

Navigating the Insurance Maze

An ounce of prevention...

None of us enjoys the financial burden of insurance, but we heartily appreciate our coverage when we hit a deer with our vehicle or experience an unexpected hospital stay. For Direct Farm Marketing the need for specific insurance coverage stems from the desire to protect yourself in case of injuries or damage that may occur on your premises, physical damage to machinery or buildings, product liability and workman's compensation for employee coverage. You should not assume that the insurance you now have is what you need.

This section will provide guidance on the following three topics:

1. Provide general understanding about how insurance operates and key terms to understand.
2. Consider some of the basic rules of how insurance operates, including a list of questions to ask your insurance agent.
3. Consider some of the unique insurance issues, which might arise in connection with direct farm marketing.

Forms of Insurance

The first step is to specifically identify the risks involved with your activities. It is wise to eliminate as many as possible and then seek the type of insurance policy to cover them.

- Many small farmers start their operations with a homeowner's policy. It may be possible to obtain coverage for additional activities, which include sales less than \$5000 per year, provided that the business is a secondary income.
- The comprehensive farm liability policy is designed to provide liability coverage for accidents that might happen on the farm. This would cover you and your family, guests and customers, who visit the farm as long as the injuries occur in connection with what is defined as farming. Friends and relatives are typically covered when they visit the farm.
- A commercial business policy is custom fit to your business activities on the farm and may be needed if what you are doing resembles a commercial venture rather than a traditional farm.
- Coverage for your employees is a combination of liability from your farm or commercial policy and worker's compensation from the State of Washington.

The most critical question to consider is whether or not your policy covers you if your customer suffers harm. You will need to know what is covered and more importantly what is excluded. Finding the optimal insurance for your operation is a challenge and requires careful evaluation of your needs and the policies available. Your insurance provider may not be familiar with the risks. Each individual operation should be examined in order to correctly provide for the liability involved at an affordable cost. A farm liability policy with appropriate endorsements would be the most likely choice for most farms that direct market their products. The two most important questions for the farm liability policy are:

1. Does the policy treat the activity as being within the definition of farming?
2. Is the activity excluded from coverage as a separate business distinct from the farming operation?

The insurance company's definition of farming needs to be examined.

Risk Management for Direct Farm Marketers

Agents and Brokers

In order to find the correct policy for your endeavor, you need the guidance of an insurance professional. You have choices in the insurance marketplace:

- **Agents** represent specific companies or a number of companies and within this context will be very responsive to your inquiries
- **Brokers** represent you directly in the marketplace. They provide an independent source of information and can put together the best package for specific circumstances. The broker works for you.

How do you find the right agent or broker? Ask your friends, neighbors and family, especially people who have had difficulty finding coverage. Many people prefer to work with a local agent in their hometown. Don't neglect to investigate potential agents and brokers every way that you can, even though they are familiar to you.

Establishing a relationship with your agent or broker is very important. Be sure and choose a company that guarantees "truth in exchange." You will want to know that the person you do business with is trustworthy. Whatever they promise needs to be in writing. As hard as it is, carefully read your policy and keep asking questions until you understand what it says. Never go on assumptions; the proof of your protection will be in the policy.

Keep in mind that you are paying money for insurance so you expect to be covered. You will not be able to obtain the coverage you need unless your agent knows what you are doing. It is important to be thorough and explain to your agent what you are doing so the agent can write the policy you need.

You have an obligation to periodically report any changes in the nature of your activities or property that is the subject of your coverage.

Questions to Ask Your Agent

As you begin to communicate with your agent or broker, keep a running list of questions you would like answered. You have a right to have all of your questions answered because you are paying money for insurance and you don't want any surprises in the future. In addition, if you are thorough and can clearly explain what you are doing, the agent or broker can write the policy you need.

Here are some sample questions:

- Are you a general agent working for one company or an independent agent?
- At what point does my homeowner's policy no longer cover my involvement with direct farm marketing?
- Can my homeowner's policy be extended to cover my activities (with additional premiums)?
- Is there a limit to the amount or type of direct farm sales I can make and still have them considered as incidental to my farm operation?
- If I have a farm policy, does my liability cover my direct farm marketing sales, such as at my roadside stand, U-pick operations, delivery to restaurants and farmer's markets? What activities are excluded as a "separate business" for which I need to buy a commercial policy?

- Are there reasons why a commercial business policy might be better for my activities?
- If my farm liability policy does not cover sales at the farmer's market, what type of policy should I buy for this purpose? Would it cover product liability?
- Does my farm liability policy cover agritourism? (customers who pay to visit my farm, customers who sleep on the premises)
- Does my farm liability policy include coverage for product liability?
- Does my automobile insurance cover the use of farm vehicles for deliveries made by employees and family members?
- How should I insure my buildings and equipment? Is there a "co-insurance" provision in my policy, which requires me to pay part of any loss?
- When I decide to hire employees for my activities, do I need to change my insurance policy from homeowners to farm or commercial?
- Will my policy contain an exclusion for the liability provided by WA Dept of Labor and Industries? Is any other coverage needed for my employees?
- Are volunteers and interns covered by my policy if they are not enrolled with L & I?
- Is my policy a "claims and occurrences" policy; when does coverage end and what happens if I change insurers?