

COURT FILE NUMBER 1603-13949
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE EDMONTON
APPLICANT ALBERTA LOCAL AUTHORITIES
 RECIPROCAL INSURANCE EXCHANGE

RESPONDENTS Alberta Beach, Alberta Capital Region
 Wastewater Commission, Alberta Municipal
 Health and Safety Association, Alberta
 Parks & Recreation Association, and
 others

DOCUMENT AFFIDAVIT

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT Ogilvie LLP
 1400, 10303 Jasper Avenue
 Edmonton AB T5J 3N6
 Attention: Grant S. Dunlop, Q.C.
 Phone: 780.429.6283
 Fax: 780.429.4453
 email: grantdunlop@ogilvielaw.com
 File No.: 62064.1

AFFIDAVIT OF ALAN WOOD

Sworn (or Affirmed) on November 9, 2016

I, ALAN WOOD, of the County of Strathcona, Alberta, SWEAR/AFFIRM AND SAY THAT:

1. I am the principal of 1041405 Alberta Ltd. ("**Wood Consulting**"), which is the manager of the Applicant, Alberta Local Authorities Reciprocal Insurance Exchange ("**ALARIE**").
2. Wood Consulting has been the manager of ALARIE since 2002. I have personal knowledge of the facts set out in this affidavit except where stated to be based on information and belief.
3. I swore another affidavit in these proceedings on July 29, 2016, filed August 5, 2016.

Errors in list of Respondents

4. I am informed by ALARIE's counsel, Grant Dunlop, and believe, that "Landing Rural Electrification Association" was included in the list of Respondents in this action in error. Based on a review of ALARIE's records, I believe that no premiums or other contributions were made to ALARIE by Landing Rural Electrification Association.
5. I am informed by ALARIE's counsel, Grant Dunlop, and believe, that the list of Respondents contains a typographical error and that the correct name of "Summer

Village of South River" is "Summer Village of South View", which has been confirmed by communications between the Summer Village of South View and Grant Dunlop's office.

Webinars and Questions from Respondents

6. I participated in three webinars, conducted at the following dates and times:
 - a. September 19, 2016 at 10:00 a.m.;
 - b. September 30, 2016 at 2:00 p.m.; and
 - c. October 12, 2016 at 10:00 a.m.
7. Each webinar was presented by Lisa Majeau Gordon and Graham Quast of MNP LLP, Grant Dunlop and Shannon Kinsella of Ogilvie LLP, and me. In addition, Derek Malcolm of MNP LLP provided part of the presentation at the webinar on September 19, 2016.
8. The webinars were facilitated by the Alberta Urban Municipalities Association, which provided a list of attendees at each webinar. Based on those lists, I believe that representatives of 70 of the Respondents attended one or more of the webinars.
9. Some of the participants in the webinars posted questions on the webinar website which the presenters responded to. All such questions were addressed, either during the webinar or in one on one communications outside the webinars.
10. I have been informed by Lisa Majeau Gordon and Grant Dunlop, and believe, that some of the Respondents have contacted each of them with questions, to which they or others in their firms have responded. I have also personally responded to some questions from Respondents.

Revisions to Schedules 4, 6 and 8

11. One of the questions asked by a Respondent led to further inquiries by MNP and me, which revealed that some claims had not been reported to MNP and consequently were not included in the calculations in Schedules 4, 6 and 8 to Lisa Majeau Gordon's Expert Report filed on August 5, 2016. In light of that new information, I asked Lisa Majeau Gordon and MNP to prepare revised versions of Schedules 4, 6 and 8, which they have done. The Expert Report of Lisa Majeau Gordon dated November 3, 2016 addresses the new information and provides revised Schedules 4, 6 and 8.

Objections to Proposed Distribution

12. I have been informed by Grant Dunlop, and believe, that, as of November 8, 2016, he has received two objections to the proposed distribution set out in Schedule "B" to the Originating Application filed August 5, 2016. One of those objections is on behalf of a Respondent, and the other is not. Specifically:
 - a. Hugh Bell, the Manager, Treasury & Risk Management of the Respondent, Strathcona County, sent an email to Grant Dunlop on October 31, 2016, a copy of which is attached as Exhibit "A"; and

b. Tony Wadsworth, who was involved in the creation and management of ALARIE, but who appears not to be writing on behalf of any of the Respondents, sent an email to Grant Dunlop and Lisa Majeau Gordon on October 31, 2016, a copy of which is attached as Exhibit "B".

13. Tony Wadsworth's email attaches an excel spreadsheet which is not included in Exhibit "B" because it is bulky.

Expenses

14. MNP LLP and Ogilvie LLP invoiced ALARIE a total of \$259,194.95 up to June 30, 2016. Since then, they have invoiced ALARIE the following amounts, up to October 31, 2016:

	fees	expenses, disbursements and other charges	gst	total
MNP LLP	\$51,459.02	nil	\$2,572.96	\$54,031.98
Ogilvie LLP	\$43,231.00	\$11,035.24	\$2,699.06	\$56,965.30

15. Wood Consulting and I invoiced ALARIE a total of \$330,554.44 up to June 30, 2016. Since then, Wood Consulting and I have invoiced ALARIE the following amounts, up to October 31, 2016:

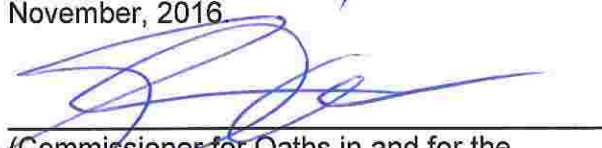
	fees	expenses, disbursements and other charges	gst	total
Wood Consulting	\$8,218.75	\$150.00	\$418.42	\$8,787.17

16. I make this affidavit in support of:

a. an ex parte order revising the list of Respondents to remove "Landing Rural Electrification Association" and to change "Summer Village of South River" to "Summer Village of South View" and to extend the deadline for objections to the proposed payment of expenses and distribution of ALARIE's assets, from October 31, 2016 to November 30, 2016; and

b. an order in the form attached as Schedule "B" revised to the Amended Originating Application filed November 8, 2016.

SWORN (OR AFFIRMED) BEFORE ME at
Edmonton, Alberta, this 9 day of
November, 2016.



(Commissioner for Oaths in and for the
Province of Alberta)

GRANT S. DUNLOP, Q.C.
Barrister & Solicitor
A Commissioner for Oaths
in and for Alberta



ALAN WOOD

Grant Dunlop

From: Hugh Bell <Hugh.Bell@strathcona.ca>
Sent: October-31-16 5:02 PM
To: Grant Dunlop
Cc: Greg Yeomans; Laura Probst; Jacqueline Roblin; Connie Hamilton
Subject: ALARIE

Hi Grant,

Strathcona County would like to inform Ogilvie LLP that we are opposing the distribution of assets as set out in the proposed order which is Schedule "B" to the Originating Application.

Sincerely,

Hugh

Hugh Bell

Manager, Treasury & Risk Management
Strathcona County

2001 Sherwood Drive
Sherwood Park, AB T8A 3W7

Phone: 780-416-6736

Fax: 780-464-8170

hugh.bell@strathcona.ca

www.strathcona.ca



Find us on:   

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This is Exhibit " A " referred to in the affidavit
~~statutory declaration~~ Alan Wood

Sworn before me this 9 day of November

A.D. 20 16


Commission of Oaths in and for the Province of Alberta

GRANT S. DUNLOP, Q.C.
Barrister & Solicitor
A Commissioner for Oaths
in and for Alberta

Grant Dunlop

From: Tony Wadsworth <tonywads@telus.net>
Sent: October-31-16 2:31 PM
To: Grant Dunlop
Cc: 'Lisa Majeau Gordon'
Subject: FW: ALARIE business plan
Attachments: Option 4 Working Spreadsheet.xlsx

This is Exhibit " B " referred to in the affidavit
/statutory declaration Alan Wood

Sworn before me this 9 day of November

A.D. 20 16

Commission of Oaths in and for the Province of Alberta

GRANT S. DUNLOP, Q.C.

Barrister & Solicitor

A Commissioner for Oaths
in and for Alberta

Hello Grant,

After we last spoke, I had been hoping to complete a full written review and Report to formally submit my analysis and recommendations for distributing the Surplus Funds now held by ALARIE. Unfortunately, I have been unable to complete this document to date due to other constraints upon my time over the past 6 weeks.

Given that it was announced during the Webinar Sessions that you had set a deadline date of October 31, 2016 for receiving reaction to the basis currently proposed for distributing the surplus, I did want to set out – at the very least – the essentials of what I believe to be a basis for distribution that I would like to see put before the ALARIE Attorney-In-Fact Directorate for their consideration. This basis is consistent with what was represented to all ALARIE Subscribers at the time ALARIE was formed in the late 1980's/early 1990's and what was contained in the Business Plan. However, I do accept that this basis was not expressed accurately in the Subscribers' Agreement and, to the extent that this may serve to prevent or estop the Directorate from now giving it serious consideration, I would be willing to provide a written Affidavit to that effect (on behalf of the original Directorate of which I was a member) upon the current Directorate's request.

In submitting this matter to you at this time, I am doing so as an informed individual who played a key role in setting up ALARIE in the early 1990's and was one of the original three ALARIE Attorney-In-Fact Ltd Directors. It is my sole wish to do my utmost to ensure that the Surplus Funds are distributed to all Subscribers on a basis that is "fair" and consistent with the founding rationale. In my current status, I happen to be serving as Mayor for one Urban Subscriber (Town of Millet) and Board Member for another Urban Subscriber (Capital Region Southwest Water Services Commission), but this submission is in no way intended to "plead" a case for either of these entities and I care not if this submission happens to work to the benefit or detriment of either of these two entities. I merely want consistency and fairness throughout, as was always the intent of ALARIE.

The essentials I would like to submit for consideration are:

1. ALARIE never did undertake the "self-insurance" that was originally contemplated because such a move never did become necessary. In other words, the "buy and save" mode contemplated in the Foreword to the Business Plan (page 3 of Business Plan) was applicable throughout the term of ALARIE's operation from 1991 to 2002.
2. The underwriting "results" experienced by ALARIE should be viewed relative to the three separate Categories of Subscribers (Rural, School and Urban) and not individual Subscribers. This is how Rural, School and Urban Authorities in Alberta have always purchased their Liability Insurance – in the 20+years (early 1970's to 1990) leading up to ALARIE, during ALARIE's 12 year operation (1990/2002) and the 14 years since ALARIE ceased operations in 2002. In addition, this feature has added significance to a Reciprocal Insurance Exchange such as ALARIE where the types of liability risks insured were not of a homogeneous nature.
3. MNP Schedule 4 shows that the collective underwriting "profit" (Premiums/Levies less Claims) of ALARIE was \$251,098.16. Stated differently, it could be said that ALARIE practically "broke even" in the areas where some risk was undertaken (up to \$ 10,000/claim and the JVAs). This means that the major share of ALARIE's \$ 13,500,000 Surplus has been created by the Interest Earnings of the Subscribers. I believe that the main element of these Interest Earnings came from the upfront collection of the Capital Contributions during a time when interest rates were much higher than they are now.

In working with the data that MNP provided in their Schedule 8, I have extrapolated the Premiums (for the \$10k Deductible, Capital Contribution and Dividend portions) and Claims (JVA Attribution and Up to \$ 10k Claims) portions in the first Worksheet of my attachment entitled <<Option 4 Working Spreadsheet.xls>> under Worksheet entitled

"Summary for Each Category" . From the analysis and review that I have undertaken, I have calculated the Total Amounts of each line item for each of the three Categories, Rural, School and Urban. Based on these Totals we see that the Overall Underwriting Results (i.e. all premiums less all claims) are, in fact, broken down as follows:

RURAL Subscribers generated a "surplus" of \$ 1,463,031

SCHOOL Subscribers generated a surplus of \$ 1,178,982

URBAN Subscribers generated a deficit of (\$ 2,463,902).

Overall, ALARE generated a small surplus of \$ 251,098 as per Schedule 4 although my Spreadsheet shows this as \$ 178,111 – I will accept the \$ 251,098 as being correct for my current purposes.

Given that ALARIE is holding a Final Surplus now of \$ 13,500,000, it could be stated that, quite simply, \$ 250,000 of this is due to the Underwriting surplus generated and the remaining amount (\$ 13,250,000) is due to the Interest Earnings made throughout a 26 year period (i.e. the 12 year period of operation plus the 14 years since ALARIE ceased operations). Although it could be said that "some" of the Interest Earnings were made on the \$10,000 Deductible Premium amounts, the majority have been made on the accumulating amounts of Capital Contributions (the specific purpose of ALARIE was to accumulate these Funds to generate Interest). This, I believe, was the basis for MNP preparing their Schedule # 7 for the Option 2 that was presented in their Report. Using this assumption, therefore, the remaining portion of the ALARIE Surplus that should be allocated based upon Interest Earnings generated by the Capital Contributions would be as shown below:

Amount to be Allocated = \$ 13,250,000

Portion applicable to RURAL Category = 44.9725% of \$ 13,250,000 = \$5,955,856

Portion applicable to SCHOOL Category = 16.0815% of \$ 13,250,000 = \$ 2,130,798

Portion applicable to URBAN Category = 38.9433% of \$ 13,250.00 = \$ 5,159,987

In conclusion, we need to combine the results from a) Overall Underwriting Results and b) Allocation of Remaining Surplus Based on Capital Contributions, the following results:

TOTAL AMOUNT TO BE DISTRIBUTED = \$ 13,500,000

RURAL – Underwriting Surplus (\$ 1,463,031) plus Interest Allocations (\$ 5,955,856) = TOTAL RURAL POOL FUND
= \$ 7,418,887

SCHOOL – Underwriting Surplus (\$ 1,178,982) plus Interest Allocations (\$ 2,130,798) = TOTAL SCHOOL POOL FUND
= \$ 3,309,780

URBAN – Underwriting Deficit (-\$ 2,463,902) plus Interest Allocations (\$ 5,159,987) = TOTAL URBAN POOL FUND
= \$ 2,696,085

TOTAL = \$ 13,424,752*(est., subject to resolution of the \$ 73,000 difference in my calculations relative to the JVA as noted above)

Using the above numbers, it would then be my submission that the individual Category Totals should be distributed to individual Subscribers strictly in accordance with the Capital Contributions made by each entity relative to the Total Contributions made for their applicable Category.

I am sorry for the brevity of this submission at this stage, but I would be more than happy to meet with you, MNP and the ALARIE Directorate if you wish for me to provide whatever further substantiation may be required in order to give the above Option 4 Basis serious consideration. As I have mentioned in our various telephone conversations, there are many references in ALARIE's forming documentation that can be cited to support the above revised approach for distributing the surplus funds.

Tony Wadsworth

From: Tony Wadsworth [mailto:tonywads@telus.net]

Sent: Tuesday, September 13, 2016 2:00 PM

To: 'Grant Dunlop'

Subject: RE: ALARIE business plan

Grant, the short answer to your question at the bottom of your e-mail is "Yes". The essence of why I believe these matters should be handled differently than either of the three methods provided by Lisa to date is contained within the 5.0 LEVY ALLOCATION section of the Business Plan. This was the same fundamental approach that had been applied by both Insurance Programs for years BEFORE ALARIE was formed and, in fact, is still the same approach that has been used by all 3 separate Association Reciprocal that have been effected AFTER ALARIE became defunct. The "category(ies) noted/referenced in Section 5.0 – as well as elsewhere throughout the Business Plan – establish that Premiums and Claims will govern any resulting Equity/Liability on a "category" basis (i.e. either School, Urban or Rural) as opposed to "individual Subscriber" basis. Further, the Reciprocal Levy Allocation Plan contained at the end of the Business Plan provides further support for the "Category" rather than Individual basis, as does the reference in the SUMMARY OF DEPOSITS issued each year by ALARIE to what is contained in the Business Plan.

I remain of the opinion that the Worksheets you and I discussed earlier today should be "re-worked" as discussed so that final determination of the funds to be paid out can be performed in a manner consistent to the original Business Plan and representations made throughout the Province at the time to all Subscribers. I will be happy to be available anytime to suit yourself and Lisa to discuss this further.

Tony Wadsworth
780-387-5483

From: Grant Dunlop [mailto:GDunlop@ogilvIELaw.com]
Sent: Tuesday, September 13, 2016 1:03 PM
To: tonywads@telus.net
Subject: ALARIE business plan

Tony: I have reviewed the business plan. I think the only reference to winding up is in section 2.5, on page 2-3, which reads:

2.5 Reciprocal Equity

The objective of the reciprocal is to offer quality insurance at the lowest possible long term cost. Accordingly, growth of overall reciprocal equity is also an objective.

On a winding up of the reciprocal, the reciprocal's excess funds (if any) will be distributed to the then members in accordance with the equity of each member in those funds. A member's equity in the reciprocal's funds will be determined by the extent to which a member's cumulative levies retained by the reciprocal (i.e. net of reinsurance premiums) exceed the member's cumulative claims paid by the reciprocal.

That wording is very similar to article 9.09 of the subscribers agreement, which is referred to in MNP's report. Do you still think we should do something other than the comprehensive distribution? If so, why?

Thanks. Grant.



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