



Gallagher

Insurance | Risk Management | Consulting

PRODUCT RECALL COVERAGE: THE CRITICAL ROLE OF A SPECIALIZED INSURANCE BROKER



Product Recall



Introduction

In today's complex and fast-paced market, businesses face numerous risks, including the potential for product recalls and contamination. These events can have significant financial and reputational impacts. Therefore, it is crucial for businesses to secure comprehensive insurance coverage tailored to their specific needs. Coverage for product recall and contamination has evolved significantly over time. The power and reach of media and government authorities have attributed to changes, leading to a variety of different forms, each with distinct terms and conditions that vary from market to market. Each form is designed for different types of companies and risks.

Trusting this coverage to a novice broker has proven to be problematic. There are far too many examples of failed claims and Errors & Omissions (E&O) suits to mention, most of which stem from poorly researched and poorly designed coverage. The product recall and contamination insurance market is one of the very few markets that has different forms for different types of businesses, where each underwriter uses unique terms with definitions, each with particular nuances that can be missed by the untrained eye.

While some may consider placing insurance through wholesalers, partnering with an experienced broker like Gallagher offers distinct advantages. As a Gallagher client, you will have access to a deep bench and the expertise of a world-class team to ensure you receive the ideal advice, program and service.



The Importance of Specialized Expertise

Understanding coverage needs

Product recall and contamination insurance are specialized areas that require a deep understanding of the risks involved. An experienced broker like Gallagher possesses the expertise to assess a client's unique needs and recommend appropriate coverage options.

Unlike wholesalers who often forward an underwriter's standard coverages, Gallagher can customize insurance solutions to address specific risks, ensuring comprehensive protection.

Customized policy solutions

Gallagher's approach involves tailoring policies to align with the client's business operations and risk profile. This customization ensures that clients are not over-insured or under-insured, optimizing their coverage and cost-effectiveness.

Our brokers work closely with clients to identify potential gaps in coverage and provide solutions that mitigate those risks.

THE RISING CHALLENGES OF PRODUCT RECALLS

- **Businesses often underestimate the financial impact of a recall.**

The average cost to a mid-sized company that makes its own products for a food recall is approximately \$10M. The numbers increase if certain variables exist.

- **Product recalls occur often.**

US product recalls reached a high in 2024, with over 3,000 recalls affecting consumer goods, automotive products, food, pharmaceuticals and medical devices.

- **Regulatory insight is increasing.**

- **Global supply chains are becoming increasingly complex**

Multiplier Effect: The average number of companies that can be affected by a product recall continues to increase.



Dedicated Claims Support

Expert claims management

In the event of a product recall or contamination incident, having a dedicated team of Product Recall claims experts is invaluable. Gallagher provides clients with access to experienced claims professionals who guide them through the claims process, ensuring timely and efficient resolution.

This level of support is often lacking with wholesalers, who may not have the specialized claims expertise required for complex product recall situations.

Proactive risk management

Gallagher's claims team not only assists with claims but also offers proactive risk management strategies. By analyzing past incidents and industry trends, we help clients implement measures to prevent future occurrences, reducing their overall risk exposure. We offer support in every step of the claims process, including crisis preparation, crisis response, claims reporting, policy strategy, loss calculation and final/optimal payout resolution.

Navigating Policy Complexities

Hold harmless clauses

Many wholesalers' quotes include a hold harmless clause, which shifts the responsibility back to the retail broker and client to understand what is and isn't covered and what endorsements might be necessary to fit the coverage to the client's operations. This can lead to disappointment or a denial during the claims process.

Gallagher's brokers ensure that clients are fully informed about their policy terms and conditions, helping them navigate these complexities and avoid potential pitfalls.

Contractual guidance and insights

Gallagher's Product Recall practice goes beyond traditional insurance risk transfer by emphasizing best practices for contractual risk transfer with both suppliers and customers. This kind of loss mitigation strategy does not necessitate a premium payment. When a more in-depth analysis is needed, our team offers a unique advantage with access to our "food lawyer" (Steve Kluting), a resource that other brokers typically do not provide.

PRODUCT CONTAMINATION EXPENSES

- Property damage
- Third-party liability
- Business interruption

Comprehensive policy review

Our team conducts thorough policy reviews to identify any ambiguous or unfavorable terms. We work with clients to negotiate better terms and ensure that their coverage aligns with their risk management strategy.



Conclusion

Choosing the right insurance partner is critical for businesses facing the risks of product recalls and contamination. Gallagher's specialized expertise, customized policy solutions and dedicated claims support set us apart from wholesalers. By partnering with Gallagher, clients gain peace of mind knowing they have comprehensive coverage and a trusted advisor to guide them through the complexities of insurance.

Protect your business with the expertise and dedication of Gallagher and ensure your insurance strategy is as robust as your operations. To learn more about what makes our services unique, contact us today.