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Product Fact Sheet – Farm Insurance.

Farm Insurance is a "package" form of insurance and probably one of the most complex forms of general insurance because it attempts to be "all things to all people".

Many people who live on small farms and acreage, confuse farm insurance with home insurance but home insurance is only one section of farm insurance and does not extend to cover rural fencing, stock, hay, grain or farming buildings or contents or machinery, whereas a farm policy can cover all those risk.

Home Building and Contents

The first section of cover under this policy is the domestic home building and contents cover. This section is much like any ordinary home building and contents insurance policy in that it covers the dwelling and the contents against fire and extraneous perils, theft, malicious damage and in some cases accidental damage. Contents can be extended to include collectable items antiques and jewellery and personal valuables taken away from home. It extends to include machinery breakdown for domestic machines such as domestic water pumps, air conditioning compressors and the like.

This section also includes a domestic liability section. Domestic liability covers injury to visitors or damage to their property as a result of an accident caused by the building or the contents.

A sum insured must be selected for both house and contents.

Farm Buildings

This section of a farm insurance policy is designed to cover non-domestic structures on a farm. These could include feed shed, barns, machinery sheds, water tanks, round yards, spelling yards, packing sheds and the like. Cover is limited to fire and extraneous perils such as storm damage, malicious damage, lightning, explosion, vehicle impact. It generally does not cover Flood and never covers theft. Each structure must be itemised on the policy and a sum insured selected.

Farm Contents and Machinery

This section of a farm insurance policy is designed to cover non-domestic machinery on a farm. These could include mobile plant such as tractors and attachments, quad bikes, agistment gear, processing machines and the like. Cover is again limited to fire and extraneous perils such as storm damage, malicious damage, lightning, explosion, vehicle impact. It generally does not cover Flood and never covers theft. Each machine must be itemised on the policy and a sum insured selected.

Hay, Grain, Fencing, Livestock and Farm trees

Hay, Grain, Fencing, Livestock and Farm trees can all be insured under a farm insurance but the cover is limited to fire and extraneous perils such as storm damage, malicious damage, lightning, explosion, vehicle impact. One main exclusion is that there is no storm cover for hay or grain out in the open – it must be in a farm building and the water damage must not have entered through an opening in the building (unless the opening was caused by the storm).

For Farm trees there is no cover at all for storm damage (however, cover can be purchased for some trees under a "Crop Insurance" policy).

Theft

Under this section, the insured can itemise machines or non-domestic contents that they feel is at risk of theft. Each item must be listed on the policy and a sum insured selected. Cover is generally limited to “theft following a violent and/or forcible entry”.

Machinery Breakdown

Machines can be covered for breakdown under a Farm insurance policy. Non- domestic machines such as water pumps, irrigation systems, tractors, spreaders, quad bikes etc, all have motors which can breakdown. Cover is like any ordinary machinery breakdown policy is that claims are settled based on the age of the machinery and its condition – the amount paid of the repair cost is reduced accordingly.

Business Interruption

Like any business, a farm cases financial loss if a storm or fire disrupts or ceases their ability to farm and sell their products. Consequently, Farm insurance can include cover for business interruption. However, claims are handled differently compared to a normal business interruption insurance policy. Under a normal policy, the claim takes into account trading conditions and trends to assess the amount of income though to be lost. Under a farm policy, losses can often be easily quantified as many farmers “pre-sell” their produce before it is grown by entering into specific contracts. Whilst expenses can be predicted like any other business, income can be very specific (for example agistment income) or completely unknown.

Business Liability

This section of a farm insurance policy cover the public liability exposure associated with the running of the “business” of the farm and has nothing to do with the domestic liability cover mentioned above. A farm is like any business and can be exposed to lawsuits resulting from events such as:

- Escaping stock causing a road accident
- Fire escaping from a burn-off, into an adjoining farm
- Food poisoning of consumers from food produced and grown
- Injury to persons who have right to come onto the property
- Claims arising out of the use of machinery, boats, aircraft etc
- Contract farming (where the farmer uses another persons land to grow their produce)
- Agistment (where the farmer allows other persons to “spell” their livestock on his property).

Cover for public liability claims are limited to the sum insured any one event and there can be an unlimited number of claims in any one policy year. However, for claims arising from a “product” liability, the total value of all claims in any one policy year cannot exceed the total sum insured on the policy.

Farm Vehicles

A farm policy can include a section to cover farm vehicles is the same way as a normal motor vehicle insurance policy. It can include business, commercial and privately registered vehicles and can also cover unregistered vehicles (though cover for the latter is limited to the actual farm and not away from it). Vehicles must be listed and identified on the policy for any cover to exist.

Personal Accident and Illness Cover

Farmers have one of the highest rates of accident in the country. Injuries are common and often severe. Personal Accident and Illness Cover can be provided under some farm policies to meet this need. As with a normal Personal Accident and Illness Cover, cover can provide a weekly benefit for accident and / or illness. Claims are limited to 85% of weekly average earnings in most cases, with a table of fixed benefits payable for certain injuries. The farmer can select a sum insured for the death benefit (if death is provided under the policy). Normally, a wait period of 28 days applies to any claims.

Transit Insurance

Some farm policies can include road transit insurance. This cover provides cover for Hay, Grain, Fencing, Livestock and Farm trees that the farmer ships from their farm to customers and markets. Cover is limited to fire, flood, collision of the conveying vehicle and theft following violent and forcible entry to the conveying vehicle.

As you can see, a farm insurance policy offers so much more cover than a home building and contents insurance policy.