

A photograph of a chef's hands in a white uniform, holding a metal salt shaker and sprinkling salt onto sliced tomatoes on a wooden cutting board. The background is slightly blurred, showing more of the kitchen environment.

## Returning to the Kitchen

It seems that the restaurant industry is finally pushing toward recovery. After a pandemic-laced year of devastating sales and lost revenue, vaccines and federal aid are helping to steer the industry toward a better trajectory. Even so, the industry is seeing some fundamental changes that are both opening doors and becoming a hindrance to success.

First, the good news. Thanks to the domino effect of the pandemic, the restaurant industry is seeing more businesses returning, but online. These new ventures are coming from well-funded, financially backed groups that intend to open multiple locations at one time and work at scale. Transcending the traditional chain establishments, these new ventures will come with a more solid foundation from which to operate, including structured hiring and solid management practices.

That's welcome news as the industry recovers from a massive drop in revenue for much of 2020. Still, amid the economic coma many restaurants found themselves in, innovation emerged. Those innovations turned out to be ones that both establishments and their customers embraced, such as outdoor dining, pickup and delivery service – even from high-end restaurants.

On top of innovation, some restaurants stayed afloat thanks to a welcome reprieve by the federal government. The Payroll Protection Program (PPP) offers small businesses direct monetary incentive to keep workers on the payroll through loans. Some borrowers could be eligible for PPP loan forgiveness.

### **HURDLES TO RECOVERY**

Yet make no mistake — the industry is still feeling the effects of a year of losses unlike any other. Hospitality in general was hit hard, but plenty of restrictions still exist that make recovery a bit elusive, depending on state or local regulations.

Additionally, restaurants are operating under staffing shortages. Many are pointing to increased unemployment benefits as the cause of the hiring crisis that many restaurants are facing. If the increased unemployment benefit is a significant hindrance on restaurants' recovery, it will expire with the expanded benefits, but that is small consolation to businesses struggling now.

Unfortunately, many restaurants have been forced out of business. Not every establishment was able to secure PPP funds. The added pressure on those businesses already struggling before the pandemic proved too much.

The severity of the impact on the restaurant industry is seen in the numbers of insureds we served. In 2020, we saw a 40% drop in the overall restaurant insurance coverage. Be it canceled policies or reduced coverage amounts, restaurants were simply not buying insurance.



## INSURING THROUGH RECOVERY

Part of that drop in business was by design. As our customers faced untold revenue losses, we at NFP advised many of them on how to reduce their insurance spend by eliminating products they didn't need in the interim. For instance, many restaurants were unable to sell liquor due to local restrictions, so in some instances we were able to work with our underwriters to adjust coverage and pricing to reflect that lost business.

It's a strategy we at NFP will continue to use to help our restaurant clients as they move toward recovery. We work with the carrier(s) to relate our customers' needs, then seek both advice and right-fit coverage for our customers.

We also help our customers insure those pandemic-related business adaptations. Delivery service requires insurance for employee-owned auto exposures, as well as third-party liability.

Outdoor dining, too, comes with another set of risks. It requires understanding the local ordinances on putting restaurant tables on city streets. Many municipalities have relaxed the rules and may continue to do so. From an insurance perspective, we work with the carrier to broaden your policy to cover these amendments to your operations.

As sales begin to trend back to pre-pandemic levels, so too should your restaurant's insurance coverage. Your business should approach managing your risks in much the same way — evaluate the risks, ensure OSHA-compliant operations, maintain all equipment, and stay on top of cleaning, especially as the pandemic slowly subsides.

More importantly, work with your NFP broker to review your operations and your coverage. We collaborate with your carrier to help modify your coverage and do our best to make sure that your restaurant is well-protected and ready to do business.

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