

Risk Management When Selling or Serving Alcohol

Many businesses and organizations sell or serve alcohol, either as part of their daily operations or for special fund raising events or company parties. Intoxicated guests may injure themselves or others. In addition to the often tragic consequences of these incidents, they can result in expensive lawsuits and negative publicity for the organization.

Following are some guidelines to help ensure that alcohol is served and consumed responsibly.

Develop a Written Policy

As with any type of safety program or organizational initiative, the key to success is clear direction and support from top management. Organizational rules for the serving of alcohol are often known as “House Policies.” These address issues such as:

- Knowing and following applicable laws
- Training all staff, outside caterers/bartenders and volunteers
- Denying service to underage guests
- Promoting designated drivers and outside transportation services
- Monitoring consumption
- Managing intoxicated guests
- Actively marketing food and alternative beverages

Guidelines for developing a House Policy, along with sample policies and a sample form for documenting incidents resulting from over-consumption, are available from the New Hampshire Liquor Commission: <http://www.nh.gov/liquor/enforcement/education/house-policies/index.htm>. These general guidelines are applicable to all states. As with any organizational policy, you should consult legal counsel to ensure that your specific needs and local laws are addressed.

If alcohol will be sold or served by outside caterers or bartenders, your contract should require them to follow your organization’s policy or have an equivalent policy of their own.

Know the Law and Your Legal Liability

In order to limit your criminal and civil liability, it is critical to operate within the law. For links to the Alcoholic Beverage Control Board in each state, plus Federal laws that may be applicable, see this website: <http://www.ttb.gov/wine/state-ABC.shtml>.

Most states also have laws that create a cause of action for lawsuits against those selling or serving alcohol by those who were injured. Laws addressing commercial sales are commonly known as “Dram Shop Laws”, and those addressing non-commercial situations are known as “Social Host Liability Laws.”

These laws vary widely in how the injured party must prove negligence, and in how they address minors vs. adults. Mothers Against Drunk Driving offers information on these laws through its website: <http://www.madd.org/laws/dram-shop.html>.

Note that the absence of a law does not mean that injured parties cannot attempt to sue you—these laws just make that easier by establishing a cause of action. Injured parties can also sue you based on common law negligence. Be sure to consult legal counsel to understand how to apply these concepts to your particular situation.

Information on various other state and Federal laws, including age restrictions, pregnancy warning signs, Sunday sales, etc., can be found at this website: <http://www.alcoholpolicy.niaaa.nih.gov/>.

Train Those Selling or Serving Alcohol

Individuals who are selling or serving alcohol are implementing your organization’s policies. Therefore, it is important for them to be trained regarding those policies as well as the applicable laws. This applies to employees as well as to volunteers at fund-raisers or parties. If alcohol will be sold or served by outside caterers or bartenders, your contract should require them to follow your organization’s training requirements or have equivalent requirements of their own.

State laws vary regarding what types of organizations are covered by the law, who is required to be trained, and the content of required training. This website provides some helpful information: http://www.alcoholpolicy.niaaa.nih.gov/Beverage_Service_Training_and_Related_Practices.html.

Even if training is not required by law in your situation, it is still an important part of ensuring the safety of your guests and reducing your liability exposure. Many training courses are available online, making training of individual employees or volunteers quick and inexpensive.

Hanover Insurance has negotiated with R-serving and Professional Server Certification Corp. (PSCC) to provide high-quality training for our policyholders at a reasonable cost through the MyServerTraining program. Please sign in to The [Hanover Risk Solutions Partners](#) page for more details.

Check Your Insurance Coverages

Consult with your insurance agent to be sure that your insurance policy covers liquor liability in the manner you intended. Some insurance policies exclude liquor liability, or only cover specific locations or specific special events.

If alcohol will be sold or served by outside caterers or bartenders, you should consider requiring them to carry General Liability, Products/Completed Operations and Liquor Liability insurance with appropriate limits. You should be listed as an Additional Insured on these policies and require the contractor to provide a Certificate of Insurance confirming these requirements. A hold harmless agreement protecting you in the event of a claim caused by the contractor's negligence may also be appropriate.

Consult with legal counsel regarding contract language, and with your insurance agent regarding insurance requirements for contractors. Also see <http://www.hanoverrisksolutions.com> for publications regarding Contract Management and Reviewing Certificates of Insurance.

 **To learn more about Hanover Risk Solutions, visit hanoverrisksolutions.com**



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