

2/1/2025

Reducing the Risk

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An increase in the frequency of severe weather events, reduced market capacity, higher labor, material, and equipment costs, and unusually high jury awards are all causing insurance premiums to rise across industries. For horticultural businesses, as the cost and frequency of your risk increases, your insurance must account for them to help keep your livelihood protected.

Understanding these changes will help you make informed strategic decisions, including how best to mitigate your total risk to help offset several of these costs in the coming year.

Here are five key trends that will affect your agribusiness risks and coverage in 2025, along with practical steps you can take to reduce risks and manage your policy expenses.

1. Rising commercial auto liability costs

Commercial auto liability costs are soaring, driven by rising vehicle repair and replacement costs, and an increase in investor-driven litigation financing that's leading to more lawsuits and jury awards that exceed \$10 million. Whether you're transporting plants or equipment between fields and greenhouses or across state lines, these costs can significantly impact your bottom line.

Lessen your business' risk to help secure better coverage, higher limits and lower premiums. Manage your risk in these key ways:

- **Hire right.** Start with thorough background checks on drivers and review their driving records to ensure you have qualified, safety-conscious people behind the wheel.

- **Make safety training a priority.** Work with your insurance carrier to establish and implement a robust driver safety training program. Enforce it with strict supervision and disciplinary measures, if necessary. You can also incentivize safe driving with performance bonuses.

- **Dedicate a team member to safety enforcement.** This person's job should focus on minimizing risk and ensuring compliance with all driver safety protocols, as well as those throughout your operation.

- **Use telematics technology to enforce good behaviors.** Install telematics that monitor vehicle performance and driver behaviors to help identify unsafe actions. Ensure you act on that data, however, as failing to do so may increase your legal consequences if an accident occurs. Dash cams may also exonerate your employee and lessen your liability if an accident occurs and footage shows your driver wasn't at fault. If you have questions about getting started, speak with your insurer. They can suggest solutions and help you

implement them.

2. Horticultural property insurance carriers drop off

More carriers are leaving the horticultural property market due to increasing severe weather events and their effects on greenhouse operations, leaving the industry as a whole with fewer coverage options. Those carriers still in the market are adapting by offering higher deductibles for specific perils, such as wind and hail damage. These options may require you to share more in the losses and take a greater role in managing your inherent risk. But you can still get the coverage you need to remain in business should a severe weather event strike your property.

Severe weather will continue to challenge horticultural businesses in the coming year. Protect your property in these ways:

- **Keep your property in top shape.** You can minimize risk by regularly inspecting and supporting roofs and other critical structures and keeping your property free of debris. Even when not required by law, consider best practices like sprinkler systems for your warehouse or facility. These will show carriers that you're doing all you can to minimize your risks.

- **Accurately assess your property value.** Work with your agent or carrier to keep assessments up to date and maintain adequate insurance limits. Don't wait until a loss occurs to find out you're under-insured, especially given the recent rise in material and labor costs.

- **Choose the right carrier.** The value of industry-specific expertise and strong relationships across the horticultural market should not be taken for granted.

3. Growing cyber security risk

As the horticultural industry relies more on digital technology, the risk of cyber threats grow. In 2023, food and agriculture ranked as the seventh most targeted industry for ransomware attacks, accounting for 5.5% of all incidents. These attacks can disrupt your operations, and cause financial and reputational damage.

Safeguard your business from threats in these ways:

- **Establish strong preventative measures.** While purchasing cyber insurance is important, having a robust risk management strategy is just as critical. These can include employee awareness and training efforts, regular software updates and security audits, and building out an incident response plan. Your carrier may be able to help with these.

- **Regularly test your systems and protocols.** Self-assessments help identify potential vulnerabilities and ensure you maintain a strong defense against cyber threats.

4. Insufficient business income coverage

Many businesses are under-insured when it comes to business income or interruption insurance. This coverage protects your net profits and helps pay ongoing expenses during periods when operations are halted due to an accident or damage that's covered by your insurance. If a tornado devastates your greenhouse, business income insurance can cover your lost profits while you rebuild and even for a period of time after rebuilding is complete if you've missed a growing season.

Many growers underestimate the costs and potential lengths of downtime should severe weather strike. Here

are some ways to weigh whether you have adequate business income/interruption coverage for your current risks:

- **Reassess your current risk and cost exposures.** Look at factors like your gross annual sales, profit margin, payroll and how long it would take to rebuild and resume operations. You can opt for an actual loss sustained rider for comprehensive protection, but if that's not possible, choose a limit that reflects your true business needs.

- **Right-size your coverage.** Reevaluate your current coverage, its scope, duration and limits to align with current exposures. If your current coverage is only 10% of your gross sales, you're likely under-insured. A limit closer to 25% is more appropriate, but ensure it matches your exposures.

5. A continued greenhouse labor shortage

As it becomes harder to secure a dedicated workforce, you need to decide whether to manage labor directly or engage a labor contractor, and when to use H-2A and H-2B workers. If the latter, solid contracts with labor contractors are essential to protecting your business from claims.

For example, say a group of H-2A workers traveling together was involved in an accident. If you were to find that the labor contractor's workers' compensation coverage had lapsed due to non-payment of the premium, your horticultural business could be vulnerable to litigation.

To help minimize your risk, use strong contract best practices, including:

- **Make contracts comprehensive.** Include "hold harmless" language in your contracts with labor contractors and require that you're named in them as additional insured to protect your business from legal liability.

- **Verify insurance coverage.** Your labor contractor must carry proper insurance and your business should be named as an additional insured. Obtain their certificate of insurance (COI) before engaging a labor contractor.

- **Monitor compliance.** Regularly check that the contractor maintains its insurance and meets legal obligations to safeguard your business against potential claims. This can be accomplished through the COI if you're named as an additional insurer.

You can implement these strategies to help mitigate your risk, costs and losses while positioning your business for long-term success in a competitive market.

Keep in mind these are just tips to help get you started. It's essential to consult with your insurance professionals and local experts to create a risk mitigation strategy tailored to your business' unique needs and exposures in the coming year.

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