Common risks your **restaurant** could face...

...and how to protect yourself against them.

Federated Insurance

The risky side of the restaurant industry

Everybody loves to eat out. Abandoning the standard home-cooked meal and heading to a restaurant can be a real treat. But while customers get to kick back and relax as they wait for their meal, there's plenty going on behind the scenes at any restaurant that you, as the owner, need to keep in mind.

Throughout your entire entrepreneurial adventure, you have to be aware of the common risks and hazards associated with running a restaurant, so you can take every precaution to prevent the worst from happening. After all, in a business with so many moving parts, it's no surprise that property, liability, and crime risks are always on the horizon. Here are just some of the key risks you should be aware of:

- Fire
- Premises
- Food
- Alcohol
- Crime
- Cyber

The risks

01
FIRE

Restaurant kitchens are filled with a number of appliances, including griddles, deep fryers, charbroilers, ovens, oil pressure cookers, and more. And while this equipment is responsible for the delicious aromas often floating out of the kitchen, it can also be responsible for a large amount of risk.

Whether fueled by natural gas, propane, electricity, or wood, these appliances use heat, which means they can lead to dangerous (and costly) fire outbreaks. It's important to note that certain appliances are more prone to fire than others. Deep fryers, for instance, are especially hazardous because the oil used in the appliance can ignite. To help prevent this, these fryers usually have high temperature sensors that automatically shut off the fuel source in order to prevent the oil temperature from reaching ignition temperature.

Federated Insurance's internal claims data shows that the average severity of a restaurant fire claim was around

$90,000.*

To help pay for damages resulting from fires, commercial property insurance is an important tool in your toolkit. This type of coverage can protect your building and its contents, including equipment, furniture, and third party property that's in your possession. Fires are the sixth most prevalent risk for restaurants across Canada, according to Federated Insurance's internal claims data, and they tend to be the most severe claim restaurants can have. Our data shows that the average severity of a restaurant fire claim was around $90,000. The highest claim we received was for over $500,000.* Just imagine having to pay for all of those repairs or replacement costs yourself.

Of course, there are a few tools in place to help prevent fires. Two key components for kitchen cooking area fire prevention are mechanical ventilation exhaust systems and fixed fire-extinguishing systems. Portable fire extinguishers should also be used.

The minimum requirements for commercial kitchen ventilation and fire suppression systems are detailed in the National Fire Protection Association (NFPA) 96 Standard for Ventilation Control and Fire Protection of Commercial Cooking Operations. These requirements are followed by all provincial and local jurisdictions that have authority and they're generally referenced by building codes.

*Statistics are reflective of Federated Insurance's internal claims data from 2017.

5

Commercial Kitchen Ventilation Systems

These systems are important for two reasons: to provide a healthy kitchen environment and to prevent fires from breaking out. Commercial kitchen ventilation systems have three main components – a hood, a duct, and a fan. Due to the complexity of ventilation system design and installation requirements to meet building code mandates, specialized contractors are required for selecting and installing the equipment.

Cleaning

Commercial kitchen ventilation systems must be inspected and cleaned on a regular basis to prevent the build-up of grease. Both restaurant staff and professional cleaners must complete these cleanings on a regular basis.

The frequency of cleanings by restaurant staff should be based on the recommendation of professional cleaners and manufacturers. Meanwhile, professional inspections should be performed based on the NFPA 96 guidelines for inspection and cleaning.

How often professional inspections should be performed:

Monthly   Systems serving solid-fuel cooking operations such as wood burning pizza ovens.

Quarterly   Systems serving high-volume cooking operations such as 24-hour cooking, charbroiling, or wok cooking.

Semiannually   Systems serving moderate-volume cooking operations (most restaurants fall into this category).

Annually   Systems serving low-volume cooking operations, such as churches, day camps, seasonal businesses, or senior centers.

Fixed Fire-Extinguishing Systems

Extinguishing a fire in a commercial kitchen is no simple task, especially since they generally involve hot oils, electricity, gas, and ordinary combustibles such as paper, wood, and cloth. Fixed-extinguishing systems are permanently installed in the commercial kitchen ventilation system above appliances and in ductwork.

The fixed-extinguishing systems used in today's restaurants are typically wet chemical systems, and will automatically activate in the event of a fire in the cooking area or in the ductwork. Previously, dry chemical powder was generally used, but wet chemical suppressants were developed to provide superior fire protection with vegetable-based oils.

The systems typically have the following components:

1. Wet chemical cylinder – stores wet chemicals.
2. Fusible link and cables – activates the system in the event of a fire.
3. Piping and nozzles – delivers chemical to the fire.
4. Manual pull – to manually activate the system if necessary.

All fixed fire-extinguishing systems must be inspected and tested by a qualified trained service technician semiannually, according to the NFPA 96.

When fire-extinguishing systems are found to be defective in any way, many jurisdictions require that the service technician attach a "Non-Compliance" tag to the system. They also require that the inspector provide the owner, and in some cases the authority with jurisdiction, with a report on why the fire-extinguishing system failed and what needs to be fixed.

Portable Fire Extinguishers

K-rated portable fire extinguishers are required by the NFPA 10 Standard for Portable Fire Extinguishers, in order to protect against Class K fires, which are defined as fires in cooking appliances involving vegetable or animal oils or fats.

These wet chemical extinguishers contain a special potassium-based low pH agent (the same chemicals you would find in fixed pipe wet extinguishing systems). The fine spray mist prevents the splashing of grease and can be confined to the fire surface.

The NFPA 10 Standard for Portable Fire Extinguishers requires that all solid fuel appliances (whether or not under a hood) with fireboxes of 0.14 m³ (5 ft³) volume or less have at least a 2-A-rated water-type or 6L (1.6 gal) wet chemical fire extinguisher in their immediate vicinity. Restaurant staff should also be trained in the handling and activation of portable fire extinguishers, as well as fixed fire-extinguishing systems.

02
PREMISES

Just like any other business, you can be held liable if someone slips, trips, or falls while on your premises. And according to our internal claims data, liability is the most prevalent risk in restaurants, with slips and falls ranking number one in reported cases for liability in restaurants. The average cost of this type of claim from those we received was $6,500, with the highest claim coming in at $87,000.* Our data also found that the majority of slip and falls happened on Tuesdays, but that's neither here nor there.

It's important that both the exterior and interior walking areas of the restaurant are kept in good condition (especially on Tuesdays, apparently), and all potential hazards are either removed or repaired immediately.

The majority of slip and falls in restaurants happen on

TUES DAYS

according to Federated Insurance's internal claims data.*

*Statistics are reflective of Federated Insurance's internal claims data from 2017.

The following are some important tips to help prevent injuries:

Exterior

- Check all sidewalks and parking lots for pot holes, cracked concrete, or curbs in need of repair.
- Consider hiring a third party contractor for snow removal during the winter months (see Appendix A for a checklist on what to look for in a subcontractor).
- Mark all elevation changes with yellow paint.
- Check that all stairs, ramps, and handrails are in good condition.
- Provide adequate lighting.
- Remove ice and snow from parking lots and walkways.

Interior

- Ensure all entrances, walkways, and ramps are in good condition (e.g. repair any frayed carpet or loose flooring).
- Identify all elevation changes.
- Check that all stairs, ramps and handrails are in good condition.
- Make sure tables and chairs are in good condition.
- Regularly inspect and clean washrooms.
- Clean up any food or beverage spills immediately.

Documentation

Inspections of your property must be done by employees in order to provide a safe environment for customers. Daily and hourly checklists or logs should be used in order to ensure employees follow the inspection schedule. Employees should also be provided with written procedures and training manuals to carry out the inspections.

Records of all those inspections should be kept in order to ensure employees conduct the inspections as instructed,

and also to protect against claims and lawsuits. The records, which should outline the condition of the area being inspected (e.g. a parking lot or a washroom), should detail its current condition, as well as any corrective action taken. These records can prove to be extremely helpful. For example, if a customer slips in your parking lot but you have a record showing it was recently inspected and salt was put down to clear any ice, that could help you defend against a claim that you should be held liable for the customer's injury.

Accident Reporting

There should be written procedures for dealing with an accident and employees should be trained on those procedures. If a customer is injured, here are some tips on what to do:

- Once you have taken care of the injured person, an incident report should be filled out (see Appendix B for an incident report template).
- Any evidence should be preserved and the scene should be photographed.

The details of the accident should be reviewed as soon as possible to determine if any corrective action can be taken, in order to prevent a future accident. The results of the accident should be shared with all staff, including other restaurant locations if applicable, taking into consideration any confidentiality obligations.

To further protect yourself, a commercial general liability policy, or CGL policy for short, can also play a role in helping to safeguard you against the financial impact of an incident. It is the foundation to any liability insurance program for business owners, and it's designed to protect business owners if they are found legally liable for bodily injuries or property damage to a third party.

03
FOOD

Almost nothing can lead to the downfall of a restaurant faster than two words: food poisoning. Foodborne illness can be devastating, even with only 1 in 10 cases of foodborne illnesses being reported, according to the 2013 Food Safety Code of Practice booklet from the Canadian Restaurant and Foodservices Association. In today's world of social media, extra precautions should be taken, as word travels faster than ever.

In the past, food poisoning has led to restaurants closing permanently and a significant loss of earnings because of temporary closures or negative publicity. It has also led to lawsuits, which come with additional costs, including lawyer fees, payouts to complainants, lost business due to bad publicity, and stress on management. And in some extreme cases, it has led to death and serious illness involving customers, including young children.

Another food-related risk some might not consider is food items leading to customers breaking or chipping their teeth. Broken teeth as a result of food consumed in a restaurant was the number one food-related claim we received.*

In order to ensure the food you serve is safe for consumption, there are mandatory restaurant inspections, as well as required courses for restaurant employees. All provinces and municipal jurisdictions require restaurant employees and owners to participate in food handler training. The requirements vary by jurisdiction, including regarding the number of restaurant staff. For instance, smaller restaurants may only be required to have one staff member with food handler training on their payroll, while larger restaurants might be required to have a person with food handler training on duty at all times.
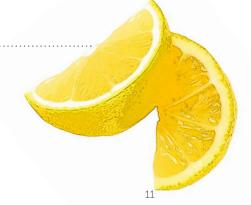
Only 1 in 10 cases of
foodborne illnesses
is reported, according to the Canadian Restaurant Foodservices Association.

Public Health Inspections

Restaurants in all provinces are also required to undergo inspections by Public Health on a routine and complaint basis. The inspectors often pay particular attention to ensuring that food is protected from possible contamination by chemicals or microorganisms, and that adequate temperature controls are in place during the heating, cooling, and storage of potentially hazardous foods. They also evaluate the general sanitary and physical condition of the premises, ensuring compliance with the provincial food and food handling regulations. Among other things, the inspections determine whether minimum standards have been met in respect to:

- General food handling
- Storage temperatures
- Sanitation
- Employee hygiene
- Equipment or food contact surface disinfection procedures

As a result of these inspections, restaurants can be closed for some time until they correct their issues. In some provinces, like Ontario, the inspection grade is posted on the front door, and violations are posted on government websites for public viewing as well.

04
ALCOHOL

There are always risks when alcohol is involved, which is why all provinces require establishments who sell and serve liquor to be licensed and to follow the licensing requirements.

All liquor service, sales, and manufacturing licensees undergo inspections in each province in order to ensure that they're in compliance with the provincial liquor regulations. Failure to meet the standards of these inspections can lead to a number of repercussions, ranging from education to cancellation of the license.

Liquor service is highly regulated for a number of reasons, including to ensure underage patrons are not served, to ensure intoxicated customers are not served, and to protect the serving establishment from situations that could arise from either of these situations.

Responsible Service Programs

They go by different names in each province, including Smart Choices in Manitoba, Smart Serve in Ontario, and Serve it Right in British Columbia, but they all have the same purpose. Most provinces have mandatory programs requiring all employees who serve or sell liquor, managers, and security personnel to complete an approved responsible service program. The programs, which have been available for many years, have evolved to address new concerns. For example Manitoba's new program, Smart Choices, now includes gambling. Restaurants should consider combining the provincial license and service program requirements into one cohesive written serving policy and train all of their staff to use it.

Businesses can face repercussions ranging from education to

cancellation of their liquor license

if they fail to meet the standards of the provincial liquor regulations.

05
CRIME

While restaurants are generally not what come to mind when one thinks of criminal activities, they aren't exempt from them. Liquor, meat, and money can all be stolen. Federated Insurance's internal claims data found that breaking and entering was the third most common claim for restaurants in Canada. The average loss was about $8,000, but the highest claim came in at over $90,000.* Could your bank account handle this type of loss?

So restaurant owners must take precautions. Federated Insurance offers insurance coverage that can help protect you from the costs associated with employee dishonesty, credit card forgery, and other types of theft by employees and others. The policies are designed to help you reduce the costs incurred if you are a victim of criminal activity. Federated Insurance also offers business interruption insurance, so that if an unexpected event like vandalism sidelines your operations, you may be able to collect the income you would have expected to generate were it not for the disruptive event.

But there are preventative actions that can be implemented as well. Location and overall crime rate in the area of the business play a large role and should be considered prior to opening a restaurant. However, no matter where you end up setting up shop, it's important to implement measures to prevent robbery, burglaries, and employee theft.

*Statistics are reflective of Federated Insurance's internal claims data from 2017.

Preventing Employee Theft

Here are some tips to help reduce or control employee theft:

Pre-employment screening: Consider background checks and references for any potential employees to make sure they have a clear background.

Theft prevention measures: Try to have systems in place to protect your valuable assets. This could include locks on freezers, liquor cabinets, or cash registers.

Improving job satisfaction: Make sure to foster a supportive work environment so that employees feel valued.

Apprehension and prosecution: Ensure that there are repercussions for employees caught stealing (e.g. firing or legal action) in order to dissuade others from trying something similar.

Assault Prevention

One of the top hazards faced by restaurant employees is assault during an armed robbery. Because of this, it's important to have measures in place to help prevent these situations from happening. The following are some tips to help reduce the risk of an incident:

- Make sure cash registers are not located near exits.
- Keep minimal amounts of cash in the registers (minimum cash floats).
- Publicize that minimal amounts of cash are kept on the premises.
- Keep the interior and exterior well lit.
- Keep the rear and side doors locked at all times and in compliance with life safety and fire code regulations.
- To prevent assault, have two employees dispose of trash at night.
- Remove posters and displays in the windows that obstruct the view into the premises.
- Instruct employees to notify police if criminal activity is observed outside the premises.

- Provide incident report forms and employee training on identification of a robber.
- Provide employees with robbery prevention training.
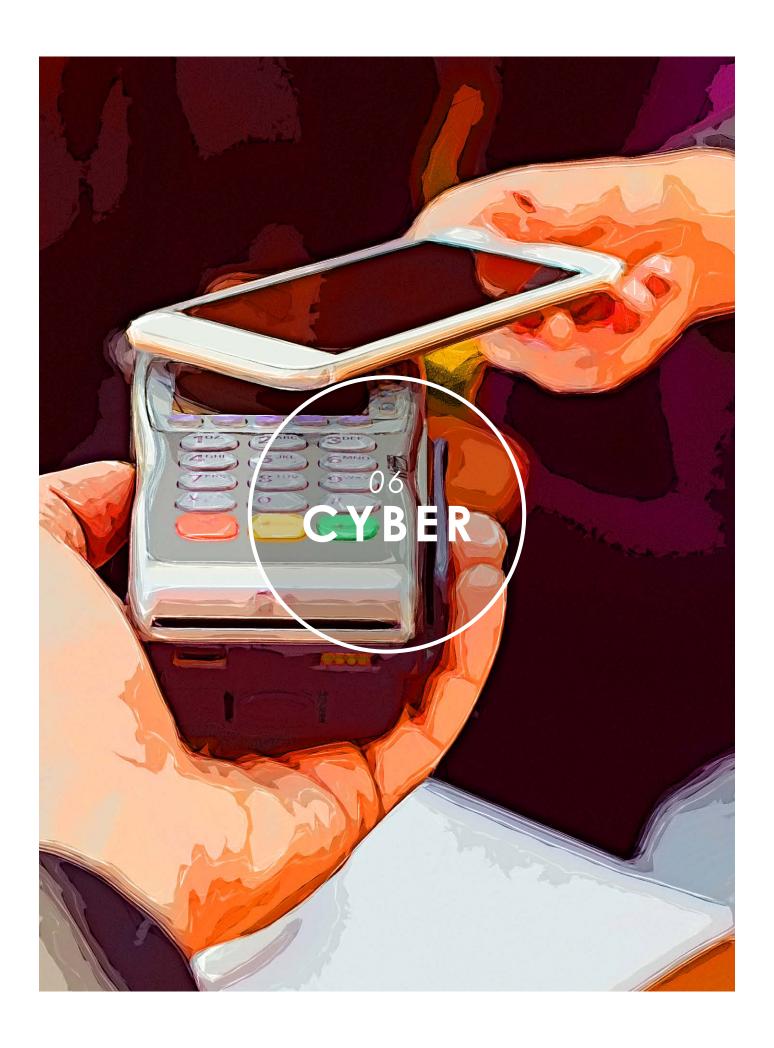
Burglary and Theft Prevention

The bad news is burglary and theft happen, and high-value protein (meat) is a particularly popular item for thieves. The good news is that there are things you can do to help prevent break and enters at your restaurant. For example, restaurant owners should make sure to protect their freezers from not just burglars, but also employee theft. Alcohol should also be secured, which is why liquor licenses require locked storage of liquor during non-business hours. Large wine cellars may need additional security precautions.

Aside from that, there are a number of methods one can employ to protect their restaurant. Here are some common building security measures:

Intrusion alarm: A monitored alarm system with door contacts, motion sensors, and glass breakage sensors strategically located on the premises will help to deter burglars. The system can be equipped with line security, such as a cell phone back-up system, to make sure it still works in the event the phone line is tampered with.

Physical barriers: Window and door bars or shutters are common methods to help prevent burglars from entering a building.

Surveillance cameras: Cameras can be a good deterrent against theft. Technological advances have improved the quality of the imagery and provided additional monitoring options, allowing the business owner to monitor the premises via the internet. In order to ensure the cameras are helpful though, good interior and exterior lighting is a must.

06
CYBER

As the world increasingly relies on technology, the restaurant industry has been too. It may no longer be enough to provide a nice environment and serve great food. Now, restaurateurs must tap into the digital age. But with that step, some risks present themselves.

Wi-Fi Guest Networks

Stand-alone guest network: In order to help ensure that guests cannot access your business network, guest networks must be stand-alone and should be professionally installed. You may also want to work with your providers to configure your routers and firewalls to block certain types of data on the guest network to protect your company's reputation.

Splash-page agreement: Consider listing your network access policies on a splash page that connecting guests must pass through before connecting to the network. Often these pages include a "click here to agree" button.

Guest passwords: Don't give out one password to everyone. Look for third-party services that automatically assign security keys on a per-user basis. Per-user, per-session keys make it easier to block a specific troublesome user with no interruption to everyone else.

Manage guest bandwidth consumption: You likely don't want guests downloading movies or large data files, as this could make the connection unusable for other guests and drive up your costs. Your provider can set up your network to manage guest bandwidth consumption.

Credentials expiration: Login credentials for guests should expire after a predefined period, such as every four hours or at the end of the workday. Credentials that don't expire often become a security hole, allowing unauthorized re-entry onto the network down the road.

Cyber Attacks

The restaurant industry processes millions of credit card transactions annually, and it's increasingly relying on new technologies and new business relationships, which could make it more susceptible to cyber attacks.

In order to enhance the customer experience and strengthen sales and operational efficiency, many restaurants are making technology changes to their businesses, such as enhancements to their point-of-sale systems, using new cloud-based technologies, and making connections to an ever-increasing number of third parties.

New business relationships and processes can create security gaps, alter access to sensitive data, or cause shifts in cyber risk liability exposures. And with the increased use of customer-facing technology, there are a greater number of access point vulnerabilities. All of these new developments make it harder to secure data.

Yet, according to a poll conducted by Federated Insurance on 300 small business owners, 77 per cent of owners surveyed did not have any coverage for data breaches and cyber attacks. And only a third of those polled felt confident that they had the financial resources to survive an attack that exposed their customer data, or a class action suit as a result of an attack.

While eliminating cyber risk in this ever-evolving environment is next to impossible, there are some steps that can be taken to help mitigate the risks. After all, a cyber attack could result in irreparable damage to customers, brand reputations, and operations. So avoiding one altogether should be a top priority.

The following are 10 cyber security tips:

1. *Train employees on security principles:* Set security policies for employees, including requiring strong passwords, and outlining appropriate Internet use guidelines. Establish rules surrounding how to handle and protect customer information and other vital data.

2. *Create a mobile device action plan:* Mobile devices can create security and management challenges, especially if they hold confidential information or can access the corporate network. Require users to password-protect their devices, encrypt their data, and install security apps to prevent criminals from stealing information while the phone is on public networks. Be sure to set reporting procedures for lost or stolen equipment.

3. *Passwords and authentication:* Check with your vendors that handle sensitive data, especially financial institutions, to see if they offer multi-factor authentication for your account.

4. *Limit employee access to data and information, limit authority to install software:* Employees should only be given access to the specific data systems that they need for their jobs.

5. *Make backup copies of important business data and information:* Regularly back up the data on all computers. Critical data may include word processing documents, electronic spreadsheets, databases, financial files, human resources files, and accounts receivable/payable files. Back up data automatically if possible, or at least weekly, and store the copies in a safe location, perhaps offsite or in the cloud.

6. *Control access to your computers and create user accounts for each employee:* Create separate user accounts for each employee and require strong passwords. Laptops can be particularly easy targets for theft, so lock them up when unattended. Administrative privileges should only be given to trusted IT staff and key personnel.

7. *Stay up to date with software:* Make sure to have the latest security software, web browser, and operating system, as this is one of the best defenses against viruses, malware, and other online threats. Also set antivirus software to run a scan after each update.

8. *Secure your Wi-Fi networks:* Make sure your Wi-Fi network is secure, encrypted, and hidden. To hide your Wi-Fi network, set up your wireless access point or router, so it doesn't broadcast the network name (also known as the Service Set Identifier, or SSID). Also make sure you password-protect any access to the router.

9. *Employ best practices on payment cards:* Work with banks or processors to ensure the most trusted and validated tools and anti-fraud services are being used. Don't use the same computer to process payments and surf the Internet.

10. *Provide firewall security for your Internet connection:* A firewall is a set of related programs that help to prevent outsiders from accessing data on a private network. If employees work from home, ensure that their home system is also protected by a firewall.

07

YOUR NEXT STEP

Taking precautions against these risks is a good first step. But insurance, whether it's commercial general liability, commercial property, or business interruption, can be a huge asset when dealing with risks. If you're worried about the cost, just remember that without insurance you could be paying much more in the long run, with the possibility of costly repair or replacement costs, or expensive lawsuits, fines, and settlement fees.

Federated Insurance offers flexible policies and even has programs in place to help you manage your risks before they lead to a claim. With Federated Insurance's risk services programs, we've developed exclusive services to help you protect your building and premises – a must in any business. Our Risk Services Specialists are available to help you create, implement and maintain a company risk services program, provide you and your employees with valuable risk services advice, and answer any questions you may have throughout the process.

Federated Insurance

Knowing
your business
matters.

To learn more
about our
offerings and how
we can help your
business achieve
its potential,
contact us today!

Federated Insurance
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Risk Management Assist
1.833.692.4112
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APPENDICES

Subcontractor Checklist

Federated Insurance

Job Details

_____
SUBCONTRACTOR

_____   _____
JOB   DATE

Coverage	YES	NO
Certificate of Insurance received from the subcontractor?	☐	☐

Work History	YES	NO
Have you identified at least three similar jobs this subcontractor has recently completed?	☐	☐
Have you verified the quality and timeliness of this subcontractor's work with owners and general contractors?	☐	☐
Do you feel that the subcontractor's employees can adequately perform the work?	☐	☐
Documentation	☐	☐

Claims History – Insurance & Protection	YES	NO
Does the subcontractor carry adequate liability insurance coverage?	☐	☐
Have you reviewed the subcontractor's claims history for the past three years as an indicator of workmanship?	☐	☐

Financial Stability	YES	NO
Have you verified the subcontractor's bonding line of credit (if applicable)?	☐	☐
Have you requested a Dun & Bradstreet, Equifax or other independent financial report on the subcontractor?	☐	☐

Notes

_____

_____

_____

_____

_____

Appendix B
Slip & Fall Incident Report

Federated Insurance

Property / Premises Owner or Tenant: _____

_____
LOCATION (INSIDE/OUTSIDE)

_____
REPORTED BY (NAME)

_____
POSITION

_____
PHONE NUMBER(S)

_____
TIME REPORTED   TIME OF INCIDENT

_____
DATE OF REPORTED   DATE OF INCIDENT

Incident and Injury Details

Injured person's physical description (e.g. height, build, age, hair colour, assistive devices, prominent physical limitations, etc.):

_____
_____
_____

Phone number: _____

Description of injury:

_____
_____

Incident description (use reverse for more detail):

_____
_____
_____
_____
_____

Additional Details

Type of footwear worn: _____

Weather conditions at the time of incident:

_____
_____

Witnesses

Name: _____

Address: _____

Phone: _____

Name: _____

Address: _____

Phone: _____

Injured Person's departure from the scene

☐ Unassisted   ☐ Public transit

☐ Ambulance   ☐ Other: _____

Attachments

Attach photographs of the incident site
Note: Photos help us to gather evidence and document the condition of the area at the time of the accident.

Name of photographer: _____

Date photographs taken: _____

Phone number(s): _____

Signature of incident reporter:

_____