Canada-Alberta AgriInsurance Products

for 2021 Perennial Crops

Program Information for Perennial Crops

CANADIAN AGRICULTURAL PARTNERSHIP

AFSC Unique Financial Services
INSURANCE • LENDING • INCOME STABILIZATION

Alberta Government

Canada

Agriculture Financial Services Corporation (AFSC) is a provincial Crown corporation, serving Albertans 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.

Through the suite of options available, AFSC brings producers peace of mind by helping make risk-management decisions that fit the unique needs of each operation. Insurance is available to any producer who meets AFSC eligibility requirements. Applicants are required to provide legal, operational and financial information.

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

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 Audit Services and Investigations Department. Reports of fraudulent activity can be made anonymously at 1.877.685.9317 or by visiting 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 including having an insurable interest or ownership in the land and the crops being grown. 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 office.

Renewal

Clients who purchased 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, clients must complete a Change Request form. Change requests must be filed by the last day of February and can be made via AFSC Connect or by returning a paper form to an AFSC insurance representative by mail, fax, email, or in person. If you plan to return the form in person to a branch office, please call ahead as appointments may be required due to the COVID-19 pandemic. Changes can also be requested by phone.

Cancellation

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. If the contract is cancelled and the client applies again for insurance, the previous yield and loss experience will apply.

New clients

New clients must apply for 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 Business Number, legal land description of crops and number of acres on each location.

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.

Contract of Insurance

The Contract of Insurance governing the AFSC programs outlined in this booklet can be found by visiting AFSC.ca, or a copy may be requested from your AFSC branch office.

Working in agriculture requires the ability to withstand unpredictable events. To protect producers from designated perils that lead to production loss, Agriculture Financial Services Corporation (AFSC) provides a suite of insurance programs.

These programs provide:

- a production guarantee for hay crops based on average historical yields and the coverage option selected; or
- coverage for pasture based on conditions in the area, determined by an indicator of production loss, such as precipitation or satellite imagery. This coverage is not directly related to losses to insured fields.

What's new for 2021

- AFSC has updated the pasture mask for Satellite Yield Insurance (SAT) to reflect the current land use and ensure land is identified as pasture.
- Weather stations: There are four new weather stations being added to the network of weather stations across Alberta, and two weather stations, Peace River and Hillsdown, were replaced. Since weather station information may be subject to change, visit AFSC.ca or contact your AFSC branch for a current list of weather stations.

What was new in 2020

- Pasture normals increase: The historical pasture normal yields have been recalculated resulting in an increase to coverage for pasture insurance this year.
- Price options for hay and pasture were reviewed and increased to include a transportation cost of $13 per ton to reflect the cost of trucking replacement feed. This increase will be reflected in the spring insurance price as well as the fall market price.
- 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, were decommissioned.
- 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

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 AFSC.ca or contact your AFSC branch for a current list of weather stations.

AFSC online services

AFSC offers several services via online functionality through AFSC Connect.

Deadlines

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 2021 account without negatively affecting your credit and to avoid a cash upfront on premium for the 2022 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.

Contents

Contract of Insurance

The Contract of Insurance is available for download on the AFSC website or a copy may be requested from your AFSC branch office.

Hay

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 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 is an option available for purchase with Hay Insurance, see page 29.

Straight Hail Insurance can be purchased on viable crops online at AFSC.ca and at any AFSC office. Straight Hail Insurance sales open May 1.

What can be insured

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;
- 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

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 provided by the client, yield information gathered by AFSC adjusters who visit the farm, and production reviews conducted by AFSC to confirm the accuracy of Harvested Production Report 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.

Any losses in production due to uninsured causes will be included in a loss calculation, however they are not included in the calculation of coverage and premium for the following years.

AFSC may limit, restrict, exclude or deny coverage in whole or in part for the following:

- in the event AFSC determines by the application deadline that there is a high risk of production loss,
- the land is subject to repeated flooding or where excess moisture is a recurring problem,
- major changes are made in management practices, acreage, land location, confirmed yields or experience,
- the client makes a change that increases AFSC's risk without notifying AFSC and without AFSC accepting the that risk, or
- any other practice or action that would prove detrimental or limit production to the insured crop.

Price options

Hay Insurance offers two prices based on forecasted market prices and transportation costs for the year that allow clients to customize their insurance. The most recent spring insurance price options for hay, pasture and export timothy hay are available on the AFSC website on the Crop Insurance Prices page.

Variable Price Benefit: This feature is included in Hay Insurance. It 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 Variable Price Benefit 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.

Premiums

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

Causes of Loss

Designated perils: Only yield losses due to the following designated perils - 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 - are covered.

Winterkill provision: Clients must have an active 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. If an insured crop is put to another use due to winterkill, the appraised yield will be an amount no less than one-half of coverage provided the acreage was first assessed by AFSC. 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 may be applied to acres when clients fail to comply with the rules of the Contract of Insurance, 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.

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

Common examples where uninsured causes of loss may be applied include, but are not limited to:

- inadequate machinery, labour or failure to complete repairs to equipment on a timely basis;
- machinery and equipment failure due to mechanical defects or improper operations;
- 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;
- untimely harvest practices for the area and the crop;
- improper harvest management;
- damage by domestic animals or poultry;
- neglect or theft of the insured crop;
- negligent or wrongful acts of a third party (e.g. spray drift or stray animals);
- damage after an inspection by AFSC or while in storage, including heating; or
- any designated peril deemed avoidable by AFSC.

Indemnity

Total production for all hay types, adjusted to 15 per cent moisture, must fall below the total coverage to qualify for a payment. 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 1: indemnity calculation prior to Variable Price Benefit triggering

- 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 2: indemnity calculation when Variable Price Benefit triggers

Assume there is an increase from the spring price 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.

Variable Price Benefit revised indemnity calculation

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

Any losses in production due to uninsured causes will be included in the loss calculation and may reduce the indemnity. If no payment is made due to uninsured causes of loss, AFSC will not refund any portion of the premium.

Inspections

AFSC follows inspection procedures set out in the Claims Adjusting Services Field Procedure manual.

AFSC reserves the right to inspect any insured crop and based on the inspection types below, may change coverage or reject insurance.

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. Information on inspection strips can be found on the AFSC website.
- 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 the 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 adjuster 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.

If a client's yield from insured production is deemed by AFSC to be unreasonable in comparison to the client's yield from uninsured production, AFSC in its discretion, may pro-rate or combine production.

Client Responsibilities

Owned, rented and leased land: Clients must insure a minimum of 20 acres and are required to 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 page 6 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 or Satellite Yield Insurance as improved pasture if one of the following conditions is met:

- If the client has improved pasture acres insured under Moisture Deficiency Insurance or Satellite Yield Insurance, the rejected acres can be transferred to the pasture insurance program.
- If the client does not have improved pasture acres, but has Moisture Deficiency Insurance or Satellite Yield 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 field, 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. Information on inspection strips can be found on the AFSC website.

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. More information on size and number of strips can be found on the AFSC website.

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.

AFSC may count carryover inventory and uninsured production as part of the client's harvested production if it is not reported and stored separately from the current year's production.

Harvested Production Report: A Harvested Production Report must be filed when harvest is complete. Clients can file their HPR online or submit on paper to AFSC not later than October 15. 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 adjusters reasonable access.

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

In the event that the harvested production is stored in such a manner that it is not possible to obtain an accurate production count (e.g. loose stacks) AFSC may assign uninsured causes of loss up to coverage or prorate production.

AFSC may pro-rate or combine the production if clients fails to retain:

- insured production separate from uninsured production;
- insured production separate from production of another producer;
- harvested production separate from carryover inventory;
- irrigated production separate from dryland production, or
- stored production separately for each subscription where there are two or more of the same subscription type for one business.

If a client shares storage facilities, land, or equipment, and AFSC is unable to distinguish the production belonging to the client, AFSC may, in its discretion, divide any combined production in such a manner as AFSC deems appropriate.

AFSC may, in its discretion, otherwise pro-rate or combine production as it determines it is necessary.

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.

Irrigated hay acres: 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 adjuster when there is a claim.

Export Timothy Hay

Export Timothy Hay Insurance provides production insurance for first-cut 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 considers to be acceptable.

Straight Hail Insurance can be purchased on viable crops online at AFSC.ca and at any AFSC office. Straight Hail Insurance sales open May 1.

What can be insured

Coverage only applies to first-cut pure timothy hay grown for the export market on dryland export timothy hay and irrigated export timothy hay in designated areas only. To learn about the risk areas and insurable areas for export timothy hay, please view the Export Timothy Hay Insurance - Dryland and Export Timothy Hay Insurance - Irrigated maps on AFSC.ca

Coverage

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 provided by the insured client, yield information gathered by an AFSC adjuster who visits the farm and production reviews conducted by AFSC to confirm the accuracy of the Harvested Production Report 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.

Any losses in production due to uninsured causes will be included in the loss calculation; however, they are not included in the calculation of coverage and premium for the following years.

AFSC may limit, restrict, exclude or deny coverage in whole or in part for the following:

- in the event AFSC determines by the application deadline that there is a high risk of production loss;
- the land is subject to repeated flooding or where excess moisture is a recurring problem;
- major changes are made in management practices, acreage, land location, confirmed yields or experience;
- the client makes a change that increases AFSC's risk without notifying AFSC and without AFSC accepting that risk; or
- any other practice or action that would prove detrimental or limit production to the insured crop.

Price options

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. The most recent spring insurance price options for hay, pasture and export timothy hay are available on the AFSC website on the Crop Insurance Prices page.

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

Premiums

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

Causes of Loss

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

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. If an insured crop is put to another use due to winterkill, the appraised yield will be an amount no less than one-half of coverage at the designated grade for timothy hay, provided the acreage was first assessed by AFSC. 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 Contract of Insurance, 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.

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.

Common examples where uninsured causes of loss may be applied include, but are not limited to:

- unapproved, untimely or improperly applied products or methods for the:
  - control of weeds,
  - control of insects,
  - control of plant diseases,
  - enhancement of plant development;
- inadequate machinery, labour or failure to complete repairs to equipment on a timely basis;
- machinery and equipment failure due to mechanical defects or improper operations;
- 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;
- untimely harvest practices for the area and the crop;
- improper harvest management;
- damage by domestic animals or poultry;
- neglect or theft of the insured crop;
- negligent or wrongful acts of a third party (e.g. spray drift or stray animals);
- damage after an inspection by AFSC or while in storage, including heating;
- grade reduction before an inspection by AFSC if stored or baled timothy hay is not weather protected;
- grade reduction after core sampling of timothy hay has been done by AFSC, or
- any designated peril deemed avoidable by AFSC.

Indemnity

Total production of export timothy hay adjusted to 10 per cent moisture and by grade from all insured dryland acres has to fall below the total coverage for the dryland export timothy hay to qualify for indemnity. 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.

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 determined by AFSC, corresponding to the "greenness colour analysis score" of the hay sample as determined by the TrueGrade HayScan System:

- 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)

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							

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

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

Any losses in production due to uninsured causes will be included in the loss calculation and may reduce the indemnity. If no payment is made due to uninsured causes of loss, AFSC will not refund any portion of the premium.

Inspections

AFSC follows inspection procedures set out in the Claims Adjusting Services Field Procedure manual.

AFSC reserves the right to inspect any insured crop and based on the inspection types below, may change coverage or reject insurance.

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. Information on inspection strips can be found on the AFSC website.
- 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 adjuster 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 adjuster is not eligible for grade loss adjustments.

If a client's yield from insured production is deemed by AFSC to be unreasonable in comparison to the client's yield from uninsured production, AFSC in its discretion, may pro-rate or combine production.

Client Responsibilities

Owned, rented and leased land: Clients must insure a minimum of 20 acres and are required to 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.

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 or Satellite Yield Insurance as improved pasture if one of the following conditions is met:

- If the client has improved pasture acres insured under Moisture Deficiency Insurance or Satellite Yield Insurance, the rejected acres can be transferred to the pasture insurance program.
- If the client does not have improved pasture acres, but has Moisture Deficiency Insurance or Satellite Yield 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 field, is required.
- Inspection strips are standing strips of insured crop left 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 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. Information on inspection strips can be found on the AFSC website.

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. More information on size and number of strips can be found on the AFSC website.

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.

AFSC may count carryover inventory and uninsured production as part of the client's harvested production if it is not reported and stored separately from the current year's production.

Harvested Production Reports: A Harvested Production Report must be filed when harvest is complete and submitted to 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.

In the event that the harvested production is stored in such a manner that it is not possible to obtain an accurate production count (e.g. loose stacks) AFSC may assign uninsured causes of loss up to coverage or prorate production.

AFSC may pro-rate or combine the production if clients fails to retain:

- insured production separate from uninsured production;
- insured production separate from production of another producer;
- insured production below designated grade of 'Choice' separate from insured production of any other grade;
- harvested production separate from carryover inventory;
- irrigated production separate from dryland production; or
- stored production separately for each subscription where there are two or more of the same subscription type for one business.

If a client shares storage facilities, land, or equipment, and AFSC is unable to distinguish the production belonging to the client, AFSC may, in its discretion, divide any combined production in such a manner as AFSC deems appropriate.

AFSC may, in its discretion, otherwise pro-rate or combine production as it determines it is necessary.

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.

Irrigated hay acres: 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 adjuster when there is a claim.

Other responsibilities: Export Timothy Hay Insurance clients must adhere to accepted agronomic practices. Clients are also required to maintain an up-to-date 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.

Pasture

AFSC provides coverage for pasture based on conditions in the area, typically based upon an indicator of production loss, such as precipitation or satellite imagery. This coverage is not directly related to losses to insured fields.

Moisture Deficiency Insurance

Moisture Deficiency Insurance 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.

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 payment schedule. It 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 Moisture Deficiency Insurance cannot be insured under Satellite Yield Insurance.

What can be insured

Clients are eligible to insure the following dryland pasture crops: native pasture, improved pasture, bush pasture, community pasture and forestry grazing leases (optional) in Alberta.

Coverage

Moisture Deficiency Insurance is available in all 35 Forage Risk Areas in the province. 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 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.

Length of 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.

<table>
<tr><th>Length of Growing Season</th><th colspan="2">May</th><th colspan="2">June</th><th colspan="2">July</th><th>Aug</th></tr>
<tr><td colspan="8">Short Split Season</td></tr>
<tr><td></td><td colspan="3">Early Split</td><td colspan="3">Late Split</td><td></td></tr>
<tr><td colspan="8">Long Split Season</td></tr>
<tr><td></td><td colspan="4">Early Split</td><td colspan="3">Late Split</td></tr>
</table>

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 of the Short Season Split and Long Season Split. A Moisture Deficiency Insurance Option information sheet can be found on AFSC.ca

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 Options

Moisture Deficiency Insurance has two prices based upon a forecast of hay market prices and transportation costs for the year, allowing clients to customize their insurance. The most recent spring insurance price options for hay, pasture and export timothy hay are available on the AFSC website on the Crop Insurance Prices page.

Variable Price Benefit is automatically included and increases the dollar coverage if there is a significant increase in the cost of hay during the growing season. However, Moisture Deficiency Insurance only pays the benefit if the measured precipitation at the selected weather station(s) for the current year is less than the long-term average and the client qualified for a payment.

Alberta Agriculture and Forestry's hay price from the Farm Input Survey for the month of October is used to determine the Variable Price Benefit 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 benefit to trigger. The indemnities are paid using the increased price up to a maximum increase of 50 per cent.

Premiums

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

Causes of loss

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

Idemnity

Payments under Moisture Deficiency Insurance 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 page 20.

Calculate the payment using the information in the Example Information for Weather Stations table (next page) 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 per cent of the normal moisture for the 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 example
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 = $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.

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.

Disclaimer: *Daily precipitation measurements under 0.1 mm will be considered 0.0 mm, and will not be included in determining the precipitation for the month.*

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"

Client Responsibilities

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.

Spot-Loss Fire Benefit

The Spot-Loss Fire Benefit is included with pasture insurance, both Moisture Deficiency Insurance and Satellite Yield Insurance, for insured pasture acres and protects against both accidental fire and fire caused by lightning. The total dollar coverage, including Variable Price Benefit, is based on the client's pasture insurance dollar 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. 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 the corresponding pasture insurance program payments have been finalized.

- In year one, the per cent of indemnity depends on the month the fire occurred,
- In year two, the client is compensated for 100 per cent loss of the burned pasture acres, and the acres are not insurable.

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 one	**Indemnity for loss incurred for year two**
March - August	100% less pasture insurance payments	100%
September	90% less pasture insurance payments	100%
October	80% less pasture insurance payments	100%
November	70% less pasture insurance payments	100%
December	60% less pasture insurance payments	100%
January & February	50% less pasture 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 the AFSC website.

Example - Indemnity Calculation

- Fire occurred in October 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 on burnt acres = $50,000

As the fire occurred in October, compensation for year 1 is 80 per cent of coverage on the burnt acres and 100 per cent of coverage in year 2.

Example 1 - when fire occurs and there are no pasture insurance payment		
A	There is no payment from pasture insurance =	$0
B	Spot-Loss Fire Compensation for the insured year - Year 1 80% of coverage ($40,000) less 10% deductible ($4,000) =	$36,000
C	Spot-Loss Fire Compensation for the insured year - Year 2 100% of coverage ($50,000) less 10% deductible ($5,000) =	$45,000
	Total Spot-Loss Fire Benefit (year 1 & year 2) =	**$81,000**

Example 2 - when fire occurs and there are pasture insurance payments		
A	Pasture insurance indemnity on burned acres =	$7,500
B	Spot-Loss Fire Compensation for Year 1 80% of coverage ($40,000) less 10% deductible ($4,000) less pasture indemnity =	$28,500
C	Spot-Loss Fire Compensation for Year 2 100% of coverage ($50,000) less 10% deductible ($5,000) =	$45,000
	Pasture indemnity + Total Spot-Loss Fire Benefit (year 1 & 2) =	**$81,000**

Satellite Yield Insurance

Satellite Yield Insurance 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.

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. Satellite Yield Insurance 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 this insurance cannot be insured under Moisture Deficiency Insurance.

What can be insured

Clients are eligible to insure the following dryland pasture crops: native pasture, improved pasture, bush pasture, community pasture and forestry grazing leases (optional) in Alberta.

Coverage

Satellite Yield Insurance uses information from nine risk areas in the southern parts of the province. The Forage Risk Area map can be viewed on AFSC.ca. 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.

- 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

  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).

Season Chart

Calendar Week - 2021														
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
May 10	May 17	May 24	May 31	June 7	June 14	June 21	June 28	July 5	July 12	July 19	July 26	Aug 2	Aug 9	Aug 16
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						

- 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

- 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

Price Options

Satellite Yield Insurance has two prices based upon a forecast of hay market prices and transportation costs for the year, allowing clients to customize their insurance. The most recent spring insurance price options for hay, pasture and export timothy hay are available on the AFSC website on the Crop Insurance Price page.

Variable Price Benefit: is automatically included in Satellite Yield Insurance and increases the dollar coverage if there has been a significant increase in the cost of hay during the growing season. However, Satellite Yield Insurance only pays Variable Price Benefit if the township growth determination for the current year is less than the long-term average and the client qualified for a payment.

Premiums

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

Causes of loss

Lack of pasture growth determined by satellite measurements is the only peril insured

Indemnity

Payments under Satellite Yield Insurance 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 growing season 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;
Dollar coverage \$6.84/acre = \$6,840 total coverage
Option C selected; Short Season – Split

Coverage is split between the Early and Late Splits
Early Split = 60%
Late Split = 40%

Determined township growth = Payment Schedule B
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:
Option A comparison: 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.

SAT Payment Schedule A – Full Season				SAT Payment Schedule B – Split Season			
% of Normal Growth Index	Payment Rate (% of Dollar Coverage)	% of Normal Growth Index	Payment Rate (% of Dollar Coverage)	% of Normal Growth Index	Payment Rate (% of Dollar Coverage)	% of Normal Growth Index	Payment Rate (% of Dollar Coverage)
>= 90	0	69	52.5	>= 85	0	64	52.5
89	2.5	68	55.0	84	2.5	63	55.0
88	5.0	67	57.5	83	5.0	62	57.5
87	7.5	66	60.0	82	7.5	61	60.0
86	10.0	65	62.5	81	10.0	60	62.5
85	12.5	64	65.0	80	12.5	59	65.0
84	15.0	63	67.5	79	15.0	58	67.5
83	17.5	62	70.0	78	17.5	57	70.0
82	20.0	61	72.5	77	20.0	56	72.5
81	22.5	60	75.0	76	22.5	55	75.0
80	25.0	59	77.5	75	25.0	54	77.5
79	27.5	58	80.0	74	27.5	53	80.0
78	30.0	57	82.5	73	30.0	52	82.5
77	32.5	56	85.0	72	32.5	51	85.0
76	35.0	55	87.5	71	35.0	50	87.5
75	37.5	54	90.0	70	37.5	49	90.0
74	40.0	53	92.5	69	40.0	48	92.5
73	42.5	52	95.0	68	42.5	47	95.0
72	45.0	51	97.5	67	45.0	46	97.5
71	47.5	<= 50	100.0	66	47.5	<= 45	100.0
70	50.0			65	50.0		
Note: >= means "greater than or equal to" and <= means "less than or equal to"							

Client Responsibilities

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.

Spot-Loss Fire Benefit

The Spot-Loss Fire Benefit is included with pasture insurance, both Moisture Deficiency Insurance and Satellite Yield Insurance, for insured pasture acres and protects against both accidental fire and fire caused by lightning. The total dollar coverage, including Variable Price Benefit, is based on the client's pasture insurance dollar 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. 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 the corresponding pasture insurance program payments have been finalized.

- In year one, the per cent of indemnity depends on the month the fire occurred,
- In year two, the client is compensated for 100 per cent loss of the burned pasture acres, and the acres are not insurable.

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 one	**Indemnity for loss incurred for year two**
March - August	100% less pasture insurance payments	100%
September	90% less pasture insurance payments	100%
October	80% less pasture insurance payments	100%
November	70% less pasture insurance payments	100%
December	60% less pasture insurance payments	100%
January & February	50% less pasture 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 the AFSC website.

Example - Indemnity Calculation

- Fire occurred in October 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 on burnt acres = $50,000

As the fire occurred in October, compensation for year 1 is 80 per cent of coverage on the burnt acres and 100 per cent of coverage in year 2.

Example 1 - when fire occurs and there are no pasture insurance payment		
A	There is no payment from pasture insurance =	$0
B	Spot-Loss Fire Compensation for the insured year - Year 1 80% of coverage ($40,000) less 10% deductible ($4,000) =	$36,000
C	Spot-Loss Fire Compensation for the insured year - Year 2 100% of coverage ($50,000) less 10% deductible ($5,000) =	$45,000
	Total Spot-Loss Fire Benefit (year 1 & year 2) =	**$81,000**

Example 2 - when fire occurs and there are pasture insurance payments		
A	Pasture insurance indemnity on burned acres =	$7,500
B	Spot-Loss Fire Compensation for Year 1 80% of coverage ($40,000) less 10% deductible ($4,000) less pasture indemnity =	$28,500
C	Spot-Loss Fire Compensation for Year 2 100% of coverage ($50,000) less 10% deductible ($5,000) =	$45,000
	Pasture indemnity + Total Spot-Loss Fire Benefit (year 1 & 2) =	**$81,000**

Endorsements

Moisture Deficiency Endorsement

The Moisture Deficiency Endorsement 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.

What can be insured

Moisture Deficiency Endorsement 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 Moisture Deficiency Endorsement 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: 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. Long-term normal precipitation information for weather stations is available on AFSC.ca under Perennial Crops Moisture Normals, while Perennial Weather Stations shows a current list of weather stations.

Length of growing season: Clients can choose between a short season option, which includes May, June and July precipitation; or a long season option of May, June, July and August precipitation.

May	June	July	Aug
Short Season			
Long Season			

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

A Moisture Deficiency Endorsement information sheet can be found on AFSC.ca

Price options

There are two prices based upon a forecast of hay market prices and transportation costs for the year, allowing clients to customize their insurance. The most recent spring insurance price options for hay, pasture and export timothy hay are available on the AFSC website on the Crop Insurance Prices page.

Premium

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

Disclaimer: *Daily precipitation measurements under 0.1 mm will be considered 0.0 mm, and will not be included in determining the precipitation for the month.*

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"

Contract of Insurance

The Contract of Insurance governing the AFSC programs outlined in this booklet can be found by visiting AFSC.ca, or a copy may be requested from your AFSC branch office.