

Change with the times for insurance

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Insurance is an ever-changing environment as new products become available and legal changes are introduced or amended. It is important to ensure your insurance is keeping up with these changes. Making a claim is never what you want to be doing, but sometimes claims cannot be avoided and when that happens being prepared is important. You can act on this by looking at your renewal each year and talking to your broker or insurer about which risks can be insured and what new insurance might be relevant.

Along with traditional fire and flood claims to domestic and business properties, we are now seeing new and serious claims for risks such as cyber and statutory liability. Ten years ago you would probably not have thought that cyber-crime would be an insurance hot topic.

Recently we spoke to underwriters from two of New Zealand's leading rural insurers and have put together the top five rural insurance risks. Though all may not apply to forestry they are interesting reading and should be considered when future-proofing your business.

Statutory liability

Health and Safety at Work Act and failure to assess risk

In December 2016 a farm worker was driving a tractor and towing a trailer carrying two bales. The tractor lost traction and jack-knifed, resulting in it rolling and fatally injuring the driver.

WorkSafe's investigation found systemic failures by the farmer to carry out a risk assessment of the farm and work tasks. It also found the farmer had failed to identify the need to maintain effective roll-over protection on the tractor after it was found to be severely corroded. The farmer was given a \$70,000 fine and ordered to pay \$130,000 in reparations.

Health and Safety at Work Act and failure to manage employee fatigue

In October 2016 a farm worker crashed a tractor on a road at in the early hours of the morning and died as a result of his injuries. WorkSafe's investigation found that

the worker had worked 197 hours in the two weeks leading up to the incident. Fatigue was identified as the most likely cause of the accident. In addition, the worker was not wearing his seatbelt.

The company had a health and safety document prepared for them in January 2016. It identified fatigue as a high rating hazard and outlined management steps, including monitoring work hours and break times. This document had not been reviewed or implemented.

The court indicated that a fine of \$325,000 could have been appropriate. The court suppressed the reasons why a final fine of \$10,000 was imposed. Reparation of \$80,000 was ordered and court costs of \$2,656.50 were ordered.

Resource Management Act and failure to manage effluent

In June 2019 three companies were fined for discharging effluent and silage which leached into a tributary of the Mangatete Stream at Okato. The discharges arose from carelessness in the way the effluent treatment system and the silage pit were managed and operated. The fines were to the farm owner \$86,250, the farm manager \$75,000, and the farm's sharemilker \$42,750.

In October 2016 an effluent irrigator failed and discharged into a nearby drain. A council compliance officer was carrying out a dairy inspection at the property and took a water sample from the drain. It was found the water had a high faecal coliform reading of 64,000 per 100 ml which is 640 times higher than the recommended maximum level for safe stock drinking water. The farm manager and senior farm assistant were fined \$24,700 and had to pay reparations of \$30,000.

Business interruption

Business interruption insurance covers the financial effect of disruption and is especially important if you have high debt levels. For example, if you cannot milk for a sustained period due to a shed loss, you may have to dry your cows off early which would result in a serious loss of profit. You may have to move your herd to another farm and pay grazing and milking costs which could be considerable.

Sheep farms also have a risk. If your shearing shed is damaged or destroyed, you may have to temporarily convert another shed for shearing or incur additional costs to transport sheep to a neighbouring farm and pay costs to use their facilities.

Under insurance and thefts

With rising building and compliance prices, the costs to rebuild farm sheds have increased significantly. If your farm sheds are insured for full replacement you should not have an under-insurance problem, as long as they have been measured correctly. However, if your farm buildings are insured to a dollar value then you need to be aware and review these sums insured.

Recently an Aon broker met with a client and recommended they increase the sum insured of their stable to \$35,000 from \$15,000. The client elected to keep the sum insured at \$15,000. The stable subsequently burned down with a claim pay-out of \$15,000, leaving a \$20,000 shortfall to rebuild the building.

The days of leaving the house wide open and leaving keys in vehicles are diminishing, even in rural areas. Quad bike and trailer thefts are on the increase. A client recently had his ute parked at a livestock sale and the vehicle and trailer were both stolen. If you do not already do so, it is wise to take the keys out of vehicles at night and lock your house when you are on the farm.

Cyber crime

The most common cyber risks to affect the rural sector are a network breach when information is hacked. When network security is breached and files hacked a third party can manipulate information collected on mobile applications which can affect the way your farm manages its stock or crops. This could lead to a loss of revenue if there is a failure of the network security occurred.

Impersonation fraud is another major concern. This is when someone impersonates your supplier and prompts you to pay their invoice in good faith but to the hacker's bank account. The prompt to pay the invoice is generally because you were expecting an invoice from them. In such a scenario a hacker will already have intercepted the communication between you and your supplier.

Aon have a close association with NZFFA and can provide standing timber insurance cover. Tiffany Robertson is the National Manager of Aon Standing Timber Scheme. 🌲

Cypress action weekend in 2020

The Cypress Development Group is having an action weekend on Saturday 29 February and Sunday 1 March 2020. We will be at Don Tantrum's cypress arboretum in Taihape on Saturday and Ruapehu Sawmills in Raetihi on Sunday.

All NZFFA members who are interested, not just Cypress Development Group members, should email Vaughan Kearns ruapehusawmills@xtra.co.nz especially if they want to be contacted closer to the date of the action weekend. 🌲

