

## ONLINE INSURANCE POLICY COMPARISON AND RECOMMENDATION SERVICE TO BE PILOTED

The FSC introduced measures to allow platform service providers to test operate insurance policy comparison and recommendation service to help enhance consumer benefits and promote competition in the insurance sector. From as early as the end of this year, consumers will be able to compare various insurance policies offered by different insurance companies and receive recommendation on suitable products before signing up at an insurance company's online website of their choosing. Using the insurance policy comparison and recommendation platform service, consumers will be able to sign up for the types of insurance that are most widely used and closely linked to their everyday lives such as indemnity health insurance and auto insurance plans at a more affordable cost.

A platform service provider refers to a non-financial company such as a MyData service provider or electronic financial business operator. Currently, the Insurance Business Act only permits employees of insurance companies, insurance agents and insurance planners to engage in solicitation activities. For a platform business to offer insurance policy comparison and recommendation service, it needs to be selected as an "innovative financial service" provider under the financial regulatory sandbox program.

As the entry of platform businesses can have an enormous impact on the operation of insurance companies and insurance agents, with complex interest relationships among them, authorities set up a taskforce consisting of all relevant stakeholders and held meetings throughout between September 2022 and March 2023. Despite early-stage differences in opinions on the issue of whether to permit the availability of auto insurance and about the maximum level of commission, the taskforce participants reached a common ground on the ways to test operate platform services while minimizing the impact on traditional solicitation channels and concerns about anti-competition with consumer benefits placed at the top of priorities.

The measures included in the plan are based on the following three policy directions—(a) establishing an appropriate role of platform businesses reflecting their particular traits, (b) drawing up rules intended to protect consumers and (c) ensuring an order to promote fair competition.

### **KEY MEASURES**

#### ***Restriction on Scope of Services***

In the insurance subscription process, the scope of services permitted for platform businesses will be restricted to making comparisons and recommendations on insurance products and providing a linkage to insurance companies.

## ***Product Range***

The types of insurance policies that can be handled by insurance comparison and recommendation service platforms will be limited to only those available through cyber-marketing channels, considering the platform users' preference for easy signup process, potential impact on traditional insurance solicitation channels and the characteristics of insurance products. Those requiring explanation in person or by phone will be excluded this time to minimize impact on traditional sales channels.

More specifically, short-term insurance policies (e.g. travel and fire insurance plans), auto insurance, indemnity health insurance and savings plans (excluding pension plans) will be included. In addition, those gaining traction for further market expansion such as pet insurance and credit life insurance plans will be included. Health insurance plans and those that are highly complex in their structure which raise concern for potential misselling will be excluded.

## ***Consumer Protection Measures***

Considering the data and technology-driven characteristic of platform services, authorities prepared the following rules to ensure fairness and transparency in algorithms used by insurance comparison and recommendation platforms. A specialized institution such as Koscom will verify the appropriateness of their algorithms in advance. To help consumers to sufficiently understand about which factors affect their comparison and recommendation services, platform businesses will be required to inform their customers about important things to note about their algorithms.

Data processed for the purpose of insurance comparison and recommendation service cannot be utilized or provided for other purposes. To strengthen personal data protection and ensure fair competition between the platforms and traditional solicitation channels, providing the result of insurance comparison and recommendation service to insurance agents to be used in solicitation will be prohibited. There will be a limit on the level of commission that can be charged by platform businesses on insurance companies to ensure that the practice of passing on fee burdens to consumers through higher premiums is kept to a minimum. For auto insurance plans, for instance, the maximum commission that can be charged should be kept to about 4 percent range of insurance premium.

## ***Anti-Competition Prevention Measures***

Platform businesses should not deny an insurance company's request for partnership without a legitimate reason. In the occurrence of a critical issue, platform businesses should make an advance notice to relevant insurance companies while allowing sufficient time.

Platform businesses will be prohibited from making undue demands from insurance companies using their status. To ensure transparency in commission payments, the method of charging commission for the service entrusted should be clearly stated in the entrustment contract signed by insurance company and platform business.

Demanding additional commission other than what is stated on the contract will be prohibited.

### **FURTHER PLAN**

The FSC will promptly carry out the selection process for “innovative financial service” providers. After receiving applications in April, authorities will announce the result of designation in June this year. As early as the end of this year or beginning of next year, consumers will be able to use the insurance policy comparison and recommendation service via platforms. During the pilot operation period, the FSC will adequately examine its impacts on traditional solicitation channels, consumer protection and fair competition and seek measures for improvement thereafter.

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