



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Related Party Transaction Policy

Last Updated
December 6, 2017



RELATED PARTY TRANSACTION POLICY

Effective date: December 6, 2017

1. Purpose and Scope

The purpose of this policy is to ensure the proper approval and disclosure of related party transactions. This policy documents the following:

- The definition of related party;
- Prohibited and permitted related party transactions under this policy;
- Required disclosures and procedures; and
- Roles and responsibilities with regards to related party transactions.

This policy applies to all activities, functions, processes and operations of the Reciprocal and should be read in conjunction with CLLAS's Outsourcing Policy and Part 2, Subpart 12 of the Alberta Insurance Act (the "Act") on transactions with related parties.

2. Definition of Related Party

Related parties include the following¹:

- A CLLAS Subscriber or an entity controlled by a CLLAS Subscriber;
- An entity that controls CLLAS;
- A board member or senior official of CLLAS, or of an entity that controls CLLAS;
- A spouse, partner, child less than 18 years of age of a board member or senior official of CLLAS, or of an entity that controls CLLAS; and
- An entity designated by the regulator as a related party.

The regulator may designate² any person as a related party if it is of the opinion that there is an interest or relationship between the person and CLLAS that might reasonably be expected to affect the exercise by CLLAS of its best judgment with respect to a transaction.

3. Definition of Minor or General Expenditure

A minor or general expenditure is either an expenditure which has been included in the annual budget approved by CLLAS or an expenditure which meets the following criteria:

- It does not involve a material outsourcing arrangement as defined in Section 3 of CLLAS' Outsourcing Policy;

¹ The full definition of related party is set out in Section 434(1) of the Act.

² The full list of reasons a person may be designated by the regulator is set out in Section 435 of the Act.



- The consideration for the goods or services supplied by the related party must be reasonable and at or below fair market rate; and
- The value of the transaction, together with all transactions with the same related party in the previous 12 months, must not exceed \$100,000.

4. Related Party Transactions³

CLLAS may enter into a transaction with a related party if:

- It is a minor or general expenditure;
- It is not a minor or general expenditure, but the consideration for the goods or services supplied by the related party is determined by the Board to be reasonable and at or below fair market rate, and the transaction is reviewed and approved in accordance with Section 5; or
- It is approved by the Minister in accordance with Section 443 of the Act.

Except as otherwise permitted under the policy:

- CLLAS may not, directly or indirectly, enter into any transaction with a related party;
- A related party may not, directly or indirectly, enter into any transaction with CLLAS; and
- CLLAS may not, directly or indirectly, make an investment in any securities of a related party.

Nothing in this policy will operate to prevent:

- The management and payment of claims under insurance policies issued by CLLAS, including the retention of defence counsel, expert witnesses, etc.;
- The determination and collection of premiums or assessments pursuant to CLLAS' Rate Setting Policy and/or Surplus Management Policy;
- The distribution of surplus by means of premium credit or otherwise in accordance with CLLAS' Rate Setting Policy and/or Surplus Management Policy;
- Remuneration paid to a senior officer of CLLAS included in the annual budget approved by CLLAS; or
- Indemnification payments mandated under CLLAS' Subscribers Agreement⁴.

5. Procedures for Review and Approval

Following are the review and approval procedures to be followed by CLLAS when considering a related party transaction:

1. The specific nature of the related party interest should be documented.
 - If CLLAS knows or has reason to believe that a party is a related party, CLLAS must take all reasonable steps to obtain from the other party full disclosure in writing of the nature and extent of their interest in or relationship with CLLAS.

³ In accordance with Section 439 of the Act.

⁴ In accordance with Section 438(a) of the Act.



- A related party must forthwith disclose the nature and extent of any potential conflict of interest in writing to CLLAS or request to have such entered in the meeting minutes.
 - CLLAS must not enter into the transaction until it has satisfied itself that it has received appropriate disclosure in respect of a proposed transaction.
2. A formal written contract between CLLAS and the related party must be prepared.
 3. A contract with a related party can only be approved, modified or terminated (other than by natural expiry) in writing on resolution approved by the Board. A related party must not vote or attempt in any way to influence the voting on any such resolution or be present while the vote is being conducted⁵.

Within 12 months of the adoption of this policy, CLLAS will review all existing transactions to confirm compliance with the policy.

6. Responsibilities

The Board is responsible for the following:

- Periodically approving the related party transaction policy;
- Periodically reviewing the criteria for what constitutes minor or general expenditures;
- Approving related party transactions.
- Reviewing the related party transaction policy at least once every five years or more frequently if circumstances dictate.

The General Manager is responsible for the following:

- Implementing the related party transaction policy and any associated procedures;
- Monitoring related party transactions and communicating any significant risks to the Board.

7. Authority

The Board has the authority to make revisions to this policy and to approve related party transactions.

8. History of Modifications

The rate setting policy was first approved by CLLAS on December 6, 2017.

⁵ Section 355(1) of the Act outlines certain exceptional circumstance in which a conflicted director may vote.