The growth of the Korean insurance industry remained sluggish. Life insurance premium growth rate is projected -0.7% in 2017 and expected to inch up to 0.3% in 2018 while non-life insurance premium is expected to grow 3.0% in 2017 and 2.5% in 2018.

The reduction of savings type insurance products is the prominent reason for low premium growth, and several factors affected the reduction: low interest rates, adoption of the IFRS 17 and resulting implementation of the K-ICS, sales fee restructuring, and change in tax benefits for savings type insurance products. The premiums from protection type insurance products are also declining for the past couple years due to market saturation.

Market interest rates have increased as the growth rate of the Korean GDP has gone up due to increasing exports in information and technology products. The increase in interest rates should positively affect insurance industry while the burden of household debt would be more onerous to bear. The increase in the burden of household debt may result in the increase in the lapse ratios and the decrease in insurance products as disposable household income shrinks.

In response to the weakening growth potential of insurance industry amid regulatory and socio-demographic changes, insurance companies should find another source of growth based on their own core competence, focus on long-term corporate values rather than short-term profits and align their risk management with regulatory changes. As insurance demands shrink and lapse ratios in life insurance swell, health and retirement income risks in low income households would increase and this is why insurance companies should assume and play more important roles as social safe net.

Finally, insurance companies should respond preemptively to the advent of
the fourth industry revolution as the revolution might bring unprecedented risks to the market.