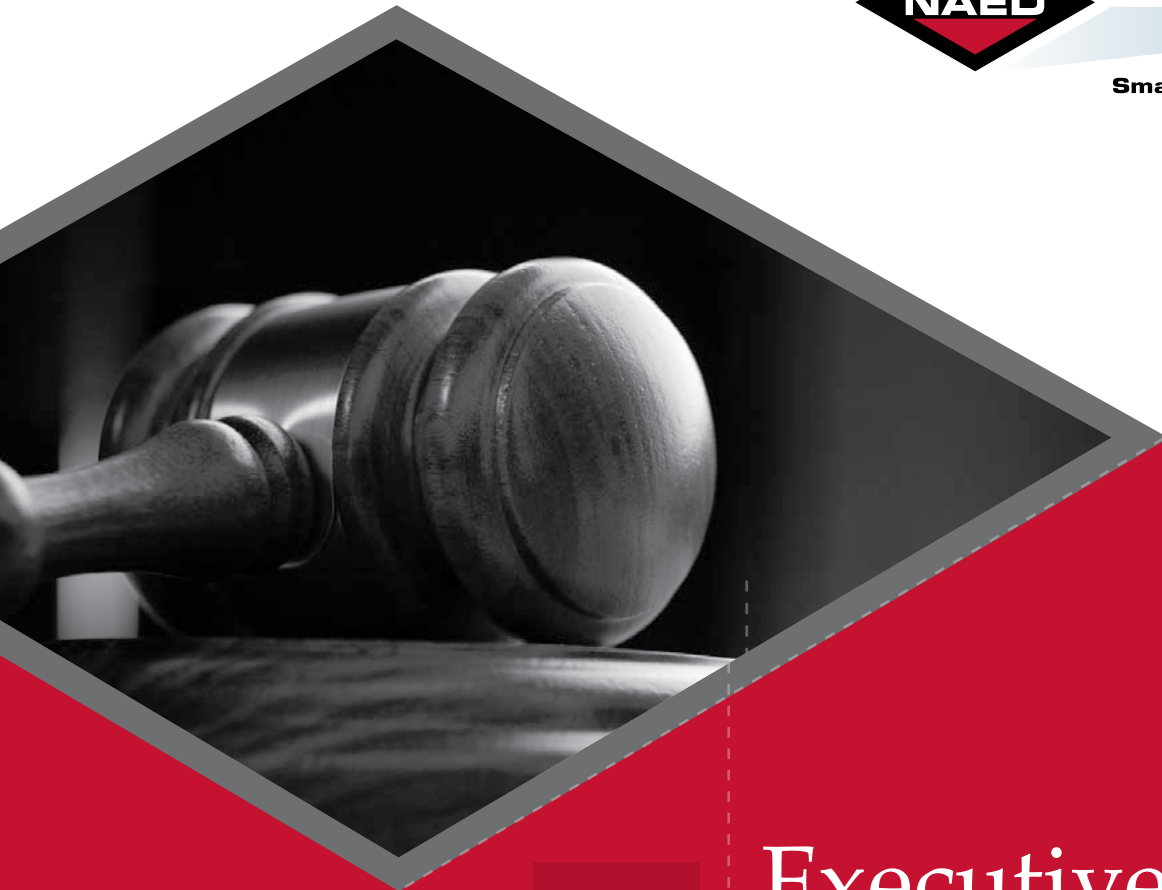




NATIONAL ASSOCIATION OF  
ELECTRICAL DISTRIBUTORS

Smart Tools for Smart Distribution®



# Executive Summary

**SERVICE LIABILITY EXPOSURE:**  
*Navigating the Legal Risks and Protections*

Funded by the NAED Education & Research Foundation through the Channel Advantage Partnership endowment, this report is the second in a series of white papers on limiting exposure for electrical distributors. The first focused on product liability exposure. This white paper examines potential liability issues associated with the provision of value-added services. This report also builds on a research project published by NAED in September 2005 to assess service offerings by electrical distributors.

This White Paper addresses service liability issues. It identifies the most common services NAED members offer their customers, the potential for liability arising from the provision of such services, and recommendations on how to limit liability exposure.

Electrical distributors have always offered value-added services to customers. In recent years, however, they have sought to enhance their competitive advantage by augmenting these value-added services, thereby differentiating themselves from competitors. NAED

members increasingly offer a range of value-added services to their customers in conjunction with, or separate and apart from, the goods they sell. While these value-added services benefit NAED members' competitive position, they also pose potential liability risks.



According to more than fifty NAED members and research performed in September 2005 on value-added services, some of the most common value-added services that NAED members provide their customers include:

- >> Expert engineering services such as panel design, which often involve the use of contractors
- >> Training
- >> Inventory services, including kitting
- >> Audits (energy, safety, security, etc)
- >> Assembly and modification of goods sold

Based on interviews and discussions with NAED members around the country, these are the four primary recommendations that distributors should consider in seeking to manage and mitigate potential liability arising from the provision of value-added services. These recommendations are:

- >> Educate employees
- >> Review existing insurance program and policies
- >> Use written contracts
- >> Consult a qualified attorney

The value of the information provided in this research paper lies in its ability to help distributors quantify, consider, and manage contingent liabilities so as to allow top line and reputational growth while simultaneously affording balance sheet protection.

As in any new service offering, there are pitfalls for distributors to avoid and opportunities to exploit. Fortunately, distributors can take concrete steps to avoid liability altogether or to at least limit exposure. By fully understanding the up-and-downsides of value-added offerings, today's entrepreneurial distributor can maximize its offerings and its profits.

This white paper raises issues and presents suggestions and general guidance of inquiries electrical wholesalers should undertake in order to protect themselves fully from service liability and other exposures associated with the provision of value-added services. For further advice, the reader is encouraged to seek the counsel of his or her attorneys, insurance agents, and brokers and risk managers.

This project and its report are not intended to serve as legal advice; no are any of the representations, recommendations, or observations warranties or guarantees of actions that, if followed, will prevent or extricate an electrical wholesaler from potential legal liability. Any and all such representations or guarantees, whether express or implied, are hereby denied.



# Service Liability Exposure:

*Navigating the Legal Risks and Protections*

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