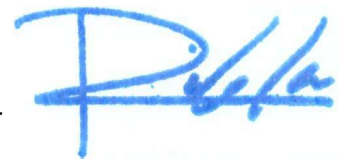


REPORT OF EXAMINATION  
OF THE  
UNITED STATES BRANCH OF  
HYUNDAI MARINE & FIRE  
INSURANCE COMPANY, LTD  
AS OF  
DECEMBER 31, 2020

*Insurance Commissioner*

A handwritten signature in blue ink, appearing to read "Debra", is positioned to the right of the text "Insurance Commissioner".

Filed on June 27, 2022

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Los Angeles, California  
May 24, 2022

Honorable Ricardo Lara  
Insurance Commissioner  
California Department of Insurance  
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

UNITED STATE BRANCH OF HYUNDAI MARINE & FIRE  
INSURANCE COMPANY, LTD

(hereinafter also referred to as the U.S. Branch). Its branch office is located at 300 Sylvan Avenue, Englewood Cliffs, New Jersey 07632. The statutory home office of the U.S. Branch is located at 2710 Gateway Oaks Drive, Suite 150N, Sacramento, California 95833.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the U.S. Branch. The previous examination of the U.S. Branch was as of December 31, 2016. This examination covered the period from January 1, 2017 through December 31, 2020.

This examination was conducted in accordance with the National Association of Insurance Commissioners *Financial Condition Examiners Handbook (Handbook)*. The Handbook requires the planning and performance of the examination to evaluate the U.S. Branch's financial condition, assess corporate governance, identify current and prospective risks, and evaluate system controls and procedures used to mitigate those risks. The examination also included identifying and evaluating significant risks that could cause the U.S. Branch's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the U.S. Branch were considered in accordance with the risk-focused examination process. This includes assessing significant estimates made by

management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If an adjustment was identified during the course of the examination, the impact of such adjustment would be documented separately following the U.S. Branch's financial statements.

This examination report includes findings of fact and general information about the U.S. Branch and its financial condition. There might be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), were not included within the examination report but separately communicated to other regulators and/or the U.S. Branch.

### COMPANY HISTORY

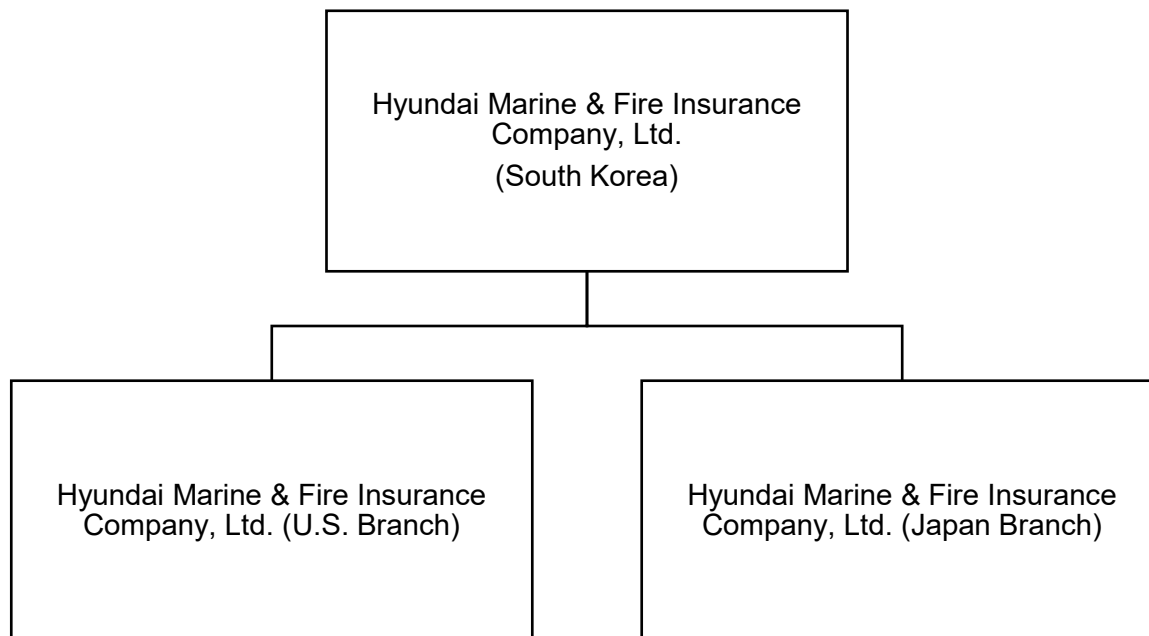
The U.S. Branch is one of two branch offices of Hyundai Marine & Fire Insurance Company, Ltd. (Hyundai). Hyundai is a publicly traded property and casualty insurance company incorporated in 1955 under the laws of the Republic of Korea (South Korea). Using the port of entry in California, the U.S. Branch began its operations in the United States on December 4, 1992. Hyundai's other branch office is located in Japan and commenced business in 1976.

#### Capitalization

Hyundai is authorized to issue 200,000,000 shares of common stocks with a par value of 500 Korean Wons, or \$0.41 United States Dollar. There are 89,400,000 shares issued and outstanding. One shareholder, Mr. Mong Yoon Chung, holds approximately 19,578,600 shares, or 21.90% of the outstanding shares/voting securities, but disclaims any control over Hyundai.

### MANAGEMENT AND CONTROL

The following abridged organizational chart shows Hyundai Marine & Fire Insurance Company, Ltd.'s (Hyundai) two branches and subsidiaries and depicts the U.S. Branch's relationship within the holding company system (all ownership is 100%):



The seven members of the board of directors, who are elected annually, oversee the business and affairs of the U.S. Branch. Following are members of the board and principal offices of the U.S. Branch serving at December 31, 2020:

Directors

Name and Location

Principal Business Affiliation

Mong Yoon Chung  
South Korea

Chairman of the Board  
Hyundai Marine & Fire Insurance  
Company, Ltd.

Yong Il Cho  
South Korea

Chief Executive Officer  
Hyundai Marine & Fire Insurance  
Company, Ltd.

Sung Jae Lee  
South Korea

Chief Executive Officer  
Hyundai Marine & Fire Insurance  
Company, Ltd.

Name and Location

Principal Business Affiliation

Yeong Ho Jin  
South Korea

Professor  
Korea University

Yong June Kim  
South Korea

Professor  
Sungkyunkwan University

Jae Kwon Yoo  
South Korea

Professor  
Sangmyoung University

Tae Jin Kim  
South Korea

Professor  
Hanyang University

Principal Officers

Name

Title

Jong O Choi  
Jin Byun

President and General Branch Manager  
Secretary, Treasurer, and Deputy General  
Manager

Management Agreements

Master Professional Service Agreement: Effective August 15, 2015, the U.S. Branch entered into a Master Professional Services Agreement (MPSA) with Paragon Strategic Solutions, Inc., doing business as Inpoint Services (Inpoint), an unaffiliated company. Effective December 19, 2016, Genpact International, Inc., (Genpact), an unaffiliated company purchased from Inpoint the assets of Inpoint's reinsurance business that service the MPSA and assumed all of Inpoint's rights and responsibilities under the MPSA.

Effective February 8, 2017, the U.S. Branch amended the MPSA to reflect the substitution of Genpact for Inpoint. Under the terms of the amended MPSA, Genpact provides the U.S. Branch with account management, reinsurance processing, data normalization,

statistical reporting, financial reporting and filing and compliance services. In 2017, 2018, 2019, and 2020, the U.S. Branch paid Genpact \$267,738 \$269,969 \$283,158, and \$297,637 respectively, for services rendered under the terms of the amended MPSA.

Agency Agreement: Effective January 1, 2012, the U.S. Branch entered into an Agency Agreement with C&M First Services, Inc. (C&M), an unaffiliated insurance agent licensed in New York. Under the terms of the Agreement, C&M provides insurance agency services including soliciting, selling, and servicing the U.S. Branch's insurance products in the state of New York. Effective October 1, 2017, the Agreement was amended to include insurance products in the state of California. In 2017, 2018, 2019, and 2020, the U.S. Branch paid C&M \$7,071,730, \$8,340,057, \$9,489,252, and \$10,249,733, respectively, for services provided under the terms of the Agreement.

General Agency Agreement: Effective March 1, 2020, the U.S. Branch entered into a General Agency Agreement with Hawaiian Hurricane Group LLC (HHG), an unaffiliated Hawaii limited liability company and licensed insurance agent-broker. Pursuant to this Agreement, HHG will provide customer service assistance to customers which include administration, management and issuance of policies including renewal, cancellation, and other related notices on insurance policies in Hawaii.

The U.S. Branch will compensate HHG with a 10% commission on the direct written premiums collected for new and renewal business and 100% of all non-refundable fees collected. In 2020, the U.S. Branch paid HHG \$218,437 in commissions.

Claims Administration Services: Effective January 1, 2012, the U.S. Branch and York Risk Services Group, Inc. (York), an unaffiliated company entered into a Claims Administration Services Agreement. Pursuant to this Agreement, York provides claim adjustment services on claims arising out of the U.S. Branch's homeowners and dwelling fire policies issued in the states of New York, New Jersey, and California.

In July 2019, Sedgwick Claims Management Services, Inc., (Sedgwick) acquired York. Effective October 10, 2019, Sedgwick entered into a Service Agreement for Administration of a Claims Program with the U.S. Branch. On July 1, 2020, the

Agreement was amended to include the hurricane personal lines operations in Hawaii. In 2017, 2018, 2019, and 2020 the U.S. Branch compensated York \$578,750, \$886,811, \$1,456,348, and \$67,795 respectively. In 2019, and 2020, the U.S. Branch also compensated Sedgwick \$11,495 and \$746,322, respectively.

Technology License and Service Agreement: Effective July 1, 2011, the U.S. Branch and Maple Technologies, LLC (Maple Tech), an unaffiliated company, incorporated under the laws of New Jersey, entered into an Agreement for technology and related services. Pursuant to this Agreement, the U.S. Branch has access to the insurance automation system, ASPIRE, which encompasses the computer programs and other technology used to perform insurance policy issuance, accounting, and administrative functions. In return, the U.S. Branch compensates Maple Tech with monthly licensing fees based on gross written premium. In 2017, 2018, 2019, and 2020, the U.S. Branch paid Maple Tech \$362,957, \$418,008, \$455,475, and \$471,221, respectively, for licensing fees under the terms of this Agreement.

### Trust Agreement

California Insurance Code Sections (CICS) 1580 and 1581 require that an alien insurer transacting business in California appoint a trustee, maintain a deposit with the trustee for the security of all the alien insurer's policyholders and creditors in the United States. Pursuant to CICS 1582, the amount of the deposit shall be equal to the minimum amount of paid-in-capital required for the admission of incorporated insurers issuing policies on a reserve basis, and transact the same classes of insurance that the alien insurer is transacting in the United States. Since the U.S. Branch is the United States branch of an alien insurer, Hyundai Marine & Fire Insurance Company, Ltd., the U.S. Branch is required to comply with the aforementioned CICS. As a result, the U.S. Branch appointed Union Bank, N.A. as its trustee. Based on the classes of insurance business the U.S. Branch is authorized to write and is required to maintain a minimum deposit of \$1,900,000. The U.S. Branch maintains a deposit of \$3,000,000 with Union Bank N.A. The U.S. Branch is in compliance with the aforementioned CICS.



## TERRITORY AND PLAN OF OPERATION

The U.S. Branch currently writes fire, allied lines, homeowners multiple peril, commercial multiple peril, ocean marine, inland marine, workers' compensation, other liability, and commercial automobile liability.

The U.S. Branch provides the capacity and expertise needed for property and casualty insurance coverage primarily for the Hyundai group companies, such as Hyundai/Kia Motors and their parts suppliers in the United States. As of December 31, 2020, the U.S. Branch was licensed in the following states:

Alabama	Hawaii	New Jersey
California	Illinois	New York
Georgia	Massachusetts	Oregon

As of December 31, 2020, the U.S. Branch generated \$53,644,155 in direct premiums written. Of this amount \$43,853,532 (81.75%) was written in New York, \$4,513,913 (8.42%) in New Jersey, \$3,627,176 (6.76%) in California, \$875,785 (1.63%) in Georgia, \$541,088 (1.00%) in Alabama, and \$232,661 (0.43%) in Hawaii. The three largest lines of business are homeowners multiple peril \$19,964,149 (37.22%), allied lines \$12,395,180 (23.11%) and fire \$12,070,791 (22.50%). Business is written through broker-based commercial accounts on the assumed side, and selective general agents, on the direct side.

## REINSURANCE

### Assumed

In 2020, assumed premiums written accounted for \$24,307,694 or 31.2% of the total gross premiums written. The table below summarizes the principal assumed reinsurance contracts inforce at December 31, 2020:

<u>Type of Contract/Line of Business</u>	<u>Ceding Insurer's Name</u>	<u>U.S. Branch Retention</u>	<u>U.S. Branch Limit</u>
Texas  Private Passenger Automobile Quota Share	Redpoint Count Mutual Insurance Company	6%	6% of \$60,000,000 per occurrence
Hawaii  Homeowners Quota Share	TOPA Insurance Company/Dorchester Insurance Company Limited	100%	\$1,500,000 per coverage

Ceded

The U.S. Branch utilizes quota share, excess of loss, and facultative arrangements to protect its policyholders' surplus. The table below summarizes the principal ceded reinsurance contracts in effect at December 31, 2020:

<u>Line of Business and Type of Contract</u>	<u>Reinsurer's Name</u>	<u>U.S. Branch's Retention</u>	<u>Reinsurer's Limit</u>
Hawaii Homeowners - Quota Share Treaty	30% American Standard Insurance Company (Unauthorized) 30% Swiss Reinsurance (Authorized) 10% Hannover Rueck SE (Certified) 10% Fidelis Insurance (Unauthorized)	20%	80% of \$165,000,000 per occurrence
Section I: Ocean Marine Section II: Dwelling & Homeowners - Quota Share Treaty	Korean Reinsurance Company (Unauthorized)	Section I: Net of \$3,000,000 cession of policy limit Section II: 68% of original \$1,200,000 per policy *(1)	Section I: \$3,000,000 per original limit Section II: 7% of original \$1,200,000 per policy

<u>Line of Business and Type of Contract</u>	<u>Reinsurer's Name</u>	<u>U.S. Branch's Retention</u>	<u>Reinsurer's Limit</u>
Dwelling & Homeowners - Quota Share Treaty	7.5% Hannover Rueck SE (Certified) 5% Allied World Insurance Company (Authorized) 7.5% Helvetia Swiss Insurance Company (Unauthorized) 5% Mapfre Reinsurance (Authorized) 7% Korean Reinsurance Company (Unauthorized)	68% of original \$1,200,000 per policy *(1)	25% or original \$1,200,000 per policy
Dwelling & Homeowners - Property Catastrophe Excess of Loss Treaty	14.5% Mapfre Reinsurance (Authorized) 10% Peak Reinsurance (Unauthorized) 10% AXIS Re (Authorized) 15% American Agricultural (Unauthorized) 5% Lloyd's Syndicate No. 3268 Agora (Unauthorized) 6% American Standard Insurance Company of WI (Unauthorized) 5% Allied World Insurance (Authorized) 15% R+Versicherung AG (Unauthorized) 5% China Property & Casualty Reinsurance (Unauthorized) 8.5% Berkley Insurance (Authorized) 6% Allianz Global Risk US Insurance (Authorized)	\$2,400,000 each occurrence	First Excess: \$2,600,000 each occurrence in excess of U.S. Branch's Retention Limit of \$2,400,000 subject to \$5,200,000 in annual aggregate  Second Excess: \$12,700,000 in excess of \$5,000,000 (combining U.S. Branch's Retention Limit \$2,400,000 plus First Excess layer limit \$2,600,000) each occurrence subject to \$25,400,000 in annual aggregate  Third Excess: \$14,700,000 in excess of \$17,700,000 (combining U.S. Branch's

<u>Line of Business and Type of Contract</u>	<u>Reinsurer's Name</u>	<u>U.S. Branch's Retention</u>	<u>Reinsurer's Limit</u>
			<p>Retention Limit \$2,400,000 plus First Excess layer limit \$2,600,000 plus Second Excess layer limit \$12,700,000) each occurrence subject to \$29,400,000 in annual aggregate</p> <p>Total Combined Reinsurer's Limit: \$30,000,000 (combining First Excess Limit \$2,600,000 per occurrence, plus Second Excess Limit \$12,700,000 per occurrence, plus Third Excess Limit \$14,700,000 per occurrence)</p>
<p>Property Risk - Excess of Loss Treaty</p>	<p>Swiss Reinsurance Company (Authorized)</p>	<p>Approximately \$1,000,000 depending on Korean currency exchange rate</p>	<p>Approximately \$49,000,000 in excess of \$1,000,000 retention depending on Korean currency exchange rate</p>
<p>Cargo and Hull Risk - Excess of Loss Treaty</p>	<p>Munich Reinsurance Company (Authorized)</p>	<p>\$1,000,000</p>	<p>\$74,000,000 combining all layers in excess of \$1,000,000 retention</p>

<u>Line of Business and Type of Contract</u>	<u>Reinsurer's Name</u>	<u>U.S. Branch's Retention</u>	<u>Reinsurer's Limit</u>
Casualty (General Liability, Commercial, Automobile, Workers' Compensation, Other Liability) - Facultative Obligatory Cover Treaty	Korean Reinsurance Company (Unauthorized)	50%	50%
Commercial and Fire Property - Quota Share Treaty	Korean Reinsurance Company (Unauthorized)	25%	75%

(1) Section II and the Dwelling & Homeowners Quota Share are used in conjunction to cover 100% reinsurance participation.

## ACCOUNTS AND RECORDS

### Unclaimed Property

A review was made of the U.S. Branch's unclaimed property filings with the California State Controller's Office (SCO), in accordance with California Code of Civil Procedure (CCP) Part 3, Title 10, Chapter 7, Article 3, Sections 1530 and 1532. Unclaimed Property Law requires that all tangible personal property located in the State of California that is held or owing in the ordinary course of business and has remained unclaimed by the owner for more than three years after it became payable or distributable, is escheated to the SCO.

The review noted, that the U.S. Branch did not file unclaimed property notices and remittance reports with payments to the SCO during the examination period. It is recommended that the U.S. Branch escheat unclaimed property to the SCO, and implement procedures to ensure compliance with CCP Sections 1530 and 1532. The U.S. Branch agreed with the finding, and filed unclaimed property notices to the SCO subsequent to the examination date.

### California Premium Tax

A review of the California premium tax filings during the examination period, disclosed that the U.S. Branch misstated net underwriting profit on its Ocean Marine premium tax returns for the years, 2018, 2019, and 2020. This resulted in a combined premium tax underpayment of \$7,451. In response to this examination finding, the U.S. Branch filed amended premium tax returns, and paid the underpayment of premium tax to comply with the Ocean Tax instructions. It is recommended that the U.S. Branch adhere to the Ocean Marine tax instructions, when filing their Ocean Marine premium tax returns.

## FINANCIAL STATEMENTS

The following statements are based on the statutory financial statements filed by the U.S. Branch with the California Department of Insurance and present the financial condition of the U.S. Branch for the period ending December 31, 2020. The accompanying comments to the amounts in the financial statements should be considered an integral part of the financial statements. No adjustments were made to the statutory financial statements reported by the U.S. Branch.

Statement of Financial Condition as of December 31, 2020

Underwriting and Investment Exhibit for the Year Ended December 31, 2020

Reconciliation of Surplus as Regards Policyholders from December 31, 2016 through December 31, 2020

Statement of Financial Condition  
as of December 31, 2020

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 107,871,996	\$	\$ 107,871,996	
Cash and short-term investments	8,181,185		8,181,185	
Investment income due and accrued	1,187,360		1,187,360	
Premiums and agents' balances in course of collection	5,466,515	1,298,045	4,168,470	
Amount recoverable from reinsurers	9,905,722		9,905,722	
Current Federal and foreign income tax recoverable and interest thereon	286,275		286,275	
Net deferred tax asset	1,292,817	256,207	1,036,610	
Electronic data processing equipment and software	99,438	99,438		
Furniture and equipment	10,908	10,908		
Aggregate write-ins for other than invested assets	<u>1,832,705</u>	<u>10,202</u>	<u>1,822,503</u>	
Total assets	<u>\$ 136,134,921</u>	<u>\$ 1,674,800</u>	<u>\$ 134,460,121</u>	

Liabilities, Surplus and Other Funds

			<u>Notes</u>
Losses		\$ 38,015,636	(1)
Reinsurance payable on paid loss and loss adjustment expenses		1,481,889	
Loss adjustment expenses		4,150,181	(1)
Commissions payable, contingent commissions and other similar charges		1,072,880	
Other expenses		255,576	
Taxes, licenses and fees		413,747	
Unearned premiums		18,857,480	
Advance premiums		875,161	
Ceded reinsurance premiums payable		13,356,337	
Provision for reinsurance		3,708,047	
Aggregate write-ins for liabilities		<u>(65,333)</u>	
Total liabilities		82,121,601	
Aggregate write-ins for special surplus funds	\$ 3,000,000		
Gross paid-in and contributed surplus		43,100,000	
Unassigned funds (surplus)		<u>6,238,520</u>	
Surplus as regards policyholders		<u>\$ 52,338,520</u>	
Total liabilities, surplus, and other funds		<u>\$ 134,460,121</u>	



Underwriting and Investment Exhibit  
for the Year Ended December 31, 2020

Underwriting Income

Premiums earned		\$ 35,748,275
Deductions:		
Losses incurred	\$ 22,020,182	
Loss adjustment expenses incurred	2,853,873	
Other underwriting expenses incurred	<u>11,333,356</u>	
Total underwriting deductions		<u>36,207,411</u>
Net underwriting loss		(459,136)

Investment Income

Net investment income earned	\$ 2,603,588	
Net realized capital gains	<u>19,394</u>	
Net investment gain		<u>2,622,982</u>
Net income after dividends to policyholders, after capital gains tax and before federal and foreign income taxes		2,163,846
Federal and foreign income taxes incurred		<u>616,884</u>
Net income		<u>\$ 1,546,962</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2019		\$ 52,908,735
Net income	\$ 1,546,962	
Change in net deferred income tax	145,953	
Change in nonadmitted assets	(551,412)	
Change in provision for reinsurance	<u>(1,711,718)</u>	
Change in surplus as regards policyholders for the year		<u>(570,215)</u>
Surplus as regards policyholders, December 31, 2020		<u>\$ 52,338,520</u>

Reconciliation of Surplus as Regards to Policyholders  
from December 31, 2016 through December 31, 2020

Surplus as regards policyholders, December 31, 2016			\$ 52,340,082
	Gain in Surplus	Loss in Surplus	
Net income	\$ 4,333,251	\$	
Change in net deferred income tax	108,548		
Change in nonadmitted assets		1,094,154	
Change in provision for reinsurance		3,349,207	
Total gains and losses	\$ 4,441,799	\$ 4,443,361	
Net decrease in surplus as regards policyholders			(1,562)
Surplus as regards policyholders, December 31, 2020			<u>\$ 52,338,520</u>

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### (1) Losses and Loss Adjustment Expenses

Based on an analysis by a Casualty Actuary for the California Department of Insurance, the U.S. Branch's loss and loss adjustment expense reserves as of December 31, 2020 were found to be reasonably stated and have been accepted for the purpose of this examination.

## SUMMARY OF COMMENTS AND RECOMMENDATIONS

### Current Report of Examination

Accounts and Records – Unclaimed Property (Page 11): It is recommended that the U.S. Branch implement procedures to ensure compliance with California Code of Civil Procedures Sections (CCP) 1530 and 1532, and escheat property to the State Controller's Office, as required by the applicable CCP.

Accounts and Records – Premium Tax (Page 11): It is recommended that the U.S. Branch adhere to the Ocean Marine tax instructions, when filing their Ocean Marine premium tax returns.

### Previous Report of Examination

Reinsurance-Ceded (Page 9): It was recommended that the U.S. Branch review all of its current and future reinsurance contracts and ensures that all contracts include the insolvency and/or termination clause pursuant to the California Code of Regulations, Title 10, Chapter 5, Subchapter 3, Article 3, Sections 2303.13 and 2303.14. The U.S. Branch complied with the recommendation.

ACKNOWLEDGMENT

Acknowledgment is made of the cooperation and assistance extended by the U.S. Branch's officers and employees during the course of this examination.

Respectfully submitted,

**Lopez, Bridget** Digitally signed by Lopez,  
Bridget  
Date: 2022.06.27 07:58:17  
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Bridget Lopez, CFE  
Examiner-In-Charge  
Senior Insurance Examiner, Specialist  
Department of Insurance  
State of California

**Dillon, Sayaka** Digitally signed by Dillon,  
Sayaka  
Date: 2022.06.27 07:14:40  
-07'00'

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Sayaka Dillon, CFE, CISA  
Supervising Insurance Examiner  
Department of Insurance  
State of California