

# News release

## Number of food recalls and their costs to business and society are rising, finds new Swiss Re publication

- Publication finds that the number of recalls per year in the US has almost doubled since 2002
- Food contamination costs US health authorities USD 15.6 billion per year; nearly 9 million Americans became sick from contaminated food in 2013 alone
- Half of all food recalls cost the affected companies more than USD 10 million – highlighting the value of risk transfer through insurance
- A globalised food supply chain is making risk management for food recalls more difficult

Zurich, 15 July 2015 – Food manufacturers operate in a vast, globalised supply chain, where one mislabelled product or contaminated ingredient can cause sickness, death, multi-million dollar losses and massive reputational damage for the affected companies. Swiss Re's *Food Safety in a Globalised World* examines how the increasing number food recalls is impacting consumers public health services, governments and companies globally. The report describes how risk mitigation and risk transfer through insurance can protect food manufacturers operating in a highly globalised, often fragmented, supply chain.

Swiss Re's analysis of publically available food recall data in the US shows that since 2002, the number of food recalls have nearly doubled. The increase has been influenced by regulatory changes and an increasingly globalised food supply chain.

"In a more globalised economy, ensuring the highest level of food safety is becoming an ever greater challenge for firms," says Jayne Plunkett, Head of Casualty Reinsurance at Swiss Re. "Today ingredients and technologies are sourced worldwide. This leads to greater complexity for food manufacturers and consumer and regulatory demands on companies are continually increasing."

A single food recall can lead to severe financial loss and reputational damage for food producers. 52% of all food recalls cost the affected US companies more than USD 10 million each and losses of more than USD 100 million are

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possible. This figure excludes the reputational damage that may take a company years to recover from.

The public sector is also heavily affected by contaminated food. According to the US Department of Agriculture, costs for the US public health system from hospitalised patients and lost wages in 2013 alone was USD 15.6 billion. In total 8.9 million people fell ill from the 15 pathogens tracked, with over 50,000 hospitalised and 2377 fatalities.

Globally, the report finds that demographic change is also exposing more sensitive consumer groups to the dangers of contaminated food. Ageing societies, an increase in allergies in the overall population and the fact that malnourishment as a source of weak body defences is still prevalent in many countries are significant drivers for the increase in exposure.

Risk management tools to ensure safe food production to avoid this fate exist. They must be applied and adapted to ever more complex global markets and supply chains. Adaptation also means taking lessons learnt to places where they are yet unknown and tailoring them to local conditions. The experience insurers gather through their claims experience is an important resource for knowledge sharing for client companies.

"Food recalls can be caused by something as simple as a labelling error on the packaging, or as complex as a microbial contamination somewhere along a vast globalised supply chain," says Roland Friedli, Risk Engineer at Swiss and co-author of the report. "Yet even a simple mistake can cost a food manufacturer millions in losses and even more in terms of reputation. Insurance and sound risk management are essential for keeping affected businesses afloat."

Alongside expertise in risk management, insurers can also offer products covering recall and product liability risk, which mitigate any loss incurred and ensure that companies remain in business.

The increasingly significant role of regulation in food safety is investigated in a partner publication from the Swiss Re Centre for Global Dialogue, *Food safety: International regulatory dynamics and the impact on insurance*. This publication examines the globally regulatory developments in the area of food legislation.

**How to order Swiss Re's food safety studies:**

*Food Safety in a Globalised World* is available electronically on Swiss Re's website:

<http://www.swissre.com>

*Food safety: International regulatory dynamics and the impact on insurance* is available from the Swiss Re Centre for Global Dialogue website <http://cgd.swissre.com/>

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