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Risk Management, GMO and Manure Management Plans...



What is Risk Management?

- The process of protecting an organizations assets by identifying and analyzing risks and exposures.
- Once identified, you can determine what to do with the risk:
 - Accept.
 - Reduce.
 - Transfer.
 - Avoid.
- Develop a plan to finance the risk.



Why Is Risk Management Important?

- Risk is inherent in all aspects of your business.
- It's the things you don't know that can hurt you the most.
- Not all risk can be transferred.
- Not all risk can be avoided.
- It is imperative that you know what risk you are willing to accept and too plan accordingly.



What Are The Benefits Of Risk Management?

- Help you understand the risks and exposures to your business.
- Allows you to implement actions and strategies that can avoid or mitigate the costs associated with losses.
- Integrates safety and loss control into your business plan.
- Improves your ability budget and plan.



Rules to Live By...

- Retain risk in low frequency and low severity situations.
- Reduce or prevent risk in moderate frequency and moderate severity situations.
- Transfer risk in moderate frequency and high severity situations.
- Avoid risk in high frequency and high severity situations.



GMO's And Coverage Issues...

- Typically, the insurance industry excludes all liability claims for bodily injury that arise from the presence of GMO's in products.



What Are GMO's

- Genetically modified organism such as a plants, seeds, or grains that have been altered by genetic engineering.
- Genetic Engineering is defined as the process of manipulating an organisms genetic makeup by introducing or eliminating specific genes.



Hybrids vs. GMO's

- Hybrids are developed through the process of selective breeding and are not considered GMO's.



Risk Identification...

- Example I: You sell GMO grain into the human food chain. Years later a suits arise because people have developed cancer from the consumption of the GMO products over a period of time. This claim would be excluded.
- Example II: You inadvertently deliver a GMO product to an organic farmer who plants the product and loses his certification for 3 years. This claim would be excluded also.



- All other aspects of GMO products would be covered as traditional products are.
- Example I: Bin splits and GMO grain gets wet and goes out of condition. This is a property claim and would be covered.
- Example II: Customer purchases GMO product that fails to germinate. This would also be covered if you have the appropriate endorsement on your policy.



GMO Risk Management...

- In general this falls into the low frequency high severity category.
- Reduce risk. Have procedures in place to verify the accuracy of seed deliveries.
- Reduce risk. Consider having a “hold harmless” agreement signed by all customers who purchase GMO products from you.
- Transfer risk. Get a quote from the insurance markets on GMO liability.



Manure Management Plans And Coverage Issues...

- Great concern over the loss potential of this activity.
- This operation does not meet the definitions of coverage under general liability policies.
- Problems arising from this operation are typically pollution claims, general liability policies have an absolute pollution exclusion.
- If charged for, manure management plan consulting becomes a professional liability exposure.



Risk Identification...

- Customer over applies field and blames you.
- Correct application produces run-off that contaminates a stream.
- Excess nitrates in wells.



Manure Plan Risk Management...

- In general this falls into the low frequency high severity category.
- Reduce risk. Have a “hold harmless” agreement that is part of the contract.
- Transfer risk. Get a quote from the insurance market for manure plan consulting.



Conclusion...

- GMO's and manure plan consulting are good examples of risks in your business that you may not be able to completely avoid or transfer.
- Sound risk management practices can help you greatly reduce these risks.
- It can also help you spread the risk financially and will greatly improve your ability to budget and plan.
- Business that can demonstrate favorable loss experience by virtue of having strong risk management plans and safety programs in place get the most favorable treatment from the insurance market place.