SUM | STRATEGIC UNDERWRITING MANAGERS INC

A subsidiary of ONE80 INTERMEDIARIES

PRODUCT RECALL INSURANCE

"XL Foods announces 2,000 temporary layoffs; CFIA review halted." – Ottawa Citizen

"Restoration of XL Foods licence 'not the end of the story." – Calgary Herald

"Pet deaths likely to rise: Menu Foods". Toronto Star. March 27, 2007.

"Magnetix Magnetic Building Set Recall Expanded; Serious Injuries Continue to be Reported"
Consumer Product Safety Commission USA

"It takes 20 years to build a reputation and five minutes to ruin it. If you think about that you'll do things differently."
Warren Buffet

Product recalls make more and more headlines every year. Despite the old adage, it turns out there is such a thing as bad publicity.

The cost of the financial and reputational damage to firms experiencing these harrowing events is not as widely reported. Many companies do not survive even modest recalls, or if they do, take years to rebuild their balance sheet and reputation. The seemless efficiency of global supply chains amplify the risks your clients often unknowingly assume from downstream suppliers.

Recall insurance is often dismissed as unnecessary, over-priced, unavailable or too complex. Some may think it is the preserve of large risk managed accounts. But that is changing. At least three drivers are behind the increased Recall Insurance spend we are witnessing:

1) Regulation: Like in the EU, Product Recall Insurance uptake is rapidly growing in the United States in conjunction with new regulation, and we anticipate a similar trend in Canada as our regulations harmonize;

2) Corporate Responsibility: companies of all sizes have a social responsibility and fiduciary duty to their stakeholders (from shareholders to employees, to communities and customers), to responsibly respond to and correct recall events, and then restore their businesses. Product recall insurance is an invaluable tool in managing and mitigating the perils of recall risk. It can empower even the smallest firm with powerful crisis management and the financial resources to confidently overcome not only the recall, but the fallout in the media, satisfy regulators and the effects on its customers.

3) Awareness: while a public relations nightmare for those involved, headlines are increasing awareness of the risks recalls pose;

4) Availability: choice and capacity are growing to meet increasing demand. There has never been a better time to seek cover; capacity is readily available and pricing barriers have rapidly fallen making this product more accessible to more businesses than ever before.

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You and your client do not want to be alone during a recall – expertise and resources are required in an instant. This is likely the largest gap in cover your clients face- update your advice and sleep better!

Recall Insurance has been evolving since the 1960's, when many US carriers awoke to the risk and began implementing recall exclusions in their wordings. That said, even today some lines of coverage may still provide some elements of recall cover – for example CGL underwriters sometimes offer modest limits on a narrow insuring agreement to buttress their products liability offering. This cover is simply never adequate to properly prepare and protect the insured through a recall event. By partnering with deeply experienced and committed Underwriters at Lloyds', our Product Recall policy delivers an imitable value proposition – providing value pre-loss with consultation and advice, during loss with recall crisis management, expertise and financial resources, and post-loss with additional expense and business interruption covers. In short, our recall product is a unique blend of risk transfer and crisis management in one offering tackling the financial and reputation risks your client faces.

The traditional and social media transmit news instantaneously, making a public relations and communications strategy absolutely critical- there is no time for pause never mind delay in the court of public opinion. Politicians and regulators are no less vulnerable to scrutiny and have been stung by criticism that they have failed in their duty to protect, and have responded by enacting new legislation to at once enhance consumer safety while harmonizing Canadian practices with those of our trading partners. One of these recent measures is the Safe Food For Canadians Act, passed in November 2012. It is similar to the recent Food Safety Modernization Act enacted in the United States and providing the FDA with new authority. Its provisions are of particular interest to your clients in the food industry, and include new import controls and responsibilities as well as requirements that regulated parties develop and implement control plans as a preamble for licensing. Among its provisions, the CFIA can order mandatory recalls . SUM Insurance's Recall Insurance product offers pre-loss consultation and advice where qualified to prepare your client for a recall event.

During the event itself, the coverage delivers the resources and expertise to robustly react and mitigate the loss, from public relations and communications assistance to providing for a myriad of costs, from overtime, to transportation and storage to disposal fees. The costs can be steep and require immediate funding – a contingency very few insureds have reserved for.

Post- Loss, coverage continues- providing for rehabilitation and re-work expenses. In many recalls the insureds' customers might be overlooked – leading to lost relationships and, at times, litigants. SUM Insurances policy can be extended to cover third party business interruption costs (and even lost profits) to mitigate the financial impact on the insured's most valuable asset.

We can offer limits of up to $10,000,000 and premiums start at $5,000.00. Ask about our unique 3-tiered product- allowing us to customize cover and cost to your clients' budget.

COVERAGE TRIGGERS

Our product is triggered by any of three possible Insured Events likely to give rise to a product recall:

1) Accidental Product Contamination (meaning any unintentional error other than an error in design or specification made by the Insured, or the introduction of an ingredient or component supplied by a third party that is contaminated): which occurs during manufacture, blending, mixing, compounding, packaging, labelling (including the instructions for use), storage or distribution of any Insured Product while in the care or custody of the Insured, provided that in the event of its consumption or use as intended it would lead to or has led to Bodily Injury within 366 days of its consumption or use, or would lead to or has led to physical property damage to tangible property owned by a third party (other than the product itself)– whether Microbiological, Physical, Chemical, Allergens or from Cross-Contamination.

2) Malicious Product Tampering: the actual or threatened intentional, malicious and wrongful alteration or adulteration of the Insured Product, or the creation of Adverse Publicity implying such, whether in conjunction with a Product Extortion Demand or not so as to give the Insured or consumers reasonable cause to consider the Insured Product unfit or dangerous for their intended use or to create such impression to consumers and public alike.

3) Product Extortion Demand: any threat or connected series of threats received by the Insured to commit Malicious Product Tampering for the purpose of soliciting Product Extortion Monies. Underwriters will reimburse the Insured, subject to the Limit of Liability as specified in the Schedule, for Product Extortion Costs.

COVERAGE SUMMARY

Pre-Recall Costs	**Recall Costs**	**Post- Recall Costs**
Identify cause	Media costs	Loss of Gross Income
Analysis	Transport costs	Cleaning costs
Laboratories/Testing	Storage costs	Repair costs
Crisis Consultants	Replacement costs	Staff costs
	Redistribution costs	(to retain/replace if
	Staff overtime/additional staff	stoppage)
	Slotting fees	cost of working
	Destruction costs	rehabilitation costs

Market Security

PRODUCT RECALL INSURANCE

INSURER	RATING
Lloyd's Underwriters	A (by AM Best)

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