

Natural Products Marketing (BC) Act

Mandatory Insurance for Registered Poultry Producers

Work Plan Update – September 30, 2016

Phase 1 – Why is a financial response needed?

Expected Outcome

The report and stakeholder feedback would enable the poultry boards and commission to make a determination that a financial response to a NAI discovery is required to effectively and efficiently contribute to a system of orderly marketing following a NAI discovery.

Deliverables

- An engagement strategy for Phase 1.
- A report on the financial response to NAI and options for response.
- A report on the stakeholder and public feedback on the need for a financial response to NAI.

Status

- Notice of Review posted on boards and commission websites.
 - One response received to date.
 - Met with respondent to further explore concerns and considerations.
- Limited progress to date; commencement of activities upon receipt of the updated Loss Quantification Model.
 - Serecon has met with CFIA, national and provincial agencies.
 - A revised set of LQMs by sector have been developed; finalization is pending discussions between CFIA and national agencies on “agreed” to formulas for compensation under the *Health of Animals Act*.
 - The draft revised CFIA compensation formulas appear to have removed any allowance for capital costs, the effect of which is a return to the 2004 compensation formula which was found by industry to be deficient.
 - Serecon advised (October 6, 2016) that CFIA has committed to finalizing their compensation formulas by the end of October which will enable the LQMs to be completed in the first half of November 2016.

Phase 2 – Scope of Financial Response

Expected Outcome

The report and stakeholder feedback would enable the poultry boards and commission to determine whether insurance requiring participation by all registered producers can provide an effective and efficient financial response and identification of other considerations as part of the decision making process.

Deliverables

- Phase 2 stakeholder engagement strategy.
- A report on the sound marketing policy rationale:
 - Identifying gaps in maintaining a system of orderly marketing in the event of a major disease outbreak.
 - Options for satisfying a system of orderly marketing.
 - Analysis of the options.

- Recommended option.

Status

- Initiation of the vast majority of the work is dependent on the deliverables from the Phase 1 financial response.

Phase 3 – Do the Conditions of Insurance Exist?

Expected Outcomes

The reports and stakeholder feedback would enable the poultry boards and commission to determine whether the conditions of insurability exist.

Deliverables

- Phase 3 stakeholder engagement strategy
- Loss Quantification Model Update
 - Establishing the basis for measuring losses
 - Establishing what could be covered
- Actuarial Soundness of a BC only approach
 - Establishing loss rates
 - Estimated losses based on coverage options
 - Establishing the basis for premium structure
 - Conditions for insurability
 - Capital requirements
 - Reinsurance feasibility/requirements
 - Need for mandatory participation

Status

- Activities initiated under this Phase include the review of the tax status of the Poultry Captive Insurance Company. MNP has completed their preliminary review and feel that a reasonable case can be presented to CRA for tax exempt status.
- MNP requires the tax filings of the associations to support the application. In securing the documents, it was discovered that the Broiler Hatching Egg Producers Association (BCBHEPA) does not file a Not for Profit (NPO) tax return based the income/revenue levels not exceeding the threshold for filing.
 - Working with MNP and BCHEPA to secure the annual financial reports to include in the submission to CRA.
- MNP received financial information from BCBHEPA in September to confirm that their income/revenue levels do not exceed the threshold for filing a NPO.
 - MNP has the requisite information to prepare the application for advance tax ruling.
- Expect to initiate request in October.
- The remaining activities are contingent upon deliverables in Phase 1.

Phase 4 – Do Viable Insurance Delivery Mechanisms Exist?

Expected Outcomes

The reports and stakeholder feedback would enable the poultry boards and commission to confirm whether viable insurance products can be delivered by viable business entities and whether that entity exists at this time.

Deliverables

- Phase 4 Stakeholder Engagement Strategy
- Evaluation of the financial response mechanisms.

Status

- Activities are contingent upon the completion of the other Phases.

Phase 5 – Mandatory Insurance Delivery Mechanism

Expected Outcome

All parties, the poultry boards, commission, associations and captive insurance company have a clear understanding of expectations, roles, responsibilities and relationships as it relates to board and commission mandatory disease insurance requirements.

Deliverables

- Stage 5 stakeholder engagement strategy
- A Memorandum of Understanding outlining the respective roles, responsibilities and relationships between all parties.
- Service agreements between the boards and commission and the captive insurance company.

Status

- No activity to date.

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