



Farmers Market Insurance: An Introduction to Policy Types & Common Terms

There are multiple types of insurance policies that apply to farmers markets and the people involved in those markets. This sheet will help you understand the different kind of policies that are available, what those policies may cover, and how to guarantee that you are purchasing a policy that will provide you with the coverage you need.

The three most common types of liability insurance policies that relate to farmers markets are for producers, markets, and the directors and officers of market organizations.

1) Producer/Vendor

Producer liability insurance is best viewed as an umbrella term for two more specific types of insurance:

- **Product Liability:** Covers claims related to the product that the farmer sells, which typically include fruits, vegetables, eggs, baked goods etc.
 - Example Claim: A consumer buys a ½ dozen eggs, and later claims that those eggs made her sick. She sues you for food poisoning.
- **General Liability:** Covers claims brought against the farmer that are not product related.
 - Example Claim: A shopper sues you, because he trips over one the bungee cords that ties down your tent and needs to get stitches due to the injury.

Note: Not all producer insurance policies offer the same type of coverage. When buying producer insurance, be very clear with the person you are speaking with about what products you want covered by the policy, and make sure that their policy provides that coverage.

Examples Using Producer/Vendor Insurance

- Product liability insurance *might* cover your fruit and vegetable sales, but might *not* cover your meat and dairy sales.
- General liability insurance may not cover temporary structures, such as tents or tables.

Questions to Ask

- What type of products are covered by my product liability insurance? What types of products are not covered?
- What type of incidents are covered by my general liability insurance? What types of incidents are not covered?
- Does my liability coverage extend to only one market, or to all of the markets that I attend?
- Does my coverage extend to my employees & representatives and their actions?

2) Market

Market liability insurance and vendor liability insurance are often required by farmers markets to protect the vendor, and the market as a whole, although market insurance does not necessarily offer protection to the vendors. Market insurance is important for two reasons. One, to cover accidents and injuries that occur at the marketplace, but cannot be attributed to a specific vendor. Two, claimants will often sue as many parties as they can in a lawsuit. Even if a specific vendor seems to be responsible for a causing a claim, the claimant will often sue the market as well.

Market liability insurance will typically cover the same liabilities as producer insurance, ie product liability and general liability. Those who are purchasing market insurance should ask the same questions that vendors should ask when purchasing producer liability insurance in order to ensure that both the products and the market as a whole are sufficiently insured.

Examples Using Market Liability

- A customer trips on a sandwich board advertising the farmers market and breaks his hip. The customer sues the market for injury.
- A customer gets food poisoning from an item sold at market and sues the vendor for selling it, and the market for being negligent in allowing a spoiled item to be sold.

Questions to ask (see Producer/Vendor above)

- Does the policy cover the property owner as an additional insured?
- How does my market liability insurance differ from a producer\vendor insurance policy?

3) Directors and Officers (D&O)

When a non-profit organization serves as a sponsor for a farmers market, or is otherwise involved with a farmers market, allegations can be made against the directors and officers of that non-profit. D&O insurance should cover defense costs, as these costs can easily exceed \$50,000. The most common form of allegations include:

- Allegation of Wrongful Acts
Examples: Conflict of interests; breach of contract; fraudulent conduct, reports, financial statements or certificates
- Allegation of Financial Mismanagement
Examples: Inefficient administration resulting in losses; Sale of assets for unreasonably low prices
- Allegation of Mistakes or Errors in Judgment:
Examples: False or misleading reports; dissemination of false or misleading information
- Allegation of Negligence
Examples: Continual absence from meetings; failure to examine reports and documents before signing; failure to detect and stop embezzlement of organizational funds

Further examples of claims that can be brought against Directors and Officers, as well as the people and organizations who might sue them, can be found at http://web4agents.com/sites/upload/952/Farmers_Market_D_O_What_and_Why.pdf.

General Questions for any type of insurance policy

- *What is the deductible?*
If a settlement or court decision finds you liable, and as a result you have to reimburse the claimant for damages then the deductible is the amount of money that you have to pay the claimant. Your insurer will reimburse the claimant the remainder of the sum owed.
- *How much does the premium cost?*
Different policies have different prices, but keep in mind that different policies may also have different types of coverage. Be sure to review the cost of the policy *and* the type of coverage you get for that cost.
- *How much does the insurance policy cover per occurrence?*
This is the amount of money that the insurance company will pay to a claimant. Typical per occurrence limits are 1 million dollars. If for any reason the occurrence in question ends up costing more than the insurer is willing to pay, then you may be held responsible for paying the additional money owed.
- *What is the aggregate limit of the insurance policy?*
See the definition of aggregate limit below. Different policies will have different limits, and it's important to compare these limits to each other when reviewing different policies.

Common Terms

- **Aggregate Limit:** The maximum dollar amount your insurer will pay to settle your claims. Often the limit is referred to as an annual aggregate limit, which is just the total amount your insurer will pay in a single year.
- **Deductible:** The amount you pay out of your own pocket before your insurance provider begins paying the reimbursement owed to claimant.
- **Claimant:** The person who brings a lawsuit against you. (ie the person who is suing you because of food poisoning, or the person who tripped over your tent.)
- **Additional Insured:** A party other than a party in whose name insurance is issued who is also protected against losses covered by such a policy. This could include the market as a whole, other vendors, or other staff members who are employed by the vendor. Property owners might also be listed as additional insureds.
- **Market liability:** A general liability policy held by a farmers market, otherwise known as " slip and fall" insurance.

- Rider: An edit or modification to an insurance policy to modify both benefits and the conditions of coverage.
- Hold Harmless: Also called an "indemnification," this type of agreement protects someone from being sued because of what a third person does to the victim. For example: Before I let you sell produce at my market, you will have to indemnify me (hold me harmless) if you negligently forget to tie down your tent and it flies away in a wind and injures a shopper. Should the shopper later sue me, I can invoke indemnification and you pay all my legal bills and any damages awarded by the court.

Additional Resources:

Nonprofit Risk Management Center: A nonprofit organization providing risk management assessments resources and technical assistance for nonprofits: <http://www.nonprofitrisk.org/>

Farmers Market Coalition (FMC): Non-profit organization dedicated to serving farmers markets, and a recent partnership with Campbell Risk Management to provide both directors' and officers' insurance as well as producer liability insurance. FMC is hosting a series of webinars in 2011 on various insurance topics, all of which will be archived on the Information Marketplace page of the web site. <http://farmersmarketcoalition.org/>

Disclaimer: The Farmers Market Coalition is not an authorized insurance representative and the information provided in this handout is designed only as an introduction to insurance as it relates to farmers market organizations. Users are advised to contact an authorized insurance agent or broker for policy-specific questions.



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Farmers markets are good for everyone. Join us to make them even better!

Farmers Market Coalition

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