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Costs can exceed recall expenses, hitting the supply chain and leaving businesses out of pocket

Contaminated Products insurance

Claim examples

Companies operating in the food, beverage, pharmaceutical and cosmetic industries are all potentially exposed to the need to carry out a product recall.

When providing ingredients or distributing ready-to-eat products, significant costs can arise if the items are found to be unsafe for consumption and need to be recalled. These costs extend beyond the direct expenses associated with the company's recall efforts; they can also impact the supply chain, leaving many businesses financially out of pocket.

As these claims examples demonstrate, Contaminated Products insurance from Liberty can help to offer protection for a wide range of costs including:

- Recall expenses
- Product replacement costs
- Product disposal costs
- Rehabilitation expenses
- Retailer and customer recall costs
- Transport and destruction costs
- Loss of gross profits
- Consultant and advisor costs

Consider these claim examples



Recall of cake mix

Estimated annual turnover
US\$34m

A range of allergen free cake mixes were recalled due to sesame being introduced via a raw material. Sesame is an allergen and any consumer with a sesame allergy may have had a reaction if the product was eaten.

Total paid	US\$341,000
Replacement costs	\$187,000
Advertising costs	\$25,000
Inspection and testing costs	\$50,000
Third party recall costs	\$79,000

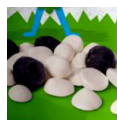


Recall of milk powder

Estimated annual turnover
US\$1m

Milk powder was recalled due to the possibility of pathogen bacteria. Consumers may have experienced symptoms such as seizures and inflammation if the product was consumed.

Total paid	US\$1,000,000
Replacement costs	\$850,000
Recall costs	\$150,000



Recall of baby yoghurt drops

Estimated annual turnover
US\$20m

The yoghurt snack was recalled due to the size of the pieces of fruit in it which posed a choking risk for infants below 18 months of age.

Total paid	US\$525,000
Public relations consultant costs	\$50,000
Replacement costs	\$250,000
Recall expense	\$200,000
Pre-recall costs and testing and analysis costs	\$25,000



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Recall of spring rolls
Estimated annual turnover
US\$7m

A range of frozen spring rolls were recalled due to undeclared allergen. Peanut oil was substituted for vegetable oil in the production process, and not declared on the label. Anyone with a peanut allergy may have had a reaction if the product was consumed.

Total paid	US\$340,000
Loss of profit and rehabilitation	\$144,000
Replacement costs	\$141,000
Retailer and customer recall costs	\$55,000



Recall of chicken sandwiches
Estimated annual turnover
US\$3.7b

Bone fragments were discovered in chicken sandwiches, which were supplied by the insured to one of the largest coffee chains in the USA. The insured and their customers had to recall approximately 2000 pounds of chicken mince and multiple batches of chicken sandwiches.

Total paid	US\$5,000,000
(policy limit reached)	\$11,000,000
Finished goods disposal costs	\$1,000,000
Transportation costs	
Disposal of raw materials	\$5,000,000
Storage costs	\$920,000



Recall of mooncakes
Estimated annual turnover
US\$10m

All batches of these mooncakes were recalled after detecting high levels of a bacterium linked to food poisoning. Consumers may have experienced symptoms such as nausea, vomiting, stomach cramps and diarrhoea if the product was eaten.

Total paid	\$287,000
Business interruption	\$221,000
Replacement costs	\$15,000
Recall and disposal costs	\$51,000

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