

Insurance Information for Agritourism Businesses

Agritourism is a growing business sector in Mississippi, and it has become a method for farming entities to increase revenue by using their existing assets. These businesses are created and operated as extensions of existing farming operations, but, in many ways, they resemble a traditional, mainstreet-type business with respect to their operation methods and inherent risks.

A key factor in any business's stability is having the proper type of insurance coverage to protect the business against the risk of sudden, accidental loss. A properly designed insurance policy will provide specific coverages and limits to protect the business in the event of a loss. This publication defines some basic insurance terms and describes a few insurance types to consider when starting an agritourism business.

Definitions

1. **Insurance:** the process by contract whereby one party undertakes to indemnify or guarantee another against loss by a specific contingency or peril (transferring of risks)¹
2. **Risk:** uncertainty of financial loss; term used to designate an insured or a peril insured against²
3. **Risk identification in property and liability exposures:** process of discovering sources of loss concerning the property and liability risk faced by individuals and business firms³
4. **Risk management:** procedure to minimize the adverse effect of a possible financial loss by (1) identifying potential sources of loss; (2) measuring the financial consequences of a loss occurring; and (3) using controls to minimize actual losses or their financial consequences⁴

Four Basic Types of Business Coverage

1. **Property:** covers sudden, accidental loss to buildings, appurtenant⁵ structures, and business personal property (fixtures, equipment, and inventory)
2. **Liability:** comprehensive general liability—covers premises/operations and products/completed operations for bodily injury or property damage resulting from negligent acts or omissions for which the business may become legally obligated to pay
3. **Auto:** covers business-owned vehicles (commercial autos)—liability and physical damage
4. **Workers' compensation:** covers employees for job-related sickness, injury, and disability

Other coverages are inland marine (motorized equipment), hired/non-owned auto liability, business interruption (loss of income), commercial crime (burglary, theft, employee dishonesty), employee benefits (health insurance), commercial umbrella, and data processing insurance (computer equipment, media, and extra expense incurred for restoration of data files).

¹Merriam-Webster Dictionary.

²Barron's Dictionary of Insurance Terms, Sixth Edition, p. 454.

³Barron's Dictionary of Insurance Terms, Sixth Edition, p. 456.

⁴Barron's Dictionary of Insurance Terms, Sixth Edition, p. 456.

⁵Appurtenant is defined as belonging to; pertinent. "Secondary buildings that are appurtenant to the main building."

Types of Policies

- **Mono-line:** e.g., standard fire policy or general liability policy only
- **Multi-peril:** e.g., commercial package policy (CPP), business-owners policy (BOP)

Types of Property Coverages

- **Basic form:** provides coverage for the following named perils: fire, lightning, explosion, smoke, windstorm, hail, riot, civil commotion, aircraft, vehicles, vandalism, sprinkler leakage, sinkhole collapse, and volcanic action
- **Broad form:** provides the basic, named-perils coverage (listed above) and adds coverage for falling objects; weight of snow, ice, or sleet; water damage (in the form of sudden and accidental discharge from a plumbing system); and collapse from specified perils

- **Special form:** provides coverage for loss from any cause except those that are specifically excluded in the policy (e.g., earthquake and flood)

Note

The information provided is intended to assist in educating individuals who are already in the agritourism business or who may be getting into the agritourism business. Business owners should consult with a licensed, professional insurance agent about the type and applicable limits of coverage needed before purchasing insurance coverage.

Farming entities that add agritourism businesses to their operations should consider incorporating or forming a limited liability company (LLC) because of the added liability risks involved in bringing customers to their farm premises and seek the consultation of an attorney.

Publication 3105 (POD-10-24)

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Produced by Agricultural Communications.

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Extension Service of Mississippi State University, cooperating with U.S. Department of Agriculture. Published in furtherance of Acts of Congress, May 8 and June 30, 1914. ANGUS L. CATCHOT JR., Director