

INSURANCE FOR WINERIES

When shopping for property and liability insurance, it is important to find an agent or broker who is familiar with the wine industry. Ask for references. It has been my experience that agents that are unfamiliar with your industry do not properly place coverage, most frequently underinsuring wine stock or being unaware of other coverage options that can be important to wineries. Further, since most wineries are small business customers, many agents don't spend sufficient time to understand wineries.

Wineries are recognized as a desirable class of business for many insurance companies, recognizing that the loss exposure is low. As a result, a number of companies offer special programs for wineries with very competitive premiums and many coverage options. These companies include Firemans Fund, Unigard, Liberty Northwest, Allied, CNA, to name a few.

Many insurance coverages are the same for any business. You need to insure a building, contents, buy liability insurance. The following is a list of some potentially unique considerations for wineries:

1. Property valuation- Wine stock, both bottled and bulk, should be insured for the "selling price", i.e., what you would sell your wine for. You may have up to 3 years of red wine stock on hand. If it is destroyed, you are out of business for 3 years until you can replenish that stock. By insuring at "selling price", you can minimize the financial impact of that loss. Equipment and other contents, including barrels and tank, should be insured on a "replacement value" basis;
2. Do you have vineyards? If so, you need to insure your root stock, trellises, drip irrigation system...all not provided by regular policies;
3. Transit- Do you rent a truck to pickup grapes and juice from another location, like Eastern Washington? Is the juice insured while being transported? Is the rental truck insured?
4. Liquor legal liability- you can be held legally liable for the consequences of serving alcohol. Liquor legal liability is an absolutely mandatory coverage for wineries;
5. Do you have mobile equipment, forklifts, tractors, etc. that need special insurance?
6. Do you use an offsite storage facility for your wine stock? Does the policy extend to other locations?

Like other businesses, the minimum liability insurance you should purchase is \$1,000,000 per occurrence. However, depending on your assets, corporate structure, \$1,000,000 may well be inadequate and you may wish to consider an "umbrella" policy for additional liability protection.

All wineries must provide a "surety" tax bond to the US government. If you distribute directly into many states, the state may also require a tax bond. A bond is a financial guaranty. The "surety" providing the bond is guaranteeing that taxes (possibly other obligations) will be paid. A surety bond is more comparable to a loan than an insurance policy. The surety will ask for financial information and obtain a credit score in order to assure acceptability.

These are just a few high points. Please feel free to call me at any time if you have questions about insurance for wineries.

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425-478-6442 or 360-668-0866.