



ADVISORY BOARD MEETING

<u>Board Member</u>	<u>Alternate</u>	<u>Board Member</u>	<u>Alternate</u>
David Morritt	Lyndon Barnes	Donald Milner	S. Bruce Blain
Robert Love	TBA	Gordon Goodman	John Birch
Mike Swartz	Paul Wilson	Ken Crofoot	Eugene Cipparone
Julia Holland	James C. Tory	Melanie Koszegi	Natasha MacParland
William Scott	Malcolm Mercer	Daniel MacDonald/ Margaret McNee	Carol Lyons

Tuesday, February 26, 2019 at 8:30 a.m.
Goodmans LLP
34th Floor, Bay Adelaide Centre, West Tower
333 Bay Street.
Toronto, Ontario

DIAL-IN INFORMATION for those participating by phone:

Toronto:	416-915-3623
Toll Free North America:	1-877-211-3621
Conference ID #:	558 181 8200#

AGENDA

	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
1. Constitution of Meeting	Ken Crofoot		
2. Appointment of Secretary	Ken Crofoot		
3. Approval of the Minutes of December 11, 2018 Meeting <i>Proposed Resolution: To approve the minutes.</i>	Ken Crofoot	5 mins	3.1
4. Business Arising Out of the Minutes	Ken Crofoot		
5. Comments of Chair	Ken Crofoot	10 mins	



	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
6. Market Update and Reinsurance Renewal Planning	Ryan Durrell	5 mins	
7. Cyber and Associate Firm Initiative – Update	Ryan Durrell	10 mins	
8. Report of the General Manager	Patrick Mahoney	30 mins	
8.1 December 31, 2018 Financial Management Report			8.1
8.2 Presentation of the Actuary to the Audit Committee			8.2
8.3 2019 Operating Budget			8.3
<i>Proposed Resolution: To approve the 2019 Budget</i>			
8.4 Interim ORSA Update			8.4
<i>Proposed Resolution: To confirm the Interim ORSA Update</i>			
9. Committee Reports		30 mins	
9.1 Audit Committee	Gord Goodman		
9.1.1 Audit Findings report			9.1.1
9.1.2 Audited Financial Statements			9.1.2
<i>Proposed Resolution: To adopt the Audited Financial Statements</i>			
9.1.3 Signing of P&C1 for February 28, 2019			
9.2 Claims Committee	Bill Scott		9.2
9.3 Risk Management Committee	Julia Holland		
9.4 Policy Committee	Donald Milner		
10. Other Business			
10.1 Quarterly Report of the Investment Manager	Patrick Mahoney	5 mins	10.1
10.2 Committee Membership	Ken Crofoot	5 mins	10.2
10.3 CLLAS-Axxima Service Agreement (Previously Distrib.)	Ken Crofoot	5 mins	
11. Next Meeting – June 25, 2019			
12. Annual Dinner – Thursday, April 25, 2019 at National Club			

Anticipated Adjournment Time: 10:30 a.m.

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

Minutes of a Meeting of the Advisory Board

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

Tuesday, December 11, 2018

Present:

Ken Crofoot (Chair)	Goodmans LLP
Melanie Koszegi (via phone)	Davies Ward Phillips & Vineberg LLP
Barry Bresner	Borden Ladner Gervais LLP
Gordon Goodman	Cassels Brock & Blackwell LLP
Donald Milner (via phone)	Fasken Martineau DuMoulin LLP
Bill Scott	McCarthy Tétrault
Dan MacDonald (via phone)	McMillan LLP
Margaret McNee (via phone)	McMillan LLP
Julia Holland	Torys LLP
Mike Swartz (via phone)	WeirFoulds LLP
Patrick Mahoney	Office of the General Manager, CLLAS
Norma Ibbetson	Office of the General Manager, CLLAS
Ryan Durrell	Axxima

Absent:

David Morritt	Osler, Hoskin & Harcourt LLP
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1. Constitution of Meeting

The Chair brought the meeting to order.

2. Appointment of Secretary

Norma Ibbetson acted as Secretary.

3. Approval of Minutes of the September 11, 2018 Meeting of the Advisory Board

It was moved by Julia Holland and seconded by Barry Bresner that the minutes of the September 11, 2018 meeting of the Advisory Board be approved, as amended. The motion was carried unanimously.

4. Business Arising Out of the Minutes

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

5. Comments of the Chair

No additional comments of the Chair aside from noting several Audit Committee meetings in past month focusing on IFRS 17. The new accounting standard will change the presentation of CLLAS' financial statements, and some decisions items will be required by the Board. One-year deferral of the implementation date (to January 1, 2022) was recently announced.

6. Market Update and Reinsurance Renewal Planning

Ryan Durrell updated the Board with respect to renewal planning. The market appears to be hardening. Lloyds, in particular, is looking at the performance of its syndicates in the past year, which has been below expectations. That dynamic, coupled with recent CLLAS claims experience signals a difficult renewal at July 1, 2019. The plan is to tackle this directly. It is expected that many areas will experience general increases and, notwithstanding CLLAS' own experience it is important that CLLAS stay competitive with the market.

7. Report of the General Manager's Office

Financial Statements for the Period Ending September 30, 2018

Mr. Mahoney presented CLLAS' financial management report as at September 30, 2018.

As shown on Exhibit II, CLLAS experienced an underwriting gain (premiums minus claims and expenses) for the first nine months of the year of \$135,000. After taking into account investment income (including unrealized losses arising during the period) the gain was \$265,000. The Budget Variance (Exhibit IV) shows that expenses for the year continue to track close to budget for the nine-month period. Management Services fees are running slightly over budget due to the increased level of activity involved in managing a number of complex claims. The expectation remains however, that the fees will end up being close to or under budget.

CLLAS' risk metrics are all within the risk limits. At September 30, 2018, CLLAS had surplus of \$11.8 million. CLLAS had cash and approved securities well in excess of the minimum AMRGF requirement mandated by Alberta insurance law. CLLAS' MCT ratio at the same date was estimated to be 438%, down slightly from 451% at December 31, 2017 but well above CLLAS' minimum requirements.

Subscriber Accounts at June 30, 2018

The CLLAS Subscribers Accounts as at June 30, 2018 were included with the meeting materials. The statements are an information item and no action is required by the Board.

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

Revised "Top-Up" Policy

As discussed at the September Board meeting, the new Policy preserves the substance of the "top-up" policy that has been in place for years and sets out the procedure for entitlement to reimbursement for top-up payments made by an insured firm.

The policy makes it a pre-condition for reimbursement that, when requested, the firm provide CLLAS with copies of all legal accounts processed in the past, as well as copies of all legal accounts processed going forward. This will enable CLLAS to better monitor costs in the underlying layer and the potential quantum of the reimbursement amount if it is in fact triggered. It was suggested that the Policy be amended to clarify, in section 2(b)(ii) that law society program payments on the claim (indemnity and/or costs) must exceed \$1 million in order to trigger the reimbursement.

It was moved by Gordon Goodman and seconded by Barry Bresner that the Policy, amended to clarify section 2(b)(ii) be adopted. The motion was carried unanimously.

Reinsurance Risk Management Policy

CLLAS' Reinsurance Risk Management Policy sets out the policies and procedures by which CLLAS manages its reinsurance risk. The policy was first adopted in June 2016, but it documented procedures that had been in place for about 10 years. The CLLAS Board asked the Audit Committee to review the Policy to determine if any amendments were appropriate. At their Fall planning meeting the Audit Committee discussed the Policy and agreed to recommend the changes to the Policy that are shown by blackline in the draft that was included in the board meeting material.

The changes are in two areas. All reinsurers are subject to a "Level I" review. This includes an evaluation of a series of tests which determine whether a particular reinsurer should be subject to a more in-depth "Level II" review. Some of the tests involve a review of the significance to CLLAS of its exposure to a reinsurer. The recommendation is to revise those tests to that they take into account the significance of the exposure to the reinsurer as well as to CLLAS. This will allow the Audit Committee to focus its attention in the most meaningful areas.

The second change is to Section 3.8. It is proposed to revise this section to conform to current business practices and to remove vagueness. It was suggested that the section be further amended to require that any substantive change to expiring terms be documented. The Audit Committee is recommending the adoption of the revised policy.

It was moved by Gordon Goodman and seconded Bill Scott by that the revised Reinsurance Risk Management Policy be adopted as amended. The motion was carried unanimously.

Investment Policy

The Investment Policy was last Updated in December 2015. It is a conservative investment policy. No changes are being recommended but it is necessary for the Board to review and, if appropriate, re-confirm the Policy.

It was moved by Barry Bresner and seconded by Mike Swartz that the Investment Policy be adopted as presented. The motion was carried unanimously.

2019 AGM

CLLAS is an Alberta regulated reciprocal and the Insurance Act specifies that the AGM must be held in Alberta unless the Superintendent agrees otherwise. Each year, CLLAS requests an exemption to enable it to hold the AGM in Ontario. Mr. Mahoney advised that, for the first time, the Superintendent has required that the next AGM, in 2019, be held in Alberta.

It was decided that the AGM should be held in Calgary at the offices of one of the member firms, with the option to participate in the meeting in person or by telephone. Julia Holland volunteered Torys to host the meeting.

8. Committee Reports

Report of the Audit Committee

Gordon Goodman reported on behalf of the Audit Committee.

The audit planning meeting took place on November 7, 2018. The current partner in charge of the audit (Elaine Hultzer) is being replaced by Neil Harrison, who has been the partner in charge in the past.

At that meeting, the Audit Committee also reviewed the annual Reinsurance Security Report. No concerns were identified and, as already discussed, the Audit Committee discussed and agreed to recommend adoption of some amendments to the Reinsurance Risk Management Policy. An update was provided on Lloyd's' negative financial results in 2017, which has triggered internal reviews and scrutiny of 2019 business plans. It was confirmed that the CLLAS syndicates have all had their business plans renewed for 2019.

The Committee has a number of education sessions planned for IFRS 17 (the new accounting standard applicable to insurance contracts) and the first one was held on November 19, 2018. The accounting standards body recently announced a one-year deferral, so the new standard will now take effective Jan 1, 2022 (with comparative numbers required for 2021). The first Status Report required by the insurance regulator on the implementation of IFRS 17 was filed on schedule before October 31, 2018, and is in the Board package.

Report of the Claims Committee

Ken Crofoot reminded the Board that this will be the last meeting for Barry Bresner who is retiring. Bill Scott will be taking over as Chair of the Claims Committee. Mr. Crofoot thanked Barry for his many years of service not just on the Board but also as Chair of the Claims Committee.

Barry Bresner reported to the Board. Included in the material are some charts summarizing CLLAS' claims activity at September 30, 2018. It has been a very active period with numerous settlements on files. One matter, in particular we settled recently for a significant amount based on expert reports and defence counsel's updated evaluation received in advance of a mediation. The trial was still 18 months away but the reserve needed to be increased dramatically based on the updated information.

Mr. Bresner drew the Board's attention to the charts included in the Claims Committee report, and in particular the charts showing area of law, which indicate that corporate and tax are the areas of highest risk for claims in the CLLAS layer.

Report of the Risk Management Committee

Julia Holland reported to the Board. The Risk Management seminar took place on September 25, 2018. It was well received but the turn out was less than had been hoped for.

Report of the Policy Committee

Donald Milner reported to the Board. There was a November 13, 2018 meeting of the Committee held to discuss a question raised about fines and penalties, and coverage under the CLLAS policy. The issue had been raised by a member firm due to new rules in BC which could conceivably make a lawyer responsible for filing a false property tax return notwithstanding the steps the lawyer may have taken to ensure the accuracy of the filing.

The Policy Committee discussed this matter and decided not to take any steps to change the policy at this time, but instead to monitor the issue.

9. Other Business

Quarterly Report of the Investment Manager at September 30, 2018

This is an information item for the Board.

CLLAS – Axxima Service Agreement

The existing agreement is out-of-date and a new proposed agreement was included in the Board materials. Patrick Mahoney provided some background on how Axxima is compensated both for services provided to CLLAS and for the cyber and Associate Firm program. In the case of the latter programs, Axxima receives commissions and (if applicable) profit sharing, but accounts for what it receives to CLLAS.

Axxima personnel left the meeting (in-camera)

After the in-camera session, the Board asked Mr. Mahoney to prepare a short memo on the changes to the proposed agreement and to include hourly rates for personnel working on CLLAS. Axxima was also asked to provide minim standards for insurance (E&O, cyber and fiduciary). The matter will be brought back to the February Board meeting.

Cyber Policy Update

Mr. Durrell reported that all the requested amendments to the cyber program have now been agreed to, including the changes to the terrorism wording. The only outstanding item is getting approval to add CLLAS' preferred breach coaches to the approved list.

It was noted that the recent claim could be a good learning experience and also could underline the value of the cyber coverage for firm management. It was requested that Mr. Durrell prepare an anonymized summary of the matter.

Mr. Durrell also reported that one of the Associate Firms had asked about doing a dark web search. Ascent was asked if it has a recommended service provider. This service provider has offered to do one search for free, with the possibility of a firm signing up for regularly monitoring for a fee that is comparable to what the Associate Firm was quoted elsewhere for a one-time search. The service is completely optional, but if more firms sign on, the price will be reduced. The Board asked Mr. Durrell to provide further details for their consideration.

There was no further business.

10. Next Meeting

The next regularly scheduled meeting of the Board will be on February 26, 2019.

There being no further business, the meeting was terminated.

Chairman

Secretary



MEMORANDUM

DATE: February 13, 2019
TO: CLLAS Advisory Board
FROM: Patrick Mahoney
COPY:
RE: December 31, 2018 Financial Management Report

CLLAS' financial management report for the year ended December 31, 2018 is attached. Included are the following exhibits:

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

Financial Results

As shown on Exhibit II, CLLAS experienced an underwriting gain of just under \$483,000 for the year, with the total comprehensive gain (after taking into account realized and unrealized gains/losses on the investment portfolio) of \$786,000. Favourable claims development (which for CLLAS given its current reinsurance structure means favourable experience in the drop-down layer and in the actuarial margins), lower operating expenses and stronger investment return all contributed to the positive result for the year.

As shown on Exhibit I, CLLAS' surplus at December 31, 2018 stood at just over \$12.3 million.

The Budget Variance (Exhibit IV) shows that expenses finished the year slightly under budget (\$44,000 or 4.7% under budget). The main reason for the positive variance was Axxima fees (discussed under separate cover). Claims management expenses were \$48,000 over budget due to the high volume of claims activity in 2018, but this was more than offset by the \$75,000 positive variance on the reinsurance line, as the July 1, 2018 "hold the line" renewal was reasonably straightforward.

Risk Metrics

Exhibit V presents the results of various "risk metrics" monitored by CLLAS based on what have been identified through the ORSA process as its material risks. The Exhibit shows the year-end results for CLLAS for 2016, 2017 and 2018 against risk targets and risk limits. While the results for December 31, 2018 exceed



CLLAS' risk targets for a number of metrics (as discussed below), the results are all within CLLAS' risk limits. Items of note include:

- Line 1a: Prior year development on CLLAS' gross losses was 15%. This is the result of deterioration on a single claim that was settled at mediation in the fourth quarter of 2018. As can be seen from Line 1b, loss development net of reinsurance was actually favourable during the period.
- Line 4: As noted in the Reinsurance Security Report, a couple of CLLAS reinsurers have A- ratings with AM Best and/or S&P.
- Line 5: As noted in the Reinsurance Security Report, the Argo Syndicate (Lloyds) reinsures 12.7% of CLLAS' total liabilities. Argo's participation on the CLLAS program has reduced in recent years and this percentage is down marginally from the previous year (when it was 12.8%).
- Line 6: CLLAS' interest rate risk metric is above its target but below its limit. This metric shows the impact on CLLAS of a 1.25% change (up or down) in the interest rate. The result is driven by the level of CLLAS' invested assets relative to its net liabilities.
- Line 7: CLLAS' liquidity ratio is between its target and limit. Again, this is a result of managing CLLAS' cash flows in light of the large number of claim payments made in recent months.
- Line 10a: CLLAS exceeds its risk target slightly for its exposure to a Schedule I bank. This is not a concern.
- Line 12: CLLAS exceeded its limit in turnover of key advisors with the changeover in Principal Attorney and lead audit partner in 2018. The list of key advisors is shown in note (12). Both roles were transitioned properly and no concerns are noted.
- Line 13: The key regulatory solvency test that CLLAS is required to comply with is known as AMRGF. Details of this calculation are shown in Exhibit VI, with the result summarized in Exhibit V. CLLAS must maintain "cash and approved securities" in excess of the reserve fund plus the guarantee fund required by the Alberta regulator. Exhibit VI shows that the CLLAS held cash and approved securities well in excess of the AMRGF requirement at December 31, 2018.
- Line 14: CLLAS also monitors its Minimum Capital Test ratio. At December 31, 2018, CLLAS' MCT ratio was 496%, well above CLLAS' internal target of 210%.

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

Sincerely,


Patrick Mahoney, General Manager

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

QUARTERLY FINANCIAL MANAGEMENT REPORT

December 31, 2018

CONTENTS

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

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF FINANCIAL POSITION
December 31, 2018

	As at December 31, 2018	As at December 31, 2017
ASSETS		
Cash	5,081,001	3,140,371
Short term investments	7,128,611	11,745,462
Bonds	5,911,332	5,091,893
Interest income due and accrued	20,988	18,533
Premium receivable	1,635,998	1,782,634
Other receivable	0	0
Prepaid expenses	140,827	139,500
Deferred policy acquisition costs	106,582	103,310
Unearned reinsurance premium ceded	2,736,021	2,541,253
Reinsurance recoverable	2,996,041	617,756
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	87,941,000	96,568,000
	<u>113,698,402</u>	<u>121,748,712</u>
LIABILITIES		
Accounts payable & accrued charges	289,973	511,038
Premium taxes payable	45,179	2,574
Unearned premium	3,664,920	3,539,875
Due to reinsurers	1,935,175	1,649,031
Provision for unpaid claims and adjustment expenses	95,430,000	104,499,000
Premium deficiency liability	0	0
	<u>101,365,246</u>	<u>110,201,519</u>
SUBSCRIBERS' EQUITY		
Surplus	12,367,745	11,568,961
Accumulated Other Comprehensive Income (Loss)	(34,590)	(21,768)
	<u>12,333,155</u>	<u>11,547,193</u>
	<u>113,698,402</u>	<u>121,748,712</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME
For the Period Ending December 31, 2018

	Current Year		Prior Year	
	Quarter December 31, 2018	Year to Date December 31, 2018	Quarter December 31, 2017	Year to Date December 31, 2017
Written Premium	0	7,390,585	0	7,138,422
Gross Written Premiums	0	7,390,585	0	7,138,422
Less: Reinsurance Ceded	0	5,517,391	0	5,124,626
Net Written Premiums	0	1,873,194	0	2,013,796
Change in Unearned Premiums	472,147	69,723	507,587	80,765
Earned Premiums	472,147	1,942,917	507,587	2,094,561
Claims Paid	23,340	(144,867)	(46,678)	(191,213)
Change in IBNR	(210,000)	(338,000)	(157,000)	815,000
Change in Case Reserve	(80,156)	(104,000)	17,000	663,000
Premium Deficiency Expense	-	-	-	-
Incurred Claims	(266,816)	(586,867)	(186,678)	1,286,787
Management and operating expenses	267,573	1,557,345	329,932	1,793,921
Reinsurance fees	69,750	279,000	69,750	279,000
Premium taxes	53,291	209,892	51,655	257,531
Total Operating Expenses	390,614	2,046,238	451,337	2,330,452
Underwriting Gain (Loss)	348,349	483,546	242,928	(1,522,678)
Investment Income	97,583	315,238	58,551	201,410
Income on Claim Related Matters	0	0	0	0
Interest Income on Premium Tax	0	0	0	0
NET GAIN/(LOSS)	<u>445,932</u>	<u>798,784</u>	<u>301,479</u>	<u>(1,321,268)</u>
Other comprehensive income (loss)				
Unrealized gains (losses) on available for sale financial assets arising during the year	74,865	(12,822)	7,847	(83,379)
Recognition of realized (gain) loss included in income	-	-	-	-
Other comprehensive income (loss) for the year	74,865	(12,822)	7,847	(83,379)
Total comprehensive income (loss)	<u>520,797</u>	<u>785,963</u>	<u>309,326</u>	<u>(1,404,647)</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF CHANGES IN EQUITY
December 31, 2018

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on AFS financial assets	Total Equity
Balance, beginning of year	50,000	11,518,961	(21,768)	11,547,193
Prior year adjustment		-		-
Comprehensive income (loss) for the year				
Net gain (loss) for the year		798,784		798,784
Other comprehensive income (loss)				
Change in unrealized gain on available-for-sale assets			(12,822)	(12,822)
Recognition of realized (gain) loss on available-for-sale assets			-	-
Total comprehensive income (loss) for the year		798,784	(12,822)	785,963
Distribution of premium surplus		-		-
Balance at December 31, 2018	50,000	12,317,745	(34,590)	12,333,155

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED December 31, 2018

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES* (See Note 1)	520,500	100%	520,500	568,804	(48,304)
PROFESSIONAL SERVICES					
Actuarial Services	70,000	100%	70,000	67,398	2,602
Reinsurance Matters	300,000	100%	300,000	224,890	75,110
Strategic Matters	160,000	100%	160,000	157,426	2,574
Sub-Total Professional Services	530,000		530,000	449,713	80,287
GST/HST on Consulting Fees	136,565		136,565	132,407	4,158
Total Management & Professional Services * (See Note 2)	1,187,065		1,187,065	1,150,924	36,141
OTHER EXPENSES					
Audit Expenses	113,000	100%	113,000	121,204	(8,204)
Annual Dinner	8,500	100%	8,500	5,996	2,504
Premium Taxes	207,000	100%	207,000	209,892	(2,892)
Chairman's Expenses	3,000	100%	3,000	-	3,000
Chairman's Honourarium	150,000	100%	150,000	150,000	-
Reinsurance Expense	8,500	100%	8,500	4,159	4,341
D&O Insurance	20,000	100%	20,000	18,036	1,964
Office Expenses	25,000	100%	25,000	25,480	(480)
Claims: Borderaux (LawPro/LIF)	15,400	100%	15,400	16,775	(1,375)
Special Services	25,000	100%	25,000	-	25,000
Miller Insurance Fees (Reins. Comm.) (See Note 3)	279,000	100%	279,000	279,000	-
I.B.C Statistical Plan Fees	4,000	100%	4,000	1,798	2,202
Assessment Fees	3,000	100%	3,000	3,000	-
Investment counsel fees	30,000	100%	30,000	25,284	4,716
Investment - Custodial	18,000	100%	18,000	17,727	273
Risk Management/Loss Prevention	25,000	100%	25,000	12,299	12,701
License Fee	5,000	100%	5,000	4,663	337
Insurance: Sundry	-		-	-	-
Sub-total	939,400		939,400	895,313	44,087
TOTAL	2,126,465		2,126,465	2,046,238	80,227

*** NOTE 1: MANAGEMENT SERVICES**

The actual budget of \$597,00 has been reduced to \$520,500 as a result of Commissions on CLLAS associate program.

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

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

First Quarter, ending March 31st	21%
Second Quarter, ending June 30th	41%
Third Quarter, ending September 30th	17%
Fourth Quarter, ending December 31st	21%
	<u>100%</u>

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

The annual budget is based upon the annual fee actual for the policy year 2017/2018 and estimated for the policy period 2018/2019.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
SUMMARY OF RISK METRICS
December 31, 2018

Exhibit V

	Risk Category	Risk Metric	December 31, 2016	December 31, 2017	December 31, 2018	Target	Limit
(1a)	Insurance	Prior year development - Gross of reinsurance	-13%	-8%	15%	≤ 0%	> 20%
(1b)		Prior year development - Net of reinsurance	-45%	8%	-31%	≤ 0%	> 10%
(2a)		3-year net combined ratio	91%	115%	114%		
(2b)		3-year net combined ratio before surplus adjustments via premiums	78%	91%	86%	≤ 100%	> 125%
(3)		Maximum allocation to a single jurisdiction	56%	60%	59%	n/a	> 67%
(4)	Reinsurance	Reinsurer credit rating	A- to A+	A- to A+	A- to A+	≥ A	< A-
(5)		Maximum concentration with a single reinsurer excl. Colchester	12.2%	12.8%	12.7%	≤ 10%	> 15%
(6)	Interest Rate	Interest rate risk per MCT formula at 1.25%	\$112,000	\$198,000	\$289,000	≤ \$250,000	> \$600,000
(7)	Liquidity	Ratio of cash and short-term investments to gross claim liabilities	16%	14%	13%	≥ 15%	< 10%
(8)		Ratio of short term funds to total short & long term funds	69%	70%	55%	≥ 40%	< 20%
(9a)	Asset Default	Credit rating of invested assets	AA to AAA	AA to AAA	AA to AAA	AA to AAA	< A
(9b)		Credit rating of Bankers Acceptances and Certificates of Deposit	R1 - High	R1 - High	R1 - High	R1-High	< R1-High
(10a)		Maximum allocation to a single non-government security - Schedule I/II Banks	6.7%	6.7%	7.6%	< 7.5%	> 10%
(10b)		Maximum allocation to a single non-government security - Other	2.2%	2.1%	2.7%	< 3.75%	> 5%
(11)	Strategic	Annual Advisory Board turnover	0	0	2	≤ 2 members	> 4 members
(12)	Operational	Key management/advisor turnover	0	0	2	≤ 1 per 3 years	> 1 per year
(13)	Regulatory Solvency Indicators	AMRGF - Excess of cash and approved securities over required reserve and guarantee fund	\$9,595,000	\$7,749,500	\$6,765,000	\$3,500,000 to \$7,000,000	< \$3,500,000
(14)		MCT	463%	451%	496%	≥ 210%	< 210%

Notes

(1) = Year-over-year change in ultimate losses / Prior year undiscounted unpaid claims (excl. ULAE)

(2a) = [3-year net incurred losses + 3-year operating expenses] / [3-year net earned premiums]

(2b) = (2a), where 3-year net earned premiums reflect actuary's indicated premium rates before surplus distributions

(3) Based on insured lawyer counts

(4) Based on A.M. Best. information from report on reinsurance security (October 31, 2018).

(5) Based on claim liabilities exposure. Lloyds syndicates are assessed separately. 2015 information from report on reinsurance security (October 30, 2015); 2016 information from report on reinsurance security (October 21, 2016); 2017 information from report on reinsurance security (October 31, 2017); 2018 information from report on reinsurance security (October 31, 2018).

(10) Maximum allocation does not consider cash and cash equivalents.

(12) Includes principal attorney, general manager, accountant, auditor, actuary, reinsurance broker and excess insurance broker.

Color Code
Meets Target
Between Target and Limit
Exceeds Limit

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
For the Period Ending December 31, 2018

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

	Current Year to Date 12/31/2018 (in \$000's)	Prior Year End 12/31/2017 (in \$000's)
<u>Reserve Fund</u>		
Premiums collected or credited having one year or less to run	(1) 7,391	7,138
Less: Amount paid to licensed reinsurers	(2) 5,465	5,075
Premiums collected with more than one year to run, less expired portion	(3) -	-
Less: Amount paid to reinsurers on premiums on line 3, less expired portion.	(4) -	-
Subtotal (lines 1, minus line 2, plus line 3, minus line 4)	(5) 1,926	2,063
Reserve Fund Required (50% of Line 5)	(6) 963	1,032
<u>Guarantee Fund</u>		
Total Liabilities	(7) 101,365	110,202
Less: Unearned Premiums	(8) 3,665	3,540
Less: Recoverable from licensed reinsurers	(9) 87,357	95,515
Plus: Statutory Margin	(10) 50	50
Guarantee Fund Required (Line 7 minus Lines 8 and 9 plus line 10)	(11) 10,393	11,197
TOTAL RESERVE & GUARANTEE FUND REQUIRED (Line 6+11)	(12) 11,356	12,229
Cash & Approved Securities	(13) 18,121	19,978
Excess of Cash & Securities over Reserve & Guarantee Fund (line 13 minus line 12)	(14) 6,765	7,750



Actuaries & Insurance Management Advisors

Canadian Lawyers Liability Assurance Society

Actuarial Valuation of Policy Liabilities as at December 31, 2018

Presentation to the Audit Committee
February 14, 2019

CLLAS

Scope of the Actuarial Valuation

- Disclosure – Draft Results
- Valuation of policy liabilities
 - Claim liabilities
 - Liabilities in connection with unearned premium
 - Other policyholder liabilities
- Consideration of various components of the liabilities
 - Amounts gross of reinsurance
 - Amounts recoverable from reinsurers
 - Proportional reinsurance
 - Aggregate reinsurance
 - Loss portfolio transfer
 - Amounts net of reinsurance

CLLAS

- Please note that the Valuation results presented herein are draft. Our final signed Valuation results will be provided once we receive the following:
 - Receipt of auditor letter on specified audit procedures and data reliance
 - Confirmation from management that there are no subsequent events which would cause a deviation in the Valuation results in excess of our materiality standard
- Per the Canadian Actuarial Standards of Practice, changes having an impact in excess of our standard of materiality as of December 31, 2018 may need to be reflected and/or disclosed in the Valuation report and may result in a change in the financial statements

CLLAS

Case Reserves vs. Actuarial Reserves

- Case Reserves
 - Individual estimates
 - Based on known facts at time reserves are established
- Actuarial Reserves
 - Aggregate estimates
 - Recognize reserving/settlement patterns and project unknown events
- Incurred But Not Reported (IBNR) is the difference between actuarial reserves and case reserves
 - Emergence of unknown claims
 - Loss development on known claims

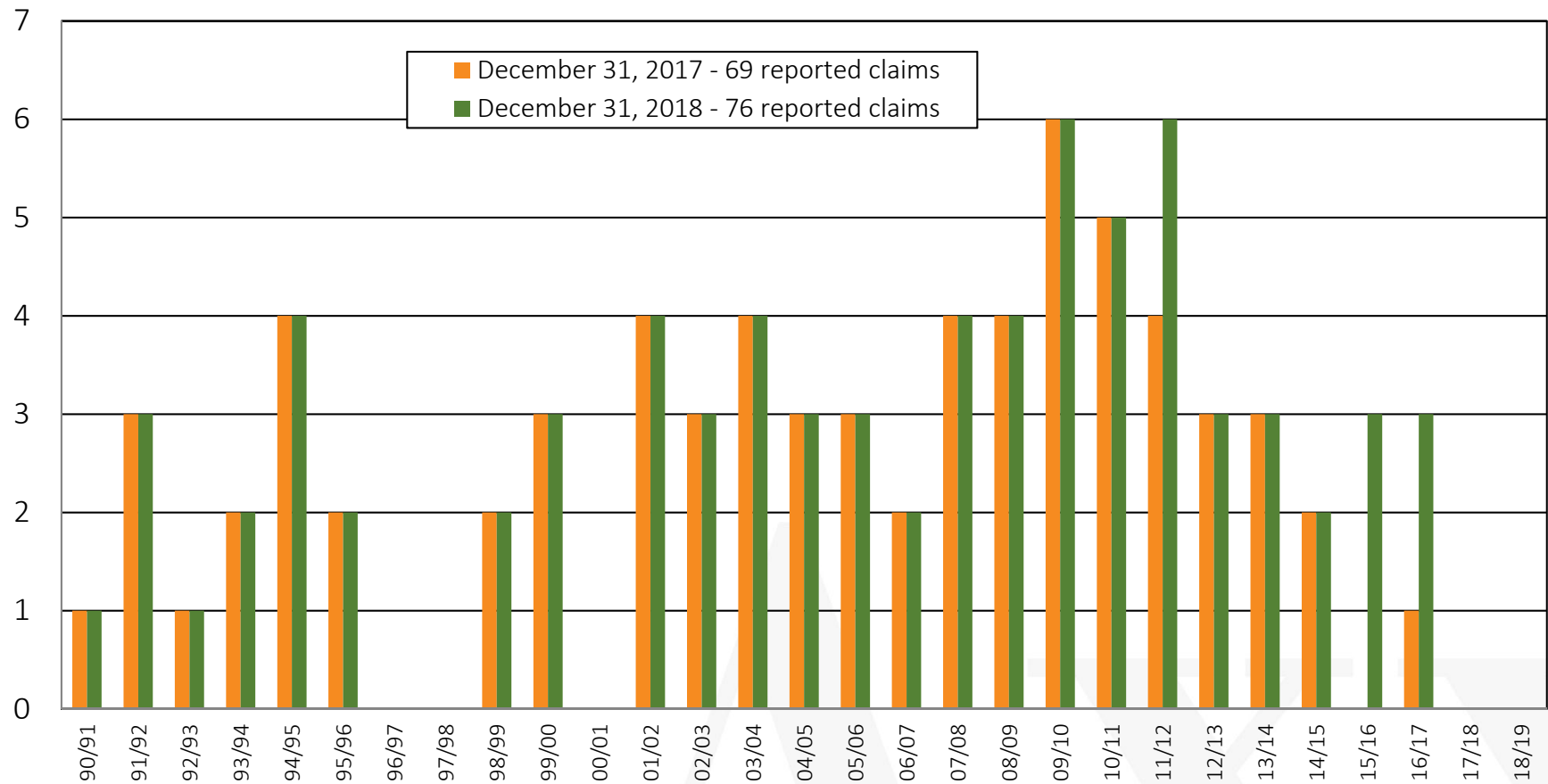
CLLAS

Actuarial Methodology

- Gross liabilities are estimated using loss data by layer
- Liabilities ceded to reinsurers are estimated based on the reinsurance arrangements in effect in each historical policy period
- Claim liabilities include:
 - Case reserves
 - Incurred but not reported (IBNR) reserves
 - Unallocated loss adjustment expenses (ULAE) reserves
- Claim liabilities are discounted and include a provision for adverse deviation

CLLAS

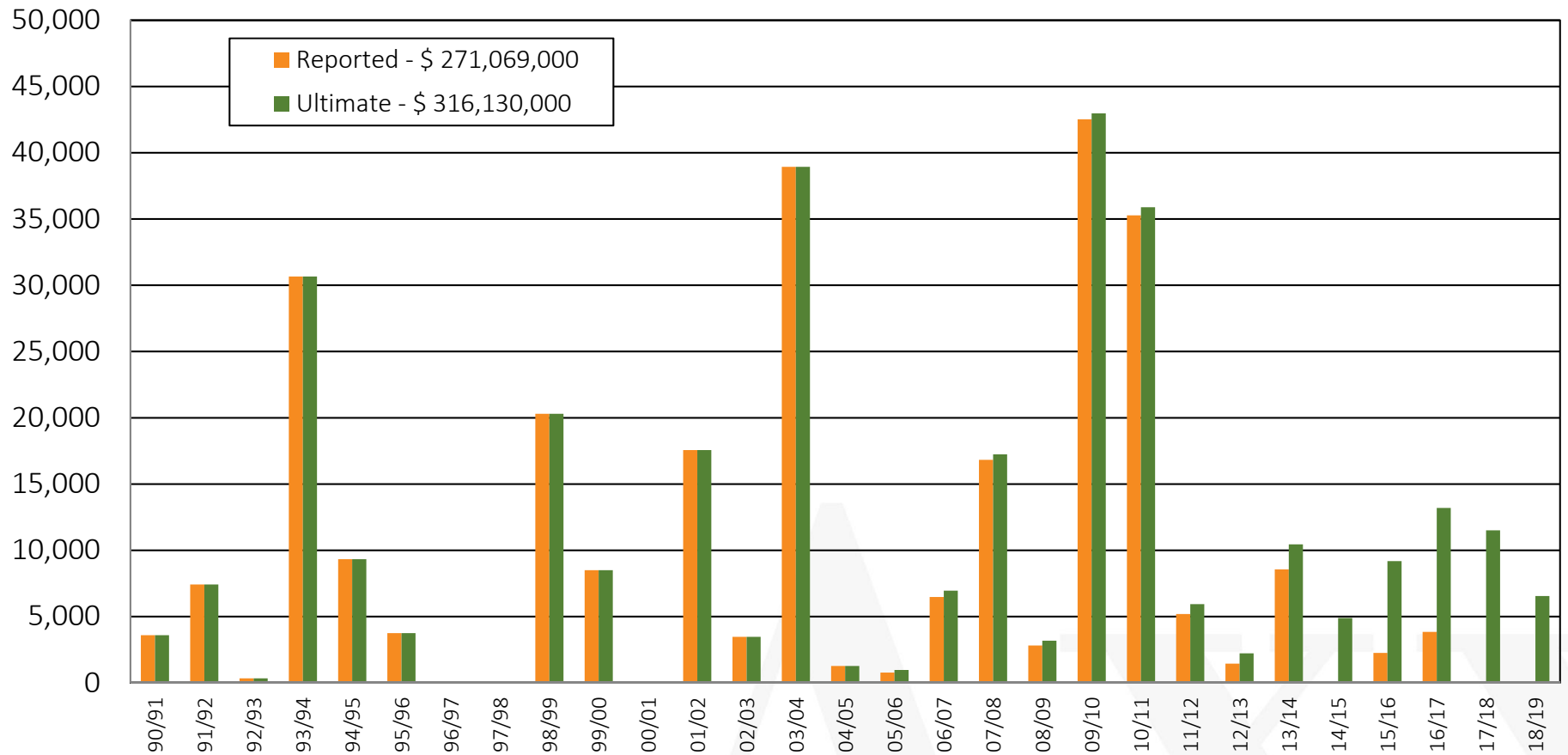
Reported Incurred Loss Activity – Claim Counts *



* Includes non-zero claims only

CLLAS

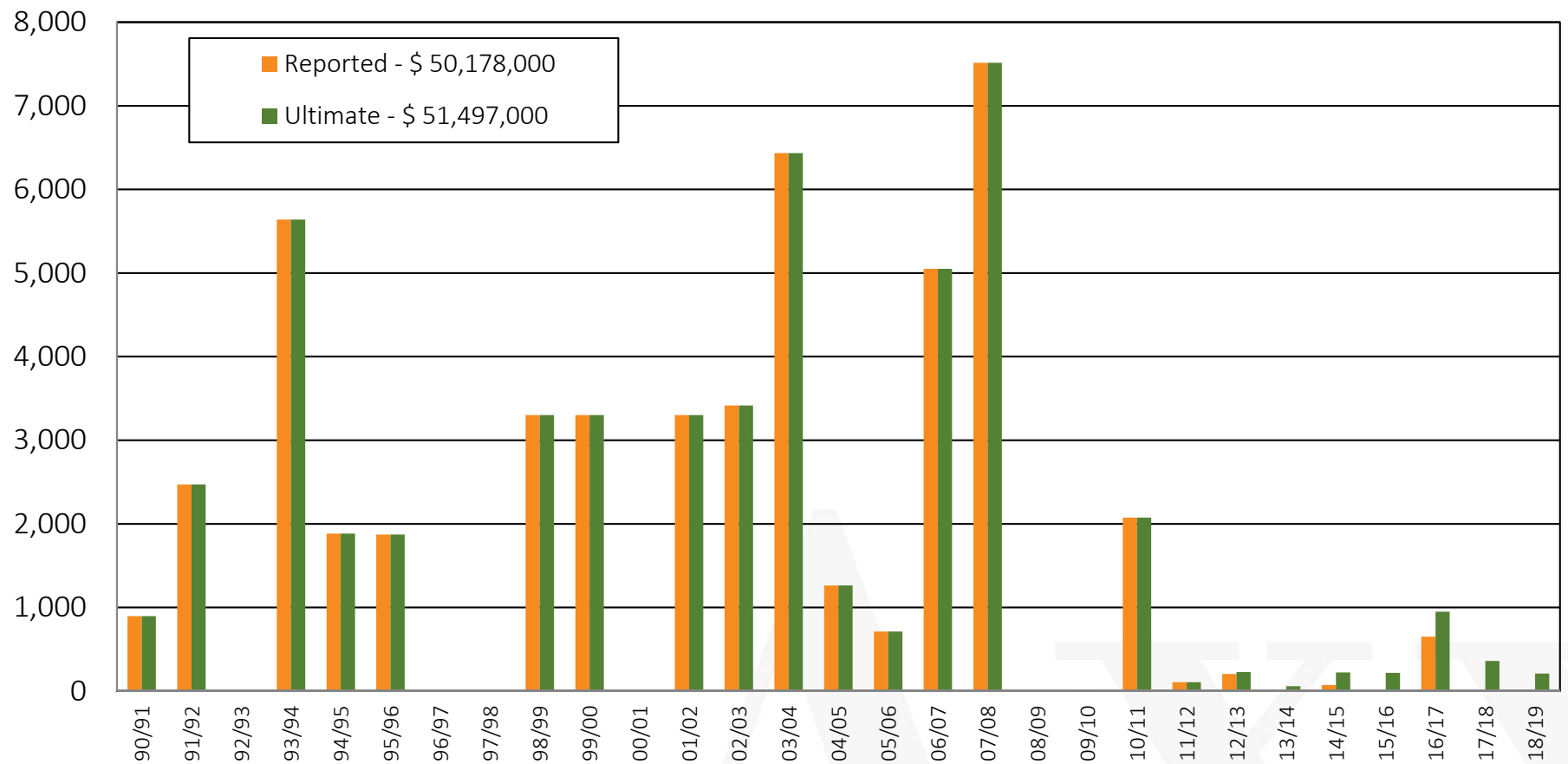
Gross Reported vs. Ultimate Losses* (in \$000's)



* Excluding ULAE

CLLAS

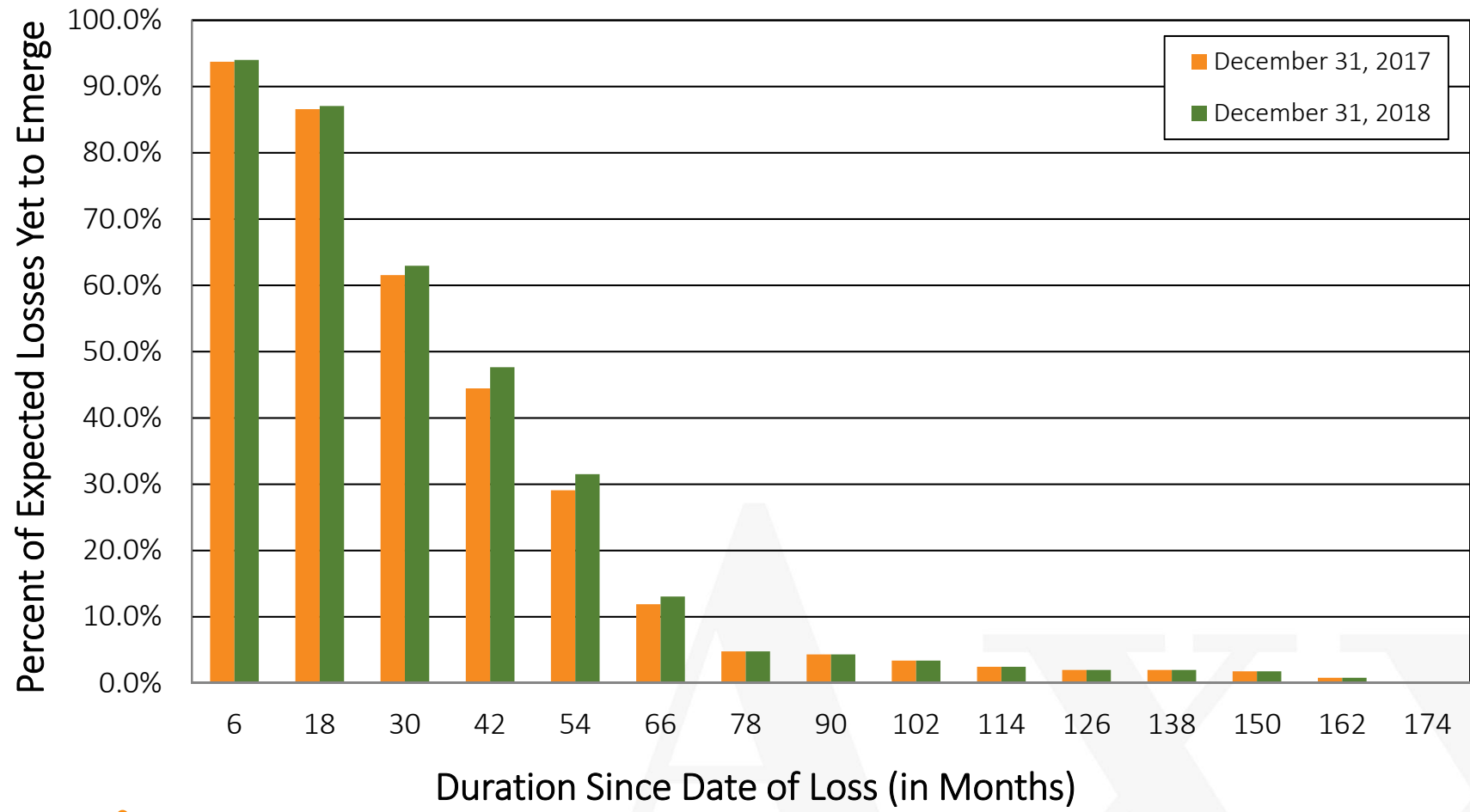
Net Reported vs. Ultimate Losses* (in \$000's)



* Excluding ULAE; Ultimate losses are fixed for policy periods prior to June 30, 2012 due to the Loss Portfolio Transfer with Colchester Reinsurance Ltd.

CLLAS

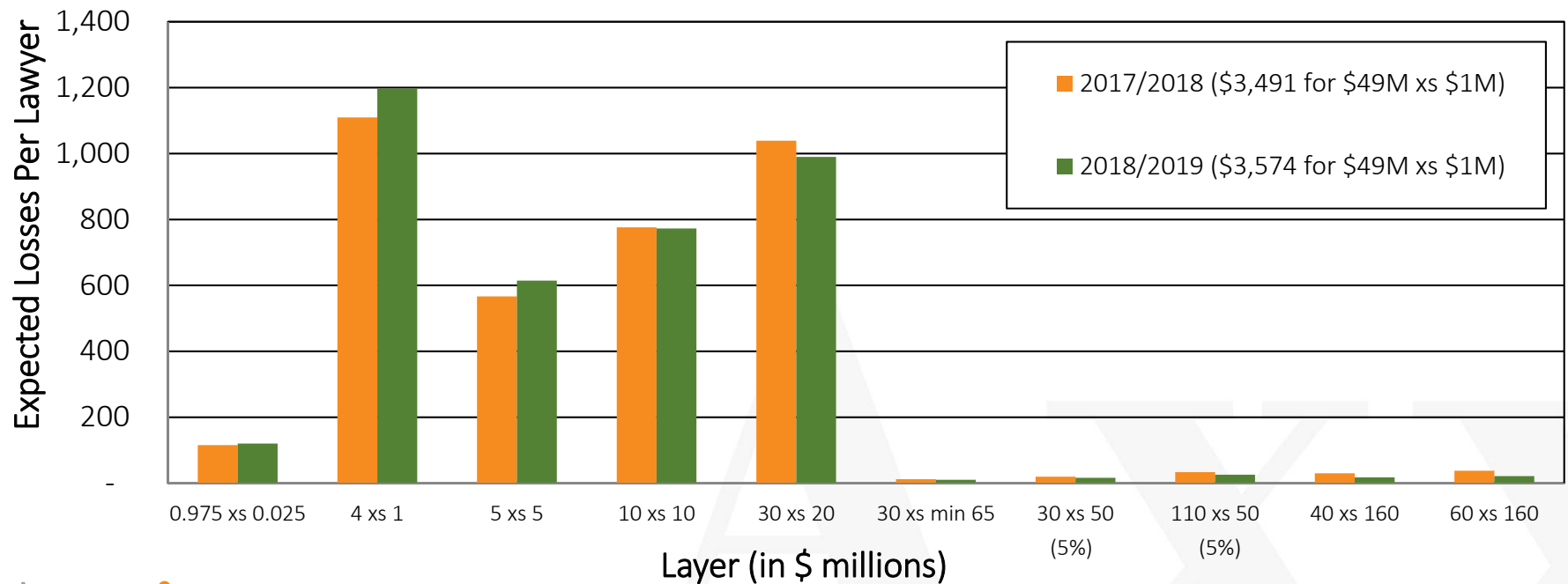
Loss Development Factors



CLLAS

2018/2019 Expected Loss Costs

- Revision of expected loss costs for 2018/2019 reflects emerging expectations of expected losses in each layer.
- The \$49M xs \$1M layer is broken down into smaller layers for valuation purposes: \$4M xs \$1M, \$5M xs \$5M, \$10M xs \$10M and \$30M xs \$20M.



CLLAS

Arrangement between CLLAS and Colchester for 2018/2019

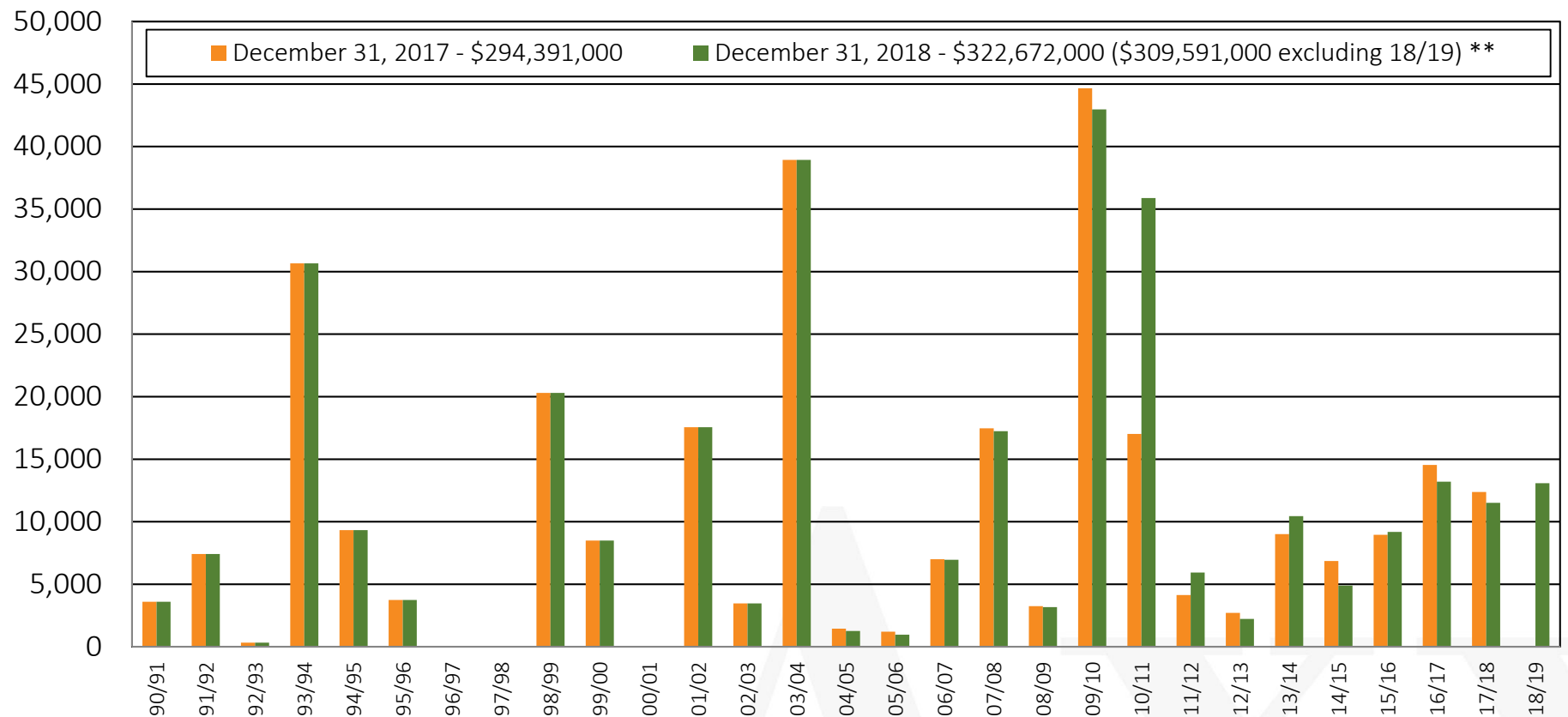
- Colchester retains 20% of the layer \$49,000,000 xs \$1,000,000 and 7.5% of the layer \$60,000,000 xs \$160,000,000
- The per-claim retention for CLLAS subject to the aggregate limit includes:
 - 100% of the layer \$975,000 xs \$25,000
 - 0% of the layer \$49,000,000 xs \$1,000,000
- Colchester provides aggregate reinsurance coverage of \$10,000,000 in excess of a \$5,000,000 limit

Loss Portfolio Transfer to Colchester on June 30, 2012

- Colchester purchased net outstanding claims obligations on policies written between July 1, 1987 and June 30, 2012
- CLLAS's remaining net claim liabilities attributable to the business written prior to June 30, 2012 are provisions for ULAE

CLLAS

Evolution of Gross Ultimate Losses* (in \$000's)

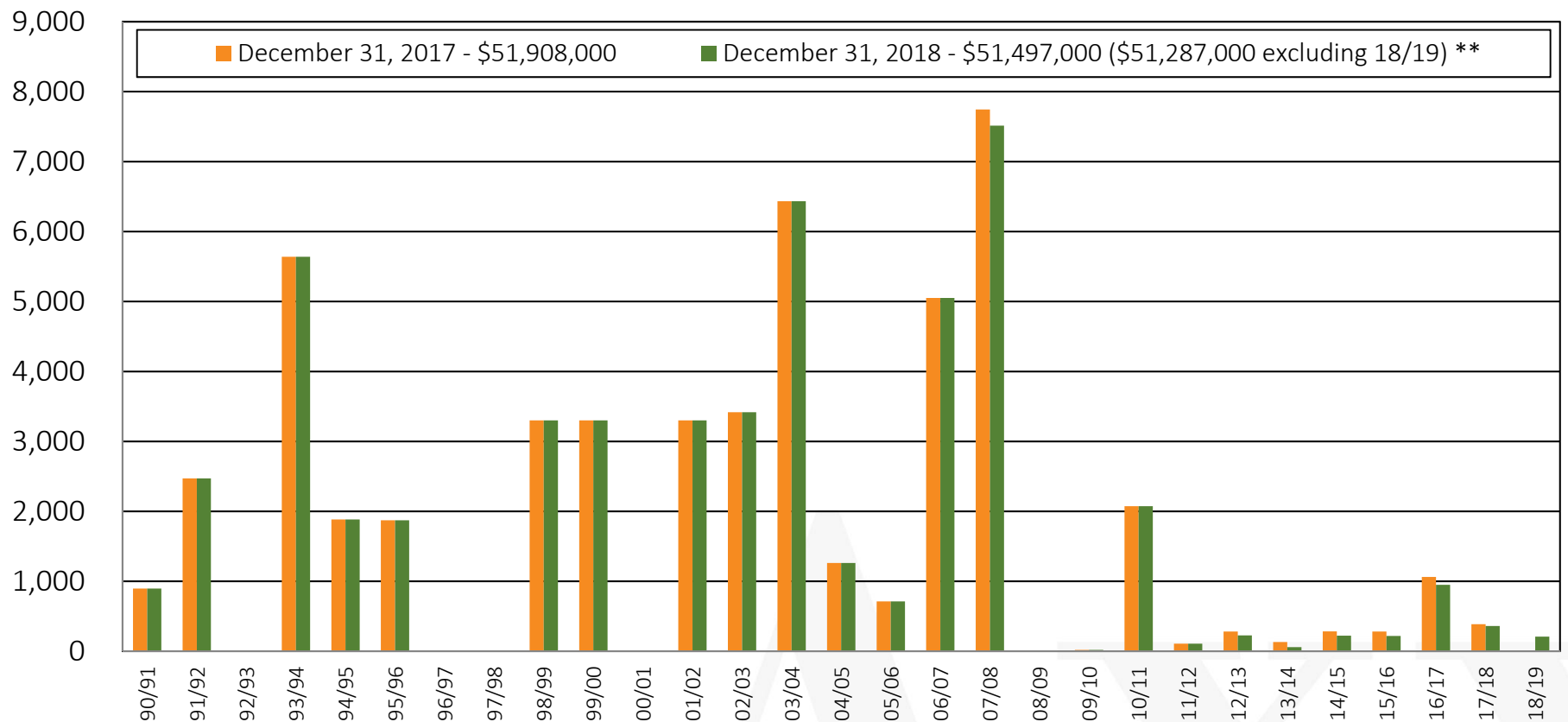


* Excluding ULAE

**There is no development on policy periods prior to June 30, 2012 due to the loss portfolio transfer with Colchester Reinsurance Ltd, except for recoveries such as for policy year 2007/2008.

CLLAS

Evolution of Net Ultimate Losses* (in \$000's)



* Excluding ULAE

**There is no development on policy periods prior to June 30, 2012 due to the loss portfolio transfer with Colchester Reinsurance Ltd, except for recoveries such as for policy year 2007/2008.

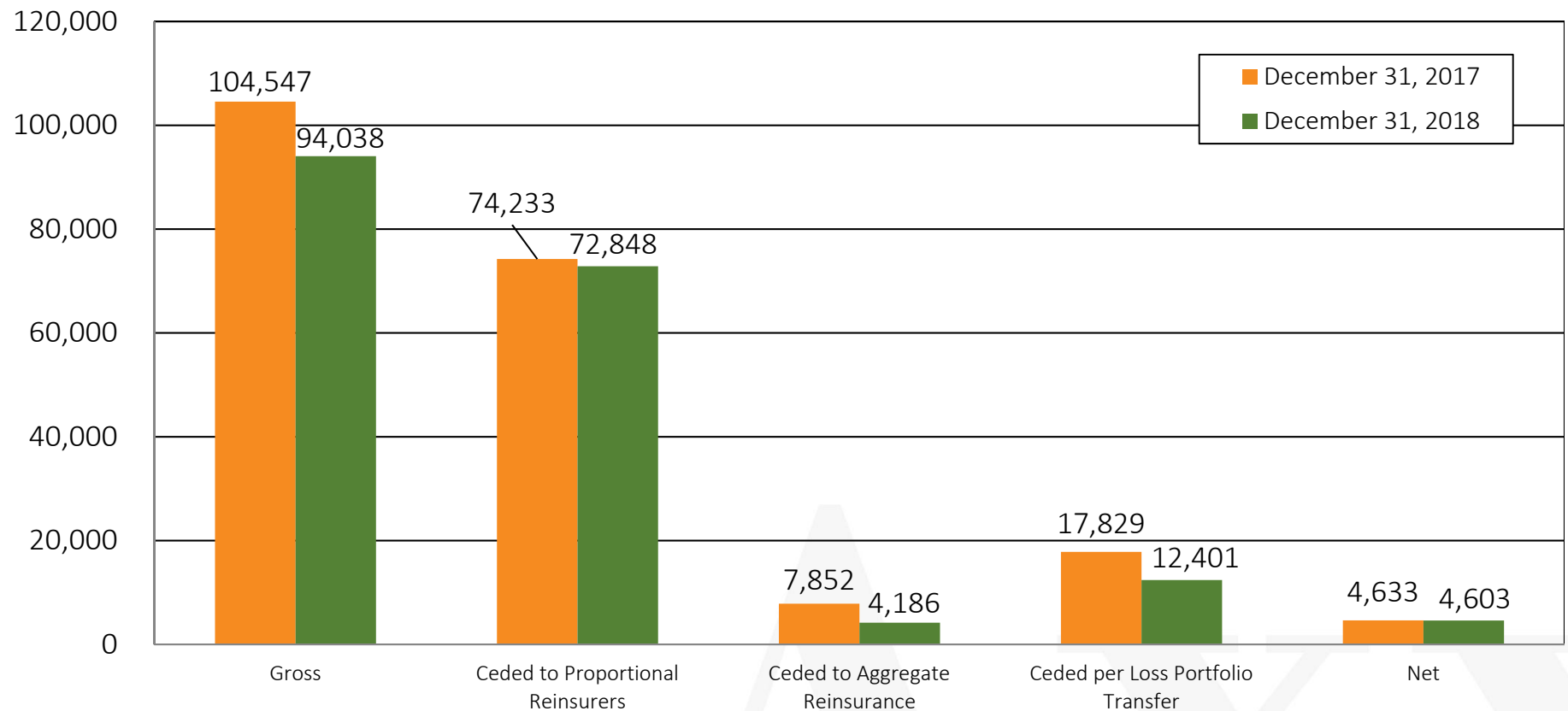
CLLAS

Unallocated Loss Adjustments Expenses (ULAE)

- Represents the provision for the claims management function to service existing obligations if CLLAS were to cease writing business on December 31, 2018
- Loading of 2.95% applied to gross case reserves and gross provisions for IBNR (increase from 2.60% as of December 31, 2017)
- Provision for ULAE at December 31, 2018: \$2,695,000
- The provision for ULAE is entirely retained by CLLAS

CLLAS

Breakdown of Outstanding Claim Liabilities* (in \$000's)



* On an undiscounted basis

CLLAS

Valuation Basis

- Statutory Purposes and Professional Requirements:
Discounted Liabilities
+
Provision for Adverse Deviation (PFAD)

Discounted Liabilities

- The discount rate is used for the discounting of future claims payments
- A discount rate of 2.40% (2.15% in 2017) was selected based on the market yield of CLLAS' fixed income portfolio at December 31, 2018 since CLLAS has classified its fixed income portfolio as available-for-sale per IFRS 9

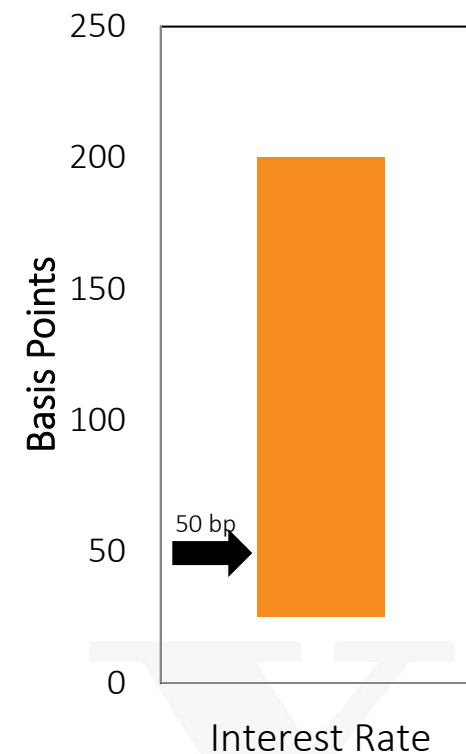
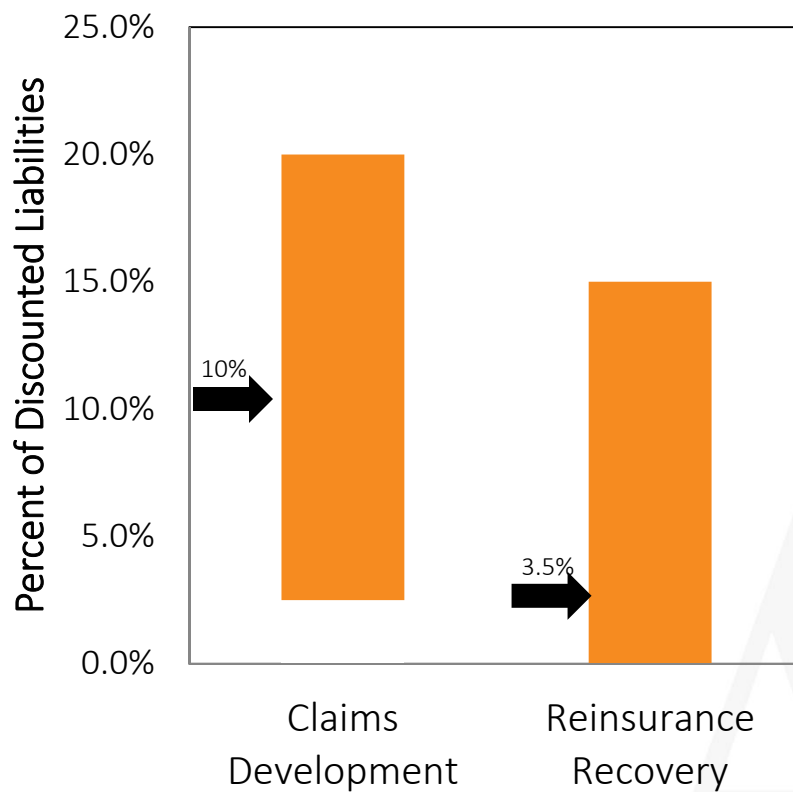
CLLAS

PFAD reflects three variables:

- **Claims development:**
Claims experience worse than expected
- **Reinsurance recovery:**
Reinsurers default on their obligations
- **Interest rate:**
Investment yield below expectations

CLLAS

Selected Margins for Adverse Deviation



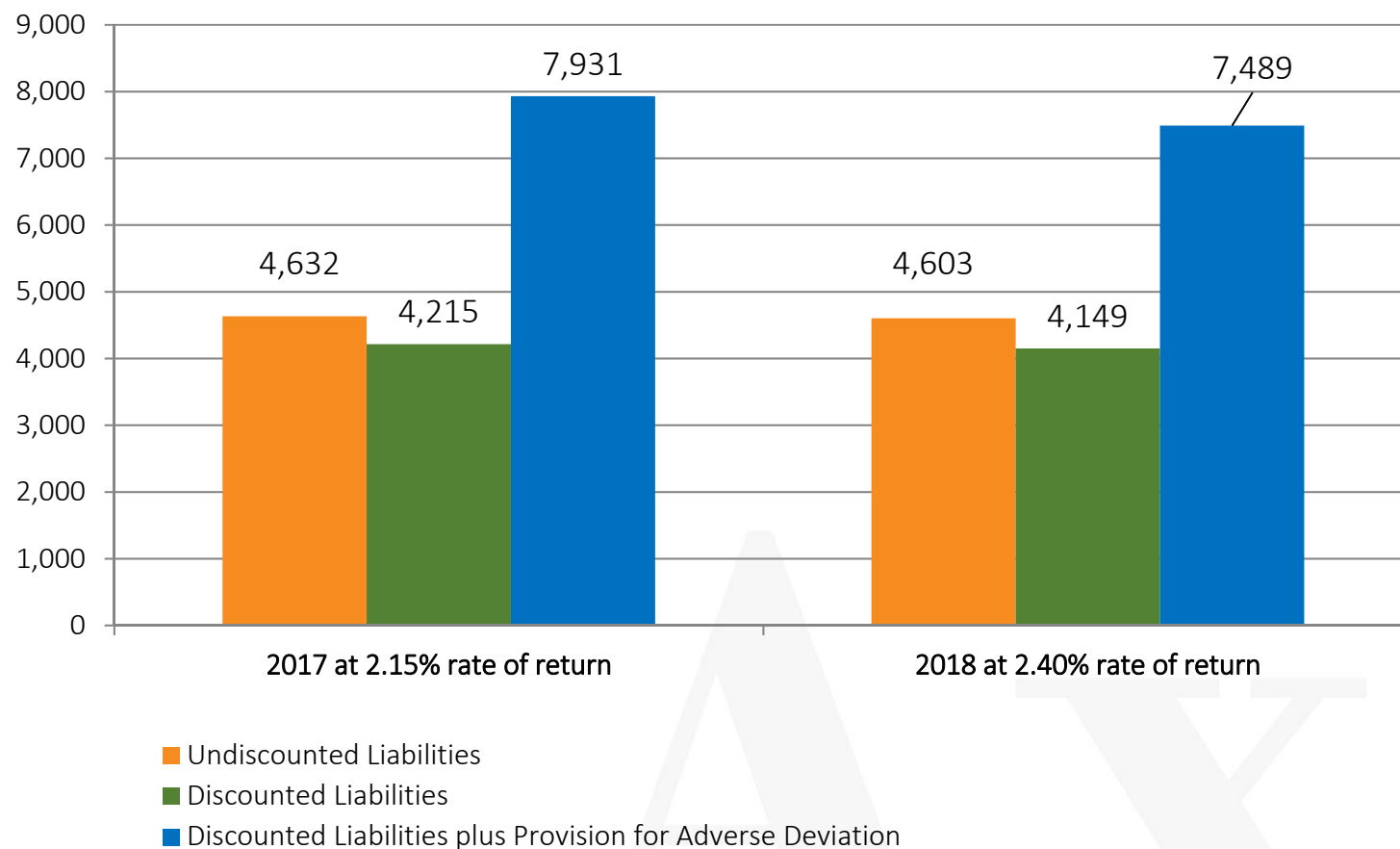
CLLAS

Impact of changes in methodology and assumptions

- There was no change in methodology in the valuation at December 31, 2018.
- The impact of the change in loss development factors, ULAE load, discount rate and reinsurance PFAD led to an increase of \$440,000 in net discounted claim liabilities

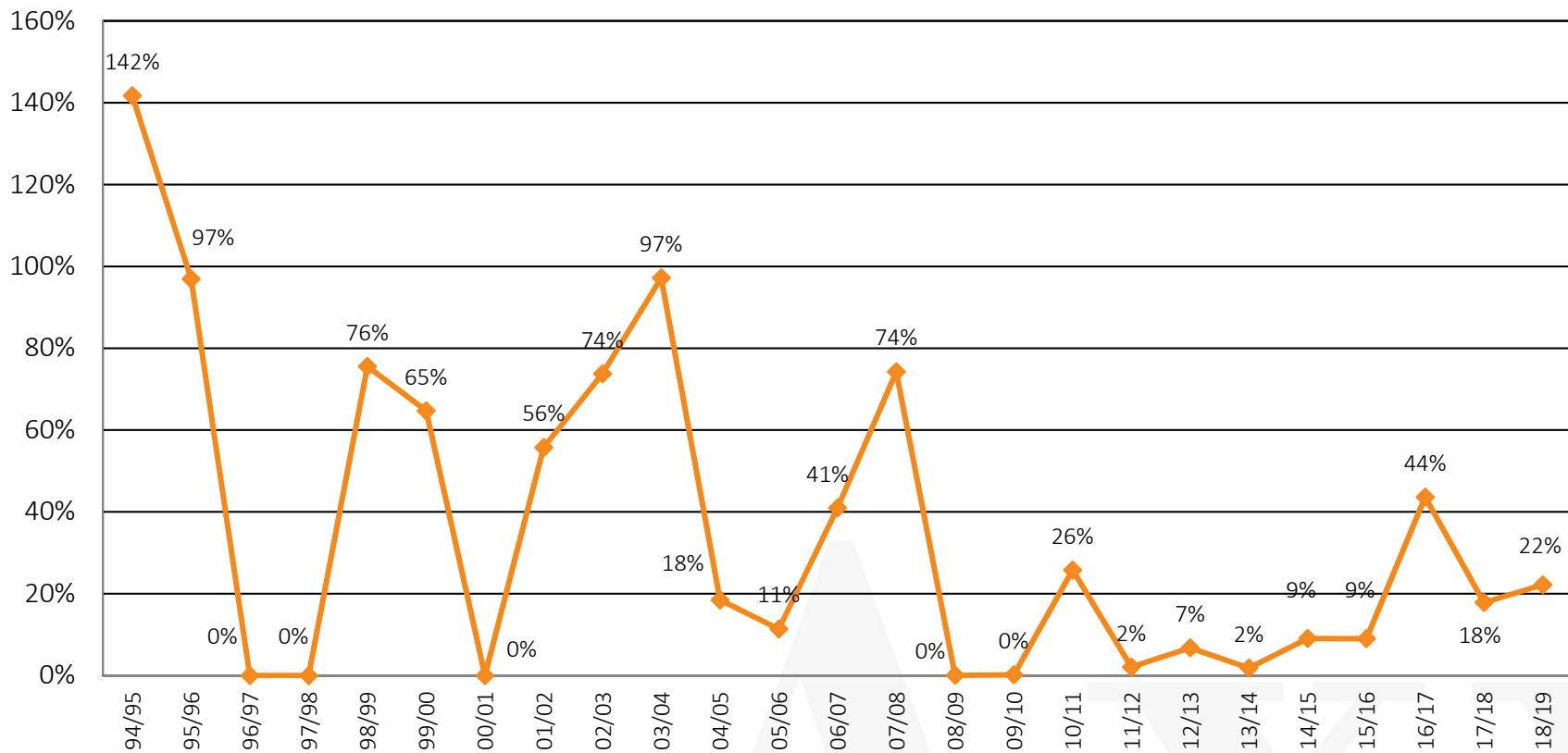
CLLAS

Summary of Net Provision for Unpaid Claims (in \$'000s)



CLLAS

Net Ultimate Loss Ratio*



* Excluding ULAE

CLLAS

Premium Liabilities

- A premium deficiency is generated if the premiums yet to be earned are not expected to sustain the expected expenses associated with earning them, i.e., if

Net unearned premiums

- Net liabilities in connection with unearned premiums
- Deferred policy acquisition expenses
- = Less than zero

- The premium deficiency is \$0
- The deferred policy acquisition expense asset is \$107,000



discussion

February 12, 2019

Private & Confidential

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

Dear Ken,

The purpose of this letter is to set out the proposed operating budget for CLLAS for 2019, including the proposed budget for the provision by Axxima of Management and Professional Services.

TOTAL OPERATING BUDGET FOR 2019

The draft total operating budget for CLLAS for 2019 is presented in Attachment A to this letter, together with the budget and actual figures for 2018. Overall, CLLAS finished 2018 \$44,000, or 4.7% under budget. A discussion of the notable “Other Expense” lines is immediately below, and the Management and Professional Services lines are addressed in the second part of this letter.

- **Audit Expenses.** This line was about \$8,000 over budget due to the regulatory requirement to do a peer review of the actuarial valuation every three years. PwC undertook a peer review of the 2017 valuation report at a cost of \$7,700, incurred in early 2018. (Note that this cost should have been included in the 2018 budget but was overlooked.)
- **Premium Taxes.** Premium taxes came in basically on budget for 2018. As will be discussed at the February Board meeting, we can expect upward pressure on CLLAS reinsurance costs for the July 1, 2019 renewal due to an effort by Lloyd’s to impose stricter underwriting discipline on its syndicates. The budget assumes an overall 10% increase in premiums at renewal, although this may prove to be an optimistic expectation.
- **Office Expenses.** As discussed previously, CLLAS is undertaking a project to eliminate its off-site storage costs. This involved scanning and shredding some files, and simply shredding others. The budget includes the cost of completing this project in 2019. Note that off-site



storage costs CLLAS about \$400 per month (\$5,000 per year), and this cost will be eliminated once the project is complete.

- **Special Services.** This line is for expenses related to external legal and other professional services provided to CLLAS. In 2018, we incurred no costs on this line, but we propose to maintain the budget as is for 2019.
- **Miller Fees.** Miller fees for the 2018/19 policy year were agreed at \$279,000. The budget for 2019/20 has not yet been agreed. For budget purposes, we have assumed a 5% increase in this fee (applicable from July 1, 2019).
- **Risk Management/Loss Prevention.** The Risk Management/Loss Prevention line came in under budget for 2018, with the main initiative being the Risk Management Seminar held in September 2018. Subject to input from the Risk Management Committee, we propose to reduce this line \$25,000 to \$15,000 for 2019.

PROFESSIONAL AND MANAGEMENT SERVICES

1. Management Services

Management Services are provided on a fixed fee basis, with the exception of Claims Analysis, which is a variable line item related to management of CLLAS' active large loss files. Due to claims activity, as discussed in more detail below, Management Services finished the year \$48,000 over its budget of \$520,500. The proposed fixed fee budget for 2019 (net of credits, as discussed below) is \$501,500, a reduction of 3.7% from 2018. This reduction is the result of a slightly increased fixed fee offset by an increased amount of commissions received by Axxima's insurance brokerage, as discussed below.

Details of the Management Services budget by line are presented in the table on the follow page.

Activity	2018 Budget	2018 Actual	Fav/ (Unfav) Variance	2019 Budget (proposed)	Change (\$)	Change (%)
(a) Financial	\$190,000	\$190,000	\$ 0	\$192,000	\$ 2,000	1.1%
(b) General Admin.	\$ 95,000	\$ 95,000	\$ 0	\$102,000	\$ 7,000	7.4%
(c) Claims Admin.	\$240,000	\$240,000	\$ 0	\$230,000	(\$10,000)	-4.2%
(d) Claims Analysis*	\$ 72,000	\$120,304	(\$ 48,304)	\$ 80,000	\$ 8,000	11.1%
Subtotal	\$597,000	\$645,304	(\$ 48,304)	\$604,000	\$ 7,000	1.2%
(e) Less Credit	\$ 76,500	\$ 76,500	\$ 0	\$102,500	\$26,000	34.0%
Total	\$520,500	\$568,804	(\$ 48,304)	\$501,500	(\$19,000)	-3.7%

* Variable

- (a) **Financial Reporting.** Activity on the Financial Reporting line has stabilized over the past few years, after the adoption of CLLAS' initial ORSA report and the implementation of new financial reporting metrics. (A full ORSA update is required in 2019, but this is not expected to impact financial accounting activity.) No significant regulatory changes are on the horizon. Planning for IFRS 17 (Insurance Contracts) has begun, but the deferral of the implementation date to January 1, 2022 pushes the detailed accounting-level activity into 2020 at the earliest. We propose a small increase of \$2,000 (1.1%) to account to wage inflation.
- (b) **General Administration.** The General Administration line includes such activities as Board meeting preparation, renewal applications, insurance policy preparation, certificate issuance, risk management initiatives, website maintenance, Subscriber enquiries re coverage, etc. Activity was somewhat above expectations in both 2017 and 2018, perhaps reflecting the transition of personnel at the member firms. We are proposing an increase of \$7,000, or 7.4%, to this line for 2019.
- (c) **Claims Administration.** The Claims Administration line has been reduced significantly over the past few years, from \$300,000 in 2015, to \$240,000 in 2018, due in part to lower claims volumes flowing from the departure of two firms and in part to process efficiencies within Axxima. We propose a further \$10,000 (4.2%) reduction to this line for 2019. Note that Axxima's involvement in managing/overseeing cyber claims will be included in this line going forward.
- (d) **Claims Analysis.** The Claims Analysis line, which tracks activity on the claims where CLLAS is actively involved in claims management (due to the nature or significance of

the particular claims) finished 2018 well over budget due to the high volume of activity involved in managing CLLAS' more complicated claims. While we believe that this level of activity will not be sustained through 2019 (a number of these claims were resolved and closed) we are proposing an \$8,000 (11.1%) adjustment to this line for 2019 as it has remained unchanged for many years. This line is variable, with fees adjusted to actual on a quarterly basis.

(e) **Credit re CLLAS-Facilitated Policies.** Since 2017, the proposed fixed fee budgets are net of a credit which represents commissions received by Axxima's insurance brokerage. Details for 2018 and 2019 are as follows:

- **2018:** Lencznerns renewed its coverage under the CLLAS Associate Firm program for a 12-month policy term effective July 1, 2017. The commission for this policy was \$36,311.75. In addition, commissions for six CLLAS firms binding cyber coverage totaled \$40,092.18. In total for 2018, CLLAS received a credit against management services in 2018 of \$76,500 to account for these commissions.
- **2019:** In 2018, the CLLAS Associate firms renewed their policies, resulting in commissions of \$39,716. As well, eight CLLAS firms and one Associate firm bound or renewed cyber policies under the CLLAS program. One of these policies inceptioned in January 2018 and was included in last year's credit. (Note that we are not including the renewal of that policy in January 2019 in this year's credit to simplify tracking – it will be included next year.) The commissions for the remaining eight firms totals \$62,762. Combined, this results in a credit of \$102,500 to be applied against the 2019 fixed fee budget.
- **Profit Sharing:** As discussed previously, the CLLAS Associate Firm program includes a profit sharing element. We have agreed that profit sharing amounts actually received from underwriters will be applied against the next fixed fee budget, subject to CLLAS' acknowledgement of the obligation to potentially repay the funds based on future loss experience. For your information, the profit sharing that is currently due (and in the process of being collected) under the Associate Firm program is \$21,010.50. A further \$20,509.70 is expected to be due later in 2019. These amounts remain exposed to losses, although it is not currently expected that any open claims will develop into the Program's layer.

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

2. Professional Services

Professional Services, i.e. actuarial, reinsurance and strategic services, are provided on a fee-for-service basis. Budgets are set at the beginning of the year, with the actual cost depending on the level of activity throughout the year. Professional Services Fees finished the year about \$80,000 (15.1%) under budget. Two lines (Actuarial and Strategic Services) finished slightly under budget, while Reinsurance Services was well under budget due to the relatively straightforward reinsurance renewal at July 1, 2018.

As set out in the table below, we are proposing a \$20,000 increase to the Actuarial Services budget for 2019, and no change to the budgets for the other two lines. Overall, this amounts to a 3.8% increase over the budget for 2018. Details by line are discussed after the table.

		2018 Budget	2018 Actual	Fav/ (Unfav) Variance	2019 Budget (proposed)	Change (\$)	Change (%)
(a)	Actuarial	\$ 70,000	\$ 67,397	\$ 2,602	\$ 90,000	\$20,000	28.6%
(b)	Reinsurance	\$300,000	\$224,890	\$ 75,110	\$300,000	\$ 0	0.0%
(c)	Strategic	\$160,000	\$157,426	\$ 2,574	\$160,000	\$ 0	0.0%
	Total	\$530,000	\$449,713	\$ 80,287	\$550,000	\$20,000	3.8%

- (a) **Actuarial Services.** Activity on the Actuarial line was essentially on budget in 2018. (Note that this budget line was reduced by \$10,000 in 2018 to reflect the level of activity in the previous year.) As CLLAS is required to undertake a full ORSA report in 2019 (the first and only full ORSA report completed by CLLAS so far was adopted in February 2016) we propose a \$20,000 increase to this line for 2019.
- (b) **Reinsurance Services.** The objective for the July 1, 2018 reinsurance renewal was to preserve the status quo after the substantial reduction in rates the previous year. This objective was achieved, with the only significant hiccup being the refusal of CNA, a domestic market with a 10% share of the \$49 million layer, to renew at the current rates. CNA's capacity was taken up by existing markets, so the renewal was a reasonably orderly affair, and fee came in well under budget. We propose to leave the budget at \$300,000 for the coming year. As discussed, the markets have shown

signs of hardening, and CLLAS' recent claims experience, in light of the current rates, is likely to make 2019 an challenging renewal regardless of market conditions.

(c) **Strategic Services.** Fees for Strategic Services in 2018 also finished the year essentially on budget. Activities in the year included:

- On-going work related to CLLAS' cyber program, including reviewing applications, binding firms, refining policy wording, developing certificate wording, work on claims protocol, oversight of claims activity including interaction with excess markets, investigating excess limits and discussions with CLLAS firms not yet in the program (as discussed below, claims management activity for cyber matters will be tracked under the appropriate Management Services lines from 2019 forward);
- The Associate Firm initiative, including the renewal of the two current Associate Firms, the provision of information to a number of firms based in Toronto, Vancouver and Atlantic Canada, and face-to-face meetings with two prospective firms;
- IFRS 17 implementation, including impact assessment, initial progress report for regulator, Audit Committee education session; and
- CLLAS D&O insurance policy renewal including market canvas for additional limits, better pricing and additional coverage.

Activity on the Strategic Services line is difficult to predict but we propose that the budget for Strategic Services remain unchanged for 2019. A note on CLLAS' cyber program: As the program is fairly well established, with nine participating firms and many of the growing pains behind us, we expect that we will be able to establish a separate Strategic budget line for the cyber program for 2020. As indicated above, the program generated about \$63,000 in commissions in 2018, which likely fell short of the fees incurred in 2018, but we anticipate that things will balance out as the program matures – in any event, we should be in a position to better track this going forward.

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



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

Sincerely,

A handwritten signature in black ink, appearing to read "PM" followed by a flourish.

Patrick Mahoney

Copy: Ken Crofoot

CLLAS Advisory Board

Canadian Lawyers Liability Assurance Society
2019 Operating Budget

	<u>2018 Budget</u>	<u>2018 Actual</u>	<u>Fav/ (Unfav) Variance</u>	<u>Proposed 2019 Budget</u>
MANAGEMENT SERVICES	520,500	568,804	(48,304)	501,500
PROFESSIONAL SERVICES				
Actuarial Services	70,000	67,398	2,602	90,000
Reinsurance Matters	300,000	224,890	75,110	300,000
Strategic Matters	160,000	157,426	2,574	160,000
Sub-Total Professional Services	530,000	449,713	80,287	550,000
Total Management & Professional Services	1,050,500	1,018,517	31,983	1,051,500
HST on Consulting Fees	136,565	132,407	4,158	136,695
Total Consulting Services	1,187,065	1,150,924	36,141	1,188,195
OTHER EXPENSES				
Audit Expenses	113,000	121,204	(8,204)	117,000
Annual Dinner	8,500	5,996	2,504	7,500
Premium Taxes	207,000	209,892	(2,892)	224,000
Chairman's Expenses	3,000	0	3,000	3,000
Chairman's Honourarium	150,000	150,000	-	150,000
Reinsurance Expense	8,500	4,159	4,341	8,500
D&O Insurance	20,000	18,036	1,964	20,000
Office Expenses - General	25,000	25,480	(480)	25,000
Office Expenses - Offsite Storage/Scanning	0	0	-	38,000
Claims Bordereaux (LawPRO/LIF)	15,400	16,775	(1,375)	16,800
Special Services	25,000	0	25,000	25,000
Miller Insurance Fees (Reins. Comm.)	279,000	279,000	-	286,000
Statistical/Assessment Fees	7,000	4,798	2,202	6,000
Investment Counsel Fees	30,000	25,284	4,716	27,000
Investment - Custodial Fees	18,000	17,727	273	16,000
Risk Management/Loss Prevention	25,000	12,299	12,701	15,000
Licensing Fees	5,000	4,663	337	5,000
Sub-total	939,400	895,313	44,087	989,800
TOTAL	2,126,465	2,046,238	80,227	\$2,177,995

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Management Services - Overview of Activity by Budget Line

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

1. Financial Reporting

The Financial Reporting area involves all financial functions including:

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

2. General Administration

The General Administration line covers work relating to:

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

3. Claims Administration

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

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

4. Claims Analysis

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

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

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



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Own Risk and Solvency Assessment Interim Update

Final Report
February 26, 2018



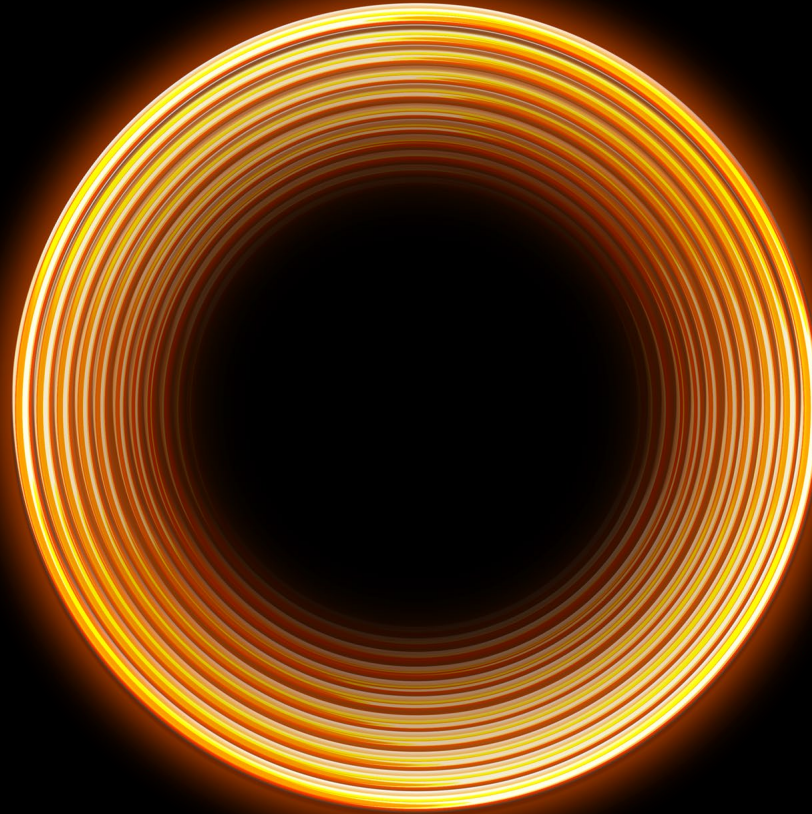
This report constitutes the fiscal year 2018 interim update to the Own Risk and Solvency Assessment (“ORSA”) for the Canadian Lawyers Liability Assurance Society (“CLLAS”). The full ORSA report was adopted by CLLAS on February 24, 2016.

Management Analysis and Recommendations

1. Since the last ORSA analysis was performed, there was no material change to CLLAS’ risk profile. Management recommends that the current surplus target based on an MCT ratio of 210% be maintained.
2. Management recommends no changes to CLLAS’ risk metrics at this time.
3. Risk metrics for individual risk categories should continue to be monitored quarterly and the overall internal target of 210% and the targets and limits for individual risk metrics should be reviewed in 12 months.
4. To the extent required by CLLAS’ regulator, a full ORSA analysis should take place before the end of 2019.

Recommendations Adopted by the Advisory Board

The Advisory Board is satisfied that there was no material change in CLLAS’ risk profile. There was no change in risk appetite since the last ORSA and all management recommendations were adopted.



Canadian Lawyers Liability Assurance Society
Audit results for the year ended December 31, 2018
To be presented February 14, 2019



Neil Harrison

Lead Client Service Partner
Tel: 416-601-6307
Email: nharrison@deloitte.ca

February 11, 2019

To the Chair and Members of the Audit Committee of Canadian Lawyers Liability Assurance Society (the "Audit Committee")

Dear Audit Committee Members:

We are pleased to submit this report on the status of our audit of Canadian Lawyers Liability Assurance Society ("the Society") for the 2018 fiscal year. This report summarizes the scope of our audit, our findings to date and reviews certain other matters that we believe to be of interest to you.

As agreed in our engagement letter dated November 7, 2018, we have performed an audit of the financial statements of Canadian Lawyers Liability Assurance Society as of and for the year ended December 31, 2018, in accordance with Canadian generally accepted auditing standards ("GAAS") and expect to issue our audit report thereon upon their approval by the Board of Directors and completion of the outstanding matters noted on page 3 of this report.

This report summarizes our findings during the audit to date. Our audit has been conducted in accordance with the audit plan that was presented to the Audit Committee members at the meeting on November 7, 2018.

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

This report is intended solely for the information and use of the Audit Committee, management and others within the Society and is not intended to be, and should not be, used by anyone other than these specified parties. Accordingly, we disclaim any responsibility to any other party who may rely on it.

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

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

Yours truly,

(To be signed Deloitte LLP)

Chartered Professional Accountants
Licensed Public Accountants

Executive summary

Outstanding items

- Receipt of the final Appointed Actuary Report
- Receipt of signed management representation letter
- Performance of subsequent events procedures
- Completion of Engagement Quality Control Review

We plan to issue our audit opinions dated February 26, 2019 following completion of the above procedures and approval of the financial statements by the Advisory Board

Significant risks

Findings

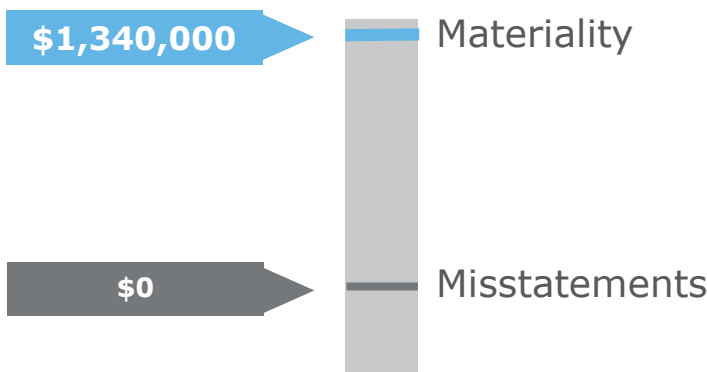
- 1 Provision for unpaid claims and adjustment expenses
- 2 Revenue recognition
- 3 Risk of management override of controls

Completed, no issues noted. Completed, insights identified. Completed, significant findings identified.

Changes from audit plan

- Materiality was determined on the basis of unpaid claims and adjustment expenses, adjusted for unusually large claims. Due to the payout of a large claim prior to year-end, materiality has decreased.
- Our audit approach was consistent with the audit plan presented to the audit committee on November 7, 2018

Misstatements



Other matters of interest

Subscriber withdrawals

Judgment is required in assessing appropriate timing of recognition and valuation as well as note disclosures

New IFRS Standards







Disclosure of deferral of IFRS 9 Financial Instruments and disclosure of new standard for insurance contracts, IFRS 17

Misstatements

- No corrected or uncorrected misstatements
- No disclosure misstatements

Matters of interest

Significant risks dashboard

Risk	Audit response consistent with plan	Status and findings	Our response	Our conclusion
Provision for unpaid claims and adjustment expenses			We completed our audit as planned, utilizing our actuarial specialists in the execution of our work. This included assessing the reasonableness of key assumptions and methodologies, testing the underlying data and independent recomputations of the actuarial reserves.	The results of audit procedures were satisfactory
Revenue recognition			Assurance standards include the presumption of a fraud risk involving improper revenue recognition. We completed our audit as planned, agreeing all premiums recorded to supporting documentation, recomputing unearned premiums and obtaining confirmation from CLLAS members.	The results of audit procedures were satisfactory
Risk of management override of controls			Assurance standards include the presumption of a significant risk of management override of controls. We completed our audit as planned, testing the appropriateness of large or unusual journal entries using data analytical tools to identify journal entries of audit interest and examining accounting estimates for bias.	The results of audit procedures were satisfactory

Legend

-  Completed. Results of procedures satisfactory.
-  Completed. Insights identified.
-  Completed. Significant findings identified.
-  In progress.

Appendices



Appendix 1 – Required communications with Those Charged with Governance

Canadian GAAS require that we communicate to Those Charged with Governance (TCWG) on the following matters:

Required communication	Reference/Comments
Any significant changes to the planned audit strategy / identified significant risks, and the reasons for such changes.	There have been no changes compared to the audit plan.
Fraud or possible fraud identified through the audit process, unless prohibited by law or regulation.	None noted.
Matters involving non-compliance with laws and regulations that come to our attention, unless prohibited by law or regulation.	None noted.
Uncorrected and corrected misstatements, including disclosure misstatements.	None noted.
All significant deficiencies in internal control identified during the audit.	No deficiencies to report.
<p>A draft copy of the auditor's report(s) we expect to issue including circumstances that affect the form and content of the auditor's report, if any, including:</p> <ul style="list-style-type: none"> • Expected modifications to our opinion(s), including the circumstances that led to the expected modification and the wording of the modification. • Inclusion of an Emphasis of Matter/Other Matter paragraph, and the related wording • A material uncertainty related to going concern is reported • An uncorrected material misstatement of the other information is reported 	See Appendix 3. We expect to issue unmodified auditor's reports.
Significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.	See Appendix 2.
Our views of any significant accounting practices that are not the most appropriate to the particular circumstances of the entity (including any bias in management's judgments related to any of these matters).	
Our evaluation of whether the presentation of the financial statements and the related disclosures are in conformity with the applicable financial accounting framework, including consideration of the form, arrangement, and content of the financial statements.	In our judgment, the significant accounting practices and policies, selected and applied by management are, in all material respects, acceptable under IFRS and are appropriate to the particular circumstances of the Society.

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

Required communication	Reference/Comments
Significant matters arising from the audit that were discussed with management and material written communications between management and us, including management representation letters.	A draft version of the management representation letter to be signed by management has been provided separately.
All relationships between the Society and us that, in our professional judgment, may reasonably be thought to bear on our independence and related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.	See Appendix 4.
A statement that, in our judgment, the engagement team and others in our firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.	
Any breaches to our independence, including the action we have taken / propose to take.	

Appendix 2 – Significant accounting policies, judgments and estimates

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

Significant accounting policies and practices

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

The adoption of IFRS 15 *Revenue* had no impact on the Financial Statements. The Society has disclosed the deferral of *IFRS 9 Financial Instruments* and has included disclosure of the future accounting changes for Insurance Contracts and Financial Instruments.

Significant accounting estimates

During the year ended December 31, 2018, management advised us that there were no significant changes in the basis for determining accounting estimates or in judgments relating to the application of the accounting policies.

Balance sheet <i>In thousands of Canadian \$</i>	December 31, 2018	December 31, 2017
Cash	5,081	3,140
Short term investments	7,129	11,745
Bonds, including accrued interest	5,911	5,092
Interest income due and accrued	21	19
Premiums receivable	1,636	1,783
Prepaid expenses	141	140
Deferred policy acquisition costs	106	103
Reinsurers' share of unearned premiums	2,736	2,541
Reinsurance receivable	2,996	618
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	87,941	96,568
Total assets	113,698	121,749
Accounts payable and accrued charges	335	514
Unearned premiums	3,665	3,540
Due to reinsurers	1,935	1,649
Provision for unpaid claims and adjustment expenses	95,430	104,499
Total liabilities	101,365	110,202
Total equity	12,333	11,547
Total liabilities and equity	113,698	121,749

Bonds are composed of bonds issued or guaranteed by the Government of Canada, any province in Canada or Canadian corporations having a rating of A or better. There are no Bonds that require the use of unobservable inputs to determine fair value. There were no impairments or impairment concerns noted during 2018.

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

Provision for unpaid claims and adjustment expenses is calculated in accordance with accepted actuarial practice in Canada and involves estimates of loss activity that are, by necessity, subject to uncertainty and are derived from a wide range of possible outcomes. They have been estimated in a manner materially consistent with the approach followed in the prior year. Assumption changes increased net liabilities by \$517,738 and the change in the discount rate and PfAD decreased net liabilities by \$77,000. Management's estimate of these actuarial liabilities is the most significant area of measurement uncertainty which utilizes complex models and significant management judgement for assumptions.

Subscriber withdrawals occur periodically and judgment is involved in determining the appropriate timing of recognition and valuation of amounts and appropriate note disclosures

Appendix 3 – Draft version of our Auditor’s Reports

Draft Auditor’s Report on CLLAS Financial Statements

Independent Auditor’s Report

To the Advisory Board of Canadian Lawyers Liability Assurance Society

Opinion

We have audited the financial statements of Canadian Lawyers Liability Assurance Society (the “Society”), which comprise the statements of financial position as at December 31, 2018, and the statements of comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

(To be signed Deloitte LLP)

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario

February [.] , 2019

Appendix 3 – Draft version of our Auditor’s Reports

Draft Auditor’s Report on CLLAS Minimum Capital Return

Independent Auditor’s Report

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

Opinion

We have audited the Minimum Capital Test on page 30.61 of the P&C Quarterly Return of Canadian Lawyers Liability Assurance Society (the “Society”) as at December 31, 2018 (the “MCT”).

In our opinion, the accompanying MCT of the Society as at December 31, 2018 is prepared, in all material respects, in accordance with the financial reporting provisions of Guideline A – Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies effective January 1, 2018 (the “Guideline”) prescribed by the Office of the Superintendent of Financial Institutions Canada (“OSFI”).

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

Unaudited Information

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

Other Matter

We issued a separate auditor’s report dated February 26, 2019 on the financial statements on pages 20.10 through 20.54 of the Society’s P&C Quarterly Return.

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

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

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

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

Auditor’s Responsibilities for the Audit of the MCT Return

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

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

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

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

(To be signed Deloitte LLP)

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario

February [.], 2019

Appendix 3 – Draft version of our Auditor’s Reports

Draft Auditor’s Report on CLLAS P&C Return

Independent Auditor’s Report

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

Opinion

We have audited the financial statements of Canadian Lawyers Liability Assurance Society (the “Society”), which comprise the statements of assets and liabilities and equity at December 31, 2018, and the statements of income, retained earnings, comprehensive income (loss) and accumulated other comprehensive income (loss), reserves, changes in equity and cash flows for the year then ended on pages 20.10 through 20.54 of the Society’s P&C Quarterly Return and pages 20.52 and 20.60 of the Society’s P&C Annual Supplement, which includes the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

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

Unaudited Information

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

Other Matter

We issued a separate auditor’s report dated February 26, 2019 on the MCT on page 30.61 of the Society’s P&C Quarterly Return.

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

(To be signed Deloitte LLP)

Chartered Professional Accountants

Licensed Public Accountants

Toronto, Ontario

February [..], 2019

Appendix 4 – Independence

February 11, 2019

Private and confidential

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

Dear Members:

We have been engaged to perform an audit of the financial statements of Canadian Lawyers Liability Assurance Society (the “Society”) as of and for the year ended December 31, 2018 and as contained on pages 20.10 to 20.60 of the Society’s P&C Annual Return in accordance with Canadian generally accepted auditing standards.

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

We are not aware of any relationships between the Deloitte Entities and the Society and its affiliates, or persons in financial reporting oversight roles at the Society and its affiliates, that under the Rules of Professional Conduct of the applicable Chartered Professional Accountants provincial/territorial regulator/ordre of Ontario may reasonably be thought to bear on independence, that have occurred from February 16, 2018 to February 11, 2019.

The total fees charged to the Society for audit services were \$91,570 during the period covered by the financial statements.

We hereby confirm that we are independent with respect to the Society in accordance with the Rules of Professional Conduct of the applicable Chartered Professional Accountants provincial/territorial regulator/ordre of Ontario as of February 11, 2019.

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

We look forward to discussing with you the matters addressed in this letter at our upcoming meeting on February 14, 2019.

Chartered Professional Accountants
Licensed Public Accountants

Financial statements of Canadian Lawyers Liability Assurance Society

December 31, 2018

Independent Auditor's Report.....	1-2
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Independent Auditor's Report

To the Advisory Board of
Canadian Lawyers Liability Assurance Society

Opinion

We have audited the financial statements of Canadian Lawyers Liability Assurance Society (the "Society"), which comprise the statements of financial position as at December 31, 2018, and the statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

(To be signed Deloitte LLP)

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
February 26, 2019

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

As at December 31, 2018

	Notes	2018	2017
		\$	\$
Assets			
Cash at bank		5,081,001	3,140,371
Short term investments	4	7,128,611	11,745,460
Bonds	4	5,911,332	5,091,893
Interest income due and accrued		20,988	18,532
Premiums receivable	6	1,635,998	1,782,634
Prepaid expenses		140,827	139,500
Deferred policy acquisition costs		106,582	103,310
Reinsurers' share of unearned premiums		2,736,021	2,541,253
Reinsurance receivable		2,996,041	617,756
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	5	87,941,000	96,568,000
		113,698,401	121,748,709
Liabilities			
Accounts payable and accrued charges		335,152	513,612
Unearned premiums		3,664,920	3,539,875
Due to reinsurers		1,935,175	1,649,031
Provision for unpaid claims and adjustment expenses	5	95,430,000	104,499,000
		101,365,247	110,201,518
Equity			
Minimum surplus	12	50,000	50,000
Additional surplus	12	12,317,745	11,518,960
Accumulated other comprehensive (loss) income		(34,591)	(21,769)
Total equity		12,333,154	11,547,191
		113,698,401	121,748,709

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

On behalf of the Advisory Board

_____, Chair of the Audit Committee

_____, Director

Canadian Lawyers Liability Assurance Society

Statement of comprehensive income (loss)

Year ended December 31, 2018

	Notes	2018 \$	2017 \$
Premiums			
Written premiums		7,390,585	7,138,422
Reinsurance ceded		5,517,391	5,124,626
Net written premiums		1,873,194	2,013,796
Change in unearned premiums		69,723	80,765
Earned premiums		1,942,917	2,094,561
Expenses			
Claims	5	(586,867)	1,286,787
Premium deficiency adjustment		—	—
Operating expenses	7	1,836,345	2,072,921
Premium taxes		209,892	257,531
		1,459,370	3,617,239
Underwriting income (loss) for the year		483,547	(1,522,678)
Investment income	4	315,238	201,409
Net income (loss) for the year		798,785	(1,321,269)
Change in unrealized losses on available-for-sale financial assets arising during the year		(12,822)	(83,379)
Other comprehensive loss		(12,822)	(83,379)
Comprehensive income (loss)		785,963	(1,404,648)

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

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

Year ended December 31, 2018

	Minimum surplus	Additional surplus	Accumulated other comprehensive income	Total equity
	\$	\$	\$	\$
Balance December 31, 2016	50,000	14,340,229	61,610	14,451,839
Net income (loss)	—	(1,321,269)	—	(1,321,269)
Other comprehensive income (loss)	—	—	(83,379)	(83,379)
Distribution of premium surplus	—	(1,500,000)	—	(1,500,000)
Balance December 31, 2017	50,000	11,518,960	(21,769)	11,547,191
Net income (loss)	—	798,785	—	798,785
Other comprehensive income (loss)	—	—	(12,822)	(12,822)
Distribution of premium surplus	—	—	—	—
Balance December 31, 2018	50,000	12,317,745	(34,591)	12,333,154

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

Canadian Lawyers Liability Assurance Society

Statement of cash flows

Year ended December 31, 2018

	2018	2017
	\$	\$
Operating activities		
Net income (loss) for the year	798,785	(1,321,269)
Changes in non-cash items		
Interest income due and accrued	(2,456)	2,589
Premiums receivable	146,636	737,746
Reinsurers' share of unearned premiums	(194,768)	1,640,928
Prepaid expenses	(1,327)	—
Deferred policy acquisition costs	(3,272)	50,911
Reinsurance receivable	(2,378,285)	219,858
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	8,627,000	(1,774,000)
Provision for unpaid claims and adjustment expenses	(9,069,000)	3,252,000
Premium deficiency liability		
Unearned premiums	286,144	(865,023)
Due to reinsurers	125,045	(1,721,693)
Accounts payable and accrued charges	(178,460)	(130,292)
Amortization of bond premium	(45,764)	(40,908)
Amortization of bond discount	10,496	8,885
Cash (used in) provided by operating activities	(1,879,226)	59,732
Financing activity		
Refund of premium surplus	—	(1,500,000)
Investing activities		
Purchase of bonds	(1,648,590)	(559,485)
Disposal of bonds	800,000	530,000
Purchase of short term investments	(65,426,955)	(70,356,401)
Disposal of short term investments	70,095,401	70,234,870
Cash provided by (used in) investing activities	3,819,856	(151,016)
Net increase (decrease) in cash	1,940,630	(1,591,284)
Cash balance, beginning of year	3,140,371	4,731,655
Cash beginning, end of year	5,081,001	3,140,371
Cash balance comprises		
Cash at bank	5,081,001	3,140,371
Interest received	277,514	171,976

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

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

December 31, 2018

1. Description of business

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

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

The Society does not have any employees and is managed by an independent third party that reports to the Advisory Board. The Advisory Board has the authority and responsibility for planning, directing and controlling the activities of the entity. The Chair of the Advisory Board receives an annual honorarium of \$150,000 (\$150,000 in 2017) and the other members of the Advisory Board receive no compensation.

2. Basis of preparation

Statement of compliance

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

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

3. Significant accounting policies

These financial statements reflect the following policies:

Use of estimates and judgments

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

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

Notes 8: Reinsurance Program

Notes 5: Provision for unpaid claims and adjustment expenses

Insurance premiums and deferred acquisition costs

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

3. Significant accounting policies (continued)

Insurance premiums and deferred acquisition costs (continued)

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

Reinsurance

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

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

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

Provision for unpaid claims and adjustment expenses

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

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

Investments

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

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

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

3. Significant accounting policies (continued)

Impairments

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

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

Future accounting changes

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

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

The amendments introduce two approaches that may be adopted by insurers in the period between the effective date of IFRS 9 and IFRS 17, effective January 1, 2022:

- overlay approach – an option for all issuers of insurance contracts to reclassify amounts between profit or loss and other comprehensive income for eligible financial assets by removing any additional accounting volatility that may arise from applying IFRS 9; and
- temporary exemption – an optional temporary exemption from IFRS 9 for entities whose activities are predominately connected with insurance. This exemption allows an entity to continue to apply existing financial instrument requirements in International Accounting Standards ("IAS") 39, Financial Instruments: Recognition and Measurement ("IAS 39") to all financial assets until the earlier of the application of IFRS 17 or January 1, 2022.

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

An entity is permitted to continue applying IAS 39 if the following conditions are met:

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

3. Significant accounting policies (continued)

Future accounting changes (continued)

(i) (continued)

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

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

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

(ii) IFRS 9, Financial Instruments ("IFRS 9"):

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

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

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

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

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

On May 18, 2017 the IASB issued IFRS 17 Insurance Contracts. The new standard is effective for annual periods beginning on or after January 1, 2022. IFRS 17 will replace IFRS 4 Insurance Contracts.

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

The Society intends to adopt IFRS 17 in its financial statements for the annual period beginning on its effective date. On November 14, 2018 the IASB voted to propose a one-year deferral of the effective date for IFRS 17, the new insurance contracts Standard, to 2022. The IASB also decided to propose extending to 2022 the temporary exemption for insurers to apply the financial instruments Standard, IFRS 9, so that both IFRS 9 and IFRS 17 can be applied at the same time. The proposed deferral is subject to public consultation, which is expected in 2019. The extent of the impact of adoption of the standard has not yet been determined.

4. Investments

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

	December 31, 2018		December 31, 2017	
	Fair value and carrying value	Amortized cost	Fair value and carrying value	Amortized cost
	\$	\$	\$	\$
Short term investments	7,128,611	7,135,002	11,745,460	11,757,685
Bonds	5,911,332	5,939,531	5,091,893	5,101,437
	13,039,943	13,074,533	16,837,353	16,859,122

The difference between amortized cost and market value of the AFS investments consists of gross unrealized gains of \$31,215 (\$39,896 in 2017) and gross unrealized losses of \$65,806 (\$61,665 in 2017).

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

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

	2018			
	Within 1 year	1 - 5 years	Over 5 years	Total
	\$	\$	\$	\$
Short-term investments	7,128,611	—	—	7,128,611
Government of Canada bonds	250,154	647,036	553,910	1,451,100
Canadian public authorities bonds	—	1,176,097	1,086,670	2,262,767
Canadian corporate bonds	200,605	1,297,309	699,551	2,197,465
Total fair value	7,579,370	3,120,442	2,340,131	13,039,943

	2017			
	Within 1 year	1 - 5 years	Over 5 years	Total
	\$	\$	\$	\$
Short-term investments	11,745,460	—	—	11,745,460
Government of Canada bonds	250,531	453,264	499,246	1,203,041
Canadian public authorities bonds	351,463	521,034	1,106,356	1,978,853
Canadian corporate bonds	200,316	521,034	351,776	1,073,126
Total fair value	12,547,770	1,495,332	1,957,378	16,000,480

4. Investments (continued)

(c) Net investment income has the following components:

	2018	2017
	\$	\$
Interest income		
Bonds	91,976	84,177
Cash, cash equivalents and short term investments	187,994	85,209
	279,970	169,386
Amortization of discount (premium) on investments	35,268	32,023
Realised gain (loss) on disposal	—	—
Total net investment income	315,238	201,409

(d) Fair value measurements

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

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

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

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

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

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash at bank	5,081,001	—	—	5,081,001
Investments – available-for-sale				
Short term investments	—	7,128,611	—	7,128,611
Bonds	—	5,911,332	—	5,911,332
	5,081,001	13,039,943	—	18,120,944
	December 31, 2017			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash at bank	3,140,371	—	—	3,140,371
Investments – available-for-sale				
Short term investments	—	11,745,460	—	11,745,460
Bonds	—	5,091,893	—	5,091,893
	3,140,371	16,837,353	—	19,977,724

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

5. Unpaid claims and adjustment expenses

(a) Nature of unpaid claims and adjustments expenses

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

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

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

5. Unpaid claims and adjustment expenses (continued)

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

	Gross	Ceded	Net
	\$	\$	\$
Provision for unpaid claims and adjustment expenses, December 31, 2016	101,247,000	94,794,000	6,453,000
Incurring claims and claim adjustment expenses			
Provision for current year claims	6,483,000	5,931,000	552,000
Increase (decrease) in provision for claims of prior years	(390,707)	(1,259,494)	868,787
Increase (decrease) in provision due to discount rate change	(1,702,000)	(1,568,000)	(134,000)
Total incurred	4,390,293	3,103,506	1,286,787
Payments and recoveries attributable to			
Current year claims	—	—	—
Prior years claims	(1,138,293)	(1,329,506)	191,213
	(1,138,293)	(1,329,506)	191,213
Provision for unpaid claims and adjustment expenses, December 31, 2017	104,499,000	96,568,000	7,931,000
Incurring claims and claim adjustment expenses			
Provision for current year claims	6,723,000	6,125,000	598,000
Increase (decrease) in provision for claims of prior years	23,656,088	24,763,955	(1,107,867)
Increase (decrease) in provision due to discount rate change	(965,000)	(888,000)	(77,000)
Total incurred	29,414,088	30,000,955	(586,867)
Payments and recoveries attributable to			
Current year claims	—	—	—
Prior years claims	(38,483,088)	(38,627,955)	144,867
	(38,483,088)	(38,627,955)	144,867
Provision for unpaid claims and adjustment expenses, December 31, 2018	95,430,000	87,941,000	7,489,000

5. Unpaid claims and adjustment expenses (continued)

(c) Provision for unpaid claims and adjustment expenses

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

December 31, 2018			
Undiscounted	Discounted at 2.40%	Provisions for adverse deviation	Value per accepted actuarial practice
\$	\$	\$	\$
Provision for unpaid claims and adjustment expenses			
Gross	94,037,000	85,197,000	10,233,000
Recoverable from reinsurers	89,434,000	81,048,000	6,893,000
Net	4,603,000	4,149,000	3,340,000
December 31, 2017			
Undiscounted	Discounted at 2.15%	Provisions for adverse deviation	Value per accepted actuarial practice
\$	\$	\$	\$
Provision for unpaid claims and adjustment expenses			
Gross	104,547,000	95,756,000	8,743,000
Recoverable from reinsurers	99,915,000	91,541,000	5,027,000
Net	4,632,000	4,215,000	3,716,000

(d) Key assumptions

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

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

The estimated undiscounted outstanding liabilities are discounted to reflect the time value of money using a selected discount rate of 2.40% (2.15% in 2017) which is based on the expected market yield of the Society's investment portfolio of bonds and short term assets.

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

5. Unpaid claims and adjustment expenses (continued)

(d) Key assumptions (continued)

Changes in the assumptions used in the December 31, 2018 actuarial valuation resulted in a total increase in net liabilities of \$517,738 (increase of \$745,000 in 2017), which is due to the change in loss development factors used in the Bornhuetter-Ferguson method and unallocated loss adjustment expense load increased from 2.60% to 2.95% (increased from 1.95% to 2.60% in 2017). The change in the discount rate and provisions for adverse deviation assumptions led to a further decrease in the net liabilities of \$77,000 (decrease of \$134,000 in 2017).

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

6. Premiums receivable

All subscribers are large reputable Canadian law firms, and no significant credit risk is expected. All amounts are due by January 1, 2019.

7. Expenses by nature

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

	2018	2017
	\$	\$
Management services	967,759	997,006
Legal and professional	629,380	843,829
Other expenses	239,206	232,086
Total	1,836,345	2,072,921

8. Reinsurance program

(a) The Society has obtained proportional reinsurance coverage which limits its net liability to a maximum amount of \$975,000 effective for the annual coverage period beginning on July 1, 2018 (\$975,000 in July 1, 2017) on any one loss.

(b) Colchester Reinsurance Limited (Colchester) is an off-shore captive reinsurer domiciled in Barbados. The shareholders of Colchester are twelve Toronto based legal firms or their related service corporations. Those twelve shareholders are unrelated to each other. However, each of Colchester's shareholders is, or is related to the Society's current and past subscribers. For the annual coverage period beginning on July 1, 2018, Colchester received from the Society premiums of \$428,716 (\$209,798 in July 1, 2017).

Colchester provides aggregate stop-loss reinsurance protection for a portion of the Society's retained risk. On July 1, 2018 this reinsurance had an attachment point of \$5,000,000 (\$5,000,000 on July 1, 2017), and an annual aggregate limit of \$10,000,000 (\$10,000,000 on July 1, 2017). Starting July 1, 2011, the attachment point and limit were determined with reference to the combined net claim liabilities of the Society and Colchester. Starting on July 1, 2012 the attachment point and limit are solely determined with reference to the net claim liabilities of the Society.

8. Reinsurance program (continued)

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

As at December 31, 2018, the total reserves held and recoverable on the Society's financial statements relating to LPT was \$12,779,738 (\$17,961,185 in 2017). A Reinsurance Security Agreement (RSA) is in place which requires Colchester to set up on behalf of the Society deposits equal to 115% of Colchester's share of claim liabilities.

At December 31, 2018 the value of the security deposits exceeds the required amount.

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

9. Income taxes

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

10. Equity

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

Under the terms of the Society's Reciprocal Insurance Exchange Agreement, the Society is obligated to return a share of the Society's surplus (if any) to a departed Subscriber subsequent to the fifth anniversary of its departure, based on that Subscriber's participation in the Society. A Subscriber withdrew from the Society on June 30, 2012. As a result, an initial refund of premium surplus of \$1,500,000 was made to that Subscriber at December 31, 2017.

11. Risk management

Insurance risk management

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

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

11. Risk management (continued)

Insurance risk management (continued)

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

Claim development

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

11. Risk management (continued)

Claim development (continued)

Analysis of claims development – net and gross

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Estimate of ultimate (by underwriting year)											
End of year	8,797,000	8,322,000	4,665,000	463,000	411,000	440,000	424,000	444,000	387,000	208,000	
One year later	9,329,000	9,795,000	107,000	423,000	380,000	413,000	392,000	1,062,000	360,000		
Two years later	8,299,000	2,073,000	107,000	334,000	269,000	308,000	281,000	950,000			
Three years later	20,000	2,073,000	107,000	435,000	197,000	284,000	218,000				
Four years later	20,000	2,073,000	107,000	362,000	131,000	222,000					
Five years later	20,000	2,073,000	107,000	281,000	59,000						
Six years later	20,000	2,073,000	107,000	227,000							
Seven years late	20,000	2,073,000	107,000								
Eight years later	20,000	2,073,000									
Nine years later	20,000										
Current estimate of ultimate	20,000	2,073,000	107,000	227,000	59,000	222,000	218,000	950,000	360,000	208,000	4,444,000
Cumulative payments	(20,000)	(2,073,000)	(107,000)	(203,000)	—	(25,000)	—	(107,000)	—	—	(2,535,000)
Net liability	—	—	—	24,000	59,000	197,000	218,000	843,000	360,000	208,000	1,909,000
Provision for unpaid claims and adjusting expenses											
recoverable from insurers											
Ten year net liability											1,909,000
Effect of discounting and PFAD											2,884,000
Unallocated loss adjustment expense											2,696,000
Provision for unpaid claims and adjusting expenses recoverable											87,941,000
Gross liability in statement of financial position											95,430,000

11. Risk management (continued)

Sensitivities

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

The table below shows the effect on net income and equity of a +/- 5% change in the expected losses and the effect of a +/- 0.5% change in the discount rate applied to claims provisions for the year ended December 31, 2018

	2018		2017	
	Net income for the year	Equity	Net income for the year	Equity
	\$	\$	\$	\$
5% increase in expected losses	(106,000)	(106,000)	(141,000)	(141,000)
5% decrease in expected losses	157,000	157,000	92,000	92,000
0.5% increase in discount rate	151,000	151,000	161,000	161,000
0.5% decrease in discount rate	(156,000)	(156,000)	(168,000)	(168,000)

Financial risk management

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

(a) Credit risk

Credit risk is the risk of loss due to the failure of debtors to make payments when due. Credit risks are primarily associated with invested assets and amounts due from policyholders and reinsurance counterparties. The investment portfolio's exposure to credit risk is managed through policies and procedures including a credit evaluation by the investment manager and investment guidelines which specify investment quality and exposure limits. The portfolio is monitored and reviewed regularly by the Board. Premiums due from policyholders present minimal risk due to the short term nature of the receivable and the historic/financial relationship with the Society as a Reciprocal Insurance Exchange. The Society evaluates the financial condition of its reinsurers and monitors concentrations of credit risk of the reinsurers to minimize its exposure to significant losses from their insolvency. The Society believes that it has taken appropriate steps to manage credit risk and has made appropriate provision for any such exposures. One of the primary reinsurers is Colchester Reinsurance Limited as discussed in Note 8. The credit risk related to Colchester is managed by maintaining a security account pursuant to the RSA and a quarterly review of Colchester's financial condition. The balance held in the account at December 31, 2018 is \$49,017,698 (\$62,034,333 in 2017).

11. Risk management (continued)

Financial risk management (continued)

(a) Credit risk (continued)

(i) Exposure to credit risk

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

	2018	2017
	\$	\$
Cash	5,081,001	3,140,371
Short term investments	7,128,611	11,745,460
Bonds	5,911,332	5,091,893
Interest income due and accrued	20,988	18,532
Premiums receivable	1,635,998	1,782,634
Reinsurance recoverable	2,996,041	617,756
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	87,941,000	96,568,000
Total credit exposure	110,714,971	118,964,646

(ii) Concentration of credit risk

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

	2018	2017
	%	%
R-1 (high)	55%	70%
AAA	11%	7%
AA	34%	23%
	100%	100%

11. Risk management (continued)

Financial risk management (continued)

(b) Liquidity risk

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

	December 31, 2018			
	Due within 1 year	1 to 5 year	Over 5 years	Total
	\$	\$	\$	\$
Provision for unpaid claims and adjustment expenses (net)	1,079,000	3,786,000	2,624,000	7,489,000
Due to reinsurers	1,935,175			1,935,175
Accounts payable and accrued charges	335,152			335,152
	3,349,327	3,786,000	2,624,000	9,759,327

	December 31, 2017			
	Due within 1 year	1 to 5 year	Over 5 years	Total
	\$	\$	\$	\$
Provision for unpaid claims and adjustment expenses (net)	1,159,000	3,918,000	2,854,000	7,931,000
Due to reinsurers	1,649,031	—	—	1,649,031
Accounts payable and accrued charges	513,612	—	—	513,612
	3,321,643	3,918,000	2,854,000	10,093,643

(c) Market risk

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

(i) Interest rate risk

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

11. Risk management (continued)

Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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

The estimated impact of a 1% increase in interest rates would decrease the market value of the fixed income portion of the investment portfolio by \$326,288 (\$301,584 in 2017) which would be recorded in OCI. This impact would be offset on an economic basis by a decrease in the estimated unpaid claims and adjustment expense of \$297,000 (\$317,000 in 2017) recorded through income. Conversely, a 1% decrease in interest rates would increase the market value of the fixed income portion of the investment portfolio by \$241,045 (\$232,419 in 2017) which would be recorded in OCI. This impact would be more than offset on an economic basis by an increase in the estimated unpaid claims and adjustment expense of \$319,000 (\$342,000 in 2017) recorded through net income.

(ii) Equity risk

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

(iii) Currency risk

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

12. Surplus management and adequacy

Equity is comprised of minimum and additional surplus and AOCI. At December 31, 2018, the equity was \$12,333,154 (\$11,547,191 in 2017). The Society's objectives for the management of surplus are for the prudent operation of the reciprocal and to provide relatively predictable premium costs for its members over time. A surplus management policy is approved by the Advisory Board which oversees the surplus management process.

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

The Society is regulated by the Superintendent of Insurance, Alberta and in British Columbia, Ontario and Nova Scotia where licenses are held, all of which expect incorporated insurance companies to meet a Minimum Capital Test ("MCT") ratio of capital available to capital required of at least 150%. As of December 31, 2018, the Society's MCT was 496.27% (451.27% in 2017). However, the minimum regulatory standard for reciprocals in Alberta is adjusted equity exceeding \$50,000. The Society's practice is to maintain a surplus level which is significantly higher than the regulatory minimum. The Society's surplus adequacy is evaluated regularly and this evaluation takes into account the gross exposure to risk, the level and nature of reinsurance purchased and the resulting net exposure to members. Input from the appointed actuary, which includes an assessment of loss volatility, is factored into this evaluation.

12. Surplus management and adequacy (continued)

In accordance with sections 99 and 100 of the Alberta Insurance Act, the Society is required to maintain a reserve and guarantee fund. At December 31, 2018 the total reserve and guarantee funds required are as follows:

	2018	2017
	\$	\$
Reserve fund		
Net premiums written during the period	7,391,000	7,138,000
Less: Amounts paid to licensed reinsurers	5,465,000	5,075,000
	1,926,000	2,063,000
Requirement	50%	50%
	963,000	1,031,500
Guarantee fund		
Total liabilities	101,365,000	110,202,000
Less: Unearned premiums	3,665,000	3,540,000
Recoverable from licensed reinsurers	87,357,000	95,515,000
Add: Statutory margin	50,000	50,000
	10,393,000	11,197,000
Total of reserve and guarantee fund	11,356,000	12,228,500
Cash and approved securities	18,121,000	19,978,000
Excess of cash and securities over reserve and guarantee fund	6,765,000	7,749,500

13. Fair value disclosure

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

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

14. Contingent Liability

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

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

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

15. Date of authorization for issue

The financial statements were authorized for issue by the Advisory Board on February 26, 2019.

Axxima

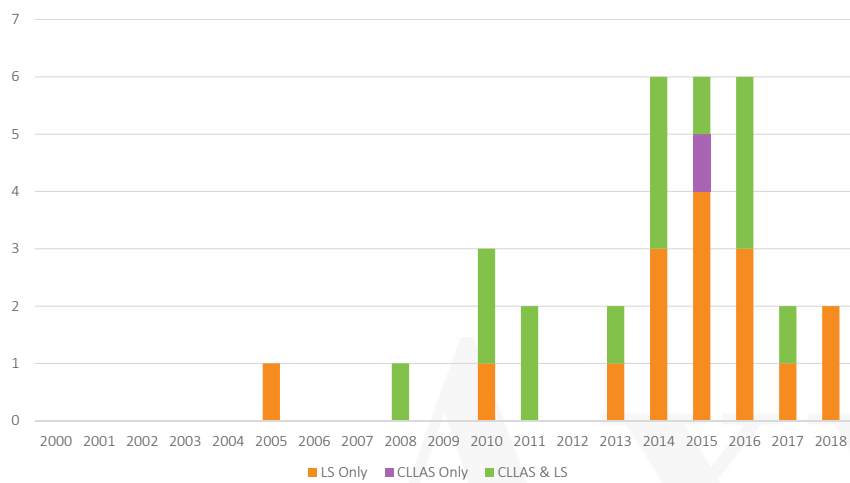
Actuaries & Insurance Management Advisors

CLLAS

Open Large Loss Claims Summary
As at December 31, 2018

0

Open Large Loss Claims Number of Claims by Insurer



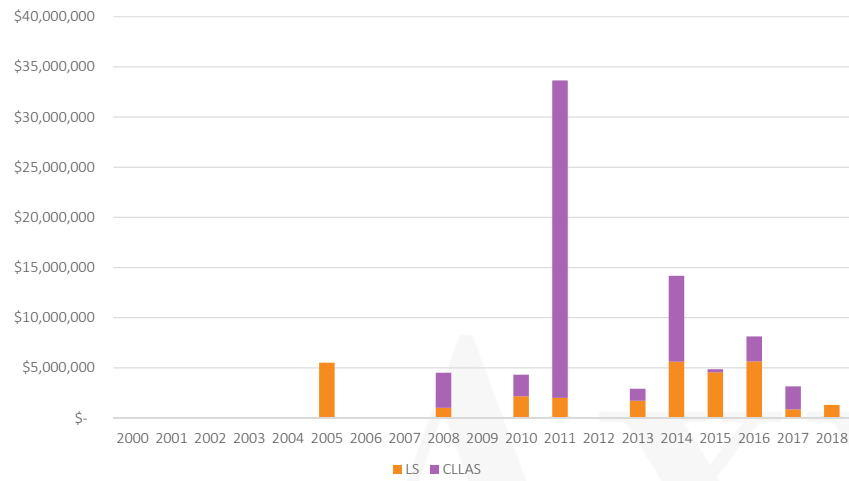
Axxima

Open Large Loss Claim Summary

December 31, 2018 | 1

1

Open Large Loss Claims Incurred Amounts by Insurer



Axxima

Open Large Loss Claim Summary

December 31, 2018 | 2

2

Open Large Loss Claims Change in Incurred Amounts (CLLAS)



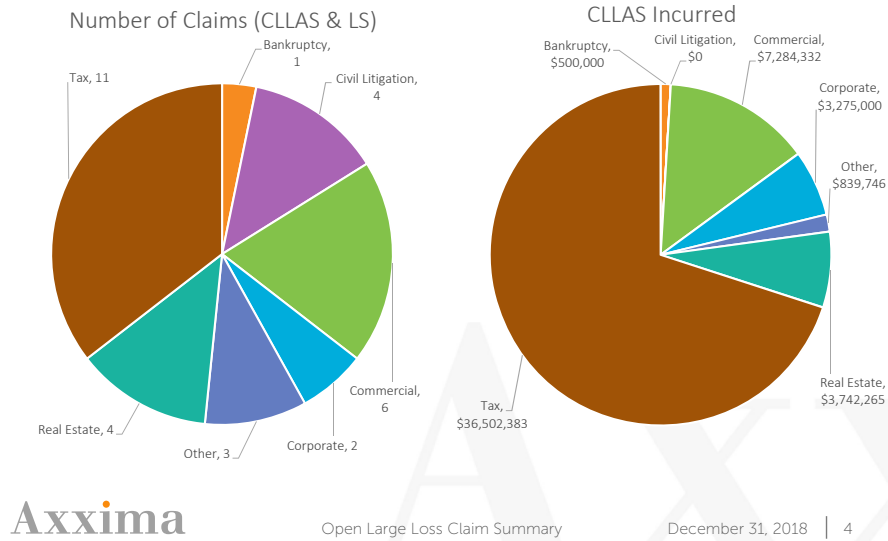
Axxima

Open Large Loss Claim Summary

December 31, 2018 | 3

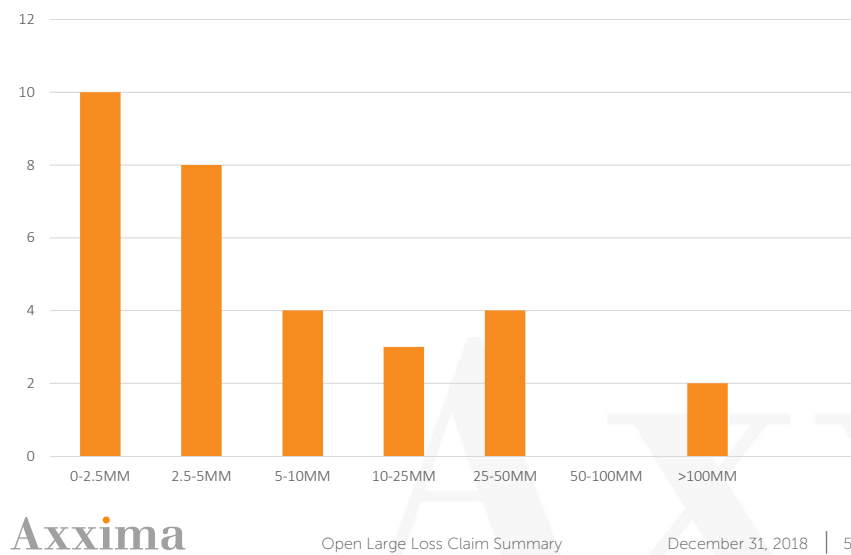
3

Open Large Loss Claims By Area of Law



4

Open Large Loss Claims Number of Claims by Best Estimate of Worst Case



5

Open Large Loss Claims

Claim Count Movement in Quarter

Policy Year	Law Society Only	CLLAS Only	CLLAS & Law Society
2000	0	0	0
2001	-1	0	0
2002	0	0	0
2003	0	0	0
2004	0	0	0
2005	0	0	0
2006	0	0	0
2007	0	0	0
2008	0	0	0
2009	0	0	-1
2010	0	0	0
2011	0	0	-2
2012	-1	0	-1
2013	0	0	0
2014	0	0	0
2015	-1	0	1
2016	-1	0	1
2017	-1	0	0
2018	2	0	0

Notes

Slide 1

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

Slide 2

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

Slide 3

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

Notes (Cont'd)

Slide 4

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

Slide 5

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

Slide 6

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

CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

INVESTMENT REPORT
DECEMBER 31, 2018

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

CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

COMMENTARY FOR THE QUARTER ENDING DECEMBER 31, 2018

Review of Market Yields

After holding relatively steady in a narrow trading range during October, bond yields turned down early in November and continued to shift lower over the balance of the fourth quarter as the turmoil in the equity markets increased. At the end of December, the most significant reduction was in the 5- to 10-year term, where yields fell 45 to 46 basis points. Meanwhile, the yield on 3-month Treasury Bills edged up 5 basis points.

As a result of these changes, the slope of the yield curve flattened noticeably during the quarter. At the end of December, the yield advantage of the 10-year issue over the Treasury bill was down to 32 basis points, compared to 83 basis points three months earlier.

	Jan. 01/95	Jun. 30/18	Sep. 30/18	Dec. 31/18
3-month Treasury Bills	6.80%	1.26%	1.59%	1.64%
5-year Canadas	8.99%	2.06%	2.33%	1.88%
10-year Canadas	9.09%	2.17%	2.42%	1.96%

During the quarter, in the Short Term Investment Fund, activity involved the roll-over of money market securities. Near the end of the quarter BA maturities and the sale of a Treasury bill provided for the \$2,000,000 capital withdrawal.

In the Long Term Investment Fund, a transfer from the Short Term Fund early in the quarter was used to introduce a new corporate and government issue and to increase two provincial bond positions.

During the fourth quarter, the market value of the Long Term Investment Fund holdings increased \$62,257 which represents a capital increase of 1.2%.

At December 31, 2018, the average term to maturity of the Long Term Investment Fund stood at 4.4 years and the duration was 4.1 years.

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

<i>Distribution at December 31, 2018</i>	<i>Valuation</i>	<i>%</i>
Short Term Investment Fund	\$7,138,172	54.7%
Long Term Investment Fund	\$5,909,925	45.3%
TOTAL COMBINED VALUATION	\$13,048,097	100.0%

CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

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

- Total Returns vs. Benchmarks - Gross and Net of Fees
- Distribution of Securities in the Long Term Investment Fund
by Credit Risk and by Maturity
- Compliance Statement
- Quarterly Performance Report - Gross of Fees: Long Term Investment Fund
- Bond Market Commentary and Future Policy
- Security Holdings in the Short and Long Term Investment Funds
Listed and Valued Separately as at December 31, 2018
- Security Purchases and Sales
- Cash Reconciliations
- External Individual Credit Rating Report

LONG TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIODS ENDING DECEMBER 31, 2018

	3 Years*	2 Years*	1 Year	Last 3 months
<i>Long Term Investment Fund – Gross of Fees</i>	<i>1.16%</i>	<i>1.27%</i>	<i>1.83%</i>	<i>1.72%</i>
<i>Long Term Investment Fund – Net of Fees</i>	<i>0.86%</i>	<i>0.95%</i>	<i>1.48%</i>	<i>1.59%</i>
Benchmark Portfolio **	1.20%	1.17%	1.91%	1.78%

*Annualized

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

60% Canada Short Bond Index

40% Canada Mid Bond Index

SHORT TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIODS ENDING DECEMBER 31, 2018

	Since Inception Oct. 01/08 *	3 Years*	2 Years *	1 Year	Last 3 Months
<i>Short Term Investment Fund – Gross of Fees</i>	<i>0.83%</i>	<i>0.91%</i>	<i>1.09%</i>	<i>1.46%</i>	<i>0.42%</i>
<i>Short Term Investment Fund – Net of Fees</i>	<i>0.70%</i>	<i>0.77%</i>	<i>0.93%</i>	<i>1.26%</i>	<i>0.36%</i>
Benchmark Portfolio **	0.77%	0.80%	0.96%	1.29%	0.40%

* Annualized

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

LONG TERM INVESTMENT FUND

DISTRIBUTION OF SECURITIES BY CREDIT RISK
(Based on Market Values)

	Dec. 17/13	Mar. 31/18	Jun. 30/18	Sep. 30/18	Dec. 31/18
Bonds, Treasury Bills & Cash Less than 1 year term	100.0%	11.8%	11.8%	8.9%	7.6%
Canadas Greater than 1 year term		18.5%	18.6%	18.6%	20.3%
Provincials Greater than 1 year term		31.5%	31.5%	38.2%	38.3%
Corporates Greater than 1 year term		38.2%	38.1%	34.3%	33.8%
TOTAL PORTFOLIO	100.0%	100.0%	100.0%	100.0%	100.0%

LONG TERM INVESTMENT FUND

DISTRIBUTION OF SECURITIES BY MATURITY
(Based on Market Values)

	Dec. 31/17	Jun. 30/18	Sep. 30/18	Dec. 31/18
Under 1 year	15.7%	11.8%	8.9%	7.6%
1 - 3 years	19.8%	18.7%	14.9%	21.3%
3 - 5 years	26.0%	31.6%	35.6%	31.5%
5 - 7 years	14.1%	21.7%	17.7%	24.7%
7 - 10 years	24.4%	16.2%	22.9%	14.9%
TOTAL	100.0%	100.0%	100.0%	100.0%
Average Maturity (yrs)	4.30	4.36	4.69	4.42
Average Duration (yrs)	3.95	4.01	4.28	4.07

SHORT TERM INVESTMENT FUND

	Dec. 31/17	Jun. 30/18	Sep. 30/18	Dec. 31/18
Short Term Average Duration (yrs)	0.10	0.10	0.10	0.07

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

AT DECEMBER 31, 2018

	Investment Limits	Investment Funds	Compliance
<i>Short Term Investment Fund</i>			
Maximum Term of Any Issue	1 year	0.2 years	Yes
Minimum Percentage of Total Fund (Short & Long)	40% of Total	54.7%	Yes
Minimum Canada & Provincial Percentage	50%	51.0%	Yes
Minimum Provincial Quality	A	N/A	Yes
Minimum Bank CD & BA Quality	R1 (high)	R1 (high)	Yes
<i>Long Term Investment Fund</i>			
Maximum Term of Any Issue	10 years	8.4 years	Yes
Maximum Percentage of Total Fund (Short & Long)	60% of Total	45.3%	Yes
Minimum Canada Percentage	20%	24.5%	Yes
Maximum Provincial Percentage	40%	38.3%	Yes
Minimum Canada & Provincial Percentage	60%	62.8%	Yes
Minimum Provincial Quality *	A	AA (low)	Yes
Maximum Corporate Percentage	40%	37.2%	Yes
Minimum Corporate Quality *	A	AA (low)	Yes

* At time of purchase

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

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

Martin, Lucas & Seagram Ltd.
 PERFORMANCE REPORT
 GROSS OF FEES
CLLAS – LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 09-30-18 to 12-31-18

Portfolio Value on 09-30-18	5,052,188
Accrued Interest	37,150
Contributions	802,528
Withdrawals	-62,328
Realized Gains	0
Unrealized Gains	62,257
Interest	55,281
Dividends	0
Change in Accrued Interest	-16,247
Portfolio Value on 12-31-18	5,909,925
Accrued Interest	20,903
Average Capital	5,839,209
Total Gains before Fees	101,290
IRR for 0.25 Years	1.73%

BOND MARKET COMMENTARY AND FUTURE POLICY

Domestic bond yields, which had been range bound during most of last year, broke higher early in the fourth quarter. However, this trend quickly reversed in the wake of increasing turbulence in the equity markets and yields continued to slide lower for the balance of the quarter. By the end of December, the 10-year Canada bond was trading at its lowest yield for the year. Meanwhile, the major stock indices recorded their worst annual performance since the financial crises in 2008, with most of the damage occurring in the fourth quarter.

Despite a fundamental backdrop that appeared solid, particularly in the U.S. where the economy was growing at a better than 3% pace with buoyant profit gains of 25% in the third quarter, the persistent slide in equity prices released a deluge of worries that continued to build throughout the fourth quarter. A confluence of factors first shook investor confidence in October. A slowdown in growth outside the U.S., coupled with a sharp run-up in bond yields at a time of record high global debt levels, called into question the breadth of the global expansion. These concerns were compounded by an escalation in the U.S.-China trade battle, which raised the specter of a global slowdown. These developments triggered risk-off trades that fuelled fund flows into government bonds, which pushed yields lower. While a 90-day truce in the trade conflict announced early in December helped steady the equity markets and curtailed the slide in bond yields, already fragile sentiment was subsequently undermined. The selloff in stocks resumed when the U.S. Federal reserve announced another quarter point hike in the funds rate and reiterated its plan to raise rates further in 2019 and to continue a steady pace of quantitative tightening through the monthly reduction of its balance sheet. These moves, along with deterioration in a series of leading economic indicators, reinforced investors' already heightened concerns over the future course of the economy and monetary policy and stoked fears that a recession could develop, which led to another downward leg in bond yields.

Meanwhile, on the domestic economic front, aggregate growth slowed in Canada during the third quarter to an annualized pace of 2.0% and last month the Bank of Canada cut its forecast for fourth-quarter growth to 1.3% from the 2.3% it predicted in October. While the bank noted that much of the economy was operating near capacity, it cut its near-term forecast to reflect the impact of lower crude prices and noted that consumption and housing investment had been weaker than expected. On a more positive note, job growth was strong during the fourth quarter and the unemployment rate dropped to 5.6%, its lowest level on record.

As for monetary policy, since the Bank of Canada raised its benchmark interest rate in October from 1.5% to 1.75%, the bank has held rates steady and adopted a more cautious view on the economic outlook. Its expectations for growth this year have been downgraded to just 1.7%, from the 2.1% forecast in October. However, it believes the slowdown will be temporary and expects growth to rebound in 2020. In view of last year's sluggish gains in productivity and aggregate hours worked, there has been little upward pressure on the economy's output gap. This, together with last year's tepid wage gains, suggests that inflationary pressures should remain well contained. While the Bank has indicated that rates will still need to rise over time to achieve its inflation target, the risk of further monetary tightening over the near term has greatly diminished and the authorities are now expected to hold rates steady for much of the year ahead. The bond market responded positively to the bank's more dovish near-term stance and early this year 10-year Canada yields temporarily dipped to 1.83%, its lowest level in over a year.

South of the border, U.S. economic growth in the third quarter came in at a robust annualized pace of 3.5%. This was largely the result of continued strength in consumption and an increase in government spending, which more than offset weakness from trade. Diminishing labour market slack has also pushed wages higher, which recorded the biggest increase in almost a decade. While providing support for domestic spending, this also fuelled concerns about inflationary pressures. In response, the U.S. Federal Reserve went ahead with another quarter point interest rate hike at their December meeting despite extreme turbulence in the security markets. Federal Reserve officials also shaved their medium growth forecast for 2019 to 2.3% from their projection of 2.5% in September. Statements in the subsequently released minutes of the December meeting indicate that Fed officials are growing more concerned about a slowdown and are examining whether their policies are adding to the downside risks ahead. In recent remarks, the Fed chairman indicated “that we will be prepared to adjust policy quickly and flexibly and to use all of our tools to support the economy should that be appropriate to keep the expansion on track”. This marked a notable softening to his remarks in December, when he forecast two more rate hikes in 2019. In response, the Fed-funds futures, which are used by investors to bet on the direction of Fed policy, now show a 90% probability that administered rates will end 2019 at or below current levels. Furthermore, the yield on the U.S. 10-year treasury bond, which is an important reference rate on mortgages and corporate loans, has retreated from a high of 3-1/4% early in November to 2-3/4%.

Meanwhile, as widely expected, the midterm U.S. elections resulted in a split Congress, with the Republicans increasing their majority in the Senate, while the Democrats gained control of the House. While this lifted one layer of political risk and erased concerns that Republican economic policies could be reversed, uncertainty surrounding the U.S. political backdrop remains elevated. On the legislative front, gridlock is the most likely result and this has already led to a partial shutdown of the Federal government, which is now the longest ever, and this will certainly weigh on growth this quarter. The split in Congress also opens the door to a likely raft of special investigations into the Trump administration and the departure of key moderates in the administration adds to the political risks.

In the Eurozone, GDP growth for the third quarter fell to just 0.2%, quarter-on-quarter, which was half the rate forecasted and the slowest pace in over 4 years. This deceleration was evidenced by slowing trade volumes that have led to a decline in industrial production for many of the Eurozone’s export-centric countries. This has the potential to restrain growth in the fourth quarter and beyond. Indeed, Germany and Italy are now contracting. On the political front, doubts surrounding a smooth Brexit and the budget standoff between the European Commission and Italy’s new populist government have intensified. As expected, the European Central Bank (ECB) followed through on its decision to end net asset purchases last month. Despite this, forward guidance on the key ECB interest rates remains accommodative with the Bank reiterating that these rates would stay at current low levels at least through the summer of this year. Moreover, the ECB has lowered its projected GDP growth for 2018 to 1.9%, and to 1.7% for both this year and the next. The Bank has stated that “uncertainties related to geopolitical factors, the threat of protectionism, vulnerabilities in emerging markets and financial market volatility remain prominent”.

China's GDP growth also softened in the third quarter to 6.5% and further moderation is expected as consumption spending takes on a larger share of China's economy. The U.S.-China trade showdown presents another headwind to growth and the International Monetary Fund has estimated the conflict could reduce China's GDP this year by 1.6%. To counter these negatives, China's central bank has cut reserve requirements for domestic banks, allowing them to increase lending, while the government has ramped up infrastructure spending and introduced targeted measures to help exporters. These debt-fuelled stimulus measures mark a noticeable reversal in China's earlier efforts to reduce its domestic debt burdens. While the U.S. recently postponed its threat to increase tariffs on \$200 billion in Chinese goods to 25% from the 10% rate levied in September, trade frictions have already subdued external demand and caused a deterioration in China's factory conditions as measured by the Purchasing Managers' Index, which has contracted for the first time in 19 months.

U.S. and Chinese officials are now in the midst of trade negotiations in an attempt to reach a deal before the 90-day trade truce ends at the beginning of March, when the resumption of new tariffs is to begin. According to both sides, the mid-level trade talks to date have been encouraging and progress has been made on some fronts. However, U.S. demands for significant structural changes in China's economic model with respect to technology transfers, intellectual property protection, non-tariff barriers and cyber security likely represent significant hurdles when senior negotiators resume talks, particularly given the tight March 2 deadline. Furthermore, ultimate approval on any deal reached rests with a very unpredictable U.S. administration. On the plus side, the recent turmoil in the financial markets and increasing signs of a slowdown in both countries points to the growing necessity, given the potential economic and political fallout, to keep the negotiations going and greatly incentivizes both sides to reach a settlement.

The stock markets extreme moves since last October, along with the downward shift in government bond yields and an expansion in spreads in the high-yield market, have investors questioning whether the long running global economic expansion will continue. During this period, cracks in the global economic backdrop have widened and there were growing signs of decay across a variety of leading indicators. However, most major economies have remained in expansion mode, albeit at a slower pace. The World Bank recently cut its outlook for the global economy as growth in trade and investment slowed and rising interest rates sapped momentum, especially in emerging markets. Citing increased downside risks, the bank now forecasts 2.9% growth this year, from a downwardly revised 3% rate in 2018.

In some respects, a modest easing in global growth could help extend the long running expansion by curtailing a buildup of excesses that have derailed expansions in the past. With growth slowing and inflation at or below target in most regions, major central banks are unlikely to tighten policy further and are now expected to maintain rates at historically low levels that are still stimulative and supportive of growth. This has alleviated one of investors' most significant concerns that a policy overshoot by the monetary authorities would derail the expansion. A second major worry has also receded, for the moment at least, namely the risks of an escalating trade war between the U.S. and China, due to encouraging remarks from both sides following recent negotiations. Other economic headwinds have also diminished, including the drop in bond yields, a recovery in energy prices and a very strong U.S. employment report that calmed U.S. recession fears. These developments, have boosted investor sentiment and helped fuel a strong rebound in stock prices from the December lows. However, keeping in mind that investor sentiment has been extraordinarily sensitive to each day's headlines, we believe the equity markets remain vulnerable

and expect volatility in both directions will persist. Sell-offs during a prolonged upcycle, similar in magnitude to the setback experienced since October, typically last longer than the current one. Using history as a guide, a series of sharp rallies and retreats could persist into the second quarter based on the pattern following past market routs. This also suggests the bond prices will be subject to heightened volatility as investors vacillate between risk-on and risk-off trades.

This is a difficult juncture for investors and it remains to be seen the extent to which the upheaval in the security markets feeds into the real economy, and whether this triggers a self-reinforcing downturn. In weighing the possibilities, we believe the global economy is transitioning to a lower rate of growth and think the downside risks have increased. However, we believe the World Bank forecast represents a realistic base case scenario.

In our previous report, we expected that domestic yields would remain under moderate upward pressure as the Bank of Canada resumed the gradual normalization of interest rates. Moreover, we felt budding inflationary pressures and rising deficits south of the border as well as the shift by global central banks to a less accommodative stance also supported the expectation that yields would move somewhat higher over the near term. In light of recent domestic and global developments, some of the near term pressures on yields have since dissipated, particularly on the monetary policy front, where the major central banks have signalled a less aggressive path to policy normalization. As a result, we believe yields are more likely to stay in a new lower trading range over the shorter term. Provided the global expansion remains intact, which is still our base case scenario, we believe some modest upward pressure on bond yields will resume, likely sometime in the second half of this year. This would be supported by stronger domestic growth, rising inflation, higher long rates south of the border and a resumption of monetary policy normalization. Therefore, we believe the prudent course is to maintain the Long Term Fund's relatively defensive duration of just over 4 years and continue the emphasis on high-quality issues along with a laddered maturity structure in order to provide a prudent hedge against the elevated uncertainty surrounding the economic outlook.

RWB/de

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

Martin, Lucas & Seagram Ltd.

CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at December 31, 2018

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
CASH					
	Cash Account			13,289	0
MONEY MARKET ISSUES					
975,000	Toronto Dominion Bank BA 2.06% due January 4, 2019	99.87	99.97	974,765	20,060
1,250,000	Canada Treasury Bill 1.56% due January 10, 2019	99.88	99.95	1,249,417	19,461
1,000,000	Royal Bank BA 2.059% Jan 11/19 due January 11, 2019	99.83	99.93	999,338	20,556
510,000	FirstBank BA 2.141% due January 17, 2019	99.83	99.89	509,478	10,901
1,200,000	Canada Treasury Bill 1.59% due February 7, 2019	99.75	99.82	1,197,954	19,033
1,000,000	CIBC BA 2.118% due February 11, 2019	99.65	99.74	997,478	21,106
1,200,000	Canada Treasury Bill 1.59% due March 7, 2019	99.63	99.70	1,196,451	19,010
				7,124,882	130,130
TOTAL PORTFOLIO				7,138,172	130,130

Disclosures:

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

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 10-01-18 To 12-31-18

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
10-03-18	10-04-18	1,535,000	Canada Treasury Bill 1.49% due December 13, 2018	99.71	1,530,626.79
10-17-18	10-18-18	1,000,000	CIBC BA 1.689% due October 31, 2018	99.93	999,398.00
10-30-18	10-31-18	1,810,000	CIBC BA 1.87% due November 9, 2018	99.95	1,809,165.59
10-31-18	11-01-18	1,535,000	Canada Treasury Bill 1.43% due November 15, 2018	99.93	1,534,075.93
11-08-18	11-09-18	1,810,000	CIBC BA 1.937% due December 10, 2018	99.83	1,807,031.60
11-14-18	11-15-18	1,790,000	Canada Treasury Bill 1.49% due December 13, 2018	99.88	1,787,869.90
11-15-18	11-16-18	1,025,000	Bank of Nova Scotia BA 1.949% due December 10, 2018	99.87	1,023,688.00
11-23-18	11-26-18	615,000	CIBC BA 1.94% due December 12, 2018	99.91	614,477.25
11-28-18	11-29-18	1,825,000	Canada Treasury Bill 1.49% due December 13, 2018	99.94	1,823,915.95
12-12-18	12-13-18	1,000,000	CIBC BA 2.118% due February 11, 2019	99.65	996,530.00
12-12-18	12-13-18	1,250,000	Canada Treasury Bill 1.56% due January 10, 2019	99.88	1,248,506.25
12-12-18	12-13-18	1,200,000	Canada Treasury Bill 1.59% due March 7, 2019	99.63	1,195,624.80
12-12-18	12-13-18	1,200,000	Canada Treasury Bill 1.59% due February 7, 2019	99.75	1,197,079.20
12-12-18	12-13-18	1,000,000	Royal Bank BA 2.059% Jan 11/19 due January 11, 2019	99.83	998,366.00
12-12-18	12-13-18	975,000	Toronto Dominion Bank BA 2.06% due January 4, 2019	99.87	973,791.00
12-19-18	12-20-18	510,000	FirstBank BA 2.141% due January 17, 2019	99.83	509,163.60
					20,049,309.86
SALES					
10-04-18	10-04-18	1,500,000	Canada Treasury Bill 1.37% due October 4, 2018	100.00	1,500,000.00
10-18-18	10-18-18	1,000,000	Royal Bank BA 1.718% due October 18, 2018	100.00	1,000,000.00
10-31-18	10-31-18	1,800,000	CIBC BA 1.689% due October 31, 2018	100.00	1,800,000.00
11-01-18	11-01-18	1,535,000	Canada Treasury Bill 1.410% due November 1, 2018	100.00	1,535,000.00

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 10-01-18 To 12-31-18

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
11-09-18	11-09-18	1,810,000	CIBC BA 1.87% due November 9, 2018	100.00	1,810,000.00
11-15-18	11-15-18	1,790,000	Canada Treasury Bill 1.43% due November 15, 2018	100.00	1,790,000.00
11-16-18	11-16-18	1,025,000	Bank of Nova Scotia BA 1.710% due November 16, 2018	100.00	1,025,000.00
11-26-18	11-26-18	615,000	FirstBank BA 1.83% due November 26, 2018	100.00	615,000.00
11-29-18	11-29-18	1,825,000	Canada Treasury Bill 1.500% due November 29, 2018	100.00	1,825,000.00
12-10-18	12-10-18	1,025,000	Bank of Nova Scotia BA 1.949% due December 10, 2018	100.00	1,025,000.00
12-10-18	12-10-18	1,810,000	CIBC BA 1.937% due December 10, 2018	100.00	1,810,000.00
12-10-18	12-11-18	3,625,000	Canada Treasury Bill 1.49% due December 13, 2018	99.99	3,624,662.88
12-12-18	12-12-18	615,000	CIBC BA 1.94% due December 12, 2018	100.00	615,000.00
12-13-18	12-13-18	1,525,000	Canada Treasury Bill 1.49% due December 13, 2018	100.00	1,525,000.00
12-20-18	12-20-18	460,000	Toronto Dominion Bank BA 1.796% due December 20, 2018	100.00	460,000.00
					21,959,662.88

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 10-01-18 to -12-31-18

Cash Balance at September 30, 2018		<u>853,552.75</u>
ADD: Proceeds from Sales	21,959,662.88	
Bond Interest Credited (from Long Term Investment Fund)	62,327.76	
Trust Company Interest	300.73	
Transfer to/from Long Term Investment Fund	<u>-795,480.00</u>	<u>21,226,811.37</u>
LESS: Cost of Purchases	-20,056,357.11	
Q3 2018 Investment Counsel Fees - Short Term Investment Fund	-2,783.37	
Q3 2018 Investment Counsel Fees - Long Term Investment Fund	-3,568.11	
Trust Company Charges	-4,365.91	
Capital Withdrawal	<u>-2,000,000.00</u>	<u>-22,067,074.50</u>
Cash Balance at December 31, 2018		<u>13,289.62</u>

Martin, Lucas & Seagram Ltd.
ESTIMATED REALIZED GAINS AND LOSSES - SETTLED TRADES
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 01-01-18 Through 12-31-18

<u>Date</u>	<u>Quantity</u>	<u>Security</u>	<u>Cost Basis</u>	<u>Proceeds</u>	<u>Gain or Loss</u>
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PLEASE NOTE: If applicable, the cost basis on Income Trusts and L P Units has been adjusted for capital distributions in 2017.

Martin, Lucas & Seagram Ltd.							
EXTERNAL INDIVIDUAL CREDIT RATING REPORT - DECEMBER 31, 2018							
CLLAS - SHORT TERM INVESTMENT FUND							
			Unit	Total		Market	%
Quantity	Security	Rating	Cost	Cost	Price	Value	Assets
975,000	Toronto Dominion Bank BA 2.06%	R-1 (high)	99.87	973,791	99.97	974,765	13.7%
	due January 4, 2019						
1,250,000	Canada Treasury Bill 1.56%	R-1 (high)	99.88	1,248,506	99.95	1,249,418	17.5%
	due January 10, 2019						
1,000,000	Royal Bank BA 2.059% Jan 11/19	R-1 (high)	99.83	998,366	99.93	999,338	14.0%
	due January 11, 2019						
510,000	FirstBank BA 2.141%	R-1 (high)	99.83	509,164	99.89	509,478	7.2%
	due January 17, 2019						
1,200,000	Canada Treasury Bill 1.59%	R-1 (high)	99.75	1,197,079	99.82	1,197,954	16.8%
	due February 7, 2019						
1,000,000	CIBC BA 2.118%	R-1 (high)	99.65	996,530	99.74	997,478	14.0%
	due February 11, 2019						
1,200,000	Canada Treasury Bill 1.59%	R-1 (high)	99.63	1,195,625	99.70	1,196,452	16.8%
	due March 7, 2019						
				7,119,060		7,124,882	100%

Martin, Lucas & Seagram Ltd.
INVESTMENT PERFORMANCE
 Net of Fees
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
December 31, 2018

Investment account RBCD-K.Habal-107611-001

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

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

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

Total Value Summary

Your investments have changed by 273,001 since the inception date. Note: In this report, the inception date is July 15, 2015 or the portfolio's start date if the account was opened after July 15, 2015.
 Your investments have changed by 130,073 during the past year.

Amount invested since 07-15-15	-4,990,684
Market value of portfolio on 12-31-18	7,138,172

Change In Portfolio Value

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

	Latest 1 Year	Inception To Date
From Date	12-31-17	07-15-15
Opening Market Value	11,758,176	11,855,854
Contributions	149,939	4,786,039
Withdrawals	-4,900,017	-9,776,724
Realized Gains	0	0
Unrealized Gains	5,821	5,821
Interest	135,878	311,201
Dividends	0	0
Portfolio Fees	-11,626	-44,021
Closing Market Value	7,138,172	7,138,172
Total Fees	-11,626	-44,021

Martin, Lucas & Seagram Ltd.
INVESTMENT PERFORMANCE
 Net of Fees
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
December 31, 2018

Personal Rates of Return

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

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

	Annualized Latest 1 Year	Annualized Latest 3 Years	Annualized Latest 5 Years	Annualized Latest 10 Years	Annualized Inception To Date
This Portfolio	1.33%	0.77%	-	-	0.71%

What is a total percentage return?

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

Calculation method

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

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

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

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

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

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

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at December 31, 2018

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
GOVERNMENT BONDS					
250,000	Canada Housing Trust 1.95% due June 15, 2019	100.09	100.07	250,190	4,875
250,000	Canada Housing Trust Ser 71 1.25% due June 15, 2021	96.83	98.09	245,247	3,125
200,000	Canada Housing Trust 2.4% Series 48 due December 15, 2022	100.37	100.64	201,298	4,800
200,000	Canada Housing Trust 2.35% due September 15, 2023	105.62	100.25	200,510	4,700
250,000	Canada Housing Trust 2.9% due June 15, 2024	102.64	102.77	256,937	7,250
300,000	Canada Housing Trust Ser. 70 2.25% due December 15, 2025	100.98	98.87	296,637	6,750
				<hr/> 1,450,820	<hr/> 31,500
PROVINCIAL BONDS					
250,000	British Columbia 3.25% due December 18, 2021	102.30	102.95	257,385	8,125
400,000	Ontario 3.15% due June 2, 2022	100.00	102.62	410,508	12,600
500,000	Ontario 2.85% due June 2, 2023	102.28	101.60	508,035	14,250
400,000	Ontario 2.60% due June 2, 2025	101.07	99.74	398,984	10,400
350,000	British Columbia 2.3% due June 18, 2026	104.40	97.69	341,918	8,050
350,000	Ontario 2.60% due June 2, 2027	97.56	98.54	344,907	9,100
				<hr/> 2,261,738	<hr/> 62,525
CORPORATE BONDS					
200,000	Wells Fargo Canada 2.944% due July 25, 2019	100.02	100.32	200,648	5,888
300,000	Bank of Montreal 2.84% due June 4, 2020	101.76	100.42	301,278	8,520
250,000	Toronto Dominion Bank Dep. Note 2.563% due June 24, 2020	104.57	100.00	250,005	6,407
200,000	Bank of Montreal 3.4% due April 23, 2021	100.65	101.54	203,094	6,800
150,000	Royal Bank 1.968% due March 2, 2022	100.05	97.44	146,163	2,952

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at December 31, 2018

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
250,000	National Bank of Canada 2.105% due March 18, 2022	102.04	97.58	243,962	5,262
150,000	Wells Fargo 3.46% due January 24, 2023	102.36	101.51	152,265	5,190
250,000	Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	102.02	101.35	253,388	8,065
250,000	CIBC Deposit Note 3.3% due May 26, 2025	100.24	101.34	253,367	8,250
200,000	Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	99.23	96.59	193,196	5,240
				2,197,367	62,575
TOTAL PORTFOLIO				5,909,925	156,600

Disclosures:

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

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 10-01-18 To 12-31-18

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
10-03-18	10-05-18	250,000	CIBC Deposit Note 3.3% due May 26, 2025	100.24	250,600.00
10-03-18	10-05-18	250,000	Canada Housing Trust Ser 71 1.25% due June 15, 2021	96.83	242,075.00
10-03-18	10-05-18	150,000	Ontario 2.85% due June 2, 2023	100.27	150,405.00
10-03-18	10-05-18	150,000	Ontario 3.15% due June 2, 2022	101.60	152,400.00
					795,480.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - LONG TERM INVESTMENT FUND
From 10-01-18 to -12-31-18

Cash Balance at September 30, 2018		<u>0.00</u>
ADD: Transfer from Short Term Investment Fund	7,047.25	<u>7,047.25</u>
ADD: Proceeds from Sales	0.00	
Bond Interest Credited (to Long Term Investment Fund)	62,327.76	
Transfer from Short Term Investment Fund	<u>733,152.24</u>	<u>795,480.00</u>
LESS: Cost of Purchases	-795,480.00	
Accrued Interest Debited (from Long Term Investment Fund)	-7,047.25	<u>-802,527.25</u>
Cash Balance at December 31, 2018		<u><u>0.00</u></u>

Martin, Lucas & Seagram Ltd.
ESTIMATED REALIZED GAINS AND LOSSES - SETTLED TRADES
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 01-01-18 Through 12-31-18

Date	Quantity	Security	Cost Basis	Proceeds	Gain or Loss
03-12-18	200,000	Royal Bank Dep. Note 2.26% due March 12, 2018	198,560.00	200,000.00	1,440.00
06-19-18	250,000	Canada Housing Trust 1.75% due June 15, 2018	250,275.00	250,000.00	-275.00
09-10-18	350,000	Ontario 2.1% due September 8, 2018	348,495.00	350,000.00	1,505.00
TOTAL GAINS					
TOTAL LOSSES					
			797,330.00	800,000.00	2,670.00

PLEASE NOTE: If applicable, the cost basis on Income Trusts and L P Units has been adjusted for capital distributions in 2017.

Martin, Lucas & Seagram Ltd.									
EXTERNAL INDIVIDUAL CREDIT RATING REPORT - DECEMBER 31, 2018									
CLLAS - LONG TERM INVESTMENT FUND									
					Unit	Total		Market	Pct.
Quantity	CUSIP	Security		Rating	Cost	Cost	Price	Value	Assets
GOVERNMENT BONDS									
250,000	13509PEL3	Canada Housing Trust 1.95%	due June 15, 2019	AAA	100.09	250,238	100.08	250,190	4.2%
250,000	13509PFJ7	Canada Housing Trust Ser 71 1.25%	due June 15, 2021	AAA	96.83	242,075	98.10	245,248	4.1%
200,000	13509PDL4	Canada Housing Trust 2.4% Series 48	due December 15, 2022	AAA	100.37	200,740	100.65	201,298	3.4%
200,000	13509PDV2	Canada Housing Trust 2.35%	due September 15, 2023	AAA	105.62	211,240	100.26	200,510	3.4%
250,000	13509PEF6	Canada Housing Trust 2.9%	due June 15, 2024	AAA	102.64	256,600	102.78	256,938	4.3%
300,000	13509PFD0	Canada Housing Trust Ser. 70 2.25%	due December 15, 2025	AAA	100.98	302,940	98.88	296,637	5.0%
						1,463,833		1,450,820	24.5%
PROVINCIAL BONDS									
250,000	110709BJ0	British Columbia 3.25%	due December 18, 2021	AA (high)	102.30	255,750	102.95	257,385	4.4%
400,000	68323AAW4	Ontario 3.15%	due June 2, 2022	AA (low)	100.00	400,000	102.63	410,508	6.9%
500,000	68323ABN3	Ontario 2.85%	due June 2, 2023	AA (low)	102.29	511,430	101.61	508,035	8.6%
400,000	68323ACX0	Ontario 2.60%	due June 2, 2025	AA (low)	101.08	404,305	99.75	398,984	6.8%
350,000	68323AEE0	Ontario 2.60%	due June 2, 2027	AA (low)	97.56	341,460	98.55	344,908	5.8%
350,000	11070TAJ7	British Columbia 2.3%	due June 18, 2026	AA (high)	104.40	365,400	97.69	341,919	5.8%
						2,278,345		2,261,738	38.3%
CORPORATE BONDS									
300,000	06367VCT0	Bank of Montreal 2.84%	due June 4, 2020	AA	101.77	305,307	100.43	301,278	5.1%
200,000	06367VJN6	Bank of Montreal 3.4%	due April 23, 2021	AA	100.65	201,300	101.55	203,094	3.4%
200,000	064151QE6	Bank of Nova Scotia Dep. Note 2.62%	due December 2, 2026	AA	99.23	198,460	96.60	193,196	3.3%
250,000	13596Z3Y9	CIBC Deposit Note 3.3%	due May 26, 2025	AA	100.24	250,600	101.35	253,368	4.3%
250,000	633067C27	National Bank of Canada 2.105%	due March 18, 2022	AA (low)	102.04	255,100	97.59	243,963	4.1%
150,000	780086KD5	Royal Bank 1.968%	due Mar 2, 2022	AA	100.05	150,075	97.44	146,163	2.5%
250,000	891145S47	Toronto Dominion Bank Dep. Note 2.563%	due June 24, 2020	AA	104.57	261,425	100.00	250,005	4.2%
250,000	891145T79	Toronto Dominion Bank Dep. Note 3.226%	due July 24, 2024	AA	102.02	255,050	101.36	253,388	4.3%
150,000	94975ZBN5	Wells Fargo 3.46%	due January 24, 2023	AA (low)	102.36	153,542	101.51	152,265	2.6%
200,000	94975ZBM7	Wells Fargo Canada 2.944%	due July 25, 2019	AA (low)	100.02	200,040	100.32	200,648	3.4%
						2,230,899		2,197,366	37.2%
TOTAL PORTFOLIO						5,973,075		5,909,924	100.0%

Martin, Lucas & Seagram Ltd.
INVESTMENT PERFORMANCE
 Net of Fees
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
 December 31, 2018

Investment account RBCD-107611-001

CLLAS - LONG TERM INVESTMENT FUND

c/o Axxima

36 Toronto Street, Suite 510

Toronto, Ontario M5C 2C5

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

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

Total Value Summary

Your investments have changed by 211,986 since the inception date. Note: In this report, the inception date is July 15, 2015 or the portfolio's start date if the account was opened after July 15, 2015.

Your investments have changed by 107,071 during the past year.

Amount invested since 07-15-15	873,213
Market value of portfolio on 12-31-18	5,930,827

Change In Portfolio Value

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

	Latest 1 Year	Inception To Date
From Date	12-31-17	07-15-15
Opening Market Value	5,110,449	4,845,627
Contributions	867,905	1,634,304
Withdrawals	-154,599	-761,091
Realized Gains	-2,325	-51,134
Unrealized Gains	-28,256	-165,324
Interest	135,283	432,306
Dividends	0	0
Change in Accrued Interest	2,369	-3,861
Closing Market Value	5,930,827	5,930,827
Portfolio Fees Paid By Client	-10,788	-45,906
Total Fees	-10,788	-45,906

Martin, Lucas & Seagram Ltd.
INVESTMENT PERFORMANCE
 Net of Fees
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
 December 31, 2018

Personal Rates of Return

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

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

	Annualized Latest 1 Year	Annualized Latest 3 Years	Annualized Latest 5 Years	Annualized Latest 10 Years	Annualized Inception To Date
This Portfolio	1.81%	0.97%	-	-	0.95%

What is a total percentage return?

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

Calculation method

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

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

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

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

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

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

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-17 to 12-31-18

Security	12-31-17 Market Value	Additions Withdrawals	12-31-18 Market Value	12-31-18 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
CASH								
Cash Account	0	0	0	0				
GOVERNMENT BONDS								
Canada Housing Trust 1.75% due June 15, 2018	250,537	-252,187	0	0	-275	-537	0	0
Canada Housing Trust 1.95% due June 15, 2019	250,877	-4,875	250,190	250,237	0	0	-47	-687
Canada Housing Trust Ser 71 1.25% due June 15, 2021	0	241,471	245,247	242,075	0	0	3,172	3,172
Canada Housing Trust 2.4% Series 48 due December 15, 2022	202,352	-4,800	201,298	200,740	0	0	558	-1,053
Canada Housing Trust 2.35% due September 15, 2023	201,562	-4,700	200,510	211,240	0	0	-10,730	-1,052
Canada Housing Trust 2.9% due June 15, 2024	0	253,074	256,937	256,600	0	0	337	337
Canada Housing Trust Ser. 70 2.25% due December 15, 2025	297,822	-6,750	296,637	302,940	0	0	-6,303	-1,184
GOVERNMENT BONDS Total	<u>1,203,151</u>		<u>1,450,820</u>	<u>1,463,832</u>	<u>-275</u>	<u>-537</u>	<u>-13,012</u>	<u>-468</u>
PROVINCIAL BONDS								
Ontario 2.1% due September 8, 2018	351,470	-357,350	0	0	1,504	-1,470	0	0
British Columbia 3.25% due December 18, 2021	260,842	-8,125	257,385	255,750	0	0	1,634	-3,457
Ontario 3.15% due June 2, 2022	259,995	143,780	410,508	400,000	0	0	10,508	-1,886
Ontario 2.85% due June 2, 2023	359,488	139,756	508,035	511,430	0	0	-3,395	-1,858
Ontario 2.60% due June 2, 2025	402,400	-10,400	398,984	404,305	0	0	-5,321	-3,416
British Columbia 2.3% due June 18, 2026	344,204	-8,050	341,918	365,400	0	0	-23,481	-2,285
Ontario 2.60% due June 2, 2027	0	339,477	344,907	341,460	0	0	3,447	3,447
PROVINCIAL BONDS Total	<u>1,978,400</u>		<u>2,261,738</u>	<u>2,278,345</u>	<u>1,504</u>	<u>-1,470</u>	<u>-16,607</u>	<u>-9,456</u>
CORPORATE BONDS								
Royal Bank Dep. Note 2.26% due March 12, 2018	200,318	-202,260	0	0	1,440	-317	0	0
Wells Fargo Canada 2.944% due July 25, 2019	202,590	-5,888	200,648	200,040	0	0	607	-1,942
Bank of Montreal 2.84% due June 4, 2020	304,167	-8,520	301,278	305,307	0	0	-4,029	-2,889
Toronto Dominion Bank Dep. Note 2.563% due June 24, 2020	251,922	-6,407	250,005	261,425	0	0	-11,420	-1,917
Bank of Montreal 3.4% due April 23, 2021	206,270	-6,800	203,094	201,300	0	0	1,794	-3,175
Royal Bank 1.968% due March 2, 2022	146,956	-2,952	146,163	150,075	0	0	-3,912	-793
National Bank of Canada 2.105% due March 18, 2022	246,235	-5,262	243,962	255,100	0	0	-11,137	-2,272
Wells Fargo 3.46% due January 24, 2023	155,757	-5,190	152,265	153,541	0	0	-1,276	-3,492

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-17 to 12-31-18

Security	12-31-17 Market Value	Additions Withdrawals	12-31-18 Market Value	12-31-18 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	0	252,078	253,388	255,050	0	0	-1,662	-1,662
CIBC Deposit Note 3.3% due May 26, 2025	0	249,424	253,367	250,600	0	0	2,767	2,767
Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	196,150	-5,240	193,196	198,460	0	0	-5,264	-2,954
CORPORATE BONDS Total	1,910,366		2,197,367	2,230,898	1,440	-317	-33,531	-18,331
TOTAL PORTFOLIO	5,091,917		5,909,925	5,973,076	2,669	-2,325	-63,151	-28,256
TOTAL DATE TO DATE GAIN OR LOSS								-30,582
% CHANGE DURING PERIOD								-0.60

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

COMMITTEES FOR 2019/20

- | | |
|---------------------------|--|
| 1. Audit* | Gordon Goodman (Chair)
Carol Lyons
Michael Swartz |
| 2. Claims | William Scott (Chair)
David Morritt
James Tory
John Birch
Robert (Bob) Love |
| 3. Policy | Donald Milner (Chair)
Natasha MacParland
Bruce Blain |
| 4. Risk Management | Julia Holland (Chair)
Dan MacDonald
Eugene Cipparone
Melanie Koszegi |

* Members of Audit Committee also serve on the Reinsurance/Insurance Security Committee.

*** Members of ad-hoc cyber committee are Don Milner, Bill Scott

January 28, 2019