

SAMPLE LETTER, REP TO PRINCIPAL

## Product Liability Coverage

The following is a sample letter from a rep to a principal concerning **Product Liability Coverage** and the importance of extending coverage to include field sales representatives.

**DRAFT**

Dear \_\_\_\_\_ :

As you know, AIM/R and other national sales representative associations, like MANA, strongly recommend that a principal indemnify its sales representatives from product liability lawsuits that are brought for alleged defects in the design or manufacture of the principal's products. AIM/R further recommends that each principal include its sales representatives as additional or co-insureds under the principal's product liability policy on what is sometimes referred to as a "Broad Form Vendors Endorsement." Typically, there is no additional cost for this coverage.

Many AIM/R members have reported that their principals are complying with this request. The reason for this is that a trial lawyer's first step in pursuing a product liability suit on behalf of his client will be to try to separate the manufacturer and its sales representative. The representative may be told that it will be dismissed from the suit if it agrees to cooperate with and testify on behalf of the plaintiff. While most sales professionals would not consider this, some may do so, particularly those who have not been named in a business lawsuit before.

When the principal's insurance company defends both the principal and the sales representative in these cases, it is much more likely that the outcome will be favorable. In most product liability cases, the sales representative will be named along with others in the supply chain, until the plaintiff's attorney (and the court) can sort out the facts in the discovery process. Later, the sales representative is likely to be dropped from the case once it becomes clear that it had nothing to do with the design, manufacture, installation or operation of the product. Having been supported by its principal/manufacturer all along, the sales representative is much more likely to be an effective witness for the defense than if it were forced to hire a lawyer on its own.

Thank you for your time, and I hope that you will consider adding **[insert name of agency]** under a Broad Form Vendors Endorsement to your insurance policy. Such an addition would be a valuable tool for building the relationship between you and the men and women who work very hard to bring your products to market and increase your profit.