

## Hanover Manufacturing Advantage

# Product recall coverage

A manufacturer's main focus is to produce quality products or components that consistently meet or exceed customer expectations. Unfortunately, things can go wrong—a storm can delay a delivery, there can be a defect with raw materials, or perhaps the manufacturing process breaks down. If the unexpected happens, there will be many anticipated and unanticipated costs to bear, from a full product recall to a factory shut down, which could include costly lawsuits or even bankruptcy.

There are many factors to consider when selecting the right insurance coverage for such an event. While certain injuries and damages caused by defective products may be covered by standard general liability policies, they don't cover expenses related to a recall, leaving a potentially large insurance coverage gap. That's why it's vitally important for manufacturers to consider product recall insurance.

## Product recall expense coverage

Product recall coverage from The Hanover reimburses for expenses incurred to remove a defective product from the marketplace for up to one year after a recall. Covered expenses also include costs to notify customers (including direct mail and advertising), employee expenses (including overtime pay, transportation, accommodations, and temporary employee salaries), shipping, transportation and disposal of defective products. Also covered is the cost of inspecting and testing of defective products to determine whether or not a recall is warranted—a valuable coverage enhancement that sets The Hanover apart from other carriers.

## Additional covered expense

A product recall can impact many parties—whether the defective product is a component, part, or finished product. Each manufacturer involved can suffer lost business, injury, incurred expenses, and irreparable damage to their reputation. With our optional additional covered expense coverage, the insured will be reimbursed for recall-related expenses and losses incurred by other parties, such as:

- **Repair, replacement or repurchasing costs**—covers the cost to repair a defective product, replace product with a similar one, and/or repurchase product or reimburse customers for payments. Also covers the cost to redistribute and install replacement products to customers.



- **Customer's lost profit coverage**—when a product recall affects customers being able to deliver their goods, this feature covers the cost of their profit losses as a result of that product recall
- **Good faith advertising coverage**—a brand can be damaged after a product recall. This coverage compensates for costs to help repair the company's damaged reputation through paid advertising, social media, and public relations services. This coverage covers these costs for up to 90 days after the end of a recall.

## Product recall liability coverage

What happens if the company with the product recall and its customers can't agree on how much should be reimbursed for costs and lost profit after the recall? The customers are likely to sue. This type of lawsuit would not be covered by general liability insurance. Optional product recall liability coverage covers subsequent claims for damages, including legal representation.

It is not uncommon for middle-sized manufacturers to fail due to the cost of a recall. Help prevent that from happening with product recall coverage.

## Talk to us today

Contact your local Hanover rep or visit us at [hanover.com/agentsolutions](https://hanover.com/agentsolutions) for more information.



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