

Preparing for the worst

Product recall insurance is a significant component of Liberty's crisis management offering – and it's crucial for fast-moving consumer goods businesses. Liberty's **Donna Niblock** explains why

IN THE FOOD and beverage market, brands live and die by their reputation and the level of consumer trust they inspire. A fundamental building block to establishing trust with consumers is ensuring that products in the marketplace are reliable and safe for consumption.

To ensure this, manufacturers are required to have robust quality control processes; a good supplier vetting process; and an effective, rigorous and periodically tested recall management plan. Traceability is also crucial – manufacturers must know where their products are and how to have them returned expeditiously in the event of a

product safety incident.

Product recalls can be a challenging process for affected businesses, and Donna Niblock, assistant vice president of crisis management at Liberty Specialty Markets, believes it's only going to become more challenging in the future. During her time working in the crisis management team, she has seen hundreds of claims come through the door and has watched the market evolve.

"As a senior member of the crisis management Asia-Pacific team, I've been involved in a sizeable proportion of the product recall claims that we've managed in Australia, whether that be liaising with the broker and

client in relation to the steps involved in the claims process, triaging the incident with our consultants to ensure the client has the right people on the job, or dealing with our claims team," Niblock says.

"It's a more uncertain time for food manufacturers on this front than ever before. The complexities of the modern world have thrown up a number of exposures that simply didn't exist in decades past. Food manufacturers now have to manage their brand in the context of proliferating social media, greater consumer expectations, more detailed regulatory requirements, participation in a global supply chain that is more complex than ever before, and the increasing exposure to cyber risks."

The issue ultimately comes down to how much loss (whether financial or reputational) the manufacturer can bear if a recall occurs and they have no insurance cover. Under the Australian Consumer Law, if a product recall is required, the supplier must stop selling the product, inform the relevant authorities of the problem, warn consumers of the hazards, and offer the consumer replacement, repair or refund of the product.

"All of this can be very expensive, and if the first recall is not done properly, it can be very costly for the supplier," Niblock says.

Boosting broker awareness

Brokers need to be aware of emerging risks within the field and offer insurance solutions that can add value. Niblock sees brokers as crucial to the education process, particularly when companies are purchasing crisis management cover for the first time.

"Brokers often need to educate their clients about crisis management policy coverage and explain the benefits," she says. "As a leading insurer in this space, it's our job to make sure brokers have enough information to be able to confidently explain why a company should buy the cover."



Similarly, having a good grasp of policy coverage is crucial for brokers to avoid misunderstandings and misinterpretation. With claims varying in size from \$50,000 to multimillion-dollar figures, it's important that everyone is clear on coverage details.

"We know, for example, that product recall claims are emotional for the client, and having potential coverage issues early on only adds more stress to the process," Niblock says. "Accordingly, we work to educate brokers and clients alike to avoid situations in which the broker and client thought the policy coverage worked in one way and then found out their assumptions were incorrect."

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Solutions of all sizes

Liberty has the largest crisis management team in Asia-Pacific, with underwriters located in Sydney, Melbourne, Brisbane, Singapore and Hong Kong. The team conscientiously works to make the underwriting and claims

process as simple as possible. One recent example is Liberty's new small business food and beverage cover, specifically designed for small to medium-sized manufacturers. This coverage is a first in Australia.

"We know that costs to withdraw or recall

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WHAT TO LOOK FOR IN CRISIS MANAGEMENT INSURANCE

Donna Niblock from Liberty Specialty Markets outlines three key considerations for brokers when looking for a crisis management insurance partner:



A solid understanding of what clients need and the ability to provide bespoke policy coverage to accommodate those needs



Local assistance in the event of a crisis or recall incident – for example, Liberty has a panel of Australian-based consultants, including food technologists, crisis management experts and media advisors, who can assist a client throughout the life cycle of a crisis or recall



Great claims service that gives clients immediate access to a claims team so that any challenges can be quickly addressed

a product can be expensive, so we've designed a product that responds to both withdrawals and recalls – withdrawal occurs where there is no threat of bodily injury, and recall is where there is a threat of bodily injury," Niblock explains.

"We've written all sizes of crisis management risks over the years, ranging from multinational corporations to SME manufacturers to boutique producers of a single yoghurt line," she adds. "A low-value claim might be an issue affecting a low-volume line of product, one that's only sold through a small number of retailers. Conversely, you have claims that go right up to the level of the Patties frozen berry recall of 2015. We estimate that event cost the client around \$9m, of which half was loss of earnings."

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Niblock also points to a more recent case handled by Liberty, where an undeclared peanut allergen in a product occurred as the result of peanut oil being used in the product instead of vegetable oil during overseas production. The local distributor had a turnover of approximately \$7m, and the recall cost them around \$350,000; at least half of this was loss of profits.

"This also raises an emerging claims issue," Niblock says. "When something goes wrong offshore, it's often very difficult to seek recourse from the manufacturer – for the local distributor that is relying on an overseas manufacturer, having the right insurance in place becomes even more crucial."

The future of product recall

Product recall is continually evolving. As a

leader in the space, Liberty is always looking for ways to provide better and more innovative solutions to clients. In the coming years, Niblock expects a number of new trends within product recall.

"We're seeing more reliance on the insurer to manage the process with the supplier," she says. "Early involvement is key to loss mitigation, so suppliers are now more open to having the insurer involved, as well as taking up the services of food technologists, media experts and other specialists."

Accordingly, Niblock believes it's the insurer's responsibility to have a team ready to respond when clients require it.

Another emerging trend Niblock has noticed is recalls as a result of allergens, largely due to an increase in imported raw

materials. The main reason for this is that offshore manufacturers are not always aware of the stringent regulation around acceptable levels of allowed allergens in products in Australia. The responsibility falls to the manufacturers to ensure that their suppliers are aware of acceptable levels in Australia and have robust vendor quality assurance programs in place.

Despite these hurdles, Niblock remains confident in Liberty's ability to rise to the challenge with unique offerings that enable the insurer to not only service existing customers, but also continue to expand.

"We have the capability to visit clients, educate them on their policy and also assist them in the event of a claim," she says. "I think that's quite unique in the Australian crisis management market." 

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