A Factor that Hinders the Growth of the Korean Liability Insurance Market: Analysis of the Legal Liability Regarding Personal Injury

Recent occurrences of large-scale safety accidents induced heated debates regarding legal renovations such as the introduction of a special law and indifference toward safety accidents. Yet, it is regrettable that legal liabilities regarding safety accidents have received little attention.

Economic entities are motivated to manage their risk when their risk has a high probability of occurrence and the magnitude of its expected losses are great. Foreign countries let economic entities exert their efforts on preventing safety accidents by enforcing strong legal liabilities. However, as this research points out, Korea has relatively low standards on legal liabilities on personal injury. Such low standards are not only ineffective on forcing economic entities to make efforts for the prevention of safety accidents but they also prevent us from providing sufficient compensations to victims.

From the insurance perspective, an economic entity is more willing to manage her risk via an insurance policy when her risk has a probability of a huge loss. Therefore, low standards on personal injury liability can severely limit the growth of liability insurance market.

This research compares Korean legal liabilities on personal injury to those of other countries and points out irrational parts. Furthermore, this research also estimates the impact of strengthening legal liabilities pertaining to personal injury on liability insurance market. These efforts of this research would contribute to the prevention of safety accidents by strengthening legal liabilities regarding personal injury and to the promotion of Korean liability insurance market.