

PLANS TO BOOST CONSUMER CONFIDENCE AND PROMOTE INNOVATION IN THE INSURANCE INDUSTRY

The FSC announced a policy framework on insurance businesses on March 2, which aims to improve consumer confidence and promote innovation in the insurance industry. It details twelve key initiatives in four specific areas—(a) working on improvements to the industry-wide structure of insurance business and boosting consumer confidence (b) enhancing the role of insurance as a social safety net, (c) promoting digital innovation and (d) making improvements to business management practices.

This policy framework has been prepared based on expert opinions gathered from numerous committee and taskforce meetings, competitive assessments, suggestions from thinktanks and communication with market participants. As this framework sets forth a mid- to long-term direction of the insurance industry, specific implementation plans will be determined later.

KEY MEASURES

I. IMPROVING INDUSTRY-WIDE STRUCTURE AND BOOSTING CONSUMER CONFIDENCE

- (a) Facilitating new players to enter the insurance market to promote competition and innovation
 - Allow market entrance of new types of insurance businesses specializing in small-sum and short-term insurance policies and those providing insurance services through online and digital channels
 - Introduce a more flexible licensing scheme for insurance businesses through which insurance companies are permitted to hold multiple subsidiaries specializing in same insurance categories
- (b) Revising rules to expand the availability of digital sales channels
 - Promote the use of digital, AI-based and contactless insurance sales channels
 - Expand innovative services by establishing standards on online platform services
- (c) Bolstering consumer protection throughout the subscription process
 - Tighten requirements on the sales process for risky products
 - Strengthen accountability of general agents (GAs)
 - Digitalize the damage claiming process and improve procedures on claim adjustment, medical advice, etc.

II. ENHANCING THE ROLE OF INSURANCE AS A SOCIAL SAFETY NET

- (a) Working on structural improvements for the widely used insurance services
 - Introduce the indemnity health insurance 4.0
 - Improve how medical expenses for minor auto accidents are managed for auto insurance
- (b) Strengthening social safety nets for aging society and through health and safety related insurance services
 - Expand the availability and types of insurance products for the elderly
 - Reduce the burden of paying insurance premiums for essential service sector workers including delivery service workers
 - Review introduction of insurance products covering unknown disasters inflicted on publicly used facilities
- (c) Ensuring the availability of insurance products related to the fourth industrial revolution and mandatory insurance services
 - Work on the development of new insurance policies covering autonomous vehicles, cyber security, etc.
 - Ensure a steady availability of various mandatory insurance products and work to improve their policies

III. PROMOTING DIGITAL INNOVATION IN THE INSURANCE INDUSTRY

- (a) Promoting big data analytics and AI-based insurance services
 - Provide support for the development of usage-based insurance (UBI) and peer-to-peer (P2P) insurance services through the financial regulatory sandbox program
 - Establish rules to promote insurance policies focusing on personal health enhancement
- (b) Strengthening foundations for the application of big data and platform services in insurance business
 - Help transform insurance subscription channels into comprehensive lifestyle assistance platforms where users can get services ranging from personal health and diet management to buying an insurance to safe driving to long-term care services, etc.
 - Allow insurance companies to own MyData business as subsidiaries
 - Expand the sharing and use of public health-related data
- (c) Promoting the provision of digital health care-related services by insurance companies
 - Expand the target customer base to the general public
 - Encourage insurance companies' investment in health care-related businesses

IV. IMPROVING BUSINESS MANAGEMENT PRACTICES

- (a) Working on an advancement of the accounting system through a smooth transition to IFRS 17

- Overhaul rules and regulations on the accounting system to prepare for the implementation of IFRS 17
 - Provide assistance for the implementation of the new Korean Insurance Capital Standard (K-ICS), etc.
- (b) Encouraging insurance businesses to boost their ESG standards
- Adjust risk coefficient for insurance companies making investment in green new deal projects
 - Provide incentives for ESG management and investment through the risk analysis and application system
- (c) Improving the insurance companies' management practices that focus on short-termism
- Improve rules on top management's performance-based compensation and corporate disclosure to discourage short-termism while promoting the practice of compensating top management based on their contributions for boosting company's long-term value, etc.

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