

Dr Peter J Boxall AO
Chairman
Independent Pricing and Regulatory Tribunal
of New South Wales (IPART)
PO Box K35
Haymarket Post Shop NSW 1240

15 August 2016

Dear Dr Boxall

Assetinsure welcomes the opportunity to comment on IPART's draft report issued in July 2016 on multi-peril crop insurance incentive measures.

By way of introduction, Assetinsure Pty Ltd (Assetinsure) is an APRA licensed general insurer¹ focusing on specialist classes of business. In 2015, we commenced underwriting multi-peril crop insurance policies (on a revenue basis).

In 2015 the product has proven invaluable for affected growers, as nature turned against them. It was widely reported that the 2015 season turned out to be poor in different parts of Australia.

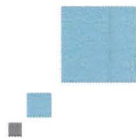
Against this background, in 2016 the product was rebranded as agricultural income protection as that better describes the function of the insurance product².

In terms of the draft report:

- We endorse IPART's key finding that an upfront premium subsidy is the most effective measure under consideration. The 2016 season (underwriting was undertaken up to mid July 2016) confirmed that there are still cultural barriers that impact on take-up which the upfront premium subsidy should help breaking down.
- We concur with IPART that the subsidy should be simple in design (i.e. make the premium more affordable) instead of being part of the rating/pricing mechanism or linked to product standardisation. It is fortunate that a number of different product designs are available in the market giving choice to farmers. That also sets the foundations - for a dynamic product environment to be maintained and efficiency gains in providing the product to customers to be sustained.
- We also concur that the subsidy should be greater in the first two years to achieve momentum in take up. It is important that the premium relief is felt by the farmer immediately at the time of

¹ Refer www.assetinsure.com.au

² We note that indexed based products are not considered to be insurance products.



purchasing the product. Upon payment of the farmer's share of the premium, insurance companies could collect the remaining part of the premium from the state government.

As discussed at the public hearing on 2 August 2016 we, however, feel that the measure should be combined with stamp duty relief. We recognise that the applicable stamp duty rate in NSW is low (2.5%) and therefore stamp duty relief on its own has little impact. But it would be illogical to support policy take up through premium subsidy whilst taxing the product at the same time. It is also a matter of equity that farmers should not be taxed on "their" income protection insurance. Such insurance is tax-free for all employees who purchase such product which essentially serves the same purpose.

Please feel free to contact me on 02 [REDACTED] or by email address below.

Yours sincerely

Gregor Pfitzer
Chief Executive Officer