

DISTILLERY INSURANCE FACT SHEET

This fact sheet provides some simple facts about insurance for distilleries, things to think about when starting a new distillery and how they'll impact your insurance premium.

WHAT IS INSURANCE?

Insurance works to protect you, your family, and the life you lead.

A simple way to look at insurance is if a group of people with similar circumstances put a regular amount of money (premium) into the pot (pool of funds) so that should one member suffer a loss, the group contributes to the recovery rather than just the individual.

It's a bit like gambling, only it's the one who loses that gets paid out. If you are unfortunate to suffer a loss, the pot pays out the costs to get you back up and going again (subject to the policy conditions and insurance purchased).

WHAT INSURANCES SHOULD A DISTILLERY HAVE?

Below are some of the most common types of insurance suited to distilleries, and it's important to know just what each is for:

- **Business insurance**
 - Property – all the things you own (buildings, contents, stock).
 - Business Interruption– get back the profit you can't make should your distillery be temporarily out of action.
 - Liability – covers the uncontrollable issues that happen to other people or their things which they blame you for.
 - Can cover theft, glass, money, machinery breakdown and a bunch of other stuff.
- **Transit insurance** – what happens if the product is spilt while in transit?
- **Travel insurance** – know you're protected when visiting exotic distilleries around the globe (for educational purposes of course)

- **Motor vehicle insurance** – keep that shiny machine looking great even if someone stacks it (or into it!)
- **Cyber insurance** – it's like calling in pest control for your IT network. It's protection for what cyber criminals take and damage. Stop the pests from getting into everything. Remember just because you can't see them doesn't mean they aren't there.

Keep in mind there are many other insurances available. If you can think of it, then there's probably a solution for it (or a reason why it can't be done).

WHAT CAN IMPACT THE COST OF MY INSURANCE?

There's a variety of things that can change the cost of your insurance, but we've listed the most common factors below:

Property:

- What's the building made of: steel, concrete, bricks, wood, straw? They all behave differently when things go wrong.
- How old is the building and has it been renovated? Rusty pipes and rodent-chewed wiring can be a big problem.
- Is there a cool room or insulated panels in the building? How big is the cool room and what's it made from? Not all cool rooms or panels are made the same (some of this stuff burns like crazy; google it).
- Do you have fire protection? What have you got to stop a fire spreading (not just crossed fingers and a plastic bucket)? Do you have extinguishers, fire hose reels, working smoke alarms, sprinkler systems etc.?
- Security – What do you have in place to keep the riffraff out, or at least get them on camera while in the act? Do you have locks, alarms, CCTV etc.?

Location of your distillery:

- Inner-city / suburbia – certain parts of cities are better than others. We just don't like to admit it, but sometimes it makes a difference. Think water supply, fire services, crime rates and quality of utilities. All have an effect.

- Water supply – are you using mains supply (town water), tanks, dams, pumps? How much water do you have, and how much is available and accessible for fighting fires?
- Rural / country – the beach/lake or the bush may look great all around your distillery, but when nature strikes, your location will most likely have a big impact on the cost of your insurance.
- Fire services – not all fire services are created equal. A 24-hour manned station a few minutes away is going to have a better chance of containing a fire compared to a volunteer service from 3 towns over.

Underinsurance:

Being [underinsured](#) exposes you to financial hardship or inadequate cash flow when disaster strikes, and it can make all the difference between the success or failure of a business.

Just how much will it cost to replace all the equipment in your distillery? Is there any point trying to save a few pennies on insurance by undervaluing your place? The last thing you want is to be going from a brilliantly spec'd distillery to making your next batch in a bathtub.

HOW DO COOL ROOM / INSULATED PANELS AFFECT MY INSURANCE?

Traditional expanded polystyrene (EPS) panels like to burn. Just 1 cubic meter of EPS is roughly the same as putting 1.2 litres of petrol on a fire, and this stuff will self-ignite at just 360°C.

EPS is a great insulator, but insurers rightly get anxious about it. Most insurers will let you have some of it, but not a lot, so they need to know about it no matter how much it is.

If you are thinking about using cool room panels, don't just go the cheapest option. Look at using panels with high fire ratings such as PIR (polyisocyanurate) or FM (Factory Mutual) approved panels. Make sure they are installed properly, and that you get the paperwork to prove it. This might be a bit more expensive to start with, but it's worth it for the peace of mind, and it could end up saving you \$000s in the long run.

IS FLOOD COVERED?

Business insurance usually excludes flood cover. Floods are all-consuming and don't miss a thing. If you require flood cover, insurers will need additional information and charge more for it. If you're in a flood zone, it could be very expensive or even impossible.

WHAT OTHER ACTIVITIES ARE DEEMED RISKY FOR INSURANCE?

Some other activities that insurers deem higher risk include:

- Serving alcohol / being open after 12.00am (nothing good happens after midnight from an insurers perspective).
- Having a dedicated dance floor (things can get a bit wild out there).
- Children's playgrounds (things can get a bit wild out there).
- Deep fryers, grills, cooking ranges, and unmaintained exhaust systems – these are the most common causes of commercial kitchen fires.

IMPORTANT NOTE FOR THOSE OPERATING A DISTILLERY BUSINESS FROM THE HOME

Failing to inform your insurer that you're running a distillery business either from your home or on your property could risk voiding your home insurance policy, which could leave you without cover in the event of disaster. And deliberately concealing your home distillery business from your insurer could constitute fraud, which could risk landing you in legal trouble.

So don't take the risk. Make sure you update your insurer or broker so they can advise you on how best to stay covered.

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