



ADVISORY BOARD MEETING

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

Tuesday, December 7, 2021 at 8:30 a.m.
 Goodmans LLP
 34th Floor, Bay Adelaide Centre, West Tower
 333 Bay Street.
 Toronto, Ontario

ZOOM login information: Advisory Board of CLLAS

To join meeting using a computer:

<https://us02web.zoom.us/j/86713722027?pwd=aWdwdVE3eGVZb0Z2M1M1VCs3ak9BUT09>

Meeting ID: 867 1372 2027

Meeting Password: 971826

To join meeting by phone:

+1 647 558 0588 Canada

Meeting ID: 867 1372 2027

Passcode: 971826

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 September 14, 2021 and September 30, 2021 Meeting	Ken Crofoot	5 mins	3.1

Proposed Resolution: To approve the minutes.



	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
4. Business Arising Out of the Minutes	Ken Crofoot		
5. Comments of Chair	Ken Crofoot	5 mins	
6. Market Update and Reinsurance Renewal Planning	Ryan Durrell	10 mins	
7. CLLAS Cyber Initiative	Ryan Durrell	20 mins	
8. Report of the General Manager's Office	Patrick Mahoney	30 mins	
8.1 Management Financial Statements as at September 30, 2021			8.1
8.2 Subscribers Accounts at June 30, 2021			8.2
8.3 Approval of Amended Investment Policy			8.3
8.4 ERM Policy Update			8.4
<i>Proposed Resolution: To approve the amended Investment Policy</i>			
<i>Proposed Resolution: To confirm the ERM Policy</i>			
9. Committee Reports		20 mins	
9.1 Audit Committee	Gord Goodman		
9.1.1 Reinsurance Security Update			
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 Annual Dinner	Ken Crofoot		
11. Next Meeting - Tuesday, February 22, 2022 at 8:30 a.m.			

Anticipated Adjournment Time: 10:30 a.m.

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

Minutes of a Meeting of the Advisory Board

8:30 a.m.

Goodmans LLP (Via Teleconference)

Tuesday, September 14, 2021

Present:

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

Absent:

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 June 22, 2021 Meeting of the Advisory Board

It was moved by Gordon Goodman and seconded by Laurence Detiere that the minutes of the June 22, 2021 meeting of the Advisory Board be approved. The motion was carried unanimously.

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

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

5. **Comments of the Chair**

No additional comments of the Chair. Important items on today's agenda are the report on the firm risk management audits and a potential change to the Investment Policy re the minimum quality criteria for corporate bonds.

6. **Reinsurance Renewal – Final Report/ Associate Firm Update**

Ryan Durrell reviewed the final terms of the July 1, 2021 reinsurance renewal together with brief updates on the ODL program, the upcoming Cyber program renewal and the CLLAS Associate member program.

The renewal was challenging with three key issues posing a challenge:

- Support for Primary \$49MM xs \$1MM layer – Allianz's 12.5% share of this layer had to be replaced. Ultimately, we lost three markets on the program and added two new ones.
- The Quebec SNC-Lavalin case – Antares Syndicate has pulled out of all Quebec business following massive losses on the SNC-Lavalin placement. We were ultimately able to convince their management that the issue was not applicable to CLLAS after clarifying the policy wording regarding prior reports.
- Clarification of Cyber (incidents vs. attacks) – We experienced a major push by Lloyd's to move to standardized Cyber clarification. Ultimately the CLLAS cyber coverage remained intact after wording clarifications under definition of claim and defence costs in CLLAS policy wording.

The premium per non-Quebec lawyers for the \$49MM xs \$1MM layer (including the drop-down piece) at July 1, 2021 was \$2,975, a 12.6% increase from last year as approved by the Board at the June Board meeting, taking us back to 2015 premium levels. The reinsurance rates for this layer went up 12.5%. The structure of the program is unchanged from last year.

While the market continues to harden, with price and coverage challenging to negotiate, CLLAS continues to prove its value by remaining relatively stable and control, both in terms of pricing and coverage.

ODL and ML/EPL program for participating firms renewed with a 10% increase at July 1, 2021. The market overall has seen their premiums going up by as much as 40%. Support for the 2022 renewal has already been secured. There is a dwindling market for this type of coverage.

Mr. Durrell provided an overview of the Cyber Program which for participating firms is being renewed October 1st. The market continues to harden and changes are happening weekly. Many markets are not writing the business any longer. Rates and retentions are on the rise and coverages are disappearing (i.e. social engineering fraud) or being reduced. There will be a number of changes on the CLLAS program, including a reduction in the limits available, even though CLLAS firms are considered a preferred risk. The renewal applications, which is more detailed than in past years, has gone out to firms.

The Associate Firm program has renewed and both firms saw a rate increase of 13%.

For the next renewal we are exploring potential restructuring of CLLAS' reinsurance with a view to try to achieve cost savings. This initiative is in the preliminary stages but details will be provided in the future.

7. Risk Management Audit Presentation

The Chair welcomed John Walker and Albana Musta of Walker Sorensen to the meeting and thanked them for the work that took place in undertaking the risk management audits, which involved a significant amount of work in collecting and analysing data and then producing the firm specific reports. All firm reports will be going out next week.

Mr. Walker presented an overview of the 2020 Audit process for the CLLAS firms along with a high level summary of what the surveys revealed.

There were four main objectives of the risk management audits:

- To reduce the cost of professional liability claims
- To determine whether the firms had implemented various professional liability risk management measures including conflicts checking systems, file opening procedures and work intake procedures.
- Analysis of results of prior audits
- To investigate whether firm culture and "tone from the top" affect claims cost per lawyer

Surveys were circulated. Some questions were designed to collect factual information but most were designed to investigate how respondents believed their firms practice law (e.g. level of conservatism). Surveys were sent to management, partners, senior associates, associates, lateral hires, general counsel and legal assistants. There were 903 participants overall. The results were compared against CLLAS and underlying claims data (limited to the period of 2000 to 2020 and amounts of \$25,000 to \$2,000,000) to test for correlation.

Today's presentation will be available to the firms as part of their individual audit reports. Mr. Walker indicated that both he and Ms. Musta are available as well to meet with any of the firms to walk them through their own survey results.

Firms were reminded that the work done during the course of the audit and the reports themselves are considered privileged.

(John Walker and Albana Musta left the meeting).

8. Report of the General Manager's Office

Financial Statements for the Period Ending June 30, 2021

Mr. Mahoney presented CLLAS' financial management report as at June 30, 2021.

CLLAS experienced an underwriting gain (premiums minus claims and expenses) in the second quarter of \$107,000. After taking into account investment income (including unrealized losses arising during the period) the total comprehensive gain was \$132,000. The Budget Variance shows that expenses for the year are tracking under budget by roughly 18% with Axxima fees well under their budget lines along with premium taxes due to an accounting requirement which forced the recognition of part of the 2021 premium tax expense in 2020.

At June 30, 2021, CLLAS had surplus of slightly over \$12.4 million and had cash and approved securities well in excess of the minimum AMRGF requirement mandated by Alberta insurance law.

CLLAS also monitors its Minimum Capital Test ratio. At June 30, 2021, CLLAS' MCT ratio is estimated to be 555%, well above CLLAS' minimum internal requirements of 210%. A reminder that the mid-year MCT calculations are done on a simplified basis in the interest of efficiency; the official MCT calculation is done at year-end.

Mr. Mahoney also referred the Board to the risk metrics monitored by CLLAS on a quarterly basis. The results for June 30, 2021 are within CLLAS' risk tolerances with the exception of the "maximum concentration with a single reinsurer" as the Argo Syndicate reinsures 19.3% of CLLAS' total liabilities. As noted before, appropriate moves to continue diversifying CLLAS' reinsurance support should be made when market conditions permit.

Overview of CLLAS Governance Policies

Included in the Board package was a summary of the governance policies adopted over the past few years including the status of these policies together with the anticipated dates for on going review and approval.

The Reinsurance Risk Management Policy was subject to a detailed review and revision in late 2018. The policy was included in the Board package and the Board is being asked to confirm that it continues to be appropriate. This is the policy that focuses on how CLLAS prudentially manages its reinsurance.

It was moved by Gordon Goodman and seconded by Robert Love that the Reinsurance Risk Management Policy dated December 11, 2018 continues to be appropriate. The motion was carried unanimously.

9. Committee Reports

Report of the Audit Committee

Gordon Goodman reported that there have been some discussions about the timeline of implementation of IFRS17 and everything is on track for formal implementation on January 1, 2023. The current plan is that the March 31, 2022 financial statements will be prepared on both the old and the new basis. He also indicated there would be a late October, early November audit planning meeting of the Committee.

Report of the Claims Committee

Bill Scott reported to the Board. The Committee had met since the last meeting and there are no active claims requiring immediate attention. Included in the material are some charts summarizing CLLAS' claims activity at June 30, 2021.

Report of the Risk Management Committee

Julia Holland reported that the focus of the Committee has been on the delivery of the Firm Audit results.

Report of the Policy Committee

Donald Milner reported to the Board. No new issues at the time under consideration by the Committee.

10. Other Business*Quarterly Report of the Investment Manager*

This is an information item for the Board.

Investment in BBB Corporate Bonds

Colchester's Board has been discussing how it might prudently enhance its investment return. The recommendation from Colchester's investment manager was to amend the investment policy to allow investment of a portion of the portfolio in BBB-rated corporate bonds. Currently, corporate bonds must be rated A or higher. Due to the Reinsurance Security Agreement in place with CLLAS, Colchester asked CLLAS' General Manager to seek some input from the CLLAS Board before it takes any steps. Colchester's management provided CLLAS with a portfolio review which recommends a maximum allocation of 30% be permitted in BBB-rated securities.

Mr. Mahoney asked CLLAS' investment manager, Rowland Bell at Martin, Lucas & Seagram, to provide his views on the appropriateness of making a similar change to CLLAS' Investment Policy. The recommendation was for CLLAS to make the change subject to a relatively low (but as-yet unspecified) maximum percentage.

The Board is asked to consider whether CLLAS should amend its Investment Policy to permit investment in BBB-rated bonds. If there is agreement, the General Manager's office will prepare an amendment to CLLAS' Investment Policy for formal consideration at the December meeting. The Board agreed, and indicated that it had no objection to Colchester making a similar change (obviously on terms that Colchester's board determines are appropriate and prudent).

11. Proposed Meeting Dates in 2022

- Tuesday, February 22, 2022
- Tuesday, June 21, 2022
- Tuesday, September 13, 2022

- Tuesday, December 6, 2022

Date and location of the AGM is to be advised.

12. Next Meeting

The next regularly scheduled meeting of the Board will be on December 7, 2021.

There being no further business, the meeting was terminated.

Chairman

Secretary

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

Minutes of a Meeting of the Advisory Board

8:30 a.m.

Goodmans LLP (Via Teleconference)

Thursday, September 30, 2021

Present:

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

Absent:

Mike Swartz	WeirFoulds 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. Cyber Coverage

Ryan Durrell provided the Board with an update on the CLLAS cyber coverage program scheduled to renew on October 1, 2021. Eight of the 10 CLLAS firms, plus one Associate firm, participate in the program.

Ryan began with an overview of the market. Cyber insurers losses relative to premiums have been on the rise, with losses increasing sharply in 2020. The loss ratio internationally is excess of 400%. Premiums have been increasing to respond to losses and 2021 continues to follow the exponential growth. Last year's CLLAS premium increase was 12% which was negotiated down from the requested 25%.

Ascent has been CLLAS' primary provider since the Program inception in 2017. For 2020/21 Ascent's capacity was reduced to \$5 million from \$10 million. In 2021, Ascent's capacity was further reduced to \$3million with a \$1 million sublimit on extortion and ransomware cover.

CLLAS' loss experience has been favourable, with one poor year and an overall loss ratio of 43.4% since inception. The loss ratio based on current premiums is even better, at 35.4%.

Ryan report that terms have been received from Ascent, so coverage is available, although it is less than optimal. The key challenge is the primary lead placement. He presented three options to the Board:

Option 1 is Ascent with confirmed terms summarized as follows:

- Threefold premium increase
- Limits reduced to \$5 million with a quota-share with Nirvana
- Extortion limits reduced to \$1 million
- Social Engineering/Computer Fraud limits reduced to \$250,000 (from \$500,000)
- Reputation loss coverage removed
- Contingent Business Interruption coverage remains at \$250,000.

Option 2 is Beazley with indications being as follows:

- Premium is higher than last year's premium but less than the quote from Ascent
- Limits of \$5 million – no quota-share, which means that Nirvana capacity is available for excess
- Full Extortion limits subject to supplemental application that was sent out yesterday
- Social Engineering/Computer Fraud limits not known at this time
- Reputation loss coverage is not known at this time
- Contingent Business Interruption coverage is also an unknown

Beazley is doing penetration tests on the CLLAS firms prior to providing terms and the results will be provided to the individual firms.

Option 3 is CLLAS – It is possible for CLLAS to begin writing Cyber within about 60 days

- Licensing is already in place in all jurisdictions but Ontario. Regardless, it would be prudent to notify each jurisdiction of the addition of this coverage should we proceed.
- CLLAS firm loss history, while not independently credible, suggest underwriting profit which would be returned to the participating CLLAS firms.
- The rates would likely be subjective. Actuarial input would be sought. In any event, it would not seem prudent to charge less than the Beazley rate.
- CLLAS firms would leverage existing surplus within CLLAS and Colchester could provide stop loss reinsurance to manage the CLLAS exposure, potential further retroceding some of the exposure.
- The mainline CLLAS policy already includes coverage for third party liability and backstops crime coverage for client funds, meaning the cyber coverage predominantly addresses the first party side of the exposure.
- Claims handling can be arranged as an unbundled service with Ridge Canada maintaining access to incident/breach response services at insurer-negotiated rates.

- The Cyber program could be established as a separate underwriting group to allow for different participation in the cyber program (e.g. the introduction of new members).
- It is not clear at this stage if we can get a 60-day extension of the current policy, but it could be option to buying the Ascent coverage and do a short-rate cancellation at 60 days.

The recommendation to purchase the 14-day extension from Ascent and use this time to formalize the Beazley option. The CLLAS option should be considered for the next renewal provided that licencing and other issues are addressed in the interim.

Discussion ensued and the Board agreed as follows: Agree to a 14-day extension with Ascent, ideally on a per-diem basis so it can be cancelled as soon as possible. Formalize the Beazley quote, keeping in mind that Beazley is not prepared to provide a formal quote until the supplemental applications are all received. If the Beazley program fails to materialize, go with current Ascent option and implement program for CLLAS as soon as possible, i.e. January 1, 2022. The current firms not participating in the CLLAS Cyber Program have indicated that they would be happy to consider joining.

4. Next Meeting

The next regularly scheduled meeting of the Board will be on December 7, 2021.

There being no further business, the meeting was terminated.

Chairman

Secretary



MEMORANDUM

DATE: November 25, 2021
 TO: CLLAS Advisory Board
 FROM: Patrick Mahoney
 COPY:
 RE: September 30, 2021 Financial Management Report

CLLAS' financial management report for the nine months ended September 30, 2021 is attached. Included are the following exhibits:

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

Financial Results

As shown on Exhibit II, CLLAS experienced an underwriting loss of \$162,000 in the third quarter and a total comprehensive loss (after taking into account realized and unrealized gains/losses on the investment portfolio) of \$187,000. Year-to-date, CLLAS has a total comprehensive loss of \$260,000. The main reason for the loss is that most of the premium taxes for the 2021/22 policy year have been expensed in the third quarter. In the past few years, we have assumed that premium taxes would be expensed over the full policy year, but then have been required to expense them prior to December 31st. This is due to accounting rules for deferred policy acquisition costs (DPAC) resulting from the annual subsidy of premium from surplus. As this appears to be an annual event, we have begun to reflect it in the first quarter of the new policy year.

As shown on Exhibit I, CLLAS' surplus at September 30, 2021 stood at just under \$12.2 million.

The Budget Variance (Exhibit IV) shows that expenses were about \$28,000, or 1.8%, over budget for the six-month period. Axxima fees are under budget year-to-date and will likely remain that way for the balance of the year. The main reason for the overage is the more rapid expensing of premium taxes as noted above. This does not effect the actual amount or timing of premium tax payments, but accelerates the recognition of the expense. This timing will be reflected in the annual budget process starting next year.



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 2019 and 2020, and the results at September 30, 2021 against risk targets and risk limits.

Most of the metrics at September 30, 2021 are within CLLAS’ risk limits. The items of note are discussed below.

- Line 1: The excess of cash and securities over the Reserve and Guarantee fund (i.e. the AMRGF requirement) has reduced from June to September 2021. This is mainly due to the \$6.8 million in reinsurance premium which is due to reinsurers. This amount is more than offset by the \$8.4 million premium receivable, but the latter figure is not accounted for in the AMRGF calculations. Given the move to quarterly premium instalments, the AMRGF will always be lower in September and, as premium instalments are received over the year, the AMRGF amount will increase.
- Line 6: The Board had a discussion on the risk of systemic loss at its September 2020 meeting and some concerns were noted due to the pandemic, which results in this metric appearing in yellow. This metric will be reviewed again if circumstance change.
- Line 8: The insurance market continues to be very difficult and so this metric appears in yellow. Again, this metric will be reviewed again if circumstance change.
- Line 9: This metric has been updated based on the Reinsurance Security Report presented to the Audit Committee at its November 8, 2021 meeting. As discussed during that meeting, a couple of CLLAS reinsurers have A- ratings with AM Best and/or S&P.
- Line 10: This metric has also been updated based on the Reinsurance Security Report presented to the Audit Committee at its November 8, 2021 meeting. As discussed during that meeting, the Argo Syndicate (Lloyds) reinsures 19.0% of CLLAS’ total liabilities. The percentage has reduced slightly from 19.3% in 2020 and exceeds CLLAS’ risk limit. Appropriate moves to continue diversifying CLLAS’ reinsurance support should be made when market conditions permit.

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

Sincerely,

Patrick Mahoney, General Manager

Exhibit I

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF FINANCIAL POSITION
September 30, 2021

	As at September 30, 2021	As at September 30, 2020
ASSETS		
Cash	3,212,344	3,287,831
Short term investments	11,291,902	12,466,569
Bonds	6,131,665	6,292,021
Interest income due and accrued	39,013	42,613
Premium receivable	8,447,317	5,787,825
Other receivable	-	-
Prepaid expenses	225,577	216,288
Deferred policy acquisition costs	36,172	231,675
Unearned reinsurance premium ceded	7,897,634	6,487,690
Reinsurance recoverable	355,974	397,261
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	68,896,258	62,962,000
	<u>106,533,856</u>	<u>98,171,774</u>
LIABILITIES		
Accounts payable & accrued charges	380,825	292,694
Premium taxes payable	184,845	152,677
Unearned premium	9,419,118	7,999,528
Due to reinsurers	6,814,361	5,576,560
Provision for unpaid claims and adjustment expenses	77,543,086	69,994,000
Premium deficiency liability	-	-
	<u>94,342,235</u>	<u>84,015,458</u>
SUBSCRIBERS' EQUITY		
Surplus	12,024,728	13,829,277
Accumulated Other Comprehensive Income (Loss)	166,893	327,038
	<u>12,191,621</u>	<u>14,156,316</u>
	<u>106,533,856</u>	<u>98,171,774</u>

Exhibit II

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME
For the Period Ending September 30, 2021

	Current Year		Prior Year	
	Quarter September 30, 2021	Year to Date September 30, 2021	Quarter September 30, 2020	Year to Date September 30, 2020
Written Premium	12,593,327	12,594,326	10,695,340	10,695,340
Gross Written Premiums	12,593,327	12,594,326	10,695,340	10,695,340
Less: Reinsurance Ceded	10,583,511	10,584,328	8,674,018	8,674,018
Net Written Premiums	2,009,816	2,009,998	2,021,322	2,021,322
Change in Unearned Premiums	(1,521,484)	(519,130)	(1,511,838)	(519,550)
Earned Premiums	488,331	1,490,868	509,484	1,501,771
Claims Paid	17,710	114,682	1,697	18,643
Change in IBNR	28,801	181,948	(33,000)	234,000
Change in Case Reserve	(17,709)	(119,682)	(2,000)	(86,000)
Premium Deficiency Expense	-	(30,774)	-	-
Incurred Claims	28,802	146,174	(33,303)	166,643
Management and operating expenses	256,955	1,018,779	233,655	958,021
Reinsurance fees	74,750	218,500	71,875	215,625
Premium taxes	328,617	328,617	77,225	103,590
Total Operating Expenses	660,322	1,565,895	382,756	1,277,236
Underwriting Gain (Loss)	(200,792)	(221,202)	160,031	57,891
Investment Income	38,445	112,394	42,171	198,223
Income on Claim Related Matters	-	-	-	-
Interest Income on Premium Tax	-	-	-	-
NET GAIN/(LOSS)	<u>(162,347)</u>	<u>(108,808)</u>	<u>202,202</u>	<u>256,114</u>
Other comprehensive income (loss)				
Unrealized gains (losses) on available for sale financial assets arising during the year	(24,887)	(150,944)	14,931	279,608
Recognition of realized (gain) loss included in income	-	-	-	-
Other comprehensive income (loss) for the year	(24,887)	(150,944)	14,931	279,608
Total comprehensive income (loss)	<u>(187,235)</u>	<u>(259,752)</u>	<u>217,133</u>	<u>535,723</u>

Exhibit III

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF CHANGES IN EQUITY
September 30, 2021

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on AFS financial assets	Total Equity
Balance, beginning of year	50,000	12,083,536	317,837	12,451,373
Prior year adjustment		-		-
Comprehensive income (loss) for the year				
Net gain (loss) for the year		(108,808)		(108,808)
Other comprehensive income (loss)				
Change in unrealized gain on available-for-sale assets			(150,944)	(150,944)
Recognition of realized (gain) loss on available-for-sale assets			-	-
Total comprehensive income (loss) for the year		(108,808)	(150,944)	(259,752)
Distribution of premium surplus		-		-
Balance at September 30, 2021	50,000	11,974,728	166,893	12,191,621

Exhibit IV

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED September 30, 2021

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES (See Note 1)	420,500	75%	315,375	296,685	18,690
PROFESSIONAL SERVICES (See Note 2)					
Actuarial Services	75,000	82%	61,500	42,647	18,853
Reinsurance Matters	281,770	81%	229,600	192,571	37,029
Strategic Matters	120,000	82%	98,400	81,485	16,915
Sub-Total Professional Services	476,770		389,500	316,703	72,797
GST/HST on Consulting Fees	116,645		91,634	79,740	11,893
Total Management & Professional Services	1,013,915		796,509	693,129	103,380
OTHER EXPENSES					
Audit Expenses	125,000	75%	93,750	96,641	(2,891)
Annual Dinner	-		-	-	-
Premium Taxes	170,000	75%	127,500	328,617	(201,117)
Chairman's Honourium	150,000	100%	150,000	150,000	-
Reinsurance Expense	2,500	75%	1,875	-	1,875
D&O Insurance	20,000	100%	20,000	15,266	4,734
Office Expenses	10,000	75%	7,500	2,276	5,224
Claims: Borderaux (LawPro/LIF)	16,800	96%	16,100	15,365	735
Special Services	25,000	75%	18,750	-	18,750
Reinsurance Fee (BWI) (See Note 3)	293,250	75%	219,938	218,500	1,438
I.B.C Statistical Plan Fees	3,000	75%	2,250	906	1,344
Assessment Fees	3,000	75%	2,250	4,141	(1,891)
Investment counsel fees	34,000	75%	25,500	22,594	2,906
Investment - Custodial	19,000	75%	14,250	14,298	(48)
Risk Management/Loss Prevention (See Note 4)	50,000	75%	37,500	-	37,500
License Fee	5,000	90%	4,500	4,163	337
Insurance: Sundry	-		-	-	-
Sub-total	926,550		741,662	872,767	(131,104)
TOTAL	1,940,465		1,538,171	1,565,895	(27,724)

*** NOTE 1: MANAGEMENT SERVICES**

The budget of \$420,500 has been increased from \$396,000 prior year budget due to:

- small decrease in annual fixed fee
- decrease in credit applied which is as a combined result of the increase in the commissions on CLLAS Associates and CLLAS cyber renewals, and commissions calculated in the current year on CLLAS Associate firms (i.e. \$44,500 in 2019)

*** 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	23%
Second Quarter, ending June 30th	40%
Third Quarter, ending September 30th	19%
Fourth Quarter, ending December 31st	18%
	<u>100%</u>

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

The annual budget represents 4% increase from the fees on policy year 2020/2021.

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

To finalize work on Risk Management Audit that took place in 2020.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
SUMMARY OF RISK METRICS
September 30, 2021

Exhibit V

Risk Category	Risk Metric	December 31, 2019	December 31, 2020	September 30, 2021	Green Zone (Meets Target)	Yellow Zone	Red Zone (Limit Exceeded)
General	(1) AMRGF - Excess of Cash/Appr. Securities Over Reg. Req'ment	\$11,670,500	\$6,421,000	\$3,464,500	5,000,000 and above	\$2,500,000 to \$5,000,000	Less than \$2,500,000
	(2) MCT Ratio	712%	538%	478%	210% and above	n/a	Less than 210%
	(3) Status of Governance Policies	Up to date	Up to date	Up to date	Up to date	Items outstanding	Materially behind schedule
Insurance	(4) Gross Loss Ratio	42%	96%	41%	Less than 150%	150% to 300%	Over 300%
	(5) Net Loss Ratio	-36%	63%	7%	Less than 50%	50% to 100%	Over 100%
	(6) Risk of Systemic Loss	n/a	Some concerns raised	Some concerns raised	Nothing on horizon	Some concerns raised	Adverse experience
Premium & Strategy	(7) Actual Expenses vs. Budget	95%	92%	102%	Less than 105%	105% to 120%	Over 120%
	(8) State of the Market Outlook	n/a	Some concerns raised	Some concerns raised	Nothing on horizon	Some concerns raised	Adverse experience
Reinsurance	(9) Reinsurer Credit Rating	A- to A+	A- to A+	A- to A+	A or above	A-	B+ and below
	(10) Maximum Concentration with a Single Reinsurer excl. Colchester	19.6%	19.3%	19.0%	Less than 10%	10% to 15%	Over 15%
Operational	(11) Board Discussion of Prior Quarter Risk Metrics	Discussed corrective measures	Discussed corrective measures	Discussed corrective measures	Discussed corrective measures	Received but no discussion	Not received
	(12) Resiliency Capacity - People (e.g. redundancy, succession)	n/a	n/a	n/a	Score of 4 or 5 out of 5	Score of 3 out of 5	Score of 1 or 2 out of 5
	(13) Resiliency Capacity - Data/Systems	n/a	n/a	n/a	Score of 4 or 5 out of 5	Score of 3 out of 5	Score of 1 or 2 out of 5
	(14) Advisory Board Turnover in Last 12 Months	1	1	1	0 to 2 members	3 to 4 members	5 or more members
	(15) Key Management/Advisor Turnover in Last 36 Months	1	1	1	0 to 1 person	2 to 3 people	4 or more members
Investments	(16) Investment Manager Compliance Statement	In compliance	In compliance	In compliance	In compliance	Temporarily or slightly not	Consistently or materially
Regulatory Compliance	(17) Regulatory Outlook Report	n/a	No significant concerns noted	No significant concerns noted	No significant issues noted	Issues being addressed	Significant issues

Notes

- (1) = From Exhibit 6.
(2) Based on financial statements and quarterly actuarial valuation as of September 30, 2021. Target based on ORSA analysis.
(3) Reviewed annually in December.
(4) = Gross incurred losses / gross earned premiums. Gross losses from the actuarial valuations. Premiums exclude the effect of any return of surplus.
(5) = Net incurred losses / net earned premiums. Net losses derived from the financial statements. Premiums exclude the effect of any return of surplus.
(6) Reviewed in December 2020.
(7) = Actual expenses / budget expenses. From the financial statements.
(8) Reviewed in December 2020.
(9) Based on A.M. Best. information from report on reinsurance security (November 2021).
(10) Based on claim liabilities exposure. Lloyds syndicates are assessed separately. 2021 information from report on reinsurance security (November 2021).
(11) Reviewed quarterly.
(12) Reviewed annually in December.
(13) Reviewed annually in December.
(14) Reviewed quarterly based on turnover in the preceding 12-month period
(15) Senior Management/Key Advisor Turnover in Last 36 Months – Includes principal attorney, general manager, accountant, auditor, actuary, reinsurance broker and excess insurance broker.
(16) Reviewed quarterly.
(17) Reviewed annually in December.

Color Code
Meets Target
Between Target and Limit
Exceeds Limit

Exhibit VI

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
For the Period Ending September 30, 2021

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

	Current Year to Date 09/30/2021 (in \$000's)	Prior Year End 09/30/2020 (in \$000's)
<u>Reserve Fund</u>		
Premiums collected or credited having one year or less to run	(1) 12,594	10,695
Less: Amount paid to licensed reinsurers	(2) 10,493	8,601
Premiums collected with more than one year to run, less expired portion	(3) -	-
Less: Amount paid to reinsurers on premiums on line 3, less expired portion.	(4) -	-
Subtotal (lines 1, minus line 2, plus line 3, minus line 4)	(5) 2,101	2,094
Reserve Fund Required (50% of Line 5)	(6) 1,051	1,047
<u>Guarantee Fund</u>		
Total Liabilities	(7) 94,342	84,015
Less: Unearned Premiums	(8) 9,419	7,999
Less: Recoverable from licensed reinsurers	(9) 68,852	62,902
Plus: Statutory Margin	(10) 50	50
Guarantee Fund Required (Line 7 minus Lines 8 and 9 plus line 10)	(11) 16,121	13,164
TOTAL RESERVE & GUARANTEE FUND REQUIRED (Line 6+11)	(12) 17,172	14,211
Cash & Approved Securities	(13) 20,636	22,047
Excess of Cash & Securities over Reserve & Guarantee Fund (line 13 minus line 12)	(14) 3,465	7,836



MEMORANDUM

DATE: November 26, 2021
TO: CLLAS Advisory Board
FROM: Patrick Mahoney
COPY:
RE: CLLAS Subscribers' Accounts as at June 30, 2021

You will find attached to this memo the Subscribers' Accounts for the 12 months ended June 30, 2021.

I look forward to discussing the attached with you at the up-coming Board meeting.

CLLAS SUBSCRIBERS' ACCOUNTS

STATEMENT OF FINANCIAL POSITION AND STATEMENT OF OPERATIONS BY UNDERWRITING PERIOD
FOR THE YEAR ENDED JUNE 30, 2021

LAW FIRMS:

- 1 Blake, Cassels & Graydon LLP
- 2 Borden Ladner Gervais LLP
- 3 Fasken Martineau DuMoulin LLP
- 4 Davies Ward Phillips & Vineberg LLP
- 5 Dentons Canada LLP
- 7 Goodmans LLP
- 8 McCarthy Tetrault LLP
- 9 McMillan LLP
- 10 Osler, Hoskin & Harcourt LLP
- 11 Torys LLP
- 12 WeirFoulds LLP
- 13 Cassels, Brock & Blackwell LLP

UNDERWRITING PERIODS:

- 1 1987/1988 to 1991/1992
- 2 1992/1993 to 1996/1997
- 3 1997/1998 to 2001/2002
- 4 2002/2003 to 2006/2007
- 5 2007/2008 to 2011/2012
- 6 2012/2013 to 2016/2017
- 7 2017/2018 to 2021/2022

CLLAS SUBSCRIBERS' ACCOUNTS
UNDERWRITING PERIODS CONSOLIDATED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit 1
Page 1

SUBSCRIBER	1	2	3	4	5	7	8	9	10	11	12	13	Total
ASSETS													
Net Asset Account	1,047,929	2,935,413	1,801,126	825,518	2,559,407	1,221,577	2,620,368	1,830,139	2,309,670	1,549,446	499,582	1,111,517	20,311,694
Accrued Interest	905	3,605	2,446	1,013	2,327	1,347	3,107	1,984	2,659	1,815	580	1,332	23,119
Reinsurance Receivable	6,350	139,265	103,628	34,932	102,576	46,523	98,401	64,224	81,157	59,528	20,014	44,240	800,837
Prepaid Expenses	0	23,652	17,682	4,957	0	5,950	17,011	8,566	14,140	10,336	3,138	8,645	114,076
Total Assets	1,055,184	3,101,934	1,924,882	866,421	2,664,309	1,275,397	2,738,887	1,904,913	2,407,627	1,621,125	523,314	1,165,734	21,249,727

LIABILITIES													
Undiscounted Case Reserves	0	202,485	152,031	50,643	133,245	67,101	143,492	90,692	118,784	88,625	29,795	65,693	1,142,586
Undiscounted IBNR	32,569	718,160	562,279	180,054	135,511	224,756	543,490	298,207	443,604	327,914	116,561	259,514	3,842,619
Impact of Discounting and Provision for Adverse Deviation	49,833	672,453	522,980	168,905	169,544	211,946	507,156	285,639	413,129	302,201	107,367	239,379	3,650,531
Prepaid Premium	0	0	0	0	0	0	0	0	0	0	0	0	0
Premium Refund Payable	0	0	0	0	0	0	0	0	0	0	0	0	0
Reinsurance Payable	0	74	64	21	0	19	59	26	46	33	10	26	378
Accrued Expenses	0	46,041	39,182	13,174	0	11,899	36,765	16,532	28,299	20,051	6,706	16,107	234,756
Total Liabilities	82,402	1,639,214	1,276,537	412,797	438,300	515,722	1,230,962	691,096	1,003,862	738,823	260,439	580,718	8,870,870

SUBSCRIBERS' EQUITY													
Total Subscribers' Equity	972,782	1,462,721	648,346	453,624	2,226,010	759,675	1,507,926	1,213,816	1,403,765	882,302	262,875	585,016	12,378,857
Total Liabilities and Equity	1,055,184	3,101,934	1,924,882	866,421	2,664,309	1,275,397	2,738,887	1,904,913	2,407,627	1,621,125	523,314	1,165,734	21,249,727

CLLAS SUBSCRIBERS' ACCOUNTS
UNDERWRITING PERIODS CONSOLIDATED
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit 1
Page 2

SUBSCRIBER	1	2	3	4	5	7	8	9	10	11	12	13	Total
Direct Written Premium	-	2,105,067	1,809,738	602,713	-	537,079	1,673,520	747,461	1,289,698	918,919	283,225	728,919	10,696,339
Retroassessment	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Written Premium	-	2,105,067	1,809,738	602,713	-	537,079	1,673,520	747,461	1,289,698	918,919	283,225	728,919	10,696,339
Reinsurance Ceded	-	1,706,363	1,471,905	489,982	-	434,802	1,358,080	605,608	1,045,848	745,947	226,191	590,108	8,674,834
Net Written Premium	-	398,704	337,833	112,731	-	102,277	315,440	141,853	243,850	172,972	57,034	138,811	2,021,505
Change in Unearned Premium	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Earned Premium	-	398,704	337,833	112,731	-	102,277	315,440	141,853	243,850	172,972	57,034	138,811	2,021,505
Claims Paid	-	24,421	18,860	6,135	3,798	7,098	18,388	9,448	15,220	11,242	3,781	9,014	127,405
Change in Undiscounted Case Reserves	-	188,903	141,634	47,249	126,719	62,651	133,642	84,773	110,671	82,544	27,696	61,103	1,067,586
Change in Undiscounted IBNR	(9,460)	2,126	6,434	661	(95,723)	(6,545)	6,565	(11,172)	7,447	5,874	2,114	9,297	(82,381)
Change in Impact of Discounting and Provision for Adverse Deviation	(4,956)	121,471	98,131	30,543	(37,174)	33,344	92,710	42,476	78,418	58,511	20,748	49,310	583,531
Incurred Claims	(14,416)	336,921	265,060	84,587	(2,380)	96,547	251,305	125,525	211,757	158,171	54,339	128,724	1,696,141
Operating Expenses	-	315,405	264,053	88,472	-	84,357	249,820	114,925	195,087	139,627	47,117	111,865	1,610,728
Premium Tax	-	64,045	47,880	13,424	-	16,112	46,063	23,195	38,290	27,987	8,497	23,408	308,901
Total Expenses	-	379,450	311,933	101,896	-	100,470	295,883	138,119	233,377	167,614	55,614	135,273	1,919,629
Underwriting Gain (Loss)	14,416	(317,667)	(239,159)	(73,753)	2,380	(94,740)	(231,748)	(121,791)	(201,284)	(152,813)	(52,919)	(125,186)	(1,594,265)
Investment Income	6,031	24,096	16,350	6,787	15,467	8,974	20,741	13,214	17,751	12,110	3,858	8,888	154,266
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Gain (Loss)	20,447	(293,571)	(222,810)	(66,966)	17,847	(85,766)	(211,008)	(108,577)	(183,532)	(140,704)	(49,061)	(116,298)	(1,439,999)
Other Comprehensive Income	(4,712)	(18,761)	(12,728)	(5,271)	(12,109)	(7,008)	(16,173)	(10,326)	(13,840)	(9,449)	(3,016)	(6,933)	(120,327)
Total Comprehensive Income	15,735	(312,332)	(235,538)	(72,237)	5,738	(92,774)	(227,180)	(118,903)	(197,372)	(150,152)	(52,077)	(123,232)	(1,560,326)



MEMORANDUM

DATE: November 26, 2021
 TO: CLLAS Advisory Board
 FROM: Patrick Mahoney
 RE: CLLAS Investment Policy Revisions

Further to the Board's approval to permit investment in BBB-rated bonds at the September 2021 Board meeting, we have prepared amendments to CLLAS' Investment Policy. The black-lined version enclosed highlights the following amendments, which have been vetted by CLLAS' Investment Manager, Rowland Bell at Martin, Lucas & Seagram:

- Section 2.6.4 was amended to allow up to 10% of long-term investments to be invested in BBB Corporate Bonds.
- A new section 2.8 was added to specify steps to be taken in the event a fixed income security held in the portfolio is downgraded by a debt rating agency causing it to fall below the minimum rating standard specified in the policy.
- The benchmark for the long-term fund was updated to reflect the following:
 - Change in name from the DEX Indices to FTSE Canada Indices.
 - In order to align with the addition of BBB bonds, the composition of the benchmark was modified to include the entire index, whereas previously it was limited to equal portions of the federal and provincial indexes only.

In addition to the above amendments, we have also added a section to address the future transition to IFRS 9 which will replace IAS 39 on January 1, 2023 (coincident with the effective date of IFRS 17). Under the new accounting standard, the financial instruments of CLLAS will be measured at Fair Value through Other Comprehensive Income (FVOCI). Given the nature of this amendment, we did not seek feedback from CLLAS' investment manager.

I look forward to reviewing these amendments at the up-coming meeting.

Sincerely,

Patrick Mahoney, General Manager



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Investment Policy

Draft Revisions – December 2021

Last Updated
December 7⁹, 20²¹~~15~~



1. PURPOSE

- 1.1. This investment policy ("Policy") sets forth the investment objectives and guidelines for the management of the investments of the Canadian Lawyers Liability Assurance Society ("CLLAS") and the conflict of interest rules applicable to the members of the Advisory Board (the "Board") of CLLAS, the employees of the Office of the General Manager (the "General Manager") directly engaged in providing services to CLLAS and the employees of the investment counsel directly engaged in providing investment services to CLLAS (the "Investment Manager"), collectively referred to as the "CLLAS Agents".
- 1.2. This policy formalizes investment-related activities that comply with the *Alberta Insurance Act* and OSFI's Guideline B-1 *Prudent Person Approach* adopted by the Alberta Superintendent of Insurance.
- 1.3. This Policy is considered to reflect the financial needs of CLLAS and the risk appetite of its subscribers and to set investment standards which a reasonably prudent person would apply to avoid undue risk of loss, maintain appropriate liquidity and obtain a reasonable return.

2. CLLAS INVESTMENT ACTIVITIES

- 2.1. The Investment Manager will invest and reinvest, with full discretion but in accordance with the provisions of this Policy, the funds of CLLAS not required for operational purposes.
- 2.2. The Investment Manager will maintain two Funds (the "Funds") for investment purposes: the Short Term Investment Fund and the Long term Investment Fund. Monies provided to the Investment Manager for investment shall be allocated to one or both of the Funds as follows:

Fund	Target Allocation	Acceptable Range
Short Term Investment Fund	40%	20% to 100%
Long Term Investment Fund	60%	0% to 80%

- 2.3. In any event, the Short Term Investment Fund must represent not less than 20% of the total market value of the two Funds at the time the monies are received by the Investment Manager, after giving effect to such allocation. Transfers between the Funds may also be made subject to the Short Term Fund being at least 20% of the market value of the two Funds at the time of transfer and after giving effect thereto.
- 2.4. Investments in the two Funds will be denominated in Canadian dollars.
- 2.5. The Short Term Investment Fund is restricted to investments which mature within one year.



2.5.1. Such investments are restricted to the following:

- Treasury Bills issued by the Government of Canada or by any province of Canada having a rating A or better;
- Certificates of Deposit issued by a Canadian chartered bank having a rating R-1 High or better;
- Bankers Acceptances accepted by a Canadian chartered bank having a rating of R-1 High or better; and
- Bonds issued or guaranteed by any of the above which mature in less than one year.

2.5.2. Not less than 50% of short term investments will be invested in qualifying Government of Canada or provincial securities.

2.6. The Long Term Investment Fund consists of all investments which are not designated as being part of the Short Term Investment Fund.

2.6.1. Such investments are restricted to the following:

- Securities issued or guaranteed by the Government of Canada or any province of Canada; and
- Bonds issued by corporations incorporated under the laws of Canada or any province of Canada.

2.6.2. The maximum term to maturity of any one investment shall not exceed 10 years. For greater certainty, this Fund may include short term investments of the type permitted for investment under section 2.5.1

2.6.3. Not less than 60% of the market value of this Fund shall be invested in securities issued or guaranteed by the Government of Canada or by the government of any province of Canada and all such securities must, at the time of purchase, be rated A or better.

2.6.4. Not more than 40% of the market value of this Fund may be invested in bonds issued by corporations incorporated under the laws of Canada or any province of Canada and all such bonds ~~must~~, at the time of purchase, are restricted to the following: be rated A or better

<u>Rating</u>	<u>Acceptable Range</u>
<u>BBB</u>	<u>0% to 10%</u>
<u>A or better</u>	<u>0% to 40%</u>

In any event, not more than 10% of long term investments will be invested in BBB rated corporate bonds.



2.7. Investments which do not meet the criteria in Sections 2.5 and 2.6 are ineligible for inclusion in the investment portfolio.

2.7.2.8. If the credit rating for a fixed income instrument held in the portfolio is downgraded by a debt rating agency and results in part of the portfolio falling below the minimum rating standard, the investment manager is in the first ten days to communicate a plan that will result in the security's liquidation within a reasonable period of time. If a downgrade results in a split rating (variation among rating agencies in rating an issue), the security may be held under the condition of monitoring by the investment manager and ongoing communication with CLLAS.

2.9. Under IAS 39, All all CLLAS investments ~~shall be~~ designated as available-for-sale and ~~shall be~~ have been reported at fair market value, unless otherwise determined by the General Manager with the concurrence of CLLAS' auditor. However, effective January 1, 2023, IFRS 9 will replace IAS 39.

Under IFRS 9, the classification for financial assets is dependent on two key criteria:

- The business model within which the asset is held, and
- the contractual cash flows of the asset

CLLAS holds financial instruments to fund insurance contract liabilities and uses the proceeds from the contractual cash flows on the financial assets to settle insurance liabilities as they come due. To ensure that the contractual cash flows from the financial assets match the insurance liabilities, CLLAS undertakes buying and selling activities as required to rebalance its portfolio.

Based on this criterion, the financial instruments of CLLAS meet the required conditions to be measured at Fair Value through Other Comprehensive Income (FVOCI).

2.8.2.10. The investment portfolio, in aggregate, will at all times comply with the applicable regulatory requirements and restrictions. In particular, Sections 415 to 432 of the *Alberta Insurance Act* describe restrictions with respect to investments.

2.9.2.11. Unless otherwise required by the Board, the Investment Manager will report to CLLAS each quarter on the status of the Funds and will compare the performance of the Funds with the following benchmarks for the period covered by the report.

2.9.1.2.11.1. The benchmark for the Short Term Investment Fund consists of 30-day Treasury Bills.

2.9.2.2.11.2. The benchmark for the Long Term Investment Fund is a composite benchmark comprised of 60% ~~DEX Short Term Bond Indices (equal portions of the Federal and Provincial Indexes)~~ FTSE Canada Short Term Bond Index and 40% ~~DEX Mid Term Bond~~



~~Indices (equal portions of the Federal and Provincial Indexes)-~~ FTSE Canada Mid Term Bond Index.

~~2.9.3.2.11.3.~~ Each report shall also provide such additional information as CLLAS may reasonably require.

~~2.10.2.12.~~ The Board will re-examine the asset mix policy periodically in light of significant changes in any of the following:

~~2.10.1.2.12.1.~~ the Board becoming aware of any significant liability with respect to any claim;

~~2.10.2.2.12.2.~~ capital market prospects;

~~2.10.3.2.12.3.~~ the risk appetite of the subscribers of CLLAS;

~~2.10.4.2.12.4.~~ any changes in regulatory requirements, and

~~2.10.5.2.12.5.~~ any other factors considered relevant by the Board.

~~2.11.2.13.~~ Nothing in this Section 2 will preclude the Chair or, in his absence, the Vice Chair, from withholding from the Investment Manager funds anticipated to be required for operational purposes and investing such funds in short term investments of the type permitted for investment under Section 2.5.1 and having maturities not exceeding 90 days.

~~2.12.2.14.~~ The Board, in conjunction with the General Manager, will review and, if necessary, update this Policy at least annually.

3. ASSETS HELD PURSUANT TO REINSURANCE SECURITY AGREEMENTS

3.1. Section 3 of this Policy applies to monies held for the benefit of CLLAS pursuant to Reinsurance Security Agreements with reinsurers not licensed to do business in Canada which may be entered into by CLLAS from time to time.

3.2. Such Reinsurance Security Agreements must comply with the requirements of the Alberta Superintendent of Insurance. Pursuant to the terms of applicable Reinsurance Security Agreements, the market value of the deposits held pursuant to such Agreements must ~~not~~ total not less than the amount required in the Minimum Capital Test in order to avoid any capital deduction or margin requirement as a result of CLLAS ceding risks to unlicensed reinsurers.

3.3. Pursuant to the terms of applicable Reinsurance Security Agreements, such deposits must be denominated in Canadian dollars and are restricted to the following:

3.3.1. Cash;

3.3.2. Bonds and debentures issued by the Government of Canada, any province of Canada or any municipality of Canada;

3.3.3. Bonds and debentures issued by a Canadian corporation, trust or limited partnership;



- 3.3.4. Common or preferred shares in the capital of a Canadian or Provincial corporation; and
- 3.3.5. Guaranteed investment certificates.

- 3.4. CLLAS has entered into a Loss Portfolio Transfer (“LPT”) with Colchester Reinsurance Limited. The terms of the LPT require that the assets supporting Colchester’s liabilities be held under a Reinsurance Security Agreement and that an investment policy that permits investment in securities other than Cash, T-bills, Government of Canada bonds and Canadian Provincial Government Bonds must be approved by CLLAS.

4. CONFLICTS OF INTEREST

- 4.1. No CLLAS Agent will knowingly permit his or her interest to conflict with his or her duties and powers in respect of CLLAS.
- 4.2. A conflict of interest is deemed to include any direct, indirect, actual or perceived material pecuniary interest of a CLLAS Agent in any arrangement, contract, investment, transaction or other matter in which CLLAS participates or proposes to participate. The pecuniary interest of a CLLAS Agent is deemed to include that of:
 - 4.2.1. his or her spouse;
 - 4.2.2. any person with whom the CLLAS Agent is living in a relationship outside marriage;
 - 4.2.3. any member of the CLLAS Agent's family who shares his or her home; and
 - 4.2.4. any corporation or trust controlled by the CLLAS Agent or in which he or she has a substantial beneficial interest.
- 4.3. CLLAS Agents must not:
 - 4.3.1. make, influence or participate in the making of any decision, if the effect or such decision is the potential furthering of the CLLAS Agent's interests;
 - 4.3.2. use material information derived from ~~his~~ his or her status as a CLLAS Agent that has not been generally disclosed, to further the CLLAS Agent's interests; or
 - 4.3.3. accept, in connection with his or her status as a CLLAS Agent, ~~any~~ any gift or personal benefit except those of a minor nature or as permitted by law.
- 4.4. At the earliest opportunity, each CLLAS Agent must fully disclose in writing, if practical, any conflict of interest or potential conflict of interest to the Chair or Vice Chair. The Chair or Vice Chair will record such declarations of conflict and report them to the Board at the earliest opportunity.
- 4.5. Board members in attendance at any meeting of the Board or its Committees must also declare to the Chair of the meeting any conflict or potential conflict of interest in any matter being considered



at that meeting which relates to investment made pursuant to this policy and must refrain from participating in the discussion of or voting on such matter.

- 4.6. If any CLLAS Agent has doubt as to whether a particular situation represents a conflict of interest, he or she may provide the necessary information to the Chair or Vice Chair and request that the Board determine whether or not a conflict exists. The Chair or Vice Chair will record such requests and include them on the agenda for the next Board meeting for determination.
- 4.7. The obligation of CLLAS Agents under this Policy are in addition to those imposed on CLLAS Agents by any professional organization with which they may be associated.
- 4.8. The Chair will provide each member of the Board, the General Manager and the Investment Manager with a copy of this Policy. The Board may require periodic confirmation of compliance with this Policy.

5. ROLES AND RESPONSIBILITIES

- 5.1. The Board is responsible for the following:
 - 5.1.1. Ensuring that the investments are in compliance with applicable regulatory requirements and restrictions and that the investments are managed in a prudent manner;
 - 5.1.2. Establishing investment objectives, asset allocations and performance measures;
 - 5.1.3. Reviewing and approving this Policy annually;
 - 5.1.4. Appointing and modifying or terminating the appointment of the Investment Manager;
 - 5.1.5. Reviewing the annual investment review and compliance report; and
 - 5.1.6. Reviewing changes, if any, to the investment policy for the assets supporting the LPT.
- 5.2. The General Manager is responsible for the following:
 - 5.2.1. Ensuring that the investments are in compliance with applicable regulatory requirements and restrictions and that the investments are managed in a prudent manner;
 - 5.2.2. Monitoring the Investment Manager's performance, based on the benchmarks set in this Policy, and recommending corrective actions to the Board when required;
 - 5.2.3. Monitoring compliance with this Policy;
 - 5.2.4. Maintaining a system of internal controls designed to prevent losses from inappropriate investment activities, fraud or human error;
 - 5.2.5. Filing all documentation required by the Alberta Superintendent of Insurance.
- 5.3. The Investment Manager is responsible for the following:
 - 5.3.1. Managing the day-to-day securities transactions;
 - 5.3.2. Ensuring compliance with this Policy;



- 5.3.3. Achieving performance targets set in this Policy;
- 5.3.4. Maintaining an appropriate level of liquidity to meet financial obligations;
- 5.3.5. Reporting to the General Manager and Board on a quarterly basis, or if warranted, on a more frequent basis on compliance with this Policy;
- 5.3.6. Providing regular reports to the Board which include a review of the current portfolio, a review of investment performance and future investment strategies.

6. AUTHORITY

- 6.1. The Board has the authority to make revisions to this Policy.
- 6.2. The Board may, at any time, modify or terminate the appointment of Investment Manager and appoint one or more investment counsel to act as an Investment Manager in its place. The Chair or, in his absence, the Vice Chair shall be responsible, in consultation with the General Manager, for the supervision of the Investment Manager.
- 6.3. The Investment Manager has the authority to purchase, sell or hold securities that will be used to meet the objectives set forth in this Policy.

7. HISTORY OF CHANGES

December 2021: The Policy was amended to allow up to 10% of long term investments to be invested in BBB Corporate Bonds.

A section was added to specify steps to be taken in the event a fixed income security held in the portfolio is downgraded by a debt rating agency causing it to fall below the minimum rating standard specified in the policy.

A section was also added to address the future transition to IRFS 9 which will replace IAS 39 on January 1, 2023. Under the new accounting standard, the financial instruments of CLLAS will be measured at FVOCI.

The benchmark for the long term fund was updated to reflect the following:

- Change in name from the DEX Indices to FTSE Canada Indices.
- In order to align with the addition of BBB bonds, the composition of the benchmark was modified to include the entire index, whereas previously it was limited to equal portions of the federal and provincial indexes only.

Other minor changes were also made.



December 2015:	<p>The Policy was amended to comply with OSFI's Guideline B-1 adopted by the Alberta Superintendent of Insurance. Notable changes include the following:</p> <ul style="list-style-type: none"> • Addition of accounting classification of investments; • Addition of section on the oversight of assets held pursuant to Reinsurance Security Agreements; • Addition of section on roles and responsibilities; • Addition of section on authority with respect to this Policy; • Addition of section on history of changes. <p>Other minor changes were also made.</p>
December 2013:	<p>The Policy was amended to reflect CLLAS' financial profile in light of the Loss Portfolio Transfer. The following changes were adopted:</p> <ul style="list-style-type: none"> • Increasing the maximum allowable investments in corporate bonds from 20% to 40%; • Changing the minimum for federal and provincial bonds to 60% in the Long Term Investment Fund; • Adding a benchmark for the Short-Term Investment Fund.
May 2012:	<p>The Policy was amended to restrict all investments based on applicable regulatory requirements and restrictions. The reporting frequency was clarified to be on a quarterly basis. Other minor stylistic changes were made.</p>
October 2008:	<p>The benchmark for the Long-Term Fund was changed from Scotia McLeod's Short Term Bond Index and Provincial Short Term Bond Index to 60% DEX short-term index and 40% DEX mid-term index.</p>
Prior:	<p>Prior revisions to this Policy date from 2001.</p>



MEMORANDUM

DATE: November 26, 2021
TO: CLLAS Advisory Board
FROM: Patrick Mahoney
COPY:
RE: Enterprise Risk Management ("ERM") Policy

CLLAS first adopted an ERM Policy in 2015. The last time it was extensively reviewed and updated was in 2019, as part of CLLAS' most recent Own Risk and Solvency Assessment ("ORSA"). The next ORSA was scheduled for 2022 but, as you may recall, the Alberta regulator has removed its requirement that Alberta reciprocals conduct one every three years.

There may be good reasons for CLLAS to consider undertaking an ORSA (perhaps on a limited basis) in the future if, for example, the reinsurance structure is revised, a CLLAS cyber program is introduced, or CLLAS' Surplus Policy needs to be amended as a result of IFRS 17. At the moment, however, CLLAS' risk profile remains relatively unchanged from 2019.

We have reviewed the attached ERM Policy and see no need to make any changes at this time. As a result, we recommend that the Board confirm appropriateness of the attached ERM Policy at its upcoming meeting.

I look forward to discussing this matter at the December 7, 2021 Board meeting.



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Enterprise Risk Management Policy

Last Updated
December 10, 2019



ENTERPRISE RISK MANAGEMENT POLICY

Effective date: September 7, 2016

1. Purpose and Scope

Enterprise Risk Management (“ERM”) is the process through which CLLAS proactively manages risk by identifying, assessing, monitoring and mitigating risks from all sources that may impact short- and long-term financial sustainability. ERM is intended to enhance decision-making by integrating strategic planning with a focused evaluation of the risk exposures stemming from CLLAS’ operations and the environment in which it operates. The purpose of this policy is to document the practices and responsibilities with respect to ERM.

The ERM policy, together with CLLAS’ risk appetite assessment, constitutes the foundation for CLLAS’ Own Risk and Solvency Assessment (“ORSA”) and most governance policies, including the surplus target and surplus policy, the investment policy, the reinsurance security policy and the outsourcing policy.

2. Objectives

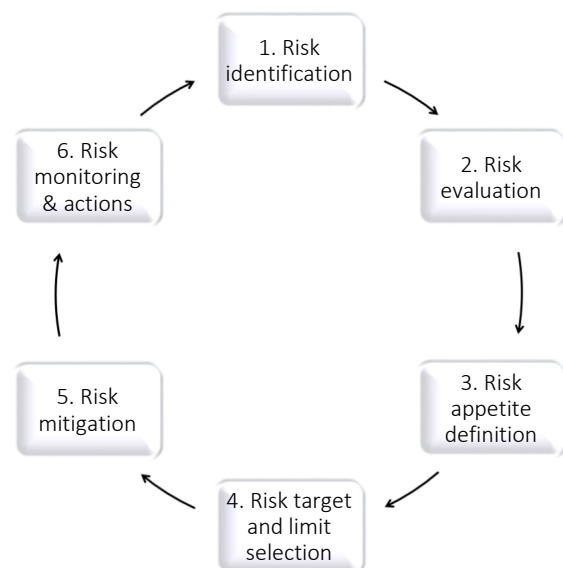
ERM has multiple objectives, including the following:

- Avoid or mitigate risks that could materially impair the financial position or condition of CLLAS;
- Accept risks that contribute to CLLAS’ strategy;
- Manage risks in accordance with best practices and enhance strategic decision-making; and
- Promote a better understanding of the interrelationships between CLLAS’ risk profile and capital needs.

3. ERM Cycle

ERM is a cycle where risks are periodically identified and measured, where risk targets and limits are set, and where CLLAS’ financial condition and material risks are regularly monitored and compared to its risk targets and limits. Risk appetite is fluid and would reflect any improvement or deterioration in risk tolerance, changes in the business strategy and changes in economic conditions.

The diagram on the right illustrates the steps of the ERM cycle. CLLAS’ approach to the various steps is outlined in the next sections.





4. Identification and Evaluation of Material Risks

The Office of the General Manager identifies, defines and assesses the materiality of known, reasonably foreseeable or emerging risks that may have an impact on CLLAS' ability to continue operations, both under normal and stressed conditions. The materiality of the risks CLLAS is exposed to will change over time as the risks are, in part, dependent on CLLAS' business strategy (e.g. amount of net retention, subscriber base, reinsurers selected for reinsurance placement) and on its business environment (e.g. stage of the insurance/reinsurance cycle, outlook for investment market).

The risks which are considered to be material are reviewed in more detail and their potential impact on CLLAS' financial position and continued ability to meet minimum regulatory requirements is quantified.

5. Risk Appetite

Risk appetite is the high-level direction for the amounts and types of risks CLLAS wants to pursue based on its risk profile, vision and overall strategy. CLLAS currently considers the following risk appetite statements to be appropriate:

- CLLAS has an overall low to medium risk appetite;
- CLLAS wants to balance the likelihood of retroassessment against the efficiency of operating with as little capital as is prudent and appropriate;
- CLLAS does not want to engage in risk-taking activities that could be detrimental to its reputation or the reputation of its subscribers;
- CLLAS wants protection against extreme events that could compromise its solvency;
- CLLAS strives to maintain excellent long-term relationships with its reinsurance partners in order to continue accessing reinsurance markets at a reasonable cost;
- CLLAS strives to protect itself from strategic risk by having knowledgeable and stable Advisory Board and senior management;
- CLLAS reduces its operational risk by outsourcing operational functions to experts (accounting, claims management, actuarial, investments, etc.).

6. Risk Targets and Limits

CLLAS' surplus target is based on an MCT of 210%.

Risk targets and limits are determined in the context of applying risk appetite statements to specific risk categories or business units. Risk targets and limits should be mindful of regulatory requirements or constraints, such as AMRGF requirements, MCT requirements and statutory limits on investment.

The following table presents risk categories that can be monitored. As these risks may challenge the Reciprocal's ability to meet strategic objectives, the following risk targets and limits are recommended, above which management action could be considered:



Risk Category	Risk Metric	Frequency	Green Zone (Meets Target)	Yellow Zone	Red Zone (Limit Exceeded)
General	AMRGF – Excess of Cash and Approved Securities Over Regulatory Requirement	Quarterly	\$5,000,000 and above	\$2,500,000 to \$5,000,000	Less than \$2,500,000
	MCT Ratio	Quarterly	210% and above	n/a	Less than 210%
	Status of Governance Policies	Annually	Up to date	Items Outstanding	Materially behind schedule
Insurance	Gross Loss Ratio	Quarterly	Less than 150%	150% to 300%	Over 300%
	Net Loss Ratio	Quarterly	Less than 50%	50% to 100%	Over 100%
	Risk of Systemic Loss	Annually	Nothing on horizon	Some concerns raised	Adverse experience anticipated
Premium & Strategy	Actual Expenses vs. Budget	Quarterly	Less than 105%	105% to 120%	Over 120%
	State of the Market Outlook	Annually	Nothing on horizon	Some concerns raised	Adverse experience anticipated
Reinsurance	Reinsurer credit rating	Annually	A or above	A-	B+ and below
	Maximum concentration with a single reinsurer excluding Colchester	Quarterly	Less than 10%	10% to 15%	Over 15%
Operational	Board Discussion of Prior Quarter Risk Metrics	Quarterly	Discussed corrective measures	Received but no discussion	Not received
	Resiliency Capacity – People	Annually	Score of 4 or 5 out of 5	Score of 3 out of 5	Score of 1 or 2 out of 5
	Resiliency Capacity – Data/systems	Annually	Score of 4 or 5 out of 5	Score of 3 out of 5	Score of 1 or 2 out of 5
	Advisory Board Turnover in the Last 12 Months	Quarterly	0 to 2 members	3 to 4 members	5 or more members
	Key Management/Advisor Turnover in the Last 36 Months	Quarterly	0 to 1 person	2 to 3 people	4 or more people
Investments	Investment Manager Compliance Statement	Quarterly	In compliance	Temporarily or slightly not in compliance	Consistently or materially not in compliance
Regulatory Compliance	Regulatory Outlook Report	Annually	No significant issues noted	Issues being addressed	Significant issues outstanding



A description of each risk metric is presented below.

General

(1) AMRGF – Excess Cash and Approved Securities over Reserve and Guarantee Fund – key requirement under the Alberta Insurance Act.

(2) MCT Ratio – primary solvency test applicable to insurers in Canada.

(3) Status of Governance Policies – the General Manager will provide a report to the Board once a year in September documenting the status of CLLAS’s governance policies and the proposed cycle for preparing/reviewing/confirming the policies (a matrix or set schedule of review would be set for each policy and communicated). The list of policies should generally follow OSFI’s requirements as adopted by the Alberta Superintendent, and would likely include:

- Defence Counsel Rates Policy
- Enterprise Risk Management Policy
- Investment Policy
- Outsourcing Policy
- Rate Setting Policy
- Reinsurance Risk Management Policy
- Surplus Management Policy
- Related Party Transactions Policy

Insurance Risk

(4) Gross Loss Ratio – ratio of claims to premiums without the application of any reinsurance.

(5) Net Loss Ratio – loss ratio after the application of reinsurance.

(6) Risk of Systemic Loss – Systemic risk arises from dynamics which produce shocks or uncertainty faced by all (or in any event multiple) insureds. Examples could include an economic recession or an adverse court ruling on a limitations issue. The risk of systemic loss is a difficult matter to assess. A focused discussion would take place once per year in December and summarized in a memo from the General Manager to the Board, which could be as simple as “no issues noted”.

Premium & Strategy Risk

(7) Actual Expenses vs. Budget – the variation of expenses from the budget as compiled in the quarterly management financial statements.

(8) State of the Market Outlook – annual report from General Manager in December with objective to identify any industry trends that could put pressure on CLLAS premium rates, such as predatory pricing.



Reinsurance Risk

(9) Reinsurer Credit Rating – The credit rating is based on A.M. Best and S&P.

(10) Maximum Concentration with a Single Reinsurer Excl. Colchester – This is monitored to assess concentration risk. It is measured based on a reinsurer’s proportion of current claims liability exposure (i.e. case reserves and IBNR) for all policy years. Lloyd’s syndicates are assessed separately.

Operational Risk

(11) Board Discussion of Prior Quarter Risk Metrics – This metric ensures that the Board holds regular discussions on its key material risks. The General Manager would prepare a short accompanying memo to highlight any metrics in “yellow” and “red” zones. Such metrics as well relevant corrective measures, if necessary, should be discussed with the Board.

(12) Resiliency Capacity - People (redundancy, succession) –The General Manager would report once per year in December on business continuity/crisis management. CLLAS’ status would be assessed by the Board on a five-point satisfaction scale.

(13) Resiliency Capacity – Data/Systems –The General Manager would report once per year in December on IT systems and data management. CLLAS’ status would be assessed by the Board on a five-point satisfaction scale.

(14) Board Turnover in Last 12 Months – Board member turnover head count.

(15) Senior Management/Key Advisor Turnover in Last 36 Months – Senior Management Turnover head count over 36 months.

Investment Risk

(16) Investment Manager Compliance Statement –Identifies whether the portfolio is in or out of compliance, with the latter case leading to Board disclosure and discussion.

Regulatory Risk

(17) Regulatory Outlook Report – The General Manager would provide a report, once per year in December, identifying regulatory changes on the horizon and CLLAS’s ability to effectively deal with current and anticipated future regulatory requirements.



7. Risk Mitigation

Risk mitigation measures are implemented by the Advisory Board and the Office of the General Manager, with the support of its standing committees, in order to mitigate the frequency or severity of risks. Risk mitigation strategies should be considered for all material risk categories (as outlined in Appendix A) and should be periodically reviewed.

8. Risk Monitoring and Actions

Risks are monitored and compared against targets and limits on a quarterly basis by the Office of the General Manager. Results are presented to the Advisory Board along with management financial statements, which also include aggregate solvency measures such as the AMRGF, MCT and other financial performance ratios.

The Advisory Board and Office of the General Manager would consider implementing appropriate actions when a risk exceeds the established limit. Corrective actions would be discussed with the Advisory Board before being implemented by the Office of the General Manager.

9. ORSA and Stress Testing

CLLAS performs a full ORSA every three years in accordance with OSFI Guideline E-19 and an interim ORSA in the years a full ORSA is not requested by the regulator. The ORSA is a comprehensive assessment of CLLAS' risks and is intended to assist the Advisory Board in determining the internal MCT ratio target to support the reciprocal's strategy. The ORSA process should:

- Be conducted at least annually;
- Strive to identify and quantify all risks material to CLLAS' operations;
- Be the basis for the selection of the overall internal target;
- Be the basis for the selection of targets and limits by risk category;
- Be used to identify current and potential mitigation strategies;
- Be used to review Advisory Board, Principal Attorney and management responsibilities;
- Be documented in a summary report; and
- Be approved annually by the Advisory Board.

CLLAS performs stress testing in the context of its ORSA and in accordance with OSFI Guideline E-18. Stress testing involves evaluating the impact of a set of specified assumptions on CLLAS' financial condition. CLLAS' stress testing should:

- Include plausible but severe scenarios that could materially impact its operations or financial condition;
- Cover a range of scenarios, including non-historical scenarios;
- Take into account the effectiveness of risk mitigation techniques such as reinsurance in stressed conditions; and
- Be documented in the ORSA summary report.



10. Responsibility for ERM

The Advisory Board is ultimately responsible for overseeing ERM and risk-taking activities. The Advisory Board is responsible for the following:

- Annual review/approval of risk appetite statements;
- Annual review/approval of risk targets and limits;
- Annual review/approval of the ERM policy; and
- Annual review/approval of the internal capital target and the ORSA.

The Principal Attorney is responsible for the following:

- Reporting to the Advisory Board on the effectiveness of and compliance with the ERM policy.

The Office of the General Manager is responsible for the implementation of the Board-approved strategy and overall business performance, specifically:

- Ensuring compliance with the ERM policy;
- Identifying, assessing and monitoring risks;
- Assessing the effectiveness of operations against risk appetite statements and risk limits;
- Recommending appropriate risk mitigation strategies;
- Developing appropriate action plans and ensuring timely communication with the Advisory Board or a committee thereof when risk limits are exceeded;
- Reporting to the Principal Attorney and Board on the risk profile and capital needs, including ORSA;
- Recommending improvements in policies, processes and procedures;
- Developing and reporting on internal controls with respect to risk-taking activities;
- Filing appropriate documentation and communication with the regulator with respect to the ERM policy and ORSA.

11. Authority

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

12. History of Modifications

This policy was first approved by the Advisory Board on September 7, 2016.

This policy was updated to amend the key metrics with respect to maximum allocation to a single non-governmental security and confirmed by the Advisory Board on December 6, 2017.



This policy was updated to reflect risk descriptions, risk metrics, targets and limits to reflect changes adopted in the 2019 ORSA report. The changes were confirmed by the Advisory Board on December 10, 2019.



APPENDIX A – MATERIAL RISKS

Pursuant to its ERM policy, CLLAS periodically identifies, assesses and monitors material risks. The following are CLLAS' exposure to material risks:

1. **Insurance risk:** CLLAS provides Canadian law firms with up to \$139,975,000 of professional liability insurance coverage per occurrence. CLLAS also has a 5% subscription participation in up to \$140 million of optional excess layers purchased by the law firms. Coverage is provided on a claims-made basis. Coverage is provided excess of the mandatory law society coverage (or \$25,000 in the case of drop-down coverage) and so CLLAS is exposed to low frequency, high severity losses. There is significant uncertainty around the timing, frequency and severity of these insurance losses.

Insurance risk includes the risk of unfavorable changes in claim behavior driven by new legal precedents as well as changes in social attitudes and expectations. Social inflation could be exacerbated by the fact that information is readily available through global news, social media and the internet.

Further, CLLAS is a monoline insurer, with no line of business diversification to mitigate insurance risk. However, CLLAS has a geographical diversification benefit as it insures lawyers in multiple Canadian provinces.

2. **Premium & Strategy risk:** Strategic risk arises from the potential inability to implement appropriate business plans and strategies, make decisions, allocate resources, or adapt to changes in the business environment¹.

CLLAS operates on the basis of five-year underwriting periods, and can expect significant competitive pressure from insurance brokers during the lead up to a new underwriting period. In order for CLLAS' premium rates to remain competitive, there must be a sufficiently large subscriber base to share the administrative costs necessary to maintain the self-insurance structure. If the subscriber base decreased significantly as a result of, for example, uncompetitive rates, the viability of the reciprocal may be compromised.

3. **Reinsurance risk:** Given the loss portfolio transfer at June 30, 2012 and the low net claim retention since July 1, 2012, CLLAS retains only a small proportion of its insurance exposure and cedes the remaining exposure to reinsurers. A

¹ OSFI Own Risk and Solvency Assessment Guideline, January 2014.



reinsurer default or dispute on claims presents a material risk as CLLAS has the ultimate responsibility for the payment of claims.

CLLAS places reinsurance with multiple reinsurers, the largest placement being with Colchester Reinsurance Limited (Colchester) due to the loss portfolio transfer. Colchester also has an important participation on the proportional treaty since July 1, 2012.

Deposits held in Canada for unregistered reinsurance amounts recoverable from Colchester do not present a material off-balance sheet risk exposure for CLLAS given that amounts are secured under a security agreement and are held in cash or government bonds in Canadian denomination.

4. Operational risk: Operational risk is defined as the risk of loss resulting from people, inadequate or failed internal processes and systems, or from external events. This includes legal risk but excludes strategic and reputational risk. The risk of loss resulting from people includes, for example, operational risk events relating specifically to internal or external fraud, non-adherence to internal procedures/values/objectives, or unethical behaviour more broadly. Risk exposure relating to external events and that stems from coverage sold by insurers to third parties is excluded, while risk on an insurer's own operations is considered within scope¹.

5. Investment Risk: Investment risk comprises interest rate, inflation, asset default and liquidity risks.

Interest rate risk:

CLLAS' fixed income investments are classified as available-for-sale and are therefore reported at fair market value in the financial statements. Claim liabilities are also reported on a fair value basis (i.e. liabilities are discounted using market rates).

Interest rate risk exists when there is a mismatch between expected payments from assets and expected payments from liabilities. For example, when interest rates increase, both fixed income assets and claim liabilities would decrease. If they were perfectly matched, the impact on surplus would be nil. If not, one would decrease more than the other, creating a non-zero impact on surplus. The converse would also be true when interest rates decrease.

¹ OSFI Operational Risk Management Guideline E-21



Inflation risk:

Sudden and sustained increases in the inflation rate would most likely lead to higher-than-anticipated claim payments and general expenses as well as disruptions in fixed income and capital markets.

Asset default risk:

CLLAS is exposed to asset default risk as it has investments in fixed income instruments. CLLAS' investment policy allows for long-term investments in federal and provincial government bonds as well as corporate bonds rated A or better.

The riskiest class of fixed income in CLLAS' portfolio is corporate bonds. Although provincial and federal government bonds present some default risk, it is not considered material at this moment.

CLLAS has minimal exposure to default risk on other assets, for example receivables or cash held in bank accounts.

Liquidity risk:

Liquidity risk is the potential for losses due to holding insufficient funds in liquid assets such as cash. An example of a situation leading to liquidity risk is needing to realize a loss on the sale of invested assets when insufficient liquid assets are available to pay for losses.

Other investment risks:

Based on its Investment Policy, CLLAS holds all its assets in cash and Canadian fixed income and is therefore not directly exposed to equity or foreign exchange risks.

6. Regulatory compliance risk:

Regulatory compliance risk arises from losses due to failure to comply with regulatory requirements. Examples include costs associated with the need to restate financial statements if they are not in compliance with professional standards, or fines and penalties if legislative requirements are not fulfilled.



7. Reputation risk: Reputation risk arises when the confidence of insured members, creditors, reinsurers and other business partners leads to a negative impact on earnings, liquidity or capital position.

For example:

- Reputation with subscribers could be negatively impacted by unstable or noncompetitive premium rates or failure to pay claims in a timely manner;
- Reputation with reinsurers could be negatively impacted by a lack of risk management efforts or failure to report claims information in a timely manner;
- Reputation with various business partners could be negatively impacted by failure to provide timely payments;
- Reputation with regulators could be negatively impacted by failure to communicate in a timely manner.

Concentration risk arises from failure to diversify risk. It is a risk category that is closely tied with other risk categories, most notably with risks involving insurance, reinsurance and invested assets.

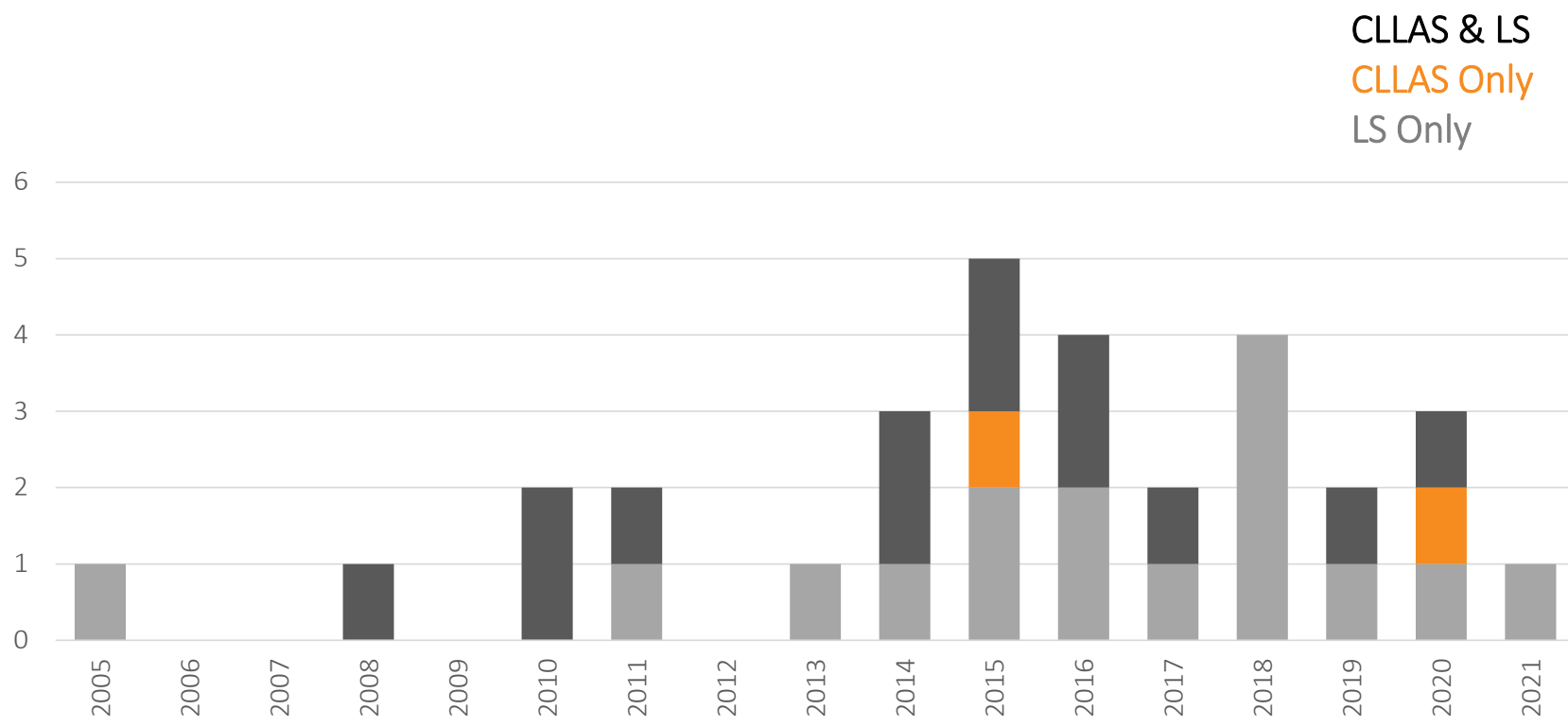
It is also important to keep in mind that risk mitigation measures – such as the use of reinsurance to reduce the net insurance exposure or the use of collateral or letters of credit to secure reinsurance recoverables – may not be functioning as usual under stressed market conditions. For example, if there were a property catastrophe and multiple insurers were seeking recoveries from reinsurers, CLLAS' communications and recoveries on professional liability losses with these same reinsurers may be delayed or compromised.



Canadian Lawyers Liability Assurance Society

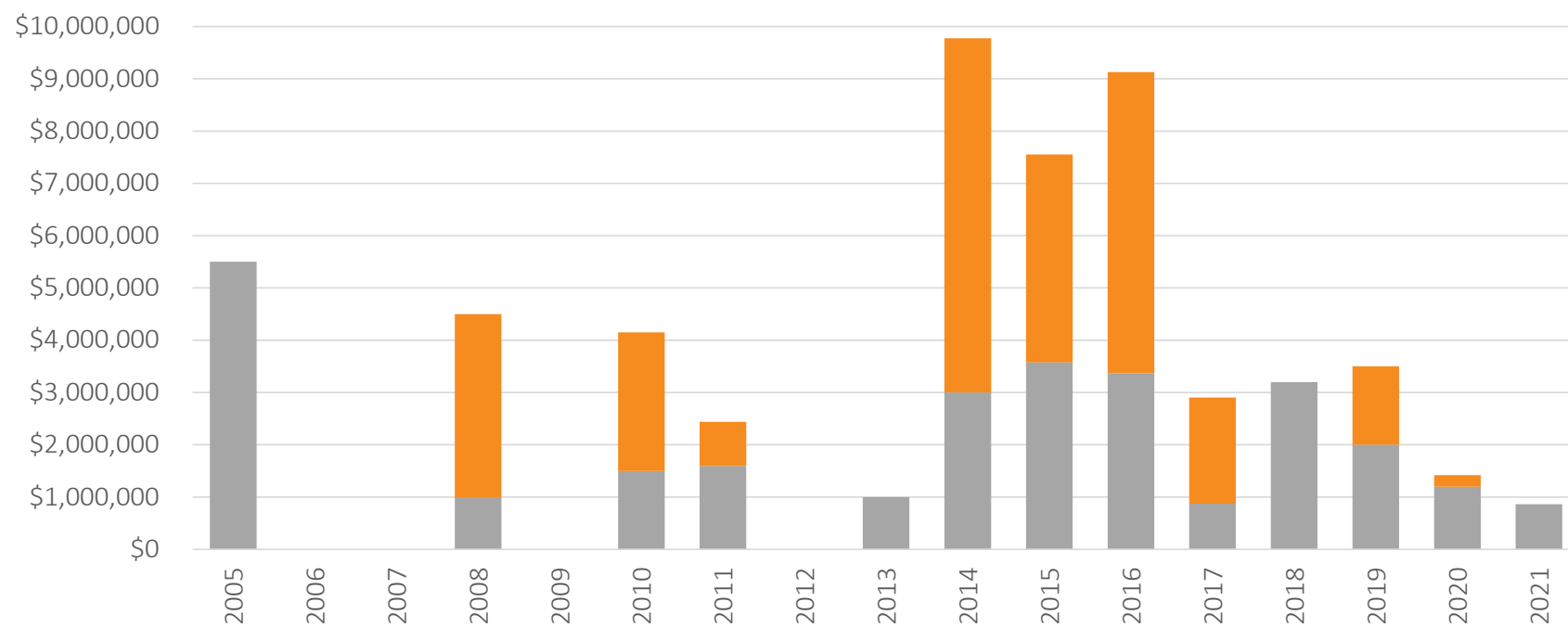
Open Large Loss Claims Summary as at September 30, 2021

Number of Claims by Insurer

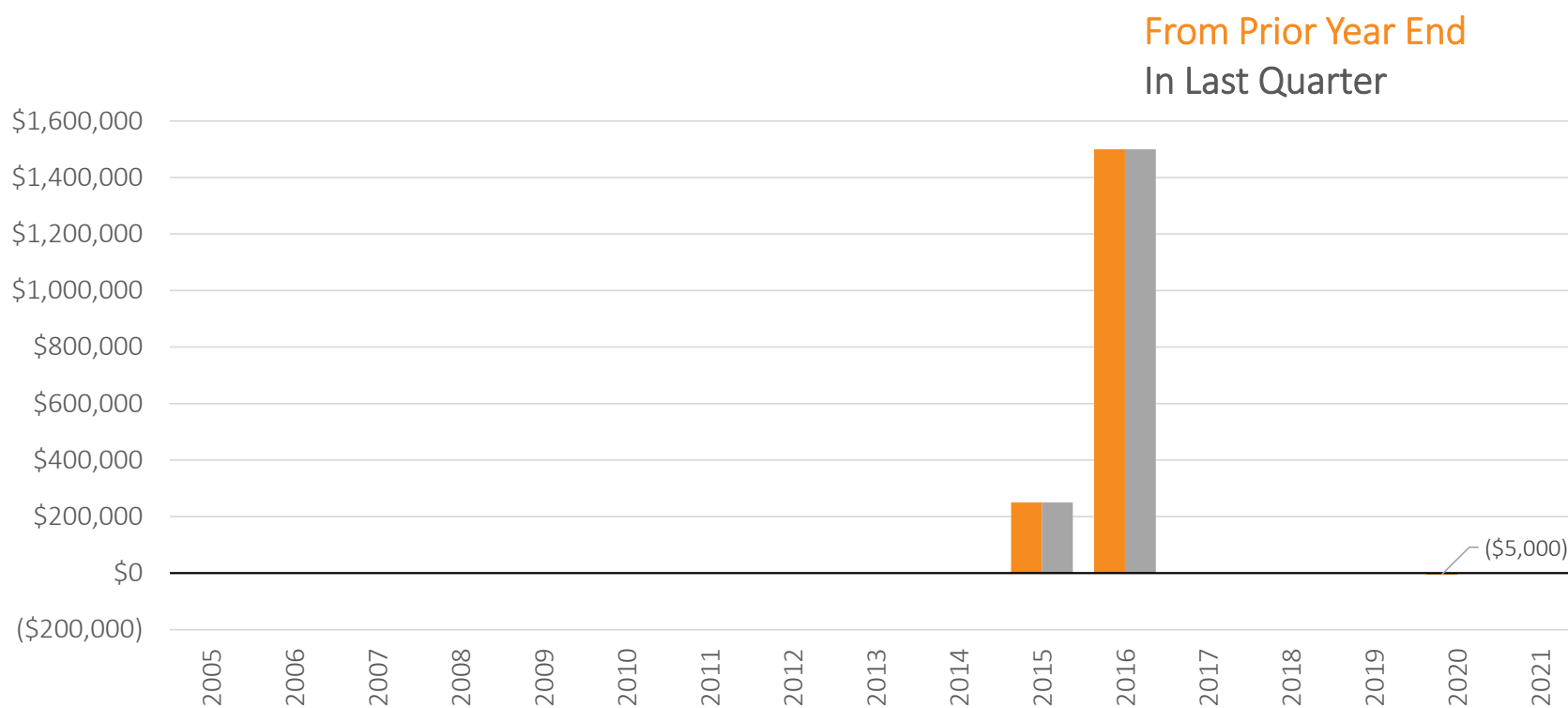


Incurred Amounts by Insurer

LS - CLLAS

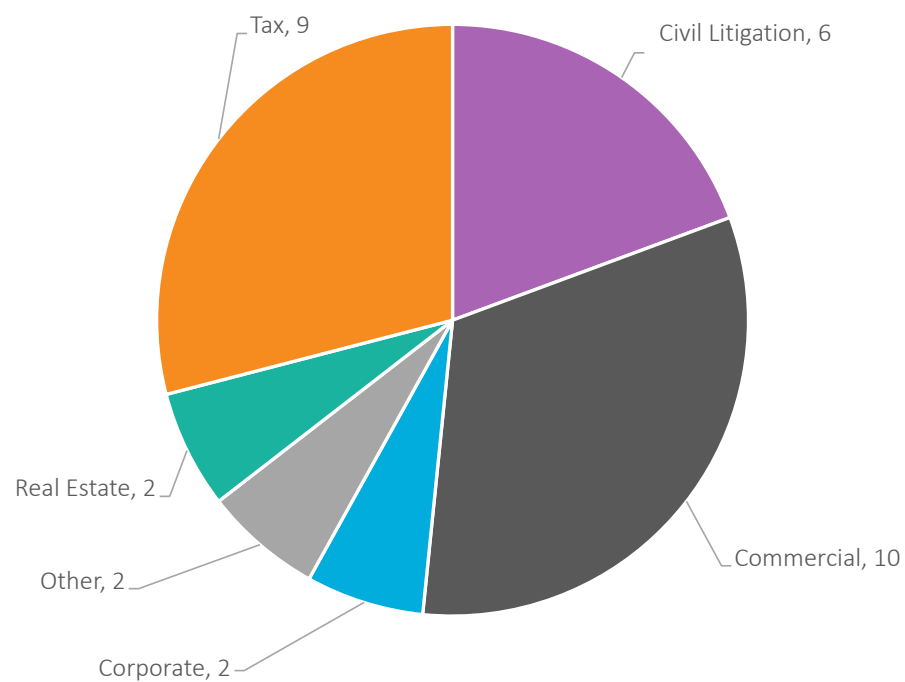


Change in Incurred Amounts (CLLAS)

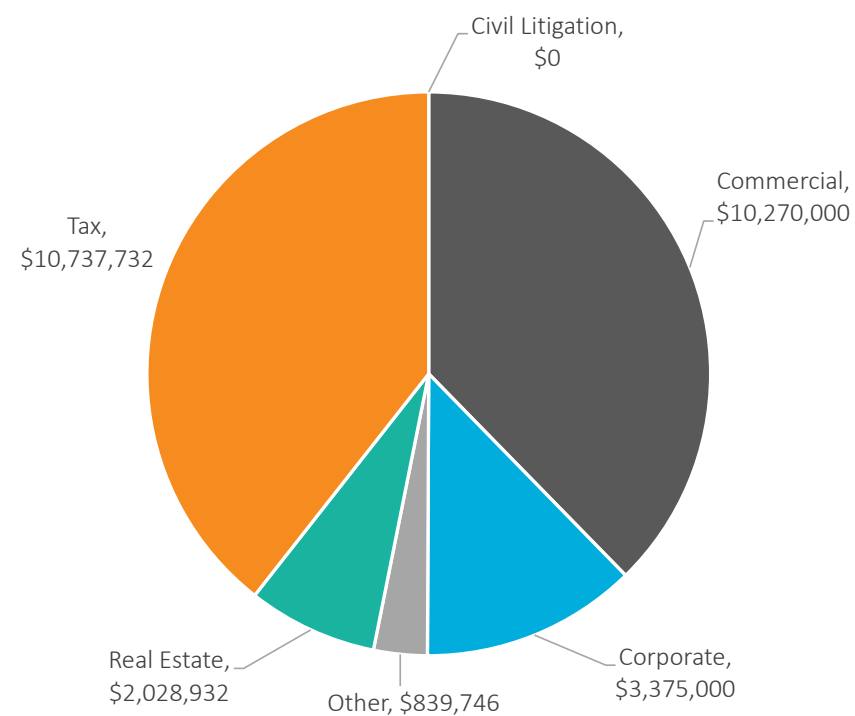


By Area of Law

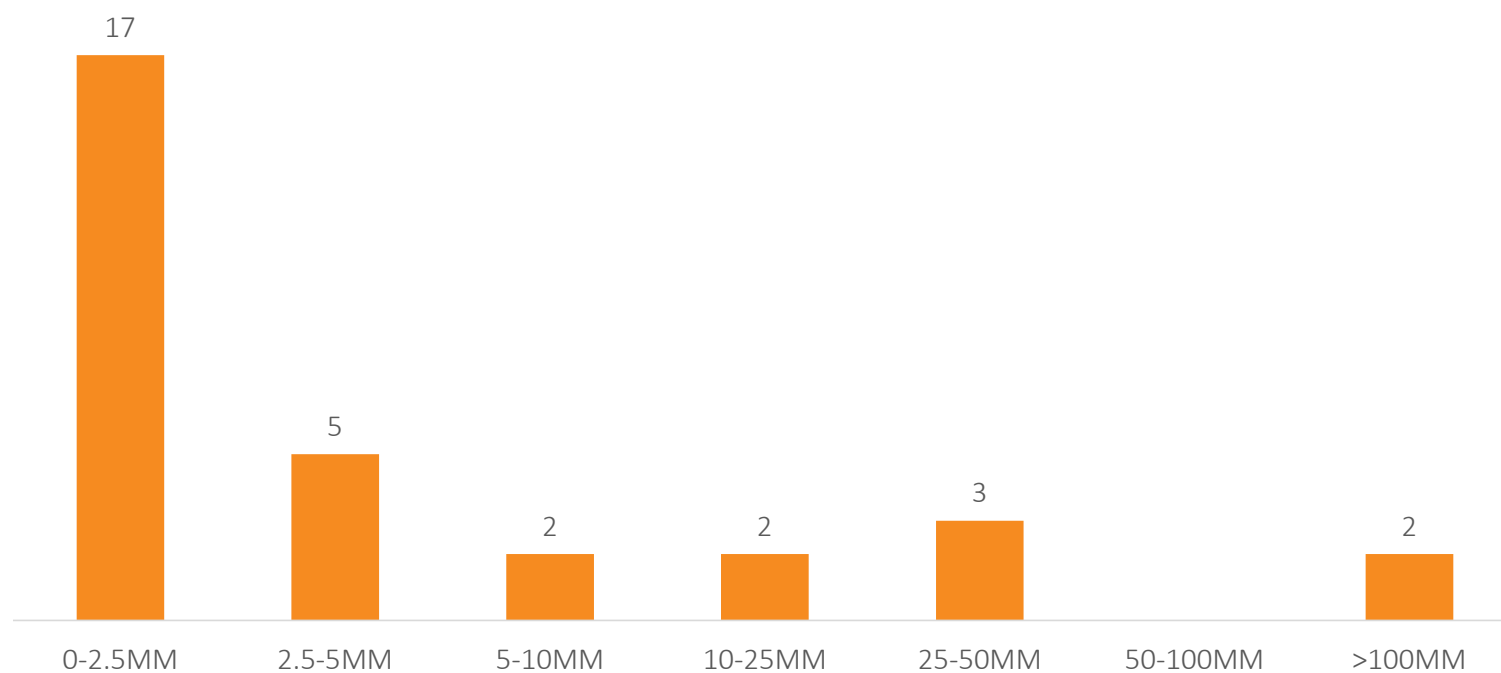
Number of Claims (CLLAS & LS)



CLLAS Incurred



Number of Claims by Best Estimate of Worst Case



Claim Count Movement in Quarter

Policy Year	Law Society Only	CLLAS Only	CLLAS & Law Society
2005 and prior	0	0	0
2006	0	0	0
2007	0	0	0
2008	0	0	0
2009	0	0	0
2010	0	0	0
2011	0	0	0
2012	0	0	0
2013	0	0	0
2014	0	0	0
2015	-1	0	1
2016	0	0	-1
2017	0	0	0
2018	-1	0	0
2019	0	0	0
2020	0	0	0
2021	0	0	0

Notes

Slide 1

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

Slide 2

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

Slide 3

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

Notes (Cont'd)

Slide 4

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

Slide 5

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

Slide 6

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

discussion



CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

INVESTMENT REPORT
SEPTEMBER 30, 2021

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CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

COMMENTARY FOR THE QUARTER ENDING SEPTEMBER 30, 2021

Review of Market Yields

Following a downward move early in the third quarter, government bond yields settled into a sideways trading range until late in the quarter, when yields shifted higher. As a result of this late quarter uptick, yields on 1- to 10-year issues closed the quarter moderately above their levels three months earlier. The increase was minimal for issues maturing within 3 years, while yields for maturities in the 5- to 10-year range increase 12 basis points on average. Meanwhile, the yield on 3-month T-bills edged slightly lower over the quarter.

As a result of the small decrease at the very short end of the curve and the increase in yields for longer dated maturities, the slope of the yield curve steepened. At the end of September, the yield advantage of 10-year issues over 3-month T-bills increased to 139 basis points from 124 basis points at the end of June.

	Jan. 01/95	Mar. 31/21	Jun. 30/21	Sep. 29/21
3-month Treasury Bills	6.80%	0.09%	0.15%	0.12%
5-year Canadas	8.99%	0.99%	0.97%	1.11%
10-year Canadas	9.09%	1.55%	1.39%	1.51%

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

The market value of the Long Term Investment Fund decreased \$31,314 which represents a capital decline of 0.5%.

At September 30, 2021, the average term to maturity of the Long Term Investment Fund was 3.4 years and the duration was 3.2 years.

The table below shows the distribution of the assets held in both the Short and Long Term Investment Funds at September 30.

<i>Distribution at September 30, 2021</i>	<i>Valuation</i>	<i>%</i>
Short Term Investment Fund	\$11,293,170	64.8%
Long Term Investment Fund	\$ 6,129,686	35.2%
TOTAL COMBINED VALUATION	\$17,444,264	100.0%

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

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

- Total Returns vs. Benchmarks - Gross and Net of Fees
- Distribution of Securities in the Long Term Investment Fund by Credit Risk and by Maturity
- Compliance Statement
- Quarterly Performance Report - Gross of Fees: Long Term Investment Fund
- Bond Market Commentary and Future Policy
- Security Holdings in the Short Term and Long Term Investment Funds Listed and Valued Separately as at September 30, 2021
- Security Purchases and Sales
- Cash Reconciliations
- External Individual Credit Rating Report

LONG TERM INVESTMENT FUND**TIME-WEIGHTED RATES OF TOTAL RETURN
FOR PERIODS ENDING SEPTEMBER 30, 2021**

	3 Years*	2 Years*	1 Year	Last 3 months
<i>Long Term Investment Fund – Gross of Fees</i>	<i>3.85%</i>	<i>2.70%</i>	<i>-0.38%</i>	<i>0.11%</i>
<i>Long Term Investment Fund – Net of Fees</i>	<i>3.56%</i>	<i>2.41%</i>	<i>-0.66%</i>	<i>0.04%</i>
Investment Policy Benchmark Portfolio **	3.51%	2.19%	-1.56%	-0.02%
Alternate Benchmark Portfolio ***	3.84%	2.59%	-0.94%	0.04%

*Annualized

** The Investment Policy Benchmark Portfolio (as detailed in the December 9, 2015 update) is based on the sum of the following total return indices:

- 30% Federal Short Bond Index
- 30% Provincial Short Bond Index
- 20% Federal Mid Bond Index
- 20% Provincial Mid Bond Index

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

- 60% Overall Short Bond Index
- 40% Overall Mid Bond Index

SHORT TERM INVESTMENT FUND**TIME-WEIGHTED RATES OF TOTAL RETURN
FOR PERIODS ENDING SEPTEMBER 30, 2021**

	Since Inception Oct. 01/08 *	3 Years*	2 Years *	1 Year	Last 3 Months
<i>Short Term Investment Fund – Gross of Fees</i>	<i>0.84%</i>	<i>0.94%</i>	<i>0.55%</i>	<i>0.11%</i>	<i>0.03%</i>
<i>Short Term Investment Fund – Net of Fees</i>	<i>0.72%</i>	<i>0.82%</i>	<i>0.44%</i>	<i>0.00%</i>	<i>0.00%</i>
Benchmark Portfolio **	0.79%	0.92%	0.56%	0.10%	0.03%

* Annualized

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

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

	Dec. 17/13	Dec. 31/20	Mar. 31/21	Jun. 30/21	Sep. 30/21
Bonds, Treasury Bills & Cash Less than 1 year term	100.0%	11.3%	18.1%	17.4%	17.3%
Canadas Greater than 1 year term		20.5%	20.5%	28.0%	28.0%
Provincials Greater than 1 year term		34.2%	34.1%	27.3%	27.3%
Corporates Greater than 1 year term		34.0%	27.3%	27.3%	27.4%
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. 31/20	Mar 31/21	Jun. 30/21	Sep. 30/21
Under 1 year	11.3%	18.1%	17.3%	17.3%
1 - 3 years	35.7%	29.5%	27.0%	31.3%
3 - 5 years	25.1%	25.0%	30.0%	25.7%
5 - 7 years	23.5%	27.3%	18.0%	18.1%
7 - 10 years	4.4%	0.0%	7.6%	7.6%
TOTAL	100.0%	100.0%	100.0%	100.0%
Average Maturity (yrs)	3.53	3.25	3.69	3.44
Average Duration (yrs)	3.33	3.06	3.48	3.24

SHORT TERM INVESTMENT FUND

	Dec. 31/20	Mar. 31/21	Jun. 30/21	Sep. 30/21
Short Term Average Duration (yrs)	0.11	0.08	0.11	0.12

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

AT SEPTEMBER 30, 2021

	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	64.8%	Yes
Minimum Canada & Provincial Percentage	50%	57.3%	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	9.5 years	Yes
Maximum Percentage of Total Fund (Short & Long)	60% of Total	35.2%	Yes
Minimum Canada Percentage	20%	28.0%	Yes
Maximum Provincial Percentage	40%	38.1%	Yes
Minimum Canada & Provincial Percentage	60%	66.1%	Yes
Minimum Provincial Quality *	A	AA (low)	Yes
Maximum Corporate Percentage	40%	33.9%	Yes
Minimum Corporate Quality *	A	AA (low)	Yes

** At time of purchase*

This will confirm that during the second 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 06-30-21 to 09-30-21

Portfolio Value on 06/30/21	6,161,000
Accrued Interest	23,119
Contributions	0.00
Withdrawals	-22,498
Realized Gains	0.00
Unrealized Gains	-31,313
Interest	22,498
Dividends	0
Change in Accrued Interest	-15,894
Portfolio Value on 09/30/21	6,129,686
Accrued Interest	39,013
Average Capital	6,174,429
Total Gains before Fees	7,079
IRR for 0.25 Years	0.11%

BOND MARKET COMMENTARY AND FUTURE POLICY

After drifting lower during the summer months, bond yields bounced higher in September and have continued to trade in an upward trend since then. Meanwhile, as bond yields climbed, North American stock markets became increasingly volatile. Last month, the main U.S. stock index experienced its first 5% decline in over a year, while the Canadian index was off close to 4%. During this period a number of challenges to investors' expectations came to the forefront. These included ongoing supply chain bottlenecks, rising inflation, surging energy prices and the prospect that monetary policy would soon become less accommodative. While the selloff in stocks carried into early October, markets have regained their footing in recent weeks and the major stock averages have rallied back to their previous highs. This return of the risk-on trade has added to the upward pressure on bond yields as investors pivot away from the relative safety of bonds.

On the economic front, the news has remained positive on balance. In the U.S., the economic expansion accelerated in the second quarter and aggregate growth increased to an annualized pace of 6.5%, which was slightly better than the strong 6.3% advance recorded in the previous quarter. As a result, economic output has now surpassed its pre-pandemic level. Growth in the second quarter was led by outsized strength in domestic demand, which was largely driven by the consumption of services thanks to the progressive easing of restrictive public health measures. This led to a surge in job growth during the second quarter. However, employment gains in August and September decelerated and came in below expectations and household employment remains close to 5 million below pre-pandemic levels. On the plus side, the unemployment rate has declined to a post-pandemic low of 4.8% and weekly jobless claims have fallen below 300,000 for the first time since the pandemic began. Furthermore, wages have increased sharply while retail sales posted unexpectedly strong gains in September. Meanwhile, the latest inflation figures remain elevated, with the CPI up 5.4% from a year ago, which is the largest annual increase since 1991.

For the second half of this year, U.S. GDP growth is expected to moderate, due in part to a resurgence in COVID cases during the third quarter, the end of enhanced unemployment insurance benefits earlier this month and higher prices. Nevertheless, strong wage gains, rising household wealth and ample savings provide an important backstop for consumer spending, which accounts for over two-thirds of economic activity. The recent drop in COVID infections, where the latest 7-day moving average has fallen to less than half the peak recorded during the latest wave in early September, is another positive sign for growth in the current quarter.

In Canada, aggregate growth fell back during the second quarter as GDP contracted at an annualized rate of 1.1%. This was the weakest performance among the G7 and far below the consensus estimate for growth of 2.5%. This was partly the result of the global computer-chip supply shortage, which had a significant impact on Canada's automotive exports and a slowing housing market. Also, consumption in retail and hospitality was stalled by the lockdown measures reintroduced by provincial governments during the summer months to combat a third wave of infections. However, due to the country's high vaccination rates and falling case counts, most provinces were able to relax public health restrictions during the third quarter. This has resulted in strong employment gains which have outpaced the job recovery south of the border. In September, Canada added 157,000 new jobs, which returned the labour market to pre-pandemic levels. This rebound in employment and disposable income, along with elevated consumer and business confidence, bodes well for aggregate growth in the second half. Also, the increase in global demand for energy at elevated prices will provide a boost to exports.

Meanwhile, international economic conditions have been mixed. In its most recent report, the International Monetary Fund shaved its 2021 global growth GDP forecast to 5.9%, while maintaining its projection for a 4.9% gain next year. One bright spot has been the eurozone economy, which pulled out of recession in the second quarter and continued to build momentum in the third quarter. Indeed, the eurozone's composite PMI, which measures the prevailing direction of business activity, grew at its fastest rate in 21 years in July and held close to that level in August as the economy continued to re-open from COVID restrictions. Amid stronger economic growth and rising price pressures, the European Central Bank recently announced that the favourable financial conditions warranted a slower pace of net asset purchases under its pandemic emergency purchase program. China's growth rate, on the other hand, fell back to 4.9% in the third quarter, which was below expectations and the slowest gain in a year. Their expansion has been weighed down by power rationing, persistent supply bottlenecks, soaring commodity prices, slower consumer spending and rising defaults in the real estate sector, which had been a key driver of growth.

Turning to the bond market, the upward shift in yields has been attributed to a number of developments. Chief among these have been much higher-than-expected inflation readings and shifting expectations on the outlook for inflation and central bank policies. Until recently, the U.S. Federal Reserve and the Bank of Canada had been holding to the view that the current rise in prices was due to temporary factors and that price pressures would recede as supply chain backlogs are cleared and pandemic-related distortions fade. However, officials from both central banks recently acknowledged that inflation could be higher and persist longer than they anticipated. As a result, the monetary authorities have signaled that they may begin to ease back on emergency stimulative measures by reducing the pace of monthly bond purchases as early as next month. In response to these shifts, traders are now considering the likelihood that the Fed will need to hike rates sooner than had been expected. In the U.S., the yield on the 10-year Treasury issue, which had reached a low of 1.2% back in August, is now approaching 1.7%, which is its highest level since May. At the shorter end of the curve, which is more sensitive to shifts in monetary policy, the yield on the 2-year Treasury note just set a 52-week high. The yield on the Canada 10-year issue experienced a similar jump and it is now yielding slightly more than its U.S. counterpart.

Looking ahead, we still expect the economic and business backdrop will continue to improve, albeit at a slower pace as the recovery matures and believe bond yields will continue to trade with an upward bias. However, we think investor sentiment will remain heavily influenced by the future path of inflation, supply chain disruptions, central bank policies and the course of the pandemic. Given that the outlook on these fronts is difficult to assess and that these issues may not be resolved for some time, we think bond investors should be prepared for uncomfortable bouts of two-way volatility. In weighing the potential returns and downside risks, we think it is prudent to maintain the Long Term Fund's laddered maturity structure and relatively defensive duration of just over 3 years.

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 September 30, 2021

<u>Quantity</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Annual Income</u>
CASH					
	Cash Account			9,031	0
MONEY MARKET ISSUES					
1,300,000	Canada Treasury Bill 0.10% due October 7, 2021	99.98	100.00	1,299,965	1,299
1,225,000	Bank of Nova Scotia 0.18% due October 12, 2021	99.99	99.99	1,224,922	2,205
1,220,000	CIBC BA 0.16% due November 3, 2021	99.96	99.98	1,219,789	1,951
1,305,000	Canada Treasury Bill 0.08% due November 4, 2021	99.98	99.99	1,304,858	1,044
1,200,000	CIBC BA 0.18% due November 8, 2021	99.97	99.98	1,199,761	2,159
1,210,000	Canada Treasury Bill 0.13% due November 10, 2021	99.97	99.99	1,209,832	1,572
1,175,000	Toronto Dominion Bank BA .18% due November 23, 2021	99.96	99.97	1,174,670	2,114
1,320,000	Canada Treasury Bill 0.12% due December 9, 2021	99.97	99.98	1,319,678	1,584
1,340,000	Canada Treasury Bill 0.10% due December 23, 2021	99.98	99.98	1,339,696	1,340
				<u>11,293,170</u>	<u>15,268</u>
TOTAL PORTFOLIO				11,302,201	15,268

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 07-01-21 To 09-30-21

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
07-07-21	07-08-21	1,200,000	CIBC BA 0.15% due September 10, 2021	99.97	1,199,684.40
07-14-21	07-15-21	1,305,000	Canada Treasury Bill 0.08% due November 4, 2021	99.98	1,304,680.28
07-15-21	07-16-21	1,175,000	Royal Bank BA 0.149996% due August 31, 2021	99.98	1,174,777.93
07-23-21	07-26-21	1,225,000	Bank of Nova Scotia BA 0.16% due August 19, 2021	99.99	1,224,871.38
08-05-21	08-06-21	1,300,000	Canada Treasury Bill 0.10% due October 7, 2021	99.98	1,299,779.00
08-06-21	08-09-21	1,220,000	CIBC BA 0.16% due November 3, 2021	99.96	1,219,540.06
08-11-21	08-12-21	1,210,000	Canada Treasury Bill 0.13% due November 10, 2021	99.97	1,209,612.80
08-18-21	08-19-21	1,225,000	Royal Bank BA 0.10% due September 13, 2021	99.99	1,224,916.70
08-30-21	08-31-21	1,175,000	Toronto Dominion Bank BA .18% due November 23, 2021	99.96	1,174,513.55
09-08-21	09-08-21	1,320,000	Canada Treasury Bill 0.12% due December 9, 2021	99.97	1,319,604.00
09-09-21	09-10-21	1,200,000	CIBC BA 0.18% due November 8, 2021	99.97	1,199,650.80
09-10-21	09-13-21	1,225,000	Bank of Nova Scotia 0.18% due October 12, 2021	99.99	1,224,824.83
09-29-21	10-01-21	1,340,000	Canada Treasury Bill 0.10% due December 23, 2021	99.98	1,339,695.82
					16,116,151.55
SALES					
07-08-21	07-08-21	1,200,000	CIBC BA 0.13% due July 8, 2021	100.00	1,200,000.00
07-15-21	07-15-21	1,305,000	Canada Treasury Bill .03% due July 15, 2021	100.00	1,305,000.00
07-16-21	07-16-21	1,180,000	Royal Bank BA 0.14% due July 16, 2021	100.00	1,180,000.00
07-26-21	07-26-21	1,225,000	TD Bank BA 0.15% due July 26, 2021	100.00	1,225,000.00
08-05-21	08-05-21	1,300,000	Canada Treasury Bill 0.04% due August 5, 2021	100.00	1,300,000.00
08-09-21	08-09-21	1,215,000	CIBC BA 0.14% due August 9, 2021	100.00	1,215,000.00
08-12-21	08-12-21	1,210,000	Canada Treasury Bill .07% due August 12, 2021	100.00	1,210,000.00

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 07-01-21 To 09-30-21

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
08-19-21	08-19-21	1,225,000	Bank of Nova Scotia BA 0.16% due August 19, 2021	100.00	1,225,000.00
08-31-21	08-31-21	1,175,000	Royal Bank BA 0.149996% due August 31, 2021	100.00	1,175,000.00
09-09-21	09-09-21	1,320,000	Canada Treasury Bill 0.05% due September 9, 2021	100.00	1,320,000.00
09-10-21	09-10-21	1,200,000	CIBC BA 0.15% due September 10, 2021	100.00	1,200,000.00
09-13-21	09-13-21	1,225,000	Royal Bank BA 0.10% due September 13, 2021	100.00	1,225,000.00
09-30-21	09-30-21	1,330,000	Canada Treasury Bill 0.06% due September 30, 2021	100.00	1,330,000.00
					16,110,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 06-30-21 to 09-30-21

Cash Balance at June 30, 2021		<u>4,951.08</u>
ADD: Proceeds from Sales	16,110,000.00	
Capital Contribution	0.00	
Bond Interest Credited (from Long Term Investment Fund)	22,498.25	
Transfers to Long Term Fund re: net sales and purchases	<u> </u>	<u>16,132,498.25</u>
LESS: Cost of Purchases	-16,116,151.55	
Capital Withdrawal	0.00	
Q2 2021 Investment Counsel Fees - Short Term Investment Fund	-3,188.92	
Q2 2021 Investment Counsel Fees - Long Term Investment Fund	-4,351.21	
Trust Company Charges	<u>-4,726.37</u>	<u>-16,128,418.05</u>
Cash Balance at September 30, 2021		<u><u>9,031.28</u></u>

[illegible]

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at September 30, 2021

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
GOVERNMENT BONDS					
200,000	Canada Housing Trust 2.4% Series 48 due December 15, 2022	100.37	102.37	204,746	4,800
200,000	Canada Housing Trust 2.35% due September 15, 2023	105.62	103.37	206,741	4,700
250,000	Canada Housing Trust 2.9% due June 15, 2024	102.64	105.57	263,930	7,250
300,000	Canada Housing Trust Ser. 70 2.25% due December 15, 2025	100.98	104.35	313,053	6,750
250,000	Canada Housing Trust No.1 2.350% due March 15, 2028	103.96	105.10	262,744	5,875
200,000	Canada Housing Trust 2.1% Series 88 due September 15, 2029	102.89	103.11	206,214	4,200
275,000	Canada Housing Trust 1.1% Series 95 due March 15, 2031	94.05	93.62	257,461	3,025
				<hr/> 1,714,889	<hr/> 36,600
PROVINCIAL BONDS					
250,000	British Columbia 3.25% due December 18, 2021	102.30	100.62	251,538	8,125
400,000	Ontario 3.15% due June 2, 2022	100.00	101.89	407,546	12,600
500,000	Ontario 2.85% due June 2, 2023	102.29	103.77	518,852	14,250
400,000	Ontario 2.60% due June 2, 2025	101.08	105.20	420,785	10,400
350,000	British Columbia 2.3% due June 18, 2026	104.40	104.62	366,173	8,050
350,000	Ontario 2.60% due June 2, 2027	97.56	105.79	370,275	9,100
				<hr/> 2,335,169	<hr/> 62,525
CORPORATE BONDS					
150,000	Royal Bank 1.968% due March 2, 2022	100.05	100.70	151,044	2,952
250,000	National Bank of Canada 2.105% due March 18, 2022	102.04	100.83	252,063	5,263
150,000	Wells Fargo 3.46% due January 24, 2023	102.36	103.49	155,234	5,190
300,000	Toronto Dominion Bank Dep. Note 1.909% due July 18, 2023	102.63	102.04	306,111	5,727

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at September 30, 2021

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
250,000	Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	102.02	105.99	264,982	8,065
250,000	CIBC Deposit Note 3.3% due May 26, 2025	100.24	107.12	267,806	8,250
200,000	Wells Fargo & Company 2.975% due May 19, 2026	102.15	104.49	208,987	5,950
300,000	Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	102.07	105.07	315,222	7,860
150,000	Bank of Montreal Dep. Note 2.70% due December 9, 2026	108.76	105.45	158,179	4,050
				<hr/> 2,079,629	<hr/> 53,307
TOTAL PORTFOLIO				6,129,686	152,432

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 07-01-21 To 09-30-21

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

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - LONG TERM INVESTMENT FUND
From 06-30-21 to 09-30-21

Cash Balance at June 30, 2021		<u>0.00</u>
ADD: Proceeds from Sales		
Bond Interest Credited to Long Term Investment Fund	22,498.25	
Transfer Bond Inteerst to Short Term Investment Fund	-22,498.25	
Transfer to Short Term Investment Fund net purchases & sales	<u>0.00</u>	<u>0.00</u>
LESS: Cost of Purchases		<u>0.00</u>
Cash Balance at September 30, 2021		<u><u>0.00</u></u>

Martin, Lucas & Seagram Ltd.									
EXTERNAL INDIVIDUAL CREDIT RATING REPORT - SEPTEMBER 30, 2021									
CLLAS - LONG TERM INVESTMENT FUND									
					Unit	Total		Market	Pct.
Quantity	CUSIP	Security		Rating	Cost	Cost	Price	Value	Assets
GOVERNMENT BONDS									
200,000	13509PDL4	Canada Housing Trust 2.4% Series 48	due December 15, 2022	AAA	100.37	200,740	102.37	204,746	3.3%
200,000	13509PDV2	Canada Housing Trust 2.35%	due September 15, 2023	AAA	105.62	211,240	103.37	206,741	3.4%
250,000	13509PEF6	Canada Housing Trust 2.9%	due June 15, 2024	AAA	102.64	256,600	105.57	263,930	4.3%
300,000	13509PFD0	Canada Housing Trust Ser. 70 2.25%	due December 15, 2025	AAA	100.98	302,940	104.35	313,053	5.1%
250,000	13509PGF4	Canada Housing Trust No.1 2.350%	due March 15, 2028	AAA	103.96	259,900	105.10	262,744	4.3%
200,000	13509PHD8	Canada Housing Trust 2.1% Series 88	due September 15, 2029	AAA	102.89	205,780	103.11	206,214	3.4%
275,000	13509PHQ9	Canada Housing Trust 1.1% Series 95	due March 15, 2031	AAA	94.05	258,638	93.62	257,461	4.2%
						1,695,838		1,714,889	28.0%
PROVINCIAL BONDS									
250,000	110709BJ0	British Columbia 3.25%	due December 18, 2021	AA (high)	102.30	255,750	100.62	251,538	4.1%
400,000	68323AAW4	Ontario 3.15%	due June 2, 2022	AA (low)	100.00	400,000	101.89	407,546	6.6%
500,000	68323ABN3	Ontario 2.85%	due June 2, 2023	AA (low)	102.29	511,430	103.77	518,852	8.5%
400,000	68323ACX0	Ontario 2.60%	due June 2, 2025	AA (low)	101.08	404,305	105.20	420,785	6.9%
350,000	11070TAJ7	British Columbia 2.3%	due June 18, 2026	AA (high)	104.40	365,400	104.62	366,173	6.0%
350,000	68323AEE0	Ontario 2.60%	due June 2, 2027	AA (low)	97.56	341,460	105.79	370,275	6.0%
						2,278,345		2,335,169	38.1%
CORPORATE BONDS									
150,000	780086KD5	Royal Bank 1.968%	due March 2, 2022	AA (high)	100.05	150,075	100.70	151,044	2.5%
250,000	633067C27	National Bank of Canada 2.105%	due March 18, 2022	AA (low)	102.04	255,100	100.83	252,063	4.1%
150,000	94975ZBN5	Wells Fargo 3.46%	due January 24, 2023	AA (low)	102.36	153,542	103.49	155,234	2.5%
300,000	891160LV3	Toronto Dominion Bank Dep. Note 1.909%	due July 18, 2023	AA (high)	102.63	307,890	102.04	306,111	5.0%
250,000	891145T79	Toronto Dominion Bank Dep. Note 3.226%	due July 24, 2024	AA (high)	102.02	255,050	105.99	264,982	4.3%
250,000	13596Z3Y9	CIBC Deposit Note 3.3%	due May 26, 2025	AA	100.24	250,600	107.12	267,806	4.4%
200,000	949746RX1	Wells Fargo & Company 2.975%	due May 19, 2026	AA (low)	102.15	204,300	104.49	208,987	3.4%
300,000	064151QE6	Bank of Nova Scotia Dep. Notes 2.62%	due December 2, 2026	AA	102.07	306,210	105.07	315,222	5.1%
150,000	06368AAA8	Bank of Montreal Dep. Note 2.70%	due December 9, 2026	AA	108.76	163,140	105.45	158,179	2.6%
						2,045,907		2,079,629	33.9%
TOTAL PORTFOLIO						6,020,089		6,129,686	100.0%

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-20 to 09-30-21

Security	12-31-20 Market Value	Additions Withdrawals	09-30-21 Market Value	09-30-21 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
CASH								
Cash Account	0	0	0	0				
GOVERNMENT BONDS								
Canada Housing Trust Ser 71 1.25% due June 15, 2021	251,260	-251,563	0	0	0	-9,185	0	0
Canada Housing Trust 2.4% Series 48 due December 15, 2022	208,270	-2,400	204,746	200,740	0	0	4,006	-3,524
Canada Housing Trust 2.35% due September 15, 2023	210,616	-4,700	206,741	211,240	0	0	-4,499	-3,875
Canada Housing Trust 2.9% due June 15, 2024	270,925	-3,625	263,930	256,600	0	0	7,330	-6,995
Canada Housing Trust Ser. 70 2.25% due December 15, 2025	323,448	-3,375	313,053	302,940	0	0	10,113	-10,395
Canada Housing Trust No.1 2.350% due March 15, 2028	276,235	-5,875	262,744	259,900	0	0	2,844	-13,491
Canada Housing Trust 2.1% Series 88 due September 15, 2029	0	204,209	206,214	205,780	0	0	434	434
Canada Housing Trust 1.1% Series 95 due March 15, 2031	0	257,945	257,461	258,638	0	0	-1,176	-1,176
GOVERNMENT BONDS Total	<u>1,540,754</u>		<u>1,714,889</u>	<u>1,695,838</u>	<u>0</u>	<u>-9,185</u>	<u>19,052</u>	<u>-39,022</u>
PROVINCIAL BONDS								
British Columbia 3.25% due December 18, 2021	257,290	-4,063	251,538	255,750	0	0	-4,212	-5,752
Ontario 3.15% due June 2, 2022	416,460	-6,300	407,546	400,000	0	0	7,546	-8,914
Ontario 2.85% due June 2, 2023	529,805	-7,125	518,852	511,430	0	0	7,422	-10,953
Ontario 2.60% due June 2, 2025	434,244	-5,200	420,785	404,305	0	0	16,480	-13,459
British Columbia 2.3% due June 18, 2026	378,945	-4,025	366,173	365,400	0	0	773	-12,772
Ontario 2.60% due June 2, 2027	385,606	-4,550	370,275	341,460	0	0	28,815	-15,330
PROVINCIAL BONDS Total	<u>2,402,350</u>		<u>2,335,169</u>	<u>2,278,345</u>	<u>0</u>	<u>0</u>	<u>56,824</u>	<u>-67,181</u>
CORPORATE BONDS								
Bank of Montreal 3.4% due April 23, 2021	201,868	-203,400	0	0	-1,300	-1,868	0	0
Royal Bank 1.968% due March 2, 2022	152,814	-2,952	151,044	150,075	0	0	969	-1,770
National Bank of Canada 2.105% due March 18, 2022	255,300	-5,263	252,063	255,100	0	0	-3,037	-3,237
Wells Fargo 3.46% due January 24, 2023	158,604	-5,190	155,234	153,542	0	0	1,692	-3,370
Toronto Dominion Bank Dep. Note 1.909% due July 18, 2023	310,239	-5,727	306,111	307,890	0	0	-1,779	-4,128
Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	272,240	-8,065	264,982	255,050	0	0	9,932	-7,258
CIBC Deposit Note 3.3% due May 26, 2025	276,710	-4,125	267,806	250,600	0	0	17,206	-8,904

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-20 to 09-30-21

Security	12-31-20 Market Value	Additions Withdrawals	09-30-21 Market Value	09-30-21 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
Wells Fargo & Company 2.975% due May 19, 2026	216,170	-2,975	208,987	204,300	0	0	4,687	-7,183
Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	328,578	-3,930	315,222	306,210	0	0	9,012	-13,356
Bank of Montreal Dep. Note 2.70% due December 9, 2026	165,042	-2,025	158,179	163,140	0	0	-4,961	-6,863
CORPORATE BONDS Total	2,337,565		2,079,629	2,045,907	-1,300	-1,868	33,722	-56,068
TOTAL PORTFOLIO	6,280,668		6,129,686	6,020,089	-1,300	-11,053	109,597	-162,271
TOTAL DATE TO DATE GAIN OR LOSS								-173,324
% CHANGE DURING PERIOD								-2.76