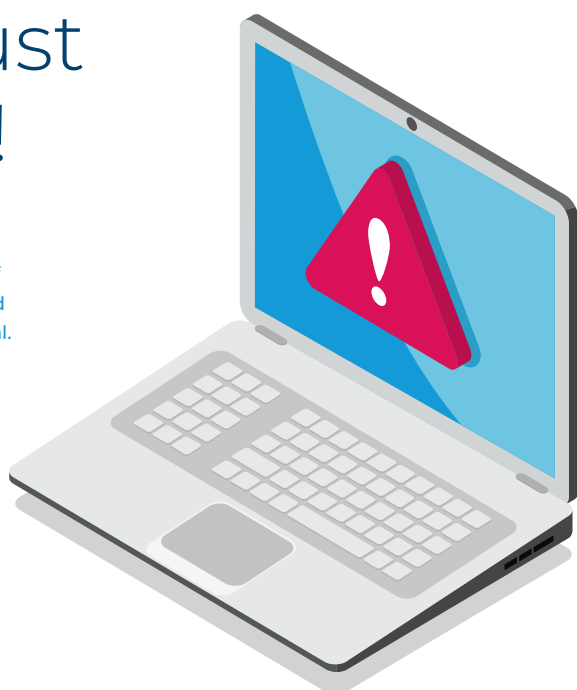


Product recall insurance: Covers more than just product recall costs!

Product recall insurance helps safeguard a business from the financial impact of a recall, specifically the first and third-party costs associated with identifying and addressing the issue, conducting the recall and keeping the business operational.

When considering product recall insurance, it's important to remember that the cost of a recall includes much more than the cost of getting the goods off shelves or back from customers.

Recalls of any kind can impact cash flow, squeezing a company's ability to pay staff, purchase raw materials or even continue production. For some businesses, a product recall can present a true crisis.



When an error or fault is discovered during production, investigations must take place to determine the reason.

This could be due to errors in process, faulty materials, faulty machinery, accidental human errors or malicious tampering. These investigations can be lengthy and costly. During an investigation no production can take place, putting a strain on cash flow.

In 2019 it was estimated that the average cost of a product recall claim is over **\$1 million***



After a product recall, businesses face increased costs to rectify the issue.

The consequences of which can be devastating if a business is unprepared.

You can't rely on a third-party to pick these costs up for you. Suppliers and co-manufacturers may dispute that they caused the issue, or even go bankrupt before paying the costs.

Product recall insurance covers costs when a business is rectifying the issue



A product error goes unnoticed until it is with the consumer.

This situation you can cause major damage to brand reputation, cost millions in future business and could be magnified by social media. A good product recall policy will cover costs of a PR agency to help rectify the situation.

If a regulator gets involved this can prolong the business interruption and raise awareness of the recall to the general public even further.



Key costs that are covered by a product recall insurance policy

- ✔ PR / communications
- ✔ Expert consultant advice
- ✔ Retailer costs
- ✔ Customer loss of sales**
- ✔ Advertising costs to put the business back in the position it was before

Product recall insurance can provide peace of mind in a crisis.

A good policy can provide a manufacturer with the support they need in investigating a product recall event, as well as replacing the loss of sales to keep the business afloat.

Some policies such as general liability or products liability may include an element of recall insurance, but it will be limited to recall costs and heavily sub-limited, leaving you under-protected. You should consider holding both a liability and a recall policy to provide you with complete peace of mind should the worst happen.

Get in touch with [CFC's product recall team](#) to find out more!



* Source: <https://www.syspro.com/blog/erp-for-inventory/how-traceability-and-quality-control-helps-to-manage-recalls-and-returns>

** Available upon request by endorsement