

# **LIQUOR LIABILITY INSURANCE REFORM**

## **Act No. 2023-25**

Set in 1909, Alabama's Dram Shop Act law created an insurance crisis, driving up the price and reducing carriers willing to write dram shop coverage, also called liquor liability insurance. The term "dram" is a legal term referring to a bar, restaurant or the like where alcoholic beverages are served. As of April 2023, only three carriers sell policies in Alabama, and the required \$100,000 in coverage can cost as much as \$35,000 per year! The system wasn't working for business owners OR injured victims.

The Insurance Services Office, or ISO, assigns grades for states' hazard risk for liquor liability. They have rated Alabama as a 10, the highest and worst score. Florida and Mississippi each are graded 3; Tennessee and Georgia are 4. The driver profile and risk for Alabama is not markedly different from our surrounding states. The issue was that Alabama had the only strict liability law in the country as a result of a 1991 case, *Mclsaac v. Monte Carlo Club Inc.* Act No. 2023-25 overturns this case.

The new law creates a wider standard, with a server having to knowingly serve a visibly intoxicated person, and for that service to be the proximate cause of the injury or death. This is in line with what other states require and brings fairness to restaurant and bar owners.

As an example of the effects of the previous law, consider:

Person A goes out with friends to several bars, drinking and having fun. In six hours, Person A visits many establishments, having a drink or two at each. Driving home, Person A hits another car, injuring Person B. A lawsuit names all bars Person A visited, not knowing which bar caused intoxication. Bar #1 only served one beer to Person A. How did bar #1 know the person was getting ready for a night of drinking and driving?

[A broad group of interested industry groups](#) worked for several months with the Alabama Association for Justice to find a balanced solution. The law effective April 19, 2023, brings common sense insurance reform and increased personal responsibility to situations where damages have taken place due to overconsumption of alcohol. Further, the law specifies legislative intent in amending 6-5-71 is not to "broaden liability to social hosts for service of alcohol to individuals 21 years of age or older."

Perhaps most importantly, the new law should help drive down the cost of liquor liability insurance for restaurant and bar owners. The net result is that restaurants and bars will be able to purchase higher amounts of insurance protection at lower cost, a benefit to all.