

INTERNATIONAL EXPERIENCE OF USING RESTAURANT INSURANCE

Annotation. The concept of restaurant's insurance policy is observed. The necessity for restaurant insurance is substantiated. All existing insurance coverage for the restaurant business is revealed. The comparative data of restaurant insurance premiums is disclosed and cases where to use the insurance are determined.

Анотація. Надано огляд концепції страхування ресторанного бізнесу. Обґрунтовано необхідність страхування ресторанів. Розглянуто всі існуючі типи страхових покриттів для ресторанів та надано порівняльний аналіз розмірів премій. Визначено випадки, де можна використовувати страхування ресторанного бізнесу.

Аннотация. Представлен обзор концепции страхования ресторанного бизнеса. Обоснована необходимость страхования ресторанов. Рассмотрены существующие типы страховых покрытий для ресторанов и представлен сравнительный анализ размеров премий. Определены случаи, где можно использовать страхование ресторанного бизнеса.

Keywords: restaurant business, insurance, insurance policy, restaurant accidents, size of premiums.

Nowadays restaurant business has turned to be a rapidly developing branch of industry. People around the world are romanced by the dream of opening their own restaurant. But it takes a great deal of hard work, lots of money and business acumen to initially get a business off the ground and even more to keep it growing.

One area in the restaurant business you do not want to skimp is insurance. Insurance can protect you and your business for a myriad of problems, from broken equipment to liability lawsuits. Even if you know nothing about insurance and the very word lulls you to sleep, it is imperative that you consider it for your business. A restaurant insurance policy will protect you if certain unfortunate incidents happen that are either unforeseen or out of your control.

The most popular reasons why it is necessary to purchase restaurant insurance are the following [1]: flood, fire damage, rebuilding your restaurant, food poisoning. Some small business owners feel that insurance is a waste of time because the risk of something bad happening to them, their employees or their customers is relatively small. However, if you own a restaurant and you interact with the public on a day-to-day basis, it is even more important to protect yourself against a relatively large number of risks, whether you know them or not [2].

Restaurant insurance covers all establishments including take-away, cafes, pubs and fast food outlets.

The most common types of restaurant insurance available are presented in Table 1 below [3; 4].

Along with already mentioned types of insurances various restaurant commercial vehicle insurances are provided as well, which are represented in Table 1.

Types of restaurant insurance

Type		Peculiarities
1		2
General type	Property Insurance	It protects property in case of fire, including electrical fire, or other events. It may not cover natural disasters. If you have any kind of mortgage on your business and/or equipment, then you should carry a property insurance policy
	Equipment Breakdown Insurance	If ovens stop working or the air conditioning unit breaks down, insurance can help cover the costs of repair and replacement so that you can continue business operations with the least amount of impact
	Buildings and Contents Insurance	You will be protected from damages and loss caused to the building itself, the furnishings you have inside. It can include outdoor eating areas and furnishings or improvements you've made to restaurant
	Specific Peril Insurance	This covers many natural disasters that general liability insurance doesn't. Events like earthquakes, floods or power outages due to either, may be covered under this insurance
Liability type	General Liability Insurance	This is the umbrella policy that protects you in the event someone slips and falls in your restaurant, gets sick after eating there (whether it was your fault or not). This is a must to have such insurance
	Liquor Liability Insurance	Most states require that any establishment holding a liquor license carry liquor liability as part of their insurance. It helps protect you if a customer has too much to drink and drives and hurts himself or someone else
	Automobile Liability Insurance	It is intended for company's vehicles. It may be covered in your general liability, but always check with your insurance agent first

Table 1 (the end)

1	2	3
Employee related	Workers Compensation Insurance	It protects you if an employee is hurt at work. Most require that all employers carry some type of workers comp
	Unemployment Insurance	It is for your employees who no longer work for you until they find employment
	Employee Dishonesty Coverage	In a restaurant, employees have access to food and supplies that might be easy to steal. Some of your employees may have easy access to cash as well. All types of dishonest actions can cause your company financial hardships from those losses
Clients related	Life Insurance	Depending on your mortgage and financing you may need to carry a hefty life insurance policy to satisfy your lender. It is also a good idea to have life insurance, in case something does happen to you and your family isn't left with a restaurant they don't know how to run and bills they can't pay
	Food Contamination Insurance	If you lose power, because of fallen power lines or a storm, and the entire contents of your walk-in and freezer spoil, this policy would pay to replace the food
Force-major circumstances	Loss of Business Insurance	If you lose sales through a specific cause, this type of policy can recoup some of the income. The premiums and deductible may make you break even, depending on how much you lose
	Business Income and Extra Expense Insurance	When your restaurant has to shut down for repairs, insurance can provide for losses in income
Information protection type	Electronic Data Insurance	Any records that you keep in digital format are at risk of damage due to water, power surges, computer viruses and more. If this happens replacement when needed or recovery is provided

	Valuable Papers Protection	Protection of licenses and certifications that are critical papers in a restaurant business
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Figure below shows the commercial vehicle insurance that is needed to cover the cars, trucks, and vans used in conducting the business.

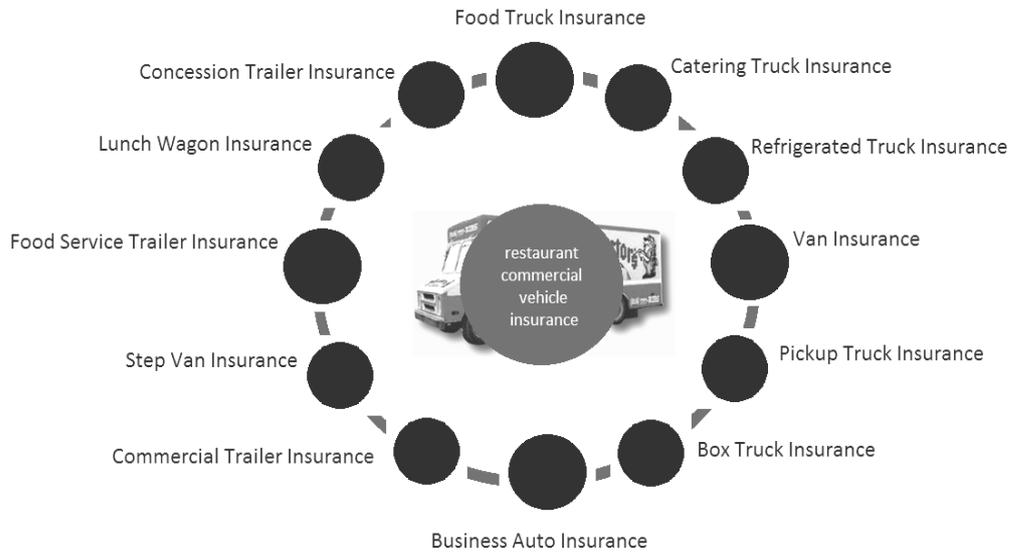


Fig. Restaurant commercial vehicle insurances

While in the USA and in European countries the practice of having at least one type of restaurant insurance coverage is increasingly developing, in our country that branch of industry is underdeveloped. According to "Ingosstrakh" only 6 – 7 % of the gross amount of all operating catering establishments insure their liability to the third parties [5]. Premiums for the US restaurants are based not on the annual payroll, but on the size of the establishment. Below there are the approximate figures for the restaurant premiums taking for granted that there have not been any previous claims.

In conclusion, there are many different liabilities that will come with restaurant ownership, and it is important to make sure that you are protected from each and every one. Without the proper insurance, the owner could lose everything with just a single fire or accident.

All of unexpected incidents could result in a law suit, where the owner could pay high costs, and even possibly become bankrupt.

Table 2

Insurance premiums

Size of the restaurant	Gross annual sales with a General Liability policy	Coverage on contents	Approximate premiums per year	Worker compensation per year
Small	\$200,000 – \$800,000	\$150,000	\$1,800	\$3,000
Middle "family style"	\$800,000 – \$1,000,000	\$400,000	\$5,000	\$8,000
Large "fine dining"	Over \$2,000,000	\$1,000,000	\$10,000	\$15,000

To avoid all such unfavorable situations our Ukrainian restaurants would rather have to adopt an experience of the American and European colleagues.

Наук. керівн. Возненко Н. І.

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