

RULES CHANGE ANNOUNCED FOR INSURANCE BUSINESSES SPECIALIZING IN SMALL-SUM AND SHORT-TERM POLICIES

The FSC announced the revisions to the Enforcement Decree of the Insurance Business Act on February 4, setting entry requirements for the establishment of insurance businesses specializing in small-sum, short-term policies and introducing measures to improve the soundness of the insurance industry. The revisions will be put up for public notice for forty days until March 17, 2021.

KEY REVISIONS

(SMALL-SUM & SHOR-TERM INSURANCE POLICIES) The minimum capital requirement for setting up an insurance business specializing in small-sum, short-term insurance policies will be set at KRW2 billion. Small-sum, short-term insurance coverages will be allowed in all insurance coverage areas where applicable with a coverage term of one year, premiums of up to KRW50 million and the insurers' annual gross premium revenues up to KRW50 billion.

(REQUIREMENT FOR EXTERNAL EVALUATION ON POLICY RESERVES) Insurance businesses with total assets of KRW1 trillion or more will be required to have external actuaries approve the appropriateness of their policy reserves. This requirement will also be applied to the insurers with less than KRW1 trillion in total assets but whose policy coverage types are considered as essential for them to ensure the payout capabilities. The external actuaries will be entitled to a right to request relevant information from insurance companies. To guarantee impartiality, external evaluations from the same institution will not be allowed for four consecutive years.

(RULES ON SUBSIDIARIES) The revisions will clearly indicate that insurers will be permitted to own MyData and health care-related businesses as subsidiaries.

EXPECTATION

The authorities expect that the revisions will help promote the development of diverse types of small-sum, short-term insurance products for consumers according to their individual lifestyle, improve the soundness and competitiveness of insurance businesses and encourage insurers to boost investment and cooperation in new business areas, such as MyData and health care-related services.

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