

Celebrity Product RecallResponseSM Frequently Asked Questions

Why is AIG providing this product now?

Companies face unpredictable risks when they make big investments to partner with celebrity endorsers. In the age of 24/7 social media, word of celebrities behaving badly can spread worldwide instantaneously – often with swift, adverse implications for products or brands the celebrity endorses.

The longer a company's product or promotional material with a disgraced celebrity is visible, the longer the public may continue to associate a company with that celebrity. In a hyper-competitive marketplace, brand protection and public approval is essential to a company's success. The financial impact of a product recall from a celebrity endorsed product could be damaging to a company's financial health. Companies must plan for and manage the unique risks when partnering with celebrity endorsers.

What does it cover?

Celebrity Product RecallResponseSM coverage reimburses the insured's "product recall expenses" and/or "product advertising expenses" resulting from a covered incident.

"Product recall expenses" include:

- costs to recall product(s) with a celebrity endorser's name and image
- transport products
- dispose of or destroy products and product packaging
- pay overtime wages to employees -- and costs to utilize personnel other than employees, including their transportation and accommodation costs -- for work devoted to such an incident.

"Product advertising expenses" include:

- costs the insured has incurred to remove advertising and marketing materials from the marketplace, including transporting material back to the customer and disposing of it.

The coverage can be customized to target a specific celebrity-endorsed product or multiple celebrity-endorsed products manufactured and distributed by the insured. It is available on a standalone basis or as an endorsement to Lexington's general liability or products liability policy.

What are the coverage limits?

- Up to \$5 million in limits available on a standalone policy.
- Up to \$1 million in limits available by endorsement.

Does it help a company recoup contract dollars paid to a scandalized celebrity?

No. Celebrity Product RecallResponse does not help a company recoup – and provides no coverage for – money paid to secure a celebrity's endorsement.

Does the insurance cover costs of reputational damage to a company due to a celebrity endorser's scandal?

No, not directly. Celebrity Product RecallResponse does not cover specific costs for reputational damage to a company due to a celebrity endorser's scandal. However, it can help mitigate the reputational damage by implementing a swift, efficient product recall of its celebrity endorsed product(s), as well as removing advertisements and "marketing material" from the marketplace.

Is AIG capitalizing on the recent celebrity scandals to sell a product?

This product has been in development for more than a year, and responds to a very real risk that companies take on when they hire celebrity endorsers.

Does it matter that some of these scandals are based on domestic violence and other violent acts?

Companies who contract with a celebrity or athlete endorser cannot predict behavior. The insurance provides coverage in case an event poses a reputational threat to our customer.

Shouldn't companies be more careful or responsible about selecting celebrity spokespeople?

No matter how deeply a company vets a celebrity or athlete, it's very hard to predict whether an individual will make bad decisions that can cause reputational harm.

Doesn't your insurance let them off the hook for bad decisions?

No. Celebrity Product RecallResponse provides companies with a clear exit strategy for a portion of their risk in an endorsement relationship by reimbursing the costs associated with "product recall expenses" and/or "product advertising expenses" resulting from a "covered incident."

The insurance doesn't, for example, provide coverage for money paid to secure a celebrity's endorsement or to hire a substitute spokesperson.

How would the coverage have worked in past celebrity situations?

If a company terminates its contract with a celebrity because of an actual or alleged criminal act, offense, or conduct against public taste or decency and the incident is associated with significant local, regional, or national media coverage then coverage would be triggered provided the celebrity and the celebrity endorsed product(s) are scheduled.

Is a \$5 million limit enough to cover the cost of high-profile celebrity scandal?

All companies and products are different so it will depend on the company's exposure to celebrity endorsed product(s).

Does any other insurer provide a product like this?

We are not aware of another product like Celebrity Product RecallResponse that is uniquely designed to reimburse the insured's "product recall expenses" and/or "product advertising expenses" resulting from a "covered incident."

Have your clients expressed a need for this product?

AIG and Lexington have vast experience of innovation and seeks to provide solutions for exposures not currently being addressed in the marketplace. This coverage would be a solution for a wide range of companies who retain celebrities to endorse their products.

What type of clients could benefit from this product?

Celebrity Product RecallResponse coverage is a solution for a wide range of companies, primarily start-ups to mid-sized, that retain celebrities to endorse their product(s).

What level of interest do you expect in the first year from brokers?

It's difficult to predict the level of interest for Celebrity Product RecallResponse in the first year. Lexington is a market leader in product recall and product liability coverage: Celebrity Product RecallResponse joins Lexington's RecallResponse suite of products, which provide broad coverage and specialized claims and recall support.

We hope that this would be a solution for brokers for a wide range of its clients who retain celebrities to endorse their products.