

Choosing Public/Products Liability Limits

Although each organisation makes it a top priority to ensure their products and services are both safe and effective for their clients, there is always potential for mistakes to occur. Whether it be a damaged product or public injury on company property, it is vital to ensure your organisation is protected from these costly liability circumstances.

Public/products liability insurance offers cover in the event of a third party suffering property damage, disease, illness, injury or death by nature of your organisation's goods, services or activities. This includes compensatory costs and potential legal fees. Public liability and products liability cover typically exist within one policy, but can sometimes be offered separately.

Due to the wide range of incidents this insurance provides cover for, it is crucial to consider setting accurate limits of indemnity to ensure you meet customer's needs, be aware of potential exclusions or conditions in your policy and engage in proper risk management strategies to avoid potential liabilities.

Does My Organisation Need Cover?

The vast majority of businesses require some degree of public/products liability cover. Your organisation should consider public/products liability cover if:

- You sell products with your organisation name or brand on them.
- You repair or repurpose products.
- You manufacture products.
- You import products outside the EU for UK sales.

- You sell products for which you cannot identify the manufacturer, or the manufacturer has gone out of business.
- Your customers or other members of the public visit your company property.

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- You or your employees work at client sites, on public property or within individuals' homes.
- Your business organises off-site events or activities that members of the public attend.
- You or your employees interact with third parties while working or providing services.

Choosing Levels of Indemnity

In addition to purchasing public/products liability cover, it is important to consider your level of indemnity, meaning the maximum amount of compensation that your insurer will offer you in the event of a claim. Selecting the proper level of indemnity is crucial because this practice will determine whether or not your organisation is able to meet customers' needs, maintain financial stability and protect their reputation in a liability dispute. Consider the following when selecting your level of indemnity:

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- *Public liability considerations*
 - The value of your premises as well as others' premises where your organisation may work, as more expensive properties will generally require higher indemnity levels.
 - The number of people located in the vicinity of your work-site, as well as those who face the risk of harm on your organisation's premises, such as customers or members of public. For instance, a business that sees a large amount of customers on their property should consider higher indemnity levels.
 - The requirements made by a contract your organisation agreed to with a client or business partner, as well as any laws or regulations.
 - The nature and proximity of the area surrounding your organisation's property.
 - Whether or not the nature of your organisation's activities or services have the potential to cause harm.
 - Whether or not your organisation has any risk management programmes in place to protect against potential public liabilities.
- *Products liability considerations*
 - Whether or not your products face North American exposures, as this region is likely to produce more (and greater) claims.
 - Who designs your products, provides your raw materials, manufactures your products and transports them, as your partner organisations may have a history of liability concerns or lack proper risk management.
 - Whether or not your organisation has proper risk management systems in place, as well as a rigorous programme that tests and checks products for potential faults or damage.

- Whether or not your policy is sufficient to cover a worst-case scenario compensation claim should your product cause injury or property damage.
- Whether or not any contracts you have specify that you must possess a minimum level of cover.

In addition, it is important for your organisation to consider that **products liability insurance typically establishes an aggregate limit for an entire period of cover**, whereas **public liability insurance generates an indemnity level for 'any one occurrence'**. For products liability, this means that if a faulty product affects multiple people and leads to a series of claims, the insurer would pay all claims for that period of cover up to the limit, typically between £1 and £5 million. This contrasts with public liability cover paying out on an 'any one occurrence' basis, meaning the insurer would pay up to the limit (at least £2 million) for all claims related to a single occurrence. If another incident occurred during the same period of insurance, the public policy would still pay up to the limit for the second occurrence.

Lastly, be sure to take note of any exclusions or conditions the insurer includes within the policy. Potential exclusions could include liability claims for products exported to certain countries, while possible conditions could include that your organisation keeps appropriate documentation on risk management.

Best Practices for Preventing Liability

While public/products liability cover can provide ultimate peace of mind in protecting your organisation against liability disasters, it is vital to engage in proper liability risk management strategies, such as:

- Conduct an annual risk assessment for your organisation and commercial property, identifying key risks, establishing mitigation techniques and recording the results. Make updates and changes when necessary.
 - Especially ensure you are managing the risk of slips, trips and falls to the public—

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these are some of the most common causes of public liability claims.

- Provide proper safety training for all employees and encourage safe working practices on-site.
- Use a comprehensive and strict programme to test all products for potential problems or concerns. This includes the use of risk management strategies to minimise the risk of making a defective product in the first place and identifying the potential for defective products to reach consumers.
- Maintain proper documentation of your suppliers, manufacturers and quality control practices.
- Ensure your supply contracts include guidelines for product safety, quality control and returns.
- Establish a comprehensive product recall plan.
- Generate and enforce strict health and safety workplace policies to keep both employees and visitors safe and healthy while on the premises.
- Be aware of all necessary laws and regulations surrounding your work activities and liability, especially requirements governing product labelling and usage instructions

For additional guidance on public/products liability cover, contact Robison & Co Ltd today.