



## Food For Thought...Addressing Restaurant Exposures

THERE WAS A TIME WHEN GOING out to eat was considered a special treat. But times have changed. In today's typical family, with both adults working and the children involved in numerous after school activities, dining out has become a regular, and often daily, occurrence. Restaurants have become big business. According to the National Restaurant Association ([www.restaurant.org](http://www.restaurant.org)), in 2009, there were 39,604 eating and drinking establishments in New York alone. Sales for 2011 are projected to reach 30.7 billion dollars. Almost 1 in 10 working Americans works in a restaurant. This sector represents a huge client pool for today's insurance agent. Understanding and insuring the varied exposures is another value-added service of the professional insurance agent.

In addition to the standard property and liability exposures of buildings, contents, and premises/operations, restaurants have specific exposures that need to be addressed. The equipment breakdown, food spoilage and cooking hazards are crucial to the evaluation of an insurance program for a restaurant. Refrigerated and frozen inventory represents a major portion of the business personal property value for many restaurant owners, as well as a significant cash outlay. Equipment breakdown and power failures can close the business and cause food to spoil. Even if the food is not spoiled, a power failure may mean a business interruption exposure if the food cannot be prepared. Equipment breakdown and power failure coverage for both on and off premises events is essential.

According to the United States Fire Association (USFA) a division of the Federal Emergency Management Association (FEMA), approximately 5900 restaurant building fires occur in the United States each year. Annual property damage is estimated at \$172 million, with an average

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of 75 injuries. Statistics show that many restaurants that suffer fires never reopen. Cooking is the leading cause of all restaurant fires. Cooking hazards include grease collection equipment, hoods and exhaust fans that are inadequate, improperly installed or not maintained and cleaned regularly. Electrical malfunction is another leading cause of restaurant fires.

Products liability claims may arise from improper handling, preparation and storage of food. The recent e coli epidemic in Europe has focused attention on proper food handling procedures. Food preparation and serving can also mean increased Workers Compensation hazards, such as cuts, burns and scalding. Many restaurants, particularly upscale establishments, provide valet parking. The restaurant owner may be held responsible for any damage done to the patron's vehicle while in the hands of the valet.

Restaurants that provide catering, delivery or take out services have liability exposures that extend beyond the business's physical premises. Food consumed off premises represents a products liability

risk. Additional exposures may be generated when caterers provide not only the food for the event but also the set up, serving and clean up service. Delivery services add an auto exposure even if the employees are driving their own vehicles.

There are other liability exposures to consider. Even if the restaurant and its employees are not directly involved, they can be brought into a lawsuit. For example, there could be a physical altercation between patrons who sustain injuries and sue the restaurant for inadequate security. If alcoholic beverages are consumed on the premises, there are major concerns with serving to patrons who subsequently drive under the influence or may be underage.

As with any business, proper risk management is an essential component of a restaurant's plan of operations, and it can be an important service provided by the agent. Helping your restaurant insureds design a comprehensive risk management and insurance program is the mark of a true insurance professional.

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