

Contaminated Products Insurance claims 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 supplying major supermarkets, costs of a product recall can be significant. It is not just the direct costs incurred by the company in recalling their product, there are also third-party recall costs which are incurred by the retailer. The significant financial impact of a product recall leaves many businesses out of pocket.

As these Australian claims examples demonstrate, Contaminated Products Insurance from Liberty Specialty Markets (Liberty) can offer protection for a wide range of costs including:

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



Recall of cake mix

Estimated annual turnover \$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 consumed.



Recall of ice cream

Estimated annual turnover \$30m

Ice cream provided to Coles and IGA was recalled due to small metal pieces in the ice cream. Metal fragments may cause injury if consumed.



Recall of spring rolls

Estimated annual turnover \$7m

A range of frozen spring rolls were manufactured in China. Peanut oil was substituted for vegetable oil in the production process, and not marked on the label. Anyone with a peanut allergy may have had a reaction if the product was consumed.

TOTAL PAID: \$385,000

Replacement costs:	\$187,300
Advertising & testing costs:	\$118,700
Retailer & customer recall costs:	\$79,000

TOTAL PAID: \$648,277

Customer credits:	\$421,642
Stock on site:	\$150,817
Recall expense:	\$72,809
Additional wages:	\$3,010

TOTAL PAID: \$340,000

Loss of profit & rehabilitation:	\$144,000
Replacement costs:	\$141,000
Retailer & customer recall costs:	\$55,000



Recall of frozen meals

Estimated annual turnover \$9m

Frozen meals recalled due to a microbial Salmonella contamination.



Recall of pesto

Estimated annual turnover \$147m

The product supplier substituted cashew nuts with peanuts in two types of pesto. This wasn't declared on the labels. Any consumer with a peanut allergy or intolerance may have had a reaction if the product was consumed.



Recall of dried fruit vines

Estimated annual turnover \$69m

Dried fruit vines were provided to Coles, Woolworths and IGA. These were recalled due to broken glass found in the trays.



Recall of tofu

Estimated annual turnover \$10m

Recall due to incorrect labelling not declaring nuts in the product. Any consumers who have a nut allergy or intolerance may have had a reaction if the product was consumed.

TOTAL PAID: \$1,000,000

Replacement costs: \$858,913

Retailer & customer recall costs: \$526,121 (policy limit reached)

TOTAL PAID: \$428,084

Replacement costs: \$221,095

Recall expense: \$203,381

Pre-recall costs: \$3,608

TOTAL PAID: \$78,995

Replacement costs: \$71,667

Loss of gross profit: \$7,328

TOTAL PAID: \$209,700

Business interruption: \$198,877

Replacement costs: \$10,823

Global reach. Financial strength. Local authority.

Distinct, complex and constantly evolving – every business is as unique as its insurance needs. To confidently progress in the face of risk and uncertainty requires a level of security you can only achieve through working with specialists.

Liberty Specialty Markets offers a breadth of world-class insurance and reinsurance services to brokers and insured clients. We bring value and solutions to more than 26,000 of Asia Pacific's most significant business and government organisations – helping protect what they earn, build and own.

We're part of the global Liberty Mutual Group, a Fortune 100 company that's been in business since 1912 with a Standard and Poor's 'A' rating.



Connect and join the Liberty conversation

 View our office locations

 Meet our Crisis Management team members

This document is intended to broadly illustrate the kinds of exposures a business can face from Contaminated Products claims. It is not a comment on insurance coverage available from Liberty. You should not rely on this information without first obtaining professional advice. This information is current as at April 2024. **Liberty** means Liberty Specialty Markets, a trading name of Liberty Mutual Insurance Company, Australia Branch (ABN 61 086 083 605; AFSL No. 530842 (for claims handling and settling services only)) incorporated in Massachusetts, USA (the liability of members is limited); Liberty Specialty Markets Hong Kong Limited (UBI 66395065); Liberty Specialty Markets Singapore Pte Limited (UEN 201538069C); and Liberty Specialty Markets Singapore Pte Limited, Labuan Branch (Company No. LF12903), a licensed insurer under the Labuan Financial Services and Securities Act 2010 (Licence No. IS2016162).