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# The Role of Insurance in Preparing for Disaster or Catastrophe

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# Partners in Tax Education

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# Overview

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## Insurance

- Property
  - General Business Property
  - Crop Insurance
- Liability
  - General Business Liability
  - Product and Other Special Liability
  - Key Officer Life Insurance



# Types of Insurance

- **Property**
  - Covers the replacement cost of property
- **Liability**
  - Covers legal fees, settlements and judgments
- **Combined Property and Liability**
  - Homeowner
  - Automobile
  - Business
- **Income Insurance**
  - Disability
  - Crop (some types of crop insurance)
  - Workers Compensation
- **Other**
  - Life
  - Health

# Homeowner's Insurance

**Property insurance:** Covers repair or replacement costs of the home building and personal property such as clothing, electronics, and furniture in the event of common hazards such as fire and theft.

**Liability insurance:** Covers costs associated with lawsuits associated with the premises - damage to others from burst pipes, tree fall, injury on stairs, decks, etc.



# Homeowner's Insurance

- May also cover out-of-pocket living costs if you are temporarily displaced from your home due to an insured cause.
- Usually a condition of making a loan (mortgage).
- Consider a rider to cover the costs of re-building to new/higher code standards.

**If you operate a farm or ranch on a property where you also live you need to be careful to insure your farm or ranch operation separately because a homeowner's policy will probably not cover your business operation.**



# Business Insurance

**Property insurance:** Compensates the policyholder for repair or replacement costs to buildings and equipment due to common hazards such as accident, fire, flood, and theft. Add an ordinance/law rider to cover rebuilding to current codes.

**Liability insurance:** Covers legal costs and damages from claims related to injuries, property damage, or business operations (e.g., visitor injuries, employee actions, burst pipes, falling trees, limited product liability).



# Business Product Insurance

- **Property (Food Inventory):** Covers loss of stored food due to spoilage from power outages or damage from covered events (e.g., fire, flood), if available.
- **Liability (Products):** General liability typically covers unprocessed farm products (e.g., fresh produce). Processed goods (e.g., jams, sauces, baked goods) usually require separate product liability coverage.

\*\*Note that **some** crop insurance may cover **limited** stored crops or minimally processed products.



# Automobile Insurance

A special type of insurance to cover both property damage and personal liability for injuries associated with operating an automobile.

- Every state requires drivers to carry at least a minimum amount of automobile insurance.
- **A personal automobile insurance policy will not necessarily cover accidents associated with a farm business**
  - worker driving a farm vehicle to town for supplies
  - owner making a special delivery to a customer.

Be sure to talk with your insurance agent to get appropriate automobile insurance for your personal and business activities.

# Disability Insurance

Replaces earned income when the insured is unable to work due to injury or illness.

- The federal Social Security program includes disability benefits that provide limited income if a person becomes disabled before retirement.
- A few states, including California, offer limited state-sponsored disability insurance programs funded through payroll taxes, similar to Social Security.
- Consider the risk of injury or prolonged illness following a disaster.



# Workers Compensation Insurance

This is a state-mandated form of disability coverage limited to work-related injuries or illnesses.

- Funded by the employer, it provides medical care and wage benefits without requiring employees to sue.
- Owners and immediate family members are often exempt but may opt in; some states require coverage for working children.
- Consider additional risk of injury or workplace-caused illness associated with a disaster event.



# Workers Compensation Insurance

A workers' compensation policy **automatically covers** the following work-injury-related expenses:

- Medical Expenses
- Prosthetics, Physical Therapy, and Workplace Accommodations
- Income Replacement:
  - Temporary Disability Benefits
  - Permanent Disability Benefits
- Job Retraining Costs



# An Umbrella Policy

- An umbrella policy provides an extra layer of liability coverage above underlying policies (e.g., property, general liability, employer's liability, commercial auto).
- Typically sold as part of a package, it extends protection across all included policies.
- While shopping policies separately may seem cheaper, bundling under one provider often results in lower overall cost or more comprehensive coverage for the same price.



# Crop Insurance

## Private

Include specialized hail, fire and tree crop policies, which are developed and administered entirely by private insurance companies.

## Federal

Policies are developed and administered through a public-private partnership between a number of private insurance companies and the Risk Management Agency of the USDA.



# Federal Crop Insurance

May be purchased by a landowner, tenant, or sharecropper as long as the policy holder shares in the risk of producing the crop and is entitled to an ownership share of the crop.

Types:

- Multiple Peril Crop Insurance (MPCI) - single crop
  - Protects yield, some options to protect price
- Livestock (limited) pasture, rangeland, forage
- Whole Farm Revenue Protection “Whole Farm”
  - With a simplified “Micro Farm” option for operations with under \$350k of revenue
- Pilot programs (specialized, experimental)



# Federal Crop Insurance

- Policies must be purchased prior to planting.
- Some policies can cover prevented planting due to weather-related events, some cover loss of price or price margin.
- The “whole farm” policies insure the average revenue of the whole farm operation including some revenue associated with value added production.



# Federal Crop Insurance

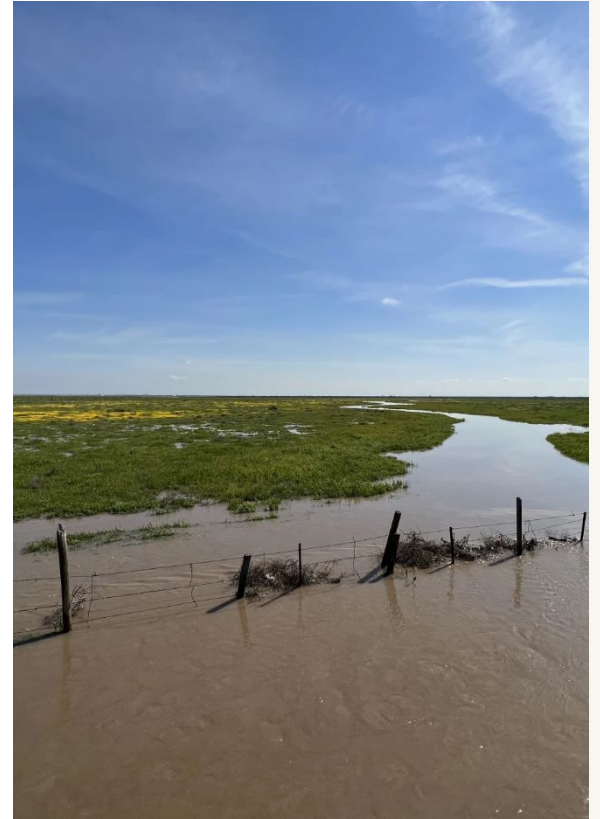
- Limited coverage for certain types of livestock and for pasture, rangeland and forage are also available.
- Most policies are written for a single crop in a limited number of states and counties and cover loss of crop yields due to natural causes including drought, excessive moisture, freeze, and disease.
- If a policy is not available in your county but is available in a nearby county you can request, and will usually receive, special permission to purchase the same coverage in your county.



# Non-Insured Crop Disaster Assistance Program (NAP)

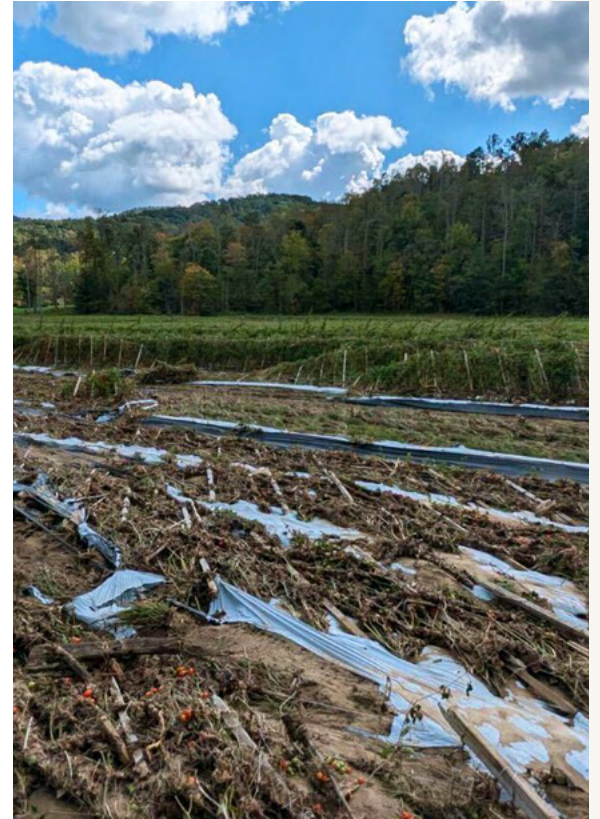
This is a USDA program for producers who do not qualify for other types of crop insurance.

- Relatively inexpensive to purchase.
- **Was** deeply discounted for beginning, limited resource, and historically underserved producers.
  - “Historically underserved” is Farm Bill language meaning women, disabled, BIPOC and LGBTQ+ and was used to provide discounts and preferential access to many USDA programs from the 1990s until 2025.
  - The current USDA and Department of Justice have decided to strike this preference from all USDA programs, so the discount is **no longer available**.



# Non-Insured Crop Disaster Assistance Program (NAP)

- Not intended to fully compensate you for crop losses
- Intended to help mitigate the cost of disasters
- Intended to lessen the need for emergency legislation to assist when a farming community is hit hard by a natural disaster such as a wildfire or a tornado.





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# Questions?

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# Thank you!

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