

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

Additional Considerations If A Vendor Sells Alcohol For Sportsplex

If the sportsplex contracts out the alcohol sales to a vendor, it is imperative that there is a written contract in existence to protect the legitimate interests of the sportsplex.

Such contract should contain a **strong indemnification/hold harmless provision in favor of the sportsplex** whereby the vendor agrees to indemnify and hold harmless the sportsplex and its directors, officers, employees, and volunteers against any and all claims, damages, and expenses, including reasonable attorney's fees arising out of the subject matter of the contract which includes the sale of alcoholic beverages.

In addition to providing evidence of the normal insurance coverages that are required of vendors such as General Liability, Workers' Compensation, Business Auto, etc., the vendor must also provide **evidence of currently valid Liquor Legal Liability coverage** with an insurance carrier that is rated at least A- in Best's Key Rating Guide and such policy must contain at least a limit of \$1,000,000 Each Claim (even though it is recommended that a limit of \$5,000,000 or more be carried). In addition, the sportsplex should be named as "Additional Insured" under the Liquor Legal Liability policy.

Why Is Contingent Liquor Legal Liability Needed If The Vendor Sells Alcohol For Sportsplex?

It is recommended that the sportsplex buy its own Contingent Liquor Legal Liability policy even if its vendor provides an indemnification/hold harmless provision in favor of the sportsplex and carries its own Liquor Legal Liability policy with adequate limits naming the sportsplex as "Additional Insured".

Many sportsplex owners may think that it is "overkill" to carry a Contingent Liquor Legal Liability policy when the vendor already provides the protections outlined above. However, things can go wrong with the vendor's insurance. For example, the vendor's insurance can be cancelled for non payment of premium (and the sportsplex owner may never be notified) or the limits of the vendor's policy may be exhausted in a lawsuit leaving little or no limits to the benefit of the sportsplex that has been named as "Additional Insured".

Sportsplex, arena, and facility owners and operators are usually "shot gunned" into liquor liability lawsuits under various legal theories of recovery. For example, the following allegations can be made against a sportsplex even if it has contracted out the alcohol sales:

- * The sportsplex was negligent in its hiring and retention of an alcohol vendor that was known to cut corners and turn a blind eye to safety rules in serving patrons.
- * The security provided by the sportsplex should have noticed that a patron was intoxicated and should have thrown him out before he bought two more drinks.
- * The ticket taker provided by the sportsplex should have noticed that a patron was intoxicated and denied admission to such patron.

Underwriting And Risk Management Criteria That Are Considered By Insurance Carriers When Deciding To Accept/Decline Risks Or Debit/Credit The Rates (provided by K&K Insurance Group, Inc.)

Prior Experience Of Owner: How many years of experience does the owner have in managing an operation that sells alcoholic beverages? At least three years of prior experience is preferable.

