A Study on Improvement of the Penalty Surcharge Scheme to Basic Document Compliance Obligation

Since the introduction of obligation to observe matters entered in basic documents ('basic documents compliance obligation') in the Insurance Business Act in 2011, sanction cases for breach of basic documents compliance obligation have been accumulated for the past seven years. Basic documents compliance obligation covers diverse types of action, as a result the cases were also varied. In some cases, the amount of penalty surcharges imposed in it did not match the severity of the actual violation. This result is because the penalty surcharge amount is calculated by a single criterion, which is 50/100 of the annually earned premiums of the relevant insurance contracts despite the diversity of types of violation.

In this report, we analyzed the cases of penalty surcharge imposed for basic documents violation, and examined the problems of current regulations and penalties. In addition, we studied the assessment method of money penalty amount in other laws and regulations in Korea and other countries.

This report suggests that the current broad and ambiguous 'basic document compliance obligations' clause needs to be improved into an clear and unambiguous wording. As well, types of violation should be subdivided and the payment refusal of insurance benefit needs to be regulated in separate way.

It is to be hoped that this report serves as an contribute to improving the reasonability and effectiveness of Korean insurance regulation system.