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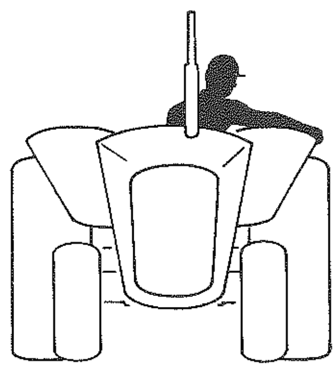
LIABILITY INSURANCE FOR THE FARM BUSINESS



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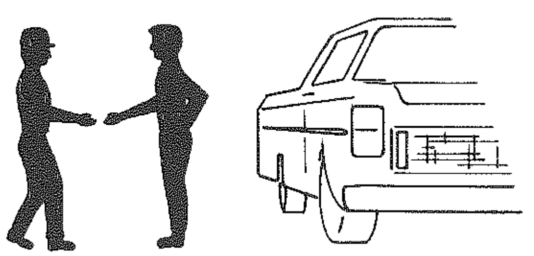

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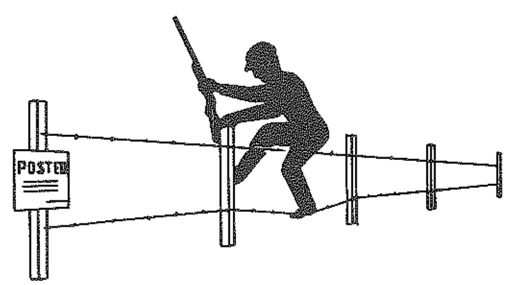

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The authors anticipate that women as well as men will read this publication. However, for the purpose of easier reading and continuity, "he", "his", or "him" is used rather than "he and she". Please note that they are being used in their grammatical sense and refer to women as well as men.

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ACKNOWLEDGEMENTS

The authors would like to thank the farmers who willingly gave their valuable time to participate in the survey interviews and provided the basic information for this study. They would also like to thank the representatives of several insurance companies and insurance agents who took time to explain the coverages available in the various insurance policies.

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LIABILITY INSURANCE FOR THE NEW YORK FARM BUSINESS

Introduction

As with any business, the farm business is subject to certain potential liability claims by other persons -- whether these persons are visitors, guests, trespassers or employees. It is inevitable that some form of liability insurance must be purchased to protect the farm business assets and earning capacity from these potential liability claims. This publication covers farm liability; the various types of policies, their characteristics and applications, the characteristics of employers' liability coverage, workmen's compensation, and the farm liability insurance programs on 113 New York Dairy farms.

These 113 farms are members of a select group of farms called the farm credit panel. The farm operators on this panel cooperate with the Department of Agricultural Economics at Cornell University on studies concerned with important topics in farm finance and farm management. The original farm credit panel included 128 dairy farms and were selected by means of a stratified random sampling technique, each strata being one of six herd size categories. Because of this selection process, these farms have an average herd size of 101 cows, compared to a statewide average of approximately 52 cows. The study, then, involves dairy farms that range in size from just over 25 cows to over 150 cows. The location of these farms is shown by region of the state in Figure 1. Insurance data for these farms were collected by personal interview. Financial and business data were accessed through confidential business summary records available only to specified department researchers.

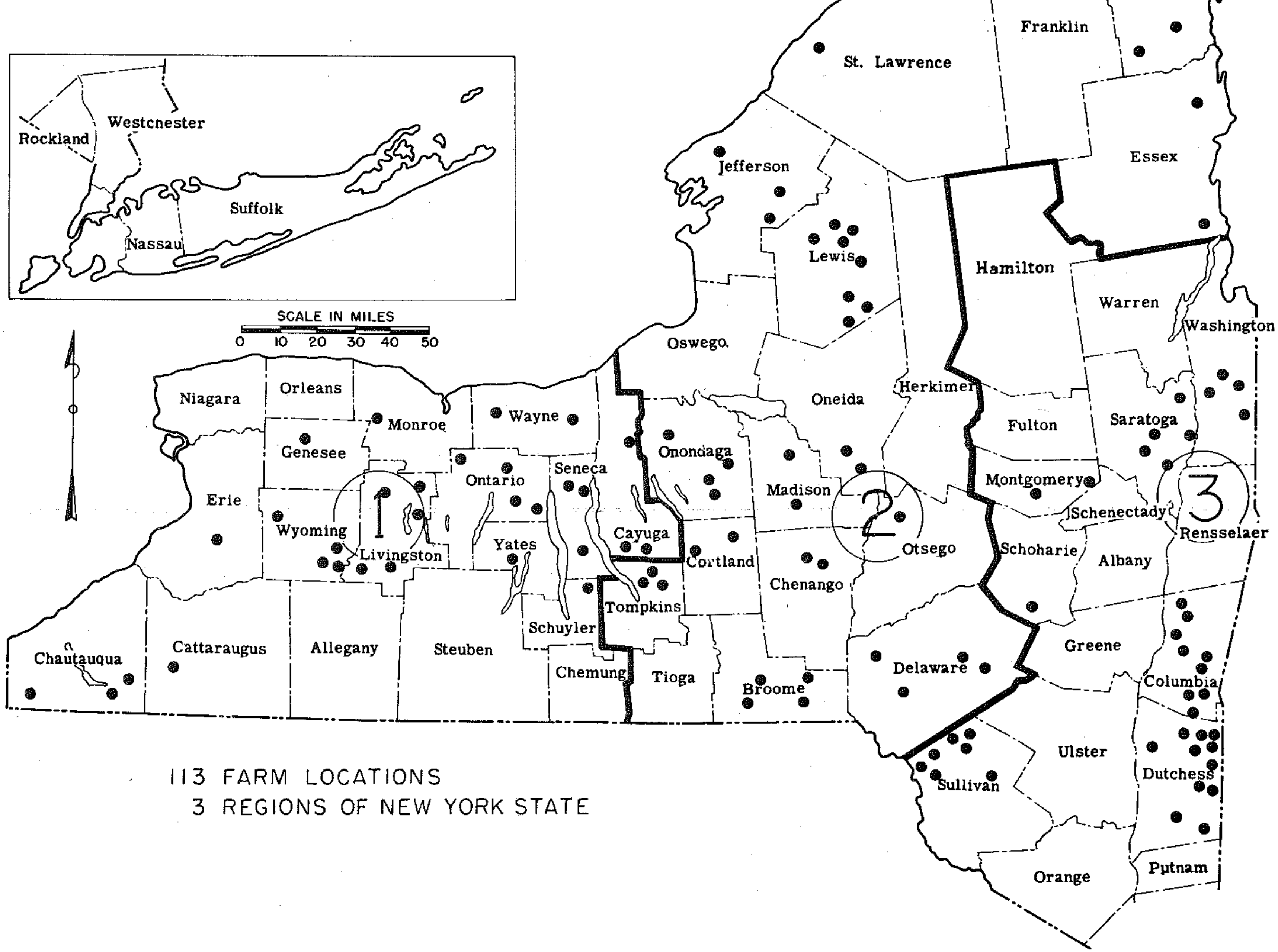
Considerations in Planning a Farm Liability Insurance Program

A farm operator may be held legally responsible for the safety of any person on his property, whether that person is there with or without consent. He is also liable for damage to the property of others. With liberalization of liability judgements in the courtroom and out of court settlements, liability coverage is gaining importance in the farm business insurance program.

Type of Policy

There are several types of liability policies. Some policies, like the Farmer's Comprehensive Personal Liability, Comprehensive Personal Liability, Comprehensive General Liability, and Employer's Liability, have always been important. Others such as Product Liability Insurance and Manufacturer's and Contractor's Liability Insurance are gaining importance in certain farm situations.

FIGURE I. BUSINESS INSURANCE SURVEY OF NEW YORK STATE DAIRY FARMS



Farmer's Comprehensive Personal Liability. The Farmer's Comprehensive Personal Liability (FCPL) policy is the cornerstone of most farm liability insurance programs. This policy provides adequate coverage for almost all farm businesses. Those farms which are ineligible for FCPL coverage are:1/

1. Farms whose principle purpose is to supply commodities for manufacturing or processing by the insured for sale to others (i.e., farms operated as creameries or dairies). However, dairy farmers who do not manufacture or process their own milk and beef and vegetable farmers who bunch and crate their own product are eligible for FCPL coverage;

2. Farms operating freezing or dehydrating plants, and poultry factories;

3. Farms whose principal business is the raising and using of horses for racing purposes;

4. Incorporated farms--except under additional interests rules regarding the control of a corporate farm by the Named Insured. The additional interest rules indicate that corporate farms which own or lease the premises to be insured are eligible for FCPL coverages, provided the corporation is financially controlled by the Named Insured or by the Named Insured together with other individuals included in the policy definition of "insured." The "insured" in this case may include any director, executive officer or stockholder, unless excluded by qualifications to the policy definition.

These criteria eliminate few dairy farms, although those few which are ineligible must seek one of the liability policies discussed later in this section. The FCPL provides liability coverage for the farm operations as well as personal activities. Thus, providing the necessary full range coverage required by the intertwined combination of farm business and personal liability needs.

The FCPL policy agrees to pay all sums which the insured becomes legally obligated to pay as damages because of bodily injury, sickness, or disease, including death, sustained by any person, and/or damages because of injury to, or destruction of, property including the loss of the use of that property--up to the limit of the policy.2/ This protection is provided in the three primary coverages of the FCPL; bodily injury coverage, property damage coverage (to property of others) and medical payment coverage. In addition, the FCPL offers a special optional coverage. The insured may cover the death of any animal (cattle,

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1/"Manuals of Liability Insurance," Insurance Services Office, New York, New York, 1976, p. 54; and Gordis, Philip, Property and Casualty Insurance, Rough Notes Company, Inc., Indianapolis, Indiana, 1975, p. 445.

2/Gordis, p. 436.

horse, or hybrid, hog, sheep or goat) owned by the insured caused by the collision of the animal with a motor vehicle, as long as the vehicle is not operated by the insured, family member, or employee. This coverage applies only when the animal is hit by the vehicle on a public highway and only if the animal is not being transported. This coverage has been important, especially where cattle were on pasture. An occasional animal met its fate on the road bordering the pasture. A loss of this type is less probable today with freestall and other types of confinement dairy operations. The amount of coverage per animal varies among policies. It is usually actual cash value of the animal up to \$250, \$300, \$350, or \$400 per animal. The basic FCPL policy also offers limited product liability and contractual liability coverage, as well as coverage for incidental farming operations. Large scale custom farming operations may be covered at an additional premium cost.

Persons covered by the FCPL, in addition to the Named Insured, are his spouse and relatives if a resident of the insured's household, any person under the age of 21 in the care of the insured, and also the insured's farm employees while performing work related activities. The basic FCPL policy includes a minimum limit of \$25,000 coverage for bodily injury and property damage liability.

The insurance company, under FCPL coverage, will pay the claimant only if the insured becomes legally obligated to pay because of his liability. In addition, an endorsement may be added to most policies which provides for medical payments to a member of the public who is injured by an accident on the insured's property. The injury must result from a hazard covered by the policy. Under this medical payments coverage, medical expenses are paid by the insurance company regardless of whether the insured is liable for the accident or not. Many policies include this coverage in the basic policy.

FCPL policies include a similar property damage coverage. It provides for payment to a person whose property is damaged, whether or not it is in the control of the insured, without proof of the insured's liability. The limit for this coverage is generally \$250. The medical payments coverage and property damage coverage provide a convenient way to avoid court proceedings. The insured can make these payments and submit the amounts to the insurance company for indemnity.

The FCPL policy provides great flexibility. Besides protecting a single farm operator and his business activities, it also may be amended to cover additional co-owners of the farm business, such as a partnership situation. A tenant can also purchase liability coverage with a FCPL, since he cannot be insured under the owner's policy. Where a large farm operation includes owned and rented farm property, both the owned and rented property may be insured by the same policy.

The FCPL is available as a separate policy, or it may be purchases as Section II (Liability Coverage) of the Farmowners or Farmowners-Ranchowners Policies.

<u>Comprehensive Personal Liability</u>. The Comprehensive Personal Liability Policy (CPL) is the base used for developing the FCPL. The CPL,

however, is limited to the non-farm related coverages. The special animal collision coverage, the limited products liability and contractual coverages on farm products, and the incidental custom farming coverages are excluded in the CPL.

The CPL is useful in providing personal liability coverage where family partnership or corporate farm relationships exist and at least one party wishes to protect his personal interests that are separate from the farm business. CPL coverage may be obtained as a separate policy or as part of a packaged Homeowners Policy.

Owners', Landlords' and Tenants'. The Owners', Landlords' and Tenants' form (OL&T) covers the liability exposure arising from ownership, maintenance or use of premises occupied by the insured.3/ Although the OL&T covers merchantile premises, banks, service firms, entertainment houses, hotels, office buildings, apartment owners and other non-manufacturing properties, it is also occasionally applicable to some farm business operations. The OL&T provides the similar bodily injury and property damage liability coverages as listed under the FCPL, but it is not specially designed for the farm business. The OL&T is useful in those farm businesses which rent dwellings to others or lease a significant amount of property from a landowner. Since the FCPL can often provide comparable coverages and additional coverages which pertain particularly to farm business, the OL&T is only occasionally purchased by farm operators.

Manufacturers' and Contractors' Liability Insurance. Manufacturers' and Contractors' insurance is designed to cover all forms of manufacturing operations and various kinds of service operations or contracting where construction, installation, repair or maintenance work is done. The M&C policy is almost identical to the OL&T form discussed previously except for the need for a few different coverages arising out of the manufacturing and processing distinction. This policy is appliable to those few farm businesses with manufacturing and processing capabilities.

Comprehensive General Liability. The Comprehensive General Liability (CGL) form provides a broad automatic coverage for all general liability exposures. It includes the coverages of the OL&T and the M&C liability forms and more.4/

Bodily injury liability and property damage liability coverages are provided separately in this policy, and property damage liability coverage may be omitted entirely. The CGL is applicable to those farm businesses which are partnerships, are incorporated, or carry on manufacturing or processing activities as well as farming. Therefore, most farms which are ineligible for the FCPL policy may purchase the needed business liability coverage in the CGL policy.5/

3/Mehr, Robert I., and Cammack, Emmerson, Principles of Insurance, Richard D. Irwin, Inc., Homewood, Illinois, 1976, pp. 321-322.

4/Mehr and Cammack, p. 324.

5/Gordis, pp. 428-429.

Products Liability. Many manufacturing and processing businesses have long recognized the need to protect themselves against liability claims concerning the safety and quality of their products. Recently, more emphasis has been placed on the need for products liability coverage for the farm business. Although products liability insurance has not yet received substantial recognition at the farm level, concern has been expressed about liability claims involving the quality of farm products that are traced back to the farm from which the products were produced.

The FCPL policy includes limited products liability coverage and the CGL includes broad products liability coverage. However, the other public liability policies previously discussed did not have this coverage, in which case, Products Liability insurance might be needed to complete the liability insurance program of farm businesses choosing these particular policies.

Umbrella Liability Insurance. The Umbrella Policy is also known as a Blanket Catastrophe Excess Liability Policy. The purpose of this policy is to extend business or personal liability coverages above the limits of primary policies. Thus, protecting the insured against catastrophic liability losses. In order to preserve this catastrophic relationship, the umbrella policy requires that the primary policy meet a certain limit. Typically, this policy is written for comprehensive general liability policies with automobile coverage, bailee liability insurance policies and employers' liability insurance policies. However, it has recently been adopted for use with FCPL policies to provide excess liability coverage for farm businesses.

The farm operator must first buy a primary policy with a minimum coverage, such as a $50,000 or $100,000 FCPL. In some instances, FCPL and automobile coverage must be purchased. The umbrella policy will then provide coverage above the limit on the primary policy and up to the limit of the umbrella policy. When the umbrella policy is used in concert with a FCPL, it provides coverage against the same personal and farm business perils as the FCPL and oftentimes, it provides protection against additional perils. There are few absolute exclusions. Additional perils insured by the umbrella policy may include automobile bodily injury and property damage liability, bailee liability, additional coverages like those of the comprehensive general liability policy; and if properly endorsed, the Umbrella Policy will provide excess workmen's compensation above compulsory compensation levels, and it will provide snowmobile and watercraft liability coverage and coverage for other recreational properties. For personal needs only, the umbrella policy may be purchased to provide excess coverage over a primary CPL policy.

In summary, the umbrella policy provides additional liability insurance coverage in three respects: (1) it provides higher limits than the other coverages owned, (2) it covers exposures not otherwise covered, and (3) it provides automatic replacement for existing coverages exhausted or reduced by loss.6/ Since it covers catastrophic losses which are

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6/Mehr and Cammack, p. 331.

less prevalent than losses covered by the primary policy, the additional amount of coverage of the umbrella policy is relatively inexpensive.

Workmen's Compensation and Farm Employers' Liability

Workmen's compensation and farm employers' liability insurance are similar in that they provide compensation to the farm employee in event of an accident. However, the circumstances through which each may be effective are different.

Farm Employers' Liability. Farm Employers' Liability is always written as an endorsement to a Farmer's Comprehensive Personal Liability policy. It protects the farm employer if suit is brought against him by a farm employee who is injured while at work. The farm employee must prove negligence on the part of the farm employer before the insurance company must make payment on the claim. The burden of proof is on the employee. With employers' liability coverage, the farmer does not hire a lawyer. The insurance company's lawyers handle the case in court. In most instances, reasonable settlement is made out of court without proof of negligence to avoid court proceedings and costs. Currently, the New York Workmen's Compensation Law effectively limits the role of farm employers' liability coverage to those farms that do not meet the minimum payroll test as stipulated in the Law. If the total cash wage payments to farm employees during the previous year was less then $1,200, the farm operator may elect to choose one of three alternatives: (1) purchase workmen's compensation, (2) purchase farm employers' liability, or (3) self-insure. If he chooses to self-insure, he may be held liable in common law proceedings if the injured employee can prove negligence on the part of his employer. The self-insurer has opted not to seek the protection offered by farm employers' liability or workmen's compensation in event of injury to an employee.

From the viewpoint of the farmer, employers' liability insurance provides protection nearly equivalent to that provided by workmens' compensation. Workmen's compensation gives the farmer complete and absolute protection. Employer's liability insures the farmer only to the limit of the policy. The cost, however, is much lower. The protection offered to the employee is considerably less. Because of this latter fact, the New York Workmen's Compensation Law was passed.

Workmen's Compensation. Workmen's compensation laws are in force in all fifty states, Guam, Puerto Rico, and the District of Columbia. The law in each state may differ significantly from the law in another state. The initial New York State Workmen's Compensation Law covering farms was passed in 1967. Subsequent changes in benefits, occupations covered, and premium rates have occurred since the Workmen's Compensation Law was first extended to include farms. The insurance is now compulsory for most forms of employment, including those that are agriculturally oriented. There are some forms of employment which, because of their nature, benefit from special coverage provisions and exemptions. These special provisions and exemptions apply to farm labor, volunteer workers, chauffeurs, and youth.

If total cash wage payments to farm employees exceed $1,200, the farm operator must purchase workmen's compensation from a private insurance carrier, the State Insurance Fund or self-insure for the twelve months beginning April 1. Since the law is compulsory, the farm operator who chooses to self-insure must accept the provisions, and provide the benefits specified by the law. Generally, only extremely large businesses find it possible to avoid the administrative costs associated with insurance policies and take advantage of the law of large numbers by self-insuring. The farm business is not likely to be large enough to be able to self-insure.

The basic principle of the workmen's compensation statute is to charge part of the economic burden of occupational injuries to the cost of production instead of forcing the employee to bear the entire burden. Previously, a worker who was injured on the job could collect for his injuries only if he could prove that they resulted from the negligence of his employer and not from his own contributory negligence. The worker was often in a worse position than a member of the general public who wished to bring suit for an injury. Several reasons create this situation: (1) the employee is often reluctant to bring suit against his employer, especially if he wished to remain in his employ, (2) the cost of retaining counsel and procuring witnesses and evidence to sustain his case often prove limiting, and (3) it was often difficult to battle the three common law defenses of the employer; the doctrine of contributory negligence (negligence on the part of the employee which contributed to the accident), the fellow-servant or fellow-worker rule (active negligence on the part of a fellow employee), and the doctrine of assumption of risk (by accepting employment, the employee accepted the risks associated with the job). Under any one or all of these defenses, the employer could contend that he could not be held liable for any damages to the injured employee. Workmen's compensation removes indemnity for occupational injuries and deaths from the area of negligence and fault and replaces it with automatic compensation without need for court action.7/ This post-accident social change is supplemented by regulations devised by the Occupational Safety and Health Administration (O.S.H.A.) to attempt to prevent accidents before they occur. Procedures such as "experience rating" and "retrospective rating" in workmen's compensation insurance also encourage employers to take measures which will prevent or lighten the severity of accidents.

Workmen's compensation gives broader protection to both the employee and the employer than does employers' liability. Workmen's compensation coverage provides for payment of hospital bills, benefits in case of death, payments for loss of limbs or other parts of the body, and compensation at two-thirds of the injured employee's wages up to a specified amount. Workmen's compensation also includes coverage for occupational and radiation diseases arising out of employment.

In New York, there are five situations in which a worker's injuries are not compensable:8/

7/Gordis, pp. 565-576.

8/Gordis, p. 576.

1. If the injury was caused solely by reason of the employee's intoxication.

2. If the injury arose in the course of work absolutely forbidden by the employer.

3. If the worker willfully injured himself.

4. If the worker engaged in illegal employment.

5. If the worker was injured while trying to injure a fellow worker or person.

In these cases, the burden of proof is on the employer to prove the accident was the result of one of these causes. Doubts are generally resolved in favor of the employee as the claimant.

Rates for workmen's compensation insurance are set by the New York State Insurance Compensation Rating Board. These rates reflect actual accident experience and overhead costs. There have been recent modifications in these rates.

For rating purposes, New York farms are divided into four classes or types, which presumably represent different degrees of risk to employees and their different insurance costs. The rate for each class is determined by long term loss experience. Table 1 shows these four categories of farms and the current rates. Dairy farms fall in the "general" category. The type of farm is determined by the percent contribution of the farm's major enterprise to the farm's total gross receipts.

From the rates listed in Table 1, some farms may receive premium discounts and experience rating credits which effectively reduce the rate for a particular farm. These rate reductions may approach 30 to 50 percent of the manual rate. The experience rating varies in relation to the actual accident experience on the farm and safety precautions taken by the farm operator to prevent farm accidents.

Membership in a safety group may also reduce the premium rate for workmen's compensation insurance. Only farm operations which are good risks and act to prevent farm injuries can become members of these groups.

Farm businesses with little hired labor may be disadvantaged by the minimum premium requirement which requires a premium payment of at least a certain amount for each type of farm business (Table 1). These businesses may also be disadvantaged by loss and expense constants. These constants may actually increase the premium rate for those businesses with little hired labor. The loss and expense constants are used to adjust for the likelihood of losses on small farms and the proportionately higher per $100 costs of insuring these businesses.

In some cases, the farm spouse and children under 18 may be covered by workmen's compensation but this requires they be employed under an express contract to hire.

TABLE 1 ANNUAL PREMIUM RATES FOR WORKMEN'S COMPENSATION INSURANCE AS OF JANUARY 1, 1978*9/

Agricultural Classification	Code No.	Definition	Rate Per $100 of Payroll	Minimum Premium
Poultry Farms	0034	At least 80% of gross receipts from poultry and eggs	$5.06	$ 92
Vegetable or Berry Farms	0031	At least 50% of gross receipts from vegetables and/or berries	$4.15	$ 83
Fruit Farms	0007	At least 50% of gross receipts from fruit	$5.73	$ 98
General Farms	0006	All other farms including dairy	$9.00	$100

*Workmen's Compensation rate may change frequently. Current rates may be obtained from insurance companies or the New York Compensation Insurance Rating Board. Rates may change July 1, 1978.

The following are a few factors many private insurers look for when determining whether to insure a particular farm operation. These factors infer a chance of injury to employees of the farm business.

1. Are machines properly used on the farm?

2. Is work accomplished safely or recklessly?

3. Are there many very young, very old, or disabled employees on the farm?

4. Is machinery and equipment in good or poor mechanical condition--are guards properly in place?

5. Do logging or lumbering operations take place, even for personal use?

6. Are there business activities other than farming--on or off the premises?

7. Is there an exchange of labor with neighboring farmers?

9/New York Compensation Insurance Rating Board, "New York Manual of Rules, Classifications and Rates for Workmen's Compensation and Employer's Liability," New York, New York, 1978, p. 1.

8. What is the employee's farm experience?

9. Is propane gas used on the farm?

10. How many and what ages are sons and daughters who help on the farm?

Other Considerations

Occasionally, a farm business may need public liability coverages for certain perils not normally covered by the liability policies just discussed. Special policies or, in some cases, special endorsements must be acquired to insure against these specific perils. For instance, a recent concern of many farmers raising crops is liability for chemical drift to a neighboring property when applying pesticides, herbicides, or other potentially destructive chemicals, either by aerial or ground application methods. Most companies exclude aerial dusting and spraying from their policies. But policy guidelines vary and, although one policy does not cover this risk, other policies might provide such coverage.

Special liability coverage or workmen's compensation may be needed if construction or repair work takes place on the farm or if a neighborly exchange of labor occurs. This coverage is provided in some liability policies. A joint suit can be brought against a farm operator and the trucker he hires to transport livestock, machinery, produce, or other goods. Hired car coverage is available to protect against this peril. A certificate of insurance from the trucker can reduce the premium for hired car coverage. Occasionally, other circumstances, such as recreation events on the farm (fairs, tractor pulls, etc.), require special liability coverage for short time periods. Under these special circumstances, liability coverage should be considered, if not obtained, to provide liability protection.

Liability Insurance on 113 New York Dairy Farms

Data from a study conducted in 1952 show that 44 percent of the farms studied did not carry public liability coverage. Farm employer's liability and workmen's compensation were purchased by 15 and 8 percent, respectively, of the farms in that study.10/ The study seems to show that farmers in the early 1950's (1) were not fully aware of their liability exposure, (2) felt there was very little liability exposure, (3) could not afford liability coverage, or (4) a combination of the above. However, since 1952 many changes have occurred in farm liability needs and insuring practices.

10/Tabb, John Robert, "Insurance Programs on New York Farms", Ph.D. Thesis, Cornell University, Ithaca, New York, 1955, pp. 155-156.

Census of Practices

Number of Farms with Different Kinds of Liability Insurance. All of the 113 farms in the 1975 study carried some form of public liability coverage (Table 2). This shows the increase in farmer concern over farm liability exposure in comparison with those farms studied in 1952. Only four farms had farm employers' liability insurance while 83 farms purchased workmen's compensation. A total of 87 farms or 77 percent carried either farm employers' liability or workmen's compensation. This seems to be a high rate since not all farms studied need employer type insurance. The high number of farms with workmen's compensation may result from the fact that many of the farms studied were two or more man equivalent operations (partly a result of the selection technique) or had at least a substantial part-time labor force. The annual wages for part-time or full-time labor on these farms is likely to exceed the $1,200 cash payroll test, requiring the farmer to purchase workmen's compensation.

TABLE 2 NUMBER OF FARMS WITH DIFFERENT KINDS OF LIABILITY COVERAGE
113 New York Dairy Farms, 1975

Kind of Insurance	Number of Farms With Coverage	Percent of Farms
Public Liability	113	100
Farm Employers' Liability	4	4
Workmen's Compensation	83	73

Different Types of Liability Policies and Coverages Purchased. The first section of this publication discussed several policy types and their major coverages. Not all of these types of policies were purchased by the 113 farms studied. Table 3 shows the number of policies and major related coverages carried to insure these farms against various perils.

The table shows that 115 FCPL policies, 7 CPL policies, 4 OL&T policies, and 4 umbrella policies were purchased. In addition to the farms which purchased farm employers' liability (4) and workmen's compensation (83), five farms purchased personal medical payments coverage which provides medical payments for the insured and his family as well as others injured on the farm premises.

Some farm business required two policies to provide this public liability coverage. The following are examples of the various combinations of policies and reasons for requiring such a combination.

1. Ninety-five farms carried FCPL policies which provided the desired coverage.

2. Three farms carried a second FCPL policy. This resulted from a partnership situation where each partner owned his own share of the property used by the partnership.

3. Three farms were insured by an OL&T in addition to an FCPL policy. The need for an OL&T policy resulted from additional perils which could not be insured by the FCPL (e.g., recreational facilities, rented property to others, etc.).

4. One farm was insured by a single OL&T policy.

5. Four farms were insured by a primary FCPL policy with excess coverage provided by an umbrella liability policy. One umbrella policy was written for $100,000 over a $300,000 primary FCPL at a cost of $5. Two other umbrella policies were written for a $1 million total limit with $100,000 primary FCPL policies. The cost for these two umbrella policies were $72 and $60, respectively. The fourth umbrella policy was written for a $1 million total limit with a $500,000 primary FCPL policy. The cost of this umbrella liability policy was $39. The premium on this last policy is, evidently, lower than the other two $1 million policies because of the higher limit on the primary FCPL policy.

6. Seven farms were insured with an FCPL policy for the farm property and a Homeowners' CPL insured secondary premises which were occupied by a family member, hird labor, partner, or rented to others.

TABLE 3 DIFFERENT TYPES OF LIABILITY POLICIES AND COVERAGES
113 New York Dairy Farms, 1975

Type of Policy or Coverage	Number of Policies*
FCPL	115
CPL	7
OL&T	4
Umbrella Liability	4
Farm Employers' Liability	4
Workmen's Compensation	83
Personal Medical Payments	5

*Some farms carry more than one policy.

As seen by these combinations of policies, there are numerous ways to achieve similar coverages. Although a FCPL could be endorsed to provide coverage for additional premises, some farm operators chose instead to purchase an additional CPL policy. As with the two farm businesses with each partner purchasing a separate FCPL, the additional CPL was usually purchased to assure a separation of interests between the farm business and personal properties.

Companies Issuing Policies. Many of the companies issuing property insurance protection to the farm operators studied also issued a public liability policy to that farm operator. These were generally the larger mutuals and the stock companies. More combining of policies of different companies appeared when property insurance coverage was issued by local mutual fire insurance companies and public liability coverage was issued by a larger insurance company. Farm Family Mutual, National Grange Mutual, Agway General, and Utica Mutual insurance companies were the leading companies issuing FCPL policies to the farms studied (Table 4). Farm Family also being the leader in issuing CPL, OL&T and Umbrella policies. Other than these four companies, the remainder of the policies issued were spread between a large number of companies.

TABLE 4 NUMBER OF PUBLIC LIABILITY POLICIES ISSUED BY INSURANCE COMPANIES 113 New York Dairy Farm, 1975

Insurance Company	Number of Policies			
	FCPL	CPL	OL&T	Umbrella
Farm Family Mutual	31	1	2	3
National Grange Mutual	14			
Agway General	8			1
Utica Mutual	7		1	
Chenango Cooperative Insurance Company	4			
Mid-Hudson Cooperative Insurance Company	4			
Capital-District Mutual	3			
Dryden-Groton Mutual	3			
Dutchess and Columbia	3			
Kemper	3			
Merchants Mutual	3			
Travellers	3		1	
Other*	30	6		
Total	115	7	4	4

*Includes 20 companies with one or two policies each and five policies unidentified as to company.

Workmen's compensation is issued directly through the State Insurance Fund, placed with the State Insurance Fund by private organizations or written directly by private insurance companies. Most of the policies written in New York State are placed with the State Insurance Fund.

The State Insurance Fund and the New York Farm Bureau Safety Group were the predominent writers of workmen's compensation (Table 5). The New York Farm Bureau Safety Group places the insurance with the State Fund, but its members obtain significant discounts or good "experience ratings" as good risks.

TABLE 5 NUMBER OF WORKMEN'S COMPENSATION POLICIES ISSUED BY COMPANIES OR STATE INSURANCE FUND 113 New York Dairy Farms, 1975

Insurance Company	Number of Policies
State .Insurance Fund	37
New York Farm Bureau Safety Group	16
National Grange Mutual	9
Utica Mutal	6
Dairy Lea	4
Other	11
Total	83

Personal Liability Coverage on 113 New York Dairy Farms

The type and amount of liability insurance to be carried is determined on the basis of judgement on the part of the farm operator. His determination of his insurance needs usually is not based solely on any one personal or business related factor. Numerous factors are combined in the decision-making process to achieve a preferred level of liability coverage. Several important factors include location, operator's age, financial resources, size of farm operation, exposure to the public and exposure of employees to farm accidents. These and other factors unique to each farm operation are considered when determining the type of liability policy (FCPL, CGL, CPL, OL&T, etc.), the limits on the primary coverages (Bodily injury liability and/or property damage liability and medical payments coverage), and the kinds of secondary coverages (custom farming coverage, animal collision coverage, etc.).

Liability Coverages. The various liability policies purchased by the farm operators interviewed included CPL's, FCPL's with animal collision coverage and employers' liability endorsements attached, OL&T's, umbrella policies and workmen's compensation. Table 6 lists the amount of personal liability coverage by type of policy. The majority of the policies carried by the farm operators were of \$25,000, \$50,000, \$100,000, and \$300,000 limits. The basic limit for public liability coverage is \$25,000.

Therefore, 27 policies, 21 of which were FCPL's were issued at the minimum limit of coverage available.

The most prominant amount of coverage was $100,000, with 48 percent of the FCPL's and 44 percent of all policies written in this amount.

The information on CPL's may be limiting because farms with a corporate structure did not relate personal liability insurance in any way to their business insurance program. Therefore, the personal liability coverages of the 12 corporate co-owners (four corporations) are not included in the list. This is also true to some degree with some of the 24 partnerships included in the study. Of these partnerships, only three CPL policies were recorded. Two partnerships were insured via two separate FCPL's, with each partner obtaining liability insurance for his own personal liability. Personal liability coverage for other partnerships may have been extended by a single FCPL policy by naming the second or third partner as "Additional Insureds."11/

TABLE 6 RELATIONS BETWEEN AMOUNT OF PERSONAL LIABILITY COVERAGE AND TYPE OF POLICY 113 New York Dairy Farms, 1975

Amount of Coverage	FCPL	OL&T	Umbrella	CPL	Total
	-Number of Policies-				
$ 25,000	21	1		5	27
50,000	14			1	15
100,000	55	2			57
200,000	5				5
250,000	1				1
300,000	17	1		1	19
400,000			1		1
500,000	2				2
1,000,000			3		3
	115	4	4	7	130

11/Of the 24 partnerships, only one was composed of three partners, the remaining 23 partnerships were two-partner operations.

Owners', Landlords' and Tenants' Policies (OL&T) list property damage liability coverage separate from bodily injury liability coverage. The limit of these coverages may be different on the OL&T. The limits of property damage liability coverage in four OL&T policies held by farms in this study were $5,000, $10,000, $10,000 and $25,000.

FCPL's and CPL's include a physical property damage coverage of $250 as a basic coverage in the policy. This coverage pays up to this limit without proof of liability. One hundred thirteen of the FCPL's and six of the CPL's carried the basic $250 coverages. The two other FCPL's and one CPL carried a $500 limit on this coverage.

FCPL and CPL policies also include a personal medical payments coverage which is similar to the physical property damage coverage in that it provides for payment for medical expenses to a member of the public injured in an accident without proof the insured was liable for the accident. A limit of $500 per person and $25,000 per accident (for all injured persons) applies in the basic FCPL or CPL. The per person limit may be increased with an extended endorsement.

Sixty-seven or 58 percent of the FCPL's were written with the basic $500 personal medical payments limit per person (Table 7). The prominent alternative limit per person was $1,000 with 38 percent of the FCPL's being written with this coverage. The highest personal medical payments coverage was $5,000.

Personal medical payments is not included in the basic OL&T policy. This coverage must be extended by attaching a Personal Medical Payment Endorsement to the Policy. Of the four OL&T policies listed, only two included this coverage -- with $250 and $500 limits.

TABLE 7 NUMBER OF POLICIES AND PERSONAL MEDICAL PAYMENTS COVERAGES
113 New York Dairy Farms, 1975

Amount of Coverage	FCPL	Type of Policy CPL	OL&T
	-------- -Number of Policies- --------		
None			2
$ 250			1
$ 500	67	7	1
$1,000	44		
$5,000	4	—	—
Total	115	7	4

Five farms carried personal medical expense coverage for injury of designated insureds or for injury arising out of an accident occurring on the farm property. Four of these farms maintained this coverage at $1,000. The fifth farm carried $10,000 of coverage.

Twenty-one farms purchased animal collision coverage (Table 8). This coverage was issued in $250, $300, $350 and $400 limits per animal. At the time of this study, most farms (13) with animal collision coverage were insured a $300 per animal. Recently, this limit has been raised to $400 per animal in many insurance policies. Five farms carried the $400 coverage. This limit is determined by current underwriting standards of the insurance company rather than by a selection process by the farm operator.

TABLE 8 NUMBER OF FARMS WITH ANIMAL COLLISION COVERAGE
113 New York Dairy Farms, 1975

Amount of Coverage (per animal)	Number of Farms	Percent of Farms
None	92	81
250	2	2
300	13	12
350	1	1
400	5	4
TOTAL	113	100

Farm employers' liability insurance was purchased on four farms. The basic policy limit for employers' liability coverage is $25,000. One farm carried the basic limit. The other three farms carried $100,000 employee liability coverages. All four farms carried $1,000 employee medical payments coverage. The basic policy limit for this coverage is generally $250 in most policies. This coverage makes payment irrespective of whether the employee can prove the farm employer's negligence contributed to the employee's injury or disability.

One FCPL policy was extended to provide liability insurance for the operation of a snowmobile. Another FCPL policy was extended to include the operation of a "water craft." Both policies include $100,000 personal injury liability, $250 physical property damage, and $500 personal medical payments coverages.

Relation Between Personal Liability Coverage and Selected Farm Business Factors

The ensuing section explores the relation between various farm business factors and the frequency of policies purchased for personal liability protection of the farm business. Comprehensive personal liability policies will not be discussed since these policies provide protection for the insured's personal interests and not his business interests in the farm.

Farm Assets

The desire to protect the assets of the farm business leads to the expectation that, as farm assets increase, liability coverage would also increase. Insofar as farm assets reflect the size of the business, then the larger size of business presents a more frequent contact with the public. The likelihood of lawsuits is increased. Human nature also lends itself to what appears to its senses, and larger visable assets often lead to larger liability claims in event of injury.

Table 10 shows several categories of farm assets correlated with average liability coverage and percent of farms with limits of liability coverage under $100,000 at $100,000, and above $100,000. This table includes all liability policies which cover the farm business, including the second FCPL, OL&T or Umbrella policy which was carried by some farms. Table 10 includes all policies in order to show the total efforts of the operators and co-operators in protecting their farm property against possible liability claims. Where more than one policy was purchased for the farm business, the limits of both policies were averaged to show a relative attitude of the operator(s) in insuring the business.

TABLE 10 RELATION BETWEEN ASSET POSITION AND PERSONAL LIABILITY COVERAGE
113 New York Dairy Farms, 1975

Farm Assets	Number of Farms	Average Liability Coverage	Percent of Farms with Coverage: Under $100,000	$100,000	Over $100,000
$0 - 99,999	4	32,250	100.0	0.0	0.0
100,000 - 199,999	27	84,259	40.7	51.9	7.4
200,000 - 299,999	27	168,518	29.6	51.9	18.5
300,000 - 399,999	25	175,962	29.6	34.6	38.5
400,000 - 499,999	15	139,285	21.4	57.2	21.4
500,000 or more	15	181,667	6.7	40.0	53.3
Total or average	113	143,363	30.1	45.1	24.8

The average liability insurance coverage generally increases as farm assets increase. Only the $400,000 - $499,999 category of assets fails to meet this relationship. It also appears that the percent of farms with liability coverage under $100,000 decrease as asset values increase while the percent of farms with $100,000 coverage remain fairly constant over the range of asset categories and the percent of farms with coverage above $100,000 appear to increase as farm assets increase.

The data in this table appear to indicate that the $100,000 amount of coverage was the current status quo for all asset levels a the time of this study and that there may be movement on the part of farm operators from owning the $25,000 and $50,000 limits of liability coverage to owning the $100,000 or higher limits of coverage.

Farm Liabilities

Frequently, agricultural lenders encourage farm operators to obtain liability insurance to protect the collateral for the loan in event a lawsuit is filed against the farmer. Liability insurance is sometimes a condition for a loan. This protects both the farmer's and the banker's financial position. These conditions would suggest that personal liability insurance limits would increase as farm debt increases.

There is some variation in the average personal liability coverage as farm debt increases, but there is no apparent correlation of increasing coverage as debt increases (Table 11). The average coverage ranges from almost $84,000 to $230,000, the highest coverage being the second lowest farm debt category. This high average coverage was influenced by two $1,000,000 umbrella policies and two $300,000 policies.

The percent of farms with coverage under $100,000 generally decreased for each farm liability category as liabilities increased. The percent of farms with $100,000 coverage show a significant variation of farms in each farm debt category, but this column shows no correlation to increasing farm debt. The percent of farms with coverage over $100,000, although somewhat less distinct than might be expected, does show a slight positive correlation with size of farm debt, especially at the higher levels of farm debt.

TABLE 11 RELATION BETWEEN LIABILITIES AND PERSONAL LIABILITY COVERAGE
113 New York Dairy Farms, 1975

Farm Liabilities	Number of Farms	Average Liability Coverage	Percent of Farms with Coverage: Under $100,000	$100,000	Over $100,000
$0 - 24,999	24	87,500	54.2	33.3	12.5
25,000 - 49,999	15	230,000	33.3	40.0	26.7
50,000 - 74,999	14	83,928	28.6	71.4	0.0
75,000 - 99,999	12	150,000	25.0	41.7	33.3
100,000 - 124,999	16	175,000	18.8	62.5	18.8
125,000 - 149,999	8	156,250	25.0	37.5	37.5
150,000 or more	24	160,417	16.7	37.5	45.8
Total or average	113	143,363	30.1	45.1	24.8

Table 11 appears to show that farm debt has less measurable affect on level of personal liability coverage than farm asset level does, but this table does show a decrease in the number of farms with less than $100,000 coverage, no relationship between number of farms and $100,000 policies, and a slight increase in farms with coverage over $100,000 at higher debt levels.

Farm Net Worth

Farm net worth is the value of the farmer's assets after all debt claims against his business are considered. Farm net worth represents the equity the farmer has invested in his business. Therefore, after toil and hard work to build his equity, the farm operator might be expected to protect his equity against liability claims (lawsuits). On the other hand, if he has accumulated substantial equity, he may be able to absorb some losses.

Table 12 shows little conclusive evidence of a positive relationship between farm net worth and the amount of personal liability coverage carried. Average coverage varies considerably but there is no correlation with increasing net worth. There appears to be some decline in the percent of farms with coverage under $100,000 as farm net worth increases. The percent of farms with $100,000 coverage or over $100,000 coverage show variation but no distinct positive or negative relationship to the size of farm net worth. These two columns appear indifferent to increasing net worth.

TABLE 12

RELATION BETWEEN NET WORTH AND PERSONAL LIABILITY COVERAGE
113 New York Dairy Farms, 1975

Farm Net Worth	Number of Farms	Average Liability Coverage	Percent of Farms with Coverage: Under $100,000	$100,000	Over $100,000
$0 - 99,999	21	100,000	38.1	47.6	14.3
100,000 - 199,999	39	132,692	38.5	48.7	12.8
200,000 - 299,999	22	193,182	22.7	31.8	45.5
300,000 - 399,999	17	160,294	29.4	29.4	41.2
400,000 - 499,999	8	125,000	0.0	87.5	12.5
500,000 or more	6	158,333	16.7	50.0	33.3
Total or average	113	143,363	30.1	45.1	24.8

Gross Income

Gross income as defined in this study is net cash farm income adjusted for changes in feed and supplies, livestock and, machinery and equipment inventories.

It would be expected that higher gross income would indicate a greater ability to pay the higher premiums associated with higher coverages. Therefore, to the extent that gross income is a factor in determining liability coverage, insurance coverage should increase as gross income increases.

Somewhat in line with these expectations, Table 13 shows that average coverage increases for each consecutive gross income category, except for the highest gross income category, $80,000 or more. The percent of farms in each consecutive gross income category also decrease as gross income increases for those farms with coverage under $100,000. Again, there is little relationship between the percent of farms in the $100,000 level of coverage and gross income. But there is a positive relationship between the percent of farms in each gross income category and gross income in the over $100,000 level of coverage, except in the largest gross income category.

TABLE 13 RELATION BETWEEN GROSS INCOME AND PERSONAL LIABILITY COVERAGE
113 New York Dairy Farms, 1975

Gross Income	Number of Farms	Average Liability Coverage	Percent of Farms with Coverage: Under $100,000	$100,000	Over $100,000
- $20,000 -- 1	1	50,000	100.0	0.0	0.0
0 - 19,999	40	136,250	45.0	37.5	17.5
20,000 - 39,999	31	149,193	22.6	51.6	25.8
40,000 - 59,999	18	150,000	22.2	44.5	33.3
60,000 - 79,999	9	163,889	22.2	33.3	44.5
80,000 or more	14	135,714	14.3	64.3	21.4
Total or Average	113	143,363	30.1	45.1	24.8

Herd Size

The 113 farms studied were selected to represent six herd size categories. Table 14 shows the relationship of average personal liability coverage and percent of farms in three coverage categories to each of these six herd size categories. The table shows a general increase in average coverage as herd size increases, from the lowest average coverage of $48,864 for the lowest herd size category, 25 to 49 cows, to $198,810 for the largest herd size category, 150 cows or more. Farms with 125-149 cows show a slight decline in average coverage, but the positive relationship is still apparent.

Since the percent of farms with coverage under $100,000 vary up and down significantly as herd size increases, no positive or negative correlation can be easily determined. The percent of farms in the $100,000 level of coverage also does not show a positive or negative correlation to herd size. However, the percent of farms with coverage over $100,000 show a distinct increase as herd size increases. No farms in the lowest herd size category have coverage over $100,000 and the percentage increases as herd size increases up to the largest category of more than 150 cows, with 43 percent of the farms in this category insured at over $100,000.

TABLE 14 RELATION BETWEEN HERD SIZE AND PERSONAL LIABILITY COVERAGE
113 New York Dairy Farms, 1975

Herd Size (Average)	Number of Farms	Average Liability Coverage	Percent of Farms with Coverage:		
			Under $100,000	$100,000	$100,000
25 - 49 (39)	22	48,864	72.7	27.3	0.0
50 - 74 (61)	22	151,136	22.7	59.1	18.2
75 - 99 (87)	18	166,667	33.3	44.5	22.2
100 - 124 (112)	17	161,765	5.9	58.8	35.3
125 - 149 (133)	13	144,231	30.8	30.8	38.4
150 or more (190)	21	198,810	9.5	47.6	42.9
Total or average	113	143,363	30.1	45.1	24.8

Region of State

Farmers come in greater contact with the public today than in past years. Contact with the public would expectedly be greater in, around, and between urban population centers and near popular recreation areas. All three regions of the state are influenced by these criteria which affect the probability and, to some extent, the amount of loss expected to occur. Yet, Region 3 is probably the area where most contact with the public would be made by the farmer (see Figure 1). Heavy population areas exist from New York City to Albany along the Hudson River, Schenectady, Troy, Saratoga, and Glens Falls, New York. Popular recreation areas abound throughout the Catskill Mountains and the Hudson River Valley and from Saratoga Springs up to Lake George. It is sometimes assumed that the human nature of this area is more greedy and is more likely to press for larger liability claims. This is reflected by the number of $300,000 policies purchased in this region of the state and farmer attitudes tended to reflect these circumstances in this region. Eleven $300,000 policies were purchased in Region 3 and only seven $300,000 policies were held by farm operators in the rest of the state. Three of the five $200,000 policies and the only $250,000 policy were carried by farmers in this region (Table 9).

However, in conflict with this generality, the two $500,000 policies and all farm umbrella policies were purchased in Regions 1 and 2 (Table 9). A larger sample may reflect more significant differences among regions of the state.

The average coverage for farms in Region 3 is slightly higher than the average coverage for farms in Region 1, $146,250 to $145,968, respectively (Table 15). The average coverage for farms in Region 2 is a little over $7,000 lower, at $138,690. Therefore, there is little difference in average coverage for the farms in the three regions of the state. The percent of farms with coverage under, at, or over $100,000 show no correlation to region of the state.

TABLE 15 RELATION BETWEEN REGION OF NEW YORK STATE AND PERSONAL LIABILITY COVERAGE
113 New York Dairy Farms, 1975

			Percent of Farms with Coverage:		
Region*	Number of Farms	Average Liability Coverage	Under $100,000	$100,000	Over $100,000
1	31	145,968	29.0	48.4	22.6
2	42	138,690	35.7	50.0	14.3
3	40	146,250	25.0	37.5	37.5
Total or average	113	143,363	30.1	45.1	24.8

*See Figure 1, p. 6.

Amount of Premium Spent Annually on Liability Policies

The annual cost of a public liability policy is dependent upon the following major factors: (1) the number of policies, (2) the type of policy (FCPL, CPL, CGL, etc.), (3) the level of coverage for bodily injury, property damage and medical payments, (4) the additional coverages attached to the policy by the endorsements and extensions (i.e., animal collision, custom farming, additional insureds, watercraft, etc.),

(5) additional residences or farms -- owned or rented, (6) total acreage (i.e., less than 160 acres, over 160 acres to 500 acres, over 500 acres), and (7) additional interests of the insured.

The annual premium paid by 67 farms for which premium data were available reflect various combinations of these factors (Table 16). Premium payments varied from $17 to $162 for all coverages except animal collision. The small difference in coverage for farms paying premiums in the first three premium categories also show how these factors contribute to the price of liability insurance in addition to the amount of insurance purchased.

TABLE 16 ANNUAL PREMIUM PAID ON PUBLIC LIABILITY INSURANCE
113 New York Dairy Farms, 1975

Amount of Premium*	Average Liability Coverage	Number of Farms	Percent of Farms
$ 15 - 29	$ 57,143	7	6
30 - 44	56,579	19	17
45 - 59	60,714	14	12
60 - 74	120,000	5	4
75 - 89	143,182	11	10
90 - 104	200,000	4	4
105 or more	264,286	7	6
Subtotal		67	59
No information	150,543	46	41
TOTAL	$143,363	113	100

*Excludes premium allocated to Animal Collision coverage, Farm Employers' Liability, and Umbrella Policies.

Premiums for animal collision coverage on the FCPL's varied between $8 and $10 (Table 52). Whereas Table 16 includes premiums for one or more public liability policies, Table 17 shows premium paid per farm on a single policy basis. This results from the need to only endorse one farmer's comprehensive public liability policy for animal collision coverage.

The annual premiums for the four farm employers' liability coverages were $14.50, $26.00, $23.00, and $25.00. The premiums for umbrella coverages were previously mentioned in this chapter.

Premiums paid for workmen's compensation ranged from $73 to $2,466. Table 18 shows the distribution of premiums paid by 82 of the 83 farms carrying workmen's compensation. Fifty percent of the farms pay up to $800, yet the distribution of farms is surprisingly steady throughout the range of premium categories. This may result from the higher hired labor

TABLE 17 ANNUAL PREMIUM PAID ON ANIMAL COLLISION COVERAGE
113 New York Dairy Farms, 1975

Amount of Premium	Number of Farms	Percent of Farms
$8	1	1
9	15	13
10	5	5
Subtotal	21	19
No Coverage	92	81
Total	113	100

requirement for larger farms, remembering that these farms were selected on the basis of several herd size categories -- a reflection of size.

The total premium paid by the 82 farms for which premium data was available was $59,252 or an average per farm of $723.

TABLE 18 PREMIUM PAID FOR WORKMEN'S COMPENSATION INSURANCE
113 New York Dairy Farms, 1975

Amount of Premium	Average 1974 Hired Labor Expense	Number of Farms	Percent of Farms
$ 70 - 199	$ 3,660	11	13
200 - 399	7,514	15	18
400 - 599	12,693	13	16
600 - 799	13,005	11	13
800 - 999	20,556	10	12
1000 - 1199	18,486	7	9
1200 - 1399	29,152	6	7
1400 or more	34,229	9	11
No information		1	1
Total		83	100

Summary and Conclusions

The potential loss from a lawsuit may be quite high even though the number of such occurrences may not be great. The farm owner and operator must strongly consider adequate protection against liability regarding injuries, death, and property damage to the public or an employee.

A number of policies provide substantial flexibility in the selection of public liability coverage. Under certain farm circumstances, the farm operator may opt to select some combination of farmer's comprehensive personal liability (FCPL), comprehensive personal liability (CPL), owners', landlords', and tenants' liability (OL&T), comprehensive general liability (CGL), products liability (PI), manufacturers' and contractors' liability (M&C), employers' liability, and umbrella policies to adequately meet his insurance needs.

Liability insurance is considered important by farmers. All 113 farms studied in the insurance survey carried some form of public liability insurance using farmer's comprehensive personal liability, owners, landlords and tenants liability, and umbrella liability policies.

Most farmers selected the farmer's comprehensive personal liability policy to provide the basic public liability protection for the farm business and personal exposure. One hundred fifteen of these policies were purchased. Occasionally, each partner in some partnership farm businesses purchased farmer's comprehensive personal liability to insure his own portion of the property in the business operation.

Comprehensive personal liability and owners', landlords', and tenants' policies were primarily used to insure certain additional exposures. The comprehensive personal liability policy was used to insure secondary residences occupied by a partner, son or daughter, full time employee, or a tenant. Owners', landlords', and tenants' policies were used to insure entire farm operations, or were used in combination with a farmers comprehensive personal liability policy, where property is rented, rented to others, or is maintained for public recreation.

The majority of the farm operators selected one of four popular limits of public liability coverage (which includes bodily injury and property damage liability); \$25,000, \$50,000, \$100,000, or \$300,000. The most popular limit of coverage was \$100,000.

Umbrella liability policies extended the limit of coverage of the primary policy on four farms; to \$400,000 on one farm and \$1,000,000 on three farms.

The percent of farms with public liability coverage under \$100,000 decrease as farm assets, farm liabilities, farm net worth, gross income and herd size increase.

The percent of farms with \$100,000 coverage varied substantially but showed no positive or negative relationship to these five farm business measures.

The percent of farms with coverage over $100,000 increased as farm assets, farm liabilities, gross income, and herd size increased. The percentage of the farms in this level of coverage did not show a positive or negative relationship as farm net worth increased.

It appears as though the $100,000 limit of public liability coverage is the "status quo" and that many farmers are moving away from limits below $100,000 and are selecting coverages of $100,000 or higher.

Considering recent liability settlements, farm operators should obtain at least $100,000 public liability coverage. One million dollar umbrella coverage can be obtained for a relatively low additional cost.

A regular review (i.e., annually) of public liability coverages should be made with the assistance of the insurance agent to discuss liability insurance needs and to assure proper coverage.

Farm lenders should encourage the purchase of adequate amounts of liability insurance by their customers.

Workmen's compensation insurance is the alternative to farm employer's liability insurance for those farms which pay cash wages under $1,200 per year, but is essentially required for those farms with a cash payroll over $1,200. New York dairy farms are not large enough to take advantage of self-insuring to meet the requirements of the Workmen's Compensation Law.

Eighty three of the 113 farms studied purchased workmen's compensation insurance.

For those farms with a substantial amount of hired labor, workmen's compensation is a more significant cost than public liability insurance, with 11 percent of the farms paying over $1,400 and 86 percent of the farms paying more then $200 for workmen's compensation insurance. Whereas, only 6 percent of the 67 farms for which premium data for public liability insurance were available paid more than $115 for this insurance.

The State Insurance Fund and the New York Farm Bureau Safety Group were the primary insuring groups for workmen's compensation, issuing 53 of the 83 policies issued. Most companies selling workmen's compensation place the insurance with the State Insurance Fund.

Four farm operators carried farm employer's liability insurance.

The farm operator should take appropriate actions to minimize the possibility of an accident involving visitors, guests, trespassers, employers, and also family members. Such action will minimize the probability of an accident and may contribute to reducing premium costs, such as with a good experience rating for workmen's compensation insurance.

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