



# Food & Beverage Practice

Boundaryless Solutions for every client



**Our purpose:** HUB established the Food & Beverage Practice to provide creative risk management solutions that protect the stability of the food and beverage industry. We have deep industry expertise, sophisticated analytic solutions, and are committed to investment in innovation to drive value for our clients.

## State of the Insurance Market:

The Food & Beverage insurance sector has experienced significant upheaval over the past decade, with deteriorating conditions forcing traditional carriers to retreat. While broader market softening is underway, F&B risks are lagging behind manufacturing.

## What Differentiates HUB?

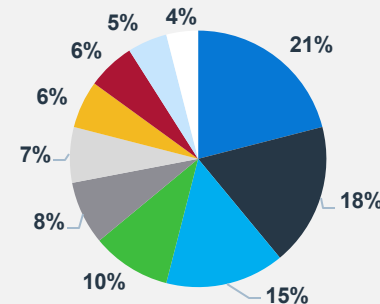
At HUB, our culture is defined by the results we deliver to our clients. Simply put, we care. Our growth is fueled organically by the power of our ideas, and we earn long-term partnerships by consistently honoring our commitments.

## Our Market Clout:

### Client Count

- 600 General Groceries
- 400 Meats
- 1,000 Beverage, including Alcoholic
- 600 Food Preparations & Ingredients
- 200 Dairy
- 150 Snack Foods and Confectionary
- 200 Fresh Fruits and Vegetables
- 200 Baked Goods
- 100 Animal Feeds
- 150 Frozen Foods

### Premium by Segment



## Top 10 Food & Beverage Markets

1	Travelers
2	Chubb
3	Nationwide
4	Zurich
5	Liberty Mutual
6	Hartford
7	Berkshire Hathaway
8	Lloyds of London
9	AIG
10	W. R. Berkley Corporation

## We're HUB:



**40,000+**

Food, Agriculture & Beverage clients across North America



**\$1.8B+**

Premium Written for Food & Beverage clients



**250 +**

Represented Insurance Carriers who write business in this industry



**85,000**

Policies managed in this space



**\$500M+**

Lloyds of London Placements

Visit Our Website:



# Food Packaging Manufacturer Impacted by Hurricane Ida



## 600,000+ sq ft manufacturing facility under 4 feet of water, including:

- 17 major pieces of manufacturing equipment
- 450+ motors
- 40+ fork trucks
- 1,000+ dies
- 100s of dye/ink cartridges
- 400+ paper rolls
- 165,000 sqft finished goods warehouse
- Admin building a total loss

**Initial recovery projection: 2-4 months**



Risk & Insurance | Employee Benefits | Retirement & Private Wealth

# **Business Interruption 101 : BI Worksheet Essentials for Food & Agribusiness**

# Learning Objectives

**1** What is Business Interruption (BI)?

---

**2** P&L vs BI Worksheets

---

**3** Areas of Coverage to Consider

---

# What is Business Interruption (BI)?

---



# Business Interruption

## What is Business Interruption (BI)?

- Time Element Coverage (BI, Mitigating and Extra Expense)
  - Time Element Extensions (Civil Authority, Service Interruption, Ingress / Egress, Contingent BI)
- Lost revenue less unincurred cost (Valuation is actual loss sustained)
- BI Value % vs 3-column approach

### BI 3-Column Example

	<u>Proj</u>	<u>Actual</u>	<u>Dif</u>
Revenue	\$ 3,500	\$ 1,500	\$ 2,000
Var Exp	2,100	900	1,200
Fix Exp	400	400	-
Net Income	<b>\$ 1,000</b>	<b>\$ 200</b>	<b>\$ 800</b>

### BI % Example

	<u>Proj</u>	<u>Actual</u>	<u>Dif</u>
Revenue	\$ 3,500	\$ 1,500	\$ 2,000
Var Exp	2,100		
Fix Exp	400		-
Net Income	<b>\$ 1,000</b>		
BI Value \$	<b>\$ 1,400</b>		
BI % & BI Loss	<b>40%</b>		<b>\$800</b>

# P&L vs BI Worksheet



# BI Worksheet – Primary Components

## Primary P&L Items of Focus: When estimating a BI Value

### 1. Net Revenues

- Revenues less discounts, bad debts and returns

### 2. COGS

- Clarify if COGS is materials only or if it includes variable labor items

### 3. Variable Labor (Ordinary Payroll)

- Hourly workforce
- Consider if union or labor contracts are in place

### 4. Other variable / noncontinuing expenses & purchased services

- Freight, utilities and other purchased services that would cease with operations

# P&L vs BI Worksheet

## Mapping the P&L to the BI Value Worksheet

▶ See Excel Sheet: 

**Top-down vs Bottom-up:** The two approaches SHOULD be the same

- Top-Down = Bottom-up



**BONUS:** Why top-down approach is preferred over bottom-up... a cautionary tale

# Areas of Coverage to Consider



# Areas of Coverage to Consider

## What does Business Interruption Cover?

- Gross Earnings vs Gross Profit
- Period of Restoration vs Defined Loss Period (pros and cons depending on loss scenario)

### Gross Earnings:

“The recoverable Gross Earnings loss is the actual loss sustained by the Insured of Gross Earnings, less all charges and expenses that do not necessarily continue, plus all other earnings derived from the operations of the business, excluding loss covered under Rental Income, during the Period of Liability.” – *AFM Policy Form*

### Gross Profits:

“The recoverable Gross Profits loss is the actual loss sustained by the Insured of the:  
**a)** Reduction in Sales; and the **b)** Increased Cost of Doing Business, Resulting from the necessary interruption of business during the Period of Liability.” – *AFM Policy Form*

# Areas of Coverage to Consider (continued)

## Ordinary Payroll

- What is the appropriate time period?
- Time period vs Dollar value

## Inventory at Selling Price

- Stock Throughput Agreements (typically favorable valuation provisions)
- Typically, does not require reduction for saved selling costs

## Contingent BI Coverage

- Suppliers
- Customers

## Reported Values vs SOV Limits

- Are you limited to the SOV for recovery?
- Margin Clause?
- Coinsurance?



## **Jason Trahan,** **CPA, CFF, FCPA**

---

Commercial Insurance Claims Practice Leader,  
Delivering Results & Solutions

[jtrahan@disastersllc.com](mailto:jtrahan@disastersllc.com)

**(214) 563-7957**

# Thank you

---

Please reach out to your local risk services or claims consultant with any questions / concerns.

Visit **[hubinternational.com](https://hubinternational.com)**

