2018

August 2018

KOREAN INSURANCE INDUSTRY

Korea
Insurance
Research
Institute

Foreword

Global economic recovery lasted in 2017 along with developed countries' strong real GDP growth rate. The inflation rate is gradually on the rise reflecting growing demand and advanced countries' monetary policies have lifted bond yields. On the other hand, developing countries' economy maintained steady growth although some countries experienced financial turmoil.

Korean economy boosted by goods and services export and GDP growth picked up in 2017. Although the increment level is just 0.2%p, it took more than three years for Korea GDP growth rate to reach above 3.0%. Market interest rates increased with inflation, the impact of U.S. monetary policy and BOK's base rate hike.

Although Korean economic performance improved Korean insurance premiums contracted at 0.1% in 2017 from 2.4% growth rate in 2016. Contracting factor was savings type insurance products for both life and non-life insurance. Life insurance premium income decreased by 4.9% with the plummet of savings type insurance products sale, while variable insurance premium income grew modestly. In non-life insurance market, savings type long-term insurance products kept decreasing as shown in life insurance industry due to lower interest rates, expected accounting standard, and solvency regulation. Contrary to life insurance, premium incomes from protection type long-term insurance products, motor insurance, and general insurance continued growing at a steady.

Regarding regulatory aspects, Korean insurers are supposed to comply with new accounting standards and solvency regulation in 2021. These expected regulatory changes influenced on insurers' marketing, asset management, and risk management strategies. For example, the sales cost of savings type insurance products is higher than that of protection type insurance products in terms of capital. Higher cost contributed to force insurers to lesser savings type insurance sale and led to liability restructuring. In addition, Insurers have been trying to raise up capital for the new regulation. Regulations for asset management and consumer protection are on its way to restructuring.

「Korean Insurance Industry 2018」 is intended to provide with references for recent developments in Korean insurance industry, the global and domestic real economies, as well as financial markets. We hope that this book brings the best for readers to understand the Korean insurance industry.

I would like to express my sincere gratitude to the Department of Insurance Market Analysis for their hard work in making this publication.

Kijeong Han
President
Korea Insurance Research Institute

2018

KOREAN INSURANCE INDUSTRY

CONTENTS

Korea Insurance Research Institute

2018

Economic trends

Global economy

National accounts

Employment

Inflation

Current account balance

Interest rates

Exchange rates

Stock price

Korea
Insurance
Research
Institute

KOREAN
INSURANCE
INDUSTRY

Global economy

World GDP[1] growth rate rose from 3.2% in 2016 to 3.8% in 2017 by investment recovery in advanced economies and continued growth in emerging countries.

Stronger growth in the Euro area, Japan, and Canada increased GDP growth rate for advanced economies by 0.6%p from 1.7% in 2016 while emerging economies grew by 0.4%p from 4.4% due to cyclical recovery, with stable commodity prices.

The U.S. economy grew at a solid rate of 2.3% in 2017, led by the expansion of consumer spending since the spring of 2016 and a big rebound in home construction. Although uncertainties remain high regarding tax reform and the pace of monetary policy normalization favorable labor market conditions supported private consumption and business investment expanded.

The growth rate of GDP in the Euro zone[2] recorded 2.3% in 2017, which is increased by 0.5%p compared to year 2016. Improved labor market conditions and enhanced business confidence contributed to consumptions and investment soar. Uncertainties exist, however, with regard to political uncertainty such as Brexit negotiations. Among the member states, Germany, Ireland, Luxembourg and the Netherlands recorded positive GDP growth while the GDP growth in Belgium and the UK are lagging their peers.

Japan's real domestic product in 2017 grew by 1.7% on an annualized basis, compared to 0.9% in 2016. Although private consumption stagnated due to weak growth in wages, exports and

1) All figures are in real terms

2) The Euro zone is composed of 19 countries: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovak Republic, Slovenia, and Spain

investment lifted GDP growth rate up.

Chinese GDP growth rate increased to 6.9% in 2017, slightly up from 6.7% in 2016, making the first time in seven years the pace of growth has picked up. Stronger global trade boosted exports and strengthened the manufacturing sector along with consumer spending.

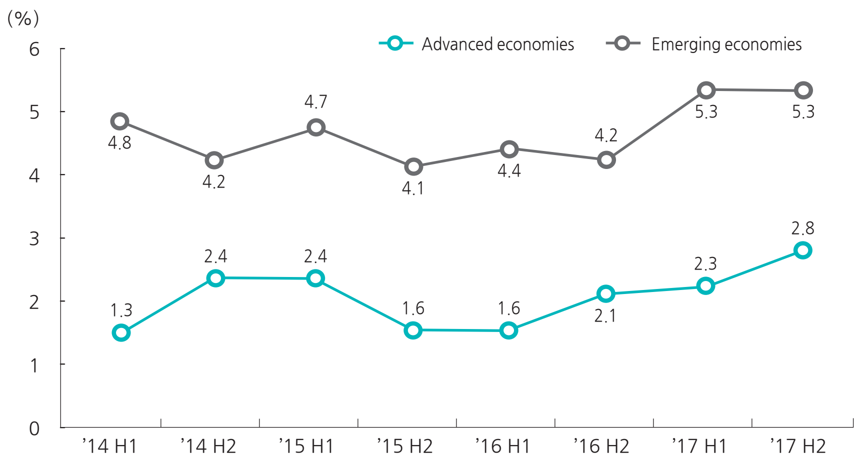
Table 1. Global real GDP growth rates

(Unit: %, y.o.y)

	2013	2014	2015	2016	2017
World	3.5	3.6	3.5	3.2	3.8
Advanced	1.3	2.1	2.3	1.7	2.3
Emerging	5.1	4.7	4.3	4.4	4.8
United States	1.7	2.6	2.9	1.5	2.3
Euro zone	-0.2	1.3	2.1	1.8	2.3
Japan	2.0	0.4	1.4	0.9	1.7
China	7.8	7.3	6.9	6.7	6.9

Source: IMF

Figure 1. World real GDP growth rate



Source: IMF

National accounts

The GDP[3] growth rate in Korea was 3.1% in 2017 up by 0.2%p compared to 2.9% in 2016. This increment resulted mainly from domestic demand: consumption, construction and facility investments (see below for the details). Private consumption showed gradual recovery, construction investment continued expansion, and facilities investment turned positive and showed a high rate of growth despite the heightened geopolitical risks due to North Korea.

Quarter by quarter[4], GDP growth rate in the Q1 of 2017 was 2.9% due to the increase in equipment investment and construction investment, despite the sluggish private consumption. However, in the Q2, GDP growth rate rose only 2.8% due to a decrease in export caused by the conflict about THAAD in spite of consumption expansion. In the Q3, GDP growth rate continued to increase to 3.8% due to private consumption and skyrocketing export. However, in the last quarter of 2017, GDP growth rate dropped to 2.8% due to shrinking construction investment and equipment investment as exports decreased.

In 2017, private consumption grew by 2.6% compared to 2016. Quarter by quarter, private consumption increased only 2.1% in the Q1 of 2017, with expenditures on durable goods and residents overseas consumption while expenditures on non-durable and semi-durable goods decreased. In the Q2 of 2017, private consumption rose 2.4% due to an increase in expenditures on durable goods such as home appliances and mobile phones. In the Q3 of 2017, private consumption grew by 2.6% due to increases in expenditures on non-durable goods and service. In the last quarter, the private consumption growth rate recorded 3.4%, as expenditures on both durable and non-durable goods increased.

3) Chained volume measure of GDP

4) All quarter by quarter figures are on a year-on-year basis

The growth rate of fixed investment[5)] was 8.6% in 2017, which increased by 3.0%p from 5.6% in 2016 due to high growth of facilities investment, which was offsetting the decline in construction investment.

Construction investment in 2017 recorded 7.6%, which was driven by the growth in residential building construction.

Equipment investment rose by 14.6% in 2017, driven by machinery equipment. For the first three quarters of 2017, equipment investment grew by 16.1%, 17.9% and 16.3%, respectively, due to machinery investment for facilities expansion as exports increased with the global semiconductor industry. In the last quarter of 2017, it slowed down to 8.6%.

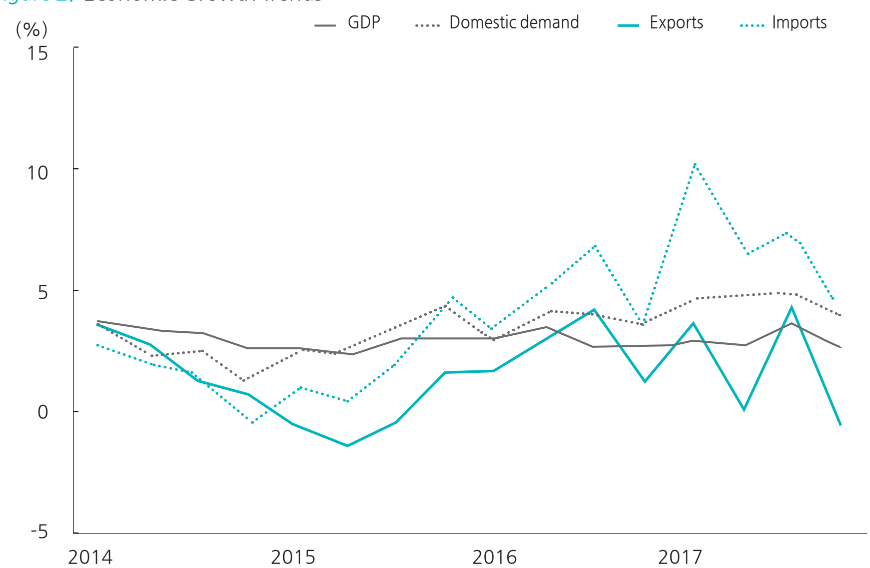
Intellectual property product investment grew by 3.0% in 2017 due to the expansion of R&D investment and software.

Exports of goods and services grew only by 1.9% in 2017, as the exports of semiconductor and machinery equipment picked up. Exports growth rate showed up and down quarter by quarter. For the second quarter transportation equipment, petroleum and chemical products decreased and automobile exports offset the increase of semiconductor exports in the last quarter.

Import growth rates soared compared to 2016 due to fixed, equipment investments.

5) Fixed investment can be composed of construction investment, equipment investment, intellectual property product investment and etc

Figure 2. Economic Growth Trends



Note: Domestic demand excluded inventories
All growth rates were calculated on a year-on-year basis
Source: Bank of Korea

Table 2. Economic Growth Trends

(Unit: %, y.o.y.)

	2016	2017				
		year	Q1	Q2	Q3	Q4
GDP (q.o.q)	2.9	3.1	2.9 (1.0)	2.8 (0.6)	3.8 (1.4)	2.8 (-0.2)
Private consumption	2.5	2.6	2.1	2.4	2.6	3.4
Fixed investment	5.6	8.6	11.0	10.0	9.2	5.0
Construction investment	10.3	7.6	11.3	8.5	8.0	3.8
Equipment investment	-1.0	14.6	16.1	17.9	16.3	8.6
Intellectual property products investment	3.5	3.0	3.2	2.2	2.9	3.5
Exports	2.6	1.9	3.7	0.3	4.4	-0.6
Imports	4.7	7.0	10.1	6.6	7.4	4.1

Note: 1) BOK implemented the 2008 SNA (System of National Accounts) and used the reference year 2010
2) All figures are on a year-on-year basis
Source: Bank of Korea

Employment

The total number of the employed in 2017 increased to 26.7 million from 26.4 million in 2016. The number of workers in the construction sector increased during the first half of the year. However, the number of workers in the service sectors decreased due to a decline in the number of Chinese tourist during the second half of the year.

In 2017, the employment rate inched up to 60.8% from 60.6% in 2016; the unemployment rate remained at 3.7%. Especially, the youth unemployment rate recorded an all-time high since 2000.

Figure 3. Unemployment and employment rates

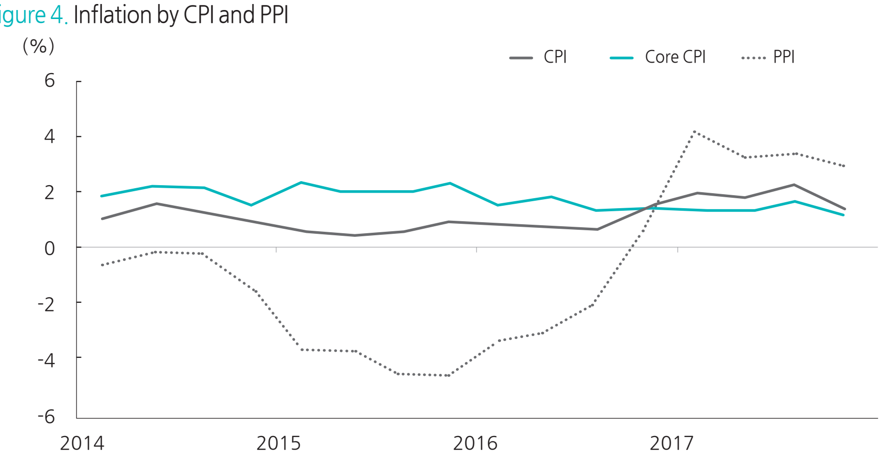
Source: Statistics Korea

Inflation

The inflation rate measured by CPI (consumer price index) was 1.9% in 2017, increased from 1.0% in 2016, which was the fastest inflation rise in five years mostly due to fresh food and oil prices spike on the supply end. Quarter by quarter, the inflation rate (CPI) recorded 2.1% in the Q1 and 1.9% in the Q2 mostly due to supply-end pressure including fresh food price increase, respectively. In the Q3, it continued to rise to 2.3% due to the base effect. However, it fell to 1.5% in the last quarter of 2017 due to the end of reduction policy on the public utility charges.

Core CPI[6)] rose by 1.5% over the previous year while the inflation rate measured by PPI (producer price index) increased 3.5% in 2017 from -1.8% in 2016.

Figure 4. Inflation by CPI and PPI



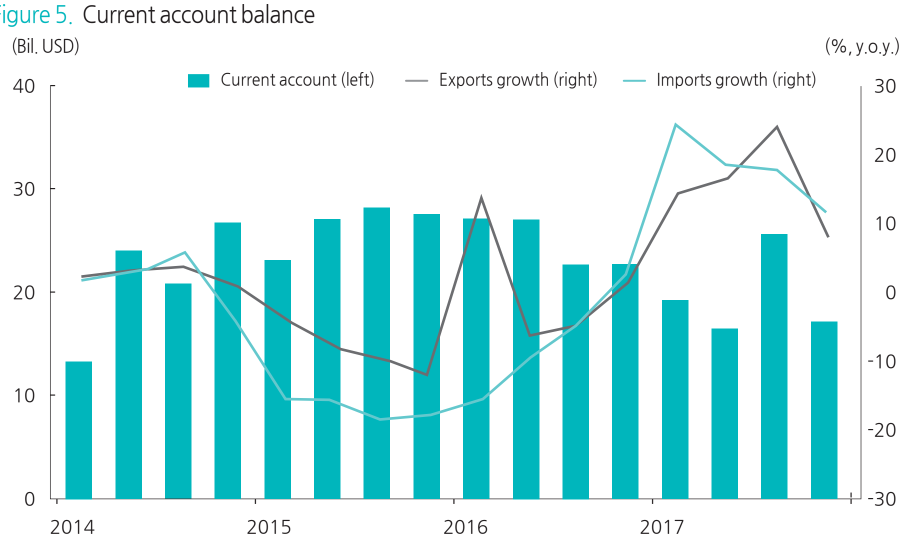
Note: All growth rates were based on a year-on-year basis
CPI is consumer price Index, PPI is producer price Index
Source: Statistics Korea, Bank of Korea

6) CPI without agricultural and petroleum products

Current account balance

The current account surplus decreased to 78.5 billion USD in 2017 from 99.2 billion USD in 2016, mainly due to the steep rise in services account deficit. By component, the surplus of the goods account increased to 119.9 billion USD in 2017 from 118.9 billion USD in 2016. The deficit in services account widened to 34.5 billion USD in 2017 from 17.7 billion USD in 2016, due to the sharp fall in Chinese visitors amid the diplomatic row between Seoul and Beijing over Korea's decision to host a US missile defense system on its soil.

Figure 5. Current account balance



Note: All growth rates were based on a year-on-year basis
Source: Bank of Korea

Interest rates

The Bank of Korea (BOK) lifted the base rate by 25 basis points to 1.5% in November 2017 and base rate remained since then. This decision is made base on the judgement that Korea economy seems to be clearly recovering from deflation concern.

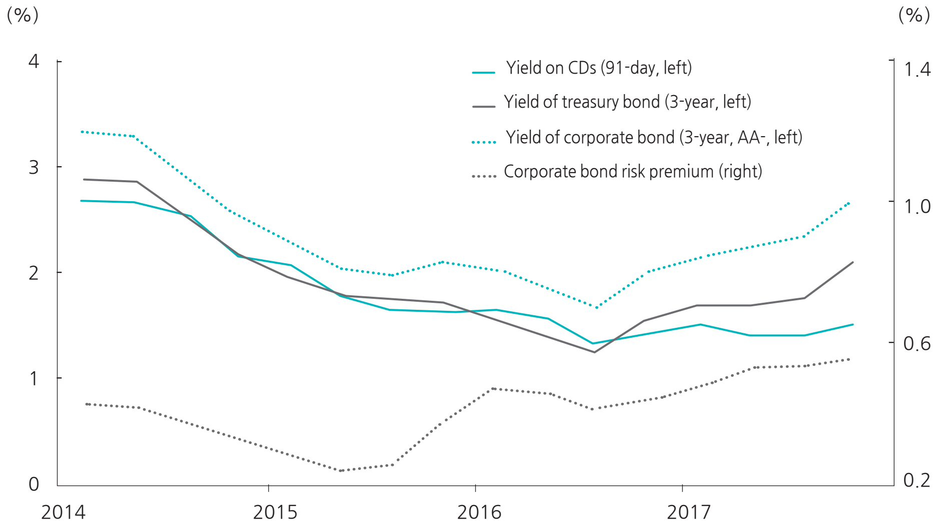
The average 3-year Treasury bond yield in 2017 was 1.81%, rose by 0.36%p than 2016. It was a major increase in line with the base rate increase. After July, however, the yield showed a modest upward trend reflecting the growing possibility of changes in the monetary policies of major countries and the strong public expectation on the recovery of Korea's economy.

The secondary market yield on corporate bonds (AA-, three-years) marked 2.33% in 2017 increased by 0.44%p from 1.89% in 2016. Risk premium on corporate bonds[7)] was 0.52% in 2017, increased by 0.08%p from 0.45% in 2016.

The average yield on 91-day CDs was 1.45% in 2017, decreased by 5bp from 2016. However, short-term interest rate has been increasing during the fourth quarter in 2017 due to the base rate raise up of the BOK in November in 2017.

7) Corporate bond risk premium was calculated as the difference between secondary market yields on 3-year AA-corporate bonds and those on 3-year Korea treasury bonds

Figure 6. Interest rates



Source: Bank of Korea

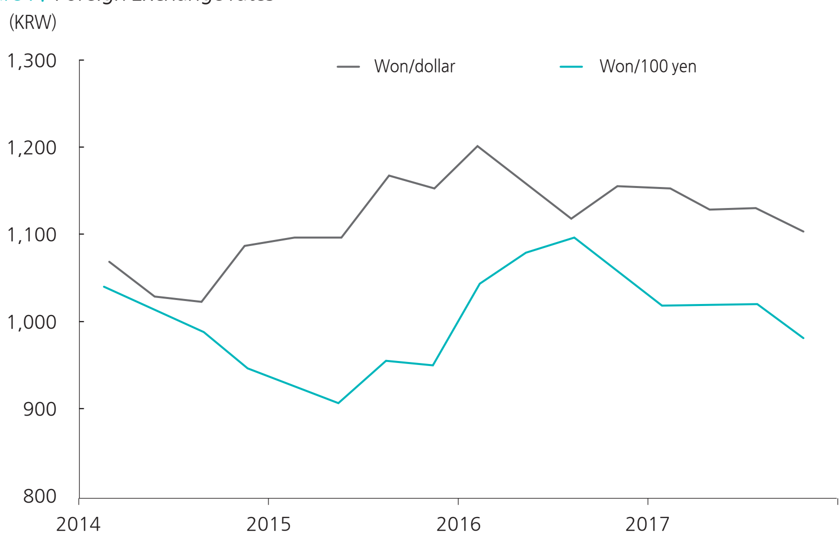
Exchange rates[8)]

The average KRW/USD exchange rate in 2017 decreased to 1,130.4 KRW from 1,160.9 KRW in 2016. In the Q1, the average KRW/USD exchange rate was 1,154.3 KRW as the dollar weakened due to uncertainties over US fiscal stimulus plans and the Trump White House's concern over the strong dollar. In the Q2, it was 1,129.4 KRW, which dropped by 2.2% due to the continuing weak dollar and foreign investors' demand for Korean shares. In the Q3 of 2017, it was 1,132.2 KRW, which rose by 0.2% due to the escalating geopolitical risk on the Korean Peninsula and growing market expectations that the United States would hike its key interest rate after the Federal Open Market Committee meeting in September. In the Q4, it was 1,105.7 KRW, which dropped by 2.3% mainly due to the BOK's interest rate hike and as Korea agreed with Canada on a currency swap deal.

In 2017, the average KRW/JPY exchange rate was 1,008.0 KRW per 100 JPY, which appreciated by 5.6% from 1,068.2 KRW per 100 JPY in 2016. In the first quarter of 2017, it was 1,015.2 KRW per 100 JPY, which sharply decreased by 4.1% from the previous quarter. In the Q2 of 2017, it was 1,017.3 KRW per 100 JPY, which rose by 0.2% due to the strong dollar, and the Bank of Japan's decision on June 16 to continue its expansionary policy. In the Q3 of 2017, the average KRW/JPY exchange rate was 1,020.4 KRW per 100 JPY, which increased by 0.3% over the previous quarter. However, in the last quarter of 2017, the average KRW/JPY exchange rate fell to 979.1 KRW per 100 JPY, which decreased by 4.0% due to the Bank of Japan's accommodative monetary policies.

8) In this section, rate changes are calculated on a quarter-on-quarter basis

Figure 7. Foreign Exchange rates

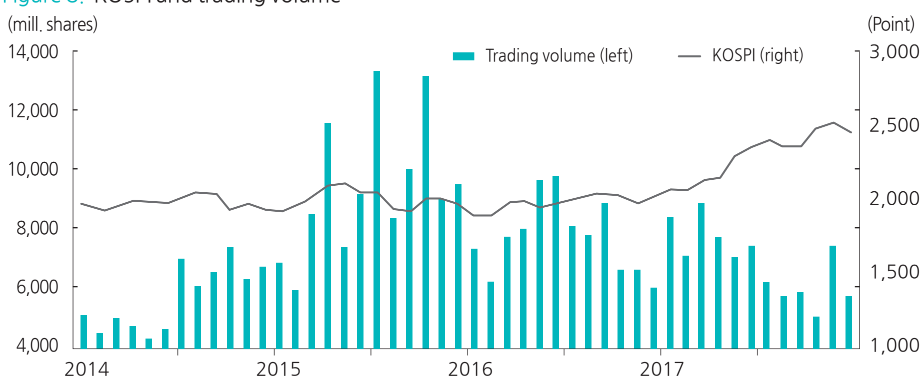


Source: Bank of Korea

Stock price[9)]

The average Korean Composite Stock Price Index (KOSPI), one of the benchmark stock prices of Korea, was 2,313 in 2017. Compared to 2016, KOSPI rose by 16.5%, mainly due to strong anticipation toward the new government, robust local corporate earnings, and the improving global economy. In the first quarter of 2017, the average KOSPI increased by 4.0% to 2,094 from 2,013 in the previous quarter due to foreign investors' net buying of Korean companies' shares and expectations for strong corporate earnings. In the Q2 of 2017, the average KOSPI jumped up by 8.8% to 2,278. It reached a record high backed by global economic recovery, and the first quarter corporate earnings higher than expected. In the second half of the year, it rose by 4.7% to 2,386 in the Q3, and in the Q4 of 2017, it increased by 4.6% to 2,495 due to the recovery of the domestic and global economies, improved corporate earnings, and rising stock prices in major countries.

Figure 8. KOSPI and trading volume



Source: Korea Exchange

9) In this section, growth rate was calculated on a quarter-on-quarter basis

2018

KOREAN INSURANCE INDUSTRY

Insurance market environment

Overview

Premium volumes and total assets

Market landscape

Positioning of foreign insurers

Market concentration

Korea Insurance Research Institute

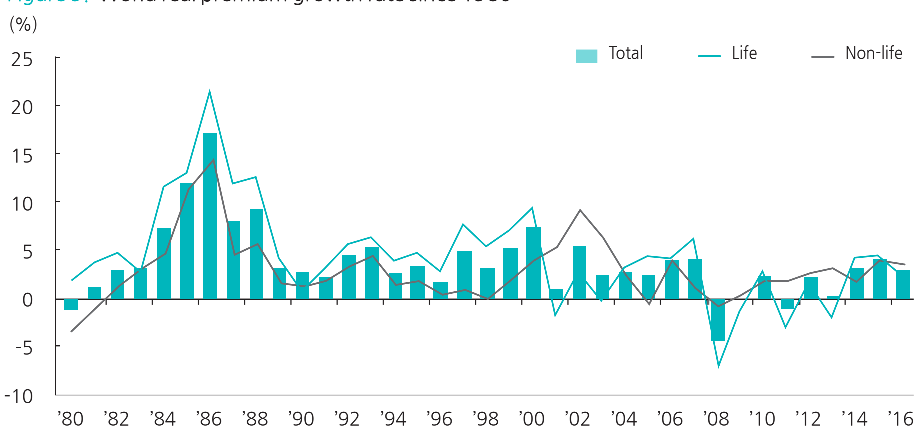
Overview

The global real insurance premium growth rate decreased to 1.5% in 2017 from 2.2%. Life insurance premiums grew only marginally by 0.5% and non-life insurance premium growth at the rate of 2.8% in 2017.

For life insurance advanced market contracted more sharply than emerging market. Real life premiums in advanced markets shrank 2.7% in 2017 while those in emerging markets jumped 13.8%, largely driven by China.

The global real non-life insurance premiums increased by 2.8% in 2017. Premium growth rate in emerging markets recorded to 6.1% in 2017 over the last year. On the other hand, advanced markets growth rate remained steady at 1.9%.

Figure 9. World real premium growth rate since 1980



Source: Swiss Re (2018), Sigma, No 3

Table 3. World real premium growth rate

(Unit: %)

Classification	Life		Non-life		Total	
	2016	2017	2016	2017	2016	2017
World	1.4	0.5	3.3	2.8	2.2	1.5
Advanced markets	-1.9	-2.7	1.7	1.9	-0.3	-0.6
Emerging markets	17.1	13.8	9.8	6.1	13.7	10.3
North America	-0.6	-3.5	2.4	2.5	1.1	0.0
Western Europe	-1.0	-1.9	0.5	1.0	-0.4	-0.7
Advanced Asian markets	-3.8	-2.1	2.9	1.4	-2.1	-1.1

Note: Advanced Asian markets: South Korea, Hong Kong, Singapore, and Taiwan
Source: Swiss Re (2018), Sigma, No 3

The insurance premiums in Korea was 181.2 billion dollars[10] in 2017, which was decreased by 2.9% over the previous year in inflation adjusted terms. The share of Korean insurance market was 3.7% of the world market, and the Korean insurance market ranked the seventh in total premiums in the world. The U.S. market maintained the top rank with the total premiums of 1.4 trillion dollars in 2017. China was the second in volume with a real growth rate of 16.4% in 2017.

Table 4. Total premium volume by country

(Unit: billion USD, %)

Ranking	Country	Premium volume		Changes, 2017		Share of world market, 2017
		2016	2017	Nominal	Inflation-adjusted	
1	United States	1,350	1,377	2.0	-0.1	28.15
2	PR China	466	541	16.2	16.4	11.07
3	Japan	451	422	-6.5	-4.5	8.63
4	UK	291	283	-2.6	-0.3	5.79
5	France	237	242	1.8	-1.3	4.94
6	Germany	215	223	3.8	-0.1	4.56
7	Korea	177	181	2.4	-2.9	3.70
8	Italy	160	156	-2.6	-5.7	3.18
9	Canada	113	120	5.5	1.6	2.44
10	Taiwan	101	117	15.8	8.4	2.40

Source: Swiss Re (2018), Sigma, No 3

10) Sigma, No 3, 2018, Swiss Re

Korea's Insurance penetration ratio, premiums as a percentage of GDP, reached 11.6% in 2017. Korea ranked the fifth in terms of insurance penetration in the world. Life insurance penetration ratio decreased to 6.6% in 2017 from 7.4% in 2016. And non-life insurance penetration ratio increased to 5.0% in 2017 from 4.7% in 2016.

Table 5. Insurance penetration

(Unit: %)

	2015			2016			2017		
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
Korea	7.3	4.1	11.4	7.4	4.7	12.1	6.6	5.0	11.6
World	3.5	2.8	6.2	3.5	2.8	6.3	3.3	2.8	6.1

Source: Swiss Re (2018), Sigma, No 3

Insurance density, which is defined to be premiums per capita, reached 3,522 dollars in 2017 ranked the fourteenth in the world. Life insurance density in Korea decreased to 1,999 dollars and non-life insurance density increased to 1,523 dollars.

Table 6. Insurance density

(Unit: USD)

	2015			2016			2017		
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
Korea	1,940	1,094	3,034	2,050	1,312	3,362	1,999	1,523	3,522
World	346	276	621	353	285	638	353	297	650

Source: Swiss Re (2018), Sigma, No 3

Premium volumes and total assets

The total insurance premiums increased by 0.1% to 202.3 trillion KRW in 2017 compared to the previous year.

The premiums of the life insurance shrank by 4.9% to 113.9 trillion KRW while those of the non-life insurance grew by 4.5% to 88.3 trillion KRW. Endowment and pension plans led to the decrease of life insurance premiums and annuities and general insurance lifted the non-life insurance premiums.

Table 7. Premium volume of Korea

(Unit: billion KRW, %)

Classification	FY13	CY14	CY15	CY16	CY17
Life	77,237 (-8.0)	110,575 (1.9)	117,214 (6.0)	119,811 (2.2)	113,973 (-4.9)
Non-life	53,768 (4.2)	76,575 (8.3)	80,247 (4.8)	82,317 (2.6)	88,333 (4.5)
Total	131,005 (-3.4)	187,151 (4.4)	197,461 (5.5)	202,128 (2.4)	202,306 (0.1)

Note: 1) Figures in parentheses indicate year-on-year growth rates
2) As of April 1, 2013, amended 『Insurance Business Law』 specifies FY period to start in January and to end in December. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, 2016, and 2017 cover the period from January to December

Source: KIDI, *Monthly Insurance Report,* Issues

Total assets of insurers in 2017 increased by 7.3% to 1,109.9 trillion KRW on a yearly basis.

The non-life insurers' total asset growth rate was higher than that of life insurers. The total assets of life insurance increased by 6.5% to 832.8 trillion KRW in 2017 while those of non-life insurance increased by 10.0% to 277.1 trillion KRW in 2017.

Table 8. Total assets of Korean insurers

(Unit: billion KRW, %)

Classification	FY13	CY14	CY15	CY16	CY17
Life	597,480 (9.1)	662,075 (10.8)	724,901 (9.5)	782,162 (7.9)	832,837 (6.5)
Non-life	170,556 (12.4)	200,308 (17.4)	225,935 (12.8)	252,005 (11.5)	277,100 (10.0)
Total	768,036 (9.8)	862,383 (12.3)	950,836 (10.3)	1,034,167 (8.8)	1,109,937 (7.3)

Note: 1) Figures in parentheses indicate year-on-year growth rates
2) As of April 1, 2013, amended 『Insurance Business Law』 specifies FY period to start in January and to end in December. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, 2016, and 2017 cover the period from January to December

Source: KIDI, *Monthly Insurance Report,* Issues

Market landscape

There exist 56 insurers in Korean market: 25 life insurers (16 domestic and 9 foreign insurers) and 31 non-life insurers (14 domestic and 17 foreign insurers).

Although there were no entrants in the life insurance market, there was a foreign insurer to enter the non-life insurance market in 2017; Allianz Global Corporation & Specialty. Federal Insurance was merged to ACE and Genworth Mortgage closed out their Korean branch in this year. Merging and retreat reduces the number of non-life insurers to 31.

Table 9. Number of insurance companies in Korea

Classification		Domestic	Foreign	Sub total
Life Insurance		16	9	25
Non-Life Insurance	Primary	13	8	21
	Reinsurer	1	9	10
	Sub total	14	17	31
Total		31	26	56

Note: 1) All figures are as of December 31, 2017
2) Foreign subsidiaries, branches, and joint ventures, in which foreign shareholders account for more than 50% of company shares, are regarded as foreign insurance companies
Sources: Financial Supervisory Service, KIDI

Korean insurance market has 13 listed insurers in 2017. ING Life Insurance was listed on the Korean stock market this year. So the listed life insurance companies are 5 companies and listed non-life companies are 8 companies.

Table 10. Listed insurance companies in Korea

Classification	Company	Listed date
Life Insurance (5)	Tong Yang Life insurance	2009.10.08
	Hanwha Life Insurance	2010.03.17
	Samsung Life Insurance	2010.05.12
	Mirae Asset Life Insurance	2015.07.08
	ING Life Insurance	2017.05.11
Non-Life Insurance (8)	Meritz Fire & Marine Insurance	1956.09.02
	Korean Reinsurance	1969.12.22
	Lotte Non-life Insurance	1972.04.16
	DB Insurance	1973.06.28
	Heungkuk Fire & Marine Insurance	1974.12.05
	Hanwha General Insurance	1975.06.30
	Samsung Fire & Marine Insurance	1975.06.26
	Hyundai Marine & Fire Insurance	1989.08.25

Note: All figures are as of December 31, 2017
Sources: Korea Listed Companies Association

Positioning of foreign insurers

In 2017, the market share of foreign life insurers increased to 18.1% in terms of life insurance premiums. Allianz Life renamed ABL Life Insurance Co., in August 2017 which was acquired by Anbang Insurance Group, a Chinese financial Group, last year from Allianz Group.

The share of foreign insurers in the non-life insurance market in 2017 was 2.0%, and this share remains for a couple of years. And no foreign non-life insurer is ranked at the top of the market.

Table 11. Premium income and market share of foreign insurers

(Unit: billion KRW, %)

	FY13		CY14		CY15		CY16		CY17	
	Life	Non-life	Life	Non-life	Life	Non-life	Life	Non-life	Life	Non-life
Premium income	12,640	1,224	14,469	1,596	18,627	1,685	19,891	1,690	20,629	1,767
Market share	16.4	2.1	13.1	2.1	15.9	2.1	16.6	2.0	18.1	2.0

Note: 1) FY2013 covers from April 2013 to December 2013
2) As of April 1, 2013, amended 『Insurance Business Law』 specifies FY period to start in January and to end in December. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, 2016, and 2017 cover the period from January to December

Source: KIDI, *Monthly Insurance Report,* Issues

Market concentration

While the market share of the top three insurers (Samsung, Hanwha, Kyobo) in the life insurance market for 2017 decreased to 45.4%, from the previous year, that of the top four insurers (Samsung, Hyundai, DB, KB) in the non-life insurance market increased to 68.8% from 68.7% for 2016.

Table 12. Market concentration

(Unit: %)

	Ranking	Company	Market share				
			FY13	CY14	CY15	CY16	CY17
Life	1	Samsung Life	25.4	25.5	23.4	23.3	23.1
	2	Hanwha Life	12.9	12.4	12.8	12.7	12.1
	3	Kyobo Life	11.3	11.1	10.8	10.2	10.2
	4	Nong Hyup Life	8.6	9.3	9.0	7.9	7.1
	5	Tong Yang Life	3.9	3.6	3.6	5.6	5.2
	6	Mirea Asset Life	5.1	4.8	5.3	4.9	4.9
	7	Hungkuk Life	3.6	3.9	4.8	4.7	4.2
		Top 3	49.6	49.0	46.9	46.2	45.4
	Ranking	Company	Market				
			FY13	CY14	CY15	CY16	CY17
Non- life	1	Samsung Fire & Marine	25.7	26.2	24.2	23.6	25.5
	2	Hyundai Marine & Fire	16.3	16.1	16.5	17.0	16.2
	3	DB Insurance	14.7	14.4	15.1	15.4	14.9
	4	KB Insurance	13.5	12.9	13.2	12.7	12.2
	5	Meritz Fire & Marine	7.0	6.8	7.1	7.1	7.3
	6	Hanwha Non-Life	5.9	5.6	5.7	5.9	6.0
	7	Lotte Non-Life	3.8	4.4	4.8	5.3	5.0
		Top 4	70.2	69.7	69.0	68.7	68.8

Note: 1) FY2013 covers from April 2013 to December 2013
2) As of April 1, 2013, amended『Insurance Business Law』specifies FY period to start in January and to end in December. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, 2016 and 2017 cover the period from January to December

Source: KIDI, *Monthly Insurance Report,* Issues

2018

Life insurance industry

Korea
Insurance
Research
Institute

KOREAN
INSURANCE
INDUSTRY

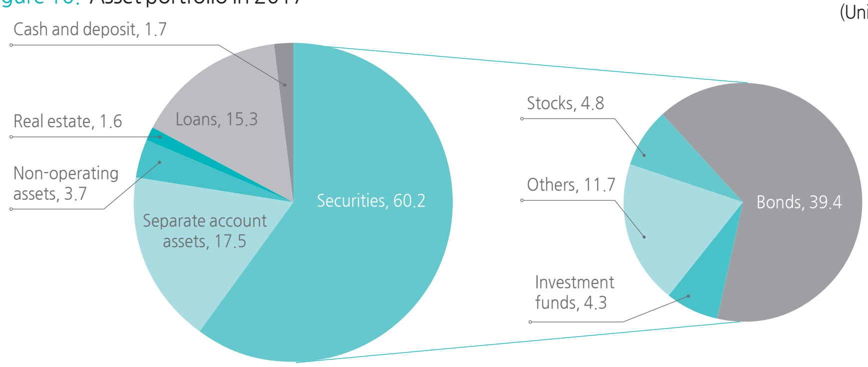
Statement of financial position[11)]

Among the total assets of life insurers in 2017 general account assets[12)] increased by 6.5% while separate account assets increased by 10.0% over 2016, as premium income of variable insurance increased.

In 2017, the share of securities of the total asset took 60.2%, which was decreased by 0.5%p over 2016. Life insurers' securities consist of bonds, stocks, investment funds, and others. Bonds took 39.4% of the total assets, down by 2.3%p over 2016. The share of investment funds and stocks recorded 4.3% and 4.8%, which increased by 0.4%p and 0.7%p over 2016, respectively. The share of other asset increased by 0.6%p over 2016, as life insurers increased the number of overseas investments.

Figure 10. Asset portfolio in 2017

(Unit: %)



Note: Others include overseas securities
Source: Financial Supervisory Service

11) As of December 31, 2017
12) General account assets are total assets excluding separate account assets

Table 13. Summary of statement of financial position

(Unit: billion KRW, %)

Classification	FY13	CY14	CY15	CY16	CY17
Assets					
Cash and deposit	13,449 (2.3)	16,254 (2.5)	15,347 (2.1)	15,152 (1.9)	13,839 (1.7)
Securities	350,116 (58.6)	394,647 (59.6)	437,107 (60.3)	474,826 (60.7)	501,173 (60.2)
Stocks	24,540 (4.1)	24,675 (3.7)	23,444 (3.2)	31,705 (4.1)	39,687 (4.8)
Bonds	270,529 (45.3)	295,498 (44.6)	325,054 (44.8)	325,878 (41.7)	328,359 (39.4)
Investment funds	22,540 (3.8)	30,792 (4.7)	30,555 (4.2)	30,390 (3.9)	35,868 (4.3)
Others	32,508 (5.4)	43,683 (6.6)	58,054 (8.0)	86,853 (11.1)	97,259 (11.7)
Loans	88,819 (14.9)	97,580 (14.7)	106,122 (14.6)	117,733 (15.1)	127,497 (15.3)
Real estate	14,990 (2.5)	14,607 (2.2)	14,874 (2.1)	14,421 (1.8)	13,702 (1.6)
Non-operating assets	28,119 (4.7)	27,325 (4.1)	27,681 (3.8)	27,607 (3.5)	31,007 (3.7)
Separate account assets	101,987 (17.1)	111,662 (16.9)	123,770 (17.1)	132,423 (16.9)	145,609 (17.5)
Total asset	597,480	662,075	724,901	782,162	832,827
Liabilities					
Policy reserves	421,471	461,873	505,723	548,167	581,719
Policyholder equity adjustments	7,007	9,072	9,466	10,120	11,504
Other liabilities	12,928	15,179	17,771	19,522	17,195
Separate account liabilities	10,598	116,813	127,931	138,560	150,963
Total liabilities	547,305	602,936	660,891	716,370	761,380
shareholders' equity					
Capital stock	9,651	9,780	10,390	10,406	10,269
Capital surplus	5,702	5,836	5,986	6,059	7,021
Retained earnings	22,766	25,416	27,879	29,192	31,453
Capital adjustment	-1,118	-1,487	-2,574	-3,117	-3,119
Other cumulative comprehensive income	13,175	19,595	22,330	23,252	24,117
Total shareholders' equity	50,175	59,139	64,010	65,792	71,447
Total liabilities and shareholders' equity	597,480	662,075	724,901	782,162	832,827

Note: 1) As of April 1, 2013, amended『Insurance Business Law』specifies FY period to start in January and to end in December. Under the Amendment, FY2013 covers the period from April 2013 to December 2013. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, 2016 and, 2017 cover the period from January to December

2) Figures in parentheses indicate percentage share of the total assets

Source: Financial Supervisory Service

Separate account assets took 17.5% (up by 0.6%p over 2016) of the total assets while cash and deposit and real estate accounted for 1.7% (down by 0.2%p over 2016), 1.6%(down by 0.2%p over 2016) respectively. The share of the loan and non-operating assets[13)] were 15.3%, and 3.7% of the total assets, respectively. These shares all increased slightly over 2016.

In 2017, the total liabilities of life insurers increased to 761.4 trillion KRW from 716.4 trillion KRW in 2016, due to the increase in premium reserve as the sales of protection type insurance expanded.

The total shareholders' equity increased to 71.4 trillion KRW in 2017 from 65.8 trillion KRW in 2016. Especially, retained earnings increased to 31.5 trillion KRW in 2017, up by 7.7% over 2016.

13) It includes the unamortized deferred acquisition cost

Income statement

The net income of life insurers in 2017 was 3.9 trillion KRW, which was increased by 59.1% compared to the previous year. The main reason for the increase in net income was the decrease in deficits from underwriting income and the increase in investment income. The underwriting deficit decreased to 21.5 trillion KRW from 22.4 trillion KRW, due to a decrease in policy reserve. Net investment income in 2017 increased to 22.0 trillion KRW from 21.4 trillion KRW in 2016, due to increase in dividend income and interest income. Other gains in 2017 increased to 4.7 trillion KRW up by 12.5% compared to 2016, as the income from commissions of separate account increased.

Table 14. Summary of income statement

(Unit: billion KRW, %)

Classification		FY13	CY14	CY15	CY16	CY17
Income	Underwriting	55,616	79,319	84,205	85,204	81,081
	Investment	18,473	25,761	27,830	29,325	35,763
	Other	3,102	4,315	4,630	4,960	5,393
	Total	77,190	109,395	116,665	119,489	122,237
Expenditure	Underwriting	70,265	100,315	105,129	107,592	102,575
	Investment	3,397	4,197	6,415	7,949	13,769
	Other	695	839	758	820	734
	Total	46,896	65,317	68,942	74,485	85,113
Net balance	Underwriting[2)]	-14,649	-20,996	-20,924	-22,389	-21,493
	Investment	15,076	21,564	21,415	21,376	21,995
	Other	2,407	3,476	3,872	4,140	4,659
	Total	2,834	4,044	4,362	3,127	5,160
Tax		740	807	770	667	1,245
Net income (loss)		2,093	3,237	3,592	2,461	3,915

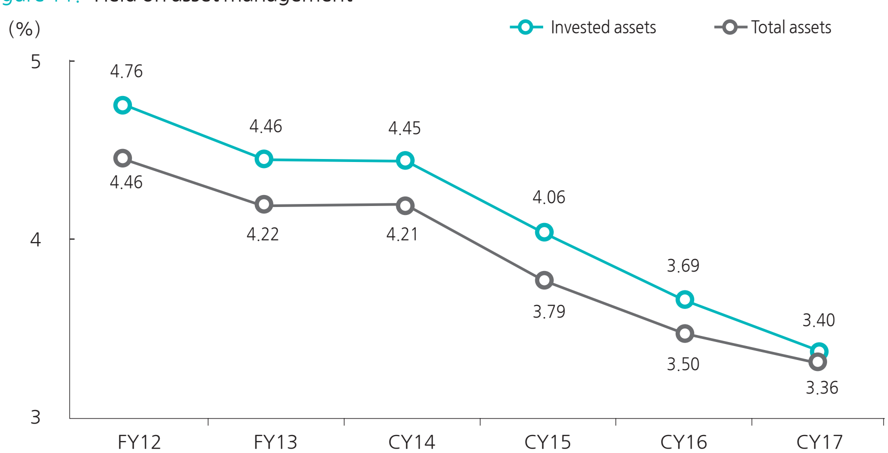
Note: 1) As of April 1, 2013, amended『Insurance Business Law』specifies FY period to start in January and to end in December. Under the Amendment, FY2013 covers the period from April 2013 to December 2013. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, 2016 and, 2017 cover the period from January to December

2) The figure includes the net balance of policy reserve Source: Financial Supervisory Service

Investment rate of return

The rate of return on the total assets and invested assets has been decreasing for several years, in low interest rate environment. The rate of return on total assets decreased to 3.40% in 2017 from 4.76% in FY2012. The investment rate of return on invested assets also decreased to 3.36% in 2017 from 4.46% in FY2012.

Figure 11. Yield on asset management



Source: KIDI, *Monthly Insurance Report,* various issues

Premium income

1. Trends in insurance contracts

The amount of new business contracts in 2017 recorded 322.3 trillion KRW, which was decreased by 11.8% over 2016. The shrink of new business contracts was remarkably resulted from the decline of savings type insurance. On the other hand, the amounts of lapses and surrenders were 238.0 trillion KRW, which was up by 0.7% over 2016. Hence, business in force in 2017, which includes all existing and new policies but excludes those terminated with maturities as well as lapses and surrenders, increased by 0.7% to 2,488.8 trillion KRW from 2,470.9 trillion KRW in 2016.

Table 15. Insurance contracts

(Unit: billion KRW, %)

Classification	FY13	CY14	CY15	CY16	CY17
New business	282,788 (-2.9)	389,489 (2.5)	395,249 (1.5)	365,290 (-7.6)	322,305 (-11.8)
Lapses & surrenders	172,019 (-4.0)	228,687 (1.0)	232,010 (1.5)	236,401 (1.9)	238,032 (0.7)
Business in force	2,183,819 (5.6)	2,304,878 (8.7)	2,404,224 (4.3)	2,470,850 (2.8)	2,488,756 (0.7)

Note: 1) As of April 1, 2013, amended 『Insurance Business Law』 specifies FY period to start in January and to end in December. Under the Amendment, FY2013 covers the period from April 2013 to December 2013. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, 2016 and, 2017 cover the period from January to December

2) Figures in parentheses indicate growth rates

Source: KIDI, *Monthly Insurance Report,* various issues

2. Premium income by product type[14)]

The life insurance premium in 2017 decreased by 4.9% over 2016 and recorded 114.0 trillion KRW. While pure endowment, endowment, and pension plans premiums were decreased, protection type insurance premiums increased slightly, and variable insurance premiums increased as well.

Pure endowment insurance[15)]

Premium income from pure endowment insurance recorded 27.0 trillion KRW in 2017, which decreased by 6.5% compared to 2016. This could be partly explained by the International Financial Reporting Standard (IFRS 17) because new accounting standard might add up a significant capital burden on insurers with more pure endowment insurance liabilities.

Protection type insurance[16)]

The premium income from protection type insurance in 2017 expanded to 41.8 trillion KRW, up by 3.6% over 2016. This is mainly due to the insurers' marketing policy to sell protection type insurance, which is evaluated less costly to insurers in terms of required capital for IFRS 17, compared to other products.

Endowment insurance[17)]

The endowment insurance premium income decreased by 10.9% over 2016 and recorded 29.6 trillion KRW in 2017. Life insurance companies have been restructuring their composition of liability by reducing the portion of saving type insurance products ahead of the introduction of IFRS 17, which is scheduled to take effect in 2021. Under the new accounting rule, insurance premium on saving-type products would be excluded from revenue, which in turn would lessen its contribution to life insurer's financial performance.

14) Life insurance by product type was classified into pure endowment, protection type, endowment, and group insurance. The variable insurance such as variable whole life, variable annuity, and variable universal life insurance came under each product type, according to the risk covered

15) Pure endowment insurance consists of annuity and variable annuity

16) Protection type insurance are comprised of whole life, critical illness, term life, health insurance, and variable whole life insurance

17) Endowment insurance consists of tax-favored savings type insurance and variable universal life insurance

Group insurance[18]

The group insurance premium income in 2017 was declined to 15.7 trillion KRW (-10.4%, y-o-y), mainly resulted from the decrease in premiums from pension plans. Although the market size of pension plans expanding, the competition in the pension plans market is getting fierce.

Variable insurance[19]

As the KOSPI has been on the rise, the premium income from variable insurance products increased by 1.1% in 2017 over 2016 and it recorded 19.6 trillion KRW. The premiums from variable whole life and variable universal life increased compared to 2016, while the premiums from variable annuity decreased.

Table 16. Premium income by product type

(Unit: billion KRW, %)

Classification		FY13	CY14	CY15	CY16	CY17
Individual total		69,648 (-10.6)	97,938 (-1.7)	102,741 (4.9)	102,324 (-0.4)	98,302 (-3.9)
	Pure endowment	23,369 (-27.1)	32,671 (-8.8)	32,756 (0.3)	28,848 (-11.9)	26,980 (-6.5)
	Protection type	24,809 (4.3)	34,603 (5.1)	37,779 (9.2)	40,289 (6.6)	41,759 (3.6)
	Endowment	21,469 (-2.9)	30,665 (-0.5)	32,206 (5.0)	33,187 (3.0)	29,563 (-10.9)
	Variable	15,544 (-0.9)	20,671 (-1.9)	20,643 (-0.1)	19,406 (-6.0)	19,624 (1.1)
Group		7,589 (25.7)	12,637 (40.9)	14,472 (14.5)	17,487 (20.8)	15,671 (-10.4)
Total		77,237 (-8.0)	110,575 (1.9)	117,214 (6.0)	119,811 (2.2)	113,973 (-4.9)

Note: 1) As of April 1, 2013, amended 『Insurance Business Law』 specifies FY period to start in January and to end in December. Under the Amendment, FY2013 covers the period from April 2013 to December 2013. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, 2016 and, 2017 cover the period from January to December
2) Figures in parentheses indicate growth rates respectively
3) Pure endowment insurance, protection type insurance, and endowment insurance include variable annuity, variable whole life insurance, and variable universal life insurance, respectively

Source: KIDI, *Monthly Insurance Report,* various issues

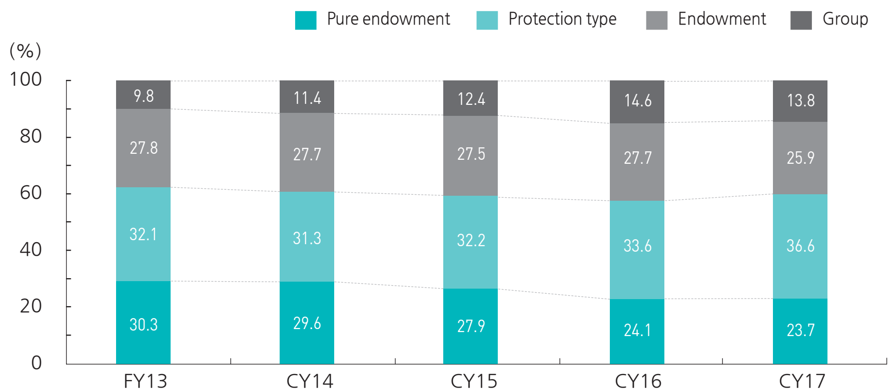
18) Group insurance are comprised of pension plans and general group insurance

19) Variable insurance consists of variable whole life, variable annuity and others

3. The shares of premium income by product type

The share of protection type insurance in 2017 increased by 3.0%p, while the shares of pure endowment, endowment and group insurance in life insurance decreased by 0.4%p, 1.8%p, and 0.8%p, respectively, over 2016. The portion of protection type insurance was 36.6%, that of pure endowment was 23.7%, and the share of endowment insurance took 25.9% in 2017. The share of group insurance in 2017 decreased to 13.8% from 14.6% in 2016, as premiums from pension plans decreased.

Figure 12. Market share by insurance product type



Note: 1) As of April 1, 2013, amended 『Insurance Business Law』 specifies FY period to start in January and to end in December. Under the Amendment, FY2013 covers the period from April 2013 to December 2013. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, 2016 and, 2017 cover the period from January to December

Source: KIDI, *Monthly Insurance Report,* various issues

4. Premium income by company group

In 2017, the life insurance market shares of top three insurers, other domestic insurers, and foreign insurers were 45.4%, 36.4%, and 18.1%, respectively. The market shares of both top three insurers and other domestic insurers in 2017 decreased by 0.8%p, while the market share of foreign insurers increased by 1.5%p over 2016.

The change in market share mostly resulted from mergers and acquisitions as well as competition. In September 2015, Anbang Insurance Group of China acquired a major share of Tong Yang Life Insurance Co., Ltd., which moved Tong Yang Life Insurance Co., Ltd. into foreign insurers' category. And some foreign insurance companies did aggressive marketing on savings insurance. They provided higher minimum guaranteed interest rate than other life insurers on which was allegedly based more aggressive asset management.

Table 17. Premium income by company group

(Unit: billion KRW, %)

Classification	FY13	CY14	CY15	CY16	CY17
Top three companies	38,302 (49.6)	54,203 (49.0)	55,026 (46.9)	55,307 (46.2)	51,756 (45.4)
Other domestic companies	26,294 (34.0)	41,903 (37.9)	43,560 (37.2)	44,613 (37.2)	41,539 (36.4)
Foreign companies	12,640 (16.4)	14,469 (13.1)	18,627 (15.9)	19,891 (16.6)	20,679 (18.1)
Total	77,236 [-8.0]	110,575 [1.9]	117,214 [6.0]	119,811 [2.2]	113,973 [-4.9]

Note: 1) As of April 1, 2013, amended 『Insurance Business Law』 specifies FY period to start in January and to end in December. Under the Amendment, FY2013 covers the period from April 2013 to December 2013. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, 2016 and, 2017 cover the period from January to December

2) The figures in parentheses and brackets indicate percentage shares and growth rates, respectively. Source: KIDI, *Monthly Insurance Report,* various issues

Expenditures

The claims amount paid by life insurers in 2017 was 79.4 trillion KRW, up by 10.8% over 2016 with claims paid over all of life insurance products increased.

And the operating expenses, comprised of acquisition costs, administration expenses, and deferred acquisition costs, of life insurers in 2017 summed up to 8.7 trillion KRW. While administration expenses increased over 2016, acquisition costs and deferred acquisition costs decreased.

Table 18. Claims paid and operating expenses

(Unit: billion KRW, %)

Classification	FY13	FY14	CY15	CY16	CY17
Claims paid	41,900 (0.0)	62,251 (-10.0)	66,972 (7.6)	71,683 (7.0)	79,437 (10.8)
Operating expenses	5,724 (-9.0)	8,045 (-5.0)	8,041 (-0.1)	8,317 (3.4)	8,677 (4.3)

Note: 1) As of April 1, 2013, amended 『Insurance Business Law』 specifies FY period to start in January and to end in December. Under the Amendment, FY2013 covers the period from April 2013 to December 2013. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, 2016 and, 2017 cover the period from January to December

2) Figures in parentheses indicate annual growth rates

Source: KIDI, *Monthly Insurance Report,* various issues

Management efficiency

The ratio of claims paid, which is defined to be claim paid per premium income, continues to increase since FY2013. In 2017, this ratio recorded 69.7%, inched up by 9.9%p over 2016.

The ratio of lapses and surrenders, which was calculated as lapses and surrenders divided by premium income, was 8.5% for 2017. While this ratio remained at the same level as in 2016, it is still higher than that of FY2013. Meanwhile, the ratio of operating expenses in 2017 increased to 14.5% from 12.9% in 2016.

Table 19. Management efficiency

(Unit: %)

Classification	FY13	CY14	CY15	CY16	CY17
Ratio of claims paid	54.2	56.3	57.1	59.8	69.7
Ratio of lapses and surrenders	7.2	8.8	8.6	8.5	8.5
Ratio of operating expenses	14.8	14.0	13.3	12.9	14.5

Note: As of April 1, 2013, amended 『Insurance Business Law』 specifies FY period to start in January and to end in December. Under the Amendment, FY2013 covers the period from April 2013 to December 2013. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, 2016 and, 2017 cover the period from January to December

Source: KIDI, *Monthly Insurance Report,* various issues

Distribution

1. Market shares by distribution channel

Market share (initial premium income) of bancassurance in 2017 took 49.7% out of total initial premium income. It declined by 6.9%p over 2016 due to the plummet of savings type insurance sales, which took the largest share of total initial premium income in life insurance. The market share of direct writers in 2017 increased by 3.8%p over 2016 as well and premium income of direct writers' channel accounted for 24.3% of the total premium income of life insurers.
In contrast, the market share of solicitors in 2017 increased to 18.4% of the total initial premium income of life insurance from 16.4% in 2016. The market share of agents in 2016 increased by 0.9%p and accounted for 7.2%. The increments of market share of solicitors and agents resulted from insurers' marketing policy, which weighs protective type insurance sales rather than savings type sales.

Table 20. Market shares by distribution channel (initial premium income)

(Unit: billion KRW, %)

Classification	FY13	CY14	CY15	CY16	CY17
Direct writers	1,745 (17.4)	5,205 (28.2)	3,943 (21.5)	3,166 (20.5)	2,960 (24.3)
Solicitors	2,014 (20.0)	3,026 (16.4)	3,658 (20.0)	2,532 (16.4)	2,237 (18.4)
Agents	675 (6.7)	1,044 (5.7)	1,127 (6.2)	978 (6.3)	873 (7.2)
Brokers	1 (0.0)	5 (0.0)	9 (0.1)	11 (0.1)	14 (0.1)
Bancassurance	5,574 (55.4)	9,149 (49.6)	9,525 (52.0)	8,749 (56.6)	6,061 (49.7)
Others	24 (0.2)	35 (0.2)	56 (0.3)	35 (0.2)	40 (0.3)
Total	10,057 (100.0)	18,464 (100.0)	18,319 (100.0)	15,470 (100.0)	12,185 (100.0)

Note: 1) As of April 1, 2013, amended 『Insurance Business Law』 specifies FY period to start in January and to end in December. Under the Amendment, FY2013 covers the period from April 2013 to December 2013. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, 2016 and, 2017 cover the period from January to December

2) Figures in parentheses indicate percentage market shares

Source: KIDI, *Monthly Insurance Report,* various issues

2. Numbers of solicitors and insurance agents

The number of direct writers and solicitors decreased as life insurers tried to cut their costs to cope with difficult market environments. The number of direct writers was 25,391, decreased by 5.6% over 2016 and the number of solicitors was 107,037 in 2017, lessened by 4.3% over 2016 in the life insurance market. However, the number of agents in 2017 was 6,450, increased by 2.0% over 2016. Both Individual agents and juridical person in 2017 increased.

Table 21. Numbers of direct writers, solicitors, and agents

(Unit: persons, %)

Classification	FY13	CY14	CY15	CY16	CY17
Direct writers	30,386 (2.2)	28,111 (-7.5)	27,312 (-2.8)	26,890 (-1.5)	25,391 (-5.6)
Solicitors	135,729 (-8.4)	122,965 (-9.4)	117,311 (-4.6)	111,813 (-4.7)	107,037 (-4.3)
Agents	7,035 (-16.8)	6,867 (-2.4)	6,010 (-12.5)	6,324 (5.2)	6,450 (2.0)

Note: 1)As of April 1, 2013, amended 『Insurance Business Law』 specifies FY period to start in January and to end in December. Under the Amendment, FY2013 covers the period from April 2013 to December 2013. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, 2016 and, 2017 cover the period from January to December

2) Figures in parentheses indicate annual growth rates

3) The figures of solicitors exclude cross-selling solicitors

Source: KIDI, *Monthly Insurance Report,* various issues

2018

Non-life insurance industry

Statement of financial position

Income statement

Investment rate of return

Direct premiums written

Expenditures

Management efficiency

Distribution

KOREAN INSURANCE INDUSTRY

Korea Insurance Research Institute

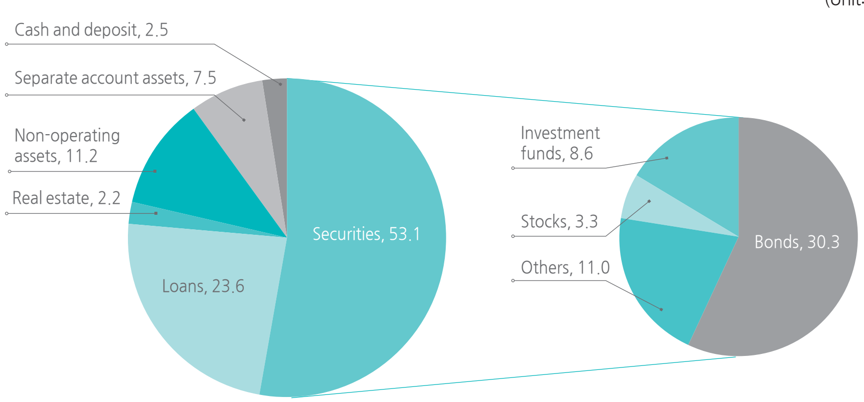
Statement of financial position[20)]

In 2017, the total assets of non-life insurers increased by 10.0% over 2016 and recorded 277.1 trillion KRW. As the size of insurance reserves went up, the size of general account assets grew by 11.4% over 2017. The total assets of separate account increased by 20.3% over 2016 because of the robust growth in retirement pension plans.

In terms of asset shares, the increasing trend in the share of loans and separate account asset had continued since FY2013. The share of separate account assets in 2017 increased to 7.5% from 3.9% in FY2013. The loans share recorded 23.6% of the total assets, which increased by 0.6%p over 2016 while the share of securities decreased by 0.2%p over 2016 to 53.1%, taking the largest share of the total assets of non-life insurers.

Figure 13. Asset portfolio in 2017

(Unit: %)



Note: Others include overseas securities Source: Financial Supervisory Service
Source: Financial Supervisory Service

20) As of December 31, 2017

Table 22. Summary of statement of financial position

(Unit: billion KRW, %)

Classification	FY13	CY14	CY15	CY16	CY17
Assets					
Cash and deposits	7,733 (4.5)	9,026 (4.5)	9,219 (4.1)	6,925 (2.7)	6,817 (2.5)
Securities	88,501 (51.9)	104,802 (52.3)	118,597 (52.5)	134,350 (53.3)	147,149 (53.1)
Stocks	6,773 (4.0)	7,566 (3.8)	7,162 (3.2)	7,540 (3.0)	9,268 (3.3)
Bonds	57,651 (33.8)	64,794 (32.3)	70,715 (31.3)	76,328 (30.3)	82,643 (29.8)
Investment funds	10,596 (6.2)	14,972 (7.5)	18,862 (8.3)	21,601 (8.6)	24.800 (8.9)
Others	13,481 (7.9)	17,470 (8.7)	21,859 (9.7)	28,881 (11.5)	30,439 (11.0)
Loans	33,277 (19.5)	41,876 (20.9)	49,052 (21.7)	57,939 (23.0)	65,309 (23.6)
Real estate	6,447 (3.8)	6,436 (3.2)	6,496 (2.9)	6,501 (2.6)	6,017 (2.2)
Non-operating assets	27,998 (16.4)	28,969 (14.5)	29,256 (12.9)	29,121 (11.6)	31,141 (11.2)
Separate account assets	6,599 (3.9)	9,198 (4.6)	13,441 (5.9)	17,171 (6.8)	20,664 (7.5)
Total assets	170,556	200,308	226,061	252,005	277,097
Liabilities					
Insurance reserves	130,406	150,177	168,956	186,891	203,264
Other liabilities	10,362	11,952	13,306	14,422	15.550
Separate account liabilities	7,396	11,299	14,380	18,233	23,085
Total liabilities	148,164	173,428	196,642	219,546	241,898
Shareholders' equity					
Capital stock	2,281	2,357	2,542	2,779	2.994
Capital surplus	2,099	2,388	2,714	3,113	3,037
Retained earnings	15,637	17,564	19,464	22,096	24.771
Capital adjustment	-958	-938	-1,275	-1,373	-1,608
Other cumulative comprehensive Income	3,334	5,509	5,975	5,845	6,005
Total shareholders' equity	22,393	26,879	29,419	32,460	35,199
Total liabilities and shareholders' equity	170,556	200,308	226,061	252,005	277,097

Note: 1) As of April 1, 2013, amended 『Insurance Business Law』 specifies FY period to start in January and to end in December. Under the Amendment, FY2013 covers the period from April 2013 to December 2013. Previously, a FY started in April and ended in March of the following year. CY2014, 2015 and 2016 cover the period from January to December

2) Figures in parentheses indicate percentage share of total assets

Source: Financial Supervisory Service

Cash and deposits and bonds took 2.5% and 29.8% of the total assets respectively, which decreased slightly over 2016. The shares of real estate, non-operating assets and others in securities decreased to 2.2%, 11.2%, and 11.0% in 2017 from 2.6%, 11.6% and 11.5% in 2016, respectively. The shares of stocks and investment fund in securities increased by 3.3% and 8.9% in 2017 from 3.0% and 8.6% in 2016, respectively.

Regarding the opposite side of assets in the balance sheet, the total liabilities in 2017 increased to 241.9 trillion KRW from 219.5 trillion KRW in 2016, which was resulted from the steady growth in long-term insurance premium reserve. In addition, the separate account liabilities in 2017 increased to 23.1 trillion KRW. The total equity of shareholders increased to 35.2 trillion KRW from 32.5 trillion KRW in 2016, mainly due to the increase in capital stock and retained earnings.

Income statement

Net income of non-life insurers in 2017 was 3.9 trillion KRW, which grew up by 11.1% from 3.5 trillion KRW in 2016. The amount of deficit from underwriting lessened by 10.0% to 1.8 trillion KRW in 2017 from 2.0 trillion KRW in 2016 as the loss ratio of automobile insurance and long-term insurance declined. With the size of invested assets increased up the amount of surplus from investment expanded by 6.4% to 7.2 trillion KRW in 2017 from 6.8 trillion KRW in 2016.

Table 23. Summary of income statement

(Unit: billion KRW, %)

Classification		FY13	CY14	CY15	CY16	CY17
Income	Underwriting	49,484	68,397	71,562	74,598	76,755
	Investment	5,276	7,532	9,040	9,781	11,770
	Other	159	270	538	349	369
	Total	54,919	76,198	81,139	84,728	88,893
Expenditure	Underwriting	51,062	70,908	74,397	76,644	78,596
	Investment	1,524	1,790	2,693	3,027	4,584
	Other	326	434	484	557	550
	Total	52,912	73,133	77,574	80,228	83,730
Net balance	Underwriting	-1,578	-2,512	-2,835	-2,046	-1,841
	Investment	3,752	5,742	6,347	6,754	7,186
	Other	-167	-164	54	-208	-181
	Total	2,007	3,066	3,565	4,500	5,163
Tax		515	735	872	1,031	1,310
Net income (loss)		1,492	2,330	2,694	3,469	3,853

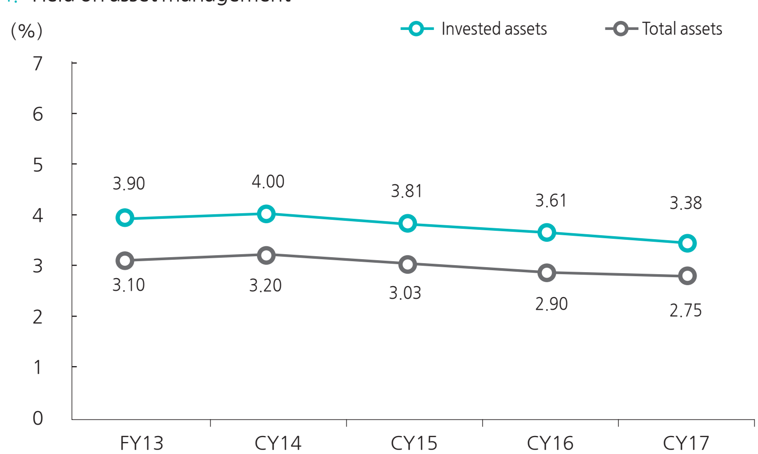
Note: As of April 1, 2013, amended 『Insurance Business Law』 specifies FY period to start in January and to end in December. Under the Amendment, FY2013 covers the period from April 2013 to December 2013. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, and 2016 cover the period from January to December

Source: Financial Supervisory Service

Investment rate of return

The rate of return on the investment of non-life insurers has been declining for the past years as low interest rate environment persisted. It declined to 3.38% in 2017 from 3.61% in 2016. Although the rate of returns slightly increased in 2014, the profitability of non-life insurance business has been stagnated due to the low interest rate environment.

Figure 14. Yield on asset management



Source: KIDI, *Monthly Insurance Report,* various issues

Direct premiums written

The total premium income[21] of non-life insurance[22] in 2017 recorded 88.3 trillion KRW. The growth rate was 4.5% in 2017, which is lower than the growth rate in 2016(5.3%) for long-term insurance and retirement pension plans. Long-term insurance premium increased by 2.8% in 2017 although the growth rate has been declining for the last five years. Retirement pension premium income skyrocketed for both 2016 and 2017. However, the premiums from fire insurance and individual annuity[23] continued to decrease for 2016 and 2017 consecutively.

21) Direct premiums written

22) Non-life insurance consists of fire, marine, automobile, guarantee, casualty insurances, and non-traditional business, such as long-term insurance, annuities, and retirement pension plans

23) Non-life insurers could sell annuities qualified for tax breaks

Table 24. Direct premiums written by line

(Unit: billion KRW, %)

Classification	FY13	CY14	CY15	CY16	CY17
Fire	241 (-2.9)	311 (-3.6)	304 (-2.1)	301 (-1.0)	297 (-1.5)
Marine	602 (-10.7)	734 (-2.2)	709 (-3.4)	608 (-14.3)	644 (5.9)
Automobile	9,743 (0.4)	13,548 (5.2)	14,991 (10.7)	16,405 (9.4)	16,857 (2.8)
Guarantee	1,124 (-4.8)	1,515 (-0.6)	1,582 (4.4)	1,591 (0.6)	1,744 (9.6)
Casualty	4,201 (5.6)	5,582 (0.3)	5,693 (2.0)	6,003 (5.4)	6,228 (3.7)
Long-term	31,548 (5.6)	44,404 (6.1)	46,580 (4.9)	47,773 (2.6)	49,088 (2.8)
Annuities	3,183 (3.1)	4,109 (-3.2)	4,021 (-2.1)	3,877 (-3.6)	3,701 (-4.5)
Pension plans[4)]	3,116 (9.8)	6,372 (78.9)	6,367 (0.0)	7,939 (24.7)	9,778 (23.1)
Total	53,758 (4.2)	76,575 (8.3)	80,247 (4.8)	84,497 (5.3)	88,333 (4.5)

Note: 1) The figures in parentheses indicate growth rates
2) As of April 1, 2013, amended 『Insurance Business Law』 specifies FY period to start in January and to end in December. Under the Amendment, FY2013 covers the period from April 2013 to December 2013. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, and 2016 cover the period from January to December
3) Overseas direct insurance and title insurance are included
4) Pension plans include retirement insurance

Source: KIDI, *Monthly Insurance Report,* various issues

1. Lines of business

Fire insurance

The premium income from fire insurance in 2017 amounted to 297 billion KRW, shrunk by 1.5% over 2016. Although demands for home fire insurance had been on the rise the sales of comprehensive insurance which covered fire risk had been stagnated.

Marine insurance

The growth rate of premium income from marine insurance in 2017 recorded 5.9% over 2016, and the volume of premium income was 644 billion KRW. This resulted from surprising cargo insurance increase and hull insurance which showed the base effect from the shipbuilding and shipping industry recession in 2016.

Automobile insurance

Automobile insurance premium income in 2017 recorded 16.9 trillion KRW with the growth rate of 2.8% over 2016. It seemed to be a huge fall compared to 9.4% growth rate in 2016. Stagnant registered vehicle number increments and competition for premium rate with declining loss ratios lowered motor insurance premium growth rate. In addition to that, there were other factors for motor insurance premium income decrease such as mileage-linked program and online marketing.

Guarantee insurance

The Growth rate of guarantee insurance premium income in 2017 was 9.6% over 2016 and amount recorded 1.7 trillion KRW for performance bond of construction investment and corporate restructuring.

Casualty insurance

In 2017, casualty insurance premium income recorded 6.2 trillion KRW, which grew up by 3.7% over 2016. Casualty insurance consists of various insurances, which covers the risks such as liability, accident, theft, damage of objects and so forth. The increase in premiums for casualty insurance in 2017 was attributed to accident insurance and liability insurance.

Long-term insurance[24)]

The premiums from long-term insurance in 2017 increased by 2.8% over 2016 and it recorded 49.1 trillion KRW. The growth rate of long-term insurance in 2017 was just 0.2%p higher than that of last year. The reason for the stale growth rate of long-term insurance was the plummet of savings type insurance. The premiums for savings type insurance decreased by 23.3%. Especially, the initial premiums of savings type insurance in 2016 plunged by 32.8% over 2016. On the other hand, the premiums of accident insurance and sickness insurance increased by 8.4% and 10.3%, respectively in 2017 while the initial premiums increased by 5.3% and 7.9% respectively in 2017.

24) Long-term insurance includes savings type products with the maturity of 5~15 years combined with health insurance to cover medical expenses

The downward trend of savings type insurance premium income prevailed for several years for tax reform announced in August 2012, which reduced tax benefits for savings type insurance and dwindling product competitiveness owing to low interest rates.

Annuities[25)]

Individual annuity premium income in 2017 decreased by 4.5% over 2016 to 3.7 trillion KRW and continued to decline for the last several years. The initial premium growth rate was -10.5% in 2017, and this waning growth potential resulted from reduced tax benefits and low interest rates.

Pension plans[26)]

In 2017, the premiums from retirement pension plans increased by 23.1% over 2016 to 9.8 trillion KRW. The surge of this year was resulted from performance of a few large insurers, while other non-life insurers maintained a passive marketing policy due to their weak competitiveness compared to banks under the low interest rate environment.

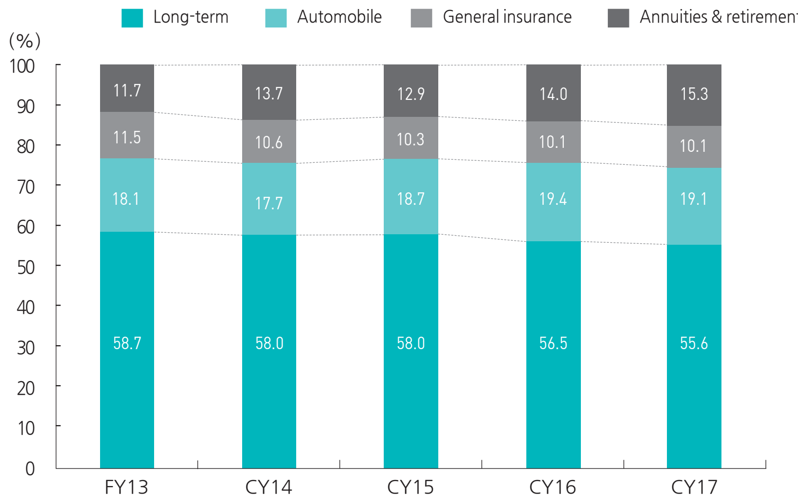
2. The share of direct premiums written by line

While the share of the direct premiums in retirement products increased, the shares of other business lines decreased in the non-life insurance market in 2017. The share of general insurance in 2017 accounted for 10.1%, which is the same level as the previous year. And annuities and retirement pension plans share took 15.3% in 2017, increased by 1.3%p over 2016. However, long-term insurance and motor insurance shares decreased to 55.6% and 19.1% in 2017 from 56.5% and 19.4% in 2016, respectively.

25) Non-life insurers are permitted to sell annuities qualified for tax breaks. Also, the premium income of annuities is usually associated with regulation changes for tax breaks

26) Pension plans include retirement insurance that has been discontinued since FY2011

Figure 15. Market share by line



Note: General insurance includes fire, marine, guarantee and casualty
Source: KIDI, *Monthly Insurance Report,* various issues

Expenditures

1. Incurred losses by line

The incurred losses of non-life insurance increased to 57.1 trillion KRW in 2017 from 56.3 trillion KRW in 2016 with a rise of the losses incurred in automobile insurance and casualty insurance. Automobile insurance incurred losses grew to 12.7 trillion KRW in 2017 from 12.4 trillion KRW in 2016. For casualty insurance, incurred losses were 3.8 trillion KRW, which increased by 311 billion KRW over 2016. While the incurred losses from guarantee insurance and long-term insurance increased to 592 billion KRW, and 39.7 trillion KRW, those of fire insurance and marine insurance were decreased to 122 billion KRW, and 164 billion KRW, respectively, in 2017.

Table 25. Incurred losses by line

(Unit: billion KRW)

Classification	FY13	CY14	CY15	CY16	CY17
Fire	69	148	136	155	122
Marine	147	184	232	220	164
Automobile	8,030	10,985	11,749	12,356	12,661
Guarantee	710	600	656	548	592
Casualty[2)]	2,334	3,314	3,334	3,497	3,808
Long-term	26,130	37,272	38,840	39,542	39,722
Total[3)]	37,420	52,505	54,946	56,318	57,069

Note: 1) As of April 1, 2013, amended『Insurance Business Law』specifies FY period to start in January and to end in December. Under the Amendment, FY2013 covers the period from April 2013 to December 2013. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, and 2016 cover the period from January to December
2) Overseas direct insurance, and title insurance are included
3) Reinsurance assumed overseas, annuities and pension plans are excluded

Source: KIDI, *Monthly Insurance Report,* various issues

2. Net operating expenses by line

Net operating expenses of non-life insurance in 2017 amounted to 15.2 trillion KRW, which is 1.3 trillion KRW bigger than 13.9 trillion KRW in 2016. The increase in net operating expenses resulted in all lines of business. Those of fire insurance, marine, and guarantee insurance increased to 123 billion KRW, 98 billion KRW, and 262 billion KRW in 2017 from 119 billion KRW, 97 billion, and 243 billion KRW in 2016, respectively. For automobile insurance, casualty insurance, and long-term insurance, operating expenses in 2017 increased to 3.0 trillion KRW, 1.5 trillion KRW, and 10.2 trillion KRW from 2.9 trillion KRW, 1.4 trillion KRW, and 9.1 trillion KRW, respectively.

Table 26. Net operating expenses by line

(Unit: billion KRW)

Classification	FY13	CY14	CY15	CY16	CY17
Fire	102	126	139	119	123
Marine	96	107	93	97	98
Automobile	1,921	2,553	2,753	2,875	2,998
Guarantee	180	188	304	243	262
Casualty[2)]	800	982	1,041	1,403	1,549
Long-term	5,726	7,926	8,543	9,144	10,169
Total[3)]	8,825	11,881	12,872	13,882	15,199

Note: 1) As of April 1, 2013, amended 『Insurance Business Law』 specifies FY period to start in January and to end in December. Under the Amendment, FY2013 covers the period from April 2013 to December 2013. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, and 2016 cover the period from January to December

2) Overseas direct insurance, and title insurance are included

3) Reinsurance assumed overseas, annuities and pension plans are excluded

Source: KIDI, *Monthly Insurance Report,* various issues

Management efficiency

1. Loss ratios by line

The loss ratio of non-life insurance recorded 80.6% in 2017, 1.7%p lower than 82.3% in 2016. The loss ratios of all insurance product lines except for guarantee insurance declined. Those of fire insurance, marine insurance, and automobile insurance decreased to 48.0%, 55.5%, and 80.9% in 2017 from 56.5%, 73.2%, and 83.0% in 2016, respectively. On the other hand, guarantee insurance loss ratio increased to 44.2% in 2017 from 41.9% in 2016 while those of casualty and long-term insurance decreased to 73.2% and 82.7% in 2017 from 73.3% and 84.3% in 2016 respectively.

Table 27. Earned-incurred loss ratio by line

(Unit: %)

Classification	FY13	CY14	CY15	CY16	CY17
Fire	33.8	55.4	49.8	56.5	48.0
Marine	57.7	59.8	73.1	73.2	55.5
Automobile	87.9	88.5	87.7	83.0	80.9
Guarantee	76.5	47.9	52.9	41.9	44.2
Casualty[2)]	66.8	70.2	69.7	73.3	73.2
Long-term	83.8	85.2	84.8	84.3	82.7
Total[3)]	82.8	83.7	83.5	82.3	80.6

Note: 1) As of April 1, 2013, amended 『Insurance Business Law』 specifies FY period to start in January and to end in December. Under the Amendment, FY2013 covers the period from April 2013 to December 2013. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, and 2016 cover the period from January to December

2) Overseas direct insurance and title insurance are included

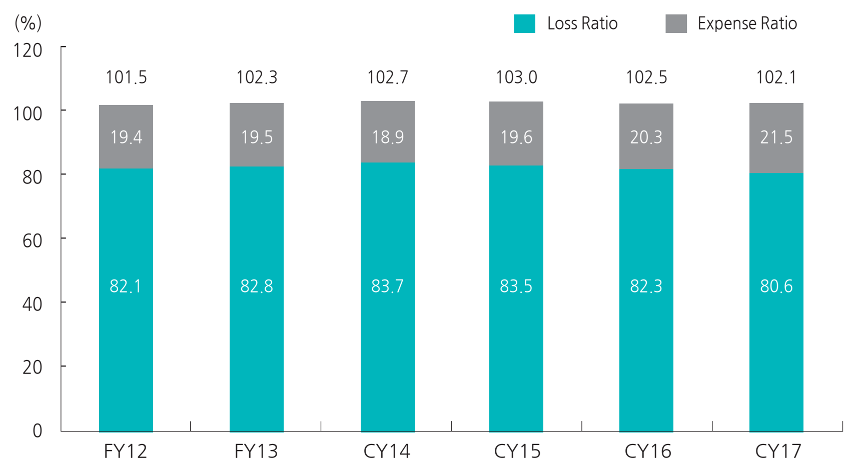
3) Reinsurance assumed overseas, annuities and pension plans are excluded

Source: KIDI, *Monthly Insurance Report,* various issues

2. Expense and combined ratios

The expense ratio of non-life insurance in 2017 increased by 1.2%p to 21.5% from 20.3% in 2016 while the loss ratio of non-life insurers decreased as described. Consequently, the combined ratio of non-life insurance decreased by 0.4%p to 102.1% in 2017 from 102.5% in 2016. The combined ratio had decreased since 2015.

Figure 16. Combined ratios



Note: Reinsurance assumed overseas, annuities and pension plans are excluded
Source: KIDI, *Monthly Insurance Report,* various issues

Distribution

1. Market shares by distribution channel

Out of total premium income, the share of premium income from direct writers in 2017 was 22.1%, inched up by 2.3%p over 2016 for retirement pension plans. The agents share, which is the largest share (42.5%) in 2017 decreased by 0.8%p over 2016. Solicitors took 26.1% share in 2017 while brokers share in 2017 recorded 1.1%, 0.1%p higher than 2016. The shares of bancassurance and insurance pool decreased by 1.6%p and 0.1%p over 2016 and they recorded 8.0% and 0.3% respectively.

Table 28. Market shares by distribution channel (total premium income)

(Unit: billion KRW, %)

Classification	FY13	CY14	CY15	CY16	CY17
Direct writers	8,389 (15.6)	13,984 (18.3)	14,461 (18.0)	16,713 (19.8)	19,495 (22.1)
Solicitors	15,989 (29.7)	21,334 (27.9)	21,762 (27.1)	22,020 (26.1)	23,013 (26.1)
Agents	22,688 (42.2)	31,533 (41.2)	34,138 (42.5)	36,550 (43.3)	37,512 (42.5)
Brokers	437 (0.8)	618 (0.8)	659 (0.8)	805 (1.0)	978 (1.1)
Bancassurance	6,194 (11.5)	9,003 (11.8)	9,019 (11.2)	8,088 (9.6)	7,090 (8.0)
Insurance pool	60 (0.1)	104 (0.1)	209 (0.3)	323 (0.4)	245 (0.3)
Total	53,758 (100.0)	76,575 (100.0)	80,249 (100.0)	84,499 (100.0)	88,335 (100.0)

Note: 1) As of April 1, 2013, amended『Insurance Business Law』specifies FY period to start in January and to end in December. Under the Amendment, FY2013 covers the period from April 2013 to December 2013. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, and 2016 cover the period from January to December
2) The premium income of pension plans is included
3) Company employees include telemarketing (TM) and computer marketing (CM)
Source: KIDI, *Monthly Insurance Report,* various issues

2. Numbers of solicitors and insurance agents

There were 32,446 direct writers in the non-life insurance market in 2017, which increased by 1.6% over 2016. The number of solicitors was 79,647 in 2017, shrank by 2.1% over 2016. The number of agents decreased by 1.7% to 29,277 in 2017 from 29,769 in 2016 as the size of general agencies (GA) increased. This decreasing trend has been shown since FY2009.

Table 29. Numbers of direct writers, solicitors and insurance agents

Classification	FY13	CY14	CY15	CY16	CY17
Direct writers	33,479 (2.0)	33,047 (-1.3)	32,343 (-2.1)	31,943 (-1.2)	32,446 (1.6)
Solicitors	90,167 (-3.2)	82,299 (-8.7)	81,148 (-1.4)	81,331 (0.2)	79,647 (-2.1)
Agents	36,952 (-1.8)	32,995 (-10.7)	30,850 (-6.5)	29,769 (-3.5)	29,277 (-1.7)

Note: 1) As of April 1, 2013, amended『Insurance Business Law』specifies FY period to start in January and to end in December. Under the Amendment, FY2013 covers the period from April 2013 to December 2013. Previously, a FY started in April and ended in March of the following year. CY2014, 2015, and 2016 cover the period from January to December

2) Figures in parentheses indicate annual percent changes

3) The figures of solicitors exclude cross-selling solicitors

Source: KIDI, *Monthly Insurance Report,* various issues

2018

Insurance regulation and supervision

Insurance regulation

Supervision of insurance companies

Changes in supervisory regulations of insurance business in 2017

Korea Insurance Research Institute

KOREAN INSURANCE INDUSTRY

Insurance regulation[27]

1. Insurance business law and related laws

The 『Insurance Business Law』 and its relevant enforcement regulations constitute the Korean legal system for insurance. Since its promulgation on January 15, 1962, the 『Insurance Business Law』 has been revised numerous times to reflect the changes in the financial environment and international regulatory trends.

In 2010, the 『Insurance Business Law』 was amended to strengthen consumer protection. The explanation about the key provisions of insurance contracts and the consumers' acknowledgment became mandatory. Also, the amended law led insurers to be informed of their consumers' financial situation and to recommend appropriate products which suited consumers' interests best. Besides, the product development process was made simplified, so that insurers were allowed not to have regulatory filing (use without file) for certain products that meet certain regulatory requirements.

In August 2010, as a preparatory measure to introduce the risk-based capital (RBC) for insurers, the Financial Supervisory Service (FSS)[28] began to conduct a pre-assessment of internal models of several insurance companies. As of April 2011, the RBC regime was fully implemented. And in 2011, the enforcement decree of the 『Insurance Business Law』 was revised to enhance risk management abilities of insurers.

In 2012, the enforcement decree of the 『Insurance Business Law』 was revised to reflect the change in 『Agricultural Co-operative Law』. As 『Agricultural Co-operative Law』was revised to

27) This section is extracted from the publications of Financial Supervisory Service (FSS)

28) A branch established in Korea by a foreign insurer is deemed a foreign insurer for regulatory purposes

split the whole organization into farming business and financial service, a financial holding company was formed with banking, investment, and life and non-life insurance subsidiaries[29).

The insurance section of the 『Korean Commercial Code』 or the insurance contract law was amended on March 11, 2014, and the amendment took into effect on March 12, 2015. The amendment added new provisions on guaranty and health insurance, as well as clarification of the requirements for group insurance. Also, to protect the disabled and the family members of a decedent, subrogation against family members were prohibited. The amendment required for an obligatory explanation on the terms of the insurance contract and indicated the responsibility of insurance agents.

2. Financial Investment Services and Capital Market Act

The 『Financial Investment Services and Capital Market Act』 (FSCMA) was initially enacted by the National Assembly in July 2007 and took into effect as of February 4, 2009. The act aimed to reformulate the legal framework of the Korean capital market, on which 『Securities and Exchange Act』 of 1962, had been the main legislation.

The major changes for legislation:

- Shifting to functional regulation
- Introducing a comprehensive system
- Expanding business scope
- Upgrading investor protection mechanism

Shifting to functional regulation left financial products or services with the same function to become subject to the same regulatory treatment regardless of financial sectors the products are provided. Financial investment companies can engage in multiple areas of business such as dealing, brokerage, and asset management provided some of information barrier requirements are satisfied.

The act provided the measures to enhance investor protection by classifying investors into two groups, ordinary and professional; and the measures were more inclined to protect the former.

29) The insurance subsidiaries are called NongHyup Life Insurance Co.,Ltd. and NongHyup Property & Casualty Insurance Co.,Ltd.

In addition, the rules; such as the prohibition of unsolicited calls, the prohibition of misleading investors with uncertain matters, the adoption of a cooling-off period and the duty to manage conflicts of interest; were both applicable to ordinary and professional investors.

On November 5, 2012, the Financial Services Commission (FSC) announced that the regulations on financial investment business would be amended as there had been ongoing concerns regarding the practice of fund distribution.

The amendment included the provisions that prohibit insurance companies from outsourcing more than 50% of their variable insurance assets to affiliated asset managers within the same business group. The restriction on outsourcing to affiliated fund managers became effective as of January 1, 2014.

3. Entry Regulation

Only stock corporations, mutual companies, and licensed foreign insurers are permitted to enter into insurance market with appropriate regulatory permission granted by the FSC. There are three different insurance licenses for life, non-life, and the so-called 'third insurance'.[30]

(a) Capital requirement

The minimum capital required for insurance business is 30 billion KRW. Given that, when an insurer intends to engage in a single-line insurance business, the amount of the paid-in capital or funds should be no less than 5 billion KRW.

- Life insurance: 20 billion KRW
- Annuity (including pension): 20 billion KRW
- Fire insurance: 10 billion KRW
- Marine insurance[31]: 15 billion KRW
- Automobile insurance: 20 billion KRW
- Guaranty insurance: 30 billion KRW
- Reinsurance: 30 billion KRW
- Liability insurance: 10 billion KRW

30) The term the 'third insurance' refers to the gray zone of insurance business with characteristics and features of both life and non-life insurance policies

31) Including aviation and transportation insurance

- Engineering insurance: 5 billion KRW
- Real-estate right insurance: 5 billion KRW
- Accident insurance: 10 billion KRW
- Sickness insurance: 10 billion KRW
- Long-term care insurance: 10 billion KRW
- Other insurance business: 5 billion KRW

However, if insurers subscribe more than 90% of total contracts or premiums using telephone, mail, or electronic communications, they can enter into an insurance market with two-thirds of the paid-in capital or funds amount above.

(b) Business funds to be paid by foreign insurers

When foreign insurers aim to engage in the insurance business in Korea, the amount of the paid-in funds should be no less than 3 billion KRW.

(c) Other requirements for permission

Insurers are required to have the adequate professional manpower and physical facilities, including computer equipment to carry on the intended insurance business
Insurer's business plan is required to be feasible and sound
Significant owners are required to possess a financial capability to carry on the business and have financial soundness and social credit

(d) Maintenance of manpower and physical facilities

Insurers should maintain adequate professional manpower and physical facilities, which can be waived only by the approval of the FSC with proper measures to protect policyholders and maintain financial soundness of insurers.

4. Product Regulation

Insurers are required to make basis documents on the insurance products. When insurers are making or changing basis documents, the insurers are required to file to the FSC in one of the following cases.

New products are introduced by making a new law or changing the law or the purchase of the insurance product is mandatory.
The products are sold through financial institutions or bancassurance except in the case where the change is only on the insurance rates.
Products are covering new risks never covered or sold by any insurers before.
The products are subsidized by the central or local government by the law covering risk related the agriculture, aquaculture, forestry, or floods.
The FSC may request insurers to file the basic document of the products in order to protect policyholders.

Supervision of insurance companies[32)]

1. Prudential regulation

All insurers must uphold a solvency ratio of 100% or higher to ensure that they have an adequate capital to support the risks they undertake and to meet the insurers' obligations to policyholders. They must also classify their assets according to their soundness and set up mandatory allowances for bad assets to provide for a capital buffer to prepare for adverse losses such as the decline in value of assets.

(a)Risk based capital (RBC)

In April 2009, the risk-based capital (RBC)[33)] replaced the former solvency regime based on EU's Solvency Ⅰ[34)] model that had been used for the previous decade. To ensure a smooth transition, supervisory authority allowed capital ratios calculated under both old solvency regime and new RBC regime until March 2011. Accordingly, the RBC regime has been fully implemented since April 2011. RBC ratio is expressed as a percent of available capital to required capital.

In terms of components of the RBC, available capital- the numerator of the RBC ratio - is the capital amount that an insurer maintains in excess of its liabilities as solvency surplus against unexpected future payment obligations and other contingencies. It is computed as the difference between i) the sum of contributed capital[35)] retained earnings, capital adjustment accounts, and reserves in capital account, and ii) the sum of unamortized acquisition

32) Source: Financial Supervisory Service (FSS), FSS Handbook 2016

33) The RBC regime is in line with the international trend and enables a proper measurement of insurance risk, market risk, interest rate risk, credit risk, and operating risk

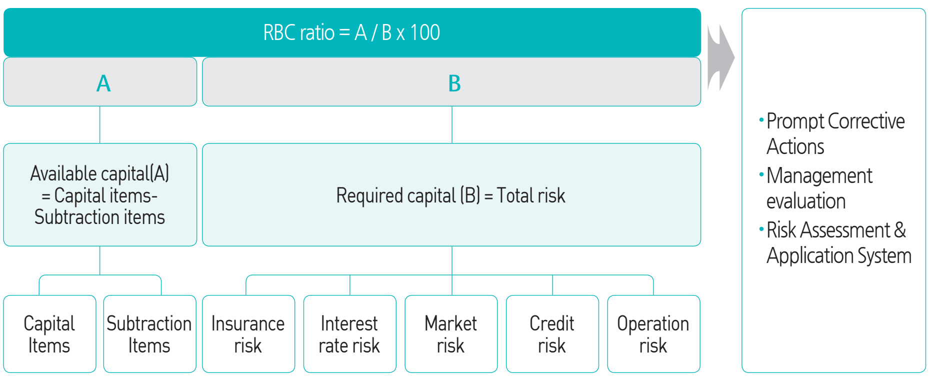
34) The EU solvency Ⅰ regime has several limitations such as an inaccurate measurement of asset risk and insurance risk and no recognition of duration mismatch

35) Legal capital (paid-in capital and additional paid-in capital)

costs[36], intangible assets, prepaid expenses, deferred income tax assets, and the capital surplus or deficit of subsidiaries.

Required capital - the denominator of the RBC ratio - is estimated total exposure which reasonably reflects the overall risks of insurers; insurance risk, interest rate risk, market risk, credit risk, and operational risk. The total required capital is the sum of the required capital of these risks, reflecting the correlations among them.

Figure 17. Risk based capital



Source: Financial Supervisory Service

(b) Classification standards of asset soundness

Insurers must classify their assets into five different classes according to the soundness of each asset and appropriate allowances accordingly. The five classes are (1) normal, (2) precautionary, (3) substandard, (4) doubtful, and (5) presumed loss.

Table 30. Asset classification and provisioning for insurers

Asset classification	Reserve ratio		
	Corporate loans	Household loans	Real estate PF
Normal	More than 0.5%	More than 1%	More than 0.9%
Precautionary	More than 2%	More than 10%	More than 7%
Substandard	More than 20%	More than 20%	More than 20%
Doubtful	More than 50%	More than 55%	More than 50%
Presumed loss	100%	100%	100%

Source: Financial Supervisory Service

36) Acquisition cost is an insurance term that refers to expenses for soliciting and placing new insurance businesses, including such expenses as agent commissions and underwriting expenses

(c) Foreign currency liquidity

To prevent foreign currency maturity mismatch, FISCs (Financial Investment Services Companies) are required to maintain a positive maturity gap ratio where maturity is shorter than seven days, and negative 10% or higher gap ratio where maturity is less than a month. However, these gap ratio requirements do not apply, if their ratio of foreign currency debt to total assets is less than 1.0%.

2. Management evaluation system

Risk Assessment and Application System (RAAS) is designed to help identify and evaluate various risks in insurance companies so as to improve the effectiveness of the supervisory process and help supervisors focus on vulnerable areas. RAAS consists of the following four work stages: i) understanding of the financial company; ii) risk assessment; iii) formulation and execution plans; and iv) follow-up and ongoing surveillance.

RAAS seeks to redirect supervisory focus on insurance companies from the traditional financial statement-driven assessment to more forward-looking, proactive assessment; it not only looks at the financial performance of an insurance company- including asset quality at the time of the assessment but also measures various risks of the insurer's assets and liabilities based on historical data. Risk assessment, the second stage of RAAS, consists of two quantitative and one qualitative evaluation components: risk exposure (quantitative), risk control (qualitative), and risk tolerance (quantitative). Based on the findings of the risk assessment, a composite rating is assigned to each insurer using a scale of 1 to 5 to indicate the overall status of an insurer's risk.

The results of the risk assessment under RAAS are not publicly disclosed but used as internal data for supervisory purposes, including prompt corrective actions (PCA) for management improvement recommendations, requirements, or orders depending on the outcome of the evaluation.

3. Restrictions on investments of insurers

Premiums paid by the policyholders make up the bulk of insurers' assets, which are mostly appropriated as reserves to meet the insurers' future liabilities and benefit obligations. Prudent and sound management of insurers' assets is essential to protect the policyholders. Asset management is important to ensure safety, liquidity, profitability, and public interest of the assets. According to the insurance-related laws and regulations, the regulations on the asset management of insurance companies prohibit certain types of asset operation.

Insurance companies are restricted from the following activities:

- Acquisition of non-business-purpose real estate holdings
- Lending intended for speculation in securities
- Lending intended for acquisition of its own shares
- Lending intended to fund political activities
- Lending to the officers or employees
- Any activity that undermines the safety and soundness of the company assets

In order to prevent the extension of disproportionate support by an insurer to its own business group and the spread of investment risks, there are investment limit and its investment categories of insurance companies (see Table 31). On the other hand, amendments to the Insurance Business Act to enhance the autonomy of asset management in the insurance industry has passed the Cabinet Council on 2nd May 2017. While the purpose of amendments is to abolish items for real estate holdings, foreign currency holdings, and sum of security deposits, the amendment has not yet been legislated.

Table 31. Restriction ratios of asset management

Items	Limits - General account	Limits - Separate account
Credit extension to a single person or company	3% of total assets	5% of each separate asset account
Stock and bond investment in any single company	7% of total assets	10% of each separate asset account
Credit extension or stocks and bond investments to a person or a company (including related persons or companies)	12% of total assets	15% of each separate asset account
Sum of credit extension and stocks and bond investments in excess of 1/100 of the insurer's total assets (applicable to the same person, company, or principal shareholders)	20% of total assets	20% of each separate asset account
Credit extension to a principal shareholder or a subsidiary of the insurance company under the Presidential enforcement decree	Lower of either (1) 2% of the total assets or (2) 40% of the capital	2% of each separate asset account
Stock and bond investments to a principal shareholder or a subsidiary of the insurance company under the Presidential enforcement decree	Lower of either (1) 3% of the total assets or (2) 60% of the capital	3% of each separate asset account
Credit extension to the same subsidiary of the insurance company	10% of the capital	4% of each separate asset account
Real estate holdings	25% of total assets	15% of each separate asset account
Foreign currency holdings or real estate holdings overseas in accordance with the 『Foreign Exchange Transactions Act』	30% of total assets	20% of each separate asset account
Sum of security deposits for domestic and overseas futures trading	6% of total assets	6% of each separate asset account

Note: Total assets are those of general account or those of separate account.
Source: Financial Supervisory Service (FSS), *FSS HANDBOOK 2014*

4. Corporate governance

Outside directors

The board of directors of insurance companies whose assets exceed 5 trillion KRW must appoint three or more outside directors, and more than a half the number of board members must be outside directors. The board of directors of insurance companies whose assets do not exceed 5 trillion KRW but exceed 300 billion KRW must appoint at least one-fourth of outside directors.[37)]

37) By the 『Korean Commercial Code』, a listed company should appoint at least one fourth of its board members as outside directors and a listed company with assets exceeding 2 trillion KRW should appoint three or more outside directors, and more than a half the number of board members must be outside directors

Audit committee

Insurance companies whose assets exceed 5 trillion KRW must establish an audit committee. The audit committee must comprise at least three directors, and at least two-thirds of the number of its members must be outside directors. And at least one of the members should possess expertise in accounting or finance.

Compliance officer & risk manager

Insurance companies must appoint a compliance officer & a risk manager who possess the knowledge and expertise to fulfill their duties. The appointment and dismissal of the compliance officer & risk manager must be approved by the board of directors, and dismissal requires at least two-thirds votes of board members in order to ensure independence from the management of the company.

Changes in supervisory regulations of insurance business in 2017

1. Proposal of『Financial Consumer Protection Act』vice-ministers meeting passed[38)]

On April 27, 2017, Proposal of『Financial Consumer Protection Act』which has been actively pursued by Financial Services Commission passed vice-ministers meeting.『Financial Consumer Protection Act』is expected to meet global financial customer protection practices.

- **The regulatory system in line with financial industry function**

This proposal is intended to reclassify financial products and services into deposits, investments, insurances, and loans, and to reclassify financial product sales channels into direct sellers, sales brokers, and advisors to prevent loopholes.

- **Disclosure and transparency**

There is an integration of sectoral financial products comparison disclosure, a disclosure of sales fee/commissions, establishing financial advisory service, and strengthening financial education in『Financial Consumer Protection Act』.

- **Regulatory framework**

The proposed act stipulates "Six principles of sales activity": suitability, appropriation, a duty of disclosure, prohibition on unfair business practices and unjustifiable suggestions, restrictions on

38) Financial Services Commission (2017.4.26), Press releases

advertising. It is also to strengthen sanctions for any violation of sales activity regulation and to introduce suspension order, and punitive penalty.

- **Consumers right promotion**

In order to enhance consumers' right the act provides the withdrawal right to terminate a contract within a certain period after the contract of the financial products, the right to cancel the contract if the financial institutions violate the regulation of the sale. Additionally, it also aims to limit the imposition of prepayment penalty.

- **Protection of customers right when a loss occurs**

To protect and promote customers right, financial institutions need to disclose information that customers may require. In addition, a complementary measure is suggested to prevent dispute resolution from being neutralized by the financial institutions in the dispute settlement process. Furthermore, for mitigating burden of proof of the consumer, financial companies are obliged to bear the burden of proof of negligence and loss when consumers claim.

- **Organization of administrative system for financial consumers protection**

As setting up an administrative system for financial consumers protection, Financial Customer Protection Policy Committee, and financial consumers policy plan are organized. Besides, the evaluation of financial consumers protection by Financial Supervisory Service is institutionalized and financial institutes are obligated to establish standards to protect the consumers as well.

2. Introduction of Korea Insurance Capital Standard (K-ICS) [39)]

On April 5, 2018, Financial Supervisory Service (FSS) held IFRS17 preparation committee meeting. This committee meeting intended to discuss a new standard of computation for K-ICS and improvement plans for financial reporting standards.

The main agenda is as follows

- **A revised solvency system in line with IFRS 17, K-ICS**

For market valuation of insurance liability and consistency with global insurance capital standard, K-ICS based on fair value is scheduled to take effect in 2021. By introducing K-ICS, it is possible to improve the quality of insurance companies' capital and strengthen risk management by calculating the available capital and required capital corresponding to the real economic conditions and to secure consistency with the global insurance capital standard and ensure reliability in the insurance industry.

Table 32. Comparison of solvency systems

		Current RBC System	K-ICS
Available Capital	Asset Valuation	Fair value and Lock-In (Loan , financial instrument held to maturity)	Fair Value
	Liability Valuation	Lock-In(Liability Aptitude Test)	
Demanded Capital	Types of Risk	Insurance Risk	Life and Long-Term Non-Life Insurance Risk
		Interest rates Risk	General Insurance Risk
		Market Risk	Market Risk (including Interest rate risk)
		Credit Risk	Credit Risk
		Operational Risk	Operational Risk
	Risk Assessment	Risk Parameter Method (Parameter x Risk Exposure)	Shock and Scenario method and Risk parameter method for 2,4,5
	Confidence Level	99%	99.5%
Solvency		Percent of Available to Demanded Capital is more than 100%	

39) Financial Services Commission (2018.4.5), Press releases

• Improvement plans for financial reporting standards

FSS and the preparation committee discussed improvement plans for financial reporting standards that will apply to insurance supervision, such as protecting policyholders after the implementation of IFRS 17. In addition, they will prepare criteria for evaluating profit and loss of insurance liabilities of the contracts held at the time of the adoption of IFRS 17 and the allocation of business expenses. Finally, there is a plan to conduct an impact assessment to facilitate the practical application of the improvement plans.

2018

KOREAN INSURANCE INDUSTRY

Insurance industry issues

Strengthening competitiveness

Enhancing risk management

Establishing a role as social safety net

Preparing for the fourth Industrial revolution and digital economy

Korea
Insurance
Research
Institute

Insurance industry issues[40)]

For last decades market indicators such as interest rates and real GDP growth rates and policy measures have influenced on insurers' business performances. During higher interest rates period savings type insurance products have improved insurers financial performance. However, low interest rate and low growth paradigm have lowered insurers' return for last decade. In addition, scheduled IFRS 17 and K-ICS would dramatically influence on insurers business model. Insurers should identify and find other business models based on their core competitiveness with sophisticated risk management.

Another factor to impact insurers business model is digitization, the fourth industrial revolution. Aging society requires insurers to play a key role as a social safety net supplier.

The Korea Insurance Research Institute proposes four key issues which Korean insurers and regulators should consider for business strategies and policy measures in 2018 in response to business environmental changes: i) strengthening insurers' competitiveness, ii) enhancing risk management, iii) establishing the role for social safety nets, and iv) preparing for the fourth industrial revolution and digital economy.

1. Strengthening competitiveness

(a) Commercial insurance industry and market expansion

The growth of long-term insurance, especially savings type insurance products, has contributed to the growth of the non-life insurance industry for the last decade. However, with prolonged

40) Source: KIRI(2017), *Insurance industry outlook and issues 2018*

low interest rate the growth rate of long-term insurance has been slowing down. This is the same story for life insurers because their savings type insurance products sale has been declining.
New growth engines based on insurers' core competitiveness rather than on market conditions is necessary. From this perspective, Korea's commercial insurance such as household insurance, liability insurance, and guarantee Insurance seems to have a strong potential for growth. Insurers and regulators should identify obstacles and improve policy measures for strengthening commercial insurance capability and expanding commercial market.

(b) Cost-effective overseas expansion

As a long-term strategy for profitability and sustainability of insurance companies, insurers need to revitalize overseas businesses. In order to do this, the current overseas business practice should be reviewed and revised from the aspect of cost. The cost of entering the overseas market should be lowered. One way to do this would be the outsourcing of insurance business to local insurers so that it reduces the risk of the overseas business. It is necessary for regulators to review the current regulations related to outsourcing: to permit entrustment of essential business in order to enter the overseas market by utilizing the outsourcing companies. By collaborating with the outsourcing companies, it would be able to accelerate overseas market expansion through cost savings. In addition, it is expected to strengthen the insurance industry capacity by acquiring advanced insurance acquisition business skills.

(c) Insurers' business diversification to asset management

Large-scale insurance companies need to activate wealth management services for customers with variable annuity, variable insurance, and pensions fund. Investment advisory and trust business are permitted to insurers as a joint business and share of insurers' commission income generated from such business is only 5.52% of total revenue, which is only a quarter of global insurers share. Since life insurance companies have strong specialty and capability to manage longevity risk and long-term assets, asset management is another business area for insurers to exert their competitiveness.

(d) Development of small amount and short-term insurance

In a situation where vulnerable groups are expected to be on the rise and coverage gap is expected to increase, insurance companies need to provide small amount and short-term insurance products that cover risks closely related to consumers' real lives. Small amount and short-term insurance could not have been activated due to various problems such as fees and commissions, sales procedures, and profit scale. To solve the current obstacles, it would be necessary to use an online channel in the short term, and in the longer term, permitting insurance specialized firms to enter insurance market needs to be considered.

With the development of technology, startups with innovative ideas are likely to emerge. However, the entrance of those kinds of companies seems to be difficult compared to developed countries. In order to promote the entry and growth of insurance specialized companies, it is necessary for regulators to review restrictions on entry based on size of capital.

2. Enhancing risk management

(a) Risk management as financial system changes

In 2021, a new accounting system (IFRS 9 and 17) and a solvency regulation (K-ICS) will take effect. The new accounting standard, IFRS 17 requires insurers to evaluate insurance liability as the market value at each evaluation point, unlike the current accounting standards. On the other hand, the new financial asset accounting standard, IFRS 9 focuses on the ‘fair value (market value) evaluation of assets’. The financial asset classification, measurement, and damage recognition method are different from the current accounting standard, IAS 39. In addition, K-ICS is expected to improve the current system (RBC) to secure international conformity and enhance the risk management capacity of insurance companies. In response to these changes, insurance companies are required to shift their overall risk management strategies.

(b) Foreign investment risk management

Korean financial institutions are experiencing a decline in their asset yield due to prolonged low-interest rates. Overseas investment of insurance companies is increasing mainly in life insurance industry. Therefore, it is necessary to manage interest rate fluctuations and foreign exchange risk from overseas investment. In specific, interest rate and exchange rate risk management should be consistent with company-wide asset liability management strategy.

3. Establishing a role as social safety net

(a) Restructuring medical insurance

A fundamental change in the medical insurance is expected due to the policy which strengthens the public health insurance coverage. Most of Non-reimbursement treatments are supposed to be transferred to reimbursement treatments and this change would impact on non-life insurers' medical insurance, which covers non-reimbursement treatments. Therefore, it is necessary for non-life insurers to prepare a fundamental change in medical insurance according to the policy.

(b) Public-private partnership for retirement income security

Since the announcement of the private pension stimulus measures in 2014 and follow-up measures, there has been a big change in the Korean pension market, such as an increase in retirement pension subscribers. Nevertheless, there exist some limitations of the public pension and these could be lifted off through private pension activation policy.

(c) Coverage expansion for the disabled and mental disorder

In the past decade, despite the legal reforms related to the prohibition of insurance discrimination against disabled people including mentally disabled, the accessibility of people with mental illnesses is low and the insurance products covering mental disorder are insufficient. Therefore, it is necessary to improve insurance access for mentally ill persons and to supply mental health insurance products. In addition, private insurance companies should provide reasonable underwriting standards for moderate mental illness.

(d) Auto insurance and accident prevention

The social costs of traffic accidents in Korea are higher than those of the United States, Japan, and the United Kingdom due to more frequent and severe accident than those countries. In order to reduce the number of traffic accidents, it is necessary to suppress drunken driving, unlicensed driving, and hit-and-run, which may result from the driver's choice, except the force majeure accident.

In order for automobile insurance to contribute to suppressing drunk driving, unlicensed driving, and hit-and-run, social sanctions must be tightened. Policy measures such as some exemption of the benefits paid by victims of those accidents are expected to increase the burden of drunken driving, unlicensed driving, and hit-and-run offenders by.

4. Preparing for the fourth industrial revolution and digital economy

(a) Digital economy and cyber insurance

The fourth industrial revolution and the digital economy would lead positive changes that improve the productivity, convenience, and efficiency of the industry, but potential problems such as increased unemployment and the income polarization are likely to emerge. Therefore, the social system should be prepared to deal with these problems and the ability to undertake new risks, such as cyber risks which could arise in the process of industry change, should be needed.

(b) Convergence of insurance and healthcare

If healthcare services are introduced into health insurance products, they can have a variety of positive effects on governments, insurance companies, and the insured.
In order to activate the healthcare service, it is necessary to calculate the premium that reflects the health of the policyholders.

(c) Simplified payment of claims using blockchain

Blockchain, also called distributed ledger technology, is a decentralized network in which all the network participants have the same information, as opposed to a centrally controlled centralized network in general. Blockchain is expected to increase efficiency and eliminate uncertainty in financial and business transactions. As an example of blockchain utilization, a life insurer is establishing an automatic claim system for medical insurance claims using a smart contract based on blockchain. Furthermore, in order to establish a system to simplify the payment of insurance claims, appropriate infrastructure should be established in areas other than insurance.

2018

Appendix

Standards for classification of types of insurance products

Profiles of insurance companies

Websites

Korea
Insurance
Research
Institute

KOREAN
INSURANCE
INDUSTRY

Standards for classification of types of insurance products

1. Life insurance business

Types of insurance products	Standards for classification
Life insurance	Insurance receiving the price by commitment of payment of money and other benefits agreed concerning survival or death of a man: provided that annuity insurance and retirement insurance shall be excluded
Annuity insurance (including retirement insurance)	Insurance receiving the price by commitment of payment of money and other benefits agreed concerning survival or retirement of a man by annuity or lump sum allowance (only applicable to a retirement insurance)

2. Non-life insurances

Types of insurance products	Standards for classification
Fire insurance	Insurance receiving the price by commitment of payment of money and other benefits concerning damage incurred by fire
Marine insurance (including aviation, transport insurance)	Insurance receiving the price by commitment of payment of money and other benefits concerning damage incurred by an accident concerning marine business. In such cases, aviation, transport insurance compensating for damage incurred by an accident concerning airplane, land transported goods, artificial satellite, etc. shall be deemed a marine insurance
Automobile liability insurance	Insurance receiving the price by commitment of payment of money and other benefits concerning damage incurred by an accident in connection with possession, use and management of an automobile. Commitment of payment of money and other benefits concerning damage incurred by an accident in connection with possession, use and management of an automobile
Guarantee insurance	Insurance receiving the price by commitment of payment of money and other benefits concerning damage incurred by failure to pay one's financial debt under the contract or failure in duty under the Acts and subordinate statutes
Reinsurance	Insurance by which an insurance company transfers the whole or part of liabilities for other benefits, such as payment of insurance proceeds, etc. under the insurance contract that it has underwritten to another insurer
Liability insurance	Insurance receiving the price by commitment of payment of money and other benefits concerning damage incurred by an insured person's taking the responsibility for compensation to a third party owing to an accident
Technical insurance	Insurance receiving the price by commitment of payment of money and other benefits concerning damage incurred by an accident related to machinery and equipment, electronic appliances, erection work, construction work and other objects similar thereto
Right insurance	Insurance receiving the price by commitment of payment of money and other benefits concerning damage incurred by defects in the rights to movable property or real estate
Theft insurance	Insurance receiving the price by commitment of payment of money and other benefits concerning damage incurred by theft
Glass insurance	Insurance receiving the price by commitment of payment of money and other benefits concerning damage incurred by breakage of glass
Animal insurance	Insurance receiving the price by commitment of payment of money and other benefits concerning damage incurred by an accident to animal
Nuclear insurance	Insurance receiving the price by commitment of payment of money and other benefits concerning damage incurred by taking the responsibility for compensation under the Nuclear Damage Compensation Act
Expense Insurance	Insurance receiving the price by commitment of payment of money and other benefits concerning damage incurred by an accident generating prize money, prize, expenses for litigation, other expenses. In such cases, legal expense insurance compensating damage incurred by an accident generating legal service or expenses for legal service
Weather insurance	Insurance receiving the price by commitment of payment of money and other benefits concerning damage incurred by weather

3. Third insurance business

Types of insurance products	Standards for classification
Casualty insurance	Insurance receiving the price by commitment of payment of money and other benefits concerning risks, such as expenses incurred in treatment on bodily injury of a man and death, etc. resulting from injury
Disease insurance	Insurance receiving the price by commitment of payment of money and other benefits concerning risks (excluding death owing to a disease), such as a disease of a man or hospitalization, operation, etc. owing to a disease
Nursing insurance	Insurance receiving the price by commitment of payment of money and other benefits concerning a state requiring other's tending or risks of treatment, etc. resulting there from, such as dementia or disability in daily life, etc.

Profiles of insurance companies

1. Life insurance companies

(Unit: billion KRW, persons)

Company	Date of establishment	Paid-in capital	Premiums	Total assets	Number of employees
Hanwha	Sep. 1946	4,343	13,814	110,313	3,835
ABL	Dec. 1954	16	2,978	18,596	941
Samsung	May. 1957	100	26,321	258,388	5,268
Heungkuk	May. 1958	68	4,750	27,676	626
Kyobo	Aug. 1958	103	11,621	97,792	3,758
LINA	Dec. 1986	35	2,365	4,323	842
Mirae Asset	Mar. 1988	832	5,612	29,658	1,024
KDB	Apr. 1988	204	3,297	17,520	647
Dongbu	Apr. 1989	193	1,909	10,664	574
Tong Yang	Apr. 1989	807	5,908	30,274	1,002
MetLife	Jun. 1989	142	3,405	20,120	593
Prudential	Jun. 1989	150	2,068	17,456	528
PCA	Jun. 1990	234	1,092	5,728	297
ACE	Jul. 1990	285	287	1,738	187
Shinhan	Jan. 1990	200	5,210	29,725	1,295
ING	Sep. 1991	82	4,113	31,455	761
Hana	Nov. 1991	135	527	4,358	163
AIA	Jan. 1997	257	2,323	15,783	578
BNP Paribas Cadif	Oct. 2002	201	253	4,099	175
Hyundai Life	Apr. 2003	381	4,066	13,014	312
KB	Apr. 2004	456	1,246	9,126	362
IBK	Sep. 2010	190	1,769	5,392	152
NongHyup	Mar. 2012	574	8,138	63,703	1,085
Kyobo Life Planet	Dec. 2013	109	53	112	97
DGB	Jan. 2015	174	848	5,814	289

Note: The insurance companies are listed in order of establishment date, and the figures in entries are as of December 31, 2017

Source: Financial Supervisory Service

2. Non-life insurance companies

(Unit: billion KRW, persons)

Company	Date of establishment	Paid-in capital	Direct premiums	Total assets	Number of employees
Meritz	Oct. 1922	55.2	6,403	18,092	1,737
Hanwha	Apr. 1946	583.7	5,293	14,884	3,400
Lotte	May. 1946	134.3	4,429	12,802	1,659
MG	Feb. 1947	92.3	1,134	3,381	697
Heungkuk	Mar. 1948	325.8	3,164	11,154	1,283
Samsung	Jan. 1952	26.5	22,503	75,413	5,734
Hyundai	Mar. 1955	44.7	14,332	40,122	4,196
KB	Jan. 1959	33.3	10,815	31,538	3,337
DB	Mar. 1962	35.4	13,132	37,404	4,484
AIG	Apr. 1968	61.8	508	654	355
Seoul Guarantee	Feb. 1969	174.6	1,727	7,317	341
ACE American K.B.	Nov. 1999	31.1	497	591	290
First American K.B.	Jul. 2001	5.0	11	16	19
Axa	Sep. 2001	250.9	752	991	1,617
Mitshui Sumitomo K.B.	Oct. 2002	35.5	18	88	47
The-K	Nov. 2003	160.0	472	727	780
BNP Paribas Cardif	Dec. 2003	135.2	8	58	63
Tokio Marine & Nichido Fire K.B.	Dec. 2004	3.0	0	58	10
Genworth Mortgage K.B.	Dec.2007	0.0	0	0	0
DAS	May. 2009	15.8	0	3	17
NongHyup	Mar. 2012	80.9	3,120	9,428	741
Korea Maritime Guarantee	Jun. 2015	322.4	10	331	32
Allianz Global Corporate & Specialty SE, K.B.	Jan. 2017	26.0	0	40	15

Note: The insurance companies are listed in order of establishment date, and the figures in entries are as of December 31, 2017

Source: Financial Supervisory Service

3. Reinsurance companies

(Unit: billion KRW, persons)

Company	Date of establishment	Paid-in capital	Assumed R/I Premium	Total assets	Number of employees
Korean Re	Mar. 1963	60.2	7,269	10,036	341
Munich Re K.B.	Nov. 1988	48.0	384	364	43
Swiss Re K.B.	May. 1995	69.0	593	692	41
Gen Re K.B.	Dec. 1996	17.0	73	104	14
Scor Re K.B.	Apr. 2004	57.9	304	358	23
RGA Re K.B.	Mar. 2005	52.0	284	315	57
Hannover Re K.B.	May. 2008	25.0	60	85	9
Pacific Life Re K.B	Mar. 2016	9.5	3	7	6
Asia Capital Re K.B.	Sep. 2016	22.6	30	44	6

Note: The insurance companies are listed in order of establishment date, and the figures in entries are as of December 31, 2017

Source: Financial Supervisory Service

Websites

1. Life insurance companies

Company	Homepage
Hanwha Life Insurance Co., Ltd.	www.hanwhalife.com
ABL Life Insurance Co., Ltd.	www.abllife.co.kr
Samsung Life Insurance Co., Ltd.	www.samsunglife.com
Heungkuk Life Insurance Co., Ltd.	www.hungkuk.co.kr
Kyobo Life Insurance Co., Ltd.	www.kyobo.co.kr
Life Insurance Company of North America	www.lina.co.kr
Mirae Asset Life Insurance Co., Ltd.	www.miraeassetlife.com
DGB Life Insurance Co., Ltd.	www.dgblife.com
KDB Life Insurance Co., Ltd.	www.kdblife.co.kr
Dongbu Life Insurance Co., Ltd.	www.dongbulife.co.kr
Tong Yang Life Insurance Co., Ltd.	www.myangel.co.kr
MetLife Insurance Company of Korea., Ltd.	www.metlife.co.kr
The Prudential Life Insurance Company of Korea Ltd.	www.prudential.co.kr
The PCA Life Insurance Co. Ltd.	www.pcakorea.co.kr
ACE life Korea Co. Ltd.	www.acelife.co.kr
Shinhan Life Insurance Co., Ltd.	www.shinhanlife.co.kr
ING Life Insurance Co., Ltd.	www.inglife.co.kr
Hana Life Insurance Co., Ltd.	www.hanahsbclife.co.kr
American International Assurance Korea	www.aia.co.kr
BNP Paribas Cardif Life Insurance Co., Ltd	www.cardif.co.kr
Hyundai Life Insurance Co., Ltd.	www.hyundai-life.co.kr
KB Life Insurance Co., Ltd.	www.kbli.co.kr
IBK Insurance Co., Ltd.	www.ibki.co.kr
NongHyup Life Insurance Co., Ltd.	www.nhlife.co.kr
Kyobo Life Planet Co., Ltd.	www.lifeplanet.co.kr

Note: The corporate name of 'Cardif Life Insurance Co., Ltd.', "Korea Life Insurance Co., Ltd.', "Wooriaviva Life Insurance Co., Ltd.' and "Allianz Life Insurance Co., Ltd.' was changed into 'BNP Paribas Cardif Life Insurance Co., Ltd', 'Hanwha Life Insurance Co., Ltd.', 'DGB Life Insurance Co., Ltd.' and "ABL Life Insurance Co., Ltd.' as of October 1, 2012, October 9, 2012, January 1, 2015, and July 1, 2017, respectively

2. Non-life insurance companies

Company	Homepage
Meritz Fire & Marine Insurance Co., Ltd.	www.meritzfire.com
Hanwha Non-Life Insurance Co., Ltd.	www.hwgeneralins.com
Lotte Insurance Co., Ltd.	www.lotteins.co.kr
MG Non-Life Insurance Co., Ltd.[1]	www.mggeneralins.com
Hungkuk Fire & Marine Insurance Co., Ltd.	www.heungkukfire.co.kr
Samsung Fire & Marine Insurance Co., Ltd.	www.samsungfire.co.kr
Hyundai Marine & Fire Insurance Co., Ltd.	www.hi.co.kr
KB Insurance Co., Ltd.	www.kbinsure.co.kr
DB Insurance Co., Ltd.	www.idongbu.com
Seoul Guarantee Insurance Co., Ltd.	www.sgic.co.kr
American International Group, Inc.	www.aig.co.kr
ACE American Insurance Company K.B.	www.acegroup.com/kr-kr
First American Title Insurance Company K.B.	www.firstam.co.kr
AXA General Insurance Co., Ltd.	www.axa.co.kr
Mitshui Sumitomo Insurance Co., Ltd. K.B.	www.ms-ins.co.kr
The-K Non-life insurance Co., Ltd.	www.educar.co.kr
BNP Paribas Cardif	www.cardifcare.co.kr
Tokio Marine & Nichido Fire Insurance Co., Ltd. K.B.	www.tokiomarine.seoul.kr
Genworth Mortgage Insurance Co., Ltd. K.B.	www.genworth.co.kr
DAS Legal Expenses Insurance Co., Ltd.	www.das.co.kr
NongHyup Property & Casualty Co., Ltd.	www.nhfire.co.kr
Korea Maritime Guarantee Insurance Co,.Ltd.	www.kmgic.com
Allianz Global Corporate & Specialty SE, K.B.	www.agcs.allianz.com

3. Reinsurance companies

Company	Homepage
Korean Re	www.koreanre.co.kr
Munich Re K.B.	www.munichrekorea.com
Swiss Re K.B.	www.swissrekorea.com
Gen Re K.B.	www.genre.com
Scor Reinsurance Asia Pacific Pre. Ltd. K.B.	www.scor.com
RGA Reinsurance Company K.B.	www.rgare.com
Hannover Re K.B.	www.hannover-re.com
Pacific Life Re K.B	www.pacificlifere.com
Asia Capital Re K.B.	asiacapitalre.com

4. Related organizations

Organization	Homepage
Ministry of Strategy and Finance	www.mosf.go.kr
Financial Supervisory Commission	www.fsc.go.kr
Financial Supervisory Service	www.fss.or.kr
Korea Deposit Insurance Corporation	www.kdic.or.kr
Korea Export Insurance Corporation	www.keic.or.kr
Korean Fire Protection Association	www.kfpa.or.kr
Korea Life Insurance Association	www.klia.or.kr
General Insurance Association of Korea	www.knia.or.kr
Korea Insurance Development Institute	www.kidi.or.kr
Korea Insurance Institute	www.in.or.kr
Korean Insurance Academic Society	www.kinsurance.or.kr
The Institute of Actuaries of Korea	www.actuary.or.kr
Korea Risk Management Society	www.krms.org
Korea Federation of Banks	www.kfb.or.kr
Korean Insurance Brokers Association	www.ikiba.or.kr
Korea Financial Investment Association	www.kofia.or.kr
Credit Counseling and Recovery Service	www.crss.or.kr