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# INSURANCE LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA

Adopted by Decision No. 58 of the Standing Committee of the Supreme People's Assembly on April 6, 1995, amended by Decree No. 383 of the Presidium of the Supreme People's Assembly on February 4, 1999, amended by Decree No. 3038 of the Presidium of the Supreme People's Assembly on May 16, 2002, amended by Decree No. 1298 of the Presidium of the Supreme People's Assembly on September 13, 2005 and amended by Decree No. 2989 of the Presidium of the Supreme People's Assembly on December 16, 2008

## Chapter 1 Fundamentals

### Article 1 (Objective)

This Law is enacted for the purpose of providing strict guidelines for insurance business, thereby protecting the rights and interests of the parties concerned to insurance, contributing to the development of the national economy and stabilizing people's living.

### Article 2 (Definitions)

In this law the following terms shall be construed as follows:

1. *Insurance* is a system of compensation for damage whereby public funds are created and used to make compensation for damage caused to persons or property due to natural disasters or accidents;
2. *Insurable interest* is an economic interest that an insured has in an insured object;
3. *Insured accident* is the actual happening of a risk covered by an insurer in an insurance contract;
4. *Insurer* is an insurance company that pays insurance money or indemnity upon occurrence of an insured accident;
5. *Insured* is an institution, enterprise, organization or an individual that receives insurance money or indemnity upon occurrence of an insured accident;
6. *Insurance policy holder* is an institution, enterprise, organization or an individual that is under obligation to pay premium according to an insurance contract;
7. *Insured beneficiary* is a person who receives insurance money when a person covered by personal insurance dies;
8. *Insurance premium* is the money that an insurer receives from a policy holder in return for securing the risk against an insured object;
9. *Insurance money* is the money that an insurer pays to an insured upon expiration of the term of insurance or occurrence of an insured accident;
10. *Insurance indemnity* is the money that an insurer pays upon occurrence of an insured accident covered by property insurance;

11. *Term of insurance* is a period during which an insurance contract is legally valid, that is, a period of time from when an insurer's liability starts to when it ends;

12. *Compensation liability insurance* is an insurance whereby indemnity is paid by an insurer for the damage caused by an insured to a third party as a result of an insured accident;

13. *Reinsurance* is an insurance whereby a part or whole of the risk covered by an insurance company is placed under coverage of another company.

#### Article 3 (Classification of insurance)

Insurance shall, depending on the object of insurance, include personal insurance and property insurance.

Personal insurance shall include life insurance, accident insurance, juvenile insurance and passenger insurance, while property insurance include fire insurance, marine insurance, agriculture insurance, technology insurance, automobile accident insurance, credit insurance and compensation liability insurance.

Article 4 (Principle of voluntariness, compulsoriness and trustworthiness, an organ with authority to designate type of insurance and objects of compulsory insurance)

The State shall ensure that the parties concerned to insurance strictly adhere to the principle of voluntariness, compulsoriness and trustworthiness in taking out a voluntary and compulsory insurance policy.

The authority to create a new type of insurance or designate the object of compulsory insurance shall be invested with the Cabinet.

#### Article 5 (Operator of insurance business)

Insurance business in the territory of the DPRK shall be undertaken by the insurance companies that obtained the license from the central insurance administration organ.

In the special economic zones foreign investors and overseas Koreans may set up insurance companies and foreign insurance companies may set up their representative offices, branches or agencies.

#### Article 6 (Principle of taking out insurance policy)

The State shall ensure that institutions, enterprises, organizations and citizens of the DPRK, and foreign bodies, foreign-invested businesses, foreign individuals and overseas Koreans that wish to be insured take out an insurance policy of the insurance companies in the territory of the DPRK.

#### Article 7 (Exchange and cooperation)

The State shall promote exchange and cooperation with foreign countries and international organizations in the field of insurance.

International insurance agreements to which the DPRK is a State party shall take the same effect as this Law.

#### Article 8 (Non-applicability)

This Law shall not be applicable to social insurance enforced by the State.

## Chapter 2 Insurance Contract

#### Article 9 (Conclusion of contract, status of parties to contract)

An insurance contract constitutes the basis of the insurance business.

The insurer and the insured shall conclude an insurance contract on an equal footing and perform it responsibly.

#### Article 10 (Parties to contract)

An insurance contract shall be concluded in writing between the insurer and the policy holder.

An insured or the person who enters into an insurance contract for the insured shall be an insurance policy holder.

#### Article 11 (Insurable interest)

An insurance contract shall be concluded only when the insured object has an insurable interest.

An insurance contract concluded without an insurable interest shall be invalid.

#### Article 12 (Manner of concluding insurance contract)

An insurance policy holder shall, for the conclusion of an insurance contract, submit to an insurer an application for an insurance policy specifying the required details and provide truthful answers to all the questions of the latter concerning the object of insurance.

An insurer shall inform the policy holder of the standard terms of an insurance contract and explain the main contents thereof.

#### Article 13 (Time of completion of insurance contract)

An insurance contract shall be completed when an insurer grants an application filed by a policy holder and issues an insurance policy.

The form and contents of an insurance policy shall be determined by an insurance company, which shall be approved by the central insurance administration organ.

#### Article 14 (Items to be specified in an insurance policy)

The following items shall be specified in an insurance policy:

1. Name and address of an insurance policy holder;
2. Name and address of an insured;
3. Object of insurance;
4. Insurable value;
5. Sum insured;
6. Risks to be covered and not to be covered;
7. Term of insurance
8. Insurance premium, mode of payment;
9. Mode of payment of insurance money or indemnity; and
10. Other items agreed upon by an insurer and a policy holder.

#### Article 15 (Obligations of parties to insurance contract)

Upon taking effect of an insurance contract, a policy holder shall be obliged to pay the insurance premium and an insurer to pay the insurance money or indemnity.

#### Article 16 (Payment of premium)

A policy holder shall pay within the prescribed period of time the insurance premium specified in the insurance policy.

An insurance premium shall be paid by the lump or by installment.

#### Article 17 (Effectuation of insurance contract)

An insurance contract shall take effect upon the payment by the insured of insurance premium.

Where, upon the effectuation of an insurance contract, a policy holder fails to pay the installment premium by the prescribed period of time, the insurance contract shall cease to be effective. Where the policy holder makes payment of the deferred insurance premium and the arrears due, the suspended insurance contract shall take effect.

#### Article 18 (Modification of insurance contract)

A policy holder may, subject to agreement with an insurer, modify part of an insurance contract within 1 month of the conclusion thereof. In this case the particulars of modification shall be specified in the insurance policy.

#### Article 19 (Revocation of insurance contract)

A policy holder may, by agreement with an insurer, revoke a part or whole of the contract at any time before the insured accident occurs.

A contract of insurance of freight and the like shall not be revoked.

#### Article 20 (Transfer of insured object)

A policy holder may transfer an insured object to a third party.

The insurance contract concerned shall take the same effect when a written agreement of an insurer is obtained and the insurance policy is transferred to a third person together with the insured object.

#### Article 21 (Notification of insured accident)

Where an insured accident occurs during the term of an insurance contract, the policy holder, the insured and the beneficiary shall make notification thereof without delay to the insurer.

#### Article 22 (Obligation to reduce damage)

An insurance policy holder or an insured shall make every possible effort to keep the damage from increasing.

The reasonable amount of expenses spent by the policy holder or the insured to prevent the damage from increasing shall be borne by the insurer.

#### Article 23 (Assessment of insured accident)

An insurer may carry out an on-site confirmation of the cause of the accident and the extent of damage or refer to a competent institution the assessment of damage caused.

A policy holder, an insured and a beneficiary shall preserve the scene of accident if so required by the insurer, as well as rendering cooperation in the assessment of damage.

#### Article 24 (Submission of document of claim for indemnity)

An insurance policy holder shall, upon completion of confirmation of an insured accident, submit to the insurer a claim for indemnification.

The claim shall be accompanied by files containing the cause of the accident and the extent of damage caused.

#### Article 25 (Payment of insurance money or indemnity)

An insurer shall examine the claim for indemnity and pay the insurance money or indemnity within the prescribed period of time.

#### Article 26 (Cases where insurance money or indemnity are not payable)

Insurance money or indemnity shall not be payable where an insurance policy holder, an insured or a beneficiary have committed the following acts:

1. An insured accident is caused deliberately; or
2. The cause of the insured accident is fabricated.

#### Article 27 (Ineffective contract)

An insurance contract that is detrimental to the public interests or concluded in an illegal manner shall not be effective.

An insurance contract that is concluded after an accident has occurred shall not take any effect.

#### Article 28 (Reinsurance contract)

A reinsurance contract shall be concluded and fulfilled in the form and manner prescribed by the central insurance administration organ.

A reinsurance contract shall not affect the original contract.

### Chapter 3 Personal Insurance

#### Article 29 (Object of personal insurance)

The object of personal insurance shall be the life or body of a person.

Except for a juvenile, persons authenticated to be incompetent by civil procedure shall not be entitled to enter into a contract of personal insurance.

#### Article 30 (Group insurance)

Personal insurance policy may be taken out by individuals, as well as by institutions, enterprises and organizations. In this case the policy holder shall have the obligation to pay insurance premium and the right to claim for insurance money.

#### Article 31 (Agreement of the person concerned in conclusion of insurance contract)

An insurance policy holder may, without the agreement of the person concerned, conclude an insurance contract for the spouse, parents and minor children. Where an insurance contract is to be concluded for the brothers, sisters or relatives, a written agreement thereon shall be obtained from the person concerned.

#### Article 32 (Determination of amount of insurance money)

The amount of insurance money in personal insurance shall be determined by agreement between the insurer and the insurance policy holder. In this case the amount shall not exceed the amount prescribed by the central insurance administration organ.

#### Article 33 (Determination of beneficiary of insurance)

A beneficiary of insurance shall be determined by an insured.

In case where a policy holder determines a beneficiary, agreement thereon shall be obtained from the insured: where the beneficiary is to be replaced, a written notification thereof shall be made to the insurer.

#### Article 34 (Submission of statement of claim for insurance money)

Where an insured dies, gets injured or disabled as a result of an insured accident, the policy holder or the beneficiary shall submit to the insurer a statement of claim for insurance money.

The statement of claim for insurance money shall be accompanied by such confirmation of competent institutions as confirmation of death or loss of working ability.

#### Article 35 (Payment of insurance money in personal insurance)

Where an insured covered by personal insurance dies, death benefit shall be payable.

Death benefit shall be payable in case an insured accident is caused through negligence of the policy holder or the insurance beneficiary.

#### Article 36 (Payment of insurance money in unexpected event insurance)

Where an insured covered by an unexpected event insurance dies, gets injured or disabled, death benefit due shall be paid.

### Article 37 (Payment of death benefit to heir)

Death benefit shall be paid to the heir of an insured in the following cases:

1. A beneficiary of insurance has not been determined;
2. A beneficiary of insurance died earlier than the policy holder and there is no other beneficiary; and
3. A beneficiary of insurance has lost or waived his right of claim for insurance money and there is no other beneficiary.

### Article 38 (Right of claim to third party)

Where an insured covered by life insurance dies through fault of a third party, the insurer that has paid death benefit to a beneficiary shall not have a right of claim to a third party. In an unexpected event insurance, the insurer shall have the right of claim to a third party within the limits of the indemnity paid.

## Chapter 4 Property Insurance

### Article 39 (Object of property insurance)

The property insurance shall cover the properties or property-related interests of the institutions, enterprises, organizations and citizens.

The object of the property insurance shall be measurable in value.

### Article 40 (Insurable value, insured sum)

The insurable value is the value of the object of insurance assessed in terms of currency and shall be the maximum limit of the sum insured.

The sum insured shall not exceed the insurable value.

### Article 41 (Liability for indemnification in case sum insured is lower than insurable value)

In case the sum insured is lower than the insurable value, the insurer shall be liable for indemnity according to the ratio of the sum insured to the insurable value.

In case where the insurance contract specifies otherwise it shall prevail.

### Article 42 (Liability for indemnification in case sum insured is higher than insurable value)

Where the sum insured is raised higher than insurable value through fault of the parties concerned, the insurer shall be liable for indemnification corresponding to the insurable value.

### Article 43 (Liability for indemnification in double insurance)

Where one and the same object is covered by several insurance under the same terms, the policy holder shall inform the matter to all the insurers concerned.

In case the total amount of the insured sum covered by the insurers exceeds the insurable value, the liability for indemnification by every insurer shall be proportionate to the insured sum that he or she has covered and the total amount of the insured sum.

### Article 44 (Inspection of maintenance and safety of insured object)

The insurer may inspect the status of maintenance and safety of the insured object, and have the defects, if any, remedied by the policy holder or the insured.

In case the policy holder or the insured fails to take measures for the rectification of the defects, the insurer may raise the premium rate or cancel the contract.

#### Article 45 (Change in insurance risk)

Where there occurs, during the term of insurance, any change in the insurance risk that may affect the contract, the policy holder or the insured shall inform the insurer of the matter without delay.

In case the risk of the insured object has decreased, the insurer shall refund the premium: where the risk has increased, the insurer may demand additional premium or cancel the contract.

#### Article 46 (Manner of indemnification)

Where an insured accident occurs, the insurer shall pay indemnity in accordance with the contract.

Indemnification may be made in the form of repairs, replacement or restoration to the original state.

#### Article 47 (Cases where insurer holds right of insured)

Where damage is caused to the insured object as a result of an insured accident, and the insurer pays the full amount of insurable value to the policy holder or the insured, the right of the insured to the insured object shall go over to the insurer.

#### Article 48 (Payment of additional premium, indemnification)

Where a policy holder has, with the insurance indemnity, restored to the original state an insured object that was damaged, he shall, upon payment of additional premium, be entitled to receive indemnity worth the insured sum for any accident that may occur during the remaining term of insurance policy.

#### Article 49 (Extension of insurance period)

An insurance contract shall be automatically renewed for another 1 year unless the policy holder notifies, 3 months prior to the expiration of the insurance contract, to the insurer his intention to terminate the contract. In this case the policy holder shall pay the premium due and the insurer shall issue a new insurance policy.

#### Article 50 (Right of claim for indemnification to third party)

Where an insured accident occurs through fault of a third party, the insurer that has paid the insurance indemnity shall make a claim for indemnity to a third party within the corresponding limit.

In case the insured has received indemnity from a third party, the insurer shall pay the insurance indemnity due after subtracting the said amount.

#### Article 51 (Waiver of claim to third party for indemnity)

Where an insured waives the right to claim for indemnity to a third party before the insurance indemnity is paid, the insurer shall not be held liable for the payment thereof.

Where an insured that has received insurance indemnity waives, without consulting the insurer, the right to claim for indemnity to a third party, the insurer shall be entitled to be refunded with the indemnity in question.

Where an insured fails, through negligence, to exercise his right of claim for indemnity to a third party, the insurer may reduce the amount of insurance indemnity.

#### Article 52 (Payment of damages in compensation liability insurance)

Where an insured accident occurs in compensation liability insurance, the insurer shall pay the damages directly to a third party. In case where the policy holder has already paid the damages to the third party, the damages shall be paid to the former.

The expenses for arbitration and lawsuit related to the damage suffered by the third party in the compensation liability insurance shall be borne by the insurer.

## Chapter 5 Insurance Company

### Article 53 (Licensor)

Approval for the establishment of an insurance company shall be granted by the central insurance administration organ.

No insurance company shall carry on business without obtaining the approval for the establishment.

### Article 54 (Requirements for establishment of insurance company)

An insurance company shall meet the following requirements for establishment:

1. Articles of association and internal regulations;
2. Standard terms of an insurance contract and the premium rate;
3. Registered funds of prescribed amount;
4. Place of business and business facilities; and
5. Required managerial staff.

### Article 55 (Submission of application for establishment of insurance company)

Institutions, enterprises and organizations that wish to set up an insurance company shall file the required information with the central insurance administration organ for agreement, followed by submission of an application for the establishment of the company.

The form and contents of the application shall be set by the central insurance administration organ.

### Article 56 (Examination of application)

The central insurance administration organ shall examine the application for establishing an insurance company, and either approve or reject it within 60 days of receipt thereof.

### Article 57 (Issuance of license, date of establishment)

The central insurance administration organ shall, upon granting the application for the establishment of an insurance company, issue a license.

The date of issuance of a license shall be the date of establishment of the insurance company.

### Article 58 (Registration of address, registration for tax purposes)

An insurance company shall, within 30 days of obtaining a license, register its address with the people's committee of the province (or municipality directly under the central authority), and make tax registration with the relevant financial institution within 20 days thereafter.

### Article 59 (Withdrawal of approval for establishment)

The central insurance administration organ may withdraw its approval of establishment of an insurance company in case it fails to make prescribed registration within 3 months of obtaining the business license.

### Article 60 (Establishment of branch, representative office or agency)

An insurance company may set up its branch, representative office or agency in the territory of the DPRK subject to the approval of the central insurance administration organ.

The branch, representative office or agency shall register its address with the people's committee of the province (or municipality directly under the central authority) within 30 days of obtaining the approval for establishment.

Civil liability for the operations of the branch, representative office or agency shall be held by the insurance company concerned.



**Article 61 (Establishment of insurance representative offices and branches in foreign countries)**

Where an insurance company wishes to establish its representative office or a branch outside the territory of the DPRK, approval thereof shall be obtained from the central insurance administration organ.

**Article 62 (Scope of business)**

An insurance company and its branch, representative office or agency shall conduct its business within the limits approved by the central insurance administration organ.

Where the name, articles of association, category of business, registered funds, place of business and the likes are to be changed, approval thereof shall be obtained from the central insurance administration organ.

**Article 63 (Accumulation of insurance security)**

An insurance company shall have the minimum capacity to pay indemnity and lay aside insurance security.

The size and manner of accumulating insurance security shall be prescribed by the central insurance administration organ.

**Article 64 (Control of registered funds)**

An insurance company shall deposit its registered funds in the bank designated by the central insurance administration organ.

The registered funds shall not be used without the permission of the central insurance administration organ.

**Article 65 (Submission of documents of financial settlement)**

An insurance company shall truthfully prepare its business report, balance sheet and profit and loss accounts within 3 months after the end of a fiscal year and submit them to the central insurance administration organ and the relevant financial institution.

The yearly financial settlement documents shall be audited by the audit office before being submitted.

**Article 66 (Insurance agent)**

An insurance company may conclude an insurance contract through its agent. In this case a list of agents shall be prepared and the agents registered.

The insurance agent shall conduct business within the scope of authority granted by the insurance company and record the state of his business in a document.

The insurance company concerned shall be responsible for its agent's business.

**Article 67 (Insurance broker)**

Insurance brokerage for a policy holder shall be undertaken by an agent who has obtained the license of the central insurance administration organ.

A broker shall be liable for the damage caused to the policy holder through his negligence and be entitled to receive brokerage fee.

**Article 68 (Division, merger or dissolution of insurance company)**

An insurance company that wishes to effect division, merger or dissolution shall obtain approval thereof from the central insurance administration organ.

An insurance company that engages in life insurance shall not be dissolved; only division or merger shall be allowed.

## Chapter 6 Guidance and Control of Insurance Business, Settlement of Disputes

### Article 69 (Guidance and control organ)

The guidance and control of insurance business shall be undertaken by the central insurance administration organ.

The central insurance administration organ shall improve the method of guidance as required by the developing insurance business and provide proper guidance and control of the business activities of the insurance companies.

### Article 70 (Functions of central insurance administration organ)

The central insurance administration organ shall have the following functions:

1. To draw up rules and guidelines for the implementation of the insurance policy of the State and the Insurance Law;
2. To conduct research and analysis of the world insurance market and the insurance trend and inform the results to insurance companies;
3. To approve the articles of association, the standard terms of the insurance contract, premium rate and categories of business;
4. To define the amount of the registered fund and insurance security and the manner of their accumulation;
5. To monitor the business activities of the insurance company, its branch, agent and broker;
6. To approve the establishment, division, merger or dissolution of an insurance company, its branch, representative office or agency;
7. To approve the form and contents of application for insurance contract, insurance policy and other related documents prepared by an insurance company;
8. To approve, restrict or prohibit reinsurance transactions; and
9. To perform other activities authorized by the State.

### Article 71 (Assessment and judgment of insured objects and accidents)

The central insurance administration organ shall ensure that insured objects and accidents are accurately assessed and judged.

Assessment and judgment of the insured objects and accidents shall be undertaken only by the specialized institutions or those who have due qualifications or specialized knowledge in the area concerned.

### Article 72 (Term of retention of insurance-related documents)

The institutions, enterprises, organizations and insurance companies shall retain the insurance-related documents and materials until the date prescribed by the central insurance administration organ or the relevant institution.

### Article 73 (Imposition of fine, suspension of business)

An insurance company shall be liable for a fine or suspension of business in cases where:

1. An insurance company is set up without obtaining approval or operated without making due registration;
2. Standard terms of the insurance contract or premium rate is applied or categories of business are changed without approval;
3. Documents of financial accounting are misrepresented;
4. Indemnity is not paid or its amount is reduced without justifiable reasons;
5. The name, articles of association, registered fund or place of business of an insurance company is changed without approval;

6. Insurance security is not accumulated, or is used for purposes other than prescribed without approval;

7. A company is broken up, merged or dissolved without approval; or

8. Incompetent persons, except for children, are covered by the personal insurance.

#### Article 74 (Fine on insurance policy holder or insured beneficiary)

Fine shall be imposed on a policy holder or an insured beneficiary in cases where he:

1. Received insurance money or indemnity by deliberately causing an insured accident;

2. Made a false notification of an insured accident and prepared a false report to receive insurance money or indemnity;

3. Fabricated documents to receive indemnity more than due; or

4. Did not take out a compulsory insurance policy or though taken, did not pay the premium in good time.

#### Article 75 (Fine on individual officials)

Fine shall be imposed on individual officials of an insurance company in cases where they:

1. Abused the power to have the procedures of the claim for indemnity gone through without any insurable interests or justifiable grounds and paid indemnity;

2. Deceived the policy holder or the insured beneficiary; or

3. Led a policy holder or an insured beneficiary to an illegal act or colluded with him.

#### Article 76 (Penal liability)

Where any serious consequence is caused through violation of this Law, penal liability shall be imposed on the person concerned depending on the gravity of the offence.

#### Article 77 (Settlement of disputes)

Disputes related to insurance business shall be settled through consultation.

In case of failure in consultation, the disputes shall be referred to the court or the arbitration body of the DPRK.

The disputes may be referred to an arbitration body of a third country by agreement between the parties concerned.