

Product Recall/Contaminated Product Insurance

An interactive digital guide for Brokers



Start >

PRODUCT OVERVIEW	GLOBAL MARKET OVERVIEW	WHAT DO TARGET CUSTOMERS LOOK LIKE?	UNDERSTANDING THE EXPOSURE	WHY BUY CPI?	MANAGING OBJECTIONS	CLAIM SCENARIOS	WHY AIG?	CONTACT US
PRODUCT OVERVIEW	EXTENSION VS STANDALONE	COVERAGE HIGHLIGHTS						

PRODUCT OVERVIEW

Contaminated Product Insurance (CPI) is designed to protect companies against the financial loss caused by a product contamination, whether accidental or malicious.

Offered through AIG, CPI helps manage the effects of a recall; covering key expenses and providing the expertise of world renowned crisis management and public relations consultants to guide clients throughout the critical, first few weeks of a product recall.

Did you know?
Contaminated Products Insurance is commonly referred to as Recall in the market.



Identifying gaps in policy where Contaminated Products Insurance can provide cover

Policy Gaps*		Contaminated Products Insurance**
Product Liability	Damage to product is excluded.	Contamination to products, which occurs during, or, as a result of production can be covered; Loss may include replacement costs.
Property	Manufacturing or processing operations which result in damage to stock or materials being processed, manufactured or otherwise being worked upon are excluded.	
Stock Throughput (STP)	Loss or damage to subject-matter insured, solely caused by such process (i.e. manufacture, conversion, treatment and the like) is excluded.	Malicious product tampering, committed by an employee of the insured, may be covered.
Marine Cargo	Loss, damage or expense attributable to willful misconduct of the insured is excluded.	Malicious product tampering, committed by an employee of the insured, may be covered.
	Loss, damage or expense caused by insufficiency or unsuitability of packing or preparation of the subject-matter insured is excluded.	Contamination to products, which occurs during, or, as a result of packaging can be covered; Loss may include replacement costs.

*conditions may vary per insurance policy

**subject to the terms and conditions of the policy

PRODUCT OVERVIEW	GLOBAL MARKET OVERVIEW	WHAT DO TARGET CUSTOMERS LOOK LIKE?	UNDERSTANDING THE EXPOSURE	WHY BUY CPI?	MANAGING OBJECTIONS	CLAIM SCENARIOS	WHY AIG?	CONTACT US
PRODUCT OVERVIEW	EXTENSION VS STANDALONE	COVERAGE HIGHLIGHTS						

EXTENSION VS STANDALONE

Difference from Product Recall Extension

	Product Recall Extension *	Standalone CPI cover
Coverage	Recall expenses are limited to specific expenses defined	CPI covers all “reasonable and necessary costs” listed
Trigger	Trigger is “has resulted” in bodily injury and property damage	Triggers are “has resulted” or “would result” in bodily injury or property damage
Situation	Products should no longer be in the insured’s possession	Products may be within or away from the insured’s possession
Type	First party cover, being offered under a third party policy	First party cover, but may extend to cover third party recall cost
Limit	Sub-limited; forming part of, and not in addition to, the liability policy limit	Higher limit options may be provided

Subject to the full terms and conditions of the policy
 *Conditions may vary per insurance policy or provider

PRODUCT OVERVIEW	GLOBAL MARKET OVERVIEW	WHAT DO TARGET CUSTOMERS LOOK LIKE?	UNDERSTANDING THE EXPOSURE	WHY BUY CPI?	MANAGING OBJECTIONS	CLAIM SCENARIOS	WHY AIG?	CONTACT US
PRODUCT OVERVIEW	EXTENSION VS STANDALONE	COVERAGE HIGHLIGHTS						

COVERAGE HIGHLIGHTS

CPI protects businesses from the potentially devastating effects of an insured event.

Insured Events:

- Accidental Contamination
- Government Recall
- Malicious Product Tampering
- Product Extortion
- Adverse Publicity
- Intentionally Impaired Ingredients

Cover highlights include:

This comprehensive cover provides the vital financial support for getting your client’s business back on track.



 <p>Crisis Consultant Costs</p>	 <p>Recall Costs</p>	 <p>Destruction Costs</p>	 <p>Replacement Costs</p>
 <p>Product Extortion Costs</p>	 <p>Business Interruption Costs</p>	 <p>Redistribution Costs</p>	 <p>Rehabilitation Costs</p>

GLOBAL MARKET OVERVIEW

In 2019, Europe reported on average 22 food and beverage recalls per week¹, while in the US, a total of 337 food and beverage recalls were issued for the year - an average of six per week³.

Recall numbers only reflect consumer level recalls and don't capture product withdrawals or trade level recalls - which also carry significant costs. Yet, many food and beverage companies are still uninsured or underinsured for product contamination or mislabeling, which are the most common triggers for a recall.

Product recalls are expensive and occur often

For large companies that have faced a recall in the past five years, 77% of respondents to a recent Grocery Manufacturers Association (GMA) poll estimate the financial impact to be up to \$30 million USD; 23% reported even higher costs².

Regulatory oversight is increasing

After a widespread product recall of frozen berries due to Hepatitis A contamination in 2016, food labelling legislation was reviewed, as it was believed all packaged food for retail sale must display country of origin, including a breakdown of the proportion of ingredients sourced from Australia.



Global supply chains are increasingly complex

Supply chains can be a complex combination of direct and indirect suppliers for any one food outlet.

The more suppliers used by an outlet, the higher the risk of inconsistency in quality and interruption to supply not to mention a much broader network of control mechanisms required to maintain food safety standards.

Latest Statistics for Australia⁴

63% SINCE
2011

Food recalls are on the rise

The number of recalls in Australia per annum has risen 63% since 2011 - this trend indicates that the system to safeguard the food supply is working.

109 RECALLS
IN 2020

Considering the population of Australia compared to the US, the number of average recalls per week is significant.

86% RETAIL
SALE

Consumer level recalls (products that have been made available for retail sale) account for 86% of all recalls in Australia between 2011 and 2020.

42% 

The largest proportion of recalls was due to undeclared allergens (the largest allergen found was milk) and the trend for this cause and microbial contamination (e.g. Listeria, Salmonella) is increasing.

1. [Rapid Alert System for Food & Feed Annual Report 2019](#)

2. Capturing Recall Costs, 2011 report by the Grocery Manufacturers Association, Covington & Burling and Ernst & Young.

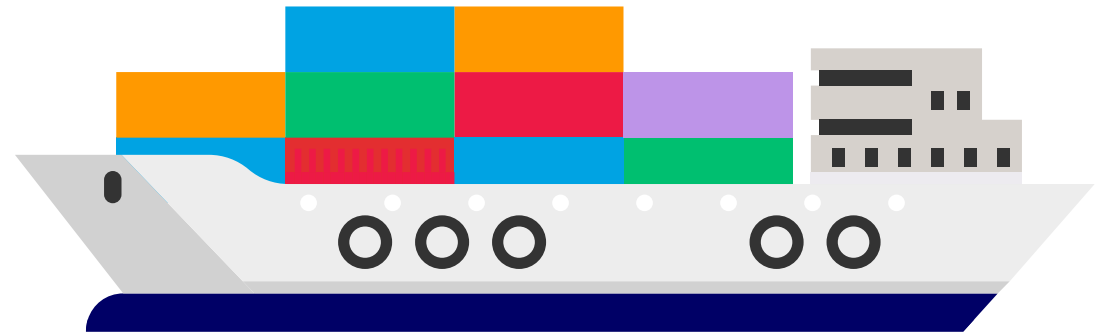
3. [Food Safety Magazine, March 2020](#)

4. [Food Standards Australia New Zealand, Recall Statistics, May 2021](#)

WHAT DO TARGET CUSTOMERS LOOK LIKE?

AIG can insure companies in the following categories, regardless of their size or annual revenue, provided they meet certain minimum underwriting criteria.

Any company that manufactures, imports, or distributes food, beverages or raw materials, is at risk of a contamination or mislabeling event – which can trigger a product recall.



Manufacturers

The vast majority of product contamination incidents occur during manufacturing, whether due to manufacturing error, malicious acts or contaminated ingredients. Product contamination events can happen to any manufacturer, regardless of size, manufacturing technology or product.



Private Label Owners

Private label owners are at risk to the extent that they do not have recourse against the party that caused the contamination (typically the manufacturer or distributor). Usually, the lack of recourse is caused by the bankruptcy of the party at fault or uncertainty regarding the cause of the contamination. In cases of malicious product tampering (including extortion), the label owner may be directly targeted.



Contract Manufacturers

Contract manufacturers produce products that are sold under another company's label. They may be held responsible by their customers for third party losses, such as loss of profits resulting from a contamination.



Distributors & Retailers

Although less frequent, contaminations do occur during distribution. Retailers, in particular, handle certain exposed products at the salad bar, delicatessen, dairy counter and more. Large retailers are often perceived as “deep pocket” targets and have been subject to actual or threatened malicious product tampering for financial gain (extortion).



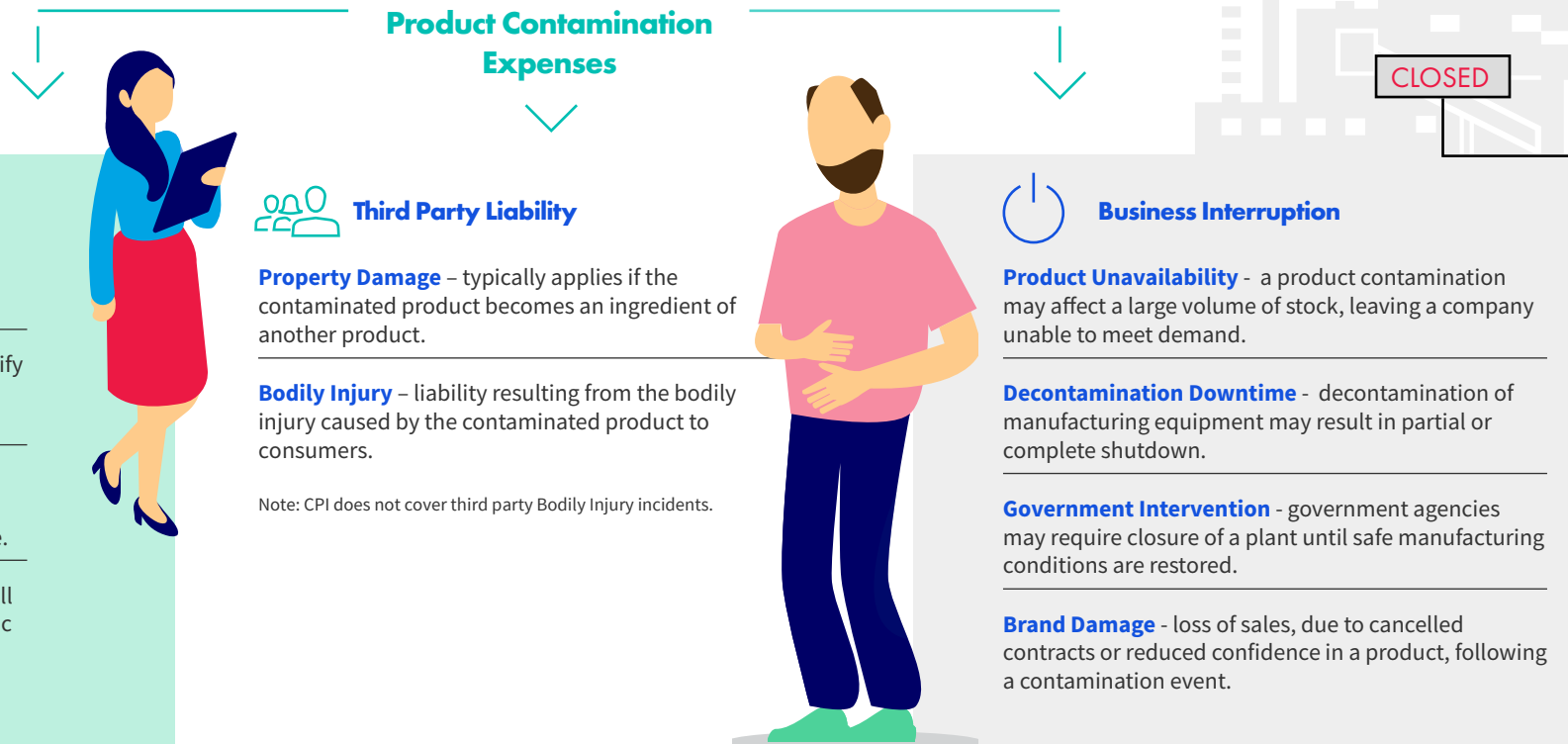
Importers of Food Products

Companies that import products manufactured overseas may be liable for recall and destruction of contaminated products. Such costs, plus the value of the contaminated product may be recovered from the manufacturer, provided it assumes responsibility for the contamination and can bear such costs. Act or threat of malicious tampering may be focused on a company or a certain product.

UNDERSTANDING THE PRODUCT CONTAMINATION EXPOSURE

The direct costs of recalling a product are only a fraction of the total financial impact a business can suffer. Our protection goes well beyond meeting the conventional recall charge, and can be tailored to the unique needs of your business.

Aside from the immediate financial costs of a product recall, negative brand image (often exacerbated by social media) and reduced perception of quality, can have long-lasting, negative effects on business performance.



WHY BUY CPI?

Clients who have not yet made the decision to buy CPI need to understand the extent of their potential exposures and the protection offered by the insurance. Here are some suggested discussion points:



Theme

Contaminations cause product recalls

Discussion

Companies often mistake product contamination with product recall. They are not the same. A product recall is only one potential consequence of a product contamination. Contaminations are complex events with multiple consequences including property damage, business interruption and third party liability.

Acting quickly is critical

A company's response in the first 48 hours of a product contamination event is critical. It involves understanding the nature and extent of the contamination, developing a response, communicating with government agencies and distributors and managing the reputational impact on customers. Exporting companies may have to respond to contaminations abroad, in an unfamiliar environment and a foreign language.

Theme

The bigger the brand, the higher the potential to be maliciously targeted

Discussion

Large companies may have a strong balance sheet and a diversified portfolio of products. A product contamination may lead to a loss of public confidence in a brand, erasing years of investment. Popular brands may become targets for malicious tampering because of the significant media coverage of these types of incidents. Extortionists target "deep pocket" companies that are vulnerable to negative publicity.

Recourse against suppliers is not always an option

Damage recovery from suppliers depends on their financial stability and willingness to assume responsibility for a contamination. A supplier may face multiple claims, which if aggregated, may exceed the supplier's capacity to pay such damages. Suppliers may also dispute responsibility for damages and make recovery a protracted and expensive process, particularly for foreign suppliers.

Regulatory oversight is increasing

Recent contamination events demonstrate an increasing willingness of government agencies to take an active role, especially when the source of contamination or the affected stock cannot be identified. In order to ensure consumer safety, government agencies can extend the scope of recall or suspend production at affected plants.

MANAGING OBJECTIONS

But...

This is an interactive page.
Click each icon to read helpful responses to the objections

CLAIMS SCENARIOS



Confectionery

Contaminant: Bacteria

A small company received a large quantity of a salmonella-contaminated ingredient, which was used across a wide range of products. The finished products did not test positive for salmonella. The company initiated a country-wide precautionary recall upon notification from the supplier.

The total cost of the incident (recall costs, contaminated product, and loss of sales) approached 20% of the annual sales of the company. There was no recourse, as the supplier declared bankruptcy after facing multiple claims. Unfortunately, the company also declared bankruptcy.



Sauce

Contaminant: Allergen

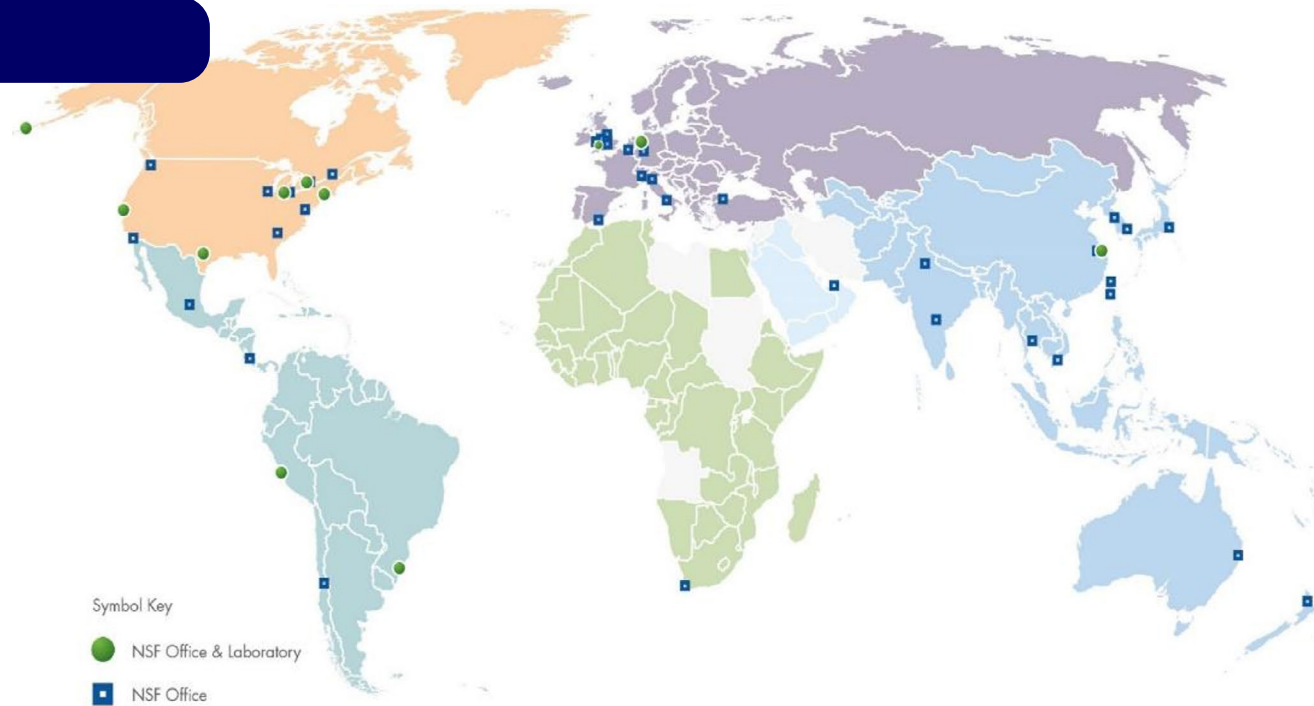
As a result of a consumer experiencing a severe allergic reaction, a manufacturer of canned sauces was notified that dairy products may be present in their sauce product. An internal investigation revealed that an ingredient supplier had reformulated their seasoning blend, but did not include dairy on the ingredient list.

The sauce manufacturer had to recall thousands of cases of the canned product that contained the undeclared dairy allergen.

WHY AIG?

AIG was the first company to provide Contaminated Product Insurance almost 40 years ago. Today, AIG remains a market leader and this product continues to be the market standard around the globe.

AIG has outstanding underwriting expertise, best in class loss prevention and a highly experienced, dedicated claims team.



Deep understanding

40 years in the business provides unmatched underwriting experience and understanding of product contamination risks. AIG's dedicated product contamination engineering team gives the company a unique perspective into the latest developments in the food and beverage industry.



Local expertise

AIG has one of the largest and highly collaborative specialised CPI underwriting teams in the world, combining global expertise with a local perspective on the risks facing the food and beverage industry. AIG offers world class coverage delivered in local language forms, adapted to each market.



Dedicated claims team

AIG offers its clients the support of a dedicated claims team. The team is experienced in complex product contamination claims and comes with local service capabilities across the company's extensive international network.



Exclusive, best in class crisis management support

AIG clients have 24/7 exclusive access to a worldwide network of top class crisis management consultants. Access to leading food safety, security and public relations consultants can help clients make the best decision when managing a contamination event.

CONTACT US



Sydney

Claire Richards

Crisis Manager, Australia

T: +61 2 9240 1778

M: +61 466 778 248

E: claire.richards@aig.com

Brett Solway

Senior Underwriter

T: +61 2 9240 1795

M: +61 435 151 788

E: brett.solway@aig.com

Melbourne

Olivia Chung

Senior Underwriter

T: +61 3 9522 4518

M: +61 434660 283

E: olivia.chung@aig.com

NSF International

Oceania

T: +64 9 366 4690

E: nzinfo@nsf.org

aig.com.au

American International Group, Inc. (AIG) is a leading global insurance organisation. Building on 100 years of experience, today AIG member companies provide a wide range of property casualty insurance, life insurance, retirement products, and other financial services to customers in more than 80 countries and jurisdictions. These diverse offerings include products and services that help businesses and individuals protect their assets, manage risks and provide for retirement security, AIG common stock is listed on the New York Stock Exchange.

This document is provided as a general overview of the subject matter and should not be taken as providing any specific advice, legal or otherwise, or relied upon to determine policy coverage. The precise scope and breadth of policy coverage is subject to the specific terms, conditions and exclusions of the policy wordings and any applicable module extension(s). Availability and terms and conditions of coverage are subject to underwriting and application criteria of modules is subject to underwriting approval. Information shown is as at July 2021 and is subject to change. In Australia, insurance is issued by AIG Australia Limited ABN 93 004 727 753, AFSL 381686. AIG is the marketing name for the worldwide property-casualty, life and retirement, and general insurance operations of American International Group, Inc.

For additional information, please visit www.aig.com.au

©AIG – all rights reserved