

Hail Insurance Council of Saskatchewan

Hail Insurance Study Guide

.....Introduction.....

This Guide is written as study material for the Saskatchewan Hail Insurance Agent's Licensing Examination. The basic rules, procedures, and coverages and conditions for hail insurance are specified in the Saskatchewan Insurance Act, which is called "the Act" in this Guide. The Act is legislation which outlines the rules for all types of insurance in Saskatchewan, and 17 of the 475 Sections of the Act relate to Hail Insurance. Of those 17 hail sections, some are omitted from this guide as they relate to uncommon situations or information more relevant to insurers than to agents. Also included here are a few portions of the Act which relate to the conduct of agents.

This guide is intended to give only a basic overview of hail insurance and will need to be used in conjunction with further training on rates and insurer procedures in order to prepare agents to sell hail insurance. This guide does not replace, alter, provide a legal interpretation of, or supercede the Act in any way. **For in depth questions or full information, a person should refer to the Saskatchewan Insurance Act in its entirety** at the following website address: <http://www.qp.gov.sk.ca/>

There are two important definitions to keep in mind:

1. The Act defines **'hail insurance'** as:

insurance against loss of or damage to growing crops caused by hail.

By this definition, it is clear that Hail Insurance, unless otherwise extended, does not cover other damage such as wind or fire. It also does not cover crops that are no longer growing, such as swathed, baled, or stored crops

2. The Act defines **'agent'** as a person who:

(i) solicits, negotiates or effects for or on behalf of any insurer a contract of insurance, or

(ii) for compensation, acts in the solicitation or negotiation of insurance, or

(iii) transmits, for compensation, for a person other than himself, an application for or a policy of insurance to or from an insurer, or

(iv) retains as compensation any portion of a premium received by him.

Under this definition, anyone who places insurance, sells or tries to sell insurance, or receives any fee or compensation for the sale of a policy must be licensed as an agent.

In this Study Guide, you will find the key sections of the Act in boxes on the left side of the page, and the explanation of that section next to it on the right. Important phrases are bolded to assist in your studies. At the end of each section are some review questions so you can check whether you know the key information in that section.

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.....Section 1: Rules for Agents.....

INSURANCE AGENTS LICENCES

Acting as insurance agent without licence prohibited

416 No person shall act as an insurance agent unless he is the holder of a subsisting licence under this Act as an agent or as a salesman of a licensed agent.

Prohibition respecting holding out

417 No person shall hold himself out as an agent or as a salesman of an agent unless he is the holder of a subsisting licence under this Act.

Prohibition respecting appointment of unlicensed persons

418 No insurer or agent shall appoint, permit or authorize any person to do any of the things in respect of which a licence is required unless the person is the holder of a subsisting licence.

Payments to unlicensed agents prohibited

444 No insurer and no officer, agent or employee of an insurer and no licensed agent or salesman shall, directly or indirectly, pay or allow, or offer or agree to pay or allow, any commission or other compensation or anything of value to any person for acting or attempting or assuming to act as an insurance agent in respect of insurance in Saskatchewan unless that person holds at the time a subsisting licence under this Act as an agent or a salesman.

In order to act as an agent, you must have a current agent's licence in effect.

You must also have a licence if you tell people you are an agent.

You must **not allow anyone else to sell or solicit insurance** unless they are properly licensed as an agent. Insurers may not allow an unlicensed person to sell or solicit insurance either.

In addition, any **payment to an unlicensed person of anything of value is prohibited** if the unlicensed person was acting as an agent. A pure 'finders fee' is allowed as long as there are no insurance forms being completed, no advice given to a client or prospective client, no solicitation of insurance, and the transaction is simply a referral.

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INSURANCE AGENTS LICENCES

Suspension or cancellation of licence

439 A licence may be suspended or cancelled by the superintendent if, after due investigation, he determines that the holder of the licence:

- (a) has made a material mis-statement in the application for the licence;
- (b) has violated any provision of this Act or the regulations;
- (c) has placed insurance with insurers other than those licenced in Saskatchewan under this Act, without complying with the provisions herein relating to unlicensed insurance; or
- (d) has demonstrated his incompetency or untrustworthiness to act as an insurance agent.

The Hail Insurance Council, under the powers delegated to it by the Superintendent, may cancel or suspend an agent's licence. Among the conditions that can **lead to cancellation or suspension** are

- false statements** on an application for licence
- violation of any provisions of the Insurance Act**, including the requirements for handling policies that are explained in this Study Guide,
- placing insurance with an **insurer who is not properly licensed** in Saskatchewan,
- incompetence**, or
- untrustworthiness**.

Study Questions on Rules for Agents:

1. True or False? The only person who can receive commission or other consideration for selling a hail policy is a properly licensed hail agent.
2. Name three types of wrongdoing that could lead to the suspension or cancellation of an agent's licence:

3. True or False? Properly licensed hail agents are allowed to pay a finder's fee or bonus to other people (for example, equipment dealers or chemical company reps) for referrals for hail insurance.

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.....Section 2: Hail Coverage.....

HAIL COVERAGE

271 Additional coverage

(3) The insurer may by an endorsement on the policy, and in consideration of an additional premium, insure the crop:

(a) for any period during which it is lying in windrows; or

(b) for any period during which it is in sheaves either on the ground or in stooks.

(4) The insurer may by an endorsement on the policy, and in consideration of an additional premium, insure the crop against loss or damage arising from other losses incidental to crops and in such case the statutory conditions shall be read with such modification as is necessary to give effect to the terms and conditions of the endorsement.

Insurable interest

272(1) The contract shall be void, if at the time at which it would otherwise take effect, the insured has not an insurable interest in the crop insured.

Payee of insurance money need not have insurable interest

(2) If the insured has an insurable interest in the crop insured when the contract takes effect, it shall not be necessary for the validity of the contract that any person to whom the insurance money is payable, whether by the terms of the contract or by assignment, have an insurable interest in the crop.

Although the Act defines "hail insurance" as only covering damage by hail to growing crops, the insurers may add coverage for **swathed crops**.

Hail insurers may also add coverage for **other causes of loss such as fire**. These extra coverages are not required by law but are up to the insurer. The insurer is allowed to charge an extra premium for the extra coverage. Remember that these other causes of loss, like all hail coverage, **only apply to damage to crops**.

These additional coverages are added to the standard policy wording by an **endorsement**, which is a policy change. The basic hail policy by law covers growing crops for hail damage. Extended coverage for swathed crops and additional causes of loss such as fire are allowed and are very common.

A contract which is **void** is one which was never in effect and was never a valid policy. A void contract provides no coverage.

"Insurable Interest" means the applicant has a genuine financial interest in the crop and will suffer financially if the crop is damaged. The owner of the crop has an insurable interest. So do tenants, the parties in a share-crop situation, and in some cases a mortgagee or lienholder who has an interest in the crop as security for a loan.

In order for a valid hail policy to exist, the applicant must have an insurable interest in the crop at the time the policy goes into effect. If the insurable interest changes later, coverage is still valid.

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Study Questions on Hail Coverage:

1. Fill in the blanks: The basic hail insurance policy covers damage by _____ to _____ crops.
2. The Act allows other types of coverage to be added. They are (pick one)
 - a) damage by other losses and coverage for threshed grain
 - b) damage to farm buildings
 - c) damage by other losses and coverage for swathed crops
3. Fill in the blanks: If a person has a genuine financial interest in the crop they may buy a hail policy. It is said that they have an _____ in the crop.
4. A policy that was never in effect and never a valid policy is called a (pick one)
 - a) endorsement
 - b) incomplete form
 - c) void policy

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.....Section 3: Hail Applications and Procedures.....

APPLICATION FOR INSURANCE

Application for insurance

273(1) No insurer shall undertake a contract of insurance unless such insurer has been tendered an application therefor in writing signed by the applicant or his agent.

Copy of application to be embodied in policy

(2) A copy of the application or of such part thereof as is material to the contract shall be embodied in, endorsed upon or attached to the policy when issued by the insurer, and shall form part thereof.

Contents of application

(3) The application shall set forth:
(a) the name and address of the applicant;
(b) an itemized description of the location and acreage of each part of the crop to be insured and the amount of insurance applied for on each acre;

A Hail Insurer may not issue a policy or provide coverage unless a **signed application** has been received.

That application must be signed by the insured or "his agent". In this situation the term "**agent**" can mean anyone acting on behalf of the insured with their permission. The insured's agent could be their spouse or their farm manager. It could also mean their insurance agent, but even if an insurer will accept the insurance agent's signature for the insured, it is better to have the insured sign the application. The insured's signature can help protect the agent if there are false statements on the application or a misunderstanding about the coverage requested by the insured.

An application that has been faxed or submitted electronically is still considered an "application in writing" and is valid.

The application for hail insurance becomes **part of the policy contract**. The information on the application is essential in determining the terms of the policy and the coverage provided. Because the hail application is an important legal document which can determine whether the insured is covered, applications must be accurate and legible.

The Act specifies the information that must appear on the application for hail insurance. Some of this information is basic items such as the name and address of the applicant.

An **accurate legal location, acreage, and crop** is critical information on a hail application. The insurance purchased applies only to the legal location and the crop described at that location on the application.

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(3) The application shall set forth:

(b.1) the details respecting any other insurance that the applicant has or may acquire with respect to the crops and location to be insured;

(c) whether or not the crop has been hailed prior to the time of the application;

(d) the insurable interest of the applicant;

(e) the name of the person or persons to whom the insurance money is payable; and

(f) with the approval of the superintendent, such further information as the insurer requires.

Applicants must advise the insurer if they have **other insurance** on the crops. This matters to the insurance companies because hail insurers often share risks and if there are several policies on one crop an insurer might end up with a higher liability on that crop than they wish to take. In addition, an applicant might be insuring far more than the value of the crop, which could violate the principal of indemnity.

If a crop has suffered hail **damage prior to insurance** being purchased, it may be very difficult to determine what damage is caused by later storms in order to accurately adjust a loss. In addition, an insured who suffers hail damage before buying hail insurance may attempt to falsely claim that more damage occurred later. Depending on the stage of growth of the crop and when and how much damage occurred previously, the insurer may accept coverage on a hailed crop.

Because a policy is void if the applicant does not have an **insurable interest** when the policy is written, the application asks what the insured's insurable interest is. For example, the insured may be owner of the crop, renter of the land, or a person working on a share crop basis.

If anyone other than the applicant is entitled to receive part of any claim payment on the policy, they must be shown on the application as a **"loss payee"**. If there is a claim, the claim cheque would be payable to the insured and the loss payee jointly.

Insurers have the ability to ask for **other information** on the application, provided the questions have been approved by the Superintendent of Insurance.

All questions on the application help the insurer decide whether to accept or reject the risk. They also protect the insured from having coverage refused after a claim occurs. When questions are answered fully and truthfully, and the insurer accepts the risk, the applicant is assured that coverage is in place and the policy will be valid.

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Additional contents of application and policy

(4) There shall also appear on every application and on every policy in a prominent position and in prominent type, the name and address of the insurer's head or branch office or general agency from which the policy is to be or is issued

Duty of agents to forward applications

274 Every agent who takes an application on behalf of an insurer shall deliver it to the insurer, or forward it to the insurer by mail, not later than the day following the day on which it is taken.

COMMENCEMENT OF LIABILITY

Time at which contract takes effect

275(1) If an agent of an insurer mails an application for insurance on crops mentioned in clause 271(1)(a) to the head or branch office or the general agent of the insurer in Saskatchewan and tenders therewith payment of the premium in cash, or by post office order, postal note, express order, bank money order, certificate of deposit of a chartered bank or certified cheque, a contract of insurance in accordance with the application shall take effect at noon of the day following the date of such mailing.

The insured needs to know the **exact name and address of the insurer**, not just the agent's name and address. Legal documents such as Notice of Claims must go to the insurer or Managing General Agency acting on behalf of the insurer.

Hail agents must ensure every **application is forwarded to the insurer within one day**. Insurers may request that applications be forwarded more quickly than this, by mail or by fax. An email, phone call, or note does not replace the need to send the signed application.

When a proper completed and signed application and payment for the policy on the identified common crops is mailed to a hail insurer or their general agent in Saskatchewan, coverage goes **into effect at noon on the day following the date of mailing**.

Note that **payment must accompany the application**. The Act specifies certain forms of payment, but in practice ordinary cheques and other forms of payment are usually accepted by hail insurers.

This clause deals with the effective date of hail coverage. It is important to note that the insurer still has the right to reject an application, as outlined below.

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Date of mailing of application

(2) In such case the post office date stamp shall determine the date of mailing.

Application may be declined

(3) The insurer may decline the application on its receipt.

Notice where application declined

(4) Where the application is declined the insurer shall forthwith give notice thereof by registered letter, or by prepaid telegram if possible, to the applicant at his address as is given in the application and to the agent tendering the application, in which case the contract of insurance mentioned in subsection (1) shall continue in force only until noon of the day following the receipt of the notice by the applicant.

Alternative manner of giving notice

(5) Notwithstanding subsection (4), notice in writing that the application has been declined may be personally delivered to the applicant by the agent, and in that event the contract of insurance mentioned in subsection (1) shall continue in force only until noon of the day following receipt of the notice by the applicant.

The date of mailing is the **postmark date**. Since some mail is not stamped with a legible postmark, it is advisable to request a manual stamp at the post office to ensure coverage is in effect as soon as possible.

As explained previously, coverage goes into effect at noon on the day following the postmark date of the application. However, hail insurers have the right to reject or **decline applications upon receipt**. They do not have to provide reasons for the rejection, but they do have to advise the applicant and the agent by **registered mail or telegram**. In this case, coverage which went into effect is cancelled on noon of the day following the receipt of that notice of declined coverage.

In this way, the applicant or agent can immediately attempt to place coverage elsewhere which would go into effect at noon the next day, leaving the applicant without a gap in coverage. Agents who receive notice of a declined application therefore need to contact their clients immediately to avoid a gap in coverage.

Personal delivery of notice of a declined application is also allowed.

The next section of the Act, which is not quoted here, specifies that the premium which was included with an application that is declined must be returned to the application or to another hail insurer (if the applicant replaced the coverage with another insurer) on behalf of the applicant.

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Procedure where wrong premium tendered

276 If the amount of premium tendered with an application made in accordance with section 275 is not the correct amount, the insurance shall, unless readjusted before loss occurs, be either reduced or increased to such amount as the premium actually tendered would pay for according to the correct rate of premium applicable to the risk.

Policy deemed to be in accordance with application

278 A policy issued to an insured upon an application in writing shall be deemed to be in accordance therewith, unless the insurer forthwith gives notice to the insured in writing of the particulars wherein the policy and application differ.

Expiry of contracts

279(1) Subject to subsection (2), all policies of hail insurance shall expire at noon on October 1 in the year in which they are made.

Cessation of liability of insurer

(2) Where any portion of the insured crop is cut before that date the liability of the insurer shall cease in respect of that portion when it is cut, and the insurance on each acre of the remaining acreage shall continue until the crop thereon is cut but not beyond the said date unless extended pursuant to subsection (3).

If there is an **error in the premium** paid, ideally a correction or adjustment should occur immediately. For example, an agent may ask the client if they wish to pay the additional premium, or a client may decide to purchase coverage with a deductible. If a claim happens before a correction is made, the coverage amount is reduced or increased to whatever coverage could have been purchased with the premium that was actually paid.

For example, if the rate for the crop is double the basic rate, and the agent forgot to consider this, the insured would have only paid half of the correct premium. If the insured wanted \$100 per acre coverage in this situation, only \$50 per acre coverage would apply because only half the premium was paid.

Accurate rating is therefore critical to ensure the applicant receives the coverage they want and need, and any errors must be corrected immediately.

The application forms part of the policy, as mentioned earlier. The insurer is not allowed to change the coverage from what was on the application without proper written notice to the insured.

The Act specifies that Hail insurance policies written in a year **expire at noon on October 1st of that year**, regardless of when they went into effect. Most insurers are automatically adding an endorsement to policies to **extend the expiration date to October 15th** as permitted in Paragraph (3) of this Section.

Unless special coverage is extended for swathed crops as discussed earlier, hail coverage **ends when the crop is cut** or on October 1st, whichever happens first.

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Extension of term of contract

(3) The insurer may, by an endorsement on the policy, in consideration of an additional premium agreed to at the time the endorsement is made, extend the term of the contract beyond the said date.

Partial payment of loss clause

280(1) A policy may contain a partial payment of loss clause to the effect that the insurer shall pay only an agreed proportion of any loss which may be sustained or the amount of the loss after deduction of a sum specified in the policy, in either case not exceeding the amount of the insurance, in which case there shall be printed or stamped upon the face of the policy in conspicuous type in red ink or in bold type at least 12 points in size, the words: "This policy contains a partial payment of loss clause".

Agents' commission

282(1) Every insurer shall, before May 1 in each year, file with the superintendent the rate of commission payable to its agents in respect of its contracts issued during the current year.

Discrimination between agents prohibited

(2) No insurer or its general agent for Saskatchewan shall, directly or indirectly, pay or allow or offer or agree to pay or allow any compensation or anything of value to any person for acting or attempting or assuming to act as its agent in excess of that offered, paid or allowed to any one of its agents on risks for which like rates of premium are payable.

Notice of termination when loss payable to third party

283 Where the loss has, with the consent of the insurer, been made payable to a person other than the insured, the contract shall not be cancelled or altered to the prejudice of such person without reasonable notice to him by the insurer.

Hail insurers may agree to extend coverage beyond October 1st, and may charge an additional premium for the extra time.

It is legal for a hail policy to have a **deductible or a provision to only pay a portion of a loss**. A deductible is the proportion the insured pays before the coverage applies. Any kind of deductible reduces the claim payment, so the policy must clearly show a warning to the insured that it contains a "**partial payment of loss clause**".

Insurers report the commission rates they will pay to agents to the Superintendent of Insurance every year.

No additional compensation of any kind may be given by a hail insurer to anyone acting in the sale of hail insurance beyond the proper commission paid to agents. Insurers must use the same commission rates for all agents. **An insurer offering 'anything of value' as a finder's fee, referral fee or inducement to buy insurance is not allowed.** As noted above, agents may offer finder's fees or referral fees.

If a **loss payee** is shown on the policy, they are entitled to reasonable **notice of any cancellation** or changes in coverage.

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Procedure where acreage less than stated in application

285(1) Where the actual acreage of the crop insured under any item of the policy is found to be less than the acreage mentioned in the application under such item, the insurer shall repay to the insured the premium paid on the excess acreage.

Procedure where acreage more than stated in application

(2) Where the actual acreage of the crop insured under any item of the policy is found to be greater than the acreage mentioned in the application, the amount of insurance on each acre shall be reduced *pro rata* in its relation to the actual acreage, unless the acreage insured is clearly identified in the application or by a diagram on the application.

If the **crop acreage on the policy is higher** than the actual, the insured will have paid too much premium. The insurer must then refund the difference.

If the **crop acreage on the policy is lower** than the actual, the insured will have paid too little premium. The amount of coverage per acre will be recalculated and reduced based on the premium paid and the actual acreage.

In both situations, it is best if the error is discovered and the policy changed at the insured's request before a claim occurs.

Study Questions on Hail Applications and Procedures

1. A signed application for hail insurance is: (pick the best answer)

- a. required by law
- b. optional
- c. part of the policy
- d. both a. and c.

2. True or False? The hail insurer does not care if there has been hail damage to the crop before the policy was written.

3. How soon must hail applications be provided to the insurer? _____

4. After a completed and signed application is done, when does hail coverage take effect? _____

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Study Questions on Hail Applications and Procedures (continued)

5. What must a hail insurer do in order to reject or decline an application? _____
6. If an agent makes a mistake on a premium calculation, a correction should be done right away, because if a claim occurs the insured's coverage may be: (pick the best answer)
 - a. cancelled
 - b. reduced to match the premium paid
7. The Act says that the premium must be submitted to the insurer _____.
8. Unless extended by endorsement, hail policies expire at noon on (date)_____.
9. Another name for a "partial payment of loss clause" is a _____.

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.....Section 3: Hail Statutory Conditions.....

Statutory conditions part of every policy

286(1) Subject to subsections (2) and (3), the conditions set forth in this section shall be deemed to be part of every contract and shall be printed on every policy with the heading “Statutory Conditions”, and no stipulations to the contrary, or provisions for a variation, addition or omission, shall be binding on the insured, nor shall anything contained in the description of the subject matter of the insurance be effective insofar as it is inconsistent with, varies, modifies or avoids any such condition.

STATUTORY CONDITIONS

Misdescription, misrepresentation or omission

1 Where an applicant in his application falsely describes the location and acreage of the crop, to the prejudice of the insurer, or knowingly misrepresents or fails to disclose in the application any fact required to be stated therein, the insurance shall be void as to the item of the application in respect of which the misdescription, misrepresentation or omission is made.

Waiver of condition

2 No term or condition of this policy shall be deemed to have been waived by the insurer, either in whole or in part, unless the waiver is clearly expressed in writing signed by or on behalf of the insurer at its head or branch office or general agency from which the policy was issued.

A **condition** is a part of a policy that lays out the details of how the insurance will work. **Statutory Conditions** are special conditions that by law form part of every policy of that type and cannot be amended.

Hail policies have 17 Statutory Conditions. For ease of study, these have been reorganized so that all the conditions relating to claims are at the end of this section. Several Conditions are not covered here because they deal with situations unlikely to concern agents, but all conditions are written on each hail policy.

STATUTORY CONDITIONS (other than claims)

1. Wrong information on applications:

Errors in the **location or acreage** of the crop, if they increase the insurer's risk, will **void**, or eliminate, the coverage on that item. For example, if a customer reports that the crop is in a different township which has lower rates, that crop will not be covered. As well, **deliberate false or missing information** on the application will void the coverage that relates to that misrepresentation. Applicants should be aware that if they do not complete the application truthfully they may have no coverage.

2. Waiver of condition

If the insurer agrees not to enforce part of the policy, that agreement must be in writing. For example, if an adjuster advises that the time deadline for a claim will not apply, the insured must get a written confirmation from the insurer head office for his or her own protection.

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STATUTORY CONDITIONS (Continued)

Minimum amount of damage

4 No claimant shall be entitled to indemnity under the policy for any loss or damage which is found to be less than 5% of the crop upon the hailed acreage or any portion thereof and in no case for less than ten dollars, except where the acreage insured is forty acres or less.

Injury by causes other than hail

5 No claimant shall be entitled to indemnity under the policy

- (a) when the crop is wholly destroyed by any agency other than hail; or
- (b) when the crop is over-ripe; or
- (c) when the crop or any portion thereof has been so injured by causes other than hail that the crop or such portion, as the case may be, would not yield profit over and above the actual cost of cutting, threshing and marketing it.

Cancellation of policy

14 A policy may be cancelled at any time by the insured named therein by giving written notice to that effect to the head or branch office or the general agency of the insurer from which the policy was issued and the insurer shall, upon surrender of the policy, refund the excess of paid premium above the customary short rate premium for the time the policy has been in force. If a note or other undertaking was accepted as payment of the premium the insured shall pay the insurer the earned portion as payment of the premium and on payment or tender of such amount the insurer shall return such note or undertaking to pay, or if the insured does not pay or tender the amount, the insurer shall endorse on the note or other undertaking a credit of the amount of the unearned portion of the premium.

STATUTORY CONDITIONS (other than claims)

4. Minimal damage

To avoid very small claims, the insurer is not required to pay claims with **less than 5% damage**, or less than \$10 (assuming there are more than 40 acres insured).

5. Crop damage by causes other than hail

In some cases insect or disease damage, harvest delays, or a very poor crop may make it either impossible to determine the damage from hail or reduce the crop value to the point that there is no financial damage to the farmer from the hailstorm. In those cases, this Statutory Condition will eliminate coverage under the hail policy, so there is **no coverage if the crop is completely destroyed by other causes or over-ripe.**

14. Cancellation of policy

An insured may cancel a policy by written notice to the insurer. The insured is entitled to a **short rate** refund of premium. This refund is called short-rate because it is less than the proportion of the time left on the policy to compensate the insurer for administration and policy issuing costs. Because the risk of hailstorms is much higher in July than in September, for example, the short rate refund may represent a very small portion of the premium if coverage is cancelled.

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STATUTORY CONDITIONS (Continued)

Assignment or change of property

17 If the crop insured or the interest of the insured in such crop is assigned without the written permission of the head or branch office or general agency of the insurer from which the policy was issued, such assignment shall not be binding on the insurer; but this condition does not apply to change of title by succession or by operation of the law, or by reason of death.

STATUTORY CONDITIONS (other than claims)

17. Changing the Insured

Any changes to the policy due to new ownership or interest in the crop are subject to approval by the insurer, except if they result from specified situations such as death or foreclosure.

Study Questions on Hail Statutory Conditions (other than Claims)

1. True or False? Coverage is void on that part of the hail policy if the applicant deliberately lies about the location or acreage of his or her crop.
2. The Act sets a minimum amount of hail damage needed before an insured can claim under the policy. That minimum is _____ %.
3. If a crop is effectively destroyed by insects or disease (as examples), and then is hit by a hailstorm, the hail policy will provide: (pick one)
 - a. no coverage at all
 - b. reduced coverage depending on the deductible chosen
 - c. the same coverage as if the crop had been in good condition.
4. If your client sells his farm and wants to cancel the hail insurance he had purchased, can he get a refund of part of the premium he paid? _____

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STATUTORY CONDITIONS (Continued)

Notice of claim

6 Any person claiming under the policy shall give notice of claim in writing to the head or branch office or the general agency of the insurer from which the policy was issued within three days of the occurrence of loss, stating the number of the policy, the day and hour of the storm, the estimated damage to each portion of the insured crop and the names of other insurers carrying insurance on the hailed area; provided that failure to give notice within such time shall, subject to condition 9, not invalidate the claim if it is shown that it was not reasonably possible to give notice within such time and that notice was given as soon as was reasonably possible.

Right of access of insurer

7 After any loss or damage to the insured crop, the insurer shall have immediate right of access and entry by accredited representatives sufficient to enable them to survey and examine the crop and to make an estimate of the loss or damage.

Ascertainment of damage

8 Within 30 days after the receipt of notice of loss or damage the insurer and the insured or their accredited representatives shall together ascertain and agree upon the percentage of loss or damage sustained on the acreage of the crop or any portion thereof insured under any item of the policy. The amount of indemnity shall be ascertained on the agreed percentage of the insurance on each acre of acreage sustaining loss or damage by hail, subject to any partial payment of loss clause contained in the policy or subject to the determination of the amount of the loss or damage by appraisal as hereinafter provided. No account shall be taken of the cost of cutting or threshing the portion not destroyed or damaged. The determination of the percentage of loss or damage may be deferred to a later date agreed upon by the insurer and the insured.

STATUTORY CONDITIONS FOR CLAIMS:

6. Notice of claim

Claims must be reported within 3 days of the loss, or as soon as reasonably possible.

Reports must include the policy number, date and time of the hailstorm, the estimated damage, and details of other insurance that may apply. Because of the risk of further storms and difficulties caused by claims delays, claims should be reported right away.

7. Right of access of insurer

It is important that adjusters be able to inspect the hail damage right away, so this condition gives the insurer access to the crop.

8. Ascertainment of damage

The proportion of **damage to the crop should be determined within 30 days by mutual agreement between the insured and the insurer.**

This condition lays out how the claim adjustment works. In some cases the adjuster and insured will decide it will be easier to determine the amount of damage after a crop is more mature. This is called a deferred adjustment date.

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The Act says.....

Explanation.....

STATUTORY CONDITIONS (Continued)

Proof of loss

9 A person making a claim under the policy shall, within 30 days after the occurrence of a loss or within 30 days of the deferred adjustment date, unless such time is extended in writing by the insurer, furnish a statutory declaration, hereinafter called proof of loss, on a form furnished by the insurer, setting forth the date and number of the policy, the date of the occurrence of the loss or damage, the location and acreage of the crop damaged, the estimated percentage of loss or damage sustained on the acreage of the crop or any portion thereof insured under any item of the policy and whether the crop was damaged by hail prior to the time of the application. If the claimant fails to furnish proof of loss he shall forfeit any claim under the policy:

Provided that if the insurer, within the said 30 days or at the time of the deferred adjustment, has ascertained the loss acceptably to the claimant or if the amount of loss has been determined by appraisal as hereinafter provided, the insurer shall be deemed to have waived proof of loss, unless proof of loss is requested by the insurer in writing.

Proof to be made by insured personally

10 Proof of loss must be made by the insured, although the loss is payable to a third person, except that, in case of the absence of the insured or his inability to make the same, proof may be made by his agent, such absence or inability being satisfactory accounted for, or in the like case or if the insured refuses to do so, by a person to whom any part of the insurance money is payable.

Fraud or false statement vitiates claim

11 Any fraud or wilfully false statement in a proof of loss shall vitiate the claim of the person making such proof of loss.

STATUTORY CONDITIONS FOR CLAIMS:

9. Proof of loss

The formal demand for payment of insurance monies is called a 'proof of loss'. An insured who **does not furnish a proof of loss gives up all rights** to make a claim.

Unless the insured has written agreement from the insurer to delay the claim, the **proof of loss must be provided and signed within 30 days of the loss date** or the deferred adjustment date.

In spite of the requirement for a proof of loss, if the insured and insurer have agreed on the claim settlement, the condition allows the claims to be settled without a proof of loss.

10. Proof to be made by insured personally

Normally, the insured should make the claim and complete all forms, unless prevented by special circumstances. The use of the term 'agent' here does not mean the insurance agent, but rather a person acting for the insured.

11. Fraud or false statement vitiates claim

An insured who lies on a proof of loss, even about a relatively minor part of the claim, forfeits all right of recovery under the policy.

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The Act says.....

Explanation.....

STATUTORY CONDITIONS (Continued)

Payment of loss

12 The insurer shall pay the insurance money for which it is liable under the policy within sixty days after the proof of loss has been received by it or where an appraisal is had under condition 15, within 30 days after the award is rendered by the appraisers.

When insured liable for expenses of adjustment

13 If the insured claims for loss or damage under the policy and it is found that he is not entitled to indemnity under the conditions of the policy the insured shall be liable for the expenses incurred in the adjustment of his claim.

Appraisal in case of disagreement

15 In the event of a disagreement as to the percentage of damage by hail to any of the crops insured, whether the right to recover on the policy is disputed or not, such percentage shall, when so required by either party, be ascertained by an appraisal which shall be conducted as follows:

.....condition continues; refer to Act or Statutory Conditions

STATUTORY CONDITIONS FOR CLAIMS:

12. Payment of loss

The insurer must pay a claim within 60 days of receiving the proof of loss. For mutual companies, different payment dates may apply.

13. Insured liable for adjusting costs

In some rare cases, usually if there has been fraud on a claim or misrepresentation on an application, the insurer can charge the claimant for the expenses of adjusting the claim.

15. Appraisal

Detailed procedures for an appraisal process are laid out in the Statutory Conditions. Whenever there is a **dispute on the proportion of damage to the crop this appraisal process must be followed**. Agents will not normally be involved in the appraisal process.

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Hail Insurance Study Guide

The Act says.....

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Study Questions on Hail Statutory Conditions for Claims

1. If a client phones you and tells you his crop received hail today, you should tell him or her to report the claim within ____ days.
2. How long does the Act allow for the determination of damage to the crop? _____ days.
3. Which of the following does NOT apply to a Proof of Loss form? (pick one)
 - a. It is important to protect the insured's right to claim under the hail policy.
 - b. It must be signed by the agent.
 - c. It must be completed and signed within 30 days of the hail damage.
4. True or False? Fraud on a claim eliminates the insured's right to any claim payment.
5. The process for handling a disagreement on the proportion of damage to the crop is called an _____.

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.....Answers to Study Questions.....

Study Questions on Rules for Agents:

1. **True** or False? The only person who can receive commission or other consideration for selling a hail policy is a properly licensed hail agent.
2. Name three types of wrongdoing that could lead to the suspension or cancellation of an agent's licence: any 3 of
a. false statements on an application for licence b. violation of any provisions of the Insurance Act c. placing insurance with an insurer who is not properly licensed in Saskatchewan d. incompetence e. untrustworthiness
3. **True** or False? Properly licensed hail agents are allowed to pay a finder's fee or bonus to other people (for example, equipment dealers or chemical company reps) for referrals for hail insurance but unlicensed people may not fill out applications, give advice, or solicit insurance sales.

Study Questions on Hail Coverage:

1. Fill in the blanks: The basic hail insurance policy covers damage by hail to growing crops.
2. The Act allows two other types of coverage to be added. They are (pick one)
a) damage by other losses and coverage for threshed grain
b) damage to farm buildings
c) damage by other losses and coverage for swathed crops
3. Fill in the blanks: If a person has a genuine financial interest in the crop they may buy a hail policy. It is said that they have an insurable interest in the crop.
4. A policy that was never in effect and never a valid policy is called a (pick one)
a) endorsement
b) incomplete form
c) void policy

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The Act says.....

Explanation.....

.....Answers to Study Questions.....

Study Questions on Hail Applications and Procedures

1. A signed application for hail insurance is: (pick the best answer)
 - a. required by law
 - b. optional
 - c. part of the policy
 - d. both a. and c.**
2. True or **False**? The hail insurer does not care if there has been hail damage to the crop before the policy was written.
3. How soon must hail applications be provided to the insurer? within one day
4. After a completed and signed application is done, when does hail coverage take effect? noon the day following the postmark (mailing) date
5. What must a hail insurer do in order to reject or decline an application? notify the applicant by registered letter, telegram, or personal delivery
6. If an agent makes a mistake on a premium calculation, a correction should be done right away, because if a claim occurs the insured's coverage may be: (pick the best answer)
 - a. cancelled
 - b. reduced to match the premium paid**
7. The Act says that the premium must be submitted to the insurer with the application.
8. Unless otherwise agreed, hail policies expire at noon on (date) October 1.
9. Another name for a "partial payment of loss clause" is a deductible.

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The Act says.....

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.....Answers to Study Questions.....

Study Questions on Hail Statutory Conditions (other than Claims)

1. **True** or False? Coverage is void on that part of the hail policy if the applicant deliberately lies about the location or acreage of his or her crop.
2. The Act sets a minimum amount of hail damage needed before an insured can claim under the policy. That minimum is 5 %.
3. If a crop is effectively destroyed by insects or disease (as examples), and then is hit by a hailstorm, the hail policy will provide: (pick one)
 - a. **no coverage at all**
 - b. reduced coverage depending on the deductible chosen
 - c. the same coverage as if the crop had been in good condition.
4. If your client sells his farm and wants to cancel the hail insurance he had purchased, can he get a refund of part of the premium he paid? Yes, but since the refund is 'short rate' it may be a very small portion of the premium

Study Questions on Hail Statutory Conditions for Claims

1. If client phones to tell you his crop received hail today, you should tell him or her to report the claim within 3 days.
2. How long does the Act allow for the determination of damage to the crop? 30 days.
3. Which of the following does NOT apply to a Proof of Loss form? (pick one)
 - a. It is important to protect the insured's right to claim under the hail policy.
 - b. **It must be signed by the agent.**
 - c. It must be completed and signed within 30 days of the hail damage.
4. **True** or False? Fraud on a claim eliminates the insured's right to any claim payment.
5. The process for handling a disagreement on the proportion of damage to the crop is called an appraisal.