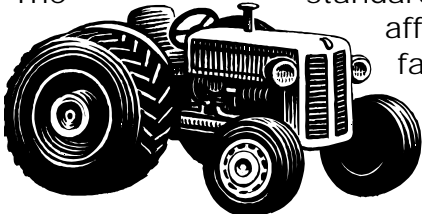


Addressing Liability Insurance Concerns

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Perhaps you already have some insurance. What type of coverage do you need? There is no specific answer to this question because not all businesses or farming situations are alike. Insurance is a necessity in most businesses.

The standard advice is to only insure against what you can't afford to lose. None of us can afford to lose the farm; therefore it is extremely important to have insurance protection.



In most cases, insurance is required as a condition for a bank loan. In a sole proprietorship, adequate insurance is critical because you are personally liable for all debts. Having adequate insurance is one way to manage this possible risk of being personally liable for your business' default on loans.

Many business owners naively believe their business doesn't need insurance. Even in the case of home-based businesses, thinking your homeowner's policy will cover any business loss is a huge mistake. The activities of your home office are not likely to be insured by your homeowner's policy unless you have a special "rider" on that homeowner's policy or have separate home office coverage.

Ask your insurance agent to look at your present coverage to analyze what additional areas of risk your business exposes you to and recommend the types and amounts of insurance your business requires. Make a list of all of the business activities that you have on going at your farm to include things like farm tours, interns, workshops, and value added products etc. and share these with your agent.

Property and liability are the most important types of insurance for businesses. A property policy provides insurance on your building and other physical assets. Liability protects you against claims of injury or property loss resulting from negligence on your part. Life and health coverage is primarily seen as part of an employee benefit package.

Liability Insurance

Liability insurance protects your business if for example; someone suffers a bodily injury while on your site and sues you for damages. Your insurance policy should cover your costs for these damages. Many policies will also cover injuries like libel and slander (if you are in the publishing business, for instance). The cost of liability insurance is generally related to the risk of your industry. As an agricultural business, your cost may depend upon what you produce on your farm and how you produce it, and whether or not your operation is open to the general public.

Liability for the acts of animals kept as pets or part of the farm operation is another area specific to agricultural business. For example, legal liabilities may arise if your cattle get into your neighbor's cornfield or they cause a car

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accident while they are crossing the road. Perhaps a horse or a goat bites someone while visiting the farm; these are things to consider when you have farm visitors.

Product Liability

Product liability insurance protects you against injury or property loss due to a product defect or design flaw, this list includes farm machinery, livestock products and food products.

Professional Liability

Professional insurance protects people whose business involves services or consulting. People who are self-employed often need professional liability insurance to protect both their personal and business interests. Perhaps other farmers hire you to advise on production planning, for example, and pay you for that service. Find out from your insurance agent if that activity exposes you to any special liability issues.

Workman's Compensation Insurance and State Laws

Workers' Compensation Insurance covers employees medical and rehabilitation costs and lost wages for employees hurt on the job. It is required by law in every state. Requirements and rates vary by state. We want to be sure that the farmers involved with this farmer-mentor program are protected from liability and adhering to the workman's compensation laws.

Interns must be registered as either academic or CEU students at a cooperating university in order to not be considered employees. In the states of Idaho and Washington, it is considered illegal to have someone work on your farm, even in an educational setting, if s/he is not being paid. A student earning credit from an accredited institution is exempt and legal, which is why Cultivating Success requires that all interns register for credit.

*Excerpts from NXLevel's Tilling the Soil of Opportunity Course Materials (www.nxlevel.org)

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Additional Information on Insurance Issues

Idaho - Industrial Commission

Go to ID State Website www.state.id.us, or call the ID State Insurance Fund at (800) 334-2370 for rates. Also, you can check with your insurance provider. There are over 340 insurance carriers in ID that can provide workman's comp, and rates will vary slightly.

The ID State Insurance rates are (gross annual payroll)(rate of category), with a \$300 minimum. Example rates are Field Crops @\$5.82/\$100 of gross annual payroll. The Livestock rate is \$12.71//\$100 of gross annual payroll. Remember that rates will vary with insurance carrier.

For more information you may want to call the Idaho State Compliance officer – the guy who writes the tickets for non-compliance of workman's comp. Scott Schear (208) 769-1452

Washington – Labor & Industries

Workmen's Comp in WA is only handled through the Dept. of Labor and Industries @ (800) 509-8847. They will send you an application and an informational booklet. There are no private carriers in Washington.

Rates in Washington are based on the number of hours worked times the rate of category.

Some example categories are:

- 1) vegetables and herbs @ \$.33/hr
- 2) field crops (machine harvested) @ \$.9055/hr
- 3) orchard work @.5125/hr
- 4) poultry work @ \$1.06/hr
- 5) livestock work @ \$1.62/hr

