



# Product Recall & Product Liability

Australia



# Sedgwick's experience and capability in Product Recall & Product Liability

Sedgwick brings creative solutions to help our clients take better care of their customers. Our team of Product Recall & Product Liability loss specialists have extensive experience in managing product recall and product liability claims across many industries, but in particular:

- Food and beverage
- Pharmaceuticals and medical devices
- Retail
- Manufacturing
- Packaging
- Engineering
- Construction
- Transport
- Automotive (including components and accessories)

## Our approach

**The right team** - Our experienced, multi-disciplined team have outstanding loss management capability, technical expertise and industry knowledge, enabling us to provide practical advice and real solutions to you and your clients.

**Responsiveness** - With the support of Sedgwick's global network, we are able to respond rapidly to any loss situation.

**Proactive loss management** - Our proactive and collaborative approach considers all stakeholders with one common goal – the successful resolution of the claim, in the shortest possible timeframe – irrespective of circumstances.

**Client focus** - Our success is based on understanding our clients' needs and meeting these consistently and seamlessly.

**Integrity and trust** - These are essential elements of our relationships, giving our clients confidence that they have the right team for the job when they appoint Sedgwick.

## Our capability

- Crisis management
- Insurance claims
- Under excess losses
- Self-insured funds
- Liability investigation and determination
- Loss quantification, including loss of profits
- Surveying
- Recoveries from responsible parties



For more information on how we can help, please contact:

### Emma Levett

Partner & Head of Forensic Advisory Services - Australia



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**Andrew Webb**  
FCLA ANZIIF (Snr Assoc) CIP

### National Executive Loss Adjuster

Andrew brings with him more than 32 years' experience as a loss adjuster; he has specialised in liability adjusting for more than 25 years.

Andrew specialises in the adjustment of public and product liability claims, across a variety of industry sectors including construction, marine and automobile manufacturing and the food and beverage industries. His involvement in product recall claims regularly sees him carry out investigations into causation and provide advice on liability.

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**Jillian Pancott**  
CPA CMA ANZIIF (Snr Assoc) CIP

### Senior Manager

Jillian has more than 10 years' experience working in forensic accounting across both Australia and Canada. Since relocating to Australia in 2012, her knowledge and expertise has led to her being recognised by her peers as a specialist in assessing and quantifying economic losses across a range of industries.

Jillian's experience includes quantification of damages relating to product liability and recall matters for manufacturers, retailers, pharmaceutical and healthcare providers. Her expertise is often called upon to identify the financial damages experienced due to faulty goods and substantiate the subsequent claims made by customers or other stakeholders in the supply chain.

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**Vernon Sawers**  
BComm BAcc CA

### Supervisor

Vernon is an accredited forensic accounting specialist with over 30 years' experience in forensic accounting and loss adjusting areas across Australia, UK and South Africa.

He has quantified damages resulting from major recalls or withdrawals in the food, wine, beverage and fishing (abalone) industries, as well as recalls in the supply of defective packaging items.

These claims have included the quantification of losses in multinational corporations spanning operations in Australia, the UK, Europe and the US.

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# Success stories

## Food & beverage



We were appointed by Insurers of a food manufacturer to assist with the loss management, crisis response and loss quantification following a recall of canned goods in three countries.

Preserved foods, soups and sauces were poured into defective cans which required a significant number of product lines to be recalled from supermarkets and distribution centres and to be destroyed.

We investigated circumstances and cause, assisted the Insured with managing the incident, quantified the significant resultant costs and losses (recall costs, incident management costs, claims from third parties, lost product, loss of income and consultants costs) and assisted with pursuit of recovery.

The matter was resolved efficiently whilst protecting and maintaining the numerous commercial relationships existing between the parties involved.

## Automotive manufacturing



The Insured alerted Insurers to their intention to effect the recall, allowing our principals the opportunity to instruct us to assist in the management of the recall process before it commenced.

We assisted the Insured in their recall strategy, including oversight of publicity, management of claims, return of product, product rectification and replacement.

The recall involved several thousand units and was substantially completed within 12 months, with a significant percentage of recalled product being rectified rather than replaced, resulting in major savings for both the Insured and Insurers.

The Insured was satisfied that damage to their reputation was mitigated, as customers were able to be provided with replacement product swiftly, without the product defect becoming manifest in any incidents involving injury.

## Food & beverage



We investigated and managed the assessment of a multi-million dollar claim for a loss of 1,600 tonnes of contaminated product, associated withdrawal costs and consequential losses. This involved investigation of evidence for the exact extent and cause of the contamination, detailed analysis of production and sales records, accounts and physical reviews of frozen stock held at a number of locations nationwide.

A claim of \$4.3m was found to include matters that had been overstated or were outside scope of cover, which resulted in the Insured agreeing that their loss was more correctly assessed at \$3.8 m. We were then able to arrange for the Insured to obtain the benefit of contributions to their loss from other insurers.

After ensuring there was appropriate agreement concerning the loss value between contributing insurers, we negotiated the apportionment of loss on an independent liability basis, resulting in our principal's outlay being restricted to \$1.6m, prior to policy deductible.

## Retail



Following notification from suppliers of a foreign material contamination of a key ingredient to a finished food product, the Insured recalled all product from retail stores and food-establishments across Australia.

We were engaged to review the claim for the internal costs of re-manufacturing the product (locally and in New Zealand), lost profit from time off-shelf, and to verify claims made by customers for lost sales and other costs associated with the recall which totalled \$4.2m.

As a result of our review, financial losses of \$3.1m were ultimately quantified and agreed, and fully recovered from the supplier of the contaminated ingredient.

Claims received by the Insured from their subcontractors totalled approximately \$1.6m. Our review identified overstatement of standard unit costs which fell outside the scope of cover, the internal overhead costs unrelated to the incident, and internal quality testing costs. This resulted in an adjustment to the claims to a total of \$246k.

## Packaging



We were engaged by Insurers to investigate the circumstances and causation of the delamination to the Insured's metallised material used in the packaging of snack foods for their customer, an international corporation.

Additionally, we assessed the quantum of financial losses claimed relating to production costs of the faulty runs of packaging.

Claims received by the Insured from their subcontractors totalled approximately \$1.6m. Our review identified overstatement of standard unit costs which fell outside the scope of cover, the internal overhead costs unrelated to the incident, and internal quality testing costs. This resulted in an adjustment to the claims to a total of \$246k.

## Whitegoods



Insurers engaged us to manage a claim involving capacitors that were imported from an Italian-based company. The capacitors were subsequently distributed throughout Australia and used in the food and beverage industry, being a key piece of componentry installed in refrigerators.

Through the course of our investigations, it was established that the capacitors contained a known defect. In numerous cases they were recalled without incident, but in the event that the defect resulted in property damage to the claimant, we oversaw the management and settlement of these claims in the remit of our engagement on the recall.



# Global solutions. Local expertise.

If you would like to learn more about how Sedgwick's product recall and liability experts can assist you, please contact:

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