

4 July 2007

Commissioner Mike Woods
Presiding Commissioner
Review of Regulatory Burdens on Business – Primary Sector
Productivity Commission
PO Box 80
BELCONNEN ACT 2616

Dear Commissioner Woods

Re: Farm Insurance Policies and Australian Standards

I refer the current review of regulatory burdens on business in the primary sector and the submission by Tony and Margaret McKenzie in relation to farm insurance policies and Australian Standards.

Attached is a copy of their submission. Further relevant information on the nature of their business and other professional interests can be found at their website at www.jutlandvalley.com.au.

Standards Australia was not aware of this issue and is naturally concerned that standards might be referenced in third party contracts in an unreasonable or detrimental manner.

The Productivity Commission recently completed a comprehensive research report on Standards Setting and Laboratory Accreditation in Australia. This report provides a very useful overview of the role and value of standards as well as making a number of recommendations in relation to standards setting in Australia. These are being addressed now.

It is therefore not proposed to reiterate the benefits of Standards in this letter or to address each point in the McKenzie submission regarding Australian Standards or our business operations. I would however like to make the following important observations.

- 1) Australian Standards are consensus documents developed in a fully transparent manner by expert representatives of all major stakeholders in the particular matter. The 'complexity' of a standard is dependant on the nature of the subject matter, the purpose of the standard and the relevant knowledge and capacity of the user/reader of the standard.
- 2) In addressing the concerns raised in the McKenzie submission, Standards Australia has examined a number of the farm insurance policies available from Wesfarmers Federation, GIO and Elders. Each of them requires, albeit expressed in a different manner, compliance with relevant Australian Standards.
- 3) Our preliminary inquiries to both national and state peak farming bodies and the above mentioned insurance companies indicates that the requirement in insurance policies to comply with Australian Standards has not been raised by any policy holders as an issue of concern in the past.

4) We have followed up these inquiries with a letter to the Insurance Council of Australia requesting their assistance in providing a more definitive response. In particular we have requested that they advise us as to whether:-

- There are any cases where farm insurance coverage has been denied based on an assessed incapacity to comply with Australian Standards?
- Any farm insurance claims have been refused based on failure to comply with an Australian Standard? If yes, what were the circumstances?
- Insurance companies will provide if requested, free of charge, copies of any relevant Australian Standard to a policy holder?
- Insurance companies will provide to a policy holder, in writing if requested, a plain English interpretation of the specific expectations that the Standards create within an insurance policy document?

We are keen to work with the Insurance Council of Australia to ensure that any references or requirements related to insurance coverage are specific, appropriate, current and in the 'net public benefit'.

If you require further information please do not hesitate to contact me directly on 02 92376100.

Yours sincerely

John Tucker
CEO
Standards Australia