



Crown Corporation

B U S I N E S S P L A N S

FOR THE FISCAL YEAR 2005–2006

Nova Scotia Crop and Livestock Insurance Commission

Business Plan 2005–2006

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Mission

To provide Nova Scotia farm managers with insurance products with which they can manage the financial risk associated with reduced crop or animal production losses due to insurable perils.

Introduction

The Crop and Livestock Insurance Commission's business plan for 2005–2006 outlines the commission's continued commitment to offer Nova Scotia's primary agricultural producers insurance against production losses.

The production insurance product line continues to expand the opportunities for risk transfer in the production of agricultural products. Production insurance will offer increased benefits, lower premiums, and more types of insurance products for a greater number of commodities. These products will be developed and tested in Nova Scotia for Nova Scotia's unique agronomic mix and business needs.

The commission continues to move forward with plans to overhaul its information management system. Development of a more robust system is a key factor in meeting the province's commitment to improve

customer services and program options under the Production Insurance platform.

Planning Context

The Nova Scotia Crop Insurance Commission was established in 1968 to provide Nova Scotia farmers the opportunity to manage the risk of production failure. The Nova Scotia Crop Insurance Act was amended in 1978 to provide for the administration of the Livestock Insurance Program and is now cited as the Crop and Livestock Insurance Act.

The commission reports to the Minister of Agriculture and Fisheries and is a key component of the business risk management services that the department offers to the industry. It administers 14 crop insurance plans and a dairy livestock insurance plan. Effective April 1, 2003, the Canada–Nova Scotia Implementation Agreement associated with the National Agricultural Policy Framework (APF) established the Production Insurance platform. The agreement outlines cost-sharing arrangements and administrative requirements that govern the design and delivery of production insurance programs.

Federal and provincial ministers have indicated their desire to expand and strengthen the role of the program to offer more coverage to commercially grown crops and livestock species. In that context, the commission is developing



products for crops and/or production systems that have not traditionally been covered under crop insurance. The commission will also examine new performance measures and implement new administrative practices to ensure that the province maintains its federal-provincial cost-sharing arrangements.

In late 2003 an outbreak of infectious laryngotracheitis occurred in a commercial broiler breeder flock, resulting in eradication of the flock. The Minister of the day provided assistance to the affected farm and asked the commission to develop a risk management solution to deal with future outbreaks. The commission has worked closely with the industry to complete an insurance product, which will be introduced in 2005–2006.

The commission's information management systems have been in need of a major overhaul for some time. The backbone of its information management capabilities is a DOS-based relational database, circa 1988. The present system does not provide the functionality required to offer the program enhancements expected under the APF. The commission is exploring data management options and expects to identify and begin implementing a solution within the year.

Strategic Goals

- To support the economic growth of the province through provision of insurance products that help to stabilize the incomes of agricultural businesses.
- To increase program participation by expanding programming to include new insurance plans under conventional production insurance and to introduce product innovations that broaden the income stabilization capacity of farm businesses.
- To improve service delivery to clients by reducing red tape and decreasing turn-around time on client requests for program improvements.

Core Business Areas

The core business of the Crop and Livestock Insurance Commission is the delivery of insurance products for production agriculture. Its business is conducted pursuant to federal and provincial regulations and in accordance with the Business Risk Management chapter of the Canadian Agricultural Policy Framework.

Priorities for 2005–2006

The commission priority is to increase the number of farmers actively using insurance products to manage production risks. In support of government's goal of developing a competitive business climate that encourages economic growth and increases jobs in Nova Scotia's rural and coastal communities, the commission will pursue increased program participation through the following.

Program Expansion/Enhancements

- Weather derivative insurance products will be developed that will allow more flexibility in valuing underlying assets and in dealing directly with the weather events that cause crop losses.
- The Dairy Livestock Insurance Plan will be prepared for full cost sharing under the APF. This will allow producers to take advantage of the 60 per cent government cost sharing on premiums.
- Poultry Insurance Livestock insurance plans will be developed in consultation with commodity groups and in compliance with national guidelines.
- Acreage loss insurance options that are based on the dollar value per acre rather than the tonnage produced will be developed.

- A whole farm coverage option will be developed whereby producers will be offered premium discounts in exchange for yield offsetting between crops.

Information Technology

- In an effort to improve customer service and administrative efficiency and to reduce response time to stakeholder inquiries, the commission will replace its database platform. The current software is no longer supported by IT-CSU, and private-sector support is not readily available. Program enhancements/improvements cannot be facilitated within the current software architecture. A search for a replacement has been under way throughout 2004, and the commission expects to move forward with the replacement in 2005.

Red Tape Reduction

- The commission will continue to pursue a streamlined regulatory process that will allow more timely responses to client's product and service requests.
- In the February 2005 the Crop Insurance Act was amended to allow a more streamlined process for the approval of premium rates and unit prices. The commission will update its regulations to reflect the approach envisioned in the amended act.



Budget Context

The commission's budget is included in the budget estimates of the Department of Agriculture and Fisheries. The Implementation Agreement under the APF provides for reimbursement of 60 per cent of the administrative costs relative to production insurance. Premiums paid by clients and by the federal government are not included in the budget figures.

Operational priorities outlined above have been costed and included in the budget estimate.

Estimate of Income and Fund Balances

	Forecast 2004-05 (\$,000)	Estimate 2005-06 (\$,000)
Revenues		
Insurance Premiums Paid by Clients	328	295
Insurance Premiums Contributed by Govt (Federal)	295	262
Insurance Premiums Contributed by Govt (Provincial)	197	175
Interest Income	210	200
Total Revenues	1,030	932
Expenses		
Indemnity Claims	530	1,000
Reinsurance Premiums		
Bad Debt Expense	5	5
Total Expenses	535	1,005
Net Income From Insurance Activities	495	(73)
Crop and Livestock Insurance Fund Balance		
Beginning of Year	6,298	6,793
End of Year	6,793	6,720
Administrative Expenses		
Government Contributions (Canada)	445	501
Government Contributions (Nova Scotia)	305	354
Total Administrative Expenses	750	855
Net Govt Expenditure		
Canada (Premium + Administration)	740	763
Nova Scotia (Premium + Administration)	502	529
Total Program Expenditure	1,242	1,292



Outcomes and Performance Measures

Core Business Area

Delivery of insurance products for production agriculture

Outcome	Measure	Data Base Year (2001-02)	Target 2005-2006	Target 2006-07	Strategies to Achieve Target
Increased stability of farm businesses	Number of farms using crop insurance	500	520	560	<ul style="list-style-type: none"> Improve program effectiveness through introduction of non-production-based plans
	\$ value of coverage	\$14.1 million	\$18.1 million	\$20 million	<ul style="list-style-type: none"> More insurance programs, higher unit prices and coverage options
	Aggregate coverage level for program	76%	81%	83%	<ul style="list-style-type: none"> Promote higher coverage options for crop plans
	Number of insurance products available	12	15	17	<ul style="list-style-type: none"> Introduce a weather derivative product for forage and poultry insurance plan
	Months elapsed from commission approval to program implementation	12-18	6	4	<ul style="list-style-type: none"> Replace Information Management software to allow in-house program modification Work with Regulation and Compliance Branch and the Department of Justice to speed up the review of regulations