

Newfoundland and Labrador Crop Insurance Agency
Annual Performance Report 2021-22





Chairperson's Message

The Honourable Derrick Bragg
Department of Fisheries, Forestry and Agriculture
Petten Building
30 Strawberry Marsh Road
P.O. Box 8700
St. John's, NL A1B 4J6

Dear Minister Bragg:

I am pleased to submit the Annual Performance Report for the Newfoundland and Labrador Crop Insurance Agency, a category three public body under the **Transparency and Accountability Act**. This report covers the period April 1, 2021, to March 31, 2022.

The Newfoundland and Labrador Crop Insurance Agency 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. The Newfoundland and Labrador Crop Insurance Agency recognizes its legislative role under the **Crop Insurance Act** to establish and carry out a crop insurance plan under the direction, supervision and control of the Minister of Fisheries, Forestry and Agriculture.

The Newfoundland and Labrador Crop Insurance Agency has prepared this report to outline its activities during the 2021-22 fiscal year in fulfillment of the objective established under the 2020-23 Activity Plan. The government's commitment to increasing the province's food self-sufficiency has been considered in the preparation of this report.

As Chair of the Newfoundland and Labrador Crop Insurance Agency, my signature on behalf of the Agency signifies its accountability for the preparation of this report and the results reported herein.

Respectfully submitted,

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

Cynthia MacDonald
Chairperson

Table of Contents

Overview 1

Highlights and Partnerships 3

Report on Performance 4

Opportunities and Challenges 6

Appendix A: NLCIA 2021-22 Financial Statements 8

Appendix B: NLCIA 2021-22 Premium Base Rates 21

Overview

The Newfoundland and Labrador Crop Insurance Agency (NLCIA) is a Crown Corporation of the Government 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 AgrilInsurance program. The NLCIA provides an affordable and effective AgrilInsurance program for vegetable producers and operates within the **Crop Insurance Act** (the Act).

In accordance with the 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 members as of March 31, 2022:

Name	Title	Appointment Term	Community
Cynthia MacDonald	Chairperson, Director of Agriculture Business Development, FFA	At Pleasure	Corner Brook
Gerald Wicks	Vice-Chairperson, Retired Provincial Representative	At Pleasure	Mount Pearl
Nathan Dennis	Producer Representative	March 15, 2018 – March 15, 2022*	Cormack
Melvin J. Rideout	Producer Representative	March 15, 2018 – March 15, 2022*	Cormack

* Note: FFA is actively seeking to address the two members with terms of appointment that have expired.

The NLCIA headquarters is located 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, Forestry and Agriculture (FFA) assists producers in the Happy Valley-Goose Bay area. To contact the NLCIA, please contact the Program Manager, Ashley Mullins, at 709-637-2473 or email, at amullins@gov.nl.ca.

The NLCIA operates under the umbrella of the FFA with an annual budget of approximately \$392,000 before accounting for revenue received from the Federal Government of Canada. Annual revenues of \$307,113 include premiums from insured producers, Provincial Government's share of premiums, and late payment fees. Program revenues are dependent on program uptake and fluctuate yearly. Annual expenditures of \$246,796 include administration costs and indemnity payments to producers for crop

losses. As 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 NLCIA (see Appendix A) are prepared and audited by the Office of the Auditor General of Newfoundland and Labrador.

Two Agriculturalist II's, employed with FFA, assisted the NLCIA with field inspections in 2021-22. The Financial Officer who administers the NLCIA is also an employee of FFA.

In years where crop losses occur due to insurable perils, financial compensation may be 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 collected in 2021-22 totaled \$69,495, which includes the Provincial and Federal governments' share of premiums, as well as the producers' premiums. This figure is \$6,653 more than premiums reported in 2020-21 (\$62,842). Premium rates for 2021-22 increased slightly overall and there was an increase in insured acreage from 108 acres in 2020-21 to 155 acres insured in 2021-22. Appendix B shows the base premium rates for 2021-22.

In 2021-22, there were 11 producers enrolled in AgrilInsurance program, with \$9,578.28 incurred in crop losses up to March 31, 2022; the 2021-22 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 some producers. Indemnities for 2021-22 were significantly lower than previous years.

Lines of Business:

The sole line of business of the NLCIA is the delivery of AgrilInsurance to horticulture producers in the province.

The AgrilInsurance program is voluntary and producers who decide to enroll each year do so by applying before the April 30 deadline. Currently, there are insurance plans in place for potato, cabbage, carrot (separate plans are available for carrot grown on mineral soil and peat land), parsnip, rutabaga and beet.

Vision:

Through the AgrilInsurance program, the Newfoundland and Labrador Crop Insurance Agency protects investments in crop production. By easing the financial burden in times of crop loss, the AgrilInsurance 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 Fisheries, Forestry and Agriculture, stated as follows:

The vision of the Department of Fisheries, Forestry and Agriculture is that of sustainable

renewable resources that are responsibly developed for the social, cultural, ecological, and economic well-being of the province.

Mandate:

The mandate of the NLCIA is to establish and carry out a crop insurance plan under the direction, supervision and control of the Minister of FFA. 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 perform other tasks 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.

For more details on the Agency's legislated mandate, please refer to the **Crop Insurance Act** located at <http://www.assembly.nl.ca/legislation/sr/statutes/c39.htm>.

Highlights and Partnerships

The NLCIA program has multiple partnerships with other entities including producers, Agriculture and Agri-Food Canada (AAFC), and industry associations. The NLCIA continued its partnership with AAFC during 2021-22 by administering cost-shared programming within the Province of Newfoundland and Labrador and continuing to work with AAFC on AgrilInsurance program development.

The NLCIA partners with industry by having two industry representatives on the Board of Directors for the NLCIA. Through these partnerships, the province is able to promote and deliver this Business Risk Management program, which provides producers with the ability to mitigate financial losses due to crop failure, thus providing more financial stability for their businesses in the event of a crop loss, which in turn contributes to food self-sufficiency.

Report on Performance

In the NLCIA 2020-23 Activity Plan, the administration of the AgrilInsurance program was identified as the key priority for the 2020-23 planning period. The NLCIA's work is in-line with the Provincial Government's commitment to increasing the province's food self-sustainability. The AgrilInsurance program provides producers with an opportunity to mitigate financial instability due to crop loss.

Through the administration of the AgrilInsurance program, the NLCIA's activities during 2021-22 directly supported primary agriculture production. Activities also contributed to agricultural resource management and provided direct support to industry to help strengthen competitiveness, both which are factors that support the government's commitments toward improving the province's food self-sustainability.

The NLCIA's 2020-23 Activity Plan is available on the FFA departmental website at <https://www.gov.nl.ca/ffa/files/NLCIAActivityPlan2020-23.pdf>

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 (i.e., for additional crop products), upon request by industry. The NLCIA is committed to supporting sustainability and best management practices within the provincial industry. The NLCIA will report on the same objective and indicators each year of the planning period, as noted in the 2020-23 Activity Plan.

Objective 2021-22: By March 31, 2022, the Newfoundland and Labrador Crop Insurance Agency 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**

Throughout 2021-22, Agriculturalist II's provided agriculture advisory services to enrolled producers on a continuous basis as needed or requested by producers, such as proper crop rotation management, general agricultural advice, scouting for disease and pest issues, and testing where necessary.

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

During 2021-22, crop rotation and/or green manure plans were requested and reviewed as part of producer application requirements. Plans were requested from

eight returning applicants. Three applicants were new to the Crop Insurance program and were not required to provide crop rotation plans in their first year of enrolment.

- **Registered applications for crop insurance**

By March 31, 2022, the NLCIA sent application packages by email to Agricultural Development Officers and industry groups for distribution to vegetable producers, as well as mailed applications to 160 potentially eligible producers. Completed applications were submitted by 11 producers by the April 30, 2021, deadline. Upon receipt of these applications, the prospective participants were registered into the NLCIA's Crop Insurance databank.

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

The 11 applications and related crop rotations submitted by applicants during 2021-22 were reviewed by NLCIA staff. All applications met requirements and were approved.

- **Issued contracts to approved applicants**

Contracts for AgrilInsurance were issued for each of the 11 approved applicants during 2021-22. Upon signature and return to the NLCIA program manager, signed contracts were filed in producer client files. The contracts detail the terms and conditions of the program, the responsibilities of both the participant and the NLCIA, the crops and perils covered, planting deadlines, harvesting deadlines, price options and coverage levels. The contracts also include methodology for determining premiums owed by the participant and the deadline for premium payments.

- **Measured and inspected insured fields**

During 2021-22, Agriculturist II's measured all insured fields with global positioning system units to determine the precise size of each insured field, and test dig markers were placed in accordance with outlined procedures. Fields were inspected to ensure participants were following generally accepted practices of seedbed preparation and seeding/planting techniques. A total of 155.82 acres were insured in 2021-22

- **Completed test digs and yield calculations**

During the 2021-22 harvest season, Agriculturist II's harvested all test digs in each field. Total marketable yield for each insured crop was calculated using the test dig data. Test dig harvest and yield calculations were completed for each crop and each participant. The yield calculations were compared to the guaranteed production amount for each participant to determine if the insured producer was in

a claim position.

- **Reviewed all claims**

By March 31, 2022, the members of the NLCIA reviewed five claims made by producers for crop losses incurred in 2021-22.

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

In 2021-22, four participants submitted a total of five claims. Four claims were approved, with indemnity payments of \$9,578.28. One claim was denied due to failure to meet harvest deadline. The Program Manager 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. No appeals were submitted in 2021-22.

- **Assessed feasibility of covering new crop products, upon request, and carried out development work on insurance plans for new crops approved**

Details of potential new insurance products (as requested by industry) were shared with NLCIA board members. Legislative restrictions have limited the ability of the NLCIA to move forward with introduction of new crop insurance products.

Opportunities and Challenges

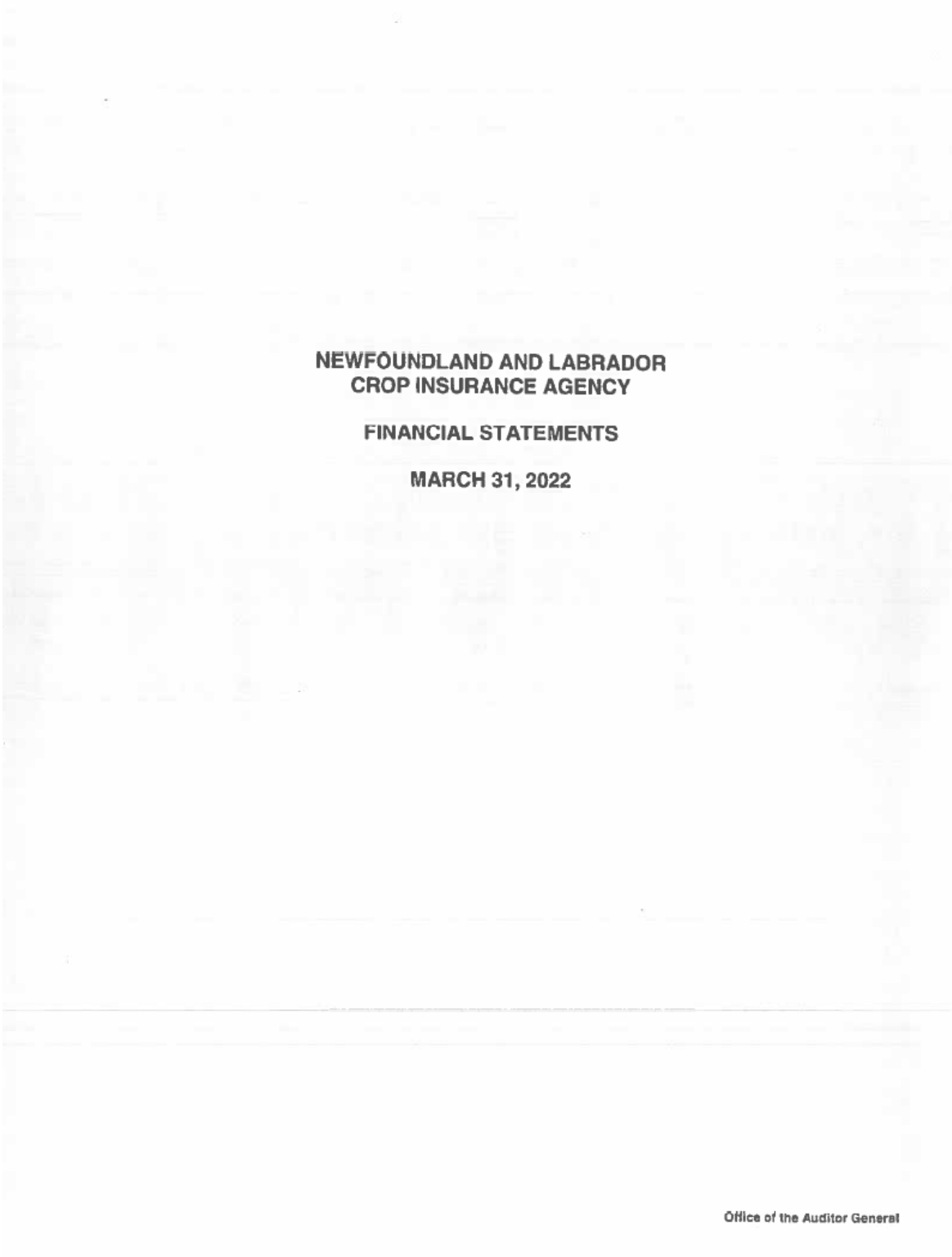
The ongoing research and development of programs to cover important but previously uninsurable crops is a key opportunity for future development of the AgrilInsurance program.

The challenges that continue to affect the AgrilInsurance program include managing premium rates to maintain program sustainability, increasing producer participation and covering large geographical regions within the province where producers are widely spread out.

The COVID-19 pandemic had minimal impact on the delivery of the AgrilInsurance program, with service delivered to producers similar to previous years. AgrilInsurance staff were cognizant of physical distancing, personal protective equipment and sanitation procedures while performing on-farm visitations. Producers were encouraged to submit applications via email and Agriculturalist II's were encouraged to carry out consultations with producers over the phone. Moving forward, the NLCIA will continue to follow COVID-

19 guidelines and deliver the AgrilInsurance program with little to no negative impact to producers.

Appendix A:
NLCIA 2021-22 Financial Statements



Management's Report

Management's Responsibility for the Newfoundland and Labrador Crop Insurance Agency 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.

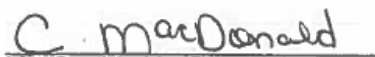
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.

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 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.



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



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

INDEPENDENT AUDITOR'S REPORT

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

Opinion

I have audited the financial statements of the Newfoundland and Labrador Crop Insurance Agency (the Agency), which comprise the statement of financial position as at March 31, 2022 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, 2022, 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.

Independent Auditor's Report (cont.)

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.

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.

Independent Auditor's Report (cont.)

- 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.
- 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.



DENISE HANRAHAN, CPA, CMA, MBA, ICD.D
Auditor General

August 18, 2022
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
STATEMENT OF FINANCIAL POSITION
 As at March 31

	2022	2021
FINANCIAL ASSETS		
Cash	\$ 116,155	\$ 49,618
Accounts receivable (Note 5)	506	1,668
	<u>116,661</u>	<u>51,286</u>
LIABILITIES		
Accounts payable	5,192	134
	<u>5,192</u>	<u>134</u>
Net financial assets	<u>111,469</u>	<u>51,152</u>
NON-FINANCIAL ASSETS		
Accumulated surplus	\$ 111,469	\$ 51,152
Contractual rights (Note 8)		

The accompanying notes are an integral part
of these financial statements

Signed on behalf of the Board: C. MacDonald Gerald Wicks
 Chairperson Member

Office of the Auditor General

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

	2022 Budget	2022 Actual	2021 Actual
	(Note 9)		
REVENUES			
Government of Canada (Note 6)	\$ 218,000	\$ 167,450	\$ 174,496
Province of Newfoundland and Labrador (Note 6)	144,000	111,634	116,331
Province of Newfoundland and Labrador – working capital advance (Note 10)	-	-	32,300
Premiums from insured persons	30,000	27,629	25,137
Late payment fees	-	400	100
	392,000	307,113	348,364
EXPENSES (Note 7)			
AgrInsurance Program	120,000	9,578	42,138
Administration	265,020	237,218	254,444
	385,020	246,796	296,582
Annual surplus	6,980	60,317	51,782
Accumulated surplus (deficit), beginning of year	51,152	51,152	(630)
Accumulated surplus, end of year	\$ 58,132	\$ 111,469	\$ 51,152

The accompanying notes are an integral part
of these financial statements

Office of the Auditor General

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

1. Nature of operations

The Newfoundland and Labrador Crop Insurance Agency (the Agency) operates under the authority of the Crop Insurance Act. The purpose of the Agency is to operate the Newfoundland and Labrador Crop Insurance Fund to provide insurance to farmers of the Province to restrict the amount of financial loss due to crop failure. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. These statements are a representation of the activities of the 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, accounts receivable and accounts payable. The Agency generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition.

The Agency subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash. Financial assets measured at amortized cost include accounts receivable. Financial liabilities measured at cost include accounts payable.

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

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

2. Significant accounting policies (cont.)

(c) Cash

Cash includes cash in bank.

(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 working capital advances, 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 AgrilInsurance 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, Forestry and Agriculture. Expenses related to salaries and administration costs are paid directly by the Department of Fisheries, Forestry and Agriculture and the Department of Transportation and Infrastructure and are reflected in these financial statements as expenses of the Agency and as revenue from the Province and the Government of Canada.

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.

Office of the Auditor General

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

2. Significant accounting policies (cont.)

(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 and the allocation of salaries to the Board for employees of the Department of Fisheries, Forestry and Agriculture that administer its program.

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. 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 5.

Liquidity risk

Liquidity risk is the risk that the Agency will be unable to meet its financial liabilities as they come due. The Agency's exposure to liquidity risk relates mainly to its accounts payable. 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
NOTES TO FINANCIAL STATEMENTS

March 31, 2022

4. Related party transactions

The Agency is administered by employees of the Department of Fisheries, Forestry and Agriculture. Estimated salaries and other costs of \$237,218 (2021 - \$254,444) applicable to the operation of the Agency have been paid or are payable by the Department of Fisheries, Forestry and Agriculture and the Department of Transportation and Infrastructure and are reflected in these financial statements as expenses of the Agency and as revenue in the form of payments made by the Province and the Government of Canada. The Province recovered \$142,330 (2021 - \$151,873) of these administration expenses from the Government of Canada under the Canada-Newfoundland and Labrador AgriInsurance Agreement of the Canadian Agricultural Partnership.

The premium contributions of \$41,866 (2021 - \$37,705) have been paid or are payable by the Department of Fisheries, Forestry and Agriculture and are reflected in these financial statements as revenue in the form of payments made by the Province and the Government of Canada. The Province recovered \$25,120 (2021 - \$22,623) of the premiums contributions from the Government of Canada under the Canada-Newfoundland and Labrador AgriInsurance Agreement of the Canadian Agricultural Partnership.

Transactions with the Department of Fisheries, Forestry and Agriculture are in the normal course of business measured at the exchange amount.

5. Accounts receivable

	<u>2022</u>	<u>2021</u>
Premiums from insured persons	\$ 2,556	\$ 3,717
Due from Province	6	7
	<u>2,562</u>	<u>3,724</u>
Less: provision for doubtful accounts	<u>2,056</u>	<u>2,056</u>
	<u>\$ 506</u>	<u>\$ 1,668</u>

6. Premium contributions and administrative expenses

	<u>2022</u>	<u>2021</u>
Government of Canada		
Premium contributions	\$ 25,120	\$ 22,623
Payments for administration	<u>142,330</u>	<u>151,873</u>
	<u>\$ 167,450</u>	<u>\$ 174,496</u>

Office of the Auditor General

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

6. Premium contributions and administrative expenses (cont.)

Province of Newfoundland and Labrador

	<u>2022</u>	<u>2021</u>
Premium contributions	\$ 16,746	\$ 15,082
Payments for administration	94,888	101,249
	<u>\$ 111,634</u>	<u>\$ 116,331</u>

7. Expenses by object

The following is a summary of expenses by object:

	<u>2022</u> <u>Budget</u> <u>(Note 9)</u>	<u>2022</u> <u>Actual</u>	<u>2021</u> <u>Actual</u>
Bad debt expense	\$ -	\$ -	\$ 1,323
Bank charges	20	6	6
Board expenses	4,000	290	870
Computer	-	2,650	1,035
Equipment supplies	2,000	-	3,165
Indemnity claims	120,000	9,578	42,138
Professional services	5,000	235	1,015
Purchased services	7,000	5,584	3,889
Salaries and employee benefits	230,000	210,378	236,320
Supplies	7,000	11,147	3,854
Transportation and communication	10,000	6,928	2,967
	<u>\$ 385,020</u>	<u>\$ 246,796</u>	<u>\$ 296,582</u>

8. Contractual rights

The operations of the Agency will be cost-shared under the Canada - Newfoundland and Labrador Agrilinsurance Agreement of the Canadian Agricultural Partnership - a five-year federal, provincial and territorial agreement from 2018-19 to 2022-23. Agrilinsurance 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 Agrilinsurance Program will be jointly funded under the Agrilinsurance Agreement between Agriculture and Agri-Food Canada and the Department of Fisheries, Forestry and Agriculture 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.

Office of the Auditor General

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

9. Budgeted figures

Budgeted figures, which have been prepared on a cash basis, are provided for comparison purposes and have been approved by the Board of Directors.

10. Working capital advance

During 2021-22, the Agency received a working capital advance of \$0 (2021 - \$32,300) from the Province of Newfoundland and Labrador under section 12(2) of Crop Insurance Act.

Appendix B:

NLCIA 2021-22 Premium Base Rates

The base rates in the table below are set 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 a percentage of crop coverage.

Table 1: AgrilInsurance 2021-22 Base Premium Rates

Crop	Coverage Levels		
	60%	70%	80%
Beet	29.38%	32.00%	34.15%
Cabbage	28.84%	33.56%	38.48%
Carrot-mineral	26.63%	33.27%	39.20%
Carrot-peat	38.46%	41.15%	45.13%
Parsnip	18.35%	24.02%	28.28%
Potato	8.78%	13.88%	18.63%
Rutabaga	16.20%	21.22%	25.78%