

COMMON EXPOSURES

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Restaurants

Those who run restaurants are often some of the most passionate business owners, investing time and money to deliver a high-quality experience to their customers. However, the hospitality industry can be unforgiving, and it's a constant challenge for owners to deliver exceptional food and service while maintaining profitability.

These challenges are magnified when you consider that risks related to property damage, equipment breakdowns, crime and liquor liability must also be addressed. The list below provides an overview of these restaurant industry risks and more—helping you identify potential blind spots in your risk management and insurance programs.



Property exposures in restaurants are substantial and can come from many sources, including equipment failures, food spoilage, natural disasters, customers, employees and other third parties. When discussing property exposures, fire and water damage are of particular concern, and restaurants face an elevated level of risk due to things like open flames, the wide use of combustible items (e.g., tables, chairs and linens), complex HVAC systems, sewer backups and appliances connected to water lines (e.g., dishwashers).



Restaurants depend on functioning equipment to service their customers effectively. In the face of an **equipment breakdown** (e.g., refrigeration unit leaks and cooking appliance malfunctions), restaurants can experience business interruptions or even prolonged closures. What's more, equipment breakdowns can even lead to major property damage should an appliance leak or start a fire, compounding the cost for your business.



Crime can be a challenge for restaurant owners, especially because their operations often have a steady amount of cash flowing in and out. To make matters worse, thieves can strike at any time, leaving owners to recoup any lost funds or equipment. In this day and age, thieves (including your employees) do not need direct access to cash to steal from you—merchandise, supplies and securities are all fair game. What's more, the location of a restaurant as well as its hours of operation can have a significant impact on its level of crime risk.



As a restaurant owner, you are responsible for property that may not be covered by traditional insurance. **Inland marine** coverage can fill these gaps in commercial property protection. Without an inland marine policy, property that's unique or valuable, in transit, in your temporary care, stored at fixed (but movable) locations or used to transfer information represent major exposures. Specifically for restaurateurs, inland marine insurance can provide much needed protection for accounts receivable, computer equipment, data and records, food transported to various locations and food trucks.



Premises liability exposures at restaurants can directly affect patron safety and, when injuries occur at your business, you could be held responsible. Accidents related to slips, trips and falls; burns and scalds; and cuts are common and a major source of concern. Something as simple as a hot plate, a spilled drink or an uneven surface can lead to costly insurance claims following an accident.

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Food safety is an important consideration for restaurant owners and a primary source of **food and product liability**. The potential for food poisoning, contamination, spoilage and allergic reactions is ever present, making continued customer safety a challenge. In the event that one of your customers becomes ill due to your food or accidentally ingests a foreign object found in one of your menu items, your restaurant could face legal ramifications and suffer irreversible reputational damage.



Lawsuits related to **liquor liability** are filed each day, and it's increasingly common for victims and their families to file suits against restaurants for their role in serving a customer who is then involved in an alcohol-related accident. Making matters worse, all it takes is a single liquor liability claim to put your entire business at risk. Liquor liability exposures for restaurant owners can stem from selling liquor to underage individuals, overserving patrons and non-compliance with applicable legislation.



Continuity is critical in business, and there are few things more important than continuous revenue and cash flow, particularly for small to medium-sized organizations. In fact, just one brief **business interruption** can be incredibly costly for an organization, often leading to serious reputational damages or long-term closures. Common interruptions for restaurants can include natural disasters, fires, food recalls, cyber events, staff shortages and supplier issues.



Restaurants are a common target for **cybercriminals**, as these businesses often process a high volume of credit and debit card information. In addition, employees who are improperly trained on computer and data security could expose your organization to ransomware, viruses, phishing scams and malware. Compounding your exposures, many restaurants offer guest Wi-Fi that, if improperly secured, can put you and your guests at risk of an attack.



Depending on the services your restaurant offers, employees may be required to operate a vehicle on behalf of your business, creating **automobile exposures** in the process. While important for daily operations, the improper use of a vehicle can lead to potential accidents and major insurance claims. What's more, if you allow employees to use their own vehicles for work, standard auto policies are often not enough. Additionally, providing valet parking can also create unforeseen challenges should a customer's vehicle get damaged.



On-the-job accidents at restaurants can lead to costly **workers' compensation** claims. Complicating matters, there are a number of risks to account for, including cuts and burns; slips, trips and falls; ergonomic-related hazards; workplace violence; and drive-thru exposures. Things like improper lifting techniques, poor knife safety and inadequate training can all cause your employees to suffer an injury on the job—disrupting your business and negatively impacting your bottom line.

For More Information

Proper risk management practices can reduce certain exposures, but no system is 100% effective in ensuring an incident-free workplace. As a result, it's all the more crucial to work with a trusted insurance professional to assess your unique exposures. To learn more, contact us today.