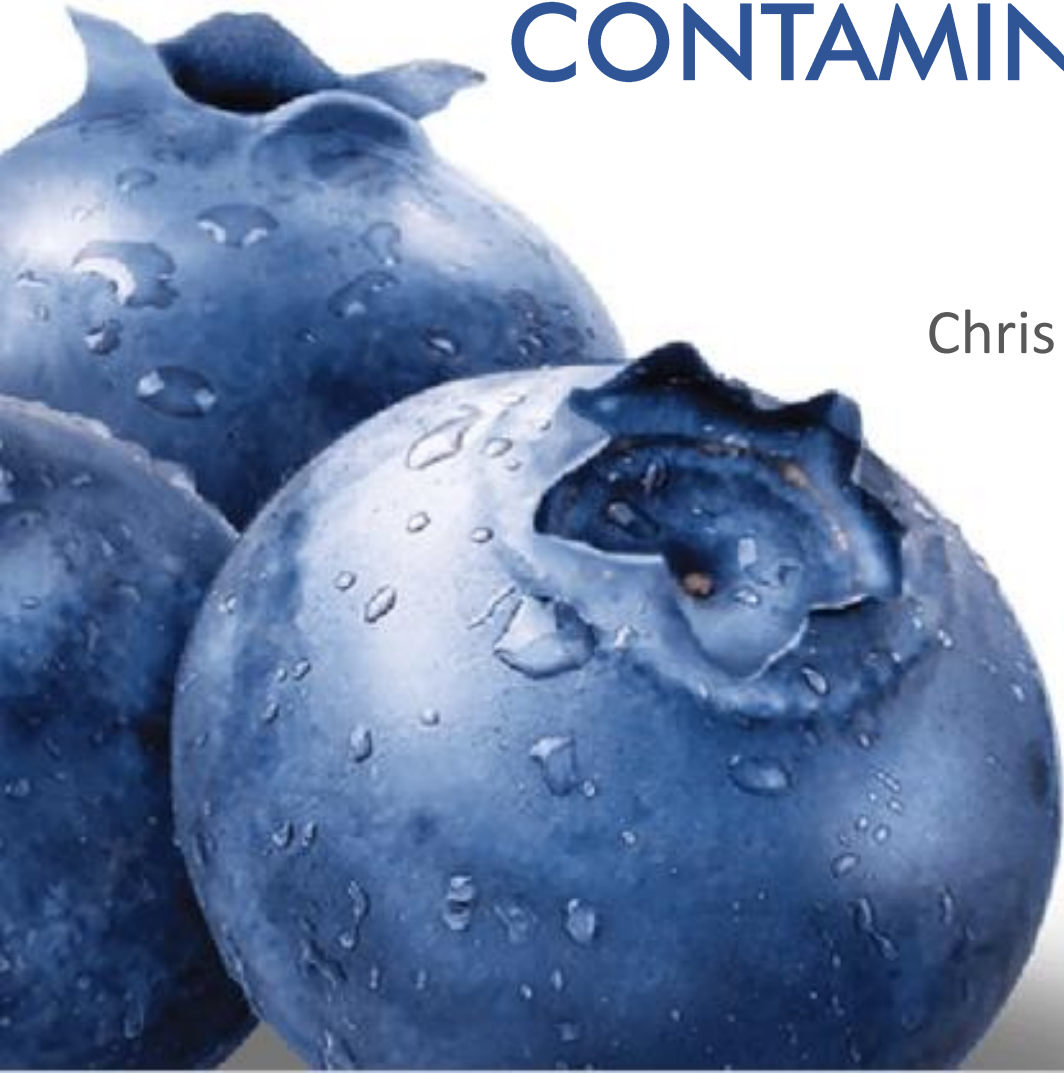


CONTAMINATED PRODUCT INSURANCE

Chris Thomson | Underwriting: Casualty | AIG South Africa



AIG

Contaminated Products Insurance

IT IS:

- Coverage for recall of unsafe product due to actual or alleged contamination
- Includes
 - Costs to recall offending product
 - Destruction
 - Clean up costs
 - Marketing expenses / rehabilitation
 - Business interruption

IS NOT

- Guarantee cover
 - Substandard quality
 - Out of specification
- Product liability
 - No indemnity for personal injury or property damage



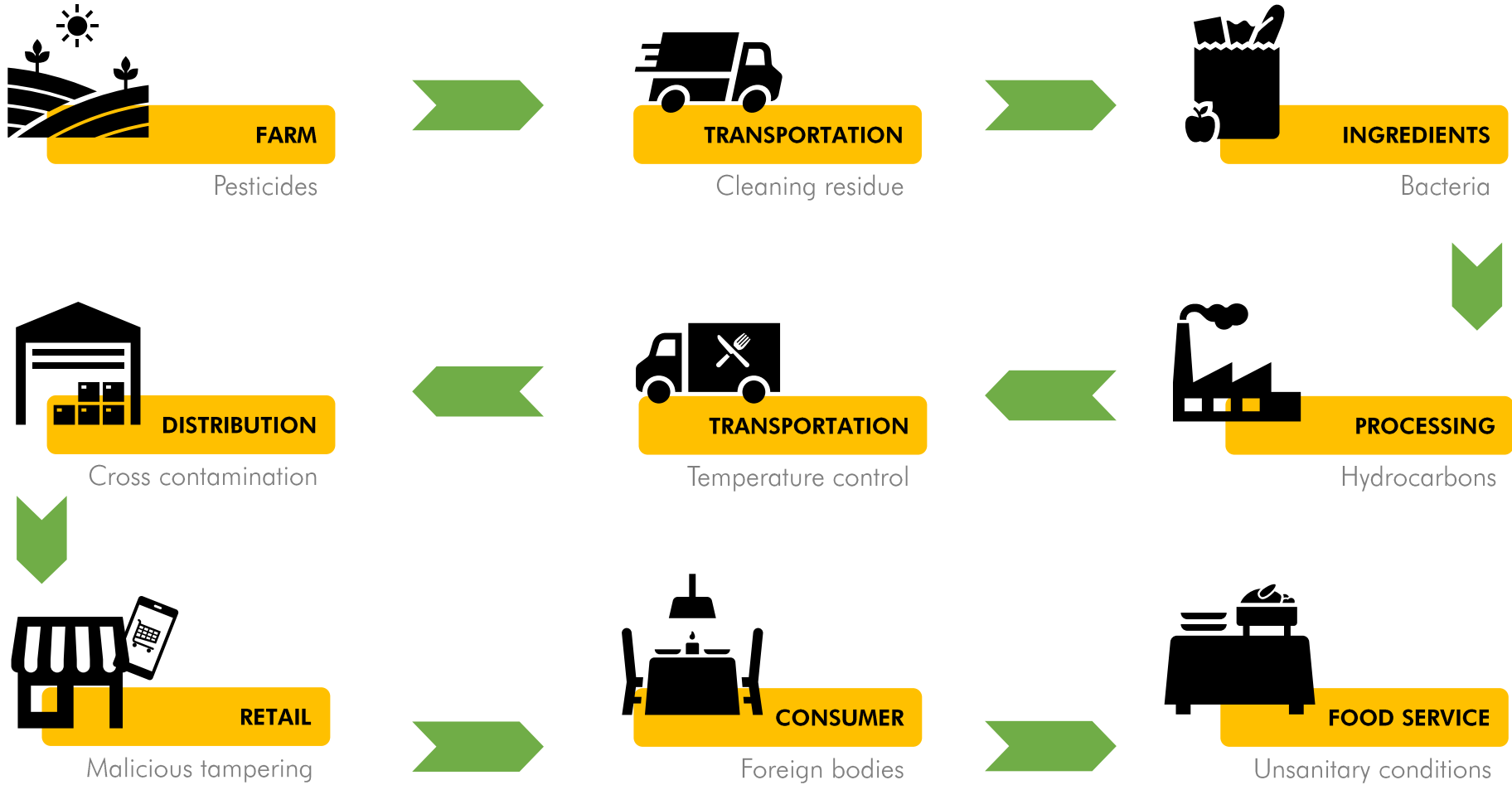
Contaminated Products Insurance

- Rise in number and severity of losses
 - Globally
 - South Africa
- CPA 2008
 - Strict Liability
 - Joint and several liability
- Severity vs frequency
 - Structured to account for severe incidents
- Enjoys worldwide coverage
- Supported by independent 3rd party crisis consultants
 - Extortion
 - Public relations
 - Crisis response (recall)





Food and Beverage Supply Chain



Insured Products

All topical or ingestible products for human or animal consumption or use (as reported to us during application), including:



COMPONENTS



INGREDIENTS



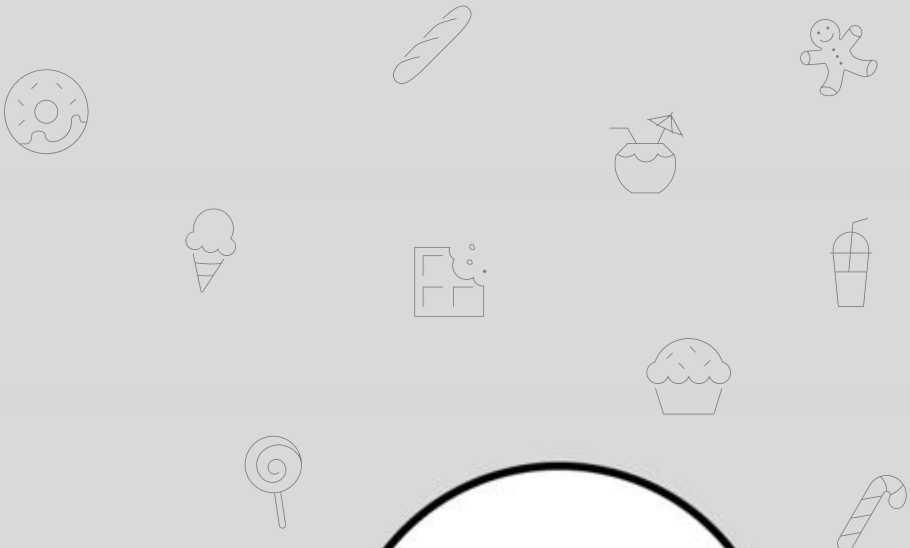
LABELS



PACKAGING



Insured Events



**ACCIDENTAL
CONTAMINATION**

Accidental omission of a component /substance during manufacturing

Accidental introduction/ substitution of a component /substance during manufacturing

Error in and/or during manufacturing, packaging, blending, mixing, labelling or storage

**MALICIOUS
TAMPERING**

Malicious alteration/contamination of the products so as to render it unfit or dangerous for its' intended use or consumption or to create such impression to the public

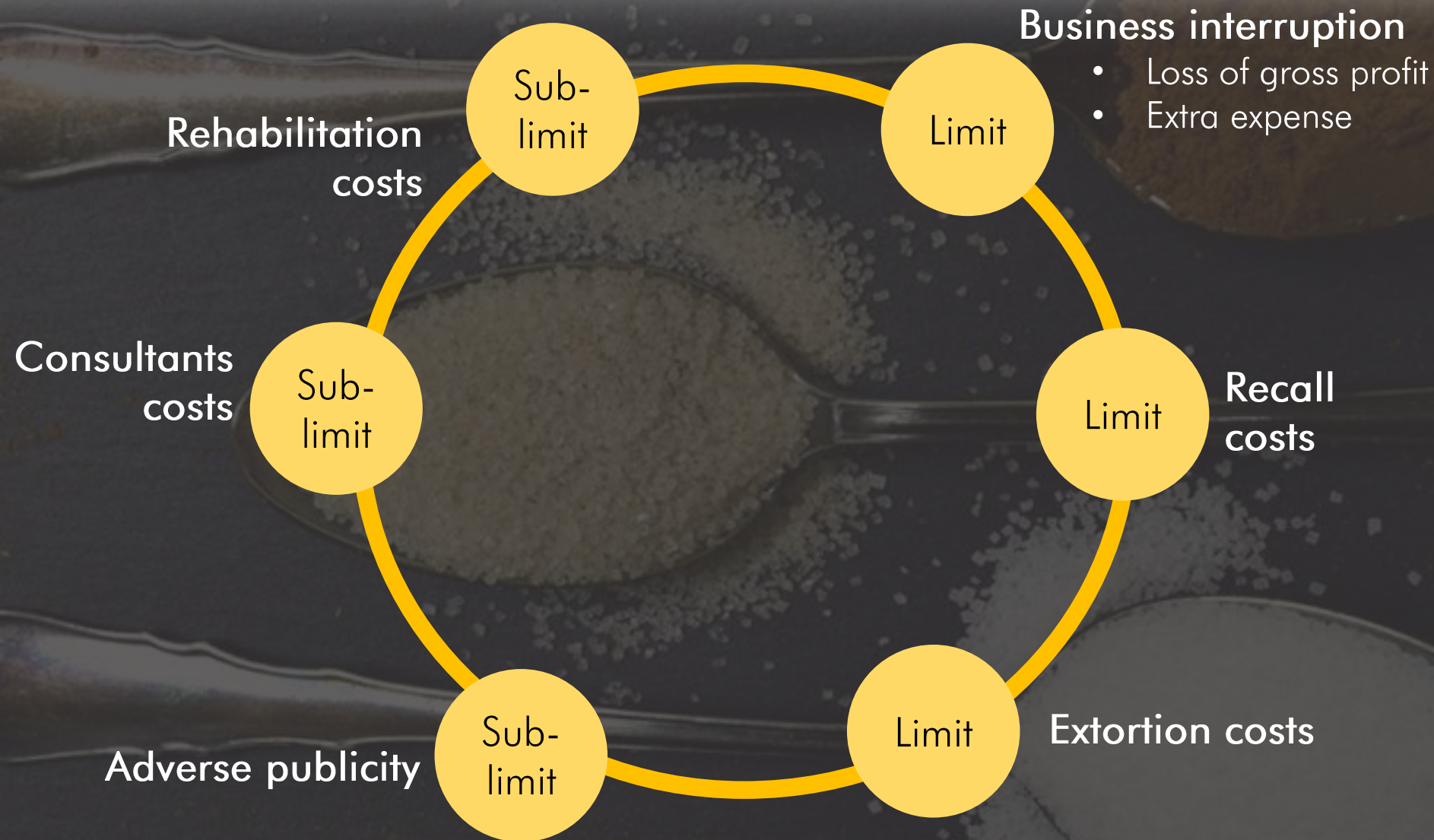
Exposure: own employees, third parties, copycat, sabotage

**PRODUCT
EXTORTION**

Any threats to commit MPT

For the purpose to demand ransom money (e.g. cash, bullion, market value of securities, property etc.)

Standard Covered Losses





REQUESTED ADDITIONAL COVERAGES

**Cyber
Affirmative?**



**Third Party
Recall Costs**



**Customer
Loss of Profit**



**Intentional
Impaired
Ingredients**



**Product
Refusal**



**Governmental
Recall**



CPI vs Recall Extension (GL)

| | Sub-limit | CPI | Recall Extension (GL) |
|------------------------------------|-----------|-----|-----------------------|
| Insured Events & Covers | | | |
| Accidental contamination | | 👍 | 👍 |
| Malicious product tampering | | 👍 | 👍 |
| Extortion | | 👍 | |
| Manufacturing error | | 👍 | |
| Damaged insured product | | 👍 | |
| Extensions | | | |
| Governmental recall | | 👍 | |
| Governmental recall extension | ✓ | 👍 | |
| Third party recall | ✓ | 👍 | |
| Adverse publicity | ✓ | 👍 | |
| Product refusal | ✓ | 👍 | |
| Intentionally impaired ingredient | ✓ | 👍 | |

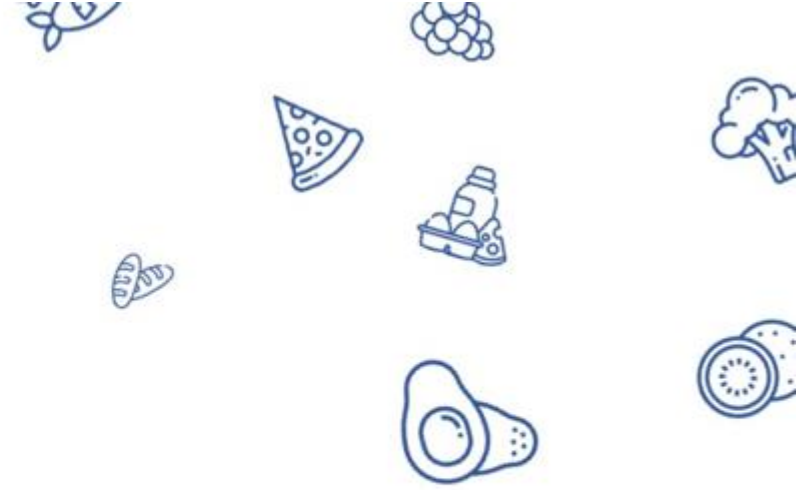
The limit is the same as the MPT limit

Must be specifically requested on CPI

Must be specifically requested on CPI

Forms part of the of the MPT cover

| | Sub-limit | CPI | Recall Extension (GL) |
|---|-----------|-----|-----------------------|
| Recall, replacement & clean-up | | | |
| Replacement & restoration costs | | 👍 | |
| Crisis containment costs | | 👍 | |
| Pre-recall costs | | 👍 | |
| Recall & distribution costs | | 👍 | 👍 |
| Clean-up costs | ✓ | 👍 | |
| Extortion monies | | 👍 | |
| Business interruption | | | |
| Loss of gross profit | | 👍 | |
| Expense to reduce loss | | 👍 | |
| Marketing expense | ✓ | 👍 | |
| Clean-up interruption costs | ✓ | 👍 | |
| Rehabilitation costs | | 👍 | |
| Consultant costs (post loss) | | 👍 | |
| Crisis containment costs | | 👍 | |
| Replacement costs | | 👍 | |



Additional benefits of CPI

- Pre-loss consulting
- Crisis-contact center (24/7)

Standard Exclusions



Changes in tastes,
seasonal variations



Similar product
but different batch



Expenses
to redesign



Loss to land,
crop failure



Removal from sale of
an unrelated product



Contamination
due to carcinogens



Non-compliance with
governmental norms



Change in
government
regulations



Third party recall
of a non covered
event



Bioengineering,
Genetic engineering



Biological/chemical
agent expected in the
ingredients/raw materials

...and OBVIOUS ONES such as:

PRIOR KNOWLEDGE | FRAUD, WILFUL ACTS | FINES & PENALTIES | NUCLEAR | WAR & TERRORISM

Pre requisites for cover

Proposal form

HACCP

Recall plan

Supplier management plan

Proactive Crisis Management

Characteristics of a well managed recall

**RECALL
PLANING**

1

A clear recall plan is in place.
Tracing & mock recalls tested

**FIRST
DISCOVERY**

2

Immediate actions upon
discovery of potential issue

INVESTIGATION

3

Crisis Mngt consultants are involved.
Cause of issue discovered

**COMPANY
RECALL**

4

Company makes announcement.
The goal is to reach as many
customers as possible

**POSITIVE
FEEDBACK**

5

Customers & media recognize
how well-managed recall
process has been

QUESTIONS?

