

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. 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 **'insurance agent'** as a person who:

(i) **for any compensation and through any medium does one or more of the following:**

(a) **acts or aids in any manner in soliciting, negotiating, effecting or procuring the making of any contract of insurance or reinsurance or the continuance or renewal of a contract of insurance or reinsurance on behalf of an insurer, potential insured or insured, whether or not the person has agreements with insurers allowing the person to bind coverage and countersign insurance documents on behalf of insurers;**

(b) **holds himself, herself or itself out as an insurance agent, broker or consultant;**

(c) **provides consulting, advisory or administrative services with respect to the insurance or contracts of insurance that are described in section 1- 14 or 1- 15;**

(d) **provides advice to a person with respect to a specific insurance policy, plan or program;**

(e) **evaluates or manages insurance risks on behalf of an insured;**

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

Insurance agent's licence required

5- 4(1) No business shall act or offer to act as an insurance agent with respect to a class of insurance unless the business holds a valid insurance agent's licence for that class of insurance.

(2) No individual shall act or offer to act as an insurance agent with respect to a class of insurance unless the individual:

(a) is an employee or independent contractor of a business or partner of a partnership that holds a valid insurance agent's licence for that class of insurance and the individual holds a valid insurance agent's licence for that class of insurance;

(b) is an employee of a business that holds a valid restricted insurance agent's licence for that class of insurance;

(c) is an employee or independent contractor of a managing general agent that holds a valid licence for that class of insurance and the individual holds a valid insurance agent's licence for that class of insurance; or

(d) is an employee or independent contractor or partner of a partnership of a prescribed entity.

Prohibition respecting holding out

5- 9 No person shall hold himself, herself or itself out as an insurance intermediary unless the person holds a valid insurance intermediary's licence.

Prohibition respecting appointment of unlicensed persons

5- 10 Except where permitted in the regulations, no insurer and no insurance intermediary shall appoint, permit or authorize any person to do any of the things for which an insurance intermediary's licence is required by this Part unless the person is the holder of a valid insurance intermediary's licence.

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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Penalties affecting insurance intermediary's licence

5- 39(1) The Superintendent may act pursuant to subsection (2) if the Superintendent is satisfied that the holder or a former holder of an insurance intermediary's licence:

- (a) has made a material misstatement in the application for the licence;
- (b) has been guilty of misrepresentation, fraud, deceit, untrustworthiness or dishonesty;
- (c) has contravened any provision of this Act or the regulations or similar legislation in another jurisdiction or a predecessor to this Act or the regulations;
- (d) has unreasonably failed to pay any premium collected by the holder within the period stipulated in the holder's agency contract to an insurer or an insurance intermediary who is entitled to the premium;
- (e) has placed insurance with an insurer not licensed in Saskatchewan pursuant to this Act or a predecessor to this Act without complying with the provisions of this Act or the predecessor to this Act relating to unlicensed insurers; or
- (f) has demonstrated incompetence to act as an insurance intermediary.

The 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.....

Insurable interest

8- 80(1) A contract is void if, at the time at which it would otherwise take effect, the insured does not have an insurable interest in the insured crop.
(2) If an insured has an insurable interest in the insured crop when the contract takes effect, it is not 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 contract

8- 81(1) No insurer shall effect a contract unless the insurer has received an application for insurance signed by the applicant or the applicant's representative.

(2) An application forms part of the contract and the insurer shall give a copy of it to the applicant at the time the application is completed.

(3) The application must set out:

- (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;
- (c) whether the crop has been damaged by hail before the time of the application;
- (d) the insurable interest of the applicant;
- (e) the name of the person to whom the insurance money is payable; and
- (f) any other information that the insurer requires and that the Superintendent permits the insurer to request.

(4) There must 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 and, when applicable, the managing general agent from which the policy is to be or is issued.

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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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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Effective date of contract

8- 85(1) If an application is taken pursuant to section 8- 84:

(a) it is deemed to have been received by the insurer no later than the day following the day on which the application is taken; and

(b) a contract in accordance with the application takes effect at 12:00 noon of the day following the date of 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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Effective date of contract

8- 85

(2) The insurer may decline an application within three days after its receipt.

(3) If the insurer declines an application, the insurer shall immediately give notice of that decision to the applicant and to the insurance agent who delivered the application:

(a) by registered letter to the applicant or insurance agent at the applicant's or insurance agent's address as given in the application; or

(b) by electronic means agreed to by the applicant and the insurance agent.

(4) If the insurer gives a notice pursuant to subsection (3):

(a) the contract mentioned in subsection (1) continues in force only until 12:00 noon of the day following the day on which the applicant receives the notice; and

(b) the insurer shall refund the premium to the applicant after deducting any earned premium for time on risk.

(5) Notwithstanding subsections (2) to (4), notice in writing that the application has been declined may be personally delivered to the applicant by the insurance agent along with a refund of the unearned premium, and, in that event, the contract mentioned in subsection (1) continues in force only until 12:00 noon of the day following the day on which the applicant receives the notice.

(6) If the insurer does not notify the applicant that the application has been declined, the insurer is deemed to have accepted the application.

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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Incorrect amount of premium

8- 86(1) If the amount of a premium tendered with an application or payable at a later date is not the correct amount due to an error by the insured:

(a) the insurance must, unless readjusted before loss occurs, be either reduced or increased to the amount the premium actually tendered would pay for, according to the correct rate of premium applicable to the risk;

(b) if the actual acreage of the insured crop under any item of a policy is found to be greater than the acreage described in the application, the amount of insurance on each acre is reduced on a prorated basis in its relation to the actual acreage, unless the acreage insured is clearly identified in the application or by a diagram in the application; and

(c) the insurer shall immediately, after discovering the error, notify the insured in writing of the adjustment.

(2) If the amount of a premium tendered with an application or payable at a later date is not the correct amount due to an error by the insurer or the insurer's representative, the insurer shall immediately notify the insured in writing of the adjustment of the premium due.

(3) If the insurer does not adjust the amount of the premium pursuant to subsection (2) before loss occurs, any payment to the insured under the contract must not be reduced because of the error by the insurer or the insurer's representative.

(4) If the actual acreage of the insured crop under any item of a policy is determined by either the insured or the insurer to be less than the area described in the application under that item, the insurer shall repay to the insured the premium paid on the excess acreage.

Policy in accordance with application

8- 87 A policy issued to an insured must be in accordance with the application unless the insurer immediately gives notice to the insured in writing of the particulars in which the policy and application differ.

Expiry of contracts

8- 88(1) Subject to subsection (2), all policies of crop hail insurance expire at 12:00 noon on October 15 in the year in which they are made.

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 15th of that year**, regardless of when they went into effect.

Unless special coverage is extended for swathed crops as discussed earlier, hail coverage **ends when the crop is cut** or on October 15th whichever happens first.

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Expiry of contracts

8- 88(2) The insurer may, by an endorsement on the policy, agreed to at the time the endorsement is made, extend the term of the contract beyond October 15.

Partial payment of loss clause

8- 89(1) A policy may contain a partial payment of loss clause to the effect that the insurer is required to pay only an agreed proportion of any loss that is 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.
(2) If the policy contains the clause mentioned in subsection (1), the policy must include a prescribed notice in the prescribed form.
(3) A partial payment of loss clause is not deemed to be a variation of or addition to the Statutory Conditions set out in section 8- 95.

Notice of third party

8- 90 If a loss has, with the consent of the insurer, been made payable to some person other than the insured, the contract shall not be cancelled or altered to the prejudice of that person without reasonable notice to that person by the insurer.

Hail insurers may agree to extend coverage beyond October 15th, 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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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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The Act says.....

Explanation.....

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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The Act says.....

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

Statutory Conditions part of every policy

8- 95(1) The Statutory Conditions set out in this section are deemed to be part of every contract in force in Saskatchewan and must be printed on every policy under the heading "Statutory Conditions".

(2) No variation or omission of or addition to any Statutory Condition is binding on the insured.

Statutory Conditions Misdescription or misrepresentation

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

Waiver of conditions

2 No term or condition of the contract is 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.

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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Indemnity limitation

4 No claimant is entitled to indemnity under the contract for any loss or damage that is found to be less than 5% of the crop on the acreage damaged by hail.

Conditions of indemnity

5 No claimant is entitled to indemnity under the contract:

(a) when the crop is wholly destroyed by any cause other than:

(i) hail; or

(ii) a cause that is set out in the endorsement and that is approved by the Superintendent to be set out in the endorsement;

(b) when the crop is over-ripe unless the crop has not been harvested due to circumstances beyond the control of the insured; or

(c) when the crop or any portion of the crop has been so injured by causes other than hail that the crop or any portion of the crop, as the case may be, would not yield profit over and above the actual cost of harvesting and marketing it.

Cancellation of contract

14(1) The contract may be cancelled at any time by the insured by giving notice to that effect to the insurer and the insurer must refund within 15 days from the date of notice the excess of paid premium above the customary short rate premium for the time the contract has been in force.

(2) 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 that amount the insurer shall return that 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.

(3) An insurer may only cancel a contract if the insured has failed to pay the premium in whole or part pursuant to the terms and conditions of the contract.

(4) When an insurer elects to cancel a contract pursuant to subsection (3), the insurer must:

(a) give the insured at least 15 days' notice by registered mail or personal service on the insured of cancellation of the contract for non-payment of premium; and

(b) allow the insured to avoid cancellation of the contract by payment of the outstanding premium to the insurer or the insurer's representative on or before the expiration of the 15 days.

(5) Where an insured has failed to pay the premium in whole or part pursuant to the terms and conditions of the contract, the insurer may elect to keep the contract in force and:

(a) deduct the unpaid premium from any amount the insurer is obligated to pay to the insured under the contract; or

(b) sue the insured for the unpaid 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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Assignment or change of property

17 If the insured crop or the insurable interest of the insured in the insured crop is assigned without the permission of the insurer, the assignment is not binding on the insurer, but this condition does not apply to change of title by succession, by operation of law or by 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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Notice of claim of loss

6(1) Any person claiming under the contract must give notice of claim of loss or damage in writing to the insurer or at the location designated by the insurer within 3 days after 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 area damaged by hail.

(2) Notwithstanding subsection (1) of this condition, failure to give notice within the time referred to in that subsection does not, subject to Statutory Condition 9, invalidate the claim if it is shown that it was not reasonably possible to give notice within that 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 has an 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.

Insurer and insured to ascertain percentage

8(1) Within 30 days after the receipt of notice of claim of loss or damage, the insurer and the insured or their accredited representatives must together ascertain and agree on the percentage of loss or damage sustained on the acreage of the crop or any portion of the crop insured under any item of the policy.

(2) The amount of indemnity must be ascertained on the agreed percentage of the insurance on the acreage sustaining loss or damage by hail, subject to the terms of the policy or subject to the determination of the amount of the loss or damage by a dispute resolution process as provided in Statutory Condition 15.

(3) No account is to be taken of the cost of cutting or threshing the portion of the crop not destroyed or damaged.

(4) The determination of the percentage of loss or damage may be deferred to a later date agreed on in writing between 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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Hail Insurance Study Guide

The Act says.....

Explanation.....

Proof of loss

9(1) A person making a claim under the contract must, within 30 days after the occurrence of a loss or within 30 days after the deferred adjustment date, unless that time is extended by the insurer with notification to the insured, provide a statutory declaration (in these conditions called the "proof of loss") on a form provided by the insurer, setting out 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 of the crop insured under any item of the policy and whether the crop was damaged by hail before the time of the application.

(2) If the claimant fails to provide proof of loss, the claimant forfeits any claim under the contract.

(3) If the insurer, within 30 days after the occurrence of a loss referred to in subsection (1) of this condition, 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 a dispute resolution process as provided in Statutory Condition 15, the insurer is deemed to have waived proof of loss unless proof of loss is requested by the insurer in writing.

Proof of loss may be made by a representative of insured

10 Proof of loss must be made by the insured even if the loss is payable to a third person, except that, in the case of the absence of the insured or the insured's inability or refusal to make proof of loss, proof of loss may be made by the insured's representative or by a person to whom any part of the insurance money is payable.

Fraud or false statement

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

Hail Insurance Council of Saskatchewan

Hail Insurance Study Guide

The Act says.....

Explanation.....

Payment of money within period

12 The insurer must pay the insurance money for which it is liable under the contract within 60 days after proof of loss has been received by it or, when a dispute resolution process is conducted under Statutory Condition 15, within 30 days after the percentage of damage is determined by the representatives or umpire.

Insured liable for expenses incurred

13 If the insured claims for loss or damage under the contract and it is found that the insured is not entitled to indemnity under the conditions of the contract, the insured is liable for the expenses incurred in the adjustment of the insured's claim.

Dispute resolution

15(1) In the event of a disagreement as to the percentage of damage by hail to any of the insured growing crops, whether the right to recover on the contract is disputed or not, the percentage must, when so required by either party, be ascertained by a dispute resolution process, which must be conducted as follows:

... condition continues; refer to Act for full wording

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.

Hail Insurance Council of Saskatchewan

Hail Insurance Study Guide

The Act says.....

Explanation.....

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 _____.

Hail Insurance Council of Saskatchewan

Hail Insurance Study Guide

The Act says.....

Explanation.....

.....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

Hail Insurance Council of Saskatchewan

Hail Insurance Study Guide

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 15.

9. Another name for a "partial payment of loss clause" is a deductible.

Hail Insurance Council of Saskatchewan

Hail Insurance Study Guide

The Act says.....

Explanation.....

.....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.