

Insurance

What's insurance?

- Insured buys a policy from the insurer
- Insurer agrees to pay the insured a specific sum if a specific event occurs

Why purchase insurance?

- Legal requirement (auto, health in CA)
- Risk management

Consider...

- Your friend likes to gamble
- Every time you go to Vegas for business they ask you to bet \$10 on black at the roulette wheel
- Could you profit without costing your friend?

Would your strategy change if...

- They asked to bet \$1M on black?
- They asked you to buy a \$10 state lottery ticket?

Insurance for your business

- Risk management
- Would a startup have a different policy from a multinational ?
- Insurance is just one part of risk management

Exercise

Complete the quiz on Canvas. The interesting question is,

Identify one product that is not sold as insurance, but could be classified as insurance.

It need not be a pure insurance product. It just needs to have an aspect that looks like an insurance contract.

For full points:

- identify one product
- make a short argument that it resembles insurance (one paragraph should do nicely)