AGNOVATE MULTI PERIL YIELD INSURANCE

The agricultural industry is exposed to drought and other weather-related risks. Large parts of South Africa's grain production regions are rainfed and vulnerable to droughts and grain price volatility. This leads to volatile output levels and severe financial pressure. Agnovate's new generation crop insurance product uses state-of-the-art technology, suited to the modern farming client, as an integral part of risk mitigation strategies to reduce financial risk and attract loans.

How does Agnovate Multi Peril Yield Insurance (MPYI) work?

Traditional crop insurance products such as multi-peril crop insurance (MPCI) are often not best suited for South Africa's grain industry. MPCI does not adequately consider the large variety of soil types, climate regions and farm operation sizes, which poses practical challenges and results in high administration costs.

Agnovate MPYI moves away from the traditional model used to analyse risk, structure insurance rates, the methodology applied to assess yield shortfall and the calculation to settle claims.

Key differences between MPCI and Agnovate MPYI:

Insurance rate:

- MPCI insurance rates are structured on the historical yield performance of an administrative region such as a municipal district or a province. It can also be structured on the historical yield performance of an individual farm.
- Agnovate MPYI calculates insurance rates according to the historical yield performance of a predefined production area, which considers similar soil and climate in one geographical area.

Claims:

- MCPI claims are based on the assessment of yield shortfall on individual farms and fields. This process is time consuming, costly and sometimes inaccurate.
- Agnovate MPYI claims are based on the weighted average of yield shortfall determined across the production area.

Is there a minimum loss or a maximum payout amount?

Clients pre-agree to absorb a percentage of the total financial loss themselves. This amount is known as the deductible and forms part of the claim calculation. As soon as the determined loss exceeds the agreed deductible amount, the insurance cover starts to generate a claim payment to the client. Clients can also pre-agree to add a maximum payout limit.

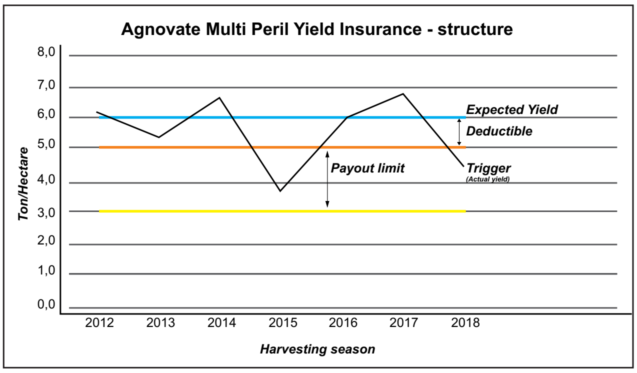
What perils are covered?

Agnovate MPYI covers all perils, except hail, that may result in a yield shortfall across a production area, even when these happen simultaneously. Although the impact of hail will reflect in the actual yield determined in a production area, it will not be a true reflection of the hail damage sustained on a specific farm. It is advised that separate hail insurance cover is purchased.

Key features of Agnovate MPYI:

- The long-term yield volatility across a production area is similar between different farms in the production area.
- One policy can be issued for one client with multiple crops stretching across multiple production areas.
- All clients in the same production area are subjected to the same insurance rate per crop.
- The Agnovate MPYI policy can be structured to offer various options:
    - A pre-agreed (fixed) grain price per ton can be used to calculate the total insured value and to calculate claims. This simple and easy option is known as crop shortfall cover.
    - A pre-agreed (fixed) grain price per ton can be used to calculate the total insured value, but the claim calculation can be linked to a stock market future price. This option provides an underlying price hedge to the client and is known as crop revenue cover.
    - Clients can choose between different structures (deductible and maximum payout) that are best suited for their needs.
    - Clients can outperform the weighted average actual yield achieved in the production area without losing the benefit of the claim calculated across the production area. Agnovate MPYI provides for an incentive for good agricultural practices.
    - Yield shortfall in a production area is determined through physical yield assessments, in combination with multiple remote sensing capabilities such as satellites. This results in a quick and easy claims process.

Example of Agnovate MPYI structure:



How we calculate premiums and claims:

Premium calculation:

Step 1: (hectares planted) x (expected yield) x (price) = insured value
Step 2: (insured value) x (insured rate %) = premium (R)

Claim calculation - crop shortfall cover

(Insured value) x (actual yield - determined across the production area) = shortfall or surplus (the loss payment is subject to the deductible, payout limit and selected grain price option)

Fast recovery. Less uncertainty. More security

To find out more about this and the many other insurance solutions we of fer along the entire agricultural value chain please contact your agri broker or call JG Shields **072 273 0456**

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