



Office Functions and Alcohol

The office picnic, office-sponsored sports activities, holiday party, and client party are all examples of company events that may involve serving and consuming alcoholic beverages. Can a business be held responsible for injuries or damages that result from serving alcohol? Is the current insurance program sufficient to address this concern? Is it necessary to purchase special insurance?

Individual states govern the answer. Typically, state Dram (liquor) Shop Laws set the standard for a business entity's liability for injury or damage arising from serving alcohol. The laws vary among states, but often indicate liability exists when serving someone that is underage or visibly intoxicated. In states that do not have Dram Shop Laws, the civil court system sets the standards based on individual cases. Even in these states, courts often follow the same line of reasoning used in Dram Shop Laws.

The Commercial General Liability (CGL) policy excludes coverage for Liquor Liability but only if the insured is 'in the business of' selling, serving, or manufacturing alcoholic beverages. If the event offers alcohol without a charge, it could be stated that the insured is not 'in the business of' selling or serving. If persons have to pay, even if the charge is only to offset the alcohol's expense, that fact could create a different legal situation.

When hosting an event that includes liquor, some businesses have decided that hiring a bartender will reduce their risk of being held liable. This step at least offers the benefit of another party being held primarily responsible and reducing the amount the business might be required to pay. The main issue is obtaining a Certificate of Insurance from the bartender to confirm that he or she carries an adequate level of Liquor Liability insurance. The certificate should be obtained PRIOR to the event. Otherwise, it may be too late when you find out that there isn't a policy or that the limits are insufficient.

Society is less tolerant of drinking and driving. An impaired driver who causes an auto accident is much more likely to be sued. Besides the driver, the lawsuit will probably be extended to include a business that provided alcohol. Why, because such a business is considered as contributing to the loss and is called on to share (or fully bear) the cost of injury or damage. The Commercial General Liability policy could provide the necessary defense for the business, if it is not 'in the business of' providing or selling the alcohol. . For instance, Business A and Business B are both insured by CGL policies and each company recently sponsored a Christmas party. After each party a very inebriated employee leaves for home but loses control of their car and causes an accident with other innocent drivers. The injured drivers sue the businesses along with the drunken employees. Business A is an accounting office and its CGL handles the lawsuit. Business B is a tavern; its CGL denies the claim.

The solution is to discuss the types of events your business sponsors or hosts with your agent to determine if you need to purchase special coverage. This discussion may also help you take steps to reduce potential lawsuits. Some businesses may find it easiest and safest to ban drinking during business hours, including business lunches, dinners or other events. Your insurance agent and legal counsel can assist you in determining ways to protect your assets.
