Answer on Question #53200, Management / Other

What is cattle insurance? How many livestock are insured under cattle insurance?

Explanation:

The cattle insurance scheme has emerged as a savior over the years for landless, small and marginal farmers, and for those whose major occupation is dairying. Cattle insurance has become compulsory under the Integrated Rural Development Program. Untimely death of cattle could have a debilitating impact on the owner's income, more so if the owner happens to be a marginal farmer or landless laborer or a dairy farmer. It is to meet this exigency that the cattle insurance scheme has emerged as security for cattle owners in recent years by providing for indemnity in the event of death of the insured animal and also by providing insurance in the event of permanent total disability of the cattle.

The principal feature of the cattle insurance is that the damages associated only with the cases or deaths of animals, while for other types of property insurance, the most common is to replace losses caused by partial damage to material objects. The population of each species of farm animals serving as objects of insurance.

An important feature of the cattle insurance is the principle of rational limitation of liability insurance. Insurance is made not to the full cost. A certain part of it is the responsibility of the insured that helps to stimulate the material interest in the safety of the animals.

As a rule, insured or the whole herd, all animals on a farmstead when insuring animals on farms. In exceptional cases where a sample of animals in insurance contracts (in the annexes to the Agreement), provides a detailed description of the distinguishing marks of animals or special mark (brand). Insurance subject to cattle, sheep and goats under the age of 6 months, horses, camels, donkeys, mules and deer at the age of 1 year, pigs, fur animals and rabbits at the age of 4 months, the poultry at the age of 5 months, poultry farms specializing in the production of broilers in age from 1 month, families of bees in the hive.

In exceptional cases, reservations can be insured cattle younger than the above age. Insurance not taken ill, emaciated animals and animals in which the last study, tuberculosis, leukemia, and other infectious diseases revealed a positive reaction the animals in those areas or farms where the installed quarantine infectious disease, except for insurance of animals of such species which are not susceptible to the disease.

The list of infectious diseases and natural disasters, which are held by insurance includes both common to different species of disease (e.g., botulism, anthrax, tetanus, tuberculosis, tularemia, foot and mouth disease, and others.), and specific disease of horses, cattle and small cattle, pigs, fur animals and rabbits, birds and bees.

Insurance is carried out in case of death of animals from these natural disasters: storms, hurricanes, rain, hail, flood, earthquake, landslide, mudslide, and lightning. In areas where animals are kept in the distant pastures, disaster-related deaths of animals as a result of the crust, icing, freezing and deep snow. Compensation insurance is paid in cases where the result of the disaster was not infectious animal disease that caused their deaths after a disaster.

Under the terms of the insurance loss of the animals is considered not only their deaths, but also forced to slaughter or killing in relation to the events, which are held by insurance. On the basis of insurance cover, the entire set insured animals can be divided into three groups: livestock, young animals, high-value breeding animals.

The sum insured is set at the request of the insured, but not more than the actual value of the animal, based on the prevailing market price at the date of conclusion of the contract, or at book value. The specifics of determining the sum insured is shown in the fact that agricultural enterprises, cooperative and public organizations, animal fear of carrying (inventory) cost and farms of citizens - on the basis of established insurance amounts (norms).

Prior to entering into the insurance contract, the policyholder must indicate in the application form of animals, their age group, the number and the actual value, the desired sum insured. The insurance contract (for not more than one year) of the total volume of liability or by individual insurance risks after a preliminary examination of the animals and provided insurance for all existing agricultural producers animals of the species and age group.

Bids payments differentiated by these groups (types) of animals. In addition, it can be differentiated the territories (regions, territories, republics, etc.).

The agreement comes into force after paying the insurance premium the insured in whole or first part, but if contributions were not entirely of the sum insured, the insurer shall be liable in the percentage of which will make the premiums received to the total sum insured.

Insured reimbursed only direct damage (destruction, loss or forced the slaughter of an animal), but does not compensate for products that are the collateral damage. With the death of animals in the agricultural and other enterprises and organizations of the damage is determined by the balance sheet (inventory) cost of dead animals. If the carrying amount of an individual animal record is not kept, then it is defined as the average of all the animals of the species. Damage at the death of working horses (including sports), camels, donkeys and mules determined net of depreciation, the rest of the draft animals are not depreciated.

The policyholder shall notify the insurer of the insured event during the day (or in the original terms of a) the date of death, forced the slaughter or destruction of insured animals as a result of fire, natural disasters and accidents. The Insurer after receiving the application of the insured event shall, within three days of the Insurance Act in the prescribed form.

The act is the basis for payment of insurance compensation for the victims who were killed, slaughtered animals or destroyed in the amount of damage, but not exceeding the sum insured under the insurance contract specified data types and age groups of animals, and if the actual value of the animals on the day of the insured event exceeds the sum insured established by the insurance contract, the amount of insurance compensation is reduced proportionally to the ratio of the sum insured to the actual value of the animals.

LRP Insurance contains a number of provisions. Producers may insure between 1 to 2,000 head of fed cattle per SEC. From July 1 to June 30 each year, a producer may insure up to 4,000 head total. Ownership of fed cattle insured under an SEC must be maintained until at least 30 days prior to the end date of coverage. If sold prior to the 30 days, the coverage may be transferred to the new owner or forfeited. Coverage prices range between 70 percent and 100 percent of the expected ending value depending upon options available on a given day.

Actual ending values for the LRP policy are posted at the end of the insurance period. Ending values for fed cattle are determined from the weekly report titled "5-Area Weekly Weighted Average Direct Slaughter Cattle" released by the Agricultural Marketing Services (AMS). Ending values for an insurance policy are calculated from the AMS report released during the week which contains the end date for that endorsement. If for any reason a report is not available for a specific week, the price will be calculated on the latest report made prior to the end date. The actual end value is compared to the coverage price to determine whether or not an indemnity will be paid.

The Federal government provides crop and limited peril livestock insurance for farmers and ranchers. Livestock insurance protects only against price or margin (the difference between livestock price and feed costs) losses and whole farm revenue losses. Federally supported livestock insurance is managed by the Federal Crop Insurance Corporation (FCIC) and USDA's Risk Management Agency (RMA) as part of the Federal crop insurance program. The statistical information can be reviewed in the following Figure.

Figure 1. **Estimated Insured Liability, 2011 Crops versus Livestock**

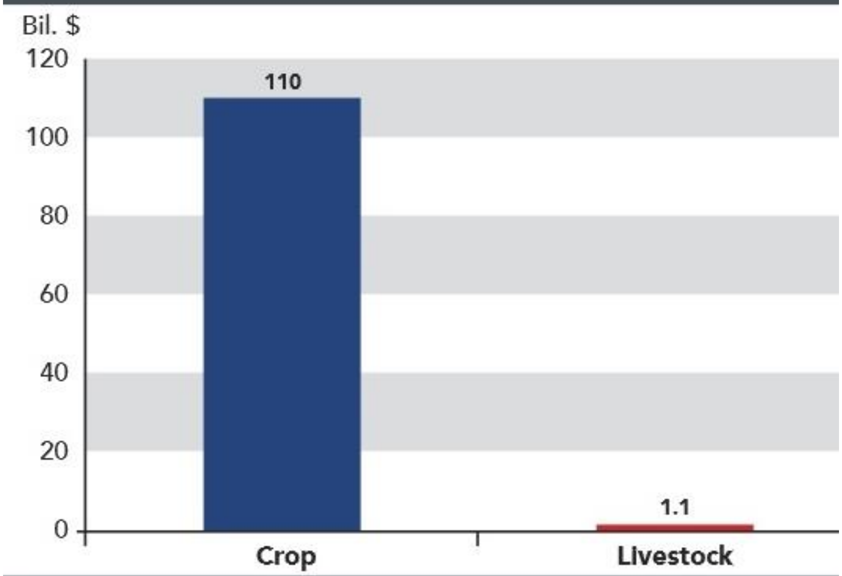


Figure 3. **No. of Head Covered in LRP & LGM Excluding Dairy, 2010**

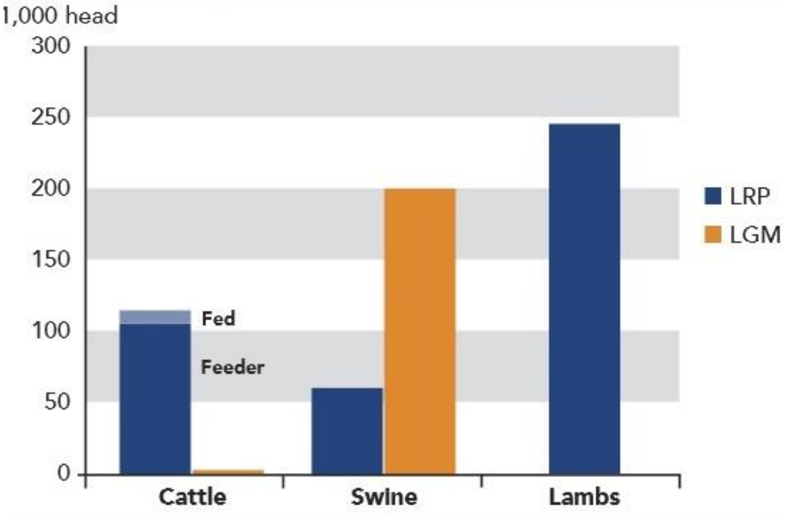
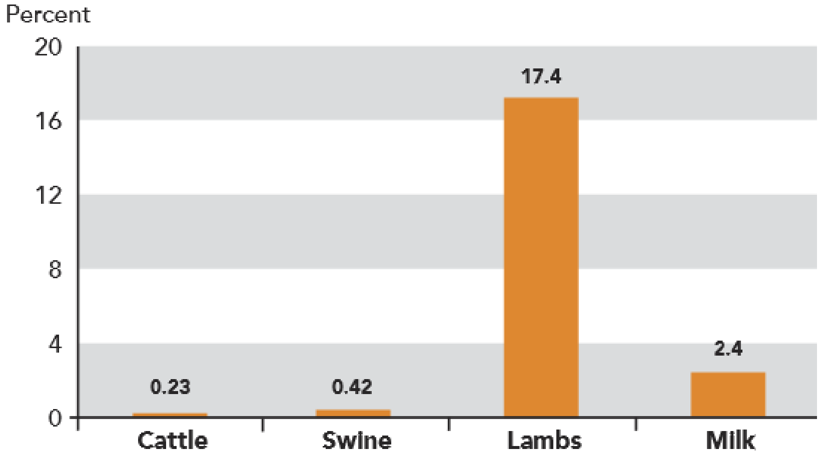
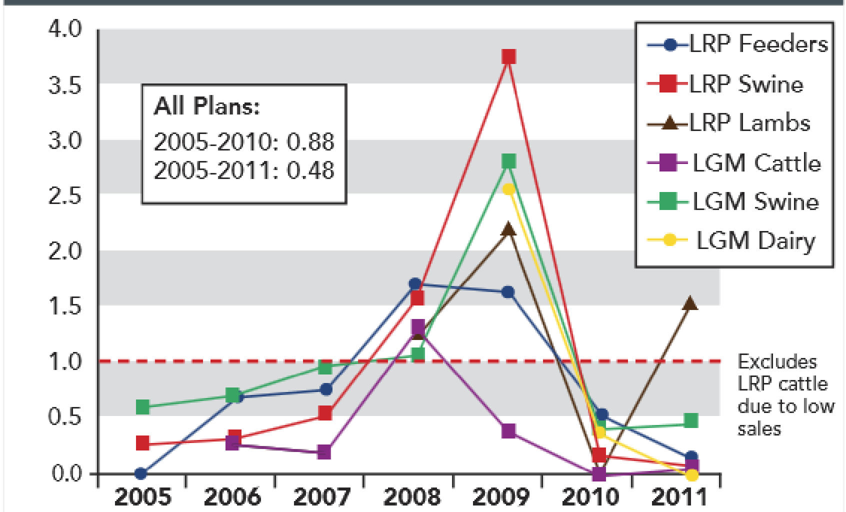


Figure 4. **LRP & LGM Coverage of U.S. Cattle Inventory, Hog/Lamb Slaughter, Milk Production**



LRP & LGM for 2011; U.S. cattle inventory for Jan. 2011; hog, lamb slaughter for 2010; estimated milk production for 2011

Figure 5. **Livestock Plan Loss Ratios, 2005-11**



As it can be seen almost all cattle insured are under LRP, and most are feeder cattle (Figure 3). Feeder cattle are mainly forage based, so the primary market risk is price. While more head of swine and lamb are covered than cattle, their premium has been about half that for cattle. For swine, LGM is much more popular than LRP, as producers like the ability to hedge against feed price changes.

The annual limit for LRP-Swine is 32,000 hogs per producer for each crop year (July 1 to June 30). All insured swine must be located in a state approved for LRP-Swine at the time you buy insurance coverage. The number of lambs insured under a specific coverage endorsement is limited to 2,000 head. The annual limit for LRP-Lamb is 28,000 head per producer for each reinsurance year (July 1 to June 30). The annual limit for LRP-Feeder Cattle is 2,000 head per producer per year (July 1 to June 30).