Korean Insurance Industry 2010

Department of Insurance Trends Analysis

Korea Insurance Research Institute

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Foreword

Driven by aggressive manufacturing oriented towards exports, the Korean economy has been rebounding at a healthy pace with surging growth momentum and became one of the world's ten biggest exporters of goods despite sluggishness in the post-crisis economic environment. According to the latest growth figures released by the Bank of Korea, Korea's GDP growth recorded 7.6% for the first six months in 2010 compared with the same period a year earlier.

Owing to the strength of economic growth, Korean insurance industry also has been successfully rebounding both in life and non-life insurance sectors although global insurance premiums and profitability from investment contracted.

There are, however, still uncertainties surrounding the course of growth in Korean economy and insurance industry. The delay in the full-fledged economic recovery of major countries and the possibility of international financial market unrest keep interest rate low and it may affect greatly investment results and overall profitability in insurance industry.

A harsher challenge in the longer term is Korea's aging population. The population aged 65 or over is increasing at the fastest pace in the world whereas the low fertility rate shows no sign of an upturn. The private insurance industry as well as public insurance will be significantly influenced in all aspects by the ageing demography.

Under this situation, this book is intended to discuss recent developments in the Korean insurance industry, economy, demography as well as financial circumstance that surround the industry. We hope this book will be helpful to readers, particularly foreign and domestic insurers and investors.

I sincerely express my true gratitude to all the members in the Department of Insurance Trends Analysis for their hard work in preparing this book.

Dae-Sik Kim
President
Korea Insurance Research Institute

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Korean Insurance Industry 2010

Contents

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General information

Demographic indicators

Economic indicators

Country profile

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Demographic indicators

1. Population prospects

Population of the World

	Total population (millions) (2009)	Projected population (millions) (2050)	Ave. pop. growth rate (2005-2010)	Ave. pop. growth rate (2025-2030)	Ave. pop. growth rate (2045-2050)	Total fertility rate (2005-2010)
World	6,829	9,150	1.18	0.73	0.34	2.56
	100.00%	100.00%				
M.D.R*	1,233	1,275	0.34	0.07	-0.07	1.64
	18.05%	13.9%				
L.D.R†	5,596	7,875	1.37	0.85	0.41	2.73
	81.95%	86.1%				
S. Korea	48.3	44.1	0.30	-0.19	-1.00	1.13
	0.71%	0.48%				

Source: United Nations, World Population Prospects: The 2008 Revision, 2009.

*: More-developed regions include North America, Japan, Europe, Australia, and New Zealand.

†: Less-developed regions include Africa, Latin America, Caribbean, and Asia excluding Japan.

Although Korea belongs to less-developed regions in the table according to the 2008 Revision of the official U.N. population estimate and projections, the average population growth rate and fertility rate come under the head of more-developed regions.

In 2009 the population of Korea reached 48.3 million, accounting for 0.7% of the world population, but it is expected to rather decrease to 44.1 million in 2050.

By 2005-2010, the population growth rate of Korea has reached

0.30% per year and is projected to decline to -1.00% per year by 2045-2050 since the fertility rate is very low.

At the world level the population growth rate by 2005-2010 has led to 1.18% per year and is projected to decline to 0.34% per year by 2045-2050. Because fertility decline, however, has not occurred simultaneously in all countries, the pace of population growth still differs considerably among developed groups.

Today the population of more developed regions is rising at an annual rate of 0.34%, but that of less developed regions is increasing four times as fast, at 1.37%.

By 2050, according to the medium variant, the population of the more developed regions will have been declining for about 40 years, whereas the population of the less developed regions will still be rising at an annual rate of 0.41% per year. Thus it is found that the population growth rate of Korea is characterized of more developed regions regardless of its classification.

2. Population structure

According to the 2008 Revision of the official U.N. population estimate and projections, it is found that the population ageing is found in the world with different degrees.

In more developed regions, the population aged 65 or over is increasing at the fastest pace ever and is expected to increase by more than 50% over the next four decades.

Compared to more developed regions, the population of less developed ones is also ageing rapidly. Over the next two decades, the population aged 65 or over in the developing world is projected to increase at rates far surpassing 3 % per year.

Population ageing results mainly from declining fertility. According to the 2008 Revision, fertility in less developed regions as a whole is expected to drop from 2.73 children per woman in 2005-2010 to 2.05 in 2045-2050. The urgency of the projected reductions of fertility is being brought into focus.

The implications of population ageing in Korea cannot be dismissed. Korea's population is rapidly aging. The population aged 65 or over is increasing at the fastest pace and the projection shows that the proportion of 65 or over will rise from 11.0 % in 2010 to 38.2 % in 2050. The percentage distribution of the population aged 80 or over in Korea is smaller than that of developed countries in 2010. But this situation seems to be reversed in 2050.

Percentage distribution by age group

	Population in 2010(%)				Median age in 2010	Population in 2050(%)				Median age in 2010
	0-14	15-64	65+	80+		0-14	15-64	65+	80+	
World	26.9	65.5	7.6	1.5	28.9	19.6	64.1	16.2	4.3	38.4
M.D.R	16.5	67.5	15.9	4.3	38.8	15.4	58.4	26.2	9.5	45.6
L.D.R	29.2	65.0	5.8	0.9	25.7	20.3	65.0	14.6	3.5	37.2
S. Korea	16.2	72.9	11.0	1.9	37.3	8.9	53.0	38.2	14.5	56.7

Source: United Nations, World Population Prospects: The 2008 Revision, 2009.
Statistics Korea, Population Prospects for Korea, 2006.

The median age confirms a rapid ageing of Korea’s population. The median age of Korea is predicted to record 56.7 years in 2050, which rose by 19.4 year from 37.3 years in 2010, 11.1 years much higher than more developed regions in 2050.

3. Life expectancy

Life expectancy at birth, 2005-2010 and 2045-2050

	2005-2010	2045-2050
World	67.6	75.5
M.D.R	77.1	82.8
L.D.R	65.6	74.3
S. Korea	79.4	83.8

Source: United Nations, World Population Prospects: The 2008 Revision, 2009.

In 1950-1955, life expectancy at the world level was 47 years, and has reached 68 years by 2005-2010, according to the 2008 Revision of U.N. population estimate. Over the next 45 years, life expectancy at the global level is expected to reach 75.5 years in 2045-2050.

The more developed regions already had a high expectation of life in 1950-1955 (66 years) and have since experienced further gains in longevity. By 2005-2010 their life expectancy stood at 77.1 years, 11 years higher than in the less developed regions where the expectation of life at birth was 65.6 years. Although the gap between the two groups is expected to narrow between 2005 and mid-century, in 2045-2050 the more developed regions are still expected to have considerably higher life expectancy at birth than the less developed regions (82.8 years versus 74.3 years).

By 2005-2010 Korea's life expectancy at birth stood at 79.4 years, 13.8 and 2.3 years higher than in the less developed regions and the more developed regions, respectively. Although the gap between the three groups is expected to narrow between 2005 and mid-century, in 2045-2050 Korea is still expected to have higher life expectancy at birth than the less and more developed regions (83.8 years versus 74.3 and 82.8 years).

The increase in life expectancy of Korea is a result of improvement in medical technology and growing interest in health. Most Korean people are provided with the benefits of public medical insurances. It is one of the reasons for the increase in life expectancy of Korea. Meanwhile with the increasing life expectancy, the private insurance industry of Korea will be influenced in all aspects.

Economic indicators

The real sector recovered at a rapid pace and the financial market regained stability in 2009 owing to the operation of bold fiscal and monetary policies to cope with the global financial crisis along with the improvement of overseas economic conditions from the second quarter. The financial markets showed unstable movements under the impact of the global financial crisis in the first quarter, but from the second quarter, the foreign exchange market situation improved and the credit crunch eased with stock prices rebounding strongly. Market interest rates rose reflecting the expectations of a recovery in economic activity, but still remain low due to uncertain World economic environments.

Gross Domestic Product (GDP) marked a robust recovering pace from the second quarter as exports increased and domestic sales continued on the upward trend helped by the policy effect. However, annual GDP growth stood at 0.2 % in 2009, the lowest since the 1997-98 currency crisis owing to the economic slowdown in the first quarter. Consumer prices increased by 2.8 % on average, influenced by weakened demand pressure and a fall in international raw material prices, showing slower growth than in the previous year. The current account registered a surplus of 42.7 billion dollars, a record high, as imports decreased at a faster pace than exports.

During the year, the monetary and credit policy were implemented for the stabilization of the financial markets and supporting the recovery of the real economy. The Base rate was lowered by 0.5 percentage points each in January and February, keeping 2.0% in 2009, the lowest in history. The efforts were implemented to ease credit crunch through the raising of the Aggregate Credit Ceiling and fund assistance for the Bank

Recapitalization Fund.

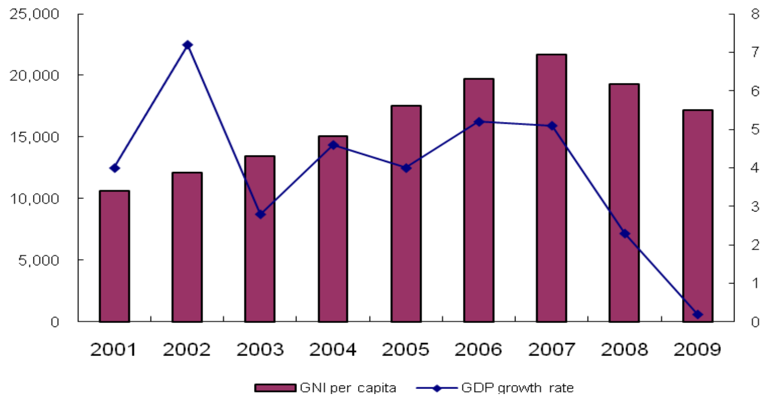
Along with this, foreign currency liquidity were supplied to financial institutions by making use of foreign exchange reserves and funds from currency swaps with the Federal Reserve System to stabilize the foreign exchange market.

During 2010, the Korean economy is expected to see robust growth as the private sector’s endogenous growth dynamism through household consumption and corporate investment is gradually recovering. However, there are still uncertainties surrounding the course of growth, including the delay in the full-fledged economic recovery of advanced countries and the possibility of international financial market unrest. The employment situation is expected to improve in keeping with the economic recovery. However, the scale of the improvement is likely to be somewhat constrained by the service sector’s weakened capacity to absorb the employment. Although Inflationary pressures are expected to become bigger from the latter half owing to rising demand, and the current account surplus may narrow sharply, it is expected that Korea’s economy in 2010, continuing a sharper than expected rebound, will achieve more than just recovering to the pre-crisis level and enter an expansionary phase.

1. Gross domestic products

During 2009, the domestic economy recovered at a rapid pace from the second quarter, pulling out of its downward trend in response to the implementation of accommodative fiscal and monetary policies and the improvement of export conditions. However, the annual GDP growth rate stood at just 0.2 %, owing to the severe economic slowdown. GDP growth rate in the first quarter was 0.2 %, but this accelerated to 2.4 % in the second quarter as exports increased and domestic demand improved markedly, responding to policy effects. It rose to 3.2 % in the third quarter, influenced by the effects of inventory adjustment. In the fourth quarter, however, it slowed down to 0.2 %, infected by a base effect in the wake of the faster growth in the second and third quarters.

GDP growth rate and GNI per capita



Source: the Bank of Korea.

Seen by component of demand, annual consumption increased by 1.3 % due to the accelerated growth of government consumption and the increased private consumption owing to tax reduction measures.

Fixed investment decreased by 0.2 % owing to a steep decline in facilities investment which served to offset an increase in construction investment that was helped by the expansion of fiscal expenditures. Total exports of goods and services (real terms) and total imports (real terms) both posted a decline owing to reduced demand at home and abroad. Total imports decreased by 8.2 %, but total exports slid by just 0.8 %, affected by the won's depreciation against the dollar and exporters' stepped-up marketing activities.

During the first quarter of 2010, real gross domestic product (GDP) posted an increase of 2.1 percent in the first quarter compared to the previous quarter. Facilities investment and private consumption continued an upward trend with government consumption and exports of goods shifting to an increase.

Private consumption rose by 0.7 percent quarter on quarter as expenditures on semi-durable goods, including clothing and footwear, and on services increased. Meanwhile, government consumption shifted from a decrease in the previous quarter to an increase of 5.8 percent owing to increased outlays for social security expenditure linked with health insurance. Gross fixed capital formation increased by 1.5 percent quarter on quarter as construction investment shifted to an increase and facilities investment continued a favorable trend. Exports of goods and services increased by 2.9 percent quarter on quarter while imports of goods and services increased by 4.4 percent quarter on quarter.

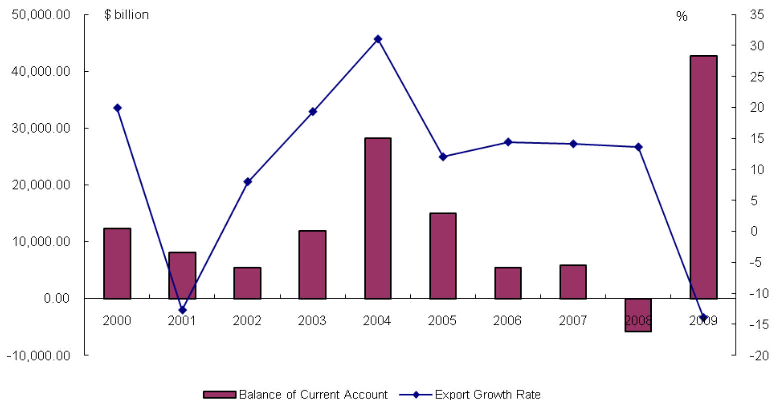
2. Balance of current account

In 2009 the current account registered a surplus of 42.7 billion dollars, the biggest yearly surplus in history. This was attributable to the rapid widening of the goods account surplus as imports, hit by the slowdown of domestic consumption and a fall in international commodity prices, decreased at a faster pace than exports, which declined owing to subdued international trade activity in the wake of the global financial crisis.

Exports decreased by 13.7% to total 373.6 billion dollars and imports dropped by 25.7% to total 317.5 billion dollars. Accordingly, the goods account surplus expanded sharply from the 5.7 billion dollars of the previous year to 56.1 billion dollars. The services account deficit widened slightly from the previous year's 16.7 billion dollars to 17.2 billion dollars in response to the reduced debit account

During the first quarter of 2010, exports increased by 36.6% year-on year to stand at 103.6 billion dollars, accelerating their upward pace following on from the previous quarter's 12.7%. Imports increased by 37.7% year-on year to record 103.6 billion dollars.

Balance of current account and export



Source: the Bank of Korea.

The goods account surplus decreased sharply from the 8.3 billion dollars of the previous year to 7.4 billion dollars due to rise of imports. The services account deficit widened sharply from the previous year's 1.9 billion dollars to 6.0 billion dollars in response to the increase of debit account.

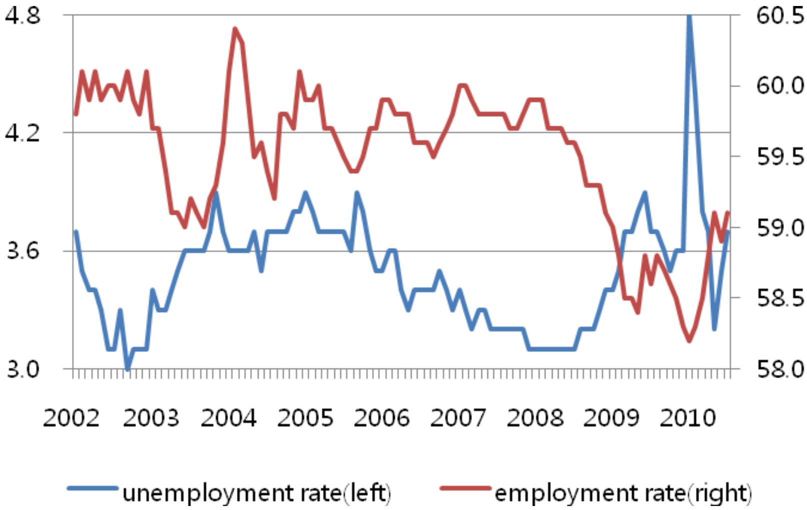
3. Employment

In 2009, there was some deterioration in labor market conditions as the number of the employed during the year was still on a declining trend and the unemployment rate kept to a high level. The downward pace in the number of persons employed slowed down since the second quarter owing to the government's steps to increase jobs. But, the number of persons employed during the year decreased by 70,000, showing a reduction for the first time since 2003. In case of excluding the public administration services on which the effects of the government's job creation measures were concentrated, the number of persons employed decreased by 260,000.

The seasonally-adjusted unemployment rate gradually fell after hitting a record high of 3.8% in the second quarter. On an annual basis, however, the rate went up to 3.6% from the previous year's 3.2%. The rate of participation in economic activities stood at 60.8%, the lowest since 2000 as women and people with a low level of education left the labor market owing to worsened employment conditions while the aging of the population structure continued.

During the first quarter of 2010, employment conditions improved as the number of persons employed increased, led by the private sector amid the economic recovery. The number of persons employed (seasonally adjusted) increased by 29,000 quarter on quarter as the number of those employed in the private sector increased by 251,000, which served to offset a decrease of 221,000 in the public administration service sector. However, the seasonally-adjusted unemployment rate stood at 4.3%, a rise of 0.7 percentage point from the previous quarter, as some members of the population that had previously refrain from participation in economic activities joined the economically active population as a consequence of the increase in job-seeking activities, including those taking part in the government’s job creation project.

Unemployment rate



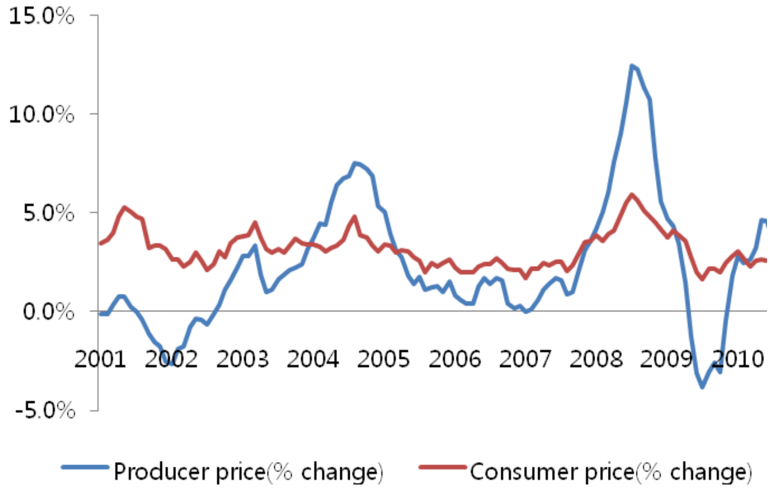
Source: Statistics Korea

4. Inflation

The rise in the consumer price index (CPI) decelerated from the previous year’s 4.7% to 2.8% as demand pressure was slight and prices of international raw materials including oil, fell sharply. During the 2007-2009 mid-term inflation target period, the CPI posted an annual average rise of 3.3%, within the bounds of the inflation target (3.0±0.5%). Looking at the movements of consumer prices by period, headline inflation rose by 3.9% year-on-year in the first quarter, affected by a rise in the won-dollar exchange rate and prices of agricultural products. The upward pace slowed to 2.8% in the second quarter and 2.0% in the third quarter, owing to a base effect following a surge in international oil prices during the same period of 2008. The upward pace accelerated slightly to 2.4% in the fourth quarter as the base effect disappeared.

CPI registered a year-on-year increase of 2.7 % in the first quarter of 2010, higher than 2.4 % in the previous quarter, their upward trend having accelerated. Core inflation, which strips out non-grain agricultural products and petroleum fractions from the CPI, rose by 1.9 % year-on-year, registering a slower pace than its 2.4 % hike in the previous quarter.

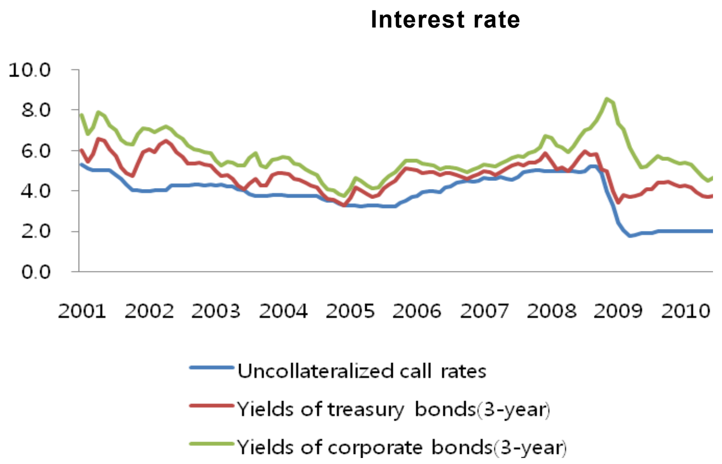
Inflation (CPI & PPI)



Source: Statistics Korea; the Bank of Korea.

5. Interest rate

In 2009 short-term market interest rates rose moderately, reflecting anticipations of an increase in the Base rate following the continued improvement in economic activity and the decline of MMFs. Secondary market yields on CDs (91-day) moved up to 2.88% at the beginning of January 2010 from 2.41% early in August 2009, and then maintained this level until the end of this February. With the withdrawal most of the expanded liquidity the Bank of Korea had provided to tackle the crisis, the overnight call rate remained stable around 2.0% in response to maintain the Base rate at that level.



Source: the Bank of Korea.

Long-term market interest rates rose gently until late October, 2009 in line with the economic recovery trend, and then fluctuated within a fairly narrow range. The secondary market yields on Treasury bonds (three year) rose to 4.62% as of October 26, but then fell back to fluctuate within a 4.1~4.5% range in keeping with the unstable movements in several confidence indices. They registered 4.1% as of the end of February 2010. The secondary market yields of corporate bonds (AA-, three-year) generally marked similar movements to those of Treasury bonds. Meanwhile, the spread on corporate bond yields over Treasury bond yields moved stably at a low level as credit risk concerns subsided.

In the first quarter of 2010, Long-term market interest rates fell markedly, influenced by the expanded net purchase of bonds by banks and foreigners in the wake of weakened expectation of a rise in the Bank of Korea's policy rate. Accordingly, yields on Treasury bonds (3-year maturity) and corporate bonds (AA-grade, 3-year maturity) fell by 0.52 percentage points and 0.64 percentage points, respectively, from the end of 2009 to 3.89% and 4.89% at the end of March.

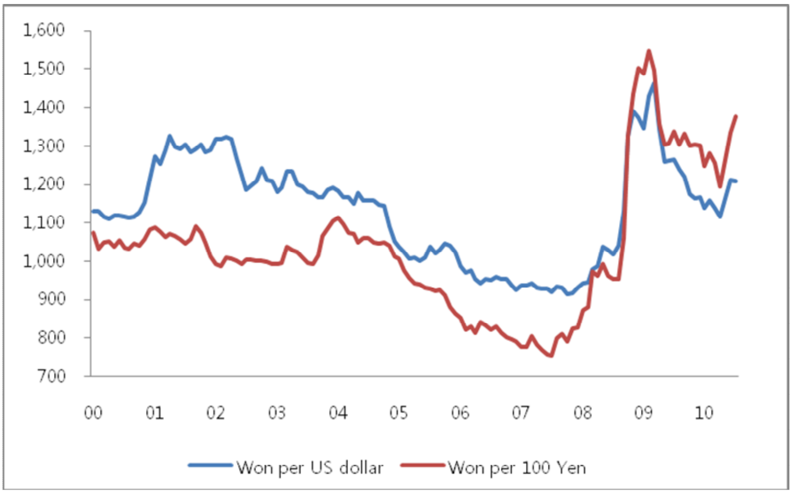
6. Exchange rate

The Korean won/US dollar exchange rate marked a generally downward trend from the beginning of the latter half of 2009. Looking at its movements by period, after standing at 1,315.0 won per US dollar on July 13, it declined under the influence of the large-scale current account surplus, inflows of foreign portfolio capital and the global US dollar weakness. These brought it down to 1,119.8 won per US dollar as of January 11, 2010. With the subsequent fiscal problems in several euro area countries, it edged back up again to 1,171.9 won per US dollar on February 8, 2010. As of the end of February 2010, the Korean won traded at 1,160.0 won per US dollar, representing a 9.8% appreciation compared to its value at the end of June 2009. The intraday and day-to-day volatility ranges narrowed gradually to maintain similar levels to those prior to Lehman Brothers collapse.

The Korean won/Japanese yen exchange rate fluctuated generally within a range of 1,260~1,370 won per 100 yen until late November 2009, then fell sharply, influenced by the Bank of Japan's announcement of the 'Enhancement of Easy Monetary Conditions' on December 1, 2009. This brought it down to 1,211.4 won per 100 yen on January 8, 2010.

During the first quarter of 2010, the exchange rate of the Korean won against the U.S. dollar dropped in the early weeks of the year, influenced by foreigners' massive net purchase of stocks and large scale sales of offshore NDF (non-deliverable forward). From mid-January, the exchange rate bounced back to 1,171.9 won per dollar on February 8 owing to growing concerns about fiscal crises in Euro region and the U.S. government's announcement of bank regulation plans. Subsequently, however, the unrest in the global financial market eased owing to the possibility of EU support for Greece with the exchange rate closing the first-quarter at 1,131.3 won per dollar.

Exchange rate



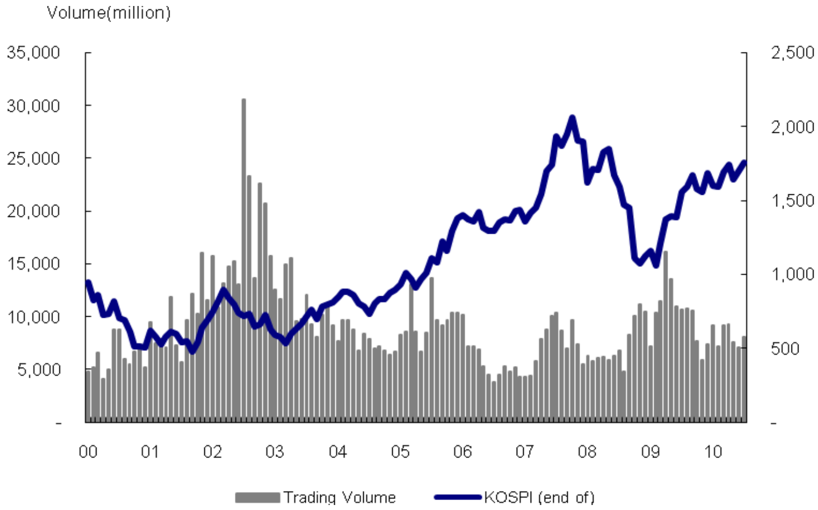
Source: the Bank of Korea.

7. Stock price

Share prices maintained an upward trend from the beginning of the latter half of 2009 in line with the improvements in global and domestic economic conditions, before turning down slightly in October and November 2009 owing to a strong won and the Dubai World debt standstill announcement. They subsequently rebounded, and the KOSPI rose to 1,722.0 on January 21, 2010 before declining sharply under the influence of tightening of liquidity in China and the fiscal concerns in the euro area. But it rebounded again to register 1,594.6 at end-February, a 14.7% rise from its level at the end of June 2009.

The KOSDAQ index rebounded, after dipping to 451.7 on November 27 2009, to reach 553.1 on January 18, 2010. As of the end of February 2010, it stood at 507.0, representing a rise of 4.5% compared with its level at the end of June 2009. By type of investor, foreign investors maintained large scale net domestic share purchase positions, so that foreign shareholdings as a percentage of total Korean stock market capitalization rose from 27.3% at the end of June 2009 to 29.8% as of end-February 2010. Domestic institutional investors, led by asset management companies and pension funds, maintained a net selling position apart from December 2009. Individual investors recorded a net selling position during the latter half of 2009 but switched to a net purchase position in the first two months in 2010.

KOSPI and Trading volume



Source: Korea Exchange.

During the first quarter of 2010, the KOSPI fell sharply from mid-January, affected by the U.S. government's announcement of draft financial regulatory proposals and worries over the possible fiscal crises in some European countries. But it rebounded in early February on the easing of concerns about potential European fiscal crises and inflow of funds to purchase stocks at low valuations. Subsequently, it continued on an upward track, influenced by improved U.S. economic indicators, and expectations of low interest rates being maintained. As of the end of March, accordingly, the KOSPI stood at 1,692.9, up 0.6 % from the end of 2009, and the KOSDAQ index had risen by 0.4 % to post 515.7.

Country profile

Official name: Republic of Korea
Official Language: Korean
Capital: Seoul
Population: 48.3 million (in 2009)
Other major cities: Busan, Daegu, Incheon, Gwangju, Daejeon, Ulsan

Geography

On the Korean peninsula, the Demilitarized Zone (DMZ) has separated South Korea from North Korea (Democratic People's Republic of Korea) since the end of the Korean War in 1953.

The north of the peninsula borders China at the Yalu and Tumen Rivers. Three seas surround the rest of the peninsula: the East Sea to the east, the Korean Strait to the south and the Yellow Sea to the west.

The total landmass of the peninsula, including islands, is 220,847 square kilometers. South Korea accounts for approximately 45 % of the peninsula and is equal in size to Portugal or Hungary.

Topography

70 % of the Korean landscape is mountainous or hilly, especially on the east coast that is rocky and rugged compared to the flatter areas in the west. Almost all available lands are intensively cultivated. The principal Taebaek mountain range runs along the east coast and extends into the Sobaek mountain range. The tallest mountain is Mount Halla, a 1,950-meter cone located on Jeju Island. The longest rivers are the Nakdong River, 521 kilometers in length and the 514-kilometer-long Han River, which flows through Seoul.

Climate

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

Language

The country's official language is Korean. It has the same roots as Turkish and Mongolian and is heavily influenced by Chinese. There are no significant linguistic minorities, and regional dialects of Korean are mutually intelligible.

Religion

Religious freedom is protected by the Constitution. While there are diverse religious traditions in Korea, the main religion is Buddhism, although Christianity's presence is stronger in Korea than other Asian countries, apart from the Philippines.

Government and politics

The 17th President was elected at the end of 2007 by direct popular vote and the new President began a single five-year term in 2008. Almost all of the National Assembly members were elected by popular vote for a four-year-term and political parties according to a proportional formula appoint the rest in 2008.

Korea has nine provinces and seven provincial-level cities. Provinces are divided 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-governance in recent years.

Insurance market environment and supervision

Insurance market environment

Insurance regulations

Supervision of insurance companies

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Insurance market environment

1. Overview

According to Swiss Re, the total insurance premiums of fiscal 2009[1] in Korea were $91.9 billion and increased by 0.81 % (real term) over the previous year. Its share in the world market was 2.26 % and its rank remained the tenth position. The U.S. market maintained its lead with total premiums of $1,139.7 billion despite the rapid decrease followed by Japan with $473.2 billion, the UK with $450.2 billion, and France with $273.0 billion.

Total premium volume by country

(Units: $ billion, %)

Ranking	Country	Premium volume		Changes, 2009		Share of world market, 2009
		2008	2009	Nominal	Inflation-adjusted	
1	Untied States	1,239.7	1,139.7	-8.07	-7.77	28.03
2	Japan*	483.1	505.9	4.73	-1.06	12.44
3	UK	395.6	309.2	-21.84	-9.43	7.61
4	France	275.8	283.1	2.61	8.20	6.96
5	Germany	241.9	238.3	-1.48	3.64	5.86
6	Italy	140.7	169.4	20.38	26.07	4.17
7	PR China	140.8	163.0	15.79	14.63	4.01
8	Netherlands	114.5	108.1	-5.57	-1.51	2.66
10	Korea*	90.6	91.9	1.48	0.81	2.26

*: Fiscal year (Apr.1, 2009~Mar.31, 2010)
Source: Swiss Re, Sigma, No 2, 2010.

The recovery of Korean insurance industry in fiscal 2009 was slowly strengthening due to a widespread global recovery and a

[1] Source is Sigma No 2/2010, Swiss Re. The statistics are different from those of the Korea Insurance Development Institute (KIDI).

limited direct exposure to the financial crisis. The inflation-adjusted growth rate of total premiums in fiscal 2009 was 0.81 %, and it was a little higher than the GDP real growth rate of 0.2 %.

The insurance penetration, or premiums as a percentage of GDP, reached 10.4 % in fiscal 2009 and decreased by 1.4 percentage points from the previous year. But the decrease was due to life business which was decreased by 1.5 percentage points. The insurance penetration for non-life business was rather increased by 0.2 percentage points, a situation that is found in the world in 2009.

The rank of Korean insurance penetration has fallen to the sixth highest and changed rank with Hong Kong. Taiwan still accounted for the first class with 16.8 %. The Netherlands went up two and ranked at the second highest with 13.6 % while the UK went down one and ranked at the third highest with 12.9 %.

Insurance penetration: Premiums in % of GDP

(Unit: %)

	2007			2008			2009		
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-Life	Total
Korea*	8.2	3.6	11.8	8.0	3.7	11.8	6.5	3.9	10.4
World	4.4	3.1	7.5	4.1	2.9	7.1	4.0	3.0	7.0

*: Fiscal year (Apr.1, 2009~Mar.31, 2010)
Source: Swiss Re, Sigma, No 2, 2010.

The insurance density, or premiums per capita, reached $1,890.3 in fiscal 2009 and decreased by 4.0 % from the previous year. But the decrease was less than fiscal 2008 which was -17.4 %.
The insurance density for life business was decreased by 12.4 % with $1,180.6, while it was increased by 14.3 % with $621.0 for

non-life business.

Insurance density: premiums per capita

(Unit: $)

	2007			2008			2009		
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
Korea*	1,656.6	727.3	2,384.0	1,347.7	621.0	1,968.7	1,180.6	709.7	1,890.3
World	358.1	249.6	607.7	369.7	264.2	633.9	341.2	253.9	595.1

*: Fiscal year (Apr.1, 2009~Mar.31, 2010)
Source: Swiss Re, Sigma, No 2, 2010.

According to the life insurance subscription survey conducted on 2,000 households, the private life insurance subscription ratio per household has sharply increased since the 1980s and registered 85.7 % in 2006. But in 2009 the figure slowed down to 84.5 % due to the affects of financial crisis. When the mutual sector, including products from the post office and the agricultural association, is taken into account, the ratio decreased from 89.2 % in fiscal 2006 to 87.5 % in fiscal 2009.

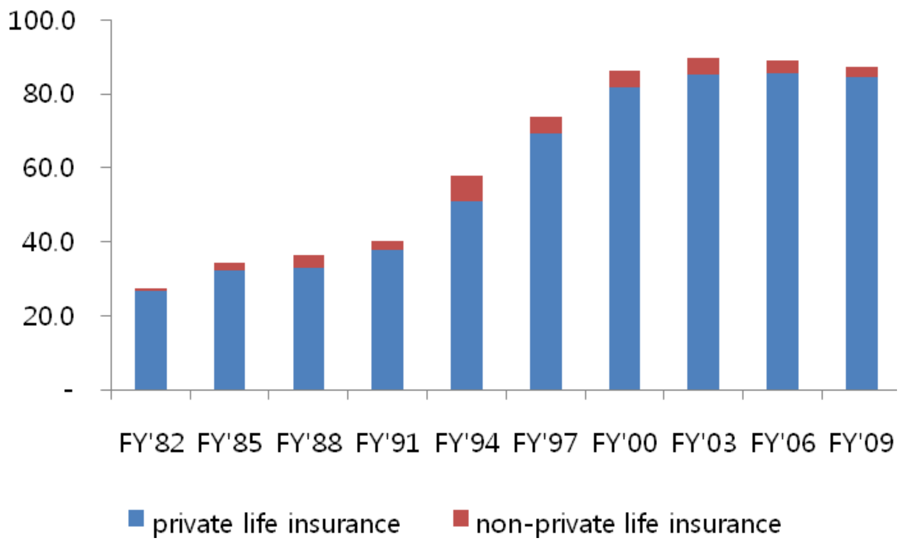
Life insurance subscription ratios per household

(Unit: %)

	FY'88	FY'91	FY'94	FY'97	FY'00	FY'03	FY'06	FY'09
Private life Insurance	32.8	37.8	50.9	69.2	81.9	85.4	85.7	84.5
Mutual, Post office	2.8	3.2	2.9	4.1	6.4	13.4	15.8	13.1
Mutual, Agricultural association	2.3	2.4	7.2	7.9	9.9	10.2	9.0	9.0
Total	36.4	40.3	57.8	73.7	86.2	89.9	89.2	87.5

Source: Korea Life Insurance Association, Consumers' survey, 2010.

Subscription rates per household (Life insurance)



Source: Korea Life Insurance Association, Consumers' survey, 2010.

2. Premium volumes and total assets

Premium volume

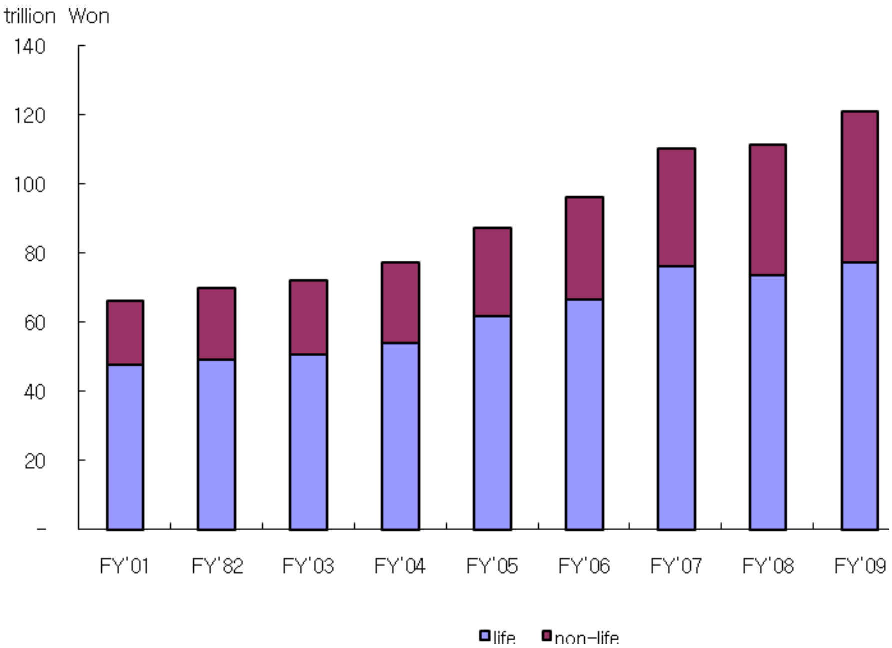
(Units: billion Won, %)

	FY'03	FY'04	FY'05	FY'06	FY'07	FY'08	FY'09
Life	50,393 (2.7)	53,751 (6.7)	61,472 (14.4)	66,455 (8.1)	75,956 (13.0)	73,561 (-2.0)	76,957 (4.6)
Non-life	21,374 (3.7)	23,219 (8.6)	25,724 (10.8)	29,583 (15.0)	33,982 (14.9)	37,495 (10.3)	43,832 (16.9)
Total	71,767 (3.0)	76,970 (7.2)	87,196 (13.3)	96,038 (10.1)	109,077 (13.6)	111,057 (1.8)	120.789 (8.8)

Note: Figures in parenthesis indicate year-on-year growth rates.

Source: KIDI, Monthly insurance report, various issues.

Trends of premium volume



Source: KIDI, Monthly insurance report, various issues.

According to Monthly insurance report of KIDI, the growth rate of total insurance premiums in fiscal 2009 surged up. The recovery of pure endowment and annuity which were decreased in fiscal 2008 put the life insurance premiums on the right track. Non-life insurance premiums were accelerated by long term insurance's steady increase and general insurance's pick-up.

The total premiums in fiscal 2009 grew by 8.8 % to 120,789 trillion Won. The premium growth rate in fiscal 2009 was by 7.0 percentage points higher than 1.8 % of fiscal 2008.

For life and non-life insurance in fiscal 2009, the premium growth rates recorded 4.6 % and 16.9 % respectively, and were up 6.6 percentage points from fiscal 2008, respectively.

The total assets of the insurance industry in fiscal 2009 increased by 14.2 % to 458,647 billion Won: 13.5 % with life insurance and 16.4 % with non-life insurance.

As for life insurance, both the improvement of staggering investment returns and the sales rise of almost every product led to the high growth rate of assets. The life insurance assets in fiscal 2009 recorded 372,525 billion Won.

As for non-life insurance, the growth of general insurance including auto insurance as well as long-term insurance provided favorable factors to the growth of assets. The improvement of investment returns helped to accelerate the growth trend of the non-life assets, which amounted to 86,122 billion Won.

Total assets

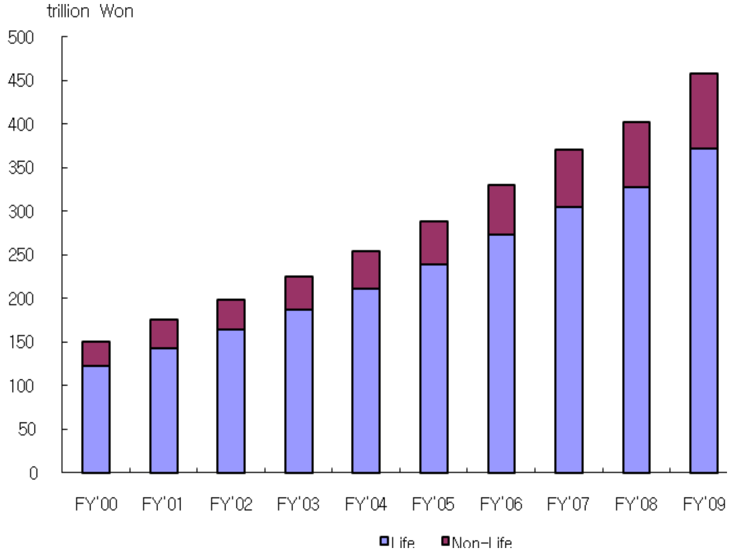
(Units: billion Won, %)

	FY'03	FY'04	FY'05	FY'06	FY'07	FY'08	FY'09
Life	187,362 (14.1)	211,610 (12.9)	239,362 (13.1)	273,132 (14.1)	305,400 (11.8)	328,332 (7.5)	372,525 (13.5)
Non-life	38,823 (9.8)	43,472 (15.0)	49,277 (13.4)	56,971 (15.6)	66,015 (15.9)	73,990 (12.1)	86,122 (16.4)
Total	226,184 (13.3)	255,082 (12.8)	288,639 (13.2)	330,103 (14.4)	371,415 (12.5)	402,322 (8.3)	458,647 (14.2)

Note: Figures in parenthesis indicate year-on-year growth rates.

Source: KIDI, Monthly insurance report, various issues.

Trends in total assets



Source: KIDI, Monthly insurance report, various issues.

3. Industry landscape

During the liberalization in 1990 and 1991 the lowered entry barriers enabled local companies, joint ventures and foreign companies to enter the Korean insurance market, and the number of insurance companies reached as many as fifty.

But in 1997, the financial crisis forced the supervisory authorities to restructure the insurance industry in order to regain market confidence. The business licenses of four life insurance companies have been withdrawn, and six companies were sold off owing to poor performance.

During another round of restructuring in 2001, two more life insurance companies closed operations.

In 2009 Kumho Life and SH&C Insurance Companies changed their names to KDB and Cardif, respectively, leaving 13 domestic and 9 foreign life insurance providers existing in the market as of March 31, 2010.

Insurance companies in Korea

Classification		Domestic	Foreign	Sub total
Life Insurance		13	9	22
Non-Life Insurance	Primary	13	10	23
	Reinsurer	1	6	7
	Sub total	14	16	30
Total		27	25	52

Note: 1) All figures are on Mar.31, 2010

2) Foreign subsidiaries, branches, and joint ventures in which foreign shareholders account for more than 50 % of total stocks are regarded as foreign insurance companies.

Sources: Financial Supervisory Service; KIDI.

In the non-life insurance segment, two unhealthy guarantee insurance companies merged in 1998. New players have entered the market since 2000 as deregulation and liberalization of the industry progressed. Royal & Sun Alliance launched its underwriting operations in Korea in 2000, followed by Kyobo Auto Insurance Company in 2001 which was acquired by AXA Japan and then changed its name to Kyobo AXA in 2007, First American Title Insurance Company in 2001, Kyowon-nara Auto Insurance Company in 2003, Daum Direct Auto Insurance Company in 2003 which was acquired by Munich Re Group and then changed its name to ERGO Daum in 2008 and Mitshui-Sumitomo Marine and Fire branch in 2003.

In 2006, Hyundai Hicar Direct Auto insurance company opened in earnest as a subsidiary company of the Hyundai Marine & Fire Insurance Company.

In 2009, First Fire & Marine Insurance Company as merged to Hungkook Fire & Marine Insurance and DAS launched its operation in Korea, leaving 13 primary non-life insurers and 10 foreign non-life insurers in the market as of March 31, 2010.

4. Positioning of foreign companies

After the liberalization in 1990 and the relief of entry barriers in 1997, many foreign insurers entered the Korean insurance market. The number of foreign subsidiaries, branches, and joint ventures operating in Korea had surged to twenty-five since 1990. Life insurers in total were nine and non-life insurers were sixteen including six reinsurers.

The growth rate of foreign life insurers' market share continued to slow down in fiscal 2009. The steady decline of the foreign life market shares was contributed to a decrease in variable insurance product sales and staggering of Bancassurance sales. It is not denied that the decrease of the foreign life insurers' market share was affected by lowered consumer confidence to foreign insurers especially because of AIG turmoil. As a result, the foreign life insurers' market share led to 21.1 % of the total life insurance market.

Premium income and market share for foreign insurers

(Units: billion Won, %)

	FY'05		FY'06		FY'07		FY'08		FY'09	
	Life	Non-life	Life	Non-life	Life	Non-life	Life	Non-life	Life	Non-life
Foreign insurers	11,107	328	13,150	409	16,924	1,278	15,816	1,387	16,238	1,403
	(18.07)	(1.33)	(19.79)	(1.42)	(22.54)	(3.1)	(21.5)	(3.7)	(21.1)	(3.2)

Note: Each figure in a parenthesis indicates market share of life or non-life insurance industry.

Source: KIDI, Monthly insurance report, various issues.

For non-life insurance, the market share of foreign insurers remained less than 5 % of the total non-life market in fiscal 2009. It was also not changed that the market share of foreign insurers was occupied by a couple of insurers.

In fiscal 2009 it was noted that AIG turmoil affected an associated to AIG and leading insurer which occupied more than half of the foreign non-life market share. While others kept up their premiums thanks to new channels such as Bancassurance and direct channels, its premiums were sharply decreased, leading to the decrease of the foreign market share. As a result, the foreign market share recorded 3.2 % which is down 0.5 percentage points from last year.

5. Market concentration

The Korean insurance industry has showed a high market concentration with larger insurance companies having the most of market shares. This circumstance was further lessoned during the financial crisis. In Fiscal 2009 the market share of larger insurance companies kept a slow-down trend in recent years.

The Herfindahl-Hirschman index for the life insurance of fiscal 2006-2009 disclosed that the recent concentration of life insurance was relieved from 0.1554 in fiscal 2006 to 0.1263 in fiscal 2009. The decrease in concentration is attributed to the growth of foreign insurers and the sales surge of the middle size insurers especially in fiscal 2009.

As for non-life insurance, the concentration was relaxed from 0.1531 in fiscal 2006 to 0.1436 in fiscal 2009. Such change was caused by a decrease in the market share of the top insurers and an increase in the market share of middle size insurers and foreign insurers through direct and Bancassurance channels.

Market concentration

(Unit: %)

	Ranking	Company	Market share			
			FY'06	FY'07	FY'08	FY'09
Life	1	Samsung Life	30.6	27.8	27.0	27.4
	2	Korea Life	16.2	15.0	14.3	13.7
	3	Kyobo Life	15.5	14.0	13.4	13.0
	4	ING Life	5.9	6.1	6.3	5.7
	5	Mirae Asset Life	2.8	4.2	4.7	4.5
	6	Shinhan Life	3.3	3.4	3.7	4.1
	7	Tong Yang Life	2.8	3.3	3.5	3.7
	Top 3		62.3	56.8	54.7	54.1
	Ranking	Company	Market share			
			FY'06	FY'07	FY'08	FY'09
Non Life	1	Samsung Fire & Marine	28.6	27.8	26.7	25.8
	2	Hyundai Marine & Fire	14.7	15.3	15.2	15.3
	3	Dongbu Insurance	14.1	14.3	14.1	14.2
	4	LIG Insurance	13.6	12.8	12.6	13.0
	Top 4		71.3	70.1	68.5	68.4

Source: KIDI, Monthly insurance report, various issues.

In the life insurance market, the top three companies, namely Samsung Life Insurance Co., Korea Life Insurance Co. and Kyobo Life Insurance Co., accounted for 54.1 % of the total market premiums in fiscal 2009. The market share was decreased by 8.2 percentage points compared to 62.3 % in fiscal 2006. The competition caused by foreign companies and the sales decrease of protection type products led to a decrease in the market share occupied by large insurance companies.

In the non-life insurance area, the top four leading insurers – Samsung Fire & Marine Insurance Co., Hyundai Marine & Fire Insurance Co., Dongbu Insurance Co. Ltd, and LIG Insurance Co. Ltd – took up 68.4 % of the total market premiums in fiscal 2009. As for top four leading non-life insurers, the strong growth of long term insurance enabled to secure the previous market share.

6. Financial market

Boosted by a rise of financial market stability, it was found that the economic agents have preferred more risky asset and less liquidity, a trend that was noticeable in early 2010.

To the end of 2009 the net money receipt of insurers increased on a year-on-year basis: while the net money receipt of insurers increased by 4.4 %, these of securities recorded negative growth. This increase of the net money receipt for insurers showed that less risky assets were preferred to risky assets during the course of economic recovery.

But in the first quarter of 2010, the net money receipt of insurers decreased on a quarter-on-quarter basis, while others increased: the insurers with -2,156 billion Won versus commercial banks with 9,546 billion Won, security companies with 8,987 billion Won, investment trust with 24,810 billion Won, and merchant banks with 4,519 billion Won.

On the other hand, as the possibility of the stock market recovery grows further in the second half of 2010, the net money receipt of security companies, investment trust, and merchant banks are expected to increase.

Net deposits of financial institutions

(Unit: billion Won)

		2008	2009					2010
		Total	Q1	Q2	Q3	Q4	Total	Q1
Insurance	Life	27,265	5,205	7,353	7,188	8,481	28,227	6,556
	Non-life	9,831	2,052	2,832	2,855	2,772	10,516	2,541
	Sub total	37,095	7,257	10,185	10,043	11,253	38,743	9,097
Bank	Deposit account	79,822	18,773	24,590	28,243	10,290	81,896	17,689
	Trust account	-353	-4,648	-2,737	26	1,877	-5,481	4,024
	Sub total	79,469	14,125	21,853	28,269	12,167	76,414	21,713
Securities		5,832	8,117	3,701	3,389	-4,484	10,723	4,503
Investment Trust		63,513	26,180	-11,523	-28,236	-14,075	-27,653	10,735
Merchant Bank		2,734	3,483	-6,439	-7,611	-719	-11,287	3,800
Total		188,644	59,162	17,777	5,854	4,142	86,941	49,848

Note: As for insurers, net deposit is measured (premiums - claims paid).
Source: the Bank of Korea; KIDI.

Insurance Regulations

1. Insurance business law and related laws

The laws related to insurance in Korea are the Insurance Business Law and its enforcement regulations. The Law was promulgated on January 15, 1962, and amended in 1971, 1977, 1980, 1988, 1994, 1995, 1997, 1998, 1999, 2000, 2002, 2003, 2005, 2006, 2007, 2008, 2009 and 2010.

In 1977, all 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 organizations and business activities of persons conducting insurance business, insurance soliciting, and other insurance related matters.

Korean insurance market has rapidly evolved into a free market as the Insurance Business Law has been amended two times in the 1980’s, and nineteen times since 1991. All these changes have focused on the deregulation and the reform of the insurance industry in order to cope with globalization and financial convergence.

In 2000, the laws and regulations were modified to allow all types of financial institutions to form alliances to move into the "non-core business" of other financial institutions. This was the first step toward a full convergence of financial institutions in Korea.

In 2003, the Insurance Business Law and its enforcement regulations posed new challenges, by focusing on overhauling existing regulations in the insurance sector in an effort to meet global standards in terms of asset management, market

competition, supervisory systems, and consumer protection. This was the second step toward financial convergence.
In particular, the law and its regulations provide a basic framework for Bancassurance. All financial institutions, including banks, brokerage firms, and mutual savings companies that meet certain regulatory requirements, may sell insurance products.
In addition, for the purpose of expediting market competition, the minimum capital required for setting up an insurance company was lowered.

In 2008, the revised law included a few measures for better consumer protection against insurance fraud and for more effective asset management, such as strengthening public notice requirements on insurance products and enhancing account segmentation of asset or investment profit-and-loss for each insurance contract.

In 2009, the Insurance Business Law was amended in order to reinforce privacy protection by expanding credit agencies' business areas and strengthening the right to self-information control. The amended law also requires credit agencies to employ strict internal control procedures, in order to raise the trust of consumers in using credit information. In addition, several operational flaws were fixed. The lengthy and complex legal terms in the law were simplified or rephrased, so that the public can better understand it.

In 2010, the revised law was aimed to strengthen the protection of insurance consumers. First, Insurers are subject to a stricter obligation to inform consumers of their insurance products. When selling their insurance policies, insurers should provide customers with crucial information such as contract terms and cases where benefit payments are denied, etc., and receive the customers' written consent.
Also, the amended law adopted the principle of suitability (the so-

called “Know-Your-Customer Rule”). This principle means that Insurers should be well informed of their customers’ financial situation and investment purpose and recommend appropriate products.

In order to protect consumers from false or exaggerated advertisements, the amended law specified what should or should not be included in advertisements of insurance products. Advertisements should include prior notices such as insurance contracts and conditions warning against loss of the principal investment. And advertisements should not mislead consumers by incorrect information that benefit payments are fully guaranteed under every condition.

2. Financial Investment Services and Capital Market Act

‘Financial Investment Services and Capital Market Act (FSCMA)' was legislated in 2007 and went into effect on February 4, 2009. The main purpose of the Act is to reformulate the legal framework governing the Korean capital market, which was launched with the enactment of Securities and Exchange Act in 1962. The Act will be geared towards facilitating the capital market to play a pivotal role in achieving two of the national policy goals, i.e. accomplishing sustainable economic growth and becoming a Northeast Asian financial hub. An essential prerequisite is revamping the existing regulatory system based on the principle of positive-listing and sector-by-sector division. Due regards will be paid to the successful precedents of the UK and Australia that achieved overall economic upgrade by way of promoting innovation and competitiveness through financial market regulatory reform. The Act will pave the way for a new era of financial market turnaround. Furthermore, Investors will fully enjoy due investor-protection on a par with that of the advanced economies, and will be furnished with expected investment opportunities into new and diverse financial products. Companies, in turn, will be able to raise investment funds without a hitch utilizing new financial sourcing methods tuned to their specific needs. With the expected debut of homegrown investment banks fully equipped with global competitiveness, the government envisages a great leap-forward in the Korean financial industry.

The background for legislation:

- Providing measures to upgrade capital market (expanding demand basis of market, enhancing capital market transparency, improving capital market efficiency, and setting up the advanced legal framework of capital market)
- Creating a financial big bang in capital market (promoting financial innovation and competition through advanced regulatory reform and stronger investor protection)

The major changes for legislation:

- Shifting to functional regulation
- Introducing a comprehensive system
- Expanding business scope
- Upgrading investor protection mechanism

The expected effects:

- Setting up a business model in line with advanced IBs
- Creating synergy effect from service integration
- Strengthening competitiveness by structuring and offering a multitude of new financial products
- Achieving economy of scale after consolidation
- Bringing regulatory reform

3. Insurance supervisory authorities

Until 1997, the regulatory authorities were the Ministry of Finance and Economy (MOFE) and the Insurance Supervisory Board, which conducted routine supervision for the insurance industry. However, the authority of the MOFE has been reduced only to the establishment and modification of insurance policies and related laws. The Insurance Supervisory Board (ISB) was merged into the Financial Supervisory Service (FSS). The FSS, as an executive arm of the Financial Services Commission (FSC, the former Financial Supervisory Commission), consists of three divisions corresponding to the insurance, the banking, and the securities industries.

The responsibilities of the FSC in relation to insurance include:

- Examination and supervision of insurance institutions
- Enactment and amendment of regulations concerning supervision of insurance companies
- Authorization for the operation of insurance institutions

Primary functions of the FSS concerning insurance are:

- Supporting the FSC's regulatory functions
- Inspecting operations and financial status of insurance institutions
- Arbitrating insurance conflicts

4. Review and approval system for insurance products

The Korean regulatory review and approval system for insurance products is intended to give insurance companies expanded autonomy and latitude in coming up with and marketing new insurance products while enabling the regulators to take preventative steps to deter defective or otherwise flawed insurance products from reaching consumer`s.

Insurance companies intending to develop or modify, and sell products applicable under any one of the followings shall file the fact in advance with the FSS;

- Products, the purchase of which by the insured is compulsory under the law
- Products that belong to other financial sectors or any

particular business sector in-between the life insurance and non-life insurance
- Automobile insurance products
- Products that are developed or modified not in accordance with product development standards, due to changes in financial or social environment.

The development and sale of the above products must be reported to the governor of the FSS. However, products that fall under the following cases, do not require reporting.

- Revision to laws and regulations
- Order of the FSS
- Case where the development and sale of the product does not infringe on the rights of consumers
- Modification of the reference risk rate of tax-related products
- Simple modification to the form of insurance policies
- Jointly-covered risks through insurance pool

All products had to go through a three-phase review by actuaries, the Korea Insurance Development Institute (KIDI) and the FSS. However, the 2010 amended Law allows insurers to invent insurance products under their own initiatives without being subjected to prior regulations, so that more creative and innovative products can be available. Previously, 90 percent of insurance products had to be submitted for approval and the remaining 10 percent reported before being marketed. With the amendments, 75~85 percent of products are allowed to go through the insurer’s internal review process, while 15~25 percent still need to go through a three-phase review process as previously done.

Supervision of insurance companies[2]

1. Entry regulations

Only incorporated business entities, mutual companies, and licensed foreign insurers are allowed to enter the insurance business with appropriate regulatory permission from the FSC/FSS[3]. There are separate permission procedures for life insurance, non-life insurance, and "the third insurance business."[4]

(a) Capital requirement

The minimum capital required for insurance business is 30 billion Won. When any insurer intends to engage in a single-line insurance business, the amount of paid-in capital or funds should be not less than 5 billion Won.

- Life insurance: 20 billion Won
- Annuity insurance (including retirement annuity): 20 billion Won
- Fire insurance: 10 billion Won
- Marine insurance: 15 billion Won
- Automobile insurance: 20 billion Won
- Guaranty insurance: 30 billion Won
- Reinsurance: 30 billion Won
- Liability insurance: 10 billion Won
- Engineering insurance: 5 billion Won
- Real-estate right insurance: 5 billion Won
- Accident insurance: 10 billion Won

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[2] Source: Financial Supervisory Service, "Financial supervisory system in Korea"
[3] A branch established in Korea by a foreign insurer is deemed a foreign insurer for regulatory purposes.
[4] The term "the third insurance business" refers to the so-called gray zone insurance business with characteristics and features of both life and non-life insurance policies. There are plans to streamline regulations related to this line of insurance in the near future.

- Health insurance: 10 billion Won
- Long-term care insurance: 10 billion Won
- Other insurance business: 5 billion Won

However, if insurers subscribe to more than 90 percent of total contracts or premiums by telephone, mail, or over the Internet, they can commerce an insurance business only more than 2/3 of paid-in capital or funds that amount to the above description

(b) Business funds to be paid by foreign insurers

When foreign insurers intend to engage in insurance business, the amount of paid-in funds should be not less than 3 billion Won.

(c) Requirements for permission

- Insurers are required to have requisite capital or funds
- Insurers are required to have adequate professional manpower and physical facilities, including computer equipment, to carry out the intended insurance business
- Insurer's business plan is required to be feasible and sound
- Major investors are required to be financially able to make full investments and have sound financial standing and social credit

(d) Maintenance of manpower and physical facilities

Insurers should maintain adequate professional manpower and physical facilities, except in case of gaining the FSC's approval, in order to support a management soundness of insurers or to protect policyholder's benefit.

2. Prudential regulations

All insurers must maintain the solvency margin ratio of 100 percent or more to ensure sound capital and asset ratios. They must also classify their assets (e.g. loans and investments in securities) according to relevant soundness and appropriate mandatory allowances for bad assets.

(a) Solvency margin

As a benchmark for financial soundness of insurers, the FSC/FSS has adopted the EU-based solvency margin ratio, which is computed as the ratio of actual solvency margin to statutory solvency margin.

• Actual solvency margin

- Actual solvency margin is the amount that an insurer maintains in excess of its liabilities as solvency surplus against future benefit payment obligations and other contingencies. It is computed as the difference between the sum of the contributed capital[5], retained earnings, capital adjustment accounts, and various reserves in the capital account; and the sum of un-amortized acquisition cost[6], intangible assets (e. g. goodwill), prepaid expenses, and deferred income tax debits and then reflecting the capital surplus or deficit of the subsidiary companies within groups.

• Statutory solvency margin

- Statutory solvency margin is the mandatory minimum amount set by the FSC/FSS that insurers must maintain in order to meet their liabilities. Insurers are subject to different statutory

[5] i.e. legal (paid-in capital and additional paid-in capital)

[6] Note that acquisition cost is an insurance term used to denote expenses for soliciting and placing new insurance business, and includes expenses such as agent's commissions and underwriting expenses.

solvency margins as noted below:

The statutory solvency margin for life insurance companies is computed as the sum of (1) the product of the difference between the net level premium reserve and un-amortized acquisition cost, and the corresponding ratio for the 4 percent policy reserve factor; and (2) the product of net insurance benefit and the corresponding ratio for the insurance risk factor.

The statutory solvency margin for non-life insurers is computed as the sum of amounts calculated separately by traditional non-life insurance and long-term insurance. For general insurance, a premium-based amount or a claim-based amount, whichever is greater, each of which are calculated by class of insurance, should be the solvency margin standard. For long-term insurance, the solvency margin shall be the sum of 4 percent of policy reserve at the year-end; and a premium-based amount, or a claim-based amount, whichever is greater.

(b) Risk-based capital (RBC)

The risk-based capital (RBC) regime, which reflects such diverse risks of insurers as credit and interest rates, was introduced in April 2009 and will co-exist with solvency margin regime for two years until March 2011(FY2010). Risk-based capital is used to set capital requirements considering the size and degree of risk taken by the insurer. Under the RBC system, all insurers have to use standardized risk coefficients, regardless of unique situation each company faces.

(c) Classification standards of asset soundness

Insurers must classify their holding assets into five classes according to the soundness of each asset and appropriate allowances. The five classes are (1) normal, (2) precautionary, (3) substandard, (4) doubtful, and (5) estimated loss.

Asset classification and provisioning

Classification of Asset Soundness	Provisioning Standards
Normal	More than 0.5%
Precautionary	More than 2%
Substandard	More than 20%
Doubtful	More than 50%
Estimated Loss	100%

Source: Financial Supervisory Service

3. Management evaluation system

In order to prevent insurers from insolvency and to ensure their sound management, the FSS watches and evaluates financial soundness of insurers by off-site surveillance and on-site examination. Also it may order management improvement plan to financially impaired insurers under Prompt Corrective Action (PCA), which includes management improvement recommendations, management improvement requirements, or management improvement orders.

The FSS conducts off-site surveillance for insurance companies through the existing surveillance system that monitors soundness of insurance companies. The off-site surveillance may also entail analysis of various business reports and documents. The FSS may use off-site surveillance for the purpose of recommending or ordering management improvements, adjusting evaluation rating of management status, or making preparations for future examinations onto problematic insurers and their weaknesses. The CAMEL system (Capital adequacy, Asset soundness, Management, Earnings, and Liquidity) is used to evaluate insurance companies.

Evaluation procedures

1st stage	To evaluate quantitative items: estimation of provisional evaluation grade by component To evaluate non-quantitative items
2nd stage	To determine ratings by component (1-5) with comprehensive analysis of non-quantitative items and provisional evaluation rating by component
3rd stage	To estimate provisional composite evaluation rating
4th stage	To determine composite evaluation rating (1-5) with comprehensive provisional composite evaluation rating and overall management status, business capability, financial and economic condition, etc.

Source: Financial Supervisory Service

The FSS seeks to enhance reliability of the evaluation system for insurance companies by making all insurers that have operated continuously for two or more years subject to an on-site evaluation.

Insurance companies are subject to comprehensive on-site examinations. There are two types of examinations: regular examinations (full examinations) and targeted examinations (partial examinations). On-site examinations typically focus on the following areas:

- Soundness of assets
- Regulatory compliance
- Adequacy of internal control systems
- Evidence of fraud, embezzlement, and other irregularities
- Accuracy of numerical data and reports submitted to the FSS
- Other information collection

During the examination, the FSS evaluates management status of the insurer and examines its risk management according to corresponding policies. The results of on-site evaluation are not disclosed but used as internal data by the FSS for supervisory purposes, including PCA for management improvement recommendations, requirements, or orders depending on the results.

In order to enhance the effectiveness of on-site examinations, the FSS receives regular business reports from each insurance company and analyzes the current status of the insurer's management. After the examination, the FSS evaluates management status of an insurance company, such as its asset quality, reserve holdings, and the adequacy of internal controls. Based on the findings, it recommends appropriate measures to cope with disclosed problems during the examination.

4. Restrictions on investments of insurers

Premiums paid by policyholders make up the bulk of insurers' assets, which are mostly appropriated as technical reserves to meet insurers' future liabilities and benefit obligations. As prudent and sound management of insurers' assets is essential to protect policyholders, the FSS regulates insurers' asset management to ensure safety, liquidity, profitability, and public interest of assets. The regulation methods are composed of negative methods prohibiting a certain type of asset operation according to insurance related laws and regulations.

Insurance companies are prohibited from the following activities:

- Acquisition of precious metals, jewelry, and antiques
- Acquisition of non-business-purpose real estate holdings
- Lending intended for speculation in securities
- Lending intended for acquisition of its own shares
- Lending intended to fund political activities
- Lending to officers or employees
- Any activity that undermines the safety and soundness of the company assets

In order to prevent the extension of disproportionate support by an insurer to its own business group and to prevent the spread of investment risks, the FSS regulates an insurer's investment limit and its investment categories. An Insurer's limit on asset operation by subjects eligible for investment is as follows:

Restriction ratios of asset operation

Items	Limit - General account	Limits - Separate account
Credit extension to a person or a company	3% of total assets	5% of total assets
Stock and bond investment in any single company	7% of total assets	10% of total assets
Credit extension or stocks and bond investments to a person or a company (including related persons or companies)	12% of total assets	15% of total assets
Sum of credit extension and stocks and bond investments in excess of 1/100 of the insurer's total assets (applicable to the same person, company, or the principal shareholders)	20% of total assets	20% of total assets
Credit extension to a principal shareholder or a company falling in the category of a subsidiary unit of the insurance company under the Presidential Enforcement Decree	Lower of either (1) 2% of the total assets or (2) 40% of the capital	2% of total assets
Stock and bond investments to a principal shareholder or a company falling in the category of a subsidiary unit of the insurance company under the Presidential Enforcement Decree	Lower of either (1) 3% of the total assets or (2) 60% of the capital	3% of total assets
Credit extension to the same subsidiary of the insurance	10% of the capital	4% of total assets
Real estate holdings	25% of total assets	15% of total assets
Unlisted stock holdings	10% of total assets	10% of total assets
Foreign currency holdings or real estates holdings oversea in accordance with the Foreign Exchange Transactions Act	30% of total assets	20% of total assets
Sum of security deposits for domestic and overseas futures trading	5% of total assets	3% of total assets

Note: Total assets are those of general account or those of separate account.

Source: Financial Supervisory Service

5. Supervision with long-term care insurance

The law for long-term care insurance (the so-called "Elderly Care Act") came into effect in 2008. The purport of the law is that the government and community should share with households long-term care expenses for the aged people according to the principle of social solidarity. In fact, the problems with dementia and paralysis of the elderly had been left unattended giving burdens only to family caregivers. It is hoped that this new system will serve as a momentum of enhancing the standards of welfare for the aged since it enables them to receive professional and systematic medical care from medical specialists and reduces physical and mental burdens on their families due to the long-term care, along with financial ones.

The elderly who are admitted to the long-term care system with dementia, paralysis, and other diseases can receive home care service, institutional care service, or care allowance service. These three services are described as follows:

- Home care service: It provides the elderly at home with the following services from long-term care guardians and nurses: assistances in taking meals, going to toilet, shower, and bathing; and services of becoming a companion to talk to and taking them for a walk, along with nursing services. Furthermore, it provides them with services for daily household chores such as household cleaning.
- Institutional care service: It provides the elderly with professional care services for long after entering a care institution with facilities, equipments, and specialists for medical care.
- Care allowance service: It provides the elderly with cash in case they should be taken care of by their families due to the absence of care institutions because they live on islands or remote places.

The expenses required to maintain long-term care insurance are filled up with a separate long-term care insurance premium imposed on people joining the national health insurance and payments by the central and local governments, along with individual's out-of-pocket payments. Specifically, the long-term care insurance premium is calculated by multiplying national health insurance premium by the premium rates of long-term care insurance, and then notified to the insured for health insurance with the health insurance premium. The central government pays 20 percent of expected revenues from the long-term care insurance premium. Those who receive the long-term care insurance service pay at their own expense 15 percent for the home care service and 20 percent for the institutional care service, respectively. The long-term care insurance is available to those who are 65 years or older; or those who are under 65 years of age, but have senile diseases and need long-term care services as they cannot move freely. The central government has made thorough preparations for putting the long-term care insurance into effect by expanding care facilities for the elderly as well as implementing pilot tasks since 2005. It will continue to establish additional statutes and policies, and to expand and improve computer systems for the National Health Insurance Corporation so as to minimize inconvenience of the elderly.

6. Supervision with green insurance

In 2009, the FSS announced that it would actively encourage the development of green insurance in support of the low-carbon green industries of the global theme. Green insurance refers to insurance products that cover risk involved in green industries or insurance products that are environment friendly. Because of the high growth potential of the green economy and the recent policy by the government to promote the green industries as a new engine of growth, green insurance is increasingly seen as a significant new market opportunity for insurance companies.

To promote green insurance market, the FSS plans to collect extensive overseas data on green insurance. Information on any new green insurance products will be shared with insurance companies. In order to encourage insurance companies to develop green insurance products, the FSS is considering systemic improvements, such as giving green insurance products advantage in “excellent new financial products” evaluation. The FSS also plans to cooperate with the Environment Ministry and other related ministries for necessary legal or systemic changes. The FSS intends to take steps to encourage insurance companies to commence the sale of green insurance products, such as green policy, optimal green upgrade coverage, and bicycle insurance that are permitted under the existing product rules and regulations in 2009.

Examples of green Insurance

	Description
Green Policy	Agreement to online issuance of green policy provides for premium discount and contribution to green business enterprises by insurance companies
Optimal Green Upgrade Coverage Insurance	Coverage for property damage using environment-friendly construction materials
Bicycle Insurance	Coverage for bicycle-related injury, death, property damage, and theft
Environment-Friendly Agricultural Product Insurance	Coverage for farmers against residual chemicals in environment-friendly agricultural products
Environment Impairment Liability Insurance	Coverage for environmental damage/degradation over a long period
Carbon Emissions Trade Guarantee Insurance	Coverage for loss exposure in emission rights trading

Source: Financial Supervisory Service

7. Supervision to strengthen the consumer protection

As part of the ongoing effort to discourage misconduct by insurance sellers, the FSS created various consumer complaint indices and compliance evaluation system. As a way to help consumers better understand insurance products, the FSS continually carried out consumer information services, took steps to improve the readability of insurance contracts, and came up with various tools to assess how well insurance sellers were complying with consumer protection regulations. Mystery shopping was also introduced for the first time to better enforce and monitor compliance of insurance product sellers with consumer protection regulations. In addition, the FSS started consumer information service to inform the insured of the process of insurance claims. As part of the continuing effort to combat insurance fraud, the FSS upgraded its computer insurance fraud recognition system and ratcheted up monitoring and inspection of insurance claims for fraud.

8. Supervision for successful implementation of IFRS

The FSS forges ahead with efforts to ensure continued progress toward the full adoption of International Financial Reporting Standards (IFRS). By 2011, IFRS will have been adopted by approximately 150 countries and the G-20 has recently reaffirmed their commitment to implement IFRS regime as a high quality and global accounting standard. Expected positive effects of IFRS adoption are as follows:

- Enhanced accounting reliability: Higher accounting transparency is expected as the ‘Korea Discount’ associated with Korea’s accounting standards will be mostly eliminated.
- Better opportunities for domestic insurers: Domestic insurers reporting under IFRS will more likely be included in overseas investors’ analysis, and if this brings more investment in

Korean insurers, their corporate values will be increased.

The FSS has conducted analyses of the likely impact of IFRS on the insurance industry and came up with four plans for successful implementation of IFRS in 2011.

FSS's plans for successful settlement of the IFRS

	Description
Pillar 1	Fine-tune accounting-related regulations to ensure a smooth transition to the new accounting standards
Pillar 2	Provide door-to-door consultations and focused education programs to help late adopters, and hold information sessions for users of financial information. Take measures to enhance comparability of financial information by requiring disclosure of 'income from operations', among others.
Pillar 3	Change the current supervision system so that it can become more flexible and more accepting of the reasonable judgment of financial statement preparers and accounting professionals.
Pillar 4	Make efforts to convey and reflect Korea's unique economic situation in the IFRS setting and revision processes. Collaborate with the International Organization of Securities Commissions (IOSCO) and the Committee of European Securities Regulators (CESR) to share practical information.

Source: Financial Supervisory Service

Life insurance industry

Balance sheet

Premium Income

Trends in insurance contracts

Premium income by product type

Premium income by company group

Expenditures

Total income and expenditure

Management efficiency

Distribution

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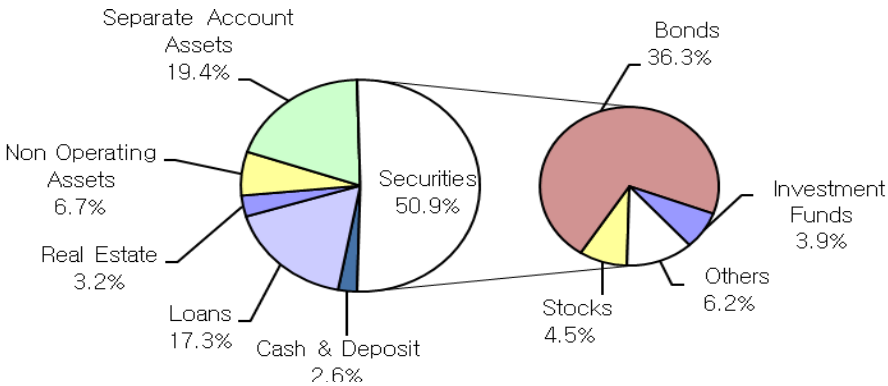
Balance sheet

In fiscal 2009, the total asset of life insurance companies increased by 13.5% to 372,525 billion Won over the previous year. As financial markets rebounded, life insurers were able to recover the huge unrealized losses which they had registered at the end of 2008.
Stock markets recovered sharply as the financial system stabilized, therefore, life insurers' separate account asset which has high portion of stocks increased by 25.4%. In recent years, life insurers' balance sheet have grown substantially due to high growth rates in investment type products, where the investment risk resides with the policyholder not the insurer.

Securities made up 50.9% of the total assets of life insurance companies followed by separate account asset 19.4%, loans 17.3%, non-operating asset 6.7%, real estate 3.2% and cash & deposit 2.6%.

Asset portfolio as of 31 March 2010



Note: Others = overseas securities + others
Source: FSS, Financial Statistics Information System.

Balance sheet summary

(Units: billion Won,%)

Classification	FY '05	FY '06	FY '07	FY '08	FY '09
Assets					
Cash & Deposit	4,232 (1.8)	4,925 (1.8)	8,156 (2.7)	11,833 (3.6)	9,578 (2.6)
Securities	125,190 (52.3)	141,638 (51.9)	151,173 (49.5)	159,605 (48.6)	189,441 (50.9)
Stocks	12,352 (5.2)	12,868 (4.7)	15,211 (5.0)	12,936 (3.9)	16,588 (4.5)
Bonds	81,628 (34.1)	94,590 (34.6)	101,090 (33.1)	109,923 (33.5)	135,327 (36.3)
Investment funds	9,706 (4.1)	9,705 (3.6)	10,375 (3.4)	11,676 (3.6)	14,524 (3.9)
Others	21,504 (9.0)	24,475 (9.0)	24,497 (8.0)	25,071 (7.6)	23,002 (6.2)
Loans	47,392 (19.8)	50,542 (18.5)	57,295 (18.8)	61,966 (18.9)	64,489 (17.3)
Real estate	9,284 (3.9)	9,755 (3.6)	10,092 (3.3)	11,593 (3.5)	11,931 (3.2)
Non operating assets	24,805 (10.4)	27,069 (9.9)	26,411 (8.6)	25,758 (7.8)	24,877 (6.7)
Separate account assets	28,459 (11.9)	39,203 (14.4)	52,272 (17.1)	57,578 (17.5)	72,208 (19.4)
Total asset	**239,362**	**273,131**	**305,400**	**328,332**	**372,525**
Liabilities					
Policy reserves	180,918	200,625	215,971	230,391	251,874
Policyholder equity adjustments	3,526	3,724	3,983	4,246	5,808
Other liabilities	9,397	10,100	10,205	14,410	10,767
Separate account liabilities	28,459	39,203	53,162	58,234	72,880
Total liabilities	**222,300**	**253,651**	**283,321**	**307,282**	**341,329**
shareholders' equity					
Capital stock	6,103	6,103	6,459	6,999	8,292
Capital surplus	924	1,080	1,730	2,020	2,651
Retained earnings	5,839	7,715	9,799	10,233	12,550
Capital adjustment	4,196	4,582	-13	-12	-14
Other cumulative Comprehensive income	-	-	4,104	1,810	7,717
Total shareholders' equity	**17,062**	**19,480**	**22,079**	**21,050**	**31,196**
Total liabilities and shareholders' equity	**239,362**	**273,131**	**305,400**	**328,332**	**372,525**

Note: Figures in parentheses indicate percentage share of total assets.
Source: FSS, Financial Statistics Information System.

Life insurers' asset-liability matching function made that the essential component of securities was bonds. They managed bond portfolio 135,327 billion Won, 36.3% of total assets. And also the portion of stocks increased reflecting the improved financial market. The portion of loans and real estate, however, slightly decreased in 2009.

The portion of non-operating assets including unamortized deferred acquisition cost has decreased for five consecutive years. Separate account assets expanded its portion by the increasing demand for investment-type products such as variable annuity and variable universal life insurance.

Total liabilities of life insurers rose to 341,329 billion Won. The policy reserves accounted for 251,874 billion Won; separate account liabilities accounted for 72,880 billion Won; other liabilities and policyholder equity adjustments accounted for 16,575 billion Won.

Total shareholders' equity of life insurers increased to 31,196 from 21,050 billion Won, rising 48.2%. It is mainly due to fast growth of the other cumulative comprehensive income including derivatives for hedging of foreign securities investment. As currency rate which skyrocketed in 2008 became stable, loss from currency derivatives sharply decreased, and retained earnings rose to 10,233 billion Won, up 22.6%; capital stock accounted for 8,292 billion Won.

Premium Income

1. Trends in insurance contracts

Lapse experience was decreased as economic conditions were recovered from the global financial crisis. Lapses and surrenders which rose by 28.4% in 2008 decreased by 7.4% in 2009, but its level still above that of 2007 despite of improvement.

Nevertheless, the volume of insurance business was not immune from the recession. New business contracts amounted to 390,551 billion Won, decreased by 0.5% over the previous year. Business in force contracts which represents all existing and new policies and excludes those that have been terminated owing to maturities grew only by 2.5%.

Insurance contracts

(Units: billion Won,%)

Classification	FY '05	FY '06	FY '07	FY '08	FY '09
New business	366,281 (11.7)	352,401 (-3.8)	390,104 (10.7)	392,435 (0.6)	390,551 (-0.5)
Lapses & Surrenders	199,790 (-8.3)	192,282 (-3.8)	196,770 (2.3)	252,749 (28.4)	234,066 (-7.4)
Business in force	1,437,509 (9.9)	1,527,863 (6.3)	1,644,334 (7.6)	1,689,467 (2.7)	1,731,603 (2.5)

Note: Figures in parentheses indicate annual percent changes.
Source: KIDI, Monthly Insurance Report, various issues.

2. Premium income by product type

In 2009, total life insurance premium income increased by 4.6% over the previous year and amounted to 76,957 billion Won. They were slightly higher compared to before the global financial crisis, and increases in premium income were driven in part by base effect. Actually, the annual growth rate of premium income from 2007 to 2009 is only 1.2%.

Initial premium increased over all except variable insurance products such as variable annuity, variable universal and variable whole life. Initial premium of variable insurance increased in second half but it was not sufficient to offset decrease in the first half of FY2009.

Premium income by product type

(Units: billion Won,%)

Classification	FY'05	FY'06	FY '07	FY '08	FY '09
Annuity	15,930 (21.3)	18,059 (13.4)	22,390 (24.0)	22,015 (-1.7)	23,791 (8.1)
Endowment	10,972 (37.8)	12,421 (13.2)	14,835 (19.4)	15,249 (2.8)	15,926 (4.4)
Protection-type	27,849 (3.5)	29,420 (5.6)	30,681 (4.3)	30,489 (-0.6)	29,939 (-1.8)
Individual Total	54,752 (14.0)	59,900 (9.4)	67,906 (13.4)	67,753 (-0.2)	69,655 (2.8)
Group	6,720 (17.1)	6,555 (-2.5)	7,190 (9.7)	5,809 (-19.2)	7,302 (25.7)
Total	61,472 (14.4)	66,455 (8.1)	75,096 (13.0)	73,561 (-2.0)	76,957 (4.6)

Note: Figures in parentheses indicate growth rates respectively.
Source: KIDI, Monthly Insurance Report, various issues.

Insurance premium of annuity increased by 8.1% and amounted to 23,791 billion Won. This is because of the combination of two effects, recovery of demand and revised life table. In Korea, experience life tables are revised every three years and new mortality tables was adopted since October 2009. As revised life tables reflect improving life expectancy, the price of annuity product tends to rise after revision. In this respect many people have bought annuity products before announcement of price increase.

Endowment insurance premium increased by 4.4% and rose to 15,926 billion Won. Endowment insurance consists of tax-favored savings type insurance and variable universal life insurance product. In the middle of 2002, the volume of endowment products, i.e. savings-type insurance, declined continuously. However, life insurers were able to regain large parts of this business due to the tax exemption and suggestion of higher interest rates under the low interest rate environment. On top of that, bancassurance channel push to sell these products instead of their installment saving product, as a result total endowment insurance premium increased despite of decreasing variable universal life.

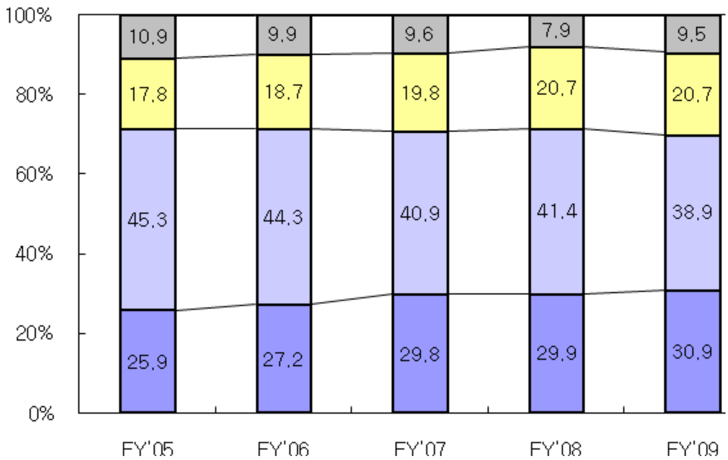
On the other hand, protection-type products premium has decreased two consequent years so that premium income for 2009 was 29,939 billion Won, down 1.8% from 2008. Protection-type products are comprised of whole life, critical illness, term life, health insurance, and so on. Among these, health insurance products showed the largest decrease in premium. This was mainly due to the stop selling of cancer insurance which recorded huge loss due to the long-term guaranteed. Premium income for traditional whole life product increased slightly. The increase was primarily attributable to a recovery from the recession and insurers' new product mix policy such as combined products, i.e. hybrids of whole life insurance with health insurance.

Group insurance recorded the largest growth rate, which increased by 25.7%. Because all the policyholders of retirement insurance have to change their contract to retirement pension plan by the end of 2010, most of the big companies have transferred to retirement pension plan. Although retirement pension premium surged in 2009, competition among financial institutions for this market became more intensive since most of them considered retirement market as an important profit source in the future.

At a business size level, protection-type product is the largest area. In 2009, it accounted for 38.9% of the total life insurance market. However, in the context of product portfolio trend, the portion of protection-type has decreased, whereas market share of annuity has been increased due to the towards an ageing society. Annuity product accounted for 30.9%, followed by endowment at 20.7% and group insurance at 9.5%.

Market share by insurance product type

(Units: %)

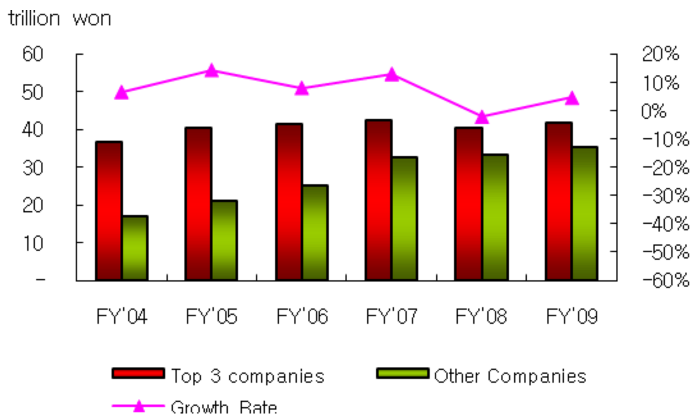


Source: KIDI, Monthly Insurance Report, various issues.

3. Premium income by company group

In 2009, while premium incomes of top three and foreign companies increased by 3.4% and 2.7% respectively, premium incomes of small and medium-sized domestic companies increased by 9.1%. This was resulted from small and medium-sized domestic companies focused on selling savings-type insurance such as annuity or endowment products through bancassurance channel.

Premium income by company group and growth rate



Source: KIDI, Monthly Insurance Report, various issues.

The degree of market concentration has been declined mainly due to the product mix and distribution channel strategies of insurers. Although, three dominant companies such as Samsung life, Korea life and Kyobo life accounted for over 50% of the market share, their portion has fallen gradually since early 2000s. In 2009 the market share of top three decreased to 54.1% from 54.7% in the previous year. In contrast, the share of other companies increased to 45.9% resulted from small and medium-sized domestic companies' brisk growth based on savings-type products and bancassurance channel.

Premium income by company group

(Units: billion Won,%)

Classification	FY '05	FY '06	FY '07	FY '08	FY '09
Top 3 Companies	40,508 (65.9)	41,384 (62.3)	42,584 (56.7)	40,252 (54.7)	41,636 (54.1)
Other Companies	20,964 (34.1)	25,071 (37.7)	32,512 (43.3)	33,309 (45.3)	35,321 (45.9)
Total	61,472 [14.4]	66,455 [8.1]	75,096 [13.0]	73,561 [-2.0]	76,957 [4.6]

Note: The figures in parentheses and brackets indicate percentage shares and growth rates, respectively.
Source: KIDI, Monthly Insurance Report, various issues.

Expenditures

In 2009, the amount of claims paid of life insurance insurers decreased to 47,379 billion Won, a decrease of 0.3% over the previous year. While lapses and surrenders decreased with economic recovery, other claims paid such as pure endowment refund increased.

Dividing claims paid by product type, endowment and annuity insurance decreased by 1.5 and 29.0% respectively, however, both variable universal life and variable whole life insurance increased by 36.4%.

The operating expenses of life insurance companies composed of acquisition costs, administration expenses and collection expenses recorded 5,222 billion Won, an increase of 14.8%. While acquisition costs decreased thanks to the insurers’ efforts to reduce operating expenditure and sluggish new business, administration expenses increased by 8.4%.

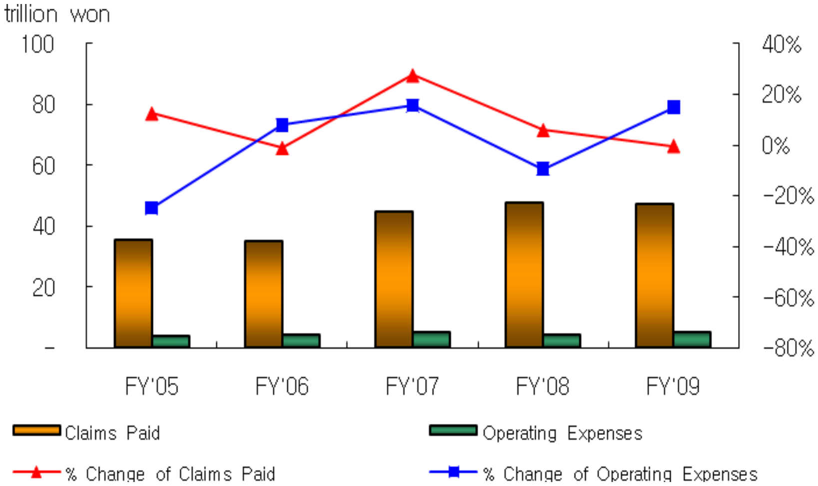
Claims paid and operating expenses

(Units: billion Won,%)

Classification	FY '05	FY '06	FY '07	FY '08	FY '09
Claims paid	35,581 (12.5)	35,144 (-1.2)	44,877 (27.7)	47,544 (5.9)	47,379 (-0.3)
Operating expenses	4,026 (-24.9)	4,343 (7.9)	5,018 (15.5)	4,547 (-9.4)	5,222 (14.8)

Note: Figures in parentheses indicate annual percentage changes.
Source: KIDI, Monthly Insurance Report, various issues.

Claims paid and operating expenses



Source: KIDI, Monthly Insurance Report, various issues.

Total income and expenditure

In 2009 the net income for life insurance companies has grown over fourfold from 571 billion Won in 2008 to 2,455 billion Won due to increased investment income.

Life insurers demonstrated weak underwriting performance, reporting net losses of 13,326 billion Won. Growth in the premium income and favorable claims paid were offset by unfavorable results from liability, i.e. increase of mathematical reserves.

Total income, expenditure and net income

(Units: billion Won,%)

Classification		FY '05	FY '06	FY '07	FY '08	FY '09
Income	Underwriting	50,050	52,053	54,234	54,147	56,296
	Investment	12,520	13,092	15,345	19,358	18,586
	Other	1,008	1,681	2,310	3,328	3,347
	Total	63,578	66,826	71,889	76,833	78,230
Expenditure	Underwriting	57,991	61,599	65,475	66,973	69,522
	Investment	2,280	1,962	2,856	8,239	4,823
	Other	583	682	669	744	598
	Total	60,855	64,243	68,999	75,956	74,943
Net Balance	Underwriting	-7,941	-9,546	-11,240	-12,826	-13,226
	Investment	10,240	11,131	12,489	11,119	13,763
	Other	425	999	1,641	2,584	2,749
	Total	2,724	2,584	2,890	877	3,286
Tax		626	636	785	306	831
Net income (loss)		2,097	1,948	2,105	571	2,455

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Source: FSS, Financial Statistics Information System.

Net investment income was 13,763 billion Won, increased by 23.8% from the previous year, as a consequence of foreign exchange movements especially US dollar. In 2008, life insurers suffered from the surge of unrealized losses on currency derivatives caused by rise of US dollar against Korean Won. But recent currency rate went back down to ordinary level and that affected positively on life insurers' investment results.

Other gains including commission and fee income from the separate account kept rising year by year as a result of growing volume of investment-linked products.

Management efficiency

After the global recession, economic growth of Korea turned generally positive in 2009. As premium increased and claims paid decreased, the ratio of claims paid, i.e. calculated as claims divided by premiums in general accounts, improved to 59.3% in 2009 from 69.4% in 2008.

The ratio of claims paid decreased in all types of products except for protection-type insurance. The ratio of lapses and surrenders which is calculated as lapses and surrenders divided by premium income also improved to 11.2% from 12.4% in the previous year.

At the same time the ratio of operating expenses was improved to 16.6%, reflecting lowered incurred expenses primarily as a result of sluggish new business written.

For 2009, return on investments was 5.3%, compared to 4.7% in the prior year. The increased return in asset management was mainly due to net mark-to-market gains and foreign exchange movements.

Nevertheless, the return on investment stayed lower level compared to before the financial crisis. This is mainly attributable to the low interest rate environment.

Management efficiency

(Unit:%)

Classification	FY '05	FY '06	FY '07	FY '08	FY '09
Ratio of claims paid	63.6	56.6	66.6	69.4	59.3
Ratio of lapses and surrenders	11.8	10.6	10.2	12.4	11.2
Ratio of operating expenses	17.9	18.2	18.5	18.1	16.6
Ratio of operating assets	88.2	88.4	89.6	90.5	91.7
Investment return of total assets	7.0	6.6	5.7	4.7	5.3

Note: Separate accounts are excluded but ratio of operating expenses.
Source: KIDI, Monthly Insurance Report, various issues.

Distribution

In Korea, distribution channels have led to mitigate the market concentration. In 2009, Bancassurance continued to expand its market share to 38.6% from 37.3% last year, while that of solicitors shrunk to 27.1% from 36.0% based on initial premium income. This phenomenon is largely due to increase of savings type insurance sales, especially single premium. After the financial crisis, banks aimed to make a profit through insurance sales such as savings type which were used to substitute for deposits under the low interest rate environment. Market share of direct writer rose remarkably to 27.0% which was exceptional phenomenon because of the boosting sales of retirement pension products. On the other hand, the market share of agents fell to 7.0%.

After a cross selling between life and non-life insurance sector was allowed since August 2008, 25,513 of cross selling solicitors was added on life insurance distribution channel in 2008. However, the advantage of health insurance sold from non-life insurers disappeared by new regulation as of October 2009 so that life insurers launched same health insurance products as non-life insurers. Accordingly, cross selling solicitors decreased sharply. As a result, total number of solicitors of life insurance decreased by 5.1% to 162,687. Number of agents which have grown faster in previous years increased slightly in 2009 owing to the consolidation of general agents. On the other hand, number of direct writers decreased by 5.7% mainly due to the workforce restructuring during the financial crisis.

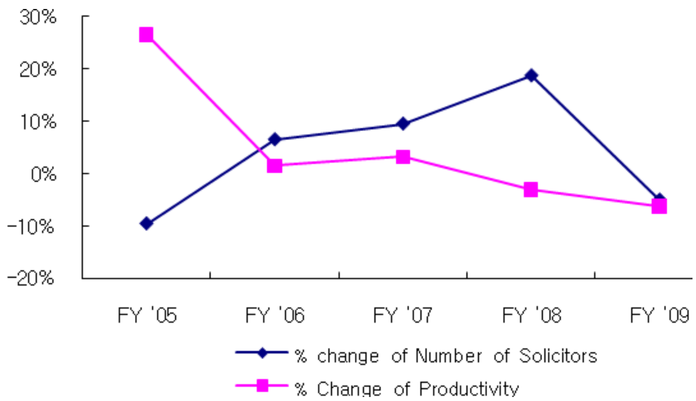
Market share by distribution channel (initial premium income)

(Units: billion Won,%)

Year	FY'05	FY'06	FY'07	FY'08	FY'09
Direct writers	1,604 (17.3)	1,989 (22.5)	1,545 (14.4)	1,203 (17.8)	2,615 (27.0)
Solicitors	4,512 (48.6)	3,540 (40.1)	4,516 (42.0)	2,424 (36.0)	2,623 (27.1)
Agents	627 (6.8)	568 (6.4)	1,008 (9.4)	592 (8.8)	682 (7.0)
Brokers	0 (0.0)	2 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
Bancassurance	2,534 (27.3)	2,534 (27.3)	3,677 (34.2)	2,513 (37.3)	3,742 (38.6)
Others	0 (0.0)	0 (0.0)	1 (0.0)	7 (0.1)	22 (0.2)
Total	9,277 [38.8]	8,823 [-4.9]	10,748 [21.8]	6738 [-37.3]	9,685 [43.7]

Note: Figures in parentheses and brackets indicate percentage market shares and annual percent changes, respectively.
Source: KIDI, Monthly Insurance Report, various issues.

Solicitors and productivity change trend



Source: Insurance companies' monthly report, various issues, KIDI.

Life insurance distribution channel trend

(Units: persons,%)

Classification	FY '05	FY '06	FY '07	FY '08	FY '09
Direct writers	26,033 (2.4)	26,868 (3.2)	29,111 (8.3)	28,300 (-2.8)	26,693 (-5.7)
Solicitors	123,850 (-9.6)	131,850 (6.5)	144,324 (9.5)	171,347 (18.7)	162,687 (-5.1)
Agents	10,290 (54.2)	9,746 (-5.2)	11,124 (14.1)	13,120 (17.9)	13,244 (0.9)

Note: 1) Figures in parentheses indicate annual percent changes.
2) The figure of solicitors include cross selling performance since FY2008.
Source: KIDI, Monthly Insurance Report, various issues.

Non-Life Insurance Industry

Balance sheet

Direct premiums written

Lines of business

Premiums share by line

Expenditures

Total income and expenditure

Management efficiency

Loss ratio by line

Combined ratios

Investment rate of return

Distribution

Market share by distribution channel

Number of solicitors and insurance agents

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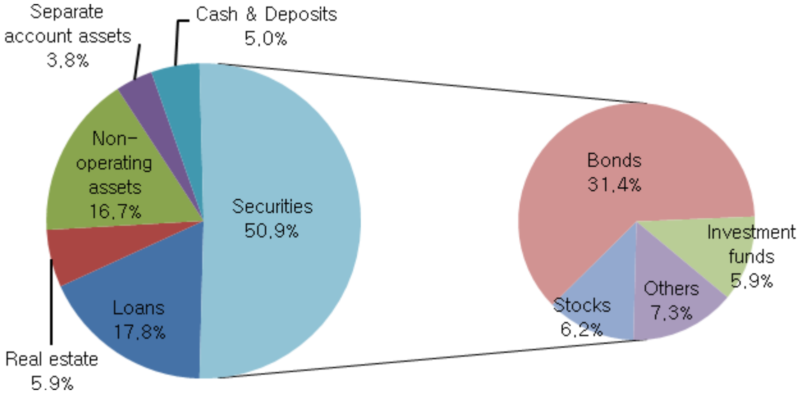
Balance sheet

During 2009, market environment of asset management recovered from the depressed and volatile securities values and very low government bond yields.

As at the end of fiscal 2009, total assets of the non-life insurance industry amounted to 86,817 billion Won with a 17.3% rise from 2008.

Asset portfolio consists of securities, loans, non-operating assets and real estate, etc. Investments by securities amounted 50.9% followed by loans 17.8%, non-operating assets 16.7%, cash & deposits 5.0%, etc.

Asset portfolio as of 31 March 2010



Note: Others = overseas securities + others
Source: FSS, Financial Statistics Information System.

Balance sheet summary

(Unit: billion Won, %)

Classification	FY '05	FY '06	FY '07	FY '08	FY '09
Assets					
Cash & Deposits	1,960 (4.0)	2,768 (4.9)	3,874 (5.9)	4,216 (5.7)	4,278 (5.0)
Securities	26,471 (53.6)	29,916 (52.4)	34,184 (51.8)	37,135 (50.2)	43,832 (50.9)
Stocks	3,921 (7.9)	3,838 (6.7)	4,660 (7.1)	4,322 (5.8)	5,347 (6.2)
Bonds	18,219 (36.9)	20,108 (35.3)	22,034 (33.4)	24,233 (32.7)	27,046 (31.4)
Investment funds	1,674 (3.4)	2,372 (4.2)	3,367 (5.1)	3,957 (5.3)	5,126 (5.9)
Others	1,765 (3.6)	2,373 (4.2)	4,123 (6.2)	4,624 (6.2)	6,313 (7.3)
Loans	8,488 (17.2)	9,952 (17.4)	11,467 (17.4)	13,147 (17.8)	15,302 (17.8)
Real estate	3,535 (7.2)	3,609 (6.3)	3,922 (5.9)	4,759 (6.4)	5,099 (5.9)
Non-operating assets	7,138 (14.4)	8,647 (15.2)	10,042 (15.2)	11,998 (16.2)	14,372 (16.7)
Separate account assets	1,815 (3.7)	2,152 (3.8)	2,531 (3.8)	2,778 (3.8)	3,304 (3.8)
Total assets	49,407	57,043	66,020	74,033	86,187
Liabilities					
Insurance reserves	34,681	40,574	47,334	53,915	63,006
Other liabilities	5,471	5,897	6,406	6,866	6,912
Separate account liabilities	1,815	2,152	2,563	2,839	3,348
Total liabilities	41,967	48,622	56,303	63,621	73,266
Shareholders' equity					
Capital stock	2,198	2,656	2,884	3,148	3,260
Capital surplus	9,796	1,116	1,389	1,446	1,441
Retained earnings	-5,677	3,634	4,448	5,013	6,133
Capital adjustment	1,122	1,014	-270	-437	-459
Other cumulative comprehensive income	-	-	1,266	1,242	2,545
Total shareholders' equity	7,440	8,421	9,717	10,412	12,921
Total liabilities and shareholders' equity	49,407	57,043	66,020	74,033	86,187

Note: Figures in parentheses indicate percentage share of total assets.
Source: FSS, Financial Statistics Information System.

The share of bonds accounted for 31.4% in total assets. Due to the security and liquidity, which comply with the principles of asset-liability management, bonds became the most important investment tool for Korean non-life insurance industry holding long-term liabilities over 50%.

The proportion of stocks investment increased from 5.8% to 6.2%, responding to changes in the capital markets.

During 2009, new policies for long-term business increased sharply, so total liabilities rose to 73,266 billion Won. The insurance reserves accounted for 63,006 billion Won, up 16.9% due to the increase in long-term insurance premium reserve.

Total shareholders’ equity rose to 12,921 billion Won mainly due to the increase of retained earnings and other cumulative comprehensive income.

Direct premiums written

During 2009, total direct premium of non-life insurance industry reached 43,832 billion Won, up 16.9% from the previous year. Stronger drivers for high growth were new premiums of long-term business and rebound of automobile insurance.

Direct premiums written by line

(Units: billion Won, %)

Classification	FY '05	FY '06	FY '07	FY '08	FY '09
Fire	324	313	307	284	276
	(10.2)	(-3.4)	(-1.9)	(-7.8)	(-2.5)
Marine	528	632	652	851	805
	(4.1)	(19.7)	(3.2)	(30.5)	(-5.4)
Automobile	8,789	9,649	10,810	10,937	11,222
	(3.1)	(9.8)	(12.0)	(1.2)	(2.6)
Guarantee	1,007	1,143	994	1,153	1,229
	(11.6)	(13.5)	(-13.0)	(16.0)	(6.6)
Casualty	2,291	2,499	2,725	2,912	3,329
	(12.5)	(9.0)	(9.7)	(6.9)	(14.3)
Overseas direct	60.9	82.3	112	178	208
	(-23.5)	(35.1)	(36.1)	(58.4)	(16.7)
Long-term	11,256	13,680	16,344	18,883	23,299
	(16.8)	(21.5)	(19.5)	(15.5)	(23.4)
Individual annuity	698	798	999	1,285	1,784
	(2.6)	(14.3)	(25.2)	(28.6)	(38.8)
Retirement	771	787	1,039	1,013	1,680
	(37.2)	(2.1)	(32.0)	(-2.5)	(65.8)
Total	25,724	29,583	33,982	37,495	43,832
	(10.8)	(15.0)	(14.9)	(10.3)	(16.9)

Note: Figures in parentheses indicate growth rate.
Source: KIDI, Monthly Insurance Report, various issues.

The non-life segment consists of the following sub-segments:

traditional fire, marine, automobile, guarantee, casualty and non-traditional business, i.e., long-term insurance, individual annuity and retirement pension. The long-term business segment includes saving-linked products with maturity 5~15 years and health insurance to cover medical expenses.

1. Lines of business

Fire insurance

In 2009, fire insurance premiums recorded 276 billion Won which represents a decrease of 2.5% over 2008.

The negative growth of fire insurance premium was due to the decline premium rate and partly offset by other segment’s growth such as long-term fire insurance products.

Marine insurance

Direct premium written for marine insurance amounted to 805 billion Won, down 5.4% comparison to the prior year.

Calculating by foreign currency, the main driver for the decline of marine insurance was falling foreign exchange rates in 2009 compared to 2008. Actually, the underwriting policies increased before foreign currency translation.

Automobile insurance

Direct premium written for automobile insurance amounted to 11,222 billion Won, an increase by 2.6% over the previous year, impacted by economic recovery and government subsidization policies.

Premium of the online automobile insurance increased to 2,300 billion Won in 2009, an increase of 20.6% over the previous year. As a result, the share of online rose to 20.5% in 2009 from 18.4% in 2008. Price competition remained strong, and primary insurers struggled to increase the market share and profitability in automobile segment.

Guarantee insurance

In 2009, guarantee insurance premium rose to 1,229 billion Won, an increase of 6.6% over 2008, largely due to the recovery of public construction.

Casualty insurance

The premium of casualty insurance recorded 3,329 billion Won, an increase of 14.3% in 2009, reflecting the effect of increased volume in accident and speciality segments.

Long-term insurance

The premium of long-term insurance has expanded continuously since 2005 with double-digit growth. Long-term premium income rose to 23,229 billion Won, an increase of 23.4% in 2009.

2009 results benefited from product regulation change as of the second half. The benefit coverage of medical expenses reduced from 100% to 90%, which contributed to an exceptionally high growth rate. Demand for products which cover the all expenses remained strong throughout the first half of 2009.

Individual annuity insurance

In Korea, non-life insurers are allowed to sell tax qualified individual annuity. Non-life insurers delivered the high growth of annuity business on the base of independent distribution channels and low interest rate environment. Individual annuity posted premium income of 1,784 billion Won in 2009, an increase of 38.8% from the prior year.

Retirement insurance

The new Korean pension system, which is based on the Employee Retirement Security Act, was adopted as of December 2005.

In 2009, premiums related to retirement system (retirement insurance and retirement pension plans) amounted to 1,680 billion Won increased by 65.8% over 2008. 2009 results benefited from a change of government regulation. According to the related law, employers have to convert retirement insurance into retirement pension plan by the end of 2010.

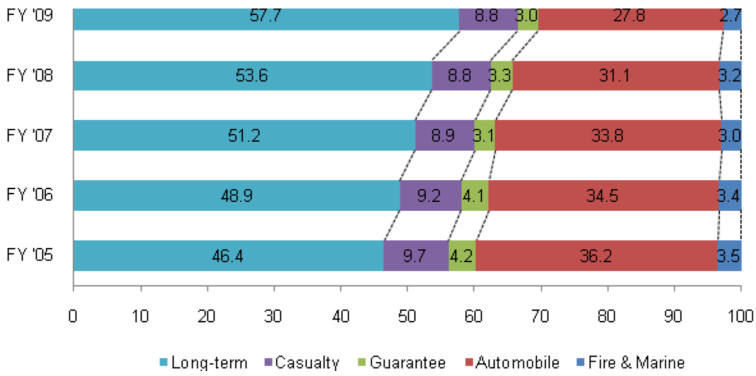
2. Premiums share by line

The product portfolio of non-life insurers has changed to same direction: increasing the portion of long-term segments.
The following chart illustrates changes in premium share by line of business for the last 5 years. The share of long-term products has expanded consistently on the other hand that of other lines has shrunk.

Long-term insurance accounted for 57.7% in 2009, 11.3%p higher than 2005.

However, the share of automobile dropped from 36.2% in 2005 to 27.8% in 2009 due to the severe price competition and the expansion of long-term insurance business.

Direct premiums trends by line



Note: Casualty insurance includes title and overseas direct insurance.

Source: KIDI, Monthly Insurance Report, various issues.

Expenditures

In 2009, incurred losses in non-life insurance increased by 16.2% over the previous year due to the increasing benefits of automobile and long-term business.

The incurred losses for automobile insurance totaled 7,863 billion Won with a 9.8% increase as a result of unfavorable claims development.

Losses incurred by long-term insurance recorded 18,234 billion Won with a 23.1% rise over the previous year.

Incurred losses by line

(Unit: billion Won)

Classification	FY '05	FY '06	FY '07	FY '08	FY '09
Fire	98	101	119	103	65
Marine	143	155	212	547	274
Automobile	6,114	6,691	6,955	7,160	7,863
Guarantee	23	192	163	446	566
Casualty	858	1,113	1,470	1,878	1,763
Overseas direct	28	25	25	44	40
Long-term	9,584	11,300	13,330	14,807	18,234
Individual annuity	878	1,000	1,216	1,515	1,976
Total	17,726	20,577	23,490	26,499	30,781

Source: KIDI, Monthly Insurance Report, various issues.

During 2009, net operating expenses in non-life insurance increased by 6.9% over the previous year due to an increase in long-term and individual annuity business.

The net operating expenses of long-term insurance and individual annuity totaled 4,546 billion Won and 218 billion Won, respectively. The growth rates of related net operating expenses were recorded 10.5% and 38.0%, respectively.

Net operating expenses by line

(Unit: billion Won)

Classification	FY '05	FY '06	FY '07	FY '08	FY '09
Fire	128	116	124	108	84
Marine	85	100	120	118	112
Automobile	2,542	2,691	2,974	3,192	3,301
Guarantee	164	176	149	212	183
Casualty	430	528	652	718	759
Overseas direct	39	52	53	70	87
Long-term	1,834	2,484	3,119	4,113	4,546
Individual annuity	84	88	105	158	218
Total	5,306	6,235	7,296	8,689	9,290

Source: KIDI, Monthly Insurance Report, various issues.

Total Income and expenditure

Non-life insurers' profits generally consist of two categories, i.e., underwriting and investment results. Although underwriting losses increased, non-life insurers benefited strongly from resurgent financial markets in 2009.

Total income and expenditure

(Units: billion Won, %)

Classification		FY '05	FY '06	FY '07	FY '08	FY '09
Income	Underwriting	23,169	26,631	31,219	35,681	40,817
	Investment	2,638	2,856	3,630	4,170	4,256
	Other	929	1,276	1,294	1,469	2,118
	Total	26,737	30,762	36,142	41,320	47,190
Expenditure	Underwriting	23,669	27,473	31,426	36,530	41,753
	Investment	548	616	960	1,540	1,115
	Other	1,027	1,055	1,422	1,474	2,252
	Total	25,245	29,144	33,808	39,544	45,119
Net Balance	Underwriting	-500	-842	-207	-849	-937
	Investment	2,090	2,240	2,670	2,631	3,141
	Other	-98	220	-128	-5	-133
	Total	1,590	1,398	2,463	1,781	2,205
Tax		292	550	656	466	530
Net income/loss		1,199	1,068	1,679	1,311	1,541

Source: FSS, Financial Statistics Information System.

Net underwriting loss increased 10.4% to 937 billion Won. The main deriver was the unfavorable underwriting performance of automobile as a result of increased expenditures.

Net income on investments on the other hand increased by 19.4% to 3,141 billion Won from 2,631 billion Won in 2008. This increase results from the decrease of assets affected by write-downs. As capital markets rebounded in 2009, non-life insurers were able to recover part of the huge unrealized losses they had registered at the end of 2008.

As a whole, during 2009, Korean non-life insurance industry recorded a net profit of 1,541 billion Won increased by 17.5% compared with the previous year.

Management efficiency

1. Loss ratio by line

The loss ratio for non-life insurance business deteriorated to 76.0% in 2009 from 74.8% in 2008. The poor underwriting results affected by a surge of the loss in automobile and guarantee business.

Especially in automobile insurance, earned-incurred loss ratio recorded 75.7% with a 6.0%p rise over the previous year.

Earned-incurred loss ratio in guarantee insurance recorded 58.0% with a 9.1%p rise over the previous year.

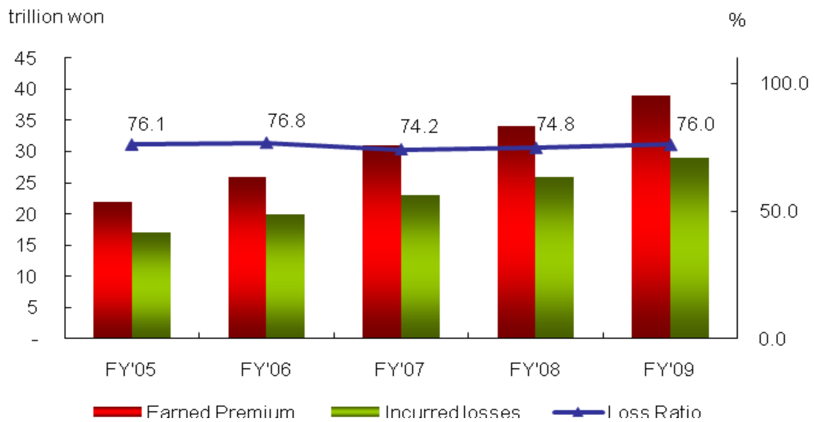
Earned-incurred loss ratio by line

(Unit: %)

Classification	FY' 05	FY' 06	FY' 07	FY' 08	FY' 09
Fire	40.9	39.6	44.2	39.7	32.0
Marine	52.0	52.1	57.7	127.1	77.4
Automobile	76.6	79.0	73.0	69.7	75.7
Guarantee	2.9	23.4	19.5	48.9	58.0
Casualty	51.6	55.3	60.4	64.7	62.4
Overseas direct	52.4	44.7	34.6	45.8	32.7
Long-term	86.4	83.9	80.7	79.3	79.8
Total	76.1	76.8	74.2	74.8	76.0

Note: 1) Retirement and individual annuity are excluded.
2) Long-term includes saving part as well as risk pool part.
Source: KIDI, Monthly Insurance Report, various issues.

Loss ratio of non-life insurance



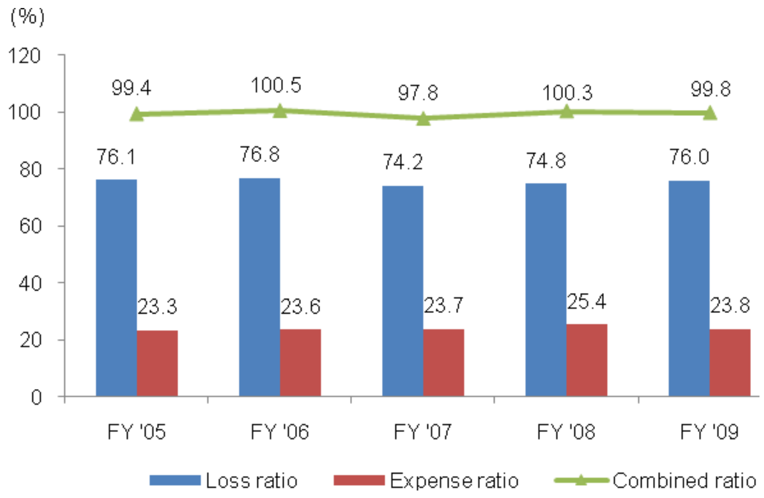
Note: Retirement and individual annuity are excluded.
Source: KIDI, Monthly Insurance Report, various issues.

2. Combined ratios

The combined ratio for non-life business improved to 99.8% in 2009 from 100.3% in 2008. This was particularly due to the decrease of expense ratio.

Expense ratio recorded 23.8%, a decrease of 1.6 percentage points, while loss ratio recorded 76.0% with a 1.2 percentage points rise from the previous year.

Combined ratios



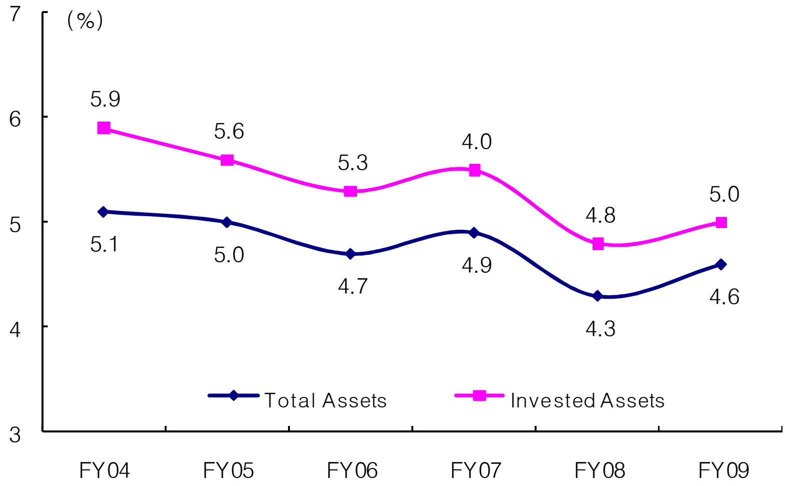
Note: Retirement and individual annuity are excluded.
Source: KIDI, Monthly Insurance Report, various issues.

3. Investment rate of return

Since the global financial crisis, investment rate of return rose gradually through the year, reflecting the improved economic outlook and stabilized financial markets.

For 2009, return on investment was 4.6%, compared to 4.3% in the previous year. Investment returns, although gaining from the resurgence of capital markets, remained depressed by a low interest rate environment. Overall, the industry`s investment return on invested assets was not recovered to 2007 levels, before the financial crisis.

Yield on Asset Management



Source: FSS, Financial Statistics Information System.

Distribution

1. Market share by distribution channel

The distributional channels of total premiums did not alter significantly during 2009. The market share for traditional channels such as solicitor and agents has taken 80.8%. The proportion of premiums collected by them increased by about 1.3 percentage points over the previous year due to the strengthened of solicitors.

Market share by distribution channel (total premium income)

(Units: billion Won, %)

Year	FY'05	FY'06	FY'07	FY'08	FY'09
Company employees	3,309 (12.9)	4,082 (13.8)	4,527 (13.3)	5,238 (14.0)	5,086 (12.1)
Solicitors	9,004 (35.0)	10,282 (34.8)	11,343 (33.4)	12,466 (33.2)	14,541 (34.5)
Agents	12,154 (47.2)	13,437 (45.4)	15,872 (46.7)	17,352 (46.3)	19,530 (46.3)
Insurance pool	132 (0.5)	140 (0.5)	179 (0.5)	130 (0.3)	177 (0.4)
Brokers	287 (1.1)	251 (0.8)	288 (0.8)	310 (0.8)	320 (0.8)
Bancassurance	837 (3.3)	1,391 (4.7)	1,772 (5.2)	1,999 (5.3)	2,497 (5.9)
Total	25,722 (100.0)	29,583 (100.0)	33,982 (100.0)	37,495 (100.0)	42,152 (100.0)

Note: 1) Retirement insurance is included.
2) Company employees include TM/CM.

Source: KIDI, Monthly Insurance Report, various issues.

During 2009, bancassurance channel accounted for 5.9% with a rise of 0.6%p compared to 2008. In the non-life business, bancassurance has expanded to saving-type and comprehensive insurance products. This new channel is involved by small-medium insurers because they do not have competitive tied solicitors like big companies.

2. Number of solicitors and insurance agents

A new sales regulation was adopted since August 2008. It allowed solicitors belong to non-life insurers to sell life insurance products and solicitors belong to life insurers to sell auto and long-term products, which had previously been prohibited.

The number of tied solicitors belong to the non-life insurers totaled 83,020 as of 31 March 2010 with a 1.0% increase over the previous year. Also cross-selling solicitors registered in non-life insurers amounted to 81,183, up 10.3%.

Solicitors and insurance agents

(Units: persons, %)

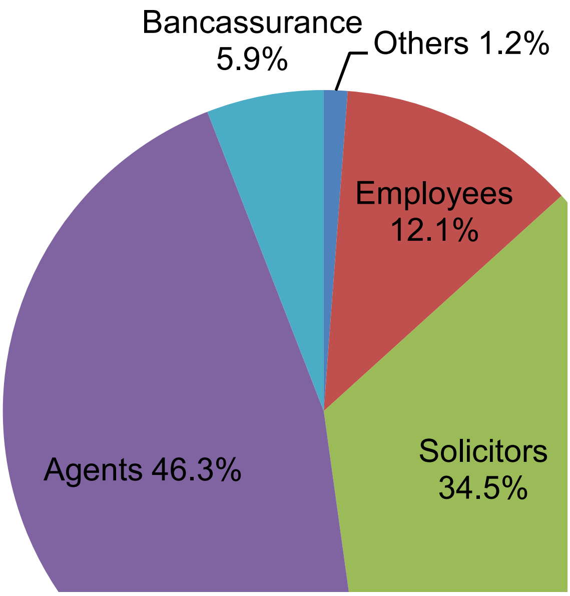
Classification		FY'05	FY'06	FY'07	FY'08	FY'09
Solicitors	Number	72,116	73,408	71,423	82,201 (73,608)	83,020 (81,183)
	Growth rate	17.2	1.8	-2.7	15.1	1.0
Agents	Number	45,646	44,275	42,311	45,998	45,049
	Growth rate	-0.7	-3.0	-4.4	8.7	-2.1

Note: Figures in parentheses indicate cross-selling solicitors.
Source: KIDI, Monthly Insurance Report, various issues.

The number of agents decreased by 2.1%, to 45,049 in 2009 from 45,998 in 2008, mainly due to the decrease of individual agents. However, the role of independent large channels such as General Agency has been strengthened so its number was also increased in 2009.

The following chart shows the market share of each distribution channel based on total written premium during 2009. Agents (46.3%) took up the largest share, followed by solicitors (34.5%), company employees (12.1%) and bancassurance (5.9%).

Market share by distribution channel in 2009



Note: Retirement insurance is included.

Source: KIDI, Monthly Insurance Report, various issues.

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Appendix

Profiles of insurance companies

Life insurance companies

Non-life insurance companies

Reinsurance companies

Websites

Life insurance companies

Non-life insurance companies

Reinsurance companies

Related organizations

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Profiles of insurance companies

1. Life insurance companies

(Units: billion Won, persons)

Company	Date of establishment	Paid-in capital	Premiums	Total assets	Number of employees
Korea	Sep. 1946	4,342.7	10,514	58,998	4,111
Allianz	Dec. 1954	12.0	2,712	12,464	1,630
Samsung	May 1957	100.0	21,114	133,045	6,474
Heungkuk	May 1958	67.9	2,639	9,813	445
Kyobo	Aug. 1958	102.5	10,007	54,140	4,317
LINA	Dec. 1986	34.9	836	1,451	491
Mirae Asset	Mar. 1988	525.9	3,487	12,176	1,409
Wooriaviva	Mar. 1988	30.0	707	1,744	317
KDB	Apr. 1988	731.3	2,399	8,232	804
Dongbu	Apr. 1989	145.3	1,349	4,406	486
Tong Yang	Apr. 1989	537.8	2,884	11,087	650
MetLife	Jun. 1989	141.6	2,732	9,557	589
Prudential	Jun. 1989	100.0	1,350	6,547	548
PCA	Jun. 1990	234.0	1,038	3,111	416
New York	Jul. 1990	281.0	259	701	287
Shinhan	Jan. 1990	200.0	3,149	10,437	1,054
ING	Sep. 1991	82.0	4,394	17,464	1,018
Hana HSBC	Nov. 1991	60.2	742	1,904	195
AIA	Jan. 1997	257.2	2,357	8,050	699
Cadif	Oct. 2002	47.0	525	1,837	129
Green Cross	Apr. 2003	103.3	691	2,499	415
KB	Apr. 2004	156.0	1,072	2,861	210

Note: 1) In the date of establishment order and as of the end of fiscal 2009
2) The firm name of ‘Kumho Life Insurance Co., Ltd’ was changed into ‘KDB Life Insurance Co., Ltd’ as of September 6, 2010.
Source: Financial Supervisory Service

2. Non-life insurance companies

(Units: billion Won, persons)

Company	Date of establishment	Paid-in capital	Direct premiums	Total assets	Number of employees
Meritz	Oct. 1922	61.9	3,288	6,035	2,041
Hanwha	Apr. 1946	243.7	2,685	4,114	2,396
Lotte	May 1946	42.1	2,685	2,318	1,446
Green	Feb. 1947	122.9	823	1,395	947
Heungkuk	Mar. 1948	261.9	1,898	2,361	1,091
Samsung	Jan. 1953	26.5	10,895	26,656	5,406
Hyundai	Mar. 1955	44.7	6,467	11,094	2,884
LIG	Jan. 1959	30.0	5,474	9,746	2,735
Dongbu	Mar. 1962	35.4	5,980	10,600	4,213
Seoul Guarantee	Feb. 1969	1,354.1	1,231	4,746	1,140
Chartis	Apr. 1968	275.2	419	311	417
ACE	Apr. 1985	31.1	152	87.0	116
Federal	Jul. 1992	3.0	7.9	79	29
First American K.B.	Jul. 2001	5.0	8.6	8.8	13
Axa	Sep. 2001	129.0	564	489	1,484
Mitshui Sumitomo	Oct. 2002	35.5	6.4	46	39
The-K	Nov. 2003	70.0	255	277	634
ERGO Daum Direct	Jun. 2003	112.8	241	195	648
Tokio Marine & Nichido Fire S.B.	Dec. 2004	3.0	-	24	7
Hyundai Hicar	Feb. 2006	100.0	357	291	730
AIG United Guaranty K.B.	Dec.2007	9.0	-	9.6	9
Genworth Mortgage K.B.	Dec.2007	7.6	0.3	3.0	6
DAS	Nov. 2009	15.8	-	12.1	17

Note: In the date of establishment order and as of the end of fiscal 2009

Source: Financial Supervisory Service

3. Reinsurance companies

(Units: billion Won, persons)

Company	Date of establishment	Paid-in capital	Direct premiums	Total assets	Number of employees
Korean Re	Mar. 1963	57.0	1.9	4,327	273
Munich Re K.B.	Nov. 1988	48.0	-	341	39
Swiss Re K.B.	Jul. 2001	17.0	-	214	22
Cologne Re K.B.	Apr. 2004	31.3	-	78	8
Scor Re K.B.	Apr. 2004	24.0	-	169	8
RGA Re K.B.	Mar. 2005	38.0	-	122	30
Hannover Re	May. 2008	25.0	-	40	10

Note: In the date of establishment order and as of the end of fiscal 2009

Source: Financial Supervisory Service

Websites

1. Life insurance companies

Company	Homepage
Korea Life Insurance Co., Ltd.	www.korealife.com
Allianz Life Insurance Co., Ltd.	www.allianzlife.co.kr
Samsung Life Insurance Co., Ltd.	www.samsunglife.com
Heungkuk Life Insurance Co., Ltd.	www.hungkuk.co.kr
Kyobo Life Insurance Co., Ltd.	www.kyobo.co.kr
Life Insurance Company of North America	www.lina.co.kr
Mirae Asset Life Insurance Co., Ltd.	www.miraeassetlife.com
Wooriaviva Life Insurance Co., Ltd.	www.wooriaviva.com
KDB Life Insurance Co., Ltd.	www.kdblife.co.kr
Dongbu Life Insurance Co., Ltd.	www.dongbulife.co.kr
Tong Yang Life Insurance Co., Ltd.	www.myangel.co.kr
MetLife Insurance Company of Korea., Ltd.	www.metlife.co.kr
The Prudential Life Insurance Company of Korea Ltd.	www.prudential.co.kr
The PCA Life Insurance Co. Ltd.	www.pcakorea.co.kr
New York Life Insurance Co. Ltd.	www.nyli.co.kr
Shinhan Life Insurance Co., Ltd.	www.shinhanlife.co.kr
ING Life Insurance Co., Ltd.	www.inglife.co.kr
Hana HSBC Life Insurance Co., Ltd.	www.hanahsbclife.co.kr
American International Assurance Korea	www.aia.co.kr
Cardif Life Insurance Co., Ltd	www.cardif.co.kr
Green Cross Life Insurance Co., Ltd.	www.healthcare.co.kr
KB Life Insurance Co., Ltd.	www.kbli.co.kr

Note: The firm name of ‘Kumho Life Insurance Co., Ltd’ was changed into ‘KDB Life Insurance Co., Ltd’ as of September 6, 2010.

2. Non-life insurance companies

Company	Homepage
Meritz Fire & Marine Insurance Co., Ltd.	www.meritzfire.com
Hanwha Non-Life Insurance Co., Ltd.	www.hwgeneralins.com
Lotte Insurance Co., Ltd.	www.lotteins.co.kr
Green Non-Life Insurance Co., Ltd.	www.greeninsu.com
Hungkuk Fire & Marine Insurance Co., Ltd.	www.insurance.co.kr
Samsung Fire & Marine Insurance Co., Ltd.	www.samsungfire.co.kr
Hyundai Marine & Fire Insurance Co., Ltd.	www.hi.co.kr
LIG Fire & Marine Insurance Co., Ltd.	www.lig.co.kr
Dongbu Insurance Co., Ltd.	www.idongbu.com
Seoul Guarantee Insurance Co., Ltd.	www.sgic.co.kr
Chartis (American Home Assurance Korea)	http://www.chartisinsurance.com
ACE American Insurance Company K.B.	www.aceinsurance.com
Federal Insurance Company Korea	www.chubb.com
First American Title Insurance Company	www.firstam.co.kr
AXA General Insurance Co., Ltd.	www.axa.co.kr
Mitshui Sumitomo Insurance Co., Ltd.	www.ms-ins.co.kr
The-K Non-life insurance Co., Ltd.	www.educar.co.kr
ERGO Daum Direct	www.ergodaumdirect.co.kr
Tokio Marine & Nichido Fire Insurance Co., Ltd. S.B.	www.tokiomarine.seoul.kr
Hyundai Hicar Direct Auto Insurance Co, Ltd.	www.hicardirect.com
AIG United Guaranty Insurance Ltd. K.B.	www.aiguginternational.com
Genworth Mortgage Insurance Co., Ltd. K.B.	www.genworth.co.kr
DAS Legal Expenses Insurance Co., Ltd.	www.das.co.kr

3. Reinsurance companies

Company	Homepage
Korean Re	www.koreanre.co.kr
Munich Re K.B.	www.munichrekorea.com
Swiss Re K.B.	www.swissrekorea.com
Cologne Re K.B.	www.genre.com/kr
Scor Reinsurance Asia Pacific Pre. Ltd. K.B.	www.scor.com/korea
RGA Reinsurance Company K.B.	www.rgare.com/global/korea
Hannover Re K.B.	www.hannoverlifere.com

4. Related organizations

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 Export Insurance Corporation	www.keic.or.kr
Korean Fire Protection Association	www.kfpa.or.kr
Korea Life Insurance Association	www.klia.or.kr
General Insurance Association of Korea	www.knia.or.kr
Korea Insurance Development Institute	www.kidi.or.kr
Korea Insurance Institute	www.in.or.kr
Korean Insurance Academic Society	www.kinsurance.or.kr
The Institute of Actuaries of Korea	www.actuary.or.kr
Korea Risk Management Society	www.krms.org
Korea Federation of Banks	www.kfb.or.kr
Korean Insurance Brokers Association	www.ikiba.or.kr
Korea Financial Investment Association	www.kofia.or.kr
Credit Counseling and Recovery Service	www.crss.or.kr