



Product Recall Insurance

Recall vs. Liability Insurance



Product Recall

- Two main elements:
 1. Liability
 2. Recall expenses (property)

Product Liability

- Covered by general liability insurance
- Liability insurance pays for injury, illness or damage caused by your products or activities

General Liability Policies: Limitations and Exclusions

- Intentional acts/injuries
- Contractual liability
- Pollution
- Aircraft/watercraft/ auto
- Rental of property
- Workers compensation claims
- Employers liability/related practices
- Bodily injury to the insured
- Damage to your property, product or work
- Recall of products, work or impaired property

Injury, Illness, Death

- Not usually excluded
- Coverage limit can be an issue: \$1 million/
\$2 million is typical

Excess Liability (Umbrella Coverage)

- Covers losses above general liability limit
- Also has limits and exclusions

Excess Liability: Covered Losses

- Illness caused by product
- Damage to property caused by tractor
- Injury caused by malfunctioning farm equipment

Excess Liability: Losses Not Covered

- Injury or damage caused by auto, boat or aircraft
- Damage to property of the insured
- Injuries or illness to employees
- Expenses related to recalling products from market

Product Recall Expenses

- Property coverage pays for damage to your property
- Covers expenses related to recall cost of products
 - Cost to retrieve product
 - Cost to destroy product
 - Advertising, public relations costs
 - Claims costs, tracking costs
 - Lost income

Product Recall (Property) Claims

- Coverage is excluded on almost all liability policies
- A few liability policies provide very limited coverage: \$50,000/\$100,000

Product Recall Policies: Exclusions and Limitations

- Several different types of recalls
 - Government entity or consumer group announces problem or recall
 - Buyers refuse to accept the product
 - Grower/distributor recalls product due to suspected contamination
 - Sampling shows presumptive positives and product is recalled
- Major limitation: It must be your produce that caused the illness or damage
- Some policies require that there be a formal government announcement

Market Availability

- Many companies offer product recall
 - i.e. AIG, Crum and Forster, Lloyds, Liberty Mutual
- Produce recall policies have evolved from manufacturing policies
- Big difference in manufacturing policies
 - Recalls tend to be very specific-brand, model, lot number
 - Very easy to identify and handle – unlike produce

Basic Coverage: What It Includes

- Product contamination
- Product tampering
- Extortion demand

Basic Coverage: What It Pays For

- Extra expense to rent warehouse
- Destroy, dispose product
- Actual cash value of recalled or destroyed products
- Cost to redistribute
- Cost of communication and media/public relations consultants
- Transportation costs
- Employee costs, additional staff costs
- Retail shelf costs
- Increased costs of working-cleaning, subcontracting
- Rehabilitation costs of brand
- Emergency costs
- Loss of gross income

Basic Coverage: Exclusions

- Existing claims and claims prior to effective date
- Similar product but not insured's
- Government ban or regulation
- Fraud/dishonesty
- Customer losses due to insured's event
- Third party losses
- Third party caused
- Nuclear or radiation
- Brand impairment
- War or terrorism

Endorsements/Enhancements

- Government recall with adverse publicity
- 3rd party endorsement
- Business income coverage
- Product Refusal



Thank You!

For More Information and Resources:

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