



Product Liability Insurance

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Product liability means the liability of the manufacturer, importer, seller or lessor for damages arising from the deficiency or safety defect of a product issued by the company in its business activities.

What is liability insurance?

Liability insurance is a contract by which the company (= policyholder) transfers part of its liability for damages to an insurance company.

The content of the insurance contract is determined by the policy document, the terms and conditions, and the safety regulations.

The appropriate liability insurance solution is based on the nature and scope of the policyholder's activities.

The following table describes the liability insurance offered by if.

What is covered by product liability insurance?

- The insurance covers personal injury or property damage resulting from the deficiency or inadequacy of a commercially available product.
- The insurance covers damage caused by the types of products specified in the policy document.
- The policyholder must be liable for the damage in accordance with the current law, usually trade, product liability and tort liability laws or international trade law.

What types of companies is the insurance suitable for?

- Product manufacturers.
- Product sellers, for example in b2-b trade.
- For distributors importing products to be launched in the eea.
- For companies that provide product rental services.

Why is product liability insurance important?

- Product liability claims pose a significant risk for companies, as there is no maximum amount of compensation.
- The size of the risk does not depend on the size of the company. Insurance is therefore especially important for small businesses with limited resources for product safety and quality management.
- Not all product liability risks can be agreed on: the product liability act applicable to consumer trade imposes strict product liability which cannot be waived by agreement.
- With product liability insurance, small suppliers can demonstrate their ability to carry the potential risks of their products.

Validity

The insurance is valid within the territorial limits stated in the policy document. The insurance covers damages discovered during the validity of the insurance within the territorial limits of the insurance. It is advisable to extend the insurance coverage even after the product is no longer sold, as damages may only emerge occur years later.

This product description applies to Product Liability Insurance.

| PRODUCT | FOR WHICH DAMAGES | FOR WHOM |
|--|---|--|
| General Liability Insurance | Personal injury and property damage caused by the company's operations | All lines of business |
| Product Liability Insurance | Personal injuries and property damage caused by products | Importers, producers, manufacturers and B2B vendors |
| Professional Indemnity Insurance for Technical Consultants | Personal injury, property damage and financial losses resulting from incorrect consultancy | Technical consultants |
| Professional Indemnity Insurance for Non-technical Consultants | Financial losses resulting from an incorrect assignment | Professional services |
| Legal Expenses Insurance | Lawyer's fees and legal expenses related to the company's operations | All lines of business |
| Crime Insurance | Losses incurred by the policyholder or the policyholder's client as a result of the policyholder's property crime | All lines of business, especially trade, and sectors where money or a client's property is handled |
| Directors' and Officers' Liability Insurance | Financial losses caused to the corporation or a third party for which the insured is liable under the current law while acting as a member of a governing body | All lines of business |
| Cyber Insurance | Costs incurred by the policyholder as a result of a data breach; financial losses caused by the interruption of operations; liability for the disclosure of trade secrets | All lines of business |
| IPR Insurance | Legal expenses and liability related to intellectual rights | All lines of business involving intellectual rights |

Main exclusions

As with other insurance policies, product liability insurance contains exclusions and does not cover all product liability damages. The insurance does not cover, for example:

- Damage to the product itself or recall costs.
- Product recall refers to loss arising from repairing, exchanging or returning the product, or from its withdrawal from the market.
- Damage arising from a conscious act which violates laws, decrees, or the authorities' orders or instructions.
- Purely financial loss, i.e. Financial loss not associated with personal injury or property damage.

Product liability insurance can be extended with add-ons

Add-on: product recall

The product recall add-on covers the costs of locating, removing, exchanging, returning, repairing or destroying the product if the product has a deficiency that has caused or threatens to cause product liability damage.

However, the recall insurance does not cover situations where the product is deficient but does not present a risk of product liability damage.

Add-on: damage to product

The damage to product add-on will replace the defective product if it has caused or threatens to cause product liability damage. The maximum amount of compensation is the cost price of the product.

Add-on: cost of reinstalling a product

The cost of reinstalling a product add-on covers reasonable costs incurred in reinstalling a replacement or repaired product if there is a deficiency in the product that has caused or threatens to cause product liability damage. The compensation of expenses applies to the transportation and installation costs of the new product and the cost of repairing the installation site to match the condition it was in before the replacement of the product.

Add-on: limited product guarantee insurance

The limited product guarantee insurance covers the costs incurred by the policyholder if the product has a manufacturing defect that, if not repaired, would cause the product to fail.

Read more
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Amount of compensation and the deductible

Compensable damage will be covered by the product guarantee insurance up to the sum insured indicated in the policy document. In each loss, the policyholder's deductible, agreed at the time of taking out the policy, will be deducted from the compensation.

Limitation

The claim report must be submitted to the insurance company without delay, however, within one year from the date on which the policyholder was informed of their possible liability. If the claim is not presented within the time period indicated above, the claimant forfeits their right to compensation.

If will help in resolving the loss and liability

If loss or damage has occurred or claims are brought against the policyholder, it is advisable to contact if immediately. Our company will determine the liability for damages and amount of loss arising from the insured event eligible for compensation, as well as cover costs of any legal proceedings related to the insured event.

Insurance is a contract

Insurance is based on an insurance contract. When entering into the contract, it is important that you provide accurate and complete information about, for example, the nature and scale of the insured operation. The contract determines the scope of coverage and the amount of the deductible which form the basis of the compensations payable when the damage occurs. The key contents of the contract are laid out in the policy document. You must inform the insurance company promptly of any mistakes or omissions that you notice and that may have a bearing on the policy. The policy is effective indefinitely from the date agreed between the policyholder and the insurance company. The insurance premium invoice must be paid on the due date to the bank account indicated on the invoice.

The insurance remains valid if the insurance premium is paid no later than the date due. If the insurance premium has not been paid on the due date, the insurance company can terminate the insurance, effective at the earliest 14 days from the date of dispatch of the notice of termination. The policyholder can cancel the policy by giving notice of termination in writing. You can cancel your policy at any time.

The insurance company also reserves the right to terminate the policy at the end of the insurance period.

CLAIM EXAMPLE

A shopping centre purchased a waste compactor from the policyholder with an error in the installation and operating instructions. The compactor was installed and used according to the incorrect instructions, breaking the roll-up door of the waste room.

Product Liability Insurance covered the repair of the roll-up door.

CLAIM EXAMPLE

Stones ended up in the frozen peas manufactured by the policyholder, causing personal injury to two customers before the issue was detected.

The personal injuries were covered by product liability insurance. Defective products had to be removed from the market. The costs incurred were covered by the policyholder's product recall insurance.

CLAIM EXAMPLE

The company sold another company a giant screen including mounting brackets and installed it at the other company's head office. One month after installation, the giant screen fell to the floor of the head office lobby due to the failure of the inadequate brackets, breaking the display tube.

The damages exceeded EUR 100,000, including costs related to glass shards and replacement of the floor.



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