



# PRODUCT LIABILITY PRODUCT OVEVIEW



In today's society, product liability claims have become increasingly common. Consumers now have the legal right to seek compensation if they have been harmed by a defective product. When faced with such claims, businesses may face significant financial burdens due to legal costs, settlements, or damage awards.

Product liability insurance helps companies mitigate these risks by providing coverage for legal expenses, settlements, and judgments resulting from product-related claims. This insurance protects businesses against losses arising from bodily injury, property damage, or even death caused by your products. It is designed to cover costs such as legal defense fees, court costs, medical expenses, and compensation awarded to injured parties.

## EXAMPLE LISTS OF PARTIES THAT MAY BE EXPOSED TO A PRODUCT LIABILITY CLAIM:

- Manufacturers
- Assembler
- Suppliers and Distributors
- Retailers and Sellers
- Product Designers
- Component Manufacturers
- Testing Laboratories and Experts

## PRODUCT LIABILITY CLAIMS:

### Defective Design

One of the most prevalent product liability claims is based on defective design. This claim arises when a flaw exists in the product's initial design, posing a potential hazard to consumers even when manufactured correctly.

### Manufacturing Defects

Manufacturing defects occur during the production or assembly process when a product deviates from its intended design. These defects can be due to errors in manufacturing, substandard materials, or negligence during assembly.

### Failure to Warn

Failure to warn claims revolve around the manufacturer's obligation to provide adequate instructions or warnings about potential risks associated with the product.

### Marketing Misrepresentation

Marketing misrepresentation claims occur when a company provides misleading or false information about a product's features, benefits, or capabilities. This can include deceptive advertising or inaccurate labeling.

## FACTORS AFFECTING THE INSURANCE PREMIUM

Pricing does, however, vary depending on a number of factors, including:

- Type of Product
- Industry and Risk Assessment
- Sales Volume and Revenue
- Past Claims and Loss History
- Product Safety Measures
- Coverage Limits
- Geographical Area

## THE SCOPE AND COVERAGE OF RECALL EXPENSE EXTENSION IN EMBEDDED PRODUCT LIABILITY INSURANCE POLICIES

Recall Expense Extension is a provision within product liability insurance policies that extends coverage to expenses related to the withdrawal, replacement, or modification of defective products in the market, such as:

- Communications including radio announcements and printed advertisements
- The cost of shipping the products from any purchaser, distributor or user to the place designated by the Insured
- The cost of hire of necessary, additional persons other than the regular employees
- Remuneration paid to regular, hourly employees (other than salaried employees) at basic rates for necessary straight time or overtime, if required
- Expenses incurred by employees for transportation and accommodations
- The extra expense for rent or hire of additional warehouse or storage space.

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## ABOUT AMG

We are professional insurance broker and risk consultant. We advise businesses and individuals on how to prepare for the unexpected.

We provide risk management, risk consulting, insurance broking, insurance program management and claims advocacy services related advice, brokerage and associated services for clients across a wide range of business sectors.

We work with clients of all sizes to identify risks, create risk management, benefits optimization, insurance programs management and deliver innovative solutions to better qualify and manage risk.

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