

## NY Distillery Secures Coverage For Whiskey Barrel Damage

By **Hope Patti**

*Law360 (September 10, 2025, 8:06 PM EDT)* -- A distillery in New York's Hudson Valley can get coverage for the loss of 52 barrels of aged whiskey under a policy provision providing additional coverage for damage caused by an "abrupt collapse," a federal court ruled, saying the distillery's interpretation of the term was more reasonable than its insurer's.

In an order issued Tuesday, U.S. District Judge Cathy Seibel granted The Vale Fox Distillery's motion for judgment on the pleadings as to its claims that its loss is covered under its Central Mutual Insurance Co. policy's "additional coverage — collapse" provision and that no general exclusions apply to bar coverage.

"It is clear from the text of the agreement that the parties intended additional coverage for collapse, not meaningless coverage canceled out by the general exclusions," the judge said.

Judge Seibel did, however, refuse to find that the distillery's loss should be valued according to the policy's "manufacturer's selling price," or MSP, provision. The provision states that in the event of loss or damage, the insurer will determine the value of the distillery's finished stock at the normal selling price.

The coverage dispute stems from the loss of 52 barrels of whiskey, which would have been worth more than \$2.5 million had the product been bottled and sold, at Vale Fox's distillery in Poughkeepsie, New York, in December 2023.

According to court filings, after Vale Fox notified Central Mutual of the loss under its industrial processing policy, the insurer hired consultant J.S. Held Engineering Services to assess the cause of loss. J.S. Held inspected the damage and determined in a February 2024 report that the metal racks used to hold the whiskey barrels during the aging process failed due to age-related degradation and corrosion. In a subsequent report, J.S. Held found that defective welds in the construction of racks caused them to fail.

Central Mutual ultimately denied coverage in May 2024, saying additional coverage for collapse was not triggered and that several policy exclusions applied. Vale Fox filed the present action that June, bringing claims for declaratory relief, breach of contract and bad faith.

According to court filings, the policy provides coverage for direct physical loss of or damage to covered property, including stock, caused by a covered loss. Per the "additional coverage — collapse" provision, a covered cause of loss includes an "abrupt collapse of a building or any part of a building."

Section 5 of the provision states that it provides coverage for collapse of personal property when such collapse is "not the result of abrupt collapse of the building," if, for example, the collapse was caused by a loss listed in Sections 2.a through 2.d. Notably, section 2.d refers to loss caused by the "use of defective materials or methods in construction."

Judge Seibel on Tuesday rejected Central Mutual's contention that there is no coverage for Vale Fox's loss because it was personal property and not the building itself that collapsed, saying the insurer's interpretation of the provision would render coverage provided by the policy superfluous.

"If one were to accept defendant's reading of Section 5 as only providing coverage for damaged personal property that results from the building abruptly falling down or caving in, it would merely duplicate Section 2's coverage for damage to personal property," the judge said. Vale Fox's "contention that in interpreting Section 2.d. for purposes of Section 5, abrupt collapse refers to the abrupt collapse of the personal property, rather than of the building, is the only one that makes sense."

The judge further rejected the insurer's argument that Vale Fox's loss did not result from a covered peril because the collapse of the racks was not caused by defective materials or methods in construction, saying "as applied to Section 5, 'construction' means construction of the collapsed property itself."

As for determining the value of Vale Fox's loss, the judge found the term "finished 'stock'" in the policy's MSP provision to be ambiguous, saying neither the policy nor the dictionary answer what constitutes finished whiskey.

"This is a thorough, well-written decision that is very meaningful for a small business here in New York in the Hudson Valley," Alexander M. Sugzda, counsel for Vale Fox, told Law360 on Wednesday. "We see this putting us on a pathway to recovery for lost product that caused a significant impact to their business."

A representative of the insurer declined to comment Wednesday.

Vale Fox is represented by Robin L. Cohen, Alexander M. Sugzda and Jay C. Hauser of Cohen Ziffer Frenchman & McKenna LLP.

Central Mutual is represented by Mark T. Whitford Jr. of Barclay Damon LLP.

The case is The Vale Fox Distillery LLC v. Central Mutual Insurance Co., case number 7:24-cv-04169, in the U.S. District Court for the Southern District of New York.

--Editing by Abbie Sarfo.