

Insurance is often one of the most overlooked aspects of running a farm business. Knowing what to insure, what types of insurance are available, what policies cost, and what level of coverage you need to reduce risks on your farm can be a daunting task. However, insurance is one of the best ways to manage and reduce risk on your farm. It can help your business weather disruptions from natural disasters, accidents, and market devaluation. In some cases, insurance may be required by your lender or buyer.

This fact sheet provides information on:

- where to start;
- typical farm insurance; and
- group policies.

Where to Start

Identifying the real risks on your farm can help you figure out which insurance coverage you need. What are some worst case scenarios that could happen on your farm? Which of these are most likely to happen? One way to figure this out is by doing a SWOT analysis. This exercise asks you to write out and evaluate the Strengths, Weaknesses, Opportunities and Threats to your business. A case study and SWOT worksheet for farms is available at http://farm-risk-plans.usda.gov/pdf/swot_brochure_web.pdf.

Insurance coverage can be found for nearly any farm activity. Since the costs vary, it helps to shop around for the insurance that best suits your needs and matches your farm business plan. If your farming operation is very small, you may be able to simply add coverage to your homeowner's policy.

Once you have purchased a policy, remember to inform your agent anytime you make a change in your operation. Do not assume you will be covered for a new product or activity simply because it is a part of your operation or is similar to those for which you already have coverage. If an activity or product is not spelled out specifically in your policy, you are probably not covered.

Typical Farm Insurance

Premise liability insurance covers the farm in the event of accident or physical injury to anyone visiting the farm. Product liability insurance provides coverage against injury or illness resulting from ingesting your farm products.

An endorsement also known as a rider, addendum, or attachment is a written document attached to an insurance policy that modifies the policy by changing the coverage of the policy. An endorsement can add coverage for acts or things that are not covered as a part of the original policy and can be added at the inception of the policy or later during the term of the policy.

An endorsement is simply the specific coverage that an underwriter has agreed to cover with a specified limit of liability, usually an amount greater than the insured's collective assets.

If your farm has a roadside stand, you may be able to include this in your farm policy whether or not it is on your property, but you must clarify this with your agent.

Limited Liability

Limited liability coverage is for products that your customers are ingesting. The recommended amount of coverage for property and liability is based on the farm's net worth and five years of earnings.

Commercial General Liability

Commercial general liability policies combine liability insurance with property insurance. This might meet the needs of farms that process foods, sell flowers, non-edibles, or have the public on the farm. This policy

can have an “event endorsement” that will cover any injuries or mishaps that occur when you invite the public onto your farm. Activities such as on-farm stands, U-Pick crops, farm tours, or other agritourism related events should all be well defined within your coverage.

There are few exceptions to this. When landowners invite the public, free of charge, onto their land “for the purpose of outdoor recreation (specifically defined);” the landowner is not responsible for unintentional injuries incurred by the users (RCW 4.24.210). However, this law does not apply if a person is charged to enter or make use of the land.

Crop insurance

Crop insurance provides protection for a particular crop or to cover any losses due to crop failure or in some cases, market failure. The USDA Risk Management Agency (RMA) offers a range of crop insurance programs through private companies. They can be found online at www.rma.usda.gov/policies, or by calling the Spokane regional office at (509) 228-6320, or email warso@rma.usda.gov.

To calculate your crop insurance premium online, RMA has a premium calculator available at www.rma.usda.gov/tools.

AGR-Lite

Probably most suited to diversified, small farms is the new crop insurance program called Adjusted Gross Revenue Lite (AGR-Lite) created by RMA in 2004. This program covers revenue losses due to natural disaster or market downturns for the entire operation based on an average derived from your IRS schedule F reported income.

For information about federal crop insurance or AGR-Lite, please contact an insurance agent familiar with this program. For a list of insurance agents in the state visit the Insurance Provider Directory from the USDA Risk Management Agency at: www.rma.usda.gov/tools/agent.html.

RMA also offers help with risk management more generally. To get started, please see:

Introduction to Risk Management Brochure available online at www.rma.usda.gov/pubs/1997/riskmgmt.pdf

“Building a Risk Management Plan” available online at www.rma.usda.gov/pubs/1998/barmp

Group Policies

Groups of producers or businesses that are engaged in the same enterprise may want to seek a **group policy**. Group policies can often be negotiated at a more economical rate so the cost is lower to each person insured. For example, the Washington State Farmers Market Association provides a group policy for its member markets. This policy covers accidents in which the market is negligent, which cause injury to customers, vendors or employees of the market, which cause damage to the property where the market is held, or a customer’s property. This group policy does not cover individual vendors for product liability or other instances where the vendor is liable.

Recommended Fact Sheets: Labor, Licensing, Taxes

For further assistance or to make suggestions on how to improve this fact sheet, please email smallfarms@agr.wa.gov or call (360) 902-2057 or (360) 676-2059.