



Canada-Alberta AgriInsurance Products

MOISTURE DEFICIENCY INSURING AGREEMENT

For 2022 Perennial Crops

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MOISTURE DEFICIENCY INSURING AGREEMENT

AFSC will indemnify the Insured when Percent of Normal Moisture is less than the Threshold Moisture at the Selected Weather Station(s) for the Insured's dryland pasture pursuant to this Insuring Agreement. This Insuring Agreement incorporates by reference, and is subject to, the Terms and Conditions and Benefits. The definitions in the Terms and Conditions will apply unless the same term is otherwise defined in this Insuring Agreement.

Moisture Deficiency Insurance (MDI) is an area-based program that provides Coverage on specific pasture types. This program uses precipitation information from a network of weather stations across the province to reflect moisture conditions. Conditions at the weather stations may not reflect conditions on the insured fields.

ARTICLE 1. DEFINITIONS

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

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

"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.

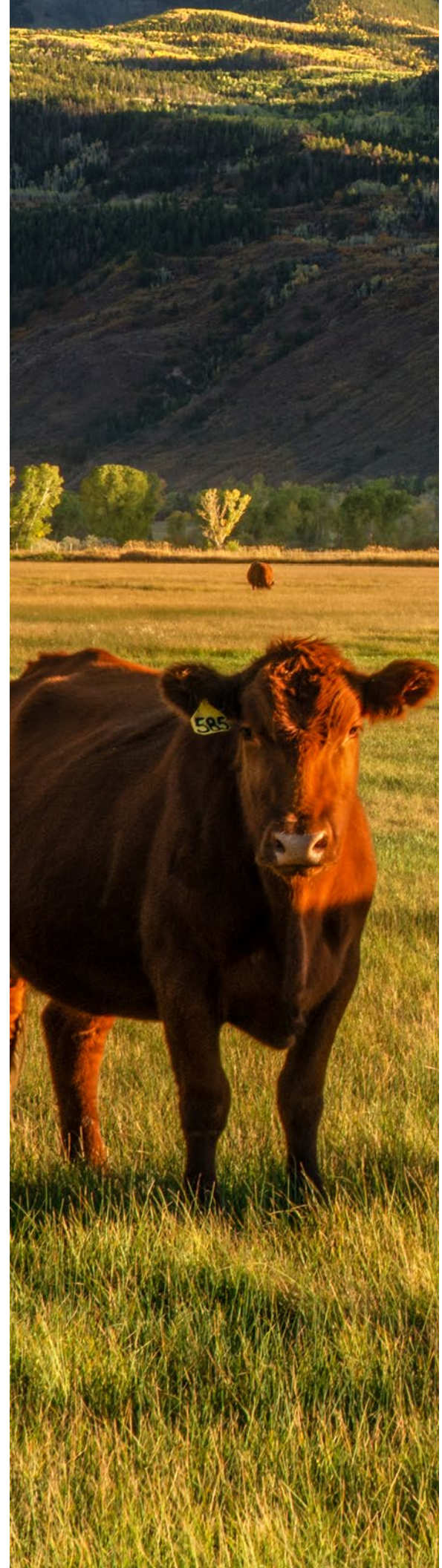
"Designated Peril" means lack of moisture at the Selected Weather Station(s). For greater clarity, this is the only Designated Peril under this Insuring Agreement, and the Designated Perils listed under Article 1 of the Terms and Conditions do not apply to this Insuring Agreement.

"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.

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

"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.

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



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

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

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

“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.

“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).

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

“Payment Rate” means the rate of compensation at which the Insured is indemnified, as determined by AFSC.

“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.

“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.

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

“Split Season” means the split of the Full Season period in two, as elected by the Insured.

“Threshold Moisture” is the Percent of Normal Moisture for a Selected Weather Station(s) below which insurance payments begin. The Threshold for the Split Season is 70 percent while the Threshold for the Full Season is 80 percent.

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

ARTICLE 2. SPECIFICATIONS

Insurable Crops (for MDI)	Minimum acres per subscriptions	Insurable on Dryland only	Risk Area Restrictions
Native Pasture	20 acres	Dryland	No restrictions – insurable in all 35 Risk Areas
Improved Pasture			
Bush Pasture			
Community Pasture and Forestry Grazing Leases			

2.01 Coverage

- a. Each Risk Area has a long-term average yield for each pasture type based on recommended cattle-carrying capacity. For Community Pastures, Coverage is based on the Risk Area cattle-carrying capacity and the Insured's allocation for that pasture.
- b. Eighty percent of the Risk Area long-term average yield is used as the base yield, setting Coverage for each Insured in the Risk Area. The selected high or low price option, multiplied by the base yield for each insured pasture type in the Risk Area, establishes the Dollar Coverage for each pasture type.

2.02 Coverage Restrictions

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 Insuring Agreement 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.

2.03 Pricing

- a. **Spring Insurance Price:** this Insuring Agreement has the option of two Spring Insurance Prices, a low and a high price, based on forecasted hay market price and transportation costs for the year.
- b. **Fall Market Price:** this Insuring Agreement uses hay as a proxy crop and is based on Alberta Agriculture, Forestry and Rural Economic Development's hay price from the Farm Input Survey for the month of October.
- c. **Variable Price Benefit:** is offered to protect against price fluctuations between the Spring Insurance Price and the fall price. See Benefits document for information.

2.04 Premium

- a. **Rates:** Premium rates are set annually based upon long-term weather station data and reflect AFSC's risk of future losses. Premium rates vary by weather station. The Insured's Premium is calculated by multiplying the Dollar Coverage by the Insured's share of the premium rate and applying any applicable discounts. 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).
- b. **Cost Share:** Federal and provincial governments support AgrilInsurance programs by paying all administration expenses and sharing premium costs with the Insured.
- c. **Adjustments & Discounts:**

5% per year to a maximum of 20%	Continuous Participation Discount	Applies after the first insurance year unless the Insured does not have an active Policy or losses for one year then needs to be zeroed and earned again
2%	Early Payment Discount	Applied to Premium payments received by AFSC the later of June 25 or within 15 days of each versions billing date

2.05 Elections and Renewal

- a. New clients must apply for insurance on or before the last day of February and AFSC will evaluate eligibility for insurance. Clients are required to demonstrate their legal, financial and operational independence and can contact AFSC for application documents.
- b. **Renewal Process:** An Insured who purchased Moisture Deficiency Insurance in the previous year will be automatically renewed based upon the previous year's information including land locations and acres.

Personalized renewal notices are available in January. The Insured is responsible to review the information, and if changes are required complete the Change Request Form online or 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.

- c. **Pasture type:** Insurable dryland pasture crops include Native Pasture, Improved Pasture and Bush Pasture. Community Pasture and Forestry Grazing Leases are optional.
- d. **Pricing Options:** The Insured has the option of electing a high price or low price option.
- e. **Length of Season:** The Insured chooses between short split season or long split season, that best represents pasture growth and supports their management strategies. Split Season allows the Insured to divide their growing season and Dollar Coverage into two parts:
 - i. 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.
 - ii. 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 season	May	June	July	August
Short Split Season	Early Split		Late Split	
Long Split Season	Early Split			Late Split

- f. **Weighting Option:** The Insured has the choice of different Weighting Options within the growing season. Based on the weighting percentages, there are four season options available to select:

Season options	Weighting (%)				Coverage splits
	May	June	July	Aug	
A Short	40	40	20		60 / 40
B Short	40	30	30		55 / 45
C Long	30	30	20	20	60 / 40
D Long	25	25	25	25	50 / 50

Weighting the precipitation in each month allows you to select the Weighting Option that best reflects your area, crop type and management practices.

2.06 Weather Stations and Precipitation Measurements

- a. A network of weather stations is established across the province. Rainfall for the current year is compared to historical rainfall (normal) for the same growing period at the Selected Weather Station(s) to determine a claim.
- b. The Insured can choose up to three weather stations from the network of eligible weather stations that best represent the conditions on their farm and within proximity of their land base. The Insured is not allowed to skip a weather station, and Selected Weather Station(s) are subject to approval by AFSC.
- c. Precipitation used to calculate a claim payment for the current year is limited by the following rules:
 - i. Daily recorded precipitation at a Selected Weather Station(s) is capped at an amount equal to the Normal Precipitation for the month;
 - ii. 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; and,
 - iii. Daily precipitation measurements under 1.0 mm will be considered 0.0 mm, and will not be included in determining the precipitation for the month.
 - iv. This Insuring Agreement includes an extreme temperature trigger that will deduct from the monthly recorded precipitation of the Selected Weather Station(s):
 - 1) 1.0 mm for each day the temperature is 30 Celsius or higher
 - 2) an additional 2.0 mm (3.0 mm total) for each day the temperature is 35 Celsius or higher
- d. Precipitation is recorded at the Selected Weather Station(s). Precipitation in millimeters (mm) at the weather station for the current year is compared to the Normal Precipitation in mm recorded for the same weather station(s). Both the actual and normal amounts are weighted by the option selected at the same weather station(s). This comparison describes a 'percentage of normal', which, if less than the allowable Threshold Moisture percent of normal, initiates a claim payment.

ARTICLE 3. CONDITIONS

3.01 Crop Types

- a. A person who has a direct or indirect conflict of interest with precipitation data provided at one or more Selected 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.
- b. Only pasture land in Alberta is insurable under this Insuring Agreement.

ARTICLE 4. REPORTING DEADLINES

If a reporting deadline date falls on a weekend, the deadline will be extended to the next Business Day.

Last Date to complete the task	Task	Additional information
Last day of February	Apply for, make changes to, cancel Moisture Deficiency Insurance	Before the start of the Crop Year, the Insured must declare: <ul style="list-style-type: none">• Number of acres• Legal land descriptions• Type of Insurable Crop• Insurance price option• Season option Selected Weather Station(s)
June 1	Add and delete land purchased and sold between March 1 and May 31	The Insured will need to provide written proof of the transaction.
December 31	Pay any current year's outstanding accounts	To avoid negatively affecting your credit and to avoid a cash-up-front on Premium for the following insurance year. Insureds can contact their branch to make payment arrangements.

Other Important Deadlines

Document or Incident	Task	Additional Information
Statement of Coverage and Premium (billing)	Review your billing to ensure it is accurate and complete. Report any errors and omissions within 15 days of the date the version is created by AFSC.	AFSC reserves the right to deny additional liability when information contained on the billing reflects what was reported.
Spot-Loss Fire damage	File claim within 14 days after the day the crop was damaged.	See Benefits document for additional information. As MDI is an area-based program, Spot-Loss Fire Benefit is the only inspection that the Insured could make.
Re-Inspection	If a Spot-Loss Fire inspection is requested, Insured's need to request a re-inspection within seven days of the inspection	For re-inspection, see Claims section for additional information.

ARTICLE 5. INSURED ACRES

5.01 Elected Insurable Crop

- All acres of an elected Insurable Crop, whether the land is owned, rented or leased, must be insured, and there is a minimum of 20 acres for this Insuring Agreement.

5.02 Insured Pasture Acres

- a. Insured pasture acres are not insurable under Satellite Yield Insurance or any other crop insurance program, except where AFSC has consented in writing.

5.03 Community Pastures

- a. Insured acreage for Community Pasture will be based on the Risk Area livestock carrying capacity as determined by AFSC.
- b. Community Pastures and forestry grazing leases are optional to insure.

ARTICLE 6. STATEMENT OF COVERAGE AND PREMIUM

6.01 Information

- a. Information provided by the Insured is used to generate a Statement of Coverage and Premium, which explains Coverage and Premium and states AFSC's Coverage limit.

6.02 Billing

- a. The Insured should review their billing carefully to ensure it is complete and accurate. Errors and omissions must be reported to AFSC within 15 calendar days of receipt.

6.03 Denial of Coverage

- a. AFSC reserves the right to deny additional Coverage when information contained on the Statement of Coverage and Premium reflects what is reported by the last day of February.

ARTICLE 7. CLAIMS

7.01 Claim Deadlines and Notice of Loss

The Insured is not required to submit a Notice of Loss to initiate a claim. Payments under this Insuring Agreement 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 Percent of Normal. If the Percent of Normal is less than the allowable Threshold Moisture, an indemnity is automatically paid.

7.02 Statement of Loss and Inspection

- a. Upon calculation of a claim for loss, AFSC will serve the Insured with a Statement of Loss.
- b. If the calculation of a claim for loss results in no payment, the Statement of Loss 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.
- c. If the Insured does not, within seven days of service of the Inspection Report advise AFSC of the Insured's disagreement with the report or does not request a re-inspection, AFSC will issue the Statement of Loss according to the Inspection Report.

- d. When 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.

7.03 Re-Inspection

After an inspection, pursuant to subsection 7.02c, 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. AFSC reserves the right to charge a fee for Insured requested re-inspection of crops.

7.04 Insured Crop Put to Another Use

- a. After the start of the Crop Year, if an Insured Crop is intended to be ploughed down or sprayed out, the Insured must provide AFSC with prior notification to obtain release.
- b. If the released pasture acres are subsequently seeded to an elected annual crop, then these acres can be transferred to an annual crop Policy, subject to the Terms and Conditions, and the Insuring Agreement for the annual Insurable Crop.
- c. 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].

7.05 Service of Documents

- a. Service of the Statement of Loss may be effected on the Insured by:
 - i. personal service;
 - ii. ordinary mail or registered mail, in which case service is deemed to have been effected;
 - 1) seven days from the date of mailing if the document is mailed in Alberta to an address in Alberta, or
 - 2) 14 days from the date of mailing if the document is mailed to an address located outside of Alberta; or
 - iii. by facsimile, email or other electronic means in accordance with AFSC's most recent records for the Insured.
- b. Where there is more than one Insured in respect of the crop for which a loss has been made, service of the Statement of Loss on one of the Insured is deemed to be service on all the Insureds.

7.06 Deferrals

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

ARTICLE 8. INDEMNITIES

8.01 Indemnity Assessment

Losses are paid when accumulated precipitation at the Selected Weather Station(s) falls below the Normal Precipitation for that weather station according to the payment schedule.

- a. An Indemnity for each Insurable Crop shall be calculated as follows:
 - i. [Dollar Coverage x Payment Rate]The maximum Indemnity payable shall be 100 percent of the Dollar Coverage.
- b. The Payment Rate will be based on the average of the Payment Rates for the Insured's Selected Weather Station(s).
- c. 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. For each 2% decrease that the Percent of Normal Moisture is below the Threshold Moisture, the Payment Rate will increase by 5% of the insured Dollar Coverage.
- d. 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.
- e. This Insuring Agreement includes a Full Season Indemnity comparison that generates an additional payment if the Full Season calculates more than the sum of the Split Season options.
 - i. When the claim payments are calculated, each Split Season claim payment is calculated and added together for the total Indemnity.
 - ii. Then the Full Season payment is calculated using the corresponding weighting option without the Split Season.
 - iii. If the Indemnity for the Full Season is higher than the combined Split Season Indemnity, the Insured will receive the additional amount at the end of the season.
- f. The total Indemnity paid is the greater of the combined Split Season indemnities or the Full Season indemnity.

MDI Payment Schedule				Full Season Comparison Table			
Annual Moisture (% of Normal)	Payment Rate (% of Dollar Coverage)	Annual Moisture (% of Normal)	Payment Rate (% of Dollar Coverage)	Annual Moisture (% of Normal)	Payment Rate (% of Dollar Coverage)	Annual Moisture (% of Normal)	Payment Rate (% of Dollar Coverage)
>=70	0	50	50	>=80	0	60	50
69	5	49	55	79	5	59	55
68	5	48	55	78	5	58	55
67	10	47	60	77	10	57	60
66	10	46	60	76	10	56	60
65	15	45	65	75	15	55	65
64	15	44	65	74	15	54	65
63	20	43	70	73	20	53	70
62	20	42	70	72	20	52	70
61	25	41	75	71	25	51	75
60	25	40	75	70	25	50	75
59	30	39	80	69	30	49	80
58	30	38	80	68	30	48	80
57	35	37	85	67	35	47	85
56	35	36	85	66	35	46	85
55	40	35	90	65	40	45	90
54	40	34	90	64	40	44	90
53	45	33	95	63	45	43	95
52	45	32	95	62	45	42	95
51	50	<=31	100	61	50	<=41	100
Note: >= means “greater than or equal to” and <= means “less than or equal to”							

8.02 Calculation of Indemnity

Example: Indemnity calculation

- 1,000 acres of improved pasture insured at \$50 per acre = total Coverage \$50,000
- Option B selected; Short Split Season (May, June, July precipitation)
- Number of days with highs of 30 Celsius or higher
 - May – 0 days; June – 2 days (June 20 & 21); July – 5 days
- Number of days with highs of 35 Celsius or higher
 - May – 0 days; June – 0 days; July – 2 days

Coverage is split to match the season option chosen.

Early Split Coverage

Total Coverage x (May Moisture Weighting + half of June Moisture Weighting)

$$= \$50,000 \times (40\% + 15\%)$$

$$= \$50,000 \times 55\% = \$27,500 \text{ Coverage}$$

Late Split Coverage

Total Coverage x (half of June Moisture Weighting + July Moisture Weighting)

$$= \$50,000 \times (15\% + 30\%)$$

$$= \$50,000 \times 45\% = \$22,500 \text{ Coverage}$$

Period of Moisture	May	June 1 - 15	June 16 – 30	July	Total ***
Measured Moisture (mm)*, **	17	61	41	45	
Less adjustment for Extreme Heat:					
Day highs at 30 Celsius or higher	0	0	-2	-5	
Day highs at 35 Celsius or higher	0	0	0	-4	
Measured moisture (with capping) less extreme heat	17	61	39	36	
Normal Moisture (mm)	55	40	33	86	
Percentage of Normal Moisture prior to weighting	30.9	152.5	118.2	41.9	
Weighting Option (%) Period of Moisture	40	15	15	30	
Percentage of Normal Moisture	12.4	22.9	17.7	12.6	

*Daily moisture is capped at an amount equal to the normal moisture for the month

**Monthly moisture is capped at 150 percent of the normal moisture for the month.

***Rounded down for payment calculation

Measurements that are less than 1.0 mm will be considered 0.0 mm, and will not be included in determining the precipitation for the month

Monthly Calculation of Weighted % of Normal (for the month of May)

Weighted % of Normal = Measured Moisture / Normal Moisture x Monthly Weighting

$$= 17 / 55 \times 40\%$$

$$= 12.4\%$$

Early Split

= 12.4% + 22.9%

= 35.3% / 55% of Coverage

= 64.2% or 64% of normal

Early Split of 64% of normal results in a payment rate of 15% = \$27,500 x 15% payment rate = \$4,125

Late Split

= 17.7% + 12.6%

= 30.3% / 45% of Coverage

= 67.3% or 67% of normal

Late Split of 67% of normal results in a payment rate of 10% = \$22,500 x 10% payment rate = \$2,250

Total Split Season Indemnity

\$4,125 + 2,250 = \$6,375

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

= 12.4% + 22.9% + 17.7% + 12.6% = 65.6% or 65% of normal

Full Season of 65% of normal results in a payment rate of 15% = \$50,000 x 15% = \$7,500

Additional Indemnity Full Season less the total Split Season indemnity = \$7,500 - \$6,375 = \$1,125

As the full season indemnity calculates higher than the total split season indemnity, an additional payment of \$1,125 would be made at the end of the season.

Disclaimer: Daily precipitation received from Alberta Agriculture, Forestry and Rural Economic Development (AFRED) will be rounded to the nearest 0.1 mm.