



# Korean Insurance Industry Trend 3Q 2020

# I. Overview

## 1. Life Insurance

- The net income of Korean life insurers increased to 1,061 billion won for the Q3 of 2020 from 929 billion won for the Q3 of 2019.
- The deficits from underwriting<sup>1)</sup> for the Q3 of 2020 decreased to 4,979 billion won from 6,220 billion won for the Q3 of 2019.
  - The profits from investment decreased to 5.37 trillion won for the Q3 of 2020 from 6.34 trillion won for the Q3 of 2019.
- Total asset of Korean life insurers at the end of the Q3 of 2020 was 955 trillion won, increased by 1.9% compared to the end of the Q2 of 2020.
- Return on equity (ROE) was 4.57% for the Q3 of 2020 decreased by 0.45%p compared to the Q3 of 2019.

Table 1. Life Insurers' Net Income, Total Asset, and ROE

(Unit: billion won, %)

		2019			2020		
		Q3	Q4	Full year	Q1	Q2	Q3
Net Balance	Underwriting	-6,220	-6,375	-24,420	-7,904	-4,754	-4,979
	Investment	6,343	5,239	23,907	7,834	5,368	5,367
	Others	1,106	1,109	4,471	1,052	1,048	1,026
	Total	1,229	-27	3,958	982	1,662	1,414
Net Income <sup>1)</sup>		929	61	3,118	778	1,295	1,061
		(44)	(-1,102.3)	(-22.7)	(-38.4)	(49.7)	(14.2)
Total Asset <sup>2)</sup>		904,641	918,166	918,166	915,915	936,821	954,506
		(1.6)	(1.5)	(7.1)	(-0.2)	(2.3)	(1.9)
Return on Equity <sup>3)</sup>		5.02	3.75	3.75	3.63	4.67	4.57

Note: 1) Figures in parentheses indicate year on year growth rates

2) Figures in parentheses indicate quarter on quarter growth rates

3) It is calculated on the annualized basis

Source: FSS, Monthly Insurance Report

1) The figure includes the net balance of policy reserve

## 2. Non-life Insurance

- The net income of Korean non-life insurers recorded 708 billion won for the Q3 of 2020, dropped by 1.0% from 715 billion won for the Q3 of 2019.
  - The underwriting deficit for the Q3 of 2020 decreased by 382 billion won compared to the Q3 of 2019.
  - The profits from investment for the Q3 of 2020 decreased to 2,107 billion won from 2,453 trillion won for the Q3 of 2019.
- Total asset of Korean non-life insurers sector at the end of the Q3 of 2020 was 337 trillion won, increased by 1.3% compared to the Q2 of 2020.
- Return on equity (ROE) was 7.23% for the Q3 of 2020, rose by 0.11%p compared to the Q3 of 2019.

Table 2. Non-life Insurers' Net Income, Total Asset, and ROE

(Unit: billion won, %)

		2019			2020		
		Q3	Q4	Full year	Q1	Q2	Q3
Net Balance	Underwriting	-1,465	-2,298	-6,021	-1,339	-761	-1,083
	Investment	2,453	2,384	9,129	2,316	2,181	2,107
	Others	-16	-40	-94	-33	-34	-40
	Total	971	46	3,014	945	1,386	984
Net Income <sup>1)</sup>		715	23	2,223	688	1,028	708
		(-11.7)	(-93.1)	(-31.7)	(-4.3)	(34.1)	(-1.0)
Total Asset <sup>2)</sup>		318,971	320,751	320,751	325,910	332,772	337,120
		(2.1)	(0.6)	(8.9)	(1.6)	(2.1)	(1.3)
Return on Equity <sup>3)</sup>		7.12	5.48	5.48	6.44	7.85	7.23

Note: 1) Figures in parentheses indicate year on year growth rates

2) Figures in parentheses indicate quarter on quarter growth rates

3) It is calculated on the annualized basis

Source: FSS, Monthly Insurance Report

## II. Premium Income

### 1. Life Insurance

- Total premiums of Korean life insurers for the Q3 of 2020 was 27.4 trillion won, rose by 5.5% compared to the Q3 of 2019.
  - Protection-type<sup>2)</sup> insurance premiums increased by 4.2%, mainly due to marketing drive.
  - Premiums of endowment and pure endowment insurance rose by 33.7%, 1.0%, respectively, especially endowment insurance premium jumped due to expand of new policies centered on single payment.
  - Variable insurance premiums dropped by 1.2% although the stock market was booming in same period.
  - Group insurance premiums fell by 12.3% due to reduced sales of retirement pension.

Table 3. Premium Income by Product Type<sup>1)</sup>

(Unit: billion won, %)

		2019			2020		
		Q3	Q4	Full Year	Q1	Q2	Q3
Life Total		25,951 (3.4)	39,065 (18.6)	117,262 5.8	26,763 (4.5)	27,399 (2.8)	27,378 (5.5)
Individual		23,321 (-0.4)	22,367 (-1.8)	91,858 (-1.4)	23,415 (2.1)	23,995 (3.3)	25,072 (7.5)
Fixed	Protection-type	10,664 (4.4)	10,770 (4.5)	42,528 (4.2)	10,959 (4.8)	11,018 (3.6)	11,109 (4.2)
	Endowment	3,915 (-6.0)	3,210 (-13.4)	14,525 (-8.7)	4,043 (11.0)	4,483 (19.3)	5,233 (33.7)
	Pure Endowment	4,220 (-3.6)	4,177 (-4.7)	17,117 (-3.1)	4,106 (-7.3)	4,464 (4.0)	4,263 (1.0)
Variable		4,522 (-2.8)	4,210 (-4.1)	17,687 (-6.1)	4,307 (-2.3)	4,029 (-11.3)	4,467 (-1.2)
Group <sup>2)</sup>		2,629 (54.7)	16,698 (64.3)	25,405 (44.1)	3,347 (25.6)	3,404 (-0.2)	2,306 (-12.3)

Note: 1) Figures in parentheses indicate year on year growth rates

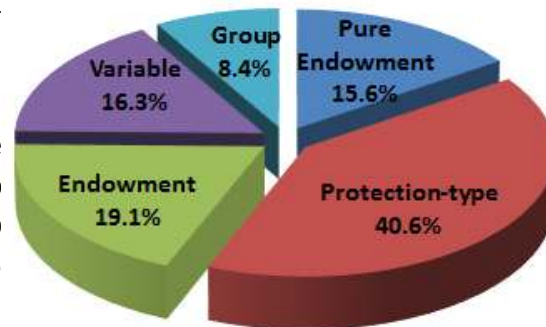
2) Group insurance includes general group insurance and pension plans

Source: FSS, Monthly Insurance Report

2) Whole life, term life, and health insurance, etc

- The share of protection-type, pure endowment, variable, and group insurance for the Q3 of 2020 decreased compared to the Q3 of 2019, excluding endowment insurance.
  - The share of protection-type, pure endowment, variable, and group insurance declined by 0.5%p to 40.6%, by 0.7%p to 15.6%, by 1.1%p to 16.3%, and by 1.7%p to 8.4%, respectively, compared to the Q3 of 2019.
  - The share of endowment insurance rose by 4.0%p to 19.1%, compared to the Q3 of 2019.

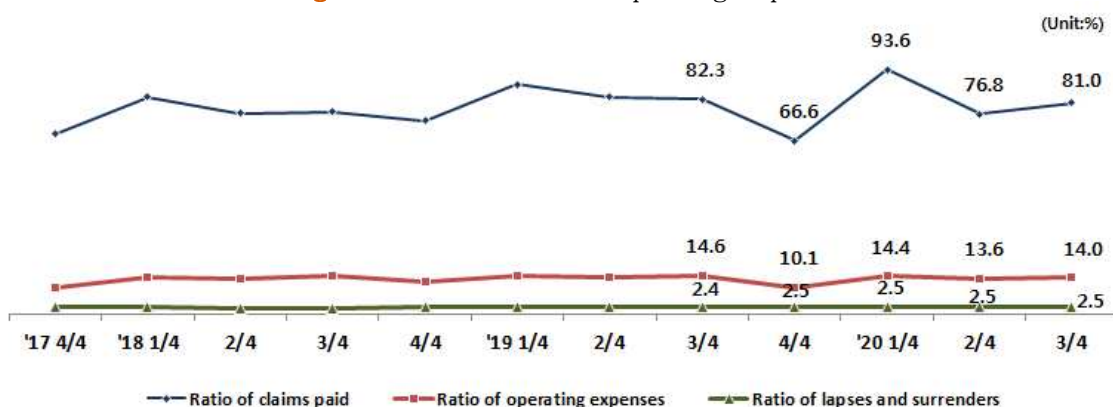
Figure 1. Life Insurance Product Mix as of September 30, 2020



Source: FSS, Monthly Insurance Report

- The ratio of claims paid by Korean life insurers dropped by 1.3%p to 81.0% for the Q3 of 2020 from 82.3% for the Q3 of 2019.
  - The ratio of operating expenses decreased by 0.6%p to 14.0% for the Q3 of 2020, from 14.6% for the Q3 of 2019.
  - The ratio of lapses and surrenders was 2.5% for the Q3 of 2020, up by 0.1%p compared to the Q3 of 2019.

Figure 2. Claims Paid and Operating Expenses



Source: FSS, Monthly Insurance Report

## 2. Non-life Insurance

- Total premiums<sup>3)</sup> of the non-life insurers for the Q3 of 2020 rose to 23.1 trillion won, up by 4.7% compared to the Q3 of 2019.
  - Long-term insurance premiums increased by 4.9% due to the continued growth of accident, sickness insurance and driver insurance, but the growth rate slowed for the two consecutive quarters.
  - Automobile insurance premiums jumped by 13.8% led by increased premium rate and special consumption tax reduction for car purchases.
  - General insurance increased by 7.4% due to the growth of casualty and liability insurance and annuities premiums greatly decreased by 19.6%.

Table 4. Direct Premiums Written by Line<sup>1)</sup>

(Unit: billion won, %)

	2019			2020		
	Q3	Q4	Full year	Q1	Q2	Q3
Non-life	22,042 (6.6)	28,653 (4.4)	95,586 (5.0)	23,926 (9.1)	23,886 (4.0)	23,074 (4.7)
Long-term	13,419 (5.6)	13,518 (5.6)	53,099 (5.0)	13,763 (6.1)	13,848 (5.0)	14,074 (4.9)
Automobile	4,363 (7.8)	4,563 (7.3)	17,568 (5.1)	4,667 (9.6)	4,970 (13.4)	4,965 (13.8)
General	2,262 (7.7)	2,497 (-1.8)	9,850 (3.9)	2,929 (16.6)	2,752 (6.7)	2,429 (7.4)
Annuities <sup>2)</sup>	1,998 (9.3)	8,075 (2.7)	15,069 (5.4)	2,568 (17.6)	2,316 (-17.7)	1,607 (-19.6)

Note: 1) Figures in parentheses indicate year on year growth rates

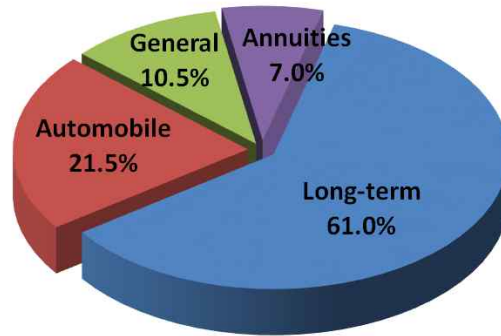
2) Annuities include individual annuity, and retirement insurance, and pension plan

Source: FSS, Monthly Insurance Report

3) Direct premiums written

- While the share of long-term insurance, automobile insurance and general insurance increased, that of annuities decreased over the same quarter of the previous year.
  - The share of long-term insurance, automobile insurance, general insurance increased by 0.1%p, 1.7%p, 0.3%p respectively compared to the Q3 of 2019.
  - Annuities took 7.0% of total premiums down by 2.1%p compared to the Q3 of 2019.

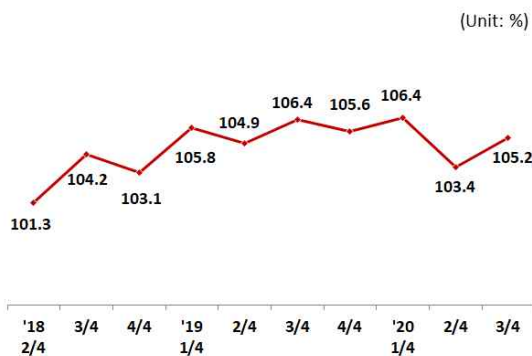
Figure 3. Non-life Insurance Product Mix as of September 30, 2020



Source: FSS, Monthly Insurance Report

- The combined ratio of non-life insurers for the Q3 of 2020 decreased to 105.2% from 106.4% for the Q3 of 2019.
  - The loss ratio has remained at the level of the same quarter of the previous year but ratio of operating expenses decreased to 19.9% from 21.1% for the Q3 of 2019<sup>4)</sup>.
  - The ratio of lapses and surrenders in long-term insurance was 2.62%, which decreased by 0.58%p compared to the Q3 of 2019.

Figure 4. Combined Ratio



Source: FSS, Monthly Insurance Report

Figure 5. Ratio of Lapses and Surrenders in Long-term Insurance



Source: FSS, Monthly Insurance Report

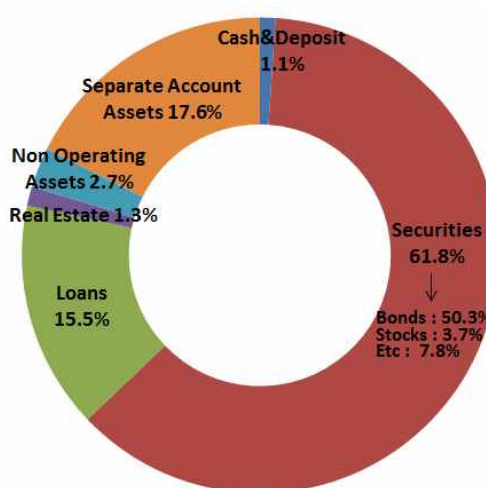
4) The combined ratio is the sum of the loss ratio and the ratio of operating expenses. There may be some discrepancies due to rounding

### III. Asset Management

#### 1. Life Insurance

##### <Asset Portfolio>

- Securities accounted for 61.8% of the total assets of life insurers at the end of the Q3 of 2020.
  - Bonds and stocks took 50.3% and 3.7% of the total assets of life insurers, respectively.
- Loans took 15.5% of the total assets of life insurers.
- Non-operating assets, real estate, and cash and deposit accounted for 2.7%, 1.3%, and 1.1% of the total assets of life insurers, respectively.
- Assets in separate account<sup>5)</sup> accounted for 17.6% of the total assets of life insurers.

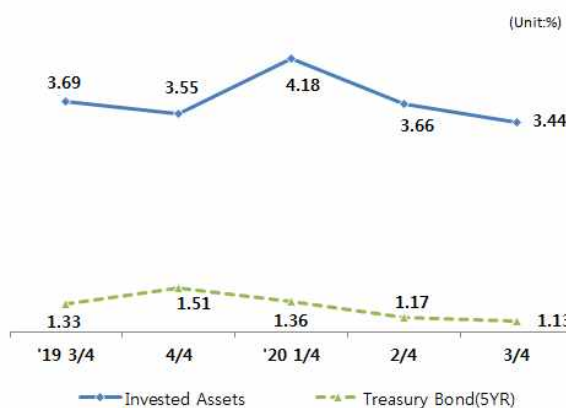


Source: FSS, Monthly Insurance Report

##### <Return on Investment>

- Return on investment of the life insurance sector for the Q3 of 2020 decreased to 3.44% from 3.66% for the Q2 of 2020.
  - The treasury bond (5 years) yield fell by 0.04%p to 1.13% for the Q3 of 2020 from 1.17% for the Q2 of 2020.

Figure 7. Return on Investment



Source: FSS, Monthly Insurance Report

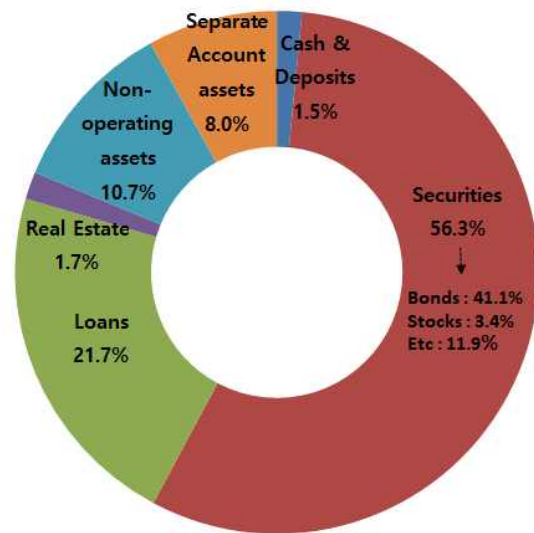
5) Assets from variable insurance and pension plans



## 2. Non-life Insurance

### <Asset Portfolio>

- Securities took 56.3% of the total assets of non-life insurers at the end of the Q3 of 2020.
  - Bonds and stocks in securities took 41.1% and 3.4% of the total assets of non-life insurers, respectively.
- Loans are the second-largest asset with a share of 21.7%.
- Non-operating assets, cash and deposits, and real estate took 10.7%, 1.5%, and 1.7%, respectively.
- Separate account assets accounted for 8.0%.



Source: FSS, Monthly Insurance Report

### <Return on Investment>

- Return on investment of the non-life insurance sector for the Q3 of 2020 decreased to 3.42% from 3.52% for the Q2 of 2020.

Figure 9. Return on Investment



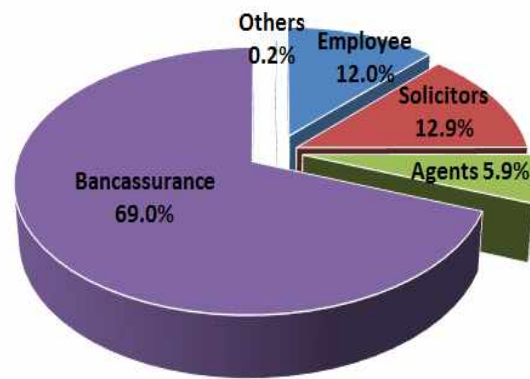
Source: FSS, Monthly Insurance Report

## IV. Distribution Channel

### 1. Life Insurance

- In term of initial premiums, the share of bancassurance channel was the largest at 69.0% for the Q3 of 2020, increased by 9.9%p compared to the Q3 of 2019.
  - Employee was 12.0% for the Q3 of 2020, decreased by 8.1%p compared to the Q3 of 2019.
  - Solicitors accounted for 12.9%, declined by 0.7%p compared to the Q3 of 2019.
  - Agents accounted for 5.9%, decreased by 1.8%p compared to the Q3 of 2019.

Figure 10. Life Insurance Distribution Channel as of September 30, 2020

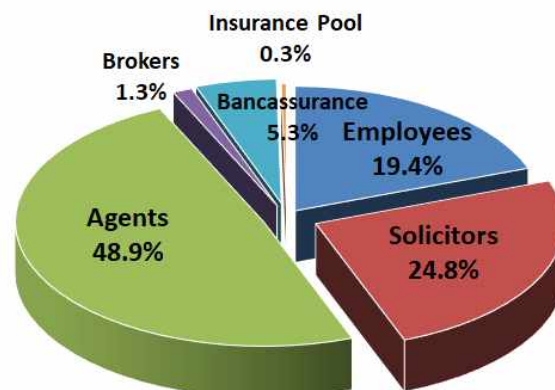


Source: FSS, Monthly Insurance Report

### 2. Non-life Insurance

- For the Q3 of 2020, agents took the largest share of distribution channels for the non-life insurers in terms of direct premiums.
  - The share of employees was 19.4% rose by 0.9%p compared to the Q3 of 2019.
  - The share of solicitors, agents and bancassurance was 24.8%, 48.9%, 5.3% declined by 0.5%p, 0.2%p, 0.3%p compared to the Q3 of 2019, respectively.

Figure 11. Non-life Insurance Distribution Channel as of September, 30, 2020



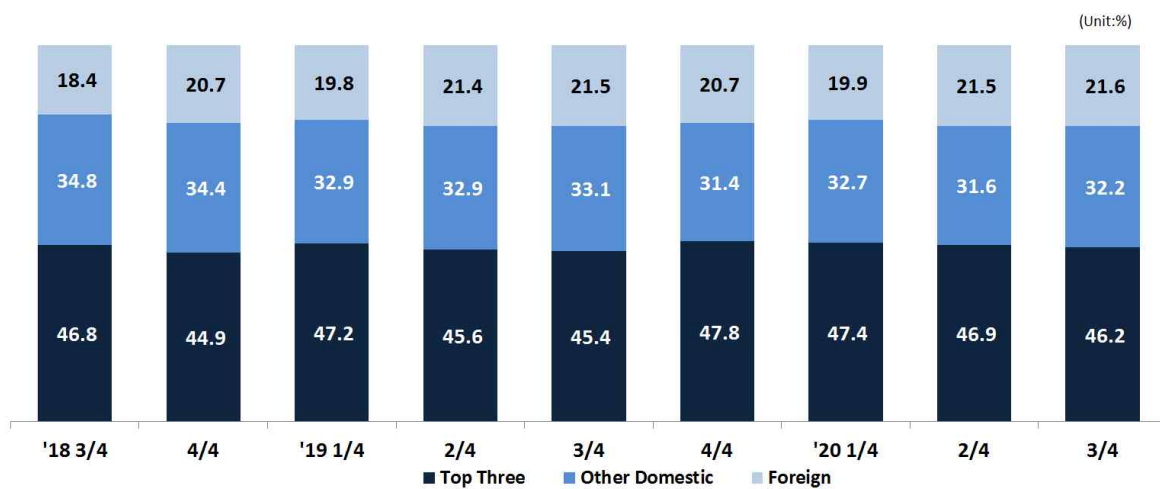
Source: FSS, Monthly Insurance Report

## V. Market Competition

### 1. Life Insurance

- For the Q3 of 2020, the market share of the top three life insurers<sup>6)</sup> and foreign life insurers increased while that of other domestic life insurers declined from the Q3 of 2019.
  - The market shares of top three life insurers and foreign life insurers took 46.2% and 21.6% of the premium income, respectively.
  - The market share of other domestic life insurers took 32.2% for the Q3 of 2020, decreased by 0.9% from the Q3 of 2019.

Figure 12. Premium Income by Company Group



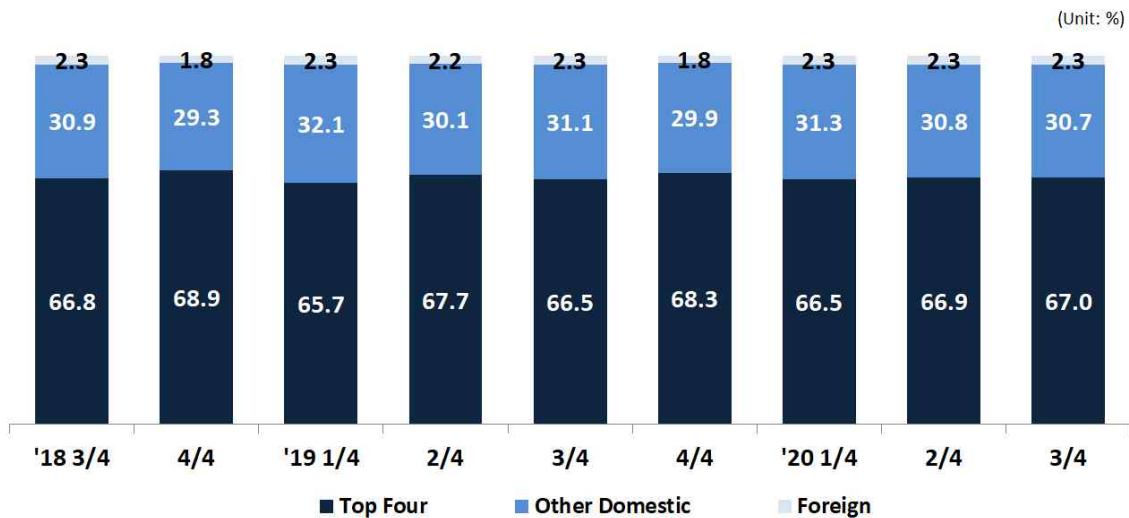
Source: FSS, Monthly Insurance Report

6) The top three life insurers are Samsung Life Insurance Co. Ltd., Hanhwa Life Insurance Co. Ltd. and Kyobo Life Insurance Co. Ltd

## 2. Non-life Insurance

- The market share of the top four non-life insurers<sup>7)</sup> increased by 0.5%p to 67.0% for the Q3 of 2020 from 66.5% for the Q3 of 2019.
  - The market share of other domestic non-life insurers took 30.7%, for the Q3 of 2020, dropped by 0.4%p from the Q3 of 2019.
  - The market share of foreign non-life insurers took 2.3%.

Figure 13. Direct Premiums Written by Company Group



Source: FSS, Monthly Insurance Report

7) The top four non-life insurers are Samsung Fire & Marine Insurance Co., Ltd., Hyundai Marine & Fire Insurance Co., Ltd., KB Fire & Marine Insurance Co., Ltd., and DB Insurance Co., Ltd.