More than 17 million birds have been exterminated in an effort to stop the current avian (bird) flu outbreak in North America. Everyone from backyard farmers to commercial organizations are being affected. The numbers of culled flocks grow weekly. At the moment, farm-to-farm transmission has not occurred. Perhaps most importantly, no human health concern exists, as the virus is different than the H5N1 strain which has impacted poultry workers during global avian outbreaks in the past.

While turkeys were primarily impacted during early onset, the disease has recently surfaced in both Wisconsin and Northwestern Iowa, infecting millions of layer hens. The United States Department of Agriculture (USDA), Canadian Food Inspection Agency (CFIA), and various state Agriculture Departments have promptly intervened to euthanize impacted flocks in an effort to contain the situation.
$330 million in federal emergency funding from the USDA is available to farmers to partially offset the loss associated with healthy poultry which need to be euthanized as part of an impacted flock.

State of emergency declared.
$1 million allocated by the Minnesota house to combat avian flu.

State of emergency declared. National Guard enlisted to help with cleanups.

Iowa Agriculture Committee allocated $137,000 for assistance in testing and containing outbreaks at production facilities.

Experts agree that the virus is primarily spreading along the Mississippi Flyway via migratory waterfowl. The virus first surfaced during this outbreak in North America through the Pacific Flyway in British Columbia. While the spring migration is subsiding, there is concern that during the fall migration this situation will spread to other flyways.
What is the Economic Impact?

According to several economists, the supply impact is still viewed to be negligible. In the broader context, approximately 8.5 billion broiler chickens were slaughtered in 2014. It does not appear as if this year’s avian flu will have the impact we saw with last year’s PEDv for example, which impacted the hog markets by several hundred basis points.

The affected birds are less than 1% of the total US poultry population.

Percent of Production Exported

Perhaps the biggest factor from a macroeconomic perspective is the closure of key export markets such as China and South Korea, which have banned US poultry products. While most nations follow the advice of OIE, the world animal health organization, which prescribes to a regional ban from impacted areas, China opted for a total ban. Additionally, there is a Russian retaliatory embargo of US products over Ukraine-related sanctions. Mexico continues to be the largest export market of broiler chickens, and is allowing for importation of shipments destined for further domestic processing according to the US Department of Agriculture’s Food Safety and Inspection Service (FSIS).
The most concerning form of avian flu is Highly Pathogenic Avian Influenza, called HPAI. Several strains have been identified over the past year, including H5N1, H5N2, H5N8, and H7N9. Avian influenza virus spreads in the air and in manure, but there is no evidence that the virus can survive in well-cooked meat. The USDA’s chief veterinary officer, John Clifford, told lawmakers that “It’s something in North America that we may have to live with for a few years,” indicating that this outbreak is not poised to have a judicious end.

### Typical Signs of Infected Birds

- Sudden death without any clinical signs
- Lack of coordination, energy, appetite, or diarrhea
- Purple discoloration of the wattles, combs, and legs
- Decreased egg production and/or soft-shelled or misshapen eggs
- Swelling of the head, eyelids, comb, wattles, and hocks
- Nasal discharge along with coughing and sneezing

Some birds might be otherwise healthy-looking but still infected with the avian influenza virus. The severity of the disease in poultry can also vary during an outbreak. Poultry workers should be aware of these signs of the disease and when necessary take immediate steps to protect themselves and other workers.

When infected flocks are identified, the birds are quarantined and any remaining birds are depopulated to prevent the spread of the disease. These actions are part of any critical contingency plan efforts and bio security.

### Disinfection of Areas Contaminated by Avian Influenza Infected Birds

After an outbreak, it is important that the contaminated area be disinfected. The virus is generally susceptible to the following chemical and physical methods of inactivation.

- Chemical methods, which include most detergents and specific disinfectants.
- Physical methods, which include heating (the higher the temperature the more rapid the inactivation) and complete drying.
Insurance-Related Coverage

There are a variety of insurance policies that could be triggered as a result of exposure to the avian influenza virus. A very brief and by no means exhaustive overview of insurance concerns is listed below, by line of coverage. This article is primarily focused on domestic issues, given the concentration of US HPAI exposure; however, it’s important to comment that global coverage could likely be called into play, given the international spread of the HPAI outbreak, and our clients’ businesses. Lockton has specific international expertise with these matters.

Workers’ Compensation

At this time, the virus is relegated to livestock, and we do not anticipate scrutiny from workers’ compensation carriers. Should the virus mutate into a strain which is infectious to humans, it could have a variety of work-related ramifications. Workers’ compensation, employee benefits, and business travel accident policies may all be triggered to respond depending on the scenario.

Specific to workers’ compensation, if an employee were to contract the virus during the course and scope of employment, the claim would be treated as an insurable occupational disease-related matter. Depending on state workers’ compensation statutes, coverage for delayed manifestation events is either triggered at the time the employee became aware of the condition, or the day of last exposure to the condition contributing to the illness.

It’s important to assess the preventive measures in place for your organization. In the event your employees travel internationally, this matter becomes more complex, as HPAI is a global issue.

We learned during the H1N1 (Swine Flu) outbreak of 2009 that even with an extremely high number of human infections, the actual volume of workers’ compensation claims reported was extremely low.

Commercial Auto Liability

Most agribusinesses engaged in the growing, harvest, or processing of poultry procure Insurance Service Offices- (ISO-) based Commercial Automobile Liability policies, or Farm and Ranch Liability policies. These policies do not contain exclusions for risks such as the transmission or breach of biosecurity from one farm to another by way of the vehicle. It is, however, a routine scenario to address best practices with underwriters, such as scrubbing wheels and tires or completely sanitizing carriages depending on the operations of the fleet in order to preserve the biosecurity of farms.

Unless the current situation sees a viral mutation which starts to impact farm workers, there will be little impact to both workers’ compensation and traditional employee benefits insurance.
General Liability and Contaminated Product Recall Insurance

Both general liability (GL) and contaminated products (CPI) policies contain exclusions for TSE and BSE, which are encephalopathies otherwise known as Mad Cow Disease. To date, we have not seen exclusions for other livestock-related diseases such as HPAI, Newcastles or Porcine Epidemic Diarrhea Virus, PEDv. It is possible, however, that additional exclusions could come into play depending on the claim situation, such as the pollution exclusion or livestock exclusion on respective policies.

In the case of a CPI policy, the main trigger of coverage is an actual or imminent likelihood of bodily injury if products are ingested during a certain manifestation window. The USDA has historically taken the position that poultry products pose no risk of human infection if properly cooked to 165 degrees Fahrenheit. Even though the USDA reserves the right to forcibly issue a recall, or sternly suggest a voluntary company-initiated recall, we do not anticipate any such issues at this time. The primary focus is on eradicating exposed and impacted flocks at this time.

Reputational Risk Insurance

In the event your brand image is of vital concern, it could be damaging to have the company associated in any publicity related to HPAI issues. If, for example, counties where your poultry is being raised are impacted, and the organization is specifically identified in the media, there could be a resultant loss of revenues from such an event. There are unique insurance policies that protect against brand damage that can indemnify the organization for their lost income, from this and a number of other specifically prenegotiated perils of loss. They do not carry the same stringent coverage obligations of a recall or CPI policy.
Livestock Mortality Coverage and Property Insurance

While large operations might have the option to insure livestock, many others prefer to either self-insure this exposure or shift the risk of loss to a customized livestock mortality insurance policy.

Extremely limited coverage in the livestock mortality markets exists for “all-risk” policies inclusive of HPAI. As the outbreak continues to expand in the US, market capacity is becoming significantly diminished. Expect a very tenuous underwriting process if this type of coverage is something of interest to your organization.

The USDA Animal and Plant Health Inspection Service publishes uniform standards for indemnification funds through the LBMS (Live Bird Market System). These guidelines which govern requirements, eligibility, and fair market value determination can be found at http://www.aphis.usda.gov/animal_health/animal_dis_spec/poultry/downloads/lbms_program_stands_final.pdf.

Conclusion

There is a watershed of information and clinical data on the avian influenza and its effects on humans and poultry in general. It is recommended that since the economic impact of a breakout and related losses can be significant to a company, a series of insurance coverage reviews and assessments should be conducted on a business and its various operations.

Resources


http://www.who.int/influenza/en/


http://www.aphis.usda.gov/wps/portal/aphis/newsroom/news/sa_news/sa_by_date/sa_2015/sa_01/ct_hpai_california/utipjpa04_Si9CPyksy0xzPLMnMz0vM4bGzO9K9D2MDJ0MiDzdUyMDTzdPA2cAtz8jT1dTPULshfR8iuhEw/

http://www.capitalpress.com/Nation_World/Nation/20141222/us-poultry-industry-braces-for-bird-flu-fallout


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