

Product Recall Insurance

A crisis may be unpredictable, it should not be unforeseeable

Most consumer goods recalls are due to either manufacturing errors or design defects. Manufacturing errors may result from either defective component parts being installed into the end product or the improper installation of component parts by the end manufacturer. However, the majority of non-food recalls relate to improper design work done at the outset. Depending upon the nature and end use of the product, even the smallest of design errors could lead to bodily injury. Products designed for children such as toys or clothing are frequently recalled due to choking hazards. Defective sporting or outdoors goods are also frequently recalled due to the rigors of use they may undergo. An additional area of product recall risk is related to the potential fire damage that could be caused by electrical malfunction.

The Aon Solution

Product Recall Insurance helps to mitigate the financial risk of your product being recalled. Whether you are an end product manufacturer, a component part producer or an imported or distributor of products, the cost of a recall either directly or indirectly can be staggering. Product Recall Insurance policies can be designed to respond to both first party exposures and third party exposures including not only the logistical costs of a recall, but also the repair or replacement costs of the recalled product.

Programs are individually designed to respond to each insured's specific exposures and can include coverage for impaired property in addition to recalls relating to bodily injury or property damage. Coverage is provided by domestic, London-based and Bermuda based carriers with available capacity exceeding \$100,000,000. Minimum premiums start at \$15,000 with a minimum retention of \$25,000.

Covered Triggers *Coverage varies by carrier*

- **Product Recall:**
Recall because the use of the Insured Product has or would result in bodily injury or property damage
- **Government Recall:**
Recall of an Insured Product initiated by a regulatory or administrative body because of potential Bodily Injury arising out of the use or consumption of the Insured Product.
- **Adverse Publicity:**
Reporting of an actual or alleged "defect" of an Insured Product in the media
- **Impaired Property:**
A product cannot be used or is less useful because it incorporates an Insured product that is defective and such product can be restored through repair, replacement or removal of the defective product.

What types of losses does a Product Recall policy cover? *Coverage varies by carrier*

- **Recall Costs:**
Product Removal, Disposal
- **Third Party Recall Liability:**
Compensatory Damages in connection with a Claim
- **Customer Rehabilitation Expenses**
Marketing Costs
- **Loss of Gross Profit or Customer Loss of Profit**
- **Defense Costs:**
Legal Costs

We're here to empower results

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▪ **Consultant and Advisor Costs:**

Loss Mitigation

▪ **Extra Expense or Customer Extra Expense:**

Employee Overtime

▪ **Refund, Repair or Replace**

Which coverage Do I need?

Coverage varies by carrier

For the Insured (First Party): Manufacturers of finished goods under their own labels and importers of consumer, commercial or industrial products will be interested in this coverage part. Refund, Repair or Replace and Loss of Gross Profit extensions are important for these Insured's.

For the insured's customers (Third Parties):

Component manufacturers who may not be involved in the decision to recall but may be held liable for damages. It is also of interest to manufacturers of finished products to be sold under others' private labels. Impaired Property endorsement and the "Customer" extensions are important for Insured's with significant third party recall exposure.

Both first party and third party recall coverage can

be purchased together with a combined single limit or separately with different self-insured retentions. A per event single retention is also available.

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance and specializes in the placement and servicing of Product Recall and Product Contamination programs. Going beyond traditional risk transfer solutions, Aon's global network of product contamination and recall specialists have the industry expertise and market intelligence to structure and create customized insurance programs.

This document provides only a summary of available coverage. Additional details relating to policy terms and conditions can be provided upon request. In the event there is a conflict between this summary and the policy, the terms and conditions of the policy documents will control.