

# RESTAURANT INDUSTRY LOSS TRENDS: HOW DO YOU COMPARE? HOW CAN YOU IMPROVE?

JUNE 27, 2018

New York, NY

# Introductions

## Today's Speakers



**Mac Nadel**  
US RWFB Practice Leader  
Marsh

- Marsh's US Retail/Wholesale, Food & Beverage (RWFB) Industry Practice Leader.
- Over 30 years of experience, developing, providing, and coordinating risk management advisory services and teams for RWFB and other industry clients.
- Held various executive and leadership roles within Marsh.
- Unique strategic and analytical approach to implementation of risk management programs.



**Lynn MacGill**  
Senior Vice President  
Marsh Risk Consulting

- MRC's Northeast consultant for the Dimensions 2.0 workers' compensation benchmarking service.
- Provides expertise and consulting in the risk information and technology arena.
- Guides clients in the best and most efficient management of their risk information through extensive expertise in risk information consulting.



**Cindy Smail**  
Vice President  
Marsh Risk Consulting

- Food & Beverage/Restaurant practice leader for MRC's Workforce Strategies Practice.
- Helps improve employee safety through the provision of strategic risk identification practices and practical mitigation solutions, workplace efficiency services, and safety culture development.



**Joe Griswold**  
Senior Vice President  
Marsh Risk Consulting

- MRC's Southeast Zone Claim Leader with oversight for the Claim Consulting Practice and Claim Advocacy.
- Over 30 years of experience in the insurance industry with numerous claims systems, workers' compensation, and TPAs.
- Extensive experience in vendor selection and TPA oversight, including audits and claims closure projects.

**Q&A Moderator**  
**Harry S. Leff**  
Senior Vice President  
Global Risk & Digital Marketing

**Restaurant Practice Activities**  
**Michelle Okolo**  
Vice President  
US RWFB Marketing

# Restaurant Industry Practice 2017 Loss Benchmark Report

## Key Facts

- Detailed workers' compensation and general liability loss data from participating US restaurants:
  - 44 companies.
  - 74 brands.
  - 28,100+ locations.
- Robust sub-sector metrics for:
  - Quick-service.
  - Fast casual.
- Includes loss program survey data.
- Provides insights to create a foundation for strategic risk management and safety decisions.



# Some Key Stats to Whet Your Appetite

## Loss Profile Cost Trends

### Workers' Compensation

**Frequency rate:** 5 yr. average of 1.87 claims/\$1 million of payroll, a 2% decrease from 2012 to 2016.

**Severity rate:** 5 yr. trend increase of 11%, with the highest rate of 6.73 (total incurred/\$1,000 payroll) in the most current year (2016).

**\$4,747:** average cost/claim

\$4,079	\$5,137
Quick	Casual
Service	Dining

**\$23,365:** average cost/lost time claim

\$21,078	\$24,596
Quick	Casual
Service	Dining

### General Liability

**Frequency rate:** 3 yr. decrease from 2012 to 2014, but then an increase in subsequent years (2015 and 2016) to 2.69 claims/\$10M revenue.

**Severity rate:** 3 yr. increase from 2014 to 2016 to 4.83 total incurred/\$10K revenue.

**\$3,956:** average cost/claim

\$2,777	\$4,934
Quick	Casual
Service	Dining

**\$45,779:** average cost/litigated claim

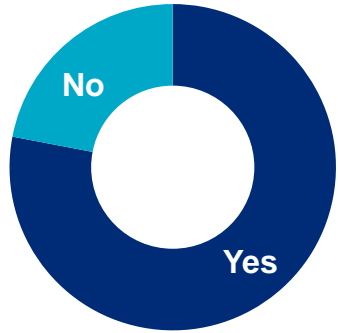
\$36,250	\$57,996
Quick	Casual
Service	Dining

## Some Key Stats to Whet Your Appetite Best Practice Survey Insights

- **68%** conduct safety committee meetings at their locations.
  - Provides an opportunity for ownership and enhanced communications.
  - Builds safety knowledge and acumen across departments.
  - Provides an opportunity to elevate the knowledge of risks – present and future.
  - Can help with better integration/collaboration with claims/risk management.
  - Provides more focus to financial impact, dollar savings, and ROI.
- Only **48%** report that formal hazard assessments of exposures (e.g., ergonomics, material handling, cut, burn, slip/fall exposure) have been conducted in the last two years.
- **51%** report that they use nurse triage to assist in claims management.

# Some Key Stats to Whet Your Appetite

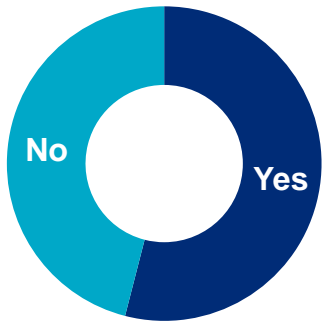
## Best Practice Survey Insights



### Safety & Risk Management

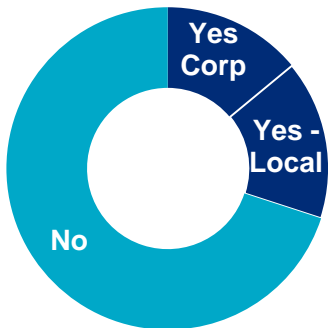
- Staff: Is Safety/Loss Prevention included in the Risk Management staff employee count?  
Yes 78% No 22%

Impact/Avg. Incurred



### Cost Allocation

- Are your location managers held accountable for the financial impact of claims through a formal cost allocation system?  
Yes 54% No 46%



### Random Drug Testing

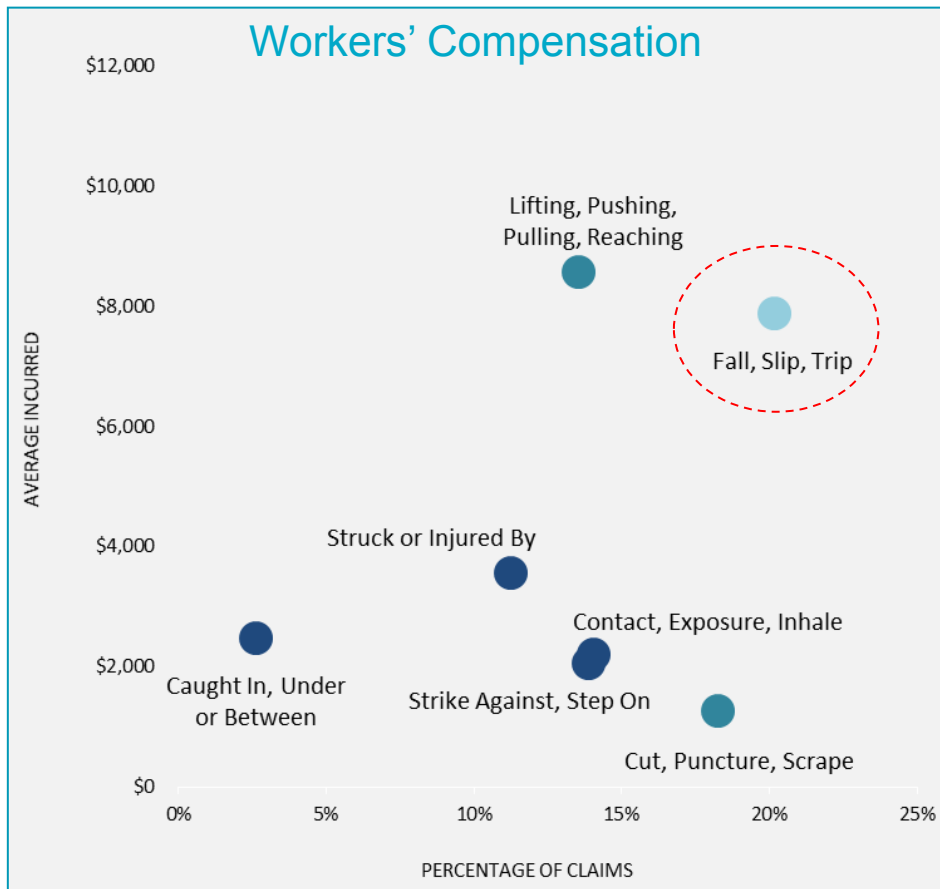
- Are random drug tests performed?  
Yes Corp 14% Yes Local 16% No 70%



Root Cause

# Slips and Falls Benchmarking Data

Slips and falls are well-known hazards in the restaurant industry, however a deeper analysis into the root cause of these incidents may be warranted.



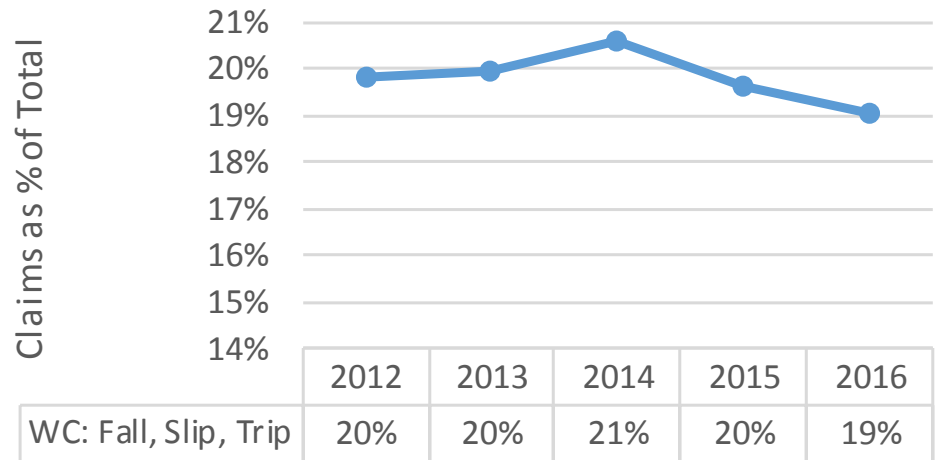


# Slips and Falls

## Key Insights

- Conduct deeper analysis of falls:
  - Height of falls: **17%** of falls happen on level ground. Determine what is happening for the other **83%** (i.e., ladders, stairs, curbs).
  - Shoe compliance: How well do you monitor if slip resistant shoes are worn and when they are replaced?
  - Investigate injury types and other possible fall causes such as: floor surface issues, cleaning program, mat program, and housekeeping.

WC: Fall, Slip, Trip

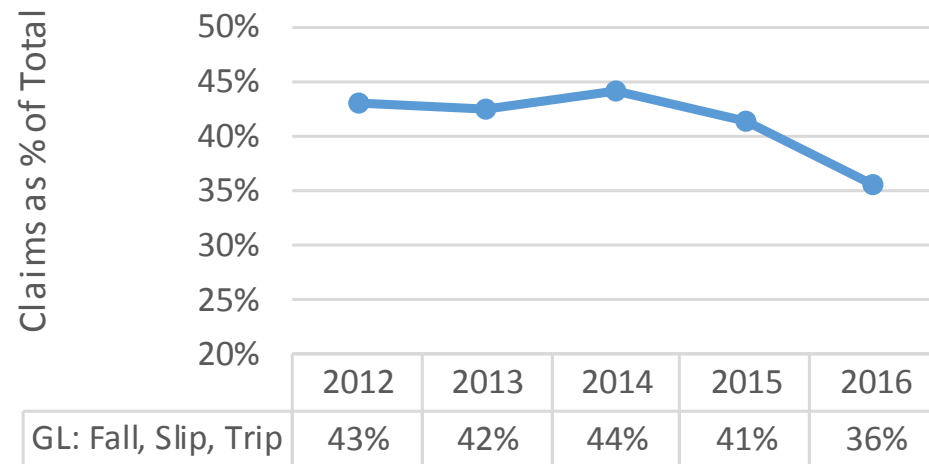


ALL CLAIMS (5 yr average)				LOST TIME CLAIMS ONLY		
Incidents	Claims	% of Incurred	Average Incurred	Lost Time Claims	% of Incurred	Average Incurred
20%	20%	35%	\$7,866	33%	37%	\$25,908

# Slips and Falls Improvement Solutions

- Conduct a safety gap assessment.
- Evaluate floor materials: Determine dry and wet slip resistive qualities to inform material selection.
- Evaluate current floor sanitation and implement changes needed. Maintain and measure program effectiveness.
- Build comprehensive slip-and-fall programs and incident reporting specific to your organization.

GL: Fall, Slip, Trip



ALL CLAIMS				LITIGATED CLAIMS ONLY		
Incidents	Claims	% of Incurred	Average Incurred	Litigated Claims	% of Incurred	Average Incurred
33%	<b>41%</b>	<b>67%</b>	\$6,161	<b>70%</b>	<b>74%</b>	\$54,238

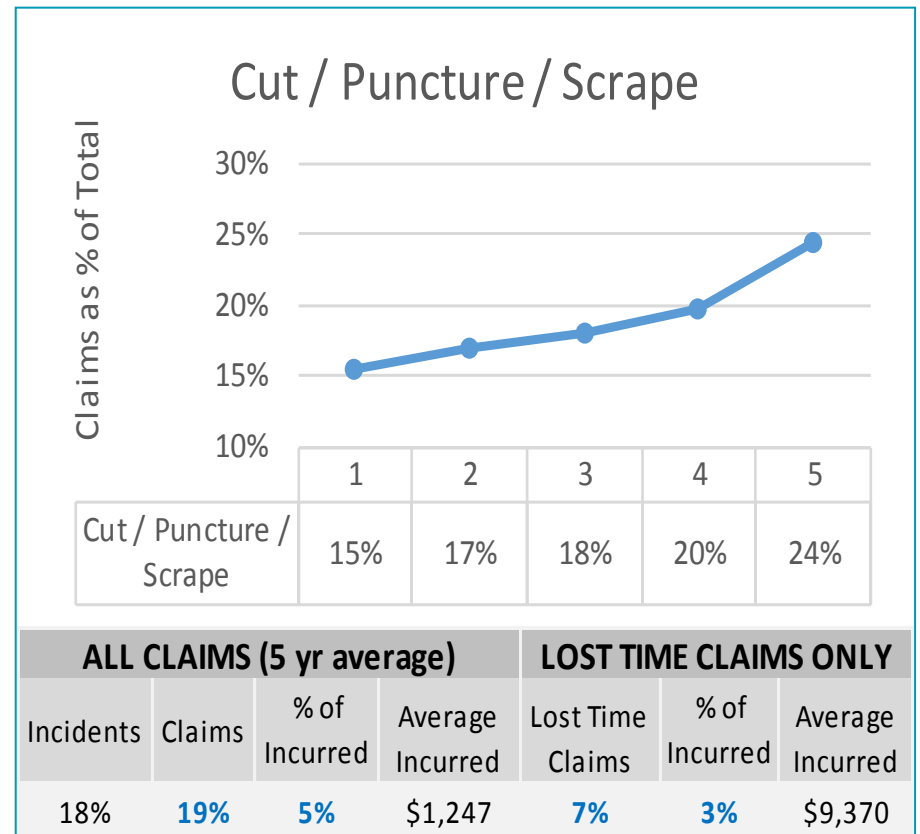
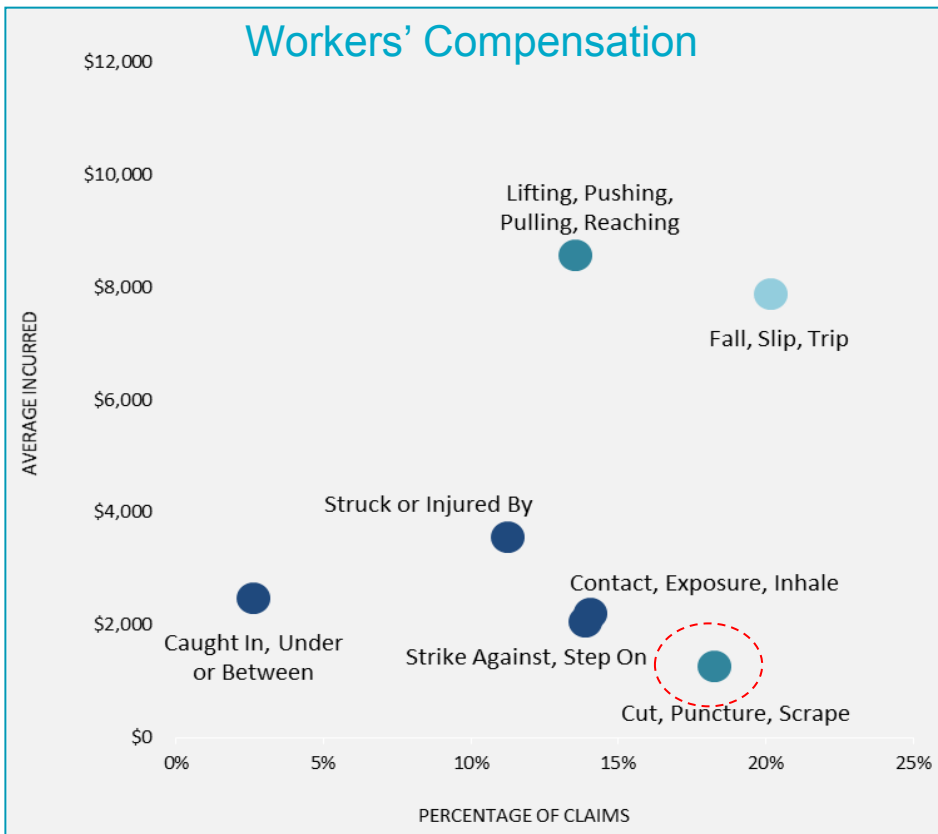
## CASE STUDY

Issue	Solution	Results
Escalating employee and customer accident costs.	Comprehensive slip/trip/fall assessment.	General liability claims costs over the past six years decreased over <b>85%</b> .

# Cuts

## Benchmarking Data

Employee injuries: Cuts, punctures, and scrapes are low cost at \$1,250, but frequency has increased from 15% to 24% (2012-2016).



# Cuts

## Key Insights

Evaluate the root causes and solutions:

- Equipment changes.
- Knife and slicer protocols.
- Dishwashing process.
- Broken dish protocols.
- Protective equipment.



Potential risks:

- Claim data may not capture cuts requiring only first aid. However, frequency can drive severity.
- Disruptions to business functions caused by injuries.
- Employee exposure to blood.
- Food safety impact (i.e., blood, bandages in food, image, etc.).

# Cuts Improvement Solutions

- Conduct a safety gap assessment.
- Evaluate current programs and processes, including enforcement.
- Develop or modify an existing training program to reduce cuts' frequency.
- Review equipment in place and determine if alternatives are needed.

## CASE STUDY

Issue	Solution	Results
High workers' compensation costs, with incidents and injuries involving significant downtime of processes and/or packaging operations, complicated with additional time lost if need to sanitize equipment after contact with or release of bodily fluids.	A thorough analysis of workplace/workforce issues, current state/desired state, and data needs generated a pertinent set of strategic solutions. Where certification was an issue, conducted a gap assessment/audit based on the safety management system in comparison to 18001 and site practices.	Success ranged from a reduction in workplace incidents and lower workers' compensation costs, to 18001 certification, to the development of a site safety audit system and standards that provide a data-based, accurate picture of performance that can be used as the client's own certification system.

## Motor Vehicle Collisions Emerging Issues

Motor vehicle collisions are a significant exposure from an employee claim cost and an auto liability perspective.

Motor Vehicle Accident			
Motor Vehicle Accident	78%	75%	\$14,678
Motor Vehicle Accident-Crash, Collision	22%	24%	\$16,670
Motor Vehicle Accident-Roadway	0%	1%	\$48,887

- An average incurred for a roadway claim is over **\$36,000**.
- Significant controls and programming must be instated to mitigate this risk.
- Keep the cost of motor vehicle collisions and liability in mind when considering incorporating catering or delivery services into business operations.

Delivery revenues: 20% jump over the past five years.

# Motor Vehicle Collisions Improvement Solutions

- Fleet safety injury avoidance measurement gap.
- Fleet regulatory gap.
- Behavioral driving training.
- Other fleet risk control services.

## CASE STUDY

Issue	Solution	Results
Escalating costs associated with employee, customer, and vehicle accidents.	Cohesive processes impacting upstream, midstream, and downstream activities such as design and equipment assessments, safety program development, hazard identification, training, and restaurant visits with an aggressive continuous improvement approach.	Short term reductions of <b>15%</b> in workers' compensation costs and <b>37%</b> in general liability costs for year one equating to over <b>\$800K</b> savings.  Over an eight-year partnership, and through aggressive risk control activities, exponential year-over-year savings totaling <b>\$14M</b> .
Escalating costs associated with employee and vehicle accidents.	PACE behavioral driver training and onsite visits with an aggressive continuous improvement approach.	Over a nine-year partnership, this program yielded a <b>70%</b> reduction in workers' compensation costs per \$1,000 of payroll.

# Cost Containment



# Guest Incidents

## Key Insights

Guest relations has taken a larger role both at the restaurant and at the corporate level in contributing to decreases in claims and litigated expense costs through:

- The use of gift cards.
- Utilizing scripted first contacts on all incidents that highlights the value placed on the guest.
- Achieving first-call minimal settlements without admitting liability.

# Guest Incidents Improvement Solutions

When defending a claim is the right action, advance planning is highly advantageous:

- Selective defense counsel panel.
- Stringent escalation protocols for foodborne illnesses.
- Clear litigation management protocols with clearly defined roles and responsibilities:
  - Preservation of evidence (chain of custody).
  - Initial collection of documentation.
  - Roles of the adjuster and the attorney.
- Conduct an operational assessment with a focus on litigation management.

## CASE STUDY

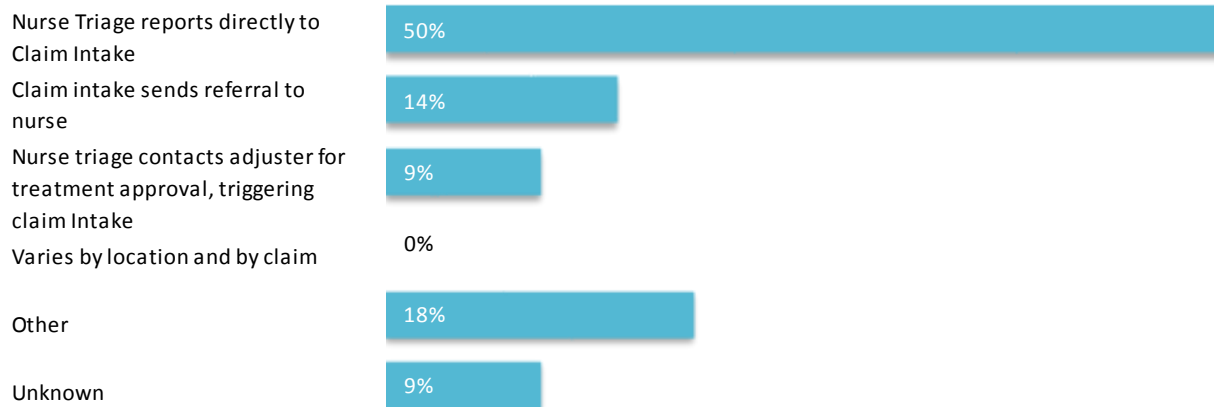
Issue	Solution	Results
Escalating costs associated with employee and customer incidents.	Cohesive processes impacting upstream, midstream, and downstream activities such as design and equipment assessments, safety program development, hazard identification, training, and restaurant visits with a focused continuous improvement approach.	An ROI of <b>173%</b> over a two-year period, equating to over <b>\$550K</b> savings and <b>157%</b> decrease in severity per million dollars in payroll.

# 24/7 Nurse Triage Benchmarking Data

## Do you use Nurse Triage?



## How are the majority of Nurse Triage calls reported to Claim Intake?



Comments:

Other: TPA, WC Claims Coordinator, Corporate

## 24/7 Nurse Triage

### Key Insights

- **20%** of lost time claims are still reported more than a week after the injury was sustained.
- Reporting lags contribute to increased medical, indemnity, and expense claim costs.
- 24/7 nurse triage can help to improve the speed and quality of reporting new injuries.

## 24/7 Nurse Triage

### Employer and Employee Benefits

- Non-adversarial conversations with a nurse rather than on-site supervisors.
- National guidelines and treatment decision protocol are used to ascertain the appropriate level of treatment.
- Emergency situations are quickly recognized and appropriate responders are identified and contacted.
- Reduces unnecessary emergency room visits, claim frequency, and disability days.
- Claims are easy to report via telephone at any time of day or night.
- Litigation can be mitigated by focusing the claims process on advocacy.
- Incident insight can be improved through granular reports.
- OSHA compliance, provider network penetration, and usage of pharmacy first-fill benefits improved.

# Return to Work and Disability Durations Benchmarking Data

# \$23,365

5 yr. average cost  
per lost time claim

*Last report @ 2014 avg. cost \$25,581*

# 17%

of injured employees lose  
time away from work

*Up from 14.5%*

## Indirect Costs

# \$70K - \$117K

per claim

- Staffing (replacement/training costs).
- Operations (production).
- WC Premiums (losses drive premiums).
- WC Admin Fees (carrier/TPA).

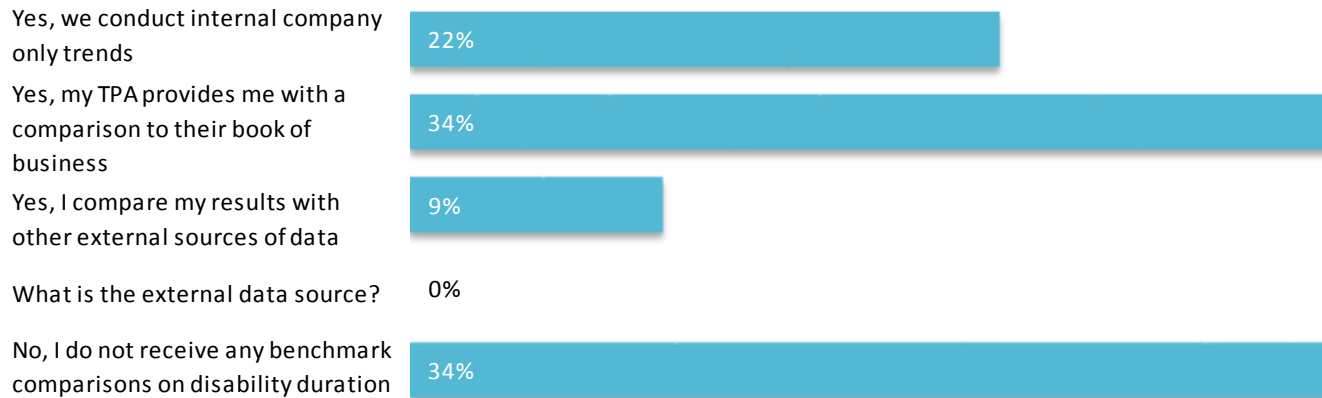
The average incurred for lost time claims has increased by **\$3,109** within the first 12 months of development from 2012 to 2016.

# Return to Work and Disability Durations

## Benchmarking Data

- A strong and consistent return-to-work program can be one of the best ways to mitigate incurred lost time claims.
- A formal return-to-work program is in place for **76%** of respondents.
- **33%** do not have a job bank of written transitional or light-duty work assignments.

Do you benchmark the duration of disabilities by type of injury?



*Few are able to quantify the impact of reduced disability durations through objective benchmarks.*

# Return to Work and Disability Durations Improvement Solutions

Key elements of a strong return to work program include:

- Senior management's commitment to champion the program and drive accountability.
- Accountability driven through an allocation system.
- Written policy clearly defining the roles of key constituents that are easily understood by:
  - Employees.
  - Supervisors.
  - Claim adjusters.
  - Clinicians.
  - Corporate stakeholders.
- Defined procedures and escalation process.
- Identified tasks.
- Actionable metrics.



# QUESTIONS



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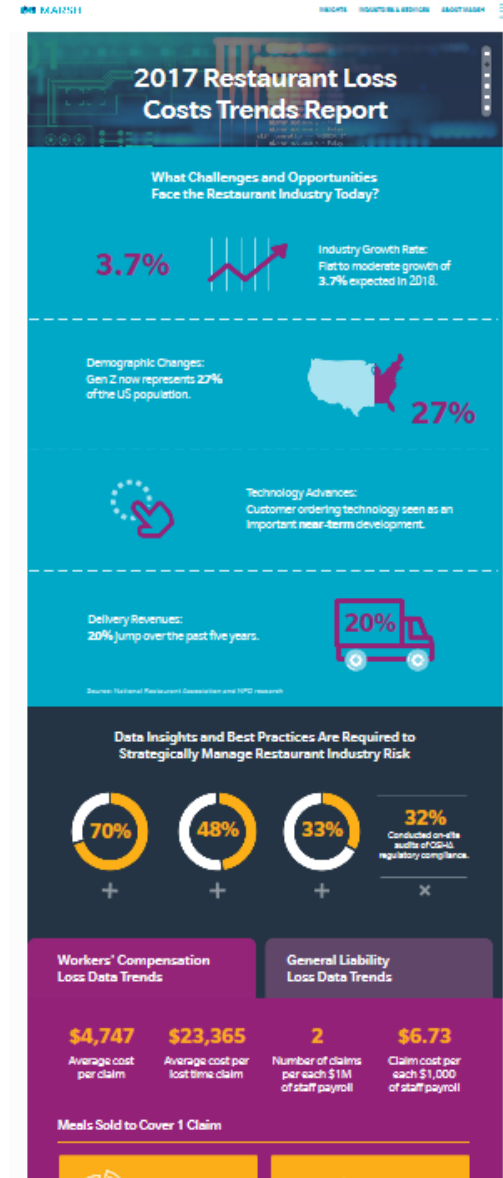
## 2017 Restaurant Loss Cost Trends Report



SOLUTIONS...DEFINED, DESIGNED, AND DELIVERED.

# What's Next???

- If interested in learning more about the report or benchmarking your own data against your peer group, contact:  
Lynn MacGill  
617-416-7253  
[lynn.r.macgill@marsh.com](mailto:lynn.r.macgill@marsh.com)
- [Interactive digital overview](#) of this report.
- Survey – We'd like your feedback!
- Mini-white paper – [EPL Trends in the Restaurant & Retail Industry](#).
- Interactive quiz – *Test Your Wage & Hour IQ*.
- And don't forget to visit our [Farm to Fork page](#) for our latest insights and thought leadership.





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