



## OVERVIEW: RECALL INSURANCE FOR AUTOMOTIVE COMPONENT PARTS

In 2014, a number of very well-known vehicle manufacturers have suffered damaging product recalls. One particular vehicle manufacturer will have recalled more vehicles in 2014 than it sold\*.

- ▶ How would your client cope if they supplied a customer like this with a faulty or incorrect component?
- ▶ Is your client insured for the First and Third Party costs associated with an automotive product recall?
- ▶ Is your client insured for the costs of removal, recovery and destruction of defective products?
- ▶ What about the financial losses suffered by your client's customers as a direct result of a defective product?
- ▶ Has your client considered the costs associated with redesign, replacement and repair?

Every prudent automotive product manufacturer should confront the risk posed by product failure and the potential for product recall in their risk management strategy. A product recall can pose a systemic threat to a manufacturer's viability and to their balance sheet; this insurance product offers a 'balance sheet catastrophe' coverage.

\* Source: [www.vox.com](http://www.vox.com) – May 2014

A large, abstract graphic in the bottom right corner of the page. It features a bright, glowing sunburst or lens flare effect in shades of red, orange, and yellow, set against a dark background. The graphic is partially obscured by a diagonal green and red border.

Solving it

This product is suitable for a wide variety of Tier 1/2/3 automotive-parts manufacturers. We can assist companies at all stages of the supply chain except those who are whole or 'finished-product' vehicle manufacturers

### What type of event is covered?

The recall of an insured product or any product that an insured product becomes part of, because the use of that product would result in bodily injury or property damage. In addition, coverage can extend to the recall of an insured product because of failure to 'perform its intended function'.

### What costs are covered?

#### First Party

- ▶ Costs of advertising the recall on the internet or in any printed medium, radio or television.
- ▶ Costs to recover the product(s) from purchaser/distributor etc.
- ▶ Costs of additional warehouse or storage space.
- ▶ Costs to dispose of or destroy recalled products.
- ▶ Salary costs to hire additional personnel.
- ▶ Overtime paid to regular employees.
- ▶ The necessary out of pocket expenses of personnel.
- ▶ Costs of re-working, repairing or re-designing a defective product.
- ▶ Cover for defective or incorrect consultancy/advice.
- ▶ Cover for defective labelling, formulas, designs, specifications, plans and packaging.
- ▶ Removal, repair and replacement of products that have 'failed to perform their intended function'.

#### Third Party (including customers)

- ▶ Any financial loss that arises due to the defective product, not arising from accidental bodily injury or damage to material property.

#### Defence Costs

- ▶ Legal costs, fees and expenses associated with the investigation, defence or settlement of claims. Such costs are provided outside the limit (up to the same value of the limit of indemnity provided).

#### Possible Coverage Extensions

- ▶ Recall ordered by a competent government authority or regulated national safety organisation (such as the National Highway Traffic Safety Administration - NHTSA).

#### Target Industries

- ▶ Plastic and metal moldings.
- ▶ Engine, drive-train, brake, suspension parts.
- ▶ Seat-belts and receivers.
- ▶ On-board electronic component parts (Printed Circuit Boards etc).
- ▶ Internal upholstery, dashboard componentry.
- ▶ Other automotive components.

Please see policy wordings for full terms and conditions.

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