Managing liability exposure for component defects

INDUSTRY
Electric Manufacturing Services

LOCATION
North Asia

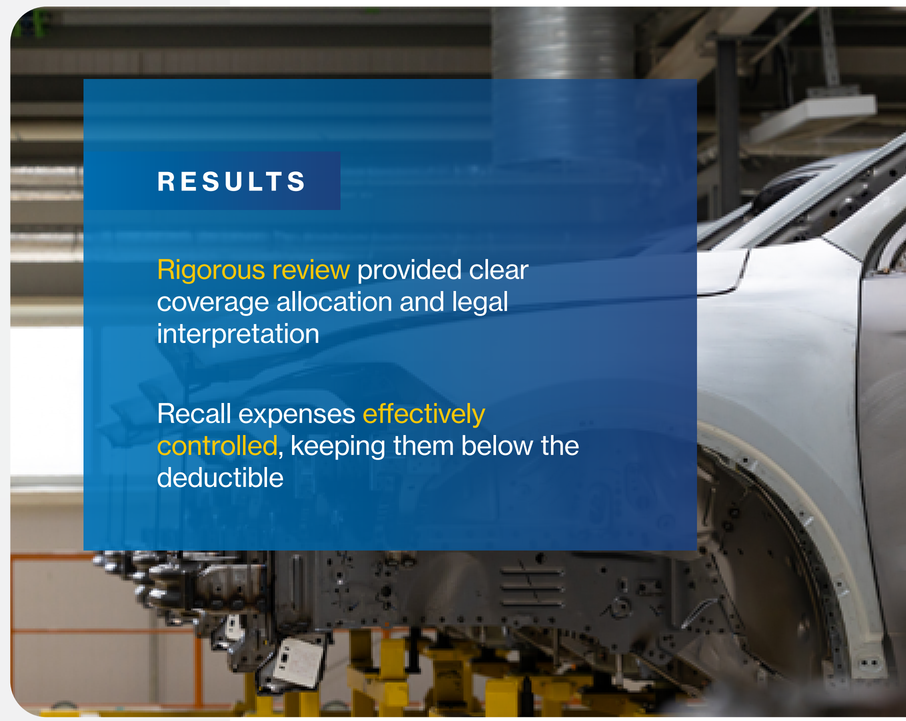
CLAIM TYPE
Products Liability, E&O, Product Recall

CHALLENGE

Electronic boards supplied by the Insured to a manufacturer were found to be defective. As it was impossible to identify which individual boards were defective without destroying them, all potentially affected product were recalled from the manufacturer, disposed of, and replaced. This created a complex loss scenario involving elements potentially falling under Products Liability Coverage, Errors & Omissions Coverage, and Recall Expense Coverage. Further complexity arose from differing interpretations of a liability-exemption clause in the master purchase agreement between the Insured and the manufacturer. The loss totaled over USD 260,000 and required careful coverage allocation and legal interpretation.

SOLUTION

We conducted detailed discussions with the insurer to align interpretations of the three relevant coverages and to clarify how contractual exclusion clauses should be applied. The total claim amount was categorised into eight components based on coverage applicability. Through this review, we confirmed that the portion of costs falling under Recall Expense Coverage did not exceed the deductible and therefore did not trigger payment. The remaining loss components were assessed under the Products Liability and Errors & Omissions coverages, enabling accurate adjustment and confirmation of the applicable insurance payments.



RESULTS

Rigorous review provided clear coverage allocation and legal interpretation

Recall expenses effectively controlled, keeping them below the deductible