



The Product Recall Waiting Game

For years, the product recall insurance market seemed poised for rapid growth. Supply chain disruptions, evolving regulations and growing concerns around brand risk created the perfect backdrop for adoption, particularly among small and midsize manufacturers. And yet, the surge hasn't come.

That's not to say it won't. But as the market stands today, widespread recall coverage remains more of an expectation than a reality.

CONTACT

To learn more about how Amwins can help you place coverage for your clients, reach out to your local Amwins broker.

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Mandates are inconsistent

At the center of this slowdown is the continued flexibility among major retailers. Industry watchers have expected an industry-wide requirement for recall coverage for more than a decade, but it hasn't materialized. Insurers have been waiting on big players like Walmart, Costco and Sam's Club to create a trickle-down effect. If large retailers required recall coverage in supplier contracts, then smaller businesses would have little choice but to follow.

While contractual obligations exist in some cases, they're not consistently enforced, leaving many smaller manufacturers viewing recall insurance as optional rather than essential. Until retailer-driven requirements become standardized, recall coverage is unlikely to see broad adoption.

With opportunity comes risk

Even without systemic mandates, the landscape is shifting. More companies are scaling quickly through outsourced manufacturing, with food production, cosmetics and direct-to-consumer (DTC) manufacturing driving new exposure.

Startups with just a concept and a brand can scale to 50 employees almost overnight by outsourcing manufacturing. That speed-to-market creates opportunity but also amplifies risk.

Many of these companies avoided recall insurance because of two barriers: complex applications and confusion over what coverage actually protects, but the market has since evolved. And while applications have become easier and underwriting has become more competitive, widespread adoption will likely remain slow until the structural dynamics change.



Regulatory bottlenecks and rising recalls

By most measures, 2024 was a challenging year for product recalls, with more than 3,200 recalls across five main industries, making it **the second-highest annual total** in the past six years. From food and cosmetics to supplements and topical products, recalls touched nearly every category.

Yet another factor complicating the market is government backlogs. Historically, securing a formal FDA response might take 30 days. Today, delays of 90 to 120 days are common. For companies trying to act responsibly, these gaps can be frustrating. They comply with legal and regulatory obligations but often operate in a prolonged state of uncertainty.

Underwriting changes

As consumer expectations rise and brands face more scrutiny, recall events carry greater financial weight. Ten years ago, the average recall-related loss hovered around \$800,000. Today, that number has jumped to roughly \$2M, fundamentally shifting how insurers manage risk.

Carriers are deploying capacity more strategically, often using shorter lines and quota share structures to limit exposure. At the same time, advances in data analytics have helped underwriters assess risk with greater precision, particularly in contamination and defect-related events.

Reputational damage, long cited as a top concern in recall scenarios, doesn't always translate into long-term losses. While companies often fear lasting brand harm, consumer behavior reinforces that most buyers have short memories.

Future outlook

For now, the recall insurance market remains in a holding pattern. Applications are easier, policies are more competitive and exposure is climbing, but without industry-wide mandates, broad adoption is still out of reach.

Manufacturers, especially in consumables and DTC sectors, should stay ahead by evaluating recall coverage proactively rather than reactively. Staying ahead of the game will make insureds more prepared for regulatory changes and how to best evolve with them.

Until structural forces shift, recall insurance remains a waiting market, one that's evolving behind the scenes but hasn't yet hit its tipping point. That is why it's so important to partner with specialists who can help navigate the changing product recall market.

We help you win

Amwins' product recall specialists are recognized as the country's leading product recall, contamination, and food-borne illness insurance experts. We're dedicated to helping businesses understand and manage their product recall risks. We partner with retail insurance agents and brokers to provide insurance and risk management solutions for manufacturers and distributors of nearly any product or size.

Insights provided by:

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