

# GET PROTECTED AGAINST PRODUCT DEFECT CLAIM



**Allianz General Insurance Company (Malaysia) Berhad 200601015674 (735426-V)**  
Licensed under the Financial Service Act 2013 and regulated by Bank Negara Malaysia  
A PIDM member

The benefit payable under eligible product is (are) protected by PIDM up to limits. Please refer to PIDM's TIPS Brochure or contact Allianz General Insurance Company (Malaysia) Berhad or PIDM (visit [www.pidm.gov.my](http://www.pidm.gov.my))



## WHAT IS A DEFECTIVE PRODUCT?

The product that is unfit for its intended use, dangerous or harmful for normal use, does not carry adequate instructions for its use, or inherently dangerous due to defective manufacture, design or labeling.

## WHAT CAUSES A PRODUCT TO BE DEFECTIVE – POTENTIALLY HARMFUL FOR THE USER?



### Design Defect

- A motor vehicle brand that is capable of flipping over when turning a corner.

In this case, the defective design of the product should be the cause of the accident. Consider a scenario where you crash into another automobile when driving the flip-prone vehicles mentioned above. You can only make a claim of design defect if you can prove that the accident occurred because the vehicle was about to flip over while you were turning.



### Manufacturing Defect

- You are in a business of producing bottled water. Due to some unknown reasons the chlorine amount in the bottled water exceeded the amount approved by the authority.

That is a defective product. Anyone consuming the water may fall ill and if that happens they can seek recovery from the manufacturer. Now assuming the manufacturer is in overseas and you are the sole distributor in Malaysia. Very likely you will be the one the consumer will be seeking the recovery from.



### Labeling Defect

- The same bottled water is now infused with electrolytes which supposed to replenish energy after workouts. The electrolytes are not suitable for children below 10, or persons exceeding age of 70 or anyone with any heart ailment.

This is not a defective product by itself BUT if you have failed to clearly indicate this in your label then it can be classified as defective product.

# WHAT IS PRODUCT LIABILITY INSURANCE?

“It all starts with a product causing injury to a person.”

The injured person is able to establish a link between you and that product which had caused the injury. Now the product is known as defective product. The link between you and the defective product is that you could have been the manufacturer and/or supplier and/or distributor and/or retailer of that defective product.

## WHAT HAPPENS IF I AM CONNECTED TO THE DEFECTIVE PRODUCT?



The injured person then seeks compensation from you through legal proceedings. Someone has to pay for his medical bills or in an unfortunate case if the injury is fatal, settlement for the well-being of his next of kin. Yes, the amount can be exorbitant.



You may need to appoint a lawyer to represent you on this matter.



Our Product Liability provides you coverage for both the compensation awarded by court (known as Damages) and the cost incurred in engaging the lawyers (known as Defense Costs).

## WHAT IS MY POTENTIAL LIABILITY AND HOW MUCH AM I LIKELY TO PAY IF I PRODUCE OR SUPPLY A PRODUCT THAT INJURES SOMEONE?

If you produce a product that injures your customer, you can be sued for damages. You can also be sued if the product causes damage to a private property. If your product has caused damage to a third party property, you are likely to face a claim for the value of that damage. Where your product has caused injury, the value of the award that a claimant might receive is not fixed, but typically reflects how severe the injury is.

In the case of death, the award is likely to reflect the total income that might have been earned in the rest of the dead person's life, and can run to millions of Ringgits or more.

## I AM THE SUPPLIER OF RAW MATERIAL. SHOULD I BUY THIS PRODUCT?

Not all products are sold as final products. A product also can be part or fitted into final product. For example, cocoa powder supplied by you was used by the product manufacturer of chocolate bar. The chocolate bar will be defective if you supplied contaminated cocoa powder and you will be liable for it.

## I AM THE DISTRIBUTOR WHO IS SELLING THIS PRODUCT FOR A SMALL PROFIT. SHOULD I BUY THIS PRODUCT?

Yes you should unless you have an agreement with your manufacturer holding you harmless and provide indemnification for any claim brought against you and you are certain that the manufacturer is financially sound.

## ALLIANZ PRODUCT LIABILITY KEY FEATURES



Competitive premium  
with Product Recall  
Expenses extension



Eligible Industry:  
(Based on our Low Touch Product Liability)

- Metal
- Textiles
- Plastics
- Food & Beverages
- Leather
- Fiber
- Paper & Printing



Extended to cover worldwide  
(excluding USA/Canada)

## WHAT IS THE LIMIT THAT I SHOULD BUY?

Several factors to be considered include volumes of sales, type of product and the legislation of the country where the products are sold. We have certain limits which you can readily select. We can also offer higher limit if you wish.

## WHAT SHOULD I DO WHEN MAKING AN INSURANCE CLAIM?

You must submit your insurance claim with all the supporting information and documents to us and give full cooperation to the adjusters, investigators appointed by us or our representative in assessing your insurance claim.

## WHO SHOULD BUY THIS COVER?

- Manufacturer
- Distributor
- Supplier
- Wholesaler
- Retailer
- And those who are part of the chain of commerce

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