

Targeted Market Conduct Examination Report
SUTTON NATIONAL INSURANCE COMPANY

NAIC Company Code: 25798

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Executive Summary

The Florida Office of Insurance Regulation (“OIR”) performed a targeted market conduct examination of Sutton National Insurance Company (“Sutton National” or “Company”) pursuant to Section 624.3161, Florida Statutes (“F.S.”).

Purpose and Scope of the Examination

OIR has primary responsibility for the regulation, compliance and enforcement of statutes related to the business of insurance and the monitoring of industry markets. Due to this responsibility, OIR conducted a targeted market conduct examination of Sutton National pursuant to Section 624.3161, F.S. The purpose of a market conduct examination is to review an insurer’s operating practices to determine if they comply with the Florida Insurance Code, rules related to the business of insurance, procedures adopted by the Company, the provisions contained within a contract of insurance issued by the Company or orders issued by OIR. A common element of all market conduct examinations is to evaluate an insurer’s business practices, promote the protection of insurance-buying consumers, and hold insurers accountable when issues or violations are identified.

This examination was initiated to review and evaluate Sutton National’s Hurricane Ian claims-handling operations. The examination scope period was from September 28, 2022, to December 31, 2023. The examination was performed by a contracted examination firm, INS Regulatory Services, Inc. The examination began January 22, 2024, and ended April 1, 2025. This is the first Market Conduct examination of Sutton National. In reviewing materials for this report, the examiners relied on records provided by the Company.

Examination Procedures

The conduct of this examination and the procedures, statistical sampling, and examination processes used were consistent with and in accordance with those standards and procedures contained in the *Market Regulation Handbook* promulgated by the National Association of Insurance Commissioners (“NAIC”). The number of randomly selected items in each sample is consistent with the recommended sample size in the *Market Regulation Handbook’s* Acceptance Samples Table. Examination results with a 95% confidence level permit those results to be extrapolated to the population identified in each of the areas examined.

In preparation for the examination, Sutton National was requested to provide the total number, or universe, of Hurricane Ian claims reported with a Florida exposure during the examination’s scope periods. The claims universe for each hurricane was divided into three categories: claims closed with payment, claims closed without payment, and reopened or supplemental claims. For the purposes of this examination, the selection of claims reviewed for each of the categories was defined as follows:

- **Claims Closed With Payment:** The first or initial Hurricane claim filed by the named insured, policyholder, or legal representative due to a loss occurring to a personal residential or commercial residential risk that was closed with payment during the examination’s scope period.
- **Claims Closed Without Payment:** The first or initial Hurricane claim filed by the named insured,

policyholder, or legal representative due to a loss occurring to a personal residential or commercial residential risk that was closed without payment for any reason during the examination's scope period.

- **Reopened or Supplemental Claims:** The first or initial Hurricane claim filed by the named insured, policyholder, or legal representative due to a loss occurring to a personal residential or commercial residential risk that was closed for any reason and that was reopened or was a supplemental claim upon request for additional costs for loss or damage previously disclosed to the insurer.

Company Profile

Sutton National Insurance Company is a foreign property and casualty insurer, domiciled in Oklahoma and authorized to conduct business in Florida on May 13, 2021. Sutton National is authorized to write policies for fire, allied lines, homeowners multi-peril, commercial multi-peril, ocean marine, inland marine, workers compensation, private passenger auto liability, commercial auto liability, private passenger auto physical damage, commercial auto physical damage, burglary and theft, boiler and machinery, mobile home multi-peril, mobile home physical damage, other liability, and miscellaneous casualty.

Examination Findings

Hurricane Ian Claims

The following Findings are compiled from the examiners' review of Sutton National's Hurricane Ian claims that were adjudicated during the examination scope period of September 28, 2022, to December 31, 2023.

Claims Closed With Payment: Sutton National identified a universe of 308 residential property Hurricane Ian claims that were closed with payment during the examination scope period. A random sample of 76 claims was selected and reviewed by the examiners.

Claims Closed Without Payment: Sutton National identified a universe of 59 residential property Hurricane Ian claims that were closed without payment during the examination scope period. The entire universe of 59 claims was reviewed by the examiners.

Reopened or Supplemental Claims: Sutton National identified a universe of 196 residential property Hurricane Ian claims that were reopened during the examination scope period. A random sample of 76 claims was selected and reviewed by the examiners.

Finding 1: The examiners determined that in 34 instances out of 211 claims reviewed, an error rate of 16.1%, Sutton National utilized adjusters who were not properly appointed, as required by Section 626.112(1)(a), F.S.

Finding 2: The examiners determined that in three instances out of 211 claims reviewed, an error rate of 1.4%, Sutton's adjusters did not adjust the claim, damage, or loss made or occurring under an

insurance contract, in accordance with the terms and conditions of the contract, as required by Section 626.877, F.S. and Rule 69O-142.011(10)(a)4, Florida Administrative Code (“F.A.C”).

Finding 3: The examiners determined that in eight instances out of 211 claims reviewed, an error rate of 3.8%, Sutton National did not acknowledge receipt of claims communications within 14 calendar days, as required by 627.70131(1)(a), F.S. (2022)¹.

Finding 4: The examiners determined that in nine instances out of 211 claims reviewed, an error rate of 4.3%, Sutton National did not include the name and license number of the adjuster communicating about the claim in a subsequent communication with the policyholder regarding the claim, as required by Section 627.70131(3)(c), F.S.

Finding 5: The examiners determined that in six instances out of 211 claims reviewed, an error rate of 2.8%, Sutton National did not notify the policyholder that he or she may request a copy of any detailed estimate of the amount of the loss generated by an insurer’s adjuster within seven days after the insurer’s assignment of an adjuster to the claim, as required by Section 627.70131(3)(d), F.S.

Finding 6: The examiners determined that in six instances out of 211 claims reviewed, an error rate of 2.8%, Sutton National did not, when providing a preliminary or partial estimate of damage regarding a claim, include with the estimate the disclosure statement, as required by Section 627.70131(6)(a), F.S.

Finding 7: The examiners determined that in 15 instances out of 211 claims reviewed, an error rate of 7.1%, Sutton National did not, when providing a payment on a claim that was not the full and final payment, include with the payment the disclosure statement, as required by Section 627.70131(6)(b), F.S.

Finding 8: The examiners determined that in three instances out of 211 claims reviewed, an error rate of 1.4%, Sutton National did not, within 90 days, pay or deny initial, supplemental, or reopened claims, as required by Section 627.70131(7)(a), F.S.

Claims-Handling Manual

OIR conducted a review of Sutton National’s claims-handling manual for compliance with Section 627.4108(1), F.S., that requires each authorized residential property insurer conducting business in Florida to create and use a claims-handling manual. Specifically, each claims-handling manual must include guidelines and procedures for:

- Initially receiving and acknowledging initial receipt of the claim and reviewing and evaluating the claim;
- Communicating with policyholders, beginning with the receipt of the claim and continuing until closure of the claim;
- Setting the claim reserve;

¹ Section 627.70131, F.S. (2023), has reduced 14-day timeframes to 7 days, 45-day timeframes to 30 days, and 90-day timeframes to 60 days. Other additions and deletions were also made to the law.

- Investigating the claim, including conducting inspections of the property that is the subject of the claim;
- Making preliminary estimates and estimates of the covered damages to the insured property and communicating such estimates to the policyholder;
- The payment, partial payment, or denial of the claim and communicating such claim decision to the policyholder;
- Closing claims; and
- Any aspect of the claims-handling process which OIR determines should be included in the claims-handling manual in order to:
 - Comply with the laws of this state or rules or orders of OIR or department;
 - Ensure that the claims-handling manual, at a minimum, comports with usual and customary industry claims-handling guidelines; or
 - Protect policyholders of the insurer or the general public.

Finding 1: The examiners determined that the claims handling manual and related documents do not include guidelines and procedures for initially receiving and acknowledging initial receipt of the claim and reviewing and evaluating the claim, as required by Section 627.4108(1)(a).

Finding 2: The examiners determined that the claims handling manual and related documents do not include guidelines and procedures for investigating the claim, including conducting inspections of the property that is the subject of the claim, as required by Section 627.4108(1)(d).

Finding 3: The examiners determined that the claims handling manual and related documents do not include guidelines and procedures for making preliminary estimates and estimates of the covered damages to the insured property and communicating such estimates to the policyholder, as required by Section 627.4108(1)(e).

Finding 4: The examiners determined that the claims handling manual and related documents do not include guidelines and procedures for the payment, partial payment, or denial of the claim and communicating such claim decision to the policyholder, as required by Section 627.4108(1)(f).

Section 627.4108(3), F.S, requires each authorized residential property insurer to certify and attest on the prescribed form that:

- Each of the insurer’s current claims-handling manuals complies with the requirements of this code and comports to, at a minimum, usual and customary industry claims-handling practices; and
- The insurer maintains adequate resources available to implement the requirements of each of its claims-handling manuals at all times, including during natural disasters and catastrophic events.

The attestations are required to be submitted to OIR:

- On or before August 1, 2023; and
- Annually thereafter, on or before May 1 of each calendar year.

No exceptions were noted.

Conclusion

This targeted market conduct examination of Sutton National Insurance Company was designed to review and evaluate Sutton National's Hurricane Ian claims-handling operations. It does not document what regulatory or administrative action may be taken by OIR.

Examination Final Report Submission

OIR hereby issues this final report based upon information from the draft report, additional research conducted by OIR, and additional information provided by Sutton National Insurance Company.



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