

EXAMINING INSURANCE NEEDS IS ESSENTIAL TO MARKETING

Farmers' markets, roadside stands, U-Pick vegetable and fruit operations, and Christmas tree farms are on the upswing. Consumers enjoy selecting from freshly picked produce, and many like picking it themselves.

For anyone to begin one of these operations or to continue an existing one, the usual business considerations must be made. One must determine the market and know how to serve it. You also need the manpower, facilities and finances to make your operation a success.

Insurance is also an important part of the financial picture. Although insurance may be expensive, you'll only be gambling everything you own if you try operating without it. Insurance is as necessary as quality products, good help and a good location in operating a direct marketing business.

While there are many optional insurance coverages available (and needed by some operators), there are some basics which every operator should have. They are: (1) **Product liability insurance** for injuries which may arise out of products that are raised and/or sold by you. (2) **Premises liability insurance** to protect you if you should cause injuries to the public or damage property belonging to the public. (3) **Employer's liability insurance** (either legal or statutory) to protect you in event of injuries to your employees. (4) **Physical damage in-**

surance to protect against loss to the property owned by the operator, such as buildings, equipment and merchandise.

Although more options may be available, these items are certainly the basics on which to build a solid insurance program. It is always wise to consult your attorney and your insurance representative to help determine your particular insurance needs. So, let's take a look at the basic hazards and the coverages related to them.

Product Liability

Chemical use: Are the chemicals safe for application to products destined for consumption or contact by humans? And,



Don Cook, manager of the Indiana Farm Bureau Insurance's underwriting department in Indianapolis, recommends that direct marketers regularly review their insurance program, especially liability coverage, with an insurance agent or attorney to make sure it is up-to-date and complete.

have you followed the manufacturer's application instructions carefully? Selecting an inappropriate chemical or the misapplication of that chemical may place the entire burden of liability on you.

Shelf life: All operators are aware of the need to keep bad produce off the shelf. Yet, while this seems obvious, sometimes they forget to keep an eye on the products they have purchased from outside sources for resale. Often, these are prepackaged items, such as honey, salad dressings, jellies, jams and other similar items. Check all products regularly to be sure they are not outdated.

Food preparation: It is extremely important that employees handling food do it properly and that your operation conforms to the health standards of your local municipality and/or state. Monitor the ingredients and the quality of the products carefully. Do not create situations where an ingredient can accidentally be put into the food product that would contaminate it. Clearly label all stored ingredients. Again, doing things the right way and being able to prove it will certainly help if a problem occurs.

Premises Liability

Condition of parking area: It is advisable to have a paved parking area, preferably concrete or asphalt. If you use gravel or stone for your parking facility, be sure that you use very small stone or gravel. The larger rocks increase the chance of someone twisting an ankle, falling and being injured. In addition, having parking along a highway or road certainly can create safety problems. Traffic congestion with inappropriate parking facilities could put you in a contributory liability situation. Another area of concern is utilizing an open field or lot. Often these areas have holes, ruts or mounds of dirt which can cause a fall. All unpaved areas should be maintained regularly to keep them as smooth as possible.

Steps, ramps and handrails: Steps always present problems, whether located along sidewalks, at building entrances or inside a building. Ramps also present problems, but, if kept gently sloping, they generally are better. Whether you use steps or ramps, always make sure strong and solid handrails are in place. It is a good idea to follow a regular routine of checking the steps, ramps and handrails to be sure that they remain in good, safe condition.

Equipment and animals: Farm equipment and animals are often close to the market. Children tend to look at farm equipment as something to climb on and animals as something to pet. Consequently, it is advisable to take precautions to try to keep the public, especially children, away from both. Since children frequently do not recognize the dangers associated with farm machinery and animals, responsibility for injuries could be absolute.

Unusual hazards: Each operation may have a hazard which presents a unique exposure. You should look for ways people can be hurt and then look for sound methods of protecting against injuries from those potential problem areas. Some common hazards are:

- A wood stove that a person, especially children, could brush against or touch and be burned.
- Playground-type equipment which is provided for the customers' children. An insurance underwriter would certainly discourage the use of this equipment, even though customers seem to prefer it.
- Hayrides, pony rides or buggy rides. Again, these present the possibility of absolute liability. These operations are usually discouraged by underwriters. However, these may be the attractions you feel are needed for

your operation. In this case, it's important to understand the tremendous liability potential these present and the accompanying insurance expense for this exposure.

- U-Pick or U-Cut operations often provide rides to the field. The ride may be on wagons, trailers or special carts pulled by horses or tractors. These methods of transportation can present some serious liability exposures. Some suggested ways of controlling these are:

- Do not cross a public road with these types of vehicles. Do not use the vehicle if it is muddy enough to create ruts. (Remember, tomorrow that same ground may be dry, and ruts can make the ride very rough and hazardous.)

- Do not use the vehicle in areas where there could be a sharp drop-off. A drop-off of just a few inches could cause the vehicle to overturn if the wheel leaves the path.

- Do not operate the tractor at high speeds. Pulling wagons, trailers or carts at a slow speed is usually best. These units seldom have springs, and hitting a rut or hole can jostle the passengers severely or throw them off of the unit, which can cause injuries.

In addition, some wagon-type units do not trail well at the higher speeds and are subject to whipping.

- In U-Pick orchard operations, the public should be allowed to pick only from the ground. The use of

ladders, whether they belong to you or the customer, can cause some serious liability exposures.

- In a U-Cut Christmas tree operation, customers should not be allowed to use chain saws, whether they are yours or their own. In fact, you should do the cutting—not the customer.
- In U-Cut operations, the field should be checked daily and the remaining stumps cut off at the ground. Untrimmed stumps may cause trips and falls.

Liability to Employee

The employee situation is one to be extremely careful about. In some states, worker's compensation is mandatory. In others, the employees may not be covered by the worker's compensation act unless the farmer has opted to bring them under the act. This is an area of interpretation in some jurisdictions. It is always advisable in cases where statutory participation is not required that you discuss

this matter very carefully with an attorney well-versed in your state's law concerning employer responsibilities. Most hazards relating to employees can be minimized with a thorough training program and the use of proper safety equipment (shields on machinery, safety glasses, masks, etc.) True, the added training and use of safety equipment will take a little more time and money, but it can sure save a lot of grief (and money) in the long run.

Insurance is as important to direct marketing and farming as good equipment

Property Insurance

Theft and vandalism losses can usually be avoided or at least minimized by being able to secure the building or sales area. However, there is not a lot you can do

about produce that you leave out in the open.

From a fire standpoint, wiring should be checked to assure it is in good condition and that circuits are not overloaded. In addition, heating with portable heaters requires special caution. The area in which they are to be operated should be examined carefully to determine if combustible materials are nearby. If so, heaters should be moved or relocated to avoid combustibles.

As far as wind is concerned, you should attempt to try to make everything as secure as possible. Do not leave doors standing open. Either they should be closed and latched or, if left open, they should be secured in the open position. Anchoring outdoor signs and other items that might easily blow away is usually relatively easy. Properly securing such outdoor items also reduces potential liability claims.

These are the very basics. The items are simple and common, but it's surpris-

ing how often they are overlooked. But the most common question asked about liability insurance is, "What limit of liability should I buy?" This question is not easily answered because of the changes in awards made by juries in recent years.

In the past, net worth was considered a good limit of liability. However, courts now tend to ignore this and base the award on what they perceive the injury to be. This could be in excess of the limit you have purchased. Because of these uncertainties surrounding liability claims, it is best to buy all the liability insurance you can.

Cost of Insurance

The cost of this insurance is decided by several factors. These include the size and type of the operation, and unusual hazards which may exist (such as hayrides, playground equipment, pony rides, farm ponds, etc.).

Some farm-owners' policies include coverage for the operation of a small roadside stand, while others may not. Ask your insurance agent. When the coverage must be purchased separately, the cost can vary from a few dollars to thousands of dollars. It depends primarily on the size of the operation and the type of hazards involved.

Property insurance is easier for most people to establish. Here, you need to determine amounts of insurance, perils desired, and the deductible best suited to your financial position.

The amount of insurance is relatively easy to determine. You insure for what the property is worth. Remember that most policies provide coverage on an actual cash value basis and not on the replacement cost. Replacement cost coverage may be available only as an option and on certain types of property (usually only on your dwelling).



Shown above is a good example of how to reduce the risk of accidents in the parking area of a roadside market. This clean and smooth asphalt parking lot covers a large area near this winery shop and slopes gently up to the entrance, eliminating the need for steps. The entrance way is also well-maintained.

The operator should consider a policy which provides protection against loss caused by fire, wind, hail, explosion, smoke, vehicles, vandalism and theft. Broader package policies may be available. The larger the operation, the more important the broader perils may become.

You should also examine the cost of at least a couple of deductible options. These can help keep your premium more reasonable. The cost will vary by the type of policy and may run anywhere from as low as a few cents per \$100 of coverage to several dollars per \$100 of coverage. The amount of insurance, perils, and deductible selected will affect the cost. However, other factors which may be beyond your control can also influence the cost, such as fire protection and available water supply.

After reading this article, you may feel that roadside stands and similar operations may not be on the upswing. It really is not as bad as it may seem. Most of the insurance related items mentioned have common sense solutions. In fact, common sense is the best guide to controlling hazards associated with a farm market or, for that matter, with any farm operation.

The hazards and insurance needs are real. Don't be lulled into a false sense of security because you have a farm-owner's policy. Learn to read your policy and ask your insurance agent when you have questions. You could stand to lose everything if you take your insurance for granted.

Insurance is as important to direct marketing and farming as good equipment. In fact, insurance is the one piece of farm equipment that works for you 24-hours a day.

Before making a major change to your farming activities, it's important to visit with your insurance agent and your attorney. Both can offer good, sound advice that will pay big dividends. And that's what direct marketing is all about.

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