



# Why should clients purchase Product Recall Insurance

## Questions & Answers



**Liberty**  
International  
Underwriters

### Why should clients purchase Product Recall Insurance Questions & Answers

#### Product Recall losses are generally not covered by Products Liability policies

In most cases Product Recall is excluded under Products Liability policies. If some limited cover is provided via recall expense cover, this cover is usually very limited and will only cover a very small part of a client's total loss.

#### Recalls can be expensive

Product recalls are not the most common of claims but the financial impact can be severe. Below are some actual examples of the potential impact of an incident:

Product	Client's turnover	Size of claim
Pre-prepared Meals	USD 12m	USD 1.4m
Beverage	USD 9m	USD 1m
Snack Food	USD 6m	USD 250k
Dessert	USD 1.5m	USD 100k

#### Expert advice and knowledge provided by LIU's panel of crisis management consultants

Recall incidents can be a highly stressful time for companies, and various third parties including retailers and regulatory agencies. The media often attempt to seek answers when the facts available to a client are very limited. LIU has a panel of crisis management consultants with experience and expertise in responding to recalls and can provide advice to clients on the management options available for a recall incident.

The intent of our crisis management consultants is not to act as a policeman for LIU or to check up on the client to make sure they are doing the right thing but rather to provide advice and assistance to the client on how to best proceed with an incident. At the end of the day the decision on how to act is the client's decision. During an incident the crisis management consultant works for the client, and will only share information with LIU with the permission of the client.

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### **Evolving government regulations**

The laws and regulations concerning recalls is evolving and we have seen some significant changes including:

- USA: Food Safety Modernization Act enacted 4th January 2011;
- USA: Consumer Product Safety Improvement Act enacted on 14th August 2008;
- Europe: Council Directive 2009/48/EC applies to all toys imported into the European Union effective 20th July 2011;
- Australia: The Australian Consumer Law enacted on 1st January 2011;

LIU can help to provide solutions that directly address some of these changes and ensure that such changes in legislation do not displace the protection provided by traditional cover.

### **Why purchase from LIU?**

#### **Unique, market leading cover**

Not all product recall covers are created equal and clients should be very careful to consider whether standard cover offers enough protection.

The LIU's Product Recall cover is not limited to the traditional wording and standard covers. We can offer varied and additional cover and limits depending on the exposures of a client.

LIU's leading knowledge and expertise in product recall enable us this flexibility, and the ability to understand different client exposures. Some examples of this include:

*OEM Liability Endorsement* – provides Third Party Financial Loss cover in certain situations where a client's Product Liability may not respond.

*Voluntary Recall Endorsement* – not all recalls fit neatly into the definition of Insured Events. This endorsement acknowledges this and provides certain cover when a client is legally required to instigate a recall, but the reason is not from a contamination.

*Third Party Defence Costs Endorsement* – when a client is accused by a third party retailer or customer that the client's product is contaminated, the client may be able to prove that their product was not contaminated. In these cases, Third Party Defence Costs may assist the client to legally defend the claim and protect the client's reputation.

#### **Contractual Issues**

In some cases, clients are contractually bound to cover the cost of any product recall. LIU's Third Party Financial Loss Endorsement may provide cover to assist clients with these types of financial losses.

#### **Crisis Management Consultants**

LIU's panel of crisis management consultants assist to better understand a client's risks and exposures and also provide relevant coverage options. In addition, should a recall incident occur the experience and expertise of our crisis management consultants is most useful, as they can provide advice and assistance to help deal with the management of the crisis at hand.

### **Local claims consultants**

LIU is very determined to provide outstanding service and expertise for its clients, and is committed to handling claims locally with experienced local consultants. It is often how a client reacts in the critical first days, or even hours of a crisis that can determine how severe a crisis will become so having local claim consultants is important to prevent untimely delays.

### **Who should purchase recall insurance?**

Business of all sizes who are involved in manufacturing, importing, exporting, wholesaling and distributing of products. Some of the products we have quoted include food, beverage, pharmaceutical, cosmetics, kids toys, semi-conductor, TVs, furniture, clothing and coffee machines.

### **What happens when a client has an accident?**

#### **The Crisis Centre Hotline**

LIU has arranged for dedicated crisis management consultants to be available for our client's to call in the event of an incident. The Crisis Centre Hotline is staffed by multilingual personnel covering all common languages, and is available globally, 24 hours a day, 7 days a week, on a priority basis to advise, assist and respond to emergency situations involving clients who hold LIU's Product Recall Insurance Policy (the "Policy").

The 24-hour crisis response contact number for the Crisis Centre Hotline is +61 1800 220 470.

The Crisis Centre Hotline should be used in the event of an incident, situation or occurrence first discovered during the Policy Period and reported during the Policy Period or within 90 days after the Policy Period, that may be covered under the Policy.

During your first telephone contact with the Crisis Centre Hotline, you will be asked some brief questions regarding the key details of the crisis, threat or problem. After getting this preliminary information, you will be asked for a phone number where you can be reached during the next hour. A deployment decision will be based on the nature and geographical location of the incident.

Within the first hour after initial contact, a crisis management consultant will return your call to discuss the deployment decision and to determine an appropriate course of action. The crisis management consultant will work with you to develop a strategy for dealing with the early stages of the potential crisis.

#### **Who pays for these crisis management consultants?**

LIU will pay the reasonable and necessary fees and expenses of the crisis management consultant to respond to an incident notified by the client which may reasonably give rise to an Insured Event covered under the Policy. If liability to indemnify is not accepted by LIU the said reasonable and necessary fees and expenses incurred, prior to LIU's notification to the client, will still be borne by LIU.

If, after investigation, LIU concludes that the incident, situation or occurrence which would be covered under the Policy, but that indemnity is not available solely because the Loss suffered is less than the client's Self Insured Retention, then LIU agrees to continue to bear the crisis management consultant's costs, provided those costs are reasonable and necessary in order to respond to the incident.

To find out more call Liberty's Crisis Management Team:

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