

RESTAURANTS AND THE HUMAN EXPENSE

By Preston Cavignac, Risk Advisor



One of the largest costs for restaurants is compensation and related employee expenses. Work Comp is a big piece of that pie. The dollar amount of an injury can oftentimes cost an employer up to three times what was actually paid in medical expense. If this exposure is not managed correctly, a profitable restaurant can turn into a struggling operation. The purpose of this article is to explain what drives these costs and how these costs can be managed.

PROBLEM – WORKERS COMPENSATION

Restaurants are viewed as high-hazard work environments. Claims data supports this, which is why base rates are higher than average. Owners can't control base rates, but they can control their Experience Modification Rate, also known as an EMR or a Mod.

EMR: A formula that takes Work Comp claims data and compares it to other businesses of similar operation and size. If your experience is worse than average you have an EMR above 1.00, if better, it's below. This number acts as a multiplier, so if your base premium is \$25,000 and your EMR is 1.25, you will be paying \$31,250 in premium. Given the same base premium, if your EMR were .75, you would pay \$18,750. That is a delta of \$12,500! So how do you drive your EMR to the lowest possible multiple?

SOLUTIONS

Human Resources: A troubled employee can cost an employer \$\$\$\$. This underscores the importance of a sound hiring process. Once hired, training begins. That process can be long and it doesn't guarantee a perfect hire, but it certainly helps. Keep in mind, even if a perfect candidate is hired, they're still exposed to inevitable hazards.

Loss Control: According to the NFSI, slip and falls are the number one cause of accidents in restaurants. There are steps to prevent these claims. Non-slip shoes, adequate lighting, clear walkways, etc. Injuries also occur in the kitchen. Employees should be trained to use kitchen equipment and follow standard protocols in the case of an emergency. Sometimes claims are inevitable, but there are tactics that can be used to lessen the financial severity.

Claims Administration: First, implement a "First-Aid Program." This allows physicians to treat minor injuries outside of the Work Comp system (meaning, it doesn't count as a claim and doesn't affect your EMR). Second, create a "Return-to-Work Program." This gets employees back to work as soon as possible. Sometimes modified duty is required. This

not only reduces the number of lost work days, but also increases employee productivity. Smaller claim payouts will directly lower your Work Comp premium through the EMR.

CONCLUSION

The restaurant industry has a unique set of risks and challenges. Workers Compensation is one of many. It's important to understand that insurance is one way to manage risk. Preventing, mitigating, and transferring risk contractually are just as important. We've seen businesses save significant amounts of money by implementing the programs discussed in this article, and following "Best Practices" in the industry. We've also seen businesses lose money by ignoring it. Having a proactive plan to manage risk is critical in lowering expenses and increasing profitability. If you're curious to learn more, don't hesitate to give us a call.

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