

인슈어테크 도입과 한국 보험회사의 중국 보험시장 재진출 전략 분석 연구황기식¹ · 최신영² · 김세진^{2*}**Introduction of InsurTech and Analysis of Re-Entry into Chinese Insurance Market for Korean Insurance Companies**Ki-Sik Hwang¹ · Sin-Young Choi² · Se-Jin Kim^{2*}¹Graduate school of International studies in Dong-A University, Busan, 49236, Republic of Korea^{2*}BK21+ International Trade Dispute Arbitration Project Group in Dong-A University, Busan, 49236, Republic of Korea**요 약**

최근 중국의 보험시장은 핀테크와 보험을 결합한 형태인 인슈어테크를 도입하였다. 이는 보험가입자가 더 이상 보험 설계자를 직접적으로 만나 계약을 체결하지 않고 자신에게 맞는 모험을 온라인에서 직접 가입할 수 있는 것이다. 이러한 인슈어테크라는 새로운 트렌드는 보험시장에서는 엄청난 발전으로 여겨진다. 특히, 인슈어테크의 성장률은 엄청난 속도를 보이고 있다. 게다가 중국 보험시장은 자국의 경제성장률의 둔화와는 상관없이 보편적으로 안정적이고 빠른 속도로 성장하는 추세이다. 예를 들면, 2016년 보험 산업의 수입 프리미엄을 전체적으로 계산하면 3조 1천 억 위안으로 그 이전 해에 비해 27.5%나 성장하였다. 더불어 중국 보험시장의 수요 규모는 전 세계에서 두 번째로 큰 것으로 밝혀졌다. 그럼에도 불구하고 중국에 진출한 한국 보험기업들은 중국 현지에 적응 하지 못하고 오히려 경영성과에서 좋지 않은 성적을 보이고 있다. 이는 중국 보험시장의 최근 트렌드를 분석함에 있어서 부족하였고, 그 환경에 적응하지 못한 것으로 보인다.

따라서 본 논문은 최근 중국에서 인슈어테크라는 새로운 변화를 도입할 수 있었던 중국 정부 정책의 변화와 실제 인슈어테크를 도입한 중국의 보험 기업을 분석함으로써, 한국 보험회사들의 중국 시장 재진출 전략에 대한 시사점을 제고하고자 한다.

ABSTRACT

In the recent, Chinese insurance market has taken a introduction of InsurTech. It is a combination of insurance and fintech. This means that the policyholder design their own insurance and take out the policy on-line without insurance planner. This trend is remarkable issue. Growth rate of InsurTech in China have significantly been growing. In addition, Chinese insurance market has kept generally stable and fast growth rate, although Chinese forecasting economic growth is subject to massive uncertainties. Nevertheless, the increase in the number of Korean insurance companies fails to settle into Chinese insurance market due to lack of awareness about newness of Chinese insurance market. Moreover, Korean insurance company in China or planning to enter are not prepared for InsurTech yet. Chinese insurance market is valuable for Korean insurance companies.

This paper suggests implications of re-entry into Chinese insurance market to Korean insurance companies by analyzing policies which could make environment to endorse Chinese insurtech and case of Chinese insurtech companies.

키워드 : 인슈어테크, 중국 보험 시장, 한국 보험기업 중국 재진출, 중앙보험, 보험 핀테크**Keywords** : Insurance and IT, InsuTech, Re-entry of Korean insurance companies into China, Zhong-An Insurance, Insurance and Fintech

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I. Introduction

In the recent, Chinese insurance market is significantly growing with Chinese government's support. Especially, the growth of Insurtech is the most remarkable. Insurtech which is newness in insurance industry results from the combination of financial industry and 4th Revolution. Actually, the combination of the financial industry and the fourth industrial revolution have been considered the most promising and expecting. This is because it is possible to provide more convenient services to existing financial services using a variety of technologies, such as artificial intelligence and big data.

The insurance industry is one of the most promising industries, especially in the 4th Industrial Revolution and the combination of financial industries. The Chinese insurance market and the Chinese government have already accepted this change. For instance, Chinese government published the deregulation related to the offering of online insurance services, and make the environment which the existing insurance companies in China could change to Insurtech companies. The representative case is Zhong-Ah insurance company in China. Despite growth and change of Chinese insurance market, Korean insurance companies entering to China has failed to adapt their manage performance has been not good. For this reason, Korean insurance companies are giving up their Chinese insurance market and returning to Korea. However, the Chinese insurance market is important for Korean insurance companies with a variety of reasons, such as growing up demand for insurance in China, and Korean insurance market saturation.

The purpose of this paper implicates re-entry into Chinese insurance market to Korean insurance companies through analysis of factors related to failure of entering into Chinese insurance market, and considering endorsement of insurtech in Korean insurance market.

II. Status of Korean Insurance Companies in China

2.1. Analysis of Chinese Insurance Market

Chinese insurance market has kept generally stable and fast growth rate, it has faced the pressure of Chinese economy and uncertainty of global economy for recent years though. Chinese premium income from 2010 to 2016 increased from 1.40 trillion RMB to 3.1 trillion RMB. Premium income increased by 17.5% in 2014, 20% in 2015, and 27.5% in 2016. The total assets of the insurance industry rose by more than 20% per year from RMB 5 trillion to RMB 15.1 trillion. As of the end of 2016, there are a total of 213 insurance companies in China. 128 Chinese insurance companies, 84 foreign insurance companies. In 2016, seven Chinese insurance companies named Fortune 500, ranked according to business income for the year, 12.5% of the total insurance companies (56 companies) in the ranking.[1]

In 2016, the total insurance premiums of insurance industry totaled 3.1 trillion RMB, increased 27.5% from the previous year. With the growth of protection-type insurance, the income of investment-related insurance has also increased rapidly in the Chinese insurance market.[2] In the low interest environment, insurance companies were more aggressively financed by the poor profitability of fixed income assets. As a result, the proportion of bank deposits decreased significantly while the proportion of other investments increased significantly. China is also sparing the national support to create greater effects based on the growth of this insurance market. In addition to the life insurance market, we are also supporting the growth of science industry support insurance and export credit insurance. In addition, insurance management supervision in China is getting stronger.

2.2. Development Prospect of Chinese Insurance Market

In 2016, the Chinese government carried a plan to promote structural reform through the 13th five-year plan. Though this plan, the Chinese insurance industry

has sought to implement a policy breakthrough in the reform and development and management supervision by thoroughly implementing policy decisions and arrangements by the Party Central and the State Council, and realizing the goal of building an insurance power.[3]

Along with the reform policies of the government, Chinese insurance market is still regarded as the golden age, and it expects the insurance market to continue to grow for the next 10 years. In addition, the growth of insurance companies is foreseen in the social and industrial sectors. This is evidenced by increase in buying life insurance due to aging population, and an increase in the preference of fire insurance through industrialization and increased demand for risk management due to new cities.

2.3. Development and Change of InsurTech Market in China

In China, in a few comments on accelerated development of commercial health insurance 2014, insurance companies actively anticipate innovation in sales channels and service models by combining Internet insurance, cloud, big data and IT technology with insurance.[4] In details, Insurtech has gone through two stages of development in China. The first, begun in 2001, focused on online distribution (ie, selling traditional insurance products through online portals or mobile channels) by major traditional insurers like CPIC, Taikang, and PICC. This trend accelerated after 2011 when the regulator published regulations governing the insurance activities of online intermediaries.[5] This resulted in the share of online premiums of intermediaries rising to 7.6% in 2016 from 0.2% in 2011.[6] Competition in this segment is mainly focused on digital distribution between large traditional players such as PingAn and CPIC, and third-party platforms run by big tech companies like Alibaba and JD.com.

The second stage focused on upgrading and customizing products based on technology, particularly using Big Data analytics. With this comments, Chinese insurance

market as well as the Internet insurance market have grown rapidly. Moreover, it has grown even faster with the introduction of mobile payment systems such as Alibaba Pay, Tencent(腾讯) and so on.[7] The insurance market environment in China differs from the existing insurance market due to the introduction of IT technology such as fintech, mobile payment system, and government policy support. On the other hands, Korean insurance companies could not accept these changes in China. Therefore, they failed to be localization in China.

2.4. Status of Korean Insurance Companies in Chinese Insurance Market

Chinese insurance industry has significantly growing up. On the other hands growth of Korean insurance companies in China has been decreasing. Some opinions suggested that Some experts cite this failure as a matter of economic retaliation for the deployment of the land, or of the provision of Korea-China FTA services sector.[8] However, it is bigger for Korean insurers to not reflect the current trend in the Chinese insurance market than for these causes such as economic retaliation and lower protection level of FTA.

When Korean Insurance companies such as SAMSUNG, KB and HYUNDAI recognized their failure which could not settle into Chinese market, each insurance companies commenced to change their strategies of marketing. A representative of Korean insurance companies, SAMSUNG changed their marketing strategy because of failure of existed strategies. Actually, SAMSUNG had used strategy of face-to-face between consumer, insurance subscribers and insurance planners.[9] After recognizing failure of their mistake to apply for this existed marketing method, face to face, this company has changed into Bankasurance which had been considered as successful strategy in Korea. Nevertheless, this company have not gotten good result of business. This is because that Korean insurance companies are lack of newness in Chinese insurance market, such as insurtech and policies of China.

Consequently, for settling into Chinese insurance

market, Korean insurance companies should be prepared to change and establish their own new marketing strategy.

III. InsurTech Development of China: A case of Zhong-An Insurance company

Insurtech refers to the application of digital technology in insurance business, including making use of Big Data, artificial intelligence, the Internet of things, blockchain, telematics, unmanned aerial vehicles, and cloud computing.[10] There has been a surge of new players, services and products in this field, which can sometimes be disruptive to the traditional insurance model. For instance, China's first online insurance company founded in 2013, Alibaba, which operates the world's largest digital payment platform, China Tencent, Pyeongan Insurance Company, was established jointly. Jungan Insurance utilizes its own distribution network, attracts customers, and Pyeongan Insurance Company handles the design of insurance products. Its strength in technology and client resources supported Zhong-An's successful product development of an e-commerce shipping return insurance.[11]

In 2013, China Insurance Regulatory Commission(CIRC) have approved ZhongAn insurance company which is Internet-related property insurance company jointly invested by Alibaba, Pyeong-An Insurance and IT companies.[12] Jung-An insurance company is specialized in only On-line insurance based on IT technology such as Fintech and Blockchain. This company has no subsidiary companies. In 2014, insurance revenues amounted to 794 million yuan, up 5944% from the previous year.[13]

Jungan Insurance has been growing since its establishment as it was selected among the top five companies in KPMG's Fintech 100 Report for the consecutive year 2015 and 2016.[14]

Such growth is attributable to automated product development and underlining using big data, automated

claims system, and accurate risk management. In particular, Jungan Insurance has been highlighted as a variety of products, such as 'virtual currency insurance' and 'virtual currency insurance' that targets online virtual assets such as e-commerce, social networking and other online games.[15] Zhong-An Insurance utilizes big data to introduce a system that swiftly and accurately processes customer's approval of insurance subscription and uses it for underlining operations. In addition, it has established an online insurance claim system to automate and simplify the process of screening customer's claims. In addition, it is seeking to expand the health care service industry by connecting with various industries such as Internet companies and medical institutions. It also has a different strategy than traditional Chinese insurance companies on its sales channels. Unlike other insurance companies that use the Internet as a complementary means, the company has adopted the Internet as its only sales channel.[16]

Thus, the endorsement and introduction of InsurTech along the whole insurance value chain is poised to further grow and transform the industry. This is exemplified by the rising investment in insurance technology by Chinese investors. In the actual, In 2016, there were 173 such investments in tech start-ups, up 44% from 2015.[17] At the same time, Zhong-An Insurance, the first internet-only insurer in China, had a successful IPO in Hong Kong in September 2017. It raised USD 1.5 billion, making it the world's largest Insurtech insurance company.[18]

Insurance companies in China's insurance market seem to have to introduce Insurtech.

IV. Implications of Re-Entry Korean Insurance Companies to China

4.1. Analysis of InsurTech in Korean Insurance Companies

Although Korea is a leading country in Fintech and IT, Korean InsurTech is still in its early stages of development.[19] The main reason is that the insurance

industry still insists on face-to-face transactions compared to the banking and securities sectors as stated above. In detail, Korean insurance companies in China has not good approaches for settling into there. For instance, not only Samsung but also others insurance companies; marketing strategies is not suitable to understanding and combination with insurance market technology.

As stated above, Samsung insurance company has experience that changed marketing strategy. However that is Bankasurance which is still one of the face to face strategies. Plus, Korean law related to insurance does not allow to endorsement and enforcing the Insurtech. That is one of the reason which Korean Insurtech could not grow up.

4.2. Possibility of Re-Entry Chinese Insurance Market and Implications

In China, most of Korean insurance companies such as SamSung, HyunDai, KB failed to be adapt because of lack of understanding changes in Chinese insurance market. Whereas, Hanwha Insurance is highly likely to succeed in localizing in China. This is because Hanwha has developed and researched related to fintech early on In detail, Dianrong.com, the leading Chinese peer-to-peer (P2P) lending platform, and Hanwha insurance company announced on Nov 25, 2015 that they have signed a Memorandum of Understanding (MOU) which formalizes the intention of a strategic partnership to pursue a FinTech solution business and other businesses related to internet finance.[20] After this MOU, Hanwha insurance company's management performance was better than before.[21]

Consequently, this Hanwha insurance company case implicates importance of introduction and application Insurtech in Korean insurance industry for improving possibility of re-entry into Chinese insurance market.

V. Conclusion

As the 4th industry develops, the combination with IT is indispensable for insurance industry. In addition, China government pushfully releases a variety of policies and order for growing Chinese insurance market.[22] As result of these policies, Chinese insurance market ranked the second largest insurance market in the world. Especially, the key issue of Chinese insurance market is endorsement and enforcement of Insurtech, which combines fintech with insurance. Representative of Chinese insurance companies which endorses Insurtech is Zhong-An insurance company. Additionally, in the recent, a lot of insurance companies accept and enforce Insurtech, such as in Hong-Kong's IPO, Oscar which merger China company and U.S.A.

In spite of changes of Chinese insurance market environment, Korean insurance companies in China could not have accepted it. Their changed strategies like Bankasurance could not get a good result from business.

Meanwhile, Hanhwa, Korean insurance company in China have tried to accept and adopt the insurtech by combining with Dianlong which is one of the Chinese technology company. In addition, Hanwha insurance company succeed in localization and growth in China. Hanhwa case should implicate and imply re-entry into Chinese insurance company.

However this paper's limitation is lack of analysis of cooperation procedure between insurance industries and government and related organization, in spite of requiring the convergence of various fields for introduction of Insurtech.

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