

## Food Industry Policy Alert

October 21, 2010

Over the past several months, salmonella has been front-page news. According to published reports, as a result of the latest outbreak, more than 1,300 Americans have been infected with the bacteria after consuming contaminated eggs. As of this writing, more than a half billion eggs have been recalled, new safety regulations have been implemented, and a congressional investigation is well under way.

The egg-related salmonella outbreak is the latest in what the media would have citizens believe is an epidemic of food contamination cases. In truth, the United States' food supply is exceptionally reliable. The vast majority of growers, manufacturers, and retailers work hard to offer products that are safe for consumers. And the food industry as a whole does an excellent job of controlling the quality of the products they produce, process, and sell. Moreover, in the relatively few cases where problems do arise, the industry has a strong history of promptly identifying and responding to those problems in order to minimize their impact.

Unfortunately, with food-borne bacteria such as salmonella, even the best of efforts can't guarantee immunity in every case. That's where insurance comes in. For companies that operate in the food and beverage industry, a comprehensive insurance portfolio is an essential backstop against contamination-related losses. But, along with the increased scope and scale of food contamination cases has come an increased scrutiny by carriers of contamination-related claims. Given the vital role played by insurance, it is not enough to simply purchase a standard policy and hope for the best. Instead, policyholders must remain savvy.

Specialty products do exist and can go a long way toward removing some of the uncertainty involved in a contamination incident. Recall insurance is an example that may be familiar to many food and beverage policyholders. There are number of different recall products on the market, and the scope and scale of coverage varies widely. And, although simply purchasing a Recall Policy does not guarantee coverage for every incident, when such a policy is carefully researched and procured, it can offer policyholders a great deal of comfort.

One problem that we are seeing at the moment does not involve specialty policies that insure against specified perils. Instead, it concerns comprehensive general liability (CGL) policies. As the name suggests, CGL policies are designed to provide "comprehensive" coverage. Yet, when it comes to contamination losses sustained by food industry policyholders, comprehensive coverage can turn out to be anything but.

