

NEWFOUNDLAND AND LABRADOR
CROP INSURANCE AGENCY

Annual Performance Report

April 01, 2012 - March 31, 2013



Table of Contents

Chairperson’s Message1

Overview2

Lines of Business6

Outcome of Activities7

Opportunities and Challenges9

Appendix A: 2012-13 Premium Base Rates10

Financial Statements11



Chairperson's Message

Honourable Thomas Marshall, QC
Minister of Natural Resources and Minister Responsible
for the Forestry and Agrifoods Agency
Natural Resources Building
P.O. Box 8700
St. John's, NL
A1B 4J6

Dear Minister:

I am pleased to submit the Annual Performance Report for the Newfoundland and Labrador Crop Insurance Agency, a category 3 public body under the *Transparency and Accountability Act*. This report covers the period April 1, 2012 to March 31, 2013.

The Newfoundland and Labrador Crop Insurance Agency recognizes its legislative role under the *Crop Insurance Act* to establish and carry out a crop insurance plan under the direction, supervision and control of the Minister. The Agency has prepared this report to outline its activities during the second year in fulfillment of objectives established under the 2011-14 Activity Plan.

My signature below is on behalf of the Newfoundland and Labrador Crop Insurance Agency Board and is indicative of the Board's accountability for the results reported on its activities.

Respectfully submitted,

A handwritten signature in blue ink that reads "C. MacDonald".

Cynthia MacDonald, P. Ag.
Chairperson

Overview

The Newfoundland and Labrador Crop Insurance Agency is a Crown Corporation of the Province of Newfoundland and Labrador. In June 2009, officials from both the Provincial and Federal governments signed the Growing Forward Agreement. A subsection of this Agreement states the parameters of and allows for the cost-sharing of the AgriInsurance program. The Agency provides an affordable and effective AgriInsurance program for vegetable producers and operates within the *Crop Insurance Act*, R.S.N.L. 1990, c.C-39. The membership of the Agency shall consist of not less than three and not more than seven members to be appointed by the Lieutenant-Governor in Council to hold office at pleasure.

In 2012-13 the Agency consisted of the following Board members:

Cynthia MacDonald – Chairperson, Director of Agriculture Business Development Division, Forestry and Agrifoods Agency, Department of Natural Resources

Junior Eveleigh – Producer Representative (tenure ended June 2012)

Elaine Wells – Producer Representative (tenure ended June 2012)

Gerald Wicks – Agriculture Development Officer, Agriculture Business Development Division, Forestry and Agrifoods Agency, Department of Natural Resources

The headquarters of the Agency is in Corner Brook. A branch office for Eastern region field work is located at the Provincial Agriculture Building in St. John's and this office services all locations in eastern and central NL. There is one other Western region office located in Pynn's Brook and this office services areas in western NL and Labrador. An Agricultural Development Officer with the Department of Natural Resources also assists producers in the Happy Valley-Goose Bay area.

The Agency operates under the umbrella of the Forestry and Agrifoods Agency with an independent annual budget of approximately \$420,000 before accounting for revenue received from the Federal Government of Canada. Since the Newfoundland and Labrador Crop Insurance Agency is part of the national AgriInsurance Program, the administration costs of the program are cost-shared on a 60:40 federal-provincial basis. The annual financial statements of the Crop Insurance Agency are audited by the Office of the Auditor General of Newfoundland and Labrador.

Up to four Agricultural Inspectors employed with the Forestry and Agrifoods Agency assist the Crop Insurance Agency with field inspections. Also, the Secretary/Manager of the Newfoundland

and Labrador Crop Insurance Agency is an employee of the Forestry and Agrifoods Agency. The Crop Insurance Agency may be contacted at (709) 637-2077.

In years where crop losses occur, through one or more insurable perils, financial compensation is provided to help alleviate the financial strain these losses may cause. The amount of compensation paid to producers is dependant upon the coverage value

chosen by the producer at the beginning of the crop season. AgriInsurance premiums are paid on a cost-shared basis with producers paying 40 per cent, the federal government paying 36 per cent and the provincial government paying 24 per cent. These premiums are deposited into a fund from which indemnities are drawn. Premiums collected in 2012-13 totaled \$170,183. This figure includes the governments' premiums as well as the producers' premiums. Appendix A shows the base rate premiums for 2012-13.

In 2012-13 there were 23 producers enrolled in the AgriInsurance program with approximately \$196,881 incurred in crop losses. Indemnity payments were estimated at approximately 79% greater than the ten year average. There were a relatively high number of claims and most claims were fairly significant due to reductions in crop yields. Unusually warm, dry conditions throughout the growing season led to reduced germination and production for some crops across the province; cabbage and turnip, in particular, were considerably distressed. A breakdown of each commodity is provided in Table 1.

Table 1: 2012-13 AgriInsurance Statistics

	Beet	Cabbage	Carrot Mineral	Carrot Peat	Parsnip	Potato	Turnip	TOTAL
Contracts Prepared	3	13	9	0	3	7	18	53
Acres insured	6.28	55.15	44.77	0	7.63	43.84	122.51	280.18
Coverage (\$)	21,713	261,215	156,510	0	26,223	85,393	515,848	1,066,902
Total Premiums Collected (\$)	7,038	47,137	23,221	0	3,394	13,739	75,654	170,183
Indemnity Claims	2	7	6	0	2	2	9	28
Indemnity Expenses (\$)	2,644	85,049	43,052	0	4,317	886	60,933	196,881

Mandate:

The mandate of the Newfoundland and Labrador Crop Insurance Agency is to establish and carry out a crop insurance plan under the direction, supervision and control of the Minister of Natural Resources. The Agency shall;

- administer plans of crop insurance established under the *Crop Insurance Act* or the regulations,
- fix by order and publish in the Gazette a final date in each year for the receipt of applications for insurance under a plan,
- conduct surveys and research programs relating to insurance and obtain statistics for the purposes of the Agency,
- evaluate and determine crop losses and pay claims under a plan,
- enter into agreements with or retain persons for the soliciting and receiving of applications for insurance, the collecting of premiums and the adjusting of claims under plans for and on behalf of the Agency, and the doing of other things on its behalf that the Agency considers necessary,
- require an applicant for crop insurance or an insured person to provide the information, statements and reports that the Agency may require,
- exercise the powers and perform the duties that are conferred or imposed upon it under the *Crop Insurance Act* or another *Act*,
- perform the other functions and discharge the other duties that are assigned to it by the Lieutenant-Governor in Council and,
- make the orders and directions that are necessary to enforce the observance of the *Crop Insurance Act*, the regulations or a plan.

Vision:

Through the AgriInsurance program, the Newfoundland and Labrador Crop Insurance Agency protects investments in crop production. By easing the financial burden in times of crop loss, the AgriInsurance program helps ensure resources are available for future generations and helps ensure prospects for future development. It contributes to the vision of the Department of Natural Resources, stated as follows:

“The vision of the Department of Natural Resources is a province that realizes the full benefit from the sustainable development of its natural resources.”

Mission:

Planning guidelines associated with the *Transparency and Accountability Act* encourages small public bodies like the Crop Insurance Agency, to consider the development of mission

statements. A mission statement should represent the priority focus area of a public body over two planning cycles (six years) and should be accompanied by measures and indicators that will help evaluate success at the end of the six-year period. The planning guidelines provide the flexibility, however, for small public bodies to determine for themselves whether the development of mission statements adds value to planning efforts.

During the development of its 2011-14 Activity Plan, the Crop Insurance Agency determined that its mandate accurately represents its priority focus and, therefore, a mission statement would be unduly repetitive. As a result, the Agency opted to forgo the development of its own mission statement and, instead, to illustrate its role in supporting the mission of the Forestry and Agrifoods Agency, part of the Department of Natural Resources.

The Forestry and Agrifoods Agency's mission, along with associated measures and indicators, was developed as part of its 2011-14 strategic planning exercise. The mission statement is as follows:

“By March 31, 2017, the Forestry and Agrifoods Agency will have supported programs and services to strengthen and sustain forestry, agriculture and agrifoods industry development in an innovative and economically beneficial manner.”

The Crop Insurance Agency contributes to agricultural and agrifoods resource development by administering the AgriInsurance program, thereby helping protect vegetable farmers from financial losses. In this manner it provides general support to the Forestry and Agrifoods Agency's mission. The Crop Insurance Agency has no material impact on achievement of specific measures and indicators associated with the mission and, as such, no specific results are included in this report.

To view the complete mission of the Forestry and Agrifoods Agency, refer to its 2011-14 Strategic Plan which can be found on the Department of Natural Resources' website at www.gov.nl.ca/nr.

Lines of Business

The sole line of business of the Newfoundland and Labrador Crop Insurance Agency is the delivery of AgriInsurance to the vegetable producers of the province.

The AgriInsurance program is voluntary and producers who decide to enroll each year do so by applying before the April 30 deadline. Currently, there are insurance plans in place for potato, turnip, cabbage, carrot (separate plans are available for carrot grown on mineral soil and peat land), parsnip and beet.

The AgriInsurance program is a provincially delivered program to which the federal government contributes. This cost-shared program stabilizes a producer's income by minimizing the economic effects of crop losses caused by natural hazards like hail, frost, snow, wind, drought, excessive moisture, plant disease, insect infestation, wildlife and any other condition beyond the control of the insured person. Ultimately the producer benefits by reducing the risk involved in farming that is shared between the producer, the province and the federal government.

Crop loss protection is available to producers in the form of a production guarantee and is made more affordable and flexible to producers through government contributions. A production guarantee is based on a producer's probable yield based on the individual's previous production history or on a provincial benchmark for those producers with less than a fifteen year history for an individual crop. If production falls below the guaranteed yield, the producer may be eligible for an indemnity payment.

Producers have the option of insuring their crop at three coverage levels and two price options. The coverage levels are sixty per cent, seventy per cent and eighty per cent. One price option is based on the pre-harvest cost of production value for each crop while the other option is based on the market value of a particular crop. The market value is calculated as seventy per cent of the average market value of the previous five years as determined by Statistics Canada.

Insured producers are guaranteed a specified yield in pounds per acre for each insurable commodity. If harvested production falls below the guaranteed production as determined by the Agency at the beginning of the growing season, the producer is paid for the difference at the price option chosen by the insured.

In order to provide producers with an affordable and effective AgriInsurance program, the Governments of Canada and Newfoundland and Labrador provide financial support under the Canada - Newfoundland and Labrador AgriInsurance Agreement. Under the terms of the Agreement, the Government of Canada provides financial assistance by contributing thirty six per cent of the premiums, and the Government of Newfoundland and Labrador contributes

twenty four per cent of premiums and the producers are responsible for contributing forty per cent of the total premiums.

Outcome of Activities

In its 2011-14 Activity Plan, the administration of the AgriInsurance Program was identified as the key priority of the Agency for the 2011-14 planning period. As identified in the plan, the Agency's work is in line with the overall strategic directions of government.

Through the administration of the AgriInsurance Program, the Agency's activities during 2012-13 directly supported primary agriculture production, thus supporting government's broader strategic direction toward agriculture and agrifoods innovation, promotion and development. Activities also contributed to overall agrifoods resource management and provided direct support to industry to help strengthen competitiveness, both factors which support the strategic direction toward agriculture and agrifoods resource sustainability.

The Agency's 2011-14 Activity plan can be found on the Publications section of the Department of Natural Resources website at www.nr.gov.nl.ca.

Issue 1: Management and Administration of the AgriInsurance Program

The primary issue of the Newfoundland and Labrador Crop Insurance Agency is to deliver the AgriInsurance plan to the vegetable producers of Newfoundland and Labrador who choose to participate and to assess the feasibility of offering new insurance plans upon request by industry.

Objective: By March 31, 2013 the Newfoundland and Labrador Crop Insurance Agency will have continued to offer an insurance plan to vegetable producers and assessed the feasibility of covering additional products, as required.

Measure: Offered insurance plan and assessed feasibility of new products, as required

Indicators:

- **Registered applications for Crop Insurance**

The Crop Insurance Agency sent applications to all vegetable producers by March 31, 2012. Twenty-three producers returned a completed application by April 30, 2012. Upon receipt of these applications, the prospective participants were entered

into the Crop Insurance Agency's databank.

- **Issued contracts**

A contract with the Crop Insurance Agency was completed for each of the 23 applicants. The signed contract was placed in the participant's file. The contract spelled out, in detail, the terms and conditions of the program, the responsibilities of both the participant and the Crop Insurance Agency, the crops and perils covered and planting deadlines, harvesting deadlines, price options and coverage levels. The contract also included the methodology for determining the premium to be paid by the participant and the deadline for paying the premium.

- **Insured fields measured and inspected**

Agricultural Inspectors measured all insured fields with Global Positioning System units to determine the precise size of each insured field and test dig markers were placed. At the same time each field was inspected to ensure the participant was following generally accepted practices of seedbed preparation and seeding/planting techniques. A total of 280 acres was insured in 2012-13.

- **Test dig and yield calculations completed**

During the harvest season, the Agricultural Inspectors harvested the test digs in each field. By weighing the test dig results and using these results, the Inspectors calculated the marketable yield for each crop insured. These yield calculations were completed for each crop and each participant. The yield calculations were then compared to the guaranteed yield calculated for each participant to determine whether or not the insured producer was in a claim position.

- **Reviewed all claims**

During the fiscal year, 23 participants made a total of 28 claims for crop losses. The annual general meeting of the Board of Directors of the Newfoundland and Labrador Crop Insurance Agency to review and decide on all outstanding claims was deferred until the Board regained quorum. One claim for abandonment was approved in the amount of \$13,134. Abandonment requests are submitted by an insured producer to request permission to cease actively farming a crop they deem to be unsalvageable as the result of an insurable peril. These requests are submitted to the Program Manager who has been delegated authority by the Board to approve or deny the request on behalf of the Board. As of March 31, 2013, the remaining claims were expensed and recorded as outstanding payables in the amount of \$183,747 pending the Board's decision.

- **Decisions communicated to applicants and indemnities paid**

As a result of the Board losing quorum all decisions, with the exception of abandonment, were deferred and communicated in the 2013-14 fiscal year. The Manager of the Crop Insurance Agency communicated the decisions for abandonment to the respective participant. One claim for abandonment was paid in the amount of \$13,134.

- **Commenced appeal process when requested by producers**
Producers who participate in the program and do not agree with the decisions of the Board with respect to their claims have the right to appeal. The participants are given two weeks to file a notice of intent to appeal followed by appointing an arbitrator agreeable to both parties. No appeals were submitted in 2012-13 as the decisions were not communicated until the 2013-14 fiscal year.
- **Assessed feasibility of covering new crop products, upon request, and carried out development work on insurance plans for new crops approved.**
This fiscal year realized the development of a blueberry insurance product. The Manager of the Crop Insurance Agency worked with Agriculture and AgriFood Canada (AAFC) to develop blueberry insurance plan methodology and policies. A proposal for a three year pilot program for blueberry insurance was submitted to AAFC and approved for introduction in 2013. The program is similar to the existing vegetable plans, utilizing test plots for harvest data and applying the same premium proportions of 36:24:40 federal, provincial and producer respectively. It was agreed to limit coverage to 60% of cost of production for the duration of the pilot program. The program will continue to be assessed over the three year term.

The 2013-14 annual report will be on the same objectives, measures and indicators.

Opportunities and Challenges

The challenges that continue to affect the AgriInsurance program include the communicating yield assessment methodology which is often questioned by producers, retaining well trained staff, increasing producer participation, and covering large geographical regions within the province where producers are widely spread out.

An important opportunity in attracting clients has been the benefit to producers of access to funding assistance programs when producers are enrolled in the AgriInsurance program. Also the ongoing research and development of programs to cover important but previously uninsurable crops is a key opportunity for future development of the AgriInsurance program.

Appendix A

2012-13 Premium Base Rates

CROP	COVERAGE LEVELS		
	60 %	70 %	80 %
Beet	0.3199	0.3448	0.3669
Cabbage	0.1528	.01879	0.2207
Carrot-mineral	0.1471	0.1827	0.2164
Carrot-peat	0.3470	0.3719	0.4016
Parsnip	0.1135	0.1848	0.2504
Potato	0.1701	0.2347	0.2924
Turnip	0.1489	0.1981	0.2455

**NEWFOUNDLAND AND LABRADOR
CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR
CROP INSURANCE FUND
FINANCIAL STATEMENTS
MARCH 31, 2013**

Management's Report

Management's Responsibility for the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information periodically and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Agency in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Newfoundland and Labrador Crop Insurance Agency.

On behalf of the Newfoundland and Labrador Crop Insurance Agency.



Ms. Cynthia MacDonald, P.Ag.
Director of Agriculture Business Development

June 19, 2013



OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Crop Insurance Agency
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund, which comprise the statement of financial position as at March 31, 2013, and the statement of operations and accumulated surplus for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

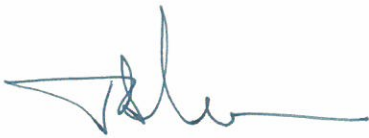
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund as at March 31, 2013, and its financial performance for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in blue ink, appearing to read 'Terry Paddon', with a long horizontal stroke extending to the right.

TERRY PADDON, CA
Auditor General

June 19, 2013
St. John's, Newfoundland and Labrador

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
STATEMENT OF FINANCIAL POSITION**

As at March 31

2013

2012

FINANCIAL ASSETS

Cash	\$ 278,537	\$ 127,172
Accounts receivable (Note 5)	3,835	6,282
	282,372	133,454

LIABILITIES

Accounts payable and accrued liabilities (Note 6)	185,547	1,800
	185,547	1,800

Net financial assets 96,825 131,654

NON-FINANCIAL ASSETS

Accumulated surplus \$ 96,825 \$ 131,654

*The accompanying notes are an integral part
of these financial statements*

Signed on behalf of the Board:

C. MacDonald

Chairperson

Suold Weeks

Member

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended March 31

	2013 Budget	2013 Actual	2012 Actual
	(Note 10)		
REVENUES			
Government of Canada (Note 7)	\$ -	\$ 274,152	\$ 181,652
Province of Newfoundland and Labrador (Note 7)	-	182,768	121,101
Premiums from insured persons	-	68,073	39,144
Late payment fees	-	800	1,400
Appeal administration fee	-	-	100
	-	525,793	343,397
EXPENSES (Note 8)			
Production Insurance Program	-	205,812	131,899
Administration (Note 4)	-	354,810	243,967
	-	560,622	375,866
Annual deficit	-	(34,829)	(32,469)
Accumulated surplus, beginning of year	-	131,654	164,123
Accumulated surplus, end of year	\$ -	\$ 96,825	\$ 131,654

*The accompanying notes are an integral part
of these financial statements*

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

1. Nature of operations

The Newfoundland and Labrador Crop Insurance Agency (the Agency) operates under the authority of the *Crop Insurance Act*. The purpose of the Agency is to operate the Newfoundland and Labrador Crop Insurance Fund to provide insurance to farmers of the Province to restrict the amount of financial loss due to crop failure. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. These statements are a representation of the activities of the Newfoundland and Labrador Crop Insurance Fund.

The Board is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

2. Summary of significant accounting policies

(a) Basis of accounting

The Agency is classified as an Other Government Organization as defined by the Canadian Public Sector Accounting Standards (CPSAS). These financial statements are prepared by management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board. The Agency does not prepare a statement of change in net financial assets and a statement of cash flows as this information is readily apparent from the other statements. In addition, the Agency does not prepare a statement of re-measurement gains and losses as the Agency does not enter into relevant transactions or circumstances that are being addressed by the statement.

(b) Cash

Cash includes cash in bank.

(c) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Transfers (Province of Newfoundland and Labrador premium contributions and Government of Canada premium contributions) are recognized as revenues when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made.

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

2. Summary of significant accounting policies (cont.)

(d) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Indemnity claims are reported on an accrual basis. Indemnity claims are paid to insured persons upon approval by the Board of Directors of submitted insurance claims.

The Agency is administered as a division of the Department of Natural Resources. Expenses related to salaries and administration costs are paid directly by the Department and are reflected in these financial statements as expenses of the Agency and as revenue from the Province and the Government of Canada.

The Province and the Government of Canada have entered into a cost-shared agreement in which administration expenses are funded 60% by the Federal Government and 40% by the Province.

3. Financial instruments and financial risk management

The Agency's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, and accounts payable and accrued liabilities. The financial instruments are recorded at cost which approximates current fair value due to their nature and the short-term maturity associated with these instruments.

Risk management

The Agency recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. Risks currently managed by the Agency include credit and liquidity risk.

Credit risk

Credit risk is the risk of loss if a client cannot meet its obligations. The Agency is exposed to credit risk with respect to accounts receivable. The Agency has policies and procedures for the monitoring and collection of its accounts receivable so as to mitigate potential credit losses. In addition, any estimated impairment of these accounts receivable has been provided for through a provision for doubtful accounts, as disclosed in Note 5, and no further credit risk exists for these items.

Liquidity risk

Liquidity risk is the risk that the Agency will be unable to meet its contractual obligations and financial liabilities. The Agency manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its obligations and liabilities.

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

4. Related party transactions

The Agency is administered by employees of the Department of Natural Resources. Salaries and other costs of \$354,810 (2012 - \$243,967) applicable to the operation of the Agency have been paid or are payable by the Department and are reflected in these financial statements as expenses of the Agency and as revenue in the form of payments made by the Province. The Province recovered \$212,886 (2012 - \$146,381) of these administration expenses from the Government of Canada under the Canada-Newfoundland and Labrador AgriInsurance Program funded under the Growing Forward Framework Agreement.

5. Accounts receivable

	<u>2013</u>	<u>2012</u>
Province of Newfoundland and Labrador	\$ 1,839	\$ 1,828
<u>Premiums from insured persons</u>	<u>4,136</u>	<u>6,594</u>
	5,975	8,422
<u>Less: provision for doubtful accounts</u>	<u>2,140</u>	<u>2,140</u>
	<u>\$ 3,835</u>	<u>\$ 6,282</u>

6. Accounts payable and accrued liabilities

	<u>2013</u>	<u>2012</u>
Indemnity claims payable to insured persons	\$ 183,747	\$ -
<u>Province of Newfoundland and Labrador</u>	<u>1,800</u>	<u>1,800</u>
	<u>\$ 185,547</u>	<u>\$ 1,800</u>

7. Premium contributions and administrative expenses

	<u>2013</u>	<u>2012</u>
Government of Canada		
Premium contributions	\$ 61,266	\$ 35,271
<u>Payments for administration</u>	<u>212,886</u>	<u>146,381</u>
	<u>\$ 274,152</u>	<u>\$ 181,652</u>
Province of Newfoundland and Labrador		
Premium contributions	\$ 40,844	\$ 23,515
<u>Payments for administration</u>	<u>141,924</u>	<u>97,586</u>
	<u>\$ 182,768</u>	<u>\$ 121,101</u>

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2013

8. Expenses by object

The following is a summary of expenses by object:

	<u>2013</u>	<u>2012</u>
Bad debt expense	\$ 457	\$ -
Bank charges	10	8
Board expenses	-	2,024
Equipment supplies	717	13,828
Indemnity claims	205,355	131,899
Professional services	64,960	2,952
Purchased services	1,305	5,553
Salaries and employee benefits	250,692	182,405
Supplies	18,491	18,856
Transportation and communications	18,635	18,341
	<hr/> \$ 560,622	<hr/> \$ 375,866

9. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

10. Budgeted figures

Budgeted figures have not been presented as the Agency does not prepare a budget consistent with the presentation of the statement of operations and accumulated surplus.