Canada-Alberta AgriInsurance Products

for 2019 Perennial Crops

Program Information for Perennial Crops
Contract of Insurance for Perennial Crops

Agriculture Financial Services Corporation

CANADIAN AGRICULTURAL PARTNERSHIP

Unique Financial Services AFSC INSURANCE • LENDING • INCOME STABILIZATION

Alberta Government

Canada

Last day of February

- **Apply** for Perennial Crop Insurance.
- **Make changes** to your insured acres, crops and elected options:
  - Rented acre changes will not be accepted after this deadline.
  - Acres purchased or sold up to the last day of February must be reported.
- **Cancel** your Perennial Crop Insurance.
- **Remove** grazing livestock from insured export timothy hay fields.

April 30

Remove grazing livestock from insured hay fields.

June 1

Add and **delete** land purchased and sold between March 1 and May 31 with written proof of the transaction.

June 25

A two per cent early payment discount is applied to premium payments **received by AFSC** the later of June 25 or within 15 days of each version's billing date.

Prior to commencing harvest but no later than July 15

Report your carryover inventory from previous years including all production owned whether produced or purchased, to your branch on the Report of Hay in Storage Prior to Harvest form or on the Report of Export Timothy Hay in Storage Prior to Harvest form.

September 1

Interest begins **accruing** on unpaid premium.

October 15

File hay and export timothy hay Harvested Production Reports (HPRs) without penalty. HPRs filed between October 16 and December 31 of the current year will be charged a late filing fee.

December 31

- **Deadline to pay** your 2019 account without negatively affecting your credit and to avoid a cash upfront on premium for the 2020 insurance year. Contact your branch to make payment arrangements.
- **File** perennial crop HPR with late filing fee. Failure to file an HPR by this deadline will result in a yield recorded as zero and no indemnity will be calculated.

What is New for 2019

Weather stations

Clients may choose one, two or three weather stations to best represent conditions on their farm, and within proximity of their land base. Since weather station information may be subject to change, visit www.afsc.ca or contact your AFSC branch for a current list of weather stations.

What was new in 2018

AFSC simplified the Perennial Crop Insurance programs by removing program elements that are not widely utilized by clients. These changes include:

- Removal of Spring Soil Moisture from Moisture Deficiency Insurance pasture program, and from Hay Insurance – Moisture Deficiency Endorsement
- Removal of the Full Season weather coverage options from the Moisture Deficiency Insurance pasture program
- Removal of the two lowest price options from Hay Insurance, Moisture Deficiency Insurance and Satellite Yield Insurance

Schedule of fees

AFSC updated their administration fee schedule. Changes may impact clients who are late filing information, requesting subsequent inspections or sampling of products outside of the normal process, and who wish to appeal decisions made by AFSC.

Weather stations

There were five new weather stations added to the network of weather stations across Alberta; and two weather stations, Smyth and Spirit River, that were decommissioned.

AFSC online services

AFSC launched the new online functionality through AFSC Connect.

AFSC

Agriculture Financial Services Corporation (AFSC) is a provincial Crown corporation, serving Albertans at 44 offices located across the province. AFSC provides crop insurance (AgriInsurance) for annual and perennial crops as well as honey, bee overwintering and livestock price insurance. AFSC delivers provincial and federal agricultural support programs, including AgriStability and provide producers, agribusinesses and commercial enterprises with lending products.

Protecting your privacy

AFSC adheres to privacy procedures compliant with current legislation and is committed to securing our clients' personal information. Personal information is defined as any information about an identifiable individual that is recorded in any form, subject to the *Freedom of Information and Protection of Privacy Act (FOIP Act).* As an individual, it is your right to control when, how and to what extent your information is communicated to others.

Reporting fraudulent activity

AFSC does its best to ensure that only clients who legitimately qualify receive the amounts for which they are eligible. AFSC is responsible for protecting the integrity of the programs it administers, and ensuring the taxpayers' dollars are properly accounted for.

Some examples of fraudulent activities are:

- Falsifying documents
- Not disclosing all production
- Not disclosing all relevant information
- Selling production under someone else's name

If you suspect fraud, waste or abuse of AFSC programs, including insurance, income stabilization or lending, please contact AFSC and ask to speak with the Compliance and Investigations Department. Reports of fraudulent activity can be made anonymously at 1.877.685.9317 or by visiting www.clearviewconnects.com.

Principles of crop insurance

Crop insurance in Alberta includes AgriInsurance and is one component of the Canadian Agricultural Partnership. This agreement is Canada's and Alberta's commitment to agriculture, and focuses on achieving results, reflects input from across the sector, and strives to deliver programs that are responsive to the needs of producers.

GENERAL INFORMATION

Eligibility

Insurance is available to any producer who meets AFSC eligibility requirements. Insurance applicants are required to provide legal, operational and financial information. If you are interested in insuring your crops and would like to know if you are eligible, please contact an AFSC branch (see pages 68 and 69 for office locations).

Assignments

Clients may assign the right of their indemnity to a third party. By applying under the Advance Payment Program (APP) for a cash advance, clients are agreeing to assign insurance proceeds against the advance.

Other assignments (e.g. financial institutions) are registered after AFSC receives and approves the complete Assignment of Indemnity form and registration fee. AFSC will deduct assigned funds until the assignment is paid in full. Assignment deductions are mailed directly from AFSC to the third party, and any remaining indemnity is mailed to the client.

Deferrals

To facilitate tax planning, clients can choose in advance to defer indemnities to the following tax year. There will be no recourse to defer payment once a cheque has been issued. Deferred indemnities will not be applied to outstanding premiums/balances until the deferred date and interest will continue to accrue.

Interest policy

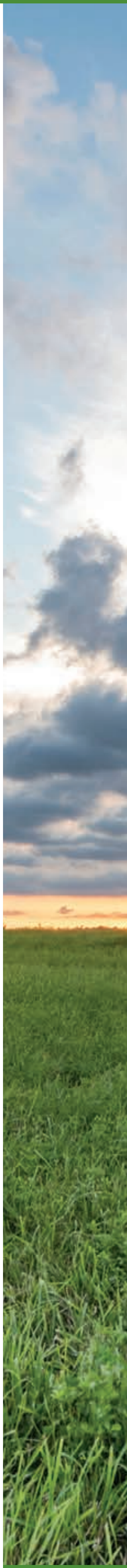
Interest begins accruing on unpaid premiums September 1 at the CIBC prime rate plus two per cent, adjusted quarterly. It is added to account balances beginning October 1 and the first of each following month until the account is paid in full.

Outstanding accounts

Premiums, administrative fees and all other amounts owed to AFSC are due and payable upon billing. Outstanding amounts owed to AFSC will be deducted from indemnities payable to the client.

Insurance claims paying for other programs

AFSC reserves the right to use insurance claim payments to offset outstanding accounts for all insurance, income stabilization, and lending programs AFSC administers.



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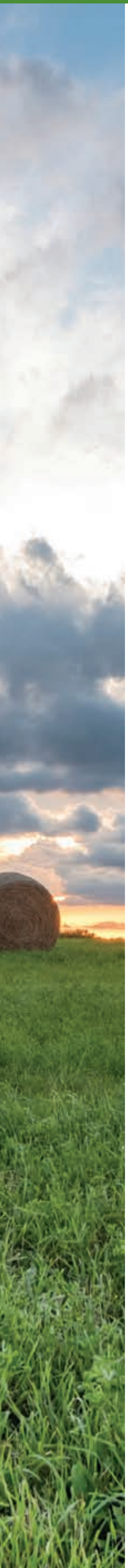


Overview

AFSC offers insurance for both dryland and irrigated hay and provides a production guarantee based on the average of historical yields and coverage option selected.

When hay production, both harvested and appraised combined, falls below the guarantee, and the loss is due to an insured peril, the shortfall amount will be paid at the selected price option.

Hay Insurance does not compensate for quality loss. The Variable Price Benefit (VPB) is included with Hay Insurance and is triggered when the fall market price for hay increases by at least 10 per cent above the spring insurance price for hay and the client suffers a production loss.

Moisture Deficiency Endorsement (MDE) is an option available for purchase with Hay Insurance. See MDE information starting on page 6.

Insurable hay types

Hay that will be mechanically harvested for use as livestock feed is eligible for Hay Insurance. This includes perennial tame grasses, legumes and grass-legume mixes which are insurable under the following crop types:

Dryland

- Alfalfa (>50 per cent alfalfa) intended for two cuts, in designated areas only (refer to map on page 27).
- Legume (>50 per cent), including alfalfa, red clover, alsike clover, sainfoin, sweet clover and milkvetch, intended for one cut.
- Grass (<=50 per cent legume), including brome grass, wild rye grass, wheat grass, fescue, timothy, orchard grass, rye grass, etc.

Irrigated

- Alfalfa (>50 per cent alfalfa) intended for multi-cuts, insurable in all forage risk areas.

Coverage

Coverage is a fundamental part of any insurance policy. Clients can customize their coverage by selecting an insurance price and a coverage level of 50, 60, 70 or 80 per cent of the long-term average yield. Different coverage levels may be selected for dryland and irrigated hay but both types are required to be elected at the same insurance price.

Clients must insure a minimum of 20 acres and are required to insure all acres, both dryland and irrigated, whether the land is owned, rented or leased.

Hay crops grown on irrigated land are eligible for separate coverage only when irrigated with an adequate source of water applied on a timely basis and an irrigation log is maintained with dates and approximate amounts of rainfall and irrigation water applied to each field.

All dryland crop types and acres are combined to create total dryland coverage, and all irrigated crop acres are combined to create total irrigated coverage. Dryland and irrigated hay losses are not offset for indemnity calculations.

Clients' annual yields by crop type are compared to the risk area average yield for the same crop types. Following a one-year lag, this comparison is used to update a separate coverage adjustment for dryland and irrigated hay. The coverage adjustment is multiplied by the risk area long-term average yield to calculate the crop's normal yield. The average of up to 10 of the most recent yield records are used when there are four or more yield records available.

Clients new to Hay Insurance will start with four years of risk area average yields. As the client's annual yields become available, they replace the risk area average yields and each client develops their own coverage adjustment.

Yield records are gathered in different ways, including:

- information from Harvested Production Reports (HPR) provided by the client;
- yield information gathered by AFSC inspectors who visit the farm; and
- random audits conducted by AFSC to confirm the accuracy of HPR information.

To reduce the impact of low yields on future coverage, yields that are less than 70 per cent of the coverage adjusted risk area average yield for the same year are cushioned using a progressive formula. Cushioning has the effect of stabilizing coverage by reducing year-to-year fluctuations. The actual yield is used to calculate an indemnity, and the cushioned yield will be used to set future coverage.

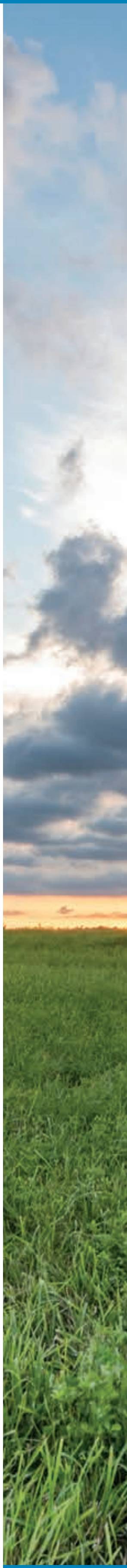
Price

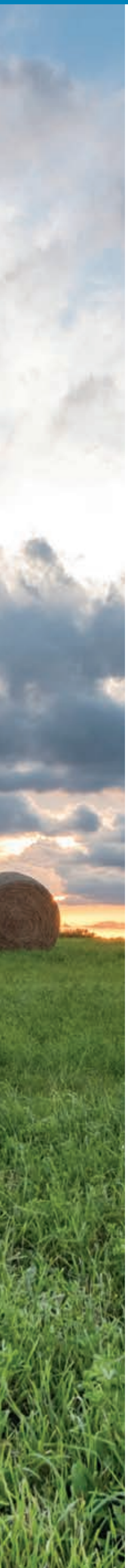
Hay Insurance offers two prices based on forecasted market prices for the year that allow clients to customize their insurance.

Variable Price Benefit (VPB)

Hay Insurance includes VPB. This feature compensates the client when the client has a production shortfall below their insurance coverage and the price of hay increases by at least 10 per cent during the growing season.

The fall market price of hay based on Alberta Agriculture and Forestry's hay price from the Farm Input Survey for the month of October must increase by at least 10 per cent above the production insurance spring price for hay for the VPB to trigger. The hay price collected on the Farm Input Survey is meant to represent good quality hay, over 50 per cent alfalfa at the farmgate for the month of October, expressed in $/ton. The indemnities are paid using the increased price up to a maximum increase of 50 per cent.





Premium and cost sharing

Federal and provincial governments support AgriInsurance programs, including Hay Insurance, by paying all administration expenses and sharing premium costs with clients.

Premium rates are set annually based on historical losses and reflect the likelihood of future production losses. Premium rates vary by crop type, risk area and coverage option.

The client's premium is calculated by multiplying the dollar coverage by the client's share of the premium rate and applying any applicable premium adjustments.

Premium Adjustments & Discounts	
+ / - 38%	Premium Discount or Surcharge from minus 38% up to plus 38% based on loss experience
5% per year to a maximum of 20%	Continuous Participation Discount applies after the first insurance year, unless the client does not insure for one year, then it is zeroed and must be earned again
2%	An Early Payment Discount is applied to premium payments received by AFSC the later of June 25 or within 15 days of each version's billing date
2%, 4% or 6%	Dryland Multi-Type Discount is applied for clients who insure multiple types of dryland hay, and is calculated by AFSC based upon the number of acres of each type of insured hay

Designated perils

Only yield losses due to the following designated perils are covered under Hay Insurance policies:

- drought on dryland crops
- excessive moisture
- fire by lightning (in field only, not stacked, baled or in yard)
- flood
- frost
- hail
- insect infestations
- plant disease
- Richardson ground squirrel (gopher)
- snow
- waterfowl and wildlife
- wind

Winterkill provision

Clients must have an active Hay Insurance policy for the acres that are damaged in the year the claim is requested and must have insured these acres in the previous year.

Acres cannot have more than five years of production for alfalfa and legumes, and no more than eight years of production for grass.

When perennial acres are left insured, claims are handled like any other loss. Damage caused by winterkill will reduce the yield and, if it is below coverage, will result in a claim.

Alternatively, premiums may be refunded and these acres become eligible for Annual Crop Insurance if the damaged acres are adequately sprayed out and/or ploughed down and seeded to an elected annual crop, by the applicable seeding deadline for the annual crop.

Uninsured causes of loss

Uninsured causes of loss may be applied to acres when clients fail to comply with the rules of the insuring agreement, including where recommended farm management practices are not followed.

When uninsured causes of loss are determined, claims may be reduced or denied, reflecting the amount of production loss due to the uninsured causes. The acres remain insured and the full premium remains payable.

If clients fail to request an inspection prior to putting acres to a use other than baling, AFSC will apply uninsured causes equal to coverage on the affected acres. The premium for the year must still be paid.

If clients refuse to allow AFSC to conduct an audit, a yield of zero is applied which, although cushioned, will negatively impact future coverage.

April 30 is the last day to spring-graze insured hay fields. Acres that are grazed after this date, will have uninsured causes applied.

Indemnity

To qualify, total production for all hay types, must fall below the total coverage. There is no adjustment for hay quality. An indemnity is calculated separately for dryland and irrigated hay and losses are not offset for claim calculations.

Example - indemnity calculation

- Risk area normal of 2,000 lbs/acre for grass hay and 3,000 lbs/acre for legume hay;
- Client's coverage adjustment of 1.05;
- Coverage option of 70 per cent and $0.040/lb price option selected;
- Client insured 1,000 acres of dryland grass and 500 acres of dryland legume hay;
- Determined yield of 1,500 lbs/acre for grass hay and 1,200 lbs/acre for legume hay.

Coverage = Risk area normal x client's coverage adjustment x selected coverage option x number of insured acres.

Grass hay coverage		
2,000 lbs/ac x 1.05 x 70% x 1,000 acres	=	1,470,000 lbs
Legume hay coverage		
3,000 lbs/ac x 1.05 x 70% x 500 acres	=	1,102,500 lbs
Total lbs coverage	**=**	**2,572,500 lbs**

Production = Determined yield x number of acres

Grass hay		
1,500 lbs/ac x 1,000 acres	=	1,500,000 lbs
Legume hay		
1,200 lbs/ac x 500 acres	=	600,000 lbs
Total Production	**=**	**2,100,000 lbs**

Indemnity calculation = coverage – production x price option

Total coverage		2,572,500 lbs
Less total production	-	2,100,000 lbs
Shortfall (loss)	=	472,500 lbs
Insured price option	x	$0.040
Indemnity	**=**	**$18,900**

Example - indemnity calculation when Variable Price Benefit (VPB) triggers

- There is an increase from the spring insurance price of hay to the fall market price of 15 per cent;
- Therefore the spring insured price of hay at $0.040/lb multiplied by 1.15 is $0.046/lb;
- The shortfall (total coverage less total production) remains the same and the indemnity is recalculated at the higher price.

VPB revised indemnity calculation:

Shortfall	=	472,500 lbs
VPB price	x	$0.046
Revised indemnity	**=**	**$21,735**
Less previous indemnity	-	$18,900
Additional indemnity payable	**=**	**$2,835**

Inspections

Acceptance inspections

Insurable hay crops may be subject to an acceptance inspection based on the following criteria:

- Fields in the first year of production
- Newly insured fields
- Hay stands that are older than the age criteria established as calculated from the first year of production;
  - Alfalfa, legume and irrigated alfalfa hay older than five years
  - Grass hay older than eight years
- Hay fields that are grazed past April 30
- Hay fields have not been hayed for two years
- Other risk criteria as determined by AFSC

Based on a completed acceptance inspection, coverage on acres and crop type may be increased, reduced or rejected.

Special inspections

AFSC may inspect any field at any time of the year after AFSC has accepted liability on the field.

Preharvest inspections

If clients choose to put hay acres to a use other than baling dry, measurable bales, example pasture, plough under, loose stack, high moisture bales greater than 60 per cent moisture, hay silage, haylage or any type of immeasurable state, the following guidelines apply:

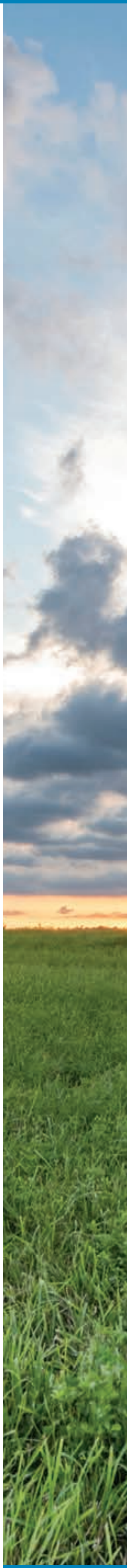
- With AFSC approval, the client may have the option to set up a defined number of exclosures on acres being pastured, to allow AFSC to conduct a preharvest appraisal once haying is general in the area;
- With AFSC approval, the client may have the option to leave standing inspection strips on acres being put to another use, to allow AFSC to conduct a preharvest appraisal once haying is general in the area (see diagrams on page 5);
- **Prior to haying being general** in the area, as determined by AFSC, a production amount not less than 50 per cent of coverage will be assessed on acres put to another use; a premium refund may be requested only if the acres put to another use incurred damage;
- **Once haying is general** in the area, an appraisal of the standing crop will be conducted;
- If a two-cut alfalfa hay crop is put to any alternate use after first cut haying is general in the area but prior to second cut haying being general in the area, coverage and the premium on these acres will be reduced to one-cut legume hay and any claims will be finalized based on the production from the first cut.

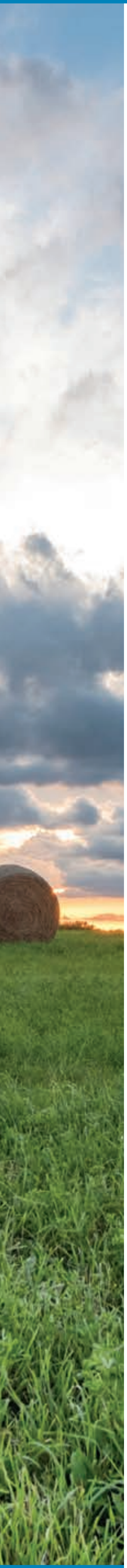
Acres put to an alternate use without authorization from AFSC, will be charged a premium, claims may be reduced or denied, and future coverage could be affected.

Post-harvest inspections

The Harvested Production Report information provided by clients and the appraisal information provided from field inspections are used to determine whether there is a potential production loss.

An AFSC inspector may visit the farm to verify reported information and determine the cause of loss. When hay production is measured, bales from each type of hay are randomly selected, weighed and standardized to 15 per cent moisture.





Renewal

Clients who purchased Hay Insurance in the previous year will be automatically renewed based on the previous year's information. Personalized renewal notices are available at the start of the year. It is the client's responsibility to review the information. If changes are required, they must complete a Change Request form and return the form to an insurance representative at AFSC by mail, fax, email, in person or request changes by phone by the last day of February.

Cancellations

Hay Insurance is continuous and remains in effect from year to year unless cancelled in writing or on a Change Request form, by the client prior to the last day of February.

New clients

New clients must apply for Hay Insurance on or before the last day of February and AFSC will evaluate eligibility for insurance. New clients are required to demonstrate their legal, financial and operational independence. Required information includes Social Insurance Number or Business Number, legal land description of hay crops and number of acres on each location.

Clients also select the type of hay, coverage level, price and the optional Moisture Deficiency Endorsement (MDE).

Owned, rented and leased land

Clients must insure all acres of dryland and irrigated hay acres that they operate. The last day of February is the deadline for adding or deleting rented land.

Clients who sell or purchase land between March 1 and May 31, are required to provide written proof of the transaction before AFSC will reduce or increase insured acres. Review Deadlines for perennial programs on the inside front cover of this booklet to ensure coverage.

Transfer of acres

If Hay Insurance acres are rejected on an acceptance inspection, these acres can be insured under Moisture Deficiency Insurance (MDI) or Satellite Yield Insurance (SAT) as improved pasture if one of the following conditions is met:

- If the client has improved pasture acres insured under MDI or SAT, the rejected acres can be transferred to the pasture insurance program.
- If the client does not have improved pasture acres, but has MDI or SAT Insurance, the election can be revised to include improved pasture and these acres can be transferred to the pasture insurance program.

If hay acres are taken out of production in the spring and seeded to an annual crop, the premium can be transferred:

- If the client has Annual Crop Insurance, has elected the seeded annual crop and the seeding deadlines are met, the acres and premium will be removed from the hay contract and transferred to an Annual Crop Insurance contract.
- If the client does not have Annual Crop Insurance, the acres and premium stay on the Perennial Crop Insurance contract, but the client will not be eligible for a payment.

Preharvest - reporting alternate crop use

Clients are required to contact AFSC five days in advance of putting an insured crop to a use other than putting up dry, measurable bales. Alternate uses include pasture, plough under, loose stack, high moisture bales greater than 60 per cent moisture, hay silage, haylage or any type of immeasurable state.

Once authorized by AFSC, clients have the option to set up a defined number of exclosures if pasturing hay acres, or leave standing inspection strips if putting acres to another use.

- Exclosures are representative sites that are fenced off. A minimum of two sites for fields up to 40 acres, and a minimum of one site for every additional 40 acres in that item, is required.
- Inspection strips are standing strips of insured crop left in from the edges of the field, a distance of about one-third (1/3) of the width of the field, for the length of the field and a minimum of 10 feet in width, for inspection by AFSC. On fields of 100 acres or more, an additional strip must be left in the middle of the field (see diagram on page 5).

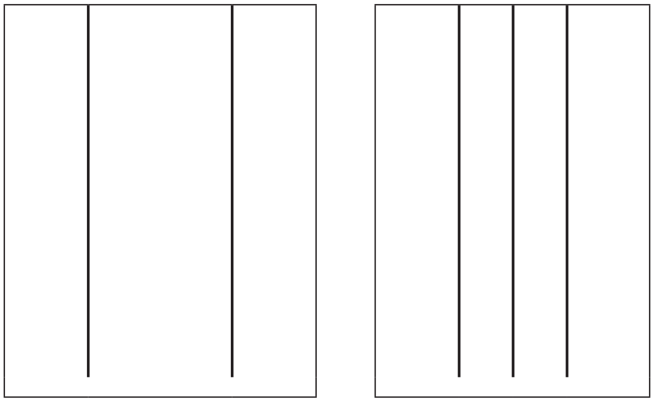
The client is responsible for the maintenance of all exclosures and inspection strips, and to advise AFSC upon completion of the alternate use.

Inspection strips

Inspection strips are standing strips of insured crop left in from the edges of the field, a distance of about one-third (1/3) of the width of the field, for the length of the field and a minimum of 10 feet in width, for inspection by AFSC.

- On fields up to 100 acres, 2 strips are required
- On fields of 100 acres or more, an additional strip must be left in the middle of the field.

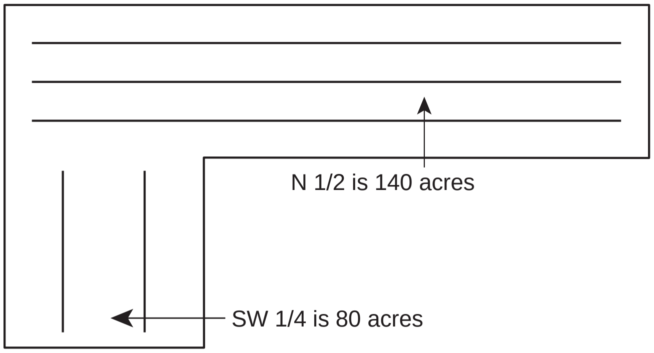
Inspection Strip Examples



Fields up to 100 acres **Fields over 100 acres**

On fields over 100 acres that span multiple quarter sections, each quarter section should be treated as a separate field:

- For fields up to 100 acres, 2 strips are required.
- For fields over 100 acres, 3 strips are required.



One field of 220 acres spanning three quarter sections.

Carryover inventory

All carryover hay, including purchased and uninsured hay production, must be reported to AFSC prior to the commencement of harvest and not later than July 15 on a Report of Hay in Storage Prior to Harvest form. Clients must identify carryover, purchased and uninsured production sold since June 1 on sales receipts.

Clients can account for any carryover inventory acquired, fed or sold after filing the Report of Hay in Storage Prior to Harvest form on their Harvested Production Report.

Harvested Production Report

A Harvested Production Report (HPR) must be filed when harvest is complete. Clients can file their HPR online or submit on paper to AFSC not later than October 15. For additional information regarding filing online, call the AFSC Contact Centre or your branch.

A late filing fee will be applied for HPRs filed between October 16 and December 31. Failure to file an HPR by December 31 will result in a yield recorded as zero and no indemnity will be calculated.

Notification of an insurance claim and any required loss adjustment procedures are based on the information provided by clients on the HPR.

It is important for AFSC to be able to weigh bales and adjust moisture separately by hay type, land location and cut (first and second). So when practical, clients are asked to store production separately allowing AFSC inspectors reasonable access.

If there is a shortfall of production, contact AFSC prior to feeding any insured hay.

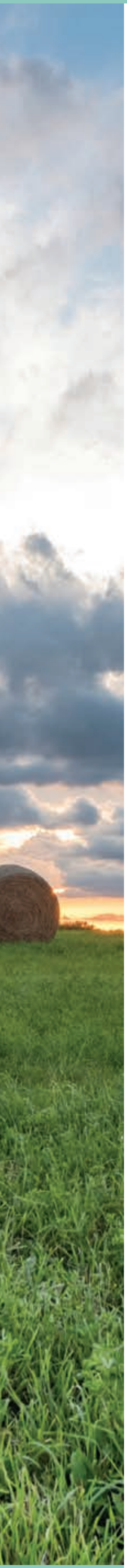
Winter grazing

Clients are asked to contact an AFSC insurance representative when they intend to pasture insured hay acres. Damage resulting from grazing will be considered an uninsured cause of loss, and reduce total coverage.

For Hay Insurance, livestock must be taken out of the fields by April 30.

Other responsibilities

For irrigated hay acres, clients are required to maintain an Irrigation Log showing the dates of precipitation and approximate amounts of water applied. The Irrigation Log must be provided to an inspector when there is a claim.



Overview

The Moisture Deficiency Endorsement (MDE) can be purchased with Hay Insurance, and provides additional coverage based on the current year's precipitation over a specified period at selected weather station(s), compared to the long-term normal.

Insurable crops

MDE can be purchased on acres of dryland (alfalfa, legume and grass) hay. It is not available for irrigated alfalfa.

Coverage

The additional dollar coverage offered through this endorsement will be determined by AFSC for each risk area and eligible hay type. As MDE is an area-based program, the claim trigger is the amount of annual precipitation, relative to the long-term normal at the selected weather station(s).

Weather stations

A network of weather stations is established across the province. Clients may choose one, two or three weather stations that best represent conditions on their farm and within proximity of their land base. Clients are not allowed to skip a weather station and weather station selection is subject to approval by AFSC. The long-term normal precipitation information for weather stations is available to clients (visit www.afsc.ca or contact your AFSC branch for a current list of weather stations).

1. Length of growing season

Clients can choose between:

- Short Season option: May, June and July precipitation; or
- The Long Season option: May, June, July and August precipitation.

May	June	July	Aug
Short Season			
Long Season			

2. Moisture component weighting

Clients have the choice of different weighting options within the growing season. Weighting the precipitation in each month allows clients to select the weighting option that best reflects their area, crop type and management practices. After considering the length of growing season and the monthly weighting there are four different options available to clients.

MDE Weather Coverage Options

Options	Weighing (%)			
	May	June	July	Aug
A Short	40	40	20	0
B Short	40	30	30	0
C Long	30	30	20	20
D Long	25	25	25	25

Price

MDE has two prices based upon a forecast of hay market prices for the year, allowing clients to customize their insurance.

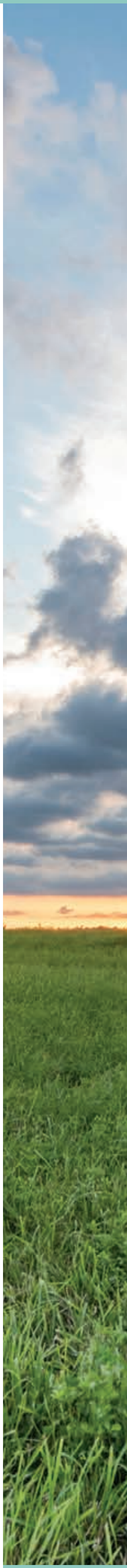
Premium and cost sharing

Federal and provincial governments support AgriInsurance programs, including MDE, by paying all administration expenses and sharing premium costs with clients.

Premium rates are set annually based on the long-term variability of weather station data. Premium rates vary by weather station.

The client's premium is calculated by multiplying the dollar coverage by the client's share of the premium rate, applying the early payment discount when applicable.

Premium Adjustments & Discounts	
2%	An Early Payment Discount is applied to premium payments received by AFSC the later of June 25 or within 15 days of each version's billing date



Indemnity

Payments are based on a comparison between accumulated precipitation at the weather station(s) selected, relative to the long-term normal accumulated precipitation at the same station(s).

Claims trigger and are paid automatically when the current year's precipitation data is less than 80 per cent of the long-term normal.

Example: Indemnity calculation

- 200 acres of hay insured at $20 per acre = $4,000 coverage
- Option D (25% monthly weighting)

Example Information for Weather Stations					
	May	**June**	**July**	**Aug**	**Total *****
Measured * Moisture (mm)	**17**	102	45	36	
Normal Moisture (mm)	**55**	73	86	72	
Monthly ** Weighting (%)	**25**	25	25	25	
Weighted % of Normal	**7.7**	34.9	13.1	12.5	68.2

** Daily moisture is capped at an amount equal to the normal moisture for the month*
*** Monthly moisture is capped at 150 per cent of the normal moisture for the month*
**** Rounded down for payment calculation*

Example: Monthly calculation of weighted per cent of normal (for the month of May)
Measured Moisture / Normal Moisture x Monthly Weighting = Weighted per cent of Normal
= 17mm / 55mm x 25% = 7.7%

The weighted per cent of normal for each month is added together for the cumulative weighted per cent of normal for the long season, then rounded down, is 68 per cent of normal.

The **MDE Payment Schedule** displays the payment rate for each per cent of normal moisture. The payment rate for 68 per cent of normal is 30 per cent.

Season claim payment calculation
= total coverage x payment rate
= $4,000 x 30 %
= $1,200

MDE Payment Schedule			
Moisture % of Normal	**Payment Rate %**	**Moisture % of Normal**	**Payment Rate %**
>=80	0	60	50
79	5	59	55
78	5	58	55
77	10	57	60
76	10	56	60
75	15	55	65
74	15	54	65
73	20	53	70
72	20	52	70
71	25	51	75
70	25	50	75
69	30	49	80
68	30	48	80
67	35	47	85
66	35	46	85
65	40	45	90
64	40	44	90
63	45	43	95
62	45	42	95
61	50	<=41	100
Note: >= means "greater than or equal to" and <= means "less than or equal to"			

Client responsibilities

Renewal

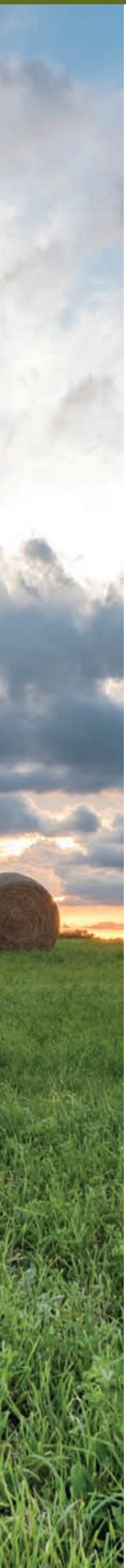
Clients who purchased Moisture Deficiency Endorsement in the previous year will be automatically renewed based upon the previous year's information. Personalized renewal notices are available at the start of the year. It is the client's responsibility to review the information. If changes are required, they must complete a Change Request form and return the form to an AFSC insurance representative in person, by phone, mail, fax or email by the last day of February.

Cancellations

MDE is continuous and remains in effect from year to year unless cancelled in writing or on a Change Request form by the client prior to the last day of February.

New clients

Clients who have Hay Insurance may indicate they want MDE by selecting it on the Hay Change Request form and returning the form to AFSC in person, by phone, mail, fax, email or in person by the last day of February.



Overview

Export Timothy Hay Insurance provides production insurance for irrigated and dryland pure timothy hay stands intended for export.

Protection is provided to clients when the first cut of export timothy hay production both harvested and appraised combined, falls below the coverage level selected and the loss is due to an insured peril.

Adjustments to yields are made when the grade falls below ‘Choice’ as determined by the TrueGrade HayScan System or another method AFSC considered to be acceptable.

Insurable hay types

Coverage only applies to first cut pure timothy hay grown for the export market on:

- Dryland export timothy hay
- Irrigated export timothy hay

Coverage

Coverage is a fundamental part of any insurance policy. Clients can customize their coverage by selecting a coverage level of 70 or 80 per cent of the long-term average yield. Both dryland and irrigated export timothy hay are required to have the same coverage level.

Clients must insure a minimum of 20 acres and are required to insure all acres, both dryland and irrigated, whether the land is owned, rented or leased.

Export timothy hay crops grown on irrigated land are eligible for separate coverage only when irrigated with an adequate source of water applied on a timely basis, and an irrigation log is maintained with dates and approximate amounts of rainfall and irrigation water applied to each field.

All dryland crop acres are combined to create total dryland coverage, and all irrigated crop acres are combined to create total irrigated coverage. Dryland and irrigated hay losses are not offset for indemnity calculations.

Each designated risk area under this program has its own long-term average yield, based on the average of yields reported by export timothy hay clients and export timothy hay processing plants in that area. Insurance coverage for each client is initially based on the long-term average yield for the risk area where the farm is located. The average of up to 10 years of the most recent yield records are used when there are four or more yield records available. In time, coverage for clients is adjusted upward or downward to reflect their individual experience.

Clients new to Export Timothy Hay Insurance will start with four years of risk area average yields. As client yields are reported, they replace the risk area average yields and each client develops their own coverage adjustment.

Yield records are gathered in different ways including:

- information from Harvested Production Reports (HPR) provided by the insured client;
- yield information gathered by an AFSC inspector who visits the farm; and
- random audits conducted by AFSC to confirm the accuracy of HPR information.

To reduce the impact of low yields on future coverage, yields that are less than 70 per cent of the coverage adjusted risk area average yield for the same year are cushioned using a progressive formula. Cushioning has the effect of stabilizing coverage by reducing year to year fluctuations. The actual yield is used to calculate an indemnity, and the cushioned yield will be used to set future coverage.

Price

The insurance price used to establish dollar coverage and claim payments for both dryland and irrigated timothy hay, is based on the average expected farm gate price for the ‘Choice’ grade.

Variable Price Benefit (VPB) is not available for Export Timothy Hay Insurance.

Premium and cost sharing

Federal and provincial governments support AgriInsurance programs, including Export Timothy Hay Insurance, by paying all administration expenses and sharing premium costs with clients.

Premium rates are set annually based on historical losses and reflect the likelihood of future production losses. Premium rates vary by risk area, between irrigation and dryland and coverage options.

The client’s premium is calculated by multiplying the dollar coverage by the client’s share of the premium rate and applying any applicable premium adjustments.

Premium Adjustments & Discounts	
+ / - 38%	Premium Discount or Surcharge from minus 38% up to plus 38% based on loss experience
5% per year to a maximum of 20%	Continuous Participation Discount applies after the first insurance year, unless the client does not insure for one year, then it is zeroed and must be earned again
2%	An Early Payment Discount is applied to premium payments received by AFSC the later of June 25 or within 15 days of each version’s billing date

Designated perils

Yield losses due to the following designated perils are insured for irrigated and dryland pure timothy hay stands covered under Export Timothy Hay Insurance policies:

- drought on dryland crops
- excessive moisture
- fire by lightning (in field only, not stacked, baled or in yard)
- flood
- frost
- hail
- insect infestations
- plant disease
- Richardson ground squirrel (gopher)
- snow
- waterfowl and wildlife
- wind

Winterkill provision

Clients must have an active insurance policy for the acres that are damaged in the year the claim is requested and must have insured these acres in the previous year. The stand cannot have more than five years of production.

When perennial acres are left insured, claims are handled like any other loss. Damage caused by winterkill will reduce the yield and, if it is below coverage, will result in a claim.

Alternatively, premium may be refunded and these acres are eligible for Annual Crop Insurance if the damaged acres are adequately sprayed out and/or ploughed down and seeded to an elected annual crop, by the applicable seeding deadline for the annual crop.

Uninsured causes of loss

Uninsured causes of loss may be applied to acres when clients fail to comply with the rules of the insuring agreement, including where recommended farm management practices are not followed.

When uninsured causes of loss are determined, claims may be reduced or denied, reflecting the amount of production lost due to the uninsured causes. The acres remain insured and full premium remains payable.

If clients fail to request an inspection prior to putting acres to a use other than baling, AFSC will apply uninsured causes equal to coverage on the affected acres. The premium for the year must still be paid.

If clients refuse to allow AFSC to conduct an audit, a yield of zero is applied which, although cushioned, will negatively impact future coverage.

The last day of February is the last day to fall/winter graze insured export timothy hay fields, however, when fields are damaged prior to that date uninsured causes may be assessed.

Indemnity

To qualify for an indemnity, total production of export timothy hay adjusted by grade from all insured dryland acres, has to fall below the total coverage for the dryland export timothy hay. The same calculation is done for insured acres of irrigated export timothy hay as indemnities are calculated separately for dryland and irrigated hay and losses do not offset claim calculations.

Quality

In addition to production, quality is also considered when calculating a loss. If the quality of export timothy hay produced falls below 'Choice' due to a designated peril, the production is adjusted by a quality factor. The adjusted production is used to calculate the loss.

Grading is based on the Canadian Hay Association (CHA) Grading System corresponding to the "greenness colour analysis score" of the hay sample as determined by the TrueGrade HayScan System, as follows:

- Supreme (greenness score of >100)
- Premium (>80 to 100)
- Choice (>60 to 80)
- Standard (>40 to 60)
- Fair (>24 to 40)
- Utility (0 to 24)
- High Utility grade (greenness score of >10 to 24)
- Low Utility grade (greenness score of 0 to 10)

Grade factors will be determined by AFSC in September based on the survey of prices by CHA Grade (relative to Designated Grade price) from the hay processing plants in Alberta.

Representative samples of export timothy hay obtained by AFSC inspectors from the client's bales are graded by AFSC.

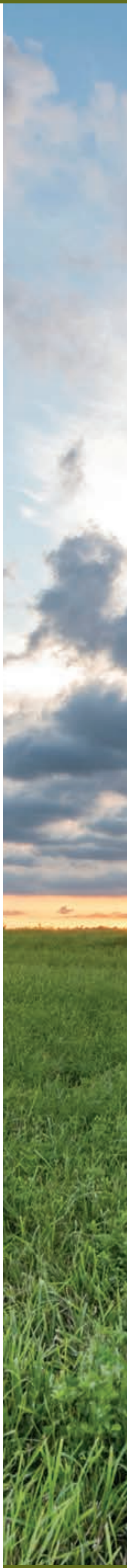
Example: Indemnity Calculation

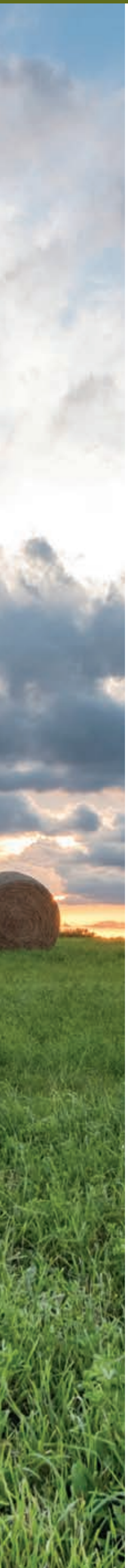
Insurance Price = $190.00/tonne Yield Coverage per acre = 1.4 tonnes/acre

Field	Acres	Coverage (tonne)	Bale Date/ Lot	Production (tonne)	Grade	Example of Grade Factor	Adjusted Production
1	60	84	July 1	120	Premium	1.00	120
2	100	140	July 1	150	Choice	1.00	150
3	30	42	July 4	50	Standard	0.80	40
3	50	70	July 26	70	Fair	0.60	42
3	80	112	August 23	110	Low Utility	0.30	33
Total	**320**	**448**		**500**			**385**

Coverage (448 tonnes) – Adjusted Production (385 tonnes) = Production Shortfall of 63 tonnes

Production Shortfall (63 tonnes) x Insurance Price ($190/tonne) = Indemnity of $11,970





Inspections

Acceptance inspections

Insurable export timothy crops may be subject to an acceptance inspection based on the following criteria:

- Fields in the first year of production
- Newly insured fields
- Fields older than five years
- Fields that were grazed between harvest and the last day of February
- Other risk criteria as determined by AFSC

Based on a completed acceptance inspection, coverage on acres and crop type may be increased, reduced or rejected.

Special inspections

AFSC may inspect any field at any time during the crop year after AFSC has accepted liability on the field.

Preharvest inspections

If clients choose to put export timothy hay acres to a use other than baling dry, measurable bales, example pasture, plough under, loose stack, high moisture bales, hay silage, haylage or other type of immeasurable state, the following guidelines apply:

- With AFSC approval, the client may have the option to set up a defined number of exclosures on acres being pastured, to allow AFSC to conduct a preharvest appraisal once haying is general in the area.
- With AFSC approval, the client may have the option to leave standing inspection strips on acres being put to another use, to allow AFSC to conduct a preharvest appraisal once haying is general in the area (see diagrams on page 5).
- **Prior to haying being general** in the area, as determined by AFSC, a production amount of no less than 50 per cent of coverage will be assigned to acres put to another use; a premium refund may be requested only if the acres put to another use incurred damage.
- **Once haying is general in the area**, an appraisal of the standing crop will be conducted.

Acres put to an alternate use without authorization from AFSC will be charged premium, claims may be reduced or denied, and future coverage will be reduced.

Post-harvest inspections

The Harvested Production Report information provided by clients and the appraisal information provided from field inspections are used to determine whether there is a potential production loss.

An AFSC inspector may visit the farm to verify reported information and determine the cause of loss. When export timothy hay production is measured, bales from each lot are randomly selected and weighed and standardized to 10 per cent moisture. Production by lot is adjusted based on the grade of a hay sample under dryland or under irrigation.

Any hay sold prior to an inspection by an AFSC inspector is not eligible for grade loss adjustments.

Renewal

Clients who purchased Export Timothy Hay Insurance in the previous year will be automatically renewed based upon the previous year's information. Personalized renewal notices are available at the start of the year. It is the client's responsibility to review the information. If changes are required, they must complete a Change Request form and return the form to an AFSC insurance representative by mail, fax, email, in person or request changes by phone by the last day of February.

Cancellations

Export Timothy Hay Insurance is continuous and remains in effect from year to year unless cancelled in writing or on a Change Request form by the client prior to the last day of February.

New clients

New clients must apply for Export Timothy Hay Insurance on or before the last day of February and AFSC will evaluate eligibility for insurance. New clients are required to demonstrate their legal, financial and operational independence. Required information includes Social Insurance Number or Business Number, legal land description of export timothy hay crops and number of acres on each location. Clients also select a coverage level.

Owned, rented and leased land

Clients must insure all acres of dryland and irrigated hay acres that they operate. The last day of February is the deadline for adding or deleting rented land.

Clients who sell or purchase land between March 1 and May 31, are required to provide written proof of the transaction before AFSC will reduce or increase insured acres. Review Deadlines for Perennial Programs on the inside front cover of this booklet to ensure coverage.

Transfer of acres

If Export Timothy Hay Insurance acres are rejected on an acceptance inspection, these acres can be insured under Hay Insurance as grass when the client has an active subscription. Or, if the acres will be pastured they can be insured under Moisture Deficiency Insurance (MDI) or Satellite Yield Insurance (SAT) as improved pasture if one of the following conditions is met:

- If the client has improved pasture acres insured under MDI or SAT, the rejected acres can be transferred to the pasture insurance program.
- If the client does not have improved pasture acres, but has MDI or SAT Insurance, the election can be revised to include improved pasture and these acres can be transferred to the pasture insurance program.

If Export Timothy Hay acres are taken out of production in the spring and seeded to an annual crop, the premium can be transferred:

- If the client has Annual Crop Insurance, has elected the seeded annual crop and the seeding deadlines are met, the acres and premium will be removed from the Export Timothy Hay Insurance contract and transferred to an Annual Crop Insurance contract.
- If the client does not have Annual Crop Insurance, the acres and premium stay on the Perennial Crop Insurance contract, but the client will not be eligible for a payment.

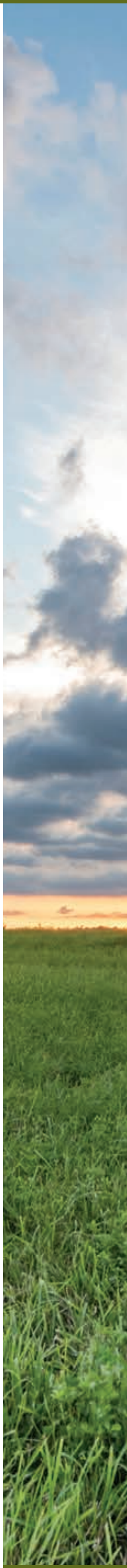
Preharvest - reporting alternate crop use

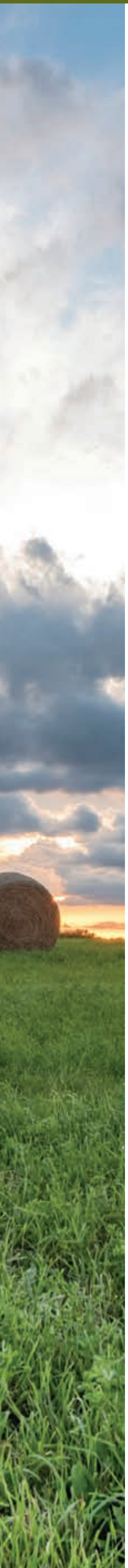
Clients are required to contact AFSC five days in advance of putting an insured crop to a use other than putting up dry, measurable bales. Alternate uses include pasture, plough under, loose stack, high moisture bales, hay silage, haylage or other type of immeasurable state.

Once authorized by AFSC, clients have the option to set up a defined number of exclosures if pasturing export timothy hay acres, or leave standing inspection strips if putting acres to another use.

- Exclosures are representative sites that are fenced off. A minimum of two sites for fields up to 40 acres, and a minimum of one site for every additional 40 acres in that item, is required.
- Inspection strips are standing strips of insured crop left in from the edges of the field, a distance of about one-third (1/3) of the width of the field, for the length of the field and a minimum of 10 feet in width, for inspection by AFSC. On fields of 100 acres or more, an additional strip must be left in the middle of the field (see diagrams on page 5).

The client is responsible for the maintenance of all exclosures and inspection strips, and to advise AFSC upon completion of the alternate use.





Inspection strips

If the crop is damaged when mature enough to harvest, clients may be advised to leave standing representative inspection strips for AFSC to use to assess the damage. For more information on size and number of strips, see Inspection Strips on page 5.

Carryover inventory

All carryover export timothy hay production, including purchased and uninsured production, must be reported to AFSC prior to the commencement of harvest and not later than July 15 on a Report of Export Timothy Hay in Storage Prior to Harvest form. Clients must identify carryover, purchased and uninsured production sold since June 1 on sales receipts.

Clients are to account for any carryover inventory acquired, fed or sold after filing the Report of Export Timothy Hay in Storage Prior to Harvest form on their Harvested Production Report.

Harvested Production Reports

A Harvested Production Report (HPR) must be filed when harvest is complete and submitted to the AFSC within 15 days of completing harvest and no later than October 15. Clients must also file their Export Hay Inventory by Field, Lot & Grade form along with their HPR.

A late filing fee will be applied for HPRs filed between October 16 and December 31. Failure to file an HPR by December 31 will result in a yield recorded as zero and no indemnity will be calculated.

Notification of an insurance claim and any required loss adjustment procedures are based on the information provided by clients on the HPR.

Clients are asked to store production from different lots separately so it can be easily measured and grade identified.

If export timothy hay is sold prior to AFSC taking representative samples and there is a production shortfall, there will be no grade adjustment applied.

Winter grazing

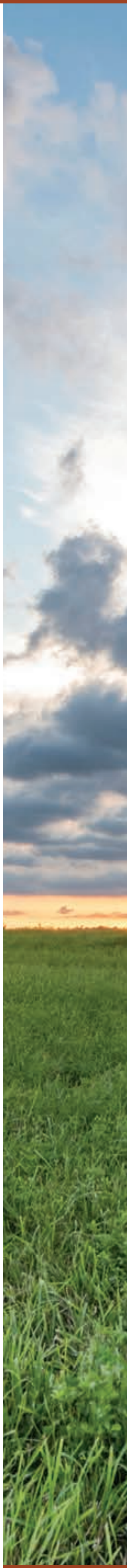
Clients are asked to contact an AFSC insurance representative when they intend to pasture acres. Damage resulting from grazing will be considered an uninsured cause of loss, and reduce total coverage.

For Export Timothy Hay Insurance, livestock must be taken out of the fields by the last day of February.

Other responsibilities

For irrigated hay acres, clients are required to maintain an Irrigation Log showing the dates of precipitation and approximate amounts of water applied. The irrigation log must be provided to an inspector when there is a claim.

Export Timothy Hay Insurance clients must adhere to the required agronomic practices as outlined in the *Timothy Production Handbook* of the Canadian Hay Association. Clients are also required to maintain an up-to-date *Pride in Production Field Book* (produced by the Canadian Hay Association) or an equivalent field record document on export timothy hay crops. In addition, clients will be asked for scale tickets and receipts when production is sold through a processor and/or when exchanged for services, crop share or rent.



Overview

Moisture Deficiency Insurance (MDI) is an area-based program which provides coverage on pasture. This program uses precipitation information from a network of weather stations across the province to reflect moisture conditions.

MDI losses are paid when accumulated precipitation at a selected weather station in a given year falls below the normal expected precipitation for that weather station according to the MDI Payment Schedule (page 16). MDI is not based on actual pasture production and conditions at the weather stations may not reflect conditions on client's insured fields.

Pasture acres insured under MDI cannot be insured under Satellite Yield Insurance (SAT).

Insurable pasture crops

Clients are eligible to insure the following dryland pasture crops:

- Native pasture
- Improved pasture
- Bush pasture
- Community pasture and forestry grazing leases (optional)

Coverage

MDI is available in all 35 Forage Risk Areas in the province (see Forage Risk Area map on page 26). Each risk area has a long term average yield for each pasture type based on recommended cattle carrying capacity.

Eighty per cent of the risk area long-term average yield is used as the base yield, setting coverage for each client in the risk area. The insured price, multiplied by the base yield for each insured pasture type in the risk area, establishes the dollar coverage for each pasture type. For community pastures, coverage is based on the risk area cattle carrying capacity and the client's allocation for that pasture.

Weather stations

A network of weather stations is established across the province. Clients may choose one, two or three weather stations that best represent conditions on their farm, and within proximity of their landbase. Clients are not allowed to skip a weather station and weather station selection is subject to approval by AFSC. The long-term normal precipitation for weather stations is available to clients (visit www.afsc.ca or contact your AFSC branch for a current list of weather stations).

Coverage options

While coverage determines the value of the insurance contract, there are options for clients to customize the insurance for their individual situation.

1. Length of growing season

Clients choose first between short split season or long split season, that best represents pasture growth and supports their management strategies:

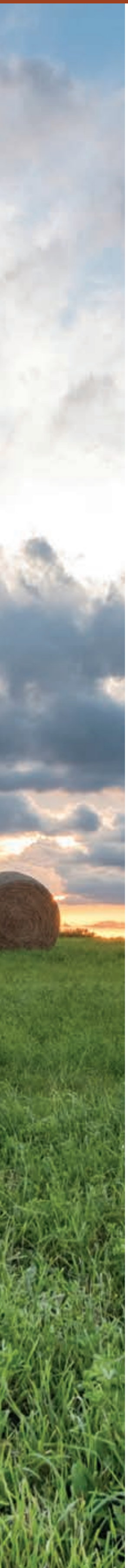
- Short Split Season: May, June and July precipitation.
- Long Split Season: May, June, July and August precipitation.

Split season allows clients to divide their growing season and dollar coverage into two parts:

- Short Split Season option: the early split includes precipitation from May 1 through June 15, and the late split includes precipitation from June 16 through July 31.
- Long Split Season option: the early split includes precipitation from May 1 through June 30, and the late split includes precipitation from July 1 through August 31.

Clients could be eligible for an insurance payment on one part of the season regardless of what happens in the other.

Length of Growing Season	May	June	July	Aug
Short Split Season				
	Early Split	Late Split		
Long Split Season				
	Early Split		Late Split	



2. Weighting options

Clients have the choice of different weighting options within the growing season. Weighting the precipitation in each month allows clients to select the weighting option that best reflects their area, pasture type and management practices.

There are four different options available to clients; two for each the Short Season Split and Long Season Split (see table below).

MDI Weather Coverage Options					
Options	**Weighting (%)**				**Coverage Splits**
	May	**June**	**July**	**Aug**	
A Short	40	40	20	0	60 / 40
B Short	40	30	30	0	55 / 45
C Long	30	30	20	20	60 / 40
D Long	25	25	25	25	50 / 50

Price

MDI has two prices based upon a forecast of hay market prices for the year, allowing clients to customize their insurance.

Variable Price Benefit (VPB)

The VPB is automatically included in MDI and increases the dollar coverage if there is a significant increase in the cost of hay during the growing season. However, MDI only pays VPB if the measured precipitation at the selected weather station(s) for the current year is less than the long term average.

Alberta Agriculture and Forestry’s hay price from the Farm Input Survey for the month of October is used for MDI to determine the VPB trigger as pasture is a difficult commodity to price accurately.

The fall market price of hay reported for the month of October must increase by at least 10 per cent above the spring insurance price for hay, for the VPB to trigger. The indemnities are paid using the increased price up to a maximum increase of 50 per cent.

Premium and cost sharing

Federal and provincial governments support AgriInsurance programs, including MDI, by paying all administration expenses and sharing premium costs with clients.

Premium rates are set annually based on the long-term variability of weather station data. Premium rates vary by weather station and coverage option.

The client’s premium is calculated by multiplying the dollar coverage by the client’s share of the premium rate, applying the premium adjustments, when applicable.

Premium Adjustments & Discounts	
5% per year to a maximum of 20%	Continuous Participation Discount applies after the first insurance year, unless the client does not insure for one year, then it is zeroed and must be earned again
2%	An Early Payment Discount is applied to premium payments received by AFSC the later of June 25 or within 15 days of each version’s billing date

Designated perils

Lack of moisture at the selected weather station(s) is the only peril insured.

Indemnity

Payments under MDI are based on a comparison between annual measured precipitation at the selected weather station(s) relative to the long term average precipitation for the same station(s), described as a 'per cent of normal'. If the per cent of normal is less than the trigger point of 70 per cent an indemnity is automatically paid.

The MDI program includes the full season benefit that generates an additional payment if the full season calculates more than the sum of the split season options. When the claim payments are calculated, each split season claim payment is calculated and added together for the total payment. Then the full season payment is calculated using the corresponding weighting option without the split season. If the payment for the full season is higher than the combined split season payments, the client will receive the additional amount at the end of the season.

Example: Indemnity calculation

- 1,000 acres of improved pasture insured at $30.75 per acre = total coverage $30,750
- Option B selected; Short Split Season (May, June, July precipitation)

Coverage is split to match the weighting option chosen from the MDI Weather Coverage Options table on the previous page.

Calculate the payment using the information in the Example Information for Weather Stations table at the weather station(s) selected using the weighting for Option B.

Early Split Coverage
Total Coverage x (May Moisture Weighting + half of June Moisture Weighting)
= $30,750 x (40% + 15%)
= $30,750 x 55% of coverage
= $16,912.50 coverage

Late Split Coverage
Total Coverage x (half of June Moisture Weighting + July Moisture Weighting)
= $30,750 x (15% + 30%)
= $30,750 x 45% of coverage
= $13,837.50 coverage

Monthly Calculation of Weighted % of Normal (for the month of May)
Weighted % of Normal = Measured Moisture / Normal Moisture x Monthly Weighting
= 40 / 52 x 40%
= 30.8%

Example Information for Weather Stations

	May	June 1-15	June 16-30	July	Aug	Total ***
Measured Moisture (mm) *	40	28	32	10	21	
Normal Moisture (mm)	52	40	45	85	62	
Monthly ** Weightings (%)	40	15	15	30	0	
Weighted % of Normal	30.8	10.5	10.7	3.5	0	55.5

** Daily moisture is capped at an amount equal to the normal moisture for the month;*
*** Monthly moisture is capped at 150% of the normal moisture for that month*
**** Rounded down for payment calculation*

Early Split
= 30.8% + 10.5%
= 41.3% / 55% of coverage
= 75% or 75% of normal
Late Split
= 10.7% + 3.5%
= 14.2% / 45% of coverage
= 31.5% or 31% of normal

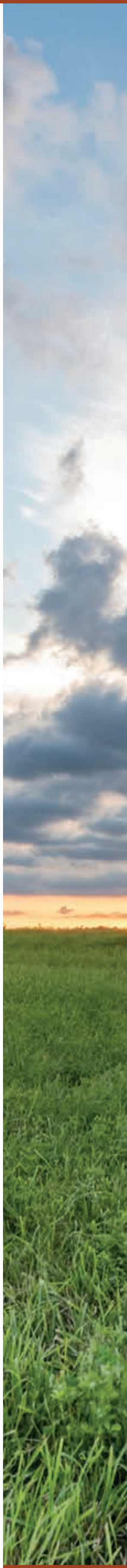
MDI Payment Schedule table (see page 16)
Early Split 75% of normal results in 0% payment rate
= $16,912.50 x 0% payment rate
= $0

Late Split 31% of normal results in 100% payment rate
= $13,837.50 x 100% payment rate
= $13,837.50
Total Split Season Indemnity
= $0 + $13,837.50

Then the payment for the full season is calculated and if it is higher than the sum of the split season payments, the client will receive the extra amount at the end of the season. See Full Season Comparison Table on page 16.

Full Season Comparison of the same months
= 30.8% + 21.2% + 3.5%
= 55.5% or 55% of normal = 65% payment rate
Full Coverage x Payment Rate
= $30,750 x 65%
= $19,987.50
Additional Indemnity
Full Season indemnity less the total Split Season Indemnity
= $19,987.50 - $13,837.50
= $6,150

As the full season indemnity calculates higher than the total split season indemnity, an additional payment of $6,150 would be made at the end of the season.



Renewal

Clients who purchased Moisture Deficiency Insurance (MDI) in the previous year will be automatically renewed based upon the previous year's information. Personalized renewal notices are available at the start of the year. It is the client's responsibility to review the information. If changes are required, they must complete a Change Request form and return the form to an AFSC insurance representative by mail, fax, email, in person or request changes by phone by the last day of February.

Cancellations

MDI is continuous and insurance remains in effect from year to year unless cancelled in writing or on a Change Request form by the client prior to the last day of February.

New clients

New clients must apply for pasture insurance prior to the last day of February in order for AFSC to evaluate eligibility for insurance. Information that will be required includes Social Insurance Number or Business Number, legal land description of pasture fields and number of acres on each location.

Clients will need to select a price, one to three weather station(s) and a coverage option.

Owned, rented and leased land

Clients must insure a minimum of 20 acres and are required to insure all acres of the elected pasture type(s) they operate whether the land is owned, rented or leased. Community pastures and forestry grazing leases are optional to insure. The last day of February is the deadline for adding or deleting land whether it is rented, purchased or sold by that date.

Clients who sell or purchase land between March 1 and May 31 are required to provide written proof of the transaction before AFSC will reduce or increase insured acres.

Transfer of acres

If pasture acres are taken out of production in the spring and seeded to an annual crop the premium can be transferred:

- If the client has Annual Crop Insurance, has elected the seeded annual crop and the seeding deadlines are met, the acres and premium will be removed from the pasture contract and transferred to the annual crop contract.
- If the client does not have Annual Crop Insurance, the acres, premium and coverage remain on the pasture contract.

MDI Payment Schedule

Annual Moisture (% of Normal)	Payment Rate (% of Dollar Coverage)	Annual Moisture (% of Normal)	Payment Rate (% of Dollar Coverage)
>=70	0	50	50
69	5	49	55
68	5	48	55
67	10	47	60
66	10	46	60
65	15	45	65
64	15	44	65
63	20	43	70
62	20	42	70
61	25	41	75
60	25	40	75
59	30	39	80
58	30	38	80
57	35	37	85
56	35	36	85
55	40	35	90
54	40	34	90
53	45	33	95
52	45	32	95
51	50	<=31	100

Full Season Comparison Table

Annual Moisture (% of Normal)	Payment Rate (% of Dollar Coverage)	Annual Moisture (% of Normal)	Payment Rate (% of Dollar Coverage)
>=80	0	60	50
79	5	59	55
78	5	58	55
77	10	57	60
76	10	56	60
75	15	55	65
74	15	54	65
73	20	53	70
72	20	52	70
71	25	51	75
70	25	50	75
69	30	49	80
68	30	48	80
67	35	47	85
66	35	46	85
65	40	45	90
64	40	44	90
63	45	43	95
62	45	42	95
61	50	<=41	100

Note: >= means "greater than or equal to" and <= means "less than or equal to"

Overview

Satellite Yield Insurance (SAT) is an area-based program which provides coverage on pasture. This program uses satellite measurements of light absorbed and reflected by the pasture vegetation to estimate pasture growth.

SAT losses are paid when the determined annual township-wide pasture growth falls below the insured normal pasture growth for that specified area according to Payment Schedule A and B (see page 19). SAT does not cover individual farm losses. Annual pasture growth and the extent of loss within the township are considered to be the same for each client.

Pasture acres insured under SAT cannot be insured under Moisture Deficiency Insurance (MDI).

Insurable pasture crops

Clients are eligible to insure the following dryland pasture crops:

- Native pasture
- Improved pasture
- Bush pasture
- Community pasture and forestry grazing leases (optional)

Coverage

SAT uses information from nine risk areas in the southern parts of the province (see map on page 26). Each risk area has a long term average yield for each pasture type based on recommended cattle carrying capacity.

Eighty per cent of this long term average yield is used as the base yield, setting coverage for each client in the risk area. The insured price multiplied by the base yield for each insured pasture type establishes the dollar coverage for each pasture type insured. For community pastures, coverage is based on the risk area cattle carrying capacity and the client's allocation for that pasture.

While coverage determines the value of the insurance contract, there are three choices for clients to customize insurance to meet their individual situation.

1. Length of the growing season

Pasture grows differently in different areas of the province and AFSC understands that producers develop their own management strategies to utilize their pasture crop. Some producers rely on pasture growth in the spring while others depend on pasture growth over a longer growing season (see Season Chart below).

Clients can choose between:

- Short Full Season: mid-May until late July (weeks 1 - 11); or
- Long Full Season: mid-May until late August (weeks 1 - 15).

2. Split season option

Splitting the season allows clients to divide their growing season and dollar coverage into two parts. An indemnity is calculated for each split and one is not offset against the other. Clients pay an additional premium for this option, and indemnities are based on a different payment schedule (See Payment Schedule B on page 19).

3. Weighting options

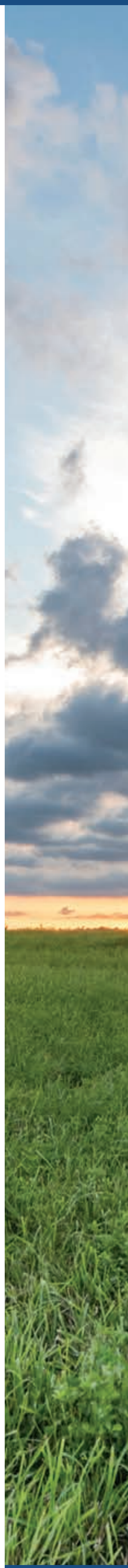
Clients who purchase a Split Season can choose how to divide their coverage:

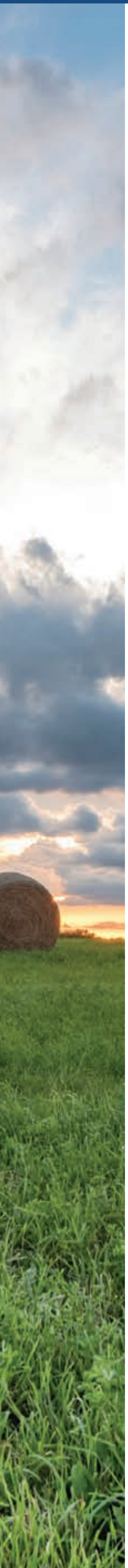
- Allocate 60 per cent of coverage to the weeks included in the first part of the growing season (early split) and 40 per cent of coverage to the weeks included in the second part of the growing season (late split); or
- Allocate 50 per cent of coverage to the weeks included in each part of the growing season.

Season Option	Coverage Allocation %	
	Early Split	Late Split
A. Short Season - Full	100	
B. Long Season – Full	100	
C. Short Season – Split	60	40
D. Short Season – Split	50	50
E. Long Season – Split	60	40
F. Long Season – Split	50	50

Season Chart

Calendar Week – 2019														
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
May 13	May 20	May 27	June 3	June 10	June 17	June 24	July 1	July 8	July 15	July 22	July 29	Aug 5	Aug 12	Aug 19
Short Full Season														
Short Early Split weeks 1 – 6						Late Split weeks 7 - 11								
Long Full Season														
Long Early Split weeks 1 – 8								Late Split weeks 9 – 15						





Price

SAT has two prices based upon a forecast of hay market prices for the year, allowing clients to customize their insurance.

Variable Price Benefit (VPB)

The VPB is automatically included in the SAT and increases the dollar coverage if there has been a significant increase in the cost of hay during the growing season. However, SAT only pays VPB if the township growth determination for the current year is less than the long term average.

Alberta Agriculture and Forestry's hay price from the Farm Input Survey for the month of October is used for SAT to determine the VPB trigger as pasture is a difficult commodity to price accurately.

The fall market price of hay reported for the month of October must increase by at least 10 per cent above the spring insurance price for hay, for the VPB to trigger. The indemnities are paid using the increased price up to a maximum increase of 50 per cent.

Premium and cost sharing

Federal and provincial governments support AgriInsurance programs, including SAT, by paying all administration expenses and sharing premium costs with clients.

Premium rates are set annually reflecting the likelihood of a loss for all pasture types, and vary by eligible risk area and coverage option. The client's portion of the premium is their selected dollar coverage multiplied by the client's share of the premium rate and any applicable premium adjustments. Split season premium rates are higher than full season premium rates.

Premium Adjustments & Discounts	
5% per year to a maximum of 20%	Continuous Participation Discount applies after the first insurance year, unless the client does not insure for one year, then it is zeroed and must be earned again
2%	An Early Payment Discount is applied to premium payments received by AFSC the later of June 25 or within 15 days of each version's billing date

Indemnity

Payments under SAT are based on a comparison of the determined township growth from the current growing season and the long-term average determined growth, described as a 'per cent of normal'. If the per cent of normal is less than the trigger point (90 per cent for full season; 85 per cent for split season) an indemnity is automatically paid.

Split season can generate payments that are higher than full season, but they will never pay less. When clients select the split season and a payment is triggered, each split season claim payment is calculated and added together for the total payment. The full season payment is then calculated using the corresponding weighting option without the split season. If the payment for the full season is higher than the combined split season payments, the client will receive the additional amount at the end of the season.

AFSC will use a network of cage sites to monitor and estimate pasture plant growth. This information may be used to supplement the satellite information to revise payment rates.

Example - Indemnity calculation

- 1,000 acres of native pasture; coverage \$6.84/acre = \$6,840 total coverage
- Option C selected; Short Season – Split

Coverage is split between the Early and Late Splits (see Coverage Allocation % in table on page 17)

- Early Split = 60%
- Late Split = 40%

Determined township growth = Payment Schedule B (See page 19)

- Early Split 53% of normal = 80% payment rate
- Late Split 125% of normal = 0% payment rate

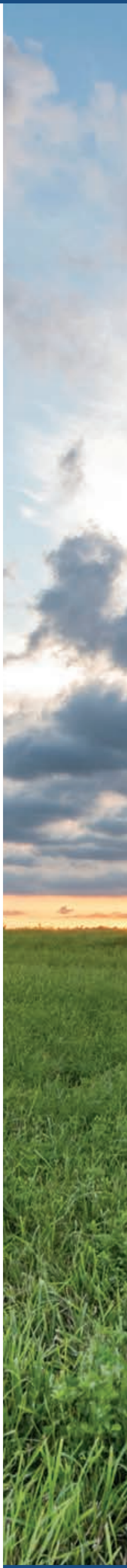
Split Season Indemnity = Total Coverage x Coverage Allocation x Payment Rate

\$6,840 x 60% x 80%	= \$3,283.20
\$6,840 x 40% x 0%	= \$0.00
Total Split Season Indemnity	**= \$3,283.20**

Full Season Indemnity Calculation: A. Short Season Full
Determined township growth = Payment Schedule A
94% of normal = 0% payment rate

Full Season Indemnity = Total Coverage x Coverage Allocation x Payment Rate
\$6,840 x 100% x 0% = \$0

As the split season indemnity calculates higher than the full season indemnity, there is no additional payment at the end of the season.



Renewal

Clients who purchased Satellite Yield Insurance (SAT) in the previous year will be automatically renewed based upon the previous year's information. Personalized renewal notices are available at the start of the year. It is the client's responsibility to review the information. If changes are required, they must complete a Change Request form and return the form to an AFSC insurance representative by mail, fax, email, in person or request changes by phone by the last day of February.

Cancellations

SAT is continuous and insurance remains in effect from year to year unless cancelled in writing or on a Change Request form by the client prior to the last day of February.

New clients

New clients must apply for pasture insurance prior to the last day of February in order for AFSC to evaluate eligibility for insurance. Information that will be required includes Social Insurance Number or Business Number, legal land description of pasture fields and number of acres on each location.

Clients will need to select a price and coverage option.

Owned, rented and leased land

Clients must insure a minimum of 20 acres and are required to insure all acres of the elected pasture type(s) they operate whether the land is owned, rented or leased. Community pastures and forestry grazing leases are optional to insure. The last day of February is the deadline for adding or deleting land whether it is rented, purchased or sold by that date.

Clients who sell or purchase land between March 1 and May 31, are required to provide written proof of the transaction before AFSC will reduce or increase insured acres.

Transfer of acres

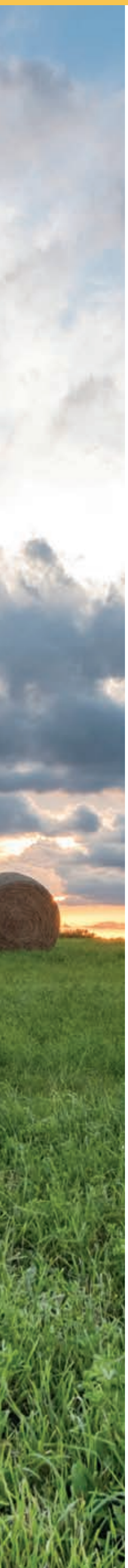
If pasture acres are taken out of production in the spring and seeded to an annual crop, the premium can be transferred:

- If the client has Annual Crop Insurance, has elected the seeded annual crop and the seeding deadlines are met, the acres and premium will be removed from the pasture contract and transferred to the annual crop contract.
- If the client does not have Annual Crop Insurance, the acres, premium and coverage remain on the pasture contract.

SAT Payment Schedule A – Full Season			
% of Normal Growth Index	**Payment Rate (% of Dollar Coverage)**	**% of Normal Growth Index**	**Payment Rate (% of Dollar Coverage)**
>= 90	0	69	52.5
89	2.5	68	55.0
88	5.0	67	57.5
87	7.5	66	60.0
86	10.0	65	62.5
85	12.5	64	65.0
84	15.0	63	67.5
83	17.5	62	70.0
82	20.0	61	72.5
81	22.5	60	75.0
80	25.0	59	77.5
79	27.5	58	80.0
78	30.0	57	82.5
77	32.5	56	85.0
76	35.0	55	87.5
75	37.5	54	90.0
74	40.0	53	92.5
73	42.5	52	95.0
72	45.0	51	97.5
71	47.5	<= 50	100.0
70	50.0		

SAT Payment Schedule B – Split Season			
% of Normal Growth Index	**Payment Rate (% of Dollar Coverage)**	**% of Normal Growth Index**	**Payment Rate (% of Dollar Coverage)**
>= 85	0	64	52.5
84	2.5	63	55.0
83	5.0	62	57.5
82	7.5	61	60.0
81	10.0	60	62.5
80	12.5	59	65.0
79	15.0	58	67.5
78	17.5	57	70.0
77	20.0	56	72.5
76	22.5	55	75.0
75	25.0	54	77.5
74	27.5	53	80.0
73	30.0	52	82.5
72	32.5	51	85.0
71	35.0	50	87.5
70	37.5	49	90.0
69	40.0	48	92.5
68	42.5	47	95.0
67	45.0	46	97.5
66	47.5	<= 45	100.0
65	50.0		

Note: >= means "greater than or equal to" and <= means "less than or equal to"



Overview

The Spot-Loss Fire Benefit is included with Satellite Yield Insurance (SAT) and Moisture Deficiency Insurance (MDI) programs for insured pasture acres and protects against both accidental fire and fire caused by lightning.

Insurable crops
Pasture acres insured under

- SAT
- MDI

Coverage

The total dollar coverage, including Variable Price Benefit (VPB), is based on the client's MDI or SAT Insurance coverage. Spot-Loss Fire payments are intended to compensate for production losses in the current and ensuing year, as it is recognized burned land generally takes at least two years to recover.

Premium and cost sharing

Spot-Loss Fire Benefit is included in the premiums for SAT and MDI. The federal and provincial governments support AgriInsurance programs, by paying all administration expenses and sharing premium costs with clients.

Designated perils

The Spot-Loss Fire Benefit protects clients against accidental fire and fire caused by lightning.

Inspections

AFSC will verify whether the fire was started accidentally or caused by lightning.

Indemnity

A client must have a minimum of 100 insured acres burned to qualify for compensation.

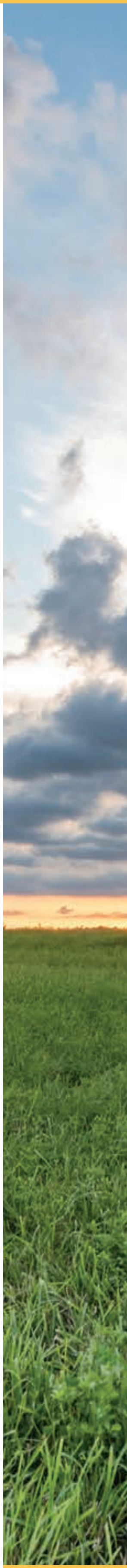
Once informed of the fire, AFSC will verify whether the fire was started accidentally or was caused by lightning. When a claim is triggered, spot-loss fire indemnities are calculated after VPB is determined and a 10 per cent deductible is applied to all spot-loss fire indemnities.

Example - Indemnity Calculation
SAT Insurance, Option C selected (Short Season - Split)
Fire occurred in August and 7,000 acres were burnt.
4,000 acres insured at $8 per acre = $32,000
3,000 acres insured at $6 per acre = $18,000
Total Coverage = $50,000

Any potential insurance payments will be calculated prior to spot-loss fire benefits being calculated.

Example #1 – When fire occurs and there are no SAT Insurance Payments		
A	There is no payment from SAT Insurance	$0
B	Spot-Loss Fire Compensation for the insured year – Year 1 100% of coverage ($50,000) Less 10% deductible ($5,000) =	$45,000
C	Spot-Loss Fire Compensation the following year – Year 2 100% of coverage ($50,000) Less 10% deductible ($5,000) =	$45,000
	Total Spot-Loss Fire Benefit (year 1 & year 2) $45,000 + $45,000 =	**$90,000**

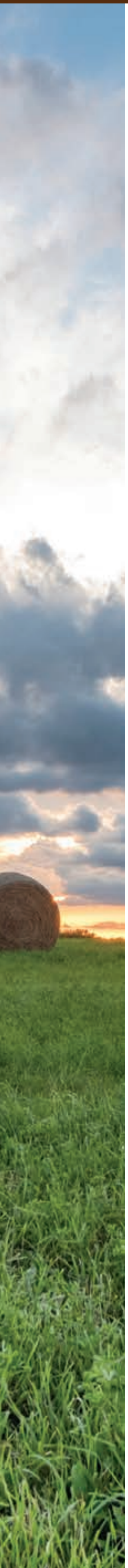
Example #2 – When fire occurs and there are SAT Insurance Payments		
A	Insurance SAT Indemnity on burned acres (from example above) Insurance dollar coverage for burned acres x SAT Payment Rate 4,000 x $8/acre coverage = $32,000 x 60% = 3,000 x $6/acre coverage = $18,000 x 40% = SAT Indemnity on burned acres =	$19,200 $7,200 $26,400
B	Spot-Loss Fire Compensation for Year 1: calculations above minus current year's SAT Indemnity = $45,000 - $26,400=	$18,600
C	Spot-Loss Fire Compensation for Year 2 = 100% of Coverage ($50,000) less 10% deductible ($5,000) =	$45,000
	Spot-Loss Fire Benefit (year 1 & year 2) $18,600 + $45,000 =	$63,600
	SAT Indemnity + Total Spot-Loss Fire Benefit (year 1 & year 2) $26,400 + $63,600 =	**$90,000**



Schedule of Compensation Rates		
Date of Fire Occurrence in the Insuring Year	**Loss expressed as per cent of dollar coverage per acre on eligible burned land less 10% deductible**	
	Indemnity for Loss due to fire in year of Insurance	**Indemnity for Loss incurred for year following fire**
March – August	100% less Insurance Payments	100%
September	90% less Insurance Payments	100%
October	80% less Insurance Payments	100%
November	70% less Insurance Payments	100%
December	60% less Insurance Payments	100%
January	50% less Insurance Payments	100%
February	50% less Insurance Payments	100%

Client responsibilities

Clients must notify AFSC within 14 days of the start of the fire on their land and provide any relevant documentation from the fire department. Clients need to complete the Fire Damage Claim Form available on www.afsc.ca.



Overview

Straight Hail Insurance provides protection for spot-loss damage to crops caused by hail, accidental fire, or fire caused by lightning. This product is available to anyone with an interest in an insurable crop grown in Alberta, whether they are a producer, a tenant or a landlord. Cash rent landlords are not eligible.

Clients can purchase Straight Hail Insurance on a viable crop online at www.afsc.ca and at any AFSC office. Insurance is purchased in one dollar increments and comes into effect at noon on the day following the date of application. Straight hail coverage expires if the crop is put to another use, when harvest is complete, or at midnight on October 31 in the year of application.

If damage was incurred on one or more fields prior to Straight Hail Insurance being purchased, clients are required to report the previous damage and the fields affected are subject to an acceptance inspection prior to liability being accepted by AFSC.

Insurable crops

Viable annual crops, or perennial crops (hay, export timothy hay and perennial seed) crops, are insurable under Straight Hail Insurance. Pasture is <u>not</u> eligible for Straight Hail Insurance. A full list of insurable crops can be found in the Schedule of Insurance on AFSC's website at www.afsc.ca.

A Straight Hail Premium Calculator is also provided for clients' convenience at www.afsc.ca. The calculator will provide a premium estimate based on your own crop mix and land locations.

Coverage

Dollar coverage per acre is limited to one dollar increments, by crop category, and separately for dryland and for irrigation.

Coverage available by crop category;
Hay crops and perennial crops grown for seed can be insured to a maximum of:

- Dryland - $225 / acre
- Irrigated - $400 / acre

Liability will be prorated on crops with more than one cutting.

The combined dollar coverage per acre of all insured parties cannot exceed the program coverage limit.

Clients have the option to insure all or only a portion of their field. Any portions of a field that are insured must be diagrammed and provided to AFSC.

Clients can choose full coverage or coverage with a 10 per cent or a 25 per cent deductible; the higher the deductible, the lower the premium rate.

Coverage begins when the crop emerges and continues until:

- the insurance is cancelled by the insured (can only be cancelled if there is no claim);
- the crop is put to another use;
- the crop is harvested;
- midnight October 31.

Premium and cost sharing

Straight Hail Insurance is not subsidized by government. Premium and administration costs are funded completely through client premiums.

Hail premium 'base' rates are set annually based upon the historical hail loss by township. These rates vary by crop, depending on the crop's susceptibility to hail damage. The Schedule of Insurance, found at www.afsc.ca, presents the rates by crop as a base rate, ¾ times base rate, 1½ times base rate, 1¾ times base rate and 2 times base rate.

The client's premium is their total dollar coverage multiplied by the premium rate and any applicable premium adjustments. There is a minimum of $25 of actual calculated premium per insurance subscription.

Premium Adjustments & Discounts	
2%	Online Discount, provided to clients who purchase online.
2%	An Early Payment Discount is applied to premium payments received by AFSC the later of June 25 or within 15 days of each version's billing date

Designated perils

Straight Hail Insurance protects against spot-loss damage to crops due to hail, accidental fire, fire by lightning. When the insured crops suffers a loss of 10 per cent or more, the client is eligible for a payment based on the percentage of loss on the damaged acres.

Clients who purchase Straight Hail Insurance must report a loss within 14 days after the day the crop was damaged by hail or fire.

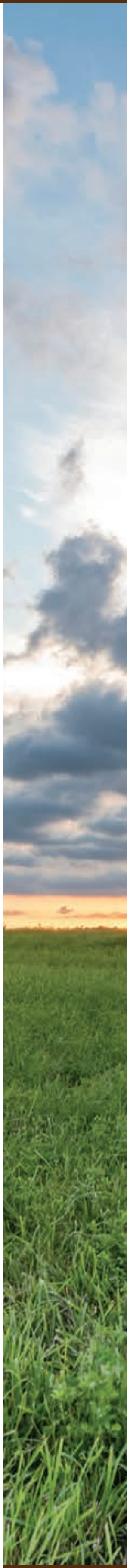
Indemnity

A minimum of 10 per cent damage is required to initiate a claim and there must be at least 10 per cent hail damage on each spot-loss area for that area to qualify for payment.

Example

- 100 acres insured
- $150 coverage/acre
- 70% hail damage to the entire acreage of crop

Indemnity = Acres x $ coverage/acre x % of damage
= 100 acres x $150 x 70%
= $10,500



Purchasing

When purchasing Straight Hail Insurance, clients can appoint an authorized representative who can act on their behalf. An authorized representative has the same authority as a client in their absence, to not only report but also accept damage assessed to crops.

If a client purchases Straight Hail Insurance after acres have incurred damage, clients are required to report the estimated amount of previous damage and the fields affected are subject to an acceptance inspection prior to liability being accepted by AFSC.

Reporting a loss

Clients who purchase Straight Hail Insurance must report a loss within 14 days after the day the crop was damaged by hail or fire.

Clients are to check insured fields to identify the damaged areas prior to filing a hail claim and are expected to take the inspector to damaged fields when the damage assessment is completed.

AFSC requires the following information when a report of hail damage is filed:

- The legal location and number of acres affected;
- The date, time, duration, and direction of the storm;
- The size of the hailstones and general conditions (strong wind, heavy rains, etc.);
- Estimate of the per cent of damage for each crop.

Clients are required to accompany the inspector during a claim inspection and to take the inspector to the damaged areas of each field. Inspectors may wait to adjust a claim so that damage is more accurately identified. Claims may be deferred if crops are not sufficiently mature for accurate damage to be assessed.

If the crop is damaged when mature enough to harvest, once authorized by AFSC, clients may leave standing inspection strips for inspectors to use to assess damage. For information on size and number of strips, see Inspections Strips on page 5.

Cancellations

A client may cancel insurance on a parcel of land if no indemnity has been paid, by completing and signing the Request for Cancellation section at the bottom of the Statement of Coverage and Premium. Cancellations are effective immediately upon receipt by AFSC or, if it is forwarded by registered mail, the effective date of cancellation is the postmark date.

Policies cancelled for perennial crops grown for seed; and forage crops (alfalfa, grasses and legumes) prior to July 16, are eligible for a refund of a percentage of the premium.

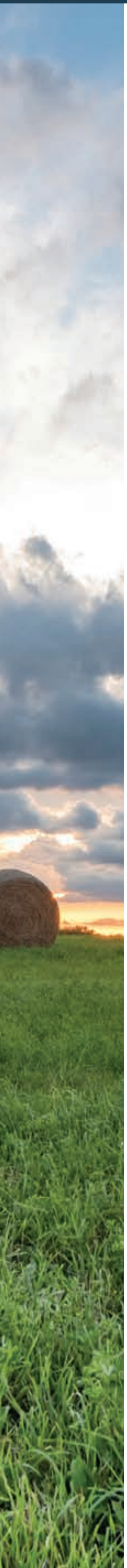
Cancellation and Premium Refund Schedule

The premium refund will be a per cent of the season's premium, as established by the following schedule:

Fall Seeded Crops*	Premium Earned	Premium Refunded
Before June 16	25%	75%
June 16 – June 18	35%	65%
June 19 – June 21	45%	55%
June 22 – June 24	55%	45%
June 25 – June 27	65%	35%
June 28 – June 30	75%	25%
July 1 – July 4	80%	20%
July 5 – July 8	85%	15%
July 9 – July 12	90%	10%
July 13 – July 15	95%	5%
July 16	100%	0%

*Fall seeded crops include: fall seeded crops, forage crops grown for seed and forage crops (grasses and legumes)

Cancellation does not include a reduction in coverage per acre. (i.e. it is not possible to reduce coverage during the season from $40/acre to $20/acre)



Overview

The Wildlife Damage Compensation Program (WDCP) compensates agricultural producers for wildlife damage to eligible unharvested hay crops that is caused by ungulates, upland game birds and waterfowl.

AFSC also offers WDCP for stacked hay and haylage in pits and tubes. This program provides compensation for damage caused by ungulates to harvested hay.

Producers wishing to participate in WDCP are not required to have insurance to qualify for a claim.

Wildlife Species
Ungulates Antelope, deer, elk, moose, mountain goat and mountain sheep
Waterfowl Ducks, geese and sandhill cranes
Upland Game Birds Grouse, partridge, pheasant and ptarmigan

Insurable crops

All unharvested hay crops that can be insured under AFSC insurance are eligible for compensation under this program.

Swath grazing and bale grazing are eligible for compensation up to October 31.

Stacked hay and haylage in pits and tubes are not insurable under any of AFSC's insurance programs but are eligible for coverage under this program.

The following crops are not eligible:

- Grazing land or native pasture;
- Crops seeded on land considered unsuitable for production;
- Crops that were left exposed to wildlife damage due to management practices.

Premium and cost sharing

Federal and provincial governments pay all costs for this program. Producers pay no premium or administration costs except for the appraisal fee.

Indemnity

A non-refundable appraisal fee of $25 per inspection type is required for each section of land or portion thereof on which damage has occurred.

Unharvested hay

In order to be compensated under WDCP, there must be at least 10 per cent wildlife damage and a minimum of $100 calculated loss per crop. Damaged hay crops cannot be cut until inspected, as wildlife claims cannot be adjusted from representative strips.

For AFSC Hay Insurance clients, the wildlife claim will be deducted from any Hay Insurance payments.

Compensation is based on the percentage of damage, multiplied by the yield before damage, multiplied by the higher of:

- The highest price option offered under the current year's Hay Insurance and Export Timothy Hay Insurance; or
- The price offered under the Variable Price Benefit for hay, which is determined in the fall.

Stacked hay and haylage in pits and tubes

To initiate a wildlife claim on stacked hay and haylage in pits and tubes, a producer must first contact a provincial Fish and Wildlife (FW) Officer who will provide the producer with appropriate recommendations to prevent further damage prior to a claim being paid.

If a producer has a second claim, the minimum recommendations for the FW Officer during the first claim visit must have been implemented in order to be eligible for a full claim. If the recommendations have not been followed, the producer is only eligible to receive 50 per cent of the claim amount.

On third and subsequent claims, if minimum recommendations are not followed, no claim will be paid.

Claims filed over the winter will not be finalized until all damage has ceased and the total damage can be determined.

The maximum compensation for stacked hay and haylage in pits and tubes under the Wildlife Damage Compensation Program is $5,000 per inspection.

Client responsibilities

Unharvested hay

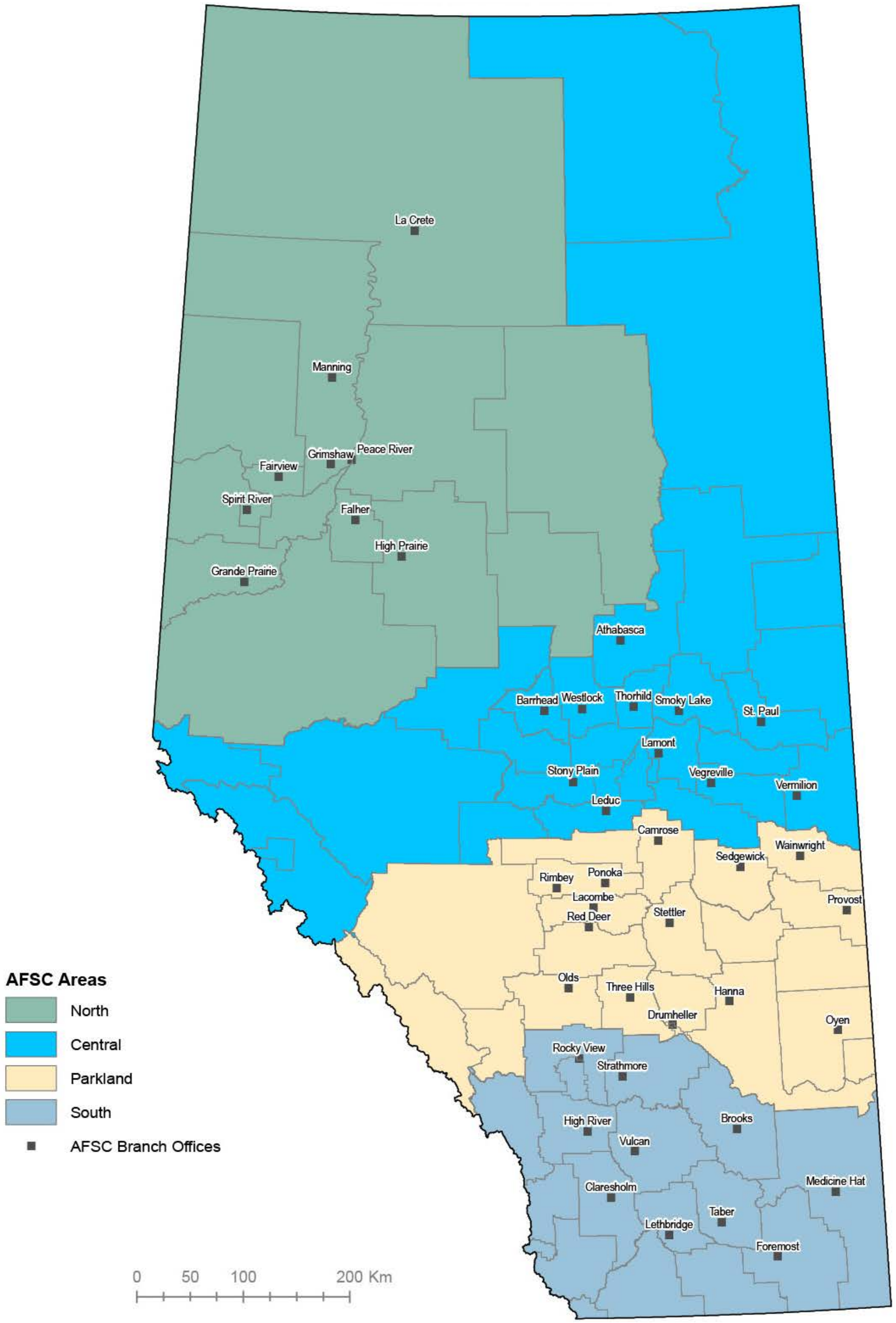
Producers must contact AFSC at least 24 hours, and preferably 72 hours, prior to harvest so AFSC can arrange to have an inspector perform an on-farm inspection.

Producers should check their fields to identify the damaged areas prior to filing a claim. Producers are expected to take the inspector to the damaged fields when AFSC completes the damage assessment.

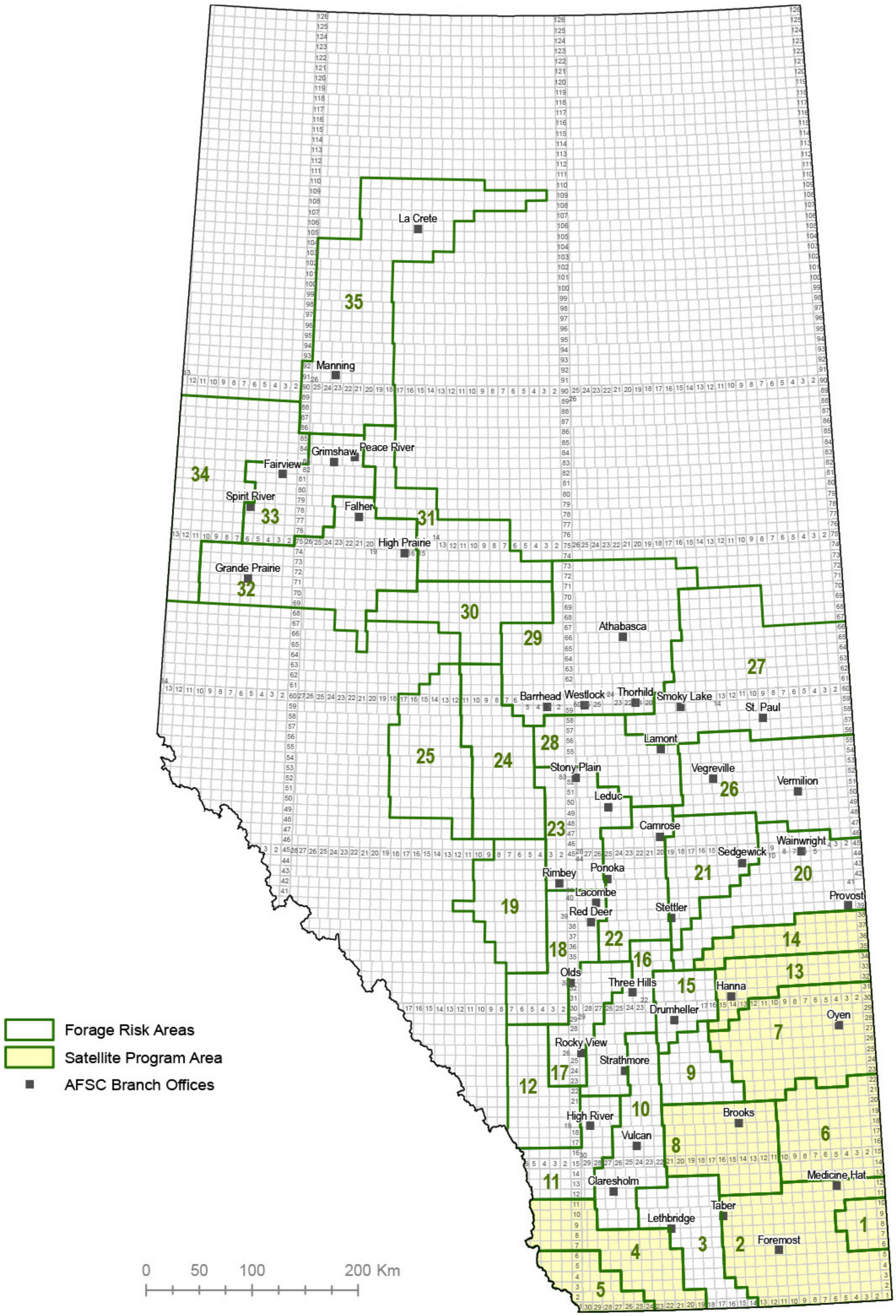
Stacked hay and haylage in pits and tubes

Producers are responsible to notify Fish and Wildlife and AFSC as soon as possible after first noticing damage to request an inspection and receive more detailed information.

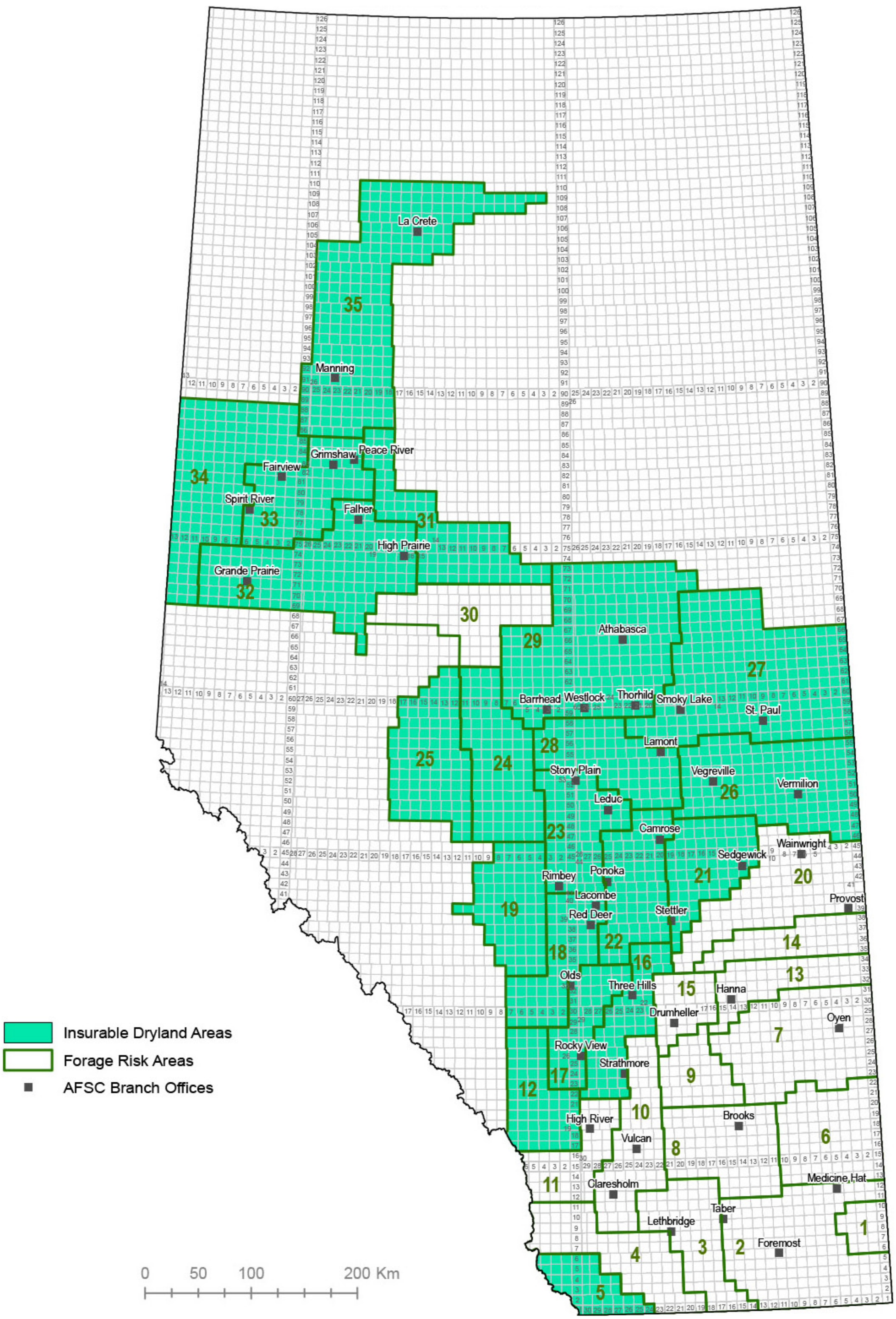
AFSC Branch Offices

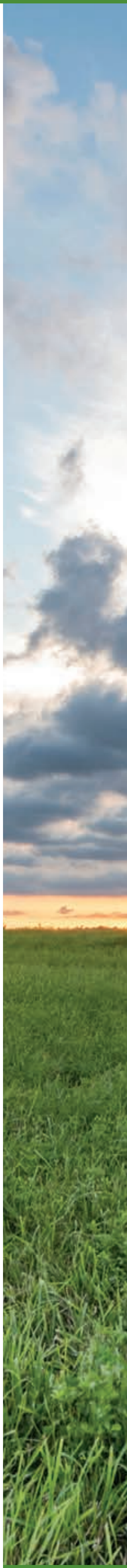


Forage Risk Area Map



Alfalfa Hay Insurance - Dryland





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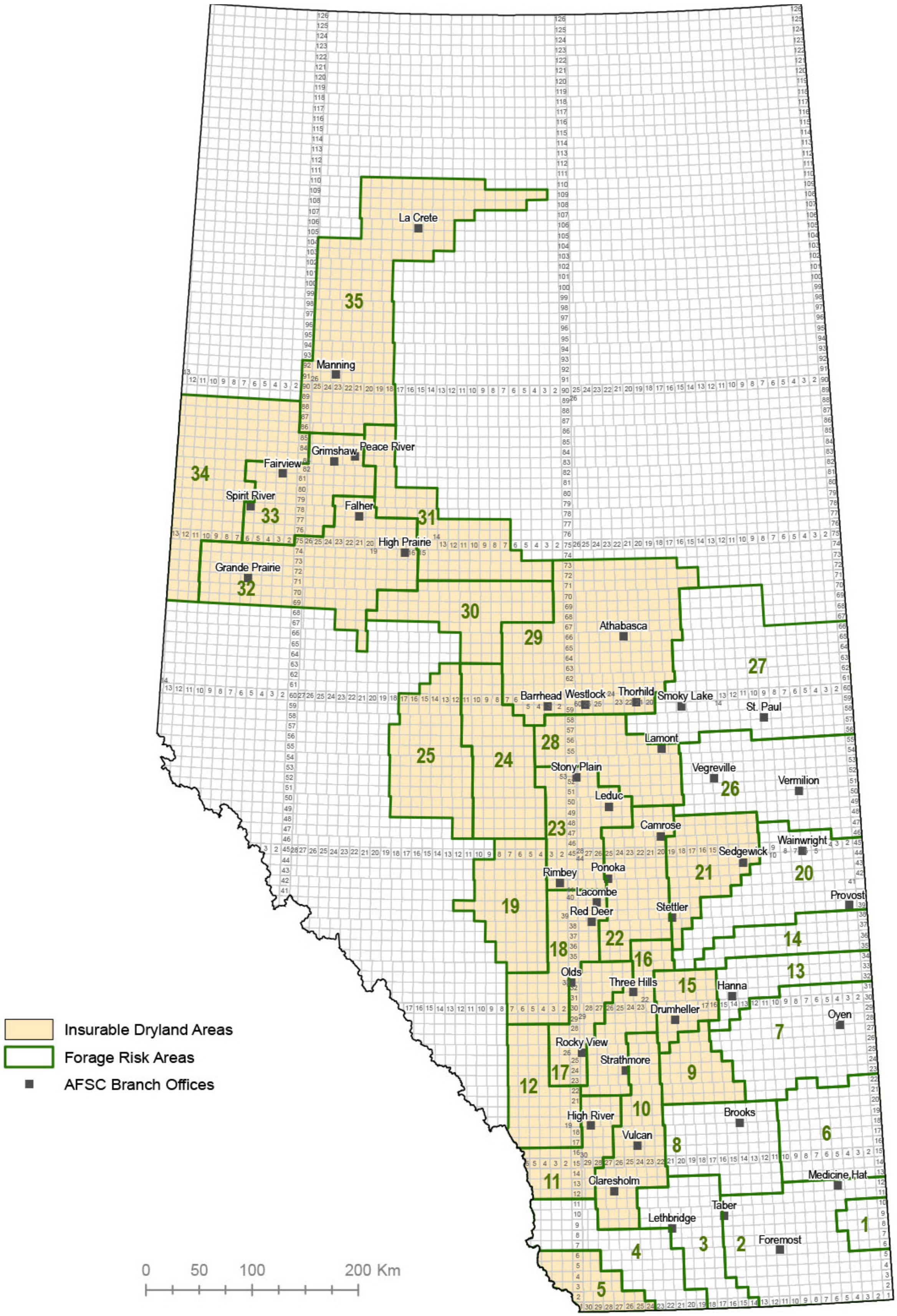

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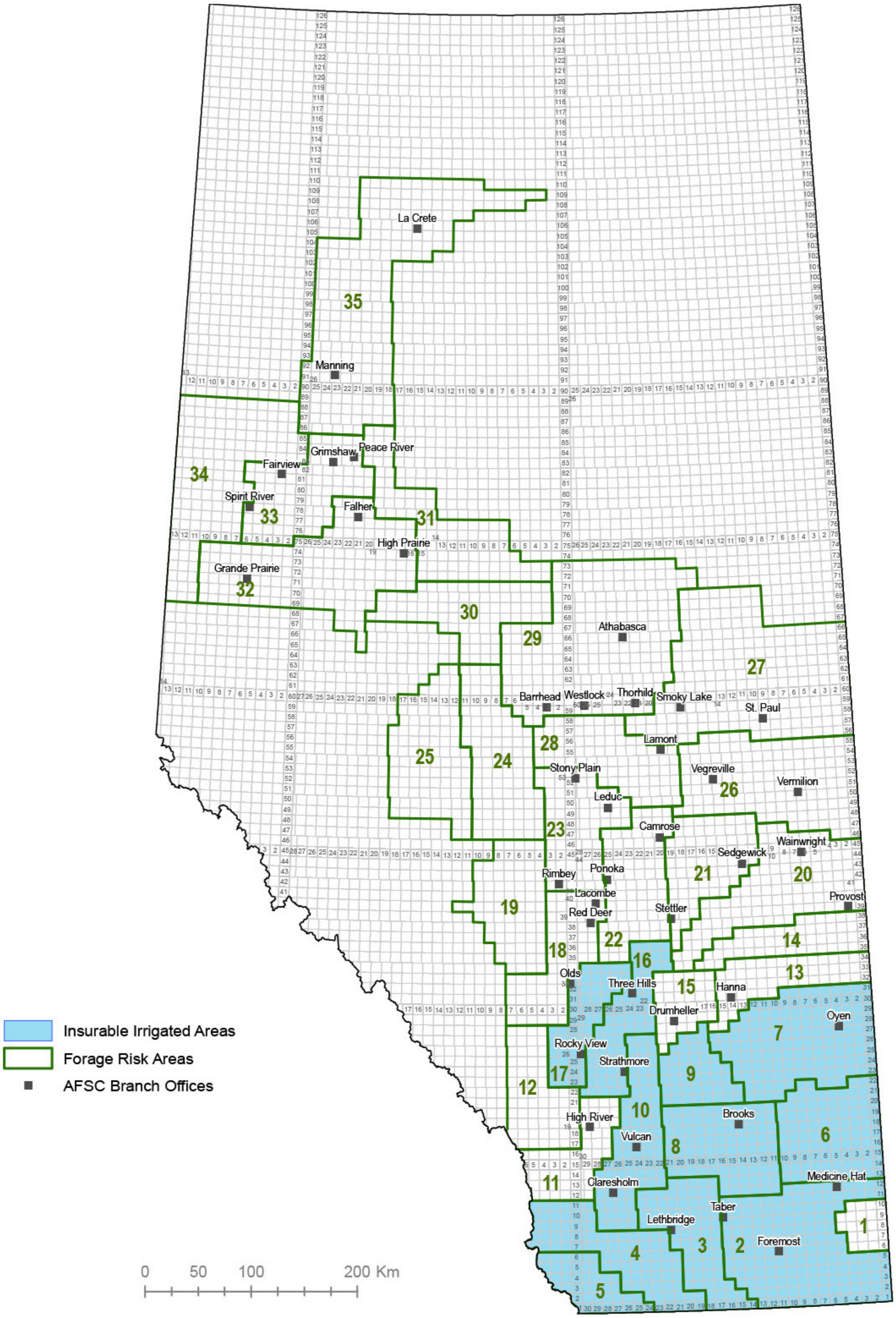

Contract of Insurance for Perennial Crops 2019

The Contract of Insurance is legally binding on AFSC and participating insurance clients. If there is any discrepancy between wording contained in the Contract of Insurance and this Perennial Crops Booklet, the Contract of Insurance takes precedence.

PART I
GENERAL PROVISIONS

Part I (General Provisions) applies to every Insuring Agreement unless stated otherwise in an Insuring Agreement or unless inapplicable because of context.

Agriculture Financial Services Corporation (hereafter referred to as "AFSC") has the authority under the *Agriculture Financial Services Act (hereinafter referred to as the "Act"), the regulations made pursuant to the Act, and the Federal/Provincial AgriInsurance Agreement* to insure an eligible applicant in accordance with the terms and conditions of this contract in any crop year during the term of this contract. Pursuant to this Contract, and in consideration of the payment of the Premium(s) and of the statements contained in the Application for Insurance, AFSC agrees to indemnify the Insured for damage caused by Designated Perils to an Insured Crop. The Premium to insure a crop in each year of the contract shall be paid in cash in full or under any terms and conditions that are made pursuant to the Act.

A. Definitions

The following definitions apply to all parts of this Contract unless stated otherwise in the Insuring Agreement or unless inapplicable because of context:

1. **"Acreage Tolerance"** means AFSC measured acres of an Insured Crop which are within five percent of the insured acres reported by the Insured subject to a 20 acre maximum difference between measured and reported acreage.

2. **"Act"** means the *Agriculture Financial Services Act*, Revised Statutes of Alberta, 2000, Chapter A-12, as amended.

3. **"AFSC"** means the Agriculture Financial Services Corporation.

4. **"Application"** means the application for insurance to which this Contract applies and signed by the Insured.

5. **"Appraised Potential Production"** means the total potential production, as determined by AFSC, of an unharvested hay crop or a hay crop Put to Another Use.

6. **"Area Normal Yield"** means the long term average yield per acre that AFSC establishes for a Risk Area.

7. **"Associate"** means two or more producers who have demonstrated eligibility for an independent Contract, legally, operationally and financially, but are still considered, by AFSC, to be connected in some relevant way.

8. **"Business Day"** means Monday through Friday excluding holidays observed by AFSC.

9. **"Carryover Inventory"** means hay production from prior years, and purchased inventory which has not been sold by the Insured and is still in the Insured's possession.

10. **"Contract"** means this agreement, including Part I, General Provisions, and the Insuring Agreement Parts that pertain to the crops being insured.

11. **"Coverage"** means, for hay, the amount of production for a crop that AFSC insures based on the Insured's Expected Normal Yield, elected Coverage Level, and number of insured acres.

12. **"Coverage Adjustment"** means a factor used to adjust the Area Normal Yield for hay to better reflect the Insured's production capabilities.

13. **"Coverage Level"** means the percentage of an individual's Expected Normal Yield for an Insurable Crop of hay offered by AFSC and elected by the Insured.

14. **"Crop Year"** means the period commencing on March 1 in one year and ending on the last day of February in the next year and, where preceded by a reference to a specified year, means such a period commencing on March 1 of that specified year.

15. **"Designated Area"** means a geographical area AFSC determines as an area for which insurance is available.

16. **"Designated Perils"** means a designated, risk or hazard against which an Insured seeks to protect themselves when purchasing a policy of insurance. For this contract of insurance the Designated Perils are limited to the following:
    a. drought, on crops insured as dryland;
    b. excessive moisture;
    c. fire by lightning (in field only, not stacked, baled or in yard);
    d. flood;
    e. frost;
    f. hail;
    g. insect infestations;
    h. plant disease;
    i. Richardson's ground squirrels (gophers);
    j. snow;
    k. Wildlife;
    l. wind; or
    m. any other peril designated by AFSC from time to time where the peril results in a reduction in production or grade.

17. **"Dollar Coverage"** means for an Insurable Crop, the Coverage multiplied by the Insurance Price.

18. **"Election"** means a declaration by the Insured indicating the Insurable Crop(s) to be insured, and the applicable Coverage Level, Insurance Price, endorsements and options.

19. **"Expected Normal Yield"** means the Area Normal Yield for an Insurable Crop of hay adjusted by the Insured's Coverage Adjustment.

20. **"Fall Market Price"** means for an Insurable Crop, a market price calculated in the fall, for the province of Alberta, as determined by AFSC.

21. **"Harvested Production"** means the total harvested production of an Insured's hay crop.

22. "**Harvested Production Report" (HPR)** means the report the Insured is required to provide to AFSC declaring production information of all Insured Crop(s).

23. **"Indemnity"** means the compensation AFSC pays for a loss incurred pursuant to this Contract.

24. **"Inspection Report"** means the report that contains the inspection details from which the loss assessment will be determined.

25. **"Insurable Crop"** means a crop eligible for insurance in an Insuring Agreement.

26. **"Insurance Price"** means the value per unit of production for an Insurable Crop used to pay Indemnity and is equal to the Spring Insurance Price or the Fall Market Price, where applicable.

27. **“Insured”** means one or more of the following:
    a. individual;
    b. partnership;
    c. joint venture;
    d. corporation; or
    e. other entity as set out on the Contract of Insurance Schedule A.

    Whose name appears on the Application and to whom this contract is issued.

    An Insured must be engaged in the business of growing and harvesting a crop, directly or as a custom farm employer and be legally, financially and operationally independent from another Insured, but does not include:
    i) a landowner who receives cash rent or a crop share; or
    ii) a mortgagee or security holder.

28. **“Insured Crop”** means an Insurable Crop that the Insured has elected for Coverage and reported to AFSC and which AFSC accepts for insurance.

29. **“Insuring Agreement”** means one or more of those Parts which follow Part I (General Provisions) of this Contract.

30. **“Land Report”** means a report provided by the Insured, in a form determined by AFSC that contains information required by AFSC pertaining to the land connected to the Insured.

31. **“Premium”** means the amount payable by the Insured for the Coverage under this Contract.

32. **“Prescribed Rate”** means the rate of interest which is the aggregate of two percent per year and the Canadian Imperial Bank of Commerce prime rate adjusted quarterly on the last day of September, December, March and June.

33. **“Production Loss”** means the amount the Adjusted Production of hay is less than the Coverage for an Insured Crop.

34. **“Production Record”** means any information pertaining to the farming operations of the Insured for the purpose of determining Harvested Production and Adjusted Production of hay.

35. **“Put to Another Use”** means hay acres that were ploughed under, sprayed out, cut for feed in an immeasurable state, pastured, or put to a use other than for the production of hay, or any part of an Insured Crop that is not harvested.

36. **“Regulation”** means the Agriculture Financial Services Regulation, Alberta Regulation 99/2002, and includes the Canada-Alberta Production Insurance Agreement in effect from time to time and AFSC’s by-laws and resolutions relating to this Contract.

37. **“Risk Area”** means a geographical area established by AFSC.

38. **“Spouse”** means an individual who is married to or cohabiting with the Insured, including an adult interdependent partner, and who is named as spouse in the Application or whose identity as spouse is communicated to AFSC by the Insured.

39. **“Spring Insurance Price”** means, for an Insurable Crop, the Insurance Price in the spring published by AFSC.

40. **“Statement of Loss”** means the written notice given by AFSC to the Insured setting forth the loss and Indemnity as determined by AFSC.

41. **“Uninsured Cause of Loss”** means any cause of loss that is not a Designated Peril, see Annex A.

42. **“Variable Price Benefit”** means the additional Dollar Coverage provided for an Insured Crop if the Fall Market Price is applied.

43. **“Volunteer Crop”** means any crop not intentionally sown in the spring or fall.

44. **“Waterfowl”** means ducks, geese and sandhill cranes.

45. **“Wildlife”** means big game and upland game birds, as defined in the Regulation, and Waterfowl.

B. Changes in Contract of Insurance

1. AFSC reserves the right to add to or amend this Contract to change the Insurable Crop(s), the Premium, the Coverage, the Risk Area, the Insurance Price, and other terms and conditions of this Contract at any time before or during the term of the contract.

2. Any changes to the Contract and to anything else relating to the Contract are deemed to be in effect 15 days after the earlier of publication of the Contract on the AFSC public website or notice being given to the Insured.

3. The Contract shall be subject to the provisions of the Act and Regulation and any amendments made to the Act or Regulation, except for the definition of a term where the Contract alters the definition of a term that is in the Act or Regulation.

C. Waiver or Alteration

1. No term or condition of this Contract is deemed to be waived or altered unless the waiver or alteration is expressed in writing in a form authorized by AFSC and signed by a duly authorized representative of AFSC. An approved waiver by AFSC only applies to the specific thing waived at the specific time and may not serve as a waiver of any breach of this Contract.

2. Any amendments to this Contract must be in writing by AFSC to be effective.

3. The rights, remedies and privileges of AFSC under this Contract are cumulative and any one or more may be exercised.

D. Effective Date of Contract

1. This Contract commences on the date the Application is filed by the applicant, subject to acceptance by AFSC. The Contract is continuous and subject to payment of the prescribed premium, remains in effect from year to year unless stated otherwise in the Insuring Agreement, subject to Section F (Continuation, Transfer, Cancellation or Termination of Contract).
   a. Application received after the last day of February may not be eligible for coverage.

E. Information to be Provided

The Insured must provide AFSC any records or other information AFSC requires to adequately address the requirements for insurance and for administration of this Contract. AFSC may use this information for purposes of administering its insurance and other programs.

F. Continuation, Transfer, Cancellation or Termination of Contract

1. The Contract may be cancelled by either the Insured or AFSC, provided that notice in writing of such cancellation is received on or the last day of February in any year. If this occurs, the Contract shall end on the last day of February of that year.

2. In the year of the Application, the Insured may cancel the Contract by giving AFSC written notice within five days of receipt of the Contract.

3. Where an Insured has given notice of cancellation under subsection (1 & 2), the Insured may apply in writing for reinstatement. An application for reinstatement must be filed on or before the last day of February immediately following the last calendar year in which the Contract was in force. On acceptance of reinstatement by AFSC, AFSC shall assess a premium adjustment and Expected Normal Yield to which the Insured would have been entitled had the Insured not submitted the notice of cancellation.

4. AFSC may cancel this Contract or any part thereof or any other Contract(s) held by the Insured with AFSC at any time when AFSC, in its discretion, determines the Insured has:
   a. breached any term of the Contract;
   b. ceased to qualify as an Insured;
   c. failed to cooperate with AFSC;
   d. failed to pay premiums when due;
   e. failed to provide documents to substantiate any claim;
   f. misrepresented or failed to disclose any material fact required to be disclosed to AFSC or provided any negligent or misleading information to AFSC relating to any crops seeded on lands covered by the Contract; or
   g. threatened or been abusive to AFSC Staff, Officers, Board members or Contractors.

5. AFSC may cancel this Contract for any year when AFSC, in its discretion, determines the Insured has:
   a. failed to pay Premium or any portion of any Premium;
   b. failed to reimburse AFSC for any overpayment of Indemnities that AFSC alleges are owed by the Insured to AFSC; or
   c. failed to commit to reimburse AFSC for any outstanding Premium or overpayment of Indemnities that AFSC alleges are owed by the Insured to AFSC.

6. AFSC may cancel this Contract or Insuring Agreement if AFSC determines the participation in the program is not sufficient.
   a. At AFSC's discretion, the lack of participation in a program or plan under which insurance is offered may be applicable to the whole area in respect of which the insurance is offered or to particular areas within that whole area.
   b. If this Contract is terminated under this section, the Corporation shall within 30 days after terminating the contract of insurance refund to the Insured any unearned premiums that relate to that contract of insurance.

7. AFSC may cancel this Contract or Insuring Agreement upon written notice either mailed by registered mail to the Insured 15 days prior to the effective date of cancellation, or personally delivered to the Insured five days prior to the effective date of cancellation.

8. Upon cancellation of the Contract by AFSC the Insured will not be eligible for insurance:
   a. for the Crop Year in which the Contract is cancelled;
   b. where AFSC, in its discretion, deems it appropriate, for the next Crop Year after the Crop Year in which the Contract is cancelled; and
   c. for any other subsequent Crop Year(s) in which AFSC may, in its discretion, determine.

9. If the Insured sells acreage of an Insured Crop on or after March 1 and before June 1 in the same calendar year, the following applies:
   a. if the Insured advises AFSC in writing of the finalized sale before June 1 in the same calendar year, and provides evidence of the sale satisfactory to AFSC, then the Coverage for the sold acreage of an Insured Crop will be cancelled and the Premium refunded;
   b. if the purchaser provides evidence of the purchase satisfactory to AFSC, and the purchased acreage is the only acreage of an Insured Crop the purchaser operates, then the purchaser may obtain the same insurance Coverage as the Insured's Contract on purchased acreage; and
   c. if the purchaser has the same crop insured with AFSC, the purchased acreage of an Insured Crop must be insured subject to the existing Dollar Coverage or Coverage level and Insurance Price under the purchaser's Contract.

10. If the Insured buys acreage of an Insurable Crop on or after March 1 and before June 1 in the same calendar year, the following applies:

a. the Insured must advise AFSC in writing of the finalized purchase before June 1 in the same calendar year and provide evidence of the purchase satisfactory to AFSC; and
b. the newly acquired acreage of an Insurable Crop must be insured subject to existing Dollar Coverage or Coverage Level and Insurance Price under the Insured's existing Contract for the same crop; and
c. the newly acquired acreage of an Insurable Crop may be subject to an acceptance inspection pursuant to the Insuring Agreement.

11. In the event of the death of an Insured:
  a. if AFSC is advised prior to the Insurance Program's application deadline that the Insured has died, the Contract is terminated.
  b. if AFSC is advised after the Insurance Program's application deadline that the Insured has died, and the death occurred prior to the Insurance Program's application deadline, AFSC may in its absolute discretion either continue or terminate the Contract.
  c. if the Insured dies after the Insurance Program's application deadline, the Contract remains in effect until the end of the insurance year.
  d. in all cases, the Contract may be transferred to the surviving Spouse, if eligible, as per Section G (Yield and Loss Experience Records of Cancelled Contract(s)), subsection (2).

12. Subject to Section Z (Assignment of Indemnity), the Insured shall not transfer, assign or otherwise dispose of any of the Insured's rights and benefits under this Contract to any person without AFSC's prior written consent.

13. Except as may be otherwise stated in an Insuring Agreement, the Insured may modify the current insurance Contract, and specify acres, crops, coverage level and price option on or before the last day of February of each year, on a form supplied by AFSC. If the Insured has not provided this information to AFSC on or before the last day of February of each year, the previous year's Election shall apply.

G. Yield and Loss Experience Records of Cancelled Contracts

1. If the Insured or AFSC cancels this Contract or cancels an Insuring Agreement and the Insured subsequently applies again for insurance, the previous yield and loss experience will apply.

2. The previous yield and loss experience may be transferred to the surviving Spouse of an Insured provided the Spouse is eligible for insurance.

H. Separate Contract

1. Where an Insured has more than one parcel of land, each parcel has a minimum of 20 acres, and each of these parcels are separated from the closest other parcel by 15 or more miles calculated by a straight line, the Insured may make a separate Application for each of the separate parcels. The Insured will be issued separate Contracts provided:
  a. each Application is received by AFSC by the deadline established by AFSC;
  b. each Application is approved by AFSC; and
  c. the Insured elects the same crop type, Coverage Levels, Insurance Price option, applicable endorsements and, when applicable, Weighting Option.

2. AFSC may separate an existing Contract into two or more Contracts if:
  a. there is a major change in land location by the addition of purchasing or renting land; or
  b. AFSC deems there to be a significant difference in productivity between the land locations.

I. Premiums

1. The Premium, any surcharges, administration fees and penalties calculated and determined by AFSC are due and payable on the date assessed.

J. Interest Charges, Liens and Overpayments:

1. The Insured agrees to pay interest at the Prescribed Rate on unpaid Premium, surcharges, administration fees, penalties and other charges. Interest accrues from and including September 1 in the Crop Year and will be payable by the Insured on the first day of each following month until the total balance outstanding is paid.

2. The Insured shall pay interest at the Prescribed Rate on amounts that AFSC has paid to the Insured to which the Insured was not entitled. Unless interest is waived by AFSC, interest accrues from the date the Insured received the amounts to which the Insured was not entitled.

3. From the date that AFSC provides Coverage, AFSC has, pursuant to the Act, a lien for the following amounts:
   a. unpaid Premium;
   b. charges and fees referred to in Section I (Premiums);
   c. amounts that AFSC has paid to the Insured to which the Insured was not entitled; and
   d. Interest at the Prescribed Rate on the amounts referred to in a, b, and c.

4. The lien is on:
   a. all agricultural products grown by the Insured or in which the Insured has an interest, in the Crop Year and in each of the next three Crop Year(s);
   b. all proceeds owing to the Insured for sale of any agricultural product referred to in a; and
   c. all amounts payable to the Insured pursuant to any claim of loss or damage under any Contract of Insurance issued by AFSC.

5. Payments of the amounts owing to AFSC are enforceable by AFSC in the manner set out in the Act or by remedies generally available to AFSC at law. In addition to the amounts referenced herein, the Insured also agrees to pay all charges, costs or expenses incurred by AFSC, including its administrative and clerical costs, and its legal expenses on a solicitor and his own client full indemnity basis, related to the enforcement of this Contract.

K. Coverage Restrictions

1. AFSC, in its discretion may limit, restrict, exclude or deny coverage in whole or in part for insurance for the following:
   a. in the event AFSC determines by the last day of February in a Crop Year that an Insured has a high risk of Production Loss;
   b. where the land to be insured is located outside of the Designated Area(s);
   c. where the Insured does not have an insurable interest or ownership interest in the land or any part thereof where the crops are being grown;
   d. where the land is subject to repeated flooding or where excess moisture is a recurring problem;
   e. the Insured made or makes major changes in management practices, acreage, land location, confirmed yields or experience;
   f. the insured acres do not meet the minimal insurable acres of the designated crop;
   g. the Insured makes a change material to AFSC's risk without notifying AFSC thereof and AFSC accepting the same risk; or
   h. any other practice or action taken by the Insured that would prove detrimental or limit production to the Insured Crop.

L. Liability if More than One Person is the Insured

If more than one person is the Insured, any obligations of the Insured shall be binding upon all such persons jointly and severally.

M. Authorization

1. If the Insured authorizes a representative to act on the Insured's behalf, the representative must be authorized in writing on a form acceptable to AFSC.

2. Any notice, report, or document may be completed and signed by the Insured's properly authorized representative, and is binding on the Insured.

N. Continuation of this Insuring Agreement

1. Each year, before the start of the Crop Year, the Insured has a deadline of the last day of February to declare any changes to the number of acres and legal land descriptions and the type of crop to be insured, elect the Coverage Level, Insurance Price option and endorsement on a form supplied by AFSC.

2. If the Insured does not provide this information before the start of the Crop Year, the previous Crop Year Election and Land Report will apply to the new Crop Year Contract.

O. Insured Acres

1. Clients shall insure all eligible acreage of each selected Insuring Agreement. There is a minimum of 20 acres for each Insuring Agreement and these acres are not insurable under any other crop insurance program, except for applicable endorsements or AFSC has consented in writing.

2. For the Insured whose land was previously measured by AFSC and where acres reported on the Land Report are different than AFSC measurements, AFSC will accept the Land Report if the Insured provides a satisfactory explanation for the change.

3. If AFSC determines acres of an Insured Crop and the crop and/or acres differ from those reported by the Insured, the following will apply:
   a. When completing acceptance inspections or acreage verifications; AFSC will issue a revised Statement of Coverage and Premium based on the crop type and the actual number of acres calculated by AFSC and any Indemnity calculation will also be based on the crop type and actual acres.
   b. When completing all other inspections:
      i) if the measured or established acreage is within Acreage Tolerance; there is no revision to the Statement of Coverage and Premium and the reported insured acres are used in the calculation of the Indemnity.
      ii) if the measured acres are outside the Acreage Tolerance compared to acreage shown on the Land Report; AFSC may issue a revised Statement of Coverage and Premium and the Indemnity calculation shall be based on the actual number of acres calculated by AFSC.
      iii) AFSC is not obligated to pay an Indemnity on the additional acres if a loss has previously occurred.

4. AFSC is not required or in any way obligated to revise or adjust its calculations of insured acres for any preceding year.

P. Inspection Procedures

The procedures set out in AFSC's On Farm Inspection Field Procedure manual shall be used in the assessment of production and insurable loss of an Insured Crop.

Q. Validation of Insured Acres

AFSC shall have the right to inspect any Insured Crop and in its discretion change Coverage or reject insurance.

R. Irrigation Coverage

1. Insurable Crop(s) grown on irrigated land are eligible for separate Coverage in accordance with the terms and conditions of this Contract if:
   a. crops are declared as irrigated;
   b. there is an adequate source of water;
   c. the Insured has reliable irrigation equipment;
   d. adequate irrigation water is applied on a timely basis; and
   e. the Insured maintains an up-to-date log showing the dates and approximate amounts of rainfall and irrigation water applied to each Insured Crop.

2. AFSC may reclassify the Insured Crop or apply Uninsured Causes of Loss if:
   a. the Insured fails to fulfill all or part of the conditions in subsection (1); or
   b. drought is considered by AFSC to be a contributing cause of loss.

3. Irrigated acres are insured separately from dryland acres of the same crop:
   a. Acres must be identified as irrigated or dryland; and.
   b. Production from irrigated and dryland acres must be stored and reported separately.

S. Audit and Acceptance of Assessment

1. AFSC reserves the right to inspect, re-inspect, or conduct an audit on the Insured Crop or revise an assessment of the crop loss at any time.

2. If the Insured refuses to allow an assessment or re-inspection, AFSC will refuse to pay any Indemnity under this Contract that year.

3. If the Insured refuses to allow an assessment, re-inspection or audit, all yields for all crops insured that year will be recorded as zero, and AFSC may cancel this Contract or any part thereof or any other Contract(s) held by the Insured with AFSC for a period of time that is at the discretion of AFSC.

T. Records and Access

1. The Insured shall keep and produce to AFSC immediately upon demand all fertilizer invoices, crop Production Record(s), seeded acreage records, crop delivery records, and all records of farm income and farm expenses (collectively referred to hereinafter as “the Insured’s records”) for each year that the Insured has a Contract of Insurance with AFSC and for six consecutive prior fiscal years. If the Insured has not been insured by AFSC for six consecutive prior fiscal years, all of the Insured’s records for each year that the Insured has a Contract of Insurance with AFSC and for each prior consecutive fiscal year that he or she has been insured by AFSC.

   Without limiting the generality of the forgoing, AFSC shall have immediate access to all of the Insured’s records immediately upon demand made to the Insured by AFSC, and the Insured shall immediately upon such demand, deliver all of the Insured’s records to AFSC.

   If any of the Insured’s records are in the possession of any other party, including but not limited to perennial crop processors, the Insured hereby consents to the immediate release of all of such records to AFSC, whether or not the Insured’s records contain the Insured’s personal information or are otherwise subject to the provisions of any privacy legislation in Canada or elsewhere. Upon request or demand made to the Insured by AFSC, the Insured shall immediately direct any other party in possession of the Insured’s records to immediately deliver the Insured’s records to AFSC.

2. By entering into this Contract with AFSC, the Insured hereby grants AFSC an irrevocable license for the duration of the Contract to access all lands and all production storage facilities owned or leased by, or otherwise under the control or indirect control or direction of, the Insured. Pursuant to this license, AFSC shall have an immediate right of entry to any such lands or production storage facilities, without notice to the Insured, sufficient in the absolute discretion of AFSC to allow AFSC to audit, inspect, estimate, and examine the Insured’s:
   a. Insurable Crop(s);
   b. Production;
   c. Carryover Inventory;
   d. production storage facilities; and
   e. any and all of Insured’s records, and any and all documents relating to the Insured’s records, or the information contained in the Insured’s records,

   and any such access by AFSC shall not constitute a trespass on any of the Insured’s property.

3. The Insured agrees that AFSC and any person acting for AFSC may have access to the Insured's records to which this Contract relates and for the purposes of determining any information required under this Contract.

4. Upon AFSC's request for access to Production Record(s) and other records, the Insured must provide the records within the timeframe set out by AFSC.

5. AFSC may at any time request that any person provide AFSC with Production Record(s) relating to this Contract for any Crop Year, and the Insured, by entering into this Contract, is deemed to have authorized and consented to the release of the required information to AFSC. If AFSC is unable to obtain records from persons other than the Insured, the Insured will take whatever steps are necessary to obtain the information and provide it to AFSC at the cost to the Insured.

6. If the Insured fails to comply with any part of this section, AFSC may refuse to pay any Indemnity until the Insured has remedied the failure to comply.

7. At AFSC's request, the Insured must submit to examination under oath and produce all documents that relate to the matters in question.

U. Misrepresentation or Misconduct

1. If the Insured or the Insured's representative has made any fraudulent, false or misleading statement to AFSC, or has provided any fraudulent, false or misleading information to AFSC, then: (i) the Insured will not be entitled to any Indemnity for the Crop Year in which such statement was made or such information was provided; and (ii) in its sole and unfettered discretion, AFSC's may cancel this Contract, or may cancel any other, or all, contracts of insurance, made between with AFSC and the Insured, or made between AFSC and a party related to the Insured. for a period of time determined by AFSC.

2. If AFSC determines that the Insured has engaged in farming practices, management procedures or operations which directly or indirectly contributed to a loss for which the Insured is claiming an Indemnity, AFSC, in its discretion may:
   a. reduce coverage;
   b. reduce the amount of an Indemnity by an amount AFSC determines was caused by the said farming practices, management procedures or operations, with such reduction possibly eliminating the payment of an Indemnity altogether;
   c. cancel this Contract; or
   d. cancel any other, or all, contracts of insurance made between with AFSC and the Insured.

3. If the loss or damage claimed by the Insured results from reasons stated in subsections (1) or (2) of this section, AFSC will not refund to the Insured any portion of the Premium, and the Insured is not relieved from paying any outstanding Premium or any other amount due and payable to AFSC

V. Claims for Loss

1. A claim for loss under the Contract must be made:
   a. within the deadline stipulated in an Insuring Agreement; or
   b. before December 1 in the calendar year in which the loss is claimed to have occurred, if no claim deadline is stipulated in an Insuring Agreement,.

2. Upon receipt of a claim for loss:
   a. where AFSC processes a claim, AFSC will serve the Insured with a Statement of Loss.
   b. where AFSC's process is to conduct an inspection, following the inspection AFSC will serve the Insured with a copy of the Inspection Report.

3. If the Inspection Report results in no payment, or if as a result of the Inspection Report the claim for loss is withdrawn by the Insured, the Inspection Report will be considered to be the final Statement of Loss for the claim by the Insured and no further Statement of Loss will be issued by AFSC.

4. If the Insured does not, within seven days of service of the Inspection Report, advise AFSC of the Insured's

disagreement with the report, AFSC will issue the Statement of Loss according to the Inspection Report.

5. After an inspection pursuant to 2.b., if the Insured, within seven days of service of the Inspection Report:
   a. advises AFSC of the Insured's disagreement with the report; And
   b. requests a re-inspection,

   AFSC will conduct a re-inspection, and no Statement of Loss will be issued until after the re-inspection has been conducted.

6. Where AFSC has conducted an inspection and issued an Inspection Report and a Statement of Loss, and the Insured has a dispute relating to the Statement of Loss and requests a re-inspection, AFSC will only review the Statement of Loss if the Insured notifies AFSC of the request for a re-inspection within seven days from the day that the Insured is served with the Inspection Report.

7. Service of an Inspection Report or a Statement of Loss may be effected on the Insured by:
   a. personal service;
   b. by ordinary or registered mail, in which case service is deemed to have been effected:
      i) seven days from the date of mailing if the document is mailed to an address in Alberta, or
      ii) 14 days from the date of mailing if the document is mailed to an address located outside of Alberta; or
   c. by facsimile, email or other electronic means in accordance with AFSC's most recent records for the Insured.

8. Where there is more than one Insured in respect of the crop loss for which an inspection has been made, service of an Inspection Report or a Statement of Loss on one of the Insured is deemed to be service for all the Insureds.

W. Appeals

1. The Insured's right of appeal is subject to the Act and Regulation and nothing in this section is to be construed as modifying or altering any appeal provision in the Act and Regulation.

2. An action or proceeding against AFSC for the recovery of insurance money or for any other action relating to the Contract must be commenced no later than one year after the date of the decision being appealed. To appeal, the Insured must complete the *Notice of Appeal*, which states the reasons for the appeal, and pay the applicable fee.

3. The Insured may appeal any matter arising out of this Contract, but referencing Section V (Claims for Loss) 5 above, the Insured may only appeal a Statement of Loss if the Insured has notified AFSC within the time period required by Section V (Claims for Loss) 5 above.

4. An Insured who receives an Indemnity is not precluded from filing a notice of appeal within the required one year time limit.

5. If an Indemnity in respect of the matter under appeal has already been paid, adjustments or revisions to the Indemnity revisions will be made once the Appeal has been concluded or withdrawn.

6. The decision of the appeal committee is final.

X. Payment of Indemnity

1. Where there is more than one Insured under a Contract, AFSC will pay any Indemnity to all Insured persons jointly, or with written confirmation of all insured persons or interested parties, to any of them severally or separately, as the case may be and further provided that AFSC, in its discretion, may elect to pay any Indemnity to each Insured person in proportion to their respective interests as disclosed in the Application or, if their respective interests have not been so disclosed, to each Insured person equally or the designated Insured.

2. AFSC shall use its best efforts to process and pay Indemnities on a timely basis, but in no circumstances shall AFSC be liable to the Insured or the Insured's agents or creditors for any interest, loss of interest or other damage resulting from delays or failure to pay an Indemnity.

3. The Insured must notify AFSC within 15 days of the Statement of Loss if the Insured disagrees with the amount of Indemnity.

Y. Deductions from Indemnities

1. By virtue of the Act, AFSC is entitled to deduct from an Indemnity any amount that is due and payable by the Insured to AFSC including but not limited to:
   a. unpaid Premiums due by the Insured to AFSC for programs administered according to the Act;
   b. money AFSC has paid to the Insured to which the Insured was not entitled;
   c. arrears outstanding on a loan made by AFSC to the Insured.

2. If the Insured is entitled to an Indemnity under this Contract or Insuring Agreement and to compensation for loss due to damage caused by Wildlife, any Wildlife Damage Compensation Program payments will be deducted from any subsequent Indemnities paid under this Contract. No Indemnity will be paid for that loss that is paid by a Wildlife Damage Compensation program administered by AFSC.

3. If more than one person is the Insured, AFSC maintains the right to treat the Insured either jointly or severally as AFSC deems appropriate.

4. AFSC may be required by legal process to deduct amounts from an Indemnity.

Z. Assignment of Indemnity

1. The Insured may assign the right to an Indemnity, provided that:
   a. they have the legal authority to execute such an assignment;
   b. the assignment is in a form approved by AFSC;
   c. AFSC is in receipt of a copy of the assignment; and
   d. the assignment is accepted in writing by AFSC.

2. Where the Insured has assigned the right to an Indemnity in accordance with this Contract, payment up to the amount stated in the assignment will be made in the name of the assignee and sent to the assignee.

AA. Variable Price Benefit

For each eligible crop, AFSC will invoke the Variable Price Benefit for each Insuring Agreement, unless otherwise stipulated.

Fallback methodology for determining Fall Market Price

In the event that price information originating from published fall price methodology for an Insurable Crop(s) is not available or stops being available during the Fall Market Price period, at its best discretion AFSC maintains the right to develop and implement an alternative price methodology for Fall Market Price determination to replace or augment pricing for that crop(s) in that year.

Agreement ceases to be enforceable

If a fallback price methodology as described above, cannot be developed for the Insurable Crop, this Agreement will cease to be enforceable against AFSC for that Insurable Crop and cease to have any effect against AFSC. AFSC will then return to the Insured the paid Premium, less any applicable discount for that Insurable Crop.

BB. Notice and Payments

1. Except as stated otherwise in this Contract, any notice given under this Contract is deemed given to the other party if given personally, sent by facsimile or other electronic means or sent by mail as follows:
   a. if to the Insured, delivered personally or sent to the most recent address, facsimile number or email address of the Insured indicated in AFSC’s own records;
   b. if to AFSC, delivered personally to any AFSC office, sent to any AFSC office facsimile number or email address for AFSC set out in in AFSC’s literature or on its web site, or where permitted by AFSC, communicated by telephone to any telephone number for AFSC set out in AFSC’s literature or on its website.

2. A Notice of Loss given under this Contract is deemed given to AFSC if delivered personally, sent by mail, sent by facsimile, email or other electronic means or communicated by telephone to any AFSC Branch Office.

3. Except as stated otherwise in this Contract, any payment to be made under this Contract delivered personally or sent by mail or electronic fund transfer as follows:
   a. if to the Insured, delivered personally or sent to the most recent address of the Insured indicated in AFSC's records.
   b. if to AFSC, delivered personally to any AFSC office, sent to any AFSC office or email address for AFSC set out in AFSC's literature or on its website.

4. Any notice or payment under this Contract sent by ordinary mail is deemed to have been received on the fifth Business Day after the date on which the notice was deposited in a regularly maintained post office receptacle. If there is disruption, strike or interruption of postal service after mailing and prior to receipt or deemed receipt, the notice is deemed to have been received on the fifth Business Day following full resumption of postal service.

5. A notice sent to AFSC by facsimile, email or other electronic means or communicated to AFSC by telephone is deemed to have been received on the date shown by AFSC's record of receipt.

6. A notice given or a payment made by personal delivery to any AFSC Branch Office that is only open for business on a part-time basis is deemed received on the next Business Day following the date of delivery that the AFSC Branch Office is open for business. Any notice or payment required before the next Business Day that the Branch Office is open for business must be given or made by one of the other methods provided for in this section.

7. Either party may change an address for service by giving written notice of such change to the other party.

CC. Binding Effect

This Contract shall be for the benefit of and binds the successors and assigns of the parties.

DD. Canadian Currency

All references to dollar amounts in this Contract are in Canadian currency.

EE. Conflict with the Insuring Agreement

Any conflict between Part I (General Provisions) and an Insuring Agreement is to be resolved in favour of the Insuring Agreement.

FF. Headings

The headings in this Contract have been included for convenience only and do not define, limit or enlarge the scope or meaning of this Contract or any part of it.

GG. Governing Law

This Contract shall be governed by the laws of the Province of Alberta.

HH. Severability

If any provision of this Contract is illegal, invalid or unenforceable, that provision shall be severable and the remaining provisions of this Contract shall remain in full force. They will be binding upon the parties as though such unenforceable provision had never been included.

II. Time of the Essence

Time is of the essence of this Contract.

PART II
HAY INSURING AGREEMENT

The Agriculture Financial Services Corporation will indemnify the Insured for damage caused by Designated Perils to Hay subject to the following terms and conditions:

A. Definitions

In this Insuring Agreement:

1. **"Insurable Crop"** means Hay.

2. **"Accelerated"** means the additional indemnity calculated when an Insured produces less than 30 percent their Expected Normal Yield.

3. **"Adjusted Production"** means the Appraised Potential Production and Harvested Production of a hay crop adjusted for moisture, low yield, and production due to Uninsured Causes of Loss, all as determined by AFSC.

4. **"Exclosures"** mean representative sites that are fenced off. A minimum of two sites for fields up to 40 acres, and a minimum of one site for every additional 40 acres in that item, is required.

5. **"Hay"** means seeded perennial tame grass, Legumes or grass-Legume mix crops grown for mechanical harvesting for use as livestock feed on dryland acres, and if grown for harvesting on irrigated land, it means those same crops but only if they contain more than 50 percent alfalfa.

6. **"Inspection Strips"** means representative standing strips of the Insured Crop in such measurements as required by AFSC to determine the crop production potential. Inspection Strips are in from the edges of the field, a distance of about one-third (1/3) of the width of the field, for the length of the field and a minimum of ten feet in width, for inspection by AFSC. On fields less than 100 acres, two strips are required. On fields of 100 acres or more, an additional strip must be left in the middle of the field. On fields of 100 acres or more that span multiple quarter sections, treat each quarter section as a separate field; for fields less than 100 acres, two strips are required; for fields greater than 100 acres, three strips are required.

7. **"Legumes"** means alfalfa, red clover, alsike clover, sainfoin, sweetclover and milkvetch.

8. **"Report of Hay in Storage Prior to Harvest"** means a report provided by the Insured, in a form determined by AFSC, which contains information required by AFSC relative to Carryover Inventory of all Insured Crop(s) and Uninsured Production whether stored on or off the farm.

9. **"Uninsured Production"** means hay/grass or other legumes harvested from roadsides, rejected fields, uninsured acreages or land acquired after the insurance deadline.

10. **"Winterkill Provision"** means coverage for acres that are damaged due to winterkill in the year the claim is requested where:
    a. the acres were insured in the previous year;
    b. acres have not had more than five years of production for alfalfa and legume;
    c. acres have not had more than eight years of production for grass.

B. Conditions

1. **Period of Insurance**

   Begins at the start of the Crop Year and shall end at the earlier of:
   a. the date the Hay or any part of it is put to a use other than that for which it was originally intended;
   b. the date the Hay is harvested; or
   c. October 15 of the year in which the Hay crop would normally have been harvested.

2. **Confirmation of Insurance and Election of Coverage**
Before the start of each Crop Year, the Insured must declare the number of acres, legal land descriptions, type of Hay to be insured, elect the Coverage Level, Insurance Price option and endorsement on a form supplied by AFSC.

3. **Obligation to Insure all Hay**
All acreage managed as Hay (dryland and irrigated) must be insured and there is a minimum of 20 acres for this Insuring Agreement.

4. **Acceptance inspection**
The Insurable Crop may be subject to an acceptance inspection and at AFSC's discretion change coverage or reject insurance.

5. **Pre-harvest inspection or release required**
If Hay is to be Put To Another Use, the Insured must notify AFSC a minimum of five days prior to beginning harvest and request a pre-harvest inspection or release by AFSC.

6. **Excluded crops**
This Insuring Agreement does not provide Coverage for the following:
a. Hay in the year it is seeded, or Hay pastured consecutively in the previous two years;
b. native hay;
c. pasture;
d. Hay grown on land subject to repeated flooding or where excess moisture is a recurring problem;
e. straw from either grass or legumes grown for seed.

7. **Coverage Adjustment Restrictions**
AFSC in its discretion may change the Insured's Coverage Adjustment at any time due to major changes in management practices, acreage, land location, confirmed yields or experience.

C. Indemnities

1. Prior to first cut haying being general in the area, as determined by AFSC, an Indemnity will be calculated as follows:
a. If selected by the Insured, a Premium refund on damaged acres; or
b. An Indemnity not to exceed 50 percent of the Dollar Coverage by crop; or
c. Appraised Potential Production shall not be less than 50 percent of Coverage by crop.

If only a portion of the total acreage of an Insured Crop is released because of damage, the appraisal will be added to the Adjusted Production from the remaining acreage of the Insured Crop.

2. Once all the Harvested Production and Appraised Potential Production for the Insured is reported for the year:
a. If the Insured incurs a loss from Designated Perils on or before October 15 in each year, the Indemnity for the harvested Hay will be calculated based on full Coverage as follows:
i) If the Adjusted Production is less than Coverage but equal to or greater than 30 percent of the Expected Normal Yield for all Insured Acres (Expected Normal Yield x Insured Acres), Indemnities will be an amount equal to:
[(Coverage - Adjusted Production) x Insurance Price] - Wildlife Damage Compensation Program payments.

ii) If the Adjusted Production is less than 30 percent but greater than 20 percent of the Expected Normal Yield for all Insured Acres, Indemnities will be Accelerated by compensating for twice the loss between 20 and 30 percent, and shall be an amount equal to:
[{Coverage – (Adjusted Production - (((Expected Normal Yield x Insured Acres x 30%) – Adjusted Production) x 2))} x Insurance Price] - Wildlife Damage Compensation Program payments.

iii) If the Adjusted Production is less than or equal to 20 percent of the Expected Normal Yield for all Insured Acres (Expected Normal Yield x Insured Acres), Indemnities will be an amount equal to, but not exceeding;
[Coverage x Insurance Price] - Wildlife Damage Compensation Program payments.

b. AFSC may apply, in its discretion, the Appraised Potential Production if the Insured has not completed harvest on or before October 15.

D. Notice of Loss

1. An Insured wishing to make a claim for a loss must provide to AFSC a notice of loss in a manner acceptable to AFSC, and in a time period as follows:
   a. On or before October 15 for filing Harvest Production Report;
   b. At least 24 hours and preferably 72 hours prior to harvest if a crop is damaged by Wildlife.

2. If the Insured is late in filing a notice of loss AFSC may reject the claim.

E. Carryover Inventory and Uninsured Production

1. If the Insured fails to report, store separately and/or identify previous year's production or Hay purchases, then AFSC may count Carryover Inventory and Uninsured Production as part of the Harvested Production, unless the Insured meets all of the following criteria:
   a. reports all Carryover Inventory on the Report of Hay in Storage Prior to Harvest prior to the commencement of harvest and no later than July 15;
   b. advises AFSC of the existence of all purchased and Uninsured Production of an Insured Crop;
   c. advises AFSC on request, of the land location(s) where Carryover Inventory and Uninsured Production is stored;
   d. stores Carryover Inventory and Uninsured Production of an Insured Crop separate from Harvested Production or any other kind of production, or the production of another producer, in such manner that its identity is maintained; and
   e. identifies Carryover Inventory and Uninsured Production sold since June 1 on sales receipts.

F. Harvested Production Report

1. The Insured shall provide AFSC with a complete Harvest Production Report for all Insured Hay on or before October 15, in each Crop Year.

2. Harvested Production Reports received after October 15 in the Crop Year will be assessed a late filing fee.

3. If the Harvested Production Report is not submitted by the Insured before December 31, the Insured's Hay yield used for determining the Coverage Adjustment will be zero and no Indemnity will be calculated.

4. The Insured may request corrections or revisions to the existing Harvested Production Report record for an Insured Year, up to March 1 of the following year by providing supporting documentation that is satisfactory to AFSC.

G. Production Assessment

1. Where, after the Harvested Production Report is filed, total production of an Insured Crop is less than total Coverage after consideration of weight and moisture content, AFSC will determine Adjusted Production.

2. Adjusted Production of delivered or sold production of an Insured Crop will be assessed based on the cash purchase tickets or the agreed upon, weight and moisture content that the final cash purchase tickets will be issued on.

H. Pro-Rating of Production

AFSC may combine production or calculate production from an Insured's crop, in a manner determined by AFSC including but not limited to combining, combining and pro-rating, and pro-rating of production.

1. AFSC may adjust the reported production if an Insured fails to retain:
   a. insured production separate other insured or uninsured production;
   b. Harvested Production separate from Carryover Inventory;
   c. irrigated production separate from dryland production;
   d. insured production separate from insured or uninsured production of another producer; or
   e. stored production separately for each Insuring Agreement where there are two or more of the same Insuring Agreement type for one Insured.

2. If an Insured's yield from insured production is deemed by AFSC to be unreasonable in comparison to the Insured's yield from uninsured production, AFSC in its discretion, may pro-rate production in such a manner as AFSC deems appropriate.

3. If an Insured shares storage facilities or land and AFSC is unable to distinguish the production belonging to the Insured, AFSC may, in its discretion, divide any combined production in such a manner as AFSC deems appropriate. Such a calculation shall be binding on the Insured.

4. AFSC, in its discretion, otherwise determines it is necessary

I. Insured Crop Put to Another Use

1. Acreage of Insured Crop(s) Put to Another Use must first be released by AFSC.

2. AFSC, in its discretion may, defer the appraisal on a damaged Insured Crop which the Insured intends to Put to Another Use.

3. When the Insured has accepted the Appraised Potential Production on any portion of an Insured Crop, no further appraisal will be made on that portion unless, and at the sole discretion of AFSC, substantial damage occurs before the Insured can put the crop to some other use within a reasonable period of time. Such Inspection may be subject to a re-inspection administrative fee.

4. Where an Insured Crop is Put to Another Use without first being assessed and/or released by AFSC, AFSC will deem the Appraised Potential Production to be zero, and the uninsured causes to be equal to Coverage on acres Put to Another Use.

5. If an Insured Crop is intended to be ploughed under or sprayed out prior to haying being general in the area, the Insured must provide AFSC with prior notification to obtain release.
   a. If the released Hay acres are subsequently seeded to an elected annual crop, then these acres can be transferred to an Annual Crop Contract, subject to the terms and conditions of the Contract of Insurance for Annual Crops.
   b. If the released acres are not seeded to an elected annual crop, the acres will remain insured under the Hay subscription; AFSC will deem the Appraised Potential Production to be zero, and the uninsured loss to be equal to Coverage.

6. If an Insured Crop is eligible for the Winterkill Provision and is Put to Another Use due to winterkill, the Appraised Potential Production will be an amount no less than one-half of Coverage on the acres Put to Another Use provided the acreage was first assessed by AFSC.

7. If a one-cut Insured Crop is Put to Another Use on or after haying is general in an area and with prior authorization from AFSC, Coverage and Premium on this acreage will remain in effect and AFSC will apply the Appraised Potential Production.

8. If a two-cut Insured Crop (alfalfa hay) is ploughed under, sprayed out, or pastured after first cut haying is general in an area but prior to second cut haying being general and with prior authorization from AFSC, Coverage and Premium will be reverted to one-cut Hay (legume hay).

9. Where Inspection Strips or Exclosures are authorized by AFSC for all inspection types, the Insured is required to leave standing Inspection Strips of Hay or set up appropriate Exclosures, or AFSC will deem the Appraised Potential Production to be zero, and the uninsured loss to be equal to Coverage on the acres Put to Another Use.

J. Uninsured Causes of Loss

1. This Insuring Agreement does not insure Production Loss due to any causes not included in the list of Designated Perils. For a list of Uninsured Causes of Loss see Annex A.

2. If AFSC pays no Indemnity because of an Uninsured Cause of Loss, AFSC will neither refund the Premium or any portion of the Premium and the Insured is not relieved from paying any outstanding Premium.

3. Any loss in the production due to an Uninsured Cause of Loss, as determined by AFSC, will be added in the calculation of Adjusted Production for the determination of an Indemnity, but will not be included in the calculations of Coverage Adjustment or Area Normal Yield.

4. In the event that the Harvested Production is stored in such a manner as it is not possible to obtain an accurate production count, AFSC may in its discretion, assign uninsured losses up to Coverage, as the Insured’s production for the Crop Year.

K. Continuation or Cancellation of this Insuring Agreement

1. Before the start of the Crop Year, the Insured must declare any changes to the number of acres and legal land descriptions and the type of Hay to be insured, elect the Coverage Level, Insurance Price option and endorsement on a form supplied by AFSC. If the Insured does not provide this information before the start of the Crop Year, the previous Crop Year Election and Land Report will apply to the new Crop Year Contract.

2. Either the Insured or AFSC may cancel this Insuring Agreement by giving the other party notice in writing of such cancellation before the start of the Crop Year. Cancellation will be effective as of the end of the Crop Year in which notice is given.

3. If an Insured has given notice of cancellation under subsection 2, the Insured may reapply for insurance in writing, on or before the start of the Crop Year.

PART III
MOISTURE DEFICIENCY ENDORSEMENT INSURING AGREEMENT

The Agriculture Financial Services Corporation will indemnify the Insured when the Percent of Normal Moisture is less than the Threshold Moisture at the Selected Weather Station(s) for the Insured's dryland Hay, subject to the following terms and conditions:

A. Definitions

In this Insuring Agreement:

1. **"Insurable Crop"** means Hay grown on non-irrigated land.
2. **"August Moisture"** is the amount of precipitation, as determined by AFSC, for the month of August, for Selected Weather Station(s).
3. **"Dollar Coverage"** means the dollar amount of this additional Coverage and is based on 15 percent of 80 percent of the Risk Area Normal Yield for the type of Hay being insured and the highest Spring Insurance Price.
4. **"Hay"** means seeded perennial tame grass, Legumes or grass-Legume mix crops grown for mechanical harvesting for use as livestock feed.
5. **"July Moisture"** is the amount of precipitation, as determined by AFSC, for the month of July, for a Selected Weather Station(s).
6. **"June Moisture"** is the amount of precipitation, as determined by AFSC, for the month of June, for a Selected Weather Station(s).
7. **"Legume"** means alfalfa, red clover, alsike clover, sainfoin, sweetclover and milkvetch.
8. **"May Moisture"** is the amount of precipitation, as determined by AFSC, for the month of May, for a Selected Weather Station(s).
9. **"Normal Moisture"** for each Period of Moisture is the long-term average amount of moisture, as determined by AFSC, for a Selected Weather Station(s).
10. **"Normal Precipitation"** means the long-term average precipitation, as determined by AFSC, for a Selected Weather Station(s).
11. **"Payment Rate**" means the rate of compensation at which the Insured is indemnified, as determined by AFSC.
12. **"Percent of Normal Moisture"** means, for the Selected Weather Station(s) for the current year, the sum of the May Moisture, June Moisture, July Moisture and August Moisture, expressed as a percent of their respective Normal Moisture, with each period of moisture weighted by the Weighting Option elected by the Insured.
13. **"Period of Moisture"** is the period for which moisture is measured for this insurance program. There are four different periods: May, June, July and August.
14. **"Selected Weather Station"** means eligible weather station(s) elected, to a maximum of three, by the Insured and approved by AFSC.
15. **"Threshold Moisture"** is the Percent of Normal Moisture for a Selected Weather Station(s) below which insurance payments begin. The Threshold Moisture is 80 percent for this insurance program.
16. **"Weighting Option"** is the option elected by the Insured to apply specified percentages to the percent of normal moisture for each Period of Moisture.

B. Conditions

1. Before the start of each Crop Year, on a form supplied by AFSC, the Insured must elect:
   a. the Moisture Deficiency Endorsement for dryland Insured Crop(s) under the Hay Insuring Agreement;
   b. the Selected Weather Stations(s); and
   c. the Weighting Option.

2. A person who has a direct or indirect conflict of interest with precipitation data provided at one or more weather station(s) used for Moisture Deficiency Endorsement shall not purchase insurance based upon the data from the weather station for which the person may have a conflict. A person may be in conflict of interest if the person is involved in providing, either directly or indirectly weather data for a weather station.

3. If more than one weather station is elected by the Insured, the premium rate will be based on the average of the premium rates for the Selected Weather Station(s).

4. AFSC will use precipitation data provided by the Alberta Government ministry responsible for Agriculture. If AFSC is not able to do the assessment due to insufficient data being provided, this Contract will cease to be enforceable against AFSC and cease to have any effect against AFSC. AFSC will then return to the Insured all paid Premiums.

5. Daily recorded precipitation at a Selected Weather Station(s) is capped at an amount equal to the Normal Precipitation for the month.

6. Monthly recorded precipitation at a Selected Weather Station(s) is capped at an amount equal to one and a half times the Normal Precipitation for that month.

7. Variable Price Benefit is not available under this Insuring Agreement.

C. Indemnities

1. An Indemnity for each Insurable Crop shall be calculated as follows: [Dollar Coverage x Payment Rate]. The maximum Indemnity payable shall be 100 percent of the Dollar Coverage.

2. The Payment Rate will be based on the average of the Payment Rates for the Insured's Selected Weather Station(s).

3. The Payment Rate for the Selected Weather Station(s) will be zero when the Percent of Normal Moisture is equal to or more than the Threshold Moisture. Below the Threshold Moisture, the Payment Rate will increase by five percent of the insured Dollar Coverage for each two percent decrease in the Percent of Normal Moisture.

4. Except at the discretion of AFSC, no changes will be made to the May Moisture, June Moisture, July Moisture or August Moisture values after an Indemnity has been paid.

PART IV
EXPORT TIMOTHY HAY INSURING AGREEMENT

The Agriculture Financial Services Corporation will indemnify the Insured for damage caused by Designated Perils to first-cut pure Timothy Hay grown for the export market subject to the following terms and conditions:

A. Definitions

In this Insuring Agreement:

1. **“Insurable Crop”** means first-cut Timothy Hay grown for the export market.

2. **“Adjusted Production”** means the Appraised Potential Production and Harvested Production of Timothy Hay adjusted for moisture and Grade Factor, and production due to Uninsured Causes of Loss, all as determined by AFSC.

3. **“CHA Grade”** means the Canadian Hay Association (CHA) grade designation for Timothy Hay: Supreme; Premium; Choice; Standard; Fair; or Utility (High or Low) based on “greenness” colour analysis score from TrueGrade HayScan, a machine vision system manufactured by Hinz Technology, or any other method deemed appropriate by AFSC.

4. **“Designated Grade”** for Timothy Hay means the CHA Grade known as Choice, or other specification assigned by AFSC.

5. **“Exclosures”** mean representative sites that are fenced off. A minimum of two sites for fields up to 40 acres, and a minimum of one site for every additional 40 acres in that item, is required.

6. **“Grade Factor”** means a ratio of prices established by AFSC, based on the price of the CHA Grade to the price of the Designated Grade, to adjust Harvested Production and Appraised Potential Production for quality.

7. **“Inspection Strips”** means representative standing strips of the Insured Crop in such measurements as required by AFSC to determine the crop production potential. Inspection Strips are in from the edges of the field, a distance of about one-third of the width of the field, for the length of the field and a minimum of ten feet in width, for inspection by AFSC. On fields less than 100 acres, two strips are required. On fields of 100 acres or more, an additional strip must be left in the middle of the field. On fields of 100 acres or more that span multiple quarter sections, treat each quarter section as a separate field; for fields less than 100 acres, two strips are required; for fields greater than 100 acres, three strips are required.

8. **“Report of Timothy Hay in Storage Prior to Harvest”** means a report provided by the Insured, in a form determined by AFSC, which contains information required by AFSC relative to Carryover Inventory of all Insured Crop(s) and uninsured crops whether stored on or off the farm.

9. **“Timothy Hay”** means pure perennial timothy grass, seeded and grown for the export market on irrigated or dryland acres, for mechanical harvesting and for compressed-bale processing.

10. **“Uninsured Production”** means an Insurable Crop harvested from roadsides, rejected fields, uninsured acreages or land acquired after the insurance deadline.

11. **“Winterkill Provision”** means Coverage for acres that are damaged due to winterkill in the year the claim is requested where:
    a. the acres were insured in the previous year;
    b. acres have not had more than five years of production.

B. Conditions

1. **Period of insurance**

   Begins at the start of the Crop Year and shall end at the earlier of:

   a. the date the Timothy Hay or any part of it is put to a use other than that for which it was originally intended; or
   b. the date the Timothy Hay is harvested; or
   c. October 15 of the year in which the Timothy Hay crop would normally have been harvested.

2. **Confirmation of Insurance and Election of Coverage**

   Before the start of each Crop Year, the Insured must declare the number of acres and legal land descriptions for the location of Timothy Hay to be insured and elect the Coverage Level on a form supplied by AFSC.

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3. **Obligation to insure all Timothy Hay**

   All acres managed as Timothy Hay (dryland and irrigated) must be insured and there is a minimum of 20 acres for this Insuring Agreement.

4. **Acceptance inspection**

   The Insurable Crop may be subject to an acceptance inspection and at AFSC's discretion change coverage or reject insurance.

5. **Pre-harvest inspection or release required**

   If Timothy Hay is to be Put to Another Use, the Insured must notify AFSC a minimum of five days prior to beginning harvest and request a pre-harvest inspection and release by AFSC.

6. **Excluded crops**

   This Insuring Agreement does not provide Coverage for the following:

   a. Timothy Hay in the year it is seeded; or
   b. Timothy Hay pastured after the start of the Crop Year or improperly managed by grazing; or
   c. Timothy Hay crops grown on land subject to repeated flooding or where excess moisture is a recurring problem; or
   d. straw from timothy grown for seed.

7. **Coverage Adjustment restrictions**

   AFSC, in its discretion, may change the Insured's Coverage Adjustment at any time due to major changes in management practices, acreage, land location, confirmed yields or experience.

8. **Grading of Timothy Hay**

   Representative samples of Timothy Hay obtained by AFSC from the Insured's bales will be graded by AFSC, based on the CHA Grade designation, using the TrueGrade HayScan System, or any other method deemed appropriate by AFSC. If Timothy Hay is sold prior to representative samples being taken by AFSC, no grade loss will be applied.

9. **Timothy Hay information required**

   The Insured is required to provide AFSC the following:

   a. the weight of representative bales from each lot;
   b. the number of bales in each lot;
   c. a copy of the Insured's *Pride in Production Field Book* (produced by the Canadian Hay Association) or an equivalent field record document; and
   d. for irrigated Timothy Hay acres, Insureds are required to maintain an Irrigation Log showing the dates of precipitation and approximate amount of water applied.

10. **Agronomic Practices**
AFSC may reduce or deny any claim if the Insured fails to adhere to the required agronomic practices as outlined in the *Timothy Production Handbook* of the Canadian Hay Association, including but not limited to the following practices:
 a. proper application of the required nitrogen; or
 b. proper control of weeds and foreign materials; or
 c. proper application of irrigation water if Timothy Hay is insured under irrigation.

11. **Irrigation Coverage**
Notwithstanding Part I (General Provisions), Section K (Irrigation Coverage) subsection 1, at the time of the Confirmation of Insurance, AFSC in its discretion may limit insurance Coverage under irrigation only to Designated Areas.

12. **Variable Price Benefit not available**
The Variable Price Benefit is not available under this Insuring Agreement.

C. Indemnities

1. Prior to haying being general in the area, as determined by AFSC, an Indemnity will be calculated as follows:
 a. if selected by the Insured, a Premium refund on damaged acres; or
 b. an Indemnity not to exceed 50 percent of the Dollar Coverage; or
 c. Appraised Potential Production shall not be less than 50 percent of Coverage, and is regarded as being of the Designated Grade.

 If only a portion of the total acreage of an Insured Crop is released because of damage, the appraisal will be added to the adjusted production from the remaining acreage of the Insured Crop.

2. Once all the Harvested Production and Appraised Potential Production for the Insured is reported for the year an Indemnity will be calculated as follows:
 a. An Indemnity will be calculated based on full Coverage by crop.
 b. Harvested Production shall be separated by grade and standardized to ten percent moisture by weight.
 c. Harvested Production is determined by averaging the weight of representative bales by grade from the insured acreage.
 d. If cut Timothy Hay is not baled because of very poor quality, AFSC will apply, in its discretion, a Low Utility Grade on the Appraised Potential Production.
 e. If the Insured incurs a loss from Designated Perils, the Indemnity for the Timothy Hay will be calculated as follows:
 [(Coverage - Adjusted Production) x Insurance Price] - Wildlife Damage Compensation Program payments.
 f. AFSC will apply, in its discretion, the Appraised Potential Production, and a Grade on the Appraised Potential Production if the Insured has not completed harvest on or before October 15.

D. Notice of Loss

1. An Insured wishing to make a claim for a loss must provide to AFSC a notice of loss in a manner acceptable to AFSC, and in a time period as follows:
 a. Within 15 days of the date harvest is completed and, in any event, no later than October 15.
 b. At least 24 hours and preferably 72 hours prior to harvest if a crop is damaged by Wildlife.

2. If the Insured is late in filing a Notice of Loss AFSC may reject the claim.

3. AFSC requires at least five Business Day(s) notice prior to any inspection.

E. Carryover Inventory and Uninsured Production

1. AFSC may count Carryover Inventory and Uninsured Production as part of the Harvested Production if the Insured fails to:
   a. report all Carryover Inventory on the Report of Timothy Hay in Storage Prior to Harvest prior to the commencement of harvest and no later than July 15; or
   b. advise AFSC of the existence of all purchased and Uninsured Production of an Insured Crop; or
   c. advise AFSC on request, of the land location(s) where Carryover Inventory and Uninsured Production is stored; or
   d. store Carryover Inventory and Uninsured Production of an Insured Crop separate from Harvested Production or any other kind of production, or the production of another producer, in such manner that its identity is maintained; or
   e. identify Carryover Inventory and Uninsured Production sold since June 1 on sales receipts.

F. Harvested Production Report

1. The Insured shall provide AFSC with a complete Harvest Production Report for all Insured Timothy Hay stating production and expected grade within 15 days after baling the Insured Crop, but no later than October 15 in each Crop Year.

2. Harvested Production Reports received after October 15 in the Crop Year may be assessed a late filing fee.

3. If the Harvested Production Report is not submitted by the Insured before December 31 the Insured's Timothy Hay yield used for determining the Coverage Adjustment will be zero.

4. The Insured may request corrections or revisions to the existing Harvested Production Report record for an Insured Year up to March 1 of the next Crop Year by providing supporting documentation that is satisfactory to AFSC.

G. Production Assessment

1. Where, after the Harvested Production Report is filed, total production of an Insured Crop is less than total Coverage after consideration of grade, weight and moisture content AFSC will determine Adjusted Production.

2. Adjusted Production of delivered or sold production of an Insured Crop will be assessed based on the cash purchase tickets or the agreed upon grade, weight and moisture content that the final cash purchase tickets will be issued on.

3. Notwithstanding subsection 2, the grade of delivered or sold production will be deemed to be Designated Grade if:
   a. the reported grade is not representative of Harvested Production or is not reasonable, as determined by AFSC, or
   b. production is sold to an unlicensed buyer.

4. The grade of production sold or fed prior to AFSC taking a sample will be deemed to be the same as the sample taken, or if all production has been sold of fed, the grade will be Choice.

H. Pro-Rating of Production

AFSC may combine production or calculate production from an Insured's crop in a manner determined by AFSC including but not limited to combining, combining and pro-rating and prorating of production.

1. AFSC may adjust the reported production if an Insured fails to retain:
   a. insured production below Designated Grade separate from insured production of any other grade;
   b. insured production separate from other insured or uninsured production;
   c. Harvested Production separate from Carryover Inventory;
   d. irrigated production separate from dryland production;
   e. insured production separate from insured or uninsured production of another producer; or
   f. store production separately for each Insuring Agreement where there are two or more of the same Insuring Agreement type for one Insured.

2. If an Insured's yield from insured production is deemed by AFSC to be unreasonable in comparison to the Insured's yield from uninsured production, AFSC, in its discretion, may pro-rate production in such a manner as AFSC deems appropriate.

3. If an Insured shares storage facilities or land and AFSC is unable to distinguish the production belonging to the Insured, AFSC may, in its discretion, divide any combined production in such a manner as AFSC deems appropriate. Such a calculation shall be binding on the Insured.

4. AFSC, in its discretion, otherwise determines it is necessary.

I. Insured Crop Put to Another Use

1. Acreage of Insured Crop(s) Put to Another Use must first be released by AFSC.

2. AFSC, at its discretion, may defer the appraisal on a damaged Insured Crop which the Insured intends to Put to Another Use.

3. When the Insured has accepted the Appraised Potential Production on any portion of an Insured Crop, no further appraisal will be made on that portion unless, and at the sole discretion of AFSC, substantial damage occurs before the Insured can put the crop to some other use within a reasonable period of time. Such inspection may be subject to a re-inspection administrative fee.

4. If an Insured Crop is Put to Another Use without first being assessed and/or released by AFSC, AFSC will deem the Appraised Potential Production to be zero, and the uninsured causes to be equal to Coverage on the acres Put to Another Use.

5. If an Insured Crop is intended to be ploughed under or sprayed out prior to haying being general in the area, the Insured must provide AFSC with prior notification to obtain release.
   a. If the released Timothy Hay acres are subsequently seeded to an elected annual crop, then these acres can be transferred to an Annual Crop Contract, subject to the terms and conditions of the Contract of Insurance for Annual Crops.
   b. If the released acres are not seeded to an elected annual crop, the acres will remain insured on the Timothy Hay insurance, and AFSC will deem the Appraised Potential Production to be zero, and the uninsured loss to be equal to Coverage on the acres Put to Another Use.

6. If an Insured Crop is eligible for the Winterkill Provision and is Put to Another Use due to winter-kill, the Appraised Potential Production, regarded as being of the Designated Grade, will be an amount no less than one-half of the Coverage on the acres Put to Another Use provided the acreage was first assessed by AFSC.

7. If an Insured Crop is Put to Another Use on or after haying is general in an area and with prior authorization from AFSC, Coverage and Premium on this acreage will remain in effect, and AFSC will apply, the Appraised Potential Production, and a CHA Grade on the Appraised Potential Production.

8. Where Inspection Strips or Exclosures are authorized by AFSC for all inspection types, the Insured is required to leave standing Inspection Strips of Timothy Hay or set up appropriate Exclosures or AFSC will deem the Appraised Potential Production to be zero, and the uninsured loss to be equal to Coverage on the acres Put to Another Use.

J. Uninsured Causes of Loss

1. This Insuring Agreement does not insure Production Loss due to any causes not included in the list of Designated Perils. For a list of Uninsured Causes of Loss see Annex A.

2. If AFSC pays no Indemnity because of an Uninsured Cause of Loss, AFSC will neither refund the Premium or any portion of the Premium and the Insured is not relieved from paying any outstanding Premium.

3. Any loss in the production due to an Uninsured Cause of Loss, as determined by AFSC, will be added in the calculation of Adjusted Production for the determination of an Indemnity, but will not be included in the calculations

of Coverage Adjustment or Area Normal Yield.

4. In the event that the Harvested Production is stored in such a manner as it is not possible to obtain an accurate production count, AFSC may in its discretion, assign uninsured losses up to Coverage, as the Insured's production for the Crop Year.

K. Continuation or Cancellation of this Insuring Agreement

1. Before the start of the Crop Year, the Insured must declare any changes to the number of acres and legal land descriptions of Timothy Hay to be insured and elect the Coverage Level on a form supplied by AFSC. If the Insured does not provide this information before the start of the Crop Year, the previous Crop Year Election and Land Report will apply to the new Crop Year Contract.

2. Either the Insured or AFSC may cancel this Insuring Agreement by giving the other party notice in writing of such cancellation before the start of the Crop Year. Cancellation will be effective as of the end of the Crop Year in which notice is given.

3. If an Insured has given notice of cancellation under subsection 2, the Insured may reapply in writing on or before the start of the Crop Year.

PART V
MOISTURE DEFICIENCY INSURING AGREEMENT

The Agriculture Financial Services Corporation will indemnify the Insured when the Percent of Normal Moisture is less than the Threshold Moisture at the Selected Weather Station(s) for the Insured's dryland pasture, including Native, Improved, Bush or Community Pasture, subject to the following terms and conditions:

A. Definitions

In this Insuring Agreement:

1. **"Insurable Crop"** means Native Pasture, Improved Pasture, Bush Pasture, or Community Pasture.

2. **"August Moisture"** is the amount of precipitation, as determined by AFSC, for the month of August, for a Selected Weather Station(s).

3. **"Bush Pasture"** means dryland Native Pasture on which at least 60 percent of the area is covered by trees, as determined by AFSC.

4. **"Community Pasture"** means Native or Improved Pasture on dryland that is communally grazed and for which insured acreage is determined by the number of animal units allocated by grazing season.

5. **"Dollar Coverage"** means 80 percent of the long term average yield for the Insurable Crop for the Risk Area, multiplied by the Insurance Price elected by the Insured, multiplied by the number of acres insured.

6. **"Full Season" means** all Periods of Moisture in the Weighting Option elected by the Insured.

7. **"Improved Pasture"** means dryland perennial grasses and legumes growing on fenced land for the purpose of grazing livestock and where at least 60 percent of seeded species are still represented.

8. **"July Moisture"** is the amount of precipitation, as determined by AFSC, for the month of July, for a Selected Weather Station(s).

9. **"June Moisture"** is the amount of precipitation, as determined by AFSC, for the month of June, for a Selected Weather Station(s).

10. **"May Moisture"** is the amount of precipitation, as determined by AFSC, for the month of May, for a Selected Weather Station(s).

11. **"Native Pasture"** means dryland vegetation growing on fenced land for the purpose of grazing livestock and where at least forty (40) percent of grass species on that land are native to the surrounding area.

12. **"Normal Moisture"** for each Period of Moisture is the long-term average amount of moisture, as determined by AFSC, for a Selected Weather Station(s).

13. **"Normal Precipitation"** means the long-term average precipitation, as determined by AFSC, for a Selected Weather Station(s).

14. **"Payment Rate**" means the rate of compensation at which the Insured is indemnified, as determined by AFSC.

15. **"Percent of Normal Moisture"** means, for the Selected Weather Station(s) for the current year, the sum of the May Moisture, June Moisture, July Moisture, and August Moisture, expressed as a percent of their respective Normal Moisture, with each period of moisture weighted by the Weighting Option elected by the Insured.

16. **"Period of Moisture"** is the period for which moisture is measured for this insurance program. There are four different periods: May, June, July and August.

17. **"Selected Weather Station"** means eligible weather station(s) elected, to a maximum of three, by the Insured and approved by AFSC.

18. **"Split Season" means** the split of the Full Season period in two, as elected by the Insured.

19. **"Threshold Moisture"** is the Percent of Normal Moisture for a Selected Weather Station(s) below which insurance payments begin.

20. **"Weighting Option"** is the option elected by the Insured to apply specified percentages to the percent of normal moisture for each Period of Moisture.

B. Conditions

1. Before the start of each Crop Year, on a form supplied by AFSC, the Insured must declare:
   a. the number of acres of Insurable Crop to be insured;
   b. the legal land description of the land containing the Insurable Crop(s) being insured;
   c. an Insurance Price option;
   d. the Selected Weather Station(s); and
   e. the Weighting Option.

2. All acres of an elected Insurable Crop must be insured and there is a minimum of 20 acres for this Contract.

3. Insured acreage for Community Pasture acreage will be based on the Risk Area livestock carrying capacity as determined by AFSC.

4. A person who has a direct or indirect conflict of interest with precipitation data provided at one or more weather station(s) used for Moisture Deficiency Insurance shall not purchase insurance based upon the data from the weather station for which the person may have a conflict. A person may be in conflict of interest if the person is involved in providing, either directly or indirectly weather data for a weather station.

5. If more than one weather station is elected by the Insured, the premium rate will be based on the average of the premium rates for the Selected Weather Station(s).

6. AFSC will use precipitation data provided by the Alberta Government ministry responsible for Agriculture. If AFSC is not able to do the assessment due to insufficient data being provided, this Contract will cease to be enforceable against AFSC and cease to have any effect against AFSC. AFSC will then return to the Insured all paid Premiums.

7. Daily recorded precipitation at a Selected Weather Station(s) is capped at an amount equal to the Normal Precipitation for the month.

8. Monthly recorded precipitation at a Selected Weather Station(s) is capped at an amount equal to one and half times the Normal Precipitation for that month.

C. Indemnities

1. An Indemnity for each Insurable Crop shall be calculated as follows: [Dollar Coverage x Payment Rate]. The maximum Indemnity payable shall be 100 percent of the Dollar Coverage.

2. The Payment Rate will be based on the average of the Payment Rates for the Insured's Selected Weather Station(s).

3. The Payment Rate for the Selected Weather Station(s) will be zero when the Percent of Normal Moisture is equal to or more than the Threshold Moisture. Below the Threshold Moisture, the Payment Rate will increase by five percent of the insured Dollar Coverage for each two percent decrease in the Percent of Normal Moisture. The Threshold Moisture is 70 percent for Split Season.

4. Except at the discretion of AFSC, no changes will be made to the May Moisture, June Moisture, July Moisture or August Moisture values after an Indemnity has been paid.

5. The total Indemnity paid is the greater of the combined Split Season Indemnities or the Full Season Indemnity.

D. Pasture Put to Another Use

1. After the start of the Crop Year, if an Insured Pasture Crop is intended to be ploughed down or sprayed out, the Insured must provide AFSC with prior notification to obtain release. If the released Pasture acres are subsequently seeded to an elected annual crop, then these acres can be transferred to an Annual Crop Contract, subject to the terms and conditions of the Contract of Insurance for Annual Crops. If the released acres are not seeded to an elected annual crop, AFSC will continue to view the released acres as insured with premium and coverage remaining in force and deem the potential Indemnity to be [Dollar Coverage x Payment Rate].

PART VI
SATELLITE YIELD INSURING AGREEMENT

The Agriculture Financial Services Corporation will indemnify the Insured when the Current Year Pasture Vegetation Index, expressed as a percentage of the Normal Pasture Vegetation Index, is less than the Threshold Pasture Vegetation Index in the township for the Insured's dryland pasture, including Native, Improved, Bush or Community Pasture, subject to the following terms and conditions:

A. Definitions

In this Insuring Agreement:

1. **"Insurable Crop"** means Native Pasture, Improved Pasture, Bush Pasture, or Community Pasture.

2. **"Bush Pasture"** means dryland Native Pasture on which at least 60 percent of the area is covered in trees, as determined by AFSC.

3. **"Insuring Week"** means every consecutive seven days beginning the second Monday in May.

4. **"Community Pasture"** means Native or Improved Pasture on dryland that is communally grazed and for which insured acreage is determined by the number of animal units allocated by grazing season.

5. "**Current Year PVI"** means the sum of the weekly PVI, as determined by AFSC, for the selected Insuring Weeks in the current year.

6. **"Dollar Coverage"** means 80 percent of the long term average yield for the Insurable Crop for the Risk Area, multiplied by the Insurance Price elected by the Insured, multiplied by the number of acres insured.

7. **"Full Season"** is the option which includes all the weeks in the Period of Insurance elected by the Insured.

8. **"Improved Pasture"** means dryland perennial grasses and legumes growing on fenced land for the purpose of grazing livestock and where at least 60 percent of seeded species are still represented.

9. **"Native Pasture"** means dryland vegetation growing on fenced land for the purpose of grazing livestock and where at least forty (40) percent of grass species on that land are native to the surrounding area.

10. **"Normalized Difference Vegetation Index"** referred to as **"NDVI"** means a township-based vegetation index, as determined weekly by Statistics Canada for land that is predominantly pasture.

11. **"Normal NDVI"** means the long-term average NDVI, as determined by AFSC, for the selected Insuring Weeks.

12. **"Normal PVI"** means the long-term average PVI, as determined by AFSC, for the selected Insuring Weeks.

13. **"Pasture Vegetation Index"** referred to as **"PVI"** means a township-based vegetation index that is calculated weekly as [NDVI - (0.80 x Normal NDVI)] in the current year.

14. **"Payment Rate"** means the rate of compensation at which the Insured is indemnified, as determined by AFSC.

15. **"Percent of Normal PVI"** means the average of the weekly PVI compared to the average of the weekly Normal PVI for the township for the current year.

16. **"Period of Insurance"** means the Insuring Weeks that the Insured selects to calculate an Indemnity.

17. **"Split Season"** is the option to split the Full Season in two, as elected by the Insured.

18. **"Threshold PVI"** means 90 percent of the Normal PVI for the Full Season option and 85 percent for the Split Season option.

19. **"Weighting Option"** is the option elected by the Insured to apply specific percentages for each Period of Insurance.

B. Conditions

1. Before the start of each Crop Year, on a form supplied by AFSC, the Insured must declare:
   a. the number of acres of the Insured Crop;
   b. the legal land description for the locations of the Insured Crop;
   c. the Insurance Price option; and
   d. the Full Season or Split Season option.

2. All acres of an elected Insurable Crop must be insured and there is a minimum of 20 acres for this Contract.

3. Insured acreage for Community Pasture acreage will be based on the Risk Area livestock carrying capacity as determined by AFSC.

4. This Contract is subject to the availability of data for determining the NDVI. If the data is not available, this Contract will cease to be enforceable against AFSC and cease to have any effect against AFSC. AFSC will then return to the Insured all paid Premiums. At the discretion of AFSC, adjustments may be made for lack of data due to environmental conditions.

5. AFSC will use a network of cage sites to monitor and estimate pasture plant growth. This information may be used to augment the satellite information to revise Payment Rates, at the discretion of AFSC.

C. Indemnities

1. An Indemnity for each Insurable Crop shall be calculated as follows: [Dollar Coverage x Payment Rate]. The maximum Indemnity payable shall be 100 percent of the Dollar Coverage.

2. The Payment Rate will be calculated on a township basis. If the township has insufficient data to calculate PVI, the Payment Rate will be calculated based on area average PVI, as determined by AFSC. Payment Rate for land insured as Community Pasture will be based on a weighted township average PVI for townships in which the Community Pasture is located.

3. The Payment Rate for the township will be zero when the Pasture Vegetation Index is equal to or more than the Threshold PVI for that township. Below the Threshold PVI, the Payment Rate will increase by two and a half percent of the insured Dollar Coverage for each one percent decrease in the Pasture Vegetation Index expressed as a percent of Normal PVI.

4. If a Split Season option is selected, the total Indemnity paid is the greater of the combined Split Season indemnities or the Full Season Indemnity.

D. Pasture Put to Another Use

1. After the start of the Crop Year if an Insured Pasture Crop is intended to be ploughed down or sprayed out, the Insured must provide AFSC with prior notification to obtain release. If the released Pasture acres are subsequently seeded to an elected annual crop, then these acres can be transferred to an Annual Crop Contract, subject to the terms and conditions of the Contract of Insurance for Annual Crops. If the released acres are not seeded to an elected annual crop, AFSC will continue to view the released acres as insured with Premium and Coverage remaining in force and deem the potential Indemnity to be [Dollar Coverage x Payment Rate].

PART VII
PASTURE SPOT LOSS FIRE BENEFIT

The Agriculture Financial Services Corporation will indemnify the Insured against Spot Loss damage caused by accidental fire or by fire caused by lightning to pastures, subject to the following terms and conditions:

A. Definitions

In this Insuring Agreement:

1. **"Eligible Fires"** means:
   a. accidental fire; or
   b. fire caused by lightning.

2. **"Insurable Crop"** means pastures insured under Parts V (Moisture Deficiency Insuring Agreement), or VI (Satellite Yield Insuring Agreement).

3. **"Spot Loss"** means Indemnity is paid on the actual area of the Insurable Crop that had an incidence of accidental fire or fire caused by lightning.

B. Conditions

1. **Period of Insurance**
   The Pasture Spot Loss Fire Benefit shall apply to Eligible Fires occurring between March 1 of the commencement year of the Satellite Yield Insuring Agreement or the Moisture Deficiency Insuring Agreement and the end of the Crop Year.

2. **Minimum Acres**
   A minimum of 100 acres must have been burned to qualify for compensation.

3. **Limitation of Coverage Available**
   The Pasture Spot Loss Fire Benefit is available for acres insured as pasture under the Satellite Yield Insuring Agreement or the Moisture Deficiency Insuring Agreement only. In the event of a fire occurring on pasture acres in a community pasture, the burned acres will be prorated based on the acres insured by each leaseholder.

4. **Occurrence of Fire**
   A fire which burns continuously for more than one day will be deemed to occur on the first day that the fire started as determined by AFSC. A fire which restarts within one week or jumps a fire break will be considered to have burned continuously.

5. **Eligibility to Insure Acres affected by Eligible Fire in Following Year**
   Only unburned acres are eligible for insurance coverage under the Satellite Yield Insuring Agreement or the Moisture Deficiency Insuring Agreement in the following year.

C. Notice of Loss

An Insured wishing to claim for a loss under this Benefit must provide to AFSC a notice of loss in a manner acceptable to AFSC, subject to the following:

a. The Insured must notify AFSC on or within five Business Day(s) of the date that the fire occurred; and
b. The Insured must advise AFSC of the cause of the fire; and
c. The Insured must advise AFSC of the legal land description and acres damaged by the fire.

D. Indemnities

1. Per acre coverage is limited to a maximum of 200 percent less 20 percent deductible of the base coverage provided for under the Satellite Yield Insuring Agreement or the Moisture Deficiency Insuring Agreement in effect for the acres burned.

2. AFSC will not indemnify Insureds for losses caused by Eligible Fires under this Insuring Agreement in cases where losses are recoverable from other insurance sources or through legal remedy.

3. Payments under this agreement are subject to a ten percent deductible.

Payments will be determined in accordance with the following Schedule of Compensation Rate Table:

Date of Fire Occurrence in Insuring Year	Loss Expressed as Percent of Dollar Coverage per Acre on Eligible Burned Land – ten percent Deductible will apply	
	Indemnity for Loss Due to Fire in Year of Insurance	Indemnity for Loss Incurred for Year Following Fire
March – August	100% less Insurance Payments* (min=0)	100%
September	90% less Insurance Payments* (min=0)	100%
October	80% less Insurance Payments* (min=0)	100%
November	70% less Insurance Payments* (min=0)	100%
December	60% less Insurance Payments* (min=0)	100%
January	50% less Insurance Payments* (min=0)	100%
February	50% less Insurance Payments* (min=0)	100%

*Insurance Payments means Indemnity Payments made under the Satellite Yield Insuring Agreement or the Moisture Deficiency Insuring Agreement applying only to the acres burnt in an eligible fire.

IN WITNESS WHEREOF
AFSC has signed this Contract.

AGRICULTURE FINANCIAL SERVICES CORPORATION

Per:
Steve Blakely, Chief Executive Officer

Annex A: Uninsured Causes of Loss

Uninsured Causes of Loss include, but are not limited to:

a. improper seed bed preparation, seed placement, crop rotation practices or planting method;
b. the use of seed which is not viable, damaged, old or not recommended for the area;
c. failure to plant the recommended quantity of seed;
d. seeding practices that result in an unreasonable increase in loss;
e. seeding a different crop into an Insured Crop;
f. unapproved, untimely or improperly applied products or methods for the:
   i) control of weeds;
   ii) control of insects;
   iii) control of plant diseases;
   iv) enhancement of plant development;
g. inadequate machinery, labour or failure to complete repairs to equipment on a timely basis;
h. damage to an Insured Crop from fertilizers, herbicides, pesticides, fungicides, soil or crop additives or any other product where the damage was caused by drift, residue, improper direct application or improper use of product.
i. machinery and equipment failure due to mechanical defects or improper operations;
j. untimely harvest practices for the area and the crop;
k. improper harvest management;
l. Volunteer Crop except oats in Timothy;
m. accidental fire unless specified in the Insuring Agreement;
n. damage by domestic animals or poultry;
o. neglect of the Insured Crop;
p. theft of the Insured Crop;
q. negligent or wrongful acts of a third party (e.g. spray drift or stray animals);
r. failure to follow acceptable practices, procedures and operations as recommended by the Alberta government ministry responsible for Agriculture;
s. any Designated Peril deemed avoidable by AFSC;
t. damage caused by grazing in Timothy and after April 30th for all other hay;
u. damage after an inspection by AFSC or while in storage, including heating;
v. grade reduction before an inspection by AFSC if stored or baled Timothy Hay is not weather-protected; or
w. grade reduction after core sampling of Timothy Hay has been done by AFSC.

Notes

Notes

Notes

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