

Risk Advice Guide

Physical Risks

Viticulture and Winery

FMG
Advice & Insurance

Physical Risks

Key physical risks to your business operations include loss and damage by fire, theft, impact, accident and breakdown of your key assets including vehicles, buildings, contents and stock.

Vehicles

Aside from windscreen claims, the major claim types are theft, accidents and fire. Below are some of the key risks and simple risk mitigation actions that can help reduce your exposure to loss of vehicles in these areas.

Theft & Security

- Store your vehicle keys in a safe and secure place away from the vehicle itself. Also, unlocked vehicles stored in unsecured buildings are an easy target for thieves. It is best practice to store your vehicles in a secure building when they are not in use.

Accidents and Breakdowns

There are several factors that contribute to vehicle accidents, such as vehicle design, road design and operator ability/error. Whilst you can never completely eliminate the risk of vehicle accidents, there are some steps you can take to reduce your risk.

- Modifications to your vehicles can increase the risk of an accident. Vehicle modifications should only be carried out by qualified people and to the appropriate recommended standards for the vehicle's purpose.
- Vehicles that are not properly serviced are more likely to break down, causing an unwanted and potentially costly interruption. We recommend you regularly service and maintain your vehicles to avoid disruption to your operation.

Fire

Birds nesting (especially starlings) in the engine bays of tractors and other agricultural vehicles is a major contributing cause of vehicle fires. Fire accounts for more than 25% of tractor claims.

- We recommend that you check for bird nests before every use of your tractor or any other agricultural vehicle. FMG provides handy window stickers to remind vehicle drivers of this practice.
- Keep a fire extinguisher handy in tractors and other agricultural vehicles.

Possible Solutions:

The vehicles you use within your operation are vital for ensuring that you can run operations day-to-day. It is therefore essential to business operations to have cover for damage or loss to these vehicles.

Motor vehicle insurance policies can provide cover for vehicles you use for your business operations including implements attached to your vehicles.

You should ensure your policy covers you for your legal liability if you damage someone else's property or injure someone while using your vehicle and cover for sudden or unexpected damage to your agricultural vehicle tyres.

In order to minimise the interruption to your operations it may be worth considering including additional costs within your policy to cover the costs of hiring vehicles whilst repairs are made or engaging a contractor to complete your work. This cover becomes particularly important during harvest. Furthermore, some Commercial Motor Vehicle policies include cover for road clearing costs should an accident occur that leads to your grapes falling off your vehicle and on to the road.

Buildings & Contents

Risks to your buildings and contents include fire, theft and security and loss from natural events such as wind storms, flood and earthquake.

Fire

Switchboards

- Many fires occur due to electrical or mechanical faults that if left unchecked can start a fire that could have been avoided. You should consider having your buildings switchboards thermal imaged to check for any electrical faults and hot spots.
- You should also conduct regular checks of your switchboards in your buildings, particularly the buildings such as implement or vehicle storage sheds that birds can get into. Birds' nests are a common cause of building fires so need to be cleared!

EPS (Expanded Polystyrene)

- It is relatively common for buildings within the food industry (i.e. coolstores and wineries) to be constructed of EPS. It is used due to its excellent thermal insulating properties, lightweight construction and relative strength. Historically, fires involving EPS have resulted in significant losses due to the highly flammable nature of the polystyrene core and toxic smoke produced – making it difficult or impossible to avoid total loss once fire takes hold.

There are generally three main actions that may reduce the risk of fire in buildings constructed with or containing sandwich panel material:

1. Polystyrene material must be installed and maintained in accordance with the manufacturer's specifications.
2. If the panel is altered by the installation of electrical cables, pipes, vents or flues then all penetrations should be sealed with an approved fire resistant sealant.
3. The correct type of fire protection system, such as automatic fire sprinklers, should be installed.

If there is any damage to the metal cladding, it is recommended to repair this immediately so that the polystyrene is not exposed to sparks, flame or heat.

Ceiling and roof spaces often contain refrigeration and electrical equipment. These areas should not be used as a dumping ground for surplus equipment or waste materials.

There should be no external storage within 15 metres of buildings constructed of sandwich panels and this should be regularly monitored. Regular self-inspections should be conducted on the interior and exterior of the sandwich panel to identify and remedy any defects or deficiencies.

Operations involving welding and hot work should be conducted well clear of any cladding material and appropriate precautions should be taken. A hot work permit system should be used and adhered to at all times.

Theft & Security

There has been a large increase in rural theft around the country, with thieves targeting quad bikes, fuel (petrol & diesel), scrap metal, farm machinery and tools.

- Effective security measures for your buildings are the greatest deterrent to burglary and theft of your property.
- Together with the NZ Police FMG has developed the Rural Crime Prevention Advice Guide which is full of advice on steps you can take to protect your property, assets and family. You can download a copy from www.fmg.co.nz. A small number of tips from the guide are outlined below:
 - Where possible you should store high value and key assets across multiple buildings in order to minimise the risk of a total loss.
 - Keep gates locked and fit them with capping hinges so they can't be easily removed.
 - Ensure external doors to buildings are fitted with locks and keep the area around buildings, key assets and fuel tanks well lit.
 - Display signs promoting crime prevention measures such as monitoring agencies.
 - Park vehicles with fuel caps close to the wall or another vehicle to restrict access to fuel tanks, and install fuel tank locking devices on all petrol and diesel tanks on your property.
 - Always report any suspicious behaviour to the Police. If you don't feel comfortable about this, you can always ring the anonymous Crimestoppers hotline on 0800 555 111.

The overall key elements to security is to follow the process of deter, deny, detect, delay and respond in a timely manner.

Possible Solutions:

Material Damage policies can provide cover for loss in the event of accidental loss, fire suppression costs and replenishment costs – providing cover up to a specified sum towards the cost of refilling your fire fighting equipment after it's been used to protect your building. This policy may also cover accidental loss to your contents and stock.

Most insurers offer a number of levels of cover including:

- Present Day Value cover – to get your building into the same condition it was before loss
- Nominated Replacement Value cover – cover for reasonable cost to repair or rebuild your building to an as new condition up to the nominated value.
- Functional Replacement Value cover – covers the cost to replace the damaged or destroyed property with equivalent property that serves the same function.

Stock/Product

The product, stock or output of your business is the most critical factor to the financial success and sustainability of a business – without product to sell the ability to generate income diminishes and the resilience and sustainability of your business is put at risk. Outlined below are some of the risks to your product and stock.

High Value and Vintage Wines

Storing your high value and vintage wines with the bulk of your wine stock can potentially increase the risk of a substantial wine loss.

Possible Solutions:

Where possible, store your high value and vintage wines in a separate storage unit or facility. This will reduce the impact on your wine stock in the event of an incident involving your main wine-making and storage facility.

Wine Contamination and Spoilage

The risk of your wine getting spoiled or becoming contaminated can occur as a result of leakage of refrigerant from the refrigeration plant or from deterioration because of faults with the refrigeration machinery, switchboard or reticulation.

It can also occur when vats are unstable and not correctly supported to maintain the weight of the wine in them.

Unforeseen events such as an earthquake or a severe storm also increase this risk.

You should check the stability of your tanks and vats regularly and if necessary, consult a qualified engineer to undertake a formal inspection to ensure that the wine in vats and storage are not at risk.

Possible Solutions:

A Material Damage policy may include an optional benefit to cover you when your wine is contaminated, spoiled or deteriorates in certain circumstances.

Additionally there may be cover options for finished wine stock, including agreed value cover if certain circumstances are satisfied.

Unpredictable Events and Natural Disaster

Frost, flood, hail and wildfire can have a devastating impact not only on the yield but also the quality of wine grapes ready to be harvested at the end of the season.

Due to global warming extreme weather events are becoming more prevalent making risk mitigation practices and insurance covers more critical than in previous years. Between 2013 and 2015 there were 26 natural events that resulted in insurance claims within the New Zealand insurance industry. In comparison, there were only 13 events in the three year period prior to that.

Frost and hail will not only damage fruit, buds and leaves, but it can also stunt vine growth and reduce your production over several seasons. Consequently, frost protection equipment is a key risk management tool in the grape growing industry.

Possible Solutions:

Risk mitigation measures addressing frost protection include:

- Passive management practices, such as microclimate analysis and site selection, soil and ground cover management and delayed bloom and crop selection development.
- Active management practices, such as frost alarms, frost control fans, overhead irrigation and helicopters.

Passive management practices tend to be more cost effective than active management practices. However, generally a mixture of the two achieves best results.

A combination of risk prevention measures and crop insurance is recommended to minimise the potential devastating impacts of losses caused by adverse weather events.

Crop insurance is a key component of a risk management plan. Failing to take out crop insurance could potentially be putting your vines, crops and your ability to generate a sustainable income at risk.

An Orchard Fruit Policy offers seasonal cover for your growing or harvested fruit and protects your block from damage caused by a range of weather and natural disaster events such as hail, fire and flooding. It can also cover loss to your harvested fruit for a specified period from harvest while the fruit is on your property or in transit.

Should your permanent frost prevention systems suffer mechanical break down or power failure additional cover may be available under some Orchard Fruit policies for loss in the potential yield.

Movement of Stock and Produce

Movement of stock and finished products carries risk.

- What will happen to your income if you sustain damage or loss to your grapes or wine products once they have left your premises?
- Will this result in loss of income?

Under the Carriage of Goods Act 1979 carriers who do not have other arrangements in place will be treated as a 'limited carrier of risk' which sets a \$2,000 limit for each unit of goods lost or damaged during transit. However, should this value not be sufficient to cover the financial loss you may suffer as a result of loss, you should ensure that you have a written agreement with the carrier of the goods that sets out each party's liability exposures.

Possible Solutions:

Goods in Transit

Goods in Transit policies can provide cover for your property, including refrigerated goods, produce and other goods if they are accidentally damaged, destroyed or lost while being transported by vehicle in New Zealand due to certain events. Without this type of protection, there is increased exposure to financial loss if your property is lost, damaged, or destroyed while you are transporting it.

Third Party Carriage

If a third party is transporting your stock or produce you need to ensure that the value of your goods being transported is sufficiently covered. For example, under the Carriage of Goods Act 1979 a carrier's liability will be limited to the \$2,000 per unit of goods carried or the relevant transit agreement may have a 'hold harmless clause'.

Some policies can also provide comprehensive transit cover both within New Zealand and internationally on either a single trip or annual basis.

Breakdown Cover

The majority of breakdown claims are for pumps, such as overhead sprinkler frost protection pumps or irrigation pumps, however, we receive claims for all types of machinery and plant equipment.

Machinery Advice

- Look for visible signs of rust and water leaking around your pumps and machinery as this can be an initial warning before break down.
- Ensure your pump sheds are waterproof, including doors, to protect your pumps from the elements – we also see damage as a result of vermin and insect infestations.
- Pumps and machinery that are not properly serviced are more likely to breakdown thereby causing an unwanted and potentially costly interruption.
- Regularly service and maintain your pumps and machinery to avoid disruption of your operation.
- Set up a maintenance plan, whereby you perform routine servicing on your pumps and machinery to ensure they remain in good working order.
- Consider having a backup motor or pump available on site, especially if your current equipment is old or has a history of breakdowns.
- Lastly, good water quality and the level of your water table play a large part in keeping your pumps in good working order.

Possible Solutions:

For additional protection against the inconvenience and costs arising from sudden and accidental breakdown of machinery you should consider including Breakdown cover as part of your insurance solution in your risk management plan.

Breakdown policies provide cover for internal damage to your machinery anywhere in New Zealand including motors, pumps, electrical equipment, computers, mechanical equipment, and pressure vessels that you use for your operations.

Who is FMG?

FMG is New Zealand's number one rural risk advice and insurance specialist. We have been involved with rural New Zealand for over 100 years and we remain 100% committed to our clients – all those who live on the land, work on the land or support those who do.

How you can contact us

Call us

0800 366 466

Write to us

PO Box 1943
Palmerston North Central
Palmerston North 4440

Visit us

www.fmg.co.nz

Email us

contact@fmg.co.nz

Fax us

0800 366 455

We also provide specialised cover

- Commercial Property (Material Damage)
- Vehicles
- Orchard Fruit
- Liability
- Breakdown
- Personal Risk Advice



We're easy to contact

Call us on
0800 366 466

Write to us at
PO Box 1943
Palmerston North 4440

Email us
contact@fmg.co.nz

Visit our website
www.fmg.co.nz

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call **0800 366 466**

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