



BUSINESS OPERATIONS INSURANCE

Insurance can protect you and your business in case of personal injuries or damage that occur on your premises, physical damage to machinery or buildings, damage caused by or to your products, and other general protections against risk. In most cases, insurance is required as a condition for a bank loan.

Depending upon the type of business entity you choose for your farm or ranch, adequate insurance may be especially important because you can be personally liable for all business debts. (See *Fact Sheet 2.3 Liability for more information*). Having adequate insurance is one way to manage risk of being personally liable if your business defaults on loans or is subject to a loss or damage claim by a third party.

TYPES OF INSURANCE POLICIES

When deciding on an insurance policy, you must identify the risks involved with your business activities. Take inventory. Make a list of all the things that are essential to your business – from structures and equipment to customers and workers on the farm. Take time to consider what would happen if you, your farm partner, family member or another worker on your farm or ranch is injured. How would medical bills be paid and who would be responsible? If there was a natural disaster, such as drought or wildfire, would you be able to sustain a one year or multiple year crop loss?

Through careful planning, assessment, and due diligence, you will be able to implement daily strategies to minimize many risks to your farm or ranch business. The following insurance policies can mitigate the potential impact of the unavoidable risks. Remember, even with an insurance policy, your business is not exempt from receiving a liability claim. (See *Fact Sheet 2.3 Liability for more informa-*

tion). You'll want to take care to communicate fully with your insurer about all aspects of your farm or ranch business—you don't want to pay for a policy that is not actually covering the full range of your business practices. Whatever policy you choose, carefully read the details, and make sure you understand the extent of what is covered.

Two of the most important types of insurance for a business are property and liability insurance. Property insurance covers your buildings and other physical assets. Liability protects you against claims of injury or property loss resulting from negligence on your part. Health and life insurance coverage can be essential for you and your family's immediate and long-term care and are often part of employee benefit packages.

COMMERCIAL BUSINESS POLICY

This policy type is custom fit to your business activities and may be needed if what you are doing resembles a commercial venture, such as running an event venue or guided hunting service, rather than traditional farm or ranch food and fiber enterprises.

COMPREHENSIVE FARM LIABILITY POLICY

This type of policy is general liability coverage for accidents taking place on the farm, as long as any injuries occur in connection to farming. A policy of this type would cover you and your family, customers, and guests who visit the farm. If you have special events on the farm or off-farm activities, such as a farm stand not located on your property, CSA deliveries, or seasonal sales at your local farmers markets, discuss these activities with your insurance provider to determine if they are covered by your farm liability policy or require the purchase of additional insurance riders or endorsements.

CROP AND LIVESTOCK INSURANCE

You may want to add coverage for particular crops, livestock, or the whole farm in addition to your farm policy or general liability insurance. This coverage covers losses due to market fluctuations. The USDA Risk Management Agency offers information on a range of insurance programs for farm and ranch businesses. Of particular relevance to small, direct marketing farms and ranches is the Whole Farm Revenue Protection policy which provides revenue coverage for diversified crop and livestock operations. For more information visit: <https://www.rma.usda.gov>

EMPLOYMENT RELATED POLICIES

If your farm business has employees, you'll need unemployment insurance and worker's compensation. (See *Fact Sheet 2.8 Employer Responsibilities*).

HOMEOWNERS INSURANCE

For many small farms operating within their property boundaries, a homeowner's policy is a good place to start. You may be able to obtain coverage for additional activities, which include sales less than \$5,000 per year, provided that the business is a secondary income. However, don't assume your market garden, farm and ranch business activities, equipment and structures are covered by your homeowners policy! Schedule a time to sit down and meet with your insurance agent to discuss your homeowners policy and whether you need additional coverage for your market garden, farm or ranch business activities.

LIABILITY INSURANCE

In the event that someone suffers a bodily or property injury as a result of your business, a liability insurance policy is intended to cover the costs of damages you'd be required to pay. The cost 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. You may want to include things like product liability, livestock liability, or a farm and ranch umbrella liability coverage policy.

Commercial General Liability

Sometimes required by intermediated market buyers (restaurants, retail grocers (including natural food cooperatives), and wholesalers), this type of insurance can extend farm or ranch liability insurance to include a broader set of coverage including product liability coverage and recall costs.

Product Liability Insurance

Protects you against injury or property loss from a product defect or design flaw, including any found in farm machinery, livestock products, or food products.

Livestock Liability Insurance

Covers you in the event that your animals injure someone or damage their property.

Farm and Ranch Liability Insurance

These vary by insurer, but are intended as another level of protection for your farm or ranch, and often bundle things like product and livestock liability policies.

PROFESSIONAL INSURANCE

This policy protects people whose business involves services or consulting, such as advising other farmers on business aspects like production planning. Find out from your insurance agent if consulting or other services expose you to any special liability issues and whether a professional insurance policy is needed. People who are self-employed often need professional liability insurance to protect both their personal and business interests.

VEHICLE INSURANCE

Insurance coverage for vehicles used for both personal and business purposes may require special disclosures or be limited by percent of use or miles.

If work trucks, delivery vans, utility trailers, ATVs (all-terrain vehicles) or other motor vehicles used in your farm business are owned by the business, your business will need to obtain vehicle insurance. Before talking with your insurance provider, make a list of vehicles, registered ownership, and operators (yourself, family, employees, etc.) and details about how each vehicle is used in your operation. Depending upon the provisions, and cost, of available policies, you may choose to limit use of vehicles to farm owners or specific farm employees.

GETTING INSURED

Before applying for insurance coverage, make a list of all the business activities planned or operational on your farm. Include things like equipment used, farm tours, internships, workshops, farm-to-table dinners, or farm stays. You'll want to keep these activities in mind while shopping for insurance and be transparent with your eventual insurance representative to ensure your farm activities are actually covered in the policy you're paying for. You must report any changes in the nature of your activities or property that affect your coverage. If you don't report changes, your new activities or property may not be covered by your existing policy. Below are some considerations when choosing insurance.

INDEPENDENT AGENT VS. DIRECT WRITERS

These terms refer to types of insurance agents. Independent agents don't work for any one company, and as a result can present plans from many different companies. Direct writers, or captive agents, are employed by one company and therefore can only present plans from that organization. Choosing between these styles of insurance providers depends on your preferences. Would you prefer to consult with the same person each time a question arises? Do you want to confer regularly on concerns like agritourism events, new vehicle drivers, building improvements – or the need to update your coverage? Do you want them to visit the farm? If you prefer the consistent and personal relationship

type, you probably would be more comfortable going with an agent. If you prefer the convenience of a single phone call or a 24-hour service line, a direct writer may be the better choice. Direct writers usually do not receive commissions, where general agents may.

AGENTS VS. BROKERS

Independent agents and direct writers, while they vary on the number of companies they work with, both represent insurance companies. An insurance broker, on the other hand, would represent you directly in the insurance marketplace. Using a broker may be preferable if you want someone who can source a broad range of coverage to put together the best package for your specific business circumstances. While both agents and brokers will work to respond to your needs, an agent also represents the insurance company they work for. A broker works independently.

SELECTING A REPRESENTATIVE

How do you pick the right agent or broker? It is essential to work with someone who is already familiar with the insurance needs of diversified and direct marketing farms and ranches – or is interested in learning! Check with your friends, neighbors, family, and other farmers with similar operations. If possible, talk with people who have had difficulty with claims or coverage. Knowing how an insurance provider, agent or representative reacts under difficult circumstances can help you get an idea about how they will respond if you need similar help. In general, consumers should investigate potential agents or brokers every way they can. For example, the Idaho Department of Insurance will tell Idaho consumers on request how many complaints have been filed against an agent or broker – and whether that licensee has faced disciplinary action in the past. You, as the insurance consumer, have a right to that information.

SAMPLE QUESTIONS TO ASK YOUR INSURANCE AGENT OR BROKER

- ✓ At what point does my homeowner's policy no longer cover my involvement with direct farm marketing?
- ✓ Can my homeowner's policy be extended to cover my farm or ranch activities (with additional premiums)?
- ✓ Is there a limit to the amount or type of direct or total farm sales I can make and still have them considered as incidental to my farm operation?
- ✓ If I have a farm policy, does my liability cover my direct farm marketing sales, such as at my roadside stand, U-pick operations, delivery to restaurants and farmer's markets? Are on-farm events (tours, meals, workshops, weddings, etc). covered by my policy? What activities are excluded as a "separate business" for which I need to buy a commercial policy?
- ✓ Are you willing to come out to my farm or ranch to walk the property and discuss in more detail my insurance needs?

COVERAGE LIMITS

All insurance policies will have limits in coverage. And, generally, the more coverage, the higher the cost of the policy. Completing a risk assessment for your farm/ranch and developing a comprehensive plan for mitigating those risks can help you determine which insurance products are essential to your business.