

AUTHORITIES HOLD MEETING WITH LIFE INSURANCE BUSINESSES TO MONITOR MARKET SITUATION

The FSC and the FSS held a meeting with life insurers on November 3 to share current issues in the insurance sector and monitor current market situation.

At the meeting, participants discussed the recent situation where insurance companies are having to resort to bond sales due to an abrupt increase in demand for liquid assets following a rise in the number of surrendered savings insurance policies driven by increasing interest rates on savings products amid growing market uncertainties. In this regard, the insurance sector expressed the need for measures that will help them accumulate more liquid assets or alleviate their burden of having to maintain certain levels of liquid assets.

In response, financial authorities stated that the insurance companies' rising demand for liquid assets is understandable. However, to ensure stability in money market, authorities asked insurers to refrain from selling bonds and more actively contribute to market stabilization efforts as institutional investors. Nonetheless, authorities decided to seek measures to help insurers to better respond to the recently expanded volatility and uncertainty of funding market.

To this end, authorities will temporarily ease the liquidity risk evaluation standard¹ for insurers to facilitate their active contribution to market stabilization efforts such as capital calls for the bond market stabilization fund. In addition, at a meeting with non-life insurers on October 28, authorities already decided to expand the types of liquid assets for insurers when applying the liquidity ratio regulation² to ease their burden of maintaining liquid assets. Also, for other measures to increase liquidity³ suggested by insurers, authorities will promptly review their viability while maintaining close communication throughout.

The measure to temporarily relax the liquidity risk evaluation standard for insurers will take effect promptly with a revision to the detailed regulations on supervision of insurance businesses in November this year.

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For press inquiry, please contact Foreign Media Relations at fsc_media@korea.kr.

¹ One-notch upgrade of insurance companies' liquidity risk ratings evaluated in the RAAS (risk assessment application system).

² Please click [here](#) to see the press release dated October 28, 2022.

³ For instance, clear interpretation on the permissibility of securing liquidity through borrowing.