

# Loss Control Programs Benefit Pig Farmers

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## ■ Introduction

In 1974, together with my wife, we purchased an insurance business in LeRoy, SK. Over the years the business has evolved to specialize in the hog industry. As we gained knowledge in both the insurance industry and hog industry, it became very apparent a risk management strategy was necessary. The *Pig Safe Loss Control Program* was developed. BSI Insurance Brokers of Manitoba and Western Financial Group of Alberta are partners with our office to further develop the program.

## ■ Why a Loss Control Program?

The insurance industry's view of hog operations has changed in recent years. As barns were built bigger and bigger, the total insured value of certain locations reached many millions of dollars. As statistics were accumulated from losses, it was clear to the insurance industry their risk was much greater than anticipated. Not only were the property and Business Interruption values high but also many losses were a result of maintenance and barn procedure issues. In their view, many losses were preventable.

Many insurance companies pulled out of hog insurance. To stay in business, the remaining companies dramatically increased rates. Capacity was an issue. Capacity is obtaining enough insurance to insure a single location. The Pork Industry was on the verge of limiting expansion due to limited access to insurance markets. Something had to be done.

## ■ **Criteria for Development of the *Pig Safe Program***

The following features needed to be addressed:

- The program must be industry driven. Barn standards must be established.
- Insurance companies must have a say in the program based upon their loss experiences and inspection process.
- An independent third party must verify barns are conforming to the standards established by the program.

## ■ **Program Implementation**

An advisory Board was established. Two reps from the insurance companies, two from the hog industry, two Insurance Brokers and a rep from the monitoring company made up the board. The Advisory Board meets semi-annually. An annual meeting of participating Insurance Companies is held once per year.

A barn manual was developed to provide direction to barn managers and staff.

A division of Del-Air Systems of Humboldt, LPM Services Ltd., were contracted to provide third party verification of the standards established by the Advisory Board.

To pay for the program, insurance companies agreed to provide a 10% insurance discount to policyholders.

## ■ ***Pig Safe Loss Control “In Barn Book”***

An employee, with sufficient training, must complete a checklist for the following:

- Generator
- Alarm Check
- Rodent Program
- Fire Extinguishers
- End of Day Sign Out

An ongoing maintenance program must be in place or be implemented.

A one page monthly summary sheet needs to be completed using information from the checklist. The sheet is e-mailed or faxed to the monitoring company.

An annual inspection, by a qualified gas fitter, must be done on all natural gas or propane fired heating devices or equipment.

A site diagram must be reviewed by the local fire department. The Fire Chief should know where power and gas shutoffs are. Access to water, barn exits and the emergency staff meeting areas should be designated.

## ■ Why have a Loss Control Program?

### *Time*

Time spent preventing a loss is far less than time spent recovering from a disaster.

### *Knowledge*

Producers will learn how to make their operations safer and less likely to suffer a disaster.

### *Stability*

Producers using a Loss Control Program are expected to demonstrate lower loss statistics compared to the entire industry. Presently there is no other differentiation between good and not so good operations. A sound Loss Control Program will reduce insurance rates. A successful program will attract more insurance companies, thus providing the competition necessary to stabilize capacity and future rates. In addition, this competition will evolve to make better insurance products available to producers.