



Products Liability

Things you should know about Products Liability – whether you manufacture or distribute

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Agenda

- Products Liability Overview
- Products Liability – Contractual Requirements
- AIG Global Claims Statistics
- Trending Claims & Claims Examples
- Vendor Supply Program - Overview
- Q&A



Products Liability Overview

manufacturing or selling – we are all liable

“What exactly is Products Liability and will I be affected because I am the sourcing agent only? I did not manufacture this product”

Products Liability – by definition

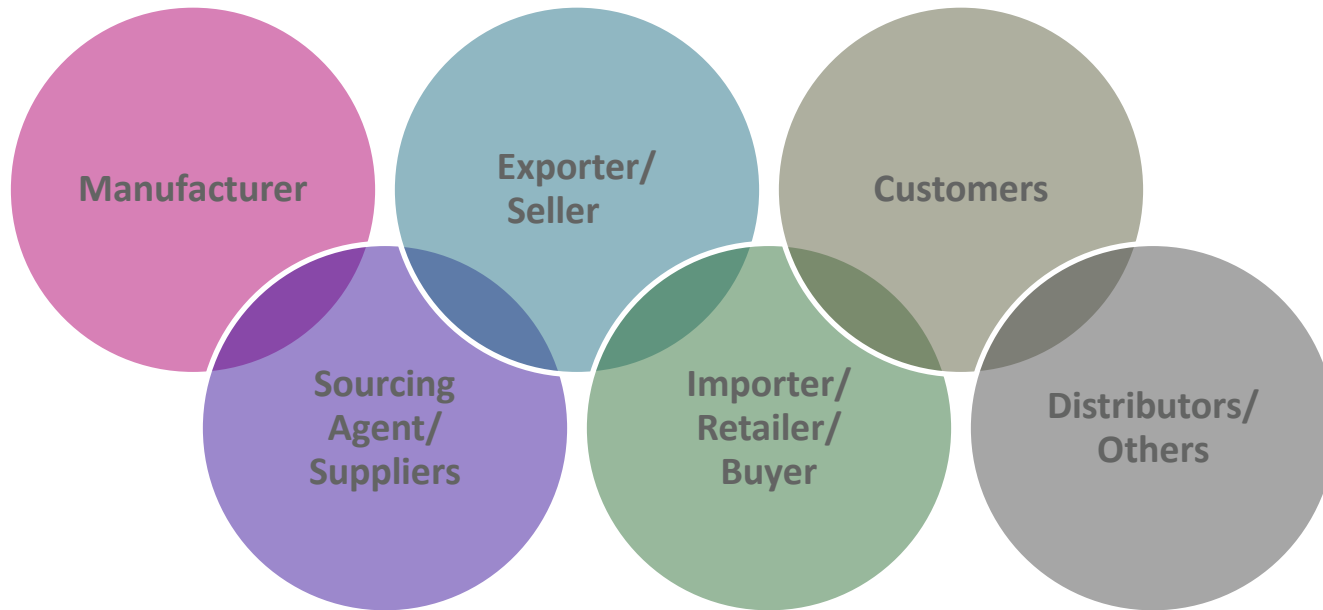
manufacturing or selling – we are all liable

- “**Product Liability**” is frequently defined as the liability of a manufacturer, seller or other entity in the chain of product’s distribution, for personal injury, property damage or economic loss caused by the sale or use of a product.
- The term “product” is not confined to the finished product alone. Ancillary items that affect consumer expectations or product safety may be considered part of the product.
- Product liability is not confined to manufacturers of final products, but rather affects all entities within the chain of manufacture and distribution. A product liability lawsuit can be brought against not only the manufacturers of products and their component parts, but various entities involved with the marketing, distribution and application of the product.
 - For example, distributors, dealers, representatives and retailers.

Products Liability Overview

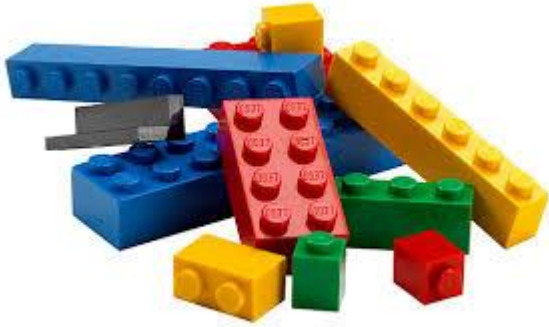
who is liable?

Products Liability is the area of law in which;



who make products available to the public are **held responsible** for the injuries those products caused.

What constitutes a Product?



1. Product itself



3. Packaging



2. User Manual

How are Products distributed to Consumers?



Products Liability

“Why is Products Liability a contractual requirement in the US? I always see this in the contractual agreement from my buyer”

Product Liability Insurance Requirement

it's a contractual requirement – no choice

➤ CONTRACTUAL REQUIREMENTS

- Export products liability insurance is a “**Contractual Requirement**” under purchase agreement / sales agreement from most US buyers, even in China and EU.
- Not meeting those requirements can lead to **cancellation** of purchase order, **bad reputation**, failing to meet the buyers specifications.
- Requirements relating to Insurance is very specific – example below:

Vendor:	99¢ Only Stores
Address:	4000 Union Pacific Avenue, City of Commerce, CA 90023
Summary:	
1. Insurance Coverage:	Products Liability Insurance
2. Policy Wording:	ISO Commercial General Liability
3. Policy Form:	Occurrence
4. Additional Insured:	99¢ Only Stores (Importer/Vendor)
5. Limit of Liability:	US\$2,000,000
6. Territory:	Worldwide including USA/Canada
7. Jurisdiction:	Worldwide including USA/Canada
8. Insurer's Qualification:	US based Insurer (preferred) with AM Best Rating of A or equivalent

Product Liability Insurance Requirement

it's a contractual requirement – no choice

PRODUCT LIABILITY INSURANCE (PLI) POLICY – USA

It is Wal-Mart's Corporate Policy that all suppliers, prior to shipping of any orders, must be covered by Product Liability Insurance.

- An **ORIGINAL** Certificate of Insurance evidencing the outlined requirements must be submitted to Wal-Mart by the supplier or its agent before shipment or at the time the supplier agreement is submitted.
Address to send Original Certificate of Insurance to:
Wal-Mart Logistics
Attn: Supplier Maintenance
Mail Stop #0410-L33
601 North Walton
Bentonville, AR. 72712-0410
- A **COPY** of the Certificate of Insurance must also be submitted along with the commercial invoice for each purchase order. The certificate must be in compliance with the below policies before the supplier will be given the FCR (Forwarders Cargo Receipt). This submission of the Certificate of Insurance along with the commercial invoice is a new policy and will be enforced starting June 1, 2002.
- Prior to expiration of the PLI policy, an ORIGINAL Certificate of Insurance must be provided to WalOMart evidencing the renewal of the coverage as outlined below:

REQUIREMENTS

Type of Policy

- Occurrence Form
- Claims Made policy is **NOT** acceptable

Named Insured

- Contract Party named on the Letter of Credit or Supplier named on the purchase order.
- Certificate of Insurance must specifically evidence the Contract Party in the named insured section.

Certificate Holder**

- Wal-Mart Stores, Inc. Its Subsidiaries and Its Affiliates
- Attn: Supplier Maintenance
- Mail Stop #0410-L33
- 601 North Walton
- Bentonville, AR. 72712-0410

Additional Insured**

- Wal-Mart Stores, Inc. Its Subsidiaries and Its Affiliates

Limit of Liability

- US \$2,000,000 Per Occurrence
- A primary US \$1,000,000 per occurrence plus US \$1,000,000 excess liability or umbrella form is acceptable.

Policy Territory and Jurisdiction (The notes section of the certificate can be used if necessary)

- Worldwide

Cancellation Clause (The following clause must appear on the PLI)

- Should any of the herein described policies be cancelled before the expiration date thereof, the issuing company will endeavor to mail 30 days written notice to the certificate holder named, but failure to mail such notice shall impose no obligation or liability of any kind upon the company, its agents or representatives.

If you have questions regarding the Certificate of Insurance please email vndmait@wal-mart.com.

**Certificates of Insurance that have PREL as an additional insured and certificate holder will be acceptable. However, we ask that suppliers make the correction when they renew their policies.

1. Original PDL Certificate is a must before shipping any order

2. Must be "Occurrence" type of policy and **NOT** "Claims Made"

3. Buyer must be listed as the insured

4. Limit of Liability will be clearly stated by the Buyer – Primary US\$1,000,000 per occurrence

5. Cancellation Clause – Buyer must be notified at any time the policy is cancelled before policy expiry date



Vendor Certificate

ensure that you are protected



CERTIFICATE OF LIABILITY INSURANCE		DATE (MM/DD/YY)	
PRODUCER		THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICY BELOW.	
INSURED		COMPANY AFFORDING COVERAGE AIG Insurance Hong Kong Ltd. CERTIFICATE HOLDER & ADDRESS {Name of Vendor} {Address of Vendor}	
COVERAGES			
THIS IS TO CERTIFY THAT THE POLICY OF INSURANCE LISTED BELOW HAS BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICY DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICY. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.			
Policy No.:	<input type="checkbox"/> Commercial General Liability <input checked="" type="checkbox"/> Products/Completed Operations <input type="checkbox"/> Claims-Made <input checked="" type="checkbox"/> Occurrence <input type="checkbox"/> Others:	CURRENCY <input checked="" type="checkbox"/> USD <input type="checkbox"/> HKD GENERAL AGGREGATE PRODUCTS - COMP/OP AGG PERSONAL & ADV INJURY EACH OCCURRENCE FIRE DAMAGE (Any one fire) MED EXPENSE (Any one person)	LIMIT Not Covered \$ Not Covered \$ Not Covered Not Covered
Effective (M/D/Y): MMM/DD/YYYY			
Expiration (M/D/Y): MMM/DD/YYYY			
PRODUCT(S) COVERED:			
DESCRIPTION OF OPERATION(S) / LOCATION(S) :			
POLICY TERRITORY :		POLICY JURISDICTION :	
REMARKS: The Insurer listed below extends coverage to certificate holder as Additional Insured(s) – Vendors – Broad Form			
CANCELLATION: Should any of the above described policies be cancelled before the expiration date thereof, the issuing company will endeavor to mail 30 days written notice to the certificate holder, but failure to mail such notice shall impose no obligation or liability of any kind upon the company, this agent or representative.		For and on behalf of AIG Insurance Hong Kong Limited _____ Authorized Signatory	

Address of AIG (Hong Kong) : 46/F., One Island East, 18 Westlands Road, Island East, Hong Kong
 Address of AIG (USA) : 175 Water Street, 18th Floor, New York, NY 10038, USA

Cert. No. xxxxxxxxxxxx

Why do clients seek Products Liability cover?

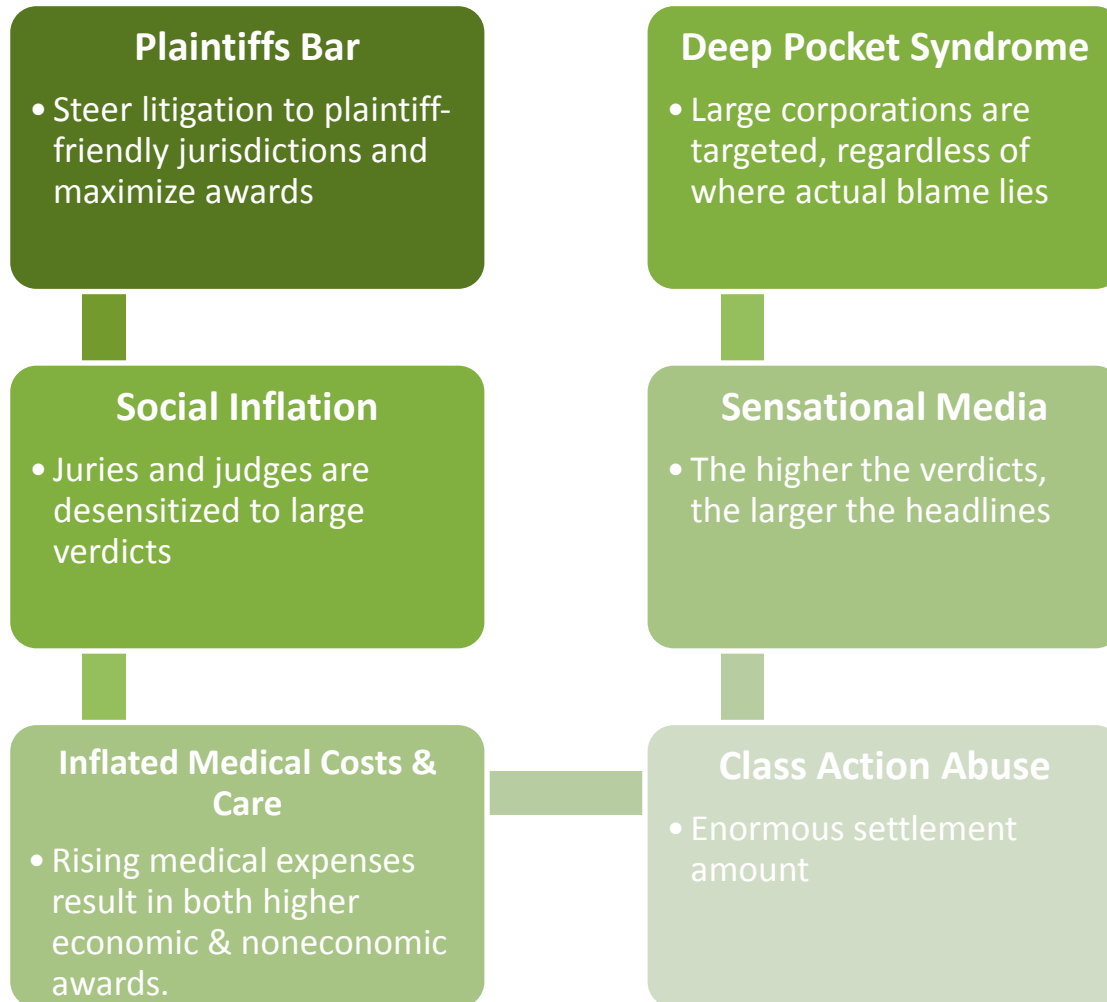
1) Protection against covers 3rd party claimants' damages for

- **Bodily Injury;**
- **Property Damage; and**
- **Investigation and defense**

2) Contract requirement with Buyers/ Vendors

Litigation Drivers in the United States

what drives the U.S. legal costs



What benefits do the clients get?

Meeting needs of both buyer and suppliers

Protect investments &
fulfill Vendor's
requirements

Safeguard against
high cost for overseas
actions

**Products
Liability**

Look after parties'
interests by claims
experts WW

Transfer risks at
affordable premium

Global Claims Snapshot

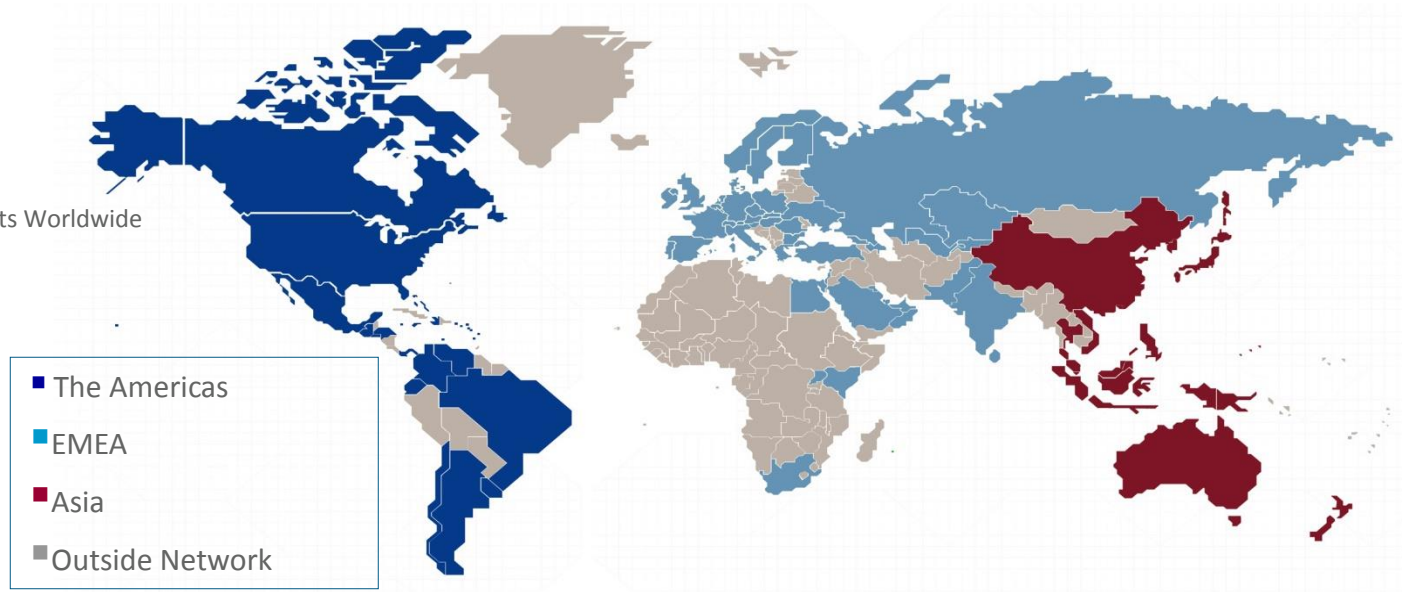


Regions: The Americas, Asia and EMEA

- 200 Countries/Jurisdictions
- More than 400 Claims Offices
- More than 10,000 Claims Staff
- 130 Engineers and Risk Consultants Worldwide

Claim Statistics

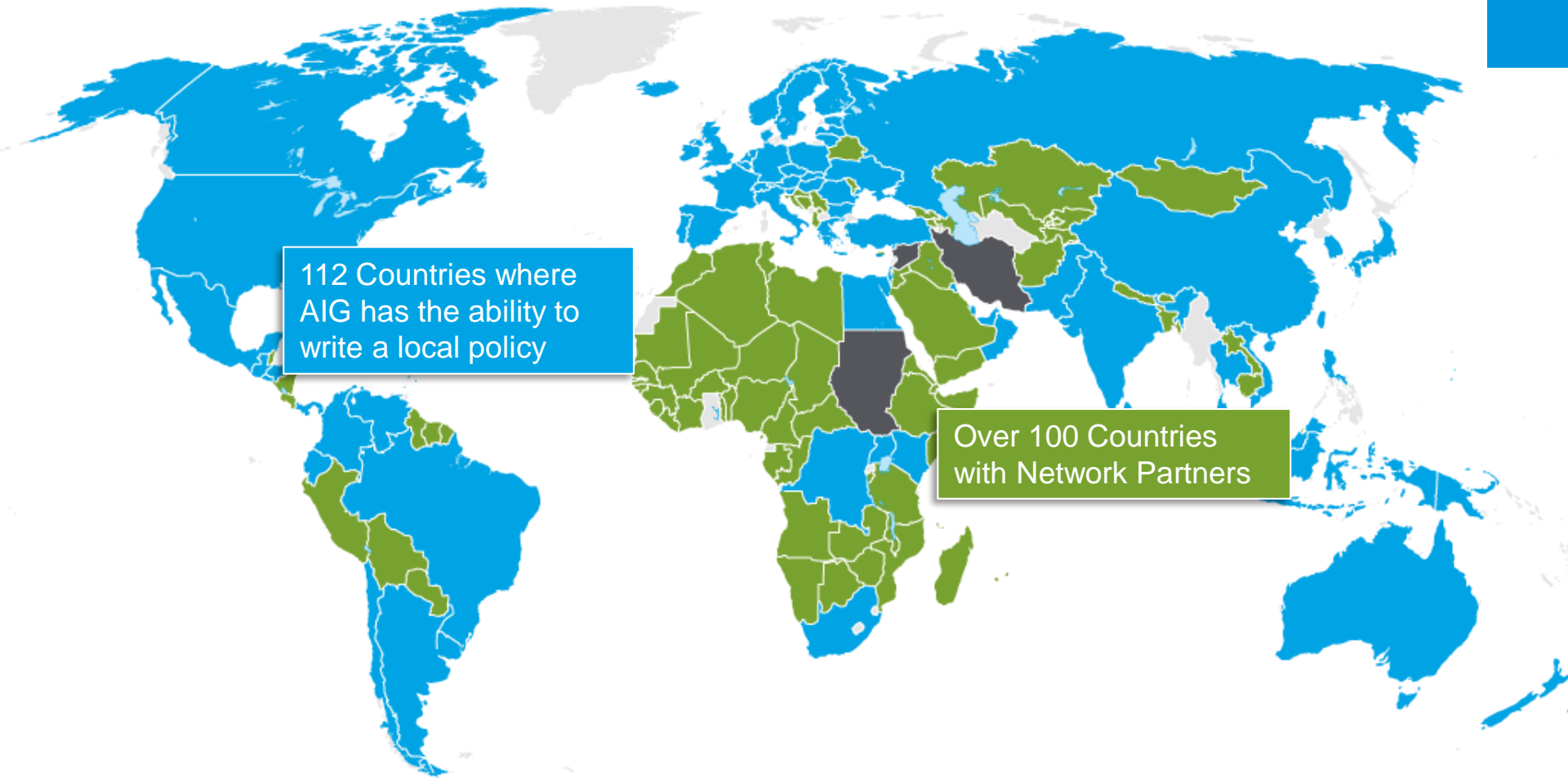
- 4.4 M New Claims per year
- 1.1M Pending Claims per year
- \$108M paid per day
- \$4.5M paid per hour
- \$26B Gross Paid Losses



- The Americas
- EMEA
- Asia
- Outside Network

	Asia Pacific	Central	Europe	Japan	Latin America	US/Canada
# Claims Offices	51	71	33	169	52	35
# Claims Staff	701	476	920	2,546	473	5,445
# Claims Staff in Regional HQ	11	3	31	9	6	101
# Official Languages	10	22	25	1	5	1
# Spoken Languages	10	15	14	2	5	4
Total Claims Paid	\$1.5B	\$0.5B	\$4.8B	\$3.7B	\$0.8B	\$16.3B

Leveraging AIG's Global Footprint



Note: Statistics are as of May, 2014



 AIG Presence

 Network Partner

 OFAC Country

Products Liability

“What are the common products do we see face problems in the US. I only source clothing items and mainly furniture which is not very risky. Many other agents source the same goods”

It's happening around us ...daily...

some products that we commonly use without thinking



MAGNETIC SPHERES - numerous incident reports of ingestions involving small, high-powered magnets, including many that required surgery. Now illegal in US for any person to sell, offer for sale, manufacture, distribute in commerce, or import.

BUTTON CELLS - AKA coin cell batteries, are used in an increasing number of small electronics, often left within a child's reach. Contents are toxic and incidents of children and seniors unintentionally swallowing have resulted in thousands of injuries worldwide.



It's happening around us ...daily...

some products that we commonly use without thinking



BABY FLOAT - the leg straps in the seat of the float can tear, causing children to unexpectedly fall into or under the water, posing a risk of drowning

SHOOTING TOY - asphyxiation deaths involving plastic dart inhaled into the throat and prevented child from breathing



Claim Trends

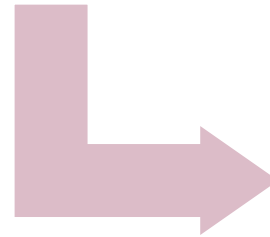
by U.S. Consumer Product Safety Commission

Number of Product Recalls
by Country of Origin in
2013

China	2,124
United States	685
Taiwan	299
Mexico	106
Hong Kong	91
Japan	70
Thailand	64
India	61
Korea	57
Vietnam	53
Singapore	6

Past

• China



Current

• Vietnam

Claim Trending from Vietnam troubles faced

- Recent recalls of Vietnamese-manufactured goods:
 - ✓ Excessive lead in pajamas
 - ✓ Fire hazard from candles
 - ✓ Paint set violates lead paint standard
 - ✓ Two-piece pajama fire hazard
 - ✓ All terrain vehicle collision hazard
- Recalls routinely generate product liability and other lawsuits and contribute to findings of liability.
Hence, it often leads to unfavorable settlements for manufacturers/ exporters.
- On the flip side, product liability claims and lawsuits can generate reports to the government and recalls.



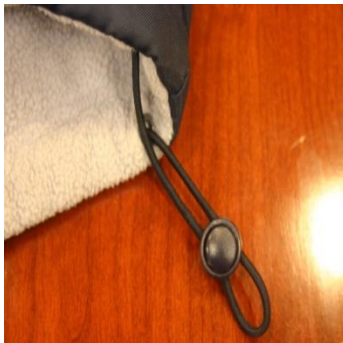
Products Liability

“What are some claims examples that have actually been claimed for”

Claim Examples #1

garment

- **MS**, a married **28 year old truck driver**, has five children
- He purchased a coat from **Seller**. This coat was manufactured by **our Insured**.
- Getting out of his truck, the drawstring of the bottom of his coat wedged between the seat and the seatbelt.
- When he was approximately four feet away, the wooden part of the drawstring dislodged from the seat and **struck him in the right eye**.



- His doctor stated that due to his injury his vision is now impaired and he is **no longer able work as a truck driver**.
- Economic experts state that MS is capable of working in other occupations in spite of his limitation of vision

Claim Examples #1

garment

- **MS** demanded **1.25 Million USD** prior to the start of the trial.
- Jury awarded smaller amount than that. **MS** then filed a motion seeking a new trial on the basis that the jury ignored parts of his claim.
 - In preparation, **AIG** determined that **MS** had renewed his license and had been **working as a truck driver**. We also learned that he had charges pending against him for bad debt.
 - **MS** dropped his case.
 - Jury awarded **45,000 USD**
 - Legal expenses **300,000 USD**

Claim Examples #2

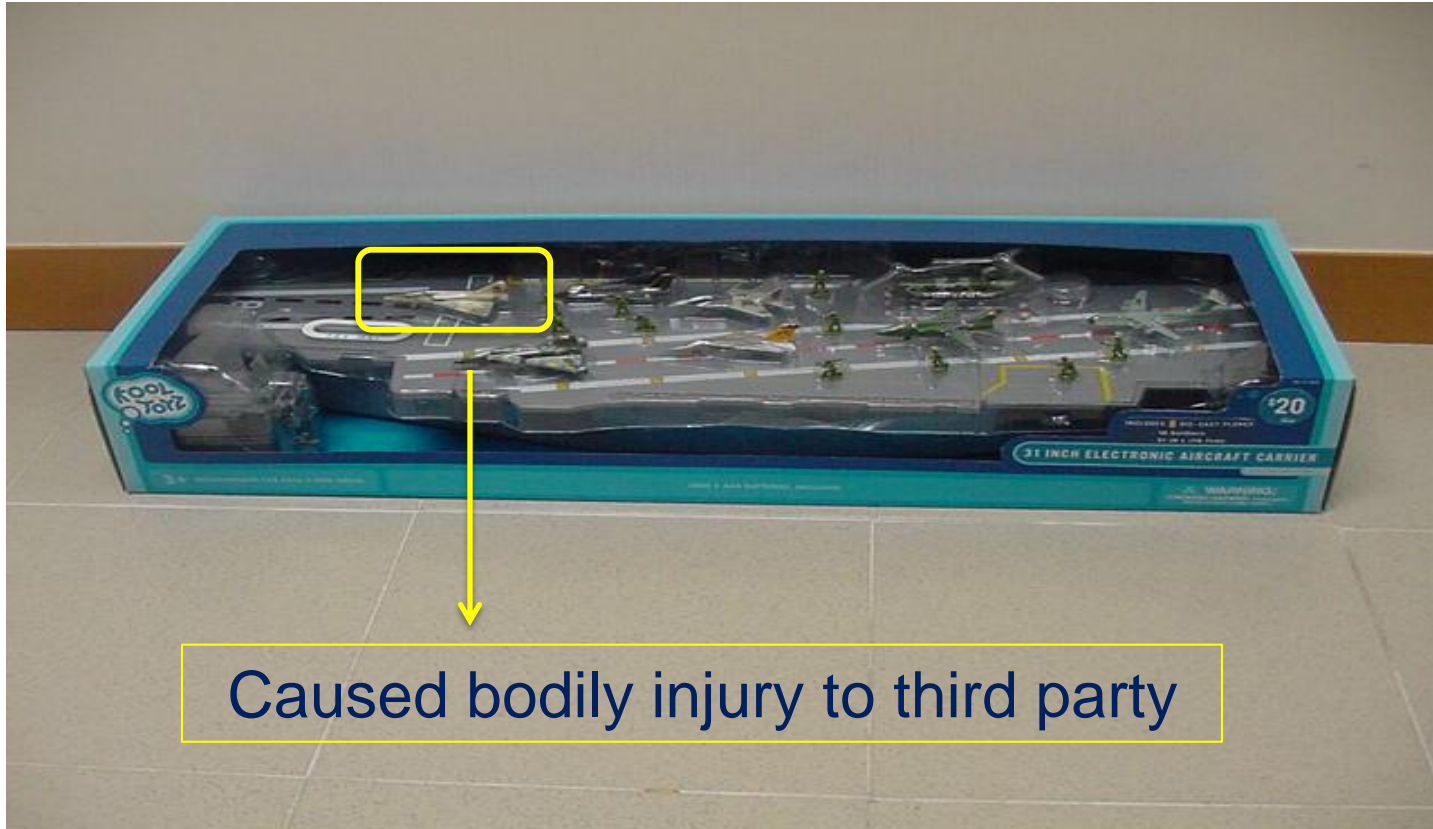
kitchen island bench

- When 2 boys' mother was cooking in a fryer on the kitchen island and unplugged the fryer to let the oil cool, the younger boy bumped up under the kitchen island side panel, which collapsed then dumping the hot oil on 2 boys.
- Total incurred expense and indemnity: US\$2,086,510



Claims examples #3

Toys



Claims examples #3

Toys

Allegation:

- The Claimant, a 5 year old boy, took a bath and went into his room with pajamas. He got up on his bed and grabbed a **toy airplane** flying it over his head.
- It is claimed that the airplane **dropped** and went point down at his **penis** and stuck there.

Injury:

- His penis was bleeding and was then sent to hospital for treatments.
- Initial report from the medical records as a “**perforation**” injury at the penis, which injury may have damaged the **urethra**.
- Doctor performed **surgery** in which he **cut the penis open to repair the urethra**. The urethra was found damage, but when the Doctor stitched things back together, the **glans** was not getting blood flow and **eventually died**.

Claims examples #3

Toys

Claim:

- The injury suffered by the minor was initially caused by the toy airplane. However, the cut injury could be resulted from **improper medical care**.

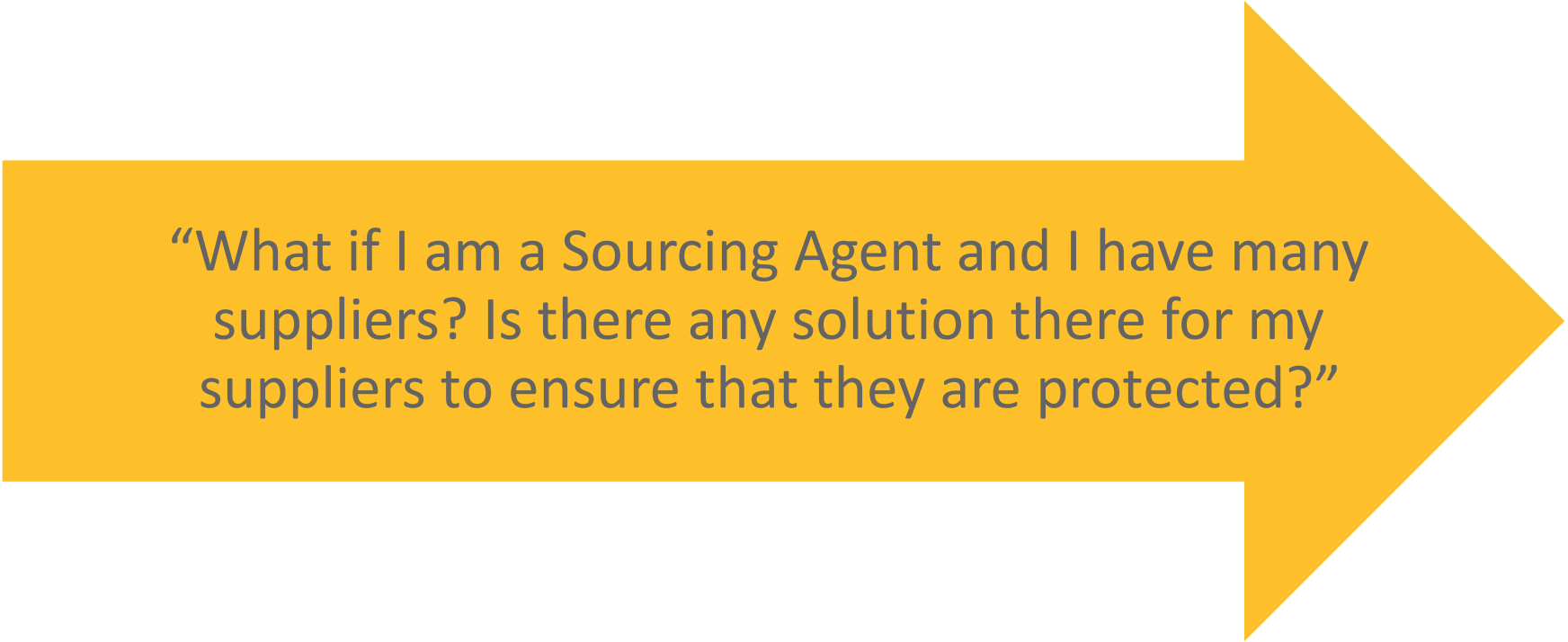
Complaint: "Failure to Warn"

Damages: Claimant demanded for **US\$685,000** to settle

Investigation



Products Liability



“What if I am a Sourcing Agent and I have many suppliers? Is there any solution there for my suppliers to ensure that they are protected?”

Vendor Supply Program

“if I have many suppliers – what is the benefit”

Products Liability protection for products sourced in Asia


Provides protection for global buyers, their sourcing entity and their suppliers under one policy

Eliminates potential litigation among those parties


Alleviates complications caused by language barriers, custom differences and geographical distance

Provides consistent claims and litigation management and information on suppliers and products causing claims

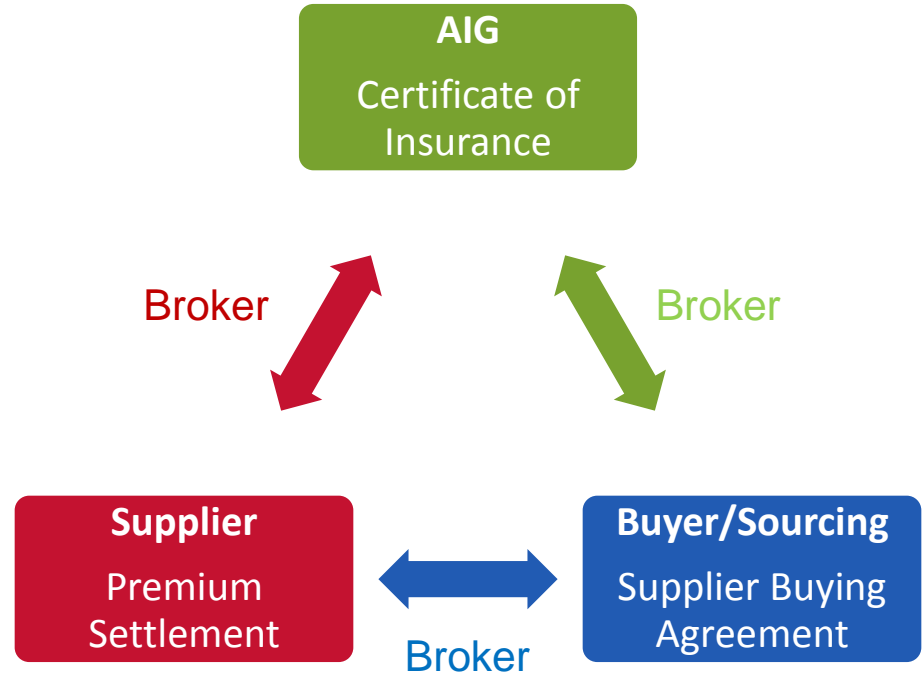
Vendor Supply Program program concept



One single master annual policy is issued to the Sourcing Entity, with suppliers / its global buyer listed as an Additional Insured



Certificates are issued to the suppliers upon successful enrolment into the program and upon premium payment





Questions?





Bring on tomorrow

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