

Farm Planning

FOR THE FUTURE: FARM PROPERTY INSURANCE

Farm insurance protects against the unexpected. It may even be required by your financial lender. Oftentimes farms include the family home and family cars, in addition to the barns, outbuildings, farm-use vehicles and livestock. Comprehensive farm insurance is tailored to fit your farm. It can include coverage for your home, family cars and agribusiness. Crop insurance, a federal program backed by the USDA, is also an important part of reducing farm losses. However, it is separate from traditional farm insurance.



How do I know if I have the right coverage?

Things to think about include:

- Type of farm/agribusiness you have
- Number of employees working on your farm
- Type of equipment on your farm
- Where your farm is in its business cycle

Basic premises liability (protection if someone is injured on your property) and property coverage (protection if your property is damaged through other means like a tornado or fire) may not be enough to protect your farm or agribusiness. You may also want to look at your farm's risk factors, like the age of your operation. New farms and farms transitioning between owners are especially at risk. Agribusinesses already exposed to other risks, like having a new operator or those that have recently suffered from a financial loss, are at risk of further financial loss.

Why do I need farm insurance if I already have homeowners insurance?

Farm insurance covers things that regular homeowners insurance does not. Homeowners insurance covers damages caused by natural disasters, i.e., fire, lightning, tornadoes to the actual home in which you live. Your homeowners insurance may also cover your clothes, furniture and appliances. Homeowners insurance WILL NOT cover barns, outbuildings, storage sheds or unattached garages where you work on farm equipment. Also, it does not cover tractors, tools, balers or other farm equipment. These

things are expensive and should be insured. Only farm insurance will protect your farm-related property.

What types of farm (property) insurance are out there?

Premises and Personal Liability Coverage

Many farm policies combine both premises liability and personal liability coverage. Personal liability insurance protects you from paying large amounts of damages if your actions or your employees' actions cause someone on your farm to get hurt. Personal liability covers damages resulting from you, your equipment or your employees injuring someone or property not belonging to you.

Premises liability also covers situations where people may get hurt while on your farm. Premises liability covers accidents, like slips and falls. Liability policies differ widely. Most do not cover injuries that occur on or related to an agritourism operation. Pick-your-own operations, hay rides, corn mazes and on-farm festivals may all require additional insurance coverage.



Specialty Insurance

Specialty insurance is used for agribusiness practices unique to your production, like:

- Grape production (for wine)
- Liquor liability (for wineries)
- ATVs for production use
- Poultry suffocation
- Routine maintenance coverage
- Materials for insemination
- Sump pump malfunctions
- Damages to borrowed farm equipment
- Farm pollution liability (This covers damages from farm pollution run-off and animal waste. Keep in mind that odor nuisance fines and Environmental Protection Agency (EPA) fines are not included in this coverage.)

Product Liability Insurance

Product liability insurance covers liability (having to pay large sums of money if someone is hurt) from a product that you make and sell. Liability insurance may cover costs from a lawsuit. Common costs include legal fees, court costs and damages awarded to the injured parties.

Equipment Breakdown Insurance

Equipment breakdown is a fact of farm life. A farm's income can suffer while equipment is being repaired. Equipment breakdown insurance goes beyond regular farm property insurance. It covers equipment breakdown costs due to common, everyday causes, like operator error, motor burnout, power surges and mechanical breakdowns.

Additional Coverage

Endorsements are add-ons to basic coverage. These can be used to cover specific losses or protect items not covered in general farm insurance policies. This kind of insurance can be used to provide coverage for one-time events, like an annual festival or activity taking place on your farm.

You may need to buy an umbrella policy depending on the liabilities your farm carries. An umbrella policy covers the difference between what you owe or lost, based on your insurance claim, and the amount your insurance company agrees to pay. An umbrella policy covers more than regular liability insurance because it covers this gap. For example, if you have a million dollars in liability coverage and you are sued for \$1.5 million dollars, you are legally responsible for paying the \$500,000 balance. Umbrella insurance helps to pay for this balance.



What types of farm (property) insurance are out there? (cont.)

Other Considerations

You may also consider combining farm insurance policies to get a combined deductible (the portion of damages that you pay in the event you make an insurance claim). If there is a hail storm and it dents the barn roof, breaks the house windows, and cracks the truck's windshield, you only need to pay one deductible instead of three.

Insurance policies are personalized to your needs. Just like car insurance rates vary, every farm policy is different. It is important to talk to your insurance agent to make sure you have the policy that best fits your needs. Stay in touch with your insurance agent and keep him/her up-to-date on any changes you make to your farm. Policy rates depend on what you own and how your farm operates. Only then will you have the proper coverage that best fits your needs and protects your assets if disaster strikes.

References

Resources

For more information on farm property insurance contact your insurance agent. Many homeowners insurance companies will also have specialized coverage for farms. Check with your current home or auto insurance agent for more specifics.

For more information on insurance coverage and policies for farm or agribusiness, you can visit Nationwide Insurance at www.nationwide.com/farm-property-insurance.jsp.



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