



Canadian Lawyers Liability Assurance Society

Actuarial valuation of policy liabilities as at December 31, 2023

February 22, 2024

A background image showing a person's hands writing in a notebook with a pen. The image is slightly blurred and has a dark overlay on the right side where the agenda is located.

Agenda

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Disclosures

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Actuarial Valuation

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Valuation Results

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Discussion

Disclosure of Draft Results



The valuation results presented are **draft**. Our final signed valuation results will be provided upon reception of the following:

- **Auditor letter** on specified audit procedures and data review
- **Confirmation** from management that there are **no subsequent events** which would cause a deviation in the valuation results in excess of our materiality standard

Per the Canadian Actuarial Standards of Practice, **changes having an impact in excess of our standard of materiality** as of December 31, 2023 may need to be reflected and/or disclosed in the valuation report and may result in a **change in the financial statements**.

Role of the Appointed Actuary



Valuation of policy liabilities

- Liability and asset for incurred claims
- Liability and asset for remaining coverage



Liaise with the auditor

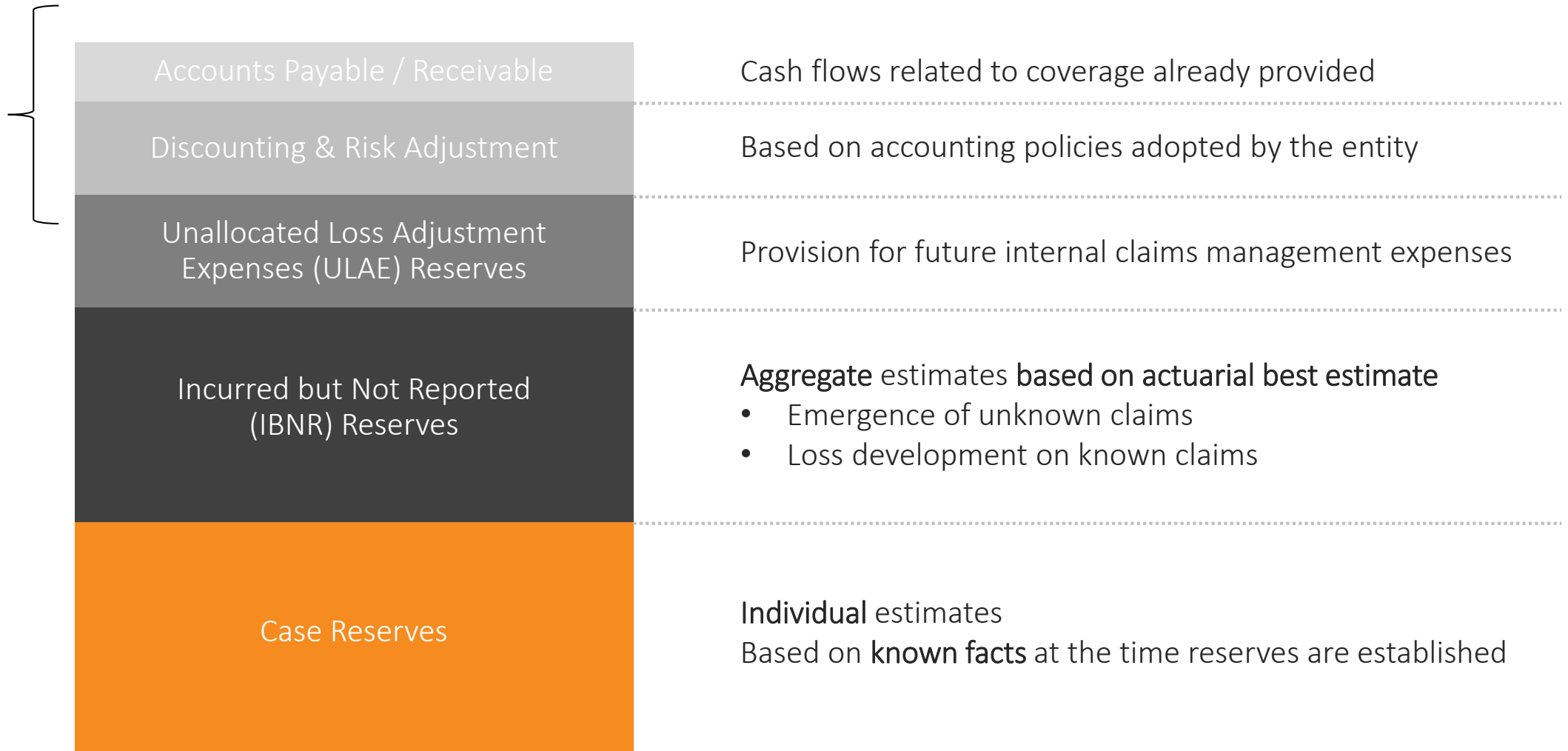
In accordance with Canadian Accounting Standard 620



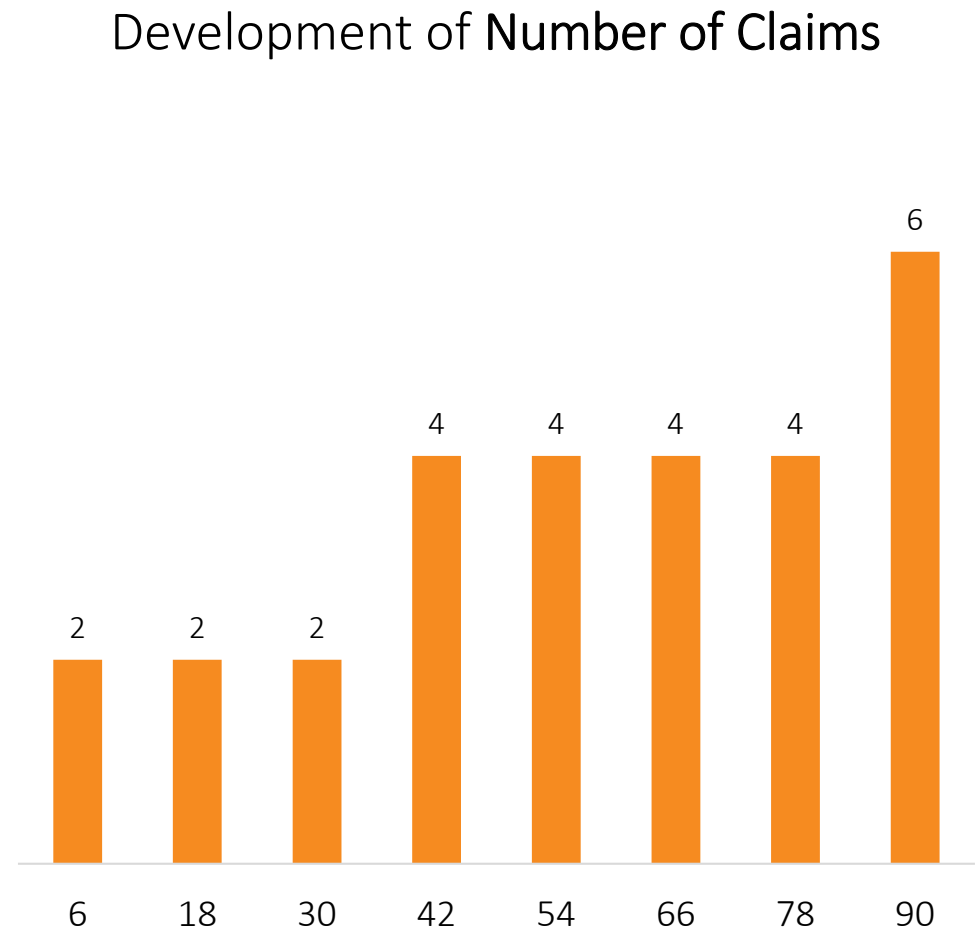
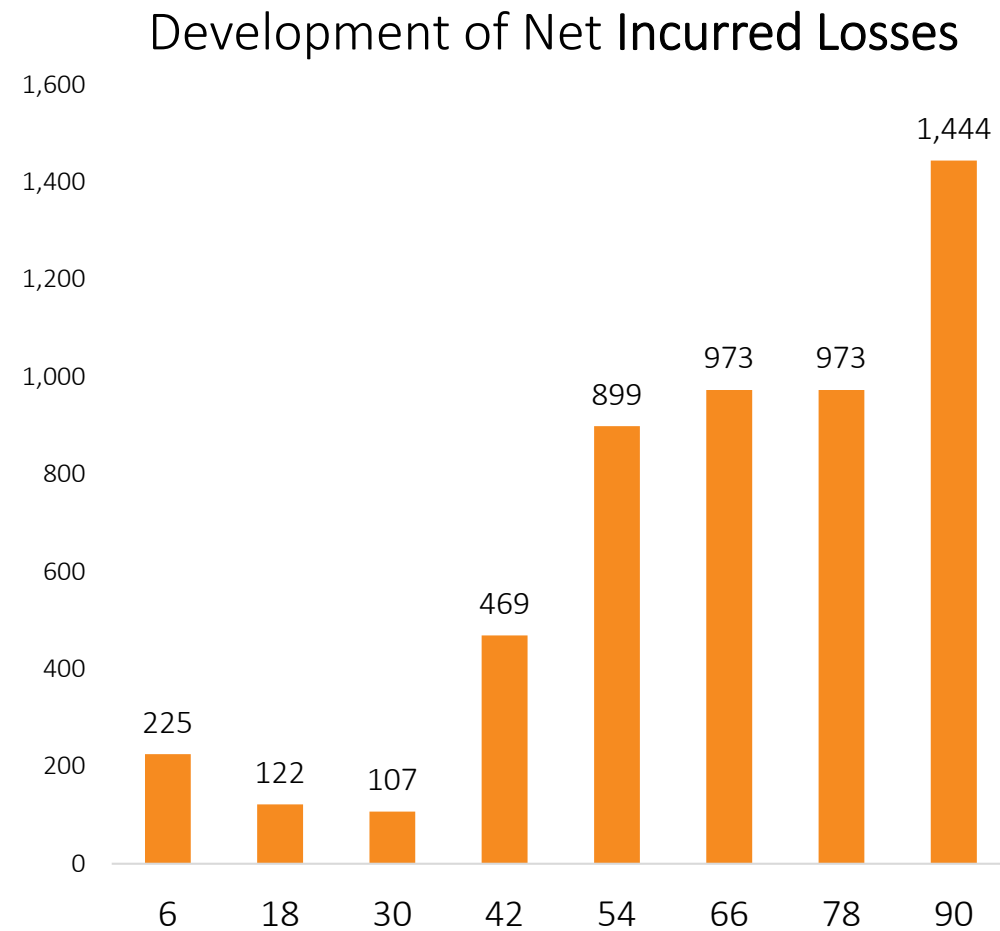
Monitor the financial condition

Liability for Incurred Claims

Modified with
IFRS 17

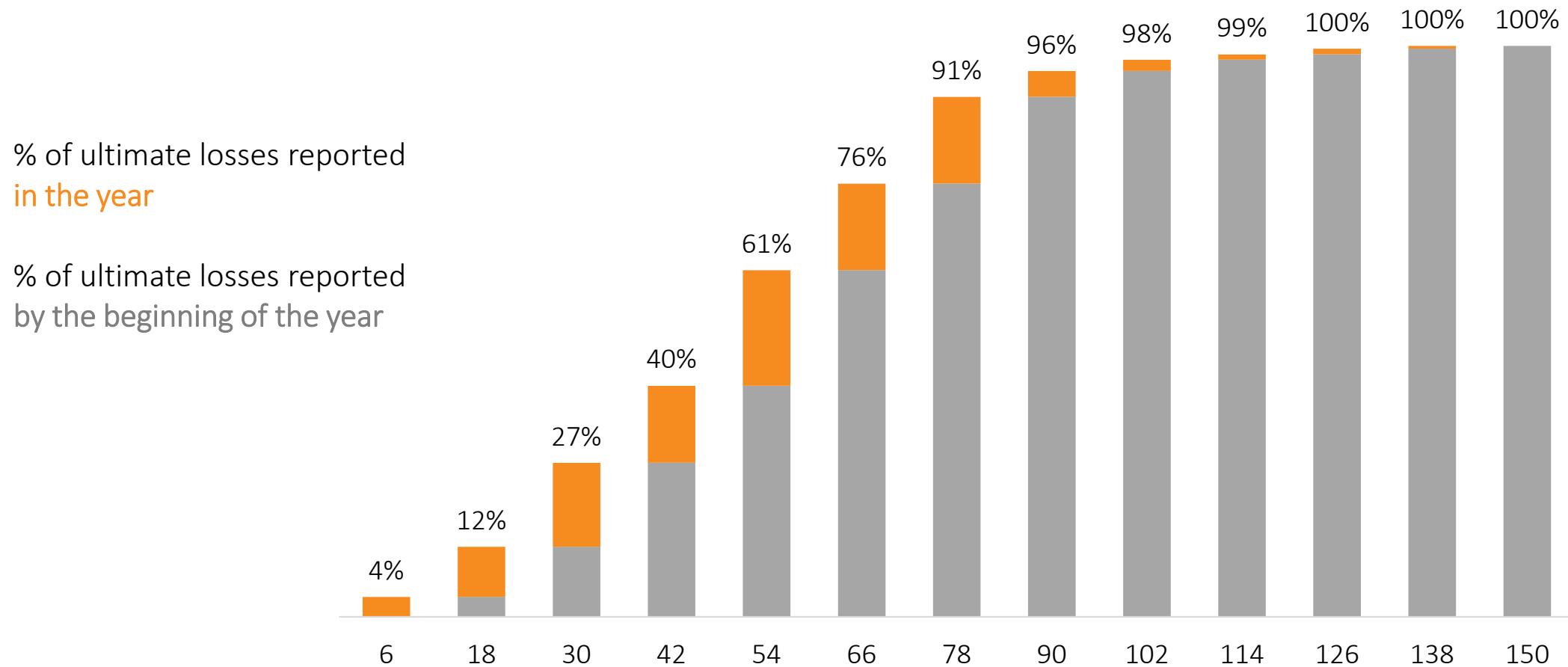


Example: Development of 11/12 Policy Year

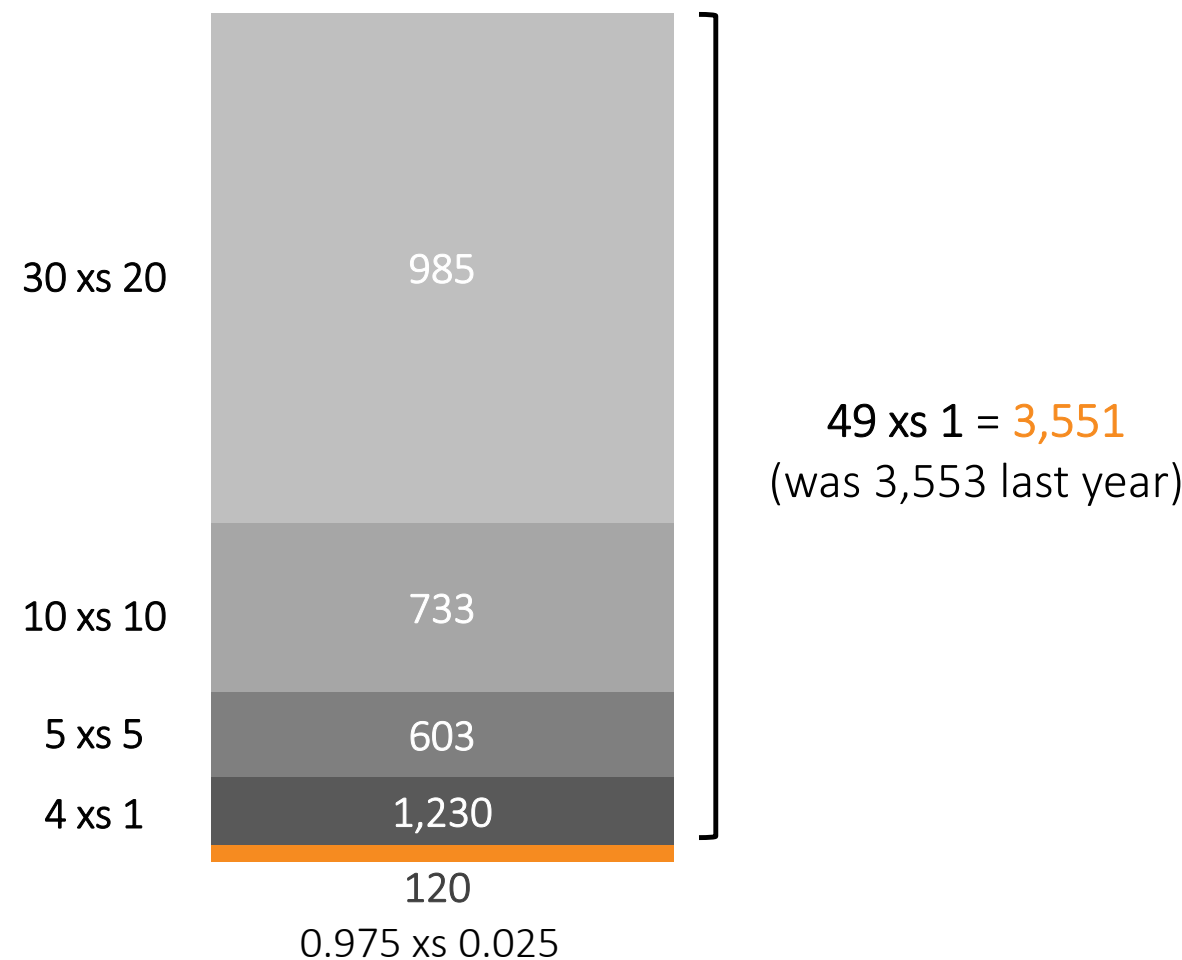


Development of Incurred Losses

Losses are assumed to be fully reported after 10.5 years



Expected Loss Costs



Other Excess Layers	
Layer	Loss Cost per Lawyer
30 xs min 65	8
5% of 30 xs 50	12
5% of 50 xs 50	15
5% of 60 xs 100	3
60 xs 160	10
30 xs 250	1

CLLAS and Colchester Arrangements for 2022/2023

Colchester Retention: 31% of 49M xs 1M
 100% of 5% of 50 xs 50
 10% of 60M xs 160M
 25% of 30M xs 250M
Provides **aggregate** reinsurance coverage of 10M xs 5M

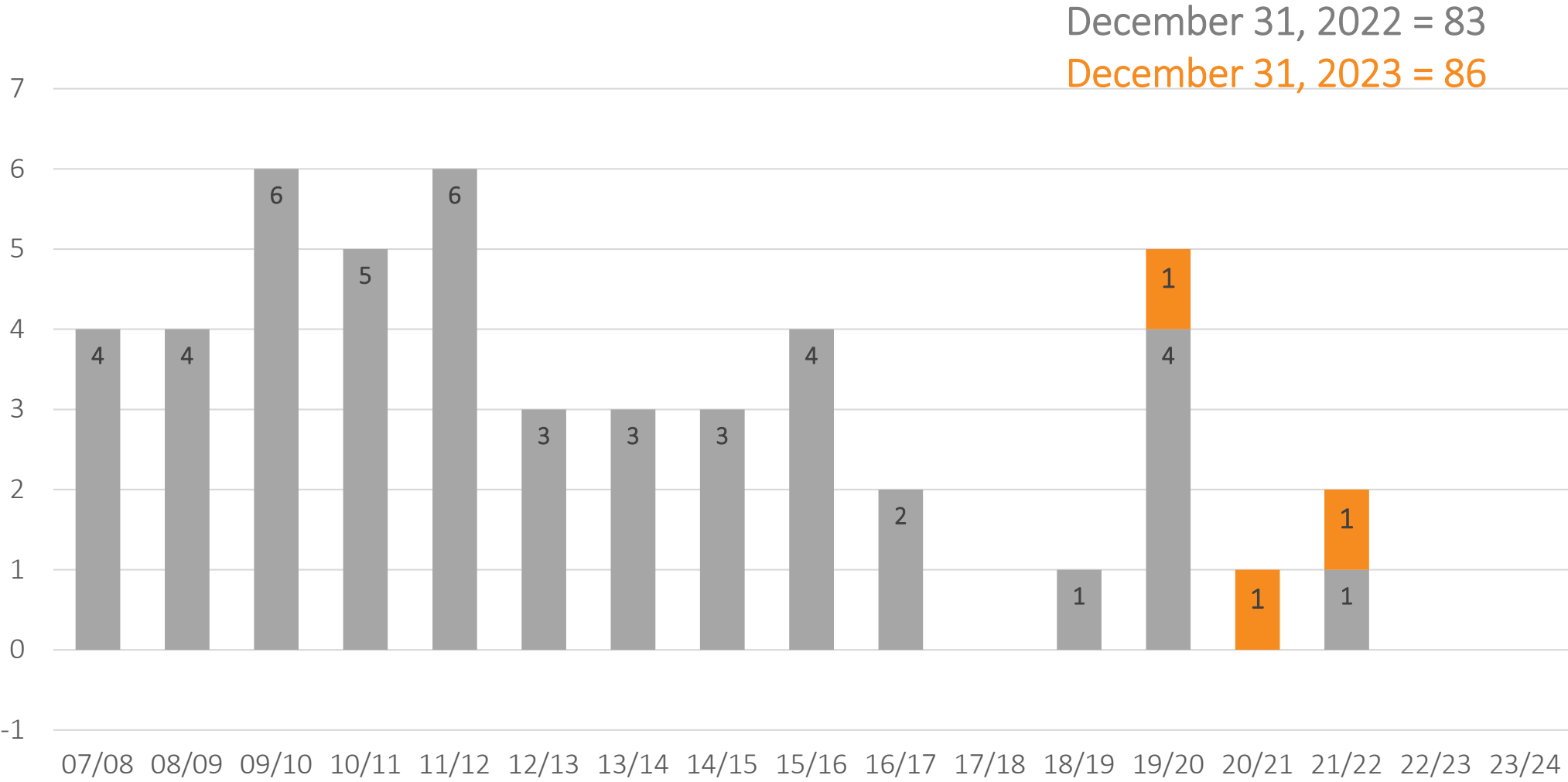
CLLAS per-claim retention: 100% of 975k xs 25k
 0% of 49M xs 1M

Loss Portfolio Transfer on June 20, 2012

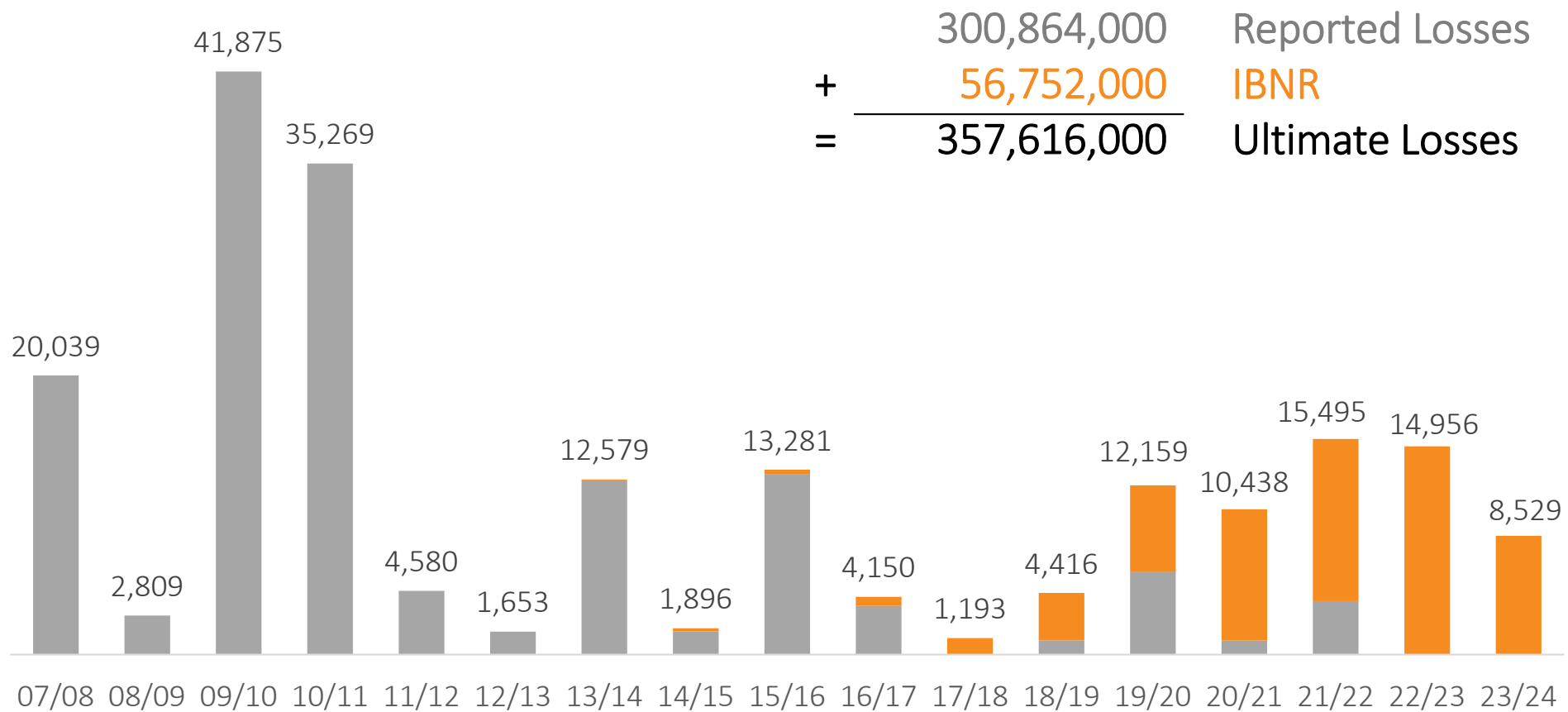
Colchester purchased net outstanding claims obligations on policies written between July 1, 1987 and June 30, 2012

CLLAS's remaining net claim liabilities attributable to the business written prior to June 30, 2012 are provisions for ULAE

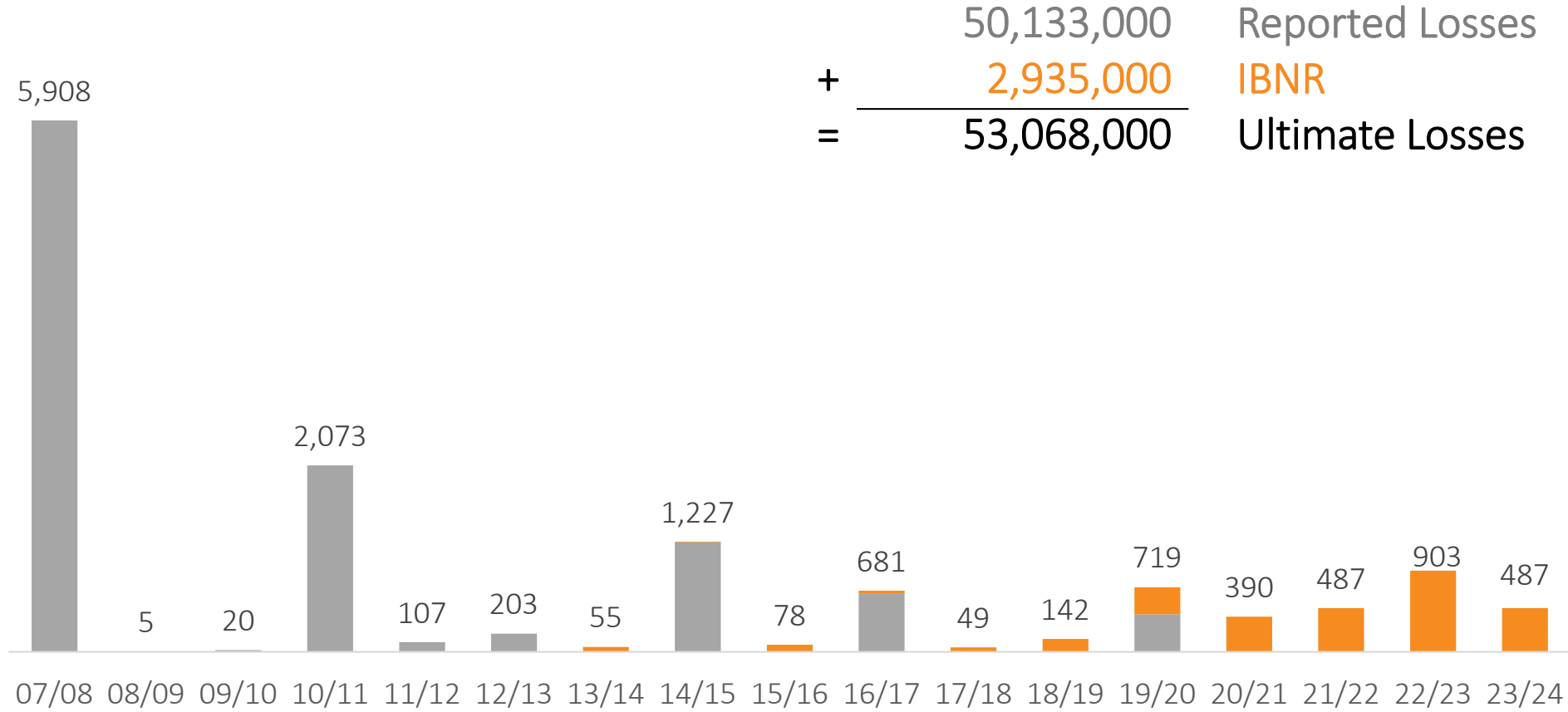
Reported Claim Counts



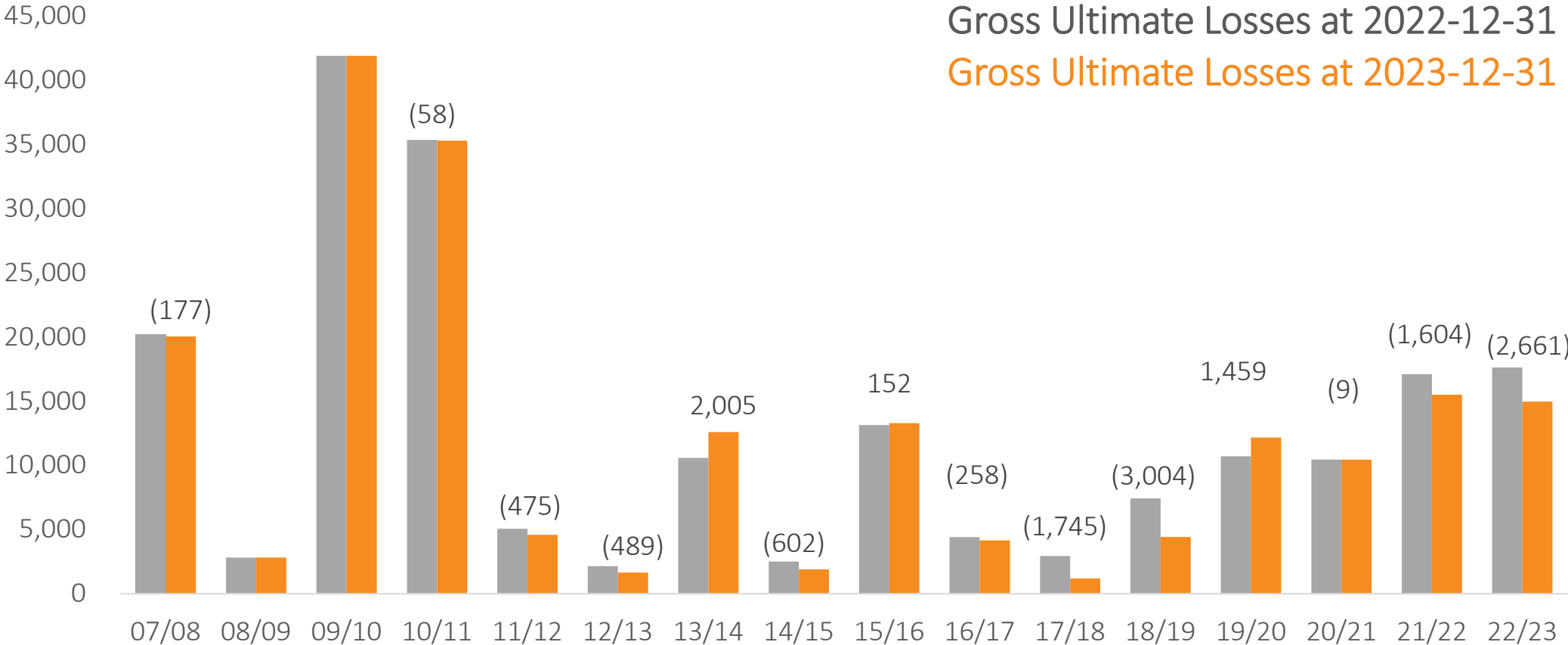
Projected Ultimate Losses - Gross



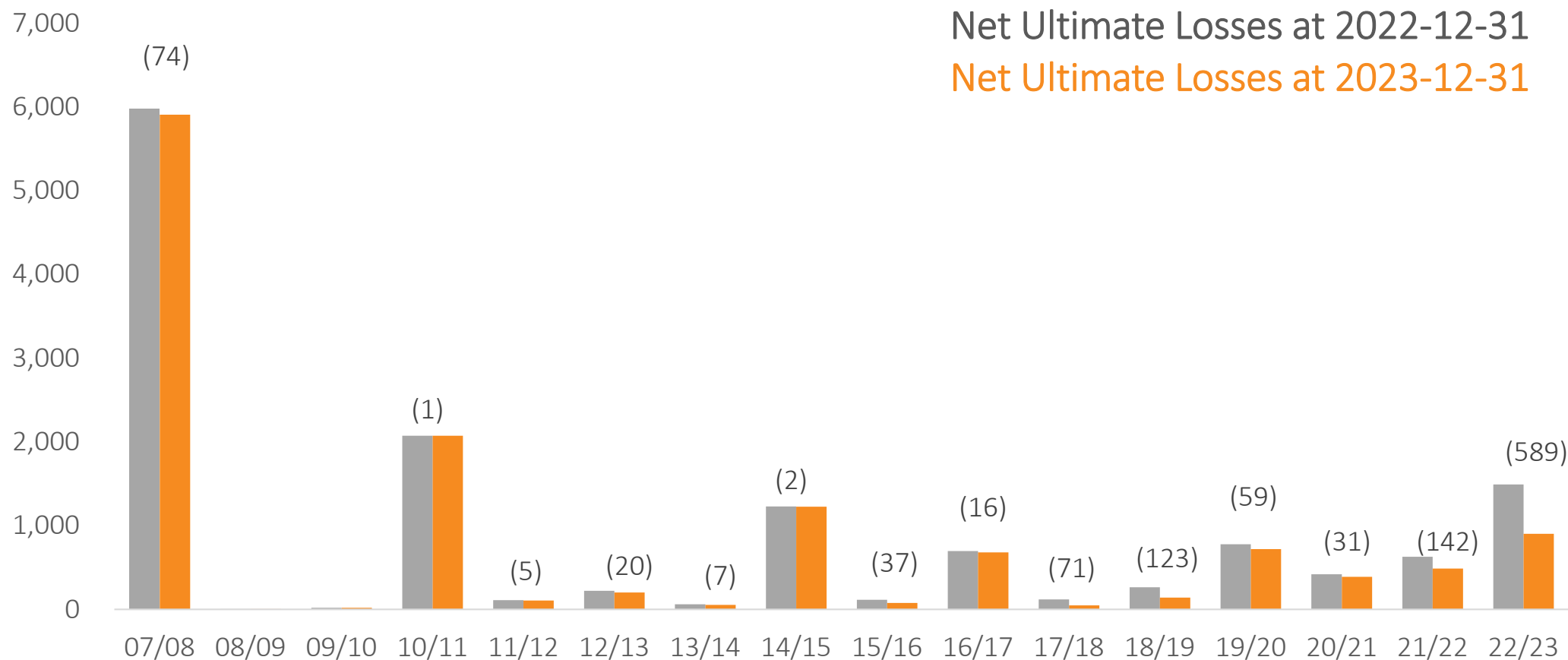
Projected Ultimate Losses - Net



Overall Claims Improvement of \$7,464,000 – Gross Basis
Due to a Release of IBNR for Cyber and Lower Claim Emergence for Prof. Liability



Overall Claims Improvement of \$1,177,000 – Net Basis



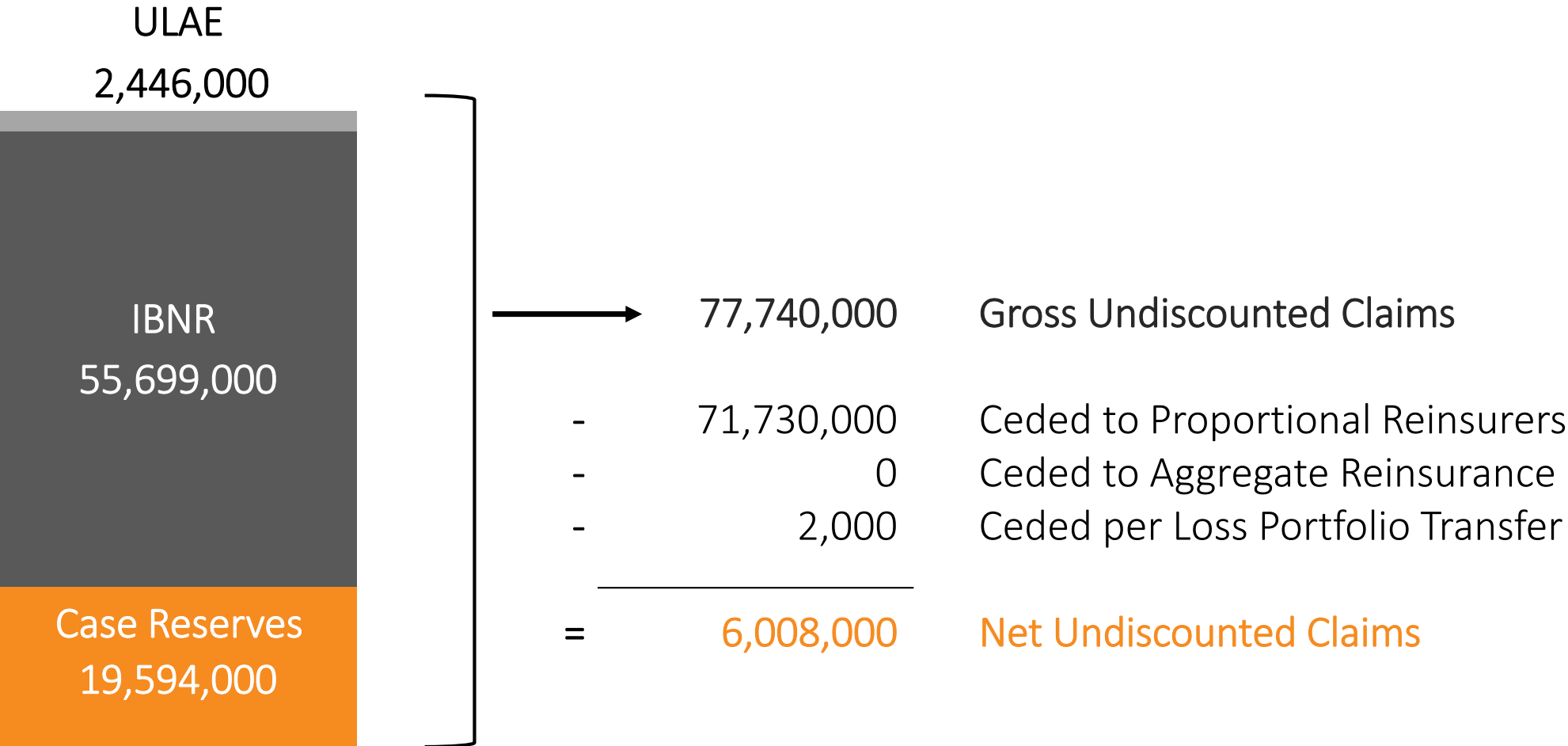
Unallocated Loss Adjustment Expenses (ULAE)

Represents the provision for the **claims management** function to **service existing obligations** if CLLAS were to cease writing business on December 31, 2023

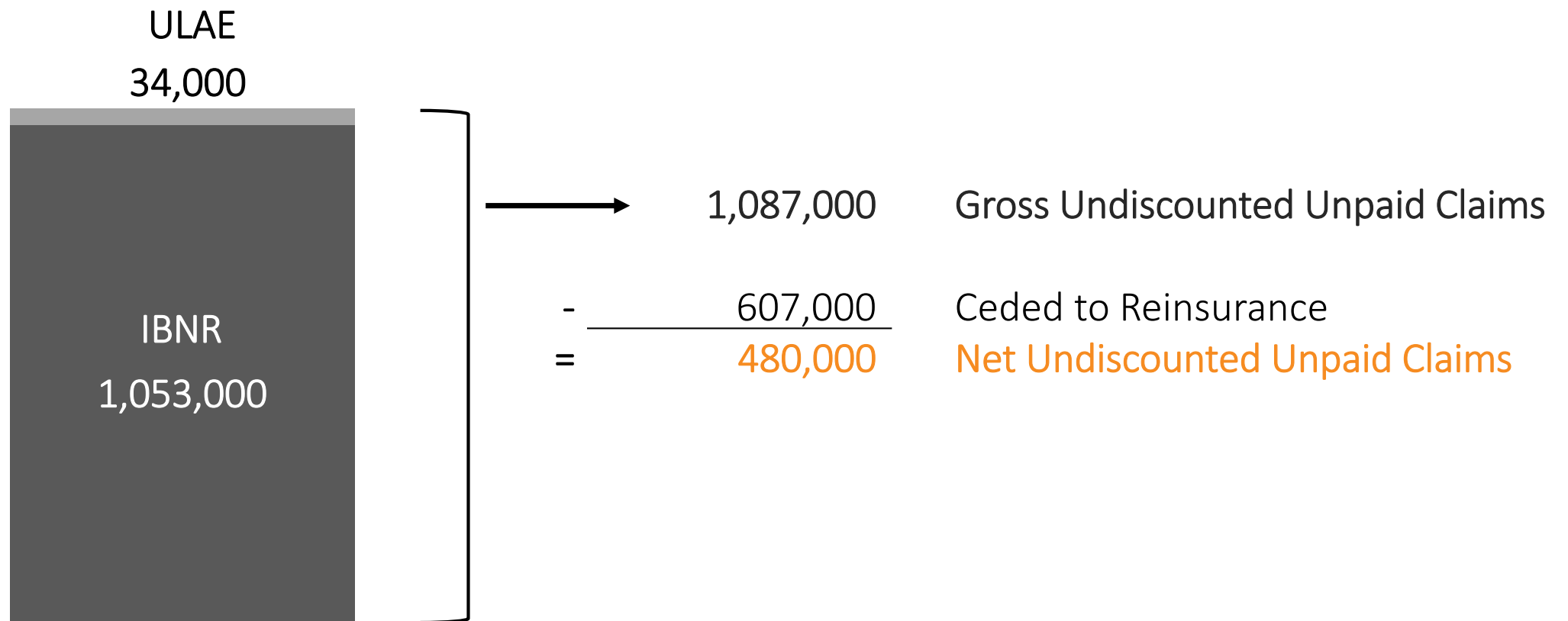
Loading = **3.25%** x (gross case reserves + gross provisions for IBNR)
(was 3.00% as of December 31, 2022)

The provision for ULAE is **entirely retained** by CLLAS

Professional Liability Undiscounted Unpaid Claims Gross and Net



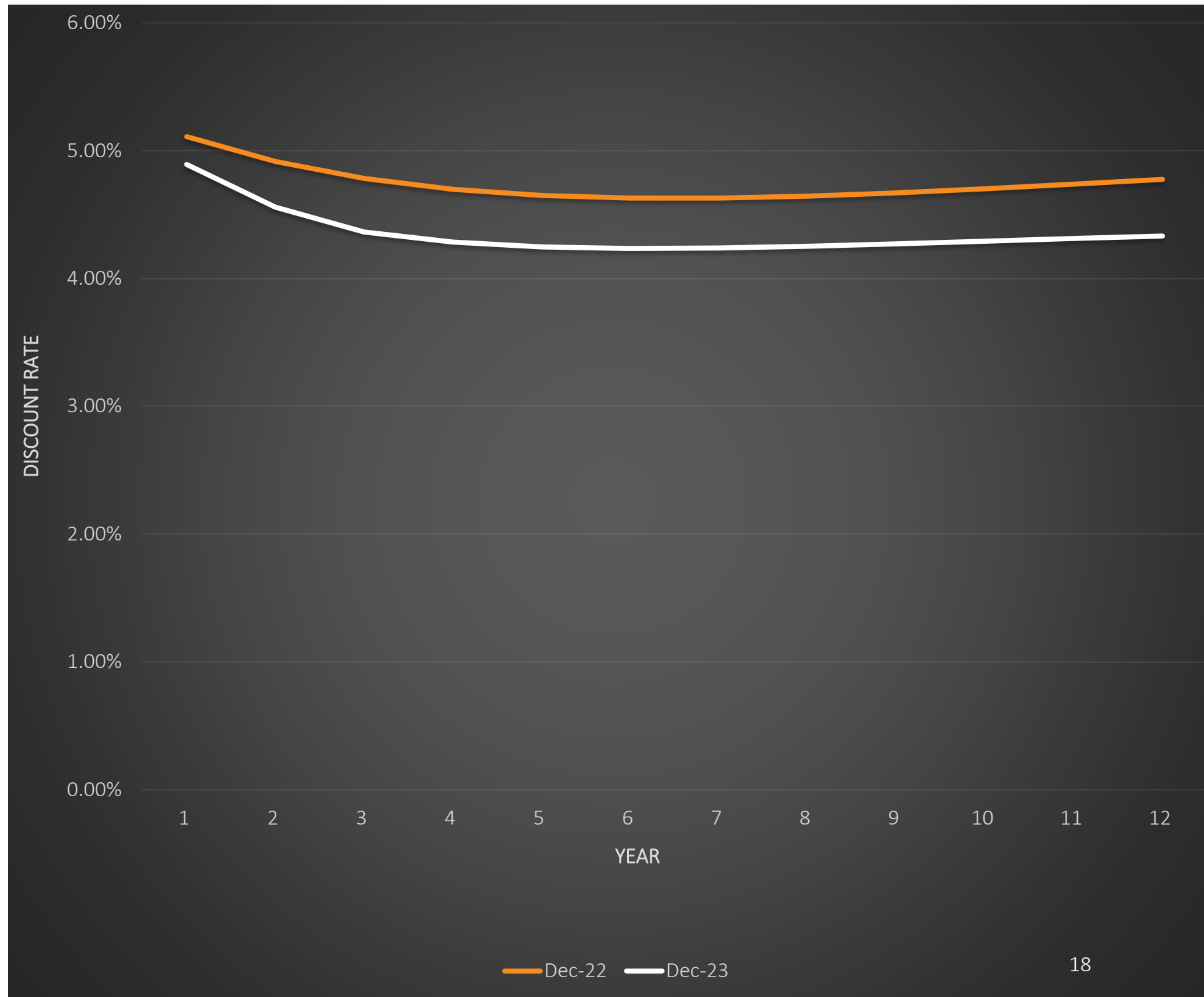
Cyber Undiscounted Unpaid Claims Gross and Net



Discounting

Insurance contract liabilities are estimates of losses to be paid in the future. The future claim payments are discounted to **reflect the time value of money**

The discount rates are based on the bottom-up approach using a risk-free yield curve and an illiquidity premium derived from Fiera Capital data



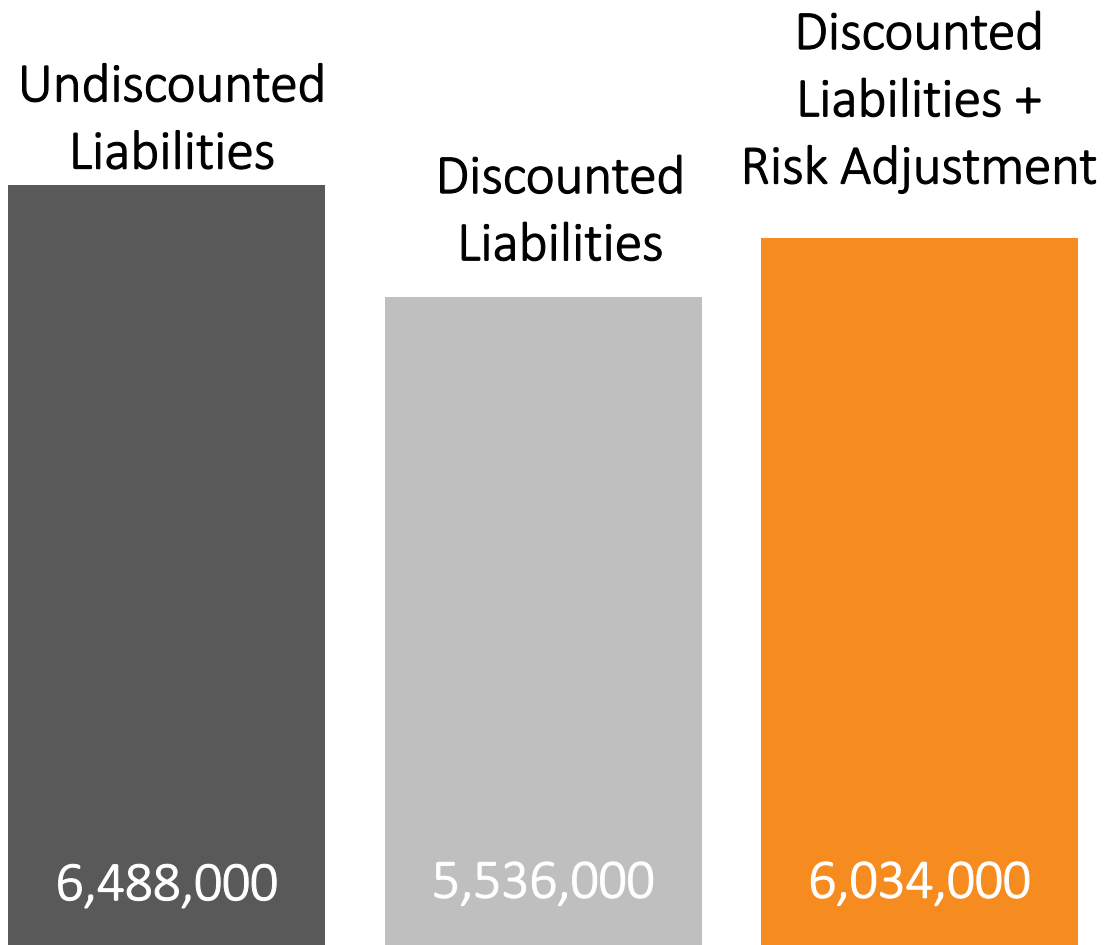
Risk Adjustment

The risk adjustment reflects the compensation required for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk

The risk adjustment is determined by applying a **9% margin** to the discounted unpaid claims (no change vs. December 2022)

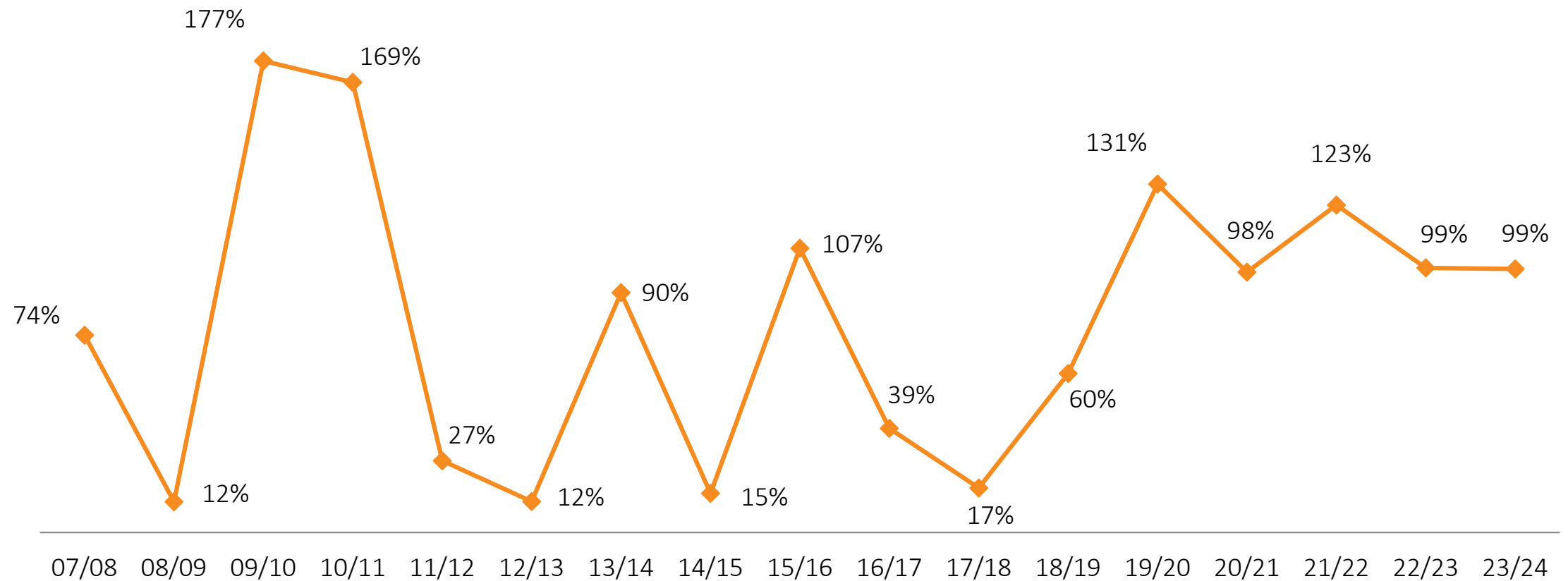
Based on actuarial judgement, we estimate that the unpaid claims recorded in CLLAS's financial statements correspond to a confidence level in the range of 65% to 70%.

Recommended Net Liability for Incurred Claims

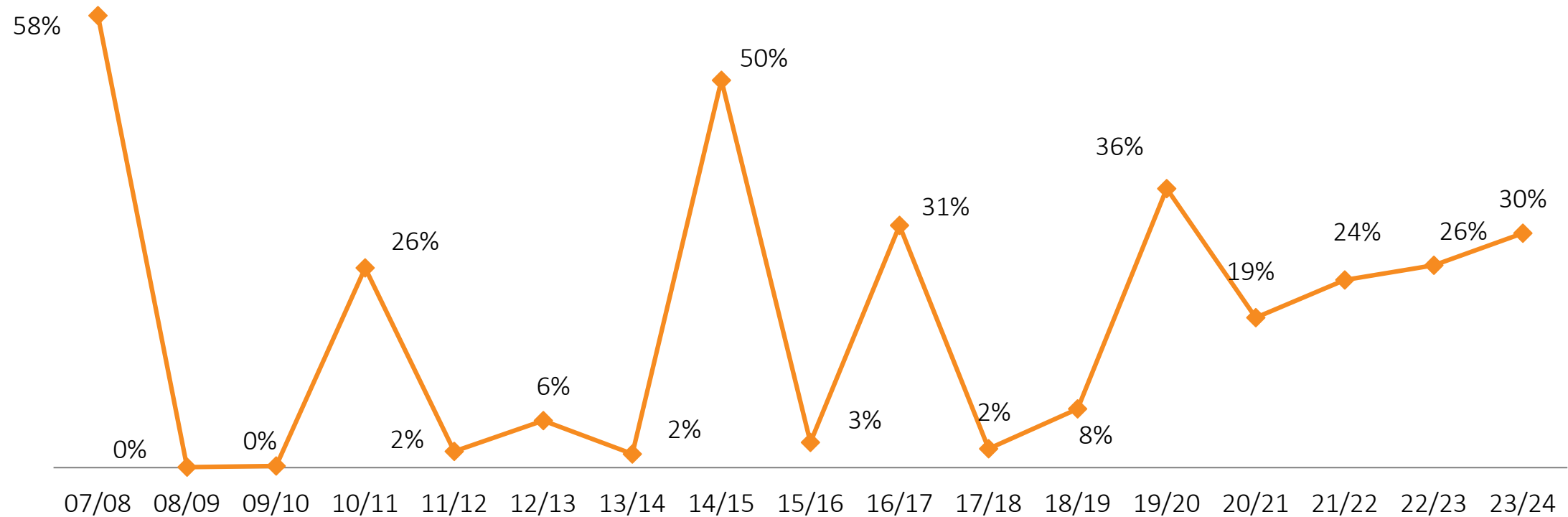


	6,488,000	Undiscounted Liabilities
-	952,000	Effect of Discounting
=	5,536,000	Discounted Liabilities
+	498,000	Risk Adjustment
=	6,034,000	Discounted Liabilities + RA

The Gross Ultimate Loss Ratio Reflects Volatility and Market Pricing



The Net Ultimate Loss Ratio Reflects the Risk Assumed



Liability for Remaining Coverage

An **onerous contract** exists and a **loss component** is generated if:

Insurance contract unearned premiums	} Future Revenue } Future Expenses
- Expected claims and maintenance expenses	
<hr/>	
< 0	

There is a **\$0 loss component** as at December 31, 2023

Conclusions

The development during 2023 was favourable by \$1,177,000

The insurance contract liabilities and reinsurance contract assets were booked in the financial statements as recommended

The insurance contract liabilities and reinsurance contract assets recorded in the financial statements include additional amounts determined by management such as payables and receivables

Discussion

