CROP INSURANCE TIP SHEET

INTERIM INSURANCE

- If you have insured with a company previously – some companies offer an interim cover policy which is automatically in place from crop emergence until you accept the current season's proposal form and outline your requested values and crop yields etc. ***or until interim cover expiry date (usually around 31 Aug - 1 Sept.) If new declarations have not been submitted prior to this expiry date, the crop will be uninsured. There will be a delay of 48 hours before cover can commence on receipt of declarations.***

- This interim insurance uses the insurance company's interim values and set excess values should you make a claim. As soon as you plant your crop you can contact your company and adjust the values if you want to making note that the final revision for prices does not have to be done until later in the year ie October whereby you can revise the cost down if the price has dropped– from this point you can no longer revise lower only higher.

- This interim cover covers for hail and fire but also has additional benefits such as overspray from a third party, neighbours (not own) stock damaging crops (again not own) etc there are more so it is interesting to find out what your company would cover. ***Additional Benefits only apply if you have both Fire and Hail cover in place. Not applicable if you have covered crops for Fire Only.***

- If you were to make a claim during the interim stage it is done based on whether you have been able to reseed – they cover some cost there not sure of details – however if unable to reseed – they would look at potential loss ie watch a nearby paddock for the season and compare it at the end.

CROP INSURANCE DECLARATION FORM

- Elders have columns for paddock names, crop type, yield estimate, area, value and excess column (%). The excess column is there to enable you to choose if you want to pay an excess in the event of a claim – this would reduce your premium by a "little" we are told and is not used widely most have nil excess.

- Canola and Lupins however have a compulsory 10% and 5% excess applied respectively to all claims due to their higher risk nature and perhaps history associated with the crops.
  Field Peas also have 10% excess

- Therefore with these crops make sure that paddock areas larger than 100ha are managed as separate units – in the case of a claim in your canola say Hail, whereby only 100ha of a 500 ha paddock is damaged – if you have that paddocks area as a 500ha block then the excess payable on that crop is 10% or 50ha – which if your damage only amounted to 100ha is actually half the value of the damaged crop – leaving you with only 50% claim – whereas if you had insured the 500ha in 5 separate paddocks say 1a 1b 1c 1d 1e your excess would only be 10% of 100 ha ie 10 ha and you are paid out for the 90ha remaining or 90%. This is only applicable to Canola and Lupins – as Cereal crops have a nil excess requirement. NB divide the paddock according to landmarks and indisputable areas (list on a map) in the event of a claim it is clear and fair for all parties

- NB once you have varied your price there is a 48hr waiting period for the changes to take place so don't wait until a storm is forecasted if you think your prices or yield should be increased.

CALCULATION of PREMIUM AND INSURANCE RATES

- Basically the bill we pay after harvest is the

((Ha X Yield (t/ha) X Value($/t)) X % rate for that crop

- Ha is obvious (but remember to break down Canola and Pea paddocks into roughly 100ha lots – according to tangible boundaries and markers described on a map). Yield can be declared either before harvest – with premiums calculated on your estimate or you can choose after harvest (more popular) although costs a bit more the benefits are an after harvest revision to actual tons harvested – now this can fall only 30% either up or down from your listed yields on your declaration form – ie if in October you estimated 1 ton and your actual is only 0.5 you will have to pay 1.0t – 30% so 1.7 ton. So it is important to get your estimates fairly right. Conversely if you actually yield 1.5 ton instead of 1 you only have to pay for 1.3 which sounds great unless you have a claim!! You would not get the full 1.5 ton insured. The other benefits are easier on cash flow bill in Jan not Nov.

- Value is suggested at using a farm gate value (as you haven't had the costs associated with delivering to a recieval point or actually selling it if you have made a claim). Therefore I take the cash price (one that I think is not unreasonable for the year) and minus the Freight Rate from CBH, The $10 storage and Handling and $2.50 for levies, plus our freight from our farm to the bin ie $11. Roughly for us it is $50 all up.

- Each crops % rate varies slightly according to your companies view of the risks associated with that crop. Ie Canola, Lupins and Peas are considered most fragile all with different rates that are higher than Barley, Wheat and Oats which all have the same rate, Hay is the cheapest to insure.

- Your rates for each crop also depends on your shire – ie a shire with a bad track record for fire ie Tentaton has higher rates and Lake Grace has higher rates due to the hail claims a couple of years ago. Esperance high for Hail, North Hampton high for Fire etc etc.

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- Also some companies offer better rates for bigger ha – so perhaps collaboration between neighbours can get better rates.

- Be aware of Additional Benefits your premium offers ie ours covers grain in transit to the recieval point so if a truck was to roll over. Also grain in silos on farm is covered to a point i.e. yes to fire no to vermin – read fine print.

- Yield values can be done either before harvest or as an after harvest declaration.

THINGS TO CONSIDER

- If you have forward sold some of your crop before harvest – what implications would this have should you not have your crops insured.

- Suggestion for above is to isolate some smaller ha paddocks to insure for the higher contracted $/ton figure so that the higher premium is only being applied to the ha needed to generate the tons to fill the contract.

- With Water Use Effeciency Calculations (WUE) and Yield Profit development – the ability to predict potential yield is getting easier.

- Discuss with your agronomist and consultant methods of getting your yield prediction close to actual if you are a before harvest declaration client.