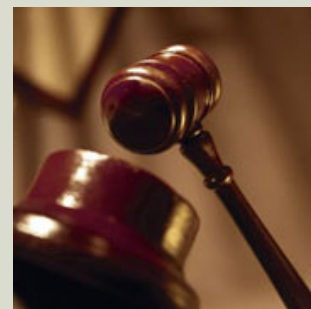


Products Recall

Free publicity is not always free, nor desirable.



During the last few years, we have witnessed a high number of product recalls which, unfortunately for the companies involved, have thrilled the media due to its effect on the public. The situation can be attributed to globalization, a reality for many businesses that have relocated their production facilities sometimes in a remote location, far from sales outlet, in favour of lower labour costs as was the case with Mattel, who had to recall several of its toys recently. However, relocation is not the only culprit of product recalls. One example is the trials of Maple Leaf in Canada and its massive recall of listeria contaminated products. Increasingly strict legislation has been passed by the governments which can impose the recall of any product in order to ensure the public's safety.

Although similar to products liability – which on the other hand requires an actual accident – a product recall that is normally triggered by the risk of damage to property or persons by a product definitely falls under the category of catastrophic exposure that may put the very existence of your business in peril. You must know that products recall coverage is excluded from the majority of general and products liability insurance contracts.

Expertise: We will advise you on insurance solutions available to transfer the risk of products recall to the insurance market, whether your exposure is related to food contamination, pharmaceutical tampering, or deficiency of manufactured products. The deductibles for this line of insurance are usually high. We help you in establishing your acceptable level of risk tolerance.



Other than the products recall coverage, we assist our clients in securing other risk transfer solutions, for instance coverage for a product's failure to perform and other risk financing options. We also assist in managing legal risk transfer adequately amongst all members in the production and distribution chain.

Prior to adopting any risk transfer solution, the products recall exposure calls for crisis management plans to be put in place. In general, companies are scrutinized in the way they react to such a crisis, i.e. whether they are proactive and quick in responding after a recall, which is instrumental in getting back to the same financial position as before the crisis. We stress the importance of preserving the reputation of your business and your trade marks and of preventing major lawsuits that may involve class actions.

Products recall insurance may protect against certain elements of risk, such as:

- Media announcements, public relations costs
- Shipping costs
- Additional warehousing costs
- Additional labour
- Product repair costs
- Product replacement costs
- Loss of profits
- Brand rehabilitation
- Extortion

Relationship with insurance markets: The insurance markets able to underwrite products recall coverage are specialized and limited. We negotiate with major local and international insurers. Our approach is to present the products at risk, their legal level of risk, and the quality control procedures in place to offset the risks. Before recommending an insurer, we assess its financial stability, its expertise pertaining to products recall risks, and its capability to sustain this type of risk underwriting over the long run.

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