



# **Crown Corporation**

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

### FOR THE FISCAL YEAR 2007–2008

## Nova Scotia Crop and Livestock Insurance Commission

### ***Business Plan 2007–2008***

## Table of Contents

Mission .....	101
Link to the Corporate Path .....	101
Planning Context .....	101
Strategic Goals .....	102
Core Business Areas .....	102
Priorities for 2007–2008 .....	102
Budget Context .....	103
Outcomes and Performance Measures .....	105

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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.***

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## Link to the Corporate Path

In support of government objects of creating winning conditions and seizing new economic opportunities, the Nova Scotia Crop and Livestock Insurance Commission strengthens the fabric of rural economies in Nova Scotia by providing agricultural entrepreneurs with the opportunity to cover off the risk of financial losses caused by crop failures. The introduction of new insurance products will provide more farm producers access to production insurance and expand the risk management options for those already actively managing their production risks.

## 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 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 plans to expand its product line to include insurance options for more crops and 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 co-operation with other provincial delivery agents. A major rebuild of the commission's data management capabilities will be completed in March 2007.

## 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 turnaround time on client requests for program improvements

## Core Business Areas

The core business of the Crop and Livestock Insurance Commission is creating winning conditions and supporting new economic opportunities in agriculture through the delivery of insurance-based risk management options. 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 (APF).

## Priorities for 2007–2008

The commission's 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 program expansion/enhancements, including the following:

- Introduction of a more flexible weather-based product will offer protection against drought and quality

loss during critical harvest periods. Regulations were approved in mid-2006 allowing for insurance coverage against drought conditions and against excess rainfall during the critical June harvest period.

- 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 per cent government cost sharing on premiums.
  - Introduction of a poultry insurance livestock insurance plan to cover infectious laryngotracheitis, a disease that has caused significant hardship to our poultry sector in recent years.
  - Introduction of a wildlife and waterfowl compensation program that will allow compensation for agriculture products destroyed by uncontrollable wildlife and waterfowl. Regulations will be finalized and submitted for approval early in 2007.
  - Introduction of risk-splitting benefits made possible by recent improvements to federal cost-sharing guidelines. Specifically, the commission will offer separate insurance coverage for high-value apples in support of growers who are actively seeking high margins.
- The commission will continue the development of more flexible coverage options for horticultural crops. These may include value-based coverage and programs for commercial-scale market garden operations that grow a small acreage of many different crops.

## Budget Context

The commission budget is included in the budget estimates of the Department of Agriculture. The Implementation Agreement under the Agricultural Policy Framework (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. Livestock insurance has not yet been incorporated into the APF, so no federal support is received for that portion of the commission's business.

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



**Nova Scotia Crop and Livestock Insurance Commission**

***Estimate of Income and Fund Balances***

	Estimate 2006-07 (\$,000)	Forecast 2006-07 (\$,000)	Estimate 2007-08 (\$,000)
<b>Revenues</b>			
Insurance Premiums paid by Clients	311	345	357
Insurance Premiums Contributed by Government (Federal)	295	312	322
Insurance Premiums Contributed by Government (Provincial)	197	208	215
Interest Income	160	38	135
<b>Total Revenues</b>	<b>963</b>	<b>903</b>	<b>1,029</b>
<b>Expenses</b>			
Indemnity Claims	1,101	1,690	1,300
Reinsurance Premiums			
Bad Debt Expense	13	—	5
<b>Total Expenses</b>	<b>1,114</b>	<b>1,690</b>	<b>1,305</b>
<b>Net Income From Insurance Activities</b>	<b>(151)</b>	<b>(787)</b>	<b>(276)</b>
<b>Crop and Livestock Insurance Fund Balance</b>			
Beginning of Year	6,755	6,604	5,817
End of Year	6,604	5,817	5,541
<b>Administrative Expenses</b>			
Government Contributions (Canada)	534	777	580
Government Contributions (Nova Scotia)	360	483	481
<b>Total Administrative Expenses</b>	<b>894</b>	<b>1,260</b>	<b>1,061</b>
<b>Net Government Expenditure</b>			
Canada (Premium + Administration)	829	1,089	902
Nova Scotia (Premium + Administration)	557	691	696
<b>Total Program Expenditure</b>	<b>1,386</b>	<b>1,780</b>	<b>1,598</b>

# Outcomes and Performance Measures

## Core Business Area

Creating winning conditions through insured-based risk management options

Outcome	Measure	Data Base Year (2004–2005)	Target 2007–2008	Ultimate Target 2009–2010		Strategies to Achieve Target
				Target	Target	
More farms protected by insurance products that protect against production loss	Number of farms using production insurance	600 (2005–06: 666) 2006–07: 659)	700	750	750	<ul style="list-style-type: none"> <li>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</li> </ul>
More value covered by insurance	\$ value of coverage	52.5 million (2005-06: 51.3 million) (2006-07: 56.7 million)	\$72 million	\$84 million	\$84 million	<ul style="list-style-type: none"> <li>Introduction of poultry insurance, weather-based forage insurance, expanded tree coverage, and higher unit prices and coverage options</li> </ul>
Greater per cent of potential production insured	Aggregate coverage level for crop program	80% (2005–06: 81.9%) (2006-07: NA)	83%	84%	84%	<ul style="list-style-type: none"> <li>Introduction of more flexible risk-splitting benefits for all crop plans and higher unit prices in response to market conditions</li> </ul>
Greater number of insurance options	Number of insurance products available	14 (2005–06: 13) (2006-07: 13)	15	17	17	<ul style="list-style-type: none"> <li>Introduction of a weather-based forage product, poultry insurance, and a wildlife compensation product</li> </ul>