
Farm Insurance Overview

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Disclaimer: The following is intended for educational purposes only and is not legal advice.

Whatever the operation may be, risk management is vital to building up an enduring farm enterprise. Successful risk management means understanding your operational insurance needs and the coverage that can help protect your business against loss.

General Liability Coverage

General liability insurance helps protect farm business assets in the face of legal liabilities. When someone is injured on the farm or when someone's property is damaged due to farm operations, products, or employee actions, general liability insurance helps cover the medical bills and legal expenses – including the payment of a settlement or jury award – that the farmer or farm business would otherwise be obligated to pay out-of-pocket.

Liability insurance policies operate the same as any other insurance policy – the business pays an annual premium and chooses the maximum coverage and deductible amounts. For example, if a farm gets sued for \$25,000 for medical costs associated with an injury attributed to a farm hazard, and has \$10,000 in legal fees, but the coverage maxes out at \$30,000, then the farm is responsible for paying the difference of \$5,000.

A farm's coverage needs will depend on the type of operation and the risks inherent to the business. For example, having customers on the farm creates a higher standard of reasonable care for the business, increasing the potential for liability. Whenever members of the public come onto the farm, liability coverage, above and beyond the standard liability coverage, will likely be needed to protect the business if someone gets injured while on the property. The extent of coverage depends on the specific risks and the frequency of on-farm activities.

Duties performed by employees is another consideration in choosing coverage limits should be the duties performed by employees. An employer's common law liability risks can include injuries or property damage caused by an employee. If an employee, while performing job related duties, is negligent and causes injuries to third parties, an employer could be held vicariously liable under a doctrine known as *respondeat superior*. *Respondeat superior* generally only applies to an employee's actions carried out while performing duties within the scope of their employment and for the employer's interests. A general liability policy will typically cover an employer's vicarious liability to some degree. Meeting with an insurance agent and discussing your operation is the best way to determine the appropriate insurance coverage.

Commercial Property Insurance

Commercial property insurance plans are appropriate for businesses with property and physical assets, such as equipment. Commercial property insurance is important to consider even for farmers living on their farm. General home liability coverage usually will not cover farm business losses. The value of the business property will affect the total cost of the policy and coverage limits.

Likewise, personal assets located on business property are usually not covered under commercial property plans. Losses from certain types of natural disasters, floods and other major weather events may not be covered by standard commercial property policies; neither are intentional and fraudulent acts by employees or injuries to workers that occur in the workplace.

Farm Insurance

Since farmers often live and work on the same property, many insurance providers offer farm insurance, which is a combination of a standard homeowner's policy and a commercial insurance policy. Some providers have policies tailored to "hobby" and full-time farms, based on the size and annual income. Each farming operation is unique and a policy can be custom built for the needs of the farmer.

Product Liability Coverage

Product liability insurance is often a part of a comprehensive general liability policy offered by insurance providers and provides protection against financial loss if a farmer is legally liable for injury or damage resulting from the use of a farm product. The provider will need to know all the products sold or planning to be sold – failing to disclose all products may make a policy void in the event of a claim. Product recall insurance is another type of specialized coverage that helps cover the costs associated with removing products from stores and notifying the public of a problem.

Commercial Vehicle Insurance

Maryland requires all vehicles to be insured and sets minimum coverage requirements.

Standard general liability policies do not usually cover auto accidents. Commercial auto coverage is needed to cover damages resulting from an accident of a commercial vehicle, including damage to a third party's property. Cargo coverage is required for the contents or load the vehicle is carrying. Unless specifically listed on the policy, a vehicle policy will not cover animals transported in a truck or trailer. If you routinely transport animals to or from an auction or any other destination, the animals will need to be covered separately on the farm owner's policy.

Crop Insurance

The Federal crop insurance program started in 1938 and is designed to protect farmers against unavoidable and uncontrollable losses caused by natural disasters. Private insurance companies handle the service delivery side of the program (i.e. writing and reinsuring the policies, etc.). The program is overseen and regulated by the United States Department of

Agriculture Risk Management Agency (RMA). RMA sets the rates that can be charged and determines which crops can be insured in different parts of the country. RMA provides policies for more than 100 crops; policy information often varies by crop, from state to state and sometimes from county to county. Federal insurance is also available for dairy and livestock producers. Pasture, Rangeland, and Forage coverage (PRF) is another related protection for livestock producers.

Federal policies are only available through RMA Approved Insurance Providers (AIPs). The private companies are obligated to sell insurance to every eligible farmer who requests it and must retain a portion of the risk on every policy. RMA and insurance industry activities, however, follow a timetable known as the insurance cycle and there are state-by-state enrollment deadlines for farmers to purchase, review, or modify their crop insurance policies. For crops not eligible for coverage under a crop insurance policy, USDA's Farm Service Agency offers the Noninsured Assistance Program (NAP). NAP provides assistance to producers of non-insurable crops when low yields, loss of inventory, or prevented planting occur due to uncontrollable natural disasters or unfavorable weather conditions during the coverage period, before or during harvest. Producers should contact a crop insurance agent for questions regarding insurability of a crop in their county. For further information on whether a crop is eligible for NAP coverage, producers should contact the FSA county office where their farm records are maintained.

Workers' Compensation Insurance

If a farmer has at least three full-time employees or an annual payroll of at least \$15,000 for full-time employees, then the farmer is subject to Maryland's Workers' Compensation Insurance law. In addition to wages, the cost of lodging, meals and other benefits provided to employees are included in the annual compensations calculations. In case of accidental personal injury, workers' compensation insurance funds are used to pay eligible injured employees' medical and funeral expenses. Employees who accept worker's compensation benefits for on-the-job injuries waive any right to sue their employers for the resulting medical and/or funeral expenses.

Maryland Unemployment Insurance Program

Maryland law requires agricultural employers who pay wages of at least \$20,000 during any calendar quarter of the current or preceding year to employees for agricultural work, or employ at least 10 individuals in a period of 20 weeks in the current or preceding calendar year, to participate in the Maryland Unemployment Insurance program. The Maryland Unemployment Insurance program provides pay benefits to workers who are unemployed and seeking work. The program requires the employer to pay contributions into the Unemployment Insurance Fund on the taxable wages paid to its covered employees. Employees must be advised about their rights to benefits and how to make claims for benefits by a posting in a readily accessible location.

Filing a Claim

Always read the policy documents and ask questions of the insurance agent to gain a clear understanding of the policy's coverage and procedures. Insurance policies contain statements of what is covered and what is not covered by the policy. Most insurance policies set specific procedures and time limits for filing a claim and require cooperation with the insurance company's investigators. Policies will differ by provider but many policies require immediate written notice of a possible claim to the producer or insurer. Take and save pictures of the damaged, destroyed, or stolen property, and document any temporary repairs and receipts for repair-related expenses. Do not dispose of any damaged property until the insurer approves the claim.

Conclusion

Insurance is a major expense and investment in the longevity of a farm. Assess the risks inherent to the farm business before shopping around for insurance and comparing prices. As a farming operation grows and changes, so will the business insurance needs. An annual insurance self-audit is a good practice to ensure that new features, employees, pieces of equipment, buildings etc. are covered by insurance policies.

Insurance Overview Links

- Managing Legal Risks for Agritourism Operations - <http://agrisk.umd.edu/blog/managing-legal-risks-for-agritourism-operations?rq=agritourism>
- Specific commodity's coverage in Maryland, see USDA RMA - <https://www.rma.usda.gov/en/RMALocal/Maryland>
- For more information on available livestock policies, see USDA RMA, Livestock, <https://legacy.rma.usda.gov/livestock/>.
- For more information on PRF coverage, see <https://www.rma.usda.gov/Policy-and-Procedure/Insurance-Plans/Pasture-Rangeland-Forage>.
- For a list of AIPs, see USDA RMA, Crop Insurance Provider List for 2019, <https://public.rma.usda.gov/AipListing/InsuranceProviders>.
- Locate an insurance agent or approved insurance provider, see <http://www.rma.usda.gov/tools/agent.html>.
- For more information on applying for NAP coverage, see USDA FSA Disaster Assistance Fact Sheet, https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/FactSheets/2017/nap_for_2015_and_subsequent_years_oct2017.pdf.
- Employers' Quick Reference Guide, Maryland DLLR, at - <http://www.dllr.state.md.us/employment/empguide/empguide.pdf>