TRENDING TOPICS

ASIA

Liberty Specialty Markets

**CRISIS MANAGEMENT** // NEWSLETTER // ASIA

# Product Recall Monitor Asia

JUNE 2023

Welcome to the June 2023 edition of the Liberty Product Recall Monitor for the Asia region.

In this edition we look at:

- **Zero emission vehicles (ZEVs)** and explore recent trends
- Government initiatives and targets for low emission vehicles
- ZEV components and notable electric vehicle recalls in recent years
- Food recalls in Singapore, Malaysia and Hong Kong in the past six months

At Liberty, we're experts in crisis management, and offer best in class support underpinned by exceptional service, risk engineering and local claims handling. We understand that each business has different needs and offer bespoke policy wordings to help ensure the right level of protection in an evolving risk environment.

# Why Liberty?

Automotive component recall trends are changing globally. As such, there is growing interest in recall coverage for ZEV components. Liberty's Crisis Management Asia team is well positioned to assist our broker partners and clients with insurance solutions and advice in the automotive component recall space.

- We have a dedicated and experienced recall team across Singapore, Hong Kong and Malaysia.
- We work very closely with our professional consultant, Security Exchange, who have a significant presence in Asia, and provide expertise in crisis response. Together, we provide our clients with not just an insurance policy, but a comprehensive service that includes pre and post incident response and consulting.
- We have helped many clients navigate safety and recall situations.

# Why Liberty?

## Experts in Crisis Management, bespoke policies

**Bespoke policies tailored to suit the individual needs of clients, covering:**

- Exports to the USA and Canada
- Critical components
- Government recall events
- Extensions for product guarantee and third party financial loss

**Examples of covered losses:**

- Recall costs
- Replacement, refund and repair costs
- Third party financial loss (optional)
- Pre recall costs
- Consultant and advisor costs
- Third party recall costs
- Third party repair costs

## Comprehensive coverage. Unparalleled expertise.

Original Equipment Manufacturers (OEM) are increasingly shifting the costs and expenses of a recall to their suppliers through contractual obligations. A product recall can cause a heavy financial strain on automotive component manufacturers. Small to medium suppliers are most vulnerable to the financial impact of an OEM recall.

We have introduced our Automotive Component Product Recall insurance to help businesses insure against the risk and associated costs of a product recall. Our target clients are manufacturers of parts and systems in the automotive supply chain.

Read our Automotive Product Recall brochure to find out more.

## 24/7 support

You can expect 24/7 support from our dedicated crisis management consultants. We provide access to leading crisis management consultants and PR assistance to guide you through the prevention, management and recovery from a product recall event.

## Exceptional service, risk engineering and claims handling

We understand the need for a quick turnaround. Liberty has underwriters in Hong Kong, Malaysia and Singapore and can meet with clients when needed most.

Our claims handling is managed out of Hong Kong by Senior Claims Specialist Kenneth Wan.

We have a dedicated Risk Engineer, Luis Gonzalez, who provides technical support to underwriters regarding risk. Luis is available to speak with your client to help ensure that we fully understand your client's business.

## Find out more from one of the team

If you would like to know more about product recalls, withdrawals and the tailored solutions we provide, please get in touch with a member of the Liberty Crisis Management team.

# Technical profile – Zero emission vehicle trends

Liberty has recently seen a shift in recall submissions of automotive recall from traditional cars that run on internal combustion engines (ICE), to a rise of ZEV components. The recall exposure to ZEVs can be complex, in particular due to the high exposure caused by their batteries.

In this edition, we discuss:

- Zero emission and hybrid vehicles
- The trends in Asia where governments are increasingly taking steps to de-carbonise and push for clean emission vehicles
- The differences in components between ICE, electric and hydrogen vehicles
- Notable electric vehicle (EV) recalls in recent years.

ZEVs are characterised by not emitting greenhouse gasses because they do not run on petroleum fuel. Examples of ZEVs are battery electric vehicles (EVs) and hydrogen fuel cell electric vehicles.

## Increase in sales anticipated

While they represent a small share of the total vehicle sales, adoption of ZEVs is slowly increasing across Asia, with 3.1 million EVs being sold in 2022, representing 10% market share. Unit sales are anticipated to reach 7.1 million by 2027, with an annual growth rate of 19%, representing 21% market share (Statista 2023).

Growing consumer environmental concerns have had a significant impact on the adoption of ZEVs. Large-scale adoption is mainly driven by public policy. Transport is a key sector to de-carbonise and reach a country's net-zero emission target. As such, several countries have begun to impose deadlines to prohibit the sale of ICE and/or provided incentives to accelerate the uptake of ZEVs.


ZEV – zero emissions vehicle | EV – electric vehicle | ICE – internal combustion engine

# Summary of policies, plans and commitments defined by some of the countries and regions in Asia

### Thailand

The government has drawn up a roadmap to promote the country as one of the most important manufacturers of EVs and key EV components. The government estimates that by 2030, 30% of total car production will be electric. They will only allow EVs to be sold from 2035 onwards and have also reduced import tariffs of EVs and approved a package of incentives including subsidies to promote EV consumption and production (Pattaya Mail 2022, electrive.com 2021, International Trade Administration 2022)

### Malaysia

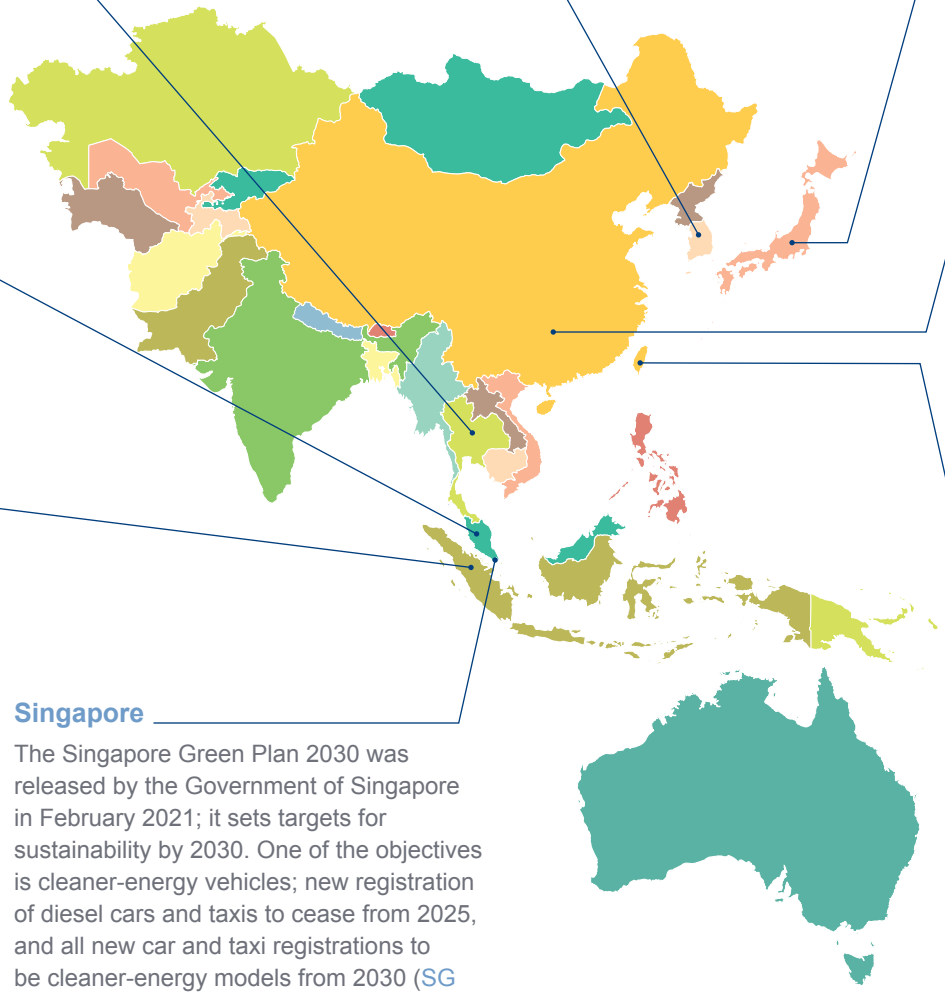
The Minister of International Trade and Industry (MITI) Tengku Zafrul bin Tengku Abdul Aziz confirmed that Malaysia has outlined a national target of 15% of new car sales to be EVs by 2030, and 38% by 2040 (MIDA 2022)

### Indonesia

Indonesia aspire to be a major player in the EV space and take advantage of their rich reserves of nickel. Their target is to become one of top three countries in the world producing EV batteries as well as EVs. Indonesia aims to have 2.5 million EVs on the road and all state-owned companies must use only electric vehicles by 2025. Their objective is to sell only electric-powered motorcycles by 2040 and passenger vehicles by 2050. They have recently unveiled an incentive program to boost the sale of EVs, lowering value-add tax (VAT) from 11% to 1% and subsidies for 200,000 electric motorcycles and 36,000 vehicles (Reuters 2021, The Diplomat 2023).

### South Korea

South Korea's president Yoon Suk-Yeol reconfirmed in 2022 the government's plans to phase out sales of new ICE vehicles by 2035 (Just Auto 2022).



### Singapore

The Singapore Green Plan 2030 was released by the Government of Singapore in February 2021; it sets targets for sustainability by 2030. One of the objectives is cleaner-energy vehicles; new registration of diesel cars and taxis to cease from 2025, and all new car and taxi registrations to be cleaner-energy models from 2030 (SG Green Plan 2023).

### Japan

As part of Japan's carbon-neutral strategy, the Minister of Economy, Trade and Industry, announced in October 2020 that by 2035, all new cars sold will be environmentally friendly (Meti 2021, International Trade Administration 2021).

### China

China, the world leader in making and buying EVs, has approximately a 60% share of global passenger EV sales. Currently, one in four cars sold in China are electric, and sales almost doubled in 2022. To level the price difference and support commercialisation, since 2010, the government has granted subsidies to EV buyers. According to China's carbon neutrality pledge, by 2035 EVs will become the mainstream of new vehicle sales and the passenger sector will be fully electrified (Nature Communications 2023, McKerracher 2022).

### Taiwan

Taiwan, the government officially published Taiwan's pathway to net zero-emissions by 2050, setting out specific milestones. Share of new EVs is to increase to 30% by 2030 and 60% by 2035, all new passenger cars and scooters must be zero-emission at the tailpipe by 2040 (Electrive 2022).

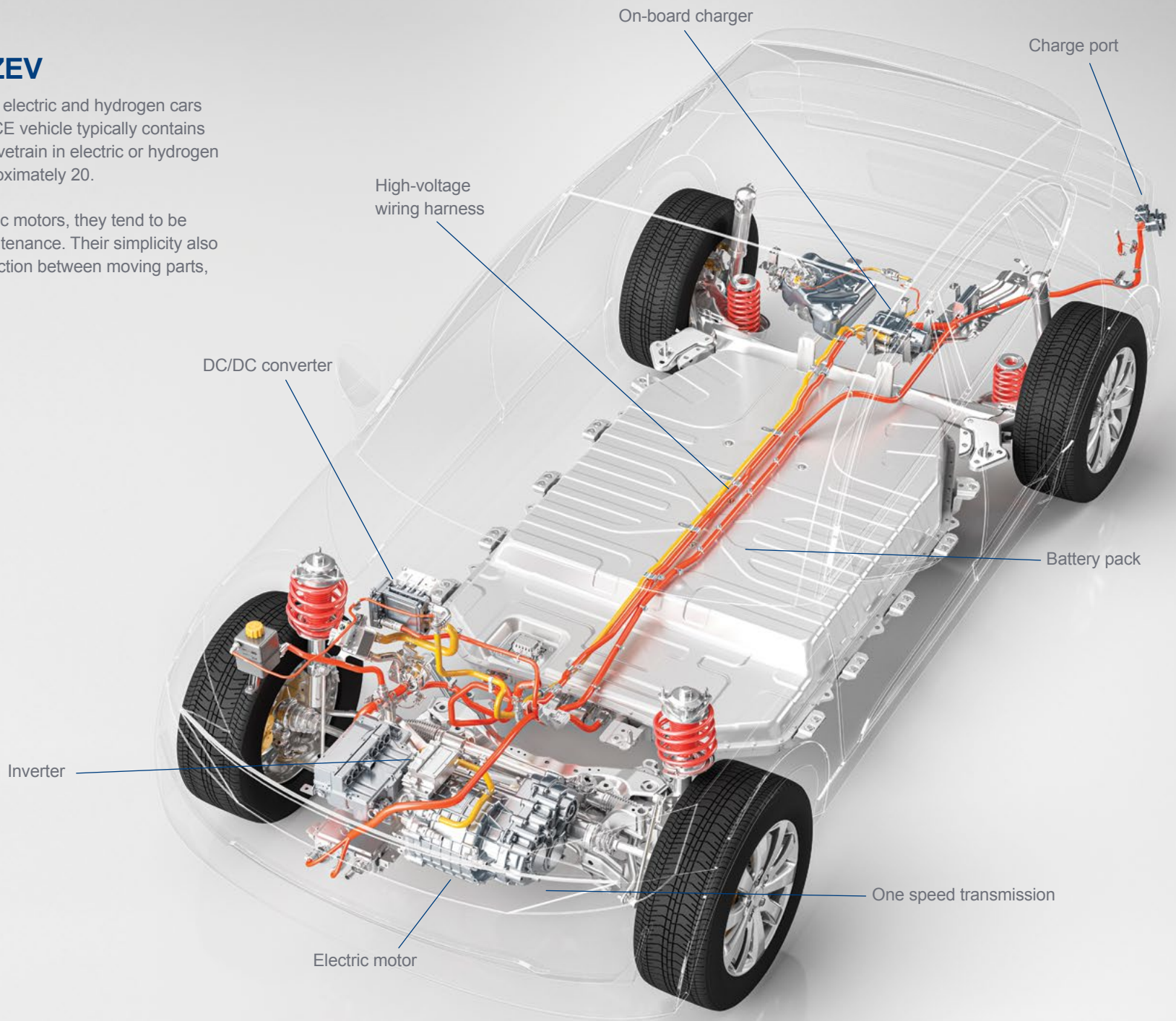
# Different components in ICE, electric and hydrogen vehicles

| System | ICE | EV | Hydrogen |
|---|---|---|---|
| **Powertrain** | Internal combustion engine | Electric motor | Electric motor |
| | Multi-speed transmission | Usually one-speed transmission | Usually one-speed transmission |
| **Power supply** | Fuel tank, fuel filler, fuel pump, fuel lines | Battery pack, charge port, inverter, high-voltage wiring harness | Hydrogen tank, fuel filler, fuel cell, battery pack, inverter, high-voltage wiring harness |
| **Braking** | Braking components are the same. But electric and hydrogen vehicles use regenerative braking - when the driver pushes the brake pedal, the electric motor serves as a generator that does the initial braking and recharges the battery at the same time. In most everyday situations, electric and hybrid cars don't use the conventional braking system at all, prolonging the service life of brake components. | | |
| **A/C (heating)** | No device required, takes heat from engine's wasted thermal energy. | Electric heater | Electric heater |
| **A/C** | Belt-driven compressor | High-voltage compressor | High-voltage compressor |
| **Electrical system** | Starter, alternator | DC/DC converter, on-board charger | DC/DC converter |
| **Exhaust** | Exhaust pipes, catalytic converter, muffler | None | Exhaust pipes |

## The components of a ZEV

One of the key differences between ICE, electric and hydrogen cars is the powertrain. The powertrain in an ICE vehicle typically contains over 2000 moving parts, whereas the drivetrain in electric or hydrogen vehicles is more simple, containing approximately 20.

Given the minimal moving parts of electric motors, they tend to be more reliable and require little to no maintenance. Their simplicity also means that almost no energy is lost in friction between moving parts, making them far more efficient.



## Hybrid vehicles

Hybrids essentially bring together ICE and EV vehicles. They combine at least one electric motor with a gasoline engine to move the car. As with EVs, hybrids also use regenerative braking to recapture energy. Hybrids do produce exhaust emissions when they run on the internal combustion engines, however their emissions are lower than similar ICE vehicles.

### The three main types of hybrids

**1. Mild hybrids**

An electric motor assists the gasoline engine to improve fuel economy and/or performance, for example give a small boost or power the air conditioning.  This electric motor can't move the car by itself.

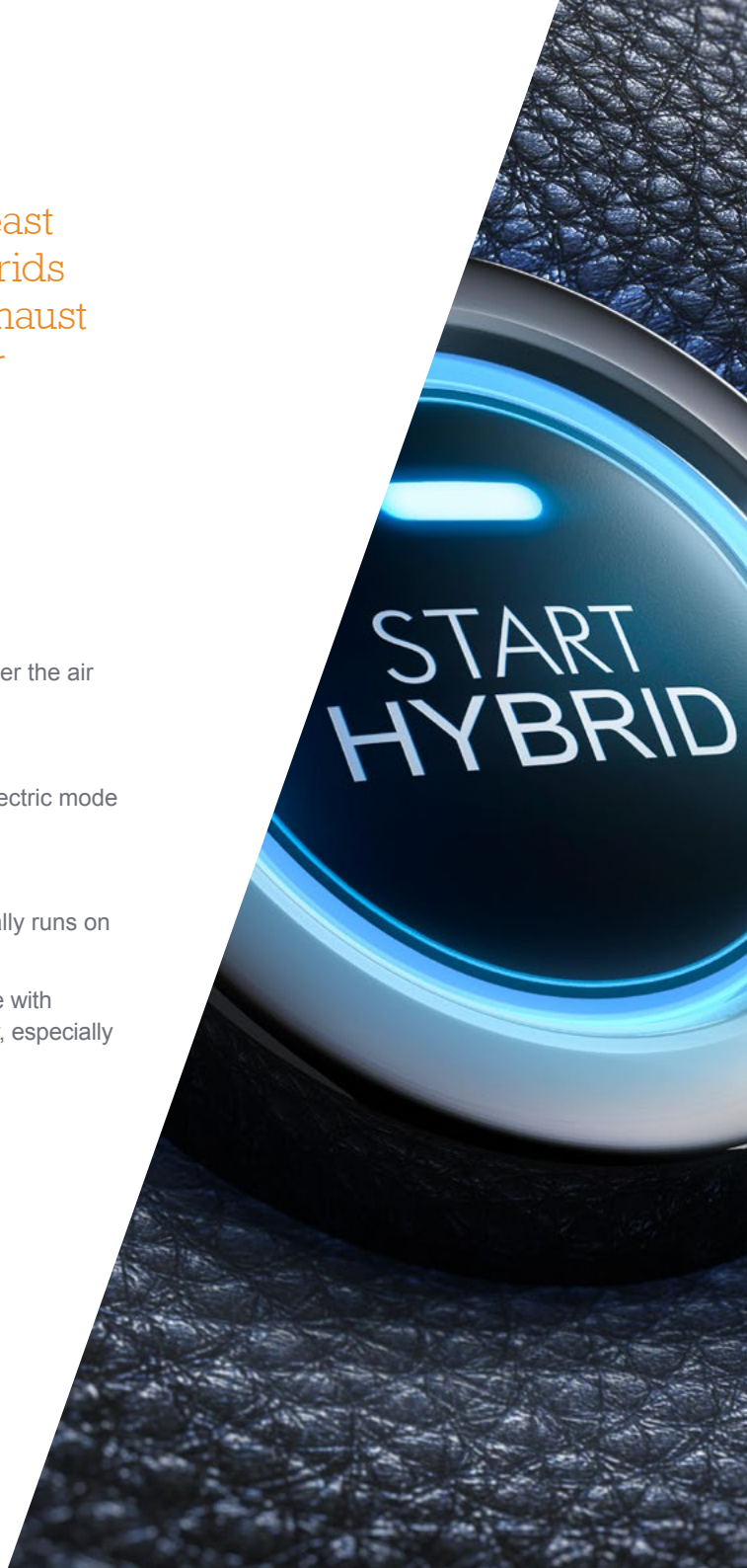
**2. Full hybrids**

Use the electric motor and combustion engine to drive the car, either simultaneously or independently. They typically operate in electric mode at low speeds for driving around town and for limited distances.

**3. Plug-in hybrid**

Can be charged using a wall outlet or charging station. They have larger batteries and more powerful electric motors; the car usually runs on electric power and only uses the combustion engine when the battery is nearly depleted.

Automakers are spending billions of dollars to transition to cleaner and greener battery-powered vehicles, however the learning curve with batteries is steep for traditional automakers, and the technology remains challenging. Recalls are common in the automotive industry, especially for new vehicles. It's one of the reasons vehicles with the newest technologies traditionally perform poorly (CNBC 2021).



## The problems are already showing up on corporate balance sheets

Replacing an entire battery is an extreme measure, requiring a similar amount of work and expense as replacing an entire engine of a traditional internal combustion-powered car. Very few recalls of gasoline powered cars require an entire engine to be replaced. Until the cost of batteries comes down through greater production worldwide and economies of scale, the cost of making electric vehicles will remain higher than comparable gasoline cars (CBS 2021).

Once batteries do become less expensive, as is expected in the coming years, EVs could become much cheaper to build because they have fewer moving parts and require as much as 30% fewer hours of labour for assembly compared to traditional vehicles (CNN 2021). The fewer parts on the EVs could also mean that recalls should be less common than for internal combustion-powered cars. But in the near term, there could be significant costs if battery fire problems require battery replacements.

## Some of the notable EV car recalls in recent years

**Hyundai** in 2021 recalled nearly 82,000 of its vehicles, including around 75,000 Kona cars built between 2018 and 2020, as well as some Ioniq cars and electric buses, due to a fire risk from the electric batteries. The company will be replacing all of the batteries in those vehicles. This recall is one of the most expensive in history, despite the relatively small number of cars involved. The recall will cost Hyundai 1 trillion Korean won, or US$900 million. On a per-vehicle basis, the average cost is US$11,000 – an astronomically high number for a recall. The cost of Hyundai's recall is another indication of just how expensive EV batteries are relative to the cost of the entire car (Reuters 2021).

**General Motors** recalled every Chevrolet Bolt EV the company had ever made as of summer 2021 due to a battery fire risk. General Motors estimates that the vast recall of the Chevy Bolt will cost US$1.9b. (CNN 2021).

**Tesla** is recalling more than 1.1 million cars in China produced between January 2019 and April 2023. The issue involves the vehicles' regenerative braking system. The regulator said the vehicles concerned did not allow drivers to turn off regenerative braking or provide enough warnings when drivers stepped on the accelerator pedal hard, which, combined, could increase the risk of collision (CNN 2023).

**Tesla** is recalling a total of 67,698 imported Model S and Model X vehicles produced between 25 September 2013, and 21 November 2020. The recall of these models is due to a software issue that affects the battery management system of the cars (CNBC 2022).

## Recent Food & Beverage recall events – Singapore

| Recall | Date | Category | Summary of risk | Origin |
|---|---|---|---|---|
| Baby puree and cereal rice products | 15 May 2023 | Heavy metals/ chemicals | The Singapore Food Agency (SFA) has ordered a recall of three Naoki Trading and distributor Chadil infant products (Wen's Baby Cereal Puree Whitebait and Pumpkin, Wen's Baby Cereal Puree Whitebait and Purple Sweet Potato and Holle Organic Wholegrain Cereal Rice) found to contain more than the maximum limit of arsenic Singapore Food Regulations. | Singapore, Germany |
| Vegetarian black pepper chop and roasted meat | 4 May 2023 | Undeclared allergen | Gluten was detected in Liang Yi's Vegetarian Black Pepper Chop and Vegetarian Roasted Meat, which was not declared on the food packaging labels. The SFA directed the manufacturer to recall the product. | Singapore |
| Brown rice si shen powder | 29 Mar 2023 | Heavy metals/ chemicals | Aflatoxin B1 and arsenic were detected in samples of Eu Yan Sang's Brown Rice Si Shen powder at levels exceeding the maximum limit stated in the Singapore Food Regulations. The SFA directed the manufacturer to recall the product. | Singapore |
| Peanuts | 26 Feb 2023 | Chemical | The presence of Cyclamate (as Cyclamic Acid) was detected in Chang Ling Peanut. Cyclamate is a permitted food additive that is used as an artificial sweetener and is approved for use in certain food products in the Singapore Food Regulations. The use of cyclamate is not allowed in peanuts. The SFA directed the importer to recall the product. | China |
| Lemonade syrup | 25 Feb 2023 | Packaging | The recall of Karvan Cevitam Original Citroen (600ml) was due to the potential peeling of the packaging's inner coating. The SFA announcement came after the European Commission Rapid Alert System for Food and Feed (RASFF) issued a recall for the syrup. The SFA directed the importer to recall the product. | Netherlands |
| Grilled clams | 23 Feb 2023 | Heavy metals/ chemicals | The presence of cadmium was detected in REX Grilled Clam, imported by Yee Lee Oils & Foodstuffs (Singapore) Pte Ltd, at levels exceeding the maximum limit for cadmium stated in the Singapore Food Regulations. The SFA directed the importer to recall the product. | Malaysia |
| Cheese and pate | 22 Jan 2023 | Pathogens | The possible presence of Listeria monocytogenes was detected in Jay and Joy products from France. The products were imported into Singapore by Eurolink Nutrition Pte. Ltd. The SFA directed the importer to recall the product. | France |
| Swiss rolls | 20 Jan 2023 | Chemical | The presence of sorbic acid was detected in EGO Swiss Rolls (strawberry flavour), imported by Kee Wee Hup Kee Food Manufacture Pte Ltd.,at levels exceeding the maximum limit stated in the Singapore Food Regulations. The SFA directed the importer to recall the product. | Malaysia |
| Carbonara mushroom pasta sauce | 20 Dec 2022 | Spoilage | The Arnott's Group detected spoilage due to manufacturing error in a batch of imported Prego Carbonara Mushroom Pasta Sauce (665g). The affected batch may exhibit signs of spoilage which include unpleasant smell, unusual colour, watery appearance and separated layers of liquid. The importer is Campbell Soup Southeast Asia Sdn. Bhd. (Singapore Branch). The SFA directed the importer to recall the product. | Malaysia |
| Canned pear | 24 Nov 22 | Undeclared food additive | The presence of aspartame was detected in Hao Yan Guang's canned pear. The SFA directed the importer to recall the product. | China |

Sources: European Commission Rapid Alert System for food and Feed; Singapore Food Agency; Centre for Food Safety – Hong Kong; Food Standards Australia and New Zealand

## Recall examples - Malaysia

| Recall | Date | Category | Summary of risk | Action | Origin |
|---|---|---|---|---|---|
| Instant noodles | 25 Apr 2023 | Chemical | Two types of instant noodles made by a Malaysian and an Indonesian manufacturer were recalled after a type of carcinogenic substance was detected in the products. | Recall | Malaysia, Indonesia |
| Allergy relief / nasal decongestant tablets | 30 Mar 2023 | Packaging | GlaxoSmithKline Malaysia (GSK) recalled a batch of its Zyrtec-D (120mg/5mg Tablets x400) Allergy Relief and Nasal Decongestant Tablets as a precautionary measure after some units were found to have blisters that were incorrectly sealed. | Recall | Malaysia |
| Opioid medicine | 22 Mar 23 | Allergen/drug interaction | The product Pholcodine, an opioid medicine that is used in adults and children for the treatment of non-productive (dry) cough and the treatment of symptoms of cold and flu. There is a possible drug interaction with a neuromuscular blocking agent — commonly used as part of the regime in general anesthesia during medical surgery, causing anaphylaxis if the patient took Pholcodine containing products in the past 12 months. Anaphylaxis is a serious, life-threatening allergic reaction. | Recall | Malaysia |
| Instant noodles | 26 Jan 23 | Chemical | 3,040 instant noodle cups imported from South Korea had potential herbicide contamination. | Recall | South Korea |
| Prawn rolls | 19 Apr 23 | Foreign matter | Le Bao prawn rolls were recalled by Sheng Siong supermarket after a safety pin incident. | Recall | Singapore |

Sources: Channel News Asia; The Star; The Edge Markets; SG News Yahoo.com

## Recall examples - Hong Kong

| Recall | Date | Category | Summary of risk | Action | Origin |
|---|---|---|---|---|---|
| Instant mushroom rice | 14 Feb 23 | Undeclared allergen | The product imported by City Super Limited might contain undeclared Coconut which is a known food allergen. | Recall | Japan |
| Vanilla yoghurt | 2 Mar 23 | Foreign matter | It was discovered that the product Casino Glass Jar Yoghurt (vanilla) might contain glass particles. The affected batch had been imported into Hong Kong. | Recall | France |
| Cheese | 10 Feb 23 | Pathogen | The presence of Listeria monocytogenes was detected in a batch of Gasperon Cheese. The affected batch had been imported into Hong Kong. | Recall | France |
| Green chicken curry | 19 Jan 23 | Undeclared allergen | It was discovered that Count on Us Thai Style green chicken current contained crustaceans and mollusks which were not declared on the food label. It was found that the product had been imported the affected product which was on sale in its chain stores. | Recall | United Kingdom |

Source: Centre for Food Safety Hong Kong

Liberty Specialty Markets

## Global reach. Financial strength. Local authority.

Distinct, complex and constantly evolving – every business is unique as is their insurance needs. To confidently progress in the face of risk and uncertainty requires a level of security you can only achieve through working with specialists.

Liberty Specialty Markets offers a breadth of world-class insurance and reinsurance services to brokers and insured clients. We bring value and solutions to more than 26,000 of Asia Pacific's most significant business and government organisations – helping protect what they earn, build and own.

We're part of the global Liberty Mutual Group, a Fortune 100 company that's been in business since 1912 with a Standard and Poor's 'A' (strong) rating.

## Meet our Asia Crisis Management team members

### HONG KONG


**Joyce Cheng**
Assistant Vice President
Crisis Management, Asia
**T** +852 3655 2685
**E** joyce.cheng@libertyglobalgroup.com


### SINGAPORE


**Si Min Tay**
Senior Underwriter
Crisis Management, Asia
**T** +65 6622 9191
**E** simin.tay@libertyglobalgroup.com


### MALAYSIA


**Ken Tung**
Underwriter
Crisis Management
**T** +603 2082 4007
**E** ken.tung@libertyglobalgroup.com


View our office locations

Meet our Crisis Management team members

Follow
Connect and join the Liberty conversation




AP00852-06-23