

Vermont Department of Banking, Insurance, Securities
and Health Care Administration

INSURANCE BULLETIN 136

**Social Host Endorsement for Automobile Liability Policies
December 13, 2001**

Effective July 1, 2000, Act 116 of the 1999 Adjourned Session of the Vermont General Assembly passed legislation by and through which a social host who knowingly furnishes alcohol to a minor is held liable for damages subsequently caused by such minor as a result of his or her consumption of alcohol. Since that time, concerns have been raised whether or not this conduct should be covered under an automobile liability insurance policy. In order to clarify insurers' obligations, the Commissioner will approve an endorsement restricting coverage in these types of cases provided the endorsement does not compromise Vermont's responsibility statute, 23 V.S.A. § 800 et seq. Below is a sample of language that has been approved by the department for use with automobile coverage:

**SOCIAL HOST LIABILITY EXCLUSION FOR AUTOMOBILE LIABILITY
POLICIES**

Insurance coverage above the Vermont state mandatory limits as set forth in Title 23 V.S.A. § 800, does not apply to an insured who, as a "social host," knowingly furnishes intoxicating liquor to a minor if the "social host" knew, or a reasonable person in the same circumstances would have known, that the person receiving the intoxicating liquor was a minor. This exclusion does not otherwise limit coverage for losses for which an insured is legally liable, including losses caused by the negligence of an insured.

A "social host" is a person who is not the holder of a liquor license and is not required to hold a liquor license under Vermont law.

The Commissioner accepts, as a general proposition, that knowing misconduct, such as that described in the Act, does not typically give rise to insurance coverage. Although the clear objective of imposing liability on social hosts in this situation is to deter the illegal provision of alcohol to minors, an absolute exclusion would be at odds with the public policy embodied in Vermont's financial responsibility statute. Accordingly, the Commissioner concludes that an endorsement limiting coverage of social host liability in the context of automobile liability policies shall not apply to claims for damages falling within the scope of the minimum liability coverage amounts set forth in 23 V.S.A. §800

et seq., as that law may be amended from time to time. Further, such an endorsement shall not be considered to bar coverage for claims against a social host based on negligence.

Elizabeth R. Costle
Commissioner of Banking, Insurance, Securities and Health Care Administration