



ILLINOIS CASUALTY COMPANY
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SPECIAL EVENTS/HOST LIQUOR

You are renting premises that will be used to sell, serve or furnish alcoholic beverages to guests. What are your exposures to legal liability from the alcoholic beverages? How do you transfer this risk to an insurance company? Do you need to purchase a special event/host liquor liability policy?

You are undoubtedly confused about the need to purchase a separate insurance policy just because you plan to serve alcoholic beverages at your event. We believe you need to know the facts so you can make an informed decision.

Illinois has an established statute that imposes liability on the seller or giver of alcoholic beverages. Commonly known as the Illinois Dram Shop Statute, the law states:

§ 6-21(a)... Every person who is injured within this State, in person or property, by any intoxicated person has a right of action in his or her own name, severally or jointly, against any person, licensed under the laws of this State or of any other state to sell alcoholic liquor, who, by selling or giving alcoholic liquor, within or without the territorial limits of this State, causes the intoxication of such person.

Do I need a liquor license for my event? Call the local liquor commissioner for the answer. If the answer is yes, the Illinois Dram Shop Statute may enable injured parties to recover damages from you!

The statute may still be applicable even if you are not required to be licensed!

§ 6-21(a)...Any person at least 21 years of age who pays for a ... facility knowing that the ... facility is to be used by any person under 21 years of age for the unlawful consumption of alcoholic liquor and such consumption causes the intoxication of the person under 21 years of age, shall be liable to any person who is injured in person or property by the intoxicated person under 21 years of age.

Does this provision apply to you? If the answer is yes, the Illinois Dram Shop Statute may enable injured parties to recover damages from you!

What if the Illinois Dram Shop Act is not applicable to my event?

To date, the Illinois Supreme Court has found that liability for the serving or furnishing of alcoholic beverages does not apply to social hosts (those not in the business of selling, serving or furnishing alcoholic beverages). Unfortunately, to add to your confusion, trial courts and even an occasional appellate court have found differently. Therefore, you, at a minimum, have an exposure for defense costs to defend yourself from claims or suits that arise out of your activities as a host.

Now that you know your potential exposures to loss, how do you protect yourself? Your question may very well be - "don't I already have insurance protection for this activity?" The answer is maybe!

Homeowners Insurance

Discussions concerning the insurance protection afforded by homeowners insurance policies for the serving or furnishing of alcoholic beverages center on the single fact there is no liquor liability exclusion. While in most cases this is true, there are other issues worthy of consideration.

First, the limits of insurance for the liability insurance protection may be insufficient to meet the requirements of the facility where the event involving alcoholic beverages is being held. For example, the facility may require a \$1,000,000 limit of insurance, but your policy only provides \$100,000 liability coverage.

Second, the facility often (or at least should) wants to be named as an additional insured on your homeowners policy. While individual insurers may develop insurer specific endorsements, there is no standard industry endorsement to name a person or organization as an additional insured for any activities exposures. And will the insurer specific endorsement apply to the liability and/or defense of the facility as respects the facility's own direct liability or will the insurance protection be limited to the vicarious liability exposure of the facility for your acts. The insurance protection needed or wanted by the facility may not be provided by your homeowners policy!

Finally, the homeowners policy is not written specifically to address the exposures created from the Illinois Dram Shop Statute. The terms and conditions of the homeowners policy may not respond to the injuries sustained and recoverable under the Illinois Dram Shop Statute.

If you are depending upon your homeowners policy to respond to any claim or suit against you involving the sale, service or furnishing of alcoholic beverages, ask an authorized insurance company representative to explain your insurance protection to you. Good advice – get it in writing!

Commercial General Liability

Many insurance professionals adhere to the philosophy that the unendorsed general liability policy provides insurance protection for the “host liquor liability exposure” of insureds under policies issued to named insureds who are not “in the business of” manufacturing, distributing, selling, serving or furnishing alcoholic beverages. However, while this is technically correct, caution should be exercised.

An endorsement to the general liability policy may further restrict coverage in the case of nonprofit and other organizations that charge directly or indirectly for alcoholic beverages in connection with fundraising or other organizational activities. This endorsement omits the phrase “in the business

of” and precludes insurance protection if the named insured serves or furnishes alcoholic beverages for a charge whether or not such activity requires a license, is for the purpose of financial gain or livelihood OR the named insured serves or furnishes alcoholic beverages without a charge, if a license is required (not necessarily secured) for such activity.

The general liability policy is not written specifically to address the exposures created from the Illinois Dram Shop Statute. The terms and conditions of the policy may not respond to the injuries sustained and recoverable under the Illinois Dram Shop Statute.

If you are depending upon your general liability policy to respond to any claim or suit against you involving the sale, service or furnishing of alcoholic beverages, ask an authorized insurance company representative to explain your insurance protection to you. Good advice – get it in writing!

Liquor Liability Policy

This insurance policy, when written correctly, should provide you with protection for claims or suits arising out of the selling, serving or furnishing of any alcoholic beverage whether the cause of action is based upon common law or a particular statute. However, a number of liquor liability insurers have developed their own coverage forms and care must be exercised to determine that you are purchasing an insurance policy to meet your specific exposures.

Most importantly the policy should have a contractual duty to defend even if the allegations are false, fraudulent or could not result in recovery even if true. The insurer paying defense costs on your behalf may be as big a benefit to you as the insurer paying those sums that you become legally obligated to pay as damages.

As with any insurance policy, there are terms and conditions that shape and narrow the coverage. Be sure you understand who is an insured under the policy as well as the limits of insurance. If someone is named in a suit that is not an insured, no insurance protection (including defense) will be provided for that person or organization; and the limits of insurance must be sufficient to pay damages. Exclusions preclude insurance protection for specific types of claims. Conditions outline rights and responsibilities of both the insured and the insurance company. Endorsements may be necessary to tailor the insurance coverage to your needs. Consult your insurance advisor for a detailed explanation of the insurance protection provided.

Illinois Casualty Company has been providing insurance protection for those who sell, serve or furnish alcoholic beverages since 1950. Should you decide your best alternative is to purchase a separate special event/host liquor liability policy, our promise is to provide broad, dependable insurance protection, competitive prices, and unequalled service to you and your insurance agent. Please ask your agent to call us today!

We do appreciate your business!

Sincerely,
ILLINOIS CASUALTY COMPANY