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Insurance Programs
on
587 New York Farms

By

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PREFACE

This is a preliminary report presenting an overall summary of the results of a study of farmers' insurance practices carried out in the summer of 1953. The study is part of a research project under the direction of Dr. G. W. Hedlund. The objectives were two-fold: (1) to determine current insurance practices and programs (along with their costs) being followed by commercial farmers in New York and (2) to evaluate these programs in light of the risks involved. More detailed analysis than is presented here will be made giving more information on the census of practices as well as carrying out part two of the objectives stated above. Special acknowledgment is due to the farmers who cooperated in the collection of the data.

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INSURANCE PROGRAMS ON 587 NEW YORK FARMS

INTRODUCTION

Farming has long been considered a unique type of business endeavor. Fluctuations in weather and price have subjected the farmer to special risk situations over which he has little control. Improvements in crop varieties, more and better information to be used in farm planning, and the price stability given through governmental price programs have somewhat alleviated this situation. There remain, however, many risk situations which have not been relieved, and which must be met in some other way. Many of these may be partially met through collective action in insurance programs. Risks are shared among large groups of persons so that losses suffered by any one member of the group are distributed rather than falling entirely on the one suffering the loss. This technique for "hedging" risks grows in importance as more complex and/or new circumstances arise.

The orthodox programs of insuring the farmer's life (to provide for his dependents) and his property (against fire damage) are no longer sufficient, and may not be adequate in themselves. To illustrate----as farming has grown more commercialized, increased capital requirements have led to an increasing use of credit in the farm business. When a farmer borrows, his percentage of equity in the business declines. His ability to withstand the shock of losses is diminished and his need for insurance is increased.

In addition to the increasing complexity in the coverage against standard risks, modern equipment and commercial types of operation have apparently added new risks to the business. These factors have increased the typical farmer's needs from that of fire and life insurance to these plus various other forms of protection. Liability or casualty insurance on motor vehicles and farm equipment is usually necessary. Employer's liability or workmen's compensation and possibly some of the various forms of health and accident insurance may be needed in some situations.

This additional protection is becoming more important as a cash, and often fixed, cost to farmers. Insurance now must take its place beside taxes and mortgage payments as important fixed cash outlays. In addition to the competition for funds between insurance and other parts of the business enterprise, there is competition among the different types of insurance. Care and planning should be exercised by farmers in allocating the money they have available for insurance premiums among the various forms of protection. The problem of deciding what constitutes adequate protection must, of course, be decided in light of the particular farmer's situation, attitudes and resources. Certainly there are minimum requirements if prudence is to be exercised in organizing and carrying on the farm business. Finding this minimum level in each case is more difficult to determine.

The Farms Under Study

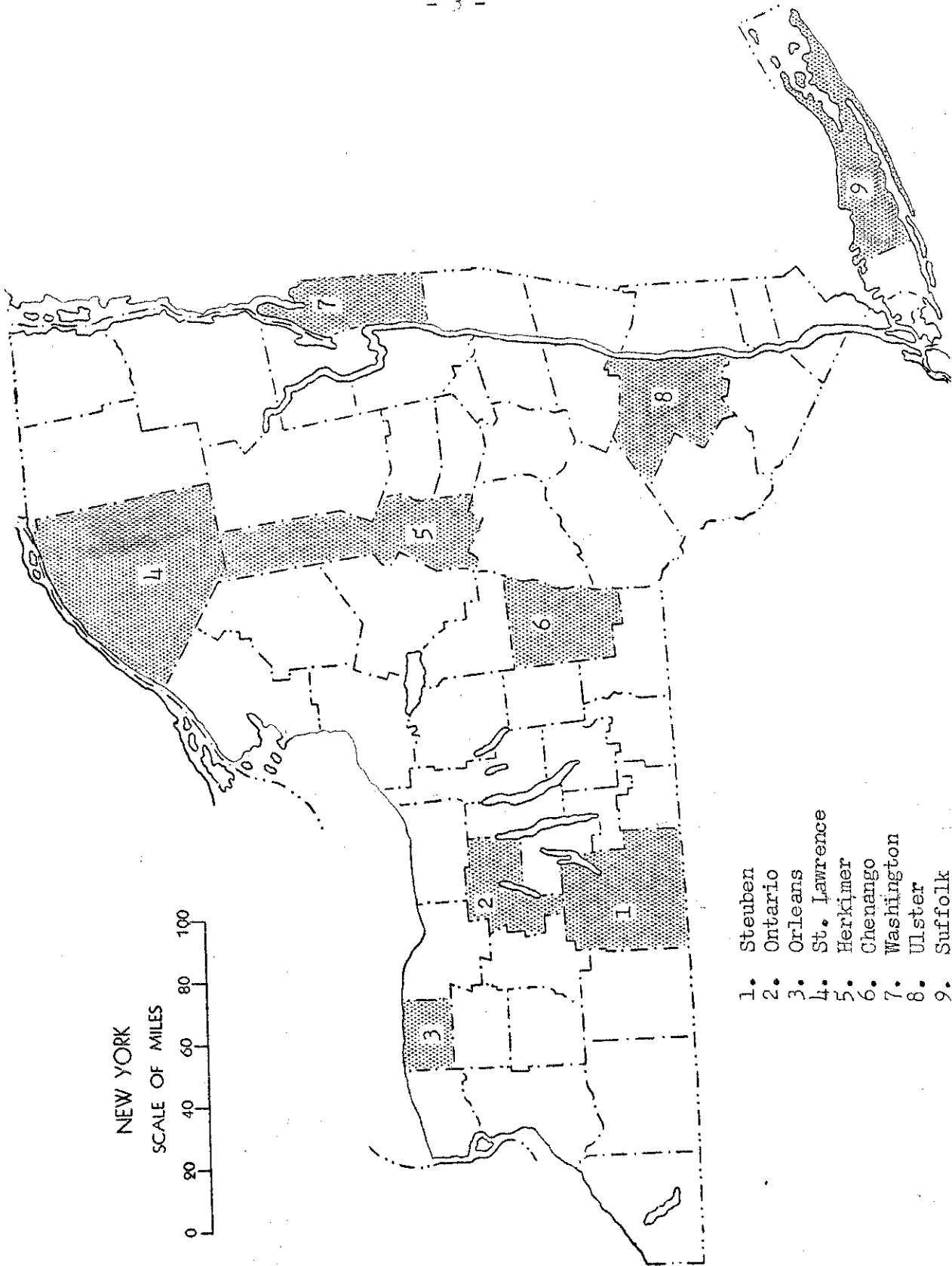
The farmers contacted in this study were randomly drawn from an adjusted list of Farm Bureau members in nine counties (Map 1). The counties were chosen subjectively as being most representative of the state's different type-of-farming areas. The group of farms from which the sample was drawn was restricted to those farmers who received at least 75 per cent of their income from the farm (and spent at least 75 per cent of their time on the farm) and to those having an average gross farm income of at least \$2,500 over the last three years. The County Agricultural Agent in each of the counties examined his membership list (1) to eliminate members not fitting the criteria outlined above and (2) to classify the remaining farms by type of farming and gross income class. The sample of farms to be visited was drawn from this amended list and farmers were interviewed. The sampling rate varied in each county. However, in all counties, proportionally more large farms were contacted. This upward bias was accepted in the interests of obtaining more insurance information. Five hundred and eighty-seven usable records were obtained and the information in this report is based on the data given in these records.

Of the 587 farm businesses studied, the majority (467) were operated by a single owner. The remaining group consisted of 94 partnerships, 20 tenants, four tenant-partnerships and two corporations. Almost two-thirds of the farms were dairy farms. The remainder was about equally divided among vegetable, fruit, general and poultry farms.

About half (289) of the farms reported a gross income of less than \$10,000. There were 222 farms on which the operator received between \$10,000 and \$25,000; 69 grossed between \$25,000 and \$100,000; six had farm receipts of over \$100,000.

There was a great deal of variation in the financial structure of the 587 farms studied. Assets held ranged from as little as \$5,800 to as much as \$630,000. To obtain averages for the group as a whole, weights were assigned to county totals in line with the proportion of commercial farms that existed at the time of the 1950 census. A median figure was also calculated. (Where a wide range exists in data it is worth while to show both of these measures of central tendency. Averages may be distorted by a few very high figures. The median, which is the mid-point in the range, gives more insight into the position of most of the farms.) An average of the assets held differed from the median—\$51,894 as against \$40,215. The same pattern was true for liabilities in that the average was \$4,147 whereas the median was only \$1,390. The average net worth was \$47,747 and the median for the group was \$36,614.

The average age of the operators was 46 (the median age was 44) and they had an average of 1.4 dependents. They operated an average of 223 acres of farmland although the median was but 183 acres. The average number of work units required under the types and systems of farming in use was 621 and the median 493.



1. Steuben
2. Ontario
3. Orleans
4. St. Lawrence
5. Herkimer
6. Chenango
7. Washington
8. Ulster
9. Suffolk

TYPES OF INSURANCE

Nearly every type of insurance available to an individual in New York is probably carried by one or more farmers. A wide variety of insurance programs were observed in this study and preparatory to any discussion of farmers' insurance practices, it would be well to discuss the general features of the different types of insurance discussed later in this report. It is necessary that a working knowledge of the different types of insurance be obtained in order to properly understand the importance of the results reported. The following glossary of types of insurance is intended to be more indicative than all-inclusive and will not treat all of the subdivisions and variations that may occur within any one type of insurance. The main features of each type will be outlined with reference to purpose and relative cost.

Life Insurance

Life insurance contracts provide a program whereby an insurance company guarantees the heirs of the insured a certain agreed sum of money to be paid when the insured dies. In this way an individual provides a fund that can be used to settle his estate and contribute to the support of his heirs. In addition to the above form of protection there are investment features in some life insurance programs that may be desirable for diversity in an individual's investment program. The cost of providing such a program is met by premium payments based on the life expectancy of the individual insured and on the size and type of the fund that he wishes to build. In most cases the sum of the amounts paid in premiums is less than the "face amount" of the policy by the amount of interest the company pays the individual for the use of his money during the life of the contract. Many different variations of these contracts are available and are designed to meet the special needs or desires of the insured. Some of the more common types of contracts are described below:

Ordinary or Whole Life insurance contracts are a type of policy in which the insured pays premiums until he dies or until he selects an option giving him "paid up" insurance. The proceeds of the contract are payable at his death though the policy builds up a loan or cash-surrender value during his lifetime. This is the simplest and most common type of life insurance policy and gives the most permanent protection for the money spent.

Limited Payment Life policies also give permanent protection and provide for payment of the face amount of the policy at the time of death. They also have a cash-surrender or loan value that builds up as the insured pays premiums. It is different from the Ordinary Life policy mainly in that the premiums are completely paid up over a definite and limited period of time. Limited Payment Life policies are normally written for 20 or 30 year periods though they may read "paid up at 55" or "65" etc. Though the

premium payment stops at the end of this period, the insurance protection continues. This has the advantage of enabling the insured to pay premiums during the years when he is most productive and earnings are most dependable. Since the time of premium payments is shortened, each individual payment is larger. The overall cost is much the same for the two types of policies.

Endowment policies provide life insurance coverage with an additional emphasis on a savings or investment plan. This type of contract provides for payment of the face amount of the insurance contract either in the event of death of the insured during the endowment period or upon his survival at the end of the period. The insured has life insurance protection for the term of the endowment but the contract is dissolved at the end of the period and he is paid the face amount of the policy in a lump sum or installments. The period selected is usually 20 or 30 years though the policy may read that the endowment period ends at age 18, 55, 65, etc. Depending on the length of the endowment period this is usually the most expensive type of life insurance (the least amount of protection per dollar of premium).

Term insurance is a type of life insurance that covers the policyholder for a fixed number of years only. Such a policy may be written to provide coverage for one or more years but is usually for five, ten, or fifteen years. Under such a contract, commonly known as pure protection, the company will pay the face value of the policy to the beneficiary if the insured dies during the term. If he survives the term of the policy, the contract expires and is canceled. The insured receives no endowment payment or surrender value. Premium costs rise with age and renewals are at higher rates. Usually this type of policy will give the maximum of protection for a minimum of expenditure.

Family Income policies combine some of the features of the Ordinary Life and of the Term type of coverage. The policy is arranged so that the insured has a decreasing amount of Term coverage that terminates after some selected time period and after which he has normal Ordinary Life coverage. For example, the decreasing Term is frequently geared to a mortgage schedule or to the time where the farmer's responsibilities are greatest. He may, therefore, provide maximum protection when it is most needed and still maintain a minimum amount of Ordinary Life coverage after the more pressing need is past.

Annuities are not a form of life insurance in the usual sense since benefits are generally paid for a period of time during the life of the policyholder and usually stop upon his death. Premiums are paid, either in lump sum or in installments with the agreement that the company will pay back a sum of money at stipulated intervals for a specified time. Life insurance policies frequently have an annuity feature as an optional payment plan.

Property Insurance

Property insurance provides a means whereby an individual may contribute to a fund that will be used to defray expenses arising from losses due to damage to, or destruction of, his property by fire or other selected causes. The company's liability is normally calculated on the actual value of the property destroyed, though never greater than the coverage specified in the policy. This liability has been interpreted, in most cases, to be the depreciated replacement value of the property. In many cases involving small amounts of damage (and these constitute the majority of claims for many companies) the company often completely replaces or repairs the property damaged. Most of this type of insurance is to insure property against damage resulting from fires. Many companies, however, offer additional endorsements to the original contract that may give extra coverage. An endorsement may give "extended coverage" against such hazards as smoke damage, windstorm, hail, explosion, falling aircraft, etc. Windstorm insurance may also be purchased as a separate contract. The cost of this type of insurance varies a good deal with the type of property insured, where the property is located, the type of company involved and the amount of insurance carried. Livestock and machinery may have different rates as will buildings of different kinds of construction. Discounts or penalties may be attached for special situations. Mutual and cooperative companies generally have lower rates than do stock companies. Some of the cooperatives assess all types of property insured at the same rate.

Vehicle Insurance

Vehicle insurance provides protection against financial losses that may occur as a result of the operation of a motor vehicle. Although farm machinery operated on the highways may be covered, the usual practice is to place most emphasis on the operations of automobiles and trucks. The following types of coverage are available and may be used separately or concurrently.

- (1) Personal Injury Liability coverage states a maximum claim that will be covered in case of liability arising from bodily injury to others resulting from accidents in which the insured is involved. Coverage amounts are set for a "per person" and "per accident" maximum with the per accident coverage usually being twice the amount of the per person maximum. For example, a "10-20" policy (the abbreviated notation will be used throughout) carries a maximum coverage of \$10,000 per person and/or \$20,000 per accident. In situations where there are more than one person injured the per accident coverage provides the maximum of liability the company will assume. Personal Injury Liability insurance is not compulsory in New York for any but junior owners (under 21 years of age) but legislation provides that financial responsibility must be shown in cases where the minimum of \$10,000-\$20,000 is not carried and proof of insurance must be shown by junior operators (under 25 years of age).

- (2) Property Damage Liability provides coverage, in stated maximum amounts, against claims that might arise from liability of the insured where another person's property is damaged as the result of the operation of the insured's vehicle.
- (3) Medical Payments provide coverage, regardless of liability, in stated maximum amounts, to pay for medical treatment of those injured as a result of the operation of the insured's vehicle.
- (4) Comprehensive coverage protects the insured from loss (usually limited to "Actual Cash Value") that might arise from damage to his vehicle in situations not involving an accident -- e.g., fire, theft, vandalism, glass breakage, windstorm, etc.
- (5) Collision insurance provides coverage against losses the insured may suffer as a result of damage to his vehicle when involved in an accident (collision or upset). Most collision policies have a deductible feature whereby the insured absorbs any loss up to some stated amount and the company pays for all damage above this figure.

An example will show how these different coverages might be used to protect the insured. An accident in which the insured was involved and adjudged negligent, resulted in injury to other persons and the vehicle in which they were riding, injury to passengers in the insured's car and damage to the insured's vehicle. Personal Injury Liability would protect him from loss (up to the amount of his coverage) through claims brought by the injured persons who may seek to receive compensation for the injuries they received. Property Damage coverage would pay for damage to their car. Medical Payment coverage would pay for medical treatment (up to the coverage in the policy) necessitated by injuries suffered in the accident. Collision coverage would pay the costs of repairing the insured's vehicle (over and above the amount he had agreed to pay).

Costs of the different types of vehicle insurance coverage vary depending on the area in which the insured lives, the age of the driver and the amount of the protection desired. Rating territories are set up in New York by the State Insurance Department and the insuring companies must adhere to these rates. This rating system considers the loss experiences of the companies operating in the various territories. The companies, if due cause can be shown, may be allowed to increase or decrease rates. Vehicles are rated, and the premiums are set differently, according to whether the vehicle is used for business or pleasure. Farmers' rates are based on the cheaper pleasure car rates. The costs of varying amounts of coverage are set so that increasing coverage may be obtained without an equal increase in cost (e.g., "20-40" liability coverage may be obtained for a small increment above the cost of "10-20").

Public Liability

This type of insurance assumes part of the risk of loss due to liability resulting from injuries to, or death of, members of the general public, or of damage to their property, that arises out of the activities of the farmer. Any property owner is responsible for the safety of those on his property. On farms the presence of livestock and power machinery adds to the dangers involved and the need for Public Liability insurance is increased. Policies may be "General" in that they cover the family only on the home farm or "Comprehensive" in that they cover the family of the insured anywhere. Basic coverage provides for a maximum of liability coverage, usually \$10,000 and a maximum of coverage for medical treatment that might be necessitated, usually \$250. The "Comprehensive" policy also has a \$1,000 property damage feature. Additional coverage may be obtained by either increasing the amount of basic coverage, or by adding endorsements to the original policy to cover such things as loss of livestock in highway accidents, liability due to accidents occurring while the farmer is engaged in custom farming, coverage for liability that might arise from the sale of farm products, etc.

Rates for this type of insurance include a basic charge of \$14 plus an additional charge that is based on the number of acres farmed. Additional endorsements add additional premiums but the overall cost of this type of insurance is relatively small.

Workmen's Compensation and Farm Employer's Liability

These two types of policies are similar in that they are designed to assume part of the risk facing employers from claims that arise from injuries suffered by employees while engaged in their regular work. Workmen's Compensation, in addition to providing for this protection to employers, gives protection to the employee in situations not covered by Farm Employer's Liability. The former will pay all hospital bills, compensation at the rate of two-thirds of the salary or wages (not to exceed \$32 weekly), payments for loss of parts of the body and benefits in case of death. The payments are made regardless of negligence on the part of the employer and there is no top limit to the total amount which may be paid under the provisions of this policy.

Farm Employer's Liability insurance is written as an endorsement to a Public Liability policy. No payments are made except when the employer is proved negligent and then payments are limited to the value of the policy. Basic limits are usually \$5,000 for one person and \$10,000 for two or more depending on which type of Public Liability policy is carried. Additional coverage may be purchased. This type of insurance, then, as contrasted to Workmen's Compensation, provides almost as much protection for the employer but less for the employee.

Rates for Workmen's Compensation insurance are set by the State Insurance Department and vary with the type of farm operations in which the employees are engaged. Premiums are calculated per \$100 of payroll with general farms (including livestock) paying the highest premium and rates on fruit, poultry and vegetable farms following in that order.

Farm Employer's Liability rates are based on Workmen's Compensation rates. The basic rate is 70 per cent of the Workmen's Compensation rate for basic liability coverage of \$5,000 and \$10,000 with \$250 medical coverage, 75 per cent for \$500 medical coverage and 80 per cent for \$1,000 medical payment coverage.

Health and Accident Insurance

Health and/or Accident Insurance provides protection to the farmer against losses or expenses due to sickness or accidents to himself or his family. Types of coverage include:

Hospitalization pays for all or part of expenses of hospital care. Policies may provide coverage against such expenses as board and room, medication, anesthesia, surgeons' fees, etc.

Sickness pays an indemnity to partially compensate for loss of earnings due to prolonged illness.

Accident coverage is usually written so as to provide for payments in case of accidents resulting in loss of limbs, eyesight or other impairment of the body. Payments may also be received to partially cover the loss of earnings that results from accidents or illness. Coverage is usually in stated amounts for a given situation.

Policies may be obtained which will provide for any of the above coverages or all of them. Cost of the policy will depend on the amount of coverage desired. If all expenses are to be paid by the company, this type of insurance is quite expensive. Partial protection, however, can be obtained relatively cheaply. A new type of health-accident insurance with a deductible plan to guard against "catastrophes" will soon be available but as yet is not readily accessible.

Crop Insurance

Crop Insurance provides protection to the farmer against some of the losses that might arise because of damage to crops. In most cases this type of insurance has been restricted to wind and hail damage, though in some areas Federal Crop Insurance of an "all-risk" nature is available. Crop Insurance is usually written to cover the value of the part of crop damaged and complete restitution will seldom be given. Premium payments are calculated on a per-acre-insured basis and vary with the type of crop and type of damage to be insured against.

LIFE INSURANCE

The most important feature in a farmer's life insurance program is the amount of insurance carried on the operator. In planning an insurance program, the one producing the income for the family should get first consideration and programs should be expanded only after the minimum requirements are met. The need for life insurance is especially apparent where there are minor children to support and/or large amounts of debt outstanding against the business. In these situations the protection, rather than investment, feature of life insurance should be stressed. For many of these farmers there are investment opportunities available within their businesses that are as good or better than life insurance. If there is a need for life insurance, the money available for premiums should be spent so as to provide the most adequate coverage.

Insurance on Operators

Over three-fourths of the farmers contacted had provided a life insurance program of some type to insure their own lives (Table 1). About a third of the operators had insured themselves but no other member of the family. In almost half of the cases, however, the operator had decided to provide an insurance program for some other member of his family.

TABLE 1. NUMBERS OF OPERATORS AND FAMILIES CARRYING LIFE INSURANCE
587 Commercial Farms, New York, 1953

Person(s) insured	Number insured	Per cent of total
Operator only	233	34
Family only	26	4
Operator and family	295	42
None on operator or family	<u>134</u>	<u>20</u>
Total operators	688	100

There were 26 cases where members of the family carried some insurance, though the operator had none. Some operators were uninsurable because of ill health. More often, however, this was due to a situation where the operator

was a junior member of a father-son partnership and, although classed as an operator, had acquired no family and no life insurance program. In some cases the operator may have chosen to bear the risk without insurance, especially if he had built up considerable equity in his business and had an estate sufficiently large to provide for his dependents in the event of his death.

Kinds of Policies

There was a total of 1,822 life insurance policies covering either the operator or some member of his family on the 587 farms contacted. Slightly over half of the policies were on the operator (Table 2). Policies on the operator were most frequently a Limited Payment or Ordinary Life type of policy. Endowment policies ranked third in importance.

TABLE 2. DIFFERENT KINDS OF LIFE INSURANCE POLICIES CARRIED
587 Commercial Farms, New York, 1953

Kind of policy	Persons covered		Total number of policies	Per cent of total
	Operator	Family		
Ordinary Life	345	144	489	27
Limited Payment	346	347	693	38
Endowment	282	280	562	31
Term	20	6	26	1
Family Income	17	0	17	1
Other	<u>18</u>	<u>17</u>	<u>35</u>	<u>2</u>
Total	1,028	794	1,822	100

The Limited Payment type of policy was used most commonly to cover members of the family. Endowment policies ranked second and Ordinary Life policies third. Endowment type policies increased in importance when comparing the operator group with the family group. Many parents took out Endowment policies on minor children, often at birth, to provide a fund to be used for educational or other purposes when the children first leave home.

Term insurance and Family Income policies on the operators played a small role in the insurance programs of the farmers contacted. (It was noted earlier that these types of life insurance contain many desirable features for farmers with growing children and/or debt loads.) Ordinary Life policies give the most permanent protection for the amount spent but this type of policy ranked second for the operator group and third for members of the family. In the combined group ranking it was also third.

Size of Different Kinds of Life Insurance Policies

Although Term insurance did not occur as frequently as most other types, the policies were generally larger in amount (Table 3). Though this average was based on only a few policies, it could be expected that they would be larger since premiums are such that more coverage may be obtained per dollar of premium. Family Income policies, which have a term feature in them, were next largest in average size. Ordinary Life policies, though not occurring as frequently as the Limited Payment or Endowment types of policy, were generally for a greater amount. The Limited Payment policies were the smallest in amount.

TABLE 3. AVERAGE SIZE OF DIFFERENT KINDS OF LIFE INSURANCE POLICIES
587 Commercial Farms, New York, 1953

Kind of policy	Number of policies	Average size of policies
Ordinary Life	489	\$2,652
Limited Payment	693	1,772
Endowment	562	2,159
Term	26	6,224
Family Income	17	4,295
Other	<u>35</u>	<u>2,181</u>
Total and average	1,822	\$2,222

Size of Policies on the Operators

The policies insuring the life of the operators occurred most commonly in \$1,000 increments. A \$1,000 policy was found most frequently (Figure 1). The next most common was a \$5,000 policy with most others falling between \$1,000 and \$5,000. Almost eight per cent of the policies were for amounts of \$7,500 or more. The average for the size of policies was \$3,167 although no such policies existed.

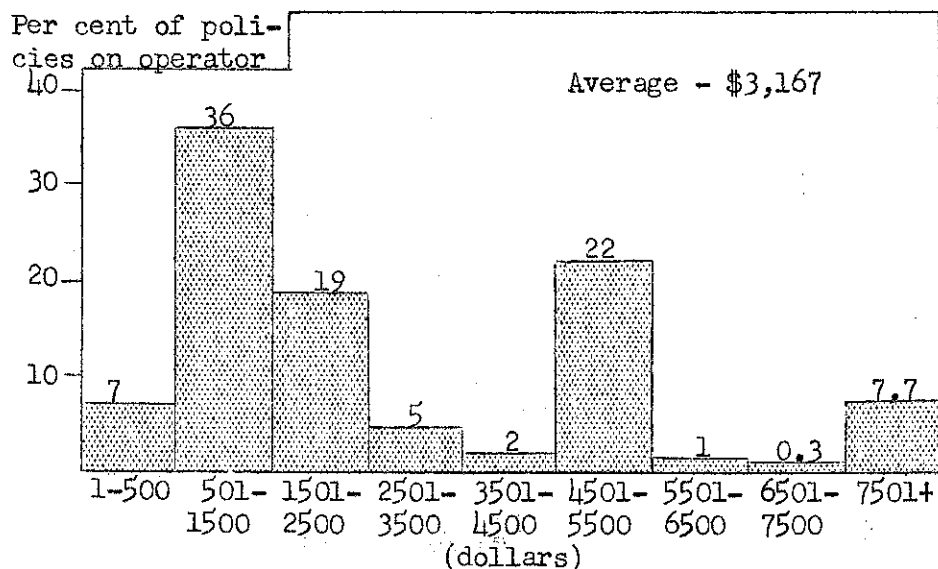


FIGURE 1. SIZE OF LIFE INSURANCE POLICIES ON OPERATORS
587 Commercial Farms, New York, 1953

Size of Policies on Members of the Family

Policies insuring the life of some member of the operator's family tended to be much smaller than those on the operator. All but 14 per cent of the policies were for amounts of \$1,500 or less. A \$1,000 policy occurred most frequently with almost the same number of policies written for \$250 and \$500 (Figure 2). The average size was \$1,040.

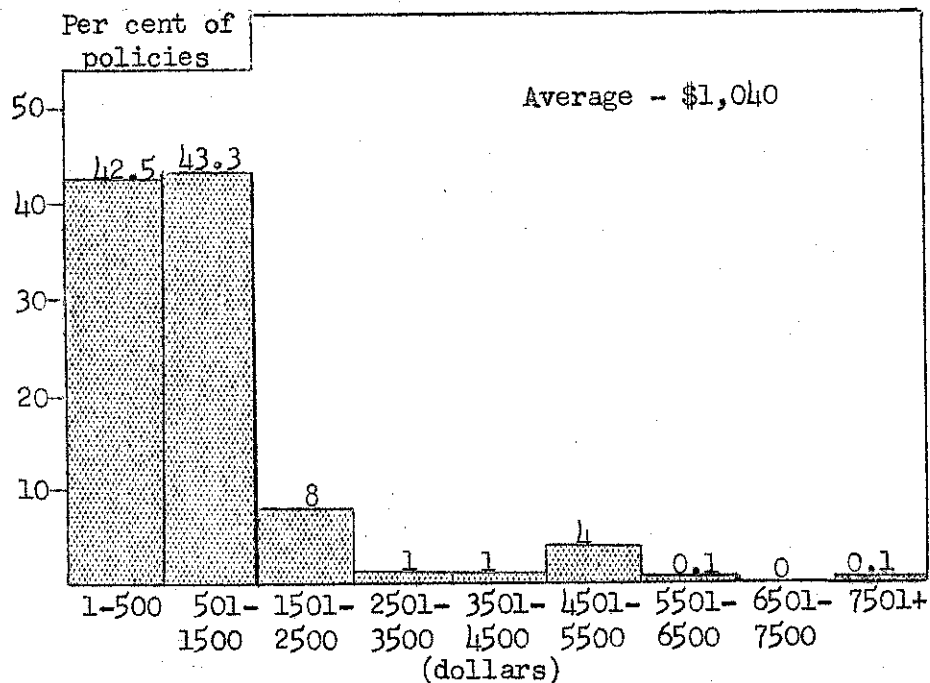


FIGURE 2. SIZE OF LIFE INSURANCE POLICIES ON MEMBERS OF THE OPERATOR'S FAMILY
587 Commercial Farms, New York, 1953

Total Amount of Life Insurance Coverage on Operators

Almost one-fourth of the operators carried no life insurance on themselves (Figure 3). Over two-thirds of the operators with insurance had a total coverage of less than \$5,500. It is significant to note, however, that the largest group, of those having insurance, were those having a total coverage of over \$7,500. Most of this class represents operators carrying about \$10,000. The average total amount of coverage was \$4,773 for all farmers and \$6,219 for those having life insurance.

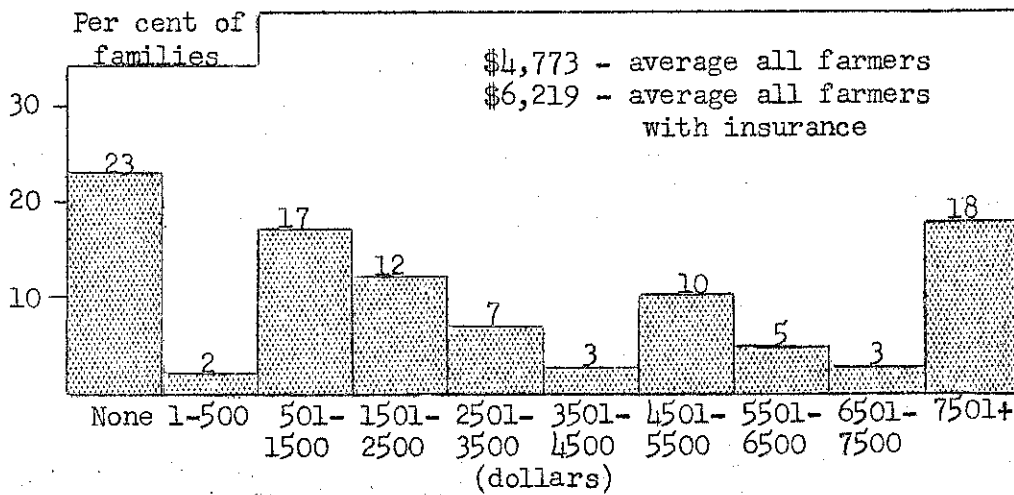


FIGURE 3. TOTAL AMOUNT OF LIFE INSURANCE COVERAGE ON OPERATOR
587 Commercial Farms, New York, 1953

Total Amount of Life Insurance Coverage on all Members of the Family

Almost 20 per cent of the farm operators contacted had no life insurance on either the operator or members of the family (Figure 4). Most of the families who carried some life insurance had less than \$4,500 in combined coverage.

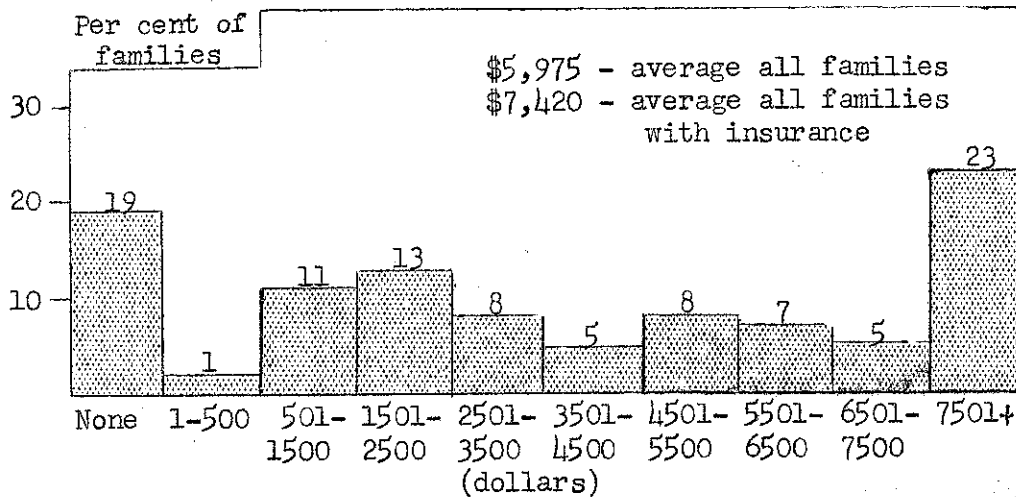


FIGURE 4. TOTAL AMOUNT OF LIFE INSURANCE COVERAGE ON ALL
MEMBERS OF THE FAMILY (including the operator)
587 Commercial Farms, New York, 1953

Almost one-fourth of the families had more than \$7,500 in total coverage. The average total amount of life insurance on the entire family was \$5,975 for all families and \$7,420 for those families who had life insurance. In an earlier section it was noted that the operators carried policies that tended to be larger than those on members of the family. About 20 per cent of the operators carried \$7,500 or more in life insurance on themselves. Most of the insurance then, in Figure 4, represents insurance on the operator.

Size of Premium on Policies Insuring the Operator

Over two-thirds of the policies on the operator required less than \$100 in annual premium payments and almost one-half of them cost less than \$50 (Figure 5). This was to be expected from the type and size of policies carried as noted in previous sections. Eight per cent of the policies were "paid up" in the sense that premiums were no longer being paid though coverage still existed. This would occur with the Limited Payment type of policy as explained earlier. The average annual premium payment was \$102 per policy.

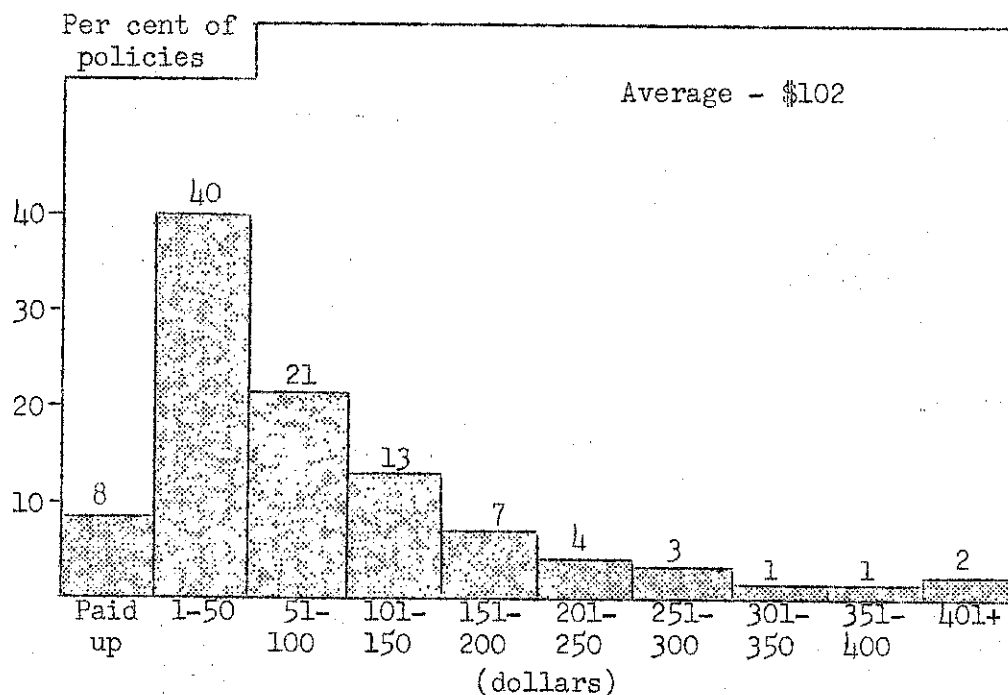


FIGURE 5. SIZE OF PREMIUMS PER POLICY OF COVERAGE ON OPERATOR
587 Commercial Farms, New York, 1953

Amount of Premiums on Policies Insuring Members of the Family

Over 80 per cent of the policies insuring some member of the operator's family required premium payments of \$50 or less (Figure 6). The average annual premium for these policies was \$32. This was consistent with the relatively small size of these policies as noted previously. It was also consistent with the objective of using money available for life insurance to insure primarily the operator.

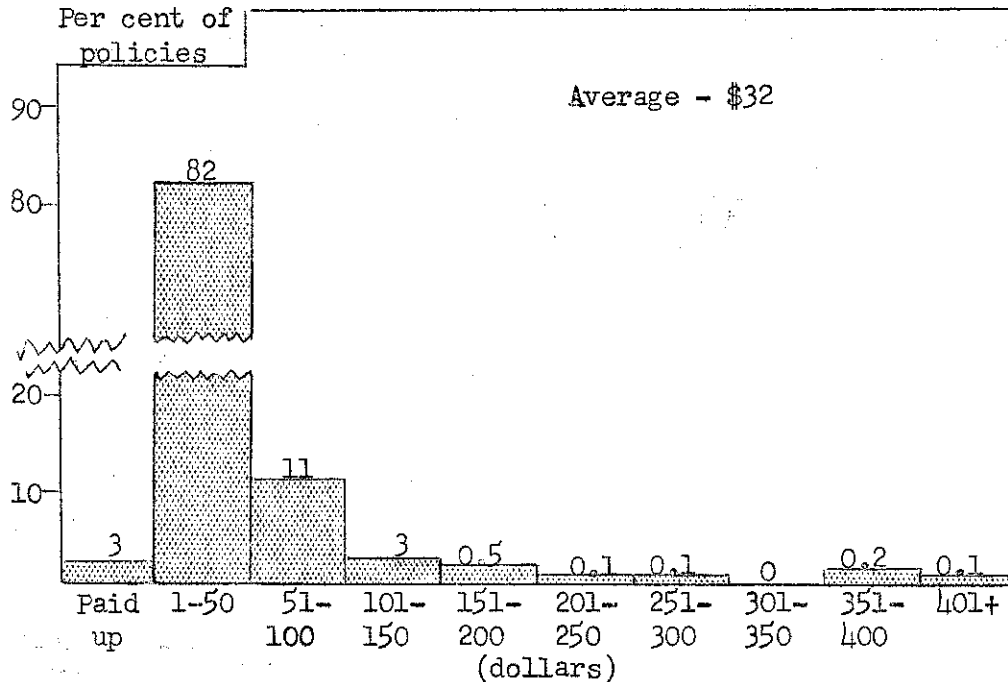


FIGURE 6. SIZE OF PREMIUMS PER POLICY OF COVERAGE ON
MEMBERS OF THE OPERATOR'S FAMILY
587 Commercial Farms, New York, 1953

Total Amount of Premiums for All Policies on the Operators

Just as there was a wide range in the amount of life insurance coverage on operators, there was also a wide range in the amount of total premiums paid to obtain this coverage (Figure 7). Although 40 per cent of the operators paid less than \$100 on their life insurance programs, ten per cent paid over \$350 in annual premiums. Again over one-fourth of the operators paid no premiums since they carried no life insurance or had paid up policies. The average total premium paid for all policies on the operators was \$151 for all farmers and \$198 for those operators who carried life insurance.

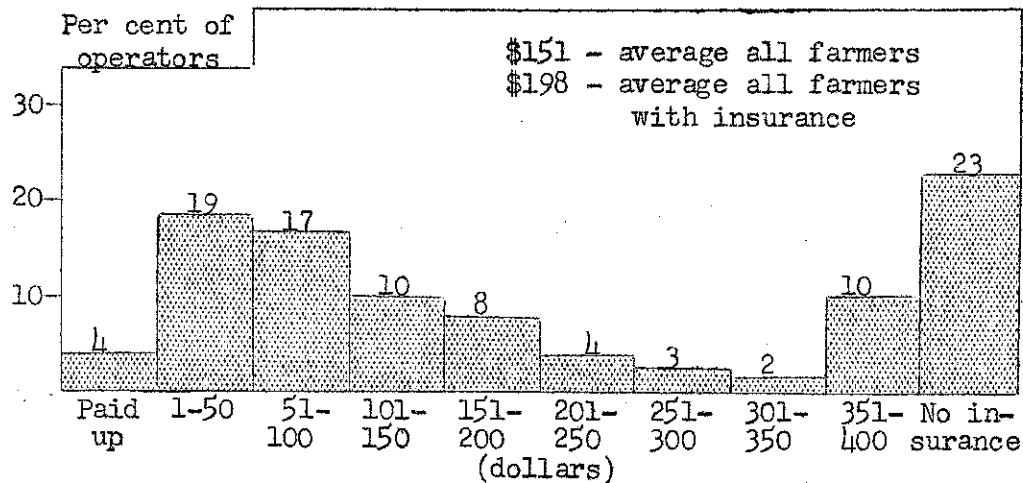


FIGURE 7. TOTAL AMOUNT OF PREMIUMS PAID FOR ALL POLICIES ON OPERATOR (including those with no insurance)
587 Commercial Farms, New York, 1953

Total Amount of Premiums for All Policies on All Members of the Family

The range in amount of annual premiums paid for all policies on all members of the operators' families (including the operators) was also wide. When those who carried no life insurance are excluded, about one-third of the families paid less than \$50 for their life insurance programs (Figure 8). The remaining group paid varying amounts with 13 per cent of the families paying out more than \$350 annually in life insurance premiums. The average total amount of life insurance premiums necessary to insure all members of the family was \$239 for those with insurance and \$192 for all farmers.

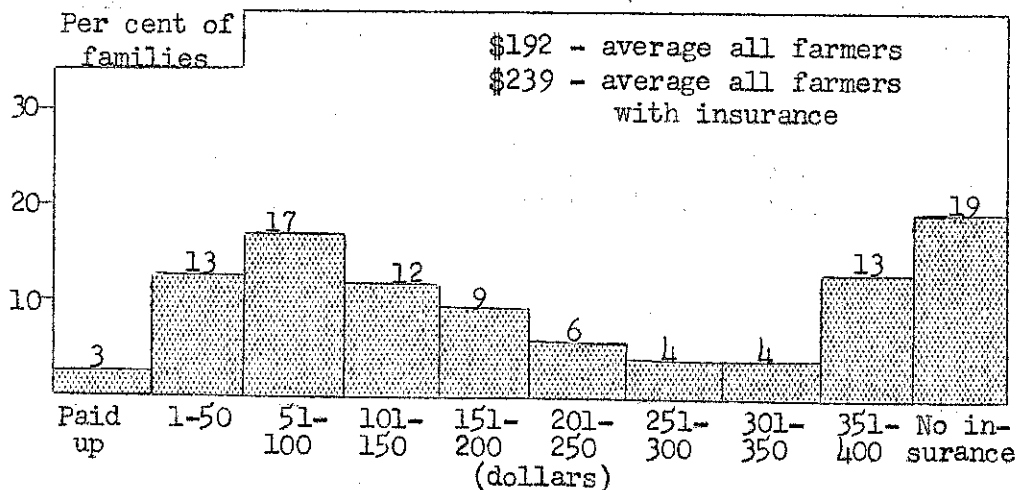


FIGURE 8. TOTAL AMOUNT OF PREMIUMS PAID ON ALL LIFE INSURANCE POLICIES ON OPERATORS AND THEIR FAMILIES
587 Commercial Farms, New York, 1953

PROPERTY INSURANCE

Farmers frequently have as much or more capital invested in buildings, livestock, and other destructible property as they have in the land on which the property is located. It would not be uncommon for a farm to have property that would cost \$40-50,000 to replace if it were totally destroyed. It seems only reasonable to expect most farmers to take precautions against losses that might be incurred if this property were to be destroyed. Fire, and to a lesser extent wind, damage is often "hedged" through insurance.

Kinds of Policies Used to Insure Property

The farmers who carried insurance on property had a total of 1,263 policies written for fire, fire and extended coverage, wind and glass breakage (Table 4). The glass breakage was written to cover a commercial scale greenhouse and the wind policies were on 36 farms where wind coverage was written as a separate policy. The remaining policies for fire and fire and extended coverage were written on 580 farms.

TABLE 4. KINDS OF POLICIES CARRIED TO INSURE PROPERTY
587 Commercial Farms, New York, 1953

Kind of policy	Number of policies	Per cent of total
Fire only	799	63.0
Fire and extended coverage	427	34.0
Wind	36	2.9
Glass breakage	<u>1</u>	<u>0.1</u>
Total	1,263	100.0

Farms Carrying Fire Insurance Policies With More Than One Company

Many farms had several fire policies, usually with different companies, to cover different items of property (Table 5). For example, they might insure the buildings for fire and extended coverage with one company and other property would be covered for fire only with a different company. In other

cases they might split the total coverage equally among four or five companies. Although most farmers carried policies with but one or two companies, some had more than eight different policies with as many different companies, and one large operator had policies with 30 different companies. Part, but not all, of this may be explained by an agent writing for several companies and having them share the risk.

TABLE 5. NUMBER OF FARMS CARRYING FIRE INSURANCE POLICIES
WITH MORE THAN ONE COMPANY
587 Commercial Farms, New York, 1953

Number of companies	Number of farms
One company	270
Two companies	161
Three companies	81
Four companies	28
Five companies	19
Six companies	6
Seven companies	9
Eight or more companies (9, 10, 15, 22, 30)	10
No insurance	<u>3</u>
Total number of farms	587

Farms With Some Fire Insurance on Property

All but three of the farms contacted (and on which information could be obtained) insured their buildings against fire (and in some cases extended coverage) (Table 6). Although other types of property were not as frequently insured against fire damage, all types were insured in over two-thirds of the situations.

TABLE 6. FARMS WITH SOME FIRE INSURANCE ON PROPERTY
587 Commercial Farms, New York, 1953

Kind of property	Number with property to insure*	Number with property to insure who had some insurance	Per cent number insuring was of those with property to insure
Buildings	548	545	99.5
Household goods	580	524	90.3
Machinery	568	476	83.8
Livestock	512	434	84.8
Barn contents	403	281	69.7
Stored crops	395	337	85.3

* Excluded from the above are those with no property to insure and those farms where no information could be obtained.

Amount of Fire Insurance Carried

Although most farmers carried some fire insurance on different items of property, there was a good deal of variation in the amount carried. The amount tended to vary with the value of the property involved, the ability of the farmer to finance fire insurance and his personal attitudes toward risk.

The average total amount of fire insurance carried on all property was \$27,047 for the farmers who had some fire insurance (Figure 9). Most of the farmers fell below this average, however, with over one-third of the farms having between \$10-20,000 coverage. There were one-fourth of the farms with more than average coverage and over five per cent had more than \$70,000 worth of fire insurance.

Coverage on buildings usually constituted the major part of the fire insurance program of the farmers contacted. Those farmers with fire insurance on their buildings carried an average of \$16,008. Over 40 per cent of the farms, however, had less than \$10,000 coverage and almost two-thirds of the farms had less than the average amount of coverage. About 13 per cent had over \$25,000 and almost four per cent of the farms had over \$50,000 fire insurance coverage on their buildings (Figure 10).

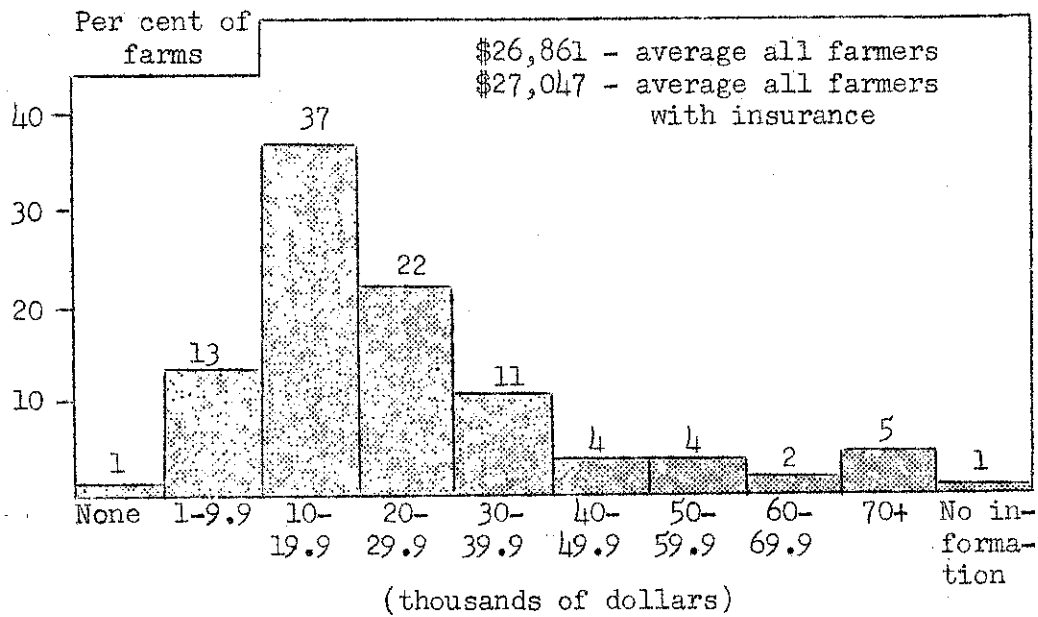


FIGURE 9. TOTAL AMOUNT OF FIRE INSURANCE CARRIED ON ALL PROPERTY
587 Commercial Farms, New York, 1953

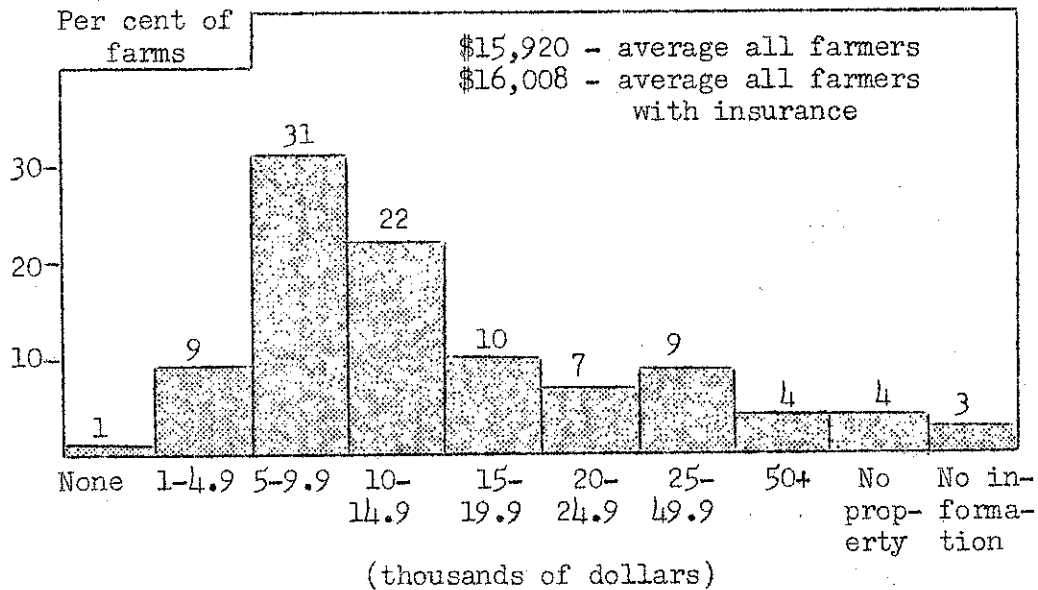


FIGURE 10. AMOUNT OF FIRE INSURANCE CARRIED ON BUILDINGS
587 Commercial Farms, New York, 1953

Although 90 per cent of the farmers had insured their household goods, nine-tenths of them had less than \$5,000 coverage (Figure 11). There were but seven per cent of the farms with more than \$5,000 coverage. The average amount carried was \$2,041 for all farmers and \$2,266 for those with insurance. The amount of capital invested in this type of property is usually quite small and amounts of insurance carried were usually in proportion to the value of the property.

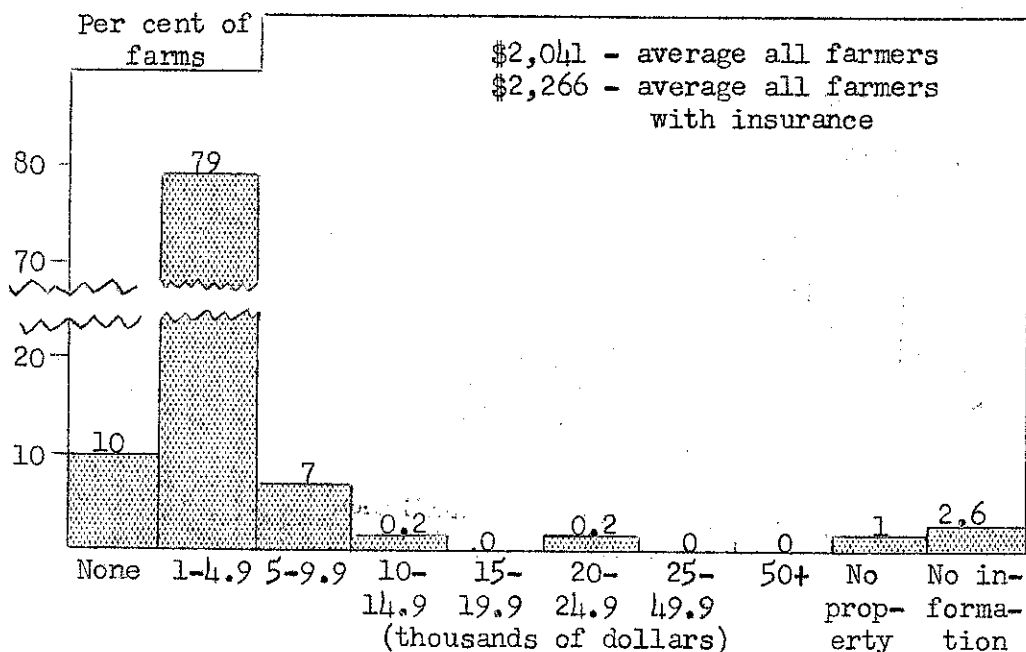


FIGURE 11. AMOUNT OF FIRE INSURANCE CARRIED ON HOUSEHOLD GOODS
587 Commercial Farms, New York, 1953

Although farmers usually have a sizeable investment in machinery, much of it is not insured for fire damage since many consider it unlikely that it would be destroyed or severely damaged by fire. Most insurance of this type is on vehicles with gasoline or electric motors and those stored inside buildings that might burn. Over two-thirds of the farms carrying insurance on items of machinery had less than \$5,000 coverage (Figure 12). The average coverage was \$3,635 for all farmers and \$4,338 when only those carrying some amount are included.

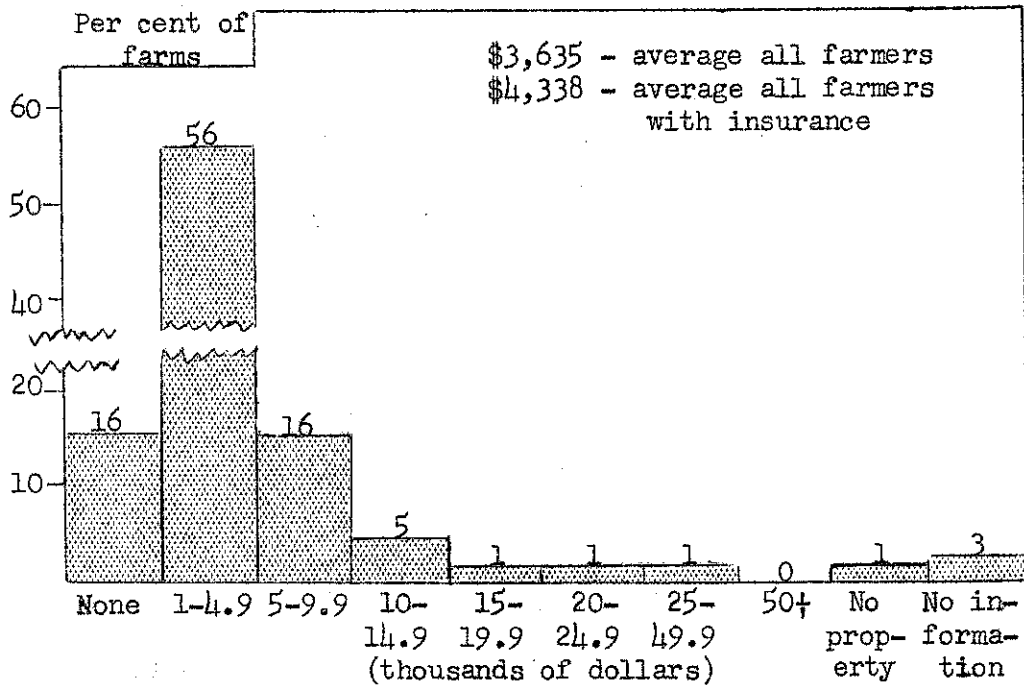


FIGURE 12. AMOUNT OF FIRE INSURANCE CARRIED ON MACHINERY
587 Commercial Farms, New York, 1953

On dairy farms one of the most important single items of property is the herd that produces the incomes. Most farmers recognize the losses they face if this herd should be destroyed and accordingly carry fire insurance to guard against such situations. On most of the 78 farms contacted that did not carry insurance on livestock, the capital investment in livestock was relatively small. Less than half of the farms had more than \$5,000 fire insurance coverage on livestock and only 15 per cent had more than \$10,000 coverage (Figure 13). The average amount carried was \$4,567 for all farmers and \$5,388 for those farmers who had some fire insurance on their livestock. Recent declines in the value of dairy animals may have resulted in smaller amounts of insurance being carried per farm.

Many farmers (about two-thirds of this group) insure barn contents separately against the chance of loss through fire. Special items of equipment normally stored in the barn (such as milking machines, etc.) are not covered under insurance on the building itself and call for special treatment. Almost all of the farmers contacted who had such insurance carried between \$1-5,000. The average was \$1,313 for this group and \$867 for all farmers listed as having such property (Figure 14). On 126 farms no such insurance was carried on barn contents through they reported having this type of property.

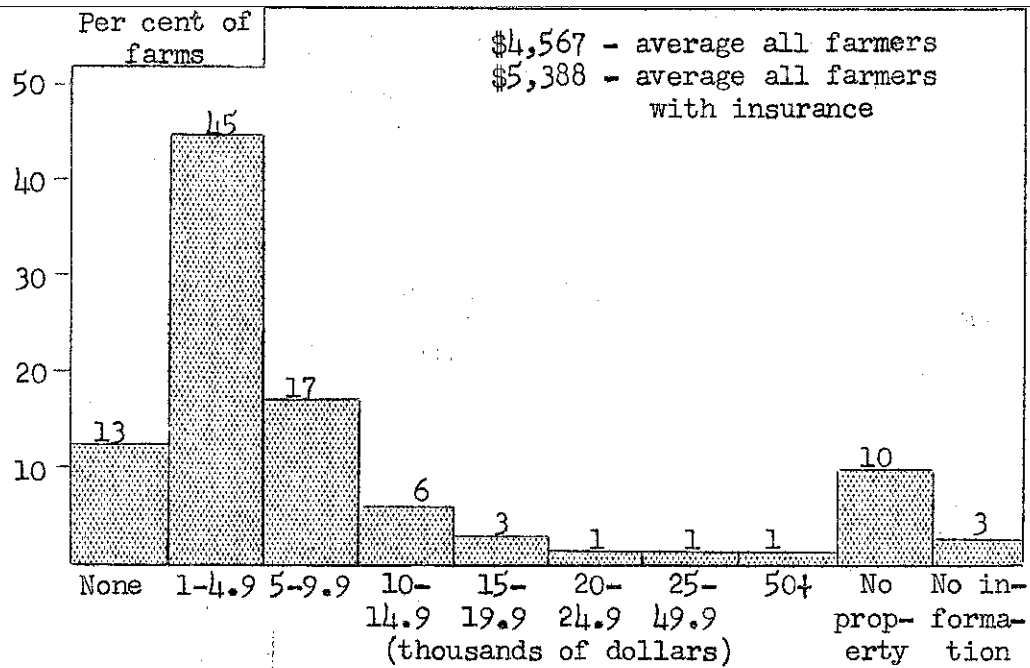


FIGURE 13. AMOUNT OF FIRE INSURANCE CARRIED ON LIVESTOCK
587 Commercial Farms, New York, 1953

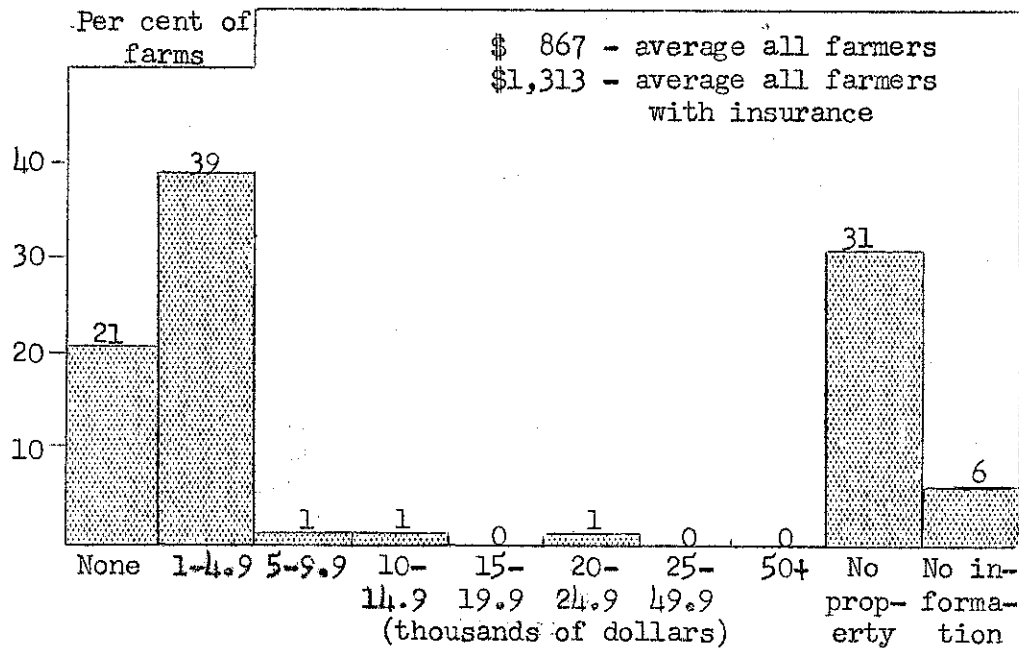


FIGURE 14. AMOUNT OF FIRE INSURANCE CARRIED ON BARN CONTENTS
587 Commercial Farms, New York, 1953

The inventory item of crops on hand varies a good deal during the year. Insurance coverage necessary to cover the value of such property at the peak time of the year will usually be excessive when this inventory is disposed of later. The farmers who had this type of insurance carried an average of \$2,227 though the average for all farmers with such property was but \$1,890. Almost all farms fell below \$5,000 in total coverage (Figure 15).

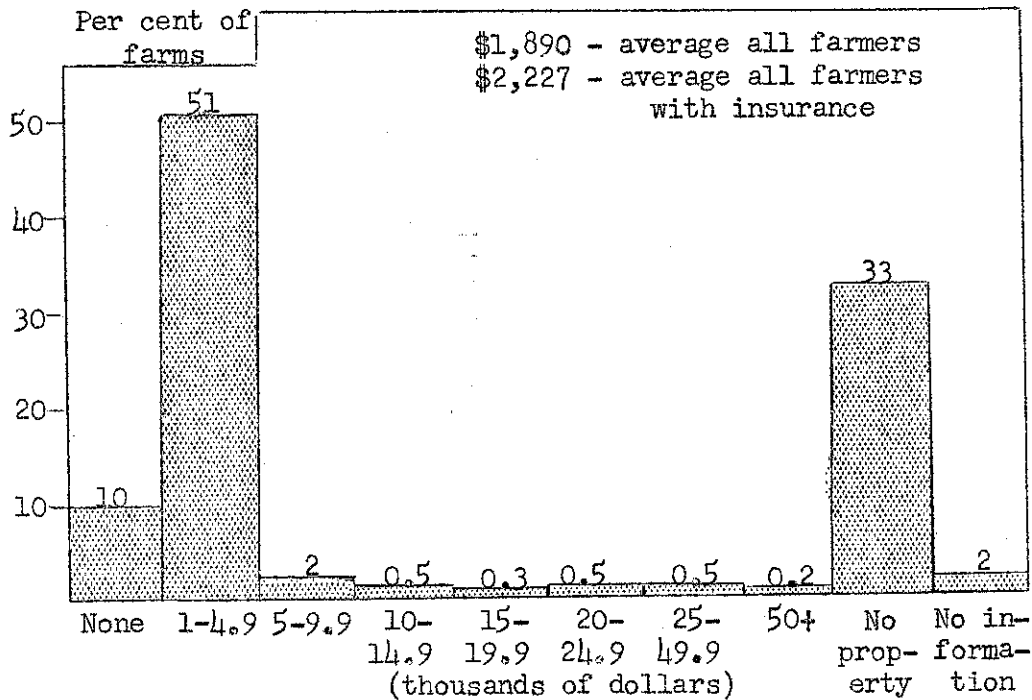


FIGURE 15. AMOUNT OF FIRE INSURANCE CARRIED ON STORED CROPS
587 Commercial Farms, New York, 1953

Degree of Coverage

The amount of fire insurance carried will usually vary with the value of the property to be insured. The farmers were asked to value their property and then inquiry was made as to the amount of fire insurance they carried. In determining the value of the buildings two methods were used: (1) the replacement value and (2) the amount the buildings contributed to the total value of the farm. Items of property other than buildings were valued at their "current value". Since there is a market in which most of these other types of property may be purchased, the current value will be the same as the replacement value and/or the value-to-the-farm. The amount of insurance carried was then compared with the value of the property insured. The resulting "percentage that the insurance was of the value of the property" is

a much more effective method of examining fire insurance programs than consideration only of the amount carried.

The amount of insurance carried on buildings averaged 42 per cent of the replacement value of those buildings; however, most farms fell below that average (Figure 16). Almost half of the farms were insured for between 20-40 per cent of the replacement value. Eight farmers carried insurance equal to or greater than the replacement value of the buildings. Insurance companies settle claims on the basis of a depreciated replacement value so it is unlikely that many farmers would carry enough fire insurance to cover replacement cost.

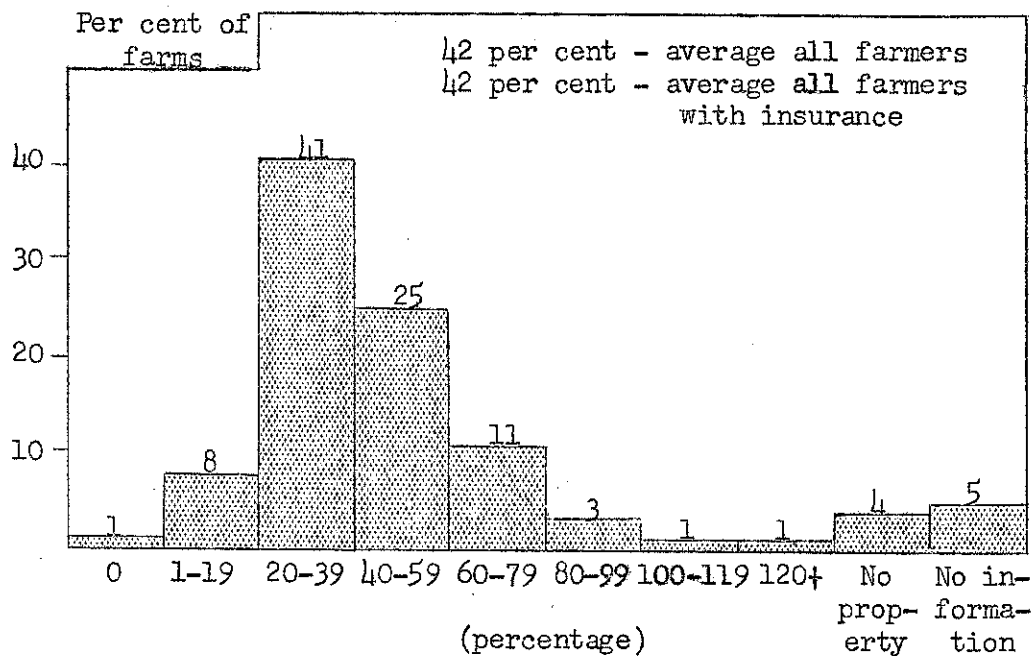


FIGURE 16. PERCENTAGE FIRE INSURANCE CARRIED WAS OF REPLACEMENT VALUE OF THE BUILDINGS
587 Commercial Farms, New York, 1953

A more realistic picture of the value of the buildings is the amount they add to the value of the farm. This will take account of the condition of the buildings and insurance should be in line with the loss that would be incurred if they were destroyed. In New York the value of the buildings often will represent half or more of the total value of the farm. In some of these situations it may be cheaper to buy another farm than to rebuild buildings destroyed by fire. It may be observed in Figure 17 that these farmers, though they insure for a small percentage of replacement value, keep the amount of insurance on buildings well in line with the value of

the buildings to the farm. The amount of insurance carried on buildings averaged 112 per cent with about half of the farmers below 100 per cent coverage and half above.

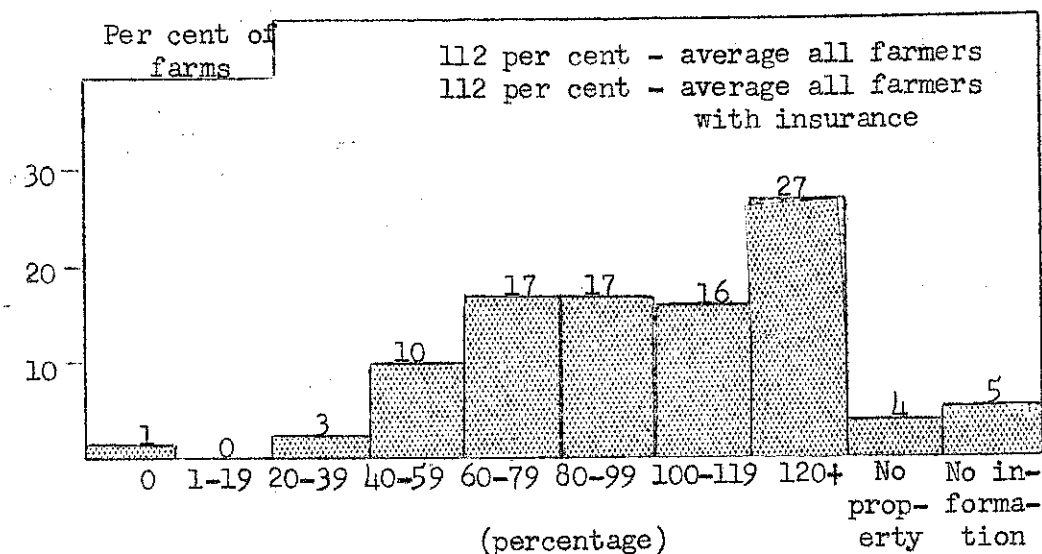


FIGURE 17. PERCENTAGE FIRE INSURANCE CARRIED WAS OF VALUE OF BUILDINGS TO THE FARM
587 Commercial Farms, New York, 1953

The household goods owned by these farmers were not as heavily insured as were the buildings. The amount of insurance averaged 58 per cent of the value for all farms and 65 per cent for those farmers with some insurance (Figure 18). About half of the farms with fire insurance on household goods fell in the brackets of 40-80 per cent coverage. There were 85 farmers who carried insurance equal to 100 per cent or more of the value of this type of property.

It was mentioned earlier that about 85 per cent of the farmers insured their machinery for some amount. The average degree of coverage was 55 per cent for all farmers and 66 per cent for those with insurance. Over half of those carrying fire insurance on machinery had less than 60 per cent coverage and over one-fourth had less than 40 per cent (Figure 19). About 14 per cent had more than 100 per cent coverage. The value of the machinery was lumped together and it is probable that the coverage was often near 100 per cent on the value of tractors and other large items and zero on other pieces of machinery.

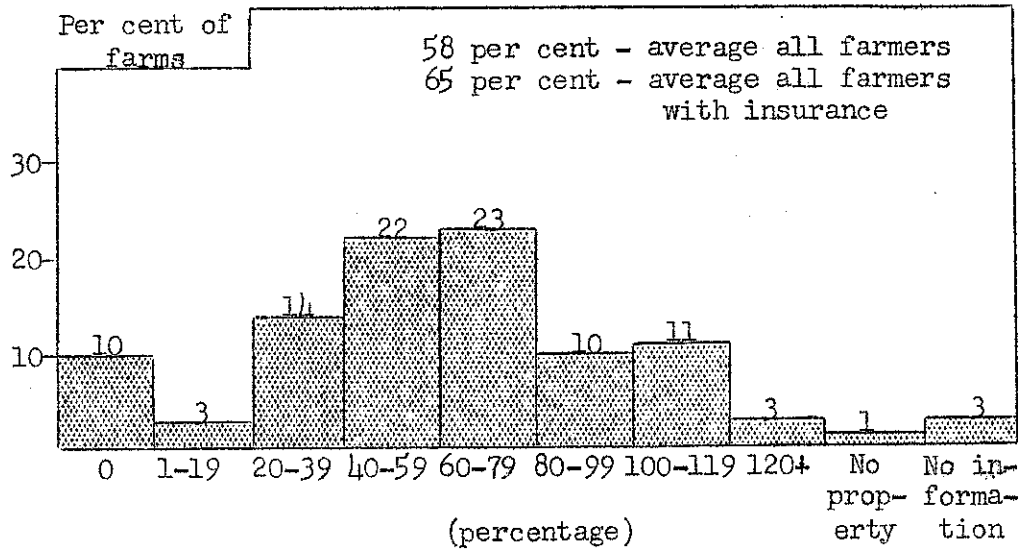


FIGURE 18. PERCENTAGE FIRE INSURANCE CARRIED WAS OF
VALUE OF HOUSEHOLD GOODS
587 Commercial Farms, New York, 1954

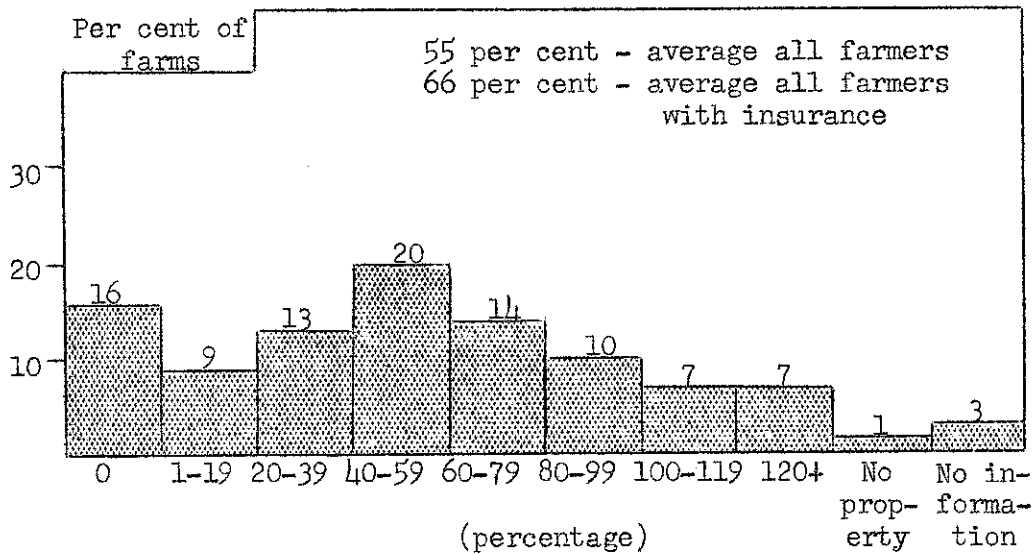


FIGURE 19. PERCENTAGE FIRE INSURANCE CARRIED WAS OF
THE CURRENT VALUE OF MACHINERY
587 Commercial Farms, New York, 1953

Most of the farmers with livestock carried some fire insurance on them. The degree of coverage averaged 55 per cent for all farms and 65 per cent for those farms with insurance (Figure 20). The largest group of farms were those with 40-59 per cent coverage; however, 88 farms had more than 100 per cent coverage and 35 farms had more than 120 per cent. The insurance figures here are totals for all livestock on hand at the time the policy was written. Livestock numbers vary seasonally and it is likely that some farmers were carrying insurance on animals they no longer had.

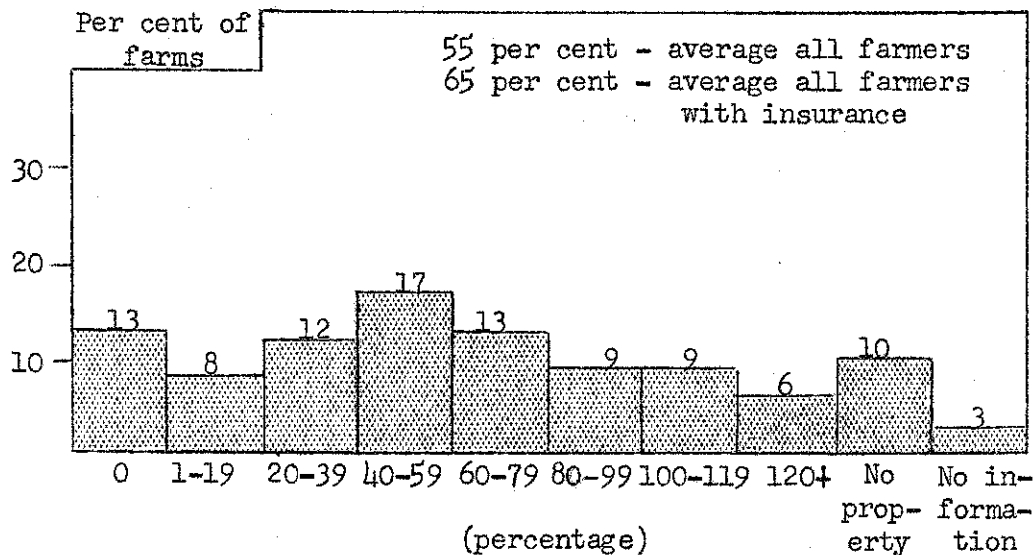


FIGURE 20. PERCENTAGE FIRE INSURANCE CARRIED WAS OF THE CURRENT VALUE OF LIVESTOCK
587 Commercial Farms, New York, 1953

Over one-third of the farmers who listed a value for barn contents had decided to carry no insurance on them. Those farms with such insurance exhibited a wide range in degree of coverage. About half of the farms with insurance had less than 60 per cent coverage but there were 67 farms with more than 100 per cent coverage (Figure 21). The average for all farms was 56 per cent and for those with insurance, 89 per cent coverage.

Most of the farmers with stored crops on hand carried some fire insurance on them (Figure 22). Although the largest single class of farms were those with 20-39 per cent coverage, the range in coverage was wide. About one-fourth of those with some insurance had over 100 per cent coverage. The average amount of coverage was 78 per cent for all farmers and 95 per cent for those with insurance.

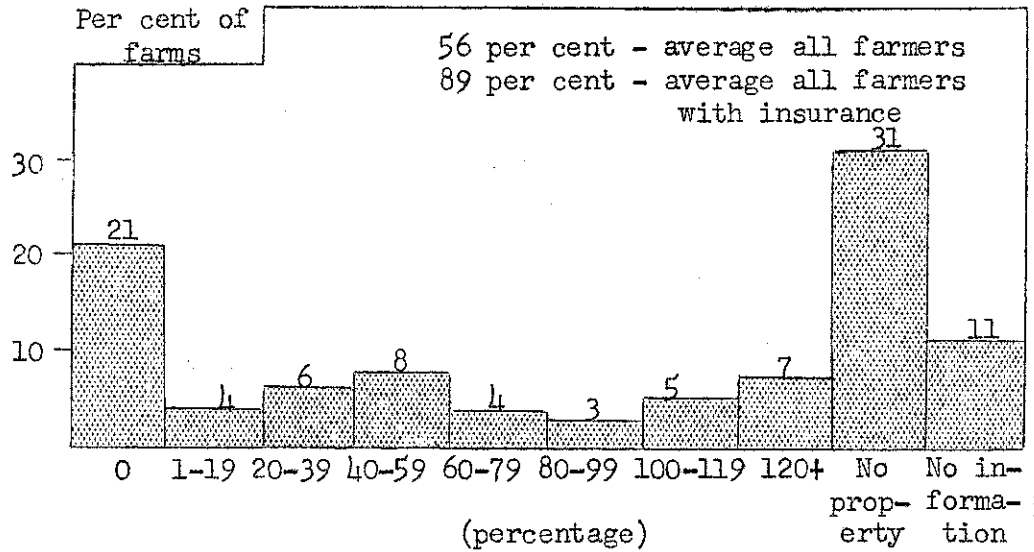


FIGURE 21. PERCENTAGE FIRE INSURANCE CARRIED WAS OF CURRENT VALUE TO BARN CONTENTS
587 Commercial Farms, New York, 1953

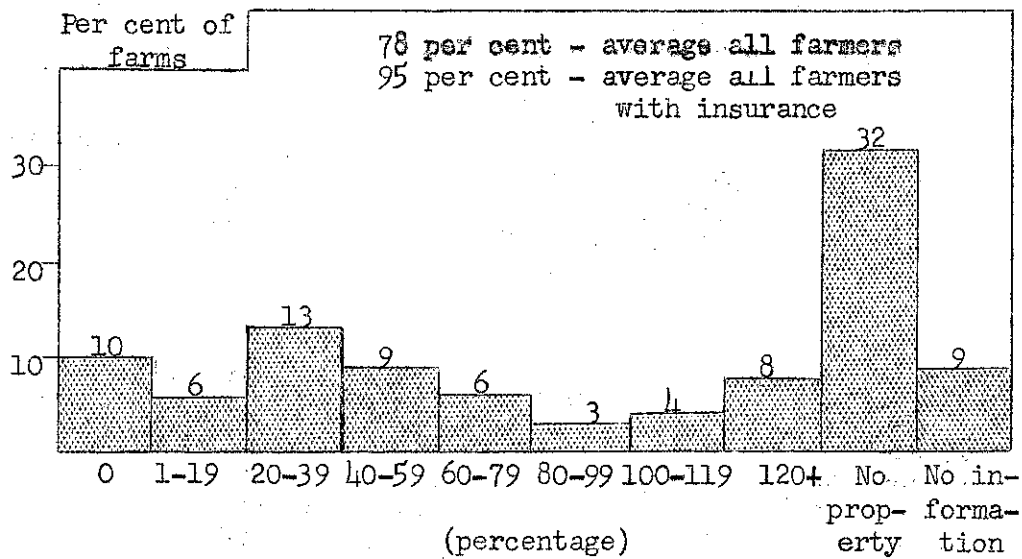


FIGURE 22. PERCENTAGE FIRE INSURANCE CARRIED WAS OF CURRENT VALUE OF STORED CROPS
587 Commercial Farms, New York, 1953

The total amount of fire insurance this group of farmers carried on all types of property is shown relative to the total value of the property in Figures 23 and 24. In Figure 23 the total value of the property is the sum of the replacement value of the buildings plus the current value of all other types of property. Most of the farms carried fire insurance equal to 20-59 per cent of the replacement value of the property. The average coverage was 46 per cent. Only eight farms carried more than 100 per cent and 24 farms carried less than 20 per cent.

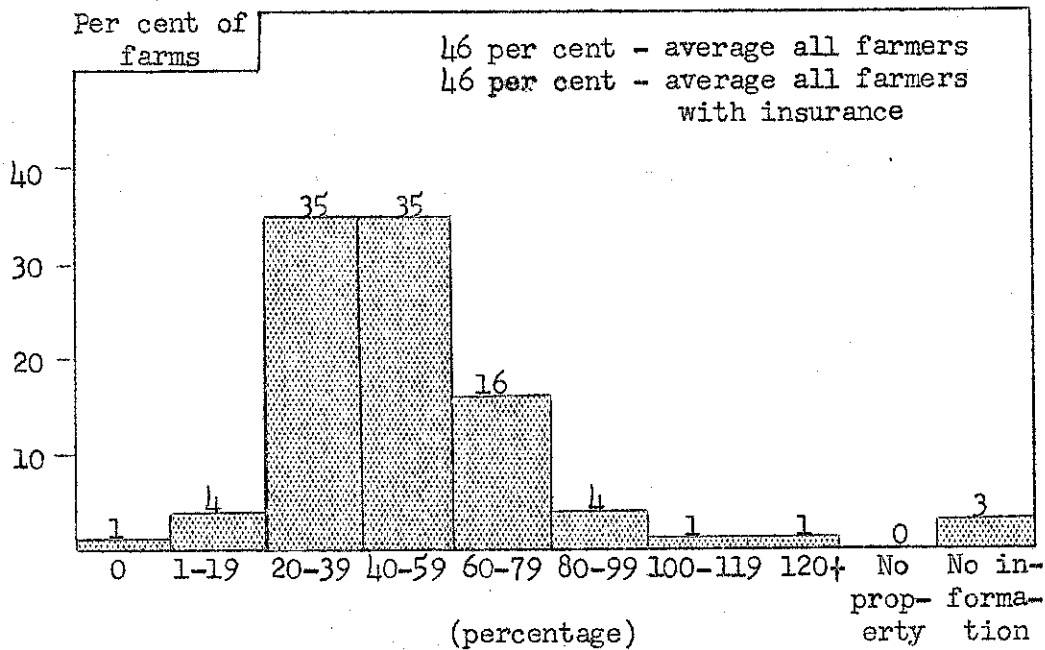


FIGURE 23. PERCENTAGE TOTAL AMOUNT OF FIRE INSURANCE WAS OF TOTAL VALUE OF PROPERTY (replacement value plus current value)
587 Commercial Farms, New York, 1953

In Figure 24 the total value of the property is calculated as the sum of the value-to-the-farm of the buildings plus current value of all other items of property. The extent of coverage is notably higher with this method of calculation with the largest group of farms (27 per cent) having insurance equal to 60-79 per cent of the value of the property. The average was 73 per cent coverage. Four farms had less than 20 per cent coverage and 76 had more than 100 per cent.

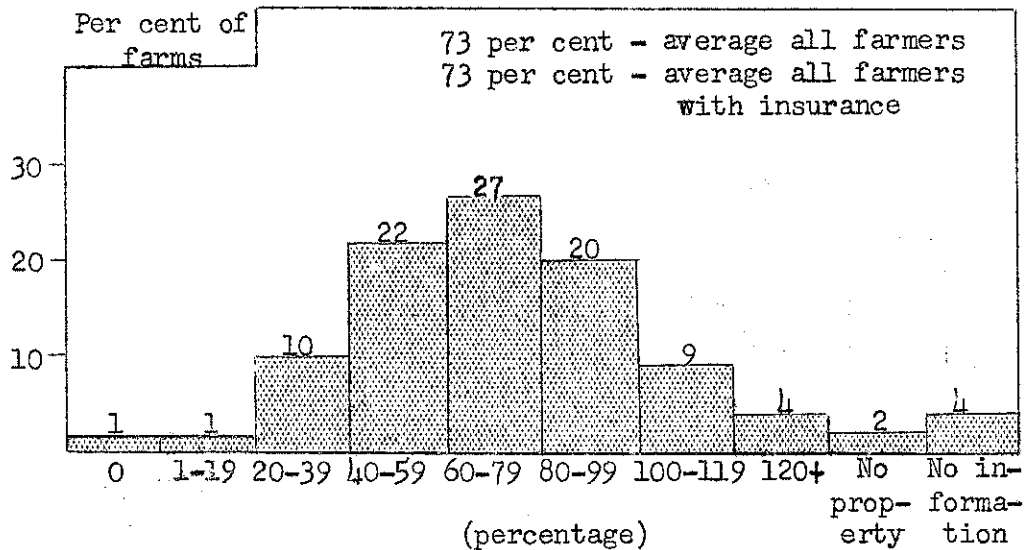


FIGURE 24. PERCENTAGE TOTAL AMOUNT OF FIRE INSURANCE WAS OF TOTAL VALUE OF PROPERTY (value-to-the-farm plus current value)
587 Commercial Farms, New York, 1953

Total Premium Paid for Fire Insurance

Premiums for fire insurance varied depending on the type of property insured, the amount of insurance and the type of company with which insurance was carried. Cooperative companies that calculated premiums on a post-assessment basis were usually charging about three dollars per thousand per year on all types of property. Other companies varied rates with the type of property insured. Frame buildings were often insured at from five to nine dollars per thousand for houses and nine to twelve dollars per thousand for barns and other out-buildings. Machinery and livestock carried a rate of approximately five dollars per thousand. Many of these companies then gave deductions in the rate for the presence of lightening rods or charged extra premiums for non-standard chimneys, remote location, etc.

The group of farmers with insurance paid an average of \$126 in annual premiums for their fire insurance programs. Most of the farmers, however, paid less than \$100 and 23 per cent of the farmers had an annual payment of less than \$50. At the other extreme, five and one-half per cent of the farmers paid out more than \$350 in annual fire insurance premiums (Figure 25).

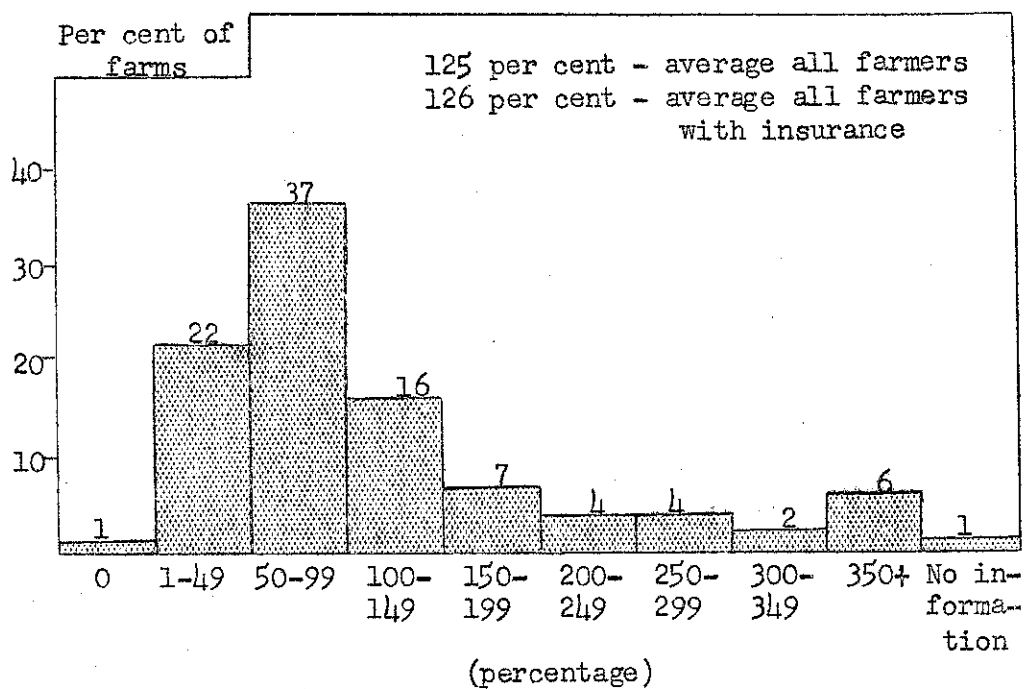


FIGURE 25. TOTAL PREMIUM PAID FOR FIRE INSURANCE ON ALL TYPES OF PROPERTY
587 Commercial Farms, New York, 1953

VEHICLE INSURANCE

The use of vehicles on and around public highways has become commonplace for the majority of farmers. From most viewpoints this has been a decided advantage for pleasure purposes as well as in carrying on the farm business. It has increased the farmer's responsibility, however, and has increased the risk situations he faces. As a result of the growth in number of accidents, and the tendency for the courts to place financial responsibility on the owner of the vehicles, it has become increasingly necessary for farmers to protect themselves from burdensome lawsuits that could arise over the operation of their vehicles. A variety of insurance is available to meet this demand for protection.

Personal Injury Liability Insurance

Over 90 per cent of the autos, pickups and trucks owned by the farmers contacted had liability insurance coverage to guard against lawsuits that might arise through injury to some person or persons (Table 7). By far the most predominant kind of coverage was a "10-20" policy. With autos the next most popular was a "25-50", but with pickups and trucks it was "50-100". It is interesting to note that a greater proportion of the pickups and trucks were insured for the higher coverages than were the autos. At the other extreme, however, more pickups and trucks than autos carried no liability insurance.

TABLE 7. KINDS OF LIABILITY COVERAGE ON VEHICLES
587 Commercial Farms, New York, 1953

Kind of coverage	Number of vehicles		
	Autos	Pickups and trucks	All vehicles
5-10	6	5	11
10-20	355	247	602
15-30	6	6	12
20-40	49	37	86
25-50	88	45	133
50-100	69	79	148
100-300	38	51	89
Other	11	16	27
None	13	76	89
Information not available	<u>2</u>	<u>7</u>	<u>9</u>
Total	637	569	1,206*

* Most of the tractors owned by the farmers contacted had no insurance written as a vehicle policy but were included in fire insurance on machinery. There were, however, 15 tractors that were covered with a vehicle policy. Most of these policies were for liability coverage though seven had comprehensive and four had collision coverage.

Property Damage Liability

Property damage insurance is usually sold with Personal Injury Liability in one package giving insurance against all types of liability claims involving the auto or truck. Over 91 per cent of the autos, pickups and trucks had this type of coverage (Table 8). The nine per cent of the vehicles that did not carry property damage insurance were primarily trucks, although there were 19 autos that did not have any such insurance. About 90 per cent of the policies of this type provided for a maximum coverage of \$5,000.

TABLE 8. NUMBER OF VEHICLES WITH PROPERTY DAMAGE LIABILITY
587 Commercial Farms, New York, 1953

Kind of coverage	Autos	Pickups and trucks	All vehicles
\$ 5,000	566	431	997
\$10,000	45	37	82
Other	5	13	18
None	19	81	100
Information not available	<u>2</u>	<u>7</u>	<u>9</u>
Total	637	569	1,206

Medical Payment Insurance

The farmers contacted indicated that about half of their vehicles carried insurance to pay for expenses of medical treatment that might be necessitated because of vehicle accidents (Table 9). Of those who had a provision of this sort, a definite majority carried a policy that covered such expenses up to a maximum of \$500. The next most frequent type was a \$1,000 policy though more autos than pickups and trucks had such coverage.

TABLE 9. NUMBER OF VEHICLES WITH INSURANCE FOR MEDICAL PAYMENTS EXPENSES
587 Commercial Farms, New York, 1953

Kind of coverage	Autos	Pickups and trucks	All vehicles
\$ 250	11	20	31
\$ 500	322	145	467
\$ 750	19	2	21
\$1,000	52	10	62
Other	15	1	16
None	216	385	601
Information not available	<u>2</u>	<u>6</u>	<u>8</u>
Total	637	569	1,206

Comprehensive Insurance

Almost 60 per cent of the farmers did not carry insurance to cover "comprehensive" damage to their vehicles. About half of the autos had coverage but only 35 per cent of the pickups and trucks were covered under such a policy (Table 10).

TABLE 10. NUMBER OF VEHICLES WITH COMPREHENSIVE INSURANCE
587 Commercial Farms, New York, 1953

Kind of coverage	Autos	Pickups and trucks	All vehicles
Number with coverage	309	196	505
Number without coverage	327	367	694
Not available	<u>1</u>	<u>6</u>	<u>7</u>
Total	637	569	1,206

Collision Insurance

Almost four-fifths of the autos, pickups and trucks did not have insurance coverage to pay for damage caused by their collision or upset. Proportionately more of the autos were insured for this type of coverage than were pickups and trucks (Table 11). The \$50 deductible plan was most common; the cheaper \$100 deductible coverage was the next most common.

TABLE 11. NUMBER OF VEHICLES WITH COLLISION INSURANCE
587 Commercial Farms, New York, 1953

Kind of coverage	Autos	Pickups and trucks	All vehicles
\$ 50 deductible	131	59	190
\$100 deductible	57	14	71
Other	1	1	2
None	447	489	936
Information not available	<u>1</u>	<u>6</u>	<u>7</u>
Total	637	569	1,206

Premiums Paid Per Policy

Most of the policies for insurance on vehicles cost between \$40-80 per year, with an average payment of \$72 per policy (Figure 26). The few policies costing less than this amount were usually for partial coverage only and included but one or two of the different types of protection available. Additional coverage in either type or amount necessitated additional costs. Families with junior operators were assessed a higher premium. The premiums per policy in the \$160 or more group were usually the result of an operator having one fleet policy written to cover several vehicles.

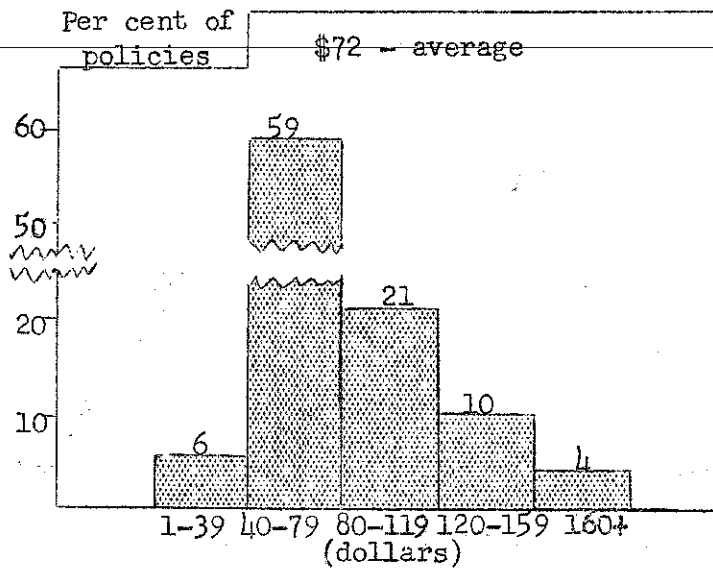


FIGURE 26. AMOUNT OF PREMIUM PER POLICY SPENT ANNUALLY ON VEHICLE INSURANCE
587 Commercial Farms, New York, 1953

Total Amount of Premiums per Farm Paid for Vehicle Insurance

About half of the farmers contacted were spending over \$120 annually on vehicle insurance (Figure 27). About 20 per cent of them were paying more than \$200 and eight per cent paid in excess of \$320 annually. The average payment was \$150 for all farmers and \$153 for just the farmers with insurance on vehicles. In situations where the total payment was near the average, the farmer had more than one vehicle insured. Vehicle insurance can rapidly become one of the largest insurance costs facing farmers.

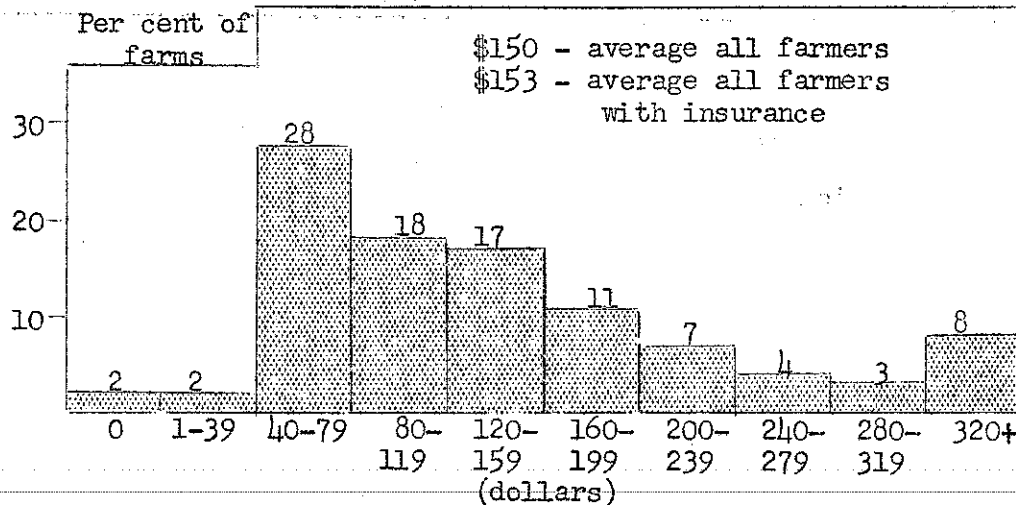


FIGURE 27. TOTAL AMOUNT OF PREMIUMS PER FARM SPENT ANNUALLY ON VEHICLE INSURANCE
587 Commercial Farms, New York, 1953

LIABILITY INSURANCE

Any farmer, as a business man and property owner, is exposed to the chance of financial loss through liability that may arise in the normal course of his operations. Injuries or loss suffered by the general public may result in lawsuits if the farmer is judged responsible. Farm employees may seek compensation if they are injured while performing their duties. The courts have tended to uphold many such claims, often for thousands of dollars, to the extent that it has become "fashionable to sue". At least partial protection from this situation is possible through insurance and it seems reasonable to expect many farmers to obtain such protection.

Number of Farms With Different Kinds of Liability Policies

Less than half of the farms had provided for protection under a Public Liability policy (Table 12). In 90 of the cases this coverage was carried jointly with Farm Employer's Liability coverage. Though not shown in Table 12, a few of the Public Liability policies had endorsements to cover "animal collision" and other situations where liability might arise.

TABLE 12. NUMBER OF FARMS WITH DIFFERENT KINDS OF LIABILITY COVERAGE
587 Commercial Farms, New York, 1953

Kind of insurance	Number of farms with coverage	Per cent of total
Public Liability	256	44
Farm Employer's Liability	90	15
Workmen's Compensation	46	8

Not all farmers need Farm Employer's Liability or Workmen's Compensation insurance. The need is especially apparent when a number of employees are hired regularly. Vegetable and fruit farms, on which transient labor is hired to care for and harvest the crops, are cases in point. Since most of the farms contacted in this study were dairy farms, it was not surprising to find that but 15 per cent of the farms had Farm Employer's Liability policies and eight per cent had Workmen's Compensation. These two policies are similar in coverage; however, the former is somewhat cheaper (70-80 per cent of Workmen's Compensation rates). This may partially explain the fact that there were almost twice as many Farm Employer's Liability policies as there were Workmen's Compensation.

Amount of Premium Spent Annually on Liability Policies

The cost of a Public Liability policy is normally quite small and the endorsements to the original policy add little to the premium. The 256 farmers who carried this type of insurance paid an average of \$22 for their policies (Figure 28). Almost all of the policies cost less than \$60 though most of them were near the average.

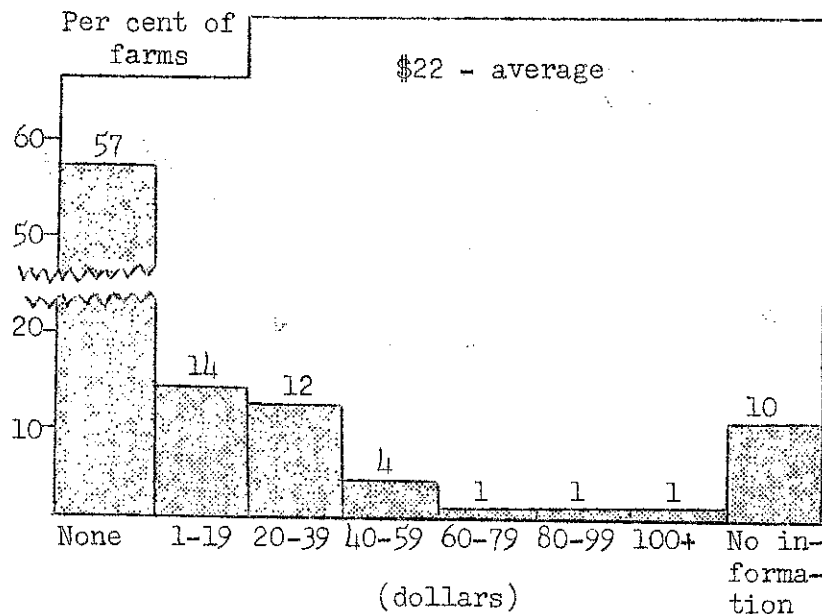


FIGURE 28. AMOUNT OF PREMIUM SPENT ANNUALLY ON PUBLIC LIABILITY
587 Commercial Farms, New York, 1953

Although most of the farmers did not carry either Farm Employer's Liability or Workmen's Compensation, in those cases where coverage did exist the premium was frequently substantial. The average premium paid by those who carried a Farm Employer's Liability policy was \$132, but there was a wide range in premium payments with some of the policies costing as much as \$500 (Figure 29).

Workmen's Compensation policies were usually carried by large operators with ten or more employees hired for temporary work. These farmers paid an average of \$449 for this type of insurance though the range here was also wide. Almost half of the policies cost more than \$350 with some as high as \$1,000 per year (Figure 30). The difference in premiums paid for Farm Employer's Liability and Workmen's Compensation policies may be partially the result of a selection of the large farms into the Workmen's Compensation category and those with fewer employees in the Farm Employer's Liability class.

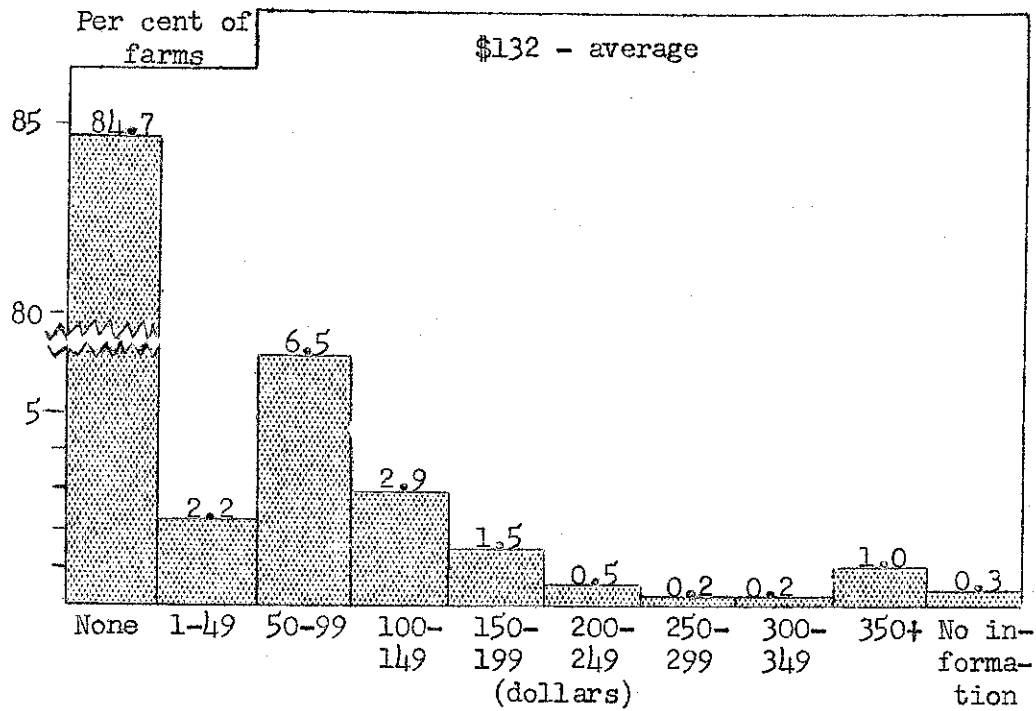


FIGURE 29. AMOUNT OF PREMIUM SPENT ANNUALLY ON FARM EMPLOYER'S LIABILITY
587 Commercial Farms, New York, 1953

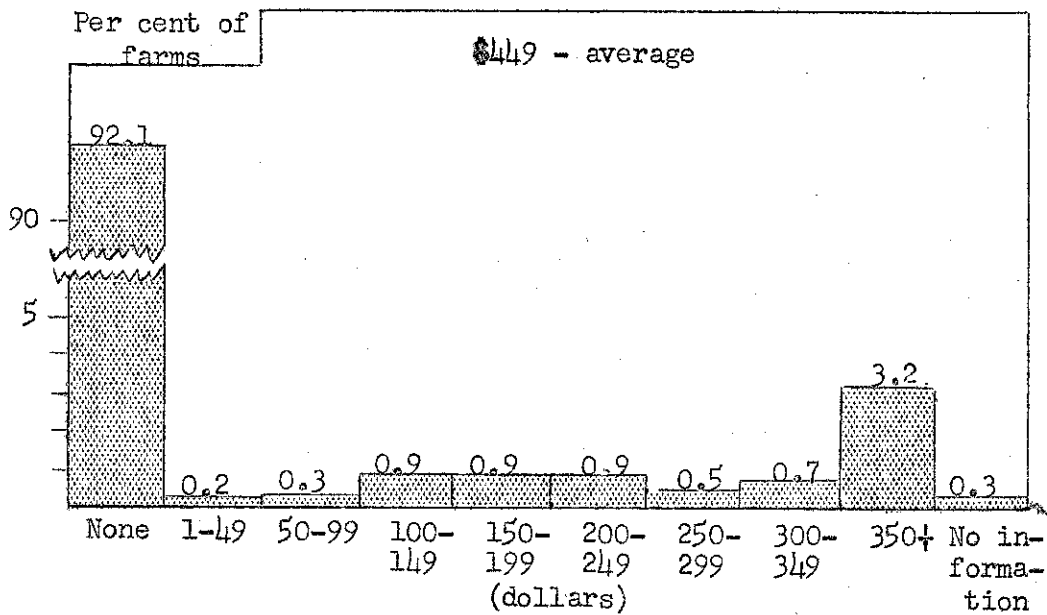


FIGURE 30. AMOUNT OF PREMIUM SPENT ANNUALLY ON WORKMEN'S COMPENSATION
587 Commercial Farms, New York, 1953

HEALTH AND ACCIDENT INSURANCE

Medical expenses that arise from sickness or accident to members of a farmer's family may necessitate a sizeable outlay of cash that could (and would) be otherwise expended. It is difficult to predict the amount or frequency of occurrence of this type of expense. It would seem reasonable, then, that the chance of losses should be hedged if financial security and progress is desired. Health and Accident insurance is available in many different forms although, in general, it is a type of insurance to cover the "first" cost rather than the large maximum costs.

Number of Operators With Health and Accident Insurance

Almost two-thirds of the farm operators contacted had policies to provide at least partial protection from the chance of financial loss due to expenses of sickness or accident (Table 13). The 431 operators carried 809 policies, or an average of almost 2 policies per operator. Most of the operators chose to insure both themselves and some member of their families, though 20 per cent of the operators carried policies which covered only the operator.

TABLE 13. NUMBER OF OPERATORS WITH HEALTH AND ACCIDENT INSURANCE
AND NUMBER OF POLICIES THEY CARRIED
587 Commercial Farms, New York, 1953

Persons covered	Number of operators	Number of policies
Operator only	90	116
Family only	38	53
Operator and family	301	634
Unknown as to person covered	<u>2</u>	<u>6</u>
Total	431	809
No insurance	<u>257</u>	-
Total operators	688	-

Persons Covered for Health and Accident

The 809 policies varied in the description of the individual insured. Most of them covered either the operator only or the entire family (Table 14). Other situations found frequently were coverage for the wife only (10 per cent), children only (nine per cent) and the operator and wife (eight per cent). In 10 cases a policy was written to cover a permanent employee.

TABIE 14. PERSONS COVERED UNDER HEALTH AND ACCIDENT POLICIES
587 Commercial Farms, New York, 1953

Person covered	Number of policies
Father	281
Father and mother	65
Children	71
Family	285
Mother	80
Mother and children	6
Employees	10
Father and children	2
Unknown	<u>9</u>
Total	809

Kind of Policy

Over 300 of the 809 policies were a limited coverage type of accident policy covering but certain types of accidents in certain situations (Table 15). Almost 200 of the policies were written to cover expenses of hospital bills -- usually a Blue Cross plan. Although 116 of the policies were written to provide "full" coverage against all types of expenses involving sickness and/or accident, it should not be construed to mean that the protection is full as to amount of expenses.

TABLE 15. NUMBER OF DIFFERENT KINDS OF HEALTH AND ACCIDENT POLICIES
587 Commercial Farms, New York, 1953

Kind of Policy	Number of policies
Health and Accident - full coverage	116
Health and Accident - limited coverage	21
Hospitalization only	191
Hospitalization, medical, surgical	85
Other hospital plans	24
Accident - limited	323
Polio	<u>49</u>
Total	809

Premiums Paid for Health and Accident Insurance

Almost half of the Health and Accident policies cost less than \$20 and all but 52 of them cost less than \$100 (Figure 31). The average cost per policy was \$38. Since many operators had taken out more than one policy, the average cost per operator was \$71. All but one-fifth of the operators paid out less than \$100 in annual premiums for Health and Accident insurance (Figure 32).

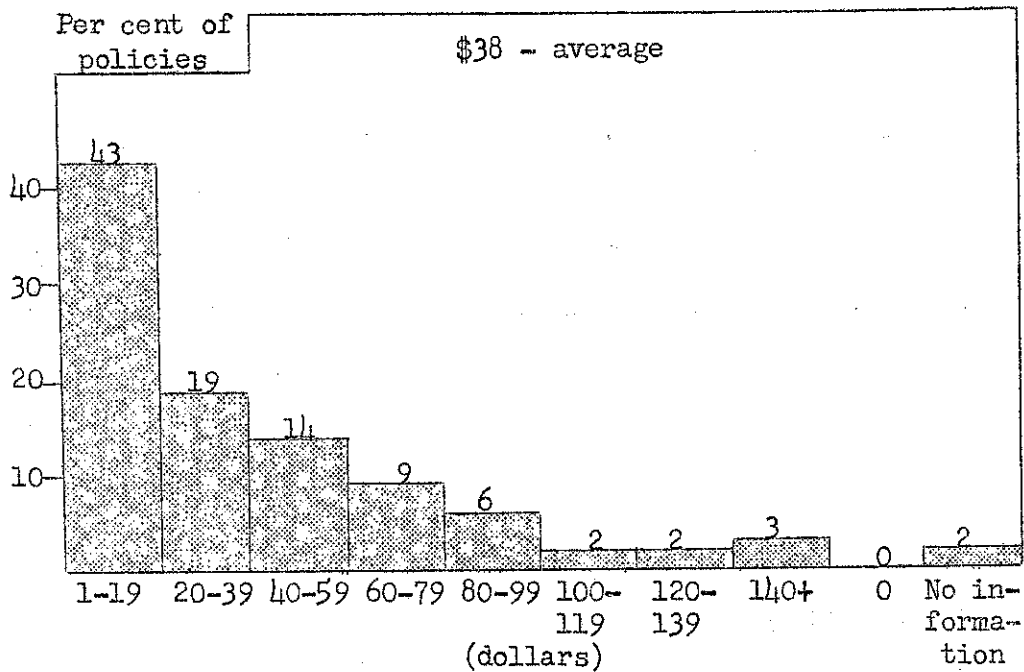


FIGURE 31. AMOUNT SPENT ON HEALTH AND ACCIDENT POLICIES (per policy)
587 Commercial Farms, New York, 1953

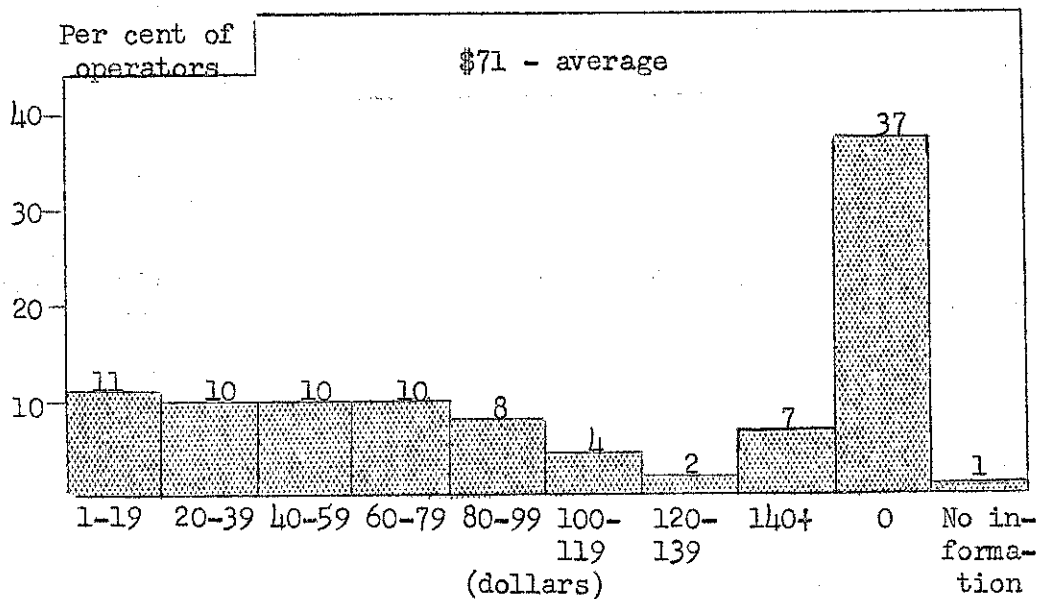


FIGURE 32. AMOUNT SPENT ON HEALTH AND ACCIDENT POLICIES (per operator)
587 Commercial Farms, New York, 1953

CROP INSURANCE

The possibility of crop failure is a leading contributor to farmers' income uncertainty. The vagaries of the weather are such that prediction of events affecting crops is impossible. Farm planning, then, should take account of this possible loss of income and consideration may be given to the use of crop insurance as a hedge to offset any losses that occur.

The farms in this study placed little reliance on crop insurance as a means of hedging income uncertainty. Only 26 farms had insured their crops. Federal Crop Insurance was available in one county and 14 of the 26 farms with crop insurance were in this county. This Federal Crop Insurance was usually used to insure wheat and other small grain crops. The remaining 12 farms with crop insurance were vegetable and fruit farms on which hail insurance was carried.

Premium cost of this insurance varied considerably. Those farms with Federal Crop Insurance paid premiums ranging from \$10 to \$30. Farmers who carried hail insurance paid much higher premiums, ranging from \$100 to over \$1,000.

COMMENTS BY FARMERS

The 587 farmers contacted in this study were asked two specific questions concerning their insurance programs. It should be understood that answers to these questions are of a special nature, i.e., they were given under unique conditions. Enumerator bias may creep into any data of this nature since many farmers would give a simple yes or no answer unless prompted.

The first question was: Are there areas in your farm business in which you feel you are not well enough insured? Most of the farmers gave no direct answer (Table 16). The second largest group stated that there were no such areas. The third category was those farmers who felt under-insured as to a certain kind of insurance, e.g., fire insurance. The final group expressed a feeling of need for more insurance of a specific type, e.g., fire insurance on livestock. It may be observed in Table 16 that most of the farmers answering this question were satisfied with their insurance programs. The notable exception was with fire insurance where over 200 stated that they needed more fire insurance in general and another 106 needed more fire insurance on some specific item of property.

TABIE 16. ANSWERS GIVEN TO THE QUESTION: ARE THERE AREAS IN YOUR FARM BUSINESS IN WHICH YOU FEEL YOU ARE NOT WELL ENOUGH INSURED?
587 Commercial Farms, New York, 1953

Insurance area	Response				Total
	No answer	No	Yes (generally)	Yes (specifically)	
Vehicles	349	158	73	7	587
Life	330	156	97	4	587
Liability					
Public	304	155	65 }	47	587
Farm Employer's	304	155		16	
Workmen's Compensation	304	155		—	
Fire	124	156	201	106	587
Health and Accident	332	156	94	5	587
Crop	356	157	69	5	587

The second question posed was: Are the types of insurance now on the market adapted to the needs of the farmer? Most of the farmers who answered (273) said yes to this query (Table 17). Another large group (220) gave no answer. The farmers who thought the types were not adapted to the needs of farmers gave varied reasons. Some thought they could not get the right type of coverage for their particular situations. Others were concerned with their inability to obtain as much coverage as they wanted (this was usually in reference to fire insurance). Another group thought the coverages were misleading, i.e., they did not have as much protection as they had believed.

TABLE 17. ANSWERS GIVEN TO THE QUESTION: ARE THE TYPES OF INSURANCE
NOW ON THE MARKET ADAPTED TO THE NEEDS OF THE FARMER?
587 Commercial Farms, New York, 1953

Response	Number responding
Yes	273
Not answered	220
No - can't get enough coverage with one company	11
No - can't get enough coverage even with more than one company	9
No - can't get right type of coverage	24
No - need better Health and Accident	5
No - need one plan for whole farm	6
No - farmers need special rates	5
No - coverages misleading	19
No - with no further explanation	<u>15</u>
Total	587

In asking the two above questions many comments of a general nature (and not relevant to the particular question being asked) were given. Those given most frequently are summarized in Table 18.

TABLE 18. GENERAL COMMENTS GIVEN ALTHOUGH NOT SOLICITED
587 Commercial Farms, New York, 1953

Response	Number responding
Contracts too complicated	22
Companies' settlement practices not satisfactory	38
Mutuals and cooperatives are good idea	11
Insurance in general too expensive	42
Carrying as much insurance as can afford	27
Farmers should carry some risk	<u>20</u>
Total	160

SUMMARY

The preceding sections have outlined the patterns of insurance coverage on the 587 farms studied. The number of farmers carrying different amounts of various kinds of insurance has been outlined. In addition, the cost of these programs has been summarized.

Table 19 presents a brief summary of the insurance programs typical to this group of farms. First the average or most typical for all farms is presented. It should be noted that the most typical kind or amount of coverage, when dealing with all of the farms, in some cases is "none". The coverage on those farms carrying a particular kind of insurance is outlined next to present the patterns most often followed if the farmer had decided to carry insurance of that type. In some cases this is the same as for all farms since some types of insurance were carried almost universally. Finally, the average amount paid in premiums is shown for the farms that carried each type of insurance. These average premiums are not additive since all farms did not have all the types available.

Figure 33 shows the amount of premiums per farm paid for all types of insurance. The insurance programs carried by the farmers in this study cost an average of \$610. Over two-thirds of the farmers had outlays of less than the average amount and about one-third paid between \$200 and \$400. Almost one-fourth of the farmers had premium costs of over \$800 while nine per cent had insurance programs that cost over \$1,500 annually.

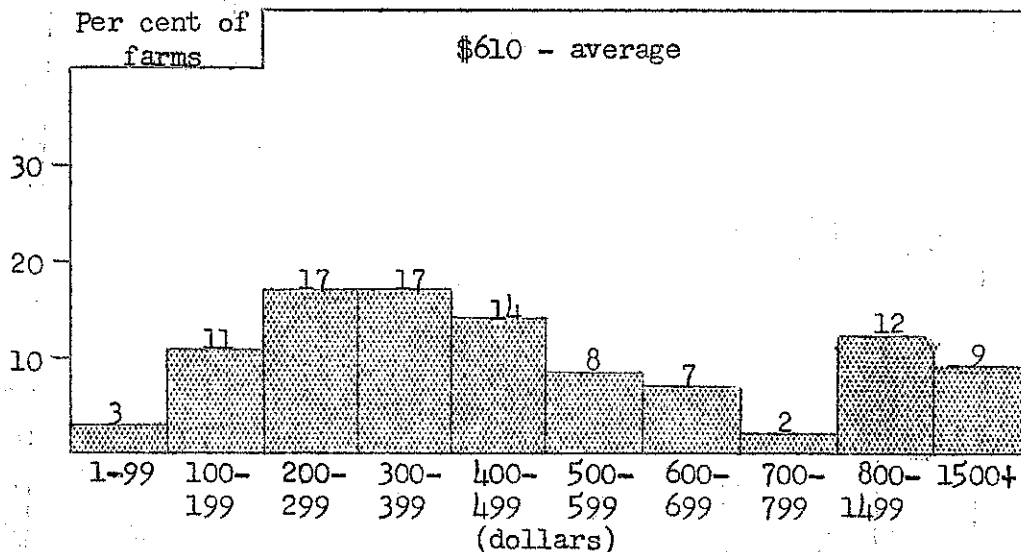


FIGURE 33. TOTAL AMOUNT PAID FOR ALL TYPES OF INSURANCE
587 Commercial Farms, New York, 1953

TABLE 19. INSURANCE COVERAGE AND ITS COST -- MOST TYPICAL OR AVERAGE
587 Commercial Farms, New York, 1953

Kind of insurance	Average or typical coverage - all farms	Average or typical coverage - farms with insurance	Average premiums - farms with insurance
Vehicle (per farm)	10-20; 5; None; None; None*	10-20; 5; 500; Yes; \$50 deductible	\$153
Life (per operator)	\$5,975 Limited Payment or Endowment on operator and family	\$7,420 Limited Payment or Endowment on operator and family	\$239
Property (per farm)	\$28,861 fire; no wind; 46 per cent of replacement value; 73 per cent of value-to-farm	\$27,047 fire; wind in same amount, as fire; 46 per cent of replacement value; 73 per cent of value-to-farm	\$126
Liability (per farm)			
Public Liability	None	Basic coverage	\$ 22
Farm Employer's	None	Basic coverage	\$132
Workmen's Compensation	None	Basic coverage	\$449
Health-Accident (per operator)	Hospitalization and Limited Accident	Hospitalization and Limited Accident	\$ 71
Crop (per farm)	None	Federal Crop Insurance on grain, Hail Insurance on vegetables	\$272

* 10-20; 5; None; None; None -- means \$10,000-\$20,000 Liability, \$5,000 Property Damage, no Medical Payments, no Comprehensive and no Collision.