

NEWFOUNDLAND AND LABRADOR
LIVESTOCK OWNERS COMPENSATION BOARD

Annual Performance Report

April 01, 2015 - March 31, 2016



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Chairperson's Message

The Honorable Steve Crocker
Department of Fisheries, Forestry and Agrifoods
Petten Building
30 Strawberry Marsh Road
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 Livestock Owners Compensation Board, a category 3 public body under the *Transparency and Accountability Act*. This report covers the period April 1, 2015 to March 31, 2016.

The Livestock Owners Compensation Board recognizes its legislative role under the *Livestock Insurance Act* to establish and carry out a Livestock Insurance Program under the direction, supervision and control of the Minister. The Board has prepared this report to outline its activities during the 2015-16 year in fulfillment of the objective established under the 2014-17 Activity Plan.

My signature below is on behalf of the Livestock Owners Compensation Board and 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

Section 3(2) of the *Livestock Insurance Act* provides for the membership of the Newfoundland and Labrador Livestock Owners Compensation Board (LOCB). The membership of the Board shall consist of not less than three and not more than five members to be appointed by the Lieutenant-Governor in Council to hold office at pleasure.

In 2015-16 the Board consisted of the following Board members:

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

Junior Eveleigh – Producer Representative

Elaine Wells – Producer Representative

Gerald Wicks – Vice-Chairperson, Agricultural Development Officer, Agriculture Business Development Division, Forestry and Agrifoods Agency

Dr. Peggy Dixon – Federal Representative, Agriculture and Agri-Food Canada

Livestock owners throughout Newfoundland and Labrador are able to purchase insurance at reasonable rates for dairy cattle, beef cattle, sheep and goats through the Livestock Insurance Program to protect against losses from predatory animal attacks.

In 2015-16, fifteen producers availed of the program with \$880 expended in livestock losses. The Board operates on a budget of approximately \$13,505 annually, dependent upon the number of indemnity payments made in the year, and falls under the umbrella of the Forestry and Agrifoods Agency. Agricultural Development Officers employed by the Forestry and Agrifoods Agency carry out field work for the Board and the Manager, who administers the program, is also employed by the Forestry and Agrifoods Agency. The Livestock Owners Compensation Board, headquartered in Corner Brook, may be reached at (709) 637-2077. Administration expenses consist of a salary allocation and professional services. Revenues are premiums paid by applicants to the program.

The trend in the provincial industry over the last two decades has seen a gradual decrease in the number of animals insured under the Livestock Insurance Program from more than 1,200 provincial animals in 1999-00 to a low of 398 in 2011-12. However, in the past three years, the number of insured animals has increased. In 2013-14 there were a total of 607 insured animals; 2014-15 saw a total of 543 animals insured; and for 2015-16 there were a total of 566 animals insured. The overall decrease in the number of animals insured (since 1999-00) likely reflects smaller and fewer sheep flocks in the province. Although the numbers have increased in the last few years, they are still less than half of what was seen in 1999-00. Historically, indemnities paid exceeded premium revenues each year due to the increased number of coyote attacks. Recent years have seen the trend reversed. The

2015-16 production year realized a surplus of \$1,371.10 in premiums after the \$880 expended in indemnities. Indemnity payments for 2015-16 were \$545 greater than 2014-15. The 2015-16 premium and indemnity rates are detailed in Appendix A. See Appendix B for audited 2015-16 LOCB financial statements.

Table 1: 2015-16 Livestock Insurance Statistics

	Sheep	Lambs	Goats	Beef Cattle	Total
Insured Animals (#)	322	244	0	0	566
Premiums Collected (\$)	\$1,415	\$836	\$0	\$0	\$2,251
Coverage (\$)	\$76,610	\$30,500	\$0	\$0	\$107,110
Claims (#)	2	2	0	0	4
Indemnity (\$)	\$630	\$250	\$0	\$0	\$880

Mandate:

The mandate of the Livestock Owners Compensation Board is to establish and carry out a Livestock Insurance Program under the direction, supervision and control of the Minister Responsible for the Forestry and Agrifoods Agency. The Board shall;

- administer plans of livestock insurance established under the *Livestock 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 Board,
- evaluate and determine livestock losses and pay claims under a plan,
- enter into agreements with or retain persons for the soliciting and receiving of applications for instance the collecting of premiums, the adjusting of claims under plans for and on behalf of the Board, and the doing of other things on its behalf that the Board considers necessary,
- reinsure with another insurer the risk or a portion of it under a contract,
- require an applicant for livestock insurance or an insured person to provide the information, statements and reports that the Board may require,

- exercise the powers and perform the duties that are conferred or imposed upon it under the *Livestock 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 *Livestock Insurance Act*, the regulations or a plan.

Vision:

Through the Livestock Insurance Program, the Newfoundland and Labrador Livestock Owners Compensation Board protects investments in livestock. By easing the financial burden caused by livestock loss, the Livestock Insurance Program helps ensure resources are available for future generations and helps ensure prospects for future development. This contributes to the vision of the Forestry and Agrifoods Agency, stated as follows:

“The vision of the Forestry and Agrifoods Agency is of a province that realizes the full benefit from the sustainable development of its natural resources.”

Mission:

“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 Livestock Owners Compensation Board contributes to agricultural and agrifoods resource development by administering the Livestock Insurance Program, thereby helping protect livestock farmers from financial losses. In this manner it provides general support to the Forestry and Agrifoods Agency’s mission. The Livestock Owners Compensation Board 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, please refer to its 2014-17 Strategic Plan which can be found on the Forestry and Agrifoods Agency’s website at: www.faa.gov.nl.ca.

Lines of Business

The Livestock Owners Compensation Board provides compensation to owners of sheep, goats and cattle in the unfortunate event that their animals suffer injury or death by roaming dogs or other predators such as coyotes, lynx and bears. All types of predator attacks are compensated for provided that the carcass of the injured or dead animal and corresponding ear tag are available for inspection. These program requirements are necessary to reduce the moral hazard that may affect indemnity claims.

Applications for Livestock Insurance are mailed to the producers at the end of each fiscal year, for the upcoming fiscal year. Livestock owners must file identifying tag numbers with the Board at that time along with the premiums payable to the Livestock Owners Compensation Board. The producers forward the completed application to the Agricultural Development Officers who verify the livestock tag numbers. Any claims for livestock loss are reported to the Agricultural Development Officers who are responsible for verifying the claim and the tag number of the insured livestock and taking pictures where possible.

The majority of livestock insured under the program are sheep due mainly to their vulnerability to attack on private and community pastures by roaming dogs and other predators such as coyotes, lynx and bears. A small number of goats and cattle have been insured under the program. The relatively small number of cattle insured is due to their larger physical size compared to most predators.

The premium rates are announced by the Minister Responsible for the Forestry and Agrifoods Agency in March prior to the beginning of the new fiscal year. Producers pay one hundred per cent of the livestock insurance premium and the Forestry and Agrifoods Agency is responsible for the costs to administer the Livestock Insurance Program. Appendix A shows the premium and indemnity rates for 2015-16.

Outcomes of Activities

In its 2014-17 Activity Plan, the administration of the Livestock Insurance Program was identified as the key priority of the Board for the 2014-17 planning period.

Through the administration of the Livestock Insurance Program, the Board's activities during 2015-16 directly supported primary agriculture production, thus supporting government's commitments to enhance resource sustainability in the agriculture and agrifoods sector. Activities also contributed to overall agrifoods resource management and provided direct support to industry to help strengthen competitiveness, both factors which support the government's commitments toward agriculture and agrifoods resource sustainability.

The Board's 2014-17 Activity Plan can be found on the Publications section of the Forestry and Agrifoods Agency website at www.faa.gov.nl.ca.

Issue 1: Management and Administration of the Livestock Insurance Program

The primary issue of the Livestock Owners Compensation Board is to deliver the Livestock Insurance Program to the livestock producers of Newfoundland and Labrador who choose to participate and to monitor the sustainability of the insurance fund which accumulates premiums and pays indemnities. The same objective and indicators will be used each year

within the 2014-17 planning period (as was noted in the 2014-17 Activity Plan).

Objective: By March 31, 2016, the Livestock Owners Compensation Board will have continued to offer an insurance plan to producers under the Act and performed ongoing monitoring and assessment of the insurance fund.

Measure: Offered insurance plan and monitored fund.

Indicators:

- **Registered all applicants**

The Livestock Owners Compensation Board sent applications to livestock producers by March 1, 2015. Producers who were interested in participating in the program returned 15 completed applications by April 1, 2015. Upon receipt of these applications, participants were registered to the Board's databank.

- **Issued contracts**

A contract between the Board and each of the 15 participants was issued and a copy was placed in the participant's file. The contract lists, in detail, the terms and conditions of the program, and the responsibilities of both the participant and the Board.

- **Inspected all tagged livestock**

Upon applying for insurance coverage, an applicant must have listed the tag numbers of the animals to be insured. In total, 566 animals were inspected and insured in 2015-16. There were 22 grade rams, 254 grade ewes, 133 grade ram lambs, 111 grade ewe lambs, 5 registered rams, and 41 registered ewes.

- **Inspected all livestock claims**

There were four claims filed for three contracts. Participants reported destroyed animals within 48 hours. Agricultural Development Officers inspected the dead animals and confirmed the tag numbers. Claim forms were forwarded to the Board.

- **Reviewed all claims**

All claims were sent to the Board on an ongoing basis. Claims were reviewed by the Manager (employed by the Forestry and Agrifoods Agency) then forwarded to the Board members for a decision on claim approval for indemnity payment. All of the claims (4) submitted in 2015-16 were approved for indemnity payments.

- **Communicated decisions to applicants and paid indemnities, where applicable**

The Manager of the Livestock Owners Compensation Board communicated the decisions for all reviewed claims to the respective participants and payments in the amount of \$420, \$210, \$125, and \$125 for total disbursements of \$880 for 2015-16.

- **Monitored insurance fund for sustainability, recommended changes as necessary, and implemented approved changes.**

The Manager of the Livestock Owners Compensation Board continued to monitor the insurance fund for sustainability. Effective April 2012, there was a

premium surcharge system implemented as well as an increase in compensation payments and insurance premiums. The changes implemented in 2012 were administered and assessed for effectiveness. No other changes recommended at this time.

Opportunities and Challenges

The Livestock Insurance Program primarily insures sheep as they are most susceptible to predator attack. A challenge facing the Livestock Insurance Program is the decline in the number of producers/insured animals. Although the last three years have seen an increase in insured animals compared to the low of 398 in 2011-12, the number is still half of what was seen in 1999-00 when the program was at its highest numbers (approximately 1200 insured animals). There is a recent trend in the livestock industry and some new producers are taking up sheep production, this represents an opportunity to gain new applicants. As the Agriculture Development Officers become aware of new livestock producers, they forward contact information to the LOCB for the spring mail-outs of Livestock Insurance Program Applications which helps ensure that all new producers are made aware of the program.

With the increasing coyote population and losses from predation there is an opportunity to increase livestock insurance participation by promoting the fact that the Livestock Insurance Program can help manage risks of losing livestock to predators.

Appendix A: Premium/Indemnity Rates for Livestock Insurance for 2015-16

SHEEP		
CLASS	BASE PREMIUM	COMPENSATION
Grade Rams	\$4.20	\$210.00
Grade Ewes	\$4.20	\$210.00
Grade Ram Lambs	\$3.35	\$125.00
Grade Ewe Lambs	\$3.35	\$125.00
Registered Rams	\$4.50	\$450.00
Registered Ewes	\$4.00	\$400.00
Registered Ram Lambs	\$6.00	\$600.00
Registered Ewe Lambs	\$5.30	\$530.00

GOATS		
CLASS	BASE PREMIUM	COMPENSATION
Grade Bucks	\$0.50	\$50.00
Grade Does	\$0.50	\$50.00
Grade Buck Kids	\$0.50	\$50.00
Grade Doe Kids	\$0.50	\$50.00
Registered Bucks	\$1.00	\$100.00
Registered Does	\$1.00	\$100.00
Registered Buck Kids	\$1.00	\$100.00
Registered Doe Kids	\$1.00	\$100.00

BEEF CATTLE		
CLASS	BASE PREMIUM	COMPENSATION
Grade Bulls	\$4.00	\$400.00
Grade Cows	\$4.00	\$400.00
Grade Heifers	\$2.00	\$200.00
Grade Calves	\$0.70	\$70.00
Registered Bulls	\$6.50	\$650.00
Registered Cows	\$6.50	\$650.00
Registered Heifers	\$4.00	\$400.00
Registered Calves	\$1.00	\$100.00

DAIRY CATTLE		
CLASS	BASE PREMIUM	COMPENSATION
Grade Bulls	\$5.00	\$500.00
Grade Cows	\$5.00	\$500.00
Grade Heifers	\$3.00	\$300.00
Grade Calves	\$0.70	\$70.00
Registered Bulls	\$7.50	\$750.00
Registered Cows	\$7.50	\$750.00
Registered Heifers	\$5.00	\$500.00
Registered Calves	\$1.50	\$150.00

Appendix B: 2015-16 LOCB Financial Statements

LIVESTOCK OWNERS COMPENSATION BOARD

LIVESTOCK OWNERS COMPENSATION FUND

FINANCIAL STATEMENTS

MARCH 31, 2016

Management's Report

Management's Responsibility for the Livestock Owners Compensation Board, Livestock Owners Compensation 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 Livestock Owners Compensation Board, Livestock Owners Compensation Fund, 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 Livestock Owners Compensation Board.

On behalf of the Livestock Owners Compensation Board.

C. MacDonald

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



**AUDITOR
GENERAL**
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Livestock Owners Compensation Board, Livestock Owners Compensation Fund
Corner Brook, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Livestock Owners Compensation Board, Livestock Owners Compensation Fund, which comprise the statement of financial position as at March 31, 2016, and the statement of operations 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 Livestock Owners Compensation Board, Livestock Owners Compensation Fund, as at March 31, 2016, and its financial performance for the year then ended in accordance with Canadian public sector accounting standards.



TERRY PADDON, CPA, CA
Auditor General

June 20, 2016
St. John's, Newfoundland and Labrador

**LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
STATEMENT OF FINANCIAL POSITION**

As at March 31

2016

2015

FINANCIAL ASSETS

Cash \$ 13,138 \$ 11,774

13,138 11,774

LIABILITIES

- -

Net financial assets 13,138 11,774

NON-FINANCIAL ASSETS

- -

Accumulated surplus \$ 13,138 \$ 11,774

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

Signed on behalf of the Board:

C. MacDonald

Chairperson

Gerald Wicks

Member

**LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
STATEMENT OF OPERATIONS
For the Year Ended March 31**

	2016 Budget	2016 Actual	2015 Actual
	(Note 6)		
REVENUES			
Province of Newfoundland and Labrador			
Payments on behalf of the Board (Note 5)	\$ 13,500	\$ 7,108	\$ 7,210
<u>Premiums from livestock owners</u>	<u>2,500</u>	<u>2,251</u>	<u>2,163</u>
	<u>16,000</u>	<u>9,359</u>	<u>9,373</u>
EXPENSES (Note 4)			
Indemnity claims	1,050	880	335
<u>Administration</u>	<u>13,505</u>	<u>7,115</u>	<u>7,213</u>
	<u>14,555</u>	<u>7,995</u>	<u>7,548</u>
Annual surplus	1,445	1,364	1,825
Accumulated surplus, beginning of year	11,774	11,774	9,949
Accumulated surplus, end of year	\$ 13,219	\$ 13,138	\$ 11,774

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

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

1. Nature of operations

The Livestock Owners Compensation Board (the Board) operates under the authority of the *Livestock Insurance Act*. The purpose of the Board is to operate the Livestock Owners Compensation Fund to provide insurance to farmers of the Province to restrict the amount of livestock loss. 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 Livestock Owners Compensation 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 Board 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 Board does not prepare a statement of change in net financial assets (debt) and a statement of cash flows as this information is readily apparent from the other statements. In addition, the Board does not prepare a statement of re-measurement gains and losses as the Board does not enter into relevant transactions or circumstances that are being addressed by the statement.

(b) Financial instruments

The Board's financial instruments recognized in the statement of financial position consist of cash. The Board generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition.

The Board subsequently measures all of its financial assets and financial liabilities at cost. Financial assets measured at cost include cash.

The carrying value of cash approximates current fair value due to the nature associated with this instrument.

(c) Cash

Cash includes cash in bank.

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

2. Summary of significant accounting policies (cont.)

(d) 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.

Government transfers (Payments on behalf of the Board) are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except when and to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulations giving rise to the liabilities are settled.

(e) Expenses

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

The Board is administered as a division of the Forestry and Agrifoods Agency. Expenses related to salaries, and transportation and communication are paid directly by the Forestry and Agrifoods Agency and are reflected in these financial statements as expenses of the Board and as revenue from the Province.

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

3. Financial risk management

The Board recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. The only risk that the Board is exposed to through its financial instruments is liquidity risk. There was no significant change in the Board's exposure to this risk or its processes for managing this risk from the prior year.

Liquidity risk

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

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

4. Expenses by object

The following is a summary of expenses by object:

	<u>2016</u>	<u>2015</u>
Bank charges	\$ 7	\$ 3
Indemnity claims	880	335
Salaries (Note 5)	7,108	6,510
Transportation and communication (Note 5)	-	700
	<hr/> \$ 7,995	<hr/> \$ 7,548

5. Related party transactions

The Board is administered by employees of the Forestry and Agrifoods Agency. Salary costs of \$7,108 (2015 - \$6,510) and transportation and communication costs of nil (2015 - \$700) applicable to the operation of the Board have been paid by the Forestry and Agrifoods Agency and are reflected in these financial statements as expenses of the Board and as revenue from the Province.

6. Budgeted figures

Budgeted figures, which have been prepared on a cash basis, are provided for comparison purposes and have been approved by the Board of Directors.