

## **AGRICULTURE SECTOR INSURANCE INITIATIVE – PROJECT PLAN AND UPDATE ON PROGRESS (Version 10.10.2006)**

### **Background**

1 We know from proactive workplace inspection, accident investigation, the results of social science research and detailed Sector review and analysis that the key health and safety issues in Agriculture are:

- a deep-seated culture of unwise risk-taking
- the worst fatal injury rate of any major employment sector which for 2004-05 stood at 10.45 deaths/100,000 workers
- Agriculture represents only 1.7% of the workforce in Great Britain but accounts for 19% of the fatal injuries
- one of the highest prevalence rates of self-reported ill-health of all industries
- many farmers are resistant to officialdom and feel that the industry is unduly burdened by regulation and red tape
- health and safety is not yet universally regarded as integral to good farm business management
- HSE's particular challenge is how to communicate effectively with, influence and incentivise a diverse, unaggregated, hard to reach audience predominantly of SME's and self-employed.
- societal costs (from accidents alone, as distinct from ill health) estimated at £343 million in 2004/05 within an industry contributing £6.6 billion a year to the economy;
- most accidents could have been reduced or avoided if sensible health and safety measures had been taken
- the risks/financial burdens on society are partly underwritten by the Financial Services Sector in particular the Insurance Industry.

2 HSE/The Agriculture and Food Sector have responded to this challenge in recent years with a risk-based, evidence-led, more cost-effective approach in which as part of a 10 point strategy, pro-active inspection has been incrementally reduced whilst new methods for communicating with farmers, for encouraging self-help and for increased engagement with stakeholders, have been developed.

3 As a result HSE and the industry now have at their disposal a number of bespoke tools to help raise health and safety awareness, training competence and health & safety management, to promote fit-for-purpose risk assessment and thus to help guide and facilitate practical action in the fields and forests where it matters.

4 If the harms and incidence rates in Agriculture are to be reduced further the key question now is how to further promote uptake of these freely available tools and guidance i.e. what additional drivers might be available to stimulate action (apart from enforcement by HSE inspectors, already reduced and some similarly, relatively expensive, field advice by Health & Safety Awareness officers, HSAO's). The Sector already has a carefully constructed communications strategy and plan, a well-developed web site, a proactive approach to and well-established links with, the media and (with a newly reconstituted AIAC, AFAG and Food Forum and associated project groups) a much wider group of stakeholders - each with their

own sphere of influence and communications networks. But communication of itself has not yet proved enough to turn the tide, and change the culture.

5 This project involves the systematic coordination and application of the tools and other information available on databases developed by HSE and other organisations. The overall objective is for these to help provide a mechanism for insurers to recognise and reward their clients for carrying out adequate risk assessments and implementing other effective controls to reduce risk, including training and competence of staff.

6 Although previous HSE overtures to the Insurance Industry have only met with limited success, the proposition is that the time is now right to make the principle of 'Reward and Recognition' espoused in HSC's Consultation Document on Intervention Strategies a reality - by enabling insurers to identify those clients (and potential clients) who have taken appropriate steps to reduce the risks of their activities. There is mutual benefit, a common agenda. Underwriters could reduce their liabilities and match individual insurance premia more closely to the actual risk. There could at last be a notable financial incentive for industrial uptake of health and safety guidance and risk assessment methodology etc. amongst a community historically sensitive/receptive to monetary considerations.

7 At the outset the project was originally intended to be based primarily on the interactive Self-Assessment Tool for farmers, developed by the Sector. However, discussions with relevant stakeholders as part of the Sector's Stakeholder Engagement Plan led to the development of a wider and potentially more effective project which also draws on the tools, skills and influence of other organisations interested in utilising Insurance as a driver for uptake.

### **Aims/Objectives**

8 Broadly, the project aims to engage with the Insurance and Financial Services sector to encourage and enable them to reward those businesses/clients who can demonstrate they can manage health and safety risks effectively, e.g. through verified risk assessment, training and competency and who thus present a lower risk/insurance liability.

The objectives of the project are to:

- (a) Form an even more meaningful relationship than the Sector has already with the Financial Services Industry as a whole
- (b) Promote uptake of the tools the Sector and stakeholders have developed for risk assessment and training/competence e.g. interactive risk assessment software, Farmwise publications, Safety Health and Awareness Days (SHADs), the formal recognition of skills and competence and the new suite of land-based vocational qualifications just developed with social partners)
- (c) Encourage the industry as a whole to adjust premiums and thus offer incentives for those farmers who have conducted verified risk assessments and /or achieved specified competence levels as yet to be agreed
- (d) Obtain sponsorship for SHADs and certain key publications of proven utility to the insurance industry.

## Available Tools

9 The tools and mechanisms currently available or being developed by HSE/stakeholders and which may be applicable include:

- (a) HSE's interactive farm self-assessment software, available as a CD-Rom and on-line.
- (b) HSE's suite of recently accredited Agricultural NVQ's on awareness and management of health and safety (Levels 2-4).
- (c) CMI's<sup>1</sup> commercially available risk assessment methodology designed to facilitate underwriters' quantitative assessments of their liabilities and risks. The company initially developed and applied the systematic process of risk-assessed underwriting to all risks in a farmer's combined policy and subsequently extended its application to livestock and crop disease on behalf of Defra and others.
- (d) Major Agricultural Insurers' risk audits on premises.
- (e) At cost, Insurance Companies and Bankers offering risk management services and consultancies and the increasing use of certified practitioners in the industry.
- (f) Lantra (Sector Skills Council) 'Competency Framework', providing a basis for 'Training Needs Analysis' for specific activities/industries and for on line recording of competence against national occupational standards.
- (g) The NPTC (ex-National Proficiency Test Council) database set up to record evidence of training and issue of Certificates of Competence on satisfactory completion of assessed training modules.
- (h) Adaptation of the NPTC's NROSO (National Register of Spray Operators scheme), whereby details of trained users/operators of pesticide application equipment are recorded on one database, nationally.

10 It is envisaged that in some combination, these individual tools and databases could be used, once criteria were agreed across the Insurance Industry, to provide a viable, cost-effective system to make the theoretical principle of 'Reward and Recognition' a reality. It would enable insurers to identify those clients (and potential clients) who have taken appropriate steps to reduce the risks of their activities, through training and continuous professional development (CPD), a principle proposed and described more fully in HSC's Consultation Document on Intervention Strategies.

## Timescales and Milestones

### 11 Phase 1 – "Seeding the Ground" (2005-06)

- (i) The Sector's "Vision for Agriculture", endorsed by the HSC's Agricultural Industry Advisory Committee (AIAC) outlines a ten-point strategy for influencing the industry including the use of innovative interventions. The apparent alignment of HSE's and the insurance industry's interests and agendas was promoted through interviews and articles in the farming and financial press, e.g. items in the industry's principal "in-

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<sup>1</sup> See Annex

house” journal, "POST" magazine. To date these have received positive commentary, giving ground for cautious optimism.

(ii) The Sector was also mindful of the difficulties HSE has experienced in the past in trying to establish insurance as a driver for uptake of health and safety provision. Therefore a series of meetings were held with individual insurance companies to sound out their current views and their potential for collaboration. This phase showed that many companies were enthusiastic or broadly supportive but some were cautious or did not think it necessarily workable unless HSE was able to engage the industry as a whole – an appeal in effect for the creation of a level playing field.

(iii) The Sector has developed good working relationships with various insurance companies over the years, for example, NFU Mutual (David Leavesley from Risk Management Services represents the Insurance industry on AIAC and is also an active member of AIAC’s Transport Project Group).

(iv) The industry has helped HSE in other ways too, e.g. the NFU Mutual supported our Agricultural Safety and Health Awareness Days (SHADs) for many years by sponsoring some of the cost of the lunches. Norwich Union has sponsored publication of the HSE publication “Farmwise”. Members of the Sector have also met several other players in insurance and banking (e.g. AXA). Most have welcomed the opportunity to work together more closely. Indeed following a meeting earlier in the year AXA recently informed us (7.9.06) they have now introduced discounted, risk-related premia. It is believed that a similar scheme is operated by Royal Sun Alliance for companies registered with the British Association of Landscape Industries’ (BALI) ‘Register of Landscape Operatives’ (ROLO).

## **12 Phase 2 – Develop Proposal - Consult within HSE and other Stakeholders (Q2-3, 2006-07)**

(i) This involves consulting others within HSE to identify common agendas, and any other approaches which could be made to key influencers/stakeholders in this field and those with a joint interest in driving health and safety uptake via insurance.

(ii) David Disney (economist in Strategy Division, seconded from DWP, who is looking at the area of aligning financial incentives to encourage good health and safety procedures) has endorsed our overall approach and is enthusiastic about progress to date. His project is linked with DWP’s reform of the Industrial Injuries Disablement Benefit Scheme (IIDB). An important aspect of David’s work is to see whether ELCI premiums could better reflect the individual health and safety performance of small and medium-sized companies (as already tends to happen for large firms). There is clearly potential for synergy between us. David proposes to develop his work using our project as a model.

(iii) Importantly the Sector have recently secured the interest and support at top management level of Lantra (the Sector Skills Council for the land-based industries) and Directors of CMi who are equally keen to try to persuade the Industry to incentivise take up of RA and competence qualifications by providing reduced premia. Further meetings are needed with these collaborators in the near future to clarify how their various systems might be utilised or inter-linked and to use their added influence.

### **Phase 3 – Approach to Insurance Industry (Q3/4 2006-07)**

- 13 (i) To approach ABI (The Association of British Insurers - initially via Nick Starling) together with our partners and collaborators, to explore it's reaction to our proposals and to see if the ABI are willing to host (and if possible, fund) a seminar for the industry on this subject.
- (ii) Recent contact with ABI by HSE's Deputy CE Jonathan Rees suggests that such an approach might be welcomed. Conscious that previous approaches by HSE have not met with success, we have delayed formal approach to ABI until we had identified what additional support and influence was available from other stakeholders for such an initiative.
- (iii) The formal approach to ABI will be made jointly with our other principal stakeholders (i.e. Lantra, NPTC and CMI) to plan the proposed seminar. This is intended to include presentations by members of AIAC/AFAG who have experience of dealing with insurance brokers and underwriters in the industry.

### **Phase 4 – Holding the Seminar (Q4 2006-07)**

- 14 The aims of such a seminar subject to ABI's views, would be to:
- (a) Outline our joint proposals and to demonstrate to insurers/financiers the suite of tools now available
  - (b) Present injury and ill health data available from HSE and insurers, together with issues and case studies identified in consultation with training organisations and other stakeholders
  - (c) Explore industry sponsorship for SHADs and widely used HSE publications and the possibility of producing HSE DVD's (based on existing videos)
  - (d) Present the proposition that collectively, these tools now provide a mechanism to enable insurers to deliver and meet their needs, by enabling them to identify those individuals/companies that are lower risk, and hence selectively to reduce premia accordingly, and
  - (e) Attempt to secure insurance and finance companies' commitment and identify ways forward.

### **Phase 5 – Post Seminar (2007-08)**

- 15 To establish a cross-industry Project Group, hopefully including ABI and a representative group of leading insurers to identify and develop practical ways forward to allow premium adjustments to become a reality throughout the industry by:
- (a) Reviewing the adequacy of risk assessment procedures and tools available, establishing criteria/standards for those to be adopted
  - (b) Audit/verification of controls implemented on farms;
  - (c) Creating a 'level playing field' across the insurance industry
  - (d) Identifying mechanisms to coordinate and share tools and information available from respective databases, and

- (e) Monitoring the implementation and success of this approach by analysis of data from insurance companies and partners, e.g. accident and ill health claims and the extent incident rate data correlates with evidence of lack of risk assessments/competence.

16 Further project activities and phases will be defined following the formation of the Project Group and further detailed discussion with partners and other industry stakeholders, post seminar in 2007.

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**10 October 2006**

## **CMI PROFILE**

CMI specialises in the quality assurance of food production and through its Risk Services Division, in on-farm exposure measurement, risk assessment and certification of farmer conformance to defined standards of management.

CMI trades in over 50 countries and undertakes some 25,000 assessments in the UK alone. CMI is the leader in the field of EN45011 Accredited Certification in the food and farming sectors.

CMI's Risk Services Division has developed and applied a systematic process of risk-assessed underwriting for re-insurers, insurers and government agencies, both in the UK and in other countries, relative to their involvement in providing indemnification for farmers (including compensation) against production-related losses.

Risk-assessed underwriting involves the development of preventive risk management standards and protocols together with systematic processes for undertaking large-scale risk assessment, reporting and analysis.

CMI's automated systems are able to score degrees of exposure to the full range of farming hazards and levels of conformance to defined risk management standards, in respect of each unit of production. The scores determine the true premium required for each element of risk covered by a farmer's combined insurance policy. Under this process well-managed farms pay less and poorly managed ones pay more.

The process of assessment and reporting is applied across some 420 contingencies, as defined within a combined policy, covering public, product and employee liabilities together with risks associated with all classes of property, e.g. buildings, plant and equipment, livestock and crops.

Governments, including that of the UK (Defra) have used the process to measure standards of preventive livestock disease risk management and insurers have used it to assess the full range of farming risk, including exposure to climatic hazards e.g. drought, storm and flood.