

Recall: Why Product Recall Insurance is so important for the Complementary Health Industry



What is Product Recall Insurance?

This type of insurance is designed to suit manufacturers and suppliers of products in the Complementary Health Industry with protection against a number of related costs associated with a recall of a product from the marketplace.

Such a recall might take place as the Business owner has chosen to do so voluntarily, it could also be an Industry body who recalls it, even a State/Federal Government, or other Regulatory Authority.

A product recall may take place due to a safety or quality concern connected with the manufacturing of the product, a design defect, and the possibility that the product may cause physical harm to consumers. Even an incorrect label may require a recall of a product.

Recalls may also negatively affect a company's brand and can be costly as the firm's reputation may be damaged and this is an additional unfortunate outcome. Product Recall Insurance is an essential element for the overall risk management of your business.

Product Recall Insurance Cover – Event Types

- **Accidental Contamination** - caused by human error which may lead to a product recall. The error could occur during the process of preparation, production, manufacture, packaging or distribution. The contamination could be geographically widespread anywhere in the supply chain.
- **Mislabelling** - where the ingredient listing does not meet the mandatory requirement or was inaccurate or incomplete.
- **Malicious tampering** - wrongful alteration whether by a disgruntled employee or other party with the intention of creating bad publicity.

- **Product Extortion** - for the purpose of ransom. This is something every business fears because of the adverse publicity. It often comes as a threat with little indication of how credible the threat is.
- **Government recall** - Due to product safety problems. Perhaps a manufacturing error or change by Government Authority regulating allowed ingredients.

There can be significant costs incurred when a business faces a recall. These costs are not restricted to the obvious ones such as the cost of the recall itself and the loss of product.

What are the types of Product Recall expenses that can be covered under a Stand-Alone Product Recall Policy?

- The costs associated with recalling the product from the market
- Any extortion costs made against the product
- Rehabilitation costs incurred to re-instate your Brand and Product
- Costs associated with engagement of specialised consultants such as Public Relations experts
- Business Interruption cover to protect your loss of profits during the recall which has impacted the Businesses productivity
- Third Party costs (maybe authorised distributors, retailers, etc.)
- One of the larger and perhaps not recognised costs, can be the advertising in National Media, such as Newspapers (one recent claim we have assisted with was the requirement of the Government Authority ordered recall. This was a labelling issue, so an advertisement was placed in every State & National newspaper). The cost for the combined ads were \$55,000.
- Some insurers also provide In-house claims personnel available 24-hours-a-day, 7-days-a-week, dedicated to crisis management claims as a result of Product Recall

And if you think it will never happen to us, a good reference point for the extent of recalls, please refer <https://www.productsafety.gov.au/recalls> website.

The insurance cost is minimal when compared to the consequences of the unexpected. If you are unsure about your current coverage and need a professional advisor to review your policy or risk, please contact the friendly team at IME Insurance Brokers - Insurance Made Easy for personal assistance to discuss your own individual circumstance **1800 641 260** or visit us at www.imeinsurance.com.au



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