



Product Liability Insurance for Farmers Market Vendors: Frequently Asked Questions

*Excerpt from a guide produced for the West Virginia Farmers Market Association
With assistance from the WV Small Farm Center and the WV Farm Bureau*

Why do farmers market vendors need liability insurance on the products they sell at a farmers market?

Farming is risky business. You could go gambling in Las Vegas and experience less risk than you do when you farm. Make no mistake about it: managing this risk with no insurance coverage is dangerous for you, your farm and your family.

Farmers markets are often perceived as “warm and fuzzy” business endeavors, but are still perceived as businesses. Although your community may see its farmers market as a good thing, this does not mean that public goodwill will always protect the market or its vendors from being targeted by legal action. The positive image of the farmers market could change in a heartbeat if a customer gets sick – so it is best to protect yourself.

How does a liability insurance policy protect me and my farm?

If a claim is made against you and is covered under your policy, good liability insurance provides you with two kinds of protections:

1. If you are targeted by a lawsuit your insurance company will hire and pay for lawyers to defend you.
2. Your insurance will also pay verdicts (if you are found to be at fault) or settlements (if you settle out of court).

You might consider #1 to be the most important. Even you are obviously not at fault for a claim that is brought against you, and even if the case is dismissed in court, the legal fees can still be very expensive. In this situation, an insurance policy can keep you from having to pay thousands of dollars in legal fees out of pocket.

What kind of insurance do I need in order to sell at the farmers market?

Product liability insurance is something you as a vendor will likely need to purchase for yourself. According to the Farmers Market Coalition, product liability insurance “typically covers claims related to vendor’s products. The most common example may be food poisoning from eating food sold at market.” You might also think about what would happen if someone injured themselves at your market stand. Find out whether your farmers market has its own market liability coverage for on-site injuries, and whether your stand is covered.

Where should I look for liability insurance on my market sales?

Start by talking to the person who already provides you with homeowners insurance and/or insurance on your farm. You may be able to expand your current policy to cover your sales at farmers markets.

The best thing you can do is to know your insurance agent well and ask questions. Think of your family insurance agent in the same way you think about your family doctor or lawyer. This person needs to be someone who you have a strong relationship with and trust, and who really wants to see you succeed. If he /she seems

uncomfortable insuring your farming, business activities or farmers market sales: reassess your agent, begin shopping around for other agents, and let him/her know that you are shopping around!

What if I don't have an insurance company, or if my company doesn't offer what I need?

If you are shopping for an insurance company, you may find it easiest to use a mainstream insurance provider that often deals with farmers. These companies are experienced in getting underwriters for the kind of policy you need. Examples include Nationwide Insurance, Farm Family Insurance, and Westfield Insurance. You also will want to find an agent within the company who understands your needs. Some companies have certain agents who are farm-certified and are better equipped to deal with farmers. If you have friends or neighbors who farm, talk to them about which agent they use.

Some companies specialize in selling policies just for farmers market vendors. For example, the national Farmers Market Coalition has collaborated with Campbell Risk Management to offer special insurance just for market vendors (see http://farmersmarketcoalition.org/crm_insurance). FarmersMarketInsureNow (www.farmersmarketinsurenow.com) also offers vendor policies. However, you may want to consider using an insurance company who can insure EVERYTHING you do. Good customers get the benefit of the doubt, and consolidated policies get better rates.

If I have a homeowner's insurance policy, is it safe to assume that this will cover my liability for the products I sell at a farmers market?

You may be surprised by what your homeowner's policy does and doesn't cover. Every company is different. Never assume anything about your policy. Call your agent!

If selling at a farmers market isn't covered in your policy, you may need to ask your insurance agent to add a rider to your policy that covers your market sales. We recommend that you make a specific request in writing to your insurance agent describing what activities you want insured, and get a letter back from your agent confirming that these activities will be covered. Keep all of this information in your files.

What about on-farm markets, can they be covered by homeowners insurance?

Again, this will vary by company, so be sure to ask. For example, Nationwide Insurance will cover on-farm markets under a general homeowner's policy, but some companies require a special rider to be added to the policy to cover farmers market sales.

Remember that when you open an on-farm market, you've entered a new realm of risks and liabilities because guests and customers will be entering your property. That's not necessarily a bad thing, but it means that you should be honest and up-front with your insurance agent about your plans, and think about the risks involved. For example, if you have a "self-serve" or "honor system" market, someone could tamper with your products while you're not there. Also think about what customers will do while they visit -- if you plan to allow them to ride your horses, touch your animals, cut Christmas trees, etc., your insurance company should know that!

What information will I need to give my agent so that they can give me a quote and write me a good policy?

Your insurance agent will need specific information to give you an accurate quote and write you a good policy. Being honest and open with your agent will build your trust with that person, and can even help lower your premiums.

Be ready to tell an insurance company:

- Are your farmers market products raw, processed, or both?
- How many dollars' worth of each type of product do you expect to sell at market?
- Are you selling eggs, meat, dairy, or other very perishable foods?

- If you are selling meat, where and how was it processed and how will it be handled?
- If you are selling value-added or processed foods, where and how was it processed?
- Will you be serving hot foods or other foods that are meant to be consumed immediately?

If your potential insurer is not asking at least a few detailed questions about the activities you want insured, it may be a cause for concern. Your agent will need detailed information to write a policy that truly covers your activities.

YOU should be prepared to ask lots of questions as well. Take time to understand your options. Always ask your insurance agent “why?” and if the answer doesn’t satisfy you, ask again!

If I am selling value-added products, does my insurance policy need to reflect that?

Often the answer is yes. Make sure your agent knows exactly what you are selling and how/where it is processed.

I am just getting started with farming. At what point should I think about getting insurance?

Even if your farm is very small, you should consider thinking and acting like a business and protecting yourself. As soon as you start selling a product at a market, you're taking a risk – evaluate your insurance BEFORE you make that first sale.

What can I do on an ongoing basis to make sure I’m still getting a good deal on insurance?

Conduct an annual review of your insurance policy: talk to your neighbors about their insurance policies, talk to your insurance agent, and talk to other agents. Insurance companies begin to pay attention when you start shopping around. The best thing a farmer can lower the cost of their inputs is by comparing prices. If your insurance is too expensive, then do something about it!

Where else can I go for advice on insurance?

Consider discussing your insurance options with your family lawyer, who may work with other people like you and could share some advice based on first-hand experience as well as education. Think of your insurance agent and lawyer as part of your legal/financial “team.”

Is there anything else I can do to reduce my risk?

The ultimate in farm risk management is to keep good financial records and pay your taxes. If you stay within the law, you don’t put your farm at risk and won’t have to force your family to bail you out. Furthermore, the more taxes you pay, the more social security you can receive. When you think and act like a business person, your farm business can truly grow.

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