Structured payment of accident victim's benefit

In Korea, an accident compensation scheme is available for most of accidents. For example, social risk management system is in operation as fire, auto and explosion insurance are mandatory and so is workers’ compensation. In most cases, the benefits are paid in lump sum.

However, lump sum payment is not a suitable way to provide benefits, which may be spent out too early to cover the victim’s living expenses or medical expenses. This may drive the victims into a financially distressed condition and social problems may entail.

In order to solve these problems, structured settlement is used in more developed countries. For example, many laws and tax regulations are designed to provide advantages for the structured settlement such as tax benefits in the United States.

In Korea, even though the prevailing practice is the lump sum payment, periodically allocated payments or structured payments of benefits are also available by the agreement between the parties(Civil Code Section 725). Moreover, General Provisions Article 15 (insurance billing and payment) of the standard auto insurance reads that structured payments are available if the victim wants to be paid so. However, there is no specific regulations to guide this procedure.

So, specific regulations for the structured payments are needed by adding terms to the legislations such as the Insurance Business Act. In addition, it is necessary to make structured payments mandatory for the victims families with young children or elderly parents.

There are several ways to manage the structured payment system. In this study, the pros and cons are analyzed for each method and the most realistic alternative is to use the reserve of non-life insurance companies.