



March 14, 2025

Mr. W. Charles Smithson
Secretary of the Iowa Senate
State Capitol
Des Moines, Iowa 50319

Ms. Meghan Nelson
Chief Clerk of the Iowa House
State Capitol
Des Moines, Iowa 50319

RE: Fourth Biennial Dramshop Liability Insurance in Iowa Report

Dear Secretary Smithson and Chief Clerk Nelson:

Enclosed please find the Iowa Insurance Division's third biennial report which evaluates the dramshop liability insurance market in Iowa pursuant to Iowa Code 505.33.¹

If you have questions, please contact Daniel Mathis at (515) 654-6520.
Sincerely,

Doug Ommen
Commissioner of Insurance

¹ Iowa Code 505.33 provides that biennially, an evaluation and report concerning minimum coverage requirements of dramshop liability insurance be conducted.

Dram Shop Liability Insurance in Iowa

Fourth Biennial Report
for the period of January 1, 2019 to December 31, 2023

Executive Summary

Effective July 1, 2018, Iowa Code Section 505.33 directed the Iowa Insurance Division to conduct an evaluation of dram shop liability insurance in Iowa and to report biennially to the Iowa General Assembly. In 2018, the Iowa General Assembly limited the liability of an alcoholic beverage licensee or permittee for certain alcohol-related injuries.

Dram shop liability insurance in Iowa is required by Iowa Code section 123.92. Iowa's dramshop law holds on-premise licensed establishments that serve intoxicated patrons responsible for resulting injury or harm to innocent third-parties. Dramshop laws are intended to protect the general public from harm or loss due to over service of intoxicated patrons on a licensed premises.²

Highlights 2019 through 2023:

- 10 companies write 86.22% of dram shop coverage in Iowa;
- The number of policies written increased during the period;
- The number of claims paid increased significantly between 2019-2020 (115 in 2020) and decreased 192 significantly from 2021-2023 (37 in 2023);
- The cost and severity of claims increased significantly during the period (average cost per claim in 2019 was \$29,721 compared to the average cost per claim in 2023 of \$101,249. This observation is consistent with overall general liability losses, which have more than doubled in the past 10 years (Moody's Ratings, US Insurance Industry Overview 2024);³
- Average loss ratio was 31.30% during the period;
- Total premiums collected by insurers increased 19.59% over the period;

The dram shop marketplace has seen increases in participation by both insurers and insureds. Losses continue to remain lower than premiums collected. While the average loss ratio during the period was 31.30%, the size of claim has materially increased. Two of Iowa's neighboring states have not adopted any legislation related to dram shop liability. Only one other state bordering Iowa has established dram shop limits on liability.

No findings or recommendations were identified as a result of this evaluation.

² <https://revenue.iowa.gov/permits-licensing/alcohol/regulation-complaints/dramshop-protection#:~:text=Iowa%20has%20a%20dramshop%20law,patrons%20on%20a%20licensed%20premises>

³ Moody's Ratings, US Insurance Industry Overview 2024, page 26. NAIC Library, <https://naic.soutrnglobal.net/Reslib/Public/en-US/RecordView/Index/26857>

Response Overview

This report has been compiled using the data submitted by companies. As a result, the accuracy of this report is dependent on the accuracy of each company's submission. Future releases of this data may contain revisions.

In 2023, 127 companies reported dram shop premium from 563 companies queried. Of those, 18 are domestic insurers in Iowa, 98 are admitted companies, and 11 are surplus lines insurers. Since 2019, the number of companies reporting premium has generally increased and primarily attributed to the increase in admitted carriers. See in the table below.

Carrier Type	2019	2020	2021	2022	2023
Admitted	100	74	81	90	98
Domestic	22	20	20	20	18
Surplus Lines	13	10	12	15	11
Grand Total	135	104	113	125	127

Domestic insurers account for 5.13% of total direct written premium in 2023. This has decreased each year from 7.88% in 2019. Admitted insurers have increased total direct premiums nearly each year from 2019 to 2023, accounting for 89.40% of direct written premium in 2023 – compared to 84.02% in 2019.

Carrier Type	2019		2020		2021	
	% of Total	Direct Premiums Written	% of Total	Direct Premiums Written	% of Total	Direct Premiums Written
Admitted	84.02%	\$8,768,798	86.06%	\$7,134,405	87.40%	\$9,164,149
Domestic	7.88%	\$822,643	7.41%	\$614,355	6.61%	\$692,884
Surplus Lines	8.10%	\$845,215	6.53%	\$541,751	5.99%	\$628,390
Grand Total	100.00%	\$10,436,656	100.00%	\$8,290,511	100.00%	\$10,485,423

Carrier Type	2022		2023	
	% of Total	Direct Premiums Written	% of Total	Direct Premiums Written
Admitted	88.59%	\$10,230,499	89.40%	\$11,157,921
Domestic	5.69%	\$656,557	5.13%	\$640,648
Surplus Lines	5.73%	\$661,178	5.47%	\$682,323
Grand Total	100.00%	\$11,548,235	100.00%	\$12,480,892

⁴ **Domestic Insurer** - an insurance company that is domiciled and licensed in the state in which it sells insurance.

Admitted Company - an insurance company licensed to do business in a state(s), domiciled in an alternative state or country.

Surplus Lines - specialized property or liability coverage available via non-admitted insurers where coverage is not available through an admitted insurer, licensed to sell that particular coverage in the state.

https://content.naic.org/consumer_glossary.htm

Data Reported

Below is the summary of the aggregated data related to the sale of dram shop coverage by reporting companies.

	2019	2020	2021	2022	2023
Direct Premiums Written	\$10,436,656	\$8,290,511	\$10,485,423	\$11,548,235	\$12,480,892
Direct Premiums Earned	\$10,200,949	\$8,186,717	\$9,713,998	\$10,920,379	\$11,579,037
Dividends To Policyholders On Direct Business	\$0	\$0	\$0	\$0	\$0
Direct Unearned Premium Reserves	\$5,422,050	\$10,678,286	\$4,664,250	\$4,716,176	\$3,621,668
Direct Losses Incurred	\$2,734,304	\$4,430,462	\$1,368,392	\$3,904,369	\$3,746,200
Direct Defense And Cost Containment Expense Incurred	\$333,730	\$994,246	\$476,672	\$207,188	\$631,874
Commission And Brokerage Expenses	\$1,593,131	\$3,227,475	\$1,583,704	\$1,728,095	\$1,868,063
Taxes, Licenses And Fees	\$83,633	\$330,174	\$88,551	\$72,810	\$82,120
Annual Written Exposure Count	5,618	5,722	6,766	8,203	9,689
Paid Claim Count	92	115	43	43	37
Claims Closed Without Payment	41	16	52	43	48

Annual Written Exposure Count

The annual written exposure is defined as one year of coverage for one establishment. The number of dram shops insured in Iowa have increased each of the last five years, though premium per exposure gradually decreased except for 2021.

	2019	2020	2021	2022	2023
Direct Premiums Written	\$10,436,656	\$8,290,511	\$10,485,423	\$11,548,235	\$12,480,892
Annual Written Exposure Count	5,618	5,722	6,766	8,203	9,689
Premium per Exposure	\$1,858	\$1,449	\$1,550	\$1,408	\$1,288
Difference from Previous Year	\$460	(\$409)	\$101	(\$142)	(\$120)
% Difference from Previous Year	32.90%	-22.01%	6.97%	-9.16%	-8.50%

Direct Written Premium

Total direct written premium in 2023 was \$12.5 million and \$11.5 million in 2022, representing an 8.08% year over year increase. Excluding 2020, direct written premiums have increased each year since 2019. The following table shows premium trends over the five-year period.

	2019	2020	2021	2022	2023
Direct Premiums Written	\$10,436,656	\$8,290,511	\$10,485,423	\$11,548,235	\$12,480,892
Difference from the Previous Year	\$2,297,227	(\$2,146,145)	\$2,194,912	\$1,062,812	\$932,658
% Difference from the Previous Year	28.22%	-20.56%	26.47%	10.14%	8.08%

In 2019, the top 10 companies accounted for 83.96% of direct written premiums and has trended upwards. 86.22% of premiums are written by the top 10 companies, and one company accounted for 42.12% of all direct written premium in 2023. Of the top 10 companies, one was an Iowa domestic and accounted for 2.23% of direct premiums written in 2023.

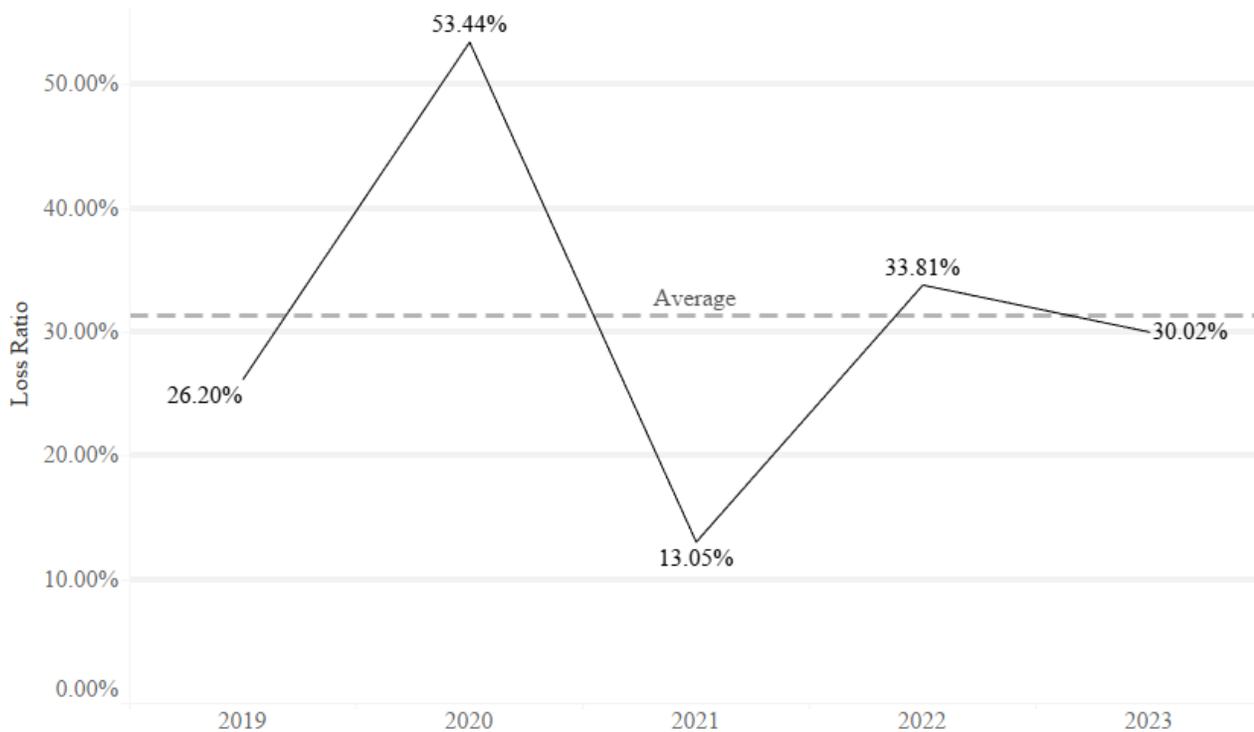
NAIC Company Code	Company Name	Carrier Type	2023	
			% of Total	Direct Premiums Written
15571	Illinois Casualty Company	Admitted	42.12%	\$5,256,653
14249	Founders Insurance Company	Admitted	19.69%	\$2,457,442
15261	Society Insurance, a mutual company	Admitted	7.87%	\$981,974
19780	Specialty Risk of America	Admitted	4.52%	\$563,614
26522	Mount Vernon Fire Insurance Company	Surplus Lines	3.05%	\$381,259
13420	Badger Mutual Insurance Company	Admitted	2.99%	\$372,936
14117	Grinnell Mutual Reinsurance Company	Domestic	2.23%	\$278,368
22586	Atlantic States Insurance Company	Admitted	1.57%	\$195,564
15350	West Bend Mutual Insurance Company	Admitted	1.40%	\$174,279
22543	SECURA Insurance Company	Admitted	0.78%	\$97,200

Paid Claims

There were 37 paid claims in 2023 and 43 in 2022 totaling direct incurred losses of \$3,746,200 and \$3,904,369, respectively. 2023 incurred losses were paid by 15 companies and claim payments and total claims count were substantially higher in 2019 and 2020, though in 2020 89.84% of the total was paid by two companies. Total claims count was substantially higher in 2019 and 2020, though steadily decreased from 2021-2023. The average cost per claim paid increased significantly between 2021-2022 and increased again in 2023. Loss ratio was inconsistent from 2019-2021 but has remained steady from 2022-2023.

	2019	2020	2021	2022	2023
Direct Losses Incurred	\$2,734,304	\$4,430,462	\$1,368,392	\$3,904,369	\$3,746,200
Direct Premiums Written	\$10,436,656	\$8,290,511	\$10,485,423	\$11,548,235	\$12,480,892
Total Claims	133	131	95	86	85
Paid Claim Count	92	115	43	43	37
Average cost per claim	\$29,721	\$38,526	\$31,823	\$90,799	\$101,249
Loss Ratio	26.20%	53.44%	13.05%	33.81%	30.02%

The aggregate loss ratio – or claims incurred as a percentage of earned premium – was 30.02% in 2023 and 33.81% in 2022. The 53.44% loss ratio in 2020 is attributed to one company which accounted for 76.33% of incurred losses in 2020. For the five-year period from 2019 to 2023, the average loss ratio was 31.30% as shown in the graph below.



Closed Claims without Payment

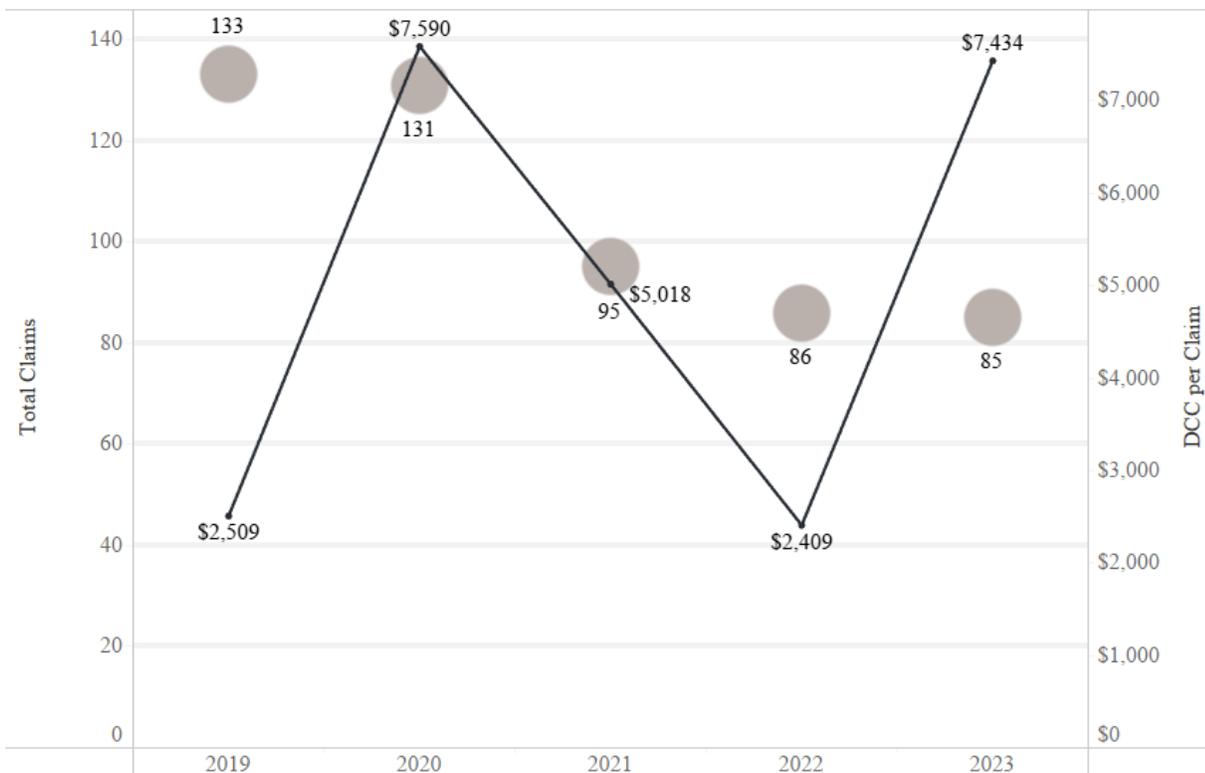
The number of claims closed without payment increased in 2023 to 48 claims, from 43 claims in 2022. The percentage of closed claims without payment to total claims reported was 56.47% in 2023 and 50.00% in 2022, as shown in the following table. Claims closed without payment generally trended upwards, except for 2020.

	2019	2020	2021	2022	2023
Paid Claim Count	92	115	43	43	37
Claims Closed Without Payment	41	16	52	43	48
Total Claims	133	131	95	86	85
Claims Closed Without Payment to Total Claims	30.83%	12.21%	54.74%	50.00%	56.47%

Defense Costs

Defense and cost containment (DCC) expense includes defense, litigation, and medical cost containment expenses, whether as an internal or external expense. DCC expenses are tied to the number and/or the severity of claims.

In aggregate, the companies reported \$631,874.32 in defense and cost containment expenses incurred for 2023, which is higher than the reported \$207,187.66 for 2022. This large difference is largely attributed to three companies with the first loss at \$272,871, and the two remaining companies at \$181,916.38 and \$181,415 in defense and cost containment in 2023. Claims reported (paid and closed without payment) increased in 2019 and 2020 with 92 and 115 paid claims. Excluding these outliers, paid claim count remained flat.



Comparison of Surrounding States Liability Statutes

Iowa Code section 123.92 states that any person who is injured in person or property or means of support by an intoxicated person or resulting from the intoxication of a person, has a right of action for all damages actually sustained, severally or jointly, against any licensee or permittee, whether or not the license or permit was issued by the division or by the licensing authority of any other state, who sold and served any beer, wine, or intoxicating liquor to the intoxicated person when the licensee or permittee knew or should have known the person was intoxicated, or who sold to and served the person to a point where the licensee or permittee knew or should have known the person would become intoxicated but does not set liability caps. A licensee or permittee can establish an affirmative defense if they can demonstrate that the intoxication did not contribute to the injuries. In these claims, non-economic damages are limited to \$250,000, except in some situations involving a substantial or permanent loss or impairment of a bodily function, substantial disfigurement, or death.

Kansas, and South Dakota do not currently have dram shop statutes.

Nebraska's dram shop law is in Nebraska Revised Statutes §53-404. The law holds alcohol-serving establishments (also includes social hosts, anyone that knowingly procured alcohol for a minor, or any retailer who sold alcohol to a minor) responsible for injuries, wrongful death, or property damage caused by intoxicated minors. A retailer may have an absolute defense if the minor provided an ID when purchasing alcohol.

Illinois Statute Chapter 235, §5/6-21(a) limits damages that are recoverable in dram shop actions. For all causes of action involving persons injured, killed, or incurring property damage on or after January 20, 2024, damages for personal injury and property damage were capped at \$85,578.54, while damages for loss of means of support or loss of society resulting from death or injury were capped at \$104,595.99. These liability limits are adjusted annually based on the consumer price index published by the Bureau of Labor Statistics.

Minnesota Statutes §340A provides a person who is injured by an intoxicated person has a right of action against a person who caused the intoxication by "illegally selling" alcoholic beverages but does not set liability caps.

In Missouri, dram shop liability can be established by selling intoxicating liquor on the premises to a person under the age of 21 or by serving intoxicating liquor to a "visibly intoxicated" person per Missouri Code §537.053, but no caps on liability exists.

Wisconsin Code §125.035 assigns dram shop liability only under very specific conditions. If civil liability can be established, there is no cap on the liability.