



Making the Wine: Exposures and Insurance for Wineries

 #IRMI2016



The number of wineries in the United States has increased by 190 percent since 1999, with wine now being produced in every state. The United States is now third among the 70 countries producing wine. Each step in the process of producing the wine, from transportation to sales, has unique exposures that must be addressed. This session will look at the exposures during the various stages of the process and discuss insurance issues and solutions to address the risks.

Notes

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US Wine Consumption

2016

Wine Consumption In The U.S.

Year	Total Wine per Resident ¹	Total Wine Gallons	Total Table Wine Gallons ²
2013	2.82 gals	892 million	779 million
2012	2.73 gals	856 million	749 million
2011	2.68 gals	836 million	724 million
2010	2.53 gals	784 million	681 million
2009	2.49 gals	763 million	666 million
2008	2.45 gals	746 million	650 million
2007	2.46 gals	742 million	647 million
2006	2.40 gals	717 million	628 million
2005	2.34 gals	691 million	609 million
2004	2.26 gals	665 million	589 million
2003	2.20 gals	639 million	570 million

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Source: wineinstitute.org.

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- America's top wine producer
- 4,400 bonded wineries
- 224.9 million cases
- \$24.6 billion retail value
- 60% share of the US market by volume
- \$1.5 billion in export revenue
- 5,900 wine grape growers
- 615,000 acres of wine grapes
- 4.24 million tons of wine grapes harvested

- Traditional
 - Are considered a wine manufacturer in the eyes of the law
 - Have an O2 license or an alternating premises O2 license
 - Have a physical space where they make their own wine
- Custom crush
 - Facilities make wine for others and possibly themselves
 - Have an O2 manufacturing license
 - Technically own the wine until it is released to the customer
- Virtual
 - Have a combination 17/20 license
 - 17: beer and wine wholesaler
 - 20: off-sale beer and wine
 - Do not "technically" own the wine until it is released from the manufacturing facility.
However, they have a stake in the outcome, by contract, and can legally insure the wine.

Typical types:

- Winery
- Warehouses for stock (owned/nonowned)
- General storage
- Office
- Tasting room
- Habitational units
- Halls/event center ... and more

- Construction
- Occupancy
- Protection
- Exposures

- Will insurer insure?
- Excluded perils?

- Real property
- Equipment breakdown



- Check insurers definition of stock
- Does it include?
 - Picked or crushed grapes
 - Wine in process
 - Wine in any stage of fermentation
 - Bottled wine
 - Wine in cooperage
 - Finished stock held in storage or for sale
 - Stock of others in your care, custody, or control

VALUATION is key!

- Bottled winery products: price it could have been sold for as case goods
 - Bulk wine: market value
 - Price it could have been sold for
- Or
- The market price of replaceable “bulk wine” of like kind quality

Typical exclusion: unpaid US IRS taxes and discounts and expenses you would have had.

- Direct physical loss or damage to wine products
- Check insurer's definition
 - Accidental damage to the tanks, vessels or barrels, or any of their component parts or connections **caused by you or your employee(s);**
 - The implosion or inward collapse of the tank, vessel, or barrel due to the failure of a pressure relief device on the tank, vessel, or barrel
 - **Errors or omissions by you or your employee(s)** with respect to:
 - (a) The storage, bottling, or maintenance of wine "stock"; or
 - (b) Maintenance of or work upon the tanks, vessels, or barrels

Stripped wing nut

\$240,000 leakage claim

At large tank farm—man way
door failed

Wine leakage \$500,000

Employee error while driving forklift

During racking process

- Size of largest tank?
- What is the MAXIMUM value per gallon?

Check insurer's wording. The following is a sample.

We will pay, under this Additional Coverage, for loss of or damage to wine "stock" whether finished or in-process, caused by "contamination."

"Contamination" means any impurity caused by contact or mixture with a **foreign substance**. Wine, sulfur dioxide, yeast, and any other component used in the winemaking process are not foreign substances. In addition, defects or inadequacies of raw stock are not considered foreign substances.



Employee drowning in tank

Cleaning agents in bottling process



The blaze could not be controlled by firefighters because the Mare Island building—a 1942 structure that once housed Navy torpedoes—had steel doors and 3-foot-thick concrete walls and a concrete roof that could not be penetrated.

Mare Island Lessons

2016

Aggregation of limits

Loss of blanket coverage

Valuation of stock

Winery Business Income

2016

- Business income and extra expense
- Extended period of indemnity
- Off premise utility interruption
- Dependency issues

Primary crime exposures

- Employee fidelity
- Money coverage
- Computer fraud
- Surety bonds

- Transportation floater
- Motor truck cargo
- Ocean marine cargo
- Accounts receivable
- Valuable papers
- Electronic data processing
- Fine arts
- Signs

- Wine products: still and sparkling
 - Customer becomes ill from drinking wine
 - Sparkling wine bottle explodes while opening
- Liquor liability
 - Tasting room: pouring and sales to intoxicated customers
 - Sales to underage customers

- 2.38 gallons per case
- Why should I know this?

Tasting rooms:

- On site of winery
 - Picnic facility?
 - Playground?
 - Ponds
- Off-site storefront
- Off-site tasting

- CGL
- Umbrella
- Liquor liability

Retail exposures:

- Gift stores
- Food products
 - Deli
 - Full restaurant

- CGL
- Liquor liability
- Umbrella

LODGING EXPOSURES

- Life safety
- Pools
- Lakes
- Meals
- Activities

Cherry Hill Vineyard—
seasonal camp opened
in 2002. Viticulture dude
ranch. “... *Tend vines,
hoist grapes for first
crush ...*”

- CGL
- Umbrella
- Liquor liability

SPECIAL EVENTS ON SITE

- Weddings, corporate events
- Concerts
- BBQ
- Grape stomps
- Bottle your own
- Holiday parties
 - Hay rides
 - Fireworks

- CGL
- Special event
- Umbrella
- Liquor liability
- Garagekeepers legal liability

TOURS

- Winery
- Cave
- Vineyard
- Auto

- CGL
- Auto liability
- Umbrella

Intellectual property: copyright, trade dress, slogan

Advertising injury

Types of autos

- Farm use
 - Seasonal
- Personal use
- Delivery of wine

- Drivers
 - Age
 - Licensed
 - Employee personal use
- Coverage forms
 - Auto pollution
 - Filings

- Workers compensation
- Employee benefits
- Employment practice