DO YOU WANT TO TAKE THE GUESS WORK OUT OF YOUR INSURANCE?
AN AWB POST-HARVEST POLICY COULD BE THE ANSWER

With standard Pre-Harvest broadacre policies, you are required to finalise the sum insured usually about a month prior to the harvesting period - this is called the Final Revision date (FRD). This is an estimate of what you think your crop might yield and cannot be changed after this date. Structured correctly these Pre-Harvest policies can still offer adequate protection for your crops, but there is guess work involved and you never know what your final yield will be until the crop is actually harvested.

If you are after a cover that is more reflective of your season, a Post-Harvest policy is worth considering.

With a Post-Harvest policy your Insured Yield and hence Sum Insuredremains flexible (subject to limitations) through to harvest. After harvest you will need to complete a Yield Declaration and the applicable Premium will be based on the yields you achieved (subject to limitations). When structured to suit your needs, an AWB Post-Harvest policy may significantly reduce the likelihood of being:

- Under-insured – and therefore not being adequately covered in the event of a loss; or
- Over-insured – and therefore paying too much premium.

To better understand the differences between Pre and Post-Harvest policies it is useful to examine two elements:

1. Over insurance – paying too much premium;
2. How the policy would respond in the event of a loss.

1. OVER INSURANCE – *paying too much premium.*

The final Premium you pay for your insurance is a function of both the Sum Insured and the applicable Premium rate. Whilst Post-Harvest policies have a slightly higher applicable Premium rate they also offer a high degree of flexibility in terms of the Sum Insured. This generally means the Premium you pay will better reflect the crop you actually harvested – and in some instances this can be lower than with a Pre-Harvest policy. This is best illustrated by an example:
At the beginning of the season the grower selects the following cover;

	PRE-HARVEST	POST-HARVEST
Yield (t/ha)	2.0	2.0
Area (Ha)	200	200
Value ($)	$225	$225
Provisional Sum Insured	$90,000	$90,000
Applicable Premium rate*	2.02%	2.12%
Provisional Mremium	**$1,818.00**	**$1,908.00**

** The applicable premium rate above is an example only.*

At the Final Revision Date the grower makes no changes to the Insured Yield. Unfortunately the crop is subsequently impacted by a late frost and the grower only harvests 1.3t/ha. With a Pre-Harvest Policy the final Premium is based on the Yield declared at the Final Revision Date whilst with a Post-Harvest Policy the final Premium is based on the harvested yield (subject to limitations);

Yield (t/ha)	2.0	1.4**
Final total Sum Insured	$90,000	$63,000
Final Mremium	**$1,818.00**	**$1,335.60**

*** Whilst the grower only achieved a yield of 1.3t/ha the minimum yield on our Policy is 70% of the yield declared at the FRD ie 2t/ha x 70% = 1.4t/ha.*

CONCLUSION

In this example, while the grower accepted a 5% higher applicable Premium rate for the Post-Harvest policy, the actual Premium they paid was 27% lower than the Pre-Harvest policy, because the Sum Insured on a Post Harvest policy is adjusted based on the harvested yields.

This helps to demonstrate that it is not just the applicable Premium rate that is important, but the amount that you actually pay at the end after your season.

2. UNDER INSURANCE – *not being adequately covered.*

WHERE THE LOSS OCCURS **BEFORE** THE FINAL REVISION DATE

Where a loss occurs before the Final Revision Date, the payable claim under both the Pre-Harvest and the Post-Harvest policies will be the same. This is because the cover in terms of the Insured Yield up until the Final Revision Date is the same for both policies.

WHERE THE LOSS OCCURS **AFTER** THE FINAL REVISION DATE

Where a loss occurs after the Final Revision Date, the payable claim under both the Pre-Harvest and the Post-Harvest policies will be different. To understand the main difference between the two policies it is important to work through an example.

In the claims example below we calculate the Net Loss Percentage (as a result of hail or fire damage), Field Sum Insured and the Claim Amount.

The claims calculation is quite straightforward as long as you follow these steps: (we will use these in our example)

- Step 1: Calculate the Net Loss Percentage (This is based on "what happens" in the field due to damage)
- Step 2: Calculate the Field Sum Insured (This is based on the growers insurance schedule)
- Step 3: Calculate the Claim Amount

EXAMPLE INFORMATION

1. A grower insures 100% of their wheat field as follows:

area of field	100ha
provisional yield	2.0t/ha
insured value	$225/tonne
excess	5%

2. At the Final Revision Date (FRD), approximately one month before harvest, the grower made the following adjustments:

updated yield – increased to:	3.5t/ha
insured value – increased to:	$250/tonne

3. After the Final Review Date, the crop is impacted by hail and the Loss Adjuster provides the following additional information:

potential yield	5.5t/ha
impacts of other perils	0.5t/ha
harvested yield	1.6t/ha

Remember that claims are based on a paddock, so a separate calculation is made for each hail/fire affected

paddock. To calculate the claim:

STEP 1 – CALCULATE THE NET LOSS PERCENTAGE

The Net Loss Percentage is calculated as follows:

The Net Loss Percentage = the gross yield loss percentage less the applicable Excess

Where the gross yield loss is calculated as follows:

(Potential Yield – Harvested Yield)/Potential Yield

Note: You must remove the impact of any uninsured perils (eg frost) from the Potential Yield before calculating the Gross Yield Loss. In this example, the potential yield was 5.5 tonnes which was reduced to 5 tonnes due to the impact of a late frost.

STEP 1	PRE-HARVEST	POST-HARVEST
(Potential Yield – Harvested Yield) / Potential Yield	(5-1.6)/5	(5-1.6)/5
gross yield loss percentage	68%	68%
less the applicable Excess*	0%	0%
Net Loss Percentage	68%	68%

*Explanation: * AWB provides a Reducing Excess as a standard feature on our policies meaning the Excess on any field reduces as the yield loss on any affected field exceeds 20%. In this example a yield loss of 68% means the applicable excess is 0%.*

STEP 2 – CALCULATE THE FIELD SUM INSURED

The Field Sum Insured is calculated as follows:

(area of the paddock x Insured Yield x Insured Value per tonne x Insured Interest)

STEP 2	PRE-HARVEST	POST-HARVEST
(ha x Insured Yield* x Value/t x Insured Interest)	(100ha x 3.5t/ha x $250 x 100%)	(100ha x 5t/ha x $250 x 100%)
Paddock Sum Insured	$87,500	$125,500

Explanation: Where the loss occurs after the Final Revision Date the Insured Yield under both policies is different.

- *For Pre-Harvest, it is the lower of the Insured Yield estimated by the grower at the Final Revision Date and the Potential Yield of the crop.*
- *For Post–Harvest it is the Potential Yield of the crop (subject to it not exceeding 150% of the yield declared at the Final Revision Date).*

STEP 3 – CALCULATE THE CLAIM AMOUNT

The amount payable is calculated as follows:

Field Sum Insured x Net Loss Percentage

STEP 3	PRE-HARVEST	POST-HARVEST
Field Sum Insured x Net Loss Percentage	$87,500 x 68%	$125,000 x 68%
Claim Amount	$59,500	$85,000

CONCLUSION

In this example the Claim Amount under the Post-Harvest policy exactly indemnified the grower's actual financial loss due to the hail. The grower actually lost 3.4t/ha @ $250/t x 100ha = $85,000.

Under the Pre-Harvest policy the grower was under insured receiving only $59,500 having under estimated their yield at the Final Revision Date.

The AWB Post-Harvest policy responds far more appropriately to yield variation incurred after the Final Revision Date, automatically adjusting the sum insured and indemnifying the grower more accurately.

AWB's Post-Harvest policy is a little more expensive than our Pre-Harvest policy and does require some additional paperwork, however we believe our Post-Harvest policy offers better coverage as it more accurately reflects the season you had, not the potential season.

MORE INFORMATION

For more information, to apply or to obtain a copy of the Policy document, please contact AWB at any of these locations:

- your local AWB Farm Marketer
- call AWB Grower Services on 1800 447 246
- email AWB grower services: growerservicecentre@awb.com.au

Please note that this document and example is only a summary of some aspects of the Policy and does not form part of the terms and conditions of the cover and does not take into account your objectives, financial situation or needs. It is important that you read the Policy wording to understand the full terms and conditions. Capitalised terms that are not defined in this document take their meaning from the AWB Broadacre Crop Insurance Policy.

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