

Automotive Safety and Product Recalls – Are you next?

As with any automotive product manufacturer, the ultimate goal is to provide a high quality product at a competitive price. Regardless of the products or market segment from off-road to performance products, restoration or general automotive, a product recall could impact the stream of commerce between manufacturer, distributor, retailer or installer.

The National Highway Traffic Safety Administration (NHTSA) is the administrative body who tracks recalled autos and auto part manufacturers since the 1960's. Auto recalls can happen for any number of reasons from severe safety issues to subtle manufacturing defects. NHTSA has strict standards and investigates accidents and product problems on a daily basis and if a pattern failure is found a recall can be forced.

OEM automotive recalls as of late tend to make headlines and the aftermarket isn't immune. Within the first six months of 2014, the OEM's have had the highest number of recalls on record topping 37 million vehicles. Many distributors and Retailers/Installers feel, "...since I didn't make the product I am not responsible; the manufacturer is". But in reality this is far from the truth. While a manufacturer has an obvious role and responsibility for a design flaw or manufacturing defect, a recall can and will create a financial impact to all parties involved. It should also be noted that a recall could be warranted regardless of a requirement by NHTSA effecting a company's profitability and reputation.

As products move through multiple distributor touch points and the results from product warranty registration by consumers are poor, having a recall contingency plan in place is paramount. Identifying the product made or sold all the way to the end consumer is the foundation to an efficient recall. Whether the cost is the burden of communication to the marketplace, the expense of product extraction or supplying the remedy the financial impact can be great.

What can be done to protect your company?

One solution is to consider purchasing Product Recall Insurance Coverage which provides indemnification for a financial loss resulting from the recall of a product. The expense of communicating to the marketplace to locate the end user and cost to reclaim the product is covered by the insurance company. Alliant insurance Services Inc. offers Product Recall through its Specialty Equipment Insurance Alliance and has recently added it to their Installers Edge garage product as well.

Seeking the guidance of a qualified insurance Agent and working with a carrier that understands the industry is one important way to ensure company assets are properly protected. For more information regarding Product Recall protection please call the SEIA team at 800-380-9099.