



Product Recall

In 2006 Cadbury's recalled one million chocolate bars as a result of a contamination at its Millbrook plant. In spite of all its rigorous quality checking, small traces of salmonella entered the manufacturing and processing chain.

The contamination was caused by a leaking pipe at Cadbury's Malbrook plant, near Leominster, Herefordshire. The leak was discovered in January 2006 and subsequently samples were sent to an independent laboratory for analysis and a stem of salmonella was identified. As a result, Cadbury's had no alternative but to recall all the bars suspected of contamination.

This cost Cadbury's millions of pounds. The frequency of recalled goods is increasing and it now seems most editions of newspapers carry a product recall notice. This is not because quality standards have fallen but because safety standards, consumer demands and controls have increased.

If a business becomes aware of or suspects its product has a defect that could cause harm, it has no choice but to recall it at great cost. No insurer would protect a business if the goods were knowingly left on the market and then caused injury or damage. Directors may be held personally responsible if they allow unsafe products to remain on the market and businesses face possible prosecution, or fines, from regulators as a result.

A defect may be caused because of a faulty component, raw materials not up to specification or an ingredient that is contaminated before delivery. In these cases the supplier, manufacturer or importer may be liable for all the recall costs and be subject to claims for damages or loss of reputation. This can be a frightening prospect for already squeezed suppliers.

All these issues have insurance implications. Cover may be available against the cost of a product recall and this should be seriously considered by businesses in the retail consumer chain and investigated by others involved in the supply of volume goods where recall costs could be high. The number of insurers prepared to provide cover is low but sensible businesses, with our help, should weigh up the cost against the risk and then make a business decision.

Are you covered for Product Liability?

If you are in the supplier chain in any sector and are concerned if you provide a faulty component, product or ingredient, there is a possibility that your Product Liability policy could offer some protection. However, this is a complicated issue and if you are concerned you should contact us as soon as possible. We can assess the situation and make suitable recommendations as to the level of cover required and whether the limits already in place are adequate for any potential exposure.

Insurance can play an important role in ensuring that a sour taste does not remain too long, so if you have any concerns, are in any doubt about your existing cover, or require cover, please do not hesitate to get in touch.

Need to know more?

For more information contact Colin Bailey or Andrew Milverton on 0118 940 6175 at Cassey Miller James today.

Details of our offices and telephone numbers can be found on our website at www.cmj.co.uk