



Background

It's natural for a business owner to view risk management activity as nonproductive time that only generates costs and negatively impacts their bottom line. This is especially true in the very competitive restaurant industry, which is generally characterized by smaller operating margins led by managers or owners with very little time to think about anything but running the day-to-day business operations.

For many restaurant owners and managers, risk management might be seen as a nonproductive cost and time ... until it isn't.

To be sure, these business owners are also aware that risks can balloon into tragic events, with towering costs piling in comparison with the costs of specific risk prevention and minimization activities that could have averted the event or mitigated its impact. In this balancing act, the unfortunate tendency is to postpone risk prevention steps, a strategy few would explicitly endorse but one that's all too easy to slip into.

In this report, we'll explore some of the primary risks restaurant owners face, and we'll identify strategies owners can adopt to manage, reduce and recover from those risks in order to continue operating profitably.



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Categories of Restaurant Industry Risks

Restaurant owners face unique risks along with some that are shared by other retail, premises-based industries. Some of these risks can be classified as **people-oriented**, relating to staff members and on-site customers. Others are **property-related**, potentially impacting the premises and structure itself.

Within those two categories there are both **controllable** and **noncontrollable** risks.

Controllable risks are those that a restaurant owner can anticipate and try to prevent. The risk management strategy for controllable risks is a combination of **prevention** and **recovery** – trying to prevent the incident from happening, but in the worst case, combining reactive steps and claims management strategies at the restaurant level to quickly rebound from the impact.

In contrast, business owners may not be able to prevent a noncontrollable risk, but they can plan ahead to minimize the impact and to recover swiftly by taking reactive steps and employing localized claims management best practices. Thus, the risk management strategy for noncontrollable risks can be characterized as **minimization** and **recovery**.

In both scenarios, ideal planning, response and claims management activity can protect the owner's net income by limiting costs and getting operations back online quicker.



RISK in Focus

People-Oriented Risks



RISK in Focus

People-Oriented Risks**Hazard 1: Worker Injuries****Controllable**

The most common preventable restaurant worker injuries are burns, cuts, falls, chemical exposures and physical strains. Proper training and active oversight by managers can minimize these incidents.

The financial impact of worker accidents includes direct costs, including medical and indemnity expenses. But total indirect costs can be 2-3 times higher than direct costs, accounting for production interruption, lost management time, possible OSHA fines and legal defense costs, damage to employee morale, retraining costs and more.

Preventing Worker Injuries

Comprehensive employee training is a fundamental risk management strategy for preventing worker injuries. Many restaurants offer onboarding training for new employees but fail to continue the process as their workers take on new responsibilities either officially or “unofficially” in busy crunch times.

Ongoing training regarding **workplace hazards, equipment usage and maintenance, personal protective equipment, fire extinguisher use** and company **safety policies and procedures** is critical to all levels of the employment chain. This education must be continuous and reflect the employee’s actual tasks, not simply the ones they were hired to do.

Managers also should be on the lookout to participate and **reinforce this training** to ensure it’s consistently applied. It’s easy for team members to take shortcuts, but managers shouldn’t accept or encourage this, even during the busiest times. Worker safety and efficient operations must go hand in hand when it comes to manager priorities.

Onsite managers should also **pay closer attention to relatively new employees** given that our data shows that for one typical fast-food chain, 70% of employee accidents involved workers with six or fewer months of experience.

Safe attire and personal protective equipment – with clothing as varied as long-sleeve shirts and safety glasses for fry cooks to quality sneakers with ample treads for all employees, job-appropriate attire can prevent some of the most common causes of burns and falls. Again, managers must monitor, and then consistently enforce, compliance.

Proper **kitchen floor maintenance** can minimize slips and falls. Worker training programs must emphasize the need to immediately and thoroughly clean spills. Job descriptions and schedules should specify assignments to periodically mop and dry key areas. Non-slip mats should be placed in strategic spots, for example near sinks, dishwashers and deep fryers.

Kitchen entry areas receive the most foot traffic as employees move in and out continuously. Swinging doors into the kitchen should have line-of-sight windows. If there are no doors, well-placed mirrors can help a worker quickly see an oncoming co-worker. Tables within the dining area should not be placed close to these points of entry and exit, and it goes without saying that access points should be free from debris, clutter or product storage. Employee training should emphasize the need to approach these areas with caution and that servers exiting the kitchen with food orders always have the right of way.

Responding to Worker Injuries

Obviously, in the case of an injury, all possible emergency aid should be offered and provided. Managers must be trained to provide emergency first aid for triage cuts and burns and be prepared to contact emergency responders at their judgment or if requested by the employee.

Claims management strategies to limit costs related to employee injuries include ensuring that designated healthcare providers are utilized and that there is a documented plan of action for when these providers are needed. Owners also need to submit all necessary information as quickly as possible (including accident report forms and medical authorization forms) to claims advocates on their brokerage team as well as their internal claims department (if there is one). Managers and owners should maintain contact with the injured employee and check in with them following each doctor visit, while working collaboratively to get them back to work as soon as possible.

Our company has developed a division of associates known as “Care Coordinators” who help our clients keep in contact with injured employees and shepherd them through the rehabilitation process. Our clients who have utilized Care Coordinators have generally seen claims costs and return to work times fall significantly while also having the added benefit of knowing they are thoroughly supporting their employees in a difficult time.

These and similar activities can minimize costs and the impact on workers’ compensation premiums.



Hazard 2: Maintaining Fully Staffed Teams

Controllable

The National Restaurant Association estimates that restaurant employment is down 1 million staff personnel from 2019 pre-pandemic levels, a 6.9% shortfall.¹ A subsequent survey from that organization found that 70% of the responding restaurant owners considered their teams to be understaffed, and 50% expected recruitment and retention to be their biggest challenge in 2022.²

Maintaining existing work teams and retaining quality employees should be a priority for managers and owners. As noted above, in addition to the costs related to training and onboarding an employee, newer employees are more likely to sustain injuries.

Creative recruiting can give a restaurant an employment edge as well. **On-premises recruiting promotions** should be more imaginative than simply posting a “Help Wanted” sign. **Referral bonuses** for current employees could make them brand ambassadors. Possibly most important, though, is that restaurants should **avoid lowering their standards**. It’s important to only hire qualified, trainable people who’ll do their job correctly and safely. It’s also important to bring on personable workers who won’t poison the workplace and add to the turnover challenge.

Keys to Retaining and Recruiting Staff

Restaurant owners should craft compensation plans that stand out from their competitors and that appeal to both new and current employees. They should consider **offering above average wages, awarding signing bonuses, awarding longevity bonuses, accommodating schedules** when possible, being more aggressive in **addressing unruly customer behavior**, providing clear **promotion paths** and maintaining a **sense of team and brand pride** reinforced on every shift by managers.



Hazard 3: Customer Injuries

Controllable

Customer injuries in a restaurant are most often due to slips and falls in entry ways, or in “turnaround collisions” with wait staff.

Managers and hosts should **monitor entry way floors**, especially in wet weather. These areas also should be covered by mats, rugs or even carpeting, as long as their edges aren’t deemed a tripping hazard. In wet weather, in addition to ongoing dry mopping, managers should place one or more signs advising caution and warning of possibly slippery floors.

Outdoor areas should be cleared of snow and ice extending as far into the parking lot as possible. Managers and staff should monitor the condition of the outdoor entryway and frequently shovel the area while applying salt or sand to prevent patrons from slipping and tracking snow into the lobby.

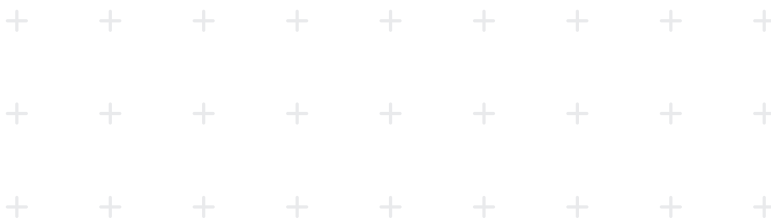
Training for servers and bussing staff should include the need to **be aware of the patrons in their vicinity**, including those who may be poised to stand and/or move away from their tables. They should anticipate possible collisions when maneuvering in the dining area.

Customer injuries can occur the moment a patron steps out of their car onto the restaurant’s parking lot. Owners should **quickly repair potholes and sunken pavement** to minimize falls and turned ankles, as well as damage to cars. **Changes in elevation**, such as curbs and steps, should be clearly highlighted with yellow paint to minimize trips and falls in these spots.

Response to a Customer Injury Incident

In the event of a customer slip or fall, employees and managers should provide them with all assistance possible and always act courteously and professionally.

Claims management activity at this point calls for restaurant owners get to the scene immediately in order to inspect the area closely, perform a thorough accident investigation, obtain all essential details, and document the incident in writing. No matter how minor the incident might appear, they should report it to their brokerage claims advocate team and supply any information requested. Taking photos at this time is critical to showing the condition of the area and can be a key component for the incident file. Memories can fade, and should litigation become necessary, on-site images taken at the time of the injury can provide valuable information at a later date.



RISK in Focus

Property-Related Risks



Property-Related Risks

Hazard 4: Fires

Controllable

Restaurant fires account for 90% of controllable losses in the restaurant industry. According to the National Fire Protection Association (NFPA), 61% of dine-in restaurant structural fires are caused by cooking equipment, with the balance due to faulty or poorly maintained electrical and heating equipment, discarded smoking materials, arson and other causes.³

Strategies for preventing grease fires should reflect their primary causes: improperly cleaned hoods, flues, and filters as well as grease buildup on equipment, electrical cords and outlets.

Preventing restaurant fires

NFPA also describes the key systems and safeguards restaurants should have in place, including **wet-chemical extinguishing equipment** to extinguish cooking oil-based fires and **Class A fire extinguishers** to complement fixed fire extinguishing systems. Owners should bring in experts on a regular basis to **inspect, clean, and service** this equipment as well as electrical and other systems, in accordance with manufacturer recommendations to promote safety and maintain warranties. Training for staff on how to use portable extinguishers is a key component in mitigating initial fire damage and prioritizing customer and employee safety.

In our experience, one in five restaurant fires is due to improper or inadequate cleaning. Thus, **employee training** regarding proper daily or end-of-shift cleaning protocols of cooking equipment is crucial, and managers should closely monitor these activities.

Detecting and Reacting to Fires

Local laws vary regarding requirements for **fire alarms and sprinkler systems**. But restaurant owners should remember that fire warning systems and evacuation procedures should include voice announcements and even physical signals to make sure all patrons are warned.

Once a fire is extinguished and the premises is safe, owners should arrange for a **thorough survey** of the equipment and the facility and submit this information to their insurer as soon as possible. Adjustors will likely be on scene to review this information and make their own assessments.

Response to the Fire Event

Repairs and renovation should begin as soon as possible after any required inspections. Construction labor is difficult to obtain these days, especially in the context of a cold call. Ideally a restaurant owner should **establish working relationships with renovation contractors** and others in the industry in advance to shorten the repair and reopening timeframe.

Hazard 5: Hailstorms and Wind Events

Noncontrollable

Hailstorms account for 70% of all weather-related structural damage property losses in the U.S.⁴ In some regions of the country, hailstones can measure 3 inches or more, but even smaller stones can break windows, dent siding, and most significantly, damage roofs and rooftop mounted HVAC equipment. Winds at less than tornado or hurricane force can do similar damage to roofs.

Minimizing damage from storms

When replacing a roof, whether due to damage or wear, owners should consider **impact-resistant roofing** made with a rubber membrane, polyurethane or a new-era metal. Roof-mounted or ground-level HVAC equipment can be protected from all but the largest hailstones with **mesh hail guards and shields**. Owners should have their roofs and HVAC protective systems inspected periodically to make sure they'll be secure in windstorms.



Response to storm-induced damage

Following a significant storm, owners should conduct a **thorough inspection** of their building's exterior to document damage for an insurance claim and arrange for repair services. It's important to get this assessment right the first time so that additional problems aren't uncovered during the renovation process that would require subsequent claims.

Roofs, especially, require **inspections from experts** following a wind or hailstorm. Even if the owner believes their building didn't sustain damage, the consequences of assuming wrong or basing the assessment on a cursory inspection could be unfortunate and potentially very costly.

Water may have collected in an attic or crawlspaces, posing a mold hazard. A roof leak after the next rainstorm following a wind event could be the owner's only indication that in fact there was roof damage, and the subsequent water intrusion could cause significant internal damage.

Following an area-wide hail or windstorm, credible contractors will be very busy, as will the fly-by-night non-credible ones. If possible, owners should **develop relationships with qualified contractors** – from roofing and windows to external HVAC equipment – prior to an event so they might be first in line for expert services and remediation.





A Final Word

A Final Word

Preventive maintenance. Employee training. Thorough claims management. Contingency planning.

Each of these aspects of risk management can prevent or minimize the impact of a major insurable incident. These activities take time and resources, but over time they inevitably prove their value. That doesn't mean, though, that these can't be done in a cost-effective way.

We are eager to work with you to not only minimize your losses but limit the cost and burden of implementing these important risk management techniques. Please contact your brokerage team or a representative today to design a comprehensive risk management program and loss control service plan tailored to your individual needs.

Endnotes

- 1 <https://restaurant.org/research-and-media/research/industry-statistics/national-statistics/>
2. <https://www.businessinsider.com/restaurant-worker-shortage-continuing-through-2022-survey-2022-2>
3. <https://www.nfpa.org/News-and-Research/Publications-and-media/Blogs-Landing-Page/NFPA-Today/Blog-Posts/2021/04/27/Restaurant-Fire-Protection-Basics>
4. <https://www.fmapprovals.com/product-alerts-and-news-events/approved-product-news/approved-product-news-recent-issues/2018/apn-volume-34-issue-2/very-severe-hail>



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