

**NEWFOUNDLAND AND LABRADOR
LIVESTOCK OWNERS COMPENSATION BOARD**

ANNUAL PERFORMANCE REPORT

APRIL 1, 2010 - MARCH 31, 2011



Table of Contents

Chairperson’s Message	1
Overview	2
Lines of Business	5
Outcomes of Activities	5
Opportunities and Challenges	6
Appendix A: Premiums	8
Financial Statements	10



Chairperson's Message

Honourable Jerome Kennedy
Minister of Natural Resources
Natural Resources Building
P.O. Box 8700
St. John's, NL
A1B 4J6

Dear Minister:

I am pleased to submit the Annual Performance Report for the Newfoundland and Labrador Livestock Owners Compensation Board, a category 3 public body under the *Transparency and Accountability Act*. This report covers the period April 1, 2010 to March 31, 2011.

The Livestock Owners Compensation Board recognizes its legislative role under the *Livestock Insurance Act* to establish and carry out a livestock insurance plan under the direction, supervision and control of the Minister. The Board has prepared this report to outline its activities during the third year in fulfillment of the objective established under the 2008-2011 Activity Plan.

My signature below is on behalf of the Livestock Owners Compensation Board and indicative of the Board's accountability for the preparation of this report and the results reported on its activities.

Respectfully submitted,

A handwritten signature in cursive script that reads "C. MacDonald".

Cynthia MacDonald, P. Ag.
Chairperson

Overview

Section 3(2) of the *Livestock Insurance Act*, R.S.N. 1990, c.L-23 provides for the membership of the Newfoundland and Labrador Livestock Owners Compensation Board. The membership of the Board shall consist of not less than three and not more than five members to be appointed by the Lieutenant-Governor in Council to hold office at pleasure.

The Board presently consists of the following Board members:

Cynthia MacDonald – Chairperson, Director of Agriculture Business Development Division, Forestry and Agrifoods Agency, Department of Natural Resources

Junior Eveleigh – Producer Representative member

Elaine Wells – Producer Representative member

Gerald Wicks – Provincial Representative member

Livestock owners throughout Newfoundland and Labrador are able to purchase insurance at reasonable rates for dairy cattle, beef cattle, sheep and goats through the Livestock Insurance program to protect against losses from predatory animal attacks.

In 2010-11, eleven producers availed of the program with \$1,665 paid out in indemnities. The Board operates on a budget of approximately \$7,000 annually and falls under the umbrella of the Forestry and Agrifoods Agency. Agriculture Development Officers employed by the Forestry and Agrifoods Agency carry out field work for the Board and the Secretary/Manager, who administers the program, and is also employed by the Forestry and Agrifoods Agency. The Livestock Owners Compensation Board, headquartered in Corner Brook, may be reached at (709) 637-2077. Expenses consist of a salary allocation, auditor's fee and legal search fee. Revenues are premiums paid by applicants to the program.

The trend in the industry over the last decade has seen a gradual decrease in the number of animals insured under the Livestock Insurance program from more than 1,200 animals in 1999-00 to just 377 in 2010-11. Over the same period of time, program revenues from premiums have declined by more than 70 per cent and indemnities paid outstrip premium revenues each year. The decrease in the number of animals insured likely reflects smaller and fewer sheep flocks and the increasing number of coyote attacks have attributed to the recent increases in indemnities paid to producers under the Livestock Insurance program.

Table 1 presents a brief summary of the 2010-11 Livestock Insurance Statistics:

Table 1

	Sheep	Lambs	Goats	Dairy Cattle	Total
Insured Animals	211	159	6	1	377
Premiums Collected(\$)	675.20	318.00	3.00	5.00	1,001.20
Coverage (\$)	35,360.00	16,925.00	300.00	500.00	53,085.00
Claims	10	3	0	0	13
Indemnity (\$)	1,440.00	225.00	0	0	1,665.00

Mandate:

The mandate of the Livestock Owners Compensation Board is to establish and carry out a Livestock Insurance Plan under the direction, supervision and control of the Minister. The Board shall;

- administer plans of livestock insurance established under the *Livestock Insurance Act* or the regulations,
- fix by order and publish in the Gazette a final date in each year for the receipt of applications for insurance under a plan,
- conduct surveys and research programs relating to insurance and obtain statistics for the purposes of the Board,
- evaluate and determine livestock losses and pay claims under a plan,
- enter into agreements with or retain persons for the soliciting and receiving of applications for instance, the collecting of premiums and the adjusting of claims under plans for and on behalf of the Board, and the doing of other things on its behalf that the Board considers necessary,
- reinsure with another insurer the risk or a portion of it under a contract,
- require an applicant for livestock insurance or an insured person to provide the information, statements and reports that the Board may require,
- exercise the powers and perform the duties that are conferred or imposed upon it under the *Livestock Insurance Act* or another *Act*,
- perform the other functions and discharge the other duties that are assigned to it by the Lieutenant-Governor in Council and,
- make the orders and directions that are necessary to enforce the observance of the *Livestock Insurance Act*, the regulations or a plan.

Vision:

Through the Livestock Insurance program, the Newfoundland and Labrador Livestock Owners Compensation Board protects investments in livestock. By easing the financial burden caused by livestock loss, the Livestock Insurance program helps ensure resources are available for future

generations and helps ensure prospects for future development. This contributes to the vision of the Department of Natural Resources, stated as follows:

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

Mission:

The mission statement is the priority focus area of a public body over its planning cycle. It represents the key longer term result that the public body and the responsible minister will work towards to achieve a component of government’s Strategic Directions. The statement also identifies the measures and indicators that will assist a public body and the public in monitoring and evaluating success.

During the 2007-08 and 2008-11 planning cycles, the Livestock Owners Compensation Board determined that a mission statement would be unduly repetitive of its mandate. As a result, the Board opted to forgo development of a mission statement.

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

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

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

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

The complete mission of the Forestry and Agrifoods Agency is found in its strategic plan for the period covering April 1, 2008 to March 31, 2011. The Agency’s progress toward achievement of its mission and associated measures and indicators is included in its annual performance report for 2010-11. Both documents can be found on the Department of Natural Resources web site at www.nr.gov.nl.ca.

Lines of Business

The Livestock Owners Compensation Board provides compensation to owners of sheep, lambs, goats and cattle in the unfortunate event that their animals suffer injury or death by roaming dogs or other predators such as coyotes, lynx and bears. All types of predator attacks are compensated for provided that the carcass of the injured or dead animal is available for inspection. This program requirement is necessary to reduce the moral hazard that may affect indemnity claims.

Applications for Livestock Insurance are mailed to the producers at the end of each fiscal year, for the upcoming fiscal year. Livestock owners must file identifying tag numbers with the Board at that time along with the premiums payable to the Livestock Owners Compensation Board. The producers forward the completed application to the Agriculture Development Officers who verify the livestock tag numbers. Any claims for livestock loss is reported to the Agriculture Development Officers who are responsible for verifying the claim and the tag number of the insured livestock and taking pictures where possible.

The majority of livestock insured under the program are sheep due mainly to their vulnerability to attack on private and community pastures by roaming dogs and other predators such as coyotes, lynx and bears. A small number of goats and cattle have been insured under the program. The relatively small number of cattle insured is due to their larger physical size compared to most predators.

The premium rates are announced by the Minister of Natural Resources in March prior to the beginning of the new fiscal year. Producers pay one hundred per cent of the livestock insurance premium and the Department of Natural Resources is responsible for the costs to administer the Livestock Insurance program. Appendix A shows the premium and indemnity rates for 2010-11.

Outcomes of Activities

In its 2008-11 Activity Plan, the administration of the Livestock Insurance Program was identified as the key priority of the Board for the 2008-11 planning period. Through the administration of this program, the Board's activities during 2010-11 directly supported primary agriculture production, thus supporting Government's broader strategic direction to work toward increased forestry, agrifoods, and agriculture development and diversification. The Board's 2008-11 Activity Plan can be found on the Publications section of the Department of Natural Resources web site at www.nr.gov.nl.ca.

Issue 1: **Administered the Livestock Insurance Program**

Objective: The Newfoundland and Labrador Livestock Owners Compensation Board will have processed applications under the *Livestock Insurance Act*.

Measure: Processed applications

Indicators:

- **All applications registered**
The Livestock Owners Compensation Board sent applications to all livestock producers by March 1, 2010. Producers who were interested in participating in the program returned a completed application by April 1, 2010. There were 11 applications. Upon receipt of these applications, participants were registered to the Board's databank.
- **All contracts issued**
A contract between the Board and each of 11 participants was issued and a copy was placed in the participant's file. The contract spelled out, in detail, the terms and conditions of the program, and the responsibilities of both the participant and the Board.
- **All tagged livestock inspected**
Upon applying for insurance coverage, an applicant must have listed the tag numbers of the animals to be insured. An Agriculture Development Officer, employed by the Forestry and Agrifoods Agency, inspected the animals to be insured and verified the tag numbers. In total 8 grade rams, 203 grade ewes, 159 grade lambs, six goats and one bull were insured in 2010-11.
- **All livestock claims inspected**
There were 13 claims filed for three contracts. Participants reported destroyed animals within 48 hours. Agriculture Development Officers inspected the dead animals and confirmed the tag numbers. Claim forms were forwarded to the Board.
- **All claims reviewed by the Board**
All claims were sent to the Board on an ongoing basis. As claims were reviewed by the Secretary/Manager, employed by the Forestry and Agrifoods Agency, and then forwarded to the Board members for a decision as to whether or not the claim was approved for indemnity payment. Of the 13 claims submitted, 12 were approved for indemnity payment on 12 animals.
- **Decisions communicated to applicants and indemnities paid**
The Secretary/Manager of the Newfoundland and Labrador Livestock Owners Compensation Board communicated the decisions of the Board to the applicants who were in a claim position. The total indemnity paid was \$1,665.00.

Opportunities and Challenges

The Livestock Insurance program primarily insures sheep as they are most susceptible to predator attack. A challenge facing the Livestock Insurance program is the decline in the number of producers and decreasing size of sheep flocks in the province due to producers reaching

retirement age, and rising production costs. There is also an ongoing challenge in keeping the program viable with indemnity payments higher than premiums collected, fairly static enrollment, and unchanging premium rates.

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

Appendix A

Announced Premium/Indemnity Rates for Livestock Insurance for 2010-11

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

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

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

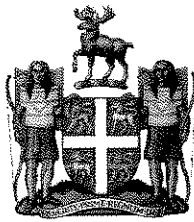
CLASS	PREMIUM	INDEMNITY
DAIRY CATTLE		
Registered Bulls	\$7.50	\$750.00
Grade Bulls	\$5.00	\$500.00
Registered Cows	\$7.50	\$750.00
Grade Cows	\$5.00	\$500.00
Registered Heifers	\$5.00	\$500.00
Grade Heifers	\$3.00	\$300.00
Reg. Heifer Calves	\$1.50	\$150.00
Grade Heifer Calves	\$0.70	\$70.00

LIVESTOCK OWNERS COMPENSATION BOARD

LIVESTOCK OWNERS COMPENSATION FUND

FINANCIAL STATEMENTS

31 MARCH 2011



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

AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Livestock Owners Compensation Board, Livestock Owners Compensation Fund which comprise the statement of financial position as at 31 March 2011, and the statement of revenues, expenses and deficit 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

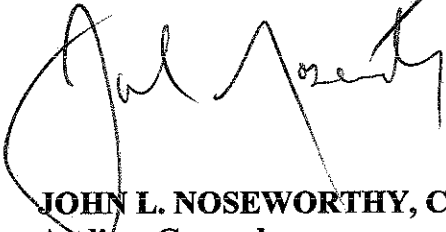
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Livestock Owners Compensation Board, Livestock Owners Compensation Fund as at 31 March 2011, and its financial performance for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "John L. Noseworthy", is written over the printed name and title.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
28 June 2011

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

2011

2010

ASSETS

Current

Cash	\$ 4,349	\$ 5,016
Accounts receivable	1,400	1,200
	<u>\$ 5,749</u>	<u>\$ 6,216</u>

LIABILITIES AND EQUITY

Current

Accounts payable and accrued liabilities	\$ 1,403	\$ 1,203
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Equity

Contributions – Province of Newfoundland and Labrador	78,895	78,895
Deficit	(74,549)	(73,882)
	<u>4,346</u>	<u>5,013</u>
	<u>\$ 5,749</u>	<u>\$ 6,216</u>

See accompanying notes

Signed on behalf of the Board:

C. MacDonald
Chairperson

Suzald Wicks
Member

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

2011

2010

REVENUES

Province of Newfoundland and Labrador

Payments on behalf of the Board for administration (Note 2)	\$ 8,428	\$ 8,978
Premiums from livestock owners	1,001	884
	<u>9,429</u>	<u>9,862</u>

EXPENSES

Bank charges	3	5
Indemnity claims	1,665	7,595
Professional services (Note 2)	1,700	1,500
Salaries (Note 2)	6,728	7,478
	<u>10,096</u>	<u>16,578</u>

Excess of expenses over revenues	(667)	(6,716)
Deficit, beginning of year	(73,882)	(67,166)
Deficit, end of year	\$ (74,549)	\$ (73,882)

See accompanying notes

LIVESTOCK OWNERS COMPENSATION BOARD
LIVESTOCK OWNERS COMPENSATION FUND
NOTES TO FINANCIAL STATEMENTS
31 March 2011

Authority

The Livestock Owners Compensation Board (the Board) operates under the authority of the *Livestock Insurance Act*. The purpose of the Board is to operate the Livestock Owners Compensation Fund to provide insurance to farmers of the Province to restrict the amount of livestock loss. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. These statements are a representation of the activities of the Livestock Owners Compensation Fund.

1. Summary of accounting policies

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

2. Payments on behalf of the Board for administration

The Board is administered by employees of the Department of Natural Resources. Salary costs of \$6,728 (2010 - \$7,478) and professional services cost of \$1,700 (2010 - \$1,500) applicable to the operation of the Board have been paid by the Department and are reflected in these financial statements as expenses of the Board and as revenue from the Province.

3. Economic dependence

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

4. Financial instruments

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

5. Income taxes

The Board is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.