

AI Insurance Review

Fund Management Committee Decisions Note

September 5, 2018

Issue:

To approve the work plan and costs of activities to enable the evaluation of placing the BC infected premise cleaning and disinfecting coverage with the Canadian Egg Industry Reciprocal Alliance (CEIRA).

Background

- At the July 12, 2018 meeting, the Fund Management Committee (FMC) agreed to explore the cost of securing excess loss coverage of the IP C&D through CEIRA.
- CEIRA has established Notifiable Avian Influenza (NAI) insurance coverage that is being extended to egg producers who have purchased SE insurance and also has an agreement to provide NAI insurance to producers in Quebec through EQCMA.
 - CEIRA has recently completed the process of placing the excess loss NAI coverage in the reinsurance markets.
 - The extension of SE insurance to cover NAI, for the most part provides BC egg producers with IP C&D coverage.
- CEIRA uses data generated by the Animal Disease Spread Model to establish expected losses due to NAI as well as the frequency of loss in developing their NAI coverage.
 - Current BC layer data is already included in the CEIRA database.
 - BC will need to provide updated bird numbers for the non-layer sector as well the amount of coverage required by sector to enable the analysis.
- In order to evaluate the BC coverage, CEIRA requires:
 - A confirmation of the expected losses through use of the ASDM.
 - A five-year financial forecast to establish the minimum capital requirements.
 - A review of policy wording to assess consistency with the Subscribers' Agreement.
- The FMC will need to confirm the continued engagement of Agri-Saki Consulting Inc. to manage the project through to any submission to BC FIRB and subsequent consideration of the request for prior supervisory approval of the approach to managing the financial risk of IP C&D.

Discussion

The following activities will be required in order to provide the FMC with an estimate of the annual cost for IP C&D insurance coverage by sector through CEIRA:

Coverage

- Whether or not to include additional IP C&D coverage for layers given that BC egg producers who are subscribers to CEIRA are now covered.

Expected Losses

DH AgRisk, the consultants that support the development and implementation of the NAI coverage for CEIRA need to be engaged to provide the following deliverables:

- Annual expected loss by sector
- Frequency of loss (N-year events or PML) tables

- Detailed estimate of annual premium by load category

The final annual premium will be subject to change depending on the actual reinsurance cost to cover the excess loss.

The expected cost to provide the deliverables should not exceed \$2,500.

Financial Forecast

Aon Risk Solutions, the firm providing accounting and fund management support to CEIRA need to prepare a five year financial forecast in order to establish the capital requirements for the BC IP C&D insurance pool.

- A significant amount of the work from the JSCP assessment will reduce the cost of this activity.

The expected cost to complete this activity should not exceed \$3,000.

Policy Wording Review

The draft policy wording will need to be reviewed by CEIRA's legal counsel to ensure consistency with CEIRA's subscribers' agreement.

- It is expected that the policy wording will require revision and modification.

The expected cost to complete this activity should not exceed \$5,000.

Project Management

Agri-Saki Consulting Inc. has been managing the Insurance Review on behalf of the boards and commission and the following activities will be required to complete the Review:

- Provide CEIRA's consultants with the required data and documents.
- Receive and review on behalf of the FMC the deliverables from CEIRA consultants.
- Prepare and present recommendations to the FMC.
- Prepare a presentation for the October 10, 2018 meeting with BC FIRB.
- Complete the draft Joint Submission or other form of submission as may be required by BC FIRB.
 - Prepare responses to questions and support any follow-up with BC FIRB.
- Work with CEIRA on behalf of the boards and commission to support the implementation of the IP C&D coverage subject to each board approving the CEIRA approach and BC FIRB support for the approach.

The expected cost of this activity should not exceed \$5,000 plus any travel costs (~\$1,500 for three trips to Abbotsford) incurred to attend meetings.

Recommendations

The FMC approve the activities work plan described above.

With respect to the cost of activities, it is recommended that the FMC commit to the expenditure of up to \$17,000 to be shared by the boards and commission in accordance with the share percentages used for the work done by Agri-Saki Consulting Inc. on the Review.

- At this time, the FMC should not proceed with a request to the BC Ministry of Agriculture be approached to support an AgriRisk Initiatives, Administrative Capacity Building (ARI-ACB) application to provide federal/provincial/industry cost-shared funding at this time.

- The cost and time to prepare, file and adjudicate the application is questionable in terms of the amount of financial support to be secured through the program.
- Reconsideration of an application for ARI-ACB funding application can be given once the annual costs of participating in the CEIRA program are finalized.
- The estimated costs by activity represent the maximum expenditures; it is expected that the actual expenditures will come in below the amounts estimated. Agri-Saki Consulting Inc. will monitor the expenditures and notify FMC in advance of any activity cost pressures that may exceed the estimate.
- Agri-Saki Consulting Inc. on behalf of the FMC to engage consultants and manage the activities described above.
- Billing of activities to continue to be processed through the BC Turkey Marketing Board; in addition to processing Agri-Saki Consulting Inc., DH AgRisk, Aon Risk Solutions and CEIRA's legal firm will provide invoices for the services provided and deliverables.

With respect to coverage, it is recommended that:

- In order to expedite the process, the analysis would be initiated using the 2016 production data used by JSCP.