

# CFC online sellers

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# Agenda

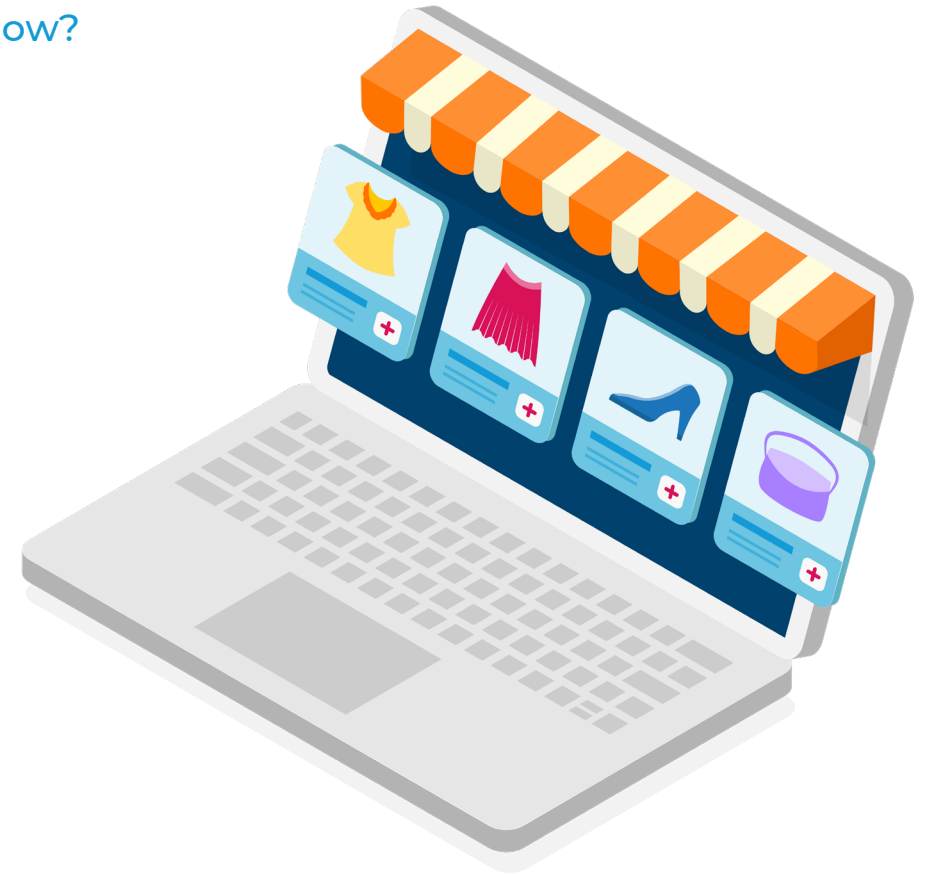
- What is an online seller?
- Potential product liability exposures
- Rights of recourse on goods imported from the Far East
- Defective products and mislabelling
- Requirements for products liability insurance
- Overcoming common client reservations
- CFC's offering
- Questions

# What is an online seller?

Over the last 20 years, the way we purchase products now has changed considerably, we can buy just about anything online now and insurance has had to evolve alongside, so what exactly is an online seller now?

Here are common examples with types of products being sold:

- Amazon storefront importing and selling electronics
- Etsy storefront that manufactures and sells their own candles and scents
- A furniture company selling overseas 'own brand' manufactured products on their own website



# Potential product liability exposures

The importance for online sellers to understand their potential product liability exposures

All companies that sell tangible products have a products liability exposure.

Online sellers must be aware of their exposure during every stage of the products life span. Why is this?

What kind of consequences may there be if an online sells a defective product?

The beauty of online sales is that your potential client base is far greater than a local retail store, but is there risk selling products to worldwide jurisdictions?

# Rights of recourse on imported goods

## How to address the rights of recourse on goods imported from the Far East

- Firstly, why is there so much uncertainty in the e-commerce and insurance market, around goods imported from the Far East?
- Some online resellers will not come into physical contact with products imported from the Far East, so believe they have no responsibility, as this would rest with the manufacturer
- Can stock be covered if manufacturer in the Far East, and sent to third party fulfilment center or warehouse?



# Defective products/mislabelling

The risk of bodily injury and property damage arising from defective products/mislabelling

Online sellers may face bodily injury and property damage exposures arising out of the defective manufacturing, design and unclear labelling / instructions.

If designing a product, would it be prudent to carry out a hazard analysis?

How can you prevent defective products being distributed, to a global customer base?

Clear labelling, instructions and warnings are also crucial.

# Requirements for products liability insurance

## The increase in contractual requirements for products liability insurance

- While products liability is not strict legal requirement, it can be a contractual requirement by suppliers, vendors and increasingly online marketplaces.
- Why has there been an increase in contractual requirements?
- What's required to ensure the products liability policy online sellers purchase is valid?





Common client  
reservations



# “It costs too much!”

- Premiums can vary due to different limits, deductibles, product risk and revenues.
- Even if all of these were the same for two similar risks, we must also consider the territorial sales split.
- A risk with most of their sales to USA would carry a higher rate than a risk where they predominantly sell to Europe.
- This is due to the higher propensity to claim along with larger awards in those territories. It's common for insurance companies to avoid new start-ups, high US sales or Far East imports but at CFC we can consider all three.



# “Our supply chain will deal with it”

- This isn't a credible argument for any manufacturer and no business should put its faith in a third party's ability to cover them
- Common scenarios where it is difficult to recover costs from a supplier include:
  - Suppliers refuse to pay some, or all of the costs incurred
  - Suppliers may not have enough money to pay the costs
  - Suppliers disputing that they are responsible
  - Liability may have been waived or limited in the supply contract



# “I’ve got products liability, I don’t need anything else”

- Online sellers' policies will typically cover the insured for claims involving bodily injury and property damage resulting from your products and operations....

## But what about?

- Premises liability
- Employers Liability (UK)
- Property cover (buildings, contents, stock and portables)
- Business interruption cover
- Extension coverages



# Our P&C capabilities

Dealt with  
over  
25,000  
enquiries last  
year



List online  
marketplaces  
as additional  
insureds



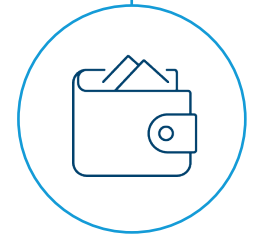
Flexible limits  
of indemnity  
& currency



Far East  
imports and  
100% US sales



Competitive  
terms



# Appetite

## Target business

- E-commerce sellers including Amazon
- Homogenous range of products
- Clothing and fashion
- Food, drink and groceries
- Furniture
- Household items
- Kitchen equipment
- Pet supplies
- Cosmetics, toiletries and personal care products
- Jewellery
- Electronics
- Non- structural building materials

## What we ordinarily decline

- Retail arbitrage
- Nutraceuticals (written by life science)
- Animal feeds
- Aviation, aerospace or nuclear exposure
- Firearms and ammunition
- Pesticides and fertilisers
- Pharmaceuticals
- Safety critical auto parts
- Sports protective equipment
- Structural building materials
- Tobacco and vaping products
- Toys

# Questions?

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