

## Evolution of Distribution Channels

( Dongbu Insurance is playing a key role in the evolution of the multiple-channel insurance distribution system. The company captured first place in the bancassurance segment in FY2004, for the second consecutive year. The company was ranked No.1 in terms of newly signed long-term insurance products with a market share of 35.4%. )

### ( Leader in Alternative Marketing Channels )

• The insurance industry environment is shifting to an increasingly friendly market for multiple-distribution channels, among which bancassurance is leading the way. In response to changes in consumer behavior patterns, advancement of technology, and market deregulation, new insurance distribution channels have developed rapidly in recent years. These new approaches include direct sale/mail order purchases, Internet transactions, wholesale distribution, and credit/payment card issuers.

• Of significant note, Dongbu Insurance is playing a key role in the evolution of the multiple-channel insurance distribution system. The company captured first place in the bancassurance segment in FY2004, for the second consecutive year. The company was ranked No. 1 in terms of newly signed long-term insurance products with a market share of 35.4%. In the bancassurance sector, Dongbu Insurance managed to top the list as well, with a market share of 30.6%. The bancassurance sector was estimated at some KRW454 billion in FY2004, of which Dongbu Insurance originated KRW139 billion.

• Currently, Dongbu Insurance offers a variety of insurance products through its partner banks. In particular, "Promy OK Casualty Insurance" has gained considerable popularity among consumers. This product provides coverage for personal injury related to overseas travel or golf in foreign countries, and fire or other mishap involving the use of public transportation. Any individual between the ages of 15 and 70 is eligible for this coverage.

• In Korea, bancassurance services debuted in September 2003, as a reflection of the rapidly changing domestic insurance environment. By 2008, alternative distribution channels are expected to offer virtually all types of insurance products and services. Under the government-led insurance industry deregulation program, the cross-sales

• DONGBU INSURANCE RANKED FIRST  
IN BANCASSURANCE SECTOR

30.6%

• DONGBU INSURANCE EARNED

139  
(billion won)

of insurance products between life and non-life insurers is slated to commence in September 2006. Life and non-life insurers have been involved in limited cross-selling activities since late 2003.

- The direct distribution market is gaining steady ground as well. For example, online auto insurance sales accounted for 7.2% of overall auto insurance coverage in the fiscal year ended March 31, 2005. This represents an impressive growth of 2.6 percentage points over a year earlier. Currently, an on/off insurer is the market leader with a 3.8% share, with other insurers involved in direct insurance sales accounting for less than 1% each.

- Since July 2004, Dongbu Insurance has offered its auto insurance coverage through a nationwide discount retailer. Most large-scale domestic insurers remain reluctant to jump into the direct distribution market with both feet, especially in regard to auto insurance, due to protests from insurance agents.

- Dongbu Insurance also markets selected innovative insurance products via "home-shopping" channels, an outlet that is becoming increasingly popular among Korean consumers, especially housewives. As additional non-life casualty insurers make forays into the direct sales market, the significance of direct sales channels is expected to expand steadily in the years ahead.

- In FY2005, the company will work diligently to expand its strategic partners, which totaled 25 as of March 31, 2005, in a stepped-up effort to increase its bancassurance sales. The company will set up the industry's best "Bancassurance Area Manager" organization for effective and timely recruiting of financial professionals. In addition, the company will seek to diversify its product lines to satisfy the needs of customers.

### ( Advances in IT )

- In line with advances of the digital era, Dongbu Insurance is striving diligently to develop advanced IT applications for the insurance industry. In recognition of these efforts, in December 2004, the company received the Grand Prize (financial informatization category) at the 2004 Digital Knowledge-based Management Awards, presented by the Ministry of Information and Communications and the Federation of Korean Industries.

- Dongbu Insurance was also recognized as a CIC (certified informatization company). In addition, the company has received several awards from various media for the advanced state of its electronic commerce system.

• ONLINE AUTO INSURANCE SALES  
RECORDED STRONG GROWTH

7.2%

