

CANADA-NOVA SCOTIA
Crop Insurance

ANNUAL REPORT

for the year 2005–06

The Nova Scotia
Crop & Livestock
Insurance Commission



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada



CANADA-NOVA SCOTIA
Crop Insurance

ANNUAL REPORT
for the year 2005–06

The Nova Scotia
Crop & Livestock
Insurance Commission



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

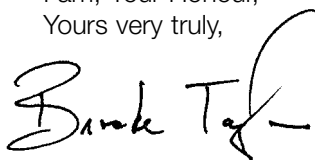


Her Honour
The Honourable Mayann E. Francis
Lieutenant-Governor of Nova Scotia

Dear Madam:

I have the honour to transmit herewith the Annual Report of the Nova Scotia Crop and Livestock Insurance Commission for the year ended March 31, 2006.

I am, Your Honour,
Yours very truly,

A handwritten signature in black ink, appearing to read "Brooke Taylor". The signature is fluid and cursive, with a long, sweeping flourish extending from the end of the name.

Brooke Taylor
Minister of Agriculture

The Honourable Brooke Taylor
Minister of Agriculture

Dear Sir:

We have the honour to herewith submit the thirty-seventh Annual Report of the Nova Scotia Crop and Livestock Insurance Commission for the fiscal year ending March 31, 2006. Included in this report is a summary of operations, the audited financial statements, and statistical information for the programs under the authority of the Commission.

Respectfully submitted,
Nova Scotia Crop and Livestock
Insurance Commission

A handwritten signature in black ink, appearing to read "A. Bentley".

A. Bentley
Chair

A handwritten signature in black ink, appearing to read "G.A. Post".

G.A. Post
Manager

TABLE OF CONTENTS

Commission Officers	8
Program Background	9
Objectives and Responsibilities	9
Financial Participation	10
Insurance Plans in Force	11
Features of the Crop Insurance Plans	12
Statistical Summaries	13
The 2005–06 Season	18
Performance Measures	21
Financial Statements	23
Auditor’s Report	27

GRAPHS

Fund Revenues	10
Number of Contracts by Year	11
Acres Insured by Year	12
Risk by Year	14
Premiums and Claims by Year	15

COMMISSION OFFICERS

BOARD OF DIRECTORS

Avard Bentley, Chair
Westchester, Cumb. Co.

Phillip Stead
Truro, Colchester Co.

Michael Johnson, Vice-Chair
NS Department of Agriculture

Greg Coldwell
Port Williams, Kings Co.

R. Michael Walsh
Berwick, Kings Co.

PRINCIPAL OFFICERS

G.A. Post—Manager

T.D Mitchell—Secretary

B.A. Whidden—Accounting Clerk

B.J. Nelson—Clerk

J.R. Gilmore—Supervisor, Field Services

G.D. Macintosh—Coordinator, Research & Program Development

N.B. Sinclair—Database Administrator

AUDITOR

Auditor General, Province of Nova Scotia

SOLICITOR

J.R.M. Akerman, Q.C.

FIELD STAFF

D.R. MacKenzie

M.J. Blenkhorn

J.M. Peill

PROGRAM BACKGROUND

The Nova Scotia Crop Insurance Act, which was assented to in 1968 and amended in 1978 to provide for the administration of the Livestock Insurance program, is cited as the Crop and Livestock Insurance Act.

Under the Crop and Livestock Insurance Act, the Commission is responsible to administer the program under the direction, supervision, and control of the Minister of Agriculture.

The Commission administers crop insurance coverage to 14 crop insurance plans and a livestock insurance program.

OBJECTIVES AND RESPONSIBILITIES

The fundamental objective of the Crop and Livestock Insurance Commission is to make available to Nova Scotia farmers programs that will assist in years of reduced yields, lower revenue, and losses due to insurable perils.

In the interest of efficiency of operations and convenience to farmers, the programs are administered by a common staff, but each program stands on its own. Separate accounting for premium and indemnities is maintained for each program. Administration expenses are proportioned to each program.

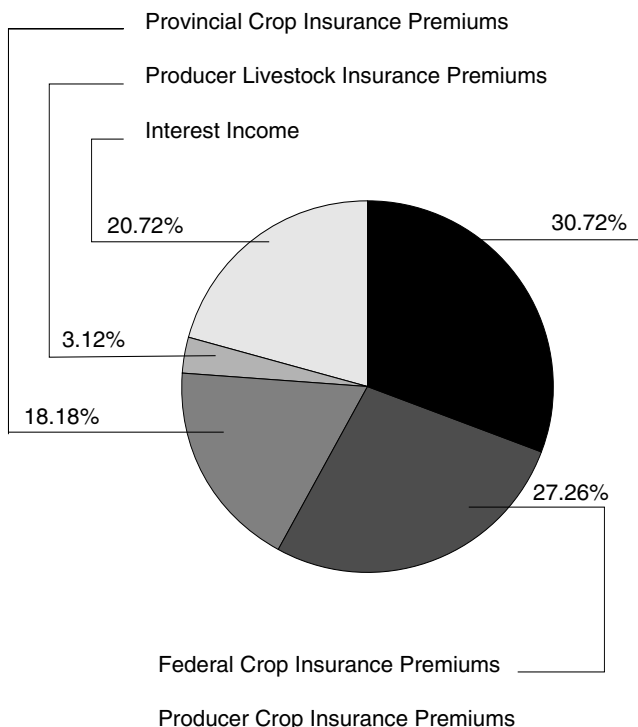
FINANCIAL PARTICIPATION

The administration of the Crop and Livestock Insurance program is the responsibility of the Commission. It is subject to the provisions under the Canada–Nova Scotia Implementation Agreement under the National Agricultural Policy Framework. Crop and Livestock Insurance in Nova Scotia is delivered under the authority of the Crop and Livestock Insurance Act.

The governments of Nova Scotia and Canada each contribute a percentage of administration expenses for crop insurance. Administration expenses for other programs administered by the Commission are the responsibility of the province.

For 2005–06, the Government of Nova Scotia contributed approximately 40 per cent of the total administration costs and 24 per cent of the crop insurance premium. The Government of Canada contributed 60 per cent of the total administration costs and 36 per cent of the premium for crop insurance programs.

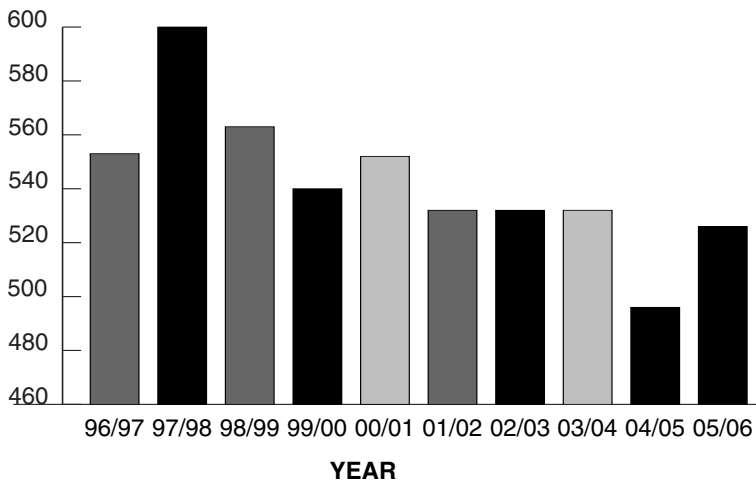
FUND REVENUES



INSURANCE PLANS IN FORCE

Spring Grain:	oats, barley, wheat, and mixed grain
Winter Grain:	rye, wheat
Tree Fruit:	apples, pears
Tree Insurance:	tree protection
Corn:	silage, grain, high moisture
Peas and Beans:	processing
Blueberries:	lowbush and highbush blueberries
Strawberries:	
Raspberries:	
Forage:	establishment year
Forage Production:	
Soybeans:	
Potatoes:	processing, seed, table
Vegetables:	broccoli, brussels sprouts, cauliflower, cabbage, fresh carrots, lettuce, onions, parsnips, processing carrots, rutabagas, and winter squash
Livestock:	dairy

NUMBER OF CONTRACTS BY YEAR



FEATURES OF THE CROP INSURANCE PLANS

Designated Perils

The crop insurance plans protect against loss caused by drought, frost, hail, wind, excessive moisture, insect infestation, plant disease, wildlife, winter injury, unavoidable pollination failure, and off-crop due to adverse weather conditions.

Type of Insurance

Each insured crop is guaranteed a specific yield based upon the past yield records of each insured. When no past records are available, a benchmark, either provincial or industry averages, is used.

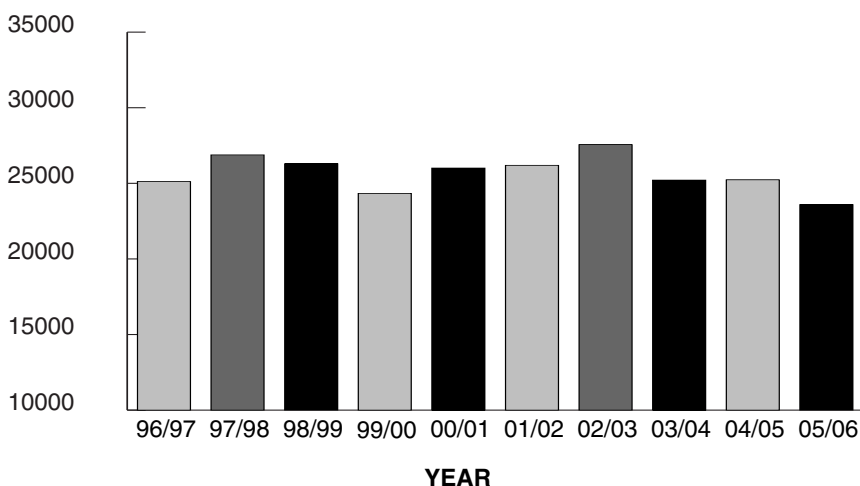
Quality Guarantee

Quality losses are taken into consideration with certain plans such as tree fruit, corn, and spring and winter grain.

Premium Discount/Surcharge

The base premium rate for all insurance plans, with the exception of forage, is adjusted by giving a discount when indemnities paid are less than premium paid or by adding a surcharge when indemnities paid exceed premium. The maximum discount shall be 50 per cent and the maximum surcharge shall be 100 per cent.

ACRES INSURED BY YEAR



STATISTICAL SUMMARIES
ANNUAL SUMMARY OF INSURANCE PLANS 2005–06

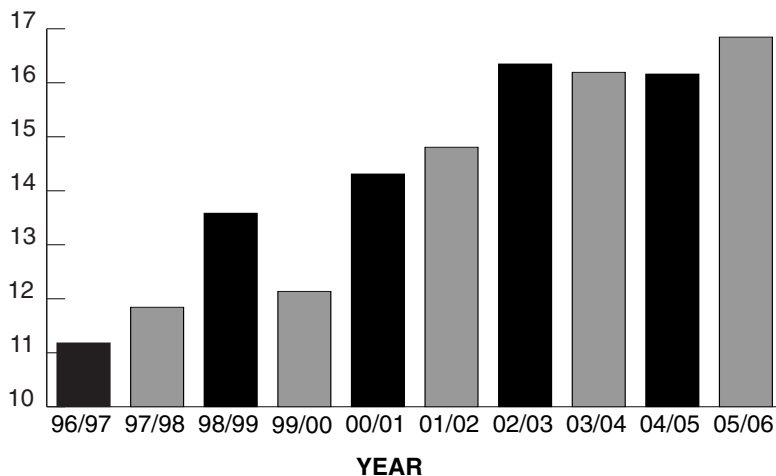
Plan	No. Growers	No. Acres	Total Coverage	Total Premium	Total Indemnities
Spring Grain	65	3,047.55	432,234.01	35,297.31	44,845.62
Tree Fruit	46	3,006.97	4,900,958.99	241,889.51	272,023.03
Tree Ins. End. (Trees)	9	171,439.00	2,334,716.00	11,673.58	0
Peas & Beans	0	0	0	0	0
Forage Est.	7	261.57	36,619.80	3,909.87	2,616.60
Forage Prod.	0	0	0	0	0
Corn	59	5,652.67	1,553,663.89	76,302.91	43,977.54
Blueberries	168	6,585.28	4,891,203.64	235,580.09	449,401.15
Strawberries	6	46.07	157,483.80	15,853.47	5,060.00
Raspberries	2	1.25	1,369.20	167.28	387.60
Winter Grain	29	2,618.69	610,027.20	39,195.29	106,676.84
Potatoes	6	880.80	1,029,240.80	45,169.04	169,389.55
Soybeans	16	792.99	141,171.38	10,926.91	6,723.28
Vegetables	16	702.40	756,847.88	74,509.93	6,600.62
Crop Summary	468	23,596.24	\$16,845,536.59	\$790,475.19	\$1,107,701.83
	Herds	Animals			
Loss Income			9,488,845.86		
Livestock	140	18,670.00	24,955,000.00	50,272.09	10,800.00
			34,443,845.86		
Totals			\$51,289,382.45	\$840,747.28	

Note: Winter Grain claims belongs to the 2005/2006 crop year.

**SUMMARY OF CROP INSURANCE PLANS
(1969–1970 TO 2005–06 CROP YEARS INCLUSIVE)**

Plan	No. Years	No. Claims	Total Premium	Claims Paid	Loss Ratio
Spring Grain	37	1614	\$1,514,208.78	\$1,432,151.63	0.95
Winter Grain	36	316	\$669,339.63	\$670,967.66	1.00
Tree Fruit	36	577	\$4,816,750.74	\$4,821,492.17	1.00
Tree Rider	22	21	\$174,258.00	\$89,451.19	0.51
Tobacco	25	21	\$767,809.39	\$561,296.33	0.73
Corn	35	517	\$1,638,612.94	\$1,201,215.31	0.73
Peas & Beans	32	629	\$3,140,338.94	\$3,315,484.65	1.06
Blueberries	33	692	\$2,214,882.11	\$2,182,788.47	0.99
Strawberries	32	119	\$320,239.29	\$309,488.22	0.97
Forage Est.	29	148	\$96,822.27	\$81,813.52	0.84
Soybeans	20	62	\$146,152.78	\$96,271.78	0.66
Potatoes	19	23	\$818,050.41	\$1,112,174.03	1.36
Raspberries	6	4	\$1,429.44	\$3,216.60	2.25
Forage Prod.	3	1	\$16,983.20	\$4,551.38	0.27
Vegetables	6	33	\$531,572.04	\$585,378.54	1.10
TOTAL		4,777	\$16,867,449.96	\$16,467,741.88	0.98

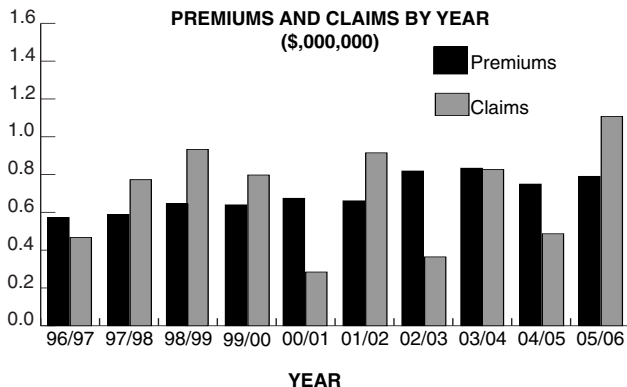
**RISK BY YEAR
(\$,000,000)**



**OPERATIONS SUMMARY OF CROP INSURANCE YEARS
(1969–1970 TO 2005–06 CROP YEARS INCLUSIVE)**

Crop Years	No. Contracts	Total Coverage	Total Premium	Claims Paid	Loss Ratio
2005–2006	526	16,845,536.59	790,475.19	1,107,701.83	1.40
2004–2005	496	16,161,000.34	749,438.21	486,826.86	0.65
2003–2004	532	16,193,016.04	833,525.55	827,284.94	0.99
2002–2003	532	16,347,492.87	818,650.80	364,453.37	0.45
2001–2002	532	14,805,607.02	660,808.39	914,843.99	1.38
2000–2001	552	14,310,381.33	674,353.56	284,246.26	0.42
1999–2000	540	12,136,267.30	639,559.88	797,459.04	1.25
1998–1999	563	13,893,446.80	646,821.92	933,129.48	1.45
1997–1998	600	11,842,296.94	587,480.80	772,721.07	1.32
1996–1997	553	11,181,624.19	572,589.79	466,881.74	0.82
1995–1996	580	11,321,945.62	546,030.04	326,525.71	0.60
1994–1995	568	11,164,842.39	577,366.31	535,838.81	0.93
1993–1994	577	11,409,076.02	623,830.52	927,816.14	1.49
1992–1993	624	10,904,552.94	657,657.87	200,655.25	0.31
1991–1992	544	12,184,356.19	634,945.12	1,411,800.88	2.22
1990–1991	568	10,304,249.40	574,316.40	357,824.57	0.62
1989–1990	604	10,790,684.96	545,818.31	879,678.97	1.61
1988–1989	532	10,327,601.34	536,984.92	100,853.06	0.19
1987–1988	597	10,361,043.62	537,153.84	158,436.63	0.29
1986–1987	730	10,403,518.12	498,145.77	1,391,264.35	2.79
1985–1986	730	10,270,802.44	453,493.02	503,450.98	1.11
1984–1985	740	8,842,444.23	447,720.90	132,831.31	0.30
1983–1984	775	7,103,107.33	444,870.21	442,181.20	0.99
1982–1983	760	6,618,768.79	449,727.96	123,888.71	0.28
1981–1982	752	5,854,042.18	401,609.14	219,338.95	0.55
1980–1981	666	4,228,150.76	295,329.10	196,488.55	0.67
1979–1980	695	3,994,307.91	296,406.94	300,974.95	1.02
1978–1979	781	3,730,752.45	284,334.24	131,548.18	0.46
1977–1978	770	3,381,581.47	251,407.28	253,696.31	1.01
1976–1977	602	2,751,869.76	220,219.10	90,559.13	0.41
1975–1976	568	2,274,900.30	198,451.73	169,900.31	0.86
1974–1975	565	2,030,120.33	164,694.03	232,358.15	1.41
1973–1974	492	1,762,978.44	96,519.82	252,505.26	2.62
1972–1973	386	1,553,341.41	77,955.05	78,023.10	1.00
1971–1972	364	777,955.53	32,884.51	50,406.29	1.53
1970–1971	345	823,244.95	31,954.54	35,304.14	1.10
1969–1970	277	310,831.53	15,157.96	8,043.41	0.53
TOTAL		\$318,888,057.83	\$16,867,449.96	\$16,467,741.88	0.98

Since the program's implementation in 1969, for every dollar collected in premium, \$0.98 has been paid out in claims.



**SUMMARY OF DAIRY LIVESTOCK INSURANCE PLAN
(APRIL 1, 1978–MARCH 31, 2006)**

Years	No. Insured Herds	Insured Animals	Total Premium	Claims Paid	Loss Ratio
2005–2006	140	18,670	\$ 30,530.51	\$ 10,800.00	\$ 0.35
2004–2005	148	19,807	33,767.77	4,000.00	0.12
2003–2004	165	20,749	34,980.83	47,640.00	1.36
2002–2003	179	21,769	32,864.20	30,144.00	0.92
2001–2002	184	21,640	20,858.02	14,210.00	0.68
2000–2001	182	20,252	19,538.76	197,632.22	10.11
1999–2000	203	21,531	17,108.54	17,400.00	1.02
1998–1999	212	22,087	17,475.34	55,104.68	3.15
1997–1998	232	22,857	17,797.26	44,679.34	2.51
1996–1997	240	22,801	25,891.18	47,960.58	1.85
1995–1996	252	22,866	26,219.52	7,270.22	0.28
1994–1995	263	23,053	26,720.66	6,400.00	0.24
1993–1994	231	20,572	24,979.34	16,400.00	0.66
1992–1993	242	21,224	26,093.76	3,752.66	0.14
1991–1992	259	22,739	28,987.80	17,157.20	0.59
1990–1991	282	23,771	30,883.99	7,600.00	0.25
1989–1990	217	26,221	35,295.12	10,130.00	0.29
1988–1989	313	25,913	35,507.84	7,639.50	0.22
1987–1988	306	25,500	39,104.26	3,200.00	0.08
1986–1987	300	24,705	38,929.11	17,593.05	0.45
1985–1986	265	22,662	39,200.03	36,775.90	0.94
1984–1985	219	18,263	42,042.80	14,459.00	0.34
1983–1984	209	18,037	43,820.40	3,400.00	0.08
1982–1983	205	17,253	42,423.00	21,133.16	0.50
1981–1982	249	20,480	53,326.15	16,120.35	0.30
1980–1981	284	22,817	77,919.61	53,089.50	0.68
1979–1980	403	29,491	86,731.88	60,501.10	0.70
1978–1979	352	26,121	59,198.14	31,744.50	0.54
TOTALS			\$1,008,195.82	\$803,936.96	\$0.80

Since the program was implemented in 1978, for every dollar collected from the insured farmer, \$0.80 has been paid out in claims.

**DAIRY LIVESTOCK INSURANCE CLAIMS SUMMARY
(APRIL 1, 2005–MARCH 31, 2006)**

Insurable Perils	Number Animals	Total Claims Paid
1. Shipping fever	7	\$10,800.00
2. Reportable diseases	0	0
3. Infectious bovine rhinotracheitis	0	0
4. Other	0	0
5. Loss of income	0	0

**CLAIM SUMMARY RE: DAIRY LIVESTOCK INSURANCE PLAN
(APRIL 1, 1978–MARCH 31, 2006)**

Insurable Diseases	Number Animals	Total Claims Paid
1. Acute mastitis*	108	\$104,291.40
2. Shipping fever	378	394,425.54
3. Infectious bovine rhinotracheitis	53	41,337.18
4. Brucellosis	2	810.70
5. Loss of income	0	246,872.14
6. Other	14	16,200.00
Total	555	\$803,936.96

* This peril no longer covered.

THE 2005–06 YEAR GROWING SEASON

The Commission wrote \$16.8 million in coverage and \$790,000 in premium income. Dairy livestock insurance adds another 140 clients, \$34 million in coverage, and \$32,000 in premium.

The 2005 crop year started out poorly in Nova Scotia. A harsh winter left many blueberry vines damaged or weakened coming into spring. An unusually cold and wet spring delayed pollination in blueberries and tree fruits and caused delays in spring seeding for all areas of the province. A severe early July hail storm affected the heart of the tree fruit industry in the Annapolis Valley, leaving many orchards with little or no saleable fresh fruit. Dry conditions persisted through much of July, August, and into September, resulting in lower than normal yields in potatoes.

Combined, these conditions contributed to 151 indemnity payments totaling \$1.107 million, the third highest indemnity total in the 36 year history of the Crop Insurance program. Record payments were made to the blueberry sector at \$449,000. Other major crop losses occurred in tree fruits (\$272,000), potatoes (\$169,000), and winter grains (\$107,000).

In addition to developmental work on new features of existing plans, staff were heavily involved in the design of new insurance solutions for fruit trees, forages, poultry, and damage caused by wildlife. Staff also lead the national re-design of production insurance features that enable greater flexibility in risk splitting and catastrophic loss coverage. Key staff also played a major role in the design of Business Risk Management programming, the linkage between Canadian Income Stabilization Program (CAIS) and Production Insurance (PI), and the national review of the Agricultural Policy Framework (APF).

A major effort was made to replace the information management system in place at the Commission. While current and historical data was archived and transported to a temporary program solution, work continued on developing a project that would see development of a stable permanent replacement system. Completion of the new system is anticipated in 2006.

TABLE 1. ESTIMATE – ACTUAL 2005–06

	Estimate 05-06 (000)s	Actual 05-06 (000)s
Revenues		
Insurance Premiums paid by Clients	\$ 295	\$ 343
Insurance Premiums Contributed by Govt (Federal)	262	288
Insurance Premiums Contributed by Govt (Provincial)	175	191
Interest Income	200	215
Total Revenues	932	\$1,037
Expenses		
Indemnity Claims	1,000	1,115
Reinsurance Premiums		
Bad Debt Expense	5	(13)
Total Expenses	1,005	1,102
Net Income From Insurance Activities	(73)	(65)
Crop and Livestock Insurance Fund Balance		
Beginning of Year	6,793	6,720
End of Year	6,720	6,655
Administrative Expenses		
Government Contributions (Canada)	501	461
Government Contributions (Nova Scotia)	354	325
Total Administrative Expenses	855	786
Net Govt Expenditure		
Canada (Premium + Administration)	763	749
Nova Scotia (Premium + Administration)	529	516
Total Program Expenditure	1,292	1,265

The Commission's 2005–06 business plan presented three priority areas. Progress on these related to program enhancements, information management and red tape reduction.

1. Program Expansion/Enhancements:

- Weather derivative insurance products: The Commission contracted the development of reliable weather reporting and analysis system which allows both the client and the Commission to view up-to-date weather reporting. Enabling regulations were submitted for Order in Council; however, approval was not received in time for spring 2006 season. The program will launch in 2007.
- Revisions to the Dairy Livestock Insurance Plan were initiated. These should allow for full cost sharing under the Agricultural Policy Framework. At year end we were still awaiting producer approval of the suggested revision.
- A Poultry Insurance plan was submitted for O.I.C. approval. Developed in consultation with commodity groups and in compliance with national guidelines, it will enable full government cost sharing making the product more affordable for producers. O.I.C. approval still pending.
- No further work has been done on acreage loss products for the pending review by industry representatives.
- Whole farm coverage options whereby producers are offered premium discounts in exchange for yield offsetting between crops were developed in fulfillment of our obligations to the Government of Canada under the APF. The product was successfully introduced to grain producers in the spring of 2005. As expected, the industry has shown little interest.

2. Information Technology

- The Commission completed an extensive review of its business processes and functional requirements in preparation for issuing a Request for Proposals to replace the core of its information Management System. The RFP was subsequently released in March 2006. Completion of the new system is expected in February 2007.

3. Red Tape Reduction

- The Commission continued to pursue a streamlined regulatory process that will allow more timely responses to client's product and service requests.

- A number of regulations have been revised in keeping with changes to the Crop and Livestock Insurance Act (February 2005). The Commission will continue to introduce new features and update its current product lines in keeping with the industries need for risk transfer mechanisms.

PERFORMANCE MEASURES

The core business of the Crop and Livestock Insurance Commission is the delivery of insurance products to the agriculture sector. As one of the pillars of Canada's financial system, insurance plays a key role in stabilizing business incomes by providing opportunities to manage or lay off risk. Crop production is particularly risk laden in that natural perils presented by climate and geography cannot easily be controlled or managed. The intended outcome of the Commission's program is to stabilize farm incomes.

Measure	Base / Target	2005-06 Result	Future Direction? Target 06-07	Comments
Number of Farms Using Production Insurance	520	666	700	Reporting now includes 140 Dairy Insurance Contracts
Value of Insurance Coverage Written: The total dollar value of risk the Commission has accepted from its clients.	(Millions) \$ 18.1 (\$51)	(Millions) \$16.8 (\$51.3)	(Millions) \$ 54	Figures in Brackets include Dairy Insurance not previously reported. The Commission revised its unit prices to keep pace with rising market values in Blueberries. Producers continue to select higher coverage levels.
Aggregate Coverage Level: The % of total insurable value covered by the program.	81%	81.9%	85%	Aggregate coverage rises as producers protect more of their crop (% of average yield).
Number of Insurance products available	15	13	14	New products continue to be added and existing plans are revised to reflect current market conditions.

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK
INSURANCE COMMISSION
FINANCIAL STATEMENTS**

MARCH 31, 2006

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK
INSURANCE COMMISSION
FINANCIAL STATEMENTS
MARCH 31, 2005**

INDEX

	Page
Auditors' Report27
Balance Sheet28
Statement of Surplus and Fund Balances29
Statement of Cash Flows30
Notes to Financial Statements31
Schedule A - Premium Revenue and Indemnity Claims35
Schedule B - Administrative Expenses36

AUDITOR'S REPORT

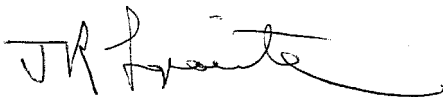
To the Members of the Legislative Assembly; and

To the Minister of Agriculture

I have audited the balance sheet of the Nova Scotia Crop & Livestock Insurance Commission as at March 31, 2006, and the statements of surplus and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Jacques R. Lapointe, CACCIA
Auditor General

Halifax, Nova Scotia
May 5, 2006

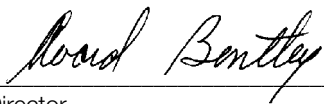
**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK
INSURANCE COMMISSION
BALANCE SHEET
AS AT MARCH 31, 2006**

	ASSETS	
	2006	2005
Current Assets		
Cash	\$ 128,292	\$ 172,578
Short-term investments (note 3)	6,399,531	6,507,679
Receivables, trade	16,923	31,936
Accrued interest receivable	213,040	102,517
	<u>6,757,786</u>	<u>6,814,710</u>
Property, plant and equipment (note 4)	29,213	37,482
	<u>\$6,786,999</u>	<u>\$6,852,192</u>

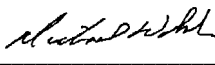
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Unearned premiums	\$ 52,703	\$ 44,593
Deposits for insurance	14,884	14,744
	<u>67,587</u>	<u>59,337</u>
Deferred Contributions Related to Capital Assets (note 6)	<u>29,213</u>	<u>37,483</u>
	<u>96,800</u>	<u>96,820</u>
Fund Balances		
Crop insurance	5,667,101	5,785,414
Livestock insurance	1,023,098	969,958
	<u>6,690,199</u>	<u>6,755,372</u>
	<u>\$6,786,999</u>	<u>\$6,852,192</u>

Commitments (note 10)

APPROVED ON BEHALF OF THE COMMISSION



Director



Director

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION
STATEMENT OF SURPLUS AND FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2006

	Crop Insurance	Livestock Insurance	Totals	
			2006	2005
Revenue				
Insurance premiums (Schedule A)	\$ 789,142	\$ 32,432	\$ 821,574	\$ 775,020
Interest income	184,952	30,108	215,060	170,880
Amortization of deferred contributions (note 6)	11,183	-	11,183	12,116
	<u>985,277</u>	<u>62,540</u>	<u>1,047,817</u>	<u>958,016</u>
Indemnity claims (Schedule A)	1,105,407	9,400	1,114,807	493,396
Bad debt expense (recoveries)	(13,001)	-	(13,001)	13,666
Administrative expenses (note 7) (Schedule B)	769,805	15,711	785,516	749,598
Amortization of capital assets	11,183	-	11,183	12,116
	<u>1,873,394</u>	<u>25,111</u>	<u>1,898,505</u>	<u>1,268,776</u>
Surplus (deficiency) before Government contributions	(888,117)	37,429	(850,688)	(310,760)
Government contributions (note 8)	769,804	15,711	785,515	749,598
	<u>(118,313)</u>	<u>53,140</u>	<u>(65,173)</u>	<u>438,838</u>
Net surplus (deficiency)	(118,313)	53,140	(65,173)	438,838
Fund balances, beginning of year	5,785,414	969,958	6,755,372	6,316,534
Fund balances, end of year	<u>\$5,667,101</u>	<u>\$1,023,098</u>	<u>\$6,690,199</u>	<u>\$6,755,372</u>

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2006**

	2006	2005
Operating Activities		
Net surplus (deficiency)	\$ (65,173)	\$ 438,838
Amortization of capital assets	11,183	12,116
Amortization of deferred contributions	(11,183)	(12,116)
	<u>(65,173)</u>	<u>438,838</u>
Net change in non-cash working capital balances related to operations (note 9)	<u>(87,261)</u>	<u>27,652</u>
	<u>(152,434)</u>	<u>466,490</u>
Investing Activities		
Sale (purchase) of short-term investments	108,148	(434,892)
Purchase of capital assets	(2,913)	(6,186)
Deferred contributions related to capital assets	2,913	6,186
	<u>108,148</u>	<u>(434,892)</u>
Increase (decrease) in cash during year	(44,286)	31,598
Cash, beginning of year	<u>172,578</u>	<u>140,980</u>
Cash, end of year	<u>\$ 128,292</u>	<u>\$ 172,578</u>

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK
INSURANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

1. Authority

The Nova Scotia Crop and Livestock Insurance Commission was established pursuant to Section 2(1) of the Nova Scotia Crop and Livestock Insurance Act. The function of the Commission is to administer plans of crop and livestock insurance, and conduct programs relating to these plans.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following accounting policy:

Capital Assets

Capital assets are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which for office furniture is 10 years and for equipment is 5 or 10 years depending on the type of equipment.

3. Short-term investments

The commission invests excess funds to be used to pay future indemnity claims. At March 31, 2006 these funds had a market value of \$6,238,094 (2005 - \$6,501,917) and were invested in various corporate and provincial bonds and promissory notes maturing in 2005 and 2006 with yields from 2.85% to 4.00%.

4. Capital Assets

	2006	2005
Equipment and furniture	\$ 131,779	\$ 128,875
Accumulated amortization	<u>(102,566)</u>	<u>(91,393)</u>
	<u>29,213</u>	<u>\$ 37,482</u>

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK
INSURANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

5. Provision for Payment of Unsettled Indemnities

Any indemnities for losses incurred in the fiscal year not paid as of year end have been estimated and recorded as a liability in the financial statements, with the exception of indemnities for Winter Grain.

Winter Grain is planted in the fall, but is not harvested until the following fall. Therefore, crop yields for Winter Grain are not known until well after the annual financial statements have been prepared. Crop yields can fluctuate dramatically depending upon factors such as weather conditions during the growing and harvesting seasons. As a result, the occurrence and amount of losses relating to this year's crop, if any, cannot be reasonably estimated at this time and therefore no provision has been recorded in the financial statements. In most cases, the indemnity expense for Winter Grain will be recorded in the year it is paid.

6. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent capital assets which were purchased by the Department of Agriculture and Fisheries on behalf of the Commission.

	2006	2005
Balance, beginning of year	\$ 37,483	\$ 43,413
Add: Capital assets acquired	2,913	6,186
Less: Amounts amortized to revenue	(11,183)	(12,116)
Balance, end of year	<u>29,213</u>	<u>\$ 37,483</u>

7. Related Party Transactions

Administrative expenses include \$30,000 (2005 - \$30,000) for rent and \$44,240 (2005 - \$44,240) for miscellaneous professional services that were charged to the Commission by the Nova Scotia Department of Agriculture and Fisheries.

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK
INSURANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

8. Government Contributions

Under the crop insurance programs, producers now pay 40% of the insurance premiums and the Federal and Provincial governments pay 36% and 24% respectfully. Neither the Federal nor Provincial governments cost share in the insurance premiums of the livestock insurance program or in non-refundable deposits.

For the 2006 fiscal year, the Federal government contributed 60% (2005 - 60%) of the total administrative expenses. The Provincial government funded the remainder. The Province pays total administrative costs of livestock insurance.

9. Net change in non-cash working capital balances related to operations

	2006	2005
Increase (decrease) in cash from changes in:		
Receivables	\$ 15,013	\$3,062
Accrued interest receivable	(110,524)	18,986
Increase in deposits for insurance	140	14,131
Unsettled indemnities	-	(2,106)
Unearned premiums	8,110	(6,421)
	<u>\$ (87,261)</u>	<u>\$ 27,652</u>

10. Insurance Coverage

The total insurance coverage as of March 31, 2006 was \$56,145,854 (2005 - \$52,522,735), comprising crop insurance of \$21,702,008 (2005 - \$16,317,410) and livestock insurance of \$34,443,846 (2005 - \$36,205,325).

The Province is party to an agreement with the Government of Canada, whereby, the Province made advances to a fund administered by the Government of Canada called the Crop Re-Insurance Fund of Canada for Nova Scotia. The purpose of this

Fund was to assist the Province of Nova Scotia when there was a requirement by the Province to make advances to the Commission for the payment of crop insurance indemnities. Advances to this Fund were recorded by the Province as a loan receivable, although they have not been reflected in the accounting records of the Commission.

The total re-insurance premiums paid by the Province have amounted to approximately \$709,345. Management holds the opinion that the payment of these premiums was the responsibility of the Province. The matter remains unresolved as of March 31, 2006. The amount, if any, to be repaid to the Province will be recorded by the Commission at that time.

11. Public Service Superannuation Fund

All full time employees of the Commission are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Commission's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Commission is not responsible for any unfunded liability or other obligations related to post-retirement benefits. The pension expense incurred in the current year was \$35,531 (2005 - \$31,163).

12. Economic dependence

The Commission is economically dependent upon the ongoing and future funding of the Nova Scotia and Federal governments.

SCHEDULE A

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION
PREMIUM REVENUE AND INDEMNITY CLAIMS
FOR THE YEAR ENDED MARCH 31, 2006**

	Farmer	Premium Revenue		2005	Indemnity Claims	
		Federal	Provincial		2006	2006
Crop Insurance						
Spring grain	\$ 14,469	\$ 12,500	\$ 8,328	\$ 35,297	\$ 44,846	\$ 31,067
Winter grain	11,884	10,429	6,961	29,274	104,382	9,312
Tree fruit	96,756	99,896	65,470	262,122	231,867	286,405
Corn	30,563	27,447	18,293	76,303	43,978	13,574
Blueberries	94,036	84,888	56,656	235,580	449,401	116,231
Strawberries and raspberries	6,699	5,591	3,731	16,021	5,448	14,202
Forage	1,585	1,413	941	3,939	2,617	911
Soybeans	4,507	3,852	2,568	10,927	6,723	2,826
Potatoes	19,165	15,593	10,411	45,169	169,389	-
Vegetables	30,796	26,238	17,476	74,510	6,600	13,268
	310,460	287,847	190,835	789,142	1,105,407	487,796
Livestock Insurance						
Dairy	32,432	-	-	32,432	9,400	5,600
Total	\$ 342,892	\$287,847	\$190,835	\$821,574	\$775,020	\$493,396

SCHEDULE B

PROVINCE OF NOVA SCOTIA
 NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION
 ADMINISTRATIVE EXPENSES
 FOR THE YEAR ENDED MARCH 31, 2006

	Crop Insurance	Livestock Insurance	Totals	
			2006	2005
Personnel	\$581,391	\$11,865	\$ 593,256	\$533,183
Transportation and communication	72,759	1,485	74,244	65,386
Information	10,143	207	10,350	13,556
Professional and special services	11,753	240	11,993	43,399
Office accommodation and equipment rental	32,764	668	33,432	32,820
Repair and maintenance of equipment	2,083	43	2,126	3,773
Materials and supplies	15,557	318	15,875	13,241
Central government services	43,355	885	44,240	44,240
	\$769,805	\$15,711	\$ 785,516	\$749,598