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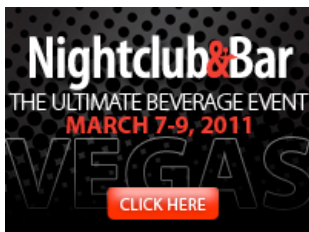
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Article By: [Amanda Baltazar](#) - July 2, 2010

Don't be a Risk Taker when Selecting Insurance for Your Bar or Nightclub



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A fire in early 2009 could have signaled the death of Pentagon City Bar & Grille*, a Washington, D.C., restaurant and bar. Because of a kitchen appliance that was accidentally left plugged in, the fire raged through the premises, causing significant damage.

The establishment didn't go down with the flames, though. Luckily, about a year before the fire, management decided to completely renew and update its insurance coverage, adding higher deductibles and increasing its business interruption coverage because the restaurant and bar had grown in popularity.

The restaurant/bar's owners were meticulous in the fire's aftermath, photographing everything and not throwing away anything. And although the operation closed for six months, at the end of that period, it was back up and running, with most of its rebuilding and advertising expenses covered by insurance.

Would a similar (fortunate) fate befall your bar or nightclub in the face of such a disaster? *Nightclub & Bar* talked to some insurance experts to find out exactly what insurance coverage your venue needs — in addition to employees who don't leave appliances on overnight, of course — to survive the unthinkable.

Liquor Liability Policy

A liquor liability policy is the most important insurance for any bar or nightclub. It protects the establishment in the event that claims arise from an accident or injury resulting from over-serving alcohol to a guest.

It also protects the establishment if, even after all of the correct steps are taken to check

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identification, a minor is still mistakenly served alcohol and then causes death or injury to a third party, says Georgianna Stump, senior director at Risk Services Corporation, an insurance provider for the restaurant industry, located in Louisville, Ky. In some states, such as Texas and New Jersey, minors can even sue bars or nightclubs if they sustain injuries after drinking there.

Stump suggests bar owners/operators make sure the following are included in liquor liability policies:

1. A high deductible of at least \$1 million.
2. Your employees included as patrons. That way, if they have a drink and an accident occurs, you have coverage for them.
3. Defense costs. Unless you have this, the defense costs of a lawyer will be deducted from the total coverage, thus reducing your policy. Pass on any policy that does not include it.
4. Damage definition. This protects you if employees claim they were damaged in non-physical ways, be it through stress or other psychological methods.

Commercial General Liability (CGL)

An umbrella-type policy that covers bodily injury to customers, damage to the property and food borne illness, commercial general liability also provides coverage in excess of the liquor liability policy. Stump recommends making sure you know what is not covered, which is typically a shorter list than what is covered.

Assault and battery should be included in this policy, as many claims against bars are for fights. This covers you for a customer accusing you or your employees of assault or battery — maybe he thinks your bouncer was a little too heavy-handed — or it could cover one customer assaulting another.

Property Insurance

Any business would be negligent not to have property insurance coverage, which is like “disability insurance for a business,” says Kevin Foley, president, PFT&K Insurance Brokers in Milltown, N.J. This insurance covers rebuilding, redecorating and even the cost of removing and disposing of the damaged goods.

Business Income (or Business Interruption) Insurance

Business income insurance protects against lost income, says Foley. It covers two things: net income lost during the time interrupted, and continuing expenses (such as utility bills) that don't stop because the fire (or other cause of loss) starts.

It can also pay a third item, extra expenses, which could include anything from additional advertising to announce the re-opening of your establishment to renting an office while your building is unavailable.

Workers' Compensation

Workers' comp is obligatory in every state except for Texas. This covers any injury that happens to your workers while they are on the clock.

Employment Practices Liability Insurance (EPLI)

EPLI protects you from lawsuits filed by employees for just about anything, so it's a great safety net. It covers a range of complaints, including harassment, discrimination and wrongful termination, says Tim Gaspar, owner of Timothy Gaspar Insurance Services in Encino, Calif.

“It can be very expensive to defend even the most frivolous lawsuit, so this is coverage worth getting,” he points out.

Commercial Crime Insurance

“A nightclub or bar probably takes in a lot of cash in the course of an evening, so they are at exposure to theft, such as armed robbery, or they could have an employee who steals,” explains Arthur Flitner, senior director of knowledge resources with the American Institute for Chartered Property Casualty Underwriters, in Malvern, Pa.

He suggests starting this coverage with a \$1 million limit. “Theft is typically something that happens over a period of months or years; it's usually not one occurrence. So if you have a \$50,000 limit, the most you can collect for that stealing is \$50,000.”

Don't wait for your employees, patrons or yourself to make a big mistake or have an accident. Insurance is a must for any business — as, of course are electrical appliances — so make sure you're always protected. **NCB**

**Not real name of bar*

The Ins and Outs of Insurance

Here are six things to keep in mind when looking for a new or upgraded insurance policy.

- Make sure your insurance agent is an expert in nightclubs and/or bars to ensure he or she fully understands your business, or consider hiring an independent risk management and insurance consultant who does not sell insurance.
- Educate yourself on the going rates, and be prepared to negotiate with your agent and tell him

or her why you think the rates might be a little high. Make sure he or she also knows everything about your particular nightclub or bar.

- Don't pick the cheapest insurance policy — its low price likely means there's a lot missing from it. Instead, opt for a mid-priced policy because you can always add to it.
- The more food you serve, the lower your insurance premiums. Look at it this way: Food is the sponge that protects your customers from their own indulgences.
- Basic responsible service training for your bartenders and your cocktail staff can reduce premiums in your liquor liability coverage by 15 to 20 percent. This training should include recognizing when a customer is intoxicated or mixing alcohol.
- Other things that can cause your premiums to rise: bottle service at tables, happy hours that go longer than a couple of hours or go past 7 p.m., low-priced shots and unusually low drink prices.

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