



Legislative Status and Challenges of the Coverage Expansion of Employment Insurance and Industrial Accident Insurance to Insurance Solicitors

ABSTRACT

Once compulsory enrollment of employment insurance and extended application of industrial accident insurance for employees with special forms of work such as insurance solicitors take effect in July 2021 following recent amendments of related laws, it is expected to have a great impact on the insurance industry and employment. The authorities should prepare with reasonable action plans considering legislative purpose of securing social safety net and potential impact on the industry and employment through broad collection of opinions, and insurers need to actively express their opinions.

1. Key points of amended Employment Insurance and Industrial Accident Insurance¹⁾

On December 9, 2020, the National Assembly passed a revised bill of the Employment Insurance Law etc. to make the enrollment of employment insurance mandatory and application of industrial accident insurance extended to employees with special forms of work effective from July, 2021. Currently, employees with special forms of work such as insurance solicitors are not eligible for employment insurance, and although they are eligible for industrial accident insurance, the participation rate was very low since the exemption from the application is allowed

1) Industrial accident insurance is a social security scheme to compensate a worker exposed to a work-related accident for his/her consequent injury or disease and facilitate his/her rehabilitation and return to society.



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upon request regardless of the reasons. With this amendment of the laws, it is expected that the employment insurance and industrial accident insurance will be fully applied to the insurance solicitors.

The amendments of the Employment Insurance Law include ❶ the compulsory enrollment of “workers” in employment insurance, ❷ contribution rate of worker and business owner, ❸ payment of unemployment benefits upon voluntary resignation due to decline in income.

(Worker) The worker is a broader concept than “employees with special forms of work” under the industrial accident Insurance Law. If the worker works for 2 or more businesses under employment contracts or service contracts etc. at the same time, they may acquire multiple insured status. The scope of application in terms of occupations will be provided in the enforcement decree; however, it is understood that it will be first applied to the 14 occupations that are currently covered by industrial accident insurance, including insurance solicitors according to the government policy.

(Contributions rate of insurance premium) Both workers and business owners are to contribute to the employment insurance premium; however, the specific rate will be set forth in the enforcement decree after deliberation by the employment insurance committee. For reference, for employees and artists, the employment insurance contribution rate (1/2 each for the employee and the employer) is stipulated by law.

(Requirements for unemployment benefits) In principle, a worker should become unemployed through no fault of one’s own to be eligible for unemployment benefits; nevertheless, workers voluntarily leaving the business due to decline in income will be eligible when certain criteria stipulated in the enforcement decree are met. However, moral hazards such as intentionally reducing income to receive unemployment benefits may incur.

The amendment to Industrial Accident Insurance Law eliminates the provision that allows employees with special forms of work to apply for an exemption without



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restrictions, and sets forth certain requirements such as illness or maternity leave to apply for the exemption.

(Exemption requirements) To apply for the exemption from the law, employees with special forms of work should be unable to work for one month or more either due to illness, injury, pregnancy, childbirth, parenting, or reasons attributed to the business owner, or equivalent reasons. Furthermore, the Korea Worker's Compensation & Welfare Service must approve such exemption. This, in effect, abolishes the exemption-upon-request system.

(Workers currently in exemption) In the case of a worker who is currently exempted, he/she will be subject to industrial accident insurance after July 2021 as long as he/she does not apply for the exemption again with the statutory requirements.

(Reduction of insurance premium) In order to alleviate the financial burden of employees with special forms of work and business owners caused by the amendment, the insurance premium may be reduced for a certain occupation based on the accident rate provided by the enforcement decree.

2. Future issues

With this amendment of the laws, the financial burden of the insurance companies and the solicitors will increase, and it is expected that the insurers' overall operation of the organization including distribution channels will be significantly affected. During legislative process, concerns have been constantly raised over the potential negative impacts on the employment of insurance solicitors, e.g., one research reported that up to 170,000 out of the 410,000 insurance solicitors may lose their jobs when all four social insurances are fully applied to them. Also, a survey of insurance solicitors showed that most of them opposed to compulsory enrollment scheme with regard to employment insurance, but preferred group insurance to industrial accident insurance.



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In the preparation of subordinate statutes including enforcement decree of relevant laws, the authorities should prepare with reasonable action plans including reasonable allocation of employment insurance contributions, and reduction of industrial accident insurance premium taking into account both the legislative purpose of securing a social safety net and the potential impact on the industry and employment through broad collection of opinions. It is also necessary to consider measures to prevent moral hazard associated with grant of unemployment benefits for the reason of workers' resignation due to a decrease in income, and to ease the requirements for exemption from industrial accident insurance in consideration of the reality of the insurance industry.

Insurers need to review the amended laws and its impact, and actively express their opinions in the subsequent legislative process such as the preparation of enforcement decree. Moreover, they need to examine the matters necessary for compliance in preparation for the enforcement of the law as of July 2021. In the long run, it is necessary to rationalize the system and reflect to the business strategy by carefully observing the effects of the extended application of social insurance for solicitors.

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