The claims for livestock insurance are often high due to the prevalence of moral hazard and fraud, reducing the availability of affordable coverage. IFFCO-Tokio, a cooperative insurer in India, is testing a model to reduce fraud by using an identification device, based on RFID (Radio Frequency Identification) technology, which is injected under the hide behind the ear of the insured animal. By reducing fraudulent claims, the technology can benefit farmers through faster claim settlement and lower premiums that reflect the reduced claims. While the project is still in its pilot stages, the lower claims ratio (35%), which is more than 5 times less than with traditional ear tags, suggests that the new technology is working.

Perhaps even more important than the technology is the change in process that IFFCO-Tokio initiated because of the technology. IFFCO-Tokio now oversees the tagging of each new animal, reducing the possibility of claims being filed for uninsured animals. There was visible resistance to this new process from bank staff and veterinary doctors, however, cattle owners, by and large, have accepted the new technology as the process for filing a claim is clear. And, despite initial concerns, the technology does not increase the stress on cattle.

For more on identification technology and IFFKO-Tokio, click here [1].