



From all directions and in many different forms, threats increasingly come to food manufacturers. We can reference recent challenges such as regulatory reform, a rising number of large scale product recalls, changing consumer preferences and natural catastrophes. The ability to manage these risks is key to your survival and success.

Three potential issues facing today's food manufacturers that could impact sustainability include:

- Contamination and reputation risk
- Injured workers
- Environmental risk

The impact of these threats on your business could be disastrous if you do not have the proper controls, processes and risk management strategies in place.

CONTAMINATION AND REPUTATION RISK

An accidental or malicious food contamination crisis and subsequent product recall is a key issue that can have a devastating impact on a company's reputation, profitability, customer loyalty and retention of top employees. The Food Safety Modernization Act (FSMA) passed in 2011 has given the federal government more control over the food

industry than ever before, particularly regarding who can authorize the recall of a product. It is not only important to understand your supply chain, but to be able to identify where your product is during the various stages of the manufacturing process to its final destination.

Questions to consider:

- How confident are you that you are prepared if the government forces a recall of your product?
- What measures do you have in place to provide either insurance or risk transfer, if this event occurs?

If not addressed, your business can face substantial costs of an unintended product recall. In addition, you may find yourself fighting to preserve your brand and reputation. Food manufacturers must continually assess their risk exposures and develop strategies to ensure that they are prepared for such unexpected challenges.



INJURED WORKERS

Another key issue facing the industry is the rising impact of employee injuries. Worker's Compensation costs are often second only to payroll expenses. Reducing employee accidents, managing disability related costs, and helping injured employees return to work as soon as possible can dramatically reduce costs. These measures will also increase staff productivity and customer service quality.

Questions to consider:

- How confident are you that injured workers are returning to work as promptly as possible?
- Have you implemented recommended preventative safety measures?
- Do you know if your experience modification factor has been calculated correctly?

If these expenses are not controlled, employee injuries will not only increase your overall Worker's Compensation cost of risk, but further narrow your profit margin.

ENVIRONMENTAL RISK

Finally, many of the products that the food industry either produces, or uses in its final product, are considered to be "pollutants" by regulators. This is typical of dairy products. Companies also have to contend with a regular amount of waste that is a result of their manufacturing process.

A loss can occur that crosses into the complex area of environmental liability.

Question to consider:

- How confident are you that your insurance program can perform if your product becomes an environmental risk?

If this potential area of risk isn't assessed before a loss occurs, you may find yourself unintentionally self-insuring the loss.



WORK WITH A PARTNER YOU CAN TRUST

In order to stay competitive in the dynamic world of food and beverage, it is important to partner with a risk management advisor that is familiar with this ever-changing industry. Through the Johnson Advantage™ process, we integrate a consultative approach that includes uncovering risks and threats and then implementing risk management strategies tailored to your company's needs. By working together, we can better control your insurance program costs, improve business outcomes and enhance your company's profitability. We recognize that there are a growing number of non-traditional risks that are particular to the food and beverage industry. Our Food Service Consultants can help you identify, quantify, manage and either knowledgeably retain or transfer these risks.

Johnson Insurance is one of the largest privately held insurance agencies in Wisconsin. We collaborate with our clients on property, liability, Worker's Compensation and executive risks. Johnson Insurance is a part of Johnson Financial Group, a privately held, full service financial services company, based in Racine, WI. We offer expertise in banking, wealth and insurance. Our unique structure allows us to respond quickly, leveraging a wide range of products and services few other financial institutions can match.

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 800.776.7055