

**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, June 21, 2022 at 8:45 a.m.
Goodmans LLP
34th Floor, Bay Adelaide Centre, West Tower
333 Bay Street
Toronto, Ontario

ZOOM login information:

To join meeting using a computer:

<https://us02web.zoom.us/j/89533137397?pwd=Uk1DazZTdEtxcndrN0taOGI0K1k1UT09>

Meeting ID: 895 3313 7397

Meeting Password: 739833

To join meeting by phone:

+1 647 558 0588 Canada

Meeting ID: 895 3313 7397

Meeting Password: 739833

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 February 22, 2022 and May 4, 2022 Meetings	Ken Crofoot	5 mins	3.0

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 the Chair	Ken Crofoot	5 mins	
6. Pro-Form Insurance Services – Excess Insurance Renewal	Bob Wilson Scott Belton	15 mins	To Follow
7. Reinsurance Renewal	Ryan Durrell	45 mins	
7.1 Status of Reinsurance Renewal including CLLAS Cyber			7.1
7.2 Surplus Position and Impact on 2022/23 Premium			
<i>Proposed Resolution: To approve the 2022/23 rates, including premium credit as appropriate</i>			
8. Report of the General Manager’s Office	Patrick Mahoney	20 mins	
8.1 Management Financial Statements – March 31, 2022			8.1
8.2 CLLAS Transition to IFRS 17			8.2
8.3 CLLAS 2022 Business Plan (updated for cyber)			8.3
8.4 CLLAS Subscribers Agreement (amendments for cyber)			8.4
9. Committee Reports		20 mins	
9.1 Audit Committee	Gordon Goodman		
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 Updated Committee Membership	Ken Crofoot	5 mins	10.2
11. Next Meeting – September 20, 2022 at 8:30 a.m.			

Anticipated Adjournment Time: 10:45 a.m.

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

Minutes of a Meeting of the Advisory Board

8:30 a.m.

Goodmans LLP (via videoconference)

Tuesday, February 22, 2022

Present:

Ken Crofoot (Chair)	Goodmans LLP
Melanie Koszegi	Davies Ward Phillips & Vineberg LLP
Robert Love	Borden Ladner Gervais LLP
Gordon Goodman	Cassels Brock & Blackwell LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Bill Scott	McCarthy Tétrault LLP
Margaret McNee	McMillan LLP
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 December 7, 2021 Meeting of the Advisory Board

It was moved by Gordon Goodman and seconded by Margaret McNee that the minutes of the December 7, 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

Ken Crofoot advised that the current plan is to travel to London for reinsurance meetings in-person, something that we have not been able to do since 2019. He also reported that a number of firms have communicated their commitment to CLLAS for the 8th Underwriting period. There were no additional comments that will not be covered under other agenda items.

6. Market Update and Reinsurance Renewal Planning

Ryan Durrell updated the Board with respect to renewal planning for July 1, 2022.

There have been no indications from any incumbent markets that they intend to stop writing professional liability business. In the past the past two years, this news has tended to be communicated around January 1st (when the markets have secured their own reinsurance coverage). This is hopefully an indication that the market is stabilizing, although we should still expect some upward pressure on rates.

Mr. Durrell reported that he expects that we will be able to place the additional \$30 million umbrella layer this year as markets have been aware of it for some time and have been able to build it into their 2022 business plans. CLLAS has requested terms for the additional layer for July 1st and this has been communicated to all syndicates.

7. CLLAS Cyber Program Proposal

Further to discussions at the last Board meeting, Ryan Durrell presented a proposal to move forward with the implementation of a CLLAS Cyber Program. The presentation is available in the CLLAS portal. For most firms their current cyber policies expire on October 15, 2022.

The cyber market's woes are well documented – firms have universally felt the impact. Demand for coverage is dramatically outpacing supply, and pricing and availability are unstable, at best. In fact, the conditions for implementing a CLLAS cyber program are similar to those for professional liability in the 1980s that triggered the creation of CLLAS.

Mr. Durrell advised that, given current market conditions, it should be possible to improve all aspects of cyber insurance by bringing the coverage into CLLAS. CLLAS would have control over the policy wording, including deductibles and limits, as well as claims management providers. Consideration must be given to rating strategy, review of expected claims and any necessary amendments to the Subscribers' Agreement. The plan would be to track the cyber program separately via a new underwriting group within CLLAS. One current Associate Firm participates in the current program and would be invited to join CLLAS for cyber.

He outlined next steps as follows:

- Obtain Board approval to move ahead to formalize terms and conditions for a CLLAS Cyber Program as outlined
- Refine cyber coverage terms/policy wordings
- Develop a cyber rating structure, including further development of loss modeling
- Design and document claim management structure
- Secure reinsurance terms/indications
- Secure provincial licensing for cyber as needed
- Review and develop recommendations for subscriber agreement amendments

He proposed that CLLAS hold a special meeting of the Board in late April or early May 2022 dedicated to the CLLAS Cyber Program with the aim for CLLAS to receive details of the program and to provide direction to management allowing them to complete the necessary steps for a July 1, 2022 inception.

It was moved by Gord Goodman and seconded by Margaret McNee to move forward with the development of the cyber program, including discussion with the regulators as required, and to report back to the Board at a special meeting in April or May 2022. The motion was carried unanimously.

8. Report of the General Manager's Office

Financial Statements for the Period Ending December 31, 2021

Patrick Mahoney presented CLLAS' financial management report as at December 31, 2021.

CLLAS experienced an underwriting gain (i.e. premiums minus claims and expenses) of \$442,585 for the year ended December 31, 2021. The main reason for the gain is the emergence of good claims experience in CLLAS' drop-down layer in the latter part of the year. CLLAS' surplus at December 31, 2021 stood at just over \$12.8 million. The Budget Variance shows that expenses finished the year about \$36,000, or 1.9% under budget.

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

Presentation of the Actuary to the Audit Committee

CLLAS' actuary, Julie-Linda Laforce presented the results of the 2021 valuation to the Audit Committee at a meeting held on February 15, 2022. The actuary's presentation was included in the Board material as an information item and the full valuation report is available should any Board member wish to have a copy. The presentation highlights among other things, the development of incurred losses.

2022 Operating Budget

Mr. Mahoney presented the proposed operating budget for 2022. The budget letter addresses expenses incurred in 2021 and the budget being proposed for 2022. The operating expense budget is increasing for 2022 compared to the prior year for three main reasons: (1) a change in the approach used for commissions on the cyber placements, which impacts the budget because CLLAS receives a credit for these commissions against management fees; (2) management and audit costs in 2022

related to IFRS 17 implementation; and (3) a change in the approach used to budget premium taxes (which doesn't change the cost, just the timing).

It was moved by Michael Swartz and seconded by Donald Milner that the 2022 budget be approved. The motion was carried unanimously.

9. Committee Reports

Report of the Audit Committee

Gordon Goodman reported on behalf of the Audit Committee.

The year-end meeting with CLLAS' auditor and actuary took place on February 15, 2022. An unqualified audit opinion was issued. The Audit Committee had an opportunity to meet with the auditor without management. Nothing of note came out of that meeting. Copies of the Audit Findings Report and the Audited Financial Statements were included in the Board meeting material.

It was moved by Bill Scott and seconded by Margaret McNee that the Financial Statements as at December 31, 2021 be adopted. The motion was carried unanimously.

The P&C1 regulatory filing will be signed and filed before February 28, 2022.

Report of the Claims Committee

Bill Scott reported to the Board. There are a number of claims being monitored closely. The Committee meets quarterly to review active files and met most recently in early January 2022.

Report of the Risk Management Committee

Julia Holland reported to the Board. The Committee met last week. Their discussion centered around new initiatives and new CLLAS risk management sessions for the firms focused on risks of a hybrid work model as people return to the office and cyber. The first proposed session will be about an hour and a half and will likely be held in the late Spring. The Board is welcome to provide Ms. Holland with any additional topics they might like to see addressed.

Report of the Policy Committee

There was no report of the Policy Committee.

10. Other Business

Quarterly Report of the Investment Manager at December 31, 2021

This is an information item for the Board. New guidelines for investing in triple B bonds have been implemented.

Five-year Underwriting Period Renewal

The Chair reminded Board members that June 30, 2022 is the end of the current five-year underwriting period. He asked Board members to communicate back to him if they have any feedback from within their firm or if CLLAS can be of assistance in addressing any questions.

There was no further business.

11. Next Meeting

The next regularly scheduled meeting of the Board will be on June 21, 2022.

There being no further business, the meeting was terminated.

Chairman

Secretary

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

Minutes of a Special Meeting of the Advisory Board

8:30 a.m.

Goodmans LLP (Via Videoconference)

Wednesday, May 4, 2022

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

Also Present:

Anne-Marie Breton	Fasken Martineau DuMoulin LLP
Patrick Mahoney	Office of the General Manager, CLLAS
Norma Ibbetson	Office of the General Manager, CLLAS
Ryan Durrell	Axxima
Chris Marley	Axxima
Carrie Green	Axxima

Absent:

Mike Swartz	WeirFoulds LLP
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1. Constitution of Meeting

The Chair brought the meeting to order and welcomed Anne-Marie Breton from Fasken who will be shadowing Don Milner as Fasken's eventual successor on the CLLAS Board.

2. Appointment of Secretary

Norma Ibbetson acted as Secretary.

3. Cyber Program Update

Patrick Mahoney introduced the CLLAS Board to Chris Marley and Carrie Green of Axxima and then turned the meeting over to Ryan Durrell who provided the Board with an update on the CLLAS cyber insurance program being developed with a target implementation date of either July 1, 2022

(coincident with the renewal for the E&O coverage) or October 15, 2022 (the date on which the cyber policies of eight of the 10 CLLAS firms would normally renew.

Ryan began with an overview of the cyber market as a whole, including losses and premium increases. Markets have scrambled to correct for historical underpricing of cyber insurance in four key ways: increasing premiums, exiting from specific industries/sectors, reducing coverage and implementing new underwriting controls.

CLLAS firms are generally well prepared for cyber incidents with sophisticated internal controls and have better loss experience than the market as a whole. Mr. Durrell provided a high-level review of the experience of the CLLAS firms to date and noted that past losses would either be covered by the main CLLAS policy or fall within deductibles being proposed for the new program.

The Board discussed the rationale for implementing a CLLAS solution given current market conditions. Market instability is making the coverage difficult to acquire and pricing is erratic when the coverage is available. The underwriting process is challenged by moving targets on controls. CLLAS can provide stability in both pricing and coverage comparing to the expiring coverage, while the market is expected to continue to increase pricing and cut back coverage.

Key features of the proposed program:

- Deductible consistent with current commercial policies based on number of lawyers
- Primary policy limits of \$10 million per firm
- Excess coverage above the CLLAS primary layer placed directly with commercial insurers
- CLLAS-specific claims management including CLLAS selected panel of providers
- Premium estimated at \$2.5 million
- Reinsurance costs estimated at \$1.53 million
- Retained losses actuarially estimated at 75% of retained premium
- Operating expenses estimated at 17% of retained premiums
- CLLAS Cyber program in development is expected to have minimal effect on CLLAS' overall financial performance

Mr. Durrell provided an update on current reinsurance support. The current incumbent, Beazley, has indicated that it will support 60% of the \$5 million excess of \$1 million layer for a premium of \$1 million, which leaves \$500,000 available to secure the additional \$4 million excess of \$6 million. Beazley is insisting on using its policy wording, which is understandable. This wording is being reviewed by management and will be provided to the CLLAS Policy Committee. One concern noted is the likely presence of the war exclusion which has been highlighted as an issue in general, and also specifically in light of the Ukraine-Russia conflict.

Once quote-share reinsurance terms are firmed up, CLLAS will approach Colchester to discuss stop-loss protection for CLLAS' retention.

Mr. Durrell advised that he expects that excess insurers would be willing to sit on top of the new program with follow form wording.

Licensing with the regulators is in process. Alberta, CLLAS' principal regulator, is reviewing the business plan but requires nothing further of CLLAS to write this class of business. CLLAS's licence in

Ontario is limited to professional liability insurance and management is in the process of securing the necessary license from FSRA. The expectation is that CLLAS will be fully licensed by July 1, 2022.

The current Subscriber Agreement has been reviewed in light of the proposed cyber program. The agreement does not need to be amended to establish the program, but some amendments are recommended by management to allow for separate accounting for cyber (i.e. distinct from the E&O program). The amendments will be prepared over the month of May and provided to the Policy Committee for review before going to the full Board.

Claims management processes are being documented, including engagement of external cyber expertise with management providing file oversight and maintaining the claims data.

It was noted that the proposed coverage integrates with the main CLAS policy, in particular the third party cyber coverage provided under that policy. It is expected that there will be no changes to that coverage at the upcoming renewal.

Management is targeting an implementation date of July 1, 2022 but there are a number of elements to be finalized, including licencing. The Board favoured the October 15, 2022 date, provided that the reinsurance terms which have been secured can be held for the later start date.

One of the next Steps is to have the firms complete applications so that quotes and terms can be obtained, subject only to confirmation that Beazley is willing to support the program at the later launch date. If we cannot get comfort on that issue, we will continue to push forward for a July 1 implementation date.

The presentation and the business plan discussed during the meeting have been posted to the CLLAS intranet.

4. Next Meeting

The next regularly scheduled meeting of the Board will be on June 21, 2022.

There being no further business, the meeting was terminated.

Chairman

Secretary



PRIVATE AND CONFIDENTIAL

Date: June 15, 2022

To: CLLAS Advisory Board

From: Patrick Mahoney, Ryan Durrell, and Christopher Marley

Re: **Report on the CLLAS Reinsurance Placements for July 1, 2022**

The purpose of this report is to provide the CLLAS Board with information on the reinsurance placements for the policy year commencing July 1, 2022. It includes renewal placement information on the CLLAS professional liability reinsurance program, as well as an update on the CLLAS cyber reinsurance program's inaugural placement.

CLLAS Professional Liability Reinsurance Program Renewal

CLLAS Renewal Objectives

The CLLAS renewal objectives for the period July 1, 2022/2023 are as follows:

- Obtaining the best renewal terms possible given current (re)insurance market conditions;
- Attract new markets;
- Maintain and enhance existing reinsurer relationships; and
- Continue to evaluate ability to distribute surplus to members through premium credits.

CLLAS Renewal Negotiations

We are presently entering the first year of the eighth five-year underwriting period.

Last year we faced the continued headwinds of a hardening reinsurance market and continued to fight hard to resist pressure for significant rate increases. The market this year remains challenging but is marked by what the market has been calling "decelerated increases" in rate. Availability of capacity is improving as insurers are once again turning profits after a period of year over year losses. The upward pressure on rates is subsiding. That said, a strong focus on technical rating remains, and inflationary impacts on losses are being carefully monitored. There remains some concern that a recession is imminent. Recessions have historically brought higher claims frequency and severity, so this remains a concern, post-Pandemic.

On the positive side, CLLAS' loss development and loss emergence over the past 12 months have been relatively benign. Loss history since 2010 is emerging positively relative to rates, although actuaries are quick to discount recent experience as not being sufficiently mature. Regardless, another year of relative stability was the highlight of our "business as usual" theme during renewal presentations.



Ken Crofoot, Julia Holland, Patrick Mahoney, Ryan Durrell and Christopher Marley attended meetings in London this year for the first time since 2020, which reminded us of the benefit of in-person meetings. While the video presentations of the past two years were effective, I think all involved were delighted to bid that process adieu, and it was clear there was little hope of the renewal delegation becoming YouTube stars.

Julia and Ken provided significant comfort to underwriters on a variety of issues, including the Canadian legal marketplace, impacts of the Russia-Ukraine conflict and sanctions, hybrid working environments, and risk management efforts. Central to the discussions was a reminder that CLLAS operates on a five-year underwriting period, and that all the participating firms had just renewed. This is a key feature of the CLLAS program, and coupled with CLLAS' on-going risk management efforts, provides the benefit of stability to both underwriters and the CLLAS firms.

These messages were very well received by underwriters, who took a keen interest in the firms' experiences. Other topics that seemed important to underwriters were:

1. Pandemic claims latency. Underwriters raised concerns that there are a number of claims which have been incurred but have not yet developed or reported resulting from the pandemic, either as a result of a delay due to court closures and limitation period changes, or as a result of errors due to the sudden move to remote work, such as reduced oversight and supervision.
2. Inflation. Underwriters were almost unanimously concerned about the impact of not just cost inflation, but also "social inflation" on claims. Social inflation refers to the ways in which insurers' claims costs rise at a rate higher than general inflation, due for example to shifts in societal preferences over who is best placed to absorb risk. Social inflation has been a material factor in claims experience in the United States in the last few years due, at least in part, to unpredictable jury awards – we were quick to highlight that this is not a factor in Canada. A report on inflation cresting 9% in the UK was released while meetings were underway, making this especially topical.

Based on CLLAS' internal actuarial rating work (which is used to assess CLLAS' cost for retained risk), current reinsurance rates are approximately 62% of the discounted expected loss costs (up from 55% last year). Underwriters may be in a position to be more aggressive with their actuarial analysis than CLLAS, due to their ability to spread risk across multiple markets and lines of business, but the gulf between the rates and expected loss costs is wide enough that we can continue to expect upward pressure on rates and were well-prepared by our London broker that inflationary concerns would prevent consideration of anything less than 5%. After conducting a non-actuarial analysis of the rates across all the layers, we determined that the rates of the optional excess and umbrella layers appeared underpriced relative to the cost of the upper layer of the Pro-Form placement and is further corroborated by the erosion of reinsurance support. Nevertheless, we proposed 5% rate increases across all reinsurance layers, including the optional excess and umbrella, as we did not want to send mixed signals to the other layer supporters.

As of the date of this memo, we have had significant support for the Primary layer terms (+5%) from three markets, including the lead. The remaining two markets are still working on their actuarial support, and we may need one to two percent more rate to complete the primary layer placement.

As expected, the lead markets for the optional excess and umbrella layers are pushing for 20% and 16% increases, respectively. Based on the capacity available, these increases will likely be necessary in order to complete these layer placements. That said, the overall cost of the Optional Excess and Umbrella layers is minor in comparison to the Primary layer. The expiring CLLAS Primary rates for non-Quebec lawyers are presently 7.5 times that of the Optional



Excess and Umbrella layers combined. Larger increases the excess layers will have a much smaller impact in the overall cost experienced by firms.

We are not experiencing the same level of capacity concern we have in the past three renewals, and we are confident that the renewal will be substantively concluded by the date of the board meeting with terms of +5% to +7% over expiring on the Primary, and +20% and +16% on the Optional Excess and Umbrella layers.

On a positive note, we have had very few discussions related to the third-party cyber coverage included in the professional liability policy for this renewal, and while there remains a possibility this may emerge as an issue in the final days of the renewal, we are cautiously optimistic that material efforts last year will pay off this year.

Lastly, we are looking to re-affirm the rates for the new Optional Excess Umbrella Layer presented at the December board meeting, which would provide access to and additional \$30MM in limits for firms wishing to extend their total limits to \$280,000,000.

An up-to-date report on the renewal will be provided at the Board meeting.

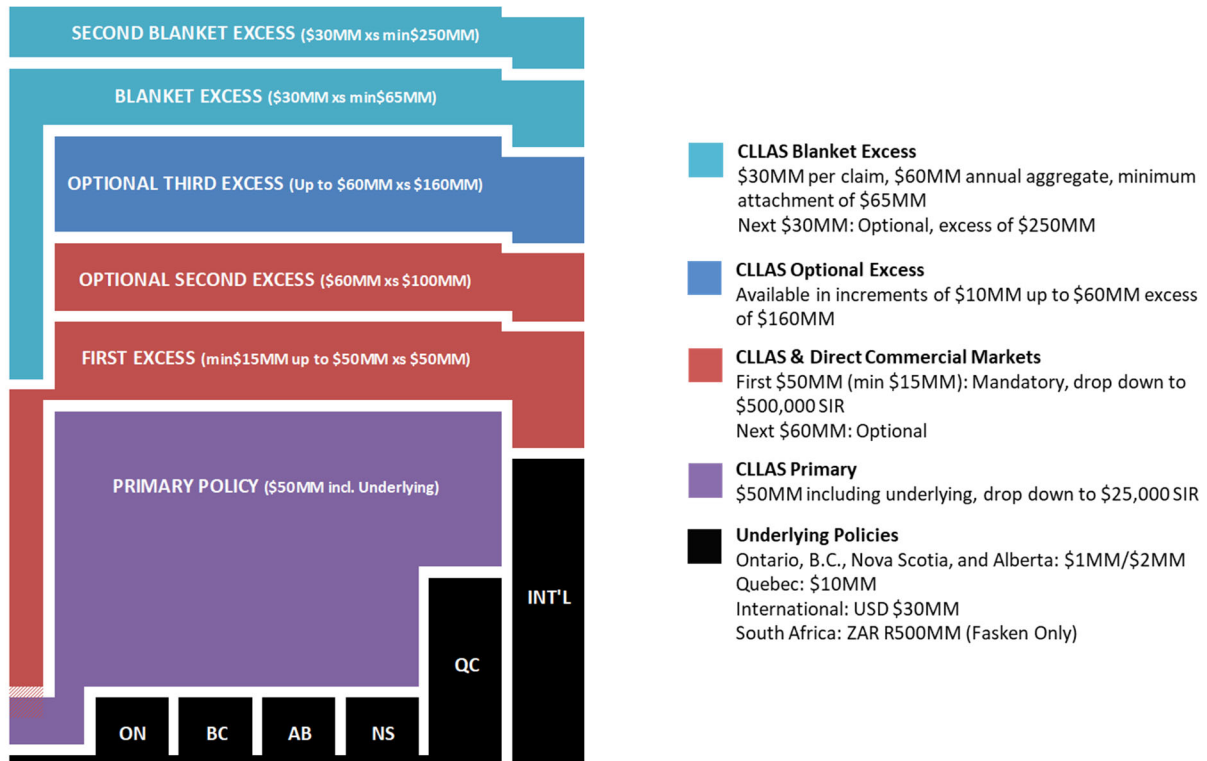
CLLAS Insurance Structure

CLLAS currently offers a \$50,000,000 primary policy, of which it retains only the drop-down exposure between \$25,000 and \$1,000,000 where underlying policies do not respond.

Beginning in 2017/2018, CLLAS began participating in the direct commercial market layers between \$50,000,000 and \$160,000,000. CLLAS provides 5% of those layers, and fully reinsures this exposure.

Above the commercial market layers are CLLAS' optional excess and blanket excess layers, which provide up to \$60,000,000 optionally before the mandatory and optional blanket excess layers, which provide up to \$60,000,000 per claim with a \$120,000,000 aggregate. Again, these layers are fully reinsured.

The CLLAS insurance structure offers limits of up to \$280,000,000, as seen on the following page.



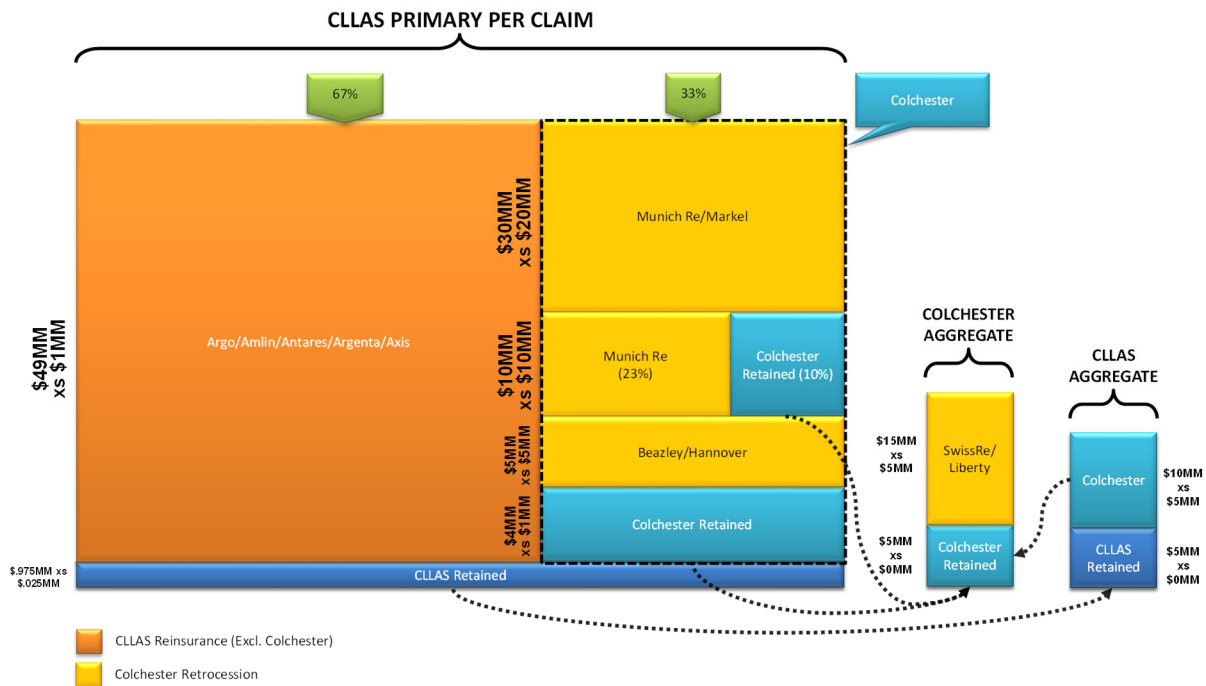
The current policies and limits issued by CLLAS are described in more detail below:

1. CLLAS Primary Policy of \$50M – A Primary Policy of \$50,000,000 each and every claim and in the annual aggregate, including costs, charges and expenses, inclusive of the minimum mandatory coverage provided by the applicable law society professional liability insurance program or by the professional liability insurance program of the governing body of a self-regulatory profession other than law and/or other applicable insurance and/or \$25,000 per claim self-insured retention. The rate for lawyers in Quebec is lower in this layer because of the higher underlying limit provided by Barreau du Quebec.
2. CLLAS First Excess Policy of Up to \$50M Excess of \$50M – CLLAS has a 5% participation on the First Excess Policy of up to \$50M excess of the CLLAS Primary \$50M and/or other specific underlying insurance arranged by certain CLLAS member firms for their offices in the U.S. and/or other international locations.
3. CLLAS Optional Second Excess Policy of Up to \$60M Excess of \$100M – CLLAS has a 5% participation on the Second Excess Policy of up to \$60M excess of \$100M. This policy follows the CLLAS First Excess Policy.
4. CLLAS Optional Third Excess Policy of Up to \$60M excess of \$160M – This is an existing layer issued 100% by CLLAS of up to \$60M excess of \$160M. This policy follows the First Excess and Optional Second Excess Policies.

5. CLLAS Blanket Excess Policy of \$30M per claim/\$60M aggregate – This policy is shared by all CLLAS member firms. This policy follows the CLLAS First Excess Policy (\$15M excess of \$50M must be purchased at a minimum) and also follows the Optional Second and Third Excess Policies, where purchased.
6. CLLAS Optional Blanket Excess Policy of \$30M per claim/\$60M aggregate – This policy is shared by all CLLAS member firms electing this coverage. This policy follows the CLLAS Blanket Excess policy and is only available if all preceding optional layers are purchased.

CLLAS Reinsurance Structure

The proposed reinsurance structure for the primary policy is unchanged from the expiring structure, depicted below:



The current reinsurance program is described in more detail below:

- a) Primary Policy Reinsurance: \$49MM excess of \$1MM – 100% reinsured.
 - 67% of this layer is proportionally reinsured with Lloyd's and other reinsurers.
 - 33% is reinsured with Colchester. Colchester's involvement is then layered and retroceded to various markets. A portion of Colchester's participation which is not transferred to other markets is retained by Colchester. Colchester also purchases stop-loss cover to manage its retained exposure.
 - CLLAS retains the entire drop-down exposure below \$1M.



- b) First Excess Policy Reinsurance: Up to \$50MM excess of \$50MM – The 5% participation by CLLAS is fully reinsured.
- c) Second Excess Policy Reinsurance: Up to \$60MM Excess of \$100MM – The 5% participation by CLLAS is fully reinsured.
- d) Optional Excess Policy Reinsurance: Up to \$60MM excess of \$160MM – 100% reinsured.
- e) Umbrella Policy Reinsurance: \$30MM/\$60MM excess of \$65MM (minimum) – 100% reinsured.
- f) Optional Excess Umbrella Reinsurance: \$30MM/\$60MM excess of \$250MM (minimum) – 100% reinsured.
- g) Aggregate Stop-Loss Reinsurance: CLLAS aggregate protection of \$10MM excess of \$5MM in aggregate losses – 100% reinsured by Colchester.
- h) Loss Portfolio Transfer Reinsurance: Claims reserves and IBNR as at June 30, 2012 – 100% reinsured by Colchester.

Reinsurance Security

New markets have been approached for the renewal this year. All markets are vetted to ensure they meet CLLAS' reinsurance security requirements.

CLLAS performs a robust analysis of reinsurance security each fall which is reviewed by the Audit Committee and provides management with direction for the renewal. No special direction was provided for the current renewal.

Premium Reductions Through CLLAS Surplus Contributions

CLLAS' surplus remains sufficient to continue to provide a premium reduction. This topic will be discussed in more detail at the Board meeting.

Proposed CLLAS Structure and Rates – July 1, 2022/2023

We expect no substantive changes to the CLLAS insurance or reinsurance structures.

Our suggested rate increases of 5.0% on all layers is being supported by lead reinsurer on the primary layer, whereas 20.0% and 16.0% rate increases are being sought by the lead reinsurers on the optional excess and umbrella layers. No rate change is anticipated on the optional umbrella layer, which was negotiated in December of 2021.

The overall increase in the per-lawyer rate for the CLLAS firms is being calculated and will be provided at the Advisory Board meeting. At this time, the rate increase looks like it will be less than 10%, overall.

At the outset of the pandemic, when its impact on the cashflow of law firms was uncertain, CLLAS moved from semi-annual to quarterly premium instalments. This was done notwithstanding that there was no change to the timing of payments to CLLAS' reinsurers. While the impact of this timing mismatch on CLLAS is not great, we would like to raise the possibility of moving back to semi-annual instalments, if not for the coming policy year, then for the 2023-2024



policy year. One of our reinsurers has actually requested to move to a single annual payment and we will likely accommodate this request in order to secure their support at renewal.

Proposed Policy Wording Changes at Renewal

CLLAS does not expect to amend any of the policy wordings for the coming year.

CLLAS Cyber Reinsurance Program

Details, such as claims handling procedures and reinsurance contract wordings, are continuing to be worked through as we approach inception on July 1, 2022 of this inaugural reinsurance placement. A few key details available at the time of writing are as follows:

- Reinsurance of the first CLLAS Cyber Policy is being expected to incept July 1, 2022, and is structured to allow risks to attach throughout the year ending June 30, 2023. This will allow CLLAS to facilitate inception dates for each firm at their current policy's expiry, which, for most, will be October 15, 2022. One firm is expected to incept on July 1, 2022, and one firm will incept in December of 2022. It is expected that we will move all the firms to a common renewal date, over the first two policy years.
- For clarity, firms will incept their first CLLAS Cyber Policy at the natural expiry of the existing coverage.
- CLLAS has secured preliminary terms from Beazley Syndicate at Lloyd's, who presently provides the majority of CLLAS firms with their primary \$5,000,000 policy. Beazley has agreed to provide capacity on the basis that the CLLAS policy wording mirrors the Beazley wording. We have done a fulsome review of the Beazley wording against broadest in the marketplace, CFC, and found the Beazley wording to be clearer and that the policy terms and conditions are generally in line or broader than CFC's, save for a few coverage enhancements which we do not see providing material value to the CLLAS firms (e.g. up to \$50,000 excess of the deductible for post-breach remediation expenses).
- Beazley is expected to provide 100% of \$5,000,000 excess of \$1,000,000 per claim and in the annual aggregate per firm. As terms are finalized with Beazley in the next week, we will then be in a position to finalize terms with one of the other interested reinsurers for 100% of \$4,000,000 excess of \$6,000,000 to complete the reinsurance of CLLAS' \$10,000,000 total policy limit.

Conclusions

We continue to work hard to hold on to the exceptional risk transfer pricing achieved on the professional liability placement (relative to expected loss costs) over the past ten-plus years. As pricing moves closer to actuarially determined expected loss costs, CLLAS can expect to respond by retaining a meaningful share of the risk, as it has in the past, but "decelerated increases" in reinsurance rates mean this will likely not take place in the current underwriting period unless material loss deterioration or further market disruption occur. More details, including proposed rates, will be provided at the upcoming Board meeting.

CLLAS' reputation and cyber program longevity are paying dividends in securing the required terms and conditions for the cyber reinsurance placement, and we look forward to finalizing and communicating the results of that placement in the coming weeks.



MEMORANDUM

DATE: June 10, 2022
TO: CLLAS Advisory Board
FROM: Patrick Mahoney
COPY:
RE: March 31, 2022 Financial Management Report

CLLAS' financial management report for the quarter ended March 31, 2022 is attached. Included are the following exhibits:

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

Financial Results

As shown on Exhibit II, CLLAS experienced an underwriting gain of \$236,000 for the quarter. The main reason for this was the receipt by CLLAS of \$400,000 as the final amount recovered from a claim paid in 2007. Expenses are also well under budget (\$141,000, or 21.7%) due primarily to premium taxes and Axxima professional fees, both of which will likely smooth out as the year progresses. CLLAS' other comprehensive income (unrealized gains/losses on the investment portfolio) was negative in the quarter bringing total comprehensive income for the quarter to \$33,000.

As shown on Exhibit I, CLLAS' surplus at March 31, 2022 stood at just over \$12.9 million.

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 2020 and 2021, and the first quarter result for 2022 against risk targets and risk limits.

Most of the metrics at March 31, 2022 are within CLLAS' risk targets. The items of note are discussed below.

Line 1: The key regulatory solvency test that CLLAS is required to comply with is known as AMRGF. Details of this calculation are shown in Exhibit VI, with the result summarized in Exhibit V. CLLAS must maintain "cash and approved securities" in excess of the reserve fund plus the



guarantee fund required by the Alberta regulator. Exhibit VI shows that the CLLAS held cash and approved securities well in excess of the AMRGF requirement at March 31, 2022.

Line 2: CLLAS also monitors its Minimum Capital Test ratio. At March 31, 2022 CLLAS' MCT ratio was 560%. The result is well above CLLAS' internal target of 210%.

Line 6: This metric had been previously marked yellow, i.e. "some concerns noted" due to the possible impact of the pandemic on claims experience. The passage of time has allowed us to change this metric to green, i.e. "nothing on horizon".

Line 8: The insurance market continues to be very difficult and so this metric appears in yellow. This metric will be reviewed as circumstance change.

Line 9: This metric is 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 is also 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.

Lines 12/13: While there have been no concerns noted, the Board has not yet had a focused discussion on CLLAS' resiliency capacity. This will be arranged for an upcoming Board meeting.

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

Sincerely,

Patrick Mahoney, General Manager

Exhibit I

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF FINANCIAL POSITION
March 31, 2022

	As at March 31, 2022	As at March 31, 2021
ASSETS		
Cash	4,848,370	3,444,418
Short term investments	11,370,488	11,248,020
Bonds	5,796,529	6,160,979
Interest income due and accrued	39,255	42,200
Premium receivable	90,056	1,413,157
Other receivable	-	-
Prepaid expenses	133,264	120,083
Deferred policy acquisition costs	26,938	-
Unearned reinsurance premium ceded	2,632,545	2,162,563
Reinsurance recoverable	1,111,666	638,619
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	66,247,505	67,327,069
	<u>92,296,616</u>	<u>92,557,108</u>
LIABILITIES		
Accounts payable & accrued charges	270,140	340,214
Premium taxes payable	-	-
Unearned premium	3,139,706	2,666,509
Due to reinsurers	1,522,605	1,239,550
Provision for unpaid claims and adjustment expenses	74,498,808	76,064,451
Premium deficiency liability	-	-
	<u>79,431,260</u>	<u>80,310,724</u>
SUBSCRIBERS' EQUITY		
Surplus	13,004,958	12,043,250
Accumulated Other Comprehensive Income (Loss)	(139,601)	203,133
	<u>12,865,357</u>	<u>12,246,384</u>
	<u>92,296,616</u>	<u>92,557,108</u>

Exhibit II

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME
For the Period Ending March 31, 2022

	Current Year		Prior Year	
	Quarter March 31, 2022	Year to Date March 31, 2022	Quarter March 31, 2021	Year to Date March 31, 2021
Written Premium	-	-	-	-
Gross Written Premiums	-	-	-	-
Less: Reinsurance Ceded	-	-	-	-
Net Written Premiums	-	-	-	-
Change in Unearned Premiums	501,588	501,588	498,408	498,408
Earned Premiums	501,588	501,588	498,408	498,408
Claims Paid	(391,021)	(391,021)	7,494	7,494
Change in IBNR	111,512	111,512	110,314	110,314
Change in Case Reserve	(19,495)	(19,495)	42,506	42,506
Premium Deficiency Expense	-	-	(30,774)	(30,774)
Incurred Claims	(299,004)	(299,004)	129,540	129,540
Management and operating expenses	475,862	475,862	424,664	424,664
Reinsurance fees	74,750	74,750	71,875	71,875
Premium taxes	14,241	14,241	-	-
Total Operating Expenses	564,853	564,853	496,539	496,539
Underwriting Gain (Loss)	235,739	235,739	(127,671)	(127,671)
Investment Income	41,253	41,253	37,386	37,386
Income on Claim Related Matters	-	-	-	-
Interest Income on Premium Tax	-	-	-	-
NET GAIN/(LOSS)	<u>276,992</u>	<u>276,992</u>	<u>(90,285)</u>	<u>(90,285)</u>
Other comprehensive income (loss)				
Unrealized gains (losses) on available for sale financial assets arising during the year	(244,442)	(244,442)	(114,704)	(114,704)
Recognition of realized (gain) loss included in income	-	-	-	-
Other comprehensive income (loss) for the year	(244,442)	(244,442)	(114,704)	(114,704)
Total comprehensive income (loss)	<u>32,550</u>	<u>32,550</u>	<u>(204,989)</u>	<u>(204,989)</u>

Exhibit III

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF CHANGES IN EQUITY
March 31, 2022

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on AFS financial assets	Total Equity
Balance, beginning of year	50,000	12,677,966	104,841	12,832,807
Prior year adjustment		-		-
Comprehensive income (loss) for the year				
Net gain (loss) for the year		276,992		276,992
Other comprehensive income (loss)				
Change in unrealized gain on available-for-sale assets			(244,442)	(244,442)
Recognition of realized (gain) loss on available-for-sale assets			-	-
Total comprehensive income (loss) for the year		276,992	(244,442)	32,550
Distribution of premium surplus		-		-
Balance at March 31, 2022	50,000	12,954,958	(139,601)	12,865,357

Exhibit IV

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED March 31, 2022

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES (See Note 1)	563,500	25%	140,875	134,399	6,476
PROFESSIONAL SERVICES (See Note 2)					
Actuarial Services	75,000	23%	17,250	31,972	(14,722)
Reinsurance Matters	280,000	23%	64,399	10,028	54,371
Strategic Matters	150,000	23%	34,500	35,721	(1,221)
Sub-Total Professional Services	505,000		116,150	77,721	38,428
GST/HST on Consulting Fees	138,905		33,413	27,576	5,838
Total Management & Professional Services	1,207,405		290,438	239,696	50,742
OTHER EXPENSES					
Audit Expenses (See Note 3)	178,000	25%	44,500	44,386	114
Annual Dinner	-		-	-	-
Premium Taxes	401,000	25%	100,250	14,241	86,009
Chairman's Honourarium	150,000	100%	150,000	150,000	-
Reinsurance Expense	4,000	25%	1,000	-	1,000
D&O Insurance	20,000	0%	-	-	-
Office Expenses	10,000	25%	2,500	1,272	1,228
Claims: Borderaux (LawPro/LIF)	17,500	88%	15,400	14,700	700
Special Services	15,000	25%	3,750	-	3,750
Reinsurance Fee (BWI) (See Note 4)	299,000	25%	74,750	74,750	0
I.B.C Statistical Plan Fees	3,000	25%	750	284	466
Assessment Fees	3,000	25%	750	-	750
Investment counsel fees	32,000	25%	8,000	7,314	686
Investment - Custodial	19,000	25%	4,750	4,711	39
Risk Management/Loss Prevention	20,000	25%	5,000	10,000	(5,000)
License Fee	5,000	75%	3,750	3,500	250
Insurance: Sundry	-		-	-	-
Sub-total	1,176,500		415,150	325,157	89,993
TOTAL	2,383,905		705,588	564,853	140,735

*** NOTE 1: MANAGEMENT SERVICES**

The budget of \$563,500 has been increased from \$420,500 prior year budget due to:

- IFRS 17 implementation, and
- decrease in commission credit applied against fixed fees as a combined result of the decision to place CLLAS Associate and CLLAS firms cyber policies with zero commission, and no profit share commission received in 2021 on CLLAS Associate firms.

*** 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	41%
Third Quarter, ending September 30th	19%
Fourth Quarter, ending December 31st	17%
	100%

*** NOTE 3: AUDIT EXPENSES**

The increase of \$46,000 over the 2021 actual reflects 3% increase on the base audit fee and an estimate of \$35,000 for the IFRS17 implementation.

*** NOTE 4: BWI INSURANCE FEES (Reins. Comm.)**

BWI fees for the 2021/22 policy year were agreed at \$299,000, up 4% from the prior year.
The 2022 budget assumes no change to the BWI fees for the 2022/23 policy year.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
SUMMARY OF RISK METRICS
March 31, 2022

Risk Category	Risk Metric	December 31, 2020	December 31, 2021	March 31, 2022	Green Zone (Meets Target)	Yellow Zone	Red Zone (Limit Exceeded)
General	(1) AMRGF - Excess of Cash/Appr. Securities Over Reg. Req'ment	\$6,421,000	\$8,237,000	\$10,835,000	5,000,000 and above	\$2,500,000 to \$5,000,000	Less than \$2,500,000
	(2) MCT Ratio	538%	555%	560%	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	96%	-3%	59%	Less than 150%	150% to 300%	Over 300%
	(5) Net Loss Ratio	63%	-12%	-44%	Less than 50%	50% to 100%	Over 100%
	(6) Risk of Systemic Loss	Some concerns raised	Some concerns raised	Nothing on horizon	Nothing on horizon	Some concerns raised	Adverse experience
Premium & Strategy	(7) Actual Expenses vs. Budget	92%	98%	80%	Less than 105%	105% to 120%	Over 120%
	(8) State of the Market Outlook	Some concerns raised	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	19.3%	19.0%	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	0	0	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	No significant concerns noted	No significant concerns noted	No significant concerns noted	No significant issues noted	Issues being addressed	Significant issues outstanding

Notes

- (1) = From Exhibit 6.
(2) Based on financial statements and quarterly actuarial valuation as of March 31, 2022. 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 2021.
(7) = Actual expenses / budget expenses. From the financial statements.
(8) Reviewed in December 2021.
(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. December 2021 and March 2022 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

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
For the Period Ending March 31, 2022

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

	Current Year to Date 03/31/2022 (in \$000's)	Prior Year End 03/31/2021 (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) 79,431	80,311
Less: Unearned Premiums	(8) 3,140	2,667
Less: Recoverable from licensed reinsurers	(9) 66,212	67,279
Plus: Statutory Margin	(10) 50	50
Guarantee Fund Required (Line 7 minus Lines 8 and 9 plus line 10)	(11) 10,130	10,415
TOTAL RESERVE & GUARANTEE FUND REQUIRED (Line 6+11)	(12) 11,181	11,462
Cash & Approved Securities	(13) 22,015	20,853
Excess of Cash & Securities over Reserve & Guarantee Fund (line 13 minus line 12)	(14) 10,835	9,391

MEMORANDUM

DATE: June 6, 2022
 TO: CLLAS Board
 FROM: Patrick Mahoney
 RE: Transition to IFRS 17 Opening Balances and Parallel Run FY2022

The purpose of this memorandum is to provide an overview of the transitioning of CLLAS's financial statements to IFRS 17 and to outline at a high level the impact of IFRS 17 on financial statements.

Background

IFRS 17 replaces IFRS 4 and is effective for annual periods beginning on or after January 1, 2023. Financial statements for 2023 prepared under IFRS 17 requires comparative financial information for reporting year 2022. For this reason, financial statements under both IFRS 4 and IFRS 17 need to be prepared starting December 31, 2021. The adjustments made to bring the opening balance to IFRS 17 are based on the IFRS 17 accounting positions and the actuarial valuation assumptions as at December 31, 2021.

Balance sheet items are presented differently under IFRS 4 and IFRS 17. Under IFRS 4, the balance sheet includes a detailed breakdown of the various provisions related to unearned premiums, unpaid claims and payables/receivables. Under IFRS 17, these various line items are consolidated into two provisions: insurance contract liabilities and reinsurance contract assets.

IFRS 17 insurance contract liabilities comprise:

- The Liability for Remaining Coverage (LRC), which is essentially equal to unearned premiums net of any receivables such as premiums receivable
- The Liability for Incurred Claims (LIC), which represents the provision for gross unpaid claims plus any net payables related to claims

IFRS 17 reinsurance contract assets comprise:

- The Asset for Remaining Coverage (ARC), which is equal to reinsurance unearned premiums net of any reinsurance premium payable
- The Asset for Incurred Claims (AIC), which represents the reinsurers' provision for unpaid claims plus any reinsurance claims receivable

A summary of adjusting entries in opening balances are outlined below:

1. Expensing deferred policy acquisition cost (DPAC)

In applying the “simplified approach” under IFRS 17 (premium allocation approach or PAA), an entity may choose to recognize any insurance acquisition cash flows as expenses when it incurs those costs, provided that the coverage period of each contract in the group at initial recognition is no more than one year. For CLLAS, insurance acquisition expenses are typically related to premium taxes.

PAA is used for the measurement of the Liability for Remaining Coverage (LRC) for CLLAS. Insurance and reinsurance contracts are automatically eligible for the simplified approach as the coverage period is one year. CLLAS’s claims patterns are expected to be even throughout the year, and therefore premium revenue is also earned evenly throughout the year.

As allowed under IFRS, CLLAS has expensed acquisition cash flows (six months of premium taxes on policy year 2021/22 as at December 31, 2021) as incurred, resulting in a decrease in equity.

2. Change in actuarial assumptions of insurance contracts liabilities as at December 31, 2021 under IFRS 17

The impact on CLLAS’s actuarial insurance liabilities is mainly due to the change in discount rates and the reduction in the provision for reinsurance non-performance under IFRS 17 (compared to the reinsurance Provision for Adverse Deviation (PFAD) under IFRS 4). The decrease in actuarial liabilities is due to higher discount rates and using a 1% provision for reinsurance non-performance instead of a 5% PFAD. The change in actuarial liabilities is recorded through equity.

3. Accounts payable/receivable attributable in insurance contract liabilities in the January 1, 2022 opening balances

IFRS 17 has no quantitative impact on accounts payable and accounts receivable, but these are now required to be presented on the balance sheet as part of insurance contract liabilities (LRC and LIC) or reinsurance contract assets (ARC and AIC). The allocation of January 1, 2022 accounts payable and accounts receivables among incurred claims and remaining coverage, for both insurance contract liabilities and reinsurance contract assets, was done as shown below, based on information as at December 31, 2021.

Liability for incurred coverage (LIC)	
Provision excl. payables and receivables	(68,922,369)
	<u>(68,922,369)</u>
Liability for remaining coverage (LRC)	
Premium receivable	3,673,597
Accounts payable & accrued charges	(278,684)
Premium taxes payable	(81,030)
Unearned premium (\$6,244,910 plus loss component \$1,030,926)	(7,275,836)
	<u>(3,961,953)</u>
Asset for incurred claims (AIC)	
Provision excl. payables and receivables	63,444,032
Reinsurance recoverable	577,410
	<u>64,021,442</u>
Asset for remaining coverage (ARC)	
Unearned reinsurance premium ceded (\$5,236,160 plus loss component \$953,736)	6,189,897
Due to reinsurers	(3,045,212)
	<u>3,144,685</u>

Impact of IFRS 9

March 31, 2022 financial statements under IFRS 17 do not include the impact of IFRS 9, an accounting standard relating to financial instruments (i.e., investments) which takes effect at the same time as IFRS 17. A preliminary impact assessment for IFRS 9 is being reviewed by Deloitte and will be reflected in future quarters once the decision on the selected approach and the classification of the financial instruments has been finalized.

Next steps

June 30, 2022 and September 30, 2022 quarterly reporting will be prepared in parallel under both IFRS 4 and IFRS 17, and will be used as a comparative for year 2023 interim reporting. December 31, 2022

financial statements will also include the updated actuarial valuation of the insurance contract liabilities under IFRS 4 and IFRS 17 respectively.

Documents included

- IFRS 17 March 31, 2022 Financial Statements with January 1, 2022 opening balances.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF FINANCIAL POSITION

IFRS 4	As at March 31, 2022	As at January 1, 2022
Assets		
Cash	4,848,370	3,533,877
Short term investments	11,370,488	11,361,485
Bonds	5,796,529	6,043,762
Interest income due and accrued	39,255	23,630
Prepaid expenses	133,264	150,827
Premium receivable	90,056	3,673,597
Other receivable	0	0
Deferred policy acquisition costs	26,938	41,179
Unearned reinsurance premium ceded	2,632,545	5,236,160
Reinsurance recoverable	1,111,666	577,410
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	66,247,505	64,708,168
	<u>92,296,616</u>	<u>95,350,095</u>
Liabilities		
Accounts payable & accrued charges	270,140	278,684
Premium taxes payable	0	81,030
Unearned premium	3,139,706	6,244,910
Due to reinsurers	1,522,605	3,045,212
Provision for unpaid claims and adjustment expenses	74,498,808	72,867,454
Provision for unpaid premium liabilities	0	0
Premium deficiency liability	0	0
	<u>79,431,260</u>	<u>82,517,290</u>
Equity	<u>12,865,357</u>	<u>12,832,805</u>

Net insurance contract liabilities	9,322,550	8,280,776
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IFRS 17	As at March 31, 2022	As at January 1, 2022
Assets		
Cash at bank	4,848,370	3,533,877
Investments	17,206,272	17,428,877
Prepaid expenses	76,077	150,827
Reinsurance contract assets*		
Asset for incurred claims	62,673,213	64,021,442
Asset for remaining coverage	<u>1,331,980</u>	<u>3,144,685</u>
	<u>64,005,193</u>	<u>67,166,127</u>
	<u>86,135,912</u>	<u>88,279,708</u>
Liabilities		
Insurance contract liabilities*		
Liability for incurred claims	66,788,719	68,922,369
Liability for remaining coverage	<u>3,502,375</u>	<u>3,961,953</u>
	<u>70,291,094</u>	<u>72,884,322</u>
Equity	<u>15,844,819</u>	<u>15,395,385</u>
Net insurance contract liabilities*	6,285,901	5,718,196
Impact vs. IFRS 4	(3,036,649)	(2,562,580)

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED March 31, 2022

IFRS 4	Year to Date March 31, 2022
Premiums	
Written premiums	0
Reinsurance ceded	0
Net written premiums	0
Change in unearned premiums	501,588
Earned premiums	501,588
Expenses	
Claims	(299,004)
Premium deficiency adjustment	0
Operating expenses	550,612
Premium taxes	14,241
	265,849
Underwriting income (loss) for the year	235,739
Investment income (loss)	41,253
Net income (loss)	276,992
Unrealized gains (losses) on available for sale financial assets arising during the year	(244,442)
Recognition of realized (gain) loss included in income	-
Comprehensive income (loss)	32,550

IFRS 17	Year to Date March 31, 2022
Insurance Service Result	
Insurance revenue	3,105,204
Insurance service expense	(1,622,945)
	1,482,259
Allocation of reinsurance premiums	(2,603,616)
Amounts recovered from reinsurers	1,485,458
	(1,118,158)
Net insurance service result	364,101
Investment Return	
Investment income	41,253
Insurance finance income (expense)	
For insurance contracts	2,895,358
For reinsurance contracts	(2,666,295)
Net investment result	270,316
Other comprehensive income (loss)	634,417
Unrealized gains (losses) on available for sale financial assets arising during the year	(244,442)
Recognition of realized (gain) loss included in income	-
Total comprehensive income (loss)	389,975

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Business Plan Projected for the
Fiscal Years Ending December 31, 2022, 2023 and 2024

Updated March 15, 2022 to Reflect Proposed CLLAS Cyber Program

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1. Executive Summary

This report summarizes the business plan for the Canadian Lawyers Liability Assurance Society (“CLLAS”) for fiscal years 2022 to 2024. A copy of this report was submitted to the Alberta Superintendent of Insurance (“Superintendent”), the regulatory authority responsible for the supervision of CLLAS under the Alberta *Insurance Act*. This report has been updated to reflect the introduction of the proposed CLLAS Cyber Program with effect from July 1, 2022. Edits to the original report (dated February 24, 2022) are shown in grey screen.

This report was prepared by Axxima Insurance Services, a division of 3303128 Canada Inc., a non-affiliated company of CLLAS providing actuarial and general management services to CLLAS.

Operations and Operating Environment

CLLAS’ core business objective is to meet the liability insurance needs of its subscribers. It has provided professional liability insurance to select Canadian law firms since 1987. Professional liability claims are subject to significant volatility and are expected to trend at approximately 4.25% per year.

CLLAS has purchased proportional and aggregate stop loss reinsurance since its inception. In addition, CLLAS entered into a loss portfolio transfer agreement at June 30, 2012 with Colchester Reinsurance Limited, which covers all outstanding claim obligations on policies written between July 1, 1987 and June 30, 2012. These risk management initiatives have the effect of limiting CLLAS’ loss exposure.

Reinsurance rates are increasing globally due to a hardening market. Reinsurance rate increases are expected and have been reflected in the business plan projections. While CLLAS’ reinsurance rates and availability will be affected by prevailing insurance market conditions, the impact is expected to be tempered due to CLLAS’ strong long-term relationships with its reinsurers.

CLLAS’ member firms currently purchase cyber insurance directly from commercial insurers. The hard market has led to significant premium increases at the same time as coverages are being restricted. Given current and anticipated future difficulties in arranging appropriate cyber coverage, the CLLAS Board authorized management to investigate the implementation of a CLLAS Cyber Program to take effect July 1, 2022. This Program is being thoughtfully structured to present limited risk to CLLAS’ financial position via a combination of underwriting, reinsurance protection, and coverage design.

Summary of Financial Projections for Fiscal Year 2022

The underwriting income and investment income for fiscal year 2022 are projected at (\$1,010,000) and \$273,000 respectively, for a total net income of (\$737,000). The surplus at December 31, 2022 is projected at \$11,991,000. The projections assume that the premiums reflect surplus distributions of \$700,500 per year from 2022 to 2024, consistent with the surplus distribution in the 2021/2022 premium rates.

CLLAS is expected to meet the Alberta Maintenance of Reserves and Guarantee (“AMRGF”) Funds requirement with an excess margin of \$7,401,000 at December 31, 2022. The Minimum Capital Test (“MCT”) ratio at December 31, 2022 is projected at 489%, a decrease over the MCT ratio of 555% at December 31, 2021. The MCT ratio is expected to remain comfortably above CLLAS’ internal target and regulatory expectations of 210%.

The CLLAS Cyber Program which is in development (and is discussed in more detail below) is expected to have minimal effect on CLLAS’ overall financial performance. Including the Cyber Program, CLLAS is expected to meet the AMRGF requirement with an excess margin of \$8,156,000 at December 31, 2022 and its MCT ratio at that date is projected to be 450%, well above CLLAS’ internal target and regulatory expectations.

This business plan report is organized as follows:

- Section 2: Overview of CLLAS Operations
- Section 3: Operating Environment
- Section 4: Short-Term Opportunities and Threats
- Section 5: Short-Term Priorities and Initiatives, including Overview of Proposed Cyber Program
- Section 6: Financial Performance Measures
- Section 7: Financial Condition Measures and Regulatory Solvency Requirements
- Section 8: Financial Projections – Status Quo
- Section 9: Financial Projections – Cyber Program
- Section 10: Financial Projections – Combined

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2. Overview of CLLAS Operations

CLLAS’ core business objective is to meet the professional liability insurance needs of its subscribers.

Insurance Operations

CLLAS was formed on December 22, 1986, under the Reciprocal Insurance Exchange Agreement for Select Canadian Law Firms. CLLAS started its insurance underwriting operations in June 1987 and was regulated by the Financial Services Commission of Ontario. Effective July 1, 2012, CLLAS’ lead regulator

was changed from Ontario to Alberta. CLLAS is licensed in Alberta, British Columbia, Ontario and Nova Scotia.

The insurance provided by CLLAS to each of the firms is on a claims-made-and-reported basis

In the fiscal year ending December 31, 2021, CLLAS issued 20 insurance policies to 10 Canadian law firms. CLLAS also has participants on a subscription basis on a number of insurance policies issued to these 10 firms. CLLAS provides a combined maximum limit of liability insurance per occurrence of \$145,475,000 to cover the cost of damages that an insured is legally obligated to pay as a result of single or related act, error, omission or negligent act in the performance of or failure to perform professional services by the insured or by any person for whose acts, errors, or omissions the insured is legally responsible.

The maximum limit provided by CLLAS on a per-claim basis is provided as follows:

- A \$50,000,000 limit inclusive of a minimum \$25,000 retention over the basic liability coverage available to each practicing lawyer of the firm under the basic professional liability coverage provided by the law society governing the professional activities of such lawyers;
- A limit of \$10,000,000 to \$60,000,000 in excess of \$160,000,000 of the professional liability limit purchased by any firm;
- A 5% participation in the \$30,000,000 in excess of \$50,000,000 layer purchased by any firm;
- A 5% participation in the \$110,000,000 in excess of \$50,000,000 layer purchased by any firm; and
- A \$30,000,000 umbrella limit provided on the overall exposure of all subscribers.

Reinsurance

To provide such coverage limits, CLLAS purchases proportional reinsurance coverage from registered and unregistered insurance companies to reduce its net maximum loss exposure for any one loss occurrence to \$975,000. The reinsurance for the maximum occurrence limit provided by CLLAS is purchased on a proportional basis. CLLAS retains no exposure on the layers above \$1,000,000.

In addition, for its treaty underwriting year from July 1, 2021 to June 30, 2022, CLLAS purchased an annual stop-loss coverage that provides \$10,000,000 of coverage in excess of \$5,000,000. Annual stop-loss coverage limiting CLLAS' overall annual net retained losses in any one treaty year was also purchased in prior treaty years.

On June 30, 2012, Colchester Reinsurance Ltd. ("Colchester") purchased CLLAS' loss portfolio of net outstanding claims obligations on policies written between July 1, 1987 and June 30, 2012. CLLAS' remaining net claim liabilities attributable to the business written prior to June 30, 2012 are provisions for unallocated loss adjustment expenses.

CLLAS and Colchester have implemented a Reinsurance Security Agreement whereby all the assets supporting Colchester's claim liabilities are held in trust in a custodial account in favour of CLLAS.

Operational Results for Fiscal Year 2021

In 2021, CLLAS generated written premium volumes of \$12,594,000 and \$2,010,000 on gross and net of reinsurance bases respectively. \$10,584,000 of written premium volume was ceded to proportional and aggregate stop loss reinsurers.

CLLAS' net income was \$594,000 and its net subscribers' equity inclusive of accumulated other comprehensive income was \$12,833,000 at December 31, 2021.

At December 31, 2021, CLLAS held \$20,963,000 in invested assets comprised of cash and fixed-income securities. CLLAS' main liability was its net provision for unpaid claims in the amount of \$8,159,000.

3. Operating Environment

Professional liability losses are subject to significant volatility surrounding the timing, frequency and severity of claims, especially in insured layers excess of \$1,000,000. Claims frequency is expected to remain stable but individual claims are expected to trend up faster than inflation at a rate of approximately 4.25% per year.

CLLAS is not aware of any legal or regulatory changes or any precedents set in case law that would impact existing or future claims. Management is carefully monitoring the COVID 19 pandemic. The impact of the pandemic on CLLAS cannot be predicted with any accuracy but to date, CLLAS has experienced no significant impact from COVID 19. Premium collection was changed from semi-annual to quarterly instalments for the policy year starting July 1, 2020.

Reinsurance

Reinsurance costs tend to be cyclical, with high prices and tighter underwriting restrictions following years with poor underwriting results. CLLAS has developed strong relationships with its reinsurers and reinsurance rates remained low for many years.

Reinsurance rates are increasing globally due to a hardening market. Reinsurance rate increases are expected and have been reflected in the business plan projections. While CLLAS' reinsurance rates and availability will be affected by prevailing insurance market conditions, the impact is expected to be tempered due to CLLAS' strong long-term relationships with its reinsurers.

Regulatory Environment

IFRS 17 is expected to become effective January 1, 2023. IFRS 17 will introduce major changes in the presentation of financial statements of insurance companies. While this business plan extends to

December 31, 2024, all projections are based on current accounting standards. The quantification of the impact of IFRS 17 was completed during 2021 and it is expected that the equity will increase by over \$2,000,000 and the MCT by 200%. For conservatism and easier readability, this business plan is projected ignoring the positive impact of IFRS 17 for fiscal year 2023 on CLLAS.

4. Short-Term Opportunities and Threats

Given the loss portfolio transfer at June 30, 2012 and the low net claim retention since July 1, 2012, CLLAS' net exposure is mainly for unallocated loss adjustment expenses. The main threat for CLLAS would be a reinsurer's default on unpaid claims. However, this threat is not considered significant given that CLLAS' reinsurance partners are in sound financial condition and the vast majority of reinsurance is recoverable from reinsurers registered in Canada or secured via a reinsurance security agreement.

5. Short-Term Priorities and Initiatives

During 2022, CLLAS will focus on the following initiatives in addition to the management of its usual insurance operations:

1. Actively monitor and assess the impact of the COVID 19 pandemic;
2. Development of a budget and business plan for fiscal year 2022;
3. Implementation of a fully reinsured \$50,000,000 umbrella layer which would attach excess of a minimum of \$250,000,000;
4. Development of a CLLAS cyber coverage for possible implementation on July 1, 2022;
5. Determination of expected loss costs and premium rates for the policy year starting July 1, 2022;
6. Negotiation of reinsurance contracts and costs for the policy year starting July 1, 2022;
7. Periodic review of reinsurance concentration and risk;
8. Preparation for the next Underwriting Group period commencing July 1, 2022;
9. Review of CLLAS' ERM and Surplus Policies, as appropriate, depending on changes in exposure due to Items 3. and 4. above; and
10. Quarterly valuation of policy liabilities.

Overview of Proposed CLLAS Cyber Program

The Cyber Program under consideration by CLLAS has been developed on the premise that the cyber insurers are not appropriately reflecting the favourable risk profile of the CLLAS firms given their sophisticated IT and cyber security frameworks, on-going risk management initiatives and favourable loss experience. The intention is to collect premiums consistent with the current commercial level, maintain significant deductibles which, based on historical claims experience will address most of the losses, and arrange reinsurance protection to manage CLLAS' downside exposure.

The proposed Program has the following key features:

- Deductibles consistent with expiring commercial policies (\$250,000 with some sublimits at \$100,000 deductibles, smaller firms with lower deductibles);
- Primary policy limits of \$10 million per firm;
- Quota-share reinsurance excess of \$1 million;
- Possible aggregate stop loss applicable to retained losses;
- Excess coverage above the CLLAS primary layer placed directly with commercial insurers;
- CLLAS-specific claims management, including CLLAS-selected panel of providers, consistent incident response year-over-year, faster claims response times than commercial insurers;
- Total CLLAS premiums of \$2.5 million (similar to current level of total premiums paid by CLLAS firms to commercial insurers);
- Reinsurance costs estimated at \$1.53 million;
- Retained losses estimated at 75% of retained premium (notwithstanding that actual claims experience suggests 1 claim every 12 years, per firm, with 80-90% of losses falling within the firm deductibles)
- Operating expenses estimated at 17% of retained premium.

Implementation of the Program requires approval of licencing requirements in Ontario and amendments to CLLAS' Subscribers Agreement, both of which are in process.

6. Financial Performance Measures

CLLAS monitors its net income on a quarterly basis, with a focus on the following key elements of financial performance:

- **Claims development:** All open case files are reviewed quarterly and case reserve estimates are adjusted accordingly. The provision for Incurred but not Reported ("IBNR") claims is reviewed quarterly by CLLAS' Appointed Actuary. Claims development is compared against the actuary's prior estimates (i.e. estimates from prior actuarial valuations and estimates of expected loss costs underlying premium rates);
- **Expenses:** Expenses are tracked by category (e.g., financial services, claims administration, actuarial services, reinsurance services, audit services, etc.) and compared quarterly against the expense budget; and
- **Investment income:** Investment returns are compared against benchmarks established per the investment policy.

The quarterly financial statements also report on regulatory solvency indicators as well as key risk metrics intended to monitor risks related to insurance, investments, liquidity and strategy.

Quarterly financial statements are provided to the Advisory Board.

7. Financial Condition Measures and Regulatory Solvency Requirements

In accordance with its surplus policy, the level of surplus CLLAS maintains is set such that the reciprocal balances the probability of retroassessment with the efficiency of operating with as little capital as is prudent and appropriate. CLLAS regularly monitors using the following regulatory solvency measures:

a. Alberta Maintenance of Reserve and Guarantee Funds (“AMRGF”)

This solvency requirement is determined based on premium volume and liabilities net of registered reinsurance. The Superintendent has confirmed that reinsurance with Colchester is considered to be registered as Colchester’s obligations to CLLAS are secured via a reinsurance security agreement.

CLLAS must maintain cash and securities in excess of the regulatory requirement to avoid a retroassessment of its members. At December 31, 2021, CLLAS met this requirement with an excess margin of \$8,238,000. The AMRGF is shown in Exhibit A3.

On a status quo basis, CLLAS projects to exceed its AMRGF requirement by \$7.4 million at December 31, 2022, \$6.3 million at December 31, 2023 and \$5.1 million at December 31, 2024 (see Exhibit A3). The addition of the Cyber Program changes these projections to \$8.2 million, \$7.2 million and \$6.2 million respectively (see Exhibit C3).

b. Minimum Capital Test (“MCT”)

The Superintendent requires reciprocals to make annual regulatory filings including the MCT. The MCT is a solvency test which has historically applied to incorporated insurance entities. The MCT ratio is calculated as follows:

$$\text{MCT Ratio} = \frac{\text{Capital Available}}{\text{Minimum Capital Required}}$$

The Capital Available is generally equal to the entity’s surplus excluding recoverables from unregistered reinsurers not covered by deposits in Canada or letters of credit. Reinsurance recoverable from Colchester is covered by deposits in Canada per a reinsurance security agreement, and therefore is an asset used in the calculation of the Capital Available.

The Minimum Capital Required is a function of the entity’s risk profile. The Minimum Capital Required accounts for risks such as the deterioration of asset values, adverse development on unpaid claims or credit risk related to unregistered reinsurance and operational risk.

At December 31, 2021, CLLAS’s MCT ratio was 555%. CLLAS’ internal target MCT ratio is 210%. The MCT is shown in Exhibit A4. CLLAS plans to continue to monitor its MCT ratio as an information item for the Board and management.

On a status quo basis, CLLAS projects its MCT ratio to be 489% at December 31, 2022, 427% at December 31, 2023 and 370% at December 31, 2024 (see Exhibit A4). The addition of the Cyber Program changes these projections to 450%, 386% and 341% respectively (see Exhibit C4).

8. Financial Projections – Status Quo

The expected financial performance over fiscal years 2022 to 2024 on a status quo basis is presented in Exhibits A1 to A4 as follows:

- Exhibit A1: Proforma Statement of Financial Position
- Exhibit A2: Proforma Statement of Income
- Exhibit A3: Proforma AMRGF Requirement
- Exhibit A4: Proforma Minimum Capital Test

These projections are based on a starting financial position at December 31, 2021 and were completed in accordance with the directives of the Superintendent issued for the completion of the 2021 P&C-1 Annual Return filed by CLLAS. We present below details of the analysis for the 2022 projection. Similar assumptions were taken to project the results for 2023 and 2024.

Data

To develop the expected financial performance, we relied on the following information developed by CLLAS at December 31, 2021:

- The 2021 P&C-1 Annual Return and AMRGF worksheet filed by CLLAS with the Alberta Superintendent of Insurance;
- The 2021 Auditor's Report issued by Deloitte LLP;
- The Report on the Valuation of the Policy Liabilities as at December 31, 2021 issued by Ms. Julie-Linda Laforce, the Appointed Actuary for CLLAS; and
- The operating expense budget for 2022.

Projection of Premiums

Net premiums written in 2022 are expected to be \$2,049,000, up from \$2,010,000 in 2021. Renewal premiums were assumed to increase based on a trend of 4.25% in retained loss costs and inflation of 2% on operating expenses. In addition, net premiums reflect an annual surplus distribution of \$700,500, in line with the surplus distribution reflected in the 2021/2022 rates. Reinsurance costs were assumed to increase by 10.0%.

Projection of Investment Income

The expected investment income for 2022 is \$273,000 (\$152,000 in 2021). The yield-to-maturity on invested assets at December 31, 2021 was 1.56% gross of investment management expenses and the investment yield gross of investment management expenses was projected at 1.56% for 2022.

Projection of Claims

Claims were projected before and after taking into account reinsurance. These projections assume, to a large extent, that the reinsurance structure in effect at December 31, 2021 is maintained on renewal. Gross and net incurred losses for 2022 were projected in two steps:

a. Settlement of claim liabilities incurred on or prior to December 31, 2021

Paid claims during 2022 and undiscounted claim liabilities at December 31, 2022 were projected based on the Appointed Actuary's estimates at December 31, 2021 and CLLAS' historical claims settlement patterns. There is no expected gain or loss relative to the actuary's ultimate estimates at December 31, 2021.

In accordance with accepted actuarial practice in Canada, undiscounted claim liabilities were then discounted and a provision for adverse deviation ("PfAD") was added. The assumptions used in the December 31, 2021 actuarial valuation were used. PfADs are assumed to be gradually released as losses are paid.

b. Projected claims incurred after December 31, 2021 on policies in-force at December 31, 2021 and on policies expected to be renewed on July 1, 2022 under the new 2022/2023 policy year

Ultimate gross and net incurred claims for those policies were estimated based on the projected loss cost per layer estimated by the Appointed Actuary at December 31, 2021 with a 4.25% loss severity trend. These loss costs were then applied to the estimated in-force lawyers at December 31, 2021, since no growth at renewal was assumed for the underlying number of insured lawyers.

Total net claim liabilities at December 31, 2022 were estimated at \$8,623,000, which represents an increase of \$464,000 over the December 31, 2021 net claim liabilities of \$8,159,000. Net paid losses were projected at \$373,000 during 2022.

Incurred claims for fiscal year 2022, are estimated at \$837,000 as the sum of net paid claims in the year and the change in net claim liabilities.

Projection of Operating Expenses

Operating expenses are projected at \$1,527,000 for general administration, \$299,000 for reinsurance fees and \$380,000 for premium taxes. Premium taxes vary by province and are expected to average 2.9% of direct written premiums. At December 31, 2022, the deferred policy acquisition cost asset is estimated at \$45,000 and the premium deficiency is assumed to be \$0.

Summary of Results

Based on the foregoing assumptions, the underwriting income and investment income for fiscal year 2022 are projected at (\$1,010,000) and \$273,000 respectively, for a total net negative income of (\$737,000) as shown in Exhibit 2. The surplus at December 31, 2022 is projected at \$12,096,000 as shown in Exhibit 1.

CLLAS is expected to meet the AMRGF requirement with an excess margin of \$7,401,000 at December 31, 2022, as shown in Exhibit 3.

CLLAS' MCT ratio at December 31, 2022 is projected at 489%, a decrease over the MCT ratio of 555% at December 31, 2021, as shown in Exhibit 4. The MCT ratio is expected to remain above CLLAS' internal target of 210%.

9. Financial Projections – Cyber Program

The expected financial performance over fiscal years 2022 to 2024 on the cyber program only is presented in Exhibits B1 to B4 as follows:

Exhibit B1: Proforma Statement of Financial Position

Exhibit B2: Proforma Statement of Income

Exhibit B3: Proforma AMRGF Requirement

Exhibit B4: Proforma Minimum Capital Test

These projections are based on an expected launch date for the Program of July 1, 2022 and have been completed in accordance with the directives of the Superintendent issued for the completion of the 2021 P&C-1 Annual Return filed by CLLAS. We present below details of the analysis for the 2022 projection. Similar assumptions were taken to project the results for 2023 and 2024.

Data

To develop the expected financial performance, we relied on the following information developed by CLLAS:

- Market premiums currently paid by CLLAS firms to commercial insurers for cyber coverage; and
- Historical data on cyber claims from CLLAS firms and from available market information.

Projection of Premiums

Gross written premiums in 2022 are expected to be \$2,500,000, based on premiums currently paid to commercial insurers for similar coverage. Net written premiums are projected to increase to \$1 million for 2023 and to remain stable thereafter. Reinsurance costs are assumed to increase by 10.0% per year.

Projection of Investment Income

The expected investment income for 2022 is \$6,000. The yield-to-maturity on invested assets at December 31, 2021 was 1.56% gross of investment management expenses and the investment yield gross of investment management expenses was projected at 1.56% for 2022.

Projection of Claims

Historical claims experience for the CLLAS firms has been very good. Loss experience for those firms whose loss data has been shared with CLLAS suggests a loss ratio in the order of 30% to 40% on a highly conservative basis. Regardless, the projections estimate losses based on a loss ratio of 75% of retained premiums.

The provision for net claim liabilities at December 31, 2022 is estimated at \$655,000, increasing to \$1,663,000 at December 31, 2023 and \$1,777,000 at December 31, 2024. Net paid losses were projected at \$124,000 during 2022.

Projection of Operating Expenses

Operating expenses are projected at \$48,500 for general administration and \$36,000 for premium taxes. Premium taxes vary by province and are expected to average 2.9% of direct written premiums.

Summary of Results

Based on the foregoing assumptions, the underwriting income and investment income for fiscal year 2022 are projected at (\$7,500) and \$6,000 respectively, for a total net negative income of (\$1,500) as shown in Exhibit B2. The surplus generated by the Program at December 31, 2022 is projected at (\$1,500) as shown in Exhibit B1.

The proposed Cyber Program is projected to have a net positive impact on CLLAS' AMRGF, with increases in the excess over the requirement of between \$706,000 and \$994,000 over the projection period. Contrary to the AMRGF, the Cyber Program is expected to create a minor strain on CLLAS' MCT ratio, due to the conservative loss ratio projection for the cyber program (see Exhibit B3).

10. Financial Projections – Combined

The expected financial performance over fiscal years 2022 to 2024 on a combined program basis is presented in Exhibits C1 to C4 as follows:

Exhibit C1: Proforma Statement of Financial Position

Exhibit C2: Proforma Statement of Income

Exhibit C3: Proforma AMRGF Requirement

Exhibit C4: Proforma Minimum Capital Test

Summary of Results

The proposed CLLAS Cyber Program is projected to have minimal effect on CLLAS' overall financial performance. Including the Cyber Program, CLLAS is expected to meet the AMRGF requirement with an excess margin of \$8,156,000 at December 31, 2022 (see Exhibit C3) and its MCT ratio at that date is projected to be 450% (see Exhibit C4), well above CLLAS' internal target and regulatory expectations.

Exhibit A1
Canadian Lawyers Liability Assurance Society
 Staus Quo
 Proforma Statement of Financial Position

	2021 Actual	2022 Projected	2023 Projected	2024 Projected
Assets				
Cash	\$ 3,533,877	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000
Investments				
Short Term	11,361,485	11,527,000	11,428,000	11,322,000
Long Term	6,043,762	6,206,371	6,153,000	6,096,000
Interest Income Due and Accrued	23,630	0	0	0
Premiums Receivable	3,673,597	3,560,000	3,888,000	4,247,000
Unearned Reinsurance Premium Ceded	5,236,160	5,821,000	6,404,000	7,044,000
Prepaid Expenses	150,827	151,000	151,000	151,000
Deferred Policy Acquisition Costs	41,179	45,000	49,000	54,000
Reinsurance and Other Claims Receivable	577,412	800,000	800,000	800,000
Other Receivable	0	0	0	0
Provision for Unpaid Claims and Adjustment Expenses Recoverable from Reinsurers	64,708,168	70,567,000	76,463,000	82,695,000
Total Assets	95,350,096	102,677,371	109,336,000	116,409,000
Liabilities				
Provision for Unpaid Claims and Adjustment Expenses	72,867,454	79,190,000	85,562,000	92,267,000
Premium Deficiency Liability	0	0	0	0
Unearned Premium	6,244,910	6,846,000	7,476,000	8,166,000
Due to Reinsurers	3,045,212	4,110,000	4,521,000	4,973,000
Accounts Payable & Accrued Charges	278,684	353,000	364,000	376,000
Premium Taxes Payable	81,030	82,000	90,000	98,000
Total Liabilities	82,517,290	90,581,000	98,013,000	105,880,000
Subscribers' Equity				
Retained Earnings	12,727,966	11,991,371	11,218,000	10,424,000
Accumulated Other Comprehensive Income (Loss)	104,841	105,000	105,000	105,000
Total Subscribers' Equity	12,832,807	12,096,371	11,323,000	10,529,000
Total Liabilities and Subscribers' Equity	95,350,096	102,677,371	109,336,000	116,409,000

Exhibit A2
Canadian Lawyers Liability Assurance Society
Staus Quo
Proforma Statement of Income

	2021 Actual	2022 Projected	2023 Projected	2024 Projected
Premiums				
Gross Written Premiums	\$ 12,594,326	\$ 13,692,000	\$ 14,952,000	\$ 16,333,000
Less: Reinsurance Ceded	10,584,328	11,643,000	12,807,000	14,088,000
Net Written Premiums	2,009,998	2,049,000	2,145,000	2,245,000
Change in Net Unearned Premiums	(6,396)	(16,000)	(47,000)	(50,000)
Net Earned Premiums	2,003,602	2,033,000	2,098,000	2,195,000
Incurred Claims				
Net Claims Paid	114,682	373,000	392,000	435,000
Change in Net Reserves	(425,276)	463,714	476,000	473,000
Premium Deficiency Expense	(30,774)	0	0	0
Net Incurred Claims	(341,368)	836,714	868,000	908,000
Operating Expenses				
Management and Operating Expenses *	1,285,525	1,526,915	1,557,000	1,588,000
Reinsurance Fees	293,250	299,000	305,000	311,000
Premium Taxes	323,610	380,000	415,000	454,000
Total Operating Expenses	1,902,385	2,205,915	2,277,000	2,353,000
Underwriting Gain (Loss)	442,585	(1,009,629)	(1,047,000)	(1,066,000)
Investment Income	151,845	273,000	274,000	272,000
Other Income	0	0	0	0
Comprehensive Income (Loss) for the year	594,430	(736,629)	(773,000)	(794,000)
Retained Earnings, Beginning of Period	12,133,536	12,728,000	11,991,000	11,218,000
Distribution in Year	0	0	0	0
Retained Earnings, End of Period	12,727,966	11,991,371	11,218,000	10,424,000

* Includes investment management fees

Exhibit A3
Canadian Lawyers Liability Assurance Society
 Staus Quo
 Proforma Alberta Maintenance of Reserve and Guarantee Fund Requirement

	2021 Actual	2022 Projected	2023 Projected	2024 Projected
Reserve Fund				
(1) Premiums Collected or Credited Having One Year or Less to Run	12,594,000	13,692,000	14,952,000	16,333,000
(2) Less: Amount Paid to Licensed Reinsurers	10,493,328	11,543,000	12,697,000	13,967,000
(3) Premiums Collected With More Than One Year to Run, Less Expired Portion	0	0	0	0
(4) Less: Amount Paid to Reinsurers on Premiums on Line 3, Less Expired Portion	0	0	0	0
(5) Subtotal [(1) - (2) + (3) - (4)]	2,100,672	2,149,000	2,255,000	2,366,000
(6) Reserve Fund Required [50% x (5)]	1,050,336	1,074,500	1,127,500	1,183,000
Guarantee Fund				
(7) Total Liabilities	82,517,000	90,581,000	98,013,000	105,880,000
(8) Less: Unearned Premiums	6,245,000	6,846,000	7,476,000	8,166,000
(9) Less: Recoverable from Licensed Reinsurers *	64,671,168	70,527,000	76,419,000	82,648,000
(10) Plus: Statutory Margin	50,000	50,000	50,000	50,000
(11) Guarantee Fund Required [(7) - (8) - (9) + (10)]	11,650,832	13,258,000	14,168,000	15,116,000
(12) Total Reserve and Guarantee Fund Required [(6) + (11)]	12,701,168	14,332,500	15,295,500	16,299,000
(13) Cash & Approved Securities	20,939,000	21,733,000	21,581,000	21,418,000
(14) Excess of Cash & Securities over Reserve & Guarantee Fund [(13) - (12)]	8,237,832	7,400,500	6,285,500	5,119,000

* Includes unpaid claims recoverable secured under the reinsurance security agreement with Colchester.

Exhibit A4
Canadian Lawyers Liability Assurance Society
Staus Quo
Proforma Minimum Capital Test

	2021 Actual	2022 Projected	2023 Projected	2024 Projected
Capital Available				
Total Equity	12,833,000	12,096,000	11,323,000	10,529,000
Less: Deductions from Capital Available	83,000	91,000	98,000	106,000
(1) Capital Available	12,750,000	12,005,000	11,225,000	10,423,000
Capital Required				
Insurance Risk				
Premium Liabilities	181,000	185,000	193,000	202,000
Unpaid Claims	1,150,000	1,192,000	1,237,000	1,277,000
Catastrophes	0	0	0	0
Margin Required for Reinsurance Ceded to Unregistered Insurers	16,000	17,000	20,000	26,000
Subtotal	1,347,000	1,394,000	1,450,000	1,505,000
Market Risk				
Interest Rate Risk	265,000	284,000	317,000	349,000
Foreign Exchange Risk	0	0	0	0
Equity Risk	0	0	0	0
Real Estate Risk	0	0	0	0
Other Market Risk Exposures	0	0	0	0
Subtotal	265,000	284,000	317,000	349,000
Credit Risk				
Counterparty Default Risk for Balance Sheet Assets	1,270,000	1,382,000	1,492,000	1,609,000
Counterparty Default Risk for Off-Balance Sheet Exposures	0	0	0	0
Counterparty Default Risk for Unregistered Reinsurance Collateral and SIRs	126,000	138,000	149,000	162,000
Subtotal	1,396,000	1,520,000	1,641,000	1,771,000
Operational Risk	836,000	905,000	984,000	1,068,000
Diversification Credit	(398,000)	(421,000)	(446,000)	(471,000)
(2) Total Capital Required at 150% MCT	3,446,000	3,682,000	3,946,000	4,222,000
(3) Total Capital Required at 100% MCT [= (2) / 1.5]	2,297,000	2,455,000	2,631,000	2,815,000
(5) MCT Ratio [= (1) / (3)]	555.1%	489.0%	426.6%	370.3%

Exhibit B1
Canadian Lawyers Liability Assurance Society
Cyber Program Only
Proforma Statement of Financial Position

	2022 Projected	2023 Projected	2024 Projected
Assets			
Cash	\$ 0	\$ 0	\$ 0
Investments			
Short Term	494,000	798,000	863,000
Long Term	265,500	430,000	465,000
Interest Income Due and Accrued	0	0	0
Premiums Receivable	0	0	0
Unearned Reinsurance Premium Ceded	765,000	842,000	926,000
Prepaid Expenses	0	0	0
Deferred Policy Acquisition Costs	8,000	9,000	9,000
Reinsurance and Other Claims Receivable	0	0	0
Other Receivable	0	0	0
Provision for Unpaid Claims and Adjustment Expenses Recoverable from Reinsurers	371,000	970,000	1,067,000
Total Assets	1,903,500	3,049,000	3,330,000
Liabilities			
Provision for Unpaid Claims and Adjustment Expenses	655,000	1,663,000	1,777,000
Premium Deficiency Liability	0	0	0
Unearned Premium	1,250,000	1,342,000	1,426,000
Due to Reinsurers	0	0	0
Accounts Payable & Accrued Charges	0	0	0
Premium Taxes Payable	0	0	0
Total Liabilities	1,905,000	3,005,000	3,203,000
Subscribers' Equity			
Retained Earnings	(1,500)	44,000	127,000
Accumulated Other Comprehensive Income (Loss)	0	0	0
Total Subscribers' Equity	(1,500)	44,000	127,000
Total Liabilities and Subscribers' Equity	1,903,500	3,049,000	3,330,000

Exhibit B2
Canadian Lawyers Liability Assurance Society
Cyber Program Only
Proforma Statement of Income

	2022 Projected	2023 Projected	2024 Projected
Premiums			
Gross Written Premiums	\$ 2,500,000	\$ 2,683,000	\$ 2,851,000
Less: Reinsurance Ceded	1,530,000	1,683,000	1,851,000
Net Written Premiums	970,000	1,000,000	1,000,000
Change in Net Unearned Premiums	(485,000)	(15,000)	0
Net Earned Premiums	485,000	985,000	1,000,000
Incurred Claims			
Net Claims Paid	124,000	371,000	739,000
Change in Net Reserves	284,000	409,000	17,000
Premium Deficiency Expense	0	0	0
Net Incurred Claims	408,000	780,000	756,000
Operating Expenses			
Management and Operating Expenses *	48,500	99,000	101,000
Reinsurance Fees	0	0	0
Premium Taxes	36,000	75,000	80,000
Total Operating Expenses	84,500	174,000	181,000
Underwriting Gain (Loss)	(7,500)	31,000	63,000
Investment Income	6,000	15,000	20,000
Other Income	0	0	0
Comprehensive Income (Loss) for the year	(1,500)	46,000	83,000
Retained Earnings, Beginning of Period	0	(2,000)	44,000
Distribution in Year	0	0	0
Retained Earnings, End of Period	(1,500)	44,000	127,000

* Includes investment management fees

Exhibit B3
Canadian Lawyers Liability Assurance Society
Cyber Program Only
Proforma Alberta Maintenance of Reserve and Guarantee Fund Requirement

	2022 Projected	2023 Projected	2024 Projected
Reserve Fund			
(1) Premiums Collected or Credited Having One Year or Less to Run	2,500,000	2,683,000	2,851,000
(2) Less: Amount Paid to Licensed Reinsurers	1,530,000	1,683,000	1,851,300
(3) Premiums Collected With More Than One Year to Run, Less Expired Portion	0	0	0
(4) Less: Amount Paid to Reinsurers on Premiums on Line 3, Less Expired Portion	0	0	0
(5) Subtotal [(1) - (2) + (3) - (4)]	970,000	1,000,000	999,700
(6) Reserve Fund Required [50% x (5)]	485,000	500,000	499,850
Guarantee Fund			
(7) Total Liabilities	1,905,000	3,005,000	3,203,000
(8) Less: Unearned Premiums	1,250,000	1,342,000	1,426,000
(9) Less: Recoverable from Licensed Reinsurers	1,136,000	1,812,000	1,993,000
(10) Plus: Statutory Margin	50,000	50,000	50,000
(11) Guarantee Fund Required [(7) - (8) - (9) + (10)]	-431,000	-99,000	-166,000
(12) Total Reserve and Guarantee Fund Required [(6) + (11)]	54,000	401,000	333,850
(13) Cash & Approved Securities	760,000	1,228,000	1,328,000
(14) Excess of Cash & Securities over Reserve & Guarantee Fund [(13) - (12)]	706,000	827,000	994,150

Exhibit B4
Canadian Lawyers Liability Assurance Society
Cyber Program Only
Proforma Minimum Capital Test

	2022 Projected	2023 Projected	2024 Projected
Capital Available			
Total Equity	(2,000)	44,000	127,000
Less: Deductions from Capital Available	0	0	0
(1) Capital Available	(2,000)	44,000	127,000
Capital Required			
Insurance Risk			
Premium Liabilities	109,000	113,000	113,000
Unpaid Claims	60,000	145,000	148,000
Catastrophes	0	0	0
Margin Required for Reinsurance Ceded to Unregistered Insurers	0	0	0
Subtotal	169,000	258,000	261,000
Market Risk			
Interest Rate Risk	37,000	54,000	53,000
Foreign Exchange Risk	0	0	0
Equity Risk	0	0	0
Real Estate Risk	0	0	0
Other Market Risk Exposures	0	0	0
Subtotal	37,000	54,000	53,000
Credit Risk			
Counterparty Default Risk for Balance Sheet Assets	22,000	34,000	38,000
Counterparty Default Risk for Off-Balance Sheet Exposures	0	0	0
Counterparty Default Risk for Unregistered Reinsurance Collateral and SIRs	0	0	0
Subtotal	22,000	34,000	38,000
Operational Risk	68,000	104,000	106,000
Diversification Credit	(23,000)	(35,000)	(36,000)
(2) Total Capital Required at 150% MCT	273,000	415,000	422,000
(3) Total Capital Required at 100% MCT [= (2) / 1.5]	182,000	277,000	281,000
(5) MCT Ratio [= (1) / (3)]	-1.1%	15.9%	45.2%

Exhibit C1
Canadian Lawyers Liability Assurance Society
Combined
Proforma Statement of Financial Position

	2021 Actual	2022 Projected	2023 Projected	2024 Projected
Assets				
Cash	\$ 3,533,877	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000
Investments				
Short Term	11,361,485	\$ 12,021,000	\$ 12,226,000	\$ 12,185,000
Long Term	6,043,762	\$ 6,471,871	\$ 6,583,000	\$ 6,561,000
Interest Income Due and Accrued	23,630	\$ 0	\$ 0	\$ 0
Premiums Receivable	3,673,597	\$ 3,560,000	\$ 3,888,000	\$ 4,247,000
Unearned Reinsurance Premium Ceded	5,236,160	\$ 6,586,000	\$ 7,246,000	\$ 7,970,000
Prepaid Expenses	150,827	\$ 151,000	\$ 151,000	\$ 151,000
Deferred Policy Acquisition Costs	41,179	\$ 53,000	\$ 58,000	\$ 63,000
Reinsurance and Other Claims Receivable	577,412	\$ 800,000	\$ 800,000	\$ 800,000
Other Receivable	0	\$ 0	\$ 0	\$ 0
Provision for Unpaid Claims and Adjustment Expenses Recoverable from Reinsurers	64,708,168	\$ 70,938,000	\$ 77,433,000	\$ 83,762,000
Total Assets	95,350,096	104,580,871	112,385,000	119,739,000
Liabilities				
Provision for Unpaid Claims and Adjustment Expenses	72,867,454	\$ 79,845,000	\$ 87,225,000	\$ 94,044,000
Premium Deficiency Liability	0	\$ 0	\$ 0	\$ 0
Unearned Premium	6,244,910	\$ 8,096,000	\$ 8,818,000	\$ 9,592,000
Due to Reinsurers	3,045,212	\$ 4,110,000	\$ 4,521,000	\$ 4,973,000
Accounts Payable & Accrued Charges	278,684	\$ 353,000	\$ 364,000	\$ 376,000
Premium Taxes Payable	81,030	\$ 82,000	\$ 90,000	\$ 98,000
Total Liabilities	82,517,290	92,486,000	101,018,000	109,083,000
Subscribers' Equity				
Retained Earnings	12,727,966	\$ 11,989,871	\$ 11,262,000	\$ 10,551,000
Accumulated Other Comprehensive Income (Loss)	104,841	\$ 105,000	\$ 105,000	\$ 105,000
Total Subscribers' Equity	12,832,807	12,094,871	11,367,000	10,656,000
Total Liabilities and Subscribers' Equity	95,350,096	104,580,871	112,385,000	119,739,000

Exhibit C2
Canadian Lawyers Liability Assurance Society
Combined
Proforma Statement of Income

	2021 Actual	2022 Projected	2023 Projected	2024 Projected
Premiums				
Gross Written Premiums	\$ 12,594,326	\$ 16,192,000	\$ 17,635,000	\$ 19,184,000
Less: Reinsurance Ceded	10,584,328	\$ 13,173,000	\$ 14,490,000	\$ 15,939,000
Net Written Premiums	2,009,998	3,019,000	3,145,000	3,245,000
Change in Net Unearned Premiums	(6,396)	(\$ 501,000)	(\$ 62,000)	(\$ 50,000)
Net Earned Premiums	2,003,602	2,518,000	3,083,000	3,195,000
Incurred Claims				
Net Claims Paid	114,682	\$ 497,000	\$ 763,000	\$ 1,174,000
Change in Net Reserves	(425,276)	\$ 747,714	\$ 885,000	\$ 490,000
Premium Deficiency Expense	(30,774)	\$ 0	\$ 0	\$ 0
Net Incurred Claims	(341,368)	1,244,714	1,648,000	1,664,000
Operating Expenses				
Management and Operating Expenses *	1,285,525	\$ 1,575,415	\$ 1,656,000	\$ 1,689,000
Reinsurance Fees	293,250	\$ 299,000	\$ 305,000	\$ 311,000
Premium Taxes	323,610	\$ 416,000	\$ 490,000	\$ 534,000
Total Operating Expenses	1,902,385	2,290,415	2,451,000	2,534,000
Underwriting Gain (Loss)	442,585	(\$ 1,017,129)	(\$ 1,016,000)	(\$ 1,003,000)
Investment Income	151,845	\$ 279,000	\$ 289,000	\$ 292,000
Other Income	0	\$ 0	\$ 0	\$ 0
Comprehensive Income (Loss) for the year	594,430	(738,129)	(727,000)	(711,000)
Retained Earnings, Beginning of Period	12,133,536	\$ 12,728,000	\$ 11,989,000	\$ 11,262,000
Distribution in Year	0	\$ 0	\$ 0	\$ 0
Retained Earnings, End of Period	12,727,966	11,989,871	11,262,000	10,551,000

* Includes investment management fees

Exhibit C3
Canadian Lawyers Liability Assurance Society
 Combined
 Proforma Alberta Maintenance of Reserve and Guarantee Fund Requirement

	2021 Actual	2022 Projected	2023 Projected	2024 Projected
Reserve Fund				
(1) Premiums Collected or Credited Having One Year or Less to Run	12,594,000	16,192,000	17,635,000	19,184,000
(2) Less: Amount Paid to Licensed Reinsurers	10,493,328	13,073,000	14,380,000	15,818,300
(3) Premiums Collected With More Than One Year to Run, Less Expired Portion	0	0	0	0
(4) Less: Amount Paid to Reinsurers on Premiums on Line 3, Less Expired Portion	0	0	0	0
(5) Subtotal [(1) - (2) + (3) - (4)]	2,100,672	3,119,000	3,255,000	3,365,700
(6) Reserve Fund Required [50% x (5)]	1,050,336	1,559,500	1,627,500	1,682,850
Guarantee Fund				
(7) Total Liabilities	82,517,000	92,486,000	101,018,000	109,083,000
(8) Less: Unearned Premiums	6,245,000	8,096,000	8,818,000	9,592,000
(9) Less: Recoverable from Licensed Reinsurers *	64,671,168	71,663,000	78,231,000	84,641,000
(10) Plus: Statutory Margin	50,000	50,000	50,000	50,000
(11) Guarantee Fund Required [(7) - (8) - (9) + (10)]	11,650,832	12,777,000	14,019,000	14,900,000
(12) Total Reserve and Guarantee Fund Required [(6) + (11)]	12,701,168	14,336,500	15,646,500	16,582,850
(13) Cash & Approved Securities	20,939,000	22,493,000	22,809,000	22,746,000
(14) Excess of Cash & Securities over Reserve & Guarantee Fund [(13) - (12)]	8,237,832	8,156,500	7,162,500	6,163,150

* Includes unpaid claims recoverable secured under the reinsurance security agreement with Colchester.

Exhibit C4
Canadian Lawyers Liability Assurance Society
Combined
Proforma Minimum Capital Test

	2021 Actual	2022 Projected	2023 Projected	2024 Projected
Capital Available				
Total Equity	12,833,000	12,095,000	11,367,000	10,656,000
Less: Deductions from Capital Available	83,000	91,000	98,000	106,000
(1) Capital Available	12,750,000	12,004,000	11,269,000	10,550,000
Capital Required				
Insurance Risk				
Premium Liabilities	181,000	294,000	306,000	315,000
Unpaid Claims	1,150,000	1,252,000	1,382,000	1,425,000
Catastrophes	0	0	0	0
Margin Required for Reinsurance Ceded to Unregistered Insurers	16,000	17,000	20,000	26,000
Subtotal	1,347,000	1,563,000	1,708,000	1,766,000
Market Risk				
Interest Rate Risk	265,000	321,000	371,000	402,000
Foreign Exchange Risk	0	0	0	0
Equity Risk	0	0	0	0
Real Estate Risk	0	0	0	0
Other Market Risk Exposures	0	0	0	0
Subtotal	265,000	321,000	371,000	402,000
Credit Risk				
Counterparty Default Risk for Balance Sheet Assets	1,270,000	1,404,000	1,526,000	1,647,000
Counterparty Default Risk for Off-Balance Sheet Exposures	0	0	0	0
Counterparty Default Risk for Unregistered Reinsurance Collateral and SIRs	126,000	138,000	149,000	162,000
Subtotal	1,396,000	1,542,000	1,675,000	1,809,000
Operational Risk	836,000	1,028,000	1,122,000	1,193,000
Diversification Credit	(398,000)	(455,000)	(499,000)	(526,000)
(2) Total Capital Required at 150% MCT	3,446,000	3,999,000	4,377,000	4,644,000
(3) Total Capital Required at 100% MCT [= (2) / 1.5]	2,297,000	2,666,000	2,918,000	3,096,000
(5) MCT Ratio [= (1) / (3)]	555.1%	450.3%	386.2%	340.8%



MEMORANDUM

DATE: June 13, 2022
 TO: CLLAS Advisory Board
 FROM: Patrick Mahoney
 COPY:
 RE: CLLAS Subscribers' Agreement – Amendments re Cyber Program

Attached is the CLLAS Subscribers' Agreement showing amendments necessary to reflect the addition of the CLLAS Cyber Program. This version is blacklined against the current Agreement, last amended in 2017.

The main change to the Agreement is the creation of separate "Underwriting Groups" for the current E&O coverage and the new cyber coverage so that they can be accounted for separately. This is a standard approach for reciprocals that provide, for example, liability and property coverage to their subscribers, so the basic changes are relatively straightforward.

There are governance aspects to the introduction of the second Underwriting Group which affect board participation and entry/exit provisions. The simplest approach would be to insist on consistency in participation, i.e. a firm cannot participate in the cyber program without also participating in the E&O program. However, we have assumed that CLLAS may want to offer Associate Firms the opportunity to participate in the cyber program without requiring them to also participate in the E&O program. The amendments have been drafted such that joining (or leaving) both programs simultaneously is the default and that if, with Board approval, a firm is permitted to join only the cyber program, that firm is not entitled to appoint a Board member.

In addition to the changes necessitated by the cyber program, there are also some housekeeping changes addressing things like virtual meetings and cleaning up the original Schedules to the Agreement.

The key changes to the Agreement with respect to cyber are as follows:

1. Subsections 1.01(s) to (v) define the new the underwriting groups ("Underwriting Group 1" for E&O and "Underwriting Group 2" for cyber) and ensure that the five-year underwriting periods for these groups are aligned.
2. Section 3.01 provides that only subscribers to Underwriting Group 1 are entitled to representation on CLLAS' board.
3. Section 5.03 provides that the two Underwriting Groups will be accounted for separately. In practice, this means that this means that participating firms will receive three sets of subscribers accounts each year, one for E&O, one for cyber, and one combined. Decisions re surpluses/deficits would be made separately for each program.



4. Sections 6.01 through 6.04 have been amended so that firms must join (or leave) both underwriting Groups at the same time, unless the Board agrees otherwise.
5. Section 7.02(b) sets the maximum retention for the cyber program at \$5 million.
6. Section 7.04 through 7.08 have been amended to reflect the separate accounting for the two programs.
7. Schedule A (Form of Subscription) has been amended so that it indicates the particular Underwriting Group(s) in which the firm participates.

The amendments include a number of other changes of an administrative nature, notably:

1. Section 1.13 provides explicitly for digital signatures.
2. Section 3.07 is amended to state that the Chair may serve as CLLAS' Principal Attorney, in keeping with CLLAS practice. (This change is likely not necessary but was made for consistency with Subsection 3.05(n), which provides that the manager may serve as the Principal Attorney.)
3. Sections 3.12, 4.13 and 6.13 refine the language with respect to holding meetings via videoconference.
4. Section 3.21 clarifies the current practice of having the Board appoint and empower the Principal Attorney.

The amendments were initially prepared by management and then reviewed by Roisin Hutchinson at John Walker's firm, who is familiar with subscribers' agreements. The changes have also been vetted by Ken Crofoot and Don Milner.

Please review the attached amendments and let me know if you have any comments. We would like to confirm that there are no outstanding issues with the amendment at the June 21, 2022 Board meeting, and circulate an execution copy soon thereafter. We have submitted the amendment to CLLAS' insurance regulator and will advise if they have any feedback prior to execution.

Thank you and please let me know if you have any questions.

**AMENDED AND RESTATED
RECIPROCAL INSURANCE EXCHANGE AGREEMENT**

THIS AGREEMENT MADE AS OF THE ~~1ST~~[1]ST DAY OF ~~[JULY, 2017]~~, 2022

AMONG:

THOSE FIRMS THAT SUBSCRIBE TO THIS AGREEMENT BY EXECUTING A COPY HEREOF OR THE FORM OF SUBSCRIPTION ATTACHED HERETO AS SCHEDULE "A" (hereinafter individually called a "Subscriber" and collectively called "Subscribers").

BEING PARTIES TO THIS AGREEMENT

WHEREAS:

- A. Pursuant to a Reciprocal Insurance Exchange Agreement made as of December 22, 1986 (such Agreement, as amended and restated from time to time prior to the date hereof, being herein referred to as the "Original Agreement"), the parties thereto agreed to exchange, and have exchanged, with each other contracts of indemnity or inter-insurance under and pursuant to the *Insurance Act* (Ontario); and the Act;
- B. The Reciprocal became primarily regulated in Alberta in July 2012;
- C. The Act- permits parties to exchange reciprocal contracts of indemnity or inter-insurance with each other through a Principal Attorney as defined in Subsection 78(b) of the Act for any class of insurance for which a reciprocal insurance exchange may be licensed to undertake; and
- D. The Subscribers (being all the Firms currently parties to the Agreement) wish to enter into this Agreement to amend and restate the Original Agreement to continue from and after the date hereof to exchange with each other contracts of indemnity or inter-insurance under and pursuant to the Act and to make various other amendments to the Original Agreement as hereinafter provided.

WITNESSETH THAT in consideration of the mutual covenants of the parties hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Subscribers hereby agree to amend the Original Agreement as hereinafter provided and to restate the Original Agreement as so amended as follows:

ARTICLE I

INTERPRETATION AND GENERAL

1.01 Definitions

Where used herein or in any amendment hereto, the following terms have the following meanings respectively unless the context otherwise requires:

- (a) "Act" means the Insurance Act of Alberta, R.S.A. 2000, c.I-3, as amended from time to time, and the regulations, guidelines and bulletins made under the Act;
- (b) "Actuary" means the independent qualified actuary, who is a Fellow of the Canadian Institute of Actuaries, or the firm of independent qualified actuaries, at least one of whose members is a Fellow of the Canadian Institute of Actuaries, selected by the Advisory Board for the purposes of this Agreement;
- (c) "Advisory Board" means the board consisting of one member from each Subscriber;
- (d) "Alternate" means a person designated by a Subscriber as an Alternate pursuant to section 3.01;
- (e) "Audit Committee" means a committee consisting of at least three members of the Advisory Board and Alternates appointed by the Advisory Board;
- (f) "Chair" means the Chair chosen by the Advisory Board pursuant to section 3.07;
- (g) "Departing Subscriber" means a Subscriber whose membership in the Reciprocal has terminated pursuant to section 6.04 or section 6.05 hereof, or for any other reason.
- (h) "Extraordinary Resolution" means
 - (i) any resolution passed at a meeting of the Subscribers or the Advisory Board by the affirmative vote of at least eighty percent (80%) of the Subscribers or Advisory Board members present at such meeting; or
 - (ii) any written resolution signed in one or more counterparts by all of the Subscribers or Advisory Board members;
- (i) "Firm" means a law firm in Canada having at least the Minimum Members;
- (j) "Fiscal Period" has that meaning ascribed to it in section 5.01 hereof;
- (k) "Licence" means the licence issued pursuant to the Act to carry on as a reciprocal insurance exchange under the Act;

- (l) "Minimum Members" means that number of lawyers, determined from time to time pursuant to the Rules, that any law firm in Canada must have to qualify for membership in the Reciprocal;
- (m) "Ordinary Resolution" means
 - (i) any resolution passed at a meeting of the Subscribers, the Advisory Board, or a committee, by the affirmative vote of a majority of the Subscribers, Advisory Board members or committee members in attendance at such meeting; or
 - (ii) any written resolution signed in one or more counterparts by eighty percent (80%) of the Subscribers, Advisory Board members or committee members.
- (n) "Principal Attorney" means the Principal Attorney appointed pursuant to section 3.21 hereof;
- (o) "Reciprocal" means the reciprocal insurance exchange created under and by virtue of the Original Agreement and continued under this Agreement;
- (p) "Rules" has that meaning ascribed to it in section 7.09 hereof;
- (q) "Subscriber" means a Firm which has been accepted for membership in the Reciprocal and has executed a copy of this Agreement or the Form of Subscription attached hereto as Schedule "A";
- (r) "Superintendent" means the Superintendent of Insurance appointed from time to time pursuant to the Act;
- (s) "Underwriting Group" means Underwriting Group 1 and/or Underwriting Group 2, as the context requires.
- (t) "Underwriting Group 1" means the group of Subscribers exchanging contracts of indemnity or inter-insurance for professional liability insurance in accordance with the provisions of this Agreement for subscribing and terminating subscription in such Underwriting Group.
- (u) "Underwriting Group 2" means the group of Subscribers exchanging contracts of indemnity or inter-insurance for cyber insurance in accordance with the provisions of this Agreement for subscribing and terminating subscription in such Underwriting Group.
- (v) "Underwriting Period" means:
 - (i) for Underwriting Group 1, the period of five (5) years commencing 12:01 a.m. on July 1, 1987 and terminating 12:01 a.m. on July 1, 1992 and each successive five (5) year period thereafter, or such other period as the Advisory Board establishes by Extraordinary Resolution, during which the Reciprocal continues to operate; and

(ii) for Underwriting Group 2, the period commencing at 12:01 a.m. on October 15, 2022 and terminating 12:01 a.m. on July 1, 2027, and each successive five (5) year period thereafter, or such other period as the Advisory Board establishes by Extraordinary Resolution, during which the Reciprocal continues to operate.

1.02 Currency

All payments contemplated herein will be made in Canadian funds.

1.03 Gender and Number

Words importing the singular number only include the plural, and vice-versa, and words importing the masculine gender include the feminine gender and neuter gender, and words importing persons include a natural person, firm, trust, partnership, association, corporation, government or governmental board, agency, or instrumentality.

1.04 Headings

The division of this Agreement into articles and sections and the article and section headings are for convenience of reference only and will not affect the interpretation or construction of this Agreement.

1.05 Calculation of Time Periods

Unless otherwise specified herein or in any insurance policy issued pursuant hereto, when calculating the period of time within which or following which any act is to be done or step taken pursuant to this Agreement, the date which is the reference day in calculating such period will be excluded. If the last day of such period is a non-business day, the period in question will end on the next business day.

1.06 Applicable Law

This Agreement will be construed and enforced in accordance with and governed by the laws of the Province of Alberta and the laws of Canada applicable therein and the parties hereto do hereby irrevocably attorn to the non-exclusive jurisdiction of the courts of the Province of Alberta.

1.07 Severable

If any provision of this Agreement is held to be invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions of this Agreement will not in any way be affected or impaired thereby.

1.08 Entire Agreement

This Agreement together with the Schedules attached hereto constitutes the entire agreement among the parties hereto relating to the establishment and operation of the Reciprocal and

supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, among the parties hereto with respect thereof.

1.09 Amendments

Unless otherwise provided to the contrary in this Agreement, no amendment or modifications of this Agreement, including any Schedules attached hereto, will be binding unless approved by Extraordinary Resolution of the Subscribers who are members of the Reciprocal at that time and the written consent of the Superintendent, if required, is obtained.

1.10 Waiver

No waiver by any party hereto of any breach of any of the provisions of this Agreement by any other party hereto will take effect or be binding upon the party unless in writing and signed by such party. Unless otherwise provided therein, such waiver will not limit or affect the rights of such party with respect to any other breach.

1.11 Time of Essence

Time is of the essence of this Agreement.

1.12 Successors and Assigns

This Agreement will enure to the benefit of and be binding upon the parties hereto and their respective administrators, successors and permitted assigns.

Neither this Agreement nor any of the rights, benefits, liabilities or obligations hereunder may be assigned or transferred without the prior written approval of the Advisory Board by Extraordinary Resolution.

1.13 Counterparts

This Agreement may be executed ~~in several~~ and delivered in any number of counterparts each of which when so executed will be deemed to be an original, and such counterparts together will constitute one and the same instrument, which will be sufficiently evidenced by any such original counterpart. This Agreement and any counterpart of it may be signed by manual, digital or other electronic signatures, and delivered or transmitted by any digital, electronic or other intangible means, including by e-mail or other functionally equivalent electronic means of transmission and that execution, delivery and transmission will be valid and legally effective to create a valid and binding agreement between the parties hereto.

1.14 Further Acts

The parties hereto agree to execute and deliver such further and other documents and perform and cause to be performed such further and other acts and things as may be necessary or desirable in order to give full effect to this Agreement and every part hereof.

ARTICLE II**THE RECIPROCAL INSURANCE EXCHANGE****2.01 Establishment of the Reciprocal**

The Subscribers hereby agree to the establishment of the Reciprocal, provided that the Reciprocal will not issue further policies of insurance until the Licence has been granted by the Superintendent.

2.02 Purpose of the Reciprocal

The Reciprocal is established for the purpose of permitting the Subscribers to exchange reciprocal contracts of indemnity or inter-insurance for liability purposes and for no other purpose. The Reciprocal will have the power to do any and every act and thing necessary, proper, convenient or incidental to the accomplishment of its purposes.

2.03 Name of the Reciprocal

The name of the Reciprocal will be "Canadian Lawyers Liability Assurance Society" or "CLLAS". The words "Canadian Lawyers Liability Assurance Society" or "CLLAS" will not be used by any of the Subscribers other than in connection with the affairs of the Reciprocal.

2.04 Registration of Name

The Subscribers will effect such registration with respect to the name "Canadian Lawyers Liability Assurance Society" and "CLLAS" as may be necessary or desirable to preserve the ownership right of the Reciprocal in the name and to ensure use of the name solely in connection with the Reciprocal.

2.05 Term

This Agreement is effective from and after December 22, 1986 and will continue in full force and effect until terminated in accordance with Article VIII hereof.

2.06 Not a Partnership

Nothing in this Agreement will be construed to constitute any of the Subscribers a partner, agent or representative of the others or to create any trust or any commercial or other partnership among the Subscribers.

2.07 No Authority to Bind

Except as expressly provided in this Agreement, neither the Advisory Board, a committee, nor a Subscriber will have any authority to bind any other Subscriber or the other Subscribers.

2.08 Indemnification for Unauthorized Acts

Each Subscriber (in this section 2.08 called the "Indemnitor") hereby irrevocably and unconditionally undertakes and agrees to indemnify and save harmless each and all of the other Subscribers (in this section 2.08 called the "Indemnitees") from and against any and all liability, loss, harm, damage, cost or expense, including legal fees, which the Indemnitees or any one or more of them may suffer, incur or sustain as a result of an act of the Indemnitor outside the scope of or in breach of this Agreement.

2.09 Several Liability

The obligations of each Subscriber with respect to the Reciprocal and contracts and obligations entered into by or on behalf of the Subscribers in connection with the Reciprocal will in every case be several, and not joint and several.

ARTICLE III**ADVISORY BOARD AND PRINCIPAL ATTORNEY****3.01 Members of Advisory Board and Alternates**

Each Subscriber to Underwriting Group 1 will designate in writing from time to time the individual partner, counsel or employee to be its member of the Advisory Board. Any such Subscriber will also be entitled to designate in writing from time to time an Alternate. Only individuals meeting the qualifications set out in section 3.02, below, may be so designated.

An Alternate will be entitled to act in the place and stead of the Advisory Board member for whom he or she is the Alternate, when that Advisory Board member is unavailable. If an Alternate is appointed to a committee, he or she will be entitled to full participation in that committee.

If, as a result of a Subscriber failing to designate one of its partners, counsel, or employees as its member of the Advisory Board, the number of members of the Advisory Board falls below five (5), then the partner in that Subscriber with the earliest date of admission to any Law Society in

Canada will be deemed to be designated as that Subscriber's member of the Advisory Board, until that Subscriber makes a different designation.

Subject to section 6.02 below, an additional Subscriber or Subscribers will not be accepted, if it would result in the number of members of the Advisory board exceeding twenty (20).

3.02 Qualifications of Members of the Advisory Board

Any individual may be a member of the Advisory Board or an Alternate provided that, and for so long as, he:

- (a) is a person who is twenty-one (21) years of age or more;
- (b) is not a person who is of unsound mind, having been so found by a court in Canada or elsewhere;
- (c) is not a person who has the status of an undischarged bankrupt.

3.03 Resignation

A member of the Advisory Board and any Alternate may resign from office upon giving a written resignation to the Chair and such resignation becomes effective when received by the Chair or at the time specified in the resignation, whichever is later.

3.04 Vacancies

Where there is a vacancy or vacancies on the Advisory Board, the remaining members thereof may exercise all of the powers of the Advisory Board so long as a quorum remains in office.

3.05 Power and Authority of the Advisory Board

Except as otherwise provided for in this Agreement the Advisory Board has the power and authority, and the Subscribers hereby direct the Advisory Board, to give any approvals and to make any decisions and determinations required or permitted to be given or made by the Subscribers with respect to the Reciprocal and any matter arising under or by virtue of this Agreement. Without limiting the generality of the foregoing, it is acknowledged and agreed that unless otherwise provided for in this Agreement, the Advisory Board is authorized on behalf of and without further authority from the Subscribers:

- (a) to make application to the Superintendent for the issue of the Licence;
- (b) in accordance with section 3.21 hereof, to appoint, and where appropriate remove, from time to time, a Principal Attorney as that term is provided for or used in the Act upon such terms and conditions, including remuneration, as the Advisory Board may determine from time to time, and to delegate to such Principal Attorney such duties and responsibilities as are

required by the Act, together with such additional duties and responsibilities as the Advisory Board may from time to time determine;

- (c) by its Principal Attorney, to exchange policies of insurance among the Subscribers, to execute and deliver to the Subscribers policies of insurance containing such terms and conditions as the Advisory Board deems proper and to change, cancel, renew, extend or reinsure such policies;
- (d) to reinsure or cede the whole or any part or proportion of any risk incurred or undertaken by the Reciprocal with or to such reinsurers and on such terms as the Advisory Board considers appropriate;
- (e) to demand, collect and receive all moneys which may become due by the Subscribers under this Agreement or under or pursuant to any policy of insurance;
- (f) to give and to receive all notices necessary or proper under any policy of insurance, and to adjust, compromise and settle all claims and losses thereunder;
- (g) to retain such consultants or professional advisors as the Advisory Board considers advisable in order to perform its duties hereunder;
- (h) to open and operate in the name of the Reciprocal a separate bank account or accounts in order to deposit and to distribute funds with respect to the operations of the Reciprocal;
- (i) by its Principal Attorney, to execute and to carry out all other agreements which require execution and performance by or on behalf of the Subscribers;
- (j) to invest funds not immediately required for the operation of the Reciprocal in accordance with the Act;
- (k) to pay all taxes, fees and other expenses relating to the orderly maintenance, management and operations of the Reciprocal;
- (l) to take such steps as are necessary to comply with all applicable provisions of the Act or any other applicable governmental statutes, regulations and rules;
- (m) to set the premium rates and additional assessments required of the Subscribers pursuant to the provisions of this Agreement, which rates will include a Subscriber's proportionate share of the expenses of the Reciprocal;
- (n) to appoint a manager to operate the affairs of the Reciprocal on behalf of the Advisory Board on such terms and conditions, including remuneration, as the Advisory Board may determine from time to time. For greater certainty, the manager and the Principal Attorney may be one and the same person;

- (o) require such additional information from any Subscriber as the Advisory Board deems necessary, including requiring a Subscriber to provide the Advisory Board with proof of its financial capability;
- (p) to establish and appoint such committees as may be required by the Superintendent or as may be deemed by the Advisory Board to be necessary or desirable for the operation of the Reciprocal and to establish the powers and responsibilities of such committees;
- (q) subject to applicable provisions of the Act, to borrow money from any lender in such amounts and upon such terms and conditions as the Advisory Board deems advisable and to pledge any securities or other property, including the Reciprocal's receivables, for the repayment of any such loan, provided, however, that such borrowing will be made for the sole purpose of paying eligible losses under any policy issued by the Reciprocal and to avoid a distress sale of investments or an acceleration of the assessments receivable from Subscribers that would be necessary to make such payment;
- (r) to approve by Extraordinary Resolution, the Rules, with respect to such other matters as may be deemed appropriate for the better operation of the Reciprocal; and
- (s) to do and perform every other act and thing necessary or proper to be done in order to fully carry out and perform the terms hereof.

3.06 (a) Decisions of Advisory Board

All decisions of the Advisory Board require approval by Ordinary Resolution unless otherwise provided for in this Agreement.

(b) Decision Binding

A decision of the Advisory Board with respect to any matter will be binding on all the Subscribers.

3.07 Chair

The Advisory Board will choose a Chair from among its members. The Chair will be the chief executive officer and, subject to the authority of the Advisory Board, will have general supervision of the business and affairs of the Reciprocal and will, subject to the provisions of the Act, have such other powers and duties as the Advisory Board may specify. The Chair will be an ex officio member of all committees established by the Advisory Board pursuant to section 4.01. For greater certainty, the Chair and the Principal Attorney may be one and the same person.

The Chair will serve as chairperson of any meeting of the Advisory Board. In the absence of the Chair the members of the Advisory Board in attendance at the meeting will choose a chairperson. The Chair will not have a second or casting vote in respect of any matter voted on by the Advisory Board.

3.08 Secretary

The Chair will appoint a secretary who will keep complete and accurate minutes of all meetings of the Advisory Board.

3.09 Other Officers

The Advisory Board may appoint such other officers and designate such responsibilities to such officers as the Advisory Board determines.

3.10 Minutes of Meetings

The minutes of each meeting of the Advisory Board will be submitted for approval at the next Advisory Board meeting.

The minutes of any meetings of the Advisory Board will, if purported to be signed by the Chair and the secretary, be *prima facie* evidence of the facts therein stated.

3.11 Meetings Generally

The Advisory Board will hold regular meetings at such time as the Advisory Board decides upon from time to time.

The Chair may call additional meetings of the Advisory Board if he or she considers it advisable to do so and will do so if requested by any member of the Advisory Board.

3.12 ~~Conference Telephone~~Electronic Meetings

The Advisory Board may determine that any meeting of the Advisory Board or committee thereof may be held entirely by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting. Any member of the Advisory Board may participate in a meeting of the Advisory Board by means of ~~conference telephone~~telephonic, electronic or other ~~communications equipment by means of which~~communication facility that permits all persons participating in the meeting ~~can hear to~~communicate adequately with each other during the meeting, and a member participating in a meeting in such manner will be deemed to be present in person at the meeting.

3.13 Notice

The Chair will give each member of the Advisory Board written notice of the time and place of each meeting of the Advisory Board not less than ten (10) days before the day on which the meeting is to be held. A meeting of the Advisory Board may be held at any time without notice if all the members thereof are present or those not so present have waived notice of such meeting. Such waiver, whether given before or after the meeting of which notice is required to be given, will cure any default in the giving of such notice.

3.14 Agendas

The notice of each meeting of the Advisory Board will be accompanied by an agenda and any relevant supporting materials sufficiently detailed to inform each member thereof of the matters to be considered at the meeting.

A member of the Advisory Board may require the addition of one or more matters to the agenda of the meeting by written notice thereof to the Chair. Such notice will be accompanied by any relevant supporting materials sufficiently detailed to inform each member of the Advisory Board of the matter or matters to be added to the agenda of the meeting. Such notice and materials will be delivered in sufficient time to enable the Chair to comply with the Chair's obligations under section 3.13 hereof and this section 3.14.

3.15 No Vote on Matters Not in Agenda

Matters which are not referred to in the agenda of the meeting of the Advisory Board will not be voted on at that meeting unless all of the members thereof consent.

3.16 Location of Meeting

Meetings of the Advisory Board will be held in the City of Toronto or at such other place as the members thereof may by Ordinary Resolution agree upon from time to time.

3.17 Quorum

A quorum for a meeting of the Advisory Board will be a majority of the members thereof.

3.18 Duty of Care

The Principal Attorney, every member of the Advisory Board, including the Chair, every Alternate, and every member of a committee, in exercising their powers and discharging their duties, will:

- (a) act honestly and in good faith, with a view to the best interests of the Reciprocal; and
- (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

3.19 (a) Limitation of Liability

No member of the Advisory Board, including the Chair, or of any committee will be liable for the acts, receipts, neglects or defaults of the Principal Attorney or any other member of the Advisory Board or any committee in any respect, or for any loss, damage or expense happening to the Reciprocal, or for the insufficiency or deficiency of any security in or upon which any money of the Reciprocal is invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Reciprocal, or any member thereof, be deposited, or for any loss occasioned

by any error of judgment or oversight on that member's part, or for any other loss, damage or misfortune whatever which happens in the execution of the duties of that member's office or in relation thereto, unless the same are occasioned by that member's own failure to act honestly and in good faith, with a view to the best interests of the Reciprocal.

The Principal Attorney will not be liable for the acts, receipts, neglects or defaults of any member of the Advisory Board, or any committee in any respect, or for any loss, damage or expense happening to the Reciprocal, or for the insufficiency or deficiency of any security in or upon which any money of the Reciprocal is invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Reciprocal, or any member thereof, be deposited, or for any loss occasioned by any error of judgment or oversight on the Principal Attorney's part, or for any other loss, damage or misfortune whatever which happens in the execution of the duties of the Principal Attorney's office or in relation thereto, unless the same are occasioned by the Principal Attorney's failure to act honestly and in good faith, with a view to the best interests of the Reciprocal.

(b) Indemnity of Members

Every member and every former member of the Advisory Board, including the Chair, and any committee, and their heirs and legal representatives will, from time to time, be indemnified and saved harmless by the Subscribers from and against all liabilities, costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment in respect of any action or proceeding to which they are made a party by reason of being or having been a member of the Advisory Board, the Chair, or a member of any committee, if the member acted honestly and in good faith, with a view to the best interests of the Reciprocal.

(c) Indemnity of Principal Attorney

The Principal Attorney and every former Principal Attorney, and their heirs and legal representatives will, from time to time, be indemnified and saved harmless by the Subscribers from and against all liabilities, costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment in respect of any action or proceeding to which they are made a party by reason of being or having been the Principal Attorney, if that Principal Attorney or former Principal Attorney acted honestly and in good faith, with a view to the best interests of the Reciprocal.

(d) Insurance

The Reciprocal may purchase and maintain insurance for the benefit of any person referred to in this section 3.19 against any liability incurred by the person in the person's capacity as a member of the Advisory Board, including the Chair, or of any committee.

(e) Alternates

In this section 3.19, “member of the Advisory Board” includes “Alternate”.

3.20 Payment for Services

Except as determined by the Advisory Board from time to time, no payment will be made to any member of the Advisory Board for services in acting as a member of the Advisory Board, provided that any member of the Advisory Board, including the Chair, will be entitled to reimbursement of any reasonable expenses incurred in acting as a member of the Advisory Board, or as the Chair, as the case may be.

3.21 Appointment of Principal Attorney

The Advisory Board will appoint a Principal Attorney and ~~execute a power of attorney in the form attached hereto as Schedule "B", which power of attorney will provide that the Principal Attorney, upon appointment by the Advisory Board in accordance with this Agreement, the Principal Attorney will have all of the powers and authority to act on behalf of the Subscribers in accordance with this Agreement and in accordance with the Act as the Principal Attorney, and otherwise in accordance with applicable law and will~~ do such things and sign such documents as are required by the Act, together with such further things and the execution of such other documents as this Agreement may provide or as the Advisory Board may determine.

ARTICLE IV

COMMITTEES

4.01 Establishment of Committees

The Advisory Board may establish one or more committees and delegate to the committee any of the powers of the Advisory Board, other than the decisions and determinations referred to in Article VIII hereof.

The Advisory Board may, by Extraordinary Resolution, appoint from among its members an Executive Committee, and delegate to the Executive Committee such power and authority as it deems appropriate. If an Executive Committee is so appointed, it will follow, with the necessary changes, the procedures set out in sections 4.11 through 4.18, below, excluding section 4.10(b).

4.02 Qualifications of Committee Members

Any member of the Advisory Board and any Alternate may be appointed to a committee, except that an Alternate may not be appointed to the Executive Committee.

No appointment of a person as a member of a committee will be effective unless that person consents to act as a member of such committee before or within ten (10) days after such appointment.

4.03 Appointment and Term

A member of a committee will hold office for a term expiring at the close of the annual meeting of the Subscribers next following that member's appointment or until a successor is appointed. Incumbent members of committees, if qualified, will be eligible for re-appointment. If an appointment of members of a committee is not held at the proper time, the incumbent members will continue in office until their successors are appointed.

4.04 Resignation

A member of a committee may resign from office upon giving a written resignation to the Advisory Board and such resignation becomes effective when received by the Advisory Board or at the time specified in the resignation, whichever is later.

4.05 Removal

The Advisory Board may by Ordinary Resolution remove any member of a committee from office.

4.06 Vacancies

Where there is a vacancy or vacancies on a committee, the remaining members thereof may exercise all of the powers of that committee so long as a quorum remains in office.

Where there is a vacancy or vacancies on a committee, other than the Executive Committee, the Advisory Board may by Ordinary Resolution appoint any eligible person to fill the vacancy for the unexpired term of that position.

Where there is a vacancy or vacancies on the Executive Committee, the Advisory Board may by Extraordinary Resolution appoint any eligible person to fill the vacancy for the unexpired term of that position.

4.07 Decisions of Committees

All decisions of committees will, unless otherwise herein provided for, require the approval by Ordinary Resolution of the committee.

4.08 Committee Procedure

Each committee will choose a chairperson from among its members. The chairperson will not have a second or casting vote in respect of any matter voted on by the committee.

A quorum for a meeting of a committee will be a majority of the members thereof.

Subject to specific requirements for the Audit Committee, Conduct Review Committee and Executive Committee set out below, each committee will set its own procedural rules regarding its meetings and resolutions, including meeting scheduling, notice, agendas, location, format, and minutes.

4.09 Conduct Review

The Advisory Board will take on conduct review responsibilities itself, or delegate them to the Audit Committee or another committee. The conduct review responsibilities will include:

- (a) establishing procedures for the review of transactions with related parties of the Reciprocal;
- (b) reviewing all proposed transactions with related parties of the Reciprocal;
- (c) reviewing the practices of the Reciprocal to ensure that any transactions with related parties of the Reciprocal that may have a material effect on the stability or solvency of the Reciprocal are identified; and
- (d) reporting to the Advisory Board on all transactions and other matters reviewed pursuant to the conduct review responsibilities.

If the Advisory Board delegates conduct review responsibilities to a committee other than the Audit Committee, that conduct review committee will follow, with the necessary changes, the procedures set out in sections 4.11 through 4.18.

4.10 Audit Committee

- (a) Appointment

The Audit Committee will be appointed by and report to the Advisory Board.

- (b) Powers and Duties

The powers and duties of the Audit Committee will include:

- (i) Review of the annual financial statements, actuarial valuation report and regulatory filing before any such information is considered for approval by the Advisory Board;
- (ii) Review, evaluate and make recommendations to the Advisory Board, if appropriate, with respect to internal financial control procedures of the Reciprocal;
- (iii) Review any investments or transactions that the auditor or management bring to the attention of the committee and make any related recommendations to the Advisory Board if the committee considers it advisable; and

(iv) Such other powers and duties as are approved by the Advisory Board or required by the Act.

(c) Meetings

For the purposes of carrying out its duties under (b) above, the Audit Committee will meet as required as decided by the Audit Committee from time to time but at least annually. Any member of the Audit Committee or the auditor may call a meeting with reasonable notice as may be determined by the Audit Committee. Any member of the Audit Committee may request the auditor to attend any meeting.

At any meeting of the Audit Committee, necessary information will be obtained from the auditor, actuary, management or other party as required.

The Audit Committee may, if considered appropriate, call a meeting of the Advisory Board to consider any matter of concern to the Audit Committee.

The Audit Committee will ensure that accurate minutes are kept of the Audit Committee meetings.

4.11 Secretary

The Audit Committee will appoint a secretary (who need not be a member of the committee) who will keep complete and accurate minutes of all meetings of the Audit Committee.

4.12 Minutes of Meetings

The minutes of each meeting of the Audit Committee will be submitted for approval at the next Audit Committee meeting.

The minutes of any meetings of the Audit Committee will, if purported to be signed by the Chair and the secretary, be *prima facie* evidence of the facts therein stated.

4.13 ~~Conference Telephone~~ Electronic Meetings

The Audit Committee may determine that any meeting of the Audit Committee may be held entirely by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting. Any member of the Audit Committee may participate in a meeting by means of ~~conference telephone~~ telephonic, electronic or other ~~communications equipment by means of which~~ communication facility that permits all persons participating in the meeting ~~can hear to~~ communicate adequately with each other during the meeting, and a member participating in a meeting in such manner will be deemed to be present in person at the meeting.

4.14 Notice

The chairperson of the Audit Committee will give each member of that committee written notice of the time and place of each meeting of that committee at least twenty-four (24) hours, excluding any part of a Sunday and a holiday as defined in the Interpretation Act, R.S.A. 2000, C.1--3, as amended from time to time, before the time when the meeting is to be held, save that no notice of a meeting will be necessary if all members thereof are present or if those absent have waived notice in writing to the holding of such meeting. Such waiver, whether given before or after the meeting of which notice is required to be given, will cure any default in giving such notice.

4.15 Agendas

The notice of each meeting of the Audit Committee will be accompanied by an agenda and any relevant supporting materials sufficiently detailed to inform each member thereof of the matters to be considered at the meeting.

A member of the Audit Committee may require the addition of one or more matters to the agenda of the meeting by written notice thereof to the chairperson. Such notice will be accompanied by any relevant supporting materials sufficiently detailed to inform each member of the committee of the matter or matters to be added to the agenda of the meeting. Such notice and materials will be delivered in sufficient time to enable the chairperson to comply with the chairperson's obligations under section 4.15 hereof and this section 4.16.

4.16 No Vote on Matters Not on Agenda

Matters which are not referred to in the agenda of the meeting of the Audit Committee will not be voted on at that meeting unless all of the members thereof consent.

4.17 Location of Meetings

Meetings of the Audit Committee will be held at such place as determined by that committee.

ARTICLE V**OTHER FINANCIAL AND ACCOUNTING MATTERS****5.01 Fiscal Period**

Accounts for the Reciprocal will be prepared and settled as of December 31 in each year ("Fiscal Period").

5.02 Books and Records

Proper and complete books, records, reports and accounts of the Reciprocal will be kept at the head office of the Reciprocal and will be open and available for inspection and copying by any one of the Subscribers or its authorized agent, in accordance with section 9.04 below. The said books and records will fully and accurately reflect all transactions of the Reciprocal and will be maintained in conformity with generally accepted accounting principles or customary practices. The Reciprocal will make available to the Superintendent such documentation as may be required in accordance with the Act.

5.03 Subscribers' Accounts

Each Underwriting Group will be accounted for separately. Individual accounts will be kept for each Underwriting Period showing each Subscriber's participation in the operations and the operating results of each Underwriting Group and of the Reciprocal as a whole in the manner determined by the Rules.

5.04 Annual Reports

By the last day of February following the end of each Fiscal Period of the Reciprocal, the Advisory Board will cause the auditors of the Reciprocal to furnish to each Subscriber an annual audited report, among other things, consisting of:

- (a) audited financial statements;
- (b) an auditor's report;
- (c) the actuary's report; and
- (d) any additional information that the Advisory Board or the Superintendent may require.

5.05 Annual Statements

The Advisory Board will cause the Reciprocal to furnish to each Subscriber an annual statement of the details of its account as provided for in section 5.03 hereof.

5.06 Other Financial Information

The Advisory Board will provide the Subscribers with such other financial information as it deems necessary or as may be required under the Act.

5.07 Bank Accounts

The bank of the Reciprocal will be such Canadian chartered bank or banks as the Advisory Board may from time to time determine. All moneys from time to time received on account of the Reciprocal will be paid immediately into the bank account of the Reciprocal in the same drafts,

cheques, bills and cash in which they are received. All cheques, negotiable instruments and withdrawals from bank accounts will require the signatures of the manager of the Reciprocal, if any, together with one (1) member of the Advisory Board, or if there is no manager of the Reciprocal, two (2) members of the Advisory Board.

The Advisory Board may establish an imprest account for the payment of expenses incurred in connection with the operation of the Reciprocal, which account will be funded by transfers of funds from the general account as required. The amount of such account and the person or persons authorized to draw thereon will be determined by the Advisory Board from time to time.

5.08 Execution of Documents

All documents, instruments or agreements having a legally binding effect on the Subscribers will be signed by the Principal Attorney designated for that purpose by the Advisory Board from time to time, failing whom any two (2) members of the Advisory Board will sign all such documents, instruments or agreements.

ARTICLE VI

SUBSCRIBERS

6.01 Subscribers

Each Firm ~~whose name appears on~~ that has executed a copy of this Agreement, a counterpart hereof or who executes a Form of Subscription in the form attached as Schedule "C" ~~hereto~~ A is a Subscriber ~~party~~ to this Agreement.

6.02 Additional Subscribers

The Advisory Board may admit additional qualified Firms as Subscribers in accordance with the following provisions:

- (a) Any Firm may apply to become a Subscriber provided that:
 - (i) such Firm submits a written application for membership in acceptable form and remits together therewith such application fee, as may be prescribed by the Advisory Board from time to time;
 - (ii) such Firm provides the historical claims information required by the Rules and the data and other relevant information required by the Rules or that the Advisory Board, the Actuary and the Reciprocal's reinsurer(s) deem necessary or appropriate to properly assess membership qualifications; ~~and~~

- (iii) such Firm co-operates with the Advisory Board in providing such information and documentation as it may require; and
 - (iv) unless otherwise determined by the Advisory Board by Extraordinary Resolution, such Firm agrees to become a Subscriber to both Underwriting Group 1 and Underwriting Group 2.
- (b) The Advisory Board, upon receiving an application for membership, will determine, alone or in conjunction with the Actuary and the Reciprocal's reinsurer(s), if any applicant Firm meets the eligibility requirements for membership in the Reciprocal;
 - (c) Upon the approval by Extraordinary Resolution of the Advisory Board, such Firm will be notified in writing of the acceptance of its application for membership subject always to the following:
 - (i) receipt of a duly executed Form of Subscription in the form attached as Schedule "A" hereto from such Firm; -
 - (ii) receipt of any fees required to be paid by such Firm; and
 - (iii) notification to the Superintendent including a copy of the Form of Subscription ~~as~~ executed in (c)(i);
 - (d) Commencement of membership in ~~the Reciprocal~~ an Underwriting Group ("Subscription Date") will be the date specified by the Advisory Board on the notification of acceptance of any Firm's application for membership;
 - (e) The number of Subscribers will not exceed twenty (20) unless Article III hereof is amended to limit the size of the Advisory Board.

6.03 Minimum Period of Subscription

Membership in ~~the Reciprocal~~ an Underwriting Group will be subject to the following minimum periods of subscription:

- (a) If the Subscriber's Subscription Date is coincident with or within two (2) years of the commencement of the then current Underwriting Period, the minimum period of subscription will be such Underwriting Period or the balance thereof, as the case may be;
- (b) If the Subscriber's Subscription Date is not within two (2) years of the commencement of the then current Underwriting Period, the minimum period of subscription will be the balance of such Underwriting Period plus the immediately subsequent Underwriting Period.

6.04 Termination of Membership

- (a) Subject to the approval by Extraordinary Resolution of the Advisory Board, the Chair is empowered to remove a Subscriber as a member of the Reciprocal by providing such Subscriber with a notice in writing to that effect, in the event that the Subscriber:
 - (i) fails to comply with any term of this Agreement or the Rules within thirty (30) days' after having been given written notice by the Chair of the details of its failure to comply;
 - (ii) fails to pay any premium or other fee or assessment promptly when due hereunder and fails to remedy that default within 30 days of written demand; or
 - (iii) fails, in the opinion of the Advisory Board, to continue to meet the eligibility requirements for membership in the Reciprocal;
- (b) The effective date of termination of membership in the Reciprocal in the event of termination:
 - (i) pursuant to subsection 6.04(a)(i) hereof, will be thirty (30) days after receipt of the written notice described in subsection 6.04(a)(i), if the failure has not been rectified; or
 - (ii) pursuant to subsection 6.04(a)(ii) hereof, will be the date of the receipt of written notice of termination; or
 - (iii) pursuant to subsection 6. 04(a) (iii) hereof, will be at the expiration of ninety (90) days following the date of receipt of written notice of termination;
- (c) Subject to the provisions of section 6.03 hereof, a Subscriber may resign from membership in the Reciprocal at the end of any Underwriting Period, provided that it provides the Reciprocal with at least three (3) months' written notice of its intention to resign from all Underwriting Groups in which it participates, in which event such resignation will take effect upon the expiry of such Underwriting Period. In the event there is a failure to give such notice, the Subscriber will be deemed to have elected to participate in the immediately succeeding Underwriting Period for a further period of five (5) years;
- (d) Notwithstanding the requirement in section 6.04(c), above, that a Subscriber resign from all Underwriting Groups in which it participates, the Advisory Board may, in its sole discretion, agree, by Extraordinary Resolution, to a Subscriber resigning from one Underwriting Group and continuing to participate in the other.
- (d)(e) The three month notice period prescribed in section 6.04(c), above, may be shortened by Extraordinary Resolution of the Advisory Board;
- (e)(f) The three month notice period prescribed in section 6.04(c), above, may be lengthened by Extraordinary Resolution of the Advisory Board, but only upon reasonable notice to the Subscribers.

6.05 Dissolution of Firm

If a Subscriber experiences a dissolution or termination of its partnership, its active participation in the current Underwriting Period will cease as of the date it ceases to carry on its practice under its current partnership structure. Notwithstanding such cessation of coverage, the Subscriber will continue to be responsible for future assessments with regard to its participation in the then current Underwriting Period and, if applicable, the immediately preceding Underwriting Period or Periods, as the case may be.

6.06 Continuing Liability

Notwithstanding any provision of this Agreement to the contrary, in the event that a member's participation in the Reciprocal is terminated or it resigns or is removed as a member of the Reciprocal, such Subscriber continues to be liable for any assessment(s) arising during and after it ceases to be a member of the Reciprocal in respect of all Underwriting Groups and Underwriting Periods or portions thereof in which it participated or during which it was insured by the Reciprocal unless satisfactory arrangements are made with the Advisory Board to buy out such liability.

6.07 Annual Meeting

In each calendar year, there will be an annual meeting of Subscribers, at which meeting, among other matters:

- (a) an auditor will be appointed, at such remuneration as the Advisory Board may determine from time to time; and
- (b) the financial statements of the Reciprocal for the preceding Fiscal Period will be presented to the Advisory Board for approval.

The annual meeting of Subscribers will be held in the Province of Alberta, unless an exemption is obtained pursuant to section 267(2) of the Act.

Notice of the annual meeting of the Subscribers will be provided to each Subscriber, and to the auditor and Actuary, not more than fifty (50) days and not less than twenty-one (21) days before the meeting and the meeting will be held within six (6) months of the Reciprocal's financial year end.

6.08 Meetings Generally

The Chair may call additional meetings of the Subscribers if he or she considers it advisable to do so and will do so if requested by any Subscriber.

6.09 (a) Decisions of the Subscribers

All decisions of the Subscribers require approval by Ordinary Resolution unless otherwise provided for in this Agreement.

(b) Decision Binding

A decision of the Subscribers with respect to any matter will be binding on all the Subscribers.

6.10 Chair

The Chair appointed by the Advisory Board pursuant to section 3.07 will serve as chairperson of any meeting of the Subscribers. In the absence of the Chair the Subscribers in attendance at the meeting will choose a chairperson. The Chair will not have a second or casting vote in respect of any matter voted on by the Subscribers.

6.11 Secretary

The Chair will appoint a secretary who will keep accurate minutes of all meetings of the Subscribers.

6.12 Minutes of Meetings

The minutes of each meeting of the Subscribers will be submitted for approval at the next Subscribers meeting.

The minutes of any meetings of the Subscribers will, if purported to be signed by the Chair and the secretary, be *prima facie* evidence of the facts therein stated.

6.13 ~~Conference Telephone~~Electronic Meetings

The Advisory Board may determine that any meeting of the Subscribers may be held entirely by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting. Any Subscriber may participate in a meeting of the Subscribers by means of ~~conference telephone~~telephonic, electronic or other ~~communications equipment by means of which~~communication facility that permits all persons participating in the meeting ~~can hear~~to communicate adequately with each other during the meeting, and a ~~Subscriber~~member participating in a meeting in such manner will be deemed to be present in person at the meeting.

6.14 Notice

The Chair will give each Subscriber written notice of the time and place of each meeting of the Subscribers, other than the annual meeting, not less than ten (10) days before the day on which the meeting is to be held. A meeting of the Subscribers may be held at any time without notice if all the Subscribers are present or those not so present have waived notice of such meeting. Such

waiver, whether given before or after the meeting of which notice is required to be given, will cure any default in the giving of such notice.

6.15 Agendas

The notice of each meeting of the Subscribers will be accompanied by an agenda and any relevant supporting materials sufficiently detailed to inform Subscriber of the matters to be considered at the meeting.

A Subscriber may require the addition of one or more matters to the agenda of the meeting by written notice thereof to the Chair. Such notice will be accompanied by any relevant supporting materials sufficiently detailed to inform each Subscriber of the matter or matters to be added to the agenda of the meeting. Such notice and materials will be delivered in sufficient time to enable the Chair to comply with the Chair's obligations under section 6.14 hereof and this section 6.15.

6.16 No Vote on Matters Not in Agenda

Matters which are not referred to in the agenda of the meeting of the Subscribers will not be voted on at that meeting unless all of the Subscribers consent.

6.17 Location of Meeting

Meetings of the Subscribers, other than the annual meeting, will be held in the City of Toronto or at such other place as the Subscribers may by Ordinary Resolution agree upon from time to time.

6.18 Quorum

A quorum for a meeting of the Subscribers will be a majority of the Subscribers.

ARTICLE VII

OPERATION OF THE RECIPROCAL

7.01 Issuance of Insurance Policies

- (a) After receipt of the Licence and on a date ("Issue Date") to be determined by the Advisory Board and advised in writing to each Subscriber, the Reciprocal, by its Principal Attorney, will issue a liability insurance policy to such Subscriber in such form as may be prescribed by the Advisory Board from time to time, subject to compliance with the requirements of all regulatory authorities having jurisdiction;
- (b) Notwithstanding any provisions of this Agreement or any provision of any insurance policy issued by the Reciprocal to the contrary, the following will apply:

- (i) any insurance policy issued by the Reciprocal to a Subscriber will automatically be cancelled on the date ("Cancellation Date") that the Reciprocal is terminated pursuant to Article VIII hereof or the date specified by notice to the Subscriber where such Subscriber has ceased to be a member of the Reciprocal pursuant to section 6.04 hereof; and
- (ii) each Subscriber will be covered continuously by an insurance policy issued by the Reciprocal from the Subscriber's Issue Date to its Cancellation Date and the Subscriber will be bound by the provisions of any such insurance policy in force from time to time;
- (c) The form of any liability insurance policy may be changed from time to time by the Advisory Board as provided herein, subject to compliance with the requirements of any regulatory authority having jurisdiction in this regard;
- (d) The Reciprocal may in the future issue other liability policies in a form or forms approved by the Advisory Board by Ordinary Resolution to participate in other liability insurance on an actuarially sound basis on the advice of the Actuary and, if necessary, the approval of the Superintendent.

7.02 Terms and Conditions of Issue of Policies

The following terms and conditions apply to the operation of the Reciprocal and the issuance of insurance policies by it:

- (a) the maximum limit of liability for any one loss applicable to any insurance policy ("Policy Limit") will be as determined from time to time by the Advisory Board;
- (b) the maximum limit of liability to be retained by the Reciprocal on its own account for any one loss ("Retention Limit") will be Fifteen Million Dollars (\$15,000,000~~),~~ for Underwriting Group 1 and Five Million Dollars (\$5,000,000) for Underwriting Group 2, provided that such maximum ~~limit~~limits of liability to be retained by the Reciprocal for any one loss may be increased or decreased by Extraordinary Resolution of the Advisory Board;
- (c) notwithstanding any provision of this Agreement to the contrary, the Policy Limit may exceed the Retention Limit if and only if the Reciprocal obtains reinsurance for such excess amount; and
- (d) the Reciprocal may enter into other reinsurance to limit in the aggregate its liability in respect of the risk assumed by it pursuant to the Retention Limit in such form and amount as may be considered appropriate from time to time by the Advisory Board in light of the then current market conditions.

7.03 Expected Loss Costs and Premium Requirements

The expected loss costs for the portion of the risk to be retained by the Reciprocal pursuant to the Retention Limit and the premiums to be charged to each Subscriber for each of the five years

of any Underwriting Period or portion thereof will be determined by the Advisory Board on the advice of the Actuary. The amount of the premiums will be sufficient to fund the administration expenses, reinsurance premiums and the portion of the risk retained by the Reciprocal.

7.04 Subscriber Participation

~~Subscriber~~For each Underwriting Group, subscriber participation in an Underwriting Period will be accounted for on the basis of, among other things, the number of lawyers, expected loss costs for the portion of the risk retained by the Reciprocal pursuant to the Retention Limit and the actual premiums and premium assessments paid and premium credits given, in the manner provided in the Rules. Actual losses incurred by the Reciprocal for an Underwriting Group in any Underwriting Period will be pooled and apportioned among the Subscribers to the Underwriting Group in that Underwriting Period in the manner provided in the Rules.

Investment income earned on accumulated assets applicable to each Underwriting Period will be apportioned in the manner provided in the Rules.

7.05 Premium Assessments and Premium Credits

(a) The Reciprocal will be responsible for the portion of the risk retained by it pursuant to the Retention Limit. The Advisory Board may in its discretion on the advice of the Actuary declare a premium assessment or premium credit with respect to a particular Underwriting Group and Underwriting Period based on:

- (i) the actual loss experience of the Reciprocal in that Underwriting Group and Underwriting Period pursuant to insurance policies issued to the Subscribers, and
- (ii) any amounts owing to the Reciprocal which the Reciprocal is unable to collect.

Each Subscriber acknowledges that it may be responsible for additional premium assessments and may be entitled to premium credits based on its participation in the Underwriting Group and Underwriting Period as set out in the Rules.

~~(b) Loss~~(b) For each Underwriting Group, loss claims experience for each Underwriting Period will be assessed annually. Potential deficits and surpluses will be estimated and an additional premium assessment or premium credit may be declared by the Advisory Board on the advice of the Actuary. Deficits or surpluses and resulting premium assessments and premium credits will be accounted for on the basis of each Subscriber's participation in the particular Underwriting Group and Underwriting Period;

(c) In the event that a premium assessment or premium credit is declared, the Advisory Board will notify each Subscriber of the amount of the premium assessment or premium credit applicable to each Subscriber, setting out in reasonable detail the reasons therefor and the

basis upon which the amount of the premium assessment or premium credit has been determined;

- (d) In the event that the Advisory Board on the advice of the Actuary, in its absolute discretion, determines that the Reciprocal has accumulated funds in excess of those required to meet its regulatory and internal surplus requirements, the Advisory Board may declare a special premium credit in whatever amount it deems appropriate;
- (e) Except as may otherwise be determined by the Advisory Board, any premium credits declared pursuant to this section 7.05 will be applied to reduce premiums payable for policies of insurance in the current or any subsequent Fiscal Period.

7.06 Closure of Underwriting Period

In its discretion, the Advisory Board, based upon the advice of the Actuary that no further liability to or of the Reciprocal exists with respect to a particular Underwriting Group and Underwriting Period, may close the accounting for ~~an~~the Underwriting Group for that Underwriting Period. In the event of such closure, each Subscriber's surplus or deficit, if any, will be consolidated with its surplus position in the immediately following Underwriting Period- for such Underwriting Group.

7.07 Obligation to Pay

Each Subscriber covenants and agrees to pay promptly when due any annual premium or other fee or premium assessment required pursuant to the terms of this Agreement.

7.08 Departing Subscriber

In the event that a Departing Subscriber's membership in the Reciprocal has terminated as at the end of an Underwriting Period,

~~(a)~~ (a) with respect to each Underwriting Group, upon the closing of the accounting applicable to the Underwriting Period:

- (i) in the event that the Advisory Board shall assess additional premiums against the Departing Subscriber in respect of such Underwriting Period, the Departing Subscriber shall, forthwith after such assessment, pay to the Reciprocal the amount of such additional premiums and such additional premiums shall be owed to the Reciprocal by the Departing Subscriber in respect of the applicable Underwriting Period; and
- (ii) in the event that the Advisory Board shall declare a premium credit in favour of the Departing Subscriber in respect of such Underwriting Period, the Reciprocal shall, forthwith after such declaration, pay to the Departing Subscriber the amount of such premium credit as a refund of premiums owed by the Reciprocal to the Departing Subscriber in respect of the applicable Underwriting Period;

- (b) notwithstanding the provisions of subsections (a)(i) and (ii) above, the Reciprocal and the Departing Subscriber may, prior to or after the closing of the said Accounting Period, mutually agree as to the amount of the premiums owed by the Departing Subscriber to the Reciprocal or owed by the Reciprocal as a refund of premiums to the Departing Subscriber, as the case may be, in respect of the said Underwriting Period and the terms and conditions of the payment thereof by the Departing Subscriber to the Reciprocal or by the Reciprocal to the Departing Subscriber (which may be paid as a lump sum or in instalments and either before or after the close of the accounting of the said Underwriting Period) and any such payment(s) when made, shall be deemed to satisfy in full the obligations of the Reciprocal or the Departing Subscriber, as the case may be, under subsection (a) above. Any such agreement requires approval by an Extraordinary Resolution of the Advisory Board.

7.09 Rules

For purposes of administering the Reciprocal in accordance with the provisions of this Agreement, the Advisory Board may establish from time to time such rules and regulations as it considers appropriate ("Rules"), provided that the Rules and any amendments thereto will be subject to the approval of the Advisory Board by Extraordinary Resolution.

ARTICLE VIII

TERMINATION

- 8.01** (a) Subject to providing notice to the Superintendent, the Advisory Board may terminate the Reciprocal by an Extraordinary Resolution of the Advisory Board.
- (b) The Reciprocal will terminate in the event that it fails to receive the Licence or in the event that the Licence is revoked or is not renewed;
- (c) Upon termination, the assets of the Reciprocal after payment of all obligations, and after setting aside an adequate reserve for future claims, will be returned to the Subscribers in proportion to each Subscriber's participation in the Reciprocal as shown in the accounts maintained pursuant to section 5.03 hereof;
- (d) Notwithstanding the termination of the Reciprocal, each Subscriber will continue to be responsible for its proportionate share of any claims assessments in future years in respect of claims made prior to such termination, unless satisfactory arrangements are made to buy out such liability;
- (e) Subject to any conditions imposed by the Superintendent, the Reciprocal is empowered to continue in operation for the limited purpose of winding-up the affairs of the Reciprocal and, for such purpose, this Agreement will remain in full force and effect until all obligations of the

Reciprocal have been fulfilled. Notwithstanding the foregoing, once an event of termination has occurred, the Reciprocal may not exchange or cause to be exchanged any further contracts of indemnity or inter-insurance.

ARTICLE IX

GENERAL PROVISIONS

9.01 Notice

All notices, requests, demands or other communications by the terms hereof required or permitted to be given by one party to another will be given in writing and served personally, or sent by registered mail, postage prepaid, or by email, addressed to:

- (a) each Subscriber at the address noted below its signature on the signature page hereof or on the Form of Subscription attached hereto as Schedule "A";
- (b) the Advisory Board or the Reciprocal, c/o the Principal Attorney at the address set out in the policies of insurance exchanged among the Subscribers, in force at the time of the notice;

or at such other address as may be given by any of them to the others in writing from time to time, and such notices, requests, demands, acceptances and other communications will be deemed to have been received when delivered, or if sent by registered mail, will be deemed to have been received on the seventh (7th) day following the date of mailing the letter, or if sent by email, will be deemed to have been received when acknowledged by return email or delivery receipt.

9.02 Arbitration

If any dispute occurs between or among two or more of the Subscribers, the Reciprocal and the Principal Attorney with respect to the interpretation of this Agreement or the operation of the Reciprocal, the matter in dispute will be settled by agreement or arbitration as follows:

- (a) any one or more of the Subscribers, the Principal Attorney and the Reciprocal (the "Applicant") may notify any one or more of the others (the "Respondent") in writing that a dispute (the "Dispute") has arisen;
- (b) the Applicant and the Respondent will exercise their best efforts to resolve the Dispute, through direct negotiation or mediation;
- (c) if the Dispute goes unresolved for thirty (30) days (hereinafter referred to as the "Period of Resolution"), the Applicant and the Respondent (the "Parties to the Dispute") will within ten

- (10) days from the termination of the Period of Resolution (hereinafter referred to as the "Period of Appointment"), appoint one arbitrator, if they can agree upon one;
- (d) failing such appointment within the Period of Appointment, each of the Parties to the Dispute will have ten (10) days from the expiry of the Period of Appointment to appoint one arbitrator (hereinafter referred to as the "Second Period of Appointment");
 - (e) within ten (10) days from the expiry of the Second Period of Appointment, the two (2) arbitrators so appointed will appoint a third arbitrator;
 - (f) in the event that one of the Parties to the Dispute fails to appoint its arbitrator within the Second Period of Appointment, or in the event that one of the arbitrators fails, within the time provided herein, to act upon the appointment of a third arbitrator, the arbitrator who has been appointed pursuant to the provisions of this Agreement by one of the Parties to the Dispute and, if such is the case, is prepared to act on the appointment of a third arbitrator, will alone decide any Dispute;
 - (g) the decision of the arbitrators or arbitrator in any matter will proceed in accordance with the provisions of the Arbitration Act, RSA 2000, c. A-43, as amended from time to time, and will be final and binding on the Parties to the Dispute; and
 - (h) notwithstanding the foregoing, any procedure for settling a dispute which is contained in any policy of insurance issued pursuant to this Agreement and which is inconsistent with the provisions of this section 9.02 will supersede the arbitration provisions of this section 9.02.

9.03 Confidentiality

The Principal Attorney, the Advisory Board members and the committee members will maintain confidentiality with respect to all non-public information received in the course of their duties. In addition, the Advisory Board will adopt appropriate procedures to be implemented by a Claims Committee to ensure that all information received by the underwriters and claims counsel relating to a particular Firm in connection with such Firm's application for insurance or membership and subsequent claims history is kept entirely confidential from the Advisory Board (except to the extent that the Advisory Board has to be involved, because of its fiduciary obligations, on major claims) and from all other persons other than the Actuary and the auditor for the Reciprocal. If any member of the Claims Committee obtains any confidential information in the course of that member's duties, he or she will keep such information confidential and will not divulge or use such information other than in the course of his or her duties as a member of the Claims Committee.

9.04 Subscribers Right of Inspection

Any Subscriber by its duly authorized agent, upon reasonable notice, will have the right, during regular business hours and subject to the reasonable demands of the business of the Reciprocal,

to inspect and, at its own expense, to copy the record books, the books of account, and any other book or document of the Reciprocal other than such documents or categories thereof (i) relating to underwriting and claims data pertaining to particular Firms, and (ii) as the Advisory Board will from time to time designate as confidential.

9.05 Actions Effected Under Original Agreement

Nothing in this Agreement will adversely affect any actions taken by the Subscribers, the Firms, the Principal Attorney, the Advisory Board or any committee (or any member thereof) prior to the date hereof under the Original Agreement, or the rights or obligations of any such persons in respect of such actions.

[signature page follows]

IN WITNESS WHEREOF the parties hereto have hereunto caused this Amended and Restated Agreement to be executed as of the date first above written.

Subscriber

Per: _____

Address

Subject to approval by Extraordinary Resolution of the Advisory Board, the Subscriber hereby agrees to become a Subscriber to the following Underwriting Groups:

SCHEDULE AFORM OF SUBSCRIPTION

Pursuant to the form of Agreement dated the [●] day of [●], 20[●], entitled “Reciprocal Insurance Exchange Agreement for Select Canadian Law Firms” (hereinafter referred to as the “Agreement”).

(Name of Firm)

(Address of the Firm)

(hereinafter referred to as the “Firm”), hereby subscribes to the Agreement and the reciprocal insurance exchange named in the Agreement as the Select Canadian Law Firms Insurance Exchange.

Subject to approval by Extraordinary Resolution of the Advisory Board, the Subscriber hereby agrees to become a Subscriber to the following Underwriting Groups:

The execution of this Form of Subscription constitutes execution of the Agreement by the Firm and this Form of Subscription together with the Agreement and the Form of Subscription executed by other firms shall together constitute the agreement of the Subscribers, as if all the Subscribers executed the original Agreement.

IN WITNESS WHEREOF the Firm has executed this Subscription by the hands of its duly authorized partners on its behalf.

(Name of Firm)

Per:

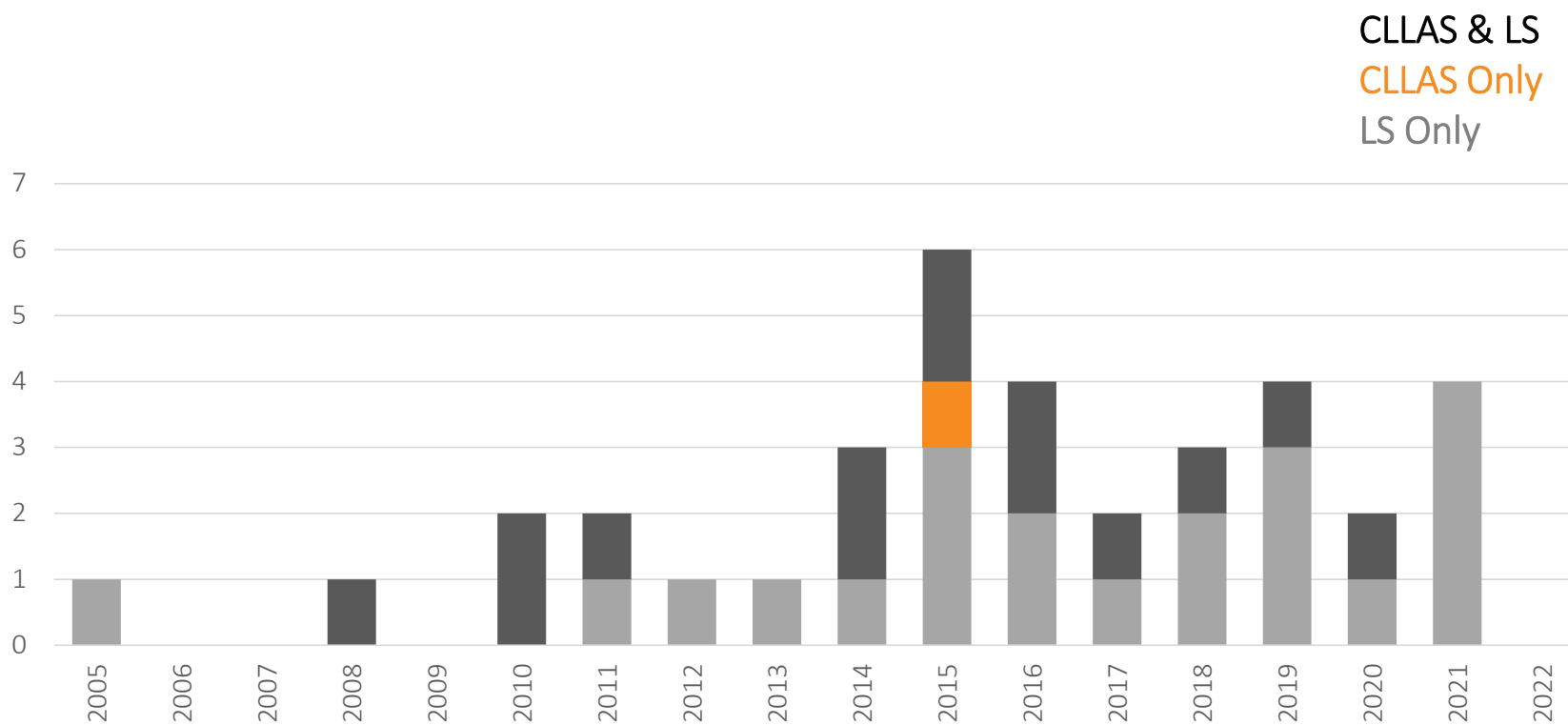
Name and Title



Canadian Lawyers Liability Assurance Society

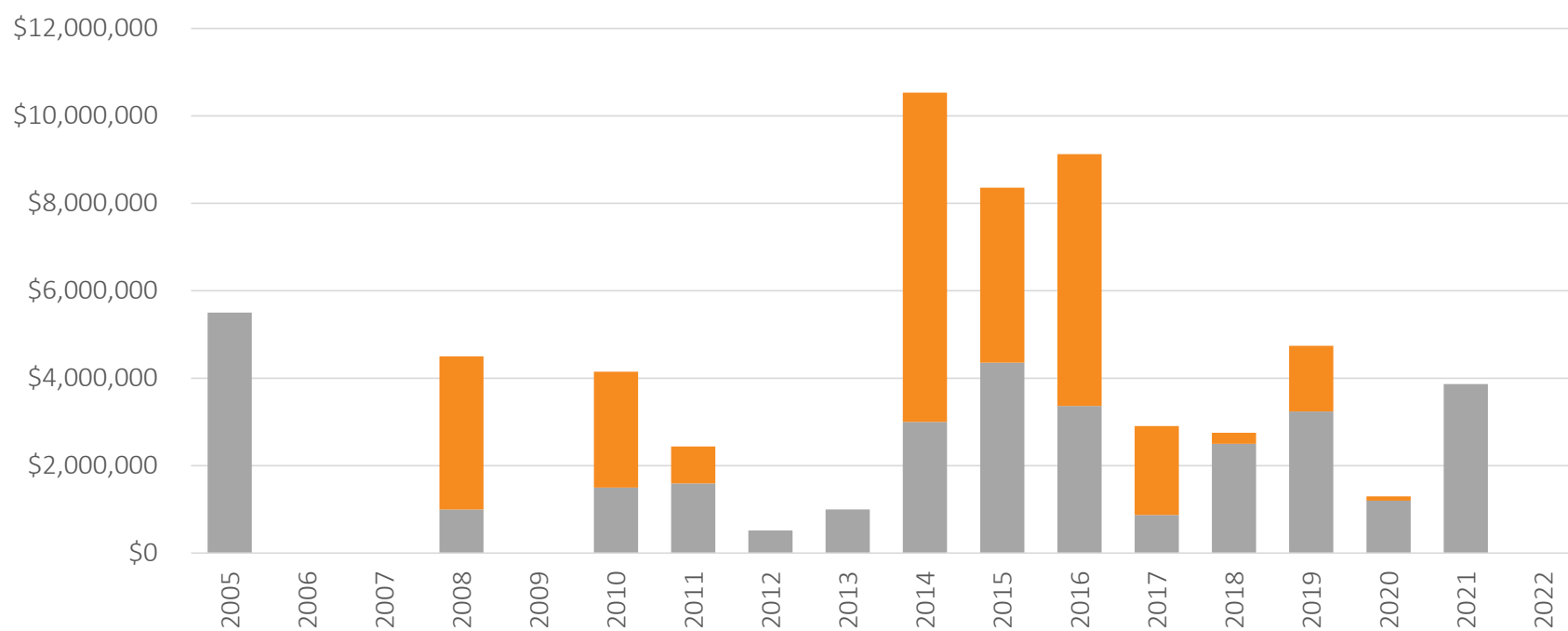
Open Large Loss Claims Summary as at March 31, 2022

Number of Claims by Insurer

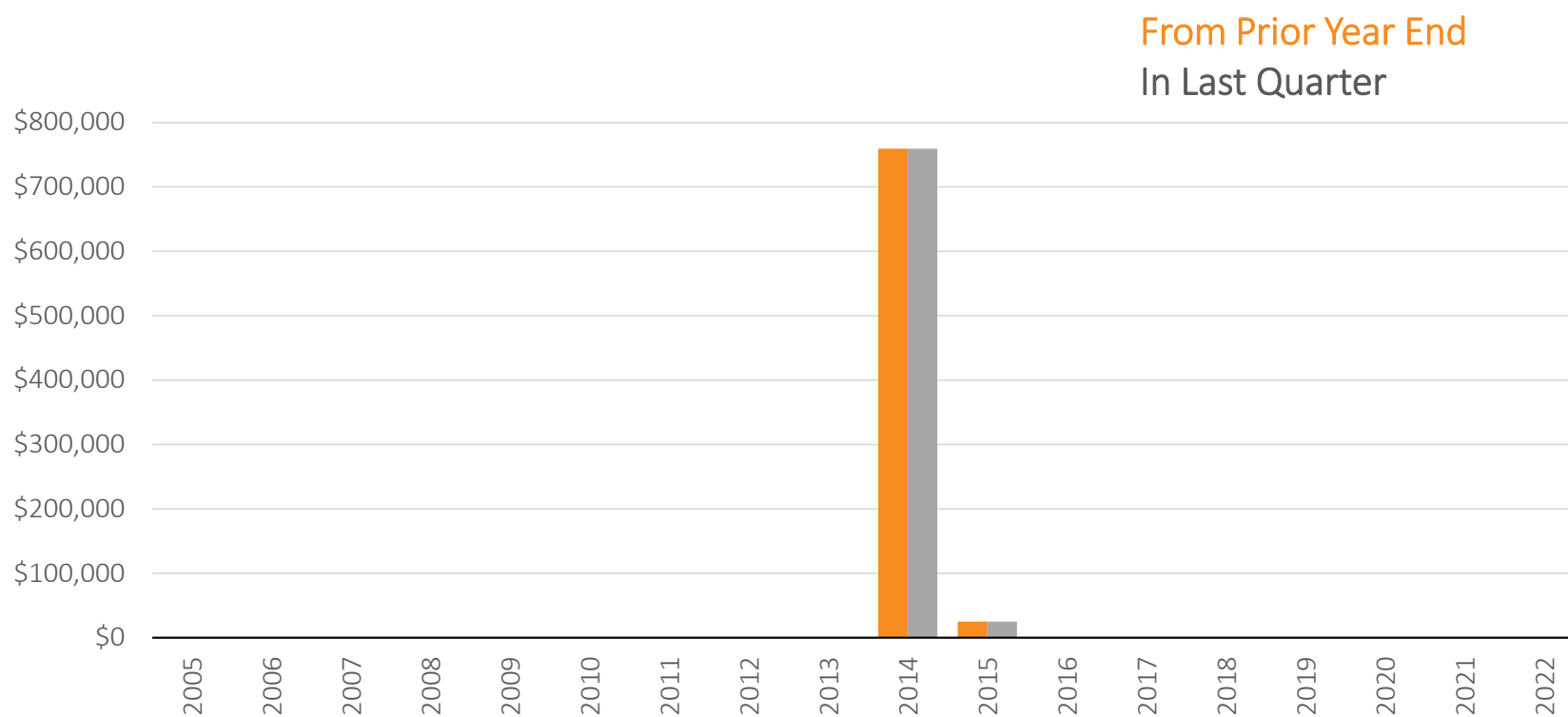


Incurred Amounts by Insurer

LS - CLLAS

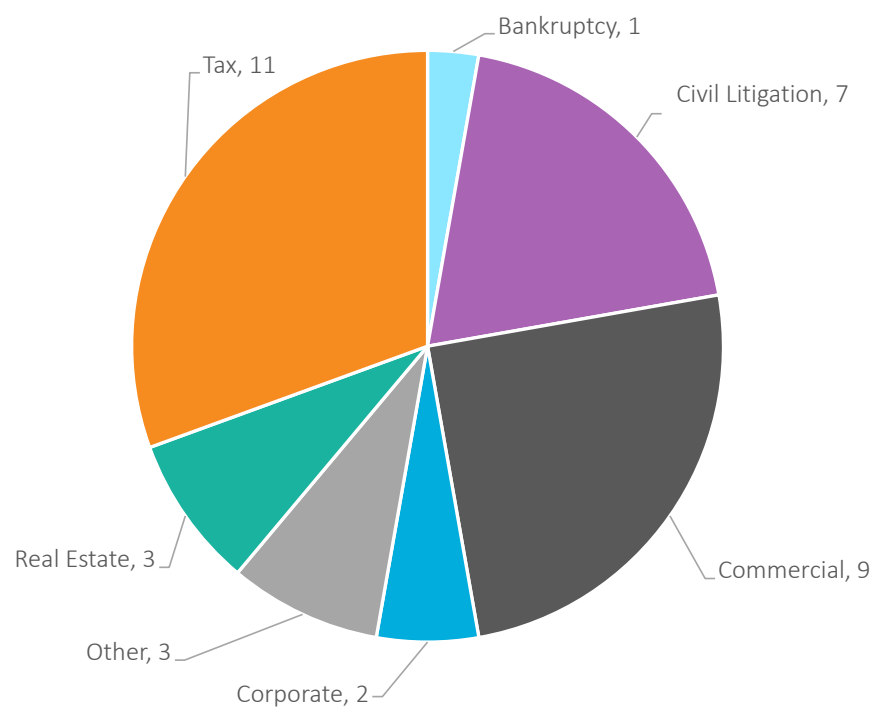


Change in Incurred Amounts (CLLAS)

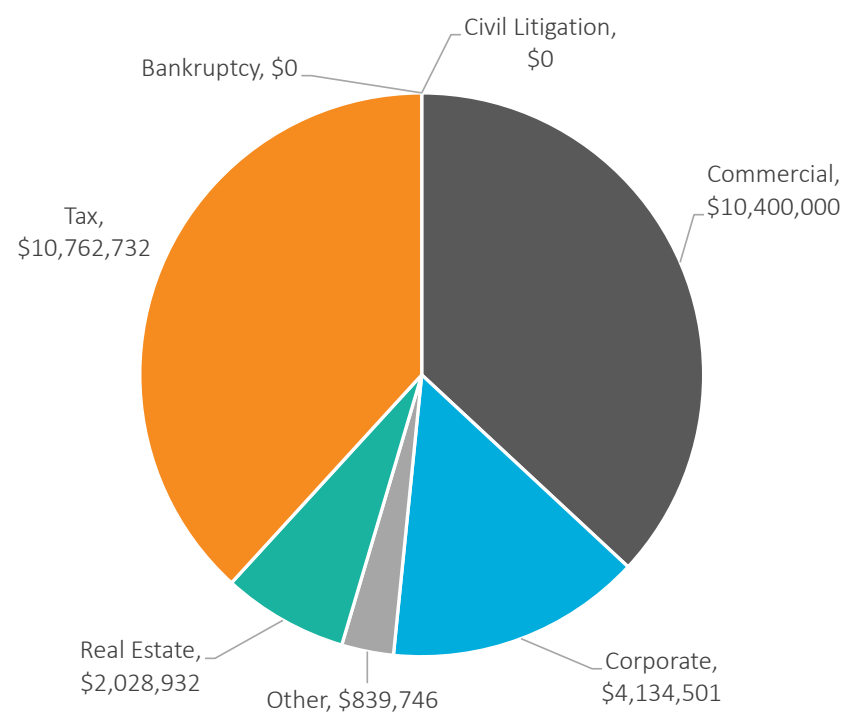


By Area of Law

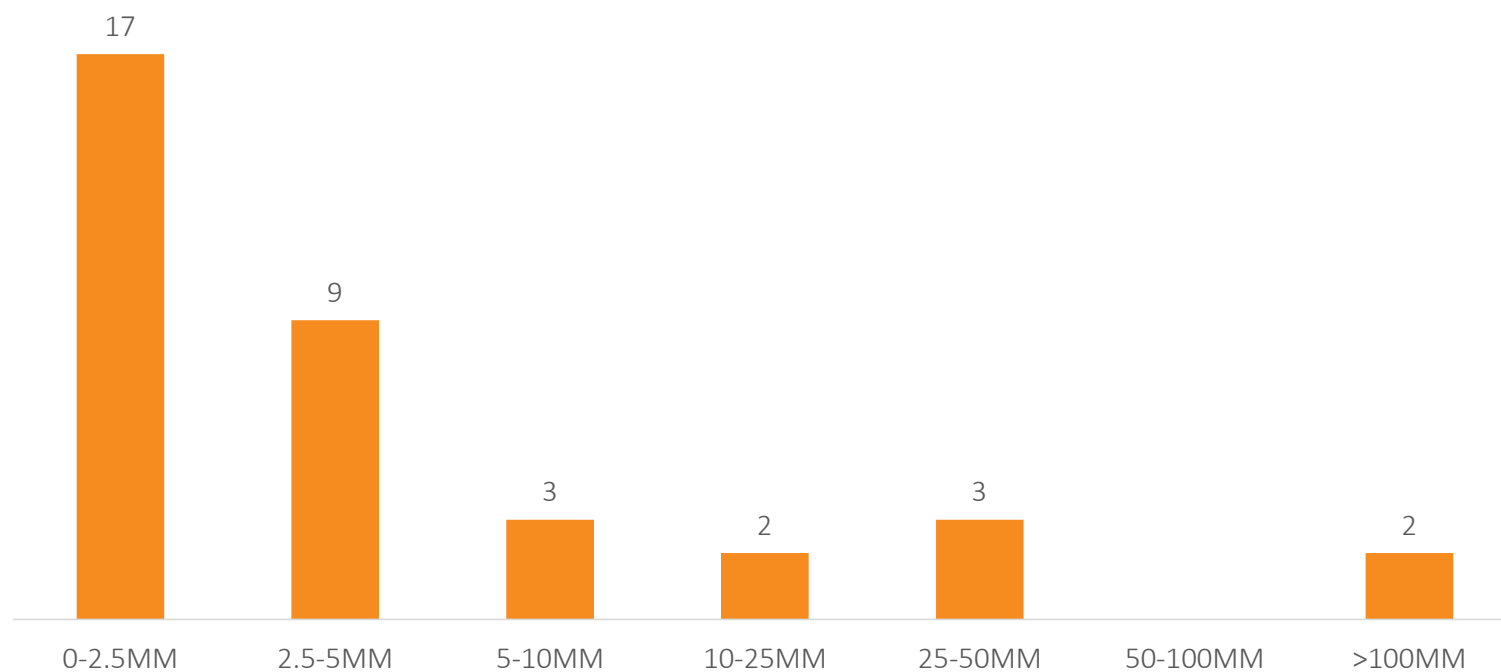
Number of Claims (CLLAS & LS)



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	0	0	0
2016	0	0	0
2017	0	0	0
2018	0	0	0
2019	1	0	0
2020	0	-1	0
2021	1	0	0
2022	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
MARCH 31, 2022

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CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

COMMENTARY FOR THE QUARTER ENDING MARCH 31, 2022

Review of Market Yields

Yields across the entire curve moved gradually higher during the first half of the quarter. Following a brief pullback that started in late February, yields resumed their climb early in March and traded in a steep upward trend for the balance of the period. At the end of March, the yield on three-month treasury bills showed the smallest gain of 44 basis points. Further out the curve the 5-year Canada yield increased 114 basis points, while the rise in the 10-year issue was moderately less at 98 basis points.

As a result of these shifts, the slope of the yield curve steepened and at the end of March the yield advantage of the 10-year issue over 3-month T-bills had increased noticeably to 180 basis points compared to 126 basis points three month earlier.

	Jan. 01/95	Sep. 29/21	Dec. 31/21	Mar.31/22
3-month Treasury Bill	6.80%	0.12%	0.16%	0.60%
5-year Canada	8.99%	1.11%	1.25%	2.39%
10-year Canada	9.09%	1.51%	1.42%	2.40%

During the first quarter, activity in the Short Term Investment Fund involved the roll-over of money market securities. In the Long Term Investment Fund, two corporate bonds matured. These proceeds were used to increase an existing corporate holding and to introduce four new corporate credits with maturities in the 5- to 7-year range.

The market value of the Long Term Investment Fund decreased \$241,675 which represents a capital decline of 4.0%.

At March 31, 2022, the average term to maturity of the Long Term Investment Fund was 3.6 years and the duration was 3.4 years.

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

<i>Distribution at March 31, 2022</i>	<i>Valuation</i>	<i>%</i>
Short Term Investment Fund	\$11,374,338	66.2%
Long Term Investment Fund	\$ 5,800,207	33.8%
TOTAL COMBINED VALUATION	\$17,174,545	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 March 31, 2022
- Security Purchases and Sales
- Cash Reconciliations
- External Individual Credit Rating Report

LONG TERM INVESTMENT FUND**TIME-WEIGHTED RATES OF TOTAL RETURN
FOR PERIODS ENDING MARCH 31, 2022**

	3 Years*	2 Years*	1 Year	Last 3 months
<i>Long Term Investment Fund – Gross of Fees</i>	<i>1.10%</i>	<i>-0.39%</i>	<i>-3.33%</i>	<i>-3.39%</i>
<i>Long Term Investment Fund – Net of Fees</i>	<i>0.81%</i>	<i>-0.67%</i>	<i>-3.61%</i>	<i>-3.46%</i>
Benchmark Portfolio **	0.41%	-1.84%	-4.04%	-4.53%

*Annualized

** In the most recent Investment Policy update (dated December 7, 2021) the Benchmark Portfolio was revised to a composite comprised of the following total return indices:

- 60% FTSE Canada Short Bond Index
- 40% FTSE Canada Mid Bond Index

To reflect this change, the returns of the Benchmark Portfolio shown in the above table are based on the returns earned by the revised Benchmark Portfolio (as detailed above) in December 2021 and subsequent periods and the returns of the former Benchmark Portfolio that prevailed during reported periods prior to December 2021 (as detailed below).

- 30% FTSE (DEX) Federal Short Bond Index
- 30% FTSE (DEX) Provincial Short Bond Index
- 20% FTSE (DEX) Federal Mid Bond Index
- 20% FTSE (DEX) Provincial Mid Bond Index

SHORT TERM INVESTMENT FUND**TIME-WEIGHTED RATES OF TOTAL RETURN
FOR PERIODS ENDING MARCH 31, 2022**

	Since Inception Oct. 01/08 *	3 Years*	2 Years *	1 Year	Last 3 Months
<i>Short Term Investment Fund – Gross of Fees</i>	<i>0.82%</i>	<i>0.69%</i>	<i>0.16%</i>	<i>0.15%</i>	<i>0.07%</i>
<i>Short Term Investment Fund – Net of Fees</i>	<i>0.70%</i>	<i>0.56%</i>	<i>0.05%</i>	<i>0.03%</i>	<i>0.04%</i>
Benchmark Portfolio **	0.77%	0.68%	0.14%	0.12%	0.05%

* Annualized

** The Benchmark Portfolio, confirmed in the December 7, 2021 Investment Policy update, 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	Jun. 30/21	Sep. 30/21	Dec. 31/21	Mar. 31/22
Bonds, Treasury Bills & Cash Less than 1 year term	100.0%	17.4%	17.3%	16.7%	13.0%
Canadas Greater than 1 year term		28.0%	28.0%	24.8%	24.5%
Provincials Greater than 1 year term		27.3%	27.3%	29.9%	29.9%
Corporates Greater than 1 year term		27.3%	27.4%	28.6%	32.6%
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)

	Jun. 30/21	Sep. 30/21	Dec. 31/21	Mar. 31/22
Under 1 year	17.3%	17.3%	16.7%	13.0%
1 - 3 years	27.0%	31.3%	28.0%	26.0%
3 - 5 years	30.0%	25.7%	33.5%	33.2%
5 - 7 years	18.0%	18.1%	11.6%	16.0%
7 - 10 years	7.6%	7.6%	10.2%	11.8%
TOTAL	100.0%	100.0%	100.0%	100.0%
Average Maturity (yrs)	3.69	3.44	3.50	3.62
Average Duration (yrs)	3.48	3.24	3.29	3.36

SHORT TERM INVESTMENT FUND

	Jun. 30/21	Sep. 30/21	Dec. 31/21	Mar. 31/22
Short Term Average Duration (yrs)	0.11	0.12	0.09	0.13

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

AT MARCH 31, 2022

	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)	20% of Total	66.2%	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	9.0 years	Yes
Maximum Percentage of Total Fund (Short & Long)	80% of Total	33.8%	Yes
Minimum Canada Percentage	20%	28.0%	Yes
Maximum Provincial Percentage	40%	36.8%	Yes
Minimum Canada & Provincial Percentage	60%	64.8%	Yes
Minimum Provincial Quality *	A	AA (low)	Yes
Maximum Corporate Percentage	40%	35.2%	Yes
Minimum Corporate Quality *	BBB	BBB (high)	Yes
Maximum BBB Corporate Percentage	10%	4.1%	Yes

** At time of purchase*

This will confirm that during the first quarter the Long Term and Short Term Investment Funds were managed in compliance with the Investment Policy limits provided December 7, 2021.

Martin, Lucas & Seagram Ltd.
 PERFORMANCE REPORT
 GROSS OF FEES
CLLAS – LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-21 to 03-31-22

Portfolio Value on 12/31/21	6,044,070
Accrued Interest	23,630
Contributions	400,909
Withdrawals	-424,359
Realized Gains	-1,286
Unrealized Gains	-240,389
Interest	21,263
Dividends	0
Change in Accrued Interest	15,625
Portfolio Value on 03/31/22	5,800,207
Accrued Interest	39,255
Average Capital	6,043,211
Total Gains before Fees	-204,787
IRR for 0.25 Years	-3.39%

BOND MARKET COMMENTARY AND FUTURE POLICY

Fixed income markets have been under pressure since the start of the year. Yields across the entire curve moved gradually higher throughout January and February amid higher-than-expected inflation readings and growing concerns surrounding the future course of monetary policy. Following a pause in late February, yields resumed their upward climb soon after Russia invaded Ukraine and have remained in a steep upward trend since then. During this period, most major central banks have signalled that faster and larger increases in interest rates will be necessary to quell accelerating price pressures.

On the economic front, the U.S expansion has lost some upward momentum in recent months. Following a surge in aggregate growth to a 6.9% annualized rate for the final quarter of 2021, GDP growth is expected to be minimal in the first quarter of this year. An inventory rebuild last year that helped propel the biggest yearly gain since 1984 is tapering and multiple factors have weighed on the expansion since the start of the year. Despite the slowdown, employment growth has remained strong and the economy added an average of 562,000 jobs per month in the first quarter. This was well ahead of expectations and caused the unemployment rate to drop to 3.6%, which is below its level before the pandemic began. There has also been a notable pickup in disposable income, with annual average earnings climbing 5.6% over the past year. Nevertheless, after adjusting for inflation, which reached a four-decade high of 8.5% over the same period, real wages have declined by 2.9%. The inability of wage gains to keep pace with rising prices has helped constrain consumer spending. At the same time, the war in Ukraine and higher interest rates have dampened sentiment amid signs that the red-hot housing market is starting to cool.

The Canadian economy also picked up in the final quarter of last year, to an annualized pace of 6.7%, which brought output above its pre-pandemic level for the first time. This improvement was largely driven by business investment, real estate and government spending. A buildup in inventories also played a major role as factories accelerated their output to catch up with consumer demand. The manufacturing sector has continued to strengthen in the first quarter of this year, which, together with the easing of Covid restrictions, has generated a surge in employment. Following a hiring spree in February that more than recouped the job losses in the previous month, another 73,000 jobs were added in March. This brought the unemployment rate to 5.3%, a historic low for the country. The growing demand for workers has also pushed up average wages by 3.4% for the year up to March. While that is about half the inflation rate, which spiked to a 31-year high of 6.7% last month, wage growth is a lagging indicator in a tight labour market and wages are expected to continue rising in the coming months.

Turning to Europe, even before Russian troops invaded Ukraine, the Eurozone economy had experienced a sharp slowdown. In the fourth quarter, aggregate growth fell to an annualized pace of 1.6%. This largely resulted from the negative impact of higher energy prices on consumer purchasing power, producer input costs and ongoing supply-chain bottlenecks. The more recent disruptions from the war in Ukraine have compounded these problems and some forecasters now expect the region will move into recession. High frequency data already point to a sharp slowdown in Euro area activity over the past month, with consumer-related indicators showing particular weakness. Meanwhile, China's first quarter GDP grew at a faster-than-expected pace of 4.8% despite the drag from Covid lockdowns in March. While the central government has maintained its official GDP growth target of around 5.5% for this year, many economists think this will prove difficult, particularly in view of the recent resurgence in Covid cases and China's zero-Covid policy. Areas under full or partial isolation orders currently account

for an estimated 40% of the country's GDP. As a result, the World Bank has lowered its estimate for growth in 2022 to 5.0%. Other headwinds include fallout from the European slowdown, given China's massive trade surplus with the EU. Furthermore, higher commodity prices along with an overextended real estate sector that is experiencing liquidity problems will also weigh on business activity in the world's second largest economy going forward. Unlike most central banks, which have moved to tighten monetary policies, China's central bank has responded by cutting the borrowing costs on medium-term loans and further stimulative measures are expected to support growth.

Meanwhile, news on the inflation front has gotten increasingly worse. Russia, which was a key global supplier of energy, wheat, metals and other essential commodities, has been largely cut off from much of the world due to escalating sanctions by the West. As a result, the global economy is facing higher energy and commodity prices, which have inflated transportation and manufacturing costs. Disruptions in shipping networks will also weigh on supply-chain backlogs, which have been contributing to inflation and were expected to show improvement later this year prior to the Russia-Ukraine war and the recent Covid lockdowns in China.

These developments have complicated the already difficult job faced by the monetary authorities as they try to guide inflation back towards their targets without triggering an economic downturn or an inflationary spiral. Based on the minutes from last month's meeting, the Federal Reserve (Fed) now sees seven rate hikes this year, including the quarter-point (0.25%) increase announced in March. More recently, the Fed's chairman suggested that, instead of raising rates by the usual quarter-point increments, there could be two or more 50-basis-point increases (0.50%) starting with their next meeting in May. The Fed has also announced that it intends to significantly reduce the size of its balance sheet by \$95 billion per month. Similarly, the Bank of Canada has pivoted to quantitative tightening and will not be replacing bonds on its balance sheet as they mature, which will reduce its bond holdings over time. Meanwhile, the Bank became the first in the Group of Seven to hike interest rates by a half-percentage point and the governor suggested there is potential for even larger increases to come, while acknowledging that headline inflation is likely to average six per cent in the first half of 2022. In the wake of these central bank moves, the 10-year U.S. Treasury yield has increased to a three-year high of approximately 2.95%, up from 1.7% at the beginning of March. Over the same period, the policy-sensitive two-year yield has almost doubled to 2.7%. The yields on corresponding domestic issues have reached similar levels, which are also multi-year highs.

In our previous quarterly report, we felt that 2022 would be a more challenging year for bond investors and thought that the combination of reasonable economic growth and a gradual normalization of monetary policies would keep upward pressure on the yield curve for some time. Since then, the central bank authorities have adopted a more hawkish stance and are expected to tighten policy more aggressively on both the interest rate front and through quantitative tightening. We expect these moves will keep upward pressure on yields at both the short and longer end of the curve, at least over the short term. Looking further ahead, much will depend on how well the monetary authorities navigate the historically difficult task of curtailing inflation while keeping the economic recovery intact. The challenge of successfully navigating these opposing forces has been exacerbated by Russia's invasion of Ukraine. On the one hand, the war is expected to weigh on economic growth and the International Monetary Fund and the World Bank have recently cut their global growth forecast for this year and next. Normally, slower growth would help alleviate inflationary pressures and be supportive of bond prices. On the other hand, the war has also intensified supply shocks to the global economy, which have driven up prices of key commodities and increased the risk that inflation will remain higher for longer.

Given the degree of uncertainty, which has also been roiling the stock markets, and the potential for a wide range of possible outcomes, we believe fixed income investors should avoid making a substantial bet on a particular outcome. At this juncture, we think it is still prudent to maintain the Long Term Fund's defensive posture. We believe the emphasis on high quality issues along with a laddered maturity structure and a relatively short average term to maturity provides a suitable hedge against the prospect for higher interest rates and the possibility that the economic expansion could be derailed.

RWB/de

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

Martin, Lucas & Seagram Ltd.

CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at March 31, 2022

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
CASH					
	Cash Account			13,790	0
MONEY MARKET ISSUES					
1,175,000	Royal Bank BA 0.40% due April 1, 2022	99.95	100.00	1,174,978	4,698
1,305,000	Canada Treasury Bill 0.40% due April 14, 2022	99.91	99.99	1,304,815	5,215
1,240,000	CIBC BA 0.45% due April 25, 2022	99.90	99.95	1,239,411	5,574
1,320,000	Canada Treasury Bill 0.30% due May 12, 2022	99.92	99.95	1,319,310	3,957
1,385,000	Canada Treasury Bill 0.50% due May 26, 2022	99.87	99.92	1,383,928	6,916
1,235,000	Toronto Dominion Bank BA 0.85% due May 30, 2022	99.86	99.86	1,233,312	10,483
1,200,000	Canada Treasury Bill 0.52% due June 9, 2022	99.86	99.89	1,198,656	6,212
1,325,000	Canada Treasury Bill 0.56% due June 23, 2022	99.85	99.86	1,323,097	7,409
1,200,000	TD Bank BA 0.95% due June 29, 2022	99.76	99.74	1,196,832	11,373
				<u>11,374,338</u>	<u>61,837</u>
TOTAL PORTFOLIO				11,388,128	61,837

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 01-01-22 To 03-31-22

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
01-05-22	01-06-22	1,300,000	Canada Treasury Bill 0.16% due March 17, 2022	99.97	1,299,600.90
01-13-22	01-14-22	1,175,000	Royal Bank BA 0.20% due February 15, 2022	99.98	1,174,794.38
01-19-22	01-19-22	1,305,000	Canada Treasury Bill 0.40% due April 14, 2022	99.91	1,303,799.40
01-31-22	02-01-22	1,235,000	Bank of Nova Scotia BA 0.37% due March 31, 2022	99.94	1,234,273.82
01-31-22	02-01-22	1,240,000	CIBC BA 0.45% due April 25, 2022	99.90	1,238,732.72
02-02-22	02-02-22	1,320,000	Canada Treasury Bill 0.30% due May 12, 2022	99.92	1,318,937.40
02-14-22	02-15-22	1,175,000	Royal Bank BA 0.40% due April 1, 2022	99.95	1,174,424.25
02-16-22	02-17-22	1,385,000	Canada Treasury Bill 0.50% due May 26, 2022	99.87	1,383,142.72
03-01-22	03-02-22	1,200,000	Toronto Dominion Bank BA 0.50% due March 30, 2022	99.96	1,199,540.40
03-02-22	03-03-22	1,200,000	Canada Treasury Bill 0.52% due June 9, 2022	99.86	1,198,332.00
03-16-22	03-17-22	1,325,000	Canada Treasury Bill 0.56% due June 23, 2022	99.85	1,323,011.18
03-29-22	03-30-22	1,200,000	TD Bank BA 0.95% due June 29, 2022	99.76	1,197,168.00
03-30-22	03-31-22	1,235,000	Toronto Dominion Bank BA 0.85% due May 30, 2022	99.86	1,233,277.18
					16,279,034.35
SALES					
01-06-22	01-06-22	1,300,000	Canada Treasury Bill 0.08% due January 6, 2022	100.00	1,300,000.00
01-14-22	01-14-22	1,175,000	CIBC BA 0.20% due January 14, 2022	100.00	1,175,000.00
01-20-22	01-20-22	1,305,000	Canada Treasury Bill 0.11% due January 20, 2022	100.00	1,305,000.00
01-31-22	01-31-22	1,220,000	CIBC BA 0.22% due January 31, 2022	100.00	1,220,000.00
02-01-22	02-01-22	1,255,000	Toronto Dominion Bank BA 0.21% due February 1, 2022	100.00	1,255,000.00
02-03-22	02-03-22	1,320,000	Canada Treasury Bill 0.01% due February 3, 2022	100.00	1,320,000.00
02-15-22	02-15-22	1,175,000	Royal Bank BA 0.20% due February 15, 2022	100.00	1,175,000.00

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 01-01-22 To 03-31-22

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
02-17-22	02-17-22	1,380,000	Canada Treasury Bill 0.04% due February 17, 2022	100.00	1,380,000.00
03-02-22	03-02-22	1,200,000	Toronto Dominion Bank BA 0.22% due March 2, 2022	100.00	1,200,000.00
03-03-22	03-03-22	1,210,000	Canada Treasury Bill 0.15% due March 3, 2022	100.00	1,210,000.00
03-17-22	03-17-22	1,300,000	Canada Treasury Bill 0.16% due March 17, 2022	100.00	1,300,000.00
03-30-22	03-30-22	1,200,000	Toronto Dominion Bank BA 0.50% due March 30, 2022	100.00	1,200,000.00
03-31-22	03-31-22	1,235,000	Bank of Nova Scotia BA 0.37% due March 31, 2022	100.00	1,235,000.00
					16,275,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-21 to 03-31-22

Cash Balance at December 31 , 2021		<u>6,565.07</u>
ADD: Proceeds from Sales	16,275,000.00	
Capital Contribution	0.00	
Bond Interest Credited (from Long Term Investment Fund)	21,262.56	
Transfers from Long Term Fund re: net sales and purchases	<u>2,187.50</u>	<u>16,298,450.06</u>
LESS: Cost of Purchases	-16,279,034.35	
Capital Withdrawal		
Q4 2021 Investment Counsel Fees - Short Term Investment Fund	-3,211.75	
Q4 2021 Investment Counsel Fees - Long Term Investment Fund	-4,268.62	
Trust Company Charges	<u>-4,710.81</u>	<u>-16,291,225.53</u>
Cash Balance at March 31, 2022		<u><u>13,789.60</u></u>

Martin, Lucas & Seagram Ltd.							
EXTERNAL INDIVIDUAL CREDIT RATING REPORT - MARCH 31 2022							
CLLAS - SHORT TERM INVESTMENT FUND							
			Unit	Total		Market	%
Quantity	Security	Rating	Cost	Cost	Price	Value	Assets
1,175,000	Royal Bank BA 0.40%	R-1 (high)	99.951	1,174,424	99.998	1,174,978	10.3%
	due April 1, 2022						
1,305,000	Canada Treasury Bill 0.40%	R-1 (high)	99.908	1,303,799	99.986	1,304,815	11.5%
	due April 14, 2022						
1,240,000	CIBC BA 0.45%	R-1 (high)	99.898	1,238,733	99.953	1,239,411	10.9%
	due April 25, 2022						
1,320,000	Canada Treasury Bill 0.30%	R-1 (high)	99.920	1,318,937	99.948	1,319,310	11.6%
	due May 12, 2022						
1,385,000	Canada Treasury Bill 0.50%	R-1 (high)	99.866	1,383,143	99.923	1,383,928	12.2%
	due May 26, 2022						
1,235,000	Toronto Dominion Bank BA 0.85%	R-1 (high)	99.861	1,233,277	99.863	1,233,312	10.8%
	due May 30, 2022						
1,200,000	Canada Treasury Bill 0.52%	R-1 (high)	99.861	1,198,332	99.888	1,198,656	10.5%
	due June 9, 2022						
1,325,000	Canada Treasury Bill 0.56%	R-1 (high)	99.850	1,323,011	99.856	1,323,097	11.6%
	due June 23, 2022						
1,200,000	TD Bank BA 0.95%	R-1 (high)	99.764	1,197,168	99.736	1,196,832	10.5%
	due June 29, 2022						
				11,370,825		11,374,338	100%

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at March 31, 2022

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	100.62	201,240	4,800
200,000	Canada Housing Trust 2.35% due September 15, 2023	105.62	100.18	200,352	4,700
250,000	Canada Housing Trust 2.9% due June 15, 2024	102.64	101.00	252,488	7,250
300,000	Canada Housing Trust Ser. 70 2.25% due December 15, 2025	100.98	98.66	295,966	6,750
250,000	Canada Housing Trust No.1 2.350% due March 15, 2028	103.96	97.82	244,562	5,875
200,000	Canada Housing Trust 2.1% Series 88 due September 15, 2029	102.89	95.25	190,508	4,200
275,000	Canada Housing Trust 1.1% Series 95 due March 15, 2031	94.05	86.30	237,333	3,025
				<hr/> 1,622,448	<hr/> 36,600
PROVINCIAL BONDS					
400,000	Ontario 3.15% due June 2, 2022	100.00	100.40	401,604	12,600
500,000	Ontario 2.85% due June 2, 2023	102.29	100.86	504,275	14,250
400,000	Ontario 2.60% due June 2, 2025	101.08	99.76	399,050	10,400
350,000	British Columbia 2.3% due June 18, 2026	104.40	98.26	343,906	8,050
350,000	Ontario 2.60% due June 2, 2027	97.56	98.96	346,377	9,100
150,000	Ontario 2.05% due June 2, 2030	101.85	93.11	139,659	3,075
				<hr/> 2,134,870	<hr/> 57,475
CORPORATE BONDS					
150,000	Wells Fargo 3.46% due January 24, 2023	102.36	101.18	151,765	5,190
300,000	Toronto Dominion Bank Dep. Note 1.909% due July 18, 2023	102.63	99.28	297,838	5,727
250,000	Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	102.02	100.72	251,807	8,065
250,000	CIBC Deposit Note 3.3% due May 26, 2025	100.24	100.81	252,033	8,250

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at March 31, 2022

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
200,000	Wells Fargo & Company 2.975% due May 19, 2026	102.15	97.03	194,067	5,950
300,000	Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	102.07	97.33	291,986	7,860
150,000	Bank of Montreal Dep. Note 2.70% due December 9, 2026	108.76	97.71	146,558	4,050
100,000	Enbridge Inc. CB-27 3.2% due June 8, 2027	98.25	97.03	97,030	3,200
100,000	Bank of Montreal 3.19% due March 1, 2028	100.75	99.17	99,168	3,190
50,000	Telus Corp. CB-27 3.625% due March 1, 2028	100.55	99.13	49,564	1,813
100,000	Bell Canada SerM56 2.2% due May 29, 2028	98.26	91.34	91,335	2,200
125,000	Ontario Power Generation 2.977% 13SEP29 due September 13, 2029	99.95	95.79	119,737	3,721
				<hr/> 2,042,888	<hr/> 59,216
TOTAL PORTFOLIO				5,800,207	153,291

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 01-01-22 To 03-31-22

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
03-02-22	03-04-22	25,000	Bell Canada SerM56 2.2% due May 29, 2028	94.40	23,600.00
03-02-22	03-04-22	125,000	Ontario Power Generation 2.977% 13SEP29 due September 13, 2029	99.95	124,937.50
03-18-22	03-22-22	100,000	Bank of Montreal 3.19% due March 1, 2028	100.75	100,750.00
03-18-22	03-22-22	100,000	Enbridge Inc. CB-27 3.2% due June 8, 2027	98.25	98,250.00
03-18-22	03-22-22	50,000	Telus Corp. CB-27 3.625% due March 1, 2028	100.55	50,275.00
					397,812.50
SALES					
03-02-22	03-02-22	150,000	Royal Bank 1.968% due March 2, 2022	100.00	150,000.00
03-18-22	03-18-22	250,000	National Bank of Canada 2.105% due March 18, 2022	100.00	250,000.00
					400,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - LONG TERM INVESTMENT FUND
From 12-31-21 to 03-31-22

Cash Balance at December 31 , 2021		<u>0.00</u>
ADD: Proceeds from Sales	400,000.00	
Bond Interest Credited to Long Term Investment Fund	21,262.56	
Transfer Bond Interest to Short Term Investment Fund	-21,262.56	
Transfer to Short Term Investment Fund net purchases & sales	<u>-2,187.50</u>	<u>397,812.50</u>
LESS: Cost of Purchases	-397,812.50	<u>-397,812.50</u>
Cash Balance at March 31, 2022		<u><u>0.00</u></u>

EXTERNAL INDIVIDUAL CREDIT RATING REPORT - MARCH 31 2022

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	100.62	201,240	3.5%
200,000	13509PDV2	Canada Housing Trust 2.35%	due September 15, 2023	AAA	105.62	211,240	100.18	200,352	3.5%
250,000	13509PEF6	Canada Housing Trust 2.9%	due June 15, 2024	AAA	102.64	256,600	101.00	252,488	4.4%
300,000	13509PFD0	Canada Housing Trust Ser. 70 2.25%	due December 15, 2025	AAA	100.98	302,940	98.66	295,966	5.1%
250,000	13509PGF4	Canada Housing Trust No.1 2.350%	due March 15, 2028	AAA	103.96	259,900	97.82	244,562	4.2%
200,000	13509PHD8	Canada Housing Trust 2.1% Series 88	due September 15, 2029	AAA	102.89	205,780	95.25	190,508	3.3%
275,000	13509PHQ9	Canada Housing Trust 1.1% Series 95	due March 15, 2031	AAA	94.05	258,638	86.30	237,333	4.1%
						1,695,838		1,622,448	28.0%
PROVINCIAL BONDS									
400,000	68323AAW4	Ontario 3.15%	due June 2, 2022	AA (low)	100.00	400,000	100.40	401,604	6.9%
500,000	68323ABN3	Ontario 2.85%	due June 2, 2023	AA (low)	102.29	511,430	100.86	504,275	8.7%
400,000	68323ACX0	Ontario 2.60%	due June 2, 2025	AA (low)	101.08	404,305	99.76	399,050	6.9%
350,000	11070TAJ7	British Columbia 2.3%	due June 18, 2026	AA (high)	104.40	365,400	98.26	343,906	5.9%
350,000	68323AEE0	Ontario 2.60%	due June 2, 2027	AA (low)	97.56	341,460	98.96	346,377	6.0%
150,000	68333ZAH0	Ontario 2.05%	due June 2, 2030	AA (low)	101.85	152,775	93.11	139,659	2.4%
						2,175,370		2,134,870	36.8%
CORPORATE BONDS									
150,000	94975ZBN5	Wells Fargo 3.46%	due January 24, 2023	AA (low)	102.36	153,542	101.18	151,765	2.6%
300,000	891160LV3	Toronto Dominion Bank Dep. Note 1.909%	due July 18, 2023	AA (high)	102.63	307,890	99.28	297,838	5.1%
250,000	891145T79	Toronto Dominion Bank Dep. Note 3.226%	due July 24, 2024	AA (high)	102.02	255,050	100.72	251,807	4.3%
250,000	13596Z3Y9	CIBC Deposit Note 3.3%	due May 26, 2025	AA	100.24	250,600	100.81	252,033	4.3%
200,000	949746RX1	Wells Fargo & Company 2.975%	due May 19, 2026	AA (low)	102.15	204,300	97.03	194,067	3.3%
300,000	064151QE6	Bank of Nova Scotia Dep. Notes 2.62%	due December 2, 2026	AA	102.07	306,210	97.33	291,986	5.0%
150,000	06368AAA8	Bank of Montreal Dep. Note 2.70%	due December 9, 2026	AA	108.76	163,140	97.71	146,558	2.5%
100,000	29251ZBK2	Enbridge Inc. CB-27 3.2%	due June 8, 2027	BBB (high)	98.25	98,250	97.03	97,030	1.7%
100,000	06368BTX6	Bank of Montreal 3.19%	due March 1, 2028	AA	100.75	100,750	99.17	99,168	1.7%
50,000	87971MBG7	Telus Corp. CB-27 3.625%	due March 1, 2028	BBB (high)	100.55	50,275	99.13	49,564	0.9%
100,000	07813ZCJ1	Bell Canada SerM56 2.2%	due May 29, 2028	BBB (high)	98.26	98,263	91.34	91,335	1.6%
125,000	68321ZAD3	Ontario Power Generation 2.977% 13SEP29	due September 13, 2029	A (low)	99.95	124,938	95.79	119,737	2.1%
						2,113,207		2,042,888	35.2%
TOTAL PORTFOLIO						5,984,414		5,800,207	100.0%

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-21 to 03-31-22

Security	12-31-21 Market Value	Additions Withdrawals	03-31-22 Market Value	03-31-22 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 2.4% Series 48 due December 15, 2022	203,127	0	201,240	200,740	0	0	500	-1,887
Canada Housing Trust 2.35% due September 15, 2023	204,346	-2,350	200,352	211,240	0	0	-10,888	-3,994
Canada Housing Trust 2.9% due June 15, 2024	260,019	0	252,488	256,600	0	0	-4,112	-7,531
Canada Housing Trust Ser. 70 2.25% due December 15, 2025	309,270	0	295,966	302,940	0	0	-6,974	-13,304
Canada Housing Trust No.1 2.350% due March 15, 2028	260,345	-2,938	244,562	259,900	0	0	-15,338	-15,783
Canada Housing Trust 2.1% Series 88 due September 15, 2029	205,396	-2,100	190,508	205,780	0	0	-15,272	-14,888
Canada Housing Trust 1.1% Series 95 due March 15, 2031	257,750	-1,513	237,333	258,638	0	0	-21,305	-20,418
GOVERNMENT BONDS Total	<u>1,700,253</u>		<u>1,622,448</u>	<u>1,695,838</u>	<u>0</u>	<u>0</u>	<u>-73,389</u>	<u>-77,805</u>
PROVINCIAL BONDS								
Ontario 3.15% due June 2, 2022	404,586	0	401,604	400,000	0	0	1,604	-2,983
Ontario 2.85% due June 2, 2023	512,946	0	504,275	511,430	0	0	-7,155	-8,671
Ontario 2.60% due June 2, 2025	415,229	0	399,050	404,305	0	0	-5,255	-16,179
British Columbia 2.3% due June 18, 2026	361,838	0	343,906	365,400	0	0	-21,494	-17,932
Ontario 2.60% due June 2, 2027	366,808	0	346,377	341,460	0	0	4,917	-20,431
Ontario 2.05% due June 2, 2030	151,249	0	139,659	152,775	0	0	-13,116	-11,589
PROVINCIAL BONDS Total	<u>2,212,655</u>		<u>2,134,870</u>	<u>2,175,370</u>	<u>0</u>	<u>0</u>	<u>-40,500</u>	<u>-77,785</u>
CORPORATE BONDS								
Royal Bank 1.968% due March 2, 2022	150,393	-151,476	0	0	-75	-393	0	0
National Bank of Canada 2.105% due March 18, 2022	250,894	-252,631	0	0	-5,100	-894	0	0
Wells Fargo 3.46% due January 24, 2023	153,860	-2,595	151,765	153,542	0	0	-1,776	-2,095
Toronto Dominion Bank Dep. Note 1.909% due July 18, 2023	303,230	-2,864	297,838	307,890	0	0	-10,052	-5,392
Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	260,800	-4,033	251,807	255,050	0	0	-3,243	-8,993
CIBC Deposit Note 3.3% due May 26, 2025	263,907	0	252,033	250,600	0	0	1,433	-11,874
Wells Fargo & Company 2.975% due May 19, 2026	206,648	0	194,067	204,300	0	0	-10,233	-12,581

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-21 to 03-31-22

Security	12-31-21 Market Value	Additions Withdrawals	03-31-22 Market Value	03-31-22 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	311,225	0	291,986	306,210	0	0	-14,225	-19,240
Bank of Montreal Dep. Note 2.70% due December 9, 2026	156,139	0	146,558	163,140	0	0	-16,582	-9,581
Enbridge Inc. CB-27 3.2% due June 8, 2027	0	99,162	97,030	98,250	0	0	-1,220	-1,220
Bank of Montreal 3.19% due March 1, 2028	0	100,934	99,168	100,750	0	0	-1,582	-1,582
Telus Corp. CB-27 3.625% due March 1, 2028	0	50,379	49,564	50,275	0	0	-711	-711
Bell Canada SerM56 2.2% due May 29, 2028	74,065	23,743	91,335	98,263	0	0	-6,927	-6,330
Ontario Power Generation 2.977% 13SEP29 due September 13, 2029	0	124,830	119,737	124,938	0	0	-5,201	-5,201
CORPORATE BONDS Total	2,131,161		2,042,888	2,113,207	-5,175	-1,286	-70,319	-84,799
TOTAL PORTFOLIO	6,044,070		5,800,207	5,984,414	-5,175	-1,286	-184,207	-240,389
TOTAL DATE TO DATE GAIN OR LOSS								-241,675
% CHANGE DURING PERIOD								-4.00

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

COMMITTEES FOR 2021/22

- | | |
|---------------------------|--|
| 1. Audit* | Gordon Goodman (Chair)
Michael Swartz
Margaret McNee |
| 2. Claims | William Scott (Chair)
David Morritt
James Tory
John Birch
Robert (Bob) Love |
| 3. Policy | Donald Milner (Chair)
Natasha MacParland
Bruce Blain |
| 4. Risk Management | Julia Holland (Chair)
David Woolcombe
Eugene Cipparone
Laurence Detière |

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

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

June 1, 2022