Poultry Insurance

How to save & protect your investment without breaking the bank
Insurance Basics for Poultry Farmers

- Poultry Insurance Basics – What is RC vs ACV?
- What is Co-Insurance and where to find it?
- Why do my premiums go up every year and what can I do about it?
- How can I reduce my risk and obtain the best insurance rate?
- What is Loss of Income Coverage and Equipment Breakdown Coverage, and why should I consider it?
- Farm Liability Coverage – what’s an appropriate coverage level?
- Can I get AI coverage? What other coverages are available?
“RC” vs. “ACV”

age based...construction type based...and improvement/maintenance based
Coverage comes in different ‘coverage forms’ – special, broad, basic are most common.

Replacement Cost (RC) – gives a grower the ability “to build back” (generally houses <20 yrs of age).

Actual Cash Value (ACV) - evaluates a structure, regardless of whether damage is complete loss of the building or partial damage, on a depreciated value basis.

Can you have a building insured at $250,000 (example) and not be insured at RC, even if it’s less than 20 years old?

ANSWER: YES
Co-insurance – what is it?

- The minimum percentage of the building's value you have to cover in order to receive up to 100% reimbursement of repairs, in the case of a covered loss (less deductible).

- **RARELY** shown on the declaration or “dec” pages – what a grower typically looks at when comparing policies.

  - **VARIABLES** from insurance carrier to insurance carrier. Industry standards are 80-100%.

  - Normally found within your full, original policy (that great big packet of papers you get and stuff away in a filing cabinet or drawer, and “trust your agent” to have told you the details of).

  - Can **CHANGE** from year to year...read your policy.
Why does Co-Insurance Matter?

PARTIAL losses.

Cost to rebuild 50x500 chainwall house:

$13/sqft x 25,000 sq ft = $325,000

$251,000/$325,000 = 77.2% insured

What if it cost $20,000 to repair a partially damaged roof and replace damaged insulation from a storm?

$20,000 x 77.2% = $15,440

Less deductible = $2,500

Paid by insurance: $12,940

Grower’s out-of-pocket expense: $7,060
**Poultry Insurance Carriers & Rates – Industry Trends**

Why does your premium go up every year?

- **Inflation guard** on policies increases building values. More coverage = more premium
- You may have **added** equipment or structures to your policy coverage
- **Frequency of claims**
- **Rates may increase** as a result of frequency of claims or catastrophic events
- **Insurance carriers leave the poultry industry**

**graphics on poultry concentration and tornado & lightning frequency courtesy of Auburn University**
How can I save on insurance cost on my houses?

1. Build it **RIGHT** from the beginning.

2. **Update and maintain** houses and **wiring** properly – don’t wait around.

3. Ensure your houses are properly **grounded**

4. Maintain a pest & rodent program – and **follow through** on it

5. **Maintain** your roofs and driplines

6. **Professionally service** your generator annually – more than just an oil change.

7. **Share your records of updates and maintenance with your agent** – ask them to advocate for you.
Loss of Income and Extra Expense Coverage

- Important endorsement that *can be added* to your policy.
- Covers the grower for his lost farm earnings and the extra expenses he incurs after a covered structure suffers a covered loss.
- **Not all policies are created equally!** Make sure you understand how your policy will respond in the event of a loss. Are you covered for multiple flocks or just one? Is there a time limit?
Loss of Income Example

A grower has four 42' x 500' broiler houses.

During the last week of his grow cycle, lightning strikes House #1, starting a small electrical fire. Within a matter of minutes, the entire broiler house is burning – the fire department arrives and is able to keep the fire from spreading to the other three houses, but House #1 is a total loss.

100% of birds inside the house are killed.
**Loss of Income Example**

**Policy #1 – Loss of Income Coverage Included**

<table>
<thead>
<tr>
<th>FLOCK</th>
<th>INCOME LOSS</th>
<th>INSURANCE PAYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1 Destroyed by fire</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>#2 missed due to clean up</td>
<td>$10,000</td>
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</tr>
<tr>
<td>#3 missed due to construction</td>
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**Policy #2- No Loss of Income Coverage**

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Loss of income coverage protected the grower from a $30,000 loss. Which policy do you want to have?
Equipment Breakdown Coverage

• Important endorsement that can be added to your policy
• Adds coverage to your policy for an accident that results in mechanical breakdown and losses caused by arcing or electrical currents other than lightning.
• NOT A SILVER BULLET: Does not cover losses that are the result of normal wear and tear or lack of regular maintenance.
Equipment Breakdown Example

The main breaker for a four house farm suffered a loss from electrical arcing. A connection in the breaker panel had loosened from seasonal expansion and contraction, which caused an arc that fried the breaker. As a result the power went out, the alarm did not sound, and the generator did not start. By the time the grower realized what had happened, half of his flock had suffocated.

He lost $20,000 worth of birds, had to work extra hours and hire extra hands to clean up and properly dispose of the dead, and had to replace the damaged breaker.

Because he had Equipment Breakdown on his policy, the loss to the breaker was covered and also triggered his Loss Of Income Coverage to come into play.
# Equipment Breakdown Loss Example

**Policy #1 - Equipment Breakdown Coverage Included**

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**Policy #2 - No Equipment Breakdown Coverage**

Equipment Breakdown Coverage protected the grower from a $23,000 loss. Which policy do you want to have?
Farm Liability Coverage

• Covers the farm owner for accidents that cause bodily injury to others or damage the property of others. This coverage will pay for your legal defense expenses and damages awarded to an injured party.

• **Liability exposure is your largest risk exposure on the farm.** You can build back a structure that burns or falls down; do you have the correct coverage to protect your farm from an injured party and their lawyers?

• Dollar for dollar, Liability Coverage is the cheapest insurance you can buy.

• Never carry less than $1M on your Farm Owners Policy. We recommend $1M on your Auto Policy as well.

• Umbrella Policies are available at a low cost to give coverage in excess of $1M to farm & auto liability.
Specialty Coverages

The insurance industry is evolving and adapting to meet growers needs
Coverage beyond your farm location or your control

27 "Specialty" Loss Coverages to help protect your operation and income:

- ✓ Avian Influenza – High, Low, Quarantine
- ✓ Integrator Bankruptcy
- ✓ Integrator Disruption
- ✓ Utility Service and Infrastructure
- ✓ Poultry Drinking Water Contamination
- ✓ Owner Operator Temp Labor
- ✓ Bedding Replacement
- ✓ Flood Cleanup
- ✓ Integrator Required Upgrades
- ✓ Poultry House Excavation, Grading & Backfill
How to prevent insurance policy failures

• **Maintenance - and documentation of it - occurring of your farm is critical.** Hold those that you write a check to accountable.

• **Using an agency that is SPECIALIZES in protecting your industry and is familiar with what goes on at a chicken farm is critical to the effectiveness of your coverage when the litter hits the fan.**

• **Get it in writing.** Handshakes and conversations are meaningful, but the agent doesn’t write your claims check to you.

• **Know who your insurance carrier is...not just who your agent is.**

• **An agent is only as good as the team at their agency that handles the day to day behind the scenes for their agents.** Most agents are not the ones actually making “changes” for you after your policy is in place – it’s the folks at their office. It takes more than just an agent to make sure your coverage is right!
Questions?

The only bad question…the one you don’t ask!

If you are interested in more detailed information on any portion of the presentation, or would be more comfortable discussing questions “one on one”, please leave your contact information with us at our booth or email Beth Burns directly.
For more information, contact

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THANK YOU!