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Total Recall—Current Coverage Issues in Product Recall Claims

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Products ranging from food items and pharmaceuticals to baby carriages, toys and television sets are routinely recalled by retailers and manufacturers in the United States for defects or contamination that affect the safety of the products for human use or consumption.

Many recalls stem from initial complaint or claims of injuries or product defects but increasing U.S. governmental regulation and monitoring is prompting earlier recalls of foods, pharmaceuticals and consumer products. A single recall can cost a manufacturer and its customers into the millions of dollars. These companies will frequently seek insurance coverage for recall claims under their general liability policies and to the extent specialty recall policies were purchased, they will also seek coverage under such first party policies. These coverage claims can be extremely complex and may require retention of experts to assist in both the coverage determination and the categorization and valuation of first and third party damages.

In 2012, the Consumer Product Safety Commission recalled 59 million products. Product recalls can reach over a million dollars in losses per recall.

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