

Focus on Forms...Did You Know? Using the GL-9 (1.0) with the GL-610 (2.0) on Farmowners

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Multiple insureds on a single policy

In my short tenure with WRC, I have helped quite a few clients determine the best way to name multiple insureds on a single policy in an effort to provide the appropriate level of coverage for each. Some situations have involved estates and others have involved numerous family members and even some LLCs established for a specific part of the operation. Unfortunately, financial advisors, attorneys and CPAs don't understand the insurance implications of their advice to clients, so it is up to us to construct the policy in a way that protects everyone involved – only to the extent of insurable interest, of course!

Many of you attended Becky Haug's recent training sessions and she did a great job of showing how to determine insurable interest and which forms to use in her Insuring Trusts, LLC's and Corporations section. Generally, if the named insured is a person and the company intends to provide personal liability, use the GL-2. If the named insured is an entity, then the company should NOT provide personal liability and should use the GL-610. So, what do you do when you have a situation that involves both?

Determine who has Interest in what

As many of you learned in training, the first step is to determine who has interest in what. Only at that point can you begin to set up the policy. And remember, for property claims, any named insured(s) and additional insured(s) will be named on a claim check. So, you always want to name as few people as possible while still getting the job done. Sorry, I digress...

When you have a combination of owners where some require personal liability and some do not, regardless of type (individual, LLC, etc.), a combination of the GL-610 and GL-9 may just do the trick. The GL-610 provides coverage for Premises/Operations and Products only – no personal liability is included. The GL-9 can then be used to endorse the GL-610 to extend coverage for personal liability for named persons. The GL-9 does not provide 'new' limits; it merely extends the liability limits in the GL-610 to the covered personal liability exposures as described in the GL-9 for the persons named in the schedule of the endorsement. Perhaps this is best illustrated with a common scenario.

A Family Example

Larry Bear and his two brothers, Jeff and Todd farm 160 acres together as Bear Brothers, LLC. Bear Brothers, LLC owns the land, buildings, machinery and equipment and livestock. Larry and his wife Cindy live in a dwelling on the farm, but Jeff and Todd have houses in town because their wives refuse to live on the farm. In this case, Bear Brothers, LLC needs liability coverage for premises, operations and products, so that entity would be the 'Insured' named on the declarations. Only Larry and Cindy need personal liability, so they would be listed on the GL-9. Alternately, the named insured could also be Larry Bear, Jeff Bear and Todd Bear, Bear Brothers, LLC. How they are named on the declarations has no impact on the GL-9 and personal liability, so naming multiple entities and persons on the declarations is permissible. The only caveat is that the insured on the declarations also applies

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to property. So as previously alluded to, in the case of a property loss, all three brothers would also be named individually on any claim check.

I realize that some cases may be far more complicated and your instincts are to add everyone as additional insureds. However, that may not be the best solution, since the available additional insured endorsements may not properly indicate the interest of the party that is to be named.

Please note that, as filed by AAIS, the naming solution described above only works with the Farmowners Program. If you determine that you'd like to package this liability solution with the Farm Properties Program, a filing would be required.

Of course, if you have any questions you can always e-mail me at staylor@thewrcgroup.com or call 877-213-3195. We are always happy to offer any assistance. ▲



photo by Annie Rubens