

INSURING FARM USE VEHICLES

By Daniel Osborne, Virginia Cooperative Extension Agent
Farm Business Management, SW District

In a previous article that I wrote entitled "Farm Use or F-Tags," I explained the different requirements according to Virginia law for "farm use" vehicles and vehicles registered with "F-tags." After writing this article, I had several questions regarding the fact that farm use vehicles do not have to be insured. Make no mistake; farm use vehicles are NOT required to be insured by Virginia law. However, even though Virginia law does not require farm use vehicles to be insured, it does not mean that insuring farm use vehicles is not a good idea.



Prior to 2004, farm liability insurance policies covered these farm use vehicles. Farmers did not have to take out separate auto insurance if they wanted insurance protection on farm use vehicles. However, in 2004 the Virginia Bureau of Insurance, which oversees all insurance companies in Virginia, decided to change its stand to require a separate auto insurance policy if farmers wanted to insure farm use vehicles. When I asked for an explanation of the change, the Bureau of Insurance representative said:

For many years, insurance companies have been providing liability insurance coverage for unregistered farm vehicles under farmowners or general liability policies. However, recent changes to commercial automobile insurance and general liability insurance contracts have clarified how unregistered farm vehicles should be insured based on Virginia's motor vehicle insurance laws. These changes have generated many questions from farmers.

Some background on the changes may be helpful. Under the pre-2004 insurance contracts, unregistered farm vehicles were eligible to be insured as "mobile equipment" under a farm liability or general liability policy. Being insured as "mobile equipment" meant that coverage was provided while the unregistered farm vehicle was on the farm property and when the vehicle was being used on a public road. In the new (2004) definition of "mobile equipment," farm vehicles (registered or unregistered) are considered "autos" when the vehicles are used on public roads. This change means that you must now purchase an automobile policy to insure an unregistered farm vehicle IF the vehicle is used on a public road.

The 2004 change to the definition of "mobile equipment" was made for several reasons. For example, the risk of loss associated with an unregistered farm vehicle while the vehicle is on the farmer's property is entirely different from the risks of loss while the vehicle is on a public highway.

Further, an accident resulting in bodily injury or property damage resulting from the ownership, maintenance, or use of a motor vehicle (e.g. registered or unregistered farm vehicle) when the vehicle is used on public roads could trigger several automobile insurance laws such as statutes requiring certain types of coverage to be provided. One such coverage is uninsured motorist coverage (Code of Virginia § 38.2-2206). In addition, Virginia statutes that require insurers to use specific policy forms and endorsements for writing automobile insurance coverage create an additional conflict between Virginia law and an insurer's desire to provide coverage for an unregistered farm vehicle under a general liability or farmowners policy.

Not being able to determine an alternate solution, the Bureau believes that a change to the Code of Virginia will be necessary to allow insurers to provide coverage for unregistered farm vehicles used on public roads under a farmowners or general liability policy. Such a law change would need to correct an unintended lack of coordination between Title 46.2 (Motor Vehicle Code) and Title 38.2 (Insurance Code). However, even if a change is under an automobile insurance or under a farmowners or a general liability insurance policy, such a change will not necessarily mean that insurers will choose to write the coverage under a farmowners or general liability policy.

Based on this statement, Virginia's Bureau of Insurance has significantly changed the treatment farm use vehicles by simply redefining "mobile equipment." This new interpretation is not a result of a change in the Virginia Code, and I am still not certain what brought this new revelation to the Bureau of Insurance. Nevertheless, these are the facts. If your insurance company has not already discussed these changes with you, then you should expect to hear about them when you renew your farm liability policy. If you have any questions for the Virginia Bureau of Insurance, you should contact the Customer Services Section toll free at 1-877-310-6560.