

FOOD-BORNE ILLNESSES: 10 TIPS FOR MITIGATING YOUR LOSSES



Food-borne illnesses affect millions of Americans each year. According to insurer Swiss Re, nearly 9 million Americans became sick from contaminated food in 2013 alone. And half of all food recalls cost affected companies more than \$10 million — not to mention the potential reputational and brand impacts. For many food and beverage companies, it is not a question of if they will fall victim to this unfortunate event. The real question is: *When they fall victim, how will they respond?*

No food and beverage company can eliminate the risk presented by food-borne illnesses. But organizations can adopt insurance and risk management strategies to mitigate their risks. The following ten tips can help companies minimize their chances of facing a contamination event, and mitigate the financial, reputational and other impacts should an incident occur.

1. UNDERSTAND YOUR COMPANY'S RISK EXPOSURE.

When evaluating your product contamination risks, consider these questions:

- **First-party risks:** How much could we lose from an interruption of our businesses following a contamination event? What will be the cost to rehabilitate our brand and reputation?
- **Third-party risks:** How large of a loss could we cause for those companies we conduct business with? Can the size of such a loss be capped or managed?

- **Supply chain risks:** Do our suppliers have sufficient quality control measures to prevent or minimize a contamination event? Are they financially sound? Do they have sufficient balance-sheet protection or insurance coverage?

2. IMPLEMENT APPROPRIATE INSURANCE PROTECTION.

Most US-based food manufacturers, retailers, and processors purchase general liability (GL) insurance. But what if this is not your greatest exposure? What if there are other potential costs that will dwarf the losses caused by the liability claims? And what if these losses are expressly excluded by your GL insurance? In most large food contamination events in recent US history, first-party costs suffered by food companies have exceeded the losses covered by the GL policy. As such, businesses should consider other forms of insurance coverage. Product recall insurance, for example, can cover many of the losses not included under a GL policy, including business interruption, brand rehabilitation, and recall expenses.

3. PERFORM A PRODUCT RISK ASSESSMENT.

It's important that you have accurate information about your products and how they travel through your supply chain. Consider the following questions:

- What are the inherent hazards associated with the product throughout the chain and how can they be minimized?
- What regulatory requirements, regulatory history, or recall activity could impact the product? Is there industry guidance or knowledge for the product?
- How is the product likely to be used (and abused) in the marketplace?
- Is the product packaged by the supplier or is packaging done by a third party?
- How are suppliers' processing or other changes communicated and evaluated? How often does the evaluation take place?

4. EVALUATE, MONITOR, AND AUDIT YOUR SUPPLY CHAIN.

Ensure that your internal audit process is regularly updated to address product changes and problems uncovered during the audit or production process. You should have a reporting process to gather and report in aggregate incidents that occur across the supply chain.

5. EVALUATE DEFICIENCIES FOUND IN YOUR SUPPLIERS' THIRD-PARTY AUDITS.

Not all audits cover the same points. Do you know if your suppliers' third-party audits address all applicable and important areas of concern? And are problems uncovered during these audits being acted upon by your suppliers?

6. IMPLEMENT AND MAINTAIN QUALITY CONTROL MEASURES.

Once risk assessments are complete and control measures are in place, ensure they are supported through written policies, training, and other tools. Be sure to document all steps.

In addition:

- Help ensure practices are maintained with auditing. Whether audits are spot checks conducted internally or comprehensive reviews by third parties, it is critical to perform thorough and regular inspections.
- Determine a review and revision procedure. How will your plan be updated with changes to process, equipment, or ingredients? If there are no changes, will there be an annual review? Keep a record to track revisions, the person(s) making the revisions, reviewers, and date.

7. STAY ABREAST OF REGULATORY REQUIREMENTS AND INDUSTRY GUIDANCE.

The Food and Drug Administration (FDA) continues to communicate rule guidance associated with the Food Safety Modernization Act (FSMA). And even for areas where the FDA has not implemented a specific regulation, the agency expects producers to be aware of and follow industry guidance.

It's important to understand how FSMA requirements will apply to your operations and how you will comply. You should also closely follow industry groups and resources. And you should review your suppliers' compliance programs and strategies, including how well they are connected to industry groups and others that lead food safety advances.

8. HAVE A SOUND REPUTATIONAL RISK AND CRISIS MANAGEMENT STRATEGY.

Before a contamination event occurs, you should have a senior-level crisis management team identified and in place. This team should manage crisis communications efforts, including social and traditional media coverage. And it should deliver your core message for internal and external stakeholders, including employees, investors, customers, suppliers, and the general public.

Before a crisis develops, you should:

- Determine how the crisis management team will obtain information updates, coordinate activities, and manage the organization's response to an event.

- Be ready to proactively manage a crisis. Know what types of services may be useful, such as humanitarian support to victims and families, exposure monitoring, and other tools. And be ready to take bold steps to get in front of potential problems.
- Test your plan. Conduct product recall and product contamination exercises to be sure your team is ready.

9. DEVELOP AND TEST A PRODUCT TRACEABILITY PLAN OR ROOT CAUSE ANALYSIS.

When faced with a product contamination incident, companies should closely investigate and identify the root cause of the contamination to ensure that the issues don't reoccur. As you do so, consider the following questions:

- What are your expectations on how fast or completely a product can be traced?
- Is there a process that meets expectations?
- Is the main contact readily and easily accessible outside of normal business hours?
- Do your suppliers have adequate support staff to promptly communicate if they are dealing with a recall that affects many customers?

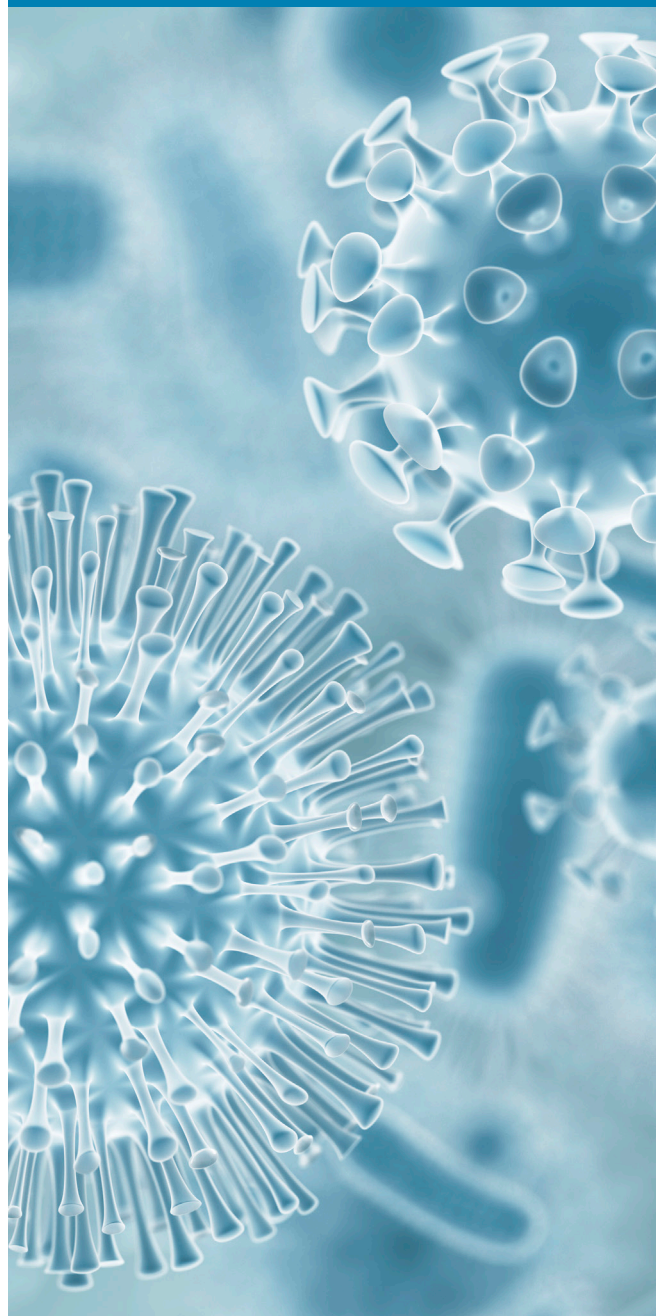
Once you've built a plan, it's important to test it and ensure that all participants know their roles and have the tools needed to active the plan. Tabletop and full-scale drills can uncover missed items and opportunities for improvement before a crisis develops.

10. BE PREPARED TO MANAGE THE INSURANCE CLAIMS PROCESS.

In the event of a potential loss or claim:

- Notify your broker or insurers per the terms and conditions of your policies.
- Collect and collate data for the financial loss you have suffered.
- If applicable, contact your specialist crisis management consultants or forensic accountants.

To learn more about how your company can prevent and manage a food contamination event, visit Marsh's [Farm to Fork page on marsh.com](https://www.marsh.com).





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