

A GUIDE TO EXPORT INSURANCE

New Zealand's economy, by reason of distance and local consumer size, has meant that any growing entity will sooner or later, spread its wings and export/expand offshore.

AIG's Broadform General and Products Liability policy is ideally suited for exporters, and offers them the coverage they require as well as the reassurance of the AIG global network capabilities and financial strength.

In particular, exporting to North America presents a number of unique concerns and increased liabilities for exporters. These include:

Increased awareness/risk of bodily injury

The moment you export product to the US, you are exposed to their legal system, and by engaging in commerce with the US you accept the determination of US Courts on your responsibility for damages in the US resulting from those products.

The US and to a lesser extent, Canadian legal system is harsh in their judgement on consumer loss/damage, and there have been cases where the product was well designed and manufactured, had the necessary instructions and warnings which were reviewed by legal counsel and product experts, however the manufacturer was still sued for injury resulting from inappropriate use of the product. Legal defence can be a long and costly process, and the onus is on the manufacturer/exporter to prove that they had observed all the appropriate practices and had met all their required responsibilities to the consumer.

Failure to respond or satisfy various Court awards for any legal liability, including product liability, may result in seizure of inventory or unsold goods by US Customs, or in a worst-case scenario actual banning of further imports of a given product or manufacturer.

Compliance with US safety standards

Many exporters find that just the process of getting their product admitted to the US or Canada is a mission in itself. This is due to the heightened safety and quality standards of regulatory boards such as the USFDA, which regulates all food, drugs, ingestible/topically applied products and radiation-emitting consumer and medical products imported to the USA. USFDA requirements are stricter than most other export destinations, although the EU requirements for food products are now almost if not as strict.

Vendors requirements

Many local agents (or vendors) require that they are included on the exporter's Public Liability policy as Named Insureds. Many agents or vendors (and also purchasers) also require details of the exporter's insurance policy and carrier. In many cases, the carrier must be "reputable" and with a financial strength rating above a specified level (usually Standard and Poor's A or better).

Local Insurance legislation

Under US and Canadian law, locally admitted liability policies are required when an insured has operations in the United States (e.g. manufacturing, warehouses, repackaging, installation). If the only exposure is sales offices and exports, the North American risk can be written on a non-admitted basis. A licensed North American producer must be involved when a U.S. or Canadian underlyer is desired.

AIG can arrange for local policies to be written in the US or Canada in conjunction with the rest of the programme. Premium is usually collected and paid locally. One point to watch is that US premium credit arrangements are stricter than NZ practice – strictly 30 days payment.

AIG's Broadform Liability policy advantages for exporters:

Coverage

- worldwide jurisdiction available
- option to buy out terrorism exclusion
- with the exception of UN restricted countries or countries where non-admitted insurance is not permitted, AIG's policy covers not just overseas travel and exported products, but offshore operations also

AIG global network capabilities

- Locally available claims and underwriting expertise
- Ability to arrange local policies where non-admitted coverage is not permitted

Financial strength

- Standard and Poors AAA rating

This article was written by Heather Bailey of American International Group, and is reproduced with her permission.