

HSBC Insurance Brokers

Product Contamination and Recall Insurance



The name and reputation of any manufacturer, producer, distributor or retailer of consumable goods is essential to the success of their business. Consumers are willing to pay a higher price for products and brands that are recognised for their quality.

Irrespective of the cause of product failure – whether accidental or deliberate – a mismanaged product recall can lead to an increased threat to the consumer public, a significant erosion of public confidence and a subsequent loss of market share.

Should such a crisis arise, it is important to contain and control the incident in order to protect brand image and market share. This may require considerable resources, perhaps over an extended period, for which there will be significant costs.

Product Contamination and Recall Insurance

Product contamination coverage is provided to companies worldwide for the associated financial losses caused by:

Accidental contamination – the unintentional contamination, impairment or mislabelling of a product during the production, packing or distribution process which could lead to bodily injury, sickness, disease, death or cause physical damage to property.

Malicious tampering – actual or threatened malicious alteration of a product which would render it unfit or dangerous for use or consumption.

Product extortion – financial demands made against the threat to commit malicious tampering.

The policy would respond to an incident by paying for:

Pre-recall expenses – the fees and expenses of consultants before a recall is initiated, to establish whether a product has been contaminated and to ascertain the potential effect.

Recall costs – reasonable and necessary costs to inspect, withdraw, destroy or replace affected products.

Business interruption:

– loss of gross revenue; and

– additional expense incurred to ensure the continuation of business activity during the response to an insured event.

Rehabilitation expense – to re-establish the product to reasonable pre-loss projected sales or market share.

Consultant and advisor costs – fees and costs of independent security, public relations and other advisors required to assist in the efficient handling of the incident.

Extortion costs – paid in response to product extortion.

The insurance is designed to provide protection against the costs attributable to a recall and in order to return the company's financial and trading status to the position it was in before the incident. Product Contamination Insurance is designed for consumable product lines focusing on food and beverages, pharmaceuticals and tobacco companies.

The HSBC advantage

The Accident, Health and Contingency practice within HSBC Insurance Brokers has extensive experience in the placement of product contamination and recall policies and works closely with specialist insurers and consultants to ensure that clients are appropriately protected and prepared to respond effectively to a crisis.

Further information

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For full details of all products and services offered by the Accident, Health and Contingency practice, please visit our website at: <http://www.insurancebrokers.hsbc.com/accident-health-contingency>

Other Contingency products

Kidnap and Extortion

Political Evacuation

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