

Insuring Your Farm

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Co-op Insurance Companies

- Topics:
- What is Insurance and why have it?
- Types of insurance to consider, and how these policies will respond to you and the public
- Insurance for your farm, and associated costs

What is Insurance and why have it?

- Insurance is coverage by contract whereby one party (insurance company) undertakes to indemnify or guarantee another (you/your farm) against loss by a specified contingency or peril.

In risk management, it's called the "transfer of risk"; whereby you contract with another to pay on your behalf, in the event of a loss to your person or property, or that of a third party. All insurance policies are based on this principle.

The purpose of having insurance is not only to protect yourself, your livelihood and assets, but it is in the best interest of society for those of us work and play in the public arena to take responsibility for our actions that may cause damage to persons or property.

Types of Insurance to consider and how they will respond to you and the public:

- **Auto Insurance:** Provides protection against losses incurred as a result of accidents (at fault or not at fault), as well as possible liability that could be incurred as a result of an accident. Typical policies include-bodily injury/property damage, medical payments, comprehensive (other than collision), and collision. Costs for this coverage will vary, depending on the vehicle type, driver's age and driving record, territory, use of vehicle and most importantly coverages: liability limits, deductibles, rental reimbursement, etc.



Farmowners Insurance:

- **Farmowners insurance is a combination of personal and commercial coverages. Coverage provided by this policy includes property coverage on the farm dwellings, farm barns and associated structures, farm tools & equipment, animals, farm produce, loss of use, income and extra expense, farmers comprehensive liability (includes both person & farm liability).**
- **Premium costs are determined by many factors, including building values, location, amounts of farm equipment, amount of sales, acreage, processing equipment values, liability limits, etc**



Commercial Auto Insurance



- Provides both liability and physical damage coverage for both owned and non-owned vehicles. Coverage extends to owners, employees, anyone working on or servicing the vehicle. Typically issued for larger (10,000 lbs & up) trucks & trailers (over 2,000 lbs).
- Costs for commercial autos are primarily determined by the usage of the vehicle (service, retail, commercial), liability limits, deductibles, territory, etc.

Workers Compensation

- A statutory coverage determined by the state. Coverage is on a “no-fault” basis. Established in 1915, VT WC coverage was a trade off. Prior to WC coverage, the only remedy employees had to recover from injuries was to sue their employer. This usually meant that the employee ended up losing their job, as well as not having the finances to bring a suit against the employer. Coverage is a trade off. The employee agrees to accept the benefits provided by the policy, in exchange for not suing their employer. WC Provides benefits for medical services & supplies related to on the job injury or occupational disease. In addition to the medical portion of the coverage, WC provides either temporary total or temporary partial disability compensation.

Workers Comp Continued

- **Unless self-insured, any employer hiring one or more employee on a part or full time basis is required to carry WC. Farmers are only required to carry WC if they have an aggregate payroll in excess of \$10,000 in a calendar year.**
- **Costs for WC is based on the type of farming done, vegetable, dairy, beef, equine, sheep, etc. Minimum premium in VT is around \$400.00-900.00.**

Coverage Examples

44 Year Old, \$60,000 Income:

- **Monthly Benefit: \$3600**
Deductible: 90 Days
Benefit Period: To Age 67
Non-cancelable Policy
Occupation Specific Definition
Partial Benefits
Cost of Living Increases
Monthly Premium \$193.00 Tax-Free
Benefits
- **Monthly Benefit: \$3600**
Deductible: 90 Days
Benefit Period: To Age 67
Guarantee Renewable Policy
Partial Benefits
Monthly Premium \$93.00, Tax Free
Benefits
- **Monthly Benefit: \$3600**
Deductible: 90 Days
Benefit Period: 5 Years
Guarantee Renewable Policy
Monthly Premium \$71.50

Insuring the Farm Operation (Property & Liability):

"Farming means the ownership, maintenance, or use of premises for the production of crops or raising or care of livestock, including all necessary operations"

- **All Farm operations, with the exception of a few small hobby farms, produce something for sale.**
- **Each Farmer producing products or services is at risk.**
- **Damage to others from these farm products could be the most harmful risk faced by the farmer.**



Buildings

- Farm residence-usually highest value on policy.
- Farm Dwellings, including labor housing, rental dwellings, etc.
- Barns, including dairy, poultry, horse, sheep, goats, Alpaca, beef, produce processing & storage facilities.
- Improvements & Betterments (rented farm barns & buildings)
- Equipment Sheds (machinery, tractors, farm shops)
- Roadside Stands (permanent or moveable)
- Retail Stores (freestanding or in another barn/building)
- Greenhouses (glass, plastic, including offices, retail space attached)
- Processing Buildings (Cheese, Milk, Meat)



Farm Personal Property

- Tractors, Implements, Wagons, Self Propelled Units, ATVs(used for farm use only), Leased/Borrowed Equipment-insured for “Actual Cash Value”
- Coolers, Milking Equipment-Insured as farm personal property, or building.
- Tools, including shop tools, hand tool (forks, brooms, brushes, shovels, etc.)-Normally insured under a blanket limit.
- Automobiles & Pick-ups-Insured under a Personal Auto Policy (*if you are using the vehicle primarily for farm use, i.e., errands, etc., make sure auto is classified for “farm use”. The premium charge is lower than a “pleasure use” vehicle*)
- Large Farm Trucks, Trailers-Insured under a Commercial Auto policy, subject to state registration, etc.
- Hay, Vegetables (specifically listed limits only), Milk, Cheese, Meat, Yarn/Fleece, Crafts, Twine, Syrup, Oil, Lubricants, Misc items, etc.-Can be insured specifically, or under blanket coverage.

Liability for the Farm Operation: Premises and Operations, Products and Completed Operations.

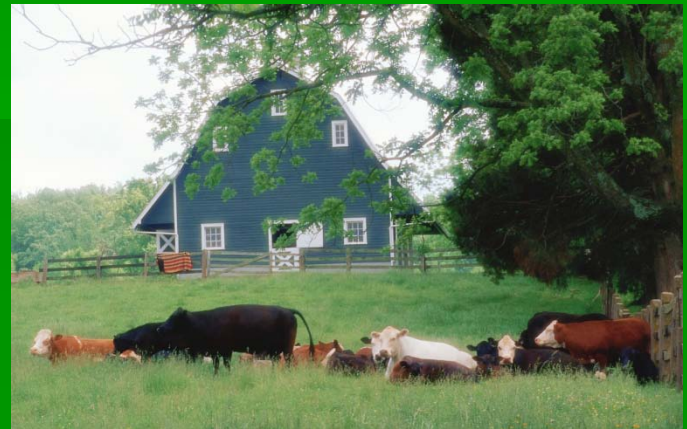
- **Standard Farm liability insurance contracts read as follows: “We” will pay, up to “our” “limit”, all sums for which an “insured” is liable by law because of “bodily injury” or “property damage” caused by an “occurrence” to which this coverage applies. “We” will defend a suit seeking damages if the suit results from “bodily injury” or “property damage” not excluded under this coverage.**
- **Premises and Operations: (premises) Bodily injury or property damage on the farm premise, from slips, falls, cuts, bruises, etc. (operation) Injuries caused from the operation of equipment, or implements, either on the farm, on a roadway, livestock escaping fences, and causing damages either to autos, neighbor’s lawns, gardens, people or persons. Injuries from horse riding lessons, or training.**
- **Products or Completed Operations: If bodily injury occurs as a result of consuming or using your farm products, there would be liability coverage.**

Farmers Markets

- Whether you are selling at Farmers Markets, Roadside Stands, Farm Retail Store, Mail Order, Bed & Breakfast Shop, Home Shows & Fairs, etc.; it is very important that you have liability coverage for your farm products.
- Selling at Farmers Markets-You're on your own, in terms of liability. If in the event the Farmers Market allows you to be added under the Market's commercial liability policy, make sure they are providing products liability. You will typically find that they are only providing coverage for the premises and operations of the Farmers Market only. *Do not assume the Farmers Market is including you as a vendor under their coverage. If the market can include you as additional insured, it will most likely be liability coverage for the premises & operations, not Products!*
- Ask your insurance agent/company to make sure you are properly covered while you are selling at any of the above noted marketplaces.
- Mail order sales-make sure there is coverage for your products while they are in transit. Co-op Insurance can endorse the Farm policy to cover this exposure.

Homeowners Policies versus Farmowners Policies

- Homeowner's policies are meant to cover homes, not farms! In some instances, insurance companies will add an "incidental farming" endorsement. This is typically added "when farming is not the business of the insured's" Typically for those who have a couple of horses, or own some farm land that they either rent out, or allow a farmer to crop the land. In no way is this intended to cover people who are actively farming. Of primary concern as an insured, is the fact that this endorsement does not cover "products liability".



Farm Coverage/Premium Examples

- **Example 1:**
 - **Farm Dwelling @ \$150,000 w/ 500 deductible**
 - **Main barn @ \$100,000 w/500 deductible**
 - **3 plastic greenhouses @ \$10,000 ea. w/500 deductible**
 - **Farm personal property @ \$50,000 w/500 deductible**
 - **Farm liability @ \$300,000, including CSA, pick your own, farm stand, farmers markets**
 - **Approximate Premium \$1,400**
 - **Approximate premium with \$1,000 deductible \$824**
- **Example 2:**
 - **Farm Dwelling @ \$250,000 w/500 deductible**
 - **Main barn @ \$300,000 w/500 deductible**
 - **5 plastic greenhouses @ \$20,000 ea. w/500 deductible**
 - **Farm personal property @ \$100,000 w/500 deductible**
 - **Farm Liability @ 1,000,000, including CSA, pick your own, farm stand and farmers markets**
 - **Approximate Premium \$3,500**
 - **Approximate Premium w/\$1,000 deductible \$2,900**

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