



Age Verification in the Alcohol Industry



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About IDMERIT

Introduction

Age verification in the alcohol industry is required by law as millions of Americans and alcohol patrons abroad are starting to sell more products online since COVID-19 started. Daily routines have completely altered and minors are now spending much more time online due to their education being delivered virtually. In this blog, we will discuss age verification solutions in the alcohol industry including how your company can avoid serving and selling alcohol to minors.

Both alcohol and tobacco companies are strictly regulated on a global level. The FDA specifically prohibits the sale of cigarettes to minors. On top of this, the sale of alcohol is restricted in the US to individuals over the age of 21. For online retailers that sell alcohol and tobacco, being able to verify their customers accurately before purchase is extremely important. Due to the popularity of Amazon and Direct To Consumer (DTC) companies, online identity verification and age verification have become standard.

Top 8 Industries Where Age Verification is Required

1. Online Gaming
2. Casinos
3. Sports Betting
4. Tobacco
5. Vaping
6. Alcohol (beer, wine, and spirits)
7. Pharmaceuticals
8. Adult Entertainment

What is Know Your Customer (KYC)?

KYC, or Know Your Customer, is the process of verifying a customer's identity to ensure they are providing accurate personally identifiable information (PII) as well as in order to understand their past financial behavior with previous institutions or money service providers.

A KYC verification is conducted by a bank's system, or through IDMerit's identity verification system, whenever a customer applies to open an account. To have a smooth transaction process, they must verify themselves by going through an identity verification process.

This process entails the customer submitting certain verification documents that authenticate their identity and financial background. This identity verification process brings to light any risk of potential financial crimes and assists banks and financial institutions with taking the appropriate action depending on the risk profile.

How Does Proper KYC Help In Protecting Financial Institutions?

The biggest approach to commit financial fraud and extortion is identity theft. People get away with committing these financial crimes by using a false or a fake customer background.

Current Efforts To Verify Patrons' Ages: Are They Enough?

Current Methods of Verifying Patrons' Ages

Due to the different ways that a responsible adult can order, or be served, alcohol there are also different methods to ensure the patron of an establishment or online supplier is able to legally receive alcohol.

Checkboxes/Age Verification Pages

- Checkbox forms and age verification pages:
- Provide simple disclaimers that may (or may not) even be understood or read
- Rely on customers to confirm their age without any verification of identity information
- May be placed on checkout pages that allow for credit card use that lacks the necessary verification step to prove the user is allowed to purchase the age-restricted product

Checkboxes only go so far when the mandate is to protect minors and perform due diligence to prevent the sale of age-restricted items. No matter the delivery method, there are always concerns of fraud, especially when discussing the use of credit cards or pay on delivery services. Is your id verification service assisting you with streamlining age verification during your onboarding process?

IDMERIT's Age Verification solutions help businesses conduct more comprehensive identity verification to mitigate the risk of fraud.

Online Sales Lack Robust Age Verification

Even credit card verification isn't enough to satisfy new laws being enacted that require customer due diligence to protect minors online. The person who furnishes the credit card number into the text box may not be the same person who was issued the credit card itself.



In-Store ID Verification Service

In-store age verification is a step above in the sense that at least employees of liquor stores and distributors have been trained in how to recognize tampering of identity documents and what constitutes a proper identity document. The issue with this method is the same that occurs with COD or "age verification on delivery" of age-restricted products. The identity document may be spoofed or constructed using another person's identity data in a backroom or an alley in a third-world country. ID verification services should focus on verifying identity documents and ensuring that minors are prohibited from accessing alcohol and age-restricted products.

Know Your Customer (KYC)

Identity Verification

During the onboarding process, customers are required to provide verifiable identity documents which will act as identity and address proof during the KYC process. These identity documents help banks and financial institutions verify the customer's identity and evaluate the customer's financial activities and any potential scale of risk they may pose to that institution.

Four Primary Objectives of a Robust KYC Process

- 1. Identify the customer*
- 2. Verify the client's true identity*
- 3. Understand the customer's activities and source of funding*
- 4. Monitor the customer's activities (Ongoing Monitoring)*

Identify the customer

Banking is an industry with an innate danger of fraud and illicit activity so it is critical to perform a KYC verification on customers both during onboarding and yearly (or as their risk profile requires).

Automated Identity Proofing vs. Human Review

Two broad types of identity verification exist: automated identity proofing and manual kyc checks completed by a human. Within the automated category, there are more distinctions in how identities are proofed including the use of remote proofing or by the traditional use of an API such as the Rest API. Both of these two types of automated proofing are nearly frictionless. That is, they do not involve a human in the process which lowers the potential for human error.

Every bank and financial institution follows different customer verification procedures, some require online identity verification while some require physical submission, therefore the documents required for identity verification are different.

Customer Identity Documents

The essential documentation required for a successful Know Your Customer process is as follows:

Proof Of Identity (POI)

- A UID/passport, driver's license, or voter's ID card.
- A PAN (Permanent Account Number) card with a picture matching the customer.
- A current ID card issued by the State.
- Any valid Debit or Credit card issued by a bank.

Proof of Address (POA)

- A copy of utility bills such as electric bills with a verifiable address
- Visa/Driver's License with a digital picture.
- A copy of a registered sale agreement or lease for residence.
- Any identification document in the name of one's spouse.

Proof of Income/Past Financial Activities

- Income Tax Returns
- Credit Report
- Paycheck Stubs or Bank Statements

Many of the same steps that occur during a Know Your Customer process occur during the alcohol age affirmation and verification process.

Common Methods To Verify Driver's License Document Validity

State Registers of Motor Vehicles and Motor Vehicle Associations issue identification cards and driver's licenses which (as a prerequisite to driving ability) first verify the applicant's legal name, date of birth, and address using independent (normally non-fraudulent) identity documents such as passports, utility bills, or social security cards. Most ID verification services can give you access to information on identity document specific and should be experienced in verifying biographical data on these documents.



Getting It Right Before It Ships: The 5 Steps To Age Verification For Direct Shippers

Direct shipping is extremely challenging when you begin to discuss implementing a proper age verification solution (especially if the age-restricted product is moving across state lines or countries).

The five steps to ensure proper age verification for direct shipment of age restrictive products include:

1. Understand local laws and regulations for age-restricted products to be delivered across state lines
2. Age affirmation
3. Date of birth collection
4. Age verification of the purchaser
5. Carrier ID inspection

Step 1: Defining local laws & requirements for age-restricted products

Each state or local area has its own laws and regulations that govern where, and to whom (also at what age), alcohol and age-restricted products can be sold. This is the first step in the age-verification process because without accurate information on what is an acceptable form of the identity document or identity data, the entire process is moot and compliance will never occur. If compliance doesn't occur, liquor sale licenses can (and often are) revoked and huge fines are imposed by state regulatory agencies.

IDMscan: Onboarding Honest Customers Faster

IDMscan is a key solution that is a part of the IDMERIT identity verification service ecosystem. It is an application that scans customer identity documents, such as passports, to validate and authenticate their identity.

- We can validate Passports, Drivers Licenses and National ids from 175+ countries.
- Biometric facial recognition & face liveness technologies are used to produce a live match.
- Multi-Language support
- Easily integrate into your system with a simple API.
- Validate someone in less than 30 seconds

Age Affirmation

Many age verification solutions aren't even aware of specific legislation or regulations in their local jurisdiction, let alone across state lines or country borders.

Sources of information governing age-restricted commerce include:

- Federal Trade Commission
- Congressional Federal Record
- Attorney General's Website
- Alcohol Policy Information System

Step 2: Age Affirmation

"Age gates" are the alcohol seller's first attempt at preventing minors from accessing age-restricted commerce and products such as beer, wine, and other paraphernalia that are not permitted by law. These are technical additions to websites that aim to verify age and limit access to adults over the age of majority (in that specific state/jurisdiction).

Step 3: Date of Birth Collection

The third step basic age verification solutions attempt to complete is the Date of Birth collection. Several state agencies require the reporting of data of birth information by those who were granted liquor licenses by the state. Failure to do so can lead to criminal complaints and revoking of the license itself (and steep fines), Orlando, California, for example, states the following:

- "The legal drinking age in a liquor sales licensed establishment in the province of Ontario is 19 years of age.
- Serving people who are under 19 years of age is an offense under the Liquor Licence Act.
- Alcohol cannot be passed from a person of legal drinking age to a person who is under the legal drinking age."



Age Verification on Delivery

Step 4: Age Verification of the Purchaser

Who's Responsible?

Many states place the responsibility of age verification on the age-restricted product seller. This places an uneven burden on the licensee (and in some cases these alcohol providers do not have the capacity or funds to fully comply – if they attempt to at all).

There are very different answers depending on which state you are purchasing from or which jurisdiction you'll receive your age-restricted product in as well as the type of product itself. When we discuss alcohol, it is forbidden to provide alcohol to minors (both online and at establishments that provide alcohol to patrons, such as bars or breweries).

Step 5: Carrier ID Inspection

Delivery drivers and carriers are required to request and inspect the identity document of those who receive alcohol. Many states have Real IDs and also include specific Tip Sheets

There are a few requirements that DTC alcohol sellers must comply with:

- The carrier cannot leave the shipment (age-restricted alcohol) unattended and cannot leave the alcohol with an underage recipient
- Similar to in-store purchases, a government-issued (non-expired) identity document must be present to release the age-restricted product
- A signature must be provided confirming the receipt of the age-restricted product who is old enough to receive the package.

California Identity Document Requirements



For California, the state website states, “acceptable forms of photo identification include:

- California Driver's Licence with a photo of the person to whom the license is issued
- United States Passport
- US Passport Card with a photo of the person to whom the card is issued
- US Armed Forces Identification Card

Regulations Governing Sales of Alcohol & Age-Restricted Products

The United States has both federal and state-level protections for minors looking to purchase alcohol and age-restricted products online and in-person.

Children's Online Privacy Protection Rule ("COPPA")

According to the Federal Trade Commission, "COPPA imposes certain requirements on operators of websites or online services directed to children under 13 years of age, and on operators of other websites or online services that have actual knowledge that they are collecting personal information online from a child under 13 years of age."

According to SearchCompliance, "The Act specifies:

- Californialicenseust requires parental consent for the collection or use of any personal information of young Web site users.
- What must be included in a privacy policy, including the requirement that the policy itself be posted anywhere data is collected.
- When and how to seek verifiable consent from a parent or guardian.

What responsibilities the operator of a Website legally holds with regards to children's privacy and safety online, including restrictions on the types and methods of marketing targeting those under 13.

Connecticut:

In Connecticut (as with all states) there are specific laws that patrons govern the sale of alcohol to minors which usually set the age of majority including at what age someone is permitted to purchase alcohol. "For purposes of state liquor law, a "minor" is someone who is less than 21 years old. The Department of Consumer Protection (DCP) administers the Liquor Control Act. It regulates the sale of liquor to prevent sales to minors and other "unsuitable" people."

Federal Protection: National Minimum Drinking Age Act

Congress enacted the National Minimum Drinking Age Act which sets the minimum drinking age (which supersedes state legislation). The federal protections in place like this act aim to prevent some of the rising crime, drunk driving accidents, and issues that come with minors having access to alcohol and age-restricted products.

These types of age gates and privacy protections go a long way to meeting compliance requirements but do not go far enough – and this is where age verification solutions step in to fill the gap.

Recent Fines Imposed For Providing Alcohol To Minors

When a company selling alcohol online or in-stores fails to comply with local or federal laws, serious fines are handed down. Age verification solutions can be the answer to compliance gaps and budget constraints. Protecting minors should be the foundation of any liquor provider and its shipping carriers. If you fail to enlist an experienced id verification service, you are leaving yourself open to major fines and jeopardizing your business license. Recent fines include:

- For their first offense, the Kentmorr Restaurant in Stevensville was fined \$500, half of which had to be paid immediately with the other held in abeyance.
- Horseshoe Casino fined \$100,000 for repeatedly admitting underage patron (NWITimes)



Regulatory Outlook For Age- Restricted Commerce

Much as in the world of cryptocurrencies, manifesting a strong approach towards security and proper conduct enormously improves the end-user experience for companies. Furthermore, a well-managed and policed approach to security – of which proper age verification policy form an inexpensive and robust part, provides part of a protocol that allows a simple approach to change management. Identity verification platforms like IDMERIT provide a robust age verification module is perhaps the easiest security module to implement, as an additional bonus. This also removes the need to include them in regular security reviews, as they should be considered almost an automatic feature of any gaming site's security protocols.

Fortunately, a KYC provider like IDMERIT offers robust age verification services for online businesses. Digital and automated identity verification are now not only possible but frictionless and fast. IDMScan allows businesses to validate their users by verifying their government-issued identity documents that these patrons. From there, it uses a facial recognition scan to confirm the person using the identity verification system matches the person on the identity document. IDMScan can verify users in real-time, making it a simple and effective part of an online age-restricted commerce platform.

Our Identity Solutions

Contact Information



- Identity Verification
- Identity Validation
- Anti-Money Laundering
- Risk Mitigation
- PEP & Adverse Media Watchlist Screening

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Privacy & Security



✓ Data Protection

Sensitive data is encrypted during transmission via TLS/SSL and at rest via AES-256.

✓ Access Security

System access is allowed for credentialed users only, and remote access to production systems requires multi-factor authentication.

✓ Physical Security

The IDMerit platform is hosted in the Amazon Web Service.

✓ Regulatory Compliance

IDMerit is GDPR-compliant and active on Privacy Shield.

Memberships & Compliance



About IDMERIT

Headquartered in San Diego, California, IDMERIT provides an ecosystem of identity verification solutions designed to help its customers prevent fraud, meet regulatory compliance and deliver frictionless user experiences. The company is committed to the ongoing development and delivery of offerings that are more cost-effective and comprehensive than other solution providers.

IDMERIT was funded by experts who have been sourcing data on personal and business identities across the globe for over a decade. This access to official and trusted data throughout the world has become increasingly important as companies find themselves completing transactions across borders as a standard course of business.

www.idmerit.com