

Are You Covered?

A shepherd's worst nightmare: you wake up in the middle of the night to a knock at your door. Startled, you quickly trudge to the door to find a shaken mother with sleepy tot in tow. "Are you the owner of the sheep I just hit in the road?" she asks with a wavering voice. This is not the time to wonder if you have adequate insurance coverage, this is the time you should be able to breathe a sigh of relief knowing you do have all the coverage you need.

Everyone hopes that they will never be faced with a scenario like this one. However if you are ever faced with a house fire, tornado damage, or a lawsuit due to your animals being in the road, insurance will be what protects you and potentially puts your life back together. I found out first hand that it need not be a catastrophic event to make you thankful for great insurance. My husband and I discovered all it took was a little unknown dishwasher leak to end in \$60,000 of damages to our home - not to mention the two weeks we spent in a rented RV (courtesy of our insurance company) in our driveway so we could be close by for lambing while our hardwood floors were replaced and finished.

Property Insurance

First, as property, farm, and animal owners we must evaluate what we could stand to lose and the likelihood of a loss. For example, if you lost 15 ewes would

the financial burden be too much? For some maybe yes, for others maybe no. On the other hand, if your barn burned down and all of your animals were lost, in addition to the barn with all your supplies and equipment, would you want insurance to cover your loss? Not everyone wants to spend money on the monthly insurance premium to insure items that have a low risk of being lost or items that you could bear to lose. These are items that you can "self-insure", meaning you are not insuring them with the insurance company; rather, if you lost them you would bear the loss and replace the item yourself with your own money.

The same evaluation should be done for your home, though the question becomes more how much and what type of coverage should you carry versus if you should carry insurance on your home at all.

Coverages vary dramatically, and it is important to know what your policy covers. You can purchase policies to cover just a couple of items such as simply Fire and Lightning, commonly referred to as "Basic" coverage. "Broad" perils go a few steps further typically covering Fire, Lightning, Wind, Hail, Smoke, Vandalism, and possibly Theft. "Special" coverage or "All Risk" coverage, which is the type of coverage you would typically choose for your home, covers any loss that is not excluded. Excluded items are commonly

things such as earth movement, flood, war, a loss that you intentionally cause yourself, or damage to your own property caused by your animals. The information about what is and is not covered can be found by referring to your declaration pages and your actual policy, which is ultimately your contract between you and the insurance company.

You may be wondering why items such as flooding and earthquake coverage would be excluded from a policy. The reason is that these coverages are not automatically included; you either have to purchase them as an endorsement to your policy or, in the case of Flood insurance, as a separate policy. If you live in a flood-prone area it would be wise to purchase a Flood policy. Flood insurance (at least in the US; information in this article may not apply in Canada) is unique in that it is administered through many different insurance companies but ultimately it is sold and subsidized by the federal government. You do not have to "shop around" for the best price, because every company offers the same deal. Flooding is the number one cause of uninsured loss. It has gained some attention since Hurricane Katrina but unfortunately continues to be the item many people forget about when insuring their homes or farms.

Liability Insurance

Liability insurance is equally

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important to property insurance. Typically your liability coverage is packaged on your farm policy with your property coverage. If not, it may be insured through a separate company with a separate policy and declarations page. Review your limits of liability insurance to make sure they are adequate. Be aware of what your policy does and does not cover. A "Homeowners" policy typically will not provide liability for your livestock, so check that you have a "Farm" policy with farm liability coverages. Also confirm that you specifically have coverage for farm business activities if you sell your fiber goods or lamb meat at the local farm market. You do not want to be wondering whether or not you have coverage for something at the time of a loss; it is far better to know that you are covered beforehand.

Liability insurance is very cheap in the big scheme of things. Insurance is simply risk being spread over numerous people and the likelihood of being sued is usually lower than the likelihood of your house being

damaged by a storm, for example. Thus, \$1,000,000 of liability insurance is relatively cheap compared to \$1,000,000 in property coverage. Typically the maximum liability amount that can be purchased on a farm policy is \$1,000,000. If more liability coverage is desired, then an umbrella policy must be purchased. A farm umbrella policy is a liability policy that "covers" all of your other policies such as home, autos, RV, or boat policy. An umbrella is added liability protection for those who feel they need additional protection for themselves and their assets.

Who do you turn to for insurance advice?

Insurance agents vary as much as insurance policies, so it is important to find someone you trust and can depend on. There are basically two types of insurance agents. "Captive Agents" work for one company only. Some of the companies that use captive agents are Allstate, Farm Bureau, and State Farm. There are also "Independent Agents" who typically own the agency themselves and offer a number of insurance companies' products for sale. I usually recommend working with an Independent Agent for the simple reason that they have more than one company to offer and have the ability to shop around for you and find the best policy and pricing to fit your needs.

Don't forget about your auto policy!

Many insurance companies give discounts on all of your policies based on the number of policies you have with them. For example, if you insure your cars, your home/farm, and also carry a Life insurance policy with the same company, you could be looking at very significant savings on all three policies. Other items that could save you money on your insurance policy are 1) Having no claims 2) Staying insured with the same carrier for a number of years and 3) Giving your insurance agent a call. Ask your agent to review your policy and if they are an independent agent ask them to check around with other companies to see if you are still receiving the best pricing available. Remember your insurance agent works for you and receives a commission on your policy premium, usually between 10-20% of your premium. Your agent should be reviewing your policy annually for changes and making sure your policy is up to date. If it has been more than a year since you reviewed your policy with your agent, it is probably a good time to do that before the whirlwind of spring lambing is upon you.

Making sure you have the best insurance coverages now for you and your farm can help you avoid any future surprises! And please remember, this is simply a quick overview of farm insurance, and it is best to discuss your specific insurance needs with an insurance professional for advice.

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