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What’s new in product recall?

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Alex Marti joined Beazley in April 2020 as an underwriter in the Product Recall focus group. He focuses on small business and lower middle market accounts. We caught up with him to discuss all things Product Recall…

What would you say has been the biggest shift in Product Recall needs recently?

AM: There have actually been a few different shifts of late, one of which is contractual requirements: we are seeing more and more requirements each year. Insurers need to take that seriously if they are serious about winning or maintaining a contract with their customer. We are also seeing more and more capacity being required.

What would you say is the biggest misconception around Product Recall that insureds need to know?

AM: A lot of our Product Recall insureds are first time buyers and therefore unfamiliar with the coverage. Many conflate Product Recall with Product Liability. It is really important that our clients first understand that this product covers financial loss resulting from having to remove their products from the stream of commerce. That is on us; we need to make sure we are communicating this clearly from day one.

The second misconception is the concern for governmental recall. Any recall policy in the market is essentially going to pick up a governmentally ordered recall - via either a direct governmental recall wording or adverse publicity trigger. A recall policy is going to always pick up a governmental recall. It’s an old question, and it's amazing it's still gets asked.

What should brokers and insureds look for in Product Recall coverage?

AM: Clear wording. It is so important. It’s easily done; we all tend to slip into jargon at work, but it is just so inaccessible – it’s something the whole industry needs to work on.

What is the biggest risk opportunity that you see for next year?

AM: Continually softening rates on the middle market and upper middle market segment is the biggest risk opportunity for next year, in my view. That said, we are seeing more and more accounts coming out of the middle market. We have become the preeminent carrier for small business with Product Recall and that continues to grow.

Not only is there an increase in contractually driven coverage, but also an increase people seeking it out. I think Product Recall is turning a corner - going from really a super niche line of business to a more standard line.

Discuss our value and differentiation around SIR limits.

AM: One of the coolest things that we got to do here at Beazley is that we can pick whatever SIR we want. Historically in the recall market, everyone generally offers the same, whether it was $25K or $100K. We can price on any SIR that we want to; we have total flexibility with whatever SIR we insure.

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