

Innovative Risk Transfer Pty Limited

Newsletter

Volume 1, Issue 1

Welcome

Special points of interest:

IRT opens in a crop insurance market where growers are concerned about conflicts of interest between brokers and their subsidiary underwriting agencies — *whose interests does your broker really have at heart.*

IRT decides to provide truly independent advice and service in the specialist insurance classes of crop and aviation — *someone has to try to keep them honest.*

IRT has been approached by clients of other brokers to help resolve unfair policy conditions and claim disputes — *as specialists we do it better.*

IRT gives clients a full broking and consulting service including insurance marketing, claims and risk management — *and isn't that the service you ought to be getting?*



“After working in agricultural underwriting for many years, and before that as an Insurance Broker in Australia and London, it has become increasingly clear that growers are in need of independent advice and service” says David Blackett, Director of Innovative Risk Transfer Pty Limited, based in Sydney. “IRT has no intention of confusing the dividing line between broker and underwriter. So we have formed the company as a truly independent Insurance Broking organisation, dedicated to the requirements of the client — the farming enterprise itself, with no actual or perceived conflict of interest. As such we believe we are the only full time crop broker who has no underwriting affiliations.”

Last season was IRT's first and it saw important growth in the company's cotton market share to about 5%. The 2003/2004 season will be extraordinarily difficult for irrigated cotton growers without significant rain in the catchment areas. IRT hopes to do what they can to help, by announcing an innovative risk transfer solu-

tion. It also wants to offer its services to other broadacre, viticultural and horticultural growers. Available services from IRT include:-

- Full Insurance Broker servicing with detailed discussion with underwriters.
- Claims assistance and advisory service whether or not IRT is the holding Insurance Broker.
- Independent review of clients' needs and comment on whether the current available insurance products are suitable.
- Development of other risk transfer mechanisms where appropriate.

The company has deliberately decided not to confuse its principal activities with general insurance risks such as property, liability, motor etc. However the Aviation interests of growers and rural aviation in general will be catered for (see following article).

Watch that policy wording!

With one of the worst droughts on record, you would have expected some understanding from Insurers. In most cases growers were treated fairly but IRT has been called in to help on a consultancy

basis when the policy has not been drawn up in the best interests of the grower.

One insurer practice of particular concern is that some summer crop policies still charge premium based on insured yield

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Commitment to client satisfaction

IRT is dedicated to providing its clients with the independent service they deserve. In the service business, you rely on your reputation so IRT encourages frank client discussions about its service. If anyone is dissatisfied with their service they should ask to see the IRT *Complaints Handling Procedure*.

As part of this commitment IRT is a member of *Insurance Brokers Disputes Limited* who provide an external dispute resolution service at IRT's expense. IRT has also voluntarily adopted *The General Insurance Brokers Code of Conduct* to include crop and aviation insurance not normally covered by this code.

Privacy Policy

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Insight • Ingenuity • Integrity

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estimated at the start of the season. There is an option to revise the estimated yield, but this *final revision date* is often too early to accurately estimate final yields — especially in difficult seasons like last season. This style of policy works well enough for winter crops but causes problems when applied to summer crops.

In some policy wordings the problems don't end there. Some of these policies will only pay claims based on the loss of potential yield, calculated by applying the percentage loss, net of the excess, to the insured yield *or* the potential yield, *whichever is the lesser*.

For one cotton grower who contacted IRT, this meant the insurer calculated its premium on the insured yield — double the yield actually picked. Obviously this meant the grower was being asked to pay on a basis which never in fact eventuated and which effectively increased his rate from 3.5% to 7%! However, any claim would have been based on the potential yield — half the insured yield. *So the insurer would have got him coming and going!*

The moral of the story — read the wording very carefully and if you are not sure — give IRT a call.

Horticultural risks and markets

At the time of going to print it is not clear which markets will be available to viticulture and horticultural growers. IRT will provide more detail of what is happening with underwriting markets in its next Newsletter, as final negotiations within the market place are not all complete.

There is no doubt that the removal of GIO from the market some years ago and the severe retraction of the market as a

whole following Sept 11, means few insurers are especially interested in Australian crop insurance. Adverse claims experience for many crops in a number of areas is also a cause of insurer disinterest and insurers feel they can use underwriting capacity more profitably in other classes of Insurance. IRT is continuing its search of local and international markets in the hope of being able to offer at least cover for severe loss.

Aviation

A new division has been formed to assist clients who own or operate aircraft of all types. “At first glance it may seem there is not much aviation has in common with agriculture” says Andrew Ahern, a long experienced Broker who is responsible for the development of this operation. “However, many broadacre growers especially, have their own fixed wing or rotor wing aircraft as part of their business activities so this way we can talk crop and aircraft at the same meeting.”

Andrew is a flyer of some experience so will be visiting remote areas as pilot and Broker. He assists David Blackett with

cotton, broadacre, viticultural and horticultural risks.

IRT has recently been appointed to act as aviation Broker to a regional airline after providing prompt and detailed service not available from other Brokers. This young and enthusiastic airline has recently started RPT flights. Aviation risks are not normally part of a Brokers main-stream activities so IRT has found a number of ways to improve efficiency and in some cases price (hard enough in this market). This underwriting market, like crop, is limited, so negotiation, care and ability are essential.

And finally

For this issue, IRT looks forward to hearing any comment about how you would like the publication to look in the future. IRT will be starting a question and an-

swer section on insurance matters (crop or aviation) next issue — so please send in your questions now. IRT reserve the right of editorial control.