



If It Moves, Insure It!

Your Guide to Mobile Equipment and Auto Exposures in Agribusiness





IF IT MOVES, INSURE IT: YOUR GUIDE TO MOBILE EQUIPMENT AND AUTO EXPOSURES IN AGRIBUSINESS

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One of the characteristics of an agricultural account is the variety of vehicles and mobile equipment used for both premises operations and transportation needs. When analyzing standard policy language to address an insurance program, there is a tendency to focus on what it *says*. However, it is important to go a step further and examine how each policy in the array of coverage can *interact* to form a program. Where one policy leaves off, the companion can pick up to close any gaps in coverage.

The traditional approach involves three areas of policy language.

1. For the operations, the commercial general liability (CGL) or farm liability (FL) form provides coverage for injury or property damage to third parties arising out of the use of mobile equipment. Anything used for work in the service of the agricultural enterprise on the premises or at a jobsite is intended to be captured by the risk transfer language of the general liability or farm policy. Changes in the policy language in 2004

created a measure of uncertainty in some aspects of this coverage. This makes the companion business auto policy (BAP) an even more critical part of the program.

2. For transportation needs, the personal auto policy (PAP) or BAP is the obvious answer. The PAP for the small rancher or farmer has some limitations to be aware of that render it unsuitable for certain exposures such as nonowned or hired trucks. The versatility of the BAP can capture all vehicles regardless of usage and is a better answer to address risk. Understanding how a “covered auto” is defined is critical to accomplishing this.
3. For the physical damage coverage for both mobile equipment and business auto, there has been a certain amount of confusion over which type of policy is better when some equipment is eligible for auto coverage. Should it be added to the farm equipment policy or covered under business auto physical damage?

However, there are other issues that arise. What about lost revenue and extra expense from loss of use? Two new forms are now available to deal with this in true business interruption fashion—addressing not only the extra expense of temporary substitute equipment but also the loss of earnings consequences.



So, there are three policy forms available to address agricultural equipment, auto liability, and physical damage. The tendency is to examine these policies carefully and *individually*; however, the approach should be with the intention of ensuring that these policies are arranged so they can work *together* to close the circle of coverage.

The Mobile Equipment Conundrum—How Can “Mobile Equipment” Become “Auto”?

Liability insurance provides protection from injury to persons or property arising out of the operations of the enterprise both on and off premises. Agricultural enterprises are equipment-intensive operations. Liability policies have an extensive section titled “Definitions” to clarify the scope of coverage. For example, the equipment used in agricultural operations is subject to an extensive definition of “mobile equipment” found in both the BAP and CGL policies that includes the types of equipment listed on the next page.

The “mobile equipment” definition covers an array of machinery typically found in agriculture. Anything permanently mounted on an automobile chassis or used for road maintenance is deemed an “auto.” Everything else fitting the description is covered under “premises” or “operations” liability.

Then, in 2004, ISO introduced an amendatory endorsement to the BAP and made several changes to the standard CGL coverage form to clarify that any motor vehicle that is subject to a financial responsibility, compulsory liability, or other motor vehicle insurance law in the state where it is licensed or principally garaged is to be considered an “auto,” not “mobile equipment.”

An examination of this qualification reveals several things. The first is obvious. Any equipment that requires a tag or permit to operate on a regulated



A Word about Policies

The examples referenced in this discussion are based on the policy forms regularly encountered in the agriculture risk and insurance business. We principally cite editions of the Insurance Services Office, Inc. (ISO), farm liability (2016), commercial general liability (2013), and business auto (2013) policies.

There are other proprietary versions of coverage along with various insurance company modifications. These forms always require careful analysis so their features and benefits—and limitations—can be appropriately explained to the customer.

This discussion is a guideline to help you analyze important areas of concern so as to better serve your customer. Insurance forms and policy language are like a compass pointing to risk transfer. Like any compass, you must know how to use it and it doesn’t work unless you look at it!

TYPES OF EQUIPMENT INCLUDED IN STANDARD “MOBILE EQUIPMENT” DEFINITION

“Mobile equipment” includes the following and any attached machinery or equipment.

- ✓ Bulldozers
- ✓ Farm machinery
- ✓ Forklifts
- ✓ Other vehicles that are designed to be used mainly off public roads
- ✓ Vehicles maintained for use only on or next to insured’s owned or rented premises
- ✓ Vehicles that travel on crawler treads
- ✓ Vehicles, whether self-propelled or not, that are maintained mainly to move permanently mounted power cranes, shovels, loaders, diggers, drills, or road construction or resurfacing equipment (e.g., graders, scrapers, or rollers)
- ✓ Vehicles not self-propelled but that are maintained mostly to move the following types of permanently attached equipment:
 - Air compressors
 - Pumps
 - Generators
 - Spraying equipment
 - Welding equipment
 - Building cleaning equipment
 - Geophysical exploration equipment
 - Lighting equipment
 - Well servicing equipment

- Cherry pickers or similar devices used for raising or lowering workers
- Other vehicles that are maintained mostly for purposes other than transporting people or cargo

“Autos” include self-propelled vehicles with the following permanently attached equipment.

- ✓ Snow removal equipment
- ✓ Road maintenance equipment (other than construction or resurfacing)
- ✓ Street cleaning equipment
- ✓ Cherry pickers or similar devices mounted on an automobile or truck chassis used for raising or lowering workers
- ✓ Air compressors
- ✓ Pumps
- ✓ Generators
- ✓ Spraying equipment
- ✓ Welding equipment
- ✓ Building cleaning equipment
- ✓ Geophysical exploration equipment
- ✓ Lighting equipment
- ✓ Well servicing equipment

roadway must be treated as an “auto” and insured accordingly.

But the language is more complicated than that. Land vehicles subject to “compulsory or financial responsibility law or other motor vehicle insurance law” are considered to be “autos.” This goes beyond compulsory insurance requiring a vehicle tag or plate. A location where the accident occurs, if it is subject to “financial responsibility law,” can be anywhere at any time during a future policy term.

Generally, legal theory outlines how to determine the status of a site or location. In law, the “situs” (i.e., position or site) of property is where the property is treated as being located for legal purposes. This complicates matters for fragmented farmland.

Take, for example, a tractor pulling a trailer with a flat of strawberries from the field to the packing house. The farm has divided acreage, so this involves transiting a quarter-mile of county highway to reach the loading dock. If the county passed an ordinance requiring proof of financial responsibility for any vehicle usage on county roads, then a strict reading of the definition would eliminate coverage for any accident at that location (site). It could be, by this definition, an “auto” (status). This puts the policyholder in the odd position of having no coverage for that quarter-mile of road since it is a “site” where the equipment may be subject to motor vehicle financial responsibility.

Of course, if the farmer knew about it in advance and was able to add the tractor to the auto policy, this would not be a problem. But changes to laws and regulations are made constantly, and we often don’t become aware of their requirements and consequences until it is too late. It is said there are two kinds of things we don’t know. The first is “things we don’t know we don’t know.” There’s not much we can do about those. The other is “things we know we don’t know.” We can deal with this!

With the level of uncertainty created by this change to the definition, this is one of them. How do we deal with this known uncertainty?

We do know that “mobile equipment” is covered under the premises’ operations usual to agriculture when that equipment is put to its intended use on the insured premises or at any jobsite within the coverage territory. This applies whether it is tagged as an automobile or not. When it is working, it is general liability; when it is moving on the highway either under its own power or towed or carried, it should be covered as an “auto.”

We also know that status and situs have the possibility of turning “mobile equipment” into an “auto.” If that happens, we would need to be able to drive from the general liability policy into coverage on the companion auto policy.

How can we be sure of this? The other significant policy in the array of coverage is the BAP. Setting this up properly to capture the appropriate definitions of “covered auto” is the best way to close this circle and eliminate uncertainty. To examine how to do this, let’s look at the automobile insurance policies.

Personal Auto Policy

A small farmer or rancher is likely to have a PAP as the only coverage for vehicles. The disadvantage to this policy lies in the definition of “covered auto.” This policy will not help with the “mobile equipment” conundrum.

This policy is designed to cover private passenger vehicles, which can include pickup trucks and vans but typically has a weight limitation to not exceed 10,000 pounds gross vehicle weight (GVW). Not only does mobile equipment fail to meet this definition, there is another gap to consider. What if the farmer borrows or hires a 20,000-pound GVW high cube to move some

farm equipment? There would be no coverage under the PAP.

There is a better format that is more versatile; it is the BAP.

Business Auto Policy

This policy can accommodate vehicles that are used commercially or personally. “Auto” is more appropriately defined as a land motor vehicle, trailer, or semitrailer that is designed for travel on public roads or any other land vehicle that is subject to a compulsory or financial responsibility law or other motor vehicle law in the state where it is licensed or primarily garaged.

If there is a definition for “mobile equipment” in the CGL policy that excludes auto, it should be

balanced by this definition in the companion BAP that covers “auto” and excludes “mobile equipment.”

To make sure coverage aligns properly, we must pay attention to the BAP covered auto symbols. If the objective is to close the circle of coverage in the event of having mobile equipment disqualified from the liability policy, we want to have the ability to drive it into auto coverage. That means selecting the right “covered auto” symbol.

Covered Auto Symbols

This discussion will be limited in this case to the most frequently used symbols. They are as follows, as they appear in the 2013 BAP.

STANDARD COVERED AUTO SYMBOLS		
Symbol #	Symbol Category	Description and Use
1	Any Auto	
2	Owned Autos Only	Covers all autos owned, plus any owned autos acquired during the policy period. If symbol 2 is used for liability coverage, any nonowned trailer attached to an owned power unit is also a covered auto.
7	Specifically Described Autos	Allows the insured to choose specific autos within a class to which the policy’s various coverages will apply. When symbol 7 is used for liability coverage, liability arising from nonowned trailers attached to a power unit described in item 3 of the declarations is covered.
8	Hired Autos Only	Applies coverage only to autos that the insured leases, hires, rents, or borrows. It does not include any auto that is leased, hired, rented, or borrowed from an employee or partner in the company, nor to members of their households.
9	Nonowned Autos Only	Gives “covered auto” status to autos used in connection with the insured’s business if they are not owned, leased, hired, or borrowed by the insured. This symbol includes autos owned by the insured’s employees or partners (including members of their households) while such autos are used in the insured’s business or personal affairs.

Symbols 3 through 6 deal with various combinations of no-fault and compulsory auto, which are state specific and not included in this discussion.

The symbols shown on the previous page are liability symbols in common use where no-fault laws do not apply.

The broadest possible description for a covered auto is symbol 1. This will not only capture non-owned and hired autos but also any circumstance where mobile equipment can be deemed an automobile at the time and place of accident. But what if symbol 1 is not available?

Some Assembly Required. Use of symbol 1 tends to be restricted to larger high-quality accounts that can submit to the audit requirements and underwriting controls for premium calculation required by this designation. When this symbol is unavailable, the default position for underwriters will either be symbol 2 covering “owned autos” on a blanket auditable basis or a schedule requirement represented by symbol 7.

In that case, to capture hired and nonowned vehicle coverage, symbols 8 (hired) and 9 (nonowned) should be added. This still leaves the mobile equipment question unanswered. Realizing this, in 2006 the drafters of the form added a new symbol to deal with the possible gap that the general liability revision created if “mobile equipment” became “auto.” See symbol 19 below.

Since this is a “known unknown,” there is no schedule requirement. Using this symbol now closes the gap to keep mobile equipment cov-

ered. A cautionary note is in order: if the insurance company does not write both the liability and auto coverages, it would be understandably reluctant to offer symbol 19 on the auto policy. This is another compelling reason to put the CGL and the BAP with the same insurer whenever possible.

This is a good practice beyond dealing with the mobile equipment conundrum since it could also resolve conflicts in coverage involving loading and unloading claims. CGL or auto claims questions are easier to resolve if it is the same company but different “pockets.”

Pollution

Let’s turn to an endorsement that should be considered essential for agribusiness vehicle exposures.


What Is a Covered Auto Likely To Carry?

The BAP is the only standard line of insurance that has a response to clean up costs for a pollution event. It is stated at the top of the next page.

Note the quotation marks send us to the definitions. The “Definitions” section D. goes on for several paragraphs to carve out an exception to the “pollution” exclusion. The key paragraph shown at the bottom of the next page limits this exception to the operational fluids of the covered vehicle.

In summary, the policy will pay to clean up the operational fluids of a covered vehicle if they are

SYMBOL 19: STANDARD BUSINESS AUTO COVERAGE FORM

19 	Mobile Equipment Subject to Compulsory or Financial Responsibility or Other Motor Vehicle Insurance Law Only	Applies coverage to land vehicles that would qualify under the definition of “mobile equipment” under this policy if they were not subject to a compulsory or financial responsibility law, or other motor vehicle insurance law, where they are licensed or principally garaged.
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STANDARD BUSINESS AUTO POLICY POLLUTION EXCLUSION

Regardless of the number of covered “autos”, “insureds”, premiums paid, claims made, or vehicles involved in the “accident”, the most we will pay for the total of all damages and “covered pollution cost or expense” [emphasis added] combined resulting from any one “accident” is the Limit of Insurance for Covered Autos Liability Coverage shown in the Declarations.

Source: Business Auto Coverage Form, CA 00 01 10 13, © Insurance Services Office, Inc., 2011

put there as a result of a covered accident. This is a limited form of first-party cleanup costs. But what about the spilled cargo? Doesn't the typical haul include such items as dairy products, soil amendments, fertilizer, diesel fuel, or anhydrous ammonia?

A Mandatory Amendatory Endorsement

Recognizing that cleanup of the cargo will usually be a consequence of an accident involving an agricultural account, the “Pollution Liability—Broadened Coverage for Covered Autos—Business Auto and Motor Carrier Coverage Forms” (CA 99 48) endorsement should be routinely requested at the time of placement. This removes the restriction that responds only to the operational flu-

ids of the vehicle to broaden the response of the cleanup requirement to apply to any “pollutant,” which can include the cargo.

Be aware, this is not true pollution coverage. This obligation only applies to a covered vehicle because of a covered accident. Other incidents such as loading and unloading, leakage, or spills have no coverage response. A transportation pollution liability endorsement or extension as part of an on-site pollution and remediation legal liability policy should always be recommended. This is especially important if a filing is required.

The MCS-90 Endorsement

The federal Motor Carrier Act of 1980 requires an insured to show financial responsibility if it is

STANDARD EXCEPTION TO THE BUSINESS AUTO POLICY POLLUTION EXCLUSION

Paragraph a. above does not apply to fuels, lubricants, fluids, exhaust gases or other similar “pollutants” that are needed for or result from the normal electrical, hydraulic or mechanical functioning of the covered “auto” or its parts [emphasis added], if:

1. The “pollutants” escape, seep, migrate, or are discharged, dispersed or released directly from an “auto” part designed by its manufacturer to hold, store, receive or dispose of such “pollutants”; and
2. The “bodily injury,” “property damage” or “covered pollution cost or expense” does not arise out of the operation of any equipment listed in Paragraph 6.b. or 6.c. of the definition of “mobile equipment” [emphasis added].

Source: Business Auto Coverage Form, CA 00 01 10 13, © Insurance Services Office, Inc., 2011

hauling hazardous material interstate. The insurance company will file the appropriate form, Endorsement for Motor Carrier Policies of Insurance for Public Liability under Sections 29 and 30 of the Motor Carrier Act of 1980, commonly called Form MCS-90, on the insured's behalf. The limits are determined by the nature of the cargo. It is critical to understand that this form does not alter coverage. It is more of an indemnity agreement. If the insurance company must pay for an event not covered by the policy, the insured must indemnify the insurer.

The reimbursement requirement reads in part as follows.

The insured agrees to reimburse the company for any payment made by the company on account of any accident, claim, or suit involving a breach of the terms of the policy, and for any payment that the company would not have been obligated to make under the provisions of the policy except for the agreement contained in this endorsement.

This makes a compelling case for including a documented offer for pollution and remediation coverage as a part of the proposal process.

Risk tip

 Use the Same Company

To close the circle on mobile equipment coverage, it is best to write the FL or CGL and BAP with the same company. The definition of “mobile equipment” in each policy is more likely to be consistent since the “mobile equipment” considered “auto” by one policy (CGL) can now be accepted as “auto” by the other (BAP).

Symbolism

If symbol 1 is not available on the BAP, symbol 2 or 7 must be accompanied by symbols 8, 9, and 19 to capture hired, nonowned, and (if any) mobile equipment as auto liability.

All agribusiness accounts will haul “pollutants” in some form. Always attach CA 99 48 to expand the covered accident cleanup costs for the insured vehicle beyond operational fluids to include cargo. Broader pollution coverage should be offered as a standard practice.

Motor Vehicle Physical Damage versus Inland Marine

Physical damage coverage for mobile equipment is typically written on an inland marine form called a “farm equipment floater.” This is a “non-controlled” inland marine line of coverage, which means that the rates and policy forms are not subject to prior approval by a regulator. This form provides more flexibility to underwriters to negotiate customized coverage and premium terms appropriate to the individual customer’s exposure and risk management.

Auto physical damage rates tend to be less negotiable and coverage terms for collision and other-than-collision perils less flexible.

Whenever values can be clearly identified on vehicle-mounted or self-propelled equipment, given the choice of auto physical damage versus inland marine, the default recommendation is to use the equipment floater. The flexibility it offers trumps the traditional “comp and collision” and actual cash value (ACV) auto policy terms.

The inland marine (IM) form is more adaptable, for example, in the following areas.

- Deductibles can vary as to equipment type—flat-dollar amounts or percentages.

- Valuation can be fine-tuned for certain line items from ACV to replacement cost.
- Coverage territory can be broadened or limited.
- Addenda to cover rented, borrowed, or newly acquired equipment can be negotiated for various limits and duration.

The marine form is the clear winner and is the best tool for matching coverage to exposure and incentivizing good risk management practices.

Risk tip

 Read the Leases and Contracts!

Whenever a loss payee is required to be added to the equipment policy, it is a good practice to read the lease terms for two important reasons.

1. **Valuation.** It will usually be a requirement for the insured to be responsible for the replacement cost of leased equipment. The default valuation of the IM floater is typically actual cash value. To comply with the lease terms and better protect the insured from financial harm, the valuation clause should be negotiated with the underwriter and adjusted accordingly.
 2. **Notification.** The agreement will often require the insured to have the insurance company send the lessor notice of any cancellation or nonrenewal. The standard language in a loss payable endorsement imposes no obligation to the insurance company to do so. The lender's loss payable endorsement imposes that obligation on the insurance company like a mortgage clause. Always ask for this endorsement to protect the interest of the secured third-party lender.
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What Happens When Something Happens? Loss of Use

While dealing with repair or replacement of the equipment under a covered loss, what happens during this “downtime”?

Modern farm equipment can run the gamut from GPS-controlled tractors and combines to drilling rigs. This period of interruption for critical equipment can result in increased overhead and lost revenue. How can that be covered?

Mobile Business Interruption

Two new forms were introduced in 2014 to improve the options to deal with the consequences of lost time. These forms were introduced to offer loss of income and extra expense coverage for vehicles or mobile equipment.

The *vehicle* form is an endorsement to the BAP. The “Business Interruption Coverage” endorsement (CA 99 05) extends time element protection to “owned autos” for either a scheduled limit per vehicle or a single limit over multiple vehicles. This extends comprehensive and collision coverage to pay for the lost revenue and increased overhead during the restoration period of the covered units.

It provides loss of income and extra expense for the covered vehicles during the period of restoration; there is no coinsurance. A discussion of adequacy of limits to cover the downtime is always appropriate and should be well documented. This form is ideal for food trucks, which are a burgeoning investment for some farmers and ranchers. This is also appropriate for vehicle-mounted drilling rigs, sprayers, cherry pickers, and similar important permanent vehicle-mounted equipment.

For *inland marine farm equipment*, once again, some assembly is required.

The commercial property “Business Income (and Extra Expense) Coverage Form” (CP 00 30) was designed as an extension to the fixed location. A limit for loss of income and extra expense at an insured location (offices, packing house, granary, etc.) is first established, and then the “Off Premises Interruption of Business—Vehicles and Mobile Equipment” form (CP 15 06) is added.

This now extends the coverage to the designated equipment providing a fixed location limit at the scheduled premises and a separate limit for designated equipment off premises. In many cases, this is where the greatest exposure lies. For example, downtime on a \$350,000 combine can be more significant than loss of use of a garage or office. There is now a way to manage that into coverage.

The form uses the traditional “open perils” of the commercial property covered causes of loss and adds the additional peril of “collision upset or overturn” to round out the coverage for mobile equipment. There is no coinsurance, but discussion and documentation of limits remain important.

Some individual companies may have adapted this form for direct attachment to the IM equipment policy, which also remains a possibility in subsequent revisions.

Risk tip

Time and Extra Time

Two things are important when discussing limits: time and extra time. When discussing downtime for lost or damaged equipment, the questions become, Is the limit enough to pay for that lost time? Will there be enough left to pay for any extra time required to put earnings back to preloss levels once the equipment is restored?

Time (i.e., downtime) is determined by the period of restoration. For business income coverage, the period of restoration begins 72 hours after the time of direct damage loss and ends when the damaged property should be repaired, replaced, or rebuilt, using reasonable speed and similar quality, or *when business is resumed* at a new permanent location. For extra expense coverage, the period of restoration begins immediately after the time of the direct physical loss and ends when the damaged property should be repaired, replaced, or rebuilt, using reasonable speed and similar quality or when business is resumed at a new permanent location.



When the above condition is over, the loss of income can continue to restore earnings to pre-loss levels with “extra time,” as provided for in the form. The extended business income provision grants coverage for loss that the insured continues to suffer for up to 60 days after repairs are complete. Extended business income coverage begins on the date when the scheduled vehicles or mobile equipment are repaired or replaced and operations resume. It ends on the earlier of the following: (1) *the number of days shown in the endorsement schedule or, if there is no notation, 60 days later*; or (2) the date the insured could, with reasonable speed, restore operations to the level that would generate the business income amount that the insured would have received if there had been no direct physical loss or damage.

So, to recap, the limit selected should account for

1. Standard time to repair or replace the covered equipment or resume operations, whichever is quicker, and
2. Extra time, an additional 60 days’ loss of earnings coverage available after the period of restoration if that extra time is needed to get back to preloss status.

Note that in many cases the 72-hour waiting period on earnings coverage can be eliminated and additional time beyond the 60 days’ additional time to recoup income can be purchased in 30-day increments.

Understanding how time is paid for in the business interruption forms can help you guide the customer in a discussion of limits.

Those limits based on a discussion of how the coverage works should always be the customer’s well-documented selection!

Managing Policies into a Program

If it takes more than one card to make a good hand in poker, it takes more than one policy to make an effective insurance program. Looking at coverage in pieces usually offers a fragmented response to risk transfer. Understanding how each policy in the program responds to the total exposure and understanding how individual policies can complement the others puts the focus on cost-effective coverage versus cheap policies. It also offers more value to the customer with less opportunity for a claim to fall into one of the gaps.

The Circle of Coverage

“Mobile equipment” is covered when it is used for working on the insured premises or jobsite specified on the CGL or farm liability forms. If it travels on the highway under its own power or carried or towed by a vehicle, coverage goes to the “auto” policy. There could arise a circumstance where “mobile equipment” could be deemed an “auto” because of a changed requirement regarding motor vehicle financial responsibility at the time and place of the accident. That event would require the companion “auto” policy to be able to step into coverage.





Steps To Manage the Array of Policies

Step 1: Make Sure the Definitions Match!

The “mobile equipment” definition in the BAP should match the one in the ISO CGL policy.

Step 2: The Business Auto Policy

The “mobile equipment” definition in the BAP should match the CGL/FL more consistently if both policies are placed with the same company. This means that since “mobile equipment” excludes “auto” on the CGL/FL, the BAP will be able to capture coverage if the “covered auto” symbol is appropriate. Symbol 1 or 19 will do the job. Different companies for each line can create a conflict if the definitions do not match or the underwriter won’t grant symbol 1 or 19.

Step 3: Don’t Forget the Cargo Cleanup!

To cover the “cleanup” costs for the insured’s cargo deemed a “pollutant” in a covered accident, CA 99 48 is an essential endorsement. Without this, cleanup is limited to the vehicle’s operating fluids.

Step 4: Auto Physical Damage or Marine?

When given a choice between auto physical damage or inland marine for qualified mobile equipment, the marine form is more appropriate since it is more flexible.

Beyond the repair or replacement coverage for the equipment on the floater, offer business interruption coverage and extra expense. This is an important consideration for key equipment, and new forms can help properly address this.

Business auto should be marketed as a complementary policy to the premises liability. Piecemeal marketing seeking price over quality often puts the customer with a different insurer, which can leave gaps in coverage. Viewing the vehicle exposure in context requires a two-policy solution to be sure the entire vehicle exposure involving both “mobile equipment” and “auto” is considered.

Inland marine is the most versatile policy to cover the physical damage to “mobile equipment.” This does a good job of addressing the repair and replacement of equipment that is not only critical to farming or ranching but has evolved to be more complicated and expensive with costly consequences when it is out of service. New forms are available to cover the insured “downtime” and should be offered as a critical companion to the equipment floater.

The New “Perils” Challenge for the 21st-Century Farmer

The challenges of covering “mobile equipment” increase incrementally with the constantly improving complexities of the automated farm or ranch. Consider the traditional “open perils” addressing physical damage loss to new-generation equipment such as GPS-positioned combines, computer-programmed automated vegetable pickers, or networked tractors and tillers. The traditional coverage requires external physical damage to trigger coverage.

New policy offerings in the marketplace can go beyond this response to broadly cover damage inflicted by worm, virus, or malicious code. These won’t leave a mark on the equipment but can trigger a catastrophic shutdown and expensive software restoration.

On the liability side, recent changes to the commercial general liability policy exclude “computer data” as covered property. That means if the

customer is responsible for damaging somebody's data by inadvertently transmitting a virus in their interactions, there is no coverage under the CGL.

Risk Management and Coverage Challenges in the 21st Century

The industry response to these emerging challenges creates new opportunities. The cyber-liability marketplace is constantly evolving and offering new forms of coverage to deal with these first-party and third-party threats. Just like you can draw cards to improve a poker hand, we can now find new policies or endorsements to pick up coverage excluded by traditional forms to offer more effective risk transfer choices.

Now that the 21st-century farm or ranch has embraced cyber technology to not only survive but thrive, this creates another circle to consider.

The modern farmer or rancher is now on the cutting edge of automation, which helps lower oper-

ating costs and improve efficiency. It also adds more exposure to such threats as the following.

- Transmitting a virus that may damage a third party's data and operations. This is excluded from coverage by the CGL or FL.
- A cyber attack or electronic vandalism on the insured's operating system. Traditional "open perils" require "external physical damage" to the equipment for a response.
- Proprietary software and code to manage planting and other farm operations. Defensive intellectual property coverage may be needed.
- Drone usage to survey and monitor property may require an endorsement to modify the "aircraft exclusion" on the CGL.

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