

# Selected claims examples from the food industry all over Europe.

(All stories are real with reimbursement of the damages.)

## 1. Case Study: Cleaning supplies in beer

- Residues of cleaning supplies were found in the beer at a brewery.
  - It took months to determine the cause
  - The damage was caused by a defect in the bottling plant's pipe connectors.
  - Recall approx. EUR 500,000
  - Lost profit approx. EUR 1,500,000
- Total damage approx. EUR 2,000,000**

## 2. Case Study: Yeasts and bacteria in sparkling fruit drink for kids

- To produce a popular sparkling fruit drink for kids, fruit juice was carbonated. Due to technical inadequacies and the high content of sugar in the fruit nectar, one of ten filling nozzles had not been professionally cleaned.
- The drink was contaminated with yeast and bacteria
  - Risk of alcohol formation
  - Risk of bottle bursting
  - Later on the drink developed a sour taste in connection with toxic mold

**Total damage approx. EUR 700,000**

## 3. Case Study: Mislabelled Snacks

- One of the leading snack manufacturers in the UK produces different snacks alternately on the same production line.
- Because of human error in the labelling process, a wrong label was chosen on the computer – therefore the allergens declaration was wrong
  - There became a health hazard for allergy sufferers
  - Recall and lost profit

**Total damage approx. EUR 5,000,000**

## 4. Case Study: Bacteria in chocolate

- The damage was caused by contaminated chocolate mass from the supplier.
- Cause: Evolution of the bacteria
  - The bacteria became heat resistant so that safety precautions e.g. heating/boiling didn't work

**Total damage approx. EUR 6,000,000**

## 5. Case Study: Migration of toxic chemicals

- Following a customer's request, a major breakfast cereal manufacturer changed the packaging for its products. The supplier used a new glue.
- The glue contained toxins like benzophenone
  - A migration of the toxins to the product couldn't be ruled out
  - There was a risk that after one year the product could become contaminated or that the toxin-value (limit) would be exceeded

**Total damage approx. EUR 4,900,000**

## 6. Case Study: Foreign body in burgers

- At a midsize meat manufacturer foreign bodies were found in burgers
- Cause: an unskilled worker put faulty goods back onto the conveyor belt
  - Recall and lost profit

**Total damage approx. EUR 2,500,000, -**

## 7. Case Study: Oil residues in the meat

- Harmful oil residues were found in the meat at a meat manufacturer.
- Cause: a leaky seal in a herb grinder
  - Recall and lost profit

**Total damage approx. EUR 15,000,000**

## 8. Case Study: Listeria in grated cheese

- Identification of a listeria contamination in grated cheese products
- Cause: the block distributor had been in use for several years and its surface had become worn and cracked
  - Listeria was able to penetrate into the cracks on the surface
  - Cleaning and disinfection of the block distributor was unable to eliminate the listeria in the small cracks
  - Recall and lost profit

**Total damage approx. EUR 1,300,000**



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Food safety and  
product protection

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## Product safety is important to all of us.

“Mould toxins in figs and nuts”, “prussic acid in apricot kernels” or “metal parts in tomato sauce”: Who is unfamiliar with reports about food being recalled “for reasons of preventive consumer protection”? Almost every day, such reports can be found in the media or on signs in the retail trade. As consumers, we are glad that such precautionary measures exist, but how do the producers and retailers concerned deal with it?



“The distributor is fulfilling his own responsibility according to food law regulations and has therefore initiated a recall of the product”... Such notices make it clear what the food industry must face with (supposedly) unsafe products. As soon as an entrepreneur has even the slightest reason to believe that (his) product does not comply with food safety requirements (product defect), he is obliged to immediately initiate a procedure to withdraw the product in question from the market. This provision applies to the entire supply chain from producer to processor to importer and trader.

According to Art. 14 of the EU Basic Regulation EC 178/2002, food is considered unsafe if it is likely to be harmful to health or unfit for human consumption. Whether it is a defective ingredient, a mistake in production, improper transport or retail handling, the cause of a product defect can be multifaceted. In addition, companies - large and small - are also increasingly confronted with criminal intent. Malicious product tampering (MPT) or the threat of tampering with the intention of blackmail are among the worst events for a company.

### Possibilities for standard product liability insurance with recall clause

The consequences for the affected companies are always the same: it is important to act quickly before an authority takes over or a consumer is adversely affected. In the case of food, commercial and product liability insurance offers protection in particular in the event of personal injury (e.g.: damage to health after consumption of a contaminated product). However, if a product must be recalled from consumption or even publicly recalled, the consequential costs can often threaten the existence of the company. A typical loss scenario includes:

- **Recall costs** (first party and third party, governmental) e.g. costs for notification, transport of goods, destruction
- **Supplementary costs** e.g. additional expenditure for extra staff, interim storage and disposal costs. However, the value of the recalled goods is not covered! Malicious Product Tampering is also not included in the coverage.

### Optimal solution for GrECo clients CPI (Contaminated Product Insurance)

Companies can take comprehensive precautions with CPI (Contaminated Product Insurance). If an incident becomes (media) public, the affected companies are threatened with unpredictable long-term consequences. In particular, decline in consumer interest or the (temporary) delisting by retailers, all of which represents significant risks. Professional crisis management is essential to minimise damage.

In addition to the original reimbursement of costs, GrECo's solutions also include operational support through an extensive network of consultants. Cover is provided for:

- **Crisis consulting costs** (support in dealing with the crisis, media relations, or extortion)
- **Recall costs** (first party and third party, governmental) plus rehabilitation and marketing costs, especially in the case of public recalls (e.g. advertisements in the media, special listings) The value of the recalled goods is also included in the recall costs!!!

- **Accidental contamination**
- **Covered in the event of Malicious Product Tampering in dealing with product**
- **Loss of profit** (achievable profit – variable cost, which are not spent on production). Also called business interruption
- **Bad labelling** (if it can cause bodily injuries or property damage) e.g. allergens are not written on the label

## From negative reporting to fake news.

Food matters to all of us. Especially when it comes to vulnerable target groups such as children or the elderly, we are particularly careful about what food we buy and consume. In addition to many national and international authorities, numerous associations, platforms, and NGOs are therefore also concerned with food safety. A negative product test spreads quickly, the media rapidly takes up the topic of consumer protection and thanks to social media fake news spreads like wildfire on the internet

### David against Goliath

Extreme vigilance is required, especially when dealing with NGOs. Numerous examples such as “Ritter Sport versus Stiftung Warentest” show that consumers tend to trust (independent) organisations rather than “evil companies”, regardless of the question of who is right.



### GrECo as a long-standing consultant to the food industry - your benefit

In addition to its own consultants at GrECo Risk Engineering GmbH, GrECo also has a broad network of lawyers, media, and crisis consultants, etc., which will also provide you with the best possible support in dealing with authorities, organisations, and the media.

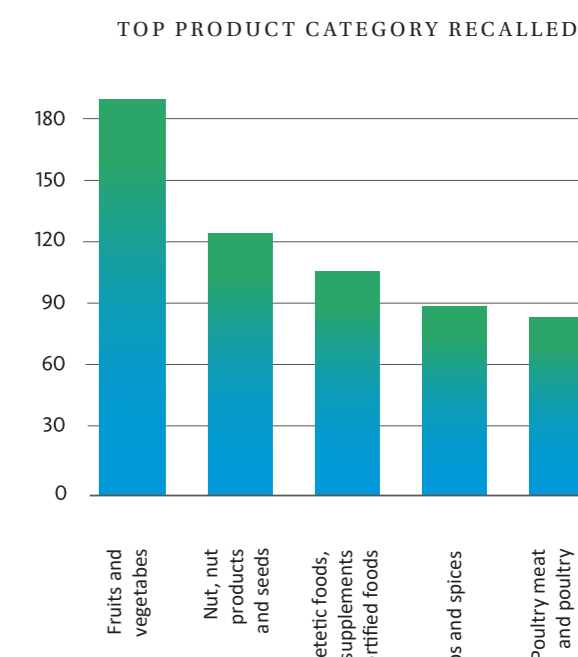
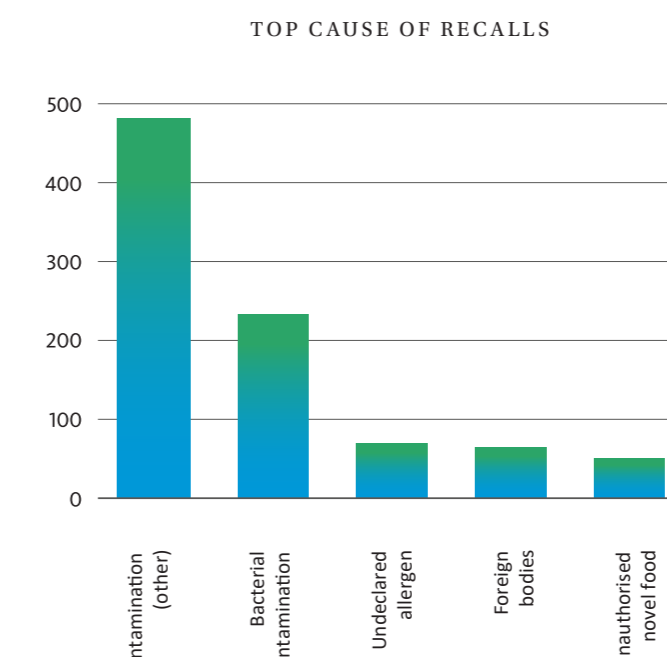
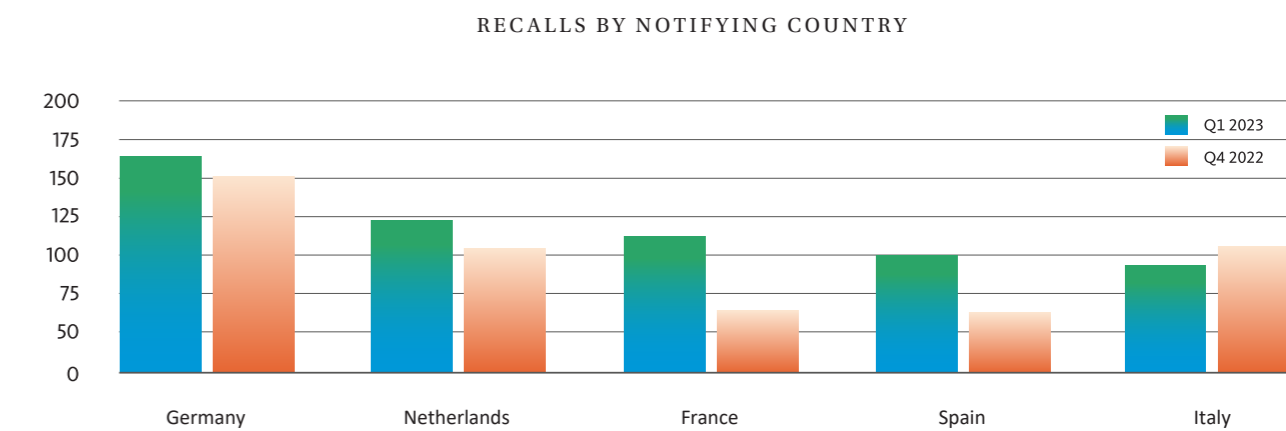
In addition, we support you in prevention through:

- Recall simulations
- Media training
- Advice on dealing with intentional and extortionate acts

As a specialised consultant for the entire supply chain of the food industry, we have developed exclusive solutions for you. Our coverage concepts go far beyond the usual scope of cover and are tailored to the specific needs of the industry:

- Insurance cover in the event of product defects even without an official warning/determination
- Assumption of costs in the event of contractual obligations to pay lump-sum compensation to the food retail trade
- Special solutions for products that are considered “non-organic”

## Food and beverage recalls in Europe.



Source: Sedgwick European recall index 2023