GRAVE NEW WORLD

As Michael Mokgaotsi, Underwriter at Camargue: Commercial and Cyber Crime Division says in his comments below: "Liability exposures as a whole are getting broader and more complex with every passing day ". Most clients are not even aware of the variety of risks they face and the severity of incidents that could occur at any time.

Brokers are expected to be risk advisers and to be able to advise clients on all these possible risks, the mitigating strategies as well as the various types of insurance that are available to them. Staying informed and up to date regarding all these risks, upskilling themselves while at the same time getting to know the different products available, can be a mammoth task. Being able to rely on specialists for their insights, products and consultations with clients is essential in this environment.

COVER asked a variety of specialists in the liability underwriting environment for their comments and updates on the current environment, some of the latest risks and their thoughts on how brokers should go about making the most of opportunities available.

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Liability policy could rescue your business

CAROLINE MACNAIR,
Liability Underwriter at
Leppard Underwriting

Adding a product inefficacy extension to a product liability policy might seem a bit like wearing braces and a belt, but it could end up rescuing businesses from potentially massive third-party claims.

Product inefficacy cover assists policyholders in paying third-party liability claims for financial losses incurred as a result of their product not doing what it was supposed to do. The key issue here is financial loss. The extension does not cover death, injury or damage, only calculable monetary losses. Here we use the installation of a sludge pump at a mine as an example. Mining operations rely on these pumps to clear underground mines of sludge, which builds up as a result of pre-existing underground water, as well as waste water generated by the mining process itself. Each mine has different sludge extraction requirements, calling for different types of pumps to be used. To illustrate the point, let's say the Bright Yellow Mine needs to pump 1000t of sludge per month, and installs the latest SludgeMaster X1000 to get the job done.

However, once the pump is installed, Bright Yellow finds that it can only pump 500t of sludge a month. Because of the resultant build-up, work shifts have to be cut to allow proper drainage to take place underground, resulting in a loss of productivity. Bright Yellow calls SludgeMaster in to get the situation sorted out, but they can only get a suitable replacement in place in 60 days. In the meantime, Bright Yellow is forced to get a company in to clean up the residual sludge and to rent a sludge pump to keep its operations going while it waits for the replacement SludgeMaster product.

As a result, Bright Yellow would have a claim against SludgeMaster for financial losses that it suffered due to down time, cost of clean up and rental costs of the replacement machine. This claim would fall under the product inefficacy section of the policy. If, instead of merely operating inefficiently, the machine had exploded and caused damage to the mine itself, or injury to anyone who happened to be nearby at the time, SludgeMaster's liability would have been covered under the product liability section of the policy. It's a very narrow distinction, but one that is often overlooked. Product inefficacy cover can get very technical, but it's vital for brokers and their clients to make sure it's least considered as part of a broadform liability insurance policy.

The Leppard team is happy to provide assistance and guidance. Brokers and their clients are welcome to come and chat to us about the finer details of product inefficacy cover, or any other liability insurance.