

Food Borne Illness – risks and solutions



What is the risk of a food borne illness claim?

From the standpoint of a single caterer or restaurant or bar location, food borne claims are not frequent. However, the effects of a food borne loss can be severe, depending on the extent of illness involved, and the number of people involved in a food borne incident.

According to the CDC, about 1 in 6 people are contaminated annually (including those who experience food borne illness within their home). According to the CDC, annual numbers include:

- 48 million people affected
- 128,000 hospitalized
- 3,000 die

The size of a food borne illness loss will be affected by hospital and medical costs, lost production, pain and suffering experienced. According to Ohio State University, the average cost of a food borne illness case is \$1,626 per person.

USDA provides information on the range of medical costs per source of illness:

<https://www.ers.usda.gov/data-products/cost-estimates-of-foodborne-illnesses/>

For example, figures for e-coli show that the average cost of treatment without hospitalization is \$142. However, if hospitalized (3% of cases), the average costs range between a low of \$9,743 to a high of \$8,713,339.

But I bought product liability. Doesn't that cover my business for food borne illness?

The standard Insurance Services Office (ISO) Commercial Liability form (with Product Liability) excludes food borne illness and contamination coverage.

Some insurance companies offer an endorsement that “buys back” this coverage. The frequently used Businessowners type of policy offers endorsements for some businesses. In other cases, businesses must purchase a “stand alone” policy.

Learn more about food borne illness coverage issues from an article in Food Safety Magazine (2013):

<http://www.foodsafetymagazine.com/magazine-archive1/aprilmay-2013/maximizing-insurance-coverage-for-food-contamination-claims/>

Continued

What is “food borne illness and contamination coverage”?

Food borne illness and contamination can provide limited to broad coverage for the risk of loss arising from food borne illness and contamination of food. Coverage for recall can be included. Depending on the premium charged and underwriting of your business, coverage may include:

- **Pre-incident expenses:** Costs to analyze if a loss has occurred (i.e., product testing, consultants)
- **Recall costs:** Expenses related to recall of a product
- **Rehabilitation expense:** Re-establishment of pre-loss position
- **Adverse Publicity:** Expenses to counter adverse publicity
- **Extortion Costs:** Related to threats of malicious tampering
- **Consultant fees:** Expenses incurred in seeking advice
- **Revenue loss:** business interruption costs associated with drop in trade
- **Crisis management:** Assistance with immediate response

Strong food safety practices (“loss control”) in storing, preparing and serving food, food service businesses will prevent and mitigate many food borne illness and contamination losses. By purchasing food borne illness and contamination coverage, businesses can transfer the risk of severe financial loss to an insurance company, as well as get professional help in managing a crisis. Insurance can help food hospitality businesses financially survive a catastrophic loss.

Who can I talk to about “food borne illness and contamination coverage”?

Consult your insurance agent / broker with additional questions about your current coverage and its ability to withstand a food borne illness and contamination loss.