

NEWFOUNDLAND AND LABRADOR
CROP INSURANCE AGENCY

Annual Performance Report

April 01, 2018 - March 31, 2019





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 Crop Insurance Agency (the NLCIA), a category three public body under the **Transparency and Accountability Act**. This report covers the period April 1, 2018 to March 31, 2019.

The NLCIA 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 NLCIA has prepared this report to outline its activities during the 2018-19 year in fulfillment of the objective established under the 2017-20 Activity Plan.

The strategic directions of government related to the Department of Fisheries and Land Resources have been considered in the preparation of this report, as well as government's commitment to increasing the province's food self-sufficiency, as outlined in *The Way Forward*. The NLCIA provides producers with the opportunity to insure crop losses due to natural perils which will help mitigate the financial risks that a producer would normally face.

My signature on behalf of the Agency signifies the Agency's accountability for the preparation of this report and the achievement of its objective.

Respectfully submitted,

A handwritten signature in blue ink that reads "C. MacDonald".

Cynthia MacDonald
Chairperson

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Overview

The NLCIA is a Crown Corporation of the Province of Newfoundland and Labrador. In January 2018, officials from both the Provincial and Federal governments signed the Canadian Agricultural Partnership Multilateral Framework Agreement. A subsection of this Agreement states the parameters of and allows for the cost-sharing of the AgriInsurance program. The NLCIA provides an affordable and effective AgriInsurance program for vegetable producers and operates within the **Crop Insurance Act**. The membership of the NLCIA 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.

The NLCIA consisted of the following Agency members as of March 31, 2019:

Name	Title	Appointment Term	Place of Residence as of March 31, 2019
Cynthia MacDonald	Chairperson – Director of Agriculture Business Development, Department of Fisheries and Land Resources	At Pleasure	Corner Brook, NL
Nathan Dennis	Producer Representative	Mar 5, 2018 – Mar 2022	Cormack, NL
Melvin J. Rideout	Producer Representative	Mar 5, 2018 – Mar 5, 2022	Cormack, 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

The headquarters of the NLCIA is in Corner Brook at 192 Wheeler’s Road with field offices located in Pynn’s Brook and St. John’s. An Agricultural Development Officer with the Department of Fisheries and Land Resources assists producers in the Happy Valley-Goose Bay area. To contact the NLCIA, call the Program Manager, Ashley Nieuwenhuis, at 709-637-2473.

The NLCIA operates under the umbrella of the Department of Fisheries and Land Resources (FLR) with an annual budget of approximately \$473,020 before accounting for revenue received from the Federal Government of Canada. Annual revenues of \$228,759 include premiums from insured producers, Provincial Government’s share of premiums, and late payment fees. Program revenues are dependent on program uptake and will fluctuate from year to year.

Annual expenditures of \$282,518.32 include administration costs and indemnity payments to producers for crop losses. Since the NLCIA is part of the national AgrilInsurance 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 A) are audited by the Office of the Auditor General of Newfoundland and Labrador.

Up to four Agriculturalist II's employed with FLR assist the NLCIA with field inspections. Also, the Financial Officer who administers the NLCIA is an employee of FLR.

In years where crop losses occur due to 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. AgrilInsurance 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 reported in 2018-19 totaled \$26,398.83, which includes the governments' share of premiums as well as the producers' premiums. This figure is lower than the premiums reported in 2017-18 due to premium rate decreases; premium rates for 2018-19 were lower than 2017-18. Appendix B shows the base premium rates for 2018-19.

In 2018-19, there were 10 producers enrolled in the AgrilInsurance program with \$80,658.31 incurred in crop losses up to March 31, 2019; \$65,132.24 more than indemnities realized in 2017-18 (\$15,526.07). The 2018-19 cropping season saw a cold, wet spring followed by a hot, dry period which led to poor germination and lower-than-average crop yields for many producers.

Mandate

The mandate of the Newfoundland and Labrador Crop Insurance Agency is to establish and carry out a crop insurance plan under the direction, supervision and control of the Minister of Fisheries and Land Resources. The Agency 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 instance, the collecting of premiums and the adjusting of claims under plans for and on behalf of the Agency, and doing of other things on its behalf that the

Agency considers necessary,

- reinsure with another insurer the risk or a portion of it under a contract,
- require an applicant for crop insurance or an insured person to provide the information, statements and reports that the Agency may require.
- exercise 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.

Refer to Appendix C for the Agency's full mandate. The **Crop Insurance Act** can be found on the House of Assembly webpage at <http://www.assembly.nl.ca/legislation/sr/statutes/c39.html>.

Highlights and Partnerships

The NLCIA is a program that has multiple partnership relationships with other entities including producers, Agriculture and Agri-Food Canada (AAFC), and industry associations. The Agency's programming is cost shared through a 60:40 Federal – Provincial partnership. The NLCIA partners with industry by having two industry representatives on the board of directors for the Agency. Through these partnerships the Province is able to promote and deliver this Business Risk Management program which provides producers with the ability to financially stabilize their businesses in the event of a crop loss, which in turn contributes to food self-sufficiency.

Report on Performance

In its 2017-20 Activity Plan, the administration of the AgrilInsurance Program was identified as the key priority of the NLCIA for the 2017-20 planning period. The NLCIA's work is in line with the government's commitment to increasing the province's food self-sustainability as outlined in The Way Forward. The AgrilInsurance Program provides producers with an opportunity to be financially stable in the event of a major crop loss.

Through the administration of the AgrilInsurance Program, the NLCIA's activities during 2018-19 directly supported primary agriculture production. 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 the province's food self-sustainability.

The NLCIA's 2017-20 Activity Plan can be found on the FLR website at www.flr.gov.nl.ca.

Issue 1: Management and Administration of the AgrilInsurance Program

The primary issue of the NLCIA is to deliver the AgrilInsurance program to the horticultural producers of Newfoundland and Labrador who choose to participate and to assess the feasibility of offering new insurance plans upon request by industry. The same objective and indicators were used each year within the 2017-20 planning period, as was noted in the 2017-20 Activity Plan.

Objective: By March 31, 2019, the NLCIA will have delivered insurance plans to producers and helped support sustainability/best management practices on farms.

Indicators:

- **Provided advisory services to producers, as required, regarding sustainability/best management practices on farms**
Agriculturalist II's provided agriculture advisory services to producers on a continuous basis as needed or requested by producers, such as proper crop rotation management, general agricultural advice, and scouting for disease and pest issues – testing where necessary.
- **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. Plans were requested from all applicants.
- **Registered applications for crop insurance**
The NLCIA sent applications to 153 vegetable producers by March 31, 2018. Eleven producers returned a completed application by the April 30, 2018 deadline. Upon receipt of these applications, the prospective participants were registered into the Crop Insurance NLCIA's databank.
- **Reviewed applications to ensure they meet requirements**
The applications and related crop rotations submitted by applicants were reviewed by NLCIA staff. All applications were approved.
- **Issued contracts to approved applicants**
A contract with the NLCIA was issued for each of the 11 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. One contract was withdrawn due to inadequate acreage for AgrilInsurance coverage. A total of 125.06 acres was insured in 2018-19.
- **Completed test digs and yield calculations**

During the harvest season, the Agriculturist II's 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 members of the NLCIA reviewed and decided on the validity of 18 claims made by producers for crop losses incurred in 2018-19.
- **Decisions communicated to applicants and indemnities paid, where applicable**

In 2018-19, ten participants submitted 18 claims, 13 of which were approved, resulting in indemnity payments in the amount of \$77,023.03 for 2018-19. Five claims were denied by the NLCIA due to management practices. The program manager of the NLCIA communicated the decisions of the NLCIA 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. Two appeals were submitted in January of 2019, disputing the NLCIA's decision to deny indemnity claims for the relevant producers for the 2018-19 crop season. Both producers who filed appeals agreed to resolve the dispute through voluntary arbitration. The arbitration process was carried out according to Crop Insurance protocol and the rulings of the Arbitrator were communicated to the producers. The Arbitrator reviewed files of the two appellants and felt that additional indemnity payment was warranted as a result of crop loss due to insurable perils. Additional indemnity payments totaling \$3,635.28 were provided to two producers following the Arbitrator's ruling.

- **Assessed feasibility of covering new crop products, upon request, and carried out development work on insurance plans for new crops approved**
At the 2018-19 annual board meeting, direction was given to the program manager to continue work on developing an insurance product for fresh market vegetables. The program is under consideration and details will be provided to the NLCIA members.
- **Published fact sheets**
A program brochure and two fact sheets were developed and submitted for review. Publishing will happen after review is complete.

Opportunities and Challenges

The challenges that continue to affect the AgrilInsurance 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 AgrilInsurance program.

Appendix A: NLCIA 2018-19 Financial Statements

**NEWFOUNDLAND AND LABRADOR
CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR
CROP INSURANCE FUND
FINANCIAL STATEMENTS
MARCH 31, 2019**

Office of the Auditor General

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

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

Opinion

I have audited the financial statements of the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund (the Agency), which comprise the statement of financial position as at March 31, 2019 and the statement of operations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2019, and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Agency in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance.

Independent Auditor's Report (cont.)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (cont.)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Agency to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



JULIA MULLALEY, CPA, CA
Auditor General

July 25, 2019
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

	2019	2018
FINANCIAL ASSETS		
Cash	\$ 117,201	\$ 170,964
Accounts receivable (Note 6)	9	6
	117,210	170,970
LIABILITIES		
	-	-
Net financial assets	117,210	170,970
NON-FINANCIAL ASSETS		
	-	-
Accumulated surplus	\$ 117,210	\$ 170,970

Contractual Rights (Note 9)

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

Signed on behalf of the Board:

C. MacDonald
Chairperson

D. P. L. Dixon
Member

Office of the Auditor General

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

	2019 Budget	2019 Actual	2018 Actual
(Note 10)			
REVENUES			
Government of Canada (Note 7)	\$ 260,000	\$ 130,620	\$ 179,538
Province of Newfoundland and Labrador (Note 7)	170,000	87,080	119,692
Premiums from insured persons	50,000	10,559	17,326
Late payment fees	-	300	400
Appeal administration fees	-	200	-
Bad debt recovery	-	-	2,406
	<u>480,000</u>	<u>228,759</u>	<u>319,362</u>
EXPENSES (Note 8)			
AgriInsurance Program	120,000	80,659	15,526
Administration	353,020	201,860	273,241
	<u>473,020</u>	<u>282,519</u>	<u>288,767</u>
Annual surplus (deficit)	6,980	(53,760)	30,595
Accumulated surplus, beginning of year	170,970	170,970	140,375
Accumulated surplus, end of year	\$ 177,950	\$ 117,210	\$ 170,970

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

Office of the Auditor General

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

1. Nature of operations

The Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund (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 Agency.

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 (PSAB). 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 and accounts receivable. 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.

The carrying values of cash and accounts receivable 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.

Office of the Auditor General

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

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 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 under the AgriInsurance Program 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 Department of Fisheries and Land Resources. Expenses related to salaries and administration costs are paid directly by the Department of Fisheries and Land Resources and the Department of Transportation and Works 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.

Office of the Auditor General

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

2. Significant accounting policies (cont.)

(f) Measurement uncertainty (cont.)

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.

3. Change in accounting policy

On April 1, 2018, the Agency adopted *PS 3430 Restructuring Transactions*. This is a new standard on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities. The accounting change had no impact on the financial statements.

4. 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 this financial instrument is held with a Chartered Bank. The Agency is exposed to credit risk related to its accounts receivable. The Agency 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 6.

Liquidity risk

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

Office of the Auditor General

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

5. Related party transactions

The Agency is administered by employees of the Department of Fisheries and Land Resources. Salaries and other costs of \$201,860 (2018 - \$273,241) applicable to the operation of the Agency have been paid or are payable by the Department of Fisheries and Land Resources and the Department of Transportation and Works 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 \$121,116 (2018 - \$163,945) of these administration expenses from the Government of Canada under the Canada-Newfoundland and Labrador AgriInsurance Agreement of the Canadian Agricultural Partnership.

6. Accounts receivable

	<u>2019</u>	<u>2018</u>
Premiums from insured persons	\$ 3,049	\$ 3,049
Due from Province	9	6
	<u>3,058</u>	<u>3,055</u>
Less: provision for doubtful accounts	<u>3,049</u>	<u>3,049</u>
	<u>\$ 9</u>	<u>\$ 6</u>

7. Premium contributions and administrative expenses

	<u>2019</u>	<u>2018</u>
Government of Canada		
Premium contributions	\$ 9,504	\$ 15,593
Payments for administration	<u>121,116</u>	<u>163,945</u>
	<u>\$ 130,620</u>	<u>\$ 179,538</u>
Province of Newfoundland and Labrador		
Premium contributions	\$ 6,336	\$ 10,396
Payments for administration	<u>80,744</u>	<u>109,296</u>
	<u>\$ 87,080</u>	<u>\$ 119,692</u>

Office of the Auditor General

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

8. Expenses by object

The following is a summary of expenses by object:

	2019 <u>Budget</u> (Note 10)	2019 <u>Actual</u>	2018 <u>Actual</u>
Bank charges	\$ 20	\$ 9	\$ 6
Board expenses	4,000	174	-
Computer	-	80	-
Equipment supplies	2,000	1,351	-
Indemnity claims	120,000	80,659	15,526
Professional services	3,000	4,971	-
Purchased services	7,000	4,787	5,047
Salaries and employee benefits	300,000	175,814	249,006
Supplies	10,000	6,011	11,904
<u>Transportation and communication</u>	<u>27,000</u>	<u>8,663</u>	<u>7,278</u>
	\$ 473,020	\$ 282,519	\$ 288,767

9. Contractual Rights

The operations of the Agency will be cost-shared under the Canada - Newfoundland and Labrador AgriInsurance Agreement of the Canadian Agricultural Partnership - a five-year federal, provincial and territorial agreement from 2018-19 to 2022-23. AgriInsurance is a part of the Business Risk Management suite of programs and provides insurance against production losses for specified perils.

The administration cost of the AgriInsurance Program will be jointly funded under the AgriInsurance Agreement between Agriculture and Agri-Food Canada and the Department of Fisheries and Land Resources on a 60:40 percent basis respectively. The total premium costs will be shared between the federal government, the provincial government and the producer on a 36:24:40 percent basis respectively.

10. 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.

11. Comparative figures

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

Office of the Auditor General

Appendix B: NLCIA 2018-19 Premium Base Rates

The base rates in the table below are developed by AAFC using average production and yield data from past participants in the AgrilInsurance program. The base rates are used to calculate premium rates for producers that are interested in participating in the AgrilInsurance Program and are presented below as percentage of crop coverage.

Table 1: AgrilInsurance 2018-19 Base Premium Rates

	Beet	Cabbage	Carrot (M)	Carrot (P)	Parsnip	Potato	Rutabaga
60%	17.65	13.58	12.83	20.35	10.82	7.02	9.12
70%	19.15	16.28	15.78	21.89	14.32	11.39	11.75
80%	20.41	19.28	18.36	23.99	16.95	15.57	14.31

Appendix C: Legislated Mandate

Source: *Crop Insurance Act*

Creation of agency

3. (1) The corporation known as the Newfoundland and Labrador Crop Insurance agency established to carry out a crop insurance plan under the direction, supervision and control of the minister is continued.

(2) The membership of the agency shall consist of not less than 3 and not more than 7 members to be appointed by the Lieutenant-Governor in Council.

(3) The Lieutenant-Governor in Council shall designate 1 of the members of the agency to be chairperson and another to be vice-chairperson of the agency.

(4) Members of the agency shall hold office at the pleasure of the Lieutenant-Governor in Council.

(5) Three members of the agency, 1 of whom shall be the chairperson or the vice-chairperson, shall constitute a quorum.

(6) Where at a meeting of the agency, there is an equality of votes, the chairperson or vice-chairperson presiding at the meeting shall have a 2nd or a casting vote.

(7) Where a vacancy occurs in the membership of the agency because of death, resignation or illness of a member, the Lieutenant-Governor in Council may appoint a person to replace him or her.

(8) Notwithstanding the *Legislative Disabilities Act*, where a member of the House of Assembly is or becomes a member of the agency, his or her seat does not become vacant by reason only of the appointment and acceptance of remuneration as a member of the agency.

(9) A member of the agency shall be paid the salary, travelling expenses or other remuneration that the Lieutenant-Governor in Council may determine.

(10) The agency, subject to the approval of the minister, may employ officers, inspectors, clerks, agency representatives or other persons who are considered to be necessary and may pay those employees the salaries, travelling expenses and other remuneration that the Lieutenant-Governor in Council may determine.

Appointment of managing director

4. (1) The Lieutenant-Governor in Council shall appoint a managing director of the agency and shall establish the terms and conditions of the employment, the salary, travelling expenses, and other remuneration of the managing director.

(2) The managing director shall be the chief executive and administrative officer of the agency, and subject to control by the agency, shall be responsible for the management and direction of the agency, the day to day administration of its affairs and shall have general supervision and authority over its employees.

Use of seal

5. (1) The agency shall have a common seal and the application of it shall be certified by the chairperson or vice-chairperson of the agency.

(2) A contract or instrument which, if entered into or executed by a person not being a corporation, would not be required to be under seal, may be entered into or executed on behalf of the agency by a person generally or specially authorized by it for that purpose.

(3) A document purporting to be a document executed or issued under the seal of the agency or on behalf of the agency shall, until the contrary is proved, be considered to be a document so executed or issued.

Status of agency

6. (1) The agency is, for the purposes of this Act, an agent of the Crown under the control and direction of the minister and may exercise its powers under this Act only as an agent of the Crown.

(2) The agency may, on behalf of the Crown, enter into contracts or other agreements and acquire and dispose of and otherwise deal with property in the name of the agency.

(3) Notwithstanding that the agency is an agent of the Crown, it may enter into contracts with the Crown and appoint agents to act on its behalf for any purpose and on the conditions that it considers necessary.

(4) Property of the agency is the property of the Crown and title to it shall be vested in the name of the agency.

(5) A member of the agency or a person employed by the agency does not become, because of the employment only, an officer or servant of the Crown.

Actions

7. Actions, suits or other legal proceedings in respect of a right or obligation acquired or incurred by the agency may be brought by or against the agency in the name of the agency in a court as if the agency were not an agent of the Crown.

Powers, functions and duties of agency

8. (1) Included in the agency's powers, functions and duties, shall be power to

- (a) administer plans of crop insurance established under this Act or the regulations;
- (b) fix by order and publish in the *Gazette* a final date in each year for the receipt of applications for insurance under a plan;
- (c) conduct surveys and research programs relating to insurance and obtain statistics for the purposes of the agency;
- (d) evaluate and determine crop losses and pay claims under a plan;

- (e) 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;
- (f) reinsure with another insurer the risk or a portion of it under a contract;
- (g) require an applicant for crop insurance or an insured person to provide the information, statements and reports that the agency may require;
- (h) exercise the powers and perform the duties that are conferred or imposed upon it under this or another Act;
- (i) perform the other functions and discharge the other duties that are assigned to it by the Lieutenant-Governor in Council; and
- (j) make the orders and directions that are necessary to enforce the observance of the Act, the regulations or a plan.

(2) An order and direction of the agency made under this section may be made with retroactive effect.

Regulations of agency

9. (1) Subject to the approval of the Lieutenant-Governor in Council, the agency may make regulations

- (a) establishing, amending and revoking voluntary plans for the insurance within the province of insurable crops;
- (b) governing the terms and conditions of insurance under a plan;
- (c) designating perils for the purposes of a plan;
- (d) determining coverage and establishing values with respect to insurable crops for the purposes of a plan;
- (e) fixing premium rates and providing for the payment and collection of premiums in respect of a plan;
- (f) prescribing forms and terms of contracts and applications for a contract and providing for their use, and requiring information given in a form to be verified by statutory declaration;
- (g) requiring applicants for insurance and insured persons to provide the information, statements and reports that are prescribed;
- (h) designating insurable persons for the purposes of a plan;
- (i) establishing the level of coverage in relation to average crop yield; and

- (j) prescribing the method of notification and the form in which proof of crop loss shall be given and the information and details to be provided.
- (2) Regulations establishing or amending a plan may provide for 1 or more insurable crops and may apply to all of the province or to an area or location within the province.

Appeal board

10. (1) The minister may appoint an appeal board consisting of 3 persons, one of whom shall be designated as chairperson.

(2) At least one of the persons appointed under subsection (1) shall be a person who is or who has been engaged in the production of an insurable crop.

(3) Persons appointed under subsection (1) shall hold office at the pleasure of the minister.

(4) Each member of the appeal board has, in relation to the hearing and determination of a matter, all the powers that are or may be conferred upon a commissioner under the *Public Inquiries Act*.

(5) Subject to the approval of the minister, the members of the appeal board shall make rules of procedure to govern hearings of the appeal board.

Appeals

10.1 (1) An insured person may file an appeal in respect of

- (a) an act of the agency, its officers or agents, within 14 days of the disputed act; and
- (b) a finding, order or decision of the agency, its officers or agents, within 14 days of receiving notice of the finding, order or decision.

(2) An appeal is filed under subsection (1) by serving the chairperson of the appeal board and the chairperson of the agency with a statement setting out in writing the grounds for the appeal.

(3) The chairperson of the agency shall respond to an appeal filed under subsection (1) by serving a written response on the chairperson of the appeal board and on the appellant within 14 days of receiving the appeal.

(4) A decision of a majority of the members of the appeal board is final and binding.

Voluntary arbitration

10.2 (1) An insured person who files an appeal under section 10.1 and the chairperson of the agency may agree to resolve the dispute by voluntary arbitration on those terms as are agreed by the parties.

(2) Where an agreement under subsection (1) provides that no appeal from the arbitration may be made to the appeal board, that provision is valid and the decision of the arbitration is final and binding.

Payment of money

11. All money required by this Act to be paid in respect of premiums under plans shall be paid to the agency.

Establishment of fund

12. (1) The Newfoundland and Labrador Crop Insurance Fund, which is in the custody and control of the agency on behalf of the Crown, is continued.

(2) The Minister of Finance, with the approval of the Lieutenant-Governor in Council and on the written requisition of the minister, may advance to the agency for use as working capital those sums that may be stated in the requisition, but the total advances made in each financial year under this subsection shall not exceed \$100,000.

(3) From and out of the Consolidated Revenue Fund, with money appropriated for the purpose, the Minister of Finance, on the written requisition of the minister, shall pay to the agency in each year an amount equal to

- (a) the amount determined to be the cost to the agency of administering this Act during that year, and for the purpose of the determination, the agency shall not later than December 31 in a financial year, prepare, adopt and submit to the minister a budget containing estimates of all sums required by it during the next financial year for the administration; and
- (b) a sum not less than 1/2 of the premiums payable under a contract.

(4) The agency may receive and accept other sums of money that may be paid to it by way of grant, contribution or reimbursement from a source, if it receives the funds to help it in the attainment of its objects or in the proper exercise of its functions or to reimburse it for disbursements made by it or on its behalf.

(5) The agency shall credit to the fund

- (a) all money advanced or paid under subsections (2), (3) and (4);
- (b) the total of all premiums received from contracts; and
- (c) all other amounts received by the agency.

(6) The agency shall deposit and keep all amounts credited to the fund in a Canadian chartered bank.

Minute books and accounts

13. The agency shall keep regular minutes of all its meetings and shall ensure that complete books of financial and other accounts and records are established and maintained.

Administration of fund

14. (1) The agency shall administer the fund and pay from it all amounts required to be paid under this Act and the regulations, including expenses of administration, the salaries of the managing director and all other persons employed by the agency or otherwise engaged for the administration of this Act.

(2) Notwithstanding another Act, the money in the fund does not form part of the Consolidated Revenue Fund, and the fund is not a division or part of the Consolidated Revenue Fund, but the money is the property of the Crown.

(3) The agency may, and shall where so directed by the minister, pay to the Minister of Finance for investment on behalf of the agency money in the fund not immediately required for expenditure, and the Minister of Finance may invest the money or part of it by any or all of the methods by which the Consolidated Revenue Fund may be invested.

(4) Money paid to the Minister of Finance for investment under subsection (3) shall form a trust or special fund and interest and earnings on it shall be credited to the account of the agency, and the earnings, or a part of them, shall be paid over to the agency by the Minister of Finance on the request of the agency.

(5) The minister may authorize the Minister of Finance to realize sums invested under subsection (4) and sums so realized shall be paid to the agency for the purposes of the administration of this Act.

Financial year

15. (1) The financial year of the agency shall correspond to the financial year of the province.

(2) The agency shall, not later than September 30 in each year, prepare and submit to the minister a financial statement setting out the assets and liabilities of the agency and the receipts and expenditures of the agency for the previous financial year, together with a report concerning the work of the agency during the previous financial year, and the statement and report shall be laid before the Legislature within 15 days after they are submitted to the minister if the Legislature is then sitting, and, if not, then within 15 days after the beginning of the next session.

(3) The financial statement referred to in subsection (2) shall be signed by the managing director and 1 other member of the agency and certified by the auditor general and shall have attached to it a report which the auditor general may have made to the agency.

(4) The auditor general shall audit the accounts of the agency and has authority to call for and shall be supplied by the agency with all books and vouchers which he or she considers necessary for this audit.

(5) The Lieutenant-Governor in Council may require the agency to provide those reports or the information respecting the business and operations of the agency that he or she may direct.

Agreements with Canada

16. The minister may, with the approval of the Lieutenant-Governor in Council, enter into an agreement with the Government of Canada respecting any or all of the matters provided for in the *Crop Insurance Act* (Canada).

Non-application

17. Without prejudice to all rights, privileges, benefits or exemptions which may be vested by law in the agency because of its being an agent under the control of the Crown, nothing contained in

- (a) the *Insurance Adjusters Act*;
- (b) the *Insurance Companies Act*; and
- (c) the *Insurance Contracts Act*

shall apply to the agency or a matter or thing done under this Act or the regulations.