

Information Paper – Multi-peril crop insurance incentive measures

The NSW Government has expressed an interest in the potential for multi-peril crop insurance (MPCI) to increase farmers' resilience and preparedness for drought, and reduce their reliance on government assistance.¹

It has asked IPART to evaluate several measures designed to increase the uptake of MPCI.



These are:

- 1 the Farm Business Skills Professional Development program, which provides financial assistance for farm business planning
- 2 improved information for insurers and farmers, through:
 - a. installing additional rain gauges and weather stations, and
 - b. sharing NSW Rural Assistance Authority data with the insurance industry
- 3 waiving the stamp duty on MPCI policies, and
- 4 a subsidy to reduce the upfront cost of MPCI premiums.

Our terms of reference for this review are available [here](#).

How will we evaluate the measures?

Earlier this year, we developed the [NSW Drought Program Evaluation Framework](#). The terms of reference require us to use this framework to assess the four MPCI incentive measures.

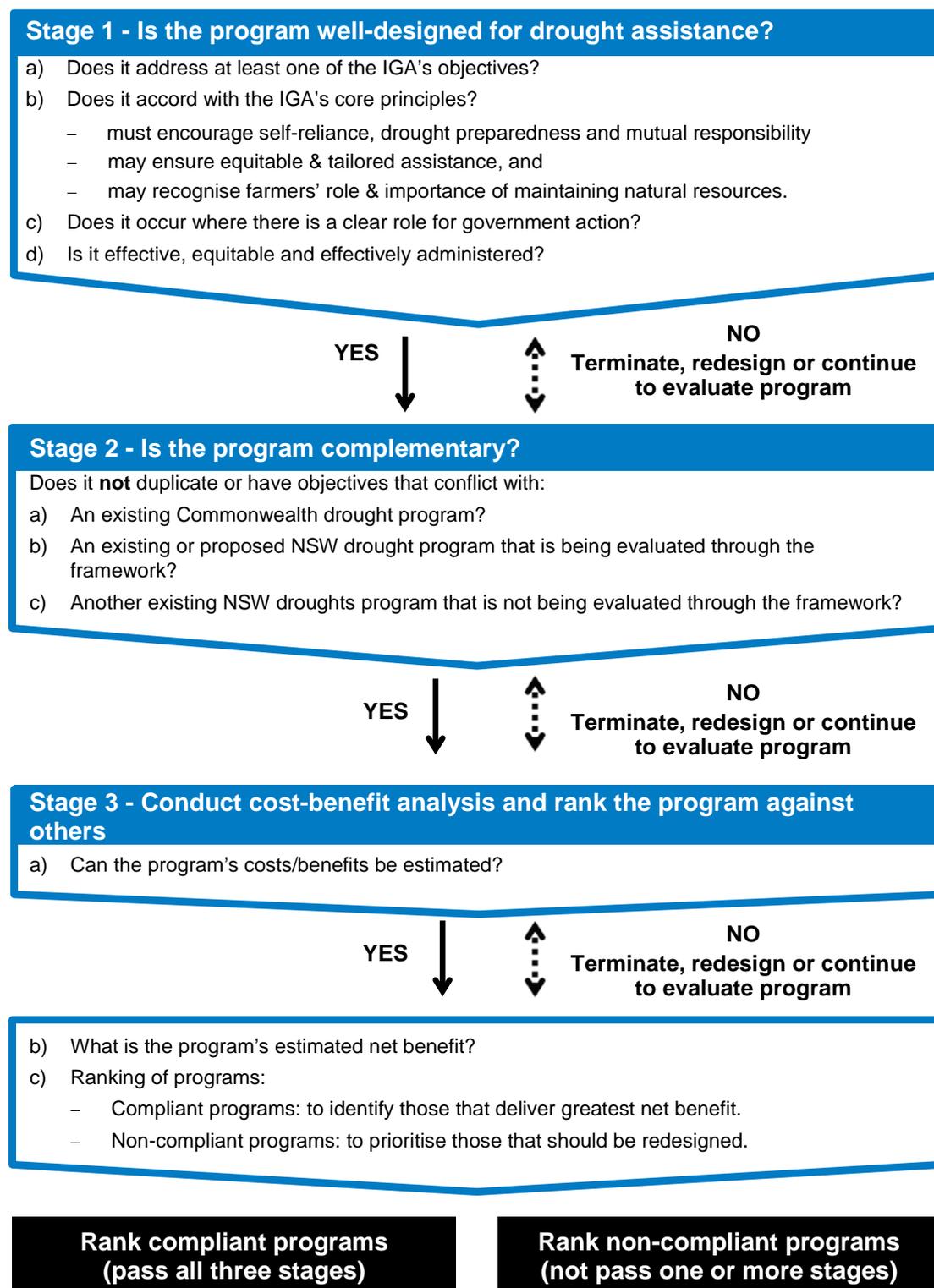
The framework has three stages:

- ▼ First, we will assess whether each measure meets the objective(s): necessity, effectiveness, fairness and administration of the measures.
- ▼ Second, we will assess whether each measure is complementary with existing Commonwealth and NSW drought programs and also with the other three MPCI incentive measures.
- ▼ Third, we will conduct a cost-benefit analysis for each measure and rank them.



Figure 1 provides an overview of our framework for evaluating drought assistance programs.

¹ See our terms of reference for the review, available at http://www.ipart.nsw.gov.au/Home/Industries/Other/Reviews/Review_of_Multi-peril_Crop_Insurance_Incentive_Measures/22_Mar_2016_-_Premier_signed_Terms_of_Reference/Review_of_Multi-peril_Crop_Insurance_Incentive_Measures_-_March_2016.

Figure 1 Framework for evaluating NSW drought programs

For proposals that do not meet the criteria in our framework, we have been requested to advise if the measures could be redesigned to meet the criteria.

For proposals that meet all criteria except the complementarity test in our framework, we have been requested to identify duplicative or conflicting programs.

What measures will we be assessing?

The table below provides further detail on the four measures we have been asked to assess.

Measures we have been asked to assess

Measure	Description of measure	Is the measure existing or new?	What are the objectives of measure?
1) Farm business skills professional development program	Financial assistance for farm business planning and business assessment that could be used to support an application for MPCl	Existing measure	Reduce upfront costs of obtaining insurance Improve information on risk Improve farmers' understanding of benefits of MPCl
2) Improving information for insurers and farmers	a) Installing additional rain gauges and weather stations	Implementation is underway	Improve information on risk
	b) Sharing NSW Rural Assistance Authority data as a potential source of agricultural production information	New	
3) Stamp duty waiver for multi-peril crop insurance premiums	Waiver of stamp duty on MPCl premiums for five years	New	Reduce the upfront cost of insurance charged to farmers
4) Reduced upfront cost of multi-peril crop insurance premiums	This measure is to be designed by IPART in consultation with DPI	New	Reduce the upfront cost of insurance charged to farmers

How can stakeholders be involved?

Our proposed timetable for this review is set out in the table below.

We invite comments from stakeholders on the following issues:



- ▼ What sources of information should IPART have regard to when assessing the measures?
- ▼ What are the barriers to the offering and uptake of MPCCI in NSW?
- ▼ What issues should IPART take into account when designing a measure to reduce the upfront cost of multi-peril crop insurance premiums?
- ▼ Are there any other issues that IPART should have regard to in assessing the measures to increase the uptake of MPCCI?

Submissions to this fact sheet will close on **29 April 2016**.

Timetable for the review

Release Information Paper	11 April 2016
Comments on Information Paper due	29 April 2016
Draft Report released	July 2016
Submissions on Draft Report due	August 2016
Public Hearing	August 2016
Final Report delivered to the NSW Government	October 2016