

Decent Exposure

Farm and ranch risks make right insurance coverage a must.

by Barb Baylor Anderson, field editor

Jerry Hillard recounts a recent story when an insurance customer joked about getting the farm coverage he needed so he'd be ready for the next storm. It was no laughing matter when a tornado really did strike his farm a short time later. The good news: His insurance agent had worked with the farmer to make sure he had created a complete inventory in case of disaster.

"He was glad he had insurance in place to deal with it," says Hillard, associate vice president of agribusiness sales for Nationwide. "When you have a home and a farm business with buildings and bins, grain inventory or livestock that can get through a fence, you have big exposure."

Insurance needs vary by farm

No matter the coverage sought or the potential disaster that might occur, insurance options are as varied as farms and ranches themselves. Every situation comes with its own particular challenges and risks, which is why agriculture insurance policies are designed for customization.

According to the Insurance Information Institute, farmers and ranchers should base coverage decisions on the type of property and liability protection they want. At the same time, farmers must be aware that many risks are excluded from standard insurance policies.

For example, fencing is generally not covered under a standard policy. Most



farmers and ranchers don't ask for the coverage, because it's rare for any damage to fencing to be extensive or expensive. However, if your pastures are in an area that often sees tornado damage, for example, you might want to schedule the risk to fencing into your policy.

"A good agent knows farmers need insurance that will cover all of the different risks they may face," says Julie Barnhill, divisional vice president in Cincinnati for Great American Insurance Group. "Generally speaking, if a tornado destroys a barn and the animals inside, a standard policy will cover that. If a fire destroys a building with animals inside or a barn roof collapses and animals inside are killed, it's covered. But, generally speaking, if an animal dies because its nostrils freeze and it smothers, protection for a loss like that would require an animal mortality policy or a suffocation endorsement to a standard policy."

Be comfortable with your coverage

In addition to illness or disease, mortality coverage may also protect against animal theft. Hillard recommends farmers and ranchers determine their base coverage for exposures and then add endorsements to cover such items as specific or elite animals, additional trucking and hauling coverage, and even protection against unwarranted allegations about animal cruelty. Pollution liability coverage for manure runoff or cleanup is advised for some operations.

"You can do the whole herd or individual animal coverage. Livestock insurance often covers animals killed by severe weather, accidental shooting, electrocution or in transit," he says. "Be sure and understand your policies, though, and report losses as soon as possible. For instance, lightning

coverage requires a veterinarian's certification of death, so don't let time lapse."

Since purebred Angus cattle are a valuable asset for many farms and ranches, consideration should be given to protect them against disasters.

"Assess the risks and costs, and determine if less-valuable animals should be covered or just those of high value," he says. "If losing all of your stock puts the farm or ranch in financial risk should a disaster occur, then greater coverage might be warranted to prevent any financial hardship. A low premium should not be your end game if you cover feed and hay and high-priced animals."

Property insurance also is needed to cover any equipment loss from natural disaster in order to replace it, says Hillard. Determine if you borrow equipment whether or not you have coverage for rental reimbursement and business interruption if the disaster prevents you from working.

Newer coverage options to consider include Internet sales, cyber activity and property damage caused by drone aircraft. Also know whether,

or how, water damage or earthquake damage are covered. Earthquakes are not covered under standard property insurance policies. To be covered for quake damage, a separate policy must be purchased to specifically address the risk.

Barnhill notes flooding is one of the most common natural disasters nationwide. However, coverage for flooding, defined as rising water, is not included in most standard policies. The Federal Emergency Management Agency's (FEMA) National Flood Insurance Program is the largest writer for flood insurance to cover business

and personal properties in the United States. "Structures must be listed on the policy

unless you have a blanket policy," says Hillard. He advises farmers to consider loss-prevention services so an agent can inspect facilities and recommend coverage, such as generators, to keep work going in case of disaster.

Revisit insurance needs regularly

"Your agent is a risk-management resource and can help with a contingency plan to keep your farm going after a disaster," says Hillard. "Choose an agent who understands farming and ranching and is staying current on your operation. They should visit your farm annually and make valuations, especially with changes in exposure, such as adding agritourism or a nursery."

He also advises farmers to contact agents prior to purchases.

"Keep your agent in the loop. Get familiar with your declaration pages to identify exposures," he says. "Also, remember changes in commodity prices not only affect the value of feed in the bin, but also your insurance premium."

Barnhill adds that sometimes farmers may be better off not insuring some inventory, such as an older barn that is not worth replacement. Insurance agents can help farmers determine what risks are worth covering and what is not worth covering, and decide on deductibles. Costs vary, and farmers must decide how much loss they are willing to absorb to save on premium costs.

"There are different levels of deductibles and valuation placed on how claims are paid, such as replacement versus depreciated value. Consider functional replacement costs," says Hillard.

The Insurance Information Institute also advises that large farm or cattle operations may want to seek out a major insurance brokerage that has expertise in all areas of coverage desired.



Editor's Note: A former National Junior Angus Board member, Barb Baylor Anderson is a freelancer from Edwardsville, Ill.

What is a catastrophe?

A catastrophe, as defined by the insurance industry, is a natural disaster that causes a certain dollar amount, currently set at \$25 million, in insured damage. Individual insurance companies may declare a "catastrophe" based on anticipated loss to policyholders in an affected area. Often companies set up special claims processing centers and 24-hour emergency hotlines and send in additional, specially trained claims adjusters to help customers.

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— Jerry Hillard

Be ready for wildfire

According to the Rocky Mountain Insurance Information Association:

- ▶ Evacuated residents should contact their insurance agents or companies immediately and let them know where they can be reached.
- ▶ Company claims adjusters will start writing checks to pay temporary living expenses for people left homeless by catastrophes and to begin rebuilding damaged homes.
- ▶ Keep receipts. Out-of-pocket expenses during a mandatory evacuation are reimbursable under most standard homeowner policies.
- ▶ Be prepared to give your agent or insurance representative a description of your damage.
- ▶ Take photos of the damaged areas.
- ▶ Prepare a detailed inventory of all damaged or destroyed personal property. Make two copies — one for yourself and one for the adjuster. Your list should be as complete as possible, including a description of the items, dates of purchase or approximate age, cost at time of purchase and estimated replacement cost.
- ▶ Make whatever temporary repairs you can. Cover broken windows, damaged roofs and walls to prevent further destruction. Save receipts for purchased supplies and materials.
- ▶ Secure a detailed estimate for permanent repairs from a reputable contractor and give it to the adjuster.

