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Cornhusker Economics

Driver Liability for Farm and Ranch Operations

One major concern of farming and/or ranching operations is the liability of semi-trucks and equipment when they are involved in a traffic accident.

How can I reduce my liability?

The first step to reducing your liability is to ensure that you have a selection process for drivers, obtain background checks, maintain vehicles, and follow transportation regulations. Having documentation of these processes will also help, should your vehicles be in a serious collision.

Do my drivers or I need a CDL?

Nebraska adopted the federal Moving Ahead for Progress in the 21st Century Act (MAP-21) in 2014. These laws exempt vehicles with farm license plates from requiring an operator with a commercial driver's license (CDL), if they are being operated by a farmer/rancher, family member or employee of a farm or ranch and are transporting agricultural commodities, livestock, machinery or supplies to or from a farm or ranch. Vehicles "for-hire" do not qualify for this exemption.

What insurance should I carry?

Insurance policies are the easiest way to reduce liability. Work with your insurance agent to determine if you are carrying adequate coverage for your farm vehicles. Liability insurance should at least be equal to the value of your assets. Make sure that your policies cover "all employees or agents" named or not.

In addition to your vehicle insurance, consider an um-

rella policy for catastrophic accidents. These policies provide additional protection for a relatively low cost.

How do entities fit into this picture?

Another way to reduce personal liability is to create a farm entity, such as an LLC, separating one's personal assets from those of the farm. Work with a lawyer and tax accountant to determine what type of entity works best for you.

Many farming and ranching operations have multiple entities. Carefully consider what assets are placed into the entity. Each entity must be operated as an individual business. Often, the entity's organization papers state that each must have a unique checking account, pay its own expenses, host annual meetings and more. It is crucial that the rules of the entity are followed. Otherwise, the liability protection provided by the entity may be void.

Sources:

<https://www.extension.purdue.edu/extmedia/PPP/PPP-91.pdf>

<https://nebraskacattlemen.org/wp-content/uploads/2018/02/faq-on-map-21-cdl-exemption.pdf>

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