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The Legal 500 Country Comparative Guides

South Korea

INSURANCE & REINSURANCE

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This country-specific Q&A provides an overview of insurance & reinsurance laws and regulations applicable in South Korea.

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SOUTH KOREA INSURANCE & REINSURANCE



1. How is the writing of insurance contracts regulated in your jurisdiction?

Insurance industry is strictly regulated in Korea. Among others, the Insurance Business Act (“IBA”) and its subordinate legislations, i.e, the Enforcement Decree of the IBA, the Enforcement Regulations of the IBA, and the Regulations on Supervision of Insurance Business are the framework legislations (collectively “IBA legislations”) are the main source of law on regulation of the industry, and the main regulatory bodies are the Financial Services Commission (“FSC”) and the Financial Supervisory Service (“FSS”).

Only incorporated entities as either a joint stock company or a mutual company, may run insurance business in Korea.

Branches of foreign insurance companies, upon obtaining the license from the FSC, may sell the same policies in Korea as they are selling at their main place of business. Subsidiary either by 100% shareholding or joint-venture will be regarded as domestic insurance company while there could be some separate regulatory issues based on the fact that its major shareholder will likely be a foreign company.

All they are subject to the regulation scheme by the IBA legislations with regard to not only the license, but even daily operation of insurance business, such as corporate structure, compliance, kinds of sellable policies as well as the terms and conditions thereof, actuary and accounting, marketing activities, liability reserve, payment of claims, asset management, etc.

Some mutual aid cooperatives may sell the relevant mutual aid coverage to their members as allowed by special statutes. They are beyond the regulation scheme by the IBA legislations, and other regulatory bodies as appointed in those special statutes will regulate their business operation.

2. Are types of insurers regulated

differently (i.e. life companies, reinsurers?)

Insurers in Korea can be categorised into (i) life insurers (ii) non-life insurers and (iii) the third insurers. The third insurance means insurance for injury by accident and disease. Reinsurance belongs to non-life insurance. No insurer may simultaneously hold both life and non-life license, while either life or non-life insurer may also have the third insurance business license as well. Regulations on them may differ in light of the nature of their policies. In each category, general license will basically cover all sorts of products in each such category, unless otherwise excluded by legislation or the FSC upon licensing, but some license may only allow sale of policies in a specific sort of insurance, e.g, automobile insurance from among all non-life insurance products. They may also apply for license for selling by specific methods only, which could accelerate the licensing procedure.

3. Are insurance brokers and other types of market intermediary subject to regulation?

Market intermediaries in Korea include (i) insurance solicitor, (ii) insurance agencies (including bancassurance agencies), (iii) insurance brokers and (iv) officers or employees of insurance company. Solicitors, agencies and brokers shall satisfy the statutory qualifications under the IBA legislations, register with the FSC and maintain the registration during the business. Agencies may be either independent (“General Agencies”) who may sell the policies for multiple insurance companies or belong to a single insurance company. Solicitors should exclusively belong to either a single insurance company or general agency in either single of life, non-life or the third, while allowable to sell the policies of another single insurance company in the different category. Thus, a solicitor belonging to a life insurance company may also sell the policies issued by one single non-life insurance company and vice versa. On the other hand, brokers are independent and intended to provide service to the assureds.

4. Is authorisation or a licence required and if so how long does it take on average to obtain such permission? What are the key criteria for authorisation?

In order to run insurance business as an insurance company in Korea, insurance business license from the FSC is required for each type of insurance business. Branch of foreign insurance company must likewise obtain license from the FSC for operating the business in Korea.

Minimum period of 3 months (consisting of 2 months for either preliminary license + 1 month for final license or 2 months for final license without preliminary license process) is required, but in practice, much longer period will likely be taken as discussion with the FSC on various issues from time to time in the course of its review of the application or supplement of additional supporting documents, etc. may be required.

The FSC has prepared very strict qualifications for the license in light of large shareholders, minimum paid-in capital amount, kinds of sellable policies, future business plan, etc., as defined in the IBA legislations which are the most important elements regarding the insurance business license. Insurance business license is subject to the FSC's discretion, and not all satisfying the qualifications may obtain license.

5. Are there restrictions or controls over who owns or controls insurers (including restrictions on foreign ownership)?

The IBA legislations provide for strict restrictions on large shareholders by listing all disqualified types as large shareholders. Large shareholders mean (1) the largest shareholder, who holds the largest portion (not necessarily major portion) of shares personally or along with others as set forth in the statute or (2) the material shareholders, who hold 10% or more of shares in anyone's name, or otherwise controlling the company as set forth in the statute.

Large shareholders should have sufficient investment capabilities and sound financial standing with no history of disturbing sound economic order.

In order for a foreign company to become a large shareholder, it shall obtain approval thereon from the FSC. For approval, the foreign company must be carrying out insurance business in its main place of business. If it is a holding company which does not carry out insurance business, the company in control of the holding company or the company controlled by the holding company must

be carrying out insurance business.

6. Is it possible to insure or reinsure risks in your jurisdiction without a licence or authorisation? (i.e. on a non-admitted basis)?

Sale of policies by non-licensed insurers in Korea is prohibited. Instead, foreign insurance companies may sell the policies directly from overseas instead of having business license in Korea, but the scope of sellable policies will be substantially restricted as a result of the residents in Korea being restricted in purchasing policies from overseas, as follows:

1. life insurance, export/import cargo insurance, aviation insurance, travel insurance, hull insurance, long-term accident insurance or reinsurance;
2. Rejection by 3 or more insures in Korea to sell the policies to cover the subject risks;
3. Non availability of the policy in Korea to insure the subject risks;
4. Renewal or continuation of the policy already concluded abroad; or
5. Prior approval from the FSC.

7. Is a branch of an overseas insurer, insurance broker and/or other types of market intermediary in your jurisdiction subject to a similar regulatory framework as a locally incorporated entity?

A branch of an overseas insurer which has obtained license for insurance business from the FSC shall be deemed as an insurance company incorporated pursuant to IBA. It is subject to very similar regulatory framework as that for a locally incorporated entity.

A liaison office of an overseas insurer which has not obtained license above may conduct market survey, collect information thereon, or perform any other work similar thereto. However, running the insurance business or selling the policies is prohibited.

A branch of an insurance broker and/or other types of market intermediary which has obtained license from the FSC is subject to the same regulatory framework as that for a locally incorporated entity. Those who has not obtained proper license cannot be engaged in the insurance solicitation.

8. What penalty is available for those who operate in your jurisdiction without appropriate permission?

Those who run insurance business without license from the FSC may be punished by imprisonment with labor for up to 5 years or by a fine up to KRW 50 million.

9. How rigorous is the supervisory and enforcement environment? What are the key areas of its focus?

Regulation, i.e. supervisory and enforcement environment regarding insurers in Korea is very strict: not only financial soundness to secure their solvency but even consumer protection are of the utmost importance, so the regulation focus of the FSC and the FSS extends to prevention of mis-selling and unfair payment of claims, while rather overlapping with coverage claims by the policyholder.

More elaborated in question 11 below.

10. How is the solvency of insurers (and reinsurers where relevant) supervised?

The FSC and the FSS monitor insurance companies' financial soundness in various ways, and in case of any concerns, evaluate insurance companies' management status and their risk on solvency by applying the Risk Assessment and Application System. Legally Minimum risk based capital ("RBC") ratio is 100%, failing which insurance companies may be subject to the regulator's prompt corrective measures including recommendation, request or order to improve their financial condition, meaning the regulator's direct intervention. However, the regulators practically require over 150% of RBC ratio.

As International Financial Accounting Standards ("IFRS") 17 are planned to be enforced in place of IFRS4 from the beginning of 2023 as well as Korean Insurance Capital Standards ("K-ICS") in the same year in place of the current RBC, insurance companies will likely face harsher financial standards for solvency.

The regulator may order insurance company in financial distress to transfer its insurance contracts to another while immediate measures may also be taken in emergency.

11. What are the minimum capital

requirements?

Minimum paid-in capital for insurance business license is KRW 30 billion, while, when intending to sell specific types of policies only, it would be remarkably lower: e.g., KRW 20 billion for life only, KRW 20 billion for automobile only and KRW 10 billion for accident only, etc.

Insurance companies intending to sell at least 90% or more of their policies by means of telecommunication only, such as telephone, mail, computer communications, etc., may commence their business with only 2/3 of the minimum capital requirement.

12. Is there a policyholder protection scheme in your jurisdiction?

In order to protect the policyholders, the IBA legislations and the Financial Consumer Protection Act ("FCPA") set forth various guidelines and code of conduct to be complied with in the course of selling the policies by insurance companies or those who are involved in selling the policies, specifically with regard to marketing activities including commercial advertisement, basic requirements on the material for explanation, verification against double insurance in case of a certain category of policies, etc. Further, typical misconducts prohibited are explicitly listed.

In case of non-professional policyholders or non-professional financial consumers (as opposed to professional), duty to explain on material matters and customer suitability test in case of variable insurance are added.

Some special guidelines for sale by telecommunication or by bancassurance agencies are separately provided as well.

In case of mis-selling committed by those who are involved in selling the policies which causes damages to the policyholder in the course of soliciting or sale, insurance company which has entrusted such soliciting or sale shall be liable to the policyholder, unless proven that it has exercised due care in entrusting to them and also exercised proper efforts for them not to cause such damages.

As insurance contract is regarded as an adhesive contract with the terms and conditions unilaterally prepared by insurance company, general principles of the Act on the Regulation of Terms and Conditions likewise apply. Among others, insurance company or those who are involved in selling the policies have a duty to explain material contents of the terms and conditions, separately from such duty in the IBA legislations or the

FCPA; contra proferentem rule applies in case of any uncertainty of those terms and conditions; unreasonable, excessively restrictive, or non-anticipatable surprise clause is voided while some exceptions are available in case of a generally accepted form of insurance, such as the Institute Cargo Clauses, etc. This Act applies to sale of policies to both non-professional and professional policyholders.

Even after selling the policies, during the coverage including payment of claims, insurance company has an administrative duty to comply with the basic documents (i.e., the policy itself, business manual, premium calculation sheet), failing which it may be exposed to risk of administrative sanction under the IBA legislations, leaving aside whether the insurer may deny the liability in contract against the basic documents.

13. How are groups supervised if at all?

Insurance companies need to obtain approval from the FSC for their agreement on joint selling which will determine whether to grant it or not after consultation with the Fair Trade Commission. The FSC may even order conclusion, termination or amendment of whole or part thereof ex officio as necessary for public interest.

The IBA legislations provide for a single policy for group assureds. There are statutory requirements for group insurance (insurance for which the head of group assureds or the group per se subscribe to for the group). Eligible groups include organisation employing 5 or more employees, organisation consisting of 5 or more constituents and other organisation consisting of 5 or more whose identities are clear enough for collective contract to be possible. There are some special provisions in the IBA legislations on entry, withdrawal, transfer to an independent policy, payment of premium and claims, etc. to protect each assured.

Korean law does not have definition of group insurance for cars as defined in the U.K. law.

14. Do senior managers have to meet fit and proper requirements and/or be approved?

Requirements for directors, outside (independent) director and auditor all differ while they are appointed by a resolution at the general shareholders meeting.

The Act on Corporate Governance of Financial Companies provides for strict restrictions on directors by listing all disqualified types. Outside (independent) director should have no connection with the large

shareholders, and at least one among the pool of auditors should be an accounting/finance expert. No advance approval but mere ex post facto report to the regulator on appointment is required.

15. To what extent might senior managers be held personally liable for regulatory breaches in your jurisdiction?

In case of undermining of sound management by violating relevant regulations by officer, the regulator may impose administrative sanction on such officer, such as caution, warning, recommendation of dismissal or suspension of its position. In case of neglect of duty to explain to policyholders, relevant senior manager in charge may be subject to administrative fine as well. In case of damages to insurance company as a result, such officer or senior manager may be liable to the insurance company for the breach of fiduciary duty.

The scope of liability and extent of the corrective actions by the regulator would be stricter in case of registered director.

16. Are there minimum presence requirements in order to undertake insurance activities in your jurisdiction (and obtain and maintain relevant licences and authorisations)?

A person who intends to obtain a license to run insurance business shall be fully equipped with experts and physical facilities including offices, computer facilities, etc. as listed as the minimum in the IBA regulations, which are necessary for carrying on the insurance business. In this context, however, a certain part thereof may be entrusted to an external entity as allowed and qualified in the IBA regulations, in which case the requirements for experts and physical facilities may be deemed satisfied. For the minimum paid-in capital for insurance business license, refer to sections 11.

A person who intends to register as an insurance solicitor, insurance agency or insurance broker shall have training or education subject to the conditions determined by the FSC or have career experience engaging in insurance practice over 2 years. There are additional requirements for registration for a corporate insurance agency or insurance broker.

17. Are there restrictions on outsourcing

services relating to the business?

Insurance companies cannot outsource from a third party activities composing the essential characteristics of insurance: (1) underwriting, i.e., insured risk assessment and writing the policy and subsequent amendment (excluding clerical works), (2) payment of claims (excluding loss adjustment and minor cases as allowed under the statute), (3) ceding the insured risk to reinsurance and subsequent settlement, (4) loan, (5) guarantee, unless otherwise approved by the FSC, (6) other activities statutorily imposed on the insurance company and (7) any activities outsourcing of which would likely undermine soundness and creditability of the insurance company or distort the financial market or cause damages to the policyholders.

All other non-essential activities may be outsourced, while an advanced report to the FSS would be required, while simple and minor matters not relevant to the licensed financial business may be outsourced without reporting.

18. Are there restrictions on the types of assets which insurers or reinsurers can invest in or capital requirements which may influence the type of investments held?

The IBA legislations provide for various detailed restrictions on asset management by insurance companies in light of types (such as real property, purchase of shares as well as acquisition of subsidiaries, investment, transactions with the large shareholders), ratio for each type of asset management, by separation of general or special account.

19. How are sales of insurance supervised or controlled?

Only insurance companies, insurance solicitors, agencies, all as licensed by or registered with the FSC, respectively, may sell the policies.

Various methods, i.e., by face-to-face negotiation or telecommunication (telephone, post, online, etc.) are allowed, but under different schemes for each of the channel and each of the method.

Conventional method would be collecting the written application from the intended policyholder as evidence at a face-to-face negotiation. In case of telecommunication, alternative solution for collecting the written application in original is devised in the IBA

legislations.

As principles applicable to all types of channels, the IBA legislations and the FCPA provides for various types of prohibited misconducts which very likely constitute mis-selling and adverse impact on the effect of the policy.

Further, provision of any favour or undertaking as listed in the IBA legislations in relation soliciting purchase of a policy or selling a policy, such as payment of either 10% of the premium for the 1st year of the term or KRW 30,000, whichever is less, or waiver of subrogation claim against a third party, is prohibited, violation of which could cause administrative sanctions.

When the assured is not identical with the policyholder in case of life or accident insurance, the assured's written consent is essential, failing which the policy would become void ab initio.

In some types of policies, the person engaged in selling the policy shall check on double insurance.

For regulations or supervision for the protection of both professional and non-professional policyholders, refer to sections 12 and 21.

20. To what extent is it possible to actively market the sale of insurance into your jurisdiction on a cross border basis and are there specific or additional rules pertaining to distance selling or online sales of insurance?

Foreign insurers may advertise their own insurance products by newspapers, television, radio, magazines, computer communications, etc. Where foreign insurers intend to do so, they shall file a report to the FSS in advance along with the required documents. Foreign insurers shall provide an express disclaimer in Korean to the purchasers of their policies that their policies are not protected by the policyholder protection system under the IBA of the Republic of Korea.

There are different sets of rules for distance selling or online sale of insurance in addition to general rules with regard to selling.

In case of sale by telephone, mail, computer communication, etc., those who solicit purchase of a policy shall exercise every care for the protection of privacy and personal information and comply with all relevant laws and regulation thereon, and also permit the use of the same means of communication to the policyholder for (i) verification or correction of details or

withdrawal of the application, (ii) verification of the details of the terms and conditions of the policy; and (iii) termination/surrender of the policy. Repetitive or continuous soliciting notwithstanding the intention not to proceed with the application, explanation with fabrication on such as limited availability to event winners only or time limitation, etc. are prohibited.

Those who are involved in selling the policies shall specifically disclose the caller's identity, disclose source of collection upon request, obtain consent from the policyholder and ask for or explain by the telephone those matters necessary for placing, such as the details of application, payment of premiums, insurance period, duty of disclosure, and other material terms and conditions of the policy such as any limit of insurance payment (including exclusions, limit of payment, reduced payment, etc.), automatic renewal (if any), double insurance, and any other possibly adverse to the policyholder, and verify the policyholder's full understanding thereof no later than completion of the application, and then shall secure and keep evidential data, such as by audio recording of the answers and confirmation from the policyholder, and shall, without delay, collect the policyholder's personal signature on a written application form by post or facsimile, unless in case of exemptions specifically set forth in the relevant regulations..

In case of sale by means of cyber-mall, those who are involved in selling the policies shall post material terms and conditions of the policy on their cyber-mall and collect the policyholder's personal signature on a written application form with regard to the details of the application unless (1) certified electronic signature is obtained under the Electronic Signature Act, or (2) confirmation on the details of the application is obtained from the policyholder by means of communication media the safety and reliability of which media are secured as per the guidelines as set forth by the FSC. Further, in case of issuing the policy by way of an electronic document, insurance company shall verify the policyholder's receipt thereof, and separately issue a hard copy version thereof if so requested.

21. Are consumer policies subject to restrictions? If so briefly describe the range of protections offered to consumer policyholders

The FCPA, enacted in 2020, has been in force from March 2021, whereby protection of policyholders has been highly enhanced at each stage of soliciting, writing the policy, coverage, and payment of insurance proceeds.

While the IBA legislations provide for protection for non-professional policyholders, the FCPA provides for protection for non-professional financial consumers purchasing protection type (i.e., risk based) financial products (as opposed to professional). Non-professional policyholders under the IBA legislations mean those not falling in the category of professional policyholders as defined in the IBA legislations: for example, government, financial institutions, listed companies, those licensed to sell the policies, corporate policyholders covering non-life risks of loss or liability other than in the course of ordinary daily life of individuals or householding and automobile accident, etc. are professional policyholders. Non-professional financial consumers purchasing protection type products are defined in the FCPA, the scope of which is not exactly the same as but similar to non-professional policyholders as defined in the IBA legislations. Some protection regimes under the IBA legislations was transferred to the FCPA but have been stronger by the FCPA, while some other regimes still remain in the IBA legislations. Thus one will need to consider both statutes in combination to find out the scope and strength of the consumer protection.

When selling policies to non-professional financial consumers, there is a duty to explain all material matters on the terms and conditions such as the nature of the product, premium, exclusions and exceptions of coverage, process of payment, scope and period of coverage, etc. and, even the structure, characteristics, inherent risk of intended investment in case of variable insurance, in order to protect the policyholders by securing reasonable decision. In general sense, matters not explained would be material if the policyholder might not have purchased the policy at the same condition in the awareness, such as premium, refund, coverage and benefit, exclusions, payment of claims, etc. The minimum to be explained are listed in the FCPA.

Such duty is exempted in case of mere repetition of those which are already provided in the statutes, common terms and conditions in other products of similar nature, or when proven that the policyholder would have purchased even if explained. In other words, those terms and conditions may be relied on even without explanation to the policyholder. However, there is a suggestion, regretfully not yet tested by the court, that, regardless of whether insurers may resort to those terms and conditions as against the policyholder as a matter of contract, the IBA legislations and even the FCPA are silent on this, and thus there is a potential risk for the insurers still to be subject to the duty of explanation under these laws and regulations in respect of regulation.

In case of failure to explain the material matters on the

terms and conditions or misleading thereof, insurance company may not rely on those terms and conditions in its favour. On the other hand, the policyholder may either rely on those terms and conditions, or even cancel the policy within 1 year from the date of the financial consumer's awareness of such failure or within 5 years from the date of sale of the policy, whichever comes earlier.

Suitability principle, adequacy principle, prohibition of unfair sales activities and unfair solicitation also shall be complied when selling policies.

22. Are the courts adept at handling complex commercial claims?

Although there is no separate court specialising in insurance cases only, some major district courts, such as Seoul Central District Court, have special divisions to mostly handle financial disputes. Most typical courts have gained credit in financial disputes including insurance with ample experience with the complicated cases. Also, expert advisory system, not for the expert witness open to cross-examination, but only for the court in camera, allows for experts with ample experience in a particular field to support the court by providing proper explanation and advice independently from pleading by the parties regarding the practice in such field or technical aspects of the disputes, which would enhance the court's capability.

23. Is alternative dispute resolution well established in your jurisdictions?

Alternative dispute resolution system, including conciliation, mediation, arbitration, etc, is well established in Korea

Judicial Mediation of Civil Disputes Act sets out the overall rules for mediation, including the role of mediation judge, mediation committee and standing commissioner in order for the parties to settle civil disputes based on the mutual concession between the parties and common sense by way of the court supported mediation. Mediation decision, when no objection is filed within a certain period, will be given effect of a final court judgment on the dispute.

There is another mediation entity within the FSS covering financial disputes against financial institutions, such as an insurance company, to be triggered by financial consumers, but not financial institutions. While mediation decision is given effect of a final court judgement on the dispute, contrary to judicial mediation, only when both parties accept the decision within a

certain period.

Arbitration, regulated by the Arbitration Act, is another popular ADR with Korean Commercial Arbitration Board (KCAB) as a commonly-sought arbitration institution/venue. Korea is a contracting state to the New York Convention, and any foreign arbitral award in compliance with the Convention may be enforced in Korea by way of an enforcement judgment.

24. Is there a statutory transfer mechanism available for sales or transfers of books of (re)insurance? If so briefly describe the process.

The IBA legislations allow sale and transfer of insurance contracts, but only in their entirety of the same basis for calculating the liability reserves to another insurance company, subject to the FSC's approval. Special resolution at the general shareholders meeting by reinforced majority's votes as provided in the IBA, and public notice within 2 weeks on the summary of the transfer of insurance contracts and the balance sheet are required among others.

No new policies with similar nature may be sold since such resolution at the general shareholders meeting until the transfer (or until transfer is canceled, if applicable).

The FSC may order transfer of insurance contracts to another insurance company in case of the capital adequacy ratio falling below the level required by the FSC or otherwise failure to keep the financial condition above the level as required by the FSC or imminent failure to keep such condition due to massive financial accident or credits in distress as set forth in the Act on Improvement of The Structure of Financial Industry, including immediate measures, if necessary.

25. What are the primary challenges to new market entrants?

License is the primary hurdle to new entrants. In practice, the FSC is extremely reluctant to issue a new general license to sell all sorts of policies in either category of life, non-life or the third, probably as there appear to be some insurance companies already in the M&A market. Instead, license for limited types of insurance products appears to be rather easier to obtain, particularly in case of less overlapping with the existing products with regard to scope of coverage, specific sales channel or operation system, etc.

New entrants will also need to establish their own sales

channel, such as insurance solicitors, agencies, either exclusive or not.

26. To what extent is the market being challenged by digital innovation?

Due to digital innovation (i.e. fintech), insurance market will likely be changed largely, from selling the policies to payment of claims. Younger generations are more likely to enter into a more affordable insurance products, such as internet based, rather than a more expensive policy via traditional insurance solicitor channel. Due to COVID 19 impact, in fact soliciting by way of face-to-face meeting has become extremely difficult, and thus the portion of sale by non-conventional channels, such as on-line, will be quickly increased. Restructuring of regulation regimes with regard to telecommunication sale will likely follow as well.

On-line insurance market has yet to make an impact other than automobile insurance, but popularisation of the on-off method insurance (risk attached automatically as per policyholder's beforehand choice), AI based management of medical or automobile insurance will likely give its impact to the market.

27. How is the digitization of insurance sales and/or claims handling treated in your jurisdiction, for example is the regulator in support (are there concessions to rules being made) or are there additional requirements that need to be met?

Subject to the yearly plan of insurance business regulation for 2021 of the FSC, the regulator intends to promote and support digital innovation of insurance business both in sales and claim. However, there have already been special guidelines in the old regimes for sale by telecommunication, and thus they will be subsequent reform of such guidelines later after careful consideration according to technology development.

28. To what extent is insurers' use of customer data subject to rules or regulation?

Among others, prior consent thereon is required. There are a set of strong rules and regulations in general for handling and provision of customer data to others when policyholder and/or assured is an individual under the Credit Information Use and Protection Act, the Personal Information Protection Act or the Act on Promotion of

Use of Data Communication Network and Information Protection. This set of 3 statutes were amended together in 2020 to strengthen the protection of personal information on the hand and to promote industrial use thereof on the other hand.

Likewise, in the IBA legislations, there is a different set of statutory code of conduct for those who handle personal information with regard to sale of policies, calculation of premium, maintenance of coverage, loss adjustment and payment of claims, etc. While more sensitive level of personal information than usual, such as medical, traffic accident or credit information, would be inevitably provided to them, use of the information other than for the original purpose of such provision is allowed only with the principal individual's consent in some exceptional cases, under the guidelines set forth in the IBA legislations separately from those under 3 statutes.

29. To what extent are there additional restrictions or requirements on sharing customer data overseas/on a cross-border basis?

Non-licensed overseas insurers who receive personal information from information and communication service provider in Republic of Korea in the course of its business may need to appoint a domestic agent for protection of personal information when the number of customers in Korean and revenues from Korea exceed a certain level as provided for in the enforcement decree of the Personal Information Protection Act (the "PIPA"). The Act on Promotion of Information and Communication Network Utilization and Information Protects, Etc. has likewise provisions. Although the wording may not be word by word the same, it appears that the nature of the provisions are the same as in those in the PIPA.

With regard to number of customers and revenues as above, the enforcement decree of the PIPA provides for specific standards:

- i. KRW 1 trillion or more of sales volume during the directly preceding business year;
- ii. KRW 10 billion or more if sales volume in the business by way of telecommunication during the directly preceding business year;
- iii. 1 million or more of customers at a daily basis whose personal information is stored during last 3 months in the directly preceding business year; or
- iv. when submission of relevant material, such as articles, documents etc. has been ordered under this Act for the reason of violation of this Act or the likelihood thereof.

Overseas insurers shall obtain customers’ consent if intending to provide (including accessing), outsource the processing of, or store customers’ personal information overseas and shall implement safeguards subject to the enforcement decree of the PIPA.

30. Over the next five years what type of business do you see taking a market lead?

Thus far, independent insurance agencies showed rapid growth due to its advantage that the insurance premium can easily be compared from the policyholder’s viewpoint and their more aggressive marketing activities, but government’s tendency to strengthen regulations regarding the commission would be a variable.

Introduction of a new risk such as a new type of liability and care for pets will likely give rise to the on-line based insurance market.

Policies with lower level return (i.e., cheaper premium with lower level of return on termination/surrender) will show steady growth as an option to cope with the ultra-low interest rate which diminishes the price competitiveness of the conventional types of policies.

Finally, with development of IT infrastructure, the insurance management system will likely fundamentally enhance efficiency but lower the costs, which may give positive influence to the policies to cover actual medical costs or loss and liability from automobile accidents, both of which have long been a financial burden to the industry due to low profitability.

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