



THE MUTUAL FIRE
INSURANCE COMPANY
OF BRITISH COLUMBIA

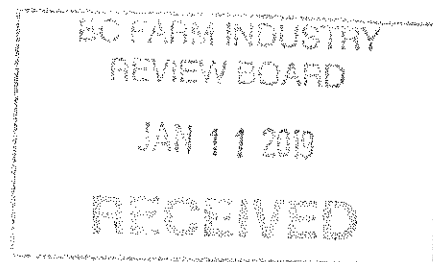
9366 200A Street, Langley, BC V1M 4B3

T: 604.881.1250 | TF: 866.417.2272

mutualfirebc.com

January 7, 2019

British Columbia Farm Industry Review Board
780 Blanshard Street,
Victoria, BC V8W 2H1



Re: November 19, 2018 BC Milk Marketing Board *Consultation Document*

Dear Mr. Peter Donkers,

Although we never received the consultation document directly from the British Columbia Milk Marketing Board in late 2018 with respect to the potential requirements placed on producers, concerned insurance brokers and farmers have reached out to us. The Mutual Fire Insurance of British Columbia has been operating in BC since 1902 and we are primarily a farm insurance company. We have also forwarded this letter outlining our concerns, to the BC Milk Marketing Board and we thank the Farm Industry Review Board for taking the time to review our input. As Mutual Fire Insurance has operated in BC since 1902 and insures just shy of 300 dairy farms in the province, we wanted to share our perspective with FIRB pertaining to this document.

We understand the concern given the supply chain that the BCMMB and the farmers operate in. With that, we want to ensure the perspective of an insurer is shared, given the large impact it will have on BC Dairy farmer insurance policies, including what is covered, excluded, and the potentially onerous premium associated. It is only prudent for us to stress this cost of insurance that may be placed upon a farmer should they have to place coverage with an insurer as outlined in your document.

There was a request that the farmers only insure through a provider that maintains an AM Best rating of A- or higher. There are insurers of dairy farms that currently do not utilize AM Best and therefore do not have a rating. Furthermore, should an insurers' AM Best rating change during the policy term to less than A-, the policyholder would unknowingly be in breach of your policy requirements. Given they have no control over such rating and the implied requirement that a farmer must maintain such knowledge on a daily basis throughout his policy term, the obligations impressed upon them would be unattainable. Such obligations may transfer to an insurance broker and would largely impact their relationship with a policyholder, the amount of communication required with their policyholder, and the premium associated with

such actions. Should an insurance broker fail to alert the policyholder of the change in rating, does this policy suggest that broker is at fault? It is imperative that any and all obligations written within the policy be attainable.

The consultation document indicated a new policy that would mitigate risk on non-marketable milk. We strongly urged that BCMMB protect itself and its producers by not assuming liability for a wholesale distributor and its clients. Farmers today generally speaking hold a *Farm Liability* policy, not a *Commercial General Liability* (CGL) Policy. The coverage between both is inherently different due to the basic difference in exposures between a farmer and a generic commercial operation. The minimum limit of insurance requirement of \$5M CGL does increase the cost of insurance substantially for the farmer.

With the utmost respect and urgency, we cautioned the BCMMB regarding the second requirement placed upon the producer which reads, “a policy that extends to cover the applicant or holder, its officers, employees, servants, agents and contractors.” If such coverage could be provided by an insurer, it would require a substantial increase to the producers existing insurance premiums. From our perspective, providing liability for agents and contractors without definition of such parties would be careless and unaffordable. Rather, we stress that any such policy requiring negligence coverage for non-marketable milk comes from the direct party involved, rather than placing all negligence on the producer.

With respect to item number three, “a policy that includes coverage for blanket contractual liability, broad form property damage, premises, operations, products liability, personal injury and advertising liability”, particularly the blanket contractual liability and personal injury and advertising liability. For a farmer to assume the actions of another, where they have no control or input on their actions, would be irresponsible at best. Demanding that a farmer who is likely carrying on a family business or working towards building their own community, put the actions of a large corporation on their own shoulders does not protect BC Farmers. It protects large corporations that would prudently have such insurance in place for their actions. A joint liability policy may be more suitable for such relationships. This type of hold harmless agreement that appears to be the demand of this consultation document is so extreme in what it covers that the coverage may not be available through all insurers, and if it is, a substantial premium will likely be placed upon the producer. It should also be noted that a separate fee is chargeable to a producer should they need to present a certificate of insurance.

Processor – Withholdings and Deductions Policy Change.

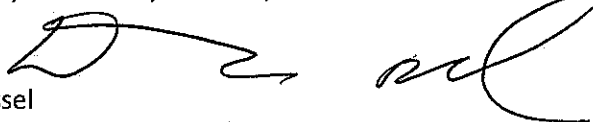
Pertaining to the above, we caution on again applying responsibility on the part of the farmer where the milk is now in the care, custody, and control of the processor. There are many factors that may contribute to milk becoming non-qualifying or unsuitable milk that has already been accepted by the processor but not yet processed.

Civil Claims Arising from Alleged Non-Compliance with the Milk Industry Act

Simply, as stressed above, any such person or entity licensed under the MIA should be defined within the policy. It should be further considered for any such parties or entities to hold their own insurance policy to respond to their own negligence.

We understand the need for an updated policy to be in place which outlines the duties and responsibilities of the BCMMB's producers/farmers. Through our viewpoint expressed above, we hope that you consider the impact of the suggested policy to BC Dairy Farmers, and the consumers that rely on them.

Sincerely,



Darin Lord Nessel
President and Chief Executive Office

MUTUAL FIRE INSURANCE
dnessel@mutualfirebc.com
604.881.4281

Cc The Mutual Fire Insurance Company of BC - Board of Directors

Encl. BCMMB Consultation Document, Nov 119, 2018.

November 19, 2018

Non-Qualifying Milk and Liability Insurance

Over the past two years, the Board was requested by stakeholders to develop a policy that manages the risk of responsibility for milk that is non-qualifying since as a regulator the BCMMB is not responsible for milk quality, nor can it make liability judgements about who may be at fault.

To work with all stakeholders, the Board recognized measures need to be taken by producers and processors in order to develop a workable solution around the liability of non-qualifying milk.

The BC Milk Marketing Board has developed a policy to address the responsibility and mitigate risk on non-marketable milk. The Milk Board is currently consulting with producers and processors on the policy and intends to apply the policy on July 31, 2019 for all existing producers and once applied to the consolidated order for all new licensed producers.

The Milk Board is requesting your comments and feedback no later than December 15, 2018. A summary of policy details for all parties is provided below:

Producer -License Requirements Change

All producers who hold a license to produce milk from the BC Milk Marketing Board must maintain a comprehensive commercial liability insurance policy, that is primary to and non-contributing with and other insurance, issued by an insurer having an AM Best rating of no less than A-; policies must meet the following requirements:

1. a policy limit of not less than \$5,000,000.00 per occurrence
2. a policy that extends to cover the applicant or holder, its officers, employees, servants, agents and contractors
3. a policy that includes coverage for blanket contractual liability, broad form property damage, premises, operations, products liability, personal injury and advertising liability

All producers applying for a license must provide to the Board a certificate of insurance proving that the insurance policy meets the requirements as listed above. All licensees will be required to notify the Board on any lapse in coverage or material change in its insurance policy.

No license may be issued by the Board unless the applicant has complied with all government requirements applicable to the applicant's operations, including the regulations made under the Milk Industry Act.

Licenses will continue to be issued on an annual basis expiring at the end of the dairy year.

Processor -Withholdings and Deductions Policy Change

1. A processor who has reason to believe that milk received is non-qualifying or unsuitable for any processing purpose and the milk has not yet been processed, can withhold its payment from the advance payment for a period not exceeding 30 business days. (Withholding period)
2. If within the withholding period;
 - a. A qualified lab determines that the milk is non-qualifying;
 - b. Or an independent third-party expert acceptable to the Board determines that the milk is non-qualifying, and the milk is not processed

An amount equal to the advance payment can be deducted by the processor and no final monthly settlement is due with respect to the non-qualifying milk.

3. If, within the withholding period;
 - a. No determination is made by a qualified lab and no determination is made by an independent third party that the milk is non-qualifying; or
 - b. The processor otherwise processes the milk

The processor is obligated to make payment for that milk in the next monthly settlement without prejudice to any rights that a processor may have to a producer, bulk milk tank grader, a vendor or any other person licensed under the Milk Industry Act.

Civil Claims Arising from Alleged Non-Compliance with the Milk Industry Act

1. Where a producer or processor claims to have suffered a loss as a consequence of an alleged act or omission by a producer, a bulk milk tank grader, a vendor or any other person licensed under the MIA, the claimant and the respondent may request the Board provide information to facilitate the process;
 - (a) the identity of the shipping Producer(s);
 - (b) the volumes of milk shipped from the Producer(s);
 - (c) the dates on which milk was picked-up, transported and received;
 - (d) the identity of the transporter(s) delivering the milk;
 - (e) the identity of the processor receiving the milk;
 - (f) the volume of milk processed by the processor and the nature of the processed products;
 - (g) copies on any test results that the Board may have concerning the milk shipped from Producer;
 - (h) whether the Producer has received payment for the milk shipped and, if so, the amount received;
2. Obligations under the Consolidated Order are not suspended, limited or retracted in any way with any claims of non-compliance with the MIA.

Feedback can be provided directly to zabdalla@bcmilk.com