



How to Properly Structure Your Brewery Insurance Program

How insurance policies protect your brewery and respond to claims.

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The Standard Policies

- Liability
- Property
- Commercial Auto Insurance
- Workers' Compensation (Employers Liability)
- Employment Practice



Liability Insurance

- Protects you from lawsuits or claims arising from your negligent actions that cause...

Bodily Injury & Property Damage
to others

Includes damages and legal fees



Liability Insurance

GENERAL LIABILITY

\$	2,000,000	General Aggregate Limit
	2,000,000	Products Aggregate Limit
	1,000,000	Personal and Advertising Injury
	1,000,000	Each Occurrence Limit
	1,000,000	Fire Damage Limit
	10,000	Medical Expense Limit



Liability: Aggregate Limits

GENERAL LIABILITY

\$ 2,000,000 General Aggregate Limit
2,000,000 Products Aggregate Limit

- Aggregate: The total dollar amount the policy will pay for damages during the policy year.
- Separates the claims into two types: General and Products



Liability: Occurrence Limits

1,000,000 Personal and Advertising Injury
1,000,000 Each Occurrence Limit

- The highest amount the policy will pay for damages PER claim.



General Liability Coverages & Claims Examples

- General Liability – Premises (tasting room), off-premises (brew fest)
 - Slip and Fall in tasting room.
 - Tripping over a keg at a beer fest.
 - Fire in brewery damages surrounding units or buildings.
- Personal & Advertising Injury
 - Copyright/trademark infringement on other brewery's existing product.
 - Libel or slander – Denigrating competitors or other companies/people.



Products Liability & Claims Examples

- Products Liability: Anything you sell – Beer, merchandise etc.
 - Defectively manufactured products:
 - Beer makes someone sick
 - Glass in bottles
 - Defectively designed products:
 - Use of a poisonous ingredient in recipe
 - Failure to provide adequate warning or instructions
 - Peanuts in beer, no allergy warning label



Other Standard Liability Coverages

1,000,000 Fire Damage Limit
10,000 Medical Expense Limit

- Fire Damage (Tenants Liability) – Cost to rebuild your leased space
 - Real estate lease. “Waiver of Subrogation or Hold Harmless”
- Medical Expenses – No fault, “don’t sue me” coverage



Liquor Liability – By Endorsement

LIQUOR LIABILITY

\$ 2,000,000 Liquor Law Liability Aggregate
1,000,000 Liquor Law Liability Each Occurrence

- Has it's own aggregate and occurrence limit
- Primary concern: Over serving patrons in tasting room
- Secondary concern: Patrons overserved your beer at bar/restaurant/etc.



Additional Liability Coverages – By Endorsement

- Employee Benefits Liability: protects against administration errors in employee benefit program.
 - Claim example: New employee wasn't offered health insurance after 60 days. Gets into a personal auto accident and has no health insurance coverage.
- Hired and Non-Owned Auto: Protects company from auto accident claims for vehicles of owners, employees and autos/trucks rented in company name.
- Umbrella/Excess Liability: Adds additional layers of \$1M to occurrence and aggregate limits.
- Cyber Liability: Privacy Liability, Employee Privacy Liability, Libel/Slander online.



Liability Insurance

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Liability Premium Basis

- Based on revenue. – Rate per \$1,000 of sales.
- Based on square footage of brewery. (premises liability)
- Percentage sold on-premise vs. off-premise consumption (general liability & liquor liability)
- % Sold in kegs, cans, bottles (product liability)
- Sales estimated at the beginning of the year, audited at the end.
 - Check sales estimates mid year, update your broker/insurance carrier.



Property Coverage Basics

- Property policy covers fire, theft, explosion, vandalism etc.
 - Exclusions include: earthquake, flood, war, acts of God, nuclear accidents, neglect of property. (In some areas of the country, wind damage is excluded.)
- Policy Limitations: Sub-limits on certain types of losses
 - Property-in-transit, leakage, contamination, product recall, utility services (direct damage and business income), etc. Read the insurance quote carefully.
- Replacement Cost vs. Actual Cash Value, Selling Price
- Co-Insurance – must insure to at least 80% of value



Standard Property Coverages

- Building - Physical structure, if owned.
- Tenant improvements & betterments:
- Permanently attached equipment
- Business Personal Property – Anything not secured to the floor (desks, forklifts, kegs)
- All above property should be insured at replacement cost.



Standard Property Coverages

- Beer Products – Raw materials, in process, finished goods – Replacement Cost/Selling Price
- Property-In-Transit: Property being transported by you, a carrier you hire or your distributor*. (*Keg leasing companies have required limits) – Replacement Cost of Kegs, Selling cost of beer



Equipment Breakdown & Business Income

- Equipment Breakdown – Physical and financial damage coverage. Will fix or repair most equipment (non-wear and tear) and make you whole for loss of production time or capacity.
- Business Income: Must be triggered by a covered loss
 - Net income coverage, not revenue. Will pay ongoing “necessary” expenses and net profit.
 - Limits: Actual Loss Sustained (limited by time) or a set dollar limit.
 - Extra Expense – increases in costs due to loss.
 - Payroll – Endorse key management & ordinary payroll.



Brewery Specific Property Coverage

- Coverage for these risks are by endorsement.
- Off-site utilities: direct damage and business income loss
- Leakage: Beer spilling/draining from tanks or other containers
- Contamination – cleaning fluids, stray bacteria, yeast etc.
- Selling price endorsement – Always protect your profit. Have the endorsement start as early in the manufacturing process as possible.



Saving on Property Premiums

- Based on a rate per \$100 of property covered.
- Building rates are 50% lower than Business Personal Property or Beer Products Rates.
 - Make sure to have as much permanently attached equipment classified as “building” as possible.
- Breweries are growing fast, adding new equipment all the time. Be sure to update your policy quarterly.



Commercial Auto Coverage

- Combined Single Limit – not split limits like in personal auto coverage
 - \$1,000,000 coverage standard. Possible to get less, but savings are not great.
 - Uninsured/Underinsured Coverage
 - Medical expenses: \$1k to \$10k
- Does not cover property-in-transit
- If employees are injured in an accident – it's a workers' compensation claim
- Hired and non-owned auto (if no auto policy, put on General Liability policy)
- Best Practices for lower premiums - Checking MVRs (drivers with clean records only)



Workers' Compensation

- Employers Liability – Obligation to take care of a worker due to injury.
- The policy itself is actually very simple, it garners a great deal of attention due to its cost, intricate claims process, and employee abuse.
- \$1M, per disease, \$1M bodily injury, \$1M bodily injury from accident – Excess liability will cover work comp as well, by endorsement.
- Premium based on a rate per \$100 of payroll.
- Savings in premium comes from a favorable loss history, experience modification when premium is large enough, and showcasing your safety practices to the underwriters.



Employment Practice Liability

- You have a responsibility to provide a safe (mentally and physically) workplace.
- Possible claims: wrongful termination, hostile work environment, discrimination (age, gender, race etc.) harassment (sexual or otherwise), wage and hour issues.
 - 1st Party, 3rd Party, Wage & Hour sublimit.
- Employers often don't purchase this coverage because they feel it is expensive, and it won't happen to them.
- 80% of all cases are won by the employee, average cost of claim over \$100k.



Questions?

