

Poultry Risk Management Committee- Avian Influenza

BC Egg
Marketing
Board

BC Broiler
Hatching
Egg
Commission

BC Turkey
Marketing
Board

BC Chicken
Marketing
Board

Mr. Jim Collins

February 18, 2011

BC Farm Industry Review Board
PO Box 9129 Govt
Victoria, BC
V8W 9B5

Via email to: jim.collins@gov.bc.ca

Re: Insurance Product For Avian Influenza

Dear Mr. Collins;

As per earlier discussions, the Poultry Risk Management Steering Committee (RMSC) has been working on developing an insurance based program that would help the BC poultry industry protect itself in the event of an Avian Influenza (AI) outbreak. This project is a joint effort of the BC Poultry Association, BC Egg Marketing Board, BC Turkey Marketing Board, BC Chicken Marketing Board and BC Hatching Egg Commission (collectively referred to as "the Boards" in this document). The project is supported by the BC Ministry of Agriculture and funded by the BC Investment Agriculture Foundation.

Implementing an insurance product may require changes to the General Orders and/or the Schemes of the Boards. This document outlines the status of the project and the possible input required by FIRB.

Project Status

The RMSC has completed the development and initial assessment of an insurance product. In general the insurance product would¹:

- Provide coverage to all commercial poultry operations (Quota holders) in BC from losses that result from CFIA destroying AI infected birds .
- Augment any coverage provided by CFIA through the Health of Animals Act.
- Cover the loss of income related to the fowl destroyed by CFIA, cleaning and disinfecting costs and in some circumstances limited business interruption coverage until the farm can be repopulated.
- The insurance product would be self managed by the industry and supported with commercial reinsurance. Producers would pay an annual premium based on their allowable production. The premium would cover the cost of reinsurance, operating costs and capitalization of the insurance asset (industry fund)
- Each sector of the industry (table eggs, broilers, hatching eggs and turkeys) would establish a pool of funds based on the relative size of the sector, estimated losses and total funding required by the industry. The four pools would be combined to create an industry fund. Initial analysis suggests that an industry fund of \$10M is optimal.

¹ Additional details of the coverage and design of the product are available upon request.

- Reinsurance of an additional \$10M would provide \$20M worth of coverage. Based on the disease modelling, this would cover a 1 in 50 year event.
- In the event of a loss, the impacted farmer would pay a deductible and make a claim against the industry fund.
- If multiple simultaneous claims exceed the \$10M industry fund a claim against the reinsurance would be made.

Current Committee activities

The RMSC has narrowed the delivery structure options down to three possible options, a reciprocal, a captive and a group funded deductible. There are pros and cons to each option. The committee is working with insurance experts, regulators and the provincial government to select the optimum structure.

The RMSC is working with each of the Boards to conduct information sessions with producers at the 2011 AGMs. The goal is to have a final product and delivery model selected by spring with a launch as early as the fall of 2011 (depending on regulatory approval).

The Boards currently have close to \$5M in reserve funds designated for AI recovery costs. The RMSC has initiated discussions with the provincial government on ways that the government might assist the industry in securing the additional \$5M needed.

FIRB Input Requested

To be successful, both in terms of reducing the probability of a large scale outbreak and the financial viability of a commercial insurance based program, the initiative must be mandatory for all commercial producers. As such, the Boards will be an integral component in the delivery of this program/product.

For the Boards to finalize their roles in the delivery of the service, they need to confirm that they each have the authority to undertake the following actions:

1. Make participation in a self-insurance based program mandatory.
2. To collect insurance premiums in conjunction with other levies.
3. Transfer the collected funds to an independent third party (made up of Industry representatives) who would administer the insurance product on behalf of industry.

The Boards/Commission requests that FIRB review the authority to undertake these activities. If current authority does not permit the activities, please indicate what is required to initiate the required changes.

Yours truly,

Per: 

Michel Benoit
Chair, Risk Mitigation Steering Committee

Funding provided by:

