

## Contaminated Products Insurance spoilage claims examples

### Companies operating in the food and beverage industries are exposed to the risk of having to carry out a product recall due to quality issues.

Food safety is always on the top of our minds and the Liberty Specialty Markets (Liberty) Contaminated Products Insurance (CPI) policy provides comprehensive protection for companies in the event of a food safety related recall.

Apart from food safety issues, Liberty understands that it may also be necessary to withdraw a product which has been deemed unfit for sale due to quality issues such as changes in taste, odour, texture or labelling. In these circumstances, the product supplier will initiate a voluntary product withdrawal that incurs unexpected expenses.

### Unique extension for quality issues

Liberty provides a unique coverage extension in our CPI policy – Spoilage that offers our clients protection for product quality or spoilage issues including:

- ▶ Product inspection and testing costs
- ▶ Retail slotting fees
- ▶ Stock replacement costs
- ▶ Business interruption
- ▶ Product disposal costs

We offer a sublimit of US\$75,000 in our policy and will consider higher limits for Spoilage subject to additional premium. Please reach out to us or your broker for more information on our CPI and Spoilage coverage.

### Spoilage product recall claim examples



#### Recall of cakes

##### Estimated annual turnover US\$24m

Faulty packaging of a range of lemon, raspberry loaf cakes caused moisture to build up and mould was detected in the cakes.

#### Net paid

The maximum sublimit of \$100,000 was paid, with the total claim of replacement costs exceeding \$225,000.

**US\$100,000**



#### Recall of biscuits

##### Estimated annual turnover US\$80m

A weevil outbreak in the manufacturing plant caused an infestation of beetles in multiple bags of raw materials and production lines. Production was shut for one week for cleaning and decontamination.

#### Net paid

The maximum sublimit of \$250,000 was paid which included Loss of Gross Profits, extra labour costs, pest control treatment and disposal of affected products.

**US\$250,000**

## Spoilage product recall claim examples



### Recall of UHT products

#### Estimated annual turnover US\$250m

Consumers complained about the “bitter taste” of the product. Insured identified the source of the problem to be a faulty stabiliser added to the product in the premix.

#### Net paid

The maximum sublimit of \$250,000 was paid, with the total claim cost amounting to more than \$1,000,000 which included Loss of Gross Profits, cleaning process, and replacement costs.

US\$250,000



### Recall of milk powder

#### Estimated annual turnover US\$50m

Weevils were found in the milk powder upon receipt by the customer. Investigation showed that source of the weevils was from the insured's warehouse.

#### Net paid

Claim costs were limited to the replacement costs of the milk powder, amounting to approximately \$85,000.

US\$85,000



### Recall of chicken nuggets

#### Estimated annual turnover US\$50m

A product with a spicy profile was manufactured before the affected product, and a defect in the cleaning system lead to traces of the spicy flavour found on the chicken nuggets.

#### Net paid

Claim costs included inspection and retail slotting fee of \$15,000 and product replacement costs of \$45,000.

US\$60,000

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