

# The future of food & what it means for manufacturers

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# Webinar takeaways



- How big is the meat free market place?;
- Identify areas of increased risk for this sector;
- Assess the recall cover available for these risks;
- Address client conversations starters around the topic



# Outlook for the plant-based market

- The retail sales of vegetarian food and drinks products and plant-based alternatives combined came to GBP 1.5 billion in 2020, nearly doubling from GBP 885m in 2017.
- 1 in 4 food products launched in the UK in 2019 were labelled vegan.
- More than 50,000 products are now certified by the Vegan Society in the UK.
- 8.8m adults across the UK plan to become vegetarian, vegan or pescatarian over the next year

This is an opportunity manufacturers cannot afford to miss!





Product Recall  
Coverage

# What is product recall insurance?

The costs of a product recall event can be broken down into three areas:

## Identifying the issue

- Internal or third party testing
- Employing experts / consultants
- Closing facilities or suspending production
- Cleaning, fixing or replacing equipment



## Conducting the recall

- Issuing notice to consumers
- Transporting, storing, destroying or disposing of affected products
- Replacing ingredients, materials or products
- Retailer per store fees
- Overtime for employees
- Crisis communications & PR



## Business continuity

- Ongoing loss of sales or customers
- Cancelled contracts
- Replacing suppliers or hiring contract manufacturers
- Prolonged interruption of production
- Stalled R&D, M&A or other investments
- Impact of brand & reputational damage



**All manufacturers have product recall exposure.**

Product recall insurance helps safeguard a business from the financial impact of a recall, specifically the first and third-party costs associated with identifying and addressing the issues, conducting the recall and keeping the business operational.

# The main triggers

Accidental Contamination	Where a product has been contaminated with something, or a mislabelling error has occurred that has the potential to cause bodily injury/property damage
Product Guarantee	Where a product fails to meet a contractual performance specification
Malicious Product Tamper & Cyber Malicious Product Tamper	Where a product is intentionally tampered with, with malicious intent, in a way which has the potential to cause bodily injury/property damage
Product Extortion	When an extortion attempt is made on a company, the consequence of which would result in an insured product causing bodily injury or property damage
Software Product Safety	When an error is made during the software development process that has the potential to cause bodily injury or property damage
Negative Publicity	Where allegations are made by a third party, including through social media, alleging that a product could cause bodily injury or property damage and a product recall event occurs as a result
Government Actions	Where an official authority orders a recall because they believe an insured product could cause bodily injury or property damage

# Animal by product solution



## Animal By-Product

Triggers:

- **Vegan insured product** does not qualify as being a vegan product because it contains ingredients harvested or manufactured from animal origin; or
- **Vegetarian insured product** does not qualify as being a vegetarian product because it contains ingredients harvested or manufactured from animal origin

## ANIMAL BY-PRODUCT CONTAMINATION EXTENSION CLAUSE

ATTACHING TO POLICY NUMBER: «POLICYNUMBER»  
THE INSURED: «Insured»  
WITH EFFECT FROM: «InceptionDate»

It is understood and agreed that the following is added to **INSURING CLAUSE 1** in the [Schedule/Declarations page](#):

### SECTION: ANIMAL BY-PRODUCT CONTAMINATION

Limit of liability: {response} each and every claim

Deductible: {response} each and every claim

It is further understood and agreed that the following amendments are made to this Policy:

1. The following **SECTION** is added to **INSURING CLAUSE 1**:

### SECTION: ANIMAL BY-PRODUCT CONTAMINATION

**We agree to reimburse you for product recall costs as a direct result of any discovery by you or any determination by an official authority that any:**

- a. **vegan insured product** does not qualify as being a vegan product because it contains ingredients harvested or manufactured from animal origin; or
- b. **vegetarian insured product** does not qualify as being a vegetarian product because it contains ingredients harvested or manufactured from animal origin;

which results in either:

- a. the voluntary recall of any **insured product** by you; or
- b. the recall of any **insured product** as a direct result of an enforcement order by the **official authority** who issued the non-qualifying determination.

# Underwriting considerations

Good QA  
procedures  
?

Frequent  
clean down  
of  
production  
lines?

Potential  
cross-  
contaminati  
on?

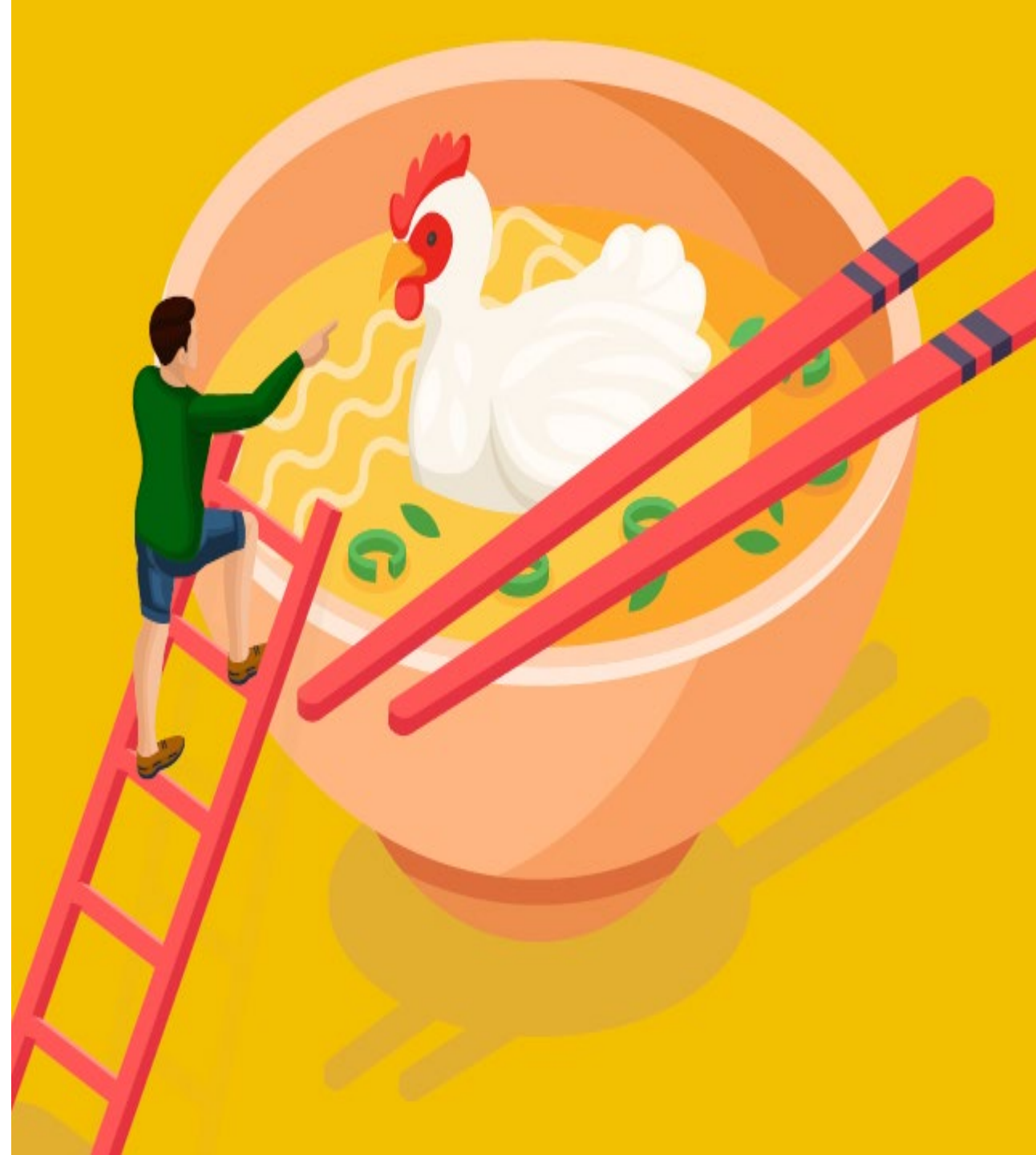
BRCGS  
Plant-Based  
certified?



# Case study

The Company are a soup manufacturer that recently introduced a range of vegan soups under their own brand. The company's revenues in the last year were GBP 20m

- The soup manufacturer imports their raw ingredients from suppliers around the world, including different types of pre-made stock which are commonly used in these products.
- Despite a thorough and regular testing procedure, in November 2018 a large quantity of chicken stock has been mislabelled as vegetable stock by their supplier.
- The Food Standards Agency (FSA) decided to test the validity of the claim, and reported that the soup did in fact include chicken
- The FSA issued the manufacturer with a written enforcement order for a recall of a number of different varieties of soup.
- Total cost of this recall event was over GBP 1.5m





Client  
conversation  
starters

# Do you know what your product recall exposures are?

- All manufacturers have exposures
- Product recall events can happen at any moment
- First-time buyers have usually just suffered from a product recall event



# Did you know your suppliers and co-manufacturers may not fully indemnify you following a product recall event?

- No company should put their faith in a third-party's ability to fund a recall
- Product recall insurance should be thought of as cash flow protection



# Do you have full oversight of your suppliers' operations?

- A product is only as good as its worst ingredient / component
- Testing can be in place, but not every scenario can be tested for
- Intentional or accidental adulteration of a supplied material could result in a finished product being harmful to health



# Do any of your customers require you to have product recall insurance?

- There is a rising demand for companies to maintain specific limits of liability for product recall
- Failure to purchase coverage could lead to customers cancelling contracts effecting both your current and long-term sales.



# Did you know the biggest impact of a recall, is not the recall costs themselves?

- Recall costs, both first and third-party, are a small percentage of the average loss
- Loss of sales typically make up 50% of a claim under a recall policy





# Overcoming client objections



# “We’ve never had a recall”

- It is understandable that companies who have never experienced the huge stress and financial impact of a product recall are reluctant to buy standalone product recall insurance.
- Many first-time buyers are seeking recall insurance because they have recently experienced an uninsured product recall for the first time, suggesting they needed it all along and now appreciate the value of it.



# “Our quality assurance processes are top-notch, we are unlikely to have a recall”

- It could be human error or unfortunate luck that results in a product being defective. No critical control point is fool proof.
- All manufacturers have suppliers, who each also have their own supply chain. Exposures here are vast and each company must rely on its suppliers' quality assurance.
- The end product is only as good as the worst supplied component.



# “Our suppliers will pick up the costs of any recalls”

- This isn't a credible argument for any company and no company should put its faith in a third party's ability to fund a recall.
- Common scenarios where it is difficult to recover costs from a supplier include:
  - Suppliers refuse to pay some or all of the costs incurred
  - Suppliers may not have enough money to pay the costs
  - Suppliers disputing that they are responsible for the recall
  - Liability may have been waived or limited in the supply contract



# “My liability insurance will cover these costs”

- This is not usually the case – and this is a mistake which could cost clients heavily.
- Liability policies tend to either exclude product recall entirely or provide very narrow coverage for a small limit.
- A standalone product recall policy will offer comprehensive first and third party costs.





Get in touch

# Do you have manufacturing clients?

Get an indication for product recall insurance with just the:

- Company name
- Revenue
- Product description

Easy!



# How to contact us:

New business submissions to: [productrecall@cfcunderwriting.com](mailto:productrecall@cfcunderwriting.com)

Toolkit and non binding indication tool:

<https://www.cfcunderwriting.com/en-us/products/class/product-recall/>



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