

Product Contamination Insurance

Keep your balance sheet sound over the long term

Product Contamination Insurance – Accidental Product Contamination Insurance (APC) or Malicious Product Tampering Insurance (MPT) – is the comprehensive insurance solution that protects your business if you need to recall a product that has been contaminated, whether accidentally, deliberately or maliciously.

PROTECTION IN THE EVENT OF PRODUCT RECALL

Manufacturers can be obliged to prevent risk to consumers by taking a product off the market temporarily or permanently for a whole variety of reasons. The food, drink, tobacco, cosmetics and pharmaceutical industries are especially at risk of their products being contaminated. Incidents are becoming more and more frequent today, attracting media attention and so becoming matters of public knowledge. Quite apart from the loss of revenue and the costs incurred in recalling the goods, manufacturers also suffer serious damage to their image.

A distinction is drawn between the contamination of products by accident or through negligence (APC) and their contamination through a deliberate and malicious act (MPT):

EXAMPLE 1

ACCIDENTAL PRODUCT CONTAMINATION (APC)

An international drinks manufacturer was obliged to recall fifty million bottles of mineral water in the USA alone after tests revealed trace amounts of benzene in the water. Media reports brought the incident to the public's attention, with the result that global sales of 1.2 billion bottles dropped by half a billion in the next financial year. The company's mineral waters division sustained a loss amounting to over a billion Swiss francs.

EXAMPLE 2

MALICIOUS PRODUCT TAMPERING (MPT)

A few years ago, there was an increase in the number of incidents of extortion in which manufacturers of sweets received threats from criminals that their products

would be injected with cyanide. Over thirty companies received such threats, and the whole industry saw its sales fall at once by over 40 percent; at least five firms went bankrupt, and the criminals were never caught. The companies were very hard hit financially by the costs involved – not only the costs of the recalls themselves, but also those incurred in rebuilding customer confidence and image generally.

AN ADDITION TO COMMERCIAL THIRD-PARTY LIABILITY INSURANCE THAT PAYS OFF

A manufacturer's obligation to constantly check that their products do not put anyone in danger is a principle stipulated by law. However, conventional general third-party liability insurance covers manufacturers only when it is already too late and persons or property have already been injured or damaged. If a company is obliged to recall a product from the market to prevent that happening, a clause in its third-party liability policy is of little use. How, then, is a company to insure against costs incurred in the event of product recall or in the prevention of possible damages? Product Contamination Insurance is the answer.

BUSINESSES AT PARTICULAR RISK

Product recalls are a risk for small and medium-sized business as much as they are for big companies if they are engaged in the preparation, manufacture, processing, mixing, packaging, distributing or marketing of products. Industries particularly at risk include food, drinks, household goods, tobacco, cosmetics and pharmaceuticals.

COVER FOR THE MAJOR RISKS

Product Contamination Insurance covers recall costs for:

- Announcing the recall in the media and in mailings
- Transport of the recalled goods as well as of the employees working on the recall
- Rental or leasing of additional storage capacity
- Proper disposal of unusable packaging and marketing material

- Tests and chemical analyses
- Redistribution of recalled and restored products

Loss of profit (shortfall in gross profits)

- Shortfall in profits (difference between sales and variable costs) resulting from downturn in sales during the twelve months following the insured event

Rehabilitation costs

- Returning insured products to saleable quality
- Appropriate expenditure and effort required to restore turnover in insured products to its previous level

Advisory costs

- Fees for consultancy firms, security, PR, or recall advisors (advice on prevention)

YOUR ADVANTAGES AT A GLANCE

- Insurance covering own and third-party recalls
- Worldwide insurance cover
- Cover for costs of advice on security and prevention
- A useful complement to general third-party insurance
- Insurance covering loss of profits and rehabilitation and reputation costs
- Insurance cover individually adapted to your business' product range

INTERESTED? CONTACT US.

LUKAS BUBB

Head Business Unit Services & Consumer Goods
T +41 44 387 87 37
lukas.bubb@kessler.ch

ABOUT KESSLER

Kessler is the leading Swiss enterprise specializing in comprehensive risk, insurance and pension benefits consulting. We advise over 1,500 medium-sized and large Swiss companies from the service, trading and manufacturing industries, as well as the public sector. Thanks to our expertise in each of these economic sectors, our highly qualified staff and our leading market position, we contribute significantly to the long-term success of our clients. As a reliable partner, we inspire our clients and open up new perspectives through the safe and successful management of risks. Founded in 1915, Kessler has 330 employees working at its head-

quarters in Zurich and its other sites in Basel, Bern, Geneva, Lausanne, Lucerne, Neuchâtel, St. Gallen, Sion and Vaduz. As the Swiss partner of Marsh since 1998, we are part of a network with specialists in all areas of risk management and with great experience in handling global insurance programs. Marsh, the world's leading insurance broker and risk advisor, operates in more than 130 countries and is part of Marsh McLennan (NYSE: MMC).

Further information can be found at www.kessler.ch, www.marsh.com and www.mmc.com.