

DH AgRisk



Gary Hutchings and John Drakeford,
Principal Partners



The insured asset

DH AgRisk Services Limited is an independent consultancy company, established by John Drakeford and Gary Hutchings in February 2015. With an excess of 70 years' combined industry and insurance broking experience, their underlying strategy is to provide risk-management services to the agricultural and financial services sector across the globe. Partnering with local companies, John and Gary have been instrumental in the development and implementation of a number of new and innovative crop and livestock disease insurance products in Central and Eastern Europe, Canada and South Africa. John and Gary tell *The Parliamentary Review* more.

Our innovative approach to seemingly impossible challenges, be they highly epidemic animal diseases in Canada, or large farming groups in Central and Eastern Europe, has led to the design, development and implementation of a number of groundbreaking risk-transfer solutions.

As an independent service company, our underlying strategy is to provide added-value risk-management services to the global agricultural insurance and reinsurance industry. This includes:

- » Insurance and reinsurance companies
- » Governments and their agencies
- » Insurance/reinsurance broking houses
- » Agricultural investment companies
- » Producer associations
- » Major consultancy organisations
- » The banking sector

FACTS ABOUT DH AGRISK

- » Principal Partners: John Drakeford and Gary Hutchings
- » Established in 2015
- » Based in Dunmow, Essex
- » Services: Independent consultancy in the fields of agriculture and finance
- » www.dhagrisk.com

“One of the biggest challenges facing any government is an outbreak of a major animal disease”

Our collective experience of 70 years in the agricultural insurance and reinsurance industry, as well as in agriculture, is unrivalled, and over the last 19 years, we have forged a partnership that is unique to the industry. As highly skilled and widely respected practitioners in this class of business, we have been involved in consultative projects, analysis, reinsurance placements, product development and the servicing of a variety of clients worldwide.

One of the biggest challenges facing any government is an outbreak of a major animal disease. Indeed, the UK is no stranger to this, having experienced the foot and mouth disease event in 2001. According to the National Audit Office in 2002, the outbreak cost the public sector over £3 billion and the private sector more than £5 billion, not including the reputational and market loss, all of which was uninsured.

The Canadian example

All too often governments respond by “cutting a cheque” rather than using such events to bring about institutional change. Following an outbreak of avian influenza in 2004,

which decimated the commercial poultry industry in British Columbia, the Canadian government took a very different approach. While continuing to provide direct support through the Health of Animals Act, the federal government created the Public Sector Risk Management Partnership. With a budget of \$15 million, their remit was to help the agricultural industry help itself, by funding producer organisations to access specialist skills. This helped them to define their risk and create effective, affordable and sustainable solutions to address these risks.

Now in its fourth five-year term, and renamed AgriRisk Initiatives, this programme continues to provide much-needed support to the agricultural sector in Canada.

In this period, working with the Canadian livestock industry and supported by PSRMP, we have led a number of projects to design, develop and implement risk-transfer solutions for poultry producers’ exposure to epidemic and non-epidemic diseases, such as avian influenza, infectious laryngitis, *Mycoplasma agalactiae* and *Salmonella typhimurium*.

A fundamental element of our approach, and underlying our culture of partnership and co-operation, is to involve all the key stakeholders in the development process: producers, insurers, reinsurers and, of course, government. The other critical aspect, and also one of our core values, is transparency.

A greater degree of predictability

Insurance is relatively easy if you have enough historical data. This allows the insurer to calculate the probability of an event happening in the future, based on what has happened in the past. With epidemic animal disease,

Soybeans in Ukraine



historical data tends to be very limited: they don't happen very often, and when they do, the losses can be very volatile. For example, the FMD outbreak in 2001 cost £8 billion while the subsequent outbreak in 2007 only cost £1 million. We solved this apparently intractable problem by utilising the Animal Disease Spread Model, originally designed to help governments respond to a disease event. This pioneering approach has meant that around 90 per cent of poultry producers in Canada, who own roughly 18 million laying birds and 20 million broiler birds, benefit from insurance for losses associated with avian influenza for a price that equates to less than 0.5p/dozen eggs and less than 0.1p/kilogram of meat respectively.

The insurance coverage, which complements any government compensation, is made available to the producers via the Poultry Insurance Exchange and Canadian Egg Industry Reciprocal Alliance, two Canadian agricultural mutual insurers owned by the producers themselves.

As well as creating a solution for producers, the development process has led to a reduction in risk for the government, too, and focusing the need for risk management at farm level has de-risked the industry as a whole. This reduces the probability of a disease outbreak, which in turn reduces the likelihood of government compensation.

The way ahead

Our business continues to grow as we leverage the work we have done in Canada into other territories such as South Africa, which experienced its first major outbreak of avian influenza in 2017. Although the productive assets in South Africa are corporately, as opposed to producer, owned, they function similarly, in that



John and Gary
discussing strategies

senior management can and have introduced significant changes to the way they manage risk on the farm. This is a prerequisite if they want to access insurance.

Through our partnership with the Manitoba Pork Council and funding from ARI, our next challenge is to lead the development of a new risk-management initiative. This is in direct response to the two biggest challenges the hog industry faces in Canada: the outbreak of disease and fluctuating hog prices that negatively impact cashflow.

As with so many industries, the issues surrounding our exit from Europe loom large. The last three years have all but paralysed government and have done little to stimulate investment let alone innovation. We believe the Canadian government's response to issues facing their agriculture sector is insightful and innovative. If we can hope for anything, then let's hope that our government can find the will and maybe a little guidance to do something equally innovative here.

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