

**Agribusiness and Farm Insurance Specialist (AFIS®)**

**Special Farm Property Insurance Lines**

#IRMI2018

Copyright © 2018 International Risk Management Institute, Inc.



1

---

---

---

---

---

---

---

---

**Course Overview**

Chapter 1: Equipment Breakdown Insurance  
 Chapter 2: Mobile Agricultural Machinery and Equipment Insurance  
 Chapter 3: Livestock Insurance  
 Chapter 4: Animal Mortality Insurance  
 Chapter 5: Crop Insurance

**AgriCon**  
IRMI Agribusiness Conference

Copyright © 2018 International Risk Management Institute, Inc.

2

2

---

---

---

---

---

---

---

---

**Equipment Breakdown Insurance**

**Chapter 1**

**AgriCon**  
IRMI Agribusiness Conference

3

---

---

---

---

---

---

---

---

### Introduction

- Needed because standard property policies' exclusions eliminate coverage for explosion of boilers and other pressure vessels and mechanical and electrical breakdown
- Protects against direct loss and income loss
- Formerly known as boiler and machinery insurance
  - Covers boiler explosions and also mechanical and electrical damage losses
- Coverage available
  - In a separate monoline policy
  - By endorsement to a commercial property policy



Copyright © 2016 International Risk Management Institute, Inc.

4

4

---

---

---

---

---

---

---

---

### Equipment Breakdown Exposures

- Mechanical breakdown
- Electrical breakdown
- Steam explosion (including vessels and piping)
- Spoilage of temperature-sensitive property



Copyright © 2016 International Risk Management Institute, Inc.

5

5

---

---

---

---

---

---

---

---

### Who Needs Equipment Breakdown Insurance?

- **Hobby and suburban farms:** electrical equipment, heating and air circulation systems, computers, security systems, pumps and irrigation equipment
- **Dairy farms and dairies:** heating and air circulation systems, feeders, pressurized water fountains, milking equipment, refrigeration equipment, grounding and bonding networks, chute and gate systems, processing equipment, bulk storage vessels
- **Cattle, hog, and other livestock ranches:** heating and air circulation systems, feeders and pressurized water fountains, refrigeration equipment, chute and gate systems, weighing scales, storage tanks and silos, tagging equipment, balers and bale wrappers, GPS equipment, cold storage for medicine and breeding supplies
- **Fruit processing and storage:** cold storage; nitrogen injection systems to prevent aging or spoiling; packing, labeling, and shipping equipment
- **Crop farms:** grain elevators, irrigation systems, dryer systems, silos, packaging equipment



Copyright © 2016 International Risk Management Institute, Inc.

6

6

---

---

---

---

---

---

---

---

### Who Needs Equipment Breakdown Insurance? (cont'd)

- **Poultry farms and hatcheries:** air and water circulation systems; filtration equipment; temperature control equipment; automatic feeders; conveyor systems; packaging equipment; mechanized feed, waste, and egg handling equipment
- **Cotton farms and ginning operations:** irrigation systems, cotton gins, baling equipment, crane systems
- **Orchards, vineyards, and wineries:** refrigeration systems, controlled environmental systems, irrigation equipment, distillery equipment, packaging and labeling equipment
- **Plant nurseries and greenhouses:** heating and air circulation systems, irrigation equipment, compressors and applicators, packaging and labeling equipment



Copyright © 2016 International Risk Management Institute, Inc.

7

7

---

---

---

---

---

---

---

---

### Emerging Exposures

- Equipment breakdown is now an important component of a comprehensive insurance program for ag operations
- Examples of new technologies that are an integral part of agribusiness industry
  - Wind turbines
  - Solar energy
  - Methane digesters
  - Hydraulic fracturing equipment
  - Tablets and smartphones that run ag-specific applications
  - Wireless and cellular communications systems
  - High-resolution cameras
  - Onboard GPS and computer systems that control operations of farm equipment



Copyright © 2016 International Risk Management Institute, Inc.

8

8

---

---

---

---

---

---

---

---

### Equipment Breakdown Insurance

- “Declarations-driven”
  - Coverages printed in the policy are activated only when an entry is shown in the declarations



Copyright © 2016 International Risk Management Institute, Inc.

9

9

---

---

---

---

---

---

---

---

### What Is Covered?

- Cost to repair or replace covered equipment that suffers a covered breakdown or accident
- Damage to the equipment and also to the insured's buildings and personal property
- Covered causes of loss include
  - Mechanical breakdown
  - Artificial electrical disturbance
  - Steam explosion
  - Breakdown of steam vessels
  - Piping and breakdown of hot water vessels
- Most policies also cover expediting expenses (often maximum such as \$25,000)



Copyright © 2016 International Risk Management Institute, Inc.

10

10

---

---

---

---

---

---

---

---

### What Is Covered? (cont'd)

- Business income and extra expense coverage may be included
  - Typically "actual loss sustained"
  - Deductibles may be
    - Dollars
    - Hours
    - Days
    - Multiples of per diem limit
- Spoilage coverage option (not limited to food products)
- Utility interruption option



Copyright © 2016 International Risk Management Institute, Inc.

11

11

---

---

---

---

---

---

---

---

### Coverage Limitations

- Most policies have a sublimit (e.g., \$25,000) for
  - Hazardous substances
  - Ammonia contamination
  - Water damage
  - Data and media



Copyright © 2016 International Risk Management Institute, Inc.

12

12

---

---

---

---

---

---

---

---

### Additional Coverage Options

- The declarations may also trigger coverage for
  - Ordinance or law
    - Additional cost to bring the building up to code after a covered loss
  - Errors or omissions
    - Mistakes in describing covered property
  - Brand and labels
    - Identifying and labeling salvage goods
  - Contingent business income and extra expense
    - Declared nonowned locations (e.g., a dairy)



Copyright © 2018 International Risk Management Institute, Inc.

13

13

---

---

---

---

---

---

---

---

### Covered Property

- Usually broadly defined to automatically cover most equipment owned, leased, or operated by the insured
  - Equipment must be at designated or newly acquired premises
- Exclusions apply for
  - Foundations
  - Irrigation systems
  - Combines, tractors, other vehicles
  - Growing crops
  - Alcohol stills
  - Computers not used to operate other equipment



Copyright © 2018 International Risk Management Institute, Inc.

14

14

---

---

---

---

---

---

---

---

### Covered Accidents or Breakdowns

- Two approaches
  - Accident defined as sudden and accidental breakdown of covered equipment
  - Coverage for losses excluded by commercial property form
- Exclusions eliminate coverage for routine maintenance
- Intent: coverage for unexpected equipment breakdowns



Copyright © 2018 International Risk Management Institute, Inc.

15

15

---

---

---

---

---

---

---

---

### Unique Equipment Breakdown Conditions

- Suspension Clause
  - Insurer may immediately suspend coverage on any item that an inspection shows to be in dangerous condition
- Joint Loss Agreement
  - Can be a policy provision or an endorsement
  - Applies when equipment breakdown insurer and commercial property insurer disagree whose policy should respond to a loss and for how much
    - Each insurer pays half the disputed amount while the insurers work out the dispute



Copyright © 2016 International Risk Management Institute, Inc.

16

16

---

---

---

---

---

---

---

---

### Property/Equipment Breakdown Package Policies

- Joint loss agreement is unnecessary when the same insurer handles both commercial property and equipment breakdown coverages
- Approaches
  - Add an equipment breakdown coverage section or form to a commercial property policy
  - Offer a property policy with no equipment breakdown exclusions
    - "integrated" or "blended"



Copyright © 2016 International Risk Management Institute, Inc.

17

17

---

---

---

---

---

---

---

---

## Mobile Agricultural Machinery and Equipment Insurance

### Chapter 2



18

---

---

---

---

---

---

---

---

### Coverage Forms Used for Farm Machinery and Livestock

- FP 00 30—Mobile Agricultural Machinery and Equipment Coverage Form (MAMECF)
  - Discussed in this chapter
- FP 00 40—Livestock Coverage Form
  - Discussed in Chapter 3



Copyright © 2018 International Risk Management Institute, Inc.

19

19

---

---

---

---

---

---

---

---

### Mobile Agricultural Machinery and Equipment Coverage Form (MAMECF)

- Covered equipment depends on the farm/ranch operation
- Open perils (“all risks”) coverage
- Covered property options
  - Single limit applies to all property
  - Schedule lists covered items and limits
    - Schedule may include a “miscellaneous” item and limit on any one item



Copyright © 2018 International Risk Management Institute, Inc.

20

20

---

---

---

---

---

---

---

---

### Property Not Covered under MAMECF

- Aircraft, watercraft, their equipment and parts
- Automobiles, dealers’ demonstration equipment, machinery and vehicles
- Dirt bikes, house trailers, mobile homes, mopeds, motorcycles, motorized bicycles or tricycles, snowmobiles, trucks, vehicles primarily designed and licensed for road use (other than wagons and trailers designed for farming purposes and used principally on the insured location)
- Bulk milk tanks, bulk feed tanks or bins attached to buildings or structures, barn cleaners, pasteurizers or boilers and permanent fixtures within or attached to a building
- Cotton pickers, harvester-thresher combines, all-terrain vehicles not specifically declared and described in the declarations with a limit of insurance for each item
- Irrigation equipment
- Contraband or property in the course of illegal transportation or trade



Copyright © 2018 International Risk Management Institute, Inc.

21

21

---

---

---

---

---

---

---

---

### Additional Coverages

- **Collapse**
  - Direct loss to covered property caused by abrupt collapse of all or part of a building if the collapse was caused by
    - The "specified causes of loss" (FLEWSHVR VASLSC + FOWDWSIS\*) or breakage of building glass
    - Hidden decay, unless known to an insured prior to the collapse
    - Hidden insect or vermin damage, unless known to an insured prior to the collapse
    - Weight of people or personal property
    - Weight of rain that collects on a roof
    - Use of defective materials or methods in construction, remodeling, or renovation if collapse occurs during the course of construction, remodeling, or renovation
- **Sinkhole collapse**
  - Very specific term
  - Refers to the sudden sinking or collapse of land into an underground empty space that is created by the action of water on limestone or dolomite
  - Does not include the collapse of land into a man-made underground cavity, such as a tunnel or mine
- **Falling objects**
  - Does not include loss or damage to
    - Personal property in the open
    - The interior of a building or structure
    - Property inside a building or structure
  - Unless the roof of an outside wall is damaged first

- Fire
- Lightning
- Explosion
- Windsblown
- Smoke
- Hail
- Aircraft or vehicles
- Vandalism
- Riot and civil commotion
- Volcanic Action
- Sprinkler Leakage
- Sinkhole Collapse
- Falling Objects
- Water Damage
- Weight of Snow, Ice, or Sleet



22

---

---

---

---

---

---

---

---

### Additional Coverages (cont'd)

- **Water damage**
  - Definition: accidental discharge or leakage of water or steam as the direct result of the breaking or cracking of a plumbing, heating, air-conditioning, or other system or appliance (other than a sump system and its related equipment) containing water or steam
  - Also means accidental discharge or leakage of water or waterborne material that is a direct result of the breaking apart or cracking of a water or sewer pipe that is located off the insured location and is part of a municipal potable water supply system or municipal sanitary sewer system if the breakage or cracking is caused by wear and tear
- **Damage to property removed for safekeeping (true all-risks coverage for 30 days)**
- **Debris removal**
  - Pays the expense to remove debris that is covered property
  - Must be reported to insurer within 180 days of direct physical loss
  - Up to 25% of the direct loss plus the applicable deductible
- **Extra expense (to resume operations)**
  - Insurer will pay up to the limit on the declarations page for actual and necessary expenses incurred to resume normal farming operations that have been interrupted due to physical loss or damage to covered property
  - Not limited by expiration date of policy
  - No deductible



23

---

---

---

---

---

---

---

---

### Additional Coverages (cont'd)

- **Fire department service charge**
  - Coverage for charges incurred under contract or agreement with a fire department called to save or protect covered property
  - Must be outside limits of a city, municipality, or protection district where services are funded by tax dollars of assessments
- **Reasonable repairs (to protect property from further damage)**
  - Pays reasonable costs to make necessary repairs to protect covered property from further damage
  - Subject to the limit that applies to property being repaired
- **Borrowed or rented "Mobile Agricultural Machinery and Equipment"—Thirty Day Limit**
  - Applies to property in the insured's care, custody, or control that has been borrowed by or rented to the insured
    - Applies whether or not there is a written agreement in place
    - Provides an additional \$10,000 of coverage for borrowed or rented equipment acquired after the beginning of the policy for 30 days or until the policy expires, whichever comes first
  - If kept beyond 30 days, must be added to the policy



24

---

---

---

---

---

---

---

---



### Coverage Extensions

- Apply if covered property is scheduled
  - Additional acquired property—*newly purchased*
    - \$100,000 limit for 30 days after acquisition
  - Additional acquired property—*replacement*
    - \$75,000 additional coverage for 30 days after acquisition



Copyright © 2016 International Risk Management Institute, Inc.

25

25

---

---

---

---

---

---

---

---

### Exclusions

- Many exclusions, including
  - Earth movement
    - Applies regardless of whether earth movement is caused by an act of nature or otherwise
    - Exception: coverage is provided for loss or damage to mobile agricultural machinery and equipment
  - Governmental action
  - Intentional loss
  - Nuclear hazard
  - Utility services
    - Expanded to include failure that originates at an insured location when failure involves equipment used to provide utility service supplied by off-premises provider
- Neglect
- War and military action
- Water
  - Mudslide or mudflow, sewer backup, subsurface water, waterborne material
- Concurrent causation exclusions



Copyright © 2016 International Risk Management Institute, Inc.

26

26

---

---

---

---

---

---

---

---

### Other Exclusions

- Collapse, except per the additional coverage
- Rain, snow, ice, or sleet to property in the open
- Explosion of alcohol stills, steam pipes, or steam engines; rupture or bursting of pressure relief devices; or expansion of the contents of a building or structure
- Disappearance (without evidence of theft)
- Unauthorized transfer
- Voluntary parting
- Dishonest or criminal acts by the insured or employees, directors, trustees, legal representatives
- Damage to tires (exceptions apply)
- Smoke, vapor, or gas from agricultural smudging or industrial operations
- Wear and tear
- Rust, corrosion, fungus, decay, deterioration, hidden or latent defect, inherent vice
- Smog
- Nesting or infestation or release of waste products or secretions by birds, vermin, insects, or domestic animals
- Mechanical breakdown
- Dampness or dryness of atmosphere
- Changes in temperature
- Marring or scratching
- Theft or vandalism to sound reproduction or transmitting equipment or devices
- Pollution not caused by a specified peril



Copyright © 2016 International Risk Management Institute, Inc.

27

27

---

---

---

---

---

---

---

---

### Limits and Deductible

- Limits
  - Scheduled (most popular)
  - Blanket (subject to a max of \$3,000 on any one item)
- Deductible
  - Chosen by the insured
  - Applies per occurrence



Copyright © 2018 International Risk Management Institute, Inc.

28

28

---

---

---

---

---

---

---

---

### General Conditions

- 80% coinsurance
- Concealment, misrepresentation, or fraud
- Control of property
- Legal action against us
- Liberalization
- No benefit to bailee
- Policy period and coverage territory



Copyright © 2018 International Risk Management Institute, Inc.

29

29

---

---

---

---

---

---

---

---

### Loss Conditions

- Abandonment (prohibited)
- Appraisal (the process)
- Duties in the event of loss (including notify police if law was broken)
- Insurance under two or more coverages (no double payments)
- Loss payment (insurer may pay the value or the repair/replacement cost, take the property and pay its value, or repair/rebuild with equivalent property)
- Other insurance and service agreement (proportional or excess)
- Pair, sets, or parts
- Recovered property (insured may keep it and return the loss payment)
- Transfer of rights of recovery against others to us (the insurer may subrogate)
- Valuation (actual cash value (ACV) unless replacement cost (RC) is added by endorsement)



Copyright © 2018 International Risk Management Institute, Inc.

30

30

---

---

---

---

---

---

---

---

### Definitions

- MAMECF has its own glossary of terms, like most policies
- Two changes in the 2016 edition of the form require special attention
  - Insured location (previously "described locations")
    - Means any location, including its private approaches
  - Insured
    - Now includes a resident of the insured's home who is under 21 and in the care of the named insured or a member of the named insured's household who is a relative



Copyright © 2018 International Risk Management Institute, Inc.

31

31

---

---

---

---

---

---

---

---

## Livestock Insurance

### Chapter 3



32

---

---

---

---

---

---

---

---

### Coverage Alternatives

- Expensive breeding stock may be insured in an animal mortality policy (see Chapter 4)
- FP 00 40, an inland marine form of coverage issued in connection with a farm property policy
  - Covers death or destruction of covered livestock



Copyright © 2018 International Risk Management Institute, Inc.

33

33

---

---

---

---

---

---

---

---

### Livestock

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



Copyright © 2016 International Risk Management Institute, Inc.

34

34

---

---

---

---

---

---

---

---

### 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
- Scheduled or blanket coverage



Copyright © 2016 International Risk Management Institute, Inc.

35

35

---

---

---

---

---

---

---

---

### Covered Causes of Loss

- Coverage form divided into two parts
  - Covered causes of loss other than theft
  - Covered cause of loss—theft



Copyright © 2016 International Risk Management Institute, Inc.

36

36

---

---

---

---

---

---

---

---

### 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.

37

---

---

---

---

---

---

---

---

---

---

### 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).

38

---

---

---

---

---

---

---

---

---

---

### 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

39

---

---

---

---

---

---

---

---

---

---

### 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



Copyright © 2018 International Risk Management Institute, Inc.

40

40

---

---

---

---

---

---

---

---

---

---

### 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



Copyright © 2018 International Risk Management Institute, Inc.

41

41

---

---

---

---

---

---

---

---

---

---

### 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)



Copyright © 2018 International Risk Management Institute, Inc.

42

42

---

---

---

---

---

---

---

---

---

---

### 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  $\$120,000/120 = \$1,000$



Copyright © 2016 International Risk Management Institute, Inc.

43

43

---

---

---

---

---

---

---

---

### 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



Copyright © 2016 International Risk Management Institute, Inc.

44

44

---

---

---

---

---

---

---

---

## Animal Mortality Insurance

Chapter 4



45

---

---

---

---

---

---

---

---

### 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



Copyright © 2016 International Risk Management Institute, Inc.

46

46

---

---

---

---

---

---

---

---

### 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



Copyright © 2016 International Risk Management Institute, Inc.

47

47

---

---

---

---

---

---

---

---

### 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)



Copyright © 2016 International Risk Management Institute, Inc.

48

48

---

---

---

---

---

---

---

---



### 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



Copyright © 2016 International Risk Management Institute, Inc.

49

49

---

---

---

---

---

---

---

---

---

---

### 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



Copyright © 2016 International Risk Management Institute, Inc.

50

50

---

---

---

---

---

---

---

---

---

---

### 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



Copyright © 2016 International Risk Management Institute, Inc.

51

51

---

---

---

---

---

---

---

---

---

---

### 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



Copyright © 2016 International Risk Management Institute, Inc.

52

52

---

---

---

---

---

---

---

---

### 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



Copyright © 2016 International Risk Management Institute, Inc.

53

53

---

---

---

---

---

---

---

---

### 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



Copyright © 2016 International Risk Management Institute, Inc.

54

54

---

---

---

---

---

---

---

---

### Accident, Sickness, and Disease Policies

- Named perils
- Usually written only on stallions



Copyright © 2018 International Risk Management Institute, Inc.

55

55

---

---

---

---

---

---

---

---

### 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



Copyright © 2018 International Risk Management Institute, Inc.

56

56

---

---

---

---

---

---

---

---

### 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



Copyright © 2018 International Risk Management Institute, Inc.

57

57

---

---

---

---

---

---

---

---

### 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

Copyright © 2018 International Risk Management Institute, Inc.

58

58

---

---

---

---

---

---

---

---

---

---

## Crop Insurance

### Chapter 5



59

---

---

---

---

---

---

---

---

---

---

### Crop Insurance in General

- Farm property policies severely limit coverage on growing crops
- A difficult line for commercial insurers
- Federal government provides crop insurance through the Federal Crop Insurance Corporation (FCIC)
  - Administered by the US Department of Agriculture (USDA)
  - Sold through private insurance companies and their agents



Copyright © 2018 International Risk Management Institute, Inc.

60

60

---

---

---

---

---

---

---

---

---

---

### Crop Risks

- **Production risk**—facing lower-than-anticipated yields due to weather or other causes
- **Marketing risk**—inability to market and sell farm products that are time sensitive
- **Human resources risk**—workforce availability and cost
- **Financial risk**—lack of profitability from loss of or damage to crops
- **Legal risk**—breach of contract suits or legal action for injuries or death from crops



Copyright © 2018 International Risk Management Institute, Inc.

61

61

---

---

---

---

---

---

---

---

### Basic Purposes of Crop Insurance

- Protection against production and revenue losses
- Financial “safety net” for the farmer
  - Ensures crop’s viability as collateral for a loan



Copyright © 2018 International Risk Management Institute, Inc.

62

62

---

---

---

---

---

---

---

---

### Major Types of Crop Insurance

- Federal crop insurance
- Private crop-hail insurance
  - Administered by the Risk Management Agency (RMA) of the USDA



Copyright © 2018 International Risk Management Institute, Inc.

63

63

---

---

---

---

---

---

---

---

### 2014 Farm Bill Provisions

- Supplemental coverage option (SCO)
- STAX
- Whole farm policy
- Beginning farmer provisions
- Coverage level by practice
- Change in T-yield
- Organic expansion
- Peanut revenue policy



Copyright © 2016 International Risk Management Institute, Inc.

64

64

---

---

---

---

---

---

---

---

### Conservation Compliance

- To receive premium assistance, producers must comply with highly erodible land and wetland conservation requirements



Copyright © 2016 International Risk Management Institute, Inc.

65

65

---

---

---

---

---

---

---

---

### Crop Insurance Coverage

- Policies vary
  - By state
  - By county
  - By type of crop
  - Annually



Copyright © 2016 International Risk Management Institute, Inc.

66

66

---

---

---

---

---

---

---

---

### Common Crop Insurance Policy (11-BR)

- Constructed by starting with 11-BR and adding specific crop insurance provisions
- In addition, can add
  - Commodity exchange price provisions (CEPP)
  - Special provisions
  - Catastrophic risk protection endorsement



Copyright © 2016 International Risk Management Institute, Inc.

67

67

---

---

---

---

---

---

---

---

### Order of Priority for Resolving Conflicts

- Catastrophic risk protection endorsement, if applicable
- Special provisions
- Commodity exchange price provisions, if applicable
- Crop provisions
- Common crop policy



Copyright © 2016 International Risk Management Institute, Inc.

68

68

---

---

---

---

---

---

---

---

### Covered Causes of Loss

- Unavoidable events, such as
  - Adverse weather
  - Fire
  - Wildlife
  - Earthquake
  - Volcanic eruption
  - Failure of irrigation water supply due to an unavoidable cause of loss



Copyright © 2016 International Risk Management Institute, Inc.

69

69

---

---

---

---

---

---

---

---

### Common Crop Insurance Policy Exclusions

- Any act by any person that affects the yield, quality, or price of the insured crop—for example, chemical drift, fire, or terrorism
- Failure to follow recognized good farming practices for the insured crop
- Water that is contained by or within structures that are designed to contain a specific amount of water, such as dams, locks, or reservoir projects on any acreage when such water stays within the designed limits
- Failure or breakdown of the irrigation equipment or facilities, or the inability to prepare the land for irrigation using your established irrigation method (for example, furrow irrigation), unless the failure, breakdown, or inability is due to a cause of loss specified in the crop provisions
- Failure to carry out a good irrigation practice for the insured crop
- Any cause of loss that results in damage that is not evident during the insurance period



Copyright © 2018 International Risk Management Institute, Inc.

70

70

---

---

---

---

---

---

---

---

---

---

### Important Deadlines

- Sales closing date (SCD)
  - Published date established by the RMA
- Final planting date (FPD)
  - Last day to plant insured crop unless late planting is approved
- Acreage reporting date (ARD)
  - Last day when the insured can report the acreage planted
- Premium billing date
  - Interest is charged for payments made after that date
- End of insurance period
  - No coverage for the crop after that date



Copyright © 2018 International Risk Management Institute, Inc.

71

71

---

---

---

---

---

---

---

---

---

---

### Other Provisions

- Replanting payment
  - May be made on an insured crop that is replanted with the insurer's consent
  - Stipulations apply
- Late planting endorsement
  - Covers acreage planted after the FPD
    - Amount of insurance is reduced by 1% for each day after the FPD
- Prevented planting
  - Coverage may apply if the insured is prevented from planting the insured crop on insurable acreage because an insured peril occurs on or after the SCD



Copyright © 2018 International Risk Management Institute, Inc.

72

72

---

---

---

---

---

---

---

---

---

---



### Types of Crop Insurance Coverage

- Actual Production History (APH)
  - Insures against yield losses based on past yield history
- Actual Revenue History (ARH)
  - Insures based on historical revenues
- Yield Protection (YP)
  - Insures against production loss based on projected price multiplied by a selected percentage of the projected price
- Revenue Protection (RP)
  - A dollar guarantee protects against declines in both crop prices and yields, based on market prices and the farm's actual yield



Copyright © 2018 International Risk Management Institute, Inc.

73

73

---

---

---

---

---

---

---

---

### Types of Crop Insurance Coverage (cont'd)

- RP with Harvest Price Exclusion
  - Guarantee level does not increase even if the price rises by harvest
  - Reduced premium
- Group Risk Plan (GRP)
  - Based on county yield rather than the individual farmer's records
- Dollar Plans
  - Protects against declining value due to damage that causes a yield shortfall
  - Amount of insurance based on cost of growing a crop in a particular area
  - Loss occurs when crop's annual value is less than the amount of insurance



Copyright © 2018 International Risk Management Institute, Inc.

74

74

---

---

---

---

---

---

---

---

### Types of Crop Insurance Coverage (cont'd)

- Pilot programs
  - Established by RMA from time to time to determine if products are effective, affordable, and actuarially sound
  - Once tested, FCIC board decides if program will become part of the permanent program
  - Three main uses of pilot programs
    - Previously uninsured crops (e.g., chili peppers)
    - New policies or insurance plans for previously insured crops (e.g., ARH)
    - New endorsement to existing policies (e.g., Biotechnology Endorsement)
  - States may add additional pilot programs (e.g., Hawaii—tropical fruit and tropical trees)



Copyright © 2018 International Risk Management Institute, Inc.

75

75

---

---

---

---

---

---

---

---

### Endorsements

- Catastrophic Risk Protection Endorsement (CAT)
  - The minimum level of crop insurance available to qualify for other USDA benefits and programs
  - Pays 55% of the maximum protection per acre established by the FCIC
  - No premium, but has an administrative fee
- Organic Coverage
  - Production records and APH must be kept separate from conventional crop documents



Copyright © 2018 International Risk Management Institute, Inc.

76

76

---

---

---

---

---

---

---

---

### Terms and Conditions

- Unit
  - A parcel of land independent of other parcels
- Basic unit
  - All farmland owned or cash rented in a county that is planted with the same crop
- Optional unit
  - Divisions of a basic unit



Copyright © 2018 International Risk Management Institute, Inc.

77

77

---

---

---

---

---

---

---

---

### Insured's Duties after a Loss

- Protect the crop from further damage
- Provide prompt notice
  - For a planted crop, within 72 hours of initial discovery of damage or loss of production, but not later than 15 days after the end of the insurance period
  - For RP, when there is no damage or loss, give notice not later than 45 days after the latest date the harvest price is released for any crop in the unit where there is a revenue loss
- Confirm losses in writing within 15 days
- Obtain consent from the insurer if the insured wishes to destroy the crop



Copyright © 2018 International Risk Management Institute, Inc.

78

78

---

---

---

---

---

---

---

---

### Agent's Obligations

- Adhere to many policy deadlines
  - Report acreage accurately
  - Remit premiums to insurers when due
  - Report losses immediately
  - Provide accurate answers to insureds' questions
- ❖ Commissions are paid at the *end* of the coverage period



Copyright © 2016 International Risk Management Institute, Inc.

79

79

---

---

---

---

---

---

---

---

### The Final Exam

- Go to the AFIS Learning Center <http://www.webce.com/afis>
- Sign In
  - If you do not have an account, click **Sign In** and then click **Sign-up** and follow the instructions to set up your account.
- Add this course to the shopping cart and check out
  - Do NOT select "optional insurance CE" because you have earned CE by attending this class if you requested it
  - Insert Voucher Code (received in the class) in the Additional Discounts box
  - This will apply a credit against the course fee of \$99
  - Check out and pay any additional fees due
- You can download the full course after purchase and take the exam
  - You can start and stop during the exam
  - You have the opportunity to take it more than one time



Copyright © 2016 International Risk Management Institute, Inc.

80

80

---

---

---

---

---

---

---

---