A CONSUMER GUIDE TO

FARM INSURANCE

Maryland

INSURANCE ADMINISTRATION

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TABLE OF CONTENTS

Introduction 1

The Need for Farm Insurance 1

Frequently Asked Questions About Farm Insurance 2

Shopping Smart: A Few Quick Tips 10

How to File A Complaint 12

INTRODUCTION

The Maryland Insurance Administration (MIA) is an independent State agency that regulates Maryland's insurance marketplace and protects consumers by ensuring that insurers and insurance producers (agents and brokers) act in accordance with insurance laws. We produced this guide to help educate Maryland residents about farm insurance.

The Insurance Administration is also responsible for investigating and resolving complaints and questions concerning insurers that do business in Maryland.

THE NEED FOR FARM INSURANCE

Based on its diverse economy, Maryland is often described as "America in Miniature." Our agricultural heritage is part of that diversity. One need only travel from Western Maryland to the Lower Eastern Shore to recognize the importance of farming in our state.

The statistics are amazing. According to the United States Department of Agriculture, there are more than 12,000 farms in our state, which span more than 2 million acres of land. The challenge for today's farmers is to hold onto their land and maintain a viable source of income for their families and their communities.

In an effort to stay competitive, more farm owners are expanding their operations beyond the traditional crop harvesting to what is now called "agri-tourism." Hayrides, corn mazes, "pick-your-own" products and roadside stands are all becoming common enterprises as farmers look for ways to generate more revenue from their operations and educate others to the farm lifestyle. As farmers expand their traditional operations to include new and different operations, they are met with new liability issues and new insurance needs.

In an effort to help Maryland consumers meet these challenges, the Maryland Insurance Administration offers this guide, which focuses entirely on insurance issues relating to agricultural operations. This guide attempts to explain the basic coverages included in farm policies, as well as the types of policies that are available in the market. We also have included information that is designed to assist you when shopping for a policy.

This publication is not intended to provide legal advice or opinions regarding coverages you may need or any specific policy you may purchase. It is a good idea to review your policies regularly to ensure they provide coverage for all your operations.

FREQUENTLY ASKED QUESTIONS

WHY SHOULD I INSURE MY FARM?

Your farm is probably the largest and most important investment you have made in your lifetime. Insurance is to protect you in the event of a catastrophe or loss that you could not afford. In the event of a loss, there could be damage to your home, its contents, outbuildings, equipment, livestock, crops, etc. Few of us have sufficient personal resources to cover these types of losses. Insurance provides a means by which we can transfer this risk of loss to an insurer who does have the financial resources to cover the costs.

In addition, insurance policies can provide you with protection if someone is injured or hurt on your property or incurs property damage due to something you did or failed to do. The same applies if a person is injured or his property is damaged by something you own or by someone who works for you. You also may be able to purchase insurance that will protect you if someone becomes ill or hurt after eating or using a product they receive or purchase from you, such as fruits, vegetables, pies or jams. Insurance policies also may protect you by providing you with an attorney to represent you at no charge if you are sued by someone making a claim that might be covered by your policy.

If you have a mortgage on your property, your lender will likely require that you carry insurance and the mortgage holder will be named as an additional insured on the policy.

WHAT TYPE OF INSURANCE SHOULD I PURCHASE?

The type of insurance you should purchase will depend on a number of different factors, including:

- the type of farm you have;
- the type of business you operate (growing crops, livestock, agri-tourism);
- whether you have employees working on the farm;
- any outbuildings you may have; and
- the type of equipment you have.

In order to determine what the appropriate insurance coverage is, you should meet with a producer and discuss the specifics of your farm operation in depth to find the right coverage for you. It is important to remember that a farm policy differs from a homeowners policy. You should make certain you have a clear understanding of what is covered and what is excluded under your policy.

WHAT TYPE OF INSURANCE COVERAGES SHOULD I PURCHASE?

Farm policies have many different types of coverages available. To be certain you have the appropriate type and amount of coverage, it is essential for you to talk with a producer.

The following are some of the standard coverages available under a farm policy:

- **Property damage coverage,** which protects your farmhouse and outbuildings or household belongings if they are damaged or destroyed by certain causes of loss. Some examples are: fire, lightning, hail or tornado.
- **Liability coverage,** which will pay for damages if you unintentionally cause injury to another person, or if you unintentionally cause another person's property to be damaged or destroyed.

- **Medical payments coverage,** which pays up to a specified amount for medical expenses incurred by persons injured in an accident on your property and, in certain situations, away from your farm, regardless of whether you were at fault for that person's injury. This coverage does not apply to you or a member of your household.
- **Additional living expenses coverage,** which will pay for additional expenses you incur when you cannot live in your dwelling because of damage or loss that is covered by your policy. For example, if you are required to move into a motel or apartment while your home is being repaired, your insurer will pay the cost of this temporary housing.

In addition to these basic coverages, many companies offer a variety of additional coverages for an additional cost. These are generally referred to as endorsements to your policy. Endorsements may be purchased to increase or expand some of the basic coverage, such as changing from Actual Cash Value (ACV) coverage to Replacement Cost Value (RCV) coverage, to provide coverage for specific types of losses, for example, water that backs up from sewer and drains, or to cover items excluded by your policy, such as particular animals, outbuildings, farm equipment. Many of the items typically covered under a homeowners policy, such as fences, outbuildings, swimming pools, will not be covered under your farm policy unless you specifically purchase an endorsement covering these items. The types of coverage you elect to purchase will determine the price of your policy.

Furthermore, if you have employees working on your farm, you may need to purchase workers' compensation coverage. To be certain you obtain proper coverage and an accurate quote, you should have a list of all your employees, their titles and a description of the work they perform, as well as the number of hours they work and the wages they earn, with a summary reflecting the total number of employees and the total payroll.

IF I HAVE DECIDED T O ALLOW THE PUBLIC ONTO MY FARM FOR AGRI-TOURISM LIKE HAYRIDES AND PETTING ZOOS, DO I NEED TO PURCHASE ADDITIONAL INSURANCE FOR THESE ACTIVITIES?

More and more farmers are turning to agri-tourism in order to generate additional revenue from their farms. If you elect to expand your business to include these types of operations, you need to make certain you have the appropriate type of insurance and the appropriate amount of liability coverage to protect you in the event someone becomes sick or injured while on your property.

If you operate businesses at your farm, including petting zoos, pick-your-owns, corn mazes, haunted barns, pumpkin patches, farm stands or hayrides, you may need a business policy as opposed to a farmowners policy. If you sell particular products, such as jams, pies, fruits or vegetables, consider purchasing a policy to provide you with product liability coverage. The best way to be certain you have the proper insurance in place to protect you and your farm is to have a producer come to your farm, walk around with you to inspect it and discuss in detail your farm operations. This will enable the producer to provide you with the expertise he is trained to deliver.

In preparation for your visit by a producer, you may want to consider assessing your farm's safety and security issues. What are the potential hazards? What can you do to address those hazards? Is the hazard physical? For example, is there an uneven path that could cause someone to trip, but that could be corrected with a simple repair? Are there precautions, such as fencing and signage, in place to prevent animal bites? Is the hazard a potential risk of bacterial infection and illness? Both of these hazards require you to educate your customers so they are aware of their personal responsibilities for their own safety. Discuss establishing a safety plan for your operations with your producer. Also, remember it is important to conduct periodic self-assessments and meet with your producer to discuss any changes in your operations.

HOW MUCH WILL MY INSURANCE COST?

The cost of insurance will depend on a variety of factors. The primary factor is the type of coverage you want to purchase. The price also will reflect any prior claims history and the amount of your deductible; the higher the deductible, the lower the premium. Developing a farm safety and security plan for your farm and periodic self-assessments may reduce your insurance premium. Ask your agent or broker if they charge a fee for making a premium payment with a credit card. They are permitted to charge the actual expenses incurred when a premium payment is made using a credit card, provided the amount of the fee is disclosed.

HOW DO I FIND AN INSURER TO INSURE MY FARM?

A list of insurers licensed to sell farm insurance in Maryland, *Companies With Approved Farm Policies in Maryland*, is available from the MIA on its website at *www.insurance.maryland.gov*. However, not every insurer offers the same type of policy. You will need to contact the insurer or a licensed producer to learn specifically what type of risks they insure and what types of coverages they sell. Some offer package policies to cover the dwelling and its contents, barns, stables, and other structures in addition to liability coverage. These policies may cover farm business operations and liability arising out of the sale of farm products. Some insurers also offer umbrella or excess liability policies. Quotes from these insurers can be obtained through independent producers.

WHAT SHOULD I DO IF I HAVE A CLAIM?

If you are the victim of a theft, fire or other type of accident or loss, you may have the right to file an insurance claim. You should look at your specific policy to determine if you can submit a claim, and what steps to follow.

Most policies tell you what you are required to do following a loss. Remember to check your policy to find out what you are required to do. Though each policy differs, many policies require that you:

- Give immediate written notice of a possible claim to your producer or insurer. The sooner you file your claim, the sooner you can expect a response.
- If the loss is a theft, you should notify the local police.

- Protect your property from further loss or damage. You may want to take photographs of the damage. Also, if you make temporary repairs, keep a record of what you do and save all of your receipts for repair-related expenses. This may include buying plywood and nails to board up broken windows.
- Give your producer, adjuster and/or insurer a list of all damaged, destroyed or stolen property. Be sure to keep a copy of this list. In the case of theft, be sure to give a copy to the police.
- Show the damaged property to your producer, adjuster and/or insurer if asked. Do not dispose of any damaged property until your producer, adjuster and/or insurer says you may do so.

You should keep in mind that most insurance policies set specific time limits for filing a claim, and require cooperation with the insurance company's investigators. If you do not fill out your claim forms promptly, or if you fail to protect your property from further damage and otherwise fail to cooperate with your insurer, your claim may not be settled to your satisfaction and your coverage may be jeopardized. Therefore, it is important to respond promptly to each of your insurer's requests. If you have questions or concerns about the way your claim is handled, you should contact your producer or insurer directly.

If you feel that the amount of money offered by your insurer to pay for the loss is not fair or adequate, there are several alternative courses of action you may consider:

- you can demand an appraisal as per the terms of your insurance policy;
- you can file a complaint with the MIA; and/or
- you can hire a lawyer to advocate on your behalf and explain legal options.

AN INSURER SAYS THEY DO NOT WANT TO INSURE ME. WHERE DO I TURN FOR INSURANCE?

If you have been turned down by one insurer for your farm insurance, try obtaining coverage through another insurer. Do not assume that because one insurer turned you down, all insurers will turn you down. Just as insurers have different rates they charge, they also have different underwriting requirements. Call around and keep trying to obtain an insurance policy.

CAN MY INSURER CANCEL OR NOT RENEW MY POLICY IF I GAVE INACCURATE INFORMATION ON MY APPLICATION?

Yes. An insurer may lawfully cancel or not renew your policy if you misrepresent material information about yourself or the risk they are insuring, such as your address, claims history, driving record, accident history or farm operations.

CAN MY INSURER CANCEL MY POLICY FOR LATE PAYMENT?

Yes. Your insurer may cancel your policy for nonpayment of the premium, even if the payment is only one day late. The insurer must provide you with a notice 10 days in advance that your policy will be cancelled. Some insurance companies have guidelines for accepting late payment and may reinstate you when the payment has been made. However, this is not a legal requirement. The best practice is to pay your premiums by the due date in order to avoid being cancelled.

CROP INSURANCE

WHAT IS CROP INSURANCE?

The federal Risk Management Agency offers a federally subsidized crop insurance program through private insurance companies. Crop insurance covers disasters such as drought, hail, frost, hurricanes, excessive moisture, fire, insects and plant disease, and wildlife damage. For specific information on a particular crop, contact your local crop insurance agent or visit *www.rma.usda.gov*.

WHERE CAN I LEARN MORE ABOUT CROP INSURANCE?

Maryland Cooperative Extension
University of Maryland
College of Agriculture & Natural Resources
http://extension.umd.edu
Check under "Locations" for the address and phone number of the location nearest you.

Risk Management Agency
U. S. Department of Agriculture
USDA/RMA/Stop 0801
Room 6092-South
1400 Independence Avenue, S.W.
Washington, DC 20250
Phone: 202-690-2803
Fax: 202-690-2818
www.rma.usda.gov

Risk Management Agency - Regional Office for Maryland
Eastern Regional Compliance Office
4405 Bland Road, Suite 165
Raleigh, NC 27609
Phone: 919-875-4930
Fax: 919-875-4928
www.rma.usda.gov

Maryland Department of Agriculture
50 Harry S. Truman Parkway
Annapolis, MD 21401
Phone: 410-841-5700
Toll Free: 800-492-5590
www.mda.maryland.gov

WHERE CAN I PURCHASE CROP INSURANCE?

Companies designated by the United States Department of Agriculture (USDA) provide crop insurance coverage through the Standard Reinsurance Agreement (SRA) in Maryland There is a list of approved agents for Maryland online at *https://www3.rma.usda.gov/tools/agents/companies/2018/marylandCI.cfm.*

You also may search the USDA's Risk Management Agency's main database of agents (Agent/Insurer Locator) for an agent authorized to sell crop insurance. A complete list of crop insurance providers is available at *http://www.rma.usda.gov/tools/agent.html* or contact the regional office of the RMA at 919-875-4880.

SHOPPING SMART: A FEW QUICK TIPS

1. Comparison shop. Before you buy an insurance policy, obtain price quotes from several companies and compare not only the price, but the coverages and limits of the coverages and the applicable deductible you will receive if you purchase the policy. This will enable you to make an apples-to-apples comparison and not be swayed by price alone. You also may check the financial strength and stability of an insurer by referring to several organizations that provide financial ratings. These publications are found at any public library. In addition, you may access the information via their websites:

- A.M. Best *www.ambest.com*
- S&P Global Ratings *www.spglobal.com/ratings*
- Moody's Investors Service *www.moodys.com*
- Fitch Ratings *www.fitchratings.com*
- Demotech, Inc. *www.demotech.com*

2. Determine what coverages you want and need. You may need to purchase various endorsements that could change or add coverages. Endorsements that add coverage will result in a premium increase.

3. **When you speak with producers to obtain quotes for your farm insurance, you should answer questions truthfully.** Wrong information may result in an incorrect price quote, rejection of your insurance application, or cancellation of your policy.

4. **Consider higher deductibles.** Your policy will have deductibles applicable to claims and losses. A deductible is the amount you have to pay out of pocket on your claim before the insurer pays. The higher your deductible, the lower your premium. Remember that your claims history is considered for purposes of insuring you at the start and for purposes of renewing your policy. Thus, if you will not make a claim that involves less than a certain dollar amount, you should consider raising your deductible to reflect that amount and realize the savings on the premium you would be charged with the higher deductible.

5. **Ask about discounts.** Insurers may offer policy discounts to lower your premium. Ask your producer what discounts the insurer offers and which ones you may be eligible to receive.

6. **Make sure you have uninterrupted coverage.** Never cancel an existing policy until you have written confirmation that your new policy is in effect.

7. **Do not pay cash.** Pay for your insurance with a personal check or money order made out to the insurer or producer. Be sure you obtain a receipt for your premium payment.

8. **Remember.** When shopping for insurance, your premium will be based on several factors. The county in which the farm is located, level of fire protection available (i.e. the proximity of your farm and its buildings to a fire department and water source for fire suppression), the type of policy you purchase, and the amount of coverage you buy all help determine your premium.

9. **If one insurer turns you down, don't give up… keep shopping!** Different companies have different criteria for the types of farms they will insure.

10. Be sure your coverage fits your needs. Buy the proper types of coverages in the amounts sufficient to provide you with the financial protection you need in the event your property is damaged or destroyed or a claim is filed against you. This means keeping a realistic and affordable dollar amount of coverage on your farm.

11. Develop a farm safety and security plan for your farm. You should implement the plan to make sure it will work in the event of an emergency, and conduct periodic self-assessments to ensure that it remains practical.

HOW TO FILE A COMPLAINT

The Maryland Insurance Administration's primary role is to protect consumers from illegal insurance practices by making certain that insurers and producers doing business in Maryland act in accordance with state insurance laws. You may contact the Insurance Administration to file a complaint against an insurer or producer who you believe is not acting in accordance with Maryland law.

Maryland's insurance laws not only govern insurers' conduct -- they also protect Maryland consumers. Insurers are prohibited from settling claims in an arbitrary and capricious manner. This means that insurers' claim settlement practices must be fair, nondiscriminatory and adhere to Maryland insurance laws.

If you feel that your insurer has acted improperly, you have the right to take action by filing a complaint with the Maryland Insurance Administration. However, some disputes may be governed by your policy's terms and may not be a problem the Maryland Insurance Administration can resolve for you.

Complaints must be received in writing. Please provide as much detail as possible, including copies of pertinent documents. A trained, professional investigator will handle your complaint. The investigator will contact the insurer/producer to try to resolve the issue. Meanwhile you will be advised of the steps being taken on your

behalf. Complaint files are not closed until the Maryland Insurance Administration has made a determination regarding the complaint.

The MIA also established a Rapid Response Program designed to help certain consumers resolve property and casualty claims (such as auto and homeowners claims including those made under commercial lines policies) quickly and without having to file a formal written complaint. For more information about this program, please contact us at 410-468-2340 or 800-492-6116 ext. 2340. Participation in the Rapid Response Program is voluntary and does not affect your right to file a formal complaint.

For additional information or if you have a complaint, please contact the Maryland Insurance Administration's Consumer Complaint Investigation Division at 410-468-2000 or toll-free at 800-492-6116. Consumers may also file their written complaint in person or by mail.

Consumers may also file a complaint by going online to the Maryland Insurance Administration's web site at *www.insurance.maryland.gov* and under *Consumers*, click on *File a Complaint*.

Filing a Civil Action for a First Party Property & Casualty Claim or an Individual Disability Claim

A Maryland consumer who has a property and casualty insurance policy (property and casualty insurance includes automobile, homeowners, fire and/or dwelling, inland marine, commercial liability policies) or an individual disability policy (a policy that provides for lost income, revenue, or proceeds in the event that an illness, accident, or injury results in a disability that impairs an insured's ability to work or otherwise generate income, revenue, or proceeds that the insurance is intendeds to replace) that was issued, sold or delivered in Maryland and believes that his/her property and casualty insurer or his/her individual disability insurer failed to act in good faith in making a decision regarding his her firstparty insurance claim may seek special damages against the insurer by filing a civil complaint, in addition to or in place of filing an administrative consumer complaint with the Maryland Insurance Administration (MIA).

The Insurance Article defines "good faith" as making an informed judgment based on honesty and diligence supported by evidence the insurer knew or should have known at the time the insurer made a decision on the claim. If the Maryland consumer files a civil complaint and the insurer is found to have failed to act in good faith, the insured may be entitled to an award with "enhanced damages." Such enhanced damages may include, in addition to the actual contract damages, litigation expenses, including reasonable attorneys' fees not to exceed one third of the actual damages payable to the insured, and interest at the post-judgment rate.

An explanation of when a consumer can seek these special damages, when a lawsuit has to be filed with the MIA, and how to make that filing are explained in a separate MIA publication: "A Guide for Consumers Filing a 27-1001 Civil Complaint."

This consumer guide should be used for educational purposes only. It is not intended to provide legal advice or opinions regarding coverage under a specific policy or contract; nor should it be construed as an endorsement of any product, service, person, or organization mentioned in this guide.

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