Insurance Industry Outlook and Agenda in 2020

Global trade and industrial production have been on the decline since 2018. In the domestic economy, private demand and exports are slowing down. Long-term interest rates, which have a significant impact on the insurance industry, are also expected to remain at below 2% due to the economic slowdown.

Considering the unfavorable business environment of the insurance industry, we forecast premium income of the insurance industry. The insurance industry’s premium growth rate in 2020 is expected to be at 0.0%. Premium income of life insurance is expected to decline 2.2% year on year (hereafter YoY) due to a slowdown in the growth of protection-type insurance and a decline in new sales of savings-type insurance. Protection-type insurance is expected to grow only 2.4% YoY due to the maturity of the life insurance market and increased termination. Savings-type insurance is expected to decline by 8.4% YoY due to lower disclosed interest rates, increased capital burden resulting from the scheduled introduction of IFRS 17 and K-ICS, and reduced sales of variable insurance due to increased volatility in stock prices.

Direct premiums written by non-life insurance is expected to grow only by 2.6% YoY due to the sluggish sales in long-term savings-type insurance and pensions despite a slight recovery in auto insurance sales. Long-term non-life insurance is expected to grow 3.4% YoY on slowing growth of long-term injury and disease insurance and a decline in savings-type insurance. Auto insurance is expected to grow 0.9% YoY due to a slowdown in the number of registered automobiles, a reduction in discounts, and an increase in online sales. General non-life insurance is expected to increase only 2.8% due to shrinking investment.

The business environment of the insurance industry is changing structurally.
The expansion of protectionism and the aging population may slow economic growth and fix ultra-low interest rates. Also, the burden of capital on the insurance industry is increasing due to changes in the accounting system in line with global standards, and the insurer needs to strengthen customer management due to the policy to enhance consumer protection. The slowdown in the growth of the insurance industry is mainly due to structural changes in the business environment, so Korean insurers need to avoid unreasonable strategies to enhance growth and implement mid- to long-term management to improve profitability and financial soundness.