

Korean Reinsurance Company



# Business Performance & Strategy

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Separate Financial Result  
as of December 2019



## AGENDA

1 >> Korean Re Profile

2 >> Financial Highlights

3 >> Insurance Operation Performance

4 >> Investment Operation Performance

5 >> Dividend Performance

# 1.1 Korean Re Key Facts

## History

- **1963** : Established as Korean non-life reinsurance corporation (state run company)
- **1978** : Privatized & listed in the Korean stock market
- **2011** : Credit rating upgraded from A.M. Best「A-」to「A (Stable)」in Feb. 2011
- **2014** : Credit rating upgraded from Standard & Poor's「A-」to「A (Stable)」in Oct. 2014
- **2018** : **Top 10th reinsurer**(FY2017) in the global reinsurance market

## Employee

- **Total employee** : 350+

## Organization

- **Headquarter** : Total 22 teams  
(8 underwriting teams / 1 investment team / 14 administrative teams)
- **International** : 4 branches (Singapore, Labuan, Dubai, Shanghai)  
3 subsidiaries (Hong Kong, London, Zurich)  
5 liaison offices (Beijing, Tokyo, New York, London, Bogota)

## 1.2 Global Network Channel at a glance



- **Continuous expansion of global network to explore new market opportunities**
  - Newly set up the "Global Project Team" in July 2017, which is exclusively responsible for overseas office establishment plans
- **Launching overseas operation : Korean Re Switzerland(June 2019), Shanghai branch(Jan. 2020), Bogota Liaison office(Feb. 2020)**
- **Ongoing overseas network establishment plan**
  - Bogota liaison office in Colombia recently has been established in Feb. 2020, which will support underwriting in the Central and South America region

# 1.3 Global Reinsurers [FY 2018 Gross Premiums]

(Unit : USD Bil.)

Ranking	Name	Gross Premiums	A.M. Best Rating	S&P Rating
1	Swiss Re (Switzerland)	36.4	A+	AA-
2	Munich Re (Germany)	35.8	A+	AA-
3	Hannover Re (Germany)	22.0	A+	AA-
4	SCOR SE (France)	17.5	A+	AA-
5	Berkshire Hathaway (USA)	15.4	A+	AA+
6	Lloyd's (UK)	14.1	A	A+
7	China Reinsurance Group (China)	11.6	A	A
8	RGA Inc. (USA)	11.3	A+	AA-
9	Great West Lifeco (Canada)	7.7	-	A+
<b>10</b>	<b>Korean Re (South Korea)</b>	<b>6.8</b>	<b>A</b>	<b>A</b>

※ Source : A.M. Best (Aug. 2019), S&P (Sep. 2019)

■ A.M. Best credit rating upgraded from 「A-」 to 「A (stable)」 in February 2011

■ S&P credit rating upgraded from 「A-」 to 「A (stable)」 in October 2014

■ Ranking development: '98 : 32<sup>nd</sup> → '05 : 15<sup>th</sup> → '08 : 13<sup>th</sup> → '**14 : 11<sup>th</sup>** → '**16 : 10<sup>th</sup>**



# 1.4 Comparison of Korean Corporate Ratings

## ■ Manufacturing and others

Corporate Name	S&P Rating	Corporate Name	S&P Rating
<b>Korea Electric Power</b>	<b>AA</b>	SK Innovation	BBB
<b>Samsung Electronics</b>	<b>AA-</b>	SK Global Chemical	BBB
SK Telecom	A-	LG Electronics	BBB
KT	A-	S-Oil	BBB
LG Chemical	BBB+	Hyundai Steel	BBB
Hyundai / Kia Motors	BBB+	SK E&S	BBB
Hyundai Mobis	BBB+	KCC	BBB-
POSCO	BBB+	SK Hynix	BBB-
Hyundai Glovis	BBB+	E-MART	BBB-
GS Caltex	BBB+	Doosan Bobcat Inc.	BB

## ■ Insurance

Corporate Name	S&P Rating
<b>Samsung F&amp;M</b>	<b>AA-</b>
<b>Seoul Guarantee Ins.</b>	<b>A+</b>
<b>Korean Re</b>	<b>A</b>
Hanwha General Ins.	A
DB Insurance	A
Hyundai M&F	A-
KB Insurance	NR
Samsung Life	NR
Hanwha Life	NR
Kyobo Life	NR

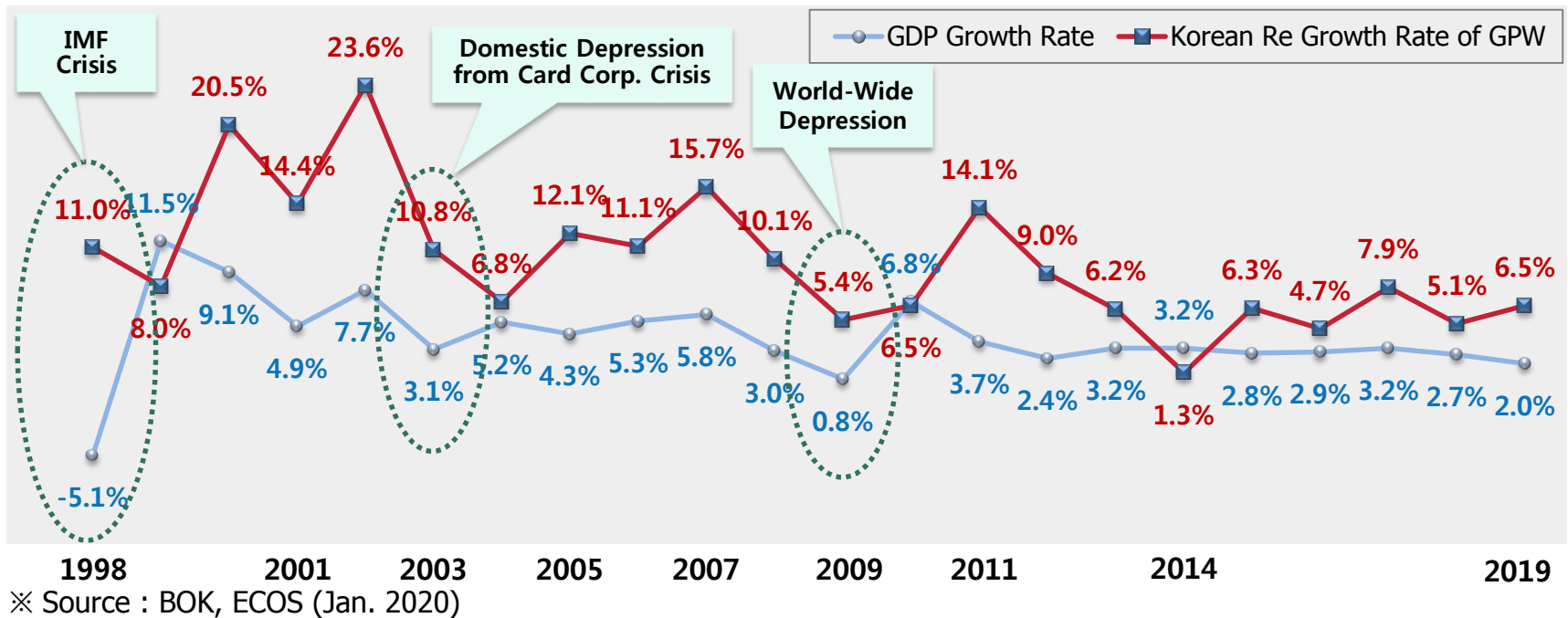
※ Source : S&P (Jan. 2020)

■ Companies focusing on global business require global credit ratings

■ Only a few corporations\* have a higher credit rating than Korean Re

\* Samsung Group and Public/State-owned companies

# 1.5 Growth Trend & Prospect



## ■ Average Korean Re GPW growth rate > Average Korea GDP growth rate

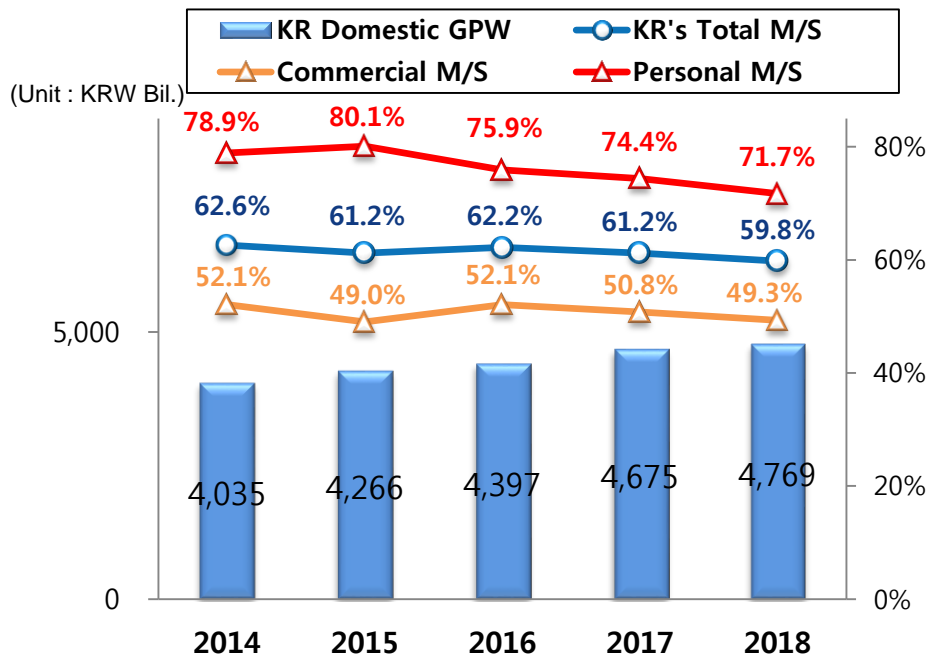
- 2019 Korean Re GPW Growth Rate : 6.5%
- ⇒ Despite persisting low domestic growth & soft market trend, Korean Re increased new accounts from commercial, personal and overseas business

## ■ Main growth engines

- Exploring new markets of cooperatives, casualty and government insurance, etc.
- Strengthening technical services by co-development of new products responding to market needs

# 1.6 Dominant Domestic Market Position

## - Reduction of Personal Lines On Purpose



(Unit : KRW Bil.)

Item	2014	2015	2016	2017	2018
Korean Reins. Mkt.	6,448	6,966	7,070	7,637	7,980
<b>Korean Re's GPW</b>	4,035	4,266	4,397	4,675	4,769
<b>Korean Re M/S</b>	<b>62.6%</b>	<b>61.2%</b>	<b>62.2%</b>	<b>61.2%</b>	<b>59.8%</b>
<b>Commercial</b>	52.1%	49.0%	52.1%	50.8%	49.3%
<b>Personal</b>	78.9%	80.1%	75.9%	74.4%	71.7%

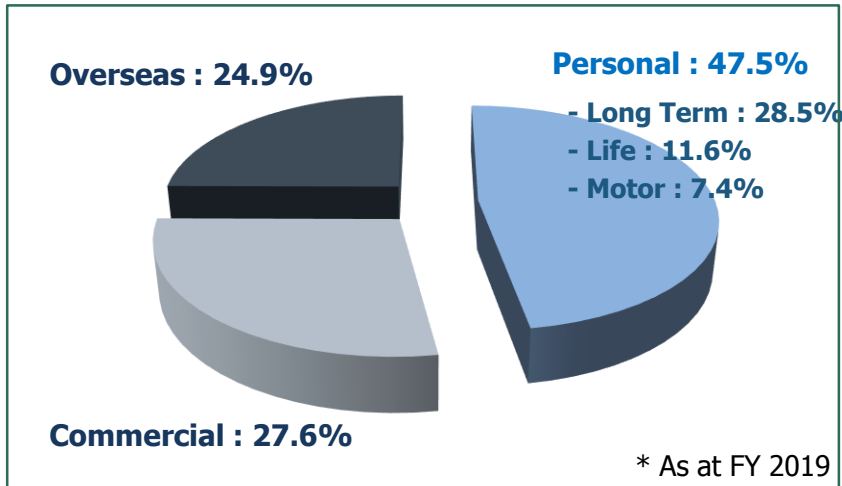
### ■ Dominant position in Korean non-life reinsurance market

- Korean Re's domestic GPW shows a stable growth (5 year average : 4.3%)
- Expect to maintain the dominant position around 60% of M/S
- Reduction of Personal M/S for the recent years
  - Set the limit of growth to improve profitability based on portfolio modification
  - Thoroughly selective underwriting of high-risk products (ex. dementia, dental and pets)

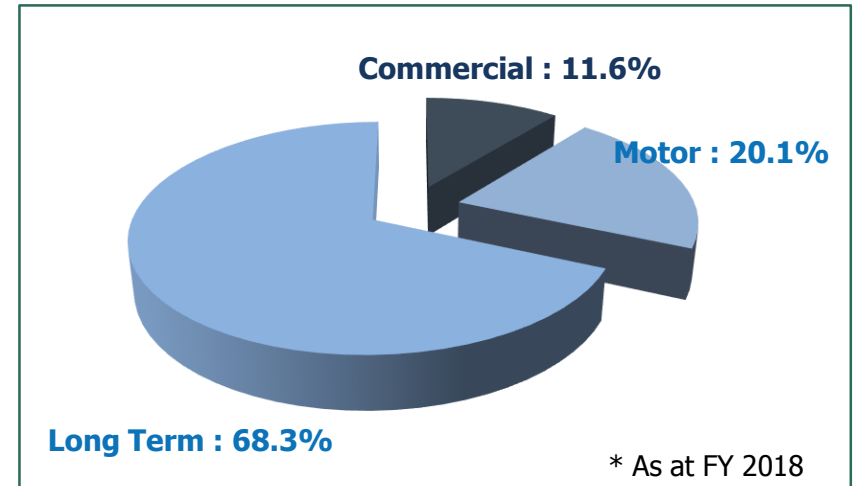


# 1.7 Underwriting Portfolio Distribution

## ■ GPW Portion by Line of Business



[ Korean Re ]



[ Korean non-life market ]

- **The commercial and overseas comprises 52.5% of the total portfolio**
  - More volatile underwriting result but with thick profit margin than primary insurers
- **Further diversification has been brought into the business portfolio by the expansion of the overseas portion**
  - ⇒ Overseas : [FY'10] 18.2% (KRW 827 Bil.) → [FY'19] 24.9% (KRW 2,001 Bil.)
- **The portfolio of personal lines, which has a low possibility of major loss, comprises 47.5% of the total portfolio**



## AGENDA

1 >> Korean Re Profile

2 >> Financial Highlights

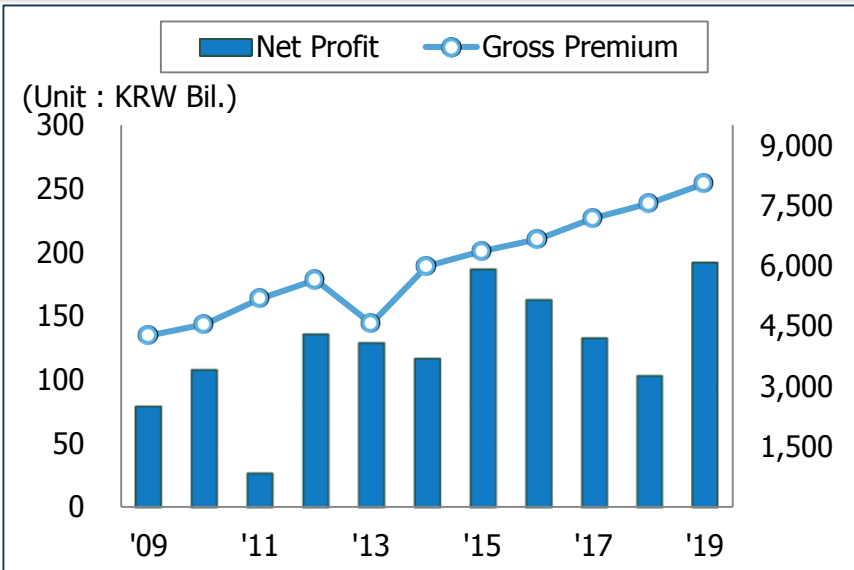
3 >> Insurance Operation Performance

4 >> Investment Operation Performance

5 >> Dividend Performance

## 2.1 Business Results

### Financial Snap Shot (2009 ~ 2019)



\* FY 2013 : 9 months (2013.4 ~ 12) / Since FY 2011 : IFRS

- **Gross Premium** : 6.6% (10 year average growth)
  - o Consistent growth by pioneering new markets
- **Net Profit** : KRW 129.3 Bil. (10 year average)
  - o Profit-oriented growth and strengthening underwriting guideline
  - \* FY2011 : reduced profit by Thai Flood losses
- **Total Asset** : 10.5% (10 year average growth)
  - o KRW 4.3 Tril. (FY2009) → KRW 11.7 Tril. (FY2019)

(Unit : KRW Bil., %)

Item	2009	2011	2013	2015	2017	2019
Gross Premium (Growth Rate)	4,261 (5.4)	5,181 (14.1)	4,556 (6.2)	6,364 (6.3)	7,185 (7.9)	8,043 (6.5)
Net Profit	79.0	26.6	128.8	186.2	132.5	191.2
Total Asset	4,327	6,964	7,684	9,023	10,036	11,709
S&P Rating	A-	A-	A-	A	A	A

## 2.2 Financial Highlights as of December 2019

(Unit : KRW Bil., %, %p)

Classification	FY 2018	FY2019	YoY change	
			Amount	Rate
<b>Gross Premiums</b>	<b>7,554.4</b>	<b>8,043.4</b>	<b>489.0</b>	<b>6.5</b>
<b>Net Premiums</b>	<b>5,314.4</b>	<b>5,527.0</b>	<b>212.7</b>	<b>4.0</b>
Underwriting Income	-36.7	-4.2	32.5	-
Combined Ratio	100.5	100.0		-0.5
- Loss Ratio	83.4	85.6		2.2
- Expense Ratio	17.1	14.4		-2.7
Investment Income	173.4	235.8	62.4	36.0
Operating Income	145.4	238.7	93.3	64.2
<b>Net Income</b>	<b>102.7</b>	<b>191.2</b>	<b>88.5</b>	<b>86.1</b>
<b>Operating Assets</b>	<b>5,878.5</b>	<b>6,220.7</b>	<b>342.2</b>	<b>5.8</b>
<b>Total Assets</b>	<b>10,729.6</b>	<b>11,708.7</b>	<b>979.1</b>	<b>9.1</b>
<b>Shareholder's Equity</b>	<b>2,241.1</b>	<b>2,461.1</b>	<b>220.0</b>	<b>9.8</b>
<b>Return on Equity(ROE)</b>	<b>4.7</b>	<b>8.1</b>		<b>3.4</b>

※ Excluding foreign currency evaluation effect : underwriting income, investment income, combined ratio, loss ratio

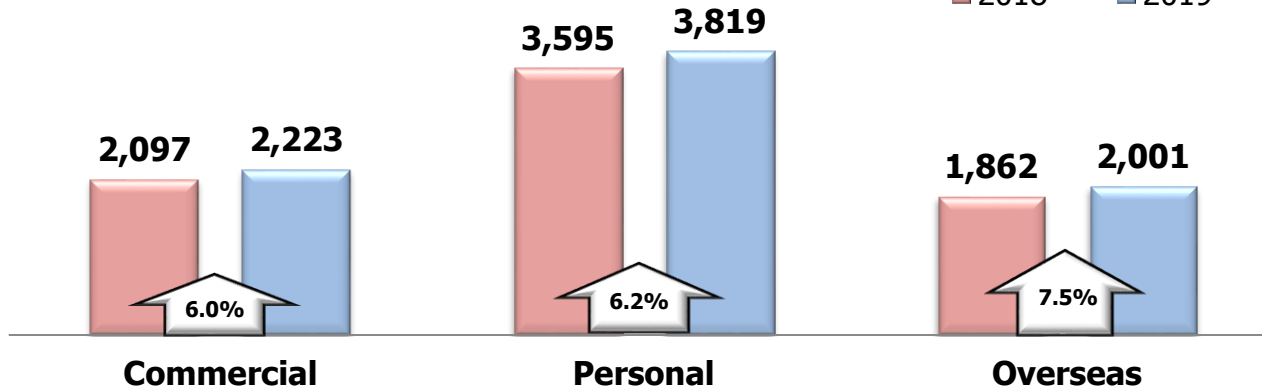
※ Based on Separate Financial Statements

## 2.3 Financial Highlights by business lines

### ■ Gross Premiums : +6.5%

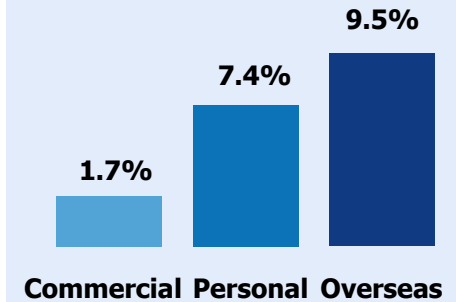
(Unit : KRW Bil.)

■ 2018 ■ 2019

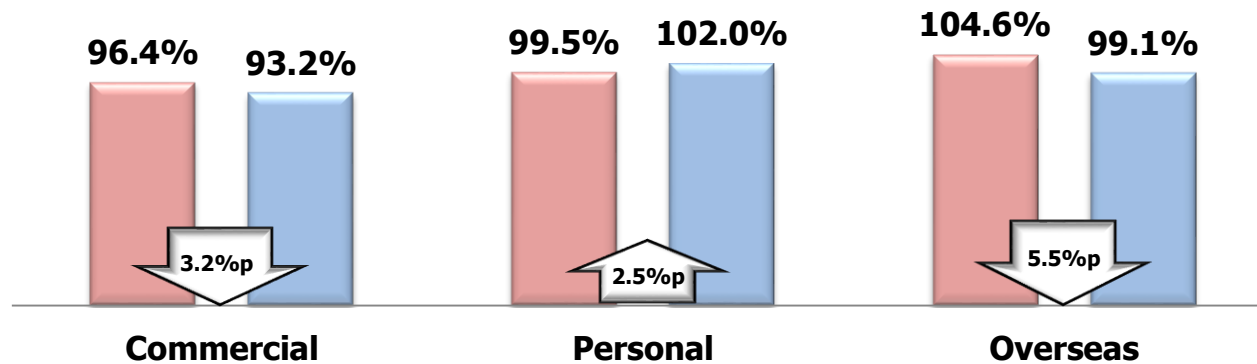


※ Commercial : High growth due to increase of crop and livestock insurance

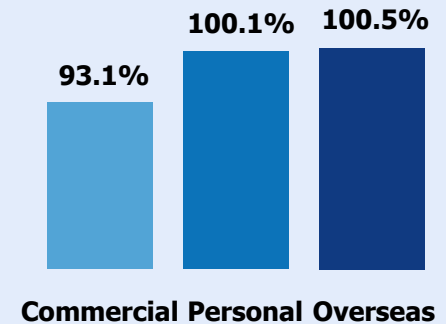
### 5 year CAGR Gross Premiums



### ■ Combined Ratio : 100.5% → 100.0% (0.5%p ↓)



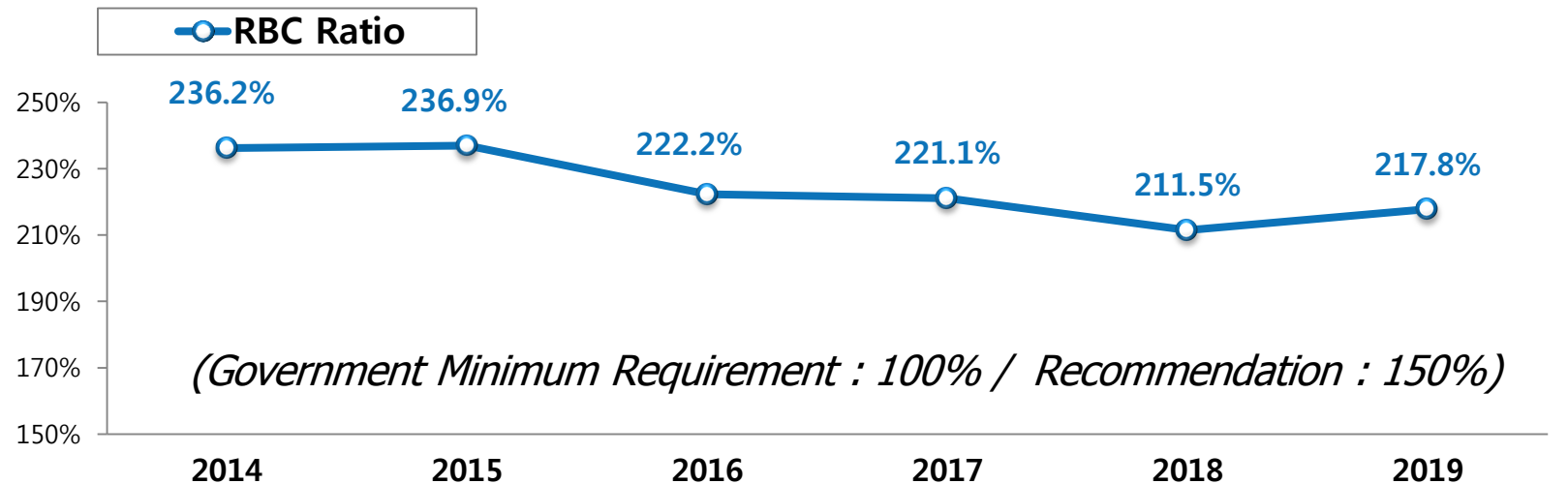
### 5 year average Combined Ratio



## 2.4 Stable RBC Ratio

### ■ Strong local solvency ratio

- Despite continuously tightened regulations, we have maintained our RBC ratio well above 200%



(Unit : KRW Bil., %)

Item	2014	2015	2016	2017	2018	2019
<b>Solvency Capital</b>	1,967.9	2,158.8	2,283.4	2,375.9	2,480.2	2,695.8
<b>Risk Based Capital</b>	833.1	911.3	1,027.5	1,074.8	1,172.9	1,238.0
<b>RBC ratio</b>	<b>236.2</b>	<b>236.9</b>	<b>222.2</b>	<b>221.1</b>	<b>211.5</b>	<b>217.8</b>

※ RBC ratio in 2016 decreased mainly due to ① unrealized loss on available for sale assets (the rise of interest rates),  
 ② tightened RBC regulation regarding credit risk, and ③ change from separate to consolidated financial results basis





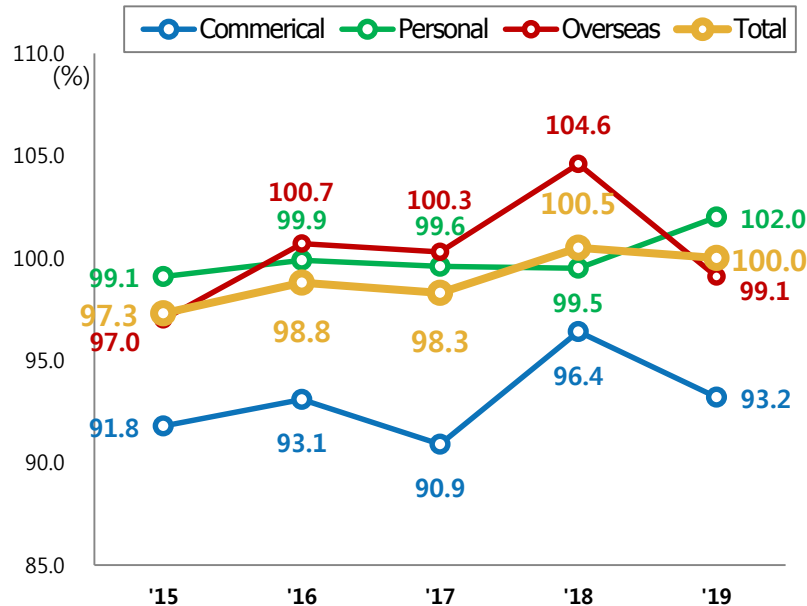
## AGENDA

- 1 >> Korean Re Profile
- 2 >> Financial Highlights
- 3 >> Insurance Operation Performance
- 4 >> Investment Operation Performance
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# 3.1 Overall Results

[Combined Ratio]

(Unit : %)



Item	2015	2016	2017	2018	2019
Commercial	91.8	93.1	90.9	96.4	<b>93.2</b>
Personal	99.1	99.9	99.6	99.5	<b>102.0</b>
Overseas	97.0	100.7	100.3	104.6	<b>99.1</b>
Combined Ratio	97.3	98.8	98.3	100.5	<b>100.0</b>
- Loss Ratio	80.3	81.4	80.0	83.4	<b>85.6</b>
- Expense Ratio	17.0	17.4	18.3	17.1	<b>14.4</b>

※ Excluding foreign currency evaluation effect

- Profitability-oriented treaty structure : Effective sliding scale and profit commission
- Effective risk optimization per risk & event : Adequate retention with XOL cover by LOB

※ Overseas Major Loss Events

- FY2016 : Increase of O/S loss and IBNR regarding Korean Insurance Companies' US Branch Treaties, Taiwan E.Q., Hurricane Matthew, Netherlands Hail, Southern China Flood
- FY2017 : US Hurricanes (Harvey, Irma, Maria), Hongkong Typhoon, Vietnam Typhoon, China Flood
- FY2018 : Typhoons in Asia (Jebi, Trami, Mangkhut), Increase of a number of sizable losses from engineering side which of C/R rose by 55% to 149% compared to the last year

## 3.2 Post Thai Flood Measures

### Reduction of Aggregate Risk

- Q/S treaties on North America (31.0%), Latin America (15.0%), Middle East (5.0%) accounts
- Q/S treaty on facultative accounts (28.0%)
- Reduction of P/F which cover high CAT risk-prone countries
  - Selective renewal in high risk regions (China, Australia, Middle east, etc.)

### Increase of Main Excess of Loss Limit

- China : USD 100m (UY2011) → USD 240m (UY2019)
- 4 Countries : USD 50m ~ 90m (UY2011) → USD 140m ~ 240m (UY2019)
- Worldwide : USD 50m (UY2011) → USD 140m (UY2019)
- Mitigation of retained losses with Aggregate XOL effectively as protection against frequent severe CAT events

### Heightened Awareness of Possible CAT Regions Worldwide

- Meticulous assessment and control of risk accumulation for each and every country
- Continuous risk survey on potential CAT risk countries

## 3.3 Overseas Portfolio by Business Line

### ■ Overseas P/F Change

(Unit : %)

Line of biz	2014	2015	2016	2017	2018	2019
Fire & Engineering	49.5%	44.9%	44.8%	44.0%	45.2%	43.7%
Marine	16.0%	15.7%	14.1%	12.5%	9.4%	8.1%
Life	19.8%	19.3%	19.2%	20.4%	21.8%	23.0%
Casualty	11.1%	13.5%	14.8%	12.8%	12.1%	13.8%
Motor	2.7%	4.4%	3.5%	4.5%	5.5%	5.7%
Others*	0.8%	2.2%	3.6%	5.8%	6.0%	5.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

\* Others : Crop, Livestock etc.

### ■ Establishing well-balanced and profit-oriented overseas portfolio

- Further diversification of P/F by lines of business for securing stable foundation of earnings
- Reduction of under-performing accounts and improvement of reinsurance condition
- Increase the volume of the profitable lines such as life, casualty & motor
- Expanding profitable P/F of non-proportional treaty in property line but reducing dependency on unprofitable marine line

## 3.4 Overseas Portfolio by Region

### ■ Overseas P/F Change

(Unit : %)

Region	2014	2015	2016	2017	2018	2019
Far East Asia	37.6	36.1	31.5	30.0	33.0	30.5
Middle East Asia	15.1	12.2	11.2	12.3	11.7	13.1
South East Asia	6.6	11.2	13.9	11.7	11.2	11.4
<b>Asia Total</b>	<b>59.3</b>	<b>59.5</b>	<b>56.6</b>	<b>54.0</b>	<b>55.9</b>	<b>55.0</b>
North America	16.4	18.9	21.8	19.6	17.5	17.4
Latin America	3.0	2.9	3.3	6.6	7.9	9.9
<b>America Total</b>	<b>19.4</b>	<b>21.8</b>	<b>25.1</b>	<b>26.2</b>	<b>25.4</b>	<b>27.3</b>
Europe	15.1	13.6	14.8	15.9	15.4	14.9
Africa	1.1	0.9	0.7	0.7	0.7	0.9
Others*	5.1	4.2	2.8	3.2	2.6	1.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\* Others : Retrocession &amp; multi-territory accounts

### ■ Mainly based on Asian business in which Korean Re has know-how and expertise, but pursuing to diversify the P/F through exploring new markets outside of Asia

- Focusing on new market opportunities from profitable lines and regions
- Reducing concentration of exposure to Asia : 59.3% (2014) → 55.0% (2019)
- Continuous growth on America : 19.4% (2014) → 27.3% (2019)



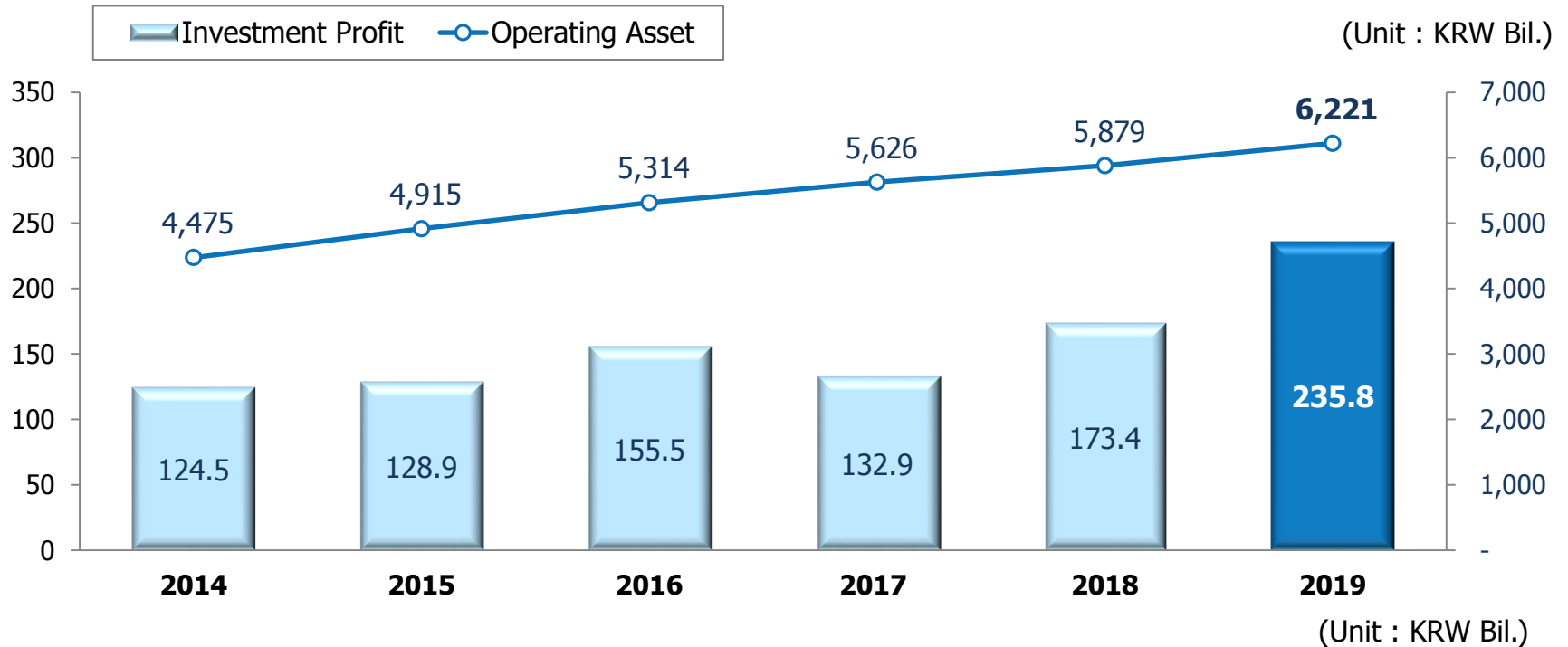
## AGENDA

- 1 >> Korean Re Profile
- 2 >> Financial Highlights
- 3 >> Insurance Operation Performance
- 4 >> Investment Operation Performance
- 5 >> Dividend Performance



## 4.1 Overall Results

### ■ The Maintenance of Stable Investment Strategy



Item	2014	2015	2016	2017	2018	2019
Investment Profit	124.5	128.9	155.5	132.9	173.4	235.8
Investment Yield	3.0%	2.8%	3.1%	2.5%	3.1%	4.0%

\* Excluding foreign currency evaluation effect

\* Investment profit in FY2017 : asset impairment loss(KRW 20.3 Bil.) was booked regarding KDB Life Ins. equity invested in FY2009  
→ ROI as-if excluding the above loss : 2.8%

Investment profit in FY2019 : gains from selling of Koramco Reits (KRW 26.7 Bil.)

## 4.2 Investment Portfolio Result

### Investment Portfolio

(Unit : KRW Bil.)

Classification	2017		2018		2019	
	Amount	Portion	Amount	Portion	Amount	Portion
<b>Stock*</b>	117.2	2.1%	122.7	2.1%	147.1	2.4%
<b>Domestic Bond</b>	2,037.5	36.2%	1,882.4	32.0%	1,929.4	31.0%
<b>Overseas Bond</b>	1,369.8	24.3%	1,631.3	27.8%	1,507.0	24.2%
<b>Short Term</b>	989.7	17.6%	691.6	11.8%	800.1	12.9%
<b>Loan</b>	626.3	11.1%	902.1	15.3%	993.1	16.0%
<b>Alternatives*</b>	297.3	5.3%	461.3	7.8%	657.3	10.6%
<b>Others*</b>	188.5	3.4%	187.1	3.2%	186.4	2.9%
<b>Total</b>	<b>5,626.3</b>	<b>100.0%</b>	<b>5,878.5</b>	<b>100.0%</b>	<b>6,220.7</b>	<b>100.0%</b>

\* Stock : capital of new subsidiary in Switzerland included (76 Bil.) in 2019

\* Alternatives : PEF, Infra etc. / Others : Real Estate etc.

### Investment Profit

(Unit : KRW Bil.)

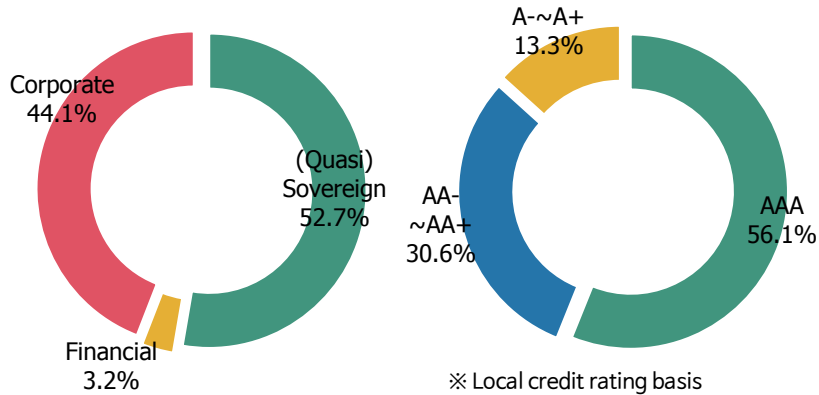
Classification	2017		2018		2019	
	Amount	Yield	Amount	Yield	Amount	Yield
<b>Stock</b>	6.3	5.5%	2.2	1.9%	29.2	24.2%
<b>Domestic Bond</b>	54.8	2.8%	57.3	3.0%	51.0	2.7%
<b>Overseas Bond</b>	47.1	3.9%	51.1	3.5%	78.2	5.1%
<b>Short Term</b>	16.1	1.3%	10.6	1.3%	8.8	1.2%
<b>Loan</b>	14.1	3.5%	34.4	4.6%	43.7	4.7%
<b>Alternatives</b>	-6.7	-2.6%	16.9	4.6%	26.4	4.8%
<b>Others</b>	1.2	0.6%	0.9	0.5%	-1.5	-0.8%
<b>Total*</b>	<b>132.9</b>	<b>2.5%</b>	<b>173.4</b>	<b>3.1%</b>	<b>235.8</b>	<b>4.0%</b>

\* Total : Record high yield of 4.0% due to profit gains of KRW 26.7Bil from selling of 'Koramco Reits and Trust'.  
ROI is 3.5% as if basis excluding the effect above.

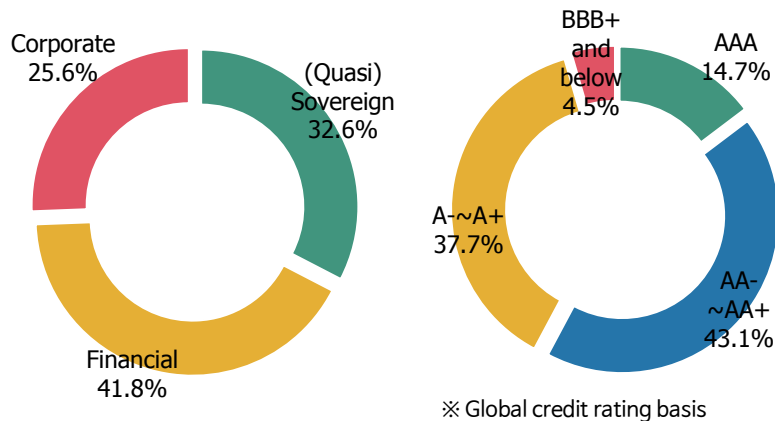
## 4.3 Investment Portfolio Composition

### ■ Investment Portfolio Details (FY2019)

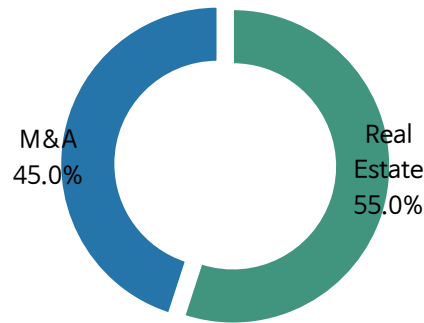
#### Domestic Bond



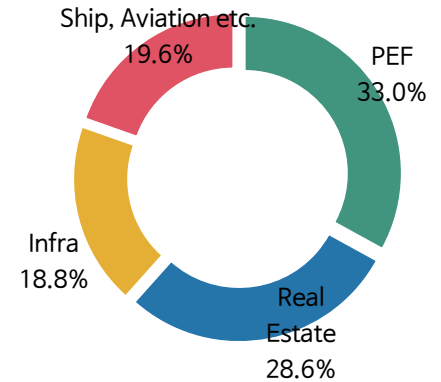
#### Overseas Bond



#### Loan



#### Alternatives



#### Loan

- Senior based portfolio with Avg. LTV under 60%  
- Avg. LTV : Real Estate (57%) / M&A (53%)

#### Alternatives

- Portfolio Diversification  
- PEF, Real Estate, Infra, Ship, Aviation etc.
- Yield enhancement via stable cash flow from loan-like funds and selective equity-like investments





## AGENDA

- 1 >> Korean Re Profile
- 2 >> Financial Highlights
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- 4 >> Investment Operation Performance
- 5 >> Dividend Performance

## 5 Dividend Performance

### ■ Supporting a favorable dividend policy toward shareholders

(Unit : KRW Bil.)

Classification	2015	2016	2017	2018	2019
Net Income	186.2	162.5	132.5	102.7	191.2
Total Dividend Amount	40.2	37.3	34.5	31.6	57.4
<b>Payout Ratio(%)</b>	<b>21.6</b>	<b>23.0</b>	<b>26.0</b>	<b>30.8</b>	<b>30.0</b>
Dividend Per Share(KRW)	350	325	300	275	500
<b>Dividend Yield(%)</b>	<b>2.5</b>	<b>2.8</b>	<b>2.7</b>	<b>3.1</b>	<b>5.3</b>

- In FY 2019, total dividend amount was a record high based on significantly increased net income with high payout ratio maintained
- 5-year average payout ratio is 26.3% and lifted payout ratio up to thirties percent with gradual increase in order to raise shareholder value

A silhouette of a person standing on a cliff, raising their arms in celebration. The background is a sunset over the ocean, with a cloudy sky and a calm sea. The person is positioned on the right side of the frame, looking out over the horizon.

**Those materials and data presented here are a mere reflection of Korean Re's current business policy, based upon past business experiences and market environment research, including outside sources.**

**Due to this reason, accurate forecast of market movements or tendencies is not possible, and may not bear any resemblance to the actual statistic figures, as predicted by Korean Re.**