

Understanding Insurance & Liability

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HOT TOPICS

- BRUSH FIRE SCORE - Climate changes and insurance claims are restricting acceptability of exposures in high brush fire score areas
 - Rule of Thumb – visit with your insurance provider to determine if your structures are located in a high brush fire area.
 - Mitigation tools to reduce fire loss potential or acceptance if in high brush area - clear excess brush, trim trees and dried vegetation back 100' from insured structures.
 - [- SFP10\ML-21-177-06-415588 Wildfire Business Preparedness Flyer 3 7 2023 11 34 14 AM.pdf](#)
 - [- SFP10\ML-21-177-05-415584 Wildfire Business Pre-Evacuation Flyer 3 7 2023 11 32 52 AM.pdf](#)
 - www.DisasterSafety.org/wildfire

HOT TOPICS

- ADDITIONAL INSUREDS REQUIREMENTS - “sharing” of your liability protection with others with an insurable interest.
 - Understand/Review your contracts - Are you listing these 3rd parties correctly with the “type” of insurable interest and/or are there some currently listed that are no longer needed?
 - Co-Owner of Described Premises; Independent Instructors & Trainers; Lessor of Equipment; Lessor of Premises; Lessor of Premises for Events; Mortgagee, Assignee or Receiver; **Named Person or Organization**; Power of Attorney; Principle Interest; State or Political Subdivision-Premises Permits; **Vendor of Your Products**; **This shows 11 different ways to list 3rd parties.**

HOT TOPICS

- **Adequate Liability Limits** - In the event of a major claim, are your limits adequate to *cover both* the cause of loss and allow you to remain in business?
- Rule of Thumb - Assets + Net Worth = Liability Limit
- Umbrella/Excess Liability - goes over the underlying liability, and would cover those major claims (over \$1,000,000 each typically)
 - Umbrella “crosses” over to other policies - Homeowners, personal auto, commercial auto as example
- Extra Liability protection or higher limits – often you get more bang for the buck when considering higher limits.

Hot Topics

- Insurance to Value - recent increased construction cost, inflation and limitation on contractor availability have driven overall cost higher.
 - Review your policy limits - if on Replacement Cost basis, would the insurance value assigned adequately enable you to rebuild as needed?
 - Actual Cash Value - Replacement Cost – depreciation = ACV.
 - ACV is often used for older, not updated or worn-out structures. Often times, this is at the insurance company discretion, and if your intent is to replace the structure in question, discuss what steps are need to bring structure up to Replacement Cost acceptance by the insurance company.
 - ACV is a great option for those structures you don't intend to replace or if you intend to replace it with a smaller structure.
 - ACV coverage is NOT designed to replace structure. Normally ACV value set around the 50% value of replacement cost.
- We are finding values set at 30-50% below true replacement cost in today's market

Insurance Company Appetite-

Appetite differ amongst carriers

- Poultry - “free range” egg layers? Typically okay. Meat chickens “processed” on the farm - typically very hard to find insurance company acceptance.
 - Can your business plan find independent processor? (HINT- you would want to be named as Additional Insured on their policy). Independent processor used, with your farm/business selling the packaged poultry is often acceptable. This approach should broaden your insurance carrier options.
- Raw Milk - very difficult to insure, even if incidental. Some insurance companies will allow incidental only if you have 3 years experience AND coverage already in place for the raw milk.

Agritainment

noun

farm-based entertainment including activities such as hayrides, pony rides, wine tasting, cornfield-maze contests, and harvest festivals.

- Agritainment can take many forms, thus it's important to review details with your insurance provider.
- Do you host/run the activity or does a 3rd party host event for guests?
 - Are you using a contract with specific insurance limits and Additional Insured language?
- Are you considering expanding your Agritainment offerings?
- Are there specific UW concerns? Example- Pumpkin Cannons/Slings
 - Proximity to roadways? Employee supervision? Multiple Cannons/Slings?
- Corn Mazes – after dark operations? Haunted? Children escorted?

SUMMARY

- Full disclosure of “everything” you do is important to ensure you are protected properly
- Expansion plans – review with your agent to ensure the insurance company is comfortable with the expanded exposures and/or specific underwriting requirements related.
- Establish proper values - what would it take to replace building?
 - What level of liability protection do I need?
- Brush Fire Scores - if in high score area, can you mitigate exposures?
- Additional Insured - is contract in place? How to list properly?

THANK YOU



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