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## BLOGS

Product Recall Insurance

# Peloton Recalls and the Case for Product Recall Insurance

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Peloton Interactive enjoyed a surge of sales during the COVID-19 pandemic. Its newly released exercise equipment and its high-energy fitness classes, available on demand, were the perfect fit for health-minded, and virus-wary, individuals who decided to ditch gym memberships for the convenience and safety of at-home workouts. But, as many of those health-minded folks might say, "it's a marathon, not a sprint." And, more recently, Peloton has had some major setbacks that it will have to navigate and overcome to regain its footing as a top-of-the-line fitness company. In particular, last month, Peloton recalled its flagship Tread+ treadmill, citing risk of injury or death, after receiving, reportedly, 62 reports of adults, children, pets and/or other objects being pulled under the rear of the treadmill, and 29 reports of injury to children including one death of a six-year old child. It has also recalled the more budget-friendly Tread treadmill, citing risk of injury, as well as certain pedals on its exercise bikes, which are likewise associated with reported injuries and unexpected breakdowns. Meanwhile, product liability lawsuits are being filed, and Peloton's stock has struggled to hold and regain value after news of the injuries and recalls first hit.

From an insurance perspective, companies like Peloton should be able to tap into commercial general liability (CGL) coverage for the consumer lawsuits alleging bodily injury from an allegedly defective and recalled product, but a CGL policy is not going to fully cover the vast array of other costs that are associated with a recall, or the cost of dealing with crisis management and lost profits, for example. Product recall insurance can help fill at least some of the gaps, but companies interested in buying recall insurance will want to consult with advisors who specialize in this area to help carefully review and compare coverage offerings. Product recall insurance still varies greatly from insurer to insurer and from policy to policy, so knowing what to look for (and what to avoid) is key. Expect to negotiate terms that are tailored to your company's needs to get the most out of the coverage.

## Related People

### Robyn L. Anderson

Counsel

Kansas City

816.460.5522

[robyn.anderson@lathropgpm.com](mailto:robyn.anderson@lathropgpm.com)

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