

# **The Livestock Indemnity Trust**

## **Policy Manual**

**Feeder Associations of Alberta Limited**

**Revision 1.4**

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## Revision History

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# 1. Definitions

- 1.1. “Adjusted Average Purchase Price” is the average purchase price adjusted by the percentage covered;
- 1.2. “Administration Fee” is the fee collected by the Feeder Associations of Alberta Limited to Administrate the Livestock Indemnity Trust;
- 1.3. “Average Purchase Price” is the normalized value per animal of a Producer Member ’s covered animals and is calculated as the full purchase price of the animals divided by the number of animals;
- 1.4. “Assured” is the Local Feeder Association that is covered under this policy;
- 1.5. “Board of Directors of the Feeder Associations of Alberta Limited” is the group of individuals elected by the Local Feeder Associations to manage the business of the Feeder Associations of Alberta Limited;
- 1.6. “Certificate of Livestock Indemnity” is the document signed by the Assured in which the Assured agrees to participate in the Livestock Indemnity Trust and abide by the terms and conditions outlined in this Policy;
- 1.7. “Contract” is a group of Feeder Agreements or Supply Forms with a common due date where the cattle are uniquely identified.
- 1.8. “Claim” is a request made for reimbursement of a deceased animal;
- 1.9. “Claimant” is the Assured that is making a claim;
- 1.10. “Claims Ratio” is the five-year average of the annually calculated risk ratio;
- 1.11. “Common Deductible” is used for cattle sharing two (2) or more common identification factors; i.e. 1) identifiably different (sex), 2) brand and location of brand 3) due date.
- 1.12. “Deductible” is an amount for which an Assured is liable for each loss before a claim payout will be made;
- 1.13. “Deductible Rate” is a percentage that is used in the calculation of the deductible;
- 1.14. “Extension” is any term past the due date;

- 1.15. “Feeder Agreement” or “Master Agreement” is an agreement between the Local Feeder Association and the Producer Member to feed animals owned by the Local Feeder Association. This Feeder Agreement is that as is defined in the Feeder Associations Guarantee Regulation;
- 1.16. “Feeder Cows” means female cattle over the age of 2 years that have been purchased for growing and finishing and are not intended for breeding or calving purposes;
- 1.17. “Full Purchase Price” is the total amount paid by a Producer Member for the animals covered under the Livestock Indemnity Trust;
- 1.18. “Livestock Indemnity Trust Administrator” is the individual(s) responsible for the day to day management of the Livestock Indemnity Trust and as further defined in this Policy;
- 1.19. “Local Feeder Association” means an association that enters into agreements with its members for the members to grow, finish or otherwise deal with livestock or livestock products owned by the feeder association and is participating in the Livestock Indemnity Trust;
- 1.20. “Percentage Covered” is a percentage used to adjust the average purchase price of an animal for claims payout;
- 1.21. “Premium” is the amount paid or to be paid by the Assured for coverage under the Livestock Indemnity Trust;
- 1.22. “Producer Member” is the Local Feeder Association member who is responsible for the day to day feeding and care of the animals and who benefits upon the sale of the animal;
- 1.23. “Provincial Supervisor” is an employee in the Department of Agriculture and Rural Development, who is designated by the Minister as the Feeder Associations Provincial Supervisor;
- 1.24. “Reserve” is the amount of money passed from one fiscal year to the next fiscal year;
- 1.25. “Residual Value” is synonymous with salvage value;
- 1.26. “Risk Ratio” is the total claims for a year divided by the total premiums collected for the year;
- 1.27. “Secretary-Treasurer/Administrator” is the individual as appointed under the Feeder Associations Guarantee Regulation responsible for managing the feeder agreements, money, reporting, and maintaining the records for a Local Feeder Association;

- 1.28. “Supervisor” is the individual as appointed under the Feeder Associations Guarantee Regulation who validates that the Producer Member is tending dutifully to the Local Feeder Association’s cattle;
- 1.29. “Veterinary Surgeon” or “Veterinarian” is an individual as defined under the Veterinary Profession Act of Alberta whom is a registered member in good standing of the Alberta Veterinary Medical Association and is licenced and permitted to practice veterinary medicine in the Province of Alberta.

## 2. Overview

- 2.1. The Directors of the Feeder Associations of Alberta Limited have established the Livestock Indemnity Trust for providing death loss protection to Local Feeder Associations. The Livestock Indemnity Trust is a safety net that reduces the extreme financial hardship of a Producer Member or Local Feeder Association that results from the death of animals.
- 2.2. The Livestock Indemnity Trust is a not-for-profit program and all premiums are placed in a trust account and the only withdrawals are to cover claims, legal expenses, or rebate back a surplus.
- 2.3. The only species of animal that is covered under this Policy is feeder cattle.
- 2.4. The Livestock Indemnity Trust fiscal year is from September 1 of one year to August 31 of the next year.
- 2.5. The Livestock Indemnity Trust shall be administered in and perform all transactions in Canadian currency.
- 2.6. This Policy shall be considered the primary document governing the Livestock Indemnity Trust. This Policy shall take precedence and supersede all agreements, memorandums, and any other documents related to the governance and coverage of the Livestock Indemnity Trust.
- 2.7. If any provision of this Policy is held by a court of competent jurisdiction to be wholly or partially unenforceable for any reason, such unenforceability shall not affect the enforceability of the balance of this Policy, and all provisions of this Policy Document shall, if alternative interpretations are applicable, be construed so as to preserve the enforceability hereof.
- 2.8. The Livestock Indemnity Trust as defined by this Policy will only compensate Assured entities for the purchase price of the deceased animals, or an averaged purchase price of the deceased animals. The Livestock Indemnity Trust will not compensate any other

costs associated with the death of the animal. This includes, but is not limited to, disposal costs, transportation costs, the Assured's time or travel costs to inspect the deceased animals and prepare the documentation, the Producer Member's time and travel costs, or veterinary costs. The Livestock Indemnity Trust and the Feeder Associations of Alberta Limited, and their employees, agents, directors, officers or representatives shall not be liable whatsoever to an Assured or the Assured's Producer Members for any consequential loss, injury, or damage suffered by an Assured or an Assured's Producer Members.

- 2.9. In addition to 2.8 the Assured shall indemnify and hold harmless the Feeder Associations of Alberta Limited, and their employees, agents, directors, officers or representatives from and against all claims, damages, losses, demands, liabilities and costs (including costs on a solicitor-and-his-own-client basis) associated with any third party claims resulting from the death, or circumstances surrounding the death of an animal covered under the Livestock Indemnity Trust. The Feeder Associations of Alberta Limited shall be entitled to direct the defence of any such third-party claims at the Assured's expense.
- 2.10. If the Livestock Indemnity Trust becomes liable for any payment under a Certificate of Livestock Indemnity in respect to an animal the Livestock Indemnity Trust shall be subrogated to the extent of such payment, to all rights and remedies of the Assured against any party in respect of such animal and shall be entitled at their expense to sue in the name of the Assured. The Assured shall give the Livestock Indemnity Trust all such assistance in their power as the Livestock Indemnity Trust may require securing their rights and remedies and, at the Livestock Indemnity Trust's request, shall execute all documents necessary to enable the Livestock Indemnity Trust effectively to bring suit in the name of the Assured.
- 2.11. Any legal claims against the Feeder Associations of Alberta Limited and their employees, agents, directors, officers or representatives regarding the Livestock Indemnity Trust shall be defended vehemently. The Feeder Associations of Alberta Limited and their employees, agents, directors, officers or representatives shall be permitted to defend against said legal claims at the expense of the Livestock Indemnity Trust.
- 2.12. The limit of liability will be the aggregate amount of the Livestock Indemnity Trust pro-rated against all claims.
- 2.13. In this Policy written notice shall be permitted by delivery through regular mail, electronic mail, electronic submission, electronic mail with scanned attachments, or facsimile.



### 3. Eligibility and Period of Indemnity

- 3.1. All feeder cattle purchased by a Local Feeder Association (the Assured) in which the Assured is the sole owner, for feeding by a Producer Member in accordance with the Feeder Associations Guarantee Act and associated regulations and approved by the Local Feeder Association Supervisor shall be eligible for coverage under the Livestock Indemnity Trust.
- 3.2. All animals covered by the Assured must carry the Assured's brand as registered with Livestock Identification Services Ltd.
- 3.3. Animals purchased by the Producer Member directly and not through the Local Feeder Association shall not be eligible for coverage under the Livestock Indemnity Trust.
- 3.4. Subject to certain exclusions as outlined in this Policy the Livestock Indemnity Trust covers the death of any eligible animal due to illness, and any non-obvious or non-treatable medical condition in which the Producer Member has done everything that could be reasonably expected to mitigate the chance of death including, but not limited to treatment of the illness or medical condition, and consulting with a Veterinary Surgeon.
- 3.5. With the approval of the Assured's Supervisor and subject to certain exclusions as outlined in this Policy the Livestock Indemnity Trust covers the death of any eligible animal due to non-medical reasons, which may include, but is not limited to, death by electrocution or lightning, death from drowning, death by a predator, and animals euthanized due to humane reasons.
- 3.6. Any breach of any of the following conditions shall render the Assured's claim null and void and release the Livestock Indemnity Trust from all liability in connection therewith, whether the Assured has personal knowledge of such events or such knowledge is confined to the representatives of the Assured or other persons who have care, custody or the control of the animal(s).
  - 3.6.1. It is warranted by the Assured that at the commencement of coverage, so far as both the Producer Member and the Supervisor can ascertain, that each animal hereby covered under the Livestock Indemnity Trust; is in sound health and free from any illness, disease, lameness, injury or physical disability whatsoever.
  - 3.6.2. It is a condition precedent to any liability of the Livestock Indemnity Trust that
    - a) all rules and regulations of the Feeder Associations Guarantee Act and associated Regulations of the Province of Alberta currently applicable shall always be complied with, and

- b) the Producer Member shall always provide proper care and attention for each animal hereby insured, and
  - c) the Producer Member shall isolate any unsound or diseased animals, whether insured hereunder or not, and
  - d) in addition, in the event of any illness, disease, lameness, injury, accident, or physical disability whatsoever of or to an insured animal, the Producer Member shall immediately, at his own expense, employ a qualified Veterinary Surgeon and shall, if required by the Feeder Associations of Alberta Limited allow removal for treatment, and
  - e) It is a condition precedent to any liability of the Livestock Indemnity Trust that the animals shall have remained within the limits of Alberta during the whole period of coverage unless prior approval is granted by the Provincial Supervisor.
- 3.7. All animals purchased under the Livestock Indemnity Trust shall be covered for a period not to exceed 365 days from the purchase date regardless of the status of the Master Agreement between the Assured and its Producer Member unless the Board of Directors of the Assured authorizes a three month extension to a Producer Member, and the Local Feeder Association submits a copy of the extension agreement or Board meeting minutes or verification in the form of a lender email, as requested on a case by case basis, with any claims within the extended period.
- 3.8. The only exception to 3.7 is Feeder Cows which shall be covered for a period not to exceed 120 days from the date of purchase, unless the Board of Directors of the Local Feeder Association authorizes a three-month extension to a Producer Member, and the Local Feeder Association submits a copy of the extension agreement with any claims within the extended period.
- 3.9. The Livestock Indemnity Trust coverage on an animal expires when the animal is sold by the Assured, the period of indemnity as described in 3.7 and 3.8 above expires, the Assured issues a brand release, whether temporarily or permanently, or if the Assured issues to the Livestock Indemnity Trust Administrator a request to terminate coverage on said animal knowing said earlier termination shall be without the return or tender of the unearned premium.
- 3.10. If the Assured and/or the Producer Member makes any claim knowing the same to be false or fraudulent, as regards to amount or otherwise, the Assured and/or the Producer Member can be suspended indefinitely or for some other period of time from the Livestock Indemnity Trust as determined by the Board of Directors of the Feeder Associations of Alberta Limited at its sole discretion and all claims and premiums shall be forfeited.

- 3.11. If at the time of death of an animal the Assured has any other insurance in force in respect of the animal, whether or not such insurance is valid or collectible, the Livestock Indemnity Trust shall be released from all liability in connection with such animal unless the agreement of the Feeder Associations of Alberta Limited to such other insurance is endorsed on a Certificate of Livestock Indemnity
- 3.12. As condition precedent for participation in the Livestock Indemnity Trust the Producer Member who is feeding the Assured's animals must carry a Farm Insurance Policy with an insurance provider authorized to provide insurance inside the Province of Alberta. This insurance policy must contain liability coverage of at least one million dollars (\$1,000,000.00).

## Exclusions

- 3.13. The Livestock Indemnity Trust does not cover intentional slaughter, either by or under the order of any government of public or local authority or any person or body having jurisdiction in the matter other than where the Assured has expressly agreed to the destruction of the animal or a qualified Veterinary Surgeon shall have first given a certificate indicating that the suffering of the animal is incurable and so excessive that immediate destruction is imperative for humane reasons. Provided that in all such cases the Assured or Feeder Associations of Alberta Limited, at its sole discretion, shall be given the opportunity of having a post-mortem examination carried out by a Veterinary Surgeon of their choosing.
- 3.14. The Livestock Indemnity Trust does not cover animals whose death is due to slaughter for consumption.
- 3.15. The Livestock Indemnity Trust does not cover death directly or indirectly caused by, happening through, or in consequence of:
  - a) Any surgical operation except castration and dehorning unless conducted by a qualified Veterinary Surgeon as defined in section 1.27 and certified by that Veterinary Surgeon to have been necessitated solely by accident, disease, or illness and to have been carried out to preserve the animal's life. Animals spayed by a qualified Veterinary Surgeon shall be covered by the Livestock Indemnity Trust.
  - b) Malicious or wilful injury.
  - c) Nuclear fission, nuclear fusion or radio-active contamination howsoever caused.
  - d) War, invasion, acts of foreign enemies, hostilities (whether war be declared or not), civil war, rebellion, revolution insurrection, military or usurped power, riots, or civil commotion.

## 4. Responsibilities

### Policy Modifications

- 4.1. Amendments or modifications to the operation or policies of the Livestock Indemnity Trust shall be made by a majority of the members of the Feeder Associations of Alberta Limited currently participating in the Livestock Indemnity Trust at an annual meeting of the Feeder Associations of Alberta Limited; alternatively modifications can also be made at a special meeting of the members currently participating in the Livestock Indemnity Trust as may be called from time to time as specified in the bylaws of the Feeder Associations of Alberta Limited.

### Board of Directors Responsibilities

- 4.2. The Board of Directors of the Feeder Associations of Alberta Limited is responsible for overseeing all operations of the Livestock Indemnity Trust which includes:
  - 4.2.1. reviewing annually the suitability of various plans, policies, and regulations of the Livestock Indemnity Trust for continued applicability to an always changing business environment;
  - 4.2.2. preparing resolutions for the modification of the Livestock Indemnity Trust for decision by the membership at members meetings;
  - 4.2.3. setting the administration fee;
  - 4.2.4. ensuring that all accounting audits are completed in a timely manner;
  - 4.2.5. ensuring that any deficiencies found in audits are remedied in a timely manner;
  - 4.2.6. dispute resolution as outlined in section 9;
  - 4.2.7. staffing and managing the Livestock Indemnity Trust Administrator;
  - 4.2.8. determining payout procedures for nonstandard claims or claims when the funds in the trust account are near depletion;
  - 4.2.9. determining the disposal of surplus funds; and,
  - 4.2.10. other tasks and duties as required from time to time in order to ensure sound governance principles are adhered to.

### Livestock Indemnity Trust Administrator Responsibilities

- 4.3. The Livestock Indemnity Trust Administrator is either an individual or a group of individuals that are responsible for the day to day operation of the Livestock Indemnity Trust which includes the following responsibilities:
- 4.3.1. collecting, managing, and reviewing premiums from the Assured;
  - 4.3.2. collecting, managing, and reviewing claims from the Assured;
  - 4.3.3. preparing payments to the Assured;
  - 4.3.4. managing the day to day communication with the Assured, this includes, but is not limited to, managing communication between the Assured and the Board of Directors of the Feeder Associations of Alberta Limited;
  - 4.3.5. preparing documentation for and bringing any issues, disputes, or appeals to the Board of Directors of the Feeder Associations of Alberta Limited for resolution;
  - 4.3.6. preparing financial statements as required by the Board of Directors of the Feeder Associations of Alberta Limited from time to time;
  - 4.3.7. detecting fraud and presenting the details to the Board of Directors of the Feeder Associations of Alberta Limited for resolution;
  - 4.3.8. implementing the decisions of the Board of Directors of the Feeder Associations of Alberta Limited;
  - 4.3.9. general accounting and bookkeeping of the Livestock Indemnity Trust accounts; and,
  - 4.3.10. shall notify the General Manager of any Producer when the Producer is to receive \$2,000.00 or more cumulatively or in one claim and shall notify the General Manager and the Provincial Board of any Producer when the Producer is to receive \$5,000.00 or more cumulatively or in one claim.

#### **Assured Responsibilities**

- 4.4. The Assured shall do everything that can be reasonably expected to balance the needs and requirements of its Producer Members while maintaining the integrity of the Livestock Indemnity Trust as defined in this policy.
- 4.5. The Assured's Supervisor shall be expected to complete, in an honest and workmanlike manner, those tasks and responsibilities specifically outlined in this Policy, including, but not limited to, inspecting cattle, ensuring timely reporting of losses, and communicating with the Producer Member.

- 4.6. The Assured's Secretary-Treasurer/Administrator shall be expected to complete, in an honest and workmanlike manner, those tasks and responsibilities specifically outlined in this Policy, including, but not limited to completing forms, reporting claims, and facilitating communication between the Producer Member and the Livestock Indemnity Trust Administrator.
- 4.7. The Board of Directors of the Assured shall be expected to complete, in an honest and workmanlike manner, those tasks and responsibilities specifically outlined in this Policy.

### **Producer Member Responsibilities**

- 4.8. The Producer Member shall be expected to complete, in an honest and workmanlike manner, those tasks and responsibilities specifically outlined in this Policy.
- 4.9. The Producer Member shall be expected to take all reasonable steps possible to mitigate their losses.
- 4.10. The Producer Member shall provide Supervisors, Veterinary Surgeons, and other individuals as required access to their property, facilities, and records such that those individuals can validate the death loss and circumstances thereof, review treatment and feeding records, as well as perform post-mortem examinations as required by this Policy.
- 4.11. The Producer Member shall assist the Supervisor in using available equipment to move and transport deceased animals as may be required by the Supervisor from time to time.
- 4.12. The Producer Member shall be responsible for the disposal of the animal remains.

## **5. Risk Management**

### **Risk Based on Past Performance**

- 5.1. The Livestock Indemnity Trust shall maintain a continuous record of premiums and claims for the Assured.
- 5.2. These records will be used to calculate a risk ratio and claims ratio which is used as the basis for determining future premiums and deductibles.
- 5.3. The claims ratio for the current year is based on an average of the risk ratio for the Assured for the last five (5) closed out years of active participation in the Livestock Indemnity Trust.

- 5.4. A closed-out year is a year in which the insurance has lapsed completely for animals that have been insured under the Livestock Indemnity Trust. The previous year shall not be considered a closed year as there may be outstanding liabilities that will not be closed off until well into the current year; however, if a liability goes into a third year because of an extension to coverage that will not preclude the closeout of the year before the previous.
- 5.5. To manage risk, the Livestock Indemnity Trust calculates at the end of each fiscal year a risk ratio which is used as the basis of determining both premiums and deductibles for all plans.
- 5.6. If the Assured desires to extend the policy for an additional three months in accordance with section 3.7 & 3.8, no adjustment to the risk ratio will be made.
- 5.7. The risk ratio for a year is calculated as the result of the total claims plus any money rebated for the year divided by the total premiums for the year excluding the admin fee.
- 5.8. The claims ratio is the average of the last five (5) closed fiscal years risk ratio.

### Common Deductibles

- 5.9. An Assured may wish to combine deductibles for related Producer Members whose animals are being fed in an intermingled non-identifiable way which does not allow for easy identification of the owner of any one animal. In this case the opportunity to assign deaths that have occurred to one Producer Member to the Producer Member with the lowest feeder agreement amount and therefore the lowest deductible can create an undue risk situation.
- 5.10. The decision to combine deductibles is made by the Assured's Supervisor and must be identified prior to the premium being calculated by the Assured's Secretary-Treasurer/Administrator and must be submitted to the Livestock Indemnity Trust Administrator with the premium documentation.
- 5.11. The documentation of the common deductible must show the feeder agreement number, name, and producer number (if applicable) of the party which triggered the common deductible, as well as the feeder agreement numbers, names, and producer numbers (if applicable) of the parties which will have their deductible combined with the new party.
- 5.12. Feeder agreements which will have their deductibles combined are permitted to have different due dates and may have already been submitted to the Livestock Indemnity Trust program administrator; however, it is not permitted to combine deductibles if all of the feeder agreements have already been submitted to the Livestock Indemnity Trust Administrator, therefore a common deductible can only be defined upon submission of a new feeder agreement to the Livestock Indemnity Trust Administrator.

- 5.13. If there is an existing common deductible defined it is permitted, only at the time that the feeder agreement is submitted to the Livestock Indemnity Trust Administrator, to add a feeder agreement to that common deductible.
- 5.14. Once feeder agreements have been linked it is not permitted to remove the common deductible, the common deductible shall be applied until the feeder agreements involved expire.
- 5.15. A common deductible will add all the individual deductibles calculated for each feeder agreement together. If a common deductible is identified and feeder agreements already under the Livestock Indemnity Trust are to be included, the remaining deductible of those feeder agreements are to be used to calculate the common deductible; therefore, if a claim has been processed for a feeder agreement prior to that deductible being combined then only the deductible remaining will be included in the common deductible.
- 5.16. When a claim is processed for a death loss under a feeder agreement with a common deductible the calculated value of the animal is subtracted from the combined deductible as calculated above. Only after the entire common deductible is cleared will a payout begin.

## 6. Plans

- 6.1. The Feeder Associations of Alberta Limited has defined four (4) different plans named “Plan A”, “Plan B”, “Plan C”, and Plan “D”. Local Feeder Associations are permitted to participate either in group Plans A and B, or in group Plans C and D. That is group Plans A and B cannot be used in conjunction with group Plans C and D.
- 6.2. Local Feeder Associations are permitted to change group plans effective the first day of the next fiscal year.
- 6.3. “Plan A” – Producer Members will pay premiums based on the history of losses of their own Local Feeder Association (the Assured). This plan covers all calves born in the current year, purchased under the Feeder Association Program and may also include, at the Producer Members option, other cattle purchased under the Program.



- 6.3.1. Premiums for Plan A are calculated as the Assured's claims ratio divided by one hundred (100) multiplied by the purchase price of the animals where the claims ratio divided by one hundred (100) is the premium rate. The claims ratio is calculated as defined in section 5.8. The administration fee is not included in the premium; however, all rate notices shall include the administration fee in the premium rate provided to allow for simplified calculation of premiums.
  - 6.3.2. If the Assured has a risk ratio less than 1.0 then the deductible is 2% of the full purchase price where 2% is the deductible rate; and the adjusted average price of the animal used in calculating claims payouts is 95% of the average purchase price where 95% is the percentage covered.
  - 6.3.3. If the Assured has a risk ratio greater than or equal to 1.0 then the deductible is 3% of the full purchase price where 3% is the deductible rate; and the adjusted average price of the animal used in calculating claims payouts is 90% of the average purchase price where 90% is the percentage covered.
  - 6.3.4. If there is insufficient Plan A history for calculating the claims ratio and the Assured has enough history with Plan C, then the claims ratio can be calculated using Plan C data for those years in which Plan A historical data is not available.
  - 6.3.5. If there is insufficient Plan A history for calculating the claims ratio and there is also insufficient Plan C data, then a starting claims ratio of 1.0 will be used for each year in which historical data or Plan C data is not available.
- 6.4. "Plan B" – Producer Members will pay premiums based on the history of losses of their own Local Feeder Association (the Assured). This plan covers all cattle not born in the current year, at the time of purchase under the Feeder Association Program. Supervisors must approve assignment of Cattle to Plan B.
- 6.4.1. Premiums for Plan B are calculated as the Assured's claims ratio divided by one hundred (100) multiplied by the full purchase price of the animals where the claims ratio divided by one hundred (100) is the premium rate. The claims ratio is calculated as defined in section 5.8. The administration fee is not included in the premium; however, all rate notices shall include the administration fee in the premium rate provided to allow for simplified calculation of premiums.
  - 6.4.2. If the Assured has a risk ratio less than 1.0 then the deductible is 2% of the full purchase price where 2% is the deductible rate; and the adjusted average price of the animal used in calculating claims payouts is 95% of the average purchase price where 95% is the percentage covered.

- 6.4.3. If the Assured has a risk ratio greater than or equal to 1.0 then the deductible is 3% of the full purchase price where 3% is the deductible rate; and the adjusted average price of the animal used in calculating claims payouts is 90% of the average purchase price where 90% is the percentage covered.
- 6.4.4. If there is insufficient Plan B history for calculating the claims ratio and the Assured has enough history with Plan A then the claims ratio can be calculated as 50% of the Plan A ratio for those years in which Plan B historical data is not available.
- 6.4.5. If there is insufficient Plan B or Plan A history for calculating the claims ratio and the Assured has enough history with Plan C, then the claims ratio can be calculated as 50% of the Plan C ratio for those years in which Plan B historical data is not available.
- 6.4.6. If there is insufficient Plan B history for calculating the claims ratio and there is also insufficient Plan C data, then a starting claims ratio of 0.50 will be used for each year in which historical data or Plan C data is not available.
- 6.5. “Plan C” – This plan covers all cattle purchased under the Feeder Association Program.
  - 6.5.1. Premiums for Plan C are calculated as 1.0% of the full purchase price of the animals where 1.0% is the premium rate. This premium rate also includes the currently defined administration fee.
  - 6.5.2. If the Assured has a risk ratio less than 1.1 then the deductible is 2% of the full purchase price where 2% is the deductible rate; and the adjusted average price of the animal used in calculating claims payouts is 95% of the average purchase price where 95% is the percentage covered.
  - 6.5.3. If the Assured has a risk ratio greater than or equal to 1.1 and less than 1.3 then the deductible is 3% of the full purchase price where 3% is the deductible rate; and the adjusted average price of the animal used in calculating claims payouts is 95% of the average purchase price where 95% is the percentage covered.
  - 6.5.4. If the Assured has a risk ratio greater than or equal to 1.3 then the deductible is 3% of the full purchase price where 3% is the deductible rate; and the adjusted average price of the animal used in calculating claims payouts is 80% of the average purchase price where 80% is the percentage covered.
  - 6.5.5. If there is insufficient Plan C history for calculating the claims ratio and the Assured has sufficient history with Plan A then the claims ratio can be calculated using Plan A data for those years in which Plan C historical data is not available.

- 6.5.6. If there is insufficient Plan C history for calculating the claims ratio and there is also insufficient Plan A data, then a starting claims ratio of 1.0 will be used for each year in which historical data or Plan C data is not available.
- 6.6. “Plan D” – This plan covers all cattle purchased under the Feeder Association Program.
  - 6.6.1. Premiums for Plan D are calculated as 0.50% of the full purchase price of the animals where 0.50% is the premium rate. This premium rate also includes the currently defined administration fee.
  - 6.6.2. If the Assured has a risk ratio less than 1.1 then the deductible is 5% of the full purchase price where 5% is the deductible rate; and the adjusted average price of the animal used in calculating claims payouts is 100% of the average purchase price where 100% is the percentage covered.
  - 6.6.3. If the Assured has a risk ratio greater than or equal to 1.1 and less than 1.3 then the deductible is 6% of the full purchase price where 6% is the deductible rate; and the adjusted average price of the animal used in calculating claims payouts is 100% of the average purchase price where 100% is the percentage covered.
  - 6.6.4. If the Assured has a risk ratio greater than or equal to 1.3 then the deductible is 6% of the full purchase price where 6% is the deductible rate; and the adjusted average price of the animal used in calculating claims payouts is 80% of the average purchase price where 80% is the percentage covered.
  - 6.6.5. If there is insufficient Plan D history for calculating the claims ratio and the Assured has enough history with Plan B, then the claims ratio can be calculated using Plan B data for those years in which Plan D historical data is not available.
  - 6.6.6. If there is insufficient Plan D history for calculating the claims ratio and there is also insufficient Plan B data, then a starting claims ratio of 1.0 will be used for each year in which historical data or Plan B data is not available.
- 6.7. Notwithstanding any of the above the Board of Directors of the Feeder Associations of Alberta Limited retains the right, at its sole discretion, to modify the plans above for any Assured which has a significant deviation in loss ratios from the normal or to apply additional conditions as may be necessary to maintain the integrity of the Livestock Indemnity Trust.

## 7. Premiums and Administration Fees

- 7.1. Premiums are collected from the Local Feeder Associations to provide a trust for the payment of claims and to pay for the administration of the Livestock Indemnity Trust by the Feeder Associations of Alberta Limited. The premiums must be paid by the 15th of the month following the purchase of animals. The premium is calculated as the premium rate multiplied by the full purchase price.
- 7.2. The Feeder Associations of Alberta Limited charges an administration fee as set by the Feeder Associations of Alberta Limited Board of Directors, from time to time, at their sole discretion, to cover the costs of administering the Livestock Indemnity Trust. This administration fee is disclosed to the Assured in rate notices.
- 7.3. Upon thirty (30) days written notice to the Assured the Feeder Associations of Alberta Limited is permitted to change the LIT administration fee from time to time at its sole discretion up to an amount not to exceed 30 cents per head of the purchase price of an animal. The Feeder Associations of Alberta Limited can change the administration fee to above 30 cents per head only upon approval of the membership currently participating in the Livestock Indemnity Trust at a meeting as outlined in section 4.1. Any new administration fee will only affect premiums collected after the administration fee change effective date that must be set by the Feeder Associations of Alberta Limited at the time the administration fee is changed.

## 8. Claims

- 8.1. It is the responsibility of the Producer Member to notify their Local Feeder Association Supervisor of the loss of animals that are covered under the Livestock Indemnity Trust program within twenty-four (24) hours upon first discovery of the loss.
- 8.2. Upon notification of the loss of an animal the Assured's Supervisor shall attend the premises of the Producer Member as soon as possible and confirm the details of loss. If the loss is due to causes eligible for coverage under the Livestock Indemnity Trust the Supervisor will then complete a claim form for said animal(s) which shall contain the details of the loss, which feeder agreement it applies to, and the signature of the supervisor.
- 8.3. The Assured must within fifteen (15) calendar days after the end of the month submit the sworn Claim to the Feeder Associations of Alberta Limited.
- 8.4. Upon the death of an insured animal the Producer Member shall immediately, at his own expense, arrange for a post-mortem examination to be made by a qualified Veterinary Surgeon as defined in 1.27 if such post-mortem examination is required by the Supervisor or the Feeder Associations of Alberta Limited.

- 8.5. Any Producer Member who has three or more deaths within a ten (10) day period shall have his Certificate(s) of Death supported by either a signed veterinarian's statement giving evidence of treatment prior to death of the claimed animal(s), or a signed veterinarian's post-mortem statement for the animal(s) claimed.
  - 8.5.1 When a Producer Member is experiencing significant loss without needing Veterinary documentation the L.I.T. Administrator may request documentation from the Producer, Supervisor, and/or a Veterinarian supporting the loss, i.e. three (3) dead's in eleven days with "unknown" as cause of death.
- 8.6. Upon receipt of the sworn Claim form by the Feeder Associations of Alberta Limited the Livestock Indemnity Trust Administrator will review the Claim form for accuracy and completeness and will contact the Assured immediately upon discovery of a defect in the Claim form.
- 8.7. If the form is complete, then the Livestock Indemnity Trust Administrator will review the details and circumstances of the claim against the eligibility criteria and determine eligibility. If the claim is eligible then it will be processed. If the claim is ineligible a memo or letter will be sent to the Assured either by mail or electronic means outlining the reasons for denying the claim after which the claim shall thereafter be considered rejected.
- 8.8. If there is a dispute regarding the rejection of a claim it will be handled as outlined in Section 9.

### Salvage or Residual Value

- 8.9. The intent of the Livestock Indemnity Program is to reduce a financial loss that would result from animal deaths. Coverage under the plan occurs only with animals that die on farm, in transit, or by condemnation at slaughter.
  - 8.9.1. Coverage has been extended to cover animals severely injured in transit or on-farm. Animals euthanized because of broken leg(s) must have a Veterinarian's or a Supervisor's signature authorizing the destruction of the animal.
  - 8.9.2. Coverage of animals that are sold as chronic bloaters will require that the animal is sold for salvage slaughter and should be supported by Veterinarian or Supervisor documentation.
  - 8.9.3. Animals that are resold back through the Auction market or stockyard system are not covered by this program.
  - 8.9.4. Animals that are consumed by the Producer Member shall, regardless of the cause of death, be excluded from coverage under the Livestock Indemnity Trust.

- 8.10. Any value that is obtained from a dead animal through salvage must be reported along with the claim for dead animals and will be deducted from the claim.
- 8.11. The Assured and Producer Member should do everything possible to extract whatever residual value they can from any animal that has become deceased.

## Calculating Claims

- 8.12. If a Producer Member has several Feeder Agreements, then each group of Feeder Agreements with a common due date form a contract. Each contract has its own deductible and claims are applied and managed separately from other contracts.
- 8.13. Claims use an average of all the animals purchased by the Producer Member on a per contract basis.
- 8.14. This average purchase price is then multiplied by a percentage of the animal that is covered to produce an adjusted average purchase price. The percentages covered are provided in Section 6 for each individual plan and the current risk profile of the Assured.
- 8.15. Prior to a claim being paid out the deductible for that Producer Member must be paid out. This deductible is a portion, as defined by the deductible rate, of the full purchase price and changes for each plan and the Assured's current claims ratio. The rules for determining the current deductible rates are defined in section 6.
- 8.16. All claim amounts will be applied towards the deductible first and only after the deductible has been paid will a payout to the Assured be made. Prior to the first claim the deductible remaining will be equal to the deductible, then as claims for the Producer Member come in the claim amount defined by the number of animals claimed multiplied by the adjusted average purchase price minus the salvage value is subtracted from the deductible remaining.
- 8.17. Once the deductible has been paid then payout of the claims can begin, the first payout will likely be a partial payout as the deductible remaining will have just been paid. A portion of the claim amount will have been used to clear the deductible; the remainder should be the payout. Additional payouts, subject to funds available and changes in payout policy from time to time, should be equal to the claim amount as calculated above.
- 8.18. As additional animals are purchased throughout the year the deductible must be increased accordingly. It is possible to have previously paid out claims for a Producer Member and then after the purchase of addition cattle to have an additional deductible that may need to be paid before any future claims can be paid out.

- 8.19. As additional animals are purchased by the Producer Member on a feeder agreement throughout the year the average purchase price will need to be recalculated using the new full purchase price that includes both the previously purchased and new animals.

## 9. Dispute Resolution

### Disputed Claim

- 9.1. A rejected claim is a claim against the Livestock Indemnity Trust for the death of an animal(s) that was rejected by the Livestock Indemnity Trust Administrator or the Feeder Associations of Alberta Limited Board of Directors as being incomplete, invalid, misrepresented, fraudulent, or otherwise not eligible for payment under the terms and conditions of the Livestock Indemnity Trust as described in this Policy.
- 9.2. Every claim that is rejected must have a letter issued to the Assured outlining why the claim has been rejected by the Livestock Indemnity Trust Administrator.
- 9.3. It is the right of the following entities to dispute the rationale for the rejection of a claim:
  - 9.3.1. The Producer Member who has a feeder agreement with an Assured and was in possession of the animal when it became deceased.
  - 9.3.2. An Assured who was the owner of record of the animal when it became deceased.
  - 9.3.3. The Feeder Associations of Alberta Limited Board of Directors.
- 9.4. A disputed claim will follow the following process:
  - 9.4.1. A Producer Member who wishes to dispute a claim must first present their objection to the claim complete with any new information and rationale for why the Producer Member believes that the claim is valid to the Secretary-Treasurer/Administrator of their Local Feeder Association by written notice. Upon the written receipt of the notice of objection from the Producer Member the Secretary-Treasurer/Administrator of the Local Feeder Association will, within a reasonable amount of time, forward the Producer Member's response to the Livestock Indemnity Trust Administrator who will review the information and decide whether the claim should be processed or be rejected. A written response to the Secretary-Treasurer/Administrator will be prepared indicating the decision that the Livestock Indemnity Trust Administrator has made. If it is determined that the claim should be processed, then the Livestock Indemnity Trust Administrator will process the claim in accordance with the provisions and procedures outlined in this Policy.

- 9.4.2. Upon receipt of the written response from the Livestock Indemnity Trust Administrator the Secretary-Treasurer/Administrator will transmit the response to the Producer Member. If the Producer Member has the claim rejected a second time and the Producer Member still believes the claim is valid the Producer Member will prepare a second objection to the claim complete with any new information and rationale for why the Producer Member believes that the claim is valid. This will then be received by the Secretary-Treasurer/Administrator of the Local Feeder Association who will then submit the objection to the Local Feeder Association Board of Directors who will, within a reasonable amount of time, review the particulars of the claim, the letter of rejection, the Supervisor's testimony, along with the Producer Member's rationale for the objection and then through a Board resolution indicate if they wish to make the recommendation to the Livestock Indemnity Trust Administrator that the claim be allowed, or, alternatively if they agree with the Livestock Indemnity Trust Administrator that the claim should be rejected.
- 9.4.3. If the Local Feeder Association Board of Directors wishes to recommend to the Livestock Indemnity Trust Administrator that the claim should be paid out the Secretary-Treasurer/Administrator will prepare a letter of response to the rejection outlining the details of the Board of Directors decision and any new information that has been revealed that in their opinion brings the claim within the guidelines set out in this document and is now eligible for payout. This letter will then be sent to the Livestock Indemnity Trust Administrator.
- 9.4.4. If the Local Feeder Association Board of Directors decides that the claim is not eligible for payout the Secretary-Treasurer/Administrator will prepare a decision letter outlining the details around the decision and send said letter to the Producer Member. With the Local Feeder Association Board of Directors unwillingness to support the claim the claim shall be considered closed.
- 9.4.5. Upon receipt of a pay-out request letter by the Livestock Indemnity Trust Administrator from the Local Feeder Association Board of Directors the Livestock Indemnity Trust Administrator will specify some time at the next Feeder Associations of Alberta Limited Board of Directors meeting to discuss this issue and then send all of the documentation available in regard to this issue to the Feeder Associations of Alberta Limited Board of Directors. At this point the Board of Directors prior to the next meeting of the Board may request further information either verbally or written from any or all of the Chair of the Local Feeder Association Board of Directors, the Producer Member, the Livestock Indemnity Trust Administrator, and the Supervisor.
- 9.4.6. At the Feeder Associations of Alberta Limited Board of Directors meeting the Board of Directors will review all the details of the issue and make a ruling said ruling to be one of:



- a) a complete rejection of the claim with no further requests allowed,
- b) a complete rejection of the claim with future requests allowed only upon new information becoming available,
- c) a partial payout of the claim the exact amount is at the Feeder Associations of Alberta Limited Board of Directors discretion, or
- d) full payout of the claim, or some other action as may be directed from time to time by the Feeder Associations of Alberta Limited Board of Directors.

This ruling will be a recorded resolution of the Board of Directors and appropriate direction will be given to the Livestock Indemnity Trust Administrator to communicate the resolution of the issue. If it is determined that the claim should be processed, then the Livestock Indemnity Trust Administrator will process the claim in accordance with the provisions and procedures outlined in this Policy.

- 9.5. A claim in which the Livestock Indemnity Trust Administrator or Feeder Associations of Alberta Limited Board of Directors decided to make only a partial payment out on a claim is also eligible to be disputed by the same entities as a fully rejected claim and will follow the same process as outlined in this Policy for fully rejected claims.

## Other Disputes

- 9.6. All parties participating, related to, or otherwise involved with the Livestock Indemnity Trust program hereby acknowledge and agree that for any and all issues that may arise relating to disputed claims, and any other Livestock Indemnity Trust related issue that the Feeder Associations of Alberta Limited Board of Directors shall be the final arbitration body and that their decisions shall be final and binding on all parties and all parties hereby waive their rights to any and all other remedies, statutory or otherwise, including but not limited to, the right to sue.

## 10. Dissolution

- 10.1. The Livestock Indemnity Trust can be wound up and dissolved only by resolution of the majority of the members of the Feeder Associations of Alberta Limited currently participating in Livestock Indemnity Trust at an annual meeting of the Feeder Associations of Alberta Limited, or a special meeting of the members currently participating in Livestock Indemnity Trust as may be called from time to time as specified in the bylaws of the Feeder Associations of Alberta Limited.

- 10.2. Upon the decision to wind up and dissolve the Livestock Indemnity Trust the Feeder Associations of Alberta Limited shall be permitted to pay all closing costs out of the Livestock Indemnity Trust and that only after all closing costs have been covered will the funds remaining in the trust be dispersed in accordance with section 11.8 allocation of surplus funds section.

## 11. Accounting

- 11.1. The Livestock Indemnity Trust Administrator shall keep separate accounting and separate accounts for the Livestock Indemnity Trust from its own accounts.
- 11.2. All accounting procedures must meet the standards defined in either Canadian Generally Accepted Accounting Procedures (GAAP) or the International Financial Reporting Standards (IFRS).
- 11.3. Upon receipt of the premiums by the Livestock Indemnity Trust Administrator the premiums will be separated from the administration fee and any other amounts owing to the Feeder Associations of Alberta Limited that may have been included in the Cheque. The premiums will then be recorded in accordance with 11.1.

### Plan Based Accounting

- 11.4. For both revenue and claims each plan as defined in section 6 shall have its own set of accounts.
- 11.5. If one plan's trust account is depleted or appears that it may become depleted the Feeder Associations of Alberta Limited Board of Directors is permitted, at its sole discretion, to authorize the Livestock Indemnity Trust Administrator to pay claims for the depleted plan out of one or all the other plan's trust account.

### Deferred Revenue

- 11.6. To account for the ongoing liability of policy holders that have coverage that extends past the current fiscal year that portion of the premiums gathered will be deferred to the following fiscal year. The division of revenue will be based on the length of the policy in months and the number of months that are in the current fiscal year and the number of months that are in the next fiscal year.
- 11.7. If the Assured desires to extend the policy for an additional three months in accordance with section 3.7 & 3.8, no adjustment to the deferred revenue will be made.

### Allocation of Surplus Funds

- 11.8. At the end of a fiscal year some or all of the plan trust accounts may contain a surplus balance and the Feeder Associations of Alberta Limited Board of Directors is permitted,

at its sole discretion, to authorize the Livestock Indemnity Trust Administrator to disperse some or all of this surplus to all Assureds that participated in those plans during that fiscal year with a surplus balance during the fiscal year in which the surplus was accumulated.

- 11.9. The Feeder Associations of Alberta Limited Board of Directors may decide, at its sole discretion, to leave some or all the surplus funds in the plan trust accounts as a reserve for the following year; however, in no case shall the surplus be retained for more than five (5) years.
- 11.10. The distribution of the surplus shall follow a surplus distribution plan as set by the Feeder Associations of Alberta Limited Board of Directors, from time to time, at its sole discretion.

### Allocation of Interest

- 11.11. Throughout the fiscal year the trust account may accrue interest and at the end of the year the Feeder Associations of Alberta Limited Board of Directors is permitted, at its sole discretion, to authorize the Livestock Indemnity Trust Administrator to disperse this interest to all Assureds that participated in the Livestock Indemnity Trust during the fiscal year in which the interest was accrued.
- 11.12. The distribution of the accrued interest shall follow an interest distribution plan as set by the Feeder Associations of Alberta Limited Board of Directors, from time to time, at its sole discretion.

## 12. Privacy and Confidentiality

- 12.1. The Livestock Indemnity Trust Administrator shall collect information from the Assured or Producer Member only for the purposes of:
  - a) establishing and maintaining communications with the Assured or Producer Member;
  - b) underwriting risks on a prudent basis (i.e. assessing application(s) for coverage);
  - c) investigating, evaluating and paying claims;
  - d) detecting and preventing fraud;
  - e) compiling statistics and analyzing business results; and
  - f) acting as required or authorized by law.

- 12.2. When personal information that has been collected is to be used for a purpose not previously identified, the new purpose shall be identified before use. Unless the new purpose is required by law, the consent of the Assured or Producer Member is required before information can be used for that purpose.
- 12.3. Persons collecting personal information should be able to explain to the Assured or Producer Member the purposes for which the information is being collected.
- 12.4. The collection of personal information shall be limited to that which is necessary for the purposes identified by The Livestock Indemnity Trust Administrator. Information shall be collected by fair and lawful means.
- 12.5. Personal information shall not be used or disclosed for purposes other than those for which the information was collected, except with the consent of the Assured or Producer Member or as required by law. Personal information shall be retained only as long as necessary for the fulfillment of those purposes.
- 12.6. In order to protect an Assured's or a Producer Member's personal information and right to privacy, The Livestock Indemnity Trust Administrator:
  - 12.6.1. will not, as a condition of the supply of a product or service, require a the Assured or a Producer Member to consent to the collection, use or disclosure of information beyond that required to fulfill the specified, explicit and legitimate purposes as described above. The Livestock Indemnity Trust Administrator shall explain to the Assured or a Producer Member the information requirements that are related to the product or service. In so doing, the Livestock Indemnity Trust Administrator has provided a specified, explicit and legitimate purpose. The Livestock Indemnity Trust Administrator can then refuse to deal with an Assured or a Producer Member who will not consent to the collection, use and disclosure of the information for the specified, explicit and legitimate purpose.
  - 12.6.2. will protect an Assured or a Producer Member's personal information with appropriate and reasonable security safeguards.
  - 12.6.3. will protect the confidentiality of an Assured or a Producer Member's personal information when dealing with other individuals and organizations.
  - 12.6.4. will strive to keep an Assured or a Producer Member personal information as accurate and up-to-date as is necessary for the purposes identified above.
  - 12.6.5. will honour any reasonable request an Assured or a Producer Member may make for access to their personal information.

- 12.7. Personal information collected by the Livestock Indemnity Trust Administrator may be stored and processed in Canada or another country. In either case, the information is protected with appropriate security safeguards, but may be available to government agencies under applicable law.
- 12.8. It shall be explicitly understood that in certain circumstances personal information can be collected, used or disclosed without the knowledge and consent of the Assured or a Producer Member. For example, legal, medical or security reasons may make it impossible or impractical to seek consent. When information is being collected for the detection and prevention of fraud or for law enforcement, seeking the consent of the Assured or a Producer Member might defeat the purpose of collecting the information. Seeking consent may be impossible or inappropriate when the Assured or Producer Member is seriously ill, or mentally incapacitated. In addition, where there is no direct relationship with the Assured or a Producer Member, the Livestock Indemnity Trust Administrator may not always be able to seek consent.

IN WITNESS WHEREOF, the Feeder Associations of Alberta Limited members currently participating in the Livestock Indemnity Trust have caused this Policy to be signed by the Chairman and Vice Chairman of the Board of Directors of the Feeder Associations of Alberta Limited.

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Chairman

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Vice Chairman