

Development of Insurance in Korea since 1945 with Implications for Developing Nations.

by

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INTRODUCTION

Insurance companies play a dual role in developing countries. They are risk bearers and they act as financial intermediaries. To date little work has been done on the role of insurance in the growth of developing nations. It is the purpose of this paper to explore the historical development of the insurance industry in Korea. From this study, policy implications for other developing nations may be seen.

Even though the economic problems of Korea are not completely typical of a large number of developing countries, this experience should serve to provide a general application of development factors. It is clear that emerging countries exhibit some significant common characteristics as well as some important differences. This one instance of a development situation in Korea will illustrate the range of economic situations of the insurance industry confronting developing countries.

The paper is divided into two major sections. The first concentrates upon the post World War II development of Korean insurance companies as risk bearers and as financial intermediaries. The second aspect of this Paper views some trends of the future and draws implications for developing nations. By examining the record and inadequacies of Korean insurance programs in the past, it is possible to obtain more effective solutions to the problems of developing countries which lie ahead.

Post World War II History of the Korea Insurance Industry

Various mutual financing associations similar to insurance have existed since ancient times in Korea. The birth of the Korean insurance industry dates back to the early 1920's when the Chosun Life Insurance Company and the Korean Fire and Marine Insurance Company were organized in 1921 and 1922,

respectively.¹⁾ Since then, number of insurance companies has gradually increased. The development was somewhat accelerated after the end of World War II. For example, from 1945 to 1950, the number of insurance companies increased from one to fourteen, four of which were life companies.

Non-life Insurance

During this post World War II period, the activities of non-life companies, as measured by contracts in force, were adversely affected by inflation. The non-life companies centered their activities primarily on the banking institutions for fire business. The blow of the Korean War(1950—1953) inflicted a destructive effect on the nation's economy. In order to meet this emergency, a number of amalgamations took place but it was with extreme difficulty that the industry adjusted itself to the post war situation. During the economic recovery of the country, the insurance industry of Korea has been steadily able to consolidate its financial strength, as can be seen in Table I. During the period 1950 to 1953, three more new companies came into existence, including one life company.

During the period 1954 to 1961, a significant historical event occurred. This was the Pusan conflagration of November, 1955. In two days, one of the most congested areas of the city of Pusan was completely destroyed by fire. It was, however, quite fortunate that none of the non-life companies went into insolvency, even though they had to meet insured losses of about \$ 2,300,000.²⁾

Meanwhile, foreign companies continued to monopolize the marine insurance field, which had been suffering from a lack of managerial talent. This forced Korea into a balance of payments deficit. The economy was forced to explore new ways and means to equate this balance with increased services. As a result, a preliminary committee for marine insurance was organized in 1953, with representatives of casualty and transportation insurance companies. At the suggestion of this committee, in March of the next year, a separate, specialized marine insurance industry was established. By March, 1955, the Oriental Marine Insurance Company was formed, and in January, 1959, the Pan-Korean Marine Insurance Company was established to issue marine insurance exclusively.

1) Korean Reinsurance Corporation, **Insurance Yearbook 1963**, (Seoul: Planning and Research Dept., KRIC), p. 3.

2) Pusan is Korea's second largest city, with a population of one and a half million at that time. The fire destroyed almost one-fifth of the city.

**Table 1. SUMMARY OF NON-LIFE INSURANCE BY YEARS,
KOREA: 1922—1966**

(In millions of won)

Year	No. of Company	No. of Contract in force	Insured Amount in force	Direct Premium Receipts	Benefits ^c Paid
1922	(45) 1	4,550 ^a	10 ^a	n.a.	n.a.
1927	1	9,710 ^a	20 ^a	0.8 ^a	n.a.
1931	1	7,367 ^a	12 ^a	0.9 ^a	n.a.
1937	(62) 1	467,276	1,680 ^b	8.3 ^d (1.2) ^a	n.a.
1946	4	6,798	980	14	92
1948	7	16,430	4,575	81	3,968
1949	8	14,906	4,906	78	5,067
1955	10	n.a.	n.a.	224	n.a.
1956	10	n.a.	n.a.	312	15,774
1957	10	n.a.	n.a.	399	21,322
1958	10	123,783	15,176	447	26,814
1959	10	323,018	19,210	468	37,678
1960	10	504,163	23,956	510	32,904
1961	10	240,874	29,259	466	55,430
1962	10	213,251	33,614	600	118,675
1963 ^d	11	358,056 ^d	130,467 ^d	864	180,188
1964	11	802,601	220,152	1,287	529,773
1965	11	937,095	338,965	2,604	632,928
1966	12	1,001,196	479,951	4,543	1,024,001
1967	13	1,539,881	646,134	6,115	2,367,000

Source: Calculated from: Korean Reinsurance Corporation, **Insurance Yearbook: 1963—1967** (Seoul, Korea: Planning and Research Department, KRIC). *passim*

a) Results of Korean Fire and Marine Insurance Company only in millions of Japanese yen.

b) In millions of Japanese yen for all companies

c) In thousands of won

d) After 1963, Number of contract and amounts insured display the underwriting condition of the year.

The Korean Transportation Insurance Company was established in May, 1959. It provided automobile insurance and other related casualty insurance. Because of the initial insufficiencies and defects of statistical data, management had some difficulty in calculating a reasonable premium. However, these problems were overcome and by 1966, this industry collected premiums of 980 million won (3.6 million dollars), with 57,962 contracts in force.³⁾

Life Insurance

Life insurance is a long-term contract which usually requires relative economic stability for maintenance and expansion. In Korea, the life insurance industry was forced to survive in the face of great political and economic instability during the post World War II years and serious temporary inflation during the Korean War. By 1958, however, the life insurance business was again sound due to relative economic stability within the country. At the time of the May 16, 1961 Military Revolution, there were no life insurance companies. (Table 2 shows the development of life insurance after the Korean War.⁴⁾

In August, 1965, a new and strong competitor was formed. This was the life insurance service of the National Agricultural Cooperatives Federation (NACF). This new entrant grew at an amazingly rapid rate and by the end of the year with only four months of operations the contracts in force (3,286 million won) almost matched the postal system insurance (3,679 million won) with 108 million won premium income.⁵⁾

Another government operated financial institution had been established in 1929 during Japanese rule. This was the Post Office Life Insurance. After World War II, the Korean government changed the name to National Life Insurance. In order to avoid competition with private companies, the government placed an upper limit of 450 yen upon the face amount of

3) KRIC, Insurance Yearbook 1966, p. 42.

4) An excellent discussion and data on the Korean Life Insurance status are presented in C. Arthur Williams, Jr., "Report on Korean Life Insurance Companies as Financial Intermediaries" (AD/P-E, USOM/Korea, September 1, 1966).

5) The postal system insurance is neither private nor government insurance. At the same time, such a system poses some policy questions. This system appears to be an efficient savings device. The social benefits involved in a savings judgment as an insurance operation must be recognized. Discussion of this system is beyond the scope of this paper. For further detailed discussions, see the Williams' report (footnote 4, pp.68-76,

Table 2. **ASSETS, CONTRACTS, AND PREMIUMS OF LIFE INSURANCE**
IN KOREA: 1956-1966

(In Millions of Won)

	1956	1957	1958	1959	1960	1961
Assets	4	25	158	445	659	764
New Contracts	108	2,069	8,498	5,462	2,243	7,893
Ins. in Force	144	2,116	8,310	9,855	8,522	12,219
Premiums	4	34	252	408	383	445
Premiums(In constant won)		30	231	360	311	311

	1962	1963	1963	1965	1966
Assets	1,701	2,661	3,265	4,599	6,278
New Contracts	24,496	12,630	15,129	29,580	40,711
Ins. in Force	31,215	34,147	41,784	58,068	82,577
Premiums	1,153	1,467	1,640	2,578	3,511
Premiums(In constant won)	754	800	662	944	1,108

Source: Calculated from Korean Reinsurance Corporation, Insurance Yearbook: 196, 1965, and 1966, (Seoul: Planning and Research Dept.), passim.

Notes: One U.S. dollar is equal to 270 won. Assets are in 1956 constant won.

insurance that any individual was allowed to purchase. As a matter of convenience, no medical examination was required, although protection against fraudulent contracts was furnished by delaying the full payment of claims for two years. This government enterprise was also quite successful in accumulating large amounts of funds. During the first year, 89,270 contracts amounted to 12,270,000 yen. Seven years later, in 1937, the total number of contracts exceeded one million and assets were over two million yen.

Because of the rapid pre-war political and economic changes, insurance in force increased remarkably. At the end of 1945, there were 11,238,610 contracts with only 26,350,000 yen in force, which indicates the poor level of insurance achievement. With the establishment of the Republic of Korean Government in 1948, National Life Insurance was divided into two categories, Adult Vocational Life Insurance and Educational Life Insurance. In 1953, the Adult Vocational Life Insurance had approximately 165,000 contracts worth 620 million won. The latter had 20,000 contracts and 80 million won in force.

The increase in life insurance has been remarkable in recent years (especially since 1957) and has amounted to 4,027million won in force with 318,078 contracts and total premium receipts of 28,990,000 won. In 1962, for example, the Vocational Life Insurance was added, having new contracts totaling 7,189 with 905,612,000 won in force.

Financial Intermediaries

The second aspect of this section deals with the insurance companies as financial intermediaries. Capital accumulation is necessary for economic growth. In this area, the Korean Insurance companies have played a major role.

In Korea, the government operates the most important financial institution. Savings of the people are deposited in the Postal Saving System, and the Deposit Bureau of the Ministry of Finance is responsible for the use of these funds. It began as the Japanese Postal Savings System in 1874 and is the third oldest postal savings system in the world(after Britain and Belgium, established in 1865 and 1870, respectively).⁶⁾

The original purpose of postal savings was to encourage small savings

6) Toyokeizaishinposha-Oriental Economic Press, **Kinyu Rokujunon Shi-Sixty Years of Financial History**, (Tokyo: Toyokeizaishinposha, 1924), p. 161.

and to channel these savings toward redemption of the national debt. Later, the government used these savings for various other economic policies such as capital accumulation. There are three basic kinds of savings: (1) those subject to withdrawal on demand or on short notice, (2) those subject to withdrawal only after a period of three to ten years, (at a higher rate of interest), and (3) those received in monthly installments during a certain period and not subject to withdrawal during that period.⁷⁾

It appears that the Postal Savings System made an important contribution to Japanese economic development of Korea by encouraging savings among low income groups. Without this system, it would have been impossible to mobilize large amounts of small savings.⁸⁾

Because the government's attempt to develop savings banks was unsuccessful and there were no other reliable saving institutions to be found in the rural area, the postal savings system became extremely important in the early economic development of rural areas. Strong public confidence in the Meiji (1867—1911) government encouraged the use of the Postal Savings System and its successful development might be one of the factors which contributed to the relatively high propensity to save in spite of relatively low incomes of these people.

The Mutual Aid Business for Industrial and Agricultural Cooperatives represent another important insurance institution. The Mutual Aid Business provides several mutual insurance programs. All existing Mutual Aid Businesses in Korea belong to five organizations: (1) the Federation of Agriculture cooperative, a body of government-enacted cooperatives: (2) the Fishermen cooperative, an organization for the promotion of the aquatic

7) The Japanese Postal Savings System was one of the most successful postal savings systems in the world. From 1913 to 1927, postal savings in Japan and Korea increased more than seven times, compared with only five times in the United States, 3.15 times in France, and 1.5 times in Britain. (See Chiko Ishihama, **Tokushu Kinyukikanron Essay on Special Financial Institutions**), (Tokyo: Ikuseisha, 1937), pp. 20—21.

8) In view of the importance of saving money, the government began a national movement towards saving 8,000 million yen in the course of 1938. This campaign resulted in an increase in savings of 8,827 million yen for the financial institutions by the end of August, 1938. Postal saving reached 469 million yen, while reserves of postal life insurance and annuities provided 131 and 13 million yen respectively. Thus, 22 per cent of the total financial institutions savings was supported by this system, including postal insurance. During the same year, more than 25 per cent of total deposits with the banks was held in the postal saving. See Chugai Shogyo Shimpo, (Tokyo, Japan, Feb. 3, 1939) and Isoshi Ashi, **The Economic Strength of Japan** (Tokyo: Hokuseido, 1939), pp. 59—61.

products industry; (3) the Korean Marine Transportation Association established by the special law to develop marine transportation; (4) the Construction Mutual Aid Association, to further the construction industry as specified under Public Law, No. 1382, of June, 1963: and (5) the Korean Teachers Federation.

Also, there area number of insurance pools in this market. Their consolidated financial strength at the end of 1965 can be seen in the following Table 3.

Table3. OUTSTANDING NUMBER AND VALUE OF MUTUAL AID BUSINESS: KOREA: 1965

The Federation of Agriculture Cooperative	No. of Contracts	Amount in force (won)
Fire mutual insurance	15,705	4,738,521
Insurance of Livestock	12,933	382,934
Living Security Insurance	17,115	1,386,930
Children's Insurance	3,763	217,160
Total	49,515	6,725,545
The Fishermen Cooperative	No. of Boats	
Fishing boats Insurance	4,286	1,091,056,568
Fisherman Insurance	4,020	133,600,000
Marine Transportation Association		
Ships Insurance	n.a.	14,905,543
Passenger Insurance	n.a.	14,738,636
Construction Mutual Aid Association Contractual Liability		
Covered during the year	n.a.	87,639,000
Dismissed during the year	n.a.	116,327,000
Products Liability		
New Contracts	3,848	228,162,000
Canceled during the year	4,369	377,535,000
Fidelity and Surety Bonds		
New Contracts	5,622	1,017,765,000
Canceled during the year	4,820	900,148,000
Korean Teachers Federation	55,486	2,000,000,000

By 1965, the benefits paid to 95,491 men amounted to 174,145,858 won since it was established in 1956.

Source: Korean Reinsurance Corporation, **Insurance Yearbook**, 1963 & 1965, (Seoul: Planning and Research Dept., KRIC); **Passim**

RECENT DEVELOPMENT

Governmental Reforms

During the period 1962—65, the Korean Government initiated a reform of the insurance industry. Such an attempt was the first of its kind in the nation's history. The objective of the reform was twofold: 1) to increase the financial ability of insurance companies in order to gain public confidence⁹⁾ 2) to mobilize domestic capitals for the first Five-Year Economic Development Plan.

For the first objective, the Government ordered an increase of issued capital from 1,000,000 won to 50,000,000 won for life insurance companies, and 5,000,000 won to 100,000,000 won for non-life companies. At the same time, it pressed those financially unstable companies to merge with better ones.¹⁰⁾ As a part of the reform, the government established the Korean Reinsurance Corporation in 1963 for the purpose of compulsory reinsurance in the areas of property and casualty insurance. Under the rules and regulations, every company in the field of property and casualty insurance was required to reinsure a fixed proportion of its business with this corporation.

As the sole domestic and overseas reinsurer of the country, the Korean Reinsurance Corporation accepted 898 million won or 43.5 percent of total domestic underwriting. The corporation's retention premiums for 1965 were 360 million won, 17.4 per cent of the total premiums, of which 199 million won or 9.2 per cent was used to pay claims through the local insurers during the year. The overseas claims payment during the year amounted to 347 million won or \$1.2 million or responding to 16.2 per cent.

In order to achieve the second objective, the insurance industry is closely cooperating with the government to meet the investment requirement under the Five-Year Economic Development plan started in 1962. This will be

9) Lack of public confidence is one of the key problems faced by the insurance industry in Korea. Public confidence has been damaged by the failure of Japanese companies to pay their claims following World War II, by the insolvency of a Korean life insurance company in 1957 (and another one in 1964), by the questionable business practices of some insurance agents, and by political and social instability.

10) KRIC, *Annual Report for the 3rd Year of Business*, (April, 1965 March 31, 1966), p. 4.

discussed later. At present, the insurance industry consists of six life companies and eleven non-life companies.

Government Regulation of Insurance

The insurance industry in Korea—both life and non-life—is under the supervision of the Finance Ministry. The law prohibits for one company from writing both life and non-life insurance. Insurance business law also provides that only stock or mutual companies with capital or foundation funds of 100 million won in non-life or 50 million won in life insurance can conduct an insurance business¹¹⁾. Agricultural and other cooperative societies, however, may also sell fire and other policies to the public. They are all legalized by various special statutes and are subject to separate governmental supervision. The government's attitude has been that it is in the interest of the policy holders to provide for unified supervision with a view toward the consolidation of the financial position of companies.

TRENDS FOR THE FUTURE

Comparative Status of Insurance

The aggregate insurance activities of Korea are still very small in contrast to more advanced countries. The technical development and nationwide expansion of insurance must be increased. Each different type of insurance activity contributes only a negligible portion to GNP. The entire insurance operations, however, account for a more significant fraction of GNP. A more meaningful analysis of economic expansion can be made on the basis of the increased insurable interest and risk-bearing activities viewed in aggregate rather than analyzing the individual components of the industry.

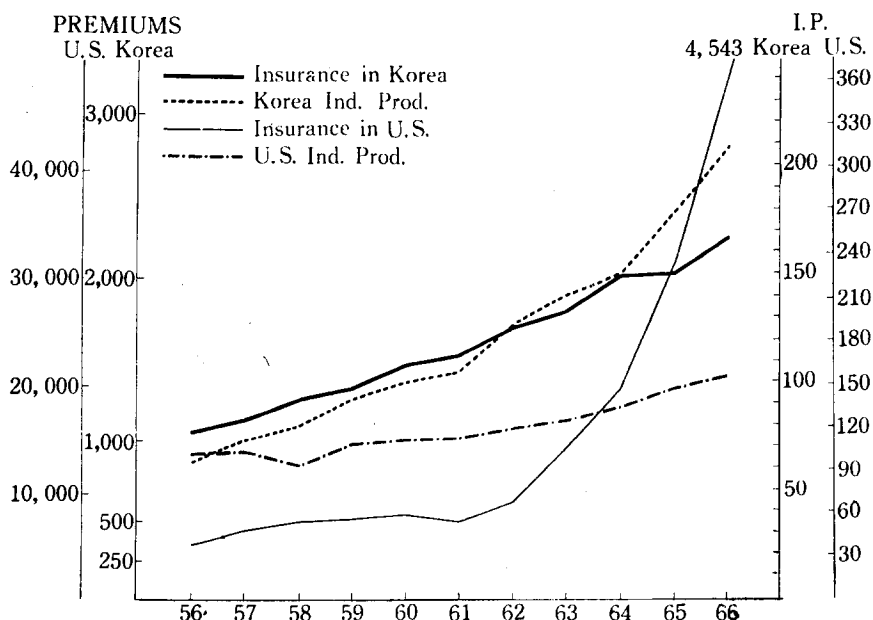
The question of whether the funds accumulated through insurance companies have been directed into those investment areas where they would be most productive in an over-all economic sense remains unanswered. A scientific answer to this question would require an alternative experience by which to compare what would happen in the absence of insurance companies. Unfortunately, this is impossible. It is possible, however, to gain some valuable insights from the experiences of others. The observation of the

11) KRIC, *Insurance Yearbook* 1963, p. 21.

comparative position of insurance operations in developing nations can serve to indicate the relative importance of the insurance industry. There have been consistent upward trends in both advanced and less developed societies.¹²⁾

Charts I, II, and III indicate some interesting trends. In Chart I, it can be seen that in recent years, the insurance in force for Korea has kept pace with industrial growth. In the United States the past several years have

CHART 1 INSURANCE IN REL ATIONSHIP TO GNP
FOR KOREA AND THE UNITED STATES



Note: U.S. in dollar for Premiums written for non-life (casualty and property) insurance. Index of Industrial Production; 1957-59=100 (U.S.) 1960=100 (Korea) Korea in won for Premium earned for Non-Life Insurance (Fire, Marine, and other special types).

Source: U.S. Dept. of Commerce, Bureau of the Census, **Statistical Abstract of the United States 1956-1968, passim.**

Insurance Information Institute, **Insurance Facts 1966: Property, Liability, Inland Marine, Surety**, p. 19.

Bank of Korea, **Economic Statistics Yearbook 1966**, Seoul, Korea. p. 180.

Korean Reinsurance Corporation, **Insurance Yearbook 1967**, Seoul, Korea. *passim.*

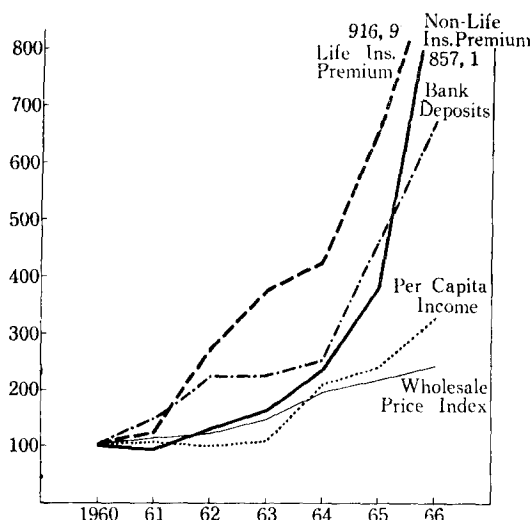
12) Swiss Reinsurance Co., "World Population, Gross National Product and Premium Volume," **Experiodica**, (Zurich: Economics Dept., 1966), No. 9/31, p.5.

witnessed a growth of insurance at a far greater rate than GNP.

Chart II shows the growth of life insurance premiums and non-life insurance premiums to be growing as a means of savings faster than bank deposits. Further, all forms of saving seem to be growing at a more rapid rate than per capita income.

Chart III provides some further indication of the relative position of insurance in Korea by indicating similar characteristics of the Japanese

CHART 2 ECONOMIC INDICATORS AND INSURANCE
GROWTH IN KOREA 1960-1966



Non-Life Prem.	530 (100)	521 (98)	665 (126)	864 (163)	1,288 (243)	2,064 (390)	4,543 (857)
Life Ins. Prem.	383 (100)	445 (116)	1,053 (275)	1,467 (383)	1,649 (431)	2,578 (673)	3,511 (917)
Bank Dep.	17,067 (100)	24,678 (145)	38,664 (227)	38,654 (227)	42,968 (254)	78,494 (466)	115,907 (679)
Wholesale Ind.	100	113	123	149	201	221	240
Per capita Income	100	10,290 (104)	11,269 (102)	15,499 (107)	21,744 (221)	24,272 (244)	32,750 (329)

Source: Korea, Korean-Reinsurance Corporation, **Insurance Yearbook**, 1964, 1965, and 1966. (Seoul: Planning and Research Dept.), *passim*. Bank of Korea, **Economic Statistics Yearbook** 1968. (Seoul: Research Dept.), *passim*.

Note: Non-life insurance includes fire insurance, ocean marine, automobile, airplane, liability, workman's compensation, and other special type insurances.

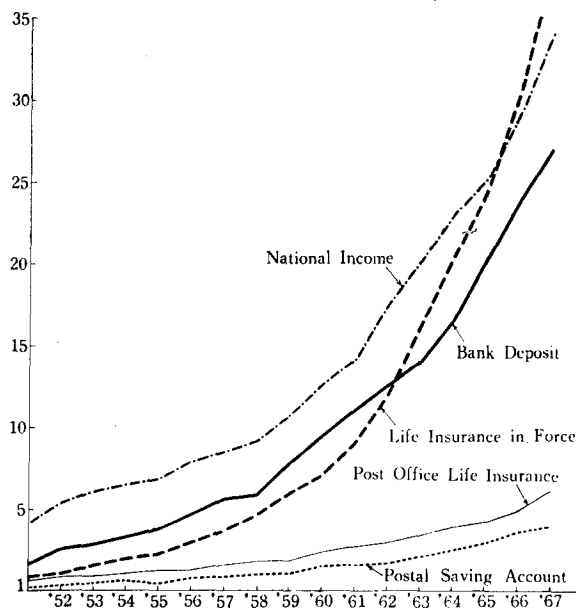
a) per capital income is in current prices.

economy.

Korean Needs for the Future

The emerging Korean economy will be steered by a series of ambition guidelines, which call for wisdom and perseverance on the part of economic planners and the people. To insure the successful attainment of the capital formation, the guidelines are designed to strengthen and increase private savings and investments, vital to a rapid, sustained national economic de-

CHART 3 MAJOR ECONOMIC INDICATORS IN JAPAN
(In trillions of Yen)



Source: Japan, Insurance Research Center, **Statistics of Life Insurance Business in Japan, 1966 and 1968**, (Tokyo: Research Dept.), p. 17.

velopment. Most observers in Korea want the insurance industry to expand at annual rate of at least 50 per cent premium growth to help fill the savings requirements. The past rate of growth in premiums would indicate that this goal seems to be obtainable.

If the economy of Korea goes according to the second Five-Year Plan, private savings in 1971 will reach over 100 billion won, 134 per cent larger than for 1965¹³⁾. Total private savings during this five year period will

13) A Summary of the Second Five-Year Economic Development Plan 1967-1971, p. 7.

amount to 384 billion won. Using the above figures, insurance premiums which will have been collected in 1971 can be estimated to 50 per cent of planned private savings and total accumulated premiums during the period can be projected at 151 billion won, or 40 per cent of total accumulated savings¹⁴⁾.

Ambitious as this may seem, insurance companies acting both as a risk bearer and as financial intermediaries are the key ingredient in this recipe for growth.

IMPLICATIONS FOR DEVELOPING NATIONS

As economic development takes place from an almost purely agricultural base, interdependence becomes greater. As industrialization and international trade increase, greater hazards appear, and the need for an institution of insurance, as a risk bearing device, becomes more important. It might be argued that as the volume of insurable property increases in developing nations, property may go uninsured because society remains close to subsistence and cannot afford insurance. This would rule out a contribution to economic growth by insurance functions. However, such a result does not seem to have occurred anywhere. It is quite possible that an insurance industry may make substantial contributions to economic development. One must seek to determine what new role may be played by insurance in the light of the changed conditions under which progress is taking place.

A consideration of the role of insurance in the economy may reveal some of the connecting lines between insurance and economic development. Insurance has two functions in the economy. One is the process of sharing the economic losses associated with certain risks. The other is the accumulation and the channeling of savings into investment activity. Apart from its primary purpose as a risk-bearing agent, the contribution to the investment fund has an additional significance. In the process of providing insurance protection for individuals and their families, insurance contributes much to the nation's economic development by bringing together the scattered personal savings of policy holders and by making them available for investment.

Economic development programs attempt to promote a maximum emplo-

14) See Paul Y. Shin's unpublished doctorate dissertation, **The Significance of the Role of Insurance in Economic Development With Special Emphasis on Korea**, 1968, University of Nebraska, pp.40—42.

ument, production, and purchasing power for the implementation of the purposes of growth. Saving plays a vital role in industrialization. It was found that insurance operations can contribute to the process of savings in the developing economies. It was concluded that without an insurance industry, savings grow less rapidly than they otherwise would. Thus, insurance constitutes a distinct and tangible benefit to economic development.

An inspection of the comparison tables for several countries, (pages 16—18) reveals the rising shares of insurance in the economy and indicates the considerable magnitudes of the economic achievements of the insurance industry. This insurance status in comparison with that in advanced economies is evidence of the opportunity for an increased role of insurance in the economy.

Attempts to apply traditional economic principles to developing economies have in many cases been unsuccessful. This result has been due to an incomplete theoretical formulation of the analyses of developing economies as well as to inadequate data. The Industrial Revolution in the western world differed substantially from that of Asia and Africa. It is quite possible, then, that the growth of the insurance industry in Asiatic countries, for example, should follow a substantially different pattern from that of the growth in countries of the western world. Insurance may contribute materially to economic growth, and economic growth and insurance activity are mutually interdependent and intimately connected.

SUMMARY AND CONCLUSIONS

Insurance has a dual function. It affords the means whereby people, through their own initiative, obtain security against unpredictable contingencies and provide for their future. It also is a highly important channel through which people can save. It performs a function essential to the national growth by combining and channeling people's savings to serve active investment needs. Savings do not automatically go into productive investment, particularly in underdeveloped countries. They require an intermediary that is skilled in putting savings to work effectively. The role of financial intermediaries is to channel the gross flows (the disposable funds of ultimate savers—households, enterprises, and government) to economic units in need of outside funds.

Evidence indicates that the role of the Korean insurance industry as a

financial intermediary will increase both absolutely and proportionately in future years. By 1971, the insurance industry may account for one-third of the private savings goal of Korea's second Five-Year Plan.

The Postal Savings System, Post Office Life Insurance, and the Mutual Aid Business were unique and important financial institutions. By providing funds for social overhead capital they have contributed much to the economic development of Korea. This evidence supports the possibility of savings in rural and lower income groups, provided there are effective and strong institutional arrangements.

Evidence indicates that as a country develops, the insurance industry accounts for an increasing percentage of national assets, and banks for a decreasing percentage. Therefore, the insurance industry can be expected to play an increasingly important role in a country's economic development as a mobilizer of savings for long-term investments and as a promoter of economic stability.

The very important question of whether funds accumulated through insurance companies have been directed into those investment areas where they are the most productive in an over-all economic sense still remains unanswered. Considerable further study is needed in this area.

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