

Risk **PRO**

Restaurant
Risk Professional

STUDY GUIDE

EXAM PREP AND ANSWER KEY

- **Knowledge Checks**
- **Check-Ins**
- **Self-Quizzes**
- **Sample Exam Questions**
- **Glossary of Terms**



RISK & INSURANCE
EDUCATION ALLIANCE

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STUDY GUIDE

EXAM PREP AND ANSWER KEY

This Study Guide has been prepared to enhance your learning experience. It contains all of the Check-In questions, Knowledge Checks, and Self-Quizzes contained within the course, along with an Answer Key and Glossary. Use it as a tool to help practice and assess your knowledge of the course material, but do not mistake it for a comprehensive “short-cut” to preparing for the final exam.

Be sure to take a look at the Appendix that follows the Answer Key in this Study Guide. It contains valuable suggestions for test preparation and study techniques, as well as some sample exam questions and a glossary of terms.

Your path to success in passing the final exam will come from your attentiveness during the course and the effort you put into preparation.



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Tools to Assess Your Knowledge

Check-Ins, Knowledge Checks,
and Self-Quizzes by Topic

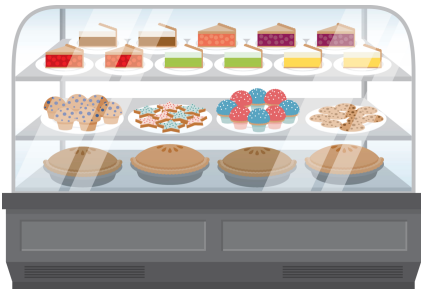
Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

Food and Beverage Contracts—What Insurance Agents and Brokers Should Know

» Knowledge Check



Directions: Read the scenario below and respond to the question that follows.



Imagine you are an insurance agent advising a new bakery. The client signed a lease without your review, which resulted in insufficient fire damage liability limits (Damage To Premises Rented To You) on the CGL policy. After a fire, the client suffers uninsured losses and looks to you for help.

What risk do you face as the agent, and how should you handle contract reviews to protect yourself and your client?

Common Contract Provisions

Check-In



Directions: Select the best answer for each question below.

1. Which of the following is part of an insurance professional's role during contract review?
 - ☐ Providing legal interpretation of contract language
 - ☐ Offering risk management insights on insurance requirements
 - ☐ Drafting lease agreement clauses
 - ☐ Advising on legal disputes between the landlord and tenant
2. Why is it important to include a disclaimer when providing a contract review?
 - ☐ To offer legal advice without liability
 - ☐ To ensure that the client doesn't edit the contract
 - ☐ To clarify that the review is from an insurance—not legal—perspective
 - ☐ To avoid reviewing insurance requirements

Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

» Knowledge Check



Directions: Read the scenario below and respond to the questions.



Sergio's Café signs a lease that includes an express waiver of rights of recovery in favor of the landlord, the landlord's employees, and certain affiliated parties for injuries or damage that are provided insurance protection under any liability or workers compensation insurance policy. One day, an employee slips on a wet floor caused by a plumbing leak due to the landlord's negligence and is injured. The café's insurance company pays the claim for the injury to the employee under

the Workers Compensation And Employers Liability Insurance Policy purchased by the café. The Workers Compensation And Employers Liability Insurance Policy does not include a waiver of subrogation endorsement.

What steps should the café have taken before the loss to ensure that its insurance policy aligned with the lease requirements? How could this impact the outcome if the waiver was not properly endorsed?

Contractual Liability in the Commercial General Liability (CGL) Policy

Check-In



Directions: Match the term with the correct definition.

A. Intermediate agreement	_____ This agreement only requires responsibility for the party's own negligence.
B. Indemnity	_____ A duty to make good any loss, damage, or liability incurred by another
C. Limited agreement	_____ This agreement shifts liability even when the other party is entirely at fault.
D. Broad agreement	_____ This agreement requires responsibility even if the party is only partly at fault.

Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

» Knowledge Check



Directions: Read the scenario and respond to the questions that follow.

A catering company signs a contract to provide services at a large city-sponsored festival. The agreement includes the following clause:

"Caterer agrees to indemnify, defend, and hold harmless the City and its employees from any and all claims, liabilities, damages, or losses, including those caused in part or solely by the negligence of the City or its employees acting within the course and scope of employment."

The catering company carries a standard ISO Commercial General Liability (CGL) policy. Upon review, the broker discovers that the policy includes the CG 24 26 – Amendment of Insured Contract endorsement. The city also requests to be named as an additional insured.

1. How would you categorize the indemnity language in this contract? Explain your reasoning using the terminology from the three types of hold harmless agreements.

2. Given the inclusion of the CG 24 26 endorsement, explain whether the indemnity obligation is likely to be covered under the catering company's CGL policy. What specific limitation does this endorsement introduce?

Understanding Primary and Non-Contributory Coverage

Check-In



Directions: Select the best answer for each of the questions below.

1. What does the endorsement CG 20 01 – Primary And Non-Contributory – Other Insurance Condition do?
 - ☐ It adds the insurer as an additional insured to another policy.
 - ☐ It waives subrogation rights for the Named Insured.
 - ☐ It makes the CGL policy primary and prevents contributions from other insurance.
 - ☐ It guarantees notice of cancellation to all third parties.
2. Which of the following best describes vertical exhaustion?
 - ☐ Each insurer pays a proportional share of the loss.
 - ☐ The Named Insured's and additional insured's insurers pay at the same time.
 - ☐ The additional insured's coverage is used only after the named insured's coverage is exhausted.
 - ☐ All layers of one party's coverage are used before the other party's policies respond.
3. Which of the following is **true** about certificates of insurance?
 - ☐ They legally confirm additional insured status.
 - ☐ They are informational only and do not grant coverage.
 - ☐ They guarantee notice of cancellation to landlords.
 - ☐ They override the terms of the policy if a conflict exists.

Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

Check-In Continued



Directions: Select the best answer for each of the questions below.

4. Why can naming multiple parties as additional insureds create problems?
- ☐ It increases the insured's deductible.
 - ☐ It prevents the insured from using their own policy.
 - ☐ It can dilute the available policy limits among all insureds.
 - ☐ It cancels the insured's umbrella policy.

Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

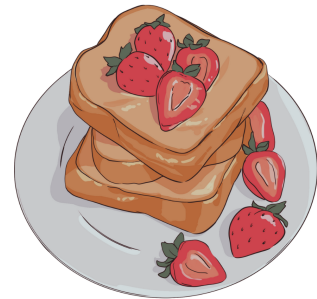
►► Knowledge Check



Directions: Read the scenario below and respond to the questions that follow.

You are reviewing a lease agreement for a tenant who is opening a breakfast spot in a multi-unit commercial building. The lease includes the following provisions:

- “The tenant is responsible for insuring all equipment leased from the landlord and must continue making payments even if the equipment is damaged. In the case of a total loss, the tenant is responsible for payment of \$13,212.78.”
- “The tenant is responsible for maintaining and/or replacing the HVAC unit that services the space.”
- “In the event of a fire that damages more than 25% of the building (not just the tenant’s suite), the landlord may terminate the lease.”
- “The tenant has invested \$100,000 in custom improvements and paid six months of rent up-front as a non-refundable lease incentive.”



As the insurance advisor, how would you approach structuring the property coverage to address these contractual obligations? Which endorsements or policy forms would you recommend to ensure appropriate valuation, address indirect loss exposures, and protect the tenant’s financial interest if the lease is terminated?

Section 1 Self-Quiz



Set Yourself Up for Success!

An interactive version of this quiz, called a WayGround, a Quizlet set of vocabulary/definition flashcards, and Study Guide, are available on the Resources webpage at riskeducation.org/riskPROresources.

Directions: Select the best answer for each of the following questions.

1. Which of the following best describes the importance of contract review in the retail food and beverage industry from an insurance agent's perspective?
 - ☐ Contract review is solely a legal task and should be avoided by insurance agents to prevent E&O liability.
 - ☐ Reviewing only the insurance section of a contract is sufficient, as other clauses typically have no impact on insurance coverage.
 - ☐ Contract review helps identify risk exposures and align insurance coverage, adding value to the client relationship, especially in industries with narrow profit margins and complex supply chains.
 - ☐ Agents should always provide legal advice when reviewing contracts, especially regarding indemnity and compliance issues.
2. Which of the following is a key reason for using a checklist during contract review in the food and beverage industry?
 - ☐ To ensure agents only review insurance clauses
 - ☐ To speed through contract reviews without reading the full document
 - ☐ To provide legal advice efficiently
 - ☐ To systematically identify exposures throughout the entire contract

Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

3. Why is it important for insurance professionals to include a disclaimer when reviewing contracts for clients?
- ☐ To assure clients that legal advice is included in the review
 - ☐ To limit their liability and clarify that the review is for insurance and risk management purposes only
 - ☐ To encourage clients to rely solely on the insurance agent for contract interpretation
 - ☐ To avoid having to use a standardized checklist during the review
4. Which of the following best explains the insurance implications of a lease agreement containing a waiver of subrogation?
- ☐ It prevents the landlord from collecting rent if the property is damaged.
 - ☐ It transfers all risk of loss from the tenant to the landlord.
 - ☐ It may prevent the insurer from recovering damages from a responsible third party.
 - ☐ It requires the tenant to waive their right to file a claim with their insurer.
5. Which of the following scenarios illustrates a potential gap in protection when a lease contains a waiver of subrogation “to the extent recoverable by insurance”?
- ☐ The tenant causes \$130,000 in damage, but the landlord’s policy has a \$250,000 deductible.
 - ☐ The tenant forgets to notify their insurer about a covered loss.
 - ☐ The property is uninsured due to the landlord's oversight.
 - ☐ The lease does not require insurance on tenant improvements.

Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

6. Which of the following best explains why the café's insurer may be **unable to honor** the lease's waiver of recovery in favor of the landlord?
- ☐ The waiver was not enforceable because the loss was caused by water.
 - ☐ The policy did not include a subrogation waiver endorsement matching the lease.
 - ☐ The delivery driver was not an employee of the café.
 - ☐ The café did not notify the landlord of the injury.
7. According to the Sutton Doctrine, why might a landlord's insurer **not be able to subrogate** against a tenant who causes a covered loss?
- ☐ Because the lease includes a hold harmless clause
 - ☐ Because all tenants must carry their own insurance
 - ☐ Because subrogation is never allowed in lease agreements
 - ☐ Because the tenant is automatically considered a co-insured under the landlord's policy
8. Which type of hold harmless agreement requires the indemnitor to cover losses even if both parties share fault, but not when the indemnitee is solely negligent?
- ☐ Limited
 - ☐ Mutual
 - ☐ Intermediate
 - ☐ Broad

Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

9. A contract clause reads:

"Vendor agrees to indemnify, defend, and hold harmless Organizer from any and all claims... including those caused solely by the negligence of Organizer."

Which type of indemnity agreement is this?

- ☐ Limited
- ☐ Broad
- ☐ Intermediate
- ☐ Mutual

10. Which of the following endorsements should be **avoided** if a restaurant wants to ensure coverage for indemnification obligations in equipment leases or dumpster agreements?

- ☐ CG 21 39 – Contractual Liability Limitation
- ☐ CG 24 26 – Amendment of Insured Contract
- ☐ CG 24 04 – Waiver of Transfer of Rights
- ☐ CG 00 01 – Standard CGL Declarations

11. Which condition must be met for an insurer to provide **Supplementary Payments** to defend an indemnitee under a CGL policy?

- ☐ The indemnitee must be solely liable for the occurrence.
- ☐ The contract must be signed after the bodily injury or property damage occurs.
- ☐ The contract must be an "insured contract," and the indemnitee must agree to cooperate with the insurer.
- ☐ The insured must have a workers compensation policy in force.

Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

12. A retail food business signs a hold harmless agreement involving the use of **drones** for promotional filming. Which endorsement, if included on their CGL policy, would likely **exclude coverage** for this exposure?
- ☐ CG 20 28 – Additional Insured – Lessor of Leased Equipment
 - ☐ CG 22 74 – Limited Contractual Liability Coverage for Personal and Advertising Injury
 - ☐ CG 20 11 – Additional Insured – Managers or Lessors of Premises
 - ☐ CG 21 09 – Unmanned Aircraft
13. A restaurant leases space from a landlord without a written lease agreement in place. Which endorsement is most appropriate to provide the landlord with additional insured status?
- ☐ CG 20 11 – Managers or Lessors of Premises
 - ☐ CG 20 26 – Additional Insured – Designated Person or Organization
 - ☐ CG 20 28 – Additional Insured – Lessor of Leased Equipment
 - ☐ CG 20 29 – Additional Insured – Grantor of Franchise
14. A restaurant obtains a city permit to install an illuminated sign that overhangs a public sidewalk. Which endorsement should be used to provide additional insured status to the city, but only for liability arising from the permitted sign?
- ☐ CG 20 13 – Additional Insured – Governmental Subdivision – Permits or Authorizations
 - ☐ CG 20 34 – Additional Insured – Lessor of Leased Equipment
 - ☐ CG 20 35 – Additional Insured – Grantor of Licenses
 - ☐ CG 20 42 – Additional Insured – Automatic Status for Designated Operations

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

A Formal Approach to Exposure Identification

Check-In



Directions: Select the best answer for each of the following questions.

1. Which statement best explains why a formal, structured exposure identification process is critical in evaluating commercial property risks for retail food and beverage businesses?
 - ☐ It ensures all employees have the same insurance licenses.
 - ☐ It guarantees every property receives the exact same coverage limits.
 - ☐ It promotes consistency, uncovers all potential exposures, and forms the basis for coverage decisions.
 - ☐ It eliminates the need for physical inspections or client interviews.
2. When reviewing a client's website as part of the exposure identification process, what is the primary objective?
 - ☐ To confirm the accuracy of the business's address and phone number
 - ☐ To identify additional exposures that were not disclosed in earlier discussions or surveys
 - ☐ To ensure the website complies with ADA accessibility standards
 - ☐ To verify that all listed menu items are insured

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

Check-In Continued



Directions: Select the best answer for each of the following questions.

3. Which of the following is an example of an exposure that might only be identified during a physical inspection?
 - ☐ The presence of rooftop livestock
 - ☐ Outdated insurance policy limits
 - ☐ Catering services advertised online
 - ☐ A gap in cyber liability coverage
4. Why might an insurance professional provide a non-disclosure agreement (NDA) when requesting a financial statement?
 - ☐ To prevent clients from comparing premiums with other agencies
 - ☐ To ensure confidential financial information is protected and to build client trust
 - ☐ To comply with state-mandated record retention laws
 - ☐ To reduce the cost of loss data analysis

Building and Personal Property Coverage Form – Business Is Opening!

Check-In



Directions: Select whether each of the following statements is true or false.

1. A lender who holds the mortgage for a building but is not named on the tenant's property policy should be listed as a mortgagee.

True

False

2. Vacancy clauses can be triggered if a building under renovation is not actively being worked on, even if it still contains some business personal property.

True

False

3. A non-vitiating clause protects innocent parties from losing coverage due to another insured's fraud or policy breach.

True

False

4. The CP 04 05 Ordinance Or Law Endorsement provides coverage for loss to the undamaged portion of a building when required by code to be demolished.

True

False

5. The standard debris removal coverage limit under the ISO Building And Personal Property Coverage Form is an additional \$25,000 beyond the policy limit.

True

False

6. Green upgrades coverage applies to all types of property, including personal property of others and stock.

True

False

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

» Knowledge Check



Directions: Read the scenarios and respond to the questions that follow.



Scenario 1:

A mid-sized Italian restaurant recently expanded to offer catering services, but the owner did not mention this during the insurance renewal process. The agency completed a written survey but skipped the physical inspection and website review due to time constraints. Six

months later, the restaurant's delivery van—used exclusively for catering—was involved in a multi-vehicle accident. The loss was not covered under their current policy because the delivery vehicle had never been disclosed or endorsed.

1. If the agency had conducted both a physical inspection and a website review as part of the formal exposure identification process, how might the outcome of this loss have been different? What immediate and long-term consequences might result from overlooking this exposure, and how could they vary for both the client and the agency?

Section 2: Commercial Property Coverages for the
Retail Food and Beverage Industry

Scenario 2:

The Italian restaurant leases its building under a triple net (NNN) lease, making it responsible for insuring the entire building. The policy is in the tenant’s name, with the landlord as loss payee, but no non-vitiating clause is included as required by contract. A kitchen fire set intentionally by the tenant damages over 50% of the structure, and the updated code requires costly electrical and sprinkler upgrades. The policy lacks both CP 04 05 – Ordinance Or Law Coverage and CP 04 02 – Increased Cost Of Loss And Related Expenses For Green Upgrades, as required by the lease.

2. How might the absence of contract review and missing policy provisions and endorsements—such as a non-vitiating clause, Ordinance Or Law Coverage, and Increased Cost Of Loss And Related Expenses For Green Upgrades—affect both the landlord’s and tenant’s ability to recover after the fire, particularly regarding building replacement, regulatory compliance, and special property upgrades?
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Replacement Cost: A Forward-Looking Estimate

» Knowledge Check



Directions: Read the scenario and respond to the question that follows.

You are the underwriter for a regional retail food and beverage chain with eight leased locations across three states. Each location has extensive tenant improvements, including custom refrigeration units, built-in cooking equipment, and upgraded interior finishes. The insured's operations rely heavily on perishable stock and have minimal redundancy if a location is shut down.



The insured is concerned about several risks:

- Potential demand surge after a large-scale disaster in one of their markets
- Ensuring building and tenant improvement values remain accurate throughout the year
- Protecting against spoilage from both on- and off-premises utility failures
- Maintaining flexibility in how insurance dollars are allocated after a loss

How would you design a property insurance program for this business to address accurate valuation, demand surge, and tenant improvements and betterments, while also mitigating spoilage and utility-related exposures across all locations? Justify your recommendations with specific coverage options or endorsements.

Broader Business Personal Property Considerations



» Knowledge Check

Directions: Read the scenario and respond to the question that follows.



Your client operates a retail food and beverage business with multiple storage areas, including detached sheds and portable storage units, on their premises. They frequently take equipment and stock to off-site events. They also stock valuable alcoholic beverages and are concerned about potential losses from food contamination and employee theft.

How might you structure their business personal property coverage—considering coverage forms, scheduling, location, valuation, and endorsements—to ensure they have comprehensive protection against these varied risks?

Understanding Business Income and Discretionary Payroll for Retail Food and Beverage Risks

Check-In



Directions: Fill in the blanks with the correct terms from the word bank.

72-hour	net income	CP 15 04	gross revenue
tips	suspension	CP 15 56	period of restoration

1. Business income coverage reimburses _____, not _____.
2. Payroll coverage typically excludes _____, which often form a large part of server compensation.
3. Business income coverage begins after a _____ waiting period by default.
4. The _____ endorsement allows reducing or removing the waiting period.
5. A _____ means a stoppage or slowdown of business due to covered loss.
6. The _____ begins after the waiting period and ends when the business resumes operation at a new or permanent location.

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

» Knowledge Check



Directions: Read the scenario and respond to the question that follows.

A popular restaurant located next to a large hotel is concerned about a potential loss of business income should a fire occur that causes significant damage to the restaurant's kitchen, forcing it to close temporarily, especially if this occurred during any of its busiest days of the year. It is also concerned if there were to be fire damage to the hotel, resulting in a sharp decline in business for the restaurant due to fewer hotel guests.



The restaurant's owner is unsure how their Business Income (And Extra Expense) Coverage Form would respond to these losses, especially concerning payroll of family members, server tips, and the waiting period deductible before coverage begins.

Considering the Business Income (And Extra Expense) Coverage Form and related endorsements, how should the restaurant owner structure their business income coverage to address potential losses from both direct damage and reduced customer flow due to the nearby hotel? Discuss the importance of payroll coverage, the waiting period, and dependent property endorsements in this scenario.

Section 2 Self-Quiz



Set Yourself Up for Success!

An interactive version of this quiz, called a WayGround, a Quizlet set of vocabulary/definition flashcards, and Study Guide, are available on the Resources webpage at riskeducation.org/riskPROresources.

Directions: Select the best answer for each of the following questions.

1. Which of the following best explains why a *formal method* for exposure identification is critical in evaluating commercial property risks in the retail food and beverage industry?
 - ☐ It eliminates the need for physical inspections and flowcharts.
 - ☐ It ensures a consistent and thorough evaluation, forming the foundation for all subsequent coverage decisions.
 - ☐ It allows agencies to focus only on the most common exposures in the industry.
 - ☐ It removes the need to review existing insurance policies.
2. During the exposure identification process for a retail food and beverage account, a website review reveals that the business offers catering services not previously mentioned by the client. How should this finding be handled?
 - ☐ Document and address it as an exposure, even if it represents a small portion of operations.
 - ☐ Ignore it unless catering is the primary operation.
 - ☐ Wait until the next policy renewal to bring it up.
 - ☐ Only address it if there has been a past claim related to catering.

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

3. Which of the following statements about vacancy under the ISO Building And Personal Property Coverage Form is correct?
- ☐ Buildings under construction or renovation are not considered vacant, but continuous activity is generally required to avoid triggering vacancy clauses.
 - ☐ A building is considered vacant during renovation, regardless of whether work is actively being performed.
 - ☐ Buildings under construction or renovation are never considered vacant under the policy.
 - ☐ Vacancy status is based solely on whether the building contains business personal property.
4. In a triple net lease scenario, where the tenant is responsible for insuring the building, how should the lender be listed on the policy if the tenant is the sole Named Insured?
- ☐ As a mortgagee
 - ☐ As an additional insured
 - ☐ As an additional interest only
 - ☐ As a lender loss payee
5. According to the Sutton Doctrine, why might a landlord's insurer not be able to subrogate against a tenant who causes a covered loss?
- ☐ Because the lease includes a hold harmless clause
 - ☐ Because all tenants must carry their own insurance
 - ☐ Because subrogation is never allowed in lease agreements
 - ☐ Because the tenant is automatically considered a co-insured under the landlord's policy

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

6. Which statement correctly compares a builder's risk policy to an installation floater?
- ☐ Both cover the existing building and any new construction without limitation.
 - ☐ Installation floaters provide broader coverage than builder's risk policies and always include theft of building materials.
 - ☐ Builder's risk policies often exclude or limit coverage on the existing building, while installation floaters never cover the existing building and may require multiple floaters for separate projects.
 - ☐ Builder's risk policies are only available for new construction, not renovations.
7. Under the CP 14 02 – Increased Cost of Loss And Related Expenses For Green Upgrades endorsement, which of the following would **NOT** be covered?
- ☐ Salvaging building materials for reuse
 - ☐ Professional design fees for green reconstruction
 - ☐ Certification fees from a recognized green standard setter
 - ☐ Upgrading leased personal property with green materials
8. Under the Building And Personal Property Coverage Form, which of the following would be the most reliable standard for determining whether an item is “permanently installed”?
- ☐ If it is screwed or glued to the building
 - ☐ If it passes the “upside-down test”
 - ☐ If the intent for the item to remain permanently as part of the property
 - ☐ If the underwriter believes it should be covered as a fixture

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

9. When underwriting a risk for building coverage, why should the limit reflect the *estimated replacement cost at the time of loss* rather than at the policy inception date?
- ☐ Because a loss could occur at any time during the policy period, and costs may change
 - ☐ Because insurers are required by law to update limits monthly
 - ☐ Because replacement cost is always higher at the end of the year
 - ☐ Because the contract must be an “insured contract,” and the indemnitee must agree to cooperate with the insurer
10. Which endorsement can be used to separately insure tenants’ improvements and betterments, potentially at the building rate rather than the business personal property rate?
- ☐ CP 14 60 – Leased Property
 - ☐ CP 04 40 – Spoilage Coverage
 - ☐ CP 04 17 – Utility Services – Direct Damage
 - ☐ CP 19 10 – Your Business Personal Property – Separation of Coverage
11. Under the CP 04 09 – Increase In Rebuilding Expenses Following Disaster endorsement, which of the following is a condition that must be met for coverage to apply?
- ☐ The insured must replace the building with identical materials and design.
 - ☐ The event causing the loss must be tied to a federal or state disaster declaration.
 - ☐ The building must be rebuilt within 60 days of loss.
 - ☐ The insured must decline any public assistance for rebuilding.

Section 2: Commercial Property Coverages for the
Retail Food and Beverage Industry

12. Why might a retail food and beverage business use endorsement **CP 99 05 – Distilled Spirits And Wines Market Value**?

- ☐ To value distilled spirits and wines based on their market price at the time of loss
- ☐ To insure beverages at replacement cost only
- ☐ To exclude federal excise taxes from coverage for all causes of loss
- ☐ To insure alcoholic beverages at actual cash value only

13. What is the main purpose of endorsement **CP 15 05 – Food Contamination (Business Interruption And Extra Expense)**?

- ☐ To provide coverage for theft of contaminated food
- ☐ To extend coverage for spoilage caused by power outage
- ☐ To cover financial loss from an outbreak of food-related illness, including cleanup, lost income, and advertising expenses
- ☐ To insure perishable goods at agreed value

14. What is an example of a situation that would be covered under the ISO Building And Personal Property Coverage Form?

- ☐ Business personal property is stored inside the main insured building.
- ☐ Business personal property is stored in a detached shed not listed in the declarations.
- ☐ Business personal property is stored in a vehicle parked more than 100 feet from the insured building.
- ☐ Business personal property is stored in an unscheduled portable storage unit for over 90 days.

Section 2: Commercial Property Coverages for the
Retail Food and Beverage Industry

15. What is considered “business income” under the **CP 00 30 – Business Income (And Extra Expense) Coverage Form**?
- ☐ Gross revenue including cost of goods sold
 - ☐ Only profit earned during the period of restoration
 - ☐ Total sales including employee tips
 - ☐ Net income (profit or loss) plus continuing normal operating expenses, including payroll
16. What is the purpose of the **CP 15 04 – Discretionary Payroll Expenses Endorsement**?
- ☐ To include all tips paid to employees in business income coverage
 - ☐ To extend the 72-hour waiting period for business income coverage
 - ☐ To allow insureds to list specific employees or job classifications and limit payroll reimbursement during the period of restoration
 - ☐ To automatically increase the policy limit for payroll expenses
17. How does the **CP 15 56 – Business Income Changes – Beginning Period Of Restoration** endorsement help retail food and beverage businesses?
- ☐ It extends the period of restoration indefinitely.
 - ☐ It includes employee tips in payroll coverage.
 - ☐ It automatically triggers coverage for civil authority shutdowns.
 - ☐ It allows reduction or elimination of the standard 72-hour waiting period before business income coverage begins.

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

Liability Exposures – Premises and Operations

Check-In



Directions: Select the best answer for each of the following questions.

1. Which of the following best distinguishes a **trip and fall** from a **slip and fall** accident?
 - ☐ Trips usually happen because of wet or slippery surfaces; slips usually happen because of uneven flooring.
 - ☐ Trips typically result in falling backward; slips typically result in falling forward.
 - ☐ Trips typically result in falling forward; slips typically result in falling backward.
 - ☐ Trips only happen on stairs; slips only happen on flat surfaces.
2. Which of the following **is** a factor in determining a property owner's liability for injuries sustained during an altercation between patrons?
 - ☐ Whether the injured party suffered actual damages
 - ☐ Whether the injured party was wearing appropriate footwear
 - ☐ Whether the injured party's age exceeds 21
 - ☐ Whether the incident occurred on a weekend

Check-In Continued



Directions: Select the best answer for each of the following questions.

3. Which of the following best describes a property owner's obligation regarding **signage** on their premises?
 - ☐ They only need to post signs warning of hazards but not maintain the signs themselves.
 - ☐ They must ensure all signage is securely installed and regularly maintained to prevent injury or property damage.
 - ☐ They are only liable for falling signs if the sign weighs more than 50 pounds.
 - ☐ They are not responsible for injuries caused by falling signs because patrons assume the risk.

4. Which of the following is an example of an **operational liability exposure** rather than a premises liability exposure?
 - ☐ Uneven flooring in the dining area
 - ☐ Providing catering services at an off-site event
 - ☐ A cracked tile in the kitchen
 - ☐ A loose handrail on the stairs

5. Why does **delivery** create a unique liability exposure for retail food and beverage establishments?
 - ☐ It always involves high-value items.
 - ☐ It automatically voids general liability insurance.
 - ☐ It shifts operations away from the controlled environment of the premises and may involve employee or third-party drivers.
 - ☐ It is regulated under the Telephone Consumer Protection Act (TCPA).

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

Check-In Continued



Directions: Select the best answer for each of the following questions.

6. Which of the following is a key reason **live entertainment** can increase a retail food and beverage establishment's liability exposure?
- ☐ It typically results in lower foot traffic.
 - ☐ It reduces the need for security personnel.
 - ☐ It removes the need for an underwriting assessment.
 - ☐ It can lead to higher risks related to crowd management, slips and falls, and alcohol service.
7. Which of the following best describes **strict liability** in the context of foodborne illness?
- ☐ A restaurant is only liable if it was negligent in handling food.
 - ☐ A restaurant is liable only if it supplied the contaminated ingredient itself.
 - ☐ A restaurant can be held legally liable for foodborne illness even without evidence of negligence.
 - ☐ A restaurant cannot be held liable if a supplier provided contaminated food.

Section 3: Named Insureds, Automatic Insureds, and Non-Automatic Insureds

►► Knowledge Check



Directions: Read the scenario and respond to the question that follows.

A café hires an outside pest-control company and also employs its own delivery driver. One day, the pest-control company's technician misapplies chemicals, making a customer sick, and the delivery driver injures a pedestrian while making deliveries.

Which situation could expose the café to **vicarious liability** and which to **contingent liability**, and why?

[illegible]

Insurance Coverage Considerations



» Knowledge Check

Directions: Read the scenario and respond to the questions that follow.

A restaurant called “Sunny Side Eats” serves alcohol and hosts a weekly trivia night that includes a small prize for the winning team. During one trivia night, a patron becomes intoxicated and, after arguing with another contestant, punches her. An employee, using reasonable force in attempting to restrain the patron, accidentally bumps into and injures another customer.

Based on CGL coverage and exclusions:

1. Which exclusions could affect coverage for the injured contestant and the customer injured by the employee?

2. What additional coverage or endorsements could the restaurant purchase to reduce exposure for both incidents?

The Business Auto Coverage Form

Check-In



Directions: Match the term to the correct definition or explanation.

A. Symbol 1 - Any Auto	_____	Applies only to autos owned by the Named Insured; can cover liability, physical damage, and other coverages, but does not extend to hired or non-owned autos
B. Symbol 2 - Owned Autos Only	_____	Provides coverage for autos that the Named Insured does not own, lease, hire, rent, or borrow, including employee-owned vehicles used for business purposes
C. CA 99 33 Employees as Insureds	_____	Extends insured status to volunteers using their personal autos for business purposes, providing excess coverage over the volunteer's personal auto policy
D. Symbol 8 - Hired Autos Only	_____	The broadest symbol, providing liability protection for any auto used in connection with the Named Insured's business, not limited to listed vehicles
E. Symbol 9 - Non-Owned Autos Only	_____	Provides insured status for employees using their personal vehicles for business purposes, with the personal auto policy being primary and the business auto policy providing excess coverage
F. CA 05 24 Non-Ownership Liability Coverage for Volunteers	_____	Covers only autos leased, rented, hired, or borrowed by the Named Insured, excluding employee-owned or household-member vehicles

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

» Knowledge Check

Directions: Read the scenario and respond to the prompts that follow.



A retail café relies on employees and volunteers to pick up supplies and make deliveries using their personal vehicles. The café currently only has a CGL policy with an endorsement for hired and non-owned autos.

Analyze the potential coverage gaps in this situation. Explain how a stand-alone business auto policy and specific endorsements could better protect the café, its employees, and volunteers.

Liquor Liability

Check-In



Directions: Select the best answer for each of the following questions.

1. Which of the following best describes the purpose of dram shop statutes?
 - ☐ To provide incentives for sellers to comply with alcohol regulations and protect innocent victims
 - ☐ To hold only intoxicated patrons responsible for injuries they cause
 - ☐ To allow social hosts to serve alcohol without liability
 - ☐ To eliminate liability for any establishment serving alcohol
2. In the Aramark case at Giants Stadium, what factor contributed most to the establishment's liability?
 - ☐ The fan's prior criminal history
 - ☐ The stadium's seating arrangement
 - ☐ Serving alcohol to a visibly intoxicated patron
 - ☐ The fan's BAC being under the legal limit
3. Which defense might prevent recovery if a claimant contributed to the intoxication of an allegedly intoxicated person (AIP)?
 - ☐ Assumption of risk
 - ☐ Comparative negligence
 - ☐ Intervening causation
 - ☐ Complicity

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

Check-In Continued



Directions: Select the best answer for each of the following questions.

4. When might an establishment successfully defend against a dram shop claim involving a visibly intoxicated patron?
 - ☐ When the patron was not visibly intoxicated at the time of service
 - ☐ When the patron had a BAC over 0.15
 - ☐ When the patron was served alcohol at a private home
 - ☐ When the establishment sold alcohol to a minor

5. How can proper business practices mitigate liability under dram shop statutes?
 - ☐ By only serving patrons who are already intoxicated
 - ☐ By allowing minors to be served if accompanied by adults
 - ☐ By ignoring jurisdictional variations in the statutes
 - ☐ By training staff, enforcing responsible service policies, and complying with alcohol laws

Section 3: Named Insureds, Automatic Insureds, and Non-Automatic Insureds

» Knowledge Check

Directions: Read the scenario and respond to the question that follows.



A new upscale restaurant in a college town serves high-end cocktails and fine wines. On weekends, it hosts live music and has a small dance area. One evening, a visibly intoxicated patron is allowed to continue drinking and later leaves the premises, causing a multi-car accident. Several plaintiffs file claims under the state's dram shop statute, while the restaurant's insurer reviews the claim under the terms of the CGL policy and liquor liability endorsements.

How could the restaurant adjust its operations, staff training, and service practices to minimize liquor liability risk while complying with dram shop laws and policy exclusions?

Section 3 Self-Quiz



Set Yourself Up for Success!

An interactive version of this quiz, called a WayGround, a Quizlet set of vocabulary/definition flashcards, and Study Guide, are available on the Resources webpage at riskeducation.org/riskPROresources.

Directions: Select the best answer for each of the following questions.

1. Trip and fall accidents occur when an individual falls backward on a wet or slippery surface.

True

False

2. Inconsistent stair riser heights of just a quarter of an inch can increase the likelihood of falls.

True

False

3. Foodborne illness claims in restaurants are generally evaluated under premises liability law.

True

False

4. Operational activities, such as beverage service or catering, cannot create premises liability exposures.

True

False

5. Property owners are legally responsible for injuries caused by improperly secured overhead signs.

True

False

Section 3: Named Insureds, Automatic Insureds, and Non-Automatic Insureds

6. Which of the following operational activities can increase a retail food and beverage business's liability exposure?
- ☐ Catering off-premises events
 - ☐ Live entertainment on-site
 - ☐ Employee practices and security measures
 - ☐ All the above
7. Why does catering off the insured premises create additional liability considerations?
- ☐ It involves serving alcohol, which is always prohibited off premises.
 - ☐ Operations occur outside the controlled environment of the business, increasing risk.
 - ☐ Customers are always legally responsible for any injuries.
 - ☐ Insurance coverage is automatically void when food leaves the premises.
8. Which of the following best describes **vicarious liability** in a retail food and beverage context?
- ☐ Liability for the intentional acts of the business owner only
 - ☐ Liability for the wrongful acts of an employee committed within the scope of employment
 - ☐ Liability for the actions of an independent contractor, regardless of negligence
 - ☐ Liability only for damages caused by defective products
9. Contingent liability arises primarily from which situation?
- ☐ An employee acting outside the scope of employment
 - ☐ Intentional harm caused by the named insured
 - ☐ Negligent acts by independent contractors hired by the business
 - ☐ Property damage caused by natural disasters

Section 3: Commercial Casualty Coverages for the
Retail Food and Beverage Industry

10. Which of the following is **excluded under the standard CGL policy**?

- ☐ Bodily injury caused accidentally on the premises
- ☐ Medical payments to a customer injured on the premises
- ☐ Products-completed operations arising from food served off-premises
- ☐ Bodily injury intentionally caused by the insured

11. The **Damage To Premises Rented To You** coverage:

- ☐ Only applies to fire damage if the premises are rented for more than seven consecutive days
- ☐ Covers any damage to rented premises, including water or vehicle damage, regardless of cause
- ☐ Is automatically included for all leased properties without limits
- ☐ Provides coverage for damage to tenants' personal property inside the rented premises

12. A separate Business Auto Policy (BAP) is generally preferred over adding hired and non-owned auto coverage to a CGL or BOP endorsement because the stand-alone BAP does not have an aggregate limit.

True

False

13. Symbol 1 – Any Auto coverage is broader than Symbols 2, 8, and 9 because it provides liability protection for any auto used in connection with the Named Insured's business.

True

False

14. The **CA 99 33** endorsement extends non-owned auto coverage to employees using their personal autos for business purposes, with the employee's policy acting as secondary coverage.

True

False

15. Volunteer-hired autos used for business purposes are automatically covered under a standard CGL or BOP endorsement.

True

False

Section 3: Named Insureds, Automatic Insureds, and Non-Automatic Insureds

16. Which of the following best describes the purpose of liquor liability insurance for businesses that serve or sell alcohol?
- ☐ To cover general property damage unrelated to alcohol consumption
 - ☐ To reduce the legal drinking age from 21 to 18
 - ☐ To eliminate all employee liability for any incidents on or off premises
 - ☐ To protect against claims arising from incidents where alcohol service may contribute to harm, including accidents, injuries, or property damage
17. Under most dram shop statutes, liability for alcohol service arises when:
- ☐ Alcohol is sold or provided to any customer, regardless of intoxication.
 - ☐ A patron drinks alcohol outside the establishment without injury.
 - ☐ Alcohol is sold or given to a visibly intoxicated person, and that sale contributed to their intoxication and resulting injury.
 - ☐ Only minors consume alcohol, and no other individuals are affected.
18. Which of the following is a common defense used by establishments in dram shop claims?
- ☐ Complicity – the claimant contributed to the intoxication of the allegedly intoxicated person.
 - ☐ Automatic immunity – all employees and owners are always protected.
 - ☐ Universal liability – the business is responsible for all alcohol-related incidents in any state.
 - ☐ Mandatory punitive damages – the establishment must pay regardless of circumstances.

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

19. Which defense under common law liability claims specifically applies when the injured party knowingly engaged in risky behavior, such as riding with an intoxicated driver?
- ☐ Contributory negligence
 - ☐ Last clear chance doctrine
 - ☐ Imputed negligence
 - ☐ Assumption of risk
20. The CGL (Commercial General Liability) policy liquor liability exclusion generally applies to:
- ☐ Any business that allows alcohol on premises, regardless of the business type
 - ☐ Insureds in the business of manufacturing, distributing, selling, serving, or furnishing alcoholic beverages
 - ☐ Nonprofits that occasionally host BYOB events
 - ☐ Only licensed bars and nightclubs
21. Which ISO endorsement permits BYOB coverage under a liquor liability policy?
- ☐ CG 21 50
 - ☐ CG 21 51
 - ☐ CG 24 06
 - ☐ CG 28 06
22. When underwriting liquor liability insurance, which of the following factors is **least relevant**?
- ☐ Venue type and operational characteristics
 - ☐ Percentage of alcohol sales relative to total revenue
 - ☐ Prior loss history and employee training
 - ☐ Color scheme of the business interior

Section 3: Named Insureds, Automatic Insureds, and Non-Automatic Insureds

Section 4: EPLI and Cyber Coverage for the Food and Beverage Industry

Employment Practices Liability Insurance

Check-In



Directions: Match the term on the left with the correct definition on the right.

A. Negligent supervision	_____	When a qualified employee is denied advancement or excluded from training programs without valid justification
B. Workplace tort	_____	When an employee experiences adverse consequences for reporting a violation, such as sexual harassment
C. Wrongful deprivation of a career opportunity	_____	When an employer fails to address misconduct or harassment after becoming aware of it
D. Retaliation	_____	A wrongful act or omission that causes harm to another person in the workplace

Section 4: EPLI and Cyber Coverage for the Food and Beverage Industry

» Knowledge Check

Directions: Read the scenario and respond to the questions that follow.



A popular, fast-casual restaurant employs 35 workers, including many part-time and tipped employees. A 42-year-old server recently complained to HR that her manager repeatedly made jokes about her age in front of coworkers. She also says she's required to spend most of her shifts on non-tipped tasks, such as cleaning and restocking, and that tips are pooled with kitchen staff.

Two weeks later, the manager writes her up for "poor attitude" and cuts her shifts. The employee has now filed a complaint alleging discrimination, wage-and-hour violations, and retaliation.

1. **Legal exposure:** Based on the scenario, which federal and/or state laws and potential workplace torts might the restaurant have violated? Explain your reasoning.
2. **Risk management:** What concrete strategies or policy changes should the employer adopt to limit its liability exposure in situations like this?

The EPLI Policy

Check-In



Directions: Select the best answer for each of the following questions.

1. Which statement best explains why it is important to understand how an EPLI policy defines terms such as “wrongful act” or “wrongful employment practice”?
 - ☐ It helps employers choose less expensive policies.
 - ☐ It guarantees coverage for all workplace incidents.
 - ☐ It determines which claims the policy will cover.
 - ☐ It allows employees to negotiate their own coverage.
2. Some EPLI policies limit discrimination coverage to:
 - ☐ Any type of employee complaint
 - ☐ Only wage-and-hour violations
 - ☐ Characteristics protected by statute, such as race, sex, religion, and age
 - ☐ All forms of harassment, including third-party harassment
3. Which type of sexual harassment involves unwelcome conduct that interferes with an employee’s work or creates an intimidating or offensive environment?
 - ☐ Quid pro quo
 - ☐ Constructive termination
 - ☐ Third-party liability
 - ☐ Hostile work environment

Section 4: EPLI and Cyber Coverage for the Food and Beverage Industry

Check-In Continued



Directions: Read and respond to the questions below.

4. Stella reports unsafe kitchen conditions, and her employer cuts her shifts. This action most clearly illustrates:
 - ☐ Retaliation
 - ☐ Wrongful termination
 - ☐ Discrimination
 - ☐ Third-party liability
5. Under many EPLI policies, which of the following groups may be automatically included in the definition of “employees” to broaden coverage?
 - ☐ Independent contractors without agreements
 - ☐ Former customers
 - ☐ Volunteers, interns, and students
 - ☐ Directors’ spouses committing wrongful acts
6. Under a standard ISO form, newly acquired corporations typically receive automatic EPLI coverage until:
 - ☐ The 90th day after acquisition or the end of the policy term, whichever comes first.
 - ☐ The 30th day after acquisition
 - ☐ The first employee complaint is filed
 - ☐ The insurer performs a compliance audit

» Knowledge Check

Directions: Read the scenario and respond to the prompt that follows.



At Barry's Bistro, a server named Lisa files multiple workers compensation claims for repetitive-strain injuries. Two months later, Lisa is terminated for "poor performance." She sues the restaurant, alleging retaliation for filing workers compensation claims.

Based on standard EPLI policy exclusions and carve-backs, explain whether Lisa's retaliation claim would likely be covered under the restaurant's EPLI policy and why.

EPLI Defense Provisions



» Knowledge Check

Directions: Read the scenario and respond to the prompt that follows.

A regional restaurant group holds an EPLI policy with a \$1 million liability limit that includes defense costs within the limit. The policy also has a hammer clause and allows the insured to select counsel from an approved panel for a reduced retention.

A former employee files a discrimination claim. Within the first month, the insurer negotiates a \$200,000 settlement and recommends that the restaurant accept it. The restaurant believes it has a strong defense and wants to proceed to trial with its own attorney (not on the panel).

Based on this policy structure, analyze how the restaurant's decisions (rejecting the settlement and using non-panel counsel) could affect its total coverage and out-of-pocket costs if the case proceeds to trial.

Cyber Coverage

» Knowledge Check



Directions: Read the scenario and respond to the questions that follow.

A mid-size bakery chain uses an automated ordering system that links directly to its suppliers and also relies on an outside vendor to monitor refrigeration equipment. Following a ransomware attack, production comes to a halt for four days, supplier orders are not transmitted, and some perishable goods spoil. Customers' payment card data collected at the point of sale may also have been exposed.

The bakery carries a cyber policy with limits for business interruption, data restoration, PCI liability, and cyber extortion.

Using what you know about evolving cyber risks in the food and beverage industry, evaluate how this policy might respond to the bakery's operational, financial, and reputational losses. Which exposures are likely covered, and where could gaps remain?

Section 4 Self-Quiz



Set Yourself Up for Success!

An interactive version of this quiz, called a WayGround, a Quizlet set of vocabulary/definition flashcards, and Study Guide, are available on the Resources webpage at riskeducation.org/riskPROresources.

Directions: Select the best answer for each of the following questions.

1. At what minimum age does the Age Discrimination in Employment Act (ADEA) protect employees from discrimination, and how many employees must an employer have for the law to apply?
 - ☐ 18 years old; 15 employees
 - ☐ 40 years old; 20 employees
 - ☐ 50 years old; 10 employees
 - ☐ 21 years old; 25 employees
2. Which of the following is an example of a workplace tort that may increase an employer's liability beyond statutory claims?
 - ☐ Discrimination under Title VII
 - ☐ Age-based demotion prohibited by ADEA
 - ☐ Humiliation or emotional distress caused by a supervisor
 - ☐ Wage disputes under state labor law
3. Which of the following statements about state and local employment laws is correct?
 - ☐ They only apply if a business has more than 50 employees.
 - ☐ They only regulate wages, not discrimination or workplace torts.
 - ☐ They always mirror federal laws exactly and never provide additional protections.
 - ☐ They may extend protections beyond federal law, sometimes applying to smaller employers or younger employees.

Section 4: Contractors Liability and Exposures

4. Which of the following is an example of a breach of contract in the workplace?
- ☐ Failing to provide the salary or benefits promised in a written agreement
 - ☐ Ignoring OSHA safety regulations
 - ☐ Denying overtime pay to employees
 - ☐ Experiencing high employee turnover
5. A restaurant requires certain front-of-house employees to spend significant time performing cleaning and restocking duties outside of their scheduled hours. Management does not adjust their pay to account for this additional work. Which legal risk is the employer most likely facing?
- ☐ Breach of contract
 - ☐ Retaliation claims
 - ☐ Wage and hour violations
 - ☐ Workplace harassment
6. Which of the following is the **first step** an employer should take to help mitigate employment-related claims before they occur?
- ☐ Purchasing an EPLI policy with the highest limits
 - ☐ Establishing clear, well-documented anti-discrimination and anti-harassment policies
 - ☐ Hiring an outside law firm to handle all HR complaints
 - ☐ Outsourcing payroll and benefits administration

Section 4: EPLI and Cyber Coverage for the Food and Beverage Industry

7. Which of the following **best describes the difference** between actual termination and constructive termination under an EPLI policy?
- ☐ Actual termination occurs when the employer ends the employment; constructive termination occurs when conditions force an employee to resign.
 - ☐ Actual termination is voluntary; constructive termination is involuntary.
 - ☐ Actual termination applies to harassment claims; constructive termination applies to discrimination claims.
 - ☐ Actual termination occurs only after a lawsuit is filed; constructive termination occurs before.
8. A customer repeatedly experiences inappropriate comments from a restaurant employee. Management does nothing, and the customer files a harassment claim. Which EPLI coverage would most likely respond?
- ☐ Wrongful termination coverage
 - ☐ Independent contractor endorsement
 - ☐ Spousal liability coverage
 - ☐ Third-party liability coverage
9. Which of the following is a **common exclusion** found in most EPLI policies?
- ☐ Claims arising from emotional distress
 - ☐ Claims involving wrongful termination
 - ☐ Liability stemming from criminal, fraudulent, or malicious acts
 - ☐ Defense costs for ADA discrimination claims

Section 4: Contractors Liability and Exposures

10. Website accessibility lawsuits under the Americans with Disabilities Act (ADA) are most often treated under which EPLI coverage area?
- ☐ Third-party liability coverage
 - ☐ Bodily injury coverage
 - ☐ Workers compensation coverage
 - ☐ Contractual liability coverage
11. An employee trips over a loose floor tile and sues the employer for medical expenses and lost wages due to burns from spilled soup. Which policy would typically respond to this claim?
- ☐ Workers Compensation policy
 - ☐ EPLI policy
 - ☐ Directors & Officers policy
 - ☐ Cyber Liability policy
12. In a “non-duty-to-defend” EPLI policy, which of the following is true?
- ☐ The insurer automatically appoints and pays for legal counsel.
 - ☐ The insurer covers defense costs without affecting the liability limit.
 - ☐ The insured retains control over the defense and may select its own attorney.
 - ☐ The insured cannot participate in settlement decisions.
13. If an EPLI policy includes a “hammer clause” and the insured refuses a recommended settlement, what is the potential consequence?
- ☐ The insurer must pay the entire settlement regardless.
 - ☐ The claim is automatically dropped.
 - ☐ The policy limit increases to cover additional costs.
 - ☐ The insured may be responsible for some or all defense costs and judgments exceeding the proposed settlement.

Section 4: EPLI and Cyber Coverage for the Food and Beverage Industry

14. Why is it important to report a claim or incident “as soon as practicable” under an EPLI policy?
- ☐ To ensure the insurer can investigate and preserve coverage, even if the claim is not yet a lawsuit
 - ☐ To prevent employees from filing additional claims
 - ☐ To avoid paying any deductible
 - ☐ To reduce premiums immediately
15. How do defense costs typically interact with the liability limit under a standard EPLI policy?
- ☐ Defense costs are separate and do not reduce the limit.
 - ☐ Defense costs are included within the liability limit, reducing the amount available for settlements or judgments.
 - ☐ Defense costs are reimbursed by the insurer with no limit.
 - ☐ Defense costs are only paid if the claim is successful.
16. Which of the following best describes why restaurants are particularly vulnerable to cyber risks?
- ☐ Restaurants primarily rely on in-person orders, which makes them more likely to experience cyberattacks.
 - ☐ Restaurants handle online reservations, digital orders, and payment card transactions, creating multiple potential entry points for cyberattacks.
 - ☐ Restaurants only use standard office software, which does not involve sensitive customer information.
 - ☐ Restaurants are small, which is ideal for hackers to target, making cyber threats a real problem

Section 4: Contractors Liability and Exposures

17. Under a cyber insurance policy, PCI liability coverage generally responds to which type of event?
- ☐ Fraud or identity theft resulting from a breach of payment card data
 - ☐ Routine software updates on POS systems
 - ☐ Downtime caused by employee illness
 - ☐ Loss of employee HR records unrelated to a cyber incident
18. Why are flat networks and a lack of segmentation particularly risky for food and beverage operations?
- ☐ They simplify system updates and reduce maintenance costs.
 - ☐ A breach in a single device can spread across the network, impacting production, food safety, environmental compliance, and operational systems.
 - ☐ They eliminate the need for cyber insurance.
 - ☐ Flat networks prevent cybercriminals from accessing operational technology.
19. Which of the following electronic operations in food and beverage businesses creates potential cybersecurity exposures?
- ☐ Employee payroll processing with direct deposit details
 - ☐ Automated inventory and food ordering systems
 - ☐ External vendor monitoring of equipment such as freezers and HVAC systems
 - ☐ All the above
20. A critical step to mitigate cybersecurity risks for AI systems and POS devices in food and beverage operations is providing employees with training on _____ and secure system use.
- ☐ inventory management
 - ☐ customer service
 - ☐ password hygiene
 - ☐ menu design

Section 4: EPLI and Cyber Coverage for the Food and Beverage Industry

Answer Key

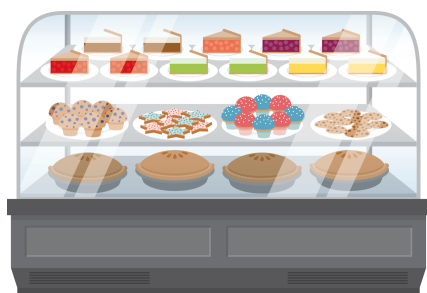
Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

Food and Beverage Contracts—What Insurance Agents and Brokers Should Know

» Knowledge Check



Directions: Read the scenario below and respond to the question that follows.



Imagine you are an insurance agent advising a new bakery. The client signed a lease without your review, which resulted in insufficient fire damage liability limits (Damage To Premises Rented To You) on the CGL policy. After a fire, the client suffers uninsured losses and looks to you for help.

What risk do you face as the agent, and how should you handle contract reviews to protect yourself and your client?

As an agent, you may be liable for not reviewing leases, particularly if your relationship with the client could be considered a special advisory one (as in *Hardt v. Brink*). Protect yourself and your client by clarifying that your review is insurance-focused—not legal advice. Use a checklist to review contracts, ask about unclear terms, and include a written disclaimer limiting your role. Always encourage clients to consult legal counsel. This reduces risk and adds value, while lowering your E&O exposure.

Common Contract Provisions

Check-In



Directions: Select the best answer for each question below.

1. Which of the following is part of an insurance professional's role during contract review?
 - ☐ Providing legal interpretation of contract language
 - ☒ Offering risk management insights on insurance requirements
 - ☐ Drafting lease agreement clauses
 - ☐ Advising on legal disputes between the landlord and tenant

2. Why is it important to include a disclaimer when providing a contract review?
 - ☐ To offer legal advice without liability
 - ☐ To ensure that the client doesn't edit the contract
 - ☒ To clarify that the review is from an insurance—not legal—perspective
 - ☐ To avoid reviewing insurance requirements

Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

» Knowledge Check



Directions: Read the scenario below and respond to the questions.



Sergio's Café signs a lease that includes an express waiver of rights of recovery in favor of the landlord, the landlord's employees, and certain affiliated parties for injuries or damage that are provided insurance protection under any liability or workers compensation insurance policy. One day, an employee slips on a wet floor caused by a plumbing leak due to the landlord's negligence and is injured. The café's insurance company pays the claim for the injury to the employee under

the Workers Compensation And Employers Liability Insurance Policy purchased by the café. The Workers Compensation And Employers Liability Insurance Policy does not include a waiver of subrogation endorsement.

What steps should the café have taken before the loss to ensure that its insurance policy aligned with the lease requirements? How could this impact the outcome if the waiver was not properly endorsed?

The café should have added a waiver of subrogation endorsement to their policy naming the landlord and others as required by the lease. Without it, the insurer retains the right to pursue the landlord, potentially causing disputes as a result of breach of contract. Proper endorsement ensures that the insurance aligns with the contract and prevents unexpected liability.

Contractual Liability in the Commercial General Liability (CGL) Policy

Check-In



Directions: Match the term with the correct definition.

A. Intermediate agreement	<u>C</u> This agreement only requires responsibility for the party's own negligence.
B. Indemnity	<u>B</u> A duty to make good any loss, damage, or liability incurred by another
C. Limited agreement	<u>D</u> This agreement shifts liability even when the other party is entirely at fault.
D. Broad agreement	<u>A</u> This agreement requires responsibility even if the party is only partly at fault.

Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

» Knowledge Check



Directions: Read the scenario and respond to the questions that follow.

A catering company signs a contract to provide services at a large city-sponsored festival. The agreement includes the following clause:

"Caterer agrees to indemnify, defend, and hold harmless the City and its employees from any and all claims, liabilities, damages, or losses, including those caused in part or solely by the negligence of the City or its employees acting within the course and scope of employment."

The catering company carries a standard ISO Commercial General Liability (CGL) policy. Upon review, the broker discovers that the policy includes the CG 24 26 – Amendment of Insured Contract endorsement. The city also requests to be named as an additional insured.

1. How would you categorize the indemnity language in this contract? Explain your reasoning using the terminology from the three types of hold harmless agreements.

The indemnity clause is a broad hold harmless agreement because it requires the caterer to assume liability even for claims caused solely by the city's sole negligence. This type of agreement is the most expansive, shifting responsibility to the indemnitor even if the indemnitee (the city) is 100% at fault.

2. Given the inclusion of the CG 24 26 endorsement, explain whether the indemnity obligation is likely to be covered under the catering company's CGL policy. What specific limitation does this endorsement introduce?

The CG 24 26 endorsement limits the definition of an "insured contract." Under this endorsement, coverage only applies if the bodily injury or property damage was caused in whole or in part by the Named Insured (in this case, the caterer). Since the clause requires indemnity even for the city's sole negligence, the CGL policy would likely not cover the indemnity obligation. This endorsement effectively removes coverage for the assumption of another party's sole negligence.

Understanding Primary and Non-Contributory Coverage

Check-In



Directions: Select the best answer for each of the questions that follow.

1. What does the endorsement CG 20 01 – Primary And Non-Contributory – Other Insurance Condition do?

- ☐ It adds the insurer as an additional insured to another policy.
- ☐ It waives subrogation rights for the Named Insured.
- ☒ It makes the CGL The policy primary and prevents contributions from other insurance.
- ☐ It guarantees notice of cancellation to all third parties.

CG 20 01 modifies the Other Insurance Condition to apply coverage on a primary basis and prohibits contribution from other policies held by the additional insured.

2. Which of the following best describes vertical exhaustion?

- ☐ Each insurer pays a proportional share of the loss.
- ☐ The Named Insured's and additional insured's insurers pay at the same time.
- ☐ The additional insured's coverage is used only after the named insured's coverage is exhausted.
- ☒ All layers of one party's coverage are used before the other party's policies respond.

Vertical exhaustion means all layers of one party's insurance (primary and excess) are exhausted before the other's insurance is accessed.

Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

Check-In Continued



Directions: Select the best answer for each of the questions below.

3. Which of the following is **true** about certificates of insurance?

- ☐ They legally confirm additional insured status.
- ☒ They are informational only and do not grant coverage.
- ☐ They guarantee notice of cancellation to landlords.
- ☐ They override the terms of the policy if a conflict exists.

A certificate of insurance is a summary document and does not confer or alter coverage; actual endorsements determine coverage.

4. Why can naming multiple parties as additional insureds create problems?

- ☐ It increases the insured's deductible.
- ☐ It prevents the insured from using their own policy.
- ☒ It can dilute the available policy limits among all insureds.
- ☐ It cancels the insured's umbrella policy.

When several entities share one CGL policy, they share the same aggregate limits, potentially reducing the coverage available to each.

Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

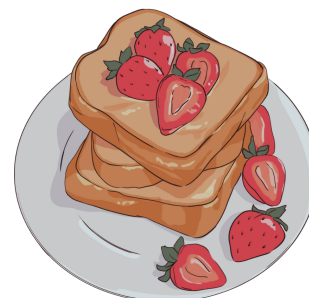
» Knowledge Check



Directions: Read the scenario below and respond to the questions that follow.

You are reviewing a lease agreement for a tenant who is opening a breakfast spot in a multi-unit commercial building. The lease includes the following provisions:

- “The tenant is responsible for insuring all equipment leased from the landlord and must continue making payments even if the equipment is damaged. In the case of a total loss, the tenant is responsible for payment of \$13,212.78.”
- “The tenant is responsible for maintaining and/or replacing the HVAC unit that services the space.”
- “In the event of a fire that damages more than 25% of the building (not just the tenant’s suite), the landlord may terminate the lease.”
- “The tenant has invested \$100,000 in custom improvements and paid six months of rent up-front as a non-refundable lease incentive.”



As the insurance advisor, how would you approach structuring the property coverage to address these contractual obligations? Which endorsements or policy forms would you recommend to ensure appropriate valuation, address indirect loss exposures, and protect the tenant’s financial interest if the lease is terminated?

Leased Equipment Obligation: Recommend CP 14 60 – Leased Property to match stipulated values in the lease. However, this endorsement will not address the continuing rent obligation.

HVAC Responsibility: Use CP 14 01 or CP 14 02 to cover the tenant’s responsibility for building components.

Indirect Loss Exposure: Consider the Business Income (And Extra Expense) Coverage Form or Legal Liability Coverage Form for ongoing payments or negligence-related loss.

Lease Termination Risk: Recommend the Leasehold Interest Coverage Form to protect against loss of use of improvements and betterments, prepaid rent, and favorable lease terms if the lease is canceled after a covered loss at the described premises.

Encourage a full review of the lease—not just the insurance section—to identify all exposures.

Section 1 Self-Quiz



Set Yourself Up for Success!

An interactive version of this quiz, called a WayGround, a Quizlet set of vocabulary/definition flashcards, and Study Guide, are available on the Resources webpage at riskeducation.org/riskPROresources.

Directions: Select the best answer for each of the following questions.

- Which of the following best describes the importance of contract review in the retail food and beverage industry from an insurance agent's perspective?
 - ☐ Contract review is solely a legal task and should be avoided by insurance agents to prevent E&O liability.
 - ☐ Reviewing only the insurance section of a contract is sufficient, as other clauses typically have no impact on insurance coverage.
 - ☒ Contract review helps identify risk exposures and align insurance coverage, adding value to the client relationship, especially in industries with narrow profit margins and complex supply chains.
 - ☐ Agents should always provide legal advice when reviewing contracts, especially regarding indemnity and compliance issues.

Contract review helps agents identify insurance-related risks and ensure coverage aligns with contract obligations.
- Which of the following is a key reason for using a checklist during contract review in the food and beverage industry?
 - ☐ To ensure agents only review insurance clauses
 - ☐ To speed through contract reviews without reading the full document
 - ☐ To provide legal advice efficiently
 - ☒ To systematically identify exposures throughout the entire contract

Checklists help agents consistently identify insurance-related risks in all parts of a contract—not just insurance sections—supporting a thorough, risk-focused review.

Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

3. Why is it important for insurance professionals to include a disclaimer when reviewing contracts for clients?

- ☐ To assure clients that legal advice is included in the review
- ☒ To limit their liability and clarify that the review is for insurance and risk management purposes only
- ☐ To encourage clients to rely solely on the insurance agent for contract interpretation
- ☐ To avoid having to use a standardized checklist during the review

Including a disclaimer protects the agent by clarifying they are not providing legal advice—only assessing insurance and risk exposures—reducing potential E&O liability.

4. Which of the following best explains the insurance implications of a lease agreement containing a waiver of subrogation?

- ☐ It prevents the landlord from collecting rent if the property is damaged.
- ☐ It transfers all risk of loss from the tenant to the landlord.
- ☒ It may prevent the insurer from recovering damages from a responsible third party.
- ☐ It requires the tenant to waive their right to file a claim with their insurer.

A waiver of subrogation means that one party (often the tenant or landlord) agrees not to pursue recovery—and thereby prevents their insurer from doing so—against the other party in the event of a loss. This limits the insurer's ability to recoup losses from the party at fault.

Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

5. Which of the following scenarios illustrates a potential gap in protection when a lease contains a waiver of subrogation “to the extent recoverable by insurance”?

☒ The tenant causes \$130,000 in damage, but the landlord's policy has a \$250,000 deductible.

☐ The tenant forgets to notify their insurer about a covered loss.

☐ The property is uninsured due to the landlord's oversight.

☐ The lease does not require insurance on tenant improvements.

If the landlord's deductible exceeds the amount of the loss, the waiver of subrogation may not apply because no insurance proceeds are paid. This leaves the tenant potentially liable for the full amount of damage, despite the presence of a waiver in the lease.

6. Which of the following best explains why the café's insurer may be **unable to honor** the lease's waiver of recovery in favor of the landlord?

☐ The waiver was not enforceable because the loss was caused by water.

☒ The policy did not include a subrogation waiver endorsement matching the lease.

☐ The delivery driver was not an employee of the café.

☐ The café did not notify the landlord of the injury.

A lease may require an **express waiver** of subrogation, but unless the café's insurance policy includes a **specific endorsement** (like CG 24 04), the insurer's rights remain intact. Without aligning the policy to match the lease, the waiver may not be enforceable, leaving the insurer free to pursue recovery.

Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

7. According to the Sutton Doctrine, why might a landlord's insurer **not be able to subrogate** against a tenant who causes a covered loss?

- ☐ Because the lease includes a hold harmless clause
- ☐ Because all tenants must carry their own insurance
- ☐ Because subrogation is never allowed in lease agreements
- ☒ Because the tenant is automatically considered a co-insured under the landlord's policy

Under the Sutton Doctrine, a tenant is often viewed as an implied co-insured under the landlord's property policy—particularly when rent contributes to insurance premiums. As a result, the insurer cannot subrogate against the tenant, even if the tenant caused the loss.

8. Which type of hold harmless agreement requires the indemnitor to cover losses even if both parties share fault, but not when the indemnitee is solely negligent?

- ☐ Limited
- ☐ Mutual
- ☒ Intermediate
- ☐ Broad

An intermediate hold harmless agreement requires the indemnitor to take responsibility for losses caused by their own or shared negligence, but not if the indemnitee is entirely at fault. This strikes a middle ground between limited and broad forms.

Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

9. A contract clause reads:

"Vendor agrees to indemnify, defend, and hold harmless Organizer from any and all claims... including those caused solely by the negligence of Organizer."

Which type of indemnity agreement is this?

☐ Limited

☒ Broad

☐ Intermediate

☐ Mutual

This is a broad hold harmless agreement, where the indemnitor (the vendor) agrees to cover all liability, even when the indemnitee (the organizer) is 100% at fault—the most extensive transfer of risk.

10. Which of the following endorsements should be **avoided** if a restaurant wants to ensure coverage for indemnification obligations in equipment leases or dumpster agreements?

☒ CG 21 39 – Contractual Liability Limitation

☐ CG 24 26 – Amendment of Insured Contract

☐ CG 24 04 – Waiver of Transfer of Rights

☐ CG 00 01 – Standard CGL Declarations

CG 21 39 removes key parts of the insured contract definition, eliminating coverage for many routine indemnity obligations—such as those found in vendor or equipment agreements. This endorsement can be particularly problematic for food and beverage businesses.

Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

11. Which condition must be met for an insurer to provide **Supplementary Payments** to defend an indemnitee under a CGL policy?

- ☐ The indemnitee must be solely liable for the occurrence.
- ☐ The contract must be signed after the bodily injury or property damage occurs.
- ☒ The contract must be an “insured contract,” and the indemnitee must agree to cooperate with the insurer.
- ☐ The insured must have a workers compensation policy in force.

For Supplementary Payments to apply to an indemnitee's defense, the agreement must qualify as an insured contract, and the indemnitee must meet strict cooperation and notification requirements outlined in the CGL policy.

12. A retail food business signs a hold harmless agreement involving the use of **drones** for promotional filming. Which endorsement, if included on their CGL policy, would likely **exclude coverage** for this exposure?

- ☐ CG 20 28 – Additional Insured – Lessor of Leased Equipment
- ☐ CG 22 74 – Limited Contractual Liability Coverage for Personal and Advertising Injury
- ☐ CG 20 11 – Additional Insured – Managers or Lessors of Premises
- ☒ CG 21 09 – Unmanned Aircraft

CG 21 09 eliminates contractual liability coverage related to drones, whether owned or non-owned. If a food or beverage business enters into a drone-related indemnity agreement, this endorsement would result in no coverage under the CGL policy.

Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

13. A restaurant leases space from a landlord without a written lease agreement in place. Which endorsement is most appropriate to provide the landlord with additional insured status?

- ☐ CG 20 11 – Managers or Lessors of Premises
- ☒ CG 20 26 – Additional Insured – Designated Person or Organization
- ☐ CG 20 28 – Additional Insured – Lessor of Leased Equipment
- ☐ CG 20 29 – Additional Insured – Grantor of Franchise

CG 20 26 is ideal when no written lease exists. It allows naming a person or organization as an additional insured for liability arising from the named insured's operations or premises—even without a formal lease in place.

14. A restaurant obtains a city permit to install an illuminated sign that overhangs a public sidewalk. Which endorsement should be used to provide additional insured status to the city, but only for liability arising from the permitted sign?

- ☒ CG 20 13 – Additional Insured – Governmental Subdivision – Permits or Authorizations
- ☐ CG 20 34 – Additional Insured – Lessor of Leased Equipment
- ☐ CG 20 35 – Additional Insured – Grantor of Licenses
- ☐ CG 20 42 – Additional Insured – Automatic Status for Designated Operations

CG 20 13 provides coverage to a governmental entity only for liability tied to specific hazards (like signs, awnings, or elevators) for which the entity has issued a permit. It does not apply to work for the federal government or to the products-completed operations hazard.

Section 1: Contract Analysis for the Insurance Professional in the Food and Beverage Industry

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

A Formal Approach to Exposure Identification

Check-In



Directions: Select the best answer for each of the following questions.

1. Which statement best explains why a formal, structured exposure identification process is critical in evaluating commercial property risks for retail food and beverage businesses?

- ☐ It ensures all employees have the same insurance licenses.
- ☐ It guarantees every property receives the exact same coverage limits.
- ☒ It promotes consistency, uncovers all potential exposures, and forms the basis for coverage decisions.
- ☐ It eliminates the need for physical inspections or client interviews.

A formal, structured approach ensures no exposures are overlooked, keeps the process consistent, and forms the foundation for all coverage decisions. Without it, coverage may fail when a loss occurs.

2. When reviewing a client's website as part of the exposure identification process, what is the primary objective?

- ☐ To confirm the accuracy of the business's address and phone number
- ☒ To identify additional exposures that were not disclosed in earlier discussions or surveys
- ☐ To ensure the website complies with ADA accessibility standards
- ☐ To verify that all listed menu items are insured

A website review can reveal exposures not mentioned in earlier steps—such as catering services or special events—which must be addressed in the risk assessment.

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

Check-In Continued



Directions: Select the best answer for each of the following questions.

3. Which of the following is an example of an exposure that might only be identified during a physical inspection?

- ☒ The presence of rooftop livestock
- ☐ Outdated insurance policy limits
- ☐ Catering services advertised online
- ☐ A gap in cyber liability coverage

Certain exposures, like rooftop livestock or unusual structural features, may only be visible during an on-site inspection and would not appear in surveys or documents.

4. Why might an insurance professional provide a non-disclosure agreement (NDA) when requesting a financial statement?

- ☐ To prevent clients from comparing premiums with other agencies
- ☒ To ensure confidential financial information is protected and to build client trust
- ☐ To comply with state-mandated record retention laws
- ☐ To reduce the cost of loss data analysis

Financial statement reviews provide insights into business income exposures, but clients may be hesitant to share them. An NDA helps protect confidentiality and fosters trust.

Building and Personal Property Coverage Form – Business Is Opening!

Check-In



Directions: Select whether each of the following statements is true or false.

1. A lender who holds the mortgage for a building but is not named on the tenant's property policy should be listed as a mortgagee.

True

False

They should be listed as a **lender loss payee**, not a mortgagee, when the policy is in the tenant's name.

2. Vacancy clauses can be triggered if a building under renovation is not actively being worked on, even if it still contains some business personal property.

True

False

Court interpretations have generally held that continuous activity is required; insufficient business personal property or inactivity may trigger vacancy provisions.

3. A non-vitiation clause protects innocent parties from losing coverage due to another insured's fraud or policy breach.

True

False

Also called a Separation Of Insureds Clause or Innocent Co-Insured Provision, it ensures that coverage remains for parties not responsible for the violation.

4. The CP 04 05 Ordinance Or Law Endorsement provides coverage for loss to the undamaged portion of a building when required by code to be demolished.

True

False

It restores coverage for exposures excluded under the Causes of Loss – Special Form, including undamaged portions subject to demolition.

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

Check-In Continued



Directions: Select whether each of the following statements is true or false.

5. The standard debris removal coverage limit under the ISO Building And Personal Property Coverage Form is an additional \$25,000 beyond the policy limit.

True

False

The 25% debris removal amount is included within the policy limit; the \$25,000 is a separate sublimit only if the cost of removing the debris exceeds the 25% threshold or the cost of the direct damage and the cost of removing debris subject to the 25% limitation exceeds the Limit Of Insurance.

6. Green upgrades coverage applies to all types of property, including personal property of others and stock.

True

False

Certain property types, including personal property of others, leased personal property, and stock, are excluded from green upgrades coverage.

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

» Knowledge Check



Directions: Read the scenarios and respond to the questions that follow.



Scenario 1:

A mid-sized Italian restaurant recently expanded to offer catering services, but the owner did not mention this during the insurance renewal process. The agency completed a written survey but skipped the physical inspection and website review due to time constraints. Six

months later, the restaurant's delivery van—used exclusively for catering—was involved in a multi-vehicle accident. The loss was not covered under their current policy because the delivery vehicle had never been disclosed or endorsed.

1. If the agency had conducted both a physical inspection and a website review as part of the formal exposure identification process, how might the outcome of this loss have been different? What immediate and long-term consequences might result from overlooking this exposure, and how could they vary for both the client and the agency?

In this scenario, a physical inspection and website review would likely have revealed the catering operations and use of a delivery van, allowing the agency to recommend appropriate liability coverage. This proactive step could have prevented the uninsured loss, maintained the client's trust, and avoided potential E&O exposure for the agency. Skipping these steps not only exposed the client to a significant uncovered claim but also risked long-term reputational and financial damage for the agency.

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

Scenario 2:

The Italian restaurant leases its building under a triple net (NNN) lease, making it responsible for insuring the entire building. The policy is in the tenant's name, with the landlord as loss payee, but no non-vitiating clause is included as required by contract. A kitchen fire set intentionally by the tenant damages over 50% of the structure, and the updated code requires costly electrical and sprinkler upgrades. The policy lacks both CP 04 05 – Ordinance Or Law Coverage and CP 04 02 – Increased Cost Of Loss And Related Expenses For Green Upgrades, as required by the lease.

2. How might the absence of contract review and missing policy provisions and endorsements—such as a non-vitiating clause, Ordinance Or Law Coverage, and Increased Cost Of Loss And Related Expenses For Green Upgrades—affect both the landlord's and tenant's ability to recover after the fire, particularly regarding building replacement, regulatory compliance, and special property upgrades?

A proper contract review would have revealed the tenant's obligation to insure the building and the need for the clause and endorsements required by the contract. A non-vitiating clause could have safeguarded the landlord's interest since the tenant's actions jeopardized coverage. Ordinance Or Law Coverage would have addressed the mandated demolition of undamaged portions and paid for required code upgrades. In contrast, Increased Cost Of Loss And Related Expenses For Green Upgrades would have funded the environmentally sustainable features in the rebuild. Without these protections, the tenant is in breach of contract as well as faces criminal charges, and the landlord has no recovery.

Replacement Cost: A Forward-Looking Estimate

» Knowledge Check



Directions: Read the scenario and respond to the question that follows.

You are the underwriter for a regional retail food and beverage chain with eight leased locations across three states. Each location has extensive tenant improvements, including custom refrigeration units, built-in cooking equipment, and upgraded interior finishes. The insured's operations rely heavily on perishable stock and have minimal redundancy if a location is shut down.



The insured is concerned about several risks:

- Potential demand surge after a large-scale disaster in one of their markets
- Ensuring building and tenant improvement values remain accurate throughout the year
- Protecting against spoilage from both on- and off-premises utility failures
- Maintaining flexibility in how insurance dollars are allocated after a loss

How would you design a property insurance program for this business to address accurate valuation, demand surge, and tenant improvements and betterments, while also mitigating spoilage and utility-related exposures across all locations? Justify your recommendations with specific coverage options or endorsements.

Accurate future replacement costs and demand surge risks require endorsements like CP 04 09 and, possibly, blanket limits for flexibility. Tenant improvements can be insured separately with CP 19 10 to save costs. Utility-related spoilage is addressed with CP 04 17 and CP 04 40 endorsements. A well-designed program uses these tools to ensure comprehensive, tailored coverage.

Broader Business Personal Property Considerations



» Knowledge Check

Directions: Read the scenario and respond to the question that follows.



Your client operates a retail food and beverage business with multiple storage areas, including detached sheds and portable storage units, on their premises. They frequently take equipment and stock to off-site events. They also stock valuable alcoholic beverages and are concerned about potential losses from food contamination and employee theft.

How might you structure their business personal property coverage—considering coverage forms, scheduling, location, valuation, and endorsements—to ensure they have comprehensive protection against these varied risks?

Ensure that all storage locations, including detached sheds and portable units, are properly scheduled to avoid coverage gaps. Use endorsements like CP 14 20 to exclude unwanted property and CP 04 04 for off-premises coverage. For valuable alcohol, consider the CP 99 05 market value endorsement. Add CP 15 05 for food contamination risks and recommend commercial crime coverage to protect against employee theft. This combination helps create a tailored, comprehensive insurance program.

Understanding Business Income and Discretionary Payroll for Retail Food and Beverage Risks

Check-In



Directions: Fill in the blanks with the correct terms from the word bank.

72-hour	net income	CP 15 04	gross revenue
tips	suspension	CP 15 56	period of restoration

1. Business income coverage reimburses net income, not gross revenue.
2. Payroll coverage typically excludes tips, which often form a large part of server compensation.
3. Business income coverage begins after a 72-hour waiting period by default.
4. The CP 15 56 endorsement allows reducing or removing the waiting period.
5. A suspension means a stoppage or slowdown of business due to covered loss.
6. The period of restoration begins after the waiting period and ends when the business resumes operation at a new or permanent location.

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

» Knowledge Check



Directions: Read the scenario and respond to the question that follows.

A popular restaurant located next to a large hotel is concerned about a potential loss of business income should a fire occur that causes significant damage to the restaurant's kitchen, forcing it to close temporarily, especially if this occurred during any of its busiest days of the year. It is also concerned if there were to be fire damage to the hotel, resulting in a sharp decline in business for the restaurant due to fewer hotel guests.



The restaurant's owner is unsure how their Business Income (And Extra Expense) Coverage Form would respond to these losses, especially concerning payroll of family members, server tips, and the waiting period deductible before coverage begins.

Considering the Business Income (And Extra Expense) Coverage Form and related endorsements, how should the restaurant owner structure their business income coverage to address potential losses from both direct damage and reduced customer flow due to the nearby hotel? Discuss the importance of payroll coverage, the waiting period, and dependent property endorsements in this scenario.

The restaurant should focus on net income coverage—not gross revenue—and consider endorsements for tips and discretionary payroll. Reducing the 72-hour waiting period with CP 15 56 can protect key revenue days. To cover losses from the neighboring hotel's closure, adding a dependent property endorsement is essential. These steps ensure better protection for both direct and indirect business income losses.

Section 2 Self-Quiz



Set Yourself Up for Success!

An interactive version of this quiz, called a WayGround, a Quizlet set of vocabulary/definition flashcards, and Study Guide, are available on the Resources webpage at riskeducation.org/riskPROresources.

Directions: Select the best answer for each of the following questions.

1. Which of the following best explains why a *formal method* for exposure identification is critical in evaluating commercial property risks in the retail food and beverage industry?
 - ☐ It eliminates the need for physical inspections and flowcharts.
 - ☒ It ensures a consistent and thorough evaluation, forming the foundation for all subsequent coverage decisions.
 - ☐ It allows agencies to focus only on the most common exposures in the industry.
 - ☐ It removes the need to review existing insurance policies.

A formal, structured exposure identification process ensures **consistency and thoroughness** across all accounts. It is the cornerstone of effective insurance placement, because without accurately identifying exposures, even comprehensive policies may fail in the event of a loss. While tools like inspections and flowcharts are part of the process, the method is designed to integrate multiple steps—**not replace them**.

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

2. During the exposure identification process for a retail food and beverage account, a website review reveals that the business offers catering services not previously mentioned by the client. How should this finding be handled?

- ☒ Document and address it as an exposure, even if it represents a small portion of operations.
- ☐ Ignore it unless catering is the primary operation.
- ☐ Wait until the next policy renewal to bring it up.
- ☐ Only address it if there has been a past claim related to catering.

Website reviews help uncover exposures not captured in questionnaires or interviews. Even if the activity—such as catering—is a small part of operations, it can introduce additional liability and property exposures. All exposures, regardless of size, must be addressed to ensure coverage aligns with actual operations.

3. Which of the following statements about vacancy under the ISO Building And Personal Property Coverage Form is correct?

- ☒ Buildings under construction or renovation are not considered vacant, but continuous activity is generally required to avoid triggering vacancy clauses.
- ☐ A building is considered vacant during renovation, regardless of whether work is actively being performed.
- ☐ Buildings under construction or renovation are never considered vacant under the policy.
- ☐ Vacancy status is based solely on whether the building contains business personal property.

Under the ISO form, buildings under construction or renovation are not considered vacant—but courts have generally interpreted this to require continuous activity. If work pauses for long periods or the premises contain insufficient property to support normal operations, vacancy clauses may still apply. This can reduce recovery for covered losses like fire by 15% and remove coverage for perils such as theft or vandalism.

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

4. In a triple net lease scenario, where the tenant is responsible for insuring the building, how should the lender be listed on the policy if the tenant is the sole Named Insured?

- ☐ As a mortgagee
- ☐ As an additional insured
- ☐ As an additional interest only
- ☒ As a lender loss payee

If the tenant is the **only Named Insured** on the building insurance policy, the landlord's lender does not have a mortgagee interest in that policy. Instead, they should be listed as a **lender loss payee** under the CP 12 18 Loss Payable Provisions endorsement. This ensures that their rights are recognized in the event of a claim, even though the mortgage is with the landlord, not the tenant.

5. According to the Sutton Doctrine, why might a landlord's insurer not be able to subrogate against a tenant who causes a covered loss?

- ☐ Because the lease includes a hold harmless clause
- ☐ Because all tenants must carry their own insurance
- ☐ Because subrogation is never allowed in lease agreements
- ☒ Because the tenant is automatically considered a co-insured under the landlord's policy

Under the Sutton Doctrine, a tenant is often viewed as an implied co-insured under the landlord's property policy—particularly when rent contributes to insurance premiums. As a result, the insurer cannot subrogate against the tenant, even if the tenant caused the loss.

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

6. Which statement correctly compares a builder's risk policy to an installation floater?

- ☐ Both cover the existing building and any new construction without limitation.
- ☐ Installation floaters provide broader coverage than builder's risk policies and always include theft of building materials.
- ☒ Builder's risk policies often exclude or limit coverage on the existing building, while installation floaters never cover the existing building and may require multiple floaters for separate projects.
- ☐ Builder's risk policies are only available for new construction, not renovations.

Builder's risk policies—issued on commercial inland marine forms—offer flexibility but often **exclude the existing building** or limit its valuation to actual cash value. Installation floaters provide **narrower coverage**, never cover the existing building, and may need to be issued separately for each project. Both must be tailored to the project's exposures to avoid coverage gaps.

7. Under the **CP 14 02 – Increased Cost of Loss And Related Expenses For Green Upgrades** endorsement, which of the following would **NOT** be covered?

- ☐ Salvaging building materials for reuse
- ☐ Professional design fees for green reconstruction
- ☐ Certification fees from a recognized green standard setter
- ☒ Upgrading leased personal property with green materials

The **CP 14 02** endorsement covers increased costs for sustainable building materials, related recovery expenses, professional fees, certification fees, and testing. However, leased personal property, personal property of others, and stock are excluded. This makes it critical to confirm whether green upgrades coverage addresses all the insured's needs before relying on it.

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

8. Under the Building And Personal Property Coverage Form, which of the following would be the most reliable standard for determining whether an item is “permanently installed”?

- ☐ If it is screwed or glued to the building
- ☐ If it passes the “upside-down test”
- ☒ If the intent for the item to remain permanently as part of the property
- ☐ If the underwriter believes it should be covered as a fixture

While rules of thumb like “screwed or glued” or the “upside-down test” can help, **the most reliable standard is intent**—whether there was an intention for the item to remain permanently. Courts often apply this principle, supported by the **Morris Test**, to resolve disputes over whether something is part of the building or business personal property.

9. When underwriting a risk for building coverage, why should the limit reflect the *estimated replacement cost at the time of loss* rather than at the policy inception date?

- ☒ Because a loss could occur at any time during the policy period, and costs may change
- ☐ Because insurers are required by law to update limits monthly
- ☐ Because replacement cost is always higher at the end of the year
- ☐ Because the contract must be an “insured contract,” and the indemnitee must agree to cooperate with the insurer

Replacement cost is forward-looking. Since losses can happen late in the policy term, inflation and market shifts can increase rebuilding costs after the policy starts.

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

10. Which endorsement can be used to separately insure tenants' improvements and betterments, potentially at the building rate rather than the business personal property rate?

- ☐ CP 14 60 – Leased Property
- ☐ CP 04 40 – Spoilage Coverage
- ☐ CP 04 17 – Utility Services – Direct Damage

☒ CP 19 10 – Your Business Personal Property – Separation of Coverage

CP 19 10 allows you to list tenant's improvements and betterments separately, which can result in a more favorable rating and coverage structure.

11. Under the **CP 04 09 – Increase In Rebuilding Expenses Following Disaster** endorsement, which of the following is a condition that must be met for coverage to apply?

- ☐ The insured must replace the building with identical materials and design.
- ☒ The event causing the loss must be tied to a federal or state disaster declaration.
- ☐ The building must be rebuilt within 60 days of loss.
- ☐ The insured must decline any public assistance for rebuilding.

One condition for **CP 04 09** coverage is that the loss event must be tied to a federal or state disaster declaration.

12. Why might a retail food and beverage business use endorsement **CP 99 05 – Distilled Spirits And Wines Market Value**?

- ☒ To value distilled spirits and wines based on their market price at the time of loss
- ☐ To insure beverages at replacement cost only
- ☐ To exclude federal excise taxes from coverage for all causes of loss
- ☐ To insure alcoholic beverages at actual cash value only

CP 99 05 allows valuation of wines and distilled spirits at market value instead of replacement cost or ACV, reflecting the impact of rarity, age, and market demand.

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

13. What is the main purpose of endorsement **CP 15 05 – Food Contamination (Business Interruption And Extra Expense)**?

- ☐ To provide coverage for theft of contaminated food
- ☐ To extend coverage for spoilage caused by power outage
- ☒ To cover financial loss from an outbreak of food-related illness, including cleanup, lost income, and advertising expenses
- ☐ To insure perishable goods at agreed value

CP 15 05 addresses losses from actual or suspected food contamination, including destroying tainted food, sanitizing equipment, lost income, and advertising to restore public trust.

14. What is an example of a situation that would be covered under the ISO Building And Personal Property Coverage Form?

- ☒ Business personal property is stored inside the main insured building.
- ☐ Business personal property is stored in a detached shed not listed in the declarations.
- ☐ Business personal property is stored in a vehicle parked more than 100 feet from the insured building.
- ☐ Business personal property is stored in an unscheduled portable storage unit for over 90 days.

Business personal property is covered under the ISO form when it is **in or on the described building** or **within 100 feet** of it. Property in **unscheduled detached structures** or in **portable storage units over 90 days** is **not covered** unless specifically scheduled.

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

15. What is considered “business income” under the **CP 00 30 – Business Income (And Extra Expense) Coverage Form**?

- ☐ Gross revenue including cost of goods sold
- ☐ Only profit earned during the period of restoration
- ☐ Total sales including employee tips
- ☒ Net income (profit or loss) plus continuing normal operating expenses, including payroll

Business income includes net income (profit or loss) and continuing operating expenses such as payroll. Costs of goods sold and employee tips are generally excluded unless specifically endorsed.

16. What is the purpose of the **CP 15 04 – Discretionary Payroll Expenses Endorsement**?

- ☐ To include all tips paid to employees in business income coverage
- ☐ To extend the 72-hour waiting period for business income coverage
- ☒ To allow insureds to list specific employees or job classifications and limit payroll reimbursement during the period of restoration
- ☐ To automatically increase the policy limit for payroll expenses

This endorsement lets the insured specify which employees' payroll will continue during restoration and, optionally, set limits on days covered, reducing disputes over reimbursable expenses.

Section 2: Commercial Property Coverages for the Retail Food and Beverage Industry

17. How does the **CP 15 56 – Business Income Changes – Beginning Period Of Restoration** endorsement help retail food and beverage businesses?

- ☐ It extends the period of restoration indefinitely.
- ☐ It includes employee tips in payroll coverage.
- ☐ It automatically triggers coverage for civil authority shutdowns.
- ☒ It allows reduction or elimination of the standard 72-hour waiting period before business income coverage begins.

CP 15 56 enables the insured to shorten or remove the 72-hour waiting period, ensuring coverage responds quickly—critical for businesses reliant on high-revenue days.

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

Liability Exposures – Premises and Operations

Check-In



Directions: Select the best answer for each of the following questions.

1. Which of the following best distinguishes a **trip and fall** from a **slip and fall** accident?

- ☐ Trips usually happen because of wet or slippery surfaces; slips usually happen because of uneven flooring.
- ☒ Trips typically result in falling backward; slips typically result in falling forward.
- ☐ Trips typically result in falling forward; slips typically result in falling backward.
- ☐ Trips only happen on stairs; slips only happen on flat surfaces.

A trip and fall occurs when a person's foot catches on an object or uneven surface, propelling them forward. A slip and fall occurs when a person loses traction on a surface, usually causing them to fall backward.

2. Which of the following **is** a factor in determining a property owner's liability for injuries sustained during an altercation between patrons?

- ☒ Whether the injured party suffered actual damages
- ☐ Whether the injured party was wearing appropriate footwear
- ☐ Whether the injured party's age exceeds 21
- ☐ Whether the incident occurred on a weekend

Liability for injuries from altercations depends on factors such as duty of care, foreseeability, breach of duty, causation, and whether the injured party suffered actual damages. Footwear, age, or day of the week generally do not determine the owner's legal responsibility.

Check-In Continued



Directions: Select the best answer for each of the following questions.

3. Which of the following best describes a property owner's obligation regarding **signage** on their premises?

- ☐ They only need to post signs warning of hazards but not maintain the signs themselves.
- ☒ They must ensure all signage is securely installed and regularly maintained to prevent injury or property damage.
- ☐ They are only liable for falling signs if the sign weighs more than 50 pounds.
- ☐ They are not responsible for injuries caused by falling signs because patrons assume the risk.

Property owners have a legal duty to maintain a safe environment. This includes securely installing and routinely inspecting signage. Improperly secured signs can cause injuries ranging from minor bruises to severe head trauma, fractures, or even fatalities, and can also result in property damage.

4. Which of the following is an example of an **operational liability exposure** rather than a premises liability exposure?

- ☐ Uneven flooring in the dining area
- ☒ Providing catering services at an off-site event
- ☐ A cracked tile in the kitchen
- ☐ A loose handrail on the stairs

Premises liability relates to hazards at the business's physical location. Operational liability may arise from the way the business functions beyond its physical space, such as with catering and delivery services.

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

Check-In Continued



Directions: Select the best answer for each of the following questions.

5. Why does **delivery** create a unique liability exposure for retail food and beverage establishments?

- ☐ It always involves high-value items.
- ☐ It automatically voids general liability insurance.
- ☒ It shifts operations away from the controlled environment of the premises and may involve employee or third-party drivers.
- ☐ It is regulated under the Telephone Consumer Protection Act (TCPA).

Delivery extends operations beyond the controlled premises. Even occasional delivery—especially when employees use personal vehicles—can create significant liability for accidents or property damage.

6. Which of the following is a key reason **live entertainment** can increase a retail food and beverage establishment's liability exposure?

- ☐ It typically results in lower foot traffic.
- ☐ It reduces the need for security personnel.
- ☐ It removes the need for an underwriting assessment.
- ☒ It can lead to higher risks related to crowd management, slips and falls, and alcohol service.

Live entertainment often brings increased foot traffic, which raises risks of crowd-related injuries, slip-and-fall incidents, and alcohol-related liabilities. These must be factored into underwriting and risk management.

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

Check-In Continued



Directions: Select the best answer for each of the following questions.

7. Which of the following best describes **strict liability** in the context of foodborne illness?

- ☐ A restaurant is only liable if it was negligent in handling food.
- ☐ A restaurant is liable only if it supplied the contaminated ingredient itself.
- ☒ A restaurant can be held legally liable for foodborne illness even without evidence of negligence.
- ☐ A restaurant cannot be held liable if a supplier provided contaminated food.

Under product liability law, restaurants are generally strictly liable for illnesses caused by food they “manufacture” or serve—even if they did everything right and the contamination originated with a supplier.

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

» Knowledge Check



Directions: Read the scenario and respond to the question that follows.

A café hires an outside pest-control company and also employs its own delivery driver. One day, the pest-control company's technician misapplies chemicals, making a customer sick, and the delivery driver injures a pedestrian while making deliveries.

Which situation could expose the café to **vicarious liability** and which to **contingent liability**, and why?

Vicarious Liability: The café could be vicariously liable for the delivery driver injuring a pedestrian. This is because the driver is an employee acting within the scope of their employment—making deliveries for the café. Under the doctrine of *respondeat superior*, the café is responsible for the employee's actions performed in the course of their job.

Contingent Liability: The café could face contingent liability if a customer falls ill due to the pest-control company's misapplied chemicals. The café does not directly control the independent contractor, but it can be liable if the contractor's actions are connected to negligent hiring, inherently dangerous work, or defective equipment. Here, the café may be responsible for selecting a competent contractor and ensuring safe practices.

Insurance Coverage Considerations



» Knowledge Check

Directions: Read the scenario and respond to the questions that follow.

A restaurant called “Sunny Side Eats” serves alcohol and hosts a weekly trivia night that includes a small prize for the winning team. During one trivia night, a patron becomes intoxicated and, after arguing with another contestant, punches her. An employee, using reasonable force in attempting to restrain the patron, accidentally bumps into and injures another customer.

Based on CGL coverage and exclusions:

1. Which exclusions could affect coverage for the injured contestant and the customer injured by the employee?

Expected Or Intended Injury: The employee’s accidental bump and injury of a customer is not excluded. Using reasonable force to protect persons or property is an exception to the Exclusion – Expected or Intended Injury.

Liquor Liability Exclusion: Bodily injury to the injured contestant may be excluded under the standard CGL policy since the restaurant is “in the business of” serving alcohol, and the injury is alleged to result from the intoxication of a patron.

However, if the allegation against the restaurant is one of negligent security in not providing safe premises rather than the service of alcohol by the restaurant, coverage could be “triggered” under the CGL policy. The injured contestant may likely allege that both caused the injury.

2. What additional coverage or endorsements could the restaurant purchase to reduce exposure for both incidents?

Purchase liquor liability coverage (with attention to dram shop exposure) that includes assault or battery coverage.

Consider assault and battery coverage under the CGL policy if the CGL policy has had an assault or battery exclusion added by endorsement.

Ensure proper security measures are in place with respect to the premises. Ensure all employees are adequately trained in the service of alcoholic beverages.

The Business Auto Coverage Form

Check-In



Directions: Match the term to the correct definition or explanation.

A. Symbol 1 – Any Auto	<u>B</u>	Applies only to autos owned by the Named Insured; can cover liability, physical damage, and other coverages, but does not extend to hired or non-owned autos
B. Symbol 2 – Owned Autos Only	<u>E</u>	Provides coverage for autos that the Named Insured does not own, lease, hire, rent, or borrow, including employee-owned vehicles used for business purposes
C. CA 99 33 Employees as Insureds	<u>F</u>	Extends insured status to volunteers using their personal autos for business purposes, providing excess coverage over the volunteer's personal auto policy
D. Symbol 8 – Hired Autos Only	<u>A</u>	The broadest symbol, providing liability protection for any auto used in connection with the Named Insured's business, not limited to listed vehicles
E. Symbol 9 – Non-Owned Autos Only	<u>C</u>	Provides insured status for employees using their personal vehicles for business purposes, with the personal auto policy being primary and the business auto policy providing excess coverage
F. CA 05 24 Non-Ownership Liability Coverage for Volunteers	<u>D</u>	Covers only autos leased, rented, hired, or borrowed by the Named Insured, excluding employee-owned or household-member vehicles

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

» Knowledge Check



Directions: Read the scenario and respond to the prompts that follow.

A retail café relies on employees and volunteers to pick up supplies and make deliveries using their personal vehicles. The café currently only has a CGL policy with an endorsement for hired and non-owned autos.

Analyze the potential coverage gaps in this situation. Explain how a stand-alone business auto policy and specific endorsements could better protect the café, its employees, and volunteers.

The café's CGL endorsement may leave gaps because it is subject to the policy's aggregate limit and may not provide excess coverage for employees and volunteers using personal vehicles. A stand-alone business auto policy offers higher limits and tailored coverage. Key endorsements include:

- **CA 99 33 (Employees as Insureds):** Provides excess coverage for employees using personal vehicles for business
- **CA 05 24 (Volunteers as Insureds):** Extends coverage to volunteers using personal vehicles for business
- **CA 20 54/CA 04 39 (Employee- and Volunteer-Hired Autos):** Covers rented vehicles in the employee's or volunteer's name while used for business purposes

These endorsements ensure the café, its employees, and volunteers are adequately protected against liability or physical damage exposures arising from business-related vehicle use.

Liquor Liability

Check-In



Directions: Select the best answer for each of the following questions.

1. Which of the following best describes the purpose of dram shop statutes?

- ☒ To provide incentives for sellers to comply with alcohol regulations and protect innocent victims
- ☐ To hold only intoxicated patrons responsible for injuries they cause
- ☐ To allow social hosts to serve alcohol without liability
- ☐ To eliminate liability for any establishment serving alcohol

Dram shop statutes are designed to protect innocent victims of alcohol-related incidents and to incentivize sellers to exercise care when serving alcohol. They may impose strict liability on establishments, servers, or social hosts under certain circumstances.

2. In the Aramark case at Giants Stadium, what factor contributed most to the establishment's liability?

- ☐ The fan's prior criminal history
- ☐ The stadium's seating arrangement
- ☒ Serving alcohol to a visibly intoxicated patron
- ☐ The fan's BAC being under the legal limit

Liability arose because Aramark staff continued serving alcohol to a patron who was visibly intoxicated, leading to severe injury. Staff actions and policy violations are critical in determining liability under liquor laws.

Check-In Continued



Directions: Select the best answer for each of the following questions.

3. Which defense might prevent recovery if a claimant contributed to the intoxication of an allegedly intoxicated person (AIP)?

- ☐ Assumption of risk
- ☐ Comparative negligence
- ☐ Intervening causation

☒ Complicity

Complicity bars recovery when the claimant themselves contributed to the AIP's intoxication. For example, a friend buying drinks for the AIP who later causes an accident may be excluded from recovery.

4. When might an establishment successfully defend against a dram shop claim involving a visibly intoxicated patron?

☒ When the patron was not visibly intoxicated at the time of service

- ☐ When the patron had a BAC over 0.15
- ☐ When the patron was served alcohol at a private home
- ☐ When the establishment sold alcohol to a minor

Many statutes require the patron to be visibly intoxicated for liability to attach. Proper observation and testimony, such as credible witnesses noting no signs of intoxication, can support this defense.

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

Check-In Continued



Directions: Select the best answer for each of the following questions.

5. How can proper business practices mitigate liability under dram shop statutes?

- ☐ By only serving patrons who are already intoxicated
- ☐ By allowing minors to be served if accompanied by adults
- ☐ By ignoring jurisdictional variations in the statutes
- ☒ By training staff, enforcing responsible service policies, and complying with alcohol laws

Implementing responsible service policies, providing staff training, and ensuring compliance with relevant laws help reduce exposure to dram shop claims and demonstrate diligence if a lawsuit arises.

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

» Knowledge Check

Directions: Read the scenario and respond to the question that follows.



A new upscale restaurant in a college town serves high-end cocktails and fine wines. On weekends, it hosts live music and has a small dance area. One evening, a visibly intoxicated patron is allowed to continue drinking and later leaves the premises, causing a multi-car accident. Several plaintiffs file claims under the state's dram shop statute, while the restaurant's insurer reviews the claim under the terms of the CGL policy and liquor liability endorsements.

How could the restaurant adjust its operations, staff training, and service practices to minimize liquor liability risk while complying with dram shop laws and policy exclusions?

The restaurant should implement comprehensive server training programs (e.g., TIPS, ServSafe Alcohol), enforce strict ID checks, monitor patrons for signs of intoxication, limit over-serving, use designated drivers or ride-share partnerships, and maintain detailed incident logs. Regular policy reviews and adherence to local liquor laws also help reduce potential liability.

Section 3 Self-Quiz



Set Yourself Up for Success!

An interactive version of this quiz, called a WayGround, a Quizlet set of vocabulary/definition flashcards, and Study Guide, are available on the Resources webpage at riskeducation.org/riskPROresources.

Directions: Select the best answer for each of the following questions.

1. Trip and fall accidents occur when an individual falls backward on a wet or slippery surface.

True

False

Trip and fall accidents involve falling forward due to catching a foot on an object or failing to step fully over an obstacle. Falling backward on a wet surface is classified as a slip and fall.

2. Inconsistent stair riser heights of just a quarter of an inch can increase the likelihood of falls.

True

False

Even slight variations in riser height or tread depth disrupt natural gait and can cause accidents. Uniform stair design is required by building codes for safety.

3. Foodborne illness claims in restaurants are generally evaluated under premises liability law.

True

False

Foodborne illness claims fall under **product liability law**, as food is considered a product. Premises liability applies to injuries occurring on the physical property.

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

4. Operational activities, such as beverage service or catering, cannot create premises liability exposures.

True

False

Operational activities can create hazards (e.g., spills, hot liquids, fires) that lead to injuries. Liability may arise from both environmental conditions and business operations.

5. Property owners are legally responsible for injuries caused by improperly secured overhead signs.

True

False

Owners must maintain a safe environment, including securing signage. Falling signs can cause serious injuries and property damage, creating liability exposures.

6. Which of the following operational activities can increase a retail food and beverage business's liability exposure?

- ☐ Catering off-premises events
- ☐ Live entertainment on-site
- ☐ Employee practices and security measures

☒ All the above

Operational exposures arise from activities beyond the physical premises. Catering, entertainment, employee practices, and security can all create liability risks that need to be considered in underwriting and coverage design.

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

7. Why does catering off the insured premises create additional liability considerations?

- ☐ It involves serving alcohol, which is always prohibited off premises.
- ☒ Operations occur outside the controlled environment of the business, increasing risk.
- ☐ Customers are always legally responsible for any injuries.
- ☐ Insurance coverage is automatically void when food leaves the premises.

Catering shifts food service away from the insured premises, introducing new hazards and exposures that must be addressed through appropriate coverage and risk management strategies.

8. Which of the following best describes **vicarious liability** in a retail food and beverage context?

- ☐ Liability for the intentional acts of the business owner only
- ☒ Liability for the wrongful acts of an employee committed within the scope of employment
- ☐ Liability for the actions of an independent contractor, regardless of negligence
- ☐ Liability only for damages caused by defective products

Vicarious liability holds an employer responsible for torts committed by employees acting within their job duties. The doctrine ensures that victims have access to financially responsible parties for compensation.

9. Contingent liability arises primarily from which situation?

- ☐ An employee acting outside the scope of employment
- ☐ Intentional harm caused by the named insured
- ☒ Negligent acts by independent contractors hired by the business
- ☐ Property damage caused by natural disasters

Contingent liability applies when a business may be responsible for harm caused by an independent contractor, such as negligent hiring or inherently dangerous work, even though the business did not directly cause the injury.

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

10. Which of the following is **excluded under the standard CGL policy**?

- ☐ Bodily injury caused accidentally on the premises
- ☐ Medical payments to a customer injured on the premises
- ☐ Products-completed operations arising from food served off-premises
- ☒ Bodily injury intentionally caused by the insured

CGL policies exclude coverage for expected or intended injuries. Insurance is designed to cover accidental harm, not deliberate acts by the insured.

11. The **Damage To Premises Rented To You** coverage:

- ☒ Only applies to fire damage if the premises are rented for more than seven consecutive days
- ☐ Covers any damage to rented premises, including water or vehicle damage, regardless of cause
- ☐ Is automatically included for all leased properties without limits
- ☐ Provides coverage for damage to tenants' personal property inside the rented premises

This coverage is limited to fire for longer-term rentals and does not extend to personal property or other types of damage unless additional coverage forms are purchased.

12. A separate Business Auto Policy (BAP) is generally preferred over adding hired and non-owned auto coverage to a CGL or BOP endorsement because the stand-alone BAP does not have an aggregate limit.

True

False

Endorsements to CGL or BOP policies become subject to the policy's aggregate limit, which can restrict coverage for multiple claims. A separate BAP provides greater flexibility and coverage limits.

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

13. Symbol 1 – Any Auto coverage is broader than Symbols 2, 8, and 9 because it provides liability protection for any auto used in connection with the Named Insured’s business.

True

False

Symbol 1 is the broadest liability symbol, covering any auto used in connection with the business, unlike Symbols 2 (owned autos), 8 (hired autos), or 9 (non-owned autos).

14. The **CA 99 33** endorsement extends non-owned auto coverage to employees using their personal autos for business purposes, with the employee’s policy acting as secondary coverage.

True

False

CA 99 33 provides excess coverage, meaning the employee’s personal auto policy is **primary**, and the business auto policy provides **secondary/excess** coverage.

15. Volunteer-hired autos used for business purposes are automatically covered under a standard CGL or BOP endorsement.

True

False

Coverage for volunteer-hired autos requires the **CA 04 39** endorsement; it is not automatically included under a CGL or BOP endorsement.

16. Which of the following best describes the purpose of liquor liability insurance for businesses that serve or sell alcohol?

- ☐ To cover general property damage unrelated to alcohol consumption
- ☐ To reduce the legal drinking age from 21 to 18
- ☐ To eliminate all employee liability for any incidents on or off premises
- ☒ To protect against claims arising from incidents where alcohol service may contribute to harm, including accidents, injuries, or property damage

Liquor liability insurance covers alcohol-related incidents. The other answers do not relate to alcohol service risks.

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

17. Under most dram shop statutes, liability for alcohol service arises when:

- ☐ Alcohol is sold or provided to any customer, regardless of intoxication.
- ☐ A patron drinks alcohol outside the establishment without injury.
- ☒ Alcohol is sold or given to a visibly intoxicated person, and that sale contributed to their intoxication and resulting injury.
- ☐ Only minors consume alcohol, and no other individuals are affected.

Liability applies when alcohol service contributes to harm; simply serving alcohol or serving minors without resulting injury does not trigger liability in most statutes.

18. Which of the following is a common defense used by establishments in dram shop claims?

- ☒ Complicity – the claimant contributed to the intoxication of the allegedly intoxicated person.
- ☐ Automatic immunity – all employees and owners are always protected.
- ☐ Universal liability – the business is responsible for all alcohol-related incidents in any state.
- ☐ Mandatory punitive damages – the establishment must pay regardless of circumstances.

Complicity can bar or reduce recovery if the injured party helped cause their own intoxication. The other answers are incorrect or not generally valid defenses.

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

19. Which defense under common law liability claims specifically applies when the injured party knowingly engaged in risky behavior, such as riding with an intoxicated driver?

- ☐ Contributory negligence
- ☐ Last clear chance doctrine
- ☐ Imputed negligence
- ☒ Assumption of risk

Assumption of risk applies when the injured party voluntarily accepts a known danger, such as riding with an intoxicated driver. Other defenses, like contributory negligence or last clear chance, address different aspects of liability.

20. The CGL (Commercial General Liability) policy liquor liability exclusion generally applies to:

- ☐ Any business that allows alcohol on premises, regardless of the business type
- ☒ Insureds in the business of manufacturing, distributing, selling, serving, or furnishing alcoholic beverages
- ☐ Nonprofits that occasionally host BYOB events
- ☐ Only licensed bars and nightclubs

The exclusion targets businesses “in the business of” alcohol, not simply those permitting occasional alcohol consumption or nonprofit operations.

21. Which ISO endorsement permits BYOB coverage under a liquor liability policy?

- ☐ CG 21 50
- ☐ CG 21 51
- ☒ CG 24 06
- ☐ CG 28 06

CG 24 06 specifically extends liquor liability coverage to BYOB establishments, while CG 21 50 broadens exclusions and CG 21 51 allows scheduled exceptions.

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

22. When underwriting liquor liability insurance, which of the following factors is **least relevant**?

- ☐ Venue type and operational characteristics
- ☐ Percentage of alcohol sales relative to total revenue
- ☐ Prior loss history and employee training
- ☒ Color scheme of the business interior

While operational and risk factors, alcohol sales, and prior claims influence underwriting, aesthetic elements like interior color are not relevant to assessing liquor liability exposure.

Section 3: Commercial Casualty Coverages for the Retail Food and Beverage Industry

Section 4: EPLI and Cyber Coverage for the Food and Beverage Industry

Employment Practices Liability Insurance

Check-In



Directions: Match the term on the left with the correct definition on the right.

A. Negligent supervision	<u>C</u>	When a qualified employee is denied advancement or excluded from training programs without valid justification
B. Workplace tort	<u>D</u>	When an employee experiences adverse consequences for reporting a violation, such as sexual harassment
C. Wrongful deprivation of a career opportunity	<u>A</u>	When an employer fails to address misconduct or harassment after becoming aware of it
D. Retaliation	<u>B</u>	A wrongful act or omission that causes harm to another person in the workplace

Section 4: EPLI and Cyber Coverage for the Food and Beverage Industry

» Knowledge Check



Directions: Read the scenario and respond to the questions that follow.

A popular, fast-casual restaurant employs 35 workers, including many part-time and tipped employees. A 42-year-old server recently complained to HR that her manager repeatedly made jokes about her age in front of coworkers. She also says she's required to spend most of her shifts on non-tipped tasks, such as cleaning and restocking, and that tips are pooled with kitchen staff.

Two weeks later, the manager writes her up for "poor attitude" and cuts her shifts. The employee has now filed a complaint alleging discrimination, wage-and-hour violations, and retaliation.

1. **Legal exposure:** Based on the scenario, which federal and/or state laws and potential workplace torts might the restaurant have violated? Explain your reasoning.
2. **Risk management:** What concrete strategies or policy changes should the employer adopt to limit its liability exposure in situations like this?

The restaurant may be violating the **Age Discrimination in Employment Act (ADEA)** by allowing age-based jokes and then reducing the employee's hours after she complained, which could also constitute **retaliation** under both the ADEA and Title VII. Its tip-pooling and non-tipped task practices may breach the **Fair Labor Standards Act (FLSA)** and similar state wage laws. In addition, public age jokes and unfair write-ups could support tort claims such as **emotional distress** or **defamation**. To limit liability, the employer should train managers on discrimination, retaliation, and wage-hour compliance; revise and enforce lawful tip-pool and job-assignment policies; consistently document and review performance actions to ensure fairness; and conduct regular compliance audits with legal counsel while maintaining appropriate EPLI coverage.

The EPLI Policy

Check-In



Directions: Select the best answer for each of the following questions.

1. Which statement best explains why it is important to understand how an EPLI policy defines terms such as “wrongful act” or “wrongful employment practice”?

- ☐ It helps employers choose less expensive policies.
- ☐ It guarantees coverage for all workplace incidents.
- ☒ It determines which claims the policy will cover.
- ☐ It allows employees to negotiate their own coverage.

Definitions set the boundaries of coverage; if a term isn't defined to include a type of claim, that claim may not be covered.

2. Some EPLI policies limit discrimination coverage to:

- ☐ Any type of employee complaint
- ☐ Only wage-and-hour violations
- ☒ Characteristics protected by statute, such as race, sex, religion, and age
- ☐ All forms of harassment, including third-party harassment

Many policies mirror statutory protections and do not automatically cover characteristics or situations beyond those laws.

Section 4: EPLI and Cyber Coverage for the
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Check-In Continued



Directions: Select the best answer for each of the following questions.

3. Which type of sexual harassment involves unwelcome conduct that interferes with an employee's work or creates an intimidating or offensive environment?

- ☐ Quid pro quo
- ☐ Constructive termination
- ☐ Third-party liability
- ☒ Hostile work environment

Hostile work environment harassment is about ongoing unwelcome conduct affecting working conditions, not conditioning benefits.

4. Stella reports unsafe kitchen conditions, and her employer cuts her shifts. This action most clearly illustrates:

- ☒ Retaliation
- ☐ Wrongful termination
- ☐ Discrimination
- ☐ Third-party liability

Retaliation occurs when an employer takes an adverse action against an employee for exercising a legally protected right, such as making a safety complaint.

Check-In Continued



Directions: Read and respond to the questions below.

5. Under many EPLI policies, which of the following groups may be automatically included in the definition of “employees” to broaden coverage?

- ☐ Independent contractors without agreements
- ☐ Former customers
- ☒ Volunteers, interns, and students
- ☐ Directors’ spouses committing wrongful acts

Some policies expand “employee” to cover non-traditional staff like volunteers, interns, and students to protect against those claims.

6. Under a standard ISO form, newly acquired corporations typically receive automatic EPLI coverage until:

- ☒ The 90th day after acquisition or the end of the policy term, whichever comes first.
- ☐ The 30th day after acquisition
- ☐ The first employee complaint is filed
- ☐ The insurer performs a compliance audit

Coverage for new entities is temporary and must be renewed or endorsed after the 90th day or policy expiration to continue protection.

Section 4: EPLI and Cyber Coverage for the Food and Beverage Industry

» Knowledge Check



Directions: Read the scenario and respond to the prompt that follows.

At Barry's Bistro, a server named Lisa files multiple workers compensation claims for repetitive-strain injuries. Two months later, Lisa is terminated for "poor performance." She sues the restaurant, alleging retaliation for filing workers compensation claims.

Based on standard EPLI policy exclusions and carve-backs, explain whether Lisa's retaliation claim would likely be covered under the restaurant's EPLI policy and why.

Lisa's retaliation claim after filing for workers compensation is generally covered under EPLI because most policies carve back exclusions to include retaliation for protected actions. While her underlying injury claims are excluded, the policy would cover defense and potential damages related to the alleged retaliation, highlighting the importance of reviewing exclusions and exceptions to understand coverage.

EPLI Defense Provisions

» Knowledge Check



Directions: Read the scenario and respond to the prompt that follows.

A regional restaurant group holds an EPLI policy with a \$1 million liability limit that includes defense costs within the limit. The policy also has a hammer clause and allows the insured to select counsel from an approved panel for a reduced retention.

A former employee files a discrimination claim. Within the first month, the insurer negotiates a \$200,000 settlement and recommends that the restaurant accept it. The restaurant believes it has a strong defense and wants to proceed to trial with its own attorney (not on the panel).

Based on this policy structure, analyze how the restaurant's decisions (rejecting the settlement and using non-panel counsel) could affect its total coverage and out-of-pocket costs if the case proceeds to trial.

By rejecting the recommended settlement, the hammer clause may shift part or all of any additional defense costs and judgments above \$200,000 to the restaurant. Using non-panel counsel could increase the retention, meaning the restaurant pays more up front. Because defense costs are inside the \$1 million limit, attorney fees will reduce the funds available to pay any judgment. Together, these choices could leave the restaurant with higher out-of-pocket expenses and less insurance left for damages.

Cyber Coverage

» Knowledge Check



Directions: Read the scenario and respond to the questions that follow.

A mid-size bakery chain uses an automated ordering system that links directly to its suppliers and also relies on an outside vendor to monitor refrigeration equipment. Following a ransomware attack, production comes to a halt for four days, supplier orders are not transmitted, and some perishable goods spoil. Customers' payment card data collected at the point of sale may also have been exposed.

The bakery carries a cyber policy with limits for business interruption, data restoration, PCI liability, and cyber extortion.

Using what you know about evolving cyber risks in the food and beverage industry, evaluate how this policy might respond to the bakery's operational, financial, and reputational losses. Which exposures are likely covered, and where could gaps remain?

The bakery's cyber policy would likely cover losses from business interruption, data restoration, and cyber extortion, addressing both the operational and financial impacts of the ransomware attack. Spoiled perishable goods due to system downtime may also be partially covered under business interruption provisions, though coverage could vary by policy terms. Exposure of customer payment card data would fall under the PCI liability portion, with coverage dependent on the bakery's adherence to PCI DSS standards and proper management of POS devices. Gaps in coverage could exist for reputational losses, third-party supplier impacts, or failures not explicitly included in the policy, highlighting the importance of understanding policy evolution, industry-specific risks, and enforcement obligations for compliance and PCI protections.

Section 4 Self-Quiz



Set Yourself Up for Success!

An interactive version of this quiz, called a WayGround, a Quizlet set of vocabulary/definition flashcards, and Study Guide, are available on the Resources webpage at riskeducation.org/riskPROresources.

Directions: Select the best answer for each of the following questions.

1. At what minimum age does the Age Discrimination in Employment Act (ADEA) protect employees from discrimination, and how many employees must an employer have for the law to apply?

- ☐ 18 years old; 15 employees
- ☒ 40 years old; 20 employees
- ☐ 50 years old; 10 employees
- ☐ 21 years old; 25 employees

The ADEA protects employees **40 years of age or older** from discrimination in employment decisions, such as hiring, promotions, or terminations. The law applies to employers with **20 or more employees**, which is slightly higher than the Title VII threshold but still common in the restaurant and food and beverage industry.

2. Which of the following is an example of a workplace tort that may increase an employer's liability beyond statutory claims?

- ☐ Discrimination under Title VII
- ☐ Age-based demotion prohibited by ADEA
- ☒ Humiliation or emotional distress caused by a supervisor
- ☐ Wage disputes under state labor law

Workplace torts are wrongful acts or omissions that cause harm, such as humiliation, emotional distress, invasion of privacy, defamation, negligent hiring, or wrongful denial of career opportunities. They can occur alongside—but are separate from—statutory claims like Title VII or ADEA, increasing employer liability.

Section 4: EPLI and Cyber Coverage for the Food and Beverage Industry

3. Which of the following statements about state and local employment laws is correct?

- ☐ They only apply if a business has more than 50 employees.
- ☐ They only regulate wages, not discrimination or workplace torts.
- ☐ They always mirror federal laws exactly and never provide additional protections.
- ☒ They may extend protections beyond federal law, sometimes applying to smaller employers or younger employees.

State and local employment laws often **broaden federal protections**, such as lowering the minimum employee threshold or protecting younger employees from age discrimination. Restaurants and small food and beverage businesses may be subject to these laws even if they fall below federal thresholds, making awareness of local statutes critical for managing liability.

4. Which of the following is an example of a breach of contract in the workplace?

- ☒ Failing to provide the salary or benefits promised in a written agreement
- ☐ Ignoring OSHA safety regulations
- ☐ Denying overtime pay to employees
- ☐ Experiencing high employee turnover

A breach of contract occurs when an employer fails to honor the terms of a written or implied agreement, such as salary, benefits, or vacation entitlements. Even a job offer letter can create enforceable obligations in some jurisdictions.

5. A restaurant requires certain front-of-house employees to spend significant time performing cleaning and restocking duties outside of their scheduled hours. Management does not adjust their pay to account for this additional work. Which legal risk is the employer most likely facing?

☐ Breach of contract

☐ Retaliation claims

☒ Wage and hour violations

☐ Workplace harassment

Wage and hour violations can arise when employees work **off-the-clock**, perform non-primary duties exceeding allowed thresholds (like the 80/20 rule), or are not properly compensated for all hours worked. Even if employees earn above minimum wage for scheduled duties, unpaid additional work can expose the employer to liability.

6. Which of the following is the **first step** an employer should take to help mitigate employment-related claims before they occur?

☐ Purchasing an EPLI policy with the highest limits

☒ Establishing clear, well-documented anti-discrimination and anti-harassment policies

☐ Hiring an outside law firm to handle all HR complaints

☐ Outsourcing payroll and benefits administration

While EPLI provides financial protection, it is not a substitute for proactive risk management. The first step is to implement clear, consistently enforced policies on discrimination, retaliation, and harassment to reduce exposure before a claim arises.

Section 4: EPLI and Cyber Coverage for the Food and Beverage Industry

7. Which of the following **best describes the difference** between actual termination and constructive termination under an EPLI policy?

- ☒ Actual termination occurs when the employer ends the employment; constructive termination occurs when conditions force an employee to resign.
- ☐ Actual termination is voluntary; constructive termination is involuntary.
- ☐ Actual termination applies to harassment claims; constructive termination applies to discrimination claims.
- ☐ Actual termination occurs only after a lawsuit is filed; constructive termination occurs before.

Actual termination is an employer's involuntary end of the employment relationship. Constructive termination happens when the employer makes working conditions so intolerable that the employee quits—different EPLI policies handle these scenarios differently.

8. A customer repeatedly experiences inappropriate comments from a restaurant employee. Management does nothing, and the customer files a harassment claim. Which EPLI coverage would most likely respond?

- ☐ Wrongful termination coverage
- ☐ Independent contractor endorsement
- ☐ Spousal liability coverage
- ☒ Third-party liability coverage

Third-party liability coverage protects the organization from claims of discrimination or harassment brought by non-employees (such as customers or vendors).

9. Which of the following is a **common exclusion** found in most EPLI policies?

- ☐ Claims arising from emotional distress
- ☐ Claims involving wrongful termination
- ☒ Liability stemming from criminal, fraudulent, or malicious acts
- ☐ Defense costs for ADA discrimination claims

Most EPLI policies exclude **criminal, fraudulent, or malicious acts** once the insured is found guilty. Defense may be provided until final adjudication, but damages are not covered after a guilty finding.

10. Website accessibility lawsuits under the Americans with Disabilities Act (ADA) are most often treated under which EPLI coverage area?

- ☒ Third-party liability coverage
- ☐ Bodily injury coverage
- ☐ Workers compensation coverage
- ☐ Contractual liability coverage

Because these claims are brought by members of the public (customers, vendors), website accessibility suits are typically handled as **third-party liability** matters under EPLI.

11. An employee trips over a loose floor tile and sues the employer for medical expenses and lost wages due to burns from spilled soup. Which policy would typically respond to this claim?

- ☒ Workers Compensation policy
- ☐ EPLI policy
- ☐ Directors & Officers policy
- ☐ Cyber Liability policy

Job-related injuries are excluded under most policies because state workers compensation laws apply.

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12. In a “non-duty-to-defend” EPLI policy, which of the following is true?

- ☐ The insurer automatically appoints and pays for legal counsel.
- ☐ The insurer covers defense costs without affecting the liability limit.
- ☒ The insured retains control over the defense and may select its own attorney.
- ☐ The insured cannot participate in settlement decisions.

Non-duty-to-defend policies allow the insured to control how a claim is defended and to choose counsel. Defense costs are generally included in the liability limit, reducing funds available for settlements.

13. If an EPLI policy includes a “hammer clause” and the insured refuses a recommended settlement, what is the potential consequence?

- ☐ The insurer must pay the entire settlement regardless.
- ☐ The claim is automatically dropped.
- ☐ The policy limit increases to cover additional costs.
- ☒ The insured may be responsible for some or all defense costs and judgments exceeding the proposed settlement.

A hammer clause penalizes the insured for refusing a settlement. The insured may bear responsibility for costs or judgments above the recommended settlement. Soft hammer provisions may reduce the percentage of costs assigned.

14. Why is it important to report a claim or incident “as soon as practicable” under an EPLI policy?

- ☒ To ensure the insurer can investigate and preserve coverage, even if the claim is not yet a lawsuit
- ☐ To prevent employees from filing additional claims
- ☐ To avoid paying any deductible
- ☐ To reduce premiums immediately

Timely notice allows the insurer to respond and protects the insured. EPLI policies are generally claims-made and reported, so reporting a potential incident promptly preserves coverage for later claims.

15. How do defense costs typically interact with the liability limit under a standard EPLI policy?

- ☐ Defense costs are separate and do not reduce the limit.
- ☒ Defense costs are included within the liability limit, reducing the amount available for settlements or judgments.
- ☐ Defense costs are reimbursed by the insurer with no limit.
- ☐ Defense costs are only paid if the claim is successful.

Most EPLI policies include defense costs within the liability limit. Every dollar spent on defense reduces the funds available to pay damages or settlements, making the selection of an appropriate limit critical.

Section 4: EPLI and Cyber Coverage for the Food and Beverage Industry

16. Which of the following best describes why restaurants are particularly vulnerable to cyber risks?

- ☐ Restaurants primarily rely on in-person orders, which makes them more likely to experience cyberattacks.
- ☒ Restaurants handle online reservations, digital orders, and payment card transactions, creating multiple potential entry points for cyberattacks.
- ☐ Restaurants only use standard office software, which does not involve sensitive customer information.
- ☐ Restaurants are small, which is ideal for hackers to target, making cyber threats a real problem

Restaurants collect and transmit sensitive customer and payment data through various systems, including reservation platforms, POS systems, and digital orders. These systems are potential targets for hackers and malware, making cyber coverage critical.

17. Under a cyber insurance policy, PCI liability coverage generally responds to which type of event?

- ☒ Fraud or identity theft resulting from a breach of payment card data
- ☐ Routine software updates on POS systems
- ☐ Downtime caused by employee illness
- ☐ Loss of employee HR records unrelated to a cyber incident

PCI liability coverage is triggered when there is an actual fraud or identity theft connected to a payment card breach. Coverage can include assessments for reissuing cards, fraud recovery, contractual penalties, and certain judgments.

18. Why are flat networks and a lack of segmentation particularly risky for food and beverage operations?

- ☐ They simplify system updates and reduce maintenance costs.
- ☒ A breach in a single device can spread across the network, impacting production, food safety, environmental compliance, and operational systems.
- ☐ They eliminate the need for cyber insurance.
- ☐ Flat networks prevent cybercriminals from accessing operational technology.

Flat networks connect all devices and systems without barriers. In food and beverage operations, this means that a single compromised device can propagate attacks across IT and OT systems, amplifying financial, operational, and reputational risks.

19. Which of the following electronic operations in food and beverage businesses creates potential cybersecurity exposures?

- ☐ Employee payroll processing with direct deposit details
- ☐ Automated inventory and food ordering systems
- ☐ External vendor monitoring of equipment such as freezers and HVAC systems
- ☒ All the above

All the above create potential cybersecurity exposures.

20. A critical step to mitigate cybersecurity risks for AI systems and POS devices in food and beverage operations is providing employees with training on _____ and secure system use.

- ☐ inventory management
- ☐ customer service
- ☒ password hygiene
- ☐ menu design

Employee training on password hygiene ensures staff understand how to create strong passwords, handle system access securely, and remain vigilant against suspicious activity. This reduces the risk of cyberattacks and helps protect sensitive data and operational systems.

Section 4: EPLI and Cyber Coverage for the Food and Beverage Industry

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Appendix

Preparing for the Final Exam

For many learners, test preparation is stressful. Please keep in mind that the most important measure of your knowledge will be witnessed in your service to your organization. Think of a test as a tool. Use it to come to an understanding of what you know, how it affects your work, and what more you would like to know to have even greater success in the workplace.

The testing period for the Final Exam is two hours long. The test itself is composed of 100 multiple choice questions that ask you to demonstrate what you know. You are required to earn a minimum of 140 out of 200 possible points. Questions appear in the order of presentation of the topics.

Remain aware of the time as you take the test. Pace yourself and be aware that unanswered questions are considered incorrect.

Study Techniques

There are some techniques you can use to help you prepare for the end-of-course test. Apply the same techniques to each chapter in your Learning Guide.

1. Review the Section Goal.
2. Review each Learning Objective.
3. Change each head and subhead into a question. Then answer the question. For example, header: Named Insureds, Automatic Insureds, and Non-Automatic Insureds

Question: Who is an Insured on a Commercial General Liability Policy?

4. Review each diagram, graph, and table. Interpret what you see. Ask yourself how it relates to a specific Learning Objective.
5. Check your answers to each Check-In. Correct your original answers, if necessary.
6. Check your answers to each Knowledge Check. Consider ways to improve your original answers.
7. Re-read the summary at the end of each section.

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8. Check your answers to each question in the Self-Quizzes at the end of each section. Correct your original answers, if necessary.
9. Review any comments, highlights, or notes you made in each section.
10. Rewrite important ideas in your own words. Find ways to connect those ideas to your own work experiences.
11. Make flash cards to help you review important vocabulary.

Sample Exam Questions

1. Insurance professionals should use disclaimers when reviewing contracts for clients. Which of the following is the best reason for doing so?
 - ☒ Disclaimers protect them by making it clear they are not providing legal advice.
 - ☐ Disclaimers allow them to bypass language in the contract that might be complex.
 - ☐ Disclaimers enable them to amend the contract with the client's permission.
 - ☐ Disclaimers are only necessary in certain jurisdictions.

Contract review is valuable to both the client and the agent and can distinguish the agent from their peers. However, the agent must be clear that they are identifying exposures and not providing legal advice.

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2. Contractors typically purchase property insurance. Which of the following is the best reason why?

- ☐ To comply with state licensing codes
- ☒ To provide coverage for liability excluded in standard liability policies
- ☐ To increase the value of the project for pricing purposes
- ☐ To reduce employee costs and overhead

Standard liability policies, such as CGL and BAP, often exclude coverage for property owned by, rented to, or otherwise under the contractor's care, custody, or control, making property insurance necessary.

3. Wiregrass Builders has an occurrence that may lead to a claim. Bill Barton, Wiregrass's employee, becomes aware of the situation. According to the CGL policy Conditions, who is responsible for notifying the insurer?

- ☐ Bill Barton, the employee who became aware of the situation
- ☐ The Named Insured's customer
- ☐ The Named Insured's attorney
- ☒ The Named Insured

Under the Duties in the Event Of Occurrence, Offense, Claim, Or Suit Condition, the policy states that "you" must see to it that we are notified. In the preamble to the policy, "you" is defined as the Named Insured on the Declarations.

Glossary of Terms

actual termination – Occurs when an employer formally and permanently ends the employment relationship, whether for cause or other reasons

additional insured – A person or entity, other than the policyholder, who is provided coverage under an insurance policy through an endorsement

Age Discrimination in Employment Act (ADEA) of 1967 – Federal law prohibiting discrimination against employees who are 40 years of age or older; once an individual reaches this age, they are considered part of a protected class. Employers must therefore follow specific requirements when making employment decisions that affect these individuals, including terminations, demotions, or position eliminations.

agreed value – Term used by ISO in the CP 14 60 – Leased Property schedule, which is also called stipulated loss value, an agreed-upon value arrived at by lessor and lessee at policy inception

Agreed Value Optional Coverage – Tenants may be required to insure specific portions of a building or perform certain repairs. The policyholder and insurer agree on a specific value for the property at policy inception. Building coverage can be written for a specific limit and activated to avoid the application of coinsurance penalties.

agreement – A broader, more general term than “contract”; it simply means that two or more parties have come to a mutual understanding about something. Not all agreements are legally enforceable; an agreement becomes a contract only when it meets the six legal criteria.

Americans with Disabilities Act (ADA) – Requires businesses to make reasonable accommodations so that individuals with disabilities can access employment opportunities and public spaces

annual aggregate basis – The limit of insurance listed on an EPLI policy is typically stated on this basis; it represents the maximum amount the policy will pay in any one policy year—regardless of the number of insureds, the number of claims, or the number of individuals or entities bringing those claims—the limit is fixed and does not expand to accommodate multiple claims or multiple claimants.

assumption of risk – May be a defense put forth by defendants in common law liability claims where the injured party knowingly engaged in risky behavior

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biometric identifiers – Fingerprints, facial recognition scans, and other data used to track when employees start and stop work, access secure areas, or log into systems; because these identifiers carry significant privacy and regulatory risks, many insurers are reluctant to provide coverage for related claims and frequently include specific exclusions addressing biometric data.

breakdown or contamination – A change in temperature or humidity resulting from the mechanical breakdown or mechanical failure of refrigerating, cooling, or humidity control apparatus or equipment, while such equipment is located on the described premises, including contamination caused by the refrigerant

Building And Personal Property Coverage Form – Business personal property coverage when the property is located in or on the building or structure described in the Declarations; coverage also extends to business personal property located in the open or in a vehicle, but only if the property is within 100 feet of the building or structure, or within 100 feet of the described premises, whichever is greater; it has very limited coverage (capped at \$1,000) for outdoor property, such as antennas or satellite dishes.

buyer – Purchaser of the insured's goods or services

Causes of Loss form – A form through which a distinct coinsurance percentage is assigned to a scheduled property

claims-made and reported basis – This structure in the EPLI policy means that for coverage to apply, the claim against the insured must both be made and reported to the insurer within the policy period.

communicable disease – A disease that can be passed from one person to another. This creates a clear exposure for retail food and beverage risks, where liability may arise.

contingent liability – Concept that applies to the retail food and beverage business's use of independent contractors; liability can arise from negligent hiring, situations involving non-delegable duties, inherently dangerous work, or the provision of defective equipment.

comparative negligence or fault – Weighs the claimant's negligence against the defendant's, potentially reducing or barring recovery depending on the degree of fault

complicity – The state of being involved with others in wrongdoing or illegal activity, such as contributing to the intoxication of a minor or an allegedly intoxicated person, which results in injury

consent to settle clause – A provision sometimes called the hammer clause; it requires the insurer to obtain the insured's permission before settling a claim; however, a hammer clause imposes a penalty if the insured refuses a recommended settlement.

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constructive termination – Also known as “constructive design,” occurs when working conditions are made so intolerable that the employee resigns

contract – A legally binding agreement with six specific elements: offer, acceptance, awareness, consideration, capacity, and legality

contributory negligence – Examines the claimant’s actions and can bar recovery altogether if the claimant’s activities contributed in any way to their own injury or damages

demand surge – A situation that may occur after a disaster or catastrophe, where replacement costs may surge due to increased demand for labor and materials

Demolition Cost Coverage – Coverage that applies when an undamaged portion of the structure must be torn down and removed due to regulatory requirements. This coverage can be provided with a separate limit or combined with Increased Cost Of Construction Coverage under a blanket limit.

dependent property exposure – Business income loss that is not the result of direct damage at the retail food and beverage business’s premises, but rather from other properties that impact the business’s ability to operate, such as the supplier, the buyer, the leader location, and the manufacturing location

discrimination – Considered a wrongful act when individuals are discriminated against for characteristics protected under statute, such as race, sex, religion, and age; some policies extend coverage to additional characteristics, while others are more limited.

doctrine of last clear chance – A defense which applies when the plaintiff has the final reasonable opportunity to avoid injury but failed to act

Employment Practices Wrongful Act – Some carriers describe this broadly to include discrimination, sexual harassment, retaliation, and wrongful termination, while others provide more detailed coverage for particular workplace torts.

exculpatory agreement – Also known as a liability waiver or release, it is a contract where one party agrees not to hold another party liable for damages or injuries, often related to negligence.

Expected Or Intended Injury – Exclusion in the Commercial General Liability policy that clarifies that the policy is intended to protect against accidental harm, not deliberate acts by the insured

express waiver – A formal policy endorsement agreement in which a specific right or claim is voluntarily surrendered

flood – Includes not only overflow of inland or tidal waters, but also surface water from any source

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general aggregate limit – The maximum amount payable for the sum of medical expenses under Coverage C, damages under Coverage A (except bodily injury or property damage arising from the products-completed operations hazard), and damages under Coverage B

general harassment – This may take many forms; it covers a broad spectrum of workplace harassment that falls outside of sexual harassment

green upgrades – Materials and products that enhance energy efficiency or reflect environmentally preferable, sustainable construction practices as outlined in environmental guidelines defined by a recognized organization or governmental agency.

gross negligence – A legal concept of conduct that shows a reckless disregard for the well-being or safety of others, exceeding the standard of ordinary negligence

hold harmless agreement – A contractual arrangement in which one party agrees not to hold the other liable for certain risks

horizontal exhaustion – A type of insurance limit for primary and non-contributory coverage, where, for example, a landlord, as an additional insured, must use their own primary insurance after exhausting the tenant's primary insurance, before then having access to the tenant's excess policy

hostile work environment – A wrongful workplace act that can involve unwelcome sexual conduct that interferes with an employee's job performance or creates an intimidating, hostile, or offensive work environment

improvements and betterments – Permanent additions or alterations made by the tenant to the leased premises

imputed negligence – Can bar claims, particularly in wrongful death actions, by extending the contributory negligence of the deceased to those filing claims on their behalf

Increased Cost Of Construction – An endorsement to address minimum code standards in effect at the time of loss for building property that becomes relevant when local building codes require upgrades during reconstruction; for example, when wiring may no longer meet code, or the jurisdiction may require a sprinkler system or an elevator

indemnity agreement – A contractual arrangement where a duty is accepted to make good any loss, damage, or liability incurred

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injury – Under the ISO forms, this includes bodily injury, property damage, and related damages such as loss of care, loss of services, or loss of support; it extends beyond traditional concepts of bodily injury and property damage to cover claims for loss of consortium, loss of love and affection, and injury to means of support. Bodily injury is defined broadly to include sickness, disease, or death resulting from such conditions. Property damage encompasses physical injury to tangible property, as well as loss of use of physically injured or non-physically injured tangible property.

insured contract – A type of contract or lease of premises that involves the transfer of risk from one party to another, unless otherwise stated

leader location – Drives foot traffic or customer base (e.g., nearby hotel or retail store); this is the most common dependent property issue for restaurants.

lease provision – A provision that states a lessee must maintain “all risk” coverage equal to the “insurable value” of the property and carry “public liability in amounts customarily carried by similar businesses”; such provisions should be carefully scrutinized.

lender loss payee – A financial institution, or lender, that is named on an insurance policy to receive insurance proceeds directly in the event of a loss to the insured property; however, when a tenant is the only Named Insured on the property insurance policy, the lender holds no direct insurable interest as the lender loss payee.

libel – Written false statements that harm an individual’s reputation

limited built-in sign coverage – Under the Building And Personal Property Coverage Form, some coverage is provided for signage, such as that erected by most retail food and beverage establishments.

limited defense coverage – This coverage is typically restricted to legal defense costs, allowing the insured to have representation in responding to claims even when the policy does not cover damages, ensuring some level of protection while the claim is addressed.

Loss Payable Provisions – An endorsement that can be used to designate the building owner as a loss payee, or another third party, like a lender or lessor, who is entitled to receive insurance claim payments for a loss because they have a financial interest in the insured property

manufacturing location – Processes goods for the insured

Medical Payments (Coverage C) – The CGL policy provides no-fault medical payments coverage for bodily injury caused by an accident on premises the Named Insured owns or rents, or on ways next to those premises.

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negligent hiring – Occurs when an employer hires someone with a known history of misconduct, such as violence, who later harms coworkers

negligent supervision – Occurs when an employer fails to address misconduct or harassment after becoming aware of it

no-duty to defend – Policies that allow the insured to retain greater control by including the ability of the insured to select their own counsel

non-standard insuring agreements – While ISO forms provide a standardized framework, certain risks or unique business operations may not be able to secure the standard ISO forms and endorsements, highlighting the importance of custom policy solutions that may or may not meet the requirements of a retail food and beverage business.

operations – Normal activities of a business that are unimpaired by a slowdown or suspension

period of restoration – Seventy-two hours after the direct damage for business income coverage and immediately for extra expense coverage; it ends when the property is repaired, rebuilt, or replaced with reasonable speed and similar quality, or when the business resumes operations at a new or permanent location.

perishable stock – Personal property maintained under controlled conditions for preservation, and which is susceptible to loss or damage if those conditions change

personal and advertising injury – Specifically identifies the offenses that trigger Coverage B of the CGL policy; any injury arising out of one of the listed offenses constitutes a personal and advertising injury claim—even bodily injury that occurs as a consequence of the offense. The definition includes one or more of the following: false arrest, detention, or imprisonment; malicious prosecution; wrongful eviction or entry; invasion of the right of private occupancy; slander; libel; or disparagement of goods, products, or services.

personal property of others – Property belonging to others that is in the care, custody, or control of the insured

power outage – A change in temperature or humidity caused by a complete or partial interruption of electrical power, whether on or off the described premises, due to circumstances beyond the Named Insured's control

primary and non-contributory coverage – This is requested when a party wants to be named as an additional insured and wants the Named Insured's insurance to pay first, with their (the additional insured's) insurance paying only when the Named Insured's is exhausted.

products-completed operations aggregate limit – Determines the total amount of insurance available for claims involving bodily injury and/or property damage that fall within this

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definition. Among the exposures included are injuries or damages arising out of the insured's product, provided the bodily injury or property damage occurs away from the Named Insured's premises.

products-completed operations hazard – All bodily injury and property damage occurring away from premises the Named Insured owns or rents and arising out of the Named Insured's product or work

provocation – A defense that applies when the injured party provoked the incident, whether through physical actions (e.g., poking someone in the chest) or words that escalated a confrontation

punitive damages – Damages designed to punish rather than compensate; they may be directly assessed—for example, if an insured personally commits a wrongful act—or vicariously assessed against an employer for the wrongful acts of an employee. In either case, the insurability of punitive damages varies from jurisdiction to jurisdiction.

purchase orders – Documents of agreement that authorize the purchase and delivery of goods, such as food, beverages, or supplies, with payment due on delivery or at a later date

quid pro quo – Occurs when employment benefits are conditioned on submission to sexual demands

reasonable force – The degree of force that is not excessive and is appropriate in protecting oneself or one's property

retaliation – Occurs when an employee experiences adverse consequences for reporting a violation, such as sexual harassment; for example, terminating someone who filed a harassment complaint constitutes both wrongful termination and retaliation

Separation of Insureds Clause – A provision that protects the interests of all Named Insureds; this separation can be significant in various claims scenarios, such as when one Named Insured sues another or when a Named Insured's employee sues an additional insured. Policy terms, conditions, and exclusions also apply separately to each insured, except policy limits, which all insureds share apply separately to each insured, except policy limits, which all insureds share.

Appendix

sexual harassment – This may take many forms; it may involve patrons harassing restaurant staff, or it may come from coworkers or managers. Examples include unwelcome sexual jokes or comments, physical contact, and requests for sexual favors. The latter is commonly referred to as *quid pro quo* harassment, which occurs when an employee is promised a benefit in exchange for submitting to a sexual demand. Harassment also includes creating a hostile work environment where employees feel unsafe or degraded.

slander – Spoken false statements that harm an individual's reputation

stipulated loss value – Also known as agreed value, an insured may choose to cover leased property as Personal Property Of Others and add Optional Coverage – Extension Of Replacement Cost To Personal Property of Others; values set for assets may differ from actual cash value (ACV) or replacement cost; an agreed-upon amount of money payable by a lessee to a lessor is pre-set if an asset under a lease is lost, damaged, or destroyed

supplier – Provides goods or materials to the insured

suspension – A stoppage or slowdown of normal business operations

Sutton Doctrine, or Rule – A rule of law that holds that the tenant is automatically considered a co-insured under the landlord's insurance policy without being explicitly named, generally giving the tenant protection against subrogation by the landlord's insurer

tip credit wage – This practice involves paying employees a sub-minimum hourly rate with the expectation that tips will raise total compensation to at least minimum wage; strict rules govern this practice. Employers must ensure that wages plus tips meet or exceed the minimum wage; otherwise, they are required to make up the difference. The *80/20 rule* restricts tipped employees from spending more than 20 percent of their time on non-tipped duties such as cleaning, restocking, or setting up tables; if this threshold is exceeded, the employer may be in violation of wage and hour regulations.

Title VII of the Civil Rights Act of 1964 – A law prohibiting discrimination in employment decisions on the basis of race, color, religion, sex, or national origin; it was later expanded by the Lilly Ledbetter Fair Pay Act of 2009, which ensures that employees are protected against discriminatory pay practices. In effect, employers cannot base compensation decisions on protected characteristics such as gender, religion, or race.

trade disparagement – False statements about another's goods, products, or services that damage their commercial interests

Transfer Of Rights Of Recovery Against Others To Us – A provision that states that if the insured has any rights to recover part or all of a payment the insurer has made under the coverage, those rights are automatically transferred to the insurer

Appendix

unamortized – An expense, discount, or premium that has not yet been “written off” or gradually reduced over a period of time

Utility Services – Direct Damage – An endorsement that covers resulting spoilage of perishable stock caused by a power loss

vertical exhaustion – A type of insurance limit for primary and non-contributory coverage where, for example, a landlord, as an additional insured, may want to access the tenant’s primary and excess insurance policies before tapping into their own

vicarious liability – A legal doctrine in tort law that holds one party responsible for the wrongful actions of another, even if the first party was not directly at fault

waiver of subrogation – An agreement in the form of a provision, made before or after a loss, of the insurer waiving rights of recovery against a specified responsible party

Who Is An Insured – On a Business Auto Policy (BAP), this provision includes the Named Insured for any covered auto and permissive users for any covered auto that the Named Insured owns, hires, or borrows, with certain exceptions. Insured status also extends to those who are vicariously responsible for the operation of a covered auto.

workplace tort – A tort is a wrongful act or omission that causes harm to another person. In the employment context, these claims can overlap with statutory claims or be pursued independently. This means that an employee who files a discrimination claim under Title VII, for example, may also allege tort-based violations, such as defamation or invasion of privacy.

wrongful act – EPLI policies generally cover damages for wrongful acts, which include discrimination, wrongful termination, retaliation, and harassment—both sexual and non-sexual.

wrongful deprivation of career opportunity – Occurs when a qualified employee is denied advancement or excluded from training programs without a valid justification

wrongful detention or imprisonment – Holding of an individual where there is no evidence that they have committed a crime against a legal statute, or where there has been no due process of law

wrongful termination – Occurs when an individual is dismissed on the basis of a protected characteristic such as race, age, gender, disability, or sexual orientation; this may happen during hiring, firing, promotion, or in setting the terms of employment.

Your Business Property – Designation for leased property included on an endorsement with details like premises number and property description, as well as agreed value or stipulated loss value