

REPORT on a MEETING of THE SCOTTISH
POTATO TRADE ASSOCIATION and CREDIT
INSURANCE ASSOCIATION LIMITED in
PERTH at 3 p.m. on Tuesday, 17th
APRIL, 1990.

PRESENT:

C.I.A. - Messrs. N. Young (Director) and D. Main.

S.P.T.A. - Messrs. R.D. Hunter (Secretary and D.
Blackmore (Assistant).

Mr. Hunter explained re Association's time scale dealing with CIA approach/enquiry - e.g. today's meeting to be reported to next meeting of Council on 24th May.

Mr. Young outlined history of his Company, now part of and with financial backing of Hogg Robinson PLC. Specialises solely in credit risk insurance - group schemes set up, for example, for Steel Stockholders, Grain Trade, White Fish industry, Salmon Farming industry and currently investigating Trout Farming industry. Both he and Mr. Main come from farming backgrounds.

In reply, Mr. Young confirmed Group Schemes involve initial consultation and discussion with individual members to examine their credit control systems, five years credit records, etc. in strictest confidentiality. Replies collated to assess whole Group's parameters, followed by an approach to underwriters to obtain a Group premium rate quotation. In turn, application of this rate is discussed with each member and if necessary negotiated further with the underwriters before a Group Policy is actually written.

In further replies, Mr. Young confirmed his Company would handle all claims, collection of premiums, etc. The principal aim would be to minimise administration for Group members - e.g. limited to reporting outstanding invoices, obtaining permission for extra new risks, etc. Audit/inspection of members' books would be a requirement, but not applied on an automatic routine basis but rather, for example, only in the event of an extra large claim or the like.

The Secretariat responded to a request by "guesstimating" the total tonnage handled by all members each year and postulated their total annual turnover therefrom to be of the order of £20m - £25m. They pointed out that a number of members are quite small and unlikely to participate in a group scheme, while the larger members may already be covered for their credit risks under their already existing comprehensive business insurance arrangements.

Mr. Hunter identified the eventual premium rate as of prime importance to Association members' participation in any Group Scheme. Mr. Young explained a quotation of 0.3% of turnover negotiated on behalf of an individual potato merchant had not been acceptable. On the other hand, Group Schemes experience showed lower rates could be achieved, one of which being as low as 0.13%. Given a good take up by Association Members he guesstimated an eventual "settle-down" rate of 0.2% or even perhaps slightly less could be achieved. He also explained this would require the member to bear 20% of each claim, with the insurance covering the remaining 80%. In reply, he agreed a block annual premium at the outset, adjusted according to the actual year's results thereafter (in the same/

same way as Employers' Liability Insurance premiums are usually paid) would ease the administrative burden on members.

Mr. Young further explained his Company's continually expanding computerised data facilities and their use of same to assist members and the capacity for "alerting" members this can also sometimes provide. This invaluable tool is enhanced by its U.K., European and world-wide contacts and sources inputs makes it extremely helpful to exporters. He diversified briefly into ECGD changes and possible privatisation, Trade Indemnity organisation's position, the 1912 Lloyds bar on admission of credit brokers (which latter, in his own view, could possibly be lifted soon).

Mr. Hunter felt a Group Scheme could provide a most useful service for Association Members, but Council will decide the next step and, if to proceed, whether by circularisation to Members or an Open "Questions and Answers" type Meeting of Members (Messrs. Young and Main indicated their willingness to take part). In readiness for either event C.I.A. Ltd. undertook to compile an information sheet and brief questionnaire for the Secretariat to submit for Council's consideration.