual statement instructions.	9

Respectfully submitted,

_______________/S/________________
Teena Varghese
Financial Services Examiner 3

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

Teena Varghese, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

____________/S/___________
Teena Varghese

Subscribed and sworn to before me

this_________ day of __________________, 2024.

APPOINTMENT NO. *32482*

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **Adrienne A. Harris**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

Teena Varghese

as a proper person to examine the affairs of the

Granada Indemnity Company

and to make a report to me in writing of the condition of said

COMPANY

with such other information as she shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York

this 15th day of February 2023

ADRIENNE A. HARRIS
Superintendent of Financial Services

By:

Joan Riddell

Joan Riddell
Deputy Bureau Chief