A FULL PLATE AND A FULL BOOK OF BUSINESS:

An Agent’s Guide to Insuring Clients in the Food Services Industry
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An Introduction to Getting Restaurants, Caterers, and Bars Covered

Food service is an attractive industry for many entrepreneurs. Whether they want to open a five-star restaurant, the latest hipster dive bar, or a gourmet catering business, ownership seems like the perfect moneymaking blend of creativity and independence.

They’ve got it at least partly right. According to the latest data from the US Census Bureau, restaurants and taverns have seen substantial growth, including a...

• **18.4 percent** increase in sales.
• **17.4 percent** increase in annual payroll.
• **4.7 percent** increase in the number of establishments.
• **4.4 percent** increase in total employment.
The flipside is that the food service industry is rife with competition and regulations. Owners have a myriad of concerns, such as...

- Liquor liability.
- Health codes.
- Industry regulations.
- Customer safety.
- Point-of-sale data breaches.
- Employee accidents.

This eBook is designed to help you pinpoint your food service clients’ risk exposures. In it, you’ll find helpful hints for marketing all kinds of restaurant and bar risks. The best hint of all? Combine the tips you read here with the power of Insureon Solutions’ smart insurance technology for fast, accurate quotes from top-rated carriers. Let’s get started.

It’s a good time to write food businesses: the industry is growing by sales, payroll, number of establishments, and total employment.
Chapter 1

COVERAGE OVERVIEW FOR RESTAURANTS, BARS, FOOD TRUCKS, AND MORE
Chapter 1: Coverage Overview for Restaurants, Bars, Food Trucks, and More

When you sit down to a meal at your favorite restaurant, you’re actually witnessing a performance that could rival any show on Broadway. The front of the house experience is orchestrated to make every visit memorable. Whether you’re dining on oysters and caviar or burgers and fries, the owner wants you to feel relaxed and welcomed.

The back of the house is another story. With pots banging and servers shouting, the kitchen can seem chaotic and unsettling. In truth, it’s not. It’s just as thoughtfully composed as the dining area – probably even more so because of the inherent risks involved.

No matter how much effort a restaurant owner puts into protecting their employees and customers, accidents happen. Even five-star restaurants have to worry about...

- Kitchen fires.
- Sharp knives.
- Slips and falls.
- Foodborne illnesses.
Looking at that list, it’s easy to assume we know all the perils a restaurant owner faces because we all have our own kitchen misadventures. But as a business owner, a restaurateur has even more concerns, such as...

- Employee misclassifications.
- Supplier mishaps.
- Food spoilage.
- Sewer backups.
- Employee theft.
- Inebriated customers.
- Point-of-sale data breaches.

Let’s take a look at some of the basics for getting your food service client the commercial coverage that best suits their risks.

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### What Insurance Policies Do Restaurants Need?

Whether your client owns a coffee shop or a pizzeria, they need some fundamental business insurance to get them started. Many of their exposures can be addressed by...

- **General Liability Insurance**, which pays for their defense when a third party (e.g., a patron) sues over bodily injuries and property damage. Some policies also cover advertising injuries, such as lawsuits over copyright infringements.

- **Property Insurance**, which pays to replace or repair damaged equipment, inventory, or restaurant space.

- **Umbrella Insurance**, which supplements coverage when certain underlying liability policies have reached their limits.

- **Workers’ Compensation Insurance**, which reimburses employees who are injured on the job.

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Food business risks include...  
- liquor liability  
- food spoilage  
- data breaches  
- premises liability
Additionally, restaurant owners can often get their General Liability and Property Insurance bundled into a Business Owner’s Policy (BOP), which is more cost-effective than buying each policy individually.

While those policies may cover the basics, the where, when, what, and how of each food service operation impacts its insurance needs. For example, consider the unique exposures of a food truck, catering service, banquet hall, or nightclub. Clients in these professions might also need...

- **Commercial Auto Insurance** to protect their business-owned vehicles.

- **Inland Marine Insurance** to cover their equipment in transit.

- **Liquor Liability Insurance** to pay for legal expenses when an over-served patron wreaks havoc on the community and the client is held accountable.

These policies represent the coverages most restaurant and bar owners need to protect their business assets. You’ll still need to investigate each business to determine what other policies it needs.
How Much Does Restaurant Insurance Cost?

A number of factors impact the cost of restaurant insurance, such as...

- Total revenue.
- Size of the establishment.
- Type of service provided.
- Percentage of alcohol sold.
- Number of employees.
- Claims history.

Take, for example, a small restaurant’s Liquor Liability policy. Generally, the premium can range from $386 to $2,780. A bar or tavern may pay significantly more, with premiums running from $966 to $3,360 because of the higher percentage of alcohol sales on their receipts.

Restaurants of all kinds also share some safety requirements that, when missing, can make it next to impossible for them to get quality Property Insurance. These include...

- Central alarm systems.
- Lead-free pipes and paint.
- Industry-compliant lighting for stairs, entrances, and parking lots.
- Secondary exits.
- Ventilation systems that meet UL-300 and NFPA 96 guidelines.

Making sure your client knows about these preconditions can help them find affordable Property Insurance.

Lastly, let’s discuss wait staff and Workers’ Compensation. Many restaurant owners try to save money by classifying their servers as independent contractors. This can be a risky choice because the US Department of Labor has been cracking down on misclassifications. You can help your client comply with the Fair Labor Standards Act by reviewing the “Am I an Employee?” fact sheet.
Chapter 2

WHAT AGENTS NEED TO KNOW ABOUT INSURANCE FOR THE FOOD SERVICES INDUSTRY
Chapter 2: What Agents Need to Know about Insurance for the Food Services Industry

Fine dining or family-friendly? Food vendor or food truck? Coffeehouse, doughnut shop, or diner? The variety of businesses in the food services industry could make your head spin – and we haven’t even begun to list bars, taverns, and nightclubs.

Don’t let the diversity scare you off. Food service is a vital industry that can be a growth opportunity for your insurance agency. Just look at the stats from the National Restaurant Association:

- The United States boasts 990,000 restaurants.
- Restaurants employ 13.5 million people.
- 90 percent have 50 or fewer employees.
- 70 percent are single-unit operations.

As an insurance agent, you already know that every client has risk exposures. This section will help you identify the risks specific to your food service clients’ particular profession. Explore this section to answer questions like...

- How can my client mitigate their Property Insurance risks?
- Is a mobile food truck considered a concessionaire?
- Does a caterer need General Liability Insurance?
- Should wait staff be classified as employees or independent contractors?
- Can restaurants qualify for a Business Owner’s Policy?

The sooner you start, the sooner you can start marketing restaurant risks with confidence. To help guide you, let’s take a look at specific concerns for each part of the food service industry, starting with bakeries.

The US has more than 990,000 restaurants.
Chapter 3

BAKERIES
Chapter 3: Bakeries

Can you imagine a birthday party without birthday cake? Or your morning commute without your morning doughnut? A sweet treat makes everything better, so no matter how many people claim they follow a strict paleo diet, we aren’t going to see the demise of the corner bakery any time soon.

According to the Bureau of Labor Statistics, commercial and retail bakers accounted for 167,700 jobs in 2012, and the BLS expects the industry add another 9,400 jobs by 2018. Do you know how to market a baker’s risk should one of them come knocking on your door? Read on to learn how to address a baker’s insurance needs.
Insurance Questions for Bakers

Sometimes a client’s exposures are obvious. Customers enter the bakery, which opens the door for General Liability claims. There are kitchen appliances to protect, which calls for Property Insurance. But every business is unique, so risks may vary. To help you assess your client’s specific risks, ask the following questions:

1. Does your property meet industry standards?
   Safety concerns for food service clients are paramount. Some insurers will not cover bakeries when they fall short, so check if your client has...
   - Lead-free pipes and paint. The older the building is, the more likely it has lead paint or pipes.
   - A secondary exit. A bakery with only one exit increases its liability in the event of a fire.
   - Well-lit entrances, stairways, walkways, or parking lots. Most states have guidelines for properly lighting a commercial property.
   - A central alarm system. A local alarm is good, but a central alarm is better.

2. Do you sell gluten-free or other allergen-friendly products? Food allergies can cause serious or fatal reactions in consumers. A baker who serves nut-free baked goods needs to protect themselves in case they make a mistake.
   - Look for General Liability that includes Products and Completed Operations coverage.
   - Another option is Errors and Omissions Insurance. E&O may cover your client’s professional liability when a customer makes a negligence claim.

- Fire-preventative kitchen ventilation systems. Top-rated carriers tend to avoid bakeries when their kitchens don’t meet UL-300 and NFPA 96 criteria. If they choose to insure a bakery that doesn’t comply, the premium is typically much steeper.
3. Do you accept credit cards? A baker who accepts credit cards may expose their business to point of service (POS) data breaches.

- According to Verizon’s 2014 Data Breach Investigation Report, POS attacks are an issue for small- and medium-sized businesses. Their systems are usually less protected.
- Suggest your client purchase Cyber Liability coverage.

4. Do you or your employees make deliveries? If so, the cars, vans, and trucks need to be covered.

- Business-owned vehicles require Commercial Auto Insurance.
- If your client uses a personal vehicle for deliveries, they may still need Commercial Auto.
- If a client’s employees use personal vehicles to run business errands, your client may need to add Hired & Non-Owned Auto coverage.

5. What safety procedures do you have in place? Avoiding workplace accidents is an important part of mitigating risk. Here are some exposures to be aware of:

- With the heavy lifting and hot stoves, bakers suffer more job-related injuries than other professions. Good safety training won’t make Workers’ Compensation Insurance unnecessary, but it can minimize its use.
- Teenage employees suffer a higher proportion of on-the-job injuries. Encourage your client to pay particular attention to younger employees.

By 2018, there will be 177,100 bakeries in the US.
Bakery Classifications

In essence, there are two types of bakeries: commercial and retail. Commercial bakers use high-volume baking equipment to mass produce standardized goods. Retail bakers generally prepare baked goods on a smaller scale using restaurant-quality kitchen appliances. They may work in...

- Grocery stores.
- Specialty shops.
- Neighborhood bakeries.
- Panaderías.

That seems simple enough, but the NAICS codes can cause some consternation. Let’s start with commercial bakeries. Depending on what your client makes, they may actually be classified as a food manufacturer, especially if they produce...

- Frozen pies or cakes.
- Cookies.
- Crackers.
- Pretzels.

Additionally, some clients may call themselves a bakery when they are really a distributor. In that case, fall back on the definition of commercial baker to determine their classification.

As for retail bakeries, the NAICS differentiates between establishments where the baked goods are consumed on the premises from places where they aren’t. Chances are this difference will not have a major impact on their rate.

Bakeries that produce frozen items might be food manufacturers.
**Finding Bakery Insurance**

Most bakers need the basics when it comes to commercial insurance. Start by suggesting...

- **General Liability Insurance**, which protects them when a customer or vendor sues over bodily injuries, property damage, or advertising injuries.

- **Property Insurance**, which reimburses your client for destroyed or damaged equipment, space, and inventory.

- **Workers’ Compensation Insurance**, which covers medical expenses and replacement wages when employees are hurt at work.

- **Commercial Auto / Hired & Non-Owned Auto Insurance**, which safeguards the vehicles the bakery uses.

- **Cyber Liability Insurance**, which helps bakers recover after a security breach.

- **Professional Liability Insurance** (aka E&O Insurance), which pays for legal expenses when a customer sues over negligence.

- **Umbrella Insurance**, which supplements underlying liability policies when their limits have been reached.

Lots of bakeries qualify for a Business Owner’s Policy (BOP). Insurers bundle GL and Property Insurance into a BOP to cut costs for small businesses. Some coverages, such as Commercial Auto and Cyber Liability, can be added to a BOP to maximize convenience.
Chapter 4

BANQUET HALLS
Chapter 4: Banquet Halls

Back in the early 2000s, before the Great Recession, extravagant parties were America’s great pastime. Just think back to guilty pleasure of reality TV shows that covered lavish weddings and over-the-top sweet sixteen parties, and the era’s attitude becomes crystal clear.

The economic downturn may have slowed spending, but it didn’t stop people from getting married, having birthdays, or celebrating graduations. And now that things are looking up, banquet halls and catering businesses are set to reap the benefits.

According to the US Census Bureau, 2012 was a good year for caterers. The industry saw a...

- **3.2 percent** increase in sales per establishment.
- **3.7 percent** increase in annual payroll.
- **6.1 percent** rise in total employment.

As the economy continues to improve, the banquet hall industry could be a growth opportunity for your agency. Read on to learn some of insurance needs for reception and banquet halls.
Questions to Ask a Banquet Hall Owner

No two banquet halls are alike. One may be a free-standing facility, while another might operate out of a historic home or sports arena. Some might offer in-house event planning services or equipment rentals, while others might require outside assistance from a list of approved vendors.

This makes for some unique exposures. To learn about your client’s risks, ask the following questions:

1. **Do you require vendors to carry liability insurance?**
   
   If something goes wrong with an uninsured caterer, entertainer, or other vendor, your client could end up footing the bill. That’s why...
   
   - Banquet hall owners should only sign contracts with vendors who can prove they have General Liability Insurance.
   
   - Banquet halls should have a copy of their vendor’s Certificate of Liability Insurance (COLI) on file with the written contract.
   
   - If you client doesn’t use written contracts, you should encourage them to change that practice. Written contracts with a clause regarding liability insurance can help minimize lawsuits.

2. **Do you serve alcohol or allow alcohol to be served?** Booze might make the party a hit, but it can also increase a banquet hall’s liabilities. Here are some considerations:
   
   - Banquet halls that serve or allow vendors to serve alcohol need Liquor Liability coverage in case an over-served guest harms others.
   
   - Help your client develop guidelines for serving alcohol, such as carding all guests, making last call before the end of the party, and having taxi company phone numbers on hand for inebriated patrons.
   
   - Liquor Liability Insurance doesn’t always appear on a COLI. Your client should request proof of a vendor’s Liquor Liability and keep it on file.
3. Do you accept credit cards? Electronic payment exposes small businesses and their clients to cyber crime.

- Banquet halls may store credit card information during the party planning process. Whether this is done digitally or manually, that information needs to be secured.

- Encourage your client to purchase Cyber Liability Insurance to help them cover the cost of a data breach.

4. How many employees do you have? The number of employees and their specific roles impact state-mandated Workers’ Compensation Insurance rates. Here are some things to keep in mind:

- Check state laws. Some let business owners opt out of Workers’ Compensation for themselves. This might be a good way for your client to minimize their costs, especially if they have minimal exposure to physical harm.

- Check employee classifications. Kitchen workers, servers, and bartenders might face more physical risks (which is reflected in the cost of their coverage), but employees who spend their days doing office work may cost less to insure.

Save money on Workers’ Comp by classifying employees right.
Banquet Hall Classification

Banquet and reception halls with catering staffs are generally classified as “caterers” in the NAICS, which means they are defined as single, event-based food services. This makes them distinct from food services based on an ongoing contract, such as a company that prepares food for an institution or commercial location.

But what about the banquet hall that is just that – a banquet hall and nothing more? When a client says they are a banquet hall but provide no staff, they are classified as a “lessor of nonresidential buildings.” That classification most likely affects their insurance rates, but they probably still need General Liability and Liquor Liability coverage. Even if your client isn’t pouring the drinks, they open themselves up to lawsuits when they provide the space for the event and alcohol consumption.
Insurance Policies for Banquet Halls

Having sufficient insurance means your client can let the good times roll, confident that their assets are protected. Most banquet halls should consider carrying...

- **General Liability Insurance.** The party’s just getting started when a server whacks the host with a heavy tray, knocking them flat. That’s when General Liability kicks in, paying for immediate medical attention, subsequent doctor bills, and the cost of legal defense if the host decides to sue.

- **Property Insurance.** Things are moving along nicely when a grease fire causes damage in the kitchen. Your client’s Property Insurance pays for repairs to the walls and any replacement equipment.

- **Liquor Liability Insurance.** Now the bartender has accidentally given grandma one too many brandies, and she’s getting a little lippy with a guest from another event. After your client breaks up the fight, they can relax, knowing that their Liquor Liability covers their attorney fees.

- **Inland Marine Insurance.** Inland Marine is an option for banquet halls that have moveable or expensive items beyond the normal pots and pans covered by Property Insurance. So if an expensive replica of Michelangelo’s David gets knocked over during grandma’s brawl, Inland Marine can pay to replace it.

- **Workers’ Compensation Insurance.** The bartender who breaks up the fight gets her nose broken for her troubles. Workers’ Comp pays for her medical bills and lost wages while she recuperates.

- **Cyber Liability Insurance.** While grandma is cooling her heels in the manager’s office, she manages to hack into the banquet hall’s computer system. Cyber Liability helps the banquet hall alert victims and manage the negative press.

- **Umbrella Insurance.** After the party, everybody’s suing everybody. When your client’s General Liability limits are exhausted, Umbrella Insurance covers the excess.

Despite the examples above, banquet halls are generally low-risk businesses, so they may qualify for a Business Owner’s Policy (BOP), which combines GL and Commercial Property together at a lower rate than usual. Contact us to see if your client meets the criteria.
Chapter 5

BARS and TAVERNS
Chapter 5: Bars and Taverns

Owning a lounge seems like a glamorous occupation. You get to hobnob with the glitterati as they sip specialty cocktails and luxuriate in style. Or maybe a bar or tavern is more your scene, serving cold beer and Buffalo wings to a bunch of good-time Charlies.

But ask any bar owner and they’ll tell you that in reality, their job is more blood, sweat, and tears than an all-night party. Competition among taverns and lounges is intense, which is probably why the 2012 Census showed an 11 percent decrease in the number of drinking establishments in the United States.

Despite the decrease in numbers, bars and taverns have shown signs of recovery since the Great Recession. According to the SBDC National Clearinghouse, the industry boasts...

- **45,000** establishments nationwide.
- **$20 billion** in annual revenue.
- **3.5 percent** increase in revenue in 2011.

The bar industry is rich with opportunities for an enterprising insurance agent – especially considering the liability that comes with serving booze. Read on to make sure you are prepared to market this risk.
Questions to Ask Bar and Tavern Owners

From dive bar to swanky nightclub to public house, the variety of drinking establishments is astounding. And each one presents different exposures that require some investigating. Use these questions to start unearthing your client’s particular exposures:

1. **Do you serve food?** This is probably one of the first questions to ask because the answer affects their Liquor Liability Insurance. Here are some takeaways:
   
   - The higher the percentage of alcohol sold, the greater the liquor liability exposure for the establishment.
   - Expensive wines, beers, and liquor can increase the percentage of alcohol on the receipts without increasing the liability, so compare the percentage of alcohol sold to the average cost.
   - Free or inexpensive appetizers can help patrons absorb alcohol, which can reduce the risk of liquor-related accidents.

2. **What safety procedures do you have in place?**
   Bars and taverns need to be proactive in dealing with potentially drunken customers. Here are some suggestions:
   
   - Advise your clients to complete an alcohol-serving certification program such as TIPS to help minimize the chance of over-serving and liquor liability lawsuits.
   - Recommend that bar owners card every customer, create official protocol for dealing with drunken guests, and give last call before the bar closes.

3. **How many employees do you have?** The number of employees impacts your client’s Workers’ Compensation Insurance needs and rates.
   
   - Workers’ Comp is mandatory just about everywhere, but some states let sole proprietors opt out of covering themselves, which can save your client money.
   - Bouncers, bartenders, and servers are typically on the front lines when things go south, but your client might also have accountants or marketers on staff. Classify those employees correctly to help control insurance costs.
4. **Is your facility up to industry standards?** Falling short on certain requirements can make a bar or tavern’s risk difficult to place.

   - Bars and nightclubs need secondary exits, lead-free pipes and paint, and well-lit stairs, walkways, parking lots, and entrances.
   - If there is a kitchen, it needs to have fire-preventative ventilation systems.

**Bar and Tavern Classifications**

The [NAICS](https://www.census.gov/naics/) categorizes bars, taverns, cocktail lounges, and nightclubs as “drinking places.” While these establishments may offer limited food services, their primary business is selling alcohol for immediate consumption on the premises. This eliminates places that...

   - Retail packaged alcoholic beverages.
   - Are civic or social organizations.
   - Primarily focus on serving food.

As you already know, these lines can be blurry and each provider has its own codes. Use this as a guide for getting started.

**Insurance for Bars and Taverns**

Honky-tonk or hot spot, your client’s watering hole needs insurance. Some of the most important policies are...

- **General Liability Insurance.** What happens when a patron breaks their leg after slipping on spilled beer? Sometimes a lawsuit. That’s why your client needs General Liability coverage.

- **Liquor Liability Insurance.** Any business that sells alcohol needs Liquor Liability coverage in case their over-served customer hurts an innocent party. Please note: many carriers place sublimits on Assault and Battery coverage. You need to check these to make sure there is no gap in coverage.

- **Property Insurance.** Bar equipment costs a pretty penny. Property Insurance helps pay to repair or replace it if it is damaged in a fire or other covered event.
• **Workers’ Compensation Insurance.** When a bar-back strains their groin lifting cases of beer, Workers’ Comp helps cover the cost of their medical bills and lost wages.

• **Errors & Omissions Insurance.** Also called E&O, Errors and Omissions steps in when your client is sued over negligence. This exposure is typically low for bars and taverns, and the coverage can usually be bundled with a Business Owner’s Policy (BOP).

• **Business Owner’s Policy.** A BOP bundles GL and Property Insurance together at a reduced rate for low-risk businesses.

The ins and outs of writing bar risks can make you feel as though you’ve had one too many. If you’re feeling befuddled, [contact an Insureon Solutions representative](mailto:contact@insureon.com) for more guidance.
Chapter 6

CATERERS
Chapter 6: Caterers

Picture an elegant soiree. Servers present trays of delectable appetizers to a crowd of stylishly dressed men and women. Bartenders pour craft cocktails for guests to enjoy. Everything is orchestrated to give an air of easy sophistication.

Easy, however, it is not. Ask any caterer, and they’ll tell you this kind of party – actually, any kind of party – takes weeks of preparation and minute attention to detail. It’s a lot of hard work to make someone else’s day special, but it’s also a lucrative profession. According to the latest US Census, there are more than 10,000 catering businesses that made $7.5 million in sales in 2012. That number represents a 3.2 percent increase compared to the 2007 report.

As the overall economy continues to improve, more people will have the disposable income required to host celebrations of all kinds. In turn, this should prompt more cooks, food service managers, and entrepreneurs to offer catering services. Are you ready for them?

Read on to learn more about the risks caterers face.
Questions to Ask a Caterer

Finding adequate insurance for a catering business can be tricky. Not only do caterers take the liability of serving food to consumers, but some also...

- Travel to different venues.
- Sell liquor.
- Hire employees.
- Work out of their homes.

Start investigating catering risk by asking your client the following questions:

1. **Do you operate your business from your home?**  
   Many catering businesses start in someone’s home. If that’s true for your client, they should know that...
   - Homeowner’s Insurance seldom covers business assets or work-related liabilities.
   - A Business Owner’s Policy (BOP) often provides the fundamental commercial coverage a small home-based catering business needs.

2. **Does your business own catering trucks or vans?**  
   Many caterers travel to multiple venues to deliver their services. Here are some considerations:
   - Check your client’s personal auto policy if they drive their own car or van for business. It seldom covers work trips.
   - Commercial Auto can be added to some General Liability policies, or it can be purchased on its own.
   - Inland Marine Insurance protects equipment, such as food warmers and chafing dishes, while it’s in transit.

3. **Do you serve alcohol?**  
   Lawsuits stemming from alcohol service are very costly.
   - Caterers who offer bar service need Liquor Liability Insurance.
   - Encourage your client to establish strict protocols for liquor service. These may include checking identification, making last call before the end of the party, and establishing procedures for cutting off inebriated guests.
4. **Do your venues require liability insurance?** Most will, and what they require may exceed your client’s General Liability limits. Here are some ways to address these requirements:

  o Suggest an Umbrella Liability policy for your client. It’s usually the most cost-effective way to supplement GL and other liability policy limits.

  o Make sure your client has their COLI as soon as possible. They’ll need it when they want to sign contracts with venues.

5. **How many employees do you have?** The number of employees impacts their Workers’ Compensation Insurance rates. Here are some key concerns:

  o Workers’ Compensation is mandatory in most states, but sometimes, sole proprietors can opt out of coverage for themselves. This can help keep insurance costs down.

  o Some caterers classify their employees as 1099 employees, or independent contractors, as a way to save money. However, the IRS and the US Department of Labor are cracking down on misclassification, and the fines are significant. Help your client correctly classify their workers by reviewing information from the [IRS’s guide to independent contractors](https://www.irs.gov/individuals/article/0,,id=234917,00.html).

  o Teenage employees suffer a disproportionate number of injuries in the food service industry. Encourage your client to closely supervise any teenagers on staff.

6. **Do you accept credit cards?** Credit cards expose small businesses up to the risk of data breaches.


  o Cyber Liability Insurance helps caterers cover the cost of recovering from a data breach.

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**Misclassifying workers can mean fines from the Workers’ Comp board, the DOL, and the IRS.**
7. What kinds of foods do you prepare? The foods a caterer regularly offers can impact their insurance rates.

- Some preparations, like those requiring open flame or deep-frying, may add to a caterer’s risk.
- If your client offers allergy-friendly options, they need coverage in case someone makes a mistake. Guide them toward a GL policy that has Product Liability coverage or an Errors and Omissions policy.

Catering Classifications

According to the NAICS, there are actually two kinds of catering businesses. The first is what most people probably think of as a caterer. These are the independent caterers and banquet halls that provide food for a single event, such as…

- Weddings.
- Bar or bat mitzvahs.
- Graduation parties.
- Retirement parties.

Caterers transport food to different venues. Banquet halls are the venue and have catering staff available for customers.

The second type of catering business is industrial caterers. These caterers provide services for institutional, governmental, commercial, and industrial locations on a contractual basis. For example, you might find an industrial caterer in a…

- Hospital cafeteria.
- Sports arena.
- Convention facility.
- Prison cafeteria.

In addition to these, many restaurants offer catering to bump up their revenue. This won’t necessarily change their classification, but it may increase how much insurance they need, so be sure to ask.

There are 2 NAICS classifications for caterers: single-event and industrial
Insurance Policies for a Catering Business

Caterers need a full array of commercial insurance coverages, plus some products to cover their unique exposures. Point your catering client toward...

• General Liability Insurance to cover the cost of a lawsuit over third-party bodily injuries, property damages, or advertising injuries.

• Property Insurance to repair or replace commercial equipment or office space damaged by fire, windstorm, theft, or vandalism.

• Liquor Liability Insurance to protect them when an inebriated guest causes trouble for another individual and your client is held responsible.

• Commercial Auto Insurance to cover their business-owned catering trucks and vans against damage or theft.

• Umbrella Liability Insurance to supplement coverage for certain liability policies.

• Workers’ Compensation Insurance to cover medical expenses and replacement wages when employees are injured on the job.

• Inland Marine Insurance to protect your client’s property in transit.

• Cyber Liability Insurance to cover data breach recovery expenses, such as notification costs, PR campaigns, and security patches.

Catering insurance is a top class for Insureon Solutions. Contact a representative for more guidance on marketing this risk.
Chapter 7

COFFEE SHOPS and CAFÉS
Chapter 7: Coffee Shops and Cafés

These days, everybody needs a caffeine fix. Whether they’re ordering a double tall, nonfat, no whip mocha latte with a caramel drizzle or just a regular cup of joe, 183 million Americans are coffee drinkers. If that number isn’t enough evidence of java’s popularity, then consider these 2012 statistics from the National Information Clearinghouse of the Small Business Administration:

- **75 percent** of all US adults drink coffee.
- **58 percent** of all US adults report drinking coffee every day.
- US adults spend **$18.7 billion** on coffee and tea.

In 2012, the United States boasted approximately 20,000 coffee shops – and not all of them were Starbucks, either. Brave entrepreneurs are opening more and more coffee shops to satisfy our insatiable caffeine cravings. Are you ready to market their risk? Read on to learn some key considerations when finding their coverage.
Questions to Ask Coffee Shop and Café Owners

Walk a block or two in any direction in most American cities, and you will probably run into a café or coffee shop – and all of them have exposures that require insurance. Here are some questions that can help you figure out your client’s unique risks:

1. **How many employees do you have?** The number of employees a business has impacts their risks and insurance needs.
   - Check state laws about Workers’ Compensation. It’s mandatory in most states, but some requirements only kick in when a business has a certain number of employees. Some states also allow owners to opt out of coverage for themselves.
   - Ask if your client employs teenagers. Teens suffer a disproportionate number of injuries and need closer supervision. Send your client to the OSHA Youth Worker Restaurant Safety eTool for more information.

2. **What safety procedures do you have in place?**
   Though the specific procedures may not directly affect insurance rates, they can make claims less likely, which can help keep your client’s rates low over time. Consider the following:
   - Temperatures for hot beverages, typically between 160 and 180 degrees Fahrenheit, can scald a consumer. Encourage your client to find ways to protect their customers.
   - Even a small café needs to follow state safety regulations. This may mean having a secondary exit, central alarm system, and well-lit entrances and parking lots.

75% of American adults drink coffee.
3. **Do you accept credit cards?** Credit cards usually involve a point of service (POS) system, and that opens cafés up to cyber attacks. Here are some things to keep in mind:

   o According to [Verizon’s 2014 Data Breach Investigation Report](#), cyber thieves are more likely to target small businesses.

   o Cyber Liability Insurance helps your client pay for recovery costs associated with a POS breach.

4. **Do you sell any allergen-friendly foods?** Some coffee shops bake their own foods, and others sell the products of nearby bakeries. Either way, an owner needs protection in case a patron has an allergic reaction to the goods they sell.

   o Many General Liability policies include Products and Completed Operations coverage. This may be a good choice for a coffee shop that could face product liability claims.

   o Another choice is Errors and Omissions Insurance, which covers lawsuits over professional negligence.

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**Coffee Shop and Café Classification**

Whether or not a business is a coffee shop depends on the focus of its business. If your client’s revenue is primarily generated by brewing coffee on site, then they are most likely a coffee shop or café. As far as the [NAICS](#) is concerned, that makes them part of the “Snack and Nonalcoholic Beverage Bars” category. This is true even if they offer baked goods or other foods.

Classification can get murkier as coffee shops try to develop their niche. Some establishments may call themselves a coffee shop or café, but they might have a kitchen and wait staff that serves a limited menu. A few may offer wine and beer in the afternoon or late evening. These choices can have a major impact on their classification and their rates, so investigate them thoroughly.
Insurance Options for Coffee Shops and Cafés

Once you’ve dug through a café’s business practices, you can start figuring out its coverage needs. Most coffee shops and cafés need basic commercial insurance, such as...

- **General Liability Insurance**, which protects them when a customer or vendor sues over slip-and-fall injuries or property damage.
- **Property Insurance**, which reimburses them for damaged coffee roasters and espresso machines.
- **Workers’ Comp Insurance**, which pays employee medical bills when they’re injured on the job.
- **Errors & Omissions Insurance**, which funds legal expenses in case a customer sues over negligence.
- **Cyber Liability Insurance**, which covers the cost of notifying customers and repairing public relations after a data breach.

Finally, many coffee shops have fewer risks than businesses in other industries. Usually, that means they can get GL and Property Insurance through a Business Owner’s Policy. Also called a BOP, this policy is a less expensive way to get foundational commercial insurance.
Chapter 8

FOOD VENDORS
Chapter 8: Food Vendors

Arguably, the best part of any street fest, art fair, or carnival is the food. Whether fairgoers are on the hunt for deep-fried Twinkies or a turkey leg on a stick, there is probably a food vendor on site that can provide it. But concessionaires are in more places than you might think. For example, this class includes...

• Coffee carts in an office building.
• Kiosks in a mall.
• Popcorn carts on a street corner.

With all the possibilities, it’s little wonder that the US Census noted substantial growth for the mobile food service industry in its latest report. There was a...

• 52 percent increase in the number of establishments.
• 31 percent increase in sales.
• 36 percent increase in total employment.

Getting a food vendor insured isn’t as simple as recommending a General Liability policy and watching the residuals pour in. Read on to learn more about food vendor insurance.
Questions to Ask a Food Vendor

The who, what, and where of any business affects its insurance, and in some ways, this is especially true for food vendors. The following are some questions you’ll want to ask concessionaires so you can properly assess their risk.

1. What type of food do you sell? The food a vendor offers can impact their insurance needs and rates. Here are a few things to keep in mind:
   - Certain preparation techniques, such as deep-frying, are inherently more risky.
   - Prepackaged foods present lower spoilage risk and are sometimes required.
   - If a vendor claims their food is allergy-friendly, they should be sure their General Liability includes Product Liability coverage. They should also purchase an Errors & Omissions policy.

2. Is your business seasonal? The winter holidays and the summer months are a goldmine for some vendors who work the entire season and lie dormant for the rest of the year. If this is true for your client, be aware that...
   - Year-round coverage is usually preferable to dropping coverage when the season ends. Stopping and starting coverage is a red flag for most insurance providers.
   - Some insurers might help your client make the most of their payments during their busy months.

Discourage seasonal business clients from stopping and starting coverage, which is a red flag for insurance carriers.
3. **What types of events and venues do you attend?**
   Some events and locations present more exposures. For example...
   
   - Most municipalities have regulations for temporary food establishments. These may cover health, sanitation, and the physical design of the booth.
   - Exposure to the elements in an outdoor event increases the risks for food vendors.
   - Events that draw a more raucous crowd increase risks for food vendors.

4. **What coverages do your venues require?** Food vendors sometimes assume the venue covers their liability, but this isn’t usually the case. Here are some pointers:
   
   - Most venues require food vendors to have their own liability coverage. Rather than waiting until they need it, get your client their Certificate of Liability Insurance immediately.
   - Encourage your client to consider an Umbrella or Excess Liability policy. These policies can supplement coverage when the underlying liability policy’s limits have been reached. This helps your client meet their contract’s insurance requirements without adding significantly to their overall costs.

5. **How do you transport your food and equipment?**
   If your client uses a trailer to haul their wares, they may be exposed and not know it. Here’s why:
   
   - Many concessionaires assume their personal auto policy covers their trailer and the equipment it tows, but most policies exclude coverage for business use.
   - Some personal auto policies also place limits on the length of trailers.
   - Check your client’s personal auto policy, and suggest a Commercial Auto policy if they don’t have adequate coverage.

6. **How many employees do you have?**
   The number of employees affects Workers’ Compensation Insurance needs and costs.
   
   - In some states, owners and sole proprietors can opt out of covering themselves with Workers’ Compensation. This can be a smart money move if the risk of injury is relatively low.
   - Teenage employees suffer a disproportionate number of work injuries. Food vendors should closely supervise these employees and possibly limit their access to hazardous equipment.
Food Vendor Classification

The NAICS code for mobile food services lists a number of food vendors, including...

- Street vendors.
- Mobile snack stands.

As long as the business sells food for immediate consumption from some sort of temporary or moveable structure, it can be classified as a food vendor.

There is one major exception to this guideline: food trucks. Food trucks present some unique insurance challenges and are usually a separate classification. Jump to “Identifying Risk for Food Trucks” to learn more.

Insurance for Food Vendors

Food vendors may need the following policies:

- **General Liability** Insurance to cover the cost of third-party lawsuits over bodily injuries, property damage, and advertising injuries.
- **Property Insurance** to pay for repairs when their equipment is damaged.
- **Errors & Omissions Insurance** to cover legal costs when a customer claims the vendor was negligent.
- **Umbrella Insurance** to supplement the coverage offered by certain liability policies.

Food vendors can often qualify for a Business Owner’s Policy or BOP. A BOP bundles GL and Commercial Property Insurance into a single package, offering your client both convenience and savings. Contact an Insureon Solutions representative to learn more.

Food trucks do NOT fall into the NAICS “mobile food services” category.
Chapter 9

DELI and SANDWICH SHOPS
Chapter 9: Deli and Sandwich Shops

Independent delicatessens and sandwich shops had a rough couple of years. The combination of the recession and the influx of big-chain competitors created a nearly perfect storm to drive many delis out of business.

But some industry experts predict a renaissance for specialty food eateries – delicatessens included. According to the National Restaurant Association, more entrepreneurs might open hip, new delis that cater to consumers’ interest in...

- Authentic ethnic flavors.
- Artisan foods, especially meats and cheeses.
- Fresh, natural ingredients.
- Minimally processed foods.

Delicatessens, whether gourmet or neighborhood stalwart, have exposures unique to their business practices. Let’s take a look at how to market this risk.
Questions to Ask Deli or Sandwich Shop Owners

You might start learning about your client’s restaurant by checking out their menu, but that’s only going to show you the tip of the iceberg. To learn more about a deli owner’s exposures, consider asking them...

1. **How many employees do you have?** The number of employees in a business impacts the cost of its Workers’ Compensation Insurance. Here are some other things to consider:

   - Workers’ Comp is required in just about every state, but sometimes sole proprietors can opt out of covering themselves to save money.
   - If your client employs teens, inform them that workers in this age group are more likely to be injured when working in a restaurant. Your client may want to limit their access to dangerous equipment, such as the meat slicer.

2. **Do you offer delivery or catering services?**
   When property moves from one location to another, your client’s insurance requirements change. Here are some takeaways:

   - Delivery cars and vans require Commercial Auto Insurance.
   - Your client can purchase Commercial Auto as a standalone policy or add it to their Property Insurance.
   - If heating devices and other equipment travel from place to place, your client may want to add Inland Marine Insurance to their Property policy. This coverage “floats” with insured property and can fund replacement or repair costs when items are damaged in transit or offsite.

Many business owners can save on Workers’ Comp by opting out of coverage.
3. **Do you serve alcohol?** Though it’s unlikely that a corner deli would serve or sell booze, it’s a risk you need to rule out. If your client does sell alcohol...

   - Liquor Liability covers legal expenses when their customer drinks too much, causes a loss for third party, and the deli is held accountable.

   - Liquor Liability can be bundled with General Liability or purchased as a standalone policy.

### Delicatessen and Sandwich Shop Classifications

The [NAICS](https://www.census.gov/naics/) classification “limited-service restaurants” may best fit delis and sub shops, especially if they primarily sell food over the counter and customers pay before they eat. That said, some businesses call themselves a deli, but...

- Have sit-down wait service.
- Use cafeteria-style service.
- Make most of their income from retail.

Each of these can affect their classification and should be noted when filling out applications. Contact us to speak to a representative who can help you iron out the specifics.

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Check a deli’s services to get the right classification.
Insurance Policies for Delis and Sandwich Shops

Delicatessens and sandwich shops need a full array of basic commercial policies generally associated with restaurants and food service businesses. This includes...

- **General Liability Insurance**, which protects clients when third parties (i.e., anyone who isn’t employed by the deli) sues over property damages or bodily injuries (e.g., a patron chips a tooth on the pastrami).

- **Property Insurance**, which reimburses your client for loss or damage to their restaurant space and equipment, such as display cases and refrigerators.

- **Workers’ Compensation Insurance**, which pays for medical expenses when employees are injured on the job.

- **Liquor Liability Insurance**, which can cover legal expenses when an injured party sues your client’s business after an over-served patron causes damage.

Even with their meat slicers and Panini grills, most sandwich shops are low-risk enterprises. That means they may qualify for a Business Owner’s Policy (BOP). A Business Owner’s Policy combines General Liability and Property Insurance for a lower-than-normal rate. Most also offer Business Interruption Insurance, which covers lost income when a covered property loss makes operating impossible.
Chapter 10

FOOD TRUCKS
Chapter 10: Food Trucks

If you want to be technical about it, food trucks have been around since cowboys stopped by the chuck wagon to get their grub. Flash forward to today and you’ll find most major American cities have their own food truck scene.

Back in 2011, the National Restaurant Association published research showing...

- **18 percent** of consumers surveyed saw a food truck in their communities.
- **28 percent** of those consumers made a purchase.
- **59 percent** of consumers surveyed would visit a food truck offered by their favorite restaurant.

And the fad isn’t fading. The group’s [current research](PDF) indicates 63 percent of the 1,300 chefs surveyed see street food and food trucks as a hot trend.

Food trucks are fun, but the list of their exposures is as long as your arm. Let’s take a look as some of the risk inherent in running a mobile food truck operation.
Questions to Ask a Food Truck Operator

There’s no way around it. The truck-driving, food-serving combo is simply fraught with perils. Start finding out about mobile food truck risks by asking your client...

1. What cities and venues do you visit? The answer to this question can have a major impact on the amount of insurance a mobile food truck needs. Consider the following:

   o Each municipality has its own insurance requirements for permits and licenses.

   o Venues and event organizers usually require a food truck operator to carry a certain amount of General Liability Insurance.

   o Purchasing an Excess Liability or Umbrella policy can help your client meet their contractual obligations.

   o Give your client their Certificate of Liability Insurance as soon as you can so they can start booking venues immediately.

2. What equipment do you have on your truck? The equipment and the truck are key to your client’s operations, so they deserve the most attention. Here are some important considerations:

   o Property Insurance pays to repair equipment damaged by fire, windstorm, theft, or vandalism.

   o Commercial Auto Insurance protects the truck itself.

   o Inland Marine Insurance covers the equipment in the truck against loss or damage while it’s in transit.
3. **What foods do you offer?** The type of food offered can affect insurance rates. Here’s why:

- Certain preparation techniques, such as deep-frying, increase risk of injury to employees and damage during accidents.
- Food spoilage is a major concern for food trucks. Encourage your client to use prepackaged foods when feasible.
- Food allergens can be deadly. If your client offers allergy-free foods, be sure they get a GL policy that includes Product Liability coverage, or point them toward Errors & Omissions Insurance.

4. **What safety procedures do you have in place?** Clear safety regulations can help food truck owners mitigate their risk. Encourage your client to...

- Ensure all passengers are seated and secured before driving. The temptation to let employees work in the back is strong, but it can result in horrific injuries.
- Practice driving the truck before it hits the road. This can help them learn the vehicle’s blind spots, turning radius, and break speed in a safe environment.
- Perform regular maintenance on the truck and kitchen equipment. Nothing can ruin a good reputation like a tainted taco, a broken-down truck, or an exploding propane tank.
- Secure utensils. An accident is bad enough, but an accident that includes flying knives would be dreadful.

5. **Do you take credit cards?** Accepting credit cards opens your client up to data breach risks.

- Verizon’s 2014 Data Breach Investigation Report states that small businesses are more likely to experience a point-of-sale attack than large companies.
- Cyber Liability Insurance helps mobile food truck operators recover after a data breach.

The more details, the better when finding policies for food trucks.
6. How many employees do you have? The number of employees determines the cost of Workers’ Compensation Insurance.

- Workers’ Compensation is mandatory in most states, but some allow owners and sole proprietors to opt out of coverage for themselves.

- Teenage employees have a greater risk of being injured on the job. Your client might consider limiting their role in the food truck.

Mobile Food Truck Classification

It looks like the NAICS hasn’t quite caught up with the food truck craze just yet. The closest category is “mobile food service,” which includes any business that is primarily engaged in preparing and selling food from a motorized vehicle. That fits the description of a food truck, but for insurance purposes, you’ll want to check the provider’s classification system to make sure your client is properly insured.
Insurance for Food Trucks

Knowing some of the exposures food trucks face makes finding their insurance a little easier. Guide your client toward...

- **General Liability Insurance** to defend against third-party lawsuits over property damage, bodily injuries, and Advertising Injuries (e.g., libel or slander).
- **Property Insurance** to pay to repair or replace damaged commercial property.
- **Commercial Auto Insurance** to cover their truck against damage and liability for auto accidents.
- **Inland Marine Insurance** to cover their kitchen equipment in transit.
- **Workers’ Compensation** Insurance to reimburse employees who are injured at work.
- **Cyber Liability Insurance** to cover the cost of responding to a data breach.

Despite the long list of exposures, many food trucks are considered low-risk businesses. That means they may qualify for a Business Owner’s Policy that bundles GL and Commercial Property together at a reduced rate. [Contact Insureon Solutions](#) to learn more.
Chapter 11

NIGHTCLUBS
Chapter 11: Nightclubs

What’s a nightclub without a crowd?

The best answer is probably “soon to be closed.” Without a throng of people mobbing the dance floor or swarming the bar – without that scene – a nightclub can’t compete.

If the cutthroat competition isn’t enough to sink a nightclub, sometimes the economy is. When the Great Recession sucked everyone’s bank accounts dry, many nightclub owners looked for crowds that just weren’t there. Now that the economy is recovering, so is the bar and nightclub industry. According to the 2012 Census, the 41,722 drinking establishments in the United States have...

• **Over $19 million** in sales.
• **354,608** workers.
• **More than $4 million** in annual payroll.

Each of these statistics represents growth for nightclubs and bars. As the industry continues to grow, new players will enter the game and need insurance.
Questions to Ask Nightclub Owners

A packed dance floor is a pretty obvious liability for a nightclub, but what other exposures could a club owner face? The answer depends on how they run their business. Begin investigating your client’s risk by asking the following questions:

1. Are your facilities up to industry standards? If not, some insurers won’t cover your client at all. Here are the details:

- Local governments typically set standards for lighting entrances, parking lots, and stairways. Be sure your client knows the regulations governing their community.

- Most carriers insist on secondary exits before they will cover a nightclub.

- If your client serves food, they need fire-preventative ventilation systems. Check the UL-300 and NFPA 96 criteria to see if your client is compliant.

2. What safety procedures do you have in place? Being proactive when dealing with patrons and alcohol can save your client money in the long run. Encourage your client to...

- Minimize problems outside the club by using an electronic ID scanner.

- Serve free appetizers rather than free drinks, make last call earlier than closing time, and post signs that list the property rules for drinking.

- Create protocol for dealing with an overserved patron.

- Participate in alcohol-service training certification programs, such as TIPS or ServSafe. These classes can reduce Liquor Liability costs.

Alcohol-serving establishments generate more than $19 million in sales.
3. **How many employees do you have?** The number of employees and the work they typically perform impacts your client’s Workers’ Compensation Insurance needs and rates. Here are some key considerations:

- Workers’ Compensation for employees is mandatory in almost every state, so some nightclub owners try to classify their workers as independent contractors to save money. Show your client the IRS infographic, “Independent Contractor or Employee,” and explain how expensive misclassification can be.

- Bouncers, barbacks, bartenders, and servers have physically demanding jobs, which is reflected in the cost of insuring these workers. But if your client employs office workers, such as an accountant or a manager, be sure to classify them as such to minimize your client’s Workers’ Comp rates.

4. **Do you accept credit cards?** Who doesn’t? But make sure your client knows that point-of-sale (POS) breaches are a concern.

- According to [Verizon’s 2014 Data Breach Investigations Report](https://www.verizonenterprise.com/data-breach-report/), small- and medium-sized businesses are more vulnerable to POS attacks than their larger counterparts.

- Suggest Cyber Liability Insurance to help your client recover from a cyber attack on their POS system.

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Alcohol service training can reduce insurance costs.
5. **Do you offer bottle service?** Letting patrons buy a bottle for their table impacts your client’s Liquor Liability Insurance rates in two ways:

- Bottle service is typically provided with an exorbitant markup, which means the receipts reflect more alcohol sold without necessarily increasing your client’s liability.

- The flipside is that letting patrons determine how strong their drinks are or who drinks how much of that bottle does increase your client’s risk. Tell your client they can mitigate their exposure by insisting on having a server dedicated to pouring the drinks.

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**Nightclub Classification**

Identifying your client as a nightclub is relatively easy. In the [NAICS](https://www. naics.com), any establishment that is primarily engaged in selling alcohol for immediate consumption gets classified as a drinking place.

“But wait!” you say. “This nightclub has dancing. Is there a disco classification?”

There is, but once your client serves alcohol, their classification is set. A nightclub isn’t a dance hall, and it’s not in the amusement or recreation industry. People go to a club so they can dance and drink.
Nightclub Insurance

Swanky lounge or hopping nightspot, every club needs insurance. Consider recommending the following policies to your nightclub client:

- **General Liability Insurance.** A crowded dance floor full of drunken revelers can easily result in injury. If a patron is hurt or their property is damaged and they sue your client, General Liability can pay for lawyer fees and other legal expenses.

- **Property Insurance.** Your client’s more sedate neighbors take umbrage with the noisy drunks leaving the club and tag the venue. Property Insurance pays to clean up the graffiti and any other damage the vigilantes cause.

- **Liquor Liability Insurance.** Somehow, your bartender misses the extra three or four shots a customer slams back and lets them drive home. When the drunken patron causes a pile up on the highway, Liquor Liability can cover your client’s legal expenses if their establishment is sued over the tragedy.

- **Umbrella Liability Insurance.** Umbrella Liability supplements the limits of some underlying liability policies, such as General Liability, Commercial Auto, and Employer’s Liability Insurance (included in most Workers’ Comp policies).

- **Workers’ Compensation Insurance.** When a bartender pulls a muscle while toting cases of vodka, they can be out of commission for a long time. Workers’ Comp can cover their medical bills and lost wages.

- **Cyber Liability Insurance.** When hackers infiltrate a nightclub’s computer systems, they make off with more than just credit card information. They also steal the club owner’s reputation. Cyber Liability helps your client regain their good name by paying for notification costs, credit-monitoring services, and PR measures to repair their reputation.

Despite their liquor liability, many nightclubs qualify for a Business Owner’s Policy, which offers GL and Property Insurance in a convenient and affordable package. Contact us to see if your client qualifies.
Chapter 12

RESTAURANTS
Chapter 12: Restaurants

Whether they’re running out for a quick bite at lunch, celebrating a special anniversary with their spouse, or simply exploring new flavors at a quirky neighborhood diner, Americans love the restaurant experience. Consider these stats from the National Restaurant Association [PDF]:

- **90 percent** of consumers enjoy going to restaurants.
- **40 percent** say going to restaurants is an essential part of their lifestyle.
- **75 percent** say going to restaurants is a better use of their leisure time than cooking and cleaning at home.

Additionally, **47 percent** of consumers’ food dollars go to restaurants of all kinds, and with the economy rebounding, that number should improve. As entrepreneurs open new restaurants and current owners expand, they’re going to come looking for insurance. Read on to learn about the restaurant industry’s unique liabilities and how to cover them.
Questions to Ask a Restaurant Owner

As an insurance agent, you already know that what a client does (and how they do it) impacts their liability. For restaurants, this can be complicated. First, the industry is notoriously competitive, and each establishment needs to differentiate itself from the other guy, which can lead to some remarkable quirks and odd exposures. Moreover, the degree and depth of contact with the public means safety is often regulated by the state.

No two restaurants are alike, so start investigating your client’s risk by asking lots of questions. Here are some to get you started:

1. **Is your restaurant a limited-service or full-service establishment?** The answer to this question might affect insurance costs, but it can also open your eyes to a variety of other exposures. For example...

   - **Limited-service restaurants**, such as cafeterias and fast food joints, typically survive on high-volume foot traffic. More people in and out usually means greater liability costs.
   - **Limited-service restaurants** are more likely to employ teenagers, who are more likely to suffer work injuries. Encourage your client to supervise teen workers closely and point them toward OSHA’s eTool: “Young Worker Safety in Restaurants.”
   - **Full-service restaurants**, where servers take orders and serve meals to seated patrons, may have smaller but more professional staffs. Their increased interaction with customers, coupled with higher client expectations, creates liability exposures.
2. **Is your facility up to industry standards?** Public health and safety is one of the greatest concerns for any restaurant owner. Ask your client if they have...

- **Fire-preventative kitchen ventilation systems.** Most top-rated insurance providers won’t cover a restaurant without a [UL-300](#) certified ventilation system or ductwork, hoods, and ventilators that comply with [NFPA 96](#). Walk your client through these requirements.

- **Lead-free paint and pipes.** Lead in the paint or pipes of your client’s restaurant can result in an automatic decline from a host of top insurers.

- **Adequate lighting for entrances, parking lots, walkways, and stairs.** Most state and local governments regulate commercial lighting, so check the laws in your client’s area. Remind your client that lighting also needs to be safe. If bright bulbs cause a fire or power outage, the effort will have been for nothing.

- **Secondary exits.** Having only one exit can be another automatic decline for many insurers. The possibility for injury or death in a fire is simply too great.

- **Up-to-date security systems.** Few restaurateurs would forgo a security system, but a central alarm system is a smart way to mitigate risks and potentially reduce insurance rates. State-of-the-art systems minimize break-in damage by notifying authorities even when the restaurant is empty.

To get Property coverage, restaurant kitchens need to meet UL-300 and NFPA 96 safety guidelines.
3. What type of foods or preparations do you specialize in? The response to this question can impact your client’s insurance rates. Here are some things to keep in mind:

- Be sure your client knows the health code for their locale.
- Certain preparation techniques, such as deep-frying, are inherently more risky than others.
- Food spoilage is a huge concern for all restaurants. Using prepackaged foods can minimize the risk.

- Food allergies are another major concern. If your client offers allergy-friendly or gluten-free products, they need a General Liability policy that includes Product and Completed Operations coverage.
- Errors and Omissions Insurance can also protect a restaurant owner in negligence claims.
4. **Do you sell alcohol?** Liquor creates a whole host of liability issues. Here's what you need to know:

   - Many states require Liquor Liability Insurance when a restaurateur applies for their liquor license.
   - Restaurant owners can minimize their risk by enforcing protocol for serving drinks safely and dealing with inebriated patrons.
   - Earning a certificate from an alcohol-training program, such as TIPS, is another smart step in risk mitigation.

5. **Do you have secondary suppliers?** Problems for a supplier mean problems for the restaurant.

   - Encourage your client to use a network of suppliers so they can stay open when a food contamination outbreak shuts their competitor’s doors.
   - Look for Property Insurance that offers Business Interruption Insurance.

6. **Do you accept credit cards?** A data breach can cost a restaurant both its money and reputation.

   - According to Verizon’s 2014 Data Breach Investigations Report, restaurants were one of the industries most likely to experience a point-of-sale hack.
   - Cyber Liability Insurance can pay for notification, monitoring, public relations, and legal fees after a cyber attack.

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75% of hacks at restaurants were through point-of-sale systems
7. How many employees do you have? The number of employees and the type of work they do affects Workers’ Compensation rates.

- Most restaurant positions are labor-intensive, but office workers don’t need the same amount of Workers’ Comp as waitresses and food runners.

- Many restaurateurs try to save money by calling wait staff, food runners, and bartenders “independent contractors.” More often than not, this is a misclassification that can cost thousands in back wages and fines. Review the independent contractor information on IRS.gov with your client.

8. Do you have any business vehicles? Not every restaurant has vans or trucks, but those that do need coverage.

- Restaurants that offer delivery services and have vans or cars for that purpose need Commercial Auto coverage.

- Restaurants that have food trucks or catering services may need Commercial Auto and Inland Marine Insurance. The first protects the vehicle; the second protects the property in the vehicle.

- Delivery drivers who use their own automobiles need to their own auto insurance.
Restaurant Classifications

In the NAICS, there are two major categories of restaurants:

- **Limited-service restaurants**, where patrons order and pay before eating (e.g., fast food places, delis, and sandwich shops).

- **Full-service restaurants**, where patrons sit, order, and eat before paying (e.g., diners, family-friendly restaurants, and fine-dining establishments).

One gray area for some insurers is cafeteria-style restaurants and buffets. They occupy a separate category in the NAICS, so you need to determine if your restaurant client uses this style of service when you complete their application.

Remember, too, that both limited- and full-service restaurants can serve alcohol. The fallout from a liquor liability suit can be immense, and you do not want to leave your client exposed.
Finding Restaurant Insurance Policies for Restaurateurs

Hot dog stand, French bistro, or neighborhood bar and grill, a restaurant needs adequate insurance to protect its assets. Consider recommending the following policies to your client:

• **General Liability Insurance.** If a patron slips on your client’s icy walkway, General Liability can cover the subsequent lawsuit.

• **Property Insurance / BOP.** Because they tend to have cash on hand, restaurants are attractive to thieves. Property Insurance pays for the damages caused by burglaries, fires, vandals, and wind storms. Some restaurant owners can bundle their Property Insurance with their GL in a Business Owner’s Policy (BOP) at a lower rate.

• **Liquor Liability Insurance.** A restaurateur can end up in court when a patron who had a few too many crashes their car or starts a fight. Liquor Liability protects your client’s interests in lawsuits stemming from an inebriated customer’s bad behavior.

• **Workers’ Compensation Insurance.** A restaurant’s kitchen can be a chaotic place. Add in sharp knives, open flames, and slippery floors, and an accident is bound to happen. Workers’ Comp, which most states require employers to carry, pays for medical expenses and replacement wages when employees are injured on the job.

• **Cyber Liability Insurance.** Point-of-sale attacks are a major concern for restaurateurs. Cyber Liability helps them notify victims, pay for credit-monitoring services, and more.

• **Commercial Auto Insurance.** Restaurants with catering trucks or delivery vans registered to the business need Commercial Auto Insurance in case of accidents, vandalism, or theft.

• **Inland Marine Insurance.** Inland Marine covers property in transit, and it also protects expensive artwork or banquet cabinets.

• **Employment Practices Liability Insurance (EPLI).** Employment Practices Liability Insurance steps in when an employee or a potential hire sues over harassment, discrimination, emotional distress, or invasion of privacy.

Insureon Solutions representatives have years of experience writing policies for restaurants. [Contact us](#) for consultations, accurate quotes, and access to top-rated carriers.
Conclusion: Final Thoughts on Food Service Insurance

Eating out is big business in the United States. According to the National Restaurant Association, the restaurant industry...

- Is the **second-largest** employer in the private sector.
- Makes nearly **$7 billion** in sales.
- Has **47 percent** of the average consumer food dollar.
- Will add **1.3 million** jobs by 2023.

Stats like those probably have you salivating and ready to dig in. If so, consider contacting Insureon Solutions to make marketing your client’s risk easier. Since 2001, Insureon Solutions has helped agents bind catering, restaurant, and bar insurance risks. Yours could be next. Reach out to a representative, and find out how fast and simple getting your client covered can be.

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The food services industry is the second-largest employer in the private sector.