Government Actions & Negative Publicity masterclass

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Understanding the costs of a recall

There are many costs involved when a product safety issue is discovered. Along with the costs of withdrawing the product from consumers, there are also costs associated with identifying what went wrong and remediating it, as well as keeping the business afloat. Below are the most common costs associated with a product recall.

Identifying the issue

- Internal or third-party testing
- Employing experts / consultants
- Closing facilities or suspending production
- Cleaning, fixing or replacing equipment

Conducting the recall

- Issuing notices to consumers
- Transporting, storing, destroying or disposing of affected products
- Replacing ingredients, materials or products
- Retailer per store fees
- Overtime for employees
- Crisis communications & PR

Business continuity

- Ongoing loss of sales or customers
- Cancelled contracts
- Replacing suppliers or hiring contract manufacturers
- Prolonged interruption of production
- Stalled R&D, M&A or other investments
- Impact of brand & reputational damage

What is Government Actions?

Government Actions

Insuring Clause 1 Section G: Government Actions

We agree to reimburse **you** for **product recall costs** as a direct result of an **official authority** enforcing or recommending the recall of an **insured product** on the basis that the **insured product** is likely to result in or has resulted in **bodily injury** or **damage** if consumed or used as intended, first occurring during the **period of the policy**.

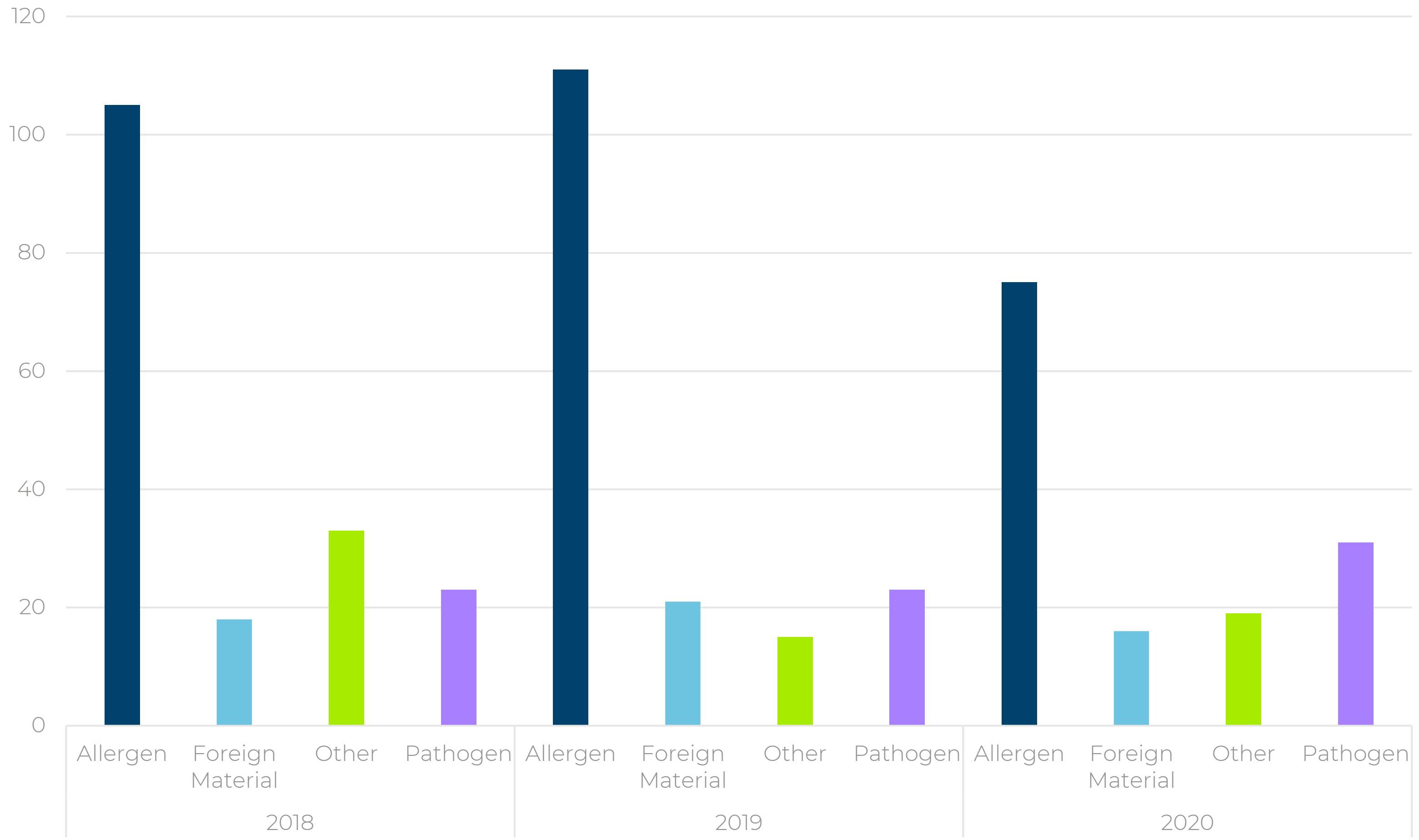
"**Official authority**" means any governmental, regulatory or law enforcement agency

FSA recall alerts

The FSA have been taking a more and more proactive approach over the course of the last 5 years, and whilst resources have been stretched over a year like no other, we have still seen increased activity in pathogen alerts.

With ‘recall first, ask questions later’ still being the predominant attitude, can manufacturing clients afford to not consider Government Actions an essential cover in their product recall policy?

Number of Recall Alerts by the FSA in 2018 - 2020



Meat processor left in the lurch by bankrupt supplier

- A family-run meat processing business
- £250,000,000 turnover
- 70% of beef sourced from one supplier

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What is Negative Publicity?

Negative Publicity

Insuring Clause 1 Section F: Negative Publicity

We agree to reimburse **you** for product recall costs as a direct result of any media report made by a **third party**, including social media, first published during the **period of the policy** which names you or an **insured product** and alleges an **insured product** has been accidently or maliciously contaminated and would result or has resulted in the **insured product** causing **bodily injury** or **damage**, if consumed or used as intended.

Disgruntled ex-employee causes publicity nightmare

- A relatively new company (~5 years in business) in the growing gourmet bagel industry.
- £15,000,000 turnover
- While its popularity with consumers and retail chain customers has soared, it has not been quite as popular with an employee, who has been with the business since its establishment.

How do I get this cover?

Do you have manufacturing clients?

Get an indication for product recall insurance with just the:

- Company name
- Revenue
- Product description

Easy!

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