



## BEVERAGE MANUFACTURING

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## JIM BEAM DISTILLERY FIRE

Video [https://www.youtube.com/watch?v=V\\_v4ECim3Ig](https://www.youtube.com/watch?v=V_v4ECim3Ig)

Source CNBC

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[ 2 ]



## SECURA INSURED BREWERY FIRE

A SECURA insured for over 10 years

Annual Premium was \$62,362, paid \$5.4M

Three Risk Management (Loss Prevention) visits during the insured period

**Cause of Loss:** Contractor spraying polyurethane foam on the walls of a 2nd story beer cellar. The spray foam machine was on a landing outside the cellar with hoses running down to the contractor's truck on ground level. The contractor walked away from the machine and while gone, it started on fire.

**Subro:** \$2.2M

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[ 3 ]



## THE NEW TRENDS

- Significant growth in beverage manufacturing
  - Craft Beers
  - Wineries
  - Distilleries
  - “Functional” beverages – enhance bodily health
    - Kombucha
    - Energy drinks
    - Cannabis infused
    - Pre/Probiotics

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[ 4 ]

## INDUSTRY GROWTH - BEER

|                    | 2014         | 2015         | 2016         | 2017         | 2018         | Change ('17-'18) |
|--------------------|--------------|--------------|--------------|--------------|--------------|------------------|
| Regional Craft     | 135          | 178          | 186          | 202          | 230          | 13.9%            |
| Microbreweries     | 2,076        | 2,626        | 3,251        | 3,933        | 4,522        | 15%              |
| Brewpubs           | 1,603        | 1,824        | 2,102        | 2,355        | 2,594        | 10.1%            |
| <b>Total Craft</b> | <b>3,814</b> | <b>4,628</b> | <b>5,539</b> | <b>6,490</b> | <b>7,346</b> | <b>13.2%</b>     |
| Large/Non-craft    | 46           | 44           | 67           | 106          | 104          | 1.9%             |
| <b>Total U.S.</b>  | <b>3,869</b> | <b>4,672</b> | <b>5,606</b> | <b>6,596</b> | <b>7,450</b> | <b>12.9%</b>     |

- In 2008, only 1574 total breweries in the US
- Significant growth in both craft beer and microbreweries
- Craft breweries have 24% of the US beer market

Source: Craft Beer Boom: The Numbers Behind the Industry's Explosive Growth

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[ 5 ]

## TYPES OF BREWERIES

### Macrobrewery

- Distributes more than 6 million barrels annually
- Mass-produced, cheaper



### Craft Brewery

- Less than 6 million barrels annually
- Majority independently owned
- Traditional ingredients, cannot alter to save on costs like the macro-breweries

### Microbrewery

- No more than 15,000 barrels per year
- Must sell at least 25% of their beer on site
- Known for specialty beer, small batch and seasonal



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[ 6 ]

## CRAFT BEER – IMAGINATION

- Deer-antler infused beer
- Lucky Charms
- Whale testicle beer, Bull testicle beer
- 67.5% alcohol – Brewmeister \*
- Yeast swabbed from the author Roald Dahl's writing chair - 40FT Brewery \*
- Raw oysters shucked directly in to conditioning tank to make oyster stout (The Porterhouse Brewing Co) \*
- Pisner - a beer by Norrebro Bryghus in Denmark was made after collecting over 50,000 gallons of urine which was used to fertilize malted barley (beercycling) \*



\* Source: The 13 Strangest Beers on Earth

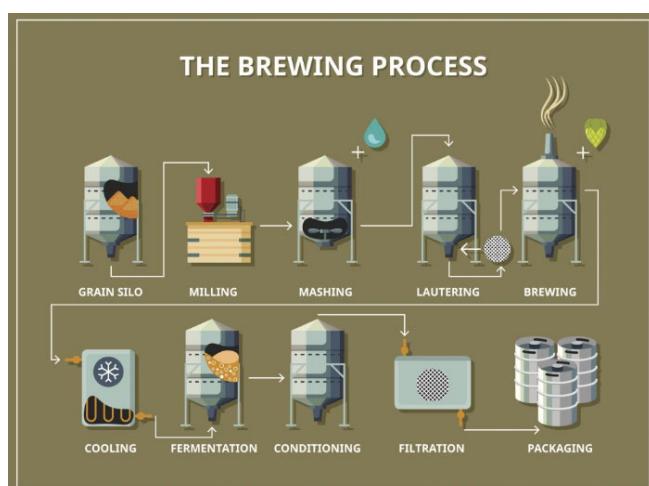
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[ 7 ]

## PRODUCTION OVERVIEW – BREWERIES

### 9 Step Process

1. Malting – preparing the barley (Agribusiness)
2. Milling – Malt is turned in to dry grist (Agribusiness)
3. Mashing
  - Grist is soaked in hot water for hours, creating a mash
  - Usually the first step the brewer is involved in
4. Lautering – Liquids strained and drained creating a wort
5. Boiling – Other ingredients add for flavor and boiled additional 45-90 minutes
6. Fermentation – Yeast is added, will consume the sugars in the wort and creates alcohol and carbon dioxide
7. Conditioning – Aging process in tanks for flavor and carbonization, may be days to months
8. Filtering – Sediment is removed
9. Packaging – cans, bottles, kegs, taps



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[ 8 ]

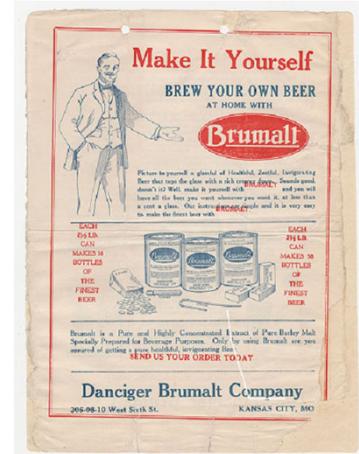
## THE HAZARDS OF BREWERIES

### Work Comp:

- Confined Spaces (Entering Vats to Clean)
- Slips/Trips
- Falls from Heights (Platforms/Ladders)
- Strains/Sprains (Hauling Grains, Barrels)
- Burns
- Hazardous Chemicals/Compressed Gasses
- Machinery (Bottling Process)

### Property/Casualty:

- Contamination of Product/Incorrect Mixing
- Tank Leakage/Collapse
- Auto
- Combustible Dusts



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[ 9 ]

## PRODUCTION OVERVIEW – WINERIES

### 5 Step Process

1. Harvesting – grapes harvested from vineyard (Agribusiness)
2. Crushing – typically automated to drain the juices and skins, creating a semi-liquid called must
3. Fermentation – Must is stored in tanks or barrels; yeast and sugars are added. Process takes weeks and pH levels are tested periodically
4. Clarification / Filtering – Tannins, proteins, skins, and dead yeast are removed
5. Bottling / Aging – aging is completed in the bottle



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[ 10 ]

## THE HAZARDS OF WINERIES

Similar to breweries, unless there is a growing operation

### Work Comp:

- Confined Spaces (Entering Vats to Clean)
- Slips/Trips (Wet Environments)
- Falls from Heights (Platforms/Ladders)
- Strains/Sprains (Hauling Grains, Barrels, etc)
- Burns (Hot Process)
- Hazardous Chemicals/Compressed Gasses (Cleaning/Brewing Process)
- Heat Stroke (During Harvesting)
- Machinery (Bottling Process)

### Property/Casualty:

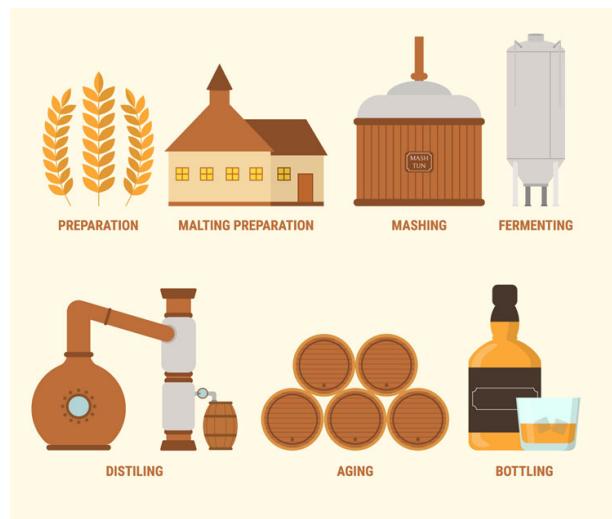
- Contamination of Product/Incorrect Mixing
- Tank Leakage/Collapse
- Auto

## PRODUCTION OVERVIEW - DISTILLERIES

### 6 Step Process (Bourbon example)

1. **Grinding and Milling (Ag)** – raw materials passed through sifting screens, transported to milling system where grain hammer turns to fine powder or meal
2. **Mashing** – ingredients added to hot water to cook for a few hours creating a mash
3. **Yeasting and Fermentation** – mash is cooled and added to fermenters, yeast is added to convert the sugars to alcohol and carbon dioxide
4. **Distilling Process** - (typically done twice) – The wort substance is heated at a high temperature to separate the alcohol from the mash
5. **Maturing** – Spirit is poured in to oak casks and set to age from 1-12 years
6. **Bottling**

Some barrels are then reused or sold to others



## HAZARDS OF DISTILLERIES

Again, similar to the other two

Work Comp:

- Confined Spaces (Entering Vats to Clean)
- Slips/Trips (Wet Environments)
- Falls from Heights (Platforms/Ladders)
- Strains/Sprains (Hauling Grains, Barrels)
- Burns (Hot Process)
- Hazardous Chemicals/Compressed Gasses (Cleaning/Brewing Process)
- Machinery (Bottling Process)

Property/Casualty:

- Contamination of Product/Incorrect Mixing
- Tank Leakage/Collapse
- Auto
- Combustible Dusts
- Lightning

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[ 13 ]

## WHAT EXPOSURES EXIST?



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[ 14 ]

## UNIQUE HAZARDS

| Property  | Premises  | Products                                | Special Events                              | Auto                            | Work Comp                                  |
|---|---|---|---|---------------------------------|--|
| Ignition sources and fire loads                         | On-premises liquor exposures                                | Contamination, Spoilage                 | On or off premises festivals                | Safe ride programs              | Bending and lifting, sprains and strains   |
| Expensive equipment, Breakdown                          | Activities, games, restaurant or food trucks, entertainment | Improper labeling / allergens / organic | Food trucks                                 | Shuttles                        | Burns, hazardous chemicals, compressed gas |
| Inventory   | Tours and tasting rooms                                     | Trademark infringement                  | Entertainment                               | Refrigerated units              | Bottling risks, glass breakage             |
| Building values and location (common to see PC 9 or 10) | Dog bites   | Pasteurized or unpasteurized            | Weddings, parties                           | Theft                           | Confined spaces                            |
| Converted buildings                                     | Parties, social events                                      | CBD, Hemp, Energy Drinks                | Special promotions (goat yoga, tournaments) | Deliveries – Wholesale / Retail | Heavy machinery exposures                  |
| Tank Collapse   | Drink specials, closing times                               | Tank Leakage                            | Catering                                    | Home deliveries                 | Heat stroke                                |

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[ 15 ]

## UNIQUE EXPOSURES – TRADEMARK INFRINGEMENT

- Trademark litigation is costly and time consuming
- Similar names, similar products, confusing product name affiliations
  - Breaking Bud by Knee Deep Brewing sued by Sony Pictures (Breaking Bad)
  - Makers of Guns 'N' Rosé being sued by Band Guns N' Roses
  - Strange Brew Company (CO) sued by Strange Brew Beer & Wine Making Supplies (MA)
  - Farm Girl maker Lift Bridge Brewing Co suing Lucett Brewing for beer named Farmer's Daughter
- Avoid Litigation
  - Thorough search including similar terms, similar products
  - Register name with US Patent and Trademark Office
- Monitor the brand – are others infringing on the product name?

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[ 16 ]

## UNIQUE EXPOSURES – COVID

- Deliveries and Drive-Ups
- Distilleries manufacturing hand sanitizer



### VOLUNTARY DRUG RECALL

Dear Costco Member,  
Costco's records indicate you purchased item # 1876544, Blumen Hand Sanitizer 33.8 oz. between May 11, 2020 and July 19, 2020.



In conjunction with the U.S. Food and Drug Administration, 4E Brands has expanded its recall to include ALL lot codes of this product due to the potential presence of methanol (wood alcohol).

Substantial methanol exposure could result in nausea, vomiting, headache, blurred vision, permanent blindness, seizures, coma, and permanent damage to the nervous system or death. Although all persons using these products on their hands are at risk, young children who accidentally ingest these products, and adolescents and adults who drink these products as an alcohol (ethanol) substitute, are most at risk for methanol poisoning.

Please return any affected product to your local Costco for a full refund. We apologize for any inconvenience this may cause. Please contact 4E Brands at 1-888-843-0254 from 8:00am – 5:00pm EDT or 4EBands8797@eRecycle.com with questions.

## WHAT GOES IN TO RESEARCHING A NEW PROGRAM?

- Internal Project Team
  - Claims
  - Research and Development
  - Marketing
  - Sales
  - Risk Management
  - Underwriting
- External Sources
  - Reviewing State Filings
  - Online / Trade Associations Research
  - Agent Feedback

## FARM AND AGRIBUSINESS

### Potential Exposures not Typical to Commercial Lines

- Crops – Hops, Barley, Grapes
- Vine and Trellis
- Harvesting
- Silos and Grain Bins
- Malting – preparing the barley
- Milling – cracking malt, creating a dry grist for mashing

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[ 19 ]

## SPECIAL COVERAGE NEEDS

- Tank Collapse and Leakage
- Product Contamination and Spoilage
- Crops, Vines
- Key Employees
- Valuation of Products
- Tank Collapse
- Liquor Liability
- Equipment Breakdown
- EPLI



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[ 20 ]

## RATING THE GL - MANY, MANY, MANY CODES

Many, many, many GL codes to consider (and many more)

- Off Premise Consumption
  - 51350 – Beer, Ale or Malt Liquor Mfg (in bottles)
  - 51351 – Beer, Ale, or Malt Liquor Mfg (in cans)
  - 51352 – Beer, Ale or Malt Liquor Mfg (not bottled or canned)
  - 50911 – Liquor Liability for Manufacturing
  - 10145 – Beverage Stores
- On Premise Consumption
  - 16900 – Restaurant code (or equivalent)
  - 58161 – Liquor Liability for Restaurants
- Additional common codes
  - 44276 – Halls
  - 11039 – Caterers
  - 11127 – Clothing or Wearing Apparel Stores
  - 13506 – Gift Shops

## GL CODES - CONTINUED

- If beer/wine is consumed off-premise, use the appropriate beer/wine manufacturing code or beverage store codes.
- Manufacturing liquor liability exposure should be the sum of all alcohol manufacturing not consumed on-premises.
- Sales for off-premises consumption – Beverage Store (if sold away from where manufacturing was done) or manufacturing codes if sold onsite
- If beer/wine is consumed on premise, use the appropriate restaurant code.
- Liquor liability exposure for on premise consumption – appropriate rating needed

## RATING EXAMPLE

ABC Brewing Co. sells products to local retail stores. In addition, they have a small on-site tasting room and restaurant with products available for customers to take home where they also sell items like shirts, hats and glasses.

**Wholesale:**

|                                     |           |
|-------------------------------------|-----------|
| Beer Sales - Bottles                | \$500,000 |
| Beer Sales - Cans                   | \$100,000 |
| Beer Sales - Kegs                   | \$75,000  |
| <b>Retail Sales</b>                 |           |
| Store Sales - Bottles               | \$50,000  |
| Store Sales - Cans                  | \$50,000  |
| Store Sales - Shirts, Hats, Glasses | \$25,000  |

**Restaurant and Tasting Room:**

|                           |                    |
|---------------------------|--------------------|
| Restaurant Sales - Food   | \$100,000          |
| Restaurant Sales - Liquor | \$250,000          |
| <b>Total Sales</b>        | <b>\$1,150,000</b> |

| GL Classification Description                        | CL Code | Exposures |
|--|---------|-----------|
| Beer, Ale or Malt Liquor Mfg - In Bottles            | 51350   | \$550,000 |
| Beer, Ale or Malt Liquor Mfg - In Cans               | 51351   | \$150,000 |
| Beer, Ale or Malt Liquor Mfg - Not Bottled or canned | 51352   | \$75,000  |
| Clothing or Wearing Apparel Stores                   | 11127   | \$25,000  |
| Restaurant (71% Liquor)                              | 16916   | \$350,000 |
| <b>Liquor Liability - If Applicable</b>              |         |           |
| Liquor Liability - Off-Premises - Wholesale          | 50911   | \$675,000 |
| Liquor Liability - Off-Premises - Retail             | 59211   | \$100,000 |
| Liquor Liability - On-Premises                       | 58161   | \$250,000 |

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[ 23 ]

## OTHER GENERAL HAZARDS / CONSIDERATIONS

Oxygen deprived atmospheres



Fires & Explosions

Spillage/Spoilage

Use a contract bottler



Use common carrier to transport product/materials

Joining Association's can give information on risk management practices to avoid these issues, as well as provide training, certifications, etc

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[ 24 ]

Jim Beam Fire



Coors Fire



Blue Bell Winery Fire

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[ 25 ]



Questions?

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[ 26 ]