

# Bars' premiums rise under new Conn. dram shop act

Copyright. InsuranceTimes™ © 2003 by M&S Communications, Inc. All rights reserved. November 25, 2003

by Pat Healy  
*InsuranceTimes*

HARTFORD — Ryan Lucas is marking up the prices on the menu at Hops Grillhouse in Manchester. Lucas, manager of the brewpub, said he has had to raise his prices because of the higher premiums he is paying for insurance.

Six months after Connecticut raised the limits of its Dram Shop Act, many owners of restaurants, bars and taverns in the state are reporting substantial increases in their premiums, with coverage readily available.

The Dram Shop Act allows for litigation against a person who sells alcohol to an intoxicated person who then causes injury to another person or their property as a result of his or her being drunk.

## Limits Raised

In June Connecticut raised the limits of the amount the victim can claim to \$250,000 per person and per incident, where the previous limits were \$20,000 per person and \$50,000 per incident.

The change came after a Conn. Supreme Court case found that the old Dram Shop Act did not bar suits against sellers of liquor based on negligence and found that the limits were outdated. For a brief period before the new limits were set, there were no limits whatsoever.

Jim Farrell, vice president of operations for the Connecticut Restaurant Association, said businesses have seen about a 30 percent increase in rates since the new limits have been in place, but this is much better than what restaurants, bars and taverns were experiencing when there were no limits at all.

"Nothing is perfect and the fact that you don't have to provide fault and fact that there are larger limits are not necessarily good things," he said, "but at least there is a cap on those limits."

Limits, said Farrell, mean that although coverage is expensive, it is still available.

"For a while places were unable to find insurance," he said, "and at least now they're able to find something."

## Trial Lawyers Gain

Barry Fitelson, a partner with the Connecticut Restaurant Insurance Program, said the only group that will benefit from this change is the trial lawyers.

"They could take the same case that before could have been settled for \$25,000 and get a whole lot more," he said. "To me they made out the best of everybody.

"The insurance companies aren't really going to get hurt by this because they can just choose not to write policies, and the business owners one way or the other are just going to pay more. The customer will then suffer because the drinks will be more expensive. Everybody passes it onto the next person."

Rich Nemarich, owner of Avon-based First & Last Tavern, said his premiums have gone up considerably in 2003, but he thinks the new limits are fair. He said items on the menu remain the same price, but he plans on changing that soon.

Jay DuMond, owner of Hartford's City Steam Brewery, said his customers have yet to see the effect of the revised limits, even though he elected to increase coverage to \$1 million.

"The insurance we had before was on a much lesser rate with \$50,000 so the rates would obviously go up," he said, "and you're obviously going to insure yourself for more."

## No Claims Yet

None of the restaurants have reported any claims under the new limits yet.

Warren Ruppar, vice president of the Independent Insurance Agents of Connecticut, said if that changes and the court cases start coming in, coverage won't just be expensive.

"If the claims start to come in with any frequency, I'd expect there would be some difficulty in the marketplace as far as finding coverage," he said. "Because who wants to be in that business if there are going to be a lot of claims?"

## Effect on Claims

John Scanlon, Jr., president of the Independent Insurance Agents of Connecticut and vice president of Meriden-based Stone Insurance Agency, said he is optimistic that an increase in claims is not likely.

"I don't think there is going to be a greater frequency of claims just because of higher limits," he said.

Fitelson agreed.

"The amount of claims is not going to go up and I don't believe the amount of paid claims is going to increase substantially," he said, "but the insurance companies are going to protect themselves and are not going to keep the rates the same. If they don't write a lot and they have a \$250,000 claim it's going to put a dent in what they do."

Fitelson said he thinks the rates are excessive though.

"The insurers have a well-documented and substantial reason to do it, but it's one thing to be going up a little, and I think this is going up a little more," he said. □