

Product Liability Insurance: Protection for Your Business



Product Liability Insurance provides solid protection for your business relating to the manufacturing or sale to the public of products, foods, medicines or other items. This cover provides protection against liabilities for losses due to injuries caused by malfunctions or defects in your products – including design defects or a failure to warn consumers about the dangers of using a product.

Protection for Claims

Product Liability Insurance protects against the following claims:

- Manufacturing or production flaws that cause unreasonably unsafe defects in the product. For instance, there may be traces of dangerous chemicals in your product, which could be toxic to those using it.
- Design defects that make the product unsafe for use by the public.
- Failure to provide adequate defect warnings or instructions for using the product. These claims arise when products are not properly labelled or had warnings that were not explanatory enough to reduce consumer risks while using the product.

Depending on the outcome of the case, money may be awarded to the party that filed the claim for compensatory loss (including costs, economic damages and fees) or punitive damages (designed to deter the defendant from repeating the action that caused the damage). At times, these cases can put organisations out of business because the awarded damages are so large.

Why Purchase Product Liability Insurance?

Even if you do not physically manufacture a product, you may be at risk for litigation. The actual manufacturer is not the only party liable for product flaws, defects and failures. Retailers and wholesalers can also be found liable if:

- Their company's name is on the product;
- They repaired, altered, or refurbished the product;
- They imported the product from outside the European Union;
- You cannot clearly identify the manufacturer; or
- The manufacturer has gone out of business.

Provided by Crendon Insurance Brokers Ltd

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Limiting Product Liability

Consider implementing these techniques into your organisation to limit product liability:

- Develop a quality control programme and distribute it to your employees. It should outline procedures for product safety, design, testing and inspection. It should also include information regarding traceability, guidance regarding customer complaints and a product recall programme.
- Place serial or batch numbers on all products to ensure that they are traceable in case of a recall.
- Keep records of all information about your products, including testing, product performance, component percentages and complaints.
- Ask a solicitor to review warning labels, assembly and operating instructions, disclaimers and any other information distributed to consumers. If you need additional assistance, consult a product safety specialist.
- Ask a solicitor to periodically review contracts and indemnity agreements for use with your customers and subcontractors. Assure that these contracts limit the liability you will assume for a quality product. Also consider obtaining certificates for liability insurance from your subcontractors.

Transferring risk is an essential part of protecting your business. Contact **Crendon Insurance Brokers Ltd** at **0121 45 45 100** for assistance with all your insurance needs.



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