S&P Global Ratings

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Research Update:

Korean Reinsurance Upgraded To 'A+' On Strengthened Capitalization And Underwriting Profitability; Outlook Stable

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Overview

- Korean Reinsurance Co. (Korean Re) is likely to maintain its gradually strengthened capitalization and be able to withstand severe stress.
- We expect the reinsurer's improved underwriting performance to remain sound with low volatility, supported by its dominant position in Korea.
- We raised to 'A+' from 'A' our financial strength and long-term issuer credit ratings on Korean Re and its core subsidiary Korean Reinsurance Switzerland AG (KRSA).
- The stable outlook reflects our expectation that Korean Re will maintain robust capitalization and sound profitability as it grows overseas business in the next two years.

Rating Action

On July 28, 2025, S&P Global Ratings raised to 'A+' from 'A' its financial strength and long-term issuer credit ratings on Korean Reinsurance Co. (Korean Re) and subsidiary Korean Reinsurance Switzerland AG (KRSA). The outlook on the ratings on Korean Re and KRSA is stable.

Rationale

The upgrade reflects our view that sound operating performance and moderate business growth will support Korean Re's enhanced capitalization over the next two years. We expect the reinsurer to maintain its improved capitalization at the 99.95% confidence level. Korean Re's capital adequacy has strengthened based on our risk-based capital model, reflecting enhanced visibility of its future profits under Korean International Financial Reporting Standard (K-IFRS) 17.

We also anticipate the reinsurer will sustain its dominant presence in Korea as the only domestic reinsurer while gradually growing its overseas business.

Korean Re's operating performance is likely to remain sound with lower volatility than that of regional and global peers. We believe this will be attributable to the reinsurer's pricing discipline, tightened underwriting standards, and ongoing reductions in underperforming reinsurance accounts. This is despite our projection of a modest decline in investment yields amid a downtrend in domestic interest rates in the next two years.

We forecast Korean Re's net combined ratio will stay broadly stable at 93%-96%, along with 7%-9% return on equity (ROE), over the next two years. This is under K-IFRS 17. The reinsurer has demonstrated relative stability in its underwriting profitability in the past several years compared with regional or global peers, in our view. This was despite catastrophe events such as typhoons and the COVID-19 pandemic.

In 2024, Korean Re had a 9.4% ROE, largely similar to that of a year ago. Underwriting results were sound, driven by an improving portfolio mix, with a combined ratio of 94.7% in 2024, similar to 94.3% in 2023. The reinsurer distributed about 30% of annual net profit as dividends in 2024, and we anticipate its dividend payout policy will remain unchanged.

We expect moderate business growth over the next two years. In our base case, Korean Re's insurance revenue will grow about 3%-4% annually in the coming two years. This follows a 1% contraction in 2024, mainly due to reductions in underperforming domestic motor, personal accident, and overseas life portfolios.

Restructuring of the reinsurer's domestic portfolio will be largely complete in 2025, and growth will resume, driven by domestic long-term health and coinsurance business. Overseas reinsurance business will continue to grow as the reinsurer focuses on noncatastrophe risks, such as casualty and motor reinsurance.

Korean Re will continue to enhance management of its asset and liabilities duration. This considers ongoing expansion of its coinsurance business with domestic insurers, in which it undertakes insurance risk and interest rate risks. The reinsurer will also focus on managing its equity-like reserves, such as contractual service margins (CSM). This is because negative operating variances or CSM adjustments due to changes in actuarial assumptions could erode its capitalization.

As the only domestic reinsurer in Korea, Korean Re's strong relationships with local primary insurers underpin its competitive position. The reinsurer has a diversified business portfolio across commercial, long-term health, life, and motor insurance. Korean Re is also gradually expanding its international presence, with overseas business accounting for about 34% of its total gross premiums written in 2024.

Korean Re has had a higher reinsurance utilization rate than regional peers. Its reinsurance utilization was about 21% in 2024, based on K-IFRS 4 premiums. This reflects retrocession cover for its domestic commercial and overseas businesses and supports its earnings stability. However, the reinsurer's capacity to manage risks could be tested if retrocession costs increase substantially or reinsurance usage declines significantly.

Korean Re's investment portfolio is diversified but reflects greater appetite for credit and market risk than global peers. This is mainly because it has higher allocation to loans and securities with alternative investment features, which accounted for about 23% of total invested assets as of the end of 2024.

The reinsurer's exposure to natural catastrophes could increase gradually, owing to its growing international presence. However, it has lower natural catastrophe exposures than global reinsurance peers, considering sound reinsurance protection, in our view.

Outlook

The stable outlook on our ratings on Korean Re and its core subsidiary Korean Reinsurance Switzerland AG (KRSA) reflect our view that Korean Re will maintain its very strong competitive position. This is underpinned by Korean Re's dominant position in the domestic reinsurance market and diversification strategy. We also believe Korean Re will likely maintain very strong capital adequacy with stable and sound operating performance over the next two years.

Downside scenario

We may lower the ratings on Korean Re and KRSA if Korean Re's prospective capital adequacy weakens below the 99.95% confidence level. This could happen if the reinsurer pursues rapid growth, especially in domestic coinsurance or overseas markets, or faces large insurance losses or investment volatility.

We may also lower the ratings if we determine that Korean Re's competitive position has weakened because of heightened volatility in underwriting profitability or operating performance consistently below our base-case assumptions.

Upside scenario

We view an upgrade as highly unlikely over the next two years. We may raise the ratings if the reinsurer:

- Sustainably delivers improved profitability with a prudent investment strategy that significantly improves its prospective capital adequacy; and
- Achieves a stronger competitive position, for example, by growing its overseas presence with sustainable profitability comparable with 'AA-' rated peers.

Rating component scores

	To	From
Local currency financial strength rating	A+/Stable/--	A/Positive/--
Foreign currency financial strength rating	--	--
Local currency issuer credit rating	A+/Stable/--	A/Positive/--
Foreign currency issuer credit rating	A+/Stable/--	A/Positive/--
Business risk profile	**Very strong**	**Very strong**
Competitive position	Very strong	Very strong
IICRA	Intermediate risk	Intermediate risk
Financial risk profile	**Strong**	**Satisfactory**
Capital and earnings	Very strong	Strong

Rating component scores

	To	From
Risk exposure	Moderately high	Moderately high
Funding structure	Neutral	Neutral
Anchor*	**a+**	**a**
Modifiers		
Governance	Neutral	Neutral
Liquidity	Adequate	Adequate
Comparable rating analysis	0	0

*Our anchor choice reflects our view that Korean Re's overseas presence or net combined ratio is relatively weaker compared with global reinsurance peers.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, Feb. 10, 2025
- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Economic Outlook Asia-Pacific Q3 2025: Resilience May Vary, June 23, 2025
- Insurance Brief: Korea Insurers To Focus On Capital Quality As Solvency Rules Evolve, May 7, 2025
- Korea 'AA/A-1+' Ratings Affirmed; Outlook Stable, April 15, 2025
- Korea's Wildfires Will Prompt Insurers To Strengthen Catastrophe Insurance Capabilities, March 31, 2025
- Insurance Industry And Country Risk Assessment: Korea Property/Casualty, Dec. 23, 2024

Ratings List

Ratings list		
Upgraded; Outlook Action		
	To	**From**
Korean Reinsurance Co.		
Issuer Credit Rating	A+/Stable/--	A/Positive/--
Foreign Currency	A+/Stable/--	A/Positive/--
Korean Reinsurance Co.		

Ratings list

Korean Reinsurance Switzerland AG		
Financial Strength Rating		
Local Currency	A+/Stable/--	A/Positive/--
Korean Reinsurance Switzerland AG		
Issuer Credit Rating		
Local Currency	A+/Stable/--	A/Positive/--

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