

Korean Insurance Industry 2000

2001.3

Korea Insurance Development Institute

Foreword

The Korean economy is now undergoing the restructuring process after the economic turmoil of 1997. The Korean government launched a series of major reforms including monetary policy independence of the central bank and new regulatory structures in the financial industry. The government also lifted the foreign ownership cap of no more than the fifty percent of Korean companies in order to increase competition, transparency, and efficiency.

The insurance industry is not outside this reforms. The Korean insurance market has experienced huge changes over the various issues including operation systems, market structures, and supervision systems in recent years, especially after the accession to the OECD in 1996 and the financial crisis in the end of 1997. Market opening and liberalization were implemented faster than scheduled during the process of the accession. The major changes included the introduction of the broker system, the liberalization of reinsurance industry, the remove of the ENT (Economic Necessity Test) system, and the allowance of cross-border transactions.

The Korean government has introduced sustainable measures to deregulate the insurance market similar to them taken in other financial areas such as the banking and the security markets since 1998. The major measures include the remove of entry barriers, the enhancement of transparency in the licensing procedures, the introduction of variations in minimum paid-in capital, and the liberalization of a foreign liaison office and the establishment of insurance related institutions. However, the price liberalization is the most significant change in this deregulation process.

These measures have significantly affected the insurers in operating their business. The insurance companies should have to improve their service quality to survive in the more competitive environment.

Furthermore, corporate governance and internal control rules require the insurers to satisfy consumers' needs more than ever before. On the other hand, the insurers begin to find themselves in the middle of the financial institute convergence, which accelerates competition in the financial industry.

The purpose of this book is to meet many requests for the information about the rapidly changing Korean insurance industry. We hope this book can serve its purpose to many insurers and investors abroad.

I would like to express my appreciation for the endeavor of Dr. Jaehyun Kim, Mrs. Kyong Hee Lee, Mr. Hae Sik Kim, Dr. Se Chang Jung, Mr. Soon Il Kwon in preparing this book. I also would likely to thank Mr. Seong Moon Yang for his helpful comments on the integrity of this book. Thanks must be extended to Mr. Alex Im who kindly read this book and gave useful comments.

Thank You.

Park, Sung Wook

President and Chairman

Korea Insurance Development Institute

Contents

General Information	1
Market Environments and Regulations	15
Life Insurance Industry	41
Non-Life Insurance Industry	55
<Appendex>	75

General Information

Country Profile	3
Geography	3
Topography	4
Climate	4
Language	4
Religion	5
Government and Politics	5
Population and Demographic Trends	5
Population	5
Life Expectancy	6
Economy	7
Economic Development	7
Economic Indicators	8
Gross Domestic Products	8
Current Account Balance	9
Inflation	10
Interest Rate	10
Exchange Rate	11
Employment	12
Stock Price	12

Country Profile

Formal Name: Republic of Korea.

Short Form: South Korea.

Language: Korean

Capital: Seoul (population of 10.4 million in 1997)

Other major Cities: Pusan, Taegu, Inchon, Kwangju, Taejon, Ulsan

Geography

South Korea is located in the southern part of the Korean peninsula, which is bordered by the Yalu and Tumen Rivers to China to the North. The other three sides are bounded by sea. To the East lies the East Sea (known in the world as the Sea of Japan), to the South the Korean Strait, and to the West the Yellow Sea. The total land area of the peninsula, including the islands, is 220,847 square kilometers.

South Korea is bounded to the north by the Demilitarized Zone (DMZ), which separated the country from North Korea (Democratic People's Republic of Korea) after the Korean War in 1953. The territory of the Republic of Korea of which the size is about the size of Portugal and Hungary accounts for approximately 45 percent of the total land area of the Korean peninsula.

Topography

The general character is mountainous or hilly, which accounts for approximately 70 percent of the land. The principal mountain range (Taebaek) runs south along the east coast bracing out below 37° latitude and extends toward the south-west (Sobaek range and Chiri Massif). The mountains cause the east coast to be rocky and rugged while the West of the country is flatter down to the coast. Almost all available land is intensively cultivated. The tallest mountain is Mount Halla at 1,950 meters, a volcanic cone located on Cheju Island. The longest rivers are the Naktong River, 521 kilometers in length and the Han River, which flows through Seoul, 514 kilometers in length.

Climate

Korea has a wide variety of climate: cold and dry winter; hot and humid summer with late monsoon rains. Spring and autumn are pleasantly warm and dry. Average temperature of Seoul in January ranges from -5 ° C to -2.5 ° C; July, from 22.5 ° C to 25 ° C. Annual rainfall averages more than 100 centimeters; two-thirds of precipitation falls between June and September in which the country is regularly afflicted by typhoons.

Language

The official language of the country is Korean. There are no significant linguistic minorities. It has the same roots as Turkish and Mongolian but is much influenced by Chinese. Regional dialects of Korean are mutually intelligible.

Religion

Religious freedom is guaranteed by the Constitution. With a great diversity of religious tradition, the main religion is Buddhism. However, the influence of Christianity is stronger in Korea than in any Asian countries apart from the Philippines.

Government and Politics

The Constitution of the Eighth Republic was effective in 1998 under the strong presidency. The president is elected for a five-year-term by direct popular vote. Almost all of the National Assembly member are elected by popular vote for four-year-term and the rest is appointed by the political parties according to a proportional formula.

Korea has nine provinces and seven provincial-level cities. Provinces divide into counties and ordinary cities; counties into townships and towns; townships into villages. While there has been a strong central government leadership, Korea has witnessed a trend of increasing local self-government in recent years.

Population and Demographic Trends

Population

The last census held in 1995 indicated a population of 44,608,726 of which three-quarters were urban dwellers. The population density is 437.7 people per square kilometer which makes Korea exhibit the third highest population density in the world after Taiwan and Bangladesh.

The rate of population growth has declined in recent years, from a high of almost 3 percent two decades ago to 0.98 percent in 1997. This is a result of successful family planning programs and marriages at older ages.

A recent demographic trend is a growing gender imbalance, resulting from male preference in Korean society. In 1993, 115.6 male babies were born for every 100 female babies and there are now over 120 male children under age 4 to every 100 female children under age 4. However, the gender imbalance is shifting slightly as the social status of women improves.

The population is relatively young with only 6.5 percent of the population aged 65 or over being supported by over 60 percent of working age. Korea does not have aging problems that afflicts social security systems of many other developed countries in the world. However, as the aging problem will be inevitable soon due to the reducing birth rate and increasing life expectancy.

Life Expectancy

Life expectancy at birth, which was 70.56 years for males and 78.12 for female in 1997, has improved dramatically in the last five decades, especially for females.

The birth rate is 15.6 per 1,000, the death rate is 5.8 per 1,000 and infant mortality in 1997 was 8 per 1,000, reflecting a remarkable improvement in health condition compared to 115 per thousand in 1950. Nearly all Koreans are provided with public medical insurance benefits.

Summary Statistics of Population by Age

Age Range	1986		1992		1996	
	Number (thousand)	%	Number (thousand)	%	Number (thousand)	%
0 to 9	7,682	18.6	6,757	15.4	6,958	15.0
10 to 19	8,830	21.4	8,173	18.7	7,279	15.7
20 to 64	22,902	55.6	26,473	60.5	29,142	62.8
over 65	1,800	4.4	2,345	5.4	3,051	6.5
total	41,214	100.0	43,748	100.0	46,430	100.0

Economy

Economic Development

Korean economic success has been phenomenal during the past three decades. The average annual growth rate of the Gross National Product (GNP) reached nearly nine percent in real terms, and nominal per capital GNP grew from USD 87 in 1962 when economic development planning started, to over USD ten-thousand in 1996. Simply, strong leadership of government and condensed investments on a small number of conglomerates known as "chaebols", which lead in export-oriented manufacturing, have contributed to this astonishing "tiger" economy.

However, the Korean economy is facing a crucial turning point today. The rapid economic expansion came to a spectacular end in 1997. The economy collapse began as Korea and the world realized that Korean companies were heavily over-indebted and the banking system sustained those unsound companies through inappropriate loans. Especially, massive over-investment had been made in unprofitable industries such as the steel and automobile industries. Therefore, the

value of the currency and stock market prices collapsed suddenly, notwithstanding a USD 57 billion bailout from the IMF and an agreement from the world's banks to reschedule over USD 1000 billion of private sector debt.

The Korean economy is now undergoing a restructuring process for industrial companies as well as the financial system. Major economic reforms based on liberalization of the economy are implemented to increase competition and efficiency. The Korean government launched a series of major reforms including monetary policy independence for the central bank, new structures for the regulation of the financial industry, and the lifting of the fifty percent foreign ownership limit on Korean companies. However, increasing number of corporate bankruptcies, bank failures, unemployment were inevitable for the Koreans.

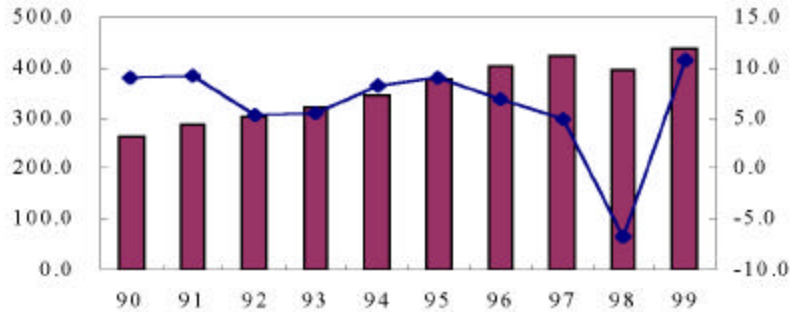
In 2000, after the painful restructuring processes, the Korean government declared "graduation from the IMF bail-out". Although the economic signs appear to be positive, the country still has many obstacles to overcome the current economic recession. Many regard the successful financial system reform as a key in reviving the Korean economy.

Economic Indicators

Gross Domestic Products

Nominal GDP figures and growth rate of GDP for the 1990s are shown in the figure on page 7. In fact, as a result of the current economic crisis the real GDP recorded a -7.9 percent increase in 1998 but surged to 10.7 percent in 1999, respectively. It is a sign of economy recovery, mainly due to rising exports.

Gross Domestic Product and Growth rate (KRW trillion)

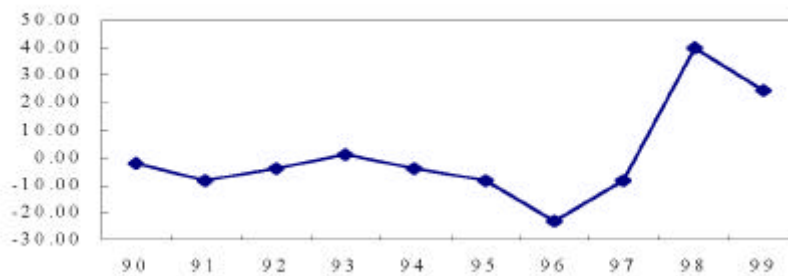


Source: National Statistical Office

Current Account Balance

The current account balance had been chronically in the red until recent years, mainly due to the economy depending heavily on raw material imports. Recently, however, it turned into positive because of rising exports, bolstered by semiconductors, computers and communication equipments. The account balance in US Dollars for the 1990s is shown in the graph below.

Current Account Balance (USD billion)

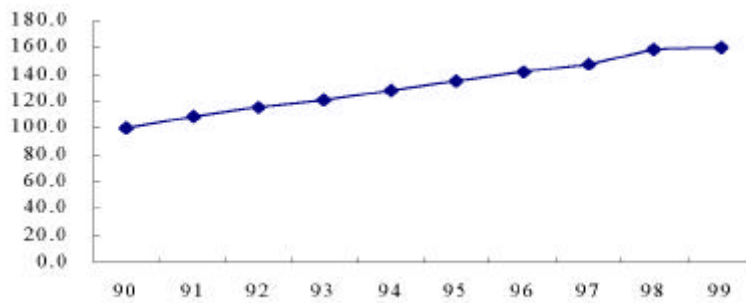


Source: National Statistical Office

Inflation

Annual consumer price index (CPI) for the 1990s is shown in the graph below. The CPI increased relatively high in 1998, as the depreciation of the Won affected the prices of imported goods and commodities.

Consumer Price Index (CPI, 1990=100)

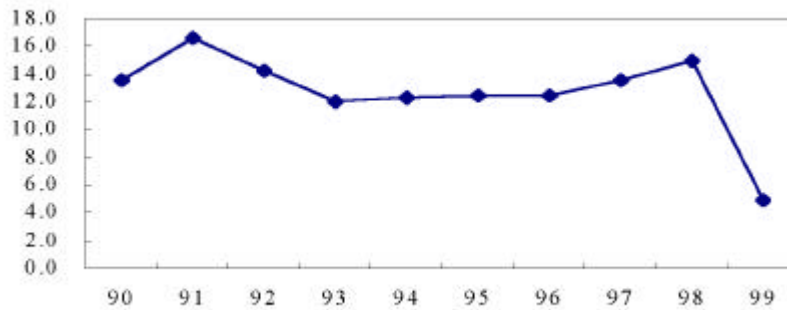


Source: National Statistical Office

Interest Rate

Traditionally, Korea has shown relatively high interest rates because of the gap between supply and demand of investment. However, the Korean economy currently experiences low interest rates. One of major reasons is the government intervention to release interest burden from the financial and industrial sectors. Interest rates are not expected to increase in the near future.

Overnight Call Rate (%)

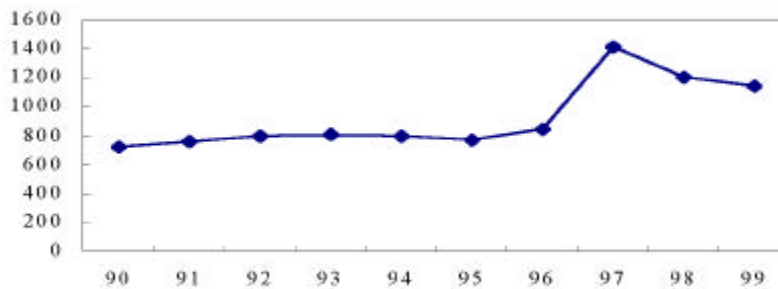


Source: The Bank of Korea

Exchange Rate

The exchange rate skyrocketed when the economic crisis hit the Korean economy. At the peak of economic turmoil in late 1997 the exchange rate increased to more than twice of the rate of 1996. However, the high exchange rate boosted export, thereby helping the Korean economy recover. The exchange rate has become much more stabilized today.

KRW / USD Exchange Rate

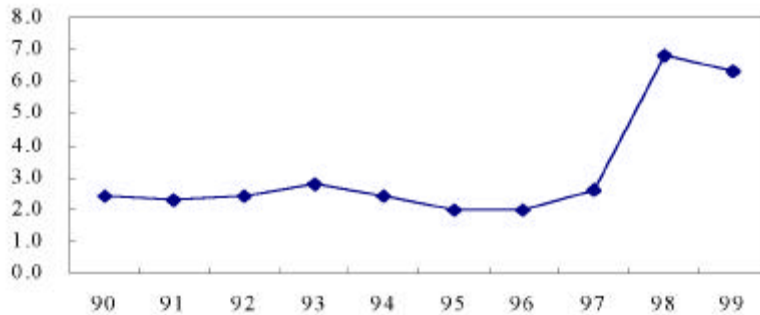


Source: Ministry of Finance and Economy

Employment

The percent of the working population unemployed over the last 10 years is shown in the following figure. Unemployment has increased dramatically in 1998 as a result of bankruptcies, industrial restructuring and labor law reform. In 1999 the unemployment rate decreased as the economic condition improved.

Unemployment Rate (%)

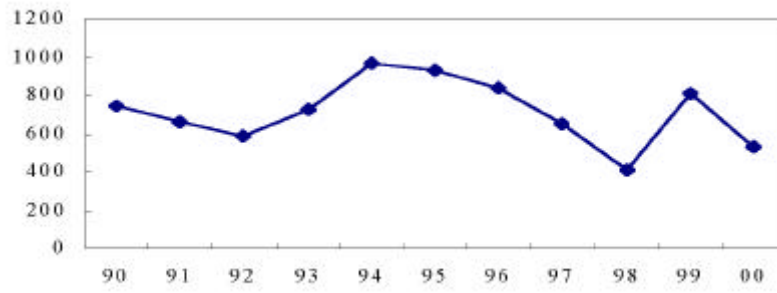


Source: National Statistical Office

Stock Price

Stock market failure is another symptom of the current economic trouble. As one of the deregulations following the economic crisis, the government allowed foreigners to acquire more than fifty percent of the ownership of a Korean company in order to sustain the stock market. Nonetheless, the stock value has decreased by more than half in 2000.

Korea Stock Price Index (KOSPI)



Source: Ministry of Finance and Economy

Market Environments and Regulations

Market Environments	17
Overview	17
Total Premium Incomes and Assets	19
Market Structure	22
Savings by Financial Services Sector	26
Regulations	28
Insurance Business Law and Related Laws	28
Insurance Supervisory Authorities	29
Compulsory Insurance	30
Deregulation	30
Premium Rate Liberalization	30
Products Filing	31
Focus on Financial Strength	32
Solvency Margin Test and Reserve Valuation Standard	32
Investment and Forward Looking Criteria	34
Enhanced Transparency	36
Accounting and Reporting	36
Lifted Entrance Barriers	38
Corporate Governance	39

Market Environments

Overview

The Korean insurance market has experienced huge changes in various issues including operation systems, market structures, and supervision systems in recent years, especially due to the financial crisis in the end of 1997. In the process of reform, insurance companies confronted a wide variety of difficulties such as overwhelming lapses, short liquidities, and staggering deficits.

Fortunately, the insurance industry recovered from the recession in 1999, due to the improved national economic status and successful insurance industry reform.

The per capita insurance premium, which represents insurance density, amounted to KRW 1,306,223 (USD 1,023) as of 1999, ranking 22nd highest in the world, while total insurance premiums reached KRW 61,207 billion (USD 47.9 billion), ranking 7th largest in the world. However, total insurance premium dropped significantly in 1998, mainly due to a severe recession in wake of the financial crisis.

Insurance Density: Premiums per capita

unit	1997			1998			1999		
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
KRW(000)	1,064	355	1,419	999	307	1,306	998	308	1,306
USD	929	303	1,232	769	265	1,034	761	262	1,023

Sources: 1) National Statistics Office, Korean Statistics Yearbook, various issues.

2) Swiss Re, *Sigma*, various issues.

Expenditure for insurance as the percent of personal income, which represents insurance penetration, reached 11.3 percent in 1999, ranking 4th highest in the world after South Africa (16.5 percent), U.K. (13.4 percent), and Switzerland (12.8 percent). The high insurance penetration rate in Korea was attributed to the brisk sales of savings-type life insurance policies.

Insurance Penetration: Premiums in percent of GDP

(%)

	1997			1998			1999		
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
Korea	11.6	3.8	15.4	10.3	3.6	13.9	8.4	2.9	11.3
World	4.2	3.1	7.3	4.3	3.0	7.3	4.6	3.0	7.6

Source: Swiss Re, *Sigma*, various issues.

Life insurance subscription ratio of household for the conventional life insurance companies has increased constantly since the 1980s, and recorded over 80 percent in 2000. It is lower than the 93 percent of Japan but higher than the 76 percent of the United States. However, in the case of considering the mutual sector such as post office and agricultural association, the rate had risen from 57.8 percent in FY 1994 to 73.7 percent in FY 1997 and further up to 86.2 percent in 2000. If these rates continue to grow, the total life insurance subscription ratio in Korea will be close to those of the more developed countries soon.

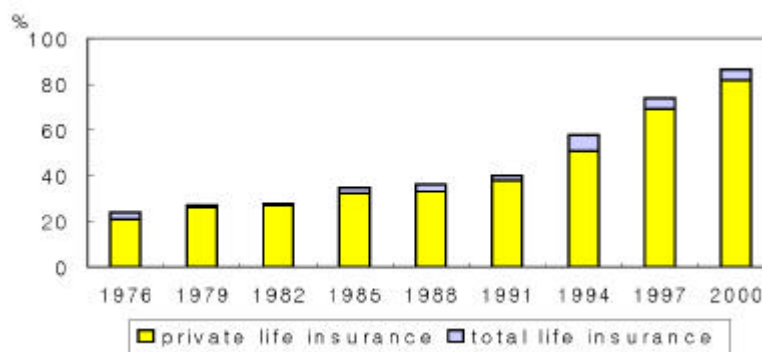
Life Insurance Subscription Ratio: Per Household

(%)

	1982	1985	1988	1991	1994	1997	2000
Private Life Insurance	26.6	32.4	32.8	37.8	50.9	69.2	81.9
Mutual by Post Office	-	1.2	2.8	3.2	2.9	4.1	6.4
Mutual by Agricultural Association	1.4	1.9	2.3	2.4	7.2	7.9	9.9
Total	27.5	34.5	36.4	40.3	57.8	73.7	86.2

Source: Korea Life Insurance Association, *Consumers' Survey*, various issues.

Trends in Subscription Rate per Household(Life Insurance)



Total Premium Incomes and Assets

The volume of insurance business in Korea showed a sharp increase for the past thirty-five years. However, the Korean insurance industry was depressed by the effects of the financial crisis of 1997 and its total insurance premium incomes fell by 7.1 percent in FY 1998.

This was the first drop in premiums since 1980s. It was mainly caused by a sharp 12.7 percent in non-life insurance business in FY 1998, while there was only a 5.2 percent decrease in the life insurance sector. The main reason for the non-life insurance business decline was the catastrophic failure of the guaranty insurance market and increased lapse in long-term policies.

After overcoming the severe recession, the Korean insurance industry gradually regained its past growth rates. The insurance companies wrote KRW 61,207 billion in premiums in FY 1999, an increase of 0.9 percent compared to the previous year.

Among the total premium incomes, the life insurance companies wrote KRW 46,755 billion, while the non-life insurance companies wrote KRW 14,452 billion in FY 1999. Their premium incomes increased by 0.8 percent and 1.4 percent compared to the previous year, respectively.

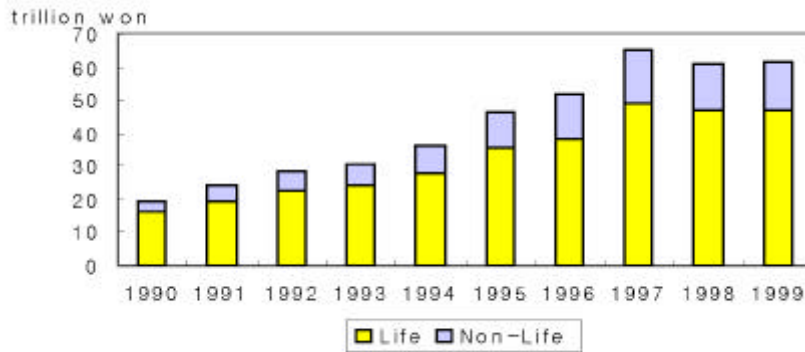
Premium Income

(KRW billion, %)

	1995	1996	1997	1998	1999
Life	35,288 (27.2)	38,163 (8.1)	48,956 (28.3)	46,390 (-5.2)	46,755 (0.8)
Non-Life	10,924 (31.4)	13,466 (23.3)	16,318 (21.2)	14,254 (-12.7)	14,452 (1.4)
Total	46,212 (28.1)	51,629 (11.7)	65,274 (26.4)	60,644 (-7.1)	61,207 (0.9)

Note: round brackets indicate the growth rate compared to the previous year.

Trends in Total Premium Incomes



Total assets of the insurance industry in Korea have increased continuously since 1980s and reached KRW 136,766 billion in FY 1999. Largely affected by the economic recovery, FY 1999 was marked by a sharp 19.2 percent increase in assets both in life insurance and non-life insurance business.

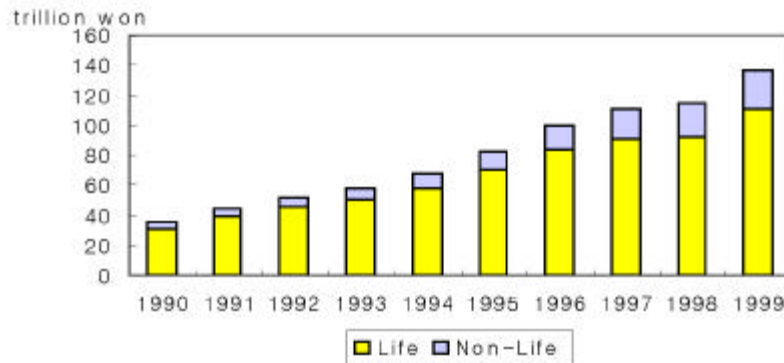
Total Assets

(KRW billion, %)

	1995	1996	1997	1998	1999
Life	69,677 (20.8)	83,289 (19.5)	90,921 (9.2)	92,298 (1.5)	110,295 (19.5)
Non-Life	12,711 (32.6)	16,228 (27.7)	19,944 (22.9)	22,430 (12.5)	26,471 (18.0)
Total	82,388 (22.5)	99,517 (20.8)	110,845 (11.4)	114,728 (3.5)	136,766 (19.2)

Note: Figures in the round brackets indicate the growth rate compared to the previous year.

Trends in Total Assets



Market Structure

The number of Korean insurance companies increased abruptly from twenty-three to forty-six due to the liberalization in the 1990s. As the entry barriers were lowered, many new entrants including local companies, joint-ventures, and foreign companies entered the Korean insurance market and total market players numbered fifty in FY 1997.

However, the financial crisis of 1997 forced supervisory authorities to restructure those insurance companies in order to regain the confidence of the market. Since the reform of the life insurance industry began in FY 1998, business rights of four life insurance companies have been withdrawn and six companies have been sold off because of their poor performances. As a result, the total number of life insurance companies decreased to twenty-three during the period.

Looking at the non-life insurance industry, Korea Guarantee Insurance Co. and Hankuk Fidelity and Surety Co. merged into Seoul Guarantee Insurance Co. in 1998. A branch of Royal & Sun Alliance

started business in 2000. Therefore, the number of non-life insurance companies in the market did not change.

In summary, eleven insurance companies disappeared and a foreign branch entered the market since 1997. Thereby, forty insurance companies operated in the market in the end of December 2000: twenty-three life insurers and seventeen non-life insurers, including a guarantee insurance company and a reinsurance company.

Number of Insurance Companies

Classification		1988	1990	1991	1997	1998	2000
Life	Domestic	6	20	20	21	18	14
	Joint-Ventures	0	5	6	7	6	2
	Foreign	2	4	4	5	5	7
	Sub Total	8	29	30	33	29	23
Non-Life	Domestic	13	14	14	14	13	13
	Foreign	2	2	2	3	3	4
	Sub Total	15	16	16	17	16	17
Total		23	45	46	50	45	40

Note: the end of the year basis

During the market opening in the 1990s, the number of foreign subsidiaries, branches, and joint-ventures operating in Korea has increased from four to thirteen.

In addition, with the acquisition of First Life Insurance Co. by Allianz Group, the market share of foreign companies rose by 2.7 percent in FY 1999. Total insurance premium incomes of these expatriate companies amounted to KRW 2,441 billion in FY 1999, which accounted for 4.35 percent of the total insurance premium in

Korea.

Despite their small sizes, the foreign life insurance companies operate profitably and stably in Korea. While most domestic insurers suffered from the shrink of premium incomes and the shortage of liquidities in the late 1990s, their foreign counterparts' market share increased in the Korea's insurance market.

Foreign Insurers' Premium Income

(KRW billion, %)

	1998			1999		
	Life	Non-Life	Total	Life	Non-Life	Total
Foreign	470 (1.01)	44 (0.31)	514 (0.85)	1,953 (4.68)	53 (0.36)	2,006 (3.58)
Joint-Ventures	1,880 (4.05)	-	1,880 (3.10)	435 (1.05)	-	435 (0.77)
Total	2,350 (5.06)	44 (0.31)	2,394 (3.95)	2,388 (5.73)	53 (0.36)	2,441 (4.35)

Note: round brackets indicate the market share in terms of premium incomes.

On the other hand, the Korean insurance market has been concentrated more significantly during the financial crisis, especially driven by the "flight to quality" phenomenon. The concentration is more evident in the life insurance market than in the non-life insurance market.

In the life insurance market, the three leading companies account for 80.6 percent of total market premiums, while the three leading companies have 54.8 percent of total market premiums in the non-life insurance industry. Considering the top-five, the figures increase to 86.3 percent and 75.2 percent, respectively.

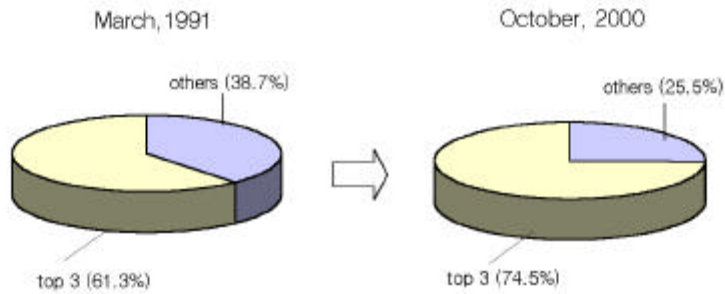
Moreover, the market concentration is not expected to stop as long as the restructuring process continues. In particular, the implementation of the partial deposit insurance system, which is scheduled in 2001, will force policyholders to seek large insurance companies and speed up the market concentration.

Market Concentration(As of the end of October 2000)

(%)

Life Insurance Business		
Ranking	Company Name	Market Share
1	Samsung Life Insurance Co.	42.0
2	Kyobo Life Insurance Co.	20.8
3	Korea Life Insurance Co.	17.8
4	Allianz First Life Insurance Co.	3.3
5	Hungkuk Life Insurance Co.	3.0
Market Share of Top Three : 80.6		
Market Share of Top Five : 86.8		
Non-Life Insurance Business		
Ranking	Company Name	Market Share
1	Samsung Fire & Marine Insurance Co.	27.4
2	Hyundai Marine & Fire Insurance Co.	14.1
3	Dongbu Fire & MarineInsurance Co.	13.3
4	LG Fire & MarineInsurance Co.	12.8
5	Oriental Fire & Marine Insurance Co.	7.6
Market Share of Top Three : 54.8		
Market Share of Top Five : 75.2		

Concentration of Total Insurance Premiums



Savings by Financial Services Sector

In Korea, total volume of savings by the financial institutes including banks, securities, and insurers reached KRW 1,002 trillion in FY 1999. During the mid-1990s, the proportion of insurance industries has not changed at about 11 percent since 1990s, while the proportions of bank's deposits and securities have increased by 9.4 percent points and 8.4 percent points, respectively.

Especially, the proportion of equities increased significantly from 8.1 percent in FY 1995 to 14.1 percent in FY 1999, while investment trust becomes more important in the non-depository sector, accounting for 19.9 percent of the total savings in FY 1999. This implies that the preference of financial consumers has been moving to investment-linked products.

Trends in Savings by Financial Services Sector

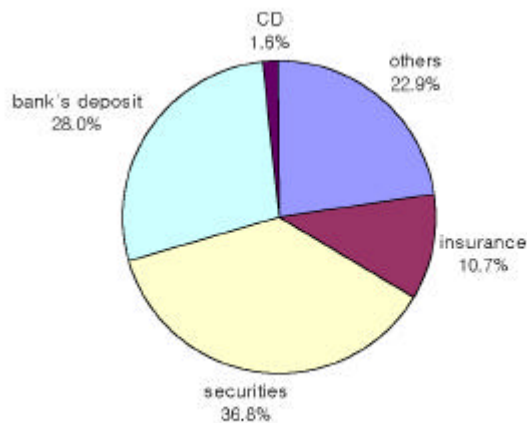
(KRW billion, %)

	1995	1996	1997	1998	1999
Bank's Deposits	116,122 (18.6)	138,637 (18.2)	166,106 (19.3)	217,075 (23.9)	280,900 (28.0)
Certificate of Deposits	28,372 (4.5)	31,175 (4.1)	26,066 (3.0)	16,178 (1.8)	15,755 (1.6)
Securities	177,801 (28.4)	213,794 (28.1)	241,600 (28.1)	291,664 (32.1)	368,855 (36.8)
Equities	50,561 (8.1)	55,630 (7.3)	58,786 (6.8)	72,260 (8.0)	140,859 (14.1)
Insurance	68,611 (11.0)	83,424 (11.0)	96,984 (11.3)	96,654 (10.6)	107,051 (10.7)
Others	364,894 (37.5)	444,962 (38.6)	498,354 (38.3)	558,307 (31.6)	501,913 (22.9)
Investment Trust	61,860 (9.9)	69,417 (9.1)	85,028 (9.9)	203,904 (22.5)	199,104 (19.9)
Total	625,389 (100.0)	761,231 (100.0)	859,164 (100.0)	908,091 (100.0)	1,001,797 (100.0)

Note: Figures in round brackets indicate the proportion of the total.

Source: Ministry of Finance & Economy, *Financial Statistics Bulletin*, 2nd quarter, 2000.

The Share of Savings by Financial Sector(1999)



Regulations

Insurance Business Law and Related Laws

Insurance related laws in Korea are the Insurance Business Law and its enforcement regulations. The Law was promulgated on 15 January 1962 and amended in 1971, 1977, 1980 1988, 1994, 1995, 1997, 1998, 1999, and 2000.

In 1977, insurance related laws were consolidated into the Insurance Business Law. The Insurance Business Law consists of administrative supervision regulations for the private insurance industry, regulations on the organization and business activities of persons conducting insurance business, insurance soliciting, and other insurance related matters.

For the last three years, 1998 through 2000, Korean insurance market changed fast from a highly regulated market to a relatively free market. The Insurance Business Law have been amended fourteen times since 1980; seven times since 1998. All these changes focused on the deregulation and reform of the insurance industry and were accelerated by rapidly changing environments, especially after the financial crisis in 1997. It was to cope with globalization and financial convergence, which were the key factors in understanding financial market trend.

The Financial Supervisory Commission (FSC) was established in 1998. The Financial Supervisory Services (FSS) was also established as an executive arm of the FSC in 1999. In fact, the FSS replaced three supervisory bodies that used to regulate the banking, insurance, and securities industries.

In 2000, Laws and regulations allowed all types of financial

institutions to form business alliances to move into so-called "non-core business" of other financial institutions. The non-core insurance businesses include developing insurance products, determining premium rates, health checkups, automatic premium transferring, and loss assessment. It was the first step toward a full convergence of financial institutions in Korea.

Also, financial holding company was introduced by the Ministry of Finance and Economy (MOFE) and the FSC. A financial holding company can have a pyramid-shaped ownership structure whereby subsidiaries of financial holding companies are also permitted to own their own subsidiaries.

Insurance Supervisory Authorities

In recent years, the main responsibilities for insurance regulation have shifted from the MOFE to FSC. Until 1997, the regulatory authorities in Korea were the MOFE and the Insurance Supervisory Board (ISB) that conducted a routine supervision of the insurance industry. However, the authority of the MOFE was reduced to the establishing and modifying of insurance policies and related laws, and the ISB merged into the FSS as an insurance division in 1998.

The responsibilities of FSC, in relation to insurance, include:

- Enactment and amendment of regulations concerning supervision of the insurance companies,
- Authorization of the operation of insurance institutions,
- Inspection and sanction of insurance institutions.

Under the guidance of the FSC, the functions of the FSS include:

- Support towards the FSC's regulatory functions,
- Inspection of operations and financial status of the insurance institutions,
- Arbitration of insurance related conflicts

Compulsory Insurance

Insurance is compulsory for the following business lines of non-life:

- Third Party Liability for motor vehicle, gas accident, sports, and recreational facilities, and ferry,
- Fire insurance for specified types of buildings such as hospitals, hotels, and apartment blocks,
- Nuclear energy risks,
- Worker's compensation,
- D&O (Director and Officer's) liability

There are no compulsory insurances in life and benefits, other than the national pension and medical schemes.

Deregulation

Premium Rate Liberalization

Non-life insurers should follow tariff rates calculated by the Korean Insurance Development Institute (KIDI) and enforced by the FSC (the MOFE before 1998). The only non-tariff rate line was Package All Risks (PAR) which was also called Industrial All Risks. The rate of PAR was generally determined at globally competitive levels.

However, the KIDI's rates driven regime has been undergoing a gradual process of liberalization. The KIDI provides only risk-premium (net premium) rates for auto and general insurance products nowadays. In fact, non-life insurers are scheduled to quote KIDI's risk-premium on a banded basis until 2002. They have determined their own expense loadings since April, 2000, therefore, KIDI's rates will become reference rates, not compulsory, after 2001.

On the other hand, no tariffs apply to life insurance and long-term products of non-life insurance. The banded basis premium rating system with maxima and minima assumptions applying for life insurance was abolished in April, 2000. The life insurers are to calculate their own rates including interest rates, expense loadings, and mortality/morbidity.

Rate Liberalization

Non-life (savings-type line excluded)		Range
General	Personal line	KIDI Rate \pm 15%
	Commercial line	KIDI Rate \pm 30%
	Cross-border Applied	KIDI Rate \pm 30%
Auto	Private Use	KIDI Rate \pm 6%
	Business Use	KIDI Rate \pm 10%
	Commercial Use	KIDI Rate \pm 20%

Note: 1. KIDI rate is a risk-premium rate which does not include expense loadings.

2. After March 2002, KIDI rate will not be compulsory.

Products Filing

The FSS strictly regulated all insurance products to be sold after

giving prior approval for it. However, the approval system on insurance products was abandoned as a part of deregulation measures to promote autonomy of the insurance business in 1993. The regulation on insurance products has been converted to classifying insurance products into three categories: "File and Use", "Use and File", and "No File".

"File and Use" products are to be filed with the FSS in the case of insurance products having a substantial influence on the national economy such as auto insurance. Such products are deemed approved on the date 20 days after the date of filing.

"Use and File" products are to be approved automatically through their filing with the FSS within 15 days (non-life) or 3 months (life) after the sale of products.

Products of which the contents are the same as products that are already approved by the FSS and being sold by other insurance companies have been stipulated to be sold freely as "No File" product.

Focus on Financial Strength

Solvency Margin Test and Reserve Valuation Standard

The insurance supervisory authorities gradually strengthened their prudential regulations. All the life and non-life insurance companies must satisfy the newly established statutory solvency test. Today, any insurer, which fails to meet a hundred percent solvency margin ratio and a certain level of CAMELS rating, will be automatically given Prompt Corrective Actions.

Solvency Margin Test and Prompt Corrective Action

Classification	Solvency Margin Test	Prompt Corrective Action
Normal	more than 100%	-
Abnormal	50% ~ 100%	Management Improvement Recommendation
	0% ~ 50%	Management Improvement Requirement
	below 0%	Management Improvement Order

Note: Solvency Margin Test: $\frac{\text{actual solvency margin}}{\text{required solvency margin}} > 100\%$,
 Normal Condition

CAMELS

Classification	Quantitative Factors
Capital Adequacy	Solvency Margin Test
Asset Quality	Ratio of weighted non-performing assets, Ratio of risk-weighted assets to total assets
Management	N/A
Earnings	Earning indicators: loss ratio, net operating expense ratio, return on invested assets (non-life) ratio of death benefits to risk premium, ratio of actual operating expense to expense loadings, ratio of investment return on total assets to average assumed interest rate (life)
Liquidity	Liquidity indicators: liquid asset ratio, cash flow ratio

Note: CAMELS considers qualitative factors as well as quantitative factors.

These actions include operation suspension, liquidation or merger through a three-step process of recommendations, requirements, and final orders to either suspend operations or to implement a more rigorous restructuring program. The FSC has ordered eleven life companies to suspend their operations or to transfer their portfolios since 1998.

In addition, the Standard Valuation of life policy reserves was introduced with the liberalization of assumed interest rates. Its purpose is to prevent the inadequacy of policy reserves of life insurers. It assigns the ceiling of interest rates, which discount the reserves to cover all claims in the event of accidents. The life insurers abandoned the Cash Surrender Value Reserve Method in 1997 and has complied with the Net Premium Reserve Method since then.

Investment and Forward Looking Criteria

Other important measures taken to improve the soundness of insurers are the progressive strengthening of asset classification standards and provisioning requirements, culminating in the introduction of the Forward-Looking Criteria (FLC) in 1999. Under the new standards, insurance companies have to classify assets based on the customers' future, not present, capacity to pay. They have thus far valued assets based on a backward-looking system, which takes into account the customers' past record of debt service.

Asset Quality: Forward Looking Criteria

	FLC	Minimum Allowances
Normal	No risk of jeopardizing collection - loan arrears by less than 1 month	0.5% of Book Value
Precautionary	Potential weakness - loan arrears by 1 month through 3 months	2% of Book Value
Substandard	Considerable risk of jeopardizing collection - loan arrears by no less than 3 months	20% of Book Value
Doubtful	Significant risk of jeopardizing collection	75% of Book Value
Estimated loss	Serious risk of jeopardizing collection	100% of Book Value

The insurance supervisory authorities have maintained the positive and quantitative approaches to investments of an insurer so that maximum or minimum ratios of various investments to total assets are set by the supervisory authorities. Each insurer should comply with these ratios. However, the degrees of quantitative restrictions on investments and the limits on the range of investments have been alleviated. For example, the available investments without any restrictions increased from 2 percent to 5 percent of total assets. For the equity investments, 40 percent of total assets is allowed while the previous level was 30 percent. However, there is no limit on debt investment.

Limit on Investments of Insurance Companies

Type of Investment	Limited Ratios to Total Assets	Remarks
Stocks	40%	- unlisted stocks : limited to the insurer's equity capital
Bonds	unlimited	
Real Estate	15%	
Currency, securities, real estate of foreign country	10%	
Securities of - affiliated groups - same affiliated group - same company - small and medium size company	2% 5% 10% 1%	- excluding venture capitalists
Loan to non-policyholders	40%	
Loan to - single person - affiliated groups - same affiliated group	3% 2% 5%	
Large loan	20%	- large means more than 1% of total assets
Futures Trading	3%	

Enhanced Transparency

Accounting and Reporting

In recognition of the interdependency between corporate and financial sectors, the supervisory authorities implemented corporate sector reform in tandem with financial sector reform. On the financial side, the FSC has adopted international best-practices in accounting and disclosure standards and strengthened the penalties and sanctions enforced against inappropriate accounting practices in order to protect the rights of market participants.

On the corporate side, the FSC have focused on three key areas in order to enhance overall management transparency: strengthening the role of the board of directors in companies, ending intra-group transactions that decrease value for shareholders, and defining more clearly the roles of government, shareholder litigation, and market forces in enforcing shareholder's rights.

Insurance industry traditionally followed the Statutory Accounting Practices (K-SAP) for regulators. There were not any insurance-related accounting principles in K-GAAP (Korean Generally Accepted Accounting Principles) itself for investors and then, in so far as the insurance industry, K-SAP also represented K-GAAP. However, the FSC revised K-GAAP, in line with international best-practices, in order to settle the functions of market evaluation and market surveillance of corporate management and set up new accounting principles for the insurance industry or Insurance-specific Working Rules of Accounting in 1998. However, a dichotomy regime of insurance accounting, K-GAAP and K-SAP, has been formulated, with the working rules influenced greatly the K-SAP. It is then difficult to distinguish the K-SAP from the working rules of K-GAAP. For example, the working rules adopted the amortization of insurance contract acquisition costs (new business

costs) and the K-SAP followed it. Acquisition cost is not a period cost any longer.

Both principles value assets at market and classify securities by holding period, such as trading-for-sale securities and long-term investment securities. They make it compulsory for the insurers to classify account receivables such as normal, precautionary, substandard, doubtful, and estimated loss, based on the debtors' future capacity to pay. The principles also require insurers accumulate minimum allowances progressively by the classification for bad debt accounts. In addition, they introduce the additional reserve system with premium deficiency expected in life insurance, and make the contingency reserve compulsory in non-life insurance to prevent profit manipulation. By the way, a separate (or special) accounting system applies to pension products (corporate and individual) and long-term policies of non-life insurance.

Every insurer must submit an annual report to the FSC within three months of the balance date ending on 31 March and a quarterly report within two months of every quarter ending on 30 June, 31 September, and 31 December. In addition, on a monthly basis (no later than the end of the following month), each insurer must provide detailed statements of asset utilization (investment), balance sheet, and summary of business.

Lifted Entrance Barriers

An entity that intends to engage in the insurance business should obtain a license from the FSC, and the persons eligible to obtain such

a license are limited to stock companies, mutual companies, and foreign insurers. No insurance business is allowed to commence unless it has at least KRW 30 billion or more in paid-in-capital or foundation funds. In the case of conducting insurance business as a single line insurer, KRW 10 or 20 billion is to be paid-in depending on the type of the insurance line. An insurer should deposit funds in the FSS for the protection of policyholders. The deposit fund should be 30 percent of the paid-in capital or the foundation fund prior to commencing its business.

In the case of a foreign branch office starting an insurance business in Korea, the foreign insurer should also operate insurance business in its home country. It should retain at least KRW 3 billion in paid-in-capital and deposit adequate protection in accordance with the requirements mentioned above.

Corporate Governance

An insurer with total assets of at least KRW 2 trillion as of the end of the latest fiscal year must appoint outside directors to its board of directors (BOD). The number of outside directors should be 50 percent or more of the total number of directors and at least three of outside directors must be seated on the BOD.

An insurer in question must establish an audit committee of which two-thirds of the total number should be comprised of outside directors. The insurer must appoint a compliance officer through the resolution of BOD and respond faithfully to the information requested by the compliance officer conducting his or her duty.

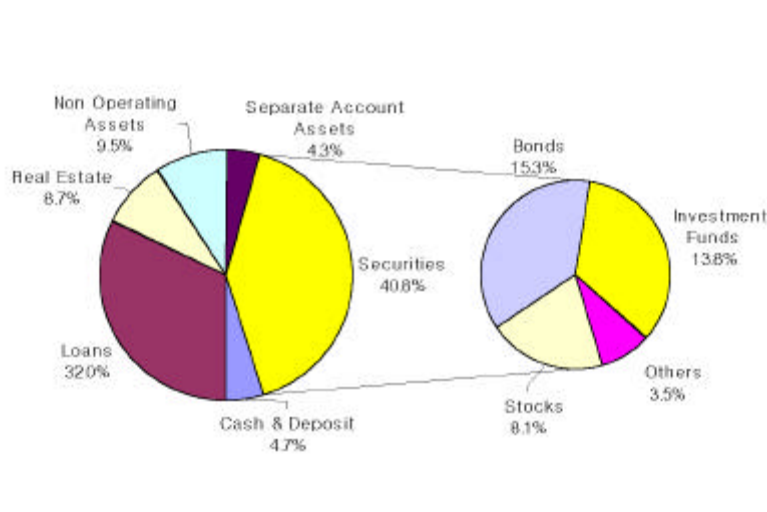
Life Insurance Industry

Balance Sheet	43
Insurance Contracts Trend	44
Premium Income by Group	46
Premium Income by Types	47
Expenditures	49
Claims Paid	49
Operating Expenses	49
Total Income and Expenditure	51
Management Efficiency	52
Distribution	53

Balance Sheet

Total assets of life insurance companies in FY 1999 amounted to KRW 110,295 billion, which increased by 19.2 percent over the previous year. This growth is attributed to the increase in policy reserves, the public funds brought in by the Korean government's restructuring program, and the additions to separate account assets.

Asset Portfolio in Fiscal 1999



Assets of life insurance companies are largely composed of financial instruments such as stocks, bonds, loans, and real estate. About 40 percent of life insurer assets were held in securities in FY 1999. The investments in securities amounted to KRW 32,301 billion in FY 1998 and KRW 44,946 billion in FY 1999, respectively. They were an increase of 37.6 percent and 39.1 percent in each year and much higher than a 9.8 percent rise in FY 1997. This significant increase can be explained by the stock market recovery after the economic crisis.

Loans accounted for 38.4 and 32.0 percent of total assets in FY 1998 and 1999, respectively. Holdings of loans have sharply decreased since FY 1998.

The reason for the significant increase of non-operating assets in FY 1998 can be explained by the fact that the unamortized acquisition cost was allocated in non-operating assets by the revision of the accounting regulation. Separate account assets and liabilities meaning the assets and liabilities, respectively, were created by the selling of occupational pensions introduced on April, 1999.

Insurance Contracts Trend

Premium income written by the new business contracts in FY 1999 amounted to KRW 265,619 billion, a decrease of 9.9 percent over the previous year. The decrease is caused by the major companies, not by the new entrants of which premium income increased by 11.8 percent over the previous year.¹⁾

The amount of lapses and surrenders decreased from KRW 251,536 billion in FY 1998 to KRW 178,557 billion in FY 1999. This decline can be explained by the low interest rate, the growth of householder earnings, and the maintenance-oriented strategy of insurance companies. However, the maintenance rate varies considerably between the major companies and the new entrants. The latter shows significantly higher maintenance rate than the former.

Business in force represents all the existing and new policies excluding those that have been terminated owing to maturities, lapses,

1) The Korean life insurance companies can be classified into two groups: the major companies and the new entrants. The major includes the largest six companies: KOREA, FIRST, SAMSUNG, HUNGKUK, KYOBO, and DONGAH.

Abridged Balance Sheet

(KRW billion)

Classification	FY'95	FY'96	FY'97	FY'98	FY'99
Asset					
Cash & Deposit	9,586 (13.8)	13,117 (15.7)	13,584 (13.6)	6,507 (7.0)	5,222 (4.7)
Securities	19,202 (27.6)	21,387 (25.7)	23,480 (25.8)	32,301 (35.0)	44,946 (40.8)
Stocks	8,941 (13.6)	10,155 (12.2)	9,195 (10.1)	5,361 (5.8)	8,965 (8.1)
Bonds	9,601 (12.8)	10,875 (13.1)	13,703 (15.1)	7,622 (8.3)	16,888 (15.3)
Investment Funds	-	-	-	17,223 (18.7)	15,247 (13.8)
Others	659 (0.9)	357 (0.4)	581 (0.6)	2,095 (2.3)	3,846 (3.5)
Loans	31,581 (45.3)	38,228 (45.9)	41,770 (47.2)	35,427 (38.4)	35,346 (32.0)
Real Estate	5,116 (7.3)	6,007 (7.2)	7,348 (8.1)	8,644 (9.4)	9,618 (8.7)
Non Operating Assets	4,192 (6.0)	4,550 (5.5)	4,740 (5.2)	9,419 (10.2)	10,441 (9.5)
Separate Account Assets	-	-	-	-	4,722 (4.3)
Total Asset	69,677	83,289	90,921	92,298	110,295
Liabilities					
Policy Reserve	68,658	82,535	90,592	95,062	99,917
Policyholders' Equity Adjustment	-	-	-	-34	2,692
Other Liabilities	1,298	1,652	1,947	2,189	3,199
Separate Account Liabilities	-	-	-	-	4,722
Total Liabilities	69,976	84,216	92,565	97,217	110,531
Stockholder's Equities					
Capital Stock	788	1,041	1,188	1,425	5,527
Capital Surplus	164	164	166	166	329
Retained Earnings	-1,268	-2,143	-3,004	-6,256	-6,724
Capital Adjustment	-	-	-	-254	633
Total Shareholder's Equity	-299	-927	-1,644	-4,919	-235

Note: The figures in parentheses indicate percent of share.

and surrenders. Business in force amounted to KRW 7,019,327 billion in FY 1999, an increase of 13.7 percent over the previous year. Since the rate of lapses and surrenders decreased sharply, business in force could increase although the premium incomes written by the new business contracts decreased.

Insurance Contracts Trend

(KRW billion, %)

Classification	FY'95	FY'96	FY'97	FY'98	FY'99
New Business	250,923 (26.9)	253,669 (1.1)	281,102 (10.8)	289,135 (2.9)	265,619 (-9.9)
Lapses & Surrenders	149,775 (29.6)	181,902 (21.5)	221,474 (21.8)	251,536 (13.6)	178,577 (-29.0)
Business in Force	428,973 (31.3)	505,751 (17.9)	566,382 (12.0)	610,331 (7.8)	701,933 (13.7)

Note: The figures in parentheses indicate annual percent change.

Premium Income by Group

Premium income written by life insurance companies increased steadily until FY 1997. However, the economic crisis at the end of 1997 resulted in a significant decrease of KRW 2,566 billion in FY 1998 compared to the previous year. However, premium income in FY 1999 slightly increased by 0.8 percent over the previous year because of the economic recovery, increase of insurance demand, and decrease of lapses and surrenders.

In the process of restructuring the insurance industry after the economic crisis, four life insurance companies were taken over by financially sound life insurance companies on August, 1998. This resulted in high market concentration in the life insurance industry. The

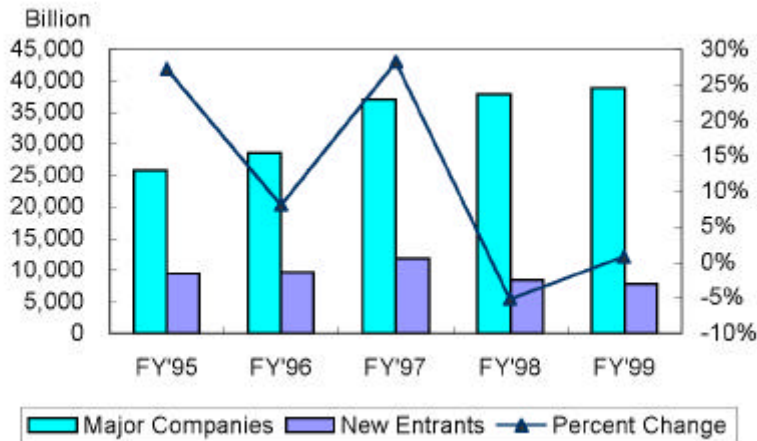
market share of the major companies increased from 75.8 percent in FY 1997 to 81.7 percent in FY 1998.

Premium Income by Group

(KRW billion, %)

Classification	FY'95	FY'96	FY'97	FY'98	FY'99
Major Companies	25,807 (73.1)	28,550 (74.8)	37,127 (75.8)	37,898 (81.7)	38,920 (83.2)
New Entrants	9,482 (26.9)	9,613 (25.2)	11,829 (24.2)	8,492 (18.3)	7,836 (16.8)
Total	35,288 [27.2]	38,163 [8.1]	48,956 [28.3]	46,391 [-5.2]	46,755 [0.8]

Note: The figures in parentheses and brackets indicate percent of share and annual percent change, respectively.



Premium Income by Types

Over the past five years, a remarkable growth has been observed in

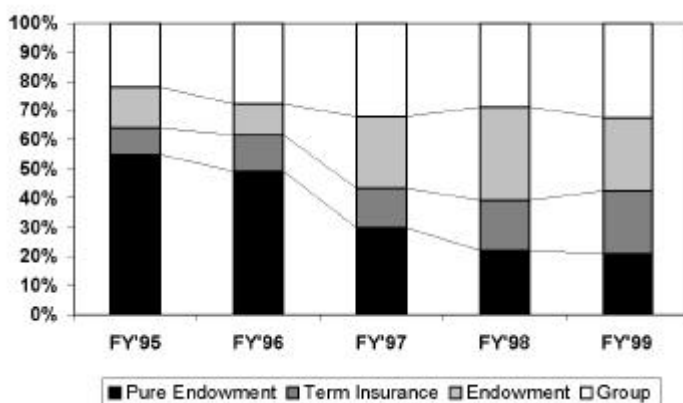
term insurance, especially in FY 1999 due to a high demand of accident and health insurance. However, the premium income of pure endowment has sharply decreased. The share of pure endowment was 62.4 percent in FY 1994 when personal annuities were introduced, but it decreased owing to a high demand for the protection-type insurance policies and a decrease of new contracts of personal annuities.

Premium Income by Types

(KRW billion, %)

Classification	FY'95	FY'96	FY'97	FY'98	FY'99
Pure Endowment	19,331 (54.8)	18,723 (49.1)	14,526 (29.7)	10,211 (22.0)	9,781 (20.9)
Term Insurance	3,243 (9.2)	4,782 (12.5)	6,673 (13.6)	7,925 (17.1)	10,046 (21.5)
Endowment	4,920 (13.9)	4,076 (10.7)	12,065 (24.6)	14,901 (32.1)	11,781 (25.2)
Individual Total	27,494 (77.9)	27,581 (72.3)	33,265 (67.9)	33,038 (71.2)	31,608 (67.6)
Group	7,794 (22.1)	10,583 (27.7)	15,691 (32.1)	13,353 (28.8)	15,147 (32.4)
Total	35,288 [27.2]	38,163 [8.1]	48,956 [28.3]	46,391 [-5.2]	46,755 [0.8]

Note: The figures in parentheses and brackets indicate percent of share and annual percent change, respectively.



The growth of the endowment products in FY 1998 was due to the insurance companies' efforts to increase their liquidity levels to make up for the rapid increase in surrenders during the economic crisis, but the selling of the endowment products sharply decreased in FY 1999.

Group insurance steadily grew until FY 1997. Its market share decreased in FY 1998 because of the business recession, but it recovered to the amount before the economic crisis in FY 1999.

Expenditures

Claims Paid

Over the last four years, the amount of claims paid in life insurance has fluctuated owing to severe changes of surrenders. Claims paid amounted to KRW 24,545 billion in FY 1996, an increase of 9.6 percent over the previous year. It was KRW 41,176 billion and KRW 45,654 billion in FY 1997 and 1998, respectively. This drastic increase was due to a corresponding increase in surrenders during the economic crisis. However, claims paid in FY 1999 dropped by 15.7 percent, reaching KRW 38,490 billion resulting from a decline of surrenders.

Operating Expenses

Operating Expenses of life insurance companies are composed of acquisition expenses, administration expenses, and collection expenses. Operating expenses amounted to KRW 4,906 billion in FY 1998, a significant decrease of 31.6 percent over the previous year. This was due to changes in the insurance industry accounting standards, which allowed acquisition expenses to be treated as deferred payments. The

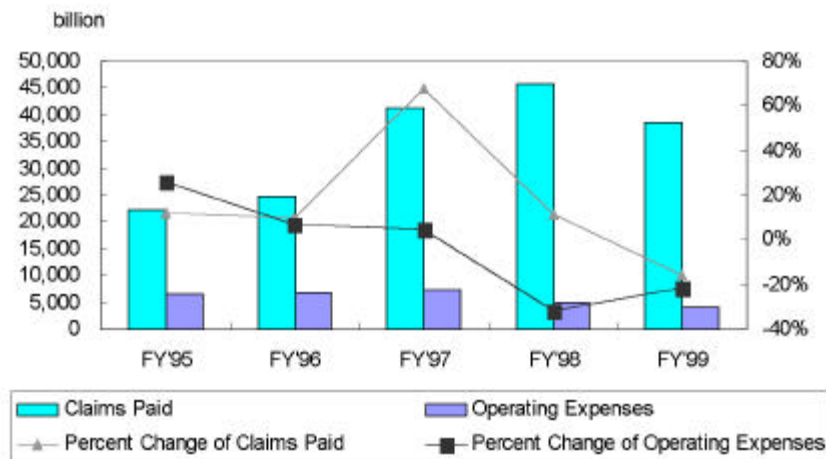
deferred acquisition expenses were KRW 2,398 billion. The acquisition expenses accounted for nearly 70 percent of total operating expenses including the deferred acquisition expenses.

Claims Paid and Operating Expenses

(KRW billion, %)

Classification	FY'95	FY'96	FY'97	FY'98	FY'99
Claims Paid	22,404 (12.3)	24,545 (9.6)	41,176 (67.8)	45,654 (10.9)	38,490 (-15.7)
Operating Expenses	6,419 (25.6)	6,833 (6.5)	7,175 (5.0)	4,906 (-31.6)	3,833 (-21.9)

Note: The figures in parentheses indicate annual percent change.



The operating expenses in FY 1999 also decreased by 21.9 percent over the previous year. This reduction can be explained by insurance companies' efficiency measures and restructuring.

Total Income and Expenditure

Net income (or loss) of insurance companies can be calculated by a summation of the business results of underwriting, investment, and other activities. Whereas loss has been observed in the underwriting and other activities, profit has been realized in the investment activities. Net loss in the underwriting and other activities, which amounted to KRW 6,836 billion in FY 1999, was greater than the investment profit, KRW 6,020 billion. Thus, net loss was observed in the insurance industry.

Total Income and Expenditure

(KRW billion, %)

	Classification	FY'95	FY'96	FY'97	FY'98	FY'99
Income	Underwriting	35,386	38,333	49,142	48,819	41,943
	Investment	6,530	7,584	9,096	10,046	10,607
	Other	43	359	1,694	4,242	263
	Total	41,959	45,953	59,932	63,107	52,812
Expenditure	Underwriting	41,745	45,585	58,156	55,602	47,830
	Investment	724	820	1,973	6,544	4,587
	Other	340	405	623	4,927	1,212
	Total	42,809	46,810	60,752	67,073	53,629
Net Balance	Underwriting	-6,360	-7,252	-9,013	-6,783	-5,887
	Investment	5,807	6,764	7,123	3,502	6,020
	Other	-296	-369	1,071	-686	-949
	Total	-850	-857	-820	-3,967	-816
Tax		0.6	13	26	543	165
Net Income(loss)		-850	-858	-845	-4,021	-981

However, some of the major companies and foreign companies have shown underwriting profit as well as investment profit. Net loss in the industry is thus mainly caused by the new entrants. Their deferred

operating expenses was amortized from FY 1994. Since then the insurance industry has suffered net loss. The other reasons for net loss of new entrants can be explained by two factors: excessive operating expenses and asset portfolio. They spent more in the operating expenses than expected expenses to compete in the industry. The ratio of non-operating assets to total assets held by the new entrants was much higher than the ratio of the major companies, which resulted in relatively low investment profit.

Management Efficiency

The ratio of claims paid, which is represented by dividing claims paid by premium written, was just 63.5 percent in FY 1995, but it increased sharply in FY 1998. This significant increase was due to a corresponding increase in lapses and surrenders during the economic crisis. The ratio recovered slightly in FY 1999.

The ratio of lapses and surrenders is calculated by dividing lapses and surrenders by a summation of business in force at the beginning of the year and new business. The ratio shows a similar pattern to the ratio of claims paid except for FY 1999 in which it decreased significantly to 20.5 percent. The transition from a volume-oriented underwriting strategy to a maintenance-oriented strategy may explain this decline.

The ratio of operating expenses to premium written showed 10.6 percent in FY 1998, a drastic decrease over the previous year. This reduction was owing to changes in the insurance industry accounting standards as mentioned above. The ratio also decreased to 8.2 percent in FY 1999. The decline can be explained by other factors: insurance companies' ongoing cost-cutting and restructuring.

The average yield rate of total assets during the last five years was

about 11 percent which was below the bond yield.²⁾ Owing to the high interest rates during the economic crisis the yield rate of total assets was 11.6 percent in FY 1998, slightly higher than the yield rate in other fiscal years.

Management Efficiency

(%)

Classification	FY'95	FY'96	FY'97	FY'98	FY'99
Ratio of Claims Paid	63.5	64.3	84.1	98.4	82.3
Ratio of Lapses and Surrenders	25.9	26.6	28.1	29.4	20.5
Ratio of Operating Expenses	18.2	17.9	14.7	10.6	8.2
Ratio of Operating Assets	94.0	94.5	94.8	89.8	86.3
Yield Rate of Total Assets	10.8	10.4	11.0	11.6	11.1

Distribution

Sales in the life insurance market are dominated by tied agents (known as solicitors). They work for one company on a commission basis and are supervised by a sales manager. The quality and professional knowledge of solicitors varies between domestic and foreign companies. Whereas the solicitors of foreign companies are full-time trained professionals, domestic companies do not have such caliber. However, domestic companies are nowadays trying to employ highly qualified solicitors to improve efficiency in insurance sales.

2) Yield rate of total assets is computed as " $2 \times \text{Investment Income} / (\text{Assets at the beginning of the year} + \text{Assets at the end of the year} - \text{Investment Income})$ ".

The number of solicitors in the life insurance industry has steadily decreased. It decreased by 30.9 percent to 241,429 in FY 1999 compared to 349,206 in FY 1995. In contrast with the decrease of the number of solicitors, productivity has steadily increased from KRW 101 million to KRW 194 million. However, the increased rate declined from FY 1998.

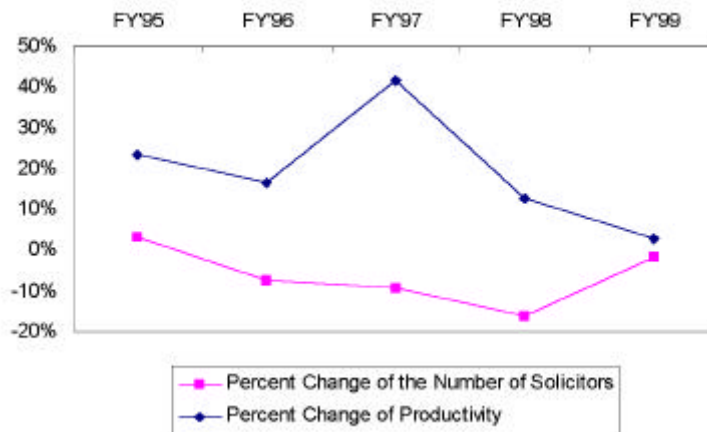
Distribution

(In Person, KRW million, %)

Classification	FY'95	FY'96	FY'97	FY'98	FY'99
The Number of Solicitors	349,206	323,966	293,398	246,193	241,429
	(3.1)	(-7.2)	(-9.4)	(-16.1)	(-1.9)
Productivity	101	118	167	188	194
	(23.4)	(16.6)	(41.6)	(12.9)	(2.8)

Note 1: The figures in parentheses indicate annual percent change.

Note 2: Productivity is calculated by dividing premium income by the number of solicitors.



Non-Life Insurance Industry

Balance Sheet	57
Direct Premium Written	58
Fire Insurance	61
Marine Insurance	61
Automobile Insurance	61
Bond & Surety Insurance	62
Accident & Liability Insurance	62
Long-Term Insurance and Individual Pension Insurance	62
Expenditures	63
Incurred Loss	63
Net Operating Expenses	65
Investment Income	65
Underwriting Results	67
Total Income and Expenditure	68
Management Efficiency	69
Distribution Channel	71
Market Share by Distribution Channel	71
Solicitors and Insurance Agents	73

Balance Sheet

Total assets of non-life insurance companies in FY 1999 amounted to KRW 26,486 billion, which increased by 18 percent over the previous year. One of the reasons for the big jumps of total assets of the bond & surety insurance company since FY 1997 is to be found in the receiving huge amounts of public funds. Another reason for the increase of total assets may be explained by the fact that the stock market recovered in FY 1999.

In FY 1999, the portion of investment in securities increased again, accounting for 45.1 percent of total assets. The percent invested in bond showed a sudden increase by 88.9 percent over the previous year.

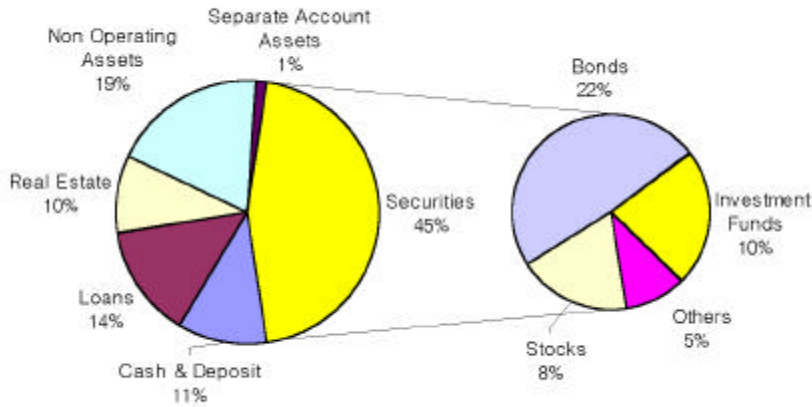
In recent years, capital stock of the Korea insurance industry experienced dramatical fluctuations. In FY 1998, capital stock sharply decreased owing to the merger of two bond & surety insurance companies.

However, in FY 1999 capital stock showed a sudden increase as the merged bond & surety insurance company received the huge amounts of public funds.

Separate account assets mean the assets created by the sale of occupational pension introduced in April, 1999.

The following chart shows the asset portfolio among the different asset classes. The proportion of securities continued an upward trend due to the rising stock market in 1999.

Asset Portfolio in FY 1999



Direct Premium Written

In FY 1999, insurance companies in Korea wrote KRW 14,452 billion in premium, an increase of 1.4 percent over the previous year, according to the gradual economic recovery. This was mainly supported by the growth of automobile insurance.

Of the total premiums, KRW 11,568 billion was generated from automobile and long-term insurance which together accounted for more than 80 percent of the total premium written.

The following chart shows the changes in the proportion of direct premiums among different lines of non-life insurance business. This trend shows clearly the explosive increasing portion of long-term insurance at the expense of fire and marine insurance.

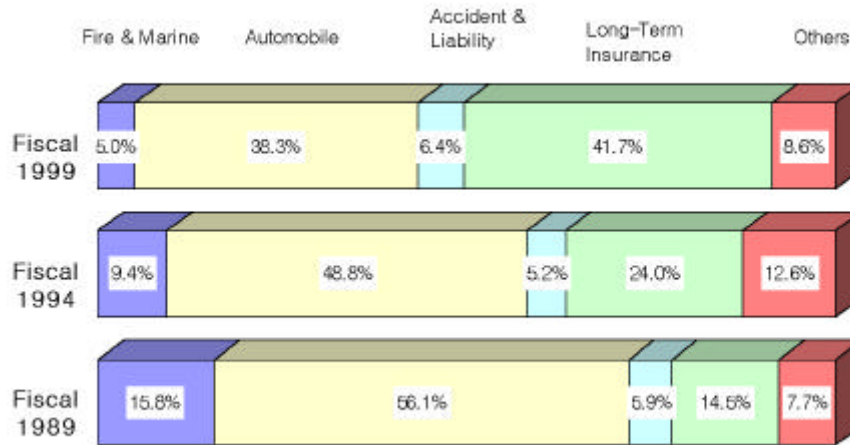
Abridged Balance Sheet

(KRW billion)

Classification	FY'95	FY'96	FY'97	FY'98	FY'99
Asset					
Cash & Deposit	2,391 (18.8)	3,315 (20.4)	3,711 (18.6)	2,763 (12.3)	2,906 (11.0)
Securities	4,155 (32.7)	4,939 (30.4)	6,407 (32.1)	9,481 (42.3)	11,929 (45.1)
Stocks	1,982 (15.6)	2,214 (13.6)	2,246 (11.3)	1,635 (7.3)	2,193 (8.3)
Bonds	2,068 (16.3)	2,610 (16.1)	3,985 (20.0)	3,079 (13.7)	5,817 (22.0)
Investment Funds	-	-	-	3,981 (17.7)	2,710 (10.2)
Others	105 (0.8)	116 (0.7)	176 (0.9)	785 (3.5)	1,209 (4.6)
Loans	2,788 (21.9)	3,708 (22.9)	4,468 (22.4)	3,548 (15.8)	3,627 (13.7)
Real Estate	1,115 (8.8)	1,393 (8.6)	1,753 (8.8)	2,355 (10.5)	2,578 (9.7)
Non Operating Assets	2,264 (17.8)	2,872 (17.7)	3,606 (18.1)	4,282 (19.1)	5,093 (19.2)
Separate Account Assets	-	-	-	-	353 (1.3)
Total Asset	12,711	16,228	19,944	22,430	26,486
Liabilities					
Insurance Reserve	10,305	13,486	17,398	20,533	22,399
Reserve for Outstanding Claims	2,538	2,983	3,887	6,153	6,881
Long-term Insurance Premium Reserve	3,888	6,057	8,215	9,401	10,701
Unearned Premium Reserve	3,212	3,699	4,205	3,714	3,473
Catastrophe Reserve	664	732	1,077	1,246	1,316
Other Liabilities	1,724	2,025	2,836	2,705	3,516
Separate Account Liabilities	-	-	-	-	353
Total Liabilities	12,029	15,511	20,234	23,238	26,269
Stockholder's Equities					
Capital Stock	421	435	441	360	2,435
Capital Surplus	385	423	402	1,076	1,360
Retained Earnings	-113	-117	-1,107	-2,174	-3,950
Capital Adjustment	-11	-25	-25	-71	372
Total Shareholder's Equity	682	717	-290	-809	217

Note: The figures in parentheses indicate percent of share.

Trend in Direct Premiums by Line



Direct Premium written showed an average growth of 7.2 percent from FY 1995 to FY 1999. However the direct premium written exhibited a negative growth in FY 1998 owing to the economic stagnation but a slight growth in FY 1999.

Direct Premium

(KRW billion, %)

Classification	FY'95	FY'96	FY'97	FY'98	FY'99
Direct Business	10,223 (33.4)	12,815 (25.4)	15,022 (17.2)	13,640 (-9.2)	13,876 (1.7)
bond & surety	701 (7.9)	651 (-7.2)	1,295 (99.1)	612 (-52.7)	575 (-6.1)
Reinsurance	0.6 (10.4)	0.7 (16.7)	0.8 (20.9)	1.3 (62.5)	1.3 (-3.1)
Total	10,924 (31.4)	13,466 (23.3)	16,318 (21.2)	14,254 (-12.7)	14,452 (1.4)

Note: The figures in parentheses indicate annual percent change.

Fire Insurance

In FY 1999, premium income from fire insurance decreased by 3.3 percent over the previous year, falling to KRW 265 billion. Premium income from fire insurance has continuously decreased for the past several years. The portion of fire insurance dropped from 3.5 percent in FY 1995 to 1.8 percent in FY 1999.

This was due to not only the fierce competition through deregulation in the insurance industry but also the changes of policyholders' preference pursuing an all risk policy. It seems that the downward trend will continue for a while.

Marine Insurance

Marine insurance's premiums registered KRW 457 billion, a strong increase of 22.3 percent over the previous year. In FY 1999, marine insurance benefited from increased exports and imports backed by advantageous trade-terms.

However, the growth rate will be bounded by the fall in price in the wake of deregulation and increasing cross-border transactions.

Automobile Insurance

In FY 1998, direct premium written from automobile insurance decreased by 14.5 percent due to the recession, but in FY 1999 it showed a moderate growth.

In FY 1999, automobile insurance registered KRW 5,537 billion, an increase of 4.9 percent over the previous year. Whereas premium from voluntary automobile insurance showed a high growth, premium from compulsory automobile liability insurance showed a negative growth.

The high growth rate of voluntary automobile insurance was stimulated by the sales of new product, "Plus Automobile Insurance" which was introduced in the market in September 1999.

Bond & Surety Insurance

Bond & surety insurance continued to be sluggish in FY 1999, falling by 6.1 percent over the previous year, mainly due to the application of its own rigid underwriting standards.

Since FY 1997, the bond & surety insurance industry in Korea has undergone great changes. The two ailing bond & surety insurance companies merged in 1998. As the merged bond & surety insurance company went through continuous financial difficulties, a large amount of public funds were injected.

Accident & Liability Insurance

Accident and liability insurance is one of the most rapidly growing insurance lines over the past several years.

The development of new products and increasing needs for professional liability insurance have made a great contribution to this growth.

Long-Term Insurance and Individual Pension Insurance

Over the past decades, long-term insurance has continually grown and become one of the most important insurance lines.

Long-term insurance had shown the highest growth rate among non-life insurance lines before FY 1998. However, due to the slump of domestic economy, long-term insurance showed negative growths for two consecutive years. Personal annuity also has continued to show a

negative growth owing to a decrease in real income since the economic crisis in FY 1997.

In FY 1999, premium from personal annuity insurance diminished by more than 10 percent compared to the previous year. It can be said that personal annuity insurance is in a state of saturation.

Direct Written Premium by Line

(KRW billion, %)

Classification	1995	1996	1997	1998	1999
Fire	378 (3.5)	359 (2.7)	322 (2.0)	273 (1.9)	265 (1.8)
Marine	453 (4.1)	415 (3.1)	399 (2.4)	374 (2.6)	457 (3.2)
Automobile	5,010 (45.9)	6,031 (44.8)	6,177 (37.8)	5,280 (37.0)	5,537 (38.3)
Bond & Surety	700 (6.4)	650 (4.8)	1,294 (7.9)	611 (4.3)	574 (4.0)
Accident & Liability	566 (5.2)	715 (5.3)	843 (5.2)	905 (6.4)	918 (6.4)
Overseas Direct	41 (0.4)	49 (0.4)	79 (0.5)	86 (0.6)	67 (0.5)
Long-Term	3,059 (28.0)	4,375 (32.5)	6,302 (38.6)	6,045 (42.4)	6,031 (41.7)
Annuity	716 (6.6)	872 (6.5)	905 (5.5)	679 (4.8)	604 (4.2)
Total	10,924 (100.0)	13,466 (100.0)	16,318 (100.0)	14,254 (100.0)	14,452 (100.0)

Note: The figures in parentheses indicate percent of share.

Expenditures

Incurred Loss

Incurred losses have sharply increased since FY 1997 because of heavy losses of the bond & surety policies and high lapse & surrenders in the long-term savings policies.

Incurred Losses by Line

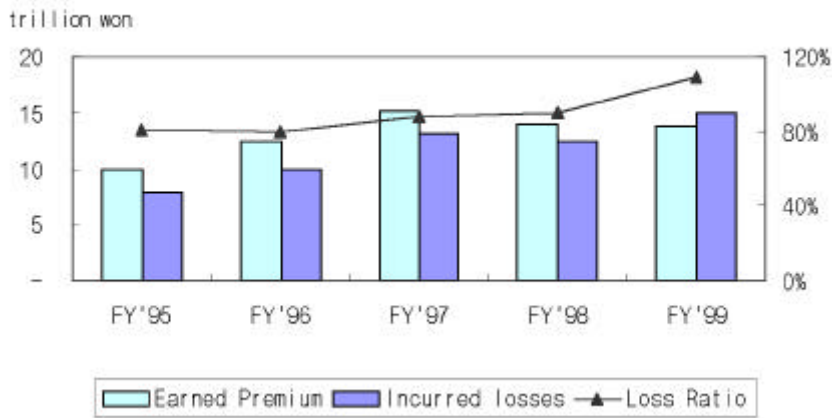
(KRW billion, %)

Classification	FY'95	FY'96	FY'97	FY'98	FY'99
Fire	132	157	185	131	127
Marine	105	115	120	97	93
Automobile	3,533	4,010	3,774	3,257	3,646
bond & surety	551	636	1,882	2,137	4,460
Accident & Liability	230	299	358	346	362
Overseas Direct	11	14	24	28	27
Overseas Inward	18	26	52	34	40
Long-Term	2,863	3,867	5,825	5,618	5,572
Annuity	515	775	925	769	687
Total	7,957	9,899	13,145	12,418	15,013

In FY 1999, incurred loss, one of the most important aspect of underwriting results, amounted to KRW 15,013 billion, an increase of 20.9 percent over the previous year. This deteriorated loss ratio, surpassing the growth rate of premium written, directly affecting the underwriting results.

The primary reason for the deteriorated loss ratio in FY 1999 can be explained by the upsurged loss amounts of the bond & surety insurance industry, resulting from a series of company failures such as the Daewoo crisis.

Loss Ratio of Non-Life Insurance



Net Operating Expenses

In FY 1999, net operating expenses registered a strong increase over the previous year but fell below the long-term average trend for the last five years. The reason for this strong increase can be found in the massive initial investment costs for e-business and an increase of advertisement expenditures.

After the financial crisis, insurance companies have constantly endeavored to streamline the corporate structure and distribution channels. This resulted in the sharp decrease of operating expenses in FY 1997 and 1998.

Investment Income

In FY 1999, total investment income of non-life insurance industry amounted to KRW 2,519 billion, an increase of 26.8 percent over the previous year.

Operating Expenses by Line

(KRW billion, %)

Classification	FY'95	FY'96	FY'97	FY'98	FY'99
Fire	140 (21.6)	142 (1.4)	155 (8.9)	129 (-16.4)	114 (-11.5)
Marine	90 (22.5)	98 (9.1)	117 (19.4)	96 (-18.2)	88 (-8.1)
Automobile	1,140 (34.4)	1,686 (47.9)	1,846 (9.5)	1,720 (-6.8)	1,777 (3.3)
bond & surety	110 (13.0)	129 (17.0)	119 (-7.7)	109 (-7.7)	69 (-37.4)
Accident & Liability	127 (36.6)	173 (36.6)	211 (21.5)	223 (5.7)	156 (-30.0)
Overseas Direct	9 (-20.0)	8 (-9.9)	12 (55.3)	17 (36.0)	16 (-4.5)
Overseas Inward	11 (-0.9)	10 (-7.3)	15 (48.8)	22 (43.6)	23 (4.2)
Long-Term	556 (27.7)	967 (73.8)	1,235 (27.7)	1,018 (-17.5)	1,241 (21.8)
Annuity	158 (60.8)	176 (11.7)	143 (-19.1)	57 (-59.9)	89 (56.0)
Total	2,341 (31.3)	3,390 (44.8)	3,852 (13.6)	3,391 (-12.0)	3,572 (5.3)

Note: The figures in parentheses indicate annual percent change.

Investment Income

(KRW billion)

Classification	FY'95	FY'96	FY'97	FY'98	FY'99
Direct Business	783	1,075	1,461	1,808	2,220
bond & surety	54	51	53	81	205
Reinsurance	54	60	87	98	94
Total	891	1,186	1,601	1,987	2,519

The reason for the high growth rate of investment income in FY 1999 is to be found in the upsurged stock market.

Underwriting Results

For five consecutive years, overall underwriting results have worsened and deficit amounts have continuously increased.

Underwriting Results in Non-Life Insurance

(KRW billion)

Classification	FY'95	FY'96	FY'97	FY'98	FY'99
Fire	-1	-21	-69	-26	-36
Marine	97	59	1	28	30
Automobile	-224	-305	264	303	-429
bond & surety	-84	-155	-1,303	-1,536	-3,550
Accident & Liability	58	43	51	37	118
Overseas Direct	3	4	4	2	-1
Overseas Inward	3	-1	-23	7	18
Long-Term	-351	-476	-700	-605	-798
Annuity	39	-85	-161	-152	-172
Total	-462	-937	-1,938	-1,942	-4,820

Note: Catastrophe Reserve and Policyholder's Dividend Reserve are not regarded

Especially in FY 1999, underwriting results sharply deteriorated due to increased automobile accidents and Daewoo crisis.

In contrast, accident & liability insurance improved substantially compared to the previous years.

Total Income and Expenditure

The underwriting expense sharply increased in FY 1999. This became the main reason for the upsurged net losses in FY 1999.

Total Income and Expenditure in Non-Life Insurance

(KRW billion, %)

Classification		FY'95	FY'96	FY'97	FY'98	FY'99
Income	Underwriting	9,839	12,361	15,058	13,866	13,765
	Investment	891	1,186	1,601	1,987	2,519
	Other	80	55	246	188	530
	Total	10,810	13,602	16,905	16,041	16,813
Expenditure	Underwriting	10,529	13,366	17,339	15,982	18,633
	Investment	114	99	382	1,096	878
	Other	27	68	150	459	619
	Total	10,671	13,533	17,872	17,537	20,129
Net Balance	Underwriting	-690	-1,005	-2,281	-2,116	-4,868
	Investment	776	1,087	1,218	891	1,641
	Other	53	-13	96	-271	-89
	Total	139	69	-967	-1,495	-3,316
Tax		7	13	25	-271	116
Net Income/Losses		133	56	-992	-1,495	-3,432

For the past five years, direct insurance companies have showed profits, but the net income of total non-life insurance showed a deficit owing to heavy losses by the bond & security insurance companies in FY 1999.

After recording a downturn in FY 1997, the deficit amounts of net income have continuously increased.

Income Statement

(KRW billion)

Classification	FY'95	FY'96	FY'97	FY'98	FY'99
Direct Business	167	98	56	219	90
Bond & Surety	-43	-50	-1,045	-1,818	-3,551
Reinsurance	9	8	-2	4	29
Total	133	56	-992	-1,595	-3,432

Management Efficiency

The combined ratio for total business deteriorated significantly to 135.5 in FY 1999, from 115.1 in FY 1998. The worsening combined ratio was triggered not only by the deteriorated loss ratio but also by the increasing expense ratio. The combined ratio has increased since FY 1997. In particular, the increase was significant in FY 1999 when the Daewoo crisis occurred.

Total loss ratio showed the highest level since FY 1995. This significant deterioration reflected the recent economic stagnation. In contrast, the loss ratio for fire, marine and casualty line have a stable pattern for the past five years.

In FY 1999, the yield rate of total asset was 10.9 percent, an increase of 1.1 percent points over the previous year. Direct business showed the highest yield rate over the last five years.

Combined Ratio

(%)

Classification		FY'95	FY'96	FY'97	FY'98	FY'99
Direct business	Loss Ratio	80.4	78.9	78.8	78.8	83.9
	Expense Ratio	22.4	26.5	24.7	25.6	27.0
	Combined Ratio	102.8	105.4	103.6	104.4	110.9
Bond & Surety	Loss Ratio	96.8	103.9	267.2	305.6	462.4
	Expense Ratio	20.2	21.3	21.2	21.5	15.0
	Combined Ratio	117.0	125.2	288.4	327.1	477.4
Rein- surance	Loss Ratio	72.1	80.8	89.5	73.5	75.2
	Expense Ratio	29.3	29.1	28.7	27.2	23.4
	Combined Ratio	101.5	109.9	118.2	100.8	98.6
Total	Loss Ratio	80.9	80.1	87.3	89.6	109.1
	Expense Ratio	22.6	26.4	24.8	25.5	26.4
	Combined Ratio	103.5	106.5	112.1	115.1	135.5

Loss Ratio by line

(%)

Classification	FY'95	FY'96	FY'97	FY'98	FY'99
Fire	4.9	56.5	68.5	56.1	61.9
Marine	35.9	42.3	50.2	43.9	46.0
Automobile	79.4	74.4	64.1	61.7	73.0
Bond & Surety	95.5	104.4	269.7	300.7	456.0
Casualty	55.5	58.0	57.7	57.1	56.9
Overseas Direct	49.1	52.8	60.3	60.6	63.6
Overseas Inward	56.6	73.3	118.0	54.4	49.2
Long-Term	93.3	88.7	91.6	93.1	92.6
Annuity	72.0	88.5	102.2	114.1	113.7
Total	64.8	80.1	87.3	89.6	109.1

Yield Rate of Total Assets

(%)

Classification		FY'95	FY'96	FY'97	FY'98	FY'99
Yield Rate of Total Assets	Direct Business	8.7	9.0	9.8	10.7	11.6
	Bond & Surety	5.7	5.1	3.8	4.0	7.6
	Reinsurance	6.9	6.7	8.2	8.0	6.8
	Total	8.3	8.5	9.3	9.8	10.9

Distribution Channel

Market Share by Distribution Channel

Direct premium written collected by solicitors and agents accounted for 90.6 percent of total premium written in FY 1999.

The proportion of premium collected by company employees and insurance pool have decreased in recent years. The portion of premium collected by insurance pool sharply dropped from 11.6 percent in FY 1995 to 0.4 percent in FY 1999. Premium collected by solicitors also decreased in FY 1999, by 0.5 percent points over the previous year.

In contrast, Premium collected by agents amounted to KRW 6,430 billion, an steep increase of 2 percent over the previous year, and showed the highest portion since FY 1995.

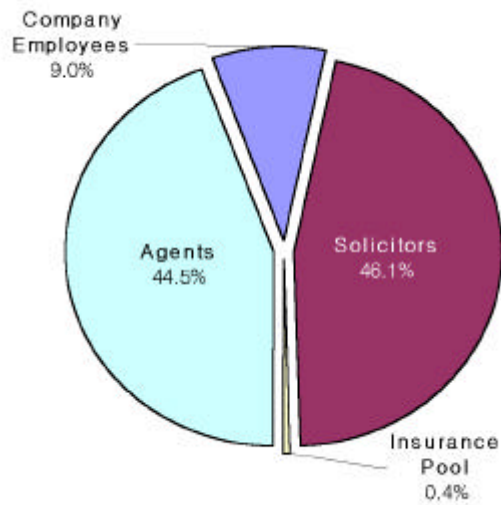
On the other hand, insurers are innovating their distribution channels to cope with ever-changing business environments.

Market Share by Premium Channels

(KRW billion, %)

FY Year	Company Employees		Solicitors		Agents		Insurance Pool		Total
	Amount	Portion	Amount	Portion	Amount	Portion	Amount	Portion	
FY'95	1,399	12.8%	3,681	33.7%	4,575	41.9%	1,268	11.6%	10,924
FY'96	1,438	10.7%	5,528	41.1%	5,641	41.9%	859	6.4%	13,466
FY'97	2,153	13.2%	7,239	44.4%	6,631	40.6%	296	1.8%	16,318
FY'98	1,469	10.3%	6,648	46.6%	6,062	42.5%	74	0.5%	14,254
FY'99	1,304	9.0%	6,658	46.1%	6,430	44.5%	60	0.4%	14,452

Market Share by Distribution Channels



Solicitors and Insurance Agents

The non-life insurance distribution system in Korea can be categorized into four subsets: solicitors, agency, brokerage, and employee of insurance companies.

A person who desires to be a solicitor should register with the Financial Supervisory Service, while a person who desires to be an insurance agent or broker should register with the Financial Supervisory Commission.

At year-end of FY 1999, the number of solicitors and agents were 83,466 and 52,432 respectively, while those who were employed directly by the Korea insurance industry amounted to 24,524.

For three consecutive years, the number of solicitors has declined. It is not only due to the reform in the insurance industry after the financial crisis but also owing to the emerging distribution channels that are more efficient and productive.

The Number of Solicitors and Insurance Agents

Classification		FY'95	FY'96	FY'97	FY'98	FY'99
Solicitor	Number	91,942	115,829	102,730	87,776	83,466
	Increase Rates	26.3%	26.0%	-11.3%	-14.6%	-4.9%
Agent	Number	38,252	46,385	51,823	51,073	52,432
	Increase Rates	0.5%	21.3%	11.7%	-1.4%	2.7%

Appendix

<Appendix 1> Profiles of Insurance Companies

1. Life Insurance Companies

(KRW billion)

Company	Date of Establishment	Paid-in Capital	Premium	Total Assets	The Number of Employees
Korea	Sept 9, 1946	2,050.0	4,468	17,125	6,044
Allianz First	Dec 21, 1954	7.5	845	4,139	2,379
Samsung	May 5, 1957	100.0	10,369	50,151	8,079
Hungkuk	May 20, 1958	8.0	779	3,600	1,825
Kyobo	Aug 7, 1958	68.6	5,046	24,160	6,608
Daeshin	June 20, 1989	144.2	260	1,468	572
Hyundai	Apr 5, 1989	116.6	329	1,440	718
Shinhan	Apr 15, 1989	150.0	308	1,853	725
Dongbu	Apr 14, 1989	85.2	126	602	355
Tongyang	Apr 20, 1989	290.3	550	2,852	1,246
MetLife	June 1, 1989	97.7	106	591	361
Samshin-All	Aug 9, 1989	50.0	126	606	411
Youngpoong	June 18, 1990	30.0	9	85	57
NewYork	July 4, 1990	47.5	5	35	96
Lucky	Feb 2, 1988	128.0	117	882	320
Kumho	Apr 1, 1988	161.2	430	2,593	1,325
SK	Mar 7, 1988	246.3	438	2,988	1,488
Hanil	Aug 7, 1993	70.0	68	296	246
Prudential	June 6, 1989	26.4	105	253	244
ING	Sept 9, 1991	29.5	163	341	217
France	Feb 19, 1988	50.0	7	48	68
LINA	Dec 29, 1986	4.2	33	96	130
AIG	May 18, 1987	10.0	25	57	98

Note : As of the end of September, 2000.

2. Non-Life Insurance Companies

(KRW billion)

Company	Date of Establishment	Paid-In Capital	Direct Premium	Total Assets	The Number of Employees
Oriental	Oct 1, 1922	42.9	613	1,595	1,915
Shindongah	Apr 1, 1946	33.3	348	991	1,434
Daehan	May 20, 1946	24.6	280	731	1,248
Kukje	Feb 1, 1947	12.7	203	465	1,166
Ssangyong	Mar 15, 1947	55.9	336	927	1,317
First	Mar 22, 1949	22.1	36	969	1,457
Regrnt	June 23, 1953	100.0	133	355	856
Samsung	Jan 26, 1953	26.5	2,172	7,352	4,045
Hyundai	Mar 5, 1955	44.7	1,123	3,074	3,083
LG	Jan 27, 1959	30.0	1,013	2,720	2,968
Dongbu	Mar 2, 1962	35.4	1,058	2,573	3,057
SGI	Feb 19, 1969	3,731.9	294	4,152	785
KRIC	Mar 19, 1963	51.2	0.4	1,510	198
AIG	Apr 24, 1968	2.0	22	53	121
ACE	Apr 1, 1985	1.0	2.5	11	35
Federal	July 27, 1992	3.0	1.3	14	30

Note : As of the end of September, 2000

<Appendix 2> Internet Homepage

1. Life Insurance Companies

Company	Homepage
Korea Life Insurance Co., Ltd.	www.korealife.com
Allianz First Life Insurance Co., Ltd.	www.allianzfirstlife.co.kr
Samsung Life Insurance Co., Ltd.	www.samsunglife.com
Hungkuk Life Insurance Co., Ltd.	www.hungkuk.co.kr
Kyobo Life Insurance Co., Ltd.	www.kyobo.co.kr
Daishin Life Insurance Co., Ltd.	www.dslife.co.kr
Hyundai Life Insurance Co., Ltd.	www.hyundailife.com
Shinhan Life Insurance Co., Ltd.	www.shinhanlife.co.kr
Dongbu Life Insurance Co., Ltd.	www.dongbulife.co.kr
Tongyang Life Insurance Co., Ltd.	www.myangel.co.kr
MetLife Insurance Company of Korea., Ltd.	www.metlifekorea.co.kr
Samshin allstate Life Insurance Co., Ltd.	-
Youngpoong Life Insurance Co., Ltd.	www.yplife.co.kr
NewYork Life Insurance Ltd.	www.nyli.co.kr
Lucky Life Insurance Co., Ltd.	www.luckylife.co.kr
Kumho Life Insurance Co., Ltd.	www.kumholife.co.kr
SK Life Insurance Co., Ltd.	www.sklife.com
Hanil Life Insurance Co., Ltd.	www.hanillife.co.kr
The Prudential Life Insurance Company of Korea	www.prudential.co.kr
ING Life Insurance Co., Ltd.	www.inglife.co.kr
France Life Insurance Co., Ltd.	www.allianzfl.co.kr
Life Insurance Company of North America., Korea Branch	www.lina.co.kr
Ameriacn International Assurance Company, Korea Branch	www.aiglife.co.kr

2. Non-Life Insurance Companies

Company	Homepage
The Oriental Fire & Marine Insurance Co., Ltd.	www.insuworld.co.kr
Shindongah Fire & Marine Insurance Co., Ltd.	www.shindongahins.co.kr
Daehan Fire & Marine Insurance Co., Ltd.	www.daeins.co.kr
Internation Fire & Marine Insurance Co., Ltd.	www.directins.co.kr
Ssangyong Fire & Marine Insurance Co., Ltd.	www.insurance.co.kr
First Fire & Marine Insurance Co., Ltd.	www.jeilfire.co.kr
Regent Fire & Marine Insurance Co., Ltd.	www.iregent.com
Samsung Fire & Marine Insurance Co., Ltd.	www.samsungfire.co.kr
Hyundai Marine & Fire Insurance Co., Ltd.	www.hdmf.co.kr
LG Fire & Marine Insurance Co., Ltd.	www.lginsure.com
Dongbu Fire & Marine Insurance Co., Ltd.	www.idongbu.com
Seoul Guarantee Insurance Co., Ltd.	www.sgic.co.kr
Korea Reinsurance Co., Ltd.	www.koreanre.co.kr
AIG General Insurance	www.aiggeneral.co.kr
ACE American Insurance Company Korea Branch	www.aceinsure.co.kr
Federal Insurance Company Korea	www.chubbkorea.co.kr

3. Related Organization

Organization	Homepage
Ministry of Finance and Economy	www.mofe.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 Life Insurance Association	www.klia.or.kr
Korea Non-Life Insurance Association	www.knia.or.kr
Korean Fire Protection Association	www.kfpa.or.kr
Korea Insurance Development Institute	www.kidi.or.kr