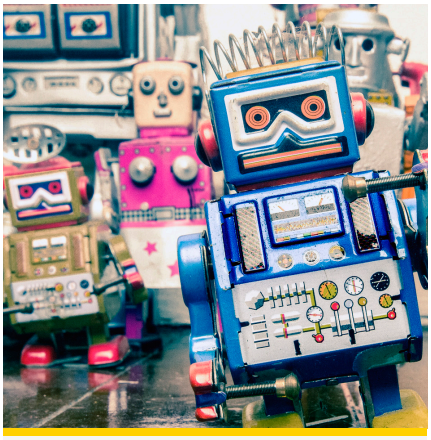


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> Product liability insurance does not generally cover recall costs and a recall policy is recommended to help handle these complex situations effectively

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PRplus Product Recall insurance

For toy recalls due to defects, manufacturing errors, or tampering

Recalling a child's toy can be expensive and requires a rapid recall response.

The global toy market is rapidly expanding and was valued at approximately US$325 billion in 2023. As toys play a crucial role in child development, toy product safety is a priority for regulators in this space.

Incidents in this category require a quick response to protect children and manage costs and reputational damage. Product liability insurance does not generally cover recall costs and a recall policy is recommended to help handle these complex situations effectively.

Liberty PRplus Product Recall insurance covers product recalls for toys arising from defects, manufacturing errors, and malicious tampering. It also includes a sublimit for recalls related to product guarantee related events. The policy's coverage extends to logistical costs, inspection costs, and the expensive replacement and repair of affected products.

Coverage highlights

Recall insurance serves as critical safeguard for manufacturers in the toy industry, providing financial protection against the unpredictable costs associated with product recalls.

Pre-recall costs	For chemical analysis, physical inspection to ascertain whether the insured product is defective
Replacement costs	To replace and repair the affected products
Recall costs	To inspect, withdraw or destroy the affected products
Third party recall costs	Distributor or customer costs to inspect, withdraw or destroy the affected products
Mitigation expenses	To reduce or minimise the overall loss suffered by the insured for a product recall event

Toy recalls have increased since the COVID pandemic

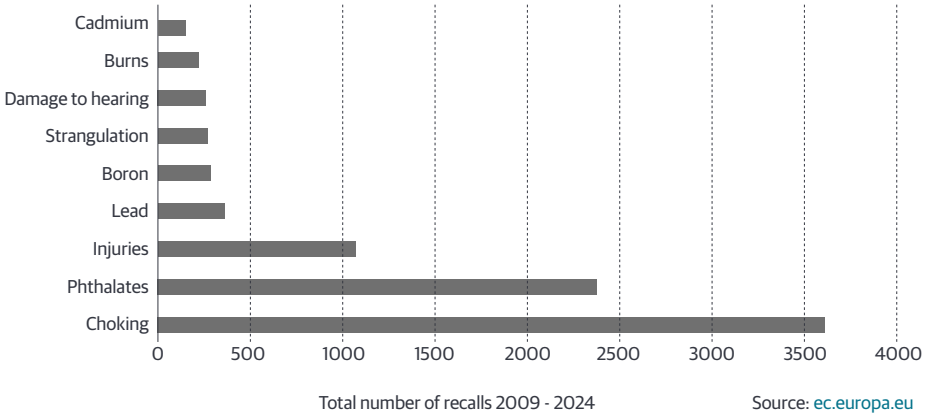
After a decline during the COVID pandemic, toy recalls surged by over 300% compared to 2020, with 128 recalls in 2020 compared to 537 in 2023, making toys and games the top recall category over the past decade, totalling 6,493 recalls.

The industry's strict safety standards necessitate effective recall strategies, as product safety is critical, and lapses can lead to costly recalls and defects.

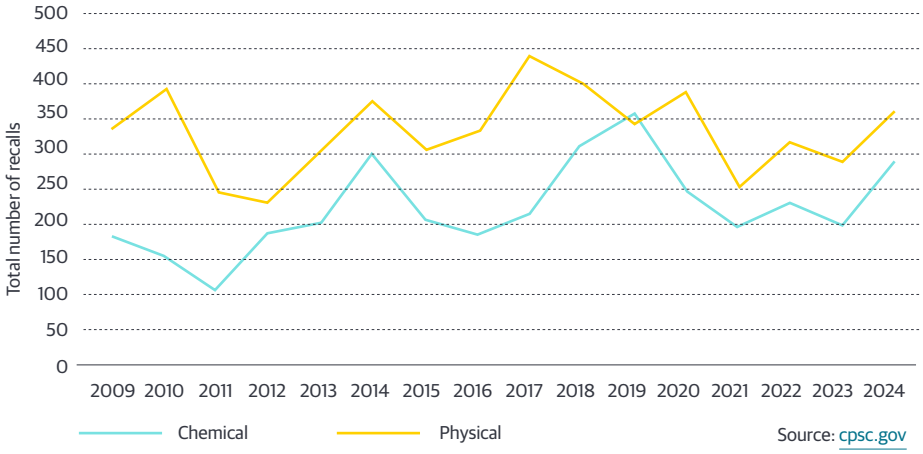


Top causes of toy recalls from 2009 to 2024

The two principal risk hazards associated with toy product recalls are categorised as physical and chemical. The charts below show the trend in occurrences in Europe and the United States since 2009, with the first outlining the most common toy risk hazards.



Total number of recalls 2009 - 2024 Source: ec.europa.eu



Source: cpsc.gov

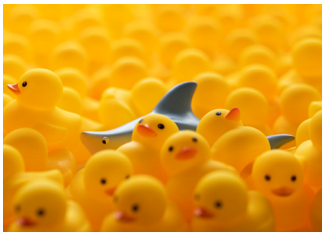
Recent product recalls



Mattel recalled 366,200 units of Fisher-Price Baby Biceps Gift Set as parts of the dumbbell toy can detach and cause a choking risk to infants.



Fisher-Price recalled approximately 204,000 units of Little People Mickey and Friends Figure Pack as the heads of Donald Duck and Daisy Duck figures can detach, posing a choking risk to young children.



Zuru recalled approximately 6.5 million Baby Shark bath toys and 1 million Mini Baby Shark bath toys due to the risk of impalement, lacerations and punctures. If a child slips in a bath or wading pool, they could fall on the toys which have a hard plastic top fin.



MGA Entertainment recalled 21 million Miniverse toy sets due to the hazards of skin burn, eye and respiratory irritation when touched, inhaled or ingested. It was found that the resin in the toys contained acrylates, a chemical compound prohibited in children's toys.



Consider these examples



Case study one

The client is a manufacturer of magnetic toys distributed in Europe and North America. They recalled more than 600,000 units of a popular model that contains small magnets with a high magnetic flux. If a child swallows the small magnets, they could attract one another causing intestinal blockage or perforation.

The product does not comply with the requirements of the Toy Safety Directive nor with the European standard EN 71-1.

The company estimated that total recall costs amounted to more than US$3 million, comprising of:

Freight charges	US$300,000
Warehouse and storage costs	US$50,000
Product refund costs	US$2,500,000
Sorting expenses	US$100,000
Public relation expenses	US$75,000
Call centre costs	US$50,000



Case study two

The client is a manufacturer of toy telephones. They recalled more than 250,000 units of the toy because the sound pressure level produced by the toy is too high (measured values: up to 81.1 dB), which could lead to permanent or partial hearing loss. The product does not comply with the requirements of the Toy Safety Directive nor with the European standard EN 71-1.

The company estimated that total recall costs amounted to around US$1.7 million, comprising of:

Pre-recall investigation costs	US$50,000
Retail slotting fees	US$100,000
Sorting expenses	US$75,000
Product replacement costs	US$1,250,000
Product redistribution costs	US$100,000
Public relations expenses	US$75,000
Call centre costs	US$50,000



How does Liberty assist when a client has a recall?

In times of crisis, the client's actions during the crucial first hours and days will significantly influence the incident's impact on their business. This is where the experience and expertise of Liberty's Crisis Management consultants become essential. They offer guidance and support to effectively manage the crisis and safeguard our clients' brands and reputations.

Liberty's dedicated risk engineer in Crisis Management brings a robust background in quality management systems from various industries, providing technical assistance to both underwriters and clients. This ensures a comprehensive understanding of our clients' risk profiles.

Additionally, our claims specialist, based in Asia, has over ten years of experience handling product recall claims. Liberty's crisis consultant also has a strong track record in client engagement and loss mitigation for product recalls across multiple manufacturing sectors. Together, they are fully prepared to help our clients navigate the challenges of a product recall crisis when it arises.

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Liberty offers a breadth of world-class insurance and reinsurance services to brokers and insured clients. We bring value and solutions to business and government organisations across Asia – helping protect what they earn, build and own.

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