

## **A Study on Insurance Distribution Channels in Relation to Changes in Business Environment**

In recent years, there have been a large growing competition, the tight regulations for consumer protection, and the advancement in information technology in the global insurance market. In addition to this, particularly, the Korean insurance industry is confronted with some issues such as the legal definition of laborer about insurance solicitors, the expansion of apportionment of sales commission, a breach of order in the sales of general agencies and bankassurance, and the Financial Supervisory Service's administrative guidance for reducing civil complaints. On the other hand, the Korean insurance market are gradually entering a maturity of Phase IV, implying that customers needs would go into investment products requiring financial advice, the idea of consumer sovereignty would spread, and the regulations for the consumer protection would strengthen.

In this report, we find that according to insurance experts, the solicitor channel would be highly competitive. Additionally, considering the aforementioned changes in business environment, they believe that internet and general agency would have a great growth potential. Furthermore, using the HP (Hodrick-Prescott) filter, we can see the trends of insurance distribution channels showing that the solicitor channel's share of insurance premiums is likely to continue to decline, while bankassurance's share could increase.

Building on these results, we suggest that big firms defend the existing market share by making full use of their own competitive managerial resources, and that at the same time, they seek a gradual

expansion in the market share by finding alternative insurance distribution channels. On the other hand, it would be important for medium- and small-sized firms to use differentiated and specialized channel strategies rather than to directly compete against the big firms. Finally, we would say that it is significant for insurance companies to focus on a growth potential of telephone, internet, and mobile channel in establishing channel strategies.