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Nonconforming or Counterfeit Products

Knock-off products – They may look the same but are the savings really worth it?

Products that are copies, imitations, nonconforming, counterfeit, etc., may not fit right and/or have not been properly built or tested. When used, they may not work properly or fail completely possibly causing a loss.

Counterfeit products are becoming a serious problem in the construction industries. The look and feel of the counterfeit product is almost a perfect replication of the original. The issue is that these products do not conform to Canadian standards, which will result in safety and liability losses, some serious enough to threaten the existence of the contractor's business. CSA/ULC number verification is a good way to verify the product. The Underwriter's Laboratory of Canada's website (www.ulc.ca) provides an easy way to check out the number. Some counterfeit products have copied the CSA/ULC number, so this should not be your only source of verification. See below for some other suggestions.

After a loss occurs, the incident will be investigated to find out what caused the loss; was it the action of the contractor, the way the product was installed, the product itself, etc. If it was the product itself that caused the loss, the courts would likely hold the manufacturer to a higher standard of care than the distributor, contractor, or consumer as the manufacturer would be deemed the expert. If the product is counterfeit, an imitation, etc., the manufacturer's insurance may not respond to the loss, the manufacturer may not have insurance, or the manufacturer is located outside of Canada/US and has no interest in

participating in the lawsuit. Thus the responsibility may fall to the contractor and if the contractor is only assigned a 1% responsibility (Joint and Several Liability), they could have to pay for the entire loss.

The use of nonconforming or counterfeit products is a little bit like playing Russian roulette. Something bad will likely happen either sooner or later. Are the possible outcomes such as loss of life, injury, loss of reputation, or loss of your company worth saving a few dollars?

Suggestions:

- Purchase from a reputable dealer, wholesaler, or retailer – this will give you a level of comfort and protection in regards to a faulty product.
- Check the price – the old saying is probably the best, "If the price is too good to be true, then it probably is."
- Look for the appropriate approval CSA/ULC marks (see below) on the product.
- Look for the CSA/ULC number - if in doubt, check with the Underwriter's Laboratory of Canada (www.ulc.ca) to verify the product.
- Verify packaging to internal instructions –the package instructions should match the internal instructions, any mismatching may indicate counterfeit products.



Knowing your business matters.

For additional information, please see:

- www.csa-international.org/news/announcements/default.asp?articleID=8733
- www.csa-international.org/news/releases/Default.asp?articleID=7635
- www.rcmp-grc.gc.ca/on/press/2005/2005_may_04_e.htm
- www.ceenews.com/searchresults/?terms=Counterfeit+Products

Partners in Prevention

At Federated Insurance, we believe Loss Prevention is a critical component of your Risk Management Program. Our Risk Services Coordinators together with our Loss Prevention Team work with our clients to develop and implement loss prevention guidelines and procedures to protect your business.

For more information and other loss prevention tips contact your Risk Services Coordinator, or visit or visit our website at www.federated.ca

Federated Insurance provides this Loss Prevention Bulletin as a service to our policyholders and their business advisors. The information provided is intended to be general in nature, and may not apply in your province. The advice of independent legal or other business advisors should be obtained in developing forms and procedures for your business. The recommendations in this bulletin are designed to reduce the risk of loss, but should not be construed as eliminating any risk or loss.