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## Running a Successful Farm Business Insurance

When accidents or natural disasters happen, farm and food businesses need business tools such as insurance to cover physical damage and loss of income. Insurance can also help minimize your liability, legal fees, possible interruptions to your business, and even negative publicity. It can help you weather disruptions from natural disasters, accidents, and in some cases market devaluation. Insurance may be required by your lender or buyers. Knowing exactly what to insure, what types of insurance is available (or required), what level of coverage you need, and what policies cost can be especially complicated for diversified, direct marketing farm businesses and for smaller operations that blend business assets with their home and personal property. This fact sheet provides information on:

- Where to start;
- Commercial General Liability insurance;
- Product Liability insurance; and
- Crop insurance.

### 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 to write out and evaluate the Strengths, Weaknesses, Opportunities and Threats to your business (SWOT). The U.S. Department of Agriculture provides this case study and SWOT worksheet for farms at [http://farm-risk-plans.rma.usda.gov/pdf/swot\\_brochure\\_web.pdf](http://farm-risk-plans.rma.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's business plan. If your farming operation is very small, you may be able to simply add coverage to your homeowner's policy. However, if you are doing any sort of direct marketing off-farm, then you need to discuss precisely what your policy will and will not cover with a qualified insurance agent.

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.

The online "The Legal Guide for Direct Farm Marketing" created by the Drake University Agricultural Law Center is a good resource for general principles and definitions. Chapter 10 is on Insurance and Liability: <http://directmarketersforum.org/chapter-ten-insurance-and-liability>.

## Commercial General Liability

Commercial general liability (CGL) 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.

### Event Endorsements

A CGL policy can have an “event endorsement” that will cover any injuries or mishaps that occur when you invite the public onto your farm. This is especially important if you are considering any form of farm stand, tours, U-Pick or agritourism, and may even be applicable if you are having customers pick up CSA shares at your farm. All activities and events should be well defined within your coverage.

There are 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 a fee to enter or make use of the land.

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

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.

## Product Liability Insurance

Product liability insures vendors from any claim made against them on the basis of their product. While a claim could be about a food borne illness after eating a vendor’s product, the claim could be for an alleged allergic reaction to a food product, lotion, wool scarf, or a small piece of jewelry being swallowed, or any number of scenarios. One of the main functions of this type of insurance is to cover your legal fees in contesting such claims.

Product liability insurance is sometimes included in or added to a business policy. Underwriters may exclude some of your products from the product liability insurance policy if they are not comfortable insuring them. For example, farmers may have difficulty getting product liability insurance for poultry if they both raise and process the poultry themselves.

The recommended amount of coverage for property and liability is based on the farm’s net worth and five years of earnings.

### **Vendor Insurance Requirement to Sell at Farmers Markets**

Source: "Washington State Farmers Market Management Toolkit" Chapter 9:

[www.csanr.wsu.edu/washington-state-farmers-market-management-toolkit](http://www.csanr.wsu.edu/washington-state-farmers-market-management-toolkit)

If a farmers market vendor or the vendor's product is accused of injuring "person or property" at the farmers market, then the vendor will be responsible for his or her legal defense and any claim (even if the vendor is proven to be innocent). Consequently, most farmers markets in Washington require their vendors to carry commercial general liability (CGL) insurance. In many cases, the market also requires that the farmers market is listed as an "additional insured" on the vendor's policy. Currently, most farmers markets in Washington do not require their vendors to carry product liability insurance. However, many markets are looking into this as public concern about food safety and other issues grow.

CGL insurance typically covers the vendor for any real or perceived harm done to people or property at the farmers market. This may include having his or her tent blow over on a vehicle (or another vendor), a display malfunction that lands on a shopper, "trip and fall" incidents, or any other type of general accident that can potentially damage property or injure someone at the market. The industry standard for a general liability policy typically starts at \$1 million; however, some markets allow lower minimums for certain vendor types.

If a vendor already has another form of general liability insurance, he or she should check to be sure it covers their business activities at the farmers market. Typically, a home owner's policy will not insure off-site activities. So, once the vendor leaves the curb of his or her house, they may no longer be covered by that insurance policy. The same principle may apply to farm policies also. The key is to check the details of the general liability policy to make sure it includes business activities at the farmers market. If not, it may need to be added.

Most farmers markets also carry CGL policies. However, the market's CGL policy probably does not cover vendors per se who are technically considered "tenants" of the farmers market.

Campbell Risk Management has worked closely with the national Farmers Market Coalition to develop a National Farmers Market Vendor Liability Insurance Program. It provides \$1,000,000 per occurrence in both general commercial and product liability coverage with no deductible and a \$2,000,000 annual aggregate limit. Premiums typically run from \$275 to \$425 per policy year, depending on gross annual farmers market sales. The policy includes coverage for all farmers markets at which a vendor sells and automatically adds the market as an additional insured (for no extra charge). For more information, please see: [www.farmersmarketcoalition.org/crm\\_insurance](http://www.farmersmarketcoalition.org/crm_insurance).

### **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) manages a range of crop insurance programs that are offered through private insurance companies. Additional information can be found online at [www.rma.usda.gov/policies](http://www.rma.usda.gov/policies), or by calling the Spokane regional office at (509) 228-6320, or email [RSOWA@rma.usda.gov](mailto:RSOWA@rma.usda.gov).

To calculate your crop insurance premium online, RMA has a cost estimator available at <https://ewebapp.rma.usda.gov/apps/costestimator>.

### **AGR-Lite**

Probably most suited to diversified, small farms is a 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 RMA at: [www.rma.usda.gov/tools/agent.html](http://www.rma.usda.gov/tools/agent.html).

RMA also offers help with risk management more generally. To get started, please see the: **Risk Management Checklist** available online at:

[www.farm-risk-plans.rma.usda.gov/pdf/risk\\_management\\_checklist.pdf](http://www.farm-risk-plans.rma.usda.gov/pdf/risk_management_checklist.pdf)

“Building a Risk Management Plan” is also available at [www.rma.usda.gov/pubs/1998/barmpp](http://www.rma.usda.gov/pubs/1998/barmpp)

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## **Recommended Fact Sheets**

- 4. Licensing
- 6. Taxes
- 8. Labor on the Farm

*For further information, to provide comments, or suggest a resource to add to this fact sheet, please email [smallfarms@agr.wa.gov](mailto:smallfarms@agr.wa.gov) or call (360) 902-2888.*