Harmonization in Fair Trade Regulation on Insurance Industry

The regulation on the Korean insurance industry is two-folds; the Korea Fair Trade Commission is implementing competition policy while the Financial Services Commission is making financial policy. But this dual regulation system leaves much room for improvement to increase regulatory efficiency of the authorities and decrease regulatory burden of the insurance industry.

The most striking example that may cause the greatest confusion to insurance companies is the administrative guidances without specific legal provisions, yet frequently administered for regulatory convenience. Financial supervisors might casually issue such a guidance that can raise a fair trade issue among insurance companies. Insurance companies would comply to avoid a penalty from the financial supervisory authority. However, the insurance companies can still be subject to a penalty from the fair trade authority as it does not recognize such administrative guidances as legitimate administrative orders.

This report makes suggestions on how to improve harmonization of this dual regulatory system of the fair trade regulation on the Korean insurance industry. Along with promoting and enhancing professional understandings through the MOU between the two authorities signed in 2007, inclusion of provisions about fair trade issues on the insurance law and therefore making direct fair trade supervision by the financial supervisory authority legitimate can help reduce supervisory conflicts among authorities and mitigate regulatory burden on insurance companies.