

MINUTES: Mandatory Insurance Review Committee – January 2, 2018 – 12:12 p.m.
BCCMB Board room

PRESENT:

BCCMB: Derek Janzen, Ray Nickel (via telephone), B. Vanderspek, C. Rickson.

BCEMB: Katie Lowe, Gunta Vitins, Fred Krahn.

BCTMB: Michel Benoit, Vic Redekop.

BCBHEC: Allan Cross, Stephanie Nelson.

BCPA: Christine Koch, Steve Heppel.

Absent: Aryn Alibhai, Jim Collins.

Guest(s): Harvey Sasaki.

1. Confirmation of Agenda:

A. Cross opened the meeting by thanking all for their attendance. He stressed the importance of coming to a resolution on the outstanding issues and concerns. After 13 years of experience and development, expectations at all levels are high that an industry-based approach to covering future IP C&D costs will be implemented. He indicated the potential damage to the poultry industry's reputation with government if the group failed to come to a resolution. Allan also expressed concern with the lack of an agreed upon approach to deal with any potential 2018 NAI discoveries.

The agenda was approved as circulated.

2. Update on Board Decisions:

A written report was circulated summarizing the position of each board. The report was accepted as written. H. Sasaki provided a summary of the points of board concurrence and outstanding issues/concerns as follows:

Points of board concurrence:

- Acceptance of all 5 Phase Reports.
- Not proceed to secure enabling authorities to require producers to maintain insurance.

Outstanding issues/concerns:

Points of Divergences:

- 3 of 4 boards are willing to explore establishing a collective Infected Premises C&D Cost Recovery Fund consistent with sound marketing policy; Broiler Hatching Egg Commission agrees to establish the Fund.
- No agreement on cost sharing formula (no report of agreement from BCPA)

Points Requiring Further Details:

- Government funding and repayment obligations.
- Operational structure of the group funded deductible plan.

- Annual operating costs of fund and the ability for the boards to internalize some of the costs.

Points Not Yet Decided (subject to resolutions of above issues/concerns):

- Creation of a group funded deductible plan.
- Further examining the boards authorities to own and operate an insurance company.
- Commitment to share 2018 NAI costs, in the event of a discovery.

Notification Actions to be Undertaken:

- Formal submission to BC FIRB to request to proceed with the Fund.
- Formal notification to stakeholders.
- Posting of reports, documents, decisions.

Decision: It was agreed that the Summary of Board Positions can be posted to the common AI Insurance website; as could the 5 Phase Review Reports, the November 3, 2017 Decision Note and November 30, 2017 Briefing Note on the IP C&D Cost Recovery Fund.

3. Update on BCPA cost share discussions:

S. Heppel reported on the BCPA meetings which discussed cost share options. 3 commodities have agreed to support using “risk” for the annual premium costs with the four commodities equally sharing the initial capital requirements. The layer sector commodity was not able to support the recommendation. Discussions continue at the PA. The group is having trouble separating the principle of “risk” and how the number breaks out as per the actuary report.

4. Actuarial Assessment Report Issues:

a. Response to Egg Board December 21/17 points

Egg Board raised concerns from some of the assumptions used in the actuarial analysis by way of letter dated December 21, 2017. JS Cheng and Partners (JSCP) responded in writing on December 29/17 to the four concerns raised. K. Lowe raised the following points to elaborate on the Egg Board’s position:

- Eggs will be receiving a report and update at their February 5, 2018 board meeting on the work being undertaken by CEIRA. It has been suggested that the AI insurance will most likely be included in their current SE insurance which could then lead to a duplication of insurance covering egg layers. The Egg Board requires a better understanding of the potential linkages between SE and AI and any resulting duplication. R. Nickel suggested that the CEIRA plan was not a fundamental limitation to the Egg Board participation in the Fund as CEIRA currently does not have 100% BC layer producer participation and that duplication could be addressed by way of agreement between BC and CEIRA on the treatment of C&D costs.
- The Egg Board is not prepared to accept the JSCP results as currently presented based on concerns relating to a number of the assumptions used in their analysis, i.e. respecting crews going to more than one farm a daily basis and the transfer of risk. Also the number of Infected Premises used is incorrect.

S. Nelson asked if the group could focus on the principles for cost sharing and ignore the actual values currently presented by JSCP, specifically, if all commodities can accept the principle to share the annual costs of the Fund based on risk.

Decision: The Egg Board representatives agreed with the principle to share the C&D cost based on risk, subject to the assumptions used to establish the risk are further explained and updated. The Egg Board (as well as the other three boards) cannot formally agree until such time as the Board has met and affirmed the recommendation to share the annual costs based on risk. (next Egg Board meeting scheduled for February 5, 2018).

Follow-up Action (all):

- **The boards are to review the 15 assumptions used by JSCP (page 15 – 18) and either affirm or provide revised numbers to H. Sasaki to send the to JSCP for consideration in rerunning the analysis.**
- **H. Sasaki to secure from JSCP the definition used for “farm crew” assumptions.**
- **H. Sasaki indicated that if there is only changes to the numbers used and not changes to the model itself, the cost to redo the analysis would be between \$5,000.00 -\$10,000.00.**

b. Barn temperatures at time of flock placement – duration of greater than 30 degrees C:
It was confirmed by the broiler sector that brooding temperatures of >30° C were contained to the first week of production. The consensus was that as all commodities have similar practices there should be no differentiation between in the Probability of Infection for in the calculation of idle time in the production cycles.

c. Administration cost to premium ratio

H. Sasaki reported that Marsh Canada is working on the group funded deductible plan and preparing a report for the committee that should be completed by January 31, 2018. The report will address the required administration costs and the identification of activities that could be internalized by the boards.

d. Sector Cost Share and 2018 NAI Plan

Based on the discussions, A. Cross summarized the points of agreement to recommend to their respective boards in moving forward as follows:

- The start-up capital costs of one million dollars will be split equally by the 4 sectors (25% each).
- Accept the principle to use the revised actuarial risk assessment as the basis for sharing the annual premium costs for the Fund.
- Any costs resulting from a winter of 2018 NAI discovery would be shared on the basis of risk as apportioned by the revised actuarial assessment, applied retroactively, if necessary.

5. **Update on Agri Risk Funding:**

H. Sasaki updated the meeting on discussions held with federal and provincial government staff. The province must make the application to the federal government on behalf of the poultry industry for assistance under the AgriRisk Administrative Capacity Building Initiative. The terms of the program indicate that any administrative costs funding is not repayable. Any capital contributions are potentially repayable. Repayment is based on the ability of the risk management tool's capacity to remain viable and as such could be waived by the governments. Repayment can be spread out over 7 years if there has been no AI discoveries, at a rate of prime plus 1%. It was recommended that any application be made under the new framework agreement which starts April 1, 2018.

A letter from the four Boards requesting funding needs to be sent to the Provincial Deputy Minister of Agriculture if this is to go ahead.

6. **Update on FIRB Supervisory Review requirements – Outstanding recommendations requiring action points:**

H. Sasaki met with BC FIRB staff on December 5, 2017 to provide an update on the Review and to identify any requirement to advance the Fund. The August 2014 BC FIRB directive to the poultry boards requires prior approval before the collective C&D Fund can be established. A joint letter and submission will be required.

7. **Other business:**

a. **Captive Corporate Annual Report**

The associations had incorporated a Captive in December 2013. Its annual report is due for fiscal 16/17, and needs to be filed to maintain the Captive in good standing and preserve the option to use the Captive in the future as the insurance delivery mechanism. If a corporation fails to file reports for 2 years it is removed from the registry. H. Sasaki recommended that the report be filed by the BCPA for 2016/17 to maintain future options. The group concurred with the recommendation.

8. **Next Steps:**

- All commodity boards to review the 15 actuarial assumptions and report back to H. Sasaki by **Friday, January 5, 2018.**
 - H. Sasaki to work with JSCP to
 - Provide definition of “farm crew” for review by the boards.
 - Have all commodities at the same first week temperature profile.
 - Follow-up and produce a revised set of assumptions and costs for the analysis.
 - A. Cross to provide a simple outline of how each commodity works for the actuary.
 - H. Sasaki to work with S. Nelson to post to the common AI Insurance website the following:
 - The reports for the 5 review phases
 - Decision Note and Briefing Note materials considered at and arising from the last meeting.

9. Next Meeting:

The next meeting will be will be at the call of the Chair in early February.

The meeting adjourned at 1:47 P.M.

B:\Administration\BCCMB Minutes\Meeting Notes\Mandatory Insurance Committee Minutes\Mandatory AI insurance meeting notes January 2018.docx

DRAFT