

Product Liability Insurance Protection for Your Business

Product liability Insurance, also known as products-completed operations insurance, provides solid protection for your business relating to the manufacturing or sale to the public of products, foods, medicines or other items. Specifically, as part of commercial general liability (CGL) policy, this coverage 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 labeled 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 medical costs, economic damages and attorney's fees) or punitive damages (designed to deter the defendant from repeating the action that caused the damage). At times, these cases can put organizations 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 negligent. The logic is that there is a stream of commerce that a product goes through from its inception to the hands of the consumer. If your organization had any part in that stream, and as long as the product was defective when it left your control, you can be held liable for any problems that arise.

The Basics of Coverage

- Generally, there is limited product liability protection under a CGL policy, yet it may not be enough coverage to adequately protect your business. It is wise to discuss your policy in depth with HRO Resources to learn more.
- Premiums are based on the type of products sold,

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volume of sales and the role of your organization in the stream of commerce.

your insurance needs.

- Properly identifying products in your policy will ensure adequate protection at a fair price.

Limiting Product Liability

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

- Develop a quality control program 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 program.
- 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 legal professional 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 legal professional to periodically review contracts and hold-harmless agreements for use with your customers and subcontractors. Ensure 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 HRO Resources for assistance with all