



**REPORT ON EXAMINATION  
OF**

**KOOKMIN BEST INSURANCE COMPANY, LTD. U.S. BRANCH**

**AS OF DECEMBER 31, 2022**

**EXAMINER:  
DATE OF REPORT:**

**SUSAN WEIJOLA  
NOVEMBER 29, 2023**

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KATHY HOCHUL  
Governor



ADRIENNE A. HARRIS  
Superintendent

November 29, 2023

Honorable Adrienne A. Harris  
Superintendent  
New York State Department of Financial Services  
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 32415 dated May 18, 2022, attached hereto, I have made an examination into the condition and affairs of Kookmin Best Insurance Company, Ltd. U.S. Branch as of December 31, 2022, and submit the following report thereon.

Wherever the designation "the Branch" appears herein without qualification, it should be understood to indicate Kookmin Best Insurance Company, Ltd. U.S. Branch.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

## **1. SCOPE OF EXAMINATION**

The Department has performed an examination of Kookmin Best Insurance Company, Ltd. U.S. Branch, a multi-state insurer. The previous examination was conducted as of December 31, 2017. This examination covered the five-year period from January 1, 2018 through December 31, 2022. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination report includes, but is not limited to, the following:

- Branch history
- Management and control
- Territory and plan of operation
- Reinsurance
- Holding company description
- Financial statement presentation
- Loss review and analysis
- Significant subsequent events
- Summary of recommendations

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

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

## **2. DESCRIPTION OF THE BRANCH**

The Branch became licensed in the State of New York on February 28, 1990, as the United States Branch of Lucky Insurance Company, Ltd., Seoul, South Korea. Lucky Insurance Company, Limited was incorporated under the laws of Seoul, South Korea on December 17, 1958. In 1995, Lucky Insurance Company, Limited changed its name to LG Insurance Co., Ltd. In 2006, its name was changed to LIG Insurance Co., Ltd., and in 2008, its name was changed to Leading Insurance Group Insurance Co., Ltd. (“LIG Insurance Company.”).

In June 2015, KB Financial Group Inc. (“KBFG”), a Korean-based public financial holding company, in its desire to expand its non-banking business, purchased a 19.47% controlling interest in LIG Insurance Company and changed LIG Insurance Company’s name to KB Insurance Co., Ltd. (“KBIC” or

“Home Office”). On July 7, 2017, subsequent to a period of stock purchases, a tender offer, and a comprehensive stock swap, KBIC became a wholly-owned subsidiary of KBFG. The Branch is KBIC’s port of entry into the U.S. insurance market.

In September 2022, the Branch informed the Department of KBIC’s intent to exit the U.S. insurance market.

A. Corporate Governance

Since November 1, 2005, the Branch has been managed by Leading Insurance Services, Inc., (“LIS” or “U.S. Manager”), formerly known as LIG Management Services, Inc. LIS is a direct wholly-owned subsidiary of KBIC.

Management of the Branch is vested in a board of directors consisting of not less than three Board members of LIS. As of December 31, 2022, the board of directors was comprised of the following members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Jung Kyun Kim Palisade Park, NJ	President, Kookmin Best Insurance Company, Ltd. U.S. Branch
Kwang Ho Lee Seoul, Korea	Senior Manager, Global Operations and Business Department, KB Insurance Company, Ltd.

Mr. Hyun Kie Cho resigned from the board effective December 31, 2022. He was replaced by Mr. Sung Wook Jung, Senior Vice President, Commercial General Liability Division, KB Insurance Company, Ltd., effective January 1, 2023.

As of December 31, 2022, the principal officers of the Branch were as follows:

<u>Name</u>	<u>Title</u>
Jung Kyun Kim	President
Jeongseob Kong	Chief Operating Officer
Steven Calvitto	Controller

B. Territory and Plan of Operation

As of December 31, 2022, the Branch was licensed to write business in 17 states and the District of Columbia. As previously stated, in September 2022, the Branch informed the Department of KBIC's intent to exit the U.S. insurance market.

As of the examination date, 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	Property 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 authorized to transact workers' compensation insurance as may be incidental to coverages contemplated under paragraphs 20 and 21 of Section 1113(a) of the New York Insurance Law, including insurances described in the Longshoremen's and Harbor Workers' Compensation Act (Public Law No. 803, 69<sup>th</sup> Congress, as amended; 33 USC Section 901 et seq. as amended).

Based upon the lines of business for which the Branch is licensed and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Branch is required to maintain a minimum surplus to policyholders in the amount of \$2,800,000 and to maintain its trusteed surplus at or above its level of minimum surplus to policyholders.

The following schedule shows the direct premiums written by the Branch for the period under examination:

<u>Calendar Year</u>	<u>Direct Premiums</u>
2018	\$ 41,293,268
2019	\$ 42,824,511
2020	\$ 43,345,958
2021	\$ 46,667,024
2022	\$ 46,558,719

The Branch primarily wrote commercial multiple peril insurance (liability and non-liability) for small business owners. It did not assume business.

During the examination period, the Branch's target markets were California and New York. In 2022, California accounted for 52.2% of direct written premiums, New York accounted for 43.2%, and New Jersey accounted for 4.6%.

The Branch ceased writing new and renewal business in New York and California in 2022 and ceased writing renewal business in New Jersey in 2023.

#### C. Reinsurance Ceded

The Branch has structured its ceded reinsurance program as follows:

<u>Type of Treaty</u>	<u>Cession</u>
<i>Property</i>	
<u>Per Risk Excess of Loss</u> Three Layers	\$28,500,000 in excess of \$1,500,000 each loss, each risk, with an occurrence limit of 10,500,000 and annual limit of \$3,500,000 for the first layer, \$15,000,000 occurrence limit and annual limit of \$15,000,000 for the second layer, and \$10,000,000 occurrence limit and annual limit of \$10,000,000 for the third layer.
<u>Catastrophe Excess of Loss</u> Two Layers	\$18,000,000 in excess of \$2,000,000 each loss occurrence subject to annual limit of \$8,000,000 for the first layer, and \$28,000,000 for the second layer.
<u>Boiler and Machinery Semi-Automatic</u>	100% quota share for all business written not exceeding \$20,000,000 single total insurable value.
<i>Liability</i>	
<u>Umbrella Facultative Quota Share</u>	100% quota share subject to an annual aggregate limit in the policy of \$10,000,000.

A majority of the ceded business was to authorized reinsurers. It is the Branch's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Subsequent to the examination date, the Branch entered into a loss portfolio transfer reinsurance agreement, as further described in section 5 of this report.

D. Holding Company System

As noted previously, the Branch is a member of the KBFG holding company system and is the U.S. Branch of KBIC. The U.S. manager of the Branch, LIS, is a New Jersey corporation and is a wholly-owned subsidiary of KBIC.

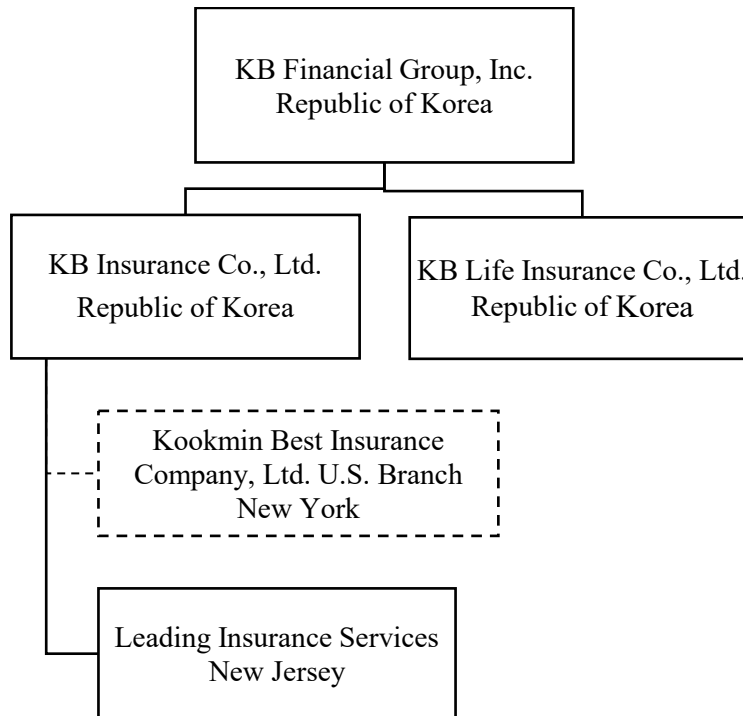
KBFG is a financial holding company that was established in September 2008 pursuant to a comprehensive stock transfer under Korean law, whereby holders of the common stock of Kookmin Bank and certain of its subsidiaries transferred all of their shares in return for shares of KBFG. The former Kookmin Bank was established by the Korean government in 1963, under the name of Citizens National Bank ("CNB"), pursuant to the Citizens National Bank Act of Korea. Under this Act, CNB was limited to providing banking services to the general public, and small- and medium-sized companies. In September 1994, CNB became a publicly traded company in Korea. In January 1995, the Citizens National Bank Act was repealed and CNB's status was changed from a specialized bank to a nationwide commercial bank. The repeal allowed the bank to engage in lending to large businesses, and later that year, CNB's name was changed to Kookmin Bank.

H&CB (f/k/a Housing & Commercial Bank) was established by the Korean government in 1967 under the name Korea Housing Finance Corporation. In 1969, pursuant to the Korea Housing Bank Act, the Korea Housing Finance Corporation became the Korea Housing Bank. H&CB was originally established to provide low- and middle-income households with long-term, low-interest mortgages, and to promote the increase of housing supply in Korea by providing low-interest housing loans to construction companies. Until 1997, the year that the Korea Housing Bank Act was repealed, H&CB was the only entity in Korea that was allowed to provide mortgage loans with a term of longer than 10 years. Effective November 1, 2011, the former Kookmin Bank and H&CB merged into a new entity named Kookmin Bank. This merger resulted in Kookmin Bank becoming the largest commercial bank in Korea.



The holding company registration statements filed with this Department were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation No. 52.

The following is an abridged chart of the holding company system at December 31, 2022:



LIS was appointed the U.S. manager of the Branch in 2005. Pursuant to the management agreement dated July 1, 2005, and subsequently amended in 2011, 2015, 2016, and 2018, LIS furnishes the following services to the Branch: claims, underwriting, policyholder services, investment, producer management, collection and handling of premiums and other funds, reinsurance, accounting and financial, marketing support and product development and administration, information technology, and legal and governmental relations. In 2022, the Branch paid LIS approximately \$10 million for services rendered.

The Fourth Amendment to the Management Agreement, executed on December 31, 2018, revised the terms of reimbursement for services. This amendment was not submitted to the Department. It is recommended that the Branch institute procedures to ensure that its management agreement amendments are submitted to the Department prior to implementation.

E. Significant Ratios

The following operating ratios, computed as of December 31, 2022, fall within the benchmark ranges set forth in the Insurance Regulatory Information System (“IRIS”) of the NAIC.

<u>Operating Ratios</u>	<u>Result</u>
Net premiums written to policyholders’ surplus	57%
Adjusted liabilities to liquid assets	61%

The Branch’s two-year overall operating ratio of 142% falls outside of the benchmark range set forth in the IRIS of the NAIC due to high operating expenses.

Underwriting Ratios

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

	<u>Amount</u>	<u>Ratio</u>
Losses and loss adjustment expenses incurred	\$169,937,454	88.81%
Other underwriting expenses incurred	108,250,213	56.57%
Net underwriting gain (loss)	<u>(86,830,021)</u>	<u>(45.38)%</u>
Premiums earned	<u>\$191,357,646</u>	<u>100.00%</u>

The Branch’s reported risk-based capital (“RBC”) score was 334.1% at December 31, 2022. The RBC score is a measure of the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile. An RBC score of 200% or below can result in regulatory action. There were no financial adjustments in this report that impacted the Branch’s RBC score.

### 3. FINANCIAL STATEMENTS

#### A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2022, as reported by the Branch:

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$117,897,642	\$ 0	\$117,897,642
Cash, cash equivalents and short-term investments	50,414,642	0	50,414,642
Investment income due and accrued	1,196,970	0	1,196,970
Uncollected premiums and agents' balances in the course of collection	2,233,238	704,886	1,528,352
Deferred premiums, agents' balances and installments booked but deferred and not yet due	6,560,775	0	6,560,775
Amounts recoverable from reinsurers	2,126,382	0	2,126,382
Electronic data processing equipment and software	940,210	940,210	0
Aggregate write-ins for other than invested assets	<u>323,149</u>	<u>183,148</u>	<u>140,001</u>
Total assets	<u>\$181,693,008</u>	<u>\$1,828,244</u>	<u>\$179,864,764</u>

Liabilities, Surplus and Other FundsLiabilities

Losses and Loss Adjustment Expenses	\$ 90,549,317
Commissions payable, contingent commissions and other similar charges	(543,202)
Other expenses (excluding taxes, licenses and fees)	828,750
Unearned premiums	19,168,881
Ceded reinsurance premiums payable (net of ceding commissions)	(1,330,674)
Payable to parent, subsidiaries and affiliates	879,094
State policy fees and surcharges	168,710
Other liabilities	<u>596,975</u>
Total liabilities	\$110,317,851

Surplus and Other Funds

Statutory deposit with Superintendent of Insurance – New York	\$ 2,800,000
Gross paid in and contributed surplus	430,800,000
Unassigned funds (surplus)	<u>(364,053,087)</u>
Surplus as regards policyholders	\$ <u>69,546,913</u>
Total liabilities, surplus and other funds	\$ <u>179,864,764</u>

Note: The examiner is unaware of any potential exposure of the Branch to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

The net loss for the examination period as reported by the Branch was \$75,374,928, as detailed below:

Underwriting Income

Premiums earned		\$191,357,646
Deductions:		
Losses and loss adjustment expenses incurred	\$169,937,454	
Other underwriting expenses incurred	110,345,213	
Aggregate write-ins for underwriting deductions	<u>(2,095,000)</u>	
Total underwriting deductions		<u>278,187,667</u>
Net underwriting gain or (loss)		\$ (86,830,021)

Investment Income

Net investment income earned	\$19,447,663	
Net realized capital gain	<u>3,766,329</u>	
Net investment gain or (loss)		23,213,992

Other Income

Net gain or (loss) from agents' or premium balances charged off	\$ (288,938)	
Finance and service charges not included in premiums	1,103,090	
Aggregate write-ins for miscellaneous income	<u>(12,573,051)</u>	
Total other income		<u>(11,758,899)</u>
Net income before dividends to policyholders and before federal and foreign income taxes		\$(75,374,928)
Dividends to policyholders		<u>0</u>
Net income after dividends to policyholders but before federal and foreign income taxes		\$(75,374,928)
Federal and foreign income taxes		<u>0</u>
Net income (loss)		<u>\$(75,374,928)</u>

C. Capital and Surplus

Surplus as regards policyholders decreased \$45,517,778 during the five-year examination period January 1, 2018, through December 31, 2022, as reported by the Branch, detailed as follows:

Surplus as regards policyholders as reported by the Branch as of December 31, 2017			\$115,064,691
	<u>Gains in Surplus</u>	<u>Losses in Surplus</u>	
Net income		\$75,374,928	
Change in nonadmitted assets		1,142,850	
Change in provision for reinsurance			
Surplus adjustments paid in	<u>\$31,000,000</u>	<u>0</u>	
Total gains and losses	\$31,000,000	\$76,517,778	
Net increase (decrease) in surplus			<u>(45,517,778)</u>
Surplus as regards policyholders as reported by the Branch as of December 31, 2022			<u>\$ 69,546,913</u>

No adjustments were made to surplus as a result of this examination.

Gross paid in and contributed surplus increased by \$31,000,000 during the examination period, as follows:

<u>Year</u>	<u>Description</u>		<u>Amount</u>
2017	Beginning gross paid in and contributed surplus		\$399,800,000
2020	Surplus contribution from Home Office	\$ 20,000,000	
2022	Surplus contribution from Home Office	<u>11,000,000</u>	
	Total surplus contributions		<u>31,000,000</u>
2022	Ending gross paid in and contributed surplus		<u>\$430,800,000</u>

D. Trusteed Surplus Statement

The following shows the assets, liabilities, and trusteed surplus as of December 31, 2022, as reported by the Branch:

Assets

Deposits with state officers (excluding special deposits)		\$ 4,014,168
Vested in and held by U.S. Trustee:		
Bonds	\$127,557,345	
Cash	6,355,914	
Accrued invested income	<u>905,519</u>	
Total assets vested in and held by U.S. Trustee		<u>134,818,778</u>
Total gross assets		<u>\$138,832,946</u>

Liabilities

\$110,317,555

Deductions from liabilities:

Reinsurance recoverable on paid losses and loss adjustment expenses:		
Authorized companies	\$2,069,395	
Unauthorized companies	6,379	
Certified companies	50,608	
Special state deposits	110,000	
Agents' balances or uncollected premiums not more than ninety days past due, not exceeding unearned premium reserves carried thereon	<u>8,089,127</u>	
Total deductions from liabilities		<u>10,325,509</u>
Total adjusted liabilities (liabilities less deductions)		\$ 99,992,046
Trusteed surplus		<u>38,840,900</u>
Total adjusted liabilities and trusteed surplus		<u>\$138,832,946</u>

#### 4. **LOSSES AND LOSS ADJUSTMENT EXPENSES**

The examination liability for the captioned items of \$90,549,317 is the same as reported by the Branch as of December 31, 2022. The Statement of Actuarial Opinion for the year ended December 31, 2022, indicated the stated reserve amounts were reasonable. Subsequent to the examination date, on September 20, 2023, the Branch executed a loss portfolio transfer reinsurance agreement that covered reserves for all business except reserves related to state fair plans for fire and allied lines.

#### 5. **SUBSEQUENT EVENTS**

On September 20, 2023, the Branch executed a loss portfolio transfer reinsurance agreement (“LPT”) with Swiss Reinsurance America Corporation (“Swiss Re”), whereby Swiss Re indemnifies the Branch for 100% of covered losses on the subject business. Subject business means (i) policies written by the Branch in all states except New Jersey from January 1, 2005, to January 1, 2023, and (ii) policies written by the Branch in New Jersey from January 1, 2005, to March 1, 2023; provided that any policies issued pursuant to any state residual market, fair plan or assigned-risk plan are not part of the subject business. Covered losses include the ultimate net loss payable under the agreement on or after January 1, 2023. The aggregate policy limit of the LPT is \$155,000,000.

The LPT also specifies that Swiss Re shall have the collection risk in connection with ceded reinsurance agreements and any other reinsurer(s) providing reinsurance inuring to the benefit of the subject business. Additionally, the Branch appointed Swiss Re to perform all services required for the complete management, claims support, and administration of the subject losses and the ceded reinsurance agreements. The LPT reinsurance premium of \$118,000,000 includes the consideration for the administrative services to be provided by Swiss Re and any third-party administrator appointed or approved by Swiss Re. The Department approved the LPT on September 7, 2023, pursuant to Section 1308(e)(1) of the New York Insurance Law.

Also on September 7, 2023, the Department approved, pursuant to Section 1315(e) of the New York Insurance Law, the Branch’s request to withdraw funds from its trusteed assets account, subject to maintaining \$30 million (fair value basis) in the trusteed account. It is noted that as of June 30, 2023, the Branch reported assets of \$151,100,534, liabilities of \$92,860,344, and trusteed assets of \$131,095,064. The withdrawn funds from the trusteed asset account were used to pay the reinsurance premium for the LPT.



## 6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained six recommendations as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A.	
<u>Corporate Governance</u>	
i. It was recommended that the Branch comply with the provisions of Section 312(b) of the New York Insurance Law and ensure that a copy of this report on examination is furnished to each board member and that the requisite Board member statement is available for review.	4
The Branch has complied with this recommendation.	
ii. It was recommended that all directors, officers and key employees of the Branch's Manager sign a conflict of interest statement on an annual basis.	4
The Branch has complied with this recommendation.	
iii. It was recommended that the Branch continue its efforts in strengthening its corporate governance function.	4
Due to its run-off status, the Branch's current corporate governance function is reasonable.	
B.	
<u>Holding Company System</u>	
i. It was recommended that the Branch comply with the provisions of Section 89.12(b) of Department Regulation 118 and comprise its audit committee with at least one member who is also a member of the audit committee of KBFG, or comprise the audit committee of KBIC with at least one member who is also a member of the audit committee of KBFG. Since KBIC became a wholly-owned subsidiary of KBFG in July 2017, the Branch became exempt from the specified audit committee member requirement.	10
No action was required to be taken by the Branch.	
ii. It was recommended that the Branch comply with the provisions of Department Regulation 203 and file the requisite ORSA report.	11
During the examination period, the Branch had submitted its ORSA Reports. However, due to the Branch's run-off status, the Department provided the Branch a waiver in 2022 from submitting its ORSA Report.	

- C. Risk Management and Internal Controls 14  
 It was recommended that the Branch obtain SOC II Type II reports for evaluation prior to contracting with third party vendors. This is a repeat recommendation.

The Branch has complied with this recommendation.

## 7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Holding Company System</u> It is recommended that the Branch establish procedures to ensure its management agreement amendments are submitted to the Department prior to implementation.	7

Respectfully submitted,

\_\_\_\_\_/S/\_\_\_\_\_  
Susan Weijola  
Associate Insurance Examiner

STATE OF NEW YORK    )  
                                  )ss:  
COUNTY OF NEW YORK )

Susan Weijola, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

\_\_\_\_\_/S/\_\_\_\_\_  
Susan Weijola

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

*APPOINTMENT NO. 32415*

*NEW YORK STATE*

***DEPARTMENT OF FINANCIAL SERVICES***

*I, Adrienne A. Harris, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

***Susan Weijola***

*as a proper person to examine the affairs of the*

***Kookmin Best Insurance Company, Ltd. U.S. Branch***

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

***COMPANY***

*with such other information as she shall deem requisite.*

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

*this 18th day of May, 2022*

*ADRIENNE A. HARRIS  
Superintendent of Financial Services*

*By:*

*Joan Riddell*

*Joan Riddell  
Deputy Bureau Chief*

