

LIVESTOCK INSURANCE

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Although live stock insurance has been written both in the United States and in European countries for a number of years, this form of protection is still in somewhat of an experimental stage, and in all probability will always remain in that condition to a greater or less degree, due to the continued and frequent changes in live stock conditions.

During its earlier history in the United States, practically all live stock insurance was written on draft horses, consisting of farm work horses, and breeding stock, but with the advent of the tractor, the farm horse values dropped to comparatively nothing, and with them went the values on pure-bred draft stallions and brood mares, resulting in the loss of nearly all of this source of revenue to the companies writing this class of business.

Then came the World War, which was responsible for peak prices on cattle and hogs. Vast sums of money were invested in herds of cattle and hogs. It was an every-day occurrence for single animals to sell at public vendure and private treaty for sums running into thousands of dollars, thereby opening up a new field for live stock insurance companies.

With the close of the War, American breeders found themselves with a vast surplus of breeding stock on hand, both cattle and hogs, resulting in an almost over-night slump in values of from fifty to eighty per cent. of their former worth, which automatically wiped out practically the entire demand for insurance on cattle and hogs for the time being, and at the same time created an abnormal and extreme moral hazard in a great many cases.

Just at this period came renewed interest in fancy saddle and show horses. Society interested itself in fancy show horses and horse shows sprung up all over the country. Horseback riding, especially about the larger centers of population came to be a popular fad. This brought about an unusual demand for fancy hunters and jumpers, hackneys, saddle horses, etc. In fact, I think values of saddle horses at the present time are greater than

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have ever been known in the history of the United States. Here again was a new field for live stock insurance with new problems for the live stock underwriter to work out and solve.

At the present time, running horses are more popular than ever before in our history. Palatial new race tracks are being built at various points. Many states are making provision by legislation for legalized racing, etc. What changes the future will bring forth may only be surmised.

It should not be difficult to understand from the foregoing that a thorough and practical knowledge of live stock in all its phases, as well as a general knowledge of the insurance business is essential to the intelligent and successful underwriting of live stock insurance.

The physical conditions surrounding a given risk, located in the State of Illinois, as an illustration, may be entirely different when the same risk is located in some other state or section of the country. Consideration must be given to climate and feed conditions as they exist in various states, as well as epidemic diseases, peculiar to particular localities, in addition to the immediate physical and moral conditions surrounding any given risk. It is not possible to lay down any set of rules to be followed in underwriting live stock insurance. Each risk presents a separate and distinct problem, and must be considered on its own merits, taking into consideration the physical hazards, peculiar to the particular risks, the moral hazard, insurable value, etc. This can only be done intelligently by one having a thorough and practical knowledge of all branches of the live stock industry.

The live stock mortality policy provides protection against loss resulting only from death of insured animals; provision being made for destruction under certain conditions for humane considerations, but no attempt is made under this form of coverage to guarantee values or performance. To illustrate, an animal may be insured for a certain sum, based on the fact that it is a prize-winning saddle horse of quality. After the policy has been issued something may happen to prevent its use for saddle purposes, and seriously impair its value, but there is no liability because the policy pays only in the event of death.

The mortality policy is term life insurance applied to animals, the policy being written for periods of twelve months or less. There are two forms of mortality policy, one covering at a

specific location, adapted to insuring commercial dairy cattle, farm work horses and breeding herds of either pure-bred or grade cattle and horses on the farm. The other form is called a full floater, full mortality policy, covering anywhere in the United States, and Canada, including while in transit by rail, ferry transportation, or properly equipped motor truck, in accordance with the requirements of the policy. This form is used for insuring race horses, show horses and other classes which require a floater form of coverage.

There are also limited contracts providing protection against loss resulting from fire, lightning and transportation, and from fire, lightning, transportation and accidental death, meaning death resulting from external, accidental and violent means only.

Trip transit insurance is another form of contract providing protection against loss of insured animals while in the hands of transportation companies. There are two forms of trip transit insurance, one of which protects against loss by death from any cause during transportation, and the other against loss resulting only from fire, derailment and collision.

There are no actuarial tables on domestic animals as there are for the human family to guide the underwriter in arriving at the proper rate on a given class. Rates in the beginning, therefore, were arbitrarily fixed, being raised or lowered as required in accordance with the companies' experience, until now live stock rates may be termed experience ratings, but in a general way, as near as possible, they are based on the normal average mortality of each breed.

As an illustration, the average length of life of what is termed the finer breeds of horses, comprising the thoroughbred (runners), standard-bred (trotters and pacers), etc., is much longer than the average life of the draft-bred horse, comprising the Percheron, Shire, Belgian, etc. A somewhat higher rate on draft than on light horses must, therefore, be applied.

While beef-bred cattle, comprising the Hereford, Aberdeen-Angus, Shorthorns, etc., live on the average approximately as long as dairy-bred cattle, comprising Jersey, Guernsey, Holsteins, etc., there are certain physical conditions surrounding dairy cattle in the present day and age which cause the normal loss on dairy cattle to run slightly higher than on the beef breeds. Among other things I refer particularly to the practice of forcing milk

and butter-fat production. This condition necessitates applying a slightly higher rate on dairy cattle than on beef cattle.

It has been clearly demonstrated that there are certain classes which cannot be insured under a mortality contract with any possibility of breaking even or making a small profit at anything short of a prohibitive rate.

New conditions with respect to all of the different classes which are insured at the present time are continually developing, necessitating constant vigilance on the part of companies writing this class of insurance, and making necessary frequent changes in their plans for underwriting, and the rates to be applied.

There is a great deal more which might well be said on this subject, but I believe what has already been said will serve to give you some idea of the objects and aims of live stock policies, and I shall, therefore, refrain from taking up any more of your valuable time, except to add that, all things considered, there can be no doubt but that live stock insurance in all of its branches is one of, if not the, most extremely hazardous forms of protection attempted by insurance companies at the present time, and in all probability is destined to always remain as such.

In conclusion, I desire to express my appreciation for the privilege of presenting this paper to your august body. May I be permitted to express the hope that the subject matter will be found of interest.