



YIELDSHIELD 2010



YIELD SHIELD PRODUCT INFORMATION

Dryland wheat producers make many decisions based on the seasonal outlook and their yield expectations. This can mean extending their borrowings to plant additional areas or increasing their farm inputs to maximise yield. This places further financial pressure on the yield outcome. Unfortunately many seasons don't live up to their expectations and in most instances this is due to a lack of rainfall during the vegetative stages of crop growth. YieldShield was designed to specifically assist growers in managing this risk.

AgriRisk recommend all growers review this product to determine if it will complement their existing risk management strategy.

What crops are covered by YieldShield?

YieldShield is available for dryland wheat crops that achieve first jointing.

What perils are covered by YieldShield?

- **Water Stress:** YieldShield is designed to assist growers in managing yield loss due to Water Stress which is defined as insufficient or excessive rainfall during the period of insurance.
- **Fire and Hail:** Growers can also incorporate Fire and Hail Insurance and if this is combined with the Water Stress Cover growers will receive a significant premium saving on the fire and hail component of the cover.

As fire and hail insurance is generally well understood by growers the remainder of this brochure outlines the Water Stress cover.

How do I determine my Total Sum Insured?

Your Total Sum Insured is an 'agreed value' and simply represents the amount of cover you require on a per hectare basis. AgriRisk have provided premium indications based on low, medium and high sums insured per hectare but the cover per hectare and Total Sum Insured is up to you.

How does the crop suffer a Water Stress loss?

A Water Stress loss arises when both the following factors are triggered:

- **Modelled Loss:** A modelled loss arises when the applicable shire's End of Season (EOS) simulated yield is below the Start of Season (SOS) simulated yield by more than your excess. This calculation is as follows:

$$(SOS - EOS)/SOS > Excess$$

- **On-farm Loss:** An on-farm loss arises when an independent agronomist confirms that the crop's Potential Yield has been reduced due to Water Stress.

Which model is utilised to generate the simulated yields?

YieldShield utilises an independent agroclimatic model to generate the simulated yields on a shire basis. The model utilised is the Oz-Wheat model which was developed by Agricultural Production Systems Research Unit (APSRU) based on APSIM technology. This technology drives a number of other models including Whopper Cropper, Yield Prophet, How Wet and AP Soil.

The QLD Department of Employment, Economic Development and Innovation (DEEDI) administer these crop models Australia-wide and generate the Oz-Wheat simulated yields.

What is the Start of Season (SOS) simulated yield and when is it issued?

The SOS simulated yield for each shire is the model's estimated yield in tonnes/ha as at 1 July 2010. This SOS simulated yield will be available in the first week of July.

The SOS for each shire takes into account;

- Shire specific soil factors and local crop management practices and;
- all actual rainfall and climatic data from 1 October 2009 to 30 June 2010 and;
- the **forecast** weather conditions throughout the vegetative stages of crop growth up to 30 November 2010 — this incorporates the phasing of the Southern Oscillation Index (SOI).

What is the End of Season (EOS) simulated yield and when is it issued?

The simulated yields for each shire are updated monthly as actual climatic data is incorporated in the model. The EOS simulated yield for each shire is the model's estimated yield in tonnes/ha as at 1 December 2010. This EOS simulated yield will be available in the first week of December.

The EOS for each shire takes into account;

- Shire-specific soil factors and local crop management practices and;
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- all **actual** rainfall and climatic data from 1 October 2009 to 30 November 2010.

In the event of a Water Stress Loss what will I be paid?

Once both a modelled loss and on-farm loss have been triggered your loss will be calculated as follows:

Total Sum Insured x (Water Stress Loss Percentage – Excess)

Where the Water Stress Loss Percentage is calculated as follows;

$$(SOS - EOS)/SOS$$

Where the Water Stress Loss Percentage exceeds 65% the claim will be based on a 100% Water Stress Loss Percentage. This is called a Modelled Economic Total Loss (METL).

Can I Reduce the METL?

Growers can at their option, reduce the METL down to 50% — this will of course increase the applicable premium.

What Excess applies to my Water Stress loss?

Generally the excesses will be between 15% and 40%. You should remember that Water Stress is a 'catastrophe' type peril, as a consequence the excess should be relatively high.

Is there a Reducing Excess Option?

Yes, just like with your Fire and Hail Insurance you have the option of selecting a Reducing Excess Option — this will of course increase the applicable premium.

With this option once the Water Stress Loss Percentage exceeds a given threshold then for each loss percentage above the threshold the excess will proportionally reduce down to zero. This has the potential to increase the claim when the Water Stress Loss Percentage is high.

When will claims be paid?

Claims will be settled at the end of the season once it has been confirmed that both a Modelled Loss and On Farm Loss have been triggered.

How will I know if I have incurred a Water Stress loss?

Modelled Loss: DEEDI will generate monthly updates of the simulated yields for each shire which will be provided to growers. The Insurers will therefore be able to monitor whether a Modelled Loss has been triggered. Where this occurs they will appoint an independent agronomist to ascertain whether an on-farm loss has also been triggered.

On Farm Loss: During the course of the season your crop's potential yield might be reduced due to Water Stress. If you believe this has occurred then you will need to contact AgriRisk. An independent agronomist will be appointed to confirm that this reduction in yield is due to Water Stress.

What will YieldShield Cost?

AgriRisk have provided Premium Indications based on 'low', 'medium' and 'high' sums insured per hectare with a standard excess. If one of these indications are acceptable then AgriRisk will tailor the YieldShield coverage to your specific requirements and you will need to complete an Application. AgriRisk will then obtain a formal Premium Quotation on your behalf.

When will YieldShield Premium Quotations be available?

Premium Quotations will be available from 7 July 2010 based on your completed application. If you want to accept this Quotation you must do so before the expiry date listed on the Quotation, generally this will be before **21 July 2010**.

When does the Water Stress cover attach?

The Water Stress cover will attach when more than 50% of the crop on each property achieves first jointing. Depending on your growing region, first jointing normally occurs approximately 30 days after planting. The insurer will appoint an independent agronomist to inspect the crop and verify that the crop has achieved first jointing.

If specific fields do not achieve first jointing then they will be excluded from the cover. If the whole crop fails to reach first jointing a Minimum Premium will apply.

How do I determine if YieldShield is appropriate for me?

In order to have a Water Stress Loss YieldShield requires the triggering of both a modelled and on-farm loss. The model determines the percentage level of loss. Whenever an external model or index is utilised to quantify the loss rather than an on-farm measurement of loss a 'basis risk' is created.

This 'basis risk' is the risk that you incur an on-farm loss but not a modelled loss, or a modelled loss but not an on-farm loss. In both cases no claim will be considered.

Who is the Insurer?

Primacy Underwriting Agency Pty Limited manage YieldShield on behalf of the Insurer, Allianz Australia Insurance Limited.

Any further questions?

If you have any further questions on YieldShield or require a premium quotation please contact AgriRisk Services on;

yieldshield@agririsk.com.au

or **02 9965 1129**

For a complete description of the cover please refer to the Policy which is available upon request.



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