

NEWFOUNDLAND AND LABRADOR
LIVESTOCK OWNERS COMPENSATION BOARD

Annual Performance Report

April 01, 2011- March 31, 2012



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Chairperson's Message

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, 2011 to March 31, 2012.

The Livestock Owners Compensation Board recognizes its legislative role under the *Livestock Insurance Act* to establish and carry out a livestock insurance plan under the direction, supervision and control of the Minister. The Board has prepared this report to outline its activities during the first year in fulfillment of the objective established under the 2011-2014 Activity Plan.

My signature below is on behalf of the Livestock Owners Compensation Board and indicative of the Board's accountability for the preparation of this report and 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*, R.S.N. 1990, c.L-23 provides for the membership of the Newfoundland and Labrador Livestock Owners Compensation Board. 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.

The Board presently consists 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 member

Elaine Wells – Producer Representative member

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

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 2011-12, fifteen producers availed of the program with \$225 paid out in indemnities. The Board operates on a budget of approximately \$7,000 annually and falls under the umbrella of the Forestry and Agrifoods Agency. Agriculture Development Officers employed by the Forestry and Agrifoods Agency carry out field work for the Board and the Secretary/Manager, who administers the program, and 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. Expenses consist of a salary allocation, and audit fee. Revenues are premiums paid by applicants to the program.

The trend in the industry over the last decade has seen a gradual decrease in the number of animals insured under the Livestock Insurance program from more than 1,200 animals in 1999-00 to just 398 in 2011-12. Over the same period of time, program revenues from premiums have declined by more than 70%. Until this most recent year, indemnities paid exceeded premium revenues each year due to the increasing number of coyote attacks. The decrease in the number of animals insured likely reflects smaller and fewer sheep flocks in the province.

Table 1 presents a brief summary of the 2011-12 Livestock Insurance Statistics:

Table 1:

	Sheep	Lambs	Goats	Dairy Cattle	Total
Insured Animals	216	182	0	0	398
Premiums Collected(\$)	700.40	364.00	0	0	1,064.40
Coverage (\$)	36,920.00	13,650.00	0	0	50,570.00
Claims	0	3	0	0	3
Indemnity (\$)	0	225.00	0	0	225.00

Mandate:

The mandate of the Livestock Owners Compensation Board is to establish and carry out a Livestock Insurance Plan under the direction, supervision and control of the Minister. 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 and 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 Department of Natural Resources, stated as follows:

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

Mission:

The mission statement is the priority focus area of a public body over its bi-annual planning cycle. It represents the key longer term result that the public body and the responsible minister will support strategic direction outcomes. The statement also identifies the measures and indicators that will assist a public body and the public in monitoring and evaluating success.

During the 2006-08, 2008-11 and 2011-14 planning periods, the Livestock Owners Compensation Board determined that the creation of a Mission statement would be unduly repetitive of its mandate. Thus, the Agency opted to forgo development of a mission statement at that time.

Instead, the Livestock Owners Compensation Board considered its role in assisting the Forestry and Agrifoods Agency in achieving its mission for the planning period. The Board has a role in facilitating opportunities for agricultural and agrifoods resource development and diversification by administering the Livestock Insurance program, thereby helping protect livestock producers from financial losses due to predation. Aspects of the following general statement from the mission of the Agency related to agriculture and agrifoods sectors apply to the Board:

“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 Board has determined that it has no material impact on achievement of measures and indicators of the Forestry and Agrifoods Agency’s mission statement.

The complete mission of the Forestry and Agrifoods Agency is found in its strategic plan for the period covering April 1, 2011 to March 31, 2014. Both documents can be found on the Department of Natural Resources web site at www.nr.gov.nl.ca.

Lines of Business

The Livestock Owners Compensation Board provides compensation to owners of sheep, lambs, 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 is 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 Agriculture Development Officers who verify the livestock tag numbers. Any claims for livestock loss is reported to the Agriculture 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 of Natural Resources in March prior to the beginning of the new fiscal year. Producers pay one hundred per cent of the livestock insurance premium and the Department of Natural Resources is responsible for the costs to administer the Livestock Insurance program. Appendix A shows the premium and indemnity rates for 2011-12.

Outcomes of Activities

In its 2011-14 Activity Plan, the administration of the Livestock Insurance Program was identified as the key priority of the Board for the 2011-14 planning period. Through the administration of this program, the Board's activities during 2011-12 directly supported work with relevant stakeholders to ensure the strategic development of our forestry, agriculture and agrifoods sectors. The Board's 2011-14 Activity Plan can be found on the Publications section of the Department of Natural Resources web site at www.nr.gov.nl.ca.

Issue 1: Management and Administration of the Livestock Insurance Program

The primary issue of the Newfoundland and Labrador Livestock Owners Compensation Board is to deliver the livestock insurance plan 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.

Objective: By March 31, 2012 the Newfoundland and Labrador 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:

- **All applications registered**
The Livestock Owners Compensation Board sent applications to all livestock producers by March 1, 2011. Producers who were interested in participating in the program returned a completed application by April 1, 2011. There were 15 applications. Upon receipt of these applications, participants were registered to the Board's databank.
- **All contracts issued**
A contract between the Board and each of 15 participants was issued and a copy was placed in the participant's file. The contract spelled out, in detail, the terms and conditions of the program, and the responsibilities of both the participant and the Board.
- **All tagged livestock inspected**
Upon applying for insurance coverage, an applicant must have listed the tag numbers of the animals to be insured. In total, 398 sheep were insured in 2011-12 consisting of 8 grade rams, 199 grade ewes, 9 registered rams and 182 grade lambs.
- **All livestock claims inspected**
There were 3 claims filed for three contracts. Participants reported destroyed animals within 48 hours. Agriculture Development Officers inspected the dead animals and confirmed the tag numbers. Claim forms were forwarded to the Board.
- **All claims reviewed by the Board**
All claims were sent to the Board on an ongoing basis. As claims were reviewed by the Secretary/Manager, employed by the Forestry and Agrifoods Agency, and then forwarded to the Board members for a decision as to whether or not the claim was approved for indemnity payment. Of the 3 claims submitted, 3 were approved for indemnity payment on 3 animals.
- **Decisions communicated to applicants and indemnities paid**
The Secretary/Manager of the Newfoundland and Labrador Livestock Owners

Compensation Board communicated the decisions of the Board to the applicants who were in a claim position. The total indemnity paid was \$225.00.

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

The Secretary/Manager of the Newfoundland and Labrador Livestock Owners Compensation Board did a historical review of the program. Recommendations to increase compensation payments, increase insurance premiums and establish a premium surcharge system effective April, 2012, were presented and approved by the Board at the annual general meeting. These changes were implemented to position compensation to reflect market price and also address the funds' sustainability.

The 2012/13 annual report will be on the same objectives, measures and indicators.

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 and decreasing size of sheep flocks in the province due to producers reaching retirement age, and rising production costs. There is also an ongoing challenge in keeping the program viable with most years realizing indemnity payments higher than premium collections and fairly static enrollment.

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

Appendix A

Announced Premium/Indemnity Rates for Livestock Insurance for 2011-12

CLASS SHEEP	PREMIUM	INDEMNITY
Registered Ram	\$4.50	\$450.00
Grade Ram	\$3.20	\$160.00
Registered Ewe	\$4.00	\$400.00
Grade Ewe	\$3.20	\$160.00
Reg. Ram Lamb	\$6.00	\$600.00
Grade Ram Lamb.	\$2.00	\$75.00
Reg. Ewe Lamb	\$5.30	\$530.00
Grade Ewe Lamb	\$2.00	\$75.00

CLASS GOATS	PREMIUM	INDEMNITY
Registered Bucks	\$1.00	\$100.00
Grade Bucks	\$0.50	\$50.00
Registered Does	\$1.00	\$100.00
Grade Does	\$0.50	\$50.00
Reg. Buck Kids	\$1.00	\$100.00
Grade Buck Kids	\$0.50	\$50.00
Reg. Doe Kids	\$1.00	\$100.00
Grade Doe Kids	\$0.50	\$50.00

Appendix A

(Continued)

CLASS	PREMIUM	INDEMNITY
BEEF CATTLE		
Registered Bulls	\$6.50	\$650.00
Grade Bulls	\$4.00	\$400.00
Registered Cows	\$6.50	\$650.00
Grade Cows	\$4.00	\$400.00
Registered Heifers	\$4.00	\$400.00
Grade Heifers	\$2.00	\$200.00
Reg. Heifer Calves	\$1.00	\$100.00
Grade Heifer Calves	\$0.70	\$70.00

CLASS	PREMIUM	INDEMNITY
DAIRY CATTLE		
Registered Bulls	\$7.50	\$750.00
Grade Bulls	\$5.00	\$500.00
Registered Cows	\$7.50	\$750.00
Grade Cows	\$5.00	\$500.00
Registered Heifers	\$5.00	\$500.00
Grade Heifers	\$3.00	\$300.00
Reg. Heifer Calves	\$1.50	\$150.00
Grade Heifer Calves	\$0.70	\$70.00

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
FINANCIAL STATEMENTS
31 MARCH 2012

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.

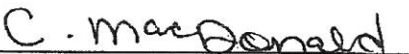
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

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 Board 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.



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

21 June 2012



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

AUDITOR'S REPORT

To the Board of Directors
Livestock Owners Compensation Board
St. John's, 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 31 March 2012, the statements of operations and accumulated surplus, and cash flows 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.

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 31 March 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, appearing to read 'T. Paddon', with a long horizontal line extending to the right.

TERRY PADDON, CA
Auditor General

21 June 2012
St. John's, Newfoundland and Labrador

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

As at

	31 March 2012	31 March 2011 (Note 2)	1 April 2010 (Note 2)
FINANCIAL ASSETS			
Cash	\$ 5,186	\$ 4,349	\$ 5,016
<u>Due from the Province</u>	<u>1,500</u>	<u>1,400</u>	<u>1,200</u>
	<u>6,686</u>	<u>5,749</u>	<u>6,216</u>
LIABILITIES			
<u>Accounts payable and accrued liabilities</u>	<u>1,507</u>	<u>1,403</u>	<u>1,203</u>
	<u>1,507</u>	<u>1,403</u>	<u>1,203</u>
<u>Net financial assets</u>	<u>5,179</u>	<u>4,346</u>	<u>5,013</u>
NON-FINANCIAL ASSETS			
<u>Accumulated surplus</u>	<u>\$ 5,179</u>	<u>\$ 4,346</u>	<u>\$ 5,013</u>

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

Signed on behalf of the Board:

C. MacDonald

Chairperson

Gerald Weeks

Member

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

	2012 Budget	2012 Actual	2011 Actual
	(Note 7)		(Note 2)
REVENUES			
Province of Newfoundland and Labrador			
Payments on behalf of the Board (Note 5)	\$ -	\$ 9,024	\$ 8,428
Premiums from livestock owners		1,060	1,001
Miscellaneous	-	2	-
	-	10,086	9,429
EXPENSES			
Bank Charges		4	3
Indemnity Claims		225	1,665
Professional Services (Note 5)	-	1,800	1,700
Salaries (Note 5)	-	7,224	6,728
	-	9,253	10,096
Annual surplus (deficit)	-	833	(667)
Accumulated surplus, beginning of year	4,346	4,346	5,013
Accumulated surplus, end of year	\$ 4,346	\$ 5,179	\$ 4,346

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

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
NOTES TO FINANCIAL STATEMENTS
31 March 2012

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. Conversion to Canadian Public Sector Accounting Standards

Commencing with the 2012 fiscal year, the Livestock Owners Compensation Board has adopted Canadian public sector accounting standards. These financial statements are the first financial statements for which the Board has applied Canadian public sector accounting standards. The changeover became effective on 1 April 2011 with retroactive application to 1 April 2010.

The conversion affects primarily only the presentation of the financial statements except that government transfers previously reported in equity as contributed capital are now recorded as part of the accumulated surplus. As a result, the accumulated surplus at 1 April 2010 has increased by \$78,895 from a deficit of \$73,882 to a surplus of \$5,013.

3. Summary of significant accounting policies

(a) Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards 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 and a statement of cash flows as this information is readily apparent from the other statements.

(b) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues.

(c) 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 Department of Natural Resources. Expenses related to salaries, and professional services are paid directly by the Department and are reflected in these financial statements as expenses of the Board and as revenue from the Province.

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
NOTES TO FINANCIAL STATEMENTS
31 March 2012

4. Financial instruments

The Board's financial instruments consist of cash, due from the Province, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

5. Related party transactions

The Board is administered by employees of the Department of Natural Resources. Salary costs of \$7,224 (2011 - \$6,728) and professional services cost of \$1,800 (2011 - \$1,700) applicable to the operation of the Board have been paid by the Department and are reflected in these financial statements as expenses of the Board and as revenue from the Province.

6. Comparative figures

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

7. Budgeted figures

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