

# The Korean Insurance Industry



In 2000, the Korean insurance industry entered full-scale restructuring and deregulation in line with the Korean government's deregulation of the domestic financial industry. This brought tremendous pressure to bear on the market, presenting both enormous challenges and opportunities to Dongbu Insurance.

Following the Asian financial economic crisis in 1997, the growth in the insurance market fell. The crisis resulted in severe financial strain at the majority of domestic insurance companies. As part of efforts at deregulating the market, the Financial Supervisory Commission (FSC) introduced tougher financial guidelines, including stricter solvency margin requirements. The solvency margin is a key measure

of an insurer's ability to meet insurance claims. A number of businesses failed to meet these stricter requirements in 2000 and were forced to close or merge. In contrast, in 2000 Dongbu Insurance achieved a solvency ratio of 157%, the second highest ratio among domestic insurers and evidence of the Company's sound financial position. Meanwhile, the introduction of stricter international standards is expected to encourage continued consolidation in the industry as a number of non-viable companies close or are absorbed into other enterprises.

While a number of domestic insurers were forced to close or merge in 2000, Dongbu insurance recorded its seventh year of profit.

# and the Korean economy in 2000.



The insurance market returned to previous growth levels during the economic recovery that followed the 1997 Asian economic crisis. In 2000, growth in premium revenue in the insurance industry grew by 14.4%, the highest growth rate since the economic crisis. However, competition in the market is expected to become increasingly fiercer as deregulation proceeds.

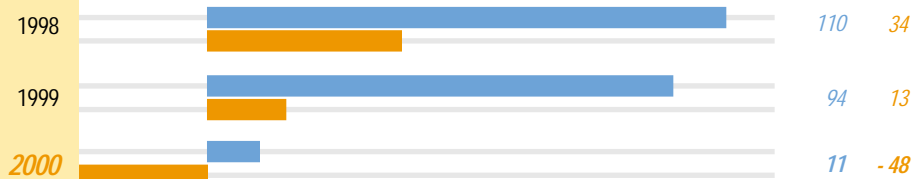
The Korean insurance industry is now making a full-scale entry into the era of competition. The next few years in the industry are expected to be marked by numerous mergers and acquisitions and strategic alliance between financial institutions, including foreign enterprises, leading to a shift in the entire

insurance landscape in Korea. A loosening of the barriers to businesses entering the insurance market and a parallel widening of the business scope of the industry has opened the door to the entry of diverse, new potential competitors into the market. Specialized insurance enterprises and cyber insurance companies will be some of the new entrants to the market. Many Insurance companies are expected to eventually evolve into comprehensive finance companies with a strong online and offline presence through the process of strategic alliance and mergers. Dongbu is prepared to face all of these challenges as it readies itself to become a member of the Dongbu Comprehensive Financial Services Group.

**Adjusted Net Income**  
(Net income + increase in catastrophe reserve)

In Billions of Won

● Dongbu ● Industry



The deregulation of insurance premium rates has already been underway for some time in Korea. This development has provided companies with the freedom to undertake new product design, change pricing and explore new distribution channels. The opening of the market is expected to result in increased price and service competition, benefiting customers and insurance businesses alike as the streamlining of operations and service becomes a matter of survival.

The full-scale application of information technology (IT) innovations in the insurance industry is also expected to revolutionize the way customers and

insurance enterprises interact, as more customers are enticed onto online insurance sites. The online insurance market is already recording dramatic growth.

As competition increases, authority will be on the side of the customer, who will be well informed, and will insist on the transparency of financial information. Customer needs will also become increasingly more complex and diverse. Only enterprises such as Dongbu Insurance that actively seek to understand and answer customer needs are likely to succeed in such a competitive market.

### Helping build a stronger society

Dongbu Insurance is the sole agent for a Korean Government compensation program to assist the victims of traffic accidents. The program guarantees minimum economic compensation to the victims of accidents who would otherwise not be eligible for compensation, for example accidents involving uninsured vehicles or hit-and-run accidents. Dongbu Insurance is lending its considerable expertise in auto insurance and claims to support the community through this worthy program.