

# DRAM SHOP INSURANCE

*by Freiburg Insurance Agency*

## OUR REPORT

- What's Covered
- How Much Coverage is Right For You
- Common Law
- Assault & Battery
- Money-Saving Tips

## NOTICE

This report is provided free by the Freiburg Insurance Agency for informational purposes only. We are NOT providing any legal advice whatsoever. Please be advised that coverages may vary by statutory law for each state and that we recommend you consult an attorney for any questions regarding your State's liquor laws.

In no way does this information represent an insurance policy. If there are any discrepancies between this report and an actual insurance policy, the provisions of an insurance policy shall prevail.

## WHAT'S COVERED

In business, you can never "assume" anything and the second you do is the second you lose! Too many times business owners assume they are getting the proper coverage for their business only to find out what they have . . . or don't have . . . until a claim occurs.

No two policies are the same and it is vital that you understand what is covered in your policy. No one wants to sit down and spend their weekend reading an insurance policy and that's why you trust your agent to find the best coverage at the best price. However, it's not always at the price that you should be looking for when selecting a liquor liability carrier. Cadillac and Honda are both car manufacturers, but their products are certainly not the same!



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## **QUESTIONS TO CONSIDER**

- What is Liquor Liability?
- Why do I Need Liquor Liability?
- What coverages do I need?

## **LIQUOR LIABILITY**

Liquor Liability (also known as dram shop insurance) is protection for organizations whose business involves manufacturing, distributing, selling, serving or furnishing alcoholic beverages. State laws assume those involved in making a profit from the sale of alcohol are partially or fully responsible for any injury or property damage claim resulting from actions by an intoxicated person. This policy is designed to protect the insured against liability imposed by strict Dram Shop Acts in certain states and by common law cases in others. Defense, settlement, and supplementary payments usual to Liability insurance policies are also covered.

## **WHY YOU NEED IT**

Depending on your state law you may or may not need coverage. As of today, forty-three states say you do! In those states, you are required to carry Liquor Liability insurance if you are in the business of manufacturing, distributing, selling, serving, or furnishing alcoholic beverages of any kind. A standard General Liability policy excludes coverages for such activities, thus leaving a significant gap in coverage. Host Liquor Liability insurance (which is included in some General Liability policies) provides bodily injury and property damage coverages but does not cover a loss of means or support or loss of consortium.

## **COVERAGE FOR YOU**

Depending on the type of establishment you own, a Liquor Liability policy can be tailored to fit your needs. Coverages such as Assault & Battery and Common Law are critical to your business, but often times excluded on a policy. It is also important to know if your policy's Form is on an occurrence basis or a claims-made basis. An occurrence-based policy is far superior to a claims-made policy.



## **AMOUNT OF COVERAGE**

Each Dram Shop State has their own requirements that the alcohol industry must conform to. Although some State policy-limit requirements are as low as \$50,000, it is most common to see a \$1,000,000 Liquor Liability limit. Some municipalities also have their own requirements that can differ from what your State requires as well. We recommend carrying limits no lower than \$1,000,000 and potentially higher depending on your business and the exposure it presents. The additional coverage can be included on an umbrella policy.

Your State's interpretation of the law on what is and isn't covered is also important when determining what coverage is sufficient. For instance, Illinois has some of the strictest statutes of any State. Under Illinois law those people or organizations owning, renting, leasing or permitting occupation of any building or premises for sale of alcoholic beverages, and having knowledge of doing so can be held liable for alcohol-related accidents. Thus, if you rent your building it is important that you also list your landlord as an additional insured on the Liquor Liability policy. Furthermore, if you own the building under a separate entity than the establishment, you may also have a potential gap in coverage.

Other coverages you may need that will be discussed in more detail are Assault & Battery and Common Law.

## **SPLIT LIMITS VS. SINGLE LIMITS**

A Liquor Liability policy can be written with two types of limits, a "Split Limit" or a "Single Limit". With a Split Limit, you are reducing the amount of coverage available for a single accident. Whereas a Single Limit allows you to apply the entire amount of coverage toward one single claim.

Split Limits are a lower cost alternative because of the reduced per-occurrence limit for any single claim. A Split limit consists of an "Occurrence Limit" and an "Aggregate Limit". An Occurrence Limit is the most your policy will pay for any one claim. Traditionally, this is half the amount of your policy's Aggregate Limit. The Aggregate Limit is the highest amount your policy will pay during the entire policy period. Thus, a Split Limit policy reduces the amount of coverage your policy will pay for a single claim.

A Single Limit offers much more flexibility and coverage compared to a Split Limit policy. With a Single Limit, you can apply the entire amount of coverage towards one single occurrence. There is no occurrence limit with a Single Limit policy. When the accident is severe, a Single Limit is the recommended coverage.



## **COMMON LAW**

Common Law provides coverage for a business when an intoxicated driver crosses state lines. You may have met the statutes of your state, but if the accident happens across state lines the statutes may differ significantly from your state. Thus, Common Law coverage will expand your Liquor Liability policy to protect you under bordering state's laws. This is an extremely important coverage that is often excluded under Liquor Liability policies.

## **ASSAULT AND BATTERY**

One of the most common exclusions to Liquor Liability policies is Assault & Battery coverage. A&B coverage is defined as Coverage against Bodily Injury and Property Damage arising out of alleged acts of Assault and Battery. Although most standard General Liability forms do not exclude claims of this nature, many carriers will attach specific exclusions addressing this exposure for certain types of businesses such as bars or dance clubs where confrontations between employees and patrons can often lead to allegations of excessive force. Keep in mind that Assault & Battery suits can also stem from patron to patron confrontations as well.

## **MONEY-SAVING TIPS**

As Dram Shop Liability claims continue to rise, the alcoholic beverage industry has taken aggressive measures to combat alcohol-related claims by implementing server and manager training programs such as TIPS, Basset, TABC, etc. Research has shown that there is a direct correlation between those who have completed such courses and the reduction of liquor-related suits. More importantly, the insurance industry has taken notice and most companies offer some sort of premium discount as a way to reward their proactive customers.

Most people are aware that placing your home and personal auto insurance with the same company will land you a hefty discount. What you may not be aware of is that most insurance companies offer a similar multi-policy discount to commercial businesses as well! There are several discounts you may qualify for including a Package Discount and Multi-Lines Discount.



## **PACKAGE DISCOUNT**

A package discount usually consists of placing your Liquor Liability, General Liability, and Property insurance with one company. Often times you can get a lower premium by having all three together than by just carry two lines of coverage. For example, a mono-line liability policy may cost you \$1,200. If you add \$5,000 in contents coverage to your policy, your total premium could drop by 20% while gaining additional coverage at no cost!

## **MULTI-LINE DISCOUNT**

Some companies will give you a “multi-line” discount by writing your liability insurance along with commercial auto insurance, workers’ compensation insurance, life insurance, or other possible lines of coverage. You can potentially save up to 10-20% on each policy depending on the amount of coverage you place with the insurance company.



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