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Insurance in your business plan

Insurance is one of the most important business risk mitigation tools. There are several broad types of insurance, including property, liability, and income, and many specific insurance programs and policies.

Property insurance covers the cost to replace property lost or damaged due to insurable causes of loss like theft, fire, flood, and accident. Liability insurance protects against the cost of defending against a lawsuit, and pays the cost to settle a lawsuit, or the cost of a legal judgement against the insured. Income insurance provides ongoing income when regular income is ended or interrupted due to an insurable cause.

Homeowners and business owners insurance are **combined policies** that cover both property loss and liability related to damage to other people or other people's property. Automobile insurance works the same.

Be careful! A homeowner's policy *will not cover* a farm business and a personal automobile insurance policy *will not cover* accidents related to a business.

Workers compensation insurance is a special kind of liability insurance for employers and income insurance for employees. Each state has laws requiring employers to pay into a workers compensation insurance program to ensure that workers will receive income if they are injured at work and unable to continue working. The program also minimizes the risk that employers will be sued for liability beyond what is covered by the workers compensation insurance.

Disability insurance is different from workers compensation insurance because it replaces earned income when the insured is unable to work due to injury or illness regardless of the cause of the injury or illness. Businesses can purchase disability insurance for employees as an optional employee benefit.

Businesses can also buy **business interruption insurance**, and farmers and ranchers can buy **crop insurance**, which is a type of combined property and income insurance.

Crop Insurance

There are some private types of crop insurance, typically specialized hail, fire and tree crop policies, which are developed and administered entirely by private insurance companies

Most crop insurance is **Federal Crop Insurance**.

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.

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.

The main types of crop insurance are:

- Multiple Peril Crop Insurance (MPCI)
- Livestock policies
- Revenue policies including “Whole Farm” and “Micro Farm” policies.
- Pilot programs (specialized, experimental)

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, and one product insures the average revenue of the whole farm operation.

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 Disaster Assistance Program

The USDA Farm Service Agency administers a program for producers who do not qualify for other types of crop insurance, it is called NAP which stands for Non-insured Disaster Assistance Program.

NAP is relatively inexpensive to purchase. It is not intended to fully compensate you for crop losses, instead it is intended to help mitigate the cost of disasters and 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.