

REPORT ON EXAMINATION
OF THE
UNITED STATES BRANCH
OF
SAMSUNG FIRE & MARINE INSURANCE COMPANY, LTD.
AS OF
DECEMBER 31, 2000

DATE OF REPORT

APRIL 10, 2002

EXAMINER

MARC BRUCKSTEIN, CFE

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

April 10, 2002

Honorable Gregory V. Serio
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to instructions contained in Appointment Number 21785 dated September 28, 2001, I have made an examination into the conditions and affairs of the United States Branch of the Samsung Fire & Marine Insurance Company Ltd. as of December 31, 2000 and submit the following report thereon.

The examination was conducted at the offices of the Branch's manager, Chubb Multinational Inc., at 15 Mountain View Road, Warren New Jersey 07061-1615.

Wherever the designation the "Branch" appears herein without qualification in this report, it should be understood to indicate the United States Branch of Samsung Fire & Marine Insurance Company, Ltd.

Wherever the designation the "Department" appears herein without qualification in this report, it should be understood to indicate the New York Insurance Department.

1. SCOPE OF EXAMINATION

The previous examination was conducted as of December 31, 1995. This examination covers the five-year period from January 1, 1996 through December 31, 2000. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

The examination comprised a complete verification of assets and liabilities as of December 31, 2000, a review of income and disbursements deemed necessary to accomplish such verification, and utilized, to the extent considered appropriate, work performed by the Branch's independent certified public accountants. A review or audit was also made of the following items as called for in the Examiners Handbook of the National Association of Insurance Commissioners:

- History of the Branch
- Management and control
- Corporate records
- Fidelity bond and other insurance
- Loss experience
- Reinsurance
- Accounts and records
- Treatment of policyholders
- Growth of Branch
- Territory and plan of operation

A review was also made to ascertain what action was taken by the Branch with regard to comments and recommendations in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters which involve departures from laws, regulations or rules, or which are deemed to require explanation or description.

2. DESCRIPTION OF BRANCH

The Ankuk Fire & Marine Insurance Company, Ltd., was incorporated under the laws of the Republic of Korea on May 15, 1956. Effective December 6, 1993, the name was changed to Samsung Fire & Marine Insurance Company, Ltd. This Branch was established and began business under New York law on April 1, 1990. On January 4, 1994, the present title was officially adopted.

The Branch keeps in trust as required by law, for the exclusive benefit of its policyholders and creditors, funds sufficient to cover liabilities and statutory deposit requirements. The Branch funds which are trustee, are subject to withdrawal only with the consent of the Department. The funds trustee on December 31, 2000, with the Chase Manhattan Bank of New York, U.S. Trustee, or deposited with state insurance departments for the protection of all policyholders, amounted to \$28,557,844. The Branch minimum surplus requirement is \$2,800,000. The Branch had \$7,383,692 in trustee surplus as of December 31, 2000.

A. Management

The Branch has no directors or principal officers. The Chubb Multinational Manager Inc. (formerly Chubb & Son Inc.) was appointed under a power of attorney agreement dated September 18, 1989, to act as true and lawful attorney-in-fact, agent and manager for the operation of the Branch in the United States.

The managing directors of Chubb Multinational Manager Inc., as of December 31, 2000 were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Henry Gregory Gulick Middletown, NJ	Senior Vice President, Chubb Multinational Manager Inc.
David Gardiner Hartman New Providence, NJ	Senior Vice President, & Actuary, Chubb Multinational Manager Inc.
Charles Morton Luchs Mendham, NJ	Senior Vice President, Chubb Multinational Manager Inc.
Dean Raymond O'Hare Far Hills, NJ	Chairman of the Board & President, Chubb Multinational Manager Inc.
Philip John Sempier Chester, NJ	Senior Vice President, & Treasurer, Chubb Multinational Manager Inc.

A review of the minutes of the board of directors' meetings revealed that all meetings were well attended and that all directors had acceptable attendance records.

The principal officers of Chubb Multinational Manager Inc. as of December 31, 2000 were as follows:

<u>Name</u>	<u>Title</u>
Dean Raymond O'Hare	Chairman of the Board & President
Alan Chester Brown	Vice President
Alan Gerard Driscoll	Vice President
Charles Morton Luchs	Vice President
Robert Alfred Marzocchi	Vice President
Dino Ennio Robusto	Vice President
Henry Bruce Schram	Vice President
David Gardiner Hartman	Vice President & Actuary
Henry Gregory Gulick	Vice President & Secretary
Philip John Sempier	Vice President & Treasurer

Samsung Fire & Marine Insurance Company Ltd., did not provide documentation that would indicate that the investments made by the Branch's investment manager on behalf of the Samsung Fire & Marine Insurance Company, Ltd., were not approved by the home office's board of directors in accordance with Section 1411(a) of the New York Insurance Law. Although the investment manager is

provided with a set of investment guidelines to follow, acquisitions and disposals of both long and short-term bonds and time deposits require authorization as specified above.

It is recommended that the US Branch's home office adhere to the provisions of Section 1411(a) of the New York Insurance Law.

B. Territory and Plan of Operation

As of December 31, 2000, the Branch was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
12	Collision
13	Personal injury liability
14	Personal damage liability
15	Workers' compensation and employers' liability
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

The Branch is also empowered to transact such workers' compensation insurance as may be incident to coverages contemplated under paragraphs 20 and 21 of Section 1113(a), including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803 69 Cong. as amended; 33 USC Section 901 et seq. as amended.)

Based upon the lines of business for which the Branch is licensed, and the Branch's current structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, Samsung Fire & Marine Insurance Company, Ltd. (U.S. Branch) is required to maintain a trusteed surplus in the amount of \$2,800,000.

The Branch's authority to write insurance is limited to the writing of contracts issued for delivery in the United States, insuring risks of policyholders within the United States. The Branch is licensed to write insurance business in California and New Jersey, however, it only writes direct business in New York. The Branch's direct premiums written during the examination period are written in the State of New York is detailed below:

DIRECT PREMIUMS WRITTEN

<u>Calendar Year</u>	<u>Total Direct Premiums Written (\$000 omitted)</u>
1996	\$4,060
1997	\$4,130
1998	\$4,494
1999	\$4,092
2000	<u>\$4,504</u>
Totals	<u>\$21,280</u>

C. Reinsurance

Assumed

The Branch entered into a quota share reinsurance agreement with Federal Insurance Company ("Federal"). This agreement provides for the Branch to assume 100% of the liability applicable to business on U.S. risks which are written directly by Federal as an accommodation to the Branch.

Ceded

The Schedules "F" data as contained in the Branch's annual statements filed for the years within the examination period was found to accurately reflect its reinsurance transactions.

The examiner reviewed all ceded reinsurance contracts effected during the examination period. The Branch's reinsurance protection in place as of December 31, 2000 was as follows:

1. Quota Share Agreement (100% Authorized)

The Branch entered into a 50% quota share reinsurance agreement with Federal. The business ceded under this agreement includes the following risk meeting Federal's underwriting standards:

- a. The Branch's 100% assumption of Federal's participation in the Samsung U.S. Branch accommodation business insuring U.S. risks placed with Federal and ceded to the Branch; and
- b. Business written directly by the Branch insuring U.S. risks.

2. Marine Cargo Facultative Obligatory Reinsurance Agreement (100% Unauthorized)

50% of the insured amount retained by the Branch. The reinsurer shall not be liable for more than \$4,000,000, per any one conveyance and \$7,000,000, per any one location.

3. Casualty Excess of Loss Reinsurance Agreement (100% Authorized)

- a. \$750,000 XS \$250,000 each and every loss occurrence, each and every original policy subject to the reinsurer's maximum limit of liability of \$1,500,500 each loss occurrence.
- b. \$750,000 XS \$250,000 each and every loss occurrence, irrespective of the number of original policies involved. Maximum loss any one original policy, for this section, will be no more than \$250,000.

4. Cargo Excess of Loss Reinsurance Agreement (100% Unauthorized)

\$19,750,000 XS \$250,000 ultimate net loss each risk, each loss.

5. Fire and Engineering Excess of Loss Reinsurance Agreement (100% Unauthorized)

\$107,650,000 XS \$360,000 ultimate net loss each risk, each loss.

A review of the Branch's ceded reinsurance program indicated that all reinsurance contracts contained the required clauses including insolvency clauses as required by Section 1308(a)(2) of the New York Insurance Law.

A review of the Branch's gross and ceded premiums during the examination period indicated that the Branch appears to be in violation of Section 1308(e)(1)(A) of the New York Insurance Law, in that it had ceded more than fifty percent of its unearned premiums during any period of twelve consecutive months, without the superintendent's approval, for the years 1996, 1998, 1999 and 2000. It is recommended that in the future, the Branch obtain the permission of the superintendent to cede more than fifty percent of its unearned premiums during any period of twelve consecutive months in accordance with Section 1308(e)(1)(A) of the New York Insurance Law.

D. Holding Company System

Samsung Fire & Marine Insurance Company, Ltd., Korea, is affiliated with the Samsung Group, which is the largest conglomerate in Korea. The Samsung Group is comprised of the following affiliates:

Finance

Samsung Fire & Marine Insurance Co, Ltd.
Samsung Life Insurance Co. :Ltd.
Samsung Card Co. Ltd.
Samsung Securities Co. Ltd.
Samsung Capital Co., Ltd.
Samsung Investment Trust Management Co. Ltd.
Samsung Venture Investment Co. Ltd.

Electronics

Samsung Electronics Co. Ltd.
Samsung SDI Co, Ltd.
Samsung Electro-Mechanics Co. Ltd.
Samsung Corning Co., Ltd.
Samsung SDS Co. Ltd.

Machinery

Samsung Heavy Industrial Co. Ltd.
 Samsung Techwin Co. Ltd.

Chemicals

Samsung General Chemicals Co. Ltd.
 Samsung Petrochemicals Co. Ltd.
 Samsung Fine Chemicals Co. Ltd.
 Samsung-BP Chemicals Co. Ltd.

Other Samsung Companies

Samsung Corporation
 Samsung Engineering Co. Ltd.
 Cheil Industries Inc.
 Samsung Everland Inc.
 The Shilla Hotels and Resorts Co. Ltd.
 Cheil Communication Inc.
 S1 Corporation
 Samsung Lions
 Samsung Medical Center
 Samsung Human Resources Development Center
 Samsung Advanced Institute of Technology
 Samsung Economic Research Institute
 Samsung Foundation of Culture
 Samsung Welfare Foundation

The Branch is to submit any transactions between the Branch and any of the companies that comprise the Samsung Group as if subject to the filing requirements of Section 1505 of the New York Insurance Law and Part 80.3 of Regulation 52. However, there were no such transactions during the examination period.

E. Abandoned Property Law

The Company had complied with Sections 1315 and 1316 of the New York Abandoned Property Law by completing abandoned property filings for the five year examination period, which included a listing of unclaimed property along with a remittance to the State Comptroller's, Office.

F. Significant Operating Ratios

The following ratios have been computed as of December 31, 2000, based upon the results of this examination:

Net premiums written to Surplus as regards policyholders	.46:1
Liabilities to Liquid assets	80.3%
Premiums in course of collection to Surplus as regards policyholders	8.16%

All of the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

The underwriting ratios presented below are on an earned/incurred basis and encompass the four year period covered by this examination:

	<u>Amounts</u>	<u>Ratios</u>
Losses incurred	\$18,155,089	78.8%
Loss adjustment expenses incurred	5,096,736	22.1
Other underwriting expenses incurred	4,163,403	18.0
Net underwriting loss	<u>(4,373,719)</u>	<u>(18.9)</u>
Premiums earned	<u>\$23,041,509</u>	<u>100.0%</u>

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders determined by this examination as of December 31, 2000. This statement is the same as the balance sheet filed by the Branch:

<u>Assets</u>	<u>Ledger Assets</u>	<u>Non-Ledger Assets</u>	<u>Not-Admitted Assets</u>	<u>Net-Admitted Assets</u>
Bonds	\$25,944,523	\$	\$	\$25,944,523
Cash on deposit	308,244			308,244
Short-term investments	4,211,263			4,211,263
Premiums and agents' balances in course of collections	(3,004,749)		186,986	(3,191,735)
Reinsurance recoverable on loss and loss adjustment expense payments	5,452,787			5,452,787
Federal income tax recoverable		1,041,118		1,041,118
Interest, dividends and real estate income due and accrued		365,488		365,488
Other assets	_____	<u>4,034</u>	_____	<u>4,034</u>
Total assets	<u>\$32,912,068</u>	<u>\$1,410,640</u>	<u>\$186,986</u>	<u>\$34,135,722</u>

Liabilities

Losses		\$10,464,419
Loss adjustment expenses		4,826,629
Other expenses		21,986
Unearned premiums		2,079,151
Provision for reinsurance		2,913,404
Due to Chubb Multinational Manager Inc.		<u>4,174,767</u>
Total liabilities		\$24,480,356
Statutory deposit	\$1,925,000	
Unassigned funds	<u>7,730,366</u>	
Surplus as regards policyholders		<u>9,655,366</u>
Total liabilities and surplus		<u>\$34,135,722</u>

Note: The Internal Revenue Service has not conducted any audits of the Branch's Federal income tax returns. Audits covering tax years 1996 through 2000 have yet to commence. The examiner is unaware of any potential exposure of the Branch to any further tax assessment and no liability has been established herein relative to such contingency.

B. Underwriting and Investment Exhibit

Surplus as regards policyholders increased \$2,633,384 during the five year examination period January 1, 1996 through December 31, 2000. This increase is detailed as follows:

Statement of Income

Underwriting Income

Premiums earned		\$23,041,509
Deductions:		
Losses incurred	\$18,155,089	
Loss adjustment expenses incurred	5,096,736	
Other underwriting expenses incurred	<u>4,163,403</u>	
Total underwriting deductions		<u>27,415,228</u>
Net underwriting loss		\$(4,373,719)

Investment Income

Net investment income earned	\$5,652,426	
Net realized capital gains	<u>291,617</u>	
Net investment gain		5,944,043

Other Income

Net miscellaneous loss	<u>\$(8,352)</u>	
Net loss from other income		(8,352)
Net income before Federal income taxes		\$1,561,972
Federal and foreign income taxes incurred		<u>1,389,583</u>
Net income		<u>\$172,389</u>

Capital and Surplus Account

Surplus as regards policyholders per report on examination, December 31, 1995			\$7,021,982
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income	\$172,389	\$	
Change in not admitted assets		163,030	
Change in provision for reinsurance		2,473,475	
Net remittances from Home Office	<u>5,097,500</u>		
		<u> </u>	
Total gains and losses	<u>\$5,269,889</u>	<u>\$2,636,505</u>	
Net increase in surplus as regards policyholders			<u>2,633,384</u>
Surplus as regards policyholders per report on examination, December 31, 2000			<u>\$9,655,366</u>

C. Trusteed Surplus Statement

The following statement shows the trustee surplus of the Branch as calculated in accordance with Section 1312 of the New York Insurance Law and as determined by this examination:

Assets

Securities deposited with state insurance departments for the protection of all policyholders and creditors within the United States:

New York	<u>\$1,932,428</u>	
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Total general deposits		\$1,932,428
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Vested in and held by United States Trustee

Cash	\$3,416	
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Bonds	23,179,335	
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Short-Term Investments	3,109,444	
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Accrued Investment Income	<u>333,221</u>	
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Total vested in and held by United States Trustee		<u>26,625,416</u>
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Total assets		<u>\$28,557,844</u>
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Liabilities

Total liabilities and reserves as determined by this examination		\$24,480,356
Add:		
Ceded reinsurance balances payable		<u>3,979,556</u>
Total liabilities and reserves		\$28,459,912
Deductions from net liabilities and reserves:		
Reinsurance recoverable on paid losses:		
Authorized companies	\$4,085,787	
Unauthorized companies	1,367,000	
Agents' balances or uncollected premiums, not more than ninety days past due, not exceeding unearned premiums carried thereon	787,821	
Federal income tax recoverable	1,041,118	
Other assets	<u>4,034</u>	
Total deductions		<u>7,285,760</u>
Net liabilities		\$21,174,152
Trusteed surplus		<u>7,383,692</u>
Total liabilities and trusteed surplus		<u>\$28,557,844</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liabilities for losses and loss adjustment expenses, totaling \$10,464,419 and \$4,826,629, respectively, are the same amounts as reported by the Branch in its 2000 filed annual statement. The examination analysis was conducted in accordance with generally accepted actuarial principles and practices and was based upon statistical information contained in the Branch's internal records and in its sworn to and filed annual statements. The results indicated that the reserves as established by the Branch as of the examination date were adequate.

5. MARKET CONDUCT ACTIVITIES

In the course of this examination, a review was made of the manner in which the Branch conducts its business practices and fulfills its contractual obligations to policyholders and claimants. The review was general in nature and is not to be construed as to encompass the more precise scope of a market conduct investigation, which is the responsibility of the Market Conduct Unit of the Property Bureau of this Department.

The general review was directed at the practices of the Branch in the following major areas:

- 1) Sales and advertising
- 2) Underwriting
- 3) Rating
- 4) Treatment of policyholders and claimants

No problem areas were encountered.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report contained five comments and recommendations as follows; (page numbers refer to prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
i. It is recommended that the Branch, through its U.S. Manager, amend the original Section 325(b) plan to include the Ridgefield Park Office, where several employees of the Home Office are located and are performing certain functions for the Branch.	8

The Branch has complied with this recommendation by having Chubb Multinational Manager Inc. assume primary responsibility for the reinsurance functions formerly performed in the Ridgefield Park Office, and all the relevant records will be maintained in Warren, New Jersey, as provided for in the original Section 325(b) plan.

<u>ITEM</u>	<u>PAGE NO.</u>
ii. It is recommended that all functions called for in the Branch's management agreement with Chubb & Son be performed by the manager, or that the Branch submit to the Department a written agreement with the Home Office describing the functions to be performed by their employees in the United States.	8

The Branch has complied with this recommendation by having Chubb Multinational Managers arrange all reinsurance agreements for the Branch and the records will accordingly be located at Chubb's, Warren, New Jersey Office. Also Chubb Multinational Managers will be responsible for the execution of all investment transactions so that the appropriate records will remain at Warren, New Jersey location.

B. Reinsurance

It is recommended that in the future, the Branch obtain the permission of the superintendent before ceding more than fifty percent of its unearned premium in accordance with Section 1308(e)(1)(A) of the Law.	11
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The Branch has partly complied with this recommendation. The Branch had ceded in excess of fifty percent of its unearned premiums in the years 1996 through 2000. The Branch received permission on August 19, 1997, for the year 1997 from the New York Insurance Department. No permission was requested or granted for years 1996, 1998, 1999 and 2000. This recommendation is reiterated in this report.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Management</u>	
It is recommended that the US Branch's home office adhere to the provisions of Section 1411(a) of the New York Insurance Law.	5
B. <u>Reinsurance</u>	
It is recommended that in the future, the Branch obtain the permission of the Superintendent before ceding more than fifty percent of its unearned premium during any period of twelve consecutive months in accordance with Section 1308(e)(1)(A) of the New York Insurance Law.	8

Respectfully submitted,

_____/S/_____
Marc Bruckstein, CFE
Senior Insurance Examiner

STATE OF NEW YORK)
)SS.
)
COUNTY OF NEW YORK)

MARC BRUCKSTEIN being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.

_____/S/_____
Marc Bruckstein

Subscribed and sworn to before me

this _____ day of _____ 2002.

Appointment No. 21785

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, GREGORY V. SERIO, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

Marc Bruckstein

as proper person to examine into the affairs of the

**SAMSUNG FIRE AND MARINE INSURANCE COMPANY LTD.
(US BRANCH)**

and to make a report to me in writing of the condition of the said

Company

with such other information as he shall deem requisite.

*In Witness Whereof, I have hereunto subscribed by the
name and affixed the official Seal of this Department, at
the City of New York,*

this 28th day of September, 2001




GREGORY V. SERIO
Superintendent of Insurance