

Maggi row: Food cos show interest in recall cover

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Mumbai: Insurance companies are getting higher number of inquiries for product recall insurance sold to corporates following the Maggie noodles controversy.

The 'product recall' cover is an add-on to product liability. Insurance companies recommend this cover to manufacturers because, besides covering the cost of recall, it is seen as a feature that limits product liability. Until now, food companies in India were not so much bothered about product liability because of the low value of items.

"Product recall insurance was initially popular among the automobile industry. Then there was demand from the pharmaceutical industry. We are now seeing interest from the food industry," said Tapan Singhel, MD & CEO, Bajaj Allianz General Insurance. "Indian companies are now being conscious about product liability," said Singhel.

Praveen Vashishta, chairman, Howden Insurance Brokers, a UK based insurance company, said, "I am sure that there will be more enquiries in coming days but not sure how much of them will actually translate into purchases."

According to Vashishta, it is rare for a food & beverages company that is catering 100% to the Indian market to take out a product recall cover: "Those who export to the US or to Europe invariably take this cover as the regulators are very strict. Besides, the insurance company also provides crisis management advisory services, including appointment of a public relations agency," he said.

According to Ketan Kale of JKT Independent Insurance

Brokers, high-profile events usually increase awareness. "We have seen it during the Satyam case. The incident increased awareness of the directors and officers policy and today the cover is a commodity with almost every company going for it," said Kale.

This specialized cover being sold to corporates is designed by international broking firms based on such covers sold internationally. In India, the most significant instance of product liability in the food industry took place in

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2003 when chocolate-maker Cadbury faced charges that it was distributing chocolates with infestation. The FDA had ordered seizure of all Cadbury's Dairy Milk chocolates. The incident caused huge losses to Cadbury and compelled the company to redesign its packaging. However, even after the incident, sales of product liability cover did not pick up significantly.

It is not just the presence of toxic substances which trigger a recall. In the US, one of the top causes of recall are undeclared allergens in the food with milk being one of the largest unreported allergen. The other causes of recall are the presence of salmonella and other bacterial infections.