



Korean Insurance Industry Trend 4Q 2019

I. Overview

1. Life Insurance

- The net income of Korean life insurers turned to surplus at 61 billion won for the Q4 of 2019 from -6 billion won for the Q4 of 2018.
- The deficits from underwriting¹⁾ for the Q4 of 2019 decreased to 6.38 trillion won from 6.77 trillion won for the Q4 of 2018.
 - The profits from investment decreased to 5.24 trillion won for the Q4 of 2019 from 5.60 trillion won for the Q4 of 2018.
- The total assets of Korean life insurers at the end of the Q4 of 2019 was 918 trillion won, rose by 1.5% compared to those at the end of the Q3 of 2019.
- Return on equity (ROE) was 3.75% for the Q4 of 2019, reduced by 1.8%p compared to the Q4 of 2018.

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

(Unit: billion won, %)

		2018		2019				
		Q4	Full year	Q1	Q2	Q3	Q4	Full year
Net Balance	Underwriting	-6,768	-23,638	-5,786	-6,040	-6,220	-6,375	-24,420
	Investment	5,599	24,113	6,257	6,068	6,343	5,239	23,907
	Others	1,106	4,873	1,138	1,119	1,106	1,109	4,471
	Total	-63	8,348	1,608	1,147	1,229	-27	3,958
Net Income ¹⁾		-6	4,032	1,264	865	929	61	3,118
		(-105.7)	(3.0)	(2.5)	(-54.9)	4.4	(-1102.3)	(-22.7)
Total Asset ²⁾		857,198	857,198	876,293	890,299	904,641	918,166	918,166
		(0.7)	(2.9)	(2.2)	(1.6)	(1.6)	(1.5)	(7.1)
Return on Equity ³⁾		5.55	5.55	6.62	5.39	5.02	3.75	3.75

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 23 billion won for the Q4 of 2019, dropped by 93.1% from 337 billion won for the same quarter of the previous year.
 - The underwriting deficit for the Q4 of 2019 increased by 0.97 trillion won compared to the Q4 of 2018.
 - The profits from investment for the Q4 of 2019 increased by 1.51 trillion won from 1.85 trillion won for the Q4 of 2018.
- Total assets of Korean non-life insurance sector at the end of the Q4 of 2019 was 321 trillion won, increased by 0.6% compared to the Q3 of 2019.
- Return on equity (ROE) was 5.48% for the Q4 of 2019, dropped by 3.38%p compared to the Q4 of 2018.

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

(Unit: billion KRW, %)

		2018		2019				
		Q4	Full year	Q1	Q2	Q3	Q4	Full year
Net Balance	Underwriting	-1,327	-3,132	-1,061	-1,197	-1,465	-2,298	-6021
	Investment	1,847	7,736	2,067	2,226	2,453	2,384	9129
	Others	-72	-193	-23	-15	-16	-40	-94
	Total	448	4,411	983	1,014	971	46	3014
Net Income ¹⁾		337	3,253	719	766	715	23	2,223
		(7.8)	(-15.6)	(-18.4)	(-37.5)	(-11.7)	(-93.1)	(-31.7)
Total Asset ²⁾		298,041	298,041	304,116	312,327	318,971	320,751	320,751
		(2.8)	(7.6)	(2.0)	(2.7)	(2.1)	(0.6)	(8.9)
Return on Equity ³⁾		8.86	8.86	7.40	7.40	7.12	5.48	5.48

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 Q4 of 2019 was 39.1 trillion won, rose by 18.6% compared to the Q4 of 2018.
 - Protection-type²⁾ insurance premiums increased by 4.5%, as new product sales increased.
 - Premiums of both endowment and pure endowment dropped by 12.4% and 4.7%, respectively.
 - Variable insurance premiums reduced by 4.1% as stock market volatility increased.
 - Group insurance premiums grew by 64.3% due to increased sales of retirement pension.

Table 3. Life Insurance Premiums by Product Type¹⁾

(Unit: billion won, %)

		2018		2019				
		Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Life Total		32,949	110,843	25,599	26,647	25,951	39,065	117,262
		(2.2)	(-2.7)	(-2.0)	(-0.1)	(3.4)	(18.6)	5.8
Individual		22,787	93,209	22,934	3,235	23,321	22,367	91,858
		(-2.3)	(-5.2)	(-3.4)	(-0.2)	(-0.4)	(1.8)	(-1.4)
Fixed	Protection-type	10,307	40,808	10,454	10,640	10,664	10,770	42,528
		(3.2)	(2.3)	(3.4)	(4.5)	(4.4)	(4.5)	(4.2)
	Endowment	3,705	15,903	3,641	3,758	3,915	3,210	14,525
		(-3.1)	(-17.0)	(-10.4)	(-5.4)	(-6.0)	(-12.4)	(-8.7)
	Pure Endowment	4,382	17,664	4,428	4,291	4,220	4,177	17,117
		(-4.9)	(-10.0)	(-2.6)	(-1.6)	(-3.6)	(-4.7)	(-3.1)
Variable		4,392	18,835	4,410	4,545	4,522	4,210	17,687
		(-10.3)	(-4.0)	(-12.3)	(-4.5)	(-2.8)	(-4.1)	(-6.1)
Group ²⁾		10,163	17,634	2,664	3,413	2,629	16,698	25,405
		(13.8)	(12.5)	(12.4)	(0.4)	(54.7)	(64.3)	44.1

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

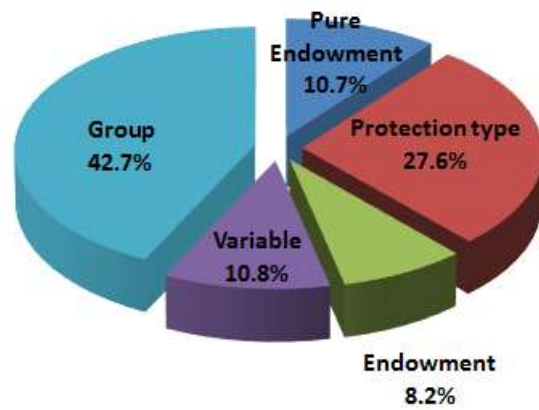
2) Group insurance includes general group insurance and pension plans

Source: FSS, Monthly Insurance Report

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

- While the share of group insurance for the Q4 of 2019 increased compared to the Q4 of 2018, the share of protection type, variable, pure endowment, and endowment insurance decreased.
 - The share of group insurance increased by 11.9%p to 42.7% from the Q4 of 2018.
 - The share of protection-type, variable, pure endowment, and endowment insurance decreased by 3.7%p, 2.6%p, 2.6%p, and 3.0%p, respectively, compared to the Q4 of 2018.

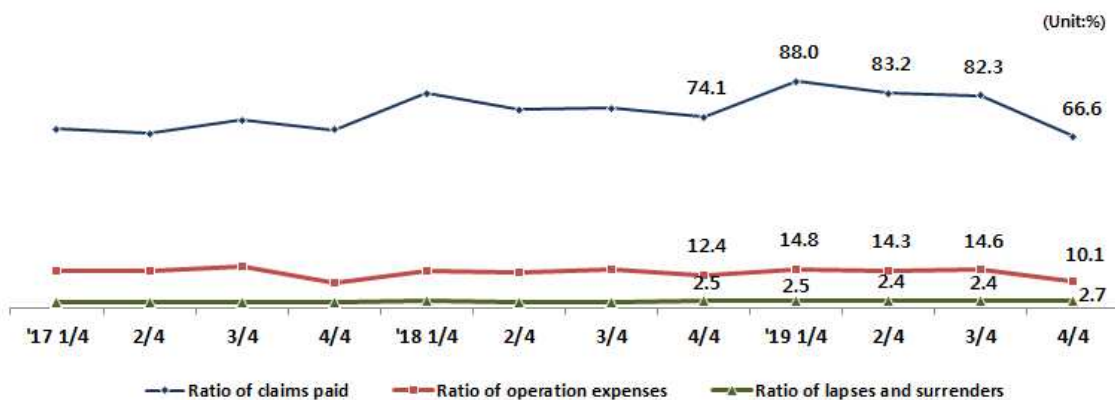
Figure 1. Life Insurance Product Mix as of December 31, 2019



Source: FSS, Monthly Insurance Report

- The ratio of claims paid by Korean life insurers dropped by 7.5%p to 66.6% for the Q4 of 2019 from 74.1% for the Q4 of 2018.
 - The ratio of operating expenses decreased by 2.3%p to 10.1% for the Q4 of 2019, from 12.4% for the Q4 of 2018.
 - The ratio of lapses and surrenders increased by 0.2%p to 2.7% for the Q4 of 2019 from 2.5% for the Q4 of 2018.

Figure 2. Claims Paid and Operating Expenses



Source: FSS, Monthly Insurance Report

2. Non-life Insurance

- The premium income³⁾ of the non-life insurance sector for the Q4 of 2019 rose to 28.7 trillion won.
 - Long-term insurance premium increased by 5.6% due to the intensified sales competition of accident and sickness insurance.
 - Auto insurance premium jumped by 7.3%, led by insurers' increasing premium rate.
 - Premium income of general insurance reduced by 1.8%, and annuities premiums recorded a growth of 2.7%.

Table 4. Direct Premiums Written by Line¹⁾

(Unit: billion KRW, %)

	2018		2019				
	Q4	Full year	Q1	Q2	Q3	Q4	Full year
Non-life	27,457 (3.7)	91,065 (3.1)	21,921 (3.3)	22,969 (5.8)	22,042 (6.6)	28,653 (4.4)	95,586 (5.0)
Long-term	12,798 (4.4)	50,574 (3.0)	12,969 (3.9)	13,193 (4.8)	13,419 (5.6)	13,518 (5.6)	53,099 (5.0)
Automobile	4,251 (5.9)	16,720 (-0.8)	4,257 (1.2)	4,384 (4.0)	4,363 (7.8)	4,563 (7.3)	17,568 (5.1)
General	2,542 (14.3)	9,477 (6.3)	2,512 (4.0)	2,580 (6.6)	2,262 (7.7)	2,497 (-1.8)	9,850 (3.9)
Annuities ²⁾	7,867 (-1.2)	14,294 (6.1)	2,184 (3.1)	2,812 (13.4)	1,998 (9.3)	8,075 (2.7)	15,069 (5.4)

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

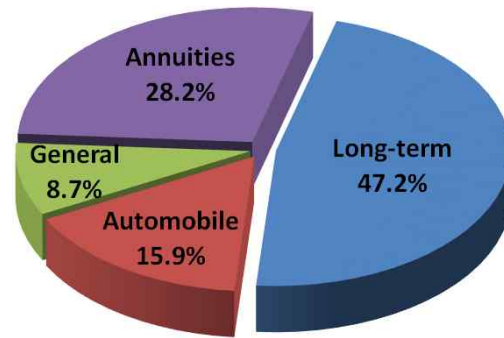
2) Annuities include individual annuity, and retirement insurance, and pension plan

Source: FSS, Monthly Insurance Report

3) Direct premiums written

- While the share of long-term insurance and automobile insurance increased, that of general insurance and annuities decreased over the previous year.
 - The share of long-term insurance and automobile insurance increased by 0.6%p, 0.4%p, respectively, compared to the Q4 of 2018.
 - The share of general insurance and annuities decreased to 8.7%, 28.2%, respectively.

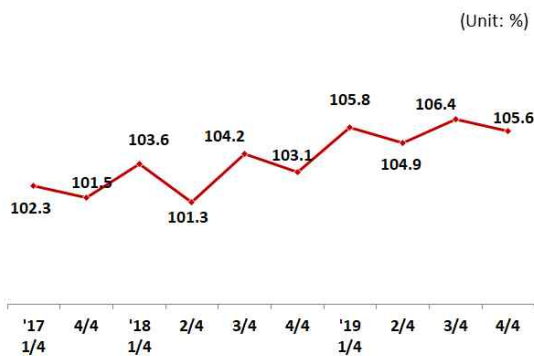
Figure 3. Non-life Insurance Product Mix as of December 31, 2019



Source: FSS, Monthly Insurance Report

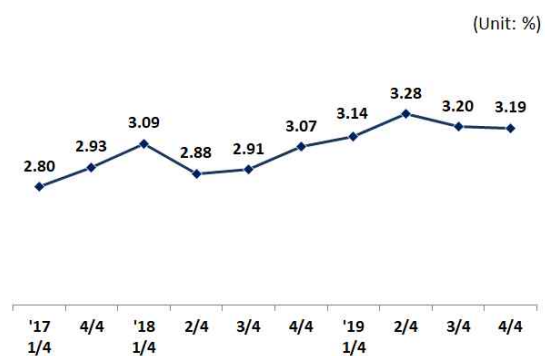
- The combined ratio of non-life insurance for the Q4 of 2019 increased to 105.6% from 103.1% for the Q4 of 2018.
 - Loss ratio increased to 88.1% from 87.1% for the Q4 of 2018, and the expense ratio rose to 17.5% from 16.0% for the Q4 of 2018⁴⁾.
 - The ratio of lapses and surrenders in long-term insurance was 3.19%, which increased by 0.12%p compare to the Q4 of 2018.

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

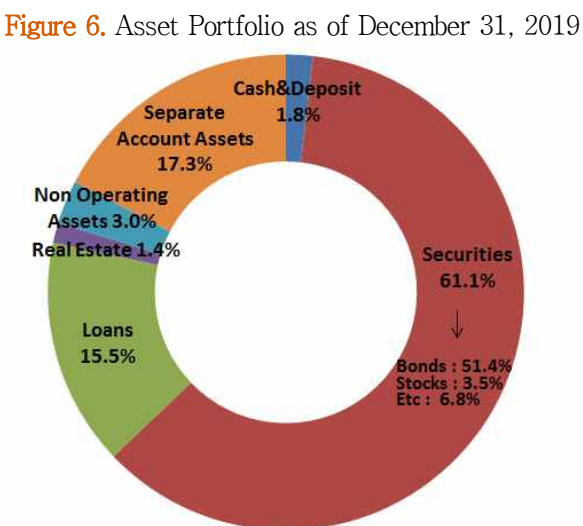
4) The combined ratio is the sum of the loss ratio and the expense ratio. There may be some discrepancies due to rounding

III. Asset Management

1. Life Insurance⁵⁾

<Asset Portfolio>

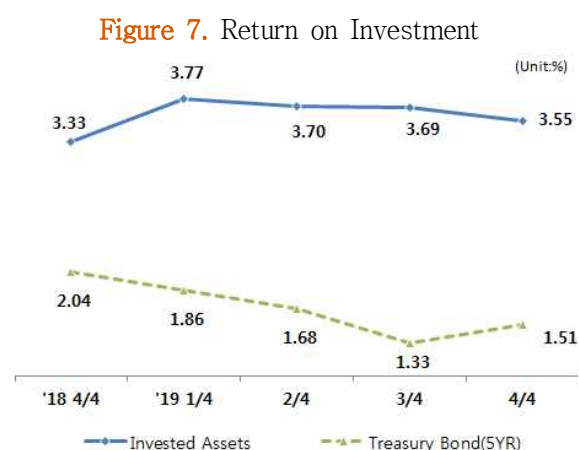
- Securities accounted for 61.1% of the total assets of life insurers at the end of the Q4 of 2019.
 - Bonds and stocks took 51.4% and 3.5% of the total assets of life insurers, respectively.
- Loans took 15.5% of the total assets of life insurers.
- Non-operating assets, real estate, and cash and deposit accounted for 3.0%, 1.4%, and 1.8%, of the total assets of life insurers, respectively.
- Assets in separate account⁶⁾ accounted for 17.3% 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 Q4 of 2019 decreased to 3.55% from 3.69% for the Q3 of 2019.
 - The treasury bond (5 years) yield turned to rise by 0.18%p to 1.51% for the Q4 of 2019 from 1.33% for the Q3 of 2019.



Source: FSS, Monthly Insurance Report

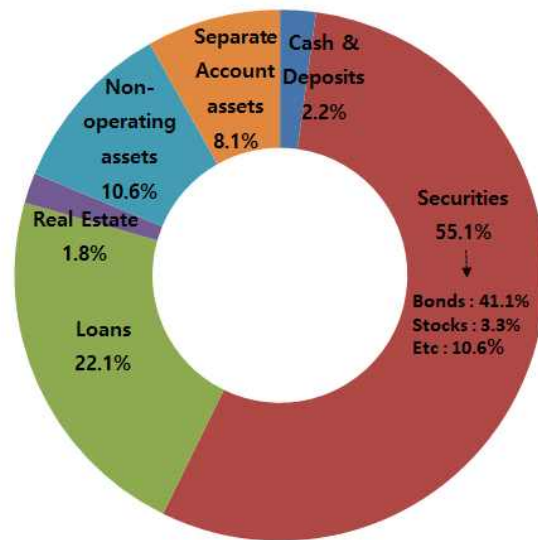
5) The Q2 of 2018 is calculated by excluding the error reports of one life insurance company

6) Assets from variable insurance and pension plans

2. Non-life Insurance

<Asset Portfolio>

- Securities took 55.1% of the total assets of non-life insurers at the end of the Q4 of 2019.
 - Bonds and stocks in securities took 41.1% and 3.3% of the total assets of non-life insurers, respectively.
- Loans are the second-largest asset with a share of 22.1%.
- Non-operating assets, cash and deposits, and real estate took 10.6%, 2.2%, and 1.8%, respectively.
- Separate account assets accounted for 8.1%.

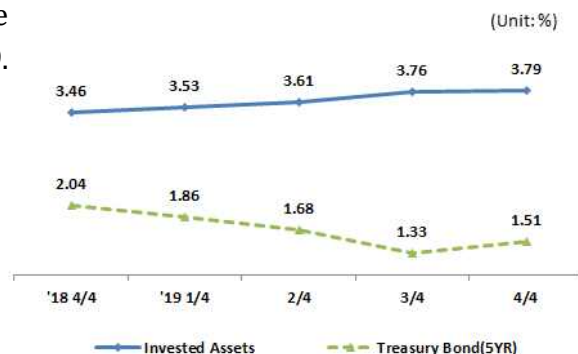


Source: FSS, Monthly Insurance Report

<Return on Investment>

- Return on investment of the non-life insurance sector for the Q4 of 2019 rose to 3.79% from 3.76% for the Q3 of 2019.

Figure 9. Return on Investment



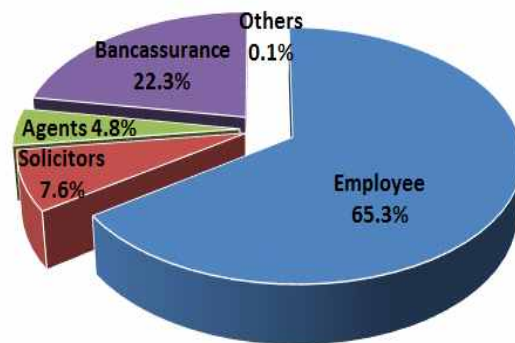
Source: FSS, Monthly Insurance Report

IV. Distribution Channel

1. Life Insurance

- The share of employee channel in terms of initial premiums took 65.3%, rose by 5.7%p compared to the Q4 of 2018.
 - Bancassurance was 22.3% for the Q4 of 2019, declined by 4.7%p compared to the Q4 of 2018.
 - Solicitors accounted for 7.6%, declined by 1.2%p compared to the Q4 of 2018.
 - Agents accounted for 4.8%, rose by 0.3%p compared to the Q4 of 2018.

Figure 10. Life Insurance Distribution Channel as of December 31, 2019

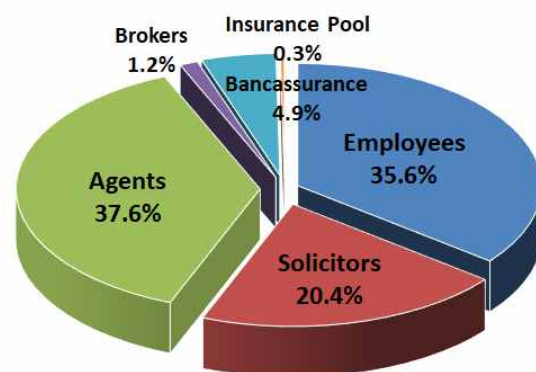


Source: FSS, Monthly Insurance Report

2. Non-life Insurance

- For the Q4 of 2019, agents took the largest share of distribution channels for the non-life insurers in terms of direct premiums.
 - The share of employees and brokers was 35.6%, 1.2%, rose by 1.1%p, 0.1%p compared to the Q4 of 2018, respectively.
 - The share of agents and bancassurance was 37.6%, 4.9%, declined by 0.3%p, 0.9%p compared to the Q4 of 2018, respectively.

Figure 11. Non-life Insurance Distribution Channel as of December, 31, 2019



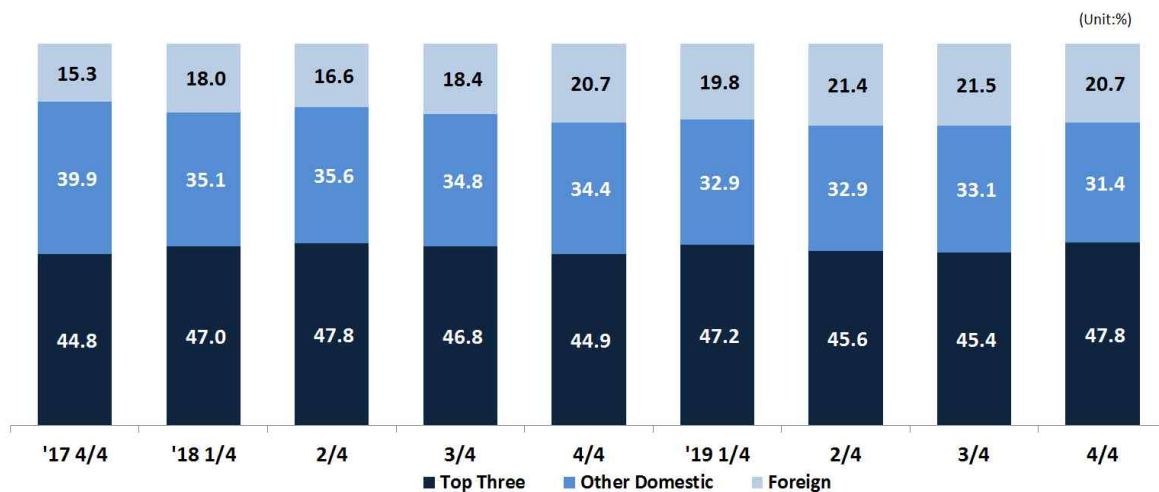
Source: FSS, Monthly Insurance Report

V. Market Competition

1. Life Insurance

- For the Q4 of 2019, the market share of the top three life insurers⁷⁾ increased while that of other domestic life insurers decreased from the Q4 of 2018.
 - The market shares of top three life insurers and other domestic life insurers took 47.8% and 31.4% of the premium income, respectively.
 - The market share of foreign life insurers took 20.7% for the Q4 of 2019, the same as the Q4 of 2018⁸⁾.

Figure 12. Premium Income by Company Group



Source: FSS, Monthly Insurance Report

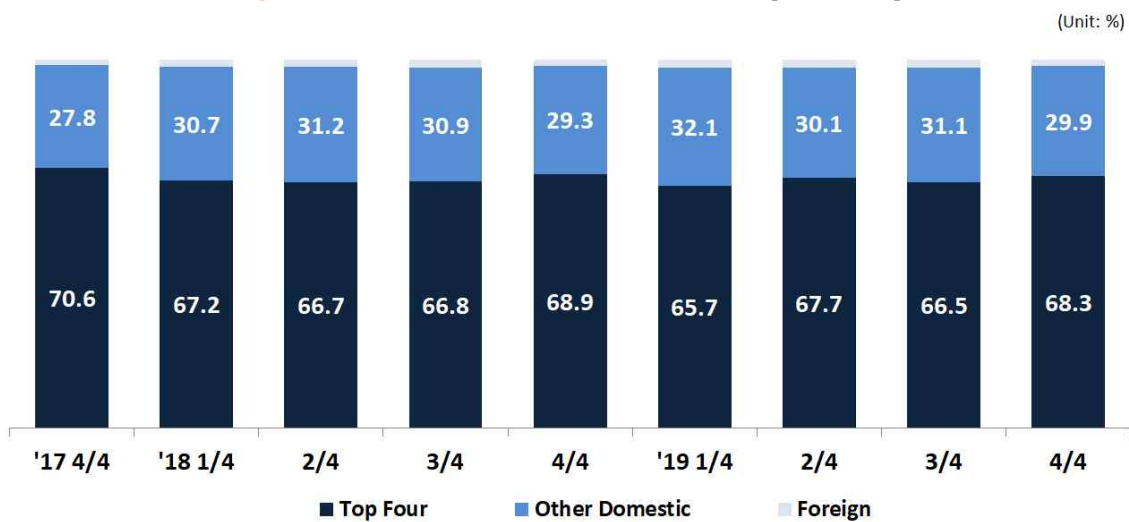
7) The top three life insurers are Samsung Life Insurance Co. Ltd., Hanhwa Life Insurance Co. Ltd. and Kyobo Life Insurance Co. Ltd

8) As Mirae Asset Life Insurance merged with PCA Life on March 2018, PCA Life was excluded from foreign insurers in the Q2 of 2018 and Fubon Hyundai was included in foreign insurers in the Q3 of 2018 with the largest shareholder change of Hyundai life

2. Non-life Insurance

- The market share of the top four non-life insurers decreased by 0.6%p to 68.3% for the Q4 of 2019 from 68.9% for the Q4 of 2018.
 - The market share of other domestic non-life insurers⁹⁾ for the Q4 of 2019 was 29.9%.
 - The market share of foreign non-life insurers took 1.8%, the same as the 4Q of 2018.

Figure 13. Direct Premiums Written by Company Group



Source: FSS, Monthly Insurance Report

9) 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 Dongbu Insurance Co., Ltd.