

Most restaurant owners, if they serve alcohol, have a general idea that they need some protection from patrons who may drink in their restaurant and cause an accident later. And even if you think you would never serve someone who is already drunk, bear in mind the sad tale of one of my clients who last served a client around 8 pm, and after that client had visited a few other bars, then wrecked his car and killed a young girl at 2 a.m., was stuck with over \$600,000 worth of damages after the lawsuits were all settled. In his case, he had the right protection in place and is still in business today. Liquor liability is truly a must buy policy for any restaurant that serves any alcohol at all. But recently I encountered what I call the phantom liquor coverage. This is a simple case of a restaurant owner not clearly understanding the wording on his policy but it may well be a cautionary tale for many restaurant owners.

This story begins when a restaurant owner called me for a quote on his restaurant insurance. He was responding to one of our marketing postcards. In the course of the conversation, as I was collecting data about the policies that he currently had in force, I asked him if he carried any liquor liability coverage. He responded that liquor liability coverage was already included in his restaurant package policy. Now this is not uncommon, many restaurant package policies allow you to add liquor liability coverage as an add-on endorsement to the policy. But when this happens, the liquor liability protection will have its own additional coverage forms, limits of liability and line item premium charges.

As I dug a bit deeper to find out more about his liquor liability coverage it eventually became clear to me that his reading of his general liability classification was leading him to believe that he had liquor coverage where none really existed. General liability insurance is the coverage for premises liability (slip and fall claims on your premises etc) and products liability (someone breaks a tooth on a bone in a meatloaf) and is an integral part of the basic restaurant insurance package, sometimes called a businessowners policy. But general liability coverage excludes any losses related to the sales of alcohol, and this is why restaurants must also purchase liquor liability coverage, whether as a separate policy or as an add-on endorsement to their package policy. The general liability section of your policy will have a classification code and description listed. These class codes allow the insurance companies to develop different general liability rates for the different types of restaurant out there. There are dozens of class codes that are used for restaurants. My caller's confusion stemmed from the wording of these classification listings. Almost all of them mention alcohol, even though liquor liability is not covered by any of them. For instance your policy may show your general liability classification as – Restaurants with sales of alcohol less than 30%, or Restaurants with sales of alcohol over 75% with no dance floor. A restaurant owner, reading this classification, might mistakenly believe that this provides coverage for liquor liability. That was certainly the case with the restaurant owner who called me.

In the case of my caller, I was unable to convince him that he did not have any liquor liability protection based on what he was telling me over the phone. I urged him to call his agent before he forgets about it to double check his coverage. Now to take this confusion a step further, what if your agent only insures a couple of restaurants and really doesn't have the experience himself to understand this nuance? Can you see clearly now just how important is it for you to make sure that you find an agent with vast experience insuring restaurants like yours? And the good news is that when you choose to buy from an agent that already insures a lot of restaurants, you will probably also save money as his volume of business with his underwriters allows him to obtain the best pricing for you.

At Clinard Insurance Group, we insure hundreds of restaurants all across North Carolina, South Carolina, Georgia, Tennessee and Virginia. We would love to help answer your questions about your restaurant insurance. Please feel free to call us, toll free, at 877-687-7557 or visit our restaurant insurance page at [www.TheRestaurantInsuranceStore.com](http://www.TheRestaurantInsuranceStore.com) . I don't want for you to wait until you have a large claim staring you down before you fully understand the coverage and protection that you have on your restaurant.