



# Insurance

Eric E. Johnson  
ericejohnson.com



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## Some key things to know about insurance:

- Endorsements
- Incentives
- Regulation

## About endorsements ...

- An obligation to procure insurance
  - Can be worthless if breached.
  - To protect client interests, you must get the endorsement.

太阳能电池生产企业产品责任保险证明 CERTIFICATE OF PRODUCTS LIABILITY INSURANCE			
有效期限 Valid to:	May 7 <sup>th</sup> , 2010	Ref. No.	SOCLP000001595
企业名称 Holder:	浙江绿能光伏科技有限公司 Zhejiang Shuangming Photovoltaic Technology Co., Ltd.	产品类型 Product:	太阳能电池片, 太阳能 电池组件 SOLAR CELL, SOLAR MODULE
生产基地 Manufacturing Plant:	浙江省嘉兴南湖经济开发区 Nanyang Economics Development Zone, Xiaoshan Jiangzhou, Zhejiang, China	追溯日期 Retrospective Date of Product:	From May 6 <sup>th</sup> , 2008
保证方式 Warranty Style:	产品责任险 Products Liability Insurance	保险公司 Insurer:	See Alliance Insurance (China) Limited
保险范围 Scope of Cover (Liabilities which are insured)			
<p>Legally liable to pay in respect of claims made against the Insured arising from bodily injury to or illness or death of or loss of or damage to property of one or more persons using, consuming or handling the insured products or goods, or of any other person investigated upon an occurrence taking place in the territory of coverage within the period of insurance caused by products or goods manufactured or sold by the Insured stated in the Schedule.</p> <p>In respect of any claim covered under this Policy, the Company shall in addition indemnify the Insured against the relevant legal costs payable by the Insured and other expenses incurred in the above mentioned occurrence with the prior written consent of the Company.</p>			
<p>备注: 上述所保险企业所生产、销售的产品已由以上所列公司投保产品责任险。 All the aforementioned products of the Holder are covered by the Products Liability Insurance Policy issued by the Insurer above.</p>			
日期 Date:	2009.5.8 May 8 <sup>th</sup> , 2009	授权签署 Authorized Signature:	
<p>Chief Account Manager</p> <p>请客户浏览更多产品及关于投保和索赔事宜的说明, 请登陆本公司官方网站 <a href="http://www.alliance.com.cn">www.alliance.com.cn</a> If you wish to find out more about our services or a list of exclusions of this policy, please log onto our official website at <a href="http://www.alliance.com.cn">www.alliance.com.cn</a></p>			
<p>上海宝诚保险经纪有限公司 Allstate Insurance Brokers &amp; Consultants Co., Ltd. 1041, Sino-El Club Tower, No. 555, Pudong Avenue, Shanghai 200122, P. R. C. Tel: (86 21) 5175 2111 Fax: (86 21) 51360515-428</p>			

## About incentives ...

- Asymmetry of incentives and bargaining power
- Insurance companies have incentive to
  - Sell more policies
  - Avoid paying claims
- Insurance companies can do this by being clever about "fine print" and dragging feet on paying claims

## About incentives ...

- Insurance customers have the incentive to
  - Not buy insurance until they need it
  - Avoid seeming risky
  - Take less care when insured
- IOW, both sides have incentives:
  - to hide what they know
  - to try to take the risk out of risk

## About regulation ...

- Insurance is heavily regulated at state level
- Regulation limits "fine print" subversions of bargain by insurers
- Regulation pushes insurers to pay claims without litigation

## About regulation ...

- Regulation may force customers to purchase insurance to:
  - Keep premiums affordable
    - e.g., auto insurance (and previously the Affordable Care Act)
    - if only ultra-risky people buy insurance, premiums will be ultra high
  - Provide a source of payment for third parties (e.g., auto liability insurance)

### Review question:

- Hexetron Mfg's sales contract with Geno's General Store obligates Hexetron to add Geno's to its products liability policy with IIG Insurance Co.
- Hexetron never follows through on this.
- Geno's incurs a huge products liability judgment. And now Hexetron is insolvent. Can Geno's recover from IIG?
- **NO. Geno's should have gotten the endorsement. Without it, Geno's is not insured and gets no benefit of insurance.**