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Mr. Harvey Sasaki

Re: Mandatory AI Insurance

I am in agreement with establishing an mandatory AI insurance, but would like the committee to consider the following issues:

1. It is important that BC Insurance be a complement to CFIA compensation and AgriStability, not a replacement. As long as CFIA provides payment to outbreaks in other provinces, BC should not be adding to its cost of production by paying for insurance that simply reduces CFIA payments to growers. BC producers already face a higher cost of production which is not reflected in the price received by the farmer.
2. In past, insurance looked at paying the producer that was depopulated. CFIA may already be paying this grower. It is the grower that is within the control zone of the infected premise that is harmed, and he has no control over how long depopulation takes. Therefore insurance should assist this farmer, or in some way mitigate his loss.
3. Also, insurance should not let the marketing boards off the hook from mitigating the losses. I have already seen this by the BCEMB with SE insurance. They test a farm and if they get a positive result, they do not do a second confirmation test, they simply depopulate and say "Don't worry, insurance will cover you". Firstly, they should do a confirmation test since there may have been an error. Secondly, they could mitigate the loss by redirecting these eggs to the breakers and redirecting other eggs that would usually go to the breakers to the table market.

Here is how I see some mitigation, and I think the marketing boards need to be a part of the solution:

Since an AI positive farm would most likely limit chicken exports, the board could allow producers who are inside the control zone lease 100% of their quota to producers outside the control zone, whose export quota would have been cut. This will allow processors to get the product they need to service their customers, that they do not want to lose. Not producing is not the answer. The same can be done for turkey farmers.

The BCEMB could reduce one of the most significant costs a depopulated farm faces. This is the marketing board levy. The majority of the levy goes to a fund that offsets the difference between the price the farmer receives for eggs and the price breakers pay for industrial product. If a farm is depopulated, the Board would not be on the hook for this large differential as either fewer eggs would go to the breaker or eggs would be imported. Since the world price is usually lower than the price paid to by graders and breakers, the Board could end up making money. Why should BC insurance fill CEMA's pockets.

If a breeder producer is depopulated, eggs will have to be imported to meet the chick requirement of broiler producers. Why shouldn't the difference between the world price of these eggs and the price normally paid by hatcheries be utilized to reduce the loss to the farmer.

4. One of the most significant concerns as a producer is the fact that a either a producer or an non-registered flock is infected and the cleanup drags on, because of lack of funds or the fact that they received insurance money and there is no need to expedite the cleanup process.

My recommendation:

a) Producers should be required to carry enough insurance to pay for cleanup or post a bond high enough to cover cleanup costs. In addition, they should be required to sign a document authorizing the BC Cleanup Crew to enter their premises and cleanup the site at the producer's cost, less CFIA compensation. The insurance policy should cover all BC Cleanup Crew costs, without deductibility, thereby encouraging producers to choose the insurance option versus a bond.

b) Loss of earnings insurance should be voluntary. Currently as a producer, I may be compensated by CFIA, may have obtained private insurance, may have opted to participate in AgriStability or may have decided to take a risk. I am not going to be upset that my neighbour lost his farm because he failed to carry insurance, whether it be for fire, theft, earthquake or AI. As an industry we are not making these types of insurance mandatory. However, I suspect that the banks may make it a financing requirement.

c) The "Insurance Company" should have a BC Cleanup Crew ready to go with all the necessary equipment and supplies. If I was in the insurance business I would want to reduce my payout by having all the loss mitigation equipment and crew ready to go. This crew would also be available to cleanup non-registered producer sites and possibly be compensated by CFIA.

d) Loss of earnings should be available to all farmers within the infected zone. This could be a separate policy, and the cost reduced by providing the reinsurer with steps the marketing board would take to reduce losses.

I think my recommended approach is palatable to both producers for and against mandatory insurance. With Board loss mitigation in place, the cost of this insurance could be quite reasonable.

It is difficult in a letter to articulate my concerns clearly for all readers, it is impossible to anticipate all questions which may arise and without discussion, understand why my recommendations may not be practical. In this regard, I would be happy to meet with the either the steering committee or yourself informally to discuss my concerns.

Yours truly,

Art Friesen

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