

DO YOU KNOW YOUR *Product Recall* REQUIREMENTS?

- *Are you a manufacturer or do you supply products for sale?*
- *Do you import or export goods?*
- *Are you aware of your obligations in relation to recalling products if they are defective or become contaminated?*

324 Product Recalls were reported in Australia in the first half of 2019. The Australian Competition and Consumer Commission (ACCC) report into Product Safety in Australia reveals the diversity of goods recalled, ranging from power charger banks, generators and sunglasses to eggs, chicken tenders and chocolate.

All distributed products must meet minimum and mandatory Safety Standards prior to being supplied to the market. Safety Standards are introduced when considered reasonably necessary to prevent or reduce the risk of injury to a person.

A Mandatory Standard on a particular product applies to anyone in the business of supplying that product, including:

- ✓ Manufacturers
- ✓ Importers
- ✓ Distributors
- ✓ Retailers
- ✓ Hirers

Products coverage to consider if you meet the above criteria (apart from Material Damage covers):



1. Products Liability

Most General Liability policies will include Products Liability automatically, usually to the same value as the Public Liability component. This cover provides protection if the products supplied cause Personal Injury or Property Damage to a Third Party.



2. Product Recall

Covers expenses and lost profits associated with recalling a product from the customer to the supplier. The recall could be associated with defects, product tampering, government recalls, guarantees or extortion. Target markets usually consist of (but not limited to) toys, bicycles, electronics, white goods, power tools, clothing, furniture and office equipment industries.



3. Contamination

Covers expenses and lost profits associated with recalling a product from the customer to the supplier, if they become contaminated usually due to accidental or alleged contamination, product tampering, product extortion, government recalls and adverse publicity. Target markets usually consist of (but not limited to) food, beverage, pharmaceutical and cosmetic industries.

Your Insurance Advisernet Adviser can assist you with all of the above. Contact your Adviser today for an obligation free review of your insurance needs.

**INSURANCE
ADISERNET**
Advice you can trust

MKSURE

For more information we have provided additional Product Recall information and Case Studies below:

[Click here](#) to access ACCC Product Safety Recalls website

[Click here](#) to read the Strawberry Recall article

**Case Study 1
Gift Basket Supplier**

The client supplies gift baskets for various occasions. The gift basket consists of a variety of food-based products and some novelty toys. The client has an annual turnover of \$3,000,000.

It was found that one of the novelty toys was defective and tended to overheat causing burns to the clients' customers. Outside of the clients' Public Liability exposure the claim for Product Recall was as follows.

Third party recall costs	\$80,000
Recall costs	\$15,000
Testify costs	\$1,000
Total claim	\$96,000

**Case Study 2
Importer/Wholesaler of Sporting Goods & Toys**

The client wholesales sporting goods and toys to Australian retailers. The goods are imported from a variety of Asian and European countries. The clients' annual turnover is \$8,000,000.

It was found that some of the toys had small parts that were easily swallowed and not suitable for the age ranges as specified on the packaging. The international manufacturer did not hold the required insurance to cover the recall costs which left the client exposed.

Under Australian regulations the client was deemed to be the manufacturer and was responsible for recalling the defective products sold. The client did not have a Product Recall cover in place and had to pay the below costs.

Advertising costs	\$20,000
Recall costs	\$25,000
Replacement costs	\$100,000
Total claim	\$145,000

**Case Study 3
Manufacturer of Milk Based Products**

The client manufactures milk-based products such as plain and flavoured milks, cheeses and yogurts. The clients' annual turnover is \$35,000,000.

It was found that part of the hydraulic machinery's fluid had leaked into one of the milk vats which lead to the product souring far sooner than labelled. The following losses are typical for this type of event.

Advertising costs	\$90,000
Recall costs	\$110,000
Replacement costs	\$350,000
Other costs including testing	\$50,000
Total claim	\$600,000



The information provided is to be regarded as general advice. Whilst we may have collected or hold risk information, your personal objectives, needs or financial situations were not taken into account when preparing this information. We recommend that you consider the suitability of this general advice, in respect of your objectives, financial situation and needs before acting on it. You should obtain and consider the relevant product disclosure statement before making any decision to purchase a financial product.