

# Natural Products Marketing (BC) Act Mandatory Notifiable Avian Influenza Insurance Review

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*Phase 4 Report  
Do Viable Insurance Delivery Mechanisms Exist?  
November 3, 2017*



# *Natural Products Marketing (BC) Act*

## Mandatory Insurance for Registered Poultry Producers

### Phase 4 Report – Do Viable Insurance Delivery Mechanisms Exist?

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#### Executive Summary

The Mandatory Notifiable Avian Influenza Insurance Review (the “Review”) is intended to provide the regulated poultry boards and commission in BC with the research and analysis to determine whether or not to apply the authorities granted under the *Natural Products Marketing (BC) Act* (the “*NPMA Act*”) to require producers to maintain insurance against losses resulting from Notifiable Avian Influenza (NAI) discoveries. The regulated poultry boards and commission must ensure that the application of the requirement is in keeping with sound marketing policy. This report is the third phase of a five phase project to conduct the requisite due diligence to support the regulated poultry boards and commission decision making process. This phase establishes that the conditions of insurance exist.

The first three phases of the Review have addressed the questions within the context of sound marketing policy of

- Why is a financial response needed?
- What is the scope of the financial response?
- Do the conditions of insurance exist?

The recommendations of the first three phases has led to the need for the boards and commission to consider establishing and maintaining an Infected Premises C&D Cost Recovery Fund (the “Fund”) and whether or not to employ risk transfer mechanisms to protect and enhance the Fund.

Phase 4 is directed at assessing whether viable insurance delivery mechanisms exist to address the recommendations coming out of the Phase 1 to 3 reports. There is one private insurance product available through various insurance agents across Canada that provides poultry insurance for four diseases and covers the physical loss for the shortfall in government compensation relative to the projected market value of a flock ordered depopulated; income loss for the projected profit from subsequent flocks that were prevented due to a quarantine order; and clean-up costs. There are two emerging insurance products specific to NAI only that provide similar coverage to what is currently available.

While the existing and emerging insurance products can provide coverage, it is in excess of the limited scope of needing to cover the extraordinary cost of infected premise C&D only. Acquiring and implementing the enabling powers of the *NPMA* to require producers to maintain insurance against losses resulting from the interruption or termination of production for any reason or for a notifiable or reportable disease would not enhance the ability of the boards and commission to return to a system of orderly marketing in a timely manner following a NAI discovery. Implementing a mandatory insurance policy would add unnecessary excess premium cost to producers which could reduce industry competitiveness.

It is recommended that the boards and commission not pursue acquiring the enable powers to require producers to maintain disease insurance. As recommended in Phase 3, the boards and commission should continue to explore risk transfer mechanisms to provide protection and enhance a collective Infected Premises C&D Cost Recovery Fund.

# *Natural Products Marketing (BC) Act*

## Mandatory Insurance for Registered Poultry Producers

### Phase 4 Report – Do Viable Insurance Delivery Mechanisms Exist?

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#### Expected Outcome

The poultry boards' and commission's due consideration of existing viable insurance delivery mechanisms to cover the costs of cleaning and disinfecting (C&D) infected premises following a Notifiable Avian Influenza (NAI) discovery as an integral part of maintaining a system of orderly marketing.

#### Introduction

The passing of the amendments to the *Natural Products Marketing (BC) Act* (the “NPMA”) in May 2015 made explicit the authority of boards and commissions to require producers to maintain insurance against losses resulting from the interruption or termination of production for any reason or for a notifiable or reportable disease. The regulated poultry boards and commission have given due consideration to the enabling authority and collectively agreed in January 2016 to initiate the Mandatory Notifiable Avian Influenza Insurance Review (the “Review”). The purpose of the Review is to conduct the requisite due diligence in accordance with the SAFETI<sup>1</sup> principles for each board and commission to make a decision on whether or not to implement mandatory insurance requirements to address the financial consequences of Notifiable Avian Influenza (NAI) discoveries in British Columbia.

In March and April 2016 based on the Phase 1 and Phase 2 reports, the regulated poultry boards and commission affirmed the following:

1. Support the arguments put forth that it is in the interests of sound marketing policy to intervene and commit financial support to off-set the extraordinary costs of infected premises cleaning and disinfecting (C&D).
2. Agree that all licenced poultry producers realize the benefits of the boards and commission assuming the extraordinary costs of infected premises C&D and as a result further examine mechanisms to be put in place for all producers to share in covering the costs through seeding and maintaining a collective fund.
3. Support the continued exploration and analysis of the benefits and costs of risk transfer mechanisms that may or may not lead to mandatory insurance requirements.
4. Agree that the British Columbia Chicken Marketing Board (BCCMB) and the British Columbia Turkey Marketing Board (BCTMB) consider amending their respective schemes to ensure the express authority to use levy proceeds “to pay cost and losses incurred in marketing a regulated product” is included.

In July, the boards and commission posted the draft Decision Note (Attachment 1) to establish a mandatory Infected Premises C&D Cost Recovery Fund (the “Fund”) to cover the extraordinary C&D for future NAI discoveries. As well, the boards and commission sent letters to industry

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<sup>1</sup> SAFETI stands for the British Columbia Farm Industry Review Board governance principles; Strategic, Accountable, Fair, Equitable, Transparent and Inclusive.

associations and key stakeholders advising of the pending decision regarding the Fund and requesting feedback and comment.

The Phase 3 Report considered the options for managing the financial risk as well as examined the requirements of an insurance-based approach. It recommended that the boards and commission consider using a risk transfer mechanism, such as insurance to establish and maintain an Infected Premises C&D Cost Recovery Fund, with the boards and commission as opposed to the licenced producers being the “insureds”. The use of insurance will provide greater assurances to producers that the funds to cover infected premises C&D will be available when and as needed. The cost of an insurance based approach can cost less and be more cost effective, without affecting the competitiveness of producers and processors that a self-insurance Fund.

This Report is the fourth of a five phase Review and includes the sound marketing policy rationale for mandatory requirements to effectively respond to a NAI discovery, with a particular focus on:

- What insurance mechanisms are currently available?
- How applicable are they to achieving BC’s desired outcomes for mandatory insurance?
- Why a BC only approach is necessary?
- Are there any residual legal implications/considerations that the boards and commission must take into consideration?

Subsequent reports will be prepared on the remaining phase:

- What mandatory insurance delivery mechanism is appropriate

## Background

The availability and evolution of poultry disease insurance in Canada has a short history. Starting in the late 1990’s Ontario broiler hatching egg and chick producers suffered a number of losses due to salmonella infection in their flocks. Initially funds were contributed by fellow producers to assist those who suffered losses. By 2000, the Ontario broiler hatching egg industry recognized the need for an insurance program. They approached the insurance industry to provide coverage. Not having underwritten such business, the insurance industry declined the opportunity to participate which resulted in the industry developing their own solution; the Poultry Insurance Exchange (PIE) Reciprocal of Canada.

A major outbreak of Salmonella enteritidis (SE) in 2007 impacted a large sector of the Canadian egg industry with an estimated cost of \$4.5 million. The Egg Farmers of Canada recognized the need for greater vigilance and implemented an SE surveillance framework in 2010 and with the support of Agriculture and Agri-Food Canada (AAFC) support launched its SE insurance coverage in 2011.

Further details on PIE, CEIRA and other poultry industry insurance initiatives will be described in subsequent sections.

The Phase 4 Report will examine to what extent disease insurance is currently available to BC poultry producers and products that are currently under development to address the needs of the BC poultry industry. The analysis will also examine the extent to which the existing products do or can support BC objectives and desired outcomes.

## **Available Poultry Disease Insurance Products**

Forms of poultry insurance for federally notifiable or reportable diseases in Canada started to develop in earnest following the 2004 HPNAI outbreak in BC. The Chicken Farmers of Canada initiated work on an insurance based product with federal funding assistance in the years following the 2004 HPNAI outbreak in BC. This initiative provided the groundwork for the products currently available and under development.

### A10K – 3D Poultry Disease Insurance

A10K is a Lloyds Coverholder in Canada, operating out of Toronto, Ontario. As a Lloyds coverholder, A10K is an insurance intermediary (broker) who has been developing new insurance products for the Canadian market. In 2013, responding to the growing demand for poultry disease insurance, A10K, working with the University of Manitoba and Crowe Livestock Insurance commenced development of a multi-disease insurance product for poultry in Canada. The 3D Poultry Disease Insurance Product was initially offered throughout Canada through HUB International. It is currently being offered through a number of insurance agents throughout Canada, such as Excalibur Insurance and Heartland Farm Mutual in Ontario and Valley Wide Insurance and Western General in BC. Coverage by sector is variable, in some cases, insurance is available for all four poultry sectors and in others it is limited to specific sectors, i.e. broilers or broilers and layers.

The 3D Poultry Disease Insurance provided coverage for

- physical loss for the shortfall in government compensation relative to the projected market value of a flock ordered depopulated;
- income loss for the projected profit from subsequent flocks that were prevented due to a quarantine order; and
- clean-up costs.

The insurance is available for four diseases:

- Avian Influenza
- ILT
- Newcastle Disease
- Salmonella Enteritidis

Insurance policy wording for the 3D Poultry Disease Insurance is proprietary and not publicly available. Premiums are only available based on a request for quotation. Anecdotal comments indicate that some BC producers have requested quotes and that some have purchased the insurance. It is not possible to confirm these comments as written requests to A10K for information on number of policies issued in BC have not been responded to.

In October 2013, representatives from A10K Inc. and Hub Insurance met with the BC poultry industry to present their multi-disease poultry insurance product for feedback and to determine BC industry interest. At the time, the product coverage was for Highly Pathogenic NAI (HPNAI) only, not Low Pathogenicity NAI (LPNAI) and coverage for C&D was limited to \$10,000. Coverage for both HPNAI and LPNAI was important to the BC industry, based on past experience and to support consideration of an enhanced NAI surveillance program which would yield more frequent LPNAI discoveries. A10K indicated at that time that it would not support providing insurance coverage for the entire BC poultry industry.

Subsequent iterations of the A10K insurance product saw coverage extended to include LPNAI and now includes up to \$100,000 in infected premises C&D as part of the comprehensive disease insurance policy which can be extended to up to \$200,000 for an additional premium.

## ***Developing Poultry Disease Insurance Products***

### Canadian Egg Industry Reciprocal Alliance

In 2011, the egg industry implemented a SE insurance program for layer flocks through the Canadian Egg Industry Reciprocal Alliance (CEIRA) after nearly 10 years of research and development. CEIRA is a reciprocal, owned by its members, the provincial and territorial egg marketing agencies except Ontario, the Canadian Hatchery Federation and the Pullet Growers of Canada. CEIRA must be licenced in each of the provinces and territories it offers insurance. It currently has approximately 700 subscribers covering 16 million birds.

From the experience gained through SE insurance, CIERA has been working on a NAI insurance policy that would be available to egg producers nationally. CEIRA is working in collaboration with PIE and eqcma with funding provided by AAFC AgriRisk Initiatives (ARI) on a NAI insurance product to cover market gap, business interruption and C&D for layer producers in Canada. They are waiting for CFIA to complete their review of *Health of Animals Act (HoA)* compensation and to finalize the compensation formula for flocks ordered destroyed. CEIRA expects to complete work on the product by the end of March 2018 and subsequently make it available to layer producers.

### Poultry Insurance Exchange Reciprocal of Canada

PIE is a producer owned, not for profit licenced insurance provider in Ontario, Saskatchewan and Alberta. Its members include the Egg Farmers of Ontario, the Ontario Broiler Hatching Egg and Chick Commission, the Saskatchewan Hatching Egg Farmers and the Alberta Hatching Egg Commission. As a reciprocal, PIE must be registered as an insurance provider in each province that it operates.

On January 1, 2004, PIE commenced its insurance program to cover losses due to SE and Salmonella typhymurium Dt104 infection in broiler breeder flocks in Ontario. The insurance requirement was made mandatory by the Ontario Broiler Hatching Egg and Chick Commission (OBHECC). While the requirement for the insurance was mandatory, the OBHECC regulation was silent on where or from whom the insurance could be purchased. With no other insurance companies providing Se coverage, PIE became the insurer of record.

PIE has continued to respond to industry demand and in 2008 added two more diseases, Mycoplasma Synoviae (MS) and Mycoplasma Gallisepticum (MG) as insured perils. In 2011, PIE included SE coverage for Ontario Egg producers. PIE also provides SE coverage for Alberta and Saskatchewan hatching egg producers.

PIE, working in concert with the Ontario Feather Board Command Centre with funding through AAFC ARI is leading a project to extend current coverage to include Avian Influenza in response to subscribers request. It has created an underwriting model template to develop a risk based insurance solution to provide coverage for business losses due to NAI; bridge the gap between CFIA compensation and defined economic losses of the producer, including infected premises C&D.



PIE is in the same position as CEIRA in having to wait for CFIA to finalize its compensation under the *HoA* for ordered flock destruction to be able to finalize coverage and premium costs. PIE is hopeful to implement its extended coverage by March 31, 2018.

### [eqcma – Equipe Quebecoise de Controle des Maladies Avicoles](#)

Similar to the Ontario Feather Board Command Centre, eqcma is the Quebec organization with over 45 associate members having a mandate to promote prompt reporting of any suspect or confirmed cases of the targeted diseases to minimize the risk of a major crisis. As well its mandate includes, improving compliance of producers and industry partners on recommended biosecurity for the control and eradication of targeted diseases and to introduce compensation and mandatory reporting on targeted diseased through production or supply management regulations.

Without an insurance licence in Quebec, eqcma cannot provide insurance to its members and is working collaboratively with CEIRA and with AAFC ARI funding to develop potential risk transfer solutions for producers and the allied trades for consultation with key stakeholders.

### [BC Poultry Captive Insurance Company](#)

Immediately following the 2004 HPNAI outbreak, the BC Poultry Industry commenced work on gaining a better understanding of its risk exposures resulting from major disease discoveries. Through a systematic approach and the development of a risk mitigation strategy, in 2010 the industry concluded that the examination of risk transfer mechanisms to cover the industry from NAI losses was required. In 2011, the industry had determined that continued exploration and development of a captive insurance company could meet the needs of the BC poultry industry as part of the implementation of the BC Poultry Risk Mitigation Strategy. The four poultry associations agreed to create a captive insurance company and in December 2013, the BC Poultry Captive Insurance Company was incorporated.

Since 2010, the BC poultry industry has worked with insurance industry specialists to define coverage options for the four sectors that included market loss, business interruption and cleaning and disinfection. Actuarial assessments were conducted and reinsurance coverage to backstop excess losses was solicited. The BC Farm Industry Review Board (BC FIRB) Report on the 2014 Supervisory Review of Jurisdiction and Sound Marketing Policy Considerations for Disease Insurance placed a hold on continued development of poultry insurance owing to the lack of legislative authority and evidence of sound marketing policy to establish mandatory disease insurance on poultry producers.

The BC Poultry Association working with the boards and commission secured AAFC ARI funding to conduct additional research and analysis to support the Mandatory Insurance Review.

## ***Applicability of existing and emerging insurance products***

### [Coverage](#)

The available insurance product provides coverage far in excess of the need determined to support the sound marketing policies of the BC poultry industry, infected premises C&D. The coverage to include NAI and three additional diseases for market loss, business interruption and clean-up costs may be in the interests of some BC producers but goes well beyond the Phase 2 recommendation; the need to cover the extraordinary cost of infected premises C&D. If the



boards and commission were to require producers to maintain insurance against infected premises C&D losses, the only option currently available at this time is the A10K 3D Poultry Disease Insurance policy. It is highly unlikely that a private insurance company will take on the disease risk for the province given the adverse selection insurance principle. The private sector in general is more than willing to take on low risk producers but reluctant to accept high risk producers (the means test by which this would be established is not known). If the scenario were to play out, some producers would be unable to meet the mandatory disease insurance requirement.

The emerging insurance products being developed by CEIRA and PIE provide comprehensive coverage for market loss gap, business interruption and C&D which also extend beyond the Phase 2 recommendation; the need to cover the extraordinary cost of infected premises C&D. It is not clear whether or not these organizations would be willing to limit coverage in BC to C&D only. The ability of CEIRA and PIE to provide insurance coverage is subject to CFIA finalizing the coverage levels for birds ordered destroyed under the *HOA*.

### Cost of Coverage

While it may be beneficial to producers to obtain insurance that extends coverage beyond C&D costs, it increases the cost of premiums. Prior work done by the BC Poultry Captive Insurance Company (BCPCIC) identified an annual premium cost of \$700,000 to cover all registered producers in the four poultry sectors in BC. It is expected that the cost of existing and emerging poultry disease insurance products would be similar to that estimated by the CPCIC. This amount far exceeds the \$200,000 annual cost to the industry for infected premises C&D coverage only.

### Legal Implications

A10K underwritten products are offered by private, licenced insurance agents. A contract of insurance or insurance policy provides the insured with the specific details on the coverage and the disclosure requirements. As long as the insured provides the requisite disclosures and documentation in accordance with the insurance policy to support a claim, the insurance company is obligated to pay.

At this point, without access to the specific 3D Poultry Disease Insurance policy wording, there is the potential for non-coverage owing to the existence of the CFIA requirement for non-disclosure of the terms of CFIA compensation paid to infected premise owners. Standard insurance contracts/policies require the insured to provide “proof of loss”. In the case of a NAI discovery, the “proof” would be the government declaration of infected premise, destruction order and compensation settlement. The insurance company’s settlement with the insured will only fill in the gaps, and without evidence of the gap or loss, it is unlikely that an insurance company would pay any settlement.

CEIRA and PIE are reciprocal insurance companies. They differ from traditional insurance companies in that they are an unincorporated group of members by way of minimum term (i.e. 3 to 5 years) subscribers’ agreements. As with insurance companies, reciprocals must be registered with provincial insurance regulators however the capital requirements differ in that insurance companies must have sufficient capital available to cover future claims whereas reciprocals can rely on contractual assessments to cover future claims. In other words, subscribers are individually liable for settling unfunded claims through future assessments, which the subscriber can be liable for even after leaving the reciprocal. Reciprocals may choose to limit payments for losses as opposed to retroactively assessing members to settle

claims, whereas an insurance company is required to pay indemnities in accordance with the insurance policies. In more general terms, reciprocals are designed to address frequent, but relatively small losses as opposed to infrequent catastrophic losses.

### Producer acceptance

A10K poultry disease insurance products are available throughout Canada through various insurance agents. Given the insurance is provided through private corporations, information on the number of policies issued is unknown. Anecdotal information indicates there is some but not extensive uptake of the insurance.

Existing insurance policies offered through PIE are well subscribed. SE insurance for broiler hatching egg and chick producers and layers in Ontario is mandatory and producers have chosen to utilize PIE to provide the insurance. SE insurance for broiler hatching egg producers in Alberta and Saskatchewan is mandatory. It is expected that NAI insurance will be voluntary. While PIE has indicated the NAI insurance has been developed in response to subscriber request, it remains unknown as to the level of acceptance of the resulting product and uptake by producers.

SE insurance through CEIRA is mandatory and all registered egg producers in Canada except Ontario have subscribers' agreements with CEIRA. There may be a few egg producers who are not subscribers with CEIRA and have purchased insurance through other providers.

Work to date on NAI insurance in Canada has indicated that there is a demand, but uptake is limited. Past work by the BCPCIC has identified premium cost as a major factor in determining producer acceptance.

## **Options**

### ***Option 1 – Require Licenced Producers to Maintain Disease Insurance***

The boards and commission based on the need to address the extraordinary cost of infected premise C&D in order to return to a system of orderly marketing in a timely manner, could achieve the outcome through having the enabling powers of the NPMA to require producers to maintain disease insurance incorporated into their respective marketing schemes. Licenced producers would have to avail themselves to the insurance products currently available in order to meet the requirement.

### Benefits

Existing available insurance policies provide coverage for 4 poultry diseases for market value loss, business interruption as well as clean-up cost (C&D). This would result in greater coverage for producers. This option would have limited administrative requirements and resulting costs to the boards and commission.

### Costs

The availability of insurance policies for poultry disease insurance in Canada is limited. The current policies provide coverage in excess of C&D costs and as such producers would incur a higher premium than if coverage was limited to C&D. Based on the prior work done by the BCPCIC, the cost to producers of the broader coverage could be up to 3 times greater than simply securing insurance for the cost of infected premises C&D. The mandatory insurance requirement would lead to higher costs to producers and likely result in request for producers to

have those costs included in the cost of production. Inclusion would in turn pass through the cost to the consumer. Processors are likely to claim that mandatory disease insurance would impact their competitiveness in the Canadian market.

### Advantages

- Producers would be required to accept the responsibility for contributing to orderly marketing by having insurance policies in place that would compensate for the extraordinary cost of infected premise C&D.
- Individual producers would bear the cost of the risk of infection of their operations as opposed to being shared by the industry as a whole.
- There are no upfront capital requirements for the BC poultry industry.
- Having an insurance policy to cover the cost of infected premise C&D should eliminate/minimize any delay in initiating C&D by removing concern over the financial impact to producers.

### Disadvantages

- The limited available insurance products would hold producers captive to a single private insurance broker with limited to nil ability to influence the cost of insurance.
- With only a single insurance broker currently providing poultry disease insurance, the insurance provider could be selective in only providing coverage to those they deem to be low risk, leaving high risk producers being required to maintain insurance but not able to secure it and being out of compliance with board regulations.
- The potential exists whereby indemnities may not be paid for the coverage purchased if claim documents covered by non-disclosure agreements with CFIA are required in the claims settlement process.
- Producers, particularly broiler growers who have the lowest probability of being an infected premise would challenge the need for mandatory insurance.

### ***Option 2 – Boards and Commission to cover Infected Premises C&D Cost***

As recommended in the Phase 2 and 3 reports, the boards and commission would individually or collectively establish funds to cover the extraordinary cost of infected premises C&D. This approach would enable the boards and commission to return to a system of orderly marketing in a timely manner by addressing the gap created by the federal and provincial governments' position to not entertain an industry request to access the federal-provincial AgriRecovery Program to cover the cost of infected premise C&D.

### Benefits

The cost of infected premises C&D can and should be considered by the boards and commission as an operational cost of maintaining a system of orderly marketing. Based on estimates provided by the actuarial analysis, there will be minimal to nil impact to producers as the current levy structure is expected to accommodate the costs to establish and maintain an Infected Premises C&D Cost Recovery Fund. The ability to influence timing of initiation and completion of infected premises C&D by the boards and commission is enhanced with the provision of financial support for eligible activities.

### Costs

Based on available information, it is estimated that the annual cost of the boards and commission collectively maintaining an Infected Premises C&D Cost Recovery Fund ranges

from \$200,000 to \$400,000 per year, depending on whether to transfer some of the financial risk through reinsurance or to self-insure. The annual cost is expected to be much less than the actual costs for individual producers to purchase available private disease insurance (in excess of \$750,000 annually).

### Advantages

- The overall cost to establish and maintain an Infected Premises C&D Cost Recovery Fund to the industry is estimated to be less than if producers were required to purchase private insurance.
- The BC poultry industry maintains control over the Fund and its ability to manage surpluses and deficits.
- The BC poultry industry is able to design a product specific to the needs of BC for a timely return to a system of orderly marketing following a NAI discovery.
- It provides opportunities for the BC industry to leverage its capital to extend coverage as necessary for other notifiable or reportable diseases.
- Eliminates any potential concern with non-disclosure agreements with CFIA.
- All licenced poultry producers share in the costs and the benefits of a timely return to a system of orderly marketing.

### Disadvantages

- Up front capital infusion and annual contributions are required to establish and maintain the fund.
- Additional administrative burden placed on the boards and commission.

### ***Option 3 – Owners to cover the cost of infected premise C&D***

While discounted in the Phase 3 Report, the poultry boards and commission could choose to maintain the status quo, whereby there is no requirement for a producer to maintain disease insurance and the responsibility for the cost of infected premise C&D fully rests with the producer.

### Benefits

On the surface, it would seem that this option provides the producer with the most flexibility and the least cost approach.

### Costs

Individual licenced producers would bear the full cost of C&D which has in the past been as high as \$350,000 for a single infected premise.

### Advantages

- Producers would be more satisfied with less as opposed to more regulation, i.e. no mandatory insurance requirement.
- Producers would be left with the decision as to whether or not to purchase insurance.
- There are no upfront capital or annual funding requirements.

### Disadvantages

- Does not enable the boards and commission to return to a system of orderly marketing in a timely manner.

## Conclusions

Available poultry disease insurance in Canada is currently limited to one insurance broker, A10K, 3D Poultry Disease Insurance, offered through various insurance agents in Canada. While there are at least two other insurance products in the final development stage that could be available in 2018, subject to CFIA finalizing their *HoA* compensation for ordered destruction formulas, all options provide coverage in excess of simply covering the extraordinary cost of infected premises C&D. If CFIA does not change its current formula to one that has a linkage to the Loss Quantification Models which provide estimated weekly “market” values of birds, it will not be possible for the emerging insurance products to be marketed.

The BC poultry boards and commission concur on the need to explore establishing and maintaining a collective Infected Premises C&D Cost Recovery Fund to facilitate a timely return to a system of orderly marketing. Requiring producers to maintain insurance in excess of the cost of infected premise C&D is inconsistent with sound marketing policy and would result in additional producer costs for insurance; nearly three times the expected premiums for C&D insurance only and increase cost pressures throughout the poultry value chain. The increased costs could adversely affect the competitiveness of the BC poultry industry, particularly if BC were the only province to require its licenced producers to maintain insurance against losses resulting from poultry disease.

The poultry disease insurance that is currently available and emerging is in excess of the scope of the Phase 2 recommendation to cover the extraordinary cost of C&D. The initial work in BC and continued work by other poultry organizations on poultry disease insurance in Canada is designed to cover the market value gap in *HoA* compensation for birds ordered destroyed, business interruption as well as clean-up costs. Through the Review, it was assessed that the current CFIA *HoA* compensation formula provides adequate compensation for birds ordered destroyed. Unless the formula is changed, it is not expected that insurance policies intended to cover the market loss gap would yield any indemnity payments. Business interruption remains a concern, particularly within the broiler breeder sector where existing commission policies and regulations do not enable quota leasing or credits.

The current private sector insurance capacity is not designed to take on the risk of the entire BC poultry industry without charging additional premium for the added “risk”. It is unknown as to whether or not they would be willing to provide a C&D cleaning policy only or if the premium cost of the C&D would be significantly different from the full coverage insurance policies.

There remains a gap in available insurance to meet the specific needs of the BC poultry industry to facilitate a timely recovery from a NAI discovery. BC is unique in having experienced multiple NAI events. Other provinces have only had at most a single NAI discovery and have not developed the breadth of knowledge and experience as the BC industry. The regulatory regimes in other jurisdictions differ from BC with respect to the enabling and application of powers and duties attributable to their poultry boards and commissions.

## Recommendation

While the *NPMA* provides an enabling mechanism to require producers to maintain disease insurance, it would be inappropriate for the boards and commission to acquire and apply such powers without having sufficient and appropriate insurance products available. It is recommended that the BC poultry boards and commission not proceed with securing the enabling authorities to require producers to maintain disease insurance.

The Phase 3 findings and conclusion identified that it is more cost effective for the boards and commission to pursue risk transfer mechanisms for an Infected Premises C&D Cost Recovery Fund. It is recommended that the boards and commission continue to examine and develop as necessary, made in BC solutions to address C&D compensation that enables the timely return to a system of orderly marketing.

*Strategic Considerations* – The BC poultry industry has faced a number of NAI events and has developed considerable experience in facilitating a systematic and timely return to a system of orderly marketing. The continued evolution of the BC Poultry Risk Mitigation Strategy will require further adaptation and response by the industry to enhance surveillance that could result in more frequent NAI discoveries. The implementation of the early emergency response plan may result in industry absorbing the cost of the ordered destruction of the Index Premise flocks.

The continued exploration and development of a BC insurance approach provides the industry with the best possible solutions and options to address the continually evolving BC Poultry Risk Mitigation Strategy and emergency response. The establishment and maintenance of a dedicated Fund would also provide the industry the ability to respond to extraordinary costs of infected premises C&D for other notifiable or reportable disease discoveries, i.e. Newcastle's.

*Accountability Considerations* – Finding risk transfer mechanisms to promote cost effective measures and solutions to mitigate and manage the cost of infected premise C&D is critical to ensure the ability of the industry to return to a system of orderly marketing in a timely manner following a NAI event. Risk transfer mechanisms enable the industry to have the requisite financial resources available, when and as needed.

*Fairness Considerations* – Notwithstanding the enabling authority to require producers to maintain disease insurance, the boards and commission recognize the market for disease insurance cannot currently provide an insurance product that meets the needs of BC producers and would result in higher costs. It would not be in the interest of sound marketing policy to require producers to maintain disease insurance at this time.

*Effectiveness Considerations* – The Review has enabled the boards and commission to take a systematic and comprehensive review of the need for disease insurance in concert with sound marketing policy.

*Transparency Considerations* – The Review has been guided by a stakeholder engagement strategy that included establishing a common website to share information generated by the Review and enable stakeholders to respond. As well, direct outreach to specific groups, such as producer and industry associations on the Review and to solicit input and feedback.

*Inclusiveness Considerations* – The Review has provided mechanisms to engage industry participants and stakeholders. Full consideration will be given to comments and views expressed by producers and stakeholders.