



Large Claims Lessons Learned



Line of Business: General Liability Topic: Vehicle Recalls

Claim scenario

A customer purchased a vehicle with an open recall (faulty airbag) from a dealership. Even after the purchase, the dealer did not contact the customer.

The customer was driving the vehicle to a friend's home when another vehicle hit him head on. The airbag failed to deploy, and the customer was killed.

Financial Impact:

This claim may have a financial impact of up to **\$5,000,000**.



Lessons learned

- 1 If the dealership had completed the recall and made the repairs, this claim would not have occurred.
- 2 Even in events where the manufacturer of the product or OEM made the mistake, the recall pushes the liability to the dealer in most cases. Ultimately it is very difficult to subrogate against the manufacturer or OEM in these situations.



Action needed to prevent this type of loss

- Put in place a formal, consistent process to ensure all recalls are properly monitored and handled.
- As part of the process, implement a control where multiple individuals are required to sign off on a recall can help ensure the recall is managed to completion.
- Verify that any vehicles already sold and on the road do not have any open recalls that were overlooked.



Loss prevention / Risk management Resources

Zurich offers risk management insights to help you minimize your exposure and can help you develop policies and procedures for managing vehicle recalls. Talk to a Zurich Risk Management specialist to help you establish a formal recall policy. Visit Zurich's [Automotive Resource Hub](#) to access all of Zurich's loss prevention resources.

Exposures are still present even when strict processes and protocols are in place, however, these actions, a formal recall policy, and a commitment to diligence can reduce the propensity for losses.

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