



ADVISORY BOARD MEETING

<u>Board Member</u>	<u>Alternate</u>	<u>Board Member</u>	<u>Alternate</u>
David Morritt	Lyndon Barnes	Donald Milner	S. Bruce Blain
Robert Love	Kate Menear	Gordon Goodman	John Birch
Mike Swartz	Paul Wilson	Ken Crofoot	Eugene Cipparone
Julia Holland	James C. Tory	Laurence Detière	Melanie Koszegi
William Scott	David E. Woolcombe	Margaret McNee	Christopher Garrah

Tuesday, February 23, 2021 at 8:30 a.m.
 Goodmans LLP
 34th Floor, Bay Adelaide Centre, West Tower
 333 Bay Street.
 Toronto, Ontario

ZOOM login information: Advisory Board of CLLAS

To join meeting using a computer:

<https://us02web.zoom.us/j/83220472633?pwd=cmVlb1NUQ2xGR3dEMTN4TGEzMDZ5dz09>

Meeting ID: 832 2047 2633

Meeting Password: 132797

To join meeting by phone:

+1 647 558 0588 Canada

Meeting ID: 832 2047 2633

Passcode: 132797

AGENDA

	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
1. Constitution of Meeting	Ken Crofoot		
2. Appointment of Secretary	Ken Crofoot		
3. Approval of the Minutes of December 8, 2020 Meeting <i>Proposed Resolution: To approve the minutes.</i>	Ken Crofoot	5 mins	3.0



	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
4. Business Arising Out of the Minutes	Ken Crofoot		
5. Comments of Chair	Ken Crofoot	5 mins	
6. Market Update and Reinsurance Renewal Planning	Ryan Durrell	10 mins	
7. Report of the General Manager	Patrick Mahoney	30 mins	
7.1 December 31, 2020 Financial Management Report			7.1
7.2 Presentation of the Actuary to the Audit Committee			7.2
7.3 2021 Operating Budget			7.3
<i>Proposed Resolution: To approve the 2021 Budget</i>			
7.4 Surplus Policy			7.4
<i>Proposed Resolution: To confirm the Surplus Policy</i>			
8. Committee Reports		30 mins	
8.1 Audit Committee	Gord Goodman		
8.1.1 Audit Findings Report			8.1.1
8.1.2 Audited Financial Statements			8.1.2
<i>Proposed Resolution: To adopt the Audited Financial Statements</i>			
8.1.3 Signing of P&C1 for February 26, 2021			
8.2 Claims Committee	Bill Scott		8.2
8.3 Risk Management Committee	Julia Holland		
8.4 Policy Committee	Donald Milner		
9. Other Business			
9.1 Quarterly Report of the Investment Manager	Patrick Mahoney	5 mins	9.1
10. Next Meeting – June 22, 2021			

Anticipated Adjournment Time: 10:30 a.m.

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
("CLLAS")**

Minutes of a Meeting of the Advisory Board

8:30 a.m.

Goodmans LLP (via videoconference)

Tuesday, December 8, 2020

Present:

Ken Crofoot (Chair)	Goodmans LLP
Laurence Detière	Davies Ward Phillips & Vineberg LLP
Bob Love	Borden Ladner Gervais LLP
Gordon Goodman	Cassels Brock & Blackwell LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Bill Scott	McCarthy Tétrault LLP
Margaret McNee	McMillan LLP
David Morritt	Osler, Hoskin & Harcourt LLP
Julia Holland	Torys LLP
Mike Swartz	WeirFoulds LLP
Patrick Mahoney	Office of the General Manager, CLLAS
Norma Ibbetson	Office of the General Manager, CLLAS
Ryan Durrell	Axxima

Absent:

1. Constitution of Meeting

The Chair brought the meeting to order.

2. Appointment of Secretary

Norma Ibbetson acted as Secretary.

3. Approval of Minutes of the September 22, 2020 Meeting of the Advisory Board

It was moved by Margaret McNee and seconded by Donald Milner that the minutes of the September 22, 2020 meeting of the Advisory Board be approved. The motion was carried unanimously.

4. Business Arising Out of the Minutes

All business arising out of the minutes will be dealt with elsewhere in the agenda.

5. Comments of the Chair

Risk Management Audits are underway and being completed. The Chair thanked everyone for their support of the process. There were some issues with the Survey Monkey procedure but the firms worked their way through that process. Reports for each firm are being drafted and should be delivered mid-February.

The Chair also introduced the new Board member from Davies, Laurence Detière.

6. Market Update and Reinsurance Renewal Planning

Ryan Durrell updated the Board with respect to renewal planning for July 1, 2021. Allianz recently announced its intention to withdraw from the professional liability line of business, meaning that CLLAS will need to replace Alliance's 12.5% participation on the primary layer. We are preparing for the upcoming renewal by seeking early indications of support from the markets. To date we have not had any concerning responses. The CLLAS renewal submission will be prepared early and we are not expecting to be able to travel to London in the spring of 2020, and so will likely follow the process adopted last year, i.e. make a video available, and conduct videoconference meetings with select markets.

The senior underwriters and management team from the Hamilton syndicate have all resigned. The indication is that they have left to start their own syndicate. This type of move is often good news for CLLAS, as it is possible to continue to do business with the old syndicate while also placing business with the new one.

We should expect continued upwards pressure on reinsurance premium. We are hopeful that we will be able to place the additional \$50 million layer this year as markets are now aware of it and will be able to build it into their 2021 business plans.

7. Report of the General Manager's Office

Financial Statements for the Period Ending September 30, 2020

Patrick Mahoney presented CLLAS' financial management report as at September 30, 2020.

As shown on Exhibit II, CLLAS experienced an underwriting gain (premiums minus claims and expenses) for the first nine months of 2020 of \$58,000. After taking into account investment income (including unrealized losses arising during the period) the gain was \$536,000. The Budget Variance (Exhibit IV) shows that expenses for the year are tracking well under budget for the nine-month period. We should expect to pay out on the risk management audits in the new year.

Most of CLLAS' risk metrics are within its risk limits as shown on Exhibit V. Mr. Mahoney discussed those that exceed CLLAS' risk targets.

At September 30, 2020, CLLAS had a \$14.1 million surplus, up about \$500,000 from the same time last year. CLLAS had cash and approved securities well in excess of the minimum AMRGF requirement mandated by Alberta insurance law. CLLAS' MCT ratio at the same date was estimated to be 682%, well in excess of both CLLAS' internal target and regulatory expectations.

Subscriber Accounts at June 30, 2020

The CLLAS Subscribers Accounts as at June 30, 2020 were included with the meeting materials. The statements are an information item and no action is required by the Board.

The Board was reminded that the Subscribers Accounts allocate CLLAS' assets and liabilities amongst its subscribers in accordance with CLLAS Rules. Board members were invited to follow up with the General Manager's office after the meeting if they had any questions after reviewing the accounts.

An invitation was extended to do a short presentation with CLLAS' actuary giving an overview of the Subscribers' Account if there was any interest.

Regulatory Outlook Report

Over the past decade, the Alberta Superintendent of Insurance has been leading the charge amongst the provincial regulators in adopting OFSI level standards which has led to a fair bit of extra work to manage CLLAS. The regulator made a promise to review the regulatory regime in light of the fact that reciprocals have a contractual right to collect additional funds from their insureds, should that be required, an option not open to commercial insurers. Recently, Alberta announced that most OSFI guidelines that it had adopted will not be applicable to reciprocals effective January 1, 2021.

Reciprocals will be required to comply with the AMRGF requirement but will not be required to undertake an ORSA, monitor the MCT or do the peer review of the actuarial valuation. CLLAS will still have to comply with requirements in other provinces, but to date most had not moved to adopting OFSI standards. Mr. Mahoney said that these changes are welcome and will result in cost savings for CLLAS, but some of the requirements did add value and should likely be preserved in some form. He said he would work with the Audit Committee over the course of the next year to come up with a plan in this area.

Confirmation of Investment Policy

The Investment Policy needs to be reviewed and confirmed on an annual basis. It is a conservative investment policy. No changes are being recommended but it may be worthwhile in the future to look into the benefit of allowing investment in BBB-grade corporate bonds.

Compliance monitoring was discussed. The quarterly investment report contains a compliance statement and the General Manager's office reviews the quarterly investment report for compliance as well. The result is documented in the risk metrics attached to the financial management report.

It was moved by Gordon Goodman and seconded by Bob Love that the Investment Policy be re-confirmed as presented. The motion was carried unanimously.

8. **Committee Reports**

Report of the Audit Committee

Gordon Goodman reported on behalf of the Audit Committee. The audit planning meeting took place on October 21, 2020, with Deloitte in attendance to review the audit plan. There will be a peer review of the 2020 actuarial valuation by PwC. At that meeting, the Audit Committee also reviewed the annual Reinsurance Security Report.

Report of the Claims Committee

Patrick Mahoney reported on behalf of the Claims Committee. The Committee had its regular quarterly meeting in October and claims activity is relatively quiet at the moment with the exception of a recent mediation on a claim in the 2016 policy year. Included in the materials are some charts summarizing CLLAS' claims activity at September 30, 2020.

(Bill Scott joined the meeting.)

Report of the Risk Management Committee

Julia Holland reported to the Board. John Walker asked that Ms. Holland extend his apologies for the problems associated with the use of Survey Monkey. Audit reports are expected to be delivered to the firms before the February Board meeting. If there are trends that the firms have in common a presentation by Mr. Walker maybe in order.

Report of the Policy Committee

There was no report of the Policy Committee.

9. **Other Business**

Quarterly Report of the Investment Manager at September 30, 2020

This is an information item for the Board.

Document Comparison Software

There was an email circulated last week by the General Manager alerting the firms who might be using Workshare software. There appears to be some issues in that it is not tracking all changes in the document. Firms using the software have also followed up with the software distributor to inquire of any patches.

There was no further business.

10. Next Meeting

The next regularly scheduled meeting of the Board will be on February 23, 2021.

There being no further business, the meeting was terminated.

Chairman

Secretary



MEMORANDUM

DATE: February 10, 2021
 TO: CLLAS Advisory Board
 FROM: Patrick Mahoney
 COPY:
 RE: December 31, 2020 Financial Management Report

CLLAS' financial management report for the year ended December 31, 2020 is attached. Included are the following exhibits:

Exhibit I:	Statement of Financial Position
Exhibit II:	Statement of Comprehensive Income
Exhibit III:	Statement of Changes in Equity
Exhibit IV:	Budget Variance Analysis
Exhibit V:	Summary of Risk Metrics
Exhibit VI:	Alberta Maintenance of Reserve and Guarantee Fund

Financial Results

As shown on Exhibit II, CLLAS experienced an underwriting loss (i.e. premiums minus claims and expenses) of \$1.7 million in the fourth quarter. The total comprehensive loss (i.e. after taking into account realized and unrealized gains/losses on the investment portfolio) is about the same, leading to a total comprehensive loss for the full year of just under \$1.2 million. The main reason for the loss is the emergence of two claims in CLLAS' drop-down layer in the latter part of the year. Also, the drop in interest rates has lowered CLLAS' discount rate which puts upward pressure on the actuarial reserves.

As shown on Exhibit I, CLLAS' surplus at December 31, 2020 stood at just over \$12.4 million.

The Budget Variance (Exhibit IV) shows that expenses finished the year about \$160,000, or 7.7% under budget. The budget variance for 2020 and the proposed operating budget for 2021 are discussed under separate cover.

Risk Metrics

Exhibit V presents the results of various "risk metrics" monitored by CLLAS based on what have been identified through the ORSA process as its material risks. The Exhibit shows the year-end results for 2018, 2019 and 2020 against risk targets and risk limits.



Metrics at December 30, 2020 are generally within CLLAS' risk targets, with notable items discussed below.

- Line 1: The key regulatory solvency test that CLLAS is required to comply with is known as AMRGF. Details of this calculation are shown in Exhibit VI, with the result summarized in Exhibit V. CLLAS must maintain "cash and approved securities" in excess of the reserve fund plus the guarantee fund required by the Alberta regulator. Exhibit VI shows that the CLLAS held cash and approved securities well in excess of the AMRGF requirement at December 31, 2020.
- Line 2: CLLAS also monitors its Minimum Capital Test ratio. At December 31, 2020 CLLAS' MCT ratio was estimated to be 538%. The result is well above CLLAS' internal target of 210%.
- Line 5: CLLAS' net loss ratio (i.e. after taking into account reinsurance) is above its target but below its limit, as a result of the new drop down claims.
- Line 6: The Board had a discussion on the risk of systemic loss at its September meeting and some concerns were noted, due to the pandemic, which results in this metric appearing in yellow. This metric will be reviewed again if circumstance change, or in any event, at the September 2021 meeting.
- Line 8: The Board had a discussion on the state of the insurance market at its September meeting. The market continues to be very difficult and so this metric appears in yellow. Again, this metric will be reviewed again if circumstance change, or in any event, at the September 2021 meeting.
- Line 9: As has been discussed as part of CLLAS' Reinsurance Security Report, a couple of CLLAS reinsurers have A- ratings with AM Best and/or S&P..
- Line 10: Again as noted as part of CLLAS' Reinsurance Security Report, the Argo Syndicate (Lloyds) reinsures 19.3% of CLLAS' total liabilities. This is down slightly from 19.6% the prior year and exceeds CLLAS' risk limit. Appropriate moves to continue diversifying CLLAS' reinsurance support should be made when market conditions permit.
- Lines 12/13: While there have been no concerns noted, the Board has not yet had a focused discussion on CLLAS' resiliency capacity. This will be arranged for an upcoming Board meeting.

Please contact me if you have any questions with respect to the statements or the risk metrics.

Sincerely,

Patrick Mahoney, General Manager

Exhibit I

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF FINANCIAL POSITION
December 31, 2020

	As at December 31, 2020	As at December 31, 2019
ASSETS		
Cash	2,161,535	3,784,745
Short term investments	12,511,787	12,342,761
Bonds	6,279,426	6,015,184
Interest income due and accrued	22,835	20,531
Premium receivable	3,782,333	1,254,203
Other receivable	-	-
Prepaid expenses	143,750	144,413
Deferred policy acquisition costs	-	26,365
Unearned reinsurance premium ceded	4,301,362	3,626,526
Reinsurance recoverable	1,938,201	351,056
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	66,246,422	59,504,000
	<u>97,387,651</u>	<u>87,069,784</u>
LIABILITIES		
Accounts payable & accrued charges	368,152	268,892
Premium taxes payable	65,646	61,532
Unearned premium	5,303,716	4,618,813
Due to reinsurers	4,337,008	2,111,955
Provision for unpaid claims and adjustment expenses	74,830,984	66,388,000
Premium deficiency liability	30,774	-
	<u>84,936,280</u>	<u>73,449,192</u>
SUBSCRIBERS' EQUITY		
Surplus	12,133,535	13,573,163
Accumulated Other Comprehensive Income (Loss)	317,836	47,429
	<u>12,451,371</u>	<u>13,620,592</u>
	<u>97,387,651</u>	<u>87,069,784</u>

Exhibit II

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME
For the Period Ending December 31, 2020

	Current Year		Prior Year	
	Quarter December 31, 2020	Year to Date December 31, 2020	Quarter December 31, 2019	Year to Date December 31, 2019
Written Premium	-	10,695,340	-	9,288,383
Gross Written Premiums	-	10,695,340	-	9,288,383
Reinsurance Ceded	-	(8,674,018)	-	(7,292,904)
Net Written Premiums	-	2,021,322	-	1,995,479
Change in Unearned Premiums	509,484	(10,067)	501,596	(63,389)
Earned Premiums	509,484	2,011,255	501,596	1,932,090
Claims Paid	28,735	47,378	292,837	(353,063)
Change in IBNR	381,004	615,004	46,000	(173,000)
Change in Case Reserve	1,171,558	1,085,558	(216,000)	(432,000)
Premium Deficiency Expense	30,774	30,774	-	-
Incurred Claims	1,612,071	1,778,714	122,837	(958,063)
Management and operating expenses	327,749	1,285,771	241,467	1,431,237
Reinsurance fees	71,875	287,500	71,875	283,250
Premium taxes	231,675	335,266	174,836	348,485
Total Operating Expenses	631,300	1,908,537	488,178	2,062,973
Underwriting Gain (Loss)	(1,733,887)	(1,675,996)	(109,420)	827,181
Investment Income	38,146	236,368	105,000	378,237
Income on Claim Related Matters	-	-	-	-
Interest Income on Premium Tax	-	-	-	-
NET GAIN/(LOSS)	<u>(1,695,742)</u>	<u>(1,439,628)</u>	<u>(4,420)</u>	<u>1,205,418</u>
Other comprehensive income (loss)				
Unrealized gains (losses) on available for sale financial assets arising during the year	(9,201)	270,407	(62,789)	82,020
Recognition of realized (gain) loss included in income	-	-	-	0.26
Other comprehensive income (loss) for the year	(9,201)	270,407	(62,789)	82,020
Total comprehensive income (loss)	<u>(1,704,942)</u>	<u>(1,169,221)</u>	<u>(67,209)</u>	<u>1,287,438</u>

Exhibit III

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF CHANGES IN EQUITY
December 31, 2020

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on AFS financial assets	Total Equity
Balance, beginning of year	50,000	13,523,163	47,429	13,620,592
Prior year adjustment		-		-
Comprehensive income (loss) for the year				
Net gain (loss) for the year		(1,439,628)		(1,439,628)
Other comprehensive income (loss)				
Change in unrealized gain on available-for-sale assets			270,407	270,407
Recognition of realized (gain) loss on available-for-sale assets			-	-
Total comprehensive income (loss) for the year		(1,439,628)	270,407	(1,169,221)
Distribution of premium surplus		-		-
Balance at December 31, 2020	50,000	12,083,535	317,836	12,451,371

Exhibit IV

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED December 31, 2020

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES* (See Note 1)	396,000	100%	396,000	368,996	27,004
PROFESSIONAL SERVICES					
Actuarial Services	75,000	100%	75,000	62,871	12,129
Reinsurance Matters	300,000	100%	300,000	201,771	98,229
Strategic Matters	160,000	100%	160,000	79,659	80,341
Sub-Total Professional Services	<u>535,000</u>		<u>535,000</u>	<u>344,301</u>	<u>190,699</u>
GST/HST on Consulting Fees	121,030		121,030	92,729	28,301
Total Management & Professional Services * (See Note 2)	<u>1,052,030</u>		<u>1,052,030</u>	<u>806,025</u>	<u>246,005</u>
OTHER EXPENSES					
Audit Expenses	127,000	100%	127,000	123,939	3,061
Annual Dinner	7,500	100%	7,500	(1,000)	8,500
Premium Taxes	174,000	100%	174,000	335,266	(161,266)
Chairman's Honourium	150,000	100%	150,000	150,000	-
Reinsurance Expense	8,500	100%	8,500	158	8,342
D&O Insurance	20,000	100%	20,000	13,878	6,122
Office Expenses	25,000	100%	25,000	5,113	19,887
Claims: Borderaux (LawPro/LIF)	17,600	100%	17,600	16,615	985
Special Services	25,000	100%	25,000	-	25,000
Reinsurance Fee (BWI) (See Note 3)	287,500	100%	287,500	287,500	-
I.B.C Statistical Plan Fees	3,000	100%	3,000	1,031	1,969
Assessment Fees	3,000	100%	3,000	4,028	(1,028)
Investment counsel fees	33,000	100%	33,000	31,740	1,260
Investment - Custodial	19,000	100%	19,000	19,580	(580)
Risk Management/Loss Prevention (See Note 4)	110,000	100%	110,000	110,000	-
License Fee	5,000	100%	5,000	4,663	337
Insurance: Sundry	-		-	-	-
Sub-total	<u>1,015,100</u>		<u>1,015,100</u>	<u>1,102,511</u>	<u>(87,411)</u>
TOTAL	<u>2,067,130</u>		<u>2,067,130</u>	<u>1,908,536</u>	<u>158,594</u>

*** NOTE 1: MANAGEMENT SERVICES**

The budget of \$396,000 has been reduced from \$501,500 prior year budget as a result of slightly reduced fixed fee and an increased commissions on CLLAS associate program (including profit sharing).

*** NOTE 2: PROFESSIONAL SERVICES - SEASONALLY WEIGHTED BUDGET**

This is based upon an analysis of the current budget and previous years' experience, the anticipated pattern of seasonal workflow is as follows:

First Quarter, ending March 31st	22%
Second Quarter, ending June 30th	40%
Third Quarter, ending September 30th	18%
Fourth Quarter, ending December 31st	20%
	<u>100%</u>

*** NOTE 3: BWI INSURANCE FEES (Reins. Comm.)**

The annual budget is based upon the annual fee actual for the policy year 2019/2020 and no change for policy period 2020/2021 assumed.

*** NOTE 4: RISK MANAGEMENT/LOSS PREVENTION**

A significant increase from the last year budget due to Risk Management Audit to take place in 2020.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
SUMMARY OF RISK METRICS
December 31, 2020

Exhibit V

Risk Category	Risk Metric		December 31, 2018	December 31, 2019	December 31, 2020	Green Zone (Meets Target)	Yellow Zone	Red Zone (Limit Exceeded)
General	(1)	AMRGF - Excess of Cash/Appr. Securities Over Reg. Req'ment	\$6,765,000	\$11,670,500	\$6,421,000	5,000,000 and above 210% and above Up to date	\$2,500,000 to \$5,000,000 n/a Items outstanding	Less than \$2,500,000 Less than 210% Materially behind schedule
	(2)	MCT Ratio	521%	712%	538%			
	(3)	Status of Governance Policies	Up to date	Up to date	Up to date			
Insurance	(4)	Gross Loss Ratio	369%	42%	96%	Less than 150% Less than 50% Nothing on horizon	150% to 300% 50% to 100% Some concerns raised	Over 300% Over 100% Adverse experience
	(5)	Net Loss Ratio	-22%	-36%	63%			
	(6)	Risk of Systemic Loss	n/a	n/a	Some concerns raised			
Premium & Strategy	(7)	Actual Expenses vs. Budget	96%	95%	92%	Less than 105% Nothing on horizon	105% to 120% Some concerns raised	Over 120% Adverse experience
	(8)	State of the Market Outlook	n/a	n/a	Some concerns raised			
Reinsurance	(9)	Reinsurer Credit Rating	A- to A+	A- to A+	A- to A+	A or above Less than 10%	A- 10% to 15%	B+ and below Over 15%
	(10)	Maximum Concentration with a Single Reinsurer excl. Colchester	12.7%	19.6%	19.3%			
Operational	(11)	Board Discussion of Prior Quarter Risk Metrics	Discussed corrective	Discussed corrective	Discussed corrective	Discussed corrective Score of 4 or 5 out of 5 Score of 4 or 5 out of 5 0 to 2 members 0 to 1 person	Received but no discussion Score of 3 out of 5 Score of 3 out of 5 3 to 4 members 2 to 3 people	Not received Score of 1 or 2 out of 5 Score of 1 or 2 out of 5 5 or more members 4 or more members
	(12)	Resiliency Capacity - People (e.g. redundancy, succession)	n/a	n/a	n/a			
	(13)	Resiliency Capacity - Data/Systems	n/a	n/a	n/a			
	(14)	Advisory Board Turnover in Last 12 Months	2	1	1			
	(15)	Key Management/Advisor Turnover in Last 36 Months	2	1	1			
Investments	(16)	Investment Manager Compliance Statement	In compliance	In compliance	In compliance	In compliance	Temporarily or slightly not	Consistently or materially not
Regulatory Compliance	(17)	Regulatory Outlook Report	n/a	n/a	No significant concerns noted	No significant issues noted	Issues being addressed	Significant issues outstanding

Notes

- (1) = From Exhibit 6.
- (2) MCTs per P&C-1 filings. Target based on ORSA analysis.
- (3) Reviewed annually in December.
- (4) = Gross incurred losses / gross earned premiums. Gross losses from the actuarial valuations. Premiums exclude the effect of any return of surplus.
- (5) = Net incurred losses / net earned premiums. Net losses derived from the financial statements. Premiums exclude the effect of any return of surplus.
- (6) Reviewed in December 2020.
- (7) = Actual expenses / budget expenses. From the financial statements.
- (8) Reviewed in December 2020.
- (9) Based on A.M. Best. information from report on reinsurance security (October 2020).
- (10) Based on claim liabilities exposure. Lloyds syndicates are assessed separately. 2020 information from report on reinsurance security (October 2020).
- (11) Reviewed quarterly.
- (12) Reviewed annually in December.
- (13) Reviewed annually in December.
- (14) Reviewed quarterly based on turnover in the preceding 12-month period
- (15) Senior Management/Key Advisor Turnover in Last 36 Months – Includes principal attorney, general manager, accountant, auditor, actuary, reinsurance broker and excess insurance broker.
- (16) Reviewed quarterly.
- (17) Reviewed annually in December.

Color Code
Meets Target
Between Target and Limit
Exceeds Limit

Exhibit VI

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
For the Period Ending December 31, 2020

ALBERTA MAINTENANCE OF RESERVE AND GUARANTEE FUNDS
 (Section 99 and 100)

	Current Year to Date 12/31/2020 (in \$000's)	Prior Year End 12/31/2019 (in \$000's)
<u>Reserve Fund</u>		
Premiums collected or credited having one year or less to run	(1) 10,695	9,288
Less: Amount paid to licensed reinsurers	(2) 8,601	7,233
Premiums collected with more than one year to run, less expired portion	(3) -	-
Less: Amount paid to reinsurers on premiums on line 3, less expired portion.	(4) -	-
Subtotal (lines 1, minus line 2, plus line 3, minus line 4)	(5) 2,094	2,055
Reserve Fund Required (50% of Line 5)	(6) 1,047	1,028
<u>Guarantee Fund</u>		
Total Liabilities	(7) 84,936	73,449
Less: Unearned Premiums	(8) 5,304	4,619
Less: Recoverable from licensed reinsurers	(9) 66,197	59,435
Plus: Statutory Margin	(10) 50	50
Guarantee Fund Required (Line 7 minus Lines 8 and 9 plus line 10)	(11) 13,485	9,445
TOTAL RESERVE & GUARANTEE FUND REQUIRED (Line 6+11)	(12) 14,532	10,473
Cash & Approved Securities	(13) 20,953	22,143
Excess of Cash & Securities over Reserve & Guarantee Fund (line 13 minus line 12)	(14) 6,421	11,671



Canadian Lawyers Liability Assurance Society

Actuarial valuation of policy liabilities as at December 31, 2020

February 11, 2021



Agenda

1

Disclosures

2

Actuarial Valuation

3

Valuation Results

4

Discussion

Disclosure of Draft Results



The valuation results presented are **draft**. Our final signed valuation results will be provided upon reception of the following:

- **Auditor letter** on specified audit procedures and data reliance
- **Confirmation** from management that there are **no subsequent events** which would cause a deviation in the valuation results in excess of our materiality standard

Per the Canadian Actuarial Standards of Practice, **changes having an impact in excess of our standard of materiality** as of December 31, 2020 may need to be reflected and/or disclosed in the valuation report and may result in a **change in the financial statements**.

Role of the Appointed Actuary



Valuation of policy liabilities

- Claim liabilities
- Unearned premium liabilities
- Other policyholder liabilities



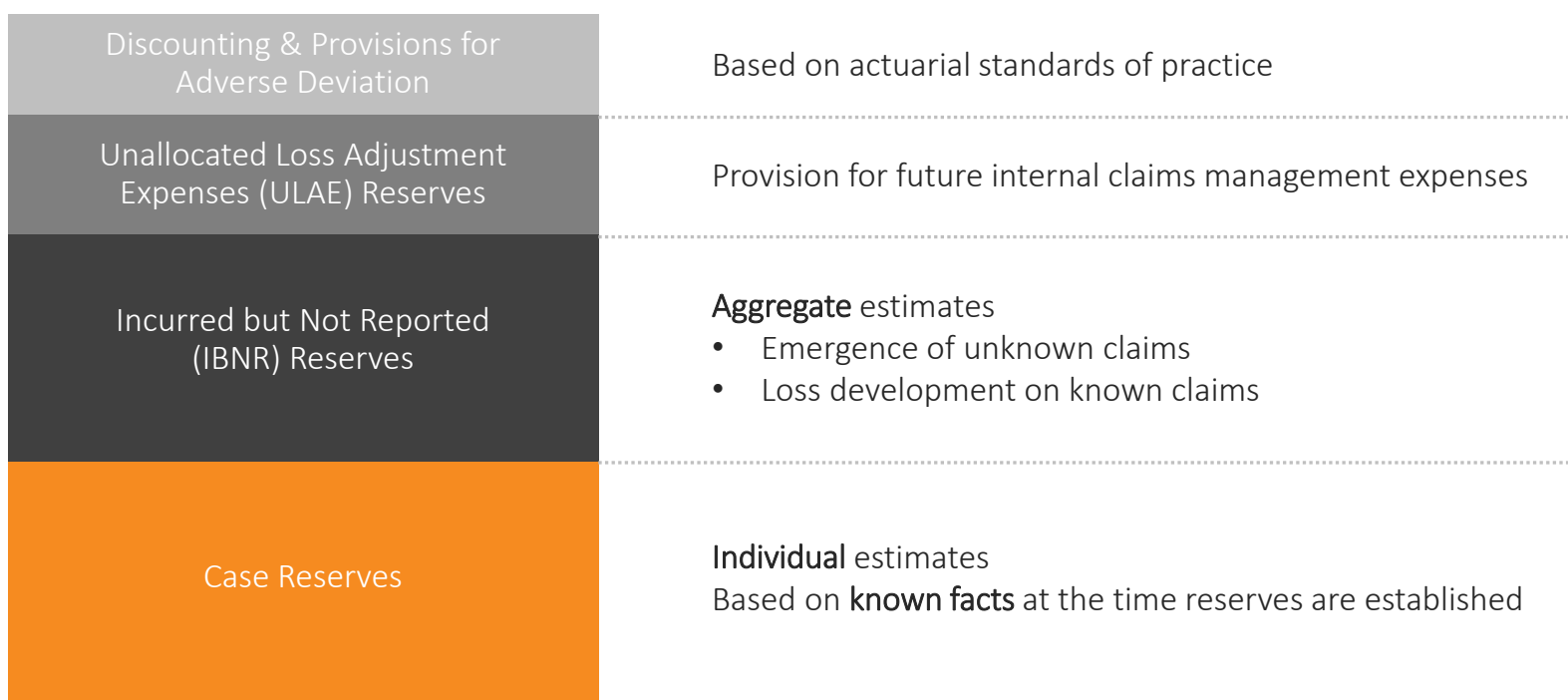
Liaise with the auditor

In accordance with Canadian Accounting Standard 620



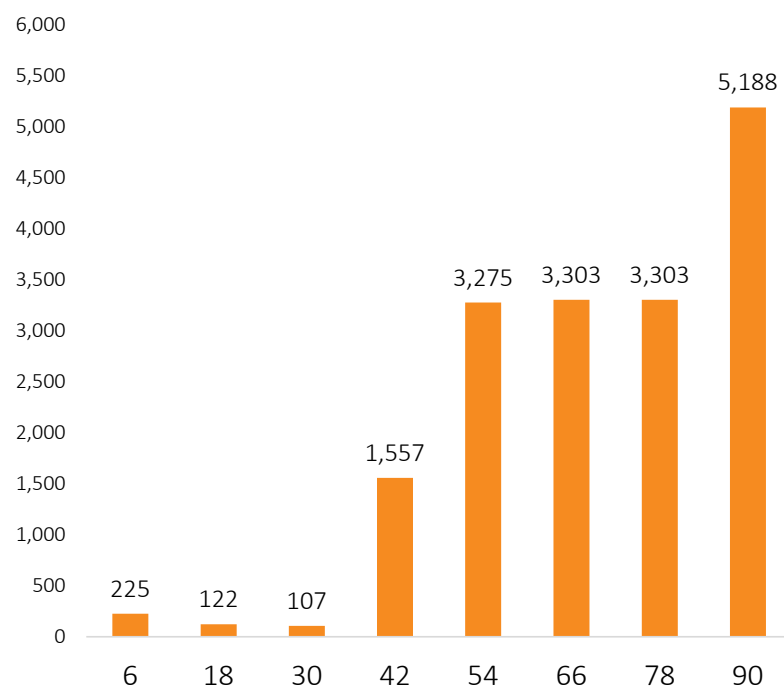
Monitor the financial condition

Claim Liabilities

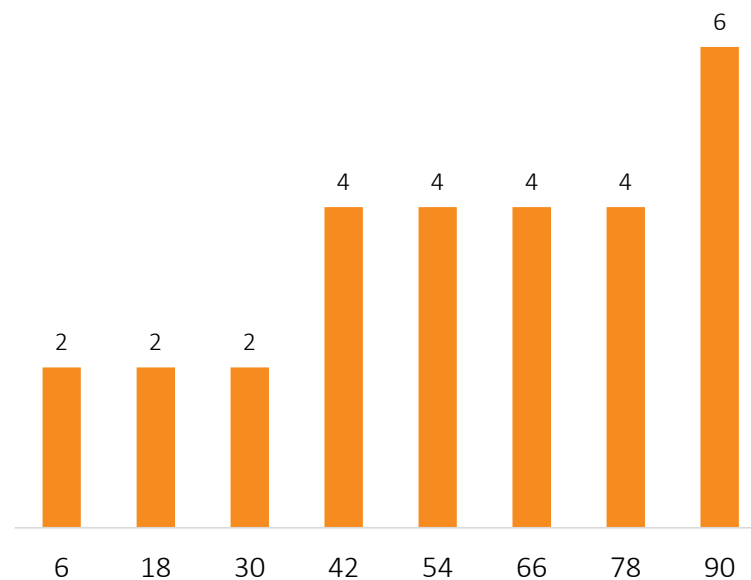


Example: Development of 11/12 Policy Year

Development of Incurred Losses

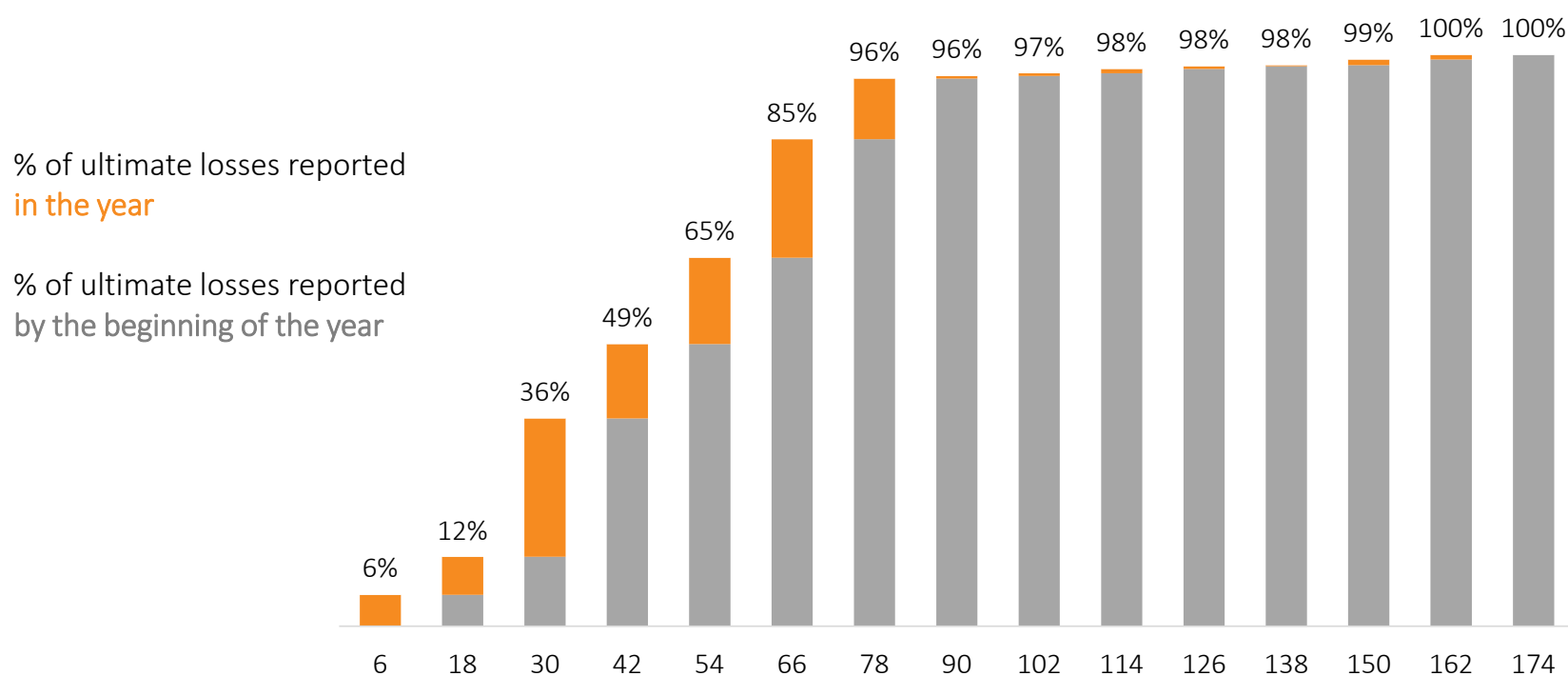


Development of Number of Claims

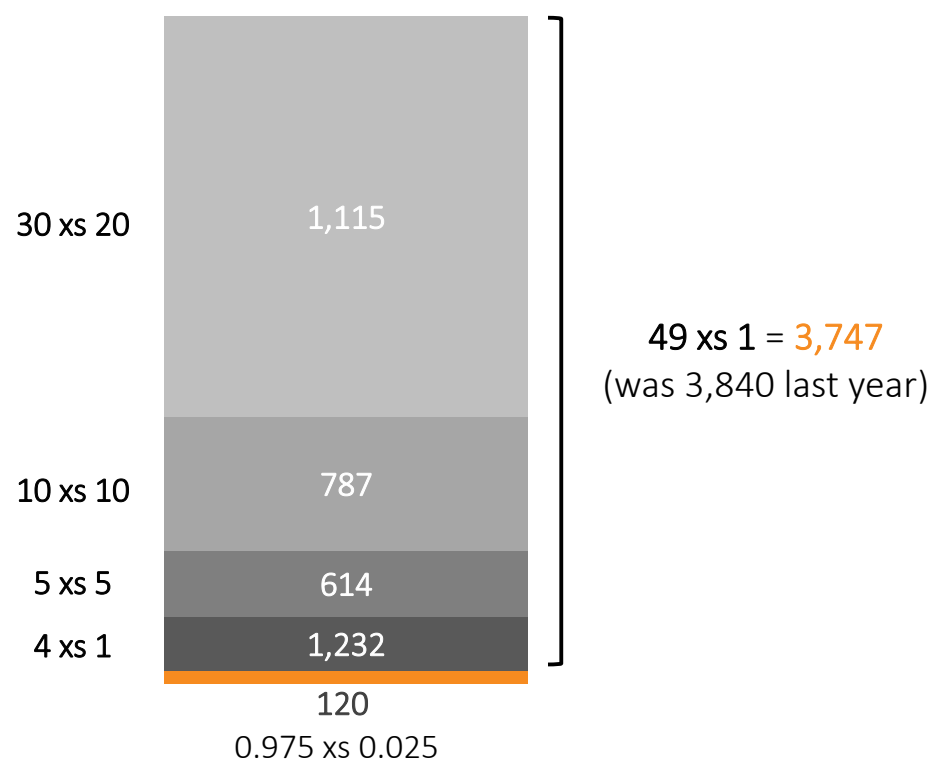


Development of Incurred Losses

Losses are assumed to be fully reported after 14.5 years



Expected Loss Costs



Other Excess Layers

Layer	Loss Cost per Lawyer
30 xs min 65	10
5% of 30 xs 50	17
5% of 50 xs 50	23
5% of 60 xs 100	6
40 xs 160	-
60 xs 160	26

CLLAS and Colchester arrangements for 2020/2021

Colchester Retention: 23% of 49M xs 1M
 100% of 5% of 50 xs 50
 10% of 60M xs 160M
Provides **aggregate** reinsurance coverage of 10M xs 5M

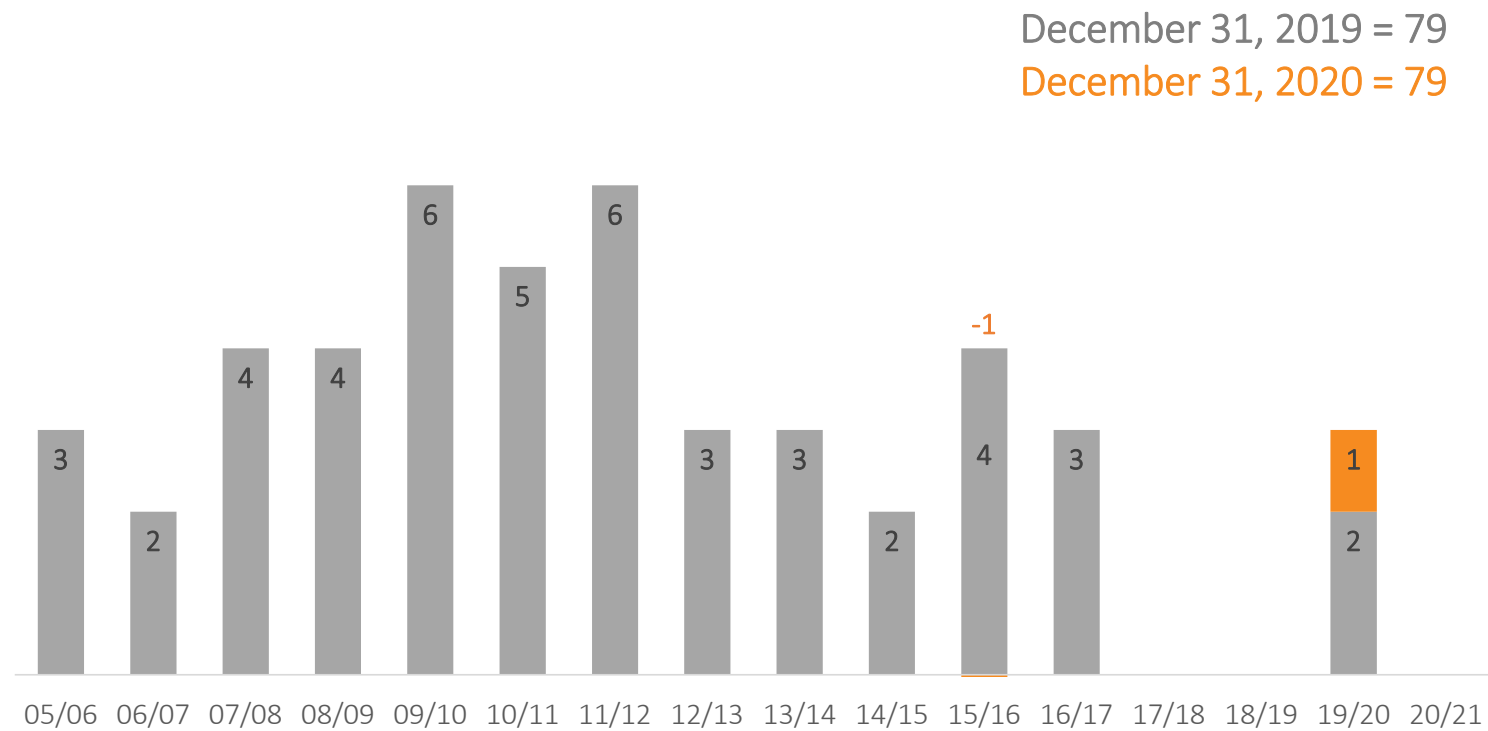
CLLAS per-claim retention: 100% of 975k xs 25k
 0% of 49M xs 1M

Loss Portfolio Transfer on June 20, 2012

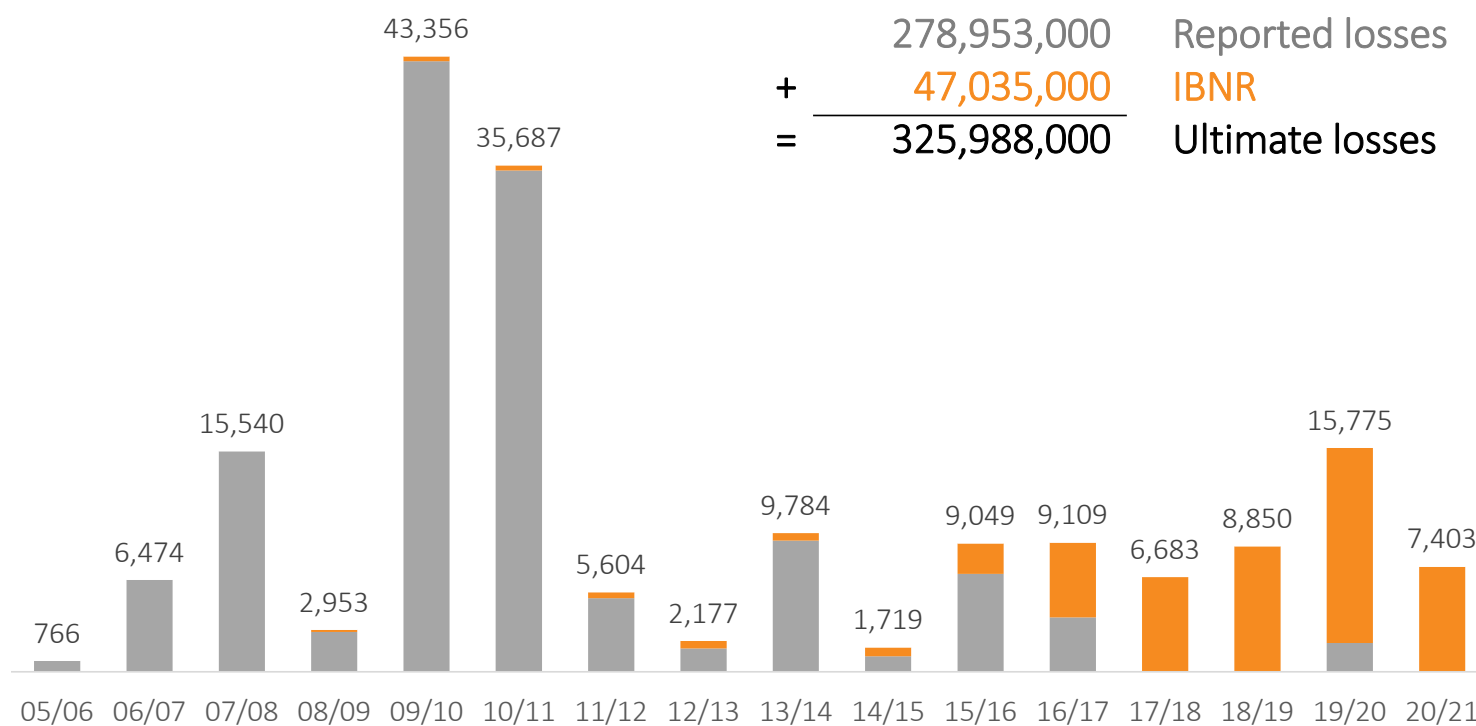
Colchester purchased net outstanding claims obligations on policies written between July 1, 1987 and June 30, 2012

CLLAS's remaining net claim liabilities attributable to the business written prior to June 30, 2012 are provisions for ULAE

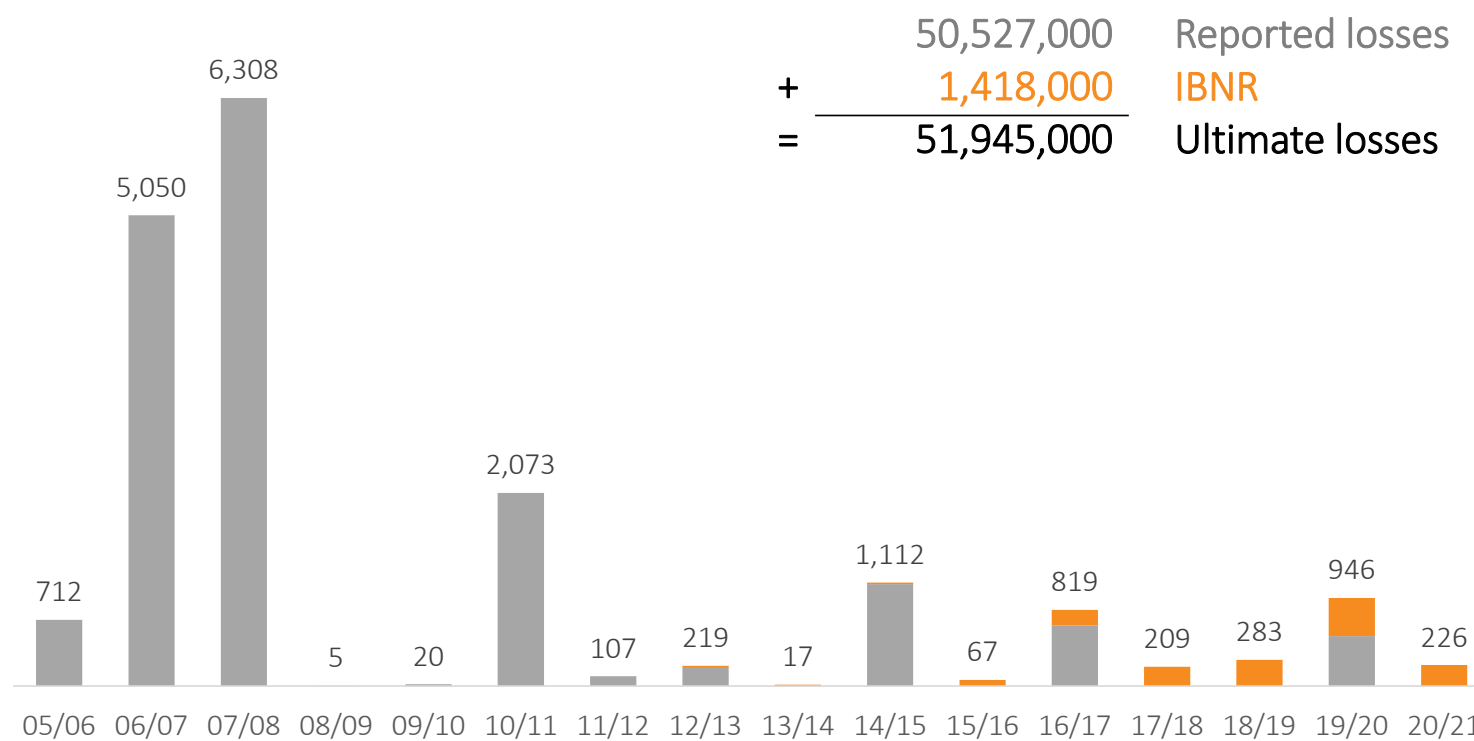
Reported Claim Counts



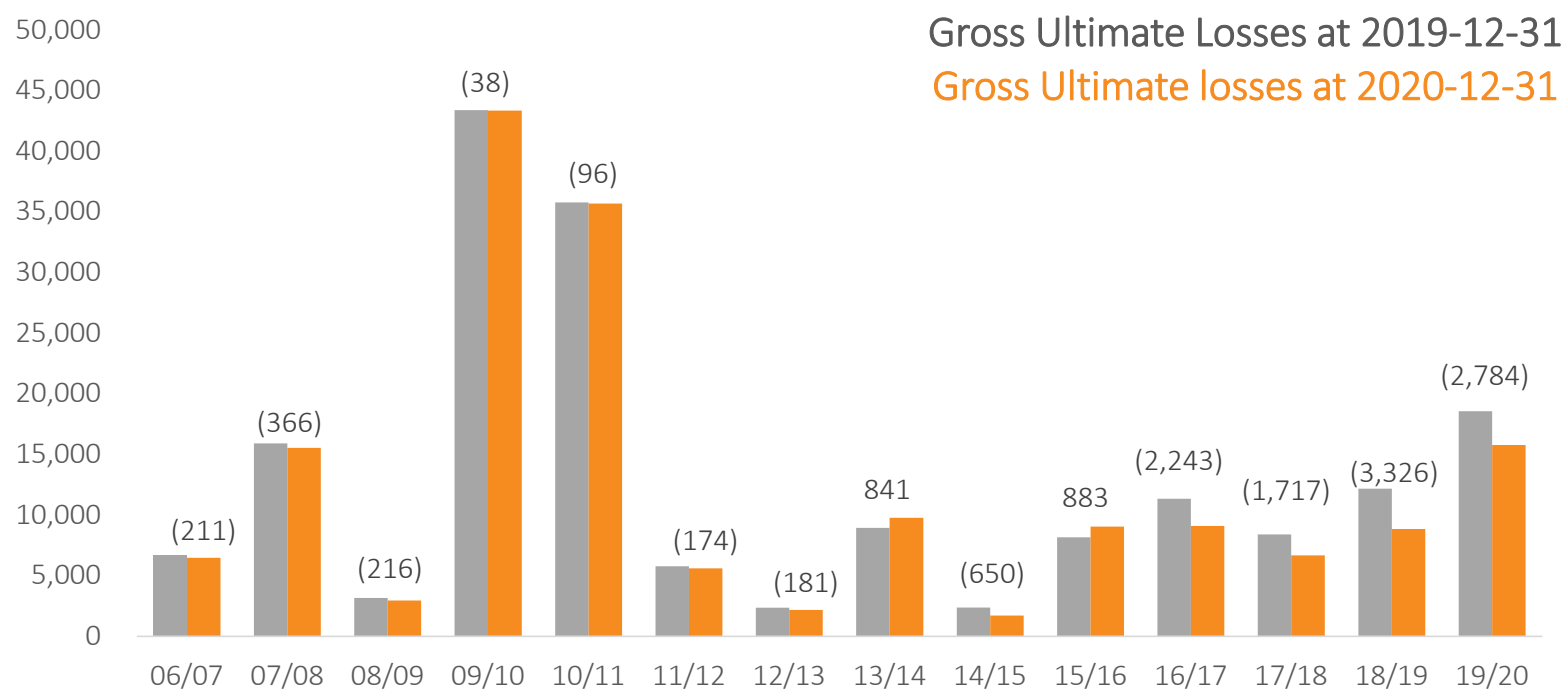
Projected Ultimate Losses - Gross



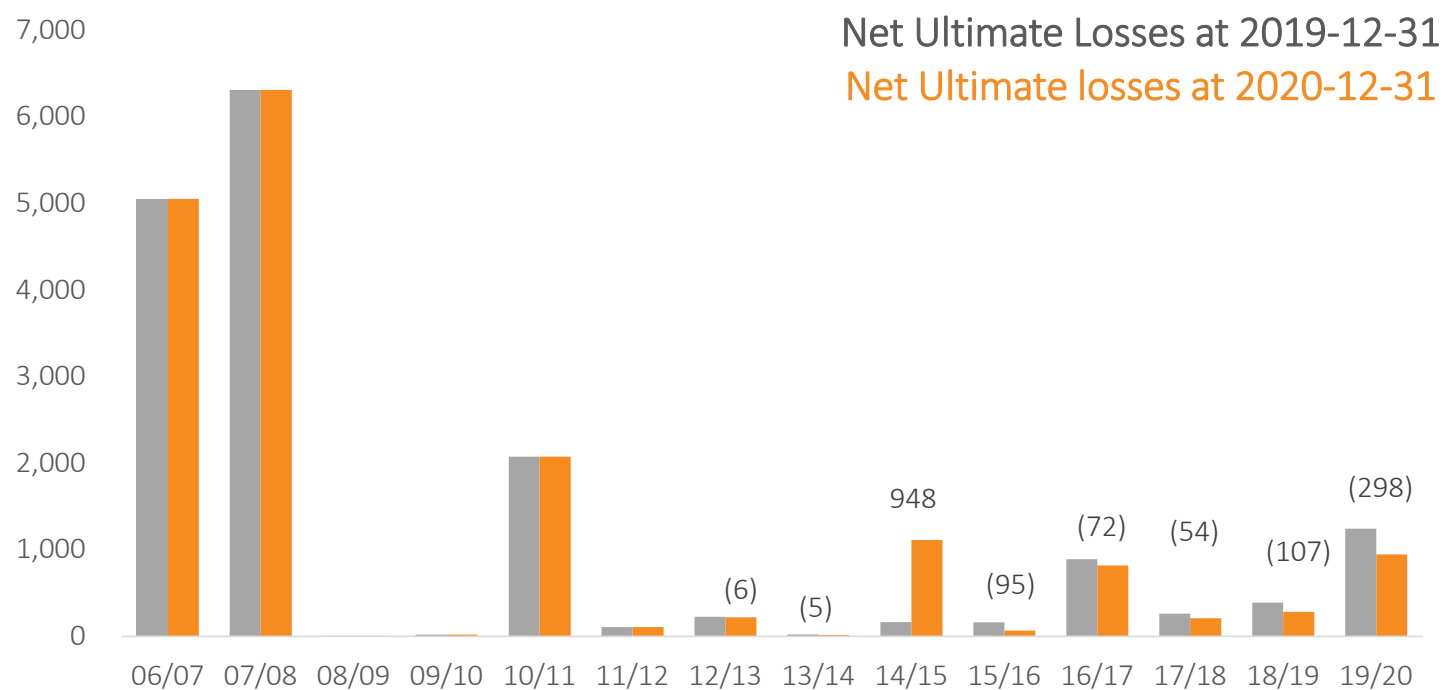
Projected Ultimate Losses - Net



Overall Claims Improvement of \$10,280,000 – Gross Basis



Overall Claims Deterioration of \$313,000 – Net Basis



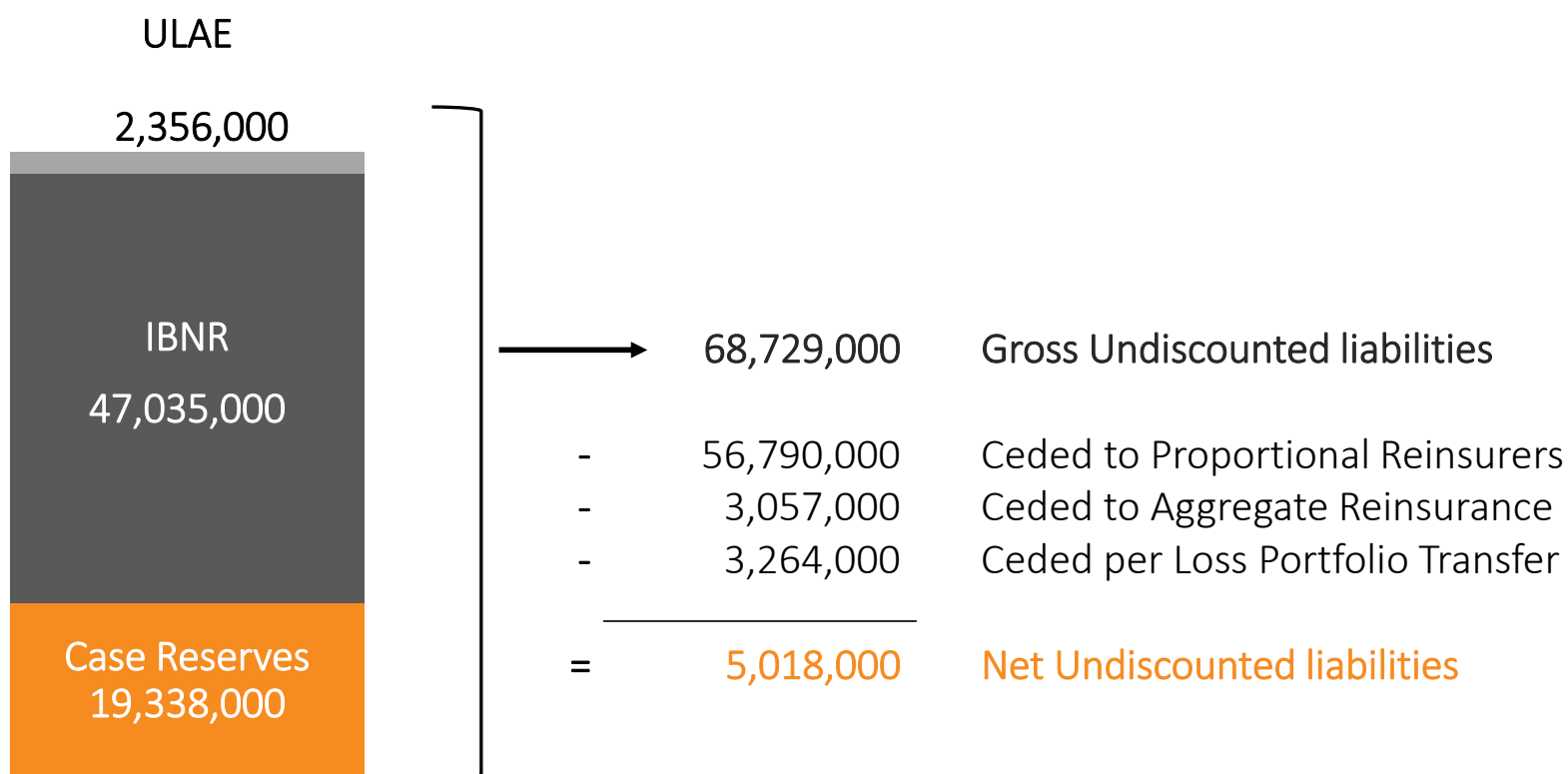
Unallocated Loss Adjustment Expenses (ULAE)

Represents the provision for the **claims management** function to service existing **obligations** if CLLAS were to cease writing business on December 31, 2020

Loading = **3.55%** x (gross case reserves + gross provisions for IBNR)
(was 3.95% as of December 31, 2019)

The provision for ULAE is **entirely retained** by CLLAS

Undiscounted Liabilities – Gross and Net



Discounting

Claim liabilities are estimates of losses to be paid in the future

The future claim payments are discounted to reflect the time value of money

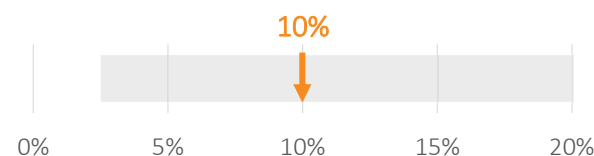
The selected discount rate = 0.45%
(1.90% last year)



Selected Margins for Adverse Deviation

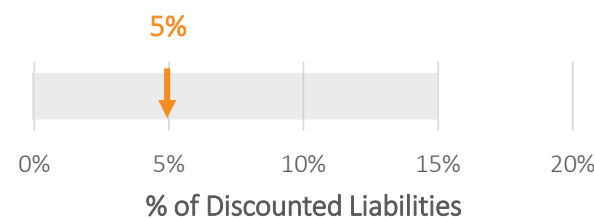
Claims Development

Claims experience is worse than expected



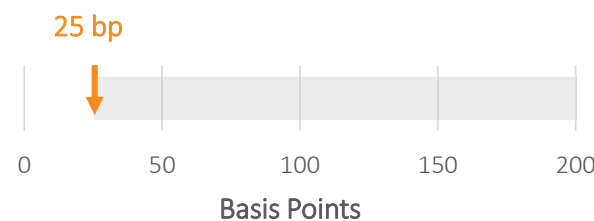
Reinsurance Recovery

Reinsurers default on their obligation

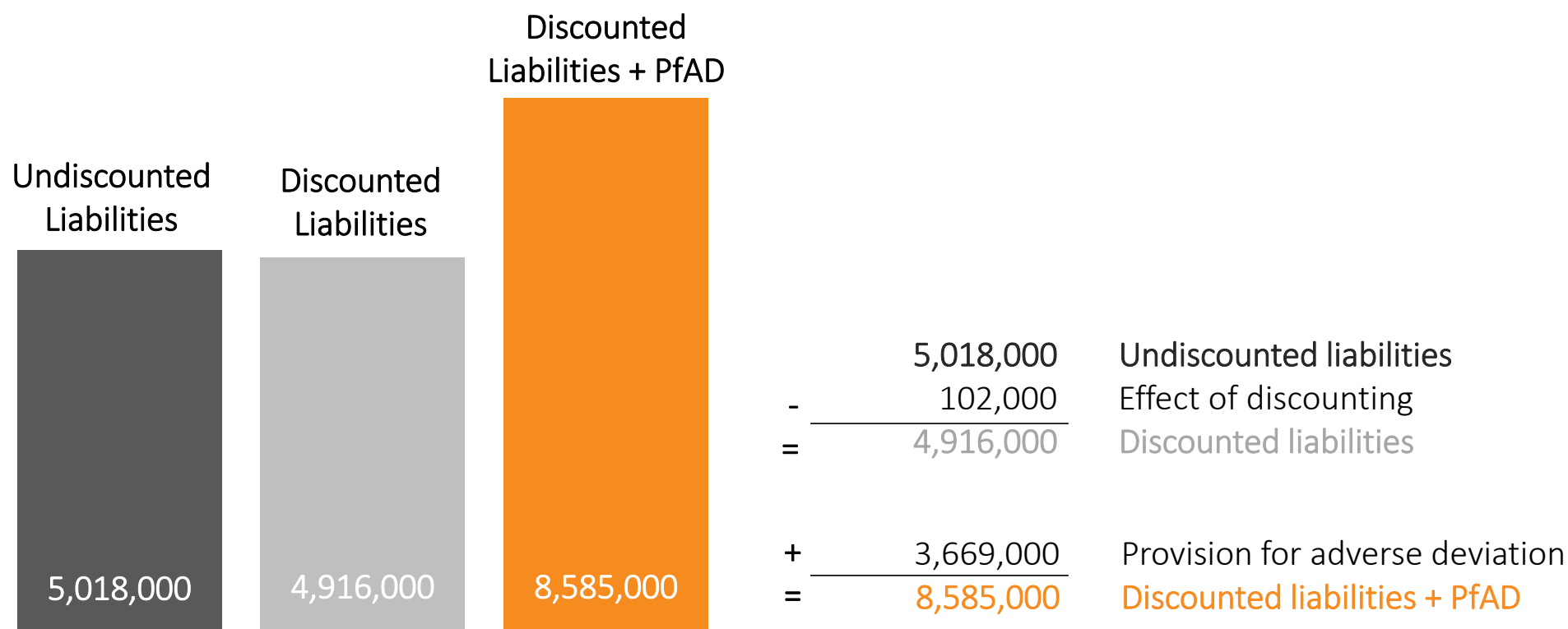


Interest Rate

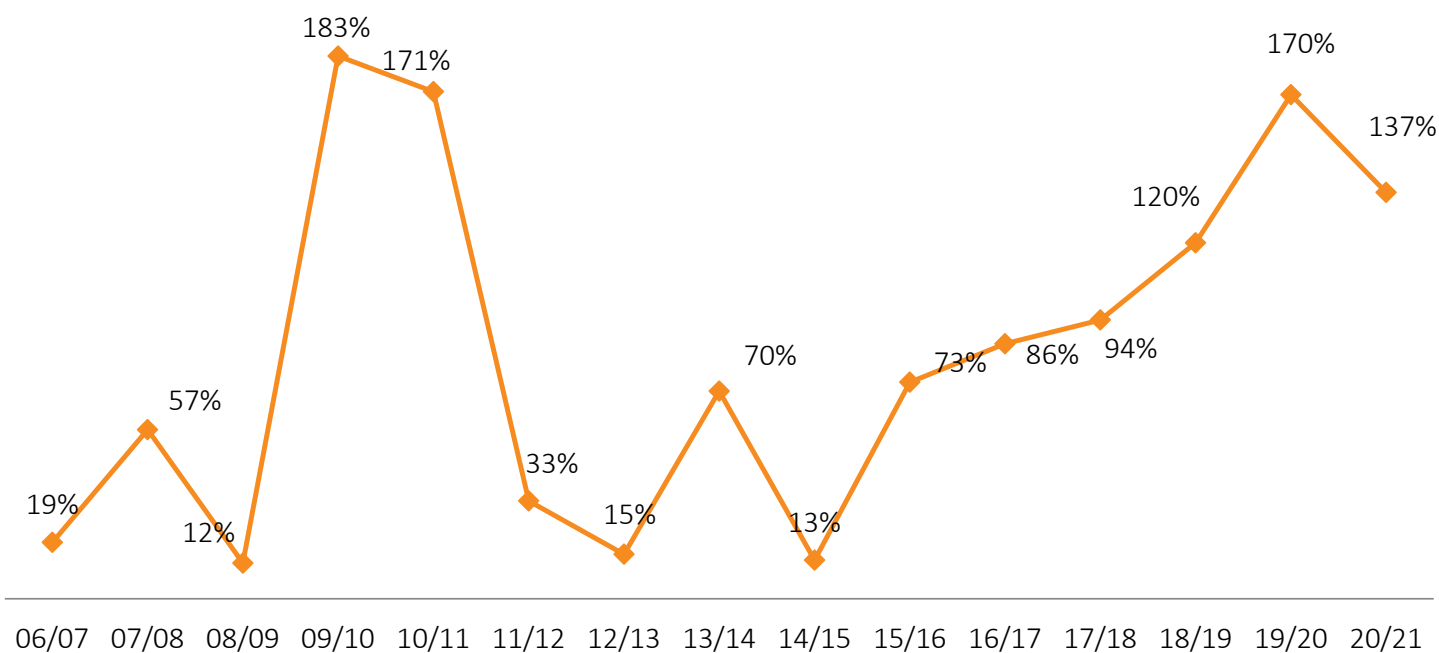
Investment yield is below expectation



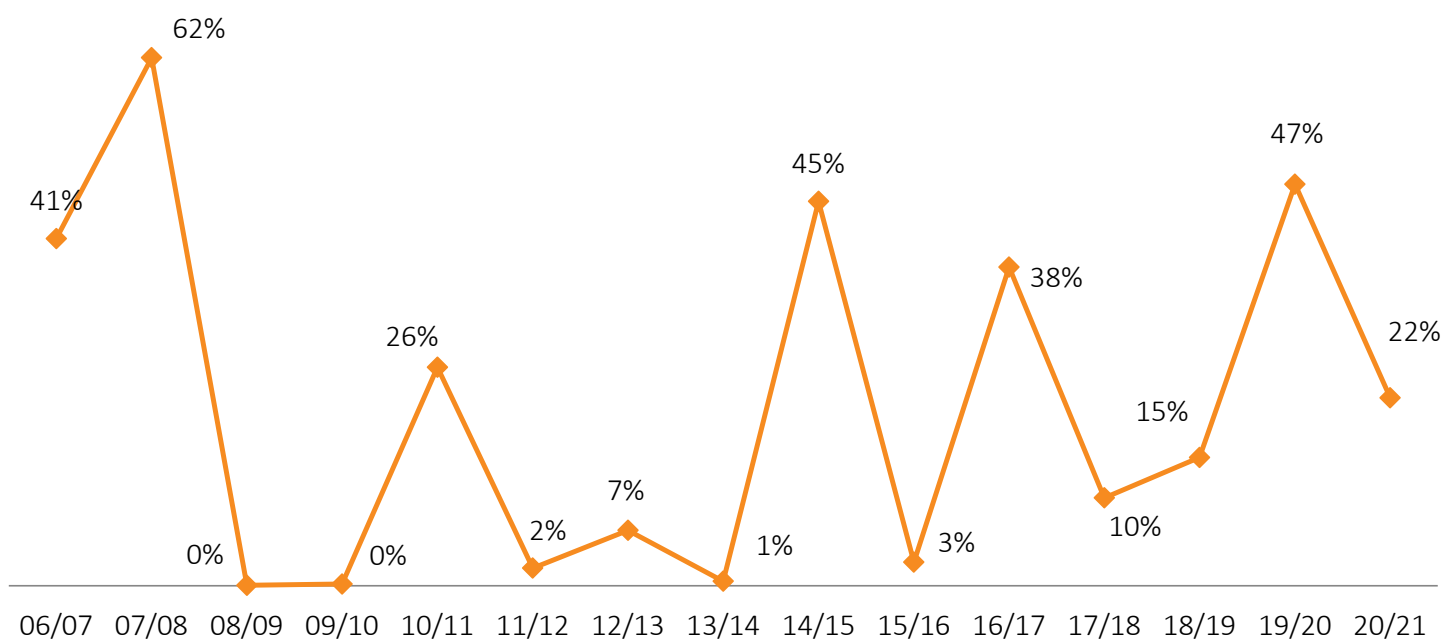
Net Discounted Liabilities



The Gross Ultimate Loss Ratio reflects Volatility and Market Pricing



The Net Ultimate Loss Ratio reflects the Risk assumed



Premium Liabilities

A **premium deficiency** is generated if:

Net unearned premiums	}	Future Revenue
+ Unearned reinsurance commissions		
- Net Liabilities in connection with unearned premiums	}	Future Expenses
- Deferred policy acquisition expenses		
<hr/>		
< 0		

There is a **\$30,774 premium deficiency** as at December 31, 2020

The deferred acquisition expense asset was recorded at **\$0**

Conclusions

The development during 2020 was unfavourable by \$313,000

CLLAS has a \$30,774 premium deficiency and a DPAE asset of \$0 was recorded

The policy liabilities are booked in the financial statements as recommended by the appointed actuary

discussion



February 9, 2021

Private & Confidential

Mr. Ken Crofoot, Chair
 Canadian Lawyers Liability Assurance Society
 Goodmans LLP
 Bay Adelaide Centre
 333 Bay Street, Suite 3400
 Toronto, ON M5H 2S7

Dear Ken,

The purpose of this letter is to set out the proposed operating budget for CLLAS for 2021, including the proposed budget for the provision by Axxima of Management and Professional Services.

TOTAL OPERATING BUDGET FOR 2021

The draft total operating budget for CLLAS for 2021 is presented in Attachment A to this letter, together with the budget and actual figures for 2020. Overall, CLLAS finished 2020 \$159,000, or 7.7% under budget. A discussion of the notable "Other Expense" lines is immediately below, and the Management and Professional Services lines are addressed in the second part of this letter.

- **Audit Expenses.** This line was slightly under budget in 2020 due a \$3,000 over-accrual in 2019 that was reversed in 2020. The 2020 audit fee included provision for the peer review of the actuarial valuation. This expense will not recur in 2021. The budget for 2021 assumes a 3% increase to the audit fee.
- **Annual Dinner.** The annual dinner was not held in 2020 and the deposit, which had been paid in 2019, was returned. The budget assumes that no dinner will be held in 2021.
- **Premium Taxes.** Premium taxes, which are a percentage of premium, came in well over budget in 2020. The reason for this is timing of recognition of the premium tax expense. Accounting rules required us to write off CLLAS' deferred policy acquisition costs (DPAC) in 2020. This does not affect the amount of premium taxes or when payments are due, but it does affect the timing of recognizing those expenses. In essence, this means that a portion of premium taxes attributable to the first half of 2021 were expensed in 2020. You may recall that this happened at the 2019 year-end as well, and the budget set for 2020 assumed that this would not recur in 2020. The budget for premium taxes for 2021 takes into account an assumed 10% increase in premiums for the last six months of 2021.



- **Reinsurance Expenses.** This line tracks expenses for the Chair and Board member participation in London meetings, as well as lunches/dinners with reinsurers when they visit Toronto. Not surprisingly, almost nothing was incurred on this line in 2020. A similar result is expected for 2021, although we are proposing a budget of \$2,500 in case we get some visits from underwriters in the latter part of 2021.
- **D&O Insurance.** The full budget for this line was not spent in 2020 because, as discussed at the September 2020 Board meeting, it was not possible to renew or place the \$5 million excess of \$5 million layer at renewal in August. (The \$5 million primary layer was renewed.) We propose no change to this budget for 2021. While a \$5 million limit is reasonable (and most of the firms have coverage through the ODL Program as well) we will work to secure this coverage again in 2021.
- **Office Expenses – General.** This line tracks disbursements incurred by Axxima in the operation of CLLAS and includes costs related to travel, couriers, webhosting, etc. Travel expenses in 2020 were limited to the attendance of Julie-Linda Laforce at the February Audit Committee meeting. Travel in 2021 is likely to be minimal and we propose the budget be reduced from \$25,000 to \$10,000 for the year.
- **Special Services.** This line is for expenses related to external legal and other professional services provided to CLLAS. In 2020, we incurred no costs on this line, but we propose to maintain the budget as is for 2021.
- **Reinsurance Fees (BWI).** BWI fees for the 2020/21 policy year were agreed at \$287,500, which is unchanged from the previous year. BWI proposes to increase the fee by 4% for the 2021/22 policy year, which seems reasonable given that the fee did not change last year. The budgeted amount reflects this fee for the last six months of 2021.
- **Risk Management/Loss Prevention.** The Risk Management/Loss Prevention budget for 2020 was set to cover the portion of the risk management audit fees paid by CLLAS. The audits were completed in 2020 although the reports had not been finished. We accrued the full budget amount in 2020. Subject to input from the Risk Management Committee and discussion at the February Board meeting, we propose to reduce the budget for 2021 to \$50,000.

PROFESSIONAL AND MANAGEMENT SERVICES

1. Management Services

Management Services are provided on a fixed fee basis, with the exception of Claims Analysis, which is a variable line item related to management of CLLAS' active large loss files. Due to the continued lower volume of claims activity over the past two years, compared with



2018 and prior years, Management Services finished the year \$27,000 under budget. The proposed fixed fee budget for 2021 (net of credits, as discussed below) is \$420,500, an increase of 6.2% over 2020. The increase is the result of lower credits, as discussed below, as the Axxima fee is essentially unchanged.

Details of the Management Services budget by line are presented in the table below.

Activity	2020 Budget	2020 Actual	Fav/ (Unfav) Variance	2021 Budget (proposed)	Change (\$)	Change (%)
(a) Financial	\$198,000	\$198,000	\$ 0	\$202,000	\$ 4,000	2.0%
(b) General Admin.	\$104,000	\$104,000	\$ 0	\$104,000	\$ 0	0.0%
(c) Claims Admin.	\$220,000	\$220,000	\$ 0	\$225,000	\$ 5,000	2.3%
(d) Claims Analysis*	\$ 72,000	\$ 44,996	\$27,004	\$ 60,000	(\$ 12,000)	-16.7%
Subtotal	\$594,000	\$566,996	\$27,004	\$591,000	(\$ 3,000)	-0.5%
(e) Less Credit	\$198,000	\$198,000	\$ 0	\$170,500	(\$ 27,500)	-13.9%
Total	\$396,000	\$368,996	\$27,004	\$420,500	\$ 24,500	6.2%

* Variable

- (a) **Financial Reporting.** Activity on the Financial Reporting line tends to increase slightly each year. We propose an increase of \$4,000 (2.0%) to this line, which is essentially a reflection of wage inflation.
- (b) **General Administration.** The General Administration line includes such activities as Board meeting preparation, renewal applications, insurance policy preparation, certificate issuance, risk management initiatives, website maintenance, Subscriber enquiries re coverage, etc. Activity was at the expected level in 2020 and we are proposing no change to this line for 2021.
- (c) **Claims Administration.** The Claims Administration line has been reduced significantly over the past few years, from a high of \$300,000 in 2015, due in part to lower claims volumes flowing from the departure of two firms and in part to process efficiencies within Axxima. We seem to have found the appropriate level and we propose an adjustment of \$5,000 (2.3%) to reflect wage inflation. Note that the management of CLLAS cyber claims is included in this line.



- (d) **Claims Analysis.** The Claims Analysis line tracks activity on the claims where CLLAS is actively involved in claims management (due to the nature or significance of the particular claims). You may recall that 2018 was a busy year for significant claims, but things have been more stable since then. We propose to reduce the line by \$12,000 (16.7%) to \$60,000 for 2021. This line is variable, with fees adjusted to actual on a quarterly basis.
- (e) **Credit re CLLAS-Facilitated Policies.** Since 2017, the fixed fee budgets are net of a credit which represents commissions and/or profit sharing received by Axxima's insurance brokerage in connection with the Associate Firm and cyber programs. There is a one-year lag between receipt of funds by Axxima and application against the fixed fee, i.e. funds received in calendar year 2020 are applied against the 2021 fixed fee. Details for 2020 and 2019 are as follows:
- **Commissions:** In 2020, the CLLAS Associate firms renewed their policies, resulting in commissions of \$51,867 (\$46,101 in 2019). As well, eight CLLAS firms and one Associate firm bound or renewed cyber policies under the CLLAS program, resulting in commissions of \$124,793 (\$107,462 in 2019). Combined, this results in a credit of \$170,500 (\$153,500 in 2019) which will be applied against the 2020 fixed fee budget.
 - **Profit Sharing:** The CLLAS Associate Firm program includes a profit sharing element and it has been agreed that profit sharing amounts received by Axxima from underwriters will be applied against the next fixed fee budget, subject to CLLAS' acknowledgement of the obligation to potentially repay the funds based on future loss experience. In late 2019, we received confirmation that two years of profit sharing payments were due, resulting in a credit of \$44,500 against the 2020 fixed fee. No further profit sharing payments have been received, so the credit for the 2021 year is \$0. Note that amounts received under the profit sharing arrangements remain exposed to losses, although it is not currently expected that any open claims will develop into the Program's layer.

Attachment B to this letter contains a brief summary of the activity associated with each of the Management Services lines discussed above.



2. Professional Services

Professional Services, i.e. actuarial, reinsurance and strategic services, are provided on a fee-for-service basis. Budgets are set at the beginning of the year, with the actual cost depending on the level of activity throughout the year. Professional Services Fees finished the year about \$190,000 (35.6%) under budget, for reasons discussed below. Overall, we are proposing a \$60,000 (11.2%) reduction in these lines for 2021. Details by line are discussed after the table.

		2020 Budget	2020 Actual	Fav/ (Unfav) Variance	2021 Budget (proposed)	Change (\$)	Change (%)
(a)	Actuarial	\$ 75,000	\$ 62,871	\$ 12,129	\$ 75,000	\$ 0	0.0%
(b)	Reinsurance	\$300,000	\$201,771	\$ 98,229	\$280,000	(\$20,000)	-6.7%
(c)	Strategic	\$160,000	\$ 79,659	\$ 80,341	\$120,000	(\$40,000)	-25.0%
	Total	\$535,000	\$344,301	\$190,699	\$475,000	(\$60,000)	-11.2%

- (a) **Actuarial Services.** Activity on the Actuarial line were under budget last year. We propose no change to this budget for 2021.
- (b) **Reinsurance Services.** As was the case in 2019, the 2020 reinsurance renewal was a difficult one due to the hardening insurance market. Two Lloyd's syndicates (Pembroke and Vibe) and China Re withdrew from the market and had to be replaced (Argenta, Canopus and Hamilton). The main reason for the lower fee level is the remote nature of the renewal discussions (i.e. lack of travel) and the fact that not all markets requested telephone or videoconference meetings. Our expectation for the July 1, 2021 renewal is that the market will continue to be very difficult, and that there will be no trip to London in the spring. We are proposing a \$20,000 (6.7%) reduction in the budget line but wish to be conservative given market conditions.
- (c) **Strategic Services.** Fees for Strategic Services in 2021 finished the year well under budget. Activities in the year included:
- On-going work related to CLLAS' cyber program, including reviewing applications, binding firms, issuing certificates, investigating excess limits and discussions with CLLAS firms not yet in the program. Fees associated with work on the cyber program totaled about \$45,000, which compares favourably to the \$107,000 in commissions earned on the program in 2019 (to be credited to CLLAS in 2020).



- IFRS 17 implementation is also being tracked separately. This work resulted in fees of just over \$13,000 in 2019. Activity in this area is expected to pick up over the next few years.
- Other activities on this line in 2019 included:
 - The Associate Firm initiative, including the renewal of the two current Associate Firms and discussions with prospective firms;
 - Discussions with former CLLAS firms related to their surplus;
 - Review of the new Quebec *Insurers Act* and meeting with the Quebec regulator (AMF) re implications for CLLAS; and
 - Renewal of the CLLAS D&O policy, including investigation of additional limits.

Activity on the Strategic Services line is difficult to predict. We propose a \$40,000 (25%) reduction in this line. This remains conservative in light of activity on this line over the past few years.

The foregoing are budget estimates only. As in the past, we have attempted to budget conservatively. To the extent that the level of activity on a particular line proves to be less than anticipated, the budget will not be fully spent.

We look forward to discussing this proposed budget with you and the CLLAS Advisory Board at the upcoming meeting. Please do not hesitate to call to discuss this matter in the meantime.

Sincerely,

A handwritten signature in black ink, appearing to read "P. Mahoney".

Patrick Mahoney

Copy: CLLAS Advisory Board

Attachment A

**Canadian Lawyers Liability Assurance Society
2021 Operating Budget**

	<u>2020 Budget</u>	<u>2020 Actual</u>	<u>Fav/ (Unfav) Variance</u>	<u>Proposed 2021 Budget</u>
MANAGEMENT SERVICES	396,000	368,996	27,004	420,500
PROFESSIONAL SERVICES				
Actuarial Services	75,000	62,871	12,129	75,000
Reinsurance Matters	300,000	201,771	98,229	280,000
Strategic Matters	160,000	79,659	80,341	120,000
Sub-Total Professional Services	535,000	344,301	190,699	475,000
Total Management & Professional Services	931,000	713,297	217,703	895,500
HST on Consulting Fees	121,030	92,729	28,301	116,415
Total Consulting Services	1,052,030	806,025	246,005	1,011,915
OTHER EXPENSES				
Audit Expenses	127,000	123,939	3,061	125,000
Annual Dinner	7,500	-1,000	8,500	0
Premium Taxes	174,000	335,266	-161,266	170,000
Chairman's Honourarium	150,000	150,000	0	150,000
Reinsurance Expense	8,500	158	8,342	2,500
D&O Insurance	20,000	13,878	6,122	20,000
Office Expenses - General	25,000	5,113	19,887	10,000
Claims Bordereaux (LawPRO/LIF)	17,600	16,615	985	16,800
Special Services	25,000	0	25,000	25,000
Reinsurance Fee (Bretton Woods International)	287,500	287,500	0	293,250
Statistical/Assessment Fees	6,000	5,059	941	6,000
Investment Counsel Fees	33,000	31,740	1,260	34,000
Investment - Custodial Fees	19,000	19,580	-580	19,000
Risk Management/Loss Prevention	110,000	110,000	0	50,000
Licensing Fees	5,000	4,663	337	5,000
Sub-total	1,015,100	1,102,511	-87,411	926,550
TOTAL	2,067,130	1,908,536	158,594	\$1,938,465

Attachment B

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Management Services - Overview of Activity by Budget Line

Presented below is a brief summary of the activity associated with each of the Management Services budget lines, as well as a discussion of the guidelines for determining whether a claim falls within the “Claims Analysis” line, which operates on a fee for service basis.

1. Financial Reporting

The Financial Reporting area involves all financial functions including:

- compliance with regulatory/reporting requirements (including IBC reporting, P&C1 filings, province-specific filings)
- preparation of financial statements (quarterly and annual)
- facilitating regulatory audit and managing relationship with regulator
- managing year-end audit (Deloitte) and liaising with auditors
- interaction with the Audit Committee
- maintenance of cashbooks
- bank statement reconciliations
- accounts payable/receivable
- cheque preparation and deposit
- premium collection/remittance
- claims reimbursements from reinsurers
- liaison with investment manager
- budget variance analysis
- subscribers accounts

2. General Administration

The General Administration line covers work relating to:

- preparation for/attendance at Advisory Board meetings
- preparation for/attendance at standing committee meetings (e.g. policy, risk management - all meetings other than claims and audit)
- renewal applications
- premium invoices
- policy preparation and issuance
- policy inquiries
- miscellaneous inquiries from Subscribers
- general administrative matters
- website maintenance

3. Claims Administration

The Claims Administration line covers all claims activity except for senior consultant time spent on the claims that meet the criteria set out in Section 4 below. Activity on this line includes:

- maintenance of claims database
- maintenance of physical files
- initial file review
- acknowledgment and follow-up letters
- correspondence with insured firms
- interaction with underlying insurers (e.g. bordereaux updates)
- preparation for/attendance at Claims Committee meetings
- interaction with Claims Committee members
- liaison with reinsurers on claims (preparation of large loss reports, answering specific inquiries, managing reinsurer audits)
- preparation of claims activity schedule for Advisory Board meeting
- co-ordination of instructions to counsel

4. Claims Analysis

Pursuant to the agreement between CLLAS and Axxima, routine and recurring claims management/analysis work is provided by Axxima for a fixed fee to be agreed upon by the parties. Certain files require significant additional claims management work by Axxima on a claim by claim basis. Work on these claims will be accounted for as a separate budget line item.

The following guidelines dictate when a claim will move from the fixed fee to the variable fee category.

1. The underlying insurer (e.g. LawPRO, LSBC-LIF) has tendered the defence of the matter to CLLAS;
2. Settlement involving a potential contribution from CLLAS is being actively pursued; or
3. The Office of the General Manager has become very active in the management of the claim due to, for example, the potential of the claim.



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Surplus Management Policy

Last Updated
June 21, 2017



SURPLUS MANAGEMENT POLICY

Effective date: June 21, 2017

1. Purpose and Scope

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

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

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

2. Objectives

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

3. Surplus Target

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

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



4. Surplus Management

CLLAS has adopted the following surplus management plan:

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

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

5. Roles and Responsibilities with Respect to Surplus Management

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

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

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

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

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

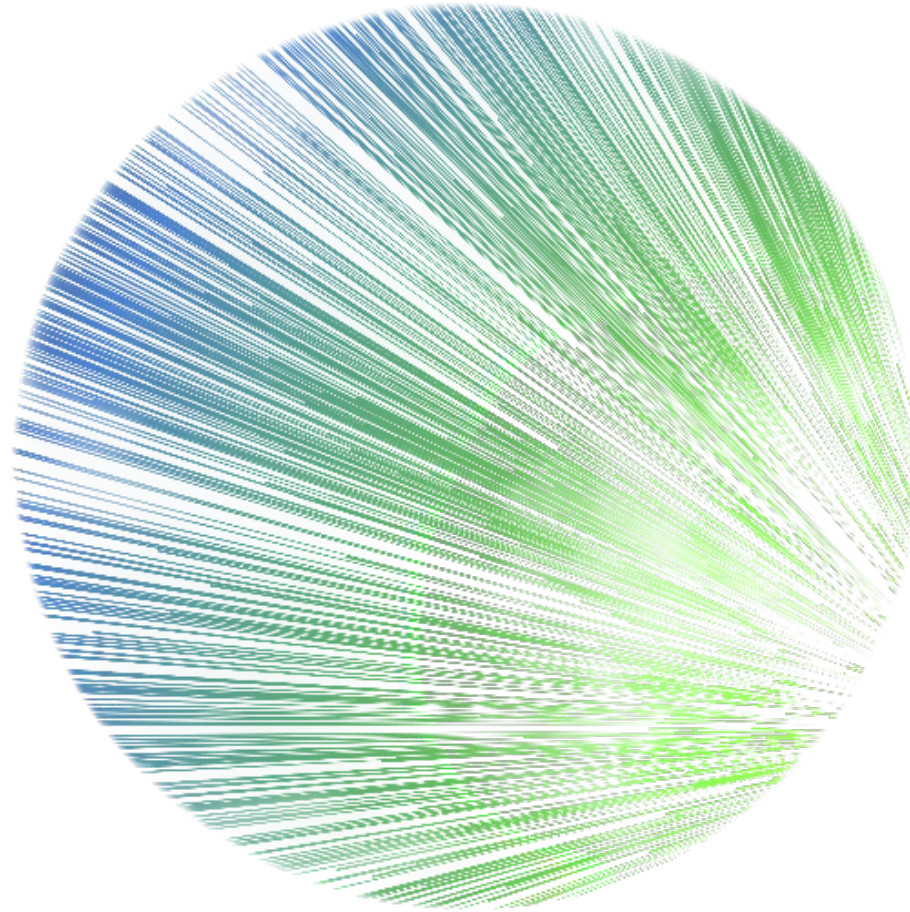


6. Authority

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

7. History of Modifications

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



Canadian Lawyers Liability
Assurance Society
Audit results for the year ended
December 31, 2020

February 5, 2021

To the Chairman and
Members of the Audit
Committee of (the
“Audit Committee”)



Elaine Hultzer

Lead Client Service Partner

Tel: 647-528-9957

Email: ehultzer@deloitte.ca



Tess Collins

Assistant Manager

Tel: 416-607-1207

Email: tecollins@deloitte.ca

To navigate within this report,
click on the icon to the right



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Dear Audit Committee Members:

We are pleased to submit this report on the status of our audit of the financial statements of Canadian Lawyers Liability Assurance Society (“the Society”) for the 2020 fiscal year. Enclosed are those results and insights from our audit that we believe would be of greatest interest to the Audit Committee and have summarized other required communications:

- Changes to our audit plan
- Commentary on matters of particular significance/interest as a result of our audit
- Areas of our audit we focused particular attention on during our audit

As agreed in our engagement letter dated October 14, 2020, we have performed an audit of the financial statements of the Society as of and for the year ended December 31, 2020, in accordance with Canadian generally accepted auditing standards (“GAAS”). We have also audited the Minimum Capital Test on page 30.61 of the P&C Quarterly Return of the Society as at December 31, 2020 in accordance with the financial reporting provisions of Guideline A – Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies. We expect to issue our audit reports thereon upon their approval by the Advisory Board and completion of the outstanding matters noted on page 4 of this report.

This report summarizes our findings during the audit to date. Our audit has been conducted in accordance with the audit plan that was presented to the Audit Committee members at the meeting on October 21, 2020.

The results of our audit are explained in further detail in this report.

This report has been provided to the Audit Committee on a confidential basis. It is intended solely for the use of the Audit Committee and the Advisory Board to assist you in discharging your responsibilities with respect to the financial statements for the year ended December 31, 2020 (the “Financial Statements”) and is not intended for any other purpose.

We would like to express our appreciation for the cooperation we received from the officers and employees of the Society with whom we worked to discharge our responsibilities.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,

Deloitte LLP

Chartered Professional Accountants






Licensed Public Accountants

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Executive summary


Outstanding items of importance


-  Receipt of the final Appointed Actuary Report
-  Receipt of signed management representation letter
-  Performance of subsequent event procedures
-  Completion and review of certain work papers
-  Completion of Engagement Quality Control Review


Significant risks

Status and findings



-  1 Provision for unpaid claims and adjustment expense, gross and net of amount recoverable from reinsurers (valuation)
-  2 Management's ability to override controls

 In progress, no issues noted.

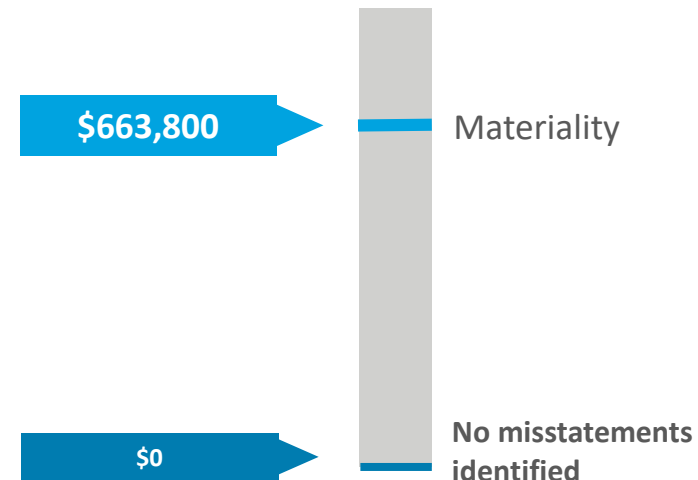
 Completed, insights identified.

 Completed, significant findings identified.

Changes from audit plan

-  **Significant risks:** We have reassessed our planning risk assessment of the presumed fraud risk involving improper revenue recognition and no longer identify premium income as a significant risk. Therefore, we have therefore reduced our scrutiny of premium income but continued to obtain confirmations from the Subscribers.
-  No other changes noted to the audit plan.

Misstatements



Matters of interest

COVID-19

We have assessed the impact of COVID-19 on significant assumptions and estimates, see slide 10 for details.

Use of Service Organizations



We obtained the RBC IS controls report and tested the design and implementation of complimentary user entity controls noting no issues.

Use of the work of specialists and experts

Our Actuarial experts assessed the valuation and adequacy of the provision for unpaid and unreported claims liability noting no issues. They have calculated the provision for unpaid claims and adjustment expense as \$74,910,297, slightly above management's estimate.

Significant Audit Risks

Dashboard

Audit risk	Audit response consistent with plan	Our response	Our conclusion
<p>Provision for unpaid claims and adjustment expenses, gross and net of amount recoverable from reinsurers (valuation)</p> <p>Actuarial calculation methods to determine the value of the provision and related actuarial assumptions (specifically the expected loss ratio and loss development factor) used are not appropriate.</p>		<p>We completed our audit as planned, utilizing our actuarial specialists in the execution of our work. This included assessing the reasonableness of key assumptions and methodologies, testing the underlying data and independent recomputations of the actuarial reserves.</p>	<p>To date the results of our audit procedures have been satisfactory. Update to be provided at the audit committee.</p>
<p>Management override of control.</p> <p>Assurance standards include the presumption of a significant risk of management override of controls.</p>		<p>We completed our audit as planned, testing the appropriateness of large or unusual journal entries using data analytical tools to identify journal entries of audit interest and examining accounting estimates for bias.</p>	<p>To date the results of our audit procedures have been satisfactory. Update to be provided at the audit committee.</p>

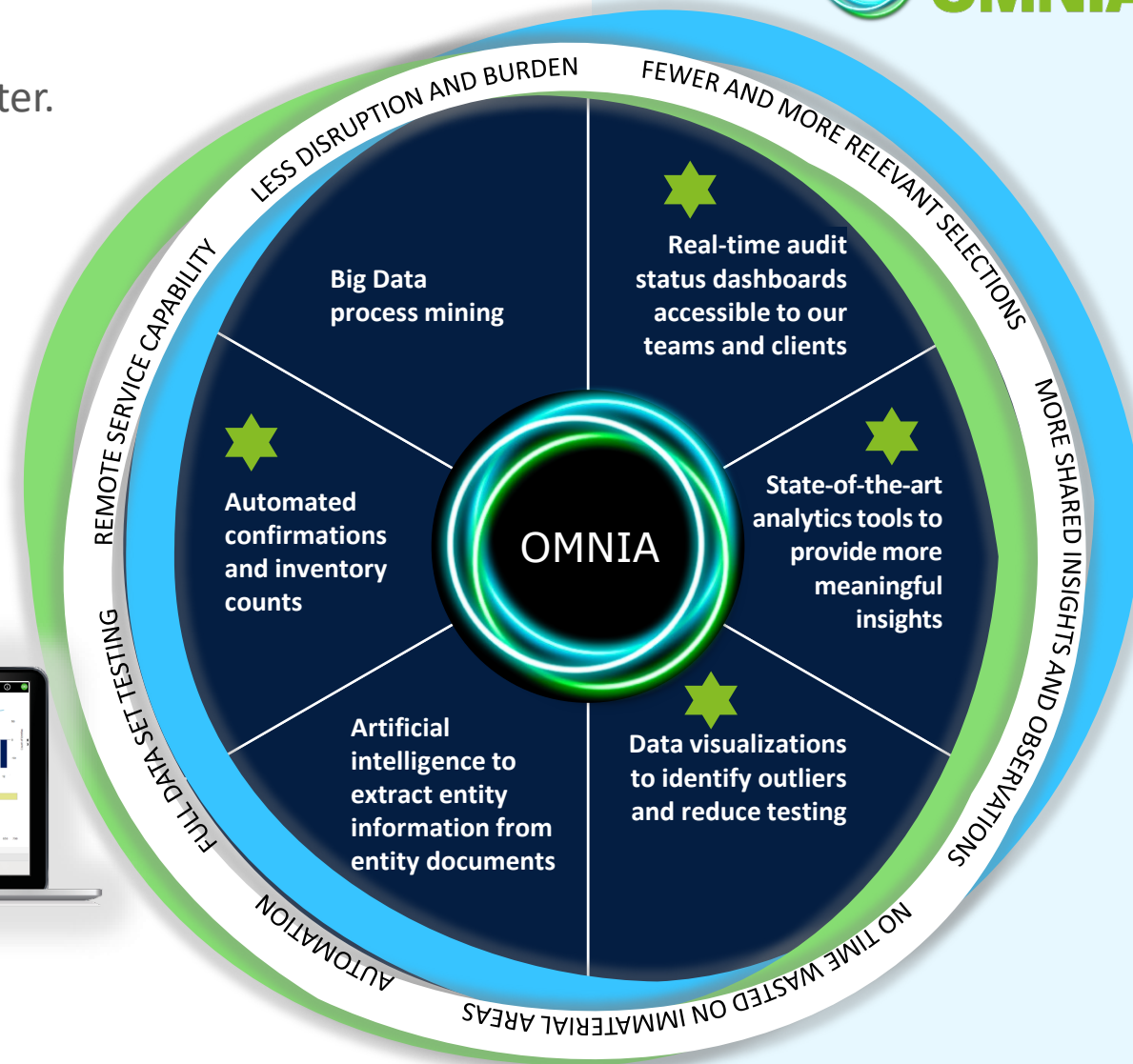
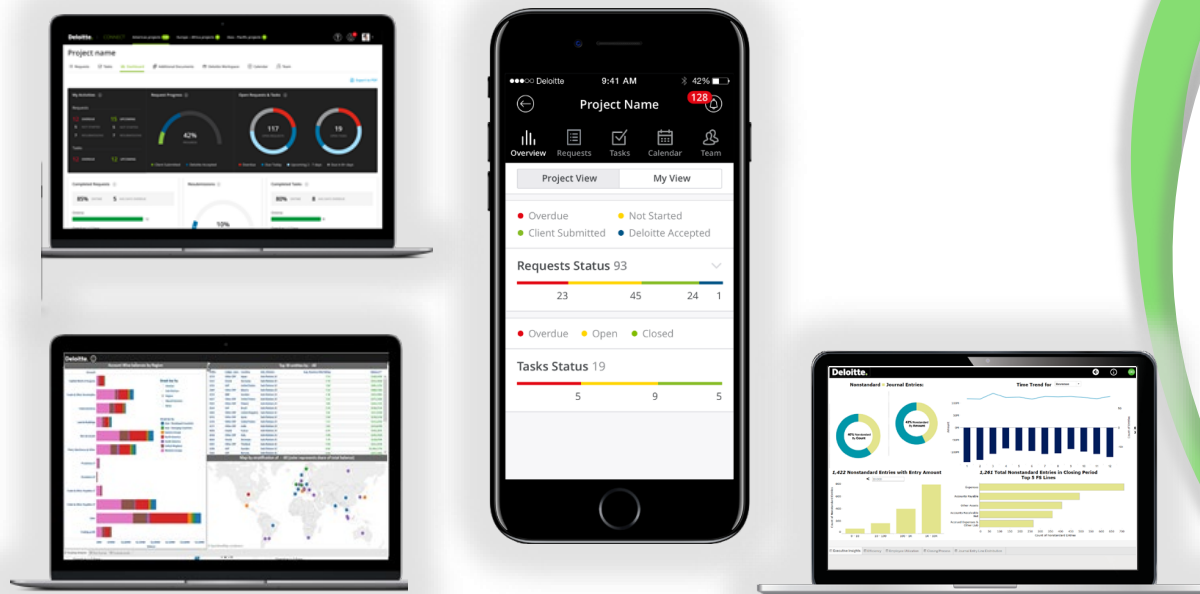
Legend

- 
Consistent with plan.
- 
Not consistent with plan.

The Deloitte logo, featuring the word "Deloitte" in a bold, white, sans-serif font, followed by a small green dot.The text "Deloitte Omnia" in a bold, white, sans-serif font, positioned on the left side of the image.

Deloitte OMNIA – Power of Transformative Innovation

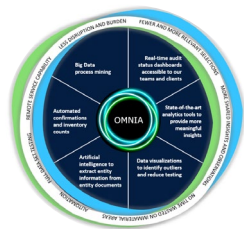
Empowering our professionals with the right technology to enhance the audit experience and deliver insights that matter.



The following slide indicates how these Omnia audit tools were used on your 2020 audit

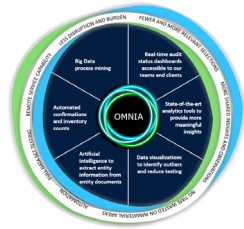
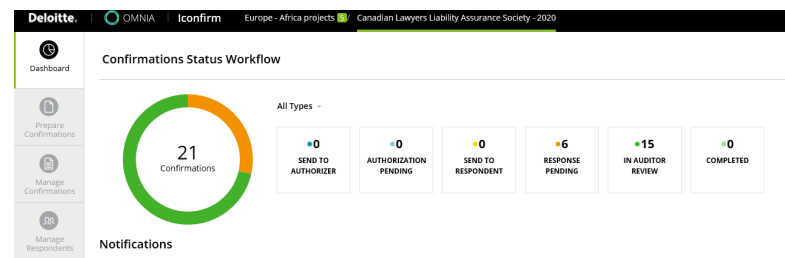
Deloitte OMNIA in action on the CLLAS audit

Here is how our unique set of people, processes and technology are impacting your audit.



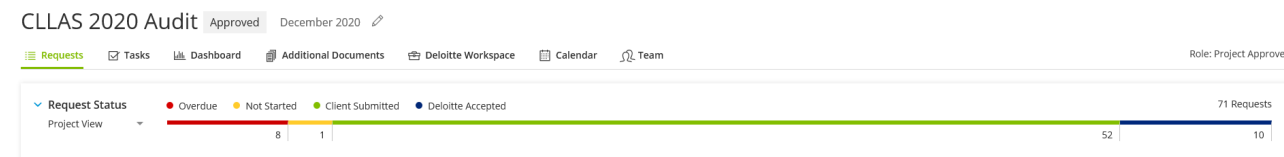
Automated confirmations

In 2020, we automated our confirmation procedures, utilizing Deloitte's iConfirm to send, track and manage confirmation requests, which improved the efficiency of premium and reinsurance testing.



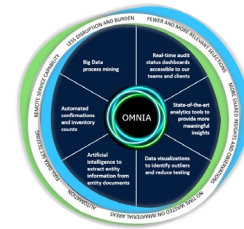
Real time audit status dashboards

We and management use the Deloitte Connect functionality of OMNIA to manage audit deliverables outstanding and the progress towards completion of the audit. Status dashboards are also accessible to the entity.



Benefits to CLLAS

- iConfirm allows for real-time status tracking dashboard which allows for timely identification of outstanding confirmation requests, resulting in decreased time spent by management assisting with follow-ups.
- Deloitte Connect improves transparency into the status of requests for both the audit team and management.



Analytic tools

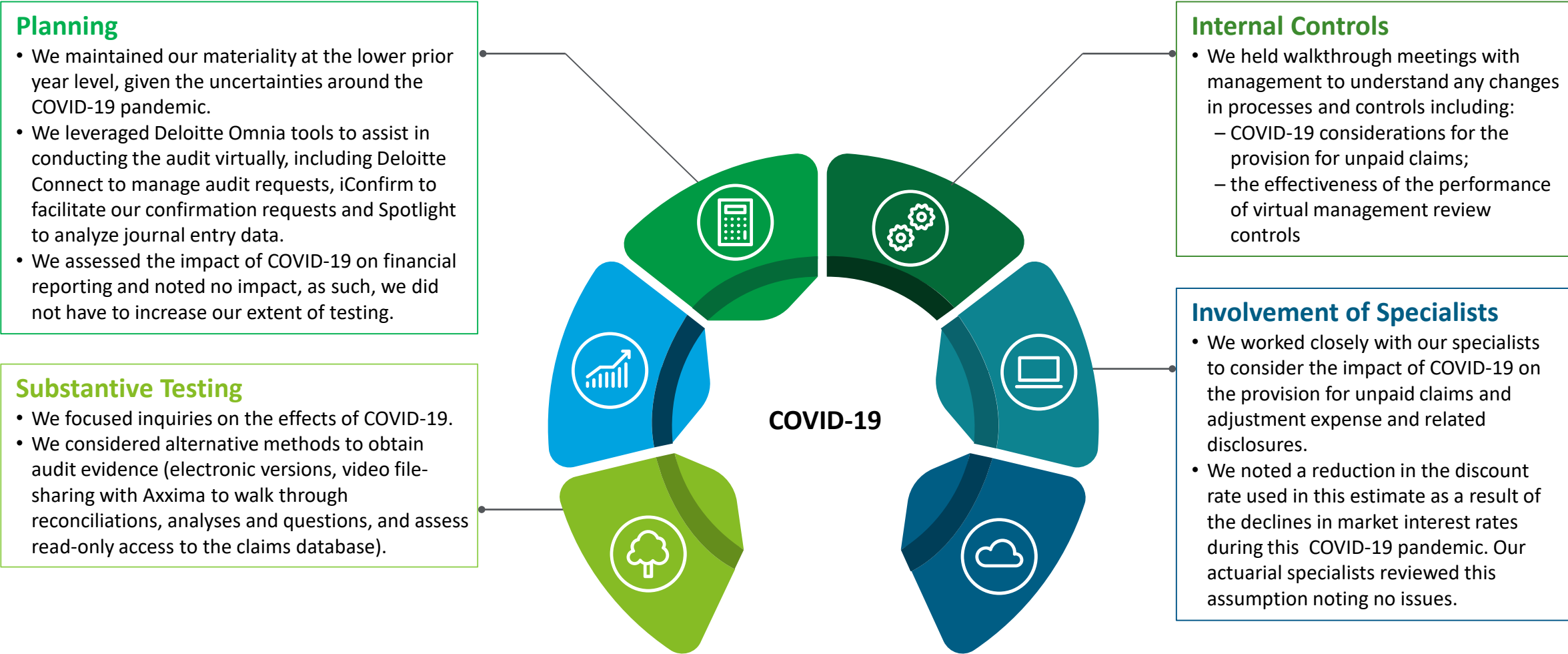
We utilized Spotlight to test journal entries for management override of controls. This analytical tool allowed us to more easily identify journal entries that may be indicative of fraud based on characteristics of the entity.

COVID-19: Impact on our Audit



COVID-19 – Impact on our Audit

Our Tailored Approach



Delivering Audit Quality



Delivering audit quality

Our commitment to you

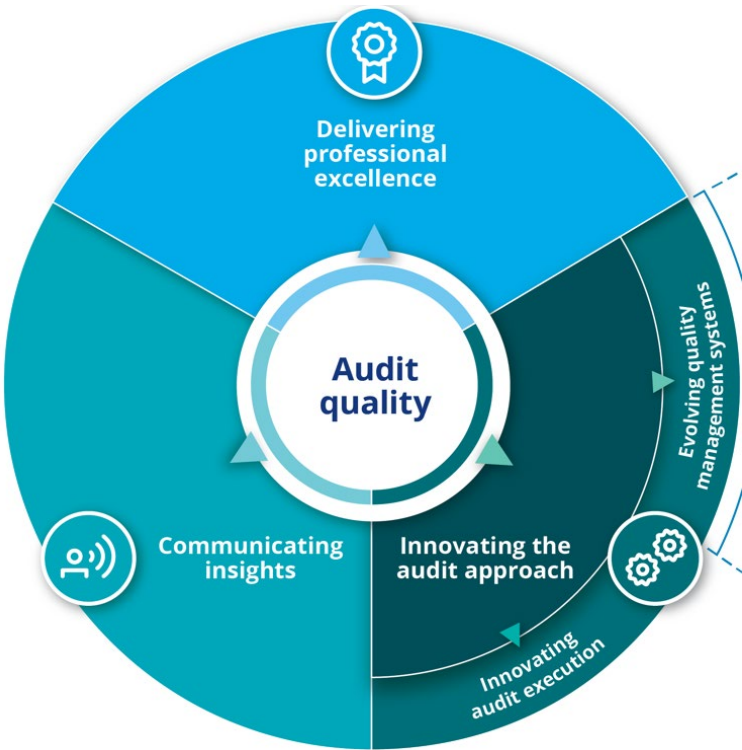
Audit quality, in our view, extends beyond delivering the audit report. It also includes delivering meaningful insights to the entities we audit and innovating how we execute our audits and manage our practice.

- How we delivered professional excellence

 - Financial reporting and disclosure** – we assisted management in identifying and determining the appropriate disclosures required for new and adopted accounting standards.
 - Technical accounting updates** – we continued to provide management with technical accounting updates as they are relevant to the Society.
 - COVID-19** – we have provided management with Deloitte’s thought leadership on COVID-19 and assisted in determining the financial disclosure implications for the Society.
- How we continue to innovate our audit approach

 - Process innovations** – we applied “Milestones” in managing our timeline which assisted us in optimizing interim work and timely reviews. We also implemented Deloitte Way Workflows for cash testing, investment testing and operating expense testing to improve our efficiency and audit quality
 - Deloitte Omnia** – see slides 7 and 8 on how Omnia tools were used on the fiscal 2020 audit.
- Evolving our quality management systems

We’ve elevated our definition of audit quality, explicitly highlighting our quality management systems as a critical element in achieving consistent high quality across all engagements. See [next slide](#) for more details.



Audit Quality

Clearly focused

Our 2020 Audit Quality Report

Our high standard for audit quality is unwavering. It's what guides us, brings us together, and keep us moving forward. Quality is, today as much as ever, our foundational focus.

In order to drive consistent results, we must continuously define what quality means, deploy the right people, apply our processes and quality-management systems, and use the power of innovative technology to sharpen the insights we provide.

The report highlights several audit quality indicators that are intended to initiate meaningful engagement level dialogue with our clients. "Ask Us" pages in the report can also be used as a starting point to spark these continuous quality focused conversations.



In all matters of audit quality, we are clearly focused. To learn more, click [here](#) to read our **2020 Audit Quality Report**.



CPAB Fall Inspection Results

The Canadian Public Accountability Board (CPAB) is charged with assessing the state of audit quality in Canada through an annual inspection process by which it inspects all Firms serving Canada's reporting issuers. CPAB's inspection methodology includes the inspection of engagement files and an assessment of the effectiveness of the Firms' existing quality management system.

CPAB issued their 2020 Fall Inspection Results report in October, prior to the completion of its 2020 inspections, to address past feedback from directors who are seeking more timely commentary on audit quality. CPAB will publish their final findings and overall evaluation of Firms' quality management systems in March 2021.

After each inspection cycle, CPAB privately reports to each Firm on the results of its inspection. CPAB's public reporting takes the form of an annual report on its views following the inspections of all Firms.

Follow this link to read the 2020 CPAB Fall Inspections Results.

Appendices



Appendix 1 – Required communications with Those Charged with Governance

Other matters required to be communicated to Those Charged with Governance (TCWG) under Canadian GAAS standards are the following:

Required communication	Reference/Comments
Any significant changes to the planned audit strategy / identified significant risks, and the reasons for such changes.	Revision of revenue fraud risk assessment is set out in the Executive Summary.
Uncorrected and corrected misstatements, including disclosure misstatements.	None noted.
All significant deficiencies in internal control identified during the audit.	None noted.
<p>A draft copy of the auditor’s report(s) we expect to issue including circumstances that affect the form and content of the auditor’s report, if any, including:</p> <ul style="list-style-type: none"> • Expected qualifications to our opinion(s), including the circumstances that led to the expected qualification and the wording of the qualification. • Inclusion of an Emphasis of Matter/Other Matter paragraph, and the related wording • A material uncertainty related to going concern is reported • An uncorrected material misstatement of the other information is reported 	We expect to issue unmodified auditor’s reports, as included in Appendix 3.
<p>Significant qualitative aspects of the Society’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures.</p> <p>Our views of any significant accounting practices that are not the most appropriate to the particular circumstances of the entity (including any bias in management’s judgments related to any of these matters).</p>	Appendix 2 sets out the significant accounting policies, judgments and estimates involved in preparation of the financial statements
Our evaluation of whether the presentation of the financial statements and the related disclosures are in conformity with the applicable financial accounting framework, including consideration of the form, arrangement, and content of the financial statements.	In our judgment, the significant accounting practices and policies, selected and applied by management are, in all material respects, acceptable under IFRS and are appropriate to the particular circumstances of the Society.
Significant matters arising from the audit that were discussed with management and material written communications between management and us, including management representation letters.	Please see management representation letter provided under separate cover.

Appendix 1 – Required communications with Those Charged with Governance (cont’d)

Required communication	Reference/Comments
<p>All relationships between the Society and us that, in our professional judgment, may reasonably be thought to bear on our independence and related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.</p> <p>A statement that, in our judgment, the engagement team and others in our firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.</p> <p>Any breaches to our independence, including the action we have taken / propose to take.</p>	<p>Our independence letter in Appendix 4 notes no independence matters.</p>
<p>Our evaluation of the Society’s identification of, accounting for, and disclosure of its relationships with related parties. Our communication should also include other significant matters arising from the audit regarding the Society’s relationships and transactions with related parties including, but not limited to:</p> <ol style="list-style-type: none"> The identification of related parties or relationships or transactions with related parties that were previously undisclosed to the auditor; The identification of significant related party transactions that have not been authorized or approved in accordance with the Society’s established policies or procedures; The identification of significant related party transactions for which exceptions to the Society’s established policies or procedures were granted; The inclusion of a statement in the financial statements that a transaction with a related party was conducted on terms equivalent to those prevailing in an arm's-length transaction and the evidence obtained by the auditor to support or contradict such an assertion; and The identification of significant related party transactions that appear to the auditor to lack a business purpose. 	<p>No issues noted.</p>

Appendix 2 – Significant accounting policies, judgments and estimates

Audit assessment of significant accounting policies, practices and accounting estimates

Significant accounting policies and practices

The Society's significant accounting policies have been included in Note 3 to the Financial Statements. No issues were noted with the significant accounting policies and practices selected and applied by management, including the related financial statement disclosures.

Changes in accounting practices and policies and/or application of new and revised accounting standards

The Society has disclosed the deferral of the implementation of *IFRS 9 Financial Instruments* and has included disclosures of the future accounting changes for Insurance Contracts and Financial Instruments.

Significant accounting estimates

During the year ended December 31, 2020, management advised us that there were no significant changes in the basis for determining accounting estimates or in judgments relating to the application of the accounting policies.

Deloitte noted management has adequately disclosed the estimation uncertainty associated with accounting estimates in the financial statements.

Extract of the Society's 2020 Balance Sheet

Balance sheet <i>In thousands of Canadian \$</i>	December 31, 2020	December 31, 2019
Cash	2,162	3,785
Short term investments	12,512	12,343
Bonds, including accrued interest	6,279	6,015
Interest income due and accrued	23	21
Premiums receivable	3,782	1,254
Prepaid expenses	144	144
Deferred policy acquisition costs	-	26
Reinsurers' share of unearned premiums	4,301	3,627
Reinsurance receivable	1,938	351
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	66,246	59,504
Total assets	97,387	87,070
Accounts payable and accrued charges	434	330
Unearned premiums	5,304	4,619
Due to reinsurers	4,337	2,112
Provision for unpaid claims and adjustment expenses	74,831	66,388
Premium deficiency liability	31	-
Total liabilities	84,937	73,449
Total equity	12,450	13,621
Total liabilities and equity	97,387	87,070

Financial statements line items involving significant judgements and estimates

Provision for unpaid claims and adjustment expenses recoverable from reinsurers include balances due from reinsurers for paid and unpaid losses. Amounts recoverable from reinsurers are estimated and recognized in a manner consistent with the reserve for losses associated with the related reinsurance contract. The Society reflects reinsurance balances on a gross basis in the statement of financial position to reflect the credit risk related to reinsurance. No concerns were noted with respect to the credit standing of the Society's reinsurance counterparties.

Provision for unpaid claims and adjustment expenses is calculated in accordance with Canadian accepted actuarial practice and involves estimates of loss activity that are, by necessity, subject to uncertainty and are derived from a wide range of possible outcomes. They have been estimated in a manner materially consistent with the approach followed in the prior year. Assumption changes increased net liabilities by \$462,567 and the change in the discount rate and PfAD decreased net liabilities by \$535,365. Management's estimate of these actuarial liabilities is the most significant area of measurement uncertainty which utilizes models and significant management judgement for assumptions.

Appendix 3 – Draft version of our Auditor’s Reports

Draft Auditor’s Report on CLLAS Financial Statements

Independent Auditor’s Report

To the Advisory Board of Canadian Lawyers Liability Assurance Society

Opinion

We have audited the financial statements of Canadian Lawyers Liability Assurance Society (the “Society”), which comprise the statements of financial position as at December 31, 2020, and the statements of comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(To be signed Deloitte LLP)

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
February [..], 2021

Appendix 3 – Draft version of our Auditor’s Reports

Draft Auditor’s Report on CLLAS Minimum Capital Return

Independent Auditor’s Report

To the Advisory Board of Canadian Lawyers Liability Assurance Society, and the Provincial Superintendents of Financial Institutions/Insurance

Opinion

We have audited the Minimum Capital Test on page 30.61 of the P&C Quarterly Return of Canadian Lawyers Liability Assurance Society (the “Society”) as at December 31, 2020 (the “MCT”).

In our opinion, the accompanying MCT of the Society as at December 31, 2020 is prepared, in all material respects, in accordance with the financial reporting provisions of Guideline A – Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies effective January 1, 2019 (the “Guideline”) prescribed by the Office of the Superintendent of Financial Institutions Canada (“OSFI”).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the MCT section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the MCT in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to the fact that the MCT has been prepared in accordance with the financial reporting provisions of the Guideline. The MCT is prepared to assist the Society to meet the requirements of the Provincial Superintendents of Financial Institutions/Insurance. As a result, the MCT may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Unaudited Information

We have not audited the schedules and exhibits except for page 30.61 of the Society’s P&C Quarterly Return. Accordingly, this auditor’s report and our opinion do not cover the schedules and exhibits on the other pages of the Society’s P&C Quarterly Return.

Other Matter

We issued a separate auditor’s report dated February [], 2021 on the financial statements on pages 20.10 through 20.54 of the Society’s P&C Quarterly Return.

Responsibilities of Management and Those Charged with Governance for the MCT Return

Management is responsible for the preparation of the MCT Return in accordance with the financial reporting provisions of the Guideline, and for such internal control as management determines is necessary to enable the preparation of the MCT Return that is free from material misstatement, whether due to fraud or error.

In preparing the MCT, management is responsible for assessing the Society’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society’s financial reporting process.

Auditor’s Responsibilities for the Audit of the MCT Return

Our objectives are to obtain reasonable assurance about whether the MCT is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this MCT.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the MCT, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the MCT or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Society to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(To be signed Deloitte LLP)

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
February [], 2021

Appendix 3 – Draft version of our Auditor’s Reports

Draft Auditor’s Report on CLLAS P&C Return

Independent Auditor’s Report

To the Advisory Board of Canadian Lawyers Liability Assurance Society, and the Provincial Superintendents of Financial Institutions/Insurance

Opinion

We have audited the financial statements of Canadian Lawyers Liability Assurance Society (the “Society”), which comprise the statements of assets and liabilities and equity at December 31, 2020, and the statements of income, retained earnings, comprehensive income (loss) and accumulated other comprehensive income (loss), reserves, changes in equity and cash flows for the year then ended on pages 20.10 through 20.54 of the Society’s P&C Quarterly Return and pages 20.52 and 20.60 of the Society’s P&C Annual Supplement, which includes the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unaudited Information

We have not audited the schedules and exhibits except for those on pages 20.10 through 20.54 of the Society’s P&C Quarterly Return and those on pages 20.52 and 20.60 of the Society’s P&C Annual Supplement. Accordingly, this auditor’s report and our opinion do not cover the schedules and exhibits on the other pages of the Society’s P&C Quarterly Return and P&C Annual Supplement.

Other Matter

We issued a separate auditor’s report dated February [], 2021 on the MCT on page 30.61 of the Society’s P&C Quarterly Return.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(To be signed Deloitte LLP)

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
February [], 2021

Appendix 4 – Independence Letter

February 5, 2021

Private and confidential

To the Chairman and Members of the
Audit Committee of Canadian Lawyers Liability Assurance Society

Dear Members:

We have been engaged to perform an audit of the financial statements of Canadian Lawyers Liability Assurance Society (the “Society”) as of and for the year ended December 31, 2020 and as contained on pages 20.10 to 20.60 of the Society’s P&C Annual Return in accordance with Canadian generally accepted auditing standards.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between the Society, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

We are not aware of any relationships between the Deloitte Entities and the Society and its affiliates, or persons in financial reporting oversight roles at the Society and its affiliates, that under the Rules of Professional Conduct of the applicable Chartered Professional Accountants provincial/territorial regulator/ordre of Ontario may reasonably be thought to bear on independence, that have occurred from February 10, 2020 to February 5, 2021.

The total fees charged to the Society for audit services were \$97,147 during the period covered by the financial statements.

We hereby confirm that we are independent with respect to the Society in accordance with the Rules of Professional Conduct of the applicable Chartered Professional Accountants provincial/territorial regulator/ordre of Ontario as of February 5, 2021.

This letter is intended solely for the information and use of the audit committee, management, and others within the Society and is not intended to be and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter at our upcoming meeting on February 11, 2021.



Chartered Professional Accountants
Licensed Public Accountants



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Financial statements of
Canadian Lawyers Liability Assurance
Society

December 31, 2020

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Independent Auditor's Report

To the Advisory Board of
Canadian Lawyers Liability Assurance Society

Opinion

We have audited the financial statements of Canadian Lawyers Liability Assurance Society (the "Society"), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(To be signed Deloitte LLP)

Chartered Professional Accountants
 Licensed Public Accountants
 Toronto, Ontario
 [Date]

Canadian Lawyers Liability Assurance Society**Statement of financial position**

As at December 31, 2020

	Notes	2020 \$	2019 \$
Assets			
Cash at bank		2,161,535	3,784,745
Short term investments	4	12,511,787	12,342,761
Bonds	4	6,279,426	6,015,184
Interest income due and accrued		22,835	20,531
Premiums receivable	6	3,782,333	1,254,203
Prepaid expenses		143,750	144,413
Deferred policy acquisition costs		—	26,365
Reinsurers' share of unearned premiums		4,301,362	3,626,526
Reinsurance receivable		1,938,201	351,056
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	5	66,246,422	59,504,000
		97,387,651	87,069,784
Liabilities			
Accounts payable and accrued charges		433,798	330,424
Unearned premiums		5,303,716	4,618,813
Due to reinsurers		4,337,008	2,111,955
Provision for unpaid claims and adjustment expenses	5	74,830,984	66,388,000
Premium deficiency liability		30,774	—
		84,936,280	73,449,192
Equity			
Minimum surplus	12	50,000	50,000
Additional surplus	12	12,083,535	13,523,163
Accumulated other comprehensive (loss) income		317,836	47,429
Total equity		12,451,371	13,620,592
		97,387,651	87,069,784

The accompanying notes are an integral part of the financial statements.

On behalf of the Advisory Board

_____, Chair of the Audit Committee

_____, Director

Canadian Lawyers Liability Assurance Society**Statement of comprehensive income (loss)**

Year ended December 31, 2020

	Notes	2020 \$	2019 \$
Premiums			
Written premium		10,695,340	9,288,383
Reinsurance ceded		(8,674,018)	(7,292,904)
Net written premiums		2,021,322	1,995,479
Change in unearned premiums		(10,067)	(63,389)
Earned premiums		2,011,255	1,932,090
Expenses			
Claims	5	1,747,940	(958,063)
Premium deficiency adjustment		30,774	—
Operating expenses	7	1,573,271	1,714,487
Premium taxes		335,266	348,485
		3,687,251	1,104,909
Underwriting income (loss) for the year		(1,675,996)	827,181
Net investment income	4	236,368	378,237
Net income (loss) for the year		(1,439,628)	1,205,418
Change in unrealized losses on available-for-sale financial assets arising during the year		270,407	82,020
Other comprehensive loss		270,407	82,020
Comprehensive income (loss)		(1,169,221)	1,287,438

The accompanying notes are an integral part of the financial statements.

Canadian Lawyers Liability Assurance Society**Statement of changes in equity**

Year ended December 31, 2020

	Minimum surplus \$	Additional surplus \$	Accumulated other comprehensive income \$	Total equity \$
Balance, December 31, 2018	50,000	12,317,745	(34,591)	12,333,154
Net income (loss)	—	1,205,418	—	1,205,418
Other comprehensive income (loss)	—	—	82,020	82,020
Distribution of premium surplus	—	—	—	—
Balance, December 31, 2019	50,000	13,523,163	47,429	13,620,592
Net income (loss)	—	(1,439,628)	—	(1,439,628)
Other comprehensive income (loss)	—	—	270,407	270,407
Distribution of premium surplus	—	—	—	—
Balance, December 31, 2020	50,000	12,083,535	317,836	12,451,371

The accompanying notes are an integral part of the financial statements.

Canadian Lawyers Liability Assurance Society**Statement of cash flows**

Year ended December 31, 2020

	2020	2019
	\$	\$
Operating activities		
Net income (loss) for the year	(1,439,628)	1,205,418
Changes in no-cash items		
Interest income due and accrued	(2,304)	457
Premiums receivable	(2,528,130)	381,795
Reinsurers' share of unearned premiums	(674,836)	(890,505)
Prepaid expenses	663	(3,586)
Deferred policy acquisition costs	26,365	80,217
Reinsurance receivable	(1,587,145)	2,644,985
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	(6,742,422)	28,437,000
Provision for unpaid claims and adjustment expenses	8,442,984	(29,042,000)
Premium deficiency liability	30,774	—
Unearned premiums	684,903	953,893
Due to reinsurers	2,225,053	176,780
Accounts payable and accrued charges	103,374	(4,728)
Amortization of bond premium	(22,600)	(53,402)
Amortization of bond discount	12,585	10,000
Cash (used in) provided by operating activities	(1,470,364)	3,896,324
Financing activity		
Refund of premium surplus	—	—
Investing activities		
Purchase of bonds	(578,780)	(464,200)
Disposal of bonds	550,000	450,000
Purchase of short term investments	(73,811,536)	(55,103,380)
Disposal of short term investments	73,687,470	49,925,000
Cash provided by (used in) investing activities	(152,846)	(5,192,580)
Net (decrease) increase in cash	(1,623,210)	(1,296,256)
Cash balance, beginning of year	3,784,745	5,081,001
Cash beginning, end of year	2,161,535	3,784,745
Cash balance comprises		
Cash at bank	2,161,535	3,784,745
Interest received	224,049	335,292

The accompanying notes are an integral part of the financial statements.

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

December 31, 2020

1. Description of business

The Canadian Lawyers Liability Assurance Society (the "Society") was formed under the Reciprocal Insurance Exchange Agreement for select Canadian Law Firms dated December 22, 1986 ("Subscription Agreement"). The Society is licensed by the Superintendent of Insurance, Alberta and other provinces in Canada to provide lawyers professional liability insurance to its subscribers. The Society commenced operations on June 30, 1987.

The address and registered office is Bay Adelaide Centre – West Tower, 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7.

The Society does not have any employees and is managed by an independent third party that reports to the Advisory Board. The Advisory Board has the authority and responsibility for planning, directing and controlling the activities of the entity. The Chair of the Advisory Board receives an annual honorarium of \$150,000 (\$150,000 in 2019) and the other members of the Advisory Board receive no compensation.

2. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as defined by the International Accounting Standards Board ("IASB").

These financial statements have been prepared on the historical cost basis, except for the valuation of financial instruments which are measured at fair value and outstanding claims and reinsurance are measured at discounted amounts.

3. Significant accounting policies

These financial statements reflect the following policies:

Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about the reported amounts of revenues, expenses, assets, and liabilities and the disclosure of contingent liabilities, at the reporting date. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and any future periods affected. Information about judgments, estimates and assumptions that have the most significant effect on the amounts reflected in the financial statements are reflected in the following notes:

Note 5: Provision for unpaid claims and adjustment expenses

Note 8: Reinsurance Program

Insurance premiums and deferred acquisition costs

Insurance premiums are recorded as written at the inception date of the policies and deferred as unearned premiums to be taken into income as earned on a pro-rata basis over the terms of the underlying policies. Retro-assessment calls are recorded as written and earned at the date of approval by the Society's Advisory Board. Premium taxes are recorded as deferred policy acquisition costs and expensed in the periods in which related premiums are earned.

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

December 31, 2020

3. Significant accounting policies

Insurance premiums and deferred acquisition costs (continued)

At each reporting period, liability adequacy tests are performed to ensure that the unearned premiums are sufficient to pay expected claims and expenses. If not, a premium deficiency will occur. Premium deficiencies are recognized initially by reducing the deferred acquisition cost asset and, if necessary, establishing an additional provision.

Reinsurance

The Society participates in, and enters into, reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Reinsurance premiums are recognized in the same period as the related insurance premiums that are earned as described above.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses. Amounts recoverable from reinsurers are estimates and recognized in a manner consistent with the reserve for losses from the underlying insurance contracts. The Society reflects reinsurance balances on a gross basis in the statement of financial position to reflect the credit risk related to reinsurance.

Certain of the Society's reinsurance contracts contain additional premium liability clauses which require that the Society pay additional premium if paid claims and case reserves exceed certain pre-determined levels. The Society accrues such additional premiums based upon current actuarial estimates of ultimate loss experience.

Provision for unpaid claims and adjustment expenses

The provision for unpaid claims and adjustment expenses represents an estimate of the ultimate gross amounts payable for all claims, including investigation costs and the projected final settlements of claims incurred prior to the statement of financial position date. The provision for unpaid claims and adjustment expenses is calculated in accordance with accepted actuarial practice in Canada taking into consideration the time value of money and explicit provisions for adverse deviation ("PFAD"). The estimates of loss activity are, by necessity, subject to uncertainty and are derived from a wide range of possible outcomes. These estimates are continually reviewed as additional information affecting the estimated quantum of claims settlement is obtained. All changes in estimated claim amounts are recorded as incurred claims in the period in which the change in estimate is determined.

The amounts recoverable from reinsurers are calculated based upon the same principles as the gross liability and are reflected as assets in the statements of financial position.

Investments

The investment portfolio is comprised of bonds and short term investments which are classified as available-for-sale ("AFS") and their fair value is established using quoted market close prices, see Note 4 Investments. The Society does not have investments in bonds or other investments for which the fair value is determined using a valuation technique based on assumptions that are not supported by observable market prices or rates.

AFS investments are recorded at value with changes in the fair value recorded as unrealized gains and losses, which is included in other comprehensive income ("OCI"). Realized gains and losses on sale, as well as losses from impairment are recorded in net investment income in the statement of comprehensive income.

Canadian Lawyers Liability Assurance Society**Notes to the financial statements**December 31, 2020

3. Significant accounting policies (continued)*Investments (continued)*

The Society accounts for the purchase and sale of investments using trade date accounting. Realized gains or losses on sale of investments are determined on a first in first out basis. Transaction costs related to the purchase of these bonds are recorded as part of the carrying value of the bond at the date of purchase. Discounts or premiums on the purchase of bonds are deferred and amortized over the remaining term of the bonds using the effective interest method and recorded in investment income in the statement of comprehensive income.

Impairments

AFS bonds are assessed for impairment on at least a quarterly basis. Objective evidence of impairment includes financial difficulty of the issuer, bankruptcy or defaults and delinquency in payments of interest or principal. When an investment is impaired it is written down to its fair value and associated unrealized gains or losses accumulated in OCI are reclassified to net investment income in the statement of comprehensive income. Once an impairment loss is recorded to income, the loss can only be reversed for fixed income securities to the extent a subsequent increase in fair value can be objectively correlated to an event occurring after the loss was recognized. Recovery in the fair value of a previously impaired AFS fixed income security up to the original amortized cost is recognized in net income. Following the impairment loss recognition, these assets will continue to be recorded at fair value with changes in fair value recorded to OCI, and tested for further impairment quarterly.

Insurance and reinsurance assets are reviewed for impairment on a quarterly basis. If objective evidence arises indicating a receivable from a policyholder or reinsurer is uncollectible, the carrying amount of the asset is reduced to its expected recoverable amount. The impairment loss is recognized as an expense in the net income.

New and Amended Standards Adopted in 2020

The following amendments were adopted on January 1, 2020:

In March 2018, the IASB issued a revised Conceptual Framework for Financial Reporting ("Conceptual Framework"), which replaced the Conceptual Framework issued in 2010. The revised Conceptual Framework includes revised definitions of an asset and a liability, as well as new guidance on measurement, derecognition, presentation and disclosure, to be applied prospectively. The adoption of this guideline did not have a material impact on the Society's Financial Statements.

In October 2018, the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify the definition of material and provide guidance to improve consistency in the application of IFRS standards. The adoption of these amendments did not have a material impact on the Society's Financial Statements.

New Issued Standards effective January 1, 2021 onwards

- (i) We are currently assessing the impact the adoption these amendments will have on the Society's Financial Statements:

In May 2020, the IASB issued Onerous Contracts - Cost of Fulfilling a Contract, which includes amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022.

Canadian Lawyers Liability Assurance Society**Notes to the financial statements**December 31, 2020

3. Significant accounting policies (continued)*New Issued Standards effective January 1, 2021 onwards (continued)*

- (ii) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4):

On September 12, 2016, the IASB issued amendments to IFRS 4 to address accounting mismatches and volatility that may arise in profit or loss in the period between the date of IFRS 9, Financial Instruments ("IFRS 9") and the new insurance contracts standard, IFRS 17 Insurance Contracts, issued May 2017.

The amendments introduced two approaches that may be adopted by insurers in the period between the effective dates of IFRS 9, effective January 1, 2018 and IFRS 17, effective January 1, 2023:

- overlay approach – an option for all issuers of insurance contracts to reclassify amounts between profit or loss and other comprehensive income for eligible financial assets by removing any additional accounting volatility that may arise from applying IFRS 9; and
- temporary exemption – an optional temporary exemption from IFRS 9 entities whose activities are predominately connected with insurance. This exemption allows an entity to continue to apply existing financial instrument requirements in International Accounting Standards ("IAS") 39, Financial Instruments: Recognition and Measurement ("IAS 39") to all financial assets until the earlier of the application of IFRS 17 or January 1, 2023.

The Society has adopted the temporary exemption, and adopted amendments to IFRS 4 in its financial statements for the current year.

An entity is permitted to continue applying IAS 39, being the extension of the IFRS 9 deferral to no later than January 1, 2023, if the following conditions are met:

- it has not applied IFRS 9 before; and
- its activities are predominantly connected with insurance on its annual reporting date immediately before April 1, 2016

An entity's activities are predominantly connected with insurance if:

- its liabilities arising from contracts in scope of IFRS 4 are significant compared with the total liabilities
- the ratio of its liabilities connected with insurance compared with its total liabilities is:
 - greater than 90 percent; or
 - greater than 80 percent but less than or equal to 90 percent, and the entity does not engage in a significant activity unconnected with insurance

The Society's total liabilities as at December 31, 2015 were \$111,113,316 of which \$110,202,627 pertain to insurance liabilities. Since the Society's predominance ratio is greater than 90%, it qualifies for the temporary exemption.

Canadian Lawyers Liability Assurance Society**Notes to the financial statements**December 31, 2020

3. Significant accounting policies (continued)*New Issued Standards effective January 1, 2021 onwards (continued)***(iii) IFRS 9, Financial Instruments ("IFRS 9"):**

On July 24, 2014 the IASB issued the complete IFRS 9 standard. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

The Society has adopted the temporary exemption described previously, and will adopt the amendments to IFRS 9 in its financial statements for the annual period in which the Society adopts IFRS 17, Insurance Contracts. The Society continues to assess the impact of these changes on the financial statements.

(iv) IFRS 17, Insurance Contracts ("IFRS 17"):

On May 18, 2017 the IASB issued IFRS 17 Insurance Contracts. The new standard is effective for annual periods beginning on or after January 1, 2023. IFRS 17 will replace IFRS 4 Insurance Contracts.

This standard introduces consistent accounting for all insurance contracts. The standard requires a company to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. Additionally, IFRS 17 requires a company to recognize profits as it delivers insurance services, rather than when it receives premiums.

The Society intends to adopt IFRS 17 in its financial statements for the annual period beginning on January 1, 2023. The extent of the impact of adoption of the standard has not yet been determined.

Canadian Lawyers Liability Assurance Society**Notes to the financial statements**

December 31, 2020

4. Investments

(a) The Society's investments consist of the following:

	Fair value and carrying value	2020 Amortized cost	Fair value and carrying value	2019 Amortized cost
Short term investments	12,511,787	12,513,448	12,342,761	12,366,783
Bonds	6,279,426	5,959,927	6,015,184	5,943,731
	18,791,213	18,473,375	18,357,945	18,310,514

The difference between amortized cost and market value of the AFS investments consists of gross unrealized gains of \$319,499 (\$90,238 in 2019) and gross unrealized losses of \$1,661 (\$42,808 in 2019).

The Society limits its bonds to securities issued or guaranteed by the Government of Canada, any province of Canada or Canadian corporations having a rating of A or better. Short term investments are invested in securities issued by the Government of Canada or a Canadian Province having a rating of A or better, or a Canadian Chartered Bank having a rating of R-1 or better. These securities have a maturity of less than 1 year from the purchase date.

(b) Maturity profile of investments as at December 31:

	Within 1 year \$	1-5 years \$	Over 5 years \$	2020 Total \$
Short-term investments	12,511,787	—	—	12,511,787
Government of Canada bonds	251,226	1,013,683	276,394	1,541,303
Canadian public authorities bonds	257,300	1,379,410	764,873	2,401,583
Canadian corporate bonds	201,880	1,426,154	708,506	2,336,540
Total fair value	13,222,193	3,819,247	1,749,773	18,791,213
	Within 1 year \$	1-5 years \$	Over 5 years \$	2019 Total \$
Short-term investments	12,342,761	—	—	12,342,761
Government of Canada bonds	—	914,030	558,934	1,472,964
Canadian public authorities bonds	—	1,183,647	1,122,606	2,306,253
Canadian corporate bonds	551,815	1,018,035	666,117	2,235,967
Total fair value	12,894,576	3,115,712	2,347,657	18,357,945

(c) Net investment income has the following components:

	2020 \$	2019 \$
Interest income		
Bonds	133,600	104,436
Cash, cash equivalents and short term investments	92,753	230,399
	226,353	334,835
Amortization of discount (premium) on investments	10,015	43,402
Realised gain (loss) on disposal	—	—
Total net investment income	236,368	378,237

Canadian Lawyers Liability Assurance Society**Notes to the financial statements**

December 31, 2020

4. Investments (continued)**(d) Fair value measurements**

The Society measures certain assets and liabilities using fair value. Fair value is a market-based measurement and not an entity-specific measurement, and requires the use of a fair value hierarchy with the highest priority given to quoted prices in active markets. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents the Society's financial instruments that have been measured at fair value, on a recurring basis, as at December 31.

	Level 1	Level 2	Level 3	2020
	\$	\$	\$	Total
	\$	\$	\$	\$
Cash at bank	2,161,535	—	—	2,161,535
Investments - available-for-sale				
Short term investments	—	12,511,787	—	12,511,787
Bonds	—	6,279,426	—	6,279,426
	2,161,535	18,791,213	—	20,952,748
	Level 1	Level 2	Level 3	2019
	\$	\$	\$	Total
	\$	\$	\$	\$
Cash at bank	3,784,745	—	—	3,784,745
Investments - available-for-sale				
Short term investments	—	12,342,761	—	12,342,761
Bonds	—	6,015,184	—	6,015,184
	3,784,745	18,357,945	—	22,142,690

The Society did not have any transfers between any levels during the year.

5. Unpaid claims and adjustment expenses**(a) Nature of unpaid claims and adjustment expenses**

The establishment of the provision for unpaid claims and adjustment expenses is based on known facts and interpretation of circumstances and is therefore a complex and dynamic process influenced by a large variety of factors. These factors include the Society's experience with similar cases and historical trends involving claim payment patterns, loss payments, pending levels of unpaid claims, claims severity and claim frequency patterns.

Canadian Lawyers Liability Assurance Society**Notes to the financial statements**December 31, 2020

5. Unpaid claims and adjustment expenses**(a) Nature of unpaid claims and adjustment expenses**

Other factors include the continually evolving and changing regulatory and legal environment, actuarial studies, professional experience and expertise of the Society's consultants retained to handle individual claims, the quality of the data used for projection purposes, existing claims management practices including claims handling and settlement practices, the effect of inflationary trends on future claims settlement costs, court decisions, economic conditions and public attitudes. In addition, time can be a critical part of the provision determination. The longer the span between the incidence of a loss and the payment or settlement of the claims, the more variable the ultimate settlement amount can be.

Consequently, the establishment of the provision for unpaid claims and adjustment expenses process relies on the judgment and opinions of a large number of individuals, on historical precedent and trends, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The process of determining the provisions necessarily involves risks that the actual results will deviate, perhaps materially, from the best estimates made.

The Society has considered the impact from COVID-19 on the assumptions used in determining the provision for unpaid claims and adjustment expense. In determining the adequacy of the provision, the Society reviewed the discount rate and assumptions in calculating the provision for unpaid claims and adjustment expense and how experience to date from the COVID-19 pandemic could impact these assumptions. As a result of this assessment, the selected discount rate has decreased, as described below.

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2020

5. Unpaid claims and adjustment expenses (continued)

- (b) Activity in the provision for unpaid claims and adjustment expenses is summarized as follows:

	Gross \$	Ceded \$	Net \$
Provision for unpaid claims and adjustment expenses, December 31, 2018	95,430,000	87,941,000	7,489,000
Incurring claims and claim adjustment expenses			
Provision for current year claims	9,442,837	8,103,000	1,339,837
Increase (decrease) in provision for claims of prior years	(7,076,969)	(4,628,068)	(2,448,901)
Increase (decrease) in provision due to discount rate change	1,426,000	1,275,000	151,000
Total incurred	3,791,868	4,749,932	(958,064)
Payments and recoveries attributable to			
Current year claims	(292,837)	—	(292,837)
Prior years claims	(32,541,031)	(33,186,932)	645,901
	(32,833,868)	(33,186,932)	353,064
Provision for unpaid claims and adjustment expenses, December 31, 2019	66,388,000	59,504,000	6,884,000
Incurring claims and claim adjustment expenses			
Provision for current year claims	7,586,588	6,784,464	802,124
Increase (decrease) in provision for claims of prior years	(1,845,632)	(2,255,886)	410,254
Increase (decrease) in provision due to discount rate change	4,695,984	4,160,421	535,563
Total incurred	10,436,940	8,688,999	1,747,941
Payments and recoveries attributable to			
Current year claims	—	—	—
Prior years claims	(1,993,956)	(1,946,577)	(47,379)
	(1,993,956)	(1,946,577)	(47,379)
Provision for unpaid claims and adjustment expenses, December 31, 2020	74,830,984	66,246,422	8,584,562

- (c) Provision for unpaid claims and adjustment expenses

Under accepted actuarial practice in Canada, the appropriate value of the claims liabilities is the discounted value of such liabilities plus the provision for adverse deviation ("PFAD").

	Undiscounted \$	Discounted at 0.45% \$	Provisions for adverse deviation \$	2020 Value per accepted actuarial practice \$
Provision for unpaid claims and adjustment expenses				
Gross	68,728,883	67,324,923	7,506,061	74,830,984
Recoverable from reinsurers	63,710,615	62,408,592	3,837,830	66,246,422
Net	5,018,268	4,916,331	3,668,231	8,584,562

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2020

5. Unpaid claims and adjustment expenses (continued)

(c) Provision for unpaid claims and adjustment expenses (continued)

	Undiscounted	Discounted at 1.90%	Provisions for adverse deviation	2019 Value per accepted actuarial practice
	\$	\$	\$	\$
Provision for unpaid claims and adjustment expenses				
Gross	64,408,000	59,170,000	7,218,000	66,388,000
Recoverable from reinsurers	60,412,000	55,512,000	3,992,000	59,504,000
Net	3,996,000	3,658,000	3,226,000	6,884,000

(d) Key assumptions

The best estimate of the provision for unpaid claims and adjustment expenses as reported in these financial statements has been determined by the Society's appointed actuary in accordance with accepted actuarial practice as determined by the Standards of Practice of the Canadian Institute of Actuaries ("CIA"), including the selection of appropriate assumptions and methods.

The Incurred But Not Reported ("IBNR") liabilities have been estimated for each coverage period using the Bornhuetter-Ferguson Method which is based on expected claims development patterns and expected losses.

The estimated undiscounted outstanding liabilities are discounted to reflect the time value of money using a selected discount rate of 0.45% (1.90% in 2019) which is based on the expected market yield of the Society's investment portfolio of bonds and short term assets.

Based on the recommended margin for adverse deviation ranges prescribed by the CIA, a provision for adverse deviation is selected for the following variables: claims development, reinsurance recovery and interest rate.

Changes in the assumptions used in the December 31, 2020 actuarial valuation resulted in a total decrease in net liabilities of \$331,433 (increase of \$780,819 in 2019), which is due to the change in loss development factors used in the Bornhuetter-Ferguson method and unallocated loss adjustment expense load decreased from 3.95% to 3.55% (increased from 2.95% to 3.95% in 2019). The change in the discount rate and provisions for adverse deviation assumptions led to an increase in the net liabilities of \$484,352 (increase of \$150,590 in 2019).

Sensitivities regarding these assumptions are provided in Note 11 Insurance Risk Management.

6. Premiums receivable

All subscribers are large reputable Canadian law firms, and no significant credit risk is expected. All amounts are due by April 1, 2021.

Canadian Lawyers Liability Assurance Society**Notes to the financial statements**

December 31, 2020

7. Expenses by nature

The following table presents the Society's expenses by nature:

	2020	2019
	\$	\$
Management services	759,814	852,705
Legal and professional	512,999	592,779
Other expenses	300,458	269,003
Total	1,573,271	1,714,487

8. Reinsurance program

- (a) The Society has obtained proportional reinsurance coverage which limits its net liability to a maximum amount of \$975,000 effective for the annual coverage period beginning on July 1, 2020 (\$975,000 in July 1, 2019) on any one loss.
- (b) Colchester Reinsurance Limited (Colchester) is an off-shore captive reinsurer domiciled in Barbados. The shareholders of Colchester are twelve Toronto based legal firms or their related service corporations. Those twelve shareholders are unrelated to each other. However, each of Colchester's shareholders is, or is related to the Society's current and past subscribers. For the annual coverage period beginning on July 1, 2020, Colchester received from the Society premiums of \$1,712,814 (\$1,330,072 in July 1, 2019).

Colchester provides aggregate stop-loss reinsurance protection for a portion of the Society's retained risk. On July 1, 2020 this reinsurance had an attachment point of \$5,000,000 (\$5,000,000 on July 1, 2019), and an annual aggregate limit of \$10,000,000 (\$10,000,000 on July 1, 2019). Starting July 1, 2011, the attachment point and limit were determined with reference to the combined net claim liabilities of the Society and Colchester. Starting on July 1, 2012 the attachment point and limit are solely determined with reference to the net claim liabilities of the Society.

- (c) In 2012, the Society initiated a Loss Portfolio Transfer (LPT) with Colchester to transfer the outstanding net retained liabilities for the policy year periods from inception to the period ended June 30, 2012 for a premium of \$44,260,000. The net retained liability was estimated as \$33,103,000 at the time of LPT.

As at December 31, 2020, the total reserves held and recoverable on the Society's financial statements relating to LPT was \$4,232,036 (\$4,566,102 in 2019). A Reinsurance Security Agreement (RSA) is in place which requires Colchester to set up on behalf of the Society deposits equal to 115% of Colchester's share of claim liabilities. At December 31, 2020 the value of the security deposits exceeds the required amount.

- (d) Reinsurance does not discharge the primary liability of the Society.

9. Income taxes

The Society is a reciprocal as defined under Part 1 of the Alberta Insurance Act, RSA 2000, c I- 3. Accordingly, no provision for income taxes is made in these financial statements.

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

December 31, 2020

10. Equity

In accordance with the Reciprocal Insurance Exchange Agreement, subscribers were not obliged to contribute any amounts to the Society in the form of a capital contribution. The subscribers' surplus therefore represents cumulative surplus and may be used to cover potential future catastrophe claims or reduce future premiums, if appropriate. The Agreement provides that additional assessments may be made to cover the actual loss, claims and costs experienced by the Society.

Under the terms of the Society's Reciprocal Insurance Exchange Agreement, the Society is obligated to return a share of the Society's surplus (if any) to a departed Subscriber subsequent to the fifth anniversary of its departure, based on that Subscriber's participation in the Society. A Subscriber withdrew from the Society on June 30, 2012. As a result, an initial refund of premium surplus of \$1,500,000 was made to that Subscriber at December 31, 2017. There were no withdrawals during the year.

11. Risk management

Insurance risk management

The Society accepts insurance risks through its insurance contracts where it assumes the risk of loss from persons or organizations subject to the underlying loss. The Society is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts and the principal risk that the actual claims payments exceed the carrying amount of the insurance liabilities or that claims are under-reserved.

The Society manages insurance risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and rating criteria. Reinsurance is purchased to mitigate the effect of potential loss to the Society from individual large events. Reinsurance policies are written with approved reinsurers (two of the current reinsurers are unlicensed) on either a proportional, aggregate or excess of loss treaty basis.

There is some concentration of risk since all coverage is related to professional liability and the underlying insured's are a homogeneous group since all are engaged in the practice of law in Canada. There is some risk of increased claim activity due to the occurrence of events that could increase the number of or value of legal actions against lawyers. Examples could be changes in legislation or a severe economic downturn. This risk is mitigated to some extent by the use of aggregate and excess of loss reinsurance. Concentration risk regarding reinsurance is mitigated by the use of multiple reinsurers with varying participations and an annual assessment of the financial strength of all reinsurers.

Claim development

Uncertainty exists on reported claims in that all information may not be available at the reporting date; therefore, the claim cost may rise or fall at some date in the future when the information is obtained. In addition, claims may not be reported to the Society immediately; therefore, estimates are made as to the value of claims incurred but not yet reported, a value which may take some months to finally determine. In order to determine the liability, assumptions are developed considering the characteristics of the line of business, the historical pattern of payments, the amount of data available and any other pertinent factors. In general, the longer the term required for the settlement of a group of claims, the more variable the estimates. Short settlement term claims are those which are expected to be substantially paid within a year of being reported. The following table shows the development of claims over a 10 year period, on both a gross and net of reinsurance basis:

Canadian Lawyers Liability Assurance Society**Notes to the financial statements**

December 31, 2020

11. Risk management (continued)*Claim development (continued)*

Analysis of claims development – net and gross

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Estimate of ultimate (by underwriting year)											
End of year	4,665,000	463,000	411,000	440,000	424,000	444,000	387,000	419,000	1,266,000	225,988	
One year later	107,000	423,000	380,000	413,000	392,000	1,062,000	360,000	409,000	945,824		
Two years later	107,000	334,000	269,000	308,000	281,000	950,000	276,000	283,415			
Three years later	107,000	435,000	197,000	284,000	218,000	903,000	208,864				
Four years later	107,000	362,000	131,000	222,000	170,000	818,782					
Five years later	107,000	281,000	59,000	167,000	67,235						
Six years later	107,000	227,000	23,000	1,112,261							
Seven years later	107,000	226,000	16,681								
Eight years later	107,000	219,226									
Nine years later	106,506										
Current estimate of ultimate	106,506	219,226	16,681	1,112,261	67,235	818,782	208,864	283,415	945,824	225,988	4,004,782
Cumulative payments	(106,506)	(203,270)	—	(50,597)	—	(650,000)	—	—	(332,370)	—	(1,342,743)
Net liability	—	16,956	16,681	1,061,664	67,235	168,782	208,864	283,415	613,454	225,988	2,662,039
Provision for unpaid claims and adjusting expenses recoverable from insurers											
Ten year net liability											2,662,039
Effect of discounting and PFAD											3,566,294
Unallocated loss adjustment expense											2,356,229
Provision for unpaid claims and adjusting expenses recoverable											66,246,422
Gross liability in statement of financial position											<u>74,830,984</u>

Canadian Lawyers Liability Assurance Society**Notes to the financial statements**

December 31, 2020

11. Risk management (continued)*Sensitivities*

The insurance claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process

The table below shows the effect on net income and equity of a +/- 5% change in the expected losses and the effect of +/- 0.5% change in the discount rate applied to claims provisions for the year ended December 31, 2020:

	Net income for the year	2020 Equity	Net income for the year	2019 Equity
	\$	\$	\$	\$
5% increase in expected losses	167,073	167,073	(169,000)	(169,000)
5% decrease in expected losses	209,600	209,600	177,000	177,000
0.5% increase in discount rate	(191,691)	(191,691)	151,000	151,000
0.5% decrease in discount rate	179,344	179,344	(156,000)	(156,000)

Financial risk management

The Society was well-positioned heading into the market dislocation following the COVID-19 pandemic, given its investment holdings are in highly rated government and corporate bonds. The Society has continued to maintain funding and liquidity metrics comfortably above regulatory minimums.

The Society has policies related to the identification, monitoring and mitigation of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (interest rate, equity and currency). The following describes how the Society manages each of these risks.

(a) Credit risk

Credit risk is the risk of loss due to the failure of debtors to make payments when due. Credit risks are primarily associated with invested assets and amounts due from policyholders and reinsurance counterparties. The investment portfolio's exposure to credit risk is managed through policies and procedures including a credit evaluation by the investment manager and investment guidelines which specify investment quality and exposure limits. The portfolio is monitored and reviewed regularly by the Board. Premiums due from policyholders present minimal risk due to the short term nature of the receivable and the historic/financial relationship with the Society as a Reciprocal Insurance Exchange. The Society evaluates the financial condition of its reinsurers and monitors concentrations of credit risk of the reinsurers to minimize its exposure to significant losses from their insolvency. The Society believes that it has taken appropriate steps to manage credit risk and has made appropriate provision for any such exposures. One of the primary reinsurers is Colchester Reinsurance Limited as discussed in Note 8. The credit risk related to Colchester is managed by maintaining a security account pursuant to the RSA and a quarterly review of Colchester's financial condition. The balance held in the account at December 31, 2020 is \$40,249,305 (\$38,454,437 in 2019).

Canadian Lawyers Liability Assurance Society**Notes to the financial statements**

December 31, 2020

11. Risk management (continued)*Financial risk management (continued)**(a) Credit risk (continued)**(i) Exposure to credit risk*

The following table summarizes the exposure to credit risk related to financial instruments and certain insurance assets at carrying value:

	2020	2019
	\$	\$
Cash	2,161,535	3,784,745
Short term investments	12,511,787	12,342,761
Bonds	6,279,426	6,015,184
Interest income due and accrued	22,835	20,531
Premiums receivable	3,782,333	1,254,203
Reinsurance recoverable	1,938,201	351,056
Provision of unpaid claims and adjustment expenses recoverable from reinsurers	66,246,422	59,504,000
Total credit exposure	92,942,539	83,272,480

(ii) Concentration of credit risk

The Society utilizes an investment policy to minimize the concentration of credit risk by ensuring diversification across asset classes. The following table summarizes the distribution of investments by credit risk:

	2020	2019
	%	%
R-1 (high)	67	67
AAA	8	8
AA	25	25
	100	100

(b) Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet all cash outflow obligations as they come due. The primary potential cash outflow is the payment of insurance claims and is represented by the provision for unpaid claims and adjustment expenses liability on the statement of financial position. In order to manage the liquidity risk associated with this liability, an investment policy is in place. A summary of the invested assets by term to maturity is provided in Note 4. The following table summarizes the exposure to liquidity risk:

	Due within	1 to 5 year	Over 5 years	2020
	1 year			Total
	\$	\$	\$	\$
Provision for unpaid claims and adjustment expenses (net)	1,163,942	4,132,001	3,288,619	8,584,562
Due to reinsurers	4,337,008			4,337,008
Accounts payable and accrued charges	433,798			433,798
	5,934,748	4,132,001	3,288,619	13,355,368

Canadian Lawyers Liability Assurance Society**Notes to the financial statements**

December 31, 2020

11. Risk management (continued)*Financial risk management (continued)**(b) Liquidity risk (continued)*

	Due within 1 year \$	1 to 5 year \$	Over 5 years \$	2019 Total \$
Provision for unpaid claims and adjustment expenses (net)	924,000	3,299,000	2,661,000	6,884,000
Due to reinsurers	2,111,955	—	—	2,111,955
Accounts payable and accrued charges	330,424	—	—	330,424
	<u>3,366,379</u>	<u>3,299,000</u>	<u>2,661,000</u>	<u>9,326,379</u>

(c) Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity markets and foreign currency rates. The primary market risk exposures are discussed below.

(i) Interest rate risk

Interest rate risk is the risk of financial loss arising from changes in interest rates. Fluctuations in interest rates will impact the market value of the fixed income portion of the investment portfolio. Interest rate fluctuations may create unrealized gains or losses which are recorded as OCI, however, these assets are ordinarily held until maturity which would result in a recovery of par value. A portion of these assets support the net provision for unpaid claims and adjustment expenses which is calculated, in part, using a discount factor based on the market rate of return of the investment portfolio.

The Society is exposed to interest rate risk if the cash flows from the investments are not matched to the liabilities that they support. This risk is partially mitigated by the investment policy which specifies that the timing of the settlement of unpaid claims be considered when selecting the duration of invested assets.

The estimated impact of a 1 % increase in interest rates would decrease the market value of the fixed income portion of the investment portfolio by \$265,039 (\$346,756 in 2019) which would be recorded in OCI. This impact would be offset on an economic basis by a decrease in the estimated unpaid claims and adjustment expense of \$375,808 (\$295,000 in 2019) recorded through income. Conversely, a 1% decrease in interest rates would increase the market value of the fixed income portion of the investment portfolio by \$179,232 (\$243,198 in 2019) which would be recorded in OCI. This impact would be more than offset on an economic basis by an increase in the estimated unpaid claims and adjustment expense of \$179,344 (\$319,000 in 2019) recorded through net income.

(ii) Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. To mitigate this risk, the Society's investment policy does not allow exposure to equity markets.

Canadian Lawyers Liability Assurance Society**Notes to the financial statements**December 31, 2020

11. Risk management (continued)*Financial risk management (continued)**(c) Market risk (continued)**(iii) Currency risk*

The Society does not have any material exposure to foreign currency.

12. Surplus management and adequacy

Equity is comprised of minimum and additional surplus and AOCI. At December 31, 2020, the equity was \$12,451,371 (\$13,620,592 in 2019). The Society's objectives for the management of surplus are for the prudent operation of the reciprocal and to provide relatively predictable premium costs for its members over time. A surplus management policy is approved by the Advisory Board which oversees the surplus management process.

As a reciprocal insurance exchange, the requirement for surplus is lower than that of an incorporated insurance company. A reciprocal may rely on the contractual agreement among its members to contribute to the losses incurred by other members and to make assessments for additional contributions to surplus if required and accordingly, can rely on the credit worthiness of its subscribers.

The Society is regulated by the Superintendent of Insurance, Alberta and in British Columbia, Ontario and Nova Scotia where licenses are held, all of which expect incorporated insurance companies to meet a Minimum Capital Test ("MCT") ratio of capital available to capital required of at least 150%. As of December 31, 2020, the Society's MCT was 537.58% (712.38% in 2019). However, the minimum regulatory standard for reciprocals in Alberta is adjusted equity exceeding \$50,000. The Society's practice is to maintain a surplus level which is significantly higher than the regulatory minimum. The Society's surplus adequacy is evaluated regularly and this evaluation takes into account the gross exposure to risk, the level and nature of reinsurance purchased and the resulting net exposure to members. Input from the appointed actuary, which includes an assessment of loss volatility, is factored into this evaluation.

Canadian Lawyers Liability Assurance Society**Notes to the financial statements**

December 31, 2020

12. Surplus management and adequacy (continued)

In accordance with sections 99 and 100 of the Alberta Insurance Act, the Society is required to maintain a reserve and guarantee fund. At December 31, 2020 the total reserve and guarantee funds required are as follows:

	2020	2019
	\$	\$
Reserve fund		
Net premiums written during the period	10,695,000	9,288,000
Less: Amounts paid to licensed reinsurers	8,601,000	7,233,000
	2,094,000	2,055,000
Requirement	50%	50%
	1,047,000	1,027,500
Guarantee fund		
Total liabilities	84,936,000	73,449,000
Less: Unearned premiums	5,304,000	4,619,000
Recoverable from licensed reinsurers	66,197,000	59,435,000
Add: Statutory margin	50,000	50,000
	13,485,000	9,445,000
Total of reserve and guarantee fund	14,532,000	10,472,500
Cash and approved securities	20,953,000	22,143,000
Excess of cash and securities over reserve and guarantee fund	6,421,000	11,670,500

13. Fair value disclosure

The fair value of the following classes of financial instruments is deemed to approximate carrying value due to the immediate or short term maturity of the financial instruments.

- (a) Cash at bank
- (b) Interest income due and accrued
- (c) Premiums receivable
- (d) Premium taxes receivable
- (e) Reinsurance receivable
- (f) Due to reinsurers
- (g) Accounts payable and accrued charges

14. Contingent liability

The Society's Reciprocal Insurance Exchange Agreement (the "Agreement") contains provisions addressing the rights and liabilities of a Subscriber (a "Departing Subscriber") which elects to withdraw from the Society at the end of an Underwriting Period. These include the obligation of the Society to pay to the Departing Subscriber the amount of declared credits or the obligation of the Departing Subscriber to pay to the Society the amount of declared assessments, in each case, based on the Departing Subscriber's participation in the Society. Any such payment obligation to or by a Departing Subscriber is to be determined and paid subsequent to the fifth anniversary of the date of departure of the Departing Subscriber.

Canadian Lawyers Liability Assurance Society**Notes to the financial statements**December 31, 2020

14. Contingent liability (continued)

A Subscriber elected to withdraw from the Society on June 30, 2012 and, accordingly, a determination of a payment obligation to or by such Departing Subscriber was made subsequent to June 30, 2017. The obligations of the Society and the Departing Subscriber under the Agreement continue to apply, and a determination of any further payment obligation to or by the Departing Subscriber will be made subsequent to June 30, 2022. In the event that it is determined that the Society has a payment obligation to such Departing Subscriber, then depending on the amount of such payment obligation and the amount of the Society's equity at that time, such payment obligation may have a material effect on the equity position of the Society.

A Subscriber elected to withdraw from the Society on June 30, 2017 and, accordingly, a determination of any payment obligation to or by such Departing Subscriber will be made subsequent to June 30, 2022. In the event that it is determined that the Society has a payment obligation to such Departing Subscriber, then depending on the amount of such payment obligation and the amount of the Society's equity at that time, such payment obligation may have a material effect on the equity position of the Society.

15. COVID-19:

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

During the year, the Society has experienced the following in relation to the pandemic:

- Premium collection was changed from semi-annual to four instalments.

To date, CLLAS has experienced no significant impact from COVID-19.

16. Date of authorization for issue

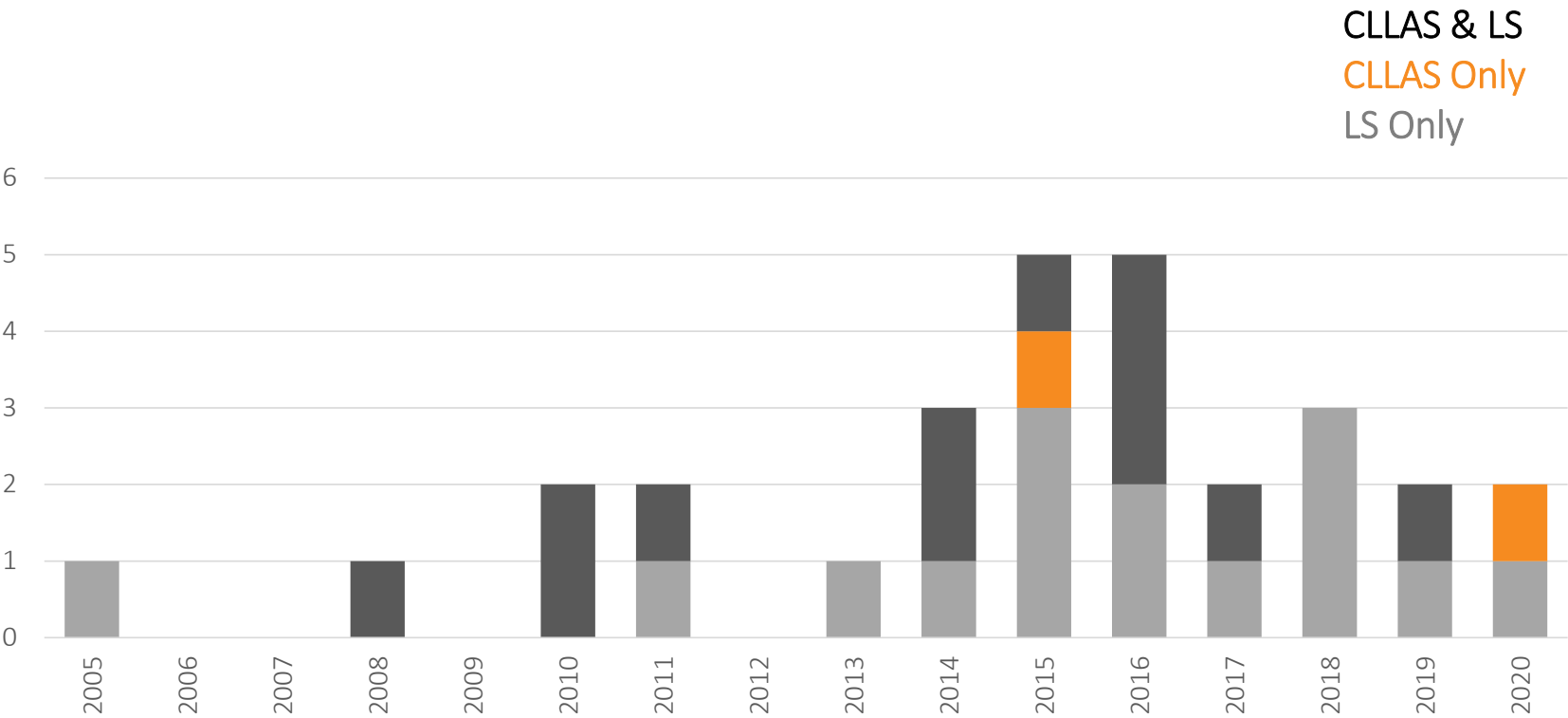
The financial statements were authorized for issue by the Advisory Board on February 23, 2021.



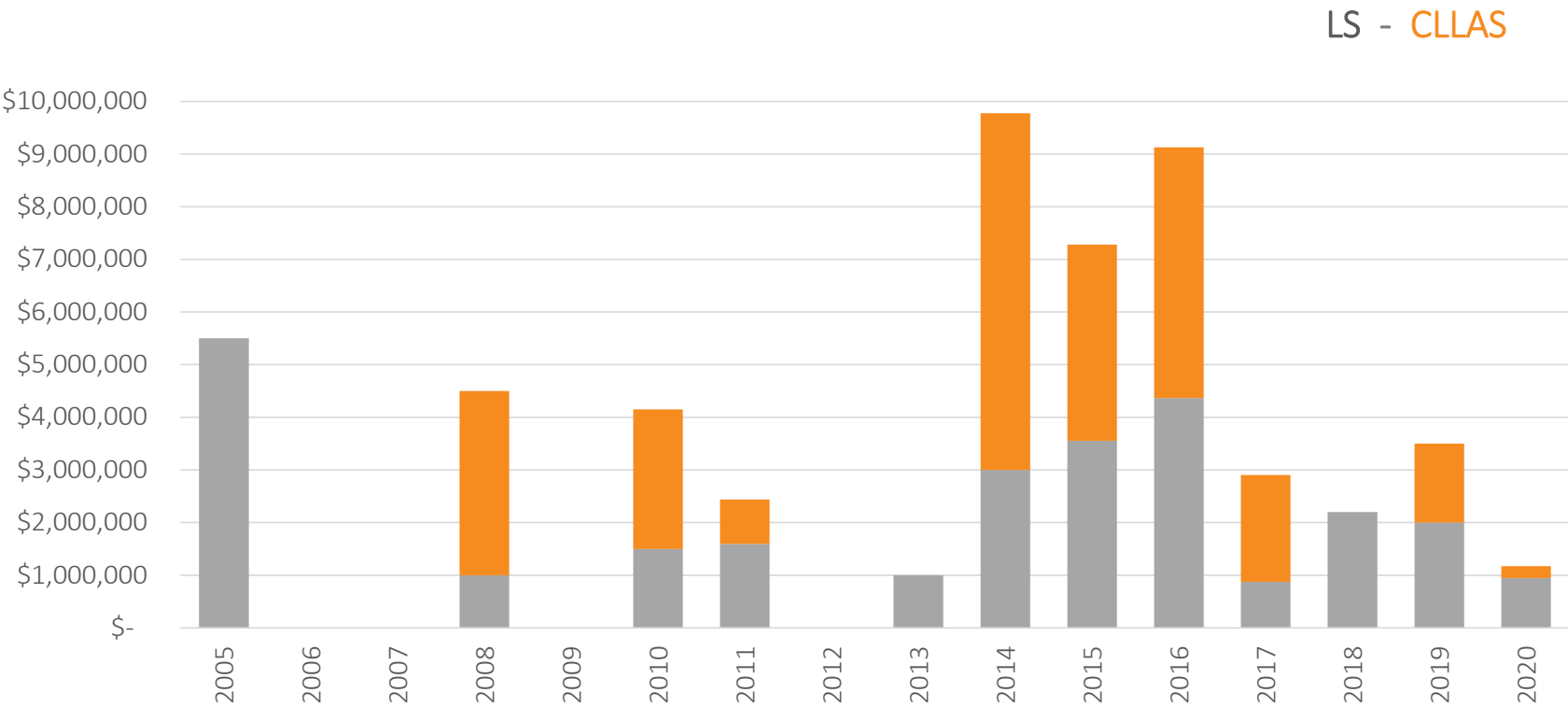
Canadian Lawyers Liability Assurance Society

Open Large Loss Claims Summary as at December 31, 2020

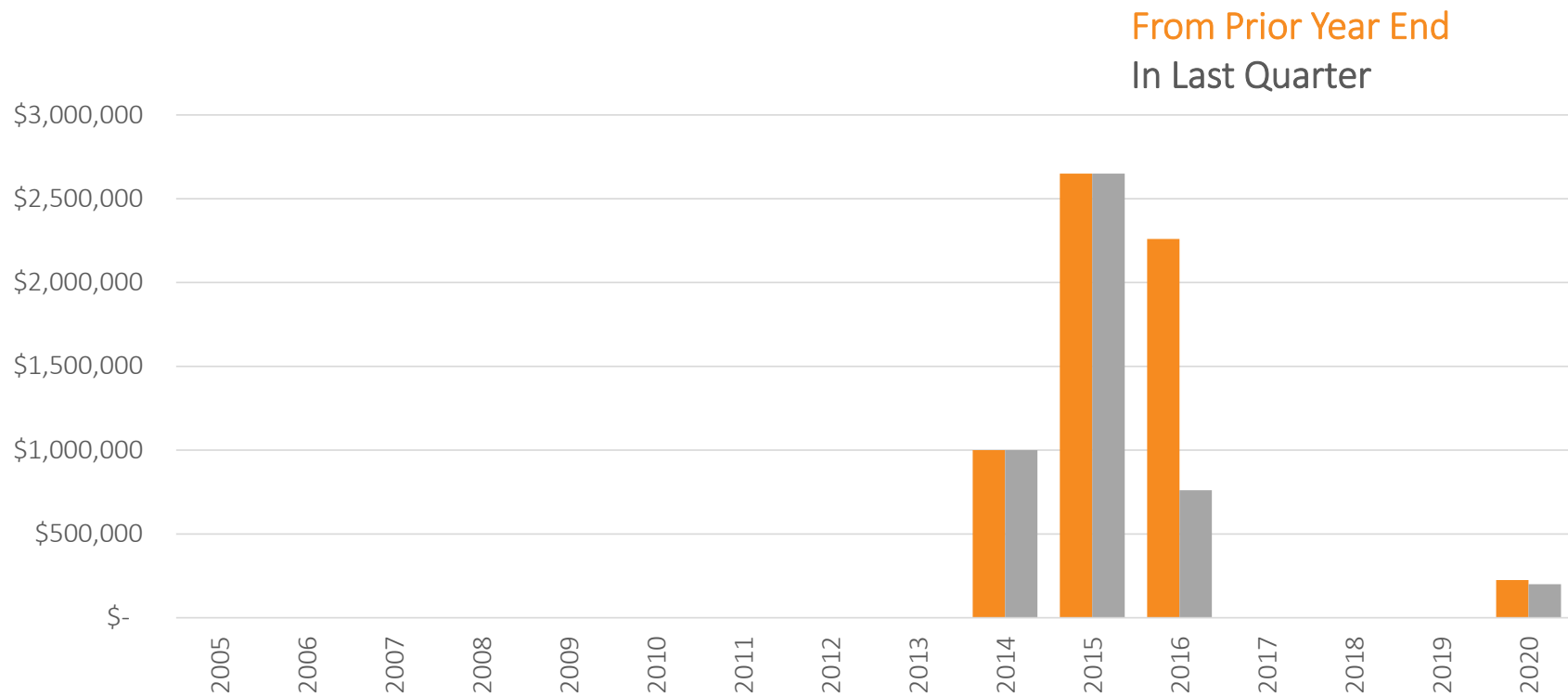
Number of Claims by Insurer



Incurred Amounts by Insurer

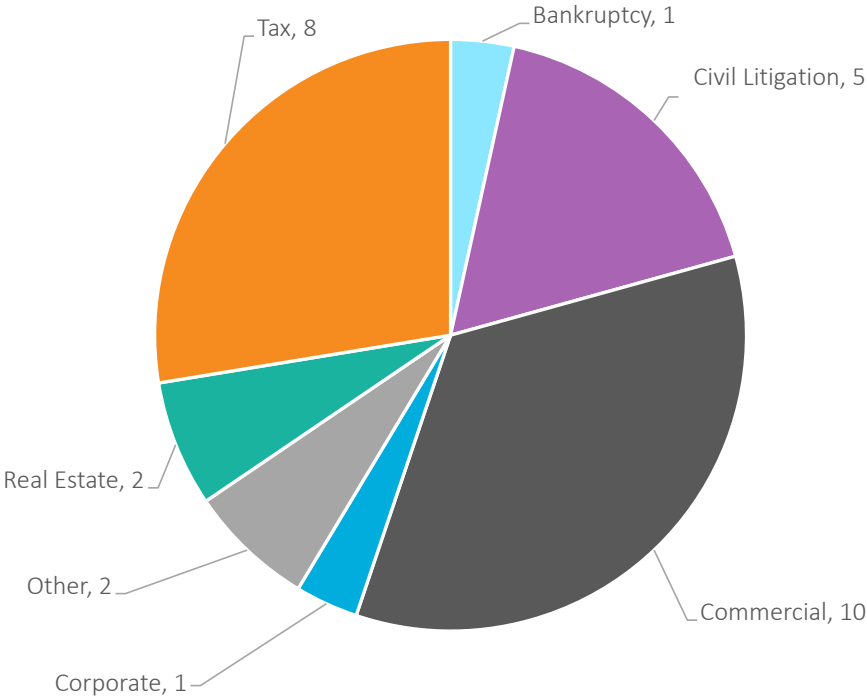


Change in Incurred Amounts (CLLAS)

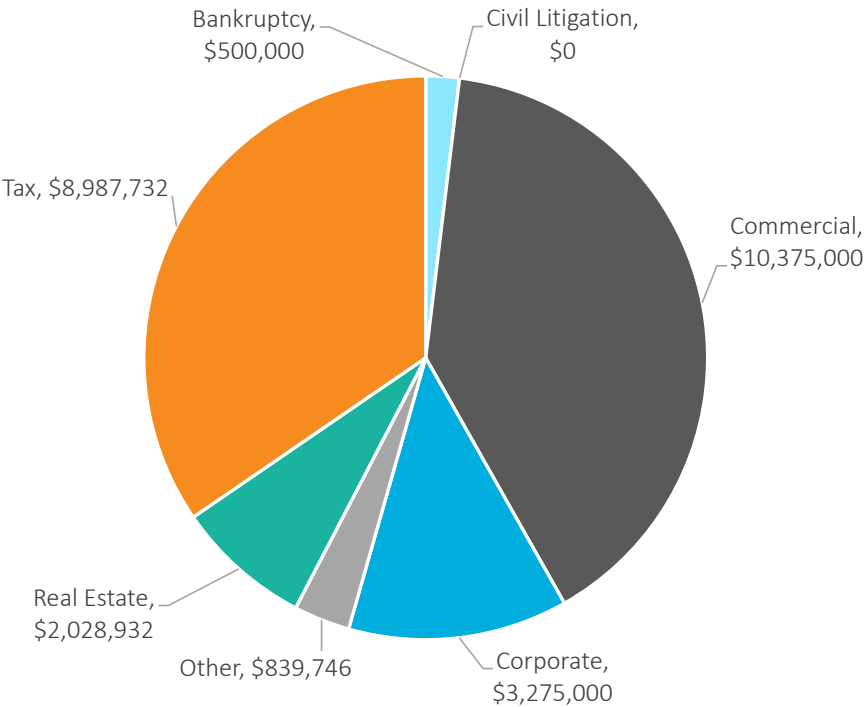


By Area of Law

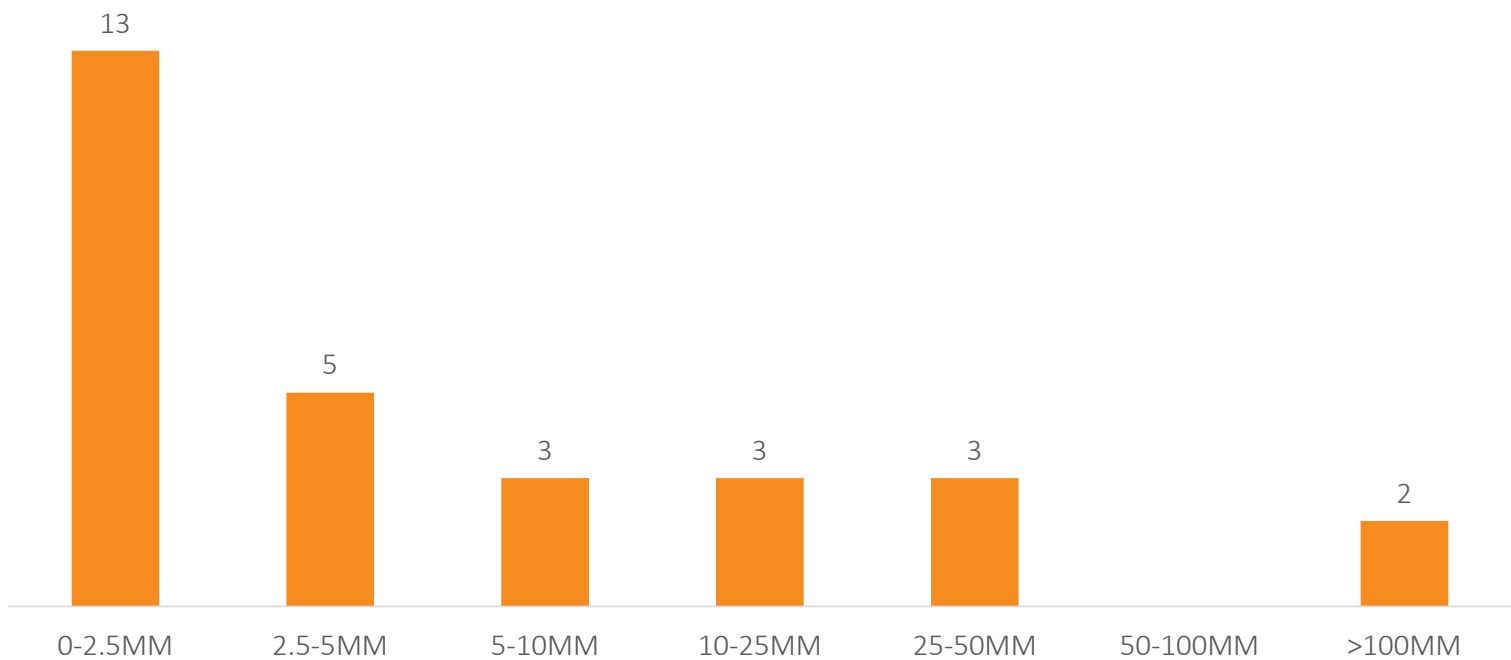
Number of Claims (CLLAS & LS)



CLLAS Incurred



Number of Claims by Best Estimate of Worst Case



Claim Count Movement in Quarter

Policy Year	Law Society Only	CLLAS Only	CLLAS & Law Society
2005 and prior	0	0	0
2006	0	0	0
2007	0	0	0
2008	0	0	0
2009	0	0	0
2010	0	0	0
2011	0	0	0
2012	0	0	0
2013	0	0	0
2014	-1	0	0
2015	0	0	0
2016	0	0	0
2017	0	0	0
2018	0	0	0
2019	0	0	0
2020	1	0	0

Notes

Slide 1

- Illustrates the number of open claims by insurer.
- LS Only: Large (\$500,000+) Law Society (“LS”) claims which have not yet developed into CLLAS (\$1,000,000+) claims
- CLLAS Only: Claims which are typically drop-down claims where the Law Society does not respond
- CLLAS & LS: Claims where amounts have been incurred by both the Law Society and CLLAS

Slide 2

- Illustrates the aggregate incurred amounts (paid + reserved) by policy year
- Identifies the quantum yet to be crystalized and highlights extraordinary years

Slide 3

- Illustrates movements in paid (always positive, except in cases of recovery) and reserved amounts on open claims
- Positive values highlight strengthening of reserves, or adverse claim development. Negative values highlight reduced reserves or better than expected outcomes

Notes (Cont'd)

Slide 4

- Illustrates the split between areas of law for the number of open claims and the incurred amounts (paid + reserved)
- Highlights the law areas of claims being actively managed

Slide 5

- Based on counsel's best estimate of the worst case outcome of each open claim
- Highlights the potential claim sized being actively managed

Slide 6

- Illustrates the emergence or closure (including reduction of incurred value below the large loss monitoring threshold of \$500,000) of claims over the previous quarter
- Note: Claims may move between Law Society Only, CLLAS & Law Society, and CLLAS Only

discussion

CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

INVESTMENT REPORT
DECEMBER 31, 2020

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CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

COMMENTARY FOR THE QUARTER ENDING DECEMBER 31, 2020

Review of Market Yields

During the first half of the fourth quarter, longer term Canada bond yields drifted higher and then settled into a sideways trading range over the balance of the quarter. At the end of the year, 10-year Canada yields were 10 basis points above their level three months earlier. Meanwhile, 5-year yields held level and yields at the short end of the curve moved 6 basis points lower.

As a result of the small decline in short term yields and a slight rise at the long end, the slope of the yield curve steepened during the fourth quarter. At the end of December, the yield advantage of 10-year issues over 3-month T-bills had increased to 61 basis points compared to 45 basis points and the end of September.

	Jan. 01/95	Jun. 30/20	Sep. 30/20	Dec. 31/20
3-month Treasury Bills	6.80%	0.20%	0.12%	0.06%
5-year Canadas	8.99%	0.36%	0.36%	0.39%
10-year Canadas	9.09%	0.52%	0.57%	0.67%

During the fourth quarter, activity in the Short Term Investment Fund involved the roll-over of money market securities.

The market value of the Long Term Investment Fund decreased \$12,042 which represents a capital decline of 0.2%.

At December 31, 2020, the average term to maturity of the Long Term Investment Fund was 3.5 years and the duration was 3.3 years.

The table below shows the distribution of the assets held in both the Short and Long Term Investment Funds at December 31.

<i>Distribution at December 31, 2020</i>	<i>Valuation</i>	<i>%</i>
Short Term Investment Fund	\$12,513,382	66.6%
Long Term Investment Fund	\$ 6,280,668	33.4%
TOTAL COMBINED VALUATION	\$18,794,050	100.0%

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

The following pages set out tables, commentary and schedules on the items listed below:

- Total Returns vs. Benchmarks - Gross and Net of Fees
- Distribution of Securities in the Long Term Investment Fund
by Credit Risk and by Maturity
- Compliance Statement
- Quarterly Performance Report - Gross of Fees: Long Term Investment Fund
- Bond Market Commentary and Future Policy
- Security Holdings in the Short Term and Long Term Investment Funds
Listed and Valued Separately as at December 31, 2020
- Security Purchases and Sales
- Cash Reconciliations
- External Individual Credit Rating Report

LONG TERM INVESTMENT FUND**TIME-WEIGHTED RATES OF TOTAL RETURN
FOR PERIODS ENDING DECEMBER 31, 2020**

	3 Years*	2 Years*	1 Year	Last 3 months
<i>Long Term Investment Fund – Gross of Fees</i>	<i>4.17%</i>	<i>5.36%</i>	<i>6.54%</i>	<i>0.43%</i>
<i>Long Term Investment Fund – Net of Fees</i>	<i>3.88%</i>	<i>5.06%</i>	<i>6.25%</i>	<i>0.36%</i>
Benchmark Portfolio **	4.40%	5.66%	7.19%	0.53%

*Annualized

** The Benchmark Portfolio is based on the sum of the following total return indices:

60% Canada Short Bond Index

40% Canada Mid Bond Index

SHORT TERM INVESTMENT FUND**TIME-WEIGHTED RATES OF TOTAL RETURN
FOR PERIODS ENDING DECEMBER 31, 2020**

	Since Inception Oct. 01/08 *	3 Years*	2 Years *	1 Year	Last 3 Months
<i>Short Term Investment Fund – Gross of Fees</i>	<i>0.89%</i>	<i>1.26%</i>	<i>1.16%</i>	<i>0.62%</i>	<i>0.04%</i>
<i>Short Term Investment Fund – Net of Fees</i>	<i>0.76%</i>	<i>1.14%</i>	<i>1.03%</i>	<i>0.50%</i>	<i>0.01%</i>
Benchmark Portfolio **	0.84%	1.20%	1.15%	0.61%	0.03%

* Annualized

** The Benchmark Portfolio, adopted from October 1, 2008, is based 100%
on the total return index of the 30-day Treasury Bill Index

LONG TERM INVESTMENT FUND**DISTRIBUTION OF SECURITIES BY CREDIT RISK**
(Based on Market Values)

	Dec. 17/13	Mar. 31/20	Jun. 30/20	Sep. 30/20	Dec. 31/20
Bonds, Treasury Bills & Cash Less than 1 year term	100.0%	9.0%	7.3%	7.2%	11.3%
Canadas Greater than 1 year term		25.0%	20.6%	20.6%	20.5%
Provincials Greater than 1 year term		38.5%	38.4%	38.3%	34.2%
Corporates Greater than 1 year term		27.5%	33.7%	33.8%	34.0%
TOTAL PORTFOLIO	100.0%	100.0%	100.0%	100.0%	100.0%

LONG TERM INVESTMENT FUND**DISTRIBUTION OF SECURITIES BY MATURITY**
(Based on Market Values)

	Mar. 31/20	Jun. 30/20	Sep. 30/20	Dec. 31/20
Under 1 year	9.0%	7.3%	7.2%	11.3%
1 - 3 years	31.0%	31.7%	39.9%	35.7%
3 - 5 years	20.6%	28.2%	20.0%	25.1%
5 - 7 years	28.9%	28.4%	28.5%	23.5%
7 - 10 years	10.5%	4.4%	4.4%	4.4%
TOTAL	100.0%	100.0%	100.0%	100.0%
Average Maturity (yrs)	3.83	4.02	3.78	3.53
Average Duration (yrs)	3.56	3.78	3.55	3.33

SHORT TERM INVESTMENT FUND

	Mar. 31/20	Jun. 30/20	Sep. 30/20	Dec. 31/20
Short Term Average Duration (yrs)	0.08	0.11	0.10	0.11

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

AT DECEMBER 31, 2020

	Investment Limits	Investment Funds	Compliance
<i>Short Term Investment Fund</i>			
Maximum Term of Any Issue	1 year	0.1 years	Yes
Minimum Percentage of Total Fund (Short & Long)	40% of Total	66.6%	Yes
Minimum Canada & Provincial Percentage	50%	51.4%	Yes
Minimum Provincial Quality	A	N/A	Yes
Minimum Bank CD & BA Quality	R1 (high)	R1 (high)	Yes
<i>Long Term Investment Fund</i>			
Maximum Term of Any Issue	10 years	7.2 years	Yes
Maximum Percentage of Total Fund (Short & Long)	60% of Total	33.4%	Yes
Minimum Canada Percentage	20%	24.5%	Yes
Maximum Provincial Percentage	40%	38.3%	Yes
Minimum Canada & Provincial Percentage	60%	62.8%	Yes
Minimum Provincial Quality *	A	AA (low)	Yes
Maximum Corporate Percentage	40%	37.2%	Yes
Minimum Corporate Quality *	A	AA (low)	Yes

* At time of purchase

This will confirm that during the fourth quarter the Long Term Investment Fund was managed in compliance with the Investment Policy limits provided on December 3, 2013.

Similarly, during the same period the Short Term Fund remained in compliance with the Investment Policy Statement that became effective on May 5, 2012.

Martin, Lucas & Seagram Ltd.
 PERFORMANCE REPORT
 GROSS OF FEES
CLLAS – LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 09-30-20 to 12-31-20

Portfolio Value on 06-30-20	6,292,709
Accrued Interest	42,613
Contributions	0
Withdrawals	-58,680
Realized Gains	0
Unrealized Gains	-12,041
Interest	58,680
Dividends	0
Change in Accrued Interest	-19,778
Portfolio Value on 09/30/20	6,280,668
Accrued Interest	22,835
Average Capital	6,317,129
Total Gains before Fees	26,861
IRR for 0.25 Years	0.43%

BOND MARKET COMMENTARY AND FUTURE POLICY

Following a stumble early in the fourth quarter, the North American equity markets broke to the upside at the beginning of November and have been moving in a strong upward trend since then, with only brief interruptions. The initial bounce higher followed the U.S. elections, when concerns surrounding the bitter election and possibility of an inconclusive result were largely put to rest. For the most part, investors viewed the outcome favourably on the premise that a Democratic President combined with a Democratic House majority would lead to additional fiscal stimulus and infrastructure spending. These expectations were reinforced by the bond market, as yields ticked higher on the expectation that more expansive fiscal policies would improve the prospects for growth. In Canada, the 10-year benchmark yield increased 17 basis points to its highest level since last April, while the U.S. Treasury yields rose 20 basis points to levels not seen since last March.

Soon after the election, the equity markets received another significant boost when Pfizer-BioNTech and Moderna announced that their vaccine candidates were some 95% effective in late stage trials. The much better than expected efficacy rates and subsequent regulatory approval for emergency use unleashed a new wave of optimism that the global economy would bounce back strongly in 2021. In the wake of the news, the main Canadian and U.S. stock indices jumped to record highs, with much of the advance driven by cyclical stocks.

Bond investors, on the other hand, seemed less enthused and yields settled into a sideways trading range until late last year. During this period the economic news turned mixed and the winter wave of the pandemic caused a slowdown in the pace of recovery during the fourth quarter. While the U.S. manufacturing sector continued to expand, rising infection rates deflated consumer confidence and retail sales declined over the final three months of last year. Job creation in the U.S. also came to a halt in December amid tightening public health restrictions that have disproportionately affected the leisure and hospitality sectors.

In Canada, jobs were also lost in December, which marks the first monthly decline since April, due to significant declines in the service sector. Despite this, full-time jobs have showed considerable resilience and gains have now been recorded for eight consecutive months. As a result, Canada has now recovered about 80% of total jobs lost in March and April. This has outpaced the U.S., which has managed to regain just over 50%. Furthermore, activity in the housing market, spurred by historically low interest rates, high household savings and changing housing needs, pushed resales in 2020 to a record high. Canada's manufacturing sector, as measured by the activity level of purchasing managers, also hit an all-time high in December. Much of the improvement in activity has been attributed to the government's aggressive COVID-19 Economic Response Plan that has seen Canada's fiscal deficit grow at the fastest pace among all developed countries.

Looking near term, the post-holiday surge in COVID-19 infections is expected to weigh on the recovery and economic conditions may deteriorate as more regions have restarted their pandemic restrictions in an effort to curb the spread. While there is an increasing number of therapeutics available to treat the virus, daily death counts recently hit record levels in the U.S. and new daily infections in Canada have held near the recent highs. As a result, the health systems in both countries remain under considerable strain. Furthermore, the initial rollout of the vaccine has been slower than hoped, which could lengthen the anticipated timeline to a reacceleration in economic activity.

Nevertheless, investors have continued to look beyond these near-term economic and public health challenges, including the emergence of more infectious strains of the coronavirus, as well as other events that have failed to shake confidence in the longer-term outlook. The Democrat's sweep of the Georgia elections, which provides them with narrow control of both the Senate and House, has increased uncertainty surrounding the prospect for higher corporate and individual taxes and tighter regulations. However, for the time being, investors are choosing to believe that the economy will prove too fragile for a broad tax hike and are instead focussing on the prospects for stronger economic growth as a result of even more fiscal stimulus. Indeed, last week president-elect Biden unveiled a \$1.9 trillion pandemic relief package, which is in addition to the \$900 billion relief measures that passed late last month.

After holding relatively steady over the final two months of 2020, North American bond yields have been trending higher since year end. In Canada, the 10-year Canada yield has increased another 20 basis points. The yield on the equivalent U.S. Treasury is up a similar amount and has breached the 1% level for the first time in 10 months. This uptick in yields and the ongoing rally in stocks has fuelled expectations that a period of strong growth lies ahead once vaccines are widely distributed and the economy fully reopens.

In its latest Monetary Policy Report, the Bank of Canada also expects the domestic economy will transition from a contraction during the first quarter of this year to strong growth over the balance of this year and next. While this favourable outlook would normally put upward pressure on the entire yield curve, both the Bank of Canada and the U.S. Federal Reserve Board (Fed) have committed to remain extraordinarily supportive with policies designed to keep yields from rising significantly for some time yet. In Canada, the Bank has indicated that it will keep a lid on rates until there are persistent signs that inflation is running sustainably at its target rate, which is not expected until 2023. Similarly, the Fed expects its easy money policies will remain in place for the foreseeable future and signaled that short-term rates may be kept near zero for years given the ground that the economy must make up to reach its employment and inflation goals.

Over the near term, given the resurgence of the pandemic, along with the likely hurdles faced by the new U.S. administration to quickly implement its agenda, we think the next phase of the recovery will prove more difficult and test investors' exuberance and willingness to look beyond the numerous challenges until vaccines are widely distributed, which will likely take until

the second or third quarter of this year. As a result, we expect bond yields will remain range bound in the short term. Looking further ahead, we remain optimistic on the economic and health fronts and we expect longer-term yields will trade with an upward bias as the recovery gains momentum later this year. However, the risk of a significant increase still seems low given the expectation that the monetary authorities would move aggressively to cap a destabilizing increase in longer-term yields. In view of the outlook, we believe the Long Term Fund's laddered maturity structure and duration of 3.3 years is appropriate.

RWB/de

As stipulated in our Investment Management Agreement, please let ML&S know if there are major changes in your financial circumstances, income needs or risk tolerance in order for us to review the suitability of your investment objectives.

Martin, Lucas & Seagram Ltd.

CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at December 31, 2020

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
CASH					
	Cash Account			13,482	0
MONEY MARKET ISSUES					
1,305,000	Canada Treasury Bill .07% due January 14, 2021	99.98	100.00	1,304,974	913
1,280,000	Bank of Nova Scotia BA 0.20% due January 18, 2021	99.98	99.99	1,279,867	2,560
1,225,000	Royal Bank BA 0.17% due January 18, 2021	99.99	99.99	1,224,873	2,082
1,300,000	Canada Treasury Bill .07% due January 21, 2021	99.98	100.00	1,299,962	910
1,205,000	CIBC BA .20% due January 25, 2021	99.95	99.99	1,204,826	2,409
1,205,000	Canada Treasury Bill 0.07% due February 4, 2021	99.98	100.00	1,204,942	843
1,200,000	CIBC BA 0.19% due February 19, 2021	99.96	99.97	1,199,644	2,279
1,175,000	CIBC BA 0.20% due February 24, 2021	99.95	99.97	1,174,612	2,349
1,305,000	Canada Treasury Bill 0.08% due March 4, 2021	99.98	99.99	1,304,864	1,044
1,315,000	Canada Treasury Bill 0.06% due March 25, 2021	99.98	99.99	1,314,817	789
				<u>12,513,382</u>	<u>16,178</u>
TOTAL PORTFOLIO				12,526,864	16,178

Disclosures:

1. Please note that the securities listed herein are held on your behalf by the above noted custodian. You may wish to contact them directly to determine if your account is covered by any recognized Investor Protection Plan and/or for information on how these securities are held.
2. The cost of each position shown in the account is the book cost (original cost adjusted for distributions, capital returns and re-orgs). For unit costs marked with an *, the book cost cannot be determined and the value shown is based on the closing market price on July 15, 2015.

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 10-01-20 To 12-31-20

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
10-07-20	10-08-20	1,305,000	Canada Treasury Bill .07% due January 14, 2021	99.98	1,304,754.66
10-16-20	10-19-20	1,255,000	Bank of Nova Scotia BA .18% due November 25, 2020	99.98	1,254,771.59
10-21-20	10-22-20	1,300,000	Canada Treasury Bill .07% due January 21, 2021	99.98	1,299,773.80
10-27-20	10-28-20	1,170,000	Toronto Dominion Bank BA 0.20% due November 27, 2020	99.98	1,169,812.80
10-29-20	10-30-20	1,205,000	CIBC BA .20% due January 25, 2021	99.95	1,204,426.42
11-04-20	11-05-20	1,205,000	Canada Treasury Bill 0.07% due February 4, 2021	99.98	1,204,790.33
11-04-20	11-05-20	1,250,000	FirstBank BA 0.18% due December 15, 2020	99.98	1,249,753.75
11-24-20	11-25-20	1,200,000	CIBC BA 0.19% due February 19, 2021	99.96	1,199,463.60
11-24-20	11-25-20	1,225,000	Royal Bank BA 0.20% due December 21, 2020	99.99	1,224,828.50
11-27-20	11-30-20	1,175,000	CIBC BA 0.20% due February 24, 2021	99.95	1,174,446.58
12-02-20	12-03-20	1,305,000	Canada Treasury Bill 0.08% due March 4, 2021	99.98	1,304,740.31
12-14-20	12-15-20	1,280,000	Bank of Nova Scotia BA 0.20% due January 18, 2021	99.98	1,279,761.92
12-16-20	12-17-20	1,315,000	Canada Treasury Bill 0.06% due March 25, 2021	99.98	1,314,788.29
12-18-20	12-21-20	1,225,000	Royal Bank BA 0.17% due January 18, 2021	99.99	1,224,840.75
					17,410,953.30
SALES					
10-08-20	10-08-20	1,305,000	Canada Treasury Bill .15% due October 8, 2020	100.00	1,305,000.00
10-19-20	10-19-20	1,255,000	Royal Bank BA 0.21% due October 19, 2020	100.00	1,255,000.00
10-22-20	10-22-20	1,300,000	Canada Treasury Bill 0.13% due October 22, 2020	100.00	1,300,000.00
10-28-20	10-28-20	1,170,000	FirstBank BA 0.21% due October 28, 2020	100.00	1,170,000.00
10-30-20	10-30-20	1,205,000	CIBC BA .20% due October 30, 2020	100.00	1,205,000.00
11-05-20	11-05-20	1,250,000	Bank of Nova Scotia BA 0.20% due November 5, 2020	100.00	1,250,000.00

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 10-01-20 To 12-31-20

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
11-05-20	11-05-20	1,205,000	Canada Treasury Bill .12% due November 5, 2020	100.00	1,205,000.00
11-25-20	11-25-20	1,255,000	Bank of Nova Scotia BA .18% due November 25, 2020	100.00	1,255,000.00
11-25-20	11-25-20	1,170,000	CIBC BA 0.20% due November 25, 2020	100.00	1,170,000.00
11-27-20	11-27-20	1,170,000	Toronto Dominion Bank BA 0.20% due November 27, 2020	100.00	1,170,000.00
12-03-20	12-03-20	1,305,000	Canada Treasury Bill .10% due December 3, 2020	100.00	1,305,000.00
12-15-20	12-15-20	1,250,000	FirstBank BA 0.18% due December 15, 2020	100.00	1,250,000.00
12-17-20	12-17-20	1,305,000	Canada Treasury Bill 0.10% due December 17, 2020	100.00	1,305,000.00
12-21-20	12-21-20	1,225,000	Royal Bank BA 0.20% due December 21, 2020	100.00	1,225,000.00
					17,370,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 09-30-20 to 12-31-20

Cash Balance at September 30, 2020		<u>8,633.86</u>
ADD: Proceeds from Sales	17,370,000.00	
Capital Contribution	0.00	
Bond Interest Credited (from Long Term Investment Fund)	58,680.00	
Transfers to Long Term Fund re: net sales and purchases	<u>0.00</u>	<u>17,428,680.00</u>
LESS: Cost of Purchases	-17,410,953.30	
Q3 2020 Investment Counsel Fees - Short Term Investment Fund	-3,524.50	
Q3 2020 Investment Counsel Fees - Long Term Investment Fund	-4,444.23	
Trust Company Charges	<u>-4,909.37</u>	<u>-17,423,831.40</u>
Cash Balance at December 31, 2020		<u><u>13,482.46</u></u>

Martin, Lucas & Seagram Ltd.							
EXTERNAL INDIVIDUAL CREDIT RATING REPORT - DECEMBER 31, 2020							
CLLAS - SHORT TERM INVESTMENT FUND							
			Unit	Total		Market	%
Quantity	Security	Rating	Cost	Cost	Price	Value	Assets
1,305,000	Canada Treasury Bill .07% due January 14, 2021	R-1 (high)	99.981	1,304,755	99.998	1,304,974	10.4%
1,280,000	Bank of Nova Scotia BA 0.20% due January 18, 2021	R-1 (high)	99.981	1,279,762	99.990	1,279,867	10.2%
1,225,000	Royal Bank BA 0.17% due January 18, 2021	R-1 (high)	99.987	1,224,841	99.990	1,224,873	9.8%
1,300,000	Canada Treasury Bill .07% due January 21, 2021	R-1 (high)	99.983	1,299,774	99.997	1,299,962	10.4%
1,205,000	CIBC BA .20% due January 25, 2021	R-1 (high)	99.952	1,204,426	99.986	1,204,826	9.6%
1,205,000	Canada Treasury Bill 0.07% due February 4, 2021	R-1 (high)	99.983	1,204,790	99.995	1,204,942	9.6%
1,200,000	CIBC BA 0.19% due February 19, 2021	R-1 (high)	99.955	1,199,464	99.970	1,199,644	9.6%
1,175,000	CIBC BA 0.20% due February 24, 2021	R-1 (high)	99.953	1,174,447	99.967	1,174,612	9.4%
1,305,000	Canada Treasury Bill 0.08% due March 4, 2021	R-1 (high)	99.980	1,304,740	99.990	1,304,864	10.4%
1,315,000	Canada Treasury Bill 0.06% due March 25, 2021	R-1 (high)	99.984	1,314,788	99.986	1,314,817	10.5%
				12,511,787		12,513,382	100%

Martin, Lucas & Seagram Ltd.
INVESTMENT PERFORMANCE
 Net of Fees
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
December 31, 2020

Investment account RBCD-K.Habal-107611-001

CLLAS - SHORT TERM INVESTMENT FUND
 c/o Axxima
 36 Toronto Street, Suite 510
 Toronto, Ontario M5C 2C5

This report tells you how this portfolio has performed in the reporting period. It can help you assess your progress toward meeting your investment goals.

Speak to your representative if you have questions about this report. It is important that you tell your representative if your personal or financial circumstances have changed. Your representative can recommend adjustments to your investments to keep you on track to meeting your goals.

Total Value Summary

Your investments have changed by 464,584 since the inception date. Note: In this report, the inception date is July 15, 2015 or the portfolio's start date if the account was opened after July 15, 2015.

Your investments have changed by 62,138 during the past year.

Amount invested since 07-15-15	206,425
Market value of portfolio on 12-31-20	12,526,864

Change In Portfolio Value

This table is a summary of the activity in your portfolio. It shows how the value of your portfolio has changed based on the type of activity.

	Latest 1 Year	Inception To Date
From Date	12-31-19	07-15-15
Opening Market Value	12,376,646	11,855,855
Contributions	406,397	10,352,512
Withdrawals	-318,317	-10,146,086
Realized Gains	0	0
Unrealized Gains	1,595	1,595
Interest	74,597	529,211
Dividends	0	0
Portfolio Fees	-14,054	-66,222
Closing Market Value	12,526,864	12,526,864
Total Fees	-14,054	-66,222

Martin, Lucas & Seagram Ltd.
INVESTMENT PERFORMANCE
 Net of Fees
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
December 31, 2020

Personal Rates of Return

The table below shows the total percentage return of this portfolio for the reporting period. Returns are calculated after charges have been deducted. These include charges you pay for advice, transaction charges and portfolio related charges, but not income tax.

Keep in mind your returns reflect the mix of investments and risk level of your portfolio. When assessing your returns, consider your investment goals, the amount of risk you are comfortable with, and the value of the advice and services you receive.

	Annualized Latest 1 Year	Annualized Latest 3 Years	Annualized Latest 5 Years	Annualized Latest 10 Years	Annualized Inception To Date
This Portfolio	0.50%	1.07%	0.84%	-	0.79%

What is a total percentage return?

This represents gains and losses of an investment over a specified period of time, including realized and unrealized capital gains and losses plus income, expressed as a percentage.

Calculation method

The returns have been calculated on a money-weighted basis. This means that the percent return is an average of the monthly returns over the investment period, weighted by the value of the portfolio at the beginning of each month. This average monthly return has then been adjusted and showed as an average annual return. The returns for each reported period reflect the average over that term.

The reported returns reflect investment income and changes in value of the underlying stocks, bonds and other securities due to changes in economic, market and security specific factors as well as the timing and amounts that have been deposited or withdrawn from this portfolio.

As a result, the returns in this table provide you with your personal rates of return for this portfolio and shows how the portfolio is performing in light of decisions you have made to deposit or withdraw funds over a set period. This calculation is provided to you in compliance with the Regulators.

Please note that performance returns shown in the quarterly investment reports were calculated on a time weighted basis and will accordingly differ from the above returns. Time weighted returns are the average returns of a portfolio independent of the amount that was invested during each period of the performance period. Time weighted performance is a better measure for evaluating an asset manager as such performance is not influenced by the amount invested during the period.

Performance returns and changing values over various investment periods allows you to better evaluate whether your Investment goals are being met and assess the long term performance of your portfolio.

Please note that your portfolio's past performance may not be reflective of future performance.

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at December 31, 2020

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
GOVERNMENT BONDS					
250,000	Canada Housing Trust Ser 71 1.25% due June 15, 2021	96.83	100.50	251,260	3,125
200,000	Canada Housing Trust 2.4% Series 48 due December 15, 2022	100.37	104.14	208,270	4,800
200,000	Canada Housing Trust 2.35% due September 15, 2023	105.62	105.31	210,616	4,700
250,000	Canada Housing Trust 2.9% due June 15, 2024	102.64	108.37	270,925	7,250
300,000	Canada Housing Trust Ser. 70 2.25% due December 15, 2025	100.98	107.82	323,448	6,750
250,000	Canada Housing Trust No.1 2.350% due March 15, 2028	103.96	110.49	276,235	5,875
				<hr/> 1,540,754	<hr/> 32,500
PROVINCIAL BONDS					
250,000	British Columbia 3.25% due December 18, 2021	102.30	102.92	257,290	8,125
400,000	Ontario 3.15% due June 2, 2022	100.00	104.12	416,460	12,600
500,000	Ontario 2.85% due June 2, 2023	102.29	105.96	529,805	14,250
400,000	Ontario 2.60% due June 2, 2025	101.08	108.56	434,244	10,400
350,000	British Columbia 2.3% due June 18, 2026	104.40	108.27	378,945	8,050
350,000	Ontario 2.60% due June 2, 2027	97.56	110.17	385,606	9,100
				<hr/> 2,402,350	<hr/> 62,525
CORPORATE BONDS					
200,000	Bank of Montreal 3.4% due April 23, 2021	100.65	100.93	201,868	6,800
150,000	Royal Bank 1.968% due March 2, 2022	100.05	101.88	152,814	2,952
250,000	National Bank of Canada 2.105% due March 18, 2022	102.04	102.12	255,300	5,263
150,000	Wells Fargo 3.46% due January 24, 2023	102.36	105.74	158,604	5,190
300,000	Toronto Dominion Bank Dep. Note 1.909% due July 18, 2023	102.63	103.41	310,239	5,727

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at December 31, 2020

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
250,000	Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	102.02	108.90	272,240	8,065
250,000	CIBC Deposit Note 3.3% due May 26, 2025	100.24	110.68	276,710	8,250
200,000	Wells Fargo & Company 2.975% due May 19, 2026	102.15	108.09	216,170	5,950
300,000	Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	102.07	109.53	328,578	7,860
150,000	Bank of Montreal Dep. Note 2.70% due December 9, 2026	108.76	110.03	165,042	4,050
				2,337,565	60,107
TOTAL PORTFOLIO				6,280,668	155,132

Disclosures:

1. Please note that the securities listed herein are held on your behalf by the above noted custodian. You may wish to contact them directly to determine if your account is covered by any recognized Investor Protection Plan and/or for information on how these securities are held.
2. The cost of each position shown in the account is the book cost (original cost adjusted for distributions, capital returns and re-orgs). For unit costs marked with an *, the book cost cannot be determined and the value shown is based on the closing market price on July 15, 2015.

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 10-01-20 To 12-31-20

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
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No transactions were found!

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - LONG TERM INVESTMENT FUND
From 09-30-20 to 12-31-20

Cash Balance at September 30, 2020		0.00
ADD: Proceeds from Sales		
Bond Interest Credited to Long Term Investment Fund	58,680.00	
Transfer Bond Inteerst to Short Term Investment Fund	-58,680.00	
Transfer to Short Term Investment Fund net purchases & sales	0.00	0.00
LESS: Cost of Purchases		0.00
Cash Balance at December 31, 2020		0.00

Martin, Lucas & Seagram Ltd.									
EXTERNAL INDIVIDUAL CREDIT RATING REPORT - DECEMBER 31, 2020									
CLLAS - LONG TERM INVESTMENT FUND									
					Unit	Total		Market	Pct.
Quantity	CUSIP	Security		Rating	Cost	Cost	Price	Value	Assets
GOVERNMENT BONDS									
250,000	13509PFJ7	Canada Housing Trust Ser 71 1.25%	due June 15, 2021	AAA	96.83	242,075	100.50	251,260	4.0%
200,000	13509PDL4	Canada Housing Trust 2.4% Series 48	due December 15, 2022	AAA	100.37	200,740	104.14	208,270	3.3%
200,000	13509PDV2	Canada Housing Trust 2.35%	due September 15, 2023	AAA	105.62	211,240	105.31	210,616	3.4%
250,000	13509PEF6	Canada Housing Trust 2.9%	due June 15, 2024	AAA	102.64	256,600	108.37	270,925	4.3%
300,000	13509PFD0	Canada Housing Trust Ser. 70 2.25%	due December 15, 2025	AAA	100.98	302,940	107.82	323,448	5.1%
250,000	13509PGF4	Canada Housing Trust No.1 2.350%	due March 15, 2028	AAA	103.96	259,900	110.49	276,235	4.4%
						1,473,495		1,540,754	24.5%
PROVINCIAL BONDS									
250,000	110709BJ0	British Columbia 3.25%	due December 18, 2021	AA (high)	102.30	255,750	102.92	257,290	4.1%
400,000	68323AAW4	Ontario 3.15%	due June 2, 2022	AA (low)	100.00	400,000	104.12	416,460	6.6%
500,000	68323ABN3	Ontario 2.85%	due June 2, 2023	AA (low)	102.29	511,430	105.96	529,805	8.4%
400,000	68323ACX0	Ontario 2.60%	due June 2, 2025	AA (low)	101.08	404,305	108.56	434,244	6.9%
350,000	11070TAJ7	British Columbia 2.3%	due June 18, 2026	AA (high)	104.40	365,400	108.27	378,945	6.0%
350,000	68323AEE0	Ontario 2.60%	due June 2, 2027	AA (low)	97.56	341,460	110.17	385,606	6.1%
						2,278,345		2,402,350	38.2%
CORPORATE BONDS									
200,000	06367VJN6	Bank of Montreal 3.4%	due April 23, 2021	AA	100.65	201,300	100.93	201,868	3.2%
150,000	780086KD5	Royal Bank 1.968%	due March 2, 2022	AA (high)	100.05	150,075	101.88	152,814	2.4%
250,000	633067C27	National Bank of Canada 2.105%	due March 18, 2022	AA (low)	102.04	255,100	102.12	255,300	4.1%
150,000	94975ZBN5	Wells Fargo 3.46%	due January 24, 2023	AA (low)	102.36	153,542	105.74	158,604	2.5%
300,000	891160LV3	Toronto Dominion Bank Dep. Note 1.909%	due July 18, 2023	AA (high)	102.63	307,890	103.41	310,239	4.9%
250,000	891145T79	Toronto Dominion Bank Dep. Note 3.226%	due July 24, 2024	AA (high)	102.02	255,050	108.90	272,240	4.3%
250,000	13596Z3Y9	CIBC Deposit Note 3.3%	due May 26, 2025	AA	100.24	250,600	110.68	276,710	4.4%
200,000	949746RX1	Wells Fargo & Company 2.975%	due May 19, 2026	AA (low)	102.15	204,300	108.09	216,170	3.4%
300,000	064151QE6	Bank of Nova Scotia Dep. Notes 2.62%	due December 2, 2026	AA	102.07	306,210	109.53	328,578	5.2%
150,000	06368AAA8	Bank of Montreal Dep. Note 2.70%	due December 9, 2026	AA	108.76	163,140	110.03	165,042	2.6%
						2,247,207		2,337,565	37.2%
TOTAL PORTFOLIO						5,999,047		6,280,668	100.0%

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-19 to 12-31-20

Security	12-31-19 Market Value	Additions Withdrawals	12-31-20 Market Value	12-31-20 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
CASH								
Cash Account	0	0	0	0				
GOVERNMENT BONDS								
Canada Housing Trust Ser 71 1.25% due June 15, 2021	248,103	-3,125	251,260	242,075	0	0	9,185	3,158
Canada Housing Trust 2.4% Series 48 due December 15, 2022	203,034	-4,800	208,270	200,740	0	0	7,530	5,236
Canada Housing Trust 2.35% due September 15, 2023	202,944	-4,700	210,616	211,240	0	0	-624	7,672
Canada Housing Trust 2.9% due June 15, 2024	259,850	-7,250	270,925	256,600	0	0	14,325	11,075
Canada Housing Trust Ser. 70 2.25% due December 15, 2025	303,759	-6,750	323,448	302,940	0	0	20,508	19,689
Canada Housing Trust No.1 2.350% due March 15, 2028	254,748	-5,875	276,235	259,900	0	0	16,335	21,488
GOVERNMENT BONDS Total	<u>1,472,437</u>		<u>1,540,754</u>	<u>1,473,495</u>	<u>0</u>	<u>0</u>	<u>67,259</u>	<u>68,317</u>
PROVINCIAL BONDS								
British Columbia 3.25% due December 18, 2021	256,728	-8,125	257,290	255,750	0	0	1,540	563
Ontario 3.15% due June 2, 2022	411,900	-12,600	416,460	400,000	0	0	16,460	4,560
Ontario 2.85% due June 2, 2023	514,875	-14,250	529,805	511,430	0	0	18,375	14,930
Ontario 2.60% due June 2, 2025	410,172	-10,400	434,244	404,305	0	0	29,939	24,072
British Columbia 2.3% due June 18, 2026	353,966	-8,050	378,945	365,400	0	0	13,545	24,980
Ontario 2.60% due June 2, 2027	358,449	-9,100	385,606	341,460	0	0	44,146	27,157
PROVINCIAL BONDS Total	<u>2,306,089</u>		<u>2,402,350</u>	<u>2,278,345</u>	<u>0</u>	<u>0</u>	<u>124,005</u>	<u>96,261</u>
CORPORATE BONDS								
Bank of Montreal 2.84% due June 4, 2020	301,134	-304,260	0	0	-5,307	-1,134	0	0
Toronto Dominion Bank Dep. Note 2.563% due June 24, 2020	250,723	-253,204	0	0	-11,425	-723	0	0
Bank of Montreal 3.4% due April 23, 2021	203,506	-6,800	201,868	201,300	0	0	568	-1,638
Royal Bank 1.968% due March 2, 2022	149,480	-2,952	152,814	150,075	0	0	2,739	3,335
National Bank of Canada 2.105% due March 18, 2022	249,850	-5,263	255,300	255,100	0	0	200	5,450
Wells Fargo 3.46% due January 24, 2023	155,406	-5,190	158,604	153,542	0	0	5,063	3,198
Toronto Dominion Bank Dep. Note 1.909% due July 18, 2023	0	307,317	310,239	307,890	0	0	2,349	2,349
Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	260,268	-8,065	272,240	255,050	0	0	17,190	11,972
CIBC Deposit Note 3.3% due May 26, 2025	261,963	-8,250	276,710	250,600	0	0	26,110	14,748

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-19 to 12-31-20

Security	12-31-19 Market Value	Additions Withdrawals	12-31-20 Market Value	12-31-20 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
Wells Fargo & Company 2.975% due May 19, 2026	201,022	-5,950	216,170	204,300	0	0	11,870	15,148
Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	202,832	101,222	328,578	306,210	0	0	22,368	17,996
Bank of Montreal Dep. Note 2.70% due December 9, 2026	0	161,304	165,042	163,140	0	0	1,902	1,902
CORPORATE BONDS Total	2,236,183		2,337,565	2,247,207	-16,732	-1,857	90,358	74,459
TOTAL PORTFOLIO	6,014,709		6,280,668	5,999,047	-16,732	-1,857	281,622	239,036
TOTAL DATE TO DATE GAIN OR LOSS								237,180
% CHANGE DURING PERIOD								3.94

Martin, Lucas & Seagram Ltd.
INVESTMENT PERFORMANCE
 Net of Fees
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
 December 31, 2020

Investment account RBCD-107611-001

CLLAS - LONG TERM INVESTMENT FUND

c/o Axxima

36 Toronto Street, Suite 510

Toronto, Ontario M5C 2C5

This report tells you how this portfolio has performed in the reporting period. It can help you assess your progress toward meeting your investment goals.

Speak to your representative if you have questions about this report. It is important that you tell your representative if your personal or financial circumstances have changed. Your representative can recommend adjustments to your investments to keep you on track to meeting your goals.

Total Value Summary

Your investments have changed by 852,902 since the inception date. Note: In this report, the inception date is July 15, 2015 or the portfolio's start date if the account was opened after July 15, 2015.

Your investments have changed by 393,379 during the past year.

Amount invested since 07-15-15	604,974
Market value of portfolio on 12-31-20	6,303,503

Change In Portfolio Value

This table is a summary of the activity in your portfolio. It shows how the value of your portfolio has changed based on the type of activity.

	Latest 1 Year	Inception To Date
From Date	12-31-19	07-15-15
Opening Market Value	6,035,240	4,845,628
Contributions	281,281	1,932,537
Withdrawals	-406,397	-1,327,563
Realized Gains	-1,857	-95,685
Unrealized Gains	239,036	206,990
Interest	153,896	743,526
Dividends	0	0
Change in Accrued Interest	2,304	-1,930
Closing Market Value	6,303,503	6,303,503
Portfolio Fees Paid By Client	-17,643	-84,800
Total Fees	-17,643	-84,800

Martin, Lucas & Seagram Ltd.
INVESTMENT PERFORMANCE
 Net of Fees
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
December 31, 2020

Personal Rates of Return

The table below shows the total percentage return of this portfolio for the reporting period. Returns are calculated after charges have been deducted. These include charges you pay for advice, transaction charges and portfolio related charges, but not income tax.

Keep in mind your returns reflect the mix of investments and risk level of your portfolio. When assessing your returns, consider your investment goals, the amount of risk you are comfortable with, and the value of the advice and services you receive.

	Annualized Latest 1 Year	Annualized Latest 3 Years	Annualized Latest 5 Years	Annualized Latest 10 Years	Annualized Inception To Date
This Portfolio	6.27%	4.02%	2.70%	-	2.55%

What is a total percentage return?

This represents gains and losses of an investment over a specified period of time, including realized and unrealized capital gains and losses plus income, expressed as a percentage.

Calculation method

The returns have been calculated on a money-weighted basis. This means that the percent return is an average of the monthly returns over the investment period, weighted by the value of the portfolio at the beginning of each month. This average monthly return has then been adjusted and showed as an average annual return. The returns for each reported period reflect the average over that term.

The reported returns reflect investment income and changes in value of the underlying stocks, bonds and other securities due to changes in economic, market and security specific factors as well as the timing and amounts that have been deposited or withdrawn from this portfolio.

As a result, the returns in this table provide you with your personal rates of return for this portfolio and shows how the portfolio is performing in light of decisions you have made to deposit or withdraw funds over a set period. This calculation is provided to you in compliance with the Regulators.

Please note that performance returns shown in the quarterly investment reports were calculated on a time weighted basis and will accordingly differ from the above returns. Time weighted returns are the average returns of a portfolio independent of the amount that was invested during each period of the performance period. Time weighted performance is a better measure for evaluating an asset manager as such performance is not influenced by the amount invested during the period.

Performance returns and changing values over various investment periods allows you to better evaluate whether your Investment goals are being met and assess the long term performance of your portfolio.

Please note that your portfolio's past performance may not be reflective of future performance.