

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
(CLLAS)

Minutes of the Meeting of the Audit Committee

Offices of Cassels Brock & Blackwell LLP
Scotia Plaza
40 King Street West, 21st Floor
Toronto, ON

February 13, 2020
9:30 a.m.

Present:

Gordon Goodman
Margaret McNee
Michael Swartz (by phone)
Ken Crofoot

Cassels Brock & Blackwell LLP
McMillan LLP
WeirFoulds LLP
Goodmans LLP

Also Present:

Laurie Markus
Tess Collins
Julie-Linda Laforce
Patrick Mahoney
Cecilia Jeganathan

Deloitte
Deloitte
Axxima
Office of the General Manager
Office of the General Manager

1. Constitution of Meeting

The Chair, Gordon Goodman, called the meeting to order.

2. Secretary of the Meeting

Cecilia Jeganathan acted as Secretary.

3. Approval of the Minutes of the Audit Committee

It was moved by Michael Swartz and seconded by Gordon Goodman that the minutes of the October 29, 2019 meeting of the Audit Committee be approved. The motion was carried unanimously.

4. Report of the Actuary

Julie-Linda Laforce presented the Report on the Valuation of Policy Liabilities as at December 31, 2019.

The revision of expected loss costs for 2019/2020 to reflect emerging expectations of expected losses in each layer were noted. The arrangement between CLLAS and Colchester for 2019/2020 and the Loss Portfolio Transfer (LPT) to Colchester on June 30, 2012 were highlighted. It was noted a 3.95% assumption was selected to determine the ULAE provision as of December 31, 2019; an increase from 2.95% as of December 31, 2018. The provision for ULAE at December 31, 2019 is \$2,447,000 and is entirely retained by CLLAS.

Other changes in assumptions, including the decrease in the discount rate from 2.40% to 1.90%, which was selected based on the market yield of CLLAS' fixed income portfolio classified as available for sale per IFRS 9 at December 31, 2019, were identified. There was no change in methodology in the valuation at December 31, 2019. The impact of the change in loss development factors, ULAE load and discount rate led to an increase of \$931,000 in the net discounted claim liabilities. The premium deficiency is \$0 at December 31, 2019 and the deferred policy acquisition expense asset is set at \$26,000.

5. Report of the General Manager

Patrick Mahoney discussed the financial results of CLLAS and highlighted the key items in the balance sheet, income statement and the notes to the financials. He pointed out that there is one change to the draft audited financials relating to deferred policy acquisition expense write down of \$108,000. The surplus management and adequacy note in the audited financials relating to minimum capital test (MCT) and total reserve and guarantee funds required in accordance with sections 99 & 100 of the Alberta Insurance Act were discussed.

He also highlighted some of the key pages of the P&C-1.

6. Audit Findings Report

Laurie Markus and Tess Collins reported on the audit and advised that an unqualified opinion would be issued.

She advised that Deloitte's actuary had reviewed and tested the work of the appointed actuary and this review concluded that assumptions were reasonable and estimates of claims and premium liabilities were within the range of accepted actuarial practice.

It was also noted that during the audit no misstatements were identified.

On the motion of Margaret McNee, seconded by Michael Swartz, it was unanimously resolved to recommend to the Board that the Financial Statements (with the change to DPAC) at December 31, 2019 be approved.

At this point, management left the meeting and Deloitte met in-camera with the Audit Committee members.

7. **Termination of Meeting**

There being no other business, the meeting was terminated.

Chair

Secretary