

Insurance: Points to Ponder

by Ken Roberts



Liquor Liability: To Buy or Not To Buy?

Our theatres are constantly competing for today's entertainment dollars, and one of the first things they have discovered is that by offering alcoholic beverages, they can win out over most other entertainment venues. Because many of our patrons enjoy cocktails before a performance, during intermission, afterwards, and especially at our fundraising special events, the issue of a theatre's liability when serving alcohol is constantly at the forefront.

Most of our theatres are protected by a provision in their policies known as "host liquor liability," which covers alcohol-related claims against the theatre when spirits are served at *no charge* to patrons. Host Liquor Liability is normally provided at no charge. Even with the best of intentions however, our theatre volunteers are not usually trained to know when to stop serving patrons who may have had too much, and in a crowded lobby or events facility, it would be difficult for even a trained bartender to keep up with everyone's consump-

tion. For this reason, a theatre can be held liable if a patron were to leave their event and cause damages or injuries while under the influence of alcohol.

Full liquor liability coverage is needed in cases where any charge is made for drinks, and, depending on your state laws, whenever a liquor license is required. There are states that require a liquor license even if a theatre is not charging for alcohol, in which case that theatre probably will have to purchase liquor liability coverage. Liquor liability is usually available as an endorsement to a General Liability policy, but can be purchased by itself. As an endorsement it is much less expensive. Buying it on a stand-alone basis might make any theatre reconsider selling alcohol.

Because it would be an added expense, many theatres have tried to find creative ways to sell drinks without charging for them outright. These can include raising ticket prices at events including alcohol and

putting out a "donation" receptacle at the bar. In the eyes of the insurance companies, as well as most state alcoholic beverage commissions, neither of these methods absolves theatres from purchasing liquor licenses and liquor liability insurance. Some theatres have discovered that by partnering with a local restaurant or caterer who has their own liquor license and liquor liability insurance, they can collect a percentage of the liquor receipts and still keep the patrons happy. Be careful though, make sure to have the theatre listed as an additional insured on the restaurant/caterer's policy, and check on local municipal ordinances and permit requirements before entering into such arrangements.

A good rule of thumb regarding whether or not to purchase Liquor Liability in most cases is simple: *No charge, no need*. Of course, this depends on your state liquor laws, so by all means do your homework, which leads to the other simple rule: *When in doubt, check it out!*

For more information about the AACT Insurance Program, contact:

USI Southwest • Ken Roberts, Program Manager
800.749.5646 • fax 325.658.4519
<kenneth.roberts@usi.biz> • or check out the program at theatre.msgp.com



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American Association of Community Theatre • 8402 BriarWood Circle, Lago Vista TX 78645
866.Our.AACT (687.2228) • info@aaact.org • www.aaact.org
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