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Article

INTERVIEW: What’s Next for Product Recall?

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Alex joined Beazley in April 2020 as an underwriter in the Product Recall focus group. He manages the US Product Recall team. We caught up with him to discuss all things Product Recall.

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

There have actually been a few different shifts of late, one of which is contractual requirements in which insureds are being required to carry recall cover by their customers: 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.

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

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 their financial loss resulting from design, supply chain and or manufacturing errors, regardless of where their product is in 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 provide coverage for a governmentally ordered recall - via either a direct governmental recall wording or adverse publicity trigger. This question has continued to be an ongoing area of confusion that we aim to provide clarity on from the onset.

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

Clear wordings, easy to read, easy to understand. It is so important. Policies can be so inaccessible to people outside of the insurance industry – it's so important for insureds to easily understand what is and what is not covered in their policy.

4) What is the biggest opportunity that you see for 2023?

There are so many manufacturers not buying the right coverage because there is lack of clarity around what product recall policies cover, and the benefit to them for having this type of coverage. There's also a misconception that this coverage is only for larger companies, and unaffordable for small businesses and SME insureds, which is not true.

That said, we are seeing more requests for coverage from 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 in 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.

5) How does Beazley Utilize Self-Insured Retentions?

One of the unique aspects of the Beazley's Product Recall team is that we can provide no-SIR options. Historically in the recall market, everyone generally offers the same, whether it was $25K to $100K. Unlike other insurers, the underwriter has the flexibility to select an SIR customized to the insured's risk.

6) What's happening in Beazley Product Recall around the world?

We're excited to announce the recent launch of our Clinical Property Protection coverage in the United States, a coverage Beazley is exclusively providing at this time. This solution covers the value of a clinical trial organization's API when it's in the hands of a compounder, providing invaluable peace of mind – and coverage - to the clinical trial organization in the chance that something happens to their API when it's in the compound stage.

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