REPORT OF EXAMINATION
OF THE
HANA HOME PROTECTION COMPANY
AS OF
DECEMBER 31, 2012

Filed June 21, 2013

TABLE OF CONTENTS

PAGE

SCOPE OF EXAMINATION 1

SUBSEQUENT EVENTS 2

COMPANY HISTORY 2

MANAGEMENT AND CONTROL 3

TERRITORY AND PLAN OF OPERATION 4

REINSURANCE 4

FINANCIAL STATEMENTS: 5
- Statement of Financial Condition as of December 31, 2010 6
- Underwriting and Investment Exhibit for the Year Ended December 31, 2010 7
- Reconciliation of Surplus as Regards Contractholders from December 31, 2007 through December 31, 2010 8

COMMENTS ON FINANCIAL STATEMENT ITEMS 9

SUMMARY OF COMMENTS AND RECOMMENDATIONS: 9
- Current Report of Examination 9
- Previous Report of Examination 9

ACKNOWLEDGMENT 10

San Francisco, California
April 31, 2013

Honorable Dave Jones
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

HANA HOME PROTECTION COMPANY

(hereinafter also referred to as the Company) at its home office located at 2140 West Olympic Boulevard, Suite 418, Los Angeles, California 90006.

SCOPE OF EXAMINATION

We have performed our single-state examination of the Company. The previous examination of the Company was made as of December 31, 2007. This examination covers the period from January 1, 2008 through December 31, 2012. The examination included a review of the Company's practices and procedures, an examination of management records, tests and analyses of detailed transactions within the examination period, and an evaluation of the assets and determination of liabilities as of December 31, 2012, as deemed necessary under the circumstances.

In addition to those items specifically commented upon in this report, other phases of the Company's operations were reviewed including the following areas that require no further comment: corporate records; fidelity bonds and other insurance; pensions; stock ownership and insurance plans; growth of company; accounts and records; loss experience; and statutory deposits.

SUBSEQUENT EVENTS

As of December 31, 2012, the Company's surplus as regards contractholders was $187,234, which is below the minimum requirement of $200,000 set by the California Department of Insurance. During March and April 2013, the Company received two additional capital contributions from Woo Jin Kim, a Company director and an officer in the amount of $12,000 and $1,500 respectively, which brought the surplus as regards contractholders to $200,734. It is recommended that the Company implement procedures to ensure its surplus as regards contractholders remains above $200,000.

COMPANY HISTORY

During the examination period, the Company received the following (gross paid-in and contributed surplus) contributions from WooJin Kim and Anthony Oh Kwon, the both whom are Company directors and officers.

Year	Amount
2009	$ 50,000
2010	$ 13,000
2011	$ 30,000
2012	$ 30,600
Total	$ 123,600

The Company has 100,000 shares of common capital stock authorized with 2,000 shares issued and outstanding as of December 31, 2012 with a par value of $50 per share. On January 7, 2005, the Company's Article of Incorporation was amended to increase the par value of the common capital stock from $20 to $50. During 2009, the Company transferred $60,000 from its gross paid-in and contributed surplus to its common capital stock. This transaction resulted in an increase of common capital stock to $100,000 and a corresponding decrease in gross paid-in and contributed surplus.

MANAGEMENT AND CONTROL

The Company is owned by three individual shareholders: Joohee Clare Yun (33.5%), WooJin Kim (33.5%), and Anthony Oh Kwon (33.0%).

Management of the Company is vested in a three-member board of directors elected annually. A listing of the members of the board and principal officers serving on December 31, 2012 follows:

Directors

Name and Residence	Principal Business Affiliation
WooJin Kim Torrance, California	Treasurer Hana Home Protection Company
Anthony O. Kwon Bakersfield, California	Secretary Hana Home Protection Company
Joohee C. Yun La Canada, California	Chairman of the Board and President Hana Home Protection Company

Principal Officers

Name	Title
Joohee C. Yun	President
WooJin Kim	Treasurer
Anthony O. Kwon	Secretary
Clement Yun	Controller

The December 31, 2008 board minutes reflected that all officers have declined salaries and agreed not to claim the unpaid salaries at a later date. As of December 31, 2012, the officers continue to not receive any salary.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2012, the Company was licensed to transact home protection insurance in California. The Company has three sales personnel, who cover Los Angeles and Orange County. The Company is in the process of recruiting more sales staff to cover Riverside and San Bernardino counties. Since the commencement of business, warranty products are offered to buyers at $245 for base coverage with optional coverage available for additional fees. All single-family residential products were offered for duration of twelve months. The following table shows the amount of contracts written during the examination years.

Year	Amount
2008	$213,960
2009	$304,795
2010	$294,915
2011	$256,715
2012	$320,355

The home warranty contract obligates the Company to repair or replace covered items such as: plumbing, water heater, heating, electrical, garage door opener, central vacuum system, telephone system, pest control, and kitchen appliances. For an additional charge, the Company offers coverage for: central air conditioning (electric), pool and spa equipment, washer and dryer, refrigerator, and limited roof repair.

REINSURANCE

The Company has no reinsurance assumed or ceded.

FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of December 31, 2012

Underwriting and Investment Exhibit for the Year Ended December 31, 2012

Reconciliation of Surplus as Regards Contractholders from December 31, 2007 through December 31, 2012

Statement of Financial Condition
as of December 31, 2012

Assets	Ledger and Nonledger Assets	Net Admitted Assets	Notes
Cash (Petty Cash)	410	410	
Cash on Deposit	18,501	18,501	
Cash and short-term investments	289,880	289,880	
Home protection contract fees receivables	11,145	11,145	
Total assets	$ 319,936	$ 319,936	
Liabilities, Surplus and Other Funds			
Claims adjusted and unpaid or in process of adjustment		$ 1,255	
Other expenses		957	
Unearned home protection contract fees		130,490	
Total liabilities		132,702	
Common capital stock	$ 100,000		
Gross paid-in and contributed surplus	423,600		
Unassigned funds (surplus)	(336,366)		
Surplus as regards contractholders		187,234	
Total liabilities, surplus and other funds		$ 319,936	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2012

Statement of Income

Underwriting Income		
Home protection contract fees earned		$ 296,027
Deductions:		
Claims incurred	$ 49,828	
Other underwriting expenses incurred	270,443	
Total underwriting deductions		320,271
Net underwriting loss		(24,244)
Investment Income		
Net investment income earned	$ 2,197	
Net investment gain		2,197
Other Income		
Service Fee Income	210	
Total other income		210
Net income		$ (21,837)

Capital and Surplus Account

Surplus as regards contractholders December 31, 2011		$ 178,471
Net loss	$ (21,837)	
Surplus adjustments:		
Paid-in	30,600	
Change in surplus as regards contractholders for the year		8,763
Surplus as regards contractholders December 31, 2012		$ 187,234

Reconciliation of Surplus as Regards Contractholders from December 31, 2007 through December 31, 2012

	Gain in Surplus	Loss in Surplus	
Surplus as regards contractholders, December 31, 2007 per Examination			$ 253,195
Net loss	$	$ (189,561)	
Surplus adjustments: Paid-in	123,600		
Total gains and losses	$ 123,600	$ (189,561)	
Net decrease in surplus as regards contractholders			(65,961)
Surplus as regards contractholders, December 31, 2012, per Examination			$ 187,234

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Subsequent Events (Page 2): It is recommended that the Company implement procedures to ensure its surplus as regards contractholders remains above $200,000.

Previous Report of Examination

Corporate Records (Page 5): It was recommended that the Company implement procedures in its board meetings to ensure compliance with California Insurance Code Section 735. The Company has complied with this recommendation.

ACKNOWLEDGMENT

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

Respectfully submitted,

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Sunny Ko, CFE
Examiner-In-Charge
Associate Insurance Examiner
Department of Insurance
State of California