

What Have We Written and Paid Lately?

Discontinued Products Liability and Successor Liability Insurance



When product lines, subsidiaries or even entire businesses change hands, a company's current insurance policies may be inadequate to address exposures emanating from the past. Discontinued Products Liability insurance and Successor Liability insurance, included in **Continuum from ChubbSM**, can help bridge potential insurance gaps.

The following examples represent a few of the Discontinued Products Liability and Successor Liability accounts Chubb has written recently. These insurance solutions are essential to anyone involved in merger and acquisition or business discontinuation activities.

Discontinued Products Liability

Sellers of a business or manufacturers of a product could be hit with liability claims long after products are discontinued. However, they may not have insurance protection that addresses problems from the past. Chubb's Discontinued Products Liability insurance helps defend them against such exposures. For instance:

A leading supplier of professional housewares and small-wares sold its kitchen division. A purchase/sale agreement required them to purchase and maintain product liability insurance, specifically for products manufactured and distributed prior to the sale for a period of five (5) years following the closing date. The buyer wanted insurance protection against past product liability claims of the acquired kitchen division.

Approximate Premium: \$560,000.

The owner of a small privately held power supply manufacturer retired and closed her business. The owner wanted insurance protection, in her retirement, from any future products claims; the owner wanted to insure against future injury or damage caused by products manufactured, sold or distributed, or work performed prior to shutting the company's doors.

Approximate Premium: \$133,000.

Successor Liability

When a buyer is deemed to have assumed the liabilities of a company it acquires, it needs to guard against future claims arising from the purchased company's past acts. Standard liability insurance won't respond to claims made against the buyer for loss events that pre-date the deal. And "assets only" purchases are not always respected by the courts. Successor Liability insurance is vital in situations like these:

A buyer made an asset and liability purchase of a contract manufacturer of nutritional products. In order to protect their balance sheet, the buyer purchased a **Continuum from ChubbSM** policy for claims made against them as successor to the business acquired resulting from product defect in the seller's product manufactured prior to the close of sale.

Approximate Premium: \$46,000.

A large distributor of apparel, sleepwear, head ware, bags and accessories made an asset only acquisition of an international wholesale distributor of drinkware during the policy period. As an existing Chubb insured, to secure insurance for product liability exposures relating to unknown liabilities, **Continuum from ChubbSM** policy with a Global Extension was purchased.
Approximate Premium: \$73,000.

What Have We Paid Lately?

A glass manufacturer acquired a growing manufacturer of deluxe shower doors. After the acquisition was finalized, the new owner was sued due to bodily injury caused by an alleged product defect in one of the shower doors that was sold two years prior to the acquisition. The new owners had required the sellers to purchase successor liability insurance as part of the purchase and sales agreement.

Result: Chubb's Continuum liability **The Continuum from ChubbSM** policy responded paying defense and indemnity expenses to resolve the claim

The insured, who is a manufacturer of proprietary plastic lens covers for outdoor lighting fixtures and indoor industrial fixtures, had purchased a **Continuum from ChubbSM** policy with a six year period of injury for several of their discontinued products. Five years after purchasing the policy, they were sued by a warehouse facility with allegations that the fire in their warehouse was caused by a defective lens that was manufactured and distributed by the insured.

Result: Chubb defended and settled the claim for significantly less than the original demand

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