

Liquor Liability Insurance

Amy Spear, President

Government Operations and Military Affairs Committee – February 19, 2026

The Vermont Chamber of Commerce represents businesses of all sizes, across every industry, in every region of Vermont. Our mission is to advance the Vermont economy through advocacy, community, and resources. 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.

The Vermont Chamber is in concurrence with the Department of Liquor and Lottery's request to repeal the mandatory liquor liability insurance requirement. After reviewing national insurance market conditions, Vermont-specific dynamics, and member feedback, we believe repeal is a prudent and proportional response to current market realities.

National Insurance Market Conditions

The current challenges in the liquor liability insurance market are part of broader national shifts affecting casualty insurance lines generally.

Across the country, insurers are navigating:

- Higher overall liability claim costs across multiple sectors
- Increased defense and litigation expenses
- Greater unpredictability in jury outcomes
- Reinsurance market tightening and reduced capacity
- Adjustments in underwriting appetite across certain lines

These dynamics are affecting many industries, not solely hospitality. Liquor liability coverage is influenced by the same national casualty and reinsurance pressures impacting commercial auto, general liability, and umbrella coverage.

Importantly, these trends are macroeconomic and legal-system driven. They do not reflect a change in the professionalism or responsibility of Vermont's hospitality operators.

Vermont's Market Dynamics

Vermont's insurance market is particularly sensitive to volatility because it is small and concentrated.

Structural characteristics include:

- A limited risk pool
- A predominance of small, independently owned businesses

- Seasonal revenue patterns
- Fewer carriers actively writing liquor liability policies

In smaller markets, pricing can fluctuate more significantly in response to national trends. Underwriting adjustments made at a national level are often applied broadly, even where local loss experience remains stable.

From member feedback, businesses report:

- Significant year-over-year premium increases
- Reduced carrier participation
- Greater unpredictability in renewal terms

Restaurants and hospitality establishments typically operate on single-digit net margins. Substantial insurance volatility can meaningfully impact long-term operating decisions.

Considerations

The policy question is not whether alcohol service carries risk. It does, and that is why Vermont maintains a comprehensive liability and regulatory framework.

The question is whether a universal insurance mandate remains an effective tool when the marketplace for that product is unstable and heavily influenced by national market forces.

A statutory mandate functions best when coverage is broadly available, competitively priced, and predictable. In the current casualty insurance environment, that assumption does not consistently hold true. Repealing the mandate does not remove accountability.

- Civil liability standards remain intact.
- Vermont's dram shop framework remains intact.
- Licensing oversight remains intact.
- Responsible service laws and enforcement remain intact.

This proposal addresses only the purchasing mandate. It does not alter the underlying liability structure.

Responsible Operators and Existing Safeguards

Vermont's hospitality businesses are deeply rooted in their communities. They depend on long-term customer trust, local reputation, and responsible stewardship of their licenses.

Responsible alcohol service in Vermont is governed by:

- Statutory dram shop liability
- Criminal statutes
- Licensing oversight
- Education and compliance requirements

- Local and state enforcement

These safeguards remain fully intact.

Across all sizes and business models, operators view liquor liability insurance as an important component of responsible business practice. When coverage is available, reasonably priced, and predictable, businesses want it and actively pursue it.

Insurance provides financial certainty, supports long-term planning, and strengthens professional risk management standards. Even when not contractually required, many operators elect to carry coverage because it is a prudent and responsible business decision.

The concern before the Legislature is not a lack of willingness to insure. It is the instability and unpredictability of the current marketplace.

Repeal of the mandate does not represent a retreat from accountability. It recognizes that a universal statutory requirement presumes a consistently functioning insurance market. When coverage becomes volatile, constrained, or misaligned with scale of risk, regulatory flexibility becomes appropriate. Negligent conduct remains subject to civil liability.

Alignment with the Department of Liquor and Lottery

We concur with the Department of Liquor and Lottery's request to repeal the mandate because it reflects a regulatory assessment that the requirement is not operating as originally intended under current market conditions.

This alignment underscores that the issue is one of regulatory effectiveness and market functionality, not industry avoidance of responsibility. When external insurance market forces disrupt the availability or predictability of coverage, recalibrating statutory requirements is appropriate.

Conclusion

The repeal of the mandatory liquor liability insurance requirement does not weaken Vermont's liability framework or diminish accountability. It maintains all existing civil and regulatory safeguards while recognizing current insurance market conditions. The suggested repeal is a measured, data-informed adjustment that preserves public safety guardrails while restoring regulatory proportionality. We appreciate the Committee's consideration and remain available for further dialogue.