

Your product recall selling kit

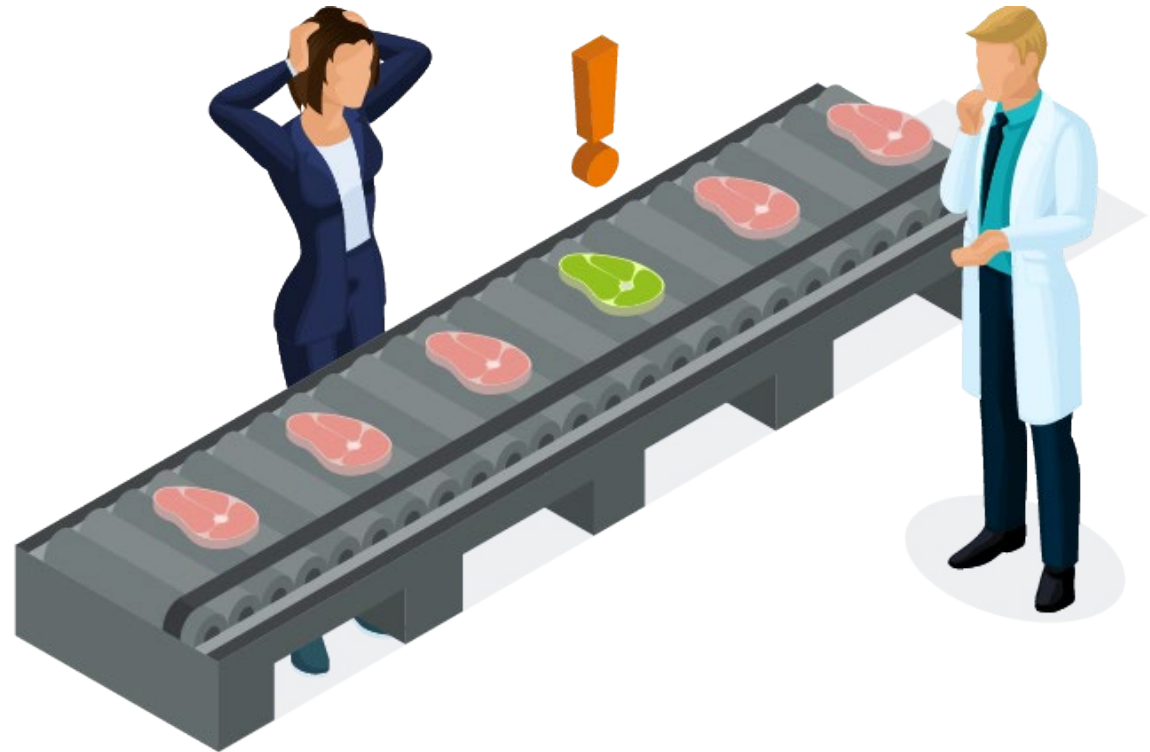
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What happens during a product recall?

A product recall happens when a manufacturer becomes aware of a safety issue in their product and requests it to be returned from the consumer or removed from shelves



Understanding the costs of a recall

There are many costs involved when a product safety issue is discovered. Along with the costs of withdrawing the product from consumers, there are also costs associated with identifying what went wrong and remediating it, as well as keeping the business afloat. Below are the most common costs associated with a product recall.



Identifying the issue

- Internal or third-party testing
- Employing experts / consultants
- Closing facilities or suspending production
- Cleaning, fixing or replacing equipment



Conducting the recall

- Issuing notices to consumers
- Transporting, storing, destroying or disposing of affected products
- Replacing ingredients, materials or products
- Retailer per store fees
- Overtime for employees
- Crisis communications & PR



Business continuity

- Ongoing loss of sales or customers
- Cancelled contracts
- Replacing suppliers or hiring contract manufacturers
- Prolonged interruption of production
- Stalled R&D, M&A or other investments
- Impact of brand & reputational damage

Industries most often hit by recalls

A recall can hit any manufacturer or distributor regardless of the sector. Recalls of food & beverage products and certain consumer packaged goods (CPG) tend to garner mainstream attention depending on the severity of the issue.





Client
conversation
starters

Do you know what your product recall exposures are?

- All manufacturers have exposures
- Product recall events can happen at any moment
- First-time buyers have usually just suffered from a product recall insurance



Did you know your suppliers and co-manufacturers may not fully indemnify you following a product recall event?

- No company should put their faith in a third-party's ability to fund a recall
- Product recall insurance should be thought of as cash flow protection



Do you have full oversight of your suppliers' operations?

- A product is only as good as its worst ingredient / component
- Testing can be in place, but not every scenario can be tested for
- Intentional or accidental adulteration of a supplied contaminated material could result in a finished product being harmful to health



Do any of your customers require you to have product recall insurance?

- There is a rising demand for companies to maintain specific limits of liability for product recall
- Failure to purchase coverage could lead to customers cancelling contracts effecting both your current and long-term sales.



Did you know the biggest impact of a recall, is not the recall costs themselves?

- Recall costs, both first and third-party, are a small percentage of the average loss



Do you make any specialist allergen free or vegetarian/vegan products?

- There has been an increased demand for more specialist products on supermarket shelves, whether they be allergen-free or meat-free
- Allergen prevalence has increased in recent years, and regulators have been taking a tough stance in this space
- There has also been a surge in demand for vegetarian and vegan products, however traditional bodily injury requirements in product recall could leave your business exposed in the event of an animal by-product contamination event





Overcoming
client objections

“We’ve never had a recall”

- It is understandable that companies who have never experienced the huge stress and financial impact of a product recall are reluctant to buy standalone product recall insurance.
- Many first-time buyers are seeking recall insurance because they have recently experienced an uninsured product recall for the first time, suggesting they needed it all along and now appreciate the value of it.



“Our quality assurance processes are top-notch, we are unlikely to have a recall”

- It could be human error or unfortunate luck that results in a product being defective. No critical control point is fool proof.
- All manufacturers have suppliers, who each also have their own supply chain. Exposures here are vast and each company must rely on its suppliers' quality assurance.
- The end product is only as good as the worst supplied component.



“Our suppliers will pick up the costs of any recalls”

- This isn't a credible argument for any company and no company should put its faith in a third party's ability to fund a recall.
- Common scenarios where it is difficult to recover costs from a supplier include:
 - Suppliers refuse to pay some or all of the costs incurred
 - Suppliers may not have enough money to pay the costs
 - Suppliers disputing that they are responsible for the recall
 - Liability may have been waived or limited in the supply contract



“My liability insurance will cover these costs”

- This is not usually the case – and this is a mistake which could cost clients heavily.
- Liability policies tend to either exclude product recall entirely or provide very narrow coverage for a small limit.
- A standalone product recall policy will offer comprehensive first and third party costs.



Do you have manufacturing clients?

Get an indication for product recall insurance with just the:

- Company name
- Revenue
- Product description

Easy!

