



Liquor Liability Insurance

Amy Spear, Vice President of Tourism

Senate Economic Development, Housing & General Affairs Committee – April 23, 2024

The Vermont Chamber of Commerce represents businesses of all sizes, from every industry, across every region of Vermont. We understand what it takes to help businesses grow and thrive to build strong and vibrant communities, and businesses have trusted us to center stewardship in our mission of advancing the Vermont economy. Vermont Independent Restaurants (VTIR) is a working partner of the Vermont Chamber charged with preserving and advancing Vermont's restaurant and bar industry. We appreciate the opportunity to weigh in on the proposed amendment of mandatory liquor liability insurance to an effective date of July 1, 2026.

Last year, the Legislature took swift action to address the hospitality industry's tipping point with obtaining liquor liability insurance. Changes were made with two goals: that the industry would be able to obtain liquor liability insurance and maintaining public safety guardrails put in place with clear guidelines for civil liquor licensee liability. Prior to last session changes, Vermont's liquor liability ISO rating was among the worst in the nation at a rating of 10; amendments to Vermont's dram shop laws triggered a re-rating of Vermont to a rating of 5 bringing Vermont in-line with neighboring states.

While changes had a positive impact on Vermont's insurance rating, the insurance market has not yet adjusted. Compounding the need for market adjustment, there is currently a hardening in the insurance market, which is characterized by increasing premium rates, stricter underwriting criteria, and generally reduced capacity for insurers to accept risk. With the current marketplace, we are seeing insurance premiums outpacing inflation. Last year, we saw about 3.4% inflation, but we are seeing significant (often high double digit) increases for liquor liability insurance. And unfortunately, if it is available, businesses don't have a choice other than to pay it.

Allowing time for the market adjust is an important step prior to the implementation of mandatory liquor liability insurance for licensees. We are supportive of the proposed amendment to shift the effective date for mandatory liquor liability insurance to July 1, 2026 to allow time for insurance market to react.