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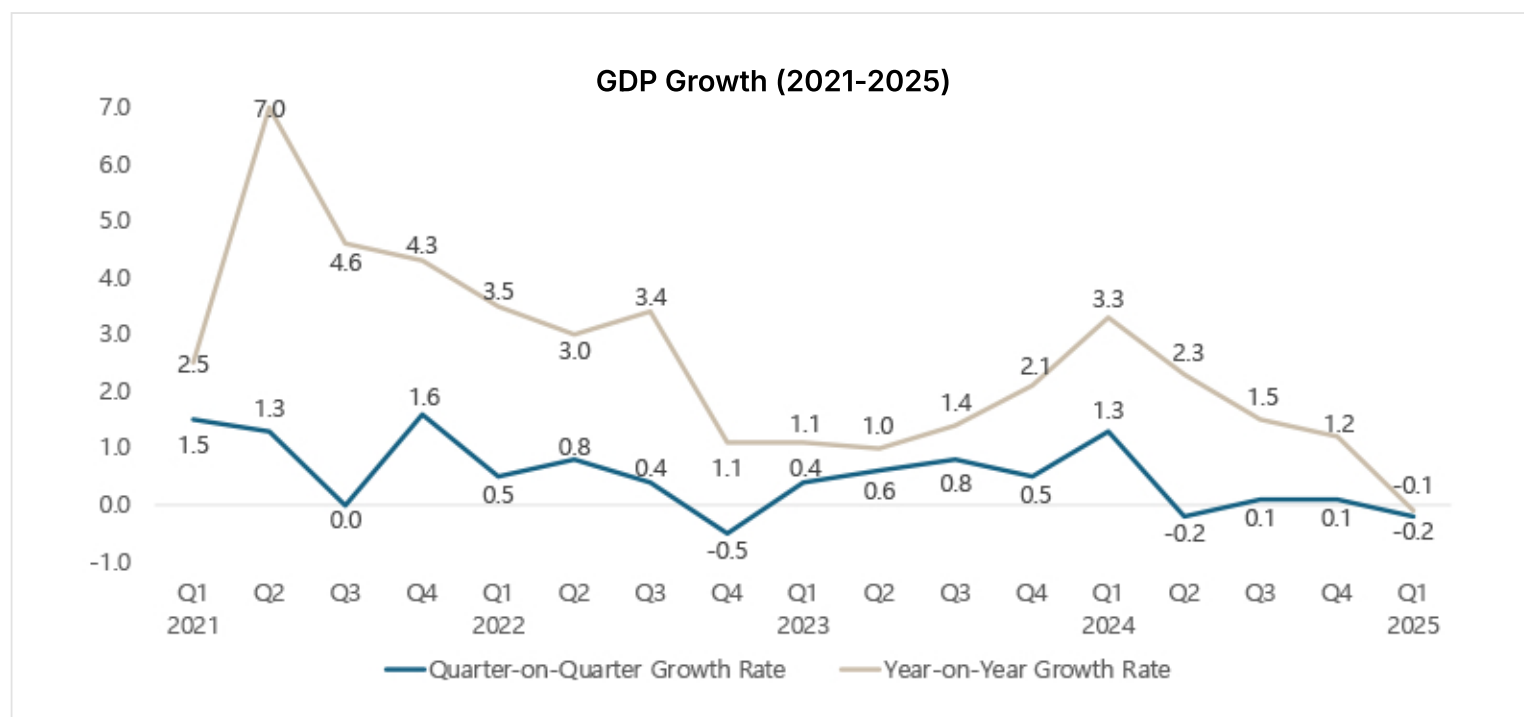
Korean Economy

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Korea's GDP Growth in the First Quarter of 2025

In the first quarter of 2025, Korea's real gross domestic product (GDP) declined by 0.2% on a quarter-on-quarter basis and by 0.1% on a year-on-year basis.

(Unit: %)



(Source: Bank of Korea, April 24, 2025)

Private consumption slipped by 0.1% quarter on quarter, weighed down by subdued spending on services, particularly in entertainment, cultural activities, and healthcare. Government consumption also fell by 0.1%, mainly due to reduced expenditures under the national health insurance program. Construction investment declined by 3.2%, reflecting a marked slowdown in building activity, while facility investment dropped by 2.1%, led by weaker capital spending on machinery, especially semiconductor manufacturing equipment. On the external side, exports contracted by 1.1% amid softer demand for chemical products, machinery, and equipment, while imports fell by 2.0%, primarily due to lower inflows of energy-related goods, including crude oil and natural gas.

< Quarterly Economic Growth >

(Unit: %)

	2022				2023				2024				2025
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
GDP	0.5 (3.5)	0.8 (3.0)	0.4 (3.4)	-0.5 (1.1)	0.4 (1.1)	0.6 (1.0)	0.8 (1.4)	0.5 (2.1)	1.3 (3.3)	-0.2 (2.3)	0.1 (1.5)	0.1 (1.2)	-0.2 (-0.1)
Consumer Spending	-1.0	2.9	1.3	-0.1	0.5	-0.3	0.1	0.4	0.7	-0.2	0.5	0.2	-0.1 (0.5)
Government Spending	0.1	0.9	0.2	2.4	0.4	-2.1	0.3	0.5	0.8	0.6	0.6	0.5	-0.1 (1.9)
Construction Investment	-3.3	0.0	-0.2	1.1	0.6	0.2	1.9	-3.8	3.3	-1.7	-3.6	-3.2	-3.2 (-12.2)
Equipment Investment	-1.5	1.4	5.7	-0.8	-1.4	0.4	-2.0	2.8	-2.0	-1.2	6.5	1.6	-2.1 (4.2)
Intellectual Property Investment	2.6	-0.3	5.0	-2.2	-0.2	1.0	0.8	-0.2	0.8	-0.9	0.0	0.2	0.3 (-0.3)
Exports	3.0	-1.2	-0.3	-3.7	4.2	1.1	1.9	3.9	1.8	1.2	-0.2	0.3	-1.1 (0.6)
Imports	-1.4	1.4	4.1	-2.5	3.9	-1.8	0.3	1.6	-0.4	1.6	1.6	-0.1	-2.0 (1.2)

*Figures in () refer to year-on-year growth rates.

(Source: Bank of Korea, April 24, 2025)

Meanwhile, Korea’s real gross domestic income (GDI) contracted by 0.4% from the previous quarter and by 0.1% year on year, falling short of the GDP growth figure of –0.2%. As of end-March 2025, the country’s foreign exchange reserves stood at USD 409.21 billion, down USD 1.79 billion from the prior month.

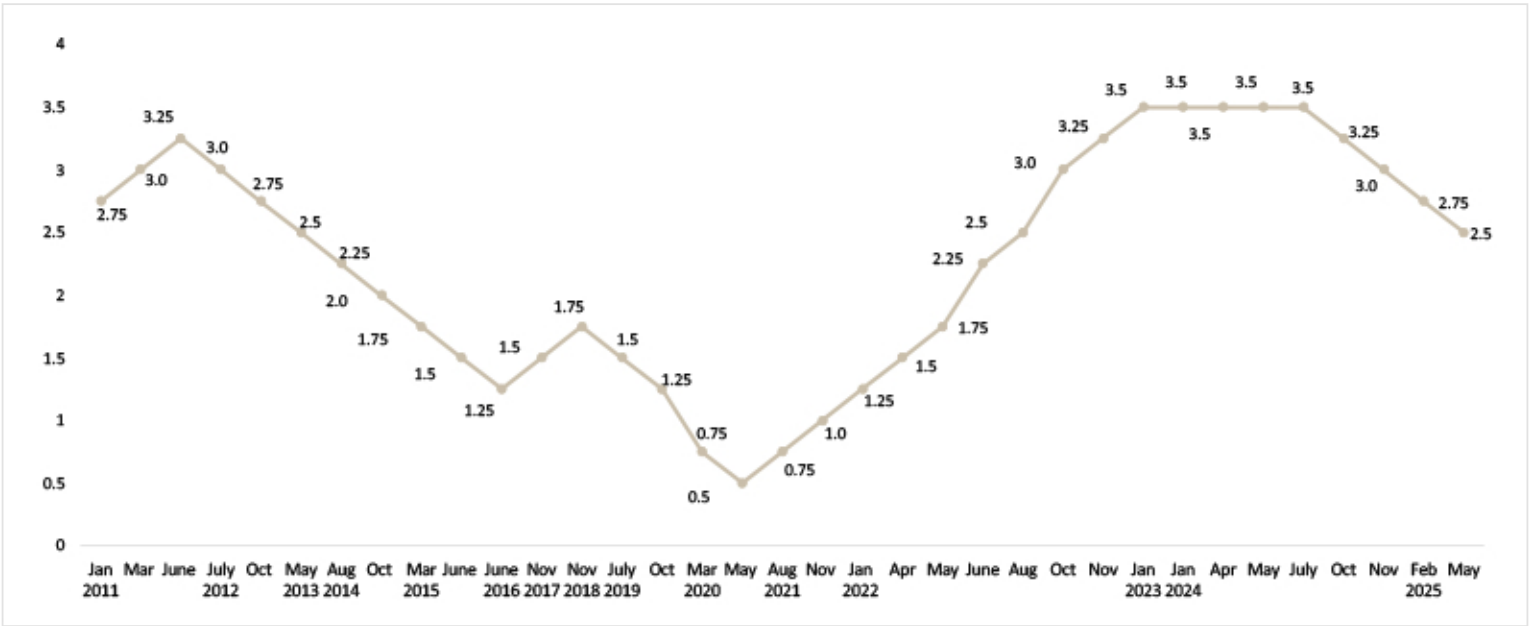
Benchmark Interest Rate Outlook for 2025

At its meeting on May 29, 2025, the Bank of Korea’s Monetary Policy Board decided to lower the base rate from 2.75% to 2.5%. This decision follows a series of rate cuts, from 3.5% to 3.25% in October 2024, to 3% in November, and then to 2.75% in February 2025. The latest rate cut reflects the Board’s expectations that economic growth will decline while inflation remains broadly stable.

Amid continued price stability, downside risks to growth have increased due to sluggish economic performance in the first quarter and worsening global trade conditions. Given the downward movement in economic growth and significant uncertainty surrounding the outlook, including possible changes in United States tariff policy, along with elevated exchange rate volatility, the Board judged it appropriate to cut the rate while carefully assessing changes in both domestic and external conditions.

BOK Benchmark Interest Rate (2011-2025)

(Unit: %)



(Source: Bank of Korea, April 17, 2025)

Looking ahead, the Monetary Policy Board will continue to monitor the growth trajectory while ensuring that inflation remains stable around the target over the medium term, and at the same time give due consideration to financial stability in the conduct of monetary policy. In view of these conditions, the monetary policy stance will continue to lean toward easing, aiming to alleviate downside risks to growth. Still, any further rate cuts will be carefully determined based on changes in domestic and external policy conditions, with close monitoring of inflation, household debt, and exchange rate trends to guide the timing and pace of any adjustments to the base rate.

Economic Landscape for 2025

Korea's economy is projected to fall short of earlier expectations, as the prolonged drag from political uncertainty continues to delay a recovery in economic sentiment, while United States tariff measures have proven more forceful and expansive than anticipated. In the first quarter of 2025, heightened domestic and external uncertainties weighed heavily on confidence, and a series of temporary disruptions, including large scale wildfires, construction delays at selected sites, and deferred demand for high performance semiconductors such as HBM, further contributed to a broad-based weakening in both domestic demand and exports. While growth in the second quarter and beyond may see some support from the gradual easing of political risks and the lagged effects of policy rate cuts, the intensified and wide-ranging nature of U.S. trade restrictions since April is expected to amplify downward pressure on Korea's export sector.

The consumer price inflation rate is expected to align broadly with the Bank of Korea's February projection of 1.9%, as downward pressures stemming from weakening economic momentum and declining oil prices are partially offset by upward factors such as the elevated exchange rate. Recently, headline inflation has fluctuated around the 2% level, while core inflation has remained stable in the upper 1% range. Looking ahead, consumer price growth is projected to hover near 2% during the second quarter, before gradually easing in the latter half of the year as the impact of slowing domestic activity and falling global energy prices intensifies. Core inflation is likewise expected to moderate, reaching the mid-to-upper 1% range in the second half of the year.

The current account surplus for the year is now expected to fail to meet the earlier projection of USD 75 billion. In the first quarter, goods exports underperformed expectations, but the current account balance still exceeded forecasts, owing to a steeper than expected decline in imports, particularly of raw materials. As the year progresses, the surplus is likely to narrow, primarily due to a worsening goods balance amid escalating U.S. tariff measures. The services account is also projected to weaken, as trade frictions slow merchandise flows and compress the surplus in transport services, further widening the overall services deficit.

Global economic momentum is projected to moderate, as uncertainty surrounding U.S. trade policy grows both in scale and intensity. In the United States, broader than expected tariff measures are weighing on sentiment and heightening downside risks to growth. The euro area is expected to sustain modest expansion, but ongoing weakness in manufacturing and spillover effects from U.S. trade actions continue to pose significant headwinds. While fiscal stimulus in major member states may provide some support, its overall impact is likely to remain limited. In China, rising tensions with the United States are anticipated to deliver a pronounced external shock. However, policy efforts to stimulate consumption and increased investment in high value-added industries are expected to partially cushion the impact.

Korean Insurance Market

- Preliminary Business Results of Insurers for 2024
- K-ICS Ratios of the Korean Insurance Industry as of Late Dec 2024
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Preliminary Business Results of Insurers for 2024

In 2024, total premium income for the Korean insurance industry—comprising 22 life insurers and 32 non-life insurers—stood at KRW 241.04 trillion, up KRW 3.44 trillion (+1.4%) from the same period a year earlier.

Life insurers recorded premium income of KRW 113.44 trillion in 2024, an increase of KRW 1.03 trillion (+0.9%) from the previous year. This growth was primarily driven by increased sales of protection-type policies (+13.1%), savings-type products (+2.7%), and variable insurance (+0.4%), which offset the decline in retirement annuity-related premiums (–26.2%).

Non-life insurers posted premium income of KRW 127.6 trillion, up KRW 2.4 trillion (+1.9%) year on year. Premiums from long-term insurance (+5.2%) and general P&C insurance (+7.4%) increased, while those from auto insurance (–1.8%) and retirement annuity (–7.2%) declined.

< Premium Income >			
(Unit: KRW billion)			
	2023	2024	Change (%)
Life Insurers	112,407.5	113,440.0	0.9
- Protection	48,636.4	55,024.2	13.1
- Savings	28,051.4	28,798.6	2.7
- Variable	12,223.6	12,274.2	0.4
- Retirement Annuity, etc.	23,496.1	17,343.0	-26.2
Non-Life Insurers*	125,201.7	127,604.5	1.9
- Long-term	66,211.9	69,686.3	5.2
- Motor	21,121.1	20,741.5	-1.8
- General P&C	13,852.7	14,881.6	7.4
- Retirement Annuity, etc.	24,016.0	22,295.1	-7.2
Total	237,609.2	241,044.5	1.4

* Based on direct premiums
(Source: Financial Supervisory Service, March 25, 2025)

In 2024, the total net income of all insurance companies in Korea amounted to KRW 14.14 trillion, an increase of KRW 628.2 billion (+4.6%) compared to the previous year. The net income of life insurers stood at KRW 5.64 trillion, up KRW 373.6 billion (+7.1 %) year on year. Despite a deterioration in underwriting results due to the strengthened IBNR reserve standards, investment gains improved significantly by KRW 1.35 trillion, driven by increased interest and dividend income.

The net income of non-life insurers amounted to KRW 8.51 trillion in 2024, an increase of KRW 254.6 billion (+3.1%) compared to the previous year. Long-term insurance helped boost underwriting results, but rising auto loss ratios weakened overall underwriting performance. Despite a reduction in underwriting profit, investment gains rose significantly by KRW 589.6 billion thanks to increased interest and dividend income, supporting net income growth.

< Net Income >

(Unit: KRW billion)

	2023	2024	Change (%)
Life Insurers	5,263.8	5,637.4	7.1
Non-Life Insurers	8,252.0	8,506.6	3.1
Total	13,515.8	14,144.0	4.6

(Source: Financial Supervisory Service, March 25, 2025)

In 2024, the return on assets (ROA) for the insurance industry stood at 1.13%, up 0.03%p from the previous year. Return on equity (ROE) reached 9.12%, marking a notable increase of 1.08%p year on year.

< ROA and ROE >

(Unit: %)

		2023	2024	Change (%p)
ROA	Life Insurers	0.60	0.63	0.03
	Non-Life Insurers	2.40	2.39	-0.01
	Total	1.10	1.13	0.03
ROE	Life Insurers	5.02	6.03	1.01
	Non-Life Insurers	13.05	13.81	0.76
	Total	8.04	9.12	1.08

(Source: Financial Supervisory Service, March 25, 2025)

At the end of 2024, total assets held by insurers reached KRW 1,273.2 trillion, up KRW 47.0 trillion (+3.8%) from the end of 2023, while total liabilities rose to KRW 1,131.2 trillion, an increase of KRW 73.0 trillion (+6.9%). In contrast, shareholders' equity declined to KRW 142.1 trillion, down KRW 26.0 trillion (-15.5%) year on year, as the growth in liabilities outpaced that of assets.

< Total Assets and Shareholders' Equity >

(Unit: KRW trillion)

As of Period End		Dec 2023	Dec 2024	Change (%)
Total Assets	Life Insurers	882.6	905.5	2.6
	Non-Life Insurers	343.7	367.7	7.0
	Total	1,226.3	1,273.2	3.8
Total Liabilities	Life Insurers	777.7	823.5	5.9
	Non-Life Insurers	280.5	307.7	9.7
	Total	1,058.2	1,131.2	6.9
Shareholders' Equity	Life Insurers	104.9	82.1	-21.7
	Non-Life Insurers	63.2	60.0	-5.1
	Total	168.1	142.1	-15.5

(Source: Financial Supervisory Service, March 25, 2025)

In summary, insurers' net income in 2024 increased year on year despite rising insurance claims payments, supported by improved interest and dividend income driven by a growth in invested assets. However, shareholders' equity declined as insurance liabilities expanded due to falling interest rates and the adoption of more conservative discount rate assumptions.

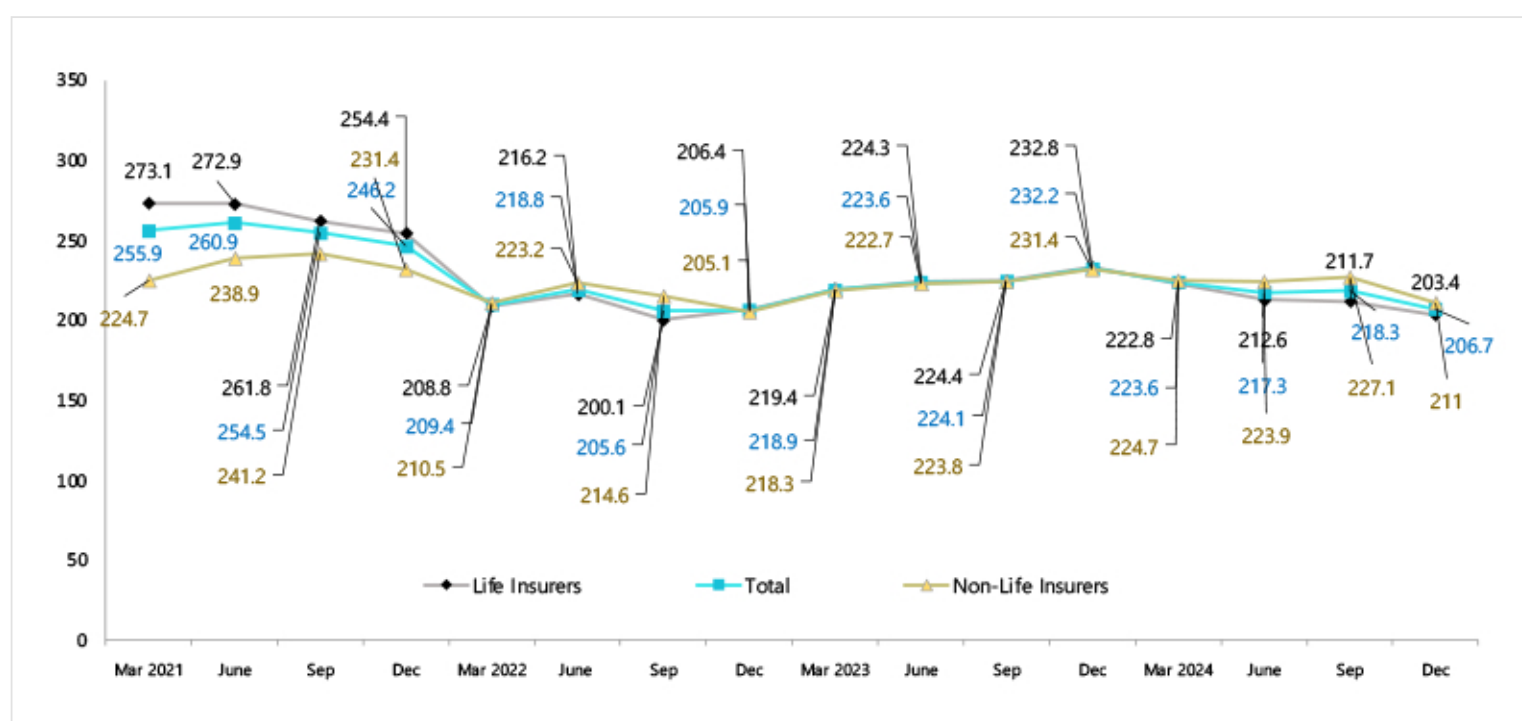
Given rising concerns over increased volatility in financial markets, spanning equity prices, interest rates, and exchange rates, insurers are urged to carefully manage their financial soundness. In response, the financial supervisory authority announced plans to closely monitor insurers' earnings and capital adequacy, with a proactive approach to identifying and mitigating potential risks.

K-ICS Ratios of the Korean Insurance Industry as of Late Dec 2024

As of end-2024, after the application of transitional measures, insurers' risk-based capital (RBC) ratio under the K-ICS framework declined to 206.7%, down 11.6%p from 218.3% in the previous quarter. By segment, life insurers recorded a ratio of 203.4%, representing a decrease of 8.3%p, while the ratio for non-life insurers fell more sharply by 16.0%p to 211.0%.

Solvency Ratios of Insurers in Korea (2021-2024)

(Unit: %)



*The 2024 ratios refer to K-ICS ratios after the application of transitional measures.

(Source: Financial Supervisory Service, Press Release on May 15, 2025)

The main factors behind the change in the RBC ratio were a decline in available capital by KRW 10.8 trillion from the previous quarter, due to an increase in insurance liabilities and the impact of year-end dividend payouts, and a KRW 1.4 trillion increase in required capital, driven by higher risk exposure stemming from expanded sales of protection-type insurance and a growth in investment assets.

As of end-2024, available capital under the K-ICS framework, after applying transitional measures, stood at KRW 248.1 trillion, reflecting a KRW 10.8 trillion decrease from the previous quarter. While net income of KRW 0.7 trillion in Q4 and KRW 3.3 trillion in capital raised through hybrid and subordinated bond issuances contributed positively, these were outweighed by a KRW 6.2 trillion decline in accumulated other comprehensive income due to increased insurance liabilities amid lower interest rates, as well as KRW 4.8 trillion in year-end dividend payouts.

At the same time, required capital under the K-ICS framework rose to KRW 120.0 trillion as of end-December 2024, an increase of KRW 1.4 trillion from the previous quarter. This rise was driven by a KRW 2.8 trillion increase in morbidity and illness risk, reflecting expanded sales of protection-type insurance products. Additionally, portfolio growth led to higher risk charges on investment assets, with equity and real estate risks rising by KRW 0.8 trillion and KRW 0.7 trillion, respectively.

< K-ICS Ratios and Impacts from Transitional Measures (as of Late Dec. 2024) >

	Before Transitional Measures			After Transitional Measures		
As of Period End	Q3 2024	Q4 2024	Change	Q3 2024	Q4 2024	Change
Available Capital (KRW trillion)	256.0	245.2	-10.8	258.9	248.1	-10.8
Required Capital (KRW trillion)	126.3	128.2	+1.9	118.6	120.0	+1.4
K-ICS Ratio (%, %p)	202.7	191.3	-11.4	218.3	206.7	-11.6

(Source: Financial Supervisory Service, Insurance Companies' Capital Adequacy Ratios under K-ICS, December 2024, Press Release dated May 15, 2025)

Given the decline in the risk-based capital ratio, insurers are expected to maintain sufficient high-quality capital while enhancing risk management practices to strengthen their medium- to long-term solvency. In line with this, the supervisory authority has emphasized the need for a) more sophisticated asset-liability management (ALM) to better navigate interest rate fluctuations, b) the establishment of a risk-based enterprise-wide decision-making framework, and c) balanced capital management that takes into account the quality of capital. With financial market uncertainties persisting, the regulator plans to closely monitor and supervise financially weaker insurers in particular, ensuring they maintain adequate solvency levels.

Review of Insurers' Overseas Operations for 2024

As of the end of 2024, a total of 11 insurance companies—4 life insurers and 7 non-life insurers—were operating 44 overseas branches across 11 countries. This marks an increase of 2 from the end of 2023, when the total stood at 42, following DB Insurance Co., Ltd.'s acquisition of equity stakes in two non-life insurance companies in Vietnam during 2024.

By region, Asia accounted for 27 branches—including 7 in Vietnam, 5 in Indonesia, and 4 in China—followed by 13 in the United States, 3 in the United Kingdom, and 1 in Switzerland. By business type, 33 branches were engaged in insurance operations, comprising 4 in life insurance, 24 in non-life insurance, and 5 in insurance brokerage or claims adjustment services. The remaining 11 branches were involved in investment and other financial services.

Overseas Presences of Korean Insurers (Unit: No. of operations)

	2023			2024			Change		
	Subsidiary	Branch	Total	Subsidiary	Branch	Total	Subsidiary	Branch	Total
Life Insurers	11	-	11	11	-	11	-	-	-
Non-Life Insurers	20	11	31	22	11	33	+2	-	+2
Total	31	11	42	33	11	44	+2	-	+2

(Source: Financial Supervisory Service, May 7, 2025)

As of end-2024, net income from overseas operations recorded a profit of USD 159.1 million (KRW 217.01 billion), representing a turnaround from a loss of USD 14.3 million in the previous year. This marks an improvement of USD 173.4 million year on year.

Life insurers posted a profit of USD 64.0 million, up USD 2.2 million (+3.5%) from the previous year, supported by expanded insurance operations. Non-life insurers recorded a profit of USD 95.1 million, marking a year-on-year increase of USD 171.2 million and a return to profitability, largely due to base effects from large-scale losses¹⁾ incurred in the previous year.

Net Income for Overseas Business Operations of Korean Insurers (Unit: USD million)

	Life Insurers			Non-Life Insurers			Total		
	2023	2024	Change	2023	2024	Change	2023	2024	Change
Net Income	61.8	64.0	2.2	-76.1	95.1	171.2	-14.3	159.1	173.4

(Source: Financial Supervisory Service, May 7, 2025)

As of end-2024, total assets amounted to USD 7.34 billion (KRW 10.8 trillion), representing an increase of USD 920 million (+14.3%) from the end of 2023. Capital rose to USD 3.37 billion, up USD 360 million (+12.0%) year on year, driven by higher net income and paid-in capital. Liabilities increased to USD 3.97 billion, up USD 550 million (+16.1%) from the previous year, largely due to a rise in policy reserves stemming from a growth in in-force contracts.

1) From natural disasters such as Typhoon Mawar in Guam (May 2023) and the wildfires in Maui, Hawaii

Financial Position of Overseas Business Operations

(Unit: USD billion)

	Life Insurers			Non-Life Insurers			Total		
	2023	2024	Change	2023	2024	Change	2023	2024	Change
Assets	2.70	2.90	0.20	3.72	4.44	0.72	6.42	7.34	0.92
Liabilities	1.16	1.30	0.14	2.26	2.67	0.41	3.42	3.97	0.55
Equities	1.54	1.60	0.06	1.47	1.77	0.30	3.01	3.37	0.36

(Source: Financial Supervisory Service, May 7, 2025)

Despite initial entry-related losses and a downturn in the real estate market, life insurers posted a modest improvement in year-on-year performance, supported by the expansion of insurance operations. Non-life insurers saw a significant improvement, largely driven by base effects from large-scale losses incurred in the previous year.

Performance of Motor Insurance Business for 2024

In 2024, motor insurance direct premiums written totaled KRW 20.66 trillion, down KRW 384.3 billion (-1.8%) from the previous year's KRW 21.05 trillion. The decline was mainly due to the slowing growth²⁾ in the number of insured vehicles and the cumulative impact³⁾ of premium reductions.

The market continued to be dominated by the four major insurers—Samsung, Hyundai, KB, and DB— which together maintained an 85.3% share, consistent with the previous year. Meanwhile, the combined market share of mid- to small-sized insurers such as Meritz, Hanwha, Lotte, MG, and Heungkuk declined to 8.3%, down 0.1%p year on year.

In contrast, non-face-to-face specialist insurers⁴⁾ including AXA, Hana, and Carrot saw their market share increase by 0.1%p to 6.4%.

Trends in Motor Insurance Market Share

	2020	2021	2022	2023 (a)	2024 (b)	Change (b-a)
Major Insurers (4)	84.7%	84.7%	84.9%	85.3%	85.3%	-
Mid-to-Small Insurers (5)	10.0%	9.4%	8.9%	8.4%	8.3%	-0.1%p
Non-face-to-face Specialist Insurers (3)	5.3%	5.9%	6.2%	6.3%	6.4%	+0.1%p

(Source: Financial Supervisory Service, April 7, 2025)

2) Growth Rate of Insured Vehicles: 2.4% (2022), 2.5% (2023), and 0.9% (2024)
3) Average Motor Insurance Premium Reduction Over the Past Three Years: -1.2% (2022), -1.9% (2023), and -2.5% (2024)
4) Non-face-to-face Specialist Insurer: A company whose sales are predominantly generated through non-face-to-face distribution channels, such as telemarketing (TM) and cyber marketing (CM).

By distribution channel, face-to-face sales accounted for 47.8%, followed by cyber marketing (CM) at 35.8%, telemarketing (TM) at 16.0%, and platform marketing (PM)—newly introduced in January 2024—at 0.4%. While the shares of offline and telemarketing channels⁵⁾ declined by 1.9%p and 0.5%p, respectively, cyber marketing continued its upward trend, rising by 2.0%p.

Trends in Motor Insurance Distribution Channels

	2020	2021	2022	2023 (a)	2024 (b)	Change (b-a)
Offline	56.3%	53.9%	51.9%	49.7%	47.8%	-1.9%p
TM	18.4%	17.3%	16.5%	16.5%	16.0%	-0.5%p
CM	25.3%	28.8%	31.6%	33.8%	35.8%	2.0%p
PM	-	-	-	-	0.4%	-

(Source: Financial Supervisory Service, April 7, 2025)

In 2024, the motor insurance segment recorded an underwriting loss of KRW 97 billion, as the combined ratio⁶⁾ reached 100.1%, exceeding the break-even point. This represents a sharp decline of KRW 563.6 billion (-101.7%) compared to the previous year's underwriting profit of KRW 553.9 billion. However, when factoring in investment income of KRW 598.8 billion, the motor insurance segment achieved a total profit of KRW 598.1 billion for the year.

Trends in Motor Insurance Loss Ratio and Expense Ratio

	2020	2021	2022	2023 (a)	2024 (b)	Change (b-a)
Loss Ratio	85.7%	81.5%	81.2%	80.7%	83.8%	+3.1%p
Expense Ratio	16.6%	16.3%	16.2%	16.4%	16.3%	-0.1%p
Combined Ratio	102.3%	97.8%	97.4%	97.1%	100.1%	+3.0%p

(Source: Financial Supervisory Service, April 7, 2025)

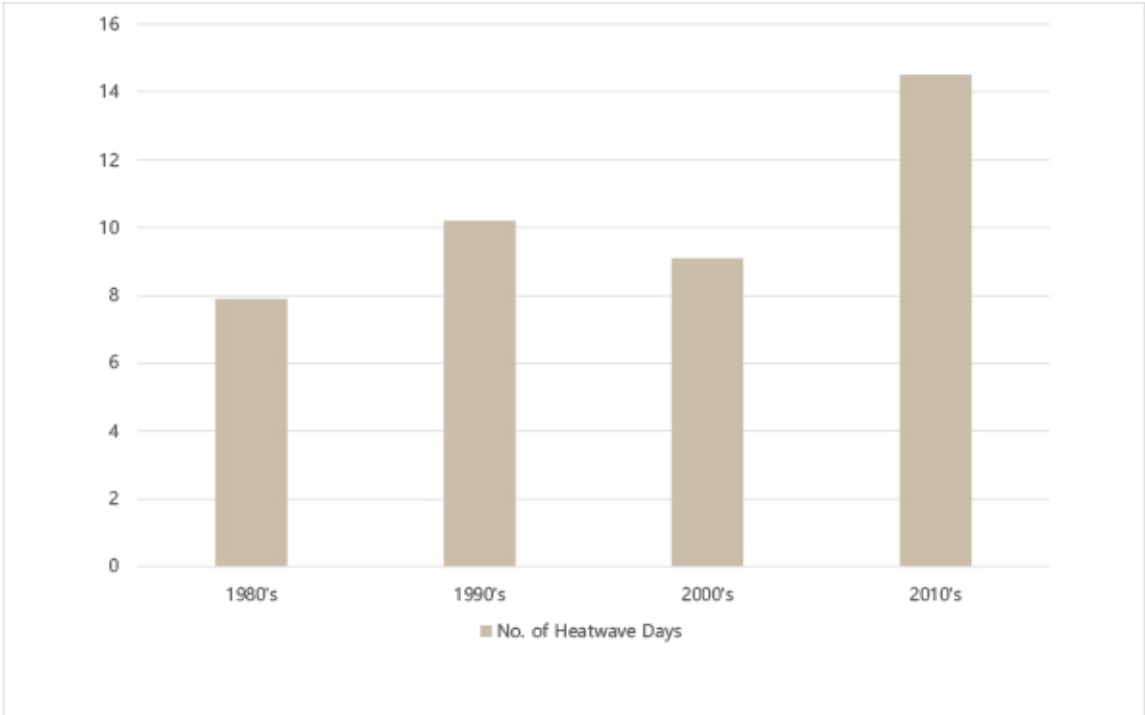
5) TM: Telemarketing, CM: Cyber Marketing, PM: Platform Marketing (e.g., Naver)

6) Combined Ratio: The sum of the loss ratio and expense ratio. In motor insurance, the break-even point is generally considered to be a combined ratio of 100%.

Impact of Climate Change on Life Insurance

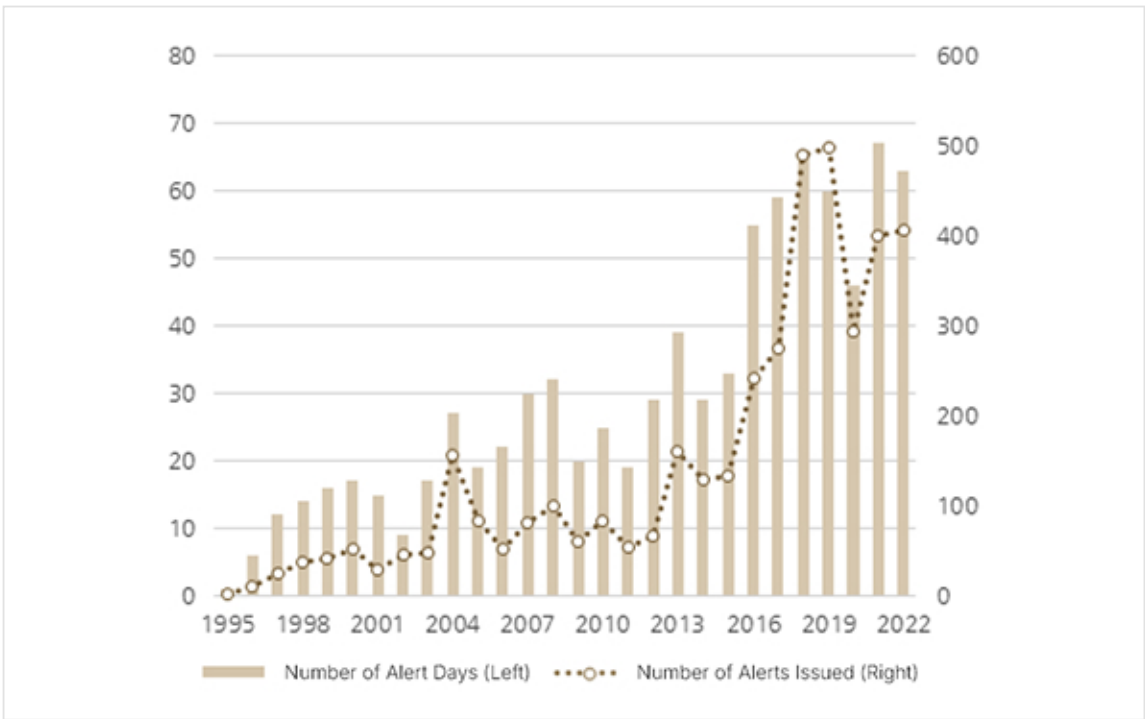
In recent years, Korea has seen a steady rise in extreme heatwave days due to overall temperature increases—a trend that is expected to worsen. During the 1980s (1980–1989), the average annual number of extreme heat days was 7.9, but this has increased to 14.5 days in the 2010s. Looking ahead, Korea’s average annual temperature in the latter half of the 21st century (2081–2100) is projected to rise by 2.3°C to 6.3°C compared to the current baseline (2000–2019), depending on the level of greenhouse gas emissions. As emissions of carbon dioxide, methane, and other greenhouse gases increase, air pollution indicators—such as fine particulate matter and ozone—are also expected to deteriorate further.

Trend in the Number of Heatwave Days in Korea



(Source: Korea Insurance Research Institute, 2024)

Numbers of Ozone Alert Days and Alerts in Korea



(Source: Korea Insurance Research Institute, 2024)

Climate change poses a growing threat to human health and safety worldwide, driven by rising temperatures, worsening air pollution, and increasingly frequent extreme weather events (Fantini et al., 2024)⁷⁾. Air pollution and extreme temperatures—whether heatwaves or cold spells—have been shown to contribute to cardiovascular conditions. In addition, factors such as air pollution, heatwaves, and hydrometeorological disasters can aggravate respiratory illnesses, including asthma. Climate change also expands the range and population of disease-carrying vectors, such as mosquitoes and fleas, increasing the risk of vector-borne diseases. Moreover, it accelerates the spread of waterborne and foodborne pathogens. Exposure to rising temperatures or natural disasters can lead to higher suicide rates and contribute to the onset or worsening of physical and mental health conditions such as anxiety and depression.

Impact of Climate Change on Health

Health Impact	Air Pollution	Extreme Temperatures & Precipitation	Natural Disasters	Water & Food Supply Shortages	Ecological Changes
Cardiovascular Diseases	↑ ↑	↑ ↑	→	↑	→
Respiratory Diseases	↑ ↑	↑ ↑	→	→	→
Vector-borne Diseases	→	→	↑	↑	↑ ↑
Severe Injuries	→	→	↑ ↑	→	→
Mental Health Disorders	→	↑ ↑	↑ ↑	↑	→
Malnutrition	→	→	→	↑ ↑	→
Gastrointestinal / Waterborne Diseases	→	→	↑ ↑	↑ ↑	→

(↑↑ High impact, ↑ Moderate impact, → Limited or low impact)
(Source: Korea Insurance Research Institute, 2024)

The World Health Organization (WHO) projects that, between 2030 and 2050, climate change could lead to approximately 250,000 additional deaths per year due to causes such as malnutrition, malaria, diarrhea, and heat stress. Climate change also threatens health equity, disproportionately affecting vulnerable populations—such as low-income groups and the elderly—who may face financial and systemic barriers to accessing adequate healthcare services.

As climate change influences health risks and mortality, insurers may face increased claims payouts under health and life insurance policies, potentially leading to higher losses for insurance companies.

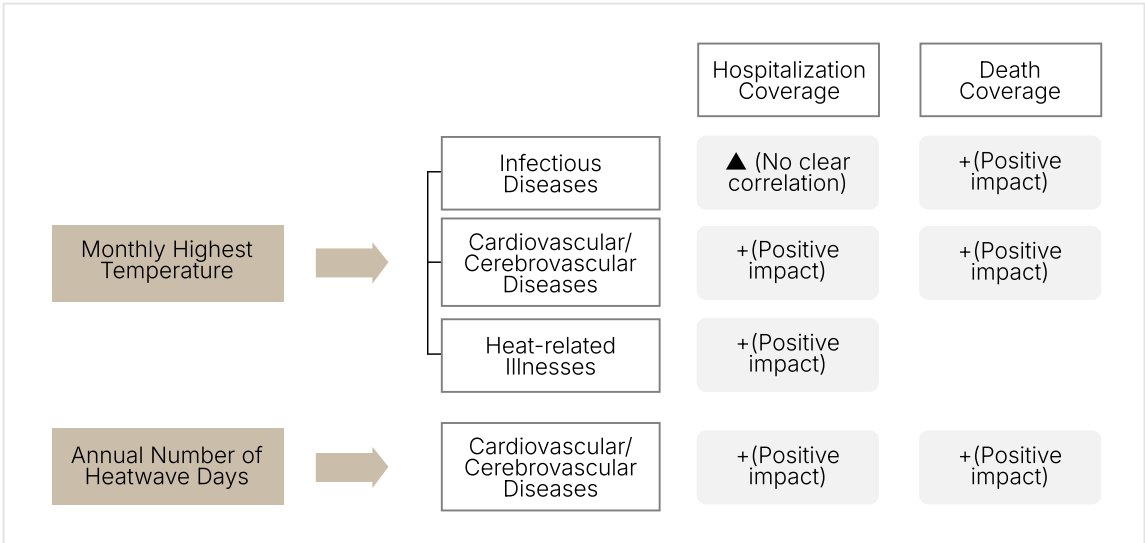
The impact of climate change is likely to be more significant for life insurers than for non-life insurers, primarily due to differences in policy renewal periods. While most non-life insurance products are renewed annually, life insurance products—such as whole life and health insurance—often have much longer durations, in some cases providing lifelong coverage. For non-renewable policies, premiums remain fixed throughout the coverage period, meaning that insurers cannot adjust pricing in response to emerging risks. As a result, potential losses stemming from climate change could be substantial. Accurately projecting the scale of climate-related damages will therefore be a critical factor in assessing the long-term sustainability of life insurance companies.

7) Fantini, Blanchard, Rath, Removille, Schwemer and Mayeres(2024), "How Insurers Can Take on the Climate-Driven Health Crisis", Boston Consulting Group

According to a study analyzing the impact of climate change on morbidity, mortality, and the domestic life insurance industry—based on climate data from 2009 to 2022 and life insurance in-force and claims data from 2010 to 2022—climate change has been found to influence the frequency of claims related to hospitalization and death coverage in life insurance policies.

In the case of infectious diseases, regression analysis using monthly highest temperature variables showed no clear relationship between temperature lag variables and the frequency of claims under hospitalization coverage. However, under death coverage, higher temperatures were associated with an increase in claim frequency. For cardiovascular and cerebrovascular diseases, a positive correlation was observed between monthly highest temperatures and claim frequency for both hospitalization and death coverages. The highest temperature variable also influences hospitalization rates for heat-related illnesses. Based on these findings, future projections for hospitalization and mortality rates related to cardiovascular and cerebrovascular conditions suggest that life insurance payouts, particularly for elderly outdoor workers, are expected to rise. An increase in the number of extreme heat days per year is also found to elevate the payout ratios for hospitalization and death coverages among individuals with cardiovascular and cerebrovascular diseases.

Analysis of Climate Change Impact on Life Insurance Claims



(Source: Korea Insurance Research Institute, 2024)

These findings suggest that climate change may pose a threat to the long-term financial soundness of life insurers, highlighting the importance of appropriate pricing and product design. In response, health and life insurers should adopt short-term measures such as implementing health promotion programs aimed at improving customer well-being and managing loss ratios. Over the long term, a strategic approach is required. First, insurers must conduct integrated analyses of climate and health data to assess risk factors and incorporate them into product design. Second, premium rates should be adjusted to reflect climate-related risks in order to maintain financial stability, while also promoting inclusive finance and ESG management to ease the burden on vulnerable populations. Third, insurers should consider shortening the renewal cycles of life insurance products to reduce claims volatility, while also developing hybrid products and providing consumer education to help alleviate the financial burden on policyholders.

Forest Insurance as a Climate Adaptation Measure to Mitigate Wildfire Risks

Climate crisis mitigation refers to all activities aimed at alleviating the impacts of climate change by either limiting the emission of greenhouse gases into the atmosphere or reducing the concentration of greenhouse gases already present in the atmosphere. Under the 2015 Paris Agreement, the international community aimed to limit the rise in global average temperature to below 2°C compared to pre-industrial levels (1850–1900), and to pursue efforts to restrict it within 1.5°C while moving toward carbon neutrality. However, the global average temperature has already risen by more than 1.2°C since the Industrial Revolution, and according to the World Meteorological Organization (WMO), it is projected to have reached 1.55°C as of 2024, making the achievement of the Paris Agreement targets increasingly difficult.

Global warming and other climate change phenomena contribute to rising average temperatures, which result in drier atmospheric conditions. These dry conditions facilitate the spread of pests and diseases, leading to an increase in tree mortality and, consequently, a heightened risk of wildfires. As global warming continues, this trend is expected to intensify. The expansion of arid regions worldwide has already led to frequent large-scale wildfires in recent years, including in Australia (2019 to 2020), Russia (2019), Indonesia (2019), the United States (2022 to 2023), Canada (2023), Japan (2025), and Korea (2025). Scenario analyses under the Paris Climate Agreement suggest that if global temperatures rise by 1.5 to 2°C, the global risk of wildfires could increase by as much as 8.6 to 13.5%.

In Korea as well, signs of increasing aridity are becoming more apparent. The number of dry weather advisories issued during the spring and winter months continues to rise, while both the volume and frequency of precipitation are on the decline. These conditions point to an ongoing trend of aridification, which is likely to increase the frequency of wildfires during dry periods and exacerbate the severity of their impact.

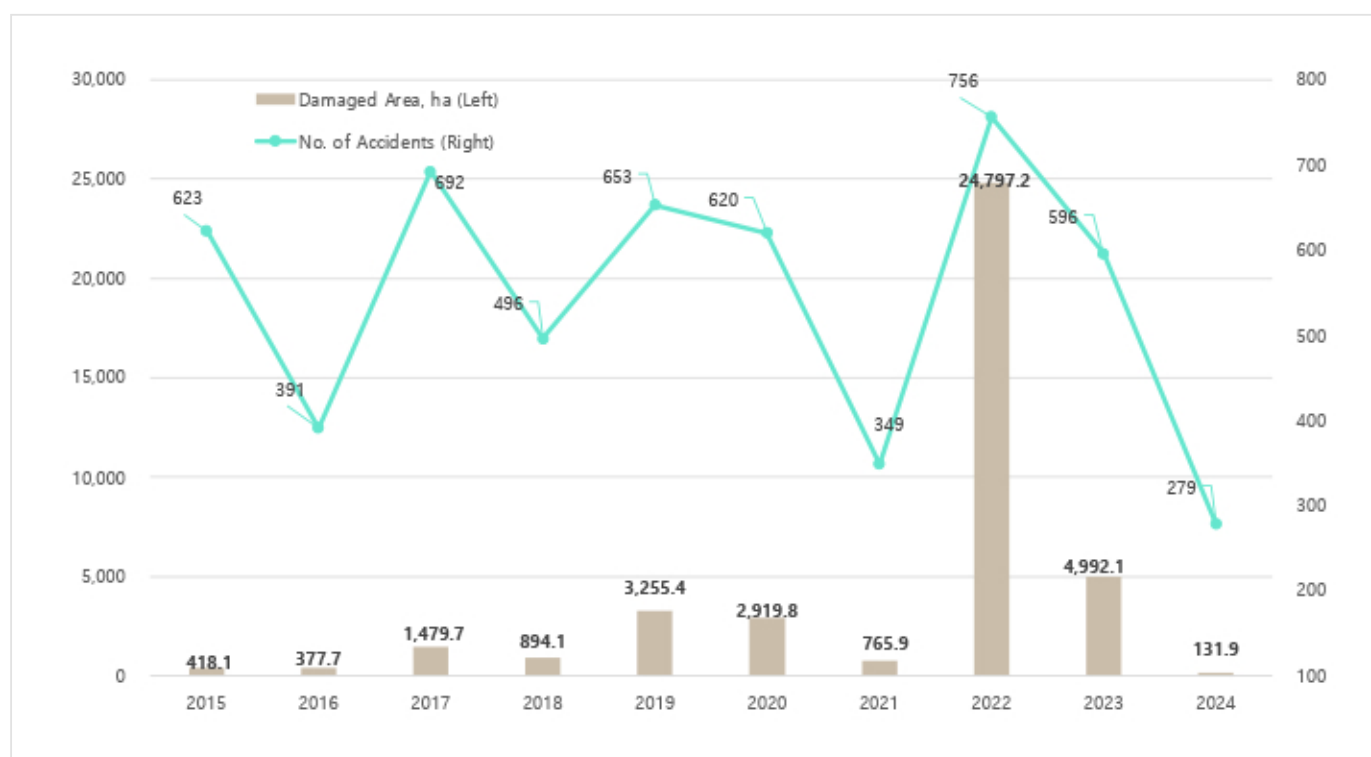
Dry Weather Advisory Issuance over the Past 10 Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Number of Issuances	19	16	16	9	18	16	14	14	16	11
Number of Days	120	117	158	118	158	154	121	149	136	78

(Source: Korea Forest Service, 2024 Wildfire Statistics Yearbook)

Over the past 10 years, there have been 5,455 wildfires in Korea, resulting in damage to 40,032ha of land—an annual average of 546 cases and approximately 4,000 hectares affected per year. In 2022 alone, there were 756 wildfires, causing damage to 24,797ha, marking the highest number of incidents and the largest area affected in a single year. Notably, the wildfire that occurred in the Yeongnam region in April of this year has surpassed the damage caused by the 2022 East Coast wildfire, with a burned area of 104,000ha and estimated damages reaching approximately KRW 1 trillion.

Number of Wildfires and Damaged Area by Year



(Source: Korea Forest Service, 2024 Wildfire Statistics Yearbook)

Among the 38 OECD member countries, Korea ranks fourth in terms of forest area as a percentage of total land area, following Finland (73.7%), Sweden (68.7%), and Japan (68.4%), with forests covering 62.6% of its territory. This is approximately twice the global average forest coverage rate of around 31%, indicating a relatively high proportion of forested land.

As of 2023, the total domestic production value of forestry products reached KRW 7.13 trillion, including KRW 2.47 trillion from short-term income forest products and KRW 2.72 trillion from pure forest trees. With the continued growth of the sector, the conditions for operating insurance programs have matured, making it necessary to consider expanding coverage to include additional forestry items and to explore more efficient operational strategies.

Although forests provide significant economic value, there is still no comprehensive insurance product in place to systematically cover the economic risks caused by wildfires. The only existing option is a forest fire insurance policy offered in the form of a special rider to fire insurance by private insurers since 1969. However, the number of annual contracts remains extremely low. This is largely due to the financial burden of premiums on small-scale forest owners, as well as a wildfire policy framework that focuses more on post-disaster recovery than on prevention, such as government subsidies for reforestation. As a result, insurance take-up rates are low, and forest insurance has not yet been widely adopted or used.

Countries such as Japan, China, France, and Finland offer forest insurance products that provide coverage for timber losses. In Japan, for example, a national forest insurance system is operated based on the Forest Insurance Act, and is administered by local governments and the National Federation of Forest Owners' Cooperatives. The insurance is structured on an actual loss compensation basis, using a standardized insured amount. It provides coverage for damages caused by fires and climatic disasters (such as windstorms, floods, and droughts). From 2015 to 2023, the average annual premium for this insurance was approximately 1.75 billion yen.

In China, the uptake of forest insurance has been steadily increasing alongside the growth of the commercial forestry sector—referring to forests not owned by the state or collectives. To encourage enrollment, the government provides premium subsidies: 50% for non-commercial forests and 30% for commercial forests. In Hubei Province, for instance, the premium for commercial forest insurance is jointly covered by the central government (30%), the provincial government (25%), the county government (5%), and forest-owning households (40%). Coverage options include fire-only insurance or comprehensive policies that also cover risks such as pests and diseases, heavy rain, typhoons, and strong winds.

In France, forest insurance provides compensation for the loss of market value of timber in the case of mature forests, while for saplings, coverage is based on their net present value (NPV). The insured perils include fire, lightning, explosions, aircraft accidents, floods, droughts, and earthquakes. In Finland, forest fire insurance is offered by private non-life insurance companies as a form of fire and natural disaster insurance, providing coverage specifically for damages caused by fire and lightning.

However, natural disaster insurance in Korea currently focuses primarily on typhoons, floods, and other storm-related events. Although government-driven natural disaster insurance programs such as the Crop Insurance (introduced in 2001), Aquaculture Insurance (2006), and Natural Perils Insurance (2006) have been implemented, forest insurance has yet to be introduced. As previously noted, Korea has already experienced large-scale wildfires, such as the East Coast wildfire in 2022 and the Yeongnam wildfire in 2025. Given the increasing risk of wildfires due to the intensifying impacts of climate change, there is a growing need to prepare for and mitigate such threats through appropriate insurance mechanisms.

The high economic value of forests can be more effectively preserved when forest owners and related stakeholders proactively manage and prevent risks such as wildfires. Insurance, as one of the most efficient risk management tools, enables the use of market-based pricing mechanisms to manage such risks. Therefore, from the perspective of climate change adaptation, the growing threat of wildfires underscores the increasing necessity for a forest disaster insurance system as a market-based mechanism to address and mitigate these escalating risks.

As global warming progresses and the scale of forest fire damage continues to expand, it is essential to introduce government-driven insurance arrangements for forest fires to ensure both preventive risk management of forest resources and effective compensation for wildfire damage. To establish a forest disaster insurance system, it is necessary to develop objective standards, such as standardized insured values for timber, which serve as the basis for setting premium rates and calculating compensation. Additionally, foundational statistical data must be prepared to reflect regional differences in risk, enabling a more tailored and equitable insurance framework.

A satellite view of Earth at night, showing the curvature of the planet and the glowing lights of cities and continents. The lights are concentrated in East Asia, Southeast Asia, and parts of South America and Africa. The background is a deep blue-black space.

Korean Re News

- Korean Re Received a First-Time Insurance Financial Strength Rating of A1 (Stable) from Moody's Ratings
- Korean Re Relocates Headquarters to Signature Tower
- Korean Re's New Employee Volunteer Group Builds Disaster-Resilient Housing in Indonesia
- Korean Re Hosts Client Reception in Bogotá, Colombia

Korean Re Received a First-Time Insurance Financial Strength Rating of A1 (Stable) from Moody's Ratings

Korean Re has been assigned an Insurance Financial Strength Rating (IFSR) of A1 with a Stable Outlook by Moody's Ratings, one of the world's three major credit rating agencies. This marks the company's first credit rating issued by Moody's Ratings.

In its press release dated May 16, Moody's Ratings stated that Korean Re has established a solid position in the global reinsurance market, underpinned by more than 60 years of operating history. The A1 rating with a stable outlook reflects the company's strong market position, sound capital adequacy, and financial resilience.

Moody's also highlighted several additional factors in its assessment, including:

- the company's ability to maintain a robust risk profile through active portfolio management;
- its leading position in the domestic market and the stable growth potential of its overseas business; and
- the effectiveness of its comprehensive retrocession program, which significantly reduces net catastrophe losses relative to capital.

The A1 (Stable) rating is equivalent to an A+ rating under S&P's scale and places Korean Re on par with several top-tier global reinsurers ranked among the world's top ten. In addition to this newly obtained rating from Moody's, Korean Re continues to maintain strong credit ratings from other major agencies, including an A (Positive) from S&P and an A (Stable) from A.M. Best.

Commenting on the achievement, Korean Re CEO Jong-Gyu Won stated, "Receiving an A1 (Stable) rating from Moody's as our inaugural rating is a clear acknowledgment of our risk management capabilities and global competitiveness. We will continue to strengthen both profitability and financial soundness in a balanced manner as we pursue our vision of becoming a top-tier global reinsurer."

Korean Re Relocates Headquarters to Signature Tower



Korean Re has relocated its corporate headquarters for the first time in four decades. From April 11 to 13, the company successfully completed the transition to Signature Tower, situated near Cheonggyecheon in central Seoul. The former office in Susong-dong, which had served as the company's headquarters since 1985, is now slated for redevelopment due to its aging condition.

In the lead-up to the move, Korean Re commemorated its 62nd anniversary on March 19 by organizing a company-wide group photo in front of the Susong-dong building, capturing a symbolic and historic moment for the company. During the anniversary ceremony, CEO Jong-Gyu Won delivered remarks acknowledging the commitment and dedication of employees throughout the years:

"It is because of our colleagues who quietly and faithfully carry out their responsibilities that we can look forward to this period away from Susong-dong—and to the era ahead in our new headquarters—with pride and optimism. I extend my sincere appreciation to all who have contributed to the legacy of our Susong-dong chapter. Let us embrace this new beginning with renewed ambition and determination."

Korean Re's New Employee Volunteer Group Builds Disaster-Resilient Housing in Indonesia

From February 16 to 21, Korean Re's volunteer group carried out a housing construction initiative in Indonesia as part of its corporate social responsibility program. The overseas volunteer team, comprising 13 employees—including 10 newly hired staff—and 2 coordinators from Habitat for Humanity Korea, participated in reconstruction efforts in the city of Tangerang, Indonesia. Their work focused on building disaster-resilient homes for low-income residents, contributing to the improvement of living conditions in vulnerable communities.

This year, Korean Re's overseas volunteer team focused on constructing disaster-resilient housing in the region. Disaster-resilient housing refers to structures designed to withstand natural hazards such as earthquakes and floods. The homes built with Korean Re's involvement incorporated key architectural elements to enhance structural integrity, including foot plates—foundation slabs installed where columns and structural elements are placed—and lintel beams, which are positioned above doors and windows to ensure building stability.

The design also featured rainwater storage systems and energy-efficient ventilation, aimed at reducing electricity use by maximizing natural light and air circulation. These enhancements were thoughtfully adapted to the local environment, which is prone to frequent seismic activity and flooding.



Korean Re Hosts Client Reception in Bogotá

On April 3 (local time), Korean Re held a cocktail reception near its local office in Bogotá, Colombia. The event commenced with opening remarks by Korean Re CEO Jong-Gyu Won, and was attended by more than 50 guests, including representatives from the local insurance industry and financial authorities. Mr. Won began his speech with a greeting in Spanish, underscoring Korean Re's commitment to fostering cooperation between the insurance sectors of Korea and Latin America.

Since its establishment in February 2020, Korean Re's Bogotá office has served as a strategic hub for operations across Latin America and the Caribbean. The recent reception was organized to further solidify Korean Re's presence in the regional insurance market and to strengthen relationships with local partners.

As of 2023, the Latin American insurance market is valued at approximately USD 200 billion (KRW 285 trillion) and has recorded a growth rate exceeding 10% over the past five years. Despite this progress, insurance penetration remains relatively low. With continued expansion of the middle class and rising demand for digital insurance solutions, the region is widely regarded as having substantial growth potential.

Located at the heart of Latin America, Colombia offers convenient access to both the Latin American and Caribbean markets, making it a strategically important base for Korean Re's operations. Building on the momentum of this event, Korean Re plans to actively pursue further expansion in the Latin American market and diversify its global portfolio.



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