

# Programs



Matthew Carlson  
of Risk Strategies  
Co.'s Catering Truck  
Insurance.com with  
his client, Kogi truck.  
Photo Credit: Aaron  
Mischel at Pixel  
Planet.

## Mobile Food Vendor Market Explodes as Insurance Market Evolves

By Andrea Ortega-Wells and Patricia-Anne Tom

In just about every metropolitan area nationwide hungry customers can appease their appetites by visiting the neighborhood taco truck. The traditional taco truck sells more than just tacos these days — a lot more. Today's mobile food vendors sell everything from gourmet cupcakes to lobster and the variety of foods available seems endless.

There are more mobile food trucks than ever before. The number on the road, and in cities nationwide, has exploded in recent years.

Many of the vendors have culinary experience and harbor hopes of opening up their own restaurants someday. While their dream of owning a restaurant may be financially out of

reach for now, they can afford a food truck.

Established restaurants are joining the craze, launching their own food trucks, and some national restaurant chains are creating trucks, including Arby's, Sizzler, Southern California's Fatburger Corp. and even Jack in the Box. Some hope to even offer franchise trucks.

Insurance experts hungry for new business have found the food truck market to be one of the healthier growth markets of the past few years, one that shows no signs of stalling.

According to Ron Ortega, program manager for Whorton Insurance Services, based in Austin, Texas, says in his state's largest cities — Austin, Dallas and Houston — there are approximately 10,000 food trucks in operation. Los Angeles

(Calif.) County alone, where Whorton's Mobile Food Vendors Insurance (MFVI) program was launched in 2010, also has 8,000 to 10,000 mobile food trucks in operation.

The MFVI program expanded nationally this year and Ortega says new business orders are coming in from just about every city in the nation.

"We're seeing submissions from cities that we weren't expecting," Ortega says. "I mean Denver has been very active as well as Portland, Minneapolis, St. Louis and Louisville. More recently, Chicago has become more active even though cooking in a truck is still prohibited."

Matthew Carlson, vice president of Risk Strategies Co., a national retail brokerage firm headquartered in Boston with offices in Providence, R.I., New York, Chicago, Irvine, Calif., Sacramento, Calif., Los Angeles and San Francisco, says the insurance market is evolving to meet growing needs.

"Two years ago underwriters really had no clue about what gourmet food trucks were and the actual risk," Carlson says. Now, Carlson says underwriters have a much better understanding of food truck exposures. "I find myself having to explain much less these days than I did two years."

Carlson says the quick growth in this market segment is what's driving the insurance market. Just two years ago Carlson received two to three calls a week from potential food truck clients. "Today, we're seeing probably about five to 10 calls a week," he says. "It's definitely been growing."

Today, CateringTruckInsurance.com, a specialty division of Risk Strategies Co., insures about 100 trucks in its program, but Carlson believes there's potential for having 8,000 trucks or more nationwide.

"We're seeing a lot of phone calls from outside of Los Angeles now, where in the beginning it was almost all in Los Angeles," Carlson says.

Carlson began specializing in the mobile food truck market after enjoying a late night dinner from a Kogi truck two years ago following a Los Angeles Lakers game. The Kogi truck is a Los Angeles landmark that serves Korean-Mexican style tacos, day and night. Kogi currently has five trucks in operation and sells food from one area bar as well, according to its Web site.

"All the restaurants were closed, and I wanted food. I wanted it to be kind of quick and good, and I literally almost ran into the Kogi food truck. ... I tried it, loved it and from that point forward I thought, if I can combine two things I love doing, insurance and food, and get these guys as clients, it'd be a great combination," Carlson says.

Carlson reached out to the owner of Kogi and within three months he began insuring Kogi trucks. Other food trucks followed. "In the beginning I was looking at just Los Angeles, and then quickly it became more of a national push. Between our 10 offices across

the country we're able to help food trucks no matter where they are."

Carlson says the mobile food vendor market's explosive growth has led to insurance disasters. While vendors need insurance, not many brokers understand the risks.

"Some people have had horror stories when they're dealing with brokers that really don't know what to do with a food truck; they don't know about food trucks and how they operate," Carlson says. "I've even got phone calls from retailers trying to see if I can help, or they just send me the business because it takes some understanding of the industry to really efficiently process and consult for these clients."

### Nice Niche

The rapid growth of the mobile food vendor industry is a perfect niche for program business.

Food vendor trucks fit nicely into the program market partly because of the large number of trucks in the market to insure and because their insurance needs are often similar, Ortega says. "These operations are suitable for a niche program because while there is distinction in the food, from one truck to the next, the operations are relatively the same and require the same type of insurance coverage."

A typical insurance program for a mobile food vendor will include general liability, commercial auto liability, workers' compensation and umbrella/excess liability.

While there are many food trucks, each one is a small business, which is another reason the program insurance structure is a good fit.

"With this type of business you need something pretty quick," Carlson says. "These food trucks are not a whole lot of premium, so you need to be able to do it pretty efficiently and quickly. That's how the

food truck operators operate their business. They need to be efficient in those small spaces and they need to serve food quickly and get to where they need to go quickly. We need to almost mimic our clients in that same style, so having some type of program makes it easier for everyone involved."

But while the growing niche fits well into the program marketplace, the vast majority of food trucks currently get insurance on a piecemeal basis, the experts say.

Ortega says previously only surplus lines carriers were willing to write the mobile food vendor class, but that has since changed as the market has evolved. When Whorton developed its MFVI program, Ortega says a key priority was to find national, A-rated, admitted carrier partners for all lines of coverage in the program. The MFVI program has multiple carrier partners but its principal carrier is Markel.

Whorton began writing mobile food vendors through its Los Angeles office, working with the local mobile food vendors association.

"We realized early that this was not just a fad in Southern California but a growing national trend. While city governments were amending their out-

continued on page N12

**'Two years ago underwriters really had no clue about what gourmet food trucks were and the actual risk.'**

# Programs

## Mobile Food Vendor, continued from page N11

dated ordinances to accommodate these operations, the insurance industry was lagging behind and needed to recognize mobile food vendors as a new, emerging distinct marketplace, and that is what we've been able to accomplish."

Ortega wouldn't reveal the current size of the MFVI program but says

sure and something that concerns local governments.

"As the industry progresses, city governments are really playing a very active role in regulating it. Some cities, like Boston, encourage food trucks in the city while others still have restrictions and obtaining a vendors permit is rather difficult," Ortega says.

Los Angeles, for example, now grades mobile food trucks for health and safety as it does for restaurants on a system of A to F. Restaurants and now food trucks must post the grade for customers to see.

Carlson says eventually food safety grading systems, similar to the one in Los Angeles, might pop up in other cities, a develop-

"Fortunately, we haven't seen anything that has been catastrophic in any way," he says.

These experts fully expect that the good loss experience and market opportunities will lead to interest from other brokers and carriers.

"I do see competition out there, more regional than national," Ortega says. "I haven't come across anyone that's marketing nationally like we are and providing our level of service and expertise"

Carlson sees competition coming as well. He finds more carriers now willing to accommodate the growth of his mobile food vendor book.

"I think we've expanded beyond some of the carriers that we were working with in the beginning," he says. "Initially we were looking at this more from a California opportunity."

However that view has changed as his firm has expanded its CateringTruckInsurance.com Web site and attracted clients from across the country. Carlson needed more diverse carrier partners to handle the expanding business.

"Because of the broader opportunities geographically we've changed and decided we needed a national carrier that can handle all our clients across the country," Carlson says.

Carlson sees carriers eyeing the potential for business in various regions

nationwide, not just Los Angeles.

Both Ortega and Carlson agree that mobile food vendors make wonderful clients.

"I'm always proud to see my clients featured either at an event or getting some type of kudos online. It makes me happy," says Carlson.

And the frosting on the cake: "You're glad you get some free food out of it, which I love, too." ■

it's growing. His firm will work with independent agents and appoint them if they would like to represent the program.

### Solid Insurance Market

So far, both Carlson and Ortega say the insurance market for mobile food vendors remains stable.

"There are losses, but we don't see a ton," says Carlson. Typically, the losses Carlson sees involve minor collisions, such as when a food truck backs into a car when parking. Another more common loss might involve the cooking equipment on the truck.

"Things will potentially catch on fire if there's not some good risk management involved," he says.

Food safety is another potential expo-

ment that will reduce the risk of any type of food sickness. While claims for food poisoning are rare, the program's general liability would cover any hospital or urgent care visits.

In Carlson's view, the tightened regulation of mobile food vendors around the country helps the long-term sustainability of the program.

"I think underwriters look at that as a good thing," he says.

Ortega says that so far the MFVI program has only experienced minor losses, and hasn't had any food related losses.

**Food trucks are suitable for a niche program because the operations are relatively the same and require the same type of insurance coverage.**

