LOCKTON®

AUTOMOTIVE & MANUFACTURING
PRODUCT RECALL

YOUR RAPID RESPONSE TOOLKIT

How to claim, when, and what for

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This document is designed to guide automotive and manufacturing businesses through the critical steps to take in the event of a potential product recall.

It outlines how to claim, clarifies when immediate action and notification are necessary, and details what information and documentation will be required throughout the process.

BEFORE YOUR POLICY RENEWS

Ahead of renewal or inception, it's important to disclose all known matters so they're allocated to the correct policy year. Timely reporting helps avoid any disputes, so always report as soon as reasonably practicable.

This policy reacts to systemic failures across multiple products—not isolated incidents. If you're seeing recurring problems with the same component or end product or receiving similar complaints from different customers, you need to let us know immediately. Telling us early gives us the best chance to protect your interests.

In the first instance, it is a condition under the policy that you do not make any admission of liability without insurers written agreement.

IN A CRISIS: IMMEDIATE STEPS

As soon as you notify the crisis consultant (if your policy contains one), you'll have access to a dedicated crisis team offering:

- Immediate strategic advice on managing the situation
- Guidance on communicating with customers, suppliers, and regulatory bodies
- Access to specialist legal counsel, media consultants, and testing laboratories
- On-the-ground support to help contain the situation
- Contact your crisis consultant via the hotline provided in your policy documentation

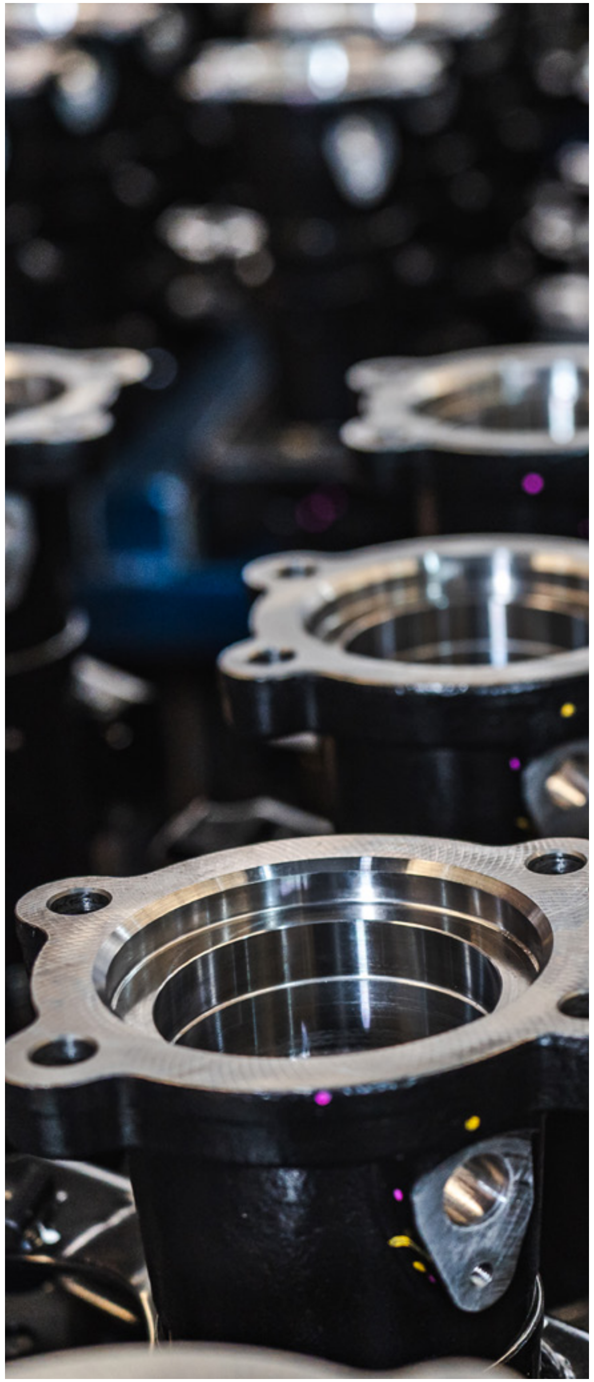
If a claimable event happens, please let your claims advisor at Lockton and your crisis consultant know right away.

Gathering critical information: what we need

When reporting a potential issue, please share:

- When you first became aware of the potential problem
- What the affected components or end products do and how they function
- The nature of the reported issues or failures
- Evidence showing similar problems across multiple instances
- How many components or end products might be affected, and where have they been distributed
- Which OEM's and end products or retailers could be impacted

The more detailed the information you can provide, the faster we can assess and respond to your situation.



When your policy responds

This policy is designed to respond to two specific scenarios following an error in your manufacturing or design process:

Product Safety - Where use or anticipated use of an insured product has caused or would cause bodily injury or property damage

Product Guarantee - Where the product fails to perform the function for which it was manufactured

Please check your policy or speak to your designated broker for guidance to understand exactly what is covered under your policy.

Preserving the evidence: Crucial steps

While it might be tempting to address the issue immediately, please:

- Keep affected components or end products secure and available for inspection
- Don't dispose of any potentially relevant items until insurers give approval
- Maintain all production and quality control records
- Preserve test results and engineering reports
- Always check with your insurer before accepting responsibility or making any formal admission.

These materials will be invaluable during the investigation and could significantly impact your claim outcome.

What to keep in mind:

Indemnity period – Understand how long you can incur insurable costs under the policy.

Retroactive date – Know which products are covered, based on when they were manufactured.

TAKING ACTION AND GATHERING ESSENTIAL INFORMATION

Proactive steps to take

While waiting for our response, consider these steps to protect your position:

- Isolate affected components or finished products in your control
- Notify appropriate suppliers and customers with carefully considered communications
- Implement quality holds and production adjustments where necessary

These proactive measures can help contain the situation and demonstrate your commitment to addressing the issue responsibly.

Document everything

In the automotive supply chain, detailed records are your best defence. Keep comprehensive documentation of:

- All communications regarding the issue
- Actions taken in response
- Associated expenses and costs
- Timeline of events

This "paper trail" will significantly streamline the claims process and help ensure nothing falls through the cracks during what can be a complex, multi-year resolution process.

Your checklist of key documents

These items typically prove essential during the claims process:

- ☐ Purchase orders and delivery documentation
- ☐ Supplier contracts/agreements
- ☐ Copies of third-party demands or complaints
- ☐ Specific component /end product information (batch numbers, production dates, quantities)
- ☐ Test results and expert analyses identifying the source of the issue
- ☐ Recall-related communications with regulatory bodies
- ☐ Evidence of which customers received the affected components/end products
- ☐ Financial impact assessment
- ☐ Quality control procedures and records of inspections/testing
- ☐ Supplier certifications and component/end product specifications
- ☐ Production line information showing affected and unaffected manufacturing capabilities

Starting to gather these items early can significantly expedite the claims process.

NAVIGATING THE CLAIMS PROCESS AND LONG-TERM SUPPORT

Expert support during the claims process

The complexity of automotive and manufacturing component or end product issues often requires specialist expertise. Lockton can connect you with:

- Forensic investigators to determine root causes
- Testing laboratories to verify component performance
- Industry specialists familiar with your specific manufacturing processes

While insurers may appoint their own loss adjusters to investigate the claim, these adjusters don't determine policy coverage—that remains the insurer's decision. After cover approval, forensic accountants may review the financial aspects of your claim. We're happy to recommend qualified forensic accountants to represent your interests, and their costs may be covered by your policy.

Towards resolution

The automotive component claims process can be complex and often extends over years rather than months. Throughout this journey, our dedicated team will:

- Advocate strongly for your interests
- Negotiate with insurers to secure fair settlement terms
- Keep you informed at every significant stage
- Work to minimise disruption to your ongoing operations

We understand that your business needs to continue operating while the claim proceeds. We'll focus on the claim so you can focus on your business.

Looking beyond the claim: learning from experience

Every product issue presents an opportunity for improvement. After your claim is resolved, we'll:

- Review the entire process with you
- Identify potential vulnerabilities in your supply chain
- Recommend preventative measures for the future
- Help you implement stronger risk management protocols

Our partnership extends beyond the immediate claim to helping strengthen your long-term resilience in the automotive marketplace.

Meet your automotive claims team

Our dedicated specialists bring significant experience in navigating automotive product recalls and are here to support you:

Product Recall Claims Advisors:

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We're committed to guiding you through every step of the process.

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