



PRIVATE & CONFIDENTIAL

Canadian Lawyers Liability Assurance Society (CLLAS)
Professional Liability Program

Report to Reinsurers

for the Policy Period
July 1, 2023 – July 1, 2024

May, 2023

Notice to Reader

This Report to Reinsurers, including all attached documentation, is confidential and contains proprietary information. It has been prepared by the Canadian Lawyers Liability Assurance Society (“CLLAS”) to assist select underwriters (the “Underwriters”) in evaluating the provision of reinsurance to CLLAS on the understanding that it is for their exclusive use and that, in accordance with the Non-Disclosure Agreement agreed to in order to access the Report, it and all information in, or pertaining to, it will be kept private and confidential.

All figures in this submission are expressed in Canadian currency unless otherwise specified.

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Also included are some additional attachments for reference:

Attachment 1	Expiring Limit Structure
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1.0 Introduction

1.1 Overview

The Canadian Lawyers Liability Assurance Society (CLLAS) is a reciprocal insurance exchange formed in Ontario in 1987 and is licensed in Ontario, Alberta, British Columbia, and Nova Scotia. While some member firms have offices in Quebec, CLLAS is not required to be licensed in that jurisdiction. It currently has 10 members (plus one additional member that participates only in CLLAS' Cyber Program) and operates on a five-year cycle of underwriting periods ("Underwriting Periods"). CLLAS began its eighth Underwriting Period, on July 1, 2022. In addition, CLLAS has two firms in its Associate Firm program, which allows firms to get acquainted with CLLAS' E&O Program before formally joining the reciprocal.

Effective July 1, 2022, through a separate program, CLLAS implemented first party cyber coverage for its member firms. The new CLLAS cyber policies are complementary to the professional liability coverage's position on cyber-related events, ensuring that cyber coverage is appropriately and seamlessly handled under the proper policy. This Report to Reinsurers addresses CLLAS' E&O Program, as reinsurance for the Cyber Program is placed separately.

The total projected lawyer count for the 2023/2024 policy year as determined from the renewal applications is 4,685 full time equivalents ("FTEs"). The actual headcount will be finalized based on updated June 1, 2023 information. No significant mergers or material changes with the member firms are anticipated at this time.

CLLAS appreciates underwriters support in helping to meet its primary objectives for last year's renewal which included adding an optional umbrella layer of \$30,000,000 each and every claim and \$60,000,000 in the annual aggregate for all CLLAS participating firms combined excess of not less than \$250,000,000. CLLAS' objectives for this renewal reflect its continued desire for program stability and to continue to provide value to CLLAS firms.

For the upcoming renewal, we are seeking a measured increase to the reinsurance rates of +2.5% on all layers. CLLAS losses overall have been stable in recent years, and pricing increases over the past couple of renewals have been largely driven by external factors (pandemic, economic, and inflationary concerns). While Canada in general continues to grapple with inflation, the inflation rate has been receding in 2023, and the Bank of Canada is projecting a return to pre-pandemic levels within the next 18 months. In addition, the natural offset to inflation is the increase in expected investment income which has a significant positive impact on the long-term claim costs.

This Report to Reinsurers provides a review of the expiring policy period, an analysis of CLLAS' loss experience, and the requested reinsurance terms for the period July 1, 2023 to July 1, 2024.

1.2 Background

CLLAS was initially established to provide professional liability protection to its member firms excess of the primary insurance provided on a mandatory basis by the Law Society of Ontario. The CLLAS Program is now also excess of the mandatory insurance programs of the law society insurance programs in Alberta, British Columbia, Quebec, and Nova Scotia where some member firms maintain offices. CLLAS is a reciprocal insurance exchange and provides professional liability protection pursuant to the terms and conditions of the insurance policies that it issues to its member firms.

The current underlying primary mandatory limits applicable to each of the provinces are as follows:

- Alberta: \$1,000,000 per claim/\$2,000,000 annual aggregate
- British Columbia: \$1,000,000 per claim/\$2,000,000 annual aggregate
- Ontario: \$1,000,000 per claim/\$2,000,000 annual aggregate
- Nova Scotia: \$1,000,000 per claim/\$2,000,000 annual aggregate
- Quebec: \$10,000,000 per claim

- Notes:
- 1) Above limits are on a per lawyer basis.
 - 2) The law society insurance programs have sub-limits for certain coverages.
 - 3) Because of the possibility of sub-limits, deductibles, wording differences, or the exhaustion of the annual aggregate in the underlying coverages, CLLAS provides in-fill protection on a difference in conditions (DIC) and difference in limits (DIL) basis through its Primary Policy.

CLLAS' geographic profile has changed with firm mergers that have taken place over the years (mainly 1999-2002), resulting in an improvement in the jurisdictional spread of risk, i.e. less concentration in the Province of Ontario compared to the earlier years.

Risk management at the individual firm level, and at the overall CLLAS level, has been an area of focus and success since the formation of CLLAS. A number of risk management initiatives, including detailed risk management audits, educational seminars, and practice notes have been undertaken by CLLAS and the CLLAS member firms. See section 3.6 for details.

1.3 CLLAS Objectives

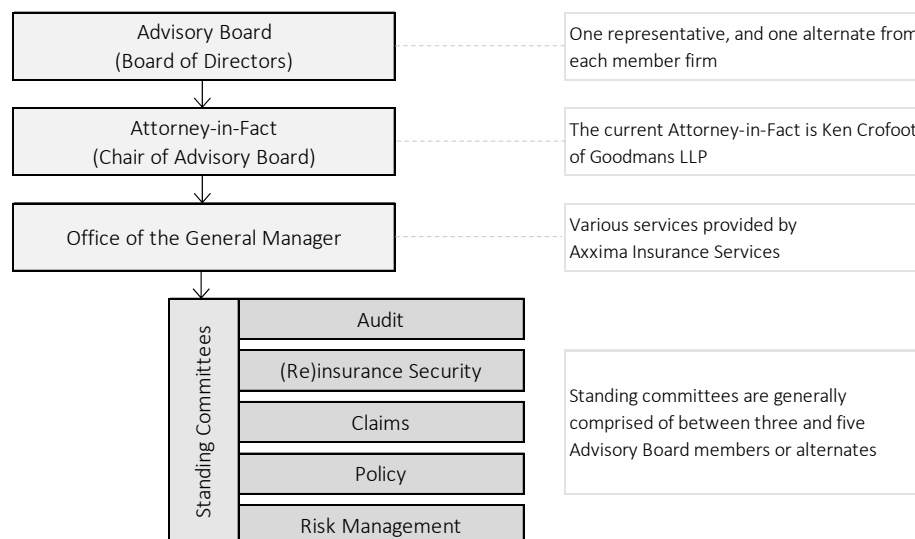
The main objectives of CLLAS are:

- to enable a meaningful portion of the risk underwritten by CLLAS to be retained by CLLAS or by Colchester Reinsurance Limited;
- to provide insurance at cost with no profit or risk loadings for the retained risk;
- to provide increased availability and stability of insurance to its member firms;
- to provide a community of interest amongst its member firms in respect of professional liability matters in general, and loss prevention in particular; and
- to cultivate and maintain long-term relationships with its reinsurers.

These objectives have enabled CLLAS to provide significant, long-term benefits to member firms.

1.4 CLLAS Structure

A schematic of CLLAS' management structure is presented below:



CLLAS is governed by its Advisory Board which consists of one representative from each of the member firms participating in the E&O Program. The Chair of the Advisory Board also acts as Attorney-in-Fact.

CLLAS continues to rely on its standing committees for important matters. For example, the CLLAS Claims Committee is comprised of five CLLAS Advisory Board members (or alternates), each of whom is an experienced litigation lawyer. It has the responsibility of reviewing the more significant claim files. The Committee is regularly assessing liability and damages, monitoring new developments, and recommending changes in reserves. It is assisted by CLLAS' General Manager's office, specifically Tim Clarke, a lawyer who coordinates the review process and liaises with the Lawyers' Professional Indemnity Company (LawPRO) or other law society insurers to access the underlying insurers' claim files and documents.

Appendix A sets out the current CLLAS committees and membership.

Patrick Mahoney and Axxima Insurance Services fill the role of the Office of the General Manager for CLLAS. Carrie Green is transitioning into Patrick's role of General Manager. CLLAS' appointed actuary, Julie-Linda Laforce, is also part of the Axxima group of companies.

Deloitte LLP acts as CLLAS' auditors.

1.5 Regulatory Jurisdiction

As a reciprocal insurance exchange, CLLAS is regulated at the provincial level because the insurance framework of the federal regulator, the Office of the Superintendent of Financial Institutions (OSFI), does not explicitly contemplate reciprocals. CLLAS' principal regulator is the Alberta Superintendent of Insurance. CLLAS has adopted a number of OSFI guidelines which require that an insurer have a sound and comprehensive insurance risk management plan that appropriately reflects the scale, nature and complexity of the insurer's business.

The head office of CLLAS is at an office of member firm Torys LLP:

525 - 8th Avenue S.W., 46th Floor,
Eighth Avenue Place East
Calgary, Alberta T2P 1G1

2.0 Expiring Policy, Coverage and Structure

2.1 Expiring Policy Coverage

The current coverage is as follows:

Type

Lawyers Professional Liability Insurance (“claims-made” basis)

Policy Term

July 1, 2022 to July 1, 2023

Policy Limit

- a) Primary Policy (compulsory individual CLLAS policy issued to each CLLAS member firm)

\$50,000,000 each and every claim and in the annual aggregate, including costs, charges and expenses, inclusive of the minimum mandatory coverage provided by the applicable law society professional liability insurance program or by the professional liability insurance program of the governing body of a self-regulatory profession other than law and/or other applicable insurance and/or \$25,000 per claim self-insured retention.

- b) First Excess Policy (subscription policy purchased individually by each CLLAS member firm on which CLLAS participates)

Available limits between \$15,000,000 to \$50,000,000 each and every claim and in the annual aggregate, including costs, charges and expenses, excess of the CLLAS Primary Policy described above, or excess of specific underlying insurance arranged by certain CLLAS member firms for their offices in the U.S. and/or other international locations (see CLLAS International below), or excess of \$500,000 per claim self-insured retention.

As a subscription policy, CLLAS participates alongside commercial carriers on a quota share basis.

- c) Optional Second Excess Policy (subscription policy purchased individually by certain CLLAS member firms that elect to purchase this coverage)

Available limits of up to \$60,000,000 each and every claim and in the annual aggregate, including costs, charges and expenses, excess of \$50,000,000 each and every claim and in the annual aggregate, including costs, charges and expenses, and the CLLAS Primary Policy described above, or excess of specific underlying insurance arranged by certain CLLAS member firms for their offices in the U.S. and/or other international locations (see CLLAS International below), or excess of \$500,000 per claim self-insured retention.

As a subscription policy, CLLAS participates alongside commercial carriers on a quota share basis.

- d) Optional Third Excess Policy (individual CLLAS policy issued to certain CLLAS member firms that elect to purchase this coverage)

Available limits for this policy range from \$10,000,000 to \$60,000,000 (in increments of \$10,000,000) each and every claim and in the annual aggregate, including costs, charges and expenses, excess of \$110,000,000 each and every claim and in the annual aggregate, including costs, charges and expenses, and the CLLAS

Primary Policy described above, or excess of specific underlying insurance arranged by certain CLLAS member firms for their offices in the U.S. and/or other international locations (see CLLAS International below), or excess of \$500,000 per claim self-insured retention.

The CLLAS Optional Excess Policy follows the terms and conditions of the First Excess Policy, which follows the terms and conditions of the CLLAS Primary Policy, and has a drop-down feature excess of \$500,000 each claim in the event that it is broader than the CLLAS underlying coverage. Specifically, the First Excess Policy does not exclude coverage for U.S. offices nor for the practice of foreign law. It should be noted that a CLLAS member firm with any material international exposure would be insured for such exposures by the CLLAS International policies referred to below. The questionnaires completed by each member firm regarding the “drop-down” exposures that they may face are provided as **Appendix B**.

e) Blanket Excess Policy (single CLLAS policy issued to all CLLAS member firms)

\$30,000,000 each and every claim and \$60,000,000 in the annual aggregate, including costs, charges and expenses, for all CLLAS member firms combined excess of not less than \$65,000,000 for each CLLAS member firm. This policy also follows the terms and conditions of the First Excess Policy and is excess of the Optional Excess Policies and/or excess of the CLLAS International Policies referred to below.

f) Optional Second Blanket Excess Policy (individual CLLAS policy issued to certain CLLAS member firms that elect to purchase this coverage)

\$30,000,000 each and every claim and \$60,000,000 in the annual aggregate, including costs, charges and expenses, for all participating CLLAS firms combined, excess of \$250,000,000. The policy limits are shared by participating member firms. This policy also follows the terms and conditions of the First Excess Policy and is excess of the Blanket Excess Policy and Optional Excess Policies and/or excess of the CLLAS International Policies referred to below.

Territorial Scope

Coverage under the CLLAS Primary Policy is provided to law firms whose operations are principally located in Canada, including foreign service offices anywhere in the world other than those situated in the U.S., and is limited to the practice of Canadian law and the incidental practice of non-Canadian law. CLLAS also provides coverage for U.S. and other foreign exposures under the Excess, Optional Excess, and Blanket Excess Policies.

CLLAS International

The following five member firms with offices in the U.S. and/or other international locations purchase a dedicated primary policy (outside of CLLAS) to cover U.S. and foreign offices and/or the practice of foreign law.:

- Davies Ward Phillips & Vineberg LLP (“DWPV”);
- Fasken Martineau DuMoulin LLP (“Fasken”);
- McCarthy Tétrault LLP (“McCarthy”);
- Osler, Hoskin & Harcourt LLP (“Osler”); and
- Torys LLP (“Torys”).

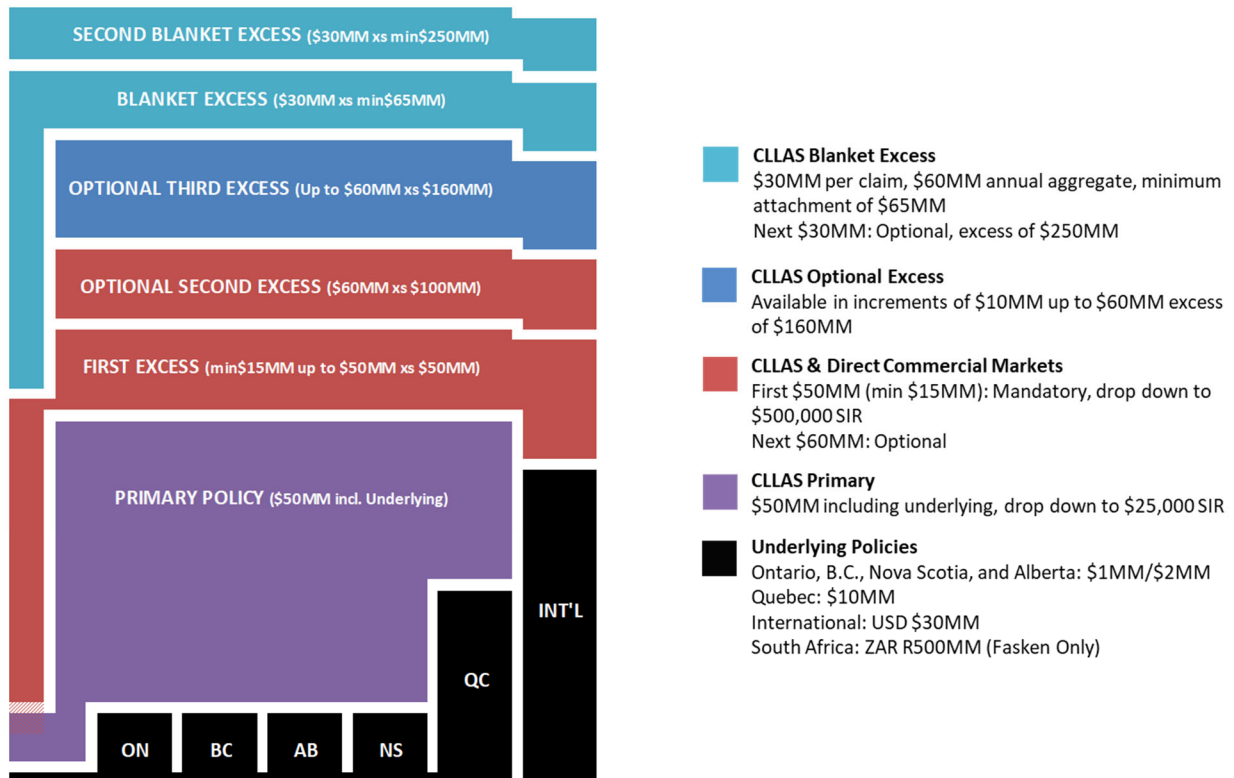
All five of these policies are written with the same group of insurers under a program referred to as “CLLAS International”. However, each of the policies stands alone with a separate aggregate limit of US\$30,000,000 and each firm is separately rated for this purpose. The retention is dependent on the location of the risk as follows:

- US\$200,000 for DWPV, US\$250,000 for McCarthy, US\$500,000 for Fasken, Osler and Torys; and
- U.K. – US\$250,000 for McCarthy and US\$500,000 for Fasken.

Following a merger with Bell Dewar Inc. in South Africa in February 2013, member firm Fasken Martineau DuMoulin LLP arranged separate coverage for its South African office with domestic markets placed through a local broker. The underlying South African coverage is ZAR 500,000,000 (approximately \$37,500,000).

2.2 Reinsurance Structure

The CLLAS Primary, First Excess, Optional Second Excess, Optional Third Excess, and Blanket Excess Policies are each reinsured with specific placements. The schematic below outlines the anticipated 2023 structure:



In recognition of the fact that Quebec represents a reduced risk compared to the rest of Canada (“ROC”) because of Quebec’s \$10,000,000 underlying mandatory limit, a differential rating structure for Quebec lawyers in the CLLAS Primary Policy reinsurance layer is applied. Rates for the upper layers are consistent across all jurisdictions.

2.3 Colchester Reinsurance Limited

It is CLLAS’ overall philosophy to retain, in combination with Colchester, a meaningful portion of its risk. Colchester provides CLLAS with quota-share reinsurance protection for 33% of the CLLAS Primary Policy, 5% of the First Excess, and 10% of the Optional Third Excess Policy and aggregate stop-loss reinsurance protection for CLLAS’ retained risk. With respect to aggregate stop-loss protection for the policy year ending June 30, 2023, Colchester provides a limit of \$10,000,000 in the annual aggregate excess of \$5,000,000 in the annual aggregate in respect of CLLAS’ retained losses.

2.4 Mandatory Coverage and Changes

A chart detailing the differences in underlying mandatory coverages and a summary of the changes introduced by the underlying insurance carriers can be found in **Appendix C** and **Appendix D**, respectively.

3.0 The CLLAS Reciprocal

3.1 Overview of CLLAS Subscribers Agreement

The CLLAS Subscribers' Agreement sets out the rules of operation for the reciprocal insurance exchange and addresses such key issues as:

- Advisory Board – Consists of one member from each member firm participating in the E&O Program;
- Underwriting Period – Five years;
- Banking and Financial Matters;
- Admission of New Members;
- Minimum Period of Membership – If a firm is admitted to membership within the first two years of an underwriting period, the minimum period of membership is the balance of the current underwriting period, otherwise it is the balance of the current underwriting period plus the following underwriting period;
- Termination of Membership; and
- Obligation of Continuing Liability.

The Subscribers' Agreement was amended with effect from July 1, 2022 to reflect the addition of the CLLAS Cyber Program.

3.2 Mergers

Since 1999, a number of CLLAS member firms were involved in merger activities due to the need to provide clients with services on a national and international scale. CLLAS provides coverage to all of the merged and predecessor firms. There have been no mergers of any significant scale since last renewal.

3.3 Termination of Memberships

On June 30, 2012, Blake, Cassels & Graydon LLP terminated its membership with CLLAS at the end of the Fifth Underwriting Period. Blakes was the first firm to voluntarily withdraw from CLLAS since its formation.

Dentons Canada LLP (formerly Fraser Milner Casgrain LLP) withdrew from CLLAS at the end of June 30, 2017. Dentons Canada LLP had announced its intention to leave CLLAS in 2013, the first year of the Sixth Underwriting Period, due to Swiss Verein with whom it had merged with having a global insurance program.

The Eighth Underwriting Period began July 1, 2022 with renewed commitment from all 10 member firms, and runs until June 30, 2027.

3.4 Expansion of the Reciprocal

CLLAS would consider selectively adding a few Canadian-based law firms that meet its eligibility criteria.

While a traditional expansion of CLLAS based on existing rules would be ideal for CLLAS, it is acknowledged that this approach faced challenges as a new participant would need to make a meaningful contribution towards CLLAS' capital/surplus requirements. As a result, CLLAS concluded that adding new members via a dedicated underwriting facility was the best approach. Eligible law firms added to the facility are "CLLAS Associate Members".

CLLAS Associate Members have access to many of the benefits of CLLAS, including CLLAS' claims management expertise and customized policy wording, but do not benefit from CLLAS' ability to retain risk, which has a material stabilizing impact on insurance costs over time. Full entry into CLLAS would be required to obtain that benefit.

CLLAS Associate Members must meet similar underwriting criteria as would be applicable to direct entry into CLLAS. Presently there are two Associate Member firms:

- Lenczner Slaght LLP ("Lenczner"); and
- Stockwoods LLP.

The CLLAS Associate Member program is being undertaken as a separate initiative, i.e. it is not part of this reinsurance submission. However, it is anticipated that over time, some Associate Members will convert to direct participation in CLLAS.

In 2022, CLLAS introduced cyber coverage. This new coverage offering marks the first time CLLAS has developed a policy for coverage beyond professional liability since its inception over 35 years ago. Built upon CLLAS' experience operating a group purchase cyber insurance program for its subscribers, CLLAS has gained the foundational claims, underwriting, and policy information to thoughtfully structure and offer cyber coverage. This move, in addition to providing stability in an otherwise turbulent coverage area, also presents an opportunity to bring new subscribers into CLLAS (ie the CLLAS Associate Members) as was the case with Lenczner. Lenczner joined CLLAS for the cyber coverage only, effective October 15, 2022. At this stage, the firm has not indicated a plan to join the errors and omissions program, however, they continue to be participants under the Associate Member program.

3.5 Claims Administration

The CLLAS Claims Administration Manual is attached as **Appendix E**. The following summary is an overview of how claims are managed by CLLAS through the General Manager.

CLLAS has established procedures for addressing possible conflicts of interest where member firms may be asked to represent claimants against other member firms, including notification to the Chair of the Claims Committee or the CLLAS General Manager. The current Conflict of Interest Policy is contained in **Appendix F**.

Claim Reporting and Handling

The policy requires that claims be reported directly to the General Manager's office at the same time as they are reported to the applicable law society program. The General Manager's office conducts a thorough initial (and, in the case of substantial claims, on-going) review of the material to, among other things, determine potential exposure and identify coverage issues.

Claims which in the view of the law society program, or of CLLAS, are likely to be equal to or greater than \$500,000 are considered to be "substantial claims". CLLAS monitors all substantial claims by working closely with the representatives of the law society programs in the respective provinces.

Claims under the drop-down/differences in conditions coverage are reported to, and managed by, the General Manager's office.

CLLAS Claims Committee

CLLAS has a Claims Committee which consists of four or five leading litigation lawyers (barristers) from some of Canada's leading law firms, each of whom has over 20 years of practical litigation experience at all levels of courts, including extensive experience in professional liability and insurance matters.

The Claims Committee reviews substantial claims with respect to liability, damages, coverage, strategy and approach and/or the identity of appropriate coverage, defence or monitoring counsel. The Claims Committee meet on a quarterly basis to review substantial claims, and on an ad-hoc basis as necessary to provide input to claims that are at a stage where they develop rapidly.

The benefit to CLLAS of its Claims Committee is significant. Claims under review receive the benefit of the perspective of a number of senior counsel who can provide valuable analysis, insight of practicing litigators, and recommendations whose views carry substantial weight with underlying insurers and/or defence counsel who may be involved.

Reserves

In setting reserves, CLLAS takes into consideration the reserve information provided to it by underlying insurers (where available), copies of defence counsel and expert reports, discussions with defence counsel, and other information that may become available to it (e.g. its knowledge of the lawyers involved and other “intangible” information). While recognizing that reserving, particularly at the excess level, involves the exercise of judgment based on CLLAS’ collective experience, it is CLLAS’ aim to reserve to the ultimate cost of the file at the earliest possible time. Given the nature of excess claim files, information required to make the full analysis (i.e. to set a reserve that will be sufficient to take the matter through to settlement, trial or appeal) is often not fully available until after completion of examinations for discovery and/or the receipt and review of expert reports. CLLAS’ reserving approach is to be realistically conservative.

CLLAS recently augmented its process for monitoring defence costs of substantial claims by requesting firms provide all past and future defence counsel accounts for claims with ground up reserves of \$500,000 or more (except for Quebec due to the higher underlying limit). This collecting of accounts was implemented to ensure CLLAS continues to have the most complete picture of legal costs and reserves available as matters develop.

The Report on the Actuarial Projection of Ultimate Settlement Values as at December 31, 2022 is provided as **Appendix G** which sets forth the claims liabilities, including reserves, as of that date.

Reporting to Reinsurers

The claims reporting threshold for reinsurance purposes is \$500,000 ground-up (reserves plus paid indemnity and expenses). In the case of these claims, a Large Loss Report is prepared for distribution to each reinsurer participating on that particular policy year. These reports contain a summary of the matter and details relating to the paid/reserve amounts established by both the law society and CLLAS.

The initial report for a particular claim is generated based on calendar quarter-end reserve information and, in accordance with the terms of the reinsurance agreements, is dispatched within 45 days of the end of that quarter (i.e. May 15, August 15, November 15 and February 15). Reports are updated on a quarterly basis based on reserve information as of the quarter just ended and include substantive developments up to the date the report is prepared. Updates are distributed within 45 days following each quarter end until the claim is closed, or its total incurred amount is reduced below the reporting threshold.

CLLAS also hosts a conference call with its reinsurers involving, as required, its London broker Bretton Woods International Ltd., along with the lead and a number of markets participating in the reinsurance program. These calls discuss new claims, developments in significant matters, and/or discuss any input the reinsurers may have on claims that CLLAS is reporting.

When warranted, or upon specific request, CLLAS also provides interim updates to reinsurers if significant developments arise on a particular claim (e.g. involving settlement negotiations/mediation efforts).

In certain cases involving claims against those firms with a policy issued under the CLLAS International Program (as further detailed as part of section 2.1, above), the claims may be covered by both the CLLAS Policy and the CLLAS International Policy. In order to address situations where there may be a disagreement between CLLAS and the insurers under the CLLAS International Program as to the allocation of liability for such claim, CLLAS has entered into an agreement with the CLLAS International insurers (see **Appendix H**). Pending a determination as to the appropriate allocation of liability, CLLAS and the CLLAS International insurers will make payments in respect of such claim (including defence costs) on a 50/50 basis.

3.6 Risk Management

CLLAS devotes considerable resources to risk management and loss prevention. The program continues to evolve under the oversight of the Risk Management Committee. The key elements of the program are:

- Risk Management Audits;
- Risk Management Information and Seminars;
- Firm Policies and Procedures; and
- Co-ordination with the Law Society Loss Prevention Programs.

Recent initiatives in the area of risk management include:

- John Walker, a partner of the law firm Walker Sorensen LLP, completed the third round of risk management audits in 2020 and 2021. As background, the second round was completed in 2014 and 2015, and the first round between 2006 and 2010. His team uses the results of prior audits to refine and focus subsequent audits to maximize the benefit to the CLLAS and Associate Member firms. Upon completion, firms are provided with individualized (and privileged) reports which helps provide valuable direction for risk management planning.

The risk management audit process involves management, lawyers, and staff completing detailed surveys at various levels of seniority, including assistants, and the preparation of privileged and confidential reports for each firm. The report shows the firm where risk management processes and procedures stand in relation to both the previous risk management audits and to the other CLLAS member firms. The audit process and the corresponding report also assesses the firms' lawyers' knowledge of their policies and procedures so that the firm can determine whether more education/training is needed relating to its policies and procedures.

The most recent round of audits was focused on firm culture. This was added as there was evidence in prior audits that this has a stronger correlation to claims experience than the mere presence and awareness of policies and procedures.

Further details on the audits are included in **Appendix I**.

- CLLAS regularly hosts risk management webinars aimed at senior management of the CLLAS firms.

In February 2023, CLLAS held a Cyber Risk webinar that consisted of an overview of cyber claim response, and focused on two cyber breach scenarios (ransomware and business email compromise). This culminated in identifying tips for refining a firm's incident response plan to maximize its effectiveness.

CLLAS is currently planning to hold a session in September, 2023. The topics being considered are: privacy and data classification, the role of AI including chatGPT, and the move to virtual practice (including e-signatures and electronic records).

- Back in 2013, CLLAS' Risk Management Committee undertook a review of the principal factors which may have given rise to class action claims arising out of tax opinions provided in connection with leveraged

charitable donation programs. Based on this review, the Risk Management Committee developed a practice note to raise awareness of the risks associated with providing tax shelter opinions that third parties may be entitled to rely upon and the considerations that member firms should take into account in relation to providing such opinions. The practice note, which has been circulated to all member firms and is expected to be shared internally within these member firms, is contained in **Appendix J**.

- It is common practice for both existing and prospective clients of Canadian law firms to request that the law firms enter into retainer agreements which include provisions under which the law firm agrees to indemnify the client against losses and claims relating to or arising out of the retainer. CLLAS developed a practice note on Outside Counsel Guidelines that remains in draft form. The practice note raises awareness about the terms and conditions relating to, among other things, conflicts of interest, indemnification, and requirements regarding technology and staffing. The practice note is also included in **Appendix J**.
- As a result of increased working from home during and after the COVID pandemic, all law firms in Canada have been made aware by their provincial regulators and underlying law society insurers of the potential increased risks associated with working from home, mainly relating to cyber-attacks and fraud schemes. CLLAS' Risk Management Committee circulated information to the firms and, created webinars directly addressing these issues.

CLLAS' risk management initiatives are discussed in more detail in **Appendix I**.

3.7 CLLAS Website

CLLAS maintains a secure website to facilitate the timely access and transfer of materials for CLLAS members. CLLAS member firms have ready access to insurance policies, treaties, agendas, minutes, risk management policies and other materials. The renewal application and claims reporting forms are also available through this channel.

3.8 Financial Statements

The audited financial statements of CLLAS as of December 31, 2022 are attached as **Appendix K**.

Total subscribers' equity as of December 31, 2022 was \$10,654,889, a decrease from \$12,832,805 as of December 31, 2021. The main reason for the decrease is the distribution of a portion of CLLAS' equity to former CLLAS members Blakes and Dentons, which is part of the planned exit process laid out in the Subscribers' Agreement.

3.9 Quebec Privacy Law

Quebec Act 25, an act to modernize legislative provisions in regards to the protection of personal information, was adopted on September 21, 2021 and comes into effect in three phases. Some provisions came into force on September 22, 2022, others will be adopted September 22, 2023, and the last ones on September 22, 2024. The Act imposes obligations on entities dealing with personally identifiable information that gives rise to the expectation of privacy ("personal information"). While the Act is specific to Quebec, CLLAS believes that the requirements involve best practices that should be applied to all personal information handled by CLLAS.

Essentially, best practices are for CLLAS to:

- Identify personal information;
- Ensure that only personal information that is necessary be collected;
- Determine what personal information needs to be retained and for how long;
- Ensure appropriate consents are obtained to collect and disclose personal information to third parties;
- Ensure that only personal information that is necessary to be disclosed is disclosed to third parties; and

- Ensure that third parties are obligated to protect the information and to report breaches to CLLAS.

CLLAS has determined that the facts and details of a claim against an individual insured constitutes personal information, even though in some instances this may be documented in pleadings that are publicly available. Among other steps, CLLAS is updating its consent and non-disclosure provisions on claims forms. It has also removed individual insured (i.e. lawyer) information from claims bordereaux and anonymized the details provided to reinsurers on quarterly large loss reports. In order to fulfill its obligations under the Act, CLLAS is also seeking to add additional language to the reinsurance contracts incepting July 1, 2023 as discussed below under Section 6.3.

4.0 CLLAS Member Firms

4.1 Background on CLLAS Member Firms

Further to the background regarding firm mergers mentioned in Section 3.2, **Appendix L** sets out a short description of the recent history of each of the CLLAS member firms, as well as their relationship with associated firms and joint venture firms. **Appendix M** provides details on their foreign law and foreign offices drop-down exposures.

4.2 The Economy

2022 was a paradigm shift for the global economy. The war in Ukraine, the resulting sanctions on Russia and a significant slowdown in China have disrupted global growth. Despite these challenges, Canada's economy has been resilient. Growth has been sustained by a historically strong job market, along with high levels of household savings and an increase in business investment and demand for services after COVID-19 restrictions were lifted.

According to the most recent Monetary Policy Report issued by the Bank of Canada in January 2023, while the post-pandemic consumer spending boom subsides, demand is still greater than the economy's ability to meet it. Inflation in Canada is still considered to be too high, but has declined materially from its peak. In Stats Canada's April report, annual inflation in March fell to 4.3% which is down from 5.2% in February and 5.9% in January. CIBC's executive director of economics Karyne Charbonneau said she expects headline inflation to ease below 3% by mid-2023, but cautions that continued strength in food prices and mortgage interest costs will likely keep the annual pace sticky throughout the second half of the year. There is some optimism that inflation will be at the 2% target in 2024 allowing sustainable growth in the economy to resume.

Canada's GDP growth is expected to be 1.3% in 2023 and 1.5% in 2024. Canada's unemployment rate held steady at 5% in February 2023, remaining close to the record-low of 4.9% in June 2022. CLLAS law firms continue to be extremely busy and staffing remains strong, as evidenced by the increase in lawyer count of approximately 5% (as of February 15, 2023) over last year.

4.3 Limited Liability Partnerships

Legislation enacted in 1998 in the Province of Ontario permits law firms to designate themselves as limited liability partnerships (LLPs).

The legislation currently in force provides "full shield" protection to partners of LLPs. Under this legislation, a partner of an LLP will no longer be personally liable for (a) the non-professional debts or obligations of the partnership or (b) the professional liabilities of the partnership or any other partner, employee or agent of the partnership other than those arising out of (i) the negligent or wrongful act or omission of that partner or any other person under the partner's direct supervision or (ii) the negligent or wrongful act or omission of another partner or employee of the partnership if the act or omission was fraudulent or criminal or the partner knew or ought to have known of the act or omission and did not take the actions that a reasonable person would have taken to prevent it. The legislation does not, however, reduce or

limit in any way the liability of the partnership itself. Consequently, all of the partnership's assets and insurance coverage remain at risk if a claim is made. This legislation is in line with that of other jurisdictions in Canada (including Alberta, British Columbia, Nova Scotia and Quebec) as well as the United States.

All CLLAS member firms are LLPs.

4.4 Non-Lawyer Patent and Trademark Agents

CLLAS tracks non-lawyer patent and trademark agents and they are currently charged at 25% of the standard Rest of Canada ("ROC") lawyer rate for each respective layer of coverage.

The College of Patent Agents and Trademark Agents (CPATA), the federal regulator for patent and trademark agents, has established minimum insurance requirements which apply to both lawyer and non-lawyer agents. Such insurance must cover claims made in and outside Canada, it must indemnify the licensee for any civil liability that arises from the licensee acting as a patent agent or trademark agent and it must have coverage limits of a minimum of \$1 million per claim and \$2 million aggregate per year. CLLAS' drop-down coverage (starting with the primary policy in the case of Canadian law and the excess policies in the case of non-Canadian law) have always dropped down to cover non-lawyer agents, or lawyer agents whose law society coverage is more restrictive, and so CLLAS has advised its member firms that the CLLAS coverage satisfies CPATA's minimum requirements.

4.5 Non-Lawyer Consultants/Professionals

CLLAS member firms include employees and non-lawyer consultants or professionals who may not be covered by any specific underlying insurance. "Consultant", "Employee" and "Non-Lawyer Consultant" are specifically defined and insured under the policy, to ensure coverage is available for these non-lawyer consultants and professionals.

CLLAS asks member firms to list those non-lawyer consultants or professionals who are deemed to be employees when completing their renewal application, and an applicable premium is charged in respect of certain individuals. Most of these employees have no client contact nor do they provide advice to clients. Since their role is related to the operation of the firm, no additional premium is charged in those cases. However, if a non-lawyer consultant or professional does advise clients and acts on their own without the supervision of a lawyer, then a full lawyer rate applies. In between, there may be some non-lawyer consultants or professionals who do advise clients but who act under the supervision of a lawyer. These individuals are currently charged at 25% of the standard ROC lawyer rate for each respective layer of coverage.

Like other Insureds, any new individuals added mid-term would automatically be included under the policy. Although notification of such individuals will not be a pre-requisite to coverage, CLLAS has requested member firms to report any new non-lawyer consultants/professionals on an ongoing basis to the extent practicable.

4.6 Contract Lawyers Through Service Companies

Some member firms have set up service companies that are owned in part by active partners of the member firm, and in part by other lawyers (e.g. retired lawyers) to provide certain services through contracted lawyers at a lower cost than could be achieved via the member firm itself. One firm has set up a number of divisions to provide services in specific sectors, e.g. digital information management, translation services, recruitment/immigration of global talent and startup mentorship. While there may be separate coverage in place for certain aspects of the work done by these divisions, the CLLAS policy would respond to the extent that they provide Professional Services as defined in the policy. The recruitment/immigration group assists clients with the onboarding of foreign employees and the transfer of employees between global divisions. The legal component of this is the immigration work, e.g. permanent residence applications, visa, and work permits.

Of note, if the services are provided exclusively to or through the member firm, this structure meets the definition of “Service Company”, and CLLAS would provide coverage to the contract lawyers who provide legal services to or through the service company in accordance with the usual terms of the policy. CLLAS considered how best to fairly assess the risk. To the extent the division involves independent advisors providing non-legal advice, these advisors are considered independent contractors not insured under the policy. Any vicarious liability the firm may have would be covered under the policy.

In general, for these situations, CLLAS has dealt with premiums based on revenue relative to the revenue generated by a full-time lawyer at the firm. To date, these initiatives remain limited in scope, and CLLAS will continue to review its approach to ensure that it remains appropriate.

4.7 Lawyers on Secondment

From time to time, CLLAS receives enquiries from member firms about coverage for lawyers while they are on secondment to another organization or institution. CLLAS’ position is that normal coverage will be provided while on secondment provided that insurance premiums for both the underlying program and CLLAS have been paid and the lawyers are providing services through the CLLAS member firm.

The LawPRO policy limits coverage for claims brought against seconded lawyers for professional services provided to a client while under secondment with that client to \$250,000 per claim and in the aggregate for defence costs only. This applies where the claimant meets the definition of a “corporate employer”, i.e. a corporation (or its affiliates) for which the lawyer temporarily acts in the capacity of in-house corporate counsel. LawPRO advises that if the corporate client does not meet the test for a “corporate employer” and the normal employment laws do not arise that would stop it from recovering against an employee, the normal coverage terms will apply.

CLLAS has confirmed to its member firms that lawyers on secondment would continue to be insured under its policy which would in turn drop down to the greater of \$25,000 and the available underlying coverage. Coverage for a claim would be provided (subject to the policy’s terms, exclusions, and conditions at the time of the claim) so long as the lawyer is included in the member firm’s headcount and the services were provided through the member firm.

4.8 Cyber Exposures

The CLLAS Primary Policy provides coverage for third party cyber exposures as they relate directly or indirectly to “Professional Services”. CLLAS collects underwriting information for this coverage through a questionnaire attached to the renewal application.

From 2017 to 2022, eight of the ten CLLAS member firms and one of the CLLAS Associate Members bought dedicated cyber coverage through a facility arranged by CLLAS. CLLAS worked with the cyber insurers to ensure that coverages and claims handling were appropriately integrated, and risk management activities were being carried out to promote continuous improvements in the firms’ defenses against, and responses to any cyber incidents that may arise.

On July 1, 2022, as part of its ongoing efforts to better serve its member firms, CLLAS implemented first party cyber coverage for its member firms. All ten CLLAS firms participate in this program, and Lenczner joined CLLAS for the Cyber Program only, bringing the total firms participating to eleven. Reinsurance for the Cyber Program is placed separately.

5.0 Loss Experience

5.1 General

This section provides details of the CLLAS loss experience from inception on July 1, 1987 up to December 31, 2022.

In reviewing the loss experience summarized herein, the following should be noted:

1. Unless specifically noted, incurred liabilities, including reserve positions, include those held by Ontario, Alberta, British Columbia, Nova Scotia and Quebec (the “Law Societies”) to the extent available and to the extent reserves were posted at the time data was collected from the Law Societies’ claims systems.
2. All incurred liabilities, including reserve positions, are expressed on a ground-up basis unless otherwise specifically noted.
3. Reserve positions are inclusive of defense costs.
4. Reported claims include incidents reported out of an abundance of caution.
5. The reserve positions of CLLAS claims are updated quarterly and, if warranted on a particular claim, more frequently.
6. CLLAS’ loss experience includes the claims experience of former member firms Goodman and Carr LLP which dissolved on July 1, 2007, Blake, Cassels & Graydon LLP which left CLLAS on June 30, 2012, and Dentons Canada LLP which left CLLAS on June 30, 2017.
7. CLLAS’ loss experience has not been restated to include the historical loss experience of firms which have subsequently merged with existing CLLAS member firms.

5.2 Loss Experience Exhibits

Detailed exhibits illustrating CLLAS’ loss experience for the 1987 to 2022 underwriting years of account inclusive are attached hereto as **Appendix N 1-11**. The following is a brief description of the exhibits:

1. Annual Net Incurred Claims Reserved and Paid as of December 31, 2022
2. Summary of CLLAS Claims Experience by Year (Ground-up) as of December 31, 2022
3. Summary of CLLAS Claims Experience by Year (Excess of \$1MM) as of December 31, 2022
4. CLLAS Incurred Claims (Excess of \$1MM) as of December 31, 2022
5. Size of Loss Distribution of CLLAS Claims (Ground-up and excess of \$1MM) as of December 31, 2022
6. CLLAS Run off & Ground-up Development Triangles as of December 31, 2022
7. Claims Experience by Firm (Ground-up) as of December 31, 2022
8. Claims Experience by Firm (Excess of \$1MM) as of December 31, 2022
9. Claims Experience by Area of Law (Ground-up) as of December 31, 2022
10. Claims Experience by Area of Law (Excess of \$1MM) as of December 31, 2022
11. Summary of Adjustments

The CLLAS Open and Closed Claims Bordereaux as of December 31, 2022 are attached as **Appendix O**.

5.3 Overview of CLLAS’ Loss Experience

CLLAS monitors claim files in the underlying layers which have the potential to penetrate the CLLAS layer. CLLAS has also reviewed the prior claims experience (i.e. prior to joining CLLAS) of predecessor law firms with 11 or more partners that merged with CLLAS member firms from Quebec, Alberta, and British Columbia and the claims experience for Lang Michener LLP (which became a member on July 1, 2003). In all cases, the claims experience has been exemplary, and no claims would have been incurred in the CLLAS layers had they been part of CLLAS at the time. Claims and lawyer counts for these predecessor firms are not included in the claims statistics provided by CLLAS. On

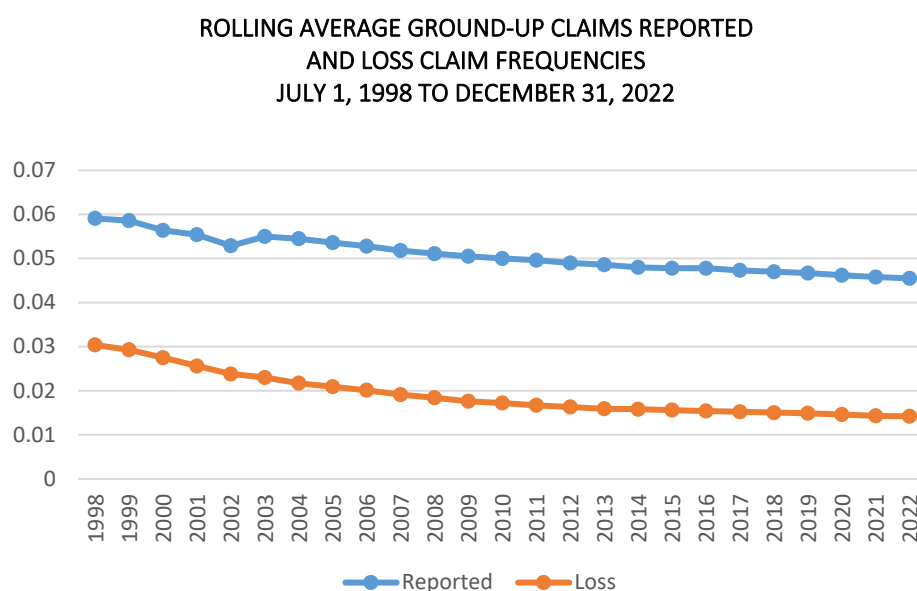
the other hand, claims experience of former member firms Goodman and Carr LLP, Blake Cassels & Graydon LLP, and Dentons Canada LLP is included.

Lang Michener LLP and McMillan LLP merged as of January 1, 2011. Both firms' claims statistics have been consolidated under McMillan LLP.

5.4 Claim Frequency

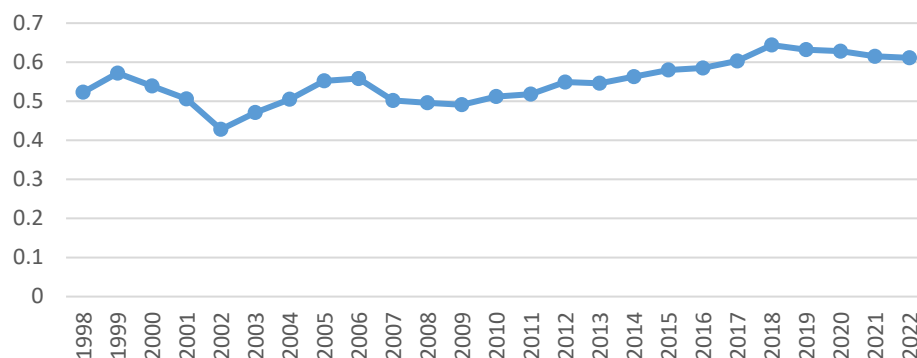
Appendices N(2) and N(3) provide summaries of the CLLAS claims experience by policy year. Since 1987, there have been 5,892 claims reported on a ground-up basis which results in a Reported Claim Frequency of 0.0455 reported claims per lawyer over the entire period. This translates to an average of one claim per lawyer every 22 years. The Loss Claim Frequency (claims with indemnity payments or a reserve ground-up) is much lower at 0.0142 or one claim per lawyer every 70 years meaning that less than one in three claims reported produces a loss. The Loss Claim Frequency of claims in the CLLAS layers (claims excess of \$1,000,000 or \$10,000,000 in Quebec) is 0.611 per 1,000 lawyers. Based on the current lawyer count, this translates to 2.86 loss claims per year excess of \$1,000,000.

On a ground-up basis, claim frequency has been on a steady decline. The following chart illustrates how the Reported and Loss Claim Frequencies on a ground-up basis, both of which are rolling averages since inception of the CLLAS Program, have been trending downward since 1998.



An analysis of claim frequency for claims excess of \$1,000,000 reveals a slightly different picture. The claim frequency for claims excess of \$1,000,000, based on rolling averages since inception of the CLLAS Program, experienced some turbulence from 1998 to 2008, rose steadily from 2008 to 2018, and has been on the decline from 2018 to present. The chart below shows the rolling average claim frequency per 1,000 lawyers for claims excess of \$1,000,000.

**ROLLING AVERAGE CLAIMS EXCESS OF \$1,000,000
LOSS CLAIM FREQUENCY PER 1,000 LAWYERS
JULY 1, 1998 TO DECEMBER 31, 2022**



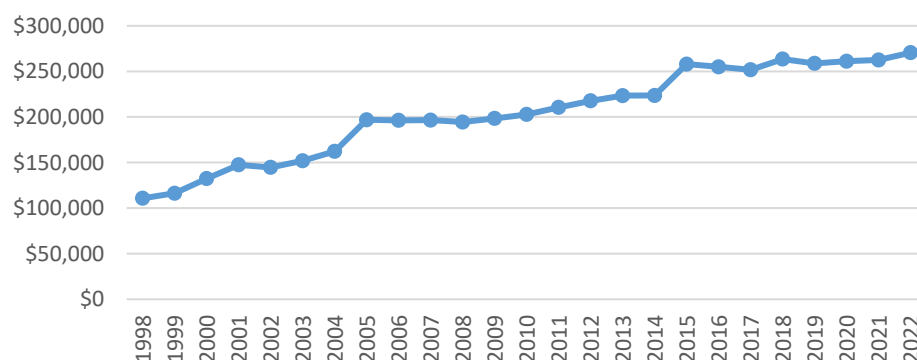
CLLAS has experienced 79 loss claims (2.19 claims per year) excess of \$1 million of coverage since the inception of the Program in 1987.

5.5 Loss Severity

Appendices N(2) and N(3) outline the ground-up and excess of \$1,000,000 loss severities by policy year. The two charts below suggest that claim severity, based on a rolling average from 1998 to 2022, was increasing steadily on a ground-up basis before 2005, after which point the trends for ground up losses and those excess of \$1,000,000 diverge with the ground up continuing to climb while the excess loss severity has been on a relatively steady decline.

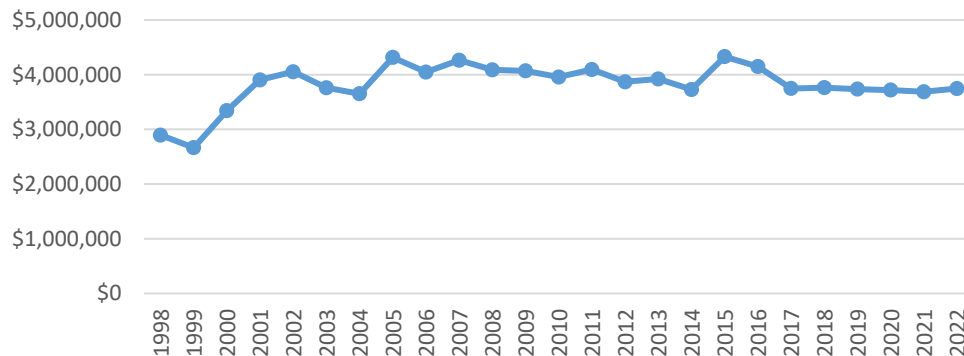
For ground up losses, amounts spiked in 2015 due to one large claim which developed during that year and has remained fairly static from 2015 to present.

**ROLLING AVERAGE SEVERITY GROUND-UP
JULY 1, 1998 TO DECEMBER 31, 2022**



On an excess of \$1,000,000 basis, we observe a slow decline in the severity from 2005 to present, with the large loss which developed during 2015 creating a temporary upswing through 2016, before severity resumed the pre-2015 trendline. It should be noted that year-over-year changes reflect both claims trend and claims development.

**ROLLING AVERAGE SEVERITY EXCESS OF \$1,000,000
JULY 1, 1998 TO DECEMBER 31, 2022**



5.6 Size of Loss Distribution

The Size of Loss Distribution exhibits, **Appendices N(5A)** and **N(5B)**, indicate that 98.8% of claims reported by CLLAS members are under \$1,000,000. Only 79 out of 5,892 claims impact CLLAS - i.e. are excess of \$1,000,000 or are drop-down claims. Of those, a significant majority, 86.1%, have been less than or equal to \$5,000,000. Eight claims are between \$5,000,000 and \$20,000,000 and three claims over the history of CLLAS have been excess of \$20,000,000.

5.7 Loss Development

The loss development triangles (by year and by individual claim) are located in **Appendix N(6)**.

5.8 Claims Experience by Firm and Area of Law

Appendices N(7) and **N(8)** provide summaries of the claims experience by firm on a ground-up basis and excess of \$1,000,000, respectively.

Appendices N(9) and **N(10)** provide summaries by area of law, again on a ground-up basis and excess of \$1,000,000, respectively. On a ground-up basis, the claim frequency (not counting the “Other” category) is greatest in Litigation (22.5% of claims), followed by Commercial Law (14.6%) and Real Estate and Mortgage Transactions (12.9%). The loss severity on a per-claim basis is greatest in Corporate Law (\$746,707), followed by Tax Matters (\$719,022) and Intellectual Property (\$393,595). These exhibits also show the areas of practice of the member firms on a combined basis.

5.9 Claims Bordereaux

The claims exhibits in **Appendices N(1)** to **N(11)** are as of December 31, 2022. The open and closed claims bordereaux as of December 31, 2022 can be found in **Appendix O**.

To provide a sense of the nature of the CLLAS member firms’ claims exposure, attached as **Appendix P**, is a brief, anonymized overview of each of the open CLLAS claims with ground up reserves of \$2 million or more.

6.0 Proposed Renewal Terms

6.1 Renewal Overview

CLLAS places great value in the long-term relationships it has with its reinsurers and has worked to accommodate material rate increases required by its reinsurer partners over the past few years. After a period of hardening in the marketplace for this class of business and concern over COVID impacts, potential economic downturn, and inflationary pressures, professional liability insurance is starting to resume its competitive practices. CLLAS' objectives for this renewal reflect what has ultimately been a relatively quiet claims period, coupled with a surge in anticipated investment revenue from reserves being held. CLLAS' internal review suggests a reduction in expected losses on a discounted basis of approximately 11% for 2023/2024, but we remain relatively optimistic that inflation will subside and investment returns will ebb again, and therefore see renewal pricing close to expiring as a conservative target for renewal.

6.2 Coverage Features

The CLLAS "stand-alone" policy wording ensures that CLLAS members, some of whom operate out of several provincial jurisdictions, enjoy consistency and somewhat broader coverage throughout the jurisdictions in which they operate. CLLAS member firms have offices in the following Canadian jurisdictions: Alberta; British Columbia; Quebec; Ontario; and Nova Scotia. All jurisdictions have a compulsory limit of \$1,000,000 per claim and \$2,000,000 annual aggregate per lawyer except for Quebec, where the compulsory limit is \$10,000,000 per claim. Quebec restricts coverage for work done outside Quebec to \$1,000,000 per claim.

The current CLLAS structure includes a Primary Policy of \$50,000,000 per claim/per year/per firm with the per claim limit being inclusive of underlying coverage from the law societies or other applicable professional liability policies. Below are examples of how the CLLAS Primary Policy would respond:

- If a claim is made that would trigger the mandatory policies in Ontario, British Columbia, Alberta, or Nova Scotia, the CLLAS Primary Policy would effectively respond as a \$49,000,000 limit excess of a \$1,000,000 compulsory limit provided by the respective law societies in these jurisdictions;
- If a claim is made that would trigger the Quebec mandatory coverage relating strictly to acts of Quebec lawyers, the CLLAS Primary Policy would effectively respond as a \$40,000,000 limit excess of a \$10,000,000 compulsory limit provided by Barreau du Quebec;
- In the event of a claim triggering a sub-limit (e.g. \$250,000 sub-limit for retired lawyer coverage in Ontario), the CLLAS Primary Policy would effectively respond as a \$49,750,000 limit excess of the \$250,000 sub-limit;
- In the event of no underlying coverage or exhaustion of the underlying coverage, the CLLAS Primary Policy will provide coverage of up to \$49,975,000 excess of a deductible of \$25,000;
- Only that portion of the claim attributable to CLLAS will contribute to the \$50,000,000 annual aggregate per firm including that portion of any claim under \$1,000,000 which is paid, and fully retained, by CLLAS.

At present, the First Excess Policy (stand-alone) provides a minimum of \$15,000,000 excess of the \$50,000,000 CLLAS Primary Policy. The policy also provides drop-down coverage to \$500,000 for claims not covered by the CLLAS Primary Policy. For example, foreign law and U.S. offices are not excluded in this policy while the CLLAS Primary Policy does have exclusions pertaining to these exposures. All CLLAS member firms are required to subscribe to the First Excess Policy in addition to the CLLAS Primary Policy.

CLLAS participates in all layers excess of \$50,000,000, including the First Excess and Optional Second Excess Policies. On top of the CLLAS Primary Policy and the \$110,000,000 excess of \$50,000,000 layers, CLLAS provides the Optional Third Excess, the Blanket Excess, and the Optional Second Blanket Excess policies.

In summary, CLLAS expects to issue or participate on the following policies effective July 1, 2023 to July 1, 2024:

- A. CLLAS Primary Policy of \$50,000,000 – A Primary Policy of \$50,000,000 per claim/per year/per firm inclusive of underlying coverage from the law societies or other applicable professional liability policies. CLLAS is requesting underwriters to reinsure CLLAS for \$49,000,000 excess of \$1,000,000 at a net rate of \$2,606 for lawyers in provinces other than Quebec, and \$1,161 for Quebec lawyers. The net rate for lawyers in Quebec is lower due to the \$10,000,000 underlying limit provided by Barreau du Quebec.
- B. First Excess Policy of Up to \$50,000,000 Excess of \$50,000,000 – CLLAS expects to participate on the First Excess Policy of up to \$50,000,000 excess of \$50,000,000. CLLAS participates with a panel of other insurers on this layer is requesting underwriters to reinsure CLLAS at a net rate of \$459 per lawyer based on anticipated pricing. There is currently one firm that purchases less than \$50,000,000 excess of \$50,000,000 and this firm’s rate is scaled down accordingly.
- C. Optional Second Excess Policy of \$60,000,000 Excess of \$100,000,000 – CLLAS expects to participate on the Optional Second Excess Policy of \$60,000,000 excess of \$100,000,000. CLLAS participates with a panel of other insurers on this layer is requesting underwriters to reinsure CLLAS on this layer at a net rate of \$265 per lawyer based on anticipated pricing.
- D. CLLAS Optional Third Excess Policy of Up to \$60,000,000 excess of \$160,000,000. CLLAS is requesting Colchester and other underwriters to reinsure CLLAS a net rate of \$265 per lawyer.
- E. CLLAS First Blanket Excess Policy of \$30,000,000 per claim/\$60,000,000 aggregate – This layer is shared by all CLLAS member firms. This policy also follows the First Excess Policy and is excess of the Second and Third Excess policies and/or excess of specific underlying insurance arranged by certain CLLAS member firms for their offices in the U.S. and/or other international locations. CLLAS is requesting underwriters to reinsure this layer at a net rate of \$126 per lawyer.
- F. CLLAS Optional Second Blanket Excess Policy of \$30,000,000 per claim/\$60,000,000 aggregate excess of a minimum of \$250,000,000 – this layer is shared by all participating CLLAS member firms that have arranged the required underlying limits. This policy will also follow the First Blanket Excess Policy, and its underlying requirements as outlined above. CLLAS is requesting underwriters to reinsure this layer at a net rate of \$108 per lawyer.

It should be noted that for the Optional Third Excess and First and Second Blanket Excess Policies, the “designated underlying policy” is the First Excess Policy wording which attaches at \$50,000,000. The First Excess Policy has a drop-down feature in the event that it is broader than the underlying CLLAS Primary Policy and/or the mandatory law society program policies. The principal differences between the CLLAS Primary Policy and the First Excess Policy are:

- a) the First Excess Policy does not exclude coverage with respect to the practice of foreign law;
- b) the First Excess Policy does not exclude coverage for U.S. offices;
- c) the First Excess Policy may be broader in scope with respect to non-lawyer consultants; and
- d) the First Excess Policy contains a “Liberalization Clause” which ensures that it is at least as broad as the underlying CLLAS Primary Policy.

The CLLAS Primary Policy will not respond to claims brought against lawyers from an office in the U.S., whether relating to the practice of Canadian law or foreign law. Except to the extent that the CLLAS International Policy would provide coverage, the First Excess Policy would drop down to provide this coverage, both for claims relating to the practice of Canadian and foreign law, subject to a \$500,000 deductible. The CLLAS Second Excess, Optional Excess, and Blanket Excess Policies will follow form and provide the same scope of coverage as the First Excess Policy.

While the CLLAS Primary Policy would not respond to claims relating to the practice of foreign law, it will respond to claims that are “incidental” to the practice of Canadian law, within the meaning attributed to that term by CLLAS. See **Appendix Q** for more detail regarding the meaning of “Incidental” to the Practice of Canadian Law.

6.3 Proposed Coverage and Policy Wording Changes at Renewal

CLLAS does not expect to amend any of the policy wordings for this coming year. As discussed in Section 3.9, in order to enable it to fulfill its obligations under Quebec's new protection of personal information act, CLLAS is seeking to amend the reinsurance contracts incepting July 1, 2023 by adding the following:

"Personal Information" includes any information which relates to a natural person and directly or indirectly allows that person to be identified, but does not include that person's business address, email address or telephone number.

Reinsurers agree to treat and safeguard all Personal Information provided to it by the Reinsured to the same extent as it safeguards its own confidential information and, in any event, to no less than to a reasonable standard of care. Reinsurers further agree that Personal Information may only be used or disclosed as required to facilitate the provision of reinsurance products and services to the Reinsured. Reinsurers further agree to notify the Reinsured in writing and without delay upon becoming aware of any data breach involving Personal Information, and to provide reasonable assistance to the Reinsured in meeting the Reinsured's obligations under applicable privacy/protection of personal information laws.

6.4 Headcount for Premium Calculation

CLLAS uses the member firms' headcount as of June 1 (versus July 1) to calculate premium, as well as to determine the premium payable to its reinsurers without further adjustment. This allows CLLAS sufficient time to send invoices to firms, and to report figures and counts to reinsurers before July 1.

Based on the lawyer count as of February 15, 2023, as determined from the renewal applications, the following tables provide information on the number of insured lawyers by firm/location and by coverage layer. Final premium will be determined based on the actual headcount as of June 1, 2023.

**NUMBER OF INSURED LAWYERS AS OF FEBRUARY 15, 2023
BY FIRM AND COVERAGE JURISDICTION***

Firm	Canadian Lawyers			Foreign Lawyers (excl. U.S.)		U.S. Lawyers	Total
	Quebec	Rest of Canada	Foreign Law	Canadian Law	Foreign Law		
Borden Ladner Gervais LLP	177.00	691.00	-	-	-	-	868.00
Cassels Brock & Blackwell LLP	-	292.00	-	-	-	-	292.00
Davies Ward Phillips & Vineberg LLP	107.00	173.75	0.35	-	-	14.00	295.00
Fasken Martineau DuMoulin LLP	324.80	548.60	1.60	4.50	79.50	-	959.00
Goodmans LLP	-	187.00	-	-	-	-	187.00
McCarthy Tétrault LLP	200.75	519.98	4.27	6.90	7.10	4.00	743.00
McMillan LLP	26.00	266.00	-	-	-	-	292.00
Osler, Hoskin & Harcourt LLP	74.75	449.67	1.58	-	-	6.00	532.00
Torys LLP	14.00	331.80	4.2	-	-	51.00	401.00
WeirFoulds LLP	-	115.00	-	0.20	0.80	-	116.00
Total	924.30	3,574.80	12.00	11.60	87.40	75.00	4,685.00

* Lawyer count shown above is in Full Time Equivalent (FTE) Terms

NUMBER OF PATENT AND TRADEMARK AGENTS AS OF FEBRUARY 15, 2023 BY FIRM

Firm	No. of P&Ts
Borden Ladner Gervais LLP	12.00
Cassels Brock & Blackwell LLP	-
Davies Ward Phillips & Vineberg LLP	-
Fasken Martineau DuMoulin LLP	5.00
Goodmans LLP	-
McCarthy Tétrault LLP	1.00
McMillan LLP	2.00
Osler, Hoskin & Harcourt LLP	4.00
Torys LLP	1.00
WeirFoulds LLP**	-
Total	25.00

NUMBER OF NON-LAWYER CONSULTANTS *AS OF FEBRUARY 15, 2023 BY FIRM

Firm	No. of NLCs
Borden Ladner Gervais LLP	3.00
Cassels Brock & Blackwell LLP	-
Davies Ward Phillips & Vineberg LLP	-
Fasken Martineau DuMoulin LLP	9.00
Goodmans LLP	-
McCarthy Tétrault LLP	-
McMillan LLP	-
Osler, Hoskin & Harcourt LLP	6.00
Torys LLP	1.00
WeirFoulds LLP	2.00
Total	21.00

* NLC at Lawyer rate plus NLC at Reduced rate

NUMBER OF INSURED LAWYERS AS OF FEBRUARY 15, 2023 BY LAYER*

Reins. Layer	Limit	Lawyer Count**			Comments
		Quebec	Rest of Canada***	Total	
1	\$50M (inc. U/L)	924.30	3,586.41	4,510.71	
2	\$50M xs \$50M	924.30	3,760.70	4,685.00	One firm currently purchases less than \$50M and would be adjusted accordingly, if required.
3	\$60M xs \$100M	924.30	3,644.70	4,569.00	
4	\$60M xs \$160M	924.30	3,644.70	4,569.00	
5	Blanket Excess \$30M/\$60M xs min \$65M	924.30	3,760.70	4,685.00	
6	Second Blanket Excess \$30M/\$60M xs \$250M	697.55	2,836.45	3,534.00	Currently purchased by 7 firms and would be adjusted accordingly, if required.

* Lawyer count shown above is in Full Time Equivalent (FTE) Terms

** Excluding P&T Agents and Non-Lawyer Consultants

*** Other than Quebec, including foreign lawyers and U.S. lawyers where coverage applies

6.5 Headcount for Non-lawyer Professionals

As discussed previously, CLLAS also provides coverage to and charges premium on non-lawyer patent and trademark agents, and certain non-lawyer consultants and professionals. CLLAS expects to continue to charge premium for these professionals at a rate of 25% of the standard Rest of Canada lawyer rate for each respective layer of coverage.

The estimated number of lawyers, non-lawyer patent and trademark agents and non-lawyer consultants and professionals by firm extracted from the renewal applications as well as details on the rating, are provided as **Appendix M**. Actual numbers will be finalized as of June 1.

6.6 Rate Structure and CLLAS Retention

CLLAS has continued to retain 100% of the \$975,000 drop down exposure since July 1, 2012. Colchester participates 33% on Reinsurance Layer 1, 10% on the Optional Third Excess Policy of Up to \$60,000,000 excess of \$160,000,000, 25% of Optional Second Blanket Excess Policy, and with respect to CLLAS' share of the first and second excess layers. It is not anticipated that CLLAS or Colchester will vary their retentions for the upcoming term.

The table below sets forth the net reinsurance premiums and incurred losses since July 1, 2011, the date that the current reinsurance structure (\$50,000,000 Primary Policy) was first put in place. On an incurred basis, underwriters have experienced good results over the past eleven years.

Policy Year	Net Reinsurance Premiums	Incurred Losses	Incurred Loss Ratio
2011/12	\$9,530,084	\$4,786,816	50%
2012/13	\$9,406,090	\$1,653,383	18%
2013/14	\$9,411,065	\$10,005,772	106%
2014/15	\$9,094,677	\$1,742,751	19%
2015/16	\$8,738,580	\$12,410,000	142%
2016/17	\$7,358,424	\$3,336,999	45%
2017/18*	\$5,974,138	\$0	0%
2018/19*	\$6,185,283	\$1,400,000	23%
2019/20*	\$7,514,617	\$1,914,886	25%
2020/21*	\$8,868,197	\$0	0%
2021/22*	\$10,488,896	\$2,650,000	25%
2022/23*	\$11,927,419	\$0	0%
Total	\$104,497,470	\$39,900,608	38%

* Remaining 95% of First Excess and Optional Second Excess layer premiums equate to \$1,975,840, \$2,048,572, \$2,465,535, \$2,760,362, \$3,206,762 and \$3,490,974 in 2017/2018, 2018/2019, 2019/2020, 2020/2021, 2021/2022 and 2022/2023 respectively. Colchester has historically provided premium credits funded from historical surplus which were excluded here for comparison purposes.

The following table sets forth the expiring and proposed reinsurance rates. All rates are on a net basis as CLLAS does not expect any ceding commission.

Layer	Expiring Rate Per Lawyer	2023/2024 Rate Per Lawyer	Estimated 2023/2024 Net Premium
1. \$49M xs \$1M (Rest of Canada)	\$2,542	\$2,606	\$9,375,875
2. \$40M xs \$10M (Quebec)	\$1,133	\$1,161	\$1,073,413
3. \$50M xs \$50M	\$448	\$459	\$2,134,407
4. \$60M xs \$100M	\$389	\$399	\$1,823,031
5. \$60M xs \$160M	\$259	\$265	\$1,213,700
6. Blanket Excess \$30M/\$60M xs min \$65M	\$123	\$126	\$591,759
7. Blanket Excess \$50M/\$100M xs min \$250M ²	\$105	\$108	\$382,779
Total			\$16,594,964

¹ Including P&T Agents and Non-Lawyer Consultants. Layers 3 and 4 are based on lawyers and certain NLC's only.

² Blanket Excess layer assumes uptake from only the current firms purchasing these limits.

6.7 Premium Allocation Between CLLAS and International Insurers

Some CLLAS lawyers qualified in Canada are also licensed to practice outside of Canada and/or may provide legal services from a U.S. office. Since CLLAS does not provide coverage for the practice of foreign law or for services rendered from a U.S. office under its Primary Policy, the drop-down provision in the First Excess Policy or, where applicable, the CLLAS International Policy would pick up these exposures.

If there is no CLLAS International Policy involved, no special action is required. Regardless of what foreign law or U.S. office exposures there may be, the First Excess Policy would respond.

If the member firm has a CLLAS International Policy, there are a variety of different scenarios. CLLAS has agreed with the CLLAS International insurers that the following general guidelines will apply:

1. If a lawyer is located in a U.S. office, the CLLAS International insurers will charge 100% of their rate and CLLAS will not charge anything.
2. If a lawyer is located in a non-Canadian/non-U.S. office and only practices Canadian law, CLLAS will charge 100% of its rate and the CLLAS International insurers will not charge anything.
3. If a lawyer is located in a non-Canadian/non-U.S. office and only practices foreign law, then the CLLAS International insurers will charge 100% of its rate and CLLAS will not charge anything.
4. If a lawyer is located in a non-Canadian/non-U.S. office and practices both Canadian and foreign laws, regardless of the split in work, CLLAS and the CLLAS International insurers will each charge 50% of their rate where the split is unspecified by the firm.
5. If a lawyers in a Canadian office practice foreign law, a minimum FTE rate of 25% is charged.
6. If a lawyer in a Canadian office practices in a U.S. office part time or if a lawyer in a Canadian office practices both foreign and Canadian laws, CLLAS and the CLLAS International insurers will determine the best way to charge on a case by case basis.

6.8 CLLAS Retention and Proposed Reinsurance

CLLAS currently reinsures 33% of Reinsurance Layer 1 with Colchester. It is not anticipated that CLLAS or Colchester will vary their retentions for the upcoming term.

The following reinsurance coverage is being proposed:

Type:	Excess Lawyers Professional Liability Reinsurance
Reinsured:	Canadian Lawyers Liability Assurance Society
Original Insured:	CLLAS member firms as set forth in this submission
Period:	From: July 1, 2023 To: July 1, 2024 Both days at 12:01 a.m. Local Time, Toronto, Canada
Interest:	Lawyers Professional Liability written for member firms of CLLAS in respect of claims made on Original Policies issued during the period of this Contract.
Sum Insured:	\$50,000,000, including underlying insurance, each claim AND \$50,000,000 in the annual aggregate each CLLAS member firm
Territorial Limits:	CLLAS member firms whose operations are principally confined to Canada, including offices or branches situated anywhere in the World other than those in the United States of America.
Premium:	Estimated annual premium: \$10,449,288

Actual premium to be determined based on the following rates and the actual headcount as of June 1, 2023:

- \$1,161/lawyer in Quebec
- \$2,606/lawyer in the rest of Canada
- Rest of Canada rate for certain non-lawyer consultants
- 25% of the rest of Canada rate for certain non-lawyer consultants and patent & trademark agents

Conditions:

CLLAS to retain 100% of any claim payable below \$1,000,000 (\$975,000 drop down exposure) under the Original Policies in the event that mandatory or other coverage does not respond in whole or in part due to sub-limits, exclusions or exhaustion of coverage.

CLLAS First Excess Layer:

CLLAS will assume 5% (fully reinsured) of this layer of up to \$50,000,000 excess of \$50,000,000.

Estimated annual premium for lawyers: \$2,134,407

Actual premium to be determined based on the following rates against the member firms' limit option and the actual headcount as of June 1, 2023

- \$459/lawyer and certain non-lawyer consultants

CLLAS Optional Second Excess Layer:

CLLAS will assume 5% (fully reinsured) of this layer of up to \$60,000,000 excess of \$100,000,000.

Estimated annual premium for lawyers: \$1,823,031

Actual premium to be determined based on the following rates against the member firms' limit option and the actual headcount as of June 1, 2023:

- \$399/lawyer and certain non-lawyer consultants

CLLAS Optional Third Excess Layer:

This layer of up to \$60,000,000 excess of \$160,000,000 is expected to be 100% reinsured.

Estimated annual premium for lawyers: \$1,213,700

Actual premium to be determined based on the following rates against the member firms' limit option and the actual headcount as of June 1, 2023:

- \$265/lawyer and certain non-lawyer consultants
- 25% of the respective rates for certain non-lawyer consultants and patent & trademark agents

First CLLAS Blanket Excess Layer:

The First Blanket Excess layer is expected to be 100% reinsured.

Estimated annual premium for lawyers: \$591,759

Actual premium to be determined based on the following rates and the actual headcount as of June 1, 2023:

- \$126/lawyer and certain non-lawyer consultants
- 25% of the above rate for certain non-lawyer consultants and patent & trademark agents

**Second Optional CLLAS
Blanket Excess Layer:**

The Second Blanket Excess layer is expected to be 100% reinsured.

Estimated annual premium for lawyers: \$382,779

Actual premium to be determined based on the following rates and the actual headcount as of June 1, 2023:

- \$108/lawyer and certain non-lawyer consultants
- 25% of the above rate for certain non-lawyer consultants and patent & trademark agents

Commission:

Reinsurance rates and premiums are net of commission and/or brokerage.

Premium Taxes:

Applicable provincial premium taxes payable by CLLAS.

7.0 Renewal Applications

Renewal applications are available upon request.