



Product Playbook

# Contaminated Products and Recall

# AI G's Contaminated Products and Recall Insurance

Select a topic below to explore



# Product Overview

Contaminated Products and Recall insurance is designed to protect companies against the financial loss caused by a product contamination or defect leading to a product recall. Whether the result of an accidental or malicious act, product recalls are often costly and complex events that result in significant first party losses.

With more than 35 years' experience offering product recall insurance, AIG's underwriting expertise, market-leading loss prevention services and dedicated claims teams continue to set the standard for contaminated and defective product insurance globally. This means your clients can rely on AIG to cover the real costs resulting from a contamination or defect, while leveraging the expertise of trusted crisis management and public relations consultants to guide them through the critical stages of a recall event.

## Did you know?

**Product recall insurance** is triggered when an insured product has the potential to cause bodily injury or property damage. The two types of product recall insurance are:



**Contaminated product insurance**  
for ingestible or topical products



**Defective product insurance**  
for finished consumer products

In the event of a product recall, this cover provides companies with the financial support they need to get their businesses back on track.



# Policy Wording Highlights

Product safety is paramount for any business that manufactures and distributes products, whether they are ingestible or topical products or finished consumer goods. When the unexpected occurs, companies need the right risk management protocols in place to mitigate the effects of contamination and defect incidents.

AIG's contaminated product insurance and defective product insurance protect businesses from the potentially devastating effects of the following insured events:

# Covered Costs

The direct costs of recalling a contaminated or defective product are only a fraction of the total financial impact a business can suffer – negative brand image, loss of public confidence and reduced perception of quality can have long-lasting, negative effects on business performance.

AIG's product recall cover goes well beyond meeting the conventional recall costs and can be tailored to meet the unique needs of each business. Click on each category to learn more about the wide range of losses covered by AIG's product recall insurance.

# Target Clients

Regardless of their size or annual revenue, any company that manufactures, imports or distributes products is at risk of a contamination or defect event, which can trigger a product recall.

As international supply chains continue to expand in complexity, so too do businesses' risk exposures to unforeseen costs. From contract manufacturers to wholesale traders and retail stores, AIG's product recall insurance is designed for businesses in the following categories and more:



## Manufacturers

Most product contaminations or defects occur during manufacturing, whether due to contaminated ingredients or defective components, an error or a malicious act. These incidents can happen to any manufacturer or contract manufacturer, regardless of the size of the company, the manufacturing technology used, or the product sold.



## Private Label Owners

Private label owners are at risk of having no recourse against the party that caused the contamination or defect (typically the manufacturer or distributor), usually due to bankruptcy of the party at fault or uncertainty regarding the cause of the contamination or defect. Label owners may also be directly targeted in cases of malicious product tampering, including extortion.



## Distributors and Retailers

Although less frequent, contaminations or defects do occur during distribution. Large retailers are often perceived as targets with deep pockets and have been subject to actual or threatened malicious product tampering for financial gain.



## Importers

Companies that import products manufactured overseas may be liable for recall and destruction of contaminated or defective products. Such costs (plus the value of the product) may be recovered from the manufacturer, provided it assumes responsibility for the contamination or defect and can bear such costs.

# Our Risk Appetite

Recognising that transparency is key to any successful partnership, AIG is committed to defining and communicating our risk appetite clearly so clients can focus on what matters most – securing the right cover to protect their business and customers.

The following guide provides an overview of our risk appetite in Asia Pacific across different ingestible and topical products, as well as finished consumer products. Click on each category in the interactive barometer below to learn which industry segments are within the scope of our risk appetite, those we may consider, and those we will decline.



## Contaminated Product Insurance

## Defective Product Insurance

# Policy Gaps Covered by Product Recall Insurance

While other policies or extensions may provide limited cover for recall costs, product recall is the only insurance that helps businesses account for the full range of risks and hidden expenses involved in a contamination or defect event.

The table below outlines how AIG's Contaminated Products and Recall cover fills the coverage gaps in other policies.

	Coverage gaps in other policies*	AIG's Contaminated Products and Recall cover**
<b>Product Liability</b>	Damage to product is excluded.	Product contamination or defect which occurs during, or as a result of, production may be covered; loss may include replacement costs.
<b>Property</b>	Manufacturing or processing operations that result in damage to the product or material being processed, manufactured or otherwise worked upon are excluded.	Product contamination or defect which occurs during production processes may be covered.
<b>Stock Throughput</b>	Loss or damage to product insured, solely caused by production processes (i.e. manufacture, conversion, treatment and the like) is excluded.	Malicious product tampering committed by an employee of the insured may be covered.
<b>Marine Cargo</b>	Loss, damage or expense attributable to wilful misconduct of the insured is excluded.  Loss, damage or expense caused by inappropriate or unsuitable packing or preparation of the product insured is excluded.	Product contamination or defect which occurs during, or as a result of, packaging may be covered; loss may include replacement costs.



\*Conditions may vary per insurance policy.

\*\*Subject to the terms and conditions of the policy.

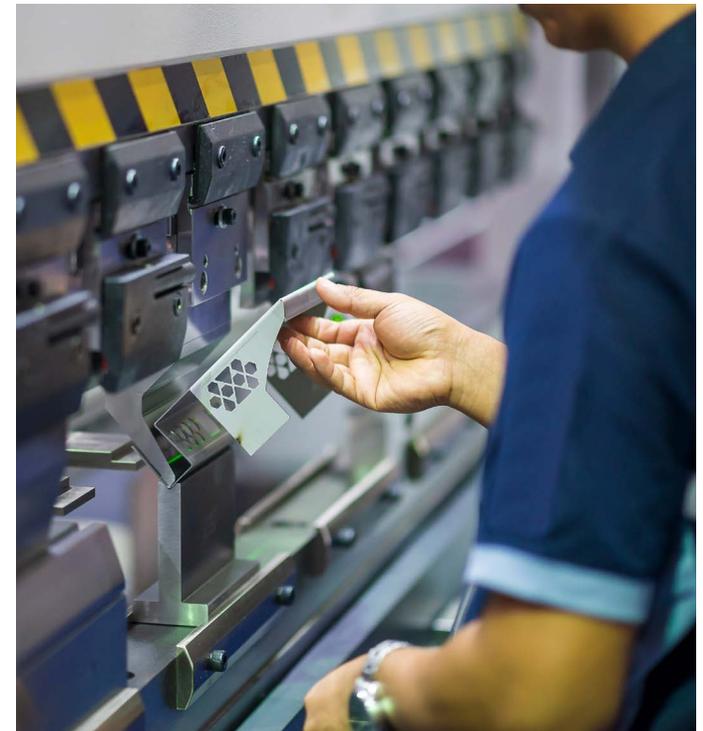


# Product Recall Extension vs Standalone Cover

Product recall cover is available as an optional extension for General Liability policies, but cover is subject to a narrower set of conditions and limitations. With AIG's Contaminated Products and Recall insurance, clients can be assured of comprehensive coverage and peace of mind when the unexpected occurs.

The table below highlights the key differences between a General Liability product recall extension and AIG's standalone Contaminated Products and Recall cover.

	General Liability product recall extension*	AIG's standalone Contaminated Products and Recall cover**
Coverage	Recall expenses are limited to specific expenses defined in the policy.	Coverage for all "reasonable and necessary costs" listed.
Trigger	An insured event that "has resulted" in bodily injury and property damage.	An insured event that "has resulted" or "would result" in bodily injury or property damage.
Situation	Product should no longer be in the insured's possession.	Product may be within or away from the insured's possession.
Type	First party cover, being offered under a third party policy.	First party cover, but may extend to cover third party recall cost.
Limit	Sub-limited (often only up to USD 250K); forming part of, and not in addition to, the liability policy limit.	Higher limit options up to USD 25 million may be provided.



\*Conditions may vary per insurance policy and provider.

\*\*Subject to the terms and conditions of the policy.

# Claims Scenarios

Our experienced claims professionals across Asia Pacific have in-depth knowledge and expertise in claims handling for a wide range of contamination and defect exposures.

Below are just a few examples to illustrate how AIG's Contaminated Products and Recall cover has protected our clients against the unexpected.



## Scenario 1

Supplements sold by a distributor for a large Asian health foods brand were tested and found to contain plastic. After investigation, it was found that the distributor's manufacturer used industrial plastic instead of palm oil to produce the casing of the supplements in order to cut costs. AIG's crisis consultants supported the client through the decision to issue a recall in six countries.



## Scenario 2

A shrimp farm had their shrimp exports rejected when screened at entry points into the US, Canada and Japan. The shrimp tested was found to contain excess of an antibiotic used to treat bacterial disease and a herbicide used to control weeds originating from the farm's water supply. AIG assisted with managing all international stakeholders and logistics and covered destruction costs.



## Scenario 3

Dried coconut sold to a major chocolate manufacturer in the US was found to contain metal pieces caused by a repair on the assembly line during manufacturing. Despite having a process in place to remove foreign objects, these metal pieces were too small to be picked up in the sieve. AIG assisted with the investigation, settled the claim, and advised on corrective actions to prevent further incidents.



## Scenario 4

A homeware distributor imported bathmats from an overseas manufacturer. Following multiple customer complaints, it was found that the suction cups on the bathmats might fail to prevent slipping if not securely attached to the surface of the bath or shower, posing fall and injury hazards to users. AIG assisted with managing all stakeholders across the supply chain and helped facilitate the product recall.

# The AIG Advantage

At AIG, we pride ourselves on delivering comprehensive service to our partners and clients.



## Deep understanding

AIG offers unmatched underwriting expertise and understanding of product contamination and defect risks. Our dedicated engineering team provides a unique perspective on the latest developments across a broad range of industries.



## Local expertise

With one of the largest specialised product recall underwriting teams in the world, AIG's network of highly skilled locally-based professionals work with partners and clients to develop bespoke solutions with tailored coverage.



## Dedicated claims team

AIG offers clients dedicated claims support with deep experience in complex product contamination and defect claims, harnessing our local service capabilities across an extensive international network.



## Crisis management support

AIG clients can make informed decisions when managing a contamination or defect event, with 24/7 exclusive access to a worldwide network of crisis management consultants – including product safety, security and public relations consultants.

# Value-Added Services

In the event of a product contamination or defect, your clients need the right risk management protocols in place to mitigate the incident and prevent it from escalating into a crisis. AIG offers support through our third party provider NSF to advise and assist in the event of a recall.



## About NSF

NSF maintains a network of product safety experts, auditors and crisis management specialists to provide pre- and post-incident risk management and response services. With a footprint across 150 countries, NSF consultants have global presence and local expertise, working with clients to reduce the likelihood of a product recall and preparing them to manage an incident if one does occur.



## Services include:

### Pre-incident consulting

- Conducting risk assessments
- Improving product safety procedures
- Reviewing product recall, business continuity and crisis management plans
- Providing product recall, product safety and quality assurance training programmes
- Delivering simulations and exercises

### Incident Response

- 24/7 crisis hotline connecting clients with the appropriate response consultant based on their language and location
- Assisting with investigations and assessments
- Developing strategy and communications
- Implementing the product recall
- Reviewing the recall to improve systems and processes

Note that there are no deductibles for consultant costs.

# Understanding the Risks

When considering purchasing **AIG's Contaminated Products and Recall cover**, it is important that clients understand the extent of their potential exposures and the protection offered by the policy.

These discussion points have been developed to help your clients understand the real risks and costs involved in a product recall. Click on each theme below for suggested conversation topics to raise with your clients.

# Managing Misconceptions

We understand your clients may still have questions about what AIG's Contaminated Products and Recall insurance can do for them.

Click on the tabs below to access responses to help you manage misconceptions or objections your clients may have.

# Required Client Information

To receive a quote for a Contaminated Products and Recall policy, your clients will need to provide the following information about their risk profile.

Click on each category to learn more about AIG's underwriting considerations when assessing risk.

# Contact Us

AIG's Asia Pacific Casualty team is pleased to work with you and your clients on their product recall insurance needs. You can find the contact details of our product and underwriting specialists in Asia below.

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