

AUTHORITIES HOLD MEETING TO REVIEW ASSET MANAGEMENT CONDITIONS OF INSURANCE SECTOR

The FSC and the FSS had a meeting with non-life insurance companies hosted by the Korea Insurance Research Institute on October 28 to share recent issues in the insurance sector and check current market situations. Authorities reviewed the liquidity condition of insurers and their management over payment capacity amid recently increased uncertainty in financial markets. Authorities and participants discussed the role of insurers as major institutional investors to help stabilize the current market situation.

At the meeting, financial authorities decided to pursue measures in response to recently increased volatility and uncertainty in money market. In this regard, authorities will allow more asset types to be recognized as liquid assets when applying the liquidity ratio regulation. Accordingly, the definition of liquid assets, which referred to assets with maturity of three months or less before, will be broadened to include instantly cashable assets such as debt securities with maturities of three months or more which are tradable in tight markets.

In addition, despite current difficulties in their asset management conditions, financial authorities encouraged insurers to more actively contribute to market stabilization efforts as institutional investors, since their soundness indicators are expected to improve with the introduction of a new capital adequacy framework (K-ICS or Korean Insurance Capital Standard)¹ next year.

On November 3, authorities plan to hold a market monitoring meeting with life insurers. Authorities will continue to keep up with changes in financial markets carefully and carry out market stabilization measures promptly when needed.

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¹ K-ICS applies mark-to-market evaluation for insurance liabilities, which will offset loss in the value of debt assets caused by recent interest rate hikes.