

What is Product Liability Insurance

Small businesses **selling** or manufacturing products should be protected in the event of a person becoming injured as a result of using their product. Here comes **product liability insurance** that protects your company against lawsuits from product-related injury or accidents.

In product liability insurance terms, a product is any physical item that is sold or given away. Products must be "**fit for purpose**". Under the *Article 2 of Uniform Commercial Code § 2-314* and **Tort Law** you're legally responsible for any damage or injury that a product you supply may cause. If you supply a faulty product, claimants may try to claim from you first, even if you did not manufacture it. You'll be liable for compensation claims if:

- your business' name is on the product - i.e. the manufacturer made it for your brand
- your business repairs, refurbishes or changes the product
- you imported it from outside the United States
- you cannot clearly identify the manufacturer
- the manufacturer has gone out of business

Otherwise, the manufacturer is liable - or the processor, where the product involves parts from multiple manufacturers.

However, you must also:

- show that the products were faulty when supplied to you
- show that you gave consumers adequate safety instructions and warnings about misuse
- show that you included terms for return of faulty goods to the manufacturer or processor in any sales contract you issued to the consumer

- make sure that your supply contract with the manufacturer or processor covers product safety, quality control and product returns
- have good quality control and record-keeping systems

Who needs to carry Product Liability Insurance

Although the ultimate responsibility for injury or damage in products liability cases most frequently rests with the **manufacturer**, liability may also be imposed upon a **retailer, wholesaler, middleman, bailor, lessor, and other party** wholly outside the manufacturing and distributing process.

In many cases you are not be at fault of selling a defective product; however, when the claim is brought **you need to defend yourself in court**. Nowadays, litigation costs are extremely high, so paying it out of your own pocket might affect your business dramatically. Here when product liability insurance comes to play. It will pay for the defense cost up to the amount specified in the policy, your business is not affected financially, and you can continue your growth.

What if the products I sell are manufactured overseas?

Imagine how many Chinese manufacturers are actually subject to process from a United States court today and how likely is it that a claimant can enforce a judgment against them? The answer is none and not likely. This puts a very real risk of liability upon the supplier - the local toy store, convenience store, wholesale supplier, distributor, etc... **Product liability insurance covers against this kind of risk.**

Product Liability Coverage Highlights

Depending on the insurance company Product Liability Insurance policy usually includes the following coverage:

Bodily Injury: Physical injury to the person of a Third Party. This includes sickness, disease, pain and suffering, emotional distress, loss of income and even death.

Property Damage: Damage or destruction including loss of use of a Third Party's property. Reduction in value is the measure of Property Damage.

Medical Payments: This coverage reimburses the insured and others up to a certain limit for medical or funeral expenses as a result of bodily injury or death by accident

Fire Legal Liability: Limited coverage for damage to a premise caused by a fire for which you may be held liable.

Personal/Advertising Injury: Covers you for certain offenses you or your employees commit in the course of your business, such as libel, slander, disparagement, or copyright infringement in your advertisements.

How to Protect my Business

You can protect yourself in several ways.

First, you need to have a product liability insurance.

Second, if you do not manufacture the products you sell you need to collect the certificate of insurance from the actual manufacture where you are named as an additional insured. This can help to lower the amount of money your product liability insurance company will pay out on your behalf.

Third test the product to catch when the products were faulty when supplied to you.

Give consumers adequate safety instructions and warnings about misuse
Included terms for return of faulty goods to the manufacturer or processor
in any sales contract you issued to the consumer.

Retailers, wholesalers, distributors, and importers have to make sure that
your supply contract with the manufacturer or processor covers product
safety, quality control and product returns. Have good quality control and
record-keeping systems.

Finally be prepared for product recall. When possible document all sales,
shipments, complaints. Be product recall ready

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