

REPORT on a MEETING of the  
FINANCE COMMITTEE of the SCOTTISH  
POTATO TRADE ASSOCIATION held at  
25 South Methven Street, PERTH at  
2.30 p.m. on Monday, 3rd SEPTEMBER,  
1984.

PRESENT: Messrs. J.H. Barr, G.S. Brass (by invitation) and J.G.H. Fenton, with R. David Hunter (Secretary) and D. Blackmore (Assistant in attendance).

APOLOGIES: Messrs. J.E. Cook (ex officio) J.H. Lindsay, J.R. McArthur (by invitation), K.A. McKenzie (ex officio) and J.O. Robertson had all apologised for their absence.

PRODUCT LIABILITY INSURANCE: Mr. Hunter explained that his negotiations with Brokers on proposals (already circulated to each Committee Member) had reached the stage of requiring knowledge of trading turnover and appraisal. From the proposed minimum premiums and cover the indicated relative turnover was of the order of £<sup>1</sup>/<sub>2</sub>m. to £<sup>1</sup>/<sub>2</sub>m. He had no means of assessing whether this would attract or deter support among members.

General discussion agreed the proposals seemed sensible and reasonable in relation to Members' needs. Having gone through the wording of the proposed policy it was agreed (1) to be unclear whether "turnover" referred to seed only or all (seed and ware) trading, or (2) whether "indemnity limit" referred to any single claim or all claims combined within a single premium period. This led to discussion of (3) definition of "period of insurance" and claims occurring but not received within it. It was also felt (4) that a wider range of cover options could be sought, on the basis of pro rata increases and decreases in minimum premiums.

Messrs. Gunn and Smith (of Stewart Wrightson, Insurance Brokers) then joined the meeting as arranged. In reply to (1) above Mr. Gunn explained that "turnover" refers to total sales in the business. Accepting that failure to germinate cover should not be based on total (including ware) sales, he explained individual member's policy certificates could be adjusted to accommodate. He agreed this could mean accepting three difference turnover figures for sections (b), (c) and (d) of proposed premium rates.

In respect of (2) above, Mr. Smith confirmed that "indemnity limit" referred to the total of all claims together made in any one period of insurance. It did not mean the maximum payable in respect of any one single claim. Mr. Gunn confirmed the cover included the insured's own legal and other expenses in connection with any claim.

In reply to (3) above Mr. Gunn stated that date of intimation of a claim governed the insurer's liability. A claim based on an occurrence during one (premium paid) period of insurance, but not intimated until that period had expired and cover had not been renewed, would not be accepted. The Committee agreed it was important all Members were made aware of this.

Following further discussion, Mr. Gunn also stated that the insured's inability to recover from a "legally liable" third party would not affect its liability to meet its obligations to the insured. There was prolonged discussion of reasons for non-germination (which in one instance could not be determined) including perhaps frosting or chilling. Mr. Gunn made it quite clear that insurance cover does not include trading practice or "moral liability". The proposals are explicitly framed to cover legal liability for consequential loss.

Mr. Gunn also explained that in the event of adoption of the proposals the Insurers would issue the Brokers with a Master Policy. In turn, the Brokers/

Brokers would issue each participating Member with a Policy Certificate, collect premiums, receive claims, handle renewals and so on. They hoped most sincerely to be accorded the opportunity to visit all Association Members to explain the proposals, with a view to maximising participation.

The Committee drew attention to Exception (2) on Page 10 of the draft proposals and pointed out the contractual removal and replacement requirements under the Association's Conditions of Sale. Following discussion, Mr. Gunn fully understood the point but stated this exception was fundamental in all product liability insurance. He explained the distinction between guaranteeing a product and being legally liable for consequential non-performance. He foresaw no possibility of the Insurers withdrawing this Exception. The meeting agreed this should be made absolutely clear to all Members. In respect of (4) above, Mr. Gunn undertook to raise the question of widening the proposed "cover" options and relative adjustments of minimum premiums with the Insurers, as also to ask them to define the meaning of "administration" in line 2 on Page 10 of the draft proposals. In these respects he undertook to try to reply by telephone before Noon on 6th September.

In conclusion Mr. Gunn explained in the event of small participation the Insurers would clearly require to increase the premiums. In an untried area, the first year or two of actual experience would be invaluable to all concerned. In reply, he felt the Insurers would be looking for well into five figures of premium income in the first year to justify continuation.

The meeting then concluded.