

# South Korea

## Insurance Market Overview

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**Official Name:** The Republic of Korea (The country is commonly known as South Korea)

**Location:** South Korea is bordered on three sides by the sea and to the north by the demilitarized zone which divides it from North Korea. The country is hilly or mountainous with around 3,000 offshore islands.

**Surface Area:** 99,274 km<sup>2</sup>      **Capital:** Seoul

**Currency:** The Korean currency is the won, which is abbreviated to KRW

**Climate:** The extreme south experiences a humid, warm, temperate climate while the rest of Korea has continental temperate conditions with distinct seasons. Spring and autumn are pleasantly warm and dry. Winter is cold and dry with temperatures below freezing point for most of December through to February. The summer months of July and August are the rainy season with precipitation of between 40 inches to 60 inches (1,016 millimetres to 1,524 millimetres). The country is regularly afflicted by typhoons during the period July to September.



## Macroeconomic Forecasts

MACROECONOMIC FORECASTS (SOUTH KOREA 2020-2025)						
Indicator	2020e	2021f	2022f	2023f	2024f	2025f
Nominal GDP, USDbn	1,619.4	1,789.0	1,832.9	1,996.1	2,038.9	2,089.3
Nominal GDP, EURbn	1,458.9	1,542.3	1,527.4	1,663.4	1,699.1	1,741.1
Real GDP growth, % y-o-y	-1.0	3.8	2.8	2.6	2.5	2.5
GDP per capita, USD	31,586	34,870	35,708	38,876	39,708	40,695
GDP per capita, EUR	28,455	30,060	29,757	32,396	33,090	33,913
Population, mn	51.27	51.31	51.33	51.34	51.35	51.34
Unemployment, % of labour force, eop	4.5	4.0	3.6	3.5	3.5	3.5
Consumer price inflation, % y-o-y, ave	0.5	2.0	1.4	1.5	1.2	1.5
Lending rate, %, ave	2.6	2.3	2.7	3.1	3.2	3.1
Central bank policy rate, % eop	0.50	1.00	1.50	1.50	1.50	1.25
Private final consumption, % of GDP	46.6	46.1	46.1	46.2	46.3	46.3
Private final consumption, real growth % y-o-y	-4.9	2.5	3.0	2.7	2.5	2.5
Government final consumption, % of GDP	18.2	18.1	17.9	18.1	18.4	18.7
Government final consumption, real growth % y-o-y	4.9	3.0	2.0	3.5	4.0	4.0
Fixed capital formation, % of GDP	31.0	31.1	30.8	30.8	30.6	30.4
Fixed capital formation, real growth % y-o-y	2.6	3.8	2.0	2.5	1.6	1.6
Exchange rate KRW/USD, ave	1,180.27	1,130.00	1,150.00	1,100.00	1,115.00	1,130.00
Exchange rate KRW/EUR, ave	1,345.50	1,367.30	1,414.50	1,353.00	1,371.45	1,401.20
Budget balance, USDbn	-37.6	-21.5	-9.7	-3.7	3.2	10.8
Budget balance, % of GDP	-2.3	-1.2	-0.5	-0.2	0.2	0.5
Goods and services exports, USDbn	606.7	669.8	719.6	749.4	786.6	834.1
Goods and services imports, USDbn	541.0	589.7	632.1	664.8	693.0	731.6
Balance of trade in goods and services, USDbn	65.8	80.2	87.5	84.6	93.5	102.5
Balance of trade in goods and services, % of GDP	4.1	4.5	4.8	4.2	4.6	4.9
Current account balance, USDbn	75.3	89.6	91.1	85.2	91.9	99.9
Current account balance, % of GDP	4.6	5.0	5.0	4.3	4.5	4.8
Foreign reserves ex gold, USDbn	438.3	482.7	493.8	479.0	520.9	570.9
Import cover, months	9.7	9.8	9.4	8.6	9.0	9.4

e/f = Fitch Solutions estimate/forecast. Source: National sources, Fitch Solutions

## SOVEREIGN CREDIT RATINGS

	Rating	Outlook	Rating Date
Fitch	AA-	Stable	7/2021
Standard & Poor's	Aa2	Stable	9/2020
Moody's	Aa2	Stable	5/2020

Sources: Moody's, Standard & Poor's, Fitch Ratings



## COUNTRY RISK REPORT

COUNTRY RISK REPORT

**CRT-2**

August 26, 2021



Regional Comparison

South Korea	CRT-2
China	CRT-3
Hong Kong	CRT-2
Japan	CRT-2
Macau	CRT-2
Taiwan	CRT-2

### Natural Hazards

#### Earthquake and Other Geological Hazards

- The Republic of Korea is conventionally regarded as having a low exposure to earthquake. Around 2,000 earthquakes have been recorded in the last 2,000 years of which only 48 were destructive.
- South Korea has a possible exposure to volcanic eruption from Mount Baekdu, a massive volcano on the North Korean/Chinese border.

#### Windstorm

- Typhoons and accompanying floods are the most serious natural hazards in Korea, though reinsurers regard the country's hazard rating as only "average to above average".
- Numerous storms occur each year, usually in the typhoon season from July to September. On average, the country experiences between one and three typhoons a year.
- Normally limit insured typhoon and flood losses to between 2% and 3% of total economic losses. An exception to this was Typhoon Maemi in September 2003, which caused record insured losses of KRW 644.36bn (USD 540.75mn), equivalent to 12% of total economic losses.
- The Law Regulating Damage by Storms and Floods, which came into effect on 31 December 2005, is intended to encourage farmers to purchase commercial windstorm/flood insurance in order to reduce pressure on the government to provide ex gratia compensation from public funds.

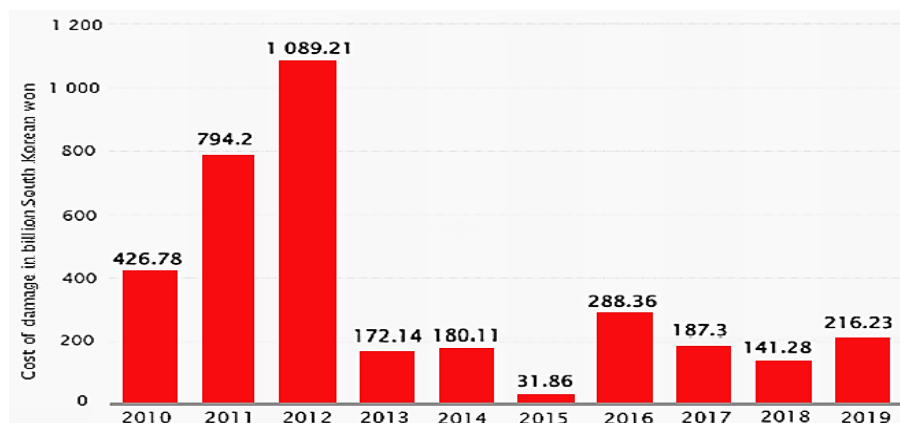
#### Flood:

- Most parts of the country can be affected by flooding and associated landslides, particularly during the main typhoon season. Flooding is mainly caused by excessive rainfall. Precipitation rates regularly reach 2.8 inches (70 mm) to 3.5 inches (90 mm) per hour and 11.8 inches (300 mm) per day.

#### Hail:

- Hailstorms can occur in most parts of the country. Because the Korean peninsula is so narrow, storm clouds cannot rise high enough to form large hailstones.

**Cost of damage caused by natural disasters in South Korea from 2010 to 2019**  
(in billion South Korean won)



# Korean Insurance Market

## Historical Development:

- 1922** The first Korean insurance company, Oriental Fire & Marine, was established.
- 1953** After the Korean War the insurance industry was subject to close government control. Legal restrictions, including an economic needs test, effectively restricted market entry to Korean-owned companies, most of which were established by the leading industrial conglomerates known as "chaebol".
- 1962** - The Insurance Business Law was first enacted.  
- A fire insurance rating committee was established to promulgate a fire tariff. Tariff control was extended in 1966 with the establishment of the Korea Non-Life Insurance Rating Association which was replaced in 1989 by the Korea Insurance Development Institute.
- 1963** - The Medical Insurance Act was passed that required workplaces of 300 or more employees to establish a medical insurance association.  
- Korean Re was established as the market reinsurer with a legal monopoly of proportional reins business.
- 1976** The National Health Insurance Act was passed, replacing the Medical Insurance Act.
- 1996** Korea acceded to the OECD and began the process of deregulating its insurance industry.
- 1995** The Depositor Protection Act was passed in December. The Korea Deposit Insurance Corporation (KDIC) was established on 1 June 1996.
- 1997** - The Act on the Establishment of the Financial Supervisory Organizations (EFSO) was passed in December following a number of insolvencies of banking and insurance entities. The act created the Financial Supervisory Commission (later renamed the FSC).  
- Korean Re's reinsurance monopoly was formally abolished.
- 1998** The Financial Supervisory Commission was established as a "super regulator" of the entire Financial Services Sector.
- 2000** Tariff controls were formally abolished.
- 2001** Motor insurance rating was liberalized. Kyobo Auto was launched as the first direct motor writer.
- 2003** Amendments to the Insurance Business Law allowed brokers, established bancassurance, and the products that could be distributed by this channel.
- 2004** The two specialist bond underwriters, Korea Guarantee and Hankuk Fidelity, were forcibly merged and taken over by the government after suffering massive losses on corporate bond guarantees.
- 2008** The EFSO was wholly revised and reissued as the Act on the Establishment of the Financial Services Commission was passed in December, renaming the Financial Supervisory Commission.
- 2009** The Financial Investment Services and Capital Markets Act came into force liberalising ownership and competition between financial institutions.
- 2010** - The Insurance Business Law was wholly revised by Act No 10394.  
- Act No 10339 of 4 June 2010, effective from 1 January 2011, amended many social security laws to allow the National Health Insurance Corporation (NHIC) to be the sole collector for all social security contributions.
- 2011** The Insurance Business Law was amended by Act No 10688. The FSC was empowered to investigate both consumers and insurance solicitors with respect to their knowledge of insurance contracts. The Depositor Protection Act was amended to require disclosure of the extent to which policyholders were protected in terms of the act.
- 2012** The National Agricultural Co-operatives Federation (NACF or NongHyup in Korean) transferred its co-operative insurance business to a new subsidiary called NongHyup Property & Casualty Insurance Co Ltd. AXA General acquired ERGO Daum Direct.
- 2014** 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.

**2017** Disaster liability insurance, which came into effect in January 2017; is one of the compulsory insurance plans in Korea, which covers against third party bodily injury and property damage as a result of disasters arising from fire, explosion or collapse of buildings.

The biggest challenge faced by insurers is increasing their capital to meet the new liability valuation standards being imposed from 1 January 2022 by IFRS 17 and an enhanced risk-based capital system known as K-ICS. The implementation dates of IFRS 17 and K-ICS have been deferred by a year to 1 January 2023.

## Regulatory Environment and Market Structure

### Regulatory bodies:

As with banking, the primary regulator of the insurance sector is the FSC, which was created in 1998 and reformed in 2008 to integrate regulatory and supervisory functions. Since the 2008 reform, the FSC has been largely responsible for the development of financial sector policies, with a statutory mandate to draft and amend financial laws and regulations.



The FSS is the supervisory arm of the FSC and is the institution with direct oversight of the insurance sector, responsible for enforcing legislation and directives as charged by the FSC. The FSS was established as a quasi-governmental, fully-integrated supervisory authority in the wake of the 1997 crisis. It conducts the prudential supervision of both life and non-life insurance companies, ensuring consistency with the country's laws, guidelines and standards.

### Key Legislations & Regulations:

- **The Insurance Business Act (1962, rewritten in 2003, plus later amendments)**
- *Act on the Indemnification for Fire-Caused Loss and the Purchase of Insurance Policies (1973, plus amendments)*

### KOREAN INSURANCE MARKET STRUCTURE

#### Number of Insurance Companies *As of December 31, 2020*

- There are 55 insurers in Korea.
  - The number of life insurers is 24 (15 domestic and 9 foreign insurers)
  - The number of non-life insurers is 31 (14 domestic and 17 foreign insurers).

#### Auxiliary Organizations

- The primary trade entities for the sector are: *The General Insurance Association of Korea* and *the Korea Life Insurance Association*, which represent the interests of member insurance companies and propose policy changes where deemed necessary.
- There are also two non-profit think-tanks: *The Korea Insurance Research Institute* and the *Korea Insurance Development Institute*, both of which seek to aid the development of the sector via information gathering, trend analysis and statistical presentations.

#### Pools

There are 4 pools in the market:

- Assigned insurance plan (AIP) pool: The AIP pool provides motor insurance for special risks and motorists whose accident records would normally justify declination.
- Small vessels pool: The General Insurance Association of Korea administers a market pool for unclassified vessels under 500 GRT.
- Bonded goods pool: The General Insurance Association of Korea administers a market pool for marine cargo insurance for government property and for fire, inland floater and comprehensive coverage for bonded goods.
- Nuclear pool: Korean Re administers a nuclear pool which writes both domestic and international risks.

*In addition to these formal pools, there are also ad hoc co-reinsurance panels which are formed for the purpose of sharing new or expanding classes of business. One example is the crop reinsurance panel that supports Nonghyup's monopoly agriculture business; another is the panel formed to write the new type of compulsory cyber liability insurance for data handlers which was introduced in June 2019.*

- *The Korean Commercial Code (relevant for regulations of insurance contracts)*
- *The Corporate Governance Act (2016)*
- *The Automobile Accident Compensation Insurance Act (2007, plus amendments)*

The FSC and its supervisory arm, the Financial Supervisory Service (FSS), also publish rules and guidelines within the framework of the primary legislation.

### **Form of Corporate:**

All insurers must seek a licence from the FSC in order to operate in South Korea; the legal entity can be established as:

- a joint-stock company
- a mutual company
- or the branch of a foreign insurer.

An insurer or reinsurer must be licensed and shall establish itself as a Korea branch or a subsidiary pursuant to the Insurance Business Act (“IBA”).

A Korea branch is treated as an extension of its foreign head office while a Korea subsidiary is a separate legal entity set apart from its parent/shareholder(s).

An applicant must satisfy other qualifications such as (1) “seasoning” with a licence in its home jurisdiction, (2) minimum capitalization, (3) an acceptable credit rating from internationally recognized credit-rating agencies (e.g., A.M. Best’s, S&P and/or Fitch’s), (4) no prior history of sanctions which are equal to or more severe than an institutional warning or criminal fines for the previous three years, (5) manpower to conduct the core functions of the insurance or reinsurance business, and (6) a feasible three-year business plan.

### **Capital Requirement**

The minimum capital required for the 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<sup>33</sup>: 15 billion KRW (includes aviation and transportation insurance)
- Automobile insurance: 20 billion KRW
- Guaranty insurance: 30 billion KRW
- Reinsurance: 30 billion KRW
- Liability insurance: 10 billion KRW
- 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
- The minimal capital for a branch is KRW 3 billion (approximately USD 2.5 million), and as a subsidiary it is KRW 30 billion (approximately USD 25



- Composite insurance is not permitted in South Korea. However, both life and non-life insurers can carry on accident and health insurance business
- 100% FDI is permitted in the South Korean insurance industry
- Motor third-party liability insurance, fire and liability insurance for buildings are the key mandatory classes of insurance in South Korea
- Non-admitted insurance is permitted for life and reinsurance business in South Korea.

million).

#### **Other requirements for permission**

- Insurers are required to have 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.
- Also, 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 the financial soundness of insurers.

#### **Product Regulation**

Insurance companies may offer certain types of insurance products without presupervisory review ("discretionary insurance products") if the product complies with the basic documentation and the contract provision requirements are met for an insurance product. If any of the documentation or contract provision requirements is subject to reporting for supervisory review, the product is deemed nondiscretionary ("nondiscretionary insurance product") and subject to reporting.

Supervisory review of an insurance product consists of an ex ante pre-sale review for nondiscretionary insurance products and an ex post after-sale review for discretionary insurance products. Documentation for the sale of a nondiscretionary insurance product must be submitted to the FSS for supervisory review at least 30 days prior to the expected date of the sale.

Discretionary insurance products may be offered to consumers without FSS supervisory review in principle. To mitigate the risk of consumer harm from discretionary insurance products, the FSS conducts each quarter ex post supervisory review to focus on defective discretionary insurance products. Under the intensive review regime, insurance companies submit a list of insurance products sold until the last day of the following months from the end of each quarter.

#### **Distribution Regulation**

Solicitation is the act of soliciting, negotiating, or procuring the purchase of an insurance product from consumers. For consumer protection, the Insurance Business Act limits individuals and entities that may engage in insurance solicitation to the following:

- (a) Insurance company executives and employees (excluding the company's chief executive officer, outside directors, auditor, and members of the board's audit committee);
- (b) Insurance solicitors who are registered with insurance associations and employed by an insurance company; an insurance solicitors must be employed by only one insurance company except where an insurance solicitor employed by a life insurance company solicits a buyer for a non-life insurance company (and vice versa);
- (c) Independent insurance agents (also called insurance agencies) that sell insurance products from multiple insurance companies and conclude an insurance contract on behalf of an insurance company; and



### **Risk Based Capital Requirement**

As with the banking sector, the FSC/FSS can determine that an insurer requires corrective action if it shows financial stress, in this case evaluated via the RBC ratio. A management recommendation is issued if the RBC ratio drops below 100%, a demand is issued if it falls below 50% and an order is issued if it drops below 0%. The most extreme measures can include the retirement of the company's stocks, the appointment of an external manager or a forced merger. The FSC/FSS also has the authority to sanction insurance firms that violate existing laws.

### **Penalties**

The FSC/FSS also has the authority to sanction insurance firms that violate existing laws, and in March 2017 the National Assembly approved changes to the Insurance Business Act to toughen the penalties for misconduct. The new rules, which came into effect in October 2017, enable the FSC to directly suspend directors or officers that violate norms, increase the maximum administrative fine to KRW100mn (up from KRW50mn), and raise the surcharges applicable when insurance companies exceed limits on credit extensions and ownership of bonds and stocks of affiliated entities.



### **Compulsory Insurance:**

- Fire Legal Liability and Fire Bodily Injury Insurance are compulsory for many commercial businesses/operations, including restaurants, private educational institutions, hospitals, hotels, government buildings, and small businesses located in multi-dwelling residential properties.



- Gas Legal Liability is also a mandatory cover for both commercial and residential property owners including manufacturers of gas containers, refrigeration and air-conditioning machinery, gas dealers, suppliers, etc.
- Pursuant to the recent Act on Promotion of Information and Communications Network Utilization and Information Protection, a provider of information and communications services must procure insurance for the potential liability for damages due to leakage or forgery of personal information.
- As in other jurisdictions, automobile insurance is compulsory for all vehicles with an engine of 55cc and higher for operation on roads in Korea.
- The Korean Government also administers a mandatory social insurance scheme for every citizen and resident with (1) the National Pension, (2) National Health Insurance, (3) Employment Insurance, and (4) Industrial Accidents Compensation; premiums are deducted from wages or collected from the individual.
- There is other mandatory insurance, such as oil contamination liability insurance required for ship-owners of oil tankers
- Guarantee insurance for real estate brokers.



## Reinsurance Business:

- Korea has a large domestic reinsurance market.
- There is no state reinsurance company.
- Business is mainly written by Korean Re and Samsung, though Hyundai, DB, KB and Seoul Guarantee are also active overseas.
- All the domestic and foreign multiline insurers are authorised for inwards reinsurance and all of them write inwards business to a greater or lesser extent.
- Despite the loss of its statutory reinsurance monopoly in 1997, Korean Re still writes around 80% of local non-life reinsurance premiums and 70% of total direct market cessions. The explanation for Korean Re's success lies partly in a long tradition of market solidarity and partly in the company's ability to leverage its huge retrocession premium volumes to obtain competitive treaty terms for its cedants. The company also offers an extremely high level of service to the market, sparticularly in the provision of premium quotations for novel or more complex risks which are beyond the ability of cedants to underwrite on their own.



A government agricultural support agency acts as co-reinsurer and stop loss reinsurer of government-subsidised crop business, as mandated by the Law Concerning Crop Insurance 2005.

- The government also acts as stop loss reinsurer for subsidised natural perils insurance for farm and small business buildings in accordance with the Law Regulating Damage by Storms and Floods 2005.
- With effect from 1 January 2019, insurers have been required to retain a minimum of 10% of every short-term policy apart from motor to cover their underwriting expenses. The requirement does not apply to large or unusual risks which the insurer's risk management committee has determined it would be impossible for the company to retain. The requirement also does not apply to reinsurers' retrocession business. The 10% minimum retention is interpreted to mean 10% of the policy premium rather than 10% of the policy limit or sum insured.
- The risk-based capital (RBC) formula effectively limits the amount of business that may be ceded to reinsurance to 50% of a cedant's gross written premium income.
- Many of the major conglomerate (or "chaebol") programmes are written 100% by the associated insurance company.
- Outside the chaebol market, however, coinsurance is quite common for both marine and non-marine business and is mainly used at the policyholder's request.



Seokguram Grotto from the Silla era, a UNESCO World Heritage Site



## Korean Insurance Market Performance and Statistics



### Number of insurance companies in Korea

Classification		Domestic	Foreign	Sub total
Life Insurance		15	9	24
Non-Life Insurance	Primary	13	8	21
	Reinsurer	1	9	10
	Sub total	14	17	31
Total		29	26	55

Note: 1) All figures are as of December 31, 2020

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

Source: Financial Supervisory Service, KIDI

### Premium volume of Korea

(Unit: billion KRW, %)

Classification	2016	2017	2018	2019	2020
Life	119,811 (2.2)	113,973 (-4.9)	110,843 (-2.7)	117,262 (5.8)	119,587 (2.0)
Non-life	84,497 (5.3)	88,333 (4.5)	91,065 (3.1)	95,586 (5.0)	102,315 (7.0)
Total	204,308 (3.5)	202,306 (-1.0)	201,908 (-0.2)	212,849 (5.4)	221,902 (4.3)

Note: Figures in parentheses indicate year-on-year growth rates

Source: KIDI, Monthly Insurance Report

### Total assets of Korean insurers

(Unit: billion KRW, %)

Classification	2016	2017	2018	2019	2020
Life	782,162 (7.9)	832,837 (6.5)	857,198 (2.9)	918,166 (7.1)	997,278 (8.6)
Non-life	252,005 (11.5)	277,100 (10.0)	297,041 (7.6)	320,751 (7.6)	343,871 (7.2)
Total	1,034,167 (8.8)	1,109,937 (7.3)	1,155,239 (4.1)	1,238,917 (7.2)	1,341,149 (8.3)

Note: Figures in parentheses indicate year-on-year growth rates

Source: KIDI, Monthly Insurance Report

### Premium income and market share of foreign insurers

(Unit: billion KRW, %)

Classification	2016		2017		2018		2019		2020	
	Life	Non-life	Life	Non-life	Life	Non-life	Life	Non-life	Life	Non-life
Premium income	19,891	1,707	20,629	1,795	21,346	1,896	24,477	2,030	25,167	2,161
Market share	16.6	2.0	18.1	2.0	19.3	2.1	20.9	2.1	21.0	2.1

Source: KIDI, Monthly Insurance Report

## Premium income by product type

(Unit: billion KRW, %)

Classification	2016	2017	2018	2019	2020
Individual total	102,324 (-0.4)	98,302 (-3.9)	93,209 (-5.2)	91,858 (-1.4)	96,285 (4.8)
Pure endowment	28,848 (-11.9)	26,980 (-6.5)	24,444 (-9.4)	23,359 (-4.4)	23,104 (-1.1)
Protection type	40,289 (6.6)	41,759 (3.6)	42,786 (2.5)	44,447 (3.9)	46,140 (3.8)
Endowment	33,187 (3.0)	29,563 (-10.9)	25,980 (-12.1)	24,052 (-7.4)	27,041 (12.4)
Variable	19,406 (-6.0)	19,624 (1.1)	18,835 (-4.0)	17,687 (-6.1)	17,224 (-2.6)
Group	17,487 (20.8)	15,671 (-10.4)	17,634 (12.5)	25,405 (44.1)	23,303 (-8.3)
Total	119,811 (2.2)	113,973 (-4.9)	110,843 (-2.7)	117,262 (5.8)	119,587 (2.0)

Note: 1) Figures in parentheses indicate growth rates

2) 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

## Premium income by company group

(Unit: billion KRW, %)

Classification	2016	2017	2018	2019	2020
Top three companies	55,307 (46.2)	51,756 (45.4)	51,566 (46.5)	54,698 (46.6)	55,595 (46.5)
Other domestic companies	44,613 (37.2)	41,539 (36.4)	37,930 (34.2)	38,088 (32.5)	38,825 (32.5)
Foreign companies	19,891 (16.6)	20,679 (18.1)	21,346 (19.3)	24,477 (20.9)	25,167 (21.0)
Total	119,811 [2.2]	113,973 [-4.9]	110,843 [-2.7]	117,262 [5.8]	119,587 [2.0]

Note: The figures in parentheses and brackets indicate percentage shares and growth rates, respectively

Source: KIDI, Monthly Insurance Report

## Claims paid and operating expenses

(Unit: billion KRW, %)

Classification	2016	2017	2018	2019	2020
Claims paid	71,683 (7.0)	79,437 (10.8)	86,071 (8.4)	92,069 (7.0)	95,247 (3.5)
Operating expenses	8,317 (3.4)	8,677 (4.3)	9,443 (8.8)	9,626 (1.9)	9,465 (-1.7)

Note: Figures in parentheses indicate annual growth rates

Source: KIDI, Monthly Insurance Report

## Management efficiency

(Unit: %)

Classification	2016	2017	2018	2019	2020
Ratio of claims paid	59.8	69.7	77.7	78.5	79.6
Ratio of lapses and surrenders	8.5	8.5	8.8	9.0	8.6
Ratio of operating expenses	12.9	13.5	13.6	13.1	12.9

Source: KIDI, Monthly Insurance Report

## Market share by distribution channel (initial premium income)

(Unit: billion KRW, %)

Classification	2016	2017	2018	2019	2020
Direct writers	3,166 (20.5)	2,960 (24.3)	3,709 (34.0)	4,686 (37.8)	5,747 (34.9)
Solicitors	2,532 (16.4)	2,237 (18.4)	1,494 (13.7)	1,379 (11.1)	1,796 (10.9)
Agents	978 (6.3)	873 (7.2)	646 (5.9)	753 (6.1)	917 (5.6)
Brokers	11 (0.1)	14 (0.1)	17 (0.2)	22 (0.2)	21 (0.1)
Bancassurance	8,749 (56.6)	6,061 (49.7)	4,992 (45.8)	5,548 (44.8)	7,974 (48.4)
Others	35 (0.2)	40 (0.3)	45 (0.4)	8 (0.1)	8 (0.0)
Total	15,470 (100.0)	12,185 (100.0)	10,903 (100.0)	12,395 (100.0)	16,461 (100.0)

Note: Figures in parentheses indicate percentage market shares

Source: KIDI, Monthly Insurance Report

## Market concentration

(Unit: %)

	Ranking	Company	Market share				
			2016	2017	2018	2019	2020
Life	1	Samsung Life	23.3	23.1	22.7	24.1	22.2
	2	Hanwha Life	12.7	12.1	12.8	12.0	12.4
	3	Kyobo Life	10.2	10.2	11.0	10.6	11.9
	4	Mirea Asset Life	4.9	4.9	5.3	6.2	5.8
	5	Nong Hyup Life	7.9	7.1	6.8	5.7	5.3
	6	Shinhan Life	4.5	4.6	4.6	4.5	4.8
	7	Tong Yang Life	5.6	5.2	4.6	4.7	4.8
		Top 3	46.2	45.4	46.5	46.6	46.5

# Non-life insurance industry

## Direct premiums written by line

(Unit: billion KRW, %)

Classification	2016	2017	2018	2019	2020
Fire	301 (-1.0)	297 (-1.5)	275 (-7.2)	272 (-1.2)	276 (1.6)
Marine	608 (-14.3)	644 (5.9)	595 (-7.6)	600 (0.8)	704 (17.4)
Automobile	16,405 (9.4)	16,857 (2.8)	16,720 (-0.8)	17,568 (5.1)	19,613 (11.6)
Guarantee	1,591 (0.6)	1,744 (9.6)	1,954 (12.1)	1,934 (-1.0)	2,030 (5.0)
Casualty	5,468 (5.9)	5,783 (5.8)	6,198 (7.2)	6,517 (5.1)	7,077 (8.6)
Long-term	47,773 (2.6)	49,088 (2.8)	50,574 (3.0)	53,099 (5.0)	55,922 (5.3)
Annuities	3,877 (-3.6)	3,701 (-4.5)	3,516 (-5.0)	3,291 (-6.4)	2,992 (-9.1)
Pension plans <sup>2)</sup>	7,939 (24.7)	9,778 (23.1)	10,778 (10.2)	11,778 (9.3)	13,118 (11.4)
Overseas direct	536 (0.9)	445 (-16.9)	454 (2.1)	528 (16.1)	582 (10.4)
Total	84,497 (5.3)	88,333 (4.5)	91,065 (3.1)	95,586 (5.0)	102,315 (7.0)

Note: 1) The figures in parentheses indicate growth rates  
Source: KIDI, Monthly Insurance Report

2) Pension plans include retirement insurance

## Incurred losses by line

(Unit: billion KRW)

Classification	2016	2017	2018	2019	2020
Fire	155	122	132	155	187
Marine	220	164	189	198	243
Automobile	12,356	12,661	13,545	14,771	14,853
Guarantee	548	592	666	911	1,021
Casualty	3,210	3,625	4,076	4,402	4,799
Long-term	39,542	39,722	40,273	42,673	44,662
Total <sup>1)</sup>	56,031	56,886	58,880	63,110	65,765

Note: 1) Overseas direct insurance, reinsurance assumed overseas, annuities and pension plans are excluded  
Source: KIDI, Monthly Insurance Report

## Net operating expenses by line

(Unit: billion KRW)

Classification	2016	2017	2018	2019	2020
Fire	119	123	119	113	114
Marine	97	98	105	101	92
Automobile	2,875	2,998	2,868	2,807	2,885
Guarantee	243	262	299	244	261
Casualty	905	1,035	1,098	1,246	1,257
Long-term	9,144	10,169	11,299	12,821	12,989
Total <sup>1)</sup>	13,384	14,685	15,788	17,331	17,599

Note: 1) Overseas direct insurance, reinsurance assumed overseas, annuities and pension plans are excluded  
Source: KIDI, Monthly Insurance Report

## Management efficiency

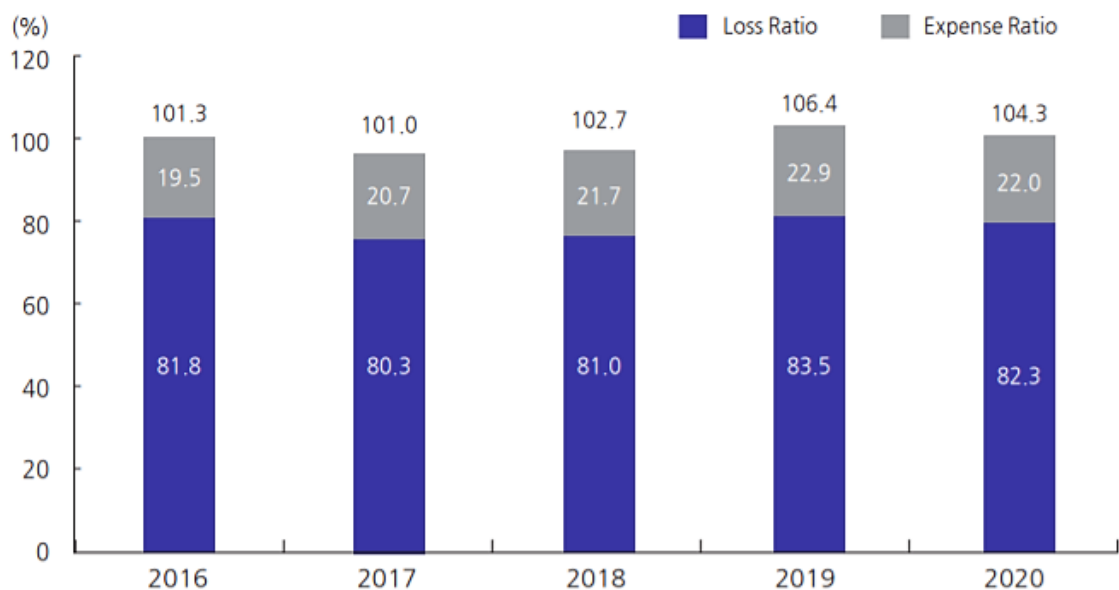
### Earned-incurred loss ratio by line

(Unit: %)

Classification	2016	2017	2018	2019	2020
Fire	56.5	48.0	51.0	64.4	82.8
Marine	73.2	55.5	65.6	71.6	82.3
Automobile	83.0	80.9	86.4	92.8	85.6
Guarantee	41.9	44.1	46.6	60.7	67.1
Casualty	67.3	69.7	72.4	73.3	78.6
Long-term	84.3	82.7	81.6	82.7	82.1
Total <sup>1)</sup>	81.8	80.3	81.0	83.5	82.3

Note: 1) Overseas direct insurance, reinsurance assumed overseas, annuities and pension plans are excluded  
Source: KIDI, Monthly Insurance Report

## Combined ratios



Note: Overseas direct insurance, reinsurance assumed overseas, annuities and pension plans are excluded  
Source: KIDI, Monthly Insurance Report

## Market share by distribution channel (total premium income)

(Unit: billion KRW, %)

Classification	2016	2017	2018	2019	2020
Direct writers	16,713 (19.8)	19,495 (22.1)	21,183 (23.3)	23,357 (24.5)	26,693 (26.3)
Solicitors	22,020 (26.1)	23,013 (26.1)	22,320 (24.5)	22,602 (23.7)	22,995 (22.6)
Agents	36,550 (43.3)	37,512 (42.5)	39,919 (43.8)	42,348 (44.3)	44,807 (44.1)
Brokers	805 (1.0)	978 (1.1)	1,127 (1.2)	1,234 (1.3)	1,331 (1.3)
Bancassurance	8,088 (9.6)	7,090 (8.0)	6,299 (6.9)	5,718 (6.0)	5,549 (5.5)
Insurance pool	323 (0.4)	245 (0.3)	216 (0.2)	240 (0.3)	293 (0.3)
Total	84,499 (100.0)	88,335 (100.0)	91,066 (100.0)	95,498 (100.0)	101,667 (100.0)

Note: 1) Figures in parentheses indicate percentage market shares

2) The premium income of pension plans is included

3) Company employees include telemarketing (TM) and computer marketing (CM)

Source: KIDI, Monthly Insurance Report

## Market concentration

(Unit: %)

	Ranking	Company	Market				
			2016	2017	2018	2019	2020
Non-life	1	Samsung Fire & Marine	23.6	25.5	23.7	23.9	23.9
	2	Hyundai Marine & Fire	17.0	16.2	16.7	15.7	16.1
	3	DB Insurance	15.5	14.9	14.7	15.5	15.6
	4	KB Insurance	12.7	12.2	12.4	12.1	12.9
	5	Meritz Fire & Marine	7.1	7.2	7.8	8.4	8.9
	6	Hanwha Non-Life	5.9	6.0	6.2	6.2	5.8
	7	Lotte Non-Life	5.2	5.0	5.7	5.8	4.2
		Top 4	68.7	68.8	67.5	67.2	68.5

Source: KIDI, Monthly Insurance Report

## KOREAN INSURANCE MARKET: GLOBAL AND REGIONAL POSITION

### Total premium volume

(Unit: billion USD, %)

Ranking	Country	Premium volume		Changes, 2019		Share of world market, 2020
		2019	2020 <sup>1)</sup>	Nominal <sup>2)</sup>	Inflation-adjusted	
1	United States	2,485	2,531	1.8	0.6	40.3
2	PR China	617	656	6.2	3.6	10.4
3	Japan	428	415	-3.0	-5.4	6.6
4	UK	364	338	-7.0	-8.0	5.4
5	Germany	249	259	3.8	1.2	4.1
6	France	260	231	-11.2	-13.3	3.7
7	Korea	179	194	8.2	5.1	3.1
8	Italy	168	162	-4.0	-5.2	2.6
9	Canada	135	143	6.4	6.8	2.3
10	Taiwan	118	113	-3.8	-7.8	1.8

Note: 1) It is an estimated value 2) Nominal growth rates adjusted for exchange rates and inflation  
Source: Swiss Re (2021), Sigma, No 3

The Korean insurance market ranked seventh in total premium volume, with a market share of 3.1% globally.

### Insurance penetration

(Unit: %)

	2018			2019			2020		
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
Korea	6.1	5.1	11.2	5.8	5.0	10.8	6.4	5.2	11.6
World	3.3	2.8	6.1	3.4	3.9	7.2	3.3	4.1	7.4

Source: Swiss Re (2021), Sigma, No 3

The insurance penetration ratio of Korea was 11.6% in 2020, ranked the sixth in the world.

### Insurance density

(Unit: USD)

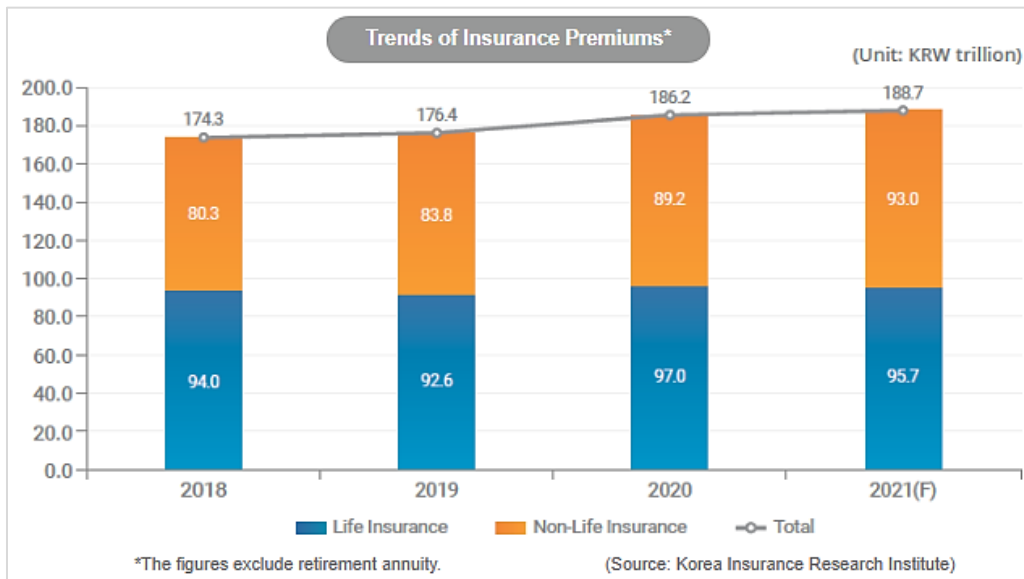
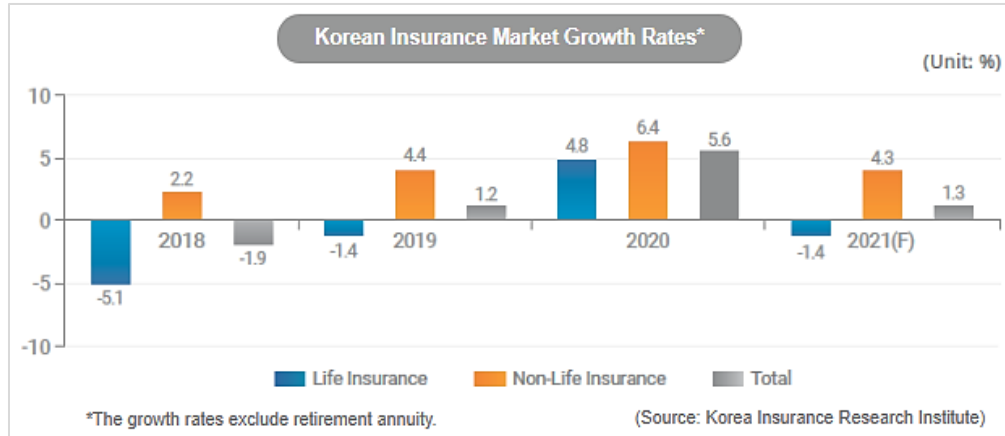
	2018			2019			2020		
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
Korea	1,898	1,567	3,465	1,822	1,544	3,366	2,050	1,691	3,741
World	370	312	682	379	439	818	360	449	809

Source: Swiss Re (2021), Sigma, No 3

The insurance density of Korea reached 3,741 USD in 2020, ranked the sixteenth in the world.



# KOREAN INSURANCE MARKET: REVISED INSURANCE MARKET OUTLOOK FOR 2021



**Insurance Market Growth Outlook** (Unit: KRW trillion)

	2018		2019		2020		2021(F)	
	Premium	Growth Rate(%)	Premium	Growth Rate(%)	Premium	Growth Rate(%)	Premium	Growth Rate(%)
Life	110.8	-2.7	117.3	5.8	119.6	2.0	121.7	1.7
- Excluding retirement annuity	94.0	-5.1	92.6	-1.4	97.0	4.8	95.7	-1.4
Non-Life	91.1	3.1	95.6	5.0	102.3	7.0	107.2	4.8
- Excluding retirement annuity	80.3	2.2	83.8	4.4	89.2	6.4	93.0	4.3
Total	201.9	-0.2	212.8	5.4	221.9	4.3	228.9	3.1
- Excluding retirement annuity	174.3	-1.9	176.4	1.2	186.2	5.6	188.7	1.3

\*Individual figures may not add up to the total shown due to rounding. (Source: Korea Insurance Research Institute)

