



FOOD FOR THOUGHT

## 'Tis the Season to Safeguard Every Mouthful

Norovirus. Salmonella. Listeria. E.Coli. These pesky germs are often in the news for causing sickness, and sometimes even death, to those unfortunate enough to ingest them. The Centers for Disease Control estimates that 48 million people in the US get sick from a foodborne illness each year. While the vast majority will recover with no major complications, the food establishments that serve, sell, or manufacture contaminated food could face extensive repercussions, both financial and reputational. A single food recall can cost a staggering \$10 million in direct costs alone, with the real price tag — including lost sales, reputational damage, and legal expenses — potentially amounting to much more.

With the holidays around the corner, and more people celebrating both in and outside of their homes, the food and beverage industry comes under increased pressure to ensure the safety of its products. After all, no business wants to lose out on the increased sales, let alone being responsible for causing illness or associated with ruining customers' holidays.

### Action Rather than Reaction

The food and beverage industry should be on maximum alert and take all necessary measures to make sure that every mouthful is safe for consumers, especially during the holiday season. While the efforts required to ensure food safety are significant, following these six steps is a starting point:

- 1. Understand your supply chain.** The many steps — and people — involved in food production and manufacturing mean there are many pain points and risks for contamination. Food and beverage companies are not only responsible for their part of the process, but also have to be concerned about the safety of any raw ingredients and processed foods they use. This requires mapping the supply chain and knowing all vendors, including packaging companies. Ingredients should be traced back all the way to their point of origin.
- 2. Know your suppliers.** Companies should be diligent when selecting their suppliers, using those that demonstrate a commitment to complying with food safety standards and reporting any problems. Ask about their policies and procedures to deal with a contamination event. Further,

## MAKE A LIST AND CHECK IT TWICE

Are you prepared to deal with a food contamination crisis? Start by asking yourself the following questions:

- Are you compliant with the [Food Safety Modernization Act](#)?
- Do you know the intricacies of your supply chain? Can you map the full journey of every ingredient you are using?
- Have you audited your suppliers? Do you have clear notification agreements?
- Do you have a crisis team in place? Do all members of this team know their role should a contamination event take place?
- Have you carried out recall preparedness drills?
- Do you have a plan to clearly communicate with your customers following a contamination event?
- Is your insurance coverage sufficient to protect your business against all the costs associated with a food contamination incident?

*Every year, around 48 million people in the United States get sick from a foodborne illness. Of those, 128,000 are sick enough to require hospitalization and 3,000 die.*

– CDC

supplier agreements should include notification protocols — for example, being informed of potential contamination problems on a different line in the same plant in which your ingredients were produced or processed. Regular supplier audits can help identify deficiencies that need to be analyzed and addressed. Many of the prepared or semi-prepared foods that make it into consumers' shopping baskets include multiple ingredients, making it even more important to know where everything came from. For example, [a recent investigation](#) into vegetables potentially contaminated with salmonella and listeria led to several products produced by downstream manufacturers being recalled, with the Food and Drug Administration (FDA) warning consumers not to consume affected products, especially “ready-to-eat” ones like premade salads.

- 3. Keep thorough records.** When the inspectors come knocking, it's important to be able to provide records of hygiene checks. This is especially pertinent when a problem is identified and there is a need to determine when it arose to recall everything that could have been affected. No company wants to have to recall more products than necessary due to a filing mishap.
- 4. Ensure thorough and continuous education.** Employees, both permanent and temporary, should receive exhaustive food safety training at the start of their tenure and throughout their employment. Seasonal workers, which are common during peak times like the holidays, should be properly trained both in general food safety and the specific risks pertaining to the company and its products. Training should not simply include a list of do's and don'ts — instead, it should ensure that employees understand the reasons for different policies and procedures.
- 5. Enforce hygiene practices.** There should never be any complacency when it comes to maintaining strict hygiene standards. However, enforcers need to be even more vigilant during busier times when taking shortcuts can lead to lower standards that can cause contamination. Fastidious handwashing, strict cleaning and hygiene procedures, and meticulous food preparation processes — for example, abiding by safe temperatures and storage — are necessary to keep contamination at bay.
- 6. Give customers proper storage and cooking instructions:** Even when a company does everything right, there might still be risks of illness if customers mishandle the product — for example, leaving a refrigerated product outside or undercooking meat. Clear labeling with instructions on storage and preparation requirements are essential to minimize problems.

## Weathering the Storm

Even when companies take tremendous care, crises can still arise. It's crucial to know what to do in case of a problem. A starting point is forming a crisis management team made up of senior executives with decision-making power. Before a contamination event, this team will be tasked with determining how it will obtain information and communicate with authorities, consumers, and the media. Tabletop exercises will help businesses know what actions they need to take and who should be involved as soon as they learn about a problem — for example, who will be the company's spokesperson, especially during a highly publicized event. Response plans should be regularly updated and practiced. This team should be engaged immediately during a crisis and charged with managing communications, both internally and externally, and directing the organization's efforts.

A common mistake is expecting the source of a contamination problem to cover the costs incurred by your company, including the costs of recalling products or required sanitation measures. But this is not always the case; many companies — especially smaller ones — might buckle under the financial pressure. In 2017, a cookie dough manufacturer closed shop only months after a listeria outbreak that led to a [nationwide recall](#) of products containing the problematic ingredient. Risk managers need to understand their companies' risk exposure, namely:

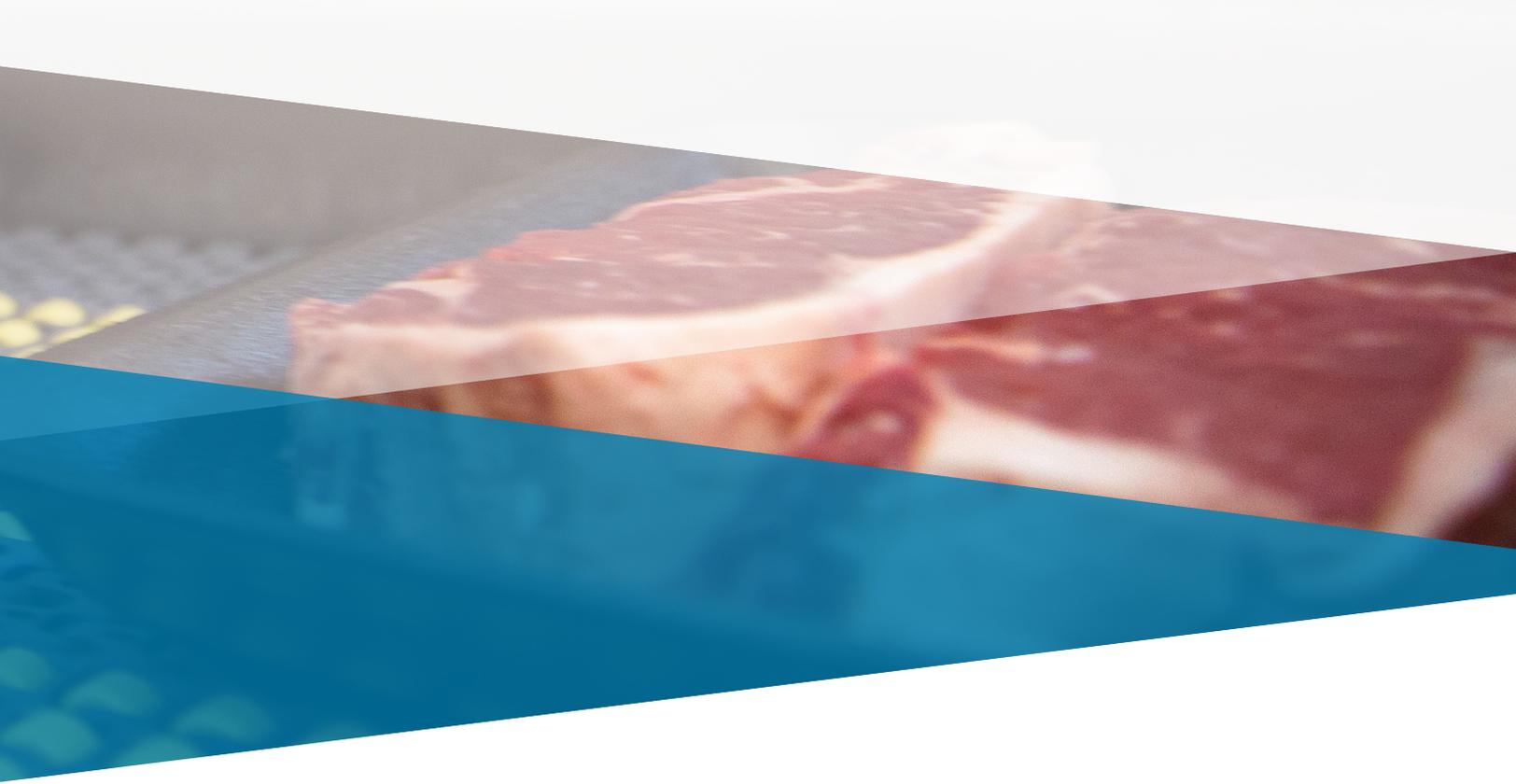
- **First-party risks:** The costs of business interruption and reputational damage due to a contamination event.
- **Third-party risks:** Losses caused to other companies or customers, including medical expenses or even legal action.
- **Supply chain risks:** The ability of suppliers to financially cover costs incurred due to contamination.

A recent Marsh survey of food and beverage companies, including manufacturers, processors, supermarkets, and restaurants, found that [more than half of respondents](#) were either not sure whether their companies purchased product recall/contamination insurance or said they didn't. Most food and beverage companies purchase general liability (GL) coverage, but this alone is often not sufficient. While these policies tend to cover costs of customers getting sick after ingesting a contaminated product, coverage tends to amount to less than half the expenses incurred since GL policies typically do not cover the costs of recalling a product, business interruption costs, and damage to the brand. The result can be substantial underinsurance that could dramatically eat into a company's profits or even lead to bankruptcy. Instead, brands should consider purchasing dedicated product contamination and recall insurance, which can cover many of the expenses incurred following a food contamination case.

The bottom line is that while companies can do a lot to reduce the risk of a product contamination event, the threat remains real. Product contamination incidents can be costly, impacting not only companies' coffers but also their reputation. Being prepared to act immediately if the worst does happen is paramount to safeguard a company's bottom line and continuing operations.

*There are more than 250 different foodborne diseases caused by viruses, bacteria, parasites, toxins, metals, and prions.*

– CDC



*This briefing was prepared by Marsh's Food and Beverage Practice, in conjunction with Marsh's Workforce Strategies Practice and Marsh's Product Recall Practice.*

For more information, visit [marsh.com](http://marsh.com), contact your Marsh representative, or contact:

GREG BENEFIELD  
Managing Director  
National Food & Beverage Segment Leader  
+1 615 340 2449  
[greg.benefield@marsh.com](mailto:greg.benefield@marsh.com)

Marsh is one of the Marsh & McLennan Companies, together with Guy Carpenter, Mercer, and Oliver Wyman.

This document and any recommendations, analysis, or advice provided by Marsh (collectively, the "Marsh Analysis") are not intended to be taken as advice regarding any individual situation and should not be relied upon as such. The information contained herein is based on sources we believe reliable, but we make no representation or warranty as to its accuracy. Marsh shall have no obligation to update the Marsh Analysis and shall have no liability to you or any other party arising out of this publication or any matter contained herein. Any statements concerning actuarial, tax, accounting, or legal matters are based solely on our experience as insurance brokers and risk consultants and are not to be relied upon as actuarial, tax, accounting, or legal advice, for which you should consult your own professional advisors. Any modeling, analytics, or projections are subject to inherent uncertainty, and the Marsh Analysis could be materially affected if any underlying assumptions, conditions, information, or factors are inaccurate or incomplete or should change. Marsh makes no representation or warranty concerning the application of policy wording or the financial condition or solvency of insurers or reinsurers. Marsh makes no assurances regarding the availability, cost, or terms of insurance coverage. Although Marsh may provide advice and recommendations, all decisions regarding the amount, type or terms of coverage are the ultimate responsibility of the insurance purchaser, who must decide on the specific coverage that is appropriate to its particular circumstances and financial position.

Copyright © 2018 Marsh LLC. All rights reserved. Compliance MA18-15658 289816876