

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 14, 2019
8:30 a.m.

Present:

Gordon Goodman
Carol Lyons (by phone)
Michael Swartz (by phone)
Ken Crofoot

Cassels Brock & Blackwell LLP
McMillan LLP
WeirFoulds LLP
Goodmans LLP

Also Present:

Neil Harrison
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 Carol Lyons and seconded by Michael Swartz that the minutes of the November 7, 2018 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, 2018.

The revision of expected loss costs for 2018/2019 to reflect emerging expectations of expected losses in each layer were noted. The arrangement between CLLAS and Colchester for 2018/2019 and the Loss Portfolio Transfer (LPT) to Colchester on June 30, 2012 were highlighted. It was noted a 2.95% assumption was selected to determine the ULAE provision as of December 31, 2018; an increase from 2.60% as of December 31, 2017. The provision for ULAE at December 31, 2018 is \$2,695,000 and is entirely retained by CLLAS.

Other changes in assumptions, including the increase in the discount rate from 2.15% to 2.40%, which was selected based on the market yield of CLLAS' fixed income portfolio classified as available for sale per IFRS 9 at December 31, 2018, were identified. There was no change in methodology in the valuation at December 31, 2018. The impact of the change in loss development factors, ULAE load and discount rate led to an increase of \$440,000 in the net discounted claim liabilities. The premium deficiency is \$0 at December 31, 2018 and the deferred policy acquisition expense asset is set at \$107,000.

Patrick Mahoney provided an overview on some significant claims from the 2010 to 2011 period which are expected to be paid out at the end of February 2019.

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 also pointed out that there were no changes to the management financials reviewed in mid-February. 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. It was also mentioned that SPPI test disclosure is not applicable for CLLAS this year and hence was not included in the financials.

6. Audit Findings Report

Neil Harrison, the audit partner, reported on the audit and advised that an unqualified opinion would be issued.

He 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 Carol Lyons, seconded by Michael Swartz, it was unanimously resolved to recommend to the Board that the Financial Statements at December 31, 2018 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