

What type of farm insurance do you need?





# ACCIDENTS

# Increased consumption of fresh produce



## Foodborne Disease Outbreaks, 2011-2012\*

Outbreak reported:	1,632
Cases of illness:	29,112
Hospitalizations:	1,750
Deaths:	68

\*Source: Foodborne Disease Outbreak Surveillance System, 2011-2012 are the most recent years for which outbreak data are finalized.

A growing number of retail stores are requiring that food products carry a minimum level of **Product Liability**

**Insurance**, normally **\$1 million.**





## Increased consumer awareness



---

# Food Safety Modernization Act (FSMA)

*“The new act creates incentives for food companies to order prophylactic recalls before determining whether their products are actually contaminated ...which would increase the frequency of recalls”*



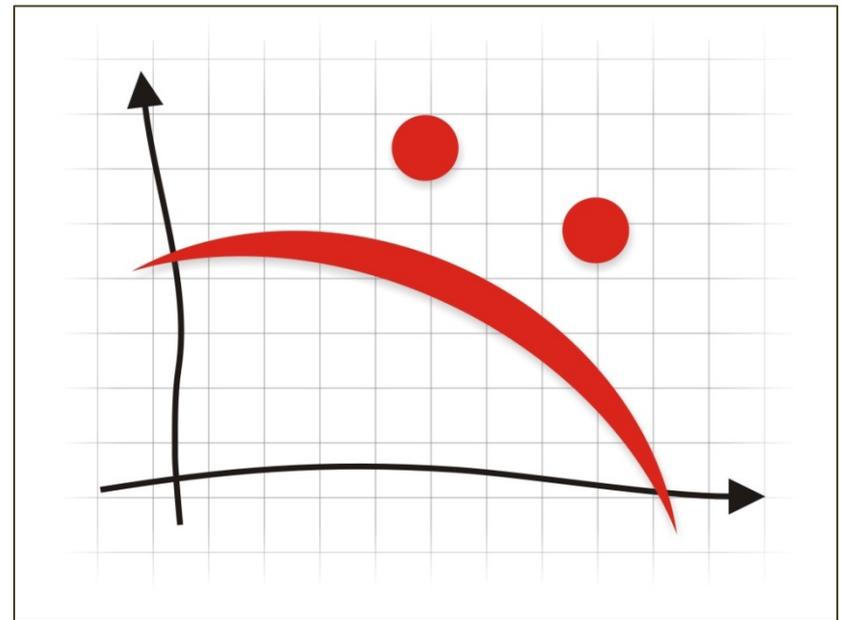
---

# Some examples

**Salmonella alert jeopardizes  
\$40 mil. in Florida tomatoes**

**Oregon E.Coli strawberries  
linked to 14 sick and 1 Dead**

**A Product Recall or Warning can cause a catastrophic drop in sales and damage your farms reputation.**



---

***Crop insurance  
can be an  
important risk  
management  
tool***



# No single policy will meet all of your insurance needs





---

# Insurance Products

1. **General Liability**
2. **Commercial Business Liability**
3. **Product Liability**
4. **Product Recall**
5. **Business Losses**
6. **Accident or Product Recall**
7. **Malicious Tampering**
8. **Excess/Umbrella**
9. **Whole Farm Revenue Protection**

# Packet of reference materials



## Insurance Coverage Options for Fresh Produce Growers

Fresh produce growers today face several risks associated with foodborne illness outbreaks. First, consumers affected by these outbreaks can take legal action against growers to claim monetary damages due to illness (also called liability risk). Second, regulators can issue a product recall or warning because of the outbreak, causing a catastrophic drop in sales and damaging the farm's or product's reputation. As foodborne illness outbreaks increase, so does the risk of economic loss. Insurance against economic loss from foodborne illness helps growers safeguard their business operations. With the variety of insurance coverage or policies available, fresh produce growers should understand what policies best cover their farms.

### General Farm Liability Insurance Policy

General farm liability insurance typically protects against claims for bodily injury and property damage that occur on the farm premises or as a result of farm operations (IRMI, 2008). These policies cover accidents that affect farmers, employees, guests, and customers.<sup>1</sup> Outlaw (2007) and the New England Small Farm Institute (2008) suggest that these general commercial or farm liability policies are appropriate for growers with pick-your-own operations and on-farm stands. The New England Small Farm Institute (2008) further explains that farm liability insurance covers lawsuits only from activities considered "farming," which is usually defined to include only agricultural production activities and on-farm roadside stands. These policies also typically cover the sale of produce in its raw, unprocessed state, whether sold on-farm or at a farmers' market. The sale of produce grown by another farmer, even if the produce is sold "raw and unprocessed," is not covered under a general farm liability policy.

### Commercial Business Liability Insurance

Commercial business liability insurance may be necessary if the grower also undertakes activities that are not considered "agricultural" or "farming" (New England Small Farm Institute, 2008). It works essentially the same way as general farm liability insurance. The insurance is appropriate for growers who have fresh-produce processing facilities. This insurance is also appropriate for

growers that sell in farmers' markets or sell more than a certain percentage of products that originate off-farm (New England Small Farm Institute, 2008).

### Product Liability Insurance Policy

Many fresh produce growers mistakenly believe that their general farm liability policy protects against claims of injury from contaminated fresh produce that causes foodborne illness. But as Hamilton (1999) explains, this is not generally the case, because the injury usually happens off the farm premises. In this case, a product liability insurance policy is appropriate, as it protects against consumer claims of injury caused by a defective or hazardous product such as contaminated fresh produce. (Holland, 2007). A growing number of retail stores require that food products they carry have a minimum level of product liability coverage (normally a \$1 million policy or more). It is important to understand, however, that food product liability insurance strictly covers claims of injured parties and not recall costs.

The cost of food product liability coverage is difficult to estimate. Insurance providers are often reluctant to provide quotes because there is no "standard" premium rate for food products, and the industry is very competitive. Instead, most insurance companies that offer this coverage provide an estimate only when growers submit a detailed description of their product and business operations (production, distribution, and marketing plans). However, an approximate rule of thumb in the industry is around \$1,000 per year for a \$1 million policy.

Based on an informal survey of insurance providers undertaken in May 1998, Holland (2007) indicates that the annual premiums for food product liability insurance ranged from \$500 to \$20,000 for a \$1 million policy. The average food product liability premium was found to be \$3,000 for a \$1 million policy. The most significant factors contributing to the premium charged are: level of gross sales or annual payroll, prior claims (claims history), level of coverage, type of product, type of market, and recall plan.

### Product Recall Insurance Policy

A product recall insurance policy typically covers only the actual or direct costs of a product recall, such as costs associated with getting the contami-

<sup>1</sup> Note, however, that this policy does not replace Worker's Compensation insurance and only typically covers activities considered "farming."



# General Farm Liability Insurance

- These policies cover accidents that come from farm-based agricultural production activities.
- It covers farmers, employees, guests and customers.
- It is appropriate for U-pick operations and farm stands



---

# Commercial Business Liability Insurance

- This insurance is similar to General Farm Liability but it covers farms that have fresh produce *processing facilities*.
- It is also appropriate for growers that sell in the farmers' market.



# Example (Agritourism)

When you bring the public onto your farm, you increase the risks and consequences of accidents and health risks.



# Note

General liability policies do not replace Worker's Compensation Insurance and typically cover only activities considered farming.



---

# Insurance policies that deal directly with foodborne illness fall into three separate insurance categories:

1. Product liability
2. Product recall costs
3. Business losses



# 1. Product Liability Insurance

Protects your business against *consumer claims of injury* caused by a defective or hazardous product.

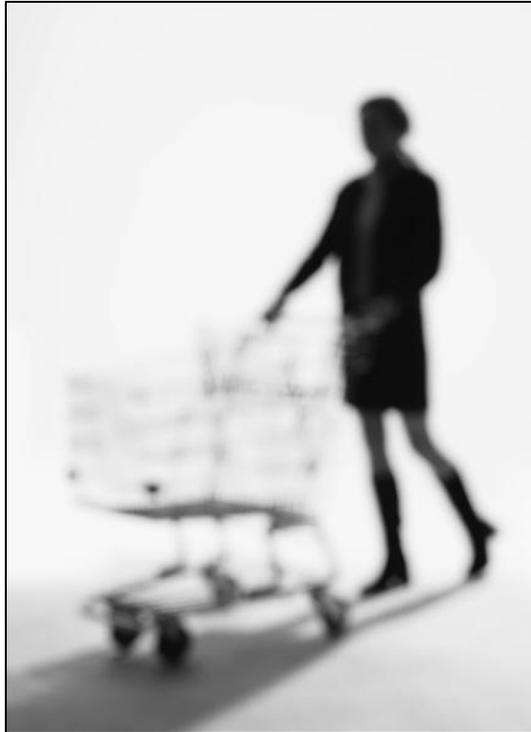


## 2. Product Recall Insurance (Covers direct costs)

- Removing the product from the shelf
- Destroying the contaminated product
- Product replacement
- Transportation costs



# 3. Business losses (Covers indirect costs)



1. Loss of profit
2. Business interruption losses
3. Third party losses, *(downstream retailer losses business)*

# Accident or Product Contamination Policies cover:

- Product recall costs (Direct costs)
- Business losses (Indirect costs)
- **But, it only covers the responsible grower**





---

# Malicious Tampering Insurance provides coverage for:

- Criminal actions of sabotage against the grower
- Product recall costs
- Business losses
- Covers only the responsible grower

# Excess/Umbrella/Surplus Lines of Insurance



This policy can be tailored to protect against losses from foodborne illness outbreaks even when the grower is NOT the responsible party.

Note: The insurance rates for **Excess/Surplus Insurance** policies are not regulated under state laws, and the insurance Guaranty Association offers no protection for companies that sell Excess/Umbrella/Surplus lines of insurance.





You are: Home / Policies / Whole-Farm Revenue Protection

### Popular Topics

- ▶ Appendix III/M-13
- ▶ Bulletins and Handbooks
- ▶ Crop Policies and Pilots
- ▶ Federal Crop Insurance Corp
- ▶ Field Offices: ROs | COs
- ▶ Frequently Asked Questions
- ▶ Information Browser
- ▶ Laws and Regulations
- ▶ Livestock Policies
- ▶ Reinsurance Agreements



### Whole-Farm Revenue Protection Pilot Program (WFRP)

Whole-Farm Revenue Protection (WFRP) provides a risk management safety net for all commodities on the farm under one insurance policy. This insurance plan is tailored for any farm with up to \$8.5 million in insured revenue, including farms with specialty or organic commodities (both crops and livestock), or those marketing to local, regional, farm-identity preserved, specialty, or direct markets.

#### Policy

- Whole-Farm Revenue Protection Pilot Policy (15-0076) (Nov 2014)

#### Handbook

- WFRP Pilot Handbook (Updated including Slipsheets) (15-18160-1H) (Jan 2015)
- WFRP Pilot Handbook (Slipsheets Only) (15-18160-1) (Jan 2015)
- WFRP Pilot Handbook (15\_18160) (Nov 2014)

#### Other Information

- WFRP Pilot Fact Sheet
- WFRP Pilot Area Map | Text
- WFRP Pilot FAQs (Updated) (Mar 2015)
- WFRP Pilot Press Release
- Comparison of WFRP Pilot to AGR Programs
- Producer Perspectives



---

# WFRP Key changes for 2015

- WFRP allows farmers to insure all crops (& livestock) at once, rather than insuring commodity-by-commodity
- Lift the coverage level from 80 to 85%
- Include coverage of packing, washing, grading and packaging
- A subsidy is available for farms growing two or more types of crops
- A premium discount is also available to farms that have diversified their crops
- The new product will, over time be made available nationwide



Crop insurance is NOT a safety net for poor agricultural practices

---

# Good record keeping is essential







# Bank

Good Agricultural Practices can  
influence loan applications

# Package or Combination Policies Saves \$\$\$

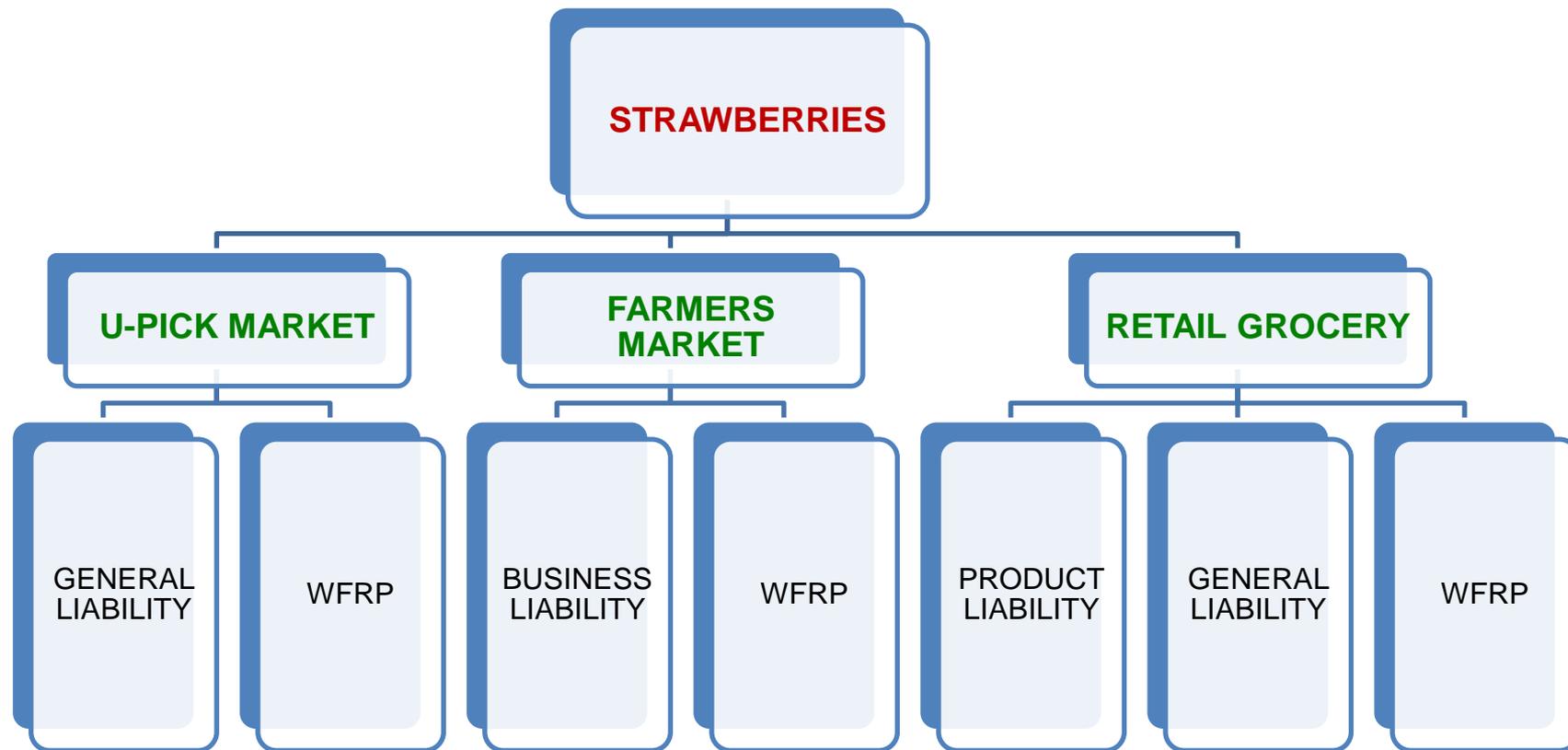




# Marketing



# EXAMPLE (Not a recommendation)



# Talk with several agencies

Since there is currently no industry standard, and there is a lot of competition for your business, you may find a big variance in rate quotes and service.



# Beginning Farmer and Rancher Benefits for Crop Insurance



[www.rma.usda.gov/pubs/rme/beginningfarmer\\_2014.pdf](http://www.rma.usda.gov/pubs/rme/beginningfarmer_2014.pdf)



Risk Management Agency

United States Department of Agriculture

[About RMA](#) | [Field Offices](#) | [Contact Us](#) | [¡En Español!](#)

[What's New](#)

[Newsroom](#)

[Programs](#)

[Blog](#)

[Site Map](#) | [A-Z Index](#) | [Advanced Search](#) | [Help](#) | [Search Tips](#)

You are: [Home](#) / [Publications](#) / [Fact Sheets](#)

### Popular Topics

- ▶ [Appendix III/M-13](#)
- ▶ [Bulletins and Handbooks](#)
- ▶ [Crop Policies and Pilots](#)
- ▶ [Federal Crop Insurance Corp](#)
- ▶ [Field Offices: ROs | COs](#)
- ▶ [Frequently Asked Questions](#)
- ▶ [Information Browser](#)
- ▶ [Laws and Regulations](#)
- ▶ [Livestock Policies](#)
- ▶ [Reinsurance Agreements](#)

### Fact Sheets

#### Regional Office Crop Fact Sheets

#### A - D

- [About the Risk Management Agency \(Jun 2013\)](#)
- [Adjusted Gross Revenue \(Jun 2014\)](#)
- [Adjusted Gross Revenue-Lite \(AGR-Lite\) \(Jun 2014\)](#)
- [Aflatoxin \(Aug 2012\)](#)
- [Area Risk Protection Insurance \(ARPI\) \(Jun 2013\)](#)
- [Beginning Farmer and Rancher Benefits for Federal Crop Insurance \(Jun 2014\)](#)
- [Contract Price Addendum \(Jan 2014\)](#)
- [Cover Crops \(Jun 2013\)](#)
- [Delayed Harvest: Wet Conditions \(Aug 2014\)](#)

#### Livestock Gross Margin

- [LGM Dairy Cattle \(Jul 2011\)](#)
- [LGM Swine \(May 2014\)](#)

#### Livestock Risk Protection:

- [LRP Fed Cattle \(May 2014\)](#)
- [LRP Feeder Cattle \(May 2014\)](#)
- [LRP Lamb \(Jul 2012\)](#)
- [LRP Swine \(May 2014\)](#)

#### N - R

- [Native Sod Guidelines for Federal Crop Insurance \(Jun 2014\)](#)
- [Nursery Commodity Insurance \(Apr 2014\)](#)
- [Organic Crop Insurance Audit and Next Steps - Questions & Answers \(Feb 2013\)](#)
- [Organic Farming Practices \(Mar 2014\)](#)

<http://www.rma.usda.gov/pubs/rme/fctsht.html>



**NORTH CAROLINA**  
DEPARTMENT OF AGRICULTURE & CONSUMER SERVICES

[NCD&CS Home](#) | [Programs](#) | [Services](#) | [Divisions](#) | [Newsroom](#) | [Search NCD&CS](#) NCD&CS Divisions ▾

**Marketing Division Home**

**Marketing**

Agribusiness Development Home

Starting a Food Business

The Business Side of the Food Industry

Regulatory Information about Food Production

Information on Insurance

Staff Contact Information

Additional Resources

CFSAs Guide to NC Laws and Regulations for Food Businesses

**DISCLAIMER:** The materials found on this website are intended for general information purposes only. They are provided as a convenience and are not intended to be nor do they constitute advice of any kind, legal or otherwise. They are not intended to be nor do they constitute an endorsement, approval, or certification of any particular company, facility, product, or service by the NC Department of Agriculture and Consumer Services. While great care is taken to insure that the information provided is accurate and timely, the information contained on this website, including any information obtained at linked internet addresses, is provided "as is" and without guarantee or warranty of any kind, either express or implied. Any reproduction, distribution, republication, or retransmission of materials contained within this website is prohibited unless prior written permission by the NC Department of Agriculture and Consumer Services has been obtained.

**Information on Insurance**

[What you Need to Know about Purchasing Insurance for Your Food Business](#)  
[Information Resources for Purchasing Insurance for Your Food Business](#)

---

**What you Need to Know about Purchasing Insurance for Your Food Business**

Products Liability insurance is a must have for specialty food and beverage businesses, and it is an important part of risk management and sound business practice.

If you are selling your products through a retailer, you have likely already been asked to provide proof of coverage by furnishing a Certificate of Insurance (COI). If you are selling your products directly to the end consumer, either through door-to-door delivery or through a farmers market that does not require a COI, you should consider purchasing Products Liability insurance.

<http://www.ncagr.gov/markets/agribiz/insurance.html>

## Crop Insurance Providers: North Carolina for 2015

These selected companies are designated by USDA to provide crop insurance coverage through the [Standard Reinsurance Agreement \(SRA\)](#) in this state. You may also access RMA's main database of agents ([Agent Locator](#)) to search for an agent using state, city, and zip code or view the complete list of [Crop Insurance Providers](#).

Switch to the [Livestock Price Insurance listing](#) for this year (if available), or go back to the [main index](#) for other states.

### [ACE American Insurance Company](#) (Rain and Hail L.L.C.)

[Top](#)

9200 Northpark Drive, Suite 300 | Johnston, Iowa 50131-3006  
Phone: 515-559-1000 | Fax: 515-559-1001

### [Agrinational Insurance Company, Inc.](#) (ADM Crop Risk Services)

350 N Water Street | Decatur, Illinois 62525  
Phone: 217-451-7828 | Fax: 217-451-7829

[any](#) (ARMtech

[http://www3.rma.usda.gov/tools/agents/companies/2015/north\\_carolinaCI.cfm](http://www3.rma.usda.gov/tools/agents/companies/2015/north_carolinaCI.cfm)



## NC Fresh Produce Safety

[Good Agricultural Practices](#) [Consumers](#) [Growers](#) [Industry](#) [Trainers](#) [Spanish Resources](#) [Glossary and FAQs](#)

[Print Content Only](#)



# Liability Management

## Educational Resources

### Managing Liability and Risk

NC State faculty, Rod Rejesus and Ted Fietshans, provide an overview of liability and insurance options to manage risk exposure. This two-part presentation covers Module 8 of the N.C. Fresh Produce Safety Good Agricultural Practices (GAPs) Training Curriculum.

#### Tweets from @ncce\_news



See what we had to say today (11/12/2014) - [eepurl.com/8gNAP](http://eepurl.com/8gNAP)



<http://ncfreshproducesafety.ces.ncsu.edu/>

---

# References

## **Insurance Coverage Options for Fresh Produce Growers:**

Produced by Roderick M. Rejesus, Assistant Professor and Extension Specialist, NC State University; Annette Dunlap, NC Dept. of Ag. and Consumer Services

*<http://ncfreshproducesafety.ces.ncsu.edu/ncfreshproducesafety-good-agricultural-practices/ncfreshproducesafety-risk-crisis-management/ncfreshproducesafety-liability-management/>*