



Crisis Protection / Protecting Your Products



Bring on tomorrow



Does your product liability insurance cover the real costs of a product recall?



Introducing our product recall insurance cover options

Contaminated Products Insurance (CPI)

Is for manufacturers, retailers and distributors of topical or ingestible products: food, drinks, cosmetics, pharmaceuticals and tobacco

Product Recall Insurance: Defective Products (PRDEF)

Is for manufacturers, retailers and distributors of finished consumer products including: toy, sport, tools, DIY, furniture, building equipment, household appliances and packaging

Significant exclusions and other considerations

Pre-Incident recall consultancy fees are commensurate to the premium amount.



On average there's 4 product recalls in Britain every week

Food hazard alerts in the UK during 2010

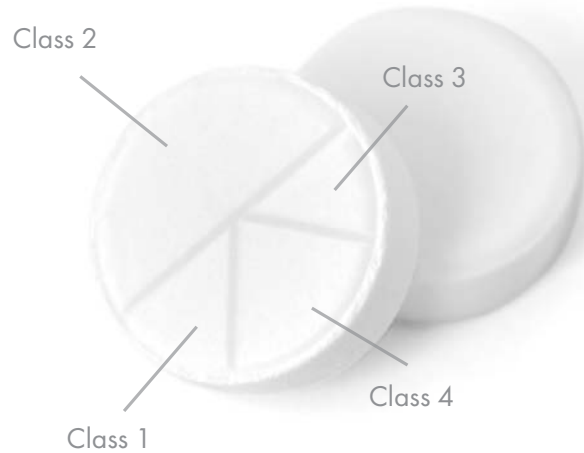
- Seedless Raisins (Jan)
- Gammon Steaks (Feb)
- Cheese (Mar)
- Garlic and Herb Coleslaw (April)
- Sausages (May)
- Dried Apricots (Jun)
- Milk Chocolate (Jul)agne (Aug)
- Bottled Water (Sep)
- Fruit Cake (Oct)
- Crumpets (Nov)



125 Drug alerts* in the UK since Jan 2007

13	Class 1	Life threatening or serious risk to health Action now
64	Class 2	Mistreatment or harm to the patient Action within 48 hours
16	Class 3	Harm unlikely possible compliance issues Action within 5 days
32	Class 4	Minor defects in packaging/ printed materials Caution in use

*MHRA Safety warnings, alerts and recalls





Consumer product recalls in the UK during 2010

Food, drink, pharmaceuticals and cosmetics

Instances of accidental food contamination occur in the UK with alarming regularity, arising from introduction of bacteria, viruses, chemicals and foreign objects, or as a result of formulation errors and mislabelling.

In fact, as shown earlier, there were over 40 Food Hazard alerts issued in 2010 alone.

Cosmetics and medicines, whether applied or sprayed onto the skin, inhaled, injected or swallowed, are also susceptible to contamination and potentially fatal errors.

Alerts regarding pharmaceuticals alone now stand at about 28 every

year, for reasons ranging from product infection to faulty packaging assembly.

While cases of deliberate contamination and malicious extortion are less common, they do happen. In 2011, it was reported that a major British producer of pastries was targeted by an attack where peanuts were introduced into a nut-free product.

Incidents of this type are bound to hit the headlines and the potential damage from such incidents can be multiplied if they also attract adverse publicity.

Consumer goods

Consumer goods recalls are on the rise and have been so for the past decade, usually as a result of danger from overheating, electrical shock and parts detaching causing choking hazards.

According to RAPEX (Rapid Alert System for Non-Food Consumer Products), the number of notifications in

2009 rose by 7% when compared to the previous year. A large percentage of consumer goods recalled were toys, clothing and textiles and motor vehicles. But, as the list of recent recalls illustrates, all sorts of consumer products are at risk of recall.

Overheating and/or shock hazard

Decoration light chain (Feb)

Electrical plugs (April)

Table lamps (May)

Digital multimeter (May)

Choking/strangulation/injury

Children's soft toy (Jan)

Children's rattle (Mar)

Children's play chain (Jun)

Bits breaking off or leaking hazard

Beach toys (Jun)

Children's scooter (May)

Skateboards (May)

Other

Soap bubble set (Jul)

Step ladder (Jul)

Radio control transmitter (Aug)

Sun lounger (Sep)



Anatomy of a recall

Product Recall Insurance: Defective Products (PRDEF)

Inspection

Expert analysis, testing or inspection of the faulty product and the manufacturing facility usually precedes any decision to instigate a recall.

Announcement

Placing national, local and trade safety notices as part of a recall can cost manufacturers and retailers a substantial sum.

Reputation

Conducting an efficient recall is essential but the problems do not stop there. If faulty products reach the market place this may also result in ensuing damage to your reputation, the loyalty of your customers & the confidence of your investors.

Resources

Who pays for the extra staff and overtime required to provide customer helplines, receive and account for returned consignments of damaged product? And, who's running the business while everybody is busy with crisis management?

Retrieval

The speed at which affected goods can be traced, identified and recovered is critical to the overall success and damage limitation of a recall operation.

Disposal

Safely disposing of the damaged or contaminated goods. Certification of disposal may also be required, to prevent dangerous items resurfacing in the secondary market.

Cancellation

Cancellation fees for advertising, media or promotional schedules.

Repair and Remediation

Finding out what caused the product fault (such as contaminated environment or the design specifications), then replacing, restoring or fixing the product.

Redistribution

Delivering repaired, restored or replacement products to retailers and wholesalers.

Lost Sales

The effect on the bottom line attributable to reduced sales during and after a recall event, either through decreased consumer confidence or loss of contracts.

Rehabilitation

Damage to the brand and regaining the inevitable ground lost in sales and market share may require intensive and expensive marketing.

Extortion

Of course on top of all this, malicious product tampering (whether actual, alleged or threatened) excites the media, traumatises customers and can involve a range of unexpected costs, like additional security, investigation expenses – all the way to payment of ransom monies!

THE DIRECT COSTS OF RECALLING A PRODUCT ARE OFTEN ONLY A FRACTION OF THE TRUE COST TO THE BUSINESS. THAT'S WHY THE PROTECTION OPTIONS WE PROVIDE GOES WELL BEYOND MEETING CONVENTIONAL RECALL CHARGES.



...here is the cover we provide.

Pre-incident planning

Events move quickly in a crisis, especially where injuries, illness or fatalities are involved. That's why our insured clients enjoy the benefits of professional pre-incident planning when it's most valuable - before a recall threatens.

Expert consultants are retained by AIG to ensure that businesses are prepared and ready to hit the ground running, with:

- Up to date crisis plans confirming internal responsibilities and emergency contacts
- Internal training programmes

- Mock recall simulations
- Communication and PR agency pre-briefing
- Compliance reviews
- Key client database maintenance

All CPI and PRDEF clients can benefit immediately from pre-incident expertise. Pre-incident recall consultancy fees are commensurate to the premium amount.

The true costs of recall...

Product faults and contaminations are sometimes discovered by the manufacturer, as a result of their quality control procedures. Other times, as is often the case with extortion, news of the problem may come initially from third parties, such as the retailer.

Worryingly, the first news of a damaged, dangerous or contaminated product will very often come from the end consumer – and they may have already suffered because of it!

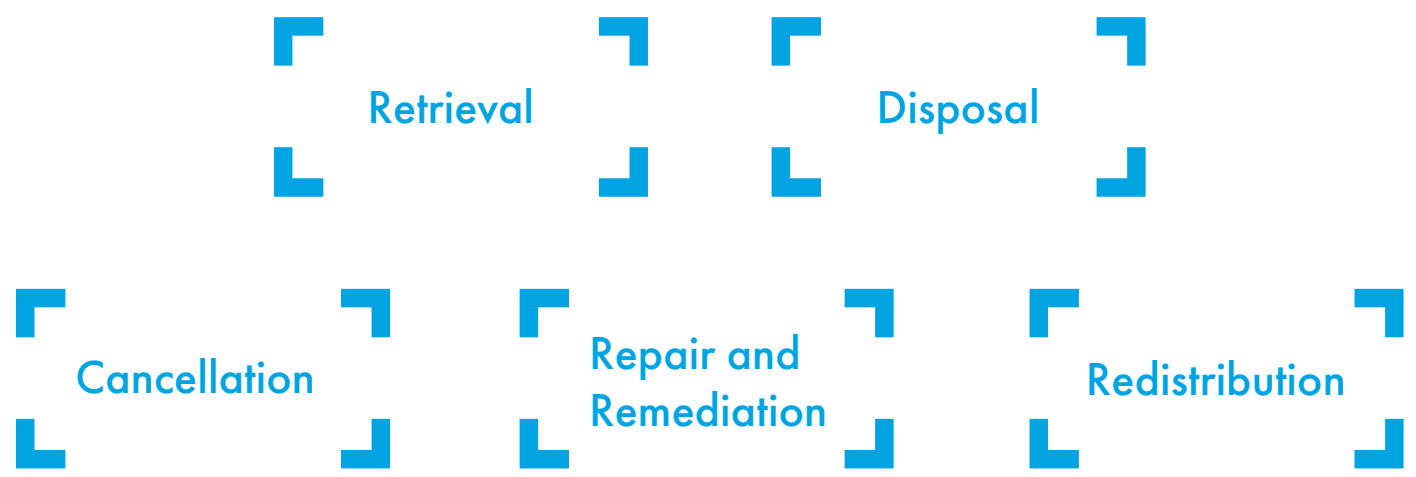
Once embroiled in a product recall situation the costs to the manufacturer, retailer or wholesaler – both direct and indirect - can be enormous.



Direct recall costs

Unfortunately, the substantial costs of conducting a recall usually begin accruing just as cash flow suffers from the suspension of sales. Our comprehensive cover ensures that insured clients can meet the direct costs of the recall, including:

- Initial laboratory product testing
- Retrieval and reverse distribution of suspect stock
- Destruction and disposal of the faulty products as required by regulatory agencies
- Additional human resource requirements
- Repair or replacement of faulty product, and
- Redistribution of new or repaired product to retailers





Business costs post-recall

While cash flows are still disrupted, after a recall, businesses need to turn to the expense of rehabilitation – and regaining precious market share. These costs could include maintaining staff salaries or perhaps overhauling the production environment to eliminate the source of the offending contamination.

After that, there will surely be additional marketing required, just to get sales back to their pre-incident levels. And, optionally, cover against the loss to the gross profit resulting from the fall in post-recall sales.

Our comprehensive cover provides the financial compensation and vital financial support for getting your business back on track.





Crisis Management Consultancy and Public Relations

Preserving brand and business reputations requires more than simply meeting the logistical, analytical and financial demands of a recall. It's often how well the company rises to the challenge of the situation, from the first warning or alert, that determines whether damage is contained. This is where the expertise of our proven international crisis management consultants may prove invaluable, providing guidance in dangerous times and pulling together all the elements of the recall plan.

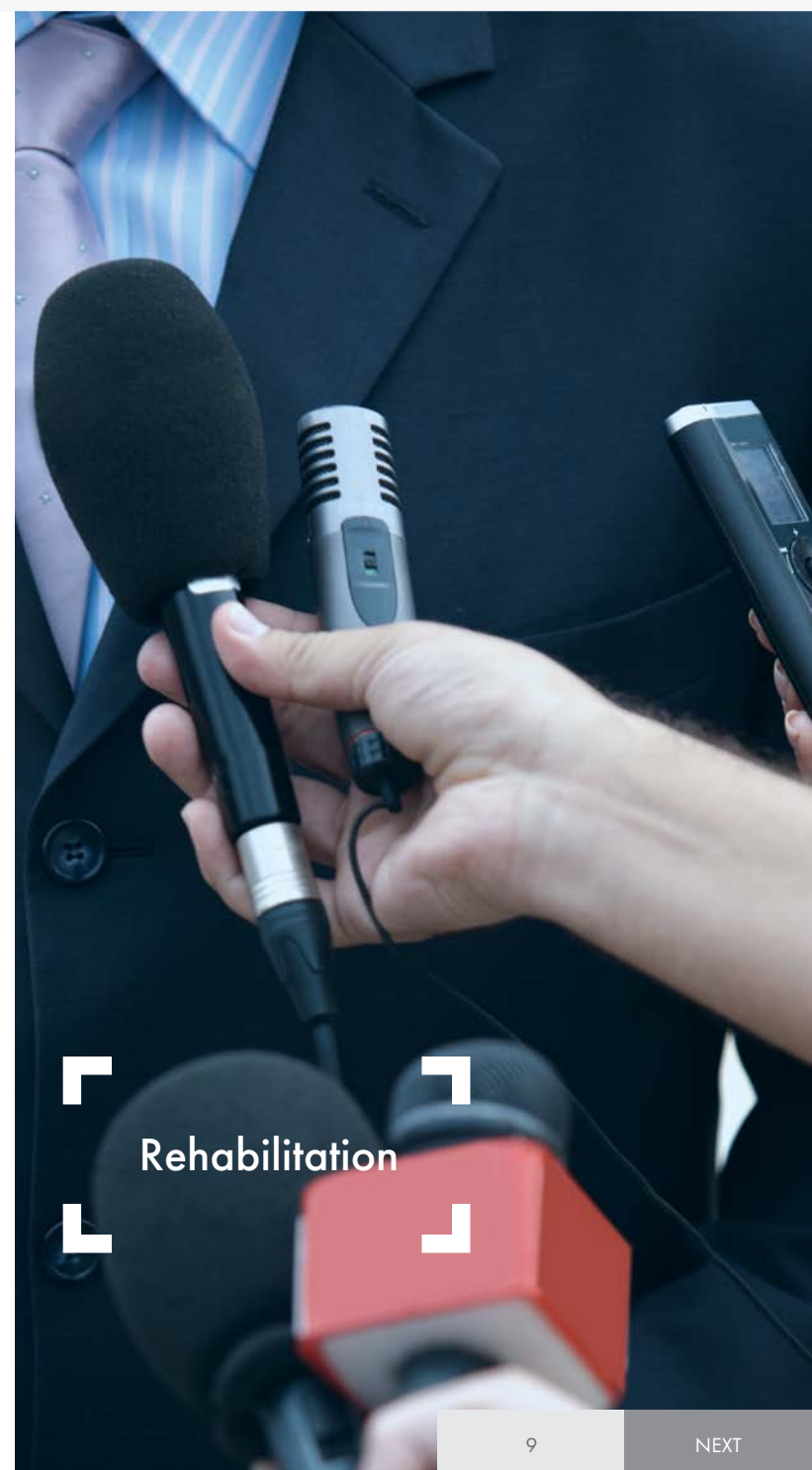
It is in those first days (or hours!), before the true nature of the situation has been fully established, that media and public attention can often focus on unsubstantiated stories and speculation. Professional public relations and communications input will assist in managing this scrutiny and further protect the brand, reinforcing vital perceptions of reliability and trustworthiness.



Reputation



Rehabilitation





Malice

Not every case of malicious product tampering is extortion based, occurring for reasons as varied as political activism (e.g. animal rights) to one person with a grudge. Attacks need not even be carried out – a well-publicised threat can just as effectively wreak havoc with consumer confidence and product sales.

That makes professional extortion expertise essential for any business under threat. Malicious acts are covered automatically under PRDEF and CPI.

- A world-leading consultancy support
- Ransom monies and reward monies
- Forensic analysis
- Travel, accommodation and negotiation costs
- Medical and hospitalisation costs
- Interpreter costs
- Increased security costs



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