

LEGALLY SPEAKING

DRAMSHOP PROTECTION

“Every right implies a responsibility; every opportunity, an obligation; every possession, a duty.”

— John D. Rockefeller, Jr. (1874 - 1960)

A few definitions are a good starting point for an explanation of Iowa’s dramshop rules. A *dram* is a measurement or unit of liquid. A *dramshop* is a place of business that sells alcoholic beverages, traditionally by the dram, such as a restaurant or bar. Therefore, *dramshop insurance* covers liabilities associated with the sale of alcohol, specifically for over service resulting in intoxication.

I. INSURANCE.

Iowa, like the majority of states, has a dram statute holding on-premise licensed establishments that serve intoxicated pa-



“Any person who is injured in person or property...by an intoxicated person...has a right of action for all damages...against any licensee...who sold and served beer, wine or intoxicating liquor to the intoxicated person when the licensee or permittee knew or should have known the person was intoxicated.”

- Iowa Code §123.92

trons responsible for resulting injury or harm to innocent third-parties. Dramshop laws are intended to protect the general public from harm or loss due to over service of intoxicated patrons on a licensed premises.

Dramshop insurance is a precondition to holding and maintaining an Iowa liquor license. The policy must remain in effect during the entire period of the license and be updated annually upon renewal of the liquor license. On-premise licensees are required to carry a minimum bodily injury or death coverage of \$50,000 per individual (\$100,000 cumulative) and loss of support coverage of at least \$25,000 per individual (\$50,000 cumulative). Policies cannot place an aggregate or cap on total settlements for the life of the policy.

II. PROTECTION.

The dramshop insurance requirement is similar to state mandated minimum auto insurance. Each policy protects the general public from losses due to injury or property damage as a result of someone else’s misconduct or negligence.

Dramshop coverage also protects the licensee. For example, if a licensee is found guilty of over serving a patron who subsequently causes harm to another individual, the dramshop insurance settlement covers restitution to the aggrieved

party. Without dramshop indemnity, a licensee could potentially lose their business in order to financially cover the damages.

Protection, however, does not extend to the inebriated wrongdoer who injures someone else or damages property. In the event of a car accident or bar fight, for example, the responsible individual is liable and can be sued along with, or in lieu of, the at-fault establishment.

III. CANCELLATIONS.

Nonpayment of premiums will result in the cancellation of the dramshop policy. Written notice is sent to licensees as a warning for the first three cancellations. Fourth and subsequent cancellations are forwarded to the Iowa Attorney’s General Office for potential administrative proceedings.

Multiple cancellations indicate a lack of “good moral character” as a sign of unsound financial standing and will result in denial, or even possible revocation, of the license. Licensees, therefore, should take the necessary steps to assure that dram premiums are paid in a timely fashion.

IV. CONCLUSION.

On-premise licensees have a responsibility, an obligation and a duty to carry dramshop insurance and pay the premiums in full and on time. A laps in coverage not only endangers the licensee, but the general public as well. 🏠