

Avian Influenza Insurance Past, Present and Future

BC Farm Industry Review Board
Abbotsford, BC
October 10, 2018

Purpose and Outline

- ▶ Update status of the AI Insurance Initiative;
 - Answer questions
- ▶ Describe roles and responsibilities through
 - Where we have been
 - Where we are now
- ▶ Define the Problem
- ▶ Describe how we get to where we want to go

Roles and Responsibilities

- ▶ Managing NAI
 - Federal Government
 - Provincial Government
 - Industry
 - Boards and Commission
 - Associations
 - Individuals

Where we have been

– A Brief History

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History of NAI in BC

- ▶ 2004 HPNAI
 - 42 infected commercial premises
 - 15 million birds ordered destroyed on 410 commercial farms
 - \$391 million economic impact
- ▶ 2005 LPNAI
 - Non-regulated duck and goose operation
 - Contained to single operation with two farms
- ▶ 2009 LPNAI
 - Two commercial turkey farms
- ▶ 2014 HPNAI
 - 11 commercial premises; breeders, layers and turkeys
 - 240,000 birds ordered destroyed

Federal Role and Responsibility

- ▶ Canadian Food Inspection Agency
 - Lead government role
- ▶ *Health of Animals Act*
 - Containment, control and eradication
 - Quarantine
 - Movement controls
 - Order destruction
 - Surveillance
 - Inspection
 - Compensation for birds ordered destroyed
 - Epidemiology reports
 - Post outbreak review

BC Role and Responsibility

- ▶ Ministry of Agriculture (AGRI)
 - Lead government role
- ▶ *Animal Health Act*
 - Inspection, diagnostics, quarantine, orders, including destruction
 - No compensation payable for ordered destruction or other measures to control, contain and eradicate
- ▶ Support and joint management with CFIA on NAI
- ▶ After Action Reports

Boards and Commission Role and Responsibility

- ▶ *Natural Products Marketing (BC) Act*
 - Maintain a system of orderly marketing
 - Review authorities – Mandatory insurance
 - Supplemental quota
 - Quota leasing and quota credits
- ▶ Support industry associations and stakeholders
 - Cleaning and disinfecting infected premises (2004)
 - Movement controls
 - Stop movement orders
 - Support permitting movement of birds during an event
 - Mandatory biosecurity
 - Implementation and audit
 - Lessons learned (2004, 2005 and 2014)

Associations Roles and Responsibilities

- ▶ Lead industry role
 - Operate industry Emergency Operations Centre
 - Industry communications and government liaison
 - Support to Infected Premise owners
 - Support cleaning and disinfection activities
 - Support defining Standard Operating Procedures
 - Regulate all farm movements, set up zones
 - Immediate contact with growers, processors, allied trades
 - Support and work with CFIA and AGRI in operational response to NAI

Producer/Grower Role and Responsibilities

- ▶ Maintain high level of biosecurity compliance
 - Manage everyday and event specific biosecurity
- ▶ Cease movement immediately upon notification of NAI discovery
- ▶ Report and test
- ▶ Clean and disinfect

What has been done – Responses to Discoveries

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Government/Industry

- Lessons learned reviews
 - Canadian Poultry Forum (2004)
 - BC Poultry Industry Recovery Strategy (2014)
- Industry risk assessment

Government

- ▶ **Federal – CFIA**
 - Ordered destruction, disease eradication and compensation
- ▶ **Federal/Provincial – AAFC and AGRI**
 - Agri-Stability
 - Agri-Recovery – Infected Premise C&D (2009 & 2014)
 - Biosecurity Implementation Program
- ▶ **Provincial – AGRI**
 - Non-regulated insurance plan assessment

Industry

- ▶ Addressed the risk assessment
 - Developed a Risk Mitigation Strategy
 - Establish and implement on-farm mandatory biosecurity standards
 - Formalize emergency response system and formalize training
 - Work with AGRI on enhanced surveillance measures to facilitate early detection
 - Develop a compensation plan to address gaps in producer costs
 - EOC integration with CFIA and AGRI during response

BC FIRB

- ▶ Participated in industry risk assessment
- ▶ Provided guidance regarding existing authorities regarding mandatory biosecurity and insurance
- ▶ Initiated the 2014 Supervisory Review directions
 - Not to exercise regulatory authority for the purpose of supporting the proposed captive
 - Proceeding with a more limited regulatory solution to be submitted for prior supervisory approval

Where we are today

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Government

▶ CFIA

- Initiated a review of their compensation formula post-2014 event.
- Review remains a work in progress

▶ AAFC/AGRI

- Declared following 2014 future requests for AgriRecovery assistance would not be accepted

▶ AGRI

- Amendments to the *Natural Products Marketing Act*
 - Explicit authority to require producers to maintain disease insurance

Industry

- ▶ Transfer of lead responsibility for the financial risk initiative (insurance) from BCPA lead to boards and commission
- ▶ Work with AGRI on enhanced surveillance program
- ▶ Work with CFIA and AGRI on early response system
- ▶ Partner with government in FADES revision
- ▶ Develop Standard Operating Procedures for IP C&D

Boards and Commission

- ▶ **Mandatory Insurance Review**
 - Enable each board and commission to make a decision on whether or not to implement mandatory insurance requirements
 - Initiated in January 2016 and now completed
 - Conclusion – implementation of authorities not required at this time.
 - Refined definition of the Problem

Facilitating a return to a system of orderly marketing involves

- ▶ Immediate initiation of C&D activities
- ▶ IP owner responsible for activities and costs
- ▶ Significant range in costs for IP C&D, dependent on
 - Number barns and birds
 - Type of operation
 - 2014 experience \$6,000 to \$350,000
- ▶ CFIA inspection
 - 21 day fallow period post sign-off
- ▶ Management of critical timelines for “back to trading” provincially, inter-provincially and internationally

The Problem

- ▶ In 2014 farms
 - 154 commercial farms within 1 km of IPs
 - 254 commercial farms within 10 km of IPs
 - Translated 25 – 45% of the farms
 - Subject to dead bird surveillance and movement permits
 - Restocking held in abeyance pending completion of IP C&D
- ▶ 2014 success due to provincial commitment to support AgriRecovery claim for extraordinary costs not covered by *Health of Animals Act*
 - Going forward government no longer willing to entertain AgriRecovery requests for NAI in BC

The Approach

- ▶ Sound marketing policy suggest new measures are required.
 - Need to facilitate timely return to a system of orderly marketing
 - Orders to require immediate C&D are ineffective; administrative process results in delay
 - Notice and compliance before enforcement
 - Provide financial support to off-set the extraordinary cost of IP C&D
 - Based on 2004 and 2014 HPNAI experiences

The Fund

- ▶ The Chicken, Hatching Egg and Turkey boards have agreed-in-principle to the establishment of an interim Infected Premises Cleaning and Disinfecting Cost Recovery Fund.
 - Up to \$0.75 million initial Funding
 - Equal share contribution
 - Provide coverage based on quota birds placed and an average cost to C&D by production type.
- ▶ Risks and Challenges
 - Specified authorities for each scheme different with respect to use of levy for “costs and losses”
 - Inability to fully cover a catastrophic event.

What about Eggs

- ▶ CEIRAs expanded coverage to include NAI provides BC egg producers with C&D coverage (~\$1.75 per bird).
 - ▶ Working with the other three boards to explore an additional \$0.75 for layer C&D based on past experience (\$2.50 per bird total extraordinary C&D cost).
- ▶ Minor gap in CEIRA coverage for layers (6 non-subscribers)
 - ▶ Private insurance may be providing coverage

Insurance

- ▶ Considered a range of risk transfer mechanisms
- ▶ Canadian Egg Industry Reciprocal Alliance (CEIRA) creates opportunity
 - For Chicken, Hatching Eggs and Turkey to create a BC C&D pool
 - A known industry-led entity
 - Mechanism to cover excess loss (extreme and catastrophic scenarios, i.e. 2004)
 - Need to identify the cost versus benefits of proceeding

Moving forward – How we get to where we want to go

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The 3 Board Fund

- ▶ Implement an interim Fund for 2018/19
 - Contingency reserve established by each of the three boards (\$250,000 each)
 - Consistent with sound marketing policy
 - Addresses gap in available tools without resorting to mandatory insurance
 - Does not affect the competitiveness of the industry; within existing levy structures
 - Engaged industry – Negative stakeholder feedback received has and can be addressed
 - SAFETI principles fully addressed

Timing & Limitations

- ▶ 2018/19 Flu Season now in effect
 - Need to establish sooner than later
- ▶ Limitations
 - The proposed interim three board Fund is insufficient to address a major or catastrophic loss situation (>\$0.75 million)
 - Need backstop to cover excess loss while discussions with CEIRA continue
 - Exploring with AGRI interim support through AgriRecovery (2018/19 only)

Stakeholder Engagement

- ▶ Stakeholders advised and kept apprised of developments since commencement of the Review
 - Joint industry website in addition to board and commission websites used
 - www.avianinsurancereview.com
 - Reports and Decision Documents posted
 - Periodic meetings and letters to stakeholders
- ▶ Notification of intent to proceed with the interim Fund and insurance mechanism to be posted.

Thank you!

»» Questions