

Canada-Alberta
AgrilInsurance Products

**NEW CROPS INSURANCE INITIATIVE
INSURING AGREEMENT**

For 2023 Annual Crops



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NEW CROPS INSURANCE INITIATIVE INSURING AGREEMENT

AFSC will indemnify the Insured at the same percentage rate of the loss of the Insured's Crop Insurance Policy using the Dollar Coverage 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.

New Crop Insurance Initiative provides protection to new and non-traditional crops that are not insurable under other AFSC insurance programs.

ARTICLE 1. DEFINITIONS

"Insurable Crop" means any crop that AFSC deems to have a reasonable chance of harvest and is not eligible for any production-based or area-based insurance product offered by AFSC.

"Cost of Production" means specific costs associated with seed bed preparation, seeding, spraying, harvesting, irrigation, and Land Opportunity Cost Factor as determined by AFSC.

"Coverage" means the amount of production for a crop that AFSC insures based on the Insured's Final Individual Normal Yield for Insurable Crops under this Insuring Agreement.

"Coverage Level" means 70 percentage of the Final Individual Normal Yield.

"Designated Peril" The Designated Perils listed under Article 1 of the Terms and Conditions do not apply to this insuring agreement.

"Dollar Coverage" means for an Insurable Crop, the Coverage multiplied by the Insurance Price, and if required, the Cost of Production.

"Establishment Year" means the year in which the perennial crop is seeded.

"Final Individual Normal Yield" means the yield upon which Coverage is offered to an Insured as calculated by AFSC.

"Land Opportunity Cost Factor" means a provincial value set by AFSC added to Cost of Production coverage to account for the lost value of seeding and insuring to an alternate crop that has higher Dollar Coverage.



ARTICLE 2. SPECIFICATIONS

2.01 Coverage

Coverage is a fundamental part of any insurance Policy and is based upon the Insured's average yield and Cost of Production for the specific crop insured.

- a. **Individual Coverage:** will use the available yield records when the Insured has grown and insured the crop. Yields up to 10 years old can be used in the Coverage calculation.
- b. **Start-up:** Missing yields will be filled in with the current year's Cost of Production for the crop and land use. If the Insured does not have any yield records available, Coverage will be based entirely on the Cost of Production. As the Insured grows and insures the crop, the Cost of Production values will be replaced with actual yield produced multiplied by 70 percent, then multiplied by the current year's market price for the Insured Crop.
- c. **Average Yield:** An Insured's average yield for a crop type is based on the average of the yield records AFSC has recorded for the crop. Yield records are gathered on Harvested Production Reports (HPR) provided by the Insured.
- d. **One-year lag:** Actual yields are not available immediately for use as it takes time to gather and verify information. Yields produced and reported in the current year will not be available to calculate Coverage for the following year; it will first be used to set Coverage the second year.

Rules for yield records use:

- i. The average of up to five of the most recent yield records for a crop when there are five or more yield records available. Yield records older than 10 years will not be used.
- ii. For Coverage, AFSC will determine the minimum number of acres needed for the Harvested Production yield to be included in the calculation of the Insured's Coverage for the specific crop.

2.02 Irrigation Coverage

- a. Insurable Crop(s) grown on irrigated land are eligible for separate Coverage if:
 - i. those crops are declared as irrigated;
 - ii. there is an adequate source of water;
 - iii. the Insured has reliable irrigation equipment;
 - iv. adequate irrigation water is applied on a timely basis; and
 - v. the Insured maintains an up-to-date log showing the dates and approximate amounts of rainfall and irrigation water applied to each Insured Crop.
- b. AFSC may reclassify the Insured Crop as grown on dryland if:
 - i. the Insured fails to fulfill all or part of the conditions in subsection (a) above.
- c. Irrigated acres are insured separately from dryland acres of the same crop:
 - i. acres must be identified as irrigated or dryland on the Land Report; and
 - ii. Harvested Production from irrigated and dryland acres must be stored and reported separately.

2.03 Coverage Restrictions

AFSC, in its discretion may limit, restrict, exclude or deny Coverage, in whole or in part, for the following:

- a. in the event AFSC determines by the application deadline that an Insured has a high risk of Production Loss;
- b. where the land is subject to repeated flooding or where excess moisture is a recurring problem;
- c. major changes are made in management practices, acreage, land location, confirmed yields or experience;
- d. the Insured makes a change that increases AFSC's risk without notifying AFSC thereof and AFSC accepting the same risk; or
- e. any other practice or action taken by the Insured that would prove detrimental to or limit production of the Insured Crop.

2.04 Pricing

- a. **Spring Insurance Price:** In the spring, AFSC will determine the commodity price for the Insurable Crop for the coming Crop Year.
- b. **Cost of Production:** The specific costs are:
 - i. fertilizer, pesticide, herbicide;
 - ii. seed and seed treatment;
 - iii. fuel;
 - iv. utility and water cost associated with irrigation; and
 - v. Land Opportunity Cost Factor, and
 - vi. any other costs deemed appropriate by AFSC

2.05 Premium

- a. **Minimum Premium:** There is a minimum \$25 of total Premium required per insurance Policy.
- b. **Rates:** Premium rates are set annually based on historical losses of a select number of crops. Premium rates vary by practice, dryland versus irrigated. All Insurable Crops have the same premium rate regardless of where they are grown in the province. The Insured's Premium is calculated by multiplying the Dollar Coverage by the Insured's share of the premium rate and applying any applicable premium adjustments.
- c. **Cost Share:** Federal and provincial governments support AgrilInsurance programs by paying all administration expenses and sharing premium costs with the Insured.
- d. **Adjustments & Discounts:**

2%	Continuous Participation Discount	Applies after the first insurance year unless the Insured does not have an active Policy or losses for one year then will be zeroed and needs to be 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

2.06 Election and Renewal

- a. **Application:** New clients must apply for insurance on or before April 30 and AFSC will evaluate eligibility for insurance. Producers are required to demonstrate their legal, financial and operational independence, and can contact AFSC for application documents.
- b. **Renewal Process:** Insurance remains in effect from year to year therefore an Insured who elected insurance in the previous year will be automatically renewed based upon the previous year's information, excluding the number of Declared Acres. Personalized renewal notices are available in March. The Insured is responsible to review the information and if changes are required, complete a change request form online or return the form to an AFSC insurance representative by mail, fax, email, in person, or request changes by phone, no later than April 30.
- c. **Declared Acres:** are the total number of acres seeded and those intended to be seeded to NCII crops.
- d. **Hail Endorsement:** offers spot-loss coverage and may be elected on a crop by crop basis by April 30. AFSC reserves the right to not provide Hail Endorsement on crops that hail damage cannot be accurately assessed by AFSC Claims Adjusting Services. Refer to the Hail Endorsement Insuring Agreement for additional information.

**Straight Hail Insurance can be purchased on a field by field basis until July 31.
Refer to the Straight Hail Contract of Insurance for additional information.**

ARTICLE 3. CONDITIONS

3.01 Client Eligibility

- a. The Insured is required to have an active Crop Insurance Policy with insured acres for the current year and:
 - i. When the Insurable Crop is on irrigated acres, the Insured's Crop Insurance Policy is required to have insured irrigated acres; or
 - ii. When the Insurable Crop is on dryland acres, the Insured's Crop Insurance Policy is required to have insured dryland acres.

3.02 Crop Eligibility

- a. Perennial seed crops are not eligible for Coverage in the Establishment Year.
- b. Acres of Insurable Crops must be located within a reasonable distance from the insured acres under the Insured's active Crop Insurance Policy, as determined by AFSC.
- c. AFSC reserves the right to not provide Coverage on crops when the request for Coverage does not provide AFSC the necessary time to gather agronomic information for a new crop type, or to determine Coverage and Premium for the new crop type.
- d. AFSC reserves the right to deny Coverage for crops that are not considered to have a reasonable chance of harvest or where the Cost of Production cannot be determined for the crop.

3.03 Seeding Deadlines

Seeding deadlines will be set on a crop by crop basis and will be determined by AFSC.

3.04 Restrictions

The Variable Price Benefit, Reseeding Benefit, and Unharvested Acreage Benefit are not available 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
April 30	Apply for, make changes to, cancel NCII insurance	Elected options include: <ul style="list-style-type: none">• Insurable Crops• Hail Endorsement• Declared Acres
June 20	File Land Report	See Land Report section for requirements when filing your Land Report.
June 25	File Land Report with late filing fee	Failure to file by this deadline will result in no Coverage being provided.
November 15	File Harvested Production Report (HPR)	See Harvested Production section for requirements when filing your HPR.
December 31	<ul style="list-style-type: none">• File Harvested Production Report (HPR) with late filing fee• Pay any current year's outstanding accounts	<ul style="list-style-type: none">• Failure to file an HPR by this deadline will result in a yield recorded as zero and no Indemnity will be calculated.• To avoid negatively affecting your credit and to avoid a cash-up-front on Premium for the following insurance year, Insureds can contact their AFSC branch office 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.

ARTICLE 5. INSURED ACRES

5.01 Insured Acres Details

- a. All eligible acreage and seeded acreage of an elected Insurable Crop, whether owned, rented or crop-shared, must be insured. Insured acres are not insurable under any other crop insurance program, except for applicable Endorsements or where AFSC has consented in writing.

Cash rent and crop-share landlords are not eligible for insurance as they are not responsible for the agronomic decisions and do not receive the majority of the proceeds from the sale of the crop.

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

ARTICLE 6. LAND REPORT

6.01 Land Report Details

- a. A Land Report must be filed once seeding is finished and no later than June 20.
- b. The Insured must report all annual spring and fall crops on land that is owned, rented, or crop-shared and include the following information for each field:
 - i. legal land description for the location including the part;
 - ii. number of seeded acres, or the number of acres intended for summerfallow in the current year;
 - iii. crop type and variety seeded;
 - iv. whether the acres are seeded on Stubble or Summerfallow; and on dryland or irrigated land;
 - v. seeding date;
 - vi. cropping and tillage practice;
 - vii. report acres too wet to seed by quarter section, including whether fertilizer had been incorporated or not, and if the land is irrigated or not; and
 - viii. summary of insured acres for each crop.
- c. AFSC reserves the right to reject requests for changes to the Land Report after the June 20 filing deadline.

ARTICLE 7. STATEMENT OF COVERAGE AND PREMIUM

7.01 Statement of Coverage and Premium Details

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

- c. AFSC reserves the right to deny additional Coverage when information contained on the Statement of Coverage and Premium reflects what is reported on the Land Report.

ARTICLE 8. CLAIMS

8.01 Claim Deadlines and Notice of Loss

The Insured is required to submit a Notice of Loss to initiate a claim. The required timeframes for the Notice of Loss and the deadline to initiate a claim are as follows:

- a. Harvested Production Report (HPR): on a form acceptable to AFSC once harvest is complete and not later than November 15.

8.02 Statement of Loss and Inspection

- a. Upon receipt of a claim for loss:
 - i. where AFSC processes a claim, AFSC will serve the Insured with a Statement of Loss.

8.03 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 loss, service of the Statement of Loss on one of the Insured is deemed to be service on all the Insureds.

8.04 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. As Indemnities are calculated and processed without an inspection, the Insured must notify AFSC to defer an Indemnity prior to Indemnities being issued.

ARTICLE 9. PRODUCTION

9.01 Harvested Production Report (HPR)

- a. An HPR must be submitted online or to an AFSC branch office when harvest is complete, and no later than November 15.
- b. A late filing fee will be applied for HPRs submitted after the November 15 deadline.

- c. For each Insured, Crop, the Insured is required to provide:
 - i. Field documentation information including:
 - 1) legal location,
 - 2) acres insured,
 - 3) whether the field is fallow, stubble or irrigated,
 - 4) harvested yields including:
 - a) acres harvested,
 - b) yield per acre, and
 - c) total yield;
 - 5) variety of crop;
 - ii. Date harvest was completed and method of harvest;
 - iii. Unharvested and abandoned acre information including number of acres, reason, and yield estimate;
 - iv. Agronomic information including seeding rate, seed treatment, fertilizer applications, and spraying information.
- d. If the HPR is not submitted by the Insured before December 31, the yield will be recorded as zero.
- e. The Insured may request corrections or revisions to the existing HPR record for a Crop Year, up to August 15 of the next Crop Year for annual crops, by providing supporting documentation that is satisfactory to AFSC.

ARTICLE 10. INDEMNITY

10.01 Calculation of Indemnity

- a. The total Indemnity and the total Dollar Coverage, including Variable Price Benefit and Quality Loss, from the associated Crop Insurance Policy are used to calculate the loss percentage for the insured dryland and insured irrigated acres separately. The Indemnities that are used for the calculation will be the gross awards from the pre-harvest Statement of Loss and post harvest Statement of Loss. The loss percentages for will be calculated as follows:
 - i. $\text{Loss percentage on dryland acres} = (\text{Pre-harvest gross award on dryland acres} + \text{Post harvest gross award on dryland acres}) / \text{Total Dollar Coverage on dryland acres}$
 - ii. $\text{Loss percentage on irrigated acres} = (\text{Pre-harvest gross award on irrigated acres} + \text{Post harvest gross award on irrigated acres}) / \text{Total Dollar Coverage on irrigated acres}$
 - iii. The loss percentages from the Insured's Crop Insurance Policy will be multiplied by the total Dollar Coverage for the New Crop Insurance Initiative (NCII) Policy to calculate the Indemnity as follows:
 - iv. $\text{NCII Indemnity} = (\text{Loss percentage on dryland acres} \times \text{NCII Dollar Coverage on dryland acres}) + (\text{Loss percentage on irrigated acres} \times \text{NCII Dollar Coverage on irrigated acres})$
 - v. The maximum Indemnity payable shall be 100% of the Dollar Coverage.
- b. If the Indemnity rate or loss percentage for the Insured's Crop Insurance Policy is not available or insufficient to calculate the payment rate, this Contract will cease to be enforceable against AFSC and cease to have any effect against AFSC. AFSC will then return to the Insured all paid Premium, less any applicable discount.

Indemnity example

The Indemnity for NCII crops shall be calculated separately for dryland and irrigated land and will be the average loss rate of all crops insured under the Insured's Crop Insurance Policy. An Indemnity for each Insured Crop shall be calculated separately for dryland and irrigated land as follows: [Dollar Coverage x loss percentage].

Assumptions: Under the NCII Policy there is \$40,000 of irrigated Dollar Coverage and \$20,000 of dryland Dollar Coverage for a total of \$60,000 Dollar Coverage. Loss percentage is equal to total crop Indemnity divided by total crop Dollar Coverage.

Under the Insured's Crop Insurance Policy, there are three crops insured, one as irrigated and two as dryland.

Crop Insurance	Total Crop Insurance Coverage	Total Crop Insurance Indemnity	NCII loss percentage
Canola (irrigated)	\$40,000	\$30,000	75%
Irrigated loss percentage = 30,000 / 40,000 x 100%			
Yellow Peas (dryland)	\$30,000	\$26,000	81.82%
Hard Red Spring Wheat (dryland)	\$80,000	\$64,000	
Dryland totals	\$110,000	\$90,000	
Dryland loss percentage = 90,000 / 110,000 x 100%			

NCII Indemnity calculations:

- Irrigated Indemnity = $\$40,000 \times 75\%$ = \$30,000
- Dryland Indemnity = $\$20,000 \times 81.82\%$ = \$16,364
- Total NCII Indemnity = \$46,364