

Products can be recalled for a variety of unforeseen reasons – accidental contaminations, malicious product tampering, failure to adhere to governmental regulations, product extortion or even just bad luck. No brand, regardless of size, scope or end product, is immune to a product recall and the ensuing fallout. Ford/Firestone, Cargill, Toyota, ConAgra Foods and Nestle have all experienced this. Recalls, in addition to the potential danger they may present to the public, are costly. They erase earnings and stall future revenue while oversight efforts ensure products are safe for use or consumption.

Efficiency Has Created a Smaller World

Instantaneous news cycles feed real-time channels through traditional and social media outlets, making consumers more alert and educated than ever. As a result, the public relations clean-up from damage to a brand in the media, as well as the court of public opinion and the trust of consumers, can prove to be equally as costly as the actual recall. Now, more than ever, firms need to understand their exposure to a product recall and have risk mitigation and transfer plans in place to protect their clients, financial stability and brand.

The environment surrounding contamination and associated recalls has changed dramatically in recent years. Complex supply chains move products efficiently across multiple channels, resulting in expedited distribution, but often with diluted oversight. Keeping track of all of the people and places that can trace a product in transit can prove difficult. Often times the impact of a recall can stretch across several entities – manufacturers, growers, distributors, importers, wholesalers, co-packers, contractors, retailers and even restaurants can be impacted by a recall. More efficient distribution chains can extend the reach of a single contamination beyond regional implications to have lasting and reaching impact on consumers across national or even international locations.

Increased Scrutiny

Government authority and oversight have also increased, through a broad and still-undefined integration of investigative capabilities shared among the Food and Drug Administration (FDA) and the U.S. Department of Agriculture through the Food Safety Modernization Act. This 2010 law expanded the agencies' preventative controls, inspection and compliance, and authority over imported food safety. On July 26, 2013, the FDA proposed a Foreign Supplier Verification Program that provides third-party auditing and verification rules as part of the Food Safety Modernization Act. The proposed rules require importers to know their suppliers, their supply chains and holds imported foods to the same standards as those established by domestic food safety regulations.

Controlling Loss Prevention

The decision to initiate a recall sets about a series of complex and costly steps to help ensure that any potential danger to the public is quickly suppressed and any additional reach is mitigated. Manufacturers, distributors and others within the supply chain must coordinate plans to determine scope and eliminate the potential for additional public exposure to contaminated products. Consumer communication channels are essential to controlling the distribution of accurate information and to outline necessary next steps, including available compensation. The impact is broad, can be damaging and quickly adds up.

In addition to proper recall coverage, it is also expected that applicants have comprehensive recall plans, crisis management plans, hazard analysis and critical control points (HACCP) plans, quality control plans and quality assurance plans in place. All of these are designed specifically to better equip the insured and help control recall exposures, mitigating the impact in the unfortunate event of a recall.

Product contamination and recall insurance coverage offers essential protection from potential recall- and contamination-related losses to manufacturers, distributors, wholesalers and co-packers. Covered losses can include:

- Recall expenses
- Product replacement
- Extra expenses
- Lost profits/business interruption expenses
- Brand rehabilitation
- Crisis and public relations expenses
- Third-party profit loss
- Third-party recall liability

AmWINS has a comprehensive team of brokers and underwriters with a rich expertise in product recall placements and claims resolution; the group's proficiency has helped make it the largest U.S. broker of product recall and contamination coverage. Our focus on product recall has helped foster strong relationships with underwriters and carriers, helping empower and protect those included throughout the supply chain when they need it the most. Knowing you are protected and have the resources necessary during a recall can help prevent injuries, save lives and reinforce customer loyalty.

This article was authored by Stuart Hanfling, Matt Carpenter and Brandon Sielen, members of AmWINS' Recall Ready team.

▶ To learn more about how AmWINS can help you place product recall coverage for your clients, please contact:

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