



FOOD & DRINK PRACTICE

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PREFACE

Businesses in the food and drink sector are operating in a more challenging landscape than ever before. Amid fluctuating raw material prices, ongoing post-Brexit trade negotiations, issues with product recall and climate change – exposures are evolving quickly, and businesses must adapt in order to keep up.

Lockton's food and drink experts have an extensive and up to date understanding of the sector. We adopt a holistic approach to working with our clients, delivering detailed risk management strategies to help you navigate the ever-changing food and drink risk landscape.

Our experts provide strategic risk management advice and tailored guidance on how best to deploy your insurance premium spend. Leveraging unparalleled access to leading insurers in the food and drink space, we'll help you secure exclusive coverage options to meet your needs and the inherent exposures you face.

How we partner with food and drink businesses

- We provide integrated risk management solutions borne out of a specialist knowledge and understanding of your business objectives, and the food and drink risk landscape
- We act as your dedicated risk advisor; becoming part of your health and safety team and providing operational support that is aligned to your internal resources
- We tailor a risk management programme to your inherent needs, acting as your trusted partner in the insurance marketplace

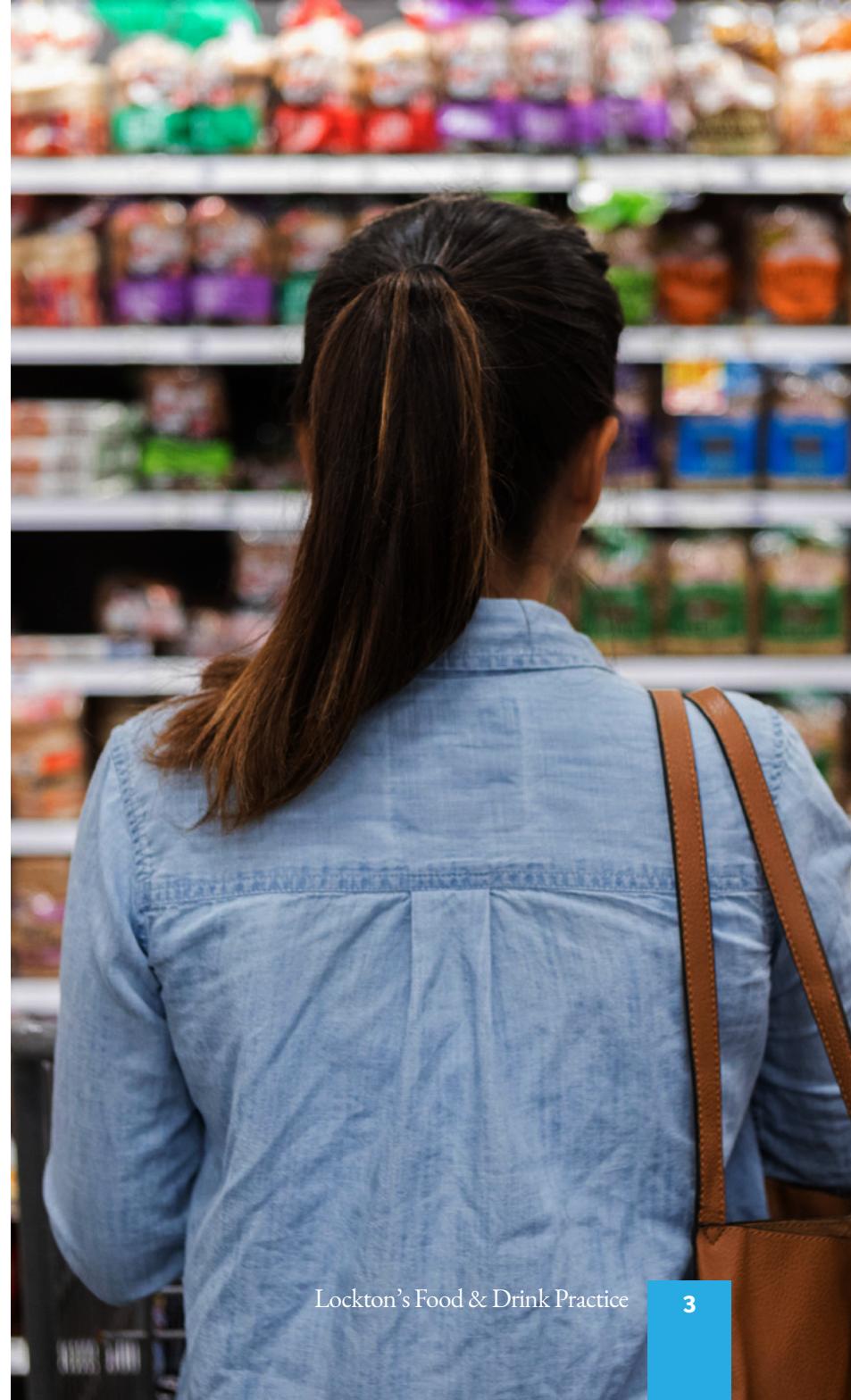


Luke Withers

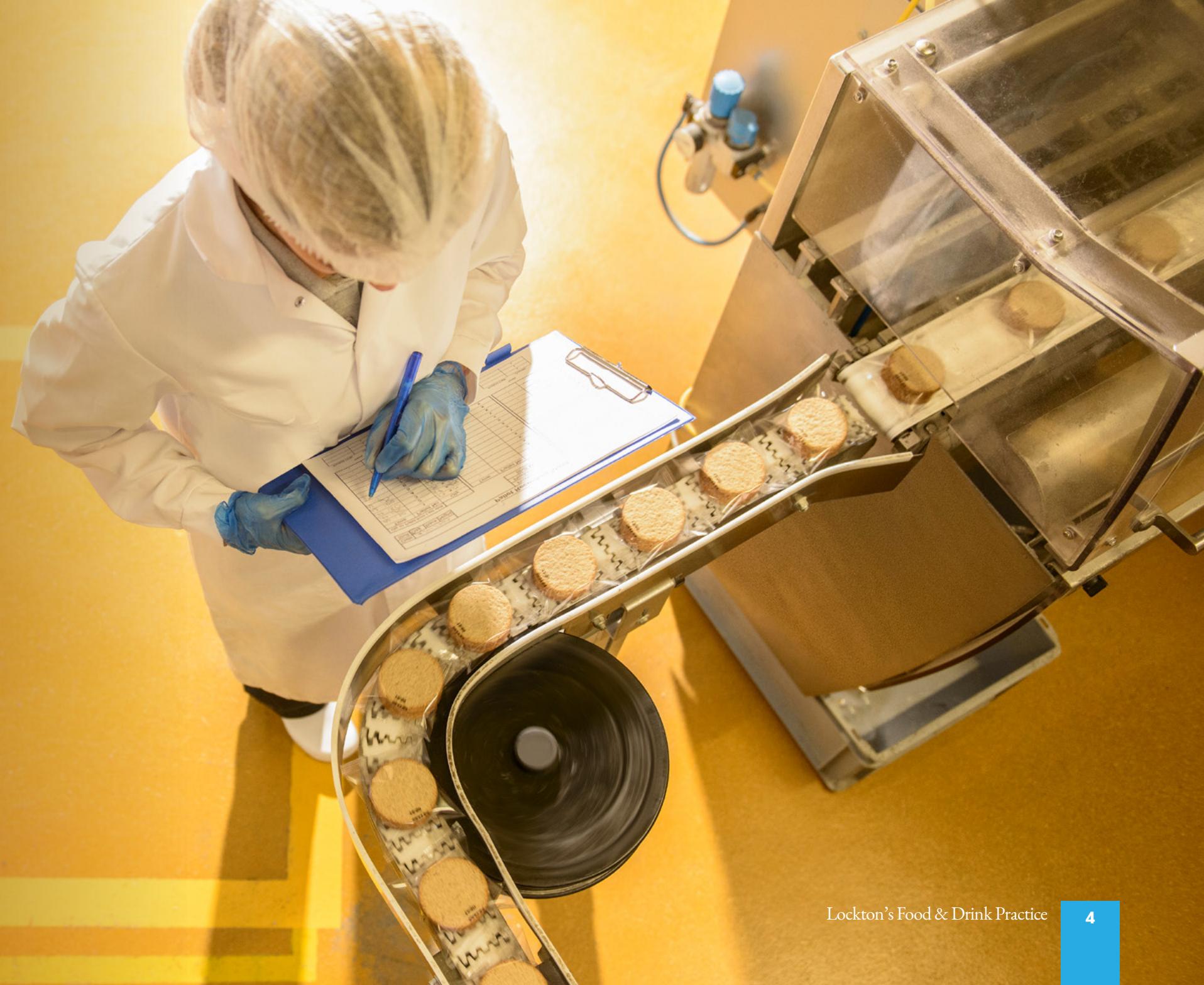
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Risk control



RISK CONTROL

Nationwide gaps in the workforce and fast-changing regulations have presented new, unprecedented risks for businesses in the food and drink industry.

In many cases, this has led to a lack of competency when it comes to managing risk, particularly damaging in a time when the sector is being heavily audited.

Should an unforeseen event occur, food and drink businesses run the risk of attracting negative media attention, which could have a significant lasting impact. Lockton's risk experts work with our clients to assess how those critical risks are being managed; we then provide an action plan, enabling the business to prioritise any areas that need urgent attention.

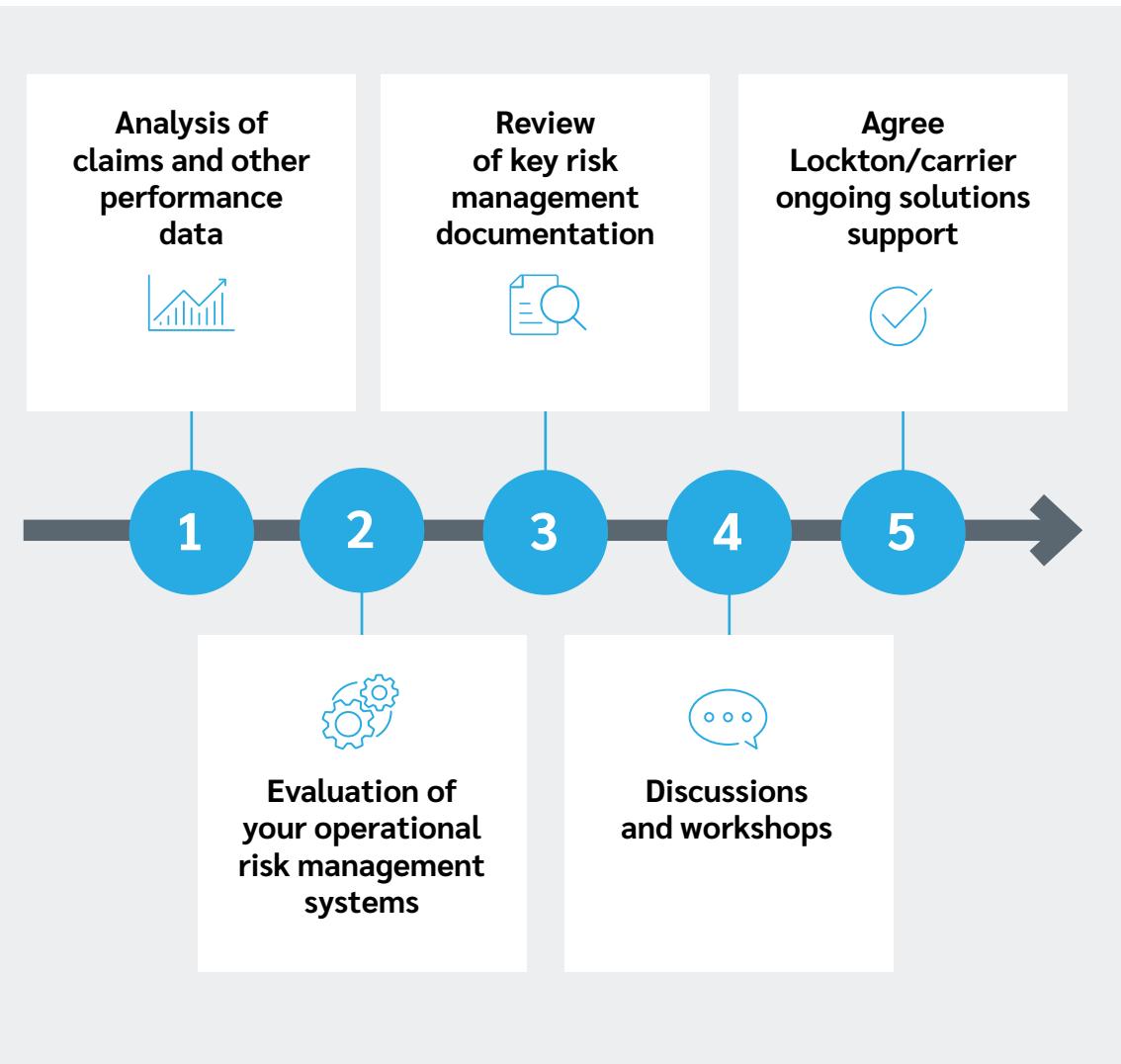
Lockton's Risk Control team is made up of technical specialists with extensive experience across a range of disciplines in the sector, including:

- Property and fire risk control
- Health and safety
- Claims defensibility
- Food safety
- Leisure/wet leisure safety
- Business continuity

We work in partnership with your business, establishing pragmatic and effective risk control solutions based on your risk profile, business needs and goals. Through exploring alternative strategies and emerging technologies, we will help you manage your exposures effectively.

Our approach

We take a unique approach to managing and offsetting your risk, enabling us to identify opportunities to reduce risk and agree on a tailored support strategy.



Analytics

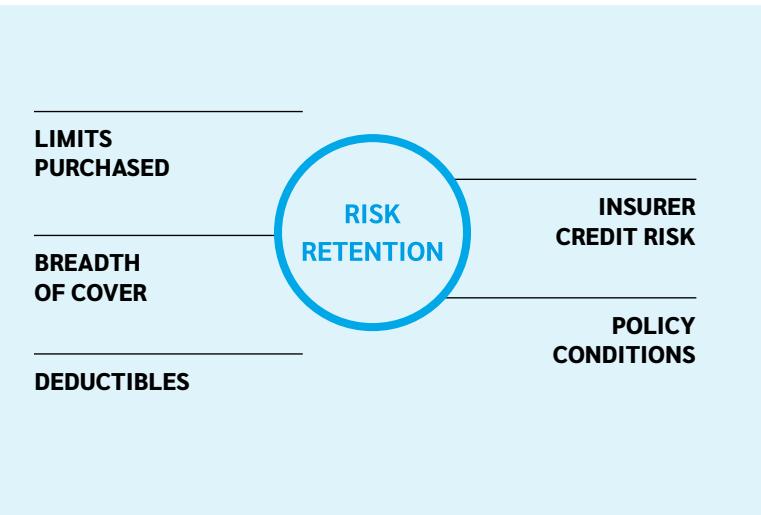


Lockton's dedicated, highly-experienced analytics team provides tailored data, market intelligence and insights to help you prepare for the unique exposures you face, and make better-informed decisions.

1

Understand how risk can be retained

Risk can be retained in a variety of different ways, both voluntarily and involuntarily and even where risk has been transferred using insurance, there is usually some element of retained risk. An example of this is an insurance policy limit, as losses above your limit form part of your risk retention. Further examples are shown in the figure to the right.



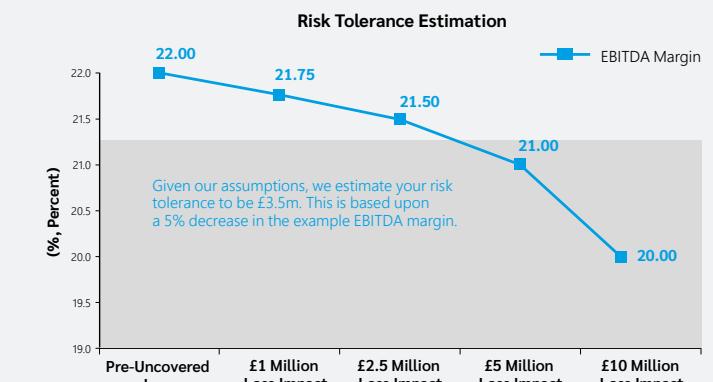
2

Determine your ability and willingness to retain risk

We work with you to understand how much risk your company is willing and able to retain. To do this, we undertake the following:

Risk tolerance – evaluation of your company's ability to withstand risk. This is based on historical financial information, calculating the impact of various loss scenarios on your key financial ratios.

Risk appetite – consultation with key stakeholders in your business to understand your willingness to accept risk.



In simple terms, the team calculates the cost of risk retained, while factoring in your risk appetite and adding this to the insurance premium costs. We then aim to minimise the total by identifying the optimum balance of risk retention and transfer.

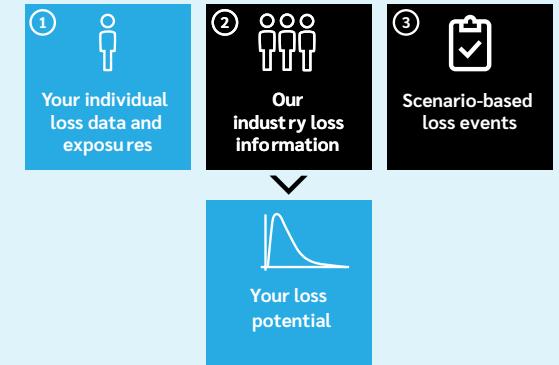
3

Calculate your loss potential

We model your insurance risks to predict what losses could happen next year and the likelihood of an occurrence. We use your data, our data (industry loss information) and loss scenarios that are relevant to your risk exposure to achieve this. Our approach is to create two separate models to project your loss potential:

Frequency – number of losses for the coming policy period.

Severity – cost of each of these losses.



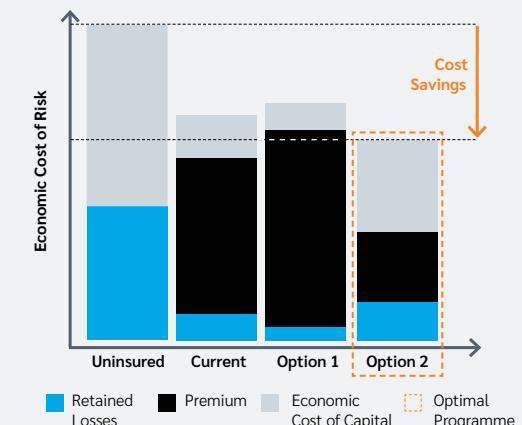
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Designing the optimum insurance programme

1. Fit with your company's risk appetite and tolerance
2. Use the most efficient blend of own and third party capital

We call this methodology the 'Economic Cost of Risk' (ECoR) and we define it as:

$$\text{Retained Losses} + \text{Premium} + \text{Economic Cost of Capital} = \text{Economic Cost of Risk}$$



* Illustrative only

Public and products liability



PUBLIC AND PRODUCTS LIABILITY

Risks around personal injury to consumers at business premises remain a key concern to businesses across the food and drink sector.

Our liability specialists have a wealth of experience working with the food and drink sector. We understand the range of liabilities you face as a business, and can help you implement an effective liability programme to mitigate and manage any liability losses.

Alongside our bespoke liability programme, our specialist food and drink team will equip you with the latest risk management practices, which form an essential part to claims defensibility and minimising potential losses.

Backed by extensive sector expertise, Lockton's liability team is dedicated to managing, structuring and placing multinational programmes. We provide support across captive placements and reinsurance placements, as well as offering statistical claims analysis and risk management support, helping you handle any challenge that comes your way.

We understand the importance of a client-first claims management approach, and we can help manage any incident while prioritising your customers' experience and your brand reputation.



Product recall and reputational risks



PRODUCT RECALL AND REPUTATIONAL RISKS

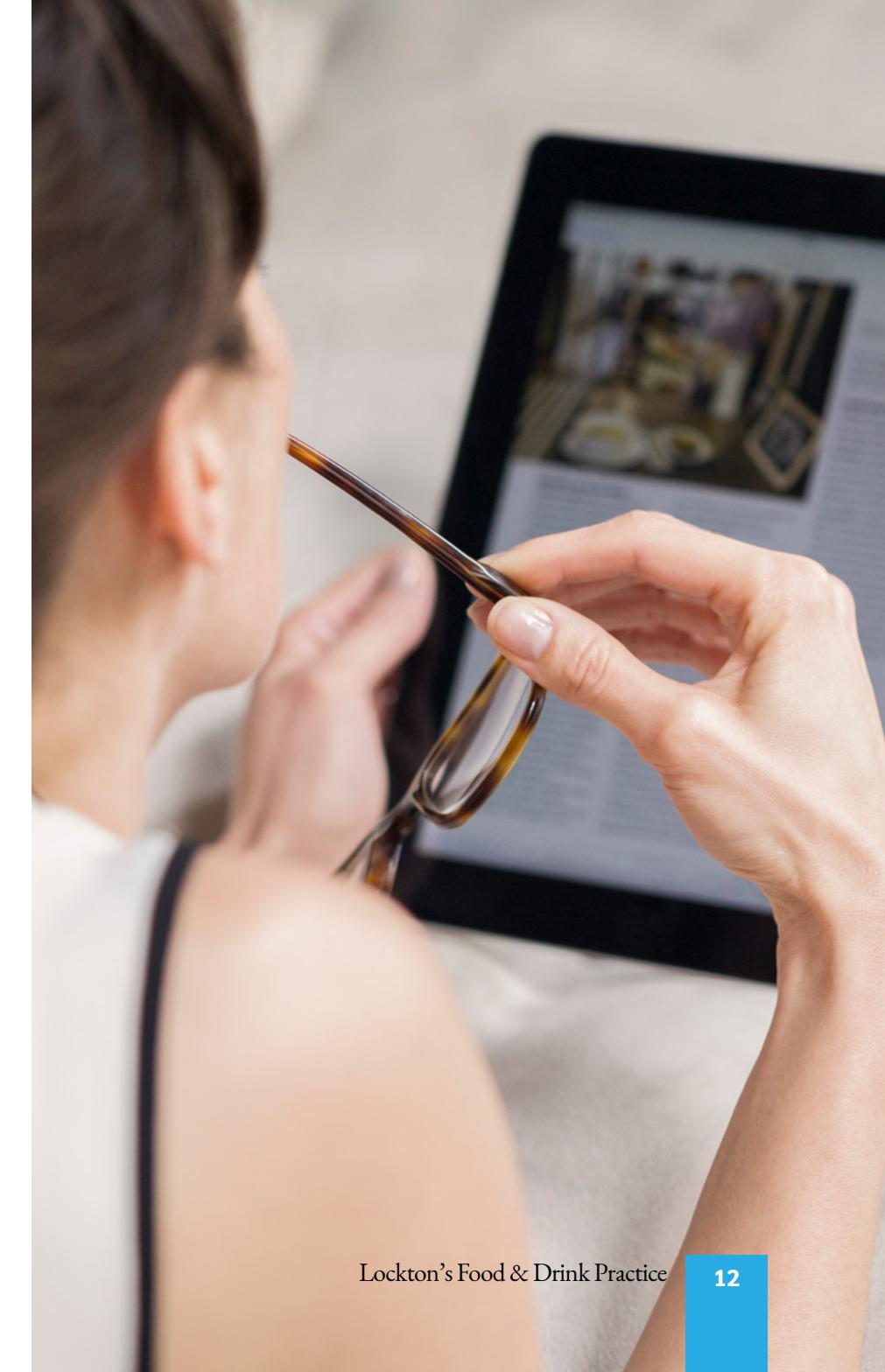
Product recalls (either governmental or business-driven) are a common, often costly, occurrence for businesses in the food and drink industry. Recall incidences often cause subsequent reputational damage, which, particularly for single-branded business, can be very costly.

The departure of the UK from the European Union has also created opportunities for UK suppliers to supply products to new territories. Food and drink businesses taking advantage of this will need to comply with both international and in-territory food quality and labelling standards which are often complex to navigate.

Lockton's dedicated product recall brokers have more than half a century's experience placing coverage for product recall, contaminated products, trade name restoration, and reputational risk. Uniquely, the team is both client and market-facing, which allows us to build solutions around our clients' specific needs.

We provide ongoing guidance on emerging exposures, detailed coverage consultation and placement of cover for the best possible price. We also offer highly technical wording reviews.

In partnership with RQA Group, a leading global consultancy and training firm, specialising in product recall and crisis management, we are also able to provide industry-leading risk management solutions.



Property damage and business interruption (PDBI)



PROPERTY DAMAGE AND BUSINESS INTERRUPTION (PDBI)

Without the right risk solutions in place, property damage and business interruption can have a detrimental effect on companies in the food and drink sector.

Given the complex supply chains involved with production, the potential for business interruption is high. Businesses must also contend with traditional fire or flood exposures in storage and warehouse facilities, as well as more contemporary risks such as rising global catastrophes.

Amid challenging market conditions and rising demands of insurers, it has never been more crucial to get the support of an experienced broker partner.

Lockton utilises sophisticated analytics, expertise and long-standing relationships to help you navigate today's insurance market. Operating both in the traditional and non-traditional marketplace, we will present your business in the best possible light to insurers, helping you secure the right solution at an affordable cost.

Headquartered in London, Lockton's Property Damage and Business Interruption placement team of 30+ specialists operates across the global insurance market, placing some of the largest food and drink businesses in the world.



Transportation



TRANSPORTATION

Amid labour shortages, rising fuel costs and growing supply chains, transportation remains a significant risk for food and drink companies.

Lockton's Transportation Practice has significant experience working with the food and drink sector, including manufacturers, distributors, warehouse providers and retailers. The team will work closely with you to develop tailored cover and our strong market relationships mean we will obtain the most competitive rates from across the insurance market.

Our extensive knowledge of the 'farm-to-table' process helps us to deliver strategic risk support to our clients – from the management of the complex supply chains, time limitations, temperature-controlled environments, warehousing exposures, impact of weather, increase in the costs of commodities and shipping, to the storage and transportation of livestock.

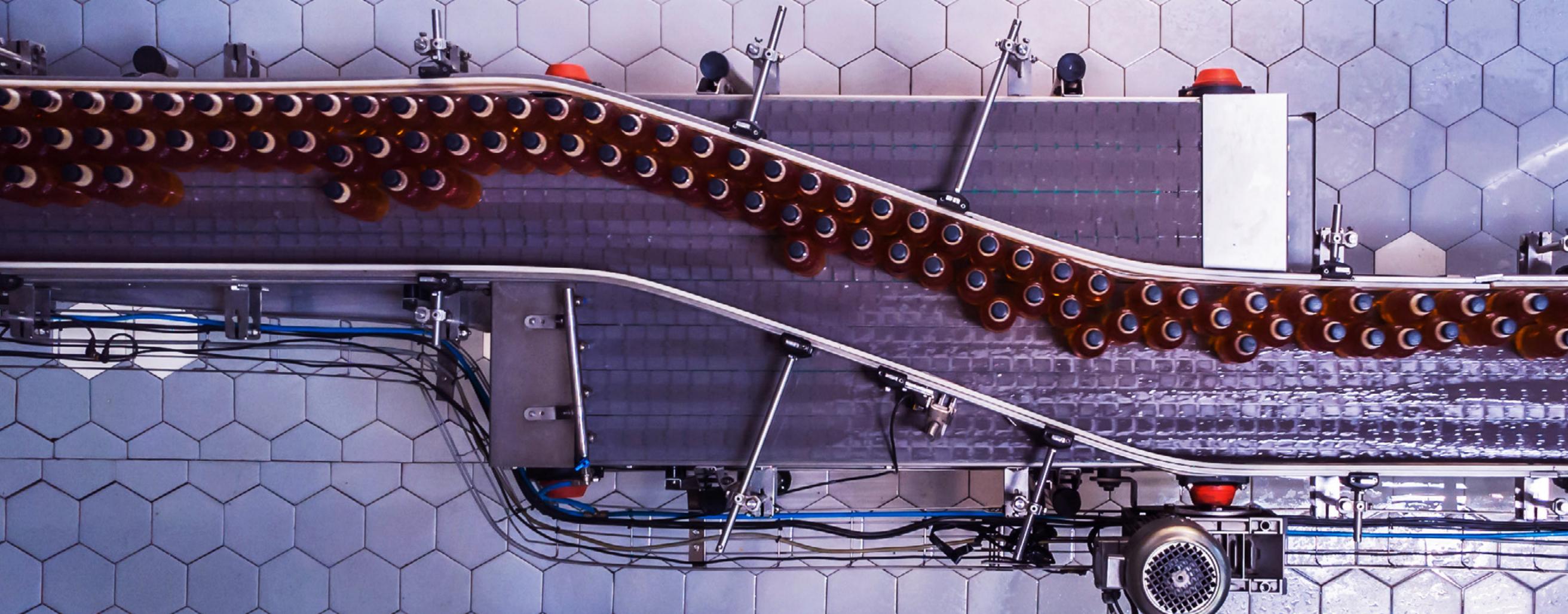
The cargo insurance market is diverse and provides a wide range of specialist products related to the movement and storage of goods – we know how your business works, and we'll help you protect it.

Our products include

- Stock throughput
- Excess stock
- Perishables (including food and drink)
- Project cargo (including a delay in start-up)
- Trade disruption
- Warehousing
- Livestock
- Aquaculture



Cyber



The widespread assumption that the food and drink industry is not a target for cybercrime is leaving the sector exposed as increasing automation and computer-aided systems present major security risks.

Many food and drink businesses hold personal employee and customer data which attracts hacking activity, and as supply chains become more complex, the risk of a security breach during the farm-to-fork journey is growing.

With regulation around the world becoming ever-stricter, and costs of handling a cyber-incident spiralling, it has never been more crucial for food and drink businesses to obtain effective cyber cover.

Lockton's global cyber and technology team of 20+ specialist cyber brokers and advisors offers a wide range of expertise in risk identification, protection and management. The team includes industry experts providing bespoke cyber risk consulting services to clients.

How we work with our clients

Harnessing our close relationships with key insurers in the industry, we support our clients by maximising interest among carriers to obtain the best available terms. We ensure the pre-submission stage is comprehensive and that every point is reviewed and considered by underwriters. Our leading proprietary wording is supported by some of the biggest syndicates. Updated annually, this wording has backed some of the largest claims in the market.

Our expertise is integrated, with our cyber claims specialists working alongside the placement team. We also offer access to pre and post-crisis response support, which offsets security spend and adds significant value.



Directors' and officers' liability



DIRECTORS' AND OFFICERS' LIABILITY

All businesses, including those within the food and drink sector, have come under increased pressure from D&O insurers.

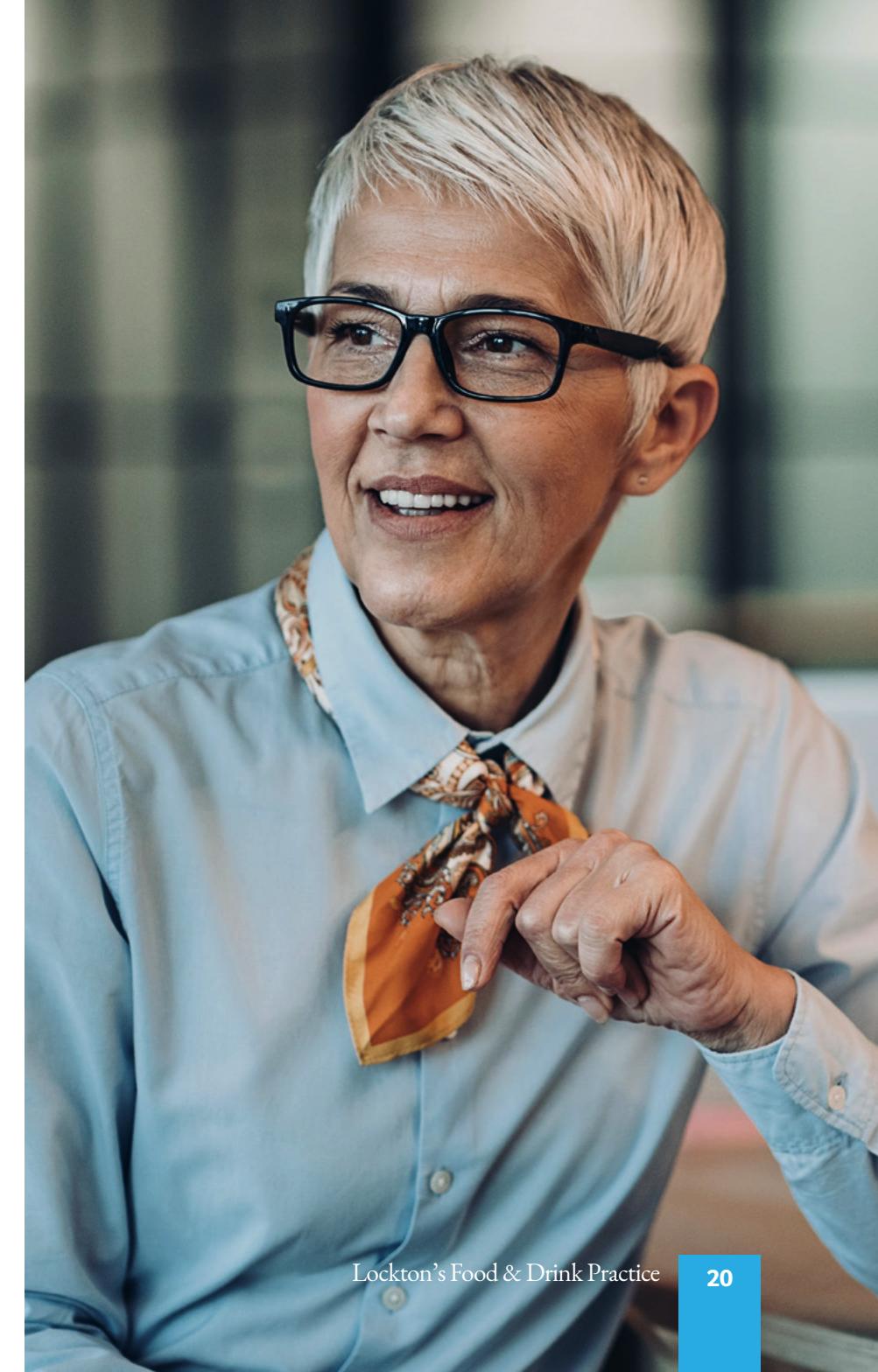
Directors must ensure that their business models are consistently adapting to the drastic changes in market conditions and regulatory requirements. Failing to surpass and manage these changes may expose the organisation and its directors to significant liability risks.

Lockton's International Management Liability (IML) team offers support, knowledge and expertise to mitigate your D&O liability risks, satisfy underwriting expectations and acquire the appropriate insurance cover and protection.

With an average of 15+ years' industry experience, our team provides clients with a tailored service that accommodates your unique objectives and risk profile.

We work closely with you to ensure that:

- You clearly understand the changing market conditions and underwriting requirements
- You are introduced to the underwriters and appropriately prepared for market submissions early on in the process
- Your risk is adequately presented to suitable markets, highlighting the key positive differentiators that could be favoured by underwriters



Environmental



ENVIRONMENTAL

The future of the environment is uncertain, and as knowledge and technology grows in this space, the food and drink sector may be impacted by legislative shifts and changes in consumer behaviour.

At the same time, environmental regulations are tightening. Companies that do not comply with environmental legislation, or are involved in accidental pollution incidents, risk damaging their earnings, growth, profitability and brand reputation.

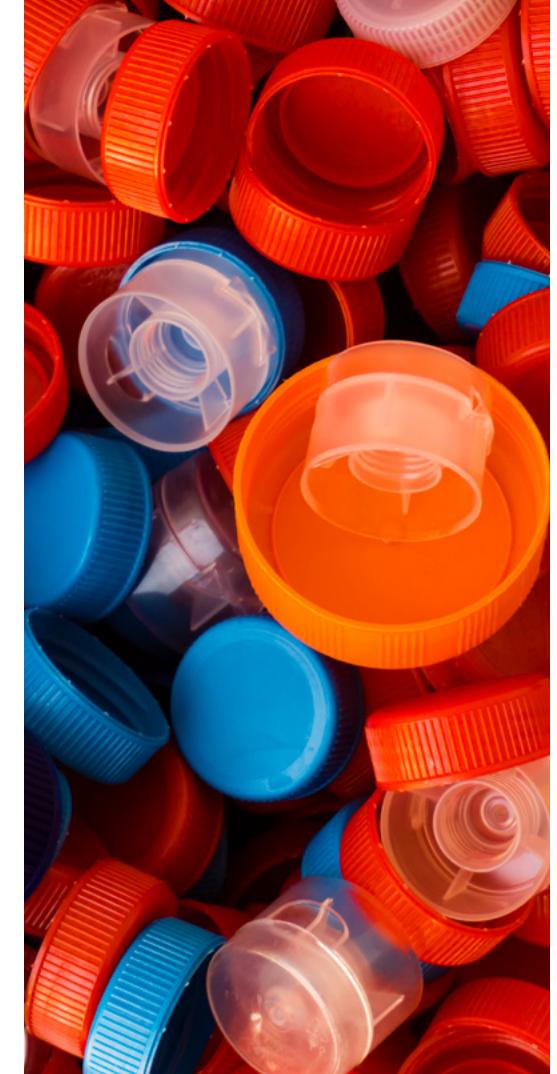
While the spectrum of environmental risks for food and drink businesses is broad, the main areas of concern for our clients include:

- Operational pollution risk from permitted activities (IED and IPPC controlled)
- Water pollution
- Atmospheric emissions
- Merger and acquisition activity – buy and sell side
- Contractual liability
- IFRS and GAAP reporting obligations for contingent liability

In addition to controlling and mitigating environmental risks by implementing best practices, environmental impairment liability insurance allows you to transfer environmental liabilities that are pre-existing or 'gradual' in nature.

Lockton's environmental specialists have an average of 24 years' experience transferring risks in international environmental markets.

The team works closely with our clients to evaluate individual hazards, understand exposures, and to develop risk management practices and programmes, transferring environmental risks that are not covered by other lines of insurance.



Claims management



CLAIMS MANAGEMENT

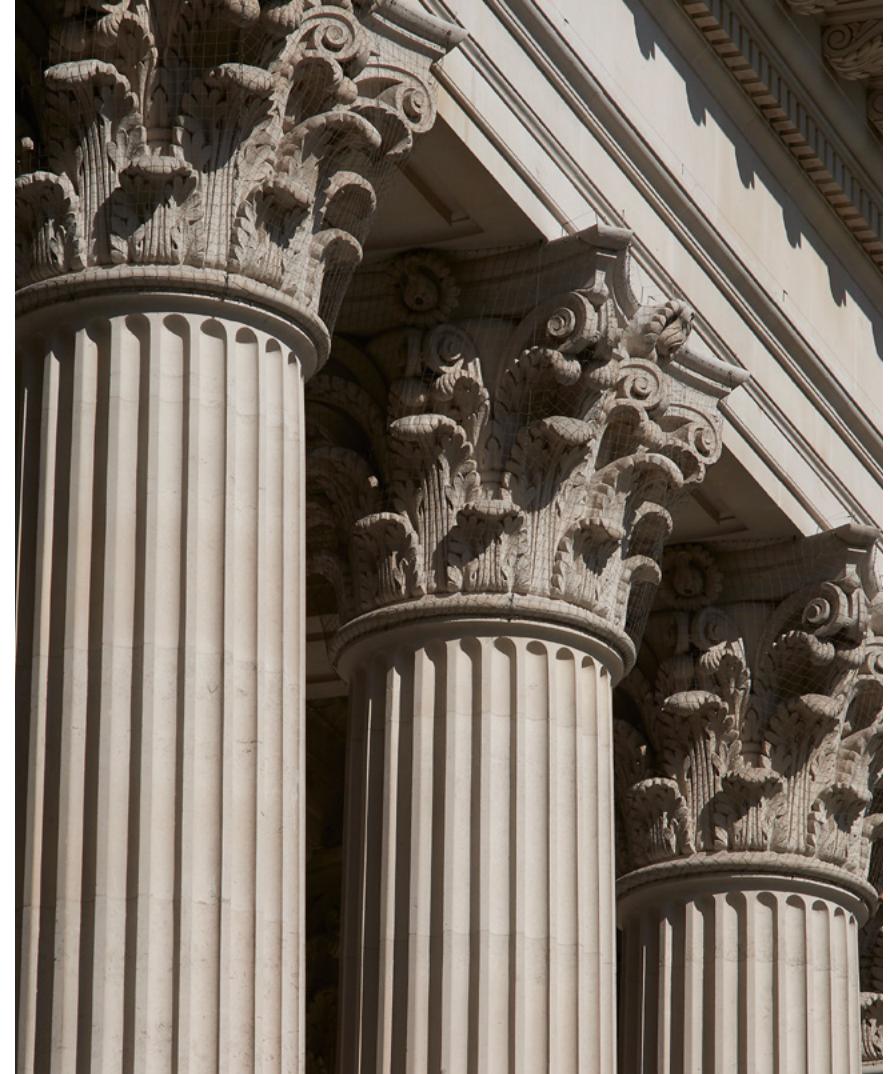
In the event of a claim, our in-house experts work closely with you to mitigate losses across all classes of insurance, ranging from property damage and business interruption, to complex global recalls and serious road traffic or workplace accidents.

Our claims advocates take a strategic role on each account, working closely with your placement team. As well as providing expert advice, your dedicated team of Lockton claims experts will also design and implement bespoke training, loss recovery sessions and claims defensibility audits, helping you develop best practice policies and health and safety procedures. We will also keep you up to date with legal or regulatory developments which are relevant to your risk.

Our dedicated claims analysts will consolidate your claims experience in bespoke dashboards, incorporating your broader commercial data to give a holistic overview of your exposures. With the expert recommendations from your nominated claims advocate, these systems can help to reduce the frequency and likelihood of claims occurring in the future.

For the food and drink sector, we place particular importance on root-cause analysis. Our claims experts will invest time to understand the inherent risk issues of your food and drink operation, identify the areas to improve and help implement change to reduce your cost of risk.

The Lockton UK Claims team is legally led and has an industry wide reputation for delivering excellent outcomes. Our focus is to minimise stress and inconvenience, maximise recoveries and protect your brand.



Lockton stands apart

The only truly independent broker of our size on the market, we're not tied to shareholders or investors.

Which means we're free to focus on you.

Family-run and privately owned, our dedicated associates dotted all over the world go above and beyond to understand your business, tailoring strategies to your exact needs.

It's a personal, time-tested, boundary-pushing relationship. Because we're in it for the long haul.

12,500⁺

Associates

96%

Client
retention rate

14%

Organic global growth

65,000⁺

Clients in over
140 countries

135⁺

Offices
worldwide

\$3.55bn

Global revenue

\$71bn⁺

Premiums placed

90%

Reinvestment due to
our private ownership

\$23m⁺

Charitable donations to
more than 250 organisations

Stay connected

