For the Better Regulation on the Outsourcing of Insurance Companies in Korea

The regulation on the outsourcing of insurance companies in Korea has several drawbacks to fix. First of all, the regulation restricts insurance companies from outsourcing “intrinsic works” of insurance. However, the intrinsic works are defined so broadly that they include virtually all the works of insurance companies from underwriting to maintenance of contracts to insurance payments. This restriction leaves too few outsourcing opportunities causing undue inefficiency in the market. And the regulation of outsourcing is not based on the insurance business law without clauses that stipulate the outsourcing in insurance sector.

This report tries to address these issues of outsourcing in insurance sector of Korea. The report suggests a narrower definition of “core works” of insurance instead of current terms of “intrinsic works” and outsourcing available for small scale and repetitive works and business abroad even for the core works of insurance. The report also argues that the insurance business law should include clauses that stipulate the outsourcing in insurance sector. Finally, the post-outsourcing risk management and supervision by insurance companies and financial supervisory authority respectively should be enhanced.