

A close-up photograph of fresh ingredients including salmon, lemons, and herbs. The salmon is the central focus, with its vibrant orange and pink hues. It is garnished with fresh basil leaves, a slice of lemon, and several black peppercorns. The background is dark, making the colors of the food stand out. The overall composition is artistic and appetizing.

# TASTY OPPORTUNITIES IN FOOD AND BEV

*Rising revenue in this sector "sweetens the pot" for agents*

By Dave Willis, CPIA

**B**usiness at food and beverage establishments continues to grow. This bodes well for their future and for the future of agents and brokers who insure them.

"We are seeing revenues rising for most restaurants that we insure," says Heidi Strommen, CPL, president of ProHost USA. "This is consistent with the slow but steady recovery from the economic turndown the last couple of years. The recovery was led by growth among quick service/fast casual restaurants, but now the revenues of higher-end establishments are gaining momentum."

Michael Maher, vice president of marketing at RCA Insurance Group, also is seeing positive signs. "With an improving economy and more discretionary dollars available, the outlook for restaurants, bars and taverns over the next year or so is good," he explains. "Look for a continued move to health-conscious menu selections and business start-ups. Just offering fast food is no longer enough. It will have to be fast, fresh and healthy to compete."

Establishments face challenges over the coming year. "In a 2015 survey conducted by one of our program partners, the top five challenges facing these business owners are: rising costs of food and supplies; the economy; employee staffing issues; the impact of negative social media reviews; and facility and equipment maintenance



cost,” Maher notes. Obtaining insurance ranked 14th in the survey.

Adds Strommen, “Restaurants face numerous challenges. They include everything from evolving consumer trends to changing industry regulations and rising labor and food costs.” She also points out that restaurateurs need to stay on top of advancements in technology both to protect their business and grow it.

### Insuring the segment

Insurance competition remains largely unchanged in the restaurant arena, says Jason Kalinowski, director of commercial binding authorities at Quaker Special Risk. “Admitted markets seem to be a little more aggressive in regard to writing risks that fit their guidelines,” he remarks.

He doesn’t expect to see much movement in price over the coming year. “If anything, the pricing is more aggressive depending on the appetite of the carrier on admitted and non-admitted business,” Kalinowski adds.

He says cyber liability continues to be a push in the restaurant and bar world. “More and more markets are offering this coverage along with this class,” he notes.

Strommen has seen what she calls “the usual number of carrier exits and entries over the past few months.” She points out that carriers often are attracted to the niche because of the number of restaurant risks around the country. She adds, “However, many companies bow out 18 to 24 months after they enter when their lack of restaurant underwriting knowledge, expertise and discipline catches up to them and results fall short of expectations.”

Her firm has expanded its product line in recent months to include package coverage for upscale wine bars, off-premises caterers and gourmet food markets associated with a restaurant exposure.

Maher says his company is differentiating its program by offering insureds what he calls “essential services at discounted rates achieved by bulk packaging.” These include real-time ID checking systems, health inspection monitoring, alcohol training and more.

### Common claim drivers

According to Kalinowski, certain features, such as entertainment, dance floors, DJs and happy hours, present claim challenges. “Besides pricing, assault and battery coverage still seems to be what wins and loses many accounts,” he notes.



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“Premises liability claims remain the most common incidents in the restaurant, bar and tavern market,” says Maher. “A proactive risk management approach will best serve the business owner in this regard. Immediate reaction to any known incident should receive their highest priority attention.”

He points out that staff should be trained in their roles in the event of a patron injury. “Immediate medical assistance is the top priority,” he notes, “and a courteous, compassionate, professional attitude should be obvious.” He says that, after an emergency has been handled, a complete accident/incident report should be logged and recorded for later reference.

According to Strommen, two common restaurant claim drivers are slips and falls that result in bodily injury and foreign objects in food that cause dental damage. “The best way to prevent the latter type of claim is through proper training of kitchen and wait staff, and careful selection of high-quality vendors,” she notes. “Slips and falls can be reduced through proper maintenance of the premises, as well as property improvements such as additional lighting, handrails, clearly marked level changes, and slip-resistant flooring.”

She says her company is rolling out a solution designed to prevent slip/fall

accidents through state-of-the-art technology that helps restaurant operators track and manage the premises for slip and fall hazards.

### Emerging and extraordinary drivers

Maher points out that extraordinary claims settlements vary by state and even within those states. “Liquor claims typically are severe and, while the injury is often tragic, it doesn’t necessarily have a high correlation to negligent liability on the server’s part.” He says the severity of the injury and the risk of a runaway verdict can lead to an “extraordinary settlement” if the carrier’s

legal professionals aren’t tuned in to the class of business in which the restaurant, bar or tavern operates.

“To help their clients understand the claims process,” Maher adds, “agents and brokers need to educate clients in the dynamics of claims handling and settlements and the insured’s role in that process.

Highly reserved claims generally take years to move through the legal process. Owners should not dismiss their importance as their own best advocate

when/if the case goes to trial.” He says bad claims can’t be a case of “file and forget” on the part of owners.

Strommen sees food allergies as an emerging claim driver. “A growing number of states and cities are passing laws and regulations related to food allergy awareness,” she explains. “These require restaurants to take specific actions to prevent food allergy incidents.”

She says it’s critically important that restaurants develop policies and procedures for their establishments, first and foremost to prevent incidents from occurring and second to handle



them appropriately when they do occur. "Proper training of restaurant staff is a key to successful loss prevention in this area," Strommen notes.

She points out that many resources are available to retail agents and restaurants through restaurant associations and through Food Allergy Research & Education (FARE), a non-profit that maintains the [FoodAllergy.org](http://FoodAllergy.org) website.

According to Kalinowski, "The best way insureds can be prepared to help avoid claims is through training and awareness. Agents and brokers should make sure clients train their employees to notice any and all issues that may increase claim activity." He says this awareness could address issues as seemingly insignificant as a wrinkled throw rug and extend to issues as severe as an intoxicated patron who comes into the establishment.

### Building a business

Kalinowski points out that the restaurant and bar business already is heavily targeted by agents. "Relationships drive the business, as does finding the right coverages for the exposure," he notes. "It's a tough segment to break into."

The biggest successes Strommen sees are among producers who truly enjoy restaurants and follow the dining scene. "Maybe they're foodies or wine connoisseurs, or maybe they're into craft beers," she remarks. "But almost certainly they enjoy dining out and following food and restaurant trends."

Her advice is simple: "Get educated on current hot topics for restaurant owners. To gain a prospect's trust, you need to demonstrate that you understand their industry and their particular business model. This includes knowing the challenges they face and how that affects their insurance needs."

Strommen recommends that producers target a segment that interests them. "It should be one they can relate to," she says, "whether that's fine dining, gastropubs, wine bars or some other niche."

Maher encourages agents and brokers to learn the coverages required by the restaurant, bar or tavern owner. "Also," he says, "convey to the owner the importance of honesty in their declarations on the application and the potential consequences of misrepresenting those responses. Too often policies are cancelled after an inspection discloses facts different than what was stated on the application."

Worse yet, he adds, coverage for a claim could be declined because of

misrepresentation or failure to include a coverage in the policy. "Brokers should always review a new policy to verify that all the requested coverages were actually included," Maher advises. "Never assume that the requested coverages were included in the policy."

He offers an example to illustrate the point: "The very important general liability coverage for assault and battery may have been requested but excluded on the policy," he explains. "The underwriter may have disclosed that the coverage would not be offered, but if the producer misses that exclusion and the owner has a claim denied as a result, the broker may wind up with a significant E&O issue."

### Retaining the business

To maintain a solid book of business, Maher recommends that agents and brokers "Do the extra work. Maintain the relationship with the client throughout the year, not just at renewal time." He says that by visiting the client's establishment, a producer may observe a change in its business model, which may call for endorsements to ensure adequate protection.

He also recommends researching the market for any new coverages or enhancements available. "Market the renewal," he advises, "but make sure that a comparison of quotes goes beyond the premium amount."

Kalinowski encourages agents and brokers to give feedback if markets change or if a new market is willing to quote the renewal and improve coverage. "This kind of counsel goes a long way in maintaining trust and a solid relationship," he asserts.

According to Strommen, the best way to maintain a consistently strong retention rate for restaurant clients is to become a trusted partner to the customer. "Bring value to the insurance transaction beyond price alone," she recommends. "Your knowledge and expertise, demonstrated through appropriate coverage options and recommendations, will help ensure that you are hard to replace."

She says the most successful agents have developed long-term relationships as advisors to their clients. "A side benefit to this is they often obtain much of their new business based on referrals from existing clients," she concludes. ■

### The author

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