

**Minutes**  
**Finance & Audit Committee Meeting**

**Feb 27, 2025**

MS Teams | 8:34 – 9:30

**Present:** Danielle Hughes (Chair)      **Regrets:**  
Barry Burke  
Jarrett Reaume  
Laura Woodworth  
Stefan Cowell  
Cheryl Canning

**Recorder:** Jocelyn Fisher

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**1.0 Call to Order, Quorum and Conflicts/Announcements**

The Chair called the meeting to order at 8:34am. Quorum was met. There were no conflicts declared or announcements.

**2.0 Approval of the Agenda**

There were no comments or edits to the agenda.

**UPON MOTION** duly made by Stefan Cowell and seconded, it is unanimously  
**RESOLVED** to approve the meeting agenda of February 27, 2025.

**3.0 Approval of Finance & Audit Minutes for November 14, 2024**

**UPON MOTION** duly made by Stefan Cowell and seconded, it is unanimously  
**RESOLVED** to approve the Finance & Audit minutes for November 14,  
2024.

The Chair referenced the action items and noted all had been completed.

**4.0 Report on discussion with RSM, Baker Tilly Actuarial Review**

The Chair reported that she spoke with RSM regarding the audit and there were no issues. Everything was in the ranges they would expect. RSM had noted last year that HOPA's risk margin of 12% seemed high, but that provides a confidence level of 72% which puts HOPA in the middle of other reciprocals, who tend to be between 70 and 75%. This reflects all reciprocals they see, not just healthcare.

In the course of their review of the actuarial valuation RSM had noted a discrepancy of approximately \$300K relating to payment projections, which was resolved.

The CEO explained this discrepancy was because Axxima had done some valuation work in July in addition to the usual September, and the July numbers were inadvertently used by Axxima for the year end valuation report as opposed to the September numbers. This was later corrected.

## **5.0 Audit Report**

Alida Mitchell and Andrea Wilkie joined the meeting at 8:40.

Andrea Wilkie walked the group through the Financial Statements and Members' Equity Statement.

Baker Tilly provided an unqualified audit opinion with no concerns. The financial statements will remain in draft until approved by the Board at their March 20<sup>th</sup> meeting, and then the representation letter can be issued.

Andrea then reviewed the Statement of Operations and Comprehensive Income and noted the net earnings had increased by just over \$1M. Revenues were stable year over year and the change in net income was driven by a \$1.7M decrease in incurred claims and attributable expenses and investments income.

Looking at the Statement of Financial Position, Andrea noted that they are looking for 3 things related to the financial health of the organization: 1) positive cash balance, 2) positive Subscribers' equity balances (up to \$16.3M from \$12.2M last year), and 3) the liquidity ratio, which is strong at 2:1.

With regard to cash flow Andrea noted no concerns. HOPA generated \$2.6M in cash from an operating perspective and used \$3.8M in cash from an investing perspective.

The note disclosures were consistent with the prior year. The Subscriber Accounts were prepared consistently with prior years.

Alida then walked the Committee through the Audit Report. She reported that the accounting policies and the way in which they are applied showed that there is nothing controversial or unusual in those policies.

There was one misstatement identified which resulted in a \$550K adjustment. This is the \$300k difference mentioned earlier in the meeting, but there was an incremental difference due to the way they had to book the journal entry. There was an unadjusted error which is due to the way IFRS wants leases to be treated in that they should be set up as an asset and

a liability for rental property. Where this is not material to the financial statements, this will be left as is until the lease expires and will be re-assessed when a new lease agreement has been entered into.

The question was asked about journal entries and what error rate would indicate an issue within the accounting department. Alida responded with the example that if they saw a jump from the current 1.4% to 6%, that would indicate an issue with the accounting department and Baker Tilly would flag that.

#### **6.0 In-Camera meeting of the Committee and Auditors**

The CEO and recorder were excused at 9:01am for the in-camera discussion.

Alida Mitchell and Andrea Wilkie left the meeting at 9:05am.

The CEO and recorder rejoined the meeting at 9:06am.

#### **7.0 Committee Review of Audit Outcome and Recommendation to Board**

The CEO reported that the process was much better this year and she had more confidence in the team and the work being done. The CEO relayed from Susan Beal that from her perspective she felt the auditors asked good questions and they had open and honest communication. She said it was one of her best audit experiences with HOPA.

The CEO referred to the briefing memo provided to the Board in which she offered some observations about HOPA's financial year end. HOPA's expense ratio for 2024 was 22% vs 20% in 2023 so there was a very small increase there. The loss ratio, which is a comparison of the claims incurred plus expenses to the earned premium, was 77% in 2023 and down to 44% in 2024. That change reflects the \$1.7 million decrease in the insurance service expenses seen in the income statement. This results in a combined ratio for this year of 66% whereas last year it was 97%.

There was a question regarding the amount of \$4377 being positive in one year and negative the other in the statement of operations and comprehensive income under Operating Expenses, Miscellaneous. This amount related to old expenses recoverable from the excess insurer. In 2023 HOPA had written off the small amounts that were so old they were no longer recoverable. This caused the actuarial balance to be off in 2024 and Baker Tilly made the corrective adjustment to balance it.

**UPON MOTION** duly made by Barry Burke and seconded, it is unanimously **RESOLVED** to recommend Baker Tilly's audit finding reports to the board for approval, to recommend the draft financial statements as at December 31<sup>st</sup>, 2024 to the Board for approval, and to recommend the HOPA Subscriber accounts as at December 31<sup>st</sup>, 2024 to the Board for approval.

## 8.0 Recommendation for Appointment of Auditors

**UPON MOTION** duly made by Laura Woodworth and seconded, it is unanimously **RESOLVED** to recommend the appointment of Baker Tilly Inc. as HOPA's auditors for 2025 to the Board for approval.

## 9.0 Axxima's Actuarial Valuation as at December 31, 2024

The CEO explained that the changes from the interim September 30, 2024 report to the December 31, 2024 report were fairly minor and there is a good snapshot of them in the table that's on page 83 of the package.

The total Liability for Incurred Claims (LIC) figure as at December 31<sup>st</sup> was \$15,800,035 and in September it had been \$15,421,918. The Liability for Remaining Coverage (LRC) showed a more significant difference. In the current report it is \$235,750, whereas it was \$1.6 million in September. The current figure is the unearned premium from the property program, and as the property program runs March to March, the portion of the premium that's not earned as of December 31<sup>st</sup> is naturally smaller. The September figure also reflects the unearned portion of the liability program, which by December 31, has all been earned.

Line item 7 shows total insurance contract liabilities, which is \$16,035,785, compared to \$17,069,006 in September. This difference is primarily on the liability program, although there is a notable decrease in the property program as well. The audit report shows the spike in December payments on the property program that reduced the contract liabilities and impacted HOPA's cash.

**UPON MOTION** duly made by Jarrett Reaume and seconded, it is unanimously **RESOLVED** to recommend Axxima's Actuarial Valuation as at December 31<sup>st</sup>, 2024 to the Board for approval.

## 10.0 4<sup>th</sup> Quarter Treasurer's Report (investments only)

The Treasurer reported that HOPA has had a good rate of return of \$10.4 million since inception.

HOPA has moved cash in of \$7.4 million, and the market value at December 30<sup>th</sup> was \$28.2 million, both of which tie directly into the financials just reviewed.

## 11.0 Cash Management Update

The CEO reminded the Board of their cautious approach to cash management as a result of the bank balance falling below the threshold set out in the policy. Each time payables are run, the bank balance is checked to see if HOPA may be running into a situation where it

may need to pull cash from investments to top up the bank account to meet the liabilities. This has not been needed. The current balance is \$3.5 million and premium income is expected within the next month or so.

#### **12.0 Status Review – Terms of Reference Tracker 2025**

The Chair reviewed the Terms of Reference Tracker and noted that the Committee is up to date and on track.

#### **13.0 Risk Reflection**

The Chair noted that this is a standing agenda item to review whether any of the decisions made during the meeting affect HOPA's enterprise risk. Nothing discussed in today's meeting required further discussion with the Risk Management Committee.

#### **14.0 Other**

There was no other business.

#### **15.0 In Camera**

**UPON MOTION** duly made by Barry Burke and seconded, it is unanimously **RESOLVED** to move in camera at 9:24am.

The CEO and recorder left the meeting at 9:25am.

#### **16.0 Adjournment**

Following the meeting, the Chair confirmed via email that the meeting was adjourned.

**UPON MOTION** duly made by Stefan Cowell and seconded, it is unanimously **RESOLVED** to adjourn the meeting at 9:30am.