

Product Liability Insurance

Your customers expect you to have safe and reliable products, and failing to meet these expectations can lead to huge financial losses. If one of your products harms a customer or other stakeholder in any way, they can sue your business, leading to costly legal fees and settlements that can easily reach six figures. While you may do everything in your power to ensure your products are safe, mishaps can still occur without warning. That's why, to protect against claims and ensure the longevity of your business, you need product liability insurance.

broker.

Claims Scenario: *Total Recall*

The company: A food manufacturer specializing in the sale and distribution of spices

The challenge: An international distributor of spices became the target of a mass recall after several of their products were contaminated with a peanut protein. Many consumers suffered allergic reactions, which led to claims in multiple jurisdictions.

Companies that import products, including raw ingredients that are later provided to manufacturers of final products, face serious liabilities if the imported product does not meet safety standards. In the case of the peanut allergen, the company caused serious injuries and illness to their customers and did not include required labels, warnings and instructions due to the accidental nature of the contamination.

Product liability insurance in action: In product manufacturing, a variety of things can go wrong throughout the production and distribution process. Product liability insurance provides protection against a variety of unforeseen circumstances.

In the example above, product liability insurance responds directly to the manufacturing and labelling defect, providing coverage for claims related to consumer injury and illness. It should be noted that not all product liability policies help organizations recoup the costs of a full-scale recall. As such, it's important to review policy language with a qualified insurance

Claims Scenario: *Washed Up Suppliers*

The company: A washing machine manufacturer that purchases key components from third parties

The challenge: Many manufacturers source components for their products, sometimes from multiple vendors. While this can save organizations time and money, it can create serious liability risks in the event of an issue.

Consider a washing machine manufacturer who relied on a third-party supplier that provided hoses and other connection components. In one instance, the supplier delivered hoses that were smaller than what the design specifications called for, which led to malfunctioning appliances, scalding injuries and damaged property.

Product liability insurance in action: While contracts can provide protection and cushion the cost of manufacturing defects caused by third parties, they often won't protect the primary company if a consumer is injured.

Product liability insurance protects organizations from a variety of liability concerns, even if a defect is caused by an outside supplier. To supplement a contractual risk transfer program, product liability insurance is critical.

Learn More About 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. This is because 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.

Product liability is a complex exposure and managing your risk can be a major undertaking even if you have access to all the right resources. To supplement your risk management strategies and address specific exposures, speak with a qualified insurance broker to review your insurance coverage. Contact HRO Resources today to learn more.

Talk to an Expert

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