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# Review of



# Marketing and Agricultural Economics

## *In this Issue:*

	PAGE
Hail Insurance—New Rates for Cereals .. .. .	231
Agriculture's Reconversion Problems .. .. .	232
Eggs—Post-War Marketing .. .. .	238
Egg Marketing Boards' Conference—Resolutions ..	242
Agriculture in N.S.W.—Regional Administration ..	244
General Notes and News .. .. .	249
<u>Sydney Wholesale Markets—August, 1945.</u>	
Livestock Sales .. .. .	251
Fruit and Vegetable Sales at City Markets ..	254
Farm Produce Sales .. .. .	258

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NEW RATES FOR HAIL INSURANCE OF CEREALS.

In response to the agitation amongst N.S.W. wheat growers for a revision of the hail insurance scheme, negotiations were set in train early last year by this Division, in association with the Government Insurance Office, for an improved plan. Premium rates were considered high, but it was soon realised that the scheme operating in Queensland could not readily be applied in N.S.W., having in mind the magnitude and wide distribution of the industry here, apart from the difficulties of imposing a levy for insurance purposes as done in the Northern State. Consideration was also given to the possibility of establishing a voluntary pool, involving the elimination of certain current costs, but here again there were inherent difficulties.

For hail insurance purposes, the State is divided into two zones: the northern four-fifths (roughly) comprising 46 shires, and the southern one-fifth, 31 shires; the rates for the northern sector (which includes such high-risk shires as Ashford, Bannockburn, McIntyre and Yallaroo) being 90/- per cent., and those for the southern sector, 60/- per cent. The revenue from hail insurance in N.S.W. is generally of the order of £100,000 per annum. Agents' commission amounts to 15%, which seems to be the rate adopted in most countries, though in Western Australia it is only 10%. Hail insurance is not regarded as a highly profitable undertaking for the Companies, and for the 6-year period 1939-40 to 1944-45 total premiums for all associated Companies alone in N.S.W. amounted to £499,575, while losses totalled £305,568, expenses £27,564, resulting in a loss ratio of 61.16% and an expenses ratio of 5.51%, the total burden on the Companies being 66.67%. For the four high-risk shires referred to above, the loss ratio for the same period amounted to 141.5%! Nevertheless, the Fire and Accident Underwriters' Association co-operated throughout the recent negotiations and this made possible the implementation of a new hail scheme. A suggestion was made early that instead of two hail zones there was justification for four, based on the insurance experience in recent years, each with a different premium rate. Finally, however, it was arranged that the two original zones should be maintained and that there should be an overall reduction in rates of  $7\frac{1}{2}\%$ . This means that the 90/- rate falls to 83/3, and the 60/- to 55/6. The scheme is now operable and is applicable to wheat, barley, oats, rye, maize and linseed.

*A. J. Hynes.*  
Chief of Division.