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:

gnelson@wgis.com
949 885-2287