

LIVESTOCK MORTALITY UNDERWRITING MANUAL

I. Livestock Mortality Insurance

Livestock Mortality insurance is designed to protect an investment in certain livestock from loss caused by the death of the animal. The purpose of this underwriting manual is to provide guidelines and criteria to assist an agent in producing Livestock Mortality Insurance which may comply with the rates and forms provided by the Company in a fair and consistent manner. The information contained herein are considered guidelines and may vary in accordance with the opinion of the company underwriter from time to time.

II. General Rules:

A. Definitions:

Livestock meaning horses, cattle, llamas/alpacas and exotic animals

B. Eligibility:

The Livestock Mortality Policy may be written for an individual(s) who has an insurable interest in livestock. The insured must be the sole owner, or owner in part, of the livestock.

C. Description of Coverages:

Policy _____ (01/09) provides the Policy Provisions and General **Conditions**.

Comment [m1]: Need a Policy Number or refer to specimen of policy

D. Deductible:

No deductible applies under the Base Policy. Deductible programs are available.

E. Whole Dollar Premium Rule:

All premiums developed for the policy, including endorsement premiums, shall be rounded to the nearest dollar. A premium of fifty cents (\$.50) or more shall be rounded to the next highest whole dollar. In the event of cancellations, the return premium is subject to the whole dollar premium rule.

F. Policy Term:

Policies are issued for a maximum term of one year. Policies are effective at 12:01 AM standard time at the insured's address on the policy. The effective date of the policy will be the date the application is acceptable to the Company, or the date requested by the insured, but in no case later than 10 days after the date of evidence of insurability, such as a Statement of Health or Veterinary certificate is dated.

G. Payment Plans:

Policies are Agency Billed and collectible 45 days after the agency receives their monthly Account Current Statement Payment plans, other than annual can be requested upon submission or by request to the Company. Policy payment plans of semi-annual installments and quarterly installments may be provided on policy premiums exceeding \$750

H. Renewal Policies:

Subject to regulatory requirements, renewal policies are not guaranteed or automatic, but considered in the same manner as new business. It is suggested that renewal applications be submitted far enough in advance of the expiration date to avoid possible lapse of coverage. If a veterinarian examination or Statement of Health is not made before the expiration, then the date on which it is made becomes the effective date of the new policy

I. Cancellation of Policy:

Subject to regulatory requirements, annual policies may be returned by the insured at any time for cancellation on a short rate basis in accordance with the following Short Rate Table. Cancellations effected by the Company are on a pro rata basis.

SHORT RATE CANCELLATION TABLE

1 Month.....	20% of Annual Rate
2 Month.....	30% of Annual Rate
3 Month.....	40% of Annual Rate
4 Month.....	50% of Annual Rate
5 Month.....	60% of Annual Rate
6 Month.....	70% of Annual Rate
7 Month.....	75% of Annual Rate
8 Month.....	80% of Annual Rate
9 Month.....	85% of Annual Rate
Over 9 Months.....	100% of Annual Rate

Premiums for endorsements such as Transportation and Castration coverage shall be fully earned at inception

J. Assignment:

There will be no assignment of this policy, unless approved by Company in writing. Policy must be canceled, new application submitted and policy issued.

K. Minimum Premium:

Livestock Full Mortality Policy - \$250 minimum retained premium. The minimum premium includes any optional or additional coverage. Cancellation, by the Company, of the policy will result in pro-rata return of the unearned premium less the minimum retained premium.

Additional mortality coverage can be endorsed on the policy mid term for new animals, with home office Underwriting approval, charging the pro-rata premium for the specific coverage.

III. Coverages:

A. Property Covered and Territory

Coverage applies to each individual animal described in the Declarations wherever

it may be located within the United States, Canada or Worldwide (upon agreement from Underwriter and attachment of endorsement for an additional premium charge) but only while it is solely and unconditionally the property of the Named Insured.

B. Perils Insured Against

1. **Full Mortality and Theft (FMT)** - Subject to the exclusions and conditions contained in the policy and in consideration of premium, each insured animal is covered for Full Mortality including Theft against loss by death due to injury, illness, sickness and disease. The policy does not cover minor injuries, depreciation of value, failure of an animal to perform the functions for which it is kept, nor for veterinarian or similar expenses, even to preserve the animal's life. Form LM003 (01/09), Livestock Mortality Policy.

The policy also insures against loss resulting from the intentional and voluntary destruction of an insured animal for humane reasons to terminate incurable and excessive suffering arising out of a peril insured against. In the event such destruction becomes necessary, the Company is not liable unless:

- a. The Company has agreed to the destruction of the animal or
 - b. A qualified veterinarian surgeon appointed by the Company certified that the suffering was so intense that immediate destruction was imperative for humane reasons.
2. **Emergency Colic Surgery (ECS)** - Subject to the exclusions and conditions contained in the endorsement and policy and in consideration of FMT premium, coverage is included when writing full mortality and theft coverage unless otherwise excluded. Coverage is for actual cost of a colic surgery at the recommendation of a certified equine veterinarian to preserve the life of the described animal(s). Add Form LM006 (01/09), Emergency Colic Surgery Endorsement.
 3. **Limited Perils** - Subject to the exclusions and conditions contained in the policy and in consideration of premium, coverage may be endorsed to individual animals for limited perils only. Coverage is for death and destruction only or direct loss or damage, directly resulting from or made necessary by the specified peril. Add Form LM013 (01/09), Restricted Perils.
 4. **Accidental Death (AO)** - Subject to the exclusions and conditions contained in the policy and in consideration of premium, coverage may be endorsed to individual animals for accidental death only. Coverage is for external and visible accident only, including euthanasia if made necessary

as a result of fractures caused by such accident where a licensed veterinarian certifies that the animal will not respond to medical treatment. Add Form Need form, Restricted Endorsement – Accidental Death.

C. **Optional Coverage** – Payment of additional premiums required unless otherwise indicated.

1. Reserved for future use.
2. Reserved for future use.
3. Reserved for future use.
4. **Equine Major Medical Extension (MM):** Can be added to provide coverage for veterinarian fees that are a direct result of medical and surgical treatment as a result of accident, injury, illness or disease for specified animals. See rate section for rate and coverage limit options. Add Form LM004 (01/09), Equine Major Medical Extension.
5. **Equine Surgical Extension (S):** Can be added to provide coverage for veterinarian fees that are a direct result of surgical treatment for specified animals. See rate section for rate and coverage limit. Add Form LM005 (01/09), Equine Surgical Extension.
6. **Agreed Value Endorsement (AV):** Provides coverage for specified animals on an agreed value basis rather than a fair market value basis. Included in the Base Policy for equine values up to \$150,000 and through ages 14 with proper justification of values at time of submission. Add Form LM007 (01/09), Agreed Value Endorsement for Full Mortality Insurance.
7. **Equine Twelve Month Extension Clause (12M):** Provides that in the event of a condition occurring and reported during the policy period, mortality and major medical coverage will continue for the lesser of up to 12 months from the policy expiration date or until the condition is no longer life threatening for that specific condition not to exceed the limit of liability. Applies to horses 14 years of age or younger See rate section for rate. Add Form LM008 (01/09), Equine Twelve Month Extension Clause.
8. **Stallion Permanent Infertility Endorsement (ASD):** Provides coverage for an insured stallion becoming permanently and totally impotent, infertile or incapable of serving mares as a result of an accident, illness or disease. See rate section for rate. Add Form LM009 (01/09), Stallion Permanent Infertility Clause (Accident, Sickness or Disease).
9. Reserved for future use.
10. Reserved for future use.

11. Reserved for future use.

12. **Transit Extension Clause:** Subject to the exclusions and conditions contained in the policy or coverage form, this optional coverage can be endorsed on to the policy for an additional premium providing coverage for specified animals for the increased exposure of transporting animals by aircraft or sea vessel outside the coverage territory. Add Form LM010 (01/09), Transit Extension Clause.

D. Conditions and Warranties:

Refer to the actual policy and endorsement forms for the Conditions and Warranties in the contract that apply to the Livestock Mortality Policy.

E. Exclusions:

There are specific exclusions that do apply to the Livestock Mortality Policy . Refer to actual policy and endorsement forms for exclusions in the contract.

F. Additional Clauses:

The policy also contains the following standard clauses:

Suit Against Company, Thirty Day Extension Clause, Theft Clause, Other Insurance, Claiming Race Clause (As Respects Equine Only), Salvage Clause, Full Premium If Loss Clause and Return Premium Upon Death (Excluded Clause) applicable to the policy.

IV. Underwriting Rules and Requirements:

A. An application is required on all new– business unless otherwise requested. Each application must be completed in full and signed by both the applicant or his/her authorized agent with power of attorney, and the producing agent. Applications that are unsigned or incomplete will not be accepted. Applications are not binders and the submitting of an application does not afford coverage automatically.

B. The Veterinarian Certificate of Examination must be completed in full, signed, and dated by a licensed veterinarian. Veterinarian Certificate of Examinations are not binders and the submitting of a veterinarian certificate does not afford coverage automatically. If approved and accepted by the Company, the Certificate date becomes the effective date of cover. Veterinarian Certificates of Examinations are unacceptable if over 30 days old.

C. The applicant will be the Named Insured under the policy and must be the sole and unconditional owner of the animal to be insured unless otherwise agreed to by the Company.

D. All animals eligible for coverage at the stated rates must be registered with the registry of the association of the breed, as listed in the application.

E. Quote for grade or unregistered animals will be given upon request. Current Coggins will

be required showing a picture of the animal and the distinguishing markings.

F. All insured values are subject to acceptance by the Company. Generally, policies will not be issued for an amount greater than the money actually invested in an animal of any kind, i.e. purchase price plus any sales commission and transportation costs if applicable. In addition, the following methods may be used to establish values:

1. Sale price at an authorized public auction.
2. Sale price where sold at private sale
3. A fair and conservative appraisal by a certified or competent appraiser
4. Two to three times the stud fees earned in an immediately preceding year for stallions and/or bulls.
5. Two and one-half times the stud fee for foals and/or calves where no offspring has been sold from the mare or cow, or an average price received for like animals.
6. An amount equal to the highest price paid for a foal or calf from the same dam.
7. Consideration would be given as to training charges on the animal after purchase to the extent of one-half (1/2) the said charges.
8. The use, sex, age and earning capacity must be taken into consideration. This information must be supplied with the application.
9. Competition or race earnings shall be factored in when establishing values.

G. It is required that all animals be sound, in good health and in an insurable condition when insurance is requested. The following risks are not acceptable without prior approval of the company:

1. Previously canceled risks.
- * 2. Any animal which is suffering from an illness or an injury or which is kept on premises where there is or has been a contagious or infectious disease.
- * 3. Any animal that has ever required any assistance in calving or foaling, and have known calving, foaling or abortion and like disorders.
- * 4. Chronic indigestion colickers.
- * 5. Cryptorchids or Ridgelings (a male animal having one or both testes retained in the intestinal canal).
6. Blind animals.
- * 7. Animals that are nerved at or above the fetlock.
8. Circus or Contract Act animals.
9. Contractor-owned horses or mules used for excavating and/or construction purposes.
10. Horses or mules used for logging.
11. Horses or mules used for packing.
12. Vicious animals or animals with propensities toward bad acts.
- * 13. Animals owned by or in the hands of dealers.
14. Animals not under regular and frequent supervision.
15. Horses rented to the public.
16. Horses used for policing.
- * 17. Lamé, ailing or unsound animals

18. Zoological animals.
- 19 Any one animal valued over 150,000 USD.

*These may be written under certain conditions. Submit each case with full details for consideration and rating

H. Binders

1. If an agent wishes to attend an auction sale of registered livestock, binding authority may be granted by the Company provided that animals receive a veterinarian inspection prior to the sale. To obtain this authority, the agent must write or call the Company at least 5 days prior to the sale. An agent may not bind the Company for full mortality under any other circumstances.
2. Subject to notification to the Company, the agent may bind for the following named perils until receipt by the Company of a satisfactory application and veterinarian certificate of examination and/or statement of health:

Loss or humane destruction caused by the perils of fire, lightning, windstorm, cyclone, tornado, hail, aircraft and falling objects, smoke, earthquake, flood, collapse of bridges or culverts, risks of transportation within the United States and Canada, and theft - but excluding escape or mysterious disappearance. Maximum amount is \$25,000 per animal and \$50,000 per occurrence and maximum period is 30 days.

3. If the animal(s) has a satisfactory veterinarian certificate of examination and meets all other underwriting requirements, the agent may effect immediate coverage within their granted binding authority or by faxing or electronically transmitting the following information to, and being received by, the Company. Include (1) name and address of the applicant, (2) brief description of animal including registration, catalog page or tattoo number, (3) amount of insurance desired, (4) purchase price and date of purchase, (5) term of policy and (6) if animal is to be transported - how?, when?, where?. Upon receipt of the electronic transmission or fax the Company will respond only if the risk is unsatisfactory to agents with binding authority or respond with authority to bind to agents without binding authority. The agent must attach a copy of the electronic transmission or fax with a validation stamp of the date and time to the application and mail to the Company within 48 hours of the day the electronic transmission or fax is sent.

All binders are good for only 30 days.

- I.** Full Mortality Coverage includes Theft and Emergency Colic Surgery Endorsement – LM006 (01/09) when appropriate documentation is provided at time of Company Underwriting. Prior existing conditions applicable to specific animal(s) will be excluded from coverage unless otherwise agreed to by Company.
- J.** Equine Major Medical Coverage can be endorsed on animals 30 days through 15years of age. No Major Medical on race horses, horses in race training, or horses with prior existing conditions. Exclusions can apply to prior conditions or conditions developed during policy

term.

- K.** AS&D (Stallion Infertility) can be endorsed on animals up to 16 years and requires a stallion infertility form and veterinary certificate with specific reference to genitalia. Semen evaluations required on first time stallions or upon request by the Company.
- L.** Reserved for future use.
- M.** Equine Twelve Months Extension Clause can be endorsed on animals ages until 4 years.
- N.** Agreed Value can be endorsed on to animals ages through 14 years with justification of value e.g. copy of check, copy of wire transfer of funds, purchase agreement etc. and with Company approval.
- O.** Reserved for future use.
- P.** In respect of all new business a veterinarian certificate is required for all animals with an individual value excess of USD \$50,000; In respect of renewals the requirement for a Veterinary Certificate is increased to USD 75,000. Regardless of value a Veterinary Certificate is required for all animals under 30 days and over 15 years of age and, where the animal has suffered any illness, injury or disease during the previous policy. In addition, on renewals up-dated show records, training fees or breeding information
- Q.** An IgG test is required for any foal at 24 hours through 15 days of age.
- R.** To increase limits of any animal more than \$500.00 show records, breeding information, winnings, half (1/2) of total training fees or selling price of siblings must be submitted to the Company.
- S.** Age is determined on January 1, not actual birth date.
- T.** Countersignatures may be required. We only accept business if agent holds a non-residents agents license in the state where the risk is located.
- U.** Credits/Debits available upon request to the Company and upon the Company's approval.
- V.** **Livestock Mortality Rates:**

(See the rate pages)
- W.** Company approvals required hereunder shall be provided by the management or staff of AmGUARD Insurance Company after consultation with the Company's Equine Mortality Underwriting consultant, Alan Clements.

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