

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

**Minutes of a Meeting of the Advisory Board
(Designated as the Annual Meeting of the Subscribers pursuant to
Section 5.13 of the Subscribers' Agreement)**

8:30 a.m.
Davies Ward Phillips & Vineberg LLP
44th Floor, 1 First Canadian Place
Toronto, Ontario

Tuesday, February 23, 2010

Present:

Nicholas Leblovic (Chairman)	Davies Ward Phillips & Vineberg LLP
Barry Bresner	Borden Ladner Gervais LLP
Gord Goodman	Cassels Brock & Blackwell LLP
Chris Woodbury	Fraser Milner Casgrain LLP
Gale Rubenstein	Goodmans LLP
Bill Scott	McCarthy Tetrault LLP
Dan MacDonald	McMillan LLP
Julia Holland	Torys LLP
Les O'Connor	WeirFoulds LLP
Carol Lyons	Lang Michener LLP
Patrick Mahoney	Dion, Durrell + Associates
Norma Ibbetson	Dion, Durrell + Associates

1. Constitution of Meeting

The Chairman brought the meeting to order.

2. Appointment of Secretary

Norma Ibbetson acted as Secretary.

3. Approval of Minutes of the December 8, 2009 Meeting of the Advisory Board

It was moved by Chris Woodbury and seconded by Gale Rubenstein that the minutes of the December 8, 2009 meeting of the Advisory Board be approved. The motion was carried unanimously.

4. **Business Arising Out of the Minutes**

Items arising out of the minutes will be dealt with under the other agenda items.

5. **Comments of the Chair**

Website:

The ProForm policies are on the website now as well as the quarterly claims bordereau by firm. The Risk Management Policies will be added shortly. The FAQ's will address such issues as coverage for retired members and incidental practice. The applications are also available on the website.

General Liability:

Work is still being done on the policy comparison and Lloyds has been asked to provide pricing against Chubb, but this is not a high priority.

D&O initiative:

This is an ongoing investigation and once again it is not being fast tracked.

CLLAS Retention:

There is consideration being given to increasing this upwards past \$15 million at the Subscribers Agreement level although likely not for the July 1, 2010 renewal. Such an increase would require amendment to the Subscribers Agreement. The Agreement requires minor amendments due to changes to the Ontario *Insurance Act* and this issue can be addressed at the same time.

Reinsurer/Insurer Security:

The Audit Committee considered the reports provided by Dion Durrell (with respect to reinsurers) and Pro-Form (with respect to insurers) and a report is included in the Board meeting materials.

6. **Report of the General Manager's Office**

Financial Statements Quarter Ending December 31, 2009

Patrick Mahoney reported to the Board. CLLAS finished the year with a net gain of \$400,000 (vs. \$4.5 million the previous year) due primarily to the increase in claims activity (\$7.8 million vs. \$.5 million the previous year). He also advised that operating expenses were higher, primarily due to the hard costs related to the ACE arbitration.

Actuarial Report

Copies of the actuarial report and the actuary's presentation were provided to the Audit Committee at their meeting on February 18, 2010. Page 2 of the presentation shows expected loss costs calculated at July 1, 2008 and July 1, 2009. Expected costs have increased (although the increase is lower than the 8% severity trend predicted by the actuaries) and this is one of the bases used to determine IBNR.

Page 5 of the presentation addresses the impact on claim liabilities of the H/GST changes scheduled to come into effect on July 1, 2010.

Appointment of the Actuary for 2010

It was moved by Chris Woodbury and seconded by Barry Bresner that Julie-Linda Laforce of Dion Durrell + Associates Inc. be appointed the Actuary for 2010. The motion was carried unanimously.

2010 Operating Budget

Patrick Mahoney reviewed the attachment which provided comparables between the budget and the actual for FY09 as well as the proposed budget for FY10.

It was moved by Gordon Goodman and seconded by Carol Lyons that the 2010 Budget subject to an adjustment of the Risk Management/Loss Prevention line to \$120,000 be approved. The motion was carried unanimously.

It was moved by Dan MacDonald and seconded by Gale Rubinstein that Dion Durrell Risk Financing Services (DDRFS) be appointed as General Manager of CLLAS in place of Dion Durrell + Associates Inc. The motion was carried unanimously.

FSCO Business Plan Filing

The 2010 Business Plan was included as an information item.

Contingency Reserve Policy

It was moved by Carol Lyons and seconded by Gale Rubenstein that CLLAS adopt the recommendations for setting a surplus target outlined under Julie—Linda Laforce's memo of January 30, 2010. The motion was carried unanimously.

It was noted that the Board would review CLLAS' surplus position (based on March 31, 2010 financial statements) at the June meeting, with a view to taking any appropriate steps as part of setting the premium rates for July 1, 2010.

Reinsurance Ratings/Security

Reports of Dion Durrell and Pro-Form were included in the Board meeting materials and were reviewed in some detail at the February Audit Committee meeting. Based on the information and analysis, the Committee concluded that no immediate action was required but that attention should be paid to managing the "concentration risk" in future renewals. It was acknowledged that there is a balance between diversification and the benefits of the long term relationships built by CLLAS with its reinsurers.

Pro Form has been asked to augment their report. In addition a combined review will be presented to highlight any overlap in participation by insurers/reinsurers on the CLLAS program, the commercial excess program and CLLAS International. The Committee intends to review this additional material and will provide further input at the June meeting.

7. **Report of the Audit Committee**

Chris Woodbury reported on behalf of the Committee.

Approval of December 31, 2009 Audited Financial Statements

A copy of the Audit Findings Report and Audited Financial Statements was included in the Board meeting materials was. An unqualified opinion was issued.

It was moved by Chris Woodbury and seconded by Carol Lyons that the Financial Statements at December 31, 2009 be adopted. The motion was carried unanimously.

It was moved by Chris Woodbury and seconded by Gale Rubenstein that Deloitte be appointed auditor for the 2010 fiscal year. The motion was carried unanimously.

Mr. Woodbury reported that Graham Segger retired from Deloitte at the end of the audit cycle and that he and Mr. Mahoney had met with his successor, Neil Harrison. It was suggested that Mr. Segger be invited to the CLLAS dinner in recognition of his long relationship with CLLAS.

8. **Report of the Claims Committee**

Barry Bresner reported on claims activity. He noted that the General Manager's office and the Committee are spending most of their time on a few matters, notably some class actions and a pending mediation on a significant file. Beyond that, a number of matters have been resolved within the underlying layer.

9. **Report of the Risk Management Committee**

Bill Scott reported on behalf of the Risk Management Committee. Three more audits are scheduled to be completed in the near future at which point, all the CLLAS firms will have been audited by John Walker.

Mr. Scott has sent around a reminder regarding the opinions policy. This is a one page policy with a sample policy attached. He asked that everyone provide their feedback to either himself or Mr. Walker. He said that CLLAS might be in a position to adopt the policy at the June meeting.

The next policy is expected to deal with confidentiality.

A meeting has taken place between the General Manager, the Actuary and John Walker to determine whether there is a benefit to be gained from reviewing claims experience against the information gathered on the risk management audits. Care would be taken by Mr. Walker to preserve firm-specific audit information in confidence.

The Bluedrop initiative is launching on a pilot basis with six firms. There has been some delay due to fine-tuning requested by firms prior to launch but the pilot project is expected to go live by the end of April.

Mr. Scott advised that the Committee intends to see if the program can be certified for CLE purposes in provinces where there is a mandatory component.

10. **Report of the Policy Committee**

The Committee reported that there are a couple of issues, notably fine-tuning with respect to coverage for professional corporations, which will be being reviewed in the few weeks prior to renewal, and that a policy review would likely be recommended over the medium term.

11. **Report of the Investment Manager**

Mr. Mahoney reviewed the quarterly report from the investment manager.

12. **Other Business**

Mr. Leblovic tabled the list of committee members for 2010, to be effective after the date of this meeting.

He also advised that the invitations for the April 16, 2010 Annual Dinner had been sent out..

13. **Next Meeting**

The next regularly scheduled meeting of the Board will be on June 15, 2010.

There being no further business, the meeting was terminated.

Chairman

Secretary

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

8:30 a.m.
Davies Ward Phillips & Vineberg LLP
44th Floor, 1 First Canadian Place
Toronto, Ontario

Tuesday, May 18, 2010

Present:

Nicholas Leblovic (Chairman)	Davies Ward Phillips & Vineberg LLP
Steve Ruby	Davies Ward Phillips & Vineberg LLP
Glen Leslie	Blake Cassels & Graydon LLP
Richard Prupas	Blake Cassels & Graydon LLP
Barry Bresner	Borden Ladner Gervais LLP
Gord Goodman	Cassels Brock & Blackwell LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Chris Woodbury	Fraser Milner Casgrain LLP
Gale Rubenstein	Goodmans LLP
Bill Scott	McCarthy Tetrault LLP
Dan MacDonald	McMillan LLP
Julia Holland	Torys LLP
Les O'Connor	WeirFoulds LLP
Carol Lyons	Lang Michener LLP
Chris Falk	McCarthy Tetrault LLP
Patrick Mahoney	Dion, Durrell + Associates
Norma Ibbetson	Dion, Durrell + Associates

1. Constitution of Meeting

The Chairman brought the meeting to order. Carol Lyons joined the meeting via conference call.

2. Appointment of Secretary

Norma Ibbetson acted as Secretary.

3. Premium Taxes

Chris Falk of McCarthy Tetrault joined the meeting via conference call and reviewed with the Board his draft letter of May 13, 2010.

After some discussion the Board asked the General Manager's office to contact the Ministry of Finance in Ontario to inquire about obtaining a refund on the overpayment of premium taxes back to 2004 and report to the Board at the June 2010 meeting.

4. **Other Business**

There was no other business.

5. **Next Meeting**

The next regularly scheduled meeting of the Board will be on June 15, 2010.

There being no further business, the meeting was terminated.

Chairman

Secretary

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

**REPORT ON REINSURANCE
JULY 1, 2010 – JULY 1, 2011**

JUNE 15, 2010

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1. EXECUTIVE SUMMARY

The purpose of this report is to provide the CLLAS Board with a review of the CLLAS renewal for July 1, 2010/2011 including retention, reinsurance and pricing options. We have provided all of the CLLAS reinsurers with a complete submission, including detailed loss experience, an actuarial analysis and suggested pricing terms. While terms and conditions are still being finalized, this report should provide CLLAS members with sufficient information on CLLAS pricing options and the reinsurance landscape in order to make necessary decisions for the upcoming term.

The Tillinghast Peer Review Report conducted in 2008 had recommended that CLLAS consider increasing its retention, particularly in Reinsurance Layer 1, in order to create cost efficiencies. We had generally encouraged increasing retentions, especially when reinsurance costs appeared to be somewhat out of sync with our actuarial analysis, but in 2009 we took a more proactive approach and CLLAS increased its retentions in the first three layers of reinsurance by a total of \$1,500,000. This year, we are recommending a similar but less substantive approach with a total increase in retention of \$1,125,000.

The increase in CLLAS retentions combined with lower, actuarially determined, expected loss costs, lower expected reinsurance rates and the application of expected investment income on the CLLAS surplus will yield reduced renewal rates for CLLAS members. We are recommending that the CLLAS rates be reduced by 5%. This compares favourably with the rate reduction of 3.5% last year.

Also, in 2009 CLLAS adopted a more rigorous reinsurance security process that included the expansion of the duties of the Audit Committee to include reinsurance security matters. In the past, CLLAS had established a minimum rating of A- for all reinsurers as determined by A.M. Best and S&P. With the introduction of a Level II monitoring process that depends on a number of triggers including, but not limited to, a downgrading of the security ratings, the role of the Audit Committee was expanded to oversee the process and bring any Level II monitoring to the attention of the Board with recommendations as appropriate.

On the regulatory front, Lloyd's has advised that FSCO is not contemplating any change as a result of the OSFI Advisory relating to "Insurance in Canada of Risks" referenced in Part XIII of the Insurance Companies Act. This Advisory had CLLAS focus on a number of reinsurers, including Lloyd's, Hannover Re and Aspen Re who are licensed in Canada but may not have strictly met the Part XIII requirements in the past.

2. CURRENT STRUCTURE AND REINSURANCE EXPOSURE

2.1 Current Limit Structure – Excess Professional Liability

The CLLAS limit structure is set forth in Appendix A. We expect that the limits will remain unchanged for the July 1, 2010 to July 1, 2011 term except that an additional limit of \$10 million will likely be available in the Second Optional Excess Layer. In other words, options of \$10 million, \$20 million, \$30 million and \$40 million excess of \$160 million should be available for this upcoming term. The Umbrella limit of \$30 million per claim and \$60 million aggregate over all firms will still sit on top of the Second Optional Excess policy. The CLLAS retention history is set forth in Appendix B and illustrates how the CLLAS retention increased from \$11,850,000 in 2008 to \$13,350,000 in 2009. The current rate structure and participation by reinsurer is set forth in Appendix C.

2.2 Aggregate Stop-Loss Reinsurance

Colchester's retention history is illustrated in Appendix D. In 2009, Colchester increased its retention by \$5,000,000 and reduced its retrocession protection by \$5,000,000.

2.3 Reinsurance Liabilities Exposure

The CLLAS claims liabilities as of March 31, 2010 for all years is set forth in Appendix E. Claims liabilities consist of outstanding claims reserves plus the actuarial reserve for incurred but not reported or developed losses (IBNR). These were needed for valuation purposes in past actuarial reports. The exhibit was introduced last year to highlight where CLLAS may be exposed by more than 10% to any one reinsurer.

Appendix F sets forth the expected loss claims liabilities by reinsurer and by layer for the most current year. This exhibit illustrates what the CLLAS exposure is for the current year.

Underwriters at Lloyd's represent the most significant exposure to CLLAS with the all time liabilities at \$14.7 million (18.8% of all claims liabilities) and the current year liability of \$2 million (14.2% of all current year liabilities). The downward trend is a good sign, especially if it is CLLAS' intention to reduce the liability exposure of those reinsurers that exceed 10%. The only other reinsurer that exceeds 10% of all claims liabilities for all years is Colchester at \$8 million or 10.2% compared to the current year liabilities of \$1,162,000 or 8.3%. Since Lloyd's and Colchester each exceed 10%, we highlight both for Level II monitoring (see Section 5).

2.4 Reinsurance Limit Exposure

A similar exercise was conducted to determine the current limit exposure that CLLAS has from each of its reinsurers. Limits exposure is not the same as the claims liability exposure since limits in the high layers have a low expected loss cost while limits in the low layers have a high expected loss cost. Appendix G sets forth the limit exposure and highlights Underwriters at Lloyd's, Swiss Re, AWAC and the Brit Syndicate as having limit exposures that exceed 10%. Brit is a sub-set of Underwriters at Lloyd's but since its limit exposure alone exceeds 10%, we wanted to highlight the syndicate for Level II monitoring (see Section 5). A Limits exposure Appendix H was also prepared on a consolidated basis which included the commercial layers placed by Pro-Form.

3. EXPECTED LOSS COSTS, PROPOSED REINSURANCE RATES AND RECOMMENDED CHANGES IN RETENTION

3.1 Actuarial Report

The Actuarial Report which establishes the expected loss costs for the upcoming term is set forth in Appendix I.

3.2 Expected Loss Costs

The discounted expected loss costs for each of the retained risk layers for the upcoming term compared to the current year is set forth in the table below:

Layer	Retained Risk	2009/2010	2010/2011	% Change
\$0.975MM xs \$0.025MM	100%	\$150	\$138	(8.0%)
\$4.0MM xs \$1.0MM	100%	\$1,488	\$1,355	(8.9%)
\$7.5MM xs \$5.0MM	45%	\$1,019	\$942	(7.6%)
\$12.5MM xs \$12.5MM	28%	\$780	\$743	(4.7%)
\$10.0MM xs \$25.0MM	15%	\$340	\$323	(5.0%)

The reduced expected loss costs are the result of a favourable trend in claims frequency and from longer payout pattern assumptions for claims excess of \$1,000,000.

3.3 Proposed Reinsurance Rates

On the basis of the above changes in expected loss costs and some inconsistencies in the reinsurance rates of the high excess layers, we have recommended the following changes to the reinsurance rates for 2010/2011.

Layer	Actual Rate 2009/2010	Rate Structure Expected Loss Costs July 1, 2010		Proposed Rate 2010/2011	Change in Rate
		Undiscounted	Discounted		
1 ROC (\$7.5MM xs \$5MM)	\$1,622.00	\$1,111	\$942	\$1,455	(10%)
Québec (\$7.5MM xs \$10MM)	\$952.00	\$712	\$604	\$900	(5%)
2 ROC (\$12.5MM xs \$12.5MM)	\$1,137.50	\$876	\$743	\$1,110	(2%)
Québec (\$12.5MM xs \$17.5MM)	\$888.75	\$653	\$554	\$840	(5%)
3 ROC (\$10MM xs \$25MM)	\$423.00	\$380	\$323	\$423	0%
Québec (\$10MM xs \$30MM)	\$301.00	\$306	\$260	\$301	0%
4 \$20MM xs \$140MM	\$138.00	\$13	\$11	\$138	0%
5 Up to \$40MM xs \$160MM		\$9	\$8		
\$10MM xs \$160MM	\$86.00			\$66	(23%)
\$20MM xs \$160MM	\$123.00			\$123	0%
\$30MM xs \$160MM	\$170.00			\$170	0%
\$40MM xs \$160MM (proposed)	N/A			\$200	N/A
6 \$30MM/\$60MM xs min \$50MM	\$185.00	\$20	\$17	\$150	(19%)

An additional limit of \$10 million for \$30 per lawyer is being proposed for Reinsurance Layer 5 to bring the total available limit to \$40 million excess of \$160 million for a reinsurance rate of \$200 per lawyer.

3.4 Recommended Changes in Retention

The Tillinghast Peer Review Report had suggested that CLLAS was in a position to retain more risk and that the risk should be focused on Reinsurance Layer 1 in order to realize optimal cost efficiencies. The CLLAS Subscriber Agreement allows for a total retention of \$15 million per claim of which \$13,350,000 is currently being utilized. Since without a change in the Subscriber Agreement, CLLAS can only increase its retention by \$1,650,000 we are only recommending minor changes in each of the first three reinsurance layers.

The following changes in retention are being recommended so that CLLAS can continue to adopt a proactive approach to risk retention. The recommended overall increase in retention is \$1,125,000 (leaving \$525,000 before the maximum retained amount of \$15,000,000 is reached) broken down by layer as follows:

- CLLAS retains an additional \$375,000 in Reinsurance Layer 1 (\$7.5 million excess of \$5 million) increasing its retention from 45% to 50% for the upcoming term;
- CLLAS retains an additional \$250,000 in Reinsurance Layer 2 (\$12.5 million excess of \$12.5 million) increasing its retention from 28% to 30% for the upcoming term;
- CLLAS retains an additional \$500,000 in Reinsurance Layer 3 (\$10 million excess of \$25 million) increasing its retention from 15% to 20% for the upcoming term.

Our recommendation is based on the assumption that the reinsurance rates for the upcoming year will either remain unchanged or be lowered to the proposed rates described in Section 3.3. Should the ultimate reinsurance rates be increased in any significant manner, then we would recommend that the retentions be modified subject to the maximum retention of \$15,000,000 to offset any increase in reinsurance costs.

Since the CLLAS Subscriber Agreement has not been changed since inception with regard to the maximum retention, we would further recommend that over the course of the next year, CLLAS review the Subscriber Agreement limit of \$15,000,000 with the intention of increasing it to \$20,000,000 or \$25,000,000.

4. PROJECTED PREMIUM COSTS

4.1 Projected Premium Reduction Due to Reduced Loss Costs

The following premium and rate estimates assume that the expected investment income from the CLLAS surplus is used to offset the rate as it did in previous years.

The impact of the reduced expected loss costs for 2010/2011, which is the principal driver of CLLAS' retention costs, is an aggregate savings of \$917,000 or \$191 per lawyer. This represents a 4.1% decrease in rate over 2009/2010.

4.2 Projected Premium Reduction Due to Proposed Reduction in Reinsurance Rates

The impact of achieving the proposed reductions in reinsurance rates, which is the principal driver of CLLAS' ceded costs, is a savings of \$687,000 or \$143 per lawyer over and above savings achieved from changes in expected loss costs (Section 4.1). This represents an additional 3% reduction in rate for a total reduction over the 2009/2010 rate of 7.1%.

4.3 Projected Premium Reduction Due to Recommended Increase in Retention

In order to project the savings from the increases in retention proposed in Section 3.4, we have assumed that Colchester's retrocession costs remain unchanged despite the increased exposure that an increase in CLLAS' retention represents to both Colchester and its retrocessionaire.

Increasing CLLAS' retention as laid out in Section 3.4 yields an additional aggregate savings of \$303,000 or \$63 per lawyer over those achieved through changes in expected loss cost alone. This represents a 5.4% savings over the 2009/2010 CLLAS rates.

The savings arising from an increase in retention is diminished in the event that reinsurance rate reductions are realized. The aggregate savings of the increase in retention over those achieved through reduced reinsurance rates reduces to \$264,000 or \$55 per lawyer but the combined impact represents an 8.3% savings over 2009/2010 CLLAS rates.

As per Section 3.4, additional retention could also be used to deliver additional savings. Any additional retention would be used for maximum strategic impact.

4.4 Summary of Projected Premium Reductions

On the basis of the above analysis, we project premium savings of between 4.1% and 8.3% depending on a) the ultimate outcome of our reinsurance negotiations including the Colchester retrocession negotiations, b) any increased CLLAS retention amounts, c) the amount of expected investment income on CLLAS surplus that is used to reduce the rate. We would recommend that CLLAS apply a 5% discount on the condition that CLLAS retentions are not increased beyond the \$15,000,000 threshold and that a maximum of 100% of the expected investment income be used to reduce the rate.

5. REINSURANCE SECURITY CONSIDERATIONS

5.1 Background and Objectives

In view of the uncertainty in the financial markets, including the uncertainty in the insurance and reinsurance markets (e.g. AIG and Swiss Re), CLLAS had identified a need to document and develop a more rigorous approach to monitor its reinsurance security.

In June 2009, the CLLAS Advisory Board asked the Audit Committee to assume the additional role of monitoring reinsurance security matters for CLLAS. The Audit Committee met and discussed matters related to reinsurance security on February 17, 2010.

5.2 Reinsurance Security Mandate for the CLLAS Audit Committee

The Audit Committee now monitors CLLAS reinsurers with a view to recommending changes to the Board, if appropriate, based on any number of factors including, but not limited to:

- Downgrading of the security rating;
- A rating agency placing a reinsurer on a “watch” list;
- Exposure to any one reinsurer exceeding an agreed percentage;
- Difficulties collecting reinsurance proceeds after a claim is settled;
- Any other matter that may threaten the security of a reinsurer.

It is important to acknowledge that reinsurance intermediaries cannot guarantee the solvency of any reinsurer and rely on the rating agencies to determine reinsurers’ financial strength. The Audit Committee is not meant to substitute the expert advice provided by CLLAS’ intermediaries. Its purpose is to work closely with the CLLAS intermediaries and use this advice to assist the Advisory Board in its due diligence process. We have included in Appendices J and K letters from Alternative Risk Services and Miller Insurance Services Ltd. which provide information on the reinsurance security practices of these firms.

5.3 Level I Monitoring

Level I monitoring of CLLAS reinsurance consists of the following:

- Current Best and S&P ratings compared to the previous year – see Appendix L;
- Current total liability exposure (i.e. case reserves and IBNR) from each reinsurer for all years – see Appendix E;
- Expected loss exposure from each reinsurer for the current year – see Appendix F;
- Expected limit exposure to each reinsurer for the current year – see Appendix G.

CLLAS reinsurance security should be rated A- or better by Best and S&P except for special circumstances agreed to by the Board.

5.4 Level II Monitoring Triggers

Should any of the following events happen, then a Level II monitoring would take place:

- Downgrading of the security rating;
- A rating agency placing a reinsurer on a “watch” list;
- Difficulties collecting reinsurance proceeds after a claim is settled;
- Case reserves and IBNR exposure to any one reinsurer exceeding 10% of total liabilities for all years;
- Expected losses of any one reinsurer exceeding 10% of all expected losses for the current year;
- Total limits of any one reinsurer exceeding 10% of the total limits provided by CLLAS;
- Use of a reinsurer that is unregistered in Canada;
- Any other events deemed material by the Reinsurance Security Committee or its advisors.

5.5 Level II Monitoring

The following Level II monitoring should take place for any reinsurer that requires it due to events identified above:

- Additional information should be reviewed by the Reinsurance Security Committee, including a review of:
 - Stock performance relative to the remainder of the market;
 - Early warning signals/ratios (as provided by Best or equivalent agency);
 - Balance Sheet and Income Statement Highlights (as provided by Best or equivalent agency);
- Meetings or direct correspondence with such reinsurers as necessary to discuss the financial health of the reinsurer.

5.6 Reinsurers Requiring Level II Monitoring

As the first step in our reinsurance security monitoring process, Level I tests were performed on all CLLAS reinsurers. The following identifies the reinsurers that were placed on the Level II monitoring list and the reasons why such monitoring was deemed necessary:

Allied World Assurance Company Limited (AWAC)

- AWAC is a Bermuda reinsurer, unregistered in Canada, and has a significant participation in one of the CLLAS optional layers;
- AWAC’s participation represents 11.8% of the overall CLLAS per loss limit, exceeding the 10% threshold.

Brit Insurance Holdings PLC (Brit)

- Brit is a Lloyd’s Syndicate participating on a number of the CLLAS layers. Brit’s participation represents 11.1% of the overall CLLAS per loss limit exceeding the 10% threshold.

Colchester Reinsurance Limited (Colchester)

- Colchester is a reinsurer domiciled in Barbados, unregistered in Canada, and is the aggregate stop-loss reinsurer for CLLAS;
- Colchester's claims liabilities for all years is 11.8% of the overall CLLAS liabilities, exceeding the 10% threshold.

CRC (Bermuda) Reinsurance Limited (CRC)

- CRC is a Bermuda reinsurer and is unregistered in Canada.

GCAN

- GCAN is not rated by S&P.

Hannover Rückversicherungs-Aktiengesellschaft (Hannover Re)

- Hannover Re was placed on a negative watch by S&P. The negative watch was lifted in recent months so Hannover Re could be taken off the Level II monitoring list.

Lloyd's of London (Lloyd's)

- Lloyd's, as a group, participates on a number of CLLAS layers and represents 18.1% of the all time CLLAS claims liabilities, exceeding the 10% threshold;
- Lloyd's also represents 15.2% of the CLLAS current liability or expected loss cost for the current year, exceeding the 10% threshold;
- Lloyd's participation represents 36.7% of the overall CLLAS per loss limit, exceeding the 10% threshold;
- Lloyd's is also a significant reinsurer for Colchester.

Swiss Reinsurance Company (Swiss Re)

- Swiss Re was downgraded by both Best and S&P but both rating agencies now consider Swiss Re as "stable".
- Swiss Re's participation represents 22.2% of the overall CLLAS per loss limit, exceeding the 10% threshold;
- Swiss Re is also a significant reinsurer for Colchester.

Transatlantic Reinsurance Company (TRC)

- CLLAS experienced a reinsurance recoverable problem with TRC and should be reviewed to determine if any special action is required;
- TRC was downgraded by both Best and S&P as a result of their AIG connection but AIG no longer have an interest in TRC and both rating agencies now consider TRC as "stable".

5.7 Combined Reinsurance and Commercial Layers Limit Exposure

Appendix H combines the limit exposure from Appendix G with the exposure from the commercial layers placed with Pro-Form Insurance Services Inc. The inclusion of the commercial layers increases the total limits from \$101,625,000 to \$238,125,000. This effectively reduces the limit exposure metric resulting in only Lloyds's and Swiss Re with over 10%.

Liabilities associated with insurer default were not provided and are therefore not included in the current liability-based exhibits. Based on rough estimates of the expected loss costs in these layers, liability is unlikely to reach 10% of the total. However, it is worth noting that commercial insurance placements do not benefit from the risk-spreading effect of CLLAS and therefore an insurer default is likely to affect a single firm for a claim's full value. The result is that the financial impact of a default would be in the order of 13 times more severe for a single firm. Conversely, the financial impact for the other 12 firms would be \$0. Further discussion and analysis is required if we are to further integrate the commercial market layers into CLLAS' reinsurance security analysis.

6. POLICY WORDING AND REINSURANCE CONTRACT CHANGES

6.1 Policy Wording Change in Relation to Professional Corporations

CLLAS proposes to make the following changes to its Primary Policy for the upcoming term.

The CLLAS policy was amended in the past to ensure that coverage is available in relation to professional corporations (“PC”). The wording was drafted with the Ontario structure in mind. In Ontario, the individual lawyer typically remains a partner (or associate) of the firm and contracts with the PC to provide professional services. As a result, the CLLAS policy wording specifically required that each person who provides professional services on behalf of the professional corporation must be a partner, associate, employee or counsel to the law firm in question.

The PC structure that is common in B.C. has a PC holding the partnership interest in the firm, and contracting with a second PC which has in turn retained the individual lawyer to provide the services. In order to explicitly accommodate this two-tier structure, the definitions of “Insured”, “Professional Corporation” and “Service Corporation” have been amended. In order to allow tracking by CLLAS of the individuals providing professional services through this structure, the following information was requested on the 2010 renewal application:

8f) *If applicable, the number of lawyers who are not partners, employed lawyers, counsels/of counsels or lawyer consultants of the Firm who provide services to professional corporations which are partners of the Firm.*

Note: A common professional corporation structure is one where the lawyer remains a partner of the firm but the firm contracts with a professional corporation to provide the services of the partner to the firm via the professional corporation. Those lawyers would be accounted for in a) above. Question f) is intended to address an alternative structure whereby the professional corporation itself is a partner of the firm and it contracts with a lawyer to provide professional services.

The Lawyers Insurance Fund in B.C. has reviewed this structure and confirmed that its policy will respond to claims against the individual lawyer and/or the PCs. In any event, the CLLAS policy explicitly does not drop down to cover claims in the mandatory layer to the extent that that coverage is adversely affected as a result solely of the PC structure. As is the case with the Ontario PC structure, it is CLLAS’ view that the B.C. structure is an organizational change that does not adversely affect the risk presented to CLLAS.

6.2 Reinsurance Contract Changes

CLLAS is not proposing any changes to the reinsurance contracts at renewal.

7. REGULATORY ISSUES

7.1 FSCO Reinsurance Guidelines

Appendix M sets forth the reinsurance calculations based on the current premiums and reinsurance protections to determine whether CLLAS is onside with respect to the reinsurance guidelines provided by the Financial Services Commission of Ontario. The guideline for total reinsurance is 75% and the guideline for unregistered reinsurance is 25%. The calculations for CLLAS results in 58.3% total reinsurance and 13.8% unregistered. CLLAS is well within the guideline with respect to both registered and unregistered reinsurance.

7.2 OSFI Part XIII Advisory – Insurance in Canada of Risks

We had previously provided information to the Board about the Part XIII changes relating to “Insurance in Canada of Risks” introduced by OSFI and how these changes might affect CLLAS. The main concern was the effect that these changes might have on the status of long standing registered reinsurers, including Lloyd’s. Lloyd’s believes that FSCO, the Ontario agency that regulates CLLAS, will continue to apply the same rules that they have in the past about registered and unregistered reinsurance so Part XIII issues will not likely have any effect on CLLAS. We are, however, continuing to monitor the situation very closely.

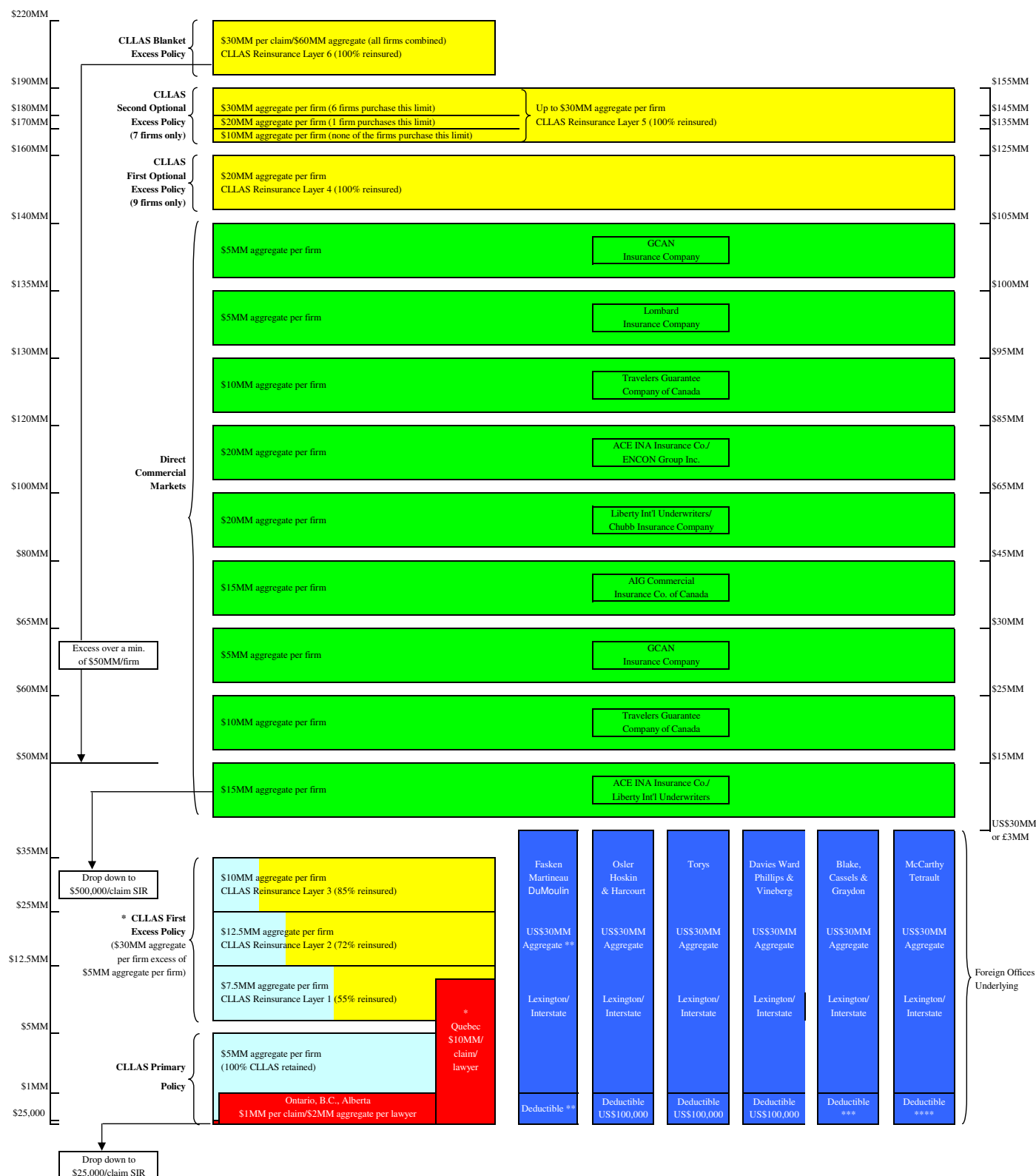
7.3 OSFI Reinsurance Discussion Paper

OSFI had initiated a review of its reinsurance regulatory and supervisory framework through the Discussion Paper which was distributed to the CLLAS Board last year at this time. The discussion about a rules-based vs. a principles-based regulatory framework continues and OSFI will provide further advice after having solicited and digested the feedback from industry stakeholders.

8. CONCLUDING REMARKS

This report provides the Advisory Board with up-to-date information on the insurance and reinsurance renewal for the term July 1, 2010 to July 1, 2011. We should be in a position to better advise on the reinsurance terms and conditions at the Advisory Board meeting. This report investigates certain retention options resulting in premium savings which the Board should consider. These options are backed up by appropriate actuarial modeling so that a risk neutral approach can be determined. This report also describes the reinsurance security monitoring process that has been put in place and that is actively being reviewed by the CLLAS Audit Committee.

CLLAS LIMIT STRUCTURE
JULY 1, 2009 - JULY 1, 2010

Canadian ExposuresForeign Exposures

Note: All limits are expressed in Canadian currency unless otherwise specified.

* The CLLAS First Excess Policy is excess of \$10MM/claim in Quebec.

** US\$30MM limit with a UK indemnity limit of £3MM (provided by Lloyd's).

Deductibles: US\$75,000 per claim for UK work, US\$250,000 per claim for US work, US\$50,000 per claim for other work.

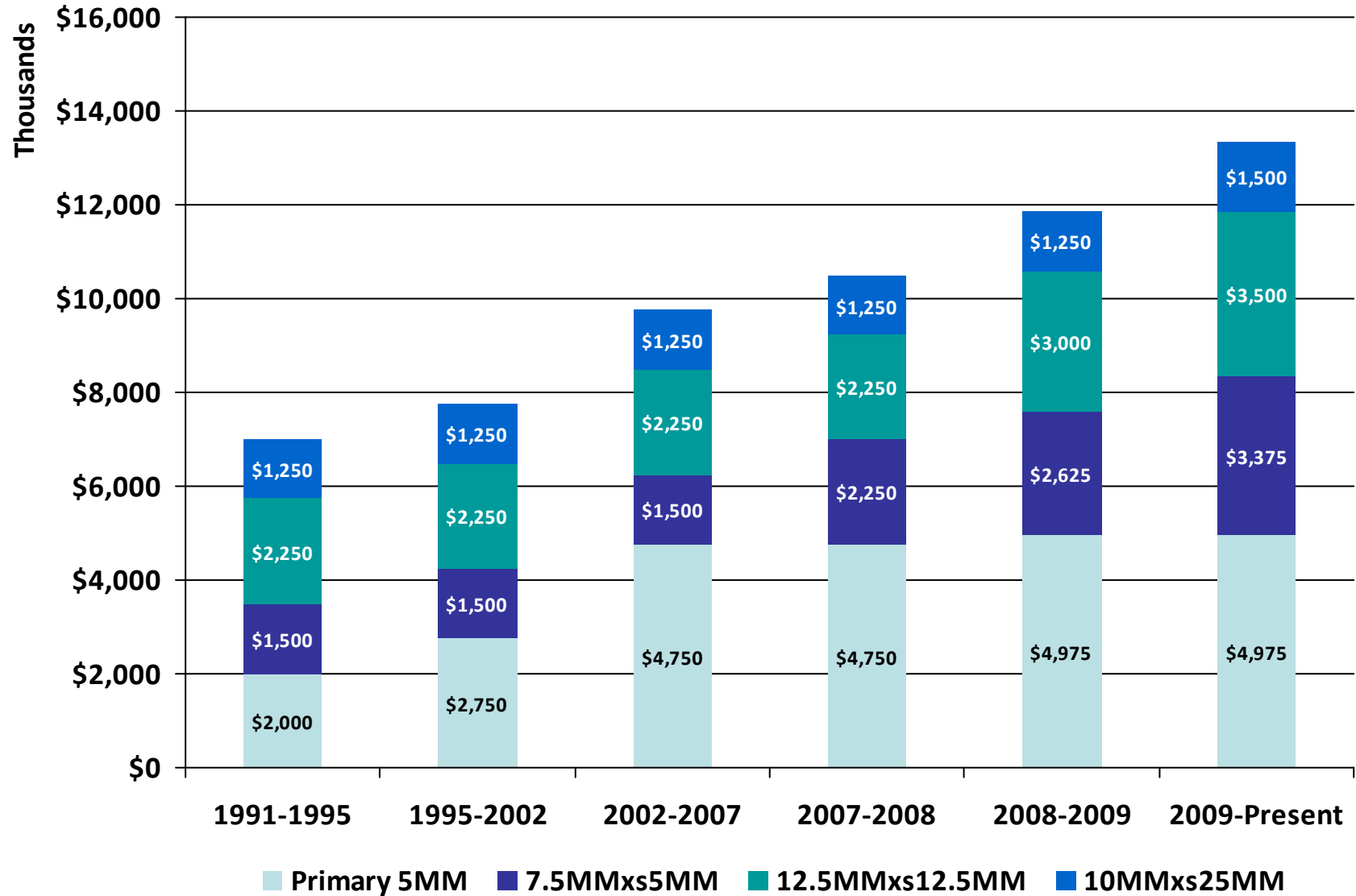
*** US\$75,000 per claim for UK work, US\$100,000 per claim for US work, US\$50,000 per claim for China, Bahrain and Saudi Arabia work.

(Note: The period for this policy is September 1, 2009 to July 1, 2010.)

**** US\$75,000 per claim for UK work, US\$50,000 per claim for US work.

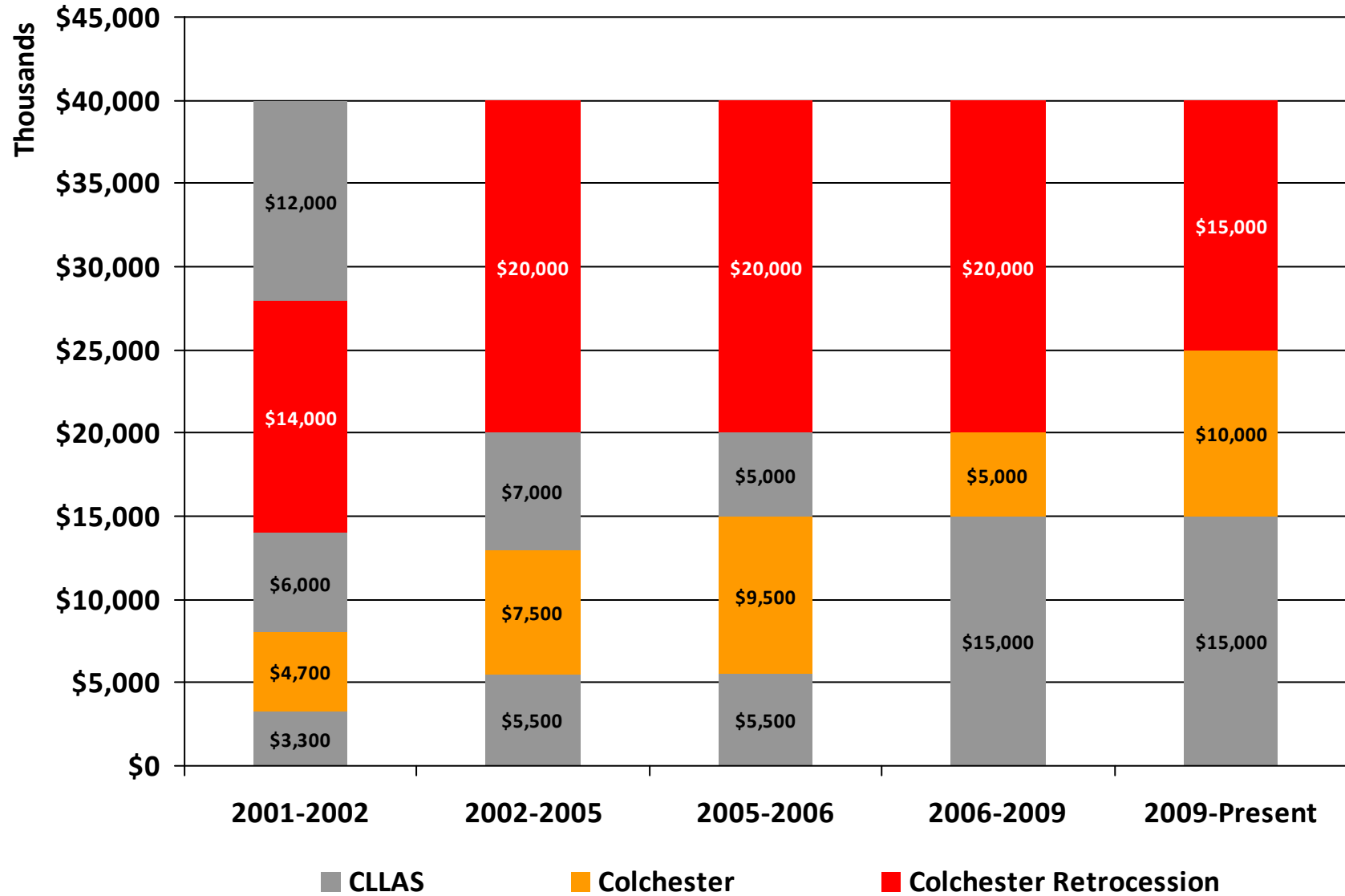
(Note: The period for this policy is September 30, 2009 to September 30, 2010.)

Appendix B - CLLAS Retention History



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY (CLLAS)				2009-2010 REINSURANCE CASH FLOW/PAYMENT SCHEDULE - INFORMATION AS AT JULY 1, 2009 \1										Appendix C	
		LAYER 1 \$7.5MM XS \$5MM		LAYER 2 \$12.5MM XS \$12.5MM		LAYER 3 \$10MM XS \$25MM		LAYER 4 \$20MM XS \$140MM		LAYER 5 UP TO \$30MM XS \$160MM				LAYER 6 \$30/60MM XS MIN \$50MM	
		SHARE	PREMIUM	SHARE	PREMIUM	SHARE	PREMIUM	SHARE	PREMIUM	SHARE	PREMIUM	SHARE	PREMIUM	SHARE	PREMIUM
REINSURERS															
TOTAL PROPORTIONAL		100.00%	\$7,214,161	100.00%	\$5,245,434	100.00%	\$1,925,773	100.00%	\$584,637	100.00%	\$81,918	100.00%	\$376,805	100.00%	\$888,555
CLLAS PROPORTIONAL RETENTION		45.00%	\$3,246,372	28.00%	\$1,468,721	15.00%	\$288,866	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0
PROPORTIONAL REINSURERS															
Lloyd's		22.50%	\$1,623,186	22.20%	\$1,164,486	40.00%	\$770,309	11.00%	\$64,310	50.00%	\$40,959	50.00%	\$188,403	55.00%	\$488,705
London Companies															
Hannover Ruck. (Can. Lic.)				16.30%	\$855,006										
Aspen Re (Can. Lic.)		7.50%	\$541,062	7.50%	\$393,408	8.00%	\$154,062								
Sub-Total London Cos.		7.50%	\$541,062	23.80%	\$1,248,414	8.00%	\$154,062	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0
Total London Market		30.00%	\$2,164,248	46.00%	\$2,412,900	48.00%	\$924,371	11.00%	\$64,310	50.00%	\$40,959	50.00%	\$188,403	55.00%	\$488,705
Payable to Miller															
Payable to Hannover Ruck.															
Canadian Companies															
Arch Insurance Company (Canada Branch)		8.00%	\$577,133												
AWAC (not Can. Lic.)								64.00%	\$374,168						
CRC (Bermuda) Reinsurance Limited (not Can. Lic.)		3.00%	\$216,425	4.00%	\$209,817										
GCAN Insurance Company										25.00%	\$20,480	25.00%	\$94,201		
Scor Reinsurance		3.00%	\$216,425	8.00%	\$419,635	12.00%	\$231,093							10.00%	\$88,856
Swiss Reinsurance Company Ltd., Canada Branch						25.00%	\$481,443	25.00%	\$146,159	25.00%	\$20,480	25.00%	\$94,201	35.00%	\$310,994
TOA Re		3.00%	\$216,425	3.00%	\$157,363										
Transatlantic Re		8.00%	\$577,133	11.00%	\$576,998										
Sub-Total Canadian Cos.		25.00%	\$1,803,541	26.00%	\$1,363,813	37.00%	\$712,536	89.00%	\$520,327	50.00%	\$40,960	50.00%	\$188,402	45.00%	\$399,850
TOTAL PROPORTIONAL REINSURERS		55.00%	\$3,967,789	72.00%	\$3,776,713	85.00%	\$1,636,907	100.00%	\$584,637	100.00%	\$81,919	100.00%	\$376,805	100.00%	\$888,555
AGGREGATE STOP-LOSS REINSURERS															
Colchester															
TOTAL REINSURANCE COST															
PROPORTIONAL REINSURANCE															
Rate per Lawyer		\$1,622.00		\$1,137.50		\$423.00		\$138.00		\$123.00		\$170.00		\$185.00	
Rate per Quebec Lawyer		\$952.00		\$888.75		\$301.00		N/A		N/A		N/A		N/A	
Total # Lawyers other than Quebec at 7/1/09		3896.5		3896.5		3896.5		3265		403		1816		3904	
Total # Quebec Lawyers at 7/1/09		842		842		842		801		214		299		842	
Total # US/UK Lawyers at 7/1/09 \5		0		0		0		118		42		76		0	
Total # NLC at Lawyer Rate at 7/1/09 \6		16		16		16		15		0		11		16	
Rate per P&T Agent \7		\$811.00		\$568.75		\$211.50		\$69.00		\$61.50		\$85.00		\$92.50	
Total # P&T Agents at 7/1/09		63		63		63		60		10		22		63	
Total # NLC at P&T Rate at 7/1/09		19		19		19		15		4		7		19	
R/I Licensed		52.00%	\$3,751,364	68.00%	\$3,566,895	85.00%	\$1,636,907	36.00%	\$210,469	100.00%	\$81,918	100.00%	\$376,805	100.00%	\$888,555
R/I Unlicensed		3.00%	\$216,425	4.00%	\$209,817	0.00%	\$0	64.00%	\$374,168	0.00%	\$0	0.00%	\$0	0.00%	\$0
NLC = Non-lawyer Consultant															
NOTES: \1 This is an information document, not an accounting ledger.															
\2 Semi-annual instalment for Canadian Companies and Colchester.															
\3 Quarterly instalment for Miller. Fund should be sent to Miller, through ARS as Miller's broker, with about 2 weeks lead time.															
\4 Semi-annual instalment for Canadian Companies and Colchester and quarterly instalment for Miller. Fund should be sent to Miller, through ARS as Miller's broker, with about 2 weeks lead time.															
\5 These are OHH, Torgs & DWPV lawyers in the US and FMD lawyers in UK. They are not covered by Layers 1, 2, 3, 6 and Colchester.															
\6 For Layers 1, 2 and 3, the rate for NLC in all provinces is the same as the rate for lawyers in provinces other than Quebec.															
\7 Applicable in all provinces.															
SPECIAL NOTE: CLLAS RETAINED 100% OF THE FIRST \$4MM XS \$1MM LAYER SINCE JULY 1, 2002.															

Appendix D - Colchester Retention History



CLLAS Reinsurance

Appendix E

Top 25 Reinsurers by % of Current Liability (March 31, 2010)*

ALL YEARS

ALL YEARS			LAYERS								TOTAL	All-time Percent of Total	Prev. Year Percent of Total	Move- ment?	
			\$.975MM XS \$.025MM	\$4MM XS \$1MM	\$7.5MM XS \$5MM	\$12.5MM XS \$12.5MM	\$10MM XS \$25MM	\$30/60MM XS \$50MM	\$20MM XS \$140MM	\$10-30MM XS \$160MM					
Watch	Name	Jurisdiction	Reg'd?												
➡	Underwriters at Lloyd's	London	Yes	0	824,413	4,922,897	2,886,246	5,752,564	281,020	34,323	25,970	14,727,434	18.8%	19.5%	Down
➡	Transatlantic Reinsurance Company	Combined	Yes	0	0	1,892,981	2,334,634	431,407	0	0	0	4,659,022	6.0%	8.0%	Down
➡	Swiss Re	Combined	Mix	0	0	0	27,337	3,951,243	165,873	56,142	12,985	4,213,580	5.4%	3.4%	Up
	AFB 623/2623	Lloyd's	Yes	0	0	3,768,548	0	0	23,995	0	0	3,792,542	4.8%	5.5%	Down
	MKM 2468	Lloyd's	Yes	0	0	0	964,126	2,540,287	0	0	10,243	3,514,655	4.5%	3.0%	Up
	Aspen Re	London	Yes	0	0	1,596,139	1,166,576	471,913	0	0	0	3,234,628	4.1%	4.4%	Down
	MKL 3000	Lloyd's	Yes	0	0	0	649,895	2,570,485	5,261	0	3,423	3,229,063	4.1%	2.5%	Up
➡	Transatlantic Reinsurance Company	London	Yes	0	0	1,604,034	1,142,397	431,407	0	0	0	3,177,838	4.1%	6.1%	Down
	Scor Re.	Canada	Yes	0	0	211,103	811,280	1,759,463	39,694	1,826	0	2,823,365	3.6%	2.6%	Up
➡	Swiss Re	London	No	0	0	0	0	2,630,249	25,898	12,589	0	2,668,736	3.4%	1.3%	Up
➡	Hannover Ruck	London	Yes	0	0	0	1,997,351	0	0	0	0	1,997,351	2.6%	3.0%	Down
➡	Swiss Re	Canada	Yes	0	0	0	27,337	1,320,994	139,975	43,553	12,985	1,544,844	2.0%	2.1%	Down
➡	Transatlantic Reinsurance Company	Canada	Yes	0	0	288,947	1,192,237	0	0	0	0	1,481,184	1.9%	1.9%	Up
	Arch	Canada	Yes	0	0	1,438,721	0	0	0	0	0	1,438,721	1.8%	1.8%	Up
➡	CRC (Bermuda) Reinsurance Ltd.	Bermuda	No	0	0	705,373	525,755	0	0	0	0	1,231,128	1.6%	1.7%	Down
	AGM 2488	Lloyd's	Yes	0	0	594,615	464,699	3,093	20,542	1,753	0	1,084,702	1.4%	3.6%	Down
	TOA Re.	Canada	Yes	0	0	420,381	331,082	0	0	0	0	751,463	1.0%	1.0%	Down
	AML 2001	Lloyd's	Yes	0	0	0	328,290	249,947	0	1,543	0	579,779	0.7%	0.7%	Down
	SAM 727	Lloyd's	Yes	0	0	486,277	0	0	0	0	0	486,277	0.6%	0.7%	Down
	DJM 839	Lloyd's	Yes	0	394,583	11,832	10,141	4,369	0	0	0	420,924	0.5%	0.8%	Down
	HIS 33	Lloyd's	Yes	0	0	0	0	340,581	44,195	9,429	0	394,206	0.5%	0.6%	Down
	Munich Reinsurance Company of Canada	Canada	Yes	0	225,490	42,493	34,716	16,230	4,419	0	0	323,349	0.4%	0.7%	Down
	PEM 4000	Lloyd's	Yes	0	0	0	313,461	0	0	894	0	314,355	0.4%	0.1%	Up
	Prudential Re	Canada	Yes	0	0	125,550	51,257	0	6,262	0	0	183,069	0.2%	0.5%	Down
	CML 1173	Lloyd's	Yes	0	142,437	11,909	10,229	11,148	0	701	0	176,424	0.2%	0.4%	Down

Total Current Liabilities 1,769,803 31,966,649 16,511,376 13,019,065 14,218,315 500,725 233,715 51,940 78,271,587

Proportional Reinsurance:

London	0	897,073	8,140,143	7,207,536	9,286,133	308,366	46,950	25,970	25,912,171	33.1%	34.5%	Down
Canada	0	225,490	2,573,101	2,481,863	3,123,676	192,359	49,194	25,970	8,671,653	11.1%	10.9%	Up
Bermuda	0	0	705,373	525,755	0	0	137,571	0	1,368,699	1.7%	2.0%	Down
Total	0	1,122,563	11,418,617	10,215,155	12,409,809	500,725	233,715	51,940	35,952,523	45.9%	47.4%	Down

CLLAS Proportional Retention 1,769,803 30,844,086 5,092,759 2,803,910 1,808,506 0 0 0 42,319,064 54.1% 52.6% Up

➡ **Colchester Aggregate** 8,004,554 10.2% 12.8% Down

CLLAS Net Retention 34,314,510 43.8% 39.8% Up

* Excludes commercial market insurers as no liabilities are provided for these layers. Approximately \$4.6MM in reserves are attributable to Great American Insurance Group who is no longer active on the program.

CLLAS Reinsurance

Appendix F

Reinsurers by % of Current Liability (March 31, 2010)*

CURRENT YEAR (2009/2010)

CURRENT YEAR (2009/2010)				LAYERS								Prev. Year			
Watch	Name	Jurisdiction	Reg'd?	\$.975MM	\$4MM	\$7.5MM	\$12.5MM	\$10MM	\$30/60MM	\$20MM	\$10-30MM	TOTAL	Percent of Total	Percent of Total	Move-ment?
				XS \$.025MM	XS \$1MM	XS \$5MM	XS \$12.5MM	XS \$25MM	XS \$50MM	XS \$140MM	XS \$160MM				
➔	Underwriters at Lloyd's	London	Yes	0	0	812,664	628,190	499,473	23,965	2,278	5,480	1,972,050	14.2%	16.6%	Down
	AFB 623/2623	Lloyd's	Yes	0	0	722,368	0	0	1,704	0	0	724,072	5.2%	6.5%	Down
➔	Transatlantic Reinsurance Company	Canada	Yes	0	0	288,947	311,266	0	0	0	0	600,213	4.3%	1.6%	Up
	Aspen Re	London	Yes	0	0	270,888	212,226	99,895	0	0	0	583,009	4.2%	6.1%	Down
	Scor Re.	Canada	Yes	0	0	108,355	226,375	149,842	4,357	0	0	488,929	3.5%	3.5%	Up
➔	Hannover Ruck	London	Yes	0	0	0	461,239	0	0	0	0	461,239	3.3%	3.3%	Down
	MKL 3000	Lloyd's	Yes	0	0	0	165,537	187,302	1,704	0	722	355,265	2.6%	2.8%	Down
➔	Swiss Re	Canada	Yes	0	0	0	0	312,171	15,250	5,177	2,740	335,338	2.4%	2.7%	Down
	MKM 2468	Lloyd's	Yes	0	0	0	141,484	187,302	0	0	2,161	330,948	2.4%	3.7%	Down
	Arch	Canada	Yes	0	0	288,947	0	0	0	0	0	288,947	2.1%	2.9%	Down
➔	CRC (Bermuda) Reinsurance Ltd.	Bermuda	No	0	0	108,355	113,187	0	0	0	0	221,543	1.6%	2.5%	Down
	TOA Re.	Canada	Yes	0	0	108,355	84,891	0	0	0	0	193,246	1.4%	1.2%	Up
	PEM 4000	Lloyd's	Yes	0	0	0	165,537	0	0	331	0	165,868	1.2%	1.0%	Up
	AML 2001	Lloyd's	Yes	0	0	0	77,816	52,445	0	170	0	130,431	0.9%	1.0%	Down
	SAM 727	Lloyd's	Yes	0	0	90,296	0	0	0	0	0	90,296	0.6%	0.8%	Down
	ARK 4020	Lloyd's	Yes	0	0	0	77,816	0	0	0	0	77,816	0.6%	n/a	Down
	HIS 33	Lloyd's	Yes	0	0	0	0	72,424	3,769	949	0	77,141	0.6%	0.7%	Down
➔	AWAC	Bermuda	No	0	0	0	0	0	0	13,254	0	13,254	0.1%	0.0%	Up
➔	BRT 2987	Lloyd's	Yes	0	0	0	0	0	11,333	0	1,803	13,136	0.1%	0.1%	Up
	LIB 4472	Lloyd's	Yes	0	0	0	0	0	1,704	828	433	2,965	0.0%	0.0%	Up
➔	GCAN	Canada	Yes	0	0	0	0	0	0	0	2,740	2,740	0.0%	0.0%	Up
	FDY 435	Lloyd's	Yes	0	0	0	0	0	2,048	0	361	2,408	0.0%	0.0%	Up
	SJC 2003	Lloyd's	Yes	0	0	0	0	0	1,704	0	0	1,704	0.0%	0.0%	Up

Total Current Liabilities	470,724	5,685,721	3,611,839	2,829,687	1,248,682	43,572	20,710	10,961	13,921,895				
Proportional Reinsurance:													
London	0	0	1,083,552	1,301,656	599,367	23,965	2,278	5,480	3,016,298	21.7%	29.7%	Down	
Canada	0	0	794,605	622,531	462,012	19,607	5,177	5,480	1,909,413	13.7%	11.9%	Up	
Bermuda	0	0	108,355	113,187	0	0	13,254	0	234,797	1.7%	2.5%	Down	
Total	0	0	1,986,512	2,037,374	1,061,380	43,572	20,710	10,961	5,160,508	37.1%	44.1%	Down	
CLLAS Proportional Retention	470,724	5,685,721	1,625,328	792,312	187,302	0	0	0	8,761,387	62.9%	55.9%	Up	
Colchester Aggregate									1,161,617	8.3%	5.6%	Up	
CLLAS Net Retention									7,599,770	54.6%	50.3%	Up	

* Excludes commercial market insurers as no liabilities are provided for these layers.

CLLAS Reinsurance

Appendix G

Reinsurers by % of Single Claim Exposure
CURRENT YEAR (2009/2010) - CLLAS REINSURERS

			LAYERS										Prev. Year		
Watch	Name	Jurisdiction	Reg'd?	\$.975MM	\$4MM	\$7.5MM	\$12.5MM	\$10MM	\$30/60MM	\$20MM	\$10-30MM	TOTAL	Percent of Total	Percent of Total	Move-ment?
				XS	XS	XS	XS	XS	XS	XS	XS				
				\$.025MM	\$1MM	\$5MM	\$12.5MM	\$25MM	\$50MM	\$140MM	\$160MM				
➡	Underwriters at Lloyd's	London	Yes	0	0	1,687,500	2,775,000	4,000,000	16,500,000	2,200,000	15,000,000	42,162,500	36.7%	37.1%	Down
➡	Swiss Re	Canada	Yes	0	0	0	0	2,500,000	10,500,000	5,000,000	7,500,000	25,500,000	22.2%	22.2%	Unchanged
➡	AWAC	Bermuda	No	0	0	0	0	0	0	12,800,000	0	12,800,000	11.1%	11.1%	Unchanged
➡	BRT 2987	Lloyd's	Yes	0	0	0	0	0	7,803,000	0	4,935,000	12,738,000	11.1%	11.1%	Unchanged
	MKM 2468	Lloyd's	Yes	0	0	0	625,000	1,500,000	0	0	5,916,000	8,041,000	7.0%	7.6%	Down
➡	GCAN	Canada	Yes	0	0	0	0	0	0	0	7,500,000	7,500,000	6.5%	6.5%	Unchanged
	Scor Re.	Canada	Yes	0	0	225,000	1,000,000	1,200,000	3,000,000	0	0	5,425,000	4.7%	4.6%	Up
	MKL 3000	Lloyd's	Yes	0	0	0	731,250	1,500,000	1,173,000	0	1,977,000	5,381,250	4.7%	4.7%	Down
	HIS 33	Lloyd's	Yes	0	0	0	0	580,000	2,595,000	916,000	0	4,091,000	3.6%	3.6%	Down
	LIB 4472	Lloyd's	Yes	0	0	0	0	0	1,173,000	800,000	1,185,000	3,158,000	2.7%	2.7%	Unchanged
	AFB 623/2623	Lloyd's	Yes	0	0	1,500,000	0	0	1,173,000	0	0	2,673,000	2.3%	2.5%	Down
	FDY 435	Lloyd's	Yes	0	0	0	0	0	1,410,000	0	987,000	2,397,000	2.1%	2.1%	Unchanged
	Aspen Re	London	Yes	0	0	562,500	937,500	800,000	0	0	0	2,300,000	2.0%	2.6%	Down
➡	Hannover Ruck	London	Yes	0	0	0	2,037,500	0	0	0	0	2,037,500	1.8%	1.7%	Up
➡	Transatlantic Reinsurance Company	Canada	Yes	0	0	600,000	1,375,000	0	0	0	0	1,975,000	1.7%	0.8%	Up
	SJC 2003	Lloyd's	Yes	0	0	0	0	0	1,173,000	0	0	1,173,000	1.0%	1.0%	Unchanged
	PEM 4000	Lloyd's	Yes	0	0	0	731,250	0	0	320,000	0	1,051,250	0.9%	0.8%	Up
	AML 2001	Lloyd's	Yes	0	0	0	343,750	420,000	0	164,000	0	927,750	0.8%	0.8%	Down
➡	CRC (Bermuda) Reinsurance Ltd.	Bermuda	No	0	0	225,000	500,000	0	0	0	0	725,000	0.6%	0.9%	Down
	Arch	Canada	Yes	0	0	600,000	0	0	0	0	0	600,000	0.5%	0.7%	Down
	TOA Re.	Canada	Yes	0	0	225,000	375,000	0	0	0	0	600,000	0.5%	0.4%	Up
	ARK 4020	Lloyd's	Yes	0	0	0	343,750	0	0	0	0	343,750	0.3%	n/a	Down
	SAM 727	Lloyd's	Yes	0	0	187,500	0	0	0	0	0	187,500	0.2%	0.2%	Down
Maximum Exposure Any One Claim				975,000	4,000,000	7,500,000	12,500,000	10,000,000	30,000,000	20,000,000	30,000,000	114,975,000			
Proportional Reinsurance:															
	London			0	0	2,250,000	5,750,000	4,800,000	16,500,000	2,200,000	15,000,000	46,500,000	40.4%	42.5%	Down
	Canada			0	0	1,650,000	2,750,000	3,700,000	13,500,000	5,000,000	15,000,000	41,600,000	36.2%	35.2%	Up
	Bermuda			0	0	225,000	500,000	0	0	12,800,000	0	13,525,000	11.8%	12.0%	Down
	Total			0	0	4,125,000	9,000,000	8,500,000	30,000,000	20,000,000	30,000,000	101,625,000	88.4%	89.7%	Down
CLLAS Proportional Retention				975,000	4,000,000	3,375,000	3,500,000	1,500,000	0	0	0	13,350,000	11.6%	10.3%	Up
➡	Colchester Aggregate											0	0.0%	0.0%	Zero
CLLAS Net Retention												13,350,000	11.6%	10.3%	Up

CLLAS Combined Reinsurance & Commercial Layers

Appendix H

Reinsurers by % of Single Claim Exposure
CURRENT YEAR (2009/2010) - CONSOLIDATED

				LAYERS																		US\$30MM* (\$31.5MM)	TOTAL	Percent of Total
				\$.975MM XS	\$4MM XS	\$7.5MM XS	\$12.5MM XS	\$10MM XS	\$15MM XS	\$10MM XS	\$5MM XS	\$15MM XS	\$20MM XS	\$20MM XS	\$10MM XS	\$5MM XS	\$5MM XS	\$30/60MM XS	\$20MM XS	\$10-30MM XS				
Watch	Name	Jurisdiction	Reg'd?	\$.025MM	\$1MM	\$5MM	\$12.5MM	\$25MM	\$35MM	\$50MM	\$60MM	\$65MM	\$80MM	\$100MM	\$120MM	\$130MM	\$135MM	\$50MM	\$140MM	\$160MM				
➡	Underwriters at Lloyd's	London	Yes	0	0	1,687,500	2,775,000	4,000,000	0	0	0	0	0	0	0	0	0	0	16,500,000	2,200,000	15,000,000	0	42,162,500	16.8%
➡	Swiss Re	Canada	Yes	0	0	0	0	2,500,000	0	0	0	0	0	0	0	0	0	0	10,500,000	5,000,000	7,500,000	0	25,500,000	10.1%
	Travelers Guarantee Company of Canada (PF)	Canada	Yes	0	0	0	0	0	0	10,000,000	0	0	0	0	10,000,000	0	0	0	0	0	0	0	20,000,000	8.0%
➡	Lexington Insurance Company (PF)**	US	No	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	18,900,000	18,900,000	7.5%
	Liberty	Combined	Yes	0	0	0	0	0	9,900,000	0	0	0	5,000,000	0	0	0	0	0	1,173,000	800,000	1,185,000	0	18,058,000	7.2%
➡	GCAN	Combined	Yes	0	0	0	0	0	0	5,000,000	0	0	0	0	0	0	5,000,000	0	0	7,500,000	0	17,500,000	7.0%	
➡	ACE INA Insurance (PF)	Canada	Yes	0	0	0	0	0	5,100,000	0	0	0	0	10,000,000	0	0	0	0	0	0	0	0	15,100,000	6.0%
➡	Chartis Insurance Company of Canada (PF)	Canada	Yes	0	0	0	0	0	0	0	0	15,000,000	0	0	0	0	0	0	0	0	0	0	15,000,000	6.0%
	Chubb Insurance Company (PF)	Canada	Yes	0	0	0	0	0	0	0	0	0	15,000,000	0	0	0	0	0	0	0	0	0	15,000,000	6.0%
	Liberty International Canada (PF)	Canada	Yes	0	0	0	0	0	9,900,000	0	0	0	5,000,000	0	0	0	0	0	0	0	0	0	14,900,000	5.9%
➡	AWAC	Bermuda	No	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12,800,000	0	0	12,800,000	5.1%
➡	BRT 2987	Lloyd's	Yes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7,803,000	0	4,935,000	0	12,738,000	5.1%	
	Interstate Fire & Casualty Insurance Co. (PF)**	US	No	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12,600,000	12,600,000	5.0%	
	ENCON (PF)	Canada	Yes	0	0	0	0	0	0	0	0	0	0	10,000,000	0	0	0	0	0	0	0	0	10,000,000	4.0%
➡	GCAN Insurance Company (PF)	Canada	Yes	0	0	0	0	0	0	5,000,000	0	0	0	0	0	0	5,000,000	0	0	0	0	0	10,000,000	4.0%
	MKM 2468	Lloyd's	Yes	0	0	0	625,000	1,500,000	0	0	0	0	0	0	0	0	0	0	0	5,916,000	0	8,041,000	3.2%	
	GCAN Insurance Company	Canada	Yes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7,500,000	0	7,500,000	3.0%	
	Scor Re.	Canada	Yes	0	0	225,000	1,000,000	1,200,000	0	0	0	0	0	0	0	0	0	3,000,000	0	0	0	0	5,425,000	2.2%
	MKL 3000	Lloyd's	Yes	0	0	0	731,250	1,500,000	0	0	0	0	0	0	0	0	0	1,173,000	0	1,977,000	0	5,381,250	2.1%	
	Lombard Insurance Company (PF)	Canada	Yes	0	0	0	0	0	0	0	0	0	0	0	0	5,000,000	0	0	0	0	0	0	5,000,000	2.0%
	HIS 33	Lloyd's	Yes	0	0	0	0	580,000	0	0	0	0	0	0	0	0	0	2,595,000	916,000	0	0	0	4,091,000	1.6%
	LIB 4472	Lloyd's	Yes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,173,000	800,000	1,185,000	0	3,158,000	1.3%	
	AFB 623/2623	Lloyd's	Yes	0	0	1,500,000	0	0	0	0	0	0	0	0	0	0	0	1,173,000	0	0	0	0	2,673,000	1.1%
	FDY 435	Lloyd's	Yes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,410,000	0	987,000	0	2,397,000	1.0%	
	Aspen Re	London	Yes	0	0	562,500	937,500	800,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,300,000	0.9%
➡	Hannover Ruck	London	Yes	0	0	0	2,037,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,037,500	0.8%
➡	Transatlantic Reinsurance Company	Canada	Yes	0	0	600,000	1,375,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,975,000	0.8%
	SJC 2003	Lloyd's	Yes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,173,000	0	0	0	0	1,173,000	0.5%
	PEM 4000	Lloyd's	Yes	0	0	0	731,250	0	0	0	0	0	0	0	0	0	0	0	0	320,000	0	0	1,051,250	0.4%
	AML 2001	Lloyd's	Yes	0	0	0	343,750	420,000	0	0	0	0	0	0	0	0	0	0	0	164,000	0	0	927,750	0.4%
➡	CRC (Bermuda) Reinsurance Ltd.	Bermuda	No	0	0	225,000	500,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	725,000	0.3%
	Arch	Canada	Yes	0	0	600,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	600,000	0.2%
	TOA Re.	Canada	Yes	0	0	225,000	375,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	600,000	0.2%
	ARK 4020	Lloyd's	Yes	0	0	0	343,750	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	343,750	0.1%
	SAM 727	Lloyd's	Yes	0	0	187,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	187,500	0.1%

Maximum Exposure Any One Claim	975,000	4,000,000	7,500,000	12,500,000	10,000,000	15,000,000	10,000,000	5,000,000	15,000,000	20,000,000	20,000,000	10,000,000	5,000,000	5,000,000	30,000,000	20,000,000	30,000,000	31,500,000	251,475,000	
Proportional Reinsurance:																				
London	0	0	2,250,000	5,750,000	4,800,000	0	0	0	0	0	0	0	0	0	16,500,000	2,200,000	15,000,000	0	46,500,000	18.5%
Canada	0	0	1,650,000	2,750,000	3,700,000	15,000,000	10,000,000	5,000,000	15,000,000	20,000,000	20,000,000	10,000,000	5,000,000	5,000,000	13,500,000	5,000,000	15,000,000	0	146,600,000	58.3%
US	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	31,500,000	31,500,000	12.5%
Bermuda	0	0	225,000	500,000	0	0	0	0	0	0	0	0	0	0	0	12,800,000	0	0	13,525,000	5.4%
Total	0	0	4,125,000	9,000,000	8,500,000	15,000,000	10,000,000	5,000,000	15,000,000	20,000,000	20,000,000	10,000,000	5,000,000	5,000,000	30,000,000	20,000,000	30,000,000	31,500,000	238,125,000	94.7%
CLLAS Proportional Retention	975,000	4,000,000	3,375,000	3,500,000	1,500,000	0	0	0	0	0	0	0	0	0	0	0	0	0	13,350,000	5.3%
➡ Colchester Aggregate																			0	0.0%
CLLAS Net Retention																			13,350,000	5.3%

* Using exchange rate of CAD\$1.05 to US\$1.00 for comparison purposes
** These insurers support only the CLLAS International Program, and therefore affect only 6 firms

Appendix I

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

ACTUARIAL PROJECTION OF 2010/2011 TREATY YEAR LOSS COSTS

Prepared by Julie-Linda Laforce, F.C.I.A., F.C.A.S.

May 14, 2010

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SECTION I - INTRODUCTION AND SCOPE

INTRODUCTION

The purpose of this report is to provide updated claims information to management and underwriters of reinsurance for the Canadian Lawyers Liability Assurance Society ("CLLAS").

This report summarizes the analysis by Dion, Durrell + Associates Inc. ("DD+A") of the reported claims information as at December 31st, 2009. It also provides an estimate of the ultimate settlement value of ground-up claims for the prospective treaty year starting July 1st, 2010 and its allocation as loss costs by layer of coverage provided by CLLAS.

This report is strictly for the use of CLLAS, its advisors, and underwriters of reinsurance in the context of their work for CLLAS. Any other use or disclosure should be discussed first with Dion, Durrell + Associates Inc. If our report is distributed further, the report must be distributed in its entirety.

Any questions regarding this report should be addressed to Ms. Julie-Linda Laforce, the author of this report. Ms. Laforce's contact information is as follows:

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SCOPE

This report provides an assessment of the estimated ultimate settlement value of the claims incurred by the current CLLAS subscribers as at December 31st, 2009 as well as an estimate of the projected ultimate value of claims to be incurred and/or reported during the prospective reinsurance coverage period of July 1st, 2010 to June 30th, 2011.

The estimates developed by DD+A for CLLAS are developed on a basis gross of all applicable reinsurance which is then layered by range of values and traditional layers of reinsurance purchased by CLLAS to provide an overall assessment of the potential ground-up cost of all claims incurred on or prior to December 31st, 2009 and claims expected for the prospective reinsurance coverage period of July 1st, 2010 to June 30th, 2011.

OPERATIONS

General

CLLAS was formed in 1986 and licensed as an insurer in 1987 with the first policies issued with an effective date of July 1, 1987. CLLAS provides professional liability insurance to subscribing law firms in excess of the compulsory coverage provided by the various law societies. Since inception, coverage provided by CLLAS has been on a claims made basis. For the first policy term (i.e. July 1, 1987 to June 30, 1988), coverage was in excess of \$600,000. Coverage in subsequent policy terms is in excess of \$1,000,000 (for lawyers practicing in Québec, coverage is in excess of \$5,000,000 for policy year up to and including 2002/2003 and \$10,000,000 thereafter).

A summary of the coverage provided by CLLAS is set out below:

Table 1.0 CLLAS Historical Coverage Summary	
Coverage Period	Coverage Provided (in million \$)
July 1, 1987 to June 30, 1988	\$24.4 excess of \$0.6
July 1, 1988 to June 30, 1989 to July 1, 1989 to June 30, 1990	\$24.0 excess of \$1.0
July 1, 1990 to June 30, 1991	\$24.0 excess of \$1.0* plus \$25.0 excess of \$50.0
July 1, 1991 to June 30, 1992 to July 1, 1996 to June 30, 1997	\$34.0 excess of \$1.0* plus \$25.0 excess of a minimum of \$50.0
July 1, 1997 to June 30, 1998	\$34.0 excess of \$1.0* plus \$25.0 excess of a minimum of \$50.0 \$15.0 excess of \$120.0 (optional layer)
July 1, 1998 to June 30, 1999	\$34.0 excess of \$1.0* plus \$30.0 excess of a minimum of \$50.0 \$20.0 excess of \$130.0 (optional layer)
July 1, 1999 to June 30, 2000 **	\$34.0 excess of \$1.0* plus \$30.0 excess of a minimum of \$50.0 \$20.0 excess of \$130.0 (optional layer)
July 1, 2000 to June 30, 2001 to July 1, 2002 to June 30, 2003 **	\$34.0 excess of \$1.0* plus \$30.0 excess of a minimum of \$50.0 \$20.0 excess of \$140.0 (optional layer)
July 1, 2003 to June 30, 2004 to July 1, 2005 to June 30, 2006 ***	\$34.0 excess of \$1.0* plus \$30.0 excess of a minimum of \$50.0 \$20.0 excess of \$140.0 (optional layer)
July 1, 2006 to June 30, 2007 to July 1, 2007 to June 30, 2008 ***	\$34.0 excess of \$1.0* plus \$30.0 excess of a minimum of \$50.0 \$20.0 excess of \$140.0 (optional layer 1) \$20.0 excess of \$160.0 (optional layer 2)
July 1, 2008 to June 30, 2009 to July 1, 2009 to June 30, 2010 ***	\$34.0 excess of \$1.0* plus \$30.0 excess of a minimum of \$50.0 \$20.0 excess of \$140.0 (optional layer 1) \$10.0/20.0/30.0 excess of \$160.0 (optional layer 2)

* The excess policies are endorsed to drop down to excess of \$250,000 (\$25,000 starting in 2008/2009) in certain instances

** For Québec, all CLLAS coverage is provided in excess of a \$5 million retention up to and including policy year 2002/2003

*** For Québec, for policy years 2003/2004 and after, CLLAS coverage is provided \$25 million in excess of a \$10 million retention

The umbrella layer of coverage (\$30 million excess of a minimum of \$50 million) is subject to an annual aggregate of \$60 million for all law firms combined. Coverage between the basic coverages described above (\$34 million excess of \$1 million) and the minimum attachment point of \$50 million of the umbrella layer is not provided by CLLAS, but left to individual subscribers to arrange.

As of July 1, 2008, CLLAS began offering an option of \$10 million excess of \$160 million, \$20 million excess of \$160 million or \$30 million excess of \$160 million in optional layer 2.

Reinsurance

The coverage provided by CLLAS is divided into layers with varying amounts of proportional reinsurance purchased in each layer. The size and the number of layers have varied over time. Effective July 1, 2002, CLLAS retains 100% of its losses in the layer \$4 million excess of \$1 million. In previous policy years the retained portion has been 50% in said layer. In addition, beginning July 1, 1989 reinsurance on the aggregate retention of CLLAS, after reflection of the proportional reinsurance, has been purchased from Colchester Reinsurance Limited ("Colchester"). Colchester is an unlicensed reinsurer which is domiciled in Barbados.

Membership/Management Changes

The number of insured lawyers has increased from approximately 1,479 to 4,803 (including patent and trademark agents and non-lawyer consultants) from 1988 to 2010. In addition to the 4,803 lawyers in 2010, 118 lawyers practicing in the US or the UK are covered by the optional layers, but are not covered by the shared umbrella layer. CLLAS has been managed by The Wyatt Company from its inception in 1987 up until late 1995 and by Dion, Durrell + Associates Inc. thereafter.

Claims Administration/Reserving

Based on discussions with CLLAS management, claims administration and reserving practices are generally consistent with prior years. CLLAS establishes its own claims reserves with consideration for the reserves set by the law societies which offer the underlying compulsory program and the circumstances of the individual claims. CLLAS' reserves are monitored on an ongoing basis and are reviewed and modified on a quarterly basis by the CLLAS Claims Committee as deemed appropriate.

Harmonized Sales Tax

Effective July 1, 2010, the Ontario Retail Sales Tax ("ORST") will be harmonized with the 5% federal Goods and Services Tax ("GST"), resulting in a federally administered 13% Ontario harmonized sales tax ("HST"), of which the Ontario portion will be 8%. Similar changes will take place in British Columbia. It is expected that all claims paid after July 1, 2010 will be affected by the HST. Since all claims relating to the 2010/2011 treaty year will be paid after July 1, 2010, we have considered the effect of this change on the expected loss costs. Based on CLLAS' experience, the expected impact of the HST will be approximately 0.77% of expected losses or approximately \$4,600 per claim based on a claim severity value of \$600,000 as selected in Exhibit 1. Given that the impact is not material, we have assumed the impact to be implicit in our claim severity selection of \$600,000.

CONDITIONS AND LIMITATIONS

For the purposes of our analysis, we were provided with data from CLLAS on the claims and exposures under the program. Although we have conducted a number of tests to ensure that the data provided were reasonable, we have relied on such data without formal audit or verification.

DD+A does not assume the responsibility for the result of any error or omission in the data or other materials furnished in the preparation of this report.

By its nature, the program is subject to statistical and other deviations in loss experience. As a result we cannot guarantee our projections of future loss experience as being the maximum extent of the exposure to loss for CLLAS.

Claims liabilities are estimates. The ultimate liabilities will depend upon future contingent, and by definition, uncertain events. Examples of such events include unanticipated changes in inflation, changes to the legal system and judgements establishing precedents.

It must be recognized that the future emergence of loss and loss adjustment expenses may deviate from our estimates by a significant margin. In estimating those liabilities, we have used procedures and assumptions which, in our view, are reasonable and appropriate and we believe the resulting estimates are reasonable given the information available.

SECTION II - ACTUARIAL ANALYSIS

This section describes the methodology and assumptions used by DD+A to estimate the ultimate settlement value of claims incurred by CLLAS for the treaty year ending June 30th, 2010 and the prospective treaty year starting July 1st, 2010.

This estimation of ultimate losses is based on the following information reviewed and analyzed by DD+A:

- The coverage provided by CLLAS currently and historically;
- The data collected by CLLAS regarding the underlying exposures; and
- The claims reported as of December 31, 2009 (the “Valuation Date”)

While the analysis uses claims reported as of December 31, 2009, it also reflects an adjustment to one large 2003 (2004-194) claim that has experienced significant adverse development during the first quarter of calendar year 2010. This large claim had an incurred value of \$35M as of March 31, 2010 (\$29.4M as of December 31, 2009) and a paid value of \$26.7M (\$25.9M as of December 31, 2009). The adjustment to the incurred and paid value of this claim is reflected in Exhibits 1 to 3.

The coverage provided by the program was described in Section I and Table 1.0 of this report.

The statistical information reviewed and analyzed for this report includes all claims reported at a ground-up level since the inception of the CLLAS program in 1987. Since inception, 1,330 claims have been reported on account of different treaty years with a total reported incurred ground-up value of \$269M as shown in Exhibit 1.

PROCESS

This claims information at the aggregate level by treaty year was used to estimate the ultimate losses for each of those years using a standard actuarial chain-ladder methodology on reported incurred and cumulative paid experience. The projection of ultimate losses is made in Exhibit 1. A summary of the historical claims experience by treaty year at different levels of claims maturity is also included in Exhibit 4 through 6 of this report.

The estimated ultimate losses for each historical treaty year include the following components:

- Cumulative paid losses and loss adjustment expenses recorded up to the Valuation Date (“Cumulative Paid Losses”)
- Current case reserves for indemnities and loss adjustment expenses recorded at the Valuation Date (“Current Case Reserves”)
- An estimated actuarial provision (“Actuarial Provision”) to cover the cost of adverse development on reported but unsettled claims, the costs associated with the re-opening of closed claims and the expected costs of late reported claims not yet recorded by the Valuation Date.

In this review the Actuarial Provision is established on a nominal value basis without consideration for prospective investment income likely to be generated between the Valuation Date and the settlement date of claims and without consideration for the internal unallocated claims administration expenses expected to be incurred by CLLAS to manage the settlement of claims. However, since the paid and incurred experience reported on each claim includes the cost of adjustment expenses incurred at the individual claim level, it does include a provision for the future allocated loss adjustment expenses incurred to settle individual claims.

Ultimate losses for the prospective treaty year were selected on a frequency and severity basis using indications derived from the ultimate historical losses. First the severity for each historical treaty year was adjusted to the level of the prospective treaty year at an 8% trend, compounded annually. The ultimate number of claims (non-zero) was similarly determined using a chain-ladder and trending approach. Because the indicated trend is negative, a trend of 0% was applied. Using the historical indications, as shown in Exhibit 1, the claim frequency and claim severity were selected to project the total expected losses for the prospective treaty year starting July 1st, 2010.

To determine the size-of-loss distribution, the underlying age-to-ultimate development factors applicable to each historical treaty year were applied to each open reported claim to develop them to their ultimate value and each claim was trended to its expected value as at January 1st, 2011, which represents the middle of the prospective treaty year.

Using all available years of trended and developed claims data prior to 2009 (omitted for credibility reasons) the empirical cumulative distribution function and aggregate size-of-loss distribution were derived.

The same claims data was also used to fit a theoretical distribution to the data. Careful attention was paid to the fit in the “tail” of the distribution where extreme and infrequent losses lie. The Inverse Gaussian distribution was ultimately selected for its better overall fit and conservative fit of larger losses.

Since claims data is abundant in lower layers, and increasingly sparse in higher layers, a credibility blend of the empirical and theoretical cumulative distribution functions was used. With 100% credibility given to the empirical distribution in the lowest layers and increasing credibility given to the theoretical distribution as data becomes thin in the higher layers. The resulting selected cumulative distribution function and size-of-loss distribution are found in Exhibit 2 – Sheet 1.

Using the selected distribution, the total expected losses for the prospective treaty year are split by CLLAS insured layer, those losses are then divided by the number of earned lawyers to determine the loss cost per lawyer.

RESULTS

As shown in Exhibit 1, the estimated aggregate ground-up experience over the last 5 treaty years is as follows:

Table 2.0
Estimated Ground-up Ultimate and Trended Losses per Treaty Year since 2005⁽¹⁾

Treaty Inception Year	Underlying Insured Lawyers	Reported Incurred Losses at 12/31/2009 (\$000's)	Estimated Ultimate and Trended Losses (\$000's)	Estimated Ultimate Claims	Estimated Ultimate and Trended Loss Cost per Lawyer
2005	4,770	\$4,800	\$8,272	39	\$1,734
2006	4,772	\$7,224	\$11,464	35	\$2,403
2007	4,784	\$8,774	\$23,829	35	\$4,981
2008	4,835	\$4,197	\$23,631	43	\$4,887
2009	2,402	\$1,131	\$25,236	43	\$10,508
2010	4,803	-	\$31,200	52	\$6,496

Data Source: Exhibit 1 – Columns [2], [3], [11], [14]

(1) 2009 is as of 6 months

The estimated ultimate frequency of claims in the prospective treaty year is equivalent to 1.08% of the lawyers insured resulting in 52 projected claims with an average estimated ultimate claim severity of \$600,000. The total estimated ultimate losses are therefore \$31,200,000.

As shown in Exhibit 2 – Sheet 1, the empirical, theoretical and selected segmentation of aggregate losses is as follows:

Table 2.1
Segmentation of aggregate ground-up losses by individual limit per claim

Limit of individual claims	Empirical Cumulative % of Historical Losses at the Limit or Below	Theoretical Cumulative % of Losses at the Limit or Below⁽¹⁾	Selected Cumulative % of Losses at the Limit or Below⁽²⁾
\$ 1,000,000	27.78%	25.88%	26.69%
\$ 5,000,000	52.37%	51.79%	51.29%
\$12,500,000	68.76%	70.50%	68.39%
\$25,000,000	81.91%	83.87%	81.88%
\$35,000,000	88.23%	89.25%	87.74%
\$50,000,000	95.68%	93.76%	93.16%

Data Source: Exhibit 2 – Sheet 1, Columns [8], [10] and [12]

(1) The theoretical loss distribution is the Inverse Gaussian distribution fitted to the observed historical values

(2) The selected loss distribution is based on the selected credibility weighting of the empirical and the theoretical distribution

As shown in Exhibit 2 – Sheet 2, the estimated prospective and current year aggregate losses are split by coverage layer using the selected distribution as follows:

Table 2.2
Estimated Loss Cost per Lawyer for current and prospective treaty year
Lawyers practicing in provinces other than Québec (not applicable to Québec lawyers)

Ground-up losses and loss costs by CLLAS layers	Prior Estimate of Undiscounted Loss Cost for Treaty Year Starting 07/01/2009	Prior Estimate of Discounted Loss Cost for Treaty Year Starting 07/01/2009	Prospective Estimate of Undiscounted Loss Cost of Treaty Year Starting 07/01/2010	Prospective Estimate of Discounted Loss Cost of Treaty Year Starting 07/01/2010 ⁽¹⁾
Ultimate ground-up losses	\$31,800,000	\$28,091,714	\$31,200,000	\$26,785,318
Ground-up loss cost per lawyer	\$6,646	\$5,871	\$6,496	\$5,577
First \$25,000	\$184	\$162	\$177	\$157
\$.975M XS \$.025M	\$1,699	\$1,501	\$1,557	\$1,381
\$4M XS \$1M	\$1,685	\$1,488	\$1,598	\$1,355
\$7.5M XS \$5M ⁽²⁾	\$1,153	\$1,019	\$1,111	\$942
\$12.5M XS \$12.5M ⁽²⁾	\$883	\$780	\$876	\$743
\$10M XS \$25M ⁽²⁾	\$385	\$340	\$380	\$323
\$20M XS \$140M (Optional CLLAS coverage)	\$7	\$6	\$13	\$11
\$10/20/30M XS \$160M (Optional CLLAS coverage)	\$5	\$4	\$9	\$8
\$30M XS Minimum \$50M (Umbrella)	\$13	\$12	\$20	\$17
Total cost of layers above \$1M	\$4,131	\$3,649	\$4,008	\$3,399
Annual increase in the total cost of layers above \$1M			-3.0%	-6.9%
Total cost of layers above \$5M	\$2,446	\$2,161	\$2,410	\$2,044
Annual increase in the total cost of layers above \$5M			-1.5%	-5.4%

(1) The estimated discounted loss costs for the prospective treaty year period assume an average discount rate of 2.9% compounded annually applied to the expected claims payment patterns shown in Exhibit 5. For layers below \$1M, the ground-up payout pattern is used and for layers above \$1M, the excess payout pattern is applied.

(2) Corresponding layers for lawyers practicing in Québec shown in Table 2.3

As noted in Table 1.0, Québec lawyers are subject to a \$10,000,000 deductible, which is therefore the attachment point for the layers noted in Table 2.2 above. Québec lawyers account for 18% (842 insured lawyers) of CLLAS' estimated exposure for the treaty year beginning July 1, 2010.

Loss costs per lawyer for lawyers practicing in Québec for the current treaty year ending June 30th, 2010 and the prospective treaty year starting July 1st, 2010 are shown below per Exhibit 2 – Sheet 3:

Table 2.3
Estimated Loss Cost per Lawyer for current and prospective treaty year
Lawyers practicing in Québec

Ground-up losses and loss costs by CLLAS layers	Prior Estimate of Undiscounted Loss Cost for Treaty Year Starting 07/01/2009	Prior Estimate of Discounted Loss Cost for Treaty Year Starting 07/01/2009	Prospective Estimate of Undiscounted Loss Cost of Treaty Year Starting 07/01/2010	Prospective Estimate of Discounted Loss Cost of Treaty Year Starting 07/01/2010 ⁽¹⁾
\$7.5M XS \$10M	\$723	\$639	\$712	\$604
\$12.5M XS \$17.5M	\$662	\$585	\$653	\$554
\$10M XS \$30M	\$314	\$277	\$306	\$260

(1) The estimated discounted loss costs for the prospective treaty year period assume an average discount rate of 2.9% compounded annually applied to the expected excess claims payment pattern shown in Exhibit 5.

The estimated loss costs shown in Tables 2.2 and 2.3 reflect purely the expected ultimate cost per lawyer to cover the nominal and discounted value of losses and loss adjustment expenses (excluding internal CLLAS loss adjustment expenses).

For the purpose of determining the ultimate rate to charge to each insured lawyer, the estimated loss costs would require additional margins to reflect operating expenses, investment income, cost of capital and taxes.

OBSERVATIONS

As per Table 2.2, the total estimated undiscounted loss costs (excess of \$1M) have decreased by approximately 3.0% between treaty years starting in 2009 and 2010. This minor decrease reflects mainly the continued decrease in frequency of claims over time and the experience in the period beginning January 1, 2009 and ending December 31, 2009. As illustrated in Exhibit 3, Column 6, the experience was as expected during 2009. The expected increase in incurred claims during the 2009 calendar year on prior treaty years was \$10.4 million compared to \$16 million in actual incurred losses over the same period. It is important to note that this increase is mainly due to a large adverse loss development of \$5.6M on one large 2003 claim that occurred in the first quarter of 2010, as described at the beginning of Section II of this report.

The more significant decrease of -6.9% in the discounted value of the estimated loss costs results from the selection of a longer payout pattern for claims excess of \$1M and hence a lower discount factor. This reflects the slower settlement of claims in upper layers. This differs from the approach used for the 2009/2010 treaty year where a single discount factor based on ground-up losses was used for both claims below and above \$1M.

EXHIBITS

**Canadian Lawyers Liability Assurance Society
Summary of Estimated Ground-Up Ultimate Losses**

Treaty Year	Exposed Lawyers	Reported Incurred Losses	Age to Ultimate Incurred LDF	Estimated Ultimate Incurred Losses	Cumulative Paid Losses	Age to Ultimate Paid LDF	Estimated Ultimate Paid Losses	Selected Ultimate Losses	Trend Factor	Ultimate and Trended Losses	Reported Non-Zero Claims	Age to Ultimate LDF	Estimated Ultimate Claims	Estimated Claims Frequency Per Lawyer	Estimated Ultimate and Trended Claims Severity
[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]
1987	1,479	\$255,751	1.000	\$255,751	\$255,751	1.000	\$255,751	\$255,751	5.871	\$1,501,635	24	1.000	24	0.0162	\$62,568
1988	1,807	\$1,673,300	1.000	\$1,673,300	\$1,673,300	1.000	\$1,673,300	\$1,673,300	5.437	\$9,096,964	37	1.000	37	0.0205	\$245,864
1989	2,078	\$2,655,706	1.000	\$2,655,706	\$2,655,706	1.000	\$2,655,706	\$2,655,706	5.034	\$13,368,380	62	1.000	62	0.0298	\$215,619
1990	2,352	\$6,059,360	1.000	\$6,059,360	\$6,059,360	1.000	\$6,059,360	\$6,059,360	4.661	\$28,242,418	86	1.000	86	0.0366	\$328,400
1991	2,400	\$14,078,492	1.000	\$14,078,492	\$14,078,492	1.000	\$14,078,492	\$14,078,492	4.316	\$60,738,561	90	1.000	90	0.0375	\$675,095
1992	2,433	\$5,491,955	1.000	\$5,491,955	\$5,491,955	1.000	\$5,491,955	\$5,491,955	3.996	\$21,945,957	99	1.000	99	0.0407	\$221,676
1993	2,507	\$38,055,290	1.000	\$38,055,290	\$37,347,251	1.000	\$37,347,251	\$38,055,290	3.700	\$140,805,260	131	1.000	131	0.0523	\$1,074,849
1994	2,514	\$17,620,456	1.000	\$17,620,456	\$17,348,113	1.000	\$17,348,113	\$17,620,456	3.426	\$60,366,673	88	1.000	88	0.0350	\$685,985
1995	2,525	\$10,202,417	1.000	\$10,202,417	\$10,097,586	1.000	\$10,097,586	\$10,202,417	3.172	\$32,363,793	53	1.000	53	0.0210	\$610,638
1996	2,594	\$1,936,471	1.000	\$1,936,471	\$1,936,471	1.001	\$1,938,137	\$1,937,304	2.937	\$5,690,237	52	1.000	52	0.0200	\$109,428
1997	2,640	\$4,327,707	1.000	\$4,327,707	\$4,095,129	1.004	\$4,111,707	\$4,327,707	2.720	\$11,769,735	49	1.000	49	0.0186	\$240,199
1998	2,838	\$25,915,765	1.000	\$25,915,765	\$25,099,986	1.007	\$25,279,075	\$25,915,765	2.518	\$65,260,305	55	1.000	55	0.0194	\$1,186,551
1999	3,229	\$13,361,825	1.003	\$13,396,542	\$13,119,207	1.015	\$13,316,168	\$13,361,825	2.332	\$31,154,953	41	1.000	41	0.0127	\$759,877
2000	4,008	\$6,798,187	1.013	\$6,887,723	\$4,122,667	1.038	\$4,278,045	\$6,798,187	2.159	\$14,676,776	43	1.000	43	0.0107	\$341,320
2001	4,242	\$28,259,756	1.027	\$29,033,245	\$25,340,881	1.074	\$27,203,669	\$28,259,756	1.999	\$56,491,383	53	1.000	53	0.0125	\$1,065,875
2002	4,523	\$14,627,672	1.063	\$15,542,504	\$10,100,191	1.155	\$11,669,966	\$14,627,672	1.851	\$27,074,800	60	1.000	60	0.0133	\$451,247
2003	4,719	\$44,323,224	1.108	\$45,325,755	\$34,372,383	1.283	\$36,548,243	\$44,323,224	1.714	\$75,962,217	63	1.000	63	0.0133	\$1,205,749
2004	4,743	\$7,557,682	1.188	\$8,979,570	\$4,140,240	1.365	\$5,651,275	\$7,557,682	1.587	\$11,993,092	48	1.000	48	0.0101	\$249,856
2005	4,770	\$4,799,693	1.320	\$6,333,327	\$3,031,870	1.625	\$4,926,705	\$5,630,016	1.469	\$8,272,341	39	1.000	39	0.0082	\$212,111
2006	4,772	\$7,224,395	1.598	\$11,544,443	\$2,102,173	2.525	\$5,308,698	\$8,426,570	1.360	\$11,464,256	36	0.985	35	0.0074	\$323,375
2007	4,784	\$8,774,138	2.219	\$19,471,839	\$3,689,150	4.675	\$17,248,048	\$18,915,891	1.260	\$23,828,575	37	0.947	35	0.0073	\$680,153
2008	4,835	\$4,196,949	4.368	\$18,331,697	\$954,320	27.291	\$26,043,898	\$20,259,748	1.166	\$23,630,970	49	0.883	43	0.0090	\$546,006
2009	2,402	\$1,131,284	8.609	\$9,739,057	\$101,435	633.391	\$64,247,987	\$23,366,290	1.080	\$25,235,593	35	1.214	43	0.0177	\$593,729
Total	75,192	\$269,327,477		\$312,858,373	\$227,213,617		\$342,779,135	\$319,800,366		\$760,954,876	1,330		1,329	0.0177	\$572,461
									Average All ⁽¹⁾	\$33,441,786			58	0.0205	\$571,759
									Average Last 15 ⁽¹⁾	\$30,666,674			51	0.0146	\$607,048
									Average Last 10 ⁽¹⁾	\$28,454,936			46	0.0105	\$617,558
									Average Last 5 ⁽¹⁾	\$15,837,847			40	0.0084	\$394,436
2010	4,803							\$31,200,000			52			0.0108	\$600,000

- Notes:**
- [1] Year of inception. Treaty runs from July 1, XX to June 30, XX+1. 2009 is a 6 months period.
- [2] Earned lawyers by treaty year. 2010 is based on 2009, annualized.
- [3] From Exhibit 4. One large claim (2004-194) claim is adjusted to reflect its March 31, 2010 value.
- [4] From Exhibit 4.
- [5] [3] x [4]. One large claim (2004-194) with an incurred value of \$35,000,000 is not developed.
- [6] From Exhibit 5. One large claim (2004-194) claim is adjusted to reflect its March 31, 2010 value.
- [7] From Exhibit 5.
- [8] [6] x [7]. One large claim (2004-194) with a paid value of \$26,681,519 is not developed.

[9] Selection of ultimate losses based on the average of [5] and [8] limited to a minimum value equivalent to the reported incurred losses. Except for Treaty Years 2007 to 2009 which use 75% of incurred ultimate [5] and 25% of paid ultimate [8].

[10] Trended at 8% per annum.

[11] [9] x [10].

[12] From Exhibit 6.

[13] From Exhibit 6.

[14] [12] x [13].

[15] [14] / [2].

[16] [11] / [14].

(1) Averages excluding the last year

Canadian Lawyers Liability Assurance Society
Selected Cumulative Loss Distribution
Treaty Year 2010/2011

Exhibit 2
Sheet 1

Upper Value of the Ground-up Range	Cumulative Recorded Losses [2]	Cumulative Recorded Claims [3]	Empirical Cumulative Distribution Function [4]	Cumulative Losses Below the Upper Range [5]	Losses Recorded by Range [6]	Empirical Density of Losses by Range [7]	Empirical Cumulative Size of Loss Distribution [8]	Estimated Cumulative Distribution Function [9]	Estimated Cumulative Size of Loss Distribution [10]	Selected Cumulative Distribution Function [11]	Selected Cumulative Size of Loss Distribution [12]	Selected Density of Losses by Range [13]
25,000	\$5,338,982	674	52.05%	\$20,863,982	\$20,863,982	2.81%	2.81%	43.44%	2.96%	51.62%	7.73%	2.73%
250,000	\$39,295,927	1,059	81.78%	\$98,295,927	\$77,431,944	10.44%	13.25%	81.97%	12.71%	81.79%	12.77%	10.05%
1,000,000	\$108,076,146	1,197	92.43%	\$206,076,146	\$107,780,220	14.53%	27.78%	92.03%	25.88%	92.41%	26.69%	13.91%
5,000,000	\$253,458,595	1,268	97.92%	\$388,458,595	\$182,382,449	24.59%	52.37%	97.48%	51.79%	97.81%	51.29%	24.60%
10,000,000	\$352,140,228	1,282	99.00%	\$482,140,228	\$93,681,633	12.63%	65.01%	98.66%	65.89%	98.91%	64.14%	12.86%
12,500,000	\$385,008,372	1,285	99.23%	\$510,008,372	\$27,868,144	3.76%	68.76%	98.94%	70.50%	99.08%	68.39%	4.25%
17,500,000	\$417,613,912	1,287	99.38%	\$557,613,912	\$47,605,540	6.42%	75.18%	99.28%	77.26%	99.33%	75.10%	6.71%
25,000,000	\$457,552,868	1,289	99.54%	\$607,552,868	\$49,938,956	6.73%	81.91%	99.55%	83.87%	99.54%	81.88%	6.78%
30,000,000	\$483,037,723	1,290	99.61%	\$633,037,723	\$25,484,855	3.44%	85.35%	99.66%	86.90%	99.65%	85.16%	3.27%
35,000,000	\$514,401,949	1,291	99.69%	\$654,401,949	\$21,364,225	2.88%	88.23%	99.73%	89.25%	99.72%	87.74%	2.58%
40,000,000	\$514,401,949	1,291	99.69%	\$674,401,949	\$20,000,000	2.70%	90.93%	99.79%	91.09%	99.76%	89.87%	2.13%
50,000,000	\$559,681,308	1,292	99.77%	\$709,681,308	\$35,279,359	4.76%	95.68%	99.86%	93.76%	99.84%	93.16%	3.29%
60,000,000	\$618,522,083	1,293	99.85%	\$738,522,083	\$28,840,775	3.89%	99.57%	99.91%	95.53%	99.91%	95.18%	2.02%
80,000,000	\$741,692,712	1,295	100.00%	\$741,692,712	\$3,170,629	0.43%	100.00%	99.95%	97.61%	99.95%	97.42%	2.25%
90,000,000	\$741,692,712	1,295	100.00%	\$741,692,712	\$0	0.00%	100.00%	99.97%	98.23%	99.97%	98.09%	0.66%
100,000,000	\$741,692,712	1,295	100.00%	\$741,692,712	\$0	0.00%	100.00%	99.98%	98.67%	99.98%	98.57%	0.48%
110,000,000	\$741,692,712	1,295	100.00%	\$741,692,712	\$0	0.00%	100.00%	99.98%	99.00%	99.98%	98.92%	0.35%
120,000,000	\$741,692,712	1,295	100.00%	\$741,692,712	\$0	0.00%	100.00%	99.99%	99.24%	99.99%	99.18%	0.26%
130,000,000	\$741,692,712	1,295	100.00%	\$741,692,712	\$0	0.00%	100.00%	99.99%	99.42%	99.99%	99.38%	0.19%
140,000,000	\$741,692,712	1,295	100.00%	\$741,692,712	\$0	0.00%	100.00%	99.99%	99.56%	99.99%	99.52%	0.15%
150,000,000	\$741,692,712	1,295	100.00%	\$741,692,712	\$0	0.00%	100.00%	99.99%	99.66%	99.99%	99.63%	0.11%
160,000,000	\$741,692,712	1,295	100.00%	\$741,692,712	\$0	0.00%	100.00%	100.00%	99.74%	100.00%	99.72%	0.08%
170,000,000	\$741,692,712	1,295	100.00%	\$741,692,712	\$0	0.00%	100.00%	100.00%	99.80%	100.00%	99.78%	0.06%
180,000,000	\$741,692,712	1,295	100.00%	\$741,692,712	\$0	0.00%	100.00%	100.00%	99.84%	100.00%	99.83%	0.05%
190,000,000	\$741,692,712	1,295	100.00%	\$741,692,712	\$0	0.00%	100.00%	100.00%	99.88%	100.00%	99.87%	0.04%
210,000,000	\$741,692,712	1,295	100.00%	\$741,692,712	\$0	0.00%	100.00%	100.00%	99.92%	100.00%	99.92%	0.05%
220,000,000	\$741,692,712	1,295	100.00%	\$741,692,712	\$0	0.00%	100.00%	100.00%	99.94%	100.00%	99.94%	0.02%

Notes :

- [1] Upper bound.
[2] Total ultimate and trended losses at or below the upper value of the range.
[3] Closed claims are not developed. Excludes latest treaty year.
[4] Number of non-zero claims at or below the upper value of the range.
[5] Cumulative distribution function (CDF) based on empirical data.
[6] Total losses at or below the upper value of the range.
[7] Incremental value of losses in range (at or below the upper value of the range and above the prior upper bound).
[8] [6] as a % of total losses of \$741,692,712.
[9] Cumulative value of [7]. Represents the percentage of losses at or below the upper value of the range.
[10] Cumulative distribution function (CDF) based on fitted distribution.
[11] Size-of-loss distribution (fitted).
[12] Represents the percentage of losses at or below the upper value of the range.
[13] Incremental % of losses in range (at or below the upper value of the range and above the prior upper bound) (selected distribution).

(1) Compiled from individual claims (excluding 2009) reported at December 31st, 2009 developed to their ultimate value and trended to their estimated value at 01/01/2011.
(2) Estimated from the Generalized Aggregate distribution assuming a Poisson distribution for the frequency of claims and an Inverse Gaussian Inferred distribution for the severity of claims.

Canadian Lawyers Liability Assurance Society
Summary of Undiscounted Loss Costs by Layer of Coverage
Lawyers Practicing in Provinces other than Québec

Exhibit 2
Sheet 2

Range of Losses [1]	Excess Layers [2]	Lawyers Distribution [3]	Treaty Year		Prospective		Prospective	
			Ending	Estimated	Ending	Estimated	Ending	Estimated
			06/30/2010	06/30/2010	06/30/2010	06/30/2010	06/30/2010	06/30/2010
			Ultimate	Undiscounted	Ultimate	Undiscounted	Ultimate	Undiscounted
			Losses	Loss Cost	Losses	Loss Cost	Losses	Loss Cost
			[4]	[5]	[6]	[7]		
				Per Lawyer		Per Lawyer		
Up to \$25,000	\$025M Excess \$0		\$878,549	\$184	\$850,201	\$177		
From \$25,000 to \$1,000,000	\$975M Excess \$025M		\$8,131,660	\$1,699	\$7,476,018	\$1,557		
From \$1,000,000 to \$5,000,000	\$4M Excess \$1M		\$8,060,897	\$1,685	\$7,674,834	\$1,598		
From \$5,000,000 to \$12,500,000	\$7.5M Excess \$5M		\$5,518,942	\$1,153	\$5,336,954	\$1,111		
From \$12,500,000 to \$25,000,000	\$12.5M Excess \$12.5M		\$4,224,523	\$883	\$4,209,234	\$876		
From \$25,000,000 to \$35,000,000	\$10M Excess \$25M		\$1,842,721	\$385	\$1,826,915	\$380		
Sub-Total				\$4,106		\$3,966		
From \$50,000,000 to \$80,000,000	\$30M Excess \$50M	0.0%	\$1,031,854		\$1,329,900			
From \$80,000,000 to \$90,000,000	\$30M Excess \$60M	4.1%	\$667,099		\$907,347			
From \$90,000,000 to \$110,000,000	\$30M Excess \$80M	5.9%	\$318,676		\$466,711			
From \$120,000,000 to \$150,000,000	\$30M Excess \$120M	4.3%	\$83,370		\$140,914			
From \$160,000,000 to \$190,000,000	\$30M Excess \$160M	28.2%	\$24,240		\$47,131			
From \$180,000,000 to \$210,000,000	\$30M Excess \$180M	13.0%	\$13,407		\$27,937			
From \$190,000,000 to \$220,000,000	\$30M Excess \$190M	44.6%	\$10,019	\$13	\$21,612	\$20		
Blended	Excess Umbrella (\$30M Excess Min \$50M)	100.0%	\$62,295		\$96,808			
From \$140,000,000 to \$160,000,000	\$20M Excess \$140M		\$33,931	\$7	\$60,717	\$13		
From \$160,000,000 to \$170,000,000	\$10M Excess \$160M	0.0%	\$10,584		\$20,006			
From \$170,000,000 to \$180,000,000	\$20M Excess \$160M	23.1%	\$18,419		\$35,338			
From \$180,000,000 to \$190,000,000	\$30M Excess \$160M	76.9%	\$24,240		\$47,131			
Blended	\$10/\$20/\$30M Excess \$160M	100.0%	\$22,909	\$5	\$44,406	\$9		
Total CLLAS coverage above \$1M				\$4,131		\$4,008		
Total estimated ground-up ultimate losses for the treaty year:			\$31,800,000	\$6,646	\$31,200,000	\$6,496		
Total estimated number of lawyers exposed:			4,785		4,803			
Total estimated ultimate losses above \$1M:			\$22,789,791		\$22,873,781			

Notes:

[1] Range of losses corresponding to [2].

[2] Excess layer ID.

[3] Percentage of lawyers currently purchasing corresponding optional excess layer.

[4] From prior year analysis.

[5] From prior year analysis.

[6] Total estimate of ground-up ultimate losses from Exhibit 1, Column [11].

[7] multiplied by density of losses in range from Exhibit 2, Sheet 1.

[6] / total number of lawyers.

Canadian Lawyers Liability Assurance Society
Summary of Undiscounted Loss Costs by Layer of Coverage
Lawyers Practicing in Québec

Exhibit 2
Sheet 3

Range of Losses [1]	Excess Layers [2]	Lawyers Distribution [3]	Treaty Year Ending 06/30/2010 Estimated Undiscounted Ultimate Losses [4]	Treaty Year Ending 06/30/2010 Estimated Undiscounted Ultimate Loss Cost Per Lawyer [5]	Prospective Treaty Year Ending 06/30/2011 Estimated Undiscounted Ultimate Losses [6]	Prospective Treaty Year Ending 06/30/2011 Estimated Undiscounted Ultimate Loss Cost Per Lawyer [7]
From \$10,000,000 to \$17,500,000	\$7.5M Excess \$10M		\$3,460,041	\$723	\$3,419,148	\$712
From \$17,500,000 to \$30,000,000	\$12.5M Excess \$17.5M		\$3,166,514	\$662	\$3,137,611	\$653
From \$30,000,000 to \$40,000,000	\$10M Excess \$30M		\$1,500,442	\$314	\$1,471,168	\$306
Sub-Total				\$1,698		\$1,671
From \$50,000,000 to \$80,000,000	\$30M Excess \$50M	0.0%	\$1,031,854		\$1,329,900	
From \$80,000,000 to \$90,000,000	\$30M Excess \$60M	4.1%	\$667,099		\$907,347	
From \$90,000,000 to \$110,000,000	\$30M Excess \$80M	5.9%	\$318,676		\$466,711	
From \$120,000,000 to \$150,000,000	\$30M Excess \$120M	4.3%	\$83,370		\$140,914	
From \$160,000,000 to \$190,000,000	\$30M Excess \$160M	28.2%	\$24,240		\$47,131	
From \$180,000,000 to \$210,000,000	\$30M Excess \$180M	13.0%	\$13,407		\$27,937	
From \$190,000,000 to \$220,000,000	\$30M Excess \$190M	44.6%	\$10,019	\$13	\$21,612	\$20
Blended	Excess Umbrella (\$30M Excess Min \$50M)	100.0%	\$62,295		\$96,808	
From \$140,000,000 to \$160,000,000	\$20M Excess \$140M		\$35,931	\$7	\$60,717	\$13
From \$160,000,000 to \$170,000,000	\$10M Excess \$160M	0.0%	\$10,584		\$20,006	
From \$170,000,000 to \$180,000,000	\$20M Excess \$160M	23.1%	\$18,419		\$35,338	
From \$180,000,000 to \$190,000,000	\$30M Excess \$160M	76.9%	\$24,240		\$47,131	
Blended	\$10/\$20/\$30M Excess \$160M	100.0%	\$22,909	\$5	\$44,406	\$9
Total CLLAS coverage above \$10M				\$1,723		\$1,713
Total estimated ground-up ultimate losses for the treaty year:			\$31,800,000	\$6,646	\$31,200,000	\$6,496
Total estimated number of lawyers exposed:			4,785		4,803	
Total estimated ultimate losses above \$10M:			\$10,577,452		\$11,187,882	

Notes:

[1] Range of losses corresponding to [2].

[2] Excess layer ID.

[3] Percentage of lawyers currently purchasing corresponding optional excess layer.

[4] From prior year analysis.

[5] From prior year analysis.

[6] Total estimate of ground-up ultimate losses from Exhibit 1, Column [11].

[7] multiplied by density of losses in range from Exhibit 2, Sheet 1.

[6] / total number of lawyers.

Canadian Lawyers Liability Assurance Society
Comparison of Actual Development to Expected Development During 2009

Treaty Year	Actual Incurred Losses 12/08 [2]	Age to Age LDF [3]	Expected Incurred Losses 12/09 [4]	Actual Incurred Losses 12/09 [5]	Actual Less Expected [6]	Cumulative Paid Losses 12/08 [7]	Age to Age LDF [8]	Expected Paid Losses 12/09 [9]	Actual Paid Losses 12/09 [10]	Actual Less Expected [11]
1987	\$ 255,751	1.000	\$ 255,751	\$ 255,751	\$ -	\$ 255,751	1.000	\$ 255,751	\$ 255,751	\$ -
1988	\$ 1,673,300	1.000	\$ 1,673,300	\$ 1,673,300	\$ -	\$ 1,673,300	1.000	\$ 1,673,300	\$ 1,673,300	\$ -
1989	\$ 2,655,706	1.000	\$ 2,655,706	\$ 2,655,706	\$ -	\$ 2,655,706	1.000	\$ 2,655,706	\$ 2,655,706	\$ -
1990	\$ 6,059,360	1.000	\$ 6,059,360	\$ 6,059,360	\$ -	\$ 6,059,360	1.000	\$ 6,059,360	\$ 6,059,360	\$ -
1991	\$ 14,328,492	1.000	\$ 14,328,492	\$ 14,078,492	\$ (250,000)	\$ 14,328,492	1.000	\$ 14,328,492	\$ 14,078,492	\$ (250,000)
1992	\$ 5,491,955	1.000	\$ 5,491,955	\$ 5,491,955	\$ -	\$ 5,491,955	1.000	\$ 5,491,955	\$ 5,491,955	\$ -
1993	\$ 38,061,289	1.000	\$ 38,061,289	\$ 38,055,290	\$ (5,999)	\$ 37,347,250	1.000	\$ 37,347,250	\$ 37,347,251	\$ 1
1994	\$ 17,620,456	1.000	\$ 17,620,456	\$ 17,620,456	\$ -	\$ 17,348,113	1.000	\$ 17,348,113	\$ 17,348,113	\$ -
1995	\$ 10,202,417	1.000	\$ 10,202,417	\$ 10,202,417	\$ -	\$ 10,095,481	1.000	\$ 10,095,695	\$ 10,097,586	\$ (2,109)
1996	\$ 1,936,471	1.002	\$ 1,939,802	\$ 1,936,471	\$ (3,331)	\$ 1,936,471	1.006	\$ 1,948,429	\$ 1,936,471	\$ (11,957)
1997	\$ 4,378,140	1.003	\$ 4,392,403	\$ 4,327,707	\$ (64,696)	\$ 4,145,058	1.005	\$ 4,167,806	\$ 4,095,129	\$ (72,677)
1998	\$ 26,117,265	1.006	\$ 26,281,799	\$ 25,915,765	\$ (366,034)	\$ 25,059,847	1.007	\$ 25,238,768	\$ 25,099,986	\$ (138,782)
1999	\$ 13,361,826	1.011	\$ 13,505,563	\$ 13,361,825	\$ (143,737)	\$ 13,108,365	1.012	\$ 13,261,611	\$ 13,119,207	\$ (142,404)
2000	\$ 6,872,674	1.020	\$ 7,011,841	\$ 6,798,187	\$ (213,654)	\$ 4,096,401	1.026	\$ 4,202,700	\$ 4,122,667	\$ (80,033)
2001	\$ 28,973,685	1.019	\$ 29,510,134	\$ 28,259,756	\$ (1,250,377)	\$ 24,670,636	1.035	\$ 25,523,293	\$ 25,340,881	\$ (182,412)
2002	\$ 13,385,110	1.054	\$ 14,104,969	\$ 14,627,672	\$ 522,703	\$ 6,654,387	1.113	\$ 7,404,265	\$ 10,100,191	\$ 2,695,926
2003	\$ 35,258,056	1.099	\$ 36,080,556	\$ 44,323,224	\$ 8,242,668	\$ 30,806,582	1.106	\$ 31,536,186	\$ 34,372,383	\$ 2,836,197
2004	\$ 8,619,872	1.158	\$ 9,981,009	\$ 7,557,682	\$ (2,423,326)	\$ 4,057,042	1.183	\$ 4,801,273	\$ 4,140,240	\$ (661,033)
2005	\$ 5,998,325	1.221	\$ 7,324,957	\$ 4,799,693	\$ (2,525,264)	\$ 2,855,632	1.744	\$ 4,980,402	\$ 3,031,870	\$ (1,948,533)
2006	\$ 7,998,945	1.365	\$ 10,919,471	\$ 7,224,395	\$ (3,695,076)	\$ 986,269	2.771	\$ 2,732,960	\$ 2,102,173	\$ (630,787)
2007	\$ 2,523,046	1.718	\$ 4,333,471	\$ 8,774,138	\$ 4,440,667	\$ 480,089	3.819	\$ 1,833,288	\$ 3,689,150	\$ 1,855,862
2008	\$ 392,987	2.115	\$ 831,016	\$ 4,196,949	\$ 3,365,933	\$ 6,686	29.582	\$ 197,788	\$ 954,320	\$ 756,532
	\$ 252,165,127		\$ 262,565,716	\$ 268,196,193	\$ 5,630,476	\$ 214,118,875		\$ 223,088,391	\$ 227,112,182	\$ 4,023,791

[2] From prior year analysis.

[3] From prior year analysis.

[4] [2] x [3], 2003 adjusted for one large claim (2004-194).

[5] From Exhibit 1, Column [3].

[6] [5] - [4].

[7] From prior year analysis.

[8] From prior year analysis.

[9] [7] x [8].

[10] From Exhibit 1, Column [6].

[11] [10] - [9].

Policy Period	6	18	30	42	54	66	78	90	102	114	126	138	150	162	174	186	198	210	222	234	246	258	270
1987-2																							
1988-1							300	310	306	306	1,124	1,003	184	184	184	184	184	184	184	184	184	184	184
1988-2							1,126	1,124	1,124	1,124	1,124	1,003	1,128	1,128	1,128	1,128	1,128	1,128	1,128	1,128	1,128	1,128	1,128
1989-1						689	659	659	583	545	545	545	545	545	545	545	545	545	545	545	545	545	545
1989-2						822	934	934	934	934	934	934	934	934	934	934	934	934	934	934	934	934	934
1990-1							1,645	1,659	1,620	1,612	1,619	1,619	1,768	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722
1990-2						2,104	2,081	2,340	4,158	5,393	5,562	5,563	5,476	5,476	5,476	5,476	5,476	5,476	5,476	5,476	5,476	5,476	5,476
1991-1						2,751	2,710	2,127	633	556	720	713	725	729	584	584	584	584	584	584	584	584	584
1991-2						3,631	3,697	9,290	6,959	7,765	7,930	7,465	7,465	7,465	7,465	7,465	7,465	7,465	7,465	7,465	7,465	7,465	7,465
1992-1			6,283			8,147	7,603	7,646	8,041	6,999	6,987	6,820	6,633	6,613	6,613	6,613	6,613	6,613	6,613	6,613	6,613	6,613	6,613
1992-2			1,369			1,232	1,267	1,165	1,956	2,204	2,307	2,281	2,281	2,281	2,281	2,281	2,281	2,281	2,281	2,281	2,281	2,281	2,281
1993-1			2,495			2,142	3,140	3,358	3,544	3,466	3,281	3,269	3,211	3,211	3,211	3,211	3,211	3,211	3,211	3,211	3,211	3,211	3,211
1993-2			2,384			20,481	22,047	22,058	25,693	34,685	34,477	34,406	35,870	34,495	34,495	34,495	34,495	34,495	34,495	34,495	34,495	34,495	34,495
1994-1	1,808	4,295	5,714	4,644	4,517	4,693	4,928	4,937	4,922	4,538	8,645	8,642	8,582	8,582	8,582	8,582	8,582	8,582	8,582	8,582	8,582	8,582	8,582
1994-2	2,045	3,980	6,301	9,164	9,275	10,116	9,890	8,645	8,645	8,642	8,582	8,582	8,582	8,582	8,582	8,582	8,582	8,582	8,582	8,582	8,582	8,582	8,582
1995-1	968	1,845	7,306	8,955	9,266	8,964	8,972	8,778	8,769	8,769	8,769	8,769	8,769	8,769	8,769	8,769	8,769	8,769	8,769	8,769	8,769	8,769	8,769
1995-2						2,175	3,590	5,482	5,770	5,848	7,795	8,125	8,115	8,115	8,115	8,115	8,115	8,115	8,115	8,115	8,115	8,115	8,115
1996-1			1,269	2,813	2,472	2,135	2,372	2,921	2,859	2,111	2,054	2,080	2,147	2,147	2,147	2,147	2,147	2,147	2,147	2,147	2,147	2,147	2,147
1996-2			1,122	1,455	2,445	2,583	1,790	1,939	1,783	1,850	1,884	1,737	1,666	1,666	1,666	1,666	1,666	1,666	1,666	1,666	1,666	1,666	1,666
1997-1	183	707	488	398	2,686	3,213	3,262	2,673	2,872	2,737	2,235	2,242	2,192										
1997-2	872	326	311	2,601	2,081	2,081	2,103	2,108	2,108	2,199	2,201	2,136											
1998-1							24,236	24,492	24,423	24,708	24,708	24,708	24,506										
1998-2	483	253	327	1,151	2,881	2,436	2,492	24,423	24,273	24,708	24,708	24,708	24,506										
1999-1	1,106	2,601	3,096	2,820	2,806	2,725	1,968	1,418	1,418	1,418	1,418	1,409											
1999-2	369	1,369	2,182	2,277	2,207	9,095	8,802	10,492	10,487	10,703	10,703	10,703											
2000-1	1,149	1,315	2,153	2,428	3,050	2,914	2,988	2,663	2,659	2,659	2,659	2,659											
2000-2	389	2,041	2,695	2,339	2,418	2,330	2,645	2,670	2,665	2,572													
2001-1	1,538	2,593	3,167	4,059	3,875	3,742	3,718	4,218	4,223														
2001-2	2,300	5,034	10,302	12,385	22,502	22,371	22,371	22,369	22,365														
2002-1	1,175	4,588	4,618	5,239	7,069	6,605	6,605	5,895															
2002-2	758	1,826	1,954	1,954	1,973	1,911	1,687	2,947															
2003-1	2,801	3,633	3,671	6,612	10,336	11,636	13,053																
2003-2	1,360	3,258	4,399	4,239	4,278	4,234	4,137																
2004-1	292	2,835	28,829	30,115	29,999	32,142																	
2004-2	3,096	3,716	4,745	4,726	4,601	4,601																	
2005-1	4,879	4,912	4,158	4,464	4,074																		
2005-2	3,252	3,195	2,458	3,748	3,502																		
2006-1	1,383	1,391	2,239	1,631																			
2006-2	3,233	5,097	5,605	5,208																			
2007-1	652	1,847	2,328																				
2007-2	1,265	1,504	4,009																				
2008-1																							
2008-2	393	907																					
2009-2	1,131																						

Policy Period	6	18	30	42	54	66	78	90	102	114	126	138	150	162	174	186	198	210	222	234	246	258	270
1987-2																							
1988-1							164	164	171	171	184	184	184	184	184	184	184	184	184	184	184	184	184
1988-2							2,003	1,003	1,003	1,003	1,003	1,003	1,003	1,003	1,128	1,128	1,128	1,128	1,128	1,128	1,128	1,128	1,128
1989-1					258		285	285	285	285	545	545	545	545	545	545	545	545	545	545	545	545	545
1989-2					742		934	934	934	934	934	934	934	934	934	934	934	934	934	934	934	934	934
1990-1					880		1,069	1,146	1,196	1,619	1,619	1,619	1,635	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722
1990-2					664		704	1,082	2,861	4,628	5,450	5,459	5,459	5,476	5,476	5,476	5,476	5,476	5,476	5,476	5,476	5,476	5,476
1991-1			283				329	340	353	369	424	430	583	584	584	584	584	584	584	584	584	584	584
1991-2			547				561	750	6,444	6,593	7,455	7,466	7,465	7,465	7,465	7,465	7,465	7,465	7,465	7,465	7,465	7,465	7,465
1992-1		1,415					1,775	4,334	4,371	4,634	4,463	4,558	6,612	6,613	6,613	6,613	6,613	6,613	6,613	6,613	6,613	6,613	6,613
1992-2			535				584	595	1,523	2,089	2,092	2,281	2,281	2,281	2,281	2,281	2,281	2,281	2,281	2,281	2,281	2,281	2,281
1993-1		767	1,007	1,000	1,052	1,701	1,743	1,917	1,920	3,193	3,196	3,211	3,211	3,211	3,211	3,211	3,211	3,211	3,211	3,211	3,211	3,211	3,211
1993-2		265	383	16,741	16,833	17,633	17,736	17,816	18,405	18,853	20,152	20,672	20,949	20,949	34,495	34,495	34,495	34,495	34,495	34,495	34,495	34,495	34,495
1994-1	60	669	1,645	1,757	1,994	2,535	2,608	2,694	2,715	2,817	2,852	2,852	2,852	2,852	2,852	2,852	2,852	2,852	2,852	2,852	2,852	2,852	2,852
1994-2	98	327	1,935	5,628	6,324	6,487	8,538	8,574	8,582	8,582	8,582	8,582	8,582	8,582	8,582	8,582	8,582	8,582	8,582	8,582	8,582	8,582	8,582
1995-1	37	371	705	7,090	7,342	8,242	8,457	8,498	8,541	8,664	8,728	8,766	8,766	8,766	8,766	8,766	8,766	8,766	8,766	8,766	8,766	8,766	8,766
1995-2	5	293	2,676	3,617	4,742	7,987	7,987	7,979	7,979	7,979	7,979	7,979	7,979	7,979	7,979	7,979	7,979	7,979	7,979	7,979	7,979	7,979	7,979
1996-1	6	190	750	838	1,103	1,498	1,770	1,954	2,020	2,036	2,060	2,107	2,107	2,107	2,107	2,107	2,107	2,107	2,107	2,107	2,107	2,107	2,107
1996-2	40	75	88	132	141	148	130	142	129	16													

Policy Period	Age-to-Age Factors																							To Ult
	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	114 - 126	126 - 138	138 - 150	150 - 162	162 - 174	174 - 186	186 - 198	198 - 210	210 - 222	222 - 234	234 - 246	246 - 258	258 - 270		
1987-2								1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1988-1							1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1988-2							1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1989-1						0.941	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1989-2					1.045	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1990-1							1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1990-2							1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1991-1					0.964	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1991-2					0.975	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1992-1			0.944	1.000	1.020	0.981	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1992-2			1.000	1.000	1.029	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1993-1		0.985	0.970	0.983	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1993-2		1.000	1.017	0.984	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1994-1	1.786	0.987	1.000	1.000	0.986	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1994-2	1.298	1.000	0.984	1.000	0.983	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1995-1	1.000	0.814	0.914	0.969	0.935	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1995-2	1.625	0.885	0.957	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1996-1	1.028	0.865	1.000	0.969	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1996-2	0.893	0.880	0.818	1.000	1.000	0.944	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1997-1	0.865	1.051	0.879	1.276	1.027	0.921	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1997-2	1.077	0.714	0.900	2.556	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1998-1	0.783	1.111	1.400	0.929	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1998-2	1.167	0.929	2.077	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1999-1	4.286	1.067	0.938	0.967	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
1999-2	1.182	0.923	0.875	0.952	0.950	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2000-1	0.963	0.962	0.920	1.043	0.917	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2000-2	0.682	0.867	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2001-1	1.333	1.000	1.000	1.000	0.906	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2001-2	0.903	0.821	0.957	1.000	0.955	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2002-1	0.825	0.851	0.875	0.943	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2002-2	0.692	0.917	0.959	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2003-1	0.976	0.780	0.906	1.069	1.000	0.968	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2003-2	2.917	0.886	1.032	0.938	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2004-1	1.944	1.029	1.000	0.944	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2004-2	2.250	0.852	1.043	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2005-1	1.031	0.788	0.885	1.087	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2005-2	1.045	0.870	1.000	0.850	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2006-1	0.565	0.885	1.000		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2006-2	1.000	1.000	0.708		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2007-1	1.185	0.813			1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2007-2	1.364	1.067			1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2008-1	2.250				1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2008-2	1.214				1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2009-1					1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
2009-2					1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		

	Averages																							To Ult
	6 - 18	18 - 30	30 - 42	42 - 54	54 - 66	66 - 78	78 - 90	90 - 102	102 - 114	114 - 126	126 - 138	138 - 150	150 - 162	162 - 174	174 - 186	186 - 198	198 - 210	210 - 222	222 - 234	234 - 246	246 - 258	258 - 270		
Simple Avg																								
All Yrs	1.338	0.919	0.998	1.048	0.990	0.994	1.001	0.999	0.998	0.997	1.001	1.001	1.001	1.000	1.000	1.002	0.998	1.000	1.000	1.000	1.000	1.000	1.000	
Latest 5	1.403	0.927	0.927	0.964	1.000	0.994	1.008	1.000	0.987	1.000	1.000	1.000	1.000	1.000	1.000	1.004	0.996	1.000	1.000	1.000	1.000	1.000	1.000	
Latest 10	1.385	0.897	0.939	0.983	0.978	1.004	1.004	0.996	0.993	1.000	1.000	1.000	1.000	1.000	1.000	1.002	0.998	1.000	1.000	1.000	1.000	1.000	1.000	
Medial Avg																								
All Yrs x1	1.260	0.920	0.970	1.001	0.991	0.994	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Latest 5x1	1.254	0.918	0.962	0.961	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Latest 10x1	1.379	0.890	0.955	0.987	0.984	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Volume Wtd																								
All Yrs	1.134	0.925	0.977	1.009	0.991	0.993	0.999	0.999	0.999	0.999	1.001	1.001	1.001	1.000	1.000	1.002	0.997	1.000	1.000	1.000	1.000	1.000	1.000	
Latest 5	1.307	0.908	0.922	0.963	1.000	0.993	1.000	1.000	0.991	1.000	1.000	1.000	1.000	1.000	1.000	1.004	0.995	1.000	1.000	1.000	1.000	1.000	1.000	
Latest 10	1.188	0.883	0.938	0.982	0.978	1.000	1.000	0.996	0.996	1.000	1.000	1.000	1.000	1.000	1.000	1.002	0.997	1.000	1.000	1.000	1.000	1.000	1.000	



**ALTERNATIVE
RISK SERVICES**

Insurance Brokers

June 10, 2010

Appendix J

Mr. Nicholas Leblovic
Chairman, CLLAS
c/o Davies Ward Phillips & Vineberg LLP
44th Floor, 1 First Canadian Place
Toronto, Ontario M5X 1B1

Dear Nick,

Re: Canadian Lawyers Liability Assurance Society (CLLAS)

The purpose of this letter is to provide you, the CLLAS Audit Committee and the CLLAS Board with an overview of the reinsurance that is placed on behalf of CLLAS. We continue to work closely with Miller Insurance Services Ltd. on all CLLAS reinsurance matters with Miller being responsible for the London placement (including Lloyd's and certain European companies) and the Colchester retrocession placement. Alternative Risk Services prepares the reinsurance submission that goes out to all markets and specifically places the domestic and Bermuda reinsurance as well as the aggregate stop-loss reinsurance placed through Colchester.

In the past, we had established with CLLAS a minimum reinsurance security rating standard of no less than A- as determined by A.M. Best and Standard & Poor's. Any deviation from such standard was referred to the CLLAS Advisory Board. Due to the global financial crises that affected some of the major world class insurers and reinsurers, we recommended a more thoughtful and deliberate process for monitoring reinsurers for any developments which may adversely affect CLLAS. For example, last year, we recommended and CLLAS had effected a reduction in Transatlantic Re's participation after a reinsurance recoverable problem.

To avoid too much exposure to any one reinsurer, we are keeping a watchful eye on reinsurers whose exposure exceeds an agreed percentage. When this happens, the reinsurers in question are placed on a Level II monitoring list.

Please be advised that Alternative Risk Services does not carry out its own assessment of the solvency of any insurer or reinsurer nor do we guarantee the solvency or continuing solvency of any insurer or reinsurer. You should note that the financial solvency of any insurer or reinsurer could change after the reinsurance protection has been placed. We are committed to providing CLLAS with up-to-date information on any material changes in the financial status or the security ratings of CLLAS reinsurers. To this end, we have proposed and CLLAS has adopted a reinsurance security process which we would provide assistance in any way that we can, especially with Level II monitoring which would require a review of more detailed information about the specific reinsurer.



Mr. Nicholas Leblovic
June 10, 2010
Page 2

In general, we are prepared to provide CLLAS with updates from A.M. Best and S&P based on our monitoring of the security ratings of each of the participating reinsurers. We will advise CLLAS on any adverse developments which may require CLLAS to replace a certain reinsurer mid-term or to decide to monitor and continue to use a certain reinsurer for a prescribed period of time.

We hope that the above is satisfactory. However, should you have any questions, please do not hesitate to contact the undersigned.

Yours sincerely,

Joseph D. Tontini
Principal Broker
Direct Line: (416) 408-5287



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Nicholas J. Leblovic
Chairman
Canadian Lawyers Liability Assurance Society
Suite 2900
250 Yonge Street
Toronto
Ontario M5B 2L7
Canada

Appendix K

10th June 2010

Dear Nick

**CLLAS Reinsurance Programme – Reinsurer Security
Renewal effective 1st July 2010**

As we reported last year, Miller does not assess or guarantee the solvency of any (re)insurer, however we check the financial strength ratings provided by specialist agencies (such as Standard & Poor's and A.M. Best) for each participating market and each must be authorised internally at Miller for us to use. Any markets which do not meet a minimum criteria may still be used but only with specific client approval. In practice the current specialist agency financial strength ratings of all the reinsurers used by us on your programme are in excess of our minimum criteria for authorisation.

On an ongoing basis we monitor these ratings as well as developments in the market and will advise you in the event there are circumstances which lead a market to fall out of our authorised classification. Taking into consideration feedback received from the market in the normal course of business, the Miller authorisations of each of the reinsurers we use on the CLLAS programme are unaffected.

For 2010 we will be approaching the current participants for their support and many of these have had long term relationships with CLLAS. As you are aware, we and Dion, Durrell continue to work closely together to strategically manage the size and layering of participations offered by each reinsurer to ensure that the most optimal result is achieved for CLLAS, in line with its objectives for renewal. At present there are no new reinsurance companies which we wish to approach with your programme this year, but there are several new Lloyd's syndicates which may be interested in supporting your account and we will be approaching them for their views in due course. We have attached an updated table summarising the current rating agency assessments of the participating reinsurers we use, for your information.

Please don't hesitate to let me know if you have any questions or comments.

Yours sincerely

A handwritten signature in black ink, appearing to read "Mark Popple".

Mark Popple
Professional Risks

Encl.

Canadian Lawyers Liability Assurance Society – Reinsurer Ratings as at 10th June 2010

Reinsurer	Standard & Poor's Rating		AM Best Rating		Fitch Rating	
	As at 5 th June 2009	As at 10 th June 2010	As at 5 th June 2009	As at 10 th June 2010	As at 5 th June 2009	As at 10 th June 2010
Aspen Insurance UK Limited		A (strong)		A (excellent)		
Hannover Reinsurance Company	AA- (very strong) negative outlook	AA- (very strong) stable outlook		A (excellent) stable outlook		
Lloyd's	A+ (strong) stable outlook	A+ (strong) stable outlook	A (excellent) stable outlook	A (excellent) stable outlook	A+ (strong) stable outlook	A+ (strong) stable outlook
Swiss Reinsurance Company	As at 7th May 2009 A+ (strong) stable outlook	A+ (strong) stable outlook	A (excellent) stable outlook	A (excellent) stable outlook		
Transatlantic Reinsurance Company	A+ (strong) stable outlook. S&P rates separately from AIG	A+ (strong) stable outlook		A (excellent) stable outlook		

Please refer to enclosed information detailing rating agency Insurer Financial Strength Rating Definitions

STANDARD & POOR'S INSURER FINANCIAL STRENGTH RATING DEFINITIONS

Life, Non-life & Reinsurance

A Standard & Poor's Insurer Financial Strength Rating is a current opinion of the financial security characteristics of an insurance organisation with respect to its ability to pay under its insurance policies and contracts in accordance with their terms. In some life insurance markets, policy terms may include (whether implicitly or explicitly) a reasonable expectation of future bonuses on any policy held to maturity. This opinion is not specific to any particular policy or contract, nor does it address the suitability of a particular policy or contract for a specific purpose or purchaser.

Furthermore, the opinion does not take into account deductibles, surrender or cancellation penalties, timeliness of payment, nor the likelihood of the use of a defence such as fraud to deny claims. For organisations with cross-border or multinational operations, including those conducted by subsidiaries or branch offices, the ratings do not take into account potential that may exist for foreign exchange restrictions to prevent foreign currency financial obligations from being met.

Insurer Financial Strength Ratings are based on information furnished by the rated company or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any rating and may on occasion rely on unaudited financial information. Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of such information or based on other circumstances.

Insurer Financial Strength Ratings do not refer to an organisation's ability to meet nonpolicy (i.e. debt) obligations. Assignment of ratings to debt issued by insurers or to debt issues that are fully

or partially supported by insurance policies, contracts, or guarantees is a separate process from the determination of Insurer Financial Strength Ratings, and follows procedures consistent with credit ratings definitions and practices. Insurer Financial Strength Ratings are not a recommendation to purchase or discontinue any policy or contract issued by an insurer or to buy, hold, or sell any security issued by an insurer. A rating is not a guarantee of an insurer's financial strength or security.

Insurer Financial Strength Ratings

An insurer rated in the 'BBB' range or higher is regarded as having financial security characteristics that outweigh any vulnerabilities, and is highly likely to have the ability to meet financial commitments. Ratings from 'AAA' to 'BBB-' inclusive are often described as 'secure' or 'investment grade'.

AAA



An insurer rated 'AAA' has **EXTREMELY STRONG** financial security characteristics. 'AAA' is the highest Insurer Financial Strength Rating assigned by Standard & Poor's.

AA



An insurer rated 'AA' has **VERY STRONG** financial security characteristics, differing only slightly from those rated higher.

A



An insurer rated 'A' has **STRONG** financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings.

STANDARD & POOR'S INSURER FINANCIAL STRENGTH RATING DEFINITIONS

Life, Non-life & Reinsurance

A Standard & Poor's Insurer Financial Strength Rating is a current opinion of the financial security characteristics of an insurance organisation with respect to its ability to pay under its insurance policies and contracts in accordance with their terms. In some life insurance markets, policy terms may include (whether implicitly or explicitly) a reasonable expectation of future bonuses on any policy held to maturity. This opinion is not specific to any particular policy or contract, nor does it address the suitability of a particular policy or contract for a specific purpose or purchaser.

Furthermore, the opinion does not take into account deductibles, surrender or cancellation penalties, timeliness of payment, nor the likelihood of the use of a defence such as fraud to deny claims. For organisations with cross-border or multinational operations, including those conducted by subsidiaries or branch offices, the ratings do not take into account potential that may exist for foreign exchange restrictions to prevent foreign currency financial obligations from being met.

Insurer Financial Strength Ratings are based on information furnished by the rated company or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any rating and may on occasion rely on unaudited financial information. Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of such information or based on other circumstances.

Insurer Financial Strength Ratings do not refer to an organisation's ability to meet nonpolicy (i.e. debt) obligations. Assignment of ratings to debt issued by insurers or to debt issues that are fully

or partially supported by insurance policies, contracts, or guarantees is a separate process from the determination of Insurer Financial Strength Ratings, and follows procedures consistent with credit ratings definitions and practices. Insurer Financial Strength Ratings are not a recommendation to purchase or discontinue any policy or contract issued by an insurer or to buy, hold, or sell any security issued by an insurer. A rating is not a guarantee of an insurer's financial strength or security.

Insurer Financial Strength Ratings

An insurer rated in the 'BBB' range or higher is regarded as having financial security characteristics that outweigh any vulnerabilities, and is highly likely to have the ability to meet financial commitments. Ratings from 'AAA' to 'BBB-' inclusive are often described as 'secure' or 'investment grade'.

AAA



An insurer rated 'AAA' has **EXTREMELY STRONG** financial security characteristics. 'AAA' is the highest Insurer Financial Strength Rating assigned by Standard & Poor's.

AA



An insurer rated 'AA' has **VERY STRONG** financial security characteristics, differing only slightly from those rated higher.

A



An insurer rated 'A' has **STRONG** financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings.

BBB



An insurer rated 'BBB' has GOOD financial security characteristics, but is more likely to be affected by adverse business conditions than are higher rated insurers.

An insurer rated 'BB' or lower is regarded as having vulnerable characteristics that may outweigh its strengths. 'BB' indicates the least degree of vulnerability within the range; 'CC' the highest. Ratings between BB+ and CC are often described as 'vulnerable' or 'non-investment grade'.

BB

An insurer rated 'BB' has MARGINAL financial security characteristics. Positive attributes exist, but adverse business conditions could lead to insufficient ability to meet financial commitments.

B

An insurer rated 'B' has WEAK financial security characteristics. Adverse business conditions will likely impair its ability to meet financial commitments.

CCC

An insurer rated 'CCC' has VERY WEAK financial security characteristics, and is dependent on favourable business conditions to meet financial commitments.

CC

An insurer rated 'CC' has EXTREMELY WEAK financial security characteristics and is likely not to meet some of its financial commitments.

R

An insurer rated 'R' has experienced a REGULATORY ACTION regarding insolvency. The rating does not apply to insurers subject only to nonfinancial actions such as market conduct violations.

NR

An insurer designated 'NR' is NOT RATED, which implies no opinion about the insurer's financial security.

Plus (+) or minus (-) signs following ratings from 'AA' to 'CCC' show relative standing within the major rating categories.

Outlooks are carried on Counterparty Credit and Insurer Financial Strength Ratings, although not on short-term, debt, 'pi' and Financial Enhancement ratings do not. An Outlook normally indicates the likely direction of the rating over the next 18 – 24 months. A positive Outlook indicates the possibility of the rating being raised, while a negative Outlook implies the possibility of a downgrade. In both cases, the reasons underlying the view are explained in the published 'Ratings Rationale', together with an indication of the specific circumstances that would likely precipitate the potential rating change. Outlooks can also be stable, indicating the rating is expected to stay the same.

CreditWatch highlights the potential direction of a rating over a 90 day period, focusing on identifiable events and short-term trends that cause ratings to be placed under special surveillance. The events may include mergers, recapitalisations, voter referenda, regulatory actions, or anticipated operating developments. Ratings appear on CreditWatch when such an event or a

deviation from an expected trend occurs and additional information is needed to evaluate the rating. A listing, however, does not mean a rating change is inevitable. A positive CreditWatch designation means that there is at least a 50% possibility of the rating being raised; negative means at least a 50% possibility of a downgrade; developing means that a rating may be raised, lowered or affirmed dependent upon the outcome of current events affecting the rating company.

'pi' Ratings denoted with a 'pi' subscript, are Insurer Financial Strength Ratings based on an analysis of published financial information and additional non-confidential information received from the company or in the public domain. They do not reflect in-depth meetings with an insurer's management and are based on less comprehensive information than traditional 'interactive' ratings without a 'pi' subscript. 'pi' ratings are reviewed annually by a full committee of senior analysts, but may also be reviewed on an interim basis. 'pi' ratings are not subject to potential CreditWatch listings.

National Scale Ratings denoted with a prefix such as 'ru' (Russian), 'mx' (Mexico) or 'ra' (Argentina), assess an insurer's financial security relative to other local insurers.

Standard & Poor's also assigns ratings in certain countries using the standard AAA - CC classifications but qualified by a national prefix to show that these ratings are relative to other local insurers and not to the international rating scale. National ratings are currently assigned in Argentina, Mexico, Russia, Turkey. ■

GUIDE TO BEST'S FINANCIAL STRENGTH RATINGS – INSURER

A Best's Financial Strength Rating is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. The rating is based on a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile.

Financial Strength Ratings – Insurer

	Rating	Descriptor	Definition
Secure	A++, A+	Superior	Assigned to companies that have, in our opinion, a superior ability to meet their ongoing insurance obligations.
	A, A-	Excellent	Assigned to companies that have, in our opinion, an excellent ability to meet their ongoing insurance obligations.
	B++, B+	Good	Assigned to companies that have, in our opinion, a good ability to meet their ongoing insurance obligations.
Vulnerable	B, B-	Fair	Assigned to companies that have, in our opinion, a fair ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
	C++, C+	Marginal	Assigned to companies that have, in our opinion, a marginal ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
	C, C-	Weak	Assigned to companies that have, in our opinion, a weak ability to meet their ongoing insurance obligations. Financial strength is very vulnerable to adverse changes in underwriting and economic conditions.
	D	Poor	Assigned to companies that have, in our opinion, a poor ability to meet their ongoing insurance obligations. Financial strength is extremely vulnerable to adverse changes in underwriting and economic conditions.
	E	Under Regulatory Supervision	Assigned to companies (and possibly their subsidiaries/affiliates) placed under a significant form of regulatory supervision, control or restraint - including cease and desist orders, conservatorship or rehabilitation, but not liquidation - that prevents conduct of normal, ongoing insurance operations.
	F	In Liquidation	Assigned to companies placed in liquidation by a court of law or by a forced liquidation.
	S	Suspended	Assigned to rated companies when sudden and significant events affect their balance sheet strength or operating performance and rating implications cannot be evaluated due to a lack of timely or adequate information.

Rating Outlooks

Assigned to an Interactive Financial Strength Rating to indicate its potential direction over an intermediate term, generally defined as 12 to 36 months.

Positive Indicates possible rating upgrade due to favorable financial/market trends relative to the current rating level.

Negative Indicates possible rating downgrade due to unfavorable financial/market trends relative to the current rating level.

Stable Indicates low likelihood of a rating change due to stable financial/market trends.

Rating Modifiers

Modifier	Descriptor	Definition
u	Under Review	Indicates the rating may change in the near term, typically within six months. Generally is event driven, with positive, negative or developing implications.
pd	Public Data	Indicates rating assigned to insurer that chose not to participate in A.M. Best's interactive rating process.
s	Syndicate	Indicates rating assigned to a Lloyd's syndicate.

Affiliation Codes

Indicates rating is based on a type of affiliation with other insurers.

g

Group

p

Pooled

r

Reinsured

Not Rated Categories

Assigned to companies reported on by A.M. Best, but not assigned a Best's Rating.

NR-1: Insufficient Data.

NR-2: Insufficient Size and/or Operating Experience.

NR-3: Rating Procedure Inapplicable.

NR-4: Company Request.

NR-5: Not Formally Followed.

Rating Disclosure

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Best's Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser. In arriving at a rating decision, A.M. Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, A.M. Best does not independently verify the accuracy or reliability of the information. For additional details, see A.M. Best's *Terms of Use* at www.ambest.com.

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Version 041410





Other International Credit Ratings

Bank Individual and Support Ratings

Bank Individual Ratings

Individual Ratings are assigned to banks that are legal entities. The term "banks" here includes bank holding companies and bancassurance holding companies, bancassurance companies operating as single legal entities, investment banks and private banks. These ratings may also be assigned to leasing companies, installment credit companies, credit card companies, brokerage houses, investment management companies and securities dealing companies, as circumstances demand. These ratings, which are internationally comparable, attempt to assess how a bank would be viewed if it were entirely independent and could not rely on external support. These ratings are designed to assess a bank's exposure to, appetite for, and management of risk, and thus represent the agency's view on the likelihood that it would run into significant financial difficulties such that it would require support.

A: A very strong bank.

Characteristics may include outstanding profitability and balance sheet integrity, franchise, management, operating environment or prospects.

B: A strong bank.

There are no major concerns regarding the bank. Characteristics may include strong profitability and balance sheet integrity, franchise, management, operating environment or prospects.

C: An adequate bank, which, however, possesses one or more troublesome aspects.

There may be some concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment or prospects.

D: A bank that has weaknesses of internal and/or external origin.

There are concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment or prospects. Banks in emerging markets are necessarily faced with a greater number of potential deficiencies of external origin.

E: A bank with very serious problems, which either requires or is likely to require external support.

F: A bank that has either defaulted or, in Fitch Ratings' opinion, would have defaulted if it had not received external support. Examples of such support include state or local government support, (deposit) insurance funds, acquisition by some other corporate entity or an injection of new funds from its shareholders or equivalent.

Note:

Gradations may be used among the ratings A to E: i.e. A/B, B/C, C/D, and D/E. No gradations apply to the F rating.

Support Ratings

The Purpose and Function of Support Ratings

Support Ratings are Fitch Ratings' assessment of a potential supporter's propensity to support a bank and of its ability to support it. Its propensity to support is a judgment made by Fitch Ratings. Its ability to support is set by the potential supporter's own Issuer Default Ratings, both in foreign currency and, where appropriate, in local currency. Support Ratings do not assess the intrinsic credit quality of a bank. Rather they communicate the agency's judgment on whether the bank would receive support should this become necessary. These ratings are exclusively the expression of Fitch Ratings' opinion even though the principles underlying them may have been discussed with the relevant supervisory authorities and/or owners.

Timeliness and Effectiveness Requirements

Fitch Ratings' Support Rating definitions are predicated on the assumption that any necessary "support" is provided on a timely basis. The definitions are also predicated on the assumption that any necessary support will be sufficiently sustained so that the bank being supported is able to continue meeting its financial commitments until the crisis is over.

Obligations and Financial Instruments Covered

In terms of these definitions, unless otherwise specified, "support" is deemed to be in terms of foreign currency. It is assumed that typically the following obligations will be supported: senior debt (secured and unsecured), including insured and uninsured deposits (retail, wholesale and interbank); obligations arising from derivatives transactions and from legally enforceable guarantees and indemnities, letters of credit, and acceptances; trade receivables and obligations arising from court judgments.

Likewise, the agency does not assume that the following capital instruments will be supported when sovereign support is involved: preference/preferred shares or stock; hybrid capital (tier 1 and upper tier 2), including reserve capital instruments (RCIs) and variations upon RCIs; and common/ordinary equity capital. It is also assumed that there will be no support for any moral obligation on securitizations. The sovereign support status of subordinated debt is difficult to categorize in advance; it is assessed on a case by case basis, distinguishing among different jurisdictions.

Definitions:

1::

A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'A-'.

2::

A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a minimum Long-Term Rating floor of 'BBB-'.

3::

A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'BB-'.

4::

A bank for which there is a limited probability of support because of significant uncertainties about the ability or propensity of any possible provider of support to do so. This probability of support indicates a minimum Long-Term Rating floor of 'B-'.

5::

A bank for which external support, although possible, cannot be relied upon. This may be due to a lack of propensity to provide support or to very weak financial ability to do so. This probability of support indicates a Long-Term Rating floor no higher than 'B-' and in many cases no floor at all.

Support Rating Floor

Support Rating Floors are directly derived from the agency's Support Ratings in those cases where the Support Rating is based on potential sovereign support. In exactly the same way as the Support Rating itself, the Support Rating Floor is based on the agency's judgment of a potential supporter's propensity to support a bank and of its ability to support it. Support Rating Floors do not assess the intrinsic credit quality of a bank. Rather they communicate the agency's judgment on whether the bank would receive support should this become necessary. It is emphasized that these ratings are exclusively the expression of Fitch Ratings' opinion even though the principles underlying them may have been discussed with the relevant supervisory authorities.

The Support Rating Floor is expressed on the 'AAA' long-term scale and will clearly indicate the level below which the agency would not expect to lower its Issuer Default Rating in the absence of any changes to the assumptions underpinning the bank's Support Rating. In addition to the 'AAA' scale, there will be one additional point on the scale – "No Floor" (NF) – which indicates that in the agency's opinion, there is no reasonable presumption of potential support being forthcoming. In practice this approximates to a probability of support of less than 40%.

Insurer Financial Strength Rating Definitions

The Insurer Financial Strength (IFS) Rating provides an assessment of the financial strength of an insurance organization. The IFS Rating is assigned to the insurance company's policyholder obligations, including assumed reinsurance obligations and contract holder obligations, such as guaranteed investment contracts. The IFS Rating reflects both the ability of the insurer to meet these obligations on a timely basis, and expected recoveries received by claimants in the event the insurer stops making payments or payments are interrupted, due to either the failure of the insurer or some form of regulatory intervention. In the context of the IFS Rating, the timeliness of payments is considered relative to both contract and/or policy terms but also recognizes the possibility of reasonable delays caused by circumstances common to the insurance industry, including claims reviews, fraud investigations and coverage disputes.

The IFS Rating does not encompass policyholder obligations residing in separate accounts, unit-linked products or segregated funds, for which the policyholder bears investment or other risks. However, any guarantees provided to the policyholder with respect to such obligations are included in the IFS Rating.

Expected recoveries are based on the agency's assessments of the sufficiency of an insurance company's assets to fund policyholder obligations, in a scenario in which payments have ceased or been interrupted. Accordingly, expected recoveries exclude the impact of recoveries obtained from any government sponsored guaranty or policyholder protection funds. Expected recoveries also exclude the impact of collateralization or security, such as letters of credit or trusted assets, supporting select reinsurance obligations.

IFS Ratings can be assigned to insurance and reinsurance companies in any insurance sector, including the life & annuity, non-life, property/casualty, health, mortgage, financial guaranty, residual value and title insurance sectors, as well as to managed care companies such as health maintenance organizations.

The IFS Rating does not address the quality of an insurer's claims handling services or the relative value of products sold.

The IFS Rating uses the same symbols used by the agency for its International and National credit ratings of long-term or short-term debt issues. However, the definitions associated with the ratings reflect the unique aspects of the IFS Rating within an insurance industry context.

Obligations for which a payment interruption has occurred due to either the insolvency or failure of the insurer or some form of regulatory intervention will generally be rated between 'B' and 'C' on the Long-Term IFS Rating scales (both International and National). International Short-Term IFS Ratings assigned under the same circumstances will align with the insurer's International Long-Term IFS Rating.

Long-Term International IFS Ratings

The following rating scale applies to foreign currency and local currency ratings. Ratings of 'BBB-' and higher are considered to be "secure", and those of 'BB+' and lower are considered to be "vulnerable".

AAA: Exceptionally strong.

'AAA' IFS Ratings denote the lowest expectation of ceased or interrupted payments. They are assigned only in the case of exceptionally strong capacity to meet policyholder and contract obligations. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA: Very strong.

'AA' IFS Ratings denote a very low expectation of ceased or interrupted payments. They indicate very strong capacity to meet policyholder and contract obligations. This capacity is not significantly vulnerable to foreseeable events.

A: Strong.

'A' IFS Ratings denote a low expectation of ceased or interrupted payments. They indicate strong capacity to meet policyholder and contract obligations. This capacity may, nonetheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

BBB: Good.

'BBB' IFS Ratings indicate that there is currently a low expectation of ceased or interrupted payments. The capacity to meet policyholder and contract obligations on a timely basis is considered adequate, but adverse changes in circumstances and economic conditions are more likely to impact this capacity.

BB: Moderately weak.

'BB' IFS Ratings indicate that there is an elevated vulnerability to ceased or interrupted payments, particularly as the result of adverse economic or market changes over time. However, business or financial alternatives may be available to allow for policyholder and contract obligations to be met in a timely manner.

B: Weak.

'B' IFS Ratings indicate two possible conditions. If obligations are still being met on a timely basis, there is significant risk that ceased or interrupted payments could occur in the future, but a limited margin of safety remains. Capacity for continued timely payments is contingent upon a sustained, favorable business and economic environment, and favorable market conditions. Alternatively, a 'B' IFS Rating is assigned to obligations that have experienced ceased or interrupted payments, but with the potential for extremely high recoveries. Such obligations would possess a recovery assessment of 'RR1' (Outstanding).

CCC: Very weak.

'CCC' IFS Ratings indicate two possible conditions. If obligations are still being met on a timely basis, there is a real possibility that ceased or interrupted payments could occur in the future. Capacity for continued timely payments is solely reliant upon a sustained, favorable business and economic environment, and favorable market conditions. Alternatively, a 'CCC' IFS Rating is assigned to obligations that have experienced ceased or interrupted payments, and with the potential for average to superior recoveries. Such obligations would possess a recovery assessment of 'RR2' (Superior), 'RR3' (Good), and 'RR4' (Average).

CC: Extremely weak.

'CC' IFS Ratings indicate two possible conditions. If obligations are still being met on a timely basis, it is probable that ceased or interrupted payments will occur in the future. Alternatively, a 'CC' IFS Rating is assigned to obligations that have experienced ceased or interrupted payments, with the potential for average to below-average recoveries. Such obligations would possess a recovery assessment of 'RR4' (Average) or 'RR5' (Below Average).

C: Distressed.

'C' IFS Ratings indicate two possible conditions. If obligations are still being met on a timely basis, ceased or interrupted payments are imminent. Alternatively, a 'C' IFS Rating is assigned to obligations that have experienced ceased or interrupted

payments, and with the potential for below average to poor recoveries. Such obligations would possess a recovery assessment of 'RR5' (Below Average) or 'RR6' (Poor).

Notes:

"+" or "-" may be appended to a rating to indicate the relative position of a credit within the rating category. Such suffixes are not added to ratings in the 'AAA' category or to ratings below the 'B' category.

Short-Term IFS Ratings

A Short-Term Insurer Financial Strength Rating (ST-IFS Rating) provides an assessment of the near-term financial health of an insurance organization, and its capacity to meet senior obligations to policyholders and contract-holders that would be expected to be due within one year. The analysis supporting the ST-IFS Rating encompasses all of the factors considered within the context of the IFS Rating, but with greater weighting given to an insurer's near-term liquidity, financial flexibility and regulatory solvency characteristics, and less weight given to longer-term issues such as competitiveness and earnings trends.

The agency will only assign a ST-IFS Rating to insurers that also have been assigned an IFS Rating. Currently, ST-IFS Ratings are used primarily by U.S. life insurance companies that sell short-term funding agreements.

The ST-IFS Rating uses the same international ratings scale used by the agency for short-term debt and issuer ratings.

F1

Insurers are viewed as having a strong capacity to meet their near-term obligations. When an insurer rated in this rating category is designated with a (+) sign, it is viewed as having a very strong capacity to meet near-term obligations.

F2

Insurers are viewed as having a good capacity to meet their near-term obligations.

F3

Insurers are viewed as having an adequate capacity to meet their near-term obligations.

B

Insurers are viewed as having a weak capacity to meet their near-term obligations.

C

Insurers are viewed as having a very weak capacity to meet their near-term obligations.

Structured Finance Loss Severity Ratings

Loss Severity (LS) Ratings provide an assessment of the relative loss severity of an individual tranche within a structured finance transaction, in the event that the tranche experiences a default.

LS Ratings will be assigned to structured finance tranches in the 'B' category and above. Structured finance tranches with a debt rating below that level will typically be assigned Recovery Ratings.

LS-1

The tranche has low risk of severe loss severity given default, as evidenced by a tranche loss multiple (TLM) in the range of 10.1x or greater. The TLM is calculated as the size of the tranche divided by the base case loss expectation for the collateral pool.

LS-2

The tranche has medium-to-low risk of severe loss severity given default, as evidenced by a TLM in the range of 4.1 to 10x. The TLM is calculated as the size of the tranche divided by the base case loss expectation for the collateral pool.

LS-3

The tranche has a medium risk of severe loss severity given default, as evidenced by a TLM in the range of 1.1 to 4x. The TLM is calculated as the size of the tranche divided by the base case loss expectation for the collateral pool.

LS-4

The tranche has a medium to high risk of severe loss severity given default, as evidenced by a TLM in the range of 0.51 to 1x. The TLM is calculated as the size of the tranche divided by the base case loss expectation for the collateral pool.

LS-5

The tranche has a high risk of severe loss severity given default, as evidenced by a TLM of less than 0.5x. The TLM is

calculated as the size of the tranche divided by the base case loss expectation for the collateral pool.

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**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
REINSURERS' SECURITY RATING**

Reinsurer	Registered Status	A.M. Best					S&P				
		June 10, 2010		February 17, 2010 Rating	June 5, 2009 Rating	September 4, 2008 Rating	June 10, 2010		February 17, 2010 Rating	June 5, 2009 Rating	September 4, 2008 Rating
		Rating	Change from Last Rating				Rating	Change from Last Rating			
Lloyd's	Note 1	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)	A (Excellent)	A+ (Strong)/Stable	Unchanged	A+ (Strong)/Stable	A+ (Strong)	A+ (Strong)
Aspen Re	Note 2	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)	A (Excellent)	A (Strong)/Stable	Unchanged	A (Strong)/Stable	A (Strong)	A (Strong)
Hannover Ruck	Note 2	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)	A (Excellent)	AA- (Very Strong)/Stable	Upgraded	AA- (Very Strong)/Negative	AA- (Very Strong)	AA- (Very Strong)
Brit Insurance Limited	Registered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	Not Known	A (Excellent)	Not Available	N/A	Not Available	Not Available	Not Available
Transatlantic Reinsurance Company (UK) *	Note 2	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)	A+ (Superior)	A+ (Strong)/Stable	Unchanged	A+ (Strong)/Stable	A+ (Strong)	AA- (Very Strong)
Arch Insurance Company (Canada Branch)	Registered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)	A (Excellent)	A (Strong)/Positive	Unchanged	A (Strong)/Positive	A (Strong)	A (Strong)
Allied World Assurance Company Ltd.	Unregistered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)	A (Excellent)	A- (Strong)/Stable	Unchanged	A- (Strong)/Stable	A- (Strong)	A- (Strong)
CRC (Bermuda) Reinsurance Ltd.	Unregistered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)	A (Excellent)	Not Available	N/A	Not Available	Not Available	Not Available
GCAN Insurance Company	Registered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)	A (Excellent)	Not Available	N/A	Not Available	BBB (Good)	BBB (Good)
SCOR Canada Reinsurance Company	Registered	A- (Excellent)/Positive	Upgraded	A- (Excellent)/Stable	A- (Excellent)	A- (Excellent)	A (Strong)/Stable	Unchanged	A (Strong)/Stable	A (Strong)	A- (Strong)
Swiss Reinsurance Company Ltd. (Canada Branch)	Registered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)	A+ (Superior)	A+ (Strong)/Stable	Unchanged	A+ (Strong)/Stable	A+ (Strong)	AA- (Very Strong)
Toa Reinsurance Company of America	Registered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)	A (Excellent)	A+ (Strong)/Stable	Unchanged	A+ (Strong)/Stable	A+ (Strong)	A+ (Strong)
Transatlantic Reinsurance Company (Parent)	Registered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)	A+ (Superior)	A+ (Strong)/Stable	Unchanged	A+ (Strong)/Stable	A+ (Strong)	AA- (Very Strong)
Transatlantic Reinsurance Company (Canada)	Registered	A (Excellent)/Stable	Unchanged	A (Excellent)/Stable	A (Excellent)	A+ (Superior)	A+ (Strong)/Stable	Unchanged	A+ (Strong)/Stable	A+ (Strong)	AA- (Very Strong)
Colchester Reinsurance Ltd.	Unregistered	Unchanged	Unchanged	Not Available	Not Available	Not Available	Not Available	Unchanged	Not Available	Not Available	Not Available

* Not participating in Program effective July 1, 2009.

Note 1: Lloyd's has long been "registered" in Canada but the new OSFI guidelines impose certain conditions that Lloyd's are required to meet in order to be considered as writing "in Canada risks". These conditions would be met with Alternative Risk Services Inc. acting as the Lloyd's open market intermediary.

Note 2: While all these companies are "registered" in Canada, we are in the process of determining if they meet the new OSFI guidelines for "in Canada risks".

2009 EXHIBIT

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
REINSURANCE CEDED
FINANCIAL SERVICES COMMISSION OF ONTARIO GUIDELINES

	CALENDAR YEAR 2009	RATIO OF DIRECT PREMIUM
A. 2009/2010 CONTINGENCY RESERVE ADJUSTMENT	\$35,296	
B. 2009/2010 PREMIUM FOR LAWYERS	\$22,120,454	
C. 2009/2010 GOODMAN AND CARR LATERAL HIRE EXTENSION ENDORSEMENT PREMIUM	\$33,600	
D. 2009/2010 FIRST OPTIONAL EXCESS LAYER PREMIUM FOR LAWYERS	\$648,520	
E. 2009/2010 SECOND OPTIONAL EXCESS LAYER PREMIUM FOR LAWYERS	\$507,232	
F. 2009/2010 PREMIUM FOR P&T AGENTS	\$160,398	
G. 2009/2010 FIRST OPTIONAL EXCESS LAYER PREMIUM FOR P&T AGENTS	\$4,680	
H. 2009/2010 SECOND OPTIONAL EXCESS LAYER PREMIUM FOR P&T AGENTS	\$2,780	
I. 2009/2010 PREMIUM FOR NON-LAWYER CONSULTANTS	\$129,830	
J. 2009/2010 FIRST OPTIONAL EXCESS LAYER PREMIUM FOR NON-LAWYER CONSULTANTS	\$3,495	
K. 2009/2010 SECOND OPTIONAL EXCESS LAYER PREMIUM FOR NON-LAWYER CONSULTANTS	\$3,031	
L. DIRECT WRITTEN PREMIUM	\$23,649,316	100.0%
M. REGISTERED REINSURANCE		
N. PROPORTIONAL REINSURANCE	\$10,512,913	
O. AGGREGATE REINSURANCE	\$0	
P. TOTAL REGISTERED REINSURANCE	\$10,512,913	44.5%
Q. UNREGISTERED REINSURANCE		
R. PROPORTIONAL REINSURANCE	\$800,410	
S. AGGREGATE REINSURANCE	\$2,469,724	
T. TOTAL UNREGISTERED REINSURANCE	\$3,270,134	13.8%
U. TOTAL REINSURANCE	\$13,783,047	58.3%

Notes:

T. The FSCO guideline for unregistered reinsurance is 25% (maximum).

U. The FSCO guideline for total reinsurance is 75% (maximum).



Dion Durrell

CLLAS Advisory Board Meeting June 15, 2010

Report on Reinsurance and Renewal

July 1, 2010 - July 1, 2011

Overview

Renewal Expectations

- ❖ Use of Investment Income from Surplus
- ❖ Effect of Lower Expected Loss Costs
- ❖ Effect of Lower Reinsurance Rates
- ❖ Effect of Higher Retentions
- ❖ CLLAS Aggregate Protection
- ❖ Recommended Rate

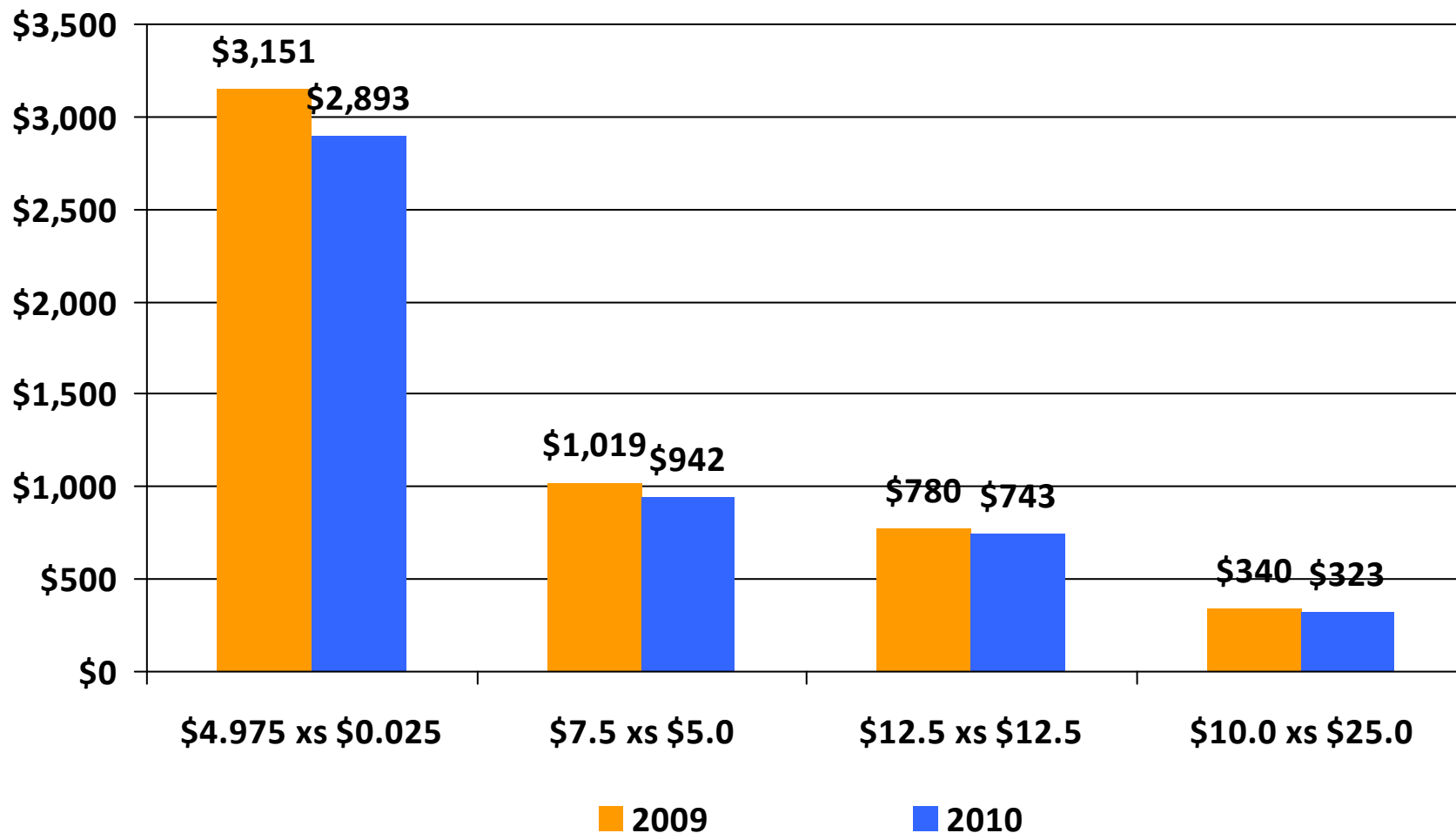
Other Considerations

- ❖ Security Monitoring
 - ❑ CLLAS Reinsurance
 - ❑ Reinsurance and Commercial Insurance
- ❖ Policy Wording Changes
- ❖ Regulatory Update

Use of Investment Income from Surplus

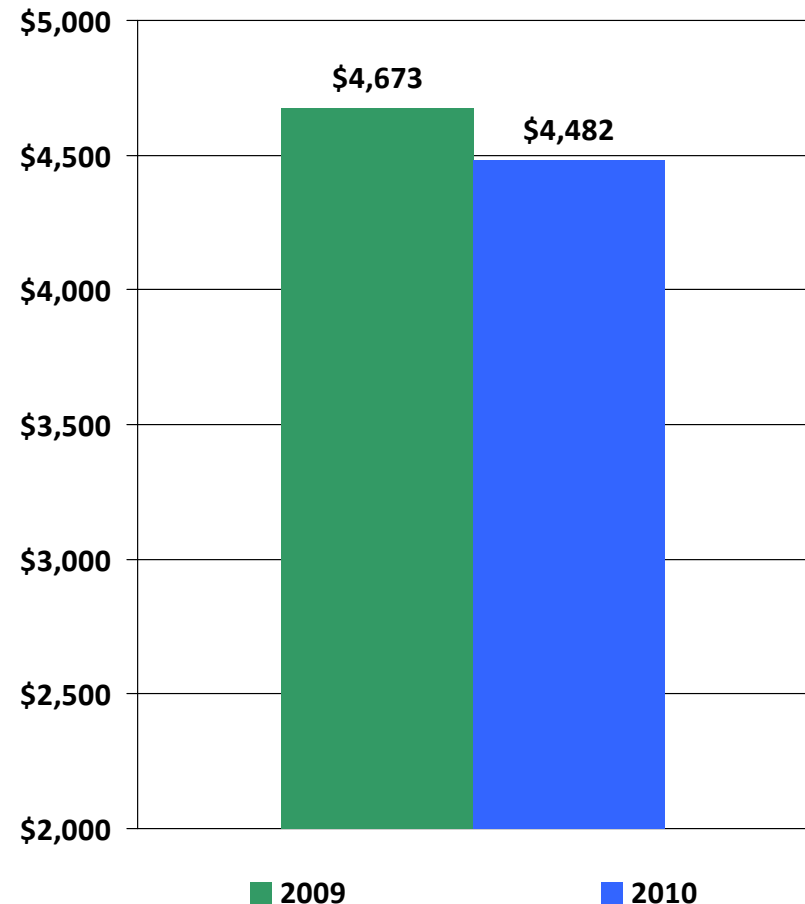
- CLLAS Surplus: \$23.9 million
- Colchester Surplus: \$20.3 million
- Assumed Rate: 2.9%
- Expected Investment Income: \$1.28 million
- Investment income was used to reduce the rates last year
- We recommend that CLLAS continue this practice as long as surplus exceeds “Operational Surplus Target”

Lower Expected Loss Costs



Effect of Lower Expected Loss Costs

- Loss costs were reduced due to favourable claims frequency trend and longer assumed payout pattern
- Lower discounted expected loss costs affect only the retained portion of premium.
- Results in improved CLLAS rates assuming:
 - ❖ 2009 reinsurance rates
 - ❖ 2009 retentions.



Reinsurance Premiums and Losses

CLAIMS EXPERIENCE COMPARED WITH REINSURANCE PREMIUM BY LAYER 1987 TO 2009 AS OF DECEMBER 31, 2009

<u>Layer</u>	<u>Net Reinsurance Premium</u>	<u>Paid Claims</u>	<u>Outstanding Claims</u>	<u>Total Incurred</u>	<u>Net Loss Ratio</u>
1 (\$7.5MM xs \$5MM)	\$67,652,239	\$40,986,111	\$0	\$40,986,111	60.6%
2 (\$12.5MM xs \$12.5MM)	\$53,900,333	\$28,184,158	\$0	\$28,184,158	52.3%
3 (\$10MM xs \$25MM)	\$20,275,855	\$942,538	\$3,500,000	\$4,442,538	21.9%*
4 (\$20MM xs \$140MM)	\$7,322,620	\$0	\$0	\$0	0.0%
5 (Up to \$30MM xs \$160MM)	\$1,401,769	\$0	\$0	\$0	0.0%
6 (\$30MM/\$60MM xs min \$50MM)	\$14,199,112	\$0	\$0	\$0	0.0%
	\$164,751,928	\$70,112,807	\$3,500,000	\$73,612,807	44.7%

Notes:

* With the change in incurred on Claim No. 2004-194 as of March 31, 2010, the net loss ratio would be closer to 50%.

Proposed Reinsurance Rates

<u>Layer</u>	<u>Actual Rate 2009/10</u>	<u>Proposed Rate 2010/11</u>	<u>Change in Rate</u>	<u>Probable Rate</u>
1 ROC (\$7.5MM xs \$5MM) Québec (\$7.5MM xs \$10MM)	\$1,622.00 \$952.00	\$1,455 \$900	-10% -5%	\$1,586 \$931
2 ROC (\$12.5MM xs \$12.5MM) Québec (\$12.5MM xs \$17.5MM)	\$1,137.50 \$888.75	\$1,110 \$840	-2% -5%	\$1,110 \$840
3 ROC (\$10MM xs \$25MM) Québec (\$10MM xs \$30MM)	\$423.00 \$301.00	\$423 \$301	0% 0%	\$423 \$301
4 \$20MM xs \$140MM	\$138.00	\$138	0%	\$138
5 Up to \$40MM xs \$160MM				
\$10MM xs \$160MM	\$86.00	\$66	-23%	\$76
\$20MM xs \$160MM	\$123.00	\$123	0%	\$123
\$30MM xs \$160MM	\$170.00	\$170	0%	\$170
\$40MM xs \$160MM (proposed)	n/a	\$200	n/a	\$210
6 \$30MM/\$60MM xs min \$50MM	\$185.00	\$150	-19%	\$150*

*Lead underwriter has offered a third reinstatement at \$185 rate

Effect of Reduced Reinsurance Rates

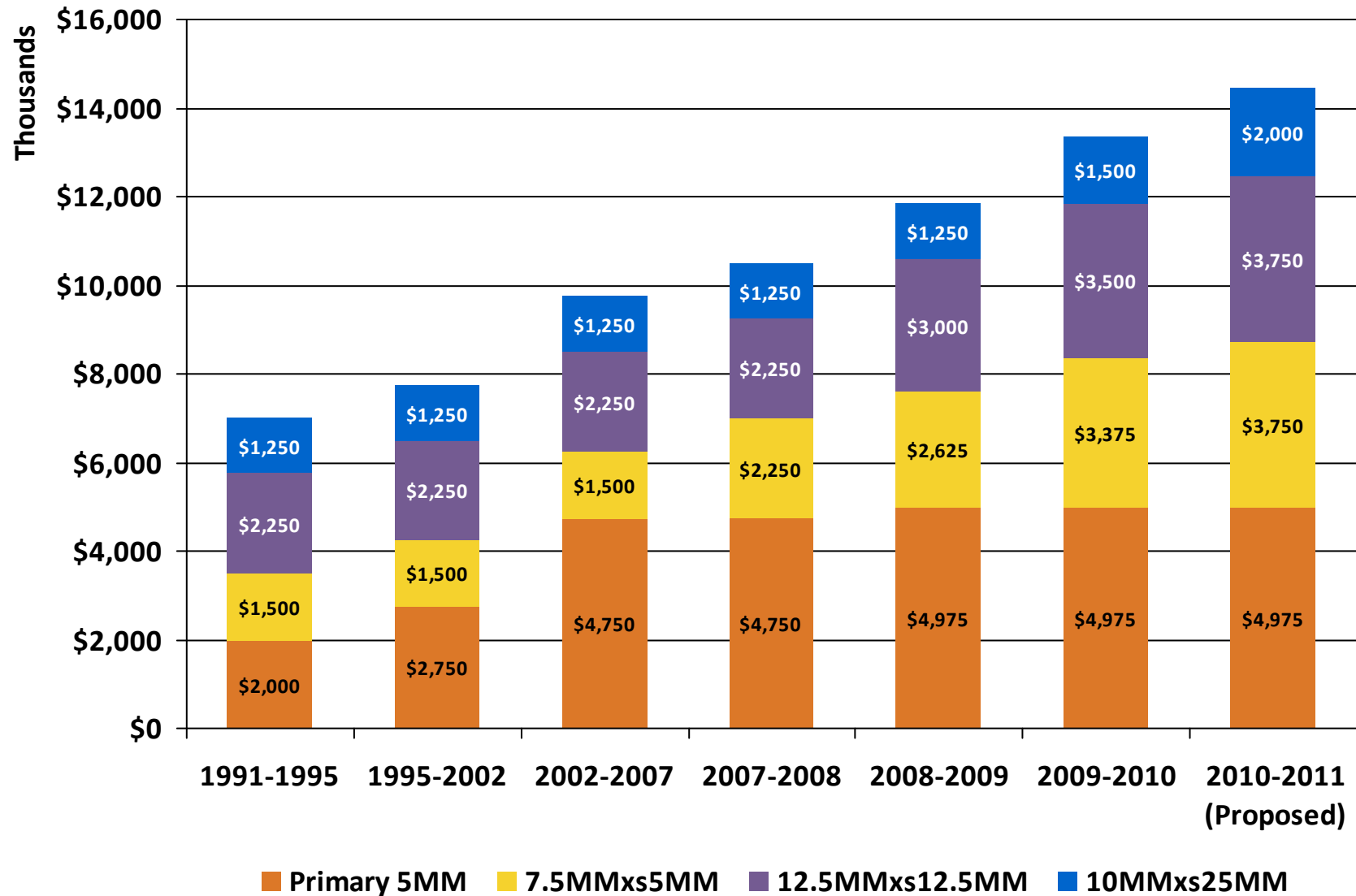
- Lower reinsurance rates have been proposed based on soft market conditions and improved loss experience.
- Reduced rates affect only ceded portion of premium.
- Results in reduced CLLAS rates



Additional Retention

- Additional retentions were recommended per Tillinghast report of 2008.
- Recommended Retention Change for 2010 :
 - ❖ Layer 1: 45% \Rightarrow 50% (\$0.375M / Claim)
 - ❖ Layer 2: 28% \Rightarrow 30% (\$0.250M / Claim)
 - ❖ Layer 3: 15% \Rightarrow 20% (\$0.500M / Claim)
- Total retention increase of \$1.125M per claim, leaves \$0.525M of additional retention before amendment to subscriber agreement required..
- We recommend that over the course of the year, CLLAS consider increasing retention threshold to \$20-\$25 million

CLLAS Retention History



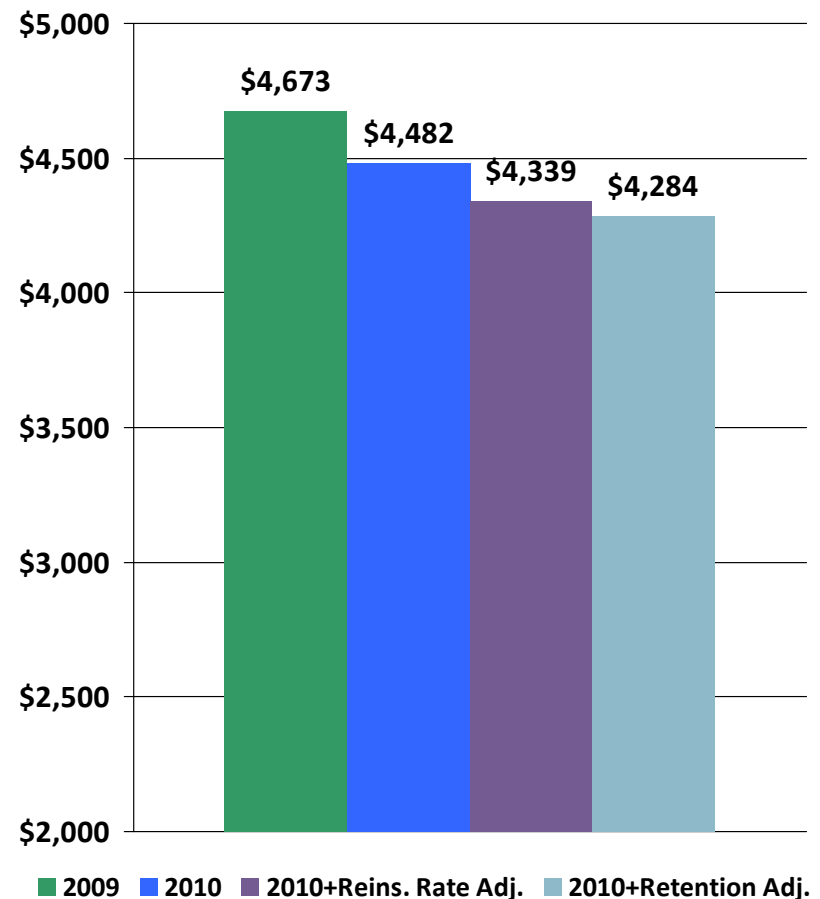
Effect of Additional Retention

- Higher retentions lowers the reinsurance cost.
- Results in further reduction in CLLAS rates
- Without changes in reinsurance rate, overall savings are 5.4%.



Combined Effect

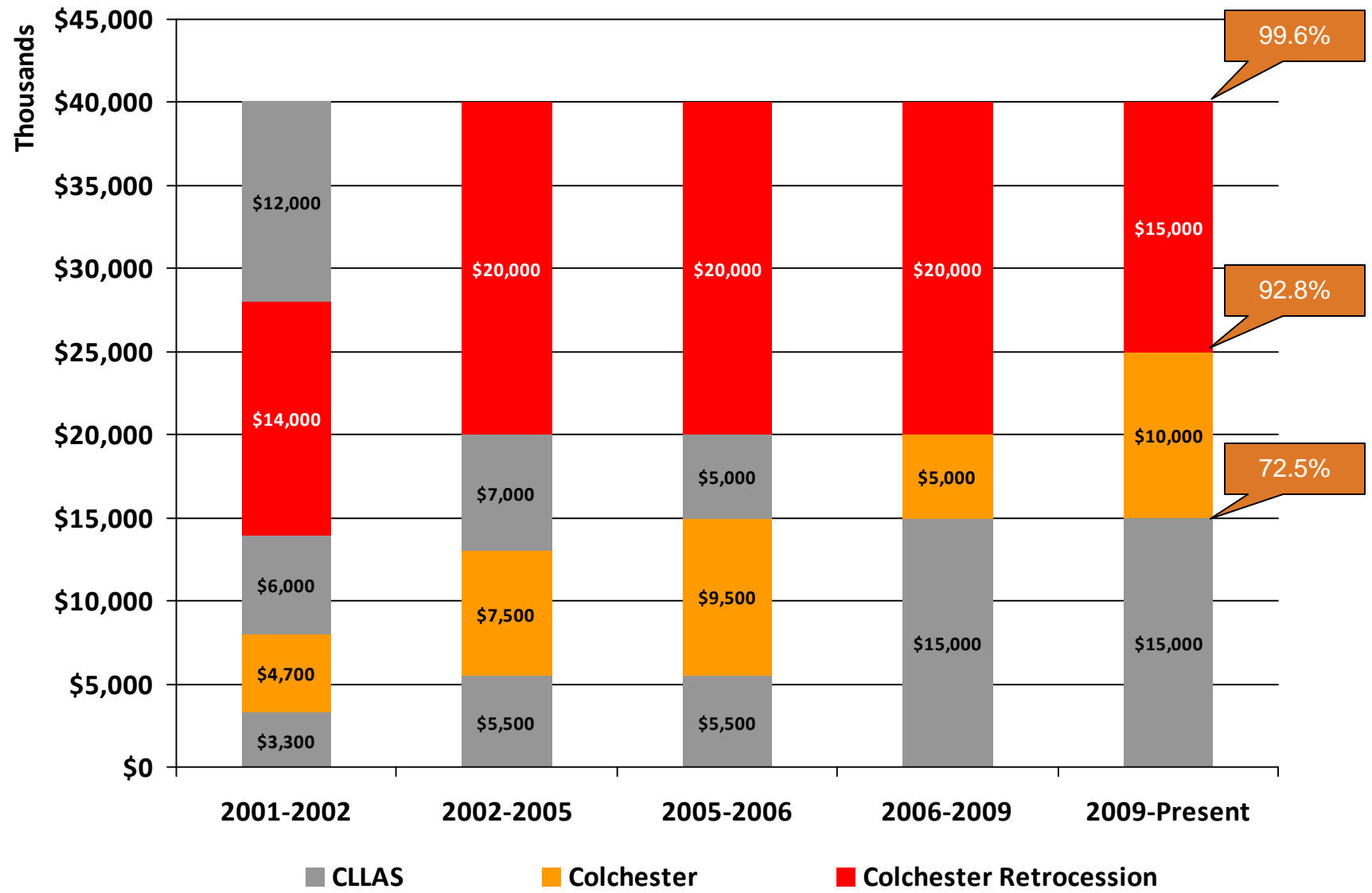
- If all factors were taken into account i.e.
 - ❖ Investment income
 - ❖ Reduced loss costs
 - ❖ Reduced reinsurance rates
 - ❖ Increased retentions
- Total savings over 2009 rate grows to 8.3%
- However, final reinsurance rates will be higher than proposed but lower than expiring
- Colchester aggregate stop loss will likely be increased due to higher retentions



Colchester Aggregate Protection

- Colchester retention and retrocession reviewed extensively in 2009/2010.
- Not recommending any changes to Colchester structure for 2010/2011.
- Retrocession costs currently \$950,000
- Will likely increase due to increased CLLAS retentions

Colchester Retention History

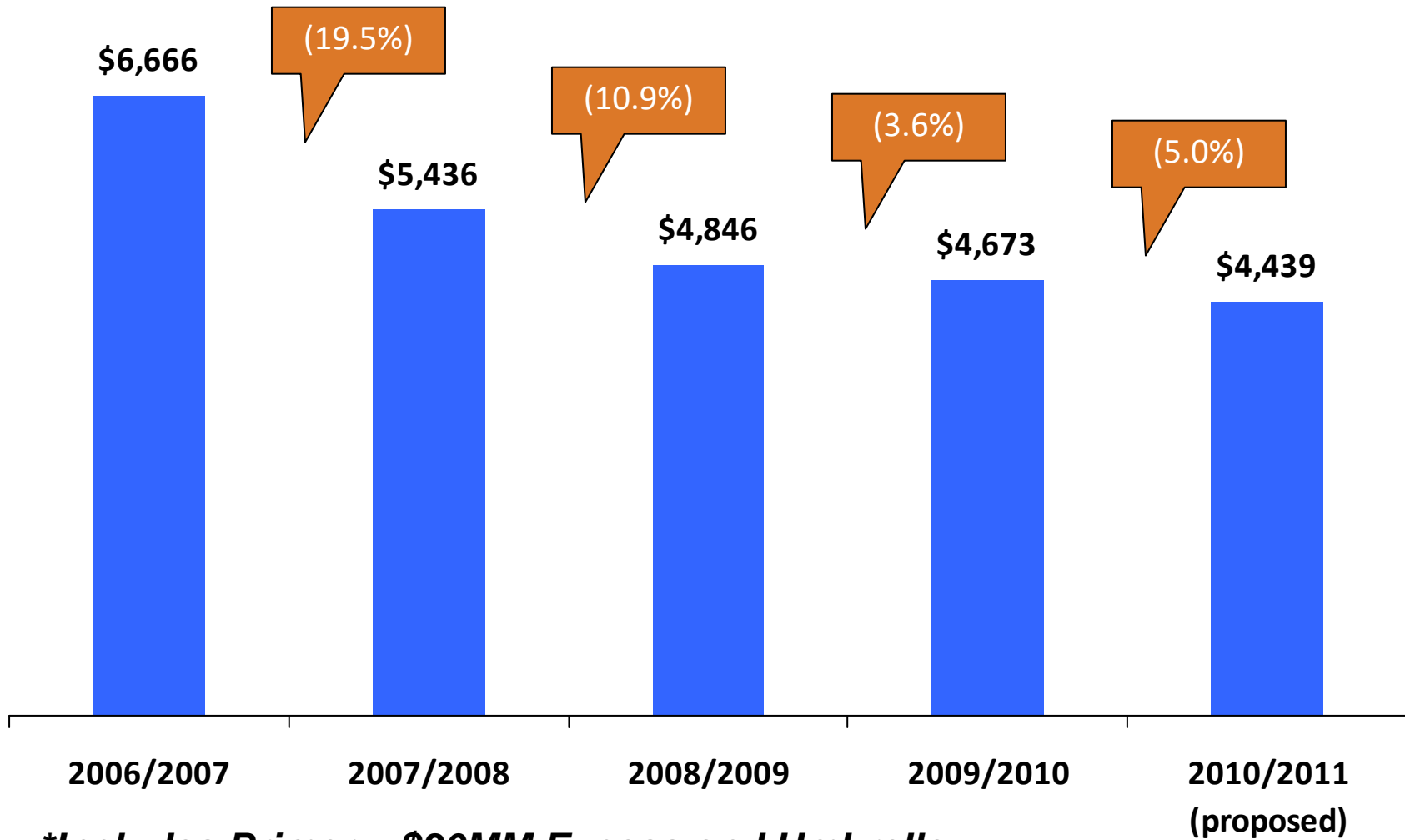


2010/2011 Recommended Premium/Rate

- It is recommended that CLLAS adopt a fixed rate reduction of 5% for 2010/2011.
- Even with a reasonable increase in Colchester premiums, CLLAS will be able to offer the 5% reduction
- A 5% reduction represents a total reduction in CLLAS premium of \$1,124,000.



CLLAS Recent Rate* History



**Includes Primary, \$30MM Excess and Umbrella*

Reinsurance Security

- CLLAS Audit Committee has been given the added responsibility of monitoring CLLAS reinsurance
- Two levels of monitoring
- Level 1: Tests are conducted on all reinsurers
- Level 2: Specific events/tests will trigger level 2 monitoring

Level II Monitoring Triggers

- Downgrading of A.M. Best and S&P ratings and outlooks
- Total Liability Exposure (all years) > 10% of case reserves and IBNR for all years
- Expected Loss Exposure from each reinsurer (current year) > 10% of total expected losses
- Limit Exposure to each reinsurer (current year) > 10% of total limits
- A reinsurer is unregistered in Canada
- Reinsurance recoverable problem

Reinsurers Requiring Level II

Total Liability Exposure for All Years

- Lloyd's at 18.8% (down from last year)

Expected Loss Exposure for Current Year

- Lloyd's at 14.2% (down)

Limit Exposure (Current Year)

- Lloyd's at 36.7% (marginally up from last year)
- Swiss Re (Canada) at 22.2% (same)
- Allied World at 11.1% (same)
- Brit Syndicate at 11.1% (same)

Other Level II

- Allied World (unregistered)
- Colchester (unregistered)
- CRC (unregistered)
- GCAN (not rated by S&P)
- TRC (reinsurance recoverable issue – Claims/Audit Committee to advise)

Reinsurance and Commercial Insurance

- We are not able to assess the claims liabilities in the commercial layers since we would need incurred claims and IBNR from each insurer
- Except for the CLLAS international coverage incurred claims plus IBNR should be <10%
- We were able to assess the limit exposure which increases from \$101MM to \$238MM
- This has the effect of watering down the 10% limit rule so that only Lloyd's and Swiss Re are >10%

Combined Security Issues

- If commercial insurer limits were triggered at the same point as reinsurer limits then the following would be placed on Level II:
 - ❖ Interstate Fire + Casualty
 - ❖ Liberty International
 - ❖ Chubb Insurance
 - ❖ ACE/INA
 - ❖ Lexington
 - ❖ Travellers Guarantee
- Claims liabilities in the commercial layers only affect the individual firm and the firm does not have the benefit of spreading a claim that is in default among 13 firms like in the case of CLLAS reinsurance

Policy Wording

- CLLAS proposes to make the following change to the policy for the upcoming term:
 - ❖ Definitions of “Insured”, “Professional Corporation” and “Service Corporation” have been amended to better account for the different partnership structures in Provinces outside of Ontario
- A thorough policy review should be undertaken to ensure that coverage continues to be state of the art (Policy Committee to advise)

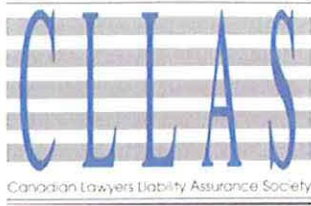
Regulatory Issues

- OSFI Part XIII
 - ❖ Reinsurance is now placed through Alternative Risk Services, a Lloyd's correspondent and a subsidiary of Dion Durrell + Associates
 - ❖ We have been advised by Lloyd's that FSCO will not change its regulatory approach due to OSFI's Part XIII amendments
- FSCO Requirements
 - ❖ Total reinsurance is <75% and unregistered reinsurance is <25% as per FSCO guidelines
- OSFI Discussion Paper
 - ❖ Change from a rules based to a principles based regulatory framework – discussion is ongoing



Pro-Form Insurance Services

"A Hub International Company"



Renewal Terms for

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

July 1, 2010

Presented By:

**Robert S. Wilson
Pro-Form Insurance Services**

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INTRODUCTION

I am pleased to advise you that, as a group, you did meet the claims criteria to allow the further extension of the excess program and rate guarantee; we did advise all of the Insurers that the rate will not change and that you would be taking advantage of the guaranteed rate for July 1, 2010.

In addition, the Insurers have agreed to a further rate guarantee for the group as long as the claims criteria is met again in 2011, if so the rate guarantee will continue for the renewal on July 1, 2011.

I am extremely pleased that we were able to continue the rate guarantee for the CLLAS group and as far as we know there are no other multi year policies in place for lawyers at the current time. We believe the Insurers are willing to provide this guarantee primarily because they continue to be very pleased with the results of the group.

As I indicated in my mid-term report letter to you, we did see continued softening of the rating in the primary \$20M program excess of the Law Society and this is mainly driven by additional Insurers who are attempting to enter the marketplace and compete for the business.

I do strongly believe the current rates are not sustainable viewing the current loss experience and there could very well be a dramatic turn in the rating in the future or a quick exit of the insurance carriers providing this coverage, as we have seen in the past.

I can also confirm that the Excess wording is not changing this year and will remain as per the expiring form.

We have, however, made some changes to the primary CLLAS International wording and I refer you to the policy wording section of the attached for this information.

Further in the report we are also confirming that the Insurer line up will not change for July 1, 2010, as all of the current Insurers have met the financial criteria and have re-confirmed their desire to continue on the CLLAS program.

We have provided you with some financial information in the attached submission and in addition, we did provide Dion Durrell with the final Insurer line up and they will be analyzing the total exposures as requested by your Audit committee.

As in the past we are continuing to monitor some of the firms in the group who are increasing their out of country exposures and please keep in mind that once the exposure does go beyond approximately 10 lawyers, we may need to approach you with respect to a separate CLLAS International insurance policy. We are having these discussions on an ongoing basis with the member firms and if you would like to discuss this further with me, please do not hesitate to me know.

I trust you will find the attached renewal program to be satisfactory to you and I am extremely pleased with the outcome of the renewal, which quite frankly is still providing an excess insurance program over the CLLAS program which I believe is more competitive than any other program available in the current Canadian market.

I look forward to working with you.

POLICY WORDINGS

- There are no changes to the Canadian excess policy wordings
- With respect to CLLAS International, I am attaching a copy of the revised policy wording with the various changes and as you can see we have amended the policy wording to allow for circumstances to be defended by the Insurer which in the past were somewhat questionable with respect to them making payments on your behalf, when the matter was not necessarily a claim situation. We believe this enhancement will assist you in a loss prevention capacity when dealing with circumstances in your firm.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY INTERNATIONAL

LAWYERS PROFESSIONAL LIABILITY INSURANCE POLICY

In consideration of payment of the premium and subject to the Declarations, limitations, conditions, provisions and other terms of this Policy, the Company and the **Insured** agree as follows:

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I. INSURING CLAUSE

The Company shall pay **Loss** on behalf of an **Insured** on account of any **Claim** first made against such **Insured** or **Potential Claim arising** during the **Policy Period** or, if exercised, during the Extended Reporting Period, for a **Wrongful Act** committed by the **Insured** before or during the **Policy Period**.

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II. DEFINITIONS

Application means all signed applications, including attachments and other materials submitted therewith or referenced or incorporated therein, submitted by or on behalf of the **Insured** to the Company for this Policy or for any policy of which this Policy is a direct or indirect renewal or replacement. All such applications, attachments and materials are deemed attached to, incorporated into and made a part of this Policy.

The term "attorney" shall be read to include "attorney, barrister, solicitor, lawyer or the equivalent in any applicable jurisdiction".

Claim means:

(1) any of the following:

- (a) a written demand or written request for monetary damages or non-monetary relief;
- (b) a written demand or arbitration;
- (c) a civil proceeding commenced by the service of a complaint or similar pleading; or
- (d) a formal civil administrative or civil regulatory proceeding (including a disciplinary or grievance proceeding before a court or bar association) commenced by the filing of a notice of charges or similar document or by the entry of a formal order of investigation or similar document,

against an **Insured** for a **Wrongful Act**, including any appeal therefrom;

or

- (2) a written request received by an **Insured** to toll or waive a statute of limitations relating to a potential **Claim** described in paragraph (1) above.

Except as may otherwise be provided in Section X Reporting, a **Claim** will be deemed to have been first made when such **Claim** is commenced as set forth in this definition (or, in the case of a written demand or written request, including but not limited to a demand for arbitration, when such demand or request is first received by an **Insured**).

Controlled Enterprise means any business enterprise (other than an **Insured** or a business enterprise in which the ownership, control, operation or management by the **Insured** is exclusively in a fiduciary capacity as an administrator, conservator, executor, trustee, guardian, receiver or committee or in any similar fiduciary capacity incidental to the practice of law by an **Insured**) if at the time the **Wrongful Act** occurs:

- (1) such business enterprise is a publicly traded entity and five percent (5%) or more of its issued and outstanding securities or voting rights to elect or appoint a board of directors or an equivalent governing body is owned or controlled, individually or collectively, by the **Firm** or by one or more **Insured Persons**;
- (2) such business enterprise is not a publicly traded entity and twenty-five percent (25%) or more of the legal and/or equitable ownership of such enterprise is owned or controlled, individually or collectively, by the **Firm** or by one of more **Insured Persons**; or
- (3) such business enterprise is controlled, operated or managed by the **Firm** or by one or more **Insured Persons**.

Defense Costs means that part of **Loss** consisting of reasonable costs, charges, fees (including attorneys' fees and experts' fees) and expenses (other than regular or overtime wages, salaries, fees, overhead or benefits) of any **Insured** incurred in defending any **Claim** or **Potential Claim** and the premium for appeal, attachment or similar bonds; provided that the Company will have no obligation to procure or provide any bonds.

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Domestic Partner means any natural person qualifying as a domestic partner under the provisions or any applicable law or under the provisions of any formal program established by the **Firm**.

Financial Impairment means the status of a **Firm** resulting from:

- (1) the appointment by any government official, agency or court of any receiver, conservator, liquidator, trustee, rehabilitator or similar official to take control of, supervise, manage or liquidate the **Firm**; or
- (2) the **Firm** becoming a debtor in possession under the United States bankruptcy law or the equivalent of a debtor in possession under the law of any other country.

Firm means (the organization) engaged in the practice of law under the name(s) set forth in ITEM 1 of the Declarations, whether as a partnership, professional corporation or association, limited liability partnership, limited liability company or otherwise, and any predecessor firm(s) designated in ITEM 2 of the Declarations.

Foreign Legal Consultant means any natural person who is a lawyer who is accredited and licensed to practice in a foreign jurisdiction and who has been approved by the applicable bar, *law society or court* as a **Foreign Legal Consultant** to provide advice and services about the laws of the lawyer's foreign jurisdiction but only if such services are performed by or on behalf of the **Firm**.

Insured means the **Firm** and any **Insured Person**.

Insured Person means any natural person or entity:

- (1) who was, now is or shall become a partner, principal, director, officer, shareholder or member of the **Firm**;
- (2) who was, now is or shall become designated (as evidenced in the **Firm's** records) as "counsel" or "of counsel" by the **Firm**;
- (3) whose labor or service was, now is or shall be engaged by and directed by the **Firm** to perform **Professional Services**, including a full-time, part-time, seasonal, contracted, leased and temporary employees, or seconded lawyers who are providing Professional Services on behalf of the **Firm**.
- (4) **Foreign Legal Consultants**, or
- (5) **Service Companies** which are corporations or partnerships including any principal, director, officer or employee of such **Service Company** providing services exclusively to the Named Insured.

but only while acting in his, her or its capacity as such.

Intra Firm Representation means **Professional Services** provided with the prior written consent of, or in accordance with the established policies of the **Firm**, by an **Insured Person** to any other **Insured Person** in a lawyer/client relationship.

Loss means the amount that an **Insured** becomes legally obligated to pay as a

result of any covered **Claim**, including but not limited to damages (including punitive or exemplary damages if and to the extent that such punitive or exemplary damages are insurable under the law of the jurisdiction most favorable to the insurability of such damages, provided such jurisdiction has a substantial relationship to the relevant **Insured**, to the Company, or to the **Claim** giving rise to the damages), judgments, settlement, pre-judgments and post-judgment interest and **Defense Costs**.

Loss also includes any Defense Costs incurred by an Insured with respect to any Potential Claim (written notice of which has been given to the company pursuant to Section X(A)(2) Reporting.)

Loss does not include:

- (1) any costs incurred by an **Insured** to comply with any order for injunctive or other non-monetary relief, or to comply with an agreement to provide such relief;
- (2) taxes, fines, penalties (except as provided above with respect to punitive or exemplary damages), liquidated damages or the multiple portion of any multiplied damage award;
- (3) the cost of correcting, re-performing or completing any **Professional Services** or any amount which constitutes restitution, reduction, disgorgement, or set off or return of any fees or expenses paid to or charged by an **Insured** for **Professional Services**; or
- (4) any amount not insurable under the law pursuant to which this Policy is construed.

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Deleted: any amount incurred by an **Insured** in the defense or investigation of any action, proceeding, demand or request that is not then a **Claim** even if such matter subsequently gives rise to a **Claim**;

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Personal Injury means libel, slander, disparagement, violation of rights of privacy, false arrest, detention or imprisonment, wrongful entry or eviction, malicious prosecution or abuse of process;

Policy Period means the period of time set forth in ITEM 3 of the Declarations, subject to any prior termination in accordance with Section XX Termination of Policy.

Pollutants means any substance located anywhere in the world exhibiting any hazardous characteristics as defined by, or identified on a list of hazardous substances issued by the United States Environmental Protection Agency or any state, county, municipality or locality counterpart thereof. Such substances shall include, without limitation, solid, liquid, gaseous or thermal irritants, contaminants, smoke, vapor, soot, fumes, acids, alkalis, chemicals or waste materials. **Pollutants** shall also include any air emission, odor, wastewater, oil

or oil products, infectious or medical waste, asbestos, or asbestos products and any noise.

Pollution means the actual, alleged or threatened exposure to, or generation, storage, transportation, discharge, emission, release, dispersal, escape, treatment, removal or disposal of **Pollutants** or any clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of any **Pollutants**, or any voluntary decision to do so.

Potential Claim has the meaning set forth in Section X(A)(2) Reporting.

Professional Services means services provided to others by an **Insured** as:

- (1) an attorney or notary public;
- (2) an administrator, conservator, executor, trustee, guardian, escrow agent, receiver or committee or in any similar fiduciary capacity incidental to the practice of law by the **Firm**;
- (3) an arbitrator or mediator;
- (4) a member, director or officer of any non-profit professional legal association, its governing board, or any of its committees;
- (5) a government affairs advisor or lobbyist;
- (6) a title insurance agent pursuant to a written agency agreement with licensed title insurance company, but only when acting in such capacity for real estate transactions for which an **Insured** has provided services as an attorney;
- (7) a paralegal or legal assistant, solely in connection with the performance of **Professional Services**;
- (8) patent or trademark agent or title searcher; or
- (9) a **Foreign Legal Consultant**.

but only if such services are performed in the name of or on behalf of the **Firm** and some or all of the fee, if any, accruing from such services (regardless of whether such fee is actually collected) inures to the benefit of the **Firm**.

Professional Services shall include the provision of any investment advice.

Related Claims means all **Claims** based upon, arising from, or in consequence of the same or related facts, circumstances, situations, transactions or events or the same or related series of facts, circumstances, situations, transactions or

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events.

Wrongful Act means any actual or alleged act, error or omission committed, attempted, or allegedly committed or attempted, solely in the performance of or failure to perform **Professional Services** by the **Firm** or by an **Insured Person** acting in his or her capacity as such on behalf of the **Firm**.

III. EXCLUSIONS

- (A) The Company shall not be liable for **Loss** incurred by an Insured on account of any **Claim or Potential Claim**;

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- (1) based upon, arising from, or in consequence of any fact, circumstance, situation, transaction, event or **Wrongful Act** that was the subject of any notice given under any policy of which this Policy is a direct or indirect renewal or replacement;
- (2) based upon, arising from or in consequence of any fact, circumstance, situation, transactions, event or **Wrongful Act** occurring prior to the inception date of the first lawyers professional liability policy issued to the **Firm** by the Company which, prior to such inception date, any **Insured** knew or should have known might give rise to a **Claim**;
- (3) based upon, arising from, or in consequence of any demand, suit or other proceeding pending against, or order, decree or judgment entered for or against such **Insured**, on or prior to the Pending or Prior Date set forth in ITEM 7 of the Declarations, or the same or substantially the same fact, circumstance, situation, transaction, event or **Wrongful Act** underlying or alleged therein;
- (4) based upon, arising from, or in consequence of **Pollution**; provided that this exclusion shall only apply where the **Insured** is an actual or alleged owner, lessee or operator of the property in question;
- (5) for bodily injury, mental anguish, emotional distress (except mental anguish and emotional distress resulting from **Personal Injury**), sickness, disease or death of any person or damage to, destruction of or loss of use of any property (including software, data or other information that is in electronic form), whether or not it is damaged or destroyed; provided that this Exclusion shall not apply if the allegations of bodily injury, mental anguish, emotional distress (except mental anguish and emotional distress resulting from **Personal Injury**), sickness, disease or death of any person or

damage to, destruction of or loss of use of any property (including software, data or other information that is in electronic form) arises out **Professional Services**.

- (6) for any actual or alleged violation by such **Insured** of the responsibilities, obligations or duties imposed on fiduciaries by the Employee Retirement Income Security Act of 1974, or any amendments thereto, or any rules or regulations promulgated thereunder, or any similar provisions of any federal, state, or local statutory law or common law anywhere in the world;
 - (7) by or on behalf of, in the name or right of, or based upon, arising from or in consequence of any **Wrongful Act** on the part of such **Insured** in connection with any **Controlled Enterprise**;
 - (8) based upon, arising from, or in consequence of the service of such **Insured Person** in his or her capacity as a partner, member, principal, director, officer, shareholder, counsel, of counsel, or employee of any entity other than the **Firm** or any **Service Company**; provided that this Exclusion shall not apply where the **Insured Person** is acting in his or her capacity as a member, director or officer of any non-profit professional legal association, its governing board, or any of its committees;
 - (9) brought or maintained by or on behalf of any **Insured** in any capacity, other than as a client in connection with **Intra Firm Representation**;
 - (10) based upon, arising from, or in consequence of **Professional Services** performed as a title insurance agent where there allegedly exists;
 - (a) any defect in title of which any **Insured** had actual knowledge as of the date the title insurance policy was issued by or through any **Insured**; or
 - (b) any actual or alleged breach of underwriting authority by an **Insured**;
- (B) The Company shall not be liable for **Loss** on account of any **Claim** or **Potential Claim** against an **Insured**:
- (1) based upon, arising from or in consequence of such **Insured** having gained in fact any profit, remuneration or advantage to which such **Insured** was not legally entitled; or

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- (2) based upon, arising from or in consequence of any deliberately fraudulent or dishonest act or omission or any willful violation of any statute or regulation by such **Insured**, or any libel or slander committed by such **Insured** with knowledge of its falsity.

as evidenced by any final judgment or ruling in any judicial, administrative or alternative dispute resolution proceeding.

IV. SPOUSES, ESTATES AND LEGAL REPRESENTATIVES

Coverage shall extend to **Claims and Potential Claims** for the **Wrongful Acts** of an **Insured Person** made against:

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- (a) the lawful spouse or **Domestic Partner** of such **Insured Person**, if named as a co-defendant with such **Insured Person** solely by reason of such person's status as a spouse or **Domestic Partner**, or such spouse or **Domestic Partner's** ownership interest in property that is sought by a claimant as recovery for an alleged **Wrongful Act** of such **Insured Person**; and
- (b) the estate, heirs, legal representatives or assigns of such **Insured Person** if such **Insured Person** is deceased or the legal representatives or assigns of such **Insured Person** if such **Insured Person** is incompetent, insolvent or bankrupt

All terms and conditions of this Policy including, without limitation, the Retention Amount applicable to **Loss** incurred by the **Insured Person**, shall also apply to **Loss** incurred by the **Insured Person's** spouse, **Domestic Partner**, estate, heirs, legal representatives or assigns. The coverage provided by this Section IV. shall not apply with respect to any loss arising from an act or omission by an **Insured Person's** estate, heirs, legal representatives, assigns, spouse or **Domestic Partner**.

V. OTHER INSURANCE

This Policy shall be specifically excess over, and shall not contribute with, any other valid and collectible insurance, whether such other insurance is stated to be primary, contributory, excess (except insurance specifically in excess of this Policy), contingent or otherwise. This Policy will not be subject to the terms of any other insurance.

VI. TERRITORY

Coverage shall extend anywhere in the world.

VII. EXTENDED REPORTING PERIOD

(A) If the Company or the **Firm** terminates or does not renew this Policy, other than termination by the Company for nonpayment of premium, then the **Firm** shall have the right to purchase an Extended Reporting Period for either the twelve (12) month period, twenty-four (24) month period or thirty-six (36) month period beginning on the effective date of the termination or non-renewal of this Policy. This right to purchase an Extended Reporting Period shall lapse unless written notice of election to purchase the Extended Reporting Period, together with payment of the additional premium due, as set forth in ITEM 6 of the Declarations, is received by the Company within thirty (30) days following effective date of the termination or non renewal of this Policy. The **Firm** may not change the option selected once that selection has been made.

(B) If the Extended Reporting Period is purchased, then coverage otherwise afforded by this Policy will be extended to apply to **Loss from Claims and Potential Claims** first made or notified during such Extended Reporting Period and reported in accordance with Section X. Reporting, but only for **Wrongful Acts** committed or allegedly committed before the effective date of termination or nonrenewal or the date of any event described in Section XIII(B) Changes in Exposure, whichever is earlier. The entire additional premium for the Extended Reporting Period shall be deemed fully earned at the inception of such Extended Reporting Period. Any **Claim** made during the Extended Reporting Period shall be deemed to have been made during the immediately preceding **Policy Period**. The Limit of Liability for the Extended Reporting Period shall be part of and not in addition to the applicable Limits of Liability for the immediately preceding **Policy Period**.

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VIII. LIMIT OF LIABILITY

(A) The Company's maximum liability for all **Loss** from each **Claim and Potential Claim** first made or notified during the **Policy Period** shall not exceed the each **Claim** Limit of Liability set forth in ITEM 4(A) of the Declarations.

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(B) The Company's maximum aggregate liability for all **Loss** from all **Claims and Potential Claim** first made or notified during the **Policy Period** shall not exceed the aggregate limit of liability set forth in ITEM 4(B) of the Declarations, regardless of the number of **Claims**.

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(C) **Defence Costs** are part of and not in addition to the Limits of Liability set forth in ITEM 4 of the Declarations, and payment by the Company of **Defense Costs** shall reduce and may exhaust such Limits of Liability.

IX. RETENTION AMOUNT

The Company's liability under this Policy shall apply only to that part of covered **Loss** on account of each **Claim** and **Potential Claim** which is excess of the applicable Retention Amount set forth in ITEM 5 of the Declarations. Such Retention Amount shall be depleted only by **Loss** otherwise covered under this Policy and shall be borne by the **Insured** uninsured and at their own risk. In the event that any **Insured Person** is unwilling or unable to bear the Retention Amount it shall be the obligation of the **Firm** to bear such Retention Amount uninsured and at its own risk.

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X. REPORTING

(A) Reporting of Claims and Wrongful Acts:

- (1) If a Claim is made against any Insured the Insured shall, as a condition precedent to exercising any right to coverage under this Policy, give to the Company written notice of such **Claims** as soon as practicable, but in no event later than the earliest of the following dates:
 - (a) if this Policy is either terminated or not renewed by the Firm, and if no Extended Reporting Period is purchased, thirty (30) days after the effective date of such expiration or termination;
 - (b) if the Extended Reporting Period is purchased, the expiration date of the Extended Reporting Period; or
 - (c) if the Company sends written notice to the **Firm** pursuant to Section XX (A)(3) Termination of Policy, prior to the effective date of such termination.
- (2) If during the **Policy Period** an **Insured** becomes aware of a **Wrongful Act** which may subsequently give rise to a **Claim** (**a "Potential Claim"**), and during the **Policy Period** the **Insured** gives the Company written notice of such **Wrongful Act**, including a description of the **Wrongful Act** in question, the identities of the potential claimants, the consequences that have resulted or may result from the **Wrongful Act**, the damages that may result from the **Wrongful Act** and the circumstances by which the **Insured** first became aware of the **Wrongful Act**;

then the Company will treat any such subsequently resulting **Claim** as if it had been made against the **Insured** during the **Policy Period**; provided that written notice of such **Claim** is then

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given to the Company in accordance with paragraph (A)(1) of this Section X.

- (3) All notices of **Claims** and **Potential Claims**, required under this Section X must be sent in writing to the address set forth in Section XI Notice.

Deleted: and

Deleted: Wrongful Acts

XI NOTICE

- (A) All notices to the Company under this Policy of **Claims** and **Potential Claims** which could give rise to a **Claim** shall be given in writing addressed to:

Deleted: Wrongful Acts

Attn: Claims Department
Lexington Insurance Company
100 Summer Street
Boston MA 02110

- (B) All other notices to the Company under this Policy shall be given in writing addressed to:

Attn: Underwriting
Lexington Insurance Company
100 Summer Street
Boston MA 02110

- (C) Any notice given under XI(A) or XI(B) above shall be effective on the date of receipt by the Company at the address shown.

XII. DEFENSE AND SETTLEMENT

- (A) It shall be the duty of the **Insured** and not the duty of the Company to defend **Claims** and **Potential Claims** made against the **Insured** and to retain qualified counsel of its own choosing with the Company's prior written consent, such consent not to be unreasonably withheld.

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- (B) With respect to any **Claim** and **Potential Claims** that appears reasonably likely to be covered in whole or in part under this Policy, the Company shall have the right and shall be given the opportunity to effectively associate with the **Insured**, and shall be consulted in advance by the **Insured** regarding the investigation, defense and settlement of such **Claim**, and **Potential Claims** including but not limited to selecting appropriate defense counsel and negotiating any settlement. It shall not be unreasonable for the Company to withhold its consent to the representation of any **Insured** by another **Insured** or, if more than one

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Insured is involved in a **Claim** or **Potential Claims**, to withhold its consent to separate counsel for one or more of such **Insureds**, unless there is a material actual or potential conflict of interest among such **Insureds**.

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- (C) No **Insured** shall settle or offer to settle any **Claim**, incur any **Defense Costs**, or otherwise assume any contractual obligation or admit any liability with respect to any **Claim** without the Company's prior written consent, which shall not be unreasonably withheld. The Company shall not be liable for any settlement, **Defense Costs**, assumed obligation or admission to which it has not given its prior written consent.
- (D) If any **Insured** withholds consent to any settlement acceptable to the claimant in accordance with the Company's recommendation (a "Proposed Settlement"), then the Company's liability for all **Loss**, including **Defense Costs**, from such **Claim** shall not exceed the amount of the Proposed Settlement plus **Defense Costs** incurred up to the date of the **insured's** refusal to consent to the Proposed Settlement of such **Claim**.
- (E) The Company shall have no obligation to pay **Loss**, including **Defense Costs**, or to defense or continue to defend any **Claim**, after the Company's applicable Limit of Liability with respect to such **Claim** has been exhausted by the payment of **Loss**. If the Company's Limit of Liability is exhausted by the payment of **Loss** prior to the expiration of this Policy, the Policy premium will be deemed fully earned.

The **Insured** agreed to provide the Company with all information, assistance and cooperation which the Company may reasonably require and agree they will do nothing that may prejudice the Company's position or its potential or actual rights of recovery.

The Company shall, upon written request, advance on a current basis **Defense Costs** owed under this Policy. As a condition of any payment of **Defense Costs** before the final disposition of a **Claim**, the Company may require a written undertaking on terms and conditions satisfactory to it guaranteeing the repayment of any **Defense Costs** paid on behalf of any **Insured** if it is finally determined that this Policy would not cover **Loss** incurred by such **Insured** in connection with such **Claim**.

XIII. CHANGES IN EXPOSURE

(A) Acquisition of Additional Attorneys

If, during the **Policy Period**, the total number of attorneys in the **Firm** increases by more than 10 attorneys as the result of the **Firm's** merger with or acquisition of any other law firm or any group of attorneys who practices together at another law firm, the **Firm** must promptly give the

Company written notice thereof, and the Company will be entitled to impose such additional coverage terms and charge such additional premium in connection therewith as the Company, in its sole discretion, may require. Subject to the provisions of this paragraph, coverage shall only be provided for such acquired attorneys with respect to **Wrongful Acts** committed or allegedly committed after the date of such merger or acquisition.

(B) Conversion of Coverage under Certain Circumstances

If, during the **Policy Period**:

- (1) all or substantially all of the **Firm's** assets are acquired by another organization or person or group of organizations or persons acting in concert;
- (2) **Financial Impairment** occurs; or
- (3) the **Firm** merges or consolidates into or with another entity such that the **Firm** is not the surviving entity.

then coverage provided by this Policy shall continue until termination, but only with respect to **Claims** for **Wrongful Acts** committed or allegedly committed prior to such event.

The **Firm** shall give written notice of all events under this Section XIII to the Company as soon as practicable together with such other information as the Company may request. If **Financial Impairment** occurs, the entire premium for this Policy will be deemed fully earned as of the effective date of such **Financial Impairment**.

XIV. **REPRESENTATIONS AND SEVERABILITY**

In issuing this Policy the Company has relied upon the statements, representations and information in the **Application**. All of the **Insureds** acknowledge and agree that all such statements, representations and information (i) are true and accurate, (ii) were made or provided in order to induce the Company to issue this Policy, and (iii) are material to the Company's acceptance of the risk to which this Policy applies.

In the event that any of the statements, representations or information in the **Application** are not true and accurate, and which were (i) made with the actual intent to deceive or (ii) which materially affect the acceptance of the risk assumed by the company under this Policy, this Policy shall be void with respect to any **Insured** who knew as of the effective date of the **Application** the facts that were not truthfully and accurately disclosed (whether or not the

Insured knew of such untruthful disclosure in the **Application**) or to whom knowledge of such facts is imputed. For purposes of the preceding sentence:

- (A) the knowledge of any **Insured Person** who is a past, present or future member of the management committee, executive committee or similar governing body of the **Firm** shall be imputed to the **Firm**;
- (B) the knowledge of the person(s) who signed the **Application** for this Policy shall be imputed to all of the **Insureds**; and
- (C) except as provided in (A) above, the knowledge of an **Insured Person** who did not sign the **Application** shall not be imputed to any other **Insured**.

XV. VALUATION AND FOREIGN CURRENCY

All premiums, limits, Retention Amounts, **Loss** and other amounts under this Policy are expressed and payable in the currency of the United States of America. If a judgment is rendered, a settlement is denominated or any element of **Loss** under this Policy is stated in a currency other than United States of America dollars, payment under this Policy shall be made in United States of America dollars at the rate of exchange published in The Wall Street Journal on the date the final judgment is reached, the amount of the settlement is agreed upon or the element of **Loss** is due, respectively.

XVI. SUBROGATION

In the event of any payment under this Policy, the Company shall be subrogated to the extent of such payment to all the **Insured's** rights of recovery therefore, and the **Insured** shall execute all papers required and shall do everything necessary to secure and preserve such rights, including the execution of such documents necessary to enable the Company effectively to bring suit or otherwise pursue subrogation rights in the name of any **Insured**, provided that the Company will not pursue an **Insured's** rights of recovery against any other **Insured**.

XVII. ACTION AGAINST THE COMPANY

No action may be taken against the Company unless, as a condition precedent thereto, there shall have been full compliance with all the terms of this Policy. No person or entity shall have any right under this Policy to join the Company as a party to any action against any **Insured** to determine such **Insured's** liability nor shall the Company be impleaded by such **Insured** or legal

representatives of such **Insured**.

XVII FIRM RIGHTS AND OBLIGATIONS

I.

By acceptance of this Policy, the **Firm** acknowledges and agrees that it shall be considered the sole agent of and will act on behalf of each **Insured** with respect to: the payment of premiums and the receiving of any return premiums that may become due under this Policy; the negotiation, agreement to and acceptance of endorsements; the giving or receiving of any notice, including but not limited to giving notice of **Claim** or a notice of termination pursuant to Section XX Termination of Policy; and the receipt or enforcement of payment of a **Loss** (and the **Firm** shall be responsible for application of any such payment as provided for in this Policy). Each **Insured** acknowledges and agrees that the **Firm** shall act on its behalf with respect to all such matters.

XIX. ALTERATION AND ASSIGNMENT

No change in, modification or, or assignment of interest under this Policy shall be effective except when made by a written endorsement to this Policy which is signed by an authorized employee of Fireman's Fund Insurance Companies.

XX. TERMINATION OF POLICY

(A) This Policy shall terminate at the earliest of the following times:

- (1) upon receipt by the Company of written notice of termination from the **Firm**, provided that this Policy may not be terminated by the **Firm** after the effective date of any event described in Section XIII, Changes of Exposure (B)
- (2) upon expiration of the **Policy Period** as set forth in ITEM 3 of the Declarations or any applicable Extended Reporting Period.
- (3) twenty (20) days after receipt by the **Firm** of a written notice of termination from the Company based upon nonpayment of premium, unless the premium is paid within such twenty (20) day period; or
- (4) at such other time as may be agreed upon by the Company and the **Firm**.

(B) The Company shall refund the unearned premium computed at customary short rates if this Policy is terminated by the **Firm**. Under any other circumstances the refund shall be computed pro rata. Payment or tender of any unearned premium by the Company shall not be a condition precedent to the effectiveness of such termination, but such payment shall

be made as soon as practicable.

XXI. BANKRUPTCY

Except as provided in Section XIII. Changes in Exposure, bankruptcy or insolvency or any **Insured** shall not relieve the Company of its obligations nor deprive the Company of its rights or defenses under this Policy.

XXII. HEADINGS

The descriptions in the headings and sub-headings of this Policy are solely for convenience, and form no part of the terms and conditions of coverage.

XXII COMPLIANCE WITH APPLICABLE TRADE SANCTION LAWS

I.

This insurance does not apply to the extent that trade or economic sanctions or other laws or regulations prohibit the Company from providing insurance.

RENEWAL QUOTATIONS

<i>Insurer</i>	<i>Layer</i>	<i>2008-2010</i>	<i>Renewal 2010 - 2011</i>
Liberty International Canada (66%) ACE INA Insurance (34%)	15,000,000 each claim and aggregate excess of 35,000,000 total underlying limit	363	363
Travelers Guarantee Company of Canada	10,000,000 each claim and aggregate excess of 50,000,000 total underlying limit	143	143
GCAN Insurance Company	5,000,000 each claim and aggregate excess of 60,000,000 total underlying limit	100	100
Chartis Insurance Company of Canada	15,000,000 each claim and aggregate excess of 65,000,000 total underlying limit	152	152
Chubb Insurance Company (75%) Liberty International Canada (25%)	20,000,000 each claim and aggregate excess of 80,000,000 total underlying limit	246	246
ACE INA Insurance (50%) ENCON (50%)	20,000,000 each claim and aggregate excess of 100,000,000 total underlying limit	242	242
Travelers Guarantee Company of Canada	10,000,000 each claim and aggregate excess of 120,000,000 total underlying limit	109	109
Lombard Insurance Company	5,000,000 each claim and aggregate excess of 130,000,000 total underlying limit	56	56
GCAN Insurance Company	5,000,000 each claim and aggregate excess of 135,000,000 total underlying limit	47	47
		1458	1458

All quotations are subject to the underlying CLLAS coverage being renewed.

The above premiums/rates are indications at this time and will be confirmed shortly

2011 EXTENSION CRITERIA

CLLAS EXCESS PROGRAM

1. If during the period of July 1st, 2010 to May 15th, 2011, a reserve or a payment or a combination of both, of equal to or greater than 65% of the underlying limit of liability, such underlying limit of liability being \$34,000,000, issued by Canadian Lawyers Liability Assurance Society ("CLLAS") is established or made against any claim covered under this policy or any like policy issued to any member firm of "CLLAS" or,
2. If during the period of July 1st, 2010 to May 15th, 2011, a reserve or a payment or a combination of both, of equal to or greater than 65% of the underlying limit of liability, such underlying limit of liability being US\$30,000,000 of any International insurance program providing coverage, is established or made against any claim covered under this policy or any like policy issued to any member firm of 'CLLAS" or,
3. If during the period of July 1st, 2010 to May 15th, 2011, a reserve or a payment or a combination of both, of equal to or greater than \$500,000 excess of the Retentions stated in Items 9 a) 1 or 9 b) 1 of the Declarations is established or made against any claim which is not covered under the "CLLAS" policy or any International insurance program, but is covered under this policy or any like policy issued to any member firm of 'CLLAS".

CLLAS INTERNATIONAL

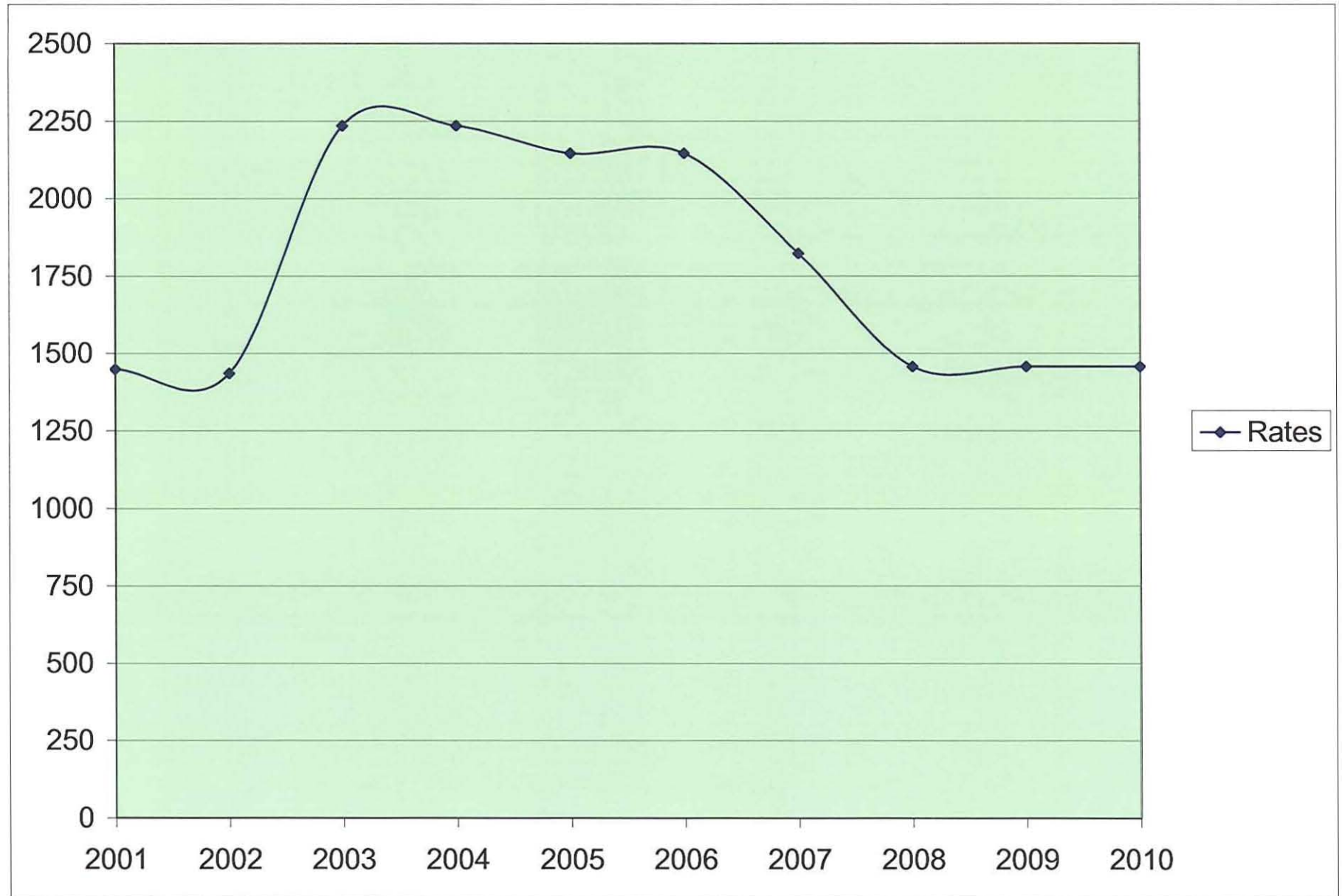
- (1) a **Claim** payment is made under this policy that is equal to or greater than \$5,000,000, or,
- (2) a **Claim** reserve or a combination of a payment and a reserve, under this policy or under any of the policies issued to those law firms insured by the Company otherwise known as CLLAS International member firms equal to or greater than 65% of the **LIMIT OF LIABILITY** is established or made by the Company or,
- (3) a **Claim** payment or an aggregate of **Claim** payments is made under this policy or under any of the policies issued to those law firms insured by the Company otherwise known as CLLAS International member firms that is equal to or greater than \$10,000,000.

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
10 - YEAR RATE SUMMARY**

Limits	2001 - 2002	2002 - 2003	2003 - 2004	2004 - 2005	2005 - 2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
\$5M xs \$35M	83	116	203	203	203	534	454	363	363	363
\$10M xs \$40M	118	153	268	268	268					
\$20M xs \$50M	211	274	0	0	0					
\$10M xs \$50M	0	0	212	212	201	211	179	143	143	143
\$5M xs \$60M									100	100
\$15M xs \$65M	0	0	411	411	390	371	315	252	152	152
\$10M xs \$70M	102	133	0	0	0					
\$10M xs \$80M	102	133	200	200	190	362	308	246	246	246
\$10M xs \$90M	102	133	200	200	190					
\$20M xs \$100M	203	264	396	396	376	357	303	242	242	242
\$10M xs \$120M	91	118	177	177	168	160	136	109	109	109
\$10M xs \$130M	86	0	0	0	0					
\$5M xs \$130M	0	60	90	90	86	82	70	56	56	56
\$5M xs \$135M	0	52	78	78	74	69	59	47	47	47
Total	*1098	1436	2235	2235	2146	2146	1824	1458	1458	1458

* Note: This rate is from 2001 and if you factor in an annual 4% inflation factor for the past 7 years it would be approximately \$1,445 which compares to the renewal rate being offered this year.

Canadian Lawyers Liability Assurance Society 10 - Year Rate Comparison



COMPETITION

We have been reviewing the renewal programs for Canadian law firms across the country during 2010 and quite frankly the excess programs (excess of \$35,000,000) generally have remained very stable in terms of rating. This indicates to me that the CLLAS excess is still very competitive.

We did see further deterioration of the rates into June 2010; however, again we can confirm to you that it is our opinion that this excess program is currently still very competitive in comparison to any other firm.

With respect to the comparison of US firms, we are extremely competitive at the current time.

Also note that the capacity that other firms are obtaining is in some cases very new capacity that potentially will not be available if the insurance market does eventually harden. I do stress again to you the importance of maintaining the relationships with your existing insurance carriers who have proven in the past ten years or more that they are willing to dedicate capacity when it becomes scarce during hard market conditions.

I also believe that we do ultimately approach the entire insurance market between ourselves, Dion Durrell and your U.K. broker and if any new capacity does become available, we are aware of it; however, we are never anxious to replace an existing carrier, as these insurers have been extremely loyal even during difficult market conditions.

INSURER FINANCIAL RATINGS

Refer to separate report attached.

*Information was provided to Dion Durrell who will be providing a report to you with respect to the overall CLLAS exposure to particular insurers.

MARKET SECURITY SUMMARY: CLLAS CANADIAN EXCESS PROGRAM

INSURANCE COMPANY	COUNTRY	BEST'S RATING	S&P RATING	CAPITAL & SURPLUS \$ MILLIONS	GROUP AFFILIATION
LIBERTY INTERNATIONAL UNDERWRITERS CANADA, A DIVISION OF LIBERTY MUTUAL INSURANCE COMPANY	U.S.A.	A	A-	595 million	Liberty Mutual
ACE INA INSURANCE	Bermuda	A+	A	339 Million	Ace Limited
TRAVELERS GUARANTEE COMPANY OF CANADA	U.S.A.	A+	AA-	260 Million	Travelers Group
CHARTIS INSURANCE COMPANY OF CANADA	U.S.A.	A	A+	1,362 Million	A.I.G.
CHUBB INSURANCE COMPANY	U.S.A.	A++	AA	454 Million	Chubb Corp
LOMBARD INSURANCE COMPANY	Canada	A-	A-	112 million	Fairfax Corp.
GCAN INSURANCE COMPANY	Canada	A	Not rated	164 million	None
ENCON GROUP INC. - Participants					Marsh
Continental Casualty Company	U.S.A.	A	A-	298 Million	CNA Corp.
XL Reinsurance America Inc.	Bermuda	A	A	228 Million	XL Insurance
Temple Insurance Company	Germany	A+	AA-	140 Million	Munich Re
Aviva Insurance Company of Canada	Scotland	A-	A+	690 Million	Aviva PLC

Ratings reflect the most recent issue, update or change communicated by the rating agency. Effective dates on S&P interactive ratings above do not reflect affirmations. Ratings do not necessarily correspond to a specific data year. "Secure" scales are described below. Refer to A.M. Best's (Best's) and Standard and Poor's (S&P) definitions for details. Conversions to U.S. Dollars are subject to exchange rate differences. Sources of financial data (company accounts or regulatory returns) for non-US companies are indicated on the individual company reports

Best's Ratings		S&P Ratings	
A++, A+ Superior	Best's rating modifiers may be assigned based on group affiliation: (r=Reinsured, p=Pooled, or g=Group) FPR ratings range from 1-9, where 1=P and 9=Very Strong	AAA Extremely Strong	S & P Financial Strength ratings may be modified by use of a "+" or "-" sign to show relative standing within a category. The "pi" indicates a "public information" rating. A "pos", "neg", or "dev" indicates a positive, negative, or developing CreditWatch implication
A, A- Excellent		AA Very Strong	
B++, B+ Very Good		A Strong	
U Under review		BBB Good	

MARKET SECURITY SUMMARY: CLLAS INTERNATIONAL PROGRAM

INSURANCE COMPANY	COUNTRY	BEST'S RATING	S&P RATING	CAPITAL & SURPLUS US\$ MILLIONS	GROUP AFFILIATION
LEXINGTON INSURANCE COMPANY	U.S.A.	A	A+	4,262	American International Group Inc.
INTERSTATE FIRE & CASUALTY COMPANY	U.S.A.	A	AA-	354	Allianz of America

Ratings reflect the most recent issue, update or change communicated by the rating agency. Effective dates on S&P interactive ratings above do not reflect affirmations. Ratings do not necessarily correspond to a specific data year. "Secure" scales are described below. Refer to A.M. Best's (Best's) and Standard and Poor's (S&P) definitions for details. Conversions to U.S. Dollars are subject to exchange rate differences. Sources of financial data (company accounts or regulatory returns) for non-US companies are indicated on the individual company reports

FINAL RENEWAL PROCESS

In conclusion, we believe the renewal quotations provided are very competitive based on the current market conditions.

As in past years we will now proceed to renew the coverage for your firm based on the limits you currently purchase and based on the final headcount provided by you. We understand that you will be providing the final headcounts for June 15, 2010 to Dion Durrell who in turn will provide this information to us.

We would also recommend to those firms who do not currently purchase all of the layers of coverage offered that they should consider increasing the limits purchased.

If you would like to change the limits you purchase it would be appreciated if you could advise me as soon as possible.

In closing, I look forward to our continued association and working with each of you.

Norma J. Ibbetson

Subject: CLLAS -- Insurer and Reinsurer Security Reports

From: Woodbury, Christopher
Sent: Friday, May 07, 2010 10:16 AM
To: Joe D. Tontini; Wilson, Robert
Cc: Carol Lyons; ggoodman@casselsbrock.com; NLeblovic@dwvpv.com; Patrick M. Mahoney
Subject: CLLAS -- Insurer and Reinsurer Security Reports

Joe and Bob:

I wanted to thank each of you for providing the Audit Committee (which also functions as the committee dealing with the issue of CLLAS' and the CLLAS member firms' risk exposure to both the reinsurers of CLLAS and the commercial insurers of CLLAS firms) with your reports on insurer and reinsurer security. (As Joe will know and Bob may know, I am the new Chair of the Audit Committee.)

It does not appear that anything in either of your reports suggests any matter of immediate concern requiring an immediate adjustment to the existing relationships with insurers and reinsurers.

However, as you know, we are concerned to avoid too much exposure to any one insurer or reinsurer. As a result, I would ask that, when you plan for the annual renewals, both this year and in the future, you take into account the issue of aggregate exposure which CLLAS and the CLLAS member firms have and will have to any one insurer or reinsurer (including to affiliated or associated insurers and reinsurers where the fate of one is reasonably connected to the fate of the other(s)).

I would also ask that, when presenting your reports to the CLLAS Board on the renewals in June of this year (and in subsequent years), you address this issue of exposure and the implications which your recommendations and anticipated approach have for that issue, in addition to covering the other questions that you typically address. This will allow the Board to focus, at least annually, on this question of possible overexposure.

From the CLLAS firms' perspective, the issue of potential overexposure should be considered on an aggregate or consolidated basis, taking into account both the exposure of CLLAS to particular reinsurers and, as well, the exposure of individual CLLAS firms to particular commercial insurers. Accordingly, it would be appreciated if the two of you could work together to provide the Board with as much consolidated information as possible concerning this matter.

Thank you once again for your continuing assistance. I would be more than happy to discuss any of this with you at your convenience.

Best regards,

Chris

Christopher Woodbury
Fraser Milner Casgrain LLP
1 First Canadian Place
100 King Street West
Toronto, ON M5X 1B2

6/7/2010

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

For the Period Ending March 31, 2010

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

March 31, 2010

CONTENTS

Exhibit I	Balance Sheet
Exhibit II	Income Statement
Exhibit III	Other Comprehensive Income
Exhibit IV	Operating Budget Variance Analysis

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
BALANCE SHEET
March 31, 2010

	As at March 31, 2010	As at March 31, 2009
ASSETS		
Cash	\$5,759,899	\$2,519,314
Investments		
Short Term	10,759,056	16,453,706
Bonds	36,907,985	34,112,352
Interest income due and accrued	321,851	319,814
Premiums receivable	(0)	0
Unearned reinsurance premium ceded	3,436,322	3,619,396
Prepaid Expenses	362,035	383,920
Deferred policy acquisition costs	130,000	182,386
Reinsurance recoverable	12,559,346	9,906,502
Other receivable	0	0
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	41,958,000	45,864,000
Total Assets	\$112,194,494	\$113,361,391
LIABILITIES		
Provision for unpaid claims and adjustment expenses	\$79,689,000	\$81,482,000
Provision for unpaid premium liabilities	\$2,629,821	\$2,629,821
Unearned premium	5,892,000	6,062,872
Due to reinsurers	0	0
Accounts payable & accrued charges	77,400	124,042
Premium taxes payable	0	0
Total Liabilities	88,288,221	90,298,735
SUBSCRIBERS' EQUITY		
Surplus	22,869,747	21,470,751
Accumulated Other Comprehensive Income (Loss),	1,036,527	1,591,905
	23,906,274	23,062,656
TOTAL LIABILITIES AND SUBSCRIBERS' EQUITY	\$112,194,494	\$113,361,391

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
INCOME STATEMENT
FOR THE PERIOD ENDED March 31, 2010

	Year to date Jan. 2010 to <u>March-10</u>	Previous year Jan. 2009 to <u>March-09</u>
Written premium	(\$16,568)	\$0
Gross Written Premiums	(16,568)	0
Less: Reinsurance Ceded	0	0
Net Written Premiums	(16,568)	0
Change in Unearned Premiums	2,436,909	2,416,625
Earned Premiums	2,420,340	2,416,625
Claims Paid	19,267	46,478
Change in IBNR	(3,836,000)	629,000
Change in Case Reserve	3,399,000	(45,000)
Change in provision for Unpaid Premium liability	0	0
Incurred Claims	(417,733)	630,478
Management and Operating Expenses	539,177	449,409
Reinsurance Fees	68,250	68,250
Premium Taxes	153,123	182,386
Total Operating Expenses	760,550	700,045
Underwriting Gain (Loss)	2,077,524	1,086,102
Investment Income	360,880	360,980
Net Gain (Loss)	\$2,438,404	\$1,447,082
Subscribers' Equity - Beginning of Period	\$20,431,343	\$20,023,669
Less: Adjustment to opening Policy Liabilities	\$0	\$0
Subscribers' Equity - End of Period	\$22,869,747	\$21,470,751

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME (LOSS) AND
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
FOR THE PERIOD ENDED March 31, 2010**

	Year to date Jan. 2010 to <u>March-10</u>	Previous year Jan. 2009 to <u>March-09</u>
Net Income	\$2,438,404	\$1,447,082
Other Comprehensive Income (Loss):		
Unrealized Gains and (Losses) on available-for-sale financial assets arising during the year	(173,958)	216,197
Reclassification of realized gains(losses) to the statement of operations		
Net change in the other comprehensive income for the year	(173,958)	216,197
Total Comprehensive Income (Loss)	<u>2,264,446</u>	<u>1,663,279</u>
Accumulated Other Comprehensive Income (Loss), beginning of year	\$1,210,485	\$1,375,708
Other comprehensive income (loss)	(173,958)	216,197
Balance at end of period	<u>1,036,527</u>	<u>1,591,905</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE THREE MONTHS ENDED March 31, 2010

	Annual Budget		Year to Date Budget	Year to Date Actual	Fav/(Unfav) Variance
		%	\$	\$	\$
		Accrued to Date			
MANAGEMENT SERVICES	457,500	25%	114,375	114,375	0
PROFESSIONAL SERVICES					
Actuarial Services	100,000	26%	26,000	45,102	(19,102)
Reinsurance Matters	300,000	26%	78,000	70,097	7,903
Strategic Matters	100,000	26%	26,000	31,174	(5,174)
Special, non-recurring	0	26%	0	0	0
Sub-Total Professional Services	500,000		130,000	146,373	(16,373)
Total Management & Professional Services *	957,500		244,375	260,748	(16,373)
(See Note 1)					
GST on Consulting Fees	47,875	25%	11,969	13,037	(1,069)
Total Consulting Services	1,005,375		256,344	273,785	(17,442)
OTHER EXPENSES					
Audit Expenses	64,000	25%	16,000	12,102	3,898
Annual Dinner	5,000	25%	1,250	0	1,250
Premium Taxes	638,000	25%	159,500	153,123	6,377
Chairman's Expenses	2,000	25%	500	0	500
Chairman's Honourium	60,000	100%	60,000	66,669	(6,669)
Reinsurance Expense	10,000	25%	2,500	0	2,500
Office Expenses	17,500	25%	4,375	3,633	742
Office Expenses - Website management software license	1,800	25%	450	297	153
Claims: Borderaux (LSUC)	14,500	25%	3,625	700	2,925
Special Services	275,000	25%	68,750	137,646	(68,896)
Special Services - Peer Review	0	25%	0	0	0
Miller Insurance Fees (Reins. Comm.) (See Note 2)	273,000	25%	68,250	68,250	0
I.B.C Statistical Plan Fees	15,000	25%	3,750	1,368	2,382
FSCO Assessment Fees	15,000	25%	3,750	0	3,750
Investment counsel fees	124,000	25%	31,000	27,046	3,954
Investment - Custodial	35,000	25%	8,750	8,375	375
Risk Management/Loss Prevention	120,000	25%	30,000	7,554	22,446
Sub-total	1,669,800		462,450	486,764	(24,314)
TOTAL	<u>\$2,675,175</u>		<u>\$718,794</u>	<u>\$760,550</u>	<u>(41,756)</u>




P R I V A T E & C O N F I D E N T I A L
M E M O R A N D U M

Date: June 8, 2010

To: **CLLAS Advisory Board**

David Morritt	Lyndon Barnes	Donald Milner	S. Bruce Blain
Barry Bresner	Robert Love	Carol Lyons	Frank Palmay
Les O'Connor	Scott Du Bois	Gordon Goodman	Anne-Marie Widener
Glenn Leslie	Richard Prupas	Gale Rubenstein	Daniel Gormley
Julia Holland	James C. Tory	Nicholas Leblovic	James Doris
William Scott	Caroline Zayid	Daniel MacDonald	Paul Macdonald
Chris Woodbury	TBA		

From: Patrick Mahoney 

Re: **CLLAS Surplus Target**

CLLAS adopted a revised surplus policy at its February 2010 meeting (as outlined in the attached memo from Julie-Linda Laforce dated January 30, 2010). In accordance with this policy, the Board is to review CLLAS' surplus position at its June meeting. The following information is as of March 31, 2010:

	Dollars	MCT %
Minimum Surplus Target	\$15.0 million	n/a
Operational Surplus Target	\$19.5 million	210%
Actual Surplus	\$23.9 million	270%

As at March 31, 2010, CLLAS' surplus position is in excess of its operational target by \$4.4 million. CLLAS should review its current and anticipated future surplus requirements (including potential changes in retention levels now and in the future, and other "big picture" issues such as the reinsurance dispute) and consider how best to deploy any surplus that is considered to be excess to its needs.

PM/km

MEMORANDUM

DATE: January 30, 2010
TO: CLLAS Advisory Board
COPY: Patrick Mahoney
FROM: Julie-Linda Laforce
RE: CLLAS Surplus Target

The purpose of this memo is to document, for final consideration by the Board, the conclusions reached during the discussion with respect to CLLAS' surplus target at the December 2009 Board meeting. The recommendation from Dion Durrell's November 26, 2009 memo was presented as follows:

- 1) that CLLAS establish a surplus target with reference to the Minimum Capital Test ("MCT") level;
- 2) that for operational purposes, the target surplus be set based on the risk appetite of CLLAS within an acceptable range from 175% to 250% MCT level (which translates to a surplus target between \$15 million and \$20 million based on CLLAS' current financial profile);
- 3) that the formal minimum surplus target be set at \$15 million;
- 4) that discussions regarding any actions with respect to surplus take place annually at the June Board meeting; and
- 5) that the operational surplus target and minimum surplus target be reviewed at least every two to three years.

Discussions at the December 2009 Board meeting focused on the risk appetite as defined by the probability of retroassessment and the average amount of retroassessment. The following table was presented.

	Scenario A	Scenario B	Scenario C	Scenario D
Surplus Target	175%	200%	225%	250%
Surplus Amount*	15,000,000	16,667,000	18,333,000	20,000,000
% of Scenarios with Retroassessment	53.2%	45.4%	36.8%	28.3%
Average amount of Retroassessment	4,313,496	3,905,881	3,745,251	3,733,011
Avg. Retro as a % of 2009/2010 premiums	17.8%	16.1%	15.4%	15.4%

* Based on CLLAS' current financial profile.

The last operational surplus target adopted was \$17.5 million in 1998/99. Following discussion at the December 2009 Board meeting, a consensus on risk appetite emerged. Based on the comfort level the Board has had historically with the \$17.5 million target, it was concluded that CLLAS and its subscribers would be best served by its current equivalent as expressed in terms of an MCT ratio, (i.e. approximately 210%).

We therefore recommend that the Board adopt a motion based on the following:

- 1) that CLLAS set an operational surplus target based on the MCT level;
- 2) that the operational target surplus be set based on a 210% MCT level.
- 3) that the minimum surplus target be set at \$15 million;
- 4) that discussions regarding any actions with respect to surplus take place annually at the June Board meeting; and
- 5) that the operational surplus target and minimum surplus target be reviewed at least every three years.

In addition, we have updated the Contingency Reserve Policy, which focuses on the minimum surplus target, for use when external communication (e.g. FSCO) is required. The Board should also review and approve this document.

MARTIN, LUCAS & SEAGRAM LTD.
INDEPENDENT INVESTMENT COUNSEL
SUITE 620, 48 YONGE STREET
TORONTO
M5E 1G9

TELEPHONE: 416-363-6216
FACSIMILE: 416-363-4538
E-MAIL: INFO@MLSINVEST.COM

April 23, 2010.



Mr. Patrick Mahoney,
Dion, Durrell + Associates Inc.,
2900 - 250 Yonge St.,
Toronto, ON M5B 2L7

Dear Mr. Mahoney:

Re: Canadian Lawyers Liability Assurance Society

Please find enclosed our quarterly investment report on CLLAS for the period ending March 31 last. We have also included an additional schedule which details the date to date gains and losses for each of the individual holdings in the Long Term Investment Fund over the first quarter.

The originals of the two separate accounts for the Short and the Long Term Investment Funds have been sent to the RBC Dexia Investor Services for payment. As proposed in our letter of January 22 last, we have reduced our investment management fee on the Short Term Investment Fund from .20% per annum to .10% per annum. Copies of these accounts are also enclosed.

During the first quarter, shorter term bond prices came under some downward pressure late in the period as the fixed income markets started to discount a shift among central banks toward less stimulative monetary policies. As a result of these trends, the holdings in the Long Term Investment Fund experienced a moderate net capital decline, although income returns kept the Fund's overall performance positive.

Activity during the period involved the rollover of maturities in the Short Term Investment Fund, and these transactions invested the retained income.

Please let me know if there are any questions or comments on the report.

With best regards,

Yours sincerely,

RWB: sc
Enclosures

MARTIN, LUCAS & SEAGRAM LTD.
INDEPENDENT INVESTMENT COUNSEL
SUITE 620, 48 YONGE STREET
TORONTO
M5E 1G9

TELEPHONE: 416-363-6216
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E-MAIL: INFO@MLSINVEST.COM

April 23, 2010.

In account with

Canadian Lawyers Liability Assurance Society
- Short Term Investment Fund

Valuation of Short Term Investment Fund
at March 31, 2010

\$10,778,681

Investment Counsel Fee for the period
January 1 to March 31, 2010
at .025% (1/4 of .10% per annum)

\$2,694.67

Goods & Services Tax at 5%

134.73

\$2,829.40

Please return this account when
making payment so that it may be
receipted and sent back to you.

G.S.T. Registration No. R103546115

MARTIN, LUCAS & SEAGRAM LTD.
INDEPENDENT INVESTMENT COUNSEL
SUITE 620, 48 YONGE STREET
TORONTO
M5E 1G9

TELEPHONE: 416-363-6216
FACSIMILE: 416-363-4538
E-MAIL: INFO@MLSINVEST.COM

April 23, 2010.

In account with

Canadian Lawyers Liability Assurance Society
- Long Term Investment Fund

Valuation of Long Term Investment Fund
at March 31, 2010

\$36,901,945

Investment Counsel Fee for the period
January 1 to March 31, 2010
at .0625% (1/4 of .25% per annum)

\$23,063.72

Goods & Services Tax at 5%

1,153.19

\$24,216.91

Please return this account when
making payment so that it may be
receipted and sent back to you.

G.S.T. Registration No. R103546115

CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

INVESTMENT REPORT
FOR QUARTER ENDING MARCH 31, 2010

MARTIN, LUCAS & SEAGRAM LTD.
INDEPENDENT INVESTMENT COUNSEL

Suite 620, 48 Yonge Street
Toronto, Ontario
M5E 1G9

Tel.: 416-363-6216
Fax: 416-363-4538
e-mail: info@mlsinvest.com

CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

COMMENTARY FOR THE QUARTER ENDING MARCH 31, 2010

Review of Market Yields

Bond yields experienced swings in both directions during the first quarter. Early in the New Year, yields across the entire curve dipped lower, and following a sideways shift, yields moved in an upward trend for the balance of the quarter. At the end of March, the results were mixed as yields at the short end of the curve out to five years were above their year-end levels, while 10-year yields ended the first quarter slightly lower. The one-year term experienced the most significant increase of 27 basis points, while the five-year term rose a more muted 13 basis points.

As a result of these shifts, the slope of the yield curve flattened slightly. At the end of March, 10-year issues provided a 328 basis point advantage over Treasury Bills, which was 14 basis points less than three months earlier.

	Jan. 1/95	Sept. 30/09	Dec. 31/09	Mar. 31/10
3-Month Treasury Bills	6.80%	0.22%	0.19%	0.28%
5-year Canadas	8.99%	2.57%	2.77%	2.90%
10-year Canadas	9.09%	3.31%	3.61%	3.56%

During the first quarter, the valuation of the Long Term Investment Fund declined \$217,532 or 0.6% on a capital basis.

At March 31, 2010, the average term to maturity of the Long Term Investment Fund stood at 3.7 years, compared to 3.9 years three months earlier.

No changes were made to the individual security holdings in the Long Term Investment Fund during the quarter. In the Short Term Investment Fund, several coupon issues matured, and these proceeds along with retained income were invested in government and provincial credits due within six months.

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

<i>Distribution as at March 31, 2010</i>	<i>Valuation</i>	<i>%</i>
Short Term Investment Fund	\$10,778,681	22.6%
Long Term Investment Fund	36,901,945	77.4%
TOTAL COMBINED VALUATION	\$47,680,626	100.0%

CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

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

- Investment Performance: Summary of Capital Performance and Total Returns for the Long Term Investment Fund
- (Returns Exclude Investment Counsel Fees)
- 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 and Long Term Investment Funds
Listed and Valued Separately as at March 31, 2010
- Security Purchases and Sales
- Cash Reconciliations

CLLAS

LONG TERM INVESTMENT FUND

SUMMARY OF CAPITAL PERFORMANCE SINCE THE STARTING DATE OF JANUARY 1, 1995

	Jan. 1/95	Sept. 30/09	Dec. 31/09	Mar. 31/10
<i>Valuation of Long Term Investment Fund</i>	<i>\$3,466,369</i>	<i>\$37,652,226</i>	<i>\$37,119,477</i>	<i>\$36,901,945</i>
Cumulative Capital Added (Net) since January 1, 1995		\$31,846,398	\$31,642,471	\$31,642,471

Quarterly Capital Change		+\$ 294,602	-\$ 328,822	-\$ 217,532
Quarterly Capital % Change		+ 0.8%	- 0.9%	- 0.6%

LONG TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIODS ENDING MARCH 31, 2010 (ANNUALIZED)

	Five Years	Four Years	Three Years	Two Years	One Year	Last 3 Months
<i>Long Term Investment Fund</i>	<i>4.7</i>	<i>5.2</i>	<i>5.3</i>	<i>4.8</i>	<i>2.3</i>	<i>0.4</i>
DEX Canada Short Bond Index	4.4	5.0	5.2	4.2	0.7	0.3
DEX Provincial Short Bond Index	4.6	5.2	5.4	4.8	2.3	0.3

CLLAS

LONG TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIOD ENDING MARCH 31, 2010

	Since Inception Oct. 1/08 *	One Year	Last 6 Months	Last 3 Months
<i>Long Term Investment Fund – Gross of Fees</i>	6.19	2.31	0.54	0.41
<i>Long Term Investment Fund – Net of Fees</i>	5.91	2.04	0.41	0.35
Benchmark Portfolio **	5.99	1.44	0.31	0.58

* Annualized

** The Benchmark Portfolio, adopted from October 1, 2008, is based on the sum of the following total return indices:

30% DEX Short Term Federal Bond Index
30% DEX Short Term Provincial Bond Index
20% DEX Mid Term Federal Bond Index
20% DEX Mid Term Provincial Bond Index

SHORT TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIOD ENDING MARCH 31, 2010

	Since Inception Oct. 1/08 *	One Year	Last 6 Months	Last 3 Months
<i>Short Term Investment Fund – Gross of Fees</i>	0.74	0.32	0.13	0.07
<i>Short Term Investment Fund – Net of Fees</i>	0.55	0.14	0.05	0.04
Benchmark Portfolio **	0.62	0.20	0.08	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

CLLAS

LONG TERM INVESTMENT FUND

DISTRIBUTION OF SECURITIES BY CREDIT RISK

(Based on Market Values)

SINCE THE JANUARY 1, 1995, STARTING DATE

	Jan. 1/95	Sept. 30/09	Dec. 31/09	Mar. 31/10
Bonds, Treasury Bills & Cash Less than 1 year term	29.0%	6.0%	6.2%	11.2%
Canadas Greater than 1 year term	54.7%	44.1%	45.0%	42.2%
Provincials Greater than 1 year term	16.3%	37.0%	36.6%	36.5%
Corporates Greater than 1 year term	-	12.9%	12.2%	10.1%
TOTAL PORTFOLIO	100.0%	100.0%	100.0%	100.0%

LONG TERM INVESTMENT FUND

DISTRIBUTION OF SECURITIES BY MATURITY

(Based on Market Values)

SINCE THE JANUARY 1, 1995, STARTING DATE

	Jan. 1/95	Sept. 30/09	Dec. 31/09	Mar. 31/10
Under 1 year	29.0%	6.0%	6.2%	11.2%
1 - 3 years	19.8%	26.1%	30.9%	28.0%
3 - 5 years	29.3%	37.3%	36.6%	39.1%
5 - 7 years	11.4%	20.3%	16.0%	16.2%
7 - 10 years	10.5%	10.3%	10.3%	5.4%
TOTAL	100.0%	100.0%	100.0%	100.0%
Average Maturity (yrs)	2.6	4.1	3.9	3.7
Average Duration	2.3	3.6	3.5	3.3

CLLAS

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

COMPLIANCE REPORT AT MARCH 31, 2010

	Investment Limits	Investment Funds	Compliance
<i>Short Term Investment Fund</i>			
Maximum Term of Any Issue	1 year	0.4 years	Yes
Minimum Size	20% of Total	22.6%	Yes
Minimum Canada & Provincial Percentage	50%	99.7%	Yes
Minimum Provincial Quality	A	A Hi	Yes
Minimum Bank CD & BA Quality	R1	None Held	Yes
<i>Long Term Investment Fund</i>			
Maximum Term of Any Issue	10 years	8.6 years	Yes
Minimum Cda and Cda Guarantee Percentage	40%	47.6%	Yes
Maximum Provincial Percentage	40%	39.3%	Yes
Minimum Provincial Quality *	A	A	Yes
Maximum Corporate Percentage	20%	13.1%	Yes
Minimum Corporate Quality *	A	A	Yes

** At time of purchase*

This will confirm that during the quarter the portfolio and its components were managed in compliance with the Investment Policy Statement dated October 2008.

At March 31, the Short Term Fund represented 22.6% of the two Funds combined, which is above the 20% minimum required.

At March 31, none of the bond holdings' current credit ratings were below the minimum requirement.

"At the end of the quarter, the lowest rated bonds were:"

Provincial Bonds: Quebec and Manitoba @ A Hi

Corporate Bonds: Canadian Utilities Inc. @ A

Enbridge Gas Distribution @ A

Martin, Lucas & Seagram Ltd.
PERFORMANCE REPORT
GROSS OF FEES
CLLAS - LONG TERM INVESTMENT FUND
From 12-31-09 to 03-31-10

Portfolio Value on 12-31-09	37,119,477
Accrued Interest	291,055
Contributions	0
Withdrawals	-343,523
Realized Gains	0
Unrealized Gains	-217,532
Interest	343,523
Dividends	0
Change in Accrued Interest	30,645
Portfolio Value on 03-31-10	36,901,945
Accrued Interest	321,701
Average Capital	37,301,231
Total Gain before Fees	156,637
IRR for 0.25 Years	0.42%

BOND MARKET COMMENTARY AND FUTURE POLICY

The North American economic recovery gained upward momentum during the final months of 2009. In the U.S., GDP growth accelerated to a better than expected rate of 5.9% over the fourth quarter, up from 2.2% during the previous quarter. Most of this improvement was due to a positive swing in inventories, a surge in capital spending and stronger exports. However, the consumer sector, which normally leads a rebound, remained subdued and the growth rate of consumer spending slowed over the final quarter. The Canadian economy has also exceeded expectations of late, with aggregate growth of 5% during the same quarter. Here the improvements have been more broadly based with strong contributions from housing, exports, consumer and government spending, along with gains from both the goods and service sectors. Meanwhile, international economic performance has been mixed. China and the emerging markets continued to lead the recovery, while growth in the Euro zone and Japan has remained sluggish.

While overall economic activity has been accelerating since the middle of last year, it appears the rate of improvement has slowed in the U.S. during the first quarter, and we expect upward progress this year will be modest compared to historical precedents. This is due to many of the headwinds that have weighed on the expansion and produced a subpar recovery to date. These include the subdued outlook for consumer spending as a result of poor sentiment, minimal wage growth, high debt levels, the loss of household wealth and high unemployment. Meanwhile, Canadian economic data over the past few months shows that upward momentum has been maintained so far this year, powered by job growth in the private sector, stronger exports and a buoyant housing sector. In response to ongoing improvements in the economy, the Canadian and U.S. monetary authorities have been removing most of the support measures put in place to provide liquidity during the financial crises and are taking preliminary steps toward normalizing monetary policy.

While some foreign central banks have already adopted more restrictive monetary policies through rate increases, for the time being the Canadian and U.S. monetary authorities have kept rates at emergency low levels. However, the Bank of Canada recently dropped their commitment to leave rates unchanged, at least until the end of the second quarter, in response to recent data showing that inflation and economic growth has exceeded the Bank's earlier forecasts. As a result, most market participants now expect a measured cycle of rising administered interest rates will begin in June. Strength in the Canadian dollar has lent support to these expectations. Meanwhile, most U.S. central bank watchers expect the Fed will delay any rate increases until late this year or early in 2011. This benign outlook reflects ongoing declines in U.S. core inflation rates, a still-significant degree of economic slack particularly in the employment sector, and statements from the Fed which key on these challenges and the fragile nature of the recovery to date.

Crosscurrents in the North American and international economies have given rise to disparate views on the outlook for rates in Canada and the U.S. The “deflationary low growth” camp expects interest rates will stay depressed, particularly in the U.S., which would help limit the increase in Canadian yields. Given the ongoing contraction in credit, falling unit labour costs, declining money supply measures and deflation in U.S. real estate, the inflation risks are deemed to be minimal. Furthermore, if rates were to begin rising, this would soon derail any sustained improvement in economic growth and keep inflationary pressures from building. The opposing camp believes that massive government bond issuance required to finance rising deficits, coupled with increasing private sector credit demands as the economic recovery progresses, will push borrowing costs higher. Adding to these negative sentiments is the expectation that all the surplus liquidity that has been injected to cope with the financial crises will ultimately lead to higher inflation.

Over the near term, we think Canadian short term rates will remain under modest upward pressure as our central bank starts a series of small incremental rate increases, most likely beginning in June. This expectation has already been discounted as bond prices at the short end of the curve sold off following the Bank’s signal of a pending shift in policy. For the time being, we expect inflation expectations will remain reasonably well anchored, and in view of the steep yield curve, we expect the impact of rising short rates will be muted at the longer end of the curve. Looking further ahead, we believe that yields across the entire curve will begin trending higher as most of the forces that have held them at historically low levels slowly recede. We think it is most likely that the ascent in yields will be gradual, although fixed income investors should be prepared for considerable volatility in view of the still fragile nature of the recovery and the uncertainties surrounding how governments will eventually address their unsustainably large deficits. At this juncture, we believe we entered the early stages of a rising interest rate cycle. As a result, we think it is too soon to be moving out the yield curve in order to pick up the incremental yields that now prevail. During the first quarter, the average term to maturity of the Long Term Investment Fund shortened slightly to 3.7 years, and in view of the outlook we think this defensive posture is appropriate.

RWB: sc

April 23, 2010

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

Martin, Lucas & Seagram Ltd.

CLLAS - SHORT TERM INVESTMENT FUND

Portfolio Holdings at March 31, 2010

<u>Quantity</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Annual Income</u>
CASH					
	Cash Account			31,386	0
GOVERNMENT BONDS					
1,175,000	Canada Residue due June 1, 2010	99.90	99.95	1,174,413	0
500,000	Export Development Canada Coupon due June 22, 2010	99.87	99.90	499,500	0
1,465,000	PRN Export Development Canada due June 22, 2010	99.89	99.91	1,463,740	0
				<u>3,137,653</u>	<u>0</u>
PROVINCIAL BONDS					
500,000	Ontario Hydro 40 yr. Ser. Global due April 11, 2010	99.51	99.97	499,865	0
2,100,000	Ontario Residual due May 19, 2010	99.89	99.89	2,097,732	0
2,730,000	Ontario Coupon due June 2, 2010	99.84	99.90	2,727,270	0
500,000	Quebec Hydro Coupon due July 16, 2010	99.81	99.85	499,250	0
740,000	Manitoba Coupon due July 25, 2010	99.86	99.75	738,150	0
1,050,000	British Columbia Coupon due August 23, 2010	99.83	99.75	1,047,375	0
				<u>7,609,642</u>	<u>0</u>
TOTAL PORTFOLIO				10,778,681	0

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 01-01-10 To 03-31-10

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
02-12-10	02-16-10	740,000	Manitoba Coupon due July 25, 2010	99.86	738,931.44
02-12-10	02-16-10	35,000	PRN Export Development Canada due June 22, 2010	99.90	34,965.84
02-23-10	02-24-10	430,000	PRN Export Development Canada due June 22, 2010	99.90	429,583.33
03-15-10	03-16-10	1,050,000	British Columbia Coupon due August 23, 2010	99.83	1,048,253.85
					2,251,734.46
SALES					
02-15-10	02-18-10	750,000	Quebec Hydro Coupon due February 15, 2010	100.00	750,000.00
02-23-10	02-26-10	400,000	British Columbia Coupon due February 23, 2010	100.00	400,000.00
03-15-10	03-15-10	800,000	Residue Canada Housing Trust due March 15, 2010	100.00	800,000.00
					1,950,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
From 01-01-10 To 03-31-10

Cash Balance at January 1, 2010		27,827.05
ADD: Proceeds from Sales	1,950,000.00	
Bond Interest Credited (from Long Term Investment Fund)	<u>343,523.29</u>	<u>2,293,523.29</u>
		2,321,350.34
LESS: Cost of Purchases	2,251,734.46	
Investment Counsel Fees - Short Term Investment Fund	5,494.70	
Investment Counsel Fees - Long Term Investment Fund	24,359.65	
Trust Company Charges	<u>8,375.22</u>	<u>2,289,964.03</u>
Cash Balance at March 31, 2010		31,386.31

CLLAS - LONG TERM INVESTMENT FUND**Portfolio Holdings at March 31, 2010**

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
GOVERNMENT BONDS					
450,000	Canada 5-1/2% due June 1, 2010	99.77	100.82	453,699	24,750
500,000	Canada 4% due September 1, 2010	100.30	101.44	507,205	20,000
1,000,000	Canada Housing Trust Sr. 13 4.05% due March 15, 2011	99.02	102.89	1,028,870	40,500
1,000,000	Canada 6% due June 1, 2011	103.73	105.60	1,055,980	60,000
1,500,000	Canada Housing Trust Sr. 14 4.60% due September 15, 2011	101.74	104.49	1,567,290	69,000
500,000	Farm Credit Canada 4.20% due February 15, 2012	101.20	104.56	522,775	21,000
2,200,000	Canada Housing Trust Sr. 16 4.00% due June 15, 2012	100.57	104.16	2,291,454	88,000
750,000	Canada Housing Trust Sr. 18 4.55% due December 15, 2012	102.72	105.73	792,975	34,125
900,000	Canada Housing Trust Sr. 19 3.60% due June 15, 2013	99.87	103.16	928,449	32,400
900,000	Canada Housing Trust Sr. 22 3.55% due September 15, 2013	105.12	102.90	926,109	31,950
1,650,000	Canada Housing Trust Sr. 24 2.7% due December 15, 2013	100.25	99.84	1,647,278	44,550
1,500,000	Canada Housing Trust Sr. 26 2.20% due March 15, 2014	99.80	97.66	1,464,855	33,000
1,000,000	Canada Housing Trust Sr. 28 3.15% due June 15, 2014	99.95	100.89	1,008,900	31,500
250,000	Canada Housing Trust Sr. 29 2.75% due September 15, 2014	99.90	99.04	247,600	6,875
600,000	Canada Mtge & Housing 4.30% due April 1, 2015	100.95	105.47	632,802	25,800
650,000	Canada Mtge & Housing Corp. 4.10% due October 1, 2015	98.39	104.42	678,730	26,650
1,000,000	Canada 4% due June 1, 2016	99.58	104.92	1,049,170	40,000
750,000	Canada Housing Trust Sr. 23 4.10% due December 15, 2018	104.51	102.36	767,700	30,750
				<hr/> 17,571,841	<hr/> 660,850
PROVINCIAL BONDS					
500,000	British Columbia 6.375% due August 23, 2010	104.22	102.26	511,295	31,875
500,000	Ontario 6.10% due November 19, 2010	102.12	103.31	516,535	30,500

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at March 31, 2010

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
1,200,000	Ontario 4.4% due December 2, 2011	101.02	104.41	1,252,956	52,800
1,250,000	Ontario 4.50% due December 2, 2012	103.37	105.42	1,317,713	56,250
1,275,000	Ontario 4-3/4% due June 2, 2013	102.35	106.26	1,354,866	60,563
1,000,000	Manitoba 5.05% due December 3, 2013	101.61	107.68	1,076,820	50,500
750,000	Ontario 5% due March 8, 2014	102.63	107.47	806,048	37,500
500,000	Ontario 3.25% due September 8, 2014	99.84	100.48	502,390	16,250
300,000	Alberta 2.75% due December 1, 2014	100.22	98.80	296,409	8,250
750,000	Manitoba 4.80% due December 3, 2014	104.46	107.01	802,583	36,000
1,350,000	Ontario 4.5% due March 8, 2015	101.62	105.56	1,425,006	60,750
1,750,000	Ontario 4.4% due March 8, 2016	102.25	104.56	1,829,818	77,000
1,750,000	Ontario 4.30% due March 8, 2017	101.49	103.15	1,805,125	75,250
1,000,000	Ontario 4.20% due March 8, 2018	100.33	101.35	1,013,530	42,000
				14,511,092	635,488
CORPORATE BONDS					
300,000	Bank of Nova Scotia 4.25% Sen. Dep. Note due November 23, 2010	100.45	102.10	306,303	12,750
300,000	Royal Bank 4.17% Sen. Dep. Note due January 11, 2011	100.10	102.45	307,353	12,510
500,000	Bank of Montreal 4.69% due January 31, 2011	104.21	103.00	515,005	23,450
300,000	CIBC 5.00% Senior Dep Nts due September 10, 2012	100.23	105.77	317,295	15,000
400,000	Wells Fargo Financial Canada MTN 4.40% due December 12, 2012	99.78	104.09	416,376	17,600
750,000	Toronto Dominion Bank Dep. Note 4.854% due February 13, 2013	101.35	105.92	794,430	36,405
250,000	Bank of Nova Scotia 4.56% due October 30, 2013	100.07	104.93	262,315	11,400
300,000	Wells Fargo Financial Canada MTN 4.33% due December 6, 2013	99.97	103.50	310,512	12,990

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - LONG TERM INVESTMENT FUND
From 01-01-10 To 03-31-10

Cash Balance at January 1, 2010	0.00
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Cash Balance at March 31, 2010	0.00
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Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
From 12-31-09 to 03-31-10

Security	12-31-09 Market Value	Additions Withdrawals	03-31-10 Market Value	03-31-10 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
GOVERNMENT BONDS								
Canada 5-1/2% due June 1, 2010	459,437	0	453,699	448,965	0	0	4,734	-5,738
Canada 4% due September 1, 2010	511,480	-10,000	507,205	501,500	0	0	5,705	-4,275
Canada Housing Trust Sr. 13 4.05% due March 15, 2011	1,037,230	-20,250	1,028,870	990,150	0	0	38,720	-8,360
Canada 6% due June 1, 2011	1,068,550	0	1,055,980	1,037,325	0	0	18,655	-12,570
Canada Housing Trust Sr. 14 4.60% due September 15, 2011	1,579,800	-34,500	1,567,290	1,526,100	0	0	41,190	-12,510
Farm Credit Canada 4.20% due February 15, 2012	526,585	-10,500	522,775	506,006	0	0	16,770	-3,810
Canada Housing Trust Sr. 16 4.00% due June 15, 2012	2,307,822	0	2,291,454	2,212,456	0	0	78,998	-16,368
Canada Housing Trust Sr. 18 4.55% due December 15, 2012	799,268	0	792,975	770,425	0	0	22,550	-6,293
Canada Housing Trust Sr. 19 3.60% due June 15, 2013	933,930	0	928,449	898,840	0	0	29,609	-5,481
Canada Housing Trust Sr. 22 3.55% due September 15, 2013	931,041	-15,975	926,109	946,117	0	0	-20,008	-4,932
Canada Housing Trust Sr. 24 2.7% due December 15, 2013	1,652,244	0	1,647,278	1,654,203	0	0	-6,926	-4,967
Canada Housing Trust Sr. 26 2.20% due March 15, 2014	1,467,075	-16,500	1,464,855	1,497,053	0	0	-32,198	-2,220
Canada Housing Trust Sr. 28 3.15% due June 15, 2014	1,012,910	0	1,008,900	999,460	0	0	9,440	-4,010
Canada Housing Trust Sr. 29 2.75% due September 15, 2014	248,035	-3,259	247,600	249,750	0	0	-2,150	-435
Canada Mtge & Housing 4.30% due April 1, 2015	634,554	0	632,802	605,700	0	0	27,102	-1,752
Canada Mtge & Housing Corp. 4.10% due October 1, 2015	679,952	0	678,730	639,525	0	0	39,205	-1,222
Canada 4% due June 1, 2016	1,051,800	0	1,049,170	995,820	0	0	53,350	-2,630
Canada Housing Trust Sr. 23 4.10% due December 15, 2018	773,258	0	767,700	783,840	0	0	-16,140	-5,558
GOVERNMENT BONDS Total	17,674,970		17,571,841	17,263,234	0	0	308,607	-103,129
PROVINCIAL BONDS								
British Columbia 6.375% due August 23, 2010	518,455	-15,938	511,295	521,100	0	0	-9,805	-7,160
Ontario 6.10% due November 19, 2010	523,220	0	516,535	510,600	0	0	5,935	-6,685
Ontario 4.4% due December 2, 2011	1,262,688	0	1,252,956	1,212,190	0	0	40,766	-9,732
Ontario 4.50% due December 2, 2012	1,328,238	0	1,317,713	1,292,133	0	0	25,579	-10,525
Ontario 4-3/4% due June 2, 2013	1,366,596	0	1,354,866	1,304,990	0	0	49,876	-11,730

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
From 12-31-09 to 03-31-10

Security	12-31-09 Market Value	Additions Withdrawals	03-31-10 Market Value	03-31-10 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
Manitoba 5.05% due December 3, 2013	1,086,910	0	1,076,820	1,016,075	0	0	60,745	-10,090
Ontario 5% due March 8, 2014	812,985	-18,750	806,048	769,700	0	0	36,348	-6,938
Ontario 3.25% due September 8, 2014	504,785	-8,125	502,390	499,180	0	0	3,210	-2,395
Alberta 2.75% due December 1, 2014	296,463	0	296,409	300,648	0	0	-4,239	-54
Manitoba 4.80% due December 3, 2014	808,688	0	802,583	783,425	0	0	19,158	-6,105
Ontario 4.5% due March 8, 2015	1,434,254	-30,375	1,425,006	1,371,933	0	0	53,074	-9,248
Ontario 4.4% due March 8, 2016	1,842,278	-38,500	1,829,818	1,789,410	0	0	40,408	-12,460
Ontario 4.30% due March 8, 2017	1,811,478	-37,625	1,805,125	1,776,025	0	0	29,100	-6,353
Ontario 4.20% due March 8, 2018	1,014,710	-21,000	1,013,530	1,003,315	0	0	10,215	-1,180
PROVINCIAL BONDS Total	14,611,746		14,511,092	14,150,724	0	0	360,368	-100,654
CORPORATE BONDS								
Bank of Nova Scotia 4.25% Sen. Dep. Note due November 23, 2010	308,643	0	306,303	301,340	0	0	4,963	-2,340
Royal Bank 4.17% Sen. Dep. Note due January 11, 2011	309,510	-6,255	307,353	300,300	0	0	7,053	-2,157
Bank of Montreal 4.69% due January 31, 2011	519,010	-11,725	515,005	521,050	0	0	-6,045	-4,005
CIBC 5.00% Senior Dep Nts due September 10, 2012	319,287	-7,500	317,295	300,690	0	0	16,605	-1,992
Wells Fargo Financial Canada MTN 4.40% due December 12, 2012	415,932	0	416,376	399,120	0	0	17,256	444
Toronto Dominion Bank Dep. Note 4.854% due February 13, 2013	800,753	-18,203	794,430	760,125	0	0	34,305	-6,323
Bank of Nova Scotia 4.56% due October 30, 2013	264,338	0	262,315	250,175	0	0	12,140	-2,023
Wells Fargo Financial Canada MTN 4.33% due December 6, 2013	309,492	0	310,512	299,920	0	0	10,592	1,020
Enbridge Gas Distribution 5.570% due January 29, 2014	273,615	-7,020	271,795	267,610	0	0	4,185	-1,820
Canadian Utilities Inc. 5.096% due November 18, 2014	270,285	0	268,623	263,910	0	0	4,713	-1,663
CIBC 4.75% due December 22, 2014	529,550	0	528,860	508,980	0	0	19,880	-690
GE Capital Cda Fndg 4.65% due February 11, 2015	305,052	-6,975	310,968	306,600	0	0	4,368	5,916
Bank of Montreal 4.55% due August 1, 2017	207,296	-4,550	209,178	199,882	0	0	9,296	1,882
CORPORATE BONDS Total	4,832,762		4,819,013	4,679,702	0	0	139,311	-13,750
TOTAL PORTFOLIO	37,119,477		36,901,945	36,093,660	0	0	808,285	-217,532
TOTAL DATE TO DATE GAIN OR LOSS								-217,532
% CHANGE DURING PERIOD								-0.59

SCHEDULE "A"

INVESTMENT COUNSELLOR ADMINISTRATION SERVICES ACCOUNT AGREEMENT

RESOLUTION OF THE BOARD OF DIRECTORS OF Canadian Lawyers Liability Assurance Society

the "Corporation"

WHEREAS the Corporation wishes, or is the general partner of a partnership (the "Partnership" which wishes, to open and operate an account or accounts (collectively, the "Account") with RBC Dexia Investor Services Trust and is required to execute and deliver to RBC Dexia Investor Services Trust an Investment Administration Business agreement in connection therewith:

NOW THEREFORE BE IT RESOLVED:

1. THAT the Corporation or the Partnership, as applicable, open an Investment Administration Business Account with RBC Dexia Investor Services Trust and execute and deliver to RBC Dexia Investor Services Trust an account agreement in the form or substantially in the form of the agreement on RBC Dexia Investor Services Trust's standard form now submitted to this meeting and Initialled by the Chairman of the meeting for identification (the "Agreement");
2. THAT the Authorized Signatories, specified in Schedule B to the Agreement, are hereby authorized for and on behalf of the Corporation or the Partnership, as applicable, to execute and deliver to RBC Dexia Investor Services Trust the Agreement with such alterations, additions, amendments and deletions as may be approved by the persons executing the same, whose signatures shall be conclusive evidence of such approval and of the fact that the Agreement so executed is the Agreement authorized by this resolution; and
3. THAT the Authorized Signatories designated in paragraph 2 are hereby authorized and directed for and in the name of the Corporation or the Partnership, as applicable, to execute and deliver (under the corporate seal or otherwise) all such other documents and do all such other acts such as provide on-going instructions as may be necessary or desirable to give effect to this resolution and/or as may reasonably be required by RBC Dexia Investor Services Trust from time to time in connection with the opening and continued operation and closing of the Investment Administration Business Account.

CERTIFICATE

Certified to be a true copy of a resolution of the Board of Directors of the Corporation, duly passed in accordance with all requisite corporate proceedings and in full force and effect, unamended.

June 15, 2010

Date

~~Secretary~~ - ~~Apply Corporate Seal~~ Chairman



SCHEDULE "B"

INVESTMENT COUNSELLOR ADMINISTRATION SERVICES ACCOUNT AGREEMENT

CERTIFICATE OF AUTHORIZED SIGNATORIES

With reference to our Investment Administration Business Account Agreement with RBC DEXIA Investor Services Trust respecting

Account Number 107611001/, we hereby give notice that the following are the Authorized Signatories for the Account.

☐ Any one of the following list, or

☒ Any Two Executive Committee Members or/the General Manager and one Executive Committee Member

(specify the number of signatures required if more than one must sign) of the following list, signing together

Name - Print or Type	Title	Signature/Facsimile
Nicholas Leblovic		
Chris Woodbury	Executive	
Barry Bresner	Committee	
Gale Rubenstein	Members	
William Scott		
Patrick Mahoney	General Manager	

This certificate replaces any previously given to RBC DEXIA Investor Services Trust respecting this Account. All capitalized terms have the meanings assigned in the Account Agreement.

DATED at Toronto in the Province of Ontario
City, Town, etc. *Name of Province*
this 15th day of June, 20 10

Canadian Lawyers Liability Assurance Society

Print or type full name of Company

Signature of Secretary or Other Authorized Officer

Nicholas Leblovic

Print or type full name of signatory - Apply Corporate Seal

