



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 – see Schedule "A"**

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 July 29, 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. ALARIE is a reciprocal Insurance exchange licensed pursuant to the *Insurance Act*, R.S.A. 2000, c. I-3 (the "**Insurance Act**").
3. Wood Consulting has been the manager of ALARIE since 2002. I have personal knowledge of the facts set out in this affidavit which occurred in 2002 and following.
4. The facts set out in this affidavit which occurred prior to 2002 I believe to be true based on the following:
  - a. my review of documents I received from ALARIE;
  - b. my discussions with Gerald Rhodes, George Walker, John McGowan, and others who were members of ALARIE's advisory board from 2002 until the end of 2015; and
  - c. discussions I had with others who were involved in ALARIE's management prior to 2002.

5. The facts set out in this affidavit relating to the insurance market and the business of insurance both before and after 2002 are based on my personal knowledge gained through working in the insurance industry.
6. I have worked in the insurance industry in Alberta for more than fifty years. My experience includes the following:
  - a. In 1965, following graduation from NAIT with a Diploma in Business Administration, I became a licensed insurance broker and the Assistant Manager of Edmonton General Insurance Agency Ltd.
  - b. In 1968 I obtained the Chartered Insurance Professional ("CIP") designation from the Insurance Institute of Canada and in 1970 I obtained the Fellow of the Insurance Institute of Canada ("FIIC") designation, which was later renamed Fellow Chartered Insurance Professional ("FCIP").
  - c. In 1970 I purchased Edmonton General Insurance Agency Ltd., which in 1973 merged with another agency to form Wood Sadd Associates Ltd.
  - d. In 1978 I sold my interest in Wood Sadd Associates Ltd., and started a consulting business to provide insurance agency management and automation advice and assistance to insurance agents and brokers throughout North America.
  - e. In 1986 I was appointed Vice President, Prairies and NWT for the Insurance Bureau of Canada, which is the national trade association representing Canada's property and casualty insurance companies. I did not need an insurance broker's license for the Insurance Bureau of Canada position, so I allowed that license to lapse in 1985.
  - f. In 2001 I retired from the Insurance Bureau of Canada.
  - g. In 2002 I came out of retirement to manage the wind down and dissolution of ALARIE.
  - h. I reobtained my insurance broker's license in 2002 and I continue to hold that license to the present.
  - i. In addition to my work for ALARIE, I am also the Administrator and Attorney for Service for the Alberta Roofing Contractors Reciprocal Insurance Exchange, and I have some private clients for whom I provide insurance broker services.
7. ALARIE came into being in 1990 to provide a general liability insurance alternative to members of the Alberta Urban Municipalities Association ("**AUMA**"), Alberta Association of Municipal Districts and Counties ("**AAMDC**") and the Alberta School Trustee's Association ("**ASTA**") subsequently renamed as the Alberta School Boards Association ("**ASBA**"). In the late 1980's there was a worldwide liability insurance crisis, and the members of those associations experienced difficulty in obtaining liability insurance through the regular insurance marketplace at a reasonable premium.
8. The Insurance Act allows the establishment of reciprocal insurance exchanges ("**reciprocals**") as an alternative insurance provider for the members of associations and groups. Generally, participation in a reciprocal by members of the association which created it is voluntary. With the exception of the cities of Edmonton and Calgary, the vast majority of municipal bodies in Alberta were subscribers to ALARIE until December 31, 2002 when ALARIE ceased issuing insurance contracts.
9. Prior to 1990, many of the members of AUMA, AAMDC and ASTA purchased their insurance through a brokerage called Jubilee Insurance Agency ("**Jubilee**"), a wholly owned subsidiary of AAMDC. Others obtained insurance through insurance providers of their choice. Jubilee itself didn't have much in the way of insurance markets, so they

had a working agreement with another broker, AON Reed Stenhouse ("AON"), to actually obtain the insurance for Jubilee's clients.

10. All subscribers to ALARIE were required to enter into a Subscribers Agreement (the "**Subscribers Agreement**") that detailed who was eligible to participate and all the rules and requirements with respect to its operations. A copy of the Subscribers Agreement is Appendix A to the MNP Report dated March 31, 2016, which is Schedule B to the Expert Report of Lisa Majeau Gordon in this proceeding.
11. Pursuant to the Subscribers Agreement, the subscribers appointed a company called ALARIE Attorney In Fact Ltd. (the "**Attorney**") to manage and operate ALARIE. The Attorney delegated administrative responsibilities to Jubilee. Each of the three associations, AUMA, AAMDC and ASBA, holds one share in the Attorney and appoints one Director to its Board.
12. While reciprocals are subject to the same legislation as insurance companies, one important difference is that a reciprocal is not required to have a large amount of unencumbered capital in order to commence operations. Without that capital base however, the limits of insurance that a reciprocal can offer can be quite restricted, particularly when the reciprocal first commences operations as they are funded only by the premiums they charge their subscribers. The original intent was that ALARIE would provide \$1 million of general liability insurance, but with no opening capital base, it became quickly apparent that ALARIE could not actuarially support that limit per claim. ALARIE therefore initially set a coverage limit of \$10,000 per claim with the intent of increasing it at some point in the future.
13. Obviously, the ALARIE subscribers needed a much higher overall limit of coverage, so Jubilee and AON arranged for a basic \$2 million "excess of \$10,000" policy for all subscribers through the regular insurance marketplace, and offered higher excess limits for those who required more.
14. Despite the fact that ALARIE was only established to provide the \$10,000 insurance limit, and that the excess policies were written via Jubilee and AON, the premiums for all coverage (ALARIE's \$10,000 and whatever layers of excess insurance the subscriber purchased) from 1990 through 1995 were invoiced via one invoice on ALARIE letterhead.
15. It was ALARIE's intent to bump the level of basic coverage up to \$1 million as quickly as possible, but it needed to raise a significant amount of money to support that limit. As a result, all layers of coverage purchased through ALARIE and Jubilee and AON were "surcharged" from 1990 through 1995, the surcharge being separately invoiced and treated as "equity" in ALARIE's records.
16. The surcharge was a different amount for each subscriber. The combination of premium and surcharge in 1990 could not exceed the total premium each subscriber had paid for liability insurance in 1987 through the regular marketplace. The total premium for almost every subscriber calculated by ALARIE and Jubilee and AON for 1990 was actually less than their 1987 premium. The surcharge was then invoiced to bring their total premium and surcharge up to their 1987 premium. In some cases the surcharge was only a couple of percentage points; in others the surcharge was in the 20% or more range.

17. By 1995, the accumulated equity fund was still not sufficient to support a \$1 million limit in the ALARIE policy. At the same time, the regular insurance market had softened significantly, and there would be no premium benefit to subscribers to raise ALARIE's limit of coverage so it was decided to cease surcharging. However, the equity fund remained in place and interest earned on the fund was credited to each subscriber's share of that fund in the same proportion as what they had paid into the fund.
18. ALARIE commenced operations on September 1, 1990 and operated until December 31, 2002 at which point it ceased issuing insurance contracts by mutual agreement of the three associations, recorded in a board resolution. A copy of the meeting minutes including the resolution is attached as Exhibit "A". In preparation for the closure, the Attorney contracted with Wood Consulting and me in the Spring of 2002 to manage the wind down process.
19. ALARIE ceased issuing policies not because of financial problems, but because the three Associations determined that it would be in their members' best interests to operate their own reciprocals, and ALARIE was therefore no longer required.
20. The total premiums paid by all subscribers for the \$10,000 coverage over the 12 years were not sufficient to pay the claims that were paid, with a shortfall of millions of dollars. The shortfall in premiums available to pay claims under the ALARIE coverage was made up with money from the equity fund rather than invoicing the subscribers for a special assessment to cover the shortfall.
21. Beginning in 1990, the first layer of excess insurance provided by Jubilee, with limits of \$2 million, was subject to what was called a Joint Venture Agreement. Basically, this agreement specified that the premiums paid for that excess policy were deposit premiums only, and when the final claim for a policy year was settled, an endorsement to the policy would be issued either charging an additional premium if the total paid in claims for all subscribers exceeded 65% of the deposit premium paid, or providing a refund if the total paid in claims for that policy year was less than 65% of the deposit premium paid. The Joint Venture Agreement was in place for members of AAMDC until 2002 and for those members of AUMA who continued purchasing their excess insurance through Jubilee. Until 2002, subscribers were either charged or refunded premium by ALARIE in accordance with the Joint Venture Agreement for a policy year that no longer had any open claims. From January 1, 2003 onward, rather than charging or refunding subscribers for policy years that were adjusted, funds were either taken from or credited to their equity account depending on the claims results for that year. The application of the Joint Venture Agreement led to large net payments by ALARIE to the insurer in 2007 and 2009 which resulted in substantial reductions in ALARIE's investment account balance in those years.
22. On December 31, 2002, ALARIE had assets consisting of cash and investments of approximately \$16 million. There were several hundred open claims, and additional claims continued to be reported for several years after 2002, all of which represented significant liabilities to ALARIE.
23. The Attorney instructed Wood Consulting and me to determine if there was an opportunity to sell off the open claims liabilities to a third party. This would have allowed ALARIE to fully shut down within a short period of time. I obtained a quote from an insurer who was willing to take over about 75% of the claims liabilities for a one time

premium of between \$12 million and \$13 million, with the rest of the \$16 million in assets likely earmarked to cover the remaining liabilities. This quote was not immediately accepted. Instead the Attorney asked Wood Consulting and me to manage the claims settlement process for a year or two to see whether any of the \$16 million could actually be saved.

24. As claims began to be resolved for far less than what had been reserved by the excess insurer, the Attorney decided that ALARIE would not be fully wound up until all outstanding claims were resolved. Whatever was left in assets at that time would be distributed to the subscribers.
25. Now, in the Summer of 2016, all claims have been settled, leaving assets of nearly \$14 million invested in government and corporate bonds.
26. In the Spring of 2015, ALARIE retained forensic accountants, MNP LLP, to review the extensive documents relating to ALARIE, and to collect such evidence and conduct such investigations as they saw fit, for the purpose of advising ALARIE with respect to the equitable distribution of its assets.
27. Also in the Spring of 2015, ALARIE retained legal counsel, Ogilvie LLP, to advise ALARIE and represent it in its applications to the Minister of Finance and to Court for approval of ALARIE's dissolution and distribution of assets.
28. ALARIE prepared audited annual financial statements up to December 31, 2002. From January 1, 2003 onward, audited annual financial statements were not prepared, as there was no activity other than managing the investments and claims.
29. ALARIE had a bank account and an investment account, for which monthly statements were prepared. Unfortunately ALARIE does not have a complete set of those statements from January 1, 2003 to the present.
30. MNP LLP and I have conducted extensive investigations and discussions with representatives of AAMDC, which was the custodian of the statements, and others, to obtain as many of ALARIE's records as possible. All of those records, including the audited annual financial statements and all of the monthly account statements which could be located, have been provided to MNP LLP and are summarized in the expert's report of Lisa Majeau Gordon.
31. I was personally involved in monitoring ALARIE's expenditures from January 1, 2003 to the present. All expenditures were approved by the ALARIE board, were required for the management of the investments and claims, including the payment of claims, and were ordinary transactions for a reciprocal insurance exchange winding up its insurance business.
32. From 2002 to the present I have kept the office of the Superintendent of Insurance informed of ALARIE's activities and plans. In April 2016 ALARIE applied to the Minister of Finance for approval to dissolve, and following distribution of its assets, to cancel its insurance license. In June 2016, that approval was granted. Copies of the letters setting out the application and the approval are attached as Exhibits "B" and "C" respectively.

33. MNP LLP and Ogilvie LLP conducted investigations of ALARIE's records and publically available records to determine the current legal names of ALARIE's subscribers and former subscribers. I am informed by Grant Dunlop of Ogilvie LLP and Lisa Majeau Gordon of MNP LLP, and believe, that to the best of their knowledge following those investigations, all ALARIE subscribers and former subscribers, which are still in existence, are included in the Respondents in this action, as set out in Schedule "A".
34. MNP LLP and Ogilvie LLP have invoiced ALARIE a total of \$259,194.95 up to June 30, 2016. I have been advised by Lisa Majeau Gordon of MNP LLP and Grant Dunlop of Ogilvie LLP, and believe, that assuming the process described in the Originating Notice is followed concluding with the distribution order being granted as sought, they anticipate incurring additional fees, expenses, disbursements and other charges from July 1, 2016 onward as follows:

|             | fees        | expenses, disbursements and other charges | gst        | total       |
|-------------|-------------|---|------------|-------------|
| MNP LLP     | \$25,000.00 | \$1,000.00                                | \$1,300.00 | \$27,300.00 |
| Ogilvie LLP | \$35,000.00 | \$25,000.00                               | \$3,000.00 | \$63,000.00 |

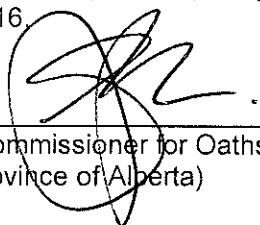
35. Wood Consulting and I have invoiced ALARIE a total of \$330,554.44 up to June 30, 2016. I anticipate that, assuming the process described in the Originating Notice is followed concluding with the distribution order being granted as sought, the fees, expenses, disbursements and other charges that Wood Consulting and I will incur, from July 1, 2016 onward will be as follows:

|                 | fees        | expenses, disbursements and other charges | gst        | total       |
|-----------------|-------------|---|------------|-------------|
| Wood Consulting | \$30,000.00 | \$2,000.00                                | \$1,600.00 | \$33,600.00 |

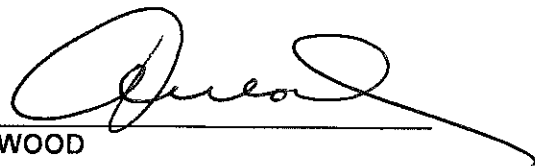
36. I make this affidavit in support of the orders described in the Originating Notice, including the approval of the expenditures incurred by ALARIE to date and the actual expenditures incurred by MNP LLP, Ogilvie LLP and Wood Consulting through the final distribution of ALARIE's assets.

SWORN (OR AFFIRMED) BEFORE ME at  
Edmonton, Alberta, this 29 day of July,  
2016.

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



ALAN WOOD



Shannon J. Kinsella  
Barrister & Solicitor

### Schedule "A" - Respondents

|  |  |   |
|--|--|---|
| Alberta Beach                                      | Capital Region Southwest Water Services Commission | County of Barrhead No. 11                               |
| Alberta Capital Region Wastewater Commission       | Cardston County                                    | County of Forty Mile No. 8                              |
| Alberta Municipal Health and Safety Association    | Chinook's Edge School Division No. 73              | County of Grande Prairie No. 1                          |
| Alberta Recreation & Parks Association             | Christ The Redeemer CS Regional Division No. 3     | County of Minburn No. 27                                |
| Alberta School Boards Association                  | City of Airdrie                                    | County of Newell  |
| Alberta Urban Municipalities Association           | City of Brooks                                     | County of Northern Lights                               |
| Aspen View Public School Division No. 78           | City of Camrose                                    | County of Paintearth No. 18                             |
| Battle River Regional Division No. 31              | City of Chestermere                                | County of St. Paul No. 19                               |
| Beaver County                                      | City of Cold Lake                                  | County of Stettler No. 6                                |
| Big Country Waste Management                       | City of Fort Saskatchewan                          | County of Two Hills No. 21                              |
| Big Hay Lakes Drainage District                    | City of Grande Prairie                             | County of Vermillion River                              |
| Birch Hills County                                 | City of Lacombe                                    | County of Warner No. 5                                  |
| Black Gold Regional Division No. 18                | City of Leduc                                      | County of Wetaskiwin No. 10                             |
| Brazeau County                                     | City of Lloydminster                               | Cypress County  |
| Buffalo Trail PS Regional Division No. 28          | City of Red Deer                                   | East Central Alberta CSSR Division No. 16               |
| Calgary RCSSD No. 1                                | City of Spruce Grove                               | Edmonton Catholic Separate School District No. 7        |
| Camrose County                                     | City of St. Albert                                 | Elk Island CS Regional Division No. 41                  |
| Canadian Rockies Regional Division No. 12          | City of Wetaskiwin                                 | Elk Island PS Regional Division No. 14                  |
| Capital Region Northeast Water Services Commission | Clear Hills County                                 | Evergreen CSR Division No. 2                            |
|  | Clearview School Division No. 71                   | Evergreen Regional Waste Management Services Commission |
|  | Clearwater County                                  | Flagstaff County  |
|  | Community Futures West Yellowhead                  |   |
|  | County of Athabasca                                |   |

### Schedule "A" - Respondents

|  |   |  |
|--|---|--|
| Foothills School Division No. 38                         | Lac La Biche County                             | Municipal District of Bonnyville No. 87          |
| Fort McMurray RCSSD No. 32                               | Lac Ste. Anne County                            | Municipal District of Fairview No. 136           |
| Fort Vermillion School Division No. 52                   | Lacombe County                                  | Municipal District of Foothills No. 31           |
| Golden Hills School Division No. 75                      | Lakeland RCSSD No. 150                          | Municipal District of Greenview No. 16           |
| Grande Prairie RCSSD No. 28                              | Lamont County                                   | Municipal District of Lesser Slave River No. 124 |
| Grande Yellowhead Public School Division No. 77          | Landing Rural Electrification Association       | Municipal District of Opportunity No. 17         |
| Grasslands Regional Division No. 6                       | Leduc County                                    | Municipal District of Peace No. 135              |
| Greater North Central Francophone Education Region No. 2 | Lethbridge County                               | Municipal District of Pincher Creek No. 9        |
| Greater St. Albert RCSSD No. 734                         | Lethbridge School District No. 51               | Municipal District of Provost No. 52             |
| Henry Kroeger Regional Water Services Commission         | Living Waters Catholic Regional Division No. 42 | Municipal District of Ranchland No. 66           |
| High Prairie School Division No. 48                      | Livingstone Range School Division No. 68        | Municipal District of Smoky River No. 130        |
| Holy Family Catholic Regional Division No. 37            | Mackenzie County                                | Municipal District of Spirit River No. 133       |
| Holy Spirit RCS Regional Division No. 4                  | Medicine Hat Catholic Board of Education No. 20 | Municipal District of Taber                      |
| Horizon School Division No. 67                           | Metis Settlements General Council               | Municipal District of Wainwright No. 61          |
| Improvement District No. 12 (Jasper National Park)       | Miyo Wahkohtowin Community Education Authority  | Municipal District of Willow Creek No. 26        |
| Irma Agricultural Society                                | Mountain View County                            | Municipality of Crowsnest Pass                   |
| John S. Batiuk Regional Water Commission                 | Municipal District of Acadia No. 34             | Municipality of Jasper                           |
| Kneehill County  | Municipal District of Big Lakes                 |  |



### Schedule "A" - Respondents

|  |   |                                     |
|--|---|-------------------------------------|
| Northern Gateway Regional Division No. 10    | Rocky View School Division No. 41               | Summer Village of Castle Island     |
| Northern Lights School Division No. 69       | Saddle Hills County                             | Summer Village of Crystal Springs   |
| Northern Sunrise County                      | Siksika Nation Board of Education               | Summer Village of Ghost Lake        |
| Northland School Division No. 61             | Smoky Lake County                               | Summer Village of Golden Days       |
| NorthWest Francophone Education Region No. 1 | St. Albert Public School District No. 5565      | Summer Village of Grandview         |
| Palliser Regional Division No. 26            | St. John's School of Alberta                    | Summer Village of Gull Lake         |
| Parkland County                              | St. Mary River Irrigation District              | Summer Village of Half Moon Bay     |
| Parkland School Division No. 70              | St. Paul Education Regional Division No. 1      | Summer Village of Horseshoe Bay     |
| Peace Library System                         | St. Thomas Aquinas RCS Regional Division No. 38 | Summer Village of Island Lake       |
| Peace River School Division No. 10           | Starland County                                 | Summer Village of Island Lake South |
| Peace Wapiti School Division No. 76          | Strathcona County                               | Summer Village of Jarvis Bay        |
| Pembina Hills Regional Division No. 7        | Strathcona-Dweedsmuir School                    | Summer Village of Kapasiwin         |
| Ponoka County                                | Sturgeon County                                 | Summer Village of Lakeview          |
| Prairie Land Regional Division No. 25        | Sturgeon School Division No. 24                 | Summer Village of Larkspur          |
| Prairie Rose School Division No. 8           | Summer Village of Argentia Beach                | Summer Village of Ma-Me-O Beach     |
| Red Deer County                              | Summer Village of Betula Beach                  | Summer Village of Mewatha Beach     |
| Regional Municipality of Wood Buffalo        | Summer Village of Birch Cove                    | Summer Village of Nakamun Park      |
| Rocky Christian School                       | Summer Village of Birchcliff                    | Summer Village of Norglenwold       |
| Rocky View County                            | Summer Village of Bondiss                       |                                     |
|  | Summer Village of Burnstick Lake                |                                     |

### Schedule "A" - Respondents

|                                   |   |                        |
|-----------------------------------|---|------------------------|
| Summer Village of Norris Beach    | Summer Village of Waiparous                                 | Town of Calmar         |
| Summer Village of Parkland Beach  | Summer Village of West Baptiste                             | Town of Canmore        |
| Summer Village of Pelican Narrows | Summer Village of West Cove                                 | Town of Cardston       |
| Summer Village of Poplar Bay      | Summer Village of Whispering Hills                          | Town of Carstairs      |
| Summer Village of Ross Haven      | Summer Village of Yellowstone                               | Town of Castor         |
| Summer Village of Sandy Beach     | The Alberta Association of Municipal Districts and Counties | Town of Claresholm     |
| Summer Village of Seba Beach      | Thorhild County   | Town of Coaldale       |
| Summer Village of Silver Beach    | Town of Athabasca   | Town of Coalhurst      |
| Summer Village of Silver Sands    | Town of Banff   | Town of Cochrane       |
| Summer Village of South Baptiste  | Town of Barrhead  | Town of Coronation     |
| Summer Village of South River     | Town of Bashaw  | Town of Crossfield     |
| Summer Village of Sunbreaker Cove | Town of Bassano   | Town of Daysland       |
| Summer Village of Sundance Beach  | Town of Beaumont  | Town of Devon          |
| Summer Village of Sunrise Beach   | Town of Beaverlodge   | Town of Didsbury       |
| Summer Village of Sunset Beach    | Town of Bentley   | Town of Drayton Valley |
| Summer Village of Sunset Point    | Town of Black Diamond                                       | Town of Drumheller     |
| Summer Village of Val Quentin     | Town of Blackfalds  | Town of Eckville       |
|                                   | Town of Bon Accord  | Town of Edson          |
|                                   | Town of Bonnyville  | Town of Elk Point      |
|                                   | Town of Bow Island  | Town of Fairview       |
|                                   | Town of Bowden  | Town of Falher         |
|                                   | Town of Bruderheim  | Town of Fort MacLeod   |
|                                   |   | Town of Fox Creek      |
|                                   |   | Town of Gibbons        |
|                                   |   | Town of Grande Cache   |

### Schedule "A" - Respondents

|                      |                              |  |
|----------------------|------------------------------|--|
| Town of Granum       | Town of Oyen                 | Town of Sylvan Lake                            |
| Town of Grimshaw     | Town of Peace River          | Town of Taber                                  |
| Town of Hanna        | Town of Penhold              | Town of Three Hills                            |
| Town of Hardisty     | Town of Picture Butte        | Town of Tofield                                |
| Town of High Level   | Town of Pincher Creek        | Town of Trochu                                 |
| Town of High Prairie | Town of Ponoka               | Town of Turner Valley                          |
| Town of High River   | Town of Provost              | Town of Two Hills                              |
| Town of Hinton       | Town of Rainbow Lake         | Town of Valleyview                             |
| Town of Innisfail    | Town of Raymond              | Town of Vauxhall                               |
| Town of Irricana     | Town of Redcliff             | Town of Vegreville                             |
| Town of Killam       | Town of Redwater             | Town of Vermilion                              |
| Town of Lamont       | Town of Rimbey               | Town of Viking                                 |
| Town of Legal        | Town of Rocky Mountain House | Town of Vulcan                                 |
| Town of Magrath      | Town of Sedgewick            | Town of Wainwright                             |
| Town of Manning      | Town of Sexsmith             | Town of Wembley                                |
| Town of Mayerthorpe  | Town of Slave Lake           | Town of Westlock                               |
| Town of McLennan     | Town of Smoky Lake           | Town of Whitecourt                             |
| Town of Milk River   | Town of Spirit River         | Townsite of Redwood Meadows                    |
| Town of Millet       | Town of St. Paul             | Trivillage Regional Sewage Services Commission |
| Town of Morinville   | Town of Stavely              | Village of Acme                                |
| Town of Mundare      | Town of Stettler             | Village of Alix                                |
| Town of Nanton       | Town of Stony Plain          | Village of Alliance                            |
| Town of Okotoks      | Town of Strathmore           | Village of Amisk                               |
| Town of Olds         | Town of Sundre               | Village of Andrew                              |
| Town of Onoway       | Town of Swan Hills           |  |

### Schedule "A" - Respondents

|                         |                        |                            |
|-------------------------|------------------------|----------------------------|
| Village of Arrowwood    | Village of Donnelly    | Village of Loughheed       |
| Village of Barnwell     | Village of Duchess     | Village of Mannville       |
| Village of Barons       | Village of Edberg      | Village of Marwayne        |
| Village of Beiseker     | Village of Edgerton    | Village of Milo            |
| Village of Berwyn       | Village of Elnora      | Village of Morrin          |
| Village of Bittern Lake | Village of Ferintosh   | Village of Munson          |
| Village of Boyle        | Village of Foremost    | Village of Myrnam          |
| Village of Breton       | Village of Forestburg  | Village of Nampa           |
| Village of Carbon       | Village of Girouxville | Village of Nobleford       |
| Village of Carmangay    | Village of Glendon     | Village of Paradise Valley |
| Village of Caroline     | Village of Glenwood    | Village of Rockyford       |
| Village of Cereal       | Village of Hay Lakes   | Village of Rosalind        |
| Village of Champion     | Village of Heisler     | Village of Rosemary        |
| Village of Chauvin      | Village of Hillspring  | Village of Rycroft         |
| Village of Chipman      | Village of Hines Creek | Village of Ryley           |
| Village of Clive        | Village of Holden      | Village of Spring Lake     |
| Village of Clyde        | Village of Hughenden   | Village of Standard        |
| Village of Consort      | Village of Hussar      | Village of Stirling        |
| Village of Coutts       | Village of Hythe       | Village of Thorsby         |
| Village of Cremona      | Village of Innisfree   | Village of Vetran          |
| Village of Czar         | Village of Irma        | Village of Vilna           |
| Village of Delburne     | Village of Kitscoty    | Village of Wabamun         |
| Village of Delia        | Village of Linden      | Village of Warburg         |
| Village of Dewberry     | Village of Lomond      | Village of Warner          |
| Village of Donalda      | Village of Longview    | Village of Waskatenau      |

## Schedule "A" - Respondents

Village of Willingdon

Village of Youngstown

Vulcan County

Westlock County

Westwind School Division  
No. 74

Wetaskiwin Regional Division  
No. 11

Wheatland County

Wild Rose School Division  
No. 66

Wolf Creek School Division  
No. 72

Woodlands County

Yellowhead County

**Alberta Local Authorities Reciprocal Insurance Exchange**  
**Minutes of Advisory Board Meeting of March 4, 2002**  
**Oak Room, Greenwood Inn**

**A. Call to Order**

Chairman Van Ee called the meeting to order at 9:35 A.M. with the following in attendance:

This is Exhibit "A" referred to in the affidavit of Alan Wood. Sworn before me this 29 day of July A.D. 2016.

|                |                  |                |
|----------------|------------------|----------------|
| Richard Van Ee | Jack Hayden      | Joyce Dvornek  |
| George Rogers  | Catherine Jensen | Jerry Muelaner |
| Pat James      | Jim Woodward     | Bob Barss      |

Commissioner of Oaths in and for the Province of Alberta

**Shannon J. Kinsella**  
Barrister & Solicitor

Attorney-In-Fact Directors

Larry Goodhope  
Eric Breitzkreutz  
Charles Meredith

Observers

George Walker - ASBA

**B. Additions To And Approval Of Agenda**

G. Rogers: That the Agenda be approved with additions.

Carried.

**C. Confirmation of Minutes**

1. Minutes of Advisory Board Meeting of December 3, 2001.

G. Rogers: That the Minutes of December 3, 2001 be approved as circulated and amended.

Carried.

**D. Appointments**

No Appointments were scheduled.

## E. New Business

### 1. Dissolution of the Alberta Local Authorities Reciprocal Insurance Exchange.

*C. Jensen:* Whereas the three founding Associations of Alberta Local Authorities Reciprocal Insurance Exchange (ASBA, AUMA, and AAMD&C) have agreed that ALARIE is no longer an effective means of meeting the insurance needs of their members,

Therefore be it resolved that the ALARIE Advisory Board supports the prompt termination of Alberta Local Authorities Reciprocal Insurance Exchange, and the lawful and timely distribution of any excess premium (equity) to subscribers.

The approach to be followed in winding up the affairs of ALARIE, subject to guidance from the Alberta Deputy Superintendent of Insurance, is to be as follows:

1. The effective date for the termination of ALARIE will be no later than December 31, 2002, and sooner if at all reasonable and possible.
2. ALARIE Attorney-in-Fact Ltd. is to issue a memorandum, accompanied by the respective Board Resolutions, to the Alberta Deputy Superintendent of Insurance alerting him to this decision and requesting his guidance in the dissolution process.
3. ALARIE Attorney-in-Fact Ltd. is to serve as a steering body in the dissolution process, and will take decisions in this regard only through unanimous agreement by the Directors.
4. After collaboration with the Deputy Superintendent of Insurance, ALARIE Attorney-in-Fact Ltd. is to develop a detailed transition plan for approval by the ALARIE Advisory Board and Member Associations.

## E. New Business (Continued)

5. ALARIE Attorney-in-Fact Ltd., in collaboration with the Deputy Superintendent of Insurance, is to appoint an independent Manager to oversee the affairs of ALARIE during this transition period. The appointed Manager is to:
  - a) determine and verify the outstanding claims against ALARIE,
  - b) determine and verify the excess premium (equity) to which each subscriber is entitled,
  - c) oversee the management and investment of funds held by ALARIE until they can be distributed,
  - d) oversee the distribution of any excess premiums to subscribers, or assessment of additional premium if required, and
  - e) oversee the day to day business affairs of ALARIE.
6. Any further assessments to subscribers are to be deferred until the results of the financial accounting are completed and the need for such assessments is verified.
7. Upon completion of a satisfactory financial accounting and explicit subscriber approval, subscriber premiums and obligations are to be separated by Association affiliation through a 'portfolio transfer' to another licensed insurer (including reciprocals such as JRIE or MUNIX).
8. During and after the transition, the 'ALARIE Portfolios' are to be managed in a diligent and concerted fashion with the intent of closing claims and returning excess premium to subscribers on a regular basis.

Carried Unanimously.



## **BOARD RESOLUTION**

*Alberta School Boards Association (ASBA)  
Alberta Urban Municipalities Association (AUMA)  
Alberta Association of Municipal Districts & Counties (AAMD&C)  
Alberta Local Authorities Reciprocal Insurance Exchange (ALARIE)*

---

### ***Dissolution of the Alberta Local Authorities Reciprocal Insurance Exchange (ALARIE)***

Whereas the three founding Associations of Alberta Local Authorities Reciprocal Insurance Exchange (ASBA, AUMA, and AAMD&C) have agreed that ALARIE is no longer an effective means of meeting the insurance needs of their members,

Therefore be it resolved that the ALARIE Advisory Board supports the prompt termination of Alberta Local Authorities Reciprocal Insurance Exchange, and the lawful and timely distribution of any excess premium (equity) to subscribers.

The approach to be followed in winding up the affairs of ALARIE, subject to guidance from the Alberta Deputy Superintendent of Insurance, is to be as follows:

1. The effective date for the termination of ALARIE will be no later than December 31, 2002, and sooner if at all reasonable and possible.
2. ALARIE Attorney-in-Fact Ltd. is to issue a memorandum, accompanied by the respective Board Resolutions, to the Alberta Deputy Superintendent of Insurance alerting him to this decision and requesting his guidance in the dissolution process.
3. ALARIE Attorney-in-Fact Ltd. is to serve as a steering body in the dissolution process, and will take decisions in this regard only through unanimous agreement by the Directors.
4. After collaboration with the Deputy Superintendent of Insurance, ALARIE Attorney-in-Fact Ltd. is to develop a detailed transition plan for approval by the ALARIE Advisory Board and Member Associations.

5. ALARIE Attorney-in-Fact Ltd., in collaboration with the Deputy Superintendent of Insurance, is to appoint an independent Manager to oversee the affairs of ALARIE during this transition period. The appointed Manager is to:
  - a) determine and verify the outstanding claims against ALARIE,
  - b) determine and verify the excess premium (equity) to which each subscriber is entitled,
  - c) oversee the management and investment of funds held by ALARIE until they can be distributed,
  - d) oversee the distribution of any excess premiums to subscribers, or assessment of additional premium if required, and
  - e) oversee the day to day business affairs of ALARIE.
6. Any further assessments to subscribers are to be deferred until the results of the financial accounting are completed and the need for such assessments is verified.
7. Upon completion of a satisfactory financial accounting and explicit subscriber approval, subscriber premiums and obligations are to be separated by Association affiliation through a 'portfolio transfer' to another licensed insurer (including reciprocals such as JRIE or MUNIX).
8. During and after the transition, the 'ALARIE Portfolios' are to be managed in a diligent and concerted fashion with the intent of closing claims and returning excess premium to subscribers on a regular basis.



OUR FILE: 62064.1  
REPLY TO:  
GRANT S. DUNLOP, Q.C.  
DIRECT LINE: (780) 429-6283  
DIRECT FAX: (780) 429-4453  
EMAIL: gdunlop@ogilvielaw.com

CANADIAN WESTERN BANK PLACE  
SUITE 1400  
10303 JASPER AVENUE  
EDMONTON AB T5J 3N6  
FACSIMILE (780) 429-4453  
TELEPHONE (780) 421-1818

This is Exhibit "B" referred to in the affidavit  
of Alan Wood. Sworn before me this 29  
day of July 2016.

Commissioner of Oaths in and for the  
Province of Alberta

Shannon J. Kinsella  
Barrister & Solicitor

April 26, 2016

VIA COURIER

Treasury Board and Finance  
**Attention: Laurie Balfour, MBA, CMA**  
**Senior Manager Prudential Supervision**  
402, 9515 – 107 Street  
Edmonton, Alberta T5K 2C3

Dear Madam:

**Re: ALARIE – Application for Voluntary Liquidation, Dissolution and  
Cancellation of License**

I am writing on behalf of the Alberta Local Authorities Reciprocal Insurance Exchange ("ALARIE") to seek the Minister's approval of ALARIE's voluntary liquidation and dissolution, pursuant to section 187 of the *Insurance Act* (the "Act") and, following final distribution of ALARIE's assets, also the Minister's approval of the cancellation of ALARIE's license, pursuant to section 53 of the Act.

As you know, ALARIE has been working towards concluding its business. In that regard, it has recently received a report from MNP LLP ("MNP") dated March 31, 2016, a copy of which is enclosed. As schedules 6, 7 and 8 to that report are large excel spreadsheets which are difficult to read when printed, they are contained in the enclosed thumb drive. Please note that there are two worksheets in each of schedules 6 and 8. In each case one worksheet covers the period up to 1996 and the other covers 1997 and onward. As set out in that report, MNP has undertaken an extensive review of documents and other information regarding ALARIE, and has considered three alternative methodologies for the distribution of ALARIE's assets, and has recommended one of those methodologies.

As we have previously discussed, ALARIE intends to seek approval from the Alberta Court of Queen's Bench of the distribution of its assets, in accordance with the methodology recommended by MNP. We intend to bring an application in court on notice to ALARIE's subscribers following a procedure which will provide those subscribers with the opportunity to review the MNP report, pose questions to MNP regarding its investigations and findings and make submissions to the court with respect to the proposed distribution. We have not yet sought a date from the Court of

Queen's Bench for the hearing of that application, but we anticipate that the date of that hearing will be no earlier than September, 2016, and possibly much later.

As set out in the enclosed report, ALARIE ceased issuing insurance policies in 2002 and between 2002 and 2015 concluded all outstanding claims. Consequently, presently there are no insurance policies in force and no unresolved claims. ALAIRE has substantial assets which we anticipate will be approximately \$13,500,000.00 once the administrative costs of concluding its affairs have been paid. In our respectful submission, these circumstances warrant the voluntary liquidation and distribution of ALARIE's assets. Pursuant to section 187 (2) of the Act we request the approval of the Minister in that regard and we also request the cancellation of ALARIE's insurance license in accordance with section 53 of the Act, following the final distribution of ALARIE's remaining assets.

I would be pleased to respond to any inquires you or the Minister may have with respect to ALARIE's two applications for Ministerial approval. In addition, ALARIE's manager, Mr. Alan Wood, and I would be pleased to meet with you, if that would be of assistance.

I look forward to hearing from you.

Yours truly,

OGILVIE LLP

Per. 

GRANT S. DUNLOP, Q.C.

GSD/msp

Enclosure

cc: Client (via email, without enclosures)

cc: Ogilvie LLP (via email, without enclosures)

Attn: Ron W. Odynski, Q.C.

Attn: Shannon Kinsella

June 10, 2016

Mr. Grant Dunlop, Q.C.  
Ogilvie LLP  
Canadian Western Bank Place  
Suite 1400, 103030 Jasper Avenue  
Edmonton, AB T6J 3N6

This is Exhibit "C" referred to in the affidavit  
of Alan Wood. Sworn before me this 29  
day of July A.D. 2016.

\_\_\_\_\_  
Commissioner of Oaths in and for the  
Province of Alberta

Shannon J. Kinsella  
Barrister & Solicitor

Dear Grant:

Thank you for your April 26, 2016 letter requesting approval for the Alberta Local Authorities Reciprocal Insurance Exchange's ("ALARIE") voluntary liquidation and dissolution, pursuant to section 187 of the Insurance Act ("Act") and, following final distribution of ALARIE's assets, also the Minister's approval of the cancellation of ALARIE's license, pursuant to section 53 of the Act.

The Minister's authority under section's 187 and 53 of the Act has been delegated to the Superintendent of Insurance. We have carefully reviewed your request and the supporting documents submitted on behalf of ALARIE and are pleased to inform you that the Superintendent of Insurance has approved the request.

ALARIE may proceed with dissolution pursuant to section 187 of the Act, which we expect to include obtaining approval from the Alberta Court of Queen's Bench with respect to the distribution of assets in accordance with the methodology recommended by MNP.

In addition, once the distribution of ALARIE's assets is completed and documentation is provided to our office to confirm said distribution ALARIE will be permitted to cancel its license pursuant to section 53 of the Act.

Yours truly,



Laurie Balfour, MBA, CPA, CMA  
Senior Manager Prudential Supervision

cc: Alan Wood, ALARIE