



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Surplus Management Policy

Last Updated
June 21, 2017

Last Confirmed
February 25, 2020



SURPLUS MANAGEMENT POLICY

Effective date: June 21, 2017

1. Purpose and Scope

CLLAS' surplus management policy sets out the process through which CLLAS proactively manages its surplus position through premium adjustments in order to achieve its surplus target.

The surplus management policy relies on the risk appetite and surplus target set in the Enterprise Risk Management ("ERM") policy and Own Risk and Solvency Assessment ("ORSA"). The purpose of this policy is to document the practices and responsibilities with respect to CLLAS' management of surplus.

This policy is intended to both supplement and complement existing policies and procedures of CLLAS. This policy covers all activities and items that could potentially impact the level of surplus of CLLAS.

2. Objectives

The primary purpose of CLLAS is to provide a risk management program, including self-insurance and risk financing, to its Subscribers. Its overriding objective is to fulfill this purpose through cost-efficient and stable premiums, while maintaining a prudent surplus level to meet its obligations.

3. Surplus Target

CLLAS' surplus target is a Minimum Capital Test ("MCT") ratio of 210% as adopted in the ORSA.

CLLAS is also subject to the Alberta Maintenance of Reserve and Guarantee Fund ("AMRGF") requirement in the Alberta *Insurance Act*. As part of CLLAS' ORSA, it was determined that the 210% MCT ratio target should be more than adequate to ensure that the AMRGF test is met on an on-going basis, but CLLAS acknowledges that notwithstanding anything in this policy, the Superintendent of Insurance has the authority to require additional surplus contributions forthwith should CLLAS' surplus not meet the AMRGF.



4. Surplus Management

CLLAS has adopted the following surplus management plan:

| Surplus Level | Action |
|--|---|
| Below regulatory expectations | Advisory Board to declare a premium assessment to rebuild, at a minimum, to a surplus level meeting regulatory expectations |
| Between regulatory expectations and surplus target | No action |
| Above surplus target | Advisory Board to consider and, if appropriate, approve premium credits |

The adopted surplus management plan allows for Board discretion and flexibility in determining, with the actuary's input, any premium adjustments within the principles stated above.

5. Roles and Responsibilities with Respect to Surplus Management

The Advisory Board is ultimately responsible for overseeing the management of CLLAS' surplus position. The Advisory Board is responsible for the following:

- Confirming this policy annually, and approving any material amendments to it;
- Annually approving premium adjustments, including premium assessments and premium credits; and
- Comprehensively reviewing the surplus target and surplus management policy at least every three years to ensure that it continues to reflect CLLAS' tolerance to risk.

The Office of the General Manager is responsible for the implementation of the Board-approved strategy and overall business performance. In particular, it is responsible for the following:

- Monitoring performance, internal controls and prudent business activities designed to ensure adequate levels of surplus;
- Monitoring the effectiveness of, and compliance with, this policy on an on-going basis;
- Notifying the Advisory Board should the surplus fall below the internal target;
- Notifying the Superintendent of Insurance should the surplus fall below the internal target or below regulatory requirements;
- Periodically performing adequate stress tests on CLLAS' surplus position; and
- Recommending changes to this policy to the Advisory Board.

The actuary is responsible for annually recommending appropriate premium adjustments in accordance with this policy.



6. Authority

The Advisory Board has the authority to make revisions to this policy.

7. History of Modifications

This policy was first approved by the Advisory Board on June 21, 2017.

This policy was confirmed by the Advisory Board on February 25, 2020.