



Livestock



Livestock managers must meet new challenges in the market place, guaranteeing quality, quantity, timely supply to large international markets, affordable prices, the best food hygiene standards and animal welfare.

Modern livestock production necessitates high capital investment, which requires investor commitment over many years, during which protection is required. As with other sectors, contractual obligations arise out of vertical integration downstream.

PartnerRe estimates that the total direct premium volume worldwide for livestock amounts to U.S. \$350 million for the equine and bloodstock sector and as much as U.S. \$800 million for the livestock and aquaculture sectors respectively.

Industry Risks

Livestock insurance products are designed to protect the owner of animals against a wide variety of risks associated with the well-being of animals and their productivity.

Insurable risks for mortality coverage include:

- Natural perils
- Fire and associated perils
- Suffocation due to machinery breakdown and power failure
- Poisoning or pollution
- Diseases

The Need for External Risk Transfer

Some major risks are beyond farm management control. In recent years, animal feed has increasingly become a source of pollution or disease. As livestock performance is highly dependent on quality feed, only a few specialized feed mills supply the whole industry, causing an accumulated exposure.

One example of a major risk is the contamination of feed by salmonella, botulism or other organisms, which can occur if feed mills reduce expenditure on heat treatment. The outbreak of Bovine Spongiform Encephalopathy (BSE) in the U.K. was spread due to the negligent treatment of carcasses as a cheap source of animal protein.



In addition to the mortality risk, demand is increasing for chemical residue covers. Marketing organizations exporting meat have to comply with internationally agreed residue levels of pesticides and heavy metals, etc.

Violating agreed thresholds can lead to importation bans and the loss of markets.

Increasing global trade volume also exposes farmers and their insurers to more frequent epidemic outbreaks. Foot & Mouth and Swine Fever outbreaks have caused multi-billion dollar losses in Taiwan, UK, The Netherlands and Malaysia, affecting the economic growth and overall performance of these economies. Epidemics can only be eradicated by drastic culling and government-imposed quarantine regulations.

An insurance solution complementing governmental compensations has been created to protect the farmer against direct and consequential losses from such events.