



INSURANCE

Summer 2008

MANAGE YOUR RISK

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Insurance is a form of risk management primarily used to transfer the risk of a loss, from one party to another, in exchange for a premium.

What is an Insurance Policy?

An insurance policy is a legally binding contract between the insurance company and the policyholder (person insured) that for the exchange of a payment (premium), the insurance company agrees to pay for certain types of loss or damage.

The loss is covered when it meets all of the requirements described by the terms of an insurance policy.

How does an insurance policy protect you?

It offers protection against economic loss such as loss or damage which can be measured in purely financial terms and compensated by money. However, remember that there are many types of losses which cannot be compensated by money. For instance, An insurance cannot replace a life or compensate for loss of the sentimental value of an item.

What type of business insurance do I need?

Whether you need insurance depends on:

- your business activities and
- the amount of liability exposure that you have from the activity
- Insurance may be required for employees
- worker's compensation insurance
- state disability insurance
- unemployment insurance

What am I required to do when I have a claim?

Every insurance policy specifies certain duties that an insured must perform after a loss has occurred

The exact duties vary among different policies and will be different for:

- property damage claims
- liability claims

Policies usually require an insured to give "prompt notice" of any loss, including:

- basic information about what property was damaged or
- the time and place of an accident or injury

In the event of a liability claim, you must promptly send the insurance company copies of any notices or other legal papers you receive.

Almost all property and liability policies contain a general requirement that the insured must cooperate with the insurance company in the investigation, settlement or defense of the claim.



Some common forms of business insurance include:

- commercial multi-peril policies (covering a variety of exposures)
- liability insurance covering premises, activities, and products
- business interruption insurance

In deciding whether to purchase insurance, an analysis of your risk exposure should be performed.

If you are unable to determine your risk of loss from engaging in business, contact a commercial insurance broker.





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What coverage do you get from a farm property policy?

The typical farm property policy covers the farm dwelling (If used as a residence)

Unattached items must be specifically itemized to be covered

- Detached garages
- Barns
- Equipments
- Crops
- Animals

Farm structures rented to others need separate coverage

What coverage do I get from a farm liability policy?

A liability policy protects a farmer against claims or lawsuits brought by persons whose property or person has allegedly been injured by the farmer's negligence.

Liability policies contain critical exclusions:

- ◆ Liability policies routinely exclude coverage for family members injured by farmer's negligence
- ◆ Other non-farm employees injured by a farmer's negligence are also routinely excluded from coverage



Farmers often engage in business pursuits other than farming.

- ◆ Leasing their land to individuals or organizations for hunting, fishing and camping.
- ◆ U-pick operations
- ◆ Other recreational activities

Liability policies, however, exclude coverage for business pursuits other than farming.

It is desirable to seek liability coverage for hunting activities that will occur on your land.

A written hunting lease is an essential tool for protecting you and your assets if an accident should occur on your



Sources of More Information

www.manageyourrisk.net

Arkansas Insurance Department
www.insurance.arkansas.gov

Insurance Series: Managing Risk
www.uaex.edu/Other_Areas/publications/pdf/FSHEC-77.pdf

Wildlife Leases and Liability Issues on Private Lands
www.uaex.edu/Other_Areas/publications/PDF/FSA-9089.pdf

Managing Financial Losses from a Natural Disaster
www.uaex.edu/Other_Areas/publications/PDF/FSHEC-67.pdf

Legal Framework for Risk Management
www.rma.usda.gov/training/trainer/copeland.html

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Visit Our Web Site At:

<http://www.manageyourrisk.net>

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