

## **STRATEGIC RISK TRANSFERS**

### **Craft Brewers Insurance Buying Guide**

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This Insurance Buying Guide has been prepared specifically for Craft Brewers. The Guide acts as a script for the brewer while discussing their concerns with their insurance agent. Breweries in planning are able to use the guide as they interview would-be insurance agents.

#### **PRODUCT IN PROCESS**

A brewery's beer, is its revenue stream. If beer is lost or contaminated while in process, the damage could be significant. That said, it is important to insure our product.

- **EQUIPMENT BREAKDOWN COVERAGE**

This is very important coverage. For instance, if a brewer's refrigeration fails after hours and beer is destroyed – this is where insurance coverage would come from. The insurance could cover the cost to repair the refrigeration, as well as the loss product.

If during the same refrigeration failure a cooling line ruptures, allowing coolant to contaminate the beer... equipment breakdown insurance could also be applied to replace the contaminated beer.

***Question to ask: "What happens if our refrigeration fails? What could be insured?"***

- **BEER LEAKAGE COVERAGE**

If a hose fails during a transfer or a seal fails and beer is lost – Beer Leakage coverage would insure the lost beer.

***Question to ask: "If I accidentally lost product on the brewery floor, could it be insured?"***

#### **PRODUCT RECALL**

If a brewer discovered that their product could cause bodily injury or harm (ie; contamination, etc), we could insure expenses related to pulling the product back.

***Question to ask: "If we are required to recall some of our product, could it be insured?"***

#### **PCI-DSS COMPLIANCE COVERAGE**

If a brewer accepts credit cards, the Payment Card Industry Data Security Standard (PCI-DSS) is the information security standard that must be followed. If a breach occurs, and the brewer was not PCI-DSS compliant at the time, the credit card company may levy fines against the brewer.

***Question to ask: "How would my insurance respond to a credit card breach?"***

#### **INSURANCE ON YOUR BUILDING**

Triple-Net leases customarily require the tenant to be responsible for the building's mechanicals (ie; plumbing, heating/cooling, electrical, etc). Because your lease is a legal document, the safest way to discover your responsibilities for a building you rent, is to ask your attorney to interpret your lease. If you are responsible for all or some of the mechanicals, your agent may program "Building" coverage on your policy – since the mechanicals are typically considered a part of the building.

Keep in mind, Triple-Net leases sometimes require the tenant to be responsible for the parking lot. If you are responsible for the parking lot or sidewalk, make your insurance agent aware and thoughtfully document your snow removal.

***Question to ask: "How will my insurance respond to our Triple-Net lease?"***

## STRATEGIC RISK TRANSFERS

### Craft Brewers Insurance Buying Guide – Continued

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#### WORKERS' COMPENSATION

Should one of your employees be injured on the job, this insurance would cover both their medical bills and a percentage of their lost wages. While business owners with at least 25% interest in the company are able to exclude themselves from coverage, workers' compensation insurance is mandatory by MA-State Statute for all employees. Volunteers and "Under the Table" workers can also be considered for coverage.

***Question to ask: "We have volunteers on the bottling line. Does our workers compensation cover them?"***

#### LIQUOR LIABILITY

While the servers in our respective tap rooms may be TIPS trained, we will always be concerned with our patrons overconsuming. Especially when our beers have a higher ABV. Should a patron hurt themselves or injure someone else... and the brewer is sued... this insurance component would cover defense costs and damages awarded by the court.

Liquor liability coverage can also follow us off-premises. For instance, if we pour samples at charity events. It can also follow our product. Should a customer buy a 6-pack at a package store, become intoxicated, then hurt someone – the brewer of that beer could be named in the potential lawsuit.

***Question to ask: "While we don't have a taproom, we do pour at fundraisers. Would we be covered?"***

#### HIRED & NON-OWNED AUTOMOBILE LIABILITY

Historically speaking, the greatest risk each company has, is its driving exposure. Even if the business doesn't own a vehicle. Our employee's use their personal vehicles to run errands for the brewery – driving to the bank, supply house, etc. We don't know how much insurance that employee has purchased for their vehicle. We don't know if the employee even has insurance.

Hired & Non-Owned Automobile Liability insurance will protect the company, by triggering once the employee's liability insurance is exhausted or coverage is denied.

We can also buy Hired & Non-Owned Physical Damage insurance. This is very functional insurance, since it will cover damage to a vehicle that we rent. For instance, the brewery owners fly to Las Vegas for a convention. They wouldn't need to buy the insurance from the rental agency.

***Question to ask: "Our employees use their personal vehicles to transport themselves to off-site business functions. How would our insurance respond if they are liable for an accident?"***

**Questions? Please call or email insurance agent and MA Brewers Guild Member,  
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