

# Restaurant & Cafe **risk management guide**



NZI Risk Solutions™

'Helping our customers stay  
in business by reducing risk'



# About NZI Risk Solutions

NZI has extensive experience in providing expert risk management advice to help our commercial customers remain in business. We have used this industry knowledge and developed a suite of fact sheets, and this guide, covering risk management issues that will help you to take control of your business risks.





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# Your business risk management guide

Many business owners are unaware of the numerous risks within their business and the effect these could have on their ability to continue trading. The real cost of a major loss incident is not only the direct loss or damage, but also the time spent dealing with the aftermath – including disruption to work and production schedules. Customer loyalty and business reputation can also be adversely impacted.

## Risk management is critical to business survival

Risk management is critical to business survival. At NZI we want to share our risk management expertise with our business customers and, in particular, help them to address those risks associated with their buildings and assets.

### As the owner of a restaurant or cafe business, what are some of the risks I need to be aware of?

The key risk for restaurant and cafe businesses is fire. Fires in commercial kitchens are a common occurrence and can have potentially devastating effects. A kitchen fire can start in an instant and take hold very quickly.

Our claims information indicates that many restaurant and cafe fires attended by the Fire Service involve cooking equipment. There is a high fire risk associated with commercial kitchens and the potential for accidents is exacerbated in these fast-paced, highly-pressured

environments. Combine this with large volumes of flammable cooking oil, naked flames and heat sources, and it simply increases the risk.

Other important risk areas include security and electrical safety. It's also important to have good risk management programmes in place to control risk related to general housekeeping, waste management and health and safety.

### First things first – check your insurance policy and endorsements

When starting on your risk management journey, it's important to check your insurance policy and any endorsements that are applicable to it. Your policy and endorsements set out exactly what your insurer will pay for as a result of accidental loss, and what you are not insured for. It is particularly important that you understand any exclusions that may apply to your insurance policy. Having the right cover and adequate sum(s) insured is critical to your business surviving a significant loss.

If you have any questions it's important that you discuss these with your Insurance Advisor.



## Addressing business risk – what to be aware of

The following pages include information about the most common areas of risk associated with restaurant and cafe businesses as well as more general risks all businesses should be aware of.

### General fire safety

Fire represents a significant risk for any business, but particularly restaurants and cafes with their constant use of heating equipment for cooking. The reality is that the only proven method of controlling a kitchen fire is with a properly designed and maintained automatic sprinkler system. However, it's important to have hand-operated fire extinguishers available as well.

#### Prepare for possible fires

1. Best practice fire safety for restaurant and cafe buildings includes sprinkler systems and monitored fire detection alarms.
2. Maintain fire extinguishers regularly and train staff in their use at least annually.
3. Have a plan to react to a possible fire, regularly train staff in its implementation and keep records of your plan.

The key elements of a well-planned fire protection system are outlined below.

#### Fire extinguishers

Best practice for business premises is the installation of hand-operated fire extinguishers and/or hose reels.

The New Zealand Standard 4503:2005 – Hand Operated Installation and Maintenance of Fire Fighting Equipment, is the minimum standard for hand-operated fire fighting equipment in New Zealand. To protect your premises, you should provide a minimum of at least one fire extinguisher in your kitchen area, which is Class F-rated in accordance with the other New Zealand Standard, 1850:2009 Portable Fire Extinguishers – Classification, rating and performance testing. An F-rated fire extinguisher is specifically designed to extinguish fires caused by overheating cooking oil or fat. You should ensure that your fire extinguishers are selected, installed and maintained in accordance with these standards.

We recommend you take the following steps when installing an F-rated extinguisher to ensure it is:

- ▶ labelled correctly and features a sign above the extinguisher to show its classification and type.
- ▶ located approximately 2 metres from the deep fryer.
- ▶ regularly inspected and maintained in accordance with New Zealand Standard 4503:2005 Hand Operated Installation and Maintenance of Fire Fighting Equipment.
- ▶ operated by adequately trained staff.

Fire extinguishers should be installed by approved contractors and mounted on brackets with clear signage indicating their positions so they can be easily located in an emergency. They require annual servicing by approved contractors to ensure they remain ready for use and they should also be checked regularly by staff on site.

## **Fire blankets**

If a fire blanket is available, it should only be used to supplement the F-rated fire extinguisher. A fire blanket must be located, inspected and maintained in accordance with the NZS 4503:2005 Standards and all staff should be trained to use it correctly.

## **Fire sprinkler systems and automatic fire detection systems**

Sprinkler systems have become the most widely used and most reliable automatic means of fire protection.

Fire sprinkler systems automatically detect a fire, transmit an alarm to the Fire Service as a result of water flow and control or extinguish the fire. Sprinklers provide 24/7 fire protection as needed in the immediate vicinity of the fire.

Automatic fire sprinklers provide significant protection for the occupants of a building, as well as the environment, by minimising the effects that a major structural fire could have. Only the sprinkler heads within the vicinity of a fire will activate i.e. all the sprinkler heads do not go off at once.

If your building is fitted with either a fire sprinkler system or a fire detection system, these should be maintained regularly by an approved agent.

## **Building warrant of fitness**

The Building Act 2004 requires owners of buildings with specified systems (such as sprinklers, lifts and fire alarms) to provide the relevant council with an annual building warrant of fitness (WOF). The WOF confirms that the building's specified systems are being maintained and are operating effectively, and must be publicly displayed.

## **Fire doors and smoke control doors**

If your building has automatic self-closing fire doors or smoke control doors it is important that these are kept clear of any obstructions. We also suggest you arrange for regular monthly operating checks (possibly by the building owner) and annual inspection or maintenance to be undertaken and documented by a skilled fire protection contractor.

## **Regular fire drills**

An orderly and efficient response to an emergency can be vital to the protection of property and the safety of people. It is strongly recommended that regular fire drills are held so that employees, volunteers and other regular visitors are aware of the procedure should an evacuation become necessary.

Well-performed fire drills will also help determine problems or danger areas, equipment problems or failures, knowledge of likely evacuation times and external meeting areas.

Evacuation plans should then be posted internally for each building and, wherever possible, drills should be conducted with the knowledge and support of your local fire service.

"It is strongly recommended that regular fire drills are held so that employees, volunteers and other regular visitors are aware of the procedure should an evacuation become necessary."

## **Evacuation procedure**

In the event of an emergency, the speed with which people can safely exit the building can mean the difference between life and death and therefore the internal layout of all your buildings should allow for adequate means of escape.

It is recommended that fire exits, doors relating to fire exits and paths of travel to fire exits, be routinely checked to ensure they are not obstructed or impeded in anyway. The final exit doors should be suitably signed and checking of fire exits should form part of your regular hazard inspection regime. To assist with safe evacuation, notices providing clear instruction on how to evacuate and raise the alarm should be displayed at the main exit doors.



## Deep fryer cooking

Deep fryer appliances are typically found in restaurants, fast food outlets, staff canteens and other commercial cooking facilities. When deep fryers are used incorrectly and poorly maintained, they pose a substantial fire risk. Included below are a few key steps you can take to prevent this type of fire on your premises.

### Automatic cut-out switches

The fitting of automatic temperature cut-out switches is essential to prevent deep fryer appliances from overheating. Here are a few tips when using your appliances:

- ▶ Ensure deep fryers are fitted with separate external cut-out switches that are non-adjustable as well as mechanisms that can be manually reset.
- ▶ To be effective, the cut-out switch needs to disconnect the deep fryer from the energy supply when the cooking oil or fat reaches the maximum temperature set.
- ▶ All deep fryer units, cut-outs, thermostats, heating elements and controls should comply with the relevant NZ Standard and Code of Practice.
- ▶ Fryers need to be maintained to a safe working condition and checked at least annually by an authorised service technician.

### Isolating the energy source

Deep fryers are powered by either electricity or gas and it's important that either energy source is turned off after business hours. This is best achieved by using a separate isolator switch located nearby the electricity or gas supply and ensuring the deep fryer is also switched off at the appliance.

### Extraction hoods and filters

A metal extraction hood should be installed directly above the fryer and it should have an external venting metal flue fitted with grease filters. Here are some factors you should consider when installing this equipment:

- ▶ The kitchen fume extraction ducting should be inspected on the inside to check the level of grease deposits – this should be carried out at least annually and cleaned as necessary.
- ▶ Metal grease filters need to be easily accessible for cleaning.
- ▶ Consider using disposable pre-filters over the metal filters. These largely stop grease entering the metal filters and extraction flue which means they require less cleaning.



## Good housekeeping

It's good practice to create a schedule of housekeeping rules to ensure you keep on top of maintenance and cleaning, including regularly skimming all scraps from the deep fryer in-between cooking sessions. These scraps should be kept in a closed metal container at all times as they can be prone to spontaneous combustion for several days. These should be removed from the building each day after normal business hours.

## Metal lid protection

To prevent fire spreading, it is recommended that you provide metal lids for all deep fryers. These lids need to be kept in place after business hours and when the deep fryers are not in operation.

## Cooking oils or fat

It is recommended that you use only high quality cooking oil or fat in your deep fryer appliances and that you take the following steps:

- ▶ Keep clean and replace the oil or fat regularly, in accordance with the manufacturer's recommendation.
- ▶ Use only within the manufacturer's recommended temperature range.
- ▶ Maintain the level of oil or fat to ensure that the temperature probes remain covered.

"There is a high fire risk associated with commercial kitchens and the potential for accidents is exacerbated in these fast-paced, highly-pressured environments."

## Wet chemical suppression system

For many commercial cooking outlets, the risk of fire from deep fryers is a real threat and an important issue to be addressed by businesses. NZI recommends installing an automatic 'wet chemical fire suppression system' to help mitigate this fire risk. These fire suppression systems are designed to automatically extinguish hot oil or fat fires and protect extraction hoods, ducts and filters.



## Intruder alarms

Intruder alarms are designed to both protect the physical assets within unoccupied premises and provide a safer environment for staff. Intruder alarms deter theft and vandalism and enable a coordinated and rapid response when an alarm is activated.

Early detection of an intruder is best achieved by installing a combination of detection devices throughout your premises.

These could include:

- ▶ movement sensors
- ▶ break glass sensors
- ▶ vibration sensors
- ▶ duress and hold-up alarms
- ▶ door and window devices.

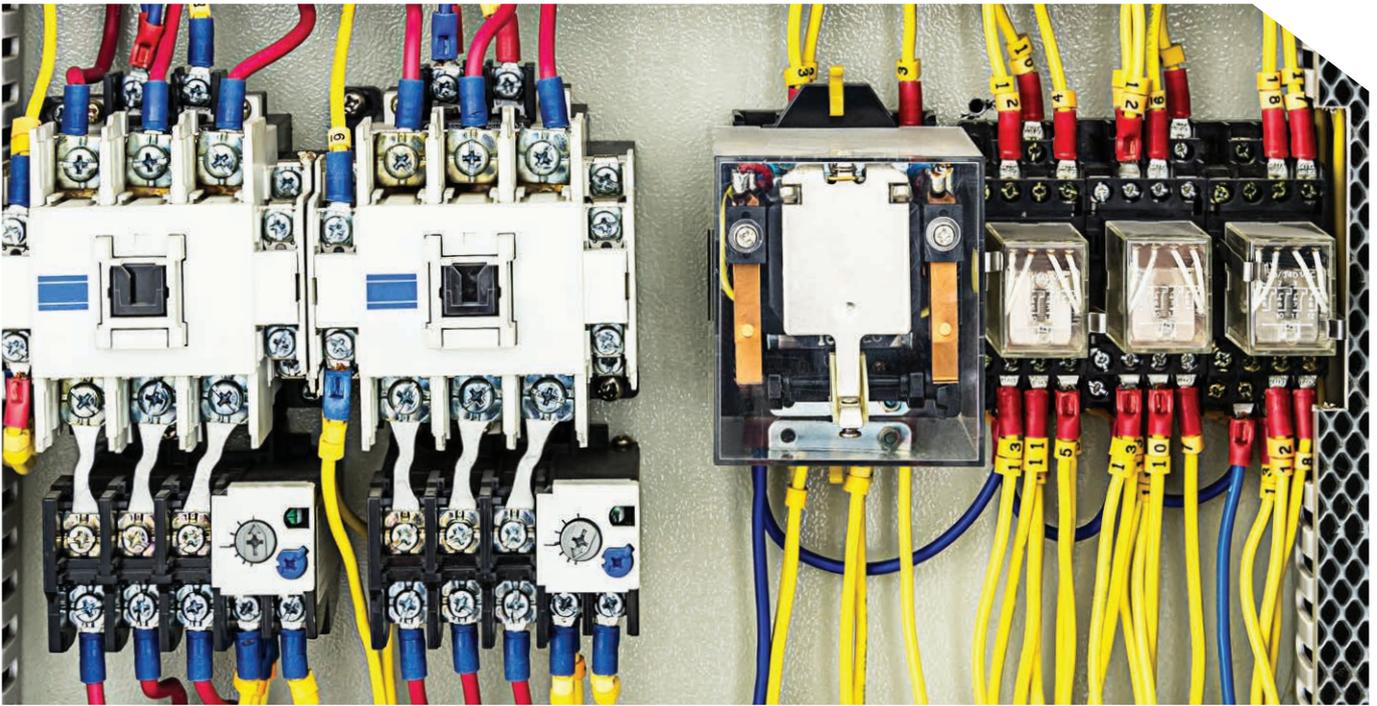
The key to a successful intruder alarm system is the careful selection and configuration of the control panel and detection devices to suit the level of risk and the physical environment. This maximises the ability to detect intruders and minimises unwanted false alarms.

## Safes

If you have valuable items or cash that require storage in a safe, it is important to have a quality, leading-brand safe that meets CEN European standards and has UL Rated locks. Your safe should also be permanently and securely attached to the structure of the building, such as bolting it to the floor, solid walls or wall studs, or encasing it in concrete.

All quality safes are allocated an amount called a 'cash rating' which is the maximum amount of cash that should be stored in the safe at any given time. If you are holding more cash than the cash rating of your current safe then you should consider upgrading it.

"Early detection of an intruder is best achieved by installing a combination of detection devices throughout your premises."



## Electrical safety

Electrical fires make up a high percentage of fire insurance losses and are often the result of a large scale fire incident. Fires are commonly caused by loose electrical connections, weakening of insulation and poor maintenance of electrical equipment. Legislation requires specific preventative action such as disconnecting, isolating and making safe any defect which constitutes an electrical hazard to persons, livestock or property.

### The need for electrical installation inspection and maintenance

All electrical installations need regular maintenance. Switchboards wear and need replacement as time progresses and demands on the installation change. Equally, network system upgrades can affect fault-trip levels.

Related electrical shortcomings continue to account for a high number of fire losses in New Zealand. To minimise the potential for such losses, it is necessary to complete regular and ongoing inspection and maintenance, which can include thermographic image testing.

Electrical safety inspection items classified as 'requiring urgent attention' means the safety of those using the installation may be at risk and arrangements should be made for a suitably qualified person to undertake the necessary remedial work without delay.

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### Electrical test and tag regime

Testing and tagging of plug-in electrical appliances is a requirement of the Electrical (Safety) Regulations 2010. The New Zealand Standard AS/NZS 3760 outlines the requirements for electrical appliance testing. Best practice requires that an asset register is set up that contains test results, failed items, repaired and out of service items, and lists of items that are exempt from testing. The register is important proof that your business is compliant with current health and safety regulations and keeps you up-to-date with the condition of your equipment.

For more information visit [www.energysafety.govt.nz](http://www.energysafety.govt.nz)

### Electrical regulatory safety obligations

Under health and safety legislation, business owners and operators have a responsibility to ensure a safe work environment for all employees and visitors. The Electricity (Safety) Regulations 2010 specify a range of documentation that should be kept on site to record electrical work on electrical systems (including electrical system maintenance). Take a look at your record management practices to ensure they're up-to-date and compliant.



## Risk management programmes

### Good housekeeping plans

Keeping premises tidy is vital to reducing risk. Having a good housekeeping plan (and regularly carrying it out) may save your business from a major loss. Regular housekeeping not only reduces risk in your business, but also helps to create an efficient workplace and a pleasant environment for staff and customers.

### General maintenance plan

Your maintenance plan will relate directly to your type of business and usually includes all of your machinery and equipment. Note that your equipment also includes all of your office equipment such as computers and communication devices.

Remember that your general maintenance plan should also include your building. Regardless of whether you are a tenant or building owner, it's important to have a plan that regularly checks all areas of your building e.g. gutter cleaning (to prevent flooding) and roof inspections (in case of losses due to high winds and/or heavy rain).

### Health and safety

New Zealand's health and safety system has been completely reformed. The Pike River Mine disaster was the catalyst for the programme of change that created the Health and Safety at Work Act 2015. The aim of the law is to reduce the number of New Zealanders killed or hurt at work.

One of the key aspects of the legislation is the allocation of duty and responsibility. The primary duty for ensuring workplace health and safety is allocated to a 'Person Conducting a Business or Undertaking', a PCBU. Business owners are considered to be a PCBU and will have immediate responsibilities to the health and safety of workers directly engaged by them and others who have contact with the business.

The law says a PCBU needs to take reasonably practical steps to manage health and safety risks. How this is done will depend on: how seriously someone could get hurt, the chance of an accident happening and how much control there is over preventing it.

See [www.business.govt.nz/worksafe](http://www.business.govt.nz/worksafe) for further information.



## Developing a business continuity plan

A business continuity plan (BCP) is one of the best investments any business can make and is one of the most critical components of any recovery strategy. A BCP details how to get your business back on track after a disruption in the most effective way possible. The main objective of a BCP is to recover all business critical processes and minimise the impact for employees, customers and your reputation.

From the Canterbury earthquakes to storms and flooding in Wellington and tornadoes in Auckland, companies that proactively consider how to respond to events are the first to get back to business, often at the expense of competitors. A predefined BCP, combined with the proper insurance coverage, maximises the chance of a successful recovery by eliminating hasty decision-making under stressful conditions.

### Withstanding a major loss event

Did you know that 25 percent of businesses do not reopen following a major loss event? This is because it doesn't take a major catastrophe to shut down a business. In fact, seemingly minor disruptions can often cause significant damage such as power failures, broken water pipes, or loss of computer data etc.

### What's in a business continuity plan?

A business continuity plan should contain all of the information you need to get your business up and running again after an incident or crisis. The size and complexity of the plan will depend on your business and good practice suggests it should form part of your overall business plan.

Generally a BCP will include a list of roles and responsibilities during an incident, an emergency response checklist and key contacts for all staff and for contractors and suppliers, including out-of-hours numbers.

### Develop, implement and maintain

Developing the plan is the obvious first step, but implementing it is essential. Appointing a person who will ensure that a BCP is created, developed, tested and maintained is your best approach to this business critical activity.

"Given that twenty five percent of businesses do not reopen following a major loss event, a business continuity plan is one of the best investments you can make."

\*These guidelines are of a general nature only. They are not intended to be a comprehensive list of all the risk management steps you should consider taking to reduce the risk of damage and financial loss, nor is it intended to be legal advice.

## Self-assessment risk management checklist

<b>Fire safety equipment</b>	<b>Yes</b>	<b>No</b>
Do you have fire extinguishers or hose reels?	<input type="checkbox"/>	<input type="checkbox"/>
Is the annual servicing up-to-date? (Check the inspection tag on the extinguisher/hose reel)	<input type="checkbox"/>	<input type="checkbox"/>
Have you and your staff been trained to use fire extinguishers?	<input type="checkbox"/>	<input type="checkbox"/>
If you have a fire sprinkler system, is it serviced regularly?	<input type="checkbox"/>	<input type="checkbox"/>
If you have a fire alarm system, is it serviced regularly?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Security</b>	<b>Yes</b>	<b>No</b>
Do you have CCTV surveillance?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have an intruder alarm?	<input type="checkbox"/>	<input type="checkbox"/>
Has the intruder alarm been serviced recently?	<input type="checkbox"/>	<input type="checkbox"/>
Is the intruder alarm monitored by an external monitoring company?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have security patrols?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have security locks on doors?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have security locks on windows?	<input type="checkbox"/>	<input type="checkbox"/>
Are your valuable items and cash stored in a safe?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Electrical safety</b>	<b>Yes</b>	<b>No</b>
Have you had an electrical safety check by a registered electrician in the last 12 months?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have an electrical installation Certificate of Periodic Verification?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Risk management programmes</b>	<b>Yes</b>	<b>No</b>
Do you have a housekeeping programme?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have a building maintenance programme?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have a smoking control programme?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have a waste management programme?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have a health and safety programme?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have a business continuity plan?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Commercial kitchen fire safety</b>	<b>Yes</b>	<b>No</b>
Are cooking hood filters cleaned at least every two weeks?	<input type="checkbox"/>	<input type="checkbox"/>
Are cooking hood ducts inspected and professionally cleaned, at least every two weeks?	<input type="checkbox"/>	<input type="checkbox"/>
Do you replace oil in deep fryers at least weekly and is it filtered every second day?	<input type="checkbox"/>	<input type="checkbox"/>
Do you service air conditioning, refrigeration, cooking and dishwasher equipment annually?	<input type="checkbox"/>	<input type="checkbox"/>
Do you provide good housekeeping and adequate ventilation for motors and equipment?	<input type="checkbox"/>	<input type="checkbox"/>
Are gas supplies isolated from the main supply after hours?	<input type="checkbox"/>	<input type="checkbox"/>

<b>Commercial kitchen fire safety (continued)</b>	<b>Yes</b>	<b>No</b>
Is a fire blanket correctly installed?	<input type="checkbox"/>	<input type="checkbox"/>
Is a wet chemical fire extinguisher correctly installed?	<input type="checkbox"/>	<input type="checkbox"/>
Is an additional fire extinguisher for electrical fires correctly installed?	<input type="checkbox"/>	<input type="checkbox"/>
Is an additional fire extinguisher for fires from wood, paper and plastics correctly installed?	<input type="checkbox"/>	<input type="checkbox"/>
Is fire equipment regularly serviced according to the New Zealand Standards?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Public &amp; customer safety</b>	<b>Yes</b>	<b>No</b>
Are entrances, stairs, ramps and exits, along with internal floors and amenities, in a safe condition?	<input type="checkbox"/>	<input type="checkbox"/>
Do you ensure that customers are not permitted access to the kitchen or food preparation areas?	<input type="checkbox"/>	<input type="checkbox"/>
Is access to amenities kept free of storage?	<input type="checkbox"/>	<input type="checkbox"/>
Are spills cleaned up immediately and floors left to dry?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have wet floor signs available if required?	<input type="checkbox"/>	<input type="checkbox"/>
Do you undertake a regular inspection of all tables and chairs and remove damaged items?	<input type="checkbox"/>	<input type="checkbox"/>
Do you ensure that external seating complies with local council restrictions?	<input type="checkbox"/>	<input type="checkbox"/>
Do you and your staff understand and comply with all of the food safety requirements?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Cash handling procedures</b>	<b>Yes</b>	<b>No</b>
Do you have documented cash handling procedures?	<input type="checkbox"/>	<input type="checkbox"/>
Are these procedures available to relevant staff?	<input type="checkbox"/>	<input type="checkbox"/>
Do you set maximum limits for cash held at point of sale?	<input type="checkbox"/>	<input type="checkbox"/>
Are takings counted in a secure 'back of house' location?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have a safe installed with the appropriate cash rating for your business?	<input type="checkbox"/>	<input type="checkbox"/>
Are takings and float secured in the safe after hours?	<input type="checkbox"/>	<input type="checkbox"/>
Is banking conducted at least every two days?	<input type="checkbox"/>	<input type="checkbox"/>
Do you change the combination to the safe when authorised staff leave?	<input type="checkbox"/>	<input type="checkbox"/>

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