

# LIVESTOCK INSURANCE


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## COVERAGE ALTERNATIVES

- Expensive breeding stock may be insured in an animal mortality policy OR
- FP 00 40 04 16, an inland marine form of coverage issued in connection with a farm property policy
  - Covers death or destruction of covered livestock



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## “Livestock” means...

- Cattle
- Sheep
- Swine
- Goats
- Horses
- Mules
- Donkeys



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## COVERED PROPERTY

- Livestock of a class shown in the declarations
  - Limit *per animal*or
  - Limit of insurance *per class* and a sublimit for *individual animals*
- NO coverage for animals in the custody of a common or contract carrier (well, maybe a little)
- Scheduled or blanket coverage



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## COVERED CAUSES OF LOSS

- Coverage form divided into two parts
  - Covered causes of loss other than theft
  - Covered cause of loss—theft
  
- “Loss” means death or destruction of “livestock”



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## COVERED CAUSES OF LOSS OTHER THAN THEFT

### **Fire or lightning**

**Windstorm or hail**, with the following exceptions:

- caused by or resulting from frost or cold weather;
- caused by or resulting from ice (other than hail), snow, or sleet, whether driven by wind or not;
- to livestock when caused by running into streams, ponds, or ditches, or against fences or other objects, or from smothering or fright; or
- to livestock when caused by freezing or smothering in blizzards or snowstorms

**Explosion**, excluding the types of losses normally covered by an equipment breakdown policy

**Riot or civil commotion**, including acts of striking employees while occupying the described premises and looting occurring at the time and place of a riot or civil commotion

**Aircraft**, meaning loss caused by or resulting from contact of an aircraft, spacecraft, or self-propelled missile with the covered property or a structure that contains it or caused by objects falling from aircraft

**Smoke** causing sudden and accidental loss, including the emission or puffback of smoke, soot, fumes, or vapors from a boiler, furnace, or related equipment. This does not include loss by smoke from agricultural smudging or industrial operations.



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## COVERED CAUSES OF LOSS OTHER THAN THEFT

(CONT'D)

**Sinkhole collapse**, which means a loss caused by the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or dolomite. Sinkhole collapse does not include sinking or collapse into man-made underground cavities.

**Volcanic action**, meaning direct loss resulting from the eruption of a volcano and caused by airborne volcanic blast or shock waves; ash, dust, or particulate matter; or lava flow. Volcanic eruptions that occur within a single 168-hour period are considered one occurrence. Coverage does not apply to the cost to remove ash, dust, or particulate matter if there has been no direct physical loss to covered property.

**Collision** or overturn of a vehicle on which covered livestock are being transported or livestock running into or being struck by a vehicle while crossing, moving along, or standing by a public road. Coverage does not apply if the vehicle involved is owned or operated by an insured.

**Vandalism**, meaning willful or malicious damage to or destruction of livestock.

### Earthquake

**Flood**, surface water, waves (including tidal waves and tsunamis), tides, tidal water, overflow of any body of water, or spray from any of these, whether or not driven by wind (including storm surge).



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## COVERED CAUSES OF LOSS—THEFT

**Theft** of covered property with the following exceptions

- Acceptance of counterfeit money, fraudulent post office or express money orders, or checks or promissory notes not paid on presentations
- Unauthorized instructions to transfer covered property to any person or place
- Voluntary parting with covered property by the insured or anyone else to whom the insured has entrusted it if induced to do so through fraudulent scheme, trick, device, or false pretense

**Theft** also includes a loss caused by or resulting from or made necessary by attempted theft of covered property

Coverage does not apply to theft or attempted theft caused by or resulting from dishonest or criminal acts of the insured or any of its partners, members, officers, managers, employees, directors, trustees, or authorized representatives

Coverage does not apply to loss of property that is missing when the only evidence is a shortage disclosed on taking inventory or any other instance where there is no physical evidence to show what happened to the property



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## OTHER COVERAGE PROVISIONS

### Additional Coverages

- Property removed for safekeeping
- Debris removal
- Extra expense
- Fire department service charge

### Coverage Extension

- Livestock in the custody of a common or contract carrier
- Limit: \$1,000 unless a higher limit is shown in the declarations



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## GENERAL EXCLUSIONS

- Earth movement
- Governmental action
- Intentional loss
- Nuclear hazard
- Utility services
- Neglect
- War and military action
- Water
  - Mudslide or mudflow, sewer backup, subsurface water, waterborne material



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## LIMITS AND DEDUCTIBLE

- Scheduled coverage limits
  - Insurer pays up to the amount in the declarations for loss to specifically identified livestock
- Blanket coverage—for loss in any one occurrence, the insurer pays no more than
  - The animal's ACV
  - 120% of the total limit on each class and type of livestock divided by the number of head of that class and type
    - Each horse, mule, head of cattle < 1 year old is counted as half a head
  - \$2,000  
(Example on next slide)



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## EXAMPLE OF BLANKET COVERAGE

- Limit: \$100,000 on cattle
- In this case, the policy will pay no more than
  - The ACV
  - \$2,000
  - \$120,000 (120% of \$100,000) divided by the number of head of cattle at the time of the loss
- An insured with 120 head of cattle each valued at \$3,000 on an ACV basis will receive \$1,000 for the loss of one animal
  - Because  $\$120,000/120 = \$1,000$



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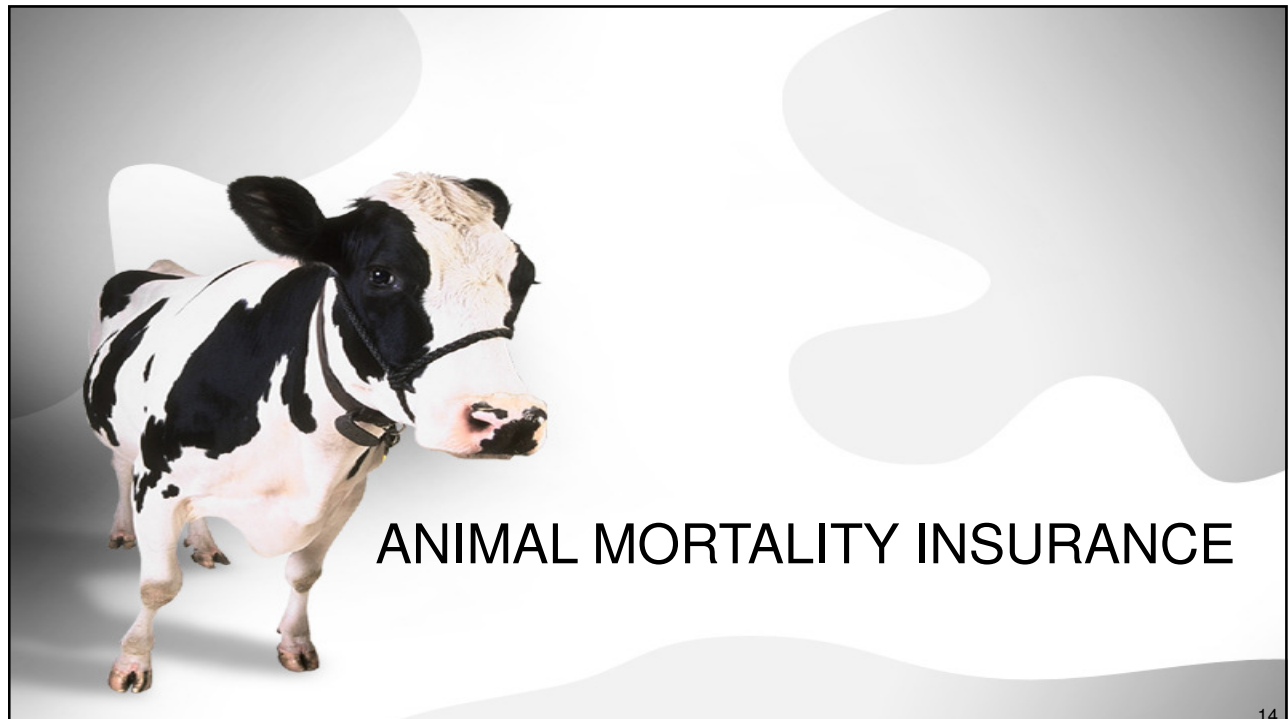
## ADDITIONAL ACQUIRED PROPERTY

- 30 days' coverage on newly acquired livestock
- Insurer pays no more than the lesser of
  - ACV
  - 25% of the total of the limit shown per scheduled item or per class



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## ANIMAL MORTALITY INSURANCE

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## WHY ANIMAL MORTALITY INSURANCE?

- A type of life insurance for death of livestock caused by accident, injury, sickness, or disease
  - Some policies cover theft, disability, health insurance
- Protects farmer's/rancher's investment
- Protects against large-dollar losses and provides calm if an animal dies or must be euthanized
- Usually issued by breed
- Varies with the insurer



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## LIVESTOCK LOSS EXPOSURES

- Same loss exposures as other property
  - Fire, flood, theft, vehicle damage, etc.
- Same loss exposures as people
  - Disease, sickness, disability, premature death
- Outdoor exposures
  - Accidental drowning, lightning strikes, smothering, foot-and-mouth disease
- In-transit exposures
- Loading and unloading accidents



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## LIVESTOCK DEFINED

- A domesticated animal raised in an agricultural environment for the purposes of providing food, fiber, or labor
  - Broader definition than livestock coverage form (cattle, sheep, swine, goats, horses, mules, donkeys)



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## TYPES OF ANIMALS INSURED UNDER LIVESTOCK MORTALITY POLICIES

- Equine: work, breeding, show, racing, or pleasure horses
- Cattle: beef and dairy cattle and those used for production of leather or for waste products (manure)
- Swine: pigs and hogs, primarily used for meat production
- Lambs, sheep, and goats: used for dairy production, meat, and fiber (wool)
- Poultry: egg-laying and meat birds such as chickens, turkeys, ostriches, and guinea hens and those used for fiber production
- Mules and donkeys: typically used for labor (may be included in the equine category)
- Alpaca and llamas: predominantly used for fiber production
- Bison and buffalo: meat production
- Fish: farm-raised and used for food



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## ANIMAL MORTALITY INSURANCE

- Every policy is unique
- Underwriting is similar to human life and health insurance
  - Medical exams and tests
  - Importance of pre-purchase examination
- Underwriting considerations
  - Age
  - Type of breed, breeding history
  - Intended use
  - Documented value
  - Training records
  - Past illnesses/injuries
  - Veterinary certification
  - Owner's experience with the breed and the animal



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## COVERAGE OPTIONS

- Not limited to death or destruction
- Primary types of coverage available
  - Major medical
  - Surgical coverage
  - Trip transit
  - Accident, sickness, and disease
  - Loss of use
  - Equine mortality and surgery
  - Other forms of coverage for specific situations



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## MAJOR MEDICAL POLICIES

- Cover
  - Reasonable and customary charges necessitated by accident, injury, or illness
  - Veterinary fees for surgery, major illness, disease
    - Preapproval generally required
  - Theft
  - Euthanasia
- Important to clarify
  - Covered locations
  - Coverage territory
  - Whether preapproval is required before relocating the animal



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## SURGICAL POLICIES

- More restrictive than major medical insurance
- Cover only usual/customary charges for surgery and anesthesia caused by accident, injury, illness
- May include a limited amount of coverage for hospitalization, X-rays, medication, lab tests



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## TRIP TRANSIT POLICIES

- Cover transportation by land or air
- Territory: United States and Canada
  - May be extended to other countries for a limited time or cover international exposures
- Preapproval
  - Usually required before the animal is transferred



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## ACCIDENT, SICKNESS, AND DISEASE POLICIES

- Named perils
- Usually written only on stallions



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## LOSS OF USE COVERAGE

- Similar to disability insurance on humans
- Coverage options
  - Accidental loss of use
  - Comprehensive coverage
    - Includes accidents, injuries, and diseases, such as founder, arthritis, navicular



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## EQUINE MORTALITY AND SURGERY COVERAGE

- Covers medical treatment or death as a result of injury, illness, or humane destruction
- Coverage territory: United States and Canada in most policies
- May contain provisions for
  - Colic surgery
  - Guaranteed extension coverage
    - 12 months' coverage when injury/illness continues after the policy period ends and another insurer writes the renewal
  - Surgical coverage
    - Limit usually lower than the mortality coverage
- Major medical coverage
  - Similar to but broader than surgical coverage



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## OTHER COVERAGE FORMS

- Livestock transit coverage—coverage for haulers transporting animals owned by others
- Feedlot, pasture, and dairy cattle coverage—loss to cattle or other animals from weather and related perils
- Livestock auction or packer coverage—provides coverage for operators of auctions and packing houses for animals on their premises and in their care, custody, or control
- Poultry coverage—covers various birds in poultry operations, such as egg laying, hatcheries, and meat bird production
- Confined swine coverage—loss due to fire, wind, power interruption, and other perils for pigs and hogs in confined environments
- Livestock ocean marine and import/export—transit coverage via air or water in international transit
- Aquaculture coverage—coverage for fish hatcheries and farming operations
- Frozen semen and frozen embryos—coverage for semen and embryos used in the breeding process



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