**Product Liability Insurance Policy**

**Highlights**

This policy covers all sums (inclusive of defence costs) which the insured becomes legally liable

to pay as damages as a consequence of:

• Accidental death/ bodily injury to any third party.

• 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 as per

specifications given in the proposal form.

The policy is on claims made basis i.e. the claims must arise and be made in writing to the

insurance company during the policy period.

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 basic product policy does not cover any liability for product recall, product guarantee, and

pure financial loss such as loss of goodwill or loss of market. However, the same can be

covered on payment of additional premium with conditions thereof.

The policy can also be extended to cover Limited Vendors Liability for named or unnamed

vendors. Limited vendor’s 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:

• 1:1

• 1:2

• 1:3

• 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.