



**CROP AND LIVESTOCK INSURANCE COMMISSION**

**BUSINESS PLAN 2006-07**

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## **1. INTRODUCTION**

We are pleased to present the Crop and Livestock Insurance Commission's business plan for 2006-07. The plan 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 production of agricultural products. The Commission continues to expand its product line offering increased benefits, lower premiums, and more insurance options. These products are developed and tested in Nova Scotia for Nova Scotia's unique agronomic mix and business needs.

The Commission continues to improve its information management capabilities. 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.

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Hon. Ronald M. Chisholm  
Minister, Agriculture

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Mr. Avarad Bentley  
Chair

## **2. MISSION**

The mission of the Crop and Livestock Insurance Commission is 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.

## **3. 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 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. In 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 which 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 the province maintains its Federal-Provincial cost sharing arrangements.

The Commission plans to expand its product line to include insurance options for more crops like canola and sunflowers, and more animal species like poultry. We will also introduce new options for conventional cropping situations and introduce a new compensation program for damage done by uncontrollable wildlife and waterfowl.

A 2005 study of administrative best practices in delivery of production insurance programs revealed areas where the Commission can improve its service delivery. On the report's recommendation the Commission will modernize its information management capabilities, take steps to reduce its underwriting and claim verification costs and increase cooperation with other provincial delivery agents.

#### **4. STRATEGIC GOALS**

To support the economic growth of the province through provision of insurance products which 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 which 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.

#### **5. 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.

#### **6. PRIORITIES**

The Commission Priority is to increase the coverage it offers to Nova Scotia Agricultural Production. The value of coverage is actively managed by increasing the number of products offered and the range of options available to clients. 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;

- a. Program expansion / enhancements including:
  - i. Replacement of its under utilized forage plan with a more flexible weather based product which will offer protection against drought and quality loss during critical harvest periods.
  - ii. Inclusion of the Dairy Livestock Insurance Plan in the Production Insurance platform which will allow full cost sharing by both levels of government. This will allow producers to take advantage of the 60%

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government cost sharing on premiums.

- iii. Introduction of a Poultry Insurance Livestock insurance plan to cover Infectious laryngotracheitis, a disease which has caused significant hardship to our poultry sector in recent years.
  - iv. Expanding coverage for fruit trees to include all trees insured for fruit production through new government cost sharing opportunities.
  - v. Introduction of a Wildlife and Waterfowl Compensation Program which will allow for to compensation for agriculture products destroyed by uncontrollable Wildlife and Waterfowl.
  - vi. Introduction of risk splitting benefits made possible by recent improvements to federal cost sharing guidelines.
- b. Improving Customer Service:
- i. Replacing existing will replace its database platform with a more robust system which will allow faster access to reports and underlying data. Certain reports and procedures required for other BRM programs will be automated thus reducing customer wait times.

## 7. **FINANCE**

The Commission budget is included in the budget estimates of the Department of Agriculture & Fisheries. The Implementation Agreement under the APF provides for reimbursement of 60% 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. Phase One of replacement of the information management system has been included in these estimates. Final completion is expected to be done by 2007.

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Table 1. Estimate of Income and Fund Balances

	Estimate 05-06 (per 2005/06 Estimates Book) (000)'s	Forecast (per 2006/07 Estimates Book) (000)'s	Budget 06- 07 (per 2006/07 Estimates Book) (000)'s
<b>Revenues</b>			
Insurance Premiums paid by Clients	\$ 328	\$ 311	\$ 365
Insurance Premiums Contributed by Govt (Federal)	\$ 296	\$ 295	\$ 387
Insurance Premiums Contributed by Govt (Provincial)	\$ 215	\$ 197	\$ 258
Interest Income	\$ 165	\$ 160	\$ 185
<b>Total Revenues</b>	<b>\$ 1,004</b>	<b>\$ 963</b>	<b>\$ 1,195</b>
<b>Expenses</b>			
Indemnity Claims	\$ 1,100	\$ 1,101	\$ 1,200
Reinsurance premiums			
Bad Debt Expense	\$ 3	\$ 13	\$ 7
<b>Total Expenses</b>	<b>\$ 1,103</b>	<b>\$ 1,114</b>	<b>\$ 1,207</b>
<b>Net Income From Insurance Activities</b>	<b>\$ (99)</b>	<b>\$ (151)</b>	<b>\$ (12)</b>
<b>Crop and Livestock Insurance Fund Balance</b>			
Beginning of Year	\$ 6,755	\$ 6,755	\$ 6,604
End of Year	\$ 6,656	\$ 6,604	\$ 6,592

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Administrative Expenses				
	Government Contributions (Canada)	\$ 501	\$ 534	\$ 553
	Government Contributions (Nova Scotia)	\$ 420	\$ 360	\$ 374
Total Administrative Expenses		\$ 921	\$ 894	\$ 927
Net Govt Expenditure				
	Canada (Premium + Administration)	\$ 797	\$ 829	\$ 940
	Nova Scotia (Premium + Administration)	\$ 635	\$ 557	\$ 632
Total Program Expenditure		\$ 1,432	\$ 1,386	\$ 1,572



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**8. PERFORMANCE MEASURES**

<b>Core Business Area:</b>					
<b>OUTCOME</b>	<b>MEASURE</b>	<b>DATA Base Year (2005-06)</b>	<b>TARGET-2006-07</b>	<b>TARGET-2007-08</b>	<b>STRATEGIES to achieve target</b>
Increased Income Stability of Farm Businesses	Number of Farms using Production Insurance	600	690	750	Improve program effectiveness and flexibility through introduction of non-production based plans. This is in response to client requests for more options in insurance coverage.
	\$ Value of Coverage	50 M	55 M	70 M	Introduction of Poultry Insurance, Weather based forage insurance, expanded tree coverage and higher unit prices and coverage options.
	Aggregate Coverage level for crop program	82%	83%	84%	Introduction of more flexible risk splitting benefits for all crop plans and higher unit prices in response to market conditions.
	Number of insurance products available	14	15	17	Introduction of a Weather Based Forage product, Poultry Insurance, Wildlife Compensation Product.