

CONSUMER GOODS RECALL INSURANCE

AT A GLANCE



A company can be left in ruins if it does not manage a product recall well. The long-term costs, e.g. loss of a major customer, profits and brand, can be sizeable and will hit the company's balance sheet. To minimise the costs and mitigate the risks associated with such an incident, companies must proactively assess and manage their product recall risks.

Allianz Global Corporate & Specialty (AGCS) helps clients to evaluate their insurance and risk management with regard to the risk of product recall. With the help of WorldAware crisis management consultants AGCS will recommend measures for improving a company's readiness for a product recall situation. Crisis management planning and loss prevention services are made available to contain and manage the incidents on behalf of the Insured.

WorldAware's Product Safety and Recall business unit, provides a range of worldwide crisis support services. Their consultants possess a wealth of expertise so clients can get the best possible assistance to prevent or respond effectively to a crisis. WorldAware's services have been developed to help clients assess and mitigate risks across their organisation with a range of procedural review, training and auditing services.

A 24/7 crisis support service is available to provide immediate support in the event that a client experiences a product related issue. A team of over 85 worldwide specialists, who are experts in their respective fields, will advise and support the technical, legal / regulatory and communications considerations required to deal with the issue. In addition the global relationship with SGS adds world class consumer products expertise to these services.

A product recall is potentially the most risk-laden situation a company can face. Whether a manufacturer, wholesalers or retailer, the risk

only increases as the supply chain grows more complex and new legislation is put in place. When a product does fail, the management of the event is critical to mitigating resulting recalls or liability claims that can be devastating to a company's reputation and profitability.

Product Recall Insurance provides cover for recall costs, loss of profit, and rehabilitation costs following a product recall due to the potential of bodily injury or property damage. Product recall policies have the option to include broad third party coverage for those liabilities a company might have to its customer, including customer loss of profit. Coverage can be purchased to address both the first or third party exposures or they can be purchased individually.

COVERAGE

The programme covers up to five parts

1. Product Defect
2. Malicious Product Tamper
3. Adverse Publicity
4. Government Recall
5. Intentionally Impaired Products

1. Product Defect

Any defect in an insured Product that:

- i. has resulted in or would result in Bodily Injury or Property Damage and
- ii. has resulted in a Recall or such Insured Products

STANDARD & POOR'S

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FOR MORE INFORMATION
PLEASE CONTACT:

STEWART EATON

Head of Product Recall,
Regional Unit London
+44 203 451 3409
stewart.eaton@allianz.com

JON PROWSE

Executive Liability Underwriter
+44 203 451 3249
jon.prowse@allianz.com

ALEX KING

Senior Liability Underwriter
+44 203 451 3539
alexander.king@allianz.com

ABOUT ALLIANZ

As an international financial services company, we offer our 92 million customers worldwide products and solutions in insurance and asset management. Allianz Global Corporate & Specialty is our dedicated brand for corporate, specialty and mid market risks and insures more than three quarters of the Fortune 500® companies.

2. Malicious Product Tamper

Any actual, alleged or threatened intentional, malicious and wrongful alteration of the Insured Product(s), whether or not by an Employee of the Named Insured, with the intention to render it unfit or dangerous for its intended use or creating such impression to the public, with the intention of causing financial loss or damage to the Named Insured.

3. Adverse Publicity

The reporting of an alleged but not actual Product Defect or Malicious Product Tamper during the Period of Insurance in local, regional, national or international media (including but not limited to radio, television, newspaper magazines or the Internet) or any governmental publication provided that the Named Insured's, brand and Insured Product(s) is specifically mentioned.

4. Government Recall

Any defect of an Insured Product that:

- has been deemed by a Public Authority to be injurious to health when used for its intended purpose; and
- has resulted in a Recall of such Insured Product(s) by the Public Authority in compliance with regulations on consumer safety.

5. Intentionally Impaired Products

Any impairment of an Insured Product(s), which occurs as a result of a component part supplied to the Named Insured by a third party where such impairment was intentional but not Malicious.

Provided that;

- the use or consumption as intended of such Insured Product(s) has resulted in or would result in Bodily Injury; and
- has resulted in a Recall of such Insured Product(s)

COVERAGE COMPONENTS

- Pre recall costs
- All reasonable expenses to inspect, withdraw, destroy and replace the product
- Business Interruption (loss of gross profit)
- Rehabilitation costs
- Consultancy costs

OPTIONAL EXTENSIONS

- Product Extortion
- Third Party Recall Liability
- Customer loss of profits
- Unsubstantiated recall costs
- Preparation of crisis management plans

CLIENT PROFILE

Companies from the following industry sectors

- Electrical appliances
- Kitchen/cooking accessories
- Toys and children's equipment
- Clothing and textiles
- Lighting equipment
- Hobby/sports equipment
- Communication and media equipment
- Component part or contract manufacturers

RISK PREVENTION SERVICES

- Crisis management planning
- Crisis simulation exercises
- Risk assessments and auditing
- Program review and development
- Training

CRISIS SUPPORT

- Product recall and traceability
- Product testing
- Regulatory support
- Crisis Team support
- Crisis communications and Logistics
- Technical product expertise
- Malicious product tampering investigations and support

SPECIALISED POLICIES

- Bespoke programmes for certain non-food sectors.