

REPORT OF EXAMINATION
OF THE
UNITED STATES BRANCH OF
HYUNDAI MARINE & FIRE INSURANCE COMPANY, LTD
AS OF
DECEMBER 31, 2024

Commissioners Signature



Filed on February 3, 2026

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Los Angeles, California
December 5, 2025

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

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

UNITED STATES 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, 2020. This examination covered the period from January 1, 2021 through December 31, 2024.

The 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, during the course of the examination, an adjustment was identified, 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

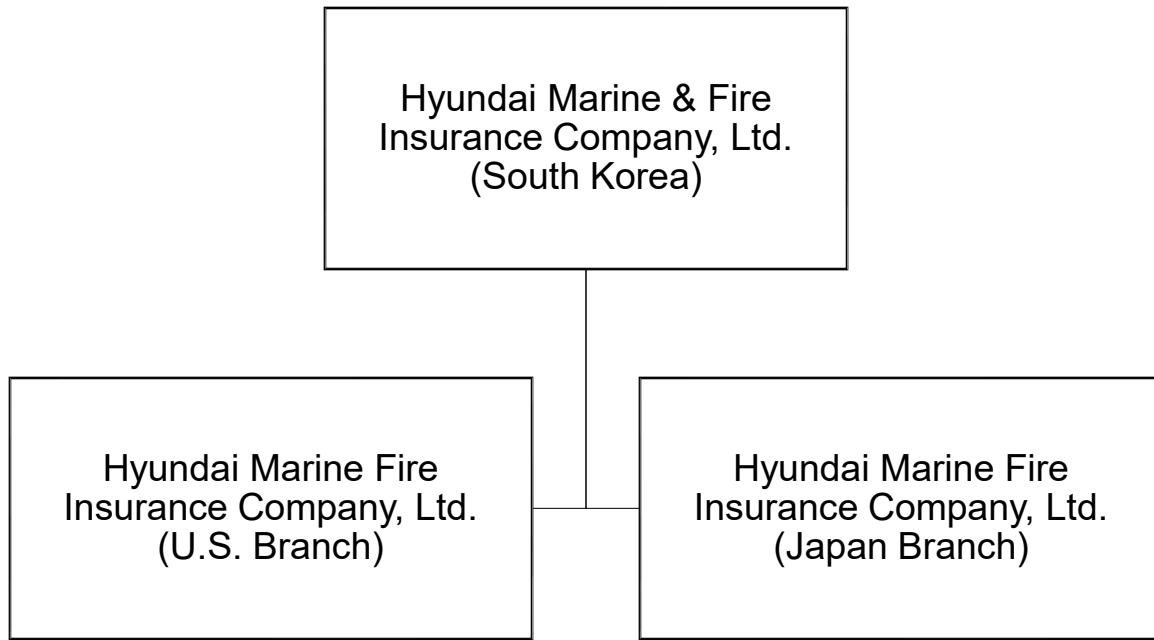
The U.S. Branch is one of two branch offices of Hyundai Marine & Fire Insurance Company, Ltd (Hyundai). Hyundai is a publicly traded property and casualty insurance company incorporated in 1955 under the laws of the Republic of Korea (South Korea). Using the port of entry in California, the U.S. Branch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

Capitalization

Hyundai is authorized to issue 200,000,000 shares of common stocks with a par value of 500 Korean Wons, or \$0.36 United States Dollar. There are 89,400,000 shares issued and outstanding. One shareholder, Mr. Mong Yoon Chung, holds approximately 19,668,800 shares, or 22% 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 and its two branches (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 officers of the U.S. Branch serving at December 31, 2024:

Directors

Name and Location

Mong Yoon Chung
South Korea

Yong Il Cho
South Korea

Principal Business Affiliation

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

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

<u>Name and Location</u>	<u>Principal Business Affiliation</u>
Sung Jae Lee South Korea	Chief Executive Officer Hyundai Marine & Fire Insurance Company, Ltd.
Tae Jin Kim, South Korea	Professor Korea University
Bong Kyu Jang South Korea	Professor Pohang University of Science and Technology
Yeonseung Chung South Korea	Professor Dankook University
Chang-Dong Sohn South Korea	Board of Audit and Inspection of Korea Second Deputy Secretary General

Principal Officers of the U.S. Branch

<u>Name</u>	<u>Title</u>
Jeonghoon Kang Jihwa Yu	President and U.S. Branch Manager Treasurer, Secretary, and Compliance Officer

Management Agreements

Technology License and Service Agreement: Effective July 1, 2011, the U.S. Branch and Maple Technologies, LLC (Maple Tech), an unaffiliated company, entered into an agreement for technology and related services. Pursuant to the Agreement, the U.S. Branch has access to Aspire, the insurance automation system, 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 2021, 2022, 2023, and 2024, the U.S. Branch paid Maple Tech \$551,170, \$620,030, \$743,829, and \$830,161, respectively, for licensing fees under the terms of the Agreement.

Services Agreement for Administration of a Claims Program: Effective October 10, 2019, the U.S. Branch and Sedgwick Claims Management Services, Inc. (Sedgwick), an unaffiliated company, entered into a Services Agreement for Administration of a Claims Program. Pursuant to the Agreement, Sedgwick provides the following services: claims administration and adjustment, call center, special investigation unit, Medicare compliance, origin of cause investigative and repair solutions. The Agreement covers all property and general liability personal lines in the states of New York, New Jersey, and California. For commercial lines, general liability and inland marine, the Agreement covers all operations in California. The Agreement was amended on April 6, 2022 to add operations in the state of Hawaii. The U.S. Branch compensated Sedgwick \$2,094,651, \$1,654,733, \$1,506,125, and \$1,533,032 in 2021, 2022, 2023, and 2024, respectively, for the services provided under the terms of the Agreement.

Master Professional Service Agreement: Effective February 8, 2017, the U.S. Branch entered into a Master Professional Service Agreement with Genpact International, Inc. (Genpact), an unaffiliated company. Pursuant to the Agreement, Genpact provides the U.S. Branch with services including account management, reinsurance processing, data normalization, statistical reporting, financial reporting and filing, and compliance support. In 2021, 2022, 2023, and 2024, the U.S. Branch paid Genpact \$329,009, \$250,031, \$189,799, and \$199,659, respectively, for services rendered under the terms of the

Agreement.

Claims Administration Services Agreement: Effective July 1, 2022, the U.S. Branch and North American Risk Services, Inc. (NARS), an unaffiliated company, entered into a Claims Administration Services Agreement. Pursuant to the Agreement, NARS provides claim adjustment services on claims arising out of the U.S. Branch's commercial auto policies issued in the state of California. This Agreement ended on November 30, 2024. In 2022, 2023 and 2024, the U.S. Branch compensated NARS \$0, \$10,751 and \$102,813 respectively.

Claims Services Agreement: Effective December 1, 2024, the U.S. Branch and Athens Program Insurance Services, LLC (Athens), entered into a Claims Services Agreement. Pursuant to the Agreement, Athens provides claim adjustment services on claims arising out of the U.S. Branch's commercial auto policies issued. No payments were made during the examination period.

TERRITORY AND PLAN OF OPERATION

The U.S. Branch writes fire, allied lines, homeowners multiple perils, 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, 2024, the U.S. Branch was licensed in the following nine states:

Alabama	Hawaii	New Jersey
California	Illinois	New York
Georgia	Massachusetts	Oregon

As of year-end December 31, 2024, the U.S. Branch generated \$132,173,967 in direct premiums. Of this amount \$83,987,000 (63.5%) was written in New York, \$20,398,697 (15.4%) in California, \$16,771,202 (12.7%) in Hawaii, \$5,796,994 (4.4%) in New Jersey, \$4,327,926 (3.3%) in Georgia, and \$891,837 (1.0%) in Alabama. The three largest lines

of business are homeowners multiple peril \$55,994,769 (42.4%), allied lines \$22,018,007 (16.7%), and fire \$24,779,636 (18.7%). Direct business is primarily written through selective general agents.

REINSURANCE

Assumed

In 2024, the U.S. Branch assumed \$23,238,296 through various facultative reinsurance arrangements.

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, 2024:

Type of Contract Line of Business	Reinsurer's Name	U.S. Branch's Retention	Reinsurer Limit
Hawaii Program Quota Share Treaty Hawaii Homeowners	Various authorized, certified and unauthorized reinsurers	20%	80% (Maximum limit of \$230,000,000 per event)
Hyundai Quota Share Treaty Section I: Ocean Marine Section II: Dwelling & Homeowners	Korean Reinsurance Company (Unauthorized)	Section I: 28.5% Section II: 70%	Section I: 71.5% (Up to maximum limit of \$3,000,000 per risk) Section II: 5.0% (Maximum limit \$1,200,000 per coverage, except for \$2,000,000 for Hawaii) Note: 25% is ceded under the Dwelling & Homeowners – Quota Share Treaty below

Quota Share Treaty Dwelling & Homeowners	Various authorized, certified and unauthorized reinsurers	70%	25.0% (Maximum limit of \$72,000,000 per occurrence) Note: 5% is ceded under the Hyundai Quota Share Treaty – Section II above.
Property Catastrophe Excess of Loss Treaty Dwelling & Homeowners	Various authorized, certified and unauthorized reinsurers	\$3,000,000 each occurrence	<u>First Excess:</u> \$2,000,000 each occurrence in excess of \$3,000,000 subject to \$4,000,000 in annual aggregate <u>Second Excess:</u> \$24,000,000 in excess of \$5,000,000 subject to \$48,000,000 in annual aggregate <u>Third Excess:</u> \$36,500,000 in excess of \$29,000,000 subject to \$73,000,000 in annual aggregate
Commercial Property Per-Risk Excess of Loss Treaty	Swiss Reinsurance Company	KRW 3,000,000,000 Approximately \$2,000,000 (depending on the Korean Currency exchange rate)	Up to KRW 50,000,000,000 Ultimate Net Loss per each risk & loss in excess of retention (approx. \$2,000,000)
Facultative Obligatory Cover Treaty Casualty (General Liability, Commercial, Automobile, Workers' Compensation, and Other Liability)	Korean Reinsurance Company (Unauthorized)	50%	50%

Hyundai Quota Share Treaty Commercial and Fire Property	Korean Reinsurance Company (Unauthorized)	Group I: 33.3% Group II: 50.0% Note: For Groups I and II, risks are categorized by contract depending on the relative level of industry risk—Group I for lower-risk exposures and Group II for higher-risk exposures.	Group I: 66.7% (Maximum limit of \$30,000,000 per risk) Group II: 50.0% of (Maximum limit of \$20,000,000 per risk)
Quota Share Treaty Commercial Automobile	General Reinsurance Corporation (Authorized)	60%	40% or \$400,000 per occurrence / \$800,000 in aggregate

ACCOUNTS AND RECORDS

Annual Statement Instructions

Pursuant to California Insurance Code (CIC) Section 923, every insurer is required to file its annual and quarterly statements in accordance with the National Association of Insurance Commissioner (NAIC) Annual Statement Instructions. Based on a review of the U.S. Branch's 2024 Annual Statement, the following deficiencies were noted:

1. The NAIC Annual Statement Instructions for the Jurat Page states that officers, directors, trustees, and any other positions in primary policy-making or managerial roles be identified. The U.S. Branch failed to list its directors on its Annual Statement Jurat Page.
2. The NAIC Annual Statement Instructions for Note 14, Section D, requires disclosures regarding claims related extra contractual obligations and bad faith losses stemming from lawsuits. The U.S. Branch failed to complete the Notes to Financial Statements, Note 14 – Liabilities, Contingencies and Assessments.
3. The NAIC Annual Statement Instructions requires the appointed actuary report to the Board of Directors (Board) each year on the items within the scope of actuarial opinion and that such reporting is documented in the minutes of the Board.

It is recommended that the U.S. Branch take steps to ensure future compliance with CIC Section 923 and follow the NAIC Annual Statement Instructions.

Group Capital Calculation Annual Filing

The Group Capital Calculation (GCC) Annual Filing was not filed as required by CIC Section 1215.4(n) for the period under examination. It was recommended that the U.S. Branch take steps to ensure the future filing of GCC Annual Filing to comply with CIC Section 1215.4(n). Based on this recommendation, and during the course of the examination, the U.S. Branch submitted the required 2023 and 2024 GCC filings with the California Department of Insurance (CDI) and is now in compliance.

Board Review and Approval of Investments

Based on the review of the Board's meeting minutes for the period under examination, it was observed that the Board's action regarding the authorization and approval of investments did not comply with the requirements of CIC Sections 1200 and 1201. The Board did not enter the investment authorization or approval in the meeting minutes in accordance with CIC Section 1200. In addition, specific references to amounts, facts, and the value of the investments were not recorded in the minutes as required by CIC Section 1201. It is recommended that the Company implement procedures to ensure compliance with CIC Sections 1200 and 1201.

Vehicle Fraud Assessment

CIC Section 1872.8(a) states, in part, that each insurer doing business in the state of California must pay an annual Vehicle Fraud Assessment Fee for each vehicle insured under an insurance policy it issues in California. California Code of Regulations (CCR), Title 10, Chapter 5, Subchapter 9, Article 4, Section 2698.62(b) states that the vehicle fraud assessment shall be due on each vehicle, identified by its vehicle identification number for each quarter that a policy is in force on such vehicle and when a vehicle is added to or replaced one under an existing policy.

During the course of this examination, it was found that the U.S. Branch failed to include

all insured vehicles in its vehicle counts. It is recommended the U.S. Branch include all insured vehicles in its vehicle counts in accordance with CIC Section 1872.8(a) and CCR Section 2698.62(b).

Premium Tax Filing

During the review of the U.S. Branch's California premium tax filings for the years under examination, it was observed that the U.S. Branch inadvertently excluded policy fees from its net taxable premium amounts. As a result, the U.S. Branch underreported its net taxable premium by \$90, \$8,815, \$80,680, and \$179,900 in 2021, 2022, 2023, and 2024, respectively. It was recommended that the U.S. Branch file amended premium tax filings to properly report all premium, finance and service changes, policy fees and to pay any additional premium taxes due. It is further recommended that the U.S. Branch implement procedures to ensure accurate premium tax filings. Based on this recommendation, and during the course of the examination, the Company amended and refiled its premium tax filings. As of the date of this report, the amended premium tax filings were reviewed and accepted by the CDI.

Unclaimed Property

The U.S. Branch has complied with the recommendation from the previous examination to escheat unclaimed property to the California State Controller's Office (SCO). However, it was observed that the U.S. Branch failed to (i) properly notify property owners that their property will be escheated to the State of California as required by California Code of Civil Procedure (CCP) Section 1513.5 and (ii) timely escheat property older than three years to the SCO as required by CCP Sections 1530 and 1532, during the period under examination. It is recommended the U.S. Branch (i) make reasonable efforts to notify property owners of the escheatment of property to the State of California, (ii) escheat unclaimed property to the SCO timely, and (iii) implement policies and procedures to ensure future compliance with CCP Sections 1513.5, 1530, and 1532.

Custodian and Trust Agreements

CIC Section 1104.9(c) mandates that securities shall not be deposited in or with a qualified custodian, qualified depository, or qualified subcustodian except as authorized by an agreement between the insurer and the qualified custodian, if the agreement is satisfactory to and has been approved by the Commissioner. CIC Section 1595 provides, in part, that whenever an admitted alien insurer is required to or permitted to deposit assets with a trustee for the benefit and security of its policyholders, the trustee must be acceptable to the commissioner and authorized to act as such trustee by the laws of any State or of the United States. As a result of U.S. Bank's N.A. (U.S. Bank) acquisition of Union Bank of California N.A. (Union Bank) in 2021, U.S. Bank became the custodial and trustee bank for the U.S. Branch. The U.S. Branch did not execute a new custodial and a new trust agreement with U.S. Bank to reflect the change. It is recommended that the U.S. Branch enter into new custodial and trust agreements with U.S. Bank and submit the agreements to CDI for approval in accordance with CIC Sections 1104.9(c) and 1595.

FINANCIAL STATEMENTS

The following financial 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 Company for the period ending December 31, 2024. The accompanying comments to the amounts reported in the annual statements should be considered an integral part of the financial statements. No adjustments were made to the financial statements reported by the U.S. Branch.

Statement of Financial Condition as of December 31, 2024

Underwriting and Investment Exhibit for the Year Ended December 31, 2024

Reconciliation of Surplus as Regards Policyholders from December 31, 2020 through December 31, 2024

Statement of Financial Condition
as of December 31, 2024

<u>Assets</u>	<u>Ledger and Nonledger Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Notes</u>
Bonds	\$ 164,313,223	\$	\$ 164,313,223	
Cash, cash equivalents, and short-term investments	17,965,516		17,965,516	
Investment income due and accrued	1,289,531		362,903	
Uncollected premiums and agents' balances in the course of collection	10,677,809	437,793	10,240,016	
Amounts recoverable from reinsurers	6,299,000		6,299,000	
Current federal and foreign income tax recoverable and interest thereon	724,887		724,887	
Net deferred tax asset	2,586,321	384,210	2,202,111	
Electronic data processing equipment and software	53,416	53,416	0	
Furniture and equipment	169,916	169,916	0	
Aggregate write-ins for other than invested assets	<u>2,288,208</u>	<u>30,376</u>	<u>2,257,832</u>	
Total assets	<u>\$ 206,367,827</u>	<u>\$ 1,075,711</u>	<u>\$ 205,292,116</u>	
 <u>Liabilities, Surplus and Other Funds</u>				
Losses			\$ 56,192,898	(1)
Reinsurance payable on paid loss and loss adjustment expenses			922,150	
Loss adjustment expenses			<u>7,021,673</u>	(1)
Commissions payable, contingent commissions and other similar charges			1,872,703	
Other expenses			3,265,349	
Taxes, licenses and fees			1,494,454	
Unearned premiums			41,071,163	
Advance premiums			1,956,406	
Ceded reinsurance premiums payable			23,125,337	
Provision for reinsurance			2,732,270	
Aggregate write-ins for liabilities			<u>361,784</u>	
Total liabilities			140,016,187	
Aggregate write-ins for other than special surplus funds	\$ 3,000,000			(2)
Gross paid-in and contributed surplus	43,100,000			
Unassigned funds (surplus)	<u>19,175,929</u>			
Surplus as regards policyholders			<u>65,275,929</u>	
Total liabilities, surplus, and other funds			<u>\$ 205,292,116</u>	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2024

Statement of Income

Underwriting Income

Premium earned	\$ 69,523,593
Deductions:	
Losses incurred	\$ 32,622,185
Loss adjustment expenses incurred	5,619,617
Other underwriting expenses incurred	27,714,999
Aggregate write-ins for underwriting deductions	<u>1,147,722</u>
Total underwriting deductions	<u>67,104,523</u>
Net underwriting gain	2,419,070

Investment Income

Net investment income earned	<u>\$ 4,767,326</u>
Net investment gain	4,767,326

Other Income

Net loss from agents' or premium balances charged off	\$ (26,342)
Finance and service charges not included in premiums	<u>1,147,722</u>
Total other income	<u>1,121,380</u>
Net income before dividends to policyholders, after capital gains tax, and before all other federal and foreign income taxes	8,307,776
Net income after dividends to policyholders, after capital gains tax, and before all other federal and foreign income taxes	8,307,776
Federal and foreign income taxes incurred	<u>2,266,836</u>
Net income	<u>\$ 6,040,940</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2023	\$ 57,549,066
Net income	\$ 6,040,940
Change in net deferred income tax	501,977
Change in nonadmitted assets	2,194,593
Change in provision for reinsurance	<u>(1,010,648)</u>
Change in surplus as regards policyholders for the year	<u>7,726,862</u>
Surplus as regards policyholders, December 31, 2024	<u>\$ 65,275,929</u>

Reconciliation of Surplus as Regards Policyholders
from December 31, 2020 through December 31, 2024

Surplus as regards policyholders, December 31, 2020		\$ 53,338,520
	Gain in Surplus	Loss in Surplus
Net income	\$ 10,069,037	\$
Change in net deferred income tax	1,293,504	
Change in nonadmitted assets	599,089	
Change in provision for reinsurance	975,779	
Total gains and losses	<u>\$ 12,937,407</u>	<u>0</u>
Net increase in surplus as regards policyholders		<u>12,937,407</u>
Surplus as regards policyholders, December 31, 2024		<u>\$ 65,275,929</u>

COMMENTS ON FINANCIAL STATEMENTS

(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, 2024 were found to be reasonably stated and have been accepted for the purpose of this examination.

(2) Aggregate Write-ins for Other Than Special Surplus Funds

Pursuant to California Insurance Code (CIC) Section 1582, an alien insurer transacting business in California is required to maintain a deposit equal to the minimum amount of paid-in-capital required for the admission of incorporated insurers issuing policies on a reserve basis and transacting the same classes of insurance that the alien insurer is transacting in the United States. The U.S. Branch maintains a deposit of \$3,000,000 to comply with CIC Section 1582.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Accounts and Records – NAIC Annual Statement Instructions (Page 9): It is recommended that the U.S. Branch take steps to ensure future compliance with California Insurance Code (CIC) Section 923 and follow the National Association of the Insurance Commissioner (NAIC) Annual Statement Instructions.

Accounts and Records – Group Capital Calculation Annual Filing (Page 10): It is recommended that the U.S. Branch take steps to ensure the future filing of Group Capital Calculation (GCC) Annual Filing to comply with CIC Section 1215.4(n).

Accounts and Records – Board Review and Approval of Investments (Page 10): It is recommended that U.S. Branch take steps to ensure future compliance with CIC Sections 1200 and 1201.

Accounts and Records – Vehicle Fraud Assessment (Page 10): It is recommended the U.S. Branch include all insured vehicles in its vehicle counts in accordance with CIC Section 1872.8(a) and CCR Section 2698.62(b).

Accounts and Records – Premium Tax Filing (Page 11): It is recommended that the U.S. Branch implement the procedures to ensure accurate premium tax filings.

Accounts and Records – Unclaimed Property (Page 11): It is recommended that the U.S. Branch (i) make reasonable efforts to notify property owners of the escheatment of property to the State of California, (ii) escheat unclaimed property to the California State Controller's Office (SCO) timely, and (iii) implement policies and procedures to ensure future compliance with California Code of Civil Procedure (CCP) Sections 1513.5, 1530, and 1532.

Accounts and Records – Custodian and Trust Agreements (Page 12): It is recommended that the U.S. Branch enter into new custodial and trust agreements with U.S. Bank N.A. and submit the agreements to the California Department of Insurance for approval in accordance with CIC Sections 1104.9(c) and 1595.

Previous Report of Examination

Accounts and Records – Unclaimed Property (Page 12): It was recommended that the U.S. Branch implement procedures to ensure compliance with California CCP Sections 1530 and 1532, and escheat property to the SCO, as required by the applicable CCP. The U.S. Branch complied with this recommendation.

Accounts and Records – Premium Tax (Page 12): It was recommended that the U.S. Branch adhere to the Ocean Marine tax instructions, when filing their Ocean Marine premium tax returns. The U.S. Branch complied with this 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,

Eduardo Montenegro, CFE (Fraud)
Examiner-In-Charge
Associate Insurance Examiner
Department of Insurance
State of California

Cuauhtémoc Beltrán, CFE
Senior Insurance Examiner, Supervisor
Department of Insurance
State of California