

Navigating the Legal Complexities of Stray Voltage and Insurance Claims

Roger McEowen (roger.mceowen@washburn.edu) – Washburn University School of Law
Ag Law and Taxation Blog: <https://agriculturallaw.lawprofessorsblogs.com/>
March 2026

Overview

For dairy farmers, the health of the herd is the heartbeat of the business. When cows begin to fall ill, milk production drops, or calves die unexpectedly, the emotional and financial toll is staggering. Often, the culprit is an invisible one: stray voltage.

While the physical effects of stray voltage are well-documented in agricultural science, the legal battles that follow are often less clear. A pivotal case, *Hastings Mutual Insurance Co. v. Mengel Dairy Farms, Inc.*,¹ serves as a cautionary tale for agri-business owners. It highlights a frustrating reality: even when an insurer acknowledges that stray voltage caused harm, "partial coverage" might leave a farm's most significant financial losses, lost profits, completely unprotected.

The Mengel Dairy Farms, Inc. Case

Background facts. The dispute began when Mengel Dairy Farms experienced a sudden, devastating decline in their operations. Multiple cows and calves died, and the remaining herd saw a sharp drop in milk production. In an industry where margins are razor-thin, a dip in production isn't just a setback; it's a threat to the farm's survival.

Mengel filed a claim with their insurer, Hastings Mutual, seeking coverage for:

1. The death of livestock.
2. The costs of investigation and electrical repairs.
3. Loss of business profits.

The investigation process was telling. Hastings Mutual hired an electrical company that confirmed the presence of stray current on the property. A subsequent investigation by a fire and explosion firm reached a slightly more ambiguous conclusion that found no active stray voltage at that moment, but nevertheless stating their belief that stray voltage *had* caused the defendant's harm.

Based on these findings, Hastings Mutual paid for the livestock deaths and the repairs. However, they drew a hard line at loss of business profits.

¹ 461 F.Supp.3d 655 (N.D. Ohio 2020).



Merits of the case. When Hastings Mutual sought a declaratory judgment to avoid paying for lost profits, the case centered on two primary legal hurdles: the definition of "electrocution" and the requirement of "necessary suspension."

The insurance company moved for summary judgment, arguing that the policy wasn't triggered because the animals hadn't technically been "electrocuted" in the traditional sense. They argued the cattle died of dehydration, a secondary reaction to the stray voltage, rather than the current itself. However, the policy failed to define "electrocution" specifically for dairy animals.

In insurance law, when a term is ambiguous, courts typically apply the principle of *contra proferentem*, meaning the ambiguity is resolved in favor of the policyholder. The court determined that "electrocution" could reasonably be interpreted as death by electrical shock *or* the cause of irreparable harm. Because the term was vague, the court ruled in favor of the dairy farm on this specific point, refusing to let the insurer dodge the livestock death claims based on a narrow definition of death.

Lost profits. The biggest blow to Mengel Dairy Farms came regarding their claim for lost profits. Most commercial and agricultural policies include a "Business Income" provision, but it almost always contains a specific trigger: a necessary suspension of operations.

The court found that because Mengel Dairy Farms continued to operate - even at a diminished, less profitable capacity - there was no "suspension." The insurer claimed that the lack of a total shutdown meant that there was no business interruption coverage. The court agreed – because the farm didn't cease operations, the policy language regarding lost profits was never triggered.

Observation: This highlights a "Catch-22" for many farmers: if you keep working to save your business, you may disqualify yourself from insurance payouts for lost income.

Summary of the Court's Decisions

The ruling in *Hastings Mutual v. Mengel Dairy Farms* was a mixed bag that ultimately favored the insurer on the most expensive claims.

Claim Component	Outcome	Reason
Livestock Death/Repairs	Covered	Insurer admitted stray voltage caused harm; "Electrocution" was defined broadly.
Lost Business Profits	Denied	The farm did not "suspend" operations.
Breach of Contract	Denied	Linked to the lack of business suspension.
Bad Faith	Denied	The court found mere negligence is insufficient for a bad faith claim.
Unjust Enrichment	Denied	Standard denial when a written contract (the policy) exists.



Lessons for the Dairy Operations

This case provides several vital takeaways for agricultural operations dealing with electrical issues:

- 1. Beware of the "Total Shutdown" clause.** Standard insurance policies are often designed for catastrophic events like fires, where a building is gone and work stops completely. They are poorly equipped for "slow-motion" disasters like stray voltage, where a farm remains open but loses money every day. Farmers should talk to their agents about "Loss of Value" riders or policies that trigger based on a percentage of production loss rather than a total suspension.
- 2. Document the "why" and "how."** Mengel survived the "electrocution" argument because the insurer's own investigators linked the harm to the voltage. If you suspect stray voltage, hire independent experts immediately to document the current levels and the physiological impact on your herd.
- 3. The bar for "bad faith" is high.** Many policyholders feel that if an insurer denies a legitimate-seeming claim, they are acting in "bad faith." As this case shows, being wrong or even negligent in an investigation isn't enough. To win a bad faith claim, you must usually prove the insurer had no reasonable justification for their actions and *knew* it.

Conclusion

The *Mengel Dairy Farms* case is a sobering reminder that "having insurance" is not the same as "having protection." While the farm was compensated for the immediate loss of their cows, the long-term financial damage caused by reduced milk production was left entirely on their shoulders.

In the eyes of the law, a farm that is struggling but still milking is a farm that hasn't "suspended" operations—and that distinction can cost hundreds of thousands of dollars.

For more information about this publication and others, visit [AgManager.info](https://www.agmanager.info).

K-State Agricultural Economics | 342 Waters Hall, Manhattan, KS 66506-4011 | www.ageconomics.k-state.edu

[Copyright 2026: AgManager.info](https://www.agmanager.info) and [K-State Department of Agricultural Economics](https://www.ageconomics.k-state.edu)

