

NEWFOUNDLAND AND LABRADOR
LIVESTOCK OWNERS COMPENSATION BOARD

Annual Performance Report

April 01, 2016 - March 31, 2017





Chairperson's Message

The Honourable Gerry Byrne
Department of Fisheries and Land Resources
Petten Building
30 Strawberry Marsh Road
P.O. Box 8700
St. John's, NL A1B 4J6

Dear Minister Byrne:

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, 2016, to March 31, 2017.

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 2016-17 fiscal year in fulfillment of the objective established under the 2014-17 Activity Plan.

Progress towards the achievement of the commitments of Government related to the Department of Fisheries and Land Resources have been described in this report, as well as Government's commitment to increasing the province's food self-sufficiency, as outlined in **The Way Forward**.

My signature on behalf of the Board signifies the Board's accountability for the results reported. As the Chair, and on behalf of the entire Board, I accept accountability for the preparation of this report and the achievement of its objectives.

Respectfully submitted,

Cynthia MacDonald, P. Ag.
Chairperson

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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 2016-17 the Board consisted of the following Board members:

| Name | Title | Appointment Term | Place of Residence as of March 31, 2017 |
|-------------------|---|-------------------------|--|
| Cynthia MacDonald | Chairperson – Director of Agriculture Business Development, Department of Fisheries and Land Resources | At Pleasure | Corner Brook, NL |
| Junior Eveleigh | Producer Representative | August 2015-August 2017 | Comfort Cove, NL |
| Elaine Wells | Producer Representative | August 2015-August 2017 | Robinsons, NL |
| Gerald Wicks | Vice-Chairperson –Agricultural Development Officer, Agriculture Business Development Division, Department of Fisheries and Land Resources | At Pleasure | St. John's, NL |
| Dr. Peggy Dixon | Federal Representative | At Pleasure | St. John's, NL |

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 2016-17, 145 application packages were mailed to eligible producers. Ten producers availed of the program with \$585 expended in livestock losses. The Board operates on a budget of \$14,705 annually, dependent upon the number of indemnity payments made in the year, and falls under the umbrella of the Department of Fisheries and Land Resources. Annual revenues of \$8,300 include administrative costs paid by the Provincial Government as well as premiums from livestock owners. Annual expenditures of \$7,400 include indemnity claims and administration.

Agricultural Development Officers employed by the Department of Fisheries and Land Resources carry out field work for the Board and the Manager, who administers the program, is also employed by the Department of Fisheries and Land Resources. 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 1999-2000 to a low of 375 in 2016-17. The overall decrease in the number of animals insured (since 1999-2000) likely reflects smaller and fewer sheep flocks in the province. Historically, indemnities paid exceeded premium revenues each year due to the increased number of coyote attacks. Recent years have seen the trend reversed. The 2016-17 production year realized a surplus of \$891 in premiums after the \$585 expended in indemnities. Indemnity payments for 2016-17 were \$295 lower than 2015-16. The 2016-17 premium and indemnity rates are detailed in Appendix A. See Appendix B for audited 2016-17 LOCB financial statements.

Table 1: 2016-17 Livestock Insurance Statistics

| | Sheep | Lambs | Goats | Beef Cattle | Total |
|-------------------------|----------|----------|-------|-------------|----------|
| Insured Animals (#) | 167 | 207 | 0 | 1 | 375 |
| Premiums Collected (\$) | \$743 | \$729 | \$0 | \$4 | \$1,476 |
| Coverage (\$) | \$36,590 | \$25,875 | \$0 | \$400 | \$62,865 |
| Claims (#) | 0 | 5 | 0 | 0 | 5 |
| Indemnity (\$) | \$210 | \$375 | \$0 | \$0 | \$585 |

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 of Fisheries and Land Resources. The **Livestock Insurance Act** can be found on the House of Assembly webpage at <http://www.assembly.nl.ca/legislation/sr/statutes /l23.htm>

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 2016-17 directly supported primary agriculture production, thus supporting Government's commitments to increasing the province's food self-sustainability as outlined in **The Way Forward**. 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 food self-sustainability.

The Board's 2014-17 Activity Plan can be found on the Publications section of the Department of Fisheries and Land Resources 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 were used each year within the 2014-17 planning period, as was noted in the 2014-17 Activity Plan.

Objective: By March 31, 2017 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.

Indicators:

- **Registered all applicants**
The Livestock Owners Compensation Board sent applications to 145 livestock producers by March 1, 2016. Ten producers who were interested in participating in the program returned completed applications by April 1, 2016. Upon receipt of these applications, participants were registered to the Board's databank.
- **Issued contracts**
A contract between the Board and each of the 10 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, 375 animals were inspected and insured in 2016-17. There were nine grade rams, 150 grade ewes, 91 grade ram lambs, 116 grade ewe lambs, eight registered ewes, and one grade beef cow.
- **Inspected all livestock claims**
There were five claims filed for three contracts. Participants reported destroyed animals within 48 hours. Agricultural Development Officers inspected the dead animals and confirmed the tag numbers where applicable. 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 Department of Fisheries and Land Resources, and then forwarded to the Board members for a decision on claim approval for indemnity payment. Four of the five claims submitted in 2016-17 were approved for indemnity payments. One claim was denied due to missing ear tag.

- **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 \$125, \$210, \$125, and \$125 for total disbursements of \$585 for 2016-17.

- **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. At the annual Board meeting in December 2016, the program manager was directed to evaluate compensation and premium rates for goats as a result of inquiries from an industry representative. Coverage rate recommendations were circulated to the Board for approval and the Board approved the increase in rates. No other changes were 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. There is a renewed interest in sheep farming, and these new producers represent an opportunity to expand the livestock insurance program. 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 2016-17

SHEEP

| CLASS | BASE PREMIUM | COMPENSATION |
|---------------------|--------------|--------------|
| Grade Ram | \$4.20 | \$210.00 |
| Grade Ewe | \$4.20 | \$210.00 |
| Grade Ram Lamb | \$3.35 | \$125.00 |
| Grade Ewe Lamb | \$3.35 | \$125.00 |
| Registered Ram | \$4.50 | \$450.00 |
| Registered Ewe | \$4.00 | \$400.00 |
| Registered Ram Lamb | \$6.00 | \$600.00 |
| Registered Ewe Lamb | \$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 |

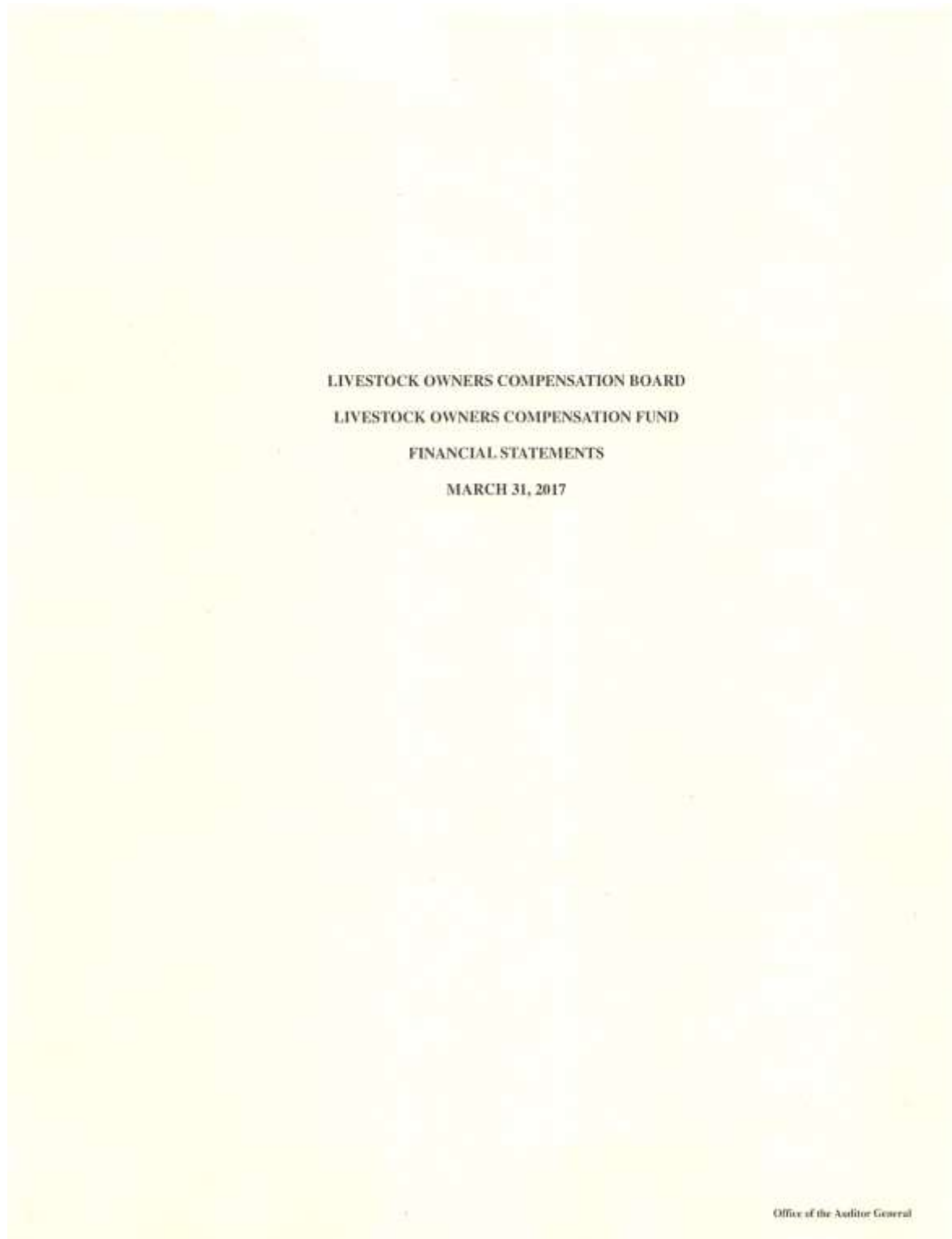
BEEF CATTLE

| CLASS | BASE PREMIUM | COMPENSATION |
|------------------------------------|--------------|--------------|
| Grade Bulls | \$4.00 | \$400.00 |
| Grade Cows | \$4.00 | \$400.00 |
| Grade Heifers/Steers (1-2 yr) | \$2.00 | \$200.00 |
| Grade Calves (M/F < 1yr) | \$0.70 | \$70.00 |
| Registered Bulls | \$6.50 | \$650.00 |
| Registered Cows | \$6.50 | \$650.00 |
| Registered Heifers/Steers (1-2 yr) | \$4.00 | \$400.00 |
| Registered Calves (M/F < 1yr) | \$1.00 | \$100.00 |

DAIRY CATTLE

| CLASS | BASE PREMIUM | COMPENSATION |
|------------------------------------|--------------|--------------|
| Grade Bulls | \$5.00 | \$500.00 |
| Grade Cows | \$5.00 | \$500.00 |
| Grade Heifers/Steers (1-2 yr) | \$3.00 | \$300.00 |
| Grade Calves (M/F < 1yr) | \$0.70 | \$70.00 |
| Registered Bulls | \$7.50 | \$750.00 |
| Registered Cows | \$7.50 | \$750.00 |
| Registered Heifers/Steers (1-2 yr) | \$5.00 | \$500.00 |
| Registered Calves (M/F < 1yr) | \$1.50 | \$150.00 |

Appendix B: 2016-17 LOCB Financial Statements



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.

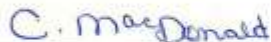
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

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.



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, 2017, 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, 2017, and its financial performance for the year then ended in accordance with Canadian public sector accounting standards.



TERRY PADDON, CPA, CA
Auditor General

July 14, 2017
St. John's, Newfoundland and Labrador

**LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
STATEMENT OF FINANCIAL POSITION**
As at March 31

| | 2017 | 2016 |
|-----------------------------|-----------|-----------|
| FINANCIAL ASSETS | | |
| Cash | \$ 14,025 | \$ 13,138 |
| | 14,025 | 13,138 |
| LIABILITIES | | |
| | - | - |
| Net financial assets | 14,025 | 13,138 |
| NON-FINANCIAL ASSETS | | |
| | - | - |
| Accumulated surplus | \$ 14,025 | \$ 13,138 |

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

Signed on behalf of the Board:

C. MacDonald
Chairperson

Gerald Wicks
Member

Office of the Auditor General

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

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|------------------|------------------|------------------|
| (Note 7) | | | |
| REVENUES | | | |
| Province of Newfoundland and Labrador | | | |
| Payments on behalf of the Board (Note 6) | \$ 13,700 | \$ 6,826 | \$ 7,108 |
| <u>Premiums from livestock owners</u> | <u>2,500</u> | <u>1,476</u> | <u>2,251</u> |
| | 16,200 | 8,302 | 9,359 |
| EXPENSES (Note 5) | | | |
| Indemnity claims | 1,000 | 585 | 880 |
| <u>Administration</u> | <u>13,705</u> | <u>6,830</u> | <u>7,115</u> |
| | 14,705 | 7,415 | 7,995 |
| Annual surplus | 1,495 | 887 | 1,364 |
| Accumulated surplus, beginning of year | <u>13,138</u> | <u>13,138</u> | <u>11,774</u> |
| Accumulated surplus, end of year | <u>\$ 14,633</u> | <u>\$ 14,025</u> | <u>\$ 13,138</u> |

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

Office of the Auditor General

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

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 (PSAB). 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, 2017

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 Department of Fisheries and Land Resources. Expenses related to salaries are paid directly by the Department of Fisheries and Land Resources 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. Accounting pronouncements

There are several new standards issued by the PSAB that are not yet effective and have not been applied in these financial statements. These standards and corresponding effective dates are as follows:

Effective April 1, 2017:

PS 2200 Related Party Disclosures – a new standard defining related parties and establishing disclosure requirements for related party transactions.

PS 3210 Assets – a new standard providing guidance for applying the definition of assets and establishing general disclosure requirements for assets but does not provide guidance for the recognition and disclosure of specific types of assets.

PS 3320 Contingent Assets – a new standard defining and establishing disclosure requirements for contingent assets but does not include disclosure standards for specific types of contingent assets.

Office of the Auditor General

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

3. Accounting pronouncements (cont.)

PS 3380 Contractual Rights – a new standard defining and establishing disclosure requirements for contractual rights but does not include disclosure standards for specific types of contractual rights.

PS 3420 Inter-entity Transactions – a new standard on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

Effective April 1, 2018:

PS 3430 Restructuring Transactions – a new standard on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities.

The Board plans to adopt these standards by the effective dates and is currently analyzing the impact these standards will have on the financial statements.

4. 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.

5. Expenses by object

The following is a summary of expenses by object:

| | <u>2017</u> | <u>2016</u> |
|-------------------|-----------------|-----------------|
| Bank charges | \$ 4 | \$ 7 |
| Indemnity claims | 585 | 880 |
| Salaries (Note 6) | 6,826 | 7,108 |
| | <u>\$ 7,415</u> | <u>\$ 7,995</u> |

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

6. Related party transactions

The Board is administered by employees of the Department of Fisheries and Land Resources. Salary costs of \$6,826 (2016 - \$7,108) applicable to the operation of the Board have been paid by the Department of Fisheries and Land Resources and are reflected in these financial statements as expenses of the Board and as revenue from the Province.

7. 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.