



Weather Derivative Programs

Providing insurance beyond the core multi-peril Crop Insurance Program, weather derivative programs can be used in addition to existing coverage, or as stand-alone coverage for traditional and non-traditional crops.

WEATHER DERIVATIVE PROGRAMS

Table of Contents

Forage Rainfall Insurance Program	47	Corn Heat Unit Program	50
To Enroll	47	To Enroll	51
Coverage	47	Coverage	51
Claims.....	48	Claims.....	51
Claim Calculation Examples.....	48		
Annual Crop Weather Based Insurance Program	49		
Coverage	49		
Premiums.....	49		
Claims.....	50		
Precipitation Payment	50		
Early Fall Frost Payment	50		

Forage Rainfall Insurance Program

Pastureland production depends upon timely precipitation. The Forage Rainfall Insurance Program (FRIP) is available on native forage and tame grazing acres, protecting pastureland in the event that seasonal precipitation is below the long-term average. This is the only sustainable insurance program available for native forage. Provincial and federal grazing pastures are excluded.

To Enroll

There is no limit to the number of acres you may insure, but a minimum of 10 acres per legal land description is required. The deadline to apply for, reinstate, cancel or make changes to your FRIP endorsement is March 31, 2008. Your contract is continuous and unless you make changes to your endorsement by March 31, your 2007 selections will remain the same for 2008.

Coverage

FRIP premiums are cost shared. Producers will pay 40 per cent while governments pay 60 per cent. Experience discounts and surcharges do not apply. Premium rates are calculated using weather station historical precipitation data, the weighting option and precipitation cap that you select.

For each land location you wish to insure you must select the following:

- Weather station
- Weighting
- Precipitation cap

The weather station you select must be within 100 kilometres of your land location.

Coverage levels follow three soil zones along township boundaries. Your land location, not the weather station you select, determines your coverage per acre.

Soil Zone	Tame Grazing \$ per Acre	Native Forage \$ per Acre
Black/Grey	\$20	\$10
Dark Brown	\$16	\$9
Brown	\$9	\$6

The coverage levels map and the weather station map can be found at www.saskcropinsurance.com or pages 78 – 79.

You must also select the weighting option for each land location insured. This allows you to weight the April to July precipitation to best suit the growing season of your specific forage variety and your management plans for grazing your pasture.

Monthly Precipitation Weighting Options					
	April	May	June	July	Total
Option 1	30%	30%	30%	10%	100%
Option 2	10%	40%	40%	10%	100%
Option 3	10%	30%	30%	30%	100%

Finally, select a precipitation cap of either 125 or 150 per cent for each land location you insure; any precipitation more than this selected cap in any month will not be included in the claim calculation.

For calculation scenarios, please go to the FRIP premium and coverage “what-if” calculator at www.saskcropinsurance.com or contact your customer service office.

Claims

A claim is triggered when the precipitation at your selected weather station is below 80 per cent of normal. For each percentage point below that 80 per cent, 2.5 per cent of liability will be paid.

The indemnity calculation is based on your selected monthly precipitation weighting and your selected precipitation cap; any precipitation more than this selected cap will not be included.

Quality control measures include verification of all weather station data by a third party (independent of Crop Insurance) using procedures approved by an accredited meteorologist. Precipitation includes all rainfall and snowfall amounts. Only verified data is used in claim calculations.

Claims do not have to be filed; they are automatically calculated in August based strictly upon weather station data. Verified monthly precipitation amounts will be available at www.saskcropinsurance.com and your customer service office.

FRIP is not an individual production program; precipitation determined for the selected weather station is the only means of determining a claim. Claims are not tied to individual yields or the amount of precipitation on individual parcels of land.

Claim Calculation Examples

The examples on the following pages use identical precipitation data to demonstrate the impact the monthly weighting and precipitation cap selection has on your FRIP coverage.

You enroll 100 acres of tame grazing in the dark brown soil zone at \$16/acre coverage. You are covered for a total liability of 100 x \$16/acre coverage = \$1,600.

Example at 30-30-30-10 and precipitation cap of 150 per cent:

(weighting)	Long-Term Normals	Monthly Precipitation	% Normal Monthly Precip./long-term normal = % of normal (maximum of 150%)	Value for Monthly Weighting	Monthly Weighted % of Normal x monthly weight = monthly weighted % of normal
April (30)	25mm	40mm	160% (150% cap)	30%	45%
May (30)	45mm	32mm	71%	30%	21%
June (30)	70mm	33mm	47%	30%	14%
July (10)	65mm	16mm	25%	10%	3%
					= 83% of normal

Monthly weighted precipitation is greater than 80%; therefore, no indemnity is paid.

Example at 10-40-40-10 and precipitation cap of 125 per cent:

(weighting)	Long-Term Normals	Monthly Precipitation	% Normal Monthly Precip./ long-term normal = % of normal (maximum of 125%)	Value for Monthly Weighting	Monthly Weighted % of Normal x monthly weight = monthly weighted % of normal
April (10)	25mm	40mm	160% (125% cap)	10%	13%
May (40)	45mm	32mm	71%	40%	28%
June (40)	70mm	33mm	47%	40%	19%
July (10)	65mm	16mm	25%	10%	3%
= 63% of normal					

Indemnity Payment Calculation
 $= (80\% - 63\%) \times 2.5\% = 42.5\%$

Indemnity Payment on Liability
 $= 42.5\% \times \$1,600 = \680.00

Annual Crop Weather Based Insurance Program

The Annual Crop Weather Based Insurance Program can be used in addition to existing coverage or as stand-alone coverage for traditional and non-traditional crops. This simplified, area-based program provides payments for a lack of precipitation or an early fall frost (i.e. temperature at or less than 0°C) determined at the selected weather station. The Annual Crop Weather Based Insurance Program was developed as a non-intrusive program for those producers who did not wish to deal with the day to day requirements that multi-peril customers deal with, such as farm visits and form completion and return.

Coverage

All acres insured under this program must be cultivated with the intention to seed and harvest in 2008. You must select a weather station within 100 kilometres of your land. You are limited to selecting one weather station per quarter section, but different stations may be selected for different quarters.

Legal land descriptions, annual crop acres and weather stations must be updated. Failing to update this information will result in uninsured acres under this option. If you wish to cancel or change your selections, you must contact Crop Insurance.

\$75 Stand-Alone Option	Basic \$10 Top-Up Option	Enhanced \$25 Top-Up Option
<p>This option is suitable for producers with diversified crops that are not covered by other Crop Insurance programs.</p> <p>Acres insured under this option cannot be insured under the core multi-peril Crop Insurance program, the Diversification Option (page 24) or the Crop Averaging Program (page 25).</p>	<p>Acres insured under this option may also be insured under the core multi-peril Crop Insurance program (including the Diversification Option) or Crop Averaging Program.</p>	<p>Acres insured under this option may also be insured under the core multi-peril Crop Insurance program (including the Diversification Option) or Crop Averaging Program.</p>

Premiums

Under the Agricultural Policy Framework (APF), the basic \$10 top-up and \$75 stand-alone options are considered comprehensive coverage. Producers will pay 40 per cent of the total premium amount and federal and provincial governments will pay the remaining 60 per cent.

The enhanced \$25 top-up option is structured differently. The first \$10 of coverage is cost shared at 40 per cent producer and 60 per cent governments, while the remaining \$15 coverage top-up is paid 66.7 per cent by producers and 33.3 per cent by governments.

To calculate premium scenarios for weather stations in your area, please visit the Annual Crop Weather Based Insurance Program premium and coverage “what-if” calculator online or contact your customer service office.

A Statement of Insurance confirming your insurance selections and premiums will be sent to you in May.

Claims

Payments are based on a lack of precipitation or an early fall frost (i.e. temperature at or less than 0°C) determined for the selected weather station. The precipitation and temperature determined at the selected weather station will be the only method of determining payment. Claims do not have to be filed, but are automatically calculated in November and after all weather stations have recorded 0°C.

This is not an individual production program. Indemnities are not tied to your yields, the amount of precipitation or the temperature on the specific parcel of land you insure.

For example, frost occurring on your farm but not at your selected weather station will result in a zero payment. Insurance coverage for specific yield losses is provided under the core multi-peril Crop Insurance program, which must be purchased separately.

Only quality controlled data will be used in claim calculations. Quality control measures include verification of all weather station data by a third party (independent of Crop Insurance) using procedures approved by an accredited meteorologist. Precipitation includes all rainfall and snow amounts.

Precipitation Payment

A claim is triggered when the precipitation from May 1 to August 31 falls below 70 per cent of normal at the selected weather station. For each

percentage point of precipitation below 70 per cent, 2.5 per cent of liability will be paid. Total liability will be paid when the precipitation for the four-month period falls to below 30 per cent of average according to the monthly weightings.

Recognizing the importance of timely precipitation, the months are weighted as:

May	30%
June	30%
July	30%
August	10%

The average per cent of normal precipitation for the four months will be used for calculating an indemnity. The calculation includes a monthly maximum of 150 per cent of normal. Precipitation greater than 150 per cent of normal for the given month will not be included.

Early Fall Frost Payment

A claim is triggered if the daily temperature determined for the selected weather station falls to or below 0°C between the midpoint of the defined growing season and three days before the average first fall frost date (referred to as your three-day deductible). Claims are paid at two per cent of liability for each day between the date the early frost occurred and the third day preceding the average first fall frost date.

If you have claims for both lack of precipitation and frost, only the greater of the two will be paid.

Precipitation normals, average first fall frost dates, first and last coverage dates are available at www.saskcropinsurance.com and your customer service office.

Corn Heat Unit Program

Corn depends on timely heat units. The Corn Heat Unit is a weather-based program that insures against a lack of corn heat units over the growing season.

This program provides a risk management option to feed and grain corn producers.

The Corn Heat Unit Program is not an individual production program; corn heat units determined for the selected weather station are the only means of determining a claim. Indemnities are not tied to individual yields or the corn heat units recorded on individual parcels of land.

To Enroll

The insurable area for this program includes data from 12 weather stations. To determine your eligibility, see the map on page 80, online, or contact your customer service office.

Corn acres insured under the Corn Heat Unit Program are not eligible for coverage under the Diversification Option or the Forage Diversification Option.

Corn acres not eligible for coverage under this program are eligible for insurance under the Diversification Option, or the \$75 stand-alone option under the Annual Crop Weather Based Insurance Program, or the Forage Diversification Option (page 41).

Coverage

Experience discounts and surcharges do not apply. Premium rates are calculated for participating weather stations based on historical heat unit data.

The corn heat unit calculation is a standard North American formula modified for the specific area measuring the maturity of corn. In the designated area, the normal value for the 2008 crop year is 2,100 corn heat units. Annual corn heat units accumulate from May 15 until the daily minimum temperature first reaches -2°C or less after July 1. You are limited to selecting one weather station per insured parcel of land within 120 kilometres.

Producers may select insured values of \$100, \$200 or \$300 per acre. You may insure any number of acres but you do not need to insure all your corn acres. All acres on that contract must be insured at the same level of coverage. At the time of

enrolment, you must declare all acres selected for coverage.

If you seed fewer acres than were declared, your premium will be adjusted accordingly.

If you seed more acres, the declared acres will be used for premium calculations. These acres must be seeded to corn.

Claims

For corn heat units below 2,100, liability will be paid according to the following table. Payments begin when the cumulative corn heat units recorded is below 2,100. There is a deductible of 20 per cent of dollar coverage, meaning that for \$100 insured value, the maximum payout is 80 per cent or \$80. Maximum liability will be paid when the corn heat units fall to 1,639.

Indemnity Payment Schedule

CHU Accumulated	% Liability Paid	CHU Accumulated	% Liability Paid
2,100 and over	0%	1,840-1,859	39%
2,080-2,099	3%	1,820-1,839	42%
2,060-2,079	6%	1,800-1,819	45%
2,040-2,059	9%	1,780-1,799	48%
2,020-2,039	12%	1,760-1,779	52%
2,000-2,019	15%	1,740-1,759	56%
1,980-1,999	18%	1,720-1,739	60%
1,960-1,979	21%	1,700-1,719	64%
1,940-1,959	24%	1,680-1,699	68%
1,920-1,939	27%	1,660-1,679	72%
1,900-1,919	30%	1,640-1,659	76%
1,880-1,899	33%	Less than 1,639	80%
1,860-1,879	36%		

Claims do not have to be filed but are automatically calculated in November based strictly upon weather station data. Quality control measures include verification of all weather data by a third party (independent of Crop Insurance) using procedures approved by an accredited meteorologist. Only verified data will be used in claim calculations. Corn heat unit information may be found at www.saskcropinsurance.com and at your customer service office.