NEWS FEED

FOOD & AGRI NEWSLETTER JUNE 2017

The evolving world of business interruption insurance

Business interruption is a long-standing and critical cover which offers essential protection to businesses whatever their size, organisational structure or industry specialism. JLT are evolving and enhancing traditional business interruption products for all of our clients with a particular focus on those operating in the food and agri sector.

Business interruption (BI) insurance is by its very nature as complex and diverse as the businesses which it seeks to insure.

Industry research* has found that only 30% of world-wide property damage and business interruption losses are insured. There are many reasons for the high percentage of uninsured losses globally (70%) which range from businesses not having insurance at all, predominately in emerging economies, to companies not buying the necessary limits or coverage extensions.

Our view is that significant improvements to traditional business interruption coverage are needed in order to reduce the insurance gap and better align the performance of the insurance product with client expectations.

The complexity and potential confusion surrounding business interruption policies were highlighted in a research paper entitled: *Business Interruption Policy Wordings – Challenges Highlighted by Claims Experience.*

The paper was published by The Insurance Institute of London in collaboration with The Chartered Institute of Loss Adjusters in 2012, and five years later we are still trying to seek solutions for many of the problems highlighted.

The paper said: “We all know what ‘contract certainty’ means technically – that there needs to be a policy in existence at the start of the insurance. But when it comes to BI, we think it would be a good idea to take the concept of contract certainty a little further.

**Munich Re, NatCat service – January 2017, review of natural catastrophe losses.*

FOREWORD

Welcome to the first edition of News Feed, our food & agri newsletter.

In this issue we will examine some of the subjects that regularly come up in discussions with our clients.

Our food & agri specialists provide services to a hugely diverse range of producers, suppliers and manufacturers at various links in the complex food supply chain. Each link has shared, and unique, risks that threaten the integrity of the chain.

Maintaining the integrity of the supply chain and preserving food security is further complicated by the challenges of feeding a growing world population in a period of climate change, disease pandemics, political unrest and changes in diet in emerging economies, plus the urban competition for land resources.

To respond to these challenges the agricultural industry appears to be at the beginning of a new revolution as the use of technology proliferates and various smart-farming techniques improve efficiencies and make more land productive.

Innovation is also needed in aquaculture where rising sea temperatures are encouraging algae blooms and making weather patterns less predictable. New equipment is being introduced to counter these threats and the future might see marine species being predominantly farmed in enclosed recirculating systems on land.

The food industry is also responding with new products, looking at alternative protein sources and using laboratories to produce traditional foods in a highly pioneering way.

Each new challenge, and the industry's response to it, makes an adjustment to the risk landscape of that link in chain. The new risks that emerge are not always quickly understood either by the stakeholder or the insurance industry. The aim of this, and future newsletters, is to track, comment and hopefully clarify the nature of risk in the food & agri sector and the management and transfer solutions available.

So there's a lot to talk about.

Simon Lusher

Simon Lusher
Head of Food & Agri,
JLT Specialty Limited

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Our concern is that there has been a lack of clarity for a long time now – for insurers, adjusters and customers – over certain aspects of BI policies.

For example, there is often a big difference between the technical meanings for words in a policy and the way those words are used in everyday business. The way indemnity periods are worked out can be confusing and there are parts of standard BI policies that even the professionals have never agreed. In these circumstances, it's hardly fair to expect customers to have the right answers."

Is there a simpler way to protect clients in our fast moving, consumer led economy?

DESPERATELY SEEKING SETTLEMENT

Most BI policies will indemnify insureds for a reduction in 'turnover' and the associated loss of 'gross profit'. While seemingly simple, this has been a cause of confusion for years. The insurance market definition and the accounting definition are different and this discrepancy is often overlooked, leading to inaccurate limits of insurance. The knock-on effect is that policyholders may not receive a full indemnity in the event of a claim.

Unfortunately the discrepancies between the practical application of insurance terminology and the outcomes which policyholders expect is often only realised when there is a loss, which will not be indemnified in full.

In order to ensure that clients have an early warning of potential coverage issues, we strongly recommend that loss scenario testing is undertaken. We analyse how your BI policy would respond in practice to a loss, using theoretical but realistic loss scenarios to identify any gaps in cover and to test the adequacy of sub-limits.

Completing this work before a loss happens enables clients to identify potential coverage issues and to deal with them accordingly.

> "to ensure clients have an early warning of potential coverage issues, we recommend they conduct loss scenario testing"

TRIGGER UNHAPPY

Insurance policies, like most contracts, contain a variety of limitations and caveats.

One caveat which is contained in most standard BI policies is the material damage proviso. This requires damage to property used being insured and the loss being payable. It is from this damage that the BI loss to be considered then flows.

There are exceptions to this broad rule as BI policies contain limited extensions for when there is no damage trigger to property used. These include denial of access, loss of attraction, and other restrictions on the use of locations. However, such coverage has low monetary sub limits and may not cover the BI loss experienced in full.

POTENTIAL WAYS FORWARD

We are designing insurance products which are altogether more straightforward and give clients more certainty in knowing exactly when their BI policy will respond.

We would like to see a way in which front-end losses are defined, calculated and communicated in a straightforward way that is transparent for all involved parties. We are exploring ways of designing mainstream policies that respond to events that create a demonstrable loss, without a need to have suffered from a property damage event.

We have engaged insurers to design BI insurance wordings where the total claims settlement figure would be calculated using a pre-agreed index matrix. Such an approach would provide certainty in the immediate aftermath of a loss, enabling insurers to readily understand the extent of their liability and insureds to determine the level of settlement they were due.

COMMENTARY

We work proactively to provide world leading risk management and risk transfer advice. This affords our clients with coverage certainty in the event of a claim.

By using our in depth food and agri industry expertise and our strong relationships with the insurance market we will continue to create bespoke BI solutions to fit the evolving business and risk profile of our food and agri clients. ■

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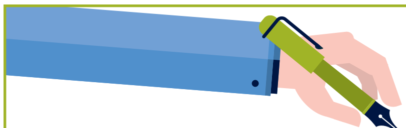
LOSS EVENTS IN 2016

Insured / uninsured losses as a percentage of overall losses

Source – Munich Re, NatCat Service – January 2017



LOSS CONSULTANCY SERVICES FOR BUSINESS INTERRUPTION FINANCIAL RISK EXPOSURE

Business interruption exposure is becoming increasingly more substantial and insurers demand high quality information and a detailed financial understanding of a potential loss and its impact on clients' operations with regard to pre-loss position. This is translating into a detailed forensic approach in post loss quantification.

We use sophisticated tools and analysis to identify and address these issues. Our financial calculations also provide a source of data for use within your business to review operations from a risk perspective.

Our pre loss analysis highlights:

- Core revenue and insurance gross profit/earnings streams
- Key vulnerabilities
- Operational dependencies and inter-group dependencies where knock-on effects of damage at one location can be felt at other group locations.

Within the internal supply chain we analyse:

- Capacities
- Bottlenecks
- Single points of failure
- Critical plant, machinery and equipment.

For the external supply chain, we assess the contingent business interruption risk, considering the impact from a disaster occurring to key suppliers or critical customers.

Our experts incorporate a quantified evaluation of the business interruption risk that contrasts the position with and without mitigation that can be provided via resilience or business continuity.

As a result, a measured view of the risk can be presented for stakeholders and the insurance markets. To deliver value, our consultants work closely with our clients to determine their financial exposure to loss.

The findings enable adjustments to be made to their existing insurance programme and/or identify any major gaps in cover. It also enables the benefit of good risk management work to reshape insurance coverage.

In the event of a loss, we are ideally positioned to prepare the business interruption (and property) claim on your behalf. The knowledge we gain throughout the pre loss analysis means we can expedite the claim process, initiate mitigation options and see the claim through to a timely completion.

Supply chain risk

One of the challenges facing firms in the food and agri sector is to manage their supply chain effectively and to understand how they can mitigate and where possible avoid losses. Here we look at five different potential problems and some of the factors that need to be considered carefully when managing them.

NON-DAMAGE BUSINESS INTERRUPTION

Non-damage business interruption losses that emanate from a problem with a supplier is a headache for the food & agri sector. The issue that has, perhaps, attracted most attention in recent months and years is Avian Flu.

If you're a farmer, a poultry processor, an egg supplier, or you rely on eggs as an ingredient, then an outbreak of Avian Flu could be crippling.

A lot of non-damage business interruption policies will not pick up all of the losses from an Avian Flu outbreak and while there may be some level of non-damage business interruption insurance in supplier extension wordings, this is unlikely to be sufficient to cover the losses incurred. Similarly, denial of access extensions will offer some cover, but it will not be comprehensive.

One of the issues is that property insurers writing policies for the food and agri sector are not comfortable with either pricing or taking on pandemic exposures.

We are exploring how specialist poultry/livestock underwriters can provide non-damage business interruption policies that better meet the needs of operators in the market and offer insurance solutions that have fewer exclusions.

However, it also remains hugely important for firms in this sector to understand the events that might affect them and to have alternative supply chain options available in the event of a problem.

FOOD SECURITY FRAUD

The recent poultry scandal in Brazil has drawn a lot of attention to food security and the widespread problems with horsemeat are still very fresh in the industry's mind.

There are also more benign issues that arise when considering the quality and traceability of ingredients in the supply chain. For example, certain products such as extra virgin olive oil and Manuka honey attract high prices and are therefore targeted by criminals who substitute or adulterate with inferior quality oil or honey and then sell, under false pretences, as a premium product.

Standard product recall policies are triggered by bodily injury or physical damage therefore in the event of the horsemeat scandal or a situation arising from mislabelled extra virgin olive oil, the insurance would not respond.

Such events can create significant losses for businesses and we are working to extend the cover available for fraudulent ingredients that are not actually harmful.

In recent years a lot of companies have taken steps to try and simplify their supply chain to avoid such problems. Thorough supply chain mapping is one way they can go about mitigating their exposures and ensuring their reputation is not damaged.

Considerable work has been done by governments to improve regulation and checks on imported and exported products. However it remains unclear if Brexit could lead to some level of deregulations, establishment of new trade deals and different certification standards.

This situation could create uncertainty that unscrupulous firms might look to exploit. As such the industry will have to be even more mindful about counterfeit ingredients in the months and years ahead.

POLITICAL RISKS

Some of the most commonly traded commodities in the sector, such as cocoa, coffee and soya beans, come from countries that do not have long-term stable governments in place.

Even where a stable political leadership is in place, recent election results including Donald Trump's victory in the US and the UK's decision to leave the European Union, can lead to significant policy changes that affect established relationships, import/export duties and trading quotas.

The insurance industry has well-developed wordings to help companies cope with political risk exposure, although many firms who have been operating in an unstable territory for several years often feel they know the lie of the land well enough to manage their way around these issues.

However, with the increased investment by banks in third world and emerging markets, financial institutions are more concerned about their exposures, consequently driving demand for political risks cover.

It's important to highlight that political risks and the country's economy go hand-in-hand. For example, hyper-inflation can lead to governments putting quotas on exports.

We have seen this in Nigeria recently, which had an impact on businesses that use products from the country, such as palm oil.

CONTAMINATION OF STOCK

Whether through your own actions or those of a third party, stock can rot, deteriorate or become contaminated.

Stock throughput insurance cover essentially takes the storage risk out of a property policy and puts it into a cargo policy. Cargo wordings are broader and offer enhanced cover, including, for example, deterioration, infestation and vermin.

Stock throughput cover will respond to losses from the contamination or deterioration of goods in transit, but it will only pay for the value of the goods in question. It will not pick up the onward costs of business interruption.

If the problem has arisen because of the actions of a third party supplier then your contract may offer recourse to compensation and you may be able to claw back financial losses through legal action. However, pursuing such legal action can be time consuming and costly depending on where suppliers are located.

EXTREME WEATHER

Increasingly erratic weather patterns have created an added layer of complexity for firms in the food and agri sector trying to manage their supply chain risk.

Where flooding, hurricanes or droughts are normal weather conditions for operators in the supply chain, it is possible to implement effective defences for all but the most severe events.

For example, recent heavy rainfall in the highlands of Peru caused landslides on a daily basis, when there are normally three of four annually. The landslides took out roads cutting off supply routes to the rest of the country, and the limited infra-structure meant there were no alternative routes to transport goods out of the area.

A supply chain interruption policy will offer some cover for these events, but many companies do not have such insurance as they often believe they will not hit their own supply chains.

Companies need to have alternative supplier options available to overcome such issues and to assess what costs their balance sheet could support when implementing these secondary arrangements.

In analysing all of the potential losses that might come from their supply chains, companies will have to decide how insurance could protect them. As part of this planning, comprehensive supply chain mapping and crisis management planning will help identify foreseeable problems and solutions. This will lead to an improvement in the underlying risk encouraging carriers to offer better terms and premiums. ■

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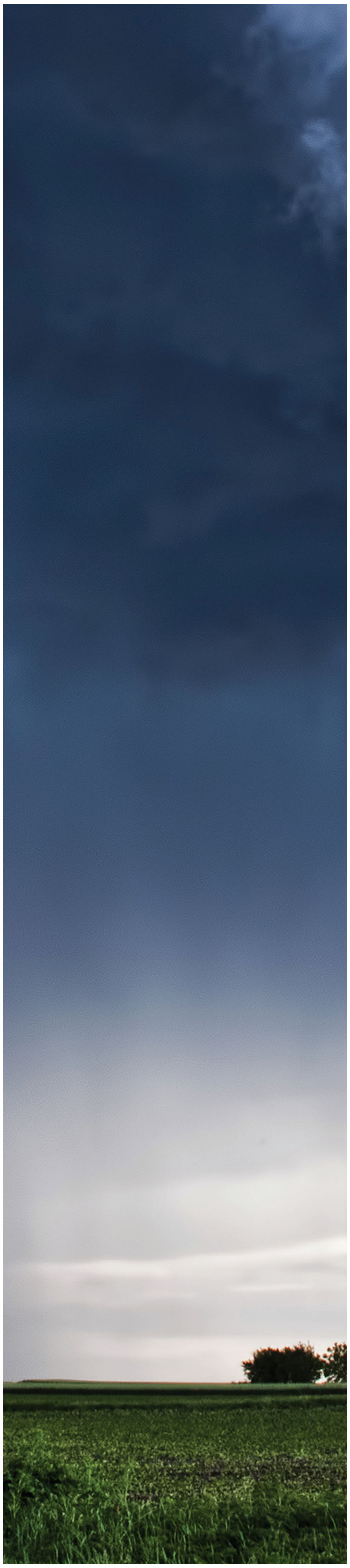

Why you should be making for Madrid in November

Pulling together leading luminaries from across the industry, JLT Specialty will be hosting its first international food & agri Conference in Madrid from 8 to 10 November 2017.

The opening evening will start with a welcome drinks reception followed by dinner. The conference has a packed programme of keynote speeches, presentations and break-out sessions that runs through to lunch on the final day.

The conference will create a forum to share ideas, focusing on major market themes including emerging risks, smart decision making and innovation in risk management strategies.

It will also provide the perfect platform to develop personal relationships within the market and we will facilitate private meetings with attending clients and prospects to help you build these connections.

Hosted by JLT Specialty, the food & agri conference will take place at the Silken Puerta América Hotel in Madrid, Spain.

To register your interest to attend please email helen_popple@jltgroup.com

Source: Claudio Divizia / Shutterstock.com

Market update

The food and agri sector is fast, dynamic and multi-faceted. It is continually responding to changing market conditions and evolving customer demands, while proactively looking to improve the products and services it provides.

As brokers and insurers in this market, we need to take a lead from our clients and make sure we continue to drive innovations in the risk management and insurance solutions we offer.

Insurers have a growing appetite to write business in the food and agri sector, as demonstrated by the current excess of capacity when compared to the available risks. Nor are there any signs that insurer appetite or capacity will diminish in the next six to 12 months, and so rates are likely to remain soft.

However, some of the underlying fundamentals in the market are shifting. For example, five years ago the big losses tended to be on property, such as fires at large commercial sites with composite panelling. Whilst losses do still occur, increased focus on risk engineering has reduced the frequency and severity of these losses. We are now seeing losses arising from other risk areas, such as contractual disputes and product recall situations . Today, there is a major focus on the supply chain and each link has to comply with tougher legislation and tighter regulation.

Commercial businesses are also more savvy about managing their supply chain and enforcing their rights and recovering their losses – through legal proceedings if necessary. Many supply chain losses remain outwith the scope of mainstream insurance policies and this is something we need to work on as a market. This can be achieved through risk transfer and more innovative use of self insurance, which can help to build a claims profile for previously uninsured risks.

In the aquaculture market we are creating a central knowledge hub to establish a single repository of information that we hope will help inform insurers looking to expand their footprint in this sector and develop new products.

The insurance market takes a lot of comfort from the three or four hundred years of understanding it has built up around fire and marine risks. However, it is yet to develop a detailed understanding of the scope and scale of many emerging risks – such as cyber, product recall – and this can make underwriters nervous and dampen the desire to be innovative.

As a market, brokers, insurers and clients must work together to promote innovation. We must not fall into the trap of trying to rehash yesterday's solutions to fix tomorrow's problems. Instead we must use our existing learning to come up with new and more effective ways to deal with the challenges ahead.

Looking ahead

Brexit and growing inflationary pressures create heightened risks for the food and agri sector in 2017.

The food and agri sector could benefit from Brexit. New trade deals could boost exports with non-EU countries while the fall in the value of the pound is already helping exporters.

However Brexit also interacts with many of the major challenges faced by the industry today, including regulation, supply chains and the cost and availability of labour. Heightened risks in these areas were already emerging in 2016 and may well begin to crystallise over the course of this year and next.

INFLATIONARY PRESSURES BUILD

Despite the industry's efforts to hold back price increases, the spectre of food inflation is expected to return in 2017. Costs for food and agri companies are under pressure on a number of fronts, most notably the depreciation of Sterling following the Brexit referendum, but also the prospect of higher energy prices and rising labour costs.

Inflationary pressures in the post Brexit world were exposed last year by the dispute between the large supermarket chains and Unilever, which had sought to raise wholesale prices on branded products like Marmite, PG Tips and Ben & Jerry's ice cream. Since then shoppers have seen a reduction in supermarket promotional activity while the price of groceries increased at their fastest rate in May for three years.

EMERGING LABOUR CRISIS

Brexit is also entwined with another hot topic for the sector, the growing shortage of labour and skills. Farmers, food manufacturers and restaurants all rely heavily on EU migrant workers – they account for an estimated 30% of the UK food manufacturing labour force.

The National Farmers Union recently warned of an emerging labour crisis for farming after the number of seasonal workers coming to the UK from Europe fell last year. The fall in the pound and Brexit are already discouraging some EU workers, raising concerns for a growing shortage of labour in food and agriculture.

Labour costs are already under pressure in the food and agri sector. With low levels of unemployment and increasing demand, wage inflation appears to be a real prospect – expanding discount supermarkets Aldi and Lidl recently announced they are to increase minimum hourly wages and all employers are having to price in the cost of the increasing living wage.

LEANER SUPPLY CHAINS

Increased costs will be difficult to pass on to consumers in today's competitive and politically charged market. As a result, food retailers and manufacturers are increasingly likely to seek efficiency savings, sparking further consolidation and the restructuring of supply chains.

We are already seeing a move towards consolidation among food manufacturers – Bernard Matthews and the Ministry of Cake were both recently sold to larger food groups. There is also a trend for large retailers to use fewer suppliers, a move that has implications for supplier credit risk – S&A Foods failed in 2015 after it lost a large contract with supermarket chain Asda.

REPUTATIONAL AND FRAUD RISK

A renewed drive for efficiency could also bring about a period of heightened risk for the food and agri sector.

There will be concern that a drive for efficiency could hit investments in risk management and loss mitigation. While the drive for efficiency, together with a potential labour shortage, could also accelerate the trend towards greater automation in food manufacturing.

Significantly, consolidation and streamlining could make supply chains more vulnerable to disruption, product recall and fraud, as with the horsemeat scandal. Cost cutting could also result in food safety and quality issues, especially if it is accompanied by a Brexit stimulated relaxation of food safety regulation.

Food product recalls are already running at record levels, while a major food safety incident would be hugely damaging to the UK industry's reputation.

INSURANCE COSTS

The focus on cost is also likely to extend to insurance spend.

The double digit decreases in premiums seen in recent years will be much harder to come by in today's market. Insurers' margins are already wafer thin and signs are that we are close to the bottom of the market, with little room for reductions.

However, promotion of strong risk management and careful insurer selection can help save on insurance costs, leveraging knowledge of the market via a specialist broker and through more appropriate programme structures. ■

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Fishing for answers in the aquaculture insurance market

There are a number of fundamental issues that pose systemic risks to the aquaculture insurance market. But there are solutions available and implementing them successfully would create major benefits for aquaculture producers worldwide and the insurers and brokers that support them.

OLD PROBLEMS

The historical focus on salmon farming has created a number of problems. The first is that salmon farming centres on three regions: Scandinavia, Chile and Canada. Hence, this geographical concentration of risk makes the market susceptible to large losses from single events.

By way of example, an algal bloom in March 2016 killed 25 million fish in Chile's salmon farms, with insured losses running to hundreds of millions of dollars.

The second problem is that insurance policies for these salmon farmers have developed around the needs of this single specie, these three particular geographies, and the larger producers that dominate the sector.

Such policies are not so tailored towards the needs for other species such as shrimp, carp or even tilapia, all of which are large markets.

In 2014, for example, carps, barbels and other cyprinids accounted for 28.2 tonnes of produce with a value of USD 40.8 million. In the same year tilapias and other cichlids accounted for 5.3 tonnes of produce with a value of USD 8.8 million.

NEW SOLUTIONS

Insuring these species would help diversify the geographical exposure for carriers, expanding risks into Asia, Central America, and different parts of North and South America. It would dilute the focus on salmon and give insurers a broader base from which to maintain a consistent market presence.

However, it is not easy for insurers to break into the Chinese market, which is the single biggest aquaculture producer in the world. Nor is it easy to deal with the large number of small producers that make up many markets.

However, insurers could develop wordings for the specific risks faced in different territories by various types of producers.

Using advanced weather modelling technology and satellite imaging, would also help underwrite the catastrophic event exposure that is more prevalent in these territories.

Promoting mutualisation would bring smaller producers together under single umbrella organisations and in turn these organisations could buy insurance to cover members.

> "It is not easy for insurers to break into the Chinese market, which is the single biggest aquaculture producer in the world"

POOLING EXPERTISE

It is not just insurers that should be leading the way. Global brokers have been involved in the aquaculture market for many years, but most deal with clients on an individual basis and have done little to pool the various silos of knowledge held in offices around the world. Solutions towards aggregation of deep current local expertise might be something to reflect about.

PUSHING CERTIFICATION

The introduction of wider and more consistent certification would also help producers, brokers and insurers alike. For producers, it would open up new markets by providing evidence of the standards met in production. Where entire regions go through the certification process, it would raise the reputation of that area and reduce the risk of cross-contamination between producers.

Improving quality standards through certification would make it easier to secure insurance, as well as outside investment and funding for development. Global aquaculture insurance premiums are around USD 150 million.

But commentators in the market believe they could go up to USD 3 billion given the size of the industry and the value of its produce.

Developing the market to that size will enable it to provide better, more affordable policies, on a consistent basis and to a diverse range of aquaculture producers. However to do that, we must first move beyond the existing mould, developed in the 1980s, which is holding the market back. ■

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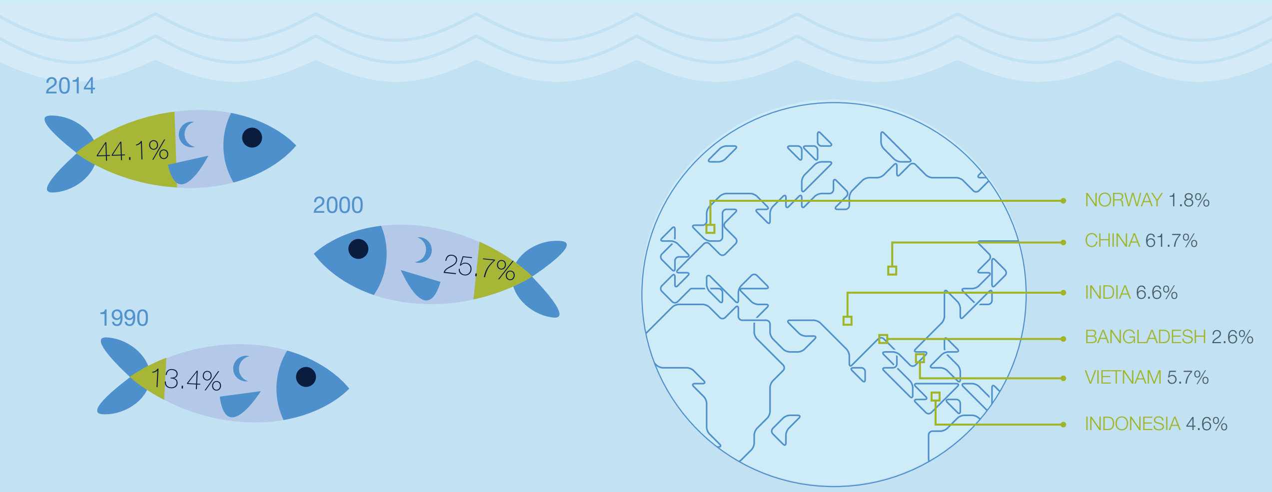
AQUACULTURE CONTINUES TO GROW AND CHINA DOMINATES PRODUCTION

Farmed food fish contributed a record 44.1% of the total 167 million tonnes of fish produced (capture fisheries including for non-food uses and aquaculture) in 2014. This compares with just 13.4% in 1990 and 25.7% in 2000.

China accounts for 61.7% of farmed food fish production. Then comes India (6.6%), Vietnam (5.7%), Indonesia (4.6%) and Bangladesh (2.6%). Norway is sixth at 1.8%.



Source: Food and Agriculture Organisation of the United Nations, 'The State of World Fisheries and Aquaculture – Opportunities and Challenges'. 2016

Bad news travels fast, so you have to react quickly in a recall event

By the time you read this sentence, people around the world will have sent over 12 million emails and 30,000 Tweets. Following a product recall, your company could become the subject of these digital communications. How the business responds could either transform it, in the weeks and months ahead, or kill it stone dead in seconds.

RISKS AND POTENTIAL IMPLICATIONS

There are two broad risk categories to think about when it comes to product recall. The first covers issues that arise in your own manufacturing and production processes. The second includes problems that come out of your supply chain and any direct or indirect dealings with third parties.

Risks in the first category are very much in your control and you can mitigate them significantly by implementing robust operational procedures.

It is much harder, however, to deal with the second category, as you cannot exert the same direct control over these issues. This was recently shown by the poultry scandal in Brazil where a federal investigation uncovered packaging units selling sub-standard and rotten meat. Only 21 units were found to be at fault, but the scandal affected thousands of other meat packers and producers.

“You have to say the right thing, to the right people, at the right time”

Countries including China, Chile and Egypt placed immediate bans on all meat imports from Brazil, although these restrictions have since been scaled back to cover only the 21 units involved.

Reports found there was a 22% drop in the weekly average exports of pork and poultry following the scandal, and thousands of customers worldwide saw their supplies disrupted.

The global level of publicity also created suspicion around meat and poultry products from Brazil, as well as from other completely unrelated countries.

CRISIS MANAGEMENT

No matter where a problem originates, it is very important, wherever possible, to control the conversation that takes place around it.

You have to say the right thing, to the right people, at the right time. Effective communications identify and explain the issue clearly, outline the investigation that is being conducted into its causes, and detail how a solution is being implemented.

Having alternative supply and production capabilities will also ensure you can maintain output while the issue is ongoing.

All of this activity should be covered by a crisis management plan and only by making sure it is detailed and well-rehearsed will it deliver the benefits you need it to.

INSURANCE AND CAPTIVES

Product contamination insurance will provide cover for rehabilitation costs, adverse publicity, and business interruption losses from the contamination event. It will also provide access to PR and crisis management expertise. The cover provided under the policy and crisis support offered go a long way to helping a company protect or restore its reputation.

However a standard recall policy is only triggered by a clear threat of bodily injury or property damage if the insured product is consumed or used. Unfortunately there are instances of reputation damaging events where traditional recall policies are not responsive; the horsemeat scandal being the most notable recent example.

> “Reports found there was a 22% drop in the weekly average exports of pork and poultry following the scandal”

A few insurers have tried to fill the gap. Some pure crisis management solutions are available, and a couple of attempts at revenue protection following an insured being named in a negative news story, but these do not meet the requirements of the majority of our food clients and there is more the insurance industry could do to create effective policies for businesses in this sector.

To help develop these policies, we are working with a number of larger companies to develop captive insurance solutions for pure reputation risks. By writing these policies within our clients’ captives, we can road test wordings and create a loss history. This will then help us go out to the wider market and encourage underwriters to accept these risks for a reasonable premium.

Finally it should be stressed that a contamination is not necessarily a disaster. Many businesses have shown that they can actually benefit from a product recall event by acting quickly and effectively to reassure their customers. But a bungled response to a product recall will soon be global news and potentially destroy a business’s reputation.

If you prepare for the worst, you are more likely to produce the best outcomes in adversity.

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NEWS TRAVELS FAST AND IN ONE SECOND:

2,583,741 emails are sent

69,003 YouTube videos are viewed

2,558 Skype calls are made

59,965 Google searches are completed

1,234 Tumblr posts are made

7,590 Tweets are sent

778 Instagram photos are uploaded

Source: http://www.internetlivestats.com/

Risk management pays dividends for Premier Foods

Premier Foods has a robust risk management process in place to identify and mitigate the key risks facing the business on an ongoing basis. By Kevin Holmes, Head of Procurement - Corporate Services at Premier Foods Plc

We aim to minimise exposure to reputational, financial and operational risk wherever possible, without compromising our ability to effectively exploit commercial opportunities.

Our reputation is very important to our commercial performance and we put a priority on protecting it. Through our detailed risk management programme, we have minimised the potential for disruptions in our supply chain and to ensure we can fulfil our obligations to customers.

We have similarly invested heavily in our quality assurance programme to reduce the potential incidence of producing faulty, defective or contaminated products.

Across our operations we have implemented an ongoing food quality and safety compliance programme, which audits all factory sites and major suppliers. We have also built state-of-the-art internal testing facilities.

We have a sophisticated insurance programme to transfer risks we do not want to hold on our balance sheet, supported by ancillary crisis management and disaster recovery solutions.

We appointed JLT Speciality three years ago, shortly after completing a business unit restructure in 2014. JLT Speciality invested a significant amount of time in a short period to understand the ways in which we manage our risk and the impact of the restructure on our insurable risk profile.

By successfully communicating these issues to the market ahead of renewal, JLT Speciality reduced our insurance costs by over 40%. This represents a sustainable reduction in premium spend. Indeed as our risk management efforts continue to improve our risk profile, JLT have been able to secure further sustainable reductions. ■

JLT Specialty Limited provides insurance broking, risk management and claims consulting services to large and international companies. Our success comes from focusing on sectors where we know we can make the greatest difference – using insight, intelligence and imagination to provide expert advice and robust – often unique – solutions. We build partner teams to work side-by-side with you, our network and the market to deliver responses which are carefully considered from all angles.

Our food & agri practice provides first class insurance programme design, client service, risk management and claims handling on both a multinational and local level. As a global broker, we transact complex programmes and settle large claims for the world's leading food and agri businesses. We are also equally passionate about working with smaller companies to develop insurance solutions to protect your business and support future growth.

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