

Product Withdrawal Endorsement

Why purchase this cover?

A recent review of typical incidents reported to Liberty Specialty Markets (Liberty) revealed that many of our clients have experienced withdrawals from retailers' shelves due to quality related issues.

The withdrawal of their products from supermarket shelves incurs significant costs for clients; however, these 'product withdrawals' do not trigger our Contaminated Products insurance (CPI) policy, since the contamination of the product would not cause bodily injury if consumed.

Liberty Crisis Management has responded to this significant gap in the cover typically available in the market with our Product Withdrawal Endorsement.

How does our Product Withdrawal Endorsement compare with a typical CPI policy?

Liberty's Product Withdrawal Endorsement has several key benefits:

- ▶ Provides for costs and expenses imposed by retailers for the withdrawal of a client's product because of a manufacturing error
- ▶ No requirement that the manufacturing error would cause bodily injury
- ▶ Requirement is only for manufacturing error; no contamination is required
- ▶ Inclusion of defence costs

How often do these types of losses occur?

We know that more than 50 percent of the contamination incidents experienced by our clients resulted in a product withdrawal because of a quality issue, with no food safety implications, rather than a recall because consumption of the product would cause bodily injury.

The withdrawal expenses charged by retailers can often add up to over \$100,000, and clients will also incur expenses replacing the withdrawn product.

This potentially amounts to a large number of uninsured losses.

What is a typical example of a quality-related food withdrawal?

Scenario 1

A quality-related food withdrawal impacted a client who had manufactured yoghurt for many years without incident. One day, the client received a phone call from one of their retailers advising the product had a faulty lid, which was not closing correctly. There was no likelihood of any consumers becoming ill, but the faulty lid could adversely impact the flavour of the product.

At the end of the call, the retailer advised the client that they were formally withdrawing the product from their shelves and that the client would be charged for the cost of this.

Scenario 2

A client who manufactures snack foods inadvertently packaged a particular flavour of potato chips in the wrong packets. The retailer discovered the client's mistake. There was no likelihood of any consumer becoming ill; however, the retailer deemed the product unfit for sale.

The retailer advised that they were withdrawing the product from their shelves and that the client would be charged for the costs of this.

Can these costs be covered?

Yes. Liberty's Product Withdrawal Endorsement has been specifically designed to respond to certain types of incidents that are unrelated to food safety issues.

Rather than rely on bodily injury as a requirement for the trigger, this new endorsement requires:

- ▶ A manufacturing error to have occurred; and
- ▶ A retailer to have instigated the withdrawal of an insured product.

There is no requirement for any actual or potential bodily injury.

What losses are not covered by the Product Withdrawal Endorsement?

The endorsement does not cover the insured's own recall costs, business interruption or rehabilitation expenses. Replacement Costs are limited to the Insured Product no longer in the possession of the Insured.

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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' (strong) rating.

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