

CRISIS MANAGEMENT // NEWSLETTER // ASIA

Product Recall Monitor Asia

Welcome to the July 2022 edition of the Liberty Product Recall Monitor for the Asia region.

At Liberty, we are experts in crisis management insurance and offer best in class support underpinned by exceptional service, risk engineering and local claims handling. We understand that each business has different needs and offer bespoke policy wordings to help ensure the right level of protection in an evolving risk environment.

In this edition, you will find a focus on toy recalls, including the latest trends and top causes driving these events in Europe and the US. We also highlight a range of recent global non-food related recall incidents of products manufactured in Asia for categories such as:

- ▶ Babies and kids
- ▶ Health and lifestyle
- ▶ Home and living

TRENDING
TOPICS

ASIA

Why Liberty?

With food and consumer safety regulations tightening across Asia, exposure to product recalls is rising, and understanding how to handle safety and recall situations is a growing area of interest for manufacturers, retailers, wholesalers and importers.

Liberty's Crisis Management team in Asia, is well positioned to assist our broker partners and clients with insurance solutions, and advice in the product safety and recall space, and have helped many clients handle safety and recall incidents.

- ▶ We have a dedicated and experienced recall team across Singapore, Hong Kong and Malaysia.
- ▶ We work very closely with our panel of professional consultancies, HACCP and Security Exchange, that provide expertise in food and safety crisis response, and have a significant presence in Asia. Together, we provide our clients with not only an insurance policy, but a comprehensive service that includes pre and post incident response and consulting.



Why Liberty?

Experts in Crisis Management

Bespoke policies tailored to suit the individual needs of clients, covering:

- ▶ Design defect
- ▶ Manufacturing defect
- ▶ Malicious product tampering
- ▶ Product extortion
- ▶ Government recall

Market leading cover and best in class crisis support

Our market leading Product Recall insurance includes a sub-limit cover for Product Guarantee. This fills a significant gap in coverage for many clients who find themselves exposed when their product is subject to a withdrawal due to a quality or performance issue, as opposed to a product safety issue.

24/7 support

You can expect 24/7 support from our dedicated crisis management consultants. We provide access to leading crisis management consultants, PR assistance and market leading food technologists to assist you with the prevention, management and recovery from a product recall situation.

Examples of covered losses:

- ▶ Pre-recall costs
- ▶ Mitigation expenses
- ▶ Replacement and repair costs
- ▶ Extortion costs
- ▶ Recall costs including transport and destruction
- ▶ Third party recall costs
- ▶ Consultant and advisor costs

Exceptional service, risk engineering and claims handling

We understand the need for a quick turnaround. Liberty has underwriters in Hong Kong, Malaysia and Singapore and can meet with clients when needed most.

Our claims handling is managed out of Hong Kong by Senior Claims Specialist Kenneth Wan.

We have a dedicated Risk Engineer, Luis Gonzalez, who provides technical support to underwriters. Luis is available to speak with clients to help ensure that we fully understand our client's business and risk profile.

Find out more

If you would like to know more about product recalls and withdrawals and the tailored solutions we provide, please get in touch with a member of the [Liberty Crisis Management team](#).

Technical profile – Toys

Toys contribute to child development, and play is an essential part of growing up. Globally, the toy and games market size is anticipated to grow to US\$439.91 billion by 2030 (representing a 4.7% increase).

With the growth of the toy and games market comes risk, and toys must be safe for children to play with, but there is a danger of misconception by many consumers that all products on the market are safe and government approved. Despite extensive efforts of the various regulatory bodies, there is still a significant number of toy-related deaths and injuries reported around the world.

Emerging hazards

With increasing innovation in the toy industry towards smart toys and digitisation, traditional hazards associated with toys such as choking and lead contamination, are no longer the only risks of concern. Emerging hazards such as cyber vulnerabilities, possible software glitches, and risks associated with rechargeable batteries should now be considered, together with the physical hazards of the toys.

Multi-sensory toys

Multi-sensory toys are also increasing in popularity because they offer a range of combinations of auditory, visual and tactile experiences. An example is fidget toys, like slimes and putties, that also deliver the benefit of helping ease stress and anxiety. These sensory features can contain toxic chemicals, such as the recent case of slimes, where borax was a common ingredient to make them sticky. Borax, made up of Boron, may impair fertility or cause harm to unborn children.

Sustainable toys

Another interesting new category of toys are those made from renewable or recycled materials, which are part of the global movement of sustainability and environment protection. Recycled plastics could transfer the additives they contain to the newly manufactured goods. These organic chemicals might be harmful in children's toys (e.g. phthalates).

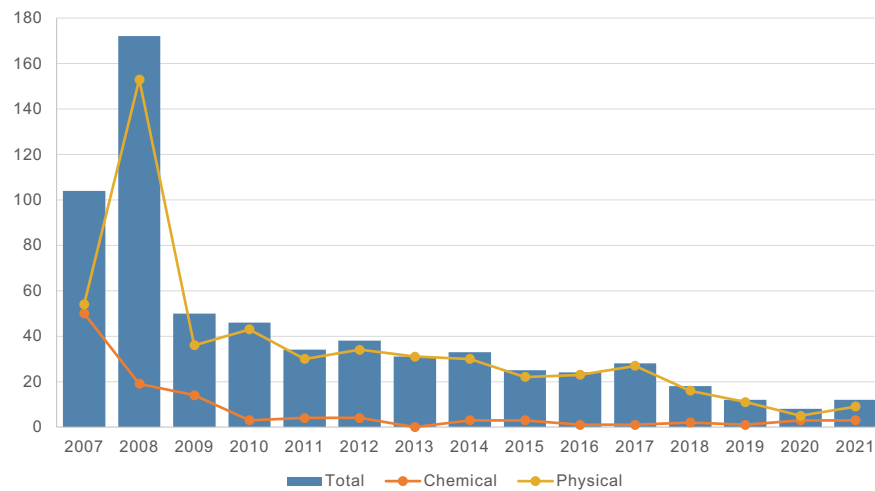


Number of toy recalls – US and Europe

Recall data from the last 15 years was gathered and analysed to gain a better understanding of recall trends in the industry.

Recalls were classified into two categories: chemical (such as heavy metals and chemical migration) and physical (such as choking, injuries, strangulation, burns, and damage to hearing and injury).

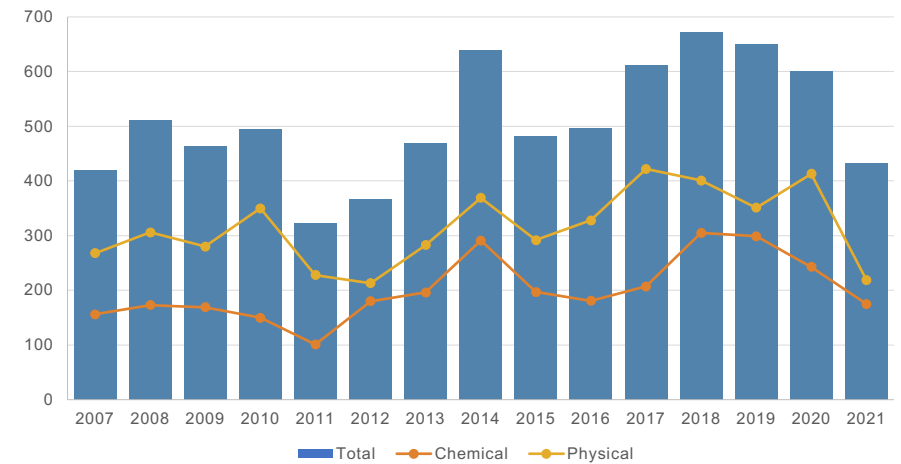
Toy recalls – USA



From 2007 to 2021 – toy recalls have decreased 88.5% since the introduction of toy safety standards in 2008

- ▶ The enforcement of the mandatory ASTM F963 toy safety standard in 2008 has seen a significant reduction in recalls caused by both chemical and physical hazards
- ▶ Chemical and physical hazards have remained at low levels for the last 10 years
- ▶ Lead related recalls have dramatically decreased – by 50% from 2012 to 2022.

Toy recalls – Europe



Toy recalls in Europe have remained steady for the last 15 years

- ▶ Lead related recalls have decreased significantly, from 35 recalls in 2007 to an average of six recalls per year in the last 10 years
- ▶ Phthalates, one of the chemicals that was regulated in 2009, has been consistently responsible for at least 25% of toy recalls in Europe.

Number of toy recalls – US and Europe

In the US, third party testing and certification are required for toys designed, or intended for, children 12 and under.

Manufacturers and importers must use CPSC** – accepted laboratories to perform testing. CPSC has created an accreditation program for laboratories to ensure that testing methods are homogeneous, and results are accurate.

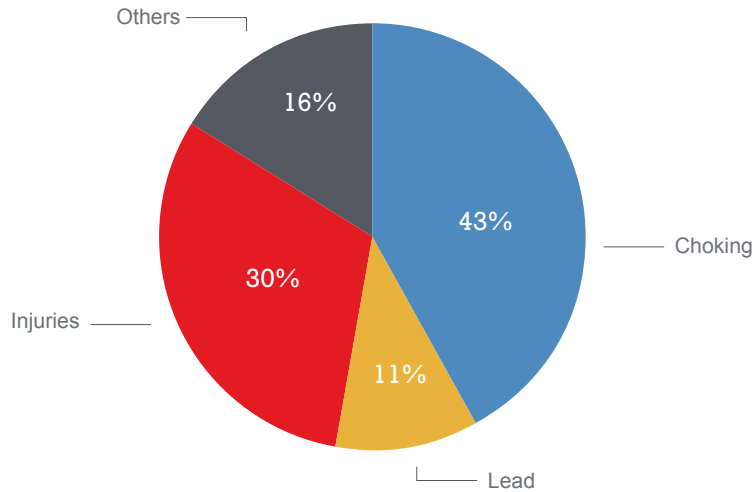
On the other hand, Europe adopts a Supplier Declaration of Conformity (SDOC) system, and suppliers must provide written assurance that the product meets the applicable standards and technical regulations. Testing can be done in-house, or by any external laboratory.

One reason that could explain the significant reduction in the number of recalls in the US compared to the consistently high number of recalls in Europe, is that the mandatory third party testing by CPSC accredited laboratories in the US may provide a higher level of protection to consumers over the supplier declaration system in Europe, in which self-testing is allowed.



Top recall causes in the last 10 years – US and Europe

Recall causes – USA



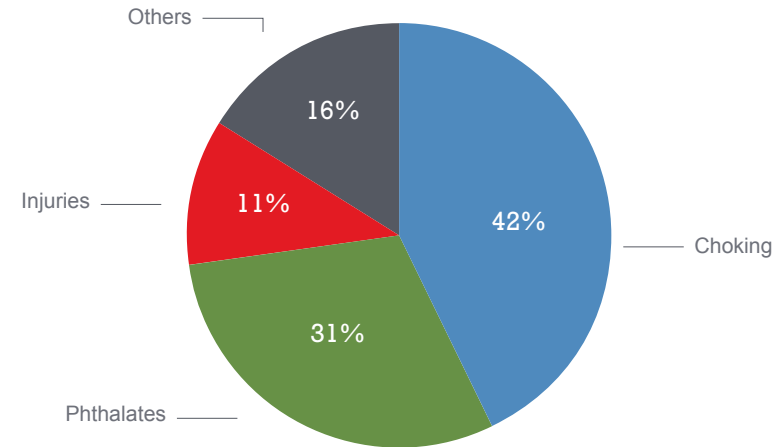
Choking hazard is the top recall cause in both jurisdictions. Around 40 per cent of toy recalls are caused by small fragments detaching or breaking off toys, that are intended for children under 36 months of age.

The main causes of injury hazard include young children gaining access to button batteries, ingestion of high-powered magnets, sharp objects causing lacerations and mechanical failure of toys such as bikes, tricycles and scooters.

Phthalates are responsible for >30 per cent of toy recalls in Europe. They are also known as plasticisers, and are widely used to make plastics harder to break and more flexible. Some phthalates are associated with developmental toxicity and endocrine disruption.

(Source: European Commission 2022)

Recall causes – Europe



Significant toy recalls

Year	Brand	Affected Product/s	Reason	Number of recalled units
2007	Mattel	Toys, including Barbie, Polly Pocket and "Cars" movie items	Magnetic toys posing a choking hazard and lead paint contamination	Magnetic toys: 18.2 million lead paint contamination: 1.5 million
2010	Fisher-Price	Tricycles, highchairs and toy cars	Injury risks	11 million
2014	McDonald's	Hello Kitty whistle toys	Components inside of the whistle can detach, posing choking hazard	2.3 million
2016	McDonald's	Fitness trackers	Wristband could cause skin irritation and burns	29 million

Warning labels – how effective are they in preventing injuries?

Warning labels should meet all the requirements set out in the mandatory standard. Toy safety standards specify that products with certain features must include safety information or warning labels to make caregivers aware of any potential hazard and provide them with instructions on the safe use of the toy.

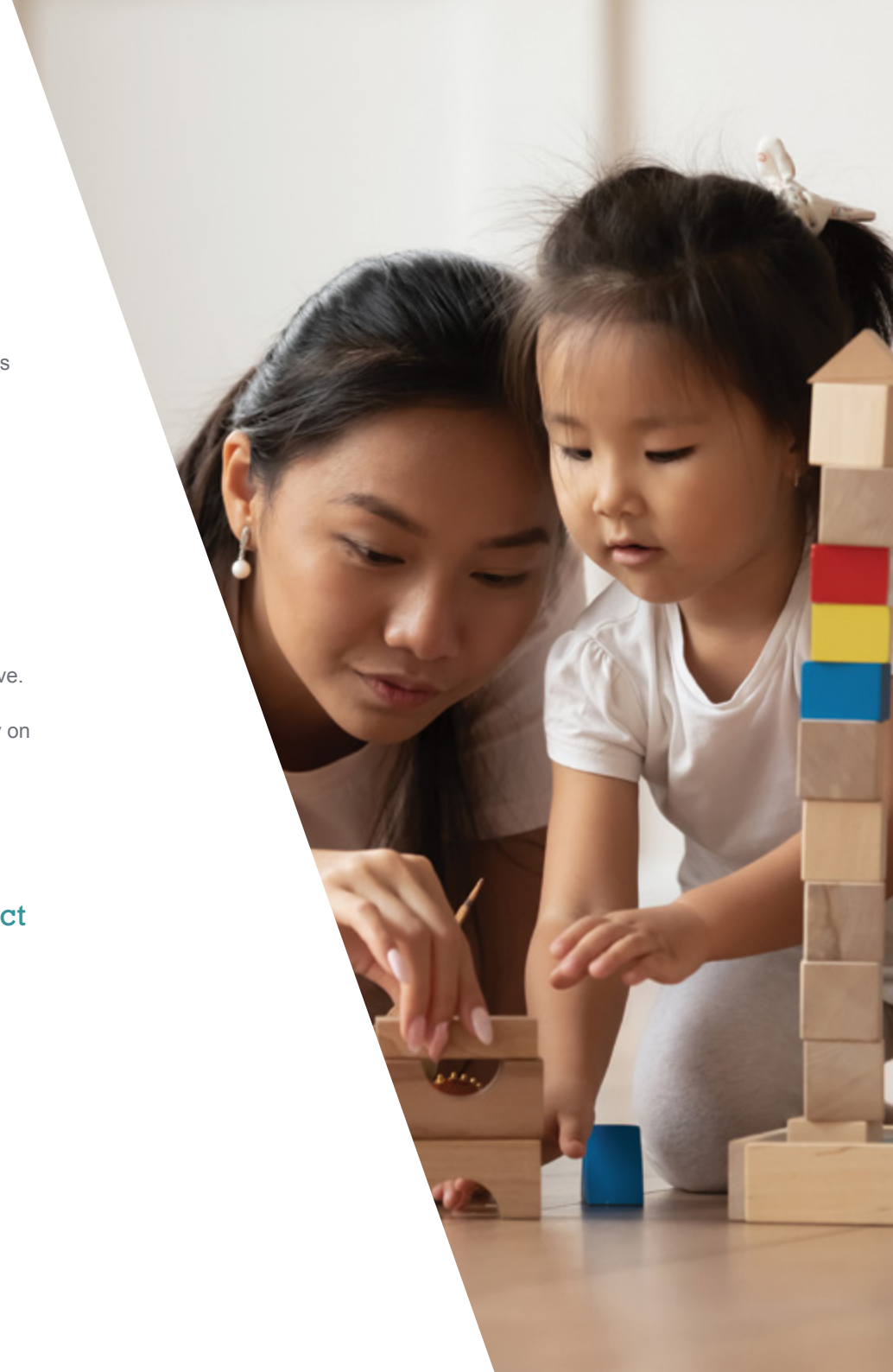
Some examples of these warnings include:

- ▶ Age warning
- ▶ Allergenic warning
- ▶ Strangulation warning
- ▶ Acoustic warning
- ▶ Adult supervision warning

Proper warning labels are a good control that could prevent some injuries but may not always be effective. Not all caregivers take this information into consideration, or read the warning label. They might also overestimate the skills of a child who is playing with the toy. As such, manufacturers should not rely only on warning labels, and conduct risk assessments to remove any hazard.

Liberty provides cover to help protect against the risk of product recalls for toys

We are always keen to look at submissions for toy manufacturers and suppliers. We assess the risk management practices and quality control protocols of a company, and ensure the products have gone through the necessary testing and certification requirements.



Babies and Kids

Recall examples

02 February 2022 – children's all-terrain vehicle

Country of manufacture	Risk	Remedy
China	Injury or death hazard	Refund

This product does not comply with the mandatory ATV safety standards with regards to speed limitations. Additionally, the parking brakes are inadequate.

31 March 2022 – glow rattles

Country of manufacture	Risk	Remedy
China	Choking hazard	Refund

This product poses a choking hazard because the rattle legs can break off. The remedy for this incident was a refund to consumers.

16 March 2022 – toddler walkers

Country of manufacture	Risk	Remedy
China	Choking hazard	Repair

This product poses a choking hazard due to the wheels and attachment hardware detaching. The remedy was to send repair kits to consumers.

14 April 2022 – sensory wood toys

Country of manufacture	Risk	Remedy
China	Choking hazard	Refund

This product poses a choking hazard because small parts of it can come loose, endangering young children.





Health and Lifestyle

Recall examples

22 September 2021 – snorkel

Country of manufacture	Risk	Remedy
Thailand	Drowning hazard	Repair

The bottom purge valve on the recalled snorkels can leak, allowing unexpected water entry, posing a drowning hazard.

17 February 2022 – hot air brushes

Country of manufacture	Risk	Remedy
China	Electrocution or shock hazard	Replace

The recalled hot air brushes do not have an immersion protection device, posing an electrocution or shock hazard to the user if it falls into water when plugged in.

12 January 2022 – bicycles

Country of manufacture	Risk	Remedy
Philippines	Fall and injury hazard	Repair

The handlebar on this product can become loose, creating a fall and injury hazard.

3 March 2022 – Fitbit

Country of manufacture	Risk	Remedy
Taiwan	Burn hazard	Refund

The battery in this product can overheat, leading to the hazard of serious burn injuries and skin irritation.

Home and Living

Recall examples

9 September 2021 – teak shower benches

Country of manufacture	Risk	Remedy
Indonesia	Fall hazard	Refund

This product poses a fall hazard to the user because it can collapse during use. There were 81 incidents reported of the shower bench collapsing or falling apart while in use.

27 October 2021 – drawer chests

Country of manufacture	Risk	Remedy
Vietnam	Tip over and entrapment hazard	Refund

When this product is not anchored to the wall, it is unstable, leading to the potential to kill or seriously injure children.

18 November 2021 – memory foam mattresses

Country of manufacture	Risk	Remedy
Malaysia	Fire hazard	Repair

This product does not meet mandatory federal flammability standards and as such poses a fire hazard.

15 December 2021 – ceiling fans

Country of manufacture	Risk	Remedy
China	Impact Injury	Replace

The blades can detach from the fan, causing the potential for impact injury, particularly when operating.

22 December 2021 – bunk beds with angled ladders

Country of manufacture	Risk	Remedy
Vietnam	Entrapment and strangulation injury	Repair

When lifted, the ladder on the bunk bed can detach from the bed, causing the gap between the ladder step and bed frame to open wider than 3.5 inches (8.89cm).

17 February 2022 – steel drinking cups with handle

Country of manufacture	Risk	Remedy
China	Choking hazard	Replace

The handle on this product can partially or completely detach, posing a choking hazard to children.



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We're part of the global Liberty Mutual Group, a Fortune 100 company that's been in business since 1912 with a Standard and Poor's 'A' rating.

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