



2022 Restaurant Industry Loss Cost Trends Webinar

How Do You Compare?

March 22, 2023

A business of Marsh McLennan

Today's Speakers



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Agenda

Welcome & Introduction

Kristi Whistle, Marsh Restaurant Segment Leader

Overview & Key Findings of 2022 Restaurant Loss Cost Trends Report

Adrienne Harrell, Oliver Wyman, Actuarial Consulting

Workers' Comp & General Liability Loss Control Insights, Implications & Best Practices

Cindy Smail, Marsh Advisory Workforce Strategies

Claims Consulting Insights & Best Practices

Brian Gannon, Marsh Advisory Claims Consulting

Q&A and Close

Kristi Whistle, Marsh Restaurant Segment Leader

Opening Remarks

- Background & History – 2022 Report is 4th edition
- A report “tailor made for you” – Designed in collaboration with your Restaurant Peers
 - JJ Fuqua, Director – Global Risk Manager, Papa Johns International
 - David Rydeen, Senior Director, Crew Safety, Fry Cook & Cashier, Raising Cane’s Chicken Fingers
 - Kathy Nemecek, Manager – Risk Management, Illitch Holdings, Inc.
- Participation remains strong

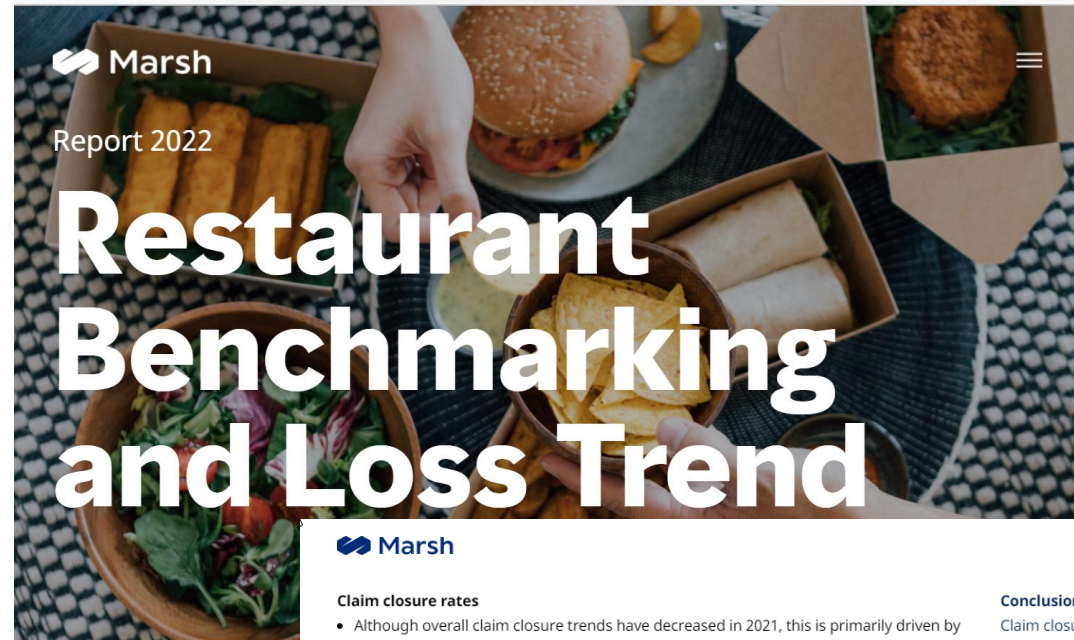
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Restaurant Industry Practice 2022 Report

Key facts

- Analyzed survey responses from 47 participating restaurant companies and detailed workers' compensation and general liability loss data from 21 participating restaurant companies (representing 30 brands)
- Robust metrics drilled down by quick-service and casual sub-sectors for 2017-2021 claims
- Includes risk management best practices survey data
- Provides insights to create a foundation for strategic risk management and safety decisions
- Delivered through a secure and interactive html site



 Marsh

Claim closure rates

- Although overall claim closure trends have decreased in 2021, this is primarily driven by less expensive, medical-only claims.
- Over the past five years, lost time claim closure rates have remained stable, ranging between 40% and 45%.

Participant differences

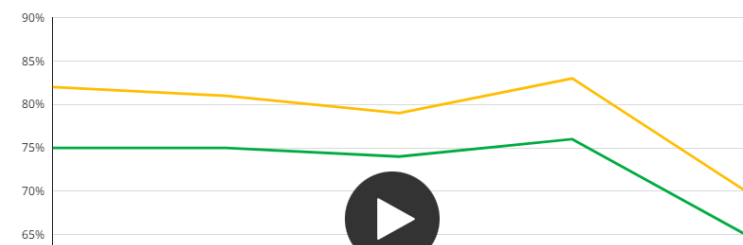
- There are significant differences in claims closure rates among the participants.
- Several participants closed less than 30% of lost time claims in 2021 by the end of that year. On the other side of the performance spectrum, several participants closed more than 60% of lost time claims in 2021 by year-end.
- Comparing both claim closure rates and loss rates by participant indicates that participants with lower claim closure rates tend to be correlated with higher loss rates.

Conclusion

Claim closure metrics give a strong indication of the overall health of a claims program. When these metrics start to drag behind the peer group, the financial results can be felt by the company for a long time in many different ways. It can be helpful to shift focus to older claims, as well as increasing claim inventory counts, which can lead to claim deterioration throughout the whole book of claims.

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Five-year claim closure rates



Workers' Comp Trends Beyond Best Practices Claims prevention

Adrienne Harrell, Principal
Oliver Wyman Actuarial Consulting

Cindy Smail, Senior Vice President
Marsh Advisory, Workforce Strategies

What Does a Workers' Compensation Claim Look Like?



\$4,474 overall average severity in 2021



\$18,345 Lost Time average severity in 2021



Workers with < 2 years of experience have driven **55.2% and 62.8%** of the incurred losses and claim counts on average over the last five years



Falls, slips, and trips continue to be the restaurant industry's most dominant cause of injury. They are also the most frequent and one of the most expensive



Cuts, punctures, and scrapes are the second most frequent cause of injury, but this category has a lower severity (approximately \$1,900)



Overall **claim closure trends decreased in 2021** (from ~75% to ~65%), primarily driven by less expensive, medical-only claims
• However, over the past five years, lost time claim closure rates have remained stable, ranging between 40% and 45%



On average, restaurant participants **report 92.7% of their claims within seven days from loss**

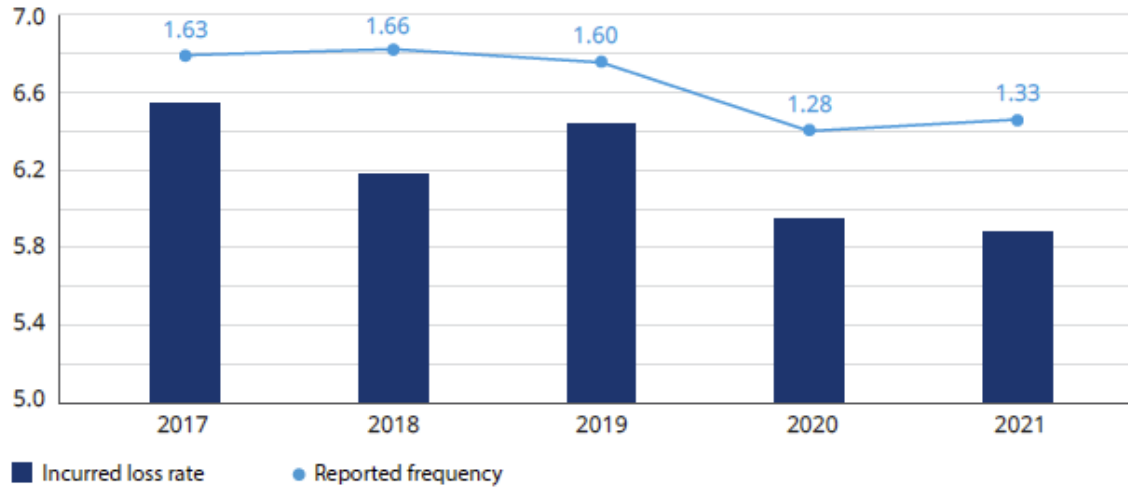
*Severities represents 2021 total incurred losses / reported counts (excluding \$0 claims) as of 12/31/22

Trends to Watch

Workers' compensation: all claims vs. lost time

All Claims

Exhibit 1: Loss rate and frequency trends

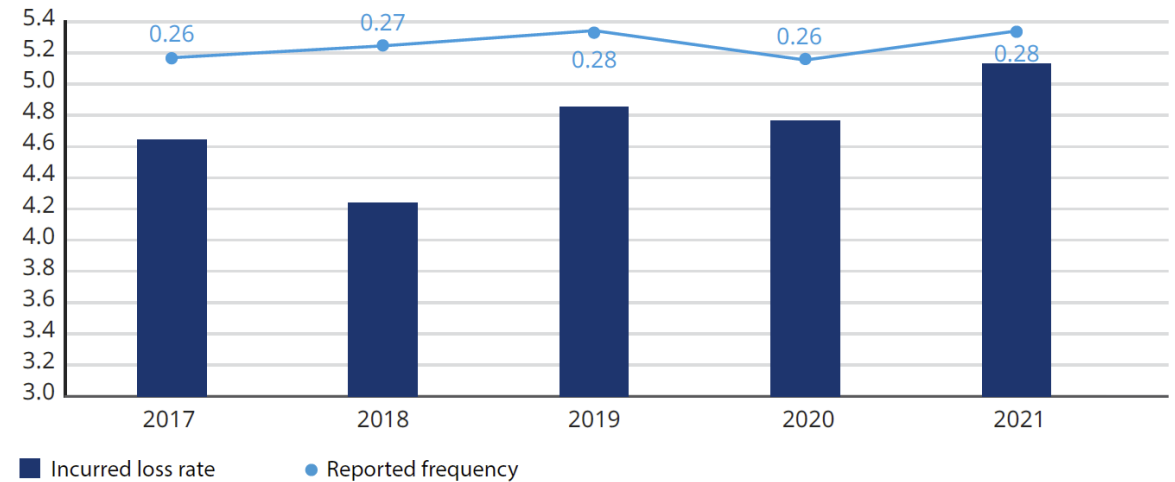


Source: Marsh's Restaurant Industry Segment and Oliver Wyman analysis

Note: a. Loss rate measures incurred loss per \$1,000 of payroll (workers' compensation) or per \$1,000 of revenue (general liability); b. Frequency measures reported count per \$1 million of payroll (workers' compensation) or per \$10 million of revenue (general liability); c. Claim counts do not include \$0 claims (or incident-only claims). Data is evaluated as of 12 months maturity.

Lost Time

Exhibit 1: Loss rate and frequency trends

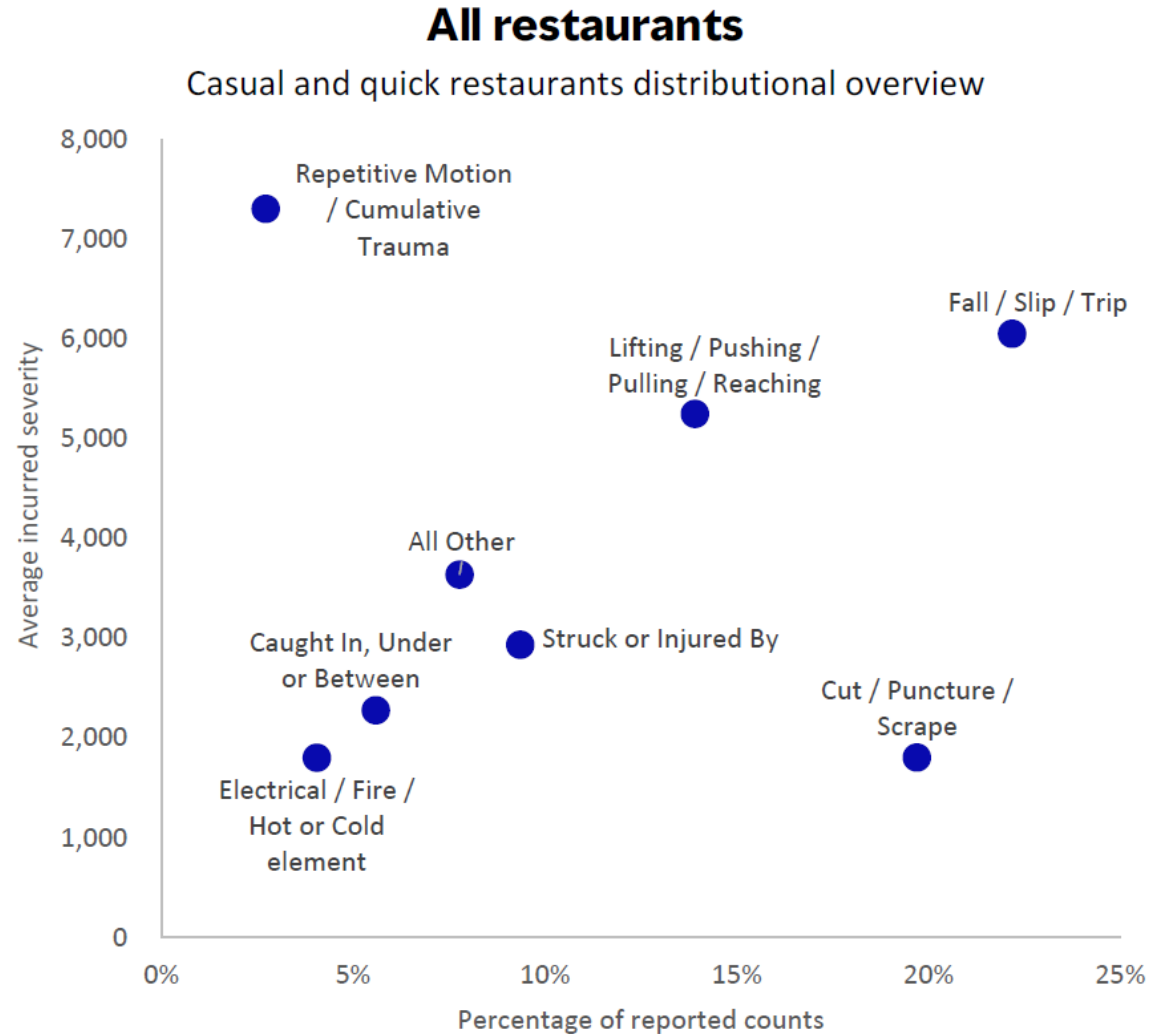


Source: Marsh's Restaurant Industry Segment and Oliver Wyman analysis

Note: a. Loss rate measures incurred loss per \$1,000 of payroll (workers' compensation) or per \$1,000 of revenue (general liability); b. Frequency measures reported count per \$1 million of payroll (workers' compensation) or per \$10 million of revenue (general liability); c. Claim counts do not include \$0 claims (or incident-only claims); d. Lost-time claims are defined as claims with an indemnity incurred value of greater than \$0; e. Severity measures incurred loss divided by reported count. Data is evaluated as of 12 months maturity.

Workers' Compensation

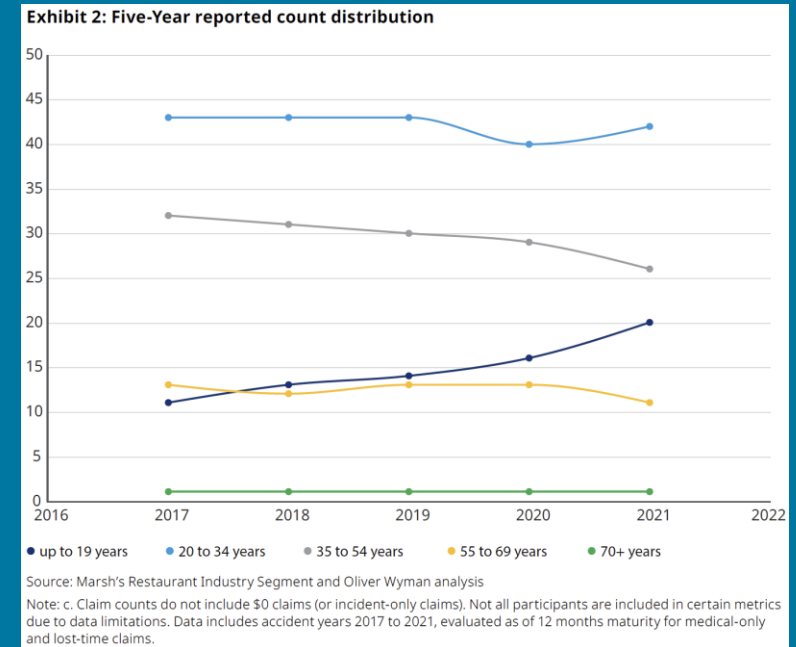
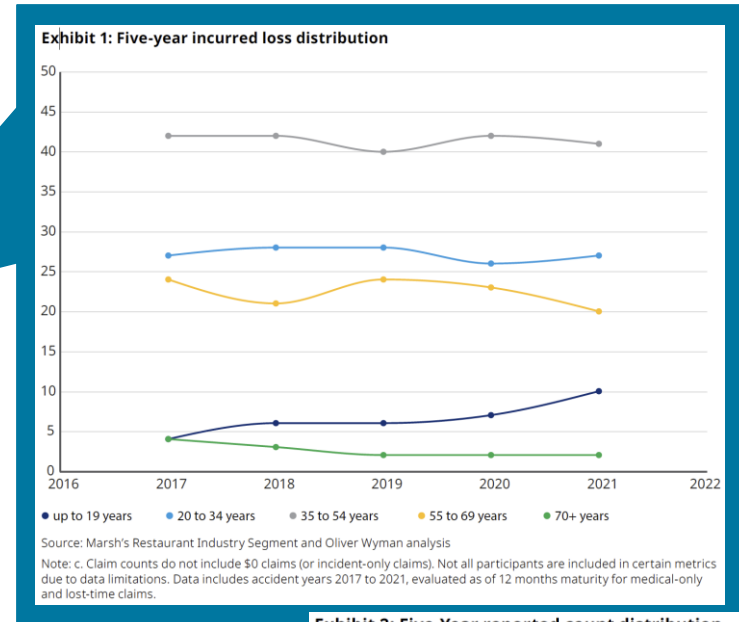
Major causes of injury



Workers' Compensation

Impact of shifting age demographic

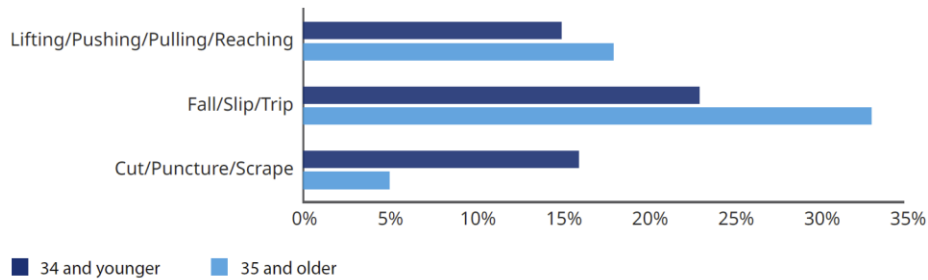
- The percentage of incurred losses stemming from teenage claimants has increased from **4% in 2017 to 10% in 2021**
- Similarly, the percentage of reported counts stemming from teenage claimants has increased from **11% in 2017 to 20% in 2021**
- Teenage hiring trends are a likely cause of the sharp distributional increases in 2021



Workers' Compensation

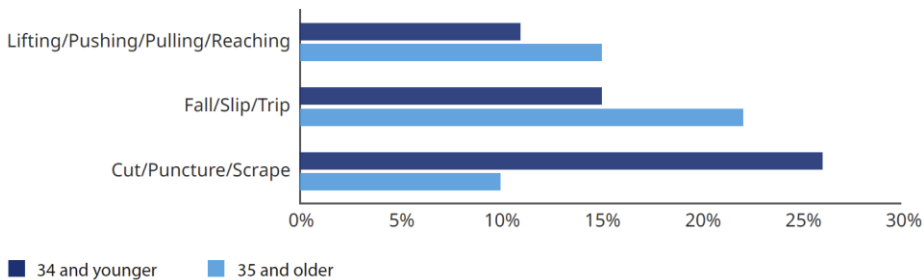
Impact of shifting age demographic

Exhibit 4: Top causes of injury — Percentage of incurred loss by age



Source: Marsh's Restaurant Industry Segment and Oliver Wyman analysis¹

Exhibit 5: Top causes of injury — Percentage of reported counts by age



Source: Marsh's Restaurant Industry Segment and Oliver Wyman analysis¹

Distinct differences in how younger workers (34 and younger) versus older workers (35 and older) are injured

- In 2021, 26% of younger workers' injuries were caused by cuts, punctures, and scrapes, compared to 10% of older workers' injuries.
- In 2021, 22% of older workers' injuries were caused by falls, slips, and trips, compared to 15% of younger workers' injuries.

These trends highlight the need for both targeted workforce actions by age group and the introduction of ergonomic solutions by age group.

Workers' Compensation

Shifting age demographic - what can we do?

Know that younger workers are less likely to have worked in a restaurant (or anywhere) and have a more limited work experience.

Stay within the Department of Labor restrictions on what young workers can do (hours, using machinery and sharp objects). Restrictions limit exposure.

Provide a safe workplace with well documentation Standard Operating Procedures (SOPs) - it protects everyone.

Ensure effective on boarding and training in in place to address workplace hazards. Follow up with additional training for younger workers to ensure they understand, remember and apply the training.

Match new hires up with more seasoned workers, ones that model safe behaviors.

General Liability Trends Beyond Best Practices Claims prevention

Adrienne Harrell, Principal
Oliver Wyman, Actuarial Consulting

Cindy Smail, Senior Vice President
Marsh Advisory, Workforce Strategies

What Does a General Liability Claim Look Like?



\$8,062 overall average severity in 2021



\$30,555 litigated average severity in 2021



Over the past five years, industry **frequency for litigated claims has decreased 27% per annum**



Average incurred severity for a litigated claim has risen to between \$30,000 and \$32,000 in 2020-2021 from an average of between \$18,000 and \$20,000 for accident years 2017 to 2019



Overall **claim closure trends decreased in 2021** (from ~50% to ~38%). The 2021 drop in claim closures is widespread across all claims. Closure rates for claims > \$10,000 have been declining over the past five years



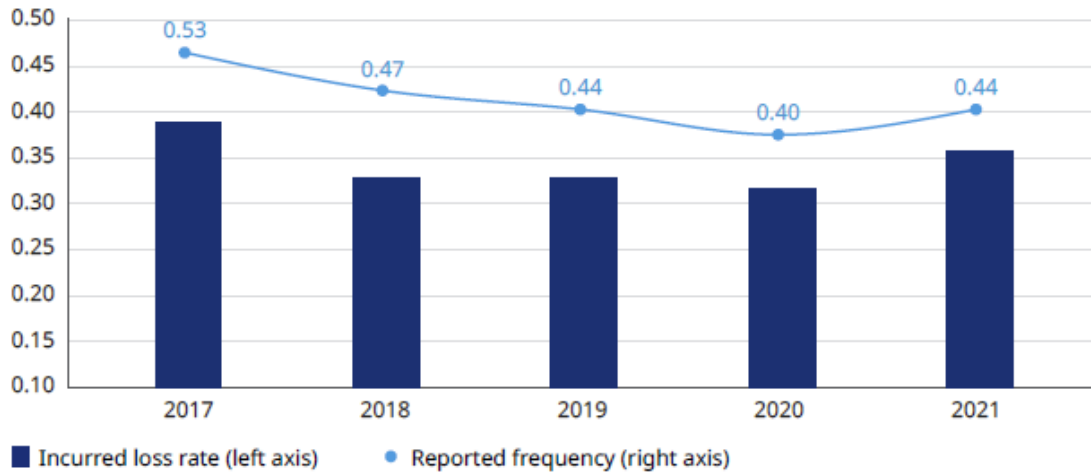
On average, restaurant participants **report 82.8% of their claims within seven days from loss**

Trends to Watch

General liability

All Claims

Exhibit 1: Loss rate and frequency trends



Source: Marsh's Restaurant Industry Segment and Oliver Wyman analysis.

Note: a. Loss rate measures incurred loss per \$1,000 of payroll (workers' compensation) or per \$1,000 of revenue (general liability); b. Frequency measures reported count per \$1 million of payroll (workers' compensation) or per \$10 million of revenue (general liability); c. Claim counts do not include \$0 claims (or incident-only claims). Data is evaluated as of 12 months maturity. Not all participants are included in certain metrics due to data limitations. Claims below \$1,000 are excluded to achieve better consistency in reporting of claims across participants.

Exhibit 6: Casual restaurants

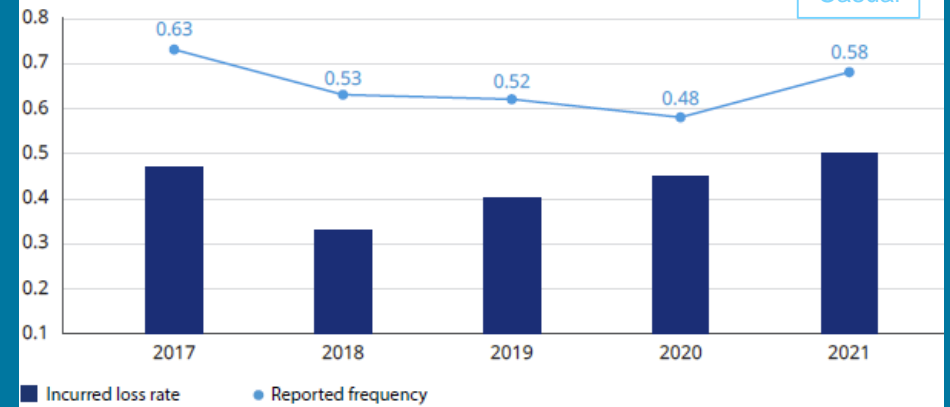
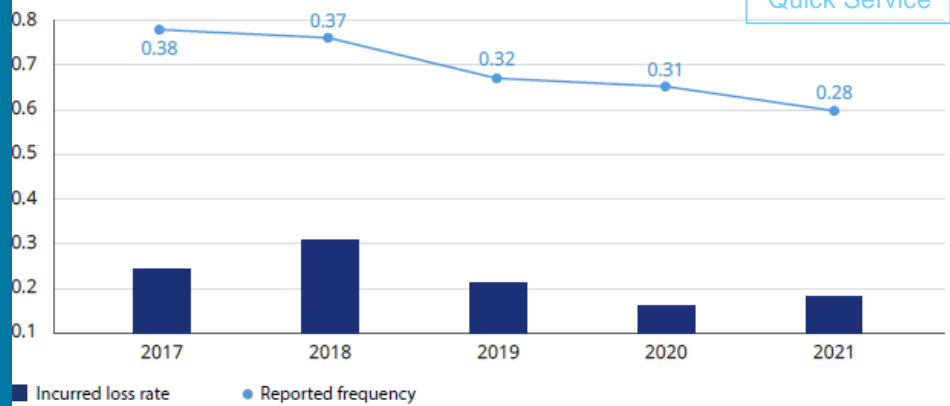
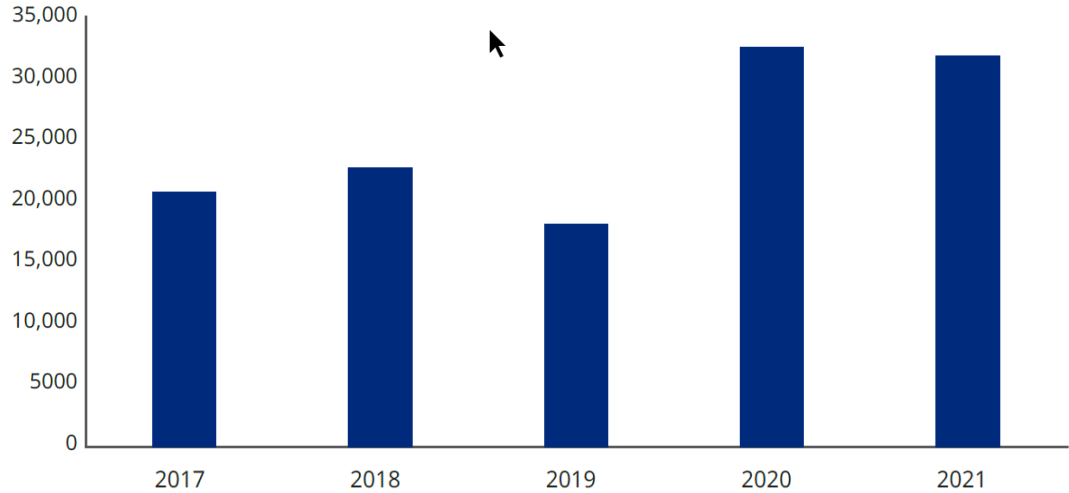


Exhibit 7: Quick restaurants



General Liability – Trends in Litigated Claims

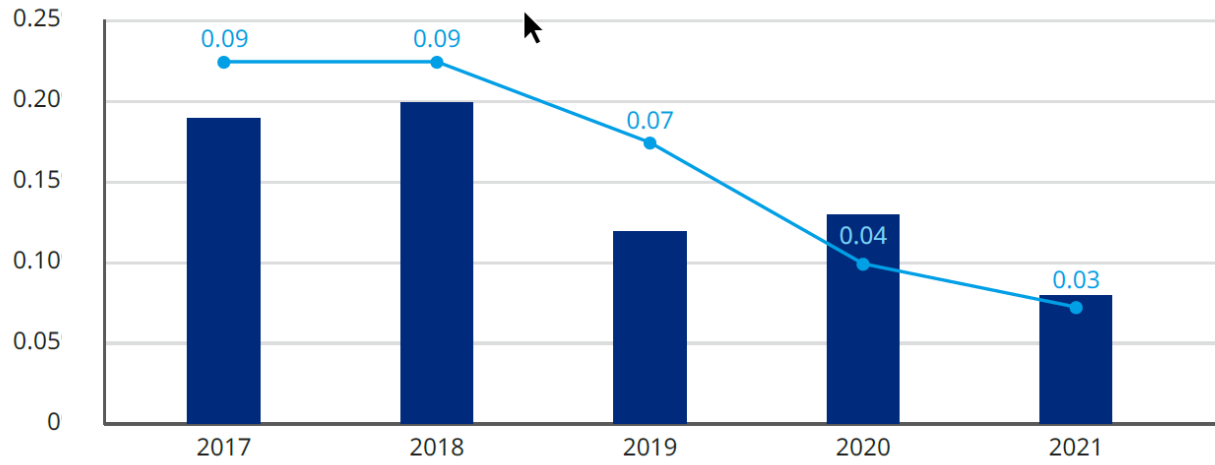
Suspension of non-essential court proceedings during the height of the COVID-19 pandemic has caused delays in court proceedings for accidents that happened in 2020 and 2021. The delays have caused a false decline in the restaurant industry’s litigated claim frequency and a shift in risk profile to higher-dollar claims.



■ Average Incurred per litigated claim

Source: Marsh’s Restaurant Industry Segment and Oliver Wyman analysis.

Note: a. Loss rate measures incurred loss per \$1,000 of payroll (workers’ compensation) or per \$1,000 of revenue (general liability); b. Frequency measures reported count per \$1 million of payroll (workers’ compensation) or per \$10 million of revenue (general liability); c. Claim counts do not include \$0 claims (or incident-only claims). Data is evaluated as of 12 months maturity. Not all participants are included in certain metrics due to data limitations. Claims below \$1,000 are excluded to achieve better consistency in reporting of claims across participants.



■ Incurred loss rate ● Reported frequency

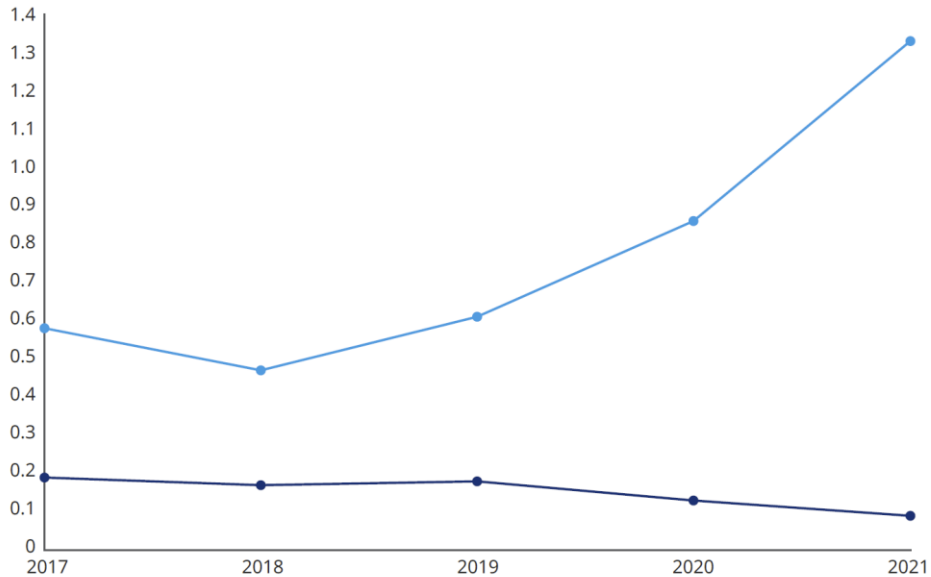
Source: Marsh’s Restaurant Industry Segment and Oliver Wyman analysis.

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Trends to Watch

General Liability: While overall loss rates have decreased 2% per year there is a sharp divergence between our 'leading' and 'lagging' participant group

Exhibit 2: Loss rate trend

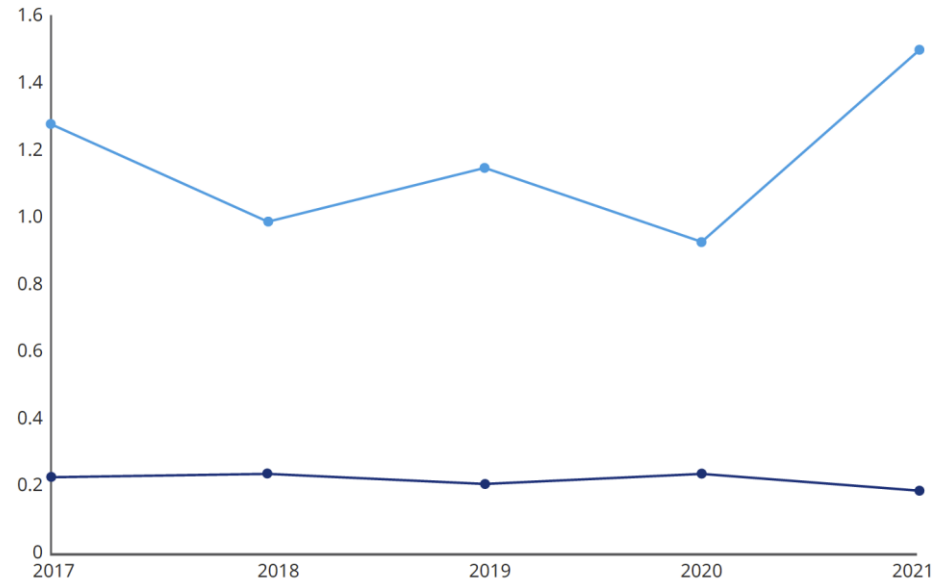


● Lagging participants — Incurrent loss rate ● Leading participants — Incurrent loss rate

Source: Marsh's Restaurant Industry Segment and Oliver Wyman analysis

Note: a. Loss rate measures incurred loss per \$1,000 of payroll (workers' compensation) or per \$1,000 of revenue (general liability); b. Frequency measures reported count per \$1 million of payroll (workers' compensation) or per \$10 million of revenue (general liability); c. Claim counts do not include \$0 claims (or incident-only claims).

Exhibit 3: Frequency trend



● Lagging participants — Incurrent loss rate ● Leading participants — Incurrent loss rate

Source: Marsh's Restaurant Industry Segment and Oliver Wyman analysis

Note: a. Loss rate measures incurred loss per \$1,000 of payroll (workers' compensation) or per \$1,000 of revenue (general liability); b. Frequency measures reported count per \$1 million of payroll (workers' compensation) or per \$10 million of revenue (general liability); c. Claim counts do not include \$0 claims (or incident-only claims).

General Liability

How to prevent?

No surprise... slips, trips and falls are still the top concern

- Maintain clean, DRY floors
- Ensure cleaning practices are effective and completed as required to get the floor clean
- All team members should be monitoring and addressing floor concerns, when they happen

Increases in violent acts and aggressive behaviour claims are new news

- We are also hearing client conversations centred around experiencing increased violence and general thuggery in their restaurants.
- These situations can result in serious injury, are very disturbing and disruptive and can impact brand reputation
- What to do:
 - Develop or modify existing training at all levels to address this risk
 - Include de-escalation in your programming
 - Ensure management is able and willing to address issues, hopefully before things get heated

Workers' Comp & General Liability Beyond Best Practices Claims mitigation

Brian Gannon, Vice President
Marsh Advisory
Claims Consulting Practice

Beyond Best Practices - Claims

Claims are inevitable, but claim costs are not

Preparation is the Key...*If nobody knows where you want to go, how can they get you there?*

- Always Consider the 3 Legs of the Stool... *Without ALL 3, it falls over!*
 - Goal
 - Plan
 - Execution

For Workers' Compensation:

- Determine the Key Company Objectives for post-accident management
- Promote your Corporate WC philosophy with Claims Partners (TPA, Medical, Legal, etc.)
 - Get to Know your Industrial Medical Clinics
 - Build a RTW program based on Meaningful & Productive tasks
 - Proactively involve your team in Litigated Cases
- Keep your Injured Employees Engaged
- Endeavour to Continuously Improve
- Don't let your claims get Old!!!
- Leverage Data and Analytics!

Beyond Best Practices - Claims

Claims are inevitable, but claim costs are not

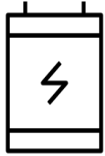
For General Liability:

- Determine the Key Company Objectives for post-accident management
- Promote your Corporate GL philosophy with Claims Partners (TPA, Investigators, Legal, etc.)
 - Accelerate your FNOL Process
 - Seek to improve video preservation and retention protocols
- Communicate Frequently with your Injured Guests
 - Maximize opportunities for non cash payment methods for quick claim settlements
- Leverage Professional Networking relationships to exchange ideas and to gain insights
- Endeavour to Continuously Improve
- Don't let your claims get Old!!!

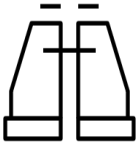


Questions?

Contact us to...



Request a custom report that benchmarks your own data trends against the overall industry pool



Join the data collection list to sign up for the 2024 Trend Report (if haven't previously participated)



Hear more on industry solutions from our safety advisory team and claims consulting specialists

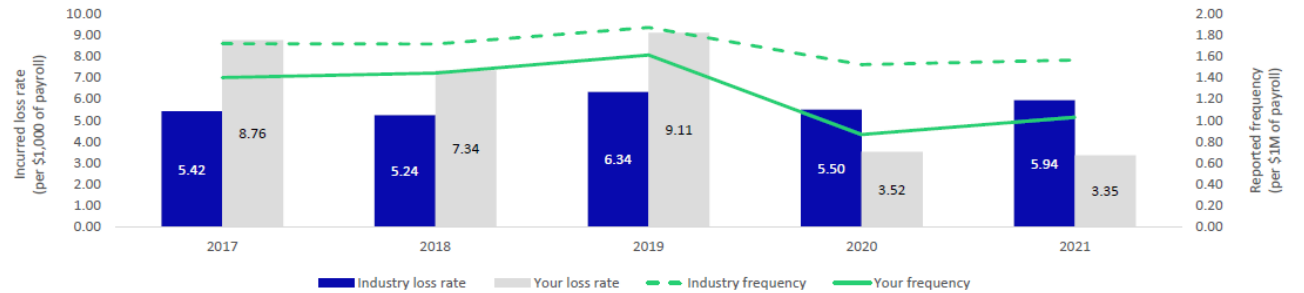
WORKERS' COMPENSATION

All claims: 5-year loss rate and frequency trends

Overall score

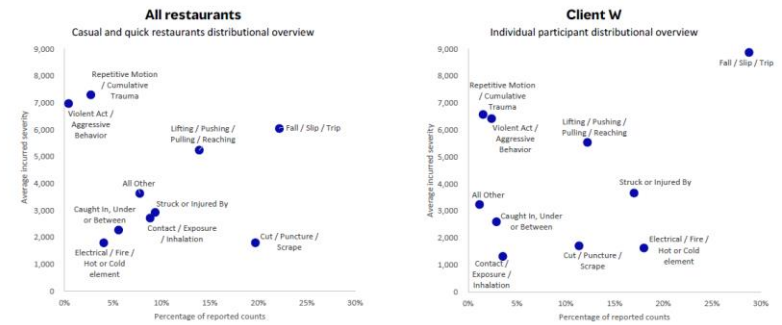
Key: Favorable | Neutral | Unfavorable

Quick restaurants versus Client W
5-year incurred loss rate and reported frequency trends



WORKERS' COMPENSATION

Major causes of injury



Cause of injury	2017	2018	2019	2020	2021	Industry	You	% Variance
Fall / Slip / Trip	13,049	10,082	8,464	8,228	5,753	6,047	8,878	47%
Electrical / Fire / Hot or Cold element	1,197	1,862	3,654	676	939	1,798	1,631	-9%
Struck or Injured By	5,313	1,583	5,143	3,205	3,407	2,911	3,667	26%
Lifting / Pushing / Pulling / Reaching	5,556	5,293	6,607	6,262	4,104	5,244	5,544	6%
Cut / Puncture / Scrape						1,803	1,709	-5%
Contact / Exposure / Inhalation						2,720	1,319	-52%
Caught In, Under or Between						2,275	2,603	14%
Violent Act / Aggressive Behavior						6,975	6,424	-8%
Repetitive Motion / Cumulative Trauma						7,300	6,577	-10%
All Other						3,634	3,241	-11%

Top 4 severity comparison

% variance from industry

Key: Greater than 25% | 10% to 25% higher | Within +/- 10% | 10% to 25% lower | Lower than 25%

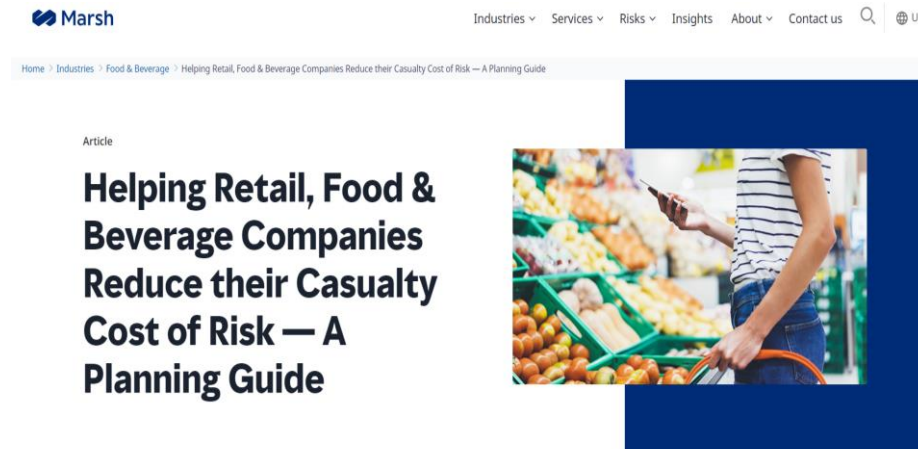
Thank You

Explore more ways to lower your total costs of risk



Struggling with real time, actionable ways to decrease your companies' total cost of risk? Watch this video to discover how your peers are doing it with a dynamic tool from Marsh.

[Video: Reducing claims costs for retail, food & beverage companies | Marsh](#)



Controlling margins is a critical element of success for retail, food and beverage companies

[Helping Retail, Food & Beverage Companies Reduce their Casualty Cost of Risk — A Planning Guide \(marsh.com\)](#)



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