

Product Recall: Adjusting to Today's Risks



Globalization, tech-enabled products, and Covid-19, among other factors, have introduced new risks and uncertainty for manufacturers and suppliers in the product recall space.

How well understood are risk and supply chain vulnerabilities?

While recall trends generally fluctuate by industry, the number of product recalls in Canada and the U.S. have steadily risen over the last decade. Crawford & Co. expects that upward trajectory to continue as businesses endure the Covid-19 pandemic, and as products and supply-chains become increasingly more complex and continue to outpace regulation.

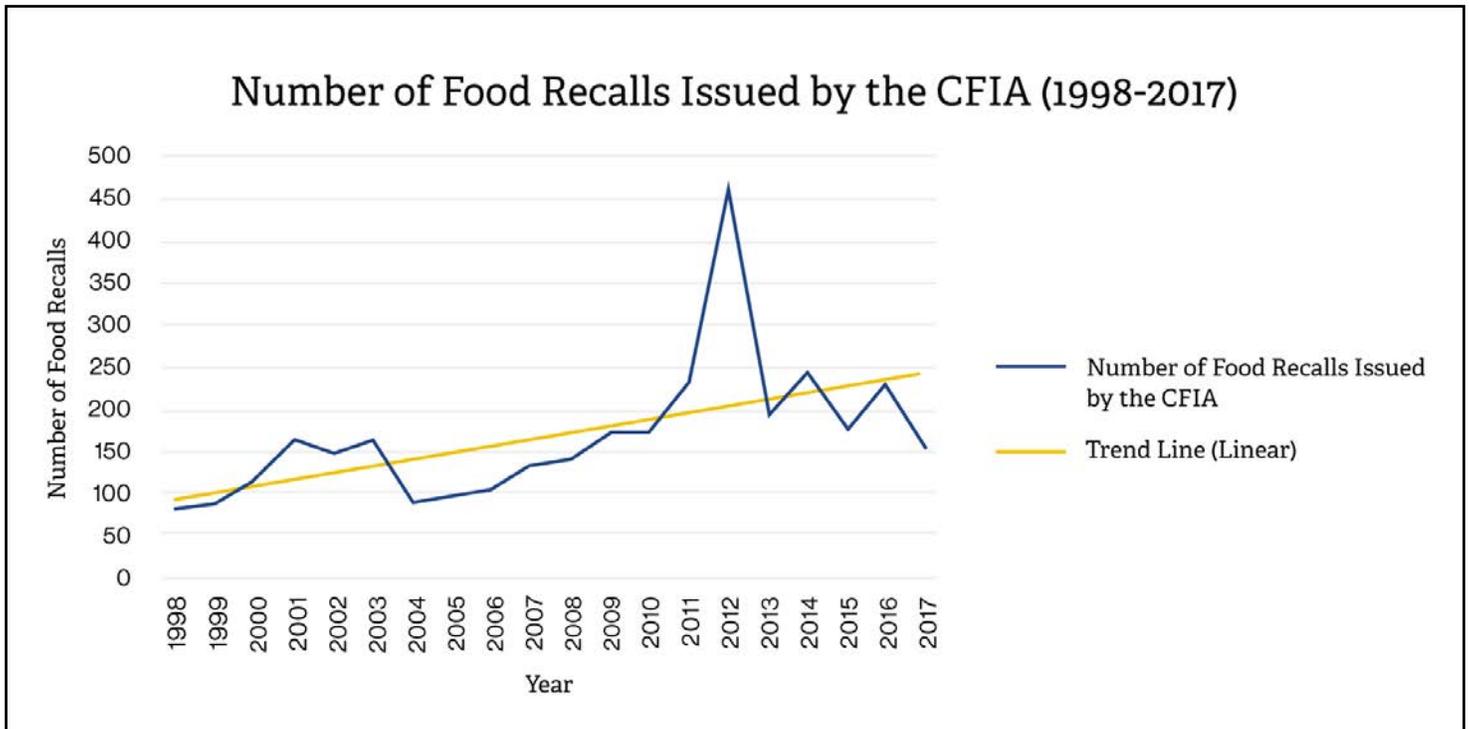
COVID-19

From the outset, the COVID-19 pandemic has placed immense strain on supply-chains as manufacturers and suppliers sought to tackle the demand for every-day consumer goods and transitioned to home-delivery platforms, observed Rob Holmes, Senior General Adjuster and Complex Casualty Practice Leader for Canada. “Food and

beverage suppliers have faced increased demand and urgency, labour force instability, and added stress to comply with safety protocols. In some cases enterprises have shifted from business-to-business to direct-to-consumer models, which has resulted in an untested area of risk. All of these hurdles could come at a cost to quality control measures and government oversight”, said Holmes.

Notably, the Covid-19 environment saw a dramatic jump in health-related product recalls last year, according to data collected by Infection Prevention & Control Canada (IPAC), a national body representing healthcare professionals responsible for prevention and quality control. The IPAC data suggests roughly 38 healthcare-related products were recalled in 2020 compared with just two the year before.

Understanding the impact the pandemic has had on your business is a key factor in the adjustment of a Recall claim. Crawford’s adjusters are at the forefront of technical, legal and regulatory knowledge as it relates to Recall claims which includes the impacts from the COVID-19 pandemic and the strain it has placed on all facets of supply chains and manufacturers.



The Internet of Things

In less than two decades the internet has become an integral part of everyday life. This shift toward tech-enabled products is fraught with risks for manufacturers, suppliers and distributors. Cyber-attacks and software glitches are at the forefront of product recalls in today's age, Holmes points out.

Internet-based development of consumer-related products has sky-rocketed over recent years, from mobile-phones, to "smart" everything: watches, automobiles, home entertainment, and household appliances, even the infrastructure of homes. Commercially, online technology has in many instances become core to the operation of manufacturing plants through to the function of medical devices in hospitals. "The internet of things, and automated, speed-to-market processing has resulted in new risk exposures not thought of before in safety and quality control strategies," Holmes added.

Recent tech-related recalls include:

- Medical devices and supplies from heart monitoring machines to saline drip containers;
- Household appliances such as smart fridges; and
- Smart vehicles

Crawford's team of Recall adjusters have demonstrated expertise in a wide-range of tech-driven disciplines, integrated with a world-class Cyber Practice, providing for a comprehensive claims solution.

Globalization

Though the ever increasing global sourcing of goods and components used in product manufacturing may be beneficial to an enterprise's financial bottom-line, the "hidden cost" in terms of product recalls as a result of poor oversight of quality and safety control measures could end up putting businesses out of pocket, Holmes commented. "Inadequate supply chain oversight combined with lacking contract management and risk transfer across a multi-national

supply-chain could prove financially devastating, particularly for small to medium-sized companies."

When a business issues a recall, whether voluntary or not, it is of utmost important to track, isolate and control the goods and/or their component parts. This may be easier said than done when you are dealing with a multinational supply-chain. The same can be said when implementing a global corrective action plan, Holmes explains.

In these instances, Crawford's Canadian solution is paired with global resources, including vast cross-border regulatory knowledge.

Risk Management

The "soft underbelly" of most manufacturers and suppliers lies in quality control, supply-chain oversight, contract management, crises management, and risk transfer strategies. Many large manufacturing and supply enterprises can employ sophisticated risk management teams to develop and oversee crises response and mitigation programs, however the majority of small to medium-sized producers are unaware of their product recall risk exposure.

Holmes indicates KEY strategies to manage recall exposure include:

- Documenting vigorous quality control
- Understanding and protecting the supply chain
- Leveraging robust supply chain agreements and insurance undertakings
- Developing comprehensive recall plans and crises response
- Effective Risk Transfer Strategies

Crawford's adjusters understand the impact a Recall can have on your business. While a Recall claim is never a good thing, it provides an opportunity to take stock and improve your risk management strategies. Our demonstrated experience offers both a robust claims response and risk management recommendations to enhance your risk exposure.

Recall Insurance

Many enterprises operate on the notion their Commercial General Liability policy includes coverage for losses incurred because of a product recall. However, these policies are generally intended to cover third-party claims as opposed to costs incurred by the enterprise. Additionally, recall sub-limits in traditional liability policies are usually modest and often leave companies grossly underinsured.

Product recall insurance provides specific coverage for manufacturers, suppliers, and distributors which might include:

- Inspection, withdrawal and replacement costs
- Business Interruption & Extra Expenses;
- Consultation and advisory costs; and
- Brand rehabilitation;

Holmes points out recall coverage can be complex in terms of triggers, qualifiers and coverage limits. “The grant of coverage may depend on whether the recall was voluntary or mandated, whether the contamination was accidental, whether it was caused by your negligence, and whether the issue is expected to result in injury or damages.”

Crawford’s adjusters understand the various policy coverages offering a practical and creative approach to resolving claims within the scope of coverage.

Claims

When a product recall occurs, time is of the essence and effective incident management is paramount. Most insurers augment their coverage offering with crisis consultant services to assist in the various aspects of the claim. Logistics, crisis management and good communication goes a long way to support businesses in their recall response, recovery, and brand protection.

According to Holmes, “a skilled adjuster understands the impact a recall can have on a business, provides speed of service, clear communication and stewards claims to resolution in a proactive and practical manner”.

For more information, contact:

Robert Holmes BSc, CIP, CRM

Complex Casualty Practice Leader,
Crawford & Company (Canada) Inc.
T: 289.684.3501
E: Robert.Holmes@crawco.ca

Walter Waugh

Vice President, Loss Adjusting GTS, Western Canada
Crawford & Company (Canada) Inc.
T: 403.266.3933 x3690
E: Walter.Waugh@crawco.ca

About Crawford & Company®

For over 80 years, Crawford has led the industry through a relentless focus on people and the innovative tools that empower them.



Loss
Adjusting



Third Party
Administration



Managed
Repair



Medical
Management



On-Demand
Services



edjuster Contents,
Services & Technology



Catastrophe
Response

10,000 employees | **50,000** field resources | **70** countries | **\$18B+** claims managed annually