

# 5 Keys to Effective Recall Preparation

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## ✓ Invest in recall insurance

Many standard commercial insurance liability policies already have recall endorsements, but this can too easily give policyholders a false sense of security. These standard endorsements often fall short of covering all the expenses a company will face when it has to execute a recall. Specialized insurance coverage, on the other hand, covers recall preparation support, as well as direct expenses, including logistics and crisis communications support.

Companies considering recall insurance policies must conduct careful risk assessments and shop wisely for the appropriate level of coverage.

## ✓ Have a recall plan that designates your recall coordinator and recall team members

A solid recall plan helps facilitate quick action to effectively locate the recalled product, remove it from the marketplace or out of the hands of consumers, and correct the defect, as appropriate.

Every recall plan is different, though there are several broad components that are universally applicable to recall emergencies, including a section that defines the responsibilities of the recall management team. This section should include a clear outline of the specific authority and responsibilities of each individual, department and affiliate. The plan should also include contact information for each member of the recall management team and backup personnel.

## ✓ Have copies of recall plans from your partners, suppliers and vendors

It is also crucial for your business partners to have a recall plan in place as well. Companies throughout your supply chain should conduct recall drills on a regular basis, in order to evaluate recall capacity and procedures. By ensuring your partners, suppliers and vendors are prepared, you can provide yourself with a strong foundation of recall management tools and standard operating procedures that will serve as the action plan for managing a recall, should it be required.

## ✓ Test your recall plan

The best way to determine just how prepared your company is for a recall is to put your people and procedures to the test.

Recalls involve multiple phases and processes. By running your team through a hypothetical simulation based on your most likely recall scenarios, you will not only help them prepare but also enable your company to evaluate its recall plan and make adjustments where necessary. A well-thought-out mock recall can provide an analysis of your organization’s decision-making and logistics processes as the recall simulation unfolds. A mock recall also provides insight into the communication flow both internally and externally, such as with regulatory agencies, financial markets and consumers.

## ✓ **Understand industry standards and recall regulations governing your company**

While every recall is unique, a good rule to follow when deciding whether a product is “dangerous” or “defective” and therefore should be recalled is to ask whether the product could create a significant risk of injury to the consumer. If the answer is yes, then a recall is probably necessary.

In determining whether the risk of injury could cause the product to be defective under this definition, you should consider the following criteria:

*What is the product supposed to do?*

*What is the nature of the injury that the product may cause?*

*What is the need for the product?*

*How large is the population exposed to the product and at risk of injury?*

*What other information sheds light on the product and patterns of consumer use?*

If the answers to these questions support the conclusion that the product does indeed have a defect, the next step is to consider whether that defect is serious enough to create a significant hazard. Generally, this is the case when consumers are exposed to a large number of units or the potential injury is life-threatening or likely to occur. Because it is hard to know the level of public exposure or the severity or probability of the possible injury when a defect is first discovered, the problem should be reported to the appropriate regulatory agency in a prompt manner, even if there is still some doubt as to whether a substantial hazard really exists.