
FISCAL TOPICS

Fiscal Services Division

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Dramshop Insurance

Background

Dramshop insurance covers liabilities associated with the sale of alcohol, specifically for overservice resulting in intoxication. Dramshop insurance has been a requirement for holding and maintaining an Iowa liquor license since 1963. During the online application process for licensing, the licensee's insurance carrier must provide dramshop policy information to the Alcoholic Beverages Division (ABD) of the Department of Revenue. The dramshop insurance policy must remain in effect the entire licensure period and must be updated annually upon renewal of the liquor license. Licensees that allow for on-premises consumption are required to carry a minimum bodily injury or death coverage of \$50,000 per individual (\$100,000 cumulative) and loss of support coverage of at least \$25,000 per individual (\$50,000 cumulative), as established in [185 IAC 5.8\(2\)](#).

Policies cannot place an aggregate or cap on total settlements for the life of the policy. Only businesses that serve alcohol for on-site consumption are required to hold dramshop insurance. Liquor stores, convenience stores, and grocery stores are not required to have dramshop insurance.

The Iowa Insurance Division (IID) is required to conduct an evaluation concerning minimum coverage requirements of dramshop liability insurance in the State, including a comparison of other states' minimum dramshop liability insurance coverage. In accordance with Iowa Code section [505.33](#), the IID is required to submit a report to the General Assembly every two years, as provided in Iowa Code chapter [7A](#). The initial report was due January 31, 2019. The [most recent report](#) was due January 31, 2023.

Other States

Of the six states that border Iowa, only Minnesota and Illinois statutorily require dramshop insurance. Minnesota requires bodily injury coverage of at least \$50,000 per individual (\$100,000 cumulative), loss of support coverage of at least \$50,000 per individual (\$100,000 cumulative), and pecuniary loss coverage of at least \$50,000 per individual (\$100,000 cumulative). Illinois requires personal injury coverage of approximately \$83,000 minimum, property damage coverage of approximately \$83,000 minimum, and loss of support coverage of approximately \$101,000 minimum.

Thirty states have statutory provisions that allow licensed establishments such as restaurants, bars, and liquor stores to be held liable for selling or serving alcohol to individuals who cause injuries or death as a result of their intoxication. Twenty-two of the 30 states statutorily limit the liability to cases where the establishment sold or served alcohol to an obviously intoxicated individual or a person under the legal drinking age. Iowa does not limit liability to establishments overserving patrons who later cause injuries or death as a result of their intoxication.

More Information

Department of Revenue, Alcoholic Beverages Division: abd.iowa.gov

Iowa Insurance Division: iid.iowa.gov

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Related Statutes

Iowa Code section [123.92](#) — Civil liability for dispensing or sale and service of any alcoholic beverage (Dramshop Act) — liability insurance — underage persons

Iowa Code section [123.95](#) — Premises must be licensed — exception as to conventions and social gatherings

Iowa Code section [505.33](#) — Dramshop liability insurance evaluations

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