

## RISK PREVENTION, MITIGATION KEY WITH PRODUCT RECALLS

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### **Business Insurance**

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Risk prevention and risk mitigation measures are key aspects of managing the risk, but risk managers also should analyze their insurance coverage to ascertain what protections they have in place, they said.

Speaking at the Risk & Insurance Management Society Inc.'s annual conference in Orlando, Fla., late last month, Joseph Bermudez, a member in Cozen O'Connor's Denver office, said the Consumer Product Safety Commission recorded 563 recalls involving about 60.8 million product units last year. In addition, he said food-borne diseases cause 87 million illnesses and 5,700 deaths annually in the United States.

He cited a host of factors in the increase of food-related incidents, including the disappearance of local food producers, globalization, outsourcing and offshoring, and the centralization of food production and distribution. For example, four companies slaughter more than 70% of the meat in the United States, said Mr. Bermudez.

Food safety as a core function for food company risk managers, said Debra Rodgers, vp-global risk management at Philadelphia-based Aramark Corp. Ms. Rodgers said Aramark serves more than 2 billion meals annually in a wide range of venues, including colleges, correctional institutions and special events.

In order to assure the safety of its products, Aramark employs a supply chain management team that audits suppliers to make sure their standards are up to Aramark's standards, she said. Aramark also follows the Hazard Analysis and Critical Control Points principles developed by the U.S. Food and Drug Administration. The HACCP principles include such matters as maintaining proper temperatures for foods, she said.

Ms. Rodgers said Aramark deals with perhaps 150 incidents per year, 140 of which are found to involve illnesses unrelated to food. A first-response team is employed upon notification of an incident, which is thoroughly investigated. She said that in the past 10 years, no incident has escalated into a serious incident.

But risk managers facing a potential product liability situation need to move swiftly to determine what insurance policies will respond, said Jonathan Cohen, a partner in Gilbert Oshinsky L.L.P.'s Washington office. "Early decisions, in fact, do matter," he said.

Once policies have been identified, generally "you should give notice to everyone," he said. "Give notice as early as you can."