FARM COMMONS

Managing the Sustainable Farm's Risks with Insurance: Navigating Common Options

LAST UPDATED:
June 26, 2015

FIRST PUBLISHED:
June 26, 2015

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DISCLAIMER: This guide does not provide legal advice or establish an attorney client relationship between the reader and author. Always consult a licensed insurance professional with training in farm and commercial lines and an attorney regarding your specific situation.

TABLE OF CONTENTS

INTRODUCTION

The Reality of Farm Risks

Imagine: Farmer Jules is in the middle of a bustling fall season. Every weekend her farm is filled with families from the neighboring communities who come to pick pumpkins, go on hayrides, and explore the apple orchard on the edge of the farm property. Farmer Jules rounds out her income with vegetable and beef sales. The cruciferous crops do especially well on Jules' farm, and she has a strong relationship with local grocery stores for her broccoli, cabbage, and kale. Restaurants and neighbors love to buy her grass fed beef; she sells the occasional animal to other farmers as well. It had been a difficult growing season for Farmer Jules because of a long summer's drought, but some late-season rains are breathing new life into her farm. She's beginning to think she might end the season on a strong note.

Alas, things will not be so easy for Farmer Jules. Halloween weekend comes around, and true to the holiday's theme, a horrific disaster occurs. A tropical storm has slowly built over the course of a week and eventually crashes down to land on the East Coast with winds at 89 miles per hour, extensive flooding, and widespread crop decimation. Jules watches helplessly as her fields are flooded with saltwater from a nearby bay, wind tears her crops out of the ground, and pieces of trees and buildings are strewn about the property.

"Injuries to employees or guests and property damage can financially flatten a farm as quickly as a natural disaster."

Think this sounds like an extreme or unrealistic example? Well, it's the true story of Hurricane Sandy, the category 2 storm that slammed into the Northeastern United States in 2012. Sandy was the second most economically damaging hurricane in U.S. history, and it wrought devastation and destruction all along the Eastern Seaboard. Farmers up and down the coast had to grapple with yet another setback at the end of what had been an already difficult season for many.

In this guide, we are using an extreme weather event as our starting point to talk about a number of unfortunate incidents. In reality, all of the situations that we will discuss are common risks that can occur any time on a farm. Injuries to employees or guests and property damage can financially flatten a farm as quickly as a natural disaster. But, there are ways to be prepared so that if or when disaster strikes, whether it's a storm or an injury to yourself or your customers, it's not the end of your business.

Understanding the risks you are taking can help lower the possibility of an extreme outcome in the case that something does go wrong.

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This guide will explore risks that often materialize on farms. We'll be looking through the lens of Farmer Jules' story. We will cover five main categories of risk:

1. **Crop damage and livestock loss**
2. **Property damage**
3. **Injuries to guests or customers**
4. **Injuries to employees**
5. **Farmer and business partner injuries**

Risk Analysis for Your Farm

Risk management is not one-size-fits all. It requires evaluating risk and return and depends on a farmer's personal preferences and attitudes. Ultimately, only you can decide on the best approach for the present and future stability of your farm business.

Start with a clear vision of your long-term goals for your operation.

When beginning to develop a risk management strategy for your farm business, start with a clear vision of your long-term goals for your operation. Are there aspects of your business that you would like to grow down the road, such as value-added products or agritourism? Do you, or do you plan to, position yourself as a family-friendly farm, or is your business concentrated in restaurants, grocery stores, and other retailers? Is there a piece of equipment or building that is fundamental to the success of your operation? Considerations like these will help you make decisions about what to prioritize to maximize the time, effort, and money you put towards insurance and other management strategies. Don't be turned off by the terminology – a risk management strategy is simply a means of protecting the vision you've crafted for your farm by anticipating potential problems and planning how you will handle them.

In this guide, readers will learn the issues Farmer Jules should consider in understanding and managing our 5 main categories of risk. Predictably, insurance plays a large role in risk management. Farmers reading this guide may hope to discover exactly which insurance policies and endorsements they should purchase. This guide will help farmers understand options and trends, but it cannot name the exact policies or endorsements to buy. Each insurance company may offer slightly different policies and endorsements. Regions follow different naming conventions and regulatory authorities influence options in your state. We can't offer details for every state and every insurance company. Fortunately, you already have an excellent guide to local options in your back pocket: your insurance agent. This guide is meant to go hand in hand with your local insurance agent. Both are essential resources.

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By the end of this guide, you will be equipped to ask your insurance agent great questions that will help you create a personal strategy This guide will prepare you for that conversation by giving you working knowledge of common insurance options.

How Insurance Works

Insurance is, although not the sole risk management strategy, perhaps the farmer's most important tool. Grasping the nuances of insurance requires a basic understanding of the general structure of most insurance policies. At its heart, an insurance policy is nothing more than a contract. It's an agreement between the insured person or business and the insurance company. Like any contract, everything depends on the words in that contract, which for insurance is the insurance policy. A full insurance policy is often between 30 and 50 pages long. Customers almost always receive a copy of this full policy, but they often don't read it or even know that they've received this important document in the first place. (It might be delivered by email or stored in the customer's online profile.)

An insurance policy lays out all the terms of the coverage. It often begins with covered risks – these are the events, if they materialize, for which the farmer is eligible for compensation. Coverage for those risks is attached to specific covered items, entities, or persons. These may be stated in broad categories (for example, "inventory" or "employees") or listed individually, such as the declarations page that commonly lists specific covered buildings or equipment. The insurance policy has monetary limits; rare is the policy that will cover the full extent of the damage, no matter how great. These limits come in different forms. Specific covered items may have limits on their replacement value. Liability coverage will have total liability limits. Umbrella policies might raise or distribute policy limits, but a limit remains.

If a covered risk happens to an insured item or covered person, the farmer generally has to make a claim to draw on that coverage. Claims need to be made according to a specific procedure that often requires reporting certain information within a timeframe. Failing to adhere to the procedures (or failing to pay the premium on time) can negatively impact the farmer's ability to successfully file a claim.

If a farmer wants to depend on insurance, he or she needs to understand the specifics.

The first take away message is this: If a farmer wants to depend on insurance, he or she needs to understand the specifics. An insurance company won't pay out on a claim if it wasn't part of the contract. You are paying good money for insurance. Know what you are getting and what the policy demands of you in return.

When farmers think about insurance, the benefits are usually the second thing on their mind. Cost is usually the first thought. Although the right insurance policy may be more affordable than farmers predict, it can be expensive. The cost of an insurance policy is based on the risks, which insurance companies take great effort to accurately analyze using the tools of actuarial science. The hard truth is that farming and food production is inherently risky. Farmers grow food that people eat, and they do it with tools that can be dangerous. A sound insurance company will make sure they charge enough so that they can pay out on good claims.

Some farm activities will be expensive to insure, simply because the statistics demonstrate that the activity is risky.

The second take away message is that some farm activities will be expensive to insure, simply because the statistics demonstrate that the activity is risky. Farmers should shop around for the best price while building the cost of risk management into their business plan.

RISK 1: CROP DAMAGE AND LIVESTOCK LOSS

Let's get back to Farmer Jules and her farm. The morning after the storm passes, Jules goes out for a field walk to assess the damage. It's a pretty dismal scene. All her crops that were left in the fields – broccoli, cabbages, kale, and more – were either torn out of the ground, had their stems snapped by the winds, or were washed away by a flood of water that came in from a nearby bay. To make

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There are new options for crop and livestock insurance that might be appropriate for diversified farmers.

matters worse, when Jules picks her way through the woods, she discovers that her herd of cattle had gotten trapped in one area of her property, and some fallen trees had unfortunately crushed few of the calves that were set to be sold in the coming months. Jules is devastated.

Jules goes inside and calls her sister, Cindy, who is not a farmer. Cindy says:

> *"Well, Jules, this is the risk you took when you decided to go into farming. This stuff happens. Maybe farming wasn't the right choice of a career."*

In a sense, Cindy is right. The very nature of starting a farm is a risk. Growing crops and animals as a business comes along with a lot of potential scenarios that could go badly. So, yes, the best risk management strategy would be not farming at all! That is not, however, what we are suggesting Jules, or our reader, do. We also do not mean to suggest that the farmer is a victim of circumstance. Rather, Farm Commons aims to empower farmers with information that they can use to proactively assess their situation and mitigate the possibilities of adverse outcomes and potential losses.

Insurance is one such way to manage risk. It is essentially paying someone else to assume the burden of the risk. The insurance company has agreed, through your contract, to cover certain types risks if they materialize, up to a certain policy limit. In this case, the appropriate insurance policy could provide Jules with reimbursement for some of the lost revenue from the crops and livestock.

Unfortunately, Jules didn't carry any insurance for her crops or livestock. She was under the impression that crop insurance was only available to commodity growers, and only in specific regions of the country. As a small, diversified farmer, Jules thought she wasn't eligible, or even if she was, that it would be too expensive to buy policies to cover her multiple operations. This might have been the case in the past, but there are new options for crop and livestock insurance that might be appropriate for Farmer Jules and other diversified farmers. Jules's farm may not qualify for these plans, but regardless, she decides to look into some of the options for the following season.

Crop and Livestock Insurance Options

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. Farmers buy the policies through private insurance companies, who also service those policies for farmers. These insurance policies make up the vast majority of crop and livestock risk management. RMA held nearly $117 billion worth of liability for the 2012 growing season, for example. Although private crop insurance is available, it plays a very minor role in US agriculture. For that reason, this guide addresses only federally-crafted crop and livestock insurance options.

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Beginning in 2015, RMA made a new insurance policy available that offers protection for diverse crop and livestock production under a single policy called the Whole Farm Revenue Protection (WFRP) policy. Officially a pilot program in 2015, WFRP was available in most states for the 2015 growing season.

WFRP is unique because it insures the farm's established revenue from crops and livestock. This means that farmers who sell into organic and specialty markets can insure the actual revenue they earn selling into those valuable markets, rather than insuring the product at its much lower commodity value. Farmer Jules, for example, could have purchased a WFRP policy to protect her historic revenue from each of her pumpkin sales, cruciferous vegetable sales, and her grass-fed beef sales. WFRP covers up to 85% of a farm's lost revenue if the farm produces at least three different commodity types.

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WFRP insurance is available for crops, livestock, and greenhouse products so long as the latter two categories comprise less than 35% of the farm's revenue. The protection covers a wide variety of naturally caused losses such as hail, disease, or flooding.

Of course, the worth of any policy depends on its cost. Most farmers say that WFRP is quite affordable. RMA's online cost estimator (easily found through an internet search for "WFRP premium estimator") is available to help farmers assess the potential premium for their crops. To use a quick example, if Farmer Jules wished to protect $35,000 of annual revenue from her vegetables and $15,000 from her beef, she might expect to pay slightly more than $2,000 for a WFRP policy (based on the estimator as of the time of writing).

Most farmers say that WFRP is quite affordable.

Not all farmers will be eligible to purchase a WFRP policy. Of the greatest significance to Farm Commons' audience, farmers must have at least five consecutive years of farm tax history. The farm's tax returns will form the basis of the operation's insured revenue. For farmers who are eligible, the process requires submitting an application in early spring, a farm history report, a report of the farm's projected operations for the year, and a report of the farm's actual production and planting for the year, in summary.

In the event of a loss, farmers must submit notice within 72 hours.

Farmers with a WFRP policy must follow specific procedures in the event of a loss. The notice of a loss needs to be submitted within 72 hours. Then, the farmer must file the farm's taxes for the year in which the loss was suffered. After the farmer's taxes are submitted, he or she has 60 days in which to submit a claim for the loss. Expenses the farm predicted but did not incur as a result of the crop or livestock lost may reduce the total payment made to the farmer.

Farmers wishing to purchase a WFRP policy should contact a local insurance agent that sells crop insurance. A list is available at the RMA website.

Farmers not eligible for WFRP might consider Multi-Peril Crop Insurance (MPCI) or the Noninsured Crop Disaster Assistance Program (NAP).

Those not eligible for WFRP or who are interested in other options might consider two other insurance programs. Prior to WFRP, farmers insured individual crops through what are commonly called Multi-Peril Crop Insurance (MPCI) policies. MPCI policies are available only for specific commodities grown in specific counties in the United States. Livestock producers may receive protection from price declines in the commodity market through Livestock Gross Margin or Livestock Risk Protection policies. Lastly, farmers without another insurance policy might consider the Noninsured Crop Disaster Assistance Program (NAP). NAP will cover up to 55% of the average market price for crops lost due to natural causes. However, the total crop loss must exceed 50% before payment is available. Although NAP benefits are lean, it is very affordable at $250 per crop. Beginning and limited resource farmers may apply for a waiver, as well.

Talking with your insurance agent about crop and livestock insurance:

- Do you sell crop and livestock insurance? If not, can you direct me to a colleague who does?
- Are you familiar with the new WFRP insurance policy?
- Can you help me determine if I am eligible for WFRP and walk me through the application process?
- Is a MPCI policy or NAP a better choice for my situation?

RISK 2: PROPERTY DAMAGE

Crops and livestock were not the only victims of the super-storm. Jules' trusty tractor was damaged by lightening when a bolt struck her pole barn and her calving shed collapsed. What could insurance do for Jules in this case? Well, the right policy could provide the money to replace the tractor and rebuild the shed. Jules is relieved – she does have a farm liability policy that covers her property. Finally, some good news!

Property isurance generally covers property damage from weather events, theft, or vandalism.

Property insurance generally covers damage to property from weather events, theft, or vandalism. Property insurance policies can also cover loses from equipment breakdown or loss of electrical power. The property covered can include buildings, equipment, machinery, and even seeds or livestock. Specific buildings or elements of buildings can be excluded from coverage such as roof damage from a hailstorm or an unused outbuilding.

Most policies will cover new equipment for a few months after the purchase. Beyond that, it needs to be specifically added.

Jules has to check on a few things before she can be sure her insurance policy will cover her losses. In order for Jules' tractor and shed to be covered, they may need to be listed on the declarations page of her policy. If Jules had bought the tractor several months ago but hadn't yet added it to her policy, she may not have coverage. Most policies will cover new equipment for a few months after the purchase. Beyond that, it needs to be specifically added. She also risks not having enough coverage if she recently made significant improvements to her calving shed but didn't increase its replacement value accordingly. Jules may find the insurance payout isn't enough to rebuild if she didn't keep her insurance agent informed in a timely manner.

Jules' insurance company will only pay out on a claim if the damage occurred from a covered risk. Covered risks can be subtle. For example, some policies will cover damage to property inside a barn caused by a storm. But, if the damage resulted because the barn door was left wide open and nothing would have been damaged had it been closed, the claim may not qualify. When and how Jules' tractor was damaged by lightening may affect her coverage. Further, if her tractor was stored on her neighbor's farm, she was operating on leased land or she allowed others to lease her land, these are all considerations that might affect coverage of the claim.

> "If Jules is paying for a general insurance policy and it's not covering the essential components of her business... is that an efficient use of her money?."

Jules needs to speak with her insurance agent to figure out the specifics of her coverage, and this conversation needs to occur well before any potential claim is made. Before the season began, Jules did wonder if all of her property was covered by her insurance. She was hesitant to ask her agent, though, and potentially have to add more buildings and pieces of equipment to her policy. Her insurance policy was already expensive, and adding more onto it would only make the premium go up! Well, that may be true. But, if Jules is paying for a general insurance policy and it's not covering the essential components of her business, what is the policy really worth? Is that an efficient use of her money?

Should I Insure This?

When thinking about what to insure, what to add to your declarations list, and what is a worthwhile investment, ask if that equipment or piece of property is fundamental to the rest of your operation. If something were to happen to it, would you be able to proceed with the rest of your business? If your packing shed falls down, can you pack somewhere else? If your tractor breaks, as in Jules' situation, will you be able to make it through the season? Some things will be more integral to your operational capacity than others, and that will inform your decision to insure or not, and at what value.

Outside of a purely operational standpoint, perhaps consider the marketing implications of loss of equipment. If this is your first CSA season, and the success of your business rests on the impression you make on your customers this year: what will you do if your cooler breaks and you are forced to offer up wilted veggies each week? If your freezer breaks, do you have somewhere else to put frozen meat or will you have to throw it out? When you begin to weigh the importance of your various assets, it can become easier to focus on which are most important to protect, and which you might be willing to risk losing if an unfortunate situation occurs.

Property Coverage Insurance Options

Jules' example shows us the importance and the complexity of property coverage. Now, we'll discuss general options for purchasing this coverage.

Don't assume that your homeowner's policy will cover your farm property.

Many farmers purchase a property primarily as their homestead while transitioning to a revenue-generating farm business only over time. Folks in this situation must note that they may need to modify their insurance policy as they move into farming. A homeowner's policy, which otherwise covers the home, garage, and other structures, often will not cover property related to businesses run from the home property. Let's say we have a tractor that was used simply for plowing the family driveway in winter. Now, it's used every day as part of a farm business. The tractor might have been covered under a homeowner's policy for snow removal but not covered now that it's used in a farm business.

Endorsements are add-ons to a regular policy that modify the coverage.

Before beginning a farm business, homeowners need to specifically ask their insurance agent about whether and how their existing coverage applies to the new venture. The insurance agent may recommend a number of different options. Some homeowner's policies may have an "endorsement" available to cover a farm enterprise. Endorsements are add-ons to a regular policy that modify the coverage. Some farmers will find that a homeowner's policy with a farm enterprise endorsement isn't cost effective. A farm property policy may be broader or more cost effective than a homeowner's policy with an endorsement or it may be the only choice.

Farm property policies usually combine personal and business property under the same policy.

Farm property policies usually combine personal and business property under the same policy. Farm property insurance policies go by a variety of names. Some companies call them "property and casualty" policies while other companies call them "farm property" "farm land" or "farm liability" policies (as distinguished from homeowner's property and liability policies). Coverage for liability/casualty is often bundled into the same policy as property coverage, but they are technically different lines of coverage. (Liability is addressed in the next section.)

These policies tend to cover natural hazards, theft, and vandalism of farm properties, up to the limits of the policy. Some policies cover other or additional risks. The limits may be specific to the insured value of the item and likely reach a combined maximum insured limit.

Farm property policies generally provide coverage for property on the farm, naturally. But, farmers may store personal property on leased, unowned land. Farmers should make sure to ask their agent if property stored off the farm is covered. In addition, many people lease out their farmland or allow others to store property on their land. These situations, too, may affect whether and how farm property is covered. Folks will need to clearly communicate with their insurance agent about where and how their property is used to find the most efficient option.

The various ways farm properties are used can also influence insurance coverage. If a barn is primarily rented out for weddings, your insurance agent will need to know this. Likewise, if a farmer adapts an old milkhouse into a commercial kitchen and starts producing spice blends, this changes things. Buildings with more of a commercial rather than farm usage may need a separate commercial line of insurance to cover them. If the wedding party causes a fire and the barn is a loss, the farm property insurance may not cover it. No one wants to find that out after the fire occurs!

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Farmers who do not own any land or buildings still need to consider property insurance. They may have tractors, equipment, greenhouses and hoophouses that should be insured. Farmers who own no land may be offered different insurance options as compared to farmers that do own land. For example, some agents may recommend a commercial policy instead of a farm policy. Commercial policies come in many shapes and sizes to fit a wide variety of (usually) non-farm businesses. Farmers that don't own any land may be more analogous to regular business owners who often don't own the land or buildings in which they operate either. It's also possible that a renter's insurance policy will cover the tenant farmer's needs, especially if he or she also rents a home at the farm site.

You should add to this checklist with questions and issues that reflect your own situation.

Talking with your insurance agent about property coverage:

- Start by letting your agent know all the details of your situation, especially whether you own your land or lease land and if you lease out your land to others.
- Tell your agent if any of your buildings are used for non-farm purposes such as processing or weddings.

- Your agent may need to know the extent of your farm business operations to recommend an efficient strategy. What is your annual revenue and the value of the property devoted to the farm enterprise? Where are your sales outlets and what product do you sell? All these details can help your agent recommend the best policies for your needs.

After your agent understands your situation, he or she may recommend a range of different policies, endorsements, policy limits, or coverage values. This is a good time to follow up with more questions to make sure you understand your options.

- Can you explain the covered risks to me? Can you show me where in the policy covered risks are stated so I can read the details myself? Are risks like flood and windstorms excluded?
- Will the nature of my coverage change if I start leasing land or leasing my land out to others?
- What am I required to do in the event I experience a loss?
- If I acquire new property, what should I do to cover the new property?

Ultimately, the choice about what to insure and at what value is up to you. But, your insurance agent is a very valuable resource for perspective. Consider asking him or her for input.

- I am considering insuring these property items at these values. Does this look reasonable to you?
- If you are declining to cover certain property because of your budget, check with your agent about whether your strategy is the most cost effective solution.

RISK 3: INJURIES TO GUESTS AND CUSTOMERS

On-Farm Injuries

Once Jules has surveyed the damage and properly mourns the loss of her tractor and shed (and starts the process of filing a property damage claim with her insurance company …) she pulls herself together and starts putting together a plan to move forward. Her first step is to arrange a farm cleanup day for the following Saturday. She recruits volunteers from the community and her CSA membership and signs everyone up for specific tasks. The day's agenda includes clearing the land of fallen brush, trying to salvage whatever possible crops are still in field, moving the herd to a safer area of the farm, and repairing the fencing around the farm.

One of her CSA members, Jim, brings his 10 year-old son, Tommy, to help with the cleanup. Jules is a little nervous about having Tommy running around the property in its current state of disarray, but she is grateful to Jim for coming out on a Saturday to help. She decides not to say anything about having Tommy there. Jim and Tommy join the team that is working out in the area where the trees fell on the herd, clearing out the branches. Well, as luck would have it, Tommy is running around and doesn't see a tree stump in his path. He goes flying and breaks his arm. Jim and Tommy go to the hospital to tend to the injury.

Jules feels awful that Tommy is injured, but she's also a little annoyed with herself for not saying something when she recognized the risk that Tommy's presence posed. She also feels that Jim was irresponsible -- who brings a 10-year old to a hurricane cleanup?! Jules starts wondering if she could be held liable for Tommy's injury, and if so, if her insurance policy will cover that.

Before we get into the details, we should know a little background about how a person becomes liable for a farm guest's injury. Let's see how this situation plays out when Tommy and Joe go to the hospital.

Who's Fault Is It? Negligence and Liability

Jules' first thought is this: "Tommy has health insurance so won't that cover the expenses? Do I need to worry?" When Tommy and Joe go to the hospital, they are inevitably asked at some point how the injury occurred. Joe might explain that they were working on cleaning up storm brush at a neighbor's farm when Tommy fell. When the insurance company gets the report and reads mention of another business' involvement, they see an opportunity to get reimbursed. If Jules is responsible for this injury, she should pay the insurance company back for the money spent to treat Tommy.

Negligence is technically defined as behaving less responsibly than the average person would behave under similar circumstances.

Is Jules legally responsible for Tommy's injury? That's a complex question. It depends on if Jules' actions are negligent under the law. Negligence can be technically defined as behaving less responsibly than the average person would behave under similar circumstances. What would another average, reasonable person would have done in Jules' same situation? The process of the lawsuit is designed to determine just that. Each side would present their case as to what a reasonable person would have done and whether that's what Jules did or not.

Even if Jules' behavior may not be negligent in this case, she may still need to go to court to defend herself. Because the lawsuit is the process of determining responsibility, folks that might be non-negligent can still be sued. But, Joe has been a long-time customer of Jules', and she trusts him to not sue her for negligence! Unfortunately for Jules, the insurance company doesn't need to ask Joe if he'd like to sue. Technically, Joe already gave the company that permission when Joe bought the policy. It was in the fine print.

Negligence is not the only way Jules might be responsible for Tommy's injury! It's just the most likely avenue for this scenario. There are several other ways farmers might become legally liable for injuries including concepts like strict negligence that are harder to defend against.

Insurance often provides the attorney if you are brought into court to defend yourself against negligence and liability.

Insurance is essential for Jules. Insurance often provides the attorney in the case that Jules is brought into court to determine if she was being negligent or not, and therefore liable. If she is found negligent and liable, insurance is vital to Jules' financial stability. In the specific case here where a guest or customer is injured on the farm, from a farm-related cause, the insurance company will compensate the injured person (or the insurance company that paid the bill) for his or her injury.

The Role of Safety Measures and Prevention

What if Jules had taken action when she realized that the situation was unsafe by posting a sign that stated that the cleanup was not for children or telling Joe that Tommy shouldn't participate? These are positive steps. This behavior shows Jules is attending to her responsibilities in creating a safe environment. It can also help prevent accidents. Prevention is invaluable in protecting your intangible assets such as your farm's reputation. This is especially important to Jules because, based on the success of her pumpkin patch and hayrides this year,

"You can still be sued even if you did nothing wrong. While cautionary measures may help you win a lawsuit, they will not prevent you from getting sued."

she is planning on branching out into more agri-tourism ventures to increase her income. While having people on the farm for a hayride or to pick some cherry tomatoes is quite different from a safety perspective than cleaning up after a natural disaster, maintaining a good reputation in the community as a safe place in general will be integral to her success.

Thinking about your broader goals will help you assess the deeper implications of accidents, which may help you make decisions about the importance of preventing those risks from materializing.

Remember that safety rules and signage are very important, but are not a substitute for getting insurance! You can still be sued even if you did nothing wrong. While cautionary measures may help you win a lawsuit, they will not prevent you from getting sued. Insurance is important to help you defend your farm in the first place. Then, if the suit is successful, insurance will cover your liability to the extent of your policy.

Liability Insurance Options for the Farm

This story illustrates the risk of injuries to farm guests and customers and how insurance can help manage those risks. Now, let's talk about common options for securing this coverage.

Liability coverage is often combined with property insurance.

Liability coverage is often combined with property insurance and sold under a policy title such as "property and casualty" insurance, or "farm insurance." Within the text of the policy, however, the two types of insurance (property and liability) are distinct. Here, we are talking just about the nature of liability insurance.

When purchasing farm liability insurance, farmers will have to make a few decisions. We stated earlier in this section that liability insurance will cover the costs of a successful claim against a farmer, up to the limits of the policy. Policies come with low liability limits, high policy limits, and a range of increments in between! Many companies offer a minimum of $300,000 in liability. This means the insurance company will pay up to $300,000 for a successful claim. From there, companies frequently offer $500,000, 1 Million, 2 Million and more as policy limits.

> "Each farmer has to balance his or her budget, risk tolerance, and chance of injury."

Which liability limit should a farmer choose? There isn't a simple answer to that question. An injured person's medical bills could range from a few thousand to a few million dollars. Not having enough coverage puts the farm at risk of responsibility for the amount beyond the policy limits, if the farmer has been found legally liable. But, a higher policy limit means a more expensive premium. Each farmer has to balance his or her budget, risk tolerance, and chance of injury.

The liability insurance generally packaged with a farm property policy will cover injuries that occur on the farm to guests or customers at the site for a farm purpose, only. This coverage is generally quite narrow. First, it must be on the farm. If a guest is injured at a farmers' market or CSA drop-site, that may not be covered. Second, the injury must be related to a farm purpose. Although a farm purpose seems encompassing, injuries from education activities, agritourism, value-added production or the like are usually not covered. Most farm liability policies cover injuries relating to the production and marketing of crops or livestock, only. For example, an injured customer, supplier, or guest might all be covered.

If a farmer is hosting festivals, holding education events, making value-added products, offering agritourism, or doing anything else not related directly to the production and marketing of crops or livestock, the farmer will likely need additional coverage. We cover these examples later in this guide.

Talking with your insurance agent about liability coverage:

- 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?
- Will my activities be covered under this policy or do I need to consider coverage for off-farm or non-farm activities?

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?

There are a few other situations in which guests and customers can be injured, and they are each handled slightly differently. We will now go through two other common scenarios: non-farm injuries and off-farm injuries.

Non-Farm Injuries

Let's rewind a bit, and go back to before the storm hit. Jules' corn maze is in full swing. 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. Farmers, especially farms with a close connection to their community, often host activities not directly related to the farm. For example, farmers host educational classes, make value-added goods, throw farm festivals, and create other diverse opportunities.

Non-farm activities may be excluded from coverage under a standard farm liability policy.

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.

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 assume 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-agritorism farms, which is why coverage is expensive.

Jules will have to do some critical analysis of her situation. Does having the maze justify the higher insurance cost?

Consider talking to your insurance agent about additional safety measures you could take to lower your insurance premiums.

Jules might consider the premium increase from a few different angles. Perhaps she decides that she can't justify the cost of the additional insurance and decides not to have the maze going forward. But, Jules loves the maze and thinks that it is one of the best ways to bring the community to her farm. So perhaps she makes an extra marketing push and expands next year to justify the cost of the insurance. Jules might also talk with her insurance agent about any additional safety measures she might adopt that would lower the insurance premium, making it a more efficient use of her money.

The Bigger Picture

No matter what option Jules decides to take, she needs to think through her long-term vision for her farm and talk to her insurance agent about how to protect that vision. You, our reader, can use these same considerations to decide the most effective and efficient way to manage risk. Are you are interested in continuing to diversify your farm business activities? If so, the money you spend on insurance for those situations would support those longer-term goals, and therefore may be money well-spent. By asking the right questions in advance, your business plan can take your risk management strategy into account.

Options for Non-Farm 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.

Make sure your insurance agent understands the breadth of activities that occur on your farm.

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 fesitval that 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?
- If coverage appears too expensive: These high premiums suggest the insurance company finds these activities to be risky. Is there something particular I'm doing to raise my risk level? Can I modify any of my activities to reduce risk, and thus, my premium?
- 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?

Off-Farm Injuries:

Now, let's introduce yet another variation on Tommy's injury. What if the injury to Tommy had occurred off the farm, such as at a farmers' market or CSA drop-site? Perhaps he tripped over one of the anchors Jules used to hold her farmers' market tent down in the wind. Similarly to non-farm related business injuries, off-farm injuries may be moving beyond the limits of what a traditional farm policy may cover.

"Selling produce and livestock direct from farmer to consumer is actually a relatively new phenomenon in the recent history of farming."

Look at the cost-benefit analysis when considering the cost of insurance.

The distinction between an on-farm and off-farm injury may not be intuitive. Markets and CSA drop-offs fall under what we defined in the last section as "farm-related business activities," right? So why might a farm policy not always cover these types of events? Selling produce and livestock direct from farmer to consumer is actually a relatively new phenomenon in the recent history of farming, despite its current resurgence in the food system. This creates new types of risky situations that insurance companies are not in the practice of covering under their standard policies. Jules and other direct-to-consumer farmers need to pay special attention to make sure they have coverage for off-farm injuries.

Again, Jules may need to look hard at the cost-benefit analysis when considering the cost of insurance. She needs to think about how important her off-farm events are to her business and how often they occur. If the farmers' market is one of her biggest sources of income, that might be an event that is worth protecting. If Jules' only off-farm events are CSA drop-offs at sites like volunteers' homes or parking lots, perhaps she might consider just having customers come to the farm to pick up shares. That would eliminate the risk and the need for additional insurance.

Don't Play Guessing Games

Feeling doubtful or unsure about what you are currently covered for? Sometimes it can be confusing or overwhelming trying to sort through the many pages of an insurance policy looking for a specific piece of information, such as if you are covered for a farmers' market. Ask your insurance agent for assistance! He or she can point out the specific clause where the coverage is stated and in general can be an excellent resource to help you understand your farm policy. If you are not covered under your current policy for off-farm incidents, the good news is that there are many available options for off-farm insurance policies and endorsements.

Options for Off-Farm Insurance Coverage

When it comes to farmers' markets, securing off-farm coverage can be simple. Many farm liability policies already cover farmers' markets, considering how common they are becoming. Farmers simply need to confirm with their insurance agent that farmers' markets are included. If they are not, an endorsement is usually available to do the trick.

Commercial coverage might be a good insurance choice for a diverse, expanding operation.

CSA drop sites can be a bit trickier. CSA is still not as common as farmers' market sales. Endorsements to cover drop-sites are not generally available. In this case, the insurance agent may offer a CSA farmer a commercial line of insurance. Although that sounds more expensive, it can be a good deal. Commercial coverage is broad, covering off-farm and non-farm activities, too. Many CSAs host educational events, festivals, and other activities on their farm. Commercial insurance might be an efficient choice for a diverse, expanding operation.

CSA farmers may be able to cover injuries at some drop sites without changing their own insurance program. If the drop site is a business, the business may be able to add the CSA program to its own insurance coverage. To do this, the business owners would likely need to go to their own insurance agent and ask that the farm be added as an "additional insured" under the business' current commercial policy. Naturally, this might raise the businesses' insurance costs, which they may or may not be willing to incur.

Make sure your insurance agent understands where your activities occur.

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

First, make sure your insurance agent understands where your activities occur – farmers' markets, CSA stands, and anywhere else.

- Am I covered for injuries that might extend from my off-farm activities?
- 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 my off-farm activities?

Tips for Choosing an Insurance Agent

Finding the right insurance agent for your farm business is key to your success. Some people feel all insurance policies and companies are the same, so they choose the one with the lowest price. However, in a catastrophic loss the coverages provided by your insurance policies may determine whether or not you stay in business. Here are some tips for finding the right insurance agent to help create the right insurance program for your farm business.

TIP #1: Choose an agent representing an insurance company that meets your needs and is financially secure.

Insurance policies are legal contracts between you and an insurance company. Most insurance companies now have 24/7 customer service for you to directly pay your insurance premiums, make simple policy changes or open a claim. This insurance trend in recent years has resulted in basic customer service being provided directly by the insurance company rather than the agent. So choose an agent whose company has customer service options that fit your farming schedule.

Ask about the insurance company's financial strength and select one with an A rating or better. The financial strength of insurance companies is letter graded in a similar way like academic students in school. For insurance companies, the A rating or better indicates they are more likely to have the financial reserves necessary to pay their claims.

Finally, inquire about customer service provided by the agent and the insurance company during a claim. Potential claims are the reason why we buy insurance!

TIP #2: Find an agent who listens, gives you choices, and that you trust.

A good insurance agent will take the time to listen to you, help clarify your priorities and offer insurance choices that match your needs and budget. Talk with other farmers to get referrals for insurance agents who have experience in the types of farming activities you are doing. An agent's familiarity with your type of operation will help him or her offer appropriate policy choices. When choosing an agent, it's important to choose someone you trust. An agent can only make good recommendations if you are being truthful with them about your family and farm business operations.

TIP #3: Talk with the agent about your insurance priorities for staying in business.

There are many different kinds of insurance policies, all are designed to give your farm business the protection it needs at its different stages of growth. When choosing the right insurance coverage, choose what is needed to take care of your family and stay in business. Choose better insurance coverages on big things essential to your farm business, then take higher deductibles or carry no insurance on the smaller items that you could easily replace. Let the insurance company take the bigger risks and you take the smaller risks.

TIP #4 Keep your agent updated about farm business changes and new ventures.

Have annual insurance reviews with your agent, to keep your policies up-to-date so you are properly covered if you have a claim. Throughout the year, consult with your insurance agent about changing your insurance policies any time there are changes in your farm business operations. And be sure to consult with your agent before you invest in any new venture. Some kinds of farm business activities are more expensive to insure or even uninsurable. Knowing this in the planning stages can prevent problems for you on down the road.

Finding the right insurance agent is important to the success of your farm business. Knowing the right questions to ask and what is important to you is the key to finding the right insurance agent for your farm business.

ABOUT THE AUTHOR

Terri Whitesong, President of Sage Insurance Services, LLC, is a seasoned insurance agent focusing on asset protection and risk management for those wanting more than a quick insurance quote. Her passion is supporting sustainable farming as a way of life for future generations, in honor of her own family's three-generation farming legacy. Terri is an independent agent with Insurance Producers Network, providing access to over 100 insurance carriers for auto, home, life, health, business and farm insurance.

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RISK 4: INJURIES TO EMPLOYEES

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.

Jules relies on a trusty team of four employees to help her over the farming season. Post-storm, Jules is especially glad to have help cleaning up, managing volunteers, and getting everything back in order. One of Jules' employees, Steve, is out repairing fencing one afternoon. There is a lot to do, and he is moving too quickly.

Steve accidentally hammers a nail right into his left hand. Oops!

The day-to-day tasks of farm employees can provide many opportunities for accidents to happen, no matter how careful and skilled the employees may be. Insurance can compensate an employee for an injury, whether through workers' compensation or another policy.

Workers' Compensation: Legal Requirements

Failing to follow workers' compensation laws can result in steep penalties or even jail time.

Employee injuries require a different kind of scrutiny than the cost-benefit analysis we advocate for other insurance options. 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. The exception may be broad or narrow. For example, the state of Wisconsin allows farms to hire up to six employees (under specific circumstances) before requiring workers' compensation. Other states have a narrow exemption such as requiring the purchase as soon as total farm payroll exceeds a few thousand dollars.

First, determine if your state offers an exemption from workers' compensation. Then, determine if your business meets the exemption.

A farmers' first task is to determine whether their state offers an exemption from workers' compensation. That's not the end of the line, however! The second task is just as important: Farmers must determine if their farm business meets the exemption. This, too, can be tricky. Exemptions for farms are often limited to farm tasks, only. Workers' compensation law often treats farm activities different than non-farm activities, even though both might occur on the farm site.

If a farm hosts non-farm activities like agritourism, education, or processing, the rules can change again. The standard rules for farm workers' compensation often apply only to the production and marketing of crops or livestock. Other activities may fall under the rules designed for non-farm businesses. The details can vary widely. Some states may require workers' compensation insurance immediately when employees work on a non-farm activity, while other states may require it only if the non-farm activities exceed 50% of tasks assigned.

"Considering the huge financial consequences for not following these laws, an ounce of prevention may be worth a pound of cure."

Even if workers' compensation is not required, you may still choose to purchase it. There are also other options for insuring employee injuries.

Farmers need to get the details on exactly what their state's workers' compensation law requires. Insurance agents are good sources for information. Not all insurance agents are familiar with these more nuanced areas of farm law, however. Farmers may need to get an opinion from an agent in the state's workers' compensation office. Spending time on the phone sorting out regulations isn't most farmers' idea of a good time. But, considering the huge financial consequences for not following these laws, an ounce of prevention may be worth a pound of cure (especially when the "cure" comes in the form of fines or financial responsibility for an employee's injuries).

Workers' Compensation: Other Considerations

Even if workers' compensation is not required, farmers still need to reckon with employee injuries. An employee not covered by workers' compensation could sue the farmer for negligently causing the injury, just like a customer or guest could. If the employee used a private health insurance plan to pay for the injury, the decision to sue could be made by that company. Legal liability is not always clear cut and is often decided by a judge or jury. If you are sued and win the case, you will still have to pay the costs of going to court. If you lose, you will have to pay the judgment, which may force closure of your farm business.

Some farmers who are not required to buy workers' compensation choose to purchase it, anyway. If workers' compensation is available, the injured employee cannot choose to sue the farmer for the injury. The person's only option is to take the compensation provided by workers' compensation. This can relieve farmers of stress and unpredictability.

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 purchase a commercial line of insurance with coverage for seasonal and temporary farm employees. Insuring full-time, permanent farm employees can be a challenge. The market for these policies is small (as farm businesses decline in numbers and fewer still have full-time, year-round help); some farmers will find that workers' compensation is their only option.

Talking with your insurance agent about coverage for employee injuries:

Your insurance agent will need to know all the details about your employees. How many people do you hire, when, and what are their hours? Are they seasonal or temporary? What tasks do they perform? If workers' compensation is required, you'll need to report total payroll.

- Are you familiar with workers' compensation regulations and how they apply to farm businesses?
- If so: Is my farm required to carry workers' compensation? My employees sometimes help out with agritourism, processing, educational, or value-added activities. Am I required to carry workers' compensation for those potentially non-farm activities? The penalties for not carrying this coverage are potentially serious and I don't want to make a mistake. Do you know where the regulations are detailed so I can double-check myself?
- If workers' compensation is not required: Can you recommend a cost-effective strategy to cover my employees if they are injured? Do you think workers' compensation is a better value, even though it's not required?
- Does my current insurance coverage allow for growth of my employment program? When should I revisit coverage if I add employees?

TALES FROM THE FIELD: ONE FARMER'S PATH TO FINDING INSURANCE COVERAGE

Note: While the names and identifying details in this story have been changed to protect the privacy of the farmer, this is a real situation. If you would like to be connected with the real "Cathy" to learn more about her situation, please email info@farmcommons.org.

What happens when you do everything "right," but you can't get anyone to insure your operation? Cathy Hardwell knows first-hand how hard it can be to find the right insurance agent and coverage for all the activities of a diversified farm. She recently shared her story and what she learned with the hopes that it will help other farmers in the Farm Commons community.

Cloudy Skies Farm lies on 25 acres of mostly wooded land in Minnesota. Cathy

“The company looked at my operation and all they saw was risk, risk, risk. ”

and her husband, Joe, raise poultry, hogs, and grow fruit on the farm. Eight years into their farming journey and with a solid customer base and track record, Cathy quit her off-farm job and the pair began to ramp up production.

One venture they added in at that point was production of culinary vinegars made with the farm's honey, herbs and fruits. Cathy wanted to make sure she did everything by the books and knew that she needed to get liability coverage for this new value-added product. She called up her insurance agent, who she had been working with for the past eight years to cover the farm's activities.

This is where Cathy's problems began. Since the beginning, Cathy had made an effort to be transparent about everything that went on at the farm and all the facets of their operation. She even made sure to include the agent on her farm's email listserv that sent out regular updates on farm activities. She had nothing to hide – all of their processing, growing and selling was done with the proper equipment and permits and in-line with all state and federal regulations. Despite this, when Cathy's agent went to re-evaluate the farm's policy to consider adding in additional coverage, he seemed surprised by the scope of the farm and the variety of activities that Cathy and Joe were performing. It turns out that the email updates had been going into his junk e-mail folder, and he had never visited the farm's website. Additionally, when the policy was first instated, he didn't come out to the farm for a visit. The agent had vastly underestimated the scope of the farm. It turned out that Cloudy Skies had been under an incorrect insurance policy all along. The agent came out to the farm to re-evaluate.

Cathy said, “Instead of seeing a diversified farm as more secure because it's diversified, our agent saw each one of the things that we do as a huge risk. To him, raising five hogs was as much risk or more as someone who raises 1,000 head and that's all they do. The company looked at my operation at all they saw was risk, risk, risk.”

That was the start of a long and arduous journey to find the right coverage for Cloudy Skies and all the components of the business. Cathy was frustrated, to say the least. “If I don't have insurance, I can't own a farm. I can't even own my home, because I have a mortgage. We had to find a solution.”

After unsuccessfully working with four different insurance agents, the fifth was able to find a policy that covered Cloudy Skies' primary production and processing operations, with some modifications.

One example of a limitation in their new policy is with their mobile poultry processing equipment (MPU). Cathy and Joe used to rent out their MPU to other farmers in the region. This allowed them to increase their revenue while also making processing more accessible for small producers. Their new insurance company is not comfortable taking the risk that an accident or food safety incident could happen on another farm and get back to Cloudy Skies. So, for now, the MPU will stay on the farm. While modifications like these are not ideal, they are the result of a compromising process that will ultimately allow Cloudy Skies to continue to perform their core activities. Cathy and Joe are considering moving away from poultry processing altogether in the future to lower their premium and expanding their vinegar production, which is seen as exceedingly safer.

Cathy offered the following takeaways from her experience:

- Be persistent. You might have to talk with many agents and do a lot of research before finding the right fit. Even once you find the right agent, it still might take him or her some time to figure out a solution. "The guy we finally worked with wrote two policies that got denied before we ended up with our current policy. But we really felt like he was on our side and that he was doing the best he could along the way."
- Make sure that your agent is clear on what you're doing, and update him/her on your progress and growth. "Our agent never came out to visit the farm once in seven years. That wasn't our fault, but if I had known how much he misunderstood what we were doing, I would have made sure to get him out here."
- Work with an agent that has experience with operations similar to yours. This goes back to our last point about Cathy's agent not comprehending the scope of her farm and how the description on paper translated into reality. Ultimately, an agent who truly understands what you are doing will be able (and likely more willing) to figure out what the right policy is.

"Our agent never came out to visit the farm once in seven years.... if I had known how much he misunderstood what we were doing, I would have made sure to get him out here."

RISK 5: FARMER AND BUSINESS PARTNER INJURIES

We've followed Farmer Jules through a range of risks that could materialize. Obviously, a case in which all of these would occur on the same farm is unlikely (although not impossible!). For the sake of illustration, however, bear with us as we explore one more potential scenario that Jules may find herself in.

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. They are quite extensive.

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.

"Life happens, & unfortunately it's not always according to our well-laid plans."

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.

Good risk management is anticipating potential problems and planning how you will reduce their impact. Bad risk management is simply reacting to those events after they've occurred.

Risk management is not just about buying a specific insurance policy, although that is a primary strategy. Good risk management means anticipating potential problems and planning how you will reduce their detrimental effects, if they are to occur. Bad risk management, on the other hand, is simply reacting to unfavorable events after they've already come to pass. While it might be hard or unpleasant, ask yourself: If either you or your business partner is injured, what is the magnitude of that loss? Could your business survive if this were to happen? These questions will help you decide the extent to which you need to manage the situation, whether your strategy is insurance or otherwise.

Options for Farm Injury Insurance Coverage

A personal health insurance policy is one way Jules and Lou can cover at least some of the costs of medical care. In fact, they are both required by the Affordable Care Act to secure a personal health insurance plan. 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.

Disability insurance can replace a portion of the income injured persons would otherwise be earning.

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.

CONCLUSION

Farming is inherently a risky endeavor and requires constant management. There is uncertainty about crop prices and markets, unpredictable weather events, accident-prone work environments, and a whole host of other moving parts. It can be overwhelming to think about! A good place to start considering the risks we talk about in this guide might be asking yourself "What if?" in each of the situations we've covered. What will your response be if a similar incident to one of our stories happens on your farm? This will help you develop contingency plans for these situations that take into account the potential extent of the damage and the costs required to manage the risk.

"Risk has an important counterpart: Reward."

Before you throw your hands up in the air, it's important to remember that risk has an important counterpart: Reward. Starting a business, and especially a farming business, is fraught with potential pitfalls – but the risks cannot be separated from the potential rewards of farming and the professional and personal reasons why farmers dare to take the risk. Risk isn't necessarily a bad thing, and eliminating all risk and uncertainty would also mean eliminating the possibility of making a profit! It's just something to be aware of. Understanding and managing the risks we discuss here is putting you in control of the fate of your business. What insurance you choose to buy or not buy is not the risk management strategy – it's understanding your operation and what could happen, the implications of these events, and your encompassing strategy to minimize the impact.

Remember that you have a team of advisors to help you make these vital decisions. Your insurance agent is an invaluable partner. Find someone you like and trust. Consider your farming neighbors as part of your team. Their experiences and strategies can inform your own. They might have a great tip on a local insurance agent who really understands farming. Consider your local extension agents or farm advocacy organizations. They may have addressed some of the perils of farming themselves and might have leads for solutions.

Ultimately, risk management is a personal process that depends on your unique needs and personality. It's about protecting your vision for your farm over the long term. Make sure that vision becomes a reality with good risk management.

USDA

This resource was developed with the support of the USDA Risk Management Agency.

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RACHEL REPONDS

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