

Liquor Liability For Sportsplexes
(John M. Sadler, 03-17-06)

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Sportsplexes that serve beer, wine, or liquor to patrons can be held liable for injuries resulting from such sales (both to the patron himself and to other third parties) under the following circumstances:

- 1) The patron was under the legal drinking age
- 2) The patron was obviously intoxicated

Furthermore, "dram shop" acts or case law in 38 states make the establishments that sell alcoholic beverages "strictly liable" even if it can't be proved that the serving of the alcoholic beverage was the "proximate cause" of the injury.

General Liability Insurance Does Not Cover Injuries Arising From Sales Of Alcoholic Beverages

The standard General Liability policy form has an exclusion for businesses that manufacture, distribute, sell, serve, or furnish alcoholic beverages. Therefore, sportsplexes that sell alcoholic beverages can't look to their own General Liability policy for coverage.

Liquor Legal Liability Insurance Must Be Purchased

Sportsplexes that sell alcoholic beverages must purchase Liquor Legal Liability which can be accomplished in two different ways: 1) the existing General Liability policy may be endorsed to add Liquor Legal Liability for an additional premium charge or, 2) a stand alone Liquor Legal Liability policy can be purchased from a number of sources that specialize in this type of coverage.

Sportsplexes may serve alcoholic beverages to patrons on a direct basis with their own staff or in many cases they may contract out the serving of alcoholic beverages to a vendor. **Primary Liquor Legal Liability** insurance is needed in the event that the alcohol sales are made by the staff of the sportsplex which holds the liquor license. On the other hand, **Contingent Liquor Liability** insurance is needed if the sales are made by a vendor under contract which holds the liquor license.

Estimated Premium Costs

A leading source of Liquor Legal Liability insurance for sportsplexes, K&K Insurance Group, Inc., provides the following guidelines for premium indications:

Minimum Premium: \$1,000 for sportsplexes

Rate Per \$1000 of Beer, Wine, Liquor Sales For Primary Liquor Legal Liability: varies from \$10 to \$35 depending on past loss experience of sportsplex, state where sportsplex is located (states with strong Dram Shop Laws are more expensive), and type of alcohol served (ex: more expensive to serve liquor).

For Contingent Liquor Legal Liability, the rates are the same as Primary except that the sales are based on the percentage of income that is received by the sportsplex under the terms of the contract with the vendor. For example, if the contract provides the sportsplex is to receive income of 25% of alcohol sales made by the vendor, the rate would only be applied to the 25%.

