Restructuring the Regulation on the General Cooperative Insurance

The purpose of this report is to restructure the regulatory system between insurance of the stock and mutual companies provide (we designate it as 'insurance' hereafter) and insurance of the cooperative societies provide (we designate it as 'general cooperative insurance' hereafter). In Korea, there are four big cooperative societies, which provide general cooperative insurance even with non-members of the cooperative societies. It is clear that the general cooperative insurance has the same economic function as insurance in a way of providing the risk management service.

To find whether there is the regulatory arbitrage between insurance and general cooperative insurance, we surveyed the status of regulation on the general cooperative insurance, and compared it with the insurance regulation. We found from the survey that the regulatory differentials exist between insurance and general cooperative insurance, and concluded that it is rational to impose the same regulations to both sectors and products which have the same economic function.

For removing the regulatory arbitrage between insurance and general cooperative insurance, we propose that the legal and supervisory system applying to the general cooperative insurance should be unified into the legal and supervisory system applying to the insurance.