

Action Insurance Brokers Pty Limited

Suite 301 Building A, Sky City, 20 Lexington Drive, Bella Vista NSW 2153

Phone: 02 8935 1500

Fax: 02 8935 1501

ABN 39 080 844 426



Product Fact Sheet – Public and Products Liability Insurance for Business and Organisations

What is Public and Products Liability Insurance?

Public and products liability insurance is one of the most important insurance covers that a business or organisation needs.

In the main, it covers any costs associated with letters of demand and law suits that the business or organisation receives, as a result of an event which caused personal injury, death or property damage to a third party, as a result of:

- A negligent act or omission by the business or organisation, its directors, owners, principals, employees, agents and in some cases, sub-contractors, to a third party.
- A failure of a product sold, supplied, imported, manufactured, rebranded, leased out, hired out or even lent out by the business or organization, to a third party.

What is a Third Party?

A Third Party is a real person, business or organisation that is not part of your business or organisation. Third parties do not include your own directors, owners, principals, employees, agents who work for you.

Exactly what am I covered for?

If an event occurs resulting in personal injury, death or property damage to a third party and your business or organisation is found negligent by a Court of Law, your Public and products liability insurance will generally pay for the costs of your legal defense and well as any payment you are required by a Court of Law, to make to a Third Party.

Sometimes, a Court of Law is not involved. In some cases, your Public and products liability insurer will pay a Third Party simply because you have received a letter of demand and the insurer deems that your business or organisation is negligent.

How much am I covered for?

Your Public and products liability insurance policy will show a sum insured – normally this will be at least \$5,000,000 but can be much higher. \$10,000,000 is more common now and \$20,000,000 is becoming more common also.

The policy will show that you have the full amount of your selected sum insured for each and every public liability loss, meaning it is possible to have two or more claims for the full sum insured in any one policy year.

However, for a products liability loss, the most you can claim in any one policy year is an amount equal to the total sum insured. Hence, if you had one claim and used up to total sum insured, you will have used up your entire cover for the policy year and would need to purchase a new cover and pay a new premium to get further products liability cover.

Where am I covered?

Most Public and products liability insurance policies issued in Australia, will cover your business or organisation for events that occurred anywhere within the Commonwealth of Australian and New Zealand. Some policies will also extend to cover you anywhere in the World. However, very few policies cover you for events that occur in North America and Canada as these two areas are extremely litigious.

If you are importing or exporting products to or from North America and Canada, you must tell Action Insurance Brokers before doing so. Your insurer may agree to extend cover for these activities. However, most likely they will not and you will need to arrange insurance with an insurance company in North America and Canada. In many cases, Action Insurance Brokers can assist you with this, using our extensive contacts.

Some policies will only cover you for events that occur at a specific location. Landlords or Property Owners Public liability insurance is generally limited to cover events that occur only at the specific address noted on the policy.

How long after an event, can I lodge a claim?

Most Public and products liability insurance policies issued in Australia are known as "Occurrence" policy wordings. This means you claim on the policy that was in force at the date of occurrence.

Often a business or organisation may be completely unaware of an impending letter of demand and law suit until months or years after the event occurred. With an Occurrence policy wording, you can claim on your policy up to 7 years after the event occurred.

On rare occasions, a Public and products liability insurance may be issued on a "Manifestation" wording. With a manifestation wording, any claim is lodged on the policy that is in force at the date the business or organization first becomes aware of the claim.

What am I not covered for?

Every Public and products liability insurance policy has terms and conditions and some of these exclude claims for certain events / people. The main exclusions are:

- No cover for persons / businesses/ organizations who are not named in the policy
- No cover in North America / Canada (see above)
- No cover for claims arising from use of a road registered vehicle (as these are covered under CTP/Greenslip insurance)
- No cover for claims arising from Professional Advice, Design, Formula or Specification work (as these are covered under Professional Indemnity Insurance)
- No cover if the Third Party is a family member or employee of the business or organisation.
- No cover for claims arising from products used in aircraft, water craft over 8 metres in length or hovercraft.
- No cover for the cost of rectifying faulty workmanship but the resultant costs of damage caused by faulty workmanship are covered.
- No cover for pollution unless the pollution was sudden, unexpected, unintended and identifiable.
- No cover for liability arising from any sub contractor or any contract you have entered unless previously agreed to by your insurer.
- No cover for claims arising from Asbestos.

All the above exclusions are general and standard to most Public and products liability insurance policies. However, in some cases, the exclusions can be removed from a policy to give you necessary cover. If you have specific need for cover in any of these areas, Action Insurance Brokers can assist you.

Important Warning

As a Public and products liability insurance policy covers your liability for negligence, your Public and products liability insurance company reserves the sole right to determine if you are liable to a Third Party.

If you admit liability to a Third Party without the express written permission of your Public and products liability insurance company, you may prejudice their rights of recovering all or part of the claim payment from yet another party who may have caused or contributed to the claim.

An admission of liability without the express written permission of your Public and products liability insurance company could prevent you from being covered for your claim.