



# LIABILITY INSURANCE FOR FARMERS

GLOBAL GARDEN REFUGEE TRAINING FARM

## WHAT IS THIS USER'S GUIDE?

This is an introduction to vendor and general liability insurance for farmers. The need for good on-farm food and general safety is emphasized, but GAP practices are not covered in this module. The module discusses the need for insurance, what liability insurance is, costs and steps in getting insurance, and provides a few examples of cases where liability insurance is important.

### Why is this training needed?

Beginning farmers will likely first encounter liability insurance early in their careers as a requirement for selling at most farmers markets. This module presents a basic explanation that is accessible to individuals who may be unfamiliar with normal business practices and/or the history of produce-borne illness in the United States.

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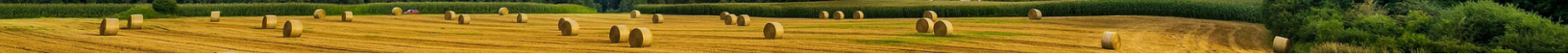
**Global Garden**  
Refugee Training Farm



United States Department of Agriculture  
National Institute of Food and Agriculture

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# Who made this guide?



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**VARIATION:**

Throughout this guide, boxes (like this one) contain variations and adaptations that serve varying programs and farmers. They are suggestions and reflections from other programs based on how they made this workshop work for them.

**ICONS:** You will find the icons below throughout this guidebook. They are there so you are prepared for the activity and can get an idea of what it will bring at a glance.



SIGNS/CARDS



POWERPOINT



WORKSHEET



DISCUSSION



VOCABULARY



INDOOR



OUTDOOR



TALKING POINTS

# Is this guide right for you?



- AUDIENCE:**
- **Who:** Adult Limited-English speaking farmers and growers
  - **Language / Literacy:** Intermediate or advanced speaking skills, unless interpretation is provided. Appropriate for low literacy levels.
  - **Farming Experience:** This training is most appropriate for farmers who are starting their own farm business and preparing to sell produce as an independent vendor.
  - **Prerequisites: Skills, experience, and knowledge:** Previous experience or knowledge of good pre- and post-harvest crop handling practices is best. GAP training or certification will complement this module.
  - **Region/Climate:** Applicable across geographic regions
  - **Program Structure:** This guide is appropriate for any program structure.
  - **Season:** This module should be delivered long enough before the main growing & selling season to allow farmers to budget for and purchase liability insurance by that point.

- RESOURCES NEEDED:**
- **Time:** 85 minutes
  - **Staff/Interpreters:** 1 staff plus interpreters as needed for non-English speakers
  - **Location:** Classroom or field
  - **Resources and Materials Needed to Complete this Module:** No resource materials are needed for this module. Some trainers may find a white board or flip chart helpful for notes or for posting new vocabulary words.

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## **12 LESSON 2 / HOW CAN A FARMER PROTECT THEMSELVES?**

### **15 MINUTES**

- Participants learn how to protect themselves from risk and liability by purchasing liability insurance and following safety guidelines.

## **15 LESSON 3: ALL ABOUT LIABILITY INSURANCE**

### **20 MINUTES**

- This section covers details of liability insurance, including costs, restrictions, and steps of looking for a policy.

## **19 LESSON 4: CONCLUSION**

### **10 MINUTES**

- Participants review reasons for purchasing liability insurance and assess the actual costs of purchasing a policy.

# Objectives and Skills

- VOCABULARY:**
- Bacteria
  - Risk
  - Liability
  - Insurance Policy
  - Insurance Company



- OBJECTIVES:** **By the end of this module, farmers will:**
- Understand the role of liability insurance in protecting their personal and business assets.
  - Understand their role in protecting consumers from foodborne illness.
  - Expect to be required to purchase liability insurance before being allowed to sell at a farmers' market.
  - Have the tools to take first steps to purchase liability insurance before selling produce to the public through other outlets.

**PROOF OF LEARNING:** **I will know that farmers have achieved learning objectives because:**

*In the Classroom:*

- Participant discussion will demonstrate understanding of the usefulness of liability insurance.
- They can name the steps to take to protect their customers from getting sick and protect their business from being sued.
- They can say whether they themselves might need to consider buying Farmer's Market Liability Insurance, and why.

*Long term:*

- They purchase liability insurance before selling farm products directly to the public.
- They protect their insurance coverage with good on-farm safety practices, including GAPS.



# Introduction

# 1

**TIME:** 20 Minutes

**OVERVIEW:**

Participants learn the meaning of ‘risk’ and ‘liability’ through actual and hypothetical stories about food borne illness and customer injury.

**OBJECTIVES / LEARNING:**

By the end of this activity, participants will:

- Understand what insurance is.
- Understand the meaning of “risk” and “liability.”
- Understand the role of liability insurance in protecting their personal and business assets.

**VOCABULARY:**

- Bacteria
- Risk – the opportunity for loss or injury
- Insurance – an agreement with a company that agrees to provide financial protection or reimbursement if certain, specific losses happen.
- Insurance Company – a business that sells insurance.
- Liability – a legal responsibility to prevent loss or injury, or to re-pay a person who has suffered loss or injury

## LESSON STEPS



**1. Opening Discussion: What is Insurance?**

Trainer leads discussion with participants, asking if anyone knows what insurance is, or has had experience with insurance. Who has had insurance before? What was it for (car insurance, house insurance, renters insurance). How does it work for you?

# LESSON STEPS, CONTINUED

Story: All over the world, farmers work hard. They prepare the soil, plant, fertilize their fields, water crops, and work very hard. Some have to buy seeds and fertilizer, and some grow or make their own, but for all farmers, these things are expensive, either in money or work.

Sometimes, even with the best seeds and fertilizer and good hard work, something happens to destroy a farmer's crops. Too much rain, not enough rain, too many insects or birds ... there are many things that a farmer cannot control which can destroy a crop.

- Has this ever happened to you?
- Has this ever happened to someone you know?
- What can a farmer do when these things happen?
- Has anyone had insurance before?

## 2. Risk

Sometimes even when you plan well and do things right, bad things happen (car crashes because of someone else's fault, natural disasters damaging a home). There may always be risk in life. Insurance can help someone deal with risk or losses in life.

## 3. How insurance works:

- When there is a danger/risk that can harm one or a few people, many people work together to protect everyone
- Many people pay a small amount to create a large amount of money. In the United States, this is done for us by insurance companies.
- Then if a risk/loss happens to one farmer, they are able to make use of a larger amount of money to cover their loss. The next year it could be someone else who experiences loss.

## LESSON STEPS, CONTINUED

- Each person decides they would rather pay a little bit every year for protection against risk, even if they never experience a loss and need to withdraw (claim) money, just in case one year they have to.
- Insurance companies pool their clients' risks to make insurance payments more affordable for each client.

#### 4. Farmers Markets: Results of No Protection

Some things that can go wrong when you sell vegetables from your farm



*Discussion: Trainer asks participants, "What kind of risks to people could happen, or things go wrong, when you sell vegetables from your farm?"*

- Example 1: A farm market customer gets sick and blames your vegetables. The customer goes to the hospital and is now suing you for their medical expenses.
- Example 2: A market customer dies from food poisoning and the cause is traced back to your vegetables. Their family now wants to sue you.

These may sound like extreme events that just won't happen to you, but here are two real-life examples of where people got sick, went to the hospital, or died from eating farm-grown produce.

*Trainers can use details from one or both of the Examples below to explain the liability issues that farmers take on when selling produce to the public.*



## LESSON STEPS, CONTINUED

### 5. Background Information for Examples

*E. coli* is a bacteria that lives in feces from humans and other animals and can contaminate water in lakes, streams, ponds, or drinking water supplies. *E. coli* can contaminate vegetables through contaminated water or when farmers or farm workers do not wash their hands properly. *Salmonella* is another foodborne bacteria that can make people sick. Both *E. coli* and *Salmonella* make people sick and are especially dangerous for babies, small children, elderly people, or anyone who is already weak from some other sickness.

- **Example One**

Between July and September 2012, 257 people got sick from eating cantaloupe grown on a farm in Indiana that was contaminated with *Salmonella* bacteria. 84 of these people were so sick that they had to go to the hospital, and 3 people died. US FDA inspectors found *Salmonella* contamination on equipment in this farm's packing house and poor post-harvest handling practices.

Source: US Food and Drug Administration. February, 2013. Environmental Assessment: Factors Potentially Contributing to the Contamination of Fresh Whole Cantaloupe Implicated in a Multi-State Outbreak of Salmonellosis. U.S Dept. of Health and Human Services. <http://wayback.archive-it.org/7993/20171114155057/https://www.fda.gov/Food/RecallsOutbreaksEmergencies/Outbreaks/ucm341476.htm>

## LESSON STEPS, CONTINUED

- **Example Two**

Between October 7 and December 4, 2018, 62 people from 16 states got sick from eating contaminated romaine lettuce. 25 people got so sick they had to go to the hospital. This time, nobody died. CDC traced this outbreak of *E. coli* back to sediment from (= dirt at the bottom of) a pond on a farm in Santa Barbara County, California. It is not yet known how the bacteria got into this water supply, but it cannot be used again until the source is found and fixed by the farmer.

Source: Centers for Disease Control and Prevention. January 9, 2019. Outbreak of *E. coli* Infections Linked to Romaine Lettuce/ January 9, 2019. National Center for Emerging and Zoonotic Infectious Diseases, Division of Foodborne, Waterborne, and Environmental Diseases (DFWED). <https://www.cdc.gov/ecoli/2018/o157h7-11-18/index.html>

No farmer wants to make their customers sick, so they will do everything to prevent this from happening by following all the rules for food safety when they grow, harvest, and store their crops.

But bad things can still happen and events like the examples above can be disastrous for a farmer's business.



*Discussion: What are some potential results of a farmer's vegetables causing people to be sick?*

## LESSON STEPS, CONTINUED

- All of the vegetables these farmers sold had to be recalled – removed from the market.
- Customers may no longer want to buy from this farmer anymore.
- All or any one of the people who got sick, or their family members, can sue the farmer.
- The government could make the farmer pay big fines or make the farmer stop selling anymore produce.

In addition to the risk of serious foodborne sickness, there is also the risk that a customer may become injured in or near your market stand:

- **Example Three – Customer Injury**

Because you are in a hurry to set up for market, you forget to put all of your coolers safely under or behind your market stand. A customer trips over a cooler, falls, and breaks their ankle. They are in a lot of pain and go to the hospital emergency room for medical care. A few weeks later, you receive a bill from their insurance company for \$2,000.

In this example, you, the farmer, are legally responsible -liable- for your customer's broken ankle and must pay that \$2,000 .... Unless you have already purchased liability insurance which specifically covers customer injuries at the farmer's market.

# How can a farmer protect themselves from risk and liability?

2

**TIME:** 15 Minutes

**OVERVIEW:**

Participants learn how to protect themselves from risk and liability by purchasing liability insurance and following safety guidelines.

**MATERIALS NEEDED:**

- Insurance Checklist

**OBJECTIVES / LEARNING:**

By the end of this activity, participants will:

- Understand their role in protecting consumers from food-borne illness.

**VOCABULARY:**

- Insurance Policy – A contract between a farmer and an insurance company. It states how much the farmer has to pay for the policy and what risks the insurance will cover.

## LESSON STEPS

### 1. What can a Farmer Do?

1. Follow all food safety rules to keep your produce clean while it is growing and when you harvest, store, transport, and sell it.

## LESSON STEPS, CONTINUED

- Attend training and become Good Agricultural Practices (GAP)-certified.
  - This will reduce the risk that a customer gets sick.
2. Keep your market stand clean, clear, and safe for your customers
    - Some farmers markets provide guidelines; be sure to follow them.
  3. Purchase Liability Insurance – When something goes wrong, the insurance company will pay you for lost income and expenses.
- **IMPORTANT:** But you must still follow all food safety rules because no insurance company will protect if you don't do the right thing.

Food safety rules, including Good Agricultural Practices (GAP), are an important topic covered in other modules. Some insurance providers use GAP rules as a requirement and measure of compliance in the event of a claim. Every farmer who sells directly to customers should know and use good, safe practices when growing, harvesting, and handling food. This module focuses on liability insurance: what it is, how to purchase it, and when you need to purchase it.

# LESSON STEPS, CONTINUED

Sometimes farmers think that they sell to people they know and trust, like family members and friends, who will not sue them. But if an illness or accident happens and the person who is hurt goes to the hospital, your trusted customers will have no control over whether you are sued or not. Their insurance company will pay the hospital bill and then the insurance company may sue you to recover their costs.

## 2. Reasons for Liability Insurance

1. To protect your business.
2. To protect your customers – If they get sick from your vegetables or injured at your market stand, they will need help paying for hospital and doctor bills.
3. Most Farmers' Markets require it before a farmer is allowed to sell anything.



## 3. Review Discussion

### Measures of Protection

Who can name the steps that farmers can take to protect their customers from getting sick, and protect their business from being sued?

1. Using Good Agricultural Practices for production safety
2. Harvest Safety
3. Transport and Marketing safety
4. Purchasing Liability insurance in the event that someone does get sick.



# All About Liability Insurance

3

**TIME:** 20 Minutes

**OVERVIEW:**

Participants learn more details about liability insurance, including costs, different types and next steps they can take for finding insurance.

**OBJECTIVES / LEARNING:**

By the end of this activity, participants will:

- Know the rough costs of liability insurance.
- Understand the difference between Vendor and General Liability.
- Understand how they might look for liability insurance.

## LESSON STEPS

### 1. Cost of Liability Insurance

- For a 1-5 acre farm that is growing and selling just produce, the cost of liability insurance should be a few hundred dollars per year.
  - o *Note: Trainers should consult with local insurance providers in advance for the actual, current price range.*

## LESSON STEPS, CONTINUED

- A good vendor liability policy will provide a farmer with coverage at multiple farmers markets for one reasonable price.
- The cost will be higher for farmers who sell animal products such eggs, milk, or meat, or any other value-added food product.
- Note: If your organization purchases a group policy, this is the time to explain what your organization provides and what the costs will be for each participating farmer.

### **2. Rules You Must Follow for Liability Insurance to Work**

- If you are not careful to keep the food you sell safe and clean and to make your farm and your market stand safe, insurance companies will not protect you when something goes wrong.
  - o Production and Processing - Insurance companies will not honor your claim if you do not use good food safety practices on your farm. They may use Good Agricultural Practices (GAP) as their standard
  - o Market: Insurance companies will not honor your claim if you leave unsafe things -like sharp tools or equipment- where customers have to walk.
  - o Just like with car insurance: If you have too many accidents, or food safety claims, the price of your insurance will increase or you may not be able to buy any more insurance.

# LESSON STEPS, CONTINUED

## 3. General vs. Vendor/Farmer's Market Liability Insurance

So far we have talked about Vendor Liability Insurance – the kind of insurance protection a farmer needs if they sell farm products to the public. This is the insurance that most farmer's market organizers require a farmer to purchase before they are allowed to sell at that market.

**General Liability Insurance** is similar, but offers the same kinds of protection when people come to the farm.

Whenever customers, or business people who come to deliver or pick up items, or volunteers, or visitors such as community members or school groups come to your farm, there is a (small) risk that they may become injured during their visit. You as a farmer, will be liable -or responsible- for any medical bills or other costs from that injury.

Instead of taking that potentially large risk alone, farmers can buy insurance for a much smaller cost that will that will protect them if something bad happens.

General liability insurance will also usually reimburse a farmer if a visitor accidentally damages expensive equipment.

## 4. Signing up for liability insurance

How do you sign up for liability insurance?



Ask if anyone has signed up for auto or renters or homeowners insurance. Discuss how they found what company their policy is with. Tell them they can use the same method—either talking to other farmers, searching online in their community, and calling various companies to see who has the lowest rates.

## LESSON STEPS, CONTINUED

Information you may need to provide:

- What kind of farming you do
- How you produce
- Postharvest handling process
- How many acres
- Where you sell

For those interested in pursuing liability insurance, participants may be provided with the Insurance Checklist, which they can begin to fill out to gather information that might be necessary for a meeting with an insurance agent.

**TIME:** 10 minutes

**OVERVIEW:**

Participants review reasons for purchasing liability insurance and assess the actual costs of purchasing a policy.

**OBJECTIVES / LEARNING:**

By the end of this activity, participants will:

- Review and understand the need for buying Farmer’s Market Liability insurance.
- Reflect on whether they might need to buy it, depending on their market activities and outlets.

**VOCABULARY:**

- Insurance – an agreement with a company that agrees to provide financial protection or reimbursement if certain, specific losses happen.
- Insurance Company – a business that sells insurance.
- Insurance Policy – A contract between a farmer and an insurance company.

## LESSON STEPS

### 1. Review

Ask the group: Do you need to buy Farmer’s Market Liability Insurance?

Ask individual farmers to explain why or why not.

## LESSON STEPS, CONTINUED

- The only reason for not buying this insurance is that they are not selling farm products to retail customers.
- Reasons to buy insurance include
  - To protect their business in case a customer gets sick or injured.
  - To help customers pay medical bills if they get sick or injured.
  - Because it is required by the market organizers.

If individual farmers need to purchase vendor liability insurance on their own, present them with information from one to three insurance companies: costs, coverage, and any logistics related to buying from each company.

If your organization purchases a group vendor liability insurance policy for farmers, explain what you are paying, what the policy provides, and what they need to do to comply, including any out-of-pocket costs to the farmers.

Example: If your organization pays \$250 annually so that 5 farmers can participate in local farmers markets, then each farmer needs to know about this cost so that they understand why you ask each of them to pay \$50 for their share. Farmers can also consider whether or not they would be able to pay the full \$250 on their own someday when they perhaps have their own farm operation.