

Dentons Lee Newsletter

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Grow | Protect | Operate | Finance

The FSS Initiative and Southeast Asia Outreach to Promote K-Finance for the Insurance and Reinsurance Industry

The K-Finance Tour

From May 8 to May 12, Governor Bok-Hyun LEE of the Financial Supervisory Service in South Korea (“FSS”) led a delegation of senior executives from various leading South Korean financial services companies, including insurers/reinsurers, to Singapore, Indonesia, and Thailand. The purpose of this trip is to promote opportunities and seek new investments to further strengthen and diversify the insurance and reinsurance market in South Korea.

The tour kicked off in Singapore with the “Invest K-Finance: Singapore 2023” event, where several South Korean insurance and reinsurance companies, including Samsung Fire & Marine and Korean Re, together with other financial giants such as KB Financial, Hana Financial, Korea Investment & Securities, and Mirae Asset Securities, presented their views on the future of K-Finance. More than 100 officials from 70 global financial firms and sovereign funds, including BlackRock BNP Paribas, The Carlyle Group, Fidelity, Macquarie, and other delegations from Singapore and Malaysia, attended this first event.

The keynote speech was delivered by Governor LEE of the FSS where he highlighted the three pillars underpinning the South Korean financial services sector—which he branded “K-Finance”—as (i) being a resilient and stable financial market; (ii) possessing innovative technology and high growth potential; and (iii) active government and regulatory support to promote global investments. Governor LEE also expressed plans for global expansion and the attraction of foreign investment by major South Korean financial companies. These plans include improving access to the Korean capital market, enhancing protections for global investors, and improving transparency and consistency in the regulatory framework, among other efforts to streamline market regulations.

On the second leg of the K-Finance tour in Indonesia, the delegates were joined by Mahendra Siregar of Otoritas Jasa Keuangan (“OJK”) and other Indonesian financial authorities, where the two sides pledged to enhance financial collaboration and partnerships. Notably, the insurance companies jointly declared their principles of fair competition, consumer protection, and financial inclusion during one of the events, “K-Insurance New Vision Cooperation Forum”. Samsung Fire & Marine Insurance and KB Insurance have had ongoing insurance operations in Indonesia since

1997, while Hanwha Life established its life insurance operations in Indonesia in 2013 and recently expanded its business to the non-life insurance sector.

The K-Finance tour in Southeast Asia marks the first occasion where the leaders of South Korean financial authorities and financial companies have collaborated to promote overseas outbound expansion and inbound foreign investments for the South Korean financial market. The FSS intends to embark on another tour to Southeast Asia in the second half of 2023 to continue to seek fresh interest in South Korea's financial businesses and new growth engines in the financial sector, including the insurance/reinsurance industry. Hence, an even more robust and diversified insurance/reinsurance portfolio is expected to emerge in South Korea.

Going-Forward and the Further Development, Diversification and Expansion of K-Finance

The latest data suggests South Korea was the seventh-largest insurance market based on gross written premiums. Life insurers recorded a total of KRW 132.7 trillion last year in premiums, marking a 10.1% increase from the previous year. Similarly, non-life insurers reported a total of KRW 120.1 trillion in premiums, representing an 11.5% increase compared to 2021. The insurance penetration rate stands at a remarkable 11% as per the latest OECD data. There are currently 23 life insurers and 22 non-life insurers operating in South Korea, and according to the latest data, 11 reinsurers—10 of which are foreign branch establishments—are also conducting operations.

Given this backdrop, ongoing investment into the market will help to further expand, diversify, and help in its sustainability. Specifically, the outreach for financial investments will be crucial in the generation of additional income, managing risks, and fulfilling obligations to policyholders. Following the implementation of IFRS-17 and the Korean equivalent K-ICS, foreign financial investments can also reduce the burden on insurers and reinsurers by providing several benefits. These benefits include offsetting underwriting costs, alleviating the strict reliance on premium income to cover operational expenses, diversifying portfolios across asset classes, regions, and industries to mitigate market fluctuations, and meeting regulatory investment requirements for maintaining solvency and stability. New additional financial investments can ensure prompt liquidity for claims payments where payouts exceed premium income, contribute to the capital base to both expand the business and absorb unexpected losses and finally, generate returns to match long-term policy liabilities that span decades. These opportunities reflect the strategic importance of financial investments from Southeast Asia.

The impetus by the FSS and the financial sector in South Korea demonstrates a growing emphasis on the Southeast Asian market. This market is increasingly seen as a new growth engine for South Korean insurers and reinsurers, as a significant portion of the net profits generated by many financial holding companies and their overseas subsidiaries and affiliates currently come from this region.

The Reinsurance and Insurance Practice at Dentons Lee

The Reinsurance and Insurance Practice is a new team in South Korea formed by two of the leading experts in the industry who bring together 40+ years of experience, knowledge, and expertise to create synergies having worked as in-house corporate counsel at large insurance and reinsurance companies including other financial institutions in New York City and Seoul. The team members each have experience on a local and international scale and are highly regarded for their regulatory advisory, transactional and coverage and disputes work while effectively assisting and advising clients on a broad range of corporate and finance matters.

The team regularly counsels leading global insurers, reinsurers, brokers and agents, policyholders, insured parties, and other stakeholders. The practice group at Dentons Lee aims to provide transparency, avoidance of conflicts while providing another option to clients in a concentrated legal marketplace with a keen understanding of the business, critical thinking, creative solutions, and highly competitive cost efficiencies.

Please reach out to us should you have any questions regarding this newsletter or seek legal/regulatory support in South Korea and abroad.

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