

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY  
(CLLAS)**

**Minutes of the meeting of the Audit Committee held at the offices of Axxima, 36 Toronto Street, Suite 510, Toronto, Ontario on October 29, 2019, 9:30 a.m. Toronto time.**

**Present:**

Gordon Goodman (Chair)  
Michael Swartz (by phone)  
Margaret McNee (by phone)

Cassels Brock & Blackwell LLP  
WeirFoulds LLP  
McMillan LLP

**Also Present:**

Ken Crofoot (CLLAS Chair)  
Laurie Markus  
Tess Collins  
Patrick Mahoney  
Ryan Durrell  
Cecilia Jeganathan

Goodmans LLP  
Deloitte  
Deloitte  
Office of the General Manager  
Office of the General Manager  
Office of the General Manager

**1. Constitution of Meeting**

The Chair called the meeting to order.

**2. Secretary of the Meeting**

Cecilia Jeganathan acted as Secretary.

**It was moved by Michael Swartz and seconded by Gordon Goodman that the minutes of the February 14, 2019 meeting of the Audit Committee be approved. The motion was carried unanimously.**

**3. 2019 Audit Plan**

Laurie Markus reviewed the 2019 Audit Service Plan including the scope of the audit and the key areas of audit focus, which are actuarial/claims estimates, investments, reinsurance receivables, internal control environment and accounting/financial reporting.

As required by professional standards, the Audit Committee members were asked for their input on the risk of fraud, knowledge of any fraud or suspected fraud and any changes in the role the Committee exercises in the oversight of assessment of the risk of fraud and procedures and controls established to mitigate these risks.

Ms. Markus advised that the preliminary estimate of materiality for the year ending December 31, 2019 has been set at \$1,250,000 and the preliminary performance materiality is \$1,000,000.

Based on the initial risk assessment, the following have been identified as areas of significant audit risk for CLLAS:

- Provision for unpaid claims and adjustment expenses, gross and net of amount recoverable from reinsurers (valuation)
- Revenue Recognition
- Management Override of Controls

An audit fee of \$94,317 was proposed. The current year fees include approximately 3% inflationary increase from the 2018 base audit fees.

**4. 2018 Annual Review Letter and Response**

It was noted that the annual review letter on the 2018 Annual Return issued by the Alberta Superintendent of Insurance (ASOI) in accordance with section 756 of the Insurance Act ("Act") has not been received yet.

The letter will be circulated to the Audit Committee members when received.

(Deloitte left the meeting)

**5. Colchester Management Financials at June 30, 2019**

Patrick Mahoney provided a high-level overview of Colchester's management financial statements as of June 30, 2019. No concerns were noted.

**6. Reinsurance Security Schedule**

Ryan Durrell presented the Report on Reinsurance Security. The report provides with a status review of the current CLLAS reinsurance security consistent with CLLAS' Reinsurance Security Policy. CLLAS' exposure is considered significant to the reinsurer if its share of CLLAS' total current liabilities or claim limit exposure exceeds 0.1% of the reinsurer's assets or 0.5% of the reinsurer's capital and surplus.

The reinsurers subject to Level II monitoring and which Level II monitoring criteria was triggered were discussed.

It was noted that the payment of large claims shifted focus to more recent reinsurers such as Alliant, Vibe and Amlin.

Colchester's participation on the CLLAS program was discussed.

Overall, it was noted that there are no significant concerns coming out of the report.

There being no other business, the meeting was terminated.

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Chair

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Secretary