

Insurance

1. Insurance

1.1 Reducing Legal Risks Through Online Education



1.2 Provided by



1.3 Introduction to Insurance



1.4 Not sure



Not sure if you have the insurance you need to protect your farm from the unexpected?

Or, maybe you are worried that you're wasting money on policies that don't adequately address the risks you face?

Clarify your needs and then learn about options to meet those needs.

1.5 Welcome

Welcome

- Insurance is often the single most important risk management tool on the farm, as it is the farm's primary protection from the devastating impact of weather events, accidents and other unfortunate scenarios. Insurance is also a source of confusion for many farm business owners. It can be difficult to know what policy to buy and what to cover. This tutorial will clarify some key areas of concern.
- We will start out with a personalized assessment of the risks that are important to you, in your business.
- After gaining some clarity about our goals, we'll get into details on 6 specific types of insurance. The property insurance section will explain how buildings and equipment are covered from weather and other risks.
- We'll explore crop and livestock insurance and outline the benefits of various options. Injuries are an especially important risk to cover and we'll do that from a couple angles: injuries that happen to customers and guests on your farm, injuries to workers, and injuries to you the farmer.
- We wrap up with a few special considerations like sales, selecting limits of liability and finding an agent.

1.6 Quiz Activity:

Quiz Activity:

Farmers have a lot to gain from learning about insurance, especially peace of mind and confidence. Can you answer "yes" to each of the questions below? Where the answer is no, pay special attention to those lessons in this module.

- Do you feel confident that your insurance policy covers your essential buildings and equipment from risks like weather and fire, to the extent you need to get back on your feet if something bad happens? a. Yes, No, Not Sure
- Have you explored whether crop or livestock insurance options including Whole Farm Revenue Protection are right for you? a. Yes, No, Not Sure
- If a worker (including an employee, intern, or volunteer) gets injured on your farm, are you confident that your liability for the injury is covered, as may be required by law? A. Yes, No, Not Sure, Not Applicable (i.e., no workers)
- If you get hurt while doing farm business, are you confident that you have coverage for hospital bills and/or lost work time? A. Yes, No, Not sure
- If you are conducting agritourism, value-added processing, educational events and the like, are you confident that your farm insurance covers these ventures? A. Yes, No, Not Sure, Not Applicable (i.e., no value added/agritourism activities)

1.7 Risk Assessment



1.8 Start with a risk assessment for your farm!

Start with a risk assessment for your farm!

- Your response to a few key questions will help identify the most important risks to your farm.
- These considerations, specific to you and your farm, will help prioritize and maximize time, effort, and the money put toward insurance and other risk management strategies.
- This process is a bit like taking an inventory of your farm operation. By identifying the essential aspects of your business, you can strategically decide which risks to prioritize.

Let's work through some questions together



1.9 Risk Assessment 1:

Risk Assessment 1:

Your farm business depends on bringing in revenue.

Use this opportunity to identify the production or programmatic aspects of your business that are the most vital.

- Which aspects of your production bring in the most revenue?
- Which aspects of your production are the most profitable?
- Are there specific crops which are highly important to your farm?
- Is a specific festival or event important to your bottom line?

1.10 Risk Assessment 2:

Risk Assessment 2:

Your farm business depends on work getting done.



- Who is most vulnerable to injury while working?
- Which individuals or types of workers are you most dependent upon for your business model?
- Use this opportunity to identify the types of workers, or specific people, on which you depend.

1.11 Risk Assessment 3:

Risk Assessment 3:

You probably need equipment, buildings, and vehicles to accomplish your work.



- Which are the most important to your ability to make money?
- What would the impact be if you lost access to these resources?
- Take this opportunity to identify equipment, buildings, and vehicles that can make or break your business.

1.12 Risk Assessment 4:

Risk Assessment 4:

Your vision, your farm, your future.



- Will your business model change in the future?
- Are you working towards a certain level of scale augmentation or are you trying to development new markets?
- Use this opportunity to articulate ventures that deserve special attention when thinking about your long-term success.

Having taken a few moments to consider where risk lies in your farm operation, we are ready to explore the insurance products that may protect from those risks.

1.13 Understanding Property Insurance

Understanding Property Insurance

1.14 Property Insurance

Property Insurance

- Farm Property Insurance is an essential risk management subject for any farm.
- For farmers who own their land, they often purchase a property insurance policy under the title of "farm insurance" or "farm property and casualty insurance."
- These policies are just like a homeowner's policy, except that they also cover the farm enterprise. Many people don't realize that a straight homeowner's policy excludes coverage for any business operated from the home. Where the farm is a business operated from the home, as opposed to a hobby, a separate policy is often required.
- Other farmers operate on leased or rented land. These farmers may need coverage for equipment and supplies kept on that land. In that case, the appropriate insurance coverage might be titled "commercial insurance" or "renters insurance," especially if the location is also the farmer's leased residence.



1.15 Property Insurance

Property Insurance

- Regardless of the title, the contents of a property insurance policy follow a basic format.
- Farm property insurance covers:
 1. Specific items of property, from
 2. Specific risks,
 3. Up to the limit of the policy.
- Each of these elements are important and we need to look at each one. Let's talk about some common trends across policies sold nationwide.
 1. **Specific items of property.** If you want coverage for your barn if it burns down, for example, it needs to be specifically included on the declarations page or in a schedule. Likewise, these pages list coverage for residences, supplies, tractors, equipment, animals, feed and things like rental or living expenses if the home is damaged and you need to live elsewhere for a while. Use the insight you gained from your risk assessment to make sure the items you need are covered.
 2. **Specific risks.** Now lets talk specific "perils" which is what an insurance policy calls "risks." Property insurance is generally covered from things like ... fire or lightning, windstorm or hail, riot or civil commotion, aircrafts, vehicles, sinkhole collapse, volcanos, vandalism, theft, explosion of heaters, freezing of plumbing and more. Read the policy to see if the risks that keep you up at night are covered.
 3. **Up to the limit of the policy.** For each item lost to a covered peril, coverage is provided up to a specific limit. The limit is also listed in the declarations page or schedule where the item is listed. The limit may be the replacement value of the item, or its actual value or cost to repair it. Again, look back at your risk assessment to see if you're coverage limit is appropriate to help you get back on your feet after damage occurs.

1.16 Property Insurance

Property Insurance

- Note that there are many scenarios excluded from coverage. Policies often will not cover damage that results from radioactive contamination, war, neglect, flooding, defects in workmanship or surveying, siting or grading errors. These policies also do not cover property not on the site.
- That brings us to some special issues farmers should pay attention to.
- If you keep equipment at other people's property or have constructed buildings on property you don't own, ask your insurance agent about how you can get coverage. You have a similar situation if you house your animals on other people's property. You likely won't get compensated if a fire injures your animals, unless you are listed as an insured on their policy. As an insurance agent for more information.



1.17 Activity:

(Text Entry, 0 points, 1 attempt permitted)

Activity:

Look back at your answers to Risk Assessment 3, pull out your policy declarations page and schedules.

(A sample policy declaration and schedule is included below to help you understand what you are seeing in your own documents.)

- Are the items of property you identified as important in the assessment covered under your policy?
- Describe your results in the box below.
- Next, consider the limits of liability dollar values for each of your covered property items. If you received the limit of liability for the property item's loss, would you be made whole to your satisfaction? Describe your results in the box below.

type your text here

Submit

1.18 Listen to Chris Duke

Listen to farmer describe his property insurance choices:

- Chris Duke of Great Oak Farm describes what property he covers on his farm and why it works for him (**will auto-play**).



1.19 Activity:

Activity:
Farm Property Insurance

- Having compared your risk assessment to your current property insurance coverage, do you have gaps?
- If you wish to make adjustments, the next step is to call your insurance agent.
- Write down the issues you wish to raise with your insurance agent.



1.20 Exploring Crop and Livestock

Exploring Crop and Livestock Insurance Options

1.21 Crop and Livestock Insurance

Crop and Livestock Insurance

- Most crop and livestock insurance originates at the United States Department of Agriculture (USDA). The USDA Risk Management Agency (RMA) works with the Federal Crop Insurance Corporation to craft federally subsidized crop insurance policies. In 2018, RMA protected nearly 101 billion dollars worth of crops and 533 Million of livestock, across 550 unique crop types, for example.
- These insurance policies make up the vast majority of crop and livestock risk management. Although private crop insurance is available, it plays a very minor role in US agriculture. For that reason, we are emphasizing federally-crafted crop and livestock insurance options.
- By and large, crop and livestock insurance protects the producer's revenue. If a covered peril occurs, the insurance policy will provide the producer with a percentage of the revenue he or she expected should that crop have survived into the market place. Crop insurance covers a variety of perils- most are weather events. Drought, for example, often accounts for about half of all payments made under crop insurance. Too much water makes up a healthy percentage, be it from flooding or rain, with hail, disease or insect damage and cold damage making up significant percentages. Livestock can also be protected against declining market prices, which accounted for 7% of payments made in the 2016 production season.

1.22 Crop and Livestock Insurance

Crop and Livestock Insurance

- Federally subsidized livestock insurance is available at any time. Crop insurance is calendar-dependent, and must be purchased before the deadline in late winter.

- We will be focusing on the mechanics of three popular crop and livestock insurance options:
 1. Multi-peril crop insurance
 2. Whole Farm Revenue Protection
 3. And the Livestock Risk Protection Plan

Now you know the basics behind crop and livestock insurance. We'll move on to learning the particulars of the 3 of the most common risk management tools, listed above.

1.23 Multi-Peril Crop Insurance

Multi-Peril Crop Insurance

1.24 MPCl

Multi-Peril Crop Insurance

- Multi-Peril Crop Insurance (MPCI) is available in select counties for select commodities. If a farmer with a MPCI policy suffers from a covered peril, the farmer may receive compensation.
- Most farmers choose the Actual Production History plan of insurance, which is insures the producer's own actual production history and protects against low yields, poor quality, late planting, replanting, and prevented plantings caused by weather-related incidences like drought or excess moisture.
- MPCI is available to growers producing a commodity in a region where sufficient production history has occurred in the past. For example, in Vermont in 2017, farmers producing apples, fresh market sweet corn, peaches, corn, soybeans, wheat, and forage purchased MPCI policies.



1.25 Activity:

Activity:

Multi-Peril Crop Insurance

- If you are in Vermont, do you grow any of the following? Apples, Barley, Corn, Forage Seeding, Fresh Market Sweet Corn, Peaches, Soybeans, Wheat?
YES or NO If you marked yes, click on the crop fact sheet corresponding to the crop you produce [at this link to learn more.](#)
- If you are in Maine, do you grow any of the following? Apples, Barley, Blueberries, Corn, Forage, Fresh Market Sweet Corn, Green Peas, Oats, Potatoes Wheat?
YES or NO If you marked yes, click on the crop fact sheet corresponding to the crop you produce [at this link to learn more.](#)
- If you are in New Hampshire, do you grow any of the following? Apples, Corn, Fresh Market Sweet Corn, Peaches?
YES or NO If you marked yes, click on the crop fact sheet corresponding to the crop you produce [at this link to learn more.](#)
- If you are in Delaware, do you grow any of the following? Barley, Corn, Grain Sorghum, Green Peas, Pickling Cucumbers, Potatoes, Processing Beans, or processing Sweet Corn?
YES or NO If you marked yes, click on the crop fact sheet corresponding to the crop you produce [at this link to learn more.](#)
- If you are in Maryland, do you grow forage?
YES or NO If you marked yes, click on the crop fact sheet corresponding to the crop you produce [at this link to learn more.](#)

1.26 Whole Farm Revenue Protection

Whole Farm Revenue Protection

Notes:

1.27 Whole Farm Revenue Protection

Whole Farm Revenue Protection

- Whole-Farm Revenue Protection (WFRP) is an insurance policy that covers all commodities produced on a farm under one insurance policy.
 - The plan provides coverage for up to \$8.5 Million in insured revenue.
 - WFRP provides protection against the loss of revenue due to unavoidable natural causes of loss including but not limited to weather events, insect and disease loss, and price declines.
 - WFRP also covers revenue earned from resale of commodities and replanting costs.
 - As a revenue protection policy, the plan is especially useful to specialty or organic commodities or those marketing to local, regional, farm-identity preserved, specialty or direct markets. These markets tend to command higher prices for their product, and WFRP insures the value the purchaser has historically received as opposed to market prices.



1.28 Whole Farm Revenue Protection

Whole Farm Revenue Protection

- Because this policy insures the historic revenue of the farm as a whole, it has different eligibility requirements than other crop and livestock policies. Producers must have 5 consecutive years of revenue, reportable on a Schedule F and produce at least 3 commodities to receive the 85% revenue coverage level.
- Producers must elect to purchase WFRP by the late-winter deadline which varies by location.
- If the farm suffers a loss during policy's effective dates, the producers must submit notice of the loss with 72 hours of discovering the loss. The claim is then settled after the producer files his or her taxes for the year. Claims lag behind the loss because the insured revenue payment is adjusted downward to account for expenses not incurred as a result of the loss.



1.29 Do you qualify for WFRP

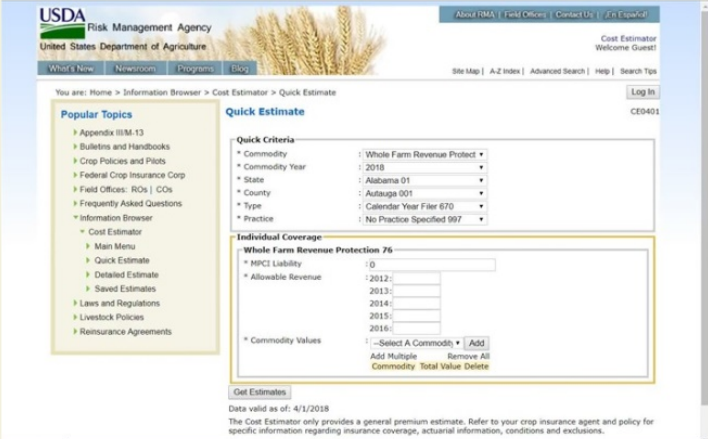
Do you qualify for WFRP?

If you answer yes to each of the following questions, you have met the baseline requirements to purchase a WFRP policy. (Additional requirements may apply to your specific situation.)

- Are you eligible to receive federal benefits?
- Are you a US citizen or resident?
- Did you file a Schedule F for 5 consecutive years (or do you meet exemptions that may exist for beginning farmers)?
- Are you producing at least two or more commodities?

1.30 Policy cost

Activity: What does a WFRP policy cost?



Is WFRP right for you? Go to [the cost estimator](#) yourself and enter numbers reflective of your circumstances.

1.31 Review

Action Step: Review

- Did you meet the initial eligibility requirements for WFRP?
- Does it look like WFRP is a good value for your operation?
- If the answer is yes to both these questions, the next step is to speak with an insurance agent to learn more.
 - Any insurance agent that sells USDA RMA crop insurance will sell the WFRP policy.
 - Find an agent near you by using [this link](#).

1.32 Livestock Risk Protection

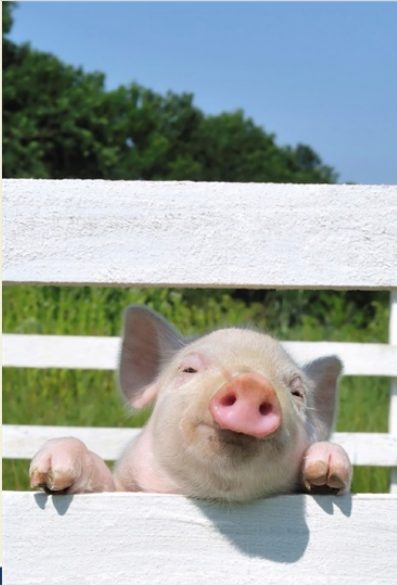


1.33 Livestock Risk Protection

Livestock Risk Protection

- Livestock producers have two broad options in terms of insurance.
 1. The Livestock Gross Margin (LGM). This is a program which provides protection against loss of the producer's gross margin, calculated as the market value of the livestock/milk minus the costs. Policies are available in the lower 48 states and are sold on the last Friday of each month. Indemnity payments are based on futures prices in determining the expected gross margin and the actual gross margin. The producer's price received at a local market is not used to determine indemnity payments. This policy does not insure against death, loss, or damage to the livestock. LGM for swine and dairy is available in each of the lower 48 states.

LGM for cattle is not currently available in Vermont, Maine, Maryland, Delaware, or New Hampshire.



A photograph of a pink pig looking over a white wooden fence. The pig is positioned in the center of the frame, with its head and front paws visible above the fence. The background shows green foliage and a clear blue sky.

1.34 Livestock Risk Protection

Livestock Risk Protection continued

2. The Livestock Risk Protection (LRP) policy. This insures the producer against price declines.

Generally speaking, producers choose coverage from between 70 to 100 percent of the expected ending value of the livestock. At the end of the insurance period, if the actual ending value is below the coverage price, the producer is paid an indemnity for the difference between the coverage price and the actual ending value. Producers may choose from a variety of insurance periods that match their production timeframe. LRP policies are available for feeder cattle, fed cattle, lamb, and swine.

LRP policies are not currently available in Vermont, Maine, Maryland, Delaware, or New Hampshire.



1.35 Injuries to Guests

Injuries to Guests

1.36 Farm Injuries

Farm Injuries

- When farmers think about risk and liability, injuries to people who visit the farm are perhaps the most common source of worry.
- If someone steps on a rake, will I be sued? Am I responsible if someone falls through a rotting floor board in the barn?
- This section explores these issues from two angles:
 1. *Farm injuries and*
 2. *Non-farm injuries.*



1.37 Farm Injuries to Guests

Farm Injuries to Guests



1.38 Talking with your agent

Action Step:

Talking with your insurance agent about liability coverage, ask the following questions:

- Do I have liability coverage?
- What is the nature of my liability coverage? Am I covered for negligence alone or other actions, as well?
- Does my liability coverage include a "duty to defend," which will cover the cost of an attorney?
- What are the limits of my liability coverage? Does it seem reasonable, considering my farm operation and the types of risks I incur?
- Can you recommend any steps I should take to reduce the likelihood of injury on my farm, such as signage, rules, waivers, or restricting access to certain areas? If I take these actions, might I be able to reduce my premium?

1.39 Non-Farm Injuries

Non-Farm Injuries

- Joe brings Tommy to the maze one Saturday and the same unfortunate thing happens – Tommy is running through the maze and trips, breaking his arm.
- This situation seems similar to Tommy's first injury, right? After all, he broke his arm. From an insurance perspective, this injury is different; it occurred during an agritourism activity, not a farm activity.

In the scenario where little Tommy falls on the farm, it's important to note that he was there on the farm to help with farm-related business. Now, let's explore a situation where Tommy is at the farm for a festival or event.



1.40 Non-Farm Injuries

Non-Farm Injuries

- Farmers, especially farms with a close connection to their community, often host activities not directly related to crops and livestock. For example, farmers host educational classes, make value-added goods, throw farm festivals, and create other diverse opportunities.
- **Classes, value-added production, and agritourism may each be excluded from coverage under a standard farm liability policy as a non-farm activity.** Without getting too much into the details and nuance of terminology, a non-farm business activity is essentially anything that is not related directly to the marketing or production of livestock or crops.

1.41 Non-Farm Injuries

Non-Farm Injuries

- Insurance is certainly available to cover a person's injuries in the case of a non-farm business related injury. Farmers just shouldn't make the mistake of assuming that it's covered under an existing policy. Farmers need to make sure to ask their insurance agent specifically about this kind of situation to determine if an additional policy, line of insurance, or endorsement is needed. It likely will be.
- Of course, if Jules asks her agent about additional policies or endorsements, she might end up with a higher premium. Jules might be surprised and alarmed. But, after talking with her agent, she might discover that many more injuries happen in corn mazes than on non-agritourism farms, which is why coverage is expensive. Jules will have to do some critical analysis of her situation.
- Does the potential revenue from the maze justify the higher insurance cost? It might.

1.42 Non-Farm Injuries: Options for Insurance Coverage

Non-Farm Injuries: Options for Insurance Coverage

- When Jules meets with her insurance agent, he or she might offer a number of different products to meet Jules' needs. A risk management package might be assembled from among several options including:
 - event endorsements,
 - incidental business endorsements,
 - agritourism endorsements, or
 - a commercial line of insurance.
- Different insurance companies offer different options. Endorsements are often used where farmers are hosting only a few non-farm activities. If the activity is an event such as a fall festival, an event endorsement might be the most efficient choice. If the activity is a non-farm business venture such as a series of educational classes or a new processing venture, but is still quite modest in scale, a business endorsement may be fine. As farmers scale up, a commercial line usually becomes a more attractive option. Commercial coverage addresses a broader range of non-farm activities without regard to frequency, as compared to a farm liability policy without commercial coverage. Commercial lines of insurance can take the form of separate policies or be bundled into the farm liability policy.

1.43 Talking with agent

Action Step:

Talking with your insurance agent about coverage for non-farm injuries:

First, make sure your insurance agent understands the breadth of activities that occur on your farm. Even if it's just a festival you hold once or a group of six people who come for yoga, tell your agent. It's the only way to understand your true risk exposure and options for managing those risks.

- Am I covered for injuries that might extend from my agritourism, educational, processing, value-added, or other activities that might be seen as not related to the farm?
 - If not: Can you recommend a cost-effective plan to get coverage for these?
- Does my current insurance coverage allow for growth of these activities? When should I revisit coverage if I expand any of my non-farm activities?

1.44 Injuries to Employees

Injuries to Employees

1.45 Injuries to Workers

Injuries to Workers

Now that we've explored what can happen in the case of a visitor or customer of the farm getting injured, it's time to talk about another common injury situation – injuries to employees. This is handled differently than when other folks are injured on the farm.



- The very first question a farmer must ask is, "Am I required to carry workers' compensation for my employees?"
- Workers' compensation is often required by law, and failing to follow these laws can result in steep financial penalties or even jail time for the most egregious offenders.
- Determining if a farm is required to carry workers' compensation is not always an easy task. Farms are handled differently than non-farm businesses in many states.
- By and large, most states require businesses of all sizes to carry workers' compensation as soon as they hire their first employee. However, many states give farm businesses an exemption to this rule.

1.46 Independent Contractor – Getting the Details

Injuries to Workers – Getting the Details

Choose and click on the state applicable to you:



Maine



New Hampshire



Vermont



Maryland



Delaware

1.47 Injuries to Workers in New Hampshire

Injuries to Workers in New Hampshire

- New Hampshire does not give any exemption to farm businesses.
- In New Hampshire, all employees including part-time and family must be covered by workers' compensation from the first day of work.



1.48 Injuries to Workers in Vermont

Injuries to Workers in Vermont

- Vermont provides an exemption for workers' compensation for small farms. So long as the farm has less than a total of \$10,000 in payroll in a calendar year, they are not required to carry workers' compensation for employees engaged in agricultural labor. If the farm provides housing or meals to its employees as an in-kind wage, this amount must be included when calculating the gross payroll. This exemption only applies to agricultural labor. This means that even if the farm falls below the \$10,000 payroll threshold, it must carry workers' compensation for any employee that engages in non-agricultural labor.
- In Vermont, farms with a payroll of \$10,000 or more, must carry workers' compensation for *all* employees. This includes family members and part-time workers. Farm business owners do not have to cover themselves if the farm is a sole proprietorship or partnership. If the farm is organized as an LLC or corporation, the LLC members or corporate officers may choose to be excluded, however, they first have to obtain approval from the Vermont Department of Labor.



1.49 Injuries to Workers in Maine

Injuries to Workers in Maine

- Maine requires that employers of seven or more year-round agricultural workers purchase workers' compensation.
- For farms not meeting that threshold, Maine requires that farms carry a liability insurance policy that covers workers.
- Employers that have employees engaged in agriculture or aquaculture as seasonal or casual laborers, must have at least \$25,000 in employers' liability insurance, with at least \$5,000 in medical payments coverage.
- Operations that offer more than "seasonal or casual labor" and have six or fewer agricultural or aquaculture laborers, must have employers' liability insurance of at least \$100,000 multiplied by the number of full time equivalent employees and has at least \$5,000 in medical payments coverage.



1.50 Injuries to Workers in Maryland

Injuries to Workers in Maryland

Check whether the following statements are true or false:

- Your farm has at least 3 full time employees.
- Your farm has an annual payroll of at least \$15,000 (including the cost of lodging, meals and other benefits) for full time employees.

If you checked "true" for either of the above boxes, your farm is required to carry workers' compensation.



1.51 Injuries to Workers in Delaware

Injuries to Workers in Delaware

- In Delaware, farm businesses are **not required** to carry workers' compensation.



1.52 Injuries to Workers Continued

Injuries to Workers Continued

- If a farmer does not have to purchase workers' compensation, he or she may have a couple of options for insuring employee injuries.
 - Some insurance companies will offer limited employee coverage in their standard farm liability policies.
 - More commonly, farmers may need to purchase a commercial line of insurance with coverage for seasonal and temporary or full time farm employees.
- Insuring full-time, permanent farm employees can be a challenge. The market for these policies is small (as most businesses purchase workers' compensation); some farmers will find that workers' compensation is their only option



1.53 Injuries to Workers Continued

Injuries to Workers Continued

- Regardless of whether you need workers' compensation or a liability policy to cover your workers, know the procedures required for reporting an injury.
- Make sure the required procedures are clearly communicated to your workers, for example by writing them into the employee manual.
- Following reporting procedures is essential if you want the coverage there for you when you need it.



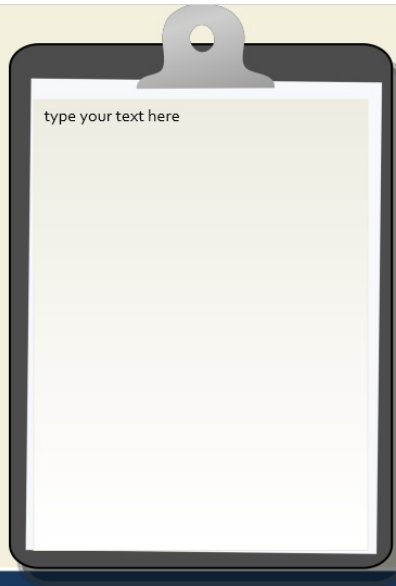
1.54 Do you need to purchase

(Text Entry, 0 points, 1 attempt permitted)

Quiz Activity: Injuries to Workers

- Do you need to purchase workers' compensation?
 - Yes,
 - No,
 - I have additional questions.
- If you have additional questions, call your insurance agent for more information. Use this box to write out the questions you have for your insurance agent. When finished, click the submit button to e-mail questions to yourself.

Submit



type your text here

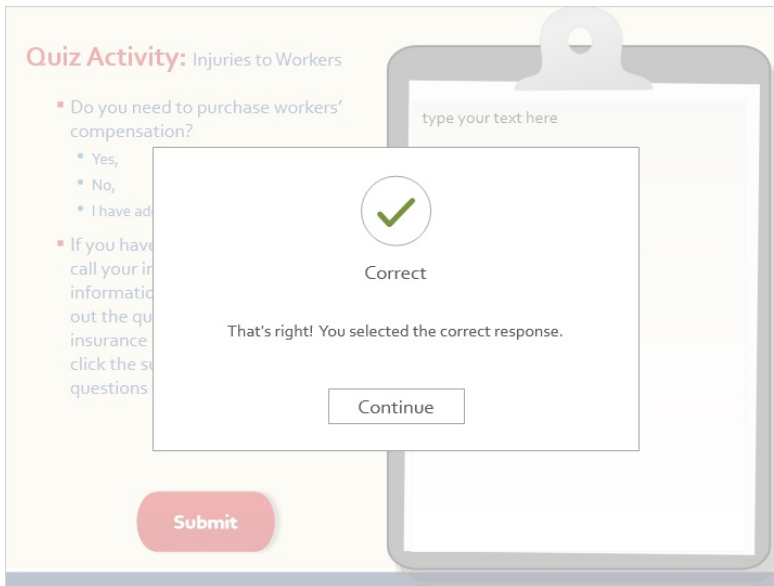
Feedback when correct:

That's right! You selected the correct response.

Feedback when incorrect:

You did not select the correct response.

Correct (Slide Layer)



Quiz Activity: Injuries to Workers

- Do you need to purchase workers' compensation?
 - Yes,
 - No,
 - I have ad
- If you have call your in informati out the qu insurance click the s questions

type your text here

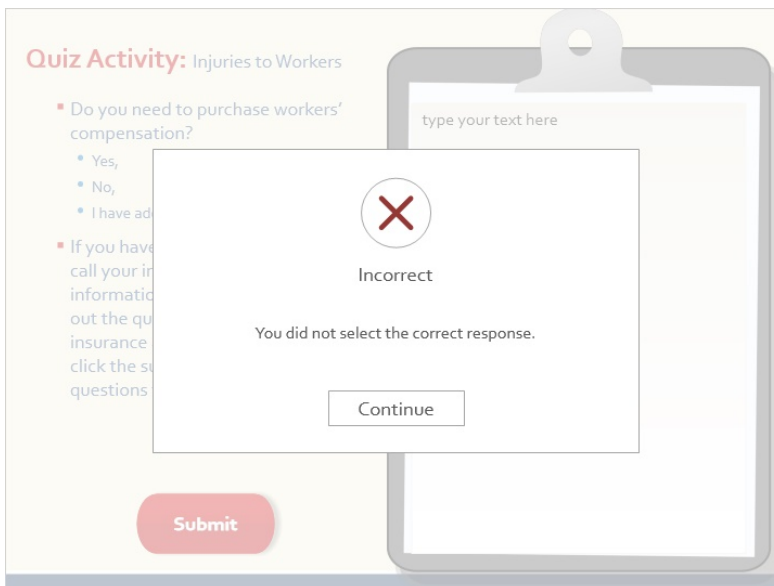
Correct

That's right! You selected the correct response.

Continue

Submit

Incorrect (Slide Layer)



Quiz Activity: Injuries to Workers

- Do you need to purchase workers' compensation?
 - Yes,
 - No,
 - I have ad
- If you have call your in informati out the qu insurance click the s questions

type your text here

Incorrect

You did not select the correct response.

Continue

Submit

1.55 Injuries to you

Injuries to you

- Let's go back to Farmer Jules. Recall how she had a hurricane strike her farm?
- As if enough tragedy hasn't befallen Jules, pretend that during the course of the cleanup, Jules throws out her back. She can barely get out of bed, let alone run a farm. Not only is Jules prevented from doing the work that brings in her farm's income, but the medical and hospital bills start rolling in ...
- While Jules' injury is personally difficult and unfortunate, it is also a major loss to the business. Luckily, insurance is available to provide some income so that Jules can pay her employees, the mortgage, and the other expenses she needs in order to keep the farm going. This is also the case if the situation were flipped around and it was Lou, Jules' business partner, who was injured. Insurance would provide some compensation to make up for the work that Lou used to do.



1.56 Injuries to you

Injuries to you

- It can be easy to ignore the risk of personal injury or to think that we can manage it by exercising precaution and safety. But, life happens, and unfortunately it's not always according to our well-laid plans.
- Maybe it's not an injury that befalls Jules or Lou, but a chronic illness. Maybe it's completely debilitating or maybe it's just enough to prevent Jules from working the part-time job she keeps over the winter for extra income.
- While it might be hard for Jules to imagine something happening to her, or to Lou, she will be in much better shape to manage the outcome of this situation if she considers the implications in advance.



1.57 Options for Farmer Injury Insurance

Options for Farmer Injury Insurance

- A personal health insurance policy is one way Jules and Lou can cover at least some of the costs of medical care. But for farmers like Jules and Lou, special attention to the policy terms is necessary. Some personal health insurance plans will exclude coverage for an injury incurred while the person works in his or her own business. Farming is what Jules and Lou do all day, and it's probably the most dangerous thing they do. If their personal insurance plan doesn't cover them while they work, it's not a cost-effective purchase. Jules and Lou should look closely at the terms of policies they are considering to make sure self-employment injuries are covered.
- When it comes to lost income from an injury, Jules and Lou might consider disability insurance. Available for both short-term and long-term disabilities, this insurance can replace a portion of the income insured persons would otherwise be earning. Disability insurance varies widely between companies; farmers need to pay close attention to the specific terms when selecting the best policy for their needs.

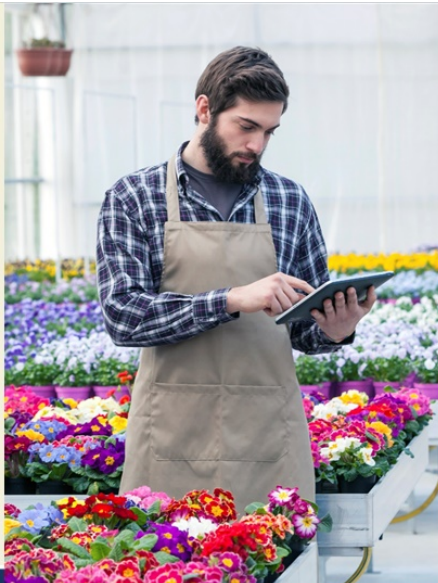


1.58 Action Items - Insurance

Action Items - Insurance

Check off these items as you complete them:

- I have confirmed whether or not my personal health insurance policy will cover injuries I receive in the course of conducting my business on the farm.
- I have considered whether or no disability insurance has a role in my farms overall risk management plan.



1.59 Retail and Wholesale

Retail and Wholesale Insurance Scenarios

1.60 Retail and Wholesale

Retail and Wholesale

- Farms selling to grocery stores and wholesale distributors may wish (or be required by the buyer) to carry a commercial general liability insurance policy.
- Commercial insurance extends the farm's liability coverage to a broader set of circumstances including indemnification of the buyer and recall costs, to name a few possibilities.
- Some commercial policies provide some product liability coverage so any farmer with significant sales may want to explore this option.
- **Action steps:**
 - Contact your insurance agent to discuss whether you are covered for legal liability issues that may arise from wholesale sales—including indemnification clauses—or whether a commercial policy is more cost effective for your situation.
 - To learn more about this issue, review pages 19-20 in our resource *Solidifying Wholesale Sales with Written Agreements*.



1.61 Deciding How Much Insurance To Get

Deciding How Much Insurance To Get

1.62 Deciding How Much Insurance

Deciding How Much Insurance To Get

- Insurance policies have monetary limits. These limits come in different forms. Specific covered items such as equipment and buildings may have limits on their replacement value.
- Liability coverage for injuries and such will have total liability limits. Umbrella policies might be available to raise or distribute policy limits, but a limit remains.



1.63 Deciding How Much Insurance To Get

Deciding How Much Insurance To Get

- Generally, the more coverage the more expensive the premiums. Unfortunately, there's no cut and dry equation for determining exactly how much insurance to get. A good starting point is to ask yourself the following questions:
 - If a particular item was damaged, what repair or replacement value would the farm business need to stay afloat?
 - How high is the risk that such an incident or damage will occur?
 - How devastating might a particular risk be if it materialized?
 - Are buyers, partners, or other entities expecting a specific level of coverage?
 - How much can the farm reasonably afford for insurance risk protection?

1.64 Deciding How Much Insurance

Deciding How Much Insurance To Get

- Consider more coverage for those items or aspects of your farm business where your discomfort with the risk is highest.
- The goal is to strike the right balance of not paying too much in premiums but paying enough to be sure that adequate coverage is available if and when you need to file a claim.



1.65 Finding an Insurance Agent

Finding an Insurance Agent

1.66 Finding an Insurance Agent

Finding an Insurance Agent

- Any farmer who works through this tutorial will realize just how important a good insurance agent is to the farm. Finding a good agent can be difficult.
- **Action item:**
 - Read some tips from an insurance agent herself on page 23 of *Managing the Sustainable Farm's Risks with Insurance: Navigating Common Options*.



1.67 Complete

Congratulations!
You've completed
the Insurance
Module!

Please proceed to
the next module:

Workers



Notes: