

ENTERING AN ERA OF COMPLEXITY

Three Trends Driving Product Recalls in 2026





In a more volatile and interconnected world, the nature of failing or contaminated product incidents is changing. In this article, we dive deep into three key trends shaping product recall.

- Social media has rewritten the rules of crisis communication. A single alarming post about a product can snowball, causing reputational damage.
- Complex food and drink supply chains can make it more difficult to detect a source of contamination.
- The rise of embedded software and a digitized supply chain mean recalls are no longer confined to physical defects.
- Policies tailored to a business' unique needs enhance the effectiveness of the recall process and protect brands and reputation.

The product recall and contamination insurance market has evolved significantly, and on multiple fronts, over the past three decades.

Originating in the 1990s as coverage primarily for malicious product tampering, Contaminated Products Insurance and Product Recall policies have matured to encompass a broad range of triggers; each designed to protect the company's balance sheets and brand when products are deemed defective or unsafe.

Expertise has expanded as well, with up to 25 underwriters offering coverages inclusive of accidental contamination, government mandated recalls and manufacturing defects. Many go a step further, tailoring policies to the specific needs of businesses and the sectors they operate within.

"In essence, the scope of risk varies based on your operations, supply chain, customer base, and overall diversification of risk up and downstream," says Adam Nisenon, who oversees Product Recall Strategy at Gallagher.

"Liabilities can also stem from indirect, associated risks," he adds. "As identifying the root-cause of a recall gets more complex, taking title to the product is more important than ever to understand the true exposure to your finances and [reputation](#)."

Against this backdrop, three emerging trends are poised to reshape the frequency and severity of recall claims in the year ahead.

1 Trend One: Viral Stories and Fake News on Social Media

Social media didn't exist in the late 1980s when AIG and Lloyds of London created the first malicious tampering product. Today, it is a major factor impacting upon how brands are perceived and their products judged. The rapid spread of information across online channels impacts brand imaging and makes it harder for companies to control the narrative when things go wrong.

With the rise in stakeholder expectations, the cost of failure has intensified: there is now faster escalation and more public accountability than ever before. Rising levels of mistrust add to the equation, making [behavioral practices like ethics and sustainability](#) as important as the product itself.

The primary financial risk for companies is reputational damage, explains Jake Heckman, Director of Product Recall at Gallagher, as consumers may permanently avoid buying products after a recall. "A major concern for a company today, whether it's producing cars or soup, is diminished consumer trust," he says. "People are less likely to buy your product if they fear it may be dangerous."

Social media has also rewritten the rules of crisis communication. A single alarming post can snowball into a frenzied "viral" moment that reaches millions before a company has had chance to draft its first holding statement.

Amid more frequent instances and increasingly varied sources of disinformation, product safety stories can have significant repercussions, even if they're completely fake or misrepresented. For example, videos of disgruntled employees pretending to contaminate or mishandle products can impact sales and cause a "lingering distrust, fueled by social media, which is a significant challenge for companies and plays a major role in shaping consumer behavior," according to Adam Nisenon.



The cosmetics industry: Riding a tricky trust wave

For deeply personal products like drugs and cosmetics, social media can be a game changer across multiple lines of engagement. On one hand, the influential reach to millions of users can make a product a name brand. On the other, even minor contamination may not be isolated or forgiven by customers as easily as in other sectors.

"The unpredictability of social media creates an incredibly challenging landscape for companies," says Harry Allhusen, Associate Director of Crisis Management at Gallagher.

"In some cases, even a triggered product recall incident could fly under the radar, allowing businesses to avoid significant fallout," he adds. "But on the flip side, a seemingly minor issue could cause massive reputational damage."



Preparing before headlines hit

Creating contingency plans based on recall scenarios and spelling out roles on how to isolate lots, notify partners and explain scope in plain language reduces the time to react and address the recall promptly.

In addition, consistently tracking how a company is perceived across owned, earned and social channels becomes central to recall readiness. It enables rapid identification of misleading content and targeted counter-messaging, so teams can address issues swiftly and preserve credibility.

Readiness is cultural as much as procedural. An open, responsive culture is built through routines which include stress tests, spokesperson drills and cross-functional walkthroughs that clarify who decides, who speaks and how decisions are documented for regulators.

Establishing a single source of information protects trust and showcases clarity to customers, helping companies stay in control of the story.

2 Trend Two: Supply Chain Complexity Creates a Ripple Effect

The nature of global trade means that businesses increasingly turn to common suppliers for standard components and/or ingredients. When defects arise, this can create a multiplier effect, causing multiple recalls for several brands and across sectors.

“A single upstream failure can echo across categories and have implications well beyond the original trigger,” says Stephen Elms, Head of Food Production, Australia, at Gallagher.

When the origin of a problem sits three to four tiers deep in a complex supply chain network, attribution can be trickier. Depending on where suppliers are based, there can be the added complication of having to navigate different regulatory and legal systems.

“Companies often source products or ingredients from many different suppliers located in various parts of the world, each operating under distinct legal frameworks,” explains Heckman.

“If one of these suppliers causes contamination, what recourse do you have in that country? What does your contract specify, and will the country even recognize or enforce that contract?”

“Some countries operate under legal systems that are rooted in frameworks established centuries ago, long before modern issues like product tampering or liability in the food and supply chain were

even conceivable,” he continues. “As a result, the language in today’s contracts often clashes with these outdated legal systems, leading to prolonged disputes and delays in resolving issues.”

Fraud, unethical behavior and differing consumer standards and expectations can also be an issue within the broader supply chain. For cost-cutting purposes, the supplier may quietly swap out ingredients, such as in a recent case where undeclared horsemeat was found in a range of branded ready meals. In more serious cases, criminal networks may be involved.

Every third-party engagement introduces risk. Strong, transparent and flexible contracts are vital to ensure restitution if standards are not met. These agreements should include provisions for recall participation and compensation for losses. Without such safeguards, businesses face significant financial and operational challenges when outsourced products fail.

As such, oversight of supply chains is increasingly important, but it remains a challenge that most businesses struggle with, particularly as vendors extend beyond their immediate circles. According to [Gallagher’s supply chain research](#), 40% of food and Ag businesses have limited oversight or no oversight at all of second- and third-tier suppliers.

Agribusiness case study: A complex value chain with varying standards

An interconnected and unstable global food supply chain is opening the sector up to new liabilities, such as cross-geographical food standards and sensitivities.

One example involves a condiment contamination case from a few years ago. Here, unknown to the manufacturer, the supplier had used an unauthorized coloring agent which had health risks, resulting in significant reputational fallout and a costly multi-country recall.

In another food industry recall, a cacao supplier discovered a peanut-based adulteration in one of its batches. By the time the issue was flagged, the ingredient had already entered the production cycles of beverage brands, supplement companies and food producers across multiple continents. “The problem itself was a minor change in machinery. However, the recall was fragmented, prolonged and uneven, because each downstream company discovered the issue on a different timeline,” explains Elms.

In more positive news, advances in technology, such as whole genome sequencing and digital tracking systems, improve visibility across supply chains and allow health agencies to more quickly and accurately identify the source of contamination. This high-precision process shortens tracebacks and investigations, enabling rapid removal and replacement of affected inventory.

By accelerating root-cause identification, these technologies reduce the scope and duration of recalls, mitigating both financial and reputational damage.

3 Trend Three: Product Risk in a Tech- and Software-Driven World

The rise of embedded software, autonomous systems and a digitized supply chain means today's recalls are no longer confined to physical defects. They involve code, sensors, firmware patches, AI decision trees and third-party integrations – all reasonings that consumers and regulators alike are still learning to interpret.

The past few years offer more than a few examples of this complexity. For instance, a global wearables company recalled a flagship device after overheating incidents. The incidents were traced back to the interaction between a third-party firmware and updated battery-management module. No single component had “failed”; rather, it was the relationship between components that triggered the crisis.

As a result, one challenge presented by tech-triggered recalls is blurred accountability. If a problem originates in subcontracted code or outsourced chipsets, who holds responsibility: the manufacturer, the developers, integrators or the platform providers? Consumers rarely differentiate.

“Such ambiguity can be critical for businesses that scale with rapid innovation but lack the infrastructure to handle such complex liabilities,” says Eddie Kurshumlija, Director of Product Recall Crisis Management at Gallagher, noting that it is “alarmingly easy to be de-listed if something goes wrong.”

“In such cases, a third-party consultant can help provide a fresh perspective and expertise that internal teams may miss under pressure,” he adds.



Automotive sector: Software-defined recalls

Increased vehicle complexity and a higher number of electronic components in vehicles have led to a steady rise in automotive recalls over recent years. The rise of autonomous and increasingly software-defined vehicles, supported by government initiatives, is shifting remediation from physical replacements to “over-the-air” (OTA) updates.

Such OTA updates help, but glitches in braking assistance, lane-keeping or battery management can trigger mass recalls. For instance, a major automotive manufacturer recently recalled several vehicles prompted by a software glitch that failed to detect an unlatched hood.

In another example, an autonomous vehicle manufacturer was forced into a large-scale recall when a software glitch caused the vehicle's collision-avoidance system to misinterpret certain road markings. Overnight, the recall became a referendum on the safety of not just the brand but autonomous driving itself.

Risk Partners: The Quiet Detectives in the Recall Maze

Against an increasingly volatile backdrop, the role of product recall insurance, and risk experts, is expanding.

Product recall coverages are designed to be highly adaptable, more so than standardized lines of insurance. “This adaptability allows carriers to align protection with the unique risks of each client’s industry and operations,” says Stephen Elms.

“Nevertheless, coverages typically activate only under agreed-upon criteria, and an incident that does not meet those specificities may not provide the protection they expect,” he notes. This is exactly where risk partners, who understand the evolving exposures to the finance and reputation, can help.

Their expertise extends into specialized areas that strengthen a company’s resilience well before a recall makes headlines. Three distinct advantages stand out, each illustrating how specialist brokers help businesses prepare for the challenges that traditional policies alone cannot address.

- **Coverage against loss of revenue due to adverse publicity**

A well-built policy package provides coverage for specified loss of revenue resulting from negative publicity. This dual approach — managing the crisis and compensating for financial losses — offers comprehensive protection, helping businesses navigate these challenging scenarios with greater confidence.

- **Navigating a recall before it happens**

One responsibility of brokers is to help facilitate resources that highlight stress testing assumptions, identifying blind spots and building structures that align with cross-regional realities. This ensures most, if not all, risks are tackled before they manifest.

- **Covering the contrasts**

A bakery with perishables has entirely different risk profiles from a manufacturer with lithium-ion components. Policies are therefore structured differently to ensure optimal coverage for your situation — as compared to a standard, one-for-all situation.

External partners elevate recall readiness and ensure contingency plans are robust. Third-party consultants can aid internal teams to navigate the arc from immediate social media messaging to longer term reputation repair once a recall occurs, all with a fresher perspective.

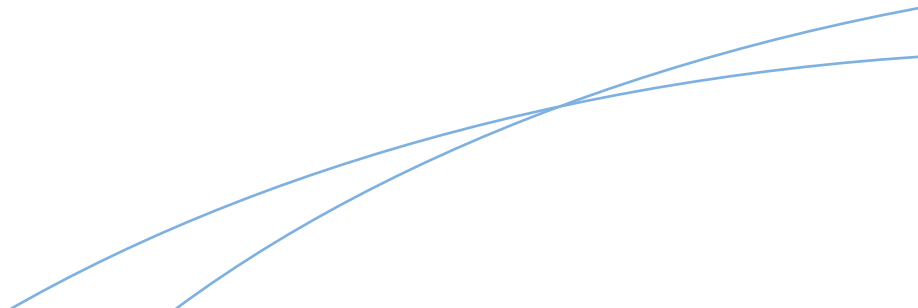
Insurers are reinforcing this shift through pre-incident services. Carrier-supported consulting helps clients design recall protocols, communication strategies and escalation paths. These preparations stress test how policies respond in practice, reducing uncertainty, identifying gaps in coverage and speeding up decision-making.

“A great deal of work happens behind the scenes to ensure policies are tailored and comprehensive,” says Jake Heckman. “This is to ensure that if a crisis does occur, clients have support across all areas that may impact them.”

Having the right risk transfer policies is crucial

Recall policies are vast, varied and often depend on the region, prevailing rules and regulations; sector; and even brand specifications. Consequently, the effectiveness of a policy will depend on the specificity of the recall policy tailored to your business.

Getting the disclosure information and the partnerships right, from the very start, is essential to ensure a proper crisis management plan comes into play when a crisis unfolds. “That is where brokers come into play, ensuring that all risks — disclosed and undisclosed — are vetted, and the right policy is tailored for appropriate crisis response,” explains Adam Nisenon.



The “4Ds” for Effectively Managing a Recall

1 Detect

Monitor early signals including integrated risk sensing for misinformation by running quarterly stress tests. Tighten in-house quality controls and use digital lot tracking and genome sequencing to accelerate root-cause identification.

2 Decide

Establish clear escalation protocols by defining severity thresholds and decision rights. Stress-test scenarios routinely to build muscle memory, clarify who decides and who speaks, and document decisions for regulators.

3 Disclose

Communicate fast, using clear empathetic language explaining what happened, what you are doing and what customers should do next. Maintain control of the narrative by providing consistent updates across press, social and owned channels.

4 Defend

Tighten pre-loss controls and ensure suppliers maintain lot-level data to enhance traceability and establish clear responsibilities. After the recall, conduct a comprehensive post-incident review to update protocols and insurance policies.

The organizations that consistently emerge as winners are well prepared, react to the situation with clarity and transparency, and learn from each mistake. They treat resilience as a competitive advantage by embedding recall readiness into the operating system and leveraging risk transfer mechanisms and the expertise of consultants well in advance.

To learn more about how Gallagher’s Product Recall team can help your business navigate the evolving landscape of product recall insurance and build resilience against recall risks, contact us today. [Learn more here.](#)