

THE BEACON BULLETIN

Beacon Monthly Newsletter: Credit and Liability Insurance

CREDIT INSURANCE

MARKET CAPACITY OF CREDIT INSURANCE RETURNING AFTER BETTER-THAN-EXPECTED 2020

Trade credit insurance covers the risk of non-payment with the delivery of goods and services, and the associated transactions. It is typically bought by financial institutions, exporters, importers and manufacturers. It can also provide coverage for political risks such as war.

Due to Covid-19 pandemic, freeze on the deployment of capacity in the credit insurance market was observed which has started to normalize after worst-case scenario losses failed to materialize last year, however concerns abide that there could be a delayed wave of defaults and losses once government stimulus packages are removed.

Impact of the Covid-19 pandemic had been most keenly felt on private counter party risks, and to some extent contract frustration with fears amongst underwriters that there would be significant losses. This led to a refining of appetite by underwriters with a **“cease and desist approach”** for new risks to reduce exposure and were restructuring deals.

CAPACITY AND PRICING

Capacity has started to rebound with “selected redeployment” but it is still not back to pre-pandemic levels. There were some deals that were put into the market during the height of Covid-19 that were not finding any appetite and now are starting to. Some risks are still struggling to be underwritten but not to the same extent as during the height of the pandemic. However, for the coming financial year underwriters are much more positive, noting that they were still being selective about risks but that appetite was improving.

RATES

Rates were going up, especially in short-term trade credit, with long-term trade credit and political risk seeing more muted increases. Pricing increases are deal-specific and tied to margin, but the overall rate increase across the whole piece was around 10%. However, it was noted that there was a lot of variability by geography and type of transaction or risk.

RISK QUALITY

Uncertainty around the pandemic led underwriters last year to refine their risk appetite to curb exposure to impacted sectors. This has led to an overall improvement in the quality of risk underwritten.

Overall, the market is more positive than it was than at the start of the pandemic last year, so despite the possibility of a second wave of losses the market is cautiously optimistic.

PRODUCT LIABILITY INSURANCE - AN INTRODUCTION

Product Liability Insurance is a subset of a much more universal set Product Liability Law. By multiple subsequent editions, we would be covering Product Liability Law & Insurance in a very analytical manner. Along with, the primary goal for this knowledge sharing series is to specifically cater the remedies available when a defective product/service causes injury or other damage and emphasizing on - "how to insure them"?

PRODUCT LIABILITY LAW

Product liability law provides the consumers (including commercial use of goods/services) with legal recourse for any injuries suffered from a product/service. However, historically the term 'Product Liability' had not been defined under Indian Legal regime. Recently, Consumer Protection Act, 2019 (hereinafter referred as "CPA 2019") defines product liability as the "responsibility of a manufacturer or seller of any product or service, to compensate for any harm caused to a consumer by such defective product manufactured or sold or by deficiency in services relating thereto."

Generally, for every jurisdiction across the globe - in addition to the consumer protection laws, there exist multiple general & sector specific laws that constitute the legal framework which underpins the Product Liability Law. In certain instance, Product Liability may overlap depending upon sector specific & facts of the case. These substantive civil laws apply

to various claims of product liability and generally comprises of:

- Consumer Protection Laws
- Sale of Goods Laws
- Contract Laws.
- Standards and Measurement Laws.
- Competition & Trade Practices Laws
- Law of Torts
- Special Statues for specific goods/services
- In addition to above, criminal liability for injury or damage is imposed under Penal Codes & various special legislations

In upcoming editions, we shall take the readers through various aspects of Product Liability in major jurisdictions like India, USA, UK, Canada, Europe and UAE.

PRODUCT LIABILITY INSURANCE

Interestingly, as a concept - Product Liability Insurance is not as relative, changing & lively as the law is. In a nutshell, Product Liability Insurance covers business against the damages awarded and the defense costs incurred by the insured which arise due to claim made on Insured (as a manufacturer or seller) by any consumer/user/bystander resulting from Bodily Injury (including death, injury, disease, sickness) and Property Damage (damage to tangible property) caused by product/service of insured.

However, claims paid/payable under Product Liability Insurance are very intrigue and depends upon the skills, expertise,

knowledge & exposure of agencies & brokers. For corporate clients, it is always advisable to place policy through well-established broker companies.

Please stay tuned for upcoming comprehensive editions on Product Liability Laws & and how YOU can insure yourselves against product liability related risks accruing on you.

? QUIZ TIME ?

Q-1: Product Liability Law comprises of:

- 1.Consumer & Sale of Goods Laws
- 2.Contract & Torts
- 3.Competition & Various Laws
- 4.All of the above

Q-2: Product Liability Insurance covers:

- 1.Bodily Injury
- 2.Property Damage
- 3.Both (1.) & (2.)
- 4.None of the above

Please send your answers @ vadodara@beacon.co.in to win exciting prizes.

Answers to previous edition:

Q-1: Inadequate CCTV or missing CCTV facility will result into which hazard?

- 1.Fire
- 2.Slip, Trip & Fall
- 3.**Accidents in parking area**
- 4.Trampling

Q-2: Which of the following hazard is associated with visitors on premise?

- 1.Accidents in Parking
- 2.Slip, Trip & Fall
- 3.Falling Objects
- 4.**All of the above**

CONTACT DETAILS



BRANCH DETAILS

BRANCH	CONTACT NUMBER	ADDRESS
VADODARA	+91 265 2318000	vadodara@beacon.co.in
SURAT	+91 261 6601200/201	surat@beacon.co.in
MUMBAI	+91 22 62499000	mumbai@beacon.co.in
DELHI	+91 11 4368 0322/375	delhi@beacon.co.in
AHMEDABAD	+91 79 48990519/20	ahmedabad@beacon.co.in
RAJKOT	+91 281 2578180	rajkot@beacon.co.in
ANKLESHWAR	+91 8980013637	ankleshwar@beacon.co.in
GIFT CITY (GANDHINAGAR)	+91 8238040888	giftcity@beacon.co.in
JAIPUR**		
VAPI**		

LIABILITY & CREDIT TEAM DETAILS

AJIT SINGH

(Manager | Liability Lines)

6359623908

ajit.singh@beacon.co.in

AYUSHI GUPTA

(Manager | Credit Lines)

7573011546

ayushi.gupta@beacon.co.in

VISHAL TINANI

(Deputy Manager | Liability Lines)

7433961359

vishal.tinani@beacon.co.in

MITESH MOORJANI

(Deputy Manager | Liability lines)

8980012545

mitesh.moorjani@beacon.co.in

TWINKLE SANGATRAMANI

(Deputy Manager | Credit Lines)

9737386370

twinkle.sangatramani@beacon.co.in

DISCLAIMER

Knowledge sharing is the sole purpose of this newsletter for the betterment of the public at large. We do not claim any right on sources utilized for bonafide legit elucidation. No claims, promises, declarations, or guarantees are made herein. Liability for errors & omissions or likewise arising/triggering out of this content is entirely & wholly disclaimed.