

# INSURANCE BUSINESS ACT

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Act No. 7428, Mar. 31, 2005

Act No. 7971, Aug. 29, 2006

Act No. 8386, Apr. 27, 2007

Act No. 8520, Jul. 19, 2007

Act No. 8572, Aug. 3, 2007

Act No. 8635, Aug. 3, 2007

Act No. 8863, Feb. 29, 2008

Act No. 8852, Feb. 29, 2008

Act No. 8902, Mar. 14, 2008

Act No. 9617, Apr. 1, 2009

Act No. 10303, May 17, 2010

Act No. 10394, Jul. 23, 2010

Act No. 10866, Jul. 21, 2011

Act No. 11758, Apr. 5, 2013

Act No. 12262, Jan. 14, 2014

Act No. 12836, Oct. 15, 2014

Act No. 13216, Mar. 11, 2015

Act No. 13446, Jul. 24, 2015

Act No. 13453, Jul. 31, 2015

Act No. 13612, Dec. 22, 2015

Act No. 13613, Dec. 22, 2015

Act No. 14124, Mar. 29, 2016

Act No. 14821, Apr. 18, 2017

Act No. 15022, Oct. 31, 2017

Act No. 15019, Oct. 31, 2017

Act No. 15414, Feb. 21, 2018

Act No. 15614, Apr. 17, 2018

Act No. 15931, Dec. 11, 2018

Act No. 16185, Dec. 31, 2018

Act No. 16957, Feb. 4, 2020

Act No. 17112, Mar. 24, 2020

Act No. 17292, May 19, 2020

Act No. 17636, Dec. 8, 2020

## CHAPTER I GENERAL PROVISIONS

### Article 1 (Purpose)

The purpose of this Act is to contribute to the sound development of insurance business and the balanced development of the national economy by ensuring the sound management of insurance business operators and by protecting rights and interests of policyholders, the insured and other interested persons.

### Article 2 (Definitions)

The terms used in this Act are defined as follows: *<Amended on Jul. 31, 2015>*

1. The term "insurance product" means a contract stipulating the payment of money and other benefits to the insured for the occurrence of a contingency for the purpose of guaranteeing any risk, in exchange for consideration (excluding those prescribed by Presidential Decree including the health insurance under the National Health Insurance Act, the employment insurance under the Employment Insurance Act, etc. in consideration of need for the protection of policyholders, financial transaction practices, etc.) which refers to any of the following:

(a) A life insurance product: A contract prescribed by Presidential Decree which promises the payment of stipulated money and other benefits to the insured for his or her survival or death for the purpose of guaranteeing any risk, in exchange for consideration;

(b) A non-life insurance product: A contract prescribed by Presidential Decree which promises the payment of stipulated money and other benefits to the insured for loss (including any loss resulting from non-performance of contractual liabilities or statutory duties and obligations) resulting from a contingency (excluding a disease, an injury and nursing provided for in item (c)) to guarantee any risk, in exchange for consideration;

(c) A Type 3 insurance product: A contract prescribed by Presidential Decree which promises the payment of stipulated money and other benefits to the insured for any disease, injury or nursing thereof for the purpose of guaranteeing any risk, in exchange for consideration;

2. The term "insurance business" means the business of underwriting insurance, receiving premiums, paying insurance proceeds, etc. which arise in selling insurance products, and refers to a life insurance business, a non-life insurance business and a Type 3 insurance business;

3. The term "life insurance business" means the business of underwriting insurance, receiving premiums, paying insurance proceeds, etc. which arise in selling life insurance products;
4. The term "non-life insurance business" means the business of underwriting insurance, receiving premiums, paying insurance proceeds, etc. which arise in selling non-life insurance products;
5. The term "Type 3 insurance business" means the business of underwriting insurance, receiving premiums, paying insurance proceeds, etc. which arise in selling Type 3 insurance products;
6. The term "insurance company" means any person who runs the insurance business after obtaining a license provided for in Article 4;
7. The term "mutual company" means a company incorporated pursuant to this Act for the purpose of running the insurance business with its policyholders being its members;
8. The term "foreign insurer" means any person incorporated under statutes and regulations of any country other than the Republic of Korea who runs the insurance business in a country other than the Republic of Korea;
9. The term "insurance solicitor" means any person (including any association and any foundation, neither of which is a corporation) duly registered pursuant to Article 84 to engage in brokering the conclusion of insurance contracts for his or her insurance company, insurance agency, or insurance broker;
10. The term "insurance agency" means any person (including any association and any foundation, neither of which is a corporation) duly registered pursuant to Article 87 to conclude insurance contracts on behalf of his or her insurance company;
11. The term "certified insurance broker" means any person (including any association and any foundation, neither of which is a corporation) duly registered pursuant to Article 89 to independently broker the conclusion of insurance contracts;
12. The term "solicitation" means brokering the conclusion of an insurance contract for any insurance company or concluding an insurance contract on behalf of any insurance company;
13. The term "credit extension" means loaning or the purchase of securities (limited to the purchase of securities in the nature of fund subsidization) or other direct or indirect transactions of insurance companies involving credit risk in their financial transactions which are all determined by the Financial Services Commission, as prescribed by Presidential Decree;
14. The term "total assets" means the assets indicated on the balance sheet less such assets as prescribed by Presidential Decree, including deferred acquisition cost, goodwill, etc.;
15. The term "equity capital" means paid-in capital, capital surplus, earned surplus and others equivalent thereto (excluding any recapitalization) that are obtained by subtracting the sum of items, including goodwill, and others equivalent thereto prescribed by Presidential Decree from the sum of items prescribed by Presidential Decree;
16. The term "same borrower" means the same individual or corporation and any person who shares credit risk with such individual or corporation, as prescribed by Presidential Decree;

17. The term "large stockholder" means a stockholder referred to in subparagraph 6 of Article 2 of the Act on Corporate Governance of Financial Companies;

18. The term "subsidiary" means any other company where an insurance company holds more than 15/100 of the total number of outstanding voting stocks (including investment shares) issued by such company (including any partnership established under the Civil Act or special Acts);

19. The term "professional policyholder" means any of the following persons capable of understanding the provisions of insurance contracts and fulfilling them based on expertise in the insurance contracts, the scale of assets, etc.: Provided, That where a person prescribed by Presidential Decree among professional policyholders notifies, in writing, an insurance company to the effect that he or she wishes to be treated in the same manner as a general policyholder is treated, the insurance company shall agree thereto unless any justifiable ground exists:

- (a) The State;
- (b) The Bank of Korea;
- (c) Financial institutions prescribed by Presidential Decree;
- (d) Listed stock companies;
- (e) Any other person prescribed by Presidential Decree;

20. The term "ordinary policyholder" means a policyholder other than professional policyholders.

### **Article 3 (Conclusion of Insurance Contracts)**

No one may conclude any insurance contract with a person who is not an insurance company, nor broker the conclusion of any insurance contract or act on behalf of any insurance company: Provided, That this shall not apply to cases prescribed by Presidential Decree.

## **CHAPTER II LICENSE OF INSURANCE BUSINESS**

### **Article 4 (License for Insurance Business)**

(1) A person who intends to run the insurance business shall obtain a license from the Financial Services Commission according to the types of insurance business stipulated in the following subparagraphs:

1. Types of life insurance business:

- (a) Life insurance;
- (b) Pension insurance (including retirement insurance);
- (c) Other types of insurance business prescribed by Presidential Decree;

2. Types of non-life insurance business:

- (a) Fire insurance;
- (b) Maritime insurance (including aviation and transportation insurance);
- (c) Automobile insurance;

- (d) Surety insurance;
- (e) Reinsurance;
- (f) Other types of insurance business prescribed by Presidential Decree;

3. Types of Type 3 insurance business:

- (a) Injury insurance;
- (b) Disease insurance;
- (c) Nursing insurance;
- (d) Other types of insurance business prescribed by Presidential Decree.

(2) A person who has obtained a license referred to in paragraph (1) shall be deemed to have obtained the license on the reinsurance of the relevant type of insurance: Provided, That this shall not apply to an insurance company under Article 9 (2) 2; <Amended on Dec. 8, 2020>

(3) A person who has obtained a license referred to in paragraph (1) for all types of insurance constituting life insurance business or non-life insurance business (excluding surety insurance under paragraph (1) 2 (d) and reinsurance under item (e) of the same subparagraph) shall be deemed to have obtained the license for the types of insurance constituting Type 3 insurance business.

(4) A person who has obtained a license referred to in paragraph (1) for all types of insurance constituting life insurance business or non-life insurance business (excluding surety insurance under paragraph (1) 2 (d) and reinsurance under item (e) of the same subparagraph) shall be deemed to have obtained the license for the types of insurance newly created for the relevant life insurance business or non-life insurance business unless he or she has disturbed the soundness of economic order.

(5) A person who has obtained a license referred to in paragraph (1) for Type 3 insurance business may sell the types of insurance stipulated under subparagraph 3 of Article 10.

(6) A person who is entitled to obtain a license for the insurance business shall be limited to a stock company, a mutual company and a foreign insurer, and the branch office in the Republic of Korea of any foreign insurer which has obtained a license for insurance business under paragraph (1) (hereinafter referred to as "local branch of a foreign insurer") shall be deemed an insurance company incorporated pursuant to this Act.

(7) The Financial Services Commission may impose terms and conditions on the license referred to in paragraph (1).

(8) An entity that has obtained a license for an insurance business with conditions attached thereto pursuant to paragraph (7) may file an application for revocation or revision of such conditions with the Financial Services Commission, if any change in circumstances or any other justifiable ground occurs. In such cases, the Financial Services Commission shall render a decision within two months on whether to revoke or revise the attached conditions, and shall notify the applicant in writing of its decision without delay. <Newly Inserted on Dec. 8, 2020>

## **Article 5 (Submission of Applications for Licenses)**

A person who intends to obtain a license under Article 4 (1) shall submit an application accompanied by the following documents to the Financial Services Commission: Provided, That where an insurance company intends to add the types of insurance to sell, the document referred to in subparagraph 1 may be exempted from submission:

1. The articles of incorporation;
2. The business plan for three years after the commencement of the insurance business (including the estimated financial statement);
3. Documents prescribed by Presidential Decree, among business manuals by insurance type of the insurance business intended to run, insurance policies and methods of calculating insurance premiums and the liability reserves (hereinafter referred to as "basic documents");
4. Documents prescribed by Presidential Decree other than those referred to in subparagraphs 1 through 3.

## **Article 6 (Requirements for Licenses)**

(1) A person who intends to obtain a license for the insurance business (excluding any foreign insurer and any insurance company which intends to add the types of insurance under paragraph (3)) shall meet the following requirements: *<Amended on Jul. 31, 2015>*

1. Possessing capital or the fund stipulated under Article 9 (1) and (2);
2. Being capable of protecting policyholders and being fully equipped with physical facilities, including experts, computer facilities, etc. which are necessary for carrying on the insurance business he or she intends to run. In such cases, where part of his or her business is entrusted to an external agency, as prescribed by Presidential Decree, the experts and physical facilities related to such entrusted business shall be deemed equipped;
3. His or her business plan is to be feasible and sound;
4. No large stockholder (including any stockholder who is specially related to the largest stockholder; hereafter the same shall apply in this Article) falls under any of the subparagraphs of Article 5 (1) of the Act on Corporate Governance of Financial Companies and have sufficient investment capabilities and sound financial standing with no history of disturbing sound economic order.

(2) A foreign insurer which intends to obtain a license for insurance business shall meet the following requirements:

1. Holding the operating funds provided for in Article 9 (3);
2. Running the same insurance business as it intends to run in the Republic of Korea pursuant to statutes and regulations of any foreign country;
3. Its asset status, financial soundness and business soundness are to be sufficient to run the insurance business in the Republic of Korea and internationally recognized;

4. Meeting the requirements referred to in paragraph (1) 2 and 3.
- (3) An insurance company which intends to obtain a license by adding the types of insurance shall meet the following requirements: *<Amended on Dec. 8, 2020>*
1. Meeting the requirements under paragraph (1) or paragraph (2) (Provided, That relaxed requirements prescribed by Presidential Decree shall apply to the license requirement under paragraph (1) 4, notwithstanding the same subparagraph);
  2. Having the sound financial standing and social credibility prescribed by Presidential Decree.
- (4) An insurance company shall continue meeting the requirement referred to in paragraph (1) 2, as prescribed by Presidential Decree, even after it has obtained the license for the insurance business: Provided, That this shall not apply to cases approved by the Financial Services Commission and prescribed by Presidential Decree in order to ensure soundness in the management of the insurance company, and to protect the interests of its policyholders, etc.
- (5) Deleted. *<Jul. 31, 2015>*
- (6) Deleted. *<Jul. 31, 2015>*
- (7) Deleted. *<Jul. 31, 2015>*
- (8) Necessary matters concerning detailed requirements for licenses and approval referred to in paragraphs (1) through (4) shall be prescribed by Presidential Decree. *<Amended on Jul. 31, 2015>*

#### **Article 7 (Preliminary Licenses)**

- (1) A person who intends to apply for a license (hereafter in this Article referred to as "principal license") stipulated under Article 4 may apply for a preliminary license in advance to the Financial Services Commission.
- (2) The Financial Services Commission shall, upon receiving an application filed under paragraph (1), examine the application and notify the applicant of whether to grant a preliminary license within two months from the date on which it received the application: Provided, That the term for examination may be extended, as prescribed by Ordinance of the Prime Minister.
- (3) The Financial Services Commission may impose terms and conditions on the preliminary license referred to in paragraph (2).
- (4) When a person who has obtained a preliminary license files an application for a principal license after fulfilling the terms and conditions of the preliminary license under paragraph (3), the Financial Services Commission shall grant him or her such principal license.
- (5) Standards for the preliminary license and necessary matters concerning the preliminary license shall be prescribed by Ordinance of the Prime Minister.

#### **Article 8 (Company Name or Title)**

- (1) An insurance company shall indicate principal types of the insurance business that it runs in its company name or title.

(2) No person other than an insurance company shall use any letter indicating an insurance company in his or her company name or title.

#### **Article 9 (Capital or Fund)**

(1) An insurance company may commence its insurance business by paying in capital or fund of not less than 30 billion won: Provided, That where the insurance company intends to sell part of the types of insurance referred to in Article 4 (1), the amount of the capital or fund may be otherwise prescribed by Presidential Decree in the amount of not less than five billion won.

(2) Notwithstanding paragraph (1), any of the following insurance companies that has limited types, scales, etc. of solicitation means or solicitation products may commence its insurance business by paying a capital or fund not less than the amount classified as follows: *<Amended on Dec. 8, 2020>*

1. An insurance company that solicits insurance contracts using a means of communication, such as telephone, mail, or computer communications, as prescribed by Presidential Decree (excluding small-term specialized insurance companies referred to in subparagraph 2): The equivalent to 2/3 of the capital or fund referred to in paragraph (1);

2. A small-term specialized insurance company that meets the standards prescribed by Presidential Decree, such as types of insurance products, insurance period, upper limit of insurance proceeds, and upper limit of total annual insurance premiums: The amount prescribed by Presidential Decree, which shall not be less than one billion won.

(3) Where a foreign insurer intends to run the insurance business in the Republic of Korea, its operating funds prescribed by Presidential Decree shall be deemed the capital or fund stipulated under paragraph (1) or (2).

#### **Article 10 (Prohibition on Concurrent Operation of Insurance Business)**

No insurance company shall concurrently run life insurance business and non-life insurance business: Provided, That this shall not apply to any of the following types of insurance:

1. Reinsurance of life insurance business and reinsurance of Type 3 insurance business;
2. Types of insurance prescribed by Presidential Decree which is permitted to be concurrently operated in accordance with other statutes and regulations;
3. Any insurance added to the types of Type 3 insurance in accordance with the standards prescribed by Presidential Decree.

#### **Article 11 (Concurrent Operation by Insurance Companies)**

An insurance company may carry on the following finance business which is not likely to undermine soundness in its management, the protection of its policyholders, and sound order in its transactions. In such cases, where an insurance company intends to perform the business under subparagraph 1 or 3, it shall report to the Financial Services Commission by seven days before the date it intends to commence its



business: <Amended on Dec. 8, 2020>

1. Finance business prescribed by finance-related statutes and regulations that are prescribed by Presidential Decree and is permitted to be run by an insurance company under such statutes and regulations;
2. Finance business prescribed by Presidential Decree which requires authorization, a license, registration, etc. under relevant statutes and regulations;
3. Finance business prescribed by Presidential Decree which is deemed not likely to undermine soundness in the management of an insurance company, the protection of its policyholders, and sound order in its transactions.

#### **Article 11-2 (Incidental Business of Insurance Companies)**

(1) Where an insurance company intends to carry on any business incidental to insurance business, it shall report the business to the Financial Services Commission by no later than seven days prior to the commencement of such business: Provided, That, where it intends to engage in the same incidental business as that of another insurance company publicly notified under paragraph (5) (excluding any incidental business for which restriction or rectification is ordered under paragraph (3)), it may carry on the incidental business without filing a report. <Amended on Dec. 8, 2020>

(2) The Financial Services Commission shall review the details of the report in the main clause of paragraph (1) and accept the report if it complies with this Act. <Newly Inserted on Dec. 8, 2020>

(3) Where the incidental business conducted by an insurance company falls under any of the following, the Financial Services Commission may order the restriction or rectification of such incidental business:

<Amended on Dec. 8, 2020>

1. Where soundness in the management of an insurance company is undermined;
2. Where the protection of policyholders is hindered;
3. Where the stability of the financial market is disturbed.

(4) An order of restriction or rectification under paragraph (3) shall be provided in writing with specific details and grounds for such order. <Amended on Dec. 8, 2020>

(5) The Financial Services Commission shall give public announcement of incidental business reported under main clause of paragraph (1), and those subject to an order of restriction or rectification under paragraph (3), on its website, etc., as prescribed by Presidential Decree. <Amended on Dec. 8, 2020>

#### **Article 11-3 (Handling of Accounting of Concurrent Operation and Incidental Business)**

Where an insurance company performs other finance business or incidental business pursuant to Articles 11 and 11-2, it shall handle the accounting of such business separately from the insurance business, as prescribed by Presidential Decree. <Amended on Jul. 24, 2015>

## **Article 12 (Installation of Local Offices in Republic of Korea by Foreign Insurers)**

(1) A foreign insurer, a person engaged in the business of insurance agency business or insurance broker overseas, and any other person engaged in an insurance-related business overseas (hereinafter referred to as "foreign insurer, etc.") may open its or his or her office in the Republic of Korea (hereinafter referred to as "local office") in order to investigate the insurance market, to collect information thereon, or to perform any other work similar thereto.

(2) Where a foreign insurer, etc. opens a local office pursuant to paragraph (1), it shall report it to the Financial Services Commission within 30 days from the date on which such local office is opened.

(3) No local office shall engage in any of the following conduct:

1. Running the insurance business;
2. Brokering or acting for the conclusion of insurance contracts;
3. Investigating the insurance market and collecting information thereon in a manner contravening the relevant statutes and regulations of the Republic of Korea;
4. Conduct prescribed by Presidential Decree which is in contravention of the purpose of opening a local office.

(4) Every local office shall use the letter "office" in its name.

(5) Where a local office violates this Act or any order or disposition issued or taken under this Act, the Financial Services Commission may order such local office to suspend its business for the specified period of up to six months, or to close such local office.

## **CHAPTER III INSURANCE COMPANIES**

### **SECTION 1 Deleted.**

**Article 13 Deleted.** <July. 31, 2015>

**Article 14 Deleted.** <July. 31, 2015>

**Article 15 Deleted.** <July. 31, 2015>

**Article 16 Deleted.** <July. 31, 2015>

**Article 17 Deleted.** <July. 31, 2015>

## **SECTION 2 Stock Companies**

### **Article 18 (Reduction of Capital)**

- (1) Where a stock company which is an insurance company (hereinafter referred to as "stock company") resolves to reduce its capital, such stock company shall give public announcement on a summary of the resolution and its balance sheet within two weeks from the date on such resolution is made.
- (2) Where a stock company intends to reduce its capital, as prescribed by Presidential Decree, in resolving the reduction of its capital under paragraph (1), it shall obtain approval from the Financial Services Commission in advance.
- (3) Articles 141 (2) and (3), 149 and 151 (3) shall apply mutatis mutandis to the reduction of capital.

### **Article 19 Deleted.** <Jul. 31, 2015>

### **Article 20 (Changes to Organization)**

- (1) A stock company may convert its organization into a mutual company.
- (2) Notwithstanding Article 9, a mutual company under paragraph (1) may set the total amount of its fund at less than 30 billion won or may choose not to set the total amount of its fund.
- (3) In cases under paragraph (1), an amount deemed necessary by the Financial Services Commission to be appropriated for making up for loss shall be accumulated as reserves.

### **Article 21 (Resolution on Change in Organization)**

- (1) Any change to the organization of a stock company shall undergo a resolution of the general meeting of shareholders.
- (2) The resolution referred to in paragraph (1) shall be governed by Article 434 of the Commercial Act.

### **Article 22 (Public Announcement and Notification of Resolution on Change in Organization)**

- (1) Where a stock company resolves to change its organization, it shall give public announcement on a summary of the resolution and its balance sheet, and individually inform pledgees listed on the roll of shareholders of such resolution within two weeks from the date of resolution.
- (2) Article 141 (2) and (3) and Article 232 of the Commercial Act shall apply mutatis mutandis to cases under paragraph (1).

### **Article 23 (Insurance Contracts after Public Announcement on Resolution of Change to Organization)**

- (1) Where a stock company intends to conclude an insurance contract after the date on which the public announcement under Article 22 (1) is given, it shall inform a potential policyholder that procedures for changing its organization are in progress and then obtain his or her consent.
- (2) A policyholder who has consented as referred to in paragraph (1) shall not be deemed a policyholder while the procedures for changing the organization are in progress.

#### **Article 24 (Convocation of General Meeting of Policyholders)**

- (1) Where the number of policyholders who raise an objections to the public announcement under Article 22 (1) within the period stipulated under Article 141 (2) and their insurance proceeds do not exceed the ratio stipulated under Article 141 (3), directors shall promptly convoke a general meeting of policyholders within seven days after the procedures under Article 232 of the Commercial Act are completed.
- (2) In cases under paragraph (1), Article 353 of the Commercial Act shall apply mutatis mutandis to notification to policyholders.

#### **Article 25 (Agency of General Meeting of Policyholders)**

- (1) A stock company may stipulate matters concerning an agency acting in general meetings of policyholders when resolving a change in its organization.
- (2) Regulations governing general meetings of policyholders shall apply mutatis mutandis to the agency referred to in paragraph (1).
- (3) Where matters concerning the agency referred to in paragraph (1) are stipulated, the method of organizing the agency shall be entered in the public announcement under Article 22 (1).

#### **Article 26 (Resolution Methods of General Meeting of Policyholders)**

- (1) The general meeting of policyholders shall resolve with the attendance of a majority of all policyholders and the consent of not less than 3/4 of the voting rights.
- (2) Article 55, Articles 363 (1) and (2), 364, 367, 368 (3) and (4), 371 (2), 372, 373 and 376 through 381 of the Commercial Act shall apply mutatis mutandis to general meetings of policyholders.

#### **Article 27 (Reports at General Meetings of Policyholders)**

Directors of the relevant stock company shall report matters concerning a change in the organization at general meetings of policyholders.

#### **Article 28 (Resolution of General Meetings of Policyholders)**

- (1) The general meeting of policyholders shall resolve on any amendment to the articles of incorporation and other necessary matters concerning the organization of the relevant mutual company.
- (2) The resolution provided for in Article 21 (1) may be changed by the resolution referred to in paragraph (1). In such cases, no such amendment shall undermine the interests of creditors of the relevant stock company.
- (3) Where the amendment under paragraph (2) causes damage to shareholders, an agreement thereto shall be obtained from the general meeting of shareholders. In such cases, Article 21 (2) shall be applied mutatis mutandis.

(4) Article 316 (2) of the Commercial Act shall apply mutatis mutandis to the resolution referred to in paragraph (1).

#### **Article 29 (Registration of Change in Organization)**

(1) Where a stock company changes its organization, the stock company shall file the registration of dissolution, and a mutual company shall file the registration stipulated under Article 40 (2) within two weeks from the date of such change in the location of its head office or principal office, and within three weeks from the date of such change in the locations of their branch offices or their sub-branch offices.

(2) An application for registration referred to in paragraph (1) shall be accompanied by the articles of incorporation and documents stating the following matters:

1. A resolution under Article 21 (1);
2. A public announcement under Article 22 (1);
3. A resolution and consent under Article 28;
4. An objection under Article 141 (3);
5. Documents attesting the completion of the procedures under Article 232 of the Commercial Act.

#### **Article 30 (Membership Following Change in Organization)**

Policyholders of a stock company shall be members of the relevant mutual company following a change in the organization of the stock company.

#### **Article 31 (Application Mutatis Mutandis of the Commercial Act)**

@Article 145 of this Act, and Articles 40, 339, 340 (1) and (2), 439 (1), 445 and 446 of the Commercial Act shall apply mutatis mutandis to a change in the organization of the stock company. In such cases, "Article 192" in Article 446 of the Commercial Act shall be deemed "Article 238."

#### **Article 32 (Preferential Acquisition Rights of Policyholders)**

(1) A policyholder or a person who is to receive insurance proceeds is entitled to preferentially acquire the amount accumulated for the insured from the assets of the relevant stock company, unless otherwise specifically provided for in other Acts.

(2) Where any special account is set up in accordance with Article 108, paragraph (1) shall apply to such special account separately from other accounts.

#### **Article 33 (Preferential Rights to Payment from Deposited Assets)**

(1) A policyholder or a person who is to receive insurance proceeds is entitled to be paid the amount accumulated for the insured in preference to any other creditors from assets deposited by the relevant stock company pursuant to orders issued by the Financial Services Commission under this Act.

(2) Article 32 (2) shall apply mutatis mutandis to cases under paragraph (1).

## SECTION 3 Mutual Companies

### Subsection 1 Incorporation

#### **Article 34 (Matters to Be Entered in Articles of Incorporation)**

Incorporators of a mutual company shall prepare the articles of incorporation, enter the following matters in the articles of incorporation and then place their names and seals thereon:

1. Types of insurance business it intends to sell and the scope of business;
2. Name;
3. The location of its office;
4. The total amount of the fund;
5. Rights to be held by respective investors in the fund;
6. Methods to redeem funds and incorporation expenses;
7. Methods of distributing the surplus;
8. Methods for the mutual company to give public announcement;
9. If any assets the relevant mutual company agrees to take over after its incorporation exist, the value of such assets and the name of the transferor;
10. The term of existence and the grounds for dissolution, if prescribed.

#### **Article 35 (Name)**

A mutual company shall use the term "mutual company" in its name.

#### **Article 36 (Payment of Fund)**

- (1) The fund for a mutual company shall be paid in money, not in assets.
- (2) Articles 295 (1), 305 (1) and (2) and 318 of the Commercial Act shall apply mutatis mutandis to the payment of the fund.

#### **Article 37 (Number of Members)**

Not less than 100 members are required to incorporate a mutual company.

#### **Article 38 (Instruments of Subscription for Membership)**

(1) Where a person, other than an incorporator, intends to be a member of the relevant mutual company, he or she shall enter the objectives of the relevant insurance and the amount of insurance proceeds in two copies of the instrument of subscription for membership and place his or her signature and seal thereon: Provided, That this shall not apply to a person who intends to be a member after the incorporation of the

relevant mutual company.

(2) Incorporators shall each prepare the instrument of subscription for membership under paragraph (1) stating the following matters and then keep such:

1. The date on which the articles of incorporation is certified and the name of the notary public who certifies the articles of incorporation;
2. Matters referred to in each subparagraph of Article 34;
3. Names and addresses of the respective investors in the fund and the amount of investment made by the respective investors;
4. Names and addresses of incorporators;
5. If incorporators are remunerated, the amount of such remuneration;
6. The number of members intended to recruit at the time of incorporation;
7. The purport that the instruments of subscription for membership may be revoked where the inaugural general meeting is not held by a certain time.

(3) The proviso to Article 107 (1) of the Civil Act shall not apply to instruments of subscription for membership prior to the incorporation of the relevant mutual company.

#### **Article 39 (Inaugural General Meeting)**

(1) Where the payment of the fund is completed for a mutual company and the number of members reaches the prerequisite number, incorporators of the mutual company shall convene the inaugural general meeting within seven days from the date on which such payment is completed or the number of members reaches the predetermined number.

(2) The inaugural general meeting shall pass resolutions with the attendance of a majority of all members and the consent of not less than 3/4 of the voting rights.

(3) Article 55, Articles 363 (1) and (2), 364, 368 (3) and (4), 371 (2), 372, 373 and 376 through 381 of the Commercial Act shall apply mutatis mutandis to the inaugural general meeting of a mutual company.

#### **Article 40 (Registration of Incorporation)**

(1) A mutual company shall file the registration of its incorporation within two weeks from the date on which its inaugural general meeting is finished.

(2) The following matters shall be entered in the registration of incorporation under paragraph (1):

1. Matters referred to in each subparagraph of Article 34;
2. Names and addresses of directors and auditors;
3. Name of representative director;
4. Where it is stipulated that several representative directors jointly represent the company, such stipulation.

(3) The registration for incorporation referred to in paragraphs (1) and (2) shall be filed for by joint applications of directors and auditors.

#### **Article 41 (Register)**

Every competent registry office shall keep the register of mutual companies.

#### **Article 42 (Liability for Compensation)**

Where a director causes damage to a mutual company due to any of the following conducts, he or she may not be released from his or her liability to compensate such loss unless the general meetings of members consent thereto:

1. Submitting an agenda concerning the illegal dividend of profits to the general meeting of members;
2. Loaning money to any other directors;
3. Conducting any other illegal transactions.

#### **Article 43 (Lawsuits Filed Against Incorporators)**

@Article 33 of the Act on Corporate Governance of Financial Companies and Article 400 of the Commercial Act shall apply mutatis mutandis to incorporators of mutual companies. <Amended on Jul. 31, 2015>

#### **Article 44 (Application Mutatis Mutandis of the Commercial Act)**

@Articles 10 through 15, 17, 22, 23, 26, 27, 29 through 33, 35, 37 through 40, 87 through 89, 91, 92, 171 through 173, 176, 177, 181 through 183, 288, 289 (3), 292, 310 through 316, and 322 through 327 of the Commercial Act shall apply mutatis mutandis to mutual companies.

#### **Article 45 (Application Mutatis Mutandis of the Non-Contentious Case Procedure Act)**

@Articles 72 (1) and (2), 73, 77, 78, 80, 81, 84, 85, 90 through 100, 117 through 121, 123 through 127 of the Non-Contentious Case Procedure Act shall apply mutatis mutandis to mutual companies.

#### **Article 45-2 (Application Mutatis Mutandis of the Commercial Registration Act)**

Articles 3, 5 (2) and (3), 6 through 11, 14, 17 through 30, 53 through 55, 61 (2), 66, 67, 94, 95, 102, 114 through 128 and 131 of the Commercial Registration Act shall apply mutatis mutandis to mutual companies.

### **Subsection 2 Rights and Duties of Members**

#### **Article 46 (Indirect Responsibility)**

Members of a mutual company may not take any direct responsibility for the creditors of their company.



**Article 47 (Limited Liability)**

The liability of the members of every mutual company for the debts of their company shall be limited to their insurance premiums.

**Article 48 (Prohibition on Offset)**

No members of a mutual company may oppose the mutual company by offsetting the payment of premiums.

**Article 49 (Reduction in Amount of Insurance Proceeds)**

A mutual company shall stipulate matters concerning the reduction of insurance proceeds in its articles of incorporation.

**Article 50 (Succession of Life Insurance Contracts)**

A member of a mutual company that has been incorporated for the purpose of running life insurance business and Type 3 insurance business may have any other person succeed his or her right and duty after obtaining approval from his or her mutual company.

**Article 51 (Transfer of Objectives of Non-Life Insurance)**

Where a member of a mutual company that has been incorporated for the purpose of running non-life insurance business transfers the objectives of the insurance, the transferee may succeed to the rights and duties of the transferor after obtaining approval from the mutual company.

**Article 52 (Roll of Members)**

The roll of members of a mutual company shall contain the following matters:

1. Names and addresses of members;
2. Kinds of insurance contracts, amount of insurance proceeds and premiums of each member.

**Article 53 (Notification and Peremptory Notice)**

@Article 353 of the Commercial Act shall apply mutatis mutandis to the instruments of subscription for membership of mutual companies, or notification and peremptory notice to their respective members: Provided, That this shall not apply to notification and peremptory notice on matters concerning the insurance relationship.

#### **Article 54 (Agency of General Meeting of Members)**

- (1) A mutual company may determine an agency acting for general meetings of members in the articles of incorporation.
- (2) Regulations governing the general meeting of members shall apply mutatis mutandis to an agency referred to in paragraph (1).

#### **Article 55 (Voting Right)**

Members of a mutual company shall each have the right to cast one vote at general meetings of members: Provided, That this shall apply if the articles of incorporation carry any special regulations governing such voting right.

#### **Article 56 (Right to Request for Calling General Meetings of Members)**

- (1) Not less than 5/100 of the members of a mutual company may request for the convocation of general meetings of members by submitting a document stating the purpose of the meeting and the grounds for requesting such general meeting of members: Provided, That the articles of incorporation may set separate standards concerning the exercise of their rights.
- (2) Article 366 (2) and (3) of the Commercial Act may apply mutatis mutandis to cases under paragraph (1).

#### **Article 57 (Keeping and Perusal of Documents)**

- (1) Directors of a mutual company shall keep the articles of incorporation and minutes of the general meetings of members and the board of directors at each office and the roll of members at its principal office.
- (2) Members and creditors of a mutual company may peruse or copy documents referred to in paragraph (1) at any time during business hours, and request the issuance of certified or abridged copies by paying expenses set by the company.

#### **Article 58 (Exercise of Rights by Minority Members of Mutual Companies)**

@Article 33 of the Act on Corporate Governance of Financial Companies shall apply mutatis mutandis to mutual companies. In such cases, "the total number of stocks issued" and "persons who holds stocks as prescribed by Presidential Decree" shall be construed as "the total number of members" and "members," respectively. <Amended on Jul. 31, 2015>

#### **Article 59 (Application Mutatis Mutandis of the Commercial Act)**

- (1) Articles 362, 363 (1) and (2), 364, 365 (1) and (3), 367, 368 (1), (3) and (4), 371 (2), 372, 373 and 375 through 381 of the Commercial Act shall apply mutatis mutandis to general meetings of members of mutual companies.

(2) Articles 382, 383 (2) and (3), 385, 386, 388, 389, 393, 395, 398, 399 (1), 401 (1), 407 and 408 of the Commercial Act shall apply mutatis mutandis to directors of mutual companies.

(3) Article 33 of the Act on Corporate Governance of Financial Companies and Articles 382, 385, 386, 388, 394, 399 (1), 401 (1), 407, 410 through 412, 412-2 through 412-4, 413, 413-2 through 414 (3) of the Commercial Act shall apply mutatis mutandis to auditors of mutual companies. <Amended on Jul. 31, 2015>

#### Subsection 4 Accounting of Companies

##### **Article 60 (Reserves for Making up for Losses)**

(1) A mutual company shall accumulate reserves from the surplus of each business year, to make up for losses.

(2) The total amount of the reserves under paragraph (1) and the minimum amount of the reserves to be accumulated in each year shall be prescribed by the articles of incorporation.

##### **Article 61 (Restrictions on Payment of Interest Accruing from Fund)**

(1) A mutual company shall pay interest accruing from the fund only after it makes up for losses with such interest.

(2) A mutual company shall redeem the fund and distribute the surplus only after it redeems the total amount of its establishment expenses and business expenses and deducts the reserves under Article 60 (1).

(3) Where a mutual company pays interest accruing from the fund, redeems the fund, or distributes the surplus, in violation of paragraphs (1) and (2), creditors of the mutual company may have such payment, redemption and distribution refunded.

##### **Article 62 (Reserves for Redeeming Fund)**

Where a mutual company redeems the fund, it shall reserve the same amount as the amount of redemption.

##### **Article 63 (Distribution of Surplus)**

The surplus of a mutual company shall be distributed to its members as at the end of each business year, unless otherwise specifically provided for in its articles of incorporation.

##### **Article 64 (Application Mutatis Mutandis of the Commercial Act)**

@Articles 447, 447-2 through 447-4, 448 through 450, 452 and 468 of the Commercial Act shall apply mutatis mutandis to the accounting of mutual companies.

#### Subsection 5 Amendment to Articles of Incorporation

## **Article 65 (Amendment to Articles of Incorporation)**

- (1) Where a mutual company intends to change its articles of incorporation, it shall undergo a resolution at a general meeting of members.
- (2) Article 55 of this Act and the Articles of 363 (1) and (2), 364, 368 (3) and (4), 371 (2), 372, 373, 376 through 381 and 433 (2) of the Commercial Act shall apply mutatis mutandis to cases under paragraph (1).

## **Subsection 6 Resignation of Members**

### **Article 66 (Grounds of Resignations)**

- (1) A member of a mutual company shall resign from his or her company on any of the following grounds:
  1. Any ground stipulated in the articles of incorporation arises;
  2. Extinguishment of an insurance relationship.
- (2) Article 283 of the Commercial Act shall apply mutatis mutandis to the death of a member of any mutual company.

### **Article 67 (Right to Claim Refund)**

- (1) A member who resigns from his or her mutual company may claim the refund of an amount entitled to claim, as prescribed by the articles of incorporation or his or her insurance policy.
- (2) Where a member who resigns has a debt owed to his or her mutual company, the relevant mutual company may deduct such debt from the amount referred to in paragraph (1).

### **Article 68 (Deadline for Refund and Prescription)**

- (1) The refund of an amount belonging to the right of a member who resigns from his or her mutual company shall be made within three months from the date on which the business year in which the date of his or her resignation falls ends.
- (2) Where a right of any retired member to claim a refund is not exercised for two years after the period stipulated under paragraph (1) expires, it shall be extinguished by prescription.

## **Subsection 7 Dissolution**

### **Article 69 (Public Announcement of Dissolution)**

- (1) If a mutual company resolves to dissolve itself, it shall give public announcement on a summary of the resolution and its balance sheet within two weeks from the date on which such resolution is authorized in accordance with Article 139.
- (2) Articles 141 (2) through (4), 145 and 149 shall apply mutatis mutandis to cases under paragraph (1).

#### **Article 70 (Application Mutatis Mutandis of the Commercial Act)**

(1) Articles 174 (3), 175 (1), 228, 232, 234 through 240, 522 (1) and (2), 526 (1), 527 (1) and (2), 528 (1) and 529 of the Commercial Act shall apply mutatis mutandis to mutual companies. In such cases, "Article 317" in Article 528 (1) of the Commercial Act shall be construed as "Article 40 of the Insurance Business Act."

(2) Article 39 (2) shall apply mutatis mutandis to appointments provided for in Article 175 (1) of the Commercial Act.

### **Subsection 8 Liquidation**

#### **Article 71 (Liquidation)**

If a mutual company is dissolved, it shall be liquidated in accordance with the provisions of this Subsection, with the exception of a merger and bankruptcy.

#### **Article 72 (Order in Disposal of Assets)**

(1) The liquidator of a mutual company shall dispose of its assets according to the following orders:

1. The repayment of general debts;
2. The payment of insurance proceeds to members and the payment of the amount of money to be refunded to its members under Article 158 (2);
3. The redemption of the fund.

(2) The remainder of assets, if any, after being disposed of under paragraph (1), shall be distributed to its members in the same rate as the surplus is distributed, unless otherwise specifically provided for in its articles of incorporation.

#### **Article 73 (Application Mutatis Mutandis of the Commercial Act)**

@Articles 56 and 57 of this Act and Article 33 of the Act on Corporate Governance of Financial Companies and Article 245 and Articles 253 through 255, 259, the proviso to Article 260, Articles 264, 328, 362, 367, 373 (2), 376, 377, 382 (2), 386, 388, 389, 394, 398, 399 (1), 401 (1), 407, 408, 411, 412, 412-2 through 412-4, 413, 414 (3), 448 through 450, 531 through 537, 539 (1), 540 and 541 of the Commercial Act shall apply mutatis mutandis to the liquidation of mutual companies. <Amended on Jul. 31, 2015>

### **SECTION 4 Local Branches of Foreign Insurers**

#### **Article 74 (Revocation of Licenses for Local Branches of Foreign Insurers)**

(1) Where the main office of a foreign insurer falls under any of the following subparagraphs, the Financial Services Commission may revoke the license of insurance business for the local branch of such

foreign insurer after holding a hearing:

1. Where the main office is liquidated after a merger, the transfer of business, etc.;
  2. Where the main office is subject to a measure equivalent to a disposition provided for in Article 134 (2) from a foreign supervisory agency on the grounds of its illegal act, unfair business practices, etc.;
  3. Where the main office suspends or closes its business.
- (2) Where the Financial Services Commission deems it difficult for the local branch of a foreign insurer to carry on its insurance business as it falls under any of the following cases, it may suspend business or take any other necessary measures, or revoke the licenses of insurance business after holding a hearing in order to protect the public interest and policyholders: *<Amended on Mar. 24, 2020>*
1. Where it violates this Act or any order or disposition issued under this Act;
  2. Where it violates the Act on the Protection of Financial Consumers or any order or disposition issued under that Act;
  3. Where the main office of the foreign insurer violates statutes or regulations of its home country;
  4. Other cases where the local branch of a foreign insurer is deemed incapable of operating insurance business.
- (3) Where the main office of any foreign insurer falls under any subparagraph of paragraph (1), the local branch of such foreign insurer shall report such fact to the Financial Services Commission within seven days from the date on which the grounds therefor arise.

#### **Article 75 (Obligation to Hold Local Assets)**

- (1) Local branches of foreign insurers shall hold assets equivalent to the liability reserves and the emergency-risk reserves accumulated under Article 120 in the Republic of Korea with respect to insurance contracts concluded in the Republic of Korea.
- (2) Kinds, scopes, etc. of assets to be held in the Republic of Korea pursuant to paragraph (1) shall be prescribed by Presidential Decree.

#### **Article 76 (Representatives of Local Branches)**

- (1) Article 209 of the Commercial Act shall apply mutatis mutandis to the local branches of foreign insurers.
- (2) The representative of the local branch of a foreign insurer shall retain their rights and duties as the representative, even after his or her resignation until the name and address of his or her successors are registered in accordance with Article 614 (3) of the Commercial Act.
- (3) The representative of a local branch of a foreign insurer shall be deemed executive officers of an insurance company under this Act.

#### **Article 77 (Persons in Charge of Clearing Up Remaining Business)**

(1) Where the main office of a foreign insurer licensed under Article 4 closes its insurance business or is dissolved, or closes its insurance business in the Republic of Korea or the license is revoked, the Financial Services Commission may appoint or dismiss persons in charge of clearing up the remaining business, if deemed necessary to do so.

(2) Articles 76 (1) and 157 shall apply mutatis mutandis to the persons in charge of clearing up the remaining business referred to in paragraph (1).

(3) Article 160 shall apply mutatis mutandis to paragraph (1).

#### **Article 78 (Registration)**

(1) Article 41 shall apply mutatis mutandis to local branches of a foreign insurer which is a mutual company (hereinafter referred to as "foreign mutual company").

(2) When a local branch of a foreign mutual company intends to file its registration, the representative of such local branch shall file an application stating its principal office in the Republic of Korea, and the name and address of its representative, accompanied by the following documents:

1. Documents attesting the presence of the principal office in the Republic of Korea;

2. Documents attesting the representative's qualifications;

3. Articles of incorporation or any other documents by which the nature of the company is discernable.

(3) Documents referred to in paragraph (2) shall be each certified by any competent agency in the home country of the relevant foreign mutual company.

#### **Article 79 (Application Mutatis Mutandis of the Commercial Act)**

(1) Chapter III of the Part I (excluding Article 16), Articles 22, 23, 24, 26, the Chapter V and VI of the Part I, the Chapter V of the Part II (excluding Article 90) and Article 177 of the Commercial Act shall apply mutatis mutandis to local branches of foreign mutual companies.

(2) Articles 619 and 620 (1) and (2) of the Commercial Act shall apply where the local branch of a foreign insurer opens the principal office in the Republic of Korea, or any person engaged in soliciting insurance contracts for any local branch of a foreign insurer opens the office of business.

#### **Article 80 (Application Mutatis Mutandis of the Non-Contentious Case Procedure Act)**

@Articles 72 (3), 101 (2), and 128 of the Non-Contentious Case Procedure Act shall apply mutatis mutandis to local branches of foreign mutual companies.

#### **Article 80-2 (Application Mutatis Mutandis of the Commercial Registration Act)**

@Articles 3, 5 (2) and (3), 7 through 11, 14, 17 through 19, 22 through 24, 26 through 30, 53, 55, 61 (2), 66, 67, 113 through 119, 121 through 128 and 131 of the Commercial Registration Act shall apply mutatis mutandis to local branches of foreign mutual companies.

#### **Article 81 (Legal Fiction of Resolution of General Meeting of Shareholders)**

In applying Articles 141, 142, 144 (1), and 146 (2) to a foreign insurer's local branch, "the date a resolution under Article 138 was adopted" "the date a transfer agreement was prepared" in Articles Article 141 (1); "the date a resolution was adopted at a general meeting of stockholders, etc" in Articles Articles 142 and 144 (1); and "when a transfer contract is prepared" in Article 146 (2), "after a resolution is adopted to transfer an insurance contract" shall be construed as "after a transfer contract is prepared".

#### **Article 82 (Exclusion from Application)**

(1) Part concerning the dissolution and merger in Articles 8, 138 and 139, and Articles 141 (4), 148, 149, 151 through 154, 156, 157 and 159 through 161 shall not apply to local branches of foreign insurers.

*<Amended on Jul. 31, 2015>*

(2) Provisions concerning resolutions passed at general meetings of shareholders in Chapter VIII shall not apply to local branches of foreign insurers.

## **CHAPTER IV SOLICITATION**

### **SECTION 1 Persons Engaged in Solicitation**

#### **Article 83 (Persons Entitled to Be Engaged in Solicitation)**

(1) Persons entitled to be engaged in the insurance solicitation shall be any of the following:

1. Insurance solicitors;
2. Insurance agencies;
3. Insurance brokers;
4. Executive officers or employees of an insurance company (excluding the representative director, outside directors, auditors and members of the audit committee; hereafter the same shall apply in this Chapter).

(2) Insurance agencies, etc. of a financial institution under Article 91 shall not require executive officers and employees of the financial institution to engage in insurance solicitation, nor shall they pay consideration to the executive officers and employees of the financial institution after requiring them to provide consultation or introduction on the conclusion of an insurance contract, as prescribed by Presidential Decree.

#### **Article 84 (Registration of Insurance Solicitors)**

(1) Each and every insurance company, insurance agency and certified insurance broker (hereafter referred to as "insurance company, etc." in this Section) shall register any person who intends to be an insurance solicitor belonging thereto with the Financial Services Commission.



(2) None of the following persons shall become an insurance solicitor: *<Amended on Apr. 17, 2018; Mar. 24, 2020>*

1. A person under adult guardianship or under limited guardianship;
  2. A person who was declared bankrupt and who has yet to be reinstated;
  3. A person who has been sentenced to a fine or to heavier punishment under this Act or the Act on the Protection of Financial Consumers, and in whose case two years have not yet passed since the expiration of the term of sentence (including cases where the execution of such sentence is deemed terminated), or since the decision to exempt such sentence has been made;
  4. A person who is under suspension of the execution of imprisonment without labor or heavier punishment declared by a court under this Act or the Act on the Protection of Financial Consumers;
  5. A person who has suffered the revocation of his or her registration as an insurance solicitor, insurance agency or certified insurance broker under this Act (excluding where such registration was revoked by falling under subparagraph 1 or 2) and in whose case two years have not yet passed since the date on which the registration was revoked;
  6. A person who is subject to the disposition for the revocation of his or her registration as an insurance solicitor, insurance agency or certified insurance broker under this Act at least twice and in whose case three years have not yet passed since the date on which the final disposition of the revocation of registration was taken;
  7. A person (only applicable to a person prescribed by Presidential Decree who takes direct or equivalent responsibility for the occurrence of the grounds for a disposition) who was an executive officer or employee of an insurance agency or certified insurance broker that is subject to the disposition for administrative fines or penalty surcharges but fails to pay them, or that subject to the disposition for business suspension or the revocation of registration under this Act or the Act on the Protection of Financial Consumers, and in whose case two years have not yet passed from the date on which the dispositions of administrative fines, penalty surcharges, business suspension and the revocation of registration is taken;
  8. A minor who does not have the same capability as that of an adult in engaging in business and whose legal representative falls under subparagraphs 1 through 7;
  9. A corporation, or an association or foundation other than a corporation which has an executive officer or manager falling under any of subparagraph 1 through 7;
  10. A person who has appropriated premiums, loans or insurance proceeds which he or she has received in connection with the solicitation for any other purposes, and in whose case three years have not yet passed since the date on which he or she has appropriated such premiums, loans or insurance proceeds.
- (3) Necessary matters concerning the classification of insurance solicitors, requirements for their registrations, business standards, scope of business and any other matters shall be prescribed by Presidential Decree.

### **Article 85 (Restrictions on Solicitation by Insurance Solicitors)**

- (1) No insurance company, etc. may entrust an insurance solicitor belonging to any other insurance company, etc. with the insurance solicitation.
- (2) No insurance solicitor may perform the insurance solicitation for any insurance company, etc. other than the insurance company to which he or she belongs.
- (3) Paragraphs (1) and (2) shall not apply to any of the following cases:
  1. Where an insurance solicitor belonging to a life insurance company or an insurance company specialized in the Type 3 insurance business performs the insurance solicitation only for one non-life insurance company;
  2. Where an insurance solicitor belonging to a non-life insurance company or an insurance company specialized in the Type 3 insurance business performs the insurance solicitation only for one life insurance company;
  3. Where an insurance solicitor belonging to a life insurance company or a non-life insurance company performs the insurance solicitation only for one insurance company specialized in the Type 3 insurance business.
- (4) Matters to be observed by insurance companies and insurance solicitor subject to the application of paragraph (3) in performing the insurance solicitation shall be prescribed by Presidential Decree.

### **Article 85-2 (Training of Insurance Solicitors)**

- (1) An insurance company, etc. shall provide its insurance solicitors with training on the solicitation of insurance contracts, as prescribed by Presidential Decree.
- (2) An insurance agency and a certified insurance broker, other than a corporation, shall receive the training stipulated under paragraph (1), as prescribed by Presidential Decree.

### **Article 85-3 (Prohibition against Unfair Conducts to Insurance Solicitors)**

- (1) No insurance company, etc. shall perform any of the following when entrusting an insurance solicitor, etc. with the solicitation of insurance contracts: *<Amended on Oct. 15, 2014>*
  1. Failure to issue an entrustment contract of insurance solicitation;
  2. Failure to fulfill contractual provisions stipulated under an entrustment contract;
  3. Terminating an entrustment contract for reasons other than requirements for termination stipulated in the entrustment contract;
  4. Refusing to terminate an entrustment contract requested by an insurance solicitor without good cause;
  5. Compelling an insurance solicitor to conduct affairs other than entrusted affairs stipulated in an entrustment contract;
  6. Not paying or delayed paying all or any part of a commission that should be paid to an insurance solicitor without good cause;

7. Withdrawing a commission paid to an insurance solicitor without good cause;
  8. Compelling an insurance solicitor to pay an insurance premium on behalf of the insured;
  9. Other unfair practices prescribed by Presidential Decree.
- (2) Any insurance association established pursuant to Article 175 (hereinafter referred to as "insurance association") may formulate regulations to be observed by insurance companies, etc. in order to prevent the insurance companies, etc. from performing the unfair conduct of entrusting solicitation to insurance solicitors.

#### **Article 85-4 (Duty to Take Protection Measures for Customer Service Employees)**

- (1) An insurance company shall take the following measures to protect its employees who provide face-to-face customer service from verbal abuse, sexual harassment, assault, etc. committed by customers:
1. Separation of an employee from a customer at issue and replacement of him or her with other persons for the service where the employee requests so;
  2. Assistance in medical treatments and counselling for employees;
  3. Establishment of a regular department for grievance handling for employees who provide face-to-face customer service: Provided, That where a grievance handling committee member is appointed pursuant to Article 26 of the Act on the Promotion of Workers' Participation and Cooperation, appointment or commission of a grievance handling committee member dedicated for employees who provide face-to-face customer service;
  4. Other measures prescribed by Presidential Decree, including legal measures necessary for the protection of employees.
- (2) Employees may request an insurance company to take measures referred to in the subparagraphs of paragraph (1).
- (3) An insurance company shall not impose any disadvantage upon an employee for a request he or she made under paragraph (2).

#### **Article 86 (Revocation of Registration)**

- (1) Where an insurance solicitor falls under any of the following subparagraphs, the Financial Services Commission shall revoke his or her registration:
1. Where he or she falls under any of the subparagraphs of Article 84 (2);
  2. Where he or she is found to fall under any of the subparagraphs of Article 84 (2) as at the time of his or her registration;
  3. Where he or she makes a registration under Article 84 by fraud or other improper means;
  4. Where he or she is subject to a disposition of business suspension under this Act on at least two occasions.
- (2) Where an insurance solicitor falls under any of the following subparagraphs, the Financial Services Commission may order him or her to suspend his or her work for the specified period of up to six months,

or revoke his or her registration: <Amended on Jan. 14, 2014; Mar. 24, 2020>

1. Where he or she violates the provisions of this Act governing insurance solicitation;
  2. Where he or she, as an insurance policyholder, an insured person or a person that is to receive insurance money, violates Article 102-2;
  3. Where he or she violates Article 102-3;
  4. Where he or she violates an order or disposition under this Act;
  5. Where he or she is subject to the disposition for administrative fines under this Act on at least two occasions;
  6. Where he or she falls under any subparagraph of Article 51 (1) 3 through 5 of the Act on the Protection of Financial Consumers;
  7. Cases prescribed by Presidential Decree out of the cases falling under the main clause, with the exception of the subparagraphs, of Article 51 (2) of the Act on the Protection of Financial Consumers (limited to where an order is issued to suspend business).
- (3) Where the Financial Services Commission intends to revoke the registration, or order the suspension of business pursuant to paragraph (1) or (2), it shall hear opinions from the relevant insurance solicitor.
- (4) Where the Financial Services Commission revokes the registration of any insurance solicitor, or orders any insurance solicitor to suspend his or her work, it shall inform the relevant insurance solicitor and his or her insurance company, without delay, of its purport in writing stating the grounds therefor.

#### **Article 87 (Registration of Insurance Agencies)**

- (1) A person who intends to be an insurance agency shall file a registration separately for an individual and a corporation with the Financial Services Commission, as prescribed by Presidential Decree.
- (2) A person falling under the following may not become an insurance agency:
  1. A person who falls under each subparagraph of Article 84 (2);
  2. A person registered as an insurance solicitor or certified insurance broker;
  3. An executive officer or employee of any other insurance company, etc.;
  4. A person who is deemed to fall under subparagraph 1 pursuant to foreign statutes and regulations;
  5. A person prescribed by Presidential Decree who is likely to engage in any unfair solicitation such as substantially restricting competition, etc.
- (3) The Financial Services Commission may require any insurance agency registered under paragraph (1) to deposit business bonds in the institution designated by the Financial Services Commission.
- (4) Necessary matters concerning the classification of an insurance agency, requirements for its registration, business standards, the ceiling on the amount of business bonds shall be prescribed by Presidential Decree.

#### **Article 87-2 (Qualifications for Executive Officers of Corporate Insurance Agencies)**

(1) A person falling under the following may not become an executive officer (referring to a director, an auditor, or a person prescribed by Presidential Decree who is substantially in the position equivalent thereto) of an insurance agency which is a corporation (hereinafter referred to as "corporate insurance agency"): <Amended on Jul. 31, 2015; Mar. 24, 2020>

1. A person who falls under Article 5 (1) 1, 2, or 4 of the Act on Corporate Governance of Financial Companies;
  2. A person who falls under Article 84 (2) 5 through 7;
  3. A person in whose case three years have not passed since the completion of, or exemption from, a sentence of imprisonment without labor, or a heavier punishment (including cases where the execution of such sentence is deemed terminated), as so declared by a court;
  4. A person in whose case three years have not passed since the completion of, or exemption from, a sentence of an administrative fine, or heavier punishment under this Act or the Act on the Protection of Financial Consumers, as so declared by a court.
- (2) Detailed matters concerning the qualification requirements for executive officers under paragraph (1) shall be prescribed by Presidential Decree.

#### **Article 87-3 (Scope of Business of Corporate Insurance Agencies)**

- (1) A corporate insurance agency shall not engage in affairs other than those prescribed by Presidential Decree which are not likely to undermine the protection of policyholders, or affairs of soliciting insurance contracts.
- (2) A corporate insurance agency shall give public notice of significant business matters prescribed by Presidential Decree, such as management status, etc., as prescribed by Presidential Decree, and inform the Financial Services Commission thereof.

#### **Article 88 (Revocation of Registration of Insurance Agencies)**

- (1) Where an insurance agency falls under any of the following subparagraphs, the Financial Services Commission shall revoke its registration:
  1. When it falls under any subparagraph of Article 87 (2);
  2. When it is found to be a person falling under any of the subparagraphs of Article 87 (2) as at the time of its registration;
  3. When it has made a registration under Article 87 by fraud or other improper means;
  4. When it violates Article 87-3 (1);
  5. When it violates Article 101.
- (2) Where an insurance agency falls under any of the following subparagraphs, the Financial Services Commission may order the suspension of business within the specified period of up to six months, or revoke the registration thereof: <Amended on Jan. 14, 2014; Mar. 24, 2020>

1. Where it violates any of the provisions of this Act that governs solicitation;
  2. Where it, as an insurance policyholder, an insured person or a person that is to receive insurance money, violates Article 102-2;
  3. Where it violates Article 102-3;
  4. Where it violates an order or disposition under this Act;
  5. Where it falls under any subparagraph of Article 51 (1) 3 through 5 of the Act on the Protection of Financial Consumers;
  6. Cases prescribed by Presidential Decree out of the cases falling under the main clause, with the exception of the subparagraphs, of Article 51 (2) of the Act on the Protection of Financial Consumers (limited to where an order is issued to suspend business);
  7. Where an insurance solicitor of the relevant insurance agency falls under subparagraphs 1 and 4 through 6.
- (3) Article 86 (3) and (4) shall apply mutatis mutandis to insurance agencies.

#### **Article 89 (Registration of Insurance Brokers)**

- (1) A person who intends to be a certified insurance broker shall file a registration separately for an individual or a corporation with the Financial Services Commission.
- (2) No person who falls under the following may become a certified insurance broker:
  1. A person who falls under any subparagraph of Article 84 (2);
  2. A person registered as an insurance solicitor or insurance agency;
  3. An executive officer or employee of any other insurance company, etc.;
  4. A person who falls under Article 87 (2) 4 or 5;
  5. A corporation the liabilities of which exceed its assets.
- (3) In order for a certified insurance broker registered under paragraph (1) to guarantee the indemnification of losses the certified insurance broker has inflicted on policyholders in connection with the brokering of the conclusion of insurance contracts, the Financial Services Commission may require the certified insurance broker to deposit business bonds in the institution designated by the Financial Services Commission, or to buy an insurance policy, or take any other necessary measure.
- (4) Necessary matters concerning the classification of a certified insurance broker, requirements for its registration, business standards, the ceiling on the amount of business bonds shall be prescribed by Presidential Decree.

#### **Article 89-2 (Qualifications for Executive Officers of Certified Corporate Insurance Brokers)**

- (1) No person falling under the following may become an executive officer of a certified insurance broker who is a corporation (hereinafter referred to as "corporate insurance broker"): *<Amended on Jul. 31, 2015; Mar. 24, 2020>*

1. A person who falls under Article 5 (1) 1, 2 or 4 of the Act on Corporate Governance of Financial Companies;
  2. A person who falls under Article 84 (2) 5 through 7;
  3. A person in whose case three years have not passed since the completion of, or exemption from, a sentence of imprisonment without labor, or heavier punishment (including cases where the execution of such sentence is deemed terminated), as so declared by a court;
  4. A person in whose case three years have not passed since the completion of, or exemption from, a sentence of an administrative fine, or heavier punishment under this Act or the Act on the Protection of Financial Consumers (including cases where the execution of such sentence is deemed terminated), as so declared by a court.
- (2) Detailed matters concerning the qualification requirements for executive officers under paragraph (1) shall be prescribed by Presidential Decree.

#### **Article 89-3 (Scope of Business of Certified Corporate Insurance Brokers)**

- (1) No corporate insurance broker shall engage in affairs other than those prescribed by Presidential Decree which are not likely to undermine the protection of policyholders, or soliciting affairs of insurance contracts.
- (2) A corporate insurance broker shall give public notice of significant business matters prescribed by Presidential Decree, such as management status, etc., as prescribed by Presidential Decree, and inform the Financial Services Commission thereof.

#### **Article 90 (Revocation of Registrations of Certified Insurance Brokers)**

- (1) Where a certified insurance broker falls under any of the following subparagraphs, the Financial Services Commission shall revoke his or her registration:
  1. Where he or she falls under any subparagraph of Article 89 (2): Provided, That this shall not apply to a corporation prescribed by Presidential Decree that temporarily holds its liabilities in excess of its assets in cases falling under subparagraph 5 of the same paragraphs;
  2. Where he or she is found to fall under any subparagraph of Article 89 (2) as at the time of his or her registration;
  3. Where he or she has made a registration under Article 89 by fraud or other improper means;
  - 3-2. Where he or she violates Article 89-3 (1);
  4. Where he or she violates Article 101.
- (2) Where a certified insurance broker falls under any of the following subparagraphs, the Financial Services Commission may order the suspension of business within the specified period of up to six months, or revoke the registration thereof: <Amended on Jan. 14, 2014; Mar. 24, 2020>
  1. Where he or she violates the provisions of this Act governing solicitation;

2. Where he or she, as an insurance policyholder, an insured person or a person that is to receive insurance money, violates Article 102-2;
  3. Where he or she violates Article 102-3;
  4. Where he or she violates an order or disposition under this Act;
  5. Where he or she falls under any subparagraph of Article 51 (1) 3 through 5 of the Act on the Protection of Financial Consumers;
  6. Cases prescribed by Presidential Decree out of the cases falling under the main clause, with the exception of the subparagraphs, of Article 51 (2) of the Act on the Protection of Financial Consumers (limited to where an order is issued to suspend business);
  7. Where an insurance solicitor of the certified insurance broker falls under subparagraphs 1, and 4 through 6.
- (3) Article 86 (3) and (4) shall apply mutatis mutandis to certified insurance brokers.

#### **Article 91 (Business Standards for Insurance Agencies of Financial Institutions)**

(1) An institution falling under any of the following subparagraphs (hereinafter referred to as "financial institution") may register itself as an insurance agency or a certified insurance broker in accordance with Article 87 or 89:

1. A bank established pursuant to the Banking Act;
2. An investment trader or investment broker pursuant to the Financial Investment Services and Capital Markets Act;
3. A mutual savings bank established pursuant to the Mutual Savings Banks Act;
4. Any other institution prescribed by Presidential Decree which is an institution carrying on finance business pursuant to other Acts.

(2) The scope of insurance products which may be solicited by a financial institution registered as an insurance agency or a certified insurance broker pursuant to paragraph (1) (hereinafter referred to as "insurance agency, etc. of a financial institution") shall be prescribed by Presidential Decree considering the easiness of sales by the financial institution, and the possibility of unfair transactions, etc.

(3) Methods of insurance solicitation, the number of insurance solicitors, business standards and other necessary matters for an insurance agency, etc. of a financial institution shall be prescribed by Presidential Decree.

#### **Article 91-2 (Special Cases concerning Insurance Agencies of Financial Agencies)**

**Articles 87-2 (1) and 87-3 shall not apply to insurance agencies, etc. of financial agencies.**

#### **Article 92 (Duties of Certified Insurance Brokers)**



- (1) A certified insurance broker shall enter details related to brokerage that is performed for the conclusion of insurance contracts in books, and inform such details to policyholders, as prescribed by Presidential Decree, and also keep a book stating commissions to make it available for perusal by policyholders.
- (2) No certified insurance broker may become an executive officer or an employee of an insurance company nor concurrently engage in the business of an insurance company, an insurance solicitor, an insurance agency, a certified insurance actuary or a certified damage evaluator while he or she performs the brokerage of the conclusion of insurance contracts.

### **Article 93 (Matters to Be Reported)**

- (1) Where any of the following cases occurs, an insurance solicitor, insurance agency or certified insurance broker shall report the fact, without delay, to the Financial Services Commission:
1. Where a change occurs in matters entered in the documents submitted when filing a registration under Articles 84, 87 and 89;
  2. Where he or she falls under each subparagraph of Article 84 (2);
  3. Where he or she closes the business of insurance solicitation;
  4. Where he or she deceases in cases of an individual;
  5. Where a corporation is dissolved in cases of a corporation;
  6. Where an organization ceases to exist in cases of an association or a foundation that is not a corporation;
  7. Where an insurance agency or a certified insurance broker cancels the entrustment of insurance solicitation to his, her or its insurance solicitors;
  8. Where an insurance solicitor performs the insurance solicitation for another insurance company under Article 85 (3), or an insurance agency or a certified insurance broker concurrently solicits life insurance contracts and non-life insurance contracts.
- (2) The relevant successor in cases under paragraph (1) 4, the relevant liquidator, the business management executive officer or the bankruptcy administrator in cases under subparagraph 5 of the same paragraph, and the former manager in cases under subparagraph 6 of the same paragraph shall each file a report under paragraph (1).
- (3) Where an insurance company becomes aware of the fact that an insurance solicitor or insurance agency entrusted with the insurance solicitation falls under any subparagraph of paragraph (1), it shall report the fact to the Financial Services Commission, notwithstanding paragraphs (1) and (2).
- (4) Paragraph (3) shall apply mutatis mutandis to insurance agencies and certified insurance brokers. In such cases, "insurance agencies or certified insurance brokers" shall be construed as "insurance solicitors"

### **Article 94 (Registration Fees)**

Where a person who intends to become an insurance solicitor, insurance agency or a certified insurance broker under Articles 84, 87 and 89 files for registration, he, she or it shall each pay fees, as prescribed by

## SECTION 2 Matters to Be Observed In Relation to Insurance Solicitation

### Article 95 (Insurance Prospectuses)

(1) An insurance prospectus used for insurance solicitation (hereinafter referred to as "insurance prospectus") shall contain the following matters in a clear and easily understandable manner:

1. The firm name or title of the relevant insurance company, or the names, firm name or title of insurance solicitors, insurance agencies or certified insurance brokers;
2. Important matters concerning rights and duties accruing from being insured;
3. Matters concerning guarantees stipulated under insurance policies;
- 3-2. Matters concerning conditions of restricting the payment of insurance proceeds;
4. Matters concerning a refund following a surrender of insurance contracts;
5. Matters concerning the protection of depositors under the Depositor Protection Act;
6. Other matters prescribed by Presidential Decree to protect policyholders.

(2) Where matters concerning the assets and liabilities of an insurance company are entered in an insurance prospectus, such matters shall be the same as those entered in documents submitted to the Financial Services Commission in accordance with Article 118.

(3) Matters concerning a prospect on the future dividend or the distribution of the surplus of an insurance company shall not be entered in an insurance prospectus: Provided, That this shall not apply to cases prescribed by the Financial Services Commission as being deemed necessary to help the understanding of policyholders.

(4) Paragraphs (2) and (3) shall apply mutatis mutandis to where matters concerning the assets and liabilities of an insurance company and matters concerning a prospect on the future dividend or the distribution of the surplus of an insurance company are advertised to unspecified persons by any other means, such as broadcasting, websites, etc. for the purpose of facilitating insurance solicitation.

### Article 95-2 (Duty to Explain)

(1) Deleted. <Mar. 24, 2020>

(2) Deleted. <Mar. 24, 2020>

(3) An insurance company shall explain major processes from the conclusion of an insurance contract to the payment of insurance proceeds to an ordinary policyholder, as prescribed by Presidential Decree: Provided, That this shall not apply where the ordinary policyholder refuses such explanation.

(4) Where an ordinary policyholder requests for the payment of insurance proceeds, an insurance company shall explain the payment procedures, payment statements, etc. of the insurance proceeds to the ordinary policyholder, as prescribed by Presidential Decree, and where the insurance company pays a reduced amount of insurance proceeds or chooses not to pay them, it shall explain the reason therefor to the

ordinary policyholder.

**Article 95-3 Deleted.** <Mar. 24, 2020>

**Article 95-4 Deleted.** <Mar. 24, 2020>

**Article 95-5 (Duty to Verify Conclusion of Dual Contracts)**

(1) An insurance company or a person engaged in insurance solicitation shall verify if a potential policyholder has concluded an insurance contract which covers the same risk as that to be covered by the insurance contract he, she or it intends to solicit upon obtaining the consent of the potential policyholder, before soliciting insurance contracts prescribed by Presidential Decree, and shall promptly inform the potential policyholder of the verified details.

(2) Necessary matters concerning the procedures, etc. of verifying the conclusion of dual contracts under paragraph (1) shall be prescribed by Presidential Decree.

**Article 96 (Matters to Be Observed in Relation to Insurance Solicitation, Cancellation and Surrender Using Means of Communication)**

(1) A person who solicits an insurance contract using a means of communication, such as telephone, mail, computer communications, etc. shall be one entitled to be engaged in insurance solicitation pursuant to Article 83, and shall not solicit insurance contracts in a way of disturbing the calm lives of any third persons.

(2) Where any of the following cases occurs, an insurance company shall permit to use a means of communications:

1. Where a person who has subscribed for an insurance contract requests the verification or correction of details subscribed, or intends to cancel the subscription;
2. Where a policyholder intends to verify the details of the concluded contract;
3. Where a policyholder intends to cancel the concluded contract (limited to cases where the policyholder has consented to cancel a contract using a means of communication before concluding the contract).

(3) Necessary matters concerning the methods of soliciting insurance contracts using a means of communication pursuant to paragraph (1), and the methods of cancelling subscription using a means of communication pursuant to paragraph (2) shall be prescribed by Presidential Decree.

**Article 97 (Prohibited Conduct concerning Conclusion or Solicitation of Insurance Contracts)**

(1) No person engaged in the conclusion or solicitation of insurance contracts shall perform any of the following conduct in connection with the conclusion or solicitation thereof: <Amended on Jan. 14, 2014; Dec. 22, 2015>

1. Deleted; <Mar. 24, 2010>

2. Deleted; <Mar. 24, 2010>

3. Deleted; <Mar. 24, 2010>

4. Deleted; <Mar. 24, 2010>

5. Requiring a policyholder or the insured to subscribe a new insurance contract (only applicable to cases where the coverage of the new insurance contract is similar to that of the existing insurance contract, as prescribed by Presidential Decree; hereafter the same shall apply in this Article) by unfairly nullifying the already-concluded insurance contract (hereafter referred to as "existing insurance contract" in this Article), nullifying the existing insurance contract by requiring such policyholder or the insured to subscribe a new insurance contract, unfairly requiring any person to subscribe an insurance contract, or persuading aforementioned ones;

6. Soliciting an insurance contract for a person other than a de facto person holding a title, or soliciting an insurance contract without the consent of a de facto person holding a title;

7. Placing his or her signature instead, or permitting any third person to place his or her signature without having a policyholder or the insured mark his or her signature where the signature of the policyholder or the insured is required;

8. Soliciting insurance contracts in the name of any other person engaged in insurance solicitation;

9. Requiring a policyholder or the insured to subscribe an insurance contract for requesting for subscription using cash-loan relations with the policyholder or the insured;

10. Refusing the insurance subscription by a disabled person referred to in Article 2 of the Act on the Prohibition of Discrimination against Persons with Disabilities and Remedy against Infringement of Their Rights without good cause;

11. Interfering with the withdrawal of an application for insurance policy or the revocation of an insurance contract.

(2) Deleted. <Mar. 24, 2020>

(3) Where a person engaged in the conclusion or solicitation of insurance contracts commits any of the following acts, he or she shall be deemed to have unfairly nullified the existing insurance contract or to have had the existing insurance contract unfairly nullified, in violation of paragraph (1) 5:

1. Requiring a policyholder to subscribe a new insurance contract within one month from the date on which the existing insurance contract is nullified, or to nullify the existing insurance contract within one month from the date on which the policyholder subscribes the new insurance contract: Provided, That this shall not apply where it is attested that such conduct is based on the principal's will, as prescribed by Presidential Decree, such as where the policyholder places his or her signature to a document stating the fact that he or she is aware of the likelihood of potential losses when concluding the new insurance contract after nullifying the existing insurance contract;

2. Failure to inform the relevant policyholder or the insured of information comparing important matters prescribed by Presidential Decree, such as the insurance term, estimated interest rates, etc. of the

existing insurance contract and a new insurance contract where a person engaged in the conclusion or solicitation of insurance contracts requires a policyholder to subscribe a new insurance contract within six months from the date on which the existing insurance contract is nullified, or to nullify the existing insurance contract within six months from the date on which the policyholder subscribes the new insurance contract.

(4) Where a person engaged in the conclusion or solicitation of insurance contracts (excluding any certified insurance broker; hereafter the same shall apply in this paragraph) nullifies the existing insurance contract or has the existing insurance contract nullified, in violation of paragraph 1 (5), the relevant policyholder may claim the insurance company to which the person engaged in the conclusion or solicitation of the insurance contract belongs, or which has entrusted insurance solicitation to the said person to restore the nullified insurance contract within six months from the date on which the existing insurance contract is nullified and may cancel the new insurance contract.

(5) An insurance company shall, in receipt of a claim for the restoration of the nullified insurance contract under paragraph (4), consent to the claim for the restoration of the nullified insurance contract unless there is a compelling reason not to do so.

(6) Procedures for and methods of claiming the restoration of any insurance contract under paragraphs (4) and (5), and other necessary matters concerning the claim for the restoration of any insurance contract shall be prescribed by Presidential Decree.

#### **Article 98 (Prohibition against Provision of Special Benefits)**

No person that engages in the conclusion or solicitation of insurance contracts shall provide a policyholder or the insured, or promise to provide a policyholder or the insured with any of the following special benefits in connection with the conclusion or solicitation thereof: *<Amended on Oct. 15, 2014>*

1. Money and goods (excluding any money and goods not exceeding the amount prescribed by Presidential Decree);
2. The discount of premiums and the payment of commissions that are not based on the grounds prescribed in the basic documents;
3. The promise to pay the amount of insurance proceeds greater than that prescribed in the basic documents;
4. The payment of premiums on behalf of a policyholder or the insured;
5. The payment of interest on loans a policyholder or the insured has received from relevant insurance company for the policyholder or the insured;
6. The payment of the amount equivalent to interest on any check or bill received for premiums;
7. The renunciation of the exercise of the subrogating claim against the third party prescribed in Article 682 of the Commercial Act.

## **Article 99 (Prohibition on Payment of Commissions)**

(1) No insurance company may entrust a person other than those entitled to be engaged in insurance solicitation under Article 83 with insurance solicitation and pay any commission, remuneration or any other consideration in connection with the insurance solicitation: Provided, That this shall not apply to any of the following cases:

1. Where the entrustment and payment are made, as stipulated in the basic documents;
2. Where an insurance company underwrites any original insurance jointly with a foreign insurer outside the Republic of Korea, or underwrites any original insurance contract or any reinsurance contract outside the Republic of Korea through any foreign solicitation organization (limited to cases where such foreign solicitation organization is permitted to be engaged in insurance solicitation under any foreign statutes and regulations);
3. Other cases prescribed by Presidential Decree.

(2) Deleted. <Mar. 24, 2020>

(3) No certified insurance broker may claim any commission or any other consideration in connection to the brokerage of the conclusion of insurance contracts to any policyholder unless otherwise prescribed by Presidential Decree.

## **Article 100 (Prohibited Conducts of Insurance Agencies of Financial Institutions)**

(1) No insurance agency, etc. of a financial institution shall perform any of the following conduct in dealing with insurance solicitation: <Amended on Mar. 24, 2020>

1. Deleted; <Mar. 24, 2010>
2. Including premiums in the transactions of a loan, etc. without obtaining a consent thereto from the person who receives the loan or other service provided by the relevant financial institution (hereinafter referred to as "loan, etc.");
3. Requesting an executive officer or employee (excluding those entitled to be engaged in the insurance solicitation under Article 83) of the relevant financial institution to perform insurance solicitation or tolerating such insurance solicitation;
4. Performing insurance solicitation at a place other than offices of the relevant financial institution;
5. Using any personal information obtained through financial transactions unrelated to insurance solicitation for insurance solicitation without obtaining the consent of the relevant individual;
6. Other conducts prescribed by Presidential Decree which is similar to that referred to in subparagraphs 2 through 5.

(2) An insurance agency, etc. of a financial institution shall observe the following matters in dealing with insurance solicitation:

1. To inform a person who receives a loan, etc. of his or her failure to conclude an insurance contract the financial institution brokers or acts as an agent does not have no influence on receiving the loan, etc. where the financial institution persuades the person who receives the loan, etc. from itself to conclude

an insurance contract;

2. To inform a person who intends to subscribe insurance of the fact that the relevant financial institution is not an insurance company but an insurance agency or a certified insurance broker, and that the payment liability in the execution of the insurance contract rests with the relevant insurance company;

3. To provide a place where insurance contracts are solicited different from a place where the loan, etc. are extended to the extent that easily discernable by a person who intends to subscribe insurance;

4. Matters prescribed by Presidential Decree which are similar to those referred to in subparagraphs 1 through 3.

(3) No insurance agency, etc. of a financial institution and a person who intends to be the insurance agency, etc. of the financial institution shall perform any of the following conducts to any insurance company on condition that it acts as an agent for or brokers the conclusion of insurance contracts:

1. Requesting for a discount of any insurance contract, to which the financial institution is a contractor, requesting for granting of credit and financial support to the financial institution or requesting to deposit premiums, etc. in the financial institution;

2. Unfairly passing expenses or losses incurred in acting as an agent for or brokering the conclusion of insurance contracts on to the insurance company;

3. Making any other unfair request, etc. taking advantage of the superior status of the financial institution, which is prescribed by Presidential Decree.

(4) Specific standards for conduct referred to in paragraph (3) shall be prescribed by the Financial Services Commission, as prescribed by Presidential Decree.

#### **Article 101 (Prohibition on Representation of other Party)**

(1) An insurance agency or insurance broker shall not be mainly engaged in soliciting any insurance contract which is to make himself or herself or a person who employs himself or herself as the policyholder or the insured.

(2) Where the aggregate amount of premiums paid according to insurance contracts solicited by an insurance agency or insurance broker which is to make himself or herself or a person who employs himself or herself as the policyholder or the insured exceeds 50/100 of the premiums of insurance contracts solicited by such insurance agency or insurance broker, the relevant insurance agency or insurance broker shall be deemed to be mainly engaged in soliciting insurance contracts which is to make himself or herself or a person who employs himself or herself as the policyholder or the insured.

#### **Article 101-2 (Application Mutatis Mutandis of the Act on the Protection of Financial Consumers)**

(1) Article 19 (1) and (2) and Article 21 of the Act on the Protection of Financial Consumers shall apply mutatis mutandis to the duty of executive officers and employees of an insurance company to explain and the prohibition of unreasonable solicitation. In such cases, "financial product seller, etc." shall be

construed as "executive officers and employees of an insurance company."

(2) Article 22 (2) through (7) of the Act on the Protection of Financial Consumers shall apply mutatis mutandis to matters to be observed by the executive officers and employees of an insurance company in connection with advertisements. In such cases, "financial product seller, etc." shall be construed as "executive officers and employees of an insurance company."

(3) Article 25 (1) with the exception of its subparagraphs and subparagraph 2 of the same paragraph of the Act on the Protection of Financial Consumers shall apply mutatis mutandis to the cases where the executives and employees of an insurance company entrust insurance solicitation to a third party. In such cases, "sales agent or broker of financial products" shall be construed as "executive officers and employees of an insurance company" and "duties conducted or brokered as an agent or broker" as "solicitation by executive officers and employees of an insurance company."

## SECTION 3 Rights of Policyholders

**Article 102 Deleted.** <Mar. 24, 2020>

### **Article 102-2 (Obligation of Policyholders)**

No policyholder, person insured, person entitled to receive insurance proceeds, or interested persons in an insurance contract shall commit insurance fraud.

### **Article 102-3 (Obligations of Persons Engaged in Insurance-Related Business)**

No executive officer or employee of an insurance company, insurance solicitor, insurance agent, insurance broker, claims adjuster or other person engaged in insurance-related business shall perform any of the following acts:

1. Encouraging an insurance policyholder, an insured, a person that is to receive insurance money or any other person who has interest in an insurance contract to receive insurance money by intentionally causing an accident covered by insurance or fabricating the occurrence of an accident covered by insurance, which has not occurred;
2. Encouraging an insurance policyholder, an insured, a person that is to receive insurance money or any other person who has interest in an insurance contract to receive insurance money by fabricating the cause, time, content, etc. of an accident covered by insurance which has already occurred or exaggerating the level of loss.

**Article 102-4 Deleted.** <Mar. 24, 2020>

**Article 102-5 Deleted.** <Mar. 24, 2020>



### **Article 103 (Preferential Right to Be Paid from Business Bonds)**

Where a policyholder or a person entitled to receive insurance proceeds suffers losses in connection with brokering the conclusion of an insurance contract by a certified insurance broker, the policyholder or person entitled to receive insurance proceeds has a right to be paid in preference to any other creditors from the business bonds provided for in Article 89 (3).

## **CHAPTER V ASSET MANAGEMENT**

### **SECTION 1 Principles for Asset Management**

#### **Article 104 (Principles for Asset Management)**

- (1) An insurance company shall ensure the stability, liquidity, profitability and public interests in managing its assets.
- (2) An insurance company shall manage its assets under good stewardship.

#### **Article 105 (Prohibited or Restricted Asset Management)**

No insurance company shall manage its assets in any of the following manners:

1. Possession of real estate (excluding any real estate acquired by exercising a security right, such as a mortgage, etc.) other than that prescribed by Presidential Decree for business purposes;
2. Possession of real estate through special accounts established under Article 108 (1) 2;
3. Loans provided for the purpose of speculation in goods or securities;
4. Loans, whether direct or indirect, provided for the purpose of purchasing stocks of the relevant insurance company;
5. Loans, whether direct or indirect, provided for political funds;
6. Loans provided to executive officers or employees of the relevant insurance company (excluding any loan extended according to an insurance policy, or small amount loans prescribed by the Financial Services Commission);
7. Conduct prescribed by Presidential Decree as being likely to greatly undermine the stability of asset management.

#### **Article 106 (Methods and Ratio of Asset Management)**

- (1) No insurance company shall exceed the following ratios in managing assets under general accounts (including the special account under Article 108 (1) 1 and 4; hereafter the same shall apply in this Article) and assets under the special account pursuant to Article 108 (1) 2 (hereafter referred to as "special account" in this Article): *<Amended on May 19, 2020>*

1. Credit extended to the same individual or corporation:
  - (a) General accounts: 3/100 of the total assets;
  - (b) Special accounts: 5/100 of assets for respective special accounts;
2. The aggregate amount of bonds or stocks issued by the same corporation:
  - (a) General accounts: 7/100 of the total assets;
  - (b) Special accounts: 10/100 of assets for respective special accounts;
3. The aggregate amount of credit extended to the same borrower, or of the bonds and stocks issued by the same borrower:
  - (a) General accounts: 12/100 of the total assets;
  - (b) Special accounts: 15/100 of assets for respective special accounts;
4. The aggregate amount of large-amount credit extended to the same individual or corporation, the same borrower or large shareholder (including a specially related person to him or her; hereafter the same shall apply in this Section) in excess of 1/100 of the total assets:
  - (a) General accounts: 20/100 of the total assets;
  - (b) Special accounts: 20/100 of assets for respective special accounts;
5. Credit extended to large shareholders and subsidiaries prescribed by Presidential Decree:
  - (a) General accounts: 40/100 of equity capital (where an amount equivalent to 40/100 of equity capital is larger than that equivalent to 2/100 of the total assets, 2/100 of the total assets);
  - (b) Special accounts: 2/100 of assets for respective special accounts;
6. The aggregate amount of stocks owned by large shareholders and bonds issued by subsidiaries prescribed by Presidential Decree:
  - (a) General accounts: 60/100 of equity capital (where the amount equivalent to 60/100 of equity capital is larger than that equivalent to 3/100 of the total assets, 3/100 of the total assets);
  - (b) Special accounts: 3/100 of assets for respective special accounts;
7. Credit extended to the same subsidiary:
  - (a) General accounts: 10/100 of equity capital;
  - (b) Special accounts: 4/100 of assets for respective special accounts;
8. Possession of real estate:
  - (a) General accounts: 25/100 of the total assets;
  - (b) Special accounts: 15/100 of assets for respective special accounts;
9. Possession of foreign exchange under the Foreign Exchange Transactions Act or foreign real estate (in cases of assets retained in the same foreign currency as that for insurance proceeds paid under insurance denominated in a foreign currency, such assets shall not be included in calculating the asset management ratio within the limit of liability reserves, as prescribed by the Financial Services Commission):
  - (a) General accounts: 50/100 of the total assets;

(b) Special accounts: 50/100 of assets on respective special accounts;

10. The aggregate amount of consignment guarantee money (a stipulated amount in cases of over-the-counter derivatives), as prescribed by Presidential Decree for the transaction of derivatives under the Financial Investment Services and Capital Markets Act (excluding cases of meeting requirements for risk-hedging, as prescribed by the Financial Service Commission):

(a) General accounts: 6/100 of the total assets (less than 3/100 of the total assets in cases of over-the-counter derivatives);

(b) Special accounts: 6/100 of assets for respective special accounts (less than 3/100 of assets for respective special accounts in cases of over-the-counter derivatives).

(2) Where it is necessary to enhance soundness in asset management, or protect policyholders, the respective asset management ratios stipulated under each subparagraph of paragraph (1) may be reduced by up to 50/100 of the respective ratios, as prescribed by Presidential Decree, or may be separately determined by classifying issuing bodies, means of investment, etc.

(3) Notwithstanding paragraph (1), with regard to a special account equivalent to or less than the amount prescribed by Presidential Decree, the asset management ratio shall be applied thereto after including a special account in a general account.

#### **Article 107 (Exception of Restrictions on Asset Management)**

#### **Article 108 (Establishment and Operation of Special Account)**

(1) An insurance company may respectively establish and operate an account (hereinafter referred to as "special account") to use all or any part of the assets equivalent to the reserves separately from any other asset with respect to any of the following contracts, as prescribed by Presidential Decree: *<Amended on Dec. 8, 2020>*

1. Contracts for establishing a pension savings account prescribed in Article 20-3 (1) 2, with the exception of its items, of the Income Tax Act;

2. Insurance contracts prescribed in 29 (2) of the Act on the Guarantee of Employees' Retirement Benefits and retirement insurance contracts prescribed in the main clause of Article 2 (1) of the Addenda to the Act on the Guarantee of Employees' Retirement Benefits (Whole Amendment Act No. 10967);

3. Variable insurance contracts (referring to insurance contracts, insurance proceeds of which vary according to the performance of asset management);

4. Any other insurance contract deemed necessary by the Financial Services Commission.

(2) An insurance company shall handle the accounting of assets belonging to the special account separately from assets belonging to other special account and any other assets. *<Amended on Jul. 24, 2015>*

(3) An insurance company may distribute profits belonging to the special account to policyholders listed on the same account.

(4) Matters necessary for the protection of policyholders, such as methods of managing assets belonging to the special account, the appraisal of assets, the distribution of profits, the comparison and publication of the performance of asset management, securing asset management specialists, restrictions on the exercise of the voting right, and other relevant matters shall be prescribed by Presidential Decree.

#### **Article 109 (Restriction on Investment in other Companies)**

No insurance company may hold voting stocks issued by any other company in excess of 15/100 of the total number of such voting stocks (including investment shares): Provided, That this shall not apply to stocks of any subsidiary, the holding of which is approved (including cases where approval is deemed granted under the proviso to paragraph (1) of the aforesaid Article or which are reported under paragraph (2) or paragraph (3) of the aforesaid Article) by the Financial Services Commission in accordance with Article 115. *<Amended on Dec. 8, 2020>*

#### **Article 110 (Prohibited Conduct in Connection with Financial Support)**

(1) No insurance company shall perform any of the following conduct with another financial institution (referring to the financial institution under subparagraph 1 of Article 2 of the Act on the Structural Improvement of the Financial Industry; hereafter the same shall apply in this Article) or any other company: *<Amended on Apr. 5, 2013>*

1. Swapping its voting stocks for those of another financial institution or any other company to hold them for avoiding the limit on the asset management under Articles 106 and 108, or extending credit;
2. Swapping its stocks for other stocks to acquire them for avoiding restrictions on the acquisition of its own stocks under Article 341 of the Commercial Act and Article 165-3 of the Financial Investment Services and Capital Markets Act;
3. Any other conduct prescribed by Presidential Decree as being likely to greatly undermine the interests of policyholders.

(2) No insurance company may exercise its voting right on any stock acquired in violation of paragraph (1).

(3) The Financial Services Commission may take necessary measures to an insurance company which has acquired stocks or extended credit, in violation of paragraph (1), such as ordering it to dispose of such stocks or to recover the extended credit.

#### **Article 110-2 Deleted.** *<Mar. 24, 2020>*

#### **Article 110-3 (Demand for Fall in Interest Rates)**

(1) A person who has concluded a credit extension contract with an insurance company may demand a fall in interest rates from the insurance company where his or her credit standing is deemed improved in terms of an increase in his or her property, a rise in his or her credit rating, personal credit score, etc.. *<Amended*

on Feb. 4, 2020>

(2) An insurance company shall notify a person who intends to conclude a credit extension contract with the company of the fact that he or she can demand a fall in interest rates pursuant to paragraph (1).

(3) Other detailed matters concerning requirements and procedures for demanding a fall in interest rates shall be prescribed by Presidential Decree.

#### **Article 111 (Prohibition against Transactions with Large Shareholders)**

(1) No insurance company shall directly or indirectly perform any of the following with its large shareholders (excluding subsidiaries of an insurance company that is a person who has a special relationship with the large shareholders; hereafter the same shall apply in this paragraph): <Amended on Jul. 24, 2015>

1. Extending any credit to assist any large shareholder in investing in any other company;
2. Gratuitously transferring any asset, as prescribed by Presidential Decree, or performing trading or exchanges and extending creditor concluding reinsurance contracts on clearly disadvantageous terms to the relevant insurance company in light of the conventional terms of transactions.

(2) Where an insurance company intends to extend any credit in excess of the amount prescribed by Presidential Decree to a large shareholder, or to acquire bonds and stocks issued by a large shareholder in excess of the amount prescribed by Presidential Decree, the insurance company shall undergo the resolution of the board of directors in advance. In such cases, the board of directors shall pass such resolution with the consent of all incumbent directors.

(3) Where an insurance company performs any of the following with its large shareholders, the insurance company shall report the fact to the Financial Services Commission within seven days, and publicly announce the fact on its website, etc.:

1. Extending any credit in excess of the amount prescribed by Presidential Decree;
2. Acquiring bonds and stocks issued by large shareholders of the relevant insurance company in excess of the amount prescribed by Presidential Decree;
3. Exercising voting rights in the stocks issued by large shareholders of the relevant insurance company.

(4) An insurance company shall report to the Financial Services Commission matters concerning granting of credit to its large shareholders and its acquisition of bonds and stocks issued by its large shareholders on a quarterly basis, and publicly announce the fact on its website, etc., as prescribed by Presidential Decree.

(5) No large shareholder of an insurance company shall perform any of the following conduct for his or her own interest, against the interest of the insurance company: <Amended on Jul. 31, 2015>

1. Requesting the relevant insurance company to provide him or her with undisclosed materials or information for the purpose of exerting unfair influence: Provided, That this shall not apply to cases falling under Article 33 (7) of the Act on Corporate Governance of Financial Companies (including cases applied mutatis mutandis pursuant to Article 58);

2. Exerting unfair influence on the personnel administration and management of the relevant insurance company in collusion with any other shareholder and investors on condition that he or she provides them with benefit in return, such as economic interests, etc.;
  3. Receiving credit from the relevant insurance company in excess of the ratio prescribed in Article 106 (1) 4 and 5;
  4. Urging the relevant insurance company to hold his or her bonds and stocks in excess of the ratio prescribed in Article 106 (1) 6;
  5. Any other conduct prescribed by Presidential Decree as being performed for the purpose of his or her own interest as a large shareholder against the interest of the relevant insurance company.
- (6) Where the sound management of an insurance company is likely to be substantially harmed due to the insolvent financial structure, such as where the liabilities of large shareholders (limited to a company) of the insurance company exceed their asset, etc., as prescribed by Presidential Decree, the Financial Services Commission may take any of the following measures against the insurance company:
1. Prohibition against extending new credit to the large shareholders;
  2. Prohibition against newly acquiring securities issued by the large shareholders;
  3. Other measures prescribed by Presidential Decree, such as restrictions, etc. on transactions for finance large shareholders.

#### **Article 112 (Requests to Large Shareholders for Materials)**

Where the Financial Services Commission deems that an insurance company and its large shareholder are suspected of violating Articles 106 and 111, it may request the insurance company and the large shareholder to submit necessary materials.

#### **Article 113 (Prohibition on Debt Guarantee for Third Persons)**

No insurance company may offer its assets as a security or as debt guarantee for any third person: Provided, That this shall not apply where debt guarantee is permitted under this Act, or as prescribed by Presidential Decree.

#### **Article 114 (Methods of Appraising Assets)**

Necessary matters concerning methods of appraising assets to be acquired or disposed of by an insurance company, and restrictions, etc. on the issuance of bonds or borrowing of funds shall be prescribed by Presidential Decree.

## **SECTION 2 Subsidiaries**

#### **Article 115 (Holding of Subsidiaries)**

(1) An insurance company may hold a company that mainly performs the following business as its subsidiary after obtaining approval from the Financial Services Commission: Provided, That if approval, etc. for the ownership of the relevant stocks is obtained from the Financial Services Commission or if permission, authorization, etc. for establishment is obtained from the Financial Services Commission with requirements regarding ownership of the relevant stocks pursuant to Acts forming the basis for the establishment of the financial institutions, it shall be deemed that approval is obtained: *<Amended on Mar. 11, 2015; Feb. 4, 2020; Dec. 8, 2020>*

1. The financial business run by financial institutions under subparagraph 1 of Article 2 of the Act on the Structural Improvement of the Financial Industry;
2. The credit information business and claims collection service prescribed in the Credit Information Use and Protection Act;
3. Administering the maintenance, surrender, change, restoration, etc. of insurance contracts;
4. Other business prescribed by Presidential Decree which does not undermine the soundness of insurance business.

(2) Notwithstanding the main clause of paragraph (1), an insurance company may, in advance, report to the Financial Services Commission a company that mainly performs the business prescribed by Presidential Decree such as one closely related to the management of insurance business and hold it as its subsidiary. *<Newly Inserted on Dec. 8, 2020>*

(3) Notwithstanding the main clause of paragraph (1), an insurance company may hold as its subsidiary a company that mainly performs business closely related to asset management as prescribed by Presidential Decree without obtaining approval from the Financial Services Commission. In such cases, the insurance company shall report to the Financial Services Commission within a period prescribed by Presidential Decree. *<Newly Inserted on Dec. 8, 2020>*

(4) Notwithstanding paragraph (1) 1, where a large shareholder of an insurance company is a non-financial investor under Article 16-2 (1) of the Banking Act, the insurance company may not hold as its subsidiary a bank established under the Banking Act. *<Amended on Dec. 8, 2020>*

(5) Paragraphs (1) through (3) shall apply mutatis mutandis where a subsidiary held by an insurance company intends to add or change its business. *<Amended on Dec. 8, 2020>*

(6) The Financial Services Commission shall, upon receipt of a report under paragraph (2) (including cases where the aforesaid paragraph is applied mutatis mutandis pursuant to paragraph (5)), review the details of the report and accept the report if it complies with this Act. *<Newly Inserted on Dec. 8, 2020>*

(7) Necessary matters, such as the requirements and procedures for approval, or reporting under paragraphs (1) through (3) shall be prescribed by Presidential Decree. *<Newly Inserted on Dec. 8, 2020>*

#### **Article 116 (Prohibited Conduct with Subsidiaries)**

No insurance company shall perform any of the following conduct with its subsidiaries:

1. Gratuitously transferring any assets, as prescribed by Presidential Decree, trading or exchanging any assets, granting creditor concluding reinsurance contracts on apparently disadvantageous terms to the relevant insurance company in light of the conventional terms of transactions;
2. Extending credit using stocks held by its subsidiary as a security or extending credit to assist its subsidiary in investing in any other company;
3. Providing loans to executive officers or employees of its subsidiary (excluding any loan provided according to an insurance policy, or small amount loans prescribed by the Financial Services Commission).

#### **Article 117 (Obligation to Report on Subsidiaries)**

- (1) Where an insurance company holds a subsidiary, the insurance company shall submit the articles of incorporation of the subsidiary and documents prescribed by Presidential Decree to the Financial Services Commission within 15 days from the date on which it holds the subsidiary.
- (2) An insurance company shall submit the balance sheets of its subsidiaries and documents prescribed by Presidential Decree to the Financial Services Commission within three months from the date on which the business year of such subsidiaries ends.
- (3) Where the subsidiaries of an insurance company are those prescribed by Presidential Decree, part of the documents to be submitted under paragraphs (1) and (2) may be not submitted, as prescribed by Presidential Decree.

## **CHAPTER VI ACCOUNTING**

#### **Article 118 (Submission of Financial Statements)**

- (1) An insurance company shall close its accounting books on the date prescribed by Presidential Decree each year and shall submit its financial statements (including its supplementary details) and business reports to the Financial Services Commission, as prescribed by the Financial Services Commission within three months from the date on which such accounting books are closed.
- (2) An insurance company shall submit a report stating details of its business of each month to the Financial Services Commission by the last day of the following month, as prescribed by Presidential Decree.
- (3) An insurance company may submit the documents referred to in paragraphs (1) and (2) in electronic documents, as prescribed by Presidential Decree.

#### **Article 119 (Keeping of Documents)**

An insurance company shall keep its financial statements and business reports provided for in Article 118 (1) at its head office, branch offices and any other places of business, or offer them in electronic form in order for the public to peruse them from the date on which such documents are submitted to the Financial



Services Commission.

#### **Article 120 (Accumulation of Liability Reserves)**

- (1) An insurance company shall appropriate the liability reserves and the emergency-risk reserves prescribed by Presidential Decree by the kind of insurance contract at each term for the settlement of accounts and then enter each of them in the separately prepared accounting book.
- (2) Necessary matters concerning the appropriation of the liability reserves and the emergency-risk reserves under paragraph (1) shall be prescribed by Ordinance of the Prime Minister.
- (3) Where it is necessary to properly appropriate the liability reserves and the emergency-risk reserves under paragraph (1), the Financial Services Commission may set accounting standards for assets and expenses of insurance companies, and matters prescribed by Presidential Decree.

#### **Article 120-2 (Verification of Adequacy of Liability Reserves)**

- (1) An insurance company prescribed by Presidential Decree in consideration of the characteristics of the types of insurance managed by the insurance company or the total size of assets of the insurance company shall receive verification on the adequacy of the liability reserves appropriated under Article 120 (1) from an independent actuarial business operator under Article 128 (2) or a premium rate calculation agency under Article 176.
- (2) Specific details, procedures, and methods of verification referred to in paragraph (1) and other matters necessary for verification shall be prescribed by Presidential Decree.

#### **Article 121 (Handling of Accounting of Dividend Insurance Contracts)**

- (1) An insurance company shall handle the accounting of dividend insurance contracts (referring to insurance contracts in which the insurance company agrees to apportion part of interests accruing from the insurance contracts to its policyholders; hereafter the same shall apply in this Article and Article 121-2) separately from any other insurance contracts, as prescribed by Presidential Decree. *<Amended on Jul. 24, 2015; Dec. 8, 2020>*
- (2) An insurance company may offer dividends to the policyholders of dividend insurance contracts, as prescribed by Presidential Decree.
- (3) Standards for offering dividends to policyholders prescribed in paragraph (2) shall be set, based on the interests of dividend policyholders, the financial soundness of insurance companies involved and other relevant matters.

#### **Article 121-2 (Handling of Accounting of Insurance Contracts other than Dividend Insurance Contracts)**

Where it is necessary for the efficient management of assets and protection of policyholders with respect to insurance contracts, other than dividend insurance contracts, an insurance company may handle the

accounting by classifying assets, or profits or losses for each insurance contract with approval from the Financial Services Commission, as prescribed by Presidential Decree. *<Amended on Jul. 24, 2015>*

#### **Article 122 (Special Cases concerning Use of Revaluated Reserves)**

Where an insurance company conducts the revaluation of its assets pursuant to the Assets Revaluation Act, the revaluated reserves accruing from such revaluation may be disposed of for dividends to its policyholders after obtaining permission from the Financial Services Commission in addition to the disposal stipulated under each subparagraph of Article 28 (2) of the Assets Revaluation Act.

## **CHAPTER VII SUPERVISION**

#### **Article 123 (Maintenance of Financial Soundness)**

(1) An insurance company shall observe the standards for financial soundness prescribed by Presidential Decree with respect to the following matters, in order to secure its ability to pay out insurance proceeds and the soundness of its management:

1. Matters concerning the appropriateness of capital;
2. Matters concerning the soundness of assets;
3. Other matters needed to secure the soundness of management.

(2) Where an insurance company is deemed likely to undermine the soundness of its management due to its failure to observe the standards referred to in paragraph (1), the Financial Services Commission may order the relevant insurance company to increase its capital or fund, and take necessary measures such as restricting its holding of stocks and risky assets, etc., as prescribed by Presidential Decree.

#### **Article 124 (Public Notices)**

(1) An insurance company shall immediately give public notice of matters prescribed by Presidential Decree as necessary to protect insurance policyholders, as prescribed by the Financial Services Commission.

(2) The insurance association may compare and give public notice of matters prescribed by Presidential Decree concerning insurance contracts, such as premiums, insurance proceeds, etc., as prescribed by the Financial Services Commission.

(3) Where the insurance association compares and gives public notice under paragraph (2), it may set up an insurance products publication committee, as prescribed by Presidential Decree.

(4) Insurance companies shall provide the insurance association with information necessary to make the comparison and to give public notice under paragraph (2).

(5) Where any person other than the insurance association compares and give public notice of matters concerning insurance contracts, he or she shall do so in an objective and fair manner, as prescribed by the Financial Services Commission under paragraph (2).

(6) Where the Financial Services Commission deems it necessary to protect policyholders, etc. as the comparison and public notice under paragraphs (2) and (5) are false or incorrect, it may request to stop providing of public notices or take corrective measures, etc.

#### **Article 125 (Authorization of Mutual Agreement)**

(1) Where an insurance company intends to conclude (including amendments or rescission) a mutual agreement with another insurance company to conduct a joint act concerning its business, the insurance company shall obtain authorization from the Financial Services Commission, as prescribed by Presidential Decree: Provided, That a report may be filed in lieu of such authorization where the insurance company intends to amend insignificant matters prescribed by Presidential Decree.

(2) Where the Financial Services Commission deems it specifically necessary to advance public interests and facilitate the sound development of insurance business, it may order the relevant insurance companies to conclude, amend or rescind their mutual agreement, or comply with all or part of such mutual agreement.

(3) Where the Financial Services Commission intends to authorize the conclusion, amendment or rescission of the mutual agreement, or to order to comply with such mutual agreement under paragraph (1) or (2), it shall consult thereabout with the Fair Trade Commission in advance: Provided, That this shall not apply to proposed amendments to insignificant matters prescribed by Presidential Decree.

#### **Article 126 (Report on Amendments to Articles of Incorporation)**

Where an insurance company intends to amend the articles of incorporation, the insurance company shall inform it to the Financial Services Commission within seven days from date on which the articles of incorporation are amended.

#### **Article 127 (Preparation and Submission of Basic Documents)**

(1) An insurance company shall prepare basic documents on the insurance products that it intends to sell.

(2) Where an insurance company intends to prepare or change the basic documents and the details thereof fall under any of the following cases, the insurance company shall report to the Financial Services Commission in advance: *<Amended on Jul. 24, 2015; Dec. 8, 2020>*

1. Where a new insurance product is introduced or it becomes mandatory to buy an insurance product due to the enactment or amendment of statutes and regulations;

2. Deleted; *<Dec. 8, 2020>*

3. Cases prescribed by Presidential Decree for the protection, etc. of policyholders.

(3) Where it is deemed necessary for the protection, etc. of policyholders, the Financial Services Commission may request insurance companies to submit materials on the basic documents of their insurance products. *<Amended on Dec. 8, 2020>*

(4) Upon receipt of the report under paragraph (2), the Financial Services Commission shall review the details of the report and accept it if it complies with this Act. <Newly Inserted on Dec. 8, 2020>

(5) Procedures for and methods of reporting and submission pursuant to paragraphs (2) and (3) and other necessary matters shall be prescribed by Presidential Decree. <Amended on Dec. 8, 2020>

#### **Article 127-2 (Recommendation for Changes to Basic Documents)**

(1) Where the details of the basic documents reported by an insurance company pursuant to Article 127 (2) and the details of materials on the basic documents submitted under paragraph (3) of the same Article violates Articles 128-3 and 129, the Financial Services Commission may recommend amendments to the basic documents, as prescribed by Presidential Decree.

(2) A recommendation for amendments under paragraph (1) shall be made in writing specifically stating the details and reasons therefor.

#### **Article 127-3 (Obligation to Observe Matters Entered in Basic Documents)**

An insurance company shall observe matters entered in its basic documents.

#### **Article 128 (Verification of Basic Documents)**

(1) The Financial Services Commission may require basic documents to be verified by the Financial Supervisory Service established under the Act on the Establishment of Financial Services Commission (hereinafter referred to as the "Financial Supervisory Service"), if necessary when an insurance company reports the basic documents pursuant to Article 127 (2). <Amended on Jul. 31, 2015>

(2) The Financial Services Commission may require an insurance company to attach verification certificates issued by a premium rate calculation agency under Article 176, or insurance actuarial business operator prescribed by Presidential Decree (hereinafter referred to as "independent actuarial business operator") on methods of calculating premiums and the liability reserves when the insurance company reports the basic documents pursuant to Article 127 (2).

#### **Article 128-2 (Management Standards of Basic Documents)**

(1) An insurance company shall establish and observe procedures and standards (hereinafter referred to as "management standards of basic documents") to be followed when preparing or changing basic documents.

(2) The management standards of basic documents shall include the following matters:

1. Procedures and standards of preparing and changing the basic documents;
2. Procedures and methods of internal and external verification on the appropriateness of the basic documents;
3. Methods of controlling and rectifying errors in the preparation of the basic documents;

4. Methods of monitoring, controlling and evaluating the processes of preparing and administering the basic documents, and roles and responsibilities of relevant executive officers and employees, or a certified senior actuary under Article 181 (2);
  5. Any other matters prescribed by Presidential Decree, such as procedures, etc. for establishing and amending the management standards of basic documents.
- (3) Where an insurance company establishes or amends its management standards of basic documents, it shall report it to the Financial Services Commission, and where the Financial Services Commission deems the relevant standards or their administration unfair, it may order the insurance company to change the standards or to improve the relevant affairs.
- (4) Necessary matters concerning the preparation, administration, etc. of the management standards of basic documents, in addition to matters provided for in paragraphs (1) through (3) shall be prescribed by Presidential Decree.

#### **Article 128-3 (Principles for Preparing and Changing Basic Documents)**

- (1) An insurance company shall observe the following matters in preparing and changing its basic documents:
1. Not to include details violating this Act or other statutes and regulations;
  2. Not to include details disadvantageous to policyholders, such as the abridgement of the rights of policyholders, expansion of obligations of policyholders, etc. without good cause;
  3. To meet the standards set by the Financial Services Commission, as prescribed by Presidential Decree in order to protect policyholders and secure financial soundness.
- (2) Where the details of the basic documents do not fall under any subparagraph of Article 127 (2) when an insurance company prepares or changes them, such basic documents are presumed prepared and changed in compliance with the matters under each subparagraph of paragraph (1).

#### **Article 128-4 (Evaluation on Understanding of Insurance Policies)**

- (1) The Financial Services Commission may evaluate insurance consumers and persons prescribed by Presidential Decree, such as persons, etc. engaged in soliciting insurance contracts (hereafter referred to as "insurance consumers, etc." in this Article) on their understanding of the following matters and give public notice of the findings thereof, as prescribed by Presidential Decree: *<Amended on May 19, 2011; May 19, 2020>*
1. Insurance policies;
  2. Insurance prospectus determined and publicly notified by the Financial Services Commission.
- (2) The Financial Services Commission may designate an evaluation agency to evaluate insurance consumers, etc. on their understanding of the insurance policies and insurance prospectus under paragraph (1) (hereafter referred to as "insurance policies, etc." in this Article). *<Amended on May 19, 2011; May 19, 2020>*

(3) An evaluation agency designated pursuant to paragraph (2) shall evaluate insurance consumers, etc. on their understanding of insurance policies, etc. subject to investigation, and report the findings thereof to the Financial Services Commission. *<Amended on May 19, 2011; May 19, 2020>*

(4) Matters concerning evaluations, such as bearing of expenses incurred in evaluating the understanding of insurance policies, timing of evaluation, methods of evaluation, etc. shall be prescribed by the Financial Services Commission. *<Amended on May 19, 2020>*

#### **Article 129 (Principles for Calculating Premium Rates)**

An insurance company shall calculate its premium rates according to the law of large numbers and statistical reliability based on objective and rational statistical data, and shall observe the following matters: *<Amended on Mar. 29, 2016>*

1. Premium rates shall not be too high compared with insurance proceeds and other benefits;
2. Premiums rates shall not be too low to greatly undermine the financial soundness of the insurance company;
3. Premium rates shall not be unfairly discriminatory among policyholders;
4. In cases of motor vehicle insurance, premium rates shall be fair and reasonable compared with insurance proceeds and other benefits.

#### **Article 130 (Matters to Be Reported)**

Where any of the following cases arises, an insurance company shall report it to the Financial Services Commission within five days from the date on which such case arises:

1. Where it changes its firm name or title;
2. Deleted; *<Jul 31, 2015>*
3. Where it suspends or resumes the business of its head office;
4. Where its largest shareholder is changed;
5. Where there exists a change in the number of stocks held by large shareholders as many as 1/100 or more of the total number of issued voting stocks;
6. Any other cases prescribed by Presidential Decree which have significant influence on the relevant insurance company in performing its business.

#### **Article 131 (Financial Services Commission's Rights to Issue Orders)**

(1) Where an insurance company's inappropriate operation of business and the poor state of its assets are likely to undermine the rights and interests of policyholders, the insured, etc., the Financial Services Commission may issue any of the following orders to the relevant insurance company:

1. Changing the methods of performing business;
2. Depositing assets in any institution designated by the Financial Services Commission;

3. Changing the book value of assets;
4. Holding the reserves to prepare for unsound assets;
5. Writing-off assets as losses which are deemed to be valueless;
6. Other necessary measures prescribed by Presidential Decree.

(2) Where an insurance company is likely to greatly undermine public interests, the protection of its policyholders and its sound management due to a change in its business, asset status and circumstances, or where its basic documents are deemed in violation of statutes and regulations or contain details disadvantageous to its policyholders, the Financial Services Commission may order such insurance company to change the basic documents or suspend its use after holding a hearing: Provided, That where the Financial Services Commission orders the insurance company to change the basic documents on insignificant matters prescribed by Presidential Decree, it may choose not to hold a hearing.

(3) Where the Financial Services Commission deems it specifically necessary to protect the interests of policyholders, the insured and a person entitled to receive insurance proceeds when it orders the change of the basic document pursuant to paragraph (2), the Financial Services Commission may have the effect of such change extend to insurance contracts to be concluded in the future.

(4) Notwithstanding paragraph (3), where a policyholder, a person insured or a person entitled to receive insurance proceeds is deemed to suffer disadvantage without doubt due to the basic documents, the change of which is ordered under paragraph (2), the Financial Services Commission may have part of the premiums already paid for concluded insurance contracts refunded or order the insurance proceeds increased.

(5) When an insurance company receives an order under paragraph (2), it shall give public announcement on the purport of such order, as prescribed by Presidential Decree.

#### **Article 131-2 (Measures for Insolvency of Insurance Proceeds)**

Where the interests of policyholders are deemed likely to be greatly undermined due to bankruptcy of an insurance company, potential default on payment of insurance proceeds, etc., the Financial Services Commission may order the relevant insurance company to restrict the conclusion of insurance contracts, to stop paying all or part of insurance proceeds, or to take other necessary measures.

#### **Article 132 (Application Mutatis Mutandis)**

**Article 131 (1) shall apply mutatis mutandis to local offices, insurance agencies and insurance brokers. In such cases, "insurance company" shall be construed as "local office", "insurance agency" and "insurance broker", respectively.**

#### **Article 133 (Submission of Materials and Inspection)**

(1) The Financial Services Commission may order insurance companies to submit the roll of current shareholders, file a report on their business and submit materials in connection with the performance of inspection affairs stipulated under this Act in order to protect public interests, policyholders, etc.

(2) An insurance company shall undergo an inspection conducted by the Financial Supervisory Service with respect to its business and asset status.

(3) Where the Governor of the Financial Supervisory Service (hereinafter referred to as the “Governor”) deems it necessary to conduct an inspection referred to in paragraph (2), he or she may request any insurance company to report its business and assets, submit materials, and require any related person to appear to state his or her opinion. *<Amended on Jul. 31, 2015>*

(4) A person who conducts the inspection under paragraph (2) shall carry a certificate indicating his or her authority and produce it to related persons.

(5) Where the Governor conducts the inspection under paragraph (2), he or she shall take necessary measures based on the findings of the inspection and report details of taken measures to the Financial Services Commission.

(6) The Governor may request an external auditor appointed by an insurance company in accordance with the Act on External Audit of Stock Companies to submit the information he or she has become aware of as a result of auditing the insurance company or submit other materials related to the management soundness of the insurance company. *<Amended on Oct. 31, 2017>*

#### **Article 134 (Sanctions against Insurance Companies)**

(1) Where an insurance company (including its executive officers and employees) is deemed likely to undermine the sound management of the insurance company or to infringe on the rights and interests of policyholders, the insured, and other interested persons, in violation of this Act, or regulations, orders or instructions issued under this Act or falls under any of the cases specified in the attached Table of the Act on Corporate Governance of Financial Companies (limited to a measure referred to in subparagraph 4) or the cases specified by the Presidential Decree from Article 51 (1) 4 or 5 or the main clause, with the exception of the subparagraphs, of Article 51 (2) of the Act on the Protection of Financial Consumers (limited to a measure referred to in subparagraph 4), the Financial Services Commission may take any of the following measures at the suggestion of the Governor, or require the Governor to take measures stipulated in subparagraph 1: *<Amended on Jul. 31, 2015; Apr. 18, 2017; Mar. 24, 2020; Dec. 8, 2020>*

1. Caution and warning to the insurance company, or requests for caution, warning or reprimand to its executive officers and employees;
2. Corrective order for the relevant violation;
3. Recommendation for the dismissal of any executive officer (excluding a chief executive officer defined in subparagraph 5 of Article 2 of the Act on Corporate Governance of Financial Companies; hereafter the same shall apply in Article 135), and the suspension of performance of his or her duties;



4. Partial suspension of business for a specified period of up to six months.

(2) Where an insurance company falls under any of the following subparagraphs, the Financial Services Commission may order the insurance company to suspend all or part of its business for a specified period of up to six months, or revoke the license of its insurance business after holding a hearing: *<Amended on Jul. 31, 2015; Mar. 24, 2020>*

1. Where it obtains the license of the insurance business by fraud or other improper means;
  2. Where it violates details or terms of the license;
  3. Where it runs its business during the suspension period of business;
  4. Where it fails to comply with a corrective order issued under paragraph (1) 2;
  5. Where it falls under any of the cases specified in the attached Table of the Act on Corporate Governance of Financial Companies (limited to the cases of issuing an order to suspend all of business);
  6. Where a counseling center, etc. falls under Article 51 (1) 4 or 5 of the Social Welfare Services Act;
  7. Cases prescribed by Presidential Decree in the main clause, with the exception of its subparagraphs, of Article 51 (2) of the Act on the Protection of Financial Consumers (limited to where the suspension of the whole business is ordered).
- (3) The Financial Services Commission may require an insurance company to publicly announce the fact that it has received measures taken under paragraph (1), or the disposition for business suspension or revocation of the license prescribed in paragraph (2), as prescribed by Presidential Decree, at the suggestion of the Governor.

#### **Article 135 (Notification of Measures Taken against Retired Executive Officers)**

- (1) Where a retired executive officer or resigned employee (including a chief executive officer defined in subparagraph 5 of Article 2 of the Act on Corporate Governance of Financial Companies) of an insurance company would have been subject to measures taken under Article 134 (1) 1 and 3 if he or she worked for the insurance company, the Financial Services Commission (including the Governor who may take measures pursuant to Article 134 (1)) may inform the head of the relevant insurance company of details of such measures. *<Amended on Apr. 18, 2017>*
- (2) The head of the relevant insurance company who is notified of the information referred to in paragraph (1) shall inform the relevant executive officer or employee who has resigned or retired, of the fact, and keep and maintain the details thereof in personnel records. *<Amended on Apr. 18, 2017>*

#### **Article 136 (Application Mutatis Mutandis)**

- (1) Articles 133 and 134 shall apply mutatis mutandis to local offices, insurance agencies and insurance brokers. In such cases, "insurance company" shall be construed as "local office", "insurance agency" or "insurance broker", respectively.
- (2) Article 133 shall apply mutatis mutandis to a subsidiary that runs the business prescribed by Presidential Decree and closely related to the insurance business. In such cases, "insurance company" shall

be construed as "subsidiary."

(3) Article 133 shall apply mutatis mutandis to a person who is entrusted with the business prescribed by Presidential Decree and closely related to the insurance business by an insurance company. In such cases, "insurance company" shall be construed as "entrusted person."

## CHAPTER VIII DISSOLUTION AND LIQUIDATION

### SECTION 1 Dissolution

#### **Article 137 (Grounds for Dissolution)**

- (1) An insurance company may be dissolved on any of the following grounds: *<Amended on Jul. 31, 2015>*
1. The expiration of the term of existence, or the occurrence of the grounds prescribed by its articles of incorporation;
  2. A resolution passed at a general meeting of stockholders or employees (hereinafter referred to as "general meeting of stockholders, etc.");
  3. A merger of the company;
  4. The transfer of all insurance contracts;
  5. The bankruptcy of the company;
  6. The revocation of the license for insurance business;
  7. The trial sentencing dissolution.
- (2) Where an insurance company is dissolved on the ground referred to in paragraph (1) 6, the Financial Services Commission shall commission registry offices in the locations of its head office, branch offices or other offices to have its dissolution registered within seven days from the date of dissolution.
- (3) The registry offices shall, upon being commissioned under paragraph (2), have the dissolution registered within seven days from the date of commission.

#### **Article 138 (Resolution on Dissolution and Merger)**

Any resolution on dissolution and merger, and the transfer of insurance contracts shall be governed by Article 39 (2) of this Act or Article 434 of the Commercial Act.

#### **Article 139 (Authorization of Dissolution and Merger)**

Any resolution on dissolution and merger, and the transfer of insurance contracts shall be authorized by the Financial Services Commission. *<Amended on Feb. 29, 2008>*

#### **Article 140 (Transfer of Insurance Contracts)**

- (1) An insurance company may transfer all its insurance contracts that share the same basis for calculating the liability reserves to another insurance company by means of contract.

(2) An insurance company may prescribe the transfer of its assets in a contract referred to in paragraph (1): Provided, That any assets deemed necessary by the Financial Services Commission for the protection of creditors' interests of the relevant insurance company shall be withheld.

#### **Article 141 (Public Announcement and Notification on Resolution on Transfer of Insurance Contracts and Raising of Objection)**

(1) An insurance company which intends to transfer insurance contracts shall give public announcement on the summary of the transfer of insurance contracts and its balance sheet, and notify the policyholder thereof in the manner prescribed by Presidential Decree, within two weeks from the date on which it resolves to transfer them pursuant to Article 138. *<Amended on Dec. 8, 2020>*

(2) Public announcement and notification under paragraph (1) shall include the purport that a policyholder of the insurance contract to be transferred who is dissatisfied with such transfer may raise an objection within a certain period: Provided, That the period shall be at least one month. *<Amended on Dec. 8, 2020>*

(3) Where the number of policyholders who raise an objection within the period specified under paragraph (1) exceed 1/10 of the total number of policyholders of insurance contracts to be transferred, or the amount of their insurance proceeds exceeds 1/10 of the aggregate amount of insurance proceeds to be transferred, such insurance contracts shall not be transferred. This shall also apply where the number of policyholders who raise an objection to a change in the contract provisions under Article 143 exceed 1/10 of the total number of policyholders subject to such change and the amount of the insurance proceeds exceeds the aggregate amount of the insurance proceeds of policyholders subject to such change.

(4) Paragraphs (2) and (3) shall not apply where a mutual company resolves to transfer its insurance contracts without resorting to an agency provided for in Article 54 (1).

#### **Article 142 (Prohibition on New Insurance Contracts)**

No insurance company which intends to transfer its insurance contracts may conclude the same insurance contracts as those to be transferred from the time a general meeting of shareholders resolves to transfer them until the time the insurance contracts are transferred or it is decided not to transfer them: Provided, That this shall not apply to cases prescribed by Presidential Decree where it is not intended to transfer insurance contracts due to insolvency of an insurance company. *<Amended on Dec. 8, 2020>*

#### **Article 143 (Changes to Contract Terms and Conditions)**

Where an insurance company transfers all of its insurance contracts, it may prescribe the following matters as the terms and conditions of transfer contracts with respect to insurance contracts to be transferred:

1. An amendment to the basis for calculation;
2. A reduction in the amount of insurance proceeds and reduction in the amount of future premiums;
3. An amendment to contract provisions.

#### **Article 144 (Prohibition on Disposal of Assets)**

(1) Where the amount of insurance proceeds is prescribed to be reduced under Article 143, an insurance company which intends to transfer its insurance contracts shall be prohibited from disposing of its assets or bearing any debt from the time the general meeting of shareholders resolves to transfer the insurance contracts by the time the insurance contracts are transferred or it is decided not to transfer them: Provided, That this shall not apply where expenses incurred in keeping the insurance business run are spent, or assets are disposed of for the purpose of preserving assets or meeting special needs after obtaining permission from the Financial Services Commission.

(2) Where the insurance contracts are transferred, claims incurred by the insurance contracts, the payment of which is suspended under paragraph (1) shall be paid after reducing the amount of such claims according to the reduction ratio of insurance proceeds stipulated in the relevant transfer contract.

(3) Where an amendment to contract provisions is prescribed pursuant to Article 143, paragraph (1) shall apply to an insurance company which intends to make such amendment: Provided, That this shall not apply to the repayment of debts incurred by the insurance contracts or any conduct unrelated to such amendment after obtaining permission from the Financial Services Commission.

#### **Article 145 (Public Announcement on Transfer of Insurance Contracts)**

Where an insurance company has transferred its insurance contracts, it shall give public announcement of its purport within seven days from the date of transfer. This shall also apply where it decides not to transfer its insurance contracts.

#### **Article 146 (Succession to Rights and Duties)**

(1) Rights and duties held by an insurance company with respect to its insurance contracts that are transferred shall be succeeded to by the insurance company which takes over such insurance contracts. This shall also apply to assets that are bound to be transferred under a transfer contract.

(2) Earnings and expenses incurred with respect to insurance contracts to be transferred after the transfer of such insurance contracts is resolved, and any amendment to the insurance contracts and assets to be transferred shall revert to the insurance company which takes over the insurance contracts.

#### **Article 147 (Membership Following Transfer of Insurance Contracts)**

Where an insurance company that takes over insurance contracts is a mutual company, the policyholders of the insurance company shall become members of the mutual company.

#### **Article 148 (Resolution on Transfer of Insurance Contracts after Dissolution)**

(1) An insurance company may resolve to transfer its insurance contracts even within three months after its dissolution.

(2) Article 158 shall not apply to cases under paragraph (1): Provided, That this shall not apply where it is decided not to transfer insurance contracts.

#### **Article 149 (Application for Registration of Dissolution)**

An application for the registration of dissolution following the transfer of insurance contracts shall be accompanied by the following documents:

1. A transfer contract;
2. Minutes of the general meeting of shareholders, etc. of respective insurance companies;
3. Documents concerning public announcement under Article 141 and raising objections;
4. Documents attesting to the authorization of the transfer of insurance contracts.

#### **Article 150 (Authorization of Transfer and Takeover of Insurance Business)**

When an insurance company intends to transfer or take over the insurance business, it shall obtain authorization from the Financial Services Commission.

#### **Article 151 (Public Announcement on Merger Resolution)**

(1) Where an insurance company resolves to merge itself with another insurance company, it shall give public announcement on a summary of the merger contract and the balance sheets of respective insurance companies involved in the merger within two weeks from the date on which it resolves to merge.

(2) Articles 141 (2) through (4), 145 and 149 shall apply mutatis mutandis to a merger.

(3) A merger under paragraphs (1) and (2) shall have its effect on policyholders who raise an objection thereto and any other person who holds the right occurring from his or her insurance contract.

#### **Article 152 (Amendment to Contract Terms and Conditions)**

(1) Where an insurance company resolves to merge itself with another insurance company, it may prescribe an amendment to the basis for calculating insurance contracts or contract provisions in a merger contract.

(2) Articles 142 and 144 (3) shall apply mutatis mutandis to an insurance company that prescribes an amendment to its contract provisions and intends to amend such contract provisions pursuant to paragraph (1).

#### **Article 153 (Merger of Mutual Companies)**

(1) A mutual company may merge itself with any other insurance company.

(2) In cases under paragraph (1), an insurance company surviving a merger or incorporated after a merger shall be a mutual company: Provided, That where either of the insurance companies that are merged is a stock company, an insurance company surviving a merger or incorporated after a merger may be a stock company.

- (3) The merger of a mutual company and a stock company shall be governed by the provisions governing the merger under this Act or the Commercial Act.
- (4) Provisions to be included in the merger contract and other necessary matters concerning the merger shall be prescribed by Presidential Decree.

#### **Article 154 (Relations of Members in Cases of Merger)**

- (1) Where a merger under Article 153 takes place and an insurance company surviving a merger or incorporated after a merger is a mutual company, the policyholders of the insurance company that is dissolved after a merger shall be members of the mutual company, and where an insurance company surviving a merger or incorporated after a merger is a stock company, the members of the mutual company shall lose their status: Provided, That rights and duties belonging to the insurance relations shall be succeeded to by a stock company surviving a merger or incorporated after a merger, as stipulated in the merger contract.
- (2) A person who is to become a member of a mutual company surviving a merger under paragraph (1) shall have the same right as that of any other members in the general meeting of members under Article 526 (1) of the Commercial Act: Provided, That this shall not apply where the merger contract is prescribed otherwise.
- (3) Articles 39 (2) and 55 of this Act and Articles 311, 312, 316 (2), 363 (1) and (2), 364, 368 (3) and (4), 371 (2), 372, 373 and 376 through 381 of the Commercial Act shall apply mutatis mutandis to the inaugural general meeting of a mutual company incorporated after a merger.

#### **Article 155 (Submission of Reorganization Plans)**

Where an insurance company intends to close all or part of its insurance business, it shall submit a reorganization plan following the closure of its business to the Financial Services Commission by 60 days prior to such closure.

### **SECTION 2 Liquidation**

#### **Article 156 (Liquidator)**

- (1) Where an insurance company is dissolved after its license for insurance business is revoked, the Financial Services Commission shall appoint a liquidator.
- (2) The liquidator under Articles 193, 252 and 531 (2) of the Commercial Act shall be appointed by the Financial Services Commission. In such cases, the liquidator may be appointed without a request from any interested person.
- (3) Article 255 (2) of the Commercial Act shall apply mutatis mutandis to cases under paragraphs (1) and (2).

(4) The Financial Services Commission may dismiss a liquidator at the request of any of the following persons:

1. An auditor;
2. A stockholder who holds not less than 5/100 of capital for three consecutive months;
3. At least 5/100 of members.

(5) A mutual company may establish different standards for members entitled to make a request under paragraph (4) in the articles of incorporation.

(6) The Financial Services Commission may dismiss a liquidator without a request under paragraph (4) if important grounds exist.

#### **Article 157 (Remuneration for Liquidator)**

Where a liquidator is appointed in accordance with Article 156, a company under liquidation may be requested to remunerate him or her with the amount set by the Financial Services Commission.

#### **Article 158 (Payment of Insurance Proceeds after Dissolution)**

(1) Where an insurance company is dissolved on any ground provided for in Article 137 (1) 2, 6 or 7, it shall pay out insurance proceeds only when the grounds for paying the insurance proceeds arise within three months from the date of dissolution.

(2) After the period stipulated under paragraph (1) elapses, an insurance company shall refund the amount accumulated for the insured, or premiums for the period that has yet to elapse.

#### **Article 159 (Repayment within Claim Reporting Period)**

In the application of Article 536 (2) of the Commercial Act to an insurance company, "court" shall be construed as "Financial Services Commission."

#### **Article 160 (Supervision of Liquidator)**

For the purpose of supervising a liquidator, the Financial Services Commission may inspect the liquidation work of an insurance company and its asset status, order assets to be deposited and issue any other necessary orders for the supervision of such liquidation.

#### **Article 161 (Compulsory Management after Dissolution)**

(1) Where it is deemed necessary in light of business and asset status of a dissolved insurance company, the Financial Services Commission may order its business and assets to be managed by others.

(2) Article 148 (2) shall apply mutatis mutandis where an order stipulated under paragraph (1) is issued.

## **CHAPTER IX INVESTIGATION OF RELATED PERSONS**

#### **Article 162 (Subject and Methods of Investigation)**

(1) The Financial Services Commission may investigate an insurance company, a policyholder, a person insured, a person entitled to receive insurance proceeds, any other persons interested in insurance contracts (hereafter referred to as "related persons" in this Chapter) in any of the following cases:

1. Where this Act, orders issued or measures taken under this Act are violated;
2. Where it is necessary to secure public interests, or sound order in the transaction of insurance.

(2) Where the Financial Services Commission deems it necessary to conduct an investigation referred to in paragraph (1), it may request the following matters to the related persons:

1. Submission of a written statement detailing facts and circumstances about the matters to be investigated;
  2. Submission of accounting books, documents and any other goods necessary for the investigation.
- (3) Article 133 (4) shall apply mutatis mutandis to the investigation referred to in paragraphs (1) and (2).
- (4) Where a related person hinders the investigation referred to in paragraph (1), falsify the documents submitted under paragraph (2) or neglect the submission of such documents, the Financial Services Commission may request the head of an organization to which the related person belongs to reprimand him or her.

#### **Article 163 (Insurance Investigation Committee)**

(1) An insurance investigation committee comprised of the Ministry of Health and Welfare, the Financial Supervisory Service, insurance-related agencies and associations, etc. may be established in the Financial Services Commission to efficiently conduct the investigation affairs under Article 162 (1).

(2) Necessary matters concerning the composition, operation, etc. of the insurance investigation committee pursuant to paragraph (1) shall be prescribed by Presidential Decree.

#### **Article 164 (Publication of Information Related to Investigation)**

The Financial Services Commission may publish records on the investigation of related persons, and findings resulting from the investigation of the related persons, and information and materials necessary to prevent the related persons from committing any violation, as prescribed by Presidential Decree.

## **CHAPTER X PROTECTION OF THIRD PARTIES TO NON-LIFE INSURANCE CONTRACTS**

#### **Article 165 (Guarantees of Payment of Insurance Proceeds to Third Parties)**

A non-life insurance company shall guarantee the payment of the insurance proceeds for any loss a third party to a non-life insurance contract suffers from an insurance accident, as prescribed under this Chapter.



#### **Article 166 (Scope of Application)**

The provisions stipulated in this Chapter shall apply only to non-life-insurance contracts prescribed by Presidential Decree, the subscription of which is mandatory pursuant to statutes and regulations (in cases of automobile insurance contracts, insurance contracts, the subscription of which is not mandatory pursuant to statutes and regulations are included; hereafter the same shall apply in this Chapter): Provided, That this shall not apply to a non-life insurance contract, the contractor of which is a corporation prescribed by Presidential Decree.

#### **Article 167 (Report on Insolvency)**

(1) Where a non-life insurance company is unable to pay insurance proceeds to any third party to a non-life insurance contract on the grounds provided for in subparagraph 8 of Article 2 of the Depositor Protection Act, the non-life insurance company shall promptly report the fact to the head of the association comprised of non-life-insurance companies (hereinafter referred to as "non-life-insurance association"), among insurance associations. *<Amended on Dec. 22, 2015>*

(2) Where a non-life insurance company has the grounds for paying insurance proceeds to any third party within three months from the date on which a license for insurance business is revoked under subparagraph 8 (b) of Article 2 of the Depositor Protection Act, the non-life insurance company shall promptly report the fact to the head of the non-life-insurance association. *<Amended on Dec. 22, 2015>*

#### **Article 168 (Contributions)**

(1) A non-life insurance company shall contribute an amount obtained by multiplying the ratio prescribed by Presidential Decree considering earned premiums and the liability reserves to the non-life-insurance association to guarantee the payment of insurance proceeds to any third party to a non-life insurance contract.

(2) A non-life insurance company may make the contribution referred to in paragraph (1) after reporting insolvency provided for in Article 167.

(3) Necessary matters concerning procedures for and methods of paying contributions under paragraphs (1) and (2) shall be prescribed by Presidential Decree.

#### **Article 169 (Payment of Insurance Proceeds)**

(1) The head of the non-life-insurance association shall, in receipt of a report filed under Article 167, pay insurance proceeds prescribed by Presidential Decree to any third party to a non-life insurance contract after undergoing verification by the Financial Services Commission.

(2) Necessary matters concerning procedures for and methods of paying insurance proceeds under paragraph (1) shall be prescribed by Presidential Decree.

#### **Article 170 (Request for Submitting Materials)**

The head of the non-life-insurance association may request non-life insurance companies to submit materials concerning their business and asset status to the extent necessary for calculating their contributions under Article 168 and paying their insurance proceeds under Article 169.

#### **Article 171 (Borrowing of Funds)**

(1) Where it is necessary to pay insurance proceeds under Article 169, the non-life-insurance association may borrow funds from the Government, the Korea Deposit Insurance Corporation established under Article 3 of the Depositor Protection Act, or any other financial institutions prescribed by Presidential Decree after obtaining approval from the Financial Services Commission.

(2) A non-life-insurance company may guarantee the repayment of funds borrowed by the non-life-insurance association under paragraph (1) within the amount it is liable to make contributions in accordance with Article 168 (1).

#### **Article 172 (Handling of Accounting of Contributions)**

The accounting of contributions prescribed in Article 168 and borrowed funds prescribed in Article 171 shall be handled separately from the general budget of the non-life-insurance association. <Amended on Jul. 24, 2015>

#### **Article 173 (Claim for Indemnity)**

Where a non-life-insurance association pays any insurance proceeds under Article 169, it has a claim for indemnity to the non-life insurance company.

#### **Article 174 (Adjustment)**

Where any remainder or shortage accrues from the payment of insurance proceeds under Article 169 with the amount contributed by non-life insurance companies in accordance with Article 168, or any amount accrues from the exercise of the claim for indemnity under Article 173, the non-life-insurance association shall adjust all of them.

## **CHAPTER XI INSURANCE-RELATED ORGANIZATIONS**

### **SECTION 1 Insurance Associations**

#### **Article 175 (Insurance Associations)**

(1) Insurance companies may establish an insurance association to keep their insurance business in order and to contribute to the development of insurance business.

(2) The insurance association shall be a corporation.

(3) The insurance association shall perform any of the following affairs, as prescribed by the articles of incorporation:

1. Maintaining the sound order of insurance business among insurance companies;
- 1-2. Establishing and amending regulations to be observed by insurance companies, etc. under Article 85-3 (2);
2. Comparing and publicly announcing insurance contracts;
3. Affairs entrusted by the Government;
4. Affairs incidental to those referred to in subparagraphs 1, 1-2 and 2;
5. Other affairs prescribed by Presidential Decree.

#### **Article 176 (Premium Rate Calculation Agencies)**

(1) Insurance companies may establish a premium rate calculation agency after obtaining authorization from the Financial Services Commission in order to fairly and reasonably calculate rates (hereinafter referred to as "net premium rates") for determining premiums (hereinafter referred to as "net premiums") appropriated for the payment of insurance proceeds, and to efficiently administer and use insurance-related information.

(2) The premium rate calculation agency shall be a corporation.

(3) The premium rate calculation agency shall perform any of the following affairs, as prescribed by the articles of incorporation:

1. Calculating, verifying and providing net premium rates;
2. Gathering and providing insurance-related information and compiling statistics;
3. Survey and research on insurance;
4. Affairs entrusted by Government agencies, insurance companies and insurance-related organizations within the scope of the purposes of its establishment;
5. Affairs incidental to those referred to in subparagraphs 1 through 3;
6. Other affairs prescribed by Presidential Decree.

(4) The premium rate calculation agency may calculate the net premium rates insurance companies may apply and report them to the Financial Services Commission. In such cases, the Financial Services Commission in receipt of a report shall review the details thereof and accept it if the report complies with this Act. <Amended on Dec. 8, 2020>

(5) The premium rate calculation agency shall systematically integrate and compile insurance-related statistics in order to carry out affairs prescribed in this Act, such as calculation, etc. of the net premium rates, and may request insurance companies to submit data, where necessary. In such cases, insurance companies shall comply with such request.

(6) Where an insurance company applies the net premium rates reported by the premium rate calculation agency under paragraph (4), the insurance company shall be deemed to have reported or submitted net

premiums under Article 127 (2) and (3). *<Amended on Dec. 8, 2020>*

(7) An insurance company may require the premium rate calculation agency to verify the basic documents to be submitted to the Financial Services Commission under this Act.

(8) The premium rate calculation agency may receive fees from insurance companies in connection with its affairs, as prescribed by the articles of incorporation.

(9) Where the premium rate calculation agency deems it necessary to protect the rights and interests of policyholders, it may publicly announce the following matters:

1. Data on the calculation of net premium rates;
2. Various data on surveys, research and statistics related to insurance.

(10) Where it is necessary to calculate net premium rates or for insurance companies to pay insurance money, the premium rate calculation agency may be provided with personal information on traffic offenses, such as drunk driving, or the validity of drivers' licenses (including a construction machinery operator's license referred to in the main clause of Article 26 (1) of the Construction Machinery Management Act; hereafter the same shall apply in Article 177) from the head of the agency that holds such personal information and permit insurance companies to use the personal information for the calculation of the net premium rates which they apply to policy holders or the payment of insurance money. *<Amended on Jan. 14, 2014; Dec. 22, 2015>*

(11) Where it is necessary to calculate the net premium rates, the premium rate calculation agency may be provided with statistic data on diseases from the heads of institutions that hold such statistic data, and permit insurance companies to use the statistics to calculate the net premiums to be applied to policy holders.

(12) The premium rate calculation agency shall be prohibited from providing the personal information that has been provided and held under this Act and other Acts to any third person except for any of the following cases: *<Amended on Jan. 14, 2014; Feb. 4, 2020>*

1. Where it is necessary for insurance companies to calculate the net premiums;
- 1-2. Where it is necessary to enable insurance companies to use information under paragraph (10) for the purposes of being provided with information;
2. Where the personal information is provided to any third person on the grounds stipulated under Article 33 (1) 2 through 5 of the Credit Information Use and Protection Act;
3. Where it is necessary to perform affairs entrusted by the Government;
4. Where it is necessary for the premium rate calculation agency to perform its affairs stipulated under this Act, which is prescribed by Presidential Decree.

(13) Matters necessary for the scope, procedures, methods, etc. of using the personal information to be provided pursuant to paragraph (10) and the statistics on diseases to be provided pursuant to paragraph (11) by the premium rate calculation agency shall be prescribed by Presidential Decree.

(14) Matters necessary for the procedures for, methods, etc. of providing the personal information under paragraph (12) by the premium rate calculation agency shall be prescribed by Presidential Decree.

#### **Article 177 (Obligations to Be Observed by Users of Personal Information)**

No person who is or was engaged in the calculation and application of the net premiums or the payment of insurance money using personal information on traffic offenses or the validity of drivers' licenses provided pursuant to Article 176 (10) and any other personal information on diseases provided by policy holders, etc. in connection with insurance contracts shall divulge personal information he or she has officially learned, or use such personal information for illegal purposes, such as providing others with such information for them to use the information. <Amended on Jan. 14, 2014>

#### **Article 178 (Other Insurance-Related Organizations)**

(1) Insurance solicitors, insurance agencies, certified insurance brokers, insurance actuaries, certified damage adjusters and any other persons engaged in the insurance business may establish their respective organizations to protect public interests, or policyholders and the insured and to maintain order in solicitation.

(2) Each of the insurance-related organizations under paragraph (1) shall be a corporation.

(3) Each of the insurance-related organizations under paragraph (1) shall perform the following affairs, as prescribed by the articles of incorporation:

1. Maintaining the sound order of business among members;
2. Conducting training and education programs for members;
3. Affairs entrusted by the Government, the Financial Supervisory Service or insurance associations;
4. Affairs incidental to those referred to in subparagraphs 1 and 2;
5. Other affairs prescribed by Presidential Decree.

#### **Article 179 (Supervision)**

@Articles 131 (1), 133, 134 and 135 shall apply mutatis mutandis to insurance associations, the premium rate calculation agency and insurance-related organizations provided for in Article 178.

#### **Article 180 (Application Mutatis Mutandis of the Civil Act)**

The provisions governing incorporated associations of the Civil Act shall apply mutatis mutandis to insurance associations, the premium rate calculation agency and insurance-related organizations provided for in Article 178, unless otherwise provided for in this Act or orders issued under this Act.

### **SECTION 2 Insurance Accounting and Damage Adjustment**

#### **Article 181 (Insurance Actuarial Service)**

(1) An insurance company shall employ a certified insurance actuary to take charge of insurance actuarial service (referring to the verification of whether details of the basic documents and the calculation of

dividend, etc. are justifiable), or entrust a person who engages in insurance actuarial business with the said service (hereinafter referred to as "insurance actuarial business operator").

(2) An insurance company shall appoint a certified insurance actuary (hereinafter referred to as "certified senior actuary") who verifies and ascertains the insurance actuarial service under Article 184 (1).

(3) The specific scope of the services for certified insurance actuaries, certified senior actuaries or insurance actuarial business operators and procedures for their appointments pursuant to paragraphs (1) and (2) shall be prescribed by Ordinance of the Prime Minister.

#### **Article 182 (Certified Insurance Actuaries)**

(1) A person who intends to be a certified insurance actuary shall pass the examination administered by the Governor and register himself or herself with the Financial Services Commission after completing apprenticeship training for a certain period.

(2) Necessary matters concerning subjects of the examination, exemption from the examination, period of apprenticeship training, etc. under paragraph (1) shall be prescribed by Ordinance of the Prime Minister.

#### **Article 183 (Insurance Actuarial Business)**

(1) A person who intends to engage in insurance actuarial business shall register himself or herself with the Financial Services Commission.

(2) A corporation that intends to engage in insurance actuarial business shall have as least as many certified insurance actuaries as the number prescribed by Presidential Decree.

(3) A person who intends to be registered under paragraph (1) shall pay fees set by Ordinance of the Prime Minister.

(4) Other necessary matters concerning registration and business standards of insurance actuarial business shall be prescribed by Presidential Decree.

#### **Article 184 (Duties of Certified Senior Actuaries)**

(1) Certified senior actuaries shall verify and ascertain whether details of the basic documents and the calculation of dividends based on insurance contracts, etc. are justifiable.

(2) Certified senior actuaries shall inspect whether insurance companies comply with the management standards for basic documents, and if the said standards are violated, they shall investigate the insurance companies and report the findings thereof to the board of directors; where they deem the basic documents to violate statutes and regulations, they shall report it to the Financial Services Commission.

(3) No certified senior actuary, certified insurance actuary and insurance actuarial business operator shall perform any of the following conducts:

1. Deliberately concealing the fact or falsifying the insurance actuarial services;
2. Disclosing confidential information he or she becomes aware of while rendering his or her services;

3. Permitting any third person to perform the insurance actuarial services in his or her name;
  4. Any other conduct prescribed by Presidential Decree which impedes the fair performance of insurance actuarial services.
- (4) Where an insurance company appoints a certified senior actuary, it shall not dismiss the certified senior actuary by the date on which three consecutive business years ends, which begin from the business year following that in which the date of appointment falls: Provided, That this shall not apply to any of the following cases:
1. Where the certified senior actuary discloses confidential information of the relevant company;
  2. Where the certified senior actuary neglects his or her services, and thus causes loss to the relevant company;
  3. Where the certified senior actuary makes unfair requests or exercises pressure in connection with an actuarial service;
  4. Where the Financial Services Commission requests his or her dismissal in accordance with Article 192.
- (5) Necessary matters concerning requirements for certified senior actuaries, their authority and the guarantee of their independence in the performance of their services shall be prescribed by Presidential Decree.
- (6) The Financial Services Commission may request certified senior actuaries to present their opinions with respect to matters belonging to the scope of their services.

#### **Article 185 (Damage Adjustment)**

A non-life insurance company shall employ a certified damage adjuster to take charge of adjusting the amount of losses caused by an insurance accident or adjusting the amount of insurance proceeds (hereinafter referred to as "damage adjustment") or appoint a certified damage adjuster or a person engaged in damage evaluation business (hereinafter referred to as "damage adjusting business operator") to entrust him or her with damage evaluation services: Provided, That this shall not apply where an insurance accident occurs in a foreign country or a policyholder, etc. appoints a certified damage adjuster otherwise according to the standards set by the Financial Services Commission.

#### **Article 186 (Certified Damage Adjusters)**

- (1) A person who intends to be a certified damage adjuster shall pass the examination administered by the Governor and register himself or herself with the Financial Services Commission after completing apprenticeship training for a certain period.
- (2) Necessary matters concerning the registration as certified damage adjusters under paragraph (1), subjects of the examination, exemption from the examination, period of the apprenticeship training, etc. shall be prescribed by Ordinance of the Prime Minister.

(3) A certified damage adjuster may hire assistants in relation to his or her business, as prescribed by the Financial Services Commission.

#### **Article 187 (Damage Adjusting Business)**

(1) A person who intends to engage in damage adjusting business shall register himself or herself with the Financial Services Commission.

(2) A corporation that intends to engage in damage adjusting business shall have at least as many certified damage adjusters as the number prescribed by Presidential Decree.

(3) A person who intends to be registered under paragraph (1) shall pay fees set by Ordinance of the Prime Minister.

(4) Necessary matters concerning the registration and business standards of damage adjusting business shall be prescribed by Presidential Decree.

#### **Article 188 (Services of Certified Damage Adjusters)**

A certified damage adjuster or a damage adjusting business operator shall render the following services:

1. Verifying the occurrence of loss;
2. Determining whether the application of the articles of incorporation and relevant laws are appropriate;
3. Assessing the amount of losses and the amount of insurance proceeds;
4. Vicariously preparing and submitting documents related to the services referred to subparagraphs 1 through 3;
5. Presenting his or her opinion to the relevant insurance company in connection with the performance of the services referred to in subparagraphs 1 through 3.

#### **Article 189 (Duties of Certified Damage Adjusters)**

(1) A certified damage adjuster or damage adjusting business operator who is entrusted with damage adjusting services by an insurance company shall deliver, without delay, a damage evaluation statement to the relevant insurance company, policyholders, the insured, and persons entitled to claim insurance proceeds, in a manner prescribed by Presidential Decree, and inform them of important matters where he or she prepares the damage evaluation statement after the completion of the damage adjusting service entrusted. <Amended on Feb. 21, 2018>

(2) A certified damage adjuster or damage adjusting business operator who is appointed by policyholders, etc. shall, without delay, deliver a damage evaluation statement to the relevant insurance company and the policyholder, etc. and inform them of important matters upon the completion of the damage adjusting service entrusted.

(3) No certified damage adjuster or damage adjusting business operator shall unfairly infringe on the interests of policyholders and any other interested persons while performing damage adjusting services



and shall perform any of the following conduct: *<Amended on Feb. 21, 2018>*

1. Deliberately concealing the fact and falsifying damage evaluation;
2. Disclosing personal information on policyholders, etc. he or she becomes aware of while rendering damage evaluation services;
3. Permitting any third person to render damage adjusting services in his or her name;
4. Delaying damage adjusting services without good cause, or calculating the amount of losses or the amount of insurance proceeds without making thorough examination;
5. Delaying damage adjusting services by requesting the relevant insurance company, policyholders, etc. to provide documents the same as those already submitted or to provide documents or information irrelevant to damage adjusting services;
6. Preparing a written agreement or requesting agreement on the condition of payment of insurance proceeds;
7. Any other conduct prescribed by Presidential Decree which impedes the fair performance of damage adjusting services.

#### **Article 190 (Revocation of Registration)**

@Article 86 shall apply mutatis mutandis to certified insurance actuaries, certified senior actuaries, insurance actuarial business operators, certified damage adjusters and damage adjusting business operators. In such cases, "Article 84" in Article 86 (1) 3 shall be construed as "Article 182 (1)", "Article 183 (1)", "Article 186 (1)" or "Article 187 (1)", respectively.

#### **Article 191 (Guarantee of Indemnity of Damage)**

The Financial Services Commission may request insurance actuarial business operators or damage adjusting business operators to have their assets deposited in institutions designated by the Financial Services Commission, to have them insured, or to take other necessary measures in order for them to guarantee the indemnity of damage they could intentionally or negligently inflict on any third person while rendering their services.

#### **Article 192 (Supervision)**

(1) Where an insurance actuary, certified senior actuary, insurance actuarial business operator, certified damage adjuster, or damage adjusting business operator is recognized to have neglected his or her services or performed inappropriate conduct while rendering his or her services, the Financial Services Commission may order him or her to suspend his or her services for a fixed period not exceeding six months, or have him or her dismissed. *<Amended on Oct. 15, 2014>*

(2) Articles 131 (1), 133 and 134 (1) shall apply mutatis mutandis to insurance actuarial business operators and damage adjusting business operators. In such cases, "insurance company" shall be construed as "insurance actuarial business operator", or "damage adjusting business operator", respectively.

## CHAPTER XII SUPPLEMENTARY PROVISIONS

### Article 193 (Consultations about Mutual Aid)

(1) Where it is deemed necessary to secure the balanced development of the mutual aid business that is run under various Acts and the insurance business under this Act, the Financial Services Commission may request a person who runs the mutual aid business to consult about matters on the basic documents or request the head of a central administrative agency related to the mutual aid business to consult about matters on the financial soundness. *<Amended on Dec. 8, 2020>*

(2) A person shall, in receipt of a request under paragraph (1), comply therewith without good cause.

(3) Where the head of a central administrative agency under paragraph (1) deems it necessary to maintain the financial soundness of mutual aid business, he or she may request the Financial Services Commission to consult on joint inspection of persons who operate mutual aid business. *<Newly Inserted on Dec. 8, 2020>*

### Article 194 (Entrustment of Affairs)

(1) The following affairs shall be entrusted to insurance associations:

1. Registering affairs of insurance solicitors under Article 84;
2. Registering affairs of insurance agencies under Article 87.

(2) The following affairs shall be entrusted to the Governor:

1. Registering affairs of certified insurance brokers under Article 89;
2. Registering affairs of certified insurance actuaries under Article 182;
3. Registering affairs of persons who intend to engage in insurance actuarial business under Article 183;
4. Registering affairs of certified damage adjusters under Article 186;
5. Registering affairs of persons who intend to engage in damage adjusting business under Article 187.

(3) The Financial Services Commission may entrust part of the affairs under this Act to the Governor, as prescribed by Presidential Decree.

(4) The Governor may entrust part of the affairs under this Act to the heads of insurance associations, heads of premium rate calculation agencies, heads of insurance-related organizations under Article 178, or agencies established for qualification examination, etc., as prescribed by Presidential Decree.

### Article 195 (Public Announcement on License)

(1) Where the Financial Services Commission grants a license under Article 4 (1), or revokes a license under Article 74 (1) or Article 134 (2), it shall give public announcement, without delay, on the details thereof in the Official Gazette and open such fact to the public on its website, etc.

(2) The Financial Services Commission shall open the following matters to the public on its website, etc.:

1. An insurance company licensed under Article 4;

2. A local office opened under Article 12;
  3. A mutual agreement authorized under Article 125.
- (3) The Governor shall open the following matters to the public on its website, etc.:
1. A certified insurance broker registered under Article 89;
  2. A certified insurance actuary registered under Article 182 and an insurance actuarial business operator registered under Article 183;
  3. A certified damage adjuster registered under Article 186 and a damage adjusting business operator registered under Article 187.
- (4) Insurance associations shall open registered insurance agencies under Article 87 to the public on their websites, etc.

### **Article 196 (Penalty Surcharges)**

(1) Where an insurance company violates Article 98, 99, 105, 106, 110, 111, 127, 127-3, 128-3, or 131, the Financial Services Commission may impose a penalty surcharge thereon according to the following classifications: *<Amended on Apr. 18, 2017; Mar. 24, 2020>*

1. Deleted; *<Mar. 24, 2010>*
2. Where it offers or promises to provide special benefits, in violation of Article 98: Not more than the annually earned premiums of the relevant insurance contract subject to the provision of such special benefits;
3. Where it entrusts the solicitation of insurance contracts to a person other than those entitled to do so, in violation of Article 99 (1): Not more than 50/100 of the earned premiums of the relevant insurance contracts;
- 3-2. Where it owns real property that is not real property for business (excluding real property it acquires by exercising its rights against collateral, such as mortgage), in violation of subparagraph 1 of Article 105: Not more than 30/100 of the value of the acquisition of real property that is not real property for business;
4. Where it extends any credit in excess of the limit of credit extension, etc. under Article 106 (1) 1 through 3: Not more than 30/100 of the amount of the credit extended in excess;
5. Where it extends any credit in excess of the limit of credit extension, under Article 106 (1) 5: Not more than the amount of the credit extended in excess;
6. Where it holds any bonds or stocks in excess of their holding limit under Article 106 (1) 6: Not more than the aggregate amount of the book value of such bonds or stocks held in excess;
- 6-2. Where it does any prohibited act related to financial support, in violation of Article 110 (1): Not more than 30/100 of the amount of the relevant credit extended or the total amount of the book value of shares;
7. Where it extends any credit, or trades, swaps, etc. assets, in violation of Article 111 (1): Not more than the credit extended or the book value of the relevant assets;

8. Where it violates Article 127: Not more than 50/100 of the annually earned premiums of the relevant insurance contracts;
  9. Where it violates Article 127-3: Not more than 50/100 of the annually earned premiums of the relevant insurance contracts;
  10. Where it prepares or amends the basic documents, in violation of Article 128-3: Not more than 50/100 of the annually earned premiums of the relevant insurance contracts;
  11. Where it is subject to an order to amend or suspend using the basic documents, or an order to refund premiums or insurance proceeds prescribed in Article 131 (2) and (4): Not more than 50/100 of the annually earned premiums of the relevant insurance contracts.
- (2) Where an executive officer, employee or insurance solicitor of an insurance company violates Article 95-2, 96 (1), or 97 (1), the Financial Services Commission may impose penalty surcharges on the insurance company by up to 50/100 of the annually earned premiums of the relevant insurance contracts: Provided, That this shall not apply where such insurance company has not been negligent in giving due attention and supervision concerning the relevant duties to prevent such violation. *<Amended on Apr. 18, 2017>*
- (3) Penalty provisions prescribed in Article 200 or 202 and penalty surcharges prescribed in paragraph (1) may be concurrently imposed on a person who violates Article 98, 106 (1) 1 through 3, 5, and 6, or 111 (1) considering extenuating circumstances.
- (4) Articles 65-4 through 65-8 of the Banking Act shall apply mutatis mutandis to the procedures, etc. for imposing and collecting penalty surcharges prescribed in paragraphs (1) through (3).

## CHAPTER XIII PENALTY PROVISIONS

### **Article 197 (Penalty Provisions)**

- (1) A certified insurance actuary, certified damage adjuster, promoter of a mutual company, or incorporator, director or auditor under Article 175 (1) of the Commercial Act that is applied mutatis mutandis in Article 70 (1), an acting person or manager under Articles 386 (2) and 407 (1) of the Commercial Act that are applied mutatis mutandis in Article 59 or an employee entrusted with a certain or specific matters concerning the business shall be punished by imprisonment with labor for not more than 10 years, or by a fine not exceeding 100 million if he or she causes loss to the property of an insurance company by acquiring any property benefits or permitting any third party to acquire such property interest in breach of his or her duties. *<Amended on Oct. 31, 2017>*
- (2) Paragraph (1) shall also apply where a liquidator of a mutual company or an acting person under Articles 386 (2) and 407 (1) of the Commercial Act that are applied mutatis mutandis in Article 73 performs a conduct stipulated under paragraph (1).

#### **Article 198 (Penalty Provisions)**

A person who constitutes an agency under Article 25 (1) or Article 54 (1) shall be punished by imprisonment with labor for not more than seven years, or by a fine not exceeding 70 million won if he or she causes loss to policyholders or members of an insurance company by acquiring a property interest or permitting any third party to acquire such property benefits in breach of his or her duties. *<Amended on Oct. 31, 2017>*

#### **Article 199 (Penalty Provisions)**

Where a person specified in Article 197 (1) or an inspector of a mutual company engages in any of the following conducts, he or she shall be punished by imprisonment with labor for not more than seven years, or by a fine not exceeding 70 million won: *<Amended on Oct. 31, 2017>*

1. Filing a false report to the court or a general meeting of shareholders or concealing any fact with respect to the number of members, the takeover of the aggregate amount of the fund, the payment of contributions to the fund or other matters specified in subparagraphs 4 through 6 and 9 of Article 34 and Article 38 (2) 3 and 5 when incorporating a mutual company;
2. Illegally acquiring stocks on the account of an insurance company, no matter in whose name the accounts stand in, or receiving stocks for the purpose of pledge;
3. Redeeming the fund, paying interest accruing from the fund or dividing profits or surplus, in violation of statutes and regulations or the articles of incorporation;
4. Disposing of assets of an insurance company for the purpose of speculative transactions other than the purpose of running the insurance business.

#### **Article 200 (Penalty Provisions)**

A person who falls under any of the following subparagraphs shall be punished by imprisonment with labor for not more than five years, or by a fine not exceeding 50 million won: *<Amended on Oct. 31, 2017>*

1. A person who violates Article 4 (1);
2. An insurance company that extends credit, in violation of Article 106 (1) 4 and 5;
3. An insurance company that holds bonds and stocks, in violation of Article 106 (1) 6;
4. An insurance company that performs any conduct falling under the subparagraphs of Article 111 (1), in violation of the same paragraph;
5. A large shareholder or a person specially related to him or her who engages in any conduct under the subparagraphs of Article 111 (5), in violation of the same paragraph.

#### **Article 201 (Penalty Provisions)**

(1) A person specified in Articles 197 and 198, and an inspector of a mutual company who receives, requests or promises property benefits in exchange for illegal favors in connection with his or her duties shall be punished by imprisonment with labor for not more than five years, or by a fine not exceeding 50

million won. <Amended on Oct. 31, 2017>

(2) Paragraph (1) shall also apply to a person who promises, provides or expresses his or her intention to provide the property benefits referred to in paragraph (1).

#### **Article 202 (Penalty Provisions)**

Any of the following persons shall be punished by imprisonment with labor for not more than three years, or by a fine not exceeding 30 million won: <Amended on Apr. 18, 2017; Oct. 31, 2017>

1. A joint-stock company that decides to reduce its capital without obtaining approval, in violation of Article 18 (2);
2. A person who violates Article 75;
3. A person who provides goods, etc. stipulated under Article 98 (referring to a promise to pay an amount of insurance proceeds in cases falling under subparagraph 3 of the same Article) or a policyholder or the insured who receives the goods, etc. after requesting them;
4. A person who violates Article 106 (1) 1 through 3;
5. A person who violates Article 177;
6. A person who engages in insurance actuarial business or damage adjusting business without filing a registration prescribed in Article 183 (1) or 187 (1);
7. A person who files a registration prescribed in Article 183 (1) or 187 (1), by fraud or other improper means.

#### **Article 203 (Penalty Provisions)**

(1) A person who receives, requests, or promises property benefits in exchange for illegal favors concerning the following matters shall be punished by imprisonment with labor for not more than one year, or by a fine not exceeding 10 million won:

1. Stating or exercising the voting right at the general meeting of policyholders, the inaugural meeting of mutual company or at the general meeting of members;
2. Instituting a lawsuit provided for in Sections 2 and 3 of Chapter III and Section 2 of Chapter VIII or exercising the rights by shareholders holding not less than 5/100 of capital or by not less than 5/100 of members.

(2) Paragraph (1) shall also apply to a person who promises, provides or expresses his or her intention to provide the property benefits referred to in paragraph (1).

#### **Article 204 (Penalty Provisions)**

(1) Any of the following persons shall be punished by imprisonment with labor for not more than one year, or by a fine not exceeding 10 million won:

1. A person who violates Article 8 (2);

2. A person who solicits an insurance contract, in violation of Article 83 (1);
  3. A person who makes a registration as an insurance solicitor, insurance agency or certified insurance broker by fraud or other improper means;
  4. A person who solicits an insurance contract, in violation of an order for business suspension prescribed in Article 86 (2), 88 (2) or 90 (2);
  5. Deleted; <Apr. 18, 2017>
  6. A person who violates Article 150;
  7. A certified insurance actuary and a certified senior actuary who fail to verify or make false verification without good cause, in violation of Articles 181 (1) and 184 (1);
  8. A certified senior actuary and a certified insurance actuary who violate Article 184 (3) 1;
  9. A certified damage adjuster who violates Article 189 (3) 1.
- (2) A person who permits or abets a certified senior actuary or certified damage adjuster to engages in the conduct prescribed in paragraph (1) 7 through 9 shall be punished in the same manner as a principal offender is punished.

#### **Article 205 (Attempted Offenders)**

An attempted offender provided for in Articles 197 and 198 shall be punished.

#### **Article 206 (Concurrent Punishment)**

Imprisonment with labor and a fine may be concurrently imposed on a person who commits an offense provided for in Articles 197 through 205 considering extenuating circumstances.

#### **Article 207 (Forfeiture)**

In cases under Articles 201 and 203, benefits which an offender has obtained or intended to provide shall be forfeited. Where it is not possible to forfeit all or some of such benefits, the value thereof shall be additionally collected.

#### **Article 208 (Joint Penalty Provisions)**

- (1) Where a representative of a corporation (including an association or a foundation other than a corporation which has a representative or manager; hereafter the same shall apply in this paragraph), an agent, employee or other servant of the corporation or individual commits a violation under Article 200, 202 or 204 in connection with the business of the corporation or individual, not only shall such violator be punished, but also the corporation or individual shall be punished by a fine under the relevant provisions: Provided, That this shall not apply where such corporation or individual has not been negligent in giving due attention and supervision concerning the relevant business in order to prevent such violation.
- (2) Where a fine is imposed on an association or a foundation other than a corporation under paragraph (1), and the representative and the manager thereof make the representative of the relevant association or

foundation a defendant with respect to the act of procedure, the provisions of the Acts governing the criminal procedure shall apply mutatis mutandis.

#### **Article 209 (Administrative Fines)**

(1) Where an insurance company falls under any of the following subparagraphs, it shall be punished by an administrative fine not exceeding 100 million won: *<Amended on Apr. 18, 2017; Mar. 24, 2020>*

1. Where it concurrently runs other business, etc., in violation of Article 10 or 11;
- 1-2. Where it fails to report ancillary business, in violation of Article 11-2 (1);
2. Where it violates Article 95;
3. Where it violates Article 96;
4. Where executive officers or employees of an insurance company violate Article 101-2 (3), the relevant insurance company: Provided, That this shall not apply where such insurance company has not been negligent in giving due attention and supervision concerning the relevant duties to prevent such violation;
5. Where it violates Article 106 (1) 7 through 10;
6. Where it holds stocks of any other company, in violation of Article 109;
7. Deleted; *<Apr. 18, 2017>*
- 7-2. Deleted; *<Mar. 24, 2020>*
- 7-3. Where it fails to obtain resolution of the board of directors, in violation of Article 111 (2);
- 7-4. Where it fails to make a report or public announcement prescribed in Article 111 (3) or (4), or makes a false report or false public announcement;
8. Where it violates Article 113;
9. Where it violates Article 116;
10. Where it fails to submit the financial statement, etc. by a deadline or submits a false financial statement, etc., in violation of Article 118;
- 10-2. Where it fails to report, or underreports or overreports statutory reserves or actuarial reserves in statements, or fails to enter statutory reserves or actuarial reserves in the ledger, in violation of Article 120 (1);
11. Where it fails to give public notice, in violation of Article 124 (1);
12. Where it fails to provide information or provides false information, in violation of Article 124 (4);
13. Where it violates Article 128-2;
14. Where it violates an order issued under Article 131 (1), (2) and (4);
15. Where it refuses, interferes with, or evades an inspection conducted under Article 133.

(2) Where an insurance agency, etc. of a financial institution prescribed in Article 91 (1) or a person that intends to become an insurance agency, etc. of a financial institution violates Article 83 (2) or 100, he, she or it shall be punished by an administrative fine not exceeding 100 million won. *<Amended on Apr. 18, 2017>*



(3) Where an insurance company violates Article 95-5, it shall be punished by an administrative fine not exceeding 50 million won. <Newly Inserted on Dec. 8, 2020>

(4) An insurance company that has failed to take measures to protect its employees or has put any employee at a disadvantage, in violation of Article 85-4, shall be punished by an administrative fine not exceeding 30 million won. <Newly Inserted on Apr. 18, 2017; Dec. 8, 2020>

(5) An insurance company that fails to inform a person who intends to enter into a contract for credit granting that he or she may request a reduction in interest rate, in violation of Article 110-3 (2), shall be subject to an administrative fine not exceeding 20 million won. <Newly Inserted on May 19, 2020; Dec. 8, 2020>

(6) Where a promoter, an incorporator, a director, an auditor, an inspector, a liquidator, or an acting person prescribed in Articles 386 (2) and 407 (1) of the Commercial Act (including cases applied mutatis mutandis under Articles 59 and 73) or a manager of an insurance company engages in any of the following conduct, he or she shall be punished by an administrative fine not exceeding 20 million won: <Amended on Jul. 31, 2015; Apr. 18, 2017; Dec. 11, 2018, Mar. 24, 2020; May 19, 2020; Dec. 8, 2020>

1. Where an insurance company concurrently runs other business, etc., in violation of Article 10 or 11;

2. Deleted; <Jul. 31, 2015>

3. Where he or she takes procedures for reducing capital, in violation of Article 18;

4. Where he or she files a false report with any administrative agency, the general meeting of shareholders or any institution prescribed in Article 25 (1) or Article 54 (1) or conceals the fact;

5. Where he or she fails to prepare the instruments of subscription for membership, fails to enter matters in the instruments of subscription for membership, or enters false matters therein, in violation of Article 38 (2);

6. Where he or she fails to enter necessary matters or enters false matters in the articles of incorporation, the roll of employees, minutes, the list of assets, the balance sheet, the business plan, the report of operations, and the report of account settlement, or accounting books prescribed in Article 29 (1) of the Commercial Act applied mutatis mutandis in Article 44;

7. Where he or she fails to keep documents, in violation of Article 57 (1) (including cases applied mutatis mutandis under Article 73) or Article 448 (1) of the Commercial Act which is applied mutatis mutandis under Articles 64 and 73;

8. Where he or she convenes a general meeting of members or the agency prescribed in Article 54 (1), in violation of Article 364 of the Commercial Act, which is applied mutatis mutandis under Article 59, convenes a general meeting of members in a place other than a place designated by the articles of incorporation, or fails to convene a general meeting of members, in violation of Article 365 (1) of the Commercial Act applied mutatis mutandis under Article 59;

9. Where he or she fails to accumulate the reserves, or uses the reserves, in violation of Article 60 or 62;

10. Where he or she takes the procedures for dissolution, in violation of Article 69;

11. Where he or she disposes of the assets of an insurance company, or distributes residual assets, in violation of Article 72 or the articles of incorporation;
12. Where he or she neglects the filing of an application for the adjudication of bankruptcy, in violation of Article 254 of the Commercial Act which is applied mutatis mutandis in Article 73;
13. Where he or she unfairly sets the period prescribed in Article 535 (1) of the Commercial Act which is applied mutatis mutandis in Article 73 for the purpose of delaying the termination of liquidation;
14. Where he or she repays debts, in violation of Article 536 of the Commercial Act, which is applied mutatis mutandis in Article 73;
15. Where he or she violates Article 619 or 620 of the Commercial Act, which is applied mutatis mutandis in Article 79 (2);
16. Where he or she violates Article 85 (1);
17. Where an insurance company violates Article 95;
18. Where an executive officer or employee of an insurance company violates Article 95-2, Article 95-5, Article 97, or Article 101-2 (1) or (2);
19. Where an insurance company violates Article 96;
20. Where he or she manages the assets, in violation of Article 106 (1) 4 or 7 through 10;
21. Where he or she holds stocks of any other company, in violation of Article 109;
22. Where he or she violates Article 110;
- 22-2. Deleted; <May 19, 2020>
23. Where he or she violates Article 113;
24. Where he or she violates Article 116;
25. Where he or she fails to meet a deadline for submitting the financial statement, etc. in violation of Article 118, or submits a falsified financial statement, etc.;
26. Where he or she fails to keep documents or to make them available for perusal by the public, in violation of Article 119;
27. Where he or she fails to appropriate the liability reserves or the emergency-risk reserves, or fails to enter them in accounting books, in violation of Article 120 (1);
28. Where he or she fails to give public notice, in violation of Article 124 (1);
29. Where he or she fails to provide information or provides false information, in violation of Article 124 (4);
30. Where he or she violates Article 125;
31. Where he or she fails to report changes in the articles of incorporation, in violation of Article 126;
32. Where he or she violates Article 127;
33. Where an insurance company violates Article 127-3;
34. Where an insurance company violates Article 128-2;
35. Where an insurance company prepares or changes basic documents, in violation of Article 128-3;

36. Where he or she fails to report, in violation of Article 130;
  37. Where he or she violates an order issued under Article 131;
  38. Where he or she refuses, interferes with, or evades an inspection conducted under Article 133;
  39. Where he or she fails to hand over administrative affairs to a liquidator appointed by the Financial Services Commission, or a custodian or liquidator appointed by the court;
  40. Where he or she takes the procedures for transferring insurance contracts, in violation of Article 141;
  41. Where he or she concludes an insurance contract, in violation of Article 142, or disposes of assets or bears debts, in violation of Article 144 (including cases applied mutatais mutandis under Article 152 (2));
  42. Where he or she takes the procedures for effecting a merger, in violation of Article 151 (1) and (2) and Article 153 (3) or Article 232 of the Commercial Act, which is applied mutatis mutandis under Article 70 (1);
  43. Where he or she neglects the registration made under this Act;
  44. Where he or she neglects taking the procedures for filling the vacancy after a certified insurance actuary prescribed in this Act or the articles of incorporation resigns.
- (7) Any of the following persons shall be punished by an administrative fine not exceeding ten million won: <Amended on Jan. 14, 2014; Oct. 15, 2014; Mar. 29, 2016; Apr. 18, 2017; Dec. 31, 2018; Mar. 24, 2020; May 19, 2020; Dec. 8, 2020>
1. A person who violates Article 3;
  2. A person who violates Article 85 (2);
  - 2-2. A person who violates Article 85-3 (1);
  - 2-3. Deleted; <Apr. 18, 2017>
  - 2-4. A person who violates Article 87-3 (2);
  3. A person who violates Article 92;
  4. A person who neglects reporting under Article 93;
  5. A person who violates Article 95;
  6. A person who violates Article 95-2;
  7. An insurance agency or an insurance broker where an insurance solicitor of the insurance agency or insurance broker violates Articles 95-2, 96 (1), 97 (1), or 99 (3): Provided, That this shall not apply where such insurance agency or insurance broker has not been negligent in giving due attention and supervision concerning the relevant duties to prevent such violation;
  - 7-2. A person who violates Article 95-5;
  8. Deleted; <Mar. 24, 2020>
  9. A person who violates Article 96 (1);
  10. A person who violates Article 97 (1);

11. A person who violates Article 99 (3);
- 11-2. A person who violates Article 101-2;
12. A person who refuses to submit materials prescribed in Article 112;
13. A person who compares or gives public notice, in violation of Article 124 (5);
14. A person who violates an order issued under Articles 132, 179 and 192 (2) which apply mutatis mutandis Article 131 (1) or Articles 136, 179 and 192 (2) which apply mutatis mutandis Article 133 (1), or Article 192 (1);
15. A person who refuses, interferes with, or evades an inspection conducted under Articles 136, 179 and 192 (2) which apply mutatis mutandis Article 133 (3);
16. A person who fails to comply with a request made under Articles 136, 179 and 192 (2) which apply mutatis mutandis Article 133 (3);
17. A person who refuses, interferes with, or evades a request made under Article 162 (2) without good cause.

(8) The administrative fines under paragraph (1) through (7) shall be imposed and collected by the Financial Services Commission, as prescribed by Presidential Decree. <Amended on Apr. 18, 2017; May. 19, 2020; Dec. 8, 2020>

**Article 210 Deleted.** <Jul. 23, 2010>

ADDENDA <Act No. 6891, May 29, 2003>

**Article 1 (Enforcement Date)**

This Act shall enter into force three months after the date of its promulgation: Provided, That the amended provisions of Article 85 (3) and (4) shall enter into force after the lapse of five years from the date this Act enters into force. <Amended on Aug. 29, 2006>

**Article 2 (Applicability to Requirements for Executive Officers)**

The amended provisions of Article 13 (1) and 14 shall begin to apply from any officer of the insurance company who is first selected and appointed after this Act enters into force.

**Article 3 (Applicability to Compliance Officer)**

The amended provisions of Article 17 (3) and (4) shall begin to apply from any compliance officer of the insurance company who is first selected and appointed after this Act enters into force.

**Article 4 (Special Case concerning Type 3 Insurance Business)**

Notwithstanding the amended provisions of subparagraph 4 of Article 2 and 10, every life insurance company shall be prohibited from receiving money in return for promising the indemnity of damage caused by any disease, any injury and any nursing thereof for two years after this Act enters into force: Provided, That the same shall not apply to the case where any person who is to be a policyholder is an organization prescribed by Presidential Decree.

#### **Article 5 (Special Case concerning Capital and Fund)**

Where the capital and the fund are prescribed differently from the amended provisions of Article 9 on the grounds of any agreement that is concluded with any foreign government before this Act enters into force, the capital and the fund shall be governed by such agreement.

#### **Article 6 (Special Case concerning Selection and Appointment of Outside Directors)**

Any insurance company that is required to select and appoint any outside director for the first time after this Act enters into force shall select and appoint such outside director at the regular general meeting of shareholders that is first called after this Act enters into force. In such cases, the outside director who is first selected and appointed at the regular general meeting of shareholders shall be deemed to be recommended by the outside director candidate recommendation committee under the amended provisions of Article 15 (2).

#### **Article 7 (Special Case concerning Setting Up Audit Committee)**

Any insurance company that is required to set up the audit committee for the first time after this Act enters into force shall set up such audit committee at the regular general meeting of shareholders that is first called after this Act enters into force.

#### **Article 8 (Special Case concerning Bonds and Shares Issued by Majority Shareholders)**

In the application of the amended provisions of Article 106 (1) 6, "60/100 of the equity capital (if the amount equivalent to 60/100 of the equity capital exceeds the amount equivalent to the amount of 3/100 of the total assets, 3/100 of the total assets)" in the amended provisions shall be deemed "3/100 of the total assets" by the date on which one year lapses from the date this Act enters into force.

#### **Article 9 (Special Case concerning Unlisted Shares)**

(1) In the application of the amended provisions of Article 106 (1) 9, "10/100 of the total assets" in the amended provisions shall be deemed "5/100 of the total assets" from the date this Act enters into force by March 31, 2005.

(2) Notwithstanding the provisions of paragraph (1), the previous provisions shall apply to any insurance company that holds unlisted shares in excess of 5/100 of the total assets as of March 25, 2002 by March 31, 2005. In such cases, such insurance company shall be prohibited from additionally acquiring unlisted shares by the time when the unlisted shares it holds are less than 5/100 of the total assets.

#### **Article 10 (Transitional Measures concerning Deposits for Protection of Policyholders)**

The Financial Services Commission shall return deposits for the protection of policyholders under the previous provisions as at the time this Act enters into force to insurance companies within one month from the date this Act enters into force.

#### **Article 11 (Transitional Measures concerning Insurance Business)**

A person who obtains a license for running life insurance business or non-life insurance business (excluding any person who obtains a license for running part of the types of the life insurance business or the non-life insurance business) from the Financial Services Commission as at the time this Act

enters into force shall be deemed to obtain a license for running the type of insurance business falling under the third insurance business provided for in this Act in accordance with Article 4 (1).

**Article 12 (Transitional Measures concerning Insurers)**

Any insurer (including the case where he or she is deemed an insurer) as at the time this Act enters into force shall be deemed the insurance company under this Act.

**Article 13 (Transitional Measures concerning Foreign insurers)**

Any foreign insurer as at the time this Act enters into force shall be deemed the foreign insurance company under this Act.

**Article 14 (Transitional Measures concerning Local offices of Foreign insurers)**

Any local office of the foreign insurer, etc. as at the time this Act enters into force shall be deemed the local office of the foreign insurance company, etc. under this Act.

**Article 15 (Transitional Measures concerning Executive Officers)**

Any officer of the insurer as at the time this Act enters into force shall be deemed the officer of the insurance company under this Act.

**Article 16 (Transitional Measures concerning Outside Directors)**

Any outside director of the insurer as at the time this Act enters into force shall be deemed the outside director of the insurance company under this Act.

**Article 17 (Transitional Measures concerning Terms of Office for Officers)**

The terms of office for any director and any auditor of the insurance company who are serving as at the time this Act enters into force shall be governed by the previous provisions by the date on which their terms of office expire.

**Article 18 (Transitional Measures concerning Standing Auditor following Establishment of Audit Committee)**

A person who is serving as a full-time auditor (referring to the full-time auditor designated by the board of directors of the insurance company in the case that the relevant insurance company has not less than two full-time auditors) of the insurance company that is required to set up the audit committee for the first time in accordance with the provisions of Article 7 of the Addenda after this Act enters into force shall be deemed a member of the audit committee of the relevant insurance company, who is not an outside director, among the members of the audit committee, if his or her term of office does not expire and he or she is not dismissed at the general meeting of shareholders, by the date on which the regular general meeting of shareholders is called with an agenda to set up the audit committee in accordance with the provisions of Article 7 of the Addenda. In such cases, the relevant full-time auditor shall be deemed the director selected and appointed at the general meeting of shareholders in accordance with the provisions of Article 382 (1) of the Commercial Act until his or her term of office expires.

**Article 19 (Transitional Measures concerning Compliance Officer)**

Any compliance officer of the insurer as at the time this Act enters into force shall be deemed a compliance officer of the insurance company under this Act.

**Article 20 (Transitional Measures concerning Insurance Solicitors)**

Any insurance solicitor as at the time this Act enters into force shall be deemed an insurance solicitor under this Act.

**Article 21 (Transitional Measures concerning Insurance Agencies)**

Any insurance agency as at the time this Act enters into force shall be deemed an insurance agency under this Act.

**Article 22 (Transitional Measures concerning Insurance Brokers)**

Any insurance broker as at the time this Act enters into force shall be deemed a certified insurance broker under this Act.

**Article 23 (Transitional Measures concerning Subsidiaries)**

Any subsidiary of the insurance company, for which approval is granted under the previous provisions as at the time this Act enters into force, shall be deemed a subsidiary, for which approval is granted under this Act.

**Article 24 (Transitional Measures concerning Credit Extension)**

(1) Any insurance company that extends credit or holds bonds and shares in excess of the limit set under the amended provisions of Article 106 (1) 1 through 3 as at the time this Act enters into force shall bring such credit as well as the holding of such bonds and shares into conformity with the limit set under the amended provisions by the date on which three years lapse from the date this Act enters into force, and the relevant insurance company shall also submit a detailed implementation plan to and obtain approval therefor from the Financial Services Commission by the date on which one month lapses from the date this Act enters into force.

(2) Any insurance company that extends credit in excess of the limit set under the amended provisions of Article 106 (1) 5 as at the time this Act enters into force shall bring such credit in to conformity with the limit set under the amended provisions by the date on which three years lapse from the date this Act enters into force, and the relevant insurance company shall submit a detailed implementation plan to and obtain approval therefor from the Financial Services Commission by the date on which one month lapses from the date this Act enters into force.

(3) Any insurance company that holds bonds and shares in excess of the limit set under the amended provisions of Article 106 (1) 6 as at the time this Act enters into force shall bring the holding of such bonds and shares into conformity with the limit set under the amended provisions by the date on which three years lapse from the date this Act enters into force, and the relevant insurance company shall submit a detailed implementation plan to and obtain approval therefor from the Financial Services Commission by the date on which one year lapses from the date this Act enters into force.

(4) Notwithstanding the provisions of paragraphs (2) and (3), any insurance company, whose total assets at the end of the immediately preceding business year of the business year belonging to the date this Act enters into force fall short of the scale prescribed by Presidential Decree, shall bring its total assets into conformity with the scale by the date on which five years lapse from the date this Act enters

into force after obtaining approval from the Financial Supervisory Commission.

**Article 25 (Transitional Measures concerning Prohibited Act Related to Financial Support)**

Where any insurance company violates the amended provisions of Article 110 due to the act performed before this Act enters into force, such insurance company shall dispose of shares or retrieve credit granted within six months after this Act enters into force.

**Article 26 (Transitional Measures concerning Certified Insurance Actuary)**

(1) Any certified insurance actuary as at the time this Act enters into force shall be deemed a certified insurance actuary under this Act.

(2) Any certified insurance actuary in charge of the confirmation service under the previous provisions shall be deemed a certified senior actuary under the amended provisions of Article 181 (2) and the amended provisions of Article 184 (3) shall begin to apply from any certified senior actuary who is first selected and appointed after March 25, 2002.

**Article 27 (Transitional Measures concerning Insurance Actuarial Business Operator)**

Any insurance actuarial business operator as at the time this Act enters into force shall be deemed an insurance actuarial business operator under this Act.

**Article 28 (Transitional Measures concerning Certified Damage Adjusters)**

Any certified damage adjuster as at the time this Act enters into force shall be deemed certified damage adjusters under this Act.

**Article 29 (Transitional Measures concerning Damage Adjusting Business Operator)**

Any damage adjusting business operator as at the time this Act enters into force shall be deemed a damage adjusting business operator under this Act.

**Article 30 (Transitional Measures concerning Insurance-Related Organizations)**

Any insurance-related organization and any insurance-related incorporated association, which have been established in accordance with the previous provisions or Article 32 of the Civil Act before this Act enters into force, shall be deemed to be established in accordance with this Act.

**Article 31 (Transitional Measures concerning Penalty Provisions)**

The conducts committed before this Act enters into force shall be governed by the previous penalty provisions.

**Article 32 (General Transitional Measures)**

(1) Any licence, authorization, approval, order, disposition and any other act performed by the Minister of Economy and Finance, the Financial Services Commission or the Financial Supervisory Service in accordance with the previous provisions before this Act enters into force shall be deemed to be performed by the Minister of Economy and Finance, the Financial Services Commission or the Financial Supervisory Service in accordance with this Act.

(2) Any report, any declaration and any act performed to the Minister of Economy and Finance, the Financial Services Commission or the Financial Supervisory Service in accordance with the previous provisions before this Act enters into force shall be deemed to be performed to the Minister of Economy



and Finance, the Financial Services Commission or the Financial Supervisory Service in accordance with this Act.

**Article 33 Omitted.**

**Article 34 (Relations with other Acts and Subordinate Statutes)**

Where any other statute or regulation cites any previous provisions of the Insurance Business Act as at the time this Act enters into force, the corresponding provisions of this Act, if any, shall be deemed to be cited in lieu of the previous provisions.

ADDENDA <Act No. 7379, Jan. 27, 2005>

**Article 1 (Enforcement Date)**

This Act shall enter into force on December 2005. (Proviso Omitted.)

**Articles 2 through 7 Omitted.**

ADDENDA <Act No. 7428, Mar. 31, 2005>

**Article 1 (Enforcement Date)**

This Act shall enter into one year after the date of its promulgation.

**Articles 2 through 6 Omitted.**

ADDENDA <Act No. 7971, Aug. 29, 2006>

This Act shall enter into force on the date of promulgation.

ADDENDA <Act No. 8386, Apr. 27, 2007>

This Act shall enter into force on the date of promulgation.

ADDENDA <Act No. 8520, Jul. 19, 2007>

(1) (Enforcement Date) This Act shall enter into force six months after the date of its promulgation.

(2) (Transitional Measures concerning Members of Audit Committee) The insurance company that has to appoint members of the audit committee pursuant to the amended provisions of Article 16 (2) shall appoint members of the audit committee in a way as to comply with the same amended provisions, not later than the date when the general meeting of shareholders is first called after this Act enters into force.

ADDENDA <Act No. 8572, Aug. 3, 2007>

**Article 1 (Enforcement Date)**

This Decree shall enter into force three months after the date of its promulgation.

**Articles 2 through 5 Omitted.**

ADDENDA <Act No. 8635, Aug. 3, 2007>

**Article 1 (Enforcement Date)**

This Decree shall enter into force one and half years after the date of its promulgation. (Proviso Omitted.)

**Articles 2 through 44 Omitted.**

ADDENDA <Act No. 8852, Feb. 29, 2008>

**Article 1 (Enforcement Date)**

This Act shall enter into force one year after the date of its promulgation: Provided, That ... (Omitted)... among the Acts amended pursuant to Article 6 of the Addenda, the amended parts of the acts which were promulgated before this Act enters into force but the enforcement date of which have not yet arrived shall enter into force on the enforcement dates of the respective Acts.

**Articles 2 through 7 Omitted.**

ADDENDA <Act No. 8863, Feb. 29, 2008>

**Article 1 (Enforcement Date)**

This Act shall enter into force on the date of promulgation.

**Articles 2 through 5 Omitted.**

ADDENDA <Act No. 8902, Mar. 14, 2008>

(1) (Enforcement Date) This Act shall enter into force three months after the date of its promulgation.

(2) (Applicability to Divided Accounting on Insurance Contract) The amended provisions of Article 121-2 shall apply only to an insurance contract made upon obtaining approval by the Financial Services Commission and new assets thereof.

ADDENDA <Act No. 9617, Apr. 1, 2009>

#### **Article 1 (Enforcement Date)**

This Article shall enter into force six months after the date of its promulgation.

#### **Articles 2 through 13 Omitted.**

ADDENDA <Act No. 10303, May 17, 2010>

#### **Article 1 (Enforcement Date)**

This Decree shall enter into force six months after the date of its promulgation. (Proviso Omitted.)

#### **Articles 2 through 10 Omitted.**

ADDENDA <Act No. 10394, Jul. 23, 2010>

#### **Article 1 (Enforcement Date)**

This Article shall enter into force six months after the date of its promulgation.

#### **Article 2 (Applicability to Opening of Local Offices of Foreign Insurers)**

A foreign insurer, etc. which has opened its local office as at the time this Act enters into force shall report thereon to the Financial Services Commission within three months after this Act enters into force pursuant to the amended provisions of Article 12 (2).

#### **Article 3 (Applicability to Appointment of Outside Directors and Non-Outside-Director Members of Audit Committee)**

The amended provisions of Articles 15 (4) and 16 (3) shall begin to apply from the outside director and non-outside-director member of the audit committee first appointed one or after this Act enters into force.

#### **Article 4 (Applicability to Disqualifications of Insurance Solicitors)**

The amended provisions of Article 84 (2) 4 through 7 (also applicable to cases cited in Articles 86 (1) 1 and 2, 87 (2) 1, 87-2 (1) 2, 88 (1) 1 and 2, 89 (2) 1, 90 (1) 1 and 2, and 93 (1) 2) shall begin to apply from the first person who commits a violation on or after this Act enters into force.

#### **Article 5 (Applicability to Disqualifications of Insurance Agencies)**

The part concerning an insurance company among the amended provisions of Article 87 (2) 3 shall begin to apply from the first person who becomes an executive officer or employee of the insurance company on or after this Act enters into force.

#### **Article 6 (Applicability to Qualifications of Executive Officers of Corporate Insurance Agencies)**

The amended provisions of Articles 87-2 and 89-2 shall begin to apply from the first person who commits a violation on or after this Act enters into force.

#### **Article 7 (Transitional Measures concerning Solicitation Employees)**

Executive officers or employees of an insurance agency or insurance broker who are all reported to be engaged in the insurance solicitation under the former provisions as at the time this Act enters into force

shall be deemed to have registered as an insurance solicitor under the amended provisions of Article 84 (1).

**Article 8 (Transitional Measures concerning Scope of Business for Corporation Insurance Agencies and Corporate Insurance Brokers)**

The business of a corporate insurance agency and a corporate insurance broker registered under the former provisions as at the time this Act enters into force shall be in compliance with the amended provisions of Articles 87-3 (1) and 89-3 (1) within one year from the date on which this Act enters into force.

**Article 9 (Transitional Measures concerning Penalty Provisions)**

(1) The application of penalty provisions and Administrative fines to any conduct performed before this Act enters into force shall be governed by the former provisions.

(2) The application of disposition for imposing a penalty surcharge or other administrative disposition against a violation committed before this Act enters into force and completed before this Act enters into force or the state of which continues till after this Act enters into force, shall be governed by the former provisions.

ADDENDA <Act No. 10688, Jun. 19, 2011>

This Decree shall enter into force three months after the date of its promulgation.

ADDENDA <Act No. 10866, Jul. 21, 2011>

**Article 1 (Enforcement Date)**

This Act shall enter into force on the date of its promulgation: Provided, That...(Omitted)...Article 3 of Addenda shall enter into force one year after the date of its promulgation.

**Articles 2 through 4 Omitted.**

ADDENDA <Act No. 11758, Apr. 5, 2013>

**Article 1 (Enforcement Date)**

This Act shall enter into force three months from the date of its promulgation. (Proviso Omitted.)

**Articles 2 through 3 Omitted.**

ADDENDA <Act No. 12262, Jan. 14, 2014>

**Article 1 (Enforcement Date)**

This Article shall enter into force six months after the date of its promulgation.

**Article 2 (Applicability to Withdrawal of Insurance Policy Applications)**

The withdrawal of an application for insurance policy referred to in Article 102-4 shall begin to apply from the first person that applies for an insurance policy after this Act enters into force.

ADDENDA <Act No. 12836, Oct. 15, 2014>

This Article shall enter into force six months after the date of its promulgation.

ADDENDA <Act No. 13216, Mar. 11, 2015>

**Article 1 (Enforcement Date)**

This Decree shall enter into force six months after the date of its promulgation. (Proviso Omitted.)

**Articles 2 through 15 Omitted.**

ADDENDA <Act No. 13446, Jul. 24, 2015>

This Article shall enter into force six months after the date of its promulgation.

ADDENDA <Act No. 13453, Jul. 31, 2015>

**Article 1 (Enforcement Date)**

This Act shall enter into one year after the date of its promulgation.

**Articles 2 through 18 Omitted.**

ADDENDA <Act No. 13612, Dec. 22, 2015>

This Act shall enter into force on the date of promulgation.

ADDENDA <Act No. 13613, Dec. 22, 2015>

**Article 1 (Enforcement Date)**

This Act shall enter into force on the date of its promulgation. (Proviso Omitted.)

**Articles 2 through 4 Omitted.**

ADDENDA <Act No. 14124, Mar. 29, 2016>

This Decree shall enter into force three months after the date of its promulgation.

ADDENDA <Act No. 14821, Apr. 18, 2017>

**Article 1 (Enforcement Date)**

This Article shall enter into force six months after the date of its promulgation.

**Article 2 (Applicability to Notification of Details of Measures against Retired Executive Officers, etc.)**

The amended provisions of Article 135 (1) and (2) shall also apply to the executive officers and employees retired or resigned before this Act enters into force.

**Article 3 (Transitional Measures concerning Requests for Suspending Performance of Duties of Executive Officers)**

Notwithstanding the amended provisions of Article 134 (1) 3 (limited to suspension of duties), former provisions shall apply to violations committed before this Act enters into force.

**Article 4 (Transitional Measures concerning Penalty Surcharges)**

Notwithstanding the amended provisions of Article 196 (1) and (2), the former provisions shall apply where a penalty surcharge is imposed for any offense committed before this Act enters into force.

**Article 5 (Transitional Measures concerning Penalty Provisions)**

Any violation committed before this Act enters into force shall be governed by the previous provisions in applying penalty provisions or provisions regarding administrative fines.

ADDENDA <Act No. 15019, Oct. 31, 2017>

This Article shall enter into force six months after the date of its promulgation.

ADDENDA <Act No. 15022, Oct. 31, 2017>

**Article 1 (Enforcement Date)**

This Act shall enter into one year after the date of its promulgation.

**Articles 2 through 15 Omitted.**

ADDENDA <Act No. 15414, Feb. 21, 2018>

**Article 1 (Enforcement Date)**

This Article shall enter into force six months after the date of its promulgation.

**Article 2 (Applicability to Duties of Certified Damage Adjusters)**

The amended provisions of Article 189 (1) shall begin to apply from the first entrustment of damage adjusting services by an insurance company after this Act enters into force.

ADDENDA <Act No. 15614, Apr. 17, 2018>

**Article 1 (Enforcement Date)**

This Act shall enter into force on the date of promulgation.

Persons under adult guardianship and persons under limited guardianship under Article 84 (2) 1 shall be deemed to include persons for whom the declaration of incompetency or quasi-incompetency remains effective under Article 2 of Addenda to the Civil Act (Act No. 10429).

ADDENDA <Act No. 15931, Dec. 11, 2018>

**Article 1 (Enforcement Date)**

This Article shall enter into force six months after the date of its promulgation.

**Articles 2 (Applicability to Demand for Fall in Interest Rates)**

The amended provisions of Article 110-3 shall begin to apply from the first credit extension contract concluded after this Act enters into force.

ADDENDA <Act No. 16185, Dec. 31, 2018>

This Article shall enter into force six months after the date of its promulgation.

ADDENDA <Act No. 16957, Feb. 4, 2020>

**Article 1 (Enforcement Date)**

This Decree shall enter into force six months after the date of its promulgation. (Proviso Omitted.)

**Articles 2 through 13 Omitted.**

ADDENDA <Act No. 17112, Mar. 24, 2020>

**Article 1 (Enforcement Date)**

This Article shall enter into force one year after the date of its promulgation. (Proviso Omitted.)

**Articles 2 through 13 Omitted.**

ADDENDA <Act No. 17292, May. 19, 2020>

**Article 1 (Enforcement Date)**

This Article shall enter into force six months after the date of its promulgation.

**Article 2 ((Transitional Measures concerning Measures against Insurance Companies which Have Violated Methods of Asset Management)**

Notwithstanding the amended provisions of Article 106 (1) 9, the application of measures under Article 134 (1), the notification under Article 135, etc. to any violation committed before this Act enters into force shall be governed by the former provisions.

**Article 3 Omitted.**

ADDENDA <Act No. 17636, Dec. 8, 2020>

**Article 1 (Enforcement Date)**

This Act shall enter into force six months after the date of its promulgation: Provided, That the amended provisions of Articles 127 and 176 shall enter into force on the date of its promulgation.

**Article 2 (Applicability to Revocation or Revision of Conditions)**

The amended provisions of Article 4 (8) shall also apply to a person who has obtained a license for insurance business on which a condition is attached before this Act enters into force.

**Article 3 (Applicability to Verification of Adequacy of Liability Reserves)**

The amended provisions of Article 120-2 (1) shall begin to apply from the first liability reserves appropriated pursuant to Article 120 (1) after this Act enters into force.

**Article 4 (Applicability to Notification on Resolution on Transfer of Insurance Contracts)**

The amended provisions of Article 141 (1) shall begin to apply from the first insurance contract on which a resolution to transfer is adopted pursuant to Article 138 after this Act enters into force.

**Article 5 (Transitional Measures concerning Measures against Insurance Companies which have Violated Procedures for Holding Subsidiaries)**

Notwithstanding the amended provisions of Article 109 and Article 115, former provisions shall apply to measures under Article 134 (1), notification, etc. under Article 135, or administrative fines under Article 209 (6) (previously (5)) against violations committed before this Act enters into force.

**Article 6 Omitted.**

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