

This is the second in a 10 part series on the how to's of [insuring your restaurant](#) . In this article we discuss liability insurance, what it is and what issues you should consider when purchasing your liability insurance.

Generally speaking your liability insurance will be a part of your package policy that also includes property insurance. For help on property insurance issues for your restaurant, [check out part 1 of this series by clicking here.](#)

Your liability insurance for your restaurant is generally divided into two kinds of protection. They are premises liability and products liability. Premises liability insurance provides protection for your restaurant for damages caused by accidents for which you can be held liable that happen on your premises. The easiest example of a premises liability claim would be a customer who slips on a wet floor and is injured as a result. Products liability insurance provides protection for your restaurant for injuries or property damages caused by the products that you make and sell; the food in your restaurant. A common example of a products liability claim would be a broken tooth when a customer bites down on some foreign matter in their entrée.

The liability section of your restaurant insurance policy should provide you with both premises and products liability. When you look at the limits of coverage provided by these different liability coverages you will usually see a per occurrence limit and a general aggregate limit. The per occurrence limit is the most that the insurance company will pay on your behalf for any one occurrence of that type. The general aggregate limit is the most that your insurance policy will pay in any one policy year. So, each claim that you have in a policy year will reduce the amount left on your general aggregate limit. Pay very close attention to these limits and make sure that you are comfortable with the limits on your policy. Generally I would advise you to purchase the highest liability limits that you can afford. The reason is that liability exposures, unlike property exposures, are unlimited. For example, if you own your restaurant building and it burns down, you know how much you will lose and what it will take to rebuild it. But with liability claims, you really can't predict in advance how high the damages will go. For that reason the most prudent approach is to purchase the highest coverage limits that are available.

Liability insurance is rated based on a factor that helps anticipate your exposure to risk. Some seem like better predictors than others to me. Most common these days is to tie the liability rate to the property insurance costs, using a sliding scale or a flat amount for the different levels of liability coverage. This approach is most common in the businessowners policy form and is

more about simplification than anything else. Other policy forms will have a rate per \$1000 of gross sales to calculate your liability insurance premium. These types of formats will often require an audit at the end of the policy term to determine your actual gross sales for that time period. If you overestimated your gross sales, then you would be due a refund, if you underestimated them, then you would owe more money. If you have this type of policy form, [be sure to read my blog on avoiding the audit trap](#)

Take the time to really think about your liability insurance limits and make sure that your policy is set up correctly so that it will respond the way you want it to in the event of an accident. If you are not using an agent who specializes in insuring restaurants, you should seriously consider doing so. Ask your agent if he or she insures at least 25 restaurants and if the answer is no, you may want to consider using an expert to protect your largest investment and your livelihood.

At Clinard Insurance Group in Winston Salem, NC, we want all insurance consumers become better informed buyers. Insuring and helping restaurants all across North Carolina and South Carolina is our specialty. We even have ways to help you gain and keep more customers. For one example of that type of program, visit our partners page. We also know that not all restaurants are the same. That's why we have created 5 different restaurant insurance programs so that you can choose a program more tailored to your needs. We have a [fine dining insurance program](#)

, a [casual dining restaurant insurance program](#)

, a [fast food insurance program](#)

, a [bar and grill and tavern insurance program](#)

and a [special insurance program for caterers](#)

. If you need help or advice for your NC restaurant or your SC restaurant, please call us, toll free, at 877-687-7557 or visit us on the web at www.TheRestaurantInsuranceStore.com

. Don't trust your livelihood to an agent that doesn't specialize in restaurants. There is just no need to take that risk.