

NEWFOUNDLAND AND LABRADOR  
CROP INSURANCE AGENCY

**Annual Performance Report**

April 01, 2015 - March 31, 2016



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Chairperson's Message

The Honourable 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 Crop Insurance Agency, a category 3 public body under the *Transparency and Accountability Act*. This report covers the period April 1, 2015 to March 31, 2016.

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 2015-16 year in fulfillment of the objective established under the 2014-17 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 (NLCIA) is a Crown Corporation of the Province of Newfoundland and Labrador. In March 2013, officials from both the Provincial and Federal governments signed the Growing Forward 2 Framework 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*. 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 2015-16 the Newfoundland and Labrador Crop Insurance Agency (NLCIA) 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

The headquarters of the NLCIA 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 regional office located in Pynn's Brook and this office services areas in western NL and Labrador. An Agricultural Development Officer with the Forestry and Agrifoods Agency 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 \$340,300 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 (see Appendix B) are audited by the Office of the Auditor General of Newfoundland and Labrador.

Up to four Agriculturist IIs employed with the Forestry and Agrifoods Agency assist the NLCIA with field inspections. Also, the Manager of the Newfoundland and Labrador Crop Insurance Agency is an employee of the Forestry and Agrifoods Agency. The NLCIA 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 dependent 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 2015-16 totaled \$130,590.21, which includes the governments' premiums as well as the producers' premiums. Appendix A shows the base rate premiums for 2015-16.

In 2015-16 there were 17 producers enrolled in the AgriInsurance program with \$203,607 incurred in crop losses up to March 31, 2016; about \$60,000 more than indemnities realized in 2014-15 (\$143,400). One claim in particular was for a very high dollar value (approximately \$90,000) which caused the total indemnities paid to be much higher than 2014-15. Cool temperatures in the early summer lead to poor germination and ultimately, seedling loss. Frost hit many areas of the province in early July which affected yields and productivity of the crops. Insect and disease pressures have been noticeably increasing (as noted by Agricultural Inspectors).

## **Mandate**

The mandate of the NLCIA is to establish and carry out a crop insurance plan under the direction, supervision and control of the Minister Responsible for Forestry and Agrifoods Agency. NLCIA 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.

### **Lines of Business**

The sole line of business of the NLCIA is the delivery of AgriInsurance to the vegetable and blueberry 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, rutabaga, cabbage, carrot (separate plans are available for carrot grown on mineral soil and peat land), parsnip, beet and blueberries.

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 insurable peril 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 calculated using 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 25 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 60 percent, 70 percent and 80 percent. 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 70 percent 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 NLCIA 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 36 percent of the premiums, and the Government of Newfoundland and Labrador contributes 24 percent of premiums and the producers are responsible for contributing 40 percent of the total premiums.

### **Vision**

Through the AgriInsurance program, the NLCIA 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 Forestry and Agrifoods Agency, stated as follows:

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

### **Mission**

The NLCIA 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 NLCIA 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 2014-17 Strategic Plan which can be found on the Forestry and Agrifoods Agency at [www.faa.gov.nl.ca/publications/index.html](http://www.faa.gov.nl.ca/publications/index.html).

## **Outcome of Activities**

In its 2014-17 Activity Plan, the administration of the AgriInsurance Program was identified as the key priority of the Agency for the 2014-17 planning period. As identified in the plan, the Agency's work is in line with the overall commitments of government.

Through the administration of the AgriInsurance Program, the Agency's activities during 2015-16 directly supported primary agriculture production, thus supporting government's broader commitments toward enhanced utilization, sustainability and public awareness of the forestry, agriculture and agrifoods sectors. 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 Agency'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](http://www.faa.gov.nl.ca).

### **Issue 1: Management and Administration of the AgriInsurance Program**

The primary issue of the NLCIA 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:** The NLCIA will have continued to deliver insurance plans to producers and helped support sustainability/best management practices on farms. The same objective, measure and indicators will be used each year within the 2014-17 planning period (as was noted in the 2014-17 Activity Plan).

**Measure:** Delivered insurance plans and helped support sustainability/best management practices.

#### **Indicators:**

- **Provided advisory services to producers, as required, regarding sustainability/best management practices on farms**  
NLCIA staff provided agriculture advisory services to producers on a continuous basis as needed or requested by producers including scouting for disease and pest



issues (testing where necessary), managing proper crop rotation on fields, and general agricultural advice.

- **Registered applications for Crop Insurance**

The NLCIA sent applications to vegetable producers by March 31, 2015. Seventeen producers returned a completed application by April 30, 2015. Upon receipt of these applications, the prospective participants were registered into the Crop Insurance Agency's databank.

- **Requested and reviewed crop rotation and/or green manure plans from participating producers**

Crop rotation and/or green manure plans were requested and reviewed as part of producer application requirements.

- **Reviewed applications to ensure they meet requirements**

The applications and related crop rotations submitted by applicants were reviewed by the NLCIA board and staff. All applications were approved.

- **Issued contracts to approved applicants**

A contract with the NLCIA was issued for each of the 17 approved 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 NLCIA, 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.

- **Measured and inspected insured fields**

Agriculturist IIs 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 222.62 acres was insured in 2015-16.

- **Completed test digs and yield calculations**

During the harvest season, the Agriculturist IIs harvested the test digs in each field. By weighing the test dig results and using these results staff were able to calculate 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**

By the end of the fiscal year the Board of Directors of the NLCIA reviewed and decided on the validity of fourteen claims made by producers for crop losses incurred in 2015-16.

- **Decisions communicated to applicants and indemnities paid, where applicable**

In 2015, nine participants submitted fourteen claims which were all approved, resulting indemnity payments in the amount of \$203,607.72 for 2015-16. The Manager of the NLCIA communicated the decisions of the Agency to the respective participants.

- **Commenced appeal process when requested by producers**

Producers who participate in the program and do not agree with the decisions of the NLCIA 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 related to the 2015 crop 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 was the third and final year of the three year pilot program for blueberry insurance approved by Agriculture and Agri-Food Canada and introduced 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. Coverage was offered at 60 percent of cost of production for the duration of the pilot program. There has been no uptake to date for the blueberry insurance coverage.

- **Conduct information sessions and workshops**

NLCIA staff organized and conducted information sessions to provide information about the AgriInsurance program in addition to a variety of agricultural production topics. These sessions are held for the benefit of producers enrolled in the program and to illustrate to others the benefits of program participation. In 2015-16 there were a total of six AgriInsurance Workshop sessions held across the province (during February 2016). Representatives from the NLCIA had information booths at the Organic Agriculture Workshop in St. John's, Horticultural Council of NL AGM and NL Federation of Agriculture AGM (all held during January-March 2016).

- **Publish fact sheets**

Work has not been completed for this fiscal year due to staff vacancies but will be addressed over the next year of the activity plan.

### **Opportunities and Challenges**

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

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: NLCIA 2015-16 Premium Base Rates

	<b>Beet</b>	<b>Cabbage</b>	<b>Carrot (M)</b>	<b>Carrot (P)</b>	<b>Parsnip</b>	<b>Potato</b>	<b>Rutabaga</b>
<b>60%</b>	0.2734	0.1665	0.2131	0.2989	0.0877	0.1528	0.1449
<b>70%</b>	0.2923	0.2006	0.2603	0.3204	0.1485	0.2080	0.1897
<b>80%</b>	0.3112	0.2380	0.3004	0.3550	0.1976	0.2646	0.2344

## **Appendix B: NLCIA 2015-16 Financial Statements**

**NEWFOUNDLAND AND LABRADOR  
CROP INSURANCE AGENCY**

**NEWFOUNDLAND AND LABRADOR  
CROP INSURANCE FUND**

**FINANCIAL STATEMENTS**

**MARCH 31, 2016**

## 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 Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance 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 Newfoundland and Labrador Crop Insurance Agency.

On behalf of the Newfoundland and Labrador Crop Insurance Agency.

C. MacDonald

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



**AUDITOR  
GENERAL**  
of Newfoundland and Labrador

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund  
Corner Brook, 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, 2016, 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 Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance 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 21, 2016  
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

2016

2015

**FINANCIAL ASSETS**

Cash	\$ 5,822	\$ 49,531
Accounts receivable (Note 5)	107,193	2,080
	<b>113,015</b>	<b>51,611</b>

**LIABILITIES**

Accounts payable and accrued liabilities (Note 6)	34,901	-
	<b>34,901</b>	<b>-</b>

<b>Net financial assets</b>	<b>78,114</b>	<b>51,611</b>
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**NON-FINANCIAL ASSETS**

<b>Accumulated surplus</b>	<b>\$ 78,114</b>	<b>\$ 51,611</b>
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*The accompanying notes are an integral part  
of these financial statements*

Signed on behalf of the Board:

C. MacDonald

Chairperson

Gerald Wicks

Member

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

	2016 Budget	2016 Actual	2015 Actual
	(Note 9)		
<b>REVENUES</b>			
Government of Canada (Note 7)	\$ 256,559	\$ 220,097	\$ 213,503
Province of Newfoundland and Labrador (Note 7)	171,034	246,730	142,335
Premiums from insured persons	58,200	52,236	33,445
Late payment fees	-	500	600
Bad debt recovery	-	1,017	-
	<b>485,793</b>	<b>520,580</b>	<b>389,883</b>
<b>EXPENSES (Note 8)</b>			
Production Insurance Program	140,000	203,608	143,440
Administration (Note 4)	340,299	290,469	305,670
	<b>480,299</b>	<b>494,077</b>	<b>449,110</b>
<b>Annual surplus (deficit)</b>	<b>5,494</b>	<b>26,503</b>	<b>(59,227)</b>
<b>Accumulated surplus, beginning of year</b>	<b>51,611</b>	<b>51,611</b>	<b>110,838</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 57,105</b>	<b>\$ 78,114</b>	<b>\$ 51,611</b>

*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, 2016**

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**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 Agency 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) Financial instruments**

The Agency's financial instruments recognized in the statement of financial position consist of cash, accounts receivable and accounts payable and accrued liabilities. The Agency 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 Agency subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash. Financial assets measured at amortized cost include accounts receivable. Financial liabilities measured at cost include accounts payable and accrued liabilities.

The carrying values of cash, accounts receivable and accounts payable and accrued liabilities approximate current fair value due to their nature and/or the short-term maturity associated with these instruments.

**(c) Cash**

Cash includes cash in bank.

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY**  
**NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

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**2. 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 (Province of Newfoundland and Labrador premium and equity contributions and Government of Canada premium contributions) 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.

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 Forestry and Agrifoods Agency. Expenses related to salaries and administration costs are paid directly by the Forestry and Agrifoods Agency and are reflected in these financial statements as expenses of the Agency and as revenue from the Province.

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.

**(f) Measurement uncertainty**

The preparation of financial statements in conformity with CPSAS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the collectability of accounts receivable.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY**  
**NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

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**3. Financial 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. The Agency is exposed to credit risk and liquidity risk through its financial instruments. The Agency is not exposed to market risk. There was no significant change in the Agency's exposure to these risks or its processes for managing these risks from the prior year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Agency's main credit risk relates to cash and accounts receivable. The Agency's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Agency is not exposed to significant credit risk with its cash because these financial instruments are held with a Chartered Bank. The Agency is not exposed to significant credit risk related to its accounts receivable as it has policies and procedures for the monitoring and collection of its accounts receivable so as to mitigate potential credit losses. Any estimated impairment of these accounts receivable has been provided for through a provision for doubtful accounts as disclosed in Note 5.

Liquidity risk

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

**4. Related party transactions**

The Agency is administered by employees of the Forestry and Agrifoods Agency. Salaries and other costs of \$288,473 (2015 - \$305,670) applicable to the operation of the Agency have been paid or are payable by the Forestry and Agrifoods Agency 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 \$173,084 (2015 - \$183,402) of these administration expenses from the Government of Canada under the Canada-Newfoundland and Labrador AgriInsurance Program funded under the Growing Forward 2 Framework Agreement.

The Agency incurred an insurance claim of \$131,873 (2015 - \$60,717) to a company which had a Board member of the Agency as a director of the company insured under the crop insurance program. Of the \$131,873, \$34,901 was included in accounts payable and accrued liabilities at year end.

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY**  
**NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

**5. Accounts receivable**

	<u>2016</u>	<u>2015</u>
Government of Canada	\$ 2,587	\$ -
Province of Newfoundland and Labrador	101,732	84
<u>Premiums from insured persons</u>	<u>5,993</u>	<u>4,136</u>
	110,312	4,220
<u>Less: provision for doubtful accounts</u>	<u>3,119</u>	<u>2,140</u>
	<u>\$ 107,193</u>	<u>\$ 2,080</u>

**6. Accounts payable and accrued liabilities**

	<u>2016</u>	<u>2015</u>
<u>Indemnity claims owed to insured persons</u>	<u>\$ 34,901</u>	<u>\$ -</u>
	<u>\$ 34,901</u>	<u>\$ -</u>

**7. Premium contributions and administrative expenses**

	<u>2016</u>	<u>2015</u>
Government of Canada		
Premium contributions	\$ 47,013	\$ 30,101
<u>Payments for administration</u>	<u>173,084</u>	<u>183,402</u>
	<u>\$ 220,097</u>	<u>\$ 213,503</u>
Province of Newfoundland and Labrador		
Premium contributions	\$ 31,341	\$ 20,067
Payments for administration	115,389	122,268
<u>Working capital contributions</u>	<u>100,000</u>	<u>-</u>
	<u>\$ 246,730</u>	<u>\$ 142,335</u>

**NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY**  
**NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2016**

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**8. Expenses by object**

The following is a summary of expenses by object:

	<u>2016</u>	<u>2015</u>
Bad debt expense	\$ 1,996	\$ -
Bank charges	8	32
Board expenses	2,902	1,751
Equipment supplies	164	535
Indemnity claims	203,608	143,440
Professional services	-	7,495
Purchased services	6,461	7,128
Salaries and employee benefits	248,176	258,442
Supplies	10,529	9,519
Transportation and Communication	20,233	20,768
	<hr/> \$ 494,077	<hr/> \$ 449,110

**9. 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.