
Product Liability Policy Wordings

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This policy covers all sums (inclusive of defence costs) which the insured becomes legally liable to pay as damages as a consequence.

Highlights

This policy covers all sums (inclusive of defence costs) which the insured becomes legally liable to pay as damages as a consequence of:

- a. accidental death/ bodily injury or disease to any third party.
- b. accidental damage to property belonging to a third party.

arising out of any defect in the product manufactured by the insured and specifically mentioned in the policy after such product has left the insured's premises.

The policy offers the benefit of retroactive period on continuous renewal of policy whereby claims reported in subsequent renewal but pertaining to earlier period after first inception of policy, also become payable.

Scope

The defect in the product may be a manufacturing defect or may even be due to faulty packaging, delivery specifications or instructions as to use of the product.

The policy covers the sales turnover of the company- both domestic and/or exports.

The policy is on a claims made basis i.e. the claims must arise and be made in writing on the insurance company during the policy period.

The policy does not cover any liability for product recall, product guarantee, pure financial loss such as loss of goodwill or loss of market. The policy also does not pay for the cost incurred for repairing or reconditioning or modifying the defective part of the product.

Add on covers

The policy can be extended to cover liability arising out of judgments or settlements made in countries which operate under the laws of U.S.A or Canada (which is an exclusion under the policy) by opting for the North American Jurisdiction Clause.

The policy can also be extended to cover Limited Vendors Liability for named or unnamed vendors. Limited vendors liability means liability arising out of the sale and distribution of named insured products by vendors with original warranties and instructions of use of the product specified by the manufacturers.

Who can take the policy

The policy can be taken by the manufacturer of any product whether it be the final product or part of the final product.

How to select the sum insured

In Product Liability Policy, the sum insured is referred to as Limit of Indemnity. This limit is fixed per accident and per policy period which is called Any One Accident (AOA) limit and Any One Year (AOY) limit respectively. The ratio of AOA limit to AOY limit can be chosen from the following:

- a. 1:1
- b. 1:2

c. 1:3

d. 1:4

The AOA limit which is the maximum amount payable for each accident should be fixed taking into account the nature of product covered and the maximum number of people who could be affected and maximum property damage that could occur, in the worst possible accident after sale of the product.

How to claim

In case of any event likely to give rise to a liability claim as described above, insurance company should be informed immediately. In case any legal notice or summons is received, it should be sent to the insurance company. The company has the option of arranging the defence of the case.

The event giving rise to the claim should have occurred during the period of insurance or retroactive period and the claim first made in writing against the insured during the policy period. The maximum amount payable including defence cost will be the AOA limit selected. The Any One Year limit will get reduced by the amount of claim or indemnity paid for any one accident. Any number of such claims made during the policy period will be covered subject to the total indemnity not exceeding the Any One Year limit.