



NOVISM Product Recall Cost Estimator

Product recalls are rapidly becoming a common occurrence in the food and beverage industry. As international supply chains continue to expand in complexity, so do risk exposures, increasing the likelihood of a product contamination.

The number and magnitude of product recalls around the world has increased significantly in recent years and with amplified accessibility to media people are also becoming much more informed of such events. However, the recall itself is only one of the potential consequences of a product contamination.

Australasian Recalls

AIG's analysis of data suggests there have been 368 food and beverage recalls occurring in both New Zealand and Australia between 2008 and 2013.

This implies an average of five recalls occur every month across the two countries.

New Zealand Recalls

According to the New Zealand Ministry of Primary Industries there have been 61 food recalls in the past two years.

This indicates that on average, there are more than two recalls every month.

Financial Impact

Affected companies often report the volume of recalled products, but rarely disclose the real cost of contamination incidents. Government agencies monitor product contaminations and can force companies to take corrective action ranging from product recall, extended product recall, or suspension of production.

In addition to recall costs, a product contamination can cost food and beverage manufacturers millions of dollars. They are often subject to regulatory compliance, lost profit, decontamination costs and prolonged manufacturing delays, not to mention long-term brand damage to an entire product category.

Ingredient contamination can be particularly costly and, with today's global supply chains, can impact even those who do not think they are at risk.

Boiling it down to one number.

NOVISM estimates the financial impact of a product recall caused by an accidental product contamination. It does this by calculating the largest probable loss arising from an accidental product contamination that occurs during production at the plant level, assuming failures of critical control points in the sourcing or manufacturing of the company's product.



NOVISM Product Recall Cost Estimator
Web-based Service Overview

NOVISM Product Recall Cost Estimator

Knowing your risk starts with knowing your exposure.

AIG has developed this free and confidential estimator to help businesses better understand their risk and help make better decisions to protect their customers, their supply chain, and their bottom line.

In insurance terms, the NOVISM Estimate is also known as a Probable Maximum Recall Loss. It includes the value of contaminated products, recall expenses, destruction costs and lost profit associated with the contaminated products.

AIG's methodology is based on an extensive analysis of thousands of recall incidents, insight from over 25 years of interaction with food and beverage manufacturers worldwide, and input from leading food safety consulting companies.

AIG's goal is for NOVISM to provide a confidential, objective and accurate reading of the product recall risk, allowing companies to:

- Better understand potential recall exposure;
- Determine the split between the amount of product recall exposure retained on the balance sheet vs. the risk transferred via insurance;
- Better manage third party volumes or contractual indemnity provisions, by measuring the recall risk at the supplier or contract manufacturer level.

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