



Prince Edward Island Île-du-Prince-Édouard

Office of the
Auditor General

PO Box 2000, Charlottetown PE
Canada C1A 7N8

Bureau du
vérificateur général

C.P. 2000, Charlottetown PE
Canada C1A 7N8

May 6, 2021

Ms. Elizabeth Maynard
Chair
Prince Edward Island Agricultural Insurance Corporation
Department of Agriculture and Land
Province of Prince Edward Island

Dear Ms. Maynard:

Enclosed is a copy of the audited financial statements of the **Prince Edward Island Agricultural Insurance Corporation** for the year ended March 31, 2020.

If you have any questions, please do not hesitate to contact my Office.

Yours truly,

Darren Noonan, CPA, CA
Auditor General

DN/bc

Enclosure

c: Hon. Bloyce Thompson
Mr. Brian Matheson
Ms. Lesa MacDonald, CPA, CA
✓ Ms. Judy Killam, CPA, CGA
Ms. Cindy Harris, MPA, MBA

**PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE
CORPORATION**

Financial Statements
March 31, 2020



Management's Report

Management's Responsibility for the Financial Statements

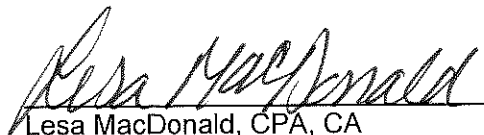
The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards and the integrity and objectivity of these statements are management's responsibility. Management is responsible for the notes and schedules to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is responsible for implementing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced.

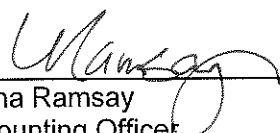
The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board reviews internal financial reports on a regular basis and externally audited financial statements yearly.

The Office of the Auditor General conducts an independent examination, in accordance with Canadian generally accepted auditing standards, and expresses their opinion on the financial statements. The Office of the Auditor General has full and free access to financial information and management of the Prince Edward Island Agricultural Insurance Corporation and can meet when required.

On behalf of the Prince Edward Island Agricultural Insurance Corporation



Lesa MacDonald, CPA, CA
Director of Farm Income Risk Management



Verna Ramsay
Accounting Officer

May 4, 2021

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Prince Edward Island Agricultural Insurance Corporation

Opinion

I have audited the financial statements of the **Prince Edward Island Agricultural Insurance Corporation**, which comprise the statement of financial position as at March 31, 2020, and the statements of operations and accumulated surplus, changes in net financial assets, and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2020, and the results of its operations, changes in net financial assets, and cash flow for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

I conducted the 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 Corporation 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Corporation'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 an intention exists to liquidate or cease the operations of the Corporation, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

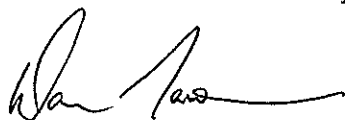
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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 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.
- 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 Corporation'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 Corporation'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 Corporation 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.



Darren Noonan, CPA, CA
Auditor General



Elvis Alisic, CPA, CA
Audit Director

Charlottetown, Prince Edward Island
May 4, 2021



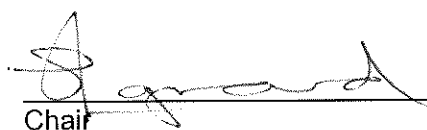
**PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION**

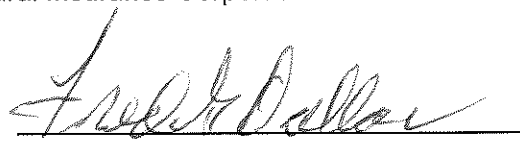
Statement of Financial Position
March 31, 2020

	2020	2019
	\$	\$
Financial Assets		
Cash and short-term investments (Note 5)	<u>29,553,910</u>	<u>19,598,931</u>
Accounts receivable		
Producer	1,315,833	821,085
Province of Prince Edward Island	1,111,736	1,305,696
Federal government	8,302,286	6,303,070
General	<u>60,090</u>	<u>3,723,750</u>
	<u>10,789,945</u>	<u>12,153,601</u>
	<u>40,343,855</u>	<u>31,752,532</u>
Liabilities		
Accounts payable and accrued liabilities		
General	105,215	153,004
Province of Prince Edward Island	<u>16,557</u>	<u>441,666</u>
	121,772	594,670
Indemnities payable	3,993,713	6,620,621
Deferred revenue	<u>175,709</u>	<u>181,558</u>
	<u>4,291,194</u>	<u>7,396,849</u>
Net Financial Assets and Accumulated Surplus	<u>36,052,661</u>	<u>24,355,683</u>

(The accompanying notes and schedules are an integral part of these financial statements.)

Approved on behalf of the Prince Edward Island Agricultural Insurance Corporation


Chair


Director

**PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION**

Statement of Operations and Accumulated Surplus
for the year ended March 31, 2020

	Budget 2020	2020	2019
	\$	\$	\$
Revenue			
Insurance premiums			
Producer	16,137,222	14,018,118	10,197,372
Provincial	12,977,200	11,319,761	8,197,878
Federal	<u>14,853,112</u>	<u>12,908,892</u>	<u>9,446,618</u>
	43,967,534	38,246,771	27,841,868
Less: premium discounts	<u>(150,000)</u>	<u>(239,113)</u>	<u>(181,750)</u>
	<u>43,817,534</u>	<u>38,007,658</u>	<u>27,660,118</u>
Contributions to Administrative Expense			
Producer	30,000	23,375	29,370
Provincial	1,190,755	1,260,184	1,236,232
Federal	<u>1,786,133</u>	<u>1,886,774</u>	<u>1,848,713</u>
	<u>3,006,888</u>	<u>3,170,333</u>	<u>3,114,315</u>
Other			
Producer contribution	370,000	331,994	373,498
Provincial contribution	2,734,700	6,612,713	572,547
Federal contribution	4,102,050	9,919,069	858,821
Reinsurance recoveries (Note 6)	-	2,953,349	12,309,280
Interest	<u>135,000</u>	<u>452,218</u>	<u>472,028</u>
	<u>7,341,750</u>	<u>20,269,343</u>	<u>14,586,174</u>
Total Revenue	<u>54,166,172</u>	<u>61,447,334</u>	<u>45,360,607</u>
Expenses			
Indemnities	48,544,284	44,044,202	55,833,008
Administration (Schedule 5)	3,006,888	3,170,333	3,114,315
Bad debt (Recovery)	15,000	24,982	(2,797)
Interest and bank charges	-	12,292	19,500
Reinsurance premiums (Note 6)	<u>2,600,000</u>	<u>2,498,547</u>	<u>2,266,374</u>
Total Expenses	<u>54,166,172</u>	<u>49,750,356</u>	<u>61,230,400</u>
Annual Surplus (Deficit)	-	11,696,978	(15,869,793)
Accumulated Surplus, beginning of year	<u>24,355,683</u>	<u>24,355,683</u>	<u>40,225,476</u>
Accumulated Surplus, end of year	<u>24,355,683</u>	<u>36,052,661</u>	<u>24,355,683</u>

(The accompanying notes and schedules are an integral part of these financial statements.)

**PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION**

Statement of Changes in Net Financial Assets
for the year ended March 31, 2020

	Budget 2020	2020	2019
	\$	\$	\$
Net Financial Assets, beginning of year	<u>24,355,683</u>	<u>24,355,683</u>	<u>40,225,476</u>
Changes in year:			
Annual surplus (Deficit)	<u>-</u>	<u>11,696,978</u>	<u>(15,869,793)</u>
Net Financial Assets, end of year	<u>24,355,683</u>	<u>36,052,661</u>	<u>24,355,683</u>

(The accompanying notes and schedules are an integral part of these financial statements.)

**PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION**

Statement of Cash Flow
for the year ended March 31, 2020

	2020	2019
	\$	\$
Cash provided (used) by:		
Operating Activities		
Premiums and contributions		
Producers	13,608,795	10,462,863
Province of Prince Edward Island	18,961,509	10,356,308
Federal government	22,715,518	10,893,792
Indemnities	(46,671,110)	(55,129,984)
Payments for program administration	(3,161,748)	(3,092,935)
Interest received	463,739	464,128
Interest and bank charges paid	(12,292)	(19,500)
Reinsurance premiums	(2,554,922)	(2,263,787)
Reinsurance recoveries	6,605,490	8,616,799
Cash provided (used) by operating activities	9,954,979	(19,712,316)
Cash and short-term investments, beginning of year	<u>19,598,931</u>	<u>39,311,247</u>
Cash and short-term investments, end of year	<u>29,553,910</u>	<u>19,598,931</u>

(The accompanying notes and schedules are an integral part of these financial statements.)

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION

Notes to Financial Statements
March 31, 2020

1. Nature of Operations

The Prince Edward Island Agricultural Insurance Corporation is a provincial Crown corporation operating under the *Agricultural Insurance Act*. The objective of the Corporation is to deliver business risk management programs to the agricultural sector including crop and livestock insurance programs, income stability programs, and recovery programs for producers in Prince Edward Island. Programs are cost shared between the producer and the federal and provincial governments.

The Prince Edward Island Agricultural Insurance Corporation is a provincial Crown corporation and as such is not subject to taxation under the federal *Income Tax Act*.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements for the year ended March 31, 2020 have been prepared in accordance with Canadian Public Sector Accounting Standards. Since the Corporation has no unrealized gains or losses attributed to foreign exchange, derivatives, portfolio investments, or other financial instruments, a statement of remeasurement gains and losses is not prepared.

The following accounting policies are considered significant.

a) Cash and Short-term Investments

Cash includes amounts on deposit at a financial institution. Amounts presented on the Schedules are an allocation of the cash to each program.

Short-term investments are recorded at cost plus accrued interest. Transaction costs are expensed as incurred.

b) Accounts Receivable, Accounts Payable and Accrued Liabilities

Accounts receivable are recorded at cost less any provisions when collection is in doubt. Provisions are calculated on a specific basis.

Accounts payable and accrued liabilities are recorded for all amounts due for work performed and goods or services received during the fiscal year.

c) Deferred Revenue

Deferred revenue represents amounts received for insurance coverage beyond March 31, 2020. Revenue is recognized in the period in which the insurance coverage is in effect.

**PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION**

Notes to Financial Statements
March 31, 2020

2. Summary of Significant Accounting Policies (continued...)

d) Revenues

Revenues are recognized in the period in which the transaction or event that gave rise to the revenue occurred. 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 impractical.

e) Expenses

Expenses are reported on an accrual basis in the period in which the transaction or event which gave rise to the expense occurred. The cost of all goods consumed and services received during the year is expensed. Amounts presented on Schedule 6 are an allocation of expenses by object.

f) Indemnity Expenses

Indemnity expenses include claims processed, accrual estimates of claims to be processed, and any adjustments to prior years' claims based on additional information received.

g) Financial Instruments

Financial instruments consist of cash, short-term investments, accounts receivable, accounts payable, indemnities payable, and accrued liabilities. All financial instruments are recorded at cost or amortized cost. Due to their short-term nature, the carrying values of these financial instruments approximate their fair value.

h) Use of Estimates and Measurement Uncertainty

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates are allowance for doubtful accounts, AgriStability indemnity accruals, and the federal and provincial revenue directly related thereto.

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 and the difference could be material. Additional information on the estimate for AgriStability indemnities is provided in Note 8.

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION

Notes to Financial Statements
March 31, 2020

2. Summary of Significant Accounting Policies (continued...)

i) AgrilInsurance Net Financial Assets Balance

In accordance with the Federal/Provincial/Territorial Agricultural Policy Framework Implementation Agreement, amounts in the AgrilInsurance net assets shall only be used for AgrilInsurance purposes. These encompass most of the entire balance of total Net Financial Assets and are shown in detail on Schedule 1.

3. Risk Management of Financial Instruments

The Corporation is exposed to a number of risks as a result of the financial instruments on its statement of financial position that can affect its operating performance. These risks include interest rate, credit, liquidity, and price risk. The Corporation has no significant exposure to foreign currency risk.

a) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The corporation manages interest rate risk by investing in short-term investments. Based on year-end cash and short-term investment balances, a one percent increase (decrease) in the bank's prime lending rate could increase (decrease) interest income by approximately \$296,000.

b) Credit Risk

Credit risk arises primarily from the Corporation's accounts receivable. The Corporation's maximum exposure to credit risk at March 31, 2020, is \$10,789,945 as noted on the statement of financial position.

Receivables from the Province of Prince Edward Island of \$1,111,736 and the federal government of \$8,302,286 are not considered to have material credit risk as payment in full is typically collected when due. Total receivables due from producers are \$1,315,833. Risks are mitigated for receivables from producers through a regular monitoring process. Exposure to credit risk is also mitigated through a policy which offsets any amounts payable to producers from indemnity or other payments under programs the Corporation administers. In addition, producers may not participate in AgrilInsurance programs until arrears from prior crop years are paid in full.

At March 31, 2020, the following accounts receivable from producers were greater than 120 days old but not considered impaired.

	<u>2020</u>	<u>2019</u>
	\$	\$
AgrilInsurance	72,727	81,531
AgriStability	<u>105,335</u>	<u>156,959</u>
	<u>178,062</u>	<u>238,490</u>

The total value of producer accounts receivable considered to be impaired at March 31, 2020 is \$59,061. On January 7, 2020, accounts receivable in the amount of \$28,450 were cancelled and not included in the accounts receivable balance at year-end.

**PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION**

Notes to Financial Statements
March 31, 2020

3. Risk Management of Financial Instruments (continued...)

c) Liquidity Risk

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they become due. The Corporation has obligations to pay indemnities and other payments required by the programs it delivers. The Corporation manages this risk by purchasing reinsurance, maintaining cash and short-term investments, and reviewing cash flow projections on a monthly basis.

d) Price Risk

The Corporation is subject to price risk in that the price of farming commodities will affect indemnities paid in the AgriStability program. The Corporation manages this risk through its federal - provincial funding of the program.

4. Program Descriptions

a) AgrilInsurance

The AgrilInsurance program is treated as a separate fund and is intended to be self-sustaining. Included under AgrilInsurance are production insurance, forage production plan, livestock insurance, and the riders - potato storage, unharvested acreage benefit, and colour for producers farming on Prince Edward Island. The assets, liabilities, and fund balance are segregated for presentation purposes on Schedule 1.

The agreement between the federal and provincial governments covers the cost sharing arrangements for insurance premiums and administrative expenses. Insurance revenues include government contributions to insurance premiums. Administration expenses are cost shared on a 60-40 basis between the federal and provincial governments. Schedule 5 to the financial statements presents the administration expenses using the functional cost categories from the agreement.

b) Late Blight Management Incentive

This program provides compensation to producers to kill potato fields infected with blight in order to reduce the spread of the disease to neighbouring fields. The provincial government contributes one hundred percent of any eligible claim payments. No incentive payments were paid for the years ended March 31, 2020 and March 31, 2019.

c) Phytosanitary Disease Plan

This program provides protection against bacterial ring rot infection, potato wart, and nematodes in potatoes. The premium is cost shared 33.3 percent by the province and 66.7 percent by the producer. The indemnities shall not exceed the fund balance for this plan, which for 2020 is \$1,278,426 (2019 - \$1,183,588). Indemnity payments shall be pro-rated if indemnities exceed the fund balance in any one year. The program fund balance does not belong on Schedule 1 and as a result, Schedule 1 has been restated to reflect this for March 31, 2019. The assets and fund balance are segregated for presentation purposes on Schedule 2.

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION

Notes to Financial Statements
March 31, 2020

4. Program Descriptions (continued...)

d) AgriStability

The AgriStability Program is designed to provide Canadian agricultural producers with an ongoing whole farm risk management tool that provides protection against decreases in income. The federal government will contribute 60 percent and the province 40 percent towards eligible claim payments and administration. The federal and provincial cost sharing is based on total claim payments and administration expenses less the producer's contribution. The assets, liabilities, and fund balance are segregated for presentation purposes on Schedule 3. Schedule 5 to the financial statements presents the administration expenses using the functional cost categories from the agreement.

e) AgriRecovery

The AgriRecovery framework is a disaster relief framework which provides a coordinated process for federal, provincial, and territorial governments to respond rapidly when disasters strike, filling gaps not covered by existing programs. An AgriRecovery disaster relief initiative (2018 Canada - Prince Edward Island Fall Harvest Recovery Initiative) was announced on July 19, 2019, providing up to \$15,600,000 to help agriculture producers recover from extraordinary costs associated with excessive moisture and cold temperatures during the 2018 fall harvest. The Corporation administered the program. The federal government contributed 60 percent and the province 40 percent towards eligible payments and administration. The assets, liabilities, and fund balance are segregated for presentation purposes on Schedule 4. There was no AgriRecovery disaster relief initiative for March 31, 2019. Schedule 5 to the financial statements presents the administration expenses using the functional cost categories from the agreement.

5. Cash and Short-term Investments

At March 31, 2020 and March 31, 2019 the balance consisted solely of cash. No short-term investments were held.

6. Reinsurance

The Corporation purchases reinsurance to protect against significant losses in the AgriInsurance program. For 2020, reinsurance coverage provided protection against all indemnities between \$43 million and \$132 million (2019 - \$39 million to \$120 million) for most programs. The insured value of programs not included in the excess insurance coverage is \$3.2 million (2019 - \$3.2 million).

This reinsurance coverage was triggered during the 2019 fiscal year for significant losses during the 2018 crop year. Included in these financial statements is revenue of \$2,953,349 (2019 - \$12,309,280) and no receivables related to reinsurance recoveries (2019 - \$3,692,481).

7. Employee Future Benefits

As per the Federal/Provincial/Territorial Agricultural Policy Framework Implementation Agreement, the Corporation can claim certain employee costs on its administrative claims. The Province of PEI Department of Agriculture and Land (Department) employs all staff

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION

Notes to Financial Statements

March 31, 2020

7. Employee Future Benefits (continued...)

working on behalf of the Corporation. The administration claims include allocations made from the Department to the Corporation for its share of the employees' costs. These expenses and the related contributions are recognized in the period in which they are recoverable.

a) Sick Leave

All Department employees are credited 1.25 (excluded employees 1.5) days per month for use as paid absences in the year, due to illness or injury. Under existing employment agreements, employees are allowed to accumulate unused sick day credits each year up to the allowable maximum. Accumulated credits may be used in future years to the extent the employee's illness or injury exceeds the current year's allocation. The use of accumulated sick days for sick leave compensation ceases on termination of employment and there is no obligation to settle these amounts with cash payments. A liability has not been calculated and no accrual has been recorded in these financial statements. The related liability is recorded by the province.

b) Pension Benefits

Permanent employees of the Department participate in the Province of Prince Edward Island Civil Service Superannuation Pension Plan (the Plan) which is a multi-employer contributory defined benefit pension plan. The Plan provides a pension on retirement based on two percent of the average salary for the highest three years times the number of years of pensionable service for service to December 31, 2013, and two percent of the career average salary indexed with cost-of-living adjustments for service after 2013. Indexing is subject to the funded level of the plan after December 31, 2016. The Plan is administered by the Province of Prince Edward Island. The amounts included by the Corporation on its administrative claim of \$143,330 (2019 - \$134,827) were paid by the province. Any unfunded liability of the Plan is the responsibility of the province and therefore no liability has been recognized in these financial statements. For additional information on the Plan, see the province's consolidated financial statements.

c) Retirement Allowance

Permanent employees of the Department earn one week's pay for every year of service to a maximum of 26 weeks pay as a retiring allowance. Retirement allowances are recoverable from the Province of Prince Edward Island and the federal government under existing cost sharing agreements. The method and timing of recovering the costs of providing retirement allowances to employees varies between the cost sharing agreements of the programs administered.

d) Insurance Benefits

The Public Sector Group Insurance Plan provides life insurance, long-term disability, health, and dental benefits to eligible employees of the Department. This plan is administered by a multi-employer, multi-union Board of Trustees who is responsible for any unfunded liabilities of this plan. The cost of insured benefits reflected in the administrative costs is the employer's portion for the insurance premiums owed for coverage of employees during the period. The total for the period is \$67,686 (2019 - \$58,518).

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION

Notes to Financial Statements
March 31, 2020

8. AgriStability Indemnity Estimate

Management has prepared an estimate of the Corporation's accrued liability for indemnity payments with respect to unprocessed AgriStability files. Estimates are determined using an average payment and average pay rate applied to enrolled producers that are expected to meet all the requirements of the program as of March 31, 2020. Actual results may be significantly different from the estimated amounts.

Indemnities paid in the AgriStability program vary significantly from year to year. In the past five years, annual program payments have varied from \$2.5 million to \$5.7 million. The estimate for the most recent program year (2019) is based on 2019 tax year data with 95% of individual participant files processed as of March 31, 2021.

9. Related Party Transactions

During the year, seven Board members had controlling interests in farms participating in various programs offered by the Corporation. Premiums and program fees were collected and indemnities were paid during the year. These transactions were in the normal course of operations and were measured at the normal exchange amounts established by the Corporation.

The Province of Prince Edward Island employs all staff working within the Corporation. Allocations are made to the Corporation for its share of the salary and benefits as well as for all other administration expenses paid by the province, such as office accommodations, professional services, and tangible capital assets owned by the province but used by the Corporation. These costs are reflected as administration expenses in the Corporation's statement of operations and accumulated surplus.

10. Contractual Obligations

During the year, the Corporation entered into a one-year agreement for reinsurance to provide coverage for the fiscal period 2021. Estimated costs are \$2,560,300.

11. Contractual Rights

The Canadian Agricultural Partnership Federal-Provincial-Territorial Framework Agreement on agriculture, agri-food and agri-based products policy provides the Corporation with access to funding for AgriInsurance, AgriStability and AgriRecovery programs for fiscal years 2019 to 2023. Expected revenue is tied to producer indemnity claims and premiums which cannot be reasonably estimated. However, the contractual right to access funding creates an offsetting contractual obligation to producers.

12. Budgeted Figures

Budgeted figures have been provided for comparative purposes and have been derived from the estimates approved by the Board of Directors and the Province.

PRINCE EDWARD ISLAND AGRICULTURAL INSURANCE CORPORATION

Notes to Financial Statements
March 31, 2020

13. Subsequent Events

An AgriRecovery disaster relief initiative assessment related to a 2020 Canada-PEI Hog Recovery Initiative is ongoing. This initiative is to help hog producers recover from extraordinary costs associated with surplus hogs impacted by COVID-19 related processing plant closures or reduced output. The assessment is complete and the initiative has approval for up to \$500,000. The Corporation will administer the program. The federal government will contribute 60 percent and the provincial government 40 percent toward eligible payments and administration. Payments totalling \$428,432 were issued as of March 31, 2021.

In April 2020, the Province of Prince Edward Island announced COVID-19 funding for agriculture producers through the AgriInsurance and AgriStability programs. An AgriInsurance COVID-19 discount is a provincial discount of 10% off producer premiums for each of the next two years, estimated at \$1.6 million per year. AgriStability COVID-19 changes for the 2020 and 2021 program years include paying the provincial portion of removing the reference margin limit and increasing the coverage level to 85%, estimated at \$2.8 million per year.

14. Impacts of COVID-19

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services, have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. The COVID-19 pandemic has not had any significant impacts on the Corporation's 2019-20 financial statements. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation in future periods. The pandemic is expected to have significant and broad impacts on farm incomes in the future. While the full extent of the impact on the Corporation's programs is unknown at this time, it is expected that premium revenues and claim expenses could be affected.

PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION
AgrilInsurance
Statement of Financial Position
March 31, 2020

Schedule 1
Page 1 of 3

	2020	2019 Restated (Note 4c)
	\$	\$
Financial Assets		
Cash and short-term investments	<u>28,707,969</u>	<u>18,300,531</u>
Accounts receivable		
Producer	1,209,691	664,295
Provincial government	10,220	-
Federal government	5,692,749	3,355,072
General	<u>60,090</u>	<u>3,723,750</u>
	<u>6,972,750</u>	<u>7,743,117</u>
	<u>35,680,719</u>	<u>26,043,648</u>
Liabilities		
Accounts payable and accrued liabilities		
General	72,455	121,651
Province of Prince Edward Island	-	<u>443,202</u>
	<u>72,455</u>	564,853
Indemnities payable	658,320	2,125,142
Deferred revenue	<u>175,709</u>	<u>181,558</u>
	<u>906,484</u>	<u>2,871,553</u>
Net Financial Assets and Accumulated Surplus	<u>34,774,235</u>	<u>23,172,095</u>

**PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION
AgrilInsurance**

Schedule 1

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Statement of Operations and Accumulated Surplus
for the year ended March 31, 2020

	Budget 2020	2020	2019 Restated (Note 4c)
	\$	\$	\$
Revenue			
Insurance premiums			
Producer	16,137,222	13,954,917	10,136,580
Provincial	12,977,200	11,288,150	8,167,472
Federal	<u>14,853,112</u>	<u>12,908,892</u>	<u>9,446,618</u>
	43,967,534	38,151,959	27,750,670
Less: premium discounts	<u>(150,000)</u>	<u>(239,113)</u>	<u>(181,750)</u>
	<u>43,817,534</u>	<u>37,912,846</u>	<u>27,568,920</u>
Contributions to Administrative Expense			
Provincial	846,165	896,992	866,888
Federal	<u>1,269,248</u>	<u>1,345,487</u>	<u>1,300,332</u>
	<u>2,115,413</u>	<u>2,242,479</u>	<u>2,167,220</u>
Other			
Reinsurance recoveries	-	2,953,349	12,309,280
Interest	<u>135,000</u>	<u>441,471</u>	<u>453,434</u>
	<u>135,000</u>	<u>3,394,820</u>	<u>12,762,714</u>
Total Revenue	<u>46,067,947</u>	<u>43,550,145</u>	<u>42,498,854</u>
Expenses			
Indemnities	41,337,534	27,180,426	54,028,142
Administration (Schedule 5)	2,115,413	2,242,479	2,167,220
Bad debt (Recovery)	15,000	24,982	(2,797)
Interest and bank charges	-	1,571	959
Reinsurance premiums	<u>2,600,000</u>	<u>2,498,547</u>	<u>2,266,374</u>
Total Expenses	<u>46,067,947</u>	<u>31,948,005</u>	<u>58,459,898</u>
Annual Surplus (Deficit)	-	11,602,140	(15,961,044)
Accumulated Surplus, beginning of year	<u>24,355,683</u>	<u>23,172,095</u>	<u>39,133,139</u>
Accumulated Surplus, end of year	<u>24,355,683</u>	<u>34,774,235</u>	<u>23,172,095</u>

**PRINCE EDWARD ISLAND
 AGRICULTURAL INSURANCE CORPORATION**
AgrilInsurance
 Statement of Cash Flow
 for the year ended March 31, 2020

	2020	2019 Restated (Note 4c)
	\$	\$
Cash provided (used) by:		
Operating Activities		
Premiums and contributions		
Producers	13,139,576	10,018,254
Province of Prince Edward Island	11,731,720	8,844,311
Federal government	11,916,702	8,715,681
Indemnities	(28,647,248)	(52,232,121)
Payments for program administration	(2,235,301)	(2,156,461)
Interest received	452,992	445,534
Interest and bank charges paid	(1,571)	(959)
Reinsurance premiums	(2,554,922)	(2,263,787)
Reinsurance recoveries	<u>6,605,490</u>	<u>8,616,799</u>
Cash provided (used) by operating activities	10,407,438	(20,012,749)
Cash and short-term investments, beginning of year	<u>18,300,531</u>	<u>38,313,280</u>
Cash and short-term investments, end of year	<u>28,707,969</u>	<u>18,300,531</u>

**PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION
Phytosanitary Disease Plan**

Schedule 2
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Statement of Financial Position March 31, 2020	2020	2019 Restated (Note 4c)
	\$	\$
Financial Assets		
Cash	1,278,426	1,182,052
Accounts receivable		
Provincial government	-	1,536
Net Financial Assets and Accumulated Surplus	<u>1,278,426</u>	<u>1,183,588</u>

Statement of Operations and Accumulated Surplus for the year ended March 31, 2020	2020	2019 Restated (Note 4c)
	\$	\$
Revenue		
Insurance Premiums		
Producer	63,201	60,792
Provincial	<u>31,611</u>	<u>30,406</u>
	94,812	91,198
Interest	<u>26</u>	<u>53</u>
Total Revenue	<u>94,838</u>	<u>91,251</u>
Annual Surplus	94,838	91,251
Accumulated Surplus, beginning of year	<u>1,183,588</u>	<u>1,092,337</u>
Accumulated Surplus, end of year	<u>1,278,426</u>	<u>1,183,588</u>

Statement of Cash Flow for the year ended March 31, 2020	2020	2019 Restated (Note 4c)
	\$	\$
Cash provided by:		
Operating Activities		
Contributions		
Producer	63,201	60,792
Province of Prince Edward Island	33,147	28,883
Interest Received	<u>26</u>	<u>53</u>
Cash provided by operating activities	96,374	89,728
Cash and short-term investments, beginning of year	<u>1,182,052</u>	<u>1,092,324</u>
Cash and short-term investments, end of year	<u>1,278,426</u>	<u>1,182,052</u>

**PRINCE EDWARD ISLAND
 AGRICULTURAL INSURANCE CORPORATION**
AgriStability
 Statement of Financial Position
 March 31, 2020

Schedule 3
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	2020	2019
	\$	\$
Financial Assets		
Cash and short-term investments	<u>(432,485)</u>	<u>116,348</u>
Accounts receivable		
Producer	106,142	156,790
Province of Prince Edward Island	1,101,516	1,305,696
Federal government	<u>2,592,980</u>	<u>2,947,998</u>
	<u>3,800,638</u>	<u>4,410,484</u>
	<u>3,368,153</u>	<u>4,526,832</u>
Liabilities		
Accounts payable and accrued liabilities		
General	32,760	31,353
Indemnities payable	<u>3,335,393</u>	<u>4,495,479</u>
	<u>3,368,153</u>	<u>4,526,832</u>
Net Financial Assets and Accumulated Surplus	<u> -</u>	<u> -</u>

**PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION
AgriStability**

Schedule 3
Page 2 of 3

Statement of Operations and Accumulated Surplus
for the year ended March 31, 2020

	Budget 2020	2020	2019
	\$	\$	\$
Revenue			
Contributions to Administrative Expense			
Producer	30,000	23,375	29,370
Provincial	344,590	352,154	369,344
Federal	<u>516,885</u>	<u>524,730</u>	<u>548,381</u>
	<u>891,475</u>	<u>900,259</u>	<u>947,095</u>
Other			
Producer contribution	370,000	331,994	373,498
Provincial contribution	2,734,700	491,267	572,547
Federal contribution	4,102,050	736,901	858,821
Interest	-	10,721	18,541
	<u>7,206,750</u>	<u>1,570,883</u>	<u>1,823,407</u>
Total Revenue	<u>8,098,225</u>	<u>2,471,142</u>	<u>2,770,502</u>
Expenses			
Indemnities	7,206,750	1,560,162	1,804,866
Administration (Schedule 5)	891,475	900,259	947,095
Interest and bank charges	-	10,721	18,541
Total Expenses	<u>8,098,225</u>	<u>2,471,142</u>	<u>2,770,502</u>
Annual Surplus	-	-	-
Accumulated Surplus, beginning of year	-	-	-
Accumulated Surplus, end of year	<u>-</u>	<u>-</u>	<u>-</u>

**PRINCE EDWARD ISLAND
 AGRICULTURAL INSURANCE CORPORATION**
AgriStability
 Statement of Cash Flow
 for the year ended March 31, 2020

Schedule 3
 Page 3 of 3

	2020	2019
	\$	\$
Cash provided (used) by:		
Operating Activities		
Contributions		
Producers	406,018	383,817
Province of Prince Edward Island	1,047,601	1,483,114
Federal government	1,616,648	2,178,111
Indemnities	(2,720,248)	(2,897,863)
Payments for program administration	(898,852)	(936,474)
Interest received	10,721	18,541
Interest and bank charges paid	<u>(10,721)</u>	<u>(18,541)</u>
Cash (used) provided by operating activities	(548,833)	210,705
Cash and short-term investments, beginning of year	<u>116,348</u>	<u>(94,357)</u>
Cash and short-term investments, end of year	<u>(432,485)</u>	<u>116,348</u>

**PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION
AgriRecovery**

Schedule 4
Page 1 of 2

Statement of Financial Position March 31, 2020	2020
	\$
Financial Assets	
Accounts receivable	
Federal government	16,557
Liabilities	
Accounts payable and accrued liabilities	
Province of PEI	16,557
Net Financial Assets and Accumulated Surplus	<u> -</u>

Statement of Operations and Accumulated Surplus for the year ended March 31, 2020	2020
	\$
Revenue	
Contributions to Administrative Expense	
Provincial	11,038
Federal	<u>16,557</u>
	<u>27,595</u>
Other	
Provincial contribution	6,121,446
Federal contribution	<u>9,182,168</u>
Total Revenue	<u>15,331,209</u>
Expenses	
Indemnities	15,303,614
Administration (Schedule 5)	<u>27,595</u>
Total Expenses	<u>15,331,209</u>
Annual Surplus	-
Accumulated Surplus, beginning of year	<u> -</u>
Accumulated Surplus, end of year	<u> -</u>

**PRINCE EDWARD ISLAND
 AGRICULTURAL INSURANCE CORPORATION**
AgriRecovery
 Statement of Cash Flow
 for the year ended March 31, 2020

	2020
	\$
Cash provided (used) by:	
Operating Activities	
Contributions	
Province of Prince Edward Island	6,149,041
Federal government	9,182,168
Indemnities	(15,303,614)
Payments for program administration	<u>(27,595)</u>
Cash provided (used) by operating activities	-
Cash and short-term investments, beginning of year	<u>-</u>
Cash and short-term investments, end of year	<u>-</u>

**PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION**

Schedule 5

Schedule of Administration Expenses
for the year ended March 31, 2020

	2020	2019
	\$	\$
AgriInsurance		
Toll free (call centre)	2,902	2,795
Operations - insurance processing	1,154,251	966,758
Operations - adjusting	304,796	284,214
Audit (field)	29,025	20,506
Policy administration	58,033	72,304
Finance	113,613	104,384
Research, development and underwriting	54,195	110,982
Program sales and promotion	376,552	317,121
Human resources	24,173	19,904
Systems maintenance and support	40,018	60,757
Accommodations	130,682	124,547
Capital	-	19,252
	<u>2,288,240</u>	<u>2,103,524</u>
Accruals	(45,761)	63,696
	<u>2,242,479</u>	<u>2,167,220</u>
AgriStability		
Mail room/data capture	1,557	1,440
Forms processing	387,583	332,836
Finance	67,756	65,417
Systems support and development	28,961	44,039
Benchmark per unit (BPU) margin and price support	36,511	33,133
Accommodations	64,799	56,556
Human resources	18,807	14,825
Program promotion (ads)	83,843	68,323
Audit	4,297	4,318
Federal/provincial policy	49,096	57,372
Prepayment review/quality assurance	126,234	114,481
Capital	27,074	139,978
Provincial share of federal administration fees	2,334	3,756
	<u>898,852</u>	<u>936,474</u>
Accruals	1,407	10,621
	<u>900,259</u>	<u>947,095</u>
AgriRecovery		
Payroll	27,260	-
Other Expenses	335	-
	<u>27,595</u>	<u>-</u>
Total	<u>3,170,333</u>	<u>3,114,315</u>

**PRINCE EDWARD ISLAND
AGRICULTURAL INSURANCE CORPORATION**

Schedule 6

Expenses by Object
for the year ended March 31, 2020

	<u>2020</u>	<u>2019</u>
	\$	\$
Administration	2,671,257	2,439,501
Debt – Provision and Others	37,277	16,703
Equipment	6,918	25,954
Materials, Supplies and Services	26,195	46,841
Professional Fees	69,028	273,225
Salaries and Benefits	2,692,904	2,393,188
Travel and Training	202,573	201,980
Transfer Payments	<u>44,044,204</u>	<u>55,833,008</u>
	<u>49,750,356</u>	<u>61,230,400</u>

