

# Product liability, recall covers might see rise in claims

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Mumbai, 14 June

Product liability covers and product recall covers might see a rise in claims with more risks set to come under inspection. Earlier, auto makers used to take these covers. But now, pharmaceutical and consumer goods firms, too, get these.

The commercial general liability (CGL) policy for products and premises cover all costs the insured is to pay as damages as a consequence of accidental death, injury or disease to any third party. It also covers accidental damage to property belonging to a third party arising out of any defect in the product manufactured by the insured.

Sasikumar Adidamu, chief technical officer (non motor underwriting) at Bajaj Allianz General Insurance, explained that earlier, the awareness about liability covers was very low. Now even global entities ask these companies to take a back-to-back product liability cover, he added.

Adidamu said CGL cover would include both premise and product liability risk. While a manufacturer would also have to cover his premise where the food product is manufactured, the supply chain or wholesaler would cover only product liability.

Product recall occurs if there is some defect in its design or operation that could cause harm/danger to the person(s) using it. It could also be performance related, pertain-

ing to the fuel efficiency, braking or acceleration. This would also impact the warranty offered to these products.

Last year, several auto companies had to recall their vehicles owing to faulty airbags from a manufacturer.

Further, some insurers also offer add-on covers. These extend to cover liability arising out of liability in markets like the US and Canada, which are otherwise excluded in standard policies.

Rakesh Jain, CEO of Reliance General Insurance, said that with a rise in incidents, there is an increase in consciousness among companies of the need to have these policies. "We expect more companies to come forward and take a cover."

In product liability policy, the sum insured is referred to as limit of indemnity. This limit is fixed per accident and per policy period, which is called AOA (any one accident) limit and AOY (any one year) limit, respectively.

K G Krishnamoorthy Rao, managing director and CEO of Future Generali India Insurance, said: "In the past few years, the liability claims are coming up. It was only auto sector, now others are also taking the cover."

Sanjay Datta, head of underwriting and claims at ICICI Lombard General Insurance, said with an increase in product standards, there will be an uptick in these covers and the claims under these insurance policies.