

What Happens after an Insured Farm Equipment Loss?

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After a farm equipment loss your insurance company may determine a value that could be different than your insured value. How big the difference is between the value at the time of loss and the insured value will be determined by how often insured values are adjusted. Whether your equipment is a total loss or determined to be repairable you may need equipment until your equipment is repaired or replaced. In the event of a total loss your equipment will possibly be taken for salvage by your insurance company.

Your insurance premiums are based on the value you have attached to your equipment and should be adjusted based on changes in equipment values. If you don't adjust those values preferably every year you may be paying premium on an insured value that is much higher than the current equipment value. An example of this would be equipment insured at the purchase price when new and then 5 years later it is still insured at the same value. Equipment values have risen in recent years so not adjusting equipment values could also go the other way and leave you with an insured value that is less than the current value of the equipment.

After a loss your insurance company will determine a value for your equipment at the time of loss. Obviously not every insurance company will determine the value using the same method. They could call local equipment dealers and ask what they think the value would be in your area. Equipment value guides could be consulted or they may possibly use the insured value. If you do not agree with the value determined by your insurance company any recent local sales data either from a dealer or an auction could help your position.

An example that happens quite often with combines. The value at the time of the total loss is determined to be \$15,000 and the insured value is \$25,000. Your settlement might be \$15,000 and whether you spent \$10,000 on recent repairs might not even be considered.

Another example only this time the combine is repairable. The value at the time of loss is determined to be \$15,000, the repair estimate is \$17,000, and the insured value is \$25,000. Your settlement could still be \$15,000 and your equipment could be taken for salvage if you cash the check.

In the event that your equipment is repairable and the repair estimate is less than your equipment value at the time of loss your equipment would be repaired at the shop that prepared the repair estimate. If the repair shop can't get you in for a week and you decide to do the repairs yourself, will you get paid the same amount as the repair shop? It is possible that the labor rate listed on the estimate prepared by the repair shop would be lowered if you do the repairs yourself.

Machinery rental expense can help if you don't have an extra piece of equipment sitting around for use in an emergency. This type of coverage may have limits, require a certain percentage to be paid by you, require preapproval, and proof of payment. If a piece equipment is not available for rental this type of coverage may also pay for custom hire. An example would be hiring a neighbor to finish your seeding.

Equipment loss claims are not handled the same by every insurance company. Loss claims with different types vehicles and equipment are also handled differently. For example, class 8 trucks are handled differently than auto and farm equipment loss claims. Adjusting insured values yearly and having a discussion with your insurance company about how loss claims are handled can help you to be prepared if an equipment loss does happen. Or at least a little less surprised by the process.