



# Product Liability Insurance



## PRODUCT DESCRIPTION

Valid as of 1 January 2017.

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**This product description provides a general outline of what Product Liability Insurance covers and what the main exclusion clauses are.**

Please also read the insurance terms and conditions because they define the content of the insurance. The following are applied to this policy:

- Product Liability Insurance, terms and conditions VA 02
- General Terms of Contract YL

Customer-specific special clauses may also apply.

### Product liability – if the product causes a loss

A company can face liability because of a bodily injury or material damage caused by a fault or lack of safety in its product. A loss like this may affect a private person or another company.

### Product liability has different sets of rules for retail trade and business-to-business.

Indemnification liability related to Product Liability Insurance can be based on several different laws. In domestic trade, product liability between businesses is as a rule based on agreements made between the companies in question. If nothing has been agreed on product liability, the relevant legislation is applied, such as the Sale of Goods Act and general standards concerning damages.

The right of private individuals to demand compensation is as a rule based on the Product Liability Act.

### Product Liability Insurance covers losses caused to a third party by a product that is faulty or not safe enough

The insurance covers bodily injury and material damage caused by a product delivered to a third party, for which the policyholder is held legally liable. Product Liability Insurance also covers financial losses directly connected to bodily injury or material damage. Pure financial losses that are unrelated to bodily injury or material damage are not compensated.

The insurance covers losses that occurred during the insurance period. In a case of material damage, the amount of compensation is based on the current value of the damaged object. With respect to bodily injuries, the basis of compensation is public health care charges.

### We will find out whether your company is liable to compensate for the loss

In cases of losses which are covered by the policy and which exceed the deductible, we will find out whether your company is liable to pay indemnity. When the loss is covered by the Product Liability

Insurance and the policyholder is liable to pay compensation, we will pay the compensation directly to the injured party (less the deductible). However, if the policyholder is not liable for the loss, we will defend the policyholder against the claimant in trial. Investigation and legal defence expenses are also covered.

### Product Liability Insurance does not cover everything your company is liable for

Product Liability Insurance does not compensate all losses the products delivered can cause. Liability insurance always covers less than what the company's indemnification liability is. Product Liability Insurance includes restrictions, read them carefully!

If a product is faulty and it has to be repaired or replaced, it is not a case of product liability, but liability for defect. The product itself is not covered by the Product Liability Insurance; the insurance covers losses to other property or persons caused by the product. For example, repair expenses or costs arising from complaints, returned products, repairs or recalls are not compensated under Product Liability Insurance.

Recall expenses may be covered under a separate Product Recall Insurance. Your contact person can give you more information.

Product Liability Insurance does not cover, for example, losses

- for which the policyholder is responsible solely on the basis of an agreement
- caused by the failure of a chemical substance or pharmaceutical product to have the promised effect or performance
- for those parts that some other party has promised to provide compensation.

We have provided examples below showing which kind of losses are indemnified under Product Liability Insurance and which are not. You cannot generalise these examples, because each insurance event's circumstances affect the claims settlement decision.

### Examples of losses

**Example:** A loaf of bread from a bakery contains a stone, breaking a customer's tooth. The bakery was considered to be liable for the loss. We compensated the dental repair expenses from the product liability insurance.

**Example:** A mountain bike's steering wheel had a structural weakness, and caused the cyclist to fall over when it broke. We compensated the cyclist's bodily injuries under the manufacturer's Product Liability Insurance to the extent that the policyholder was liable for the expenses.

**Example:** A sauna bather throws water on the hot stones, and the steam causes burns on his legs. He had stood at an angle in a short space between the stove and the wall and had used a large, 5 dl scoop. The person had also previously bathed in a sauna that had a similar stove. According to investigations and test results by VTT Technical Research Centre, there was nothing wrong with the stove, but it is possible that such an amount of water may result in steam being released from the bottom of the stove. According to the investigations, the injury was not considered to have been caused by insufficient safety, so no compensation was paid under the stove manufacturer's Product Liability Insurance. If the injured party had still demanded compensation from the policyholder, the defence against claims would have been paid for under the product liability insurance.

**Example:** A rag mat made by the policyholder let off colour, staining the floor. We compensated the floor repair costs under the Product Liability Insurance.

**Example:** A hardware retailer delivered paint in two batches to a panel manufacturer. The panel manufacturer delivered the panels to its own customer, who detected a tinting flaw in the second batch. Repainting the panels and the freight of the new paint caused the panel manufacturer extra costs of more than EUR 3,000. Under the terms and conditions of the Product Liability Insurance, there will be no compensation when the loss can be fixed by repairing or changing the product in question, nor for any expenses caused by a complaint made of the product, or the product having been returned, repaired, exchanged or recalled. Owing to the above, no compensation could be made under the Product Liability Insurance. It was also determined that this was not a case of a bodily injury or material damage required by the insurance terms, but simply a financial loss.

**Example:** The policyholder supplied components to a piece of equipment manufactured by the customer. The component was faulty, damaging the equipment. The customer demanded compensation from the policyholder for the loss. According to the sales agreement on the components, the seller was responsible only for direct material damage caused by the product. The loss was coverable under the Product Liability Insurance's terms and conditions. We compensated under the policyholder's Product Liability Insurance the amount the policyholder was liable for under the sales agreement. The remainder of the loss was to be compensated by the customer. The faulty components were not compensated under the Product Liability Insurance - the product itself is not covered by the Product Liability Insurance.

## Territorial validity, maximum indemnity and deductible

The Product Liability Insurance is valid in Europe unless otherwise stated in the insurance policy. The product causing the loss must have been handed over to the other party within the territorial limits of the insurance. The claim must also be made within the territorial limits of the insurance and be based on the same area's tort liability legislation.

The maximum compensation under Product Liability Insurance is entered in the policy document. The maximum compensation may concern one loss only, and there may also be a maximum compensation under Product Liability Insurance during one insurance period. The maximum indemnity includes not only the indemnity amount but also investigation and legal expenses and reasonable costs incurred due to preventing risk of an impending loss.

The deductible of the Product Liability Insurance is recorded in the policy document.

## Factors affecting the premium

The premium of the Product Liability Insurance depends on your company's field of operations and net sales. The premium is also affected by the chosen sum insured and deductible. Other factors, such as the territorial limits, may affect the premium level in individual cases.

## In the event of loss or damage

### Instructions

As soon as the loss has been detected, efforts must be made to limit the loss and eliminate its cause. In case of fire, for example, rapid extinguishing measures must be ensured. In case of leakage, it must be ensured that the liquid leakage does not continue. After this, you should focus on preventing subsequent losses and any further damage.

- In case of product liability losses, matters relating to the loss should be documented as well as possible as soon as the damage has taken place. It is a good idea to photograph the place of damage right after the event, and to make a record of any eye witnesses. Keep the product that caused the loss.
- The insurance company must be notified of a loss promptly. If necessary, the insurance company will send a company specialising in surveying losses to have a look.
- In case of major losses, the surveyors must have the opportunity to inspect the loss before any repair work begins. Loss surveyors do not make claim settlement decisions during assessment visits.

## How to claim indemnity under Product Liability Insurance

The loss must be reported as soon as possible once information of the loss has been received or the claim has been made. The party suffering the loss cannot file a loss report on behalf of the policyholder. A loss report does not have to be filed in a specific format, and you can do it on our Internet Service or website. The loss report should be made with care in order to ensure maximum speed and correctness in the processing of the claim. A loss report must be made within one year of the loss being discovered.

## Appeals

If you are not happy with the claim settlement decision, you can appeal it. See the instructions on filing a complaint or appeal appended to the claim settlement decision for instructions. For more information about appealing, go to [op.fi](http://op.fi).

## Handling of personal data

Pohjola Insurance processes customers' personal data in accordance with regulations in force and in a manner described in greater detail in the Privacy Statement and the Privacy Policy. It is recommended that the customer read such privacy protection information. The Privacy Statement and the Privacy Policy are available at [op.fi](http://op.fi) and the Pohjola Insurance's customer service outlets.

## Insurance sales commissions

The insurance company will pay a commission that is either a percentage of the insurance premium or a fixed fee based on the number of policies sold. The commission and its amount is affected by the insurance product and sales channel. The commission is paid to the agent or insurance company employee.

## Contact us

eServices at

- [op.fi](https://op.fi)
- [a-vakuutus.fi](https://a-vakuutus.fi)
- Insurance service numbers Pohjola Insurance +358 (0)10 253 1333 and A-Insurance +358 304 0506

Calls from a landline network and mobile phones in Finland cost EUR 0.0835 per call plus EUR 0.12 per minute. The prices are inclusive of VAT 24%. We record customer calls to assure the quality of customer service, among other things. Read more about the subject at [op.fi/dataprotection](https://op.fi/dataprotection).

Pooling our resources.

