A Study on Function Activation of Product Liability Insurance

PL insurance covers liability for personal injury and property damage caused by a defect in the product supplied by the manufacturer, importer, seller, etc. Since the enforcement of the PL Act in 2002, the insurance has become very active and the premium has grown to KRW113 billion in 2015, and many non-life insurers provide products competitively. However, despite the external growth of the insurance market, the underwriting functions such as insurance products and rate calculation still have not progressed compared to the PL law.

Recently, the presumption of defects and liability for punitive damages have been newly established in the PL Law due to the accident of the humidifier disinfectant and it will be implemented from April 2018. As a result, consumers, as well as manufacturers, are expected to increase their interest in the future role of product liability insurance and product liability insurance. This study analyzed basic statistical data about contracts and accidents provided by the Korea Insurance Development Institute and conducted a questionnaire survey on consumers’ perception on product liability law and product liability insurance. Based on the implications derived from them, the following suggestions were made to improve the role of PL insurance.

First, for the risk pooling function of product liability insurance, we extend the risk such as recall cost security and propose the same insurance product operation. Second, the limit of liability amount is adequate to actual liability loss so that paid amounts can be used as actual damages in the event of a product accident. Finally, the insurer are to be use the experience rating plan or the schedule rating plan at the currently operating class rate to promote customers’ risk management.
The results of this study are expected to provide insights on the development of insurance products and the calculation of the rate in preparation for the coming of the era of autonomous vehicles and PL Act to be implemented in 2018.