

STATE OF ARIZONA

DEC 27 2012

DEPARTMENT OF INSURANCE

DEPT OF INSURANCE
BY *MS*

In the Matter of)
)
GRAMERCY INSURANCE COMPANY)
(NAIC No. 43265))
)
)
Respondent.)
_____)

Docket No. 12A-173-INS

**ORDER SUMMARILY SUSPENDING
CERTIFICATE OF AUTHORITY AND
NOTIFICATION OF RIGHTS**

The Arizona Department of Insurance (the "Department") alleges that **Gramercy Insurance Company** (NAIC No. 43265) violated provisions of Arizona Revised Statutes ("A.R.S."), Title 20.

FINDINGS OF FACT

1. Gramercy Insurance Company ("Respondent") is a Texas domiciled insurance company and presently holds a certificate of authority issued by the Department to transact casualty (without workers' compensation), marine and transportation, property, surety and vehicle insurance.

2. On December 4, 2012, the District Court, Travis County, Texas (the "Court") entered an Agreed Order Appointing Rehabilitator and Permanent Injunction placing Respondent into rehabilitation and appointing the Insurance Commissioner of Insurance for the State of Texas as Rehabilitator of Respondent in Cause No. D-1-GV-12-001713.

3. The Court found the following grounds to place Respondent into rehabilitation:

- a) Respondent does not have admitted assets at least equal to all its liabilities together with the minimum surplus required to be maintained under the Texas Insurance Code;
- b) Further transaction of Respondent's business would be hazardous to its creditors or the public;
- c) Respondent consented to an order of rehabilitation; and

1 d) Respondent does not comply with Texas' requirements for holding a
2 Certificate of Authority because it does not have sufficient surplus.

3 4. As reported in the Respondent's Annual Statement for the quarter ended
4 September 30, 2012, Respondent's surplus as regards policyholders does not meet the
5 minimum capital and surplus required pursuant to A.R.S. §§ 20-210 and 20-211 and is
6 impaired and deemed to be insolvent within the meaning of A.R.S. § 20-611(8).

7 5. Respondent's Annual Statement for the quarter ended September 30, 2012
8 contains adverse findings or information such that Respondent is in such a financial condition
9 as to render the continuance of its business hazardous to its policyholders or the people of this
10 state within the meaning of Arizona Administrative Code R20-6-308(A)(1).

11 6. The public health, safety and welfare imperatively require emergency action,
12 within the meaning of A.R.S. §41-1092.11(B).

13 **CONCLUSIONS OF LAW**

14 1. The Director has jurisdiction over this matter.

15 2. The Director shall have powers and authority expressly conferred by or
16 reasonably implied from the provisions of Title 20, within the meaning of A.R.S. § 20-142(B).

17 3. Respondent is in unsound financial condition or in such condition as to render its
18 further transaction of insurance in this state hazardous to the policyholders or to the people of
19 this state, within the meaning of A.R.S. § 20-220(A)(3).

20 4. Grounds exist for the Director to refuse to renew, suspend or revoke
21 Respondent's certificate of authority pursuant to A.R.S. §§ 20-219(B) and 20-220(A)(3).

22 5. Grounds exist to order a summary suspension within the meaning of A.R.S. §
23 41-1092.11(B).

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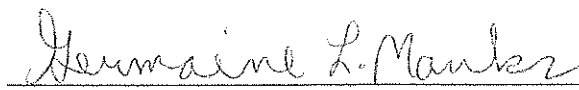
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ORDER

IT IS ORDERED summarily suspending Respondent's Arizona certificate of authority and prohibiting Respondent from issuing any new or renewal business, including commercial automobile policies, effective immediately, except that Respondent shall extend existing policies for the minimum period necessary to provide timely notice of non-renewal to the policyholder under the policy Endorsement titled Arizona Changes – Cancellation (attached hereto as Exhibit A).

DATED this 24th day of December 2012.



GERMAINE L. MARKS
Director of Insurance

NOTIFICATION OF RIGHTS

You have the right to request a hearing on this determination by filing a notice of appeal after your receipt of this notice. The notice of appeal must identify the party appealing, the party's address, the matter being appealed and must contain a detailed statement of the reason for the appeal. Your hearing will be treated as a "contested case" and promptly instituted and determined as prescribed by A.R.S. §§41-1001(4), 41-1092.11(B) and 41-1092.05(E) to the extent the Office of Administrative Hearings calendar permits. In any event, the Office of Administrative Hearings will hold your hearing as soon as reasonably possible after we receive your request unless the hearing is advanced or delayed by agreement or a showing of good cause by any party. The Department of Insurance will promptly serve a "Notice of Hearing" in accordance with A.R.S. §41-1092.05(D) that will inform you of the date, time and location of the hearing as well as the issues involved.

If you file an appeal, you may also request an "informal settlement conference" pursuant to A.R.S. §41-1092.06 by filing a written request **no more than twenty (20) days before the scheduled hearing.** The conference will be held within fifteen (15) days after our receipt of your request. If an informal settlement conference is requested, a person with the authority to act on behalf of the Department of Insurance will be present. Please note that you

1 waive any right to object to the participation of the Department's representative in the final
2 administrative decision of the matter if it is not settled.

3 Your notice of appeal and/or request for an informal settlement conference may be
4 addressed to the attention of:

Hearing Administration
Arizona Department of Insurance
Notice of Appeal
2910 North 44th Street, 2nd Floor
Phoenix, Arizona 85018-7256

7
8 COPY of the foregoing mailed/delivered
9 this 27th day of December, 2012 to:

10 Joan Fried Hammer, President
11 Gramercy Insurance Company
12 5000 Quorum Drive, Suite 111
13 Dallas, TX 75254-7583
14 Respondent

15 Gramercy Insurance Company
16 c/o CT Corporation System
17 2390 E. Camelback Rd.
18 Phoenix, AZ 85016
19 Statutory Agent for Respondent

20 Lynette Evans
21 Assistant Attorney General
22 1275 West Washington
23 Phoenix, AZ 85007

Kurt Regner, Assistant Director, Financial Affairs
Dean Ehler, Assistant Director, Property and Casualty
Mary E. Kosinski, Acting Legal Analyst, Financial Affairs
Arizona Department of Insurance
2910 North 44th Street, Second Floor
Phoenix, AZ 85018

20 
21 Curvey Walters Burton *for*

Exhibit A

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ARIZONA CHANGES – CANCELLATION

This endorsement modifies insurance provided under the following:

BUSINESS AUTO COVERAGE FORM
BUSINESS AUTO PHYSICAL DAMAGE COVERAGE FORM
GARAGE COVERAGE FORM
MOTOR CARRIER COVERAGE FORM
TRUCKERS COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of this Coverage Form apply unless modified by this endorsement.

The **Cancellation** Common Policy Condition does not apply. The following Condition applies instead:

ENDING THIS POLICY

A. Cancellation

1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.
2. When this policy is in effect for:
 - a. Less than 60 days, and is not a renewal or continuation policy, we may cancel for any reason.
 - b. 60 days or more or is a renewal or continuation policy, we may cancel only for one or more of the following reasons:
 - (1) Nonpayment of premium.
 - (2) Your conviction of a crime arising out of acts increasing the hazard insured against.
 - (3) Acts or omissions by you or your representative constituting fraud or material misrepresentation in the procurement of this insurance, in continuing this policy or in presenting a claim under this policy.
 - (4) Substantial change in the risk assumed, except to the extent that we should have reasonably foreseen the change or contemplated the risk in writing the contract.
 - (5) Substantial breach of contractual duties or conditions.

- (6) Loss of reinsurance applicable to the risk insured against resulting from termination of treaty or facultative reinsurance initiated or implemented by our reinsurer or reinsurers.
 - (7) Determination by the Director of Insurance that the continuation of the policy would place us in violation of the insurance laws of this state or would jeopardize our solvency.
 - (8) Acts or omissions by you or your representative which materially increase the hazard insured against.
- c. We will mail you notice stating the reason for cancellation to your last known address by certified mail or U.S. post office certificate of mailing at least:
 - (1) 7 days after the premium due date if cancellation is for nonpayment of premium. Cancellation is effective as of the date of mailing of the notice.
 - (2) 10 days prior to the effective date of cancellation if cancellation is for any other reason.
3. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
 4. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.

The following is added and supersedes any provision to the contrary:

B. Nonrenewal

If we decide not to renew or continue this policy, we will mail you and your agent or broker notice at least 10 days before the end of the policy period.

If we fail to mail proper notice of nonrenewal and you obtain other insurance, this policy will end on the effective date of that insurance.

C. Offer To Renew

If we offer to renew or continue this policy and you do not pay the required renewal or continuation premium when due, thereby not accepting our offer, we may terminate this policy by mailing notice of termination by certified mail or U.S. post office certificate of mailing to you and your agent or broker at the last known addresses at least 7 days after the end of the current policy period.

Termination is to take effect on the earlier of the following dates:

1. The date of the mailing of the notice; or
2. The effective date of any other insurance you have obtained.

However, if you notify us in writing that you:

1. Have obtained other insurance; or
2. Do not wish to renew or continue this policy,

the above provision does not apply and any insurance provided by this policy will terminate in accordance with the following:

1. If you obtain other insurance, any similar insurance provided by this policy will terminate on the effective date of the other insurance.
2. If you notify us in writing that you do not wish to renew or continue, any insurance provided by this policy will terminate at the end of the current policy period.

D. Mailing Of Notices

Proof of mailing of any notice of cancellation or nonrenewal will be sufficient proof of notice.