

Top 100 Insurance Risks That Can Close Your Restaurant

A Risk Management Guide for Restaurant Owners

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Roughly 60% of restaurants that suffer a major uninsured loss never reopen. It's rarely the risk you worried about that closes your doors — it's the one your policy quietly excluded, sublimited, or never contemplated. After 46+ years insuring Kansas City hospitality businesses, I've seen every one of the 100 exposures in this guide put a real restaurant in real financial danger.

Use this guide as a checklist. As you read, ask one question about each risk: **"If this happened tonight, would my current policy respond — and would the limit be enough?"** If you can't answer with certainty, the coverage review at the end of this guide is free.

SECTION 1 | Fire & Property Damage (Risks 1–12)

- 1. Kitchen grease fire.** The average restaurant fire claim tops \$50,000, and uncontained grease fires routinely total the entire building and everything in it.
- 2. Hood & duct cleaning lapses.** Missed exhaust cleanings let grease-fed fire race through ductwork — and carriers can deny the claim for breached maintenance warranties.
- 3. Suppression system failure.** An Ansul system that fails to discharge turns a flare-up into a total loss and invites a coverage fight over inspection records.
- 4. Aging electrical wiring.** Overloaded circuits behind decades-old walls are a leading cause of overnight fires that destroy uninhabited restaurants completely.
- 5. Gas leak or explosion.** A single gas-line failure can level the building, injure guests, and generate liability claims that dwarf your property limits.
- 6. Arson & vandalism.** Disgruntled ex-employees and break-ins cause six-figure damage; vacancy clauses can void coverage if you close temporarily.
- 7. Burst pipes & water damage.** A weekend pipe break floods dining rooms and kitchens, destroying flooring, drywall, and equipment before anyone notices.
- 8. Accidental sprinkler discharge.** A cook hanging a pan on a sprinkler head causes tens of thousands in water damage in minutes — plus days of closure.
- 9. Roof leaks over equipment.** Slow leaks ruin ceilings, POS systems, and inventory, and carriers often deny claims blamed on long-term deferred maintenance.
- 10. Neighboring tenant fire.** In a strip center, your neighbor's fire becomes your smoke, water, and closure loss — with recovery depending on your own policy.

- 11. **Underinsured values & coinsurance.** If your building or contents are insured below actual replacement cost, coinsurance penalties shrink every claim payment — even small ones.
- 12. **Ordinance & law upgrades.** After a major loss, code requires modern sprinklers, ADA access, and electrical upgrades that standard policies don't pay for without this coverage.

SECTION 2 | Equipment Breakdown & Utilities (Risks 13–20)

- 13. **Walk-in cooler/freezer failure.** One compressor failure over a holiday weekend can spoil \$10,000–\$30,000 of product — and spoilage is excluded without specific coverage.
- 14. **Equipment breakdown gap.** Mechanical and electrical breakdown of ovens, compressors, and HVAC is excluded from standard property forms unless added.
- 15. **Off-premises power loss.** A utility outage you didn't cause spoils food and closes your doors — and it's not covered unless utility interruption is endorsed.
- 16. **POS system failure.** When the point-of-sale dies on a Friday night, you lose sales, data, and customer goodwill all at once.
- 17. **HVAC failure in peak season.** A dead A/C unit in a Kansas City July empties your dining room for days and costs thousands to replace on an emergency basis.
- 18. **Sewer & grease trap backup.** Backups contaminate kitchens, force health-department closure, and are excluded unless sewer/drain backup coverage is added.
- 19. **Aging fryers and ovens.** End-of-life cooking equipment fails without warning; replacement plus lost menu capacity compounds the cost.
- 20. **Refrigerant leak contamination.** A leak can contaminate stored food and trigger both spoilage losses and costly system repairs simultaneously.

SECTION 3 | Foodborne Illness & Product Liability (Risks 21–30)

- 21. **Foodborne illness outbreak.** An E. coli or salmonella event brings medical claims, lawyers, and headlines — average outbreak costs run well into six figures.
- 22. **Norovirus closure.** Norovirus spreads through staff and guests in hours, forcing deep-clean closures and a wave of illness claims.
- 23. **Undeclared allergen reaction.** One mislabeled dish causing anaphylaxis can produce a seven-figure bodily injury claim against your restaurant.
- 24. **Foreign object in food.** Glass, metal, or plastic in a dish means dental and medical claims plus a reputation problem that outlasts the lawsuit.
- 25. **Cross-contamination claims.** Shared prep surfaces and utensils create illness and allergen claims even when your recipes are safe.
- 26. **Supplier contamination.** A contaminated ingredient from your distributor still gets sued through you first — contingent coverage matters.
- 27. **Health department closure.** A forced closure stops income immediately; standard business income coverage may not respond without the right trigger.
- 28. **Temperature abuse claims.** Food held out of safe temperature ranges creates illness claims and gives plaintiff attorneys an easy negligence story.
- 29. **Post-outbreak reputation damage.** Even a rumor of illness craters sales for months; crisis response and PR coverage exist for exactly this.
- 30. **Product recall expense.** Pulling and destroying affected product, notifying customers, and restocking is expensive — and excluded without recall coverage.

SECTION 4 | Customer Injury & Premises Liability (Risks 31–42)

- 31. Slip and fall on wet floors.** The most common restaurant claim, averaging \$20,000+ — and far more when a hip or head injury is involved.
- 32. Parking lot ice and snow.** Kansas City winters make your lot and sidewalks a claim generator; lease terms decide whether it's your problem.
- 33. Hot food and beverage burns.** Scalding-liquid claims settle in five and six figures, especially involving children.
- 34. Failing chairs and booths.** A collapsing chair means an injured guest and an easy liability case built on your maintenance records.
- 35. Falling objects.** Wall decor, TVs, and shelving that let go over a dining table cause head injuries with serious claim values.
- 36. Patio and outdoor injuries.** Umbrellas in wind, uneven pavers, and heaters create seasonal injury exposure many policies weren't rated for.
- 37. Door and entryway injuries.** Heavy doors, broken closers, and thresholds trip and strike guests at the single busiest point in your building.
- 38. Choking incidents.** A choking death raises duty-to-respond questions and can generate wrongful death litigation against the restaurant.
- 39. Broken glassware injuries.** Chipped glass and shattered dishes cut guests' hands and mouths — small incidents that still produce real claims.
- 40. Sidewalk liability.** Depending on your lease and local ordinance, the public sidewalk out front may be your legal responsibility.
- 41. Valet and parking operations.** Vehicle damage and pedestrian injuries from valet service usually need garagekeepers coverage you may not carry.
- 42. Off-premises catering injuries.** Injuries at catered events raise coverage territory questions — some policies don't follow you off-site.

SECTION 5 | Liquor Liability (Risks 43–48)

- 43. Over-service leading to a DUI.** If a guest you over-served injures someone driving home, dram shop liability puts your restaurant in the lawsuit.
- 44. Serving a minor.** One failed ID check — including compliance stings — brings fines, license jeopardy, and uncapped civil liability.
- 45. Visibly intoxicated patron injuries.** Courts ask whether staff should have stopped serving; training records become your defense or your downfall.
- 46. Dram shop lawsuit verdicts.** Alcohol-related verdicts routinely exceed \$1 million — far beyond many restaurants' liquor liability limits.
- 47. Coverage that doesn't match sales.** Liquor policies rated on understated alcohol sales can be re-rated, penalized, or contested at claim time.
- 48. Employee drinking on duty.** Staff consuming alcohol on shift can void liquor coverage and multiply liability for anything that follows.

SECTION 6 | Employee Injuries & Workers' Compensation (Risks 49–58)

- 49. Cuts and lacerations.** Knife and slicer injuries are the most frequent kitchen claim, and tendon damage means surgery and lost time.
- 50. Burns and scalds.** Fryer and steam burns generate high medical costs and, in serious cases, permanent disability ratings.

- 51. Kitchen slips and falls.** Greasy floors injure your own staff more often than guests — driving your workers' comp mod up for years.
- 52. Lifting and strain injuries.** Stockroom lifting and repetitive prep produce back and shoulder claims that quietly become your most expensive category.
- 53. Repetitive motion injuries.** Chopping, plating, and carrying trays create cumulative trauma claims that carriers scrutinize but ultimately pay.
- 54. Workplace violence against staff.** Robberies and aggressive customers injure employees — a comp claim on your policy no matter who was at fault.
- 55. Teen labor law violations.** Minors operating slicers or fryers violate federal law and can trigger doubled penalties alongside the injury claim.
- 56. Uninsured subcontract labor.** That cleaning crew or repair sub without their own coverage becomes your workers' comp claim when someone gets hurt.
- 57. Misclassified 1099 workers.** Calling employees contractors doesn't survive an audit — expect back premiums, penalties, and uncovered claims.
- 58. Premium audit surprises.** Payroll growth you didn't report mid-term arrives as a large, unbudgeted audit bill after the policy year ends.

SECTION 7 | Employment Practices Liability (Risks 59–66)

- 59. Wrongful termination claims.** Even a justified firing can produce a claim costing \$75,000+ to defend — with or without merit.
- 60. Sexual harassment claims.** Restaurants lead all industries in harassment charges; one incident between staff members lands on your business.
- 61. Discrimination claims.** Hiring, scheduling, and promotion decisions get second-guessed in court, and defense costs alone can be crippling.
- 62. Wage, hour & tip-pooling violations.** Tip credit and pooling mistakes create class-action exposure — often excluded even under EPLI policies, so structure matters.
- 63. ADA accommodation claims.** Failure to accommodate an employee's disability — or a guest's — creates federal claims with fee-shifting attorney costs.
- 64. Retaliation claims.** Discipline that follows a complaint, however unrelated, becomes a retaliation claim that's harder to defend than the original issue.
- 65. Third-party harassment.** When a regular customer harasses your server and you keep serving him, the resulting claim is against you.
- 66. I-9 and immigration compliance.** Paperwork violations bring per-employee fines that multiply fast across a full kitchen and floor staff.

SECTION 8 | Crime, Theft & Cyber (Risks 67–76)

- 67. Employee theft.** Skimmed cash, voided tickets, and walked-out inventory average tens of thousands before discovery — excluded without crime coverage.
- 68. Robbery and burglary.** Cash-handling businesses are targets; after-hours break-ins take safes, electronics, and liquor inventory.
- 69. POS data breach.** A compromised card system means forensics, notification, and card-brand penalties — costs that start around \$50,000.
- 70. Ransomware attack.** Locked systems mean no orders, no payroll, no records; ransom demands and restoration costs hit small operators hardest.
- 71. Funds transfer fraud.** A convincing fake email from your 'vendor' or 'landlord' redirects a real payment that crime policies must specifically cover.

- 72. Gift card fraud.** Stolen or cloned gift card schemes drain revenue in small increments that add up before anyone reconciles.
- 73. Counterfeit currency.** Busy cash lines absorb fake bills nightly; the loss is yours unless money coverage responds.
- 74. Vendor and delivery theft.** Shrinkage at the back door — short deliveries and dock theft — silently erodes margins year-round.
- 75. Safe burglary.** A breached safe after a big weekend can mean five figures in unbanked cash, subject to strict policy sublimits.
- 76. PCI fines and assessments.** After a breach, card brands assess fines and reimbursement costs that only specific cyber endorsements pick up.

SECTION 9 | Delivery & Auto Exposure (Risks 77–82)

- 77. Employees delivering in personal cars.** Your delivery driver's personal auto policy can deny business-use claims, leaving your restaurant holding the lawsuit — hired & non-owned auto is essential.
- 78. Third-party delivery app incidents.** DoorDash-era injuries in your parking lot and disputes over food condition still generate claims against you.
- 79. Company vehicle accidents.** A catering van at fault in a serious injury accident exhausts minimum auto limits almost immediately.
- 80. Catering cargo losses.** Spoiled or spilled event food en route means a lost job, a refund, and an unhappy client — coverage depends on your form.
- 81. Employee errand accidents.** The 'quick supply run' in a personal car is a non-owned auto claim waiting for your business.
- 82. Inadequate auto liability limits.** State-minimum limits on business vehicles are an open door to a judgment against the restaurant itself.

SECTION 10 | Business Interruption & Income (Risks 83–90)

- 83. Lost income during fire closure.** The building claim pays for repairs; without business income coverage, nothing replaces the revenue you lose while closed.
- 84. Rebuild exceeding your restoration period.** Permits, contractors, and supply delays routinely push rebuilds past 12 months — beyond many policies' income window.
- 85. Loss of a key supplier.** When your critical distributor or commissary goes down, contingent business income coverage is the only thing that responds.
- 86. Civil authority closures.** Street closures, utility emergencies, and mandated evacuations stop your income with narrow, time-limited coverage.
- 87. Utility interruption income loss.** Extended power or water outages close you without physical damage — uncovered without the right endorsement.
- 88. Loss of anchor tenant traffic.** When the anchor store closes and foot traffic collapses, there is no coverage — only planning and lease negotiation.
- 89. Payroll continuation gap.** If coverage won't fund key staff wages during closure, your trained crew is gone before you reopen.
- 90. Temporary location extra expense.** Operating from a temporary kitchen to keep catering contracts alive costs real money that extra expense coverage exists to pay.

SECTION 11 | Weather & Catastrophe (Risks 91–95)

- 91. Tornado and wind damage.** The Kansas City metro sits in tornado alley; roof and structural wind losses are a matter of when, not if.
- 92. Hail damage.** Midwest hail destroys roofs and rooftop HVAC units — and cosmetic-damage exclusions can shrink the payout.

- 93. **Winter storm pipe freeze.** Extended sub-zero snaps burst pipes in closed restaurants, combining water damage with days of lost income.
- 94. **Flood exclusion.** Flood is excluded from every standard property policy; surface water in a heavy KC storm needs its own coverage.
- 95. **Lightning and power surge.** One strike can fry POS systems, kitchen electronics, and walk-in controls in a single instant.

SECTION 12 | Legal, Contractual & Compliance (Risks 96–100)

- 96. **Certificate of insurance failures.** Missing or wrong certificates breach your lease and vendor contracts before any loss even happens.
- 97. **Lease insurance requirement mismatches.** Leases demanding limits and coverages your policy doesn't carry leave you personally exposed to your landlord's lawyers.
- 98. **Music licensing lawsuits.** ASCAP, BMI, and SESAC sue restaurants over unlicensed music at \$750–\$30,000 per song in statutory damages.
- 99. **Franchise agreement coverage gaps.** Franchisors mandate specific coverages and limits; falling short risks both a claim gap and your franchise rights.
- 100. **Advertising injury claims.** A social media post, borrowed photo, or comparative ad can trigger defamation and copyright claims against your restaurant.

How to Structure Your Insurance Program

A restaurant can't buy one policy and be done. A sound program is built in layers, with each layer closing a gap the previous one leaves open:

- 1. Foundation — Package policy or BOP.** Property (building, betterments, equipment, inventory at true replacement cost) plus general liability. This is where values, coinsurance, and ordinance & law coverage get set correctly — or set you up to fail.
- 2. Income protection.** Business income and extra expense with a realistic restoration period (18–24 months for a full rebuild), plus utility interruption and contingent business income for key suppliers.
- 3. Restaurant-specific coverages.** Food contamination and spoilage, equipment breakdown, sewer/drain backup, crime (employee theft and money), and liquor liability rated on your actual alcohol sales.
- 4. People coverages.** Workers' compensation with correct classifications, and employment practices liability (EPLI) — restaurants are among the most-sued industries for employment claims.
- 5. Auto exposure.** Hired & non-owned auto for every restaurant with delivery, catering, or employees who ever run errands — plus commercial auto for owned vehicles.
- 6. Cyber liability.** POS breach, ransomware, and funds transfer fraud coverage sized to your card volume.
- 7. The umbrella.** A commercial umbrella of \$1M–\$5M sitting over liability, auto, and (ideally) liquor liability. It is the least expensive million dollars of protection you will ever buy — and the layer that saves the business when a claim goes catastrophic.

5 Questions to Ask About Your Current Policy

If your current agent can't answer these five questions clearly — in writing — that's your first warning sign.

1. Does my policy include **food contamination, spoilage, and equipment breakdown** coverage — and at what limits?
2. Is my **business income limit and restoration period** actually enough to survive a 18–24 month rebuild, including payroll for key staff?
3. Am I covered when **employees deliver food or run errands in their own vehicles** (hired & non-owned auto)?
4. Are my **liquor liability limits** rated on my real alcohol sales, and does my umbrella sit over that coverage?
5. When were my **building, betterments, and equipment values** last reviewed against today's replacement costs — before or after construction inflation?

SCHEDULE YOUR FREE COVERAGE REVIEW

You don't need to solve all 100 of these tonight. You need someone who has already seen every one of them. I'll review your current policies line by line, show you exactly where the gaps are, and put it in writing — no cost, no obligation.

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46+ Years in the Kansas City Market • Access to 50+ Insurance Carriers

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