

INSURANCE

Eligibility Guidelines Relating to Independent Farm Units

Eligibility

- Specific criteria determines the eligibility of a producer for an MASC AgrilInsurance contract.
- A producer is defined as one or more persons, a partnership or a corporation that operates a farming business.
- A producer (or landlord) should be independent of all other producers insured under the program in three main areas; legal, financial and operational.
- Two or more persons or operators, that are judged not to be legally, financially or operationally independent for insurance purposes, are classified as one operating entity and are eligible for only one insurance contract.
- Producers that are in transition to full independence may be granted an individual contract but are subject to further reviews in subsequent years.
- All contracts are subject to a review of independence by MASC if eligibility concerns are identified.

Individual Versus Common Interest

- The majority of producers in Manitoba operate as single independent businesses.
- Many farmers, for a variety of reasons, operate collectively or have a common interest in a particular farming operation or enterprise. These operations are characterized by varying degrees of legal, financial and operational dependence among the individuals involved.
- Independence is assessed on a case by case basis due to the uniqueness of each arrangement.

Importance of Eligibility

AgrilInsurance is based on the following principles:

Production offsets within a crop type

- Indemnity payments occur if total production for an insured crop falls below a pre-determined coverage level.
- Low production from one field may be offset by higher production from another field of the same crop.
- Indemnities are paid on the shortfall between total production and total coverage for the entire acreage of an insured crop.
- Premiums charged are calculated based on offsetting production at the whole farm level.

Actuarial soundness

- Premiums that fund the program come from participating producers and the federal and provincial governments.
- Total premiums paid should exceed claim payouts over time.
- Premium rates are directly related to the probability of loss due to natural hazards.

Fairness and equity

- Splitting a farm operation into two or more units with separate contracts reduces the amount of offsetting and increases the probability of claim payments. Such payments must be made up by all participating producers and the two levels of government through increased premium rates.
- Monitoring contract eligibility is necessary to ensure fairness and equity for all producers.

Affordability

- Monitoring contract eligibility is also necessary to maintain the affordability of premium rates.

Long term financial viability

- The added cost related to farm splitting (i.e. allowing unwarranted farm units) erodes the overall effectiveness of the program.

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Determining Eligibility

MASC has developed a process to determine eligibility that is consistent and objective. The following points summarize this process.

Questionnaire

- Assessment of independence begins with a questionnaire completed by the producer and the MASC insurance agent at the time of application for a contract.
- The questionnaire provides information on land tenure, machinery use and ownership, grain storage, farm management decisions and finance.
- These questions have been reviewed by the Human Rights Commission.

Eligibility scoring

- The information is reviewed and scored by MASC.
- A standardized scoring system is used to determine the degree of independence of each applicant.
- Each of the five categories (land, management, storage, machinery, finances) receives a score that reflects the level of independence.
- The total score represents a fair, objective and consistent measure on which to base the decision of independence for insurance purposes.

Results

- Scores within given ranges will lead to one of two outcomes:
 - allow an independent contract or
 - require an amalgamation with one or more farm operations for insurance purposes, due to lack of independence

Landlord Contracts

- Landlord Contracts are issued to producers that farm on a crop-share basis. Producers applying for a Landlord Contract must provide MASC proof of a bona fide share agreement and proof of farm income such as a tax record or sales ticket.

Application Deadline

- **March 31** is the deadline to apply for an AgrilInsurance Contract.
- With respect to Excess Moisture Insurance:
 - **November 30** of the year prior to seeding is the deadline for selecting the Higher Dollar Value Option and/or the Reduced Deductible Option.
 - Land added after **March 31** will only be eligible for EMI coverage if it has been purchased.

For more information contact your local MASC insurance agent or visit masc.mb.ca

Note: This information sheet contains general information only and does not form part of the AgrilInsurance Contract between an insured and MASC. In all cases, the AgrilInsurance Contract shall prevail.