

■ RISK MANAGEMENT

material for management training in agricultural co-operatives

TRAINER'S MANUAL

international labour office, geneva

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by Malcolm Harper



MATCOM
Material and techniques for cooperatives management
training

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In collaboration with cooperative organizations and training institutes in all regions of the world, MATCOM designs and produces material for the training of managers of cooperatives and assists in the preparation of adapted versions for use in various countries. MATCOM also provides support for improving the methodology of cooperative training and for the training of trainers.

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Preface

This training package is one of a number of training packages designed by the ILO-MATCOM Project to assist people who plan or carry out training for the managerial staff of agricultural co-operatives in developing countries.

The training provided under this training package, as well as under the other packages in this series, is based on a thorough analysis of:

- (i) the tasks and functions to be performed in agricultural co-operative societies in developing countries;
- (ii) the common problems and constraints facing the effective performance of these tasks and functions.

The result of this analysis is reflected in the MATCOM "Curriculum Guide for Agricultural Co-operative Management Training". The Guide contains syllabuses for 24 management subjects and MATCOM has produced training packages, similar to this manual, for the following subjects:

- Collecting and Receiving Agricultural Produce
- Transport Management
- Storage Management
- Marketing of Agricultural Produce
- Supply Management
- Rural Savings and Credit Schemes
- Staff Management
- Financial Management
- Cost Accounting
- Risk Management
- Project Preparation and Appraisal
- Work Planning
- Export Marketing
- Management of Larger Agricultural Co-operatives

For more information on the above training material, please write to:

The MATCOM Project
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THE TRAINING PROGRAMME1. The Target Group

This training programme is designed to assist in the training of anyone who has responsibility for advising on or actually managing the risk reduction and insurance of co-operative societies. This may include co-operative advisors, managers or other staff who are involved in this activity.

2. Aim

The aim of the programme is to enable trainees to identify and assess the risks in an agricultural co-operative, to identify ways and means of reducing or eliminating such risks and/or to make the appropriate insurance arrangements so as to guarantee for the co-operative society the best possible security.

In particular, the course should improve trainees ability:

- to recognise the risks facing an agricultural co-operative and its members;
- to identify ways of avoiding or reducing risk, and to assess the costs and benefits involved in risk reduction activities;
- to describe the basic principles of insurance, and to identify different ways of organising insurance;
- to identify those risks which can and cannot be insured against;
- to identify the particular problems of agricultural insurance;
- to distinguish between different ways of obtaining insurance;
- to complete insurance proposals and to understand the meaning of their society's policies;
- to identify what they are and are not entitled to claim for from an insurance company in the event of loss;

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- to make claims and obtain settlement from their insurance as quickly and equitably as possible;
- to identify situations where livestock insurance is economic, and to take account of the necessary restrictions;
- to identify circumstances when crop insurance is desirable and feasible, and to obtain such insurance or collaborate in its provision if it is not yet available;
- to identify the full range of general business insurance which may be applicable to their co-operatives, and to avoid common misunderstandings when taking out or claiming on an insurance policy;
- to apply accurately what they have learned to their own societies' insurance arrangements.

3) Use

The course as described in this manual can be used for a specialised course on risk management. The complete programme, or individual sessions or parts of sessions, can also be incorporated in the curriculum for a more comprehensive management training programme.

4) Duration

The complete programme, as described in this manual, consists of 14 sessions. Session times vary from 1 to 3 hours. The total programme will take between 25 - 30 hours, or between 3 - 5 days, depending on the qualifications and experience of the trainees and the hours worked each day. The time may well be exceeded, and each instructor must decide on the likely duration in view of local conditions.

5) Training Approach and Methods

The programme is based on the assumptions that training is expensive and that money for co-operative management training is scarce. Therefore, it looks upon training as an investment, and

unless the training yields results, the return on the money invested in it will be nil.

On their return from the training programme, the trainees should be able to show concrete results of improved management. In order to prepare and equip the trainee to achieve this, the programme has adopted a highly active learning approach through the use of "participative" learning methods.

Trainees will not learn about Risk Management in a general and passive way. Their day-to-day management problems have, as much as possible, been translated into realistic case studies and other problem-solving exercises. Trainees (working in groups and on their own) will learn by solving these problems with the necessary assistance and guidance from the trainer, who will act more as a "facilitator" of learning than as lecturer.

Every trainee, even if he or she has never actually managed a co-operative society or been concerned with its insurance or risk reduction programmes, has some ideas and suggestions from which the others can learn; if any or all of the trainees have such experience, they can contribute a great deal to the learning of the others. This material is intended to allow and encourage every trainee to contribute as much as possible from his own insights and experience, so that all will go away with the accumulated knowledge that each brought to the programme.

This sort of shared learning is in fact almost always more important than the knowledge that you, the instructor, or the material itself, can contribute. If you do no more than allow every individual to put in what he knows, and to learn from what the others know, you will have achieved a great deal.

Remember that knowledge is like fire; you can share it with other people without losing anything yourself. You should treat each trainee as a source of ideas and suggestions which are at least as valuable as your own, and the material is designed to help you to draw out, or "elicit", these contributions.

The "application session" at the end of the programme should be a link between the classroom sessions and the actual work of the

trainees, helping them to find concrete and acceptable solutions, to their specific problems in the field of risk management.

6. Structure

The programme is divided into six TOPICS and each topic is covered by a number of SESSIONS (see the table of contents on page XI).

The following material is provided for each session:

- a session guide for the trainer (yellow pages), giving the objective of the session, an estimate of the time needed and a comprehensive "plan" for the session, including instructions on how to conduct the session;
- handouts (white pages) of all case studies, forms, etc., to be reproduced for distribution to the trainees.

7. Adapting the Material

Before "using" the programme in a real training situation, it will probably be necessary to adapt it. This can be done as follows:

Read through the material and decide whether:

- the programme can be run as it is;
- only certain topics or sessions should be used;
- new topics and sessions should be added.

Your decision will depend on the training needs of your trainees and the means you have at your disposal.

Carefully read through the sessions you have decided to use. Check the subject matter in both the session guides and the handouts. Modify them to include local currencies, names, crops and so on. Such adaptation will help trainees identify themselves more easily with the people and the situations described in the handouts and will increase the impact and effectiveness of the training programme.

Do not feel that this manual is like a book which contains the only answers. It is merely a collection of suggestions and ideas, which you must adapt, modify, use or reject as you think fit. The best evidence that you are using it properly will be the amount of changes, additions and amendments you have yourself written into this copy.

8. Preparing the Handouts and other Learning Aids

Handouts constitute an important part of the training material used in the programme. They can be reproduced from the original handouts supplied in the ringbinder, after the necessary adaptation has been made. Reproduction may be done using whatever method is available: stencil, offset printing, photocopy, or even carbon copies or handwritten copies if no other method is available.

The only item of training equipment which is absolutely essential is the chalkboard.

Some suggestions for visual aids are given in the session guides. If flipcharts or overhead projectors are available, you should prepare these aids in advance. If they are not available you can still use the chalkboard.

The Pre-course Questionnaire should be sent to the trainees in advance. Trainees should be asked to complete it and hand it in at the beginning of the training programme.

9. Preparing Yourself

Some trainers may feel that material of this sort means that they need only spend a few minutes preparing for each session. This is not the case.

You should go through the following steps before conducting any course which is based wholly or in part on this material:

1. Read it carefully; be sure you understand the content, and that you can envisage what is intended to happen in the classroom.

2. Work through all the calculations; be sure that you understand them completely and try to predict the errors that trainees are likely to make, and the different answers which may not be wrong, but which will be worth following up.
3. Work through the case studies yourself, and try to predict all the possible analyses and answers which trainees may come up with.
4. Look up and write down on the material itself, as many local examples as you can to illustrate the points that are raised.
5. Plan the whole session very carefully; try to predict approximately how many minutes each section of the session is likely to take, and make the appropriate modifications to fit into the time that you have available. Do not take the suggested time at the beginning of the session too seriously.

10. Conducting the Programme

While using the material, you should try to observe the following guidelines:

1. Arrange the seating so that every trainee can see the faces of as many as possible of the others; do not put them in rows so that the only face they can see is your own.
2. Be sure that the session is clearly structured in the trainees' minds; outline the structure at the beginning, follow it or say that you are diverging from it, and summarise what has happened at the end.
3. Bear all the learning points in mind, and do not forget the job-oriented objectives of the session.
4. Be flexible, do not follow the material slavishly and be prepared to change the approach, depending on what trainees, themselves, suggest.
5. Avoid, whenever possible, telling the trainees anything; in a successful session all the points will have been elicited from them by skillful questioning.
6. If you fail to elicit a particular answer from the trainees, it is your fault not theirs. Persist, by asking the same

question in different ways, by hinting and so on, and only make the point yourself if all else has failed.

7. Use silence as a weapon; if nobody answers a question, be prepared to wait for 20 or 30 seconds in order to embarrass somebody into making an attempt.
8. Avoid talking yourself. Trainees' discussion and suggestions should occupy around three quarters of the total time; ask, listen and guide rather than talk. (The more you yourself talk, the more you are revealing your own insecurity and ignorance of the subject, in that you are not willing to risk questions or comments with which you cannot deal).
9. Never ridicule a trainee's answer or suggestion; there is bound to be some merit in it somewhere, and the very fact that he or she has put forward a suggestion is commendable.
10. If you cannot answer a trainee's question, or comment on a suggestion, (or even if you can) ask another trainee to answer or make a comment. You are the facilitator, not the source of knowledge.
11. Write trainees' own words on the chalkboard whenever possible; do not follow the words in the material, even if they are more precise.
12. Be prepared to act as "Devil's Advocate", there are usually no right or wrong answers to management questions, and trainees must see and understand both sides of every issue.
13. If trainees appear to be following a quite different track from that suggested in the material, do not dismiss this out of hand; it may be as useful or more so.
14. Call on the silent and, if necessary, silence those who talk too much.
15. Be sure that everybody understands what is going on; do not allow the discussion to be taken over by the few who understand.

16. Be dynamic, lively and active. Move around, walk up and down the classroom, and generally keep everyone alert by your physical activity.

11. After the Course

Be sure to contact every trainee, in person or at least by letter, about six months after the end of the course to find out how they have managed to apply what they have learned. If they have failed, it is not they who were at fault, but the course. Either the training was ineffective, the trainees were poorly selected or you failed to recognise problems which might prevent them from applying what they learned.

Acknowledgement :

The writer wishes to acknowledge advice from The National Employers Mutual Insurance Association, Swindon, England, and from the following publications:

Risk Management I, compiled and edited by F.R. Makungu of The Co-operative College, Zambia.

Agricultural Insurance, by P.K. Ray, Pergamon Press, Oxford, 1981.

Seminar on
Risk Management

Pre-course Questionnaire

Name:

Society:

Job Title:

Brief description of your responsibilities:

.....

A co-operative society has to face a number of risks; it may be adequately protected against some of these risks, whereas it may be difficult to arrange adequate protection against certain other risks.

a) Which risks are your society and its members adequately protected against?

.....

b) For which risks is there inadequate protection?

.....

Please complete the following sentence:

As a result of attending the course on Risk Management, I hope that I shall be able to

.....

Please bring to the course as much information as possible about your co-operative society's insurance arrangements. This should include:

- Details of insurance companies.
- A list of all policies.
- Copies of all policies.
- Copies of all accompanying schedules.
- Details of any claims made during the past 12 months.

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topic

1

the risks

Session 1.1 Introduction

Session 1.2 What Are the Risks?

Session 1.3 Risk Reduction

SESSION 1.1

INTRODUCTION

Objective: To demonstrate the importance of improved risk management in co-operatives, to ensure that all participants are aware of the objectives of the programme, to introduce trainees to one another and to ensure that all administrative details are in order.

Time : 1 to 2 hours.

Material : Completed pre-course questionnaire, timetable and a list of participants.

Session Guide :

- 1) The opening of the programme should be brief and to the point. The speaker should include the following points:
 - The need to identify and reduce risks, not necessarily by insurance, but by better management.
 - The need to assist members to reduce the risks of their own farming activities, through better farming and, when appropriate, through helping them to insure themselves direct or through the society.
 - The importance of understanding that insurers have difficulty in dealing with small farmers, and of the role that co-operative societies can play as a "bridge" between the companies and farmers.
 - The importance of complete insurance, but the waste of over-insurance.
 - The need to understand how to arrange insurance, and how to claim if it is necessary. Managers should not feel that they can leave this to brokers or company representatives, any more than they can leave seed or fertilizer selection, or crop price setting, entirely to their suppliers or customers.

- The need for society managers, and members, to know about insurance and what it can do for them, so that they can make use of whatever services Government or other agencies are able to provide.
- 2) In order to exemplify the objectives and the contents of the course, confront participants with a number of questions like the following, and explain that the course will deal with problems of this type:
- Are you sure that every risk in your society has been identified, and has been reduced as much as possible?
 - Are you sure that everything that should be insured in your society has been insured, and in the most economical way?
 - Are your members aware of how they can reduce the risks involved in their own farming activity, and can they insure themselves properly, either direct or through their society?
 - Are you quite sure how to claim, if it is necessary, and are you quite clear as to what losses you can, and cannot, claim from your insurers?
 - Are you quite sure that your society's insurers are the best possible ones for the job?
- 3) Go briefly through the timetable, stressing to trainees that they will be required to contribute their own experience and ideas, and not merely to listen to other people talking. People learn by doing, rather than by listening.
- 4) Ask each trainee to summarise his prior training and experience, and to state what he hopes to gain from attending this course. Refer to the pre-course questionnaire if necessary. Identify the special experience that each trainee brings to the course, emphasising the point that the group as a whole is an extremely powerful source of expertise and experience.
- 5) Explain that the purpose of the course is to improve trainees' abilities actually to manage their societies more effectively, and not merely to repeat theories or principles without putting them into practice.

Tell trainees that the instructor intends to contact them at a later date in order to assess how successful they have been in applying what they have learned during the course.

- 6) Ensure that any administrative problems are dealt with. Matters of accommodation, payment of expenses, transport, rooms for private study and any other points of information should be settled now.

SESSION 1.2WHAT ARE THE RISKS?

Objective: To enable trainees to recognise the risks facing an agricultural co-operative, and its members.

Time: 1 to 1

Session Guide

1) Trainees may be concerned with the risks involved in:

- The co-operative society itself.
- The members' farming activities.

If trainees are only concerned with risks and insurance for the co-operative, and if the co-operative is not itself involved in farming, it will be clear that some of the following material should be omitted.

It may be appropriate, however, to suggest to trainees that they should be concerned to protect their members against the risks involved in farming.

Ask trainees who are not involved in insurance for their members why they might consider this. Their answers may include:

- Insurance is one of the oldest and most fundamental forms of co-operative activity; it can make a real contribution to members' loyalty.
- A co-operative society should be concerned with all aspects of its members' welfare, not only the marketing of the crops they grow, but to protect them from losses if their crops fail.
- If members borrow money from their society, and their crops fail, the society as well as the members will be protected if they are insured.

- Insurance can accumulate funds which the society can invest for the good of the members until or unless such time as it is required to pay claims.
- 2) Ask trainees to suggest what is the main difference between farming and other forms of business. Elicit the suggestion that all enterprises are risky but agriculture is particularly subject to risks:
- The weather affects several types of enterprises, but it is the single most important influence on farming, and is quite beyond human control.
 - Every business can suffer because its owner or workers become ill, but farmers have to face not only the possibility of disease affecting them, but the risk of pests and diseases affecting their animals and crops.
 - Most farms are among the smallest of all businesses; losses that might be absorbed by larger businesses can be disastrous for a small farm.

Stress that farming is not necessarily the most risky of all businesses; mention examples of business enterprises which fail more often than farms. Agriculture is however, subject to a wider range of less controllable risks than any other types of business. Risk management and insurance is therefore particularly important for farmers and for co-operative societies which serve them.

- 3) Ask trainees to put themselves in a position of a typical co-operative society member; what can go wrong with their farms?

Allow them up to 20 minutes to produce as long as possible a list of the risks faced by a farmer. Remind them that they should include not only the risks particularly associated with farming, but also those which face any business enterprise.

- 4) When trainees have completed their individual lists, ask them to re-examine them and to, suggest how they might usefully be classified. Elicit through discussion the following categories, ensuring by appropriate questions that all categories are covered:

- a. Risks to property
 - 1. Risks from natural causes.
 - 2. Risks caused by people.
 - 3. Risks caused by the economy in general.
- b. Risks to the farmer and his family
 - 1. Natural risks.
 - 2. Accidents.
- c. Risks to the farmer's employees
 - 1. Natural risks.
 - 2. Accidents.
- d. Risks of claims arising from injury to other people

- 5) Trainees may not have thought of all these categories of risk; allow them up to a further 15 minutes to classify all the risks they have written down into one of the above categories, and to include examples of risks in those categories which they may not have previously included.
- 6) When all trainees have written down at least one risk in each category, and preferably far more, ask one trainee to suggest an example of a.1; obtain further examples for this category from other trainees in turn. When four or five have been suggested repeat the procedure for categories a.2, a.3, b.1, b.2 and so on. The risks in b. and c. are the same, but separated because they happen to different people.

Write trainees' suggestions on the chalkboard; they will obviously differ according to local circumstances, but typical examples might include:

- a. 1. Hail, flood, drought.
Coffee berry disease, wheat rust, food and mouth disease.
Locusts, rats, jackals.
- 2. Theft, riot, fire.
Bad management by the farmer.
Fire set by enemies.

Careless employees.

Badly organised transport.

Poor marketing.

3. Declines in crop prices.

Input price increases.

Scarcity of inputs.

No buyer for crops.

b. 1. Death, infirmity, pregnancy, sickness.

2. Poisoning from chemicals, accidents with machinery,
driving accidents.

c. 1. As b.1.

2. As b.2.

d. Damage by animals.

Overspraying of neighbours' crops.

Injury to others in driving accidents.

Inadvertent injuries through chemicals to purchasers of
crops.

7) Remind trainees of the distinctions made earlier between members of the co-operative society and the society itself. Go through the list on the chalkboard and ask trainees to identify items which are most relevant to a co-operative society, and to -add any which apply to a society and not to individual farmers.

The changes will depend on the activities of trainees' societies, but stress that the following are particularly important for a society:

a. 1. Risks caused by people such as fire, employee theft, bad management of all kinds, careless employees, members not repaying loans, member disloyalty.

2. Risks of all kinds caused by the economy such as falling prices or higher costs.

c. 2. Accidents to employees.

d. Claims from others.

- 8) Remind trainees that this course is not only concerned with insurance. Stress that insurance is only a last resort, and that risk management is mainly concerned with avoiding and reducing risks, as well as insuring against them.

SESSION 1.3RISK REDUCTION

Objective : To enable trainees to identify ways of avoiding or reducing risk, and to assess the costs and benefits involved in risk reduction activities.

Time : 2 to 2 1/2 hours.

Material : Micro Case Studies "Risk Reduction Problems."

Session Guide :

- 1) Distribute the micro cases. Divide trainees into groups of not more than five members each, and allow them up to 60 minutes to solve the problems.

The supplementary information should only be given to groups which ask for specific items. They should not be given any information other than that which they request, in writing, and they must not show the information to other groups.

- 2) The supplementary information is as follows:

Case A

1. The elephants had done about \$500 worth of damage.
2. The society's total turnover was \$100,000 per year.
3. The fence would cost \$5,000 and was expected to last 20 years.
4. It will cost about \$100 to pay the children to scare the elephants away every night during the season, but some people doubted that this would really keep the animals away.
5. A drought such as had led to the unusual migration could be expected about every five years, according to climatic records.

Case B

1. The society's total stock was worth about \$10,000.

2. The total leakage, as calculated by the accountant, was \$1,000 over the year but he could not say how it had taken place.
3. It would cost \$2,500 to strengthen the store. The store was going to be replaced in any case in five years' time.
4. It would cost \$1,000 a year to hire a watchman.

Case C

1. The total value of crops processed every year was \$10,000.
2. New equipment would cost about \$1,000.
3. The cost of the crops wasted because of the breakdown was \$200.
4. The engineer had said that the society could expect about the same level of reliability in the future; it was unlikely to get worse for many years.
5. A stock of the most commonly required spares, whose failure had led to the breakdowns, would cost \$100.

Case D

1. The total turnover of the society was \$20,000 a year.
 2. If there was a flood, it would most likely destroy the whole crop, worth about \$20,000.
 3. The extra cost of building the store on the site on the hill would be about \$5,000.
 4. The rainfall records showed that there was likely to be a flood high enough to destroy the warehouse about 1 year in 20.
- 3) Reconvene the class and ask a representative of one group to state their answer to the first problem, together with their reasons. All the problems share the same characteristics, and trainees should through working on them and subsequent discussion appreciate that:
- Before making any decision to spend money on risk reduction, it is necessary to know:
 - how much loss will the accident cause, if it does happen;
 - how easily can the society absorb the loss if it does occur;

- how likely is the loss to occur;
- what will it cost to prevent it;
- is the proposed method of protection absolutely certain to prevent the loss, or only partially certain.

4) Suggested answers to the four problems are as follows:

Case A

- Cost of loss is \$500, this is insignificant in relation to the society's total turnover.
- The loss was likely to occur one year in five or one fifth of the time. The average loss per year would therefore be one fifth of \$500, or \$100 per year.
- The fence would cost \$250 a year on average (\$5,000 divided by 20 years).
- The fence would be more expensive than the average annual loss, and should not be built.
- The cost of hiring the children would be the same as the loss, but would not necessarily be a complete solution; this solution should not be selected.
- The danger should therefore be tolerated unless any member can think of a cheaper solution, or is willing to protect his own crops on a self-help basis.

Case B

- The loss of \$1,000; this is significant but not fatal for the society, but may increase in the future.
- The store improvement would cost \$500 a year (\$2,500 divided by a 5-year life). This is half the cost of the loss.
- A guard would cost the same amount as the loss.
- Both solutions might be of little or no use, since the leakage may be occurring through faulty issues or receipts, dishonest staff, suppliers or members, or for many other reasons. The manager should therefore improve the stock control and issue system, and through spot checks of particularly attractive

items and finding out how leakage is occurring before trying to cure it.

Case C

- The cost of the losses were serious but not catastrophic.
- The annual cost of new machinery would be \$250 (\$1,000 divided by 4 years) on a pessimistic estimate of when the new central plant would be installed.
- The investment in spares, which would have to be purchased in any case, was only the same as the annual loss; the society should therefore acquire a stock of the necessary spares.

Case D

- The average loss per year would be \$20,000 divided by 20, or \$1,000.
- The cost of preventing the loss would be \$5,000, or 5 times the average loss.
- Nevertheless, because the loss would probably destroy the society completely, and cause untold hardship to members, the society should choose the more expensive site.

- 5) Trainees may feel that information of the sort provided in this exercise is not generally available. How can anyone know whether there will be floods or droughts, or whether a particular form of security will completely prevent theft?

Prepare to toss a coin; ask trainees whether anyone knows whether the result will be "heads" or "tails"; clearly nobody knows for certain.

Ask trainees what they can say about the result; nobody knows what any particular result will be, but everyone knows that in the long run about 50 per cent will be "heads" and 50 per cent will be "tails". How do we know this?

Stress that statements of this sort depend on experience; we are familiar enough with coins to be able to state confidently that

there is a 50/50 chance of any particular side coming up in any particular throw.

Ask trainees to recall accidents that they themselves, or their societies have suffered. Were they completely unexpected, or could someone have foreseen the possibility and suggested what likelihood there was that it might happen?

Stress that there are few totally unexpected occurrences; theft, fire, car accidents, diseases and so on all occur often enough for it to be possible to make a very rough estimate of how likely they are to happen. Only on such a basis can management decide what it is worth spending in order to avoid them.

Refer trainees to the list of risks prepared in the previous session. Apart from insurance, how can a farmer, or a co-operative society, protect itself against the various types of risk? Elicit suggestions such as:

- a. 1. Risks to property from natural causes
 - Irrigation, insecticides, veterinary care, careful site selection.
2. Risks to property caused by people
 - Good employee selection, training, effective security systems, installation of fire extinguishers.
3. Risks caused by the economy
 - Crop diversification, selection of good marketing channels, diversified sources of supply.
- b. 1 Risks to people caused by natural causes
- b. 2 Risks to people caused by accidents
 - Staff and farmer training, proper equipment maintenance, efficient control of dangerous chemicals.

d. Risks caused by claims from others

- Effective fencing, employee and farmer training, general good management.

Stress that many farmers, and every co-operative society manager, must take all the above steps, and others, in order to avoid or minimise the risk of loss. Insurance is not a substitute for care, but a supplement to it.

Risk Reduction Problems

The following cases describe situations where a society manager is considering whether to reduce risks in a particular way. You are required to advise him what to do, and you must assume that no insurance of any kind is available.

You may find that certain information is lacking in some cases. If so, write down exactly what information you want, and give the request to the instructor; if it is available it will be given to you, but the information should not be revealed to any other group.

Case A

The manager of the Abacus Society felt that something had to be done to prevent elephant damage to his members' crops. The previous year there had been a severe drought, and herds of elephants had ranged far beyond their normal habitat in search of food. They had as a result trampled over a large proportion of the society's members' crops.

Since all the members' farms were grouped together, it was clearly the task of the society to provide some protection and a number of different suggestions had been put forward. A firm of fencing contractors had offered to build a strong elephant proof fence between the forest and the farmers' plots. Someone else suggested that the society should pay a group of members' children to light fires and sit up around the night singing and playing in order to scare the animals away. Another member of the committee, whose farm had not been touched by the elephants, said it was impossible and in any case unnecessary to guard against the elephants. He thought that both suggestions were a waste of time and money.

Case B

The manager of the Backgammon Society was concerned about the "leakage" of stock from the farm supply store. The store was an old building but quite serviceable, but there were several places where a determined thief could possibly get in at night. The manager wondered what he should do; one possibility was to hire a night security guard, while another was to improve the store. Alternatively, they might close down the farm service altogether, he thought.

Case C

The committee of the Calculus Society did not know what to do. Their processing machinery had broken down twice during the last season, because one or two parts needed frequent replacement, causing great inconvenience and some loss. The equipment was quite old, but serviceable, and although the spare components could quite easily be installed, it took at least three days to obtain even the most commonly used items. It would be possible to replace the equipment in time for next season, but in three or four years at most the co-operative union was going to build a new large-scale plant to process the crops from every society in the district and it would then be uneconomic for the Calculus Society to run its own plant.

Case D

The manager of the Deliberate Society was uncertain where to recommend that the new store should be built.

Most members thought that it should be built on the flat land between the road and the river. Some of the older people thought that this was dangerous, however. They remember the floods in the past, and said that the store should be built above the road on the hill. They admitted that the extra cost of levelling the site and cutting a new road would be high, but surely, they said, it was better to be safe than sorry.

principles of insurance

Session 2.1 What Is Insurance?

Session 2.2 What Can Be Insured?

Session 2.3 The Problems of Insurers in
Agriculture

SESSION 2.1WHAT IS INSURANCE?

Objective: To enable trainees to describe the basic principles of insurance, and to identify different ways of organising insurance.

Time: 1 to 2 hours.

Session Guide:

- 1) Remind trainees that the case studies in the previous session showed how co-operative societies could prevent or at least reduce the risk of certain accidents; why is any additional protection necessary?

- It is impossible totally to prevent accidents.
- The cost of protection may be prohibitive.
- The financial loss caused by an accident, even if it is very unlikely to occur, may be such that it would destroy the society and its members' livelihood.

Ensure that trainees understand that insurance is a way in which a number of people contribute relatively small sums of money to a common pool, which is available to any one of them should an accident occur.

Ask why a co-operative society needs to join such a group; would it not be cheaper and simpler for the society to "insure itself" by reserving a certain amount of money each year, to be used only if an accident occurs?

- An accident may occur very soon, before enough money has been accumulated.
- The accident may be so unlikely that the amount of money to be reserved each year would be insignificant and the book-keeping would be immensely complex.

- No society is likely to be able to calculate the individual likelihood of all possible accidents occurring, and thus to calculate the amount of money to be reserved.
 - A very unlikely accident may cost a great deal of money; because it occurs so rarely, a co-operative could not accumulate the necessary sum of money in any reasonable period.
- 2) Stress that all the above points apply even more obviously to individual farmers. Ask trainees whether there is any reason why an organisation should "insure itself" in the way that was described. What circumstances would make self insurance appropriate?
- A large organisation can withstand the losses even from an expensive accident.
 - A large organisation can afford to make the necessary calculations of risks and the administrative expense.
 - An organisation may after some experience realise that they are more successful at avoiding certain risks than other similar organisations. The cost of insurance depends on the average experience, and it might be cheaper for an organisation with better than average experience to insure itself.

Stress that self insurance is only appropriate in a large organisation, and only for some of the risks they face.

Ask why it is particularly necessary for agricultural co-operatives to carry proper insurance.

- Agriculture is a risky activity.
- Members may depend on the society not only for extra money, but for their whole livelihood.
- Most co-operative societies are fairly small organisations.,
- Very few co-operative societies have large enough cash reserves to cover the cost of unexpected accidents.
- Very few co-operative societies have been in existence long enough to make a detailed record of their accident experience.

- 3) Every country and community has traditional "insurance" schemes whereby every member of the group contributes a certain fixed amount, and can then have the use of the total amount when he or she needs it.

Ask trainees to describe "cow clubs", "self help groups", or other informal insurance schemes of this sort. Typical examples might include:

- A club where 12 members contribute \$1 a month each, and each has the use of the full \$12 once a year.
- A sickness club, where members contribute a small amount each month, which is made available to whoever is judged to need it most each month.
- A dowry club, where heads of families contribute a certain sum every year, and those whose daughters are to be married and must have a dowry share the amount every year.

Why are these traditional forms of insurance insufficient for modern farmers and agricultural co-operatives?

- There are so many risks, and they can be so large, or infrequent, that one community cannot cover them all.
 - Since the group has to be too large for all members to come to know one another, there is a need for a formal organisation and procedure to avoid dishonesty.
- 4) Trainees may or may not be able to insure with a co-operative insurance company. In any case, ask why insurance is a particularly appropriate activity for a co-operative to be engaged in.
- Co-operation is self help by a community; insurance is a way of sharing misfortune in order to lighten the burden on every individual member, and is thus an ideal co-operative activity and consistent with the co-operative spirit.

Ask a trainee to imagine that he is the local leader in a community, and wants to provide insurance against some particular

form of accident to other people in the community; how might he go about it?

Elicit the following suggestions:

- a. He could follow the traditional method, asking each member of the community to subscribe a certain sum, calculated on the basis that it would just cover the expected losses.
- b. He could form a co-operative society, and proceed as (a) above.
- c. He could try to start an insurance business for his own profit, by asking people to subscribe rather more than he thought to be necessary, aiming to retain the profit.

Stress that the first two methods are what are called mutual insurance; regardless of whether or not the organisation is a formal co-operative, it is owned by its members and any surplus is distributed at the end of a period as a bonus or refund.

The third method is a private or joint stock insurance company, which is owned by the people who started it. They invested some of their own money in it to get it going. Any profit belongs to the owners, who may not themselves be insured with the company at all.

5) Write the following figures on the chalkboard/OHP:*

- 10,000 people have insured.
- Probable claims 100 per year at \$2,000 each.

Ask trainees what the annual "premium", or cost of insurance, should be.

They may calculate that the total claims will be $100 \times \$2,000$, or \$200,000, and that the premium should be this amount divided by the 10,000 people, or \$20 each.

* OHP = overhead projector

Ask what has been forgotten, if necessary reminding trainees that while the administration of traditional community self help insurance to 10 or even 100 people might be carried out on a voluntary basis, 10,000 people will need some full-time staff to collect premiums and process claims.

Ask trainees to suggest that the administrative costs might be, and elicit a figure such as \$20,000 per year. What should the premium be now?

The obvious answer is \$20 + \$20,000 divided by 10,000 members, or \$22 each.

Remind trainees that the annual accounts of the society would now appear as follows:

Premiums:	$10,000 \times \$22 = \$220,000$
Claims:	$100 \times \$2,000 = \$200,000$
Administrative Costs:	\$20,000
Surplus/loss	nil

Ask trainees whether there is any way in which the insurance organisation might increase its income, apart from higher premiums.

Stress that premiums are usually paid at the beginning of the period for which insurance is being purchased; claims are paid out after losses take place so that the insurer has the use of the money in advance.

Ask trainees how much money the organisation will have at the beginning of the year:

- \$ 220,000

and at the end of the year:

- nil

What is the average amount of money in the society's hands during the year?

- \$ 110,000

What might the organisation be expected to do with this money?

Clearly the money should be put on deposit; if bank deposit interest is 10 per cent, the organisation will make an additional income of \$11,000, which will be a surplus.

Ask trainees what the organisation will do with this surplus, if it is a mutual society, or a private joint stock company.

- A mutual society will return some part of the surplus to its members.
- A private company will retain the profit of \$11,000.

Stress that any insurance company would expect to start with some resources, in case claims were larger or earlier than expected; how could a mutual company obtain these resources?

- Higher initial premiums, to be refunded if experience justifies.

A private entrepreneur might be expected to invest his own money in this way, probably to be withdrawn later in the form of profits.

- 6) Ask trainees whether they would prefer to be insured by a mutual society or a private company as described in this simple example. Clearly they would prefer the mutual society, since they would receive a refund of \$1 each.

Ask trainees to suggest what might distinguish a well managed insurance organisation from a badly managed one.

- Regular and prompt collection of premiums.
- Members/Customers carefully screened for honesty and competence.
- Administrative expenses kept as low as possible.

Show by example how only five per cent higher claims could almost wipe out the surplus of \$11,000 in the example given. Stress that while mutual societies are more in the interest of the insured than private companies, if all other things are equal, trainees should select the company which can demonstrate a successful record, regardless of its ownership.

SESSION 2.2WHAT CAN BE INSURED?

Objective : To enable trainees to identify those risks which can and cannot be insured against.

Time : 1 to 2 1/2 hours.

Material : Case Study "Insurance Request".

Session Guide :

- 1) Distribute the list of insurance requests; allow trainees up to five minutes individually to consider the first request and to make a definite decision. When they have all done this take a vote as to whether or not the request is insurable; ensure that all trainees make a decision one way or the other, even if they are not certain which is correct.
- 2) Go through the complete list of requests one by one in the same way; record the number of trainees voting to accept or reject the request in each case. When all the requests a) to m) have been covered, ask individual trainees to explain their decisions; elicit answers as follows:
 - a) Yes; an animal or other possession with a known replacement value, even if this declines or increases over time, can be insured. If the bull dies after some years the society will only receive what it would cost to replace it at that time, regardless of the fact that it was worth a great deal more when it was first purchased.
 - b) No; it is difficult if not impossible to take out insurance against a totally new risk, where there is no experience and when the unknown risk has to be shared with a very small number of people or organisations. The insurance company would probably request verified data on the experience elsewhere with the new process.

- c) Yes; something of variable value, such as goods in stock, can be insured so long as there is some reasonably accurate and verifiable record of what it is worth at any particular time. The record should be kept in a separate place if possible.
- d) No; it is not usually possible to insure against regularly expected and frequently occurring risks. The premium would in any case have to be extremely high.
- e) No; it is not possible to insure against losses caused through war, because everyone in the country, or even in a whole region, will suffer enormous loss at the same time. No insurance company could possibly afford to pay for all the claims they would receive.
- f) Yes; even relatively frequent losses can be insured against, providing they are the same as those suffered by many other organisations and individuals so that the insurance company can make some estimate of the likelihood of the loss, and thus the level of premium.
- g) Yes; it is possible to insure against the loss of something which is not owned by the organisation, such as the life of its manager, if there is an "insurable interest", that is, if the organisation will lose if the accident occurs.
- h) No; it is not possible to insure any more than the financial replacement value of an item. The extra sentimental or status value is indeterminate and cannot be covered.
- i) No; insurance and gambling are not the same thing. The event must be of some direct concern to the society wishing to be insured, and not merely the subject of a bet.
- j) Yes; theft can be insured against. Premiums will go up if theft increases, and societies may be required to add extra security locks, bars or other protection before an insurance company will insure their premises.
- k) Yes; natural disasters can be insured against providing there is some evidence as to their frequency and they are not too catastrophic.

- 1) No; it is not possible to insure against a loss which cannot be estimated in advance. The society would only be insured against the loss in value of the cattle which caught foot and mouth disease, and not the possibility of slaughter without compensation.
- m) No; it is not possible to insure against something which will happen because the insurer decides to make it happen; losses must be accidental, not deliberate.
- 3) Go through the decisions and draw out the following general guidelines as to what kinds of risk can be insured; summarise these on the chalkboard/OHP and ensure, if necessary through further examples, that every trainee understands what they mean.
- Only financial losses can be covered.
 - Only risks which are incurred by a large number of people or organisations can be covered.
 - Only accidents in which the insured has "an insurable interest" can be insured against; the insured must suffer loss in the event of the accident taking place.
 - Only risks which can be roughly calculated in advance can be insured against.
 - Risks which will cause catastrophic loss to vast numbers of people cannot generally be insured against.
 - Only risks which are reasonably unexpected can be insured against.
 - Only losses which are accidental can be insured against.

Insurance Requests

The committee of the Guardian Co-operative Society has only recently discovered that it is possible to insure against losses of various sorts. They have compiled a list of the risks against which they would like the society to be insured, but before sending them to the co-operative insurance company the manager has asked you to advise him as to which of the risks can and cannot be insured against, and why. Consider each item, and decide whether it is likely to be possible to insure against the loss described; if not be prepared to say why.

- a) The society have recently paid a high price for a stud bull, to service members' cows. It would obviously be a serious loss if the bull were to die for any reason or to be incapacitated, since he was expected to enjoy many years of useful life. The committee want to insure against anything happening to the prize bull.
- b) The society have recently adopted a new and very advanced method of milk processing. They were one of only three societies in the country using this method, and there was a slight risk that if a certain unusual condition of combination of temperature, humidity and chemical impurities occurred, a large loss might happen. The society wished to insure against this.
- c) The society's warehouse was a wooden building of some age, but quite serviceable. The volume of goods stored in the warehouse varies from day to day, and even more from season to season, and it would be a disaster if it burnt down and this stock was lost. They wanted to insure against such a loss.
- d) One of the society's vehicles was rather old and unreliable, and broke down fairly regularly. They could not afford to replace it at the moment, and when it broke down the members' milk which it was carrying was frequently spoiled. The committee would like to insure against losses which occurred in this way.
- e) The political situation looked more dangerous every day. The society's buildings were only a few kilometres from the frontier, and if war was to break out one possible invasion route led very near their premises. This was certainly unlikely, but surely it would be possible to insure against such a catastrophic loss, they thought.

- f) Road accidents were all too frequent in the area; the society wished to insure its vehicles against any damage they might incur as a result of accidents.
- g) The society's success was to a great extent due to the manager's skill and efficiency, and members of the committee had frequently referred to him as "irreplaceable". He was no longer young, and although it was unlikely the committee wondered if they could insure the society against inevitable losses the society would suffer in the event of his unexpected death.
- h) The committee and indeed the whole society were proud that theirs was the only co-operative in the region which the president personally had visited. The chairman had remarked once that his signed photograph which the president had presented to the society on the occasion of his visit was the most valuable thing they possessed. The committee decided they would like to insure it for a large sum in recognition of its symbolic importance in the society's history.
- i) The members of the society were very fond of gambling, and a group of them approached the manager one day to ask whether he could arrange to insure them against the risk of losing their money if they bet on the wrong horse in the local races.
- j) Because of unemployment and pressure on land, more and more people were turning to theft for their livelihood. The society's possessions were well protected, but any loss would be serious; they wanted to insure against theft.
- k) The nearby river had been known to flood up to the level of the society's buildings, although not for many years. A big flood would cause severe damage, and the committee wanted to insure against this.
- l) Foot and mouth disease was spreading in the country. If the cattle held by the society caught it, they would seriously lose condition and decline in value. There was also a possibility that the Government would adopt a slaughter policy, whereby all animals in any herd where even one had the disease would be slaughtered and burned without compensation. The committee wanted to take out insurance which would cover against any risk from foot and mouth disease.

- m) The committee was not sure how long the old tractor would last. Some thought four or five years more, while others thought they would have to make the decision to stop spending money on it within the next season. In any case, they would have to buy a new tractor quickly, when they did decide to dispose of the old one, and they wanted to take out insurance to cover the loss.

SESSION 2.3THE PROBLEMS OF INSURERS IN AGRICULTURE

Objective : To enable trainees to identify the particular problems of agricultural insurance, from the insurer's point of view, so that they can help to enable their members to enjoy the benefits of insurance.

Time : 1 hour (with guest speaker, add 1-12 hours).

Session Guide :

- 1) Trainees are most probably familiar with life Assurance. Ask trainees what distinguishes this from other forms of Insurance, apart from the slight differences in the words.

- The accident, that is the death of the assured, or his reaching a certain age, is bound to occur; a fire, theft or other loss covered by insurance need never happen.

Trainees may be expected to advise their members about life assurance, but this does not come within the scope of this course. Ask trainees when their societies might possibly be concerned to take out a life assurance policy, which will pay the society some money if somebody dies.

- It may be necessary to assure the lives of people, whether they be members or not, who owe large amounts of money to the society, and whose heirs are unlikely to be able to pay if they die.
- Some organisations which depend a great deal on one employee assure themselves against his or her premature death; ask trainees whether any of their societies are likely to take out assurance on their lives!

- 2) Few agricultural co-operative societies are likely to be concerned with life assurance; trainees who are interested in the subject will certainly be able to obtain information from any local co operative assurance company which transacts life business. Ask

trainees to list the types of insurance with which they are familiar, apart from life assurance, and the specific risks associated with each. Elicit a list such as the following types of cover:

- Fire insurance, against loss of goods or buildings by fire.
- Theft insurance, against loss of property which is stolen.
- Car insurance, against damage or injury caused in vehicle accidents.
- Health insurance, against costs incurred because of disease.
- Marine or air insurance, against losses during transport by sea or air.
- Third party or indemnity insurance, against losses caused through claims by other people against the insured.

Ensure that all trainees understand the nature of the risks that each of the types of insurance covers. Use local examples to illustrate the nature of each type of protection.

- 3) Refer to the previous 2 sessions, and the types of risk which agricultural co-operative societies, and their members, are likely to be able to insure against.

Ask trainees to put themselves in the position of an insurer who is considering starting to offer insurance to agricultural co-operatives and their members. What would be the ideal types of farmers, the ideal environment and accompanying facilities which would characterise an area in which they would prefer to operate?

Elicit suggestions such as the following:

- Fairly large farms so that each unit to be insured would justify the necessary administration and appraisal before insurance, and the inspection and verification required in the event of claims.
- Farmers with a good understanding of what can and cannot be insured, and of the requirements of insurance, in order to minimise a possible request for insurance or frivolous or irrelevant claims.

- Skilled farmers, who will through their efforts avoid most accidents or risks so that claims will be limited to what is unavoidable.
 - Clear land tenure and boundaries, so that any damage can be clearly defined and easily verified.
 - Good data on previous history of losses of all kinds, as the basis for calculating the risks of accidents and thus the amount of premium to be charged.
 - Good communications by road and telephone, so that accidents can be quickly notified and any necessary inspection takes place as soon as possible.
 - Farmers with a good understanding of the need for and benefits of insurance, to minimise the need for lengthy explanations and to ensure that the majority of farmers are insured against all risks, rather than particular small ones, thus making administration easier.
 - Farmers with reasonable cash reserves, so that they can pay premiums well in advance in order to build resources from which to pay any claims.
- 4) Note the points on a chalkboard; it is clear that most communities in which agricultural co-operatives operate possess few if any of these characteristics. How can the problems be avoided, and what in particular can a co-operative society do to make it easier for their members to enjoy the benefits of insurance?

It is clear that the general process of development will in time overcome the disadvantages, but how can farmers be economically insured in spite of the obvious difficulties?

Go through each of the desirable characteristics which are lacking and elicit suggestions such as the following:

- Problems arising from the small-scale of individual farmers can be overcome by co-operative action; a co-operative society can discover individual requirements and distribute insurance to individual small-scale members just as it distributes fertilizer or other supplies in smaller quantities than are economic for the producer to handle. Discuss ways in which a society

can collect together the insurance needed for members, and arrange a joint policy with an insurance company.

- The co-operative can include insurance in its programme of member education to overcome the problems of ignorance and suspicion, so that established insurance companies will be able to deal with them directly; and the members themselves will feel confident when determining their insurance needs.
 - Farmers' skills can and should be improved through education, input supply and marketing activities of any co-operative. As members' productivity increases, they will be more attractive propositions for an insurance company.
 - Land tenure and registration is usually the responsibility of Government, and there may be little a society can do to accelerate what must be a laborious process. A society can, however, undertake a group policy, covering the whole area as if it was one large farm; problems may still arise in the settlement of claims, but they can probably be dealt with more easily and equitably by a local society than by a large and distant insurance company.
 - A co-operative society should collect data on farm production, accidents and all aspects of agricultural activity, as the basis for credit allocations, and marketing arrangements, input orders and many other decisions. This data can be of great value to a prospective insurer.
 - A co-operative society may not be able to build roads or provide telephones, but it can provide a communication link to members for an insurance company, reducing the delays and difficulties involved.
 - Most members may not be able to pay a premium in advance; the society can provide them with credit for this, as for other purposes, and thus enable them to pay when required.
- 5) If possible representatives of one or more insurance companies which are anxious to do business with local farmers and co-operative societies should be invited to speak after this session. They can be requested to describe their facilities, and to discuss ways in which they can work with co-operative societies for the benefit of their members.

obtaining insurance

Session 3.1 Selecting Insurance

Session 3.2 Proposals and Policies

SESSION 3.1

SELECTING INSURANCE

Objective : To enable trainees to distinguish between different ways of obtaining insurance.

Time : 1 1/2 to 2 hours.

Material : Summary of Cover. (This should be replaced by local material if possible.)

Session Guide

- 1) Ask trainees to imagine that they have decided to insure their society against as many as possible of the risks which can be covered by insurance. What questions will immediately occur to them, if they have not taken out insurance before?

Elicit the following items of information:

- From whom should the insurance be obtained?
- What information will the insurer need?
- How many different policies will be needed?
- What will it cost?
- On what basis will the risk be valued?
- What will be the actual procedure for obtaining insurance?
- What is the procedure for claiming in the event of loss?

Ensure that trainees are familiar with the terminology; the proposal being the document which the person or organisation wishing to be insured submits to the insurance company, and the policy being the legal document which the insurance company gives to the insured when insurance is being provided.

There are a number of general principles which apply to most forms of insurance; these will be covered in the following two sessions. Later sessions will cover special problems arising in:

- Motor vehicle insurance.
- Livestock insurance.
- Crop insurance.

Fire and theft insurance will be covered in the following two sessions.

- 2) Ask trainees first to suggest from whom they might buy insurance; what are the two types of decision which must be made when deciding to buy anything, such as a bar of soap or a newspaper?

- What brand or make to buy?
- From where to buy it?

Ask any trainee who already has some insurance, either for himself or his society, where he bought it.

Show by reference to this purchase, or to organisations known to trainees, that insurance, like many other products, can be bought in two different ways:

- Direct from the "manufacturer" (in this case, the insurance company).
- Indirectly through a "retailer" (in this case, an insurance broker).

If it is possible for societies or individual farmers to buy insurance through brokers, or direct from insurers, ask trainees to suggest the advantages of each. If they have no experience of insurance, they should consider the advantages and disadvantages of dealing directly, or indirectly, with any manufacturer.

Elicit the following suggestions:

Buying direct

- Lower prices.
- Greater possibility of negotiating special arrangements.

- Reduced delays in dealing with queries and particularly in settling claims.
- Great knowledge of the supplier's staff and suitability.

Buying through brokers

- They offer insurance from a wide range of companies, so that a customer can choose the most suitable one.
- They are generally smaller, flexible local companies with local knowledge.
- A customer is likely to deal with a partner or other senior person in a broker's office who will be better qualified than a clerk in a company.
- Brokers usually have offices in small towns while insurance companies are based in capital cities or even abroad.
- Brokers may have time and ability to visit individual customers, to identify risks which may not have been noticed and generally to act as consultants with no bias towards a particular company.

Discuss any experience trainees have had with either method; identify suitable local brokers and companies which deal direct. Obtain and distribute literature from them, and if time allows ask their respective representatives to describe their services. Stress that price is not the only thing to consider when buying insurance. Brokers may add 15 per cent or even 20 per cent to the cost of insurance, but this may be a cheap price to pay for personal advice, and particularly, help in dealing with claims.

Some insurance companies maintain field staff who offer similar services to brokers; identify any which do this, and discuss trainees' experience with them.

- 3) Refer back to the example of the soap or newspaper; remind trainees that price is not the main factor to be considered when buying items of this sort. What other factors are important in the choice of supply of insurance?

Elicit the following suggestions, if necessary by referring to pairs of organisations with which trainees may be familiar, in insurance or not, and ask them to identify the critical differences between them.

- a. Is the company efficient, quick to respond to customer queries, and in dealing with claims?
- b. Is the company owned by local interests, such as the co-operative movement, so that its funds are invested in socially desirable ways?
- c. Is the company well established, with substantial reserves able to deal with an unexpectedly large number of claims?

Ask trainees to imagine that three insurance companies X, Y and Z, are rated good or poor according to each of the three standards a, b, and c. Their society has received quotations from all three, and the cost of insurance is the same; how will they rank the three insurance companies?

	<u>Company X</u>	<u>Company Y</u>	<u>Company Z</u>
Standard a	poor	good	poor
Standard b	poor	poor	good
Standard c	good	poor	poor

If possible, refer to three local companies which more or less fall into these categories. They need not be insurance companies, but could be suppliers of farm requisites, or market outlets, with which trainees are familiar.

- 4) Ask trainees for their rankings; summarise them on the chalkboard in order to see which of the three suppliers is judged best, second best and worst by trainees as a whole.

Ask any trainee who has ranked Y or Z as No. 1 to explain why efficiency or social responsibility is more important than sound establishment. Ask whether they would prefer to be sure that their claims will be paid if necessary, or to have efficient service and to know that their premiums have been invested in specially desirable activities.

Stress that sound establishment and adequate resources are by far the most important factors when selecting an insurance company. How can a manager judge the soundness of an insurance company?

- Age of the company.
- Size of the company.
- The links to international companies.
- Examination of its balance sheet.
- Recommendation from a reputable source such as a good firm of insurance brokers.

5) Stress that there are usually a number of well established companies, so that efficiency -and social responsibility can be considered. How would they choose between companies Y and Z if both were soundly established and offered the same price?

- Efficiency and rapid handling of claims can save the insured co-operative from bankruptcy in the event of a disaster.
- If a specialist co-operative owned insurance company invests its premium income in local agricultural activities, these may be socially desirable but they are likely to face the same risks as the society's own farmers which are insured with it.

What will be the effect if the company's customers and its investment suffer a severe loss at the same time?

Stress that insurance is a business like any other. Co-operative insurance companies are usually not given monopoly rights to co-operative and their members' business, but have to compete with state owned or private companies to offer the most appropriate service.

Refer back to Session 2.1. Remind trainees that mutual insurance companies are essentially co-operatives, in that they distribute their profits to policy holders who also own the company. Co-operative insurance companies, therefore, have an immediate advantage in that they do not have to pay dividends to shareholders. This should enable them to obtain a reasonable share for co-operatives' business without any special privileges.

- 6) Ask trainees to imagine that they are themselves insurers, who have taken on the insurance of a large number of farmers who may possibly incur a similar loss at the same time, because they grow the same crops in the same area. How can the insurer avoid the danger of being unable to pay the claims because so many of his customers suffer loss at the same time?

Trainees may be familiar with the operations of bookmakers; how do they avoid the risk of bankruptcy if they have accepted too many bets on the same horse?

Trainees may refer to the possibility of running away. Stress that this is not an option for an insurance company, and elicit, or describe, the process of "laying off" whereby a bookmaker can share the risk of his losses with other bookmakers who are not so exposed to that particular risk, and may in fact wish to spread their own risks.

Show how an insurance company can do the same, by arranging "re-insurance" with other companies which are not exposed to the same risks. Show that larger national or better still international companies are particularly able to do this, either within their own operations or through their connections with other companies with different risks. This is a further reason for choosing to insure with a large and well established insurance company.

- 7) Remind trainees of Session 1.2 and the large number of different risks which farmers and co-operative societies face. Is it necessary to buy insurance against each risk, individually?

Distribute copies of the "Summary of Cover" or, if possible, a similar document from a local company.

Allow trainees up to 15 minutes to examine this summary, and to compare it with the list of risks prepared in Session 1.2. What risks are not covered by this all-inclusive insurance policy?

- Crop losses other than to crops already harvested and in storage.
- Losses caused by falling prices.

- Losses caused by fraud, either by employees or others.
(Trainees must distinguish carefully between theft and fraud.)

Ask trainees to suggest why these losses are not covered.

- Crop losses are likely to happen to all or a majority of farmers in a particular area. Refer to Sessions 2.2 and 2.3; losses of this sort are very difficult to cover, because so many claims are likely to come all at the same time.
- Price fall also affects all farmers who grow a particular crop.
- Fraud, as opposed to simple theft, is usually the subject of legal proceedings. The losses are often not clear cut, and a society may be able to claim damages from whoever has defrauded them. It would also be very easy to defraud an insurance company by pretending that fraud had occurred.

8) Ask trainees to suggest how they might protect their societies against these risks, if they are not locally covered, and against any others which may be covered in the example but are not obtainable locally.

- Crop insurance is possible under certain circumstances, and will be covered in Session 5.2. When it is not available, however, societies and their members can only protect themselves through better husbandry.
- Protection against price fluctuation is often provided by government marketing boards or other intervention schemes whose objective is to avoid excessive fluctuations in farmers' income.
- If trainees societies have access to commodity trading facilities, elicit or explain the mechanism of "forward trading", whereby it is possible for a society to protect itself against the possibility of future price reductions by "selling forward", that is making a firm contract to deliver a certain quantity of a crop at a fixed price but at a specific future date, usually three, six or twelve months from today, regardless of the price which may be ruling at that future date. Stress that this also involves the chance of loss, in that the

price on the future date may in fact be HIGHER than that which was agreed.

- Even if forward trading facilities are not available, it may be possible to make advance contracts with customers, at fixed prices, for future delivery. Here again, the customer is covering himself against the chance that the price may go UP, while the seller is avoiding the risk of it going DOWN.
- A society can insure itself against theft, by outsiders or by its own staff. As it is often difficult to determine exactly how much has been lost in the case of embezzlement or other staff dishonesty an insurance society will not pay an indefinite claim. The only real protection against staff dishonesty is good management.

9) Refer trainees to the summary of cover already distributed; how will a society or farmer decide which of the 11 classes of insurance to purchase?

- He will only want to cover risks which he is likely to incur (if he has no livestock, H, J and K are clearly unnecessary).
- He may already be covered for risks under another scheme (for example, Section G may be covered under a society's health scheme).
- He may want to minimise expense.

The last reason depends on the price to be charged; how is this calculated, and on what is it based? Refer trainees to Session 2.2; the insurer needs to know:

- The likely frequency of claims.
- The administrative costs.

Allow trainees 15 minutes to calculate the premiums for the following circumstances:

- 1,000 people insured.
\$1,000 value of property insured by each.

1 in 50 chance of total loss of property to anyone insured in 1 year.

\$10,000 administrative expenses.

Elicit the following calculations from one or more trainees:

- Cost of claims ($\frac{1}{50} \times 1,000 \times \$1,000$)	\$ 20,000
Cost of administration	<u>\$ 10,000</u>
Total Cost	\$ 30,000
Premium for each insured $\frac{\$30,000}{1,000}$	= \$30, or 3% of sum insured.

Remind trainees of Session 2.1; what other sources of income would the insurance company have; when are premiums paid by the insured, and when are claims and advertising expenses paid out?

- Premiums are paid in advance, but expenses are usually fairly evenly spread throughout the year and claims are paid after losses occur. This means that the company will have money to invest.

Ask trainees to assume that the money can be deposited at ten per cent interest a year; what income will the company earn from this source? Elicit the following calculations:

- Cash on hand at start of year	\$ 30,000
Cash on hand at end of year	\$ <u>nil</u>
Average Cash on hand	\$ 15,000
Interest	\$ 1,500

This can be used to reduce premiums and/or to provide a profit, or surplus distribution, to the owner of the company.

10) Ask trainees to identify which are the major factors affecting the premium:

- The number of insured people, companies or societies.
- The value of what is insured.

- The number of losses.
- The amount to be paid out in the event of loss.

Ask trainees how they can reduce the premium they will have to pay.

- In a mutual or-co-operative insurance company, the surplus distributed will be larger, and the net premium less, if more people join. Trainees should therefore support co-operative insurance initiatives, so long as they are well managed and adequately banked.
- They must under-value or over-value what they insure. If it is under-valued they will not be adequately covered in the event of loss. If it is over-valued the company will only be liable to pay the current value of what is lost, regardless of the sum for which it was insured and the premium paid.
- They can reduce the chances of loss. Trainees may be familiar with no claim bonuses for car insurance. The same principle applies to all forms of insurance. Premiums are based on the insurer's estimate of each insured's likelihood of making a claim, and a representative of the company will normally inspect what is to be insured and assess how well it is being protected. Specific reductions may be given for special forms of protection such as security guards, fire extinguishers, safety training courses, and so on.
- They can reduce the amount they will claim in the event of loss. Any trainees with private car insurance will be familiar with the system of excess, whereby the insured agrees only to claim for losses beyond a certain amount, and to bear the cost of this himself. This reduces the number and amount of claims, and most insurance companies make a substantial price reduction in cases when claims are likely to be small, so that a reasonable excess will eliminate a number of claims altogether.

11) Refer to the earlier discussion on the choice of an insurance company; how can a company itself reduce the cost of premiums?

- By good management and reduced administration costs.

- By careful investment of its funds to earn the maximum return and avoid losses.
- By selecting low risk customers, and helping them to avoid losses by field advice, safety research, publications and training.

Stress that insurance is a "mutual" undertaking; the company and every policy holder benefit if the company is well managed and claims are minimised.

Summary of Cover

(Courtesy of National Employers' Mutual Insurance Association
Swindon, England)

Summary of Cover

This Summary of Cover is intended only to give a brief outline of the wide insurance available and to assist you in completing the Proposal Form. Should you require full details of the cover, we shall be pleased to provide a specimen policy document on application.

Premium quotations will be provided upon receipt of a completed proposal form.

We will consider requests for cover not mentioned in this Summary or in the policy document.

Section A Fire

provides cover on the property described in Section A of the proposal form against the perils of Fire, Lightning and the Explosion of gas or boilers used only for lighting or heating the premises. The cover includes the cost of removing debris when Buildings or Machinery are damaged or destroyed, plus Architects', Surveyors' and other fees incurred in their repair or replacement. The Temporary Removal of property from the Premises is also insured.

In addition to the perils above, the property may be insured against the following **SPECIAL PERILS**:

Explosion (wider cover)
Earthquake and Subterranean Fire
Riot, Civil Commotion and Malicious Damage (not in Northern Ireland)
Aircraft
Impact by Vehicles, Horses or Cattle (not in your ownership or control)
Spontaneous Combustion

Cover in respect of Electrocution of Livestock, and Storm Damage to Farm Buildings in good repair, can also be provided.

Dwelling House Extension:

Any Dwelling House on the Premises may be insured under this Section against any of the perils mentioned above, plus Theft, Impact by Vehicles, Horses or Cattle in your ownership or control, Flood, the Bursting or Overflowing of Water Tanks, Apparatus or Pipes and Subsidence. Subsidence carries a £500 excess, all other perils £25.

Section B Theft

The property described in Section B of the proposal form is covered against Theft or Robbery, and we will also pay for any damage to the Buildings caused by a forcible entry or exit. A £25 excess applies to each claim.

Section C Business Interruption

Damage to the property insured under Section A by any of the perils covered could result in a serious reduction in Income while the loss or damage is repaired. If both Income and Additional Cost of Working are insured this Section will safeguard your anticipated profits (if you are a milk producer or a livestock rearer) and also pay additional expenses necessary to keep the Business in operation provided that a claim has been paid or liability admitted under Section A in respect of the same property. Arable farmers may require to insure the Additional Cost of Working only as damage to crops will be catered for under Section A, but additional expenses (eg hire of equipment, payment of overtime or rent of temporary premises) necessary to maintain farming activities will still have to be met. The Standard Indemnity Period is twelve months.

The Insurance can be extended to cover interruption following any of the Special Perils described in Section A of this Summary plus Theft, Storm Damage or Electrocution of Livestock.

Section D Money

covers any loss of money from the premises or while in transit (also damage to safes) — up to certain limits. For the purposes of the risk, money is divided into:

Money A Current coin, bank notes, currency notes, securities for money, bills of exchange, bankers' drafts, cheques, money orders, postal orders, current unused postage and National Insurance Stamps, National Savings Stamps and Certificates, land registry stamps, war bonds and consumer redemption vouchers.

Money B Crossed cheques, crossed money and postal orders, used National Insurance Stamps, premium bonds and VAT purchase invoices.

Additionally, this Section can provide, under the **PERSONAL ASSAULT EXTENSION**, a monetary benefit if you or anyone acting on your behalf should suffer death or injury in an actual or attempted robbery, the benefits varying with the extent of the injury. The Death Benefit is £2000. Also covered are clothes and personal effects which may be damaged.

Section E Employers' Liability

If an employee is injured in the course, and as a result, of his or her work, this Section covers your legal liability (which the law requires you to insure), as an employer, to pay damages in respect of such injury. If desired, this Section can be extended to cover your obligation, under the **AGRICULTURAL WAGES ACTS**, to pay sick-pay to any employee.

Section F Public Liability

provides indemnity in respect of your legal liability to pay damages for injury to any member of the public or for damage to their property (including the property of employees) arising from the pursuit of the Business including the sale of produce. There is NO limit to the indemnity provided (other than for destruction or damage by Fire).

Section G Personal Accident

Under this Section a monetary benefit is available if you (or you spouse, son or daughter if engaged in the Business) should suffer accidental bodily injury. The cover applies 24 hours a day and the Standard Benefit package is:

Death	£2000
Loss of, or loss of use of, one or more limbs or loss of all sight in one or both eyes	£2000
Permanent total disablement from any business or occupation	£2000
Temporary total disablement	£20 per week (for not more than 104 weeks)
Temporary partial disablement from a substantial and essential part of the usual business	£8 per week (for not more than 104 weeks)
Medical and surgical expenses necessarily incurred in respect of the injury	15% of the weekly benefit paid

The age limits for acceptance are 16 to 60 years. Proposals may be accepted for packages with a Death Benefit of more than £2000 and with other benefits in proportion.

Section H Fatal Injury/ Sheep Worrying

This can cover the risk of fatal injury to livestock while they are away from the Premises **and/or** the death of any sheep due to worrying by dogs or foxes. In each case we require to know the maximum value of any one animal in addition to the **TOTAL** value of all animals. Vet's Fees in respect of both fatal injury and sheep worrying are insured.

Section J Livestock (Specified Animals)

This Section affords cover in respect of the death of specified animals due to accident or disease. It can be extended to cover death by Fire or Lightning. On the proposal please quote the relevant Cover Code No. for each animal.

Cover Code	Classes of animals which may be insured
1	Certified Bulls 6 months to 6 years old
3	Pedigree Heifers, Grazing and Fattening Cattle 1 year to 6 years old
4	Pedigree Cows and Heifers 1 year to 8 years old including calving
5	Non-Pedigree Dairy Cows and Non-Pedigree Heifers 1 year to 8 years old including calving
6	Dairy Cows 1 year to 8 years old for calving risk only and thirty day period thereafter
13	Horses from 1 year to 10 years old used for riding
15	As Code 13 including Point-to-Point Racing, Hunting and Polo.

Section K Foot-and-Mouth Disease (Consequential Loss)

If, due to an outbreak of Foot-and-Mouth, your beasts die from the disease or are slaughtered by order of the authorities, your compensation is limited to their market value. This Section provides insurance against the resultant loss of income and also covers the additional cost of re-stocking. The Sum Insured selected must not exceed 25% of the Estimated Total Value of each class of animal.

Section L All Risks

You may wish to protect office equipment, cash registers, scales, typewriters and other specified property against any peril whatsoever. With a few exceptions, this Section achieves this and can be extended to cover the Deterioration of the Contents of Freezers caused by an accidental rise or fall in temperature.

Section M Goods in Transit

This affords an indemnity in respect of loss of, or damage to, the property insured or fatal injury to livestock while in transit by Road Vehicles (other than those of licensed carriers) and also while being loaded or unloaded at either end of the journey. Cover can be arranged at a limit of £2,500 or £5,000 per vehicle, as required, and your Sum Insured will be the limit selected multiplied by the Number of Vehicles. A £25 excess applies to each claim.

NB. A substantial reduction in premium is available if livestock are **NOT** insured under this Section.

SESSION 3.2

PROPOSALS AND POLICIES

Objective: To enable trainees to complete insurance proposals and to understand the meaning of their society's policies.

Time: 1 1/2 to 2 hours.

Material: Proposal Form Schedule.
Proposal Form.
Farmers' Inclusive Policy.
(These forms should if possible be replaced by local documents.)

Session Guide:

- 1) Ensure that all trainees have retained their copies of the summary of cover used in the previous session. Distribute copies of the proposal form schedule. Ask trainees to relate each section of this to the appropriate section of the summary of cover; go through each section with them.
 - Ensure that trainees understand all the words and terminology. (Proposer = person or organisation wanting to take out an insurance.)
 - Ensure that trainees understand why each piece of information is needed by the insurance company.
 - Ask trainees to suggest additional items that might be included in their country.
- 2) Refer to items such as A.1, A.2, A.4, B.1 and B.2; what problems will arise in valuing these items?
 - The number of animals, amounts of produce and so on will vary from day to day or even hour to hour, and it will be impossible to value them accurately.

- The condition and age of crops, animals and equipment vary; some become more valuable and others less, but they will not remain the same.

Ask trainees to suggest how these problems can be overcome:

- Valuations are used as the basis of the premium; the amount to be paid out in a claim may be higher or lower, depending on the value at that time.
- The total insured is more important than the value of each item. If the total value insured is sufficient, the value of every individual item which is lost will be covered in the event of loss.

- 3) Ask every trainee with insurance policies of any kind whether they fill in a new proposal for every year. They do not; insurance is usually renewed every year so long as the premium is paid and no major changes have taken place.

Ask trainees to suggest what might be the dangers of automatic renewal:

- In most countries inflation of ten per cent or more per year is normal. Insurance values can very rapidly cease to cover more than a small proportion of the replacement cost of what is insured.
- New items are added to the society or farm, but may not be included in the insurance.

Stress that it is the responsibility of the insured to check that everything is included, and that values are brought up to date. Some insurance companies are willing to add a certain percentage automatically to the valuation and to the premium every year, but the insured must still check that old items are removed and new ones included each year, or more frequently as necessary.

- 4) Distribute copies of the proposal form, which accompanies the schedule and is a legal document on which the actual policy is based. Ask trainees to go through the proposal, checking their understanding of the importance of specific dates.

- Accidents which occur outside the period, even by a few minutes, cannot be covered.
- Insurance is usually not valid until the premium has been received by the insurers. The starting date on the proposal is a request and not necessarily acceptable to the company if the premium has not been paid.

Ask trainees to read the questions one to ten:

- They should understand why each is included, and suggest other items of information which a local insurance company might require but are not relevant in the United Kingdom.
- 5) Draw trainees' attention to the empty space for further information. Ask trainees to compare the following situations:
- a. A farmer sells a buffalo to someone else. He knows that it tends to be savage in the middle of the day, and has injured people in the past. The buyer does not ask about the animal's temperament, and the farmer says nothing about it. Two weeks' later the buffalo attacks the buyer's neighbour and breaks his leg. The buyer sues the seller for damages.
 - b. A farmer insures a buffalo of similar temperament against any claims from third parties for damages. He knows about the animal's temper, but, since the insurance company does not ask about it, he says nothing. The buffalo attacks a neighbour and injures him, and he claims his medical expenses from the farmer. The farmer in turn claims the expenses from the insurance company.

Which if any of these claims will succeed?

- a. So long as farmer A did not actually deceive the buyer, by stating something which was not true, he is not liable. The buyer must beware.
- b. The insurance company need not pay, because insurance is based on "ultimate good faith", that is, the proposer must declare everything he knows which may affect the risk. The insurance company does not have to ask for the information specifically.

6) Ask trainees to suggest similar examples of breaches of good faith, relating to other items in Sections A to L of the schedule. These might include:

- Failure to disclose that a certain storage area is liable to flooding.
- Failure to disclose that a certain employee has a criminal record.
- Failure to disclose a history of fire damage.

Stress that there need not be any intention to mislead. If a proposer knows something which is in fact important, regardless of whether he believes it to be important or not, the insurance policy can be held invalid if he fails to declare it.

7) Distribute copies of the farmers' insurance policy, or, preferably, a policy from a local company.

Show trainees how each section of the policy corresponds to a section of the proposal and in the summary of cover.

Allow trainees up to 15 minutes to look through the documents. Ask them to mention any points they do not understand.

Some clauses relate to British law or other features such as civil problems in Northern Ireland (last page) or the British climate (Section A).

Most, however, are general applications. Terms which may not be clear include:

- "Endorsements" - These are particular notes which may alter the basic conditions. They may be printed in the policy, as in the sample, or may be noted on one policy, such as whether a particular animal or building might be excluded from cover.
- "Average" - The method by which insurance companies can reduce claims to take account of under-insurance (this will be dealt with in the following session on claims).

- "Indemnity" - The obligation on the insurer to make exact financial compensation for whatever loss the insured may have suffered.

8. Ask trainees to note:

- a. "The limits of liability" such as A and B whereby no animal's value is to exceed £5,000 unless the animal is specifically listed.

Ask trainees why this is included:

- The farmer could claim that a particular animal included under the general heading of "livestock" in A, which happened to be killed or stolen, was of very high value. If the animal was destroyed, it would be difficult to disprove such a claim.

- b. The "exclusions" such as electrical equipment in A or unexplained shortages or disappearance in B, or losses due to clerical or accounting errors in D.

What is the purpose of these exclusions?

- These are items where the risk is greater than all the rest of the policy, and it is easier for the insured to make a fraudulent claim.

- c. The exclusion of the first £25 of certain losses, such as in A3 or B4.

This means that the insured has to pay the first £25 of any claim; if the total loss is under £25, he will not make a claim at all. Why should the insurers demand this?

- To avoid a large number of small claims, which may arise from petty theft or wind or rain damage to property.

- d. The definitions, such as the specific mention of 8.00 pm or 6.00 am in P, the territorial limits in E, or mechanically propelled vehicles in F.

Why has the company defined these terms, and others, in such detail? Ask trainees what disputes might arise if these terms had not been so clearly defined:

- Money might be stolen when it was not in a safe at 8.05 pm which would in summer in the United Kingdom be in broad daylight. The insured might claim that this was in the daytime, so there must be no room for disagreement.
- An accident might occur to an employee of the firm undertaking training in another country where risks might be greater. The territory must be exactly defined.
- The insurance company might attempt to refuse a claim if it arose from damage caused by a trailer or plough, rather than a tractor which was towing it; it is therefore vital to define the term "motor vehicle" exactly.

Stress that insurance policies are legal documents, with the additional requirement of good faith, in that both sides are obliged to declare any relevant factors in addition to what is contained in the agreement. It is better to spend time and paper in exact terminology in order to avoid uncertainty which can lead to litigation.

H Fatal Injury/Sheep Worrying	State 1. Total Value of all Livestock (for Fatal Injury) 2. Total Value of Sheep (for Sheep Worrying) 3. Maximum Value of any one Animal £																													
J Livestock (Specified Animals)	Complete the following details in respect of the Animals you wish to insure: <table border="1"> <thead> <tr> <th>Name or Number</th> <th>Breed</th> <th>Cover Code</th> <th>Rising Age</th> </tr> </thead> <tbody> <tr><td>.....</td><td>.....</td><td>.....</td><td>.....</td></tr> <tr><td>.....</td><td>.....</td><td>.....</td><td>.....</td></tr> <tr><td>.....</td><td>.....</td><td>.....</td><td>.....</td></tr> <tr><td>.....</td><td>.....</td><td>.....</td><td>.....</td></tr> <tr><td>.....</td><td>.....</td><td>.....</td><td>.....</td></tr> <tr><td>.....</td><td>.....</td><td>.....</td><td>.....</td></tr> </tbody> </table> Do you require Fire and Lightning cover? YES/NO	Name or Number	Breed	Cover Code	Rising Age	
Name or Number	Breed	Cover Code	Rising Age																											
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K Foot-and-Mouth Disease (Consequential Loss)	Estimate of Total Value Cattle £ Sheep £ Pigs £ N.B. The Sum Insured must not exceed 25% of the estimate of total value of each class of animal. Do you trade in cattle, sheep or pigs? YES/NO Are the Premises in an area subject to any order relating to Foot-and-Mouth disease? YES/NO How long have you occupied the Premises? Have any animals been brought to the Premises within the last 4 weeks? YES/NO If YES, please supply details below																													
L All Risks	State Specified Articles to be covered Do you require cover on the Contents of Freezers? YES/NO If YES, state make, age and horse power of the relevant machines below																													
M Goods in Transit	State Number of Vehicles (multiplied by) Maximum Value of any one load £2500* = £5000* = *Delete as required Do you wish to insure your livestock under this Section? YES/NO																													

Proposal Form

(Courtesy of National Employers' Mutual Insurance Association,
Swindon, England)

Branch

Form No. 3/383

Farmer's Inclusive Insurance

Renewal date

Cancelling Policy No(s)

Policy No.

Proposal Form

ALL FACTS LIKELY TO INFLUENCE THE ACCEPTANCE AND ASSESSMENT OF THE PROPOSAL MUST BE DISCLOSED. IF THERE IS ANY DOUBT ABOUT FACTS
CONSIDERED MATERIAL THESE SHOULD BE DISCLOSED.

The Proposer

PLEASE USE BLOCK LETTERS — ONE LETTER IN EACH BLOCK AND A SPACE BETWEEN NAMES

Mr/Mrs/Miss/Ms (delete those not applicable)

First names

Surname

Address
(including Postcode)

Postcode

Telephone no.

Period of Insurance

From To

Business

Please give full description of Business

Premises

(Address of all farms and other places on which you farm or keep livestock)

Cont. overleaf

Please answer all questions

- | | |
|---|--------------------------|
| 1. Is any livestock not sound or free from vice? Has any livestock sustained any illness or injury? Have you ever had glanders, farcy, anthrax, grass disease, red-water, redworm or foot-and-mouth on any premises? If YES give details below. | YES/NO |
| 2. Is all land used by the Proposer and any dangerous place thereon fenced and is all farm machinery properly guarded and vehicles, implements and buildings kept in good repair? If NO give details below. | YES/NO |
| 3. Do you keep livestock on common or unfenced land? | YES/NO |
| 4. Do you undertake work on contract for others or sell any produce direct to the public? If YES give details below. | YES/NO |
| 5. Do you ever accommodate more than six paying guests? If YES give details below. | YES/NO |
| 6. Have you any Appliances using artificial heat for the hatching or rearing of Poultry or Pigs? If YES state below in which building(s), method of heating and how frequently used. | YES/NO |
| 7. Have you (a) a grain drying plant?
(b) a grass drying plant?
If YES, state below in which building(s) used and method of heating. | (a) YES/NO
(b) YES/NO |
| 8. Are any of the proposed risks now insured? If YES give details below including any other policies held with the Association. | YES/NO |
| 9. Have you had any insurance or proposal (including any life assurance) cancelled, withdrawn, declined or subject to special terms? If YES give details below. | YES/NO |
| 10. Have you ever suffered any accident or loss (whether insured or not) at these premises or elsewhere in respect of risks now proposed for insurance? If YES give details below. | YES/NO |

Space for additional information and/or sketch plan (continue on a separate sheet if necessary)

Declaration

I/We wish to effect an insurance with and apply to become Members of the Association. I/We declare that the above statements and particulars are to the best of my/our knowledge and belief true and complete, and no material fact has been misrepresented, misstated or withheld. I/We agree that this proposal shall form the basis of the contract between me/us and the Association and will be deemed as incorporated in the Policy to be issued.

Date Signature of Proposer

COVER IS NOT VALID UNTIL ACCEPTANCE HAS BEEN ADVISED BY THE ASSOCIATION OR THE POLICY HAS BEEN ISSUED.

PLEASE READ THIS POLICY CAREFULLY AND ENSURE THAT IT MEETS WITH YOUR REQUIREMENTS.



SPECIMEN

Farmers' Inclusive Policy

THE INSURED having, by a proposal and declaration which is the basis of this contract and is incorporated within it, applied to the **NATIONAL EMPLOYERS' MUTUAL GENERAL INSURANCE ASSOCIATION LIMITED** (referred to in this Policy as "the Association") for the indemnity and/or benefits as described, and having paid, or agreed to pay, the Premium—

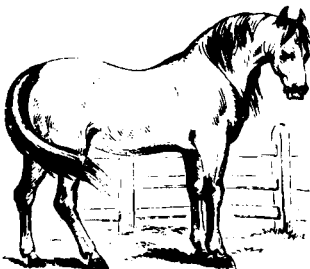
THE ASSOCIATION will indemnify the Insured against losses and liability and/or pay the benefits as described occurring during the Period of Insurance, subject to the terms, exclusions, limits and conditions contained in the Policy or any endorsement

PROVIDED THAT

- (i) any Section of this Policy stated to be "Not Insured" in the Policy Schedule shall be inoperative
- (ii) no Special Endorsement to any Section of this Policy shall be operative unless specific reference is made to it in the Policy Schedule.

Signed, on behalf of the Association

unBiking
J. L. Misher } Directors



Form No. 491

NATIONAL EMPLOYERS' MUTUAL GENERAL INSURANCE ASSOCIATION LIMITED

Head Office: NEM House, Station Road, Swindon, Wiltshire SN1 1DF

THE ASSOCIATION WILL INDEMNIFY the Insured against the destruction of, or damage to, the property insured described in Section A of the Policy Schedule, while at the Premises, by the Standard Perils.

SECTION

A

Fire

THE STANDARD PERILS

- (1) FIRE (whether resulting from Explosion or otherwise) not caused by
 - (a) its own spontaneous fermentation or heating, or its undergoing any process involving the application of heat
 - (b) Earthquake, Subterranean Fire, Riot or Civil Commotion;
- (2) LIGHTNING;
- (3) EXPLOSION, not caused by any of the perils specified in 1(b) above,
 - (a) of boilers used for domestic purposes only
 - (b) in a building not being part of any gas works, of gas used for domestic purposes or used for lighting or heating the building.

LIMITS OF LIABILITY

The liability of the Association during any period of insurance shall not exceed, in respect of

- (a) each Item, the Sum Insured shown in the Policy Schedule
- (b) the effects of any one employee, the amount of £200
- (c) any one Animal, the amount of £5,000 (unless specially mentioned in the Policy Schedule).

EXCLUSIONS

This Section does not cover the destruction of, or damage to,

- (1) dynamos, motors or any part of the electrical plant on the Premises, when directly caused by abnormal current or over-running; self-ignition or self-heating; short-circuiting or leakage;
- (2) in so far as they are otherwise insured, power-driven vehicles, implements and accessories; employees' effects; or livestock;
- (3) property more specifically insured, goods held in trust or on commission, money, securities for money, stamps, documents, manuscripts, business books, computer systems records, patterns, models, moulds, plans, designs and explosives (unless any such property is specially mentioned in the Policy Schedule).

EXTENSIONS OF COVER

- (1) Agricultural Produce, Agricultural Implements and Livestock insured under this Section are covered, if and so far as they are not otherwise insured, while temporarily at any other situation or in transit by road, rail or inland waterway in Great Britain, Ireland, Northern Ireland, the Channel Islands or the Isle of Man.
- (2) The insurance by each Item on Buildings or Agricultural Implements includes an amount in respect of costs and expenses necessarily incurred by the Insured with the consent of the Association in:—
 - (a) removal of debris
 - (b) dismantling and/or demolishing
 - (c) shoring-up or proppingof the part or parts of the property insured by such Items and destroyed or damaged by any peril covered under this Section.
- (3) The insurance by each Item on Buildings or Agricultural Implements includes an amount in respect of Architects', Surveyors', Consulting Engineers', Legal and other Professional Fees necessarily and reasonably incurred in the reinstatement of the property insured consequent upon its destruction or damage, but not for preparing any claim.
- (4) The insurance by each Item on Buildings includes the additional cost of reinstatement, following destruction or damage, necessary to comply with building or other regulations arising from any Act of Parliament or from the bye-laws of any Municipal or Local Authority.
- (5) If, at the time of the destruction of, or damage to, any Building insured, the Insured shall have contracted to sell his interest in that Building and the purchase has not yet been, but will be, completed, the purchaser, on completion of the purchase (if and so far as the property is not otherwise insured by or for the purchaser against such destruction or damage), shall be entitled to the benefit of this insurance, in so far as it relates to such destruction or damage without prejudice to the rights and liabilities of the Insured or the Association under this insurance, up to the date of completion.

SPECIAL ENDORSEMENTS

These Special Endorsements are operative in respect of each Item of this Section as indicated in the Policy Schedule.

A1. SPECIAL PERILS. This Section extends to cover the destruction of, or damage to, the property insured resulting from

- (a) EXPLOSION excluding
 - (i) destruction or damage (other than by Fire resulting from Explosion) caused by the bursting of any vessel, machine or apparatus (other than a boiler used for domestic purposes only) in which internal pressure is due to steam only and belonging to or under the control of the Insured
 - (ii) destruction of, or damage to, vessels, machinery or apparatus or their contents resulting from the explosion thereof;
- (b) EARTHQUAKE, SUBTERRANEAN FIRE;
- (c) RIOT, CIVIL COMMOTION, STRIKERS, LOCKED-OUT WORKERS or PERSONS taking part in LABOUR DISTURBANCES, or MALICIOUS PERSONS excluding
 - (i) as regards destruction or damage (other than by Fire or Explosion) directly caused by Malicious Persons not acting on behalf of, or in connection with, any Political Organisation
 - destruction or damage by Theft
 - the first £25 of each loss, after the application of any condition of Average
 - (ii) loss or damage caused by confiscation or destruction or requisition by order of the Government or any Public Authority
 - (iii) loss or damage resulting from cessation of work;
- (d) AIRCRAFT and other aerial devices or articles dropped therefrom;
- (e) IMPACT by Vehicles, Horses or Cattle NOT belonging to, nor under the control of, the Insured or the Insured's family or employees;
- (f) FIRE caused by its own SPONTANEOUS FERMENTATION OR HEATING.

A2. ELECTROCUTION. This Section extends to cover the death of Livestock, or the necessity for its slaughter on humane grounds, as a result of Electrocution through contact with, or the breakdown of, an electrical installation, or through leakage of electricity into the ground around pylons.

A3. STORM AND TEMPEST. This Section extends to cover destruction or damage by Storm or Tempest excluding

- (a) destruction or damage caused by Flood, Frost, Subsidence or Landslip;
- (b) the first £25 of each loss, after the application of any condition of Average.

A4. FARM DWELLING HOUSES. For the purposes of this Special Endorsement a Farm Dwelling House comprises the Buildings of the Dwelling House together with its Domestic Outbuildings and boundary walls (but excluding gates and fences).

The Standard Perils are amended to read as follows:—

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> (a) Fire, Lightning and Explosion; (b) Malicious Damage; (c) Aircraft and other aerial devices or articles dropped therefrom; (d) Earthquake; (e) Theft or any attempt thereat; (f) Storm and Tempest (excluding destruction or damage by Frost), Flood and the Bursting or Overflowing of Water Tanks, Apparatus or Pipes; (g) Impact by Vehicles, Horses or Cattle; (h) The Subsidence and/or Heave of the site on which the property insured stands or land belonging thereto, or Landslip, excluding damage <ul style="list-style-type: none"> (i) to boundary walls, unless the Dwelling House and/or its Domestic Outbuildings are damaged by the same cause and at the same time (ii) to, or resulting from the movement of, solid floor slabs, unless the foundations beneath the external walls of the Buildings are damaged by the same cause and at the same time (iii) caused by <ul style="list-style-type: none"> — coastal or river-bank erosion — demolition, structural alteration or structural repair — the bedding down of new structures or the settlement of newly made up ground; | } | <p>Excluding the first £25 of each loss, after the application of any condition of Average</p> |
| <ul style="list-style-type: none"> (i) to boundary walls, unless the Dwelling House and/or its Domestic Outbuildings are damaged by the same cause and at the same time (ii) to, or resulting from the movement of, solid floor slabs, unless the foundations beneath the external walls of the Buildings are damaged by the same cause and at the same time (iii) caused by <ul style="list-style-type: none"> — coastal or river-bank erosion — demolition, structural alteration or structural repair — the bedding down of new structures or the settlement of newly made up ground; | } | <p>Excluding the first £500 of each loss, after the application of any condition of Average</p> |

Provided that

- (a) the insurance against Theft or any attempt thereat and the Bursting or Overflowing of Water Tanks, Apparatus or Pipes shall not apply while the Dwelling House is left insufficiently furnished for full habitation in excess of 30 days during any one period of insurance
- (b) if the Buildings of two or more Dwelling Houses are insured under this Special Endorsement, the conditions, limits and exclusions of this Endorsement and those that are applicable elsewhere in this Section apply separately to each of the Dwelling Houses described in the Policy Schedule (including their Domestic Outbuildings) as if each had been insured by a separate policy.

SECTION

B**Theft**

THE ASSOCIATION WILL INDEMNIFY the Insured against

- (1) the loss of, or damage to, the property insured described in Section B of the Policy Schedule, while at the Premises, by Theft, Robbery, or any attempt thereat;
- (2) damage to any building at the Premises (for the making good of which the Insured is responsible) as a result of
 - (a) any Theft involving entry to, or exit from, that building by forcible and violent means;
 - (b) Robbery;
 or any attempt at either.

LIMITS OF LIABILITY

The liability of the Association during any period of insurance shall not exceed, in respect of

- (a) loss or damage due to any one occurrence, the Sum Insured shown against each Item in the Policy Schedule
- (b) any one Animal, the amount of £5,000 (unless specially mentioned in the Policy Schedule).

EXCLUSIONS

This Section does not cover

- (1) unexplained shortage or disappearance;
- (2) the breakage of plate or float glass or any malicious damage;
- (3) loss or damage
 - (a) by Fire, Explosion, Riot or Civil Commotion
 - (b) of or to money, securities for money, stamps, documents of any kind, manuscripts, business books, patterns, models, moulds, plans, designs, computer systems records, fruit on trees, livestock other than horses, cattle, sheep, pigs, goats or working dogs, or the parts or accessories of mechanically-propelled vehicles and implements unless stolen with the vehicle or implement (unless any such property is specially mentioned in the Policy Schedule)
 - (c) of or to property on unfenced or common land;
- (4) the first £25 of each loss, after the application of any condition of Average.

SECTION

C**Business
Interruption**

In the event of any building or other property, or any part of them, used by the Insured at the Premises for the purpose of the Business, being destroyed or damaged by:—

- (1) FIRE (whether resulting from Explosion or otherwise) not caused by
 - (a) its own spontaneous fermentation or heating, or its undergoing any process involving the application of heat;
 - (b) Earthquake, Subterranean Fire, Riot or Civil Commotion;
- (2) LIGHTNING;
- (3) EXPLOSION, not caused by any of the perils specified in 1(b) above,
 - (a) of boilers used for domestic purposes only
 - (b) of any other boilers or economisers on the Premises
 - (c) in a building not being part of any gas works, of gas used for domestic purposes or used for lighting or heating the building

(destruction or damage thus caused being referred to below as "Damage") and, as a result, the Business undertaken by the Insured at the Premises is interrupted or disrupted

— THE ASSOCIATION WILL PAY to the Insured, in respect of each Item in the Policy Schedule, the amount of the loss resulting from this interruption or disruption

Provided that

- (a) at the time of the Damage an insurance shall be in force covering the interest of the Insured in the property at the Premises against such Damage and that payment shall have been made or liability admitted for it under such insurance
- (b) the liability of the Association during any period of insurance shall not exceed, in respect of each Item, the Sum Insured shown in the Policy Schedule
- (c) this Section shall be inoperative if the Business is wound up, carried on by a liquidator or receiver, or permanently discontinued at any time after the commencement of this insurance, unless its continuation is allowed, in writing, by the Association.

EXTENSION OF COVER

The Association will pay to the Insured, under this Section, the reasonable charges payable by the Insured to his or her professional accountants for producing any details or other information or evidence as may be required under the terms of this Policy and for reporting that such details are in accordance with the Insured's books of account or other business books or documents; provided that the total of the amount payable under this Extension plus the amount otherwise payable under this Section shall not exceed the Sum Insured shown in the Policy Schedule.

The Insurance under Item 1 is limited to loss of income due to (a) REDUCTION IN INCOME and (b) INCREASE IN COST OF WORKING and the amount payable under each of these shall be

- (a) IN RESPECT OF REDUCTION IN INCOME: the amount by which the Income during the Indemnity Period shall, in consequence of interruption or disruption following Damage, fall short of the Standard Income
- (b) IN RESPECT OF INCREASE IN COST OF WORKING: the additional expenditure necessarily and reasonably incurred by the Insured for the sole purpose of avoiding or minimising the reduction in Income which, but for that expenditure, would have occurred during the Indemnity Period in consequence of interruption or disruption following Damage; but not exceeding the loss of Income thus avoided

less any amount saved during the Indemnity Period in respect of such expenses and/or working costs as may cease or be reduced in consequence of interruption or disruption following Damage. Provided that if the Sum Insured by this Item is less than the Annual Income (or any appropriate multiple of Annual Income if the Indemnity Period exceeds twelve months) the amount payable shall be proportionately reduced.

The Insurance under Item 2 is limited to the additional expenditure reasonably incurred in order to minimise any interruption or disruption of the Business during the Indemnity Period.

DEFINITIONS

INCOME—The money paid or payable to the Business from all sources

STANDARD INCOME—The Income during that period in the twelve months immediately before the date of the Damage which corresponds with the Indemnity Period

ANNUAL INCOME—The Income during the twelve months immediately before the date of the Damage

to which any necessary adjustment shall be made to provide for trends and variations in the Business or other circumstances affecting it, either before or after the Damage, or which would have affected it had the Damage not occurred; so that the figures thus adjusted represent, as nearly as is reasonably practicable, the results which, but for the Damage, would have been obtained during the relevant period after the Damage.

INDEMNITY PERIOD—The period beginning with the occurrence of the Damage and ending not later than the Maximum Indemnity Period (as shown in the Policy Schedule) thereafter, during which the Business is affected as a result of the Damage.

SPECIAL CONDITIONS

1. If, during the Indemnity Period, the Business shall be conducted elsewhere than at the Premises, the receipts from such Business shall be taken into account in calculating the Income during the Indemnity Period.
2. If the Income earned (or any appropriate multiple of Income if the Maximum Indemnity Period exceeds twelve months) during the financial year most nearly concurrent with any period of insurance is certified by the Insured's professional accountants as being less than the Sum Insured thereon a pro rata refund of premium (not exceeding 50 per cent of the premium paid on that Sum Insured for that period of insurance) will be made in respect of the difference. If any Damage shall have occurred giving rise to a claim under this Section, the refund shall be limited to that portion of the difference that is not due to such Damage.
3. To the extent that the Insured is accountable to the tax authorities for Value Added Tax, all terms in this Section are exclusive of such tax.

SPECIAL ENDORSEMENTS

These Special Endorsements are operative in respect of each Item of this Section as indicated in the Policy Schedule.

C1. SPECIAL PERILS. The word "Damage" extends to include the destruction of, or damage to, the property resulting from

- (a) **EXPLOSION** excluding
 - (i) destruction or damage (other than by Fire resulting from Explosion) caused by the bursting of any vessel, machine or apparatus (other than a boiler or economiser on the Premises) in which internal pressure is due to steam only and belonging to or under the control of the Insured
 - (ii) loss sustained in consequence of the Insured being deprived of the use of any such vessel, machine, apparatus or its contents as a result of the explosion thereof;
- (b) **EARTHQUAKE, SUBTERRANEAN FIRE;**
- (c) **RIOT, CIVIL COMMOTION, STRIKERS, LOCKED-OUT WORKERS or PERSONS** taking part in **LABOUR DISTURBANCES**, or **MALICIOUS PERSONS** excluding destruction or damage caused by
 - (i) confiscation or requisition by order of the Government or any Public Authority
 - (ii) cessation of work;
- (d) **AIRCRAFT** and other aerial devices or articles dropped therefrom;
- (e) **IMPACT** by Vehicles, Horses or Cattle NOT belonging to, nor under the control of, the Insured or the Insured's family or employees;
- (f) **FIRE** caused by its own **SPONTANEOUS FERMENTATION OR HEATING.**

C2. ELECTROCUTION. The word "Damage" extends to include the death of Livestock, or the necessity for its slaughter on humane grounds, as a result of Electrocution through contact with, or the breakdown of, an electrical installation, or through leakage of electricity into the ground around pylons.

C3. STORM AND TEMPEST. The word "Damage" extends to include destruction or damage by Storm or Tempest, excluding destruction or damage caused by Flood, Frost, Subsidence or Landslip.

C4. THEFT. The word "Damage" extends to include loss or damage by any peril insured under Section B of this Policy subject to Proviso (a) of this Business Interruption Section.

SECTION

D

Money

THE ASSOCIATION WILL INDEMNIFY the Insured against

- (1) loss of Money belonging to the Insured or for which the Insured is responsible and used for the purposes of the Business, while
 - (a) on the Premises in the Insured's Farm Office
 - (b) at the Private Dwelling House of the Insured, or any of the Insured's employees or principals
 - (c) in the custody of collectors for 24 hours from the time of receipt or until the next working day, whichever is the later
 - (d) in transit, or on the person of the Insured or any of the Insured's employees or principals
 - (e) in a bank night safe;
- (2) loss of, or damage to, any safe or strongroom caused by Theft or attempted Theft—occurring within Great Britain, Ireland, Northern Ireland, the Channel Islands or the Isle of Man, but not exceeding the Limits of Liability shown below.

DEFINITIONS

Money A:—Current coin, banknotes, currency notes, securities for money, bills of exchange, bankers' drafts, cheques, money orders, postal orders, current unused postage and National Insurance Stamps, National Savings Stamps and Certificates, land registry stamps, war bonds, consumer redemption vouchers and any additional items shown in the Policy Schedule.

Money B:—Crossed cheques, crossed money and postal orders, used National Insurance Stamps, premium bonds, V.A.T. purchase invoices and any additional items shown in the Policy Schedule.

Night:—The hours between 8 p.m. and 6 a.m.

LIMITS OF LIABILITY

The liability of the Association during any period of insurance shall not exceed, in respect of

- (a) **Money A**
 - (i) during the Night in a locked safe or strongroom . . . The Limit shown in the Policy Schedule
 - (ii) during the Night, in the Farm Office, but not in a locked safe or strongroom . . . £250
 - (iii) in the custody of any one collector . . . £250
 - (iv) in the Private Dwelling House of the Insured or the Insured's employees or principals, but not in a locked safe or strongroom . . . £250
 - (v) in any other circumstances . . . The Limit shown in the Policy Schedule
- (b) **Money B** . . . £20,000
- (c) any one safe or strongroom . . . £500.

N.B. If any Private Dwelling House above is used as the Farm Office, (a)(iv) (above) shall not apply to that Dwelling House, which will then be subject to (a)(ii).

WARRANTIES

It is warranted that

- (1) the Insured shall keep a complete and accurate record of Money in transit and on any premises at which Money is covered under this Section, and that this record shall be kept in some place other than a safe or strongroom containing the Money
- (2) when any of the premises are unoccupied, safes or strongrooms shall be kept locked and no keys or records of combination numbers shall be left in such premises at Night
- (3) when any of the premises are occupied, no keys or records of combination numbers shall be left at Night in that part of such premises in which the safes or strongrooms are situated.

EXCLUSIONS

This Section does not cover

- (1) shortages due to clerical or accounting errors or omissions:
- (2) any loss due to depreciation in value:
- (3) any loss due to the fraud or dishonesty of any employee of the Insured unless discovered within 7 working days of the occurrence.

SPECIAL ENDORSEMENT

This Special Endorsement is operative only if so indicated in the Policy Schedule.

D1. PERSONAL ASSAULT. In the event of bodily injury to the Insured (or any partner, principal or employee of the Insured) occurring during the Period of Insurance, caused by Theft or attempted Theft of the Money Insured involving actual or threatened violence, and where such injury is the sole cause of death or disablement as detailed below, the Association will pay to the Insured or, in the event of the Insured's death, to the Insured's legal personal representatives, the Benefit specified, or any other amount agreed by the Association.

Result		Benefit
1. Death	} within 12 calendar months of the happening of the assault	£2,000
2. Total and permanent loss of sight in one or both eyes		£2,000
3. Total loss, by physical severance, of one or more limbs at or above the wrist or ankle, or total and permanent loss of use of an entire limb		£2,000
4. Temporary total disablement preventing participation in any occupation		£20 per week
5. Loss of, or damage to, the clothing or personal effects of the Insured or any one partner, principal or employee of the Insured		The amount of such loss or damage not exceeding £100

Provided that

- (a) a Benefit shall not be payable for more than one of the Results 1, 2 or 3
- (b) if a Benefit is payable for Result 1, 2 or 3 it shall not be payable for any Result of a subsequent event
- (c) the total amount payable under Result 4 shall be deducted from a Benefit payable under Result 1, 2 or 3 should it immediately follow Result 4 and proceed from the same cause
- (d) a Benefit payable under Result 4 shall not continue for more than 104 weeks from the date of the assault.

EXCLUSIONS

This Special Endorsement does not cover death or disablement

- (1) consequent upon, or prolonged by, any pre-existing physical or mental defect or infirmity, pregnancy or childbirth:
- (2) of persons under 16 or over 70 years of age.

SECTION

E**Employers'
Liability**

In the event of any Employee suffering Bodily Injury arising out of and in the course of his or her Employment in the Business by the Insured, occurring during the Period of Insurance, either within or temporarily outside the Territorial Limits

— THE ASSOCIATION WILL INDEMNIFY the Insured in respect of the Insured's Legal Liability (arising out of such injury) to pay damages and the claimants' costs and expenses.

If the Association consents to the costs it will also pay

- (1) for the representation of the Insured by a solicitor at any Coroner's Inquest or Fatal Accident Inquiry or at proceedings in a Court of Summary Jurisdiction in connection with any alleged breach of statutory duty resulting in an injury which may be the subject of a claim under this Section;
- (2) any other costs and expenses which are the responsibility of the Insured.

EXCLUSION

This Section does not cover the liability of the Insured in respect of claims brought in courts of law outside the Territorial Limits.

EXTENSIONS OF COVER

The Association will also indemnify

- (1) in the event of the death of the Insured, the Insured's legal personal representatives in respect of any liability incurred by the Insured;
- (2) any director, partner or Employee of the Insured in respect of any liability for which the Insured would have been entitled to indemnity under this Section if the claim had been made directly against the Insured;
- (3) any principal for whom the Insured is performing a contract but only to the extent required by the contract conditions;
- (4) any officer, member or Employee of the Insured's social, sports, educational or welfare organisation or first aid, fire, security or ambulance services in his or her respective capacity as such;
- (5) the Insured, in respect of any obligation on his or her part under the provisions of the Agricultural Wages Act 1948 (or any subsequent amending legislation) to pay sick-pay (as defined in such legislation) to any Employee, but only to the extent that the Insured is unable to recover such payment from any other source. (This Extension of Cover is operative only if so indicated in the Policy Schedule).

Provided that

- (a) any person thus indemnified shall comply with the conditions of this Policy so far as they apply
- (b) the Association shall retain the sole control and conduct of any claim.

DEFINITIONS

EMPLOYEE:— (1) any person under a contract of service or apprenticeship with the Insured
 (2) any labour master or labour-only subcontractor or any person supplied by them
 (3) any person working for the Insured under a work experience scheme
 (4) any person hired or borrowed by the Insured
 (5) any self-employed person offering their services on a labour-only basis.

BODILY INJURY:—includes death, disease and illness.

EMPLOYMENT BY THE INSURED:—includes

- (1) the provision and management of any social, sports, educational or welfare organisation for the benefit of the Insured's Employees, or any first aid, fire, security or ambulance service
- (2) private work (undertaken with the consent of the Insured) by an Employee on behalf of the Insured or any director, partner, or other Employee of the Insured.

TERRITORIAL LIMITS:—Great Britain, Northern Ireland, the Channel Islands and the Isle of Man.

SPECIAL CONDITION

The indemnity provided by this Section shall be interpreted as being in accordance with the provisions of any law relating to the compulsory insurance of liability to Employees in Great Britain, Northern Ireland, the Channel Islands and the Isle of Man, and on offshore installations in territorial waters around Great Britain and its Continental Shelf.

SECTION**F****Public
Liability**

In the event of

- (1) accidental Bodily Injury to any person;
- (2) accidental loss of, or damage to, property

occurring during the Period of Insurance in connection with the Business and within the Territorial Limits

— THE ASSOCIATION WILL INDEMNIFY the Insured in respect of the Insured's Legal Liability (arising out of such injury or damage) to pay damages and the claimants' costs and expenses.

If the Association consents to the costs it will also pay

- (1) for the representation of the Insured by a solicitor at any Coroner's Inquest or Fatal Accident Inquiry or at proceedings in a Court of Summary Jurisdiction in connection with any alleged breach of statutory duty resulting in an injury or damage which may be the subject of a claim under this Section;
- (2) any other costs and expenses which are the responsibility of the Insured

Provided that in respect of the loss of, or damage to, property caused directly or indirectly by Fire the liability of the Association under this Section (for all damages payable to any number of claimants in respect of any one occurrence, or of all occurrences of a series, consequent upon, or attributable to, one source or original cause) shall not exceed £500,000.

EXCLUSIONS

This Section does not cover liability for

- (1) Bodily Injury sustained by any Employee arising out of and in the course of his or her employment by the Insured;
- (2) loss of, or damage to, property belonging to, or in the charge or control of, the Insured; but this Exclusion shall NOT apply to the property of Employees;
- (3) loss of, or damage to, that part of any property upon which the Insured is, or has been, working, if caused by such work;
- (4) injury, loss or damage arising from the use of land or buildings owned or rented by the Insured and not specified under the heading of "The Premises" in the Policy Schedule;
- (5) injury, loss or damage resulting from the use or storage of explosives at the Premises for purposes other than farming;
- (6) injury, loss or damage resulting from the use, by or on behalf of the Insured, of any Mechanically-Propelled Vehicle or any Craft; but this Exclusion shall NOT apply to injury, loss or damage caused by the diffusion of dust, liquid or gas for the Insured's own farming purposes and on the Insured's own agricultural land, either by the Insured or by a contractor provided that neither is otherwise insured;
- (7) any injury, loss or damage when the liability is assumed under the terms of an agreement and would not have attached but for such an agreement.

EXTENSIONS OF COVER

The Association will also indemnify

- (1) in the event of the death of the Insured, the Insured's legal personal representatives in respect of any liability incurred by the Insured, but only to the extent that such representatives comply with the conditions of this Policy so far as they apply;
- (2) any principal for whom the Insured is performing a contract but only to the extent required by the contract conditions;
- (3) notwithstanding Exclusion 2 of this Section, the Insured in respect of loss of, or damage to, the Premises (including fixtures and fittings) if leased or rented to the Insured, excluding
 - (a) liability for loss or damage assumed by the Insured under the terms of an agreement, which would not have attached but for such an agreement
 - (b) the first £100 of such loss or damage except when caused by Fire or Explosion;
- (4) the Insured, in respect of legal liability for injury or damage incurred under the terms of the Defective Premises Act 1972 or the Defective Premises (Northern Ireland) Order 1975 concerning premises which have been disposed of by the Insured, provided that such liability is not insured elsewhere, and excluding
 - (a) liability for any injury or damage which occurred prior to disposal of the premises
 - (b) the cost of remedying defects in the premises.

DEFINITIONS

BODILY INJURY:—includes death, disease and illness.

THE BUSINESS:—includes the provision and management of any social, sports, educational or welfare organisation, first aid, fire, security or ambulance service.

TERRITORIAL LIMITS:—Great Britain, Ireland, Northern Ireland, the Channel Islands and the Isle of Man.

EMPLOYEE:—

- (1) any person under a contract of service or apprenticeship with the Insured
- (2) any labour master or labour-only subcontractor or any person supplied by them
- (3) any person working for the Insured under a work experience scheme
- (4) any person hired or borrowed by the Insured
- (5) any self-employed person offering their services on a labour-only basis.

THE INSURED:—includes

- (1) any director, partner or Employee of the Insured in respect of any liability for which the Insured would have been entitled to indemnity under this Section if the claim had been made directly against the Insured
- (2) any officer, member or Employee of the Insured's social, sports, educational or welfare organisation or first aid, fire, security or ambulance services in his or her respective capacity as such

Provided that

- (a) any person thus indemnified shall comply with the conditions of this Policy so far as they apply
- (b) the Association shall retain the sole control and conduct of any claim.

MECHANICALLY-PROPELLED VEHICLE:— includes any vehicle or other implement attached to it.

CRAFT:— any vessel or other object intended to float on or in, or travel on or through, water or air.

If the Event described in the Schedule of Benefits shall happen to the Insured and the Insured shall thereby suffer any of the Results also described

— THE ASSOCIATION WILL PAY to the Insured or to his or her legal personal representatives the Benefit specified.

SECTION

G**Personal
Accident****SCHEDULE OF BENEFITS**

Event	Results	Benefit
Accidental bodily injury (caused directly by violent, external and visible means) which is the sole cause of any of the Results 1 to 4	1. Death; total loss, by physical severance, of one or more limbs at or above the wrist or ankle; total and permanent loss of use of an entire limb; or total and permanent loss of sight in one or both eyes, all within 12 months of the Event.	The Sum Insured stated in the Policy Schedule
	2. Permanent total disablement preventing participation in any business or occupation and occurring within 12 months of the Event.	
	3. Temporary total disablement preventing participation in any business or occupation or, if the Insured has no business or occupation, necessitating confinement indoors.	At the rate of £1 per cent of the Sum Insured stated in the Policy Schedule for each week of disablement
	4. Temporary partial disablement preventing participation in a substantial and essential part of the usual business or occupation.	At the rate of £0.40 per cent of the Sum Insured stated in the Policy Schedule for each week of disablement
	5. Medical and surgical expenses necessarily incurred in respect of Result 3 or 4.	At the rate of 15 per cent of the Benefit paid for Result 3 or 4

Provided that

- a Benefit shall not be payable for more than one of the Results 1 or 2 if caused by the same Event
- if a Benefit is payable for Result 1 or 2 it shall not be payable for any Result of a subsequent Event
- the total Benefit payable for Result 3 and/or 4 shall be deducted from a Benefit payable for Result 1 or 2 should it immediately follow Result 3 or 4 and proceed from the same cause
- a Benefit payable for Result 3 and/or 4 shall not continue for more than 104 weeks from the date on which the Event occurs
- a Benefit for Result 2 shall not be payable until the end of the period for which a Benefit for Result 3 and/or 4 is payable
- a Benefit shall not be payable for Result 3 and/or 4 unless and until the Insured receives medical attention from and continues under the care of a qualified medical practitioner.

EXCLUSIONS

Benefit is not payable in respect of

- any Result due to, prolonged or accelerated by pregnancy or childbirth:
- any Result caused by an Event which happens during service or duty by the Insured with any armed forces outside the United Kingdom:
- any Event consequent upon
 - intentional self-injury, suicide, attempted suicide, or a happening while the Insured is in a state of insanity
 - the Insured taking part in aeronautics other than in a fully licensed passenger-carrying aircraft
 - the Insured participating in, or practising for, any race in which driving or riding is involved
 - the use of woodworking machinery by the Insured, other than for domestic or the Insured's own farming purposes.

DEFINITION

THE INSURED:—any insured person specified in the Policy Schedule.

SPECIAL CONDITION

No assignee shall be entitled to any Benefit under this Section except that payable in respect of death.

SPECIAL ENDORSEMENTS

These Special Endorsements are operative in respect of each Item of this Section as indicated in the Policy Schedule.

G1. DELETION OF TEMPORARY PARTIAL DISABLEMENT BENEFIT. The Benefit for Result 4 in the Schedule of Benefits is inoperative.

G2. EXCLUDED AILMENTS. Benefits are not payable for death or disablement directly or indirectly due to, nor disability prolonged by, any condition, sickness or disease specified in the Policy Schedule against this Endorsement Number.

G3. EXCESS. Benefit is not payable for Result 3, 4 or 5 in respect of the commencing period of disablement specified in the Policy Schedule against this Endorsement Number but the maximum period for which any such Benefit is payable shall then commence on the date on which this excess expires.

SECTION**H****Fatal Injury/
Sheep
Worrying**

In the event of

- (a) injury to an Animal caused by accidental, violent, external and visible means while away from the Premises (and on the Premises in the case of any horse attached to a vehicle or implement used for domestic or the Insured's farming purposes only);
- (b) injury to a sheep on the Premises as a result of worrying by dogs (not owned by, or under the control of, the Insured) or foxes;

which, solely and directly, results in the death of the Animal (or the necessity for its slaughter on humane grounds) within 30 days

— THE ASSOCIATION WILL PAY to the Insured the market value of the Animal at the time of death

Provided that

- (a) the liability of the Association during any period of insurance shall not exceed, in respect of any one Animal, the Maximum Value shown in Section H of the Policy Schedule nor, in respect of all animals under Item 1 or Item 2, the relevant Sum Insured shown;
- (b) in the event of any loss as a result of (b) above, the Insured shall take all practicable steps to discover the owner of any dog responsible and shall notify the Association of all information received.

EXCLUSIONS

This Section does not cover

- (1) in respect of the animals insured under Item 1 of Section H of the Policy Schedule, an injury
 - (a) to any Animal while being conveyed in, loaded into or onto, or unloaded from, any vehicle or trailer
 - (b) to any horse sustained during hunting, racing, show-jumping or other competitive events
 - (c) sustained elsewhere than in Great Britain, Ireland, Northern Ireland, the Channel Islands or the Isle of Man;
- (2) in respect of the animals insured under Items 1 and 2 of Section H of the Policy Schedule, any Animal otherwise insured.

EXTENSION OF COVER

This Section extends to cover, in respect of any Animal to which it applies, any veterinary surgeons' fees (up to a maximum of £50 any one occurrence or series of occurrences arising from a single cause) necessarily and reasonably incurred in connection with an injury which gives rise to, or is likely to give rise to, a claim under this Section.

SECTION**J****Livestock
(SPECIFIED
ANIMALS)**

In the event of the death of any Animal described in Section J of the Policy Schedule, as a result of the Contingency indicated

— THE ASSOCIATION WILL PAY to the Insured the market value of the Animal at the time of death

Provided that the liability of the Association shall not exceed, in respect of any one Animal, the Sum Insured shown against that Animal in Section J of the Policy Schedule.

CONTINGENCIES

- A. Any Accident or Disease;
- B. Any Accident or Disease not caused by Calving or Foaling or sustained during the 30 days following;
- C. Any Accident or Disease not caused by Calving or Foaling or sustained during the 30 days following, nor caused by any form of racing, hunting, polo or use in a riding school.

EXCLUSIONS

This Section does not cover death

- (1) caused by Fire or Lightning;
- (2) occurring during transit by sea or air;
- (3) due to slaughter without the written consent of the Association except in cases of fractured bones where immediate slaughter is necessary on humane grounds;
- (4) due to destruction in compliance with any Statute, or any Order of the Privy Council, a Government Department or Local Authority;
- (5) while any Animal is on hire;
- (6) due to an accident or disease occurring or contracted before the Period of Insurance, or elsewhere than in Great Britain, Ireland, Northern Ireland, the Channel Islands or the Isle of Man;
- (7) due to a surgical operation or inoculation performed without the written consent of the Association.

SPECIAL ENDORSEMENTS

These Special Endorsements are operative in respect of each Item of this Section as indicated in the Policy Schedule.

J1. DEATH BY FIRE OR LIGHTNING. Exclusion (1) is inoperative.

J2. LIMITED VALUE. The liability of the Association shall be limited to two-thirds of the market value of the Animal at the time of death or the Sum Insured, whichever is the less.

J3. BARREN MARE REFUND. If any mare described in Section J of the Policy Schedule should prove barren, and provided that notice to this effect is sent to the Association, together with a certificate of confirmation from a veterinary surgeon (to be obtained at the Insured's expense), within 30 days of the anticipated foaling date, the Association will refund to the Insured 33 $\frac{1}{3}$ rd per cent of the premium paid in respect of that mare for the current period of insurance.

This Special Endorsement shall apply in respect of any premature second foaling occurring during the Period of Insurance.

In the event of

- (a) the death of any Animal (of the class described in Section K of the Policy Schedule) caused directly, during the Period of Insurance, by an outbreak of foot-and-mouth disease at the Premises which is confirmed as such by the appropriate Authority
- (b) the slaughter of any Animal by order of such an Authority following an outbreak of foot-and-mouth disease

— THE ASSOCIATION WILL PAY to the Insured that proportion of the Value of the Animal which the Sum insured bears to the Insured's Estimate of the Total Value for that Class of Animal in the Policy Schedule

Provided that the liability of the Association during any period of insurance shall not exceed, in respect of each Item, the Sum Insured shown in the Policy Schedule, nor that proportion of the Sum Insured for each Item which the number of animals which die or are slaughtered by order of the appropriate Authority bears to the total number of animals insured for that Class.

SECTION
K
Foot-and-Mouth Disease
(CONSEQUENTIAL LOSS)

DEFINITION

- VALUE:—
- (a) in respect of an Animal which dies of foot-and-mouth disease, its market value immediately before contracting the disease
 - (b) in respect of an Animal which is slaughtered by order, the amount of statutory compensation paid to the Insured by the appropriate Authority.

In the event of the loss of, or damage to, the property insured (or any part of it) described in Section L of the Policy Schedule, by any accident or misfortune not excluded under this Section, and while within the Territorial Limits

— THE ASSOCIATION WILL PAY to the Insured the value of the property at the time of its loss, or the amount of such damage or, at its option, reinstate or replace such property or any part of it

Provided that the liability of the Association during any period of insurance shall not exceed, in respect of each Item, the Sum Insured shown in the Policy Schedule.

SECTION
L
'All Risks'

EXCLUSIONS

This Section does not cover

- (1) loss or damage due to
 - (a) arthropods, molluscs, vermin, or any process of cleaning, repairing, dyeing, altering or restoring
 - (b) confiscation, detention, nationalisation, requisition or wilful destruction by order of any Government, public, municipal, local or customs authority;
- (2) wear and tear or gradual deterioration;
- (3) electrical or mechanical breakdown.

DEFINITION

TERRITORIAL LIMITS:—Great Britain, Ireland, Northern Ireland, the Channel Islands and the Isle of Man.

SPECIAL ENDORSEMENT

This Special Endorsement is operative in respect of each Item of this Section as indicated in the Policy Schedule.

L1. DETERIORATION OF THE CONTENTS OF REFRIGERATING MACHINES. Exclusions (2) and (3) are deleted and the Association will only indemnify the Insured against the loss of, or damage to, the contents of any Refrigerating Machine described in the Policy Schedule by deterioration due to a rise or fall in temperature by any cause not excluded under this Section, and not arising from the deliberate act of any public power supply authority or the withholding or restricting of supply by such authority.

SECTION**M****Goods in
Transit**

In the event of

- (1) loss of, or damage to, Agricultural Produce, Stores or Implements (excluding mechanically-propelled vehicles);
- (2) fatal injury to Livestock (Operative only if so indicated in the Policy Schedule)
which are the property of the Insured,
 - (a) while being loaded onto or unloaded from the Means of Transport
or
 - (b) during a journey away from the Premises by the Means of Transport
while within the Territorial Limits

— THE ASSOCIATION WILL PAY to the Insured

- (a) in respect of Agricultural Produce, Stores or Implements, the value of the property at the time of the loss or damage, or the amount of such damage, or at its option, reinstate or replace the property (or any part of it)
- (b) in respect of Livestock, the market value of any Animal at the time of its death

Provided that

- (a) the liability of the Association during any period of insurance shall not exceed the Sum Insured stated in the Policy Schedule nor, in respect of any one Load, the Maximum Value shown in the Policy Schedule
- (b) any injury to an Animal shall solely and directly result in the death of the Animal, or the necessity for its slaughter on humane grounds, within 30 days.

EXCLUSIONS

This Section does not cover

- (1) loss or damage due to
 - (a) arthropods, molluscs, vermin or defective packing
 - (b) confiscation, detention, nationalisation, requisition or wilful destruction by order of any Government, public, municipal, local or customs authority
 - (c) theft or any attempt thereat from an unattended vehicle
 - (d) weather or atmospheric conditions in respect of property conveyed in open vehicles or trailers:
- (2) wear and tear, scratching, bruising, inherent vice, electrical or mechanical breakdown, depreciation, deterioration, delay or loss of market (unless such loss of market is accidentally caused):
- (3) the transit of property or livestock for hire or reward:
- (4) the first £25 of each loss, after the application of any condition of Average.

DEFINITIONS

TERRITORIAL LIMITS:—Great Britain, Ireland, Northern Ireland, the Channel Islands and the Isle of Man.

MEANS OF TRANSPORT:—As specified in Section M of the Policy Schedule.

GENERAL EXCLUSIONS

This Policy does not cover

- (1) (a) loss or destruction of, or damage to, any property whatsoever or any loss or expense whatsoever resulting or arising therefrom, or any consequential loss;
 - (b) any bodily injury;
 - (c) any legal liability of whatsoever nature
- directly or indirectly caused by, or contributed to by, or arising from
- (i) ionising radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel
 - (ii) the radioactive, toxic, explosive or other hazardous properties of any explosive nuclear assembly or nuclear component thereof
 - (iii) pressure waves caused by aircraft and other aerial devices travelling at sonic or supersonic speeds
 - (iv) war, invasion, act of foreign enemy, hostilities (whether war be declared or not), civil war, rebellion, insurrection, revolution or military or usurped power
 - (v) riot, civil commotion, strikers, locked-out workers, persons taking part in labour disturbances or malicious persons in the Republic of Ireland or Northern Ireland.
- (2) in respect of Sections A, B, D, H, J, L and M, consequential loss of any kind.

AVERAGE (Under-Insurance)

Paragraph (a) applies to each Item on buildings under Section A and each Item under Sections H, L and M:—

- (a) if, at the commencement of any loss, destruction or damage the Sum Insured declared by the Insured in respect of any Item is less than the actual total value of the property covered by that Item, the Insured shall be considered as being his own insurer for the difference and shall bear a rateable share of the loss accordingly:

paragraph (b) applies to each Item, other than those on buildings, under Section A and each Item under Section B:—

- (b) if at the commencement of any loss, destruction or damage, the Sum Insured declared by the Insured in respect of any Item is less than 75 per cent of the actual total value of the property covered by that Item, the Insured shall be considered as being his own insurer for the difference and shall bear a rateable share of the loss accordingly.

GENERAL CONDITIONS

1. This Policy and the Policy Schedule shall be read together as one contract and any word or expression in the contract shall bear its usual meaning wherever it may appear, except where it is more specifically defined.
2. This Policy shall be voidable in the event of misrepresentation, misdescription or non-disclosure in any material particular.
3. Notwithstanding anything in any Section (other than Sections E, F and G) of this Policy or in any extension thereof, it is hereby declared and agreed that, as an exclusion overriding all other terms (including the nature and terms of perils insured against), this Policy does not cover the loss or destruction of, or damage to, any property in Northern Ireland, or loss resulting therefrom, caused by, or happening through, or in consequence of:—
 - (i) civil commotion
 - (ii) any unlawful, wanton or malicious act committed maliciously by a person or persons acting on behalf of, or in connection with, any unlawful association.

Note: "Unlawful association" means any organisation which is engaged in terrorism and includes an organisation which at any relevant time is a proscribed organisation within the meaning of the Northern Ireland (Emergency Provisions) Act 1973.

"Terrorism" means the use of violence for political ends and includes any use of violence for the purpose of putting the public, or any section of the public, in fear.

In any action, suit or other proceedings where the Association alleges that, by reason of the provisions of this condition, any loss, destruction or damage is not covered by this Policy, the burden of proving that such loss, destruction or damage is covered shall be upon the Insured.

This overriding exclusion applies to this Policy and to any extensions thereof, whether such extensions be issued before or after this overriding exclusion except only if an extension be issued hereafter which expressly cancels this overriding exclusion.

4. The Insured must
 - (i) take all reasonable precautions to minimise the risk of loss, destruction, damage, injury or disease, as if this Policy were not in force, and exercise reasonable care in the selection and supervision of employees
 - (ii) comply with all requirements and regulations of any Act or Order relating to or bearing on infectious or contagious diseases of animals when in force.
5. This Policy shall cease to be in force if, after the commencement of the insurance,
 - (i) the risk of loss, destruction, damage, injury or disease is increased
 - (ii) the Insured's interest in it ceases, otherwise than by a will or the operation of the law
 unless the alteration is notified to, and allowed by, the Association.
6. If the premium for any Section of this Policy has been calculated on estimates provided by the Insured, the Insured must keep an accurate record containing all relevant particulars and must allow the Association to inspect the record at any time. Within one month of the expiry of each period of insurance the Insured must supply the Association with any information that it may require. The premium for that period shall then be adjusted and any difference paid by, or refunded to, the Insured (subject to any minimum premium payable).
7. The Association may cancel this Policy by sending 30 days' notice by registered letter to the last known address of the Insured, who will be entitled to a proportionate refund of premium.

topic

4

claiming

Session 4.1 What Can Be Claimed?

Session 4.2 Making Claims

SESSION 4.1

WHAT CAN BE CLAIMED?

Objective: To enable trainees to identify what they are and are not entitled to claim for from an insurance company in the event of loss.

Time: 2 to 22 hours.

Material: Micro Case Studies "Claims".

Session Guide:

(If possible, stages one and two should be completed in advance of the session in order to allow time for allocating the roles as fairly as possible.)

- 1) Distribute the case studies and allow trainees up to 20 minutes to read them and quickly to note their choices in the space provided. Stress that all that is needed at this stage is a rapid first opinion, which may or may not be correct. Do not permit any discussion at this stage.
- 2) Collect the papers. Go through them quickly and allocate one or more trainees to argue the case for and against in each of the eight situations. The ideal circumstances would be a group of 16 trainees, one of whom was for and another against the claim in each case; this is unlikely to be what actually happens. It may be necessary for some trainees to argue against their own views, or to present more than one argument. It may also be necessary to have teams of varying numbers, depending on the total size of the group and their opinions.
- 3) Redistribute the papers, marking on each one the case and side which each team or trainee is to represent. Tell trainees that they are to present the case indicated on their paper for two minutes and no more. Allow them up to 15 minutes to prepare their presentation.

- 4) Call on the first claimant to present his or her case, to be followed by the opposite argument. Ensure that trainees are held to the two minute limit; stress that this is an opportunity for concise speaking as well as learning about insurance.

After both sides have presented their opinions, take a vote. Record the results on the chalkboard/OHP, and then describe the actual insurance practice which would be observed in each case, as below.

Try to avoid spending too much time on each case; at the same time, avoid presenting the "answer" as purely a matter of law or regulation. Elicit suggestions from trainees as to why the normal practice is as it is; what might be the consequences of a different ruling?

- a. The double claim is wrong.

The purpose of insurance is to indemnify (compensate) the insured against loss, that is to restore him as nearly as possible to the position he would have been in had the loss not occurred. The injured employee must therefore not profit by his injury, and will only receive his expenses once. His personal injury insurance company will probably pay the claim, and in turn claim the money from the society's insurers.

If it is possible to claim from a number of different insurance companies, there would be a risk of fraud because people could insure their property many times over and then cause it to be lost or destroyed. This is avoided if they are prevented from profiting from its loss.

Trainees may point out here or in case g. that life insurance is without limit, and policies can be taken out with a number of different companies at the same time. Point out that insurance companies will insist on a medical check before insuring somebody's life, and that death by suicide normally disqualifies the heirs from claiming.

- b. The claim is wrong.

It is not possible to under-insure in total and then claim the full value of one item that is lost, even if this is only a small proportion of the total. The society's property is only insured for one half of its real value, and only one half of the claim, or \$500, will therefore be paid. This is what is known as the principle of "average".

- c. The claim is correct.

The insurance company must "indemnify" the society against its loss. If they can replace the wheat, or show that the society can replace the wheat, they need only pay whatever is necessary to do this, but the most economical and sensible solution will probably be for the company to pay at the rate of \$150 per ton. The society must not profit from the loss, but it must not lose either.

- d. The claim is wrong.

The insurance company is not liable to pay for all the losses that may occur as a result of the first loss, but only for what is actually lost.

Ask trainees to suggest what might happen if the principle of non-liability for "consequential loss" was not observed; what claims might arise from the loss of a 50 cent key or a \$50 packet of seeds.

- e. The claim is correct.

Professional charges incurred in assessing the amount of loss, and in restoring what was lost, are included as well as the actual cost of restoration. The fee was not strictly lost, but it only has to be paid because of the loss, and since the insured society must be restored to what would have been the position had the loss not occurred, the fees are covered.

- f. The claim is wrong.

The insurance company can choose to restore the loss in whatever way it chooses, so long as the result is as nearly as possible a genuine replacement for what was lost. The society

can sell the vehicle they receive from the company, and buy a new one, as they would have been able to do had the old one not been destroyed. The insurance must restore them to the position they enjoyed before; but they cannot insist on having cash instead of another vehicle of equal value.

- g. The claim is wrong.

Over-insurance cannot always be prevented, since an insurance company cannot physically inspect everything that is insured. They can, however, investigate, if not inspect, items on which claims are made, and must as always adhere to the principle of restoring the insured society to its prior position, rather than allowing it to make a profit by the loss of whatever was insured.

- h. The claim is correct.

Although the damage was caused by water, the water damage was itself caused by the fire. Even if the water damage greatly exceeds the fire damage (which often happens) it is assumed that the alternative would have been a still greater total of fire damage and claims against water damage are settled. Similarly, if a society is insured against theft and not against fire, and thieves set fire to their premises, the claim will be settled, because it is caused by the burglars who constituted a risk that is covered.

- S) If time allows, ask trainees to mention similar cases from their own experience. Stress that the principles involved in each of the cases are basically common sense, and necessary if the whole system of insurance is to operate.

Claims

Your name

The following cases describe claims which were made by co-operative societies under insurance policies which did in fact cover the types of risks in question. Examine each case, and decide quickly whether the claim is right or not. Mark your choice in the place provided.

- a. An employee of Society A who was himself insured against injury, however it might occur, was injured while working for the society. The society was also insured against claims by its employees arising from injuries while they were working for the society. The employee has to face substantial medical charges, and he claims these from his own insurance company and from his employer, since he knows that his employer can in turn claim them from its own insurance company.

Right/Wrong

- b. Co-operative Society B is insured under an inclusive policy. The total value covered is \$50,000, but the proposal was originally made five years ago and inflation now means that the society's insurable possessions are now worth \$100,000. \$1,000 in cash is stolen from the society, and the policy states that sums of cash which are stolen can be claimed up to a maximum of \$1,500. The society claims for \$1,000, since the policy specifically mentions that sums of money well above this amount can be claimed.

Right/Wrong

- c. 100 tons of wheat in Society's C store was burned in December, three months after harvest. The crop had been bought from members for \$100 a ton. The society had planned to sell the wheat in the following March, when it would have been worth about \$150 a ton. The society claimed \$15,000, because this is what they would have received, but the insurance company argued that they should only pay the cost of the wheat to the society, that is \$10,000.

Right/Wrong.

- d. Co-operate Society D bought a pedigree bull for \$1,000, with the intention of starting an upgrading service for members' cattle. They also spent \$500 on a special pen. The animal was stolen and it proved impossible to find a suitable replacement. Members were so disappointed that 20 who had joined because of the new service left, and a further 20 who had been expected to join did not do so. The extra retained surplus that might have been expected from the 40 members was \$20 each per year. The society therefore claimed a total of \$2,300 for the bull, the pen which was now useless and the loss of potential business.

Right/Wrong.

- e. Society E's offices were burnt down, and the manager called in a valuer to calculate the value of what was lost. The valuer's fee was \$100. The manager proceeded to have the office rebuilt; the architects' and surveyors' fees were a further \$200, in addition to the cost of the building. The manager claimed for the total of \$300 for professional fees because, as he said, he would not have had to spend the money had the fire not occurred.

Right/Wrong.

- f. Society F had a fairly old Land Rover, in quite a good condition, which was totally destroyed in an accident. The vehicle was insured, and the insurance company happened to have an exactly similar vehicle in its own fleet which was surplus to its requirements. They offered this in settlement of the claim, but the society refused. They claimed the resale value of the vehicle in cash, because they wanted to buy a newer model rather than to continue with the old one, and would be able to pay the additional cost from their own resources.

Right/Wrong.

- g. The manager of the Co-operative Society G was very proud of the new grain mill which had been donated by a foreign agency largely as a result of his efforts. He was convinced that it was worth at least \$2,000, and insured it for that amount. The mill was destroyed in a fire three years later. The insurance company offered \$1,050 as

new machines of this type actually cost \$1,500 and were estimated to last ten years at most. \$1,050 was a reasonable depreciated value. The manager was furious; he said that if the society was still paying a premium based on his valuation of \$2,000, the company should pay that amount.

Right/Wrong

- h. A fire broke out in Society H's farm supply store. By good fortune, a powerful irrigation pump was in the society's yard at the time, and the mechanic succeeded in getting it working and a powerful stream of water was directed onto the fire. The fire was quickly put out, and caused little damage. The water, however, ruined large quantities of fertilizer and seed. The society claimed for their replacement under its fire policy, but the insurance company refused to pay, saying that the policy only covered fire damage itself.

Right/Wrong.

SESSION 4.2

MAKING CLAIMS

Objective: To enable trainees to make claims and obtain settlement from their insurance as quickly and equitably as possible.

Time: 1 1/2 to 2 hours.

Material: Claims Conditions.
Goods in Transit Claim Form.
(These documents should, if possible, be replaced with similar documents from a local insurance company, and the Session Guide modified accordingly.)

Session Guide:

- 1) Ask trainees to imagine that they have just incurred a loss, caused by fire, against which they have been insured. Ask them to imagine that they are dishonest, and allow them up to ten minutes to write down as many ideas as they can whereby they would attempt to defraud their insurance company, once the accident had occurred, in order to claim more than they should.

Ask trainees to read out their suggestions and elicit ideas such as the following:

- Destroy surplus stocks or other unwanted items by burning them in the same place.
- Arrange for repairs to be carried out which include improvements not necessitated by the fire. Once these are done, nobody could tell what made them necessary so the cost can be claimed.
- Delay the claim as long as possible in order to include repairs and other losses which may be incurred later which might not have been covered.

- 2) Ask trainees to imagine themselves to be the insurance company which wanted to satisfy their customer's claims but also wanted to avoid being cheated through fraud or excessive claims.

What would they demand from their customers in order to prevent the types of frauds which trainees have suggested above?

Elicit the following suggestions:

- Prompt notification of any loss.
 - Complete information about what was lost.
 - Freedom to investigate and assess what had been lost.
 - Freedom to settle the claim as was most convenient for the insurance company.
 - Some guarantee that the customer is not able to add to the damage and thus increase the claim.
- 3) Distribute copies of the claim conditions (or, preferably, a similar local document).

Allow trainees up to ten minutes to read them; discuss the contents, with reference to the points raised by trainees in point 1) above.

- Item 1. The customer must give advance notice of likely damage as well as notification "as soon as reasonably possible" of any damage that has occurred. This avoids delays.
- Item 2. The insurance company retains the right to inspect what has been lost, and to prevent any further loss, whatever else the customer may wish to do.
- Item 4. The customer may not start any repairs without the insurance company's permission so that they may first carry out a complete inspection.

Discuss any other items in the conditions; refer to the example of Society A in the previous session for explanation of Item 8, over-insurance, for instance.

Whatever claim form is to be used in this session should be discussed with a representative of a local insurance company, or a lawyer, in order that the instructor may be briefed on any points about which the trainees may need further information.

- 4) Refer to the case of Society F in the previous session; ask trainees to suggest alternative ways in which the insurance company might find it economical to settle claims. Stress that a cash settlement is only one way.

Elicit the following three alternatives, if necessary by asking trainees to how a damaged building, or injured animal, or similar examples might be restored:

- Cash to pay for whatever must be done to restore the customer to his previous position before the loss.
- Repairs undertaken on the instructions and at the expense of the insurance company.
- Replacement as in the case of Society F, with an equivalent item.

Remind trainees that most companies will try to do what their customers want, but that they have the right to choose to repay as they wish. Ask trainees why it is in the long-term in the customer's interest to assist the insurance companies to minimise the cost of claims.

- Premiums ultimately depend on the cost of claims; excessively costly claims increase premiums.
 - A mutual or co-operative insurance company returns its surplus to its customers. Lower claims are thus in everybody's interests.
 - Many insurance companies, particularly in vehicle insurance, try to avoid making their safer customers pay the cost of those who are more accident prone.
- 5) Ask trainees why an insurance company should want to differentiate between its customers, and avoid allowing accident prone customers

to benefit from the greater care, and lower claims, of others. Is not insurance meant to involve the equitable sharing of risks?

- Lower risk customers will easily calculate that their insurance is too expensive in relation to their claims. They will go to another company, or even stop being insured at all if they are large and substantial enough to cover the likely risks. Many government departments and large companies in fact do this.
- High risk companies will not be motivated to improve their precautions, because they will appear to be making a "profit" out of the insurance.
- Eventually the company may find itself only with the high risk customers, the safer ones having left. Claim costs will increase dramatically, and the high premiums may cause further customers to leave, so that the company will eventually have no customers at all.

Ask trainees how an insurance company can encourage its customers to take better care of their property, and at the same time avoid making those who are more careful having to bear the cost of paying claims to those who are not.

- Allow "no-claim bonuses" to customers who make no claims over a period, increasing for each subsequent period without a claim.
- Increase premiums for customers who persistently claim more than the average.
- Refuse insurance at any price to customers with chronically bad records. Remind trainees that most insurance proposal forms ask the proposer whether or not he has been refused insurance by another company in the past.

- 6) Refer trainees to the insurance offered for goods in transit under Section M of the summary of cover which was examined in Session 3.1.

Ask trainees to examine the Section M of that summary, and the corresponding Section M in the proposal and the policy. Stress that the schedule of items proposed in the insurance proposal is

in fact incorporated into the policy itself, as an attached document, and is referred to in the policy as the "policy schedule".

Distribute the goods in transit claim form; this is a typical simple claim form as used by most insurance companies. Go through it with trainees and for each section ask:

- Can trainees understand how they will fill it in?

Can trainees understand why the information is required by the insurance company?

In particular, ask trainees why the following information is required:

Item 1. Actual time of accident.

- To be sure that the accident has been reported as quickly as possible and to cross-check with the police and any witnesses in case of doubt.

Item 2(a). Total value of load.

- To be sure that the total insurance is sufficient, so that an "average" can be applied if the total cover is inadequate, as in the case of Society B of Session 4.1.

Item 3. "Salvage".

- Any money that is received by selling whatever remained after the accident which must be set against the claim.

Item 3. "Excess".

- The amount by which the insured may have agreed to reduce any claim in order to avoid the expense of small claims and to reduce the total amounts which are claimed.

Item 4 and 5. Police information.

- To be sure that necessary legal formalities have been completed and to cross-check in case of doubt and to obtain information about any other individuals or organisations which may have been responsible. It may be possible that they were insured and that the insurance company against whom the claim has been

made can in turn claim from the insurance companies of whoever else may have been involved.

Item 7. Complete details of the vehicle's journey.

- To cross-check in case of doubt, and to be sure that the damage was in no way exaggerated by actions after the accident.

Items 8 and 9. Details of ownership and goods.

- To be sure that the goods which were lost or damaged were actually the property of the insured, and that they were not covered by any other insurance such as that of the transport contractor, supplier or customer.

Item 10. Records of the driver.

- To be sure that the driver was not in any way disqualified and without cover by insurance, because of his past record.

7) If time allows, ask trainees to complete the proposal and a claim under Section M of the insurance or any other appropriate part of whatever document is being used. Remind trainees:

- The claim form is a legal document and deliberate untruths can be punished at law.
- Insurance ultimately depends on good faith, since all items of the claim cannot be verified. The whole system of insurance cannot work if people are dishonest.

CLAIMS CONDITIONS

1. The Insured shall give immediate written notice (and in the case of Riot damage at least 7 days' notice) to the Association of any circumstances giving rise to, or likely to give rise to, a claim under this Policy and shall afterwards and as soon as reasonably possible, both perform and allow to be performed such acts and supply such information, as may be reasonably requested by the Association.
In the case of malicious damage, or loss or damage as a result of Theft, the Insured shall also give immediate notice to the Police.
2. In the event of loss, destruction or damage as a result of which a claim is, or may be, made
 - (i) the Association may enter, or take or keep possession of, the building or premises where the loss, destruction or damage has occurred and may require to be delivered to them, or take or keep possession of, any of the property insured, which they may deal with in any reasonable manner
 - (ii) the Insured shall perform and allow to be performed any act which may be reasonably practicable in order to minimise or check any interruption or disruption of the business, or to avoid or diminish the loss
 - (iii) the Insured shall not, in any case, be entitled to abandon any property to the Association.
3. The Association may, in the event of any occurrence resulting in a claim under Section F, pay to the Insured the full amount payable (after the deduction of any sum already paid as damages) or any smaller amount for which the claim can be settled and shall then be under no further liability in respect of that occurrence, except for the payment of costs and expenses for which it is responsible and incurred before the date of the settlement.
4. The Insured shall not incur any expense in making good any loss or damage, nor negotiate, pay, settle, admit or repudiate any claim without the written consent of the Association.
5. Any Warranty to which the property insured is, or may be, subject shall remain in force from the time it is applied until the insurance under the relevant Section ceases to be current and failure to comply with such a Warranty, whether it increases the risk or not, shall invalidate any claim in respect of such property. But whenever the insurance under the Section is renewed a claim in respect of destruction or damage occurring during the renewal period shall NOT be invalidated because of non-compliance with a Warranty at any time before the start of such a period.
6. In respect of Sections A, B and M, after any loss the Sum Insured is reduced by the amount of the loss for the remainder of the period of insurance, unless the appropriate additional premium is paid to restore the Sum Insured in full.
7. In respect of any claim under Section G or Special Endorsement D1
 - (i) all certificates and information required by the Association shall be provided at the expense of the Insured or the Insured's legal personal representatives, and in the form prescribed by the Association
 - (ii) the Insured shall, as often as required, submit to medical examination on behalf of the Association and at its own expense
 - (iii) the Association shall, in the case of the death of the Insured, be entitled to arrange a post-mortem examination at its own expense.
8. If, at the time of any claim arising under this Policy (other than under Section G or Special Endorsement D1), there is in existence any insurance indemnifying the Insured in respect of the property or liability which is the subject of the claim, the Association shall not be liable to pay more than a rateable proportion of the claim cost (subject to any appropriate limit of liability).
9. The Association shall be entitled, in the Insured's name, to undertake the absolute conduct, control and settlement of any proceedings and to take proceedings at its own expense and for its own benefit in order to recover compensation, or secure indemnity, from any other party in respect of any loss, damage or liability covered by this Policy.
10. Except in respect of Section G or Special Endorsement D1, if any difference shall arise as to the amount to be paid under any Section of this Policy (liability being otherwise admitted), such difference shall be referred to an arbitrator to be appointed by the parties in accordance with the relevant statutory provisions. Where any difference is, by this condition, to be referred to arbitration, the making of an award shall be a condition precedent to any right of action against the Association.

(Courtesy of National Employers' Mutual Insurance Association,
Swindon, England)

National Employers' Mutual

General Insurance Association Limited

Head Office: N.E.M. House, Station Road, Swindon, SN1 1DF

GOODS-IN-TRANSIT CLAIM FORM

SPECIMEN

IMPORTANT

The Association's policies require that:—

- (a) The Insured shall give to the Association **immediate notice** in writing of any event likely to give rise to a claim.
- (b) Details of the claim must be delivered to the Association within seven days after the happening of the event.
- (c) **In the event of any loss by theft or pilferage, or short delivery due to these causes, the Insured shall give notice to the Police.**
This may be given at the nearest Police Station to the place at which the loss is discovered.

Name of Insured.....

(Please state whether Mr, Mrs, or Miss)

Address (including postal code).....

..... Telephone No.

Policy No. Are you registered for VAT? YES/NO

1. DATE AND PLACE OF HAPPENING GIVING RISE TO LOSS OR DAMAGE

.....day of..... 19..... Time.....a.m./p.m.

at.....

2. THE MERCHANDISE AND GOODS. DESCRIBE FULLY:—

(a) Details of Load

Description.....

Number of packages or articles.....

Total Weight.....

Total value of whole load.....

(b) Details of Merchandise and Goods Lost or Damaged

Description.....

Number of packages or articles.....

Total Weight.....

3. AMOUNT OF CLAIM

Value of merchandise and goods lost or damaged £

Salvage (if any) £

Gross amount of Claim £

Less Excess under Policy (if any) £

Net amount of Claim £

Where available the following should be attached to this form:—

Invoice or Account in respect of the loss or damage

True copy of receipt given for the merchandise and goods after loading

Signed Delivery Note obtained when delivering the merchandise and goods

Any other documents or correspondence received.

4. IF LOSS IS DUE TO THEFT, PILFERAGE OR SHORT DELIVERY STATE:—

Address of Police Station to which it was reported.....

Date and time of making such report.....

5. IF THE LOSS OR DAMAGE WAS CAUSED BY AN ACCIDENT TO THE VEHICLE STATE:—

Name and Address of owners of
any other vehicle involved.....

Name and Addresses
of any witnesses.....

Were particulars taken by a Police Officer on the scene?.....

If so, give Number..... Was he a Witness?.....

If not, when and where was the occurrence reported?.....

Address of Police Station.....

Was any warning given by the Police that you, your driver or any other person might be prosecuted?.....

6. NAME AND ADDRESS OF CONSIGNORS:—

.....

NAME AND ADDRESS OF CONSIGNEES:—

.....

7. CIRCUMSTANCES OF THE LOSS OR DAMAGE:—

When and where were the goods loaded?.....

Who loaded the goods on to the vehicle?.....

Did driver count or check the consignment?.....

What receipt was given at time of loading?.....

How were the goods packed stowed and sheeted and if in accordance with Trade Custom?.....

Give **full details** of the journey from the time of loading until the happening of the loss or damage and describe the event
giving rise to the loss or damage.....

What action did driver take immediately after happening of loss or damage?.....

Have Consignees accepted delivery?.....

Where can the goods be inspected?.....

8. Are you the Owner or Carrier of the Goods?.....

9. Was this load carried—

(i) by you as Principal Contractor?.....

(ii) by you as Sub-Contractor?..... If so, were you charged premium for insurance of this load?.....

(iii) by any Sub-Contractor employed by you?..... If so, state name and address of Sub-Contractor

Did you charge the Sub-Contractor premium for insurance of this load?.....

10. Give Registered Letters and Number of vehicle on which the goods were being carried.....

Do you own the vehicle?..... If not, state name and address of Owners.....

State name(s), address(es) and length of service of men employed on vehicle.....

Has the driver, to your knowledge, been involved in any other accidents?.....

If so, give brief details.....

I/We declare the foregoing particulars to be true in every respect.

Dated this day of 19

Insured's Signature.....

special insurance

Session 5.1 Livestock Insurance

Session 5.2 Crop Insurance

Session 5.3 Liabilities, Vehicles, Fire and Theft

SESSION 5.1LIVESTOCK INSURANCE

Objective : To enable trainees to identify situations where live-stock insurance is economic, and to take account of the necessary restrictions.

Time : 12 to 2 hours.

Material : Death Claim (or, preferably, an equivalent local document).

Session Guide

- 1) Allow trainees up to 15 minutes individually to list as many reasons as they can why it may be particularly difficult and expensive for an insurance company, of any kind, to offer insurance for farm livestock.

Ask individual trainees for their suggestions, and continue round the group until all ideas have been summarised on the chalkboard. If any of the following are not included, elicit them from trainees by asking appropriate questions. List suggestions on the chalkboard.

- Animals change in value day by day.
- The risks to animals depend on their age and on the use that is made of them.
- It is difficult to distinguish one animal of a particular breed and age group from another.
- Epidemics can kill large numbers of animals in one area, leading to massive claims.
- The causes of death are difficult to determine.
- Individual animals are not worth very much money.
- Animals can easily be killed and sold, or removed, and then claimed as being stolen.

- Veterinary services are often inadequate, distant and very expensive, and farmers are not aware of their importance.
 - Animal carcasses decompose rapidly after death, making an inspection difficult.
 - The salvage value of carcasses can be substantial, but also falls rapidly as the carcass decomposes while awaiting inspection.
- 2) Stress that in spite of these difficulties, livestock insurance is possible; in Japan nearly 2 million beasts are insured, and 600,000 cattle are insured under one scheme in India. Why is livestock insurance necessary, and in particular for what types of farmer, and against what risks?

- A loss of even one animal can be catastrophic to a small farmer.
- Animals are often both a source of food and an essential source of power for ploughing and harvesting. The loss of a milch buffalo, for instance, can deprive the farmer of milk for his family and next year's arable crop.
- Animals are often purchased with loans made for this purpose. If the animal dies the farmer may have no chance of repaying unless he is insured.
- Even large farmers can lose the majority of their herd through flood, attack by wild animals, theft or an epidemic. They too need insurance cover.

Remind trainees of Section K of the sample policy, covering consequential loss from foot and mouth disease. Losses from epidemics are often compensated by Government in rich countries, so that only the extra cost involved in restocking need be covered by insurance. Farmers without this protection must provide it for themselves, through insurance.

- 3) Divide trainees into groups of between three and five members; they are to imagine that they are a committee which has been asked to design a livestock insurance scheme for farmers in their country.

They should decide what sorts of restrictions and conditions they will apply in order to overcome as many as possible of problems already identified, but still to provide a reasonable service to farmers in order to achieve the objectives mentioned above.

The groups should copy down the list of problems which should have been left on the chalkboard/OHP.

Stress that they need not determine the exact limits, clauses and so on; they should just think of reasonable ways in which they can offer a service that is economic to the insurer and the insured, including small-scale farmers who particularly need this form of protection.

Allow the groups up to 30 minutes to complete the exercise. Circulate among them, ensuring that they are not going into too much detail, and are covering as many as possible of the problems. They may care to allocate individual problems to individual group members, in order to cover the complete range.

- 4) Reconvene the class; ask one group to present its suggestions, and list them on the chalkboard.

Ask each group in turn thereafter to present those of its suggestions that have not already been listed, or which differs significantly from those already suggested.

If some groups disagree as to the necessity of others' suggestions, or prefer another approach, encourage discussion. Ensure that trainees balance the interest of the farmers and the insurance companies. If their arguments are unduly weighed on one side or the other, no scheme will be viable.

Suggestions should include the following ideas. Elicit those that may not have been mentioned by referring to material in earlier sessions on Excess, Average and so on.

- Cover should never be 100 per cent of the value of the stock. It may be 80 per cent, or as low as 50 per cent, to discourage deliberate killing.

- Cover should be segmented and different premiums offered not only for different breeds and types of animals, but also for different uses. Refer to Section J; an alternative classification for cattle is:

Breeding bulls

Cattle being fattened for slaughter

Milking cows

Cows or heifers 30 days before and after calving

Calves up to 6 months

Heifers from 6 months until 30 days before calving.

- Demand that farmers declare the breed, age and use of each animal on the proposal.
- Demand that every animal in each category is insured, for the same value each, in order to prevent farmers selecting only those at risk or just insuring one or two and then pretending that the one that died was in fact the one insured.
- Impose a routine devaluation clause, by a certain percentage every year, to cover decline in value through age.
- Exclude young animals or those beyond a certain age.
- Exclude specific risks such as death in giving birth, death in transit or while being castrated, or impose a specific surcharge for covering these risks.
- Demand that carcasses be retained for at least 24 hours before disposal.
- Demand that the company should be informed of loss within a very brief period after the accident.
- Set an appropriate excess which farmers must cover themselves out of a claim, to minimise the expense of dealing with small claims.
- Demand that farmers state the use to which any animal which is the subject of a claim was being put at the time of death.
- If it is feasible for farmers to use local veterinary services, demand that they obtain care for diseased animals and that claims are supported by an inspection report signed by a veterinary. (Refer to the claim form, and go through each part

stressing that the veterinary is asked to confirm that the farmer was adhering to the conditions of the policy.)

- If local veterinary services are too distant or expensive, attempt through a co-operative movement, government services or other means to promote an economic and convenient veterinary service in the area to be covered by insurance.
 - Offer discount for vaccination against certain disease, or refuse insurance for animals which have not been vaccinated.
 - If necessary, charge different premiums for animals from different parts of the country, to cover different degrees of risk.
 - Insist that the insurance should be provided through a local individual or institution such as a co-operative society, with local contacts and familiarity, to minimise inspection costs and to avoid fraud by the pretence of theft.
- 5) It may not be possible to offer livestock insurance to many farmers who need it, because of the low value of their animals, poor communications or lack of veterinary services.

Co-operative societies can and should attempt to overcome these disadvantages so that the benefits of livestock insurance can be economically provided to the members, either by a co-operative or an independent insurance company.

DEATH OF LIVESTOCK CLAIM FORM

Name of Claimant..... Policy No.

Address in Full

Telephone No. Are you registered for V.A.T.? YES/NO

Enter below a description of the Animal lost and for which this Claim is made:—

Name and Number in Schedule of Policy	Colour	Marks	Sex	Breed	Age	Height	Market Value immediately before Fatal Illness or Accident

What was the date?	When the Animal was first taken ill?	When notice was sent to Vet. Surgeon?	When the Animal was seen by Vet. Surgeon?	When the Animal died?
	On the.....day of.....19....	On the.....day of.....19....	On the.....day of.....19....	On the.....day of.....19....

1	What was the cause of Death?	
2	If Death was due to Disease, how do you account for it? If by accident, state how and where it occurred.	
3	Was the Accident due to the fault or negligence of any person? If so, give Name and Address of such person.	
4	(a) Did the Animal die or was it slaughtered? (b) State place where death occurred. (c) At which Police Station was the incident reported?	(a) (b) (c)
5	In whose charge was the Animal when taken ill, or when accident occurred?	
6	Was the Animal attended by a Veterinary Surgeon during illness, and until the time of its Death? If so, by whom? (Insured must furnish a Certificate from the Veterinary Surgeon, on the Company's form.)	
7	How much was obtained for the Skin, Carcass, etc.? (A Voucher from the Purchaser or Salesman must be sent.)	£.....
8	State (a) for what purposes the Animal now claimed for has been used, and (b) when last at work.	(a) (b)
9	Has the Animal at any time previously been ill or met with an Accident?	
10	State (a) if the Animal was your own property at the time of Death. (b) How long had it been in your possession? (c) What did you pay for the Animal when purchased?	(a) (b) (c) £.....
11	Is the Animal claimed for the same one for which the undermentioned Policy was issued?	
12	How many Animals have you lost during the year's Insurance, and by what Diseases or Accidents?	
13	Is this Animal or any of your stock insured elsewhere? If so, state name of Office and the Number of each Class of Stock.	
14	State when full Premium was paid, and to whom?	

PLEASE SEE OVER

15. Please state below number and value of animals of each class now on your premises (omitting the one for which this claim is made)

Type	Number	Maximum value any one animal	Total Value
Bulls			
Dairy cows and heifers in milk, or in calf.			
Other cattle from 1 to 2 years old.			
Cattle from 6 months to 12 months old.			
Calves under 6 months old.			
Rams.			
Sheep and lambs.			
Pigs.			
Horses.			
Working dogs.			

I/We declare the foregoing particulars to be true in every respect.

I/We agree that if necessary the schedule of this policy shall be revised in accordance with the information given therein.

Date.....

Signature of Insured.....

Please answer all questions fully, and send required Veterinary Certificate and Salvage Voucher so that delay may be avoided.

SESSION 5.2CROP INSURANCE

Objective : To enable trainees to identify circumstances when crop insurance is desirable and feasible, and to obtain such insurance or collaborate in its provision if it is not yet available.

Time : 2 to 22 hours.

Material : Crop Insurance Policy.
Summary of developing country crop insurance schemes.

Note : If crop insurance is not available to the members of trainees' co-operatives, and is unlikely to become available in the near future, it may be advisable to omit this session rather than to raise false hopes. If a scheme is being considered, the trainees should gain from the general introduction to this subject. If crop insurance is regularly available to members of trainees' societies, the session should be revised to take account of the details of the schemes with which they are familiar.

Session Guide :

1) Remind trainees of the previous session, and the arguments in favour of agricultural insurance of all kinds. Ask trainees to suggest arguments in favour of crop insurance, recognising that for most farmers arable crops are their sole source of income, and that even those farmers who have livestock usually depend also on income from arable crops. Elicit the following suggestions:

- Small farmers may be near to subsistence level even in normal conditions; a major crop failure may force them to sell their land or face actual starvation.
- Credit is an important means whereby small farmers can improve their conditions. Crop failure at the wrong time can make re-

payment quite impossible, so that they are no longer eligible for credit and may lose whatever security they pledged.

- Their income stability is often more important for improved welfare than income increases.
- Farmers are often reluctant to adopt unfamiliar techniques because failure would be catastrophic.
- Massive crop failures and the resulting hardship often have to be covered by Government relieve schemes. This prevents farmers from becoming genuinely independent, and causes ill will among the non-farming section of the community.

2) Ask trainees what happens to borrowers and lenders of seasonal and long-term credit when large numbers of farmers are unable to pay because of crop failures if they are not insured.

- The lending scheme may collapse through non-repayment.
- Someone may have to step in with massive subsidies to allow the scheme to continue in spite of default.
- Farmers may become permanently indebted.

What are the effects of permanent indebtedness on farmers?

- If their debts are cancelled, they may conclude that they may never repay, even when they can.
- If they have borrowed from local money lenders, they may end up as landless bonded labourers, even for several generations.

What are the effects on the lenders?

- Private banks may withdraw from agricultural credit, or feel compelled to charge very high premiums which effectively exclude the small farmers.
- Staff of Government schemes, and the general public, will come to regard credit schemes as disguised "hand-outs", and unscrupulous politicians may exploit them as a source of goodwill.

3) Massive crop failures at least attract attention, and lead to some form of relief, such as "food for work" programmes, free food dis-

tribution or, at least, debt cancellation. Ask trainees what happens to individual farmers or small groups in a particular area who suffer crop failure through no fault of their own, when most farmers in the area produce reasonable crops.

- Repayment is demanded, and they may have to sell their farms or whatever else they pledged as security.
- These farmers may be ineligible for credit in future years.
- The results of the misfortune, whatever they may be, are normally neglected because even a reasonable number of individual farmers scattered among a far larger number who have produced good crops tend not to be noticed.

- 4) It should be clear from the above that insurance against crop failure would be very desirable. Ask trainees why crop insurance is not more widely available, what are the main problems they might expect.

Remind trainees of previous sessions, they should mention problems such as:

- Inadequate data is available about expected yields or previous experience of crop failures.
- Inadequate records of planted areas and land or crop ownership.
- Farmers do not understand the benefits of crop insurance and all the necessary procedures.
- Losses can occur for large numbers of different reasons, and it is not easy to prove what caused the loss, and who was eventually responsible.
- The standards of farming differ widely from one farm to another, so that it is difficult to know what yield might have been expected, and who is responsible for any shortfall.
- Poor communications make inspection of proposals and verification of claims difficult and expensive.
- All farmers in a region or a whole country may suffer a failure at the same time, so that even a nationwide scheme would be unable to cover all the losses.

- Many farmers grow very small areas of a large number of different crops, of different varieties.

Climate and fertility differ from one region or one farm to another.

- Farmers may feel that the insurance means that they need not make an effort to grow good crops themselves.
- Farmers may take out insurance only when they have reason to expect poor results, so that the scheme will not be viable.
- Falling prices or poor quality can also lead to the same problems as low yield; it is difficult to cover all the risks.
- Losses may be caused by flood, disease, arson, pests and many other causes. It is easy to defraud an insurance company when farmers are faced with so many risks.

- 5) Ask trainees to imagine that they had to design a crop insurance scheme for their country; what decisions would they have to make?

Elicit the following major decision areas:

- a. In what areas should the scheme operate?
 - b. What qualifications should be expected of farmers who participate?
 - c. What crops should be covered?
 - d. What risks should be covered?
 - e. How will the cost of the scheme be covered in case of an excess of claims or costs over premiums?
 - f. What proportion of the total value of crops will be covered?
 - g. How should farmers be motivated to reduce claims?
 - h. How should claim amounts be calculated?
- 6) Divide the class into no more than three groups. Allow each group up to one hour to produce an outline design for a crop insurance scheme to operate in an appropriate area in their country. Advise groups that it may be helpful to proceed as follows:
 - i. Decide on the target area of the scheme.

- ii. Allocate each of the topics b, c, d, e to one or two group members and ask them to produce the answers.
- iii. Consider and integrate the decisions on b, c, d and e with the scheme as a whole.
- iv. Determine the operating details.

Provide OHP-transparancies or flipchart sheets to enable the groups to present their plans.

- 7) Reconvene the class, asking the groups to present their suggestions in turn.

Invite questions and comments after each presentation. Attempt to work from the groups' presentations, and trainees' subsequent comments, to recognition of the following general guidelines which should probably be followed if a crop insurance scheme is introduced to small-scale farmers for the first time.

- a. The scheme should operate in a well defined area, with well documented cropping records, reasonable communications and similar climate and fertility throughout. There should also be a planned or actual credit scheme reaching most of the farmers, using communication channels such as effectively managed co-operatives to maintain close contacts with individual farmers.
- b. The scheme should be compulsory for all farmers who receive credit, and optional for others. Farmers who are not eligible for credit, because of their inefficiency, should not be eligible for the insurance scheme either.
- c. The scheme should initially cover one crop only, which should be one on which the farmer's family depend for their living and is grown extensively and evenly throughout the area. It may later be extended, but only to the most important crops.
- d. The scheme should insure against specified risks only, which should be measurable, reasonably infrequent but seriously destructive, such as serious drought, typhoon, hurricane, or frost. Data on rainfall, etc, should be available in order to verify whether or not the risk has in fact occurred.

- e. The scheme should cover only losses from risks which have been specified in advance, and not losses which arise from unidentified means.
 - f. The scheme should cover losses from low yield, and not from low prices or low quality.
 - g. It is almost inevitable that a crop insurance scheme will initially have to be financially sponsored, rather than being self-sufficient from the outset. The sponsor may be the national co-operative movement, an agricultural or other bank, a large seed or fertilizer manufacturer or, if necessary, the Government.
 - h. The scheme should cover at the very most only the farmers' investment in a crop (including family labour).
 - i. Claims should be based not on the expected selling price of what was lost but on what was spent on seeds, planting, cultivation and so on.
 - j. Farmers should be encouraged by discounts to take out insurance contracts for several years. Farmers who do not claim for a certain period should receive progressive no-claim bonuses, and discounts should also be given for the use of particular recommended agricultural practices.
 - k. Average cost figures should be calculated for the region. Local inspections through co-operatives or other channels should prevent farmers from under-spending on planting in order to make a profit out of claiming.
 - l. Claims should only be accepted when there is proper evidence of the accident. Weather and other conditions should be monitored by local representatives.
- 8) Distribute copies of the crop insurance policy from Sri Lanka. Ask trainees to read through it and point out that the policy would be accompanied by a schedule of the insured land and crops, like the policy document which was used earlier in the course.

Point out that this scheme started in 1958. Write on the chalkboard/OHP these very approximate summarised results of the first 15 years experience, to 1973.

Total ha. covered	120,000
Total premium due	\$ 850,000
Total premiums actually paid	\$ 320,000
Claims paid	\$ 800,000
Administrative expenses	\$ 250,000
Total Government subsidy required	\$ 730,000

Ask trainees to bear these results in mind when examining the policy. How would they explain the poor premium collection record?

When going through the policy, trainees should in particular notice the following points:

- Point 3. Cover: "Insurance unit" refers to the particular farm, for which records are already available for credit and security purposes.

If the land is not farmed by the owner, the tenants or other owners of the crop, as opposed to the land, are covered by the policy.

- Point 4. The insurance is for a three year period.
- Point 8(i). The farmer has to do his best to avoid losses.
- Point 10. The farmer must maintain proper records.
- Point 11(a). The premium may be paid in cash or in kind, with the crop (presumably after the period to which the insurance relates).
- Point 13. "No-claim bonuses" are paid to non-claimants.
- Point 14(ii). The claim cannot exceed 50 per cent of the selling value of the crop.
- Point 16(ii). The farmers must meet the first 30 per cent of any loss.
- Point 19. The policy can be used as security for a loan.
- Point 21. The policy is void if the farmer gives any false information.

Trainees should note that general farm debts, including insurance premiums, were frequently cancelled during this period for poli-

tical reasons, thus depriving the scheme of about two-thirds of its premium income.

Ask trainees how this might have been avoided. Stress that the actual operation of any crop insurance scheme should be separated from credit sales, and premiums should be collected at or before planting to ensure cover.

Compare these details with whatever conclusions trainees themselves have come to on the previous exercise. Discuss the reasons for whatever differences that may have appeared.

- 9) Distribute the summary of developing country crop insurance schemes. This information may be out of date and incomplete. Compare it with whatever schemes are used in trainees' own countries, and with the outline schemes which they themselves have produced.

Ask any trainee who has experience of crop insurance to comment on the benefits, and any problems they have experienced.

If, as is more likely to be the case, crop insurance is not generally available, discuss the problems that might arise in its introduction. Ask trainees how they can help to bring pressure to bear on appropriate authorities to carry out some experiments. How can they help to overcome some of the operating problems identified, which may be what is preventing introduction of the scheme?

Crop Insurance Policy

(Crop Insurance Division - Dept. of Agrarian Services,
Sri Lanka)

This policy is issued under section 13 (1) of the Crop Insurance Act, No. 13 of 1961, and is subject to the provisions of the said Act and the terms and conditions set out hereunder.

TERMS & CONDITIONS

1. Specified Crops, Areas and Causes

- (i) Insurance under this policy shall be compulsory in respect of the crops, and in the areas, determined by the Minister by Order published in the *Gazette*.
- (ii) Such insurance shall be only against unavoidable loss due to any cause specified by the Minister by Order published in the *Gazette*.

2. Insurable Acreage and Interests

- (i) The total extent of land bearing each specified crop, the persons entitled to the whole or any part of the specified crop on such extent, and their respective shares, shall be determined and notified in regard to each specified area.
- (ii) Insurance under this policy shall be only in respect of the extent and the share so determined.

3. Insurance Unit

An Insurance Unit for the purposes of this policy shall be all lands in which the insured has any interest, as owner or as tenant, in an insurable acreage within a specified area.

4. Term of Insurance and Duration of Insurance Cover

- (i) This policy shall be valid for the first term of three years reckoned from the date of commencement of the 1958-59 Maha season, and for every other term determined by the Minister by Order published in the *Gazette*, provided that in the case of "thattumaru" cultivation a term of insurance shall consist of a season.
- (ii) This policy shall be operative and shall be deemed to cover an insurance unit only during the period of cultivation, determined and notified in respect of each season in the term of insurance for each specified area.

5. Contract of Insurance

For the purpose of this policy the insured shall be deemed to have entered into a contract of insurance with the Commissioner before the commencement of each term of insurance, unless otherwise exempted.

6. Facts to be Notified by the Insured

The insured shall notify in writing to the Assistant Commissioner of the Administrative District in which his land is wholly or mainly situated, or to the local insurance agent appointed and notified by the Commissioner in respect of that area:—

- (a) if land in a specified area is being cultivated by him with a specified crop for the first time, before such cultivation is concluded.
- (b) if land in his insurance unit is not being cultivated by him in any season with a specified crop, within thirty days of the commencement of such season;
- (c) if there is any change of his interest in a land in an insurable acreage, within thirty days of such change.

7. Farming Practices

The insured shall observe in regard to the insured extent of land such farming practices as may be determined from time to time and notified by the Commissioner for that area.

8. Prevention of Damage and Protection of Crops

- (i) The insured shall take all such measures as may be directed by the Commissioner or any officer authorised in that behalf by the Commissioner, or by the local insurance agent, to prevent or minimise damage to an insured land or to the specified crop on such land.

- (ii) In the event of any damage to the crop on the insured extent, the insured shall take all the necessary measures to protect the crop from further damage unless such extent is released by the Commissioner from the insurable acreage.

9. Use of Insured Land

- (i) The insured shall not raise on the insured extent of land any crop other than the specified crop, or put such extent to any other use unless it has been released from the insurable acreage by the Commissioner.
- (ii) The insured shall raise a fresh crop of the same kind as the damaged crop on any insured extent of land, if so directed by the Commissioner.

10. Inspection of Lands and Records

The insured shall maintain prescribed records relating to the specified crop and his interests therein, and shall permit and assist inspection of such records and insured lands by the Commissioner or any officer authorised in that behalf by the Commissioner.

11. Amount and Payment of Premiums

- (i) The insured shall pay the amount of premium determined from time to time by the Commissioner in respect of this policy, according as the Commissioner may decide either in money or in a quantity of the insured crop the value of which is equal to the amount of premium.
- (ii) Such amount shall be paid to the local insurance agent in respect of each season within thirty days or such other period as may be determined by the Commissioner from the date of harvesting, such date being fixed by the Commissioner for such season in that area, provided that in respect of the first term of insurance the amount due shall be paid within ninety days from the date of conclusion of the first term, such date in each area being fixed by the Commissioner.

12. Recovery of Premiums

- (i) If the insured fails to pay the whole or any part of the premium due from him in respect of this policy within the time specified under clause 11 (ii) above, he shall be liable to pay interest on the amount payable by him at six per centum per annum with effect from the date of expiry of the time allowed, or such amount as may be fixed by law in lieu of such interest.
- (ii) Such amount in default together with the interest payable thereon, or together with such amount as may be fixed by law in lieu of such interest:—
 - (a) may be recovered in like manner as though it were a debt due from the insured to the Crown;
 - (b) may be deducted from any sum due to the insured under the Guaranteed Price Scheme for the purchase from him of the specified crop, by or on behalf of the Commissioner;
 - (c) may where the insured is a landlord under the Paddy Lands Act, No. 1 of 1958, be recovered for the Commissioner by a Cultivation Committee, from the rent due to the insured as landlord.

13. Rebate on Premiums

The Commissioner may in his discretion allow a rebate on the amount of premium payable by the insured in respect of this policy in any season, provided that—

- (a) no claim to indemnity under this policy has been made during the preceding three years by the insured; or
- (b) the aggregate amount of indemnity under this policy paid to the insured during the preceding three years is inconsiderable in the opinion of the Commissioner; and
- (c) the insured is not in default of any amount of premium payable by him in respect of this policy.

14. Rate and Amount of Indemnity

- (i) The rates at which indemnity is payable in respect of each specified crop under this policy shall be as determined and notified in the *Gazette* by the Minister.
- (ii) The maximum amount of indemnity per acre of insured land under this policy shall be determined by the Commissioner, and shall not exceed the value of fifty per centum of the average yield of the specified crop determined by the Commissioner for that season in that area.
- (iii) Where the insured follows methods of farming approved by the Commissioner, he may on application be paid a higher indemnity, provided the Commissioner is satisfied that he has followed such methods. The higher indemnity shall be determined by the Commissioner, and shall not exceed the value of sixty per centum of the average yield of the specified crop, determined by the Commissioner for that season in that area.

15. Claim to Indemnity

- (i) Where due to any specified cause there is a loss of a specified crop on any extent of insured land to which this policy relates, the insured shall within twenty-one days after the occurrence of the loss, give notice in writing of such loss to the local insurance Agent, and may thereafter make a written claim to indemnity in respect of such loss.
- (ii) If a claim to indemnity by the insured is rejected, the decision to reject such claim and the reasons therefor shall be communicated in writing to the insured.

16. Payment of Indemnity

- (i) The insured shall be awarded an indemnity under this policy if his claim is proved to the satisfaction of an officer authorised in that behalf by the Commissioner, and he is entitled to such indemnity in accordance with the provisions of the Crop Insurance Act, No. 13 of 1961, and the terms and conditions of this policy.
- (ii) The insured shall not be entitled to an indemnity for loss under this policy, unless the loss is such that the aggregate yield of the specified crop from his insurance unit is less than seventy per centum of the average yield as determined by the Commissioner, of such crop for that season in the specified area.

17. Deductions from Indemnity

- (i) Any sum due from the insured, as premium and interest or such amount as may be fixed by law in lieu of such interest, under this policy, shall be deducted from the amount of indemnity payable to him under this policy.
- (ii) Any sum which the Commissioner is satisfied is due from the insured to a Co-operative Society in repayment of a loan, or in payment of any interest on such loan, may be deducted by the Commissioner from the amount of indemnity payable to him under this policy.

18. Appeal in respect of Indemnity

- (i) The insured shall be entitled to make a written appeal to the Commissioner, stating the grounds of appeal, within thirty days after the communication to him—
 - (a) of the decision to reject his claim to indemnity under this policy ; or
 - (b) of the award of indemnity under this policy, if he is dissatisfied with the amount of the indemnity.
- (ii) The insured shall be entitled by himself or by representative, to appear before and be heard by the Commissioner on such appeal. The decision of the Commissioner on any such appeal shall be final and conclusive and shall not be called in question in any Court.

19. Assignment of Policy and Transfer of Interest

- (i) This policy may be assigned to an approved credit agency so declared by the Commissioner by notification in the *Gazette*, as security for a loan given by such agency to the insured, for any purpose connected with the raising of the specified crop on the extent of land to which this policy relates
- (ii) Where the insured transfers his right, title, and interest in any extent of land to which this policy relates, the transferee shall be entitled to all the rights and subject to all the obligations of the transferor, from the date of the transfer.

20. Right to Vary Terms and Conditions

The Commissioner may vary any term or condition of this policy, consequential to or necessitated by an amendment of the Crop Insurance Act, No. 13 of 1961, or any Order or regulation made under such Act.

21. Voidance of Insurance

This policy may be declared void, and the premium paid in respect of this policy forfeited by the Commissioner, if the insured—

- (a) has concealed or misrepresented any material fact or committed any fraud relating to the insurance under this policy ; or
- (b) fails to comply with any term or condition of this policy.

22. Inconsistency

When any term or condition in this policy is inconsistent with any provision of the Crop Insurance Act, No. 13 of 1961, or any Order or regulation made thereunder, the provisions of such Act, Order, or regulation shall prevail.

23. Interpretation

Where any term or expression is used in this policy which is contained in the Crop Insurance Act, No. 13 of 1961, or in any Order or regulation made thereunder, such term or expression shall bear in this policy the same meaning as that attributed to it in such Act, Order or regulation.

In witness whereof, this policy has been signed on behalf of the Commissioner at

Colombo this..... day
of

Signature

Designation

for Commissioner of Agrarian Services

42, Edinburgh Crescent,
Colombo 7.

Summary of Developing Country Crop Insurance Schemes

<u>Country</u>	<u>Crops Covered</u>	<u>Risks Covered</u>	<u>Sponsorship</u>	<u>Voluntary/Compulsory</u>
Chile	All main crops	All major risks	Government	Compulsory for borrowers
Costa Rica	Rice, maize, cotton	All major risks	Government	Compulsory for borrowers
Cyprus	Wheat	Hail, drought	Government	Compulsory
Greece	All main crops	Hail, frost, windstorms	Government	Compulsory
India (experimental only)	Selected crops	All major risks	Government	Voluntary
Jamaica	Bananas	Wind	Government	Compulsoryy
Mexico	All main crops	All major risks	Government	Compulsory for borrowers
Mauritius	Sugar	Fire, cyclone, rainstorm	Private	Voluntary
Sri Lanka	Rice	All major risks	Government	Compulsory
Zambia	Maize	Fire, lightning	Government	Voluntary

SESSION 5.3LIABILITIES, VEHICLES, FIRE AND THEFT

Objective: To enable trainees to identify the full range of general business insurance which may be applicable to their co-operatives and to avoid common misunderstandings when taking out or claiming on an insurance policy.

Time: 2 to 22 hours.

Material: Micro Cases "Insurance Decisions".

Session Guide:

- 1) Remind trainees of Session 2.2. Stress that while livestock and crop insurance are naturally of particular interest to farmers, the most common and the most necessary types of insurance for any co-operative and its members, are similar to those which can be bought by any business or individual.

Ask trainees to recall Session 1.2 and to mention a number of risks which a co-operative society is likely to have to face, and which can be insured against.

Write trainee's suggestions on the chalkboard/OHP in five different columns, without at this stage labelling them. When at least two suggestions have been made in each of the following categories, ask trainees to explain the classification.

- Fire
- Motor vehicle
- Theft
- Employers' liability
- Public liability

Trainees should also distinguish between theft, fire and damage insurance and liability insurance. The former covers losses in-

curred by the society, while the latter covers claims made by others for damage which may have been caused by the society.

Remind trainees of Topics 3 and 4. These related to conventional business insurance as well as specialist agricultural aspects. Stress that there are a number of other general principles, in addition to those covered in Session 4.1. They apply to all types of insurance, and are based on common sense; it is important for anyone managing the insurance of any enterprise to be aware of the points.

Distribute the micro cases, and allow trainees up to 40 minutes to read through them and make their preliminary judgements. As with Session 4.1, they should not attempt a complete analysis, but should choose the view that occurs first to them, based on a common sense appraisal.

Trainees may feel that there is not enough information; if they ask for further information, ask them to state exactly what they need. If they are able to do this, give an answer which is reasonable and does not contradict the conclusions which follow. Ensure while trainees are working through the material that they are in fact going through it quickly rather than spending too long on any one situation. Remind them at appropriate intervals of the point they should have reached.

- 3) When trainees have finished, find out by a show of hands how many believe that Mr. A's family and how many believe that the society is right in situation a. Go through each of the answers which follow, ensuring that trainees understand them. If at all possible, go through the exercise well in advance of a session with an insurance expert or ask such a person to join in the session. This is desirable in order to ensure that the answers are consistent with local practice. It may also be appropriate to omit some situations or to have others which describe locally familiar disputes.

- a. Mr. A's family are right.

The society is responsible for anything that happens to Mr. A while working for them. Damages may be reduced by a small

amount to allow for Mr. A's carelessness, but fundamentally any employer must ensure through appropriate selection, training and supervision, as well as by physical arrangements, that accidents do not happen.

- b. The insurance company was right.

Most policies specifically exclude "riot and civil commotion" since these are outside the normal calculable risks and are likely to affect large numbers of customers. Governments are responsible for maintaining law and order, and may therefore be expected to reimburse individuals and organisations who suffer because law and order had broken down.

- c. The society was right.

Trailers or other vehicles which are attached to an insured vehicle are usually covered by any policy which covers the vehicle itself.

- d. The insurance company was right.

Fires which start by self-ignition because of improper storage or harvesting conditions are not normally considered as accidental fires and damage arising from them may be therefore not covered by a normal fire policy. Anyone responsible for storing produce which is liable to internal heating should take care to store it in a safe condition, and should observe it regularly in order to prevent damage.

- e. The insurance company was right.

Vehicle insurance is linked to the vehicles and not the drivers. Some insurance policies cover only one or more named people as drivers, but most co-operative societies' vehicle policies would cover the vehicle when driven by anybody authorised by the society. This does not cover anybody authorised by the society to drive somebody else's vehicle.

- f. The colleague was right.

If the society had a special insurance policy to cover replacement of frozen produce lost through freezer breakdown,

they could of course claim, but an ordinary machinery policy will only cover the cost of repairs to the machine itself, and not consequential losses resulting from its breakdown.

- g. The manager was right.

No-claim bonuses are awarded for the absence of claims, and not for the absence of accidents. The intention is not only to reward safe performance but also to discourage small claims and thus avoid administrative expenses. It does not matter whether or not the insurance company knows about an accident. They are only concerned with whether or not a claim has been made and if it is withdrawn in time the no-claims bonus will still be awarded.

- h. The treasurer was right.

Boilers are particularly likely to be damaged, and cause damage, when compared with most machinery, and have usually to be insured by a special policy, which includes regular inspection and maintenance requirements.

- i. The manager was right.

The society's public liability policy will cover legitimate claims made by anybody against the society, regardless of the ultimate responsibility for whatever happens. The insurance company may well be able to claim from the chemical manufacturer all or part of the money paid to the families of the people who died, but this is no concern of the co-operative society. The insurance company is responsible to them.

- j. The insurance company was wrong.

Unless the policy specifically excludes accidents which arise in the course of illegal activities, the vehicles are covered, whatever they were doing.

- k. The worker was right.

When somebody is paid by and working for a society, he is covered by the society's insurance, regardless of where he is working. The situation would be no different if the Kappa So-

ciety was being paid for its workers' services by the other society. The other society would only be liable if they were actually paying the wages of the workers directly to them.

1. The insurance company was right.

Equipment which is regularly inspected by an insurance company as a condition of its being insured must be maintained as requested by the company. The accident might of course have occurred a few days' earlier, in which case the insurance company would have had to pay. However, they can argue that they correctly estimated the intervals between inspections and that the timing of the accident showed that they were correct.

- 4) If trainees still appear uncertain of some of the principles involved, make up further examples to illustrate them. In particular, refer to Session 4.1 and ensure that all trainees are aware of the importance of the following principles:

- "Average", whereby the total value of what is insured must be sufficient, and any claim will be proportionately reduced if it is not.
- "Consequential loss", whereby insurance only covers damage to or loss of what is insured, and not any loss that may arise as a further result of the accident.
- "Over-insurance", whereby it is not possible to make a profit by insuring something for more than it is worth, through one or more than one company. The objective of insurance is to restore whoever is insured to the position they would have been in had the accident not occurred, not to make them better off as a result.
- "Ultimate good faith", whereby everything that has any bearing on the likelihood of accident must be declared to the insurance company when the insurance proposal is being made, even if the company does not specifically ask for that piece of information.

Insurance Decisions

Read through each of the following descriptions of insurance disputes. Make a rapid decision as to who is in the right, and mark your answer in the space provided. You may feel that further information is required; make what assumptions you think are appropriate and proceed with the exercise as rapidly as possible. You have three minutes for each decision.

- a. Mr. A is employed by the Alpha Co-operative Grain Milling Society. He has been told on several occasions never to clean the mill unless the power is switched off, but he finds it more convenient to leave it on. He accidentally trips the operating switch when leaning into the mill, and his body is crushed between the rollers. His family sue the society for damages but the society claims that it was Mr. A's fault for disregarding instructions. They send a wreath to the funeral.

Mr. A's family is right / The society is right.

- b. Elections tend to be violent, and in 1982 a mob broke into the Beta Society's store and started a fire, because, it was said, the chairman was from the same area as the recently deposed president. The store was completely destroyed, and the manager claimed under the society's fire insurance. The insurance company refused to pay.

The society was right / The insurance company was right.

- c. The Gamma Society purchased a large new trailer to help collect members' crops. The society's tractor driver connected it up on the first morning, and drove it out of the yard. Because he was not used to towing a long trailer, the rear of the trailer struck another one of the society's vehicles and severely damaged it. The trailer itself was not seriously damaged, but the manager claimed for the replacement of the damaged vehicle under the society's policy. As he said, the trailer was being towed by the tractor which was covered by insurance. The insurance company refused to pay, however. They said that the trailer should have been separately insured.

The Gamma Society was right / The insurance company was right.

- d. The Delta Society collected a huge heap of high quality hay from members' fields, to be sold to the local horseracing club. Unfortunately the hay was rather damp when it was stored, and it eventually caught fire through the intensive heat generated through the process of decay. The whole heap was destroyed, but the manager was not worried; he claimed for the cost under the society's fire policy. To his horror, the insurance company refused to pay.

The manager was right / The insurance company was right.

- e. Edward, the manager of the ETA Society, had to borrow the chairman's car, since the society's vehicle was out of order and there was no other way of getting to town to collect the monthly wages from the bank. Edward thanked the chairman for helping the society by allowing him to drive his brand new Range Rover. The chairman was only too pleased to be of assistance, he said. On the way back from the bank a bus came round the corner on the wrong side of the road. Edward did his best to avoid it but the bus tore away the front wing and badly damaged the roof of the chairman's car. When Edward finally got back to the society, with the money intact, the chairman was sympathetic. "Thank heavens," he said, "you are not severely hurt, and the society's vehicle insurance will pay for the repairs if that drunken bus operator has no insurance." The chairman himself had only third party insurance, and the bus driver was not insured. Much to Edward's disappointment, the society's insurance company also refused. Edward threatened to withdraw his business from the company, but they insisted that his insurance did not cover the accident.

Edward was right / The insurance company was right.

- f. Frank, the manager of the Friendly Fishermen's Society, was delighted that they finally managed to purchase their own freezing plant. Six months later, however, the compressor broke down on a festival holiday. When the staff returned to work they found that \$10,000 worth of fish were ruined and the walls of the cold storage room would have to be replaced because of the damage done to them by the rotten fish. He was relieved that the society's machinery insurance would cover the losses, since they would replace the machinery and pay for the ruined fish, as well as repairing the cold storage walls, but a colleague warned him not to be too

optimistic. He explained that the damage to the machinery might be covered, but he doubted whether the insurance company would cover anything else.

The colleague was right / The manager was right.

- g. The manager was disappointed when George had a minor accident on the last day of the year, causing \$70 worth of damage to the society's lorry. He filled in a claim form and sent it off to the society's insurers, but then realised that the society would lose a \$100 no-claim bonus if the claim was settled. He tried to get the letter out of the mail so that the insurers would never know what had happened, but failed. He then wrote another letter, asking them to ignore the claim, but a colleague with some knowledge of insurance warned him that the company would certainly cancel the bonus in any case. "After all," he said, "the bonus is a way of rewarding better than average performance, and George has proved that our society is no safer than average."

The manager was right / The colleague was right.

- h. Hilary Society has recently installed a powerful boiler as part of the drying plant. The manager said that they need not insure it since they had recently disposed of several other bits of equipment and the boiler would not mean that the total value of machinery was above that which was insured. The treasurer disagreed; he said he was sure that they should take out a separate policy for the boiler, regardless of its value.

The manager was right / The treasurer was right.

- i. The Iota Society sold maize for human consumption and also for seed stock. They put a special chemical dressing on the seed maize to prevent insects and birds from eating it after it had been sown. The two types of maize were carefully separated but through an administrative error some seed maize was sold on the open market. A number of people died because of the poisoned coating. Their families sued the society and the manager passed the claim on to the insurance company. They made some enquiries and found out that the manufacturers of the chemical had never warned the staff of the Iota Society about this danger. They therefore refused the claim, and told the manager that it was the chemical supplier's fault. The Iota Society should claim from them.

The Iota manager was right / The insurance company was right.

- j. Some employees of the Jolly Society ran an illegal grain smuggling business by trucking stolen grain across the frontier every night. They carefully returned the vehicles before dawn, and were only found out by members when one of the trucks had an accident. The committee dismissed the staff and claimed for the cost of repairs to the vehicle under the society's comprehensive policy, but the insurance company refused. They said that the policy did not cover the use of vehicles for illegal purposes.

The committee was right / The insurance company was right.

- k. The Kappa Society used to every year "lend" some of its labourers to the Jammu Society, since their members' harvest time was different. The Jammu Society's labourers were returned to the Kappa Society to help loading two months later. One of the Kappa Society's people fell off an insecure heap of sacks and broke his leg while working in the Jammu Society's store. He demanded payment under the Kappa Society's insurance but the manager told him to claim from the Jammu Society, since he was working for them at the time of the injury. The Jammu Society was not insured, however, and the worker demanded that the Kappa Society should pay his claim.

The worker was right / The Kappa Society manager was right.

- l. The Lamda Society had a crane which they used for loading bales of cotton. It was specifically mentioned in the society's inclusive insurance policy, which covered public liability. The insurance company made a routine visit, and mentioned in their report that the wire cable needed replacement. The manager made a note to order a new cable as soon as funds were available, but a few days later the cable broke and the falling load severely damaged a visitor's car. The visitor claimed damages from the Lamda Society, who in turn passed the claim to the insurance company, secure in the knowledge that the crane was covered and, as the manager said, the accident might easily have happened one or two days before the inspection took place. The insurance company refused to pay, because, they said, the inspection had been ignored.

The society was right / The insurance company was right.

topic

6

application

Session 6.1 Application Exercise

SESSION 6.1APPLICATION EXERCISE

Objective : To enable trainees accurately to apply what they have learned to their own societies' insurance arrangements.

Time : 1 to 3 hours or more.

Material : Trainees' societies' insurance policies, or copies of them, together with any accompanying schedules.

Session Guide :

- 1) Trainees should have been warned before the session, or when preparing for the course itself, to bring with them as much information as they can about their societies' insurance arrangements. This should if possible include:

- Details of insurance companies.
- A list of all policies.
- Copies of all policies.
- Copies of all accompanying schedules.
- Details of any claims made during the past 12 months.

Three or four selected trainees, with the most comprehensive and best organised sets of material, should be asked to leave the classroom for a period and individually to study their material and familiarise themselves with its contents.

- 2) Ask the remaining trainees to suggest as many questions as they can which they feel should be asked about a society's insurance, in order to be sure that it is as complete, economical and effective as possible.

Elicit and write down on the chalkboard/OHP questions such as the following:

- Are values updated at least once a year to allow for inflation, or is there an automatic allowance for inflation?
- Are all additions to vehicles, equipment and machinery automatically checked to see if the total value of what should be insured Should be increased?
- Are all new purchases or types of equipment checked to see if they require special insurance, even if the overall value need not be increased?
- Are disposals of equipment or other changes in a society's arrangements monitored so that any insurance which is not required can be cancelled and premiums reduced accordingly?
- Are stocks covered by insurance for the highest likely value in the year?
- Are adequate records of stocks, equipment and other items covered by insurance kept in a safe place which is not likely to be destroyed by fire?
- Is cash insured both when in the society's premises and when in transit?
- Are goods in transit which belong to the society covered by insurance?
- Has the society investigated the possibility of insuring against the consequential loss of operating surplus which might arise from an accident, and what are their conclusions?
- Does the society minimise the administrative cost of insurance by making use of every appropriate and economic comprehensive policy rather than taking out a number of separate policies, all of which must be separately appraised and renewed?
- Does the society "shop around" for insurance regularly, in order to ensure they are buying insurance from the least expensive source?
- Is the society making use of insurance brokers to obtain economical and unbiased advice, or has it at least appraised the possibility and decided in favour of placing business directly with insurance companies?

- Are the society's insurers rapid and efficient at dealing with claims, and if they are not have alternative insurers been investigated?
 - Is the society covered against losses arising from third party claims, public liability and employee dishonesty, as well as more obvious types of insurance such as vehicles, fire and theft?
 - Does the society make use of its insurer's risk reduction advisory services, in its own and the insurer's interest?
- 3) When the complete list has been prepared, ask the three or four society representatives to return. They should sit facing the rest of the group, and should in turn show them, by reference to the material they have, that they can answer all the listed questions satisfactorily.

The session may if appropriate be organised as a competition. Each of the "contestants" can be awarded a point if he or she is able satisfactorily to answer each question. The winner should be the competitor with the most points (the instructor's decision as to whether or not the question has been satisfactorily answered is final).

Stress to the remaining trainees that the competitors were selected because they were able to bring together a reasonably well organised and complete set of data about their societies' insurance. It is likely that other societies whose representatives were not able to do this are not so well insured. All trainees should ask themselves the same set of questions on their return to their offices, and should make appropriate arrangements to remedy whatever deficiencies are identified.