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# Retailers withdrawal endorsement

## Questions & answers

### Why should your client purchase this cover?

After a recent review of typical incidents reported to Liberty International Underwriters (LIU), we have found that many of our clients have experienced withdrawals from retailers' shelves due to quality related issues.

These retailer withdrawals don't trigger our Contaminated Products Insurance policy as the contamination of the product would not cause bodily injury if consumed.

Clients, however, are incurring significant costs for the withdrawal of their products off supermarket shelves.

LIU see a significant gap in the cover currently available in the market and in response we are pleased to launch our Retailers Withdrawal Endorsement.

### What are the key benefits compared to a typical Contaminated Products Insurance policy?

- Provides for costs and expenses imposed by retailers for the withdrawal of a client's product because of a manufacturing error;
- NO requirement that the manufacturing error would cause bodily injury;
- Requirement is only for manufacturing error, no contamination required;
- Inclusion of defence costs.

### How often do these types of losses occur?

Our review indicates that more than 50% of contamination incidents experienced by our clients resulted in a product withdrawal because of a quality issue, with no food safety implications, rather than a recall because consumption of the product would cause bodily injury.

The withdrawal expenses charged by retailers can often add up to over \$100,000 and clients will also incur expenses replacing the withdrawn product.

This amounts to a large number of uninsured losses!

## What is a typical example of a quality related food withdrawal?

### Scenario 1

A quality related food withdrawal impacted a client who manufactured yoghurt for many years without incident. One day the client received a phone call from one of their retailers advising the product had a faulty lid, which was not closing correctly on a number of products. There was no likelihood of any consumers becoming ill, but the faulty lid could adversely impact the flavor of the product.

At the end of the call, the retailer advised the client that they were formally withdrawing the product from their shelves and that the client would be charged for the cost of this.

### Scenario 2

A client who manufactures snack foods incorrectly packaged a particular flavor of potato chips into the wrong packets. The retailer discovered the client's mistake. There was no likelihood of any consumer becoming ill, however, the retailer deemed the product unfit for sale.

The retailer advised that they were withdrawing the product from their shelves and that the client would be charged for the costs of this.

## Can these costs be covered?

Yes! LIU's Retailers Withdrawal Endorsement has been specifically designed to respond to certain types of incidents that are unrelated to food safety issues.

Rather than rely on Bodily Injury as a requirement for the trigger, this new endorsement requires:

- a manufacturing error to have occurred; and
- a retailer to have instigated the withdrawal of an Insured Product.

There is no requirement for any actual or potential Bodily injury.

## What losses are not covered by the Retailers Withdrawal Endorsement?

The extension does not cover any of the Insured's own recall costs, replacement costs, business interruption or rehabilitation expenses.

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