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Course description:

For some (if not most) to be a farmer or rancher, it's a lifestyle and not thought of as a traditional commercial business. Could this be why it's easier to sell Business Income coverage to your local restaurant owner?

Whether operating a farm/ranch or a restaurant, a loss could have the same result - loss of income. In this class we'll discuss:

- Reasons for farmers/ranchers not purchasing Business Income coverages,
- What coverage options they may have
- Is there a need to change the current insurance product.

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- **2 million** farms dot America's rural landscape, and 98% are operated by families – individuals, family partnerships or family corporations (America's Owns Family Farms, 2020 Edition)
- **86%** of U.S. agricultural products are produced on family farms or ranches
- **25%** of all farmers are beginning farmers (in business less than 10 years); their average age is 46.
- After accounting for input costs, farmers and ranchers receive only **8 cents out of every dollar** spent on food at home and away from home. The rest goes for costs beyond the farm gate: wages and materials for production, processing, marketing, transportation and distribution. (usda.gov)

Many small farms are not profitable even in the best farm income years.
Median off-farm income in 2021 was \$82,809, while the median total household income was \$92,239. (Erie, 1, 2022 - erie.gov)

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Is it Production Ag or Farming? Depends!

For this discussion, related to insurance, the answer is dependent on the carrier.

What is the operation(s)?

- Growing / Raising an Ag Commodity
- Harvesting / Processing Ag Commodity
- Manufacturing / Mixing
- Packing / Warehousing
- Shipping - within the US or Worldwide
- Direct to market sales
- Other products sold

Are they farming for themselves or for others (contract growers)?

All the above?

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Whether your insured is considered Production Ag or Traditional Farming –

Both are in the business to generate an income.

And.....

A loss to structures and/or equipment can jeopardize the generation of income.

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If farming is not profitable, then why do it?

In addition to protecting their –

- Property (Dwellings – Outbuildings
- Property (Machinery)
- Crops

They should also be protecting their income

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Local farmer suffers a fire to their packing shed overnight, during their peak harvest and packing time.

What do they do?

- Theft of their \$500,000 John Deere S770 Combine
- Wind damage to their \$1,000,000 Cold Storage facility
- Fire damage to their \$500,000 Milking Parlor
- Brushfire prevents the insured from access to their acreage to harvest on time

Would any of the above losses have an impact on the Income?
So, why aren't they buying insurance to protect that income?

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Business Income -

Business income coverage (BIC) is commercial property insurance covering loss of income suffered by a business when damage to its premises by a covered cause of loss causes a slowdown or suspension of its operations.

Within the ISO program there are two forms we can consider (if offered by the carrier) –

Disruption of Farming Operations (Income Loss and Expense Coverage)
Form: FP 15 01 04 16 (prior versions - 2003,1998)

Business Income and Extra Expense Coverage
Form: CF 00 30 10 12 (prior versions – 2007, 2002, 2000, 1995....)

Which form is best for your insured?

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Business Income – Additional Coverages

Extra Expenses:

- incurred to resume normal farming operations
- incurred to repair or replace damaged property, but only to the extent that such expenses reduce the amount of loss that otherwise would have been payable under this endorsement

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Example:

- During the night, the insured's \$1,000,000 grain facility suffered a fire loss and will not be in operation until it can be rebuilt. Insured has contracts with the local farmers to receive and store their product.

Will the insured suffer an income loss?

Can it be insured?

*For how much?

Extra expense?

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Example:

- During the night, the access point to your insured's \$1,000,000 grain facility is blocked by local authorities due to a large wildfire. No one will have access to the facility until the fire is out and clean up is complete; estimated at least a week.

Will the insured suffer an income loss?

Can it be insured?

*For how much?

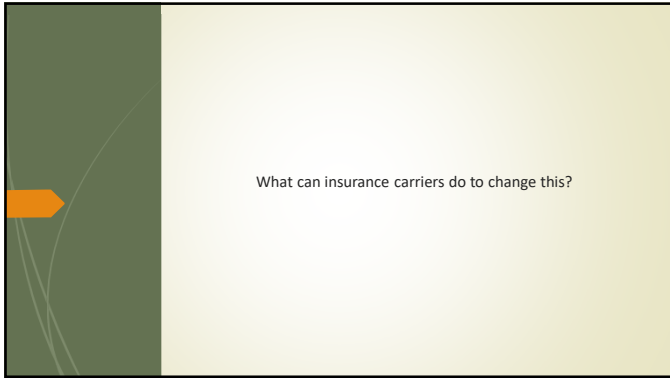
Extra expense?

What if access was blocked due to flooding in the area? Covered?

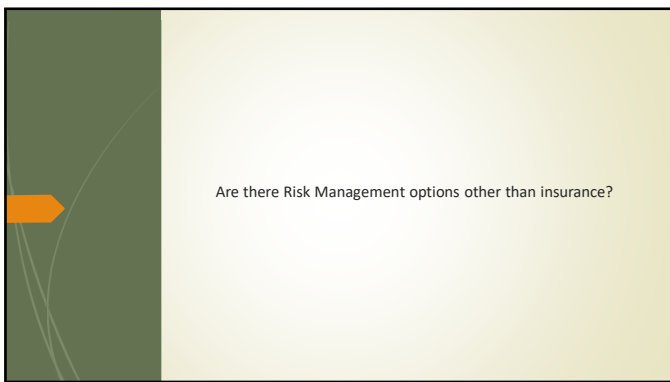
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So why aren't farmers buying this coverage?

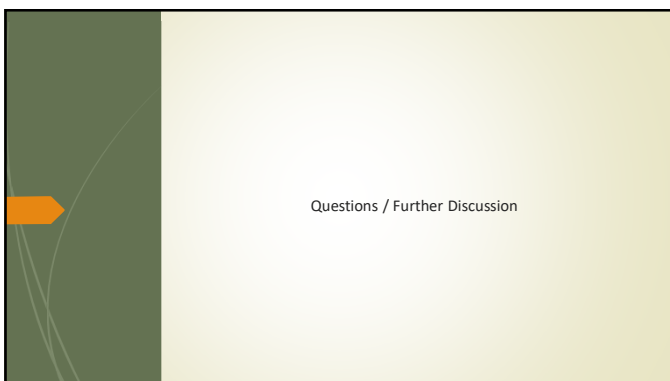
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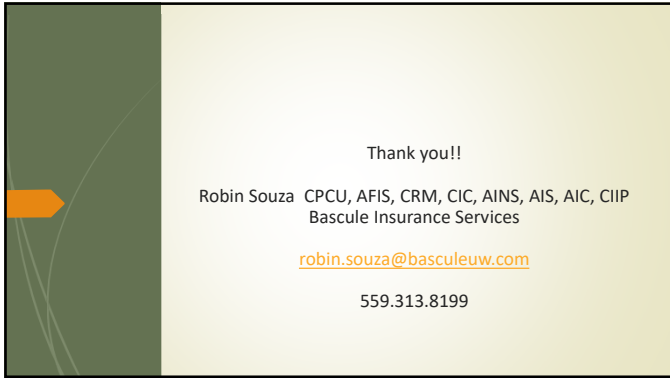
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Thank you!!

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