

**NEWFOUNDLAND AND LABRADOR
LIVESTOCK OWNERS COMPENSATION BOARD**

ANNUAL PERFORMANCE REPORT

APRIL 1, 2007 - MARCH 31, 2008



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Chairperson's Message

September 8, 2008

Honourable Kathy Dunderdale
Minister of Natural Resources
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 Livestock Owners Compensation Board, a category 3 public body under the *Transparency and Accountability Act*. This report covers the period April 1, 2007 to March 31, 2008.

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 year in fulfillment of the goal in its Transition Year Activity Plan for the reporting period.

My signature below is on behalf of the Livestock Owners Compensation Board and indicative of the Board's accountability for 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 3 and not more than 5 members to be appointed by the Lieutenant-Governor in Council to hold office during 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

Gary Greenslade – Vice-Chairperson, Inspection Manager, Canadian Food Inspection Agency

Junior Eveleigh – Producer Representative member

Elaine Wells – Producer Representative member

Vacant – Provincial Representative member

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.

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 are also insured under the program. The relatively small number of cattle insured is due in large part to their physical size as compared to the predators.

In 2007-08, 11 producers availed of the program. \$3178 was paid out in indemnities. The Board operates on a budget of approximately \$6500 annually and falls under the umbrella of the Forestry and Agrifoods Agency. Agricultural Representatives employed by the Forestry and Agrifoods Agency carry out field work for the Board and the Secretary/ 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. Expenses consist of a salary allocation, auditor's fee and legal search fee. Revenues are premiums paid by applicants to the program.

The trend in the industry from 1997 to 2007 saw a decrease of thirty three per cent in the number of sheep and lambs raised in Newfoundland and Labrador. Over the same period of time the number of insured sheep and lambs has decreased by fifty two per cent. The reason for the

decrease in the amount of animals insured may be attributed to the decision of the producer to keep the livestock on their own farm property instead of putting their livestock on a community pasture to graze for the summer. The producers have availed of Government programs that assist them financially to develop new land for agricultural production and therefore the producers can provide suitable fields for grazing livestock that are closer to the producer's farm whereby they can monitor the livestock more closely and prevent attacks from predators such as dogs and coyotes.

Table 1 presents a brief summary of the 2007-2008 Livestock Insurance Statistics:

Table 1

| | Sheep | Lambs | Goats | Beef Cattle | Total |
|------------------------|--------------|--------------|--------------|--------------------|--------------|
| Insured Animals | 138 | 278 | 1 | 2 | 419 |
| Premiums (\$) | 435.20 | 556.00 | 0.50 | 4.70 | 996.40 |
| Coverage (\$) | 21,760.00 | 20,850.00 | 50 | 470.00 | 43,130.00 |
| Claims | 15 | 11 | 0 | 0 | 26 |
| Indemnity (\$) | 2353.00 | 825.00 | 0 | 0 | 3178.00 |

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 a plan,
- undertake studies and research programs relating to livestock insurance,
- evaluate and determine livestock losses and pay claims under a plan,
- require an applicant for a holder of livestock insurance under a plan to provide the information, statements and reports that the board may require,
- make those orders that are necessary to enforce the observance and carrying out of the *Livestock Insurance Act* or the regulations or a plan, and
- exercise and discharge the other powers, functions and duties that the Minister assigns to it.

Vision:

Through delivery of a cost effective and efficiently delivered livestock insurance program for livestock owners, the Newfoundland and Labrador Livestock Owners Compensation Board protects owners against losses that could result in financial insolvency. In doing so, the Board supports sustainable agricultural production and contributes to the vision of the Department of Natural Resources, Forestry and Agrifoods Agency, stated as follows:

“The vision of the Department of Natural Resources, Forestry and Agrifoods Agency, is of a province that is realizing the full benefit from the use of its forestry and agrifoods resources in a sustainable manner.”

Mission:

Through delivery of an insurance program to help protect livestock owners against losses that could result in financial insolvency, the Newfoundland and Labrador Livestock Owners Compensation Board supports related aspects of the Mission of the Department of Natural Resources, Forestry and Agrifoods Agency, stated as follows:

By March 31, 2011, the Forestry and Agrifoods Agency will have:

- (i) implemented programs necessary to sustain the province’s forest ecosystems;
- (ii) identified and facilitated further opportunities for sustainable agriculture and agrifoods resource development; and
- (iii) optimized the benefits received from these resources.

Through the Livestock Owners Compensation Board’s work with industry, industry associations and the federal government to address increasing demands for more insurance coverage, the Board supports the following indicators of the Forestry and Agrifoods Agency Mission Statement:

- increased collaboration with industry and industry associations
- increased development and implementation of programs and services

For a complete statement of the Forestry and Agrifoods Agency’s Mission Statement and corresponding measures and indicators, see the Agency’s 2006/08 Strategic Plan.

Through development of its Strategic Plan for 2008 to 2011, the Forestry and Agrifoods Agency amended aspects of its mission statement. A discussion of how the Livestock Owners Compensation Board contributes to the Agency’s revised mission is contained in the Board’s Activity Plan for 2008 to 2011.

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 is available for inspection. This program requirement is 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 Representatives who verify the livestock tag numbers. Any claims for livestock loss is reported to the Agricultural Representatives who are responsible for verifying the claim and the tag number of the insured livestock and taking pictures where possible. All types of predator attacks are compensated for provided that the carcass of the injured or dead animal is available for inspection.

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 are also insured under the program. The relatively small number of cattle insured is due in large part to their physical size as compared to the predators.

The premium rates are announced by the Minister of Natural Resources in March prior to the 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.

Outcomes of Activities

Given its mandate to deliver a Livestock Insurance Program based strictly defined parameters, the Livestock Owners Compensation Board prepared a goal and corresponding indicators for the fiscal year to reflect the delivery of the insurance program. During the fiscal year, the Board was successful in delivering the program based on requirements under the *Livestock Insurance Act* and related policies. Through its actions, the Board supported the Strategic Direction of the Minister of Natural Resources to work toward sustainable resource development by supporting primary agriculture production.

Goal: By March 31, 2008, the Newfoundland and Labrador Livestock Owners Compensation Board will have carried out its functions under the *Livestock Insurance Act*.

Measure: Carried out its responsibilities

Indicators:

- **All applications registered**

The Livestock Owners Compensation Board sent applications to all livestock producers by March 31. Producers who were interested in participating in the program returned a completed application by April 30. There were 11 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 11 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. An Agricultural Representative, employed by the Forestry and Agrifoods Agency, inspected the animals to be insured and verified the tag numbers.

- **All livestock claims inspected**

There were claims filed for three contracts. Participants reported destroyed animals within 48 hours. Agricultural Representatives 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, and then forwarded to the Board members for a decision as to whether or not the claim was approved for indemnity payment.

- **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. All claims resulted in an indemnity payment. The total indemnity paid was \$3,178.

The Livestock Owners Compensation Board has prepared an Activity Plan for the period 2008-2011 which provides the objective and indicators for the next three years.

Opportunities and Challenges

There are opportunities in attracting more clients to the program through promotion. The increasing coyote population is encouraging sheep producers to consider the program. The challenges include a declining sheep population and some producers becoming discouraged from keeping sheep due to the toll that coyotes are taking on their flocks.

Appendix A

Announced Premium/Indemnity Rates for Livestock Insurance for 2007-2008

| CLASS SHEEP | PREMIUM | COMPENSATION |
|-----------------|---------|--------------|
| 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 | COMPENSATION |
|------------------|---------|--------------|
| 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 |

| CLASS | PREMIUM | COMPENSATION |
|---------------------|----------------|---------------------|
| 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 | COMPENSATION |
|---------------------|----------------|---------------------|
| 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 2008**



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

AUDITOR'S REPORT

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

I have audited the balance sheet of the Livestock Owners Compensation Board, Livestock Owners Compensation Fund as at 31 March 2008 and the statement of revenues, expenses and deficit for the year then ended. These financial statements are the responsibility of the Board's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these 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 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in blue ink, appearing to read "John L. Noseworthy".

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
25 June 2008

**LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
BALANCE SHEET**

31 March

2008

2007

ASSETS

Current

| | | |
|---------------------|------------------|------------------|
| Cash | \$ 15,140 | \$ 17,351 |
| Accounts receivable | 900 | 920 |
| | <u>\$ 16,040</u> | <u>\$ 18,271</u> |

LIABILITIES AND EQUITY

Current

| | | |
|--|----------|----------|
| Accounts payable and accrued liabilities | \$ 1,048 | \$ 1,044 |
|--|----------|----------|

Equity

| | | |
|---|------------------|------------------|
| Contributions – Province of Newfoundland and Labrador | 78,895 | 78,895 |
| Deficit | (63,903) | (61,668) |
| | <u>14,992</u> | <u>17,227</u> |
| | <u>\$ 16,040</u> | <u>\$ 18,271</u> |

See accompanying notes

Signed on behalf of the Board:

C. MacDonald
Chairperson

B. Greenidge
Member

**LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
STATEMENT OF REVENUES, EXPENSES AND DEFICIT
For the Year Ended 31 March**

2008

2007

REVENUES

| | | |
|---|--------------|--------------|
| Province of Newfoundland and Labrador Payments on behalf of the Board for administration (Note 2) | \$ 6,922 | \$ 6,460 |
| Premiums from livestock owners | 996 | 1,063 |
| | 7,918 | 7,523 |

EXPENSES

| | | |
|--|--------------------|--------------------|
| Bad debt expense | 23 | - |
| Bank charges | 30 | 31 |
| Indemnity claims | 3,178 | 355 |
| Professional services (Note 2) | 1,200 | 1,000 |
| Salaries (Note 2) | 5,722 | 5,360 |
| Supplies (Note 2) | - | 100 |
| | 10,153 | 6,846 |
| Excess of revenues over expenses (expenses over revenues) | (2,235) | 677 |
| Deficit, beginning of year | (61,668) | (62,345) |
| Deficit, end of year | \$ (63,903) | \$ (61,668) |

See accompanying notes

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
NOTES TO FINANCIAL STATEMENTS
31 March 2008

Authority

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.

1. Significant accounting policies

These financial statements have been prepared by the Board's management in accordance with Canadian generally accepted accounting principles. The Board does not prepare a statement of cash flows since the changes in cash flows are readily apparent from the other statements.

2. Payments on behalf of the Board for administration

The Board is administered by employees of the Department of Natural Resources. Salary costs of \$5,722 (2007 - \$5,360) and other costs of \$1,200 (2007 - \$1,100) 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.

3. Economic dependence

As a result of the Board's reliance on Provincial funding to meet its administrative costs, the Board's ability to continue viable operations is dependent upon continued funding from the Province.

4. Financial instruments

The Board's financial instruments recognized on the balance sheet consist of cash, accounts receivable, 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. Income taxes

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.