

Product liability insurance

If your company manufactures, imports, sells or rents products or otherwise puts them into circulation, your company runs the risk of being liable for bodily injury or property damage that a product may cause. Your product might be faulty or otherwise defective, or the user manual may be inaccurate, which causes harm to product users or downstream producers.

What is insured by product liability insurance?

Product liability insurance is designed to insure your company's liability to third parties for loss or damage by a faulty product which your company has put into circulation.

You are covered against legal liability for bodily injury and property damage discovered during the period of insurance.

The products or product groups which are covered for liability will be stated in your policy schedule. The policy schedule will also show the territorial limits of your cover.



Our services in the event of a claim

- We will determine whether there is any liability if your company is served a claim for damages.
- We will negotiate with the injured party and pay the compensation that may become payable.
- We will reimburse the costs of any litigation relating to the claim.

Claim examples

1. Bodily injury caused by a defective product – covered

A woman is climbing along an aluminium ladder to the roof. One of the steps of the ladder fails, whereupon she falls to the ground, hurting herself. When investigating the incident, a manufacturing defect in the ladder is found to have caused the step to fail. The ladder manufacturer's product liability insurance covers this bodily injury because the injury was caused by a defective product.

2. Property damage caused by a faulty product – covered

A trader sells metal cans to another trader. The cans have a manufacturing defect, with metal migrating from them, which spoils the food packed in the cans. Product liability insurance covers the damage caused to the foods.

3. Damage caused to the product itself – not covered

An importer's entire batch of coffee makers is faulty. After they have been heated for a couple of times, the coffee makers are useless. The faulty coffee makers do not cause any bodily injury or property damage to other property. The breakdown of the coffee makers is not covered by the importer's product liability insurance.

4. Pure financial loss caused by a faulty product – not covered

Production at a furniture manufacturing company is interrupted when an assembling machine breaks down. When investigating the cause of this machine breakdown, it is found that the assembling machine has a manufacturing defect. The machine seller needs to supply a new machine to replace the broken one. The machine breakdown does not cause any other property damage. The machine seller's product liability insurance does not cover the financial losses incurred to the furniture manufacturer by the interruption of production.

Key perils excluded in product liability insurance

Product liability insurance will not cover:

- loss or damage caused to a faulty or defective product or to the policyholder itself;
- inadequate performance or capacity of the product, or if the product fails to have the promised effect;
- loss or damage caused because the product has not, before it is put into circulation, been subjected to the tests and checks that are ordinary in the sector;
- loss or damage caused by non-new products that are put into circulation;
- recall costs (can be insured separately).

Cover does not include loss or damage caused by environmental degradation, deterioration or contamination or by emissions or disturbances. If, however, the emission or disturbance is a consequence of the insured's random and single act and loss or damage arises suddenly and unexpectedly, it will be covered when it occurs in Europe. Cover does not apply outside Europe, even if the territorial limits stated in the policy schedule were broader than this.

In addition, loss or damage caused by the following substances, diseases and compounds is also excluded from liability insurance cover: asbestos; formaldehyde; silicon; lead; latex; polychlorinated biphenyls; PFASs; chlorinated hydrocarbons; gases generated during welding; exposure to tobacco smoke or to other effects of tobacco or tobacco products; genetically modified organisms; contraceptive preparations with hormonal effect; animal diseases excluding salmonella and listeriosis; HI virus or its consequences, endemic epidemics; mould, other fungi or bacteria found in buildings or other structures; electromagnetic fields; or nanoscale characteristics of products.

Furthermore, the following products are also excluded from product liability insurance cover: medicinal products; medical healthcare devices; implants in the body excl. dental implants and contact lenses; products made from blood and cells; natural drugs; watercrafts with a power of more than 15 kW or over 5.5 metres in length; and products related to aircraft and spacecraft.

The common exclusions applying to all liability insurances also apply to product liability insurance. These exclusions include:

- claims caused intentionally and through gross negligence;
- claims in consequence of deliberate violation of laws and regulations;
- claims arising from defects of which you are aware before your policy takes effect;
- costs resulting from remedying or redoing a flawed or defective work performance;
- purely contractual liability;
- contractual penalties and fees of a punitive nature, and slander and libel.

Specific product recall insurance covers withdrawal of products from the market

Sometimes products that your company puts into circulation may be faulty or defective in a way that they have already caused or could be likely to cause product liability damage. To prevent damage, products may need to be recalled from the market, and to protect against the costs this will incur your company can extend product liability insurance to also cover recall costs.

Product recall insurance covers the reasonable costs arising, for example, from newspaper announcements published to find the products. It also covers the costs of transporting them back to the insured, disassembling the product or renting extra storage space. Cover can also include repairing or disposing of the product on site if this is cheaper than delivering the product back to the insured.

For costs to be covered, the product must be found defective and this notified to LocalTapiola during the period of cover and the measures incurring the costs must be carried out less than twelve (12) months from the day on which the decision to recall was made. In addition, the product needs to have been put into circulation whilst a LocalTapiola product recall insurance policy or a preceding policy was in force and the putting into circulation was made under five (5) years ago.

Cover does not include costs in respect of products that are in the possession or control of the insured or its representative or subsidiary.

Example

A coffee maker catches fire due to overheating. The entire batch of coffee makers is found to be faulty, and thus there is a risk of more fires causing damage. The fire damage caused by the coffee maker is covered by product liability insurance, and product recall insurance covers the newspaper announcements published to reach the consumers who have purchased a faulty machine.

Sum insured for liability insurance

The sum insured you select for your policy is the maximum sum your policy will pay out per claim and per period of insurance.

Deductible

The deductible is the portion of loss for which the policyholder remains liable in each claim. Policyholders can select the desired amount of their deductible, according to the firm's own capacity to bear risk. A higher deductible will reduce your premiums.

In liability insurances, the deductible will also determine when the insurance can be used for assessing the policyholder's liability and the amount of liability. Compensation demands that are less than your deductible will not be dealt with under this insurance.

Insurance is granted by the following mutual insurance companies in LocalTapiola Group (business ID):

LähiTapiola **Etelä** (0139557-7) | LähiTapiola **Etelä-Pohjanmaa** (0178281-7) | LokalTapiola **Sydkusten** -
LähiTapiola **Etelärannikko** (0135987-5) | LähiTapiola **Itä** (2246442-0) | LähiTapiola **Kaakkois-Suomi**
(0225907-5) | LähiTapiola **Kainuu-Koillismaa** (0210339-6) | LähiTapiola **Keski-Suomi** (0208463-1) |
LähiTapiola **Lappi** (0277001-7) | LähiTapiola **Loimi-Häme** (0134859-4) | LähiTapiola **Länsi-Suomi** (0134099-8) |
LähiTapiola **Pirkanmaa** (0205843-3) | LokalTapiola **Österbotten** - LähiTapiola **Pohjanmaa** (0180953-0) |
LähiTapiola **Pohjoinen** (2235550-7) | LähiTapiola **Pääkaupunkiseutu** (2647339-1) | LähiTapiola **Savo**
(1759597-9) | LähiTapiola **Savo-Karjala** (0218612-8) | LähiTapiola **Uusimaa** (0224469-0) |
LähiTapiola **Varsinais-Suomi** (0204067-1) | LähiTapiola **Vellamo** (0282283-3) |
LocalTapiola General Mutual Insurance Company (0211034-2)

The companies' contact details are available at www.lahitapiola.fi.

