

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

MICHAEL MCCARTHY, CHRISTINE MCCARTHY, DEREK MARCHAND

Plaintiffs

- and -

THE CANADIAN RED CROSS SOCIETY, THE ATTORNEY GENERAL OF CANADA

Defendants



Proceeding under the *Class Proceedings Act*, 1992

**No. C976108
Vancouver Registry**

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

**EDWARD KILLOUGH, PATRICIA NICHOLSON,
IRENE FEAD, DAPHNE MARTIN. DEBORAH LUTZ
AND MELANIE CREHAN**

PLAINTIFFS

AND:

**THE CANADIAN RED CROSS SOCIETY, HER MAJESTY THE
QUEEN IN RIGHT OF BRITISH COLUMBIA AND THE ATTORNEY
GENERAL OF CANADA**

DEFENDANTS

Brought under the *Class Proceedings Act*, R.S.B.C. 1996, c. 50

COURT FILE NUMBER

9903 19153

Clerk's Stamp

COURT

COURT OF QUEEN'S BENCH OF
ALBERTA

JUDICIAL CENTRE

EDMONTON

PLAINTIFF(S)

**SHIRLEY ADRIAN, DEBBIE ANDERSON, RICHARD
EDWARD AUTEN, JAMES EDGAR BAKER,
CONSTANCE DOREEN BAKER, JEFF BEESTON,
ISABELL BRESSE, JOHN BRESSE, HARRY
CHICHAK, BRIAN EDWIN FERGUSON, RON
GEORGE, JANICE PATRICIA HAMMOND,
DELORES HICKMOTT, GARY HICKMOTT, JAMES
MILTON JOBE, BRIAN W. JOHNSON, WENDY LEE
RAMEY, MARLENE DOROTHY KEEP, DENNIS
KEEP, CAROL DIANNE KNOTT, BYRON KNOTT,
LAURA CATHERINE KRISTIANSON, RALPH
SAMUEL KRISTIANSON, KIMBERLY ANN LEBEUF,
ALEXANDER PATRICK NOWOSAD, ELENA
RICIOPPO, DALVINO RICIOPPO, SHANNON
RICKETTS, KEVIN ROE, KATHY ROMANIW, ELLEN
SANDERSON, JEAN DARLENE SNIPES, RICHARD
JOSEPH LIPSCOMBE, DEBORAH ANNE
STABRYLA, ELIZABETH TREAU, GUISEPPE
VOLPE, JUNE VOLPE, and JOHN DOEs 1 to 100
and JANE DOEs 1 TO 100**

DEFENDANT(S)

**THE ATTORNEY GENERAL OF CANADA AS
REPRESENTED BY THE MINISTER OF HEALTH
FOR CANADA and HER MAJESTY THE QUEEN IN
RIGHT OF THE PROVINCE OF ALBERTA**

CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No. : 500-06-000065-983

(Class Action)

SUPERIOR COURT

GUY DESJARDINS

-and-

JEAN ROCHON

Plaintiffs

c.

LE PROCUREUR GÉNÉRAL DU CANADA

Defendant

PETER GORHAM 2016 SUFFICIENCY AFFIDAVIT
(Sworn November 7, 2016)

I, Peter Gorham, of the Town of Whitby, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

1. I am a fellow of both the Canadian Institute of Actuaries and the Society of Actuaries, which is the professional association for actuaries in the United States of America. I attained my designation as Associate, Society of Actuaries, in 1977 and attained both fellowships as an actuary in 1980.
2. I am an experienced actuary having spent my professional career providing pension benefits and actuarial consulting services to numerous clients across Canada. I also teach pension courses at the Humber College Centre for Employee Benefits. As such, I have knowledge of matters to which I hereinafter depose.
3. My professional qualifications and experience are more fully detailed in my *curriculum vitae* which is attached as **Exhibit "A"** to this affidavit.
4. In 2005 I was engaged by Canada to provide an expert opinion to the superior courts in British Columbia, Ontario and Quebec regarding the financial sufficiency of the trust fund created pursuant to the settlement agreement between the federal, provincial and territorial governments of Canada and the class action plaintiffs claiming compensation for infection with hepatitis C ("HCV") during the period between January 1, 1986 and July 1, 1990. That retainer has been renewed on various

occasions and currently subsists until March 2017. During that period I have provided additional opinions as to the sufficiency of that fund in each of 2007, 2010 and 2013.

Engagement of Morneau Sobeco by Canada

5. In July 2005, Canada engaged Morneau Sobeco (now known as Morneau Shepell) to provide a team of actuarial advisors to assist its litigators in exploring the possibility of developing a negotiated settlement with plaintiffs' counsel in the four class actions in British Columbia, Alberta, Ontario and Quebec. I was the actuary designated to lead a team of 6 professional consultants who assisted counsel in weighing the feasibility of possible approaches to a settlement plan. I am the person primarily responsible for the content of the opinions that Morneau Shepell have issued in all reports subsequent to that time.

6. In November 2005, Cabinet approved a memorandum of understanding with plaintiffs' counsel which committed Canada to negotiating a settlement. Following that, I was instructed to assist counsel for Canada by preparing scenarios to cost out a possible settlement based on a present day model which would achieve parity, to the extent possible, with the compensation payable under the settlement for those infected with HCV by the Canadian blood supply between January 1, 1996 and July 1, 1990.

7. On December 14, 2006, the counsel for Canada and counsel for the class action plaintiffs in the four actions entered into the Pre-1986/Post-1990 Hepatitis C Settlement Agreement.

8. The Fund was settled by Canada to provide lump sum benefits to class members. Class counsel provides oversight and direction for administration and investment of the Fund, subject to oversight by the Courts.

9. Subsequent to that time Morneau Shepell was retained to provide an actuarial report assessing the sufficiency of this fund as of November 30, 2012. This report has previously been filed in these proceedings.

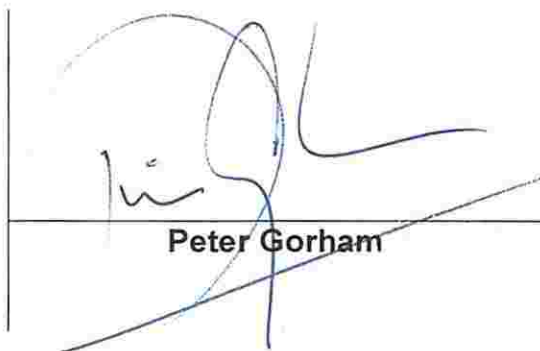
10. Morneau Shepell was again retained by Canada to provide similar actuarial advice and analysis evaluating the financial position of the Fund in support of this the second such sufficiency hearing. In accordance with that retainer we have prepared an Actuarial Report dated November 7th, 2016, attached as **Exhibit "B"** to this affidavit.

11. I make this affidavit in response to the plaintiffs' material prepared in support of the fund sufficiency motions.

Sworn before me at the City of Toronto,
in the Province of Ontario, this 7th day of
November, 2016.



A Notary Public in and for the Province
of Ontario


Peter Gorham

This is Exhibit "A" as referred to in the affidavit of Peter Gorham
sworn before me this 7th day of November, 2016

Bernice L. Wilkinson

A Notary Public in and for the Province of Ontario

Curriculum Vitae of Peter J. M. Gorham

Professional Designation

Fellow, Canadian Institute of Actuaries

Fellow, Society of Actuaries

Employer

JDM Actuarial Expert Services Inc., President & Actuary

Education

1972 - 1976: University of Toronto, B.Sc.

- Majoring in Actuarial Science and Computer Science

1973 - 1980 Actuarial studies

- Attained ASA (Associate, Society of Actuaries) in 1977
- Attained FSA (Fellow, Society of Actuaries) and FCIA (Fellow, Canadian Institute of Actuaries) in 1980

Employment History

1968 - 1972 Microsec 69 Limited

- Summer employment as a pension administrator

1973 - 1976 Crown Life Insurance

- Summer and part-time employment as an actuarial assistant for U.S. group insurance and pensions

1976 - 1978 Crown Life Insurance

- Full-time employment as an actuarial student working with U.S. group insurance and pensions

1978 - 1998 Aon Consulting - (formerly MLH + A inc and K. G. Brown Associates)

- Pension and Actuarial consultant providing advice to corporations, public organizations and unions on their pension and benefit plans
- Provided expert testimony services to the legal profession for loss of income and marriage breakdown matters
- 1987, K. G. Brown merged with MLH + A inc.
- 1989, appointed partner of MLH + A inc.
- 1997, MLH + A inc merged with Aon Consulting

- 1998 – 2011 Morneau Shepell Inc (formerly Morneau Sobeco)
- partner
 - Pension and Actuarial consultant providing advice to corporations, public organizations and unions on their pension and benefit plans
 - Provide expert testimony in legal proceedings involving criminal interest, wrongful dismissal, future care costs and cases involving a quantification of the effects of risk.
- 2011 – present JDM Actuarial Expert Services Inc.
- President and actuary
 - Pension and Actuarial consultant providing advice to corporations, public organizations and unions on their pension and benefit plans
 - Provide expert testimony in legal proceedings involving criminal interest, wrongful dismissal, future care costs and cases involving a quantification of the effects of risk.

Responsibilities

- Pension and group insurance consulting to corporations. Clients range from small (under 25 employees) to large (over 1,000 employees)
 - Design and implementation of pension plans, including plan documentation, design of administration and employee communications
 - Design and implementation of pension plan
 - Review of plan governance and consulting on effective plan governance
 - Interpretation of plan terms and applicable law for specific situations clients face
 - Costings and valuations of pension plans and benefits.
 - Advice and valuations of pension and benefit obligations for funding and accounting purposes
 - Advice and costings for union negotiations
 - Advice and costings for pension and benefit issues in corporate mergers and acquisitions
 - Employee communications
- Pension and group insurance consulting to Multi-Employer plans. Clients are trustee multi-employer pension and benefit plans
 - Design and implementation of pension plans, including plan documentation, design of administration and employee communications
 - Design and implementation of pension plan and group insurance plan amendments
 - Review of plan governance and consulting on effective plan governance
 - Interpretation of plan terms and applicable law for specific situations clients face
 - Costings and valuations of pension plans and benefits
 - Member communications

▪ Expert Witness services

- Family law valuations to determine the value of pensions (prior to 1999)
- Present value of future income and future care costs
- Valuation of lost pension, benefits and compensation in cases of wrongful termination or retirement
- Valuation of life estates
- Valuation of present value of future support payments
- Valuation of present value of future compensation payments for Hepatitis C 1986-1990 Compensation Fund and the lump sum compensation amounts for the Hepatitis C pre-1986 and post-1990 Class Settlement.
- Determination of appropriate investment returns to consider applying to trust funds maintained by Canada on behalf of disabled veterans for *Authorson v. Attorney General for Canada*
- Certifications of criminal rate of interest, including
 - *Markson v MBNA Canada Inc*: a class action alleging a criminal rate of interest was charged on various cash advances using a MBNA Mastercard; and
 - *Margaret Smith and Ron Oriet vs National Money Mart Company and Dollar Financial Group Inc.* as well as *Gareth Young v. National Money Mart* and *H. Craig Day v. National Money Mart et al.*
- Review of the effect of workers' compensation benefit cessation after two years of benefit following age 65 for an alleged breach of the Charter of Rights and Freedoms in *Daniel Gouthro v. Workplace Safety and Insurance Board* and in *Jacques Rochon v. Workplace Safety and Insurance Board*
- Report on the selection of an appropriate discount rate for valuing future care costs and loss of income in Trinidad and Tobago
- Report on the selection of an appropriate discount rate for valuing future care costs and loss of income in Bermuda
- Valuations and/or reviews of situations involving the present value of future contingent events
- Expert testimony provided to
 - Unified Family Court of Ontario
 - Superior Court of Justice for Ontario
 - Supreme Court of British Columbia
 - Court of Queen's Bench of Alberta
 - Superior Court of Quebec
 - High Court of Justice of Trinidad and Tobago
 - Supreme Court of Bermuda
 - Ontario Employment Standards Tribunal
 - Ontario Workplace Safety and Insurance Tribunal

- Canadian Institute of Actuaries Disciplinary Tribunal
- Education and training of actuarial assistants and pension administrators. Direct the preparation of summaries and explanations of current issues for professionals.

Professional Associations and Committees

- Canadian Institute of Actuaries
- Society of Actuaries
- Association of Canadian Pension Managers
- Canadian Pension and Benefits Conference
- Society of Actuaries, Education and Examination Committee 1981-1990
 - Writing and marking of actuarial examinations for Canadian pension topics
 - 1986 - 1990 was chairperson for Canadian Pension exam (Part 10) and also responsible for recommending new topics and study material
- Canadian Institute of Actuaries, Continuing Professional Development Committee, Chairperson, 1991 – 1994
 - Responsible for designing initial standards for continuing professional development
- Canadian Institute of Actuaries Program Committee, 1989 – 1993
 - Design program and recruit speakers for CIA conferences
- Canadian Institute of Actuaries Task Force on proposed pension standards requiring plan advisors to report non-compliance to regulators – 2003 – 2005
- Canadian Institute of Actuaries Committee on Relations With Other Professions on Pension Matters, 2004 – 2005
- Recipient of Canadian Institute of Actuaries' Silver Award for volunteer service – 2005
- Pension Review Council, 1988 – 1994
 - Industry group comprised of largest pension consulting firms and legal firms in Canada
 - Provide advice to regulators and liaison between industry and pension regulators
- Multi-Employer Benefit Plan Council of Canada (MEBCO)
 - Multi-Employer industry group to provide advice to regulators and act as liaison between plan trustees and regulators
 - Founding director, 1992 – 1993
- Humber College, Centre for Employee Benefits, Industry Advisory Committee, 1988 – 1994
- Canadian Institute of Actuaries – member of the 2009 Pension Review Task Force, which was charged with reviewing actuarial reports on the wind up of pension, plans for compliance with professional standards and legislative requirements. - 2012
- Capital Accumulation Plans Industry Task Force advising the Joint Forum of Financial Market Regulators regarding guidelines for Capital Accumulation Plan Administration, 2002 – present

- Chair for the CAP Guidelines Fees Disclosure Industry Working Group, 2012
- Canadian Institute of Actuaries – research project into the discount rates for determining the present value of future pecuniary losses, 2014.

Publications

- K. G. Brown Memorandum, author 1985 – 1987
 - Newsletter of current issues for clients and friends of the company
- MLH + A Actualities, editor 1989 – 1994
 - Newsletter of current issues for clients and friends of the company
- Canadian Benefits Administration Manual, editor 1989 – 1994
 - Looseleaf service published by Carswell for pension and benefits plan administrators
- Benefits Canada: “Ode to Insurance Rating”, December 1994, with J. M. Norton
- Benefits Canada: “Safety in Numbers”, December 1995, with David Glover
- Benefits Canada: “Great Expectations”, August 1996, with Robert Brunelle
- Benefits Canada: “Paying for the Bills”, December 1996, with Keith Morrallee
- Benefits Canada: “Adventures in Compensation – Profit Sharing Plans”, May 1999
- DC Pension Members’ Newsletter, Morneau Sobeco: “What is Long Term?”, July 1999
- Morneau Sobeco Vision: “Retirement Trends in Canada – An Overview”, Oct 1999, with Fred Vettese
- DC Pension Members’ Newsletter, Morneau Sobeco: “What’s up With My Investments?”, Apr 2000
- The Canadian Institute: “Using Technology for Efficient, Convenient Pension Communication”, Jul 2000
- Benefits Canada: “Balancing Act” – An Alternate View of Risk for DC Pensions, Jan 2001
- Morneau Sobeco Vision: “Our Inaugural DC Survey Results – Plan Members Speak Out”, Mar 2001, with Fred Vettese
- Benefits Canada: “Viewpoint – Searching for a Safe Harbour”, Oct 2001
- Benefits Canada: “Investment Information for DC Plan Members”, Oct 2002
- Benefits and Pension Monitor: “Testing DC Members, Can They Make the Grade?”, Feb 2004
- Morneau Sobeco Vision: “Retirement Trends in Canada – 5 Years Later”, Feb 2004, with Fred Vettese
- Benefits & Pension Monitor: “Governance Audits”, Apr 2005
- Morneau Sobeco News & Views: “OECD Investment Guidelines on Pension Fund Asset Management”, Mar 2006
- Canadian HR Reporter: “The Best of Both Worlds”, May 2007

- Morneau Sobeco News & Views: "Baby Boomers Aren't Saving Enough", Aug 2007
- JDM Actuarial Expert Services: "The Criminal Rate of Interest", Aug 2011
- JDM Actuarial Expert Services: "Life Expectancy", Sep 2011
- JDM Actuarial Expert Services: "Selecting a New Consultant", Nov 2012
- Benefits & Pension Monitor: "Selecting a New Consultant", May 2013

Seminars and Conferences

- "Pension Issues around the World - Canada" - Society of Actuaries, San Diego, 1988
- "Pension Adjustments and RRSP Contributions" - CCH/ACPM Conference, Toronto, 1988
- "Why Bother With Defined Benefit Plans" - Richard DeBoo Conference, Toronto 1990
- "Pension Fund Investment Management and the New Rules" - ACPM Conference, Vancouver, 1991
- "Pension Fund Investment Management" - Canadian Association of University Business Officers, Montreal, 1991
- "Pension Legislation - A Cross-Canada Review" - Richard DeBoo Payroll Conference, Toronto, 1991
- "Family Law Act and Pensions" - Estate Planners Council of Hamilton, Hamilton, 1991
- "Pension Plan Design for the 1990's" - MLH + A Client Seminar, Hamilton, 1992
- "Pension Reform Across Canada" - Richard DeBoo Payroll Conference, Toronto, 1992
- "Pension & Benefits Checklist" - Carswell - Employment Law Update, Toronto, 1992
- "Pension Act Compliance" - Canadian Institute of Actuaries, Montreal, 1993
- "Continuing Professional Development" - Canadian Institute of Actuaries, Montreal, 1993
- "Tax Assisted Retirement Savings" - Carswell Payroll Conference, Toronto, 1993
- "Benefits Basics - Funding Group Insurance Plans" - Benefits Canada and Canadian Pension & Benefits Conference, Toronto, 1995
- "Demographics and the Social Security Crunch" - MLH + A Seminar, Toronto, 1996
- "Actuarial Issues" - Seminar for Continuing Professional Development of Life Underwriters Association of Canada, Toronto, January - February 1997
- "Pension Trends and Predictions" - Morneau Sobeco Trends and Projections Seminar, September 1999
- "Retirement Planning" - Benefits Canada DC Plan Summit, January 2000
- "Using Technology for Efficient, Convenient Pension Communication", The Canadian Institute, Jul 2000
- "Effective Tax Strategies for Pensions in Canada" - Fundamentals of Canadian Employee Benefits, International Foundation of Employee Benefits Plans, August 2000
- "Pension Trends and Predictions" - Morneau Sobeco Trends and Projections Seminar, September 2000

- "Saying Good Bye to Boomers – Demographics and Our Benefits System" – HRP AO Conference, November 2000
- "Plan Members Speak Up" – Benefits Canada DC Plan Summit, January 2001
- "Pension Governance – Course 2" – Federated Press, Course Leader with Eilonwy Morgan, April 2001
- "Retirement Planning" – HRMA/Worldatwork Conference, June 2001
- "Pension Trends and Predictions" - Morneau Sobeco Trends and Projections Seminar, September 2001
- "Fundamentals of Pension Governance", Pre-Conference workshop, Canadian Institute National Forum of Pension Governance, with Elizabeth Boyd, Blake Cassels & Graydon LLP, January 2002.
- "Pension Governance – A Strategy" - Morneau Sobeco Emerging Trends Seminar, April 2002
- "Pension Liability: Do You Know What Your CFO Is Doing Today?" – Federated Press workshop, Pension Governance Conference, June 2002
- "Fundamentals of Pension Governance in Canada" – Canadian Institute Course, co-leader with Elizabeth Boyd, Blake Cassels & Graydon LLP, July 2002
- "Pension Trends and Predictions" - Morneau Sobeco Trends and Projections Seminar, September 2002
- "Fundamentals of Pension Governance in Canada" – Canadian Institute Course, co-leader with Elizabeth Boyd, Blake Cassels & Graydon LLP, November 2002
- "Impact of Pension Funds on Financial Statements" – Federated Press Conference on Forestalling Pension Fund Shortfalls, Session Chair and Presenter, March 2003
- "Pension Plan Financial Risks on Corporate Earnings" – Federated Press Conference on Forestalling Pension Fund Shortfalls, Post Conference workshop, March 2003
- "Changing Face of Governance" - Morneau Sobeco Emerging Trends Seminar, April 2003 and June 2003
- "Fundamentals of Pension Governance in Canada" – Canadian Institute Course, co-leader with Elizabeth Boyd, Blake Cassels & Graydon LLP, July 2003
- "Pension Trends and Predictions" - Morneau Sobeco Trends and Projections Seminar, September 2003
- "Governance Roundtable" – Morneau Sobeco Roundtable discussion, November 2003
- "Negotiating Pension and Benefits" – panel member, Lancaster House, Bargaining in the Broader Public Sector, November 2003
- "Pension Governance – Performing a Governance Audit" – Federated Press Pension Governance Conference, with Andrew Harrison, Borden Ladner Gervais, April 2004
- "Pension Plans at Risk" - Morneau Sobeco Emerging Trends Seminar, April 2004
- "Fundamentals of Pension Governance in Canada" – Canadian Institute Course, co-leader with Elizabeth Boyd, Blake Cassels & Graydon LLP, July 2004
- "Pension Trends and Predictions" - Morneau Sobeco Trends and Projections Seminar, September 2004

- "Investment Risk Roundtable" – Morneau Sobeco Roundtable discussions, November/December 2004
- "Pension Governance – Performing a Governance Audit" – Federated Press Pension Governance Conference, with Sonia Mak, Borden Ladner Gervais, April 2005
- "Measures of Defined Contribution Plan Success" – Canadian Pension & Benefits Institute Fundamentals Series, April 2005
- "Emerging Trends for Pension Plans" – Morneau Sobeco Emerging Trends Seminar, May 2005
- "Pension Trends and Predictions"- Morneau Sobeco Trends and Projections Seminar, September 2005
- "Essential Skills for Pension Committee Members" – Federated Press, Course Leader, February 2006
- "Pension Governance – Performing a Governance Audit" – Federated Press Pension Governance Conference, with Bethune Whiston, Morneau Shepell, March 2006
- "Essential Skills for Pension Committee Members" – Federated Press, Course Leader, June 2006
- "Pension Trends and Predictions"- Morneau Sobeco Trends and Projections Seminar, September 2006
- "The Impossibility of Funding Mature Pension Plans" – Federated Press Pension Funding Conference, September 2006
- "Essential Skills for Pension Committee Members" – Federated Press, Course Leader, November 2006 and February 2007
- "Improving Pension Governance – Decisions, Decisions, Decisions" – Morneau Sobeco Roundtable, March 2007
- "Pension Trends and Predictions"- Morneau Sobeco Trends and Projections Seminar, September 2007
- "Governance Structures and the Role of Pension Committee Members" – Federated Press, Workshop Co-Leader, December 2007
- "Pension Governance and Delegation" – Canadian Institute Conference on Pension Law, Litigation and Governance, January 2008
- "What Does it Take to Establish a Successful Pension Committee?" – Federated Press, March 2008
- "Pension Trends and Predictions"- Morneau Sobeco Trends and Projections Seminar, September 2008
- "Governance Structures and the Role of Pension Committee Members" – Federated Press, Workshop Co-Leader, November 2008
- "Unlocking Pension Funds" – Association of Canadian Pension Management, a debate with Malcolm Hamilton in which I opposed the proposition that pension funds should be unlocked, November 2008
- "Pension Reform" – Morneau Sobeco conference, March 2009
- "Pension Governance – Performing a Governance Audit" – Federated Press Pension Governance Conference, with Tejash Modi, Morneau Shepell, June 2009

- "Pension Trends and Predictions"- Morneau Sobeco Trends and Projections Seminar, September 2009
- "Pension Governance – Performing a Governance Audit" – Federated Press Pension Governance Conference, with Tejash Modi, Morneau Shepell, June 2010
- "Pension Trends and Predictions"- Morneau Sobeco Trends and Projections Seminar, September 2010
- "Governance Structures and the Role of Pension Committee Members in a Period of Crisis" – Federated Press, Workshop Leader, November 2010
- "Updating Pension Practices in Light of Recent Judicial Decisions" – Canadian Institute conference, with Hugh Wright, McInnis Cooper, January 2011
- "Designing and Implementing a Pension Governance System" – Federated Press, Workshop Leader, June 2012
- "Essential Skills for Pension Committee Members – Retirement Income Needs" – Federated Press, October 2012, October 2013, October 2014

Other Professional Activities

- Wrote and presented brief to Ontario Finance Committee regarding reform of pension legislation, 1986
- Co-ordinated industry seminar and preparation of report on behalf of Ontario consulting organizations to Pension Commission of Ontario and Ministry of Finance regarding pension reform proposals, 1989
- Initiated the founding of the Pension Review Council – a group of representatives of major consulting and legal firms to review issues with legislation and provide a forum for liaison with the pension regulators
- Participated in seminars and assisted in analysing and commenting on proposed changes to Income Tax Act, as part of Pension Review Council, 1989 – 1992
- Director, Multi-Employer Benefits Council of Canada, 1992-1993
- Humber College, Centre for Employee Benefits, Faculty
 - Certified Employee Benefit Certificate course, 1983 – 1990
 - Pension Plan Administration Certificate, Courses 2 and 3, 1990 – present
 - "Understanding Actuarial Reports", 1990 – 1993
 - "Pension Plan Cash Flows", 1994 – 1998
 - "Financial Calculations – Pension Administration Basics", 2006 – present
 - "Dollars and Cents of Pensions – Perspectives on Investing", 2002 – 2006
 - "Pension Plan Governance", 2007 – present
 - "Pension Benefits Legislation", 2005 – present
 - "Income Tax Act and Pensions", 2005 – present
- CBC Marketplace, "Easy Loans: Uneasy Money" where I provided information about the interest rate and total charges for various high-rate loans, 27 February 2015

Community Service

- Heart & Stroke Foundation of Ontario, Hamilton-Wentworth Chapter
 - Member, Board of Directors and Chair, Corporate Committee, 1992 – 1998
 - President, 1995-1997
- Heart & Stroke Foundation of Ontario
 - Provincial Development Committee, 1997 – 1998
- Rotary Club of Hamilton, 1993 – 1998
 - Member, Easter Seals Committee, 1993 – 1997
 - Weekly Reporter for newsletter, 1995 – 1998
 - Sergeant-at-Arms and Director, 1996 – 1997
- Ancaster Community Food Drive
 - Co-chair, 1994 – 1998
- Rosedale Presbyterian Church, Toronto
 - Elder, 1985 – 1990
 - Sunday School Teacher, 1982 – 1984
 - Co-chair, Vietnamese Refugee Sponsorship Committee, 1979-1981
- St. Andrew's Presbyterian Church, Ancaster
 - Elder, 1991 – 1998
 - Board of Managers, 1991-1993
 - Sunday School Teacher, 1993 – 1998
- Presbyterian Church in Canada, Pension Board
 - Member, 1986 – 1991
- Presbyterian Church in Canada, Pension Task Force, 1988 – 1990
 - Review plan and design new benefit structure
- Presbyterian Church in Canada, Pension Task Force, 1994 – 1996
 - Review funding of plan and determine alternative sources of funds
- Neighbour to Neighbour Centre, Hamilton
 - Board of Directors, 1997 – 1998
- Chandos Lake Property Owners Association
 - Board of Directors and Treasurer, 1996 – 2003
- Rotary Club of Whitby Sunrise, Whitby, 2000 – present
 - Board of Directors, 2002 – 2006 and 2009 - 2012

- Newsletter editor, 2001 – 2003
- President elect, 2003 – 2004
- President, 2004 – 2005
- By-law review subcommittee, 2008 and 2013
- Treasurer, 2009 – 2012
- Rotary International District 7070 Inc. (Toronto to Belleville)
 - District Treasurer, 2012 – 2015

This is Exhibit "B" as referred to in the affidavit of Peter Gorham
sworn before me this 7th day of November, 2016



A Notary Public in and for the Province of Ontario

**ACTUARIAL REPORT ASSESSING THE FINANCIAL SUFFICIENCY OF
THE PRE-1986/POST-1990 HEPATITIS C SETTLEMENT TRUST FUND
AS AT 30 JUNE 2016**

Prepared 7 November 2016

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1. PURPOSE

1. This report has been prepared at the request of Health Canada and the Department of Justice of the Government of Canada. Morneau Shepell was retained to perform an actuarial valuation of the Pre-1986/Post-1990 Hepatitis C Compensation Fund (the "**Fund**") as of 30 June 2016 in order to:
 - a. provide an evaluation of the financial position of the Fund for support of the Sufficiency Hearings;
 - b. provide information to the federal government to assist them in reviewing their position with respect to the Fund.
2. The Settlement Agreement requires a sufficiency review to be conducted as of 30 June 2010 and each three years thereafter. There has been one report prepared prior to 30 June 2016 by the actuary retained by Class Counsel and it was prepared as of 30 November 2012. I also prepared a report as of 30 November 2012 (the "**Morneau Shepell 2012 Report**") and in that report I provided an opinion as to the financial sufficiency of the Fund as of both 30 June 2010 and 30 November 2012. To the best of my knowledge, there was no actuarial report of the sufficiency of the Fund prepared as of 30 June 2013.
3. The intended users of this report are Health Canada, the Department of Justice of the Government of Canada, Class Counsel and the courts having jurisdiction over the Fund. The law may require this report to be provided to other parties who are not intended users. The report may not be provided to anyone who is not an intended user except as may be required by law. The findings herein may not be used or relied upon by any party other than an intended user without the prior written consent of Morneau Shepell.

2. EXECUTIVE SUMMARY

BACKGROUND

4. During the periods prior to 1986 and subsequent to 1 July 1990, a number of people were infected with Hepatitis C from blood transfusions and blood products. A Settlement Agreement (the “Plan”) specifies the persons eligible to receive benefits, the amount of benefits payable, the funding of the benefits by the federal government and the investment of assets. A trust fund was established under the terms of the Plan to provide compensation to people so infected during this time period. A separate agreement and trust fund were established for those who were infected during the period 1 January 1986 to 1 July 1990.
5. The Fund was settled by Canada to provide lump sum compensation benefits to class members. Class Counsel provides oversight and direction for administration and investment of the Fund, subject to oversight by the courts.
6. The Fund is divided into two sub funds – the Main Compensation Fund and the Past Economic Loss and Dependents Fund. The Past Economic Loss and Dependents Fund provides for payment of the loss of income and loss of services benefits as well as all benefits payable to dependants. All other benefits are paid from the Main Compensation Fund. Should the Past Economic Loss and Dependents Fund have insufficient assets to pay all benefits for approved claims, there is a provision to allow the courts to authorize a transfer of assets from the Main Compensation Fund.
7. Within the Main Compensation Fund, there is notional accounting for family benefits, however there is no separation of assets or limit on total benefits payable. The purpose of this notional fund is to track the difference between the amount expected to be paid to family members and the amount actually paid. Any positive balance in the notional family fund is to be paid pro rata to the infected members upon termination of the Fund.
8. The Settlement Agreement provides for certain limits on benefits. Those limits may be removed and the additional amounts paid to class members if there are sufficient assets and subject to court approval. There are three such limits:
 - a. The Claims Experience Premium provides an additional benefit to infected claimants and estates payable from the Main Compensation Fund;
 - b. There is a \$75,000 limit placed on income used in calculating income related losses payable from the Past Economic Loss and Dependents Fund;
 - c. Income related benefits payable from the Past Economic Loss and Dependents Fund are paid at 70% of the total loss.
9. A summary of the Plan benefits and the amounts payable is contained in Appendix A.

CLAIMANT COHORT

10. The first deadline for filing claims for benefits from the Fund was 30 June 2010, (subject to some exceptions). The final claim deadline was 30 June 2016. We understand that the Settlement Agreement provides that no claims are to be filed after that date. Nevertheless, there are a number of claims that remain under review or that have been denied by the administrator and an appeal of that decision remains open. We have made an assumption about the number of existing claims under review or appeal that will eventually be approved – these are referred to as the unknown claimants.
11. All claimants that have previously been approved are referred to as known claimants. Most known claimants have been paid. However, there are 25 infected claimants and 240 family members who have been approved but have not returned the release form that is required prior to payment being made. We understand there is currently no time limit on returning the release form.
12. Tables 12a and 12b shows the number of claimants (both known and unknown) we have assumed for this report.

Table 12a - Cohort Size – Known & Expected Future Claimants

	Infected Claimants	Family Members
Approved and Paid up to 30 June 2016		
Alive claimants	4,812	-
Deceased prior to 1999	162	-
Deceased after 1998	675	-
Total Known Claimants	5,649	9,058
Future Approvals		
Deficient Claims	40	49
Appeals of past denials	18	1
Future claims to be filed	0	0
Total Future Approvals	58	50
Outstanding release forms	25	240
Total - All Claimants	5,732	9,348

Table 12b – Summary of Known & Expected Future Claimants with Compensation from the Past Economic Loss and Dependants Fund

	Infected Claimants	Dependants
Approved and paid as of 30 June 2016	807*	187
Approved but not paid as of 30 June 2016	490	139
Pre 1999 deaths electing \$108,000 lump sum option	-	162
Total Known Claimants	1,297	488
Future Approvals		
Deficient Claims and appeals	13	3
Future claims to be filed	0	0
Total - All Claimants	1,310	491

* There are 131 claimants who received compensation for both a loss of income and a loss of services – they are counted only once in this table.

13. As of 30 June 2016, the total compensation paid to claimants is:

a. Main Compensation Fund	\$ 894,219,956
b. Past Economic Loss and Dependants Fund	<u>97,988,248</u>
c. Total	\$ 992,208,204

FINANCIAL RESULTS

14. The following are summaries of the overall financial position of the two funds.

Table 14a – Financial Position - Main Compensation Fund as of 30 June 2016

Main Compensation Fund	
Assets	\$ 30,892,000
Liabilities	
Expected future compensation - infected persons and estates with deficient claims or appeals	12,394,000
Expected future compensation - family members with deficient claims or appeals	164,000
Compensation to claimants with outstanding release forms	1,333,000
Future Fees and Expenses	1,350,000
Sub Total	15,241,000
Surplus (Shortfall) before Family Fund Balance and Claims Experience Premium	15,651,000
Balance in Family Fund owed to infected claimants	30,452,000
Claims Experience Premium	115,904,000
Surplus (Shortfall) if full Family Fund and Claims Experience Premium paid	\$(130,705,000)

Table 14b - Financial Position – Past Economic Loss and Dependents Fund as of 30 June 2016

Past Economic Loss and Dependents Fund	
Assets	\$ 153,000
Liabilities	
Current approved claims not yet paid	64,918,000
Expected Future claims	1,680,000
Sub Total	66,598,000
Surplus (Shortfall) before removal of limits	(66,445,000)
Estimated amount due if 70% payment removed	26,520,000
Estimated amount due if \$75,000 cap removed	*
Surplus (Shortfall) if limits removed	\$ (92,965,000)

* Not estimated.

15. While there should be sufficient assets to pay all remaining lump sum claims under the Main Compensation Fund, there are insufficient assets to pay the balance in the Family Fund and the Claims Experience Premium in full. There are insufficient assets to pay all remaining claims under the Past Economic Loss and Dependents Fund.
16. The Main Compensation Fund is expected to have approximately \$15.6 million of assets remaining after paying all expected lump sums to infected claimants, estates and family members. We understand there is a question how the remaining balance in the Main Compensation Fund should be allocated after all remaining claims have been paid. There are at least four possibilities.
 - a. The assets could first be utilised to pay, on a pro rata basis, the balance in the Family Fund (Settlement Agreement s.4.02(4)). After the entire Family Fund has been paid to claimants, any remaining balance (expected to be zero) could be used to pay a Claims Experience Premium.
 - b. The assets could first be used to pay a Claims Experience Premium (Settlement Agreement s.5.07). If the Claims Experience Premium is found to have priority over payment of the remaining balance in the Family Fund, then there will be assets available to pay a pro rata portion of the Claims Experience Premium. In such an event, there will be no assets available to pay the balance in the Family Fund.
 - c. The assets could be divided in some specified fashion so that a portion of both the balance in the Family Fund and the Claims Experience Premium are paid.
 - d. The assets could be transferred in whole or in part to the Past Economic Loss and Dependents Fund with any remaining balance distributed under one of the above three methods.

CERTIFICATION

17. I hereby certify that:

a. In my opinion, the Main Compensation Fund

- (i) has sufficient assets to be able to pay all current and future approved claims;
- (ii) has sufficient assets to pay expected future fees and expenses;
- (iii) does not have sufficient assets to pay the full balance in the Family Fund;
- (iv) does not have sufficient assets to pay the Claims Experience Premium;
- (v) does not have sufficient assets to permit any transfer to the Past Economic Loss and Dependents Fund without affecting the ability to pay the Family Fund balance and the Claims Experience Premium;
- (vi) to be sufficient to pay 100% of the balance in the Family Fund, requires a total Fund balance of about \$30.5 million which, together with the expected remaining assets, will require an infusion of about \$14.8 million; and
- (vii) to be sufficient to pay 100% of the Claims Experience Premium, requires a total Fund balance of about \$115.9 million in addition to the amount, if any, required to pay the balance in the Family Fund;

b. In my opinion the Past Economic Loss and Dependents Fund is insufficient and,

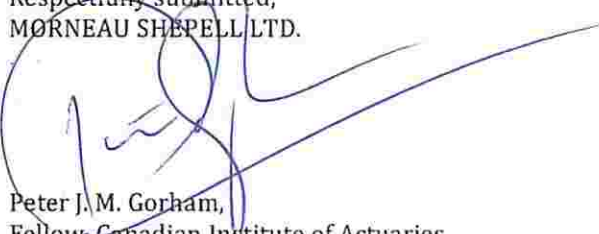
- (i) does not have sufficient funds to pay any additional claims other than a distribution of the remaining assets;
- (ii) to be sufficient to pay all current claims and expected future claims, requires an infusion of at least \$66.4 million;
- (iii) is insufficient to remove the limit in section 2.05(1), being the 70% payment amount; and
- (iv) is insufficient to remove the limit in section 2.05(2)(b)(i), being the \$75,000 limit on income;

c. in my opinion,

- (i) the data used is sufficient and reliable for the purposes of the report;
- (ii) the actuarial methods are appropriate for the purpose of this report; and
- (iii) the assumptions used are, in aggregate, appropriate for the purpose of this report;

- d. the calculations were prepared in accordance with the Canadian Institute of Actuaries' Standards of Practice;
 - e. this report has been prepared and my opinions given in accordance with accepted actuarial practice in Canada;
 - f. there are no subsequent events other than those discussed in this report that I am aware of that would have an impact on the results presented herein; and
 - g. this report conforms to my duty to:
 - (i) provide opinion evidence that is fair, objective and non-partisan and related only to matters that are within my area of expertise;
 - (ii) if called upon to give oral or written testimony, I will give that testimony in a fair, objective manner and without advocacy for either party; and
 - (iii) assist the court and provide such additional assistance as the court may reasonably require to determine the matter at issue.
18. Actuarial valuation results are only estimates. Actuarial valuations are performed based on assumptions and methods that are in accordance with sound actuarial principles. Emerging experience differing from these assumptions may result in gains or losses, which may affect future compensation amounts. These gains or losses will be revealed in future actuarial reviews.
19. There may be contingencies other than those considered in the preparation of this report that could have a positive or negative impact on the amounts presented herein;
20. I am available to answer any questions or to provide additional information regarding this report.

Respectfully submitted,
MORNEAU SHEPELL LTD.



Peter J. M. Gorham,
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries

3. BACKGROUND

21. During the periods prior to 1986 and subsequent to 1 July 1990, a number of people were infected with Hepatitis C from blood transfusions and blood products. A trust fund was established to provide compensation to people so infected during this time period. A separate trust fund was established for those who were infected during the period 1 January 1986 to 1 July 1990.
22. The Fund was settled by Canada to provide lump sum compensation benefits to class members.
23. The Settlement Agreement specifies the persons eligible to receive benefits, the amount of benefits payable, the funding of the benefits by the federal government and the investment of assets. Class Counsel provides oversight and direction for administration and investment of the Fund, subject to oversight by the courts.
24. To be eligible for compensation from the Fund, claimants must show clinical evidence of infection from Hepatitis C; must have received blood during the period prior to 1 January 1986 or subsequent to 1 July 1990 where such blood can be shown to have contained the Hepatitis C virus (through a trace-back program). Claims must be filed with the administrator of the Plan prior to 1 July 2010. A late claims provision provides claimants that meet certain requirements with the right to submit a claim after 30 June 2010. No claims will be accepted following 30 June 2016.
25. A summary of the Plan benefits and the amounts payable is contained in Appendix A.
26. The Fund is divided into two sub funds – the Main Compensation Fund and the Past Economic Loss and Dependents Fund. The Past Economic Loss and Dependents Fund provides for payment of any past loss of income and past loss of services benefit as well as all benefits payable to dependants. All other benefits are paid from the Main Compensation Fund. Should the Past Economic Loss and Dependents Fund have insufficient assets to pay all benefits for approved claims, there is a provision to allow the courts to authorize a transfer of assets from the Main Compensation Fund.
27. Within the Main Compensation Fund, there is notional accounting for family benefits, however there is no separation of assets or limit on benefits payable. The purpose of this notional fund is to track the difference between the amount expected to be paid to family members and the amount actually paid. When a claim is approved for an infected person (living or deceased), a specified dollar amount is added to the Family Fund. When compensation is paid out to a family member, the amount paid is deducted from the Family Fund. Upon the termination of the Fund, any positive balance in the Family Fund is to be paid pro rata to the infected members.
28. The Settlement Agreement sets out amounts for most benefits from the Main Compensation Fund that are 90% of the actual amount that the parties intended should be paid to infected claimants and the estates. That was to provide a greater degree of security that all claimants would receive an equal portion of benefits in the event the Fund was found to be insufficient for all claims. The

Settlement Agreement provides for a Claims Experience Premium to be paid to infected claimants and estates equal to 1/9th of the benefits paid to them, provided the fund is sufficient and subject to the courts approving such a payment.

29. The Settlement Agreement places a \$75,000 limit on income that will be recognized in the determination of loss of income amounts and dependant benefits as well as provides that benefit payments based on an income loss would be equal to 70% of the total amount otherwise payable. These limits may be removed by order of the courts if there are sufficient funds in the Past Economic Loss and Dependants Fund and the balance of the losses paid.

4. DOCUMENTS PROVIDED

30. We were provided with the following data and documents that we have used in the preparation of this report
 - a. A copy of the Settlement Agreement;
 - b. The Administrator's monthly reports for all months from October 2007 to July 2016;
 - c. Audited Trust Fund Statements as of 30 June for each year from 2008 to 2015 inclusive;
 - d. TD Waterhouse financial statements for the Main Compensation Fund and for the Past Economic Loss and Dependents Fund for the months from June 2012 to July 2016 inclusive, together with statements listing all transactions for each quarter beginning 1 July 2012 up to 30 June 2016;
 - e. A data file, containing information about all claimants, both approved, denied and those pending a decision, supplied by Mr. Kevin O'Connell of Crawford Class Action Services dated 14 July 2016 together with a cover letter and description of the data;
 - f. An email from Mr. Kevin O'Connell of Crawford Class Action Services dated 22 August 2016 with answers to questions that we posed about the data file.
31. The audited financial statement as of 30 June 2016 was not completed as of the date of this report. Consequently, the asset amounts and compensation paid for the year July 2015 to June 2016 shown in this report may not agree with the corresponding amounts shown in the audited financial statement. The amounts shown in this report were taken from the TD Waterhouse reports and the Administrator's monthly reports. We expect that any difference will have little effect on the "Surplus (Shortfall) before Family Fund Balance and Claims Experience Premium" as shown in Tables 14a and 124a, will have no effect on the certification given in paragraph 17 and will have no effect on the Opinion on the Solvency of the Fund (paragraphs 131 and 132).
32. We reviewed the documents and data for consistency and completeness and we were satisfied that they are appropriate for the purposes of this report. As mentioned in the report, there is some information not contained within the documents provided. In our opinion, that is not material to the results presented herein and in our opinion it was not necessary to obtain the additional information.
33. We performed some tests on the claimant data.
 - a. We compared the data to the Administrator's Monthly Reports and found it consistent;
 - b. We reviewed the age and disease level distribution and found the results reasonable;
 - c. We calculated the benefits payable to each infected claimant and estate based on the year of birth and disease level. Since we did not have information about the amounts of Red Cross offset, we could only calculate the gross amount of compensation. That amount was compared with the benefit paid. Following a discussion about the differences with Kevin O'Connell of

Crawford Class Action Services, we are satisfied that the differences are reasonable – reflecting either the Red Cross offset or other adjustments required by the Plan. We are satisfied with the results of our data checking.

- d. We were not able to easily calculate the family benefit amount payable and concluded that to do so was not appropriate given the cost involved and the expectation that doing so would likely confirm the administrator's calculations. We were able to calculate the amount to be transferred to the Family Fund for each infected claimant and estate. Since we did not have information about the amounts of the Red Cross offset, we could only calculate the gross amount of the transfer. That amount was compared with the actual transfer. We believe that all the differences are due to the Red Cross offset. As a result of our discussion with Kevin O'Connell, a number of adjustments to the administrator's data were identified. Those adjustments have been reflected in the amounts used in this report.
34. The total of the estimated Red Cross offsets calculated by us for infected claimants and estates is \$25 million compared to the \$42 million that was expected during the settlement negotiations. There would be some additional offsets for pre-1999 deaths and possibly some dependant claims, for which we did not have sufficient information to perform a calculation. Those additional offsets are unlikely to account for the difference of about \$17 million between the expected and actual amount of Red Cross offsets.

5. ASSETS AND HISTORICAL CLAIMS

35. The Government of Canada paid the settlement amount into the Fund in mid-2007. Since then, claims have been paid as summarized below. Most of the claimants already paid are subject to a possible additional benefit should there be sufficient funds available. Those additional payments are included as a liability of the Fund and are not included in the claim amounts shown in this Section 5.

36. The following subsections summarize the claims paid from the Main Compensation Fund and the Past Economic Loss and Dependents Fund from the date of settlement to 30 June 2016.

37. The claims paid were taken from the claimant data file supplied by the administrator. The data includes many of the claims that were approved in July 2016. As such, the total claims paid shown in this report do not agree with the Monthly Administrator's Report for June 2016. In our opinion, the difference is not material for the purposes of this report. Including those additional claims results in a slightly more accurate picture of the financial position of the Fund and its sufficiency position than would have been obtained in their absence.

In This Section, we....

- summarize the claims paid from 2007 to 30 June 2016;
- summarize the cash flows of the Fund from 2007 to 2016; and
- set out the assets available for future claims.

MAIN COMPENSATION FUND

38. Table 38 shows the claims paid to infected claimants, both alive and deceased.

Table 38 - Total Claims Paid for Infected Persons from the Main Compensation Fund

Disease Level	Number	Total Claims	Average
Alive Claimants			
Level 1	510	\$ 1,775,435	\$ 3,481
Level 2	599	40,953,717	68,370
Level 3	1,996	292,157,741	146,372
Level 4	524	115,685,409	220,774
Level 5	729	181,714,580	249,266
Level 6	453	136,006,500	300,235
Coinfected haemophiliac	1	44,307	44,307
Total	4,812	768,337,689	159,671
Deceased on or after 1 Jan 1999			
Level 1	80	240,958	3,012
Level 2	45	844,782	18,773
Level 3	39	1,715,319	43,983
Level 4	10	412,072	41,207
Level 5	54	5,261,557	97,436
Level 6	447	79,834,728	178,601
Total	675	88,309,416	130,829
Deceased before 1 Jan 1999			
\$45,000 plus option	107	3,301,343	30,854
\$108,000 option	55	2,678,396	48,698
Total	162	5,979,739	36,912
All Infected Claimants and Estates			
Level 1	590	2,016,393	3,418
Level 2	644	41,798,499	64,905
Level 3	2,035	293,873,060	144,409
Level 4	534	116,097,481	217,411
Level 5	783	186,976,137	238,795
Level 6	900	215,841,228	239,824
Coinfected haemophiliac	1	44,307	44,307
Deceased before 1999	162	5,979,739	36,912
Total - Infected Claimants & Estates	5,649	862,626,844	152,704
Uninsured Funeral Expenses	531*	1,953,131	3,678
Total Claims	5,649	\$ 864,579,975	\$ 153,050

* The 531 claimants who received payments for uninsured funeral expenses are also part of the 5,649 claimants and estates and so is not added into the total claims line below.

39. Table 40 shows the transfers to the Dynamic Non-Segregated Family Benefits Fund (the "Family Fund") together with the claims paid to family members. The Family Fund forms part of the Main Compensation Fund and there is no segregation of assets. Transfers to the Family Fund are an accounting transfer only and do not affect the amount of assets in the Main Compensation Fund.

40. The purpose of the notional Family Fund is to keep track of the difference between
 - a. the amount of expected compensation to family members and
 - b. the actual compensation paid to family members.

If there is a positive balance in the Family Fund, it is to be distributed pro rata to the infected claimants for whom there was a transfer into the Family Fund. The family benefits paid are in addition to the amounts shown in Table 38.

Table 40 – Summary of the Dynamic Non-Segregated Family Benefit Fund as at 30 June 2016

Level	Infected Claimants	Number of Family Members	Transfer to Family Fund	Family Benefits Paid	Balance in Family Fund
Alive Claimants					
Level 1	510	-	\$ -	\$ -	\$ -
Level 2	599	191	752,619	62,895	689,724
Level 3	1,996	2,492	8,024,794	3,353,084	4,671,710
Level 4	524	889	5,030,614	1,715,176	3,315,438
Level 5	729	1,156	10,863,933	2,946,862	7,917,071
Level 6	453	1,198	11,030,647	4,455,370	6,575,277
Coinfected haemophiliac	1	-	-	-	-
Total Alive	4,812	5,926	35,702,607	12,533,387	23,169,220
Deceased on or after 1 Jan 1999	675	2,150	18,029,151	10,825,092	7,204,059
Deceased Prior to 1 Jan 1999	162	982	6,170,800	6,281,502	(110,702)
Total	5,649	9,058	\$ 59,902,558	\$ 29,639,981	\$ 30,262,577

41. Under the terms of the Settlement Agreement, any remaining balance in the Family Fund on the termination date of the Fund, if positive, is to be paid out to the infected claimants and estates on a pro rata basis. Therefore, the balance of \$30,262,577 (adjusted by a liability in respect of any additional claims approved after 30 June 2016 as well as for compensation payable to family members with an outstanding release form) is included as a liability of the fund. The expected balance after the future adjustments is expected to be about \$30,452,000.

PAST ECONOMIC LOSS AND DEPENDANTS FUND

42. Table 42 shows the claims paid from the Past Economic Loss and Dependants Fund. There are additional claims approved for payment, but the Fund has been largely exhausted and all future claim payments have been put on hold. The number of claimants shown below is less than the numbers reported in the Monthly Administrator's Report for June 2016, but the amounts of compensation paid matches the amounts in the Monthly Administrator's Report. We understand from Kevin O'Connell of Crawford Class Action Services that the discrepancy is likely due to some payment amounts being adjusted after an original payment. Those adjustments show on the

Monthly Administrator's Report as a separate payment but do not generate a second entry in the data file. In our opinion, the difference is not material for the purposes of this report.

Table 42 – Total Claims Paid - Past Economic Loss and Dependents Fund to 30 June 2016

Description	Number	Total Claims	Average
Loss of services	651	\$ 49,807,591	\$ 76,509
Loss of income	287	25,186,055	87,756
Dependents	187	21,498,040	114,963
\$108,000 option for pre 1999 deaths	162	1,496,562	9,238
Adjust number of claimants to reflect those with both loss of income and loss of services	(131)	-	-
Total	1,156	\$ 97,988,248	\$ 84,765

43. The averages shown in Table 42 are the average amount paid to a claimant with an economic loss. For example, there were 651 claimants with a loss of services and the average paid to each of those claimants was \$76,509.
44. We can also look at an average calculated with reference to all 5,649 infected claimants. This recognizes that there are infected claimants for whom there was no past economic loss or dependant benefit paid. The average claim paid from the Past Economic Loss and Dependents Fund is \$17,346 per infected claimant. If we include the amounts that have been approved but not yet paid due to insufficient funds, the average per infected claimant is \$28,900.

ASSET RECONCILIATION BY YEAR

45. Table 47 shows the development of the Main Compensation Fund from 2007 to 30 June 2016. Table 48 shows the development of the Past Economic Loss and Dependents Fund from 2007 to 30 June 2016. The amounts up to June 2015 were taken from the audited financial statements of the Fund supplemented by information from the Monthly Administrator Reports. The amounts for 1 July 2015 to 30 June 2016 were taken from the TD Waterhouse statements and the Monthly Administrator Reports. There will likely be some differences from the audited financial statements due to the use of accrual accounting.
46. The audited financial statements do not separately show the Main Compensation Fund and the Past Economic Loss and Dependents Fund, but rather combine both funds into a single statement. That is unfortunate, given the significance of the two funds being separate under the terms of the Settlement Agreement. We estimated an allocation of the amounts to the two funds by allocating all benefits to the appropriate fund, allocating all expenses to the Main Compensation Fund and estimating the investment return on a pro rata basis in each year. A manual adjustment was required to bring the Past Economic Loss and Dependents Fund into balance with the TD Waterhouse financial statements as of 30 June 2012.
47. The following is an asset reconciliation of the Main Compensation Fund up to 30 June 2016. The claims data provided by the administrator included compensation approved in July 2016. The

compensation shown below includes those amounts to maintain consistency with other amounts shown in this report.

Table 47- Asset Reconciliation of the Main Compensation Fund ('000s)

	From 1 July to 30 June								
	2007 2008	2008 2009	2009 2010	2010 2011	2011 2012	2012 2013	2013 2014	2014 2015	2015 2016
Opening Market Value	\$ -	\$ 749,916	\$ 416,791	\$ 257,322	\$ 156,932	\$ 120,221	\$ 106,659	\$ 81,147	\$ 49,938
Settlement funds	930,376								
Investment income	31,971	13,134	1,004	2,030	1,631	1,251	1,155	671	189
Compensation to infected persons and estates	(137,397)	(340,586)	(156,866)	(104,573)	(36,952)	(13,609)	(16,429)	(37,859)	(20,309)
Compensation to Family	(1,182)	(10,164)	(10,084)	(3,570)	(1,465)	(923)	(603)	(584)	(1,064)
Change in accrued claims	(28,710)	8,297	9,611	7,707	1,575	740	(8,644)	7,395	2,863
Administrator expenses	(2,716)	(2,617)	(1,919)	(1,082)	(564)	(230)	(68)	(136)	(175)
Class Counsel Fees	(41,348)	(88)	(272)	(163)	(296)	(178)	(199)	(175)	(150)
Appeals	-	(297)	(357)	(328)	(125)	(186)	(244)	(92)	(90)
Trustee & Asset Manag'nt	(546)	(426)	(244)	(201)	(214)	(207)	(237)	(218)	(100)
Other fees and expenses	(531)	(377)	(341)	(209)	(301)	(219)	(243)	(212)	(210)
Closing Market Value	\$ 749,916	\$ 416,791	\$ 257,322	\$ 156,932	\$ 120,221	\$ 106,659	\$ 81,147	\$ 49,938	\$ 30,892

48. The following reconciles the Past Economic Loss and Dependents Fund up to 30 June 2016.

Table 48- Asset Reconciliation of the Past Economic Loss and Dependents Fund ('000s)													
	From 1 July to 30 June												
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Opening Market Value	\$ 0	\$ 88,587	\$ 53,884	\$ 755	\$ 588	\$ 406	\$ 292	\$ 271	\$ 274				
Settlement Funds	93,100												
Investment income	3,300	1,660	131	6	6	(67)	3	2	1				
Compensation for past loss of income & services	(6,472)	(32,470)	(36,051)	-	-	-	-	-	-	-	-	-	-
Compensation to Dependents	0	(4,774)	(17,668)	(173)	(188)	(47)	(23)	0	(122)				
Change in accrued claims	(1,341)	881	460	-	-	-	-	-	-	-	-	-	-
Fees and expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Market Value	\$ 88,587	\$ 53,884	\$ 755	\$ 588	\$ 406	\$ 292	\$ 271	\$ 274	\$ 153				

49. As of 30 June 2016, there was approximately \$31 million available in the Main Compensation Fund to provide for future claim payments. The assets are invested in a money market fund and as such are expected to be free from investment fluctuations.
50. As of 30 June 2016, there was approximately \$153,000 available in the Past Economic Loss and Dependents Fund to provide for future claim payments. The funds are invested in a money market fund and as such are expected to be free from investment fluctuations.
51. The audited financial statements of the Fund show the total value of the two sub funds. By adding the closing market values shown in Tables 47 and 48 one will get the total asset value shown in the audited financial statements. For example, as of 30 June 2010, the closing market values shown above are \$257,322,000 and \$755,000 giving a total of \$258,077,000. That agrees with the total fund balance shown in Note 4 of the audited financial statements for the year ended 30 June 2010.

Total Compensation Payments

52. As of 30 June 2016, the total compensation paid to claimants is:

a. Main Compensation Fund	\$ 894,219,956
b. Past Economic Loss and Dependents Fund	<u>97,988,248</u>
c. Total	\$ 992,208,204

6. CLAIMANT COHORT

53. The liabilities of the Main Compensation Fund can be grouped as coming from the following three sources:

- a. future payments to claimants who will be approved after the valuation date (the "unknown claimants");
- b. future payments to both previously approved claimants and to claimants approved in the future of the balance remaining in the Family Fund; and
- c. future contingent payments to both previously approved and to claimants approved in the future of any Claims Experience Premium.

Any payment of amount (c) requires court approval prior to being made.

In This Section, we....

- determine the number of "unknown claimants" – those for whom a final approval or rejection has not yet been made;
- review the historical claims approval rates and the rate of approval from an appeal of a rejection;
- develop our assumptions about the number of future unknown claimants.

54. The liabilities of the Past Economic Loss and Dependents Fund can be grouped as coming from the following three sources:

- a. future payments to previously approved claimants in respect of economic claims approved but unpaid due to insufficient assets; and
- b. future payments to claimants who will be approved after the valuation date (the "unknown claimants");
- c. future contingent payments to previously approved and future claimants due to lifting of benefit limits.

Payment of these amounts will require court approval prior to being made.

55. No assumptions are required about previously approved claimants (included in items 53.b, 53.c, 54.a and 54.c) as their information is fully set out in the data provided. We do need to make assumptions about the unknown claimants as well as the expected compensation payable.
56. Table 56 summarises the development of the liabilities for future compensation. The balance of this Section 6 and Section 7 provides the details of the development of these liabilities.

Table 56 – Summary of Development of Future Expected Compensation Amounts

Description	Total Claims Filed	Assumed Approval Rate	Expected Number of Approved Claims	Average Claim Amount	Total Expected Compensation
Infected Claimants - Deficient Claims	63	65%	40	205,000	\$ 8,200,000
Infected Claimants - Outstanding Appeals	35	50%	18	233,000	4,194,000
Infected Claimants - Outstanding Release Forms	25	-	25	-	1,048,000
Family Member of approved infected claimant - Deficient Claims	18	100%	18	3,300	59,000
Family Member of deficient infected claimant - Deficient Claims	48	65%	31	3,300	102,000
Family Member - Outstanding Appeal	1	50%	1	3,300	3,000
Family Member - Outstanding Release Form	240	-	240	-	285,000
Total Expected Future Compensation – Main Compensation Fund	430		373		\$13,891,000
Infected Claimants with economic loss - Deficient and Appealed Claims*	23	57%	13	95,900	\$ 1,250,000
Dependants - Deficient Claims*	6	50%	3	107,300	430,000
Total Expected Future Compensation – Past Economic Loss and Dependants Fund	29		16		\$ 1,680,000

UNKNOWN CLAIMANTS

57. There are 63 claims for infected claimants that have been filed and for which neither approval nor denial has been issued as of 30 June 2016. The Administrator refers to these claims as being deficient, since there is additional information required from the claimant before adjudication will proceed. In our opinion, it is likely that some of these claims will be approved in the future once the deficiency has been resolved.
58. The administrator has estimated compensation of about \$6,565,000 would be paid for 32 of these 63 deficient claims, if approved. We will need to estimate the potential compensation for the balance of the deficient claims (Section 7), as well as the probability that any deficient claim will be approved or rejected.
59. There are also 66 deficient claims from Family members. Of these, 18 are family members of an infected person who has been approved and 48 are for family members of an infected person whose claim is also deficient. The administrator has estimated \$136,000 of compensation would be payable for 59 of these 66 deficient claims if approved. We will need to estimate the potential compensation for the balance of the deficient claims (Section 7), as well as the probability that any deficient family claim will be approved or rejected.

60. In addition to the above deficient claims, there are 35 claims from infected persons that have been rejected and have filed an appeal. There is one family member claim that has been appealed after being rejected. The administrator has provided an estimate of the total compensation payable for 27 of these 35 appeals as well as for the one family member appeal. If all 27 of those appeals are eventually approved, the total compensation is likely to be about \$6,285,000. If the family member appeal is approved, the administrator has estimated the total compensation will be about \$2,000. We will need to estimate the potential compensation for the balance of the appealed claims (Section 7), as well as the probability that any appealed claim will be approved or rejected.
61. Together, these claims form what is referred to as the unknown claimants.
62. Paragraphs 57 to 61 set out the known information about the claims that may get approved in the future. We now need to make assumptions about how many of these will ultimately be approved and receive compensation. These assumptions are:
 - a. The approval rate for claims adjudication; and
 - b. The appeal rate and the rate of success of those appeals of rejected claims.
63. It is our understanding that there is no facility for any claim to be filed after 30 June 2016. As such, there can be no additional claims made other than from the unknown claimants discussed above. If there is a facility to permit future claims, then it is likely that the liabilities presented in this report are understated and the certification regarding the sufficiency of the Fund is void.

FUTURE CLAIM APPROVALS BY THE ADMINISTRATOR

64. All of the deficient unknown claims will be subject to adjudication and either approved or rejected. Table 64 sets out the number of claims from infected persons that have been received since 2007 and their current status. Of these, a decision had been made on 7,540 claims, of which 5,648 have been approved. That gives an approval rate of 75%.

Table 64 - All Infected Person Claims - Status

Status	Number
Approved	5,648
Approval recommended	-
Rejected	1,891
Rejection recommended	1
Deficient	63
Total Claims received	7,603

65. The approval rate since 2007 is greatly influenced by the early claim submissions. We note that more recent claim submissions have a much lower approval rate than for the early claims submissions. Table 65 sets out the claims submitted by year from 2007 to 2016 together with their current status.

Table 65 – Claims from Infected Persons Received from July 2007 to June 2016

Year	Total Claims Received	Number Approved	Deficient	Recommend Approval	Recommend Rejection	Rejected	Approval Rate
2007	2,271	1,979	-	-	-	292	87.1%
2008	2,618	2,151	-	-	-	467	82.2%
2009	933	612	1	-	-	320	65.7%
2010	1,159	616	-	-	-	543	53.1%
2011	192	84	1	-	-	107	44.0%
2012	109	57	-	-	-	52	52.3%
2013	92	50	1	-	-	41	54.9%
2014	77	44	-	-	-	33	57.1%
2015	70	47	3	-	-	20	70.1%
2016	82	8	57	-	1	16	32.0%
Total	7,603	5,648	63	-	1	1,891	74.9%

66. Of the 622 claims submitted between 2011 and 2016 (following the first claims deadline of 30 June 2010), a decision has been made on 560 of which 290 were approved. That gives an average approval rate of 52%.
67. In our opinion, it is much more likely that the approval rate in the future will be similar to the approval rate for the past 5.5 years of late claims than the approval rate for the entire period of claims. For conservatism, we have therefore assumed that the Administrator will ultimately approve 65% of the unknown claims.
68. Applying this 65% approval rate to the 63 deficient claims from infected persons and estates (paragraph 57) gives 40 expected approved claims.
69. We have separately reviewed the approval rate for family member claims. During the years from 2007 to 2016, they have been approved at rates varying between 85% and 97%. That would be consistent with most family claims being submitted after the related infected person's claim is approved. For conservatism, we have assumed that 100% of the deficient family member claims will be approved if the associated infected person is approved.
70. As discussed in paragraph 59, there are 18 deficient family member claims where the claim of the related infected person has already been approved and 48 deficient family member claims where the claim of the related infected person is also deficient. Applying the 100% approval rate to the 18 claims gives 18 expected approved family member claims. For the 48 claims where the related infected person's claim is also deficient, we assume 65% of those claims will be approved, giving 31 additional approved family member claims for a total of 49 expected family member claims.

APPEALS RATE

71. When a claim is rejected, the claimant has the right to appeal. Since 2007, there are 743 infected claimants who have filed an appeal – 34% of all rejected claims. For conservatism, we have assumed that 40% of all future rejected claims will be appealed.

72. Of those appeals, 708 have been decided, with 314 approved and the balance rejected. That gives a success rate of about 44% for an appeal. For conservatism, we have assumed that 50% of all appeals will be approved.
73. Applying this 50% appeal success rate to the 35 appeals from infected persons and estates (paragraph 60) gives 18 expected approved claims. In addition, we have assumed the appeal from the one family member will be approved.

TIMING OF FUTURE APPROVALS AND PAYMENTS

74. We are informed by Kevin O'Connell of Crawford Class Action Services that there is a time limit by which deficient claims must be resolved or they are rejected. Extensions are available by application to the court. We have therefore assumed that the court has control over the future timing of resolving deficient claims.
75. We understand that there is no formal timeline for the appeals process, but that it is likely most or all appeals will be decided by late 2016 or early 2017. We have assumed that the timing is largely under the control of the court.
76. Finally, we note that there are 25 approved claims of infected persons and 240 approved claims of family members and dependants for which the releases are outstanding as of 30 June 2016. No compensation is paid until the claimant has signed and returned the release form.
 - a. Of the 25 infected persons with outstanding releases, 23 have been outstanding for more than 2 years and two are recent approvals. Four of these old approvals are for amounts ranging from \$85,000 to \$328,000 with a total payable of \$807,000. The balance of the 23 claimants have compensation amounts of less than \$10,000.
 - b. Of the 240 family members and dependants with outstanding releases, 206 have been outstanding for more than 2 years, 8 have been outstanding for more than 6 months and 26 were approved since January 2016. Most of the amounts are between \$100 and \$300. Three claims are for more than \$10,000 – one for \$15,000 and two for \$25,000.
77. We understand from Kevin O'Connell that there is no formal process for obtaining these releases and no time limit on their return. He further advised that the four infected claimants with the very large amounts owing all died after their claim was approved and prior to signing the release. The administrator is attempting to locate the estate's administrator to get a release completed.
78. The compensation amounts for these claims are not included in the claims paid to date shown in this report. The total amount owing is therefore included as a liability of the Fund.
79. In our opinion, it would be prudent to have a process to address the possibility that there may be releases that are not filed within a reasonable time. Otherwise, the administration of the Fund's windup will likely be complicated and possibly delayed for an indefinite period.

FUTURE PAST ECONOMIC LOSS AND DEPENDANTS FUND CLAIMS

80. The claimant data provided did not include information about possible economic loss claims or dependant claims that are under review. We have applied averages from past approvals to estimate the expected claims for compensation from the Past Economic Loss and Dependants Fund.
81. Since 2007, 23% of all infected approved claimants have had an economic loss. Based on the 63 infected persons with deficient claims and the 35 with claims under appeal, we expect there are 23 claims with an economic loss, of which 13 are expected to be approved.
82. Since 2007, 7% of all infected approved claimants have also had an associated dependant claim. Based on the 63 infected persons with deficient claims and the 35 with claims under appeal, we expect there are 6 dependant claims, of which 3 are expected to be approved.

SUMMARY OF KNOWN & EXPECTED FUTURE CLAIMANTS

83. Table 83 summarizes the number of infected persons and estates who have received compensation to 30 June 2016 and the expected future approvals of infected claimants. Some of the 5,649 approved and paid claimants and some of the 9,058 Family Members also have an economic loss that has been approved but remains unpaid due to insufficient funds.

Table 83 – Summary of Known & Expected Future Claimants
Main Compensation Fund

	Infected Claimants	Family Members
Approved and Paid up to 30 June 2016		
Alive claimants	4,812	-
Deceased prior to 1999	162	-
Deceased after 1998	675	-
Total Known Claimants	5,649	9,058
Future Approvals		
Deficient Claims	40	49
Appeals of past denials	18	1
Future claims to be filed	0	0
Total Future Approvals	58	50
Outstanding release forms	25	240
Total - All Claimants	5,732	9,348

84. Table 84 summarizes for the Past Economic Loss and Dependents Fund the number of infected persons, estates and their dependants who have received compensation, been approved for compensation but not yet paid and those expected to be approved in the future.

**Table 84 – Summary of Known & Expected Future Claimants
Past Economic Loss and Dependents Fund**

	Infected Claimants	Dependants
Approved and paid as of 30 June 2016	807*	187
Approved but not paid as of 30 June 2016	490	139
Pre 1999 deaths electing \$108,000 lump sum option	-	162
Total Known Claimants	1,297	488
Future Approvals		
Deficient Claims and appeals	13	3
Future claims to be filed	0	0
Total - All Claimants	1,310	491

* There are 131 claimants who received compensation for both a loss of income and a loss of services – they are counted only once in this table.

7. FUTURE CLAIMS AND EXPENSES

85. While the vast majority of compensation has been paid out, there will continue to be additional compensation payments as claimants are approved. Once all claims have been approved or rejected, the remaining Fund assets can be distributed as provided under the Settlement Agreement.

86. The future payments to be made out of the Fund are:

- a. compensation to claimants who have yet to be approved;
- b. compensation to claimants who are approved but have yet to return the release;
- c. distribution of the remaining balance in the Family Fund;
- d. distribution of the Claims Experience Premium;
- e. the remaining balance in the Past Economic Loss and Dependants Fund; and
- f. fees and expenses for the administration and wind up of the Fund.

87. In the following sub sections, we will determine the expected liability for these future payments.

In This Section, we....

- determine the average claim amount to assume for future approvals,
- determine the expected balance in the Family Fund;
- determine the expected amount of the Claims Experience Premium;
- estimate the amounts payable from the Past Economic Loss and Dependants Fund; and
- estimate the future fees and expenses.

CLAIMANTS YET TO BE APPROVED OR PAID

Infected Individuals and Estates

88. The administrator provided the expected amount of compensation should the claims be approved for 32 of the 63 deficient claims for infected members. The average amount is \$205,000. Applying that average to the 40 deficient claims that are expected to be approved (Table 83) gives an expected total compensation of \$8,200,000.

89. The administrator provided the expected amount of compensation should the claims be approved for 27 of the 35 denied claims of infected members that are under appeal. The average amount is \$233,000. Applying that average to the 18 appeals expected to be approved (Table 83) gives an expected total compensation of \$4,194,000.

Family Members

90. There are 50 family members who are expected to be approved (Table 83) out of 67 total deficient claims and appeals. The average family member claim since 2007 is about \$3,300. Applying that average for all 50 family member claims expected to be approved gives an expected total compensation of \$164,000.

APPROVED CLAIMANTS WITH OUTSTANDING RELEASE FORMS

91. As discussed in paragraphs 74 to 79, there are 25 infected claimants and an additional 240 family members who have been approved but have not yet returned the release form. There is a total of \$1,048,000 payable to approved infected persons plus \$285,000 payable to approved family members.
92. While it is not clear that all of these claimants will return their release form, we have included the entire amount as a liability on the assumption that all of these amounts will be paid out.

DISTRIBUTION OF REMAINING BALANCE IN FAMILY FUND

93. As of the valuation date, there is a large balance in the Family Fund. If a positive balance remains at the termination date, the Settlement Agreement calls for it to be paid out pro rata to the infected persons and estates that generated an original transfer to the Family Fund.
94. The average transfer to the Family Fund over the period from 2007 to June 2016 is \$11,000 per infected claimant. Applying that average to the 58 expected future approvals of infected persons (Table 83) gives an expected future transfer to the Family Fund of \$638,000.
95. The future compensation to be paid from the Family Fund is estimated to be \$164,000 (paragraph 90) plus \$285,000 for those with outstanding release forms (paragraph 91).
96. As of 30 June 2016, the current balance in the Family Fund is approximately \$30,263,000. That should be increased by the \$638,000 expected to be transferred in and reduced by the expected \$164,000 of future compensation payable to the deficient family claims and further reduced by the \$285,000 payable to those with outstanding release forms. The total amount contingently available for distribution to infected persons and estates is \$30,452,000.

CLAIMS EXPERIENCE PREMIUM

97. The Settlement Agreement calls for a Claims Experience Premium to be paid to all infected persons and estates at disease level 2 or higher if there are sufficient funds available once all other claims have been paid. The amount of the premium is 1/9th of the compensation paid from the Main Compensation Fund other than uninsured funeral expenses and family benefits.
98. The Claims Experience Premium is to be determined based on the total amount of claims paid to date plus future claims paid, with the exception of transfers to the Family Fund and uninsured funeral expenses. There is a provision to add simple interest based on the prime rate charged by banks in Canada from the date of claim approval to the date the Claims Experience Premium is paid.

99. Claims paid to date for disease levels 2 and higher are \$860,611,000. Future expected claims total \$8,200,000 for deficient claims, \$4,194,000 for successful appeals, plus \$1,048,000 for approved claimants with an outstanding release form (those amounts include some claims for disease level 1, but the amount is likely to not be material). The Claims Experience Premium is based on total claims of \$874,053,000, producing a Claims Experience Premium of \$97,117,000 plus interest.
100. We have estimated simple interest to be \$18,787,000, bringing the total Claims Experience Premium to about \$115,904,000.

PAST ECONOMIC LOSS AND DEPENDANTS FUND

101. Compensation payments from the Past Economic Loss and Dependents Fund were suspended in 2010 when the fund was reduced to a little more than \$400,000. Since that time, the only compensation payments made from the Past Economic Loss and Dependents Fund are the portion of the lump sum compensation amounts payable to estates of infected persons who died prior to 1999 and who elected to receive the \$108,000 lump sum payment.
102. The Past Economic Loss and Dependents Fund currently has about \$150,000 of assets.
103. If there were sufficient assets available, the estimated future payments from the Past Economic Loss and Dependents Fund would include the following. The details of the development of amounts shown in this paragraph are set out below in paragraphs 109 to 116.
- a. compensation to 490 previously approved infected claimants for past loss of income and past loss of services of about \$44,747,000;
 - b. compensation to 139 previously approved dependants of about \$20,172,000;
 - c. compensation to an estimated 13 future approved claimants for past loss of income and past loss of services, and to 3 dependants for loss of support, of about \$1,680,000;
 - d. subject to court approval, removal of the 70% limitation on the payment of compensation for income related losses, estimated to produce an additional total compensation, including simple interest, of about \$26,520,000; and
 - e. subject to court approval, removal of the \$75,000 cap on income used for lost income calculations – due to a lack of data, we did not attempt to quantify the additional compensation this might produce.
104. The total future payments from the Past Economic Loss and Dependents Fund are estimated to be \$93,118,000, plus an unknown amount in respect of removing the \$75,000 cap on income.
105. The total compensation payable to approved infected claimants and dependants was estimated by the administrator based on averages of previous compensation payments.
106. Table 106 shows the total compensation that has been paid since 2007, as well as the compensation payable should there be sufficient additional funds available from the Past

Economic Loss and Dependants Fund. These amounts do not include the additional compensation arising from removing the 70% and \$75,000 cap on compensation.

Table 106 - Claims Paid and Payable from the Past Economic Loss and Dependants Fund

	Total Paid	Total approved and payable	Total for Future Expected Approvals	Total Compensation Paid or Due	Average per Infected Claimant
Loss of Income	\$25,186,055	\$14,915,521	\$ 412,000	\$ 40,513,576	\$ 7,100
Loss of Services in the Home	49,807,591	29,831,041	820,000	80,458,632	14,100
Dependants Benefits	21,498,040	20,171,819	431,000	42,100,859	7,400
\$108,000 Lump Sum Option	1,496,562	-	17,000	1,513,562	300
Total	\$97,988,248	\$64,918,381	\$ 1,680,000	\$164,586,629	\$ 28,900

107. The average benefit payable from the Past Economic Loss and Dependants Fund is about \$28,900 per infected claimant (i.e. based on 5,732 known and unknown infected claimants).
108. Of the 1,297 known claimants with a past economic loss, 807 have received full compensation and 490 have received nothing (other than their lump sum compensation from the Main Compensation Fund). Of the 488 known dependants with a loss, 349 have received full compensation and 139 have received nothing.

Future Claims for Past Economic Loss and Dependants Fund

109. Based on 58 future approved claimants (Table 83) and an average benefit of \$28,900 per person, the Past Economic Loss and Dependants Fund liability for future infected individuals and estates is estimated to be \$1,680,000.

Lifting of the 70% Factor for Income Based Claims

110. All loss of income and any dependant claims that are based on an income loss are paid at 70% of the full amount. There is a provision whereby the courts may lift the 70% if there are sufficient funds. Subject to the court's decision, that would apply to all claims paid to date and to future approved claims.
111. While there are insufficient funds available in the Past Economic Loss and Dependants Fund currently, we have made a determination of what this liability would be so that the full extent of the shortfall in funds can be assessed.
112. There is a provision to add simple interest based on the prime rate charged by banks in Canada from the date of claim approval to the date the payment is made. On average, claims were approved about April 2009. The total prime rate, based on simple interest, from that time up to 30 June 2016 is about 21.2%.

113. We have assumed that 25% of dependant benefits are based on a loss of income. This gives a total assumed income based compensation of \$51,038,000.
114. Lifting the 70% limitation is estimated to produce additional compensation, including interest of \$26,520,000.

Lifting of the Maximum of \$75,000 on Income

115. All loss of income and any dependant claims that are based on an income loss are subject to a limit of \$75,000 (in 1999 dollars) on pre-claim income. That amount is approximately \$104,000 in 2016 dollars.
116. The claims data does not include sufficient information to determine how much the additional payments would be if the maximum income amount were to be lifted. Since there is insufficient assets in the Past Economic Loss and Dependants Fund to meet other compensation amounts, we have not attempted to quantify the liability associated with removing the cap on income. Should that calculation be required, we would be pleased to do it upon request.

FUTURE FEES AND EXPENSES

117. We note that all fees and expenses to date have been charged to the Main Compensation Fund and none to the Past Economic Loss and Dependants Fund.
118. For the future life of the Fund, there will be a need for ongoing services giving rise to ongoing fees and expenses. We anticipate the bulk of the fees will be for the trustee and asset management as well as for the administrator processing the remaining deficient claims, tracking down the outstanding releases and processing any payments of the Family Fund and/or Claims Experience Premium.
119. There is also the possibility that additional work will arise in respect of the Past Economic Loss and Dependants Fund, depending on how the remaining assets are to be distributed. For purposes of this report, we have assumed that there will be no significant fees associated with closing the Past Economic Loss and Dependants Fund.
120. The Settlement Agreement calls for all fees and expenses, other than the settlement negotiation fees of Class Counsel, to not exceed \$20,000,000. Based on the fees and expenses incurred to 30 June 2016, there is a maximum of \$2,214,000 available to pay future fees and expenses.
121. Table 121 shows the fees and expenses we have assumed for future years. We assumed that the Fund can be wound up by 30 June 2018 and that no fees and expenses will be required thereafter. For that to happen, there will likely need to be a plan for winding up the Fund that allows for all outstanding payments to be completed within that time period.

Table 121 - Future Assumed Fees and Expenses

Service Provider	2016-2017	2017-2018
Administrator	\$ 350,000	\$ 350,000
Funds Counsel Fees	113,000	37,000
Appeals	90,000	-
Trustee & Asset Management	100,000	100,000
Court Monitor, traceback, audit and other expenses	158,000	52,000
Total future fees and expenses	\$ 811,000	\$ 539,000

122. Our assumption for total future fees and expenses is \$1,350,000. That leaves about \$860,000 of the maximum should there be additional fees and expenses.
123. If future fees and expenses are similar to our estimated amount, there is sufficient room within the \$20 million limit to permit all these assumed fees to be paid. The Settlement Agreement provides a mechanism for approval of expenses in the event the \$20 million maximum is reached.

8. FINANCIAL POSITION OF THE FUND

124. The following two tables summarise the financial position as of 30 June 2016 for the various compensation amounts and expenses that remain to be paid from the Main Compensation Fund and the Past Economic Loss and Dependants Fund.

In This Section, we....

- present the liabilities of the two funds;
- discuss potential variability in the liabilities; and
- present our opinion on the Fund sufficiency.

Table 124a – Financial Position - Main Compensation Fund at 30 June 2016

Main Compensation Fund	
Assets	\$ 30,892,000
Liabilities	
Expected future compensation - infected persons and estates with deficient claims or appeals	12,394,000
Future compensation for family members with deficient claims	164,000
Compensation to claimants with outstanding release forms	1,333,000
Future Fees and Expenses	1,350,000
Sub Total	15,241,000
Surplus (Shortfall) before Family Fund Balance and Claims Experience Premium	15,651,000
Balance in Family Fund owed to infected claimants	30,452,000
Claims Experience Premium	115,904,000
Surplus (Shortfall) if full Family Fund and Claims Experience Premium paid	\$ (130,705,000)

Table 124b – Financial Position - Past Economic Loss and Dependants Fund at 30 June 2016

Past Economic Loss and Dependants Fund	
Assets	\$ 153,000
Liabilities	
Current approved claims not yet paid	64,918,000
Expected Future claims	1,680,000
Sub Total	66,598,000
Surplus (Shortfall) before removal of limits	(66,445,000)
Estimated amount due if 70% payment removed	26,520,000
Estimated amount due if \$75,000 cap removed	*
Surplus (Shortfall) if limits removed	\$ (92,965,000)

* Not estimated.

PROVISION FOR ADVERSE DEVIATIONS

125. It is normal, when an actuary presents liabilities for future contingent events, to include a provision for adverse deviations. An adverse deviation is where the future reality produces compensation payments that exceed the expected amounts. Such an event could lead to greater compensation payments and less assets remaining to pay the Family Fund and Claims Experience Premium.
126. Some of the liabilities are known amounts and there should be no change in the values (e.g. compensation for outstanding releases).
127. Other liabilities are subject to contingencies for which we have made an assumption. The most significant of these is the claims approval rate. If more than 65% of the pending claims are approved or more than 50% of appeals approved, the resulting compensation payments will likely be greater than expected. If that occurs, the resulting surplus available to pay the Family Benefits and/or Claims Experience Premium will be less.
128. The assumptions we have made include a provision for adverse deviations. However, the relatively small number of claims for which an assumption is required means that there could be a large variation between the expected and actual compensation payments to be made. We have estimated the effect if 100% of deficient claims are approved and 100% of appeals are approved. The liabilities would increase by approximately \$9 million and there would be approximately \$6 million remaining prior to paying the Family Fund and Claims Experience Premium.
129. Consequently, we can conclude that it is extremely likely that there are sufficient assets to pay all future claim approvals from the Main Compensation Fund other than distribution of the balance in the Family Fund and the Claims Experience Premium.

OPINION ON THE SOLVENCY OF THE FUND

130. The following actuarial opinions are made based on the assumption that the Settlement Agreement requires any balance in the Family Fund be distributed to the infected claimants and estates prior to any payment of the Claims Experience Premium.
131. In my opinion, the Main Compensation Fund
 - a. has sufficient assets to be able to pay all current and future approved claims;
 - b. has sufficient assets to pay expected future fees and expenses;
 - c. does not have sufficient assets to pay the full balance in the Family Fund;
 - d. does not have sufficient assets to pay the Claims Experience Premium;

- e. does not have sufficient assets to permit any transfer to the Past Economic Loss and Dependants Fund without affecting the ability to pay the Family Fund balance and the Claims Experience Premium;
- f. to be sufficient to pay 100% of the balance in the Family Fund requires a total Fund balance of about \$30.5 million which, together with the expected remaining assets, requires an infusion of about \$14.8 million; and
- g. to be sufficient to pay 100% of the Claims Experience Premium, requires a total Fund balance of about \$115.9 million in addition to the amount, if any, required to pay the balance in the Family Fund.

132. In my opinion the Past Economic Loss and Dependants Fund is insufficient and,

- a. does not have sufficient funds to pay any additional claims other than a distribution of the remaining assets;
- b. to be sufficient to pay all current claims and expected future claims, requires an infusion of at least \$66.4 million;
- c. is insufficient to remove the limit in section 2.05(1), being the 70% payment amount; and
- d. is insufficient to also remove the limit in section 2.05(2)(b)(i), being the \$75,000 limit on income.

9. ANALYSIS OF EXPECTED AND ACTUAL COMPENSATION

133. The affidavit of Peter Gorham, sworn 26 January 2007, showed the expected number of claimants and expected compensation. In this section, we look at the difference between those expected amounts and what has actually been claimed to date.

In This Section, we....

- look at the number of expected claimants compared to the actual number; and
- compare the amount of expected compensation with what has actually been paid and provide reasons for the differences.

MAIN COMPENSATION FUND

134. Table 134 shows the differences between expected and actual experience for the Main Compensation Fund. The analysis looks only at claims paid up to 30 June 2016 and does not include the claims expected to be approved after 30 June 2016.

Table 134 – Analysis of Expected and Actual Experience – Main Compensation Fund

Main Compensation Fund	Amount
Assets Contributed to the Fund	\$ 889,028,000
Expected total claims	(719,528,000)
Expected offset for Red Cross benefits	(42,000,000)
Expected total expenses and fees	(20,000,000)
Provision for adverse deviation and Claims Experience Premium	191,500,000
Experience gains and losses	
• Investment income	53,036,000
• Indexing of compensation	(38,349,000)
• Number of claims differed from expected	(31,967,000)
• Disease distribution differed from expected	(113,700,000)
• Average age of infected persons differed from expected	(50,880,000)
• Average family composition differed from expected	35,204,000
• Expenses differ from expected	2,214,000
• Red Cross benefit offsets less than expected	(17,000,000)
• Miscellaneous gain	834,000
Total difference of actual to expected compensation	(160,608,000)
Assets remaining at 30 June 2016	\$ 30,892,000

135. The amount of \$719,528,000 is the expected claims prior to the claims experience premium, but inclusive of compensation to both infected persons and family members.

136. The contribution to the Fund included a provision for adverse deviations of \$191.5 million comprising:

- a. a specific contingency margin of 15.6% of the expected claims, totaling approximately \$116.5 million; plus
- b. approximately \$75 million expected to be paid out as a claims experience premium.

137. The following discussion provides an analysis of the remaining items in Table 134 which are the sources of the experience gains (actual compensation was less than expected) and experience losses (actual compensation was greater than expected).

- a. The investment income of the Fund (\$53 million) exceeded the indexing adjustments applied to compensation payments (\$38.4 million) resulting in approximately \$14.6 million of additional funds available for compensation payments.
- b. There are 193 more claimants than were expected. Based on the average expected lump sum compensation amount, those additional claims totalled about \$32 million more than expected.
- c. The distribution of the claimants by disease level differed significantly from the expected distribution resulting in about \$113.7 million more of compensation payments (paragraph 141 provides an additional explanation).
- d. The average age of the claimants is less than was assumed which resulted in greater compensation payments on average. The total additional compensation paid as a result of the age distribution differing from expected was about \$50.9 million (paragraph 139 provides an additional explanation).
- e. The composition of the family members filing a claim was assumed to be similar to the family members under the 1986 to 1990 Compensation Fund. The actual family composition is much different, with the average claim amount being less than half of what was expected. The resulting compensation totalled about \$35.2 million less than expected.
- f. Expenses of administration to date total about \$2.2 million less than the amount designated for fees and expenses. Most of that amount is expected to be paid out as additional expenses in the future.
- g. Compensation payments are reduced by 8/11^{ths} of amounts received by the claimant from the Red Cross Compensation Fund. The total of all such offsets was expected to be \$42 million. We estimate that the total offsets to date are about \$25 million, producing a loss of about \$17 million.

h. The methods used in analysing the difference between expected and actual compensation involves a number of assumptions and estimates. The end result is a miscellaneous amount that was not allocated to a specific source. This produced a miscellaneous gain of \$834,000.

138. Tables 138 and 145 provide an alternate presentation of the expected and actual compensation. The amounts below are the same as shown in Table 134 above, but they have been split between compensation to infected persons and estates and compensation to family members. Amounts greater than expected are shown in the following tables as a positive amount, but in Table 134 above, they represent an experience loss and are therefore shown as a negative.

**Table 138 – Analysis of Expected and Actual Claims – Main Compensation Fund
(excluding the Family Fund)**

	Number of Claims	Compensation
Total expected claims	5,619	\$ 677,415,000
Expected Red Cross offset		(42,000,000)
Total expected compensation	5,619	635,415,000
Effect of indexing compensation to date of payment		36,176,000
Number of claims differs from expected	193	20,255,000
Disease distribution differs from expected		104,853,000
Average age differs from expected		50,880,000
Red Cross offset less than expected		17,000,000
Actual total compensation	5,812	\$ 864,579,000

139. The amount of expected compensation was determined in 2007 dollars and was to be indexed for payments made after 2007. The total additional compensation paid due to the indexing is about \$36.2 million. The cost of indexing was expected to be offset by the investment earnings of the fund. To date, the total investment earnings are about \$14.7 million greater than all of the indexing amounts (including those identified for the Family Fund [paragraph 146] and the Past Economic Loss and Dependents Fund [Table 151]).

140. There are 88 alive and 105 deceased claimants more than were expected. Those 193 additional claims are an increase of about 3.4% from the expected number. Based on the average expected lump sum compensation amount, those additional claims would be expected to total \$20.3 million.

141. The distribution of the claimants by disease level differed significantly from the expected distribution. The expected distribution was developed from the distribution of the claimants

under the 1986 to 1990 Compensation Fund with an adjustment to recognise the earlier infection and expected older ages of the pre-1986/post-1990 claimants.

- a. Among the alive claimants, there are about 450 fewer claimants at level 1 and about 450 more claimants at level 3, plus about 180 more claimants at level 6.
 - b. Among the deceased claimants, there are about 150 fewer claimants at disease levels 1 to 5 and about 250 more at level 6.
 - c. Higher disease levels result in greater compensation and the total effect of the higher disease levels is about \$104.9 million of compensation greater than was expected.
142. For infected alive claimants, the lump sum amounts decrease with age. We expected that the age distribution would be similar to that of the claimants under the 1986 to 1990 Compensation Fund, adjusted to recognise the expected older ages of the pre-1986/post-1990 claimants. The average age of the claimants is less than was assumed. In particular, we note that the average age of the claimants at level 3 is lower than for those at level 3 in the 1986 to 1990 Compensation Fund, despite our expectation that they received blood products on average about 8 years earlier. The total additional compensation paid as a result of the age distribution differing from expected was about \$50.9 million.
143. The total of all offsets for Red Cross compensation payments was expected to be \$42 million. We estimated that the total offsets to date are about \$25 million, producing a loss of about \$17 million. Part of the Red Cross offsets affect family member compensation. We did not have sufficient information to split the Red Cross offsets between infected claimants and family members. Since the Red Cross compensation payable to family members was small relative to the amounts paid to infected persons, we reflected the total effect of the difference in Red Cross offset as applying to infected persons and estates. In reality, a portion of the difference between expected and actual Red Cross offsets apply to family member claims.
144. The total compensation to infected claimants and estates from the Main Compensation Fund is about \$229 million more than expected.

FAMILY FUND

145. Table 145 shows the reasons for the difference between expected and actual compensation for amounts paid to family members from the Family Fund. These amounts are the same as included in Table 134 above in respect of family members.

Table 145 - Analysis of Expected and Actual Claims – Family Fund

	Number of Claims	Compensation
Total expected family compensation	4,020	\$ 42,113,000
Effect of indexing compensation to date of payment		2,173,000
Number of claims differs from expected	1,118	11,712,000
Disease distribution of infected person differs from expected		8,847,000
Average family composition differs from expected		(35,204,000)
Actual total family compensation	5,138	\$ 29,641,000

146. About \$2.2 million of additional compensation was paid out for indexing the compensation to the year of payment. This was more than offset by investment earnings of the Fund (see paragraph 139).
147. A total of 4,020 claims were expected from family members and the actual number was 5,138. A small part of the difference is due to there being more claimants than expected. Most of the difference is due to there being, on average, more family members per infected claimant. Had all those additional family claims been for the average expected claim amount, the total compensation to family members would have been about \$11.7 million greater.
148. The compensation paid to family members is based on the disease level of the related infected person. Since the disease levels of the infected persons differed from what was expected, there was an effect on the amount of compensation to family members totalling about \$8.8 million.
149. The composition of the family members (e.g. spouses, children, grandchildren, parents etc.) filing a claim was assumed to be similar to the family members under the 1986 to 1990 Compensation Fund. The actual family composition is much different, with the average claim amount being less than half of what was expected. The resulting compensation totalled about \$35 million less than expected.

PAST ECONOMIC LOSS AND DEPENDANTS FUND

150. The Past Economic Loss and Dependants Fund pays compensation for three main types of claims – past loss of income, past loss of services in the home and all amounts payable to the dependants of infected persons. (Future loss of income and future loss of services in the home are included in the lump sum compensation paid from the Main Compensation Fund).
151. For the analysis of compensation from the Past Economic Loss and Dependants Fund, we have included the amount already paid as well as the amounts that have been approved but remain unpaid. Claims that have been submitted but are not approved as at 30 June 2016 are not included in this analysis.

152. Table 151 presents an overall summary of the experience gains and losses affecting the Past Economic Loss and Dependents Fund.

Table 151 – Analysis of Expected and Actual Experience – Past Economic Loss and Dependents Fund

Past Economic Loss and Dependents Fund	Amount
Assets contributed to the Fund	\$ 93,100,000
Expected total claims	(80,812,000)
Expected total expenses and fees	0
Provision for adverse deviation	12,288,000
Actual compensation compared to expected	
• Investment income	5,041,000
• Indexing of compensation	(3,128,000)
• Number of claims differed from expected	(21,346,000)
• Average Loss of Income claim less than expected	7,419,000
• Average Loss of Services claim greater than expected	(44,290,000)
• Average dependant claim greater than expected	(20,749,000)
• Miscellaneous loss	(1,680,000)
Total difference of actual to expected compensation	(78,733,000)
Asset shortfall at 30 June 2016	\$ (66,445,000)

153. Since there is a significant difference in the comparison of expected and actual compensation amounts by type of compensation, we have presented an additional analysis for the Past Economic Loss and Dependents Fund in three parts. Amounts which are greater than expected are shown in the following tables as a positive amount, but in Table 151 above, they represent an experience loss and are therefore shown as a negative.

Past Loss of Income

154. Table 154 shows the reasons for the difference between expected and actual compensation for amounts paid and payable to infected persons and estates for past loss of income claims.

Table 154 - Analysis of Expected and Actual Claims – Past Loss of Income

	Number of Claims	Compensation
Total expected compensation	311	\$ 32,831,000
Effect of indexing compensation to date of payment		1,465,000
Number of claims differs from expected	139	13,225,000
Average claim amount differs from expected		(7,419,000)
Actual total compensation	450	\$ 40,102,000

155. While the number of past loss of income claims is about 45% greater than expected, the average amount of income loss was less than expected, for a net increase from expected of about \$6 million in loss of income claims.

Past Loss of Services in the Home

156. Table 156 shows the reasons for the difference between expected and actual compensation for amounts paid and payable to infected persons and estates for past loss of services in the home claims.

Table 156 - Analysis of Expected and Actual Claims – Past Loss of Services in the Home

	Number of Claims	Compensation
Total expected compensation	762	\$ 27,353,000
Effect of indexing compensation to date of payment		1,036,000
Number of claims differs from expected	216	6,960,000
Average claim amount differs from expected		44,290,000
Actual total compensation	978	\$ 79,639,000

157. The number of past loss of services claims is a 28% increase from expected, producing about \$7 million in additional claims.
158. The most significant negative impact on the Past Economic Loss and Dependents Fund is from the amount of loss of services claimed on average per infected person. On average, the number of years for which a past loss of services was claimed is more than double what was expected, giving rise to about \$44.3 million in additional compensation.

Compensation to Dependants

159. Table 159 shows the reasons for the difference between expected and actual compensation for amounts paid and payable to dependants for loss of support and loss of services in the home claims.

Table 159 - Analysis of Expected and Actual Claims – Dependants

	Number of Claims	Compensation
Total expected compensation	358	\$ 20,627,000
Effect of indexing compensation to date of payment		628,000
Number of claims differs from expected	23	1,162,000
Average claim amount differs from expected		20,749,000
Actual total compensation	381	\$ 43,166,000

160. There are 23 more dependant claims than expected. However, those 23 dependants are less than what we would have expected based on the additional 105 deceased claimants

compared with expected. An additional 23 dependant claims were expected to produce about \$1.2 million of additional compensation.

161. The second most significant negative impact on the Past Economic Loss and Dependents Fund is the average amount of dependant compensation claimed. The average claim per dependant was about double the expected amount. The data does not contain sufficient information to identify why. One possible reason would be the dependants claiming are much younger than expected and therefore will likely have more years of loss in the future than was expected.

10. WIND UP PROCESS

162. There are a number of issues that should be addressed in order to provide an efficient process for the winding up of the Fund.

In This Section, we....

- review the decisions required to provide for a smooth wind up of the Fund.

PRIORITY OF PAYMENTS

163. We understand there is a question how the remaining balance in the Main Compensation Fund should be allocated after all remaining claims have been paid. There are at least four possibilities.
- a. The assets could first be utilised to pay, on a pro rata basis, the balance in the Family Fund (Settlement Agreement s.4.02(4)). After the entire Family Fund has been paid to claimants, any remaining balance (expected to be zero) could be used to pay a Claims Experience Premium.
 - b. The assets could first be used to pay a Claims Experience Premium (Settlement Agreement s.5.07). If the Claims Experience Premium is found to have priority over payment of the remaining balance in the Family Fund, then there will be assets available to pay a pro rata portion of the Claims Experience Premium. In such an event, there will be no assets available to pay the balance in the Family Fund.
 - c. The assets could be divided in some specified fashion so that a portion of both the balance in the Family Fund and the Claims Experience Premium are paid.
 - d. The assets could be transferred in whole or in part to the Past Economic Loss and Dependents Fund with any remaining balance distributed under one of the above three methods.
164. Payments of the balance in the Family Fund will result in more compensation being paid to infected persons and estates at higher disease levels. For example, a person at disease level 6 will receive approximately 20 times the amount that a person at disease level 2 will receive.
165. Payments of a Claims Experience Premium will also result in more compensation being paid to those at higher disease levels, but to a much lesser extent than for payment of the balance in the Family Fund. For example, a person at disease level 6 will receive approximately 3 to 10 times the amount that a person at disease level 2 will receive (the multiple is dependent on age of the infected person).
166. In comparing the amounts payable to an individual, a claimant at level 6 will receive more if the distribution is made from the Family Fund than if it is made as a Claims Experience Premium. An individual at level 2 will receive less.

ISSUES REGARDING FUTURE CLAIMS PAYMENTS

Main Compensation Fund

167. The assets remaining to pay the balance in the Family Fund or Claims Experience Premium cannot be accurately determined until all claims have been approved or rejected.
168. Similarly, the assets remaining to pay the balance in the Family Fund or Claims Experience Premium cannot be accurately determined until all compensation to claimants with outstanding releases have been paid or reduced to zero. In our opinion, it is unlikely that all of these outstanding release forms will be signed and returned. We suggest that it would be prudent to approve a process for dealing with any undistributed compensation.
169. Similarly, the assets remaining to pay the balance in the Family Fund or Claims Experience Premium cannot be accurately determined until all fees and expenses are known. We believe that this can likely be handled efficiently by the administrator as part of the process of making the final payments.

Past Economic Loss and Dependents Fund

170. To facilitate the timely wind up of the Past Economic Loss and Dependents Fund, we suggest that a method to distribute the remaining assets be determined.

APPENDIX A – SUMMARY OF BENEFITS

This summary is taken from the Pre-1986/Post-1990 Settlement and includes items that have a bearing on the results of our work. The Pre-1986/Post-1990 Settlement terms include other details about compensation that are not material to the results presented herein. Amounts are expressed in 2007 dollars, except where indicated otherwise. All payments amounts are indexed from their 2007 levels to the date of payment to reflect inflation unless indicated otherwise.

In the following summaries, the specific section reference in the Pre-1986/Post-1990 Settlement is shown in brackets.

ALIVE HCV INFECTED PERSON (2.04)

A lump sum amount is payable based on the person's year of birth and the highest disease level attained at the time of claiming. The amounts are set out in Schedule C1 to the Pre-1986/Post-1990 Settlement. Table A.1 is an extract of those amounts for specific years of birth.

The lump sum from Schedule C1 is reduced by 8/11^{ths} of the compensation received by the HCV Infected person from the Red Cross Settlement.

In addition to this lump sum, compensation may be payable for past economic losses. If the HCV Infected person has any defined family members, they are eligible for family benefits.

Table A.1 – Compensation to Alive HCV Infected Class members (extract)

<i>Disease Level</i>						
<i>Year of Birth</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Level 4</i>	<i>Level 5</i>	<i>Level 6</i>
2016	8,453	183,223	259,264	281,866	289,146	309,346
2006	8,453	169,319	255,151	313,129	323,167	348,787
1996	8,453	155,416	251,039	344,393	357,188	388,229
1986	8,453	140,110	241,382	351,119	375,187	410,585
1976	8,453	120,434	216,971	322,222	353,528	391,504
1966	8,453	98,104	186,476	288,662	323,680	366,664
1956	8,453	76,470	150,662	244,414	283,515	334,181
1946	8,453	58,003	113,699	189,940	232,506	292,244
1936	8,453	43,039	82,969	138,939	180,304	246,681
1926	8,453	32,166	62,820	99,736	141,536	211,569
1916	8,453	26,483	51,252	68,355	113,383	186,926
1906	8,453	23,850	46,189	50,734	96,566	174,210
1900 or earlier	8,453	22,464	44,545	47,080	90,098	168,483

DECEASED HCV INFECTED CLASS MEMBER – DEATH PRIOR TO 1999 (3.02)

If death was not due to infection with HCV, there is no compensation payable, except as described in the last paragraph of this section.

If death was due to infection with HCV and the person was at disease levels 4 to 6, compensation is payable in one of two forms as elected by the personal representative of the HCV Infected Class Member, the family members and dependants. All amounts in this section are in 1999 dollars and are indexed from their 1999 levels to the date of payment to reflect inflation.

A lump sum of 8/11^{ths} of \$45,000 plus up to 8/11^{ths} of \$5,000 for any uninsured funeral expenses is payable to the personal representative. Family and dependant benefits are also payable.

As an alternative, if all parties agree, a lump sum of 8/11^{ths} of \$108,000 is payable to the personal representative, family members and dependants. No additional amounts are payable.

The above amounts are reduced by 8/11^{ths} of the total compensation received by recipients from the Red Cross Settlement.

Regardless of the cause of death, where a primarily infected haemophiliac who was also infected with HIV, died prior to 1999 and there is agreement from the personal representative, family members and dependants, a lump sum of \$64,800 is payable to the personal representative, family members and dependants. No additional amounts are payable.

DECEASED HCV INFECTED CLASS MEMBER – DEATH AFTER 1998 (3.03)

A lump sum amount is payable based on the highest disease level attained at the time of death. The amounts are set out in Schedule C2 to the Pre-1986/Post-1990 Settlement. Table A.2 is an extract of those amounts.

Table A.2 – Compensation to Estates of Deceased HCV Infected Class Members

<i>Highest Disease Level Attained by HCV Infected Class Member Prior to Death</i>					
<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Level 4</i>	<i>Level 5</i>	<i>Level 6</i>
\$ 8,453	\$ 23,480	\$ 46,959	\$ 46,959	\$ 97,832	\$ 76,098

These lump sums are reduced by 8/11^{ths} of the compensation received by the HCV Infected person from the Red Cross Settlement.

In addition to this lump sum, compensation may be payable for past economic losses.

If death was as a result of infection with HCV and the person was at disease levels 4 to 6, the following amounts are also payable.

1. Up to 8/11^{ths} of \$5,000 for any uninsured funeral expenses is payable to the personal representative.
2. If the HCV Infected person had any family members, they are eligible for family benefits.
3. If the HCV Infected person had any dependants, they are eligible for dependant benefits.

The \$5,000 for uninsured funeral expenses is in 1999 dollars and is indexed from its 1999 level to the date of payment to reflect inflation.

DAMAGES FOR PAST LOSS OF INCOME (2.05)

Where an HCV Infected Class Member (alive or deceased after 1998) at disease level 4 or higher has had a loss of net income as a result of infection with HCV, 70% of 8/11^{ths} of the loss in each year prior to filing the claim is payable. Annual income for the period prior to loss is based on a three-year average, to be established through income tax returns. The Settlement Agreement specifies the standard deductions (such as income taxes, Canada Pension Plan contributions, etc.) to be considered in determining the amount of net income for each year. In each year of loss, the net income for that year is deducted from the average pre-loss amount. Lost income may only be claimed for the period prior to the person attaining age 65.

The maximum amount of annual gross income to be considered for the pre-loss income amount is \$75,000. A pro rata adjustment to gross income for each year of loss is prescribed.

The amount of net lost income is indexed from the year of loss to the year of payment.

The 70% applied to the amount payable and the \$75,000 income limit may be increased or removed following court approval.

DAMAGES FOR PAST LOSS OF SERVICES IN THE HOME (2.06)

Where an HCV Infected Class Member (alive or deceased after 1998) at disease level 4 or higher has been unable in the past to perform household duties as a result of infection with HCV, compensation for the loss is payable based on the number of hours of such services that could not be performed. Compensation is made to a maximum of 8/11^{ths} of \$12 per hour for 20 hours per week. That produces a maximum annual amount of compensation of \$9,076.

The amount for loss of services is indexed from the year of loss to the year of payment.

Loss of services in the home may not be paid for the same period of time as a loss of income is paid.

FAMILY MEMBERS (4.02)

Each family member of alive HCV Infected Class Members and of HCV Infected Class Members whose death was as a result of HCV, will be paid a lump sum as set out in Schedule C3A to the Pre-1986/Post-1990 Settlement. Table A.3 is an extract of that Schedule.

Table A.3 – Compensation to Family Members

Relation	Disease Level of the Approved HCV Infected Class Member						
	Deceased from HCV	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6
Spouse	21,762	0	727	2,310	5,527	8,499	13,893
Child under 21	13,057	0	436	1,386	3,316	5,099	8,336
Child over 21	4,352	0	145	462	1,105	1,700	2,779
Parent	4,352	0	145	462	1,105	1,700	2,779
Sibling	4,352	0	145	462	1,105	1,700	2,779
Grandparent	435	0	15	46	111	170	278
Grandchild	435	0	15	46	111	170	278

These lump sums are reduced by 8/11^{ths} of the compensation received by the family member from the Red Cross Settlement. As a result, there are some amounts that will or may result in compensation payable of less than \$100. There is a provision (see below) to pay a minimum of \$100.

There is a notional fund that provides that if the total amount paid to family members is less than the expected amount, any excess will be distributed among the HCV Infected persons.

DEPENDANTS OF DECEASED HCV INFECTED PERSONS (4.04)

Where an HCV Infected Class member whose death was as a result of HCV was providing for dependants at the time of death, those dependants would receive compensation for loss of support or loss of services as a result of the death.

Dependant compensation is payable for the remaining period of dependency, but not beyond the life expectancy of the HCV Infected person, where that life expectancy is determined without regard to the death and HCV infection.

The amount payable is based on the annual loss and is independent of the number of dependants. Where the HCV Infected Class Member died prior to age 65, the annual loss is 70% of the net income determined in a manner similar to a loss of income, including the 70% and \$75,000 limits. This annual loss is payable during the period of dependency and prior to the HCV Infected Class

member attaining age 65. Alternatively, a loss of services in the home is payable. After age 65; a loss of services is payable.

The lump sum amount is calculated by applying present value factors to the amount of annual loss. These factors are set out in Schedule C4 and C5 of the Pre-1986/Post-1990 Settlement. A Court Approved Protocol sets out the mechanics of that calculation.

The resulting lump sum amount is as of the date of death. Schedule C6 of the Pre-1986/Post-1990 Settlement contains factors that are used to adjust the lump sum amount from the date of death to the date of payment.

CLAIMS EXPERIENCE PREMIUM (5.07)

Many of the lump sum amounts were reduced by 10% to create an additional provision for adverse deviations in the claiming. There is a provision to pay these amounts to the Class Members if there are sufficient funds and following court approval. The following items were subjected to the 10% reduction and therefore are eligible to receive a Claims Experience Premium if one is paid.

1. Lump sum amounts paid to alive HCV Infected Class Members at disease levels 2 to 6;
2. Lump sum amounts paid to the personal representative of a deceased HCV Infected Class Member, including the entire lump sum under option (2) for those deceased prior to 1999;
3. The \$68,400 amount payable if elected in respect of an HCV Infected Class Member who was also infected with HIV and who died prior to 1999; and
4. For greater certainty, the lump sum payable for uninsured funeral expenses is not included, since the 10% reduction was not applied to it.

\$100 MINIMUM AMOUNT OF COMPENSATION (5.13)

If any amount payable to an individual under the Pre-1986/Post-1990 Settlement is less than \$100, an amount of \$100 will be paid instead.

APPENDIX B – SUMMARY OF ASSUMPTIONS

The following is a summary of the assumptions made for this valuation that have a bearing on the results. There were some additional assumptions made in the development of these assumptions that are documented within the body of the report.

Assumptions About Future Claimants

Description	Assumption
Future claim approval rate	65% of all future claims of infected persons will be approved by the administrator or on appeal. 100% of all family claims will be approved if the related infected person is approved.
Appeal success rate	50% of all appeals will be approved.
Rectification of deficient claims	We assumed all deficient claims will be rectified and reviewed by the administrator.
Future Claims Received	No future claims will be accepted as the final claims deadline has passed.
Disease Distribution	Future claimants are assumed to be distributed between alive and deceased and by disease level similarly to past approved claims.

Assumptions About Future Expected Claim Amounts.

Description	Amount
Average amount payable to each approved infected claimant and estate	
• For claims that are deficient	\$205,000
• For claims under appeal	233,000
Average amount transferred to Family Fund for each approved infected claimant or estate	\$11,000
Average amount payable to each deficient family claim that is approved	\$3,300
Average claim from Past Economic Loss and Dependents Fund for each future approved infected claimant and estate	\$28,900
Percentage of dependant claims that are based on a loss of income	25%

Morneau Shepell Ltd.
895 Don Mills Rd., Suite 700
One Morneau Sobeco Centre,
Toronto ON M3C 1W3

Phone: (416) 445-2700
Fax: (416) 445-7989

**MICHAEL MCCARTHY, CHRISTINE MCCARTHY, DEREK
MARCHAND**

Plaintiffs

and

**THE CANADIAN RED CROSS SOCIETY, ATTORNEY GENERAL
OF CANADA**

Defendants

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding Commenced at Toronto

**PETER GORHAM 2016 SUFFICIENCY
AFFIDAVIT
(Sworn November 7, 2016)**

Department of Justice
50 O'Connor Street, 6th Floor
Ottawa, ON K1A 0H8

Per: Paul B. Vickery
Tel.: (613) 670-6317
Fax: (613) 941-5879

Department of Justice
Ontario Regional Office
The Exchange Tower
130 King Street West
Suite 3400, Box 36
Toronto, ON M5X 1K6

Per: John C. Spencer; LSUC No.: 27112V
Tel.: (416) 973-3310
Fax: (416) 973-4323
Our File: 3568236

Lawyers for the Defendants,
the Attorney General of Canada