

## **Why is General Liability Business Insurance Needed? FAQ Sheet**

The 2006 USDA survey of farmers markets discovered

- The average number of vendors at individual farmers markets nationwide in 2005 was 31.
- The average number of customers reported at all farmers markets was 959 per week.
- More than two-thirds of surveyed markets operate in temporary facilities.

The large amount of activity generated by this many vendors and customers operating inside of temporary facilities creates a risk that farmers markets must insure, and most do.

The same survey also showed

- Most farm vendors earned \$5,000 or less each from sales at their markets in 2005.

Farmers are like any other business person: when faced with a fixed cost - like insurance - they try to reduce costs by working with an expert.

### **Common Types of Liability Insurance for Farmers Markets**

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

#### 1. Product Liability:

Covers claims related to the product the farmer sells, typically fruits, vegetables, eggs, baked goods, etc.

Example claim: A consumer buys a ½ dozen eggs, and later claims those eggs made her sick. She sues you for food poisoning.

#### 2. 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 tying down your canopy and needs to get stitches due to the injury.

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 canopies or tables.

Hence the need for an expert.

### **Questions to Ask an Insurance Agent**

What types of products are covered by my product liability insurance?

What types of products are not covered?

What types 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 I attend?

Does my coverage extend to my employees and representatives and their actions?

### **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, i.e. the person who is suing you because of food poisoning, or the person who tripped over your canopy.

**Additional Insured:** A party, other than the 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 an additional insured.

**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 canopy 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.

### **Tips to Remember**

1. Pay particular attention to housekeeping issues around your booth.
2. Make sure you do not have trip and fall hazards that could cause a third party to suffer an accident that can be attributed to you.
3. Keep all supplies, produce, boxes, etc., out of the walkway around your booth area.
4. Make sure your shelves, etc., are well constructed and safe.
5. Exposed electrical cords should be taped to the floor so they are not loose and cause someone to trip.
6. Tie down your canopy to reduce the possibility of it blowing over, injuring you or a customer.

Remember these few recommendations so you can concentrate on sales and make the markets where you sell enjoyable and profitable.