

**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. Woolcombe	Margaret McNee	Christopher Garrah

Tuesday, February 22, 2022 at 8:30 a.m.
Goodmans LLP
34th Floor, Bay Adelaide Centre, West Tower
333 Bay Street.
Toronto, Ontario

ZOOM login information: Advisory Board of CLLAS

To join meeting using a computer:

<https://us02web.zoom.us/j/88697283713?pwd=SExmSHpjb01POHNtNzFTV1h1NGlwZz09>

Meeting ID: 886 9728 3713

Meeting Password: 600499

To join meeting by phone:

+1 647 558 0588 Canada

Meeting ID: 886 9728 3713

Meeting Password: 600499

AGENDA

	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
1. Constitution of Meeting	Ken Crofoot		
2. Appointment of Secretary	Ken Crofoot		
3. Approval of the Minutes of December 7, 2021 Meeting <i>Proposed Resolution: To approve the minutes.</i>	Ken Crofoot	5 mins	3.1



	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
4. Business Arising Out of the Minutes	Ken Crofoot		
5. Comments of Chair	Ken Crofoot	5 mins	
6. Market Update and Reinsurance Renewal Planning	Ryan Durrell	10 mins	
7. CLLAS Cyber Program Proposal <i>Proposed Resolution: To authorize discussion with Alberta regulator and application for cyber licence from Ontario regulator</i>	Ryan Durrell	20 mins	
8. Report of the General Manager	Patrick Mahoney	30 mins	
8.1 December 31, 2021 Financial Management Report			8.1
8.2 Presentation of the Actuary to the Audit Committee			8.2
8.3 2022 Operating Budget			8.3
<i>Proposed Resolution: To approve the 2022 Budget</i>			
9. Committee Reports		30 mins	
9.1 Audit Committee	Gord Goodman		
9.1.1 Audit Findings Report			9.1.1
9.1.2 Audited Financial Statements			9.1.2
<i>Proposed Resolution: To adopt the Audited Financial Statements</i>			
9.1.3 Signing of P&C1 for February 28, 2022			
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
11. Next Meeting – June 21, 2022			

Anticipated Adjournment Time: 10:30 a.m.

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

Minutes of a Meeting of the Advisory Board

8:30 a.m.
Goodmans LLP (Via Teleconference)

Tuesday, December 7, 2021

Present:

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

Absent:

1. Constitution of Meeting

The Chair brought the meeting to order.

2. Appointment of Secretary

Norma Ibbetson acted as Secretary.

3. Approval of Minutes of the September 14, 2021 and September 30, 2021 Meetings of the Advisory Board

It was moved by Margaret McNee and seconded by Donald Milner that the minutes of the September 14, 2021 meeting and the September 30, 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

The Chair remarked that it is going on two years since the Board has been able to meet in person and that he anticipates June 2022 to be the first opportunity to be able to have a Board meeting in person. The focus of today's meeting will be a discussion on cyber coverage and what CLLAS can do to facilitate options for the CLLAS firms.

The Chair noted that the five-year underwriting period renewal is coming up for July 1, 2022. He asked that Board members let CLLAS management know if there are any movements within the firms to leaving CLLAS well in advance of that timing.

6. Market Update and Reinsurance Renewal Planning

Ryan Durrell provided an update to the Board with respect to renewal planning for July 1, 2022. The good news is that, to date, we have had no indication of insurers leaving the professional liability market, which is a marked difference from last year at this time. Having said that, there is no indication that rates will be coming down in the foreseeable future.

For the next renewal, we are exploring options to restructure CLLAS' reinsurance by moving to aggregate stop-loss versus proportional reinsurance. The effect of the current approach is that reinsurers are being asked to support 10 full limit claims in a single policy year. History suggests that we do not need that level of protection and so there may be an opportunity to reduce reinsurance costs without compromising reinsurance protection.

Mr. Durrell advised that CLLAS is finally closing in on placing a \$30 million optional excess umbrella which would sit above the current umbrella layer. Current pricing is \$110 per lawyer. The layer is not yet fully placed. There is a minimum premium on the layer and so it likely does not make sense to make the layer available mid-year. The plan therefore is to roll it out for July 1, 2022.

7. CLLAS Cyber Initiative

Mr. Durrell provided an update on the Cyber Program which, for participating firms, was being renewed October 15, 2021. The market continues to harden - many markets are not writing cyber any longer. Rates and retentions are on the rise and coverages are disappearing (i.e. social engineering fraud) or being reduced (ransomware). There were a number of changes on the CLLAS program, including a reduction in the limits available, even though CLLAS firms are considered a preferred risk.

The firms that are buying through the CLLAS program will have received their quotes on the second excess layer (\$5MM xs \$10MM) last week. Quotes for the third excess layer (\$5MM xs \$15MM) will come after confirmation of the second layer uptake. All the market capacity has been utilized. As a sign of the difficult market, firms will be paying three times the premium for \$15 million of coverage compared to the \$20 million limits bought last year.

Last year, cyber limits were available up to \$30 million. This year, limits are being secured in \$5 million increments, likely topping out at \$25 million in total.

The program was so challenging to renew and the price increases so significant that Mr. Durrell recommended that CLLAS explore alternatives which would involve some level of CLLAS participation. He said that some work needs to be done to get licenced for cyber in Ontario and suggested that this be done so that CLLAS has more options available to it next year. The Ontario regulator has asked for a business plan on cyber. The timing allows for management to prepare that business plan and discuss it with the Board at the February 2022 meeting for consideration before it is submitted to the regulator. The Board agreed with this approach.

8. Report of the General Manager's Office

Financial Statements for the Period Ending September 30, 2021

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

CLLAS experienced an underwriting loss (premiums minus claims and expenses) in the third quarter of \$200,000. After considering investment income (including unrealized losses arising during the period) the total comprehensive loss was \$187,000. Year-to-date, CLLAS has a total comprehensive loss of \$260,000. The primary reason for the loss is that most of the premium taxes for the 2021/22 policy year have been expensed in the third quarter.

The Budget Variance shows that expenses for the year are tracking slightly over budget by roughly 1.8% with Axxima fees under their budget lines. The timing for expensing the premium taxes impacts the Budget Variance analysis.

At September 30, 2021, CLLAS had surplus of slightly over \$12.2 million and had cash and approved securities in excess of the minimum AMRGF requirement mandated by Alberta insurance law, although this amount has reduced from June to September 2021 due to the timing of the receipt of premium instalments.

CLLAS also monitors its Minimum Capital Test ratio. At September 30, 2021, CLLAS' MCT ratio is estimated to be 478%, well above CLLAS' minimum internal requirements of 210%. Mid-year MCT calculations are done on a simplified basis in the interest of efficiency; the official MCT calculation is done at year-end.

Mr. Mahoney also referred the Board to the risk metrics monitored by CLLAS on a quarterly basis. The results for September 30, 2021, are within CLLAS' risk tolerances with the exception of the "maximum concentration with a single reinsurer" as the Argo Syndicate reinsures 19% of CLLAS' total liabilities. As noted, before, appropriate moves to continue diversifying CLLAS' reinsurance support should be made when market conditions permit.

Subscribers Accounts at June 30, 2021

The CLLAS Subscribers Accounts as at June 30, 2021 were included with the meeting materials. The statements are an information item, and no action is required by the Board.

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

Approval of Amended Investment Policy

Included in the Board package was a cover memorandum along with a black-lined version of the Investment Policy highlighting various amendments to permit investment in BBB-rated corporate bonds. The changes were vetted by CLLAS' Investment Manager, Rowland Bell at Martin, Lucas & Seagram.

Additionally, there were some amendments made to address the future transition to IFRS 9 which will replace IAS 29 on January 1, 2023, coincident with the effective date of IFRS 17. A comment was made that the provision addressing rating downgrades should be clarified.

It was moved by Gordon Goodman and seconded by Margaret McNee that the Investment Policy dated December 7, 2021, be approved as presented subject to any minor amendments. The motion was carried unanimously.

Approval of ERM Policy

The ERM Policy was subject to a detailed review and revision in late 2019. The policy was included in the Board package and the Board is being asked to confirm that it continues to be appropriate. There may be good reasons for CLLAS to consider undertaking an ORSA (perhaps on a limited basis) in the future if, for example, the reinsurance structure is revised, a CLLAS cyber program is introduced, or CLLAS' Surplus Policy needs to be amended as a result of IFRS 17. However, at this time CLLAS' risk profile remains relatively unchanged from 2019.

It was moved by Julia Holland and seconded by Robert Love that the ERM Policy dated December 10, 2019, continues to be appropriate and is reconfirmed as presented for a further year. The motion was carried unanimously.

9. Committee Reports

Report of the Audit Committee

Gordon Goodman reported on behalf of the Audit Committee. The audit planning meeting took place on November 8, 2021, with Deloitte in attendance to review the audit plan. Changes arising from the preparation for and implementation of IFRS 17 for January 1, 2023 are expected to increase audit fees. Proposed fees will increase from \$97,000 for 2020 to \$106,000, \$109,000 and \$113,000 for the following three years, without taking IFRS 17 into account. The IFRS 17 activity is expected to lead to higher fees during implementation and add another \$20,000 in recurring fees.

At that November meeting the Audit Committee also reviewed the annual Reinsurance Security Report and no action was required.

Report of the Claims Committee

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

Report of the Risk Management Committee

Julia Holland reported on behalf of the Risk Management Committee. No new issues currently under consideration by the Committee

Report of the Policy Committee

Donald Milner reported on behalf of the Policy Committee. No new issues at this time under consideration by the Committee.

10. Other Business

Quarterly Report of the Investment Manager

This is an information item for the Board.

Annual Dinner

Consideration will be given to holding a dinner on a Thursday night in the second half of April 2022, subject to COVID protocols.

11. Next Meeting

The next regularly scheduled meeting of the Board will be on February 22, 2022

There being no further business, the meeting was terminated.

Chairman

Secretary



MEMORANDUM

DATE: February 10, 2022
TO: CLLAS Advisory Board
FROM: Patrick Mahoney
COPY:
RE: December 31, 2021 Financial Management Report

CLLAS' financial management report for the year ended December 31, 2021 is attached. Included are the following exhibits:

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

Financial Results

As shown on Exhibit II, CLLAS experienced an underwriting gain (i.e. premiums minus claims and expenses) of \$664,000 in the fourth quarter. The total comprehensive gain (i.e. after taking into account realized and unrealized gains/losses on the investment portfolio) for the quarter was \$641,000, leading to a total comprehensive gain for the full year of just under \$400,000. The main reason for the gain is a modest improvement on claims experience in CLLAS' drop down layer (i.e. losses under \$1 million that are not covered by law society insurance).

As shown on Exhibit I, this gain pushed CLLAS' surplus at December 31, 2021 to \$12.8 million from \$12.4 million a year prior.

The Budget Variance (Exhibit IV) shows that expenses finished the year \$36,000, or 1.9% under budget. The budget variance for 2021 and the proposed operating budget for 2022 are discussed under separate cover.

Risk Metrics

Exhibit V presents the results of various "risk metrics" monitored by CLLAS based on what have been identified through the ORSA process as its material risks. The Exhibit shows the year-end results for 2019, 2020 and 2021 against risk targets and risk limits.



Metrics at December 30, 2021 are generally within CLLAS' risk targets, with notable items 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 December 31, 2021.
- Line 2: CLLAS also monitors its Minimum Capital Test ratio. At December 31, 2021 CLLAS' MCT ratio was 555%. The result is well above CLLAS' internal target of 210%.
- Line 6: The Board had a discussion on the risk of systemic loss at its September 2020 meeting and some concerns were noted, due to the pandemic, which results in this metric appearing in yellow. This metric will be reviewed again as circumstance change.
- Line 8: The insurance market continues to be very difficult and so this metric appears in yellow. Again, this metric will be reviewed as circumstance change.
- Line 9: This metric has been updated based on the Reinsurance Security Report presented to the Audit Committee at its November 8, 2021 meeting. As discussed during that meeting, a couple of CLLAS reinsurers have A- ratings with AM Best and/or S&P.
- Line 10: This metric has also been updated based on the Reinsurance Security Report presented to the Audit Committee at its November 8, 2021 meeting. As discussed during that meeting, the Argo Syndicate (Lloyds) reinsures 19.0% of CLLAS' total liabilities. The percentage has reduced slightly from 19.3% in 2020 and exceeds CLLAS' risk limit. Appropriate moves to continue diversifying CLLAS' reinsurance support should be made when market conditions permit.
- 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
December 31, 2021

	As at December 31, 2021	As at December 31, 2020
ASSETS		
Cash	3,533,877	2,161,535
Short term investments	11,361,485	12,511,787
Bonds	6,043,762	6,279,426
Interest income due and accrued	23,630	22,835
Premium receivable	3,673,597	3,782,333
Other receivable	-	-
Prepaid expenses	150,827	143,750
Deferred policy acquisition costs	41,179	-
Unearned reinsurance premium ceded	5,236,160	4,301,362
Reinsurance recoverable	577,410	1,938,201
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	64,708,168	66,246,422
	<u>95,350,095</u>	<u>97,387,651</u>
LIABILITIES		
Accounts payable & accrued charges	278,684	368,152
Premium taxes payable	81,030	65,646
Unearned premium	6,244,910	5,303,716
Due to reinsurers	3,045,212	4,337,008
Provision for unpaid claims and adjustment expenses	72,867,454	74,830,984
Premium deficiency liability	-	30,774
	<u>82,517,290</u>	<u>84,936,280</u>
SUBSCRIBERS' EQUITY		
Surplus	12,727,965	12,133,535
Accumulated Other Comprehensive Income (Loss)	104,840	317,836
	<u>12,832,805</u>	<u>12,451,371</u>
	<u>95,350,095</u>	<u>97,387,651</u>

Exhibit II

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME
For the Period Ending December 31, 2021

	Current Year		Prior Year	
	Quarter December 31, 2021	Year to Date December 31, 2021	Quarter December 31, 2020	Year to Date December 31, 2020
Written Premium	-	12,594,326	-	10,695,340
Gross Written Premiums	-	12,594,326	-	10,695,340
Less: Reinsurance Ceded	-	10,584,328	-	8,674,018
Net Written Premiums	-	2,009,998	-	2,021,322
Change in Unearned Premiums	512,735	(6,396)	509,484	(10,067)
Earned Premiums	512,735	2,003,602	509,484	2,011,255
Claims Paid	-	114,682	28,735	47,378
Change in IBNR	(487,542)	(305,594)	381,004	615,004
Change in Case Reserve	-	(119,682)	1,171,558	1,085,558
Premium Deficiency Expense	-	(30,774)	30,774	30,774
Incurred Claims	(487,542)	(341,368)	1,612,071	1,778,714
Management and operating expenses	266,746	1,285,525	327,749	1,285,771
Reinsurance fees	74,750	293,250	71,875	287,500
Premium taxes	(5,007)	323,610	231,675	335,266
Total Operating Expenses	336,489	1,902,385	631,300	1,908,536
Underwriting Gain (Loss)	663,787	442,585	(1,733,887)	(1,675,996)
Investment Income	39,452	151,845	38,146	236,368
Income on Claim Related Matters	-	-	-	-
Interest Income on Premium Tax	-	-	-	-
NET GAIN/(LOSS)	<u>703,239</u>	<u>594,430</u>	<u>(1,695,742)</u>	<u>(1,439,628)</u>
Other comprehensive income (loss)				
Unrealized gains (losses) on available for sale financial assets arising during the year	(62,053)	(212,996)	(9,201)	270,407
Recognition of realized (gain) loss included in income	-	-	-	-
Other comprehensive income (loss) for the year	(62,053)	(212,996)	(9,201)	270,407
Total comprehensive income (loss)	<u>641,186</u>	<u>381,434</u>	<u>(1,704,942)</u>	<u>(1,169,221)</u>

Exhibit III

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF CHANGES IN EQUITY
December 31, 2021

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on AFS financial assets	Total Equity
Balance, beginning of year	50,000	12,083,535	317,836	12,451,371
Prior year adjustment		-		-
Comprehensive income (loss) for the year				
Net gain (loss) for the year		594,430		594,430
Other comprehensive income (loss)				
Change in unrealized gain on available-for-sale assets			(212,996)	(212,996)
Recognition of realized (gain) loss on available-for-sale assets			-	-
Total comprehensive income (loss) for the year		594,430	(212,996)	381,434
Distribution of premium surplus		-		-
Balance at December 31, 2021	50,000	12,677,965	104,840	12,832,805

Exhibit IV

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED December 31, 2021

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES (See Note 1)	420,500	100%	420,500	399,028	21,472
PROFESSIONAL SERVICES (See Note 2)					
Actuarial Services	75,000	100%	75,000	48,849	26,151
Reinsurance Matters	280,000	100%	280,000	215,663	64,337
Strategic Matters	120,000	100%	120,000	140,594	(20,594)
Sub-Total Professional Services	475,000		475,000	405,106	69,894
GST/HST on Consulting Fees	116,415		116,415	104,537	11,878
Total Management & Professional Services	1,011,915		1,011,915	908,671	103,244
OTHER EXPENSES					
Audit Expenses	125,000	100%	125,000	132,391	(7,391)
Annual Dinner	-		-	-	-
Premium Taxes	170,000	100%	170,000	323,610	(153,610)
Chairman's Honourarium	150,000	100%	150,000	150,000	-
Reinsurance Expense	2,500	100%	2,500	-	2,500
D&O Insurance	20,000	100%	20,000	15,266	4,734
Office Expenses	10,000	100%	10,000	3,351	6,649
Claims: Borderaux (LawPro/LIF)	16,800	100%	16,800	16,765	35
Special Services	25,000	100%	25,000	-	25,000
Reinsurance Fee (BWI) (See Note 3)	293,250	100%	293,250	293,250	-
I.B.C Statistical Plan Fees	3,000	100%	3,000	1,190	1,810
Assessment Fees	3,000	100%	3,000	4,141	(1,141)
Investment counsel fees	34,000	100%	34,000	30,075	3,925
Investment - Custodial	19,000	100%	19,000	19,012	(12)
Risk Management/Loss Prevention (See Note 4)	50,000	100%	50,000	-	50,000
License Fee	5,000	100%	5,000	4,663	337
Insurance: Sundry	-		-	-	-
Sub-total	926,550		926,550	993,714	(67,164)
TOTAL	1,938,465		1,938,465	1,902,385	36,080

*** NOTE 1: MANAGEMENT SERVICES**

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

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

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

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

First Quarter, ending March 31st	23%
Second Quarter, ending June 30th	40%
Third Quarter, ending September 30th	19%
Fourth Quarter, ending December 31st	18%
	100%

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

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

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

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

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
SUMMARY OF RISK METRICS
December 31, 2021

Risk Category	Risk Metric	December 31, 2019	December 31, 2020	December 31, 2021	Green Zone (Meets Target)	Yellow Zone	Red Zone (Limit Exceeded)
General	(1) AMRGF - Excess of Cash/Appr. Securities Over Reg. Req'ment	\$11,670,500	\$6,421,000	\$8,237,000	5,000,000 and above	\$2,500,000 to \$5,000,000	Less than \$2,500,000
	(2) MCT Ratio	712%	538%	555%	210% and above	n/a	Less than 210%
	(3) Status of Governance Policies	Up to date	Up to date	Up to date	Up to date	Items outstanding	Materially behind schedule
Insurance	(4) Gross Loss Ratio	42%	96%	-3%	Less than 150%	150% to 300%	Over 300%
	(5) Net Loss Ratio	-36%	63%	-12%	Less than 50%	50% to 100%	Over 100%
	(6) Risk of Systemic Loss	n/a	Some concerns raised	Some concerns raised	Nothing on horizon	Some concerns raised	Adverse experience
Premium & Strategy	(7) Actual Expenses vs. Budget	95%	92%	98%	Less than 105%	105% to 120%	Over 120%
	(8) State of the Market Outlook	n/a	Some concerns raised	Some concerns raised	Nothing on horizon	Some concerns raised	Adverse experience
Reinsurance	(9) Reinsurer Credit Rating	A- to A+	A- to A+	A- to A+	A or above	A-	B+ and below
	(10) Maximum Concentration with a Single Reinsurer excl. Colchester	19.6%	19.3%	19.0%	Less than 10%	10% to 15%	Over 15%
Operational	(11) Board Discussion of Prior Quarter Risk Metrics	Discussed corrective measures	Discussed corrective measures	Discussed corrective measures	Discussed corrective measures	Received but no discussion	Not received
	(12) Resiliency Capacity - People (e.g. redundancy, succession)	n/a	n/a	n/a	Score of 4 or 5 out of 5	Score of 3 out of 5	Score of 1 or 2 out of 5
	(13) Resiliency Capacity - Data/Systems	n/a	n/a	n/a	Score of 4 or 5 out of 5	Score of 3 out of 5	Score of 1 or 2 out of 5
	(14) Advisory Board Turnover in Last 12 Months	1	1	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	n/a	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 P&C-1. 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. 2021 information from report on reinsurance security (November 2021).
(11) Reviewed quarterly.
(12) Reviewed annually in December.
(13) Reviewed annually in December.
(14) Reviewed quarterly based on turnover in the preceding 12-month period
(15) Senior Management/Key Advisor Turnover in Last 36 Months – Includes principal attorney, general manager, accountant, auditor, actuary, reinsurance broker and excess insurance broker.
(16) Reviewed quarterly.
(17) Reviewed annually in December.

Color Code
Meets Target
Between Target and Limit
Exceeds Limit

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
For the Period Ending December 31, 2021

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

	Current Year to Date 12/31/2021 (in \$000's)	Prior Year End 12/31/2020 (in \$000's)
<u>Reserve Fund</u>		
Premiums collected or credited having one year or less to run	(1) 12,594	10,695
Less: Amount paid to licensed reinsurers	(2) 10,493	8,601
Premiums collected with more than one year to run, less expired portion	(3) -	-
Less: Amount paid to reinsurers on premiums on line 3, less expired portion.	(4) -	-
Subtotal (lines 1, minus line 2, plus line 3, minus line 4)	(5) 2,101	2,094
Reserve Fund Required (50% of Line 5)	(6) 1,050	1,047
<u>Guarantee Fund</u>		
Total Liabilities	(7) 82,517	84,936
Less: Unearned Premiums	(8) 6,245	5,304
Less: Recoverable from licensed reinsurers	(9) 64,671	66,197
Plus: Statutory Margin	(10) 50	50
Guarantee Fund Required (Line 7 minus Lines 8 and 9 plus line 10)	(11) 11,651	13,485
TOTAL RESERVE & GUARANTEE FUND REQUIRED (Line 6+11)	(12) 12,702	14,532
Cash & Approved Securities	(13) 20,939	20,953
Excess of Cash & Securities over Reserve & Guarantee Fund (line 13 minus line 12)	(14) 8,237	6,421



Canadian Lawyers Liability Assurance Society

Actuarial valuation of policy liabilities as at December 31, 2021

February 15, 2022

Agenda

1

Disclosures

2

Actuarial Valuation

3

Valuation Results

4

Discussion

Disclosure of Draft Results



The valuation results presented are **draft**. Our final signed valuation results will be provided upon reception of the following:

- **Auditor letter** on specified audit procedures and data reliance
- **Confirmation** from management that there are **no subsequent events** which would cause a deviation in the valuation results in excess of our materiality standard

Per the Canadian Actuarial Standards of Practice, **changes having an impact in excess of our standard of materiality** as of December 31, 2021 may need to be reflected and/or disclosed in the valuation report and may result in a **change in the financial statements**.

Role of the Appointed Actuary



Valuation of policy liabilities

- Claim liabilities
- Unearned premium liabilities
- Other policyholder liabilities



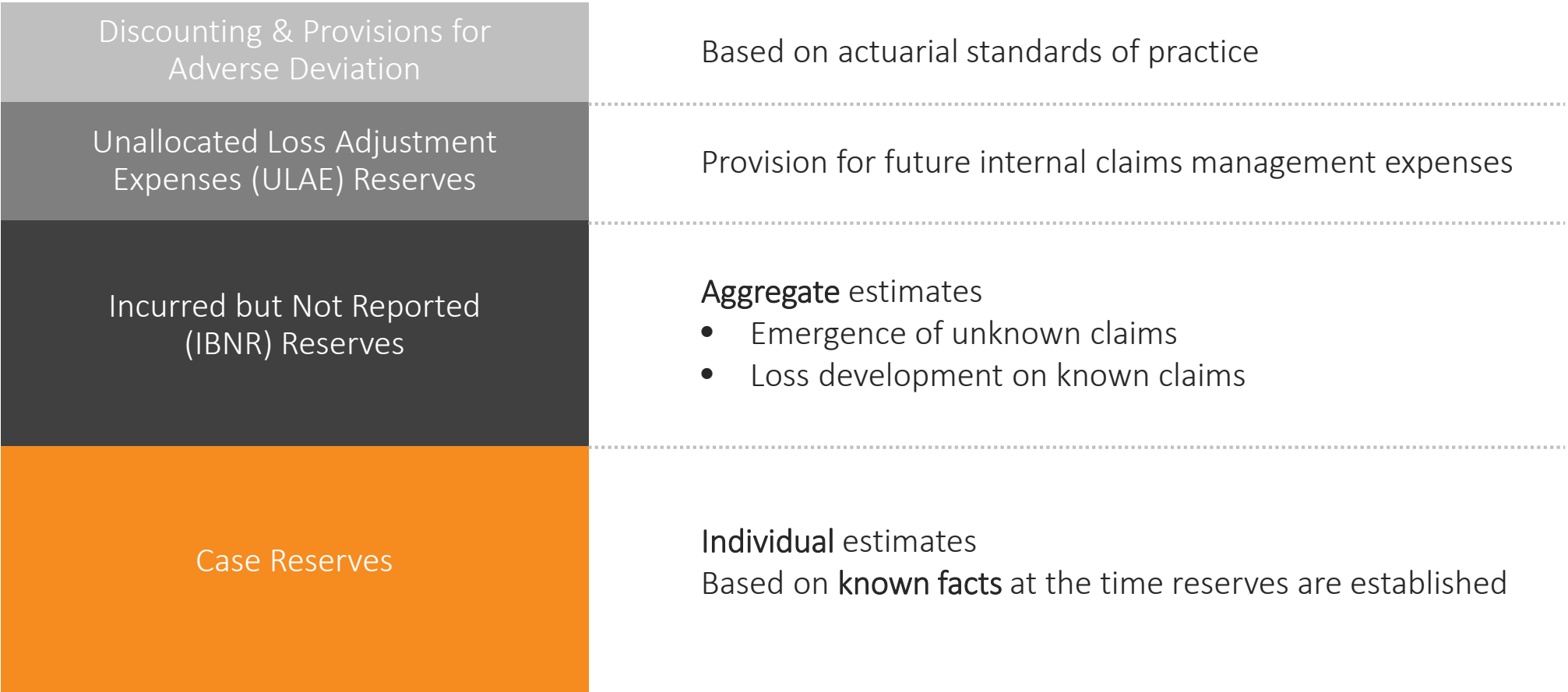
Liaise with the auditor

In accordance with Canadian Accounting Standard 620

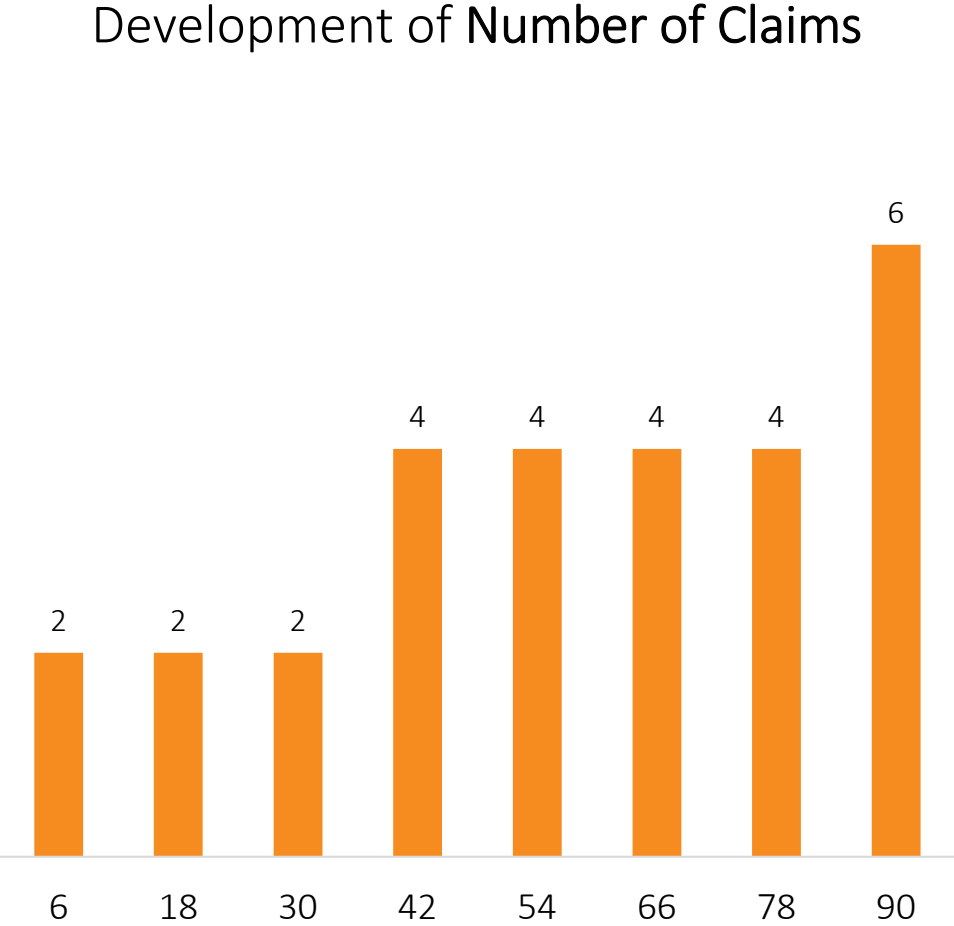
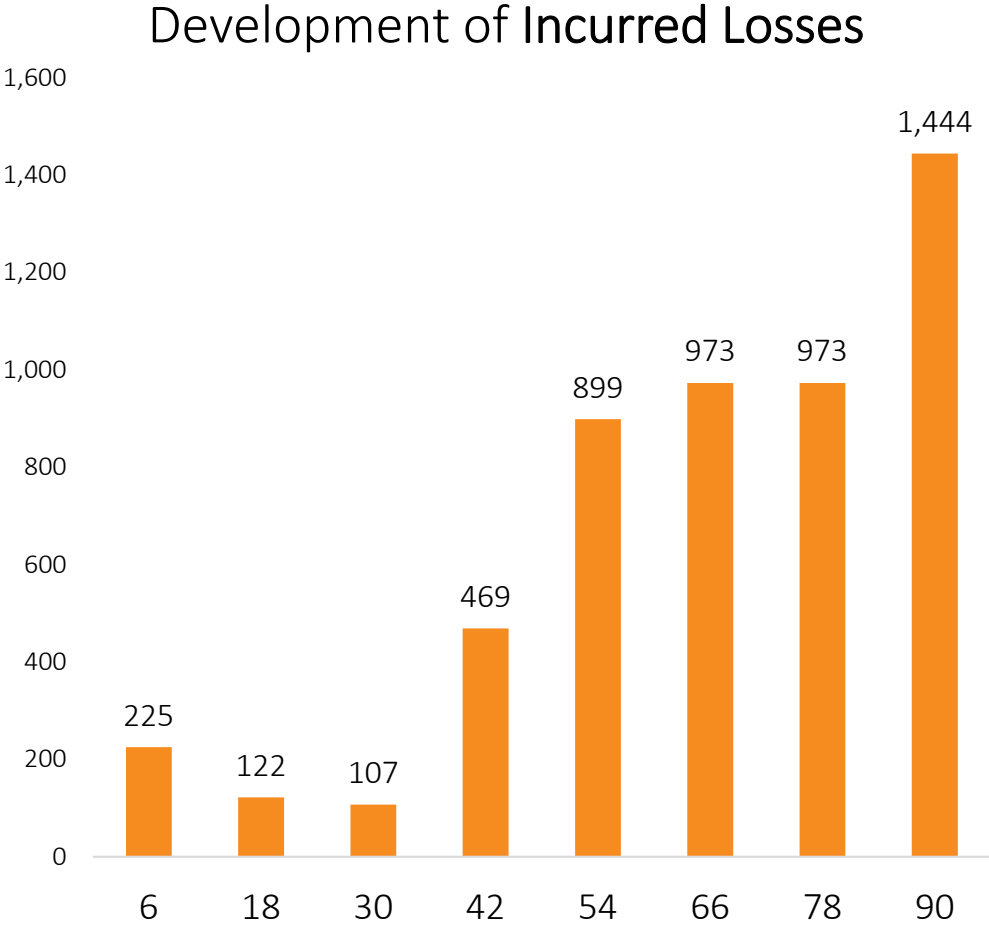


Monitor the financial condition

Claim Liabilities

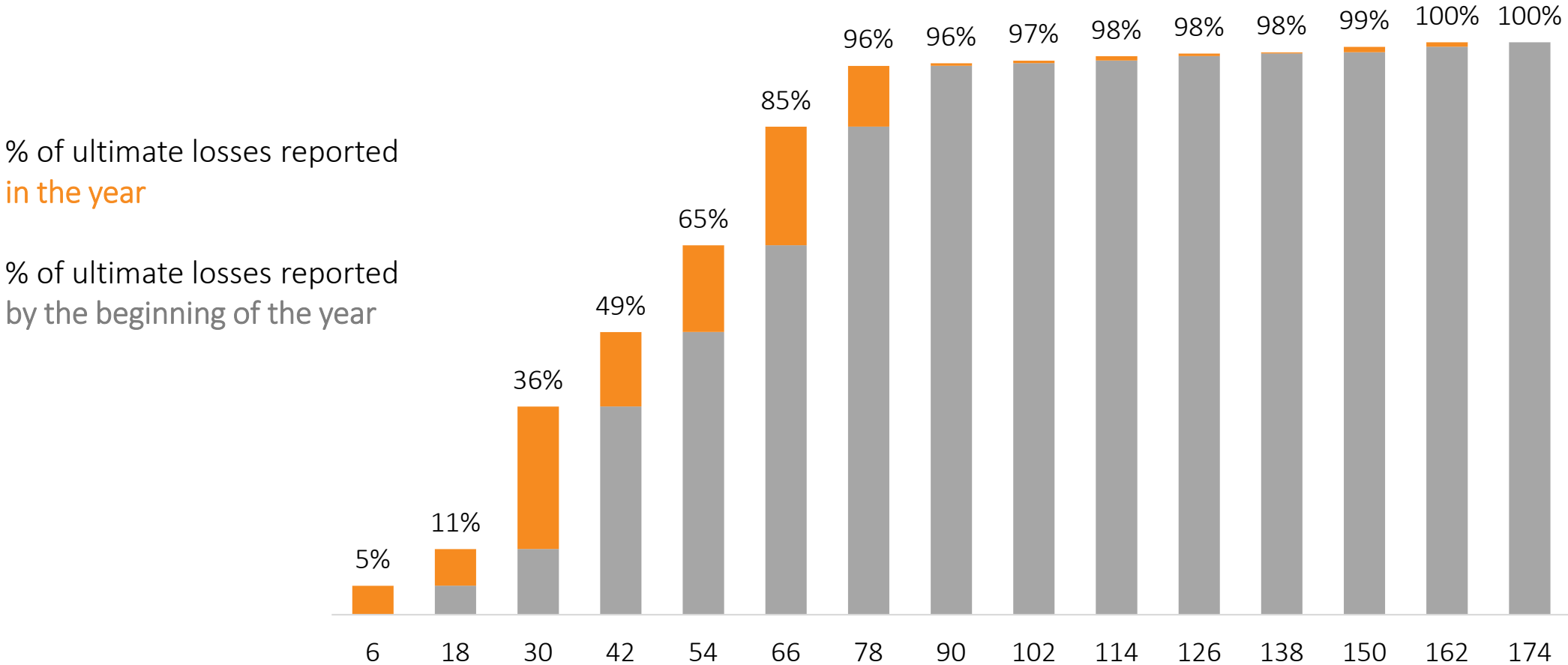


Example: Development of 11/12 Policy Year

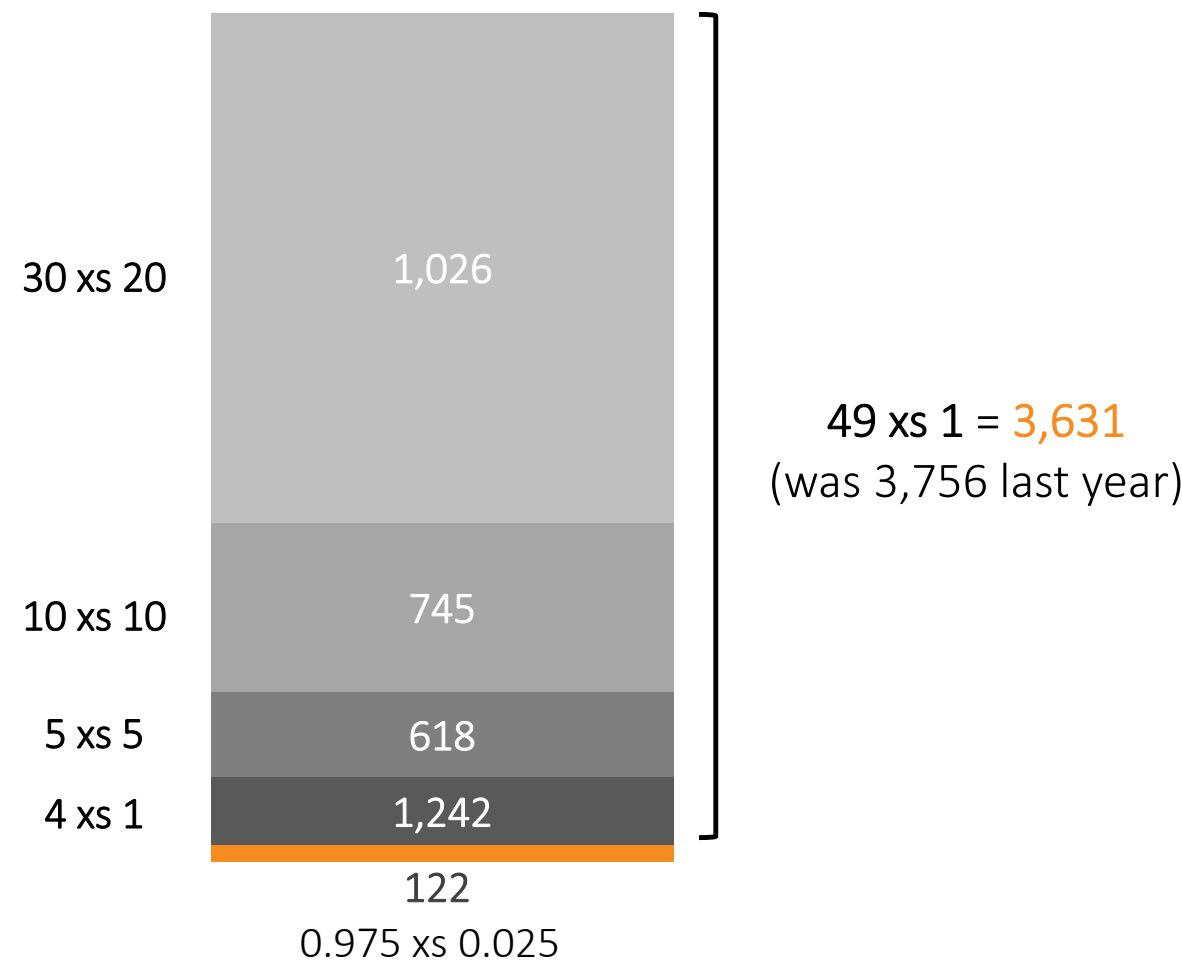


Development of Incurred Losses

Losses are assumed to be fully reported after 13.5 years



Expected Loss Costs



Other Excess Layers

Layer	Loss Cost per Lawyer
30 xs min 65	8
5% of 30 xs 50	14
5% of 50 xs 50	17
5% of 60 xs 100	4
60 xs 160	15

CLLAS and Colchester arrangements for 2021/2022

Colchester Retention: 33% of 49M xs 1M
 100% of 5% of 50 xs 50
 10% of 60M xs 160M
Provides aggregate reinsurance coverage of 10M xs 5M

CLLAS per-claim retention: 100% of 975k xs 25k
 0% of 49M xs 1M

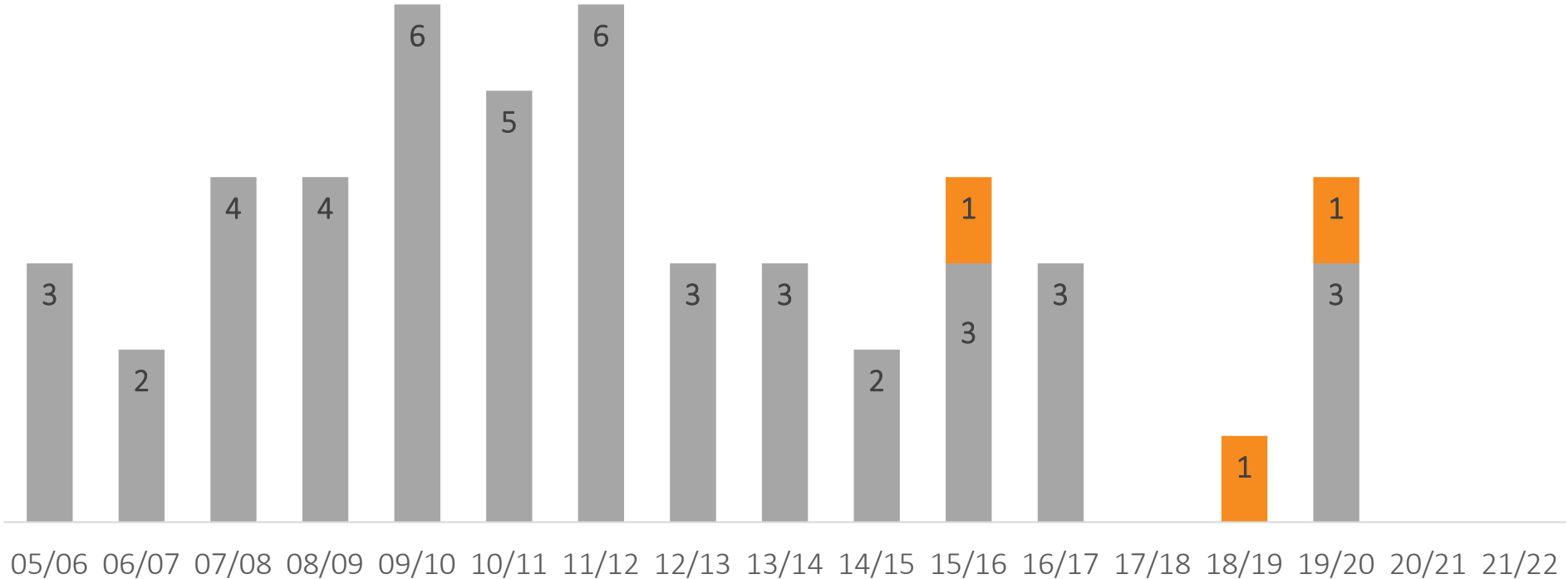
Loss Portfolio Transfer on June 20, 2012

Colchester purchased net outstanding claims obligations on policies written between July 1, 1987 and June 30, 2012

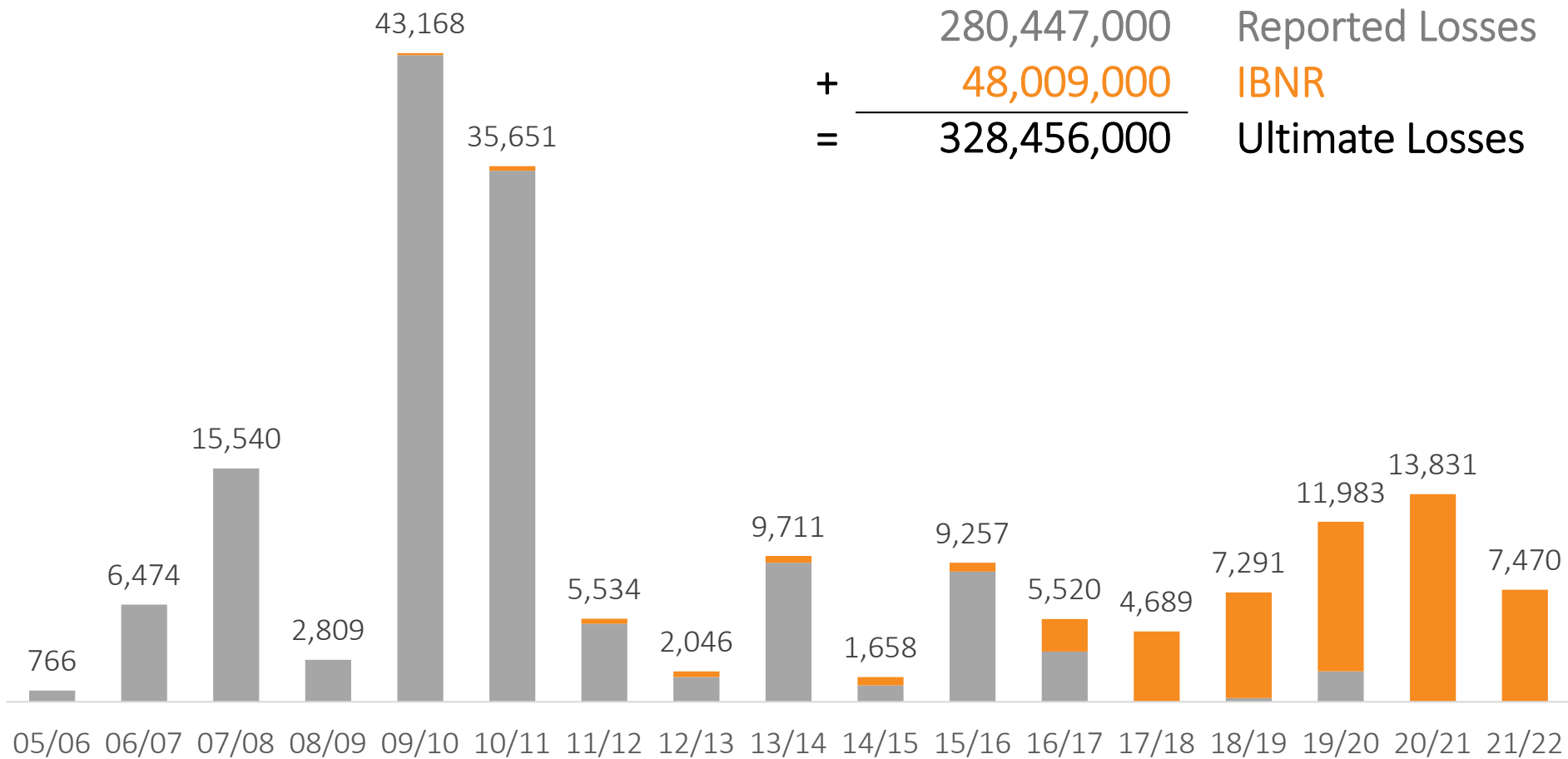
CLLAS's remaining net claim liabilities attributable to the business written prior to June 30, 2012 are provisions for ULAE

Reported Claim Counts

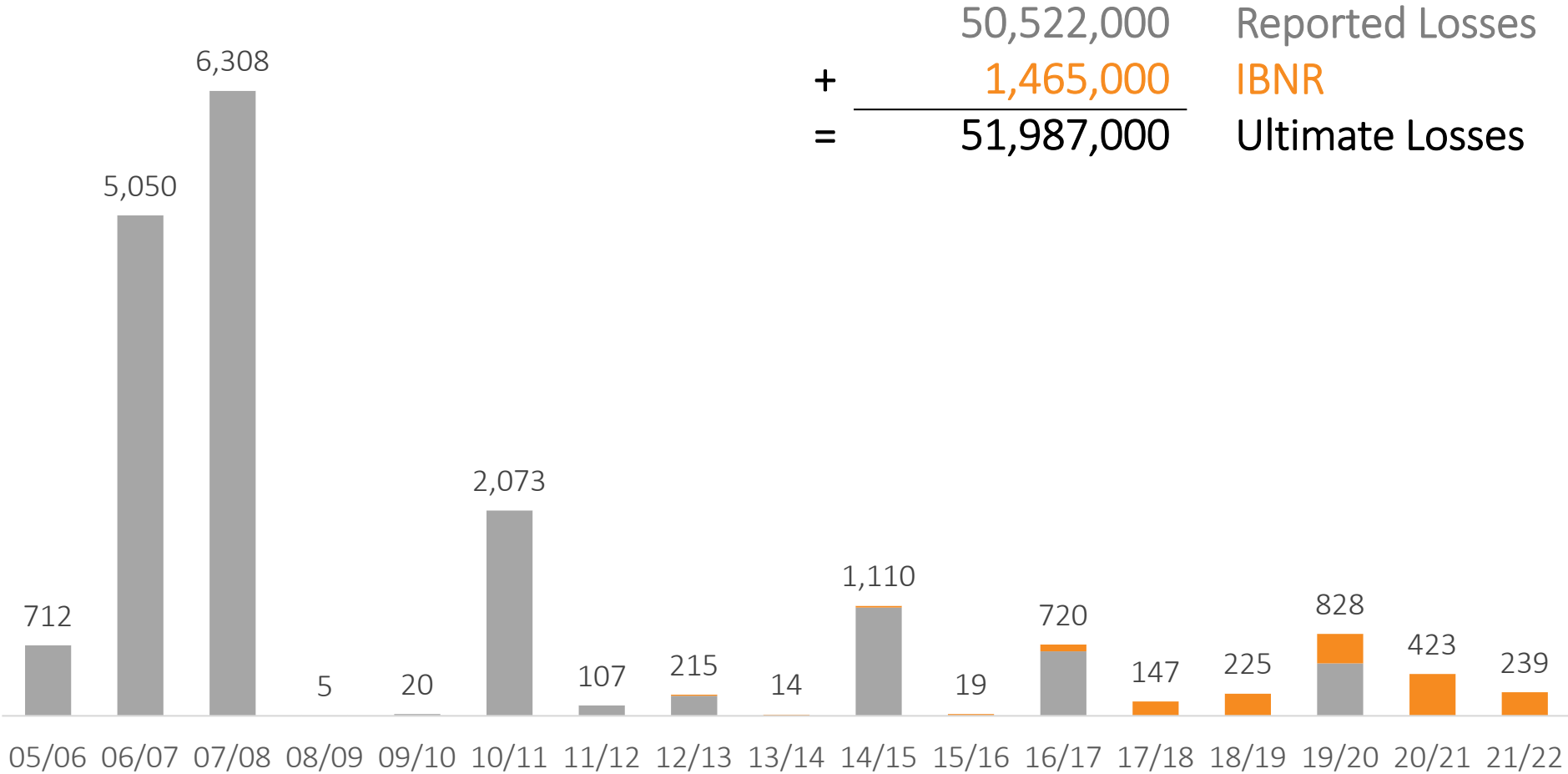
December 31, 2020 = 79
December 31, 2021 = 82



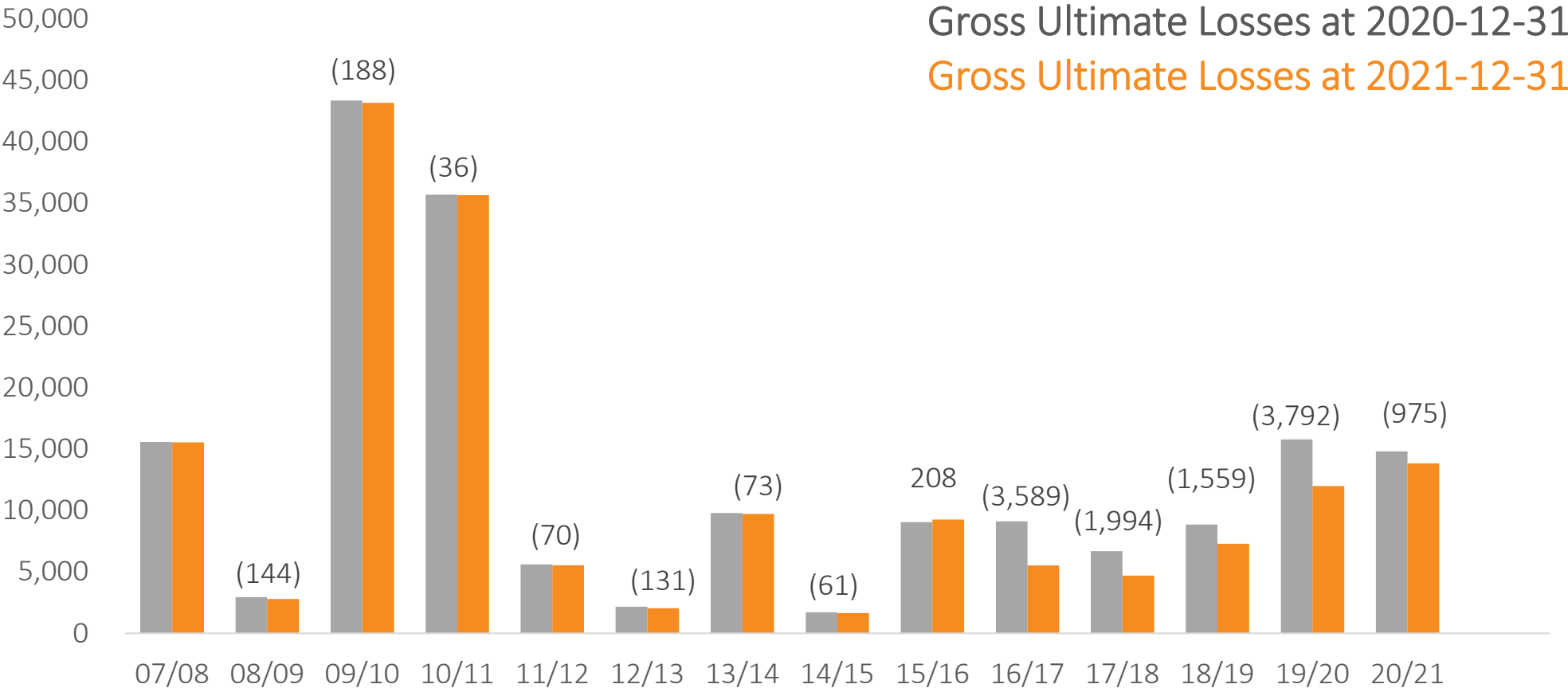
Projected Ultimate Losses - Gross



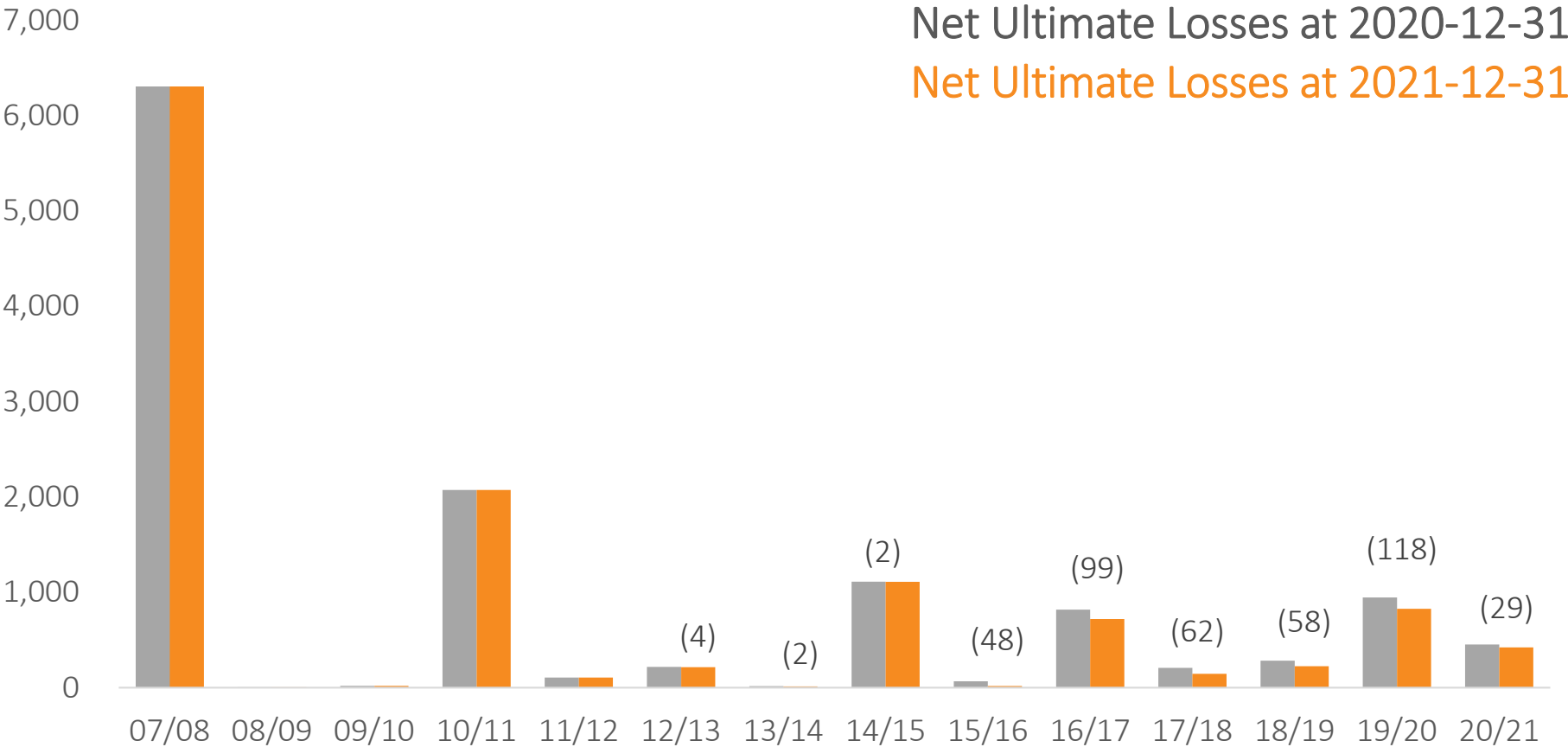
Projected Ultimate Losses - Net



Overall Claims Improvement of \$12,405,000 – Gross Basis Mainly due to Release of IBNR and Low Claims Emergence



Overall Claims Improvement of \$423,000 – Net Basis



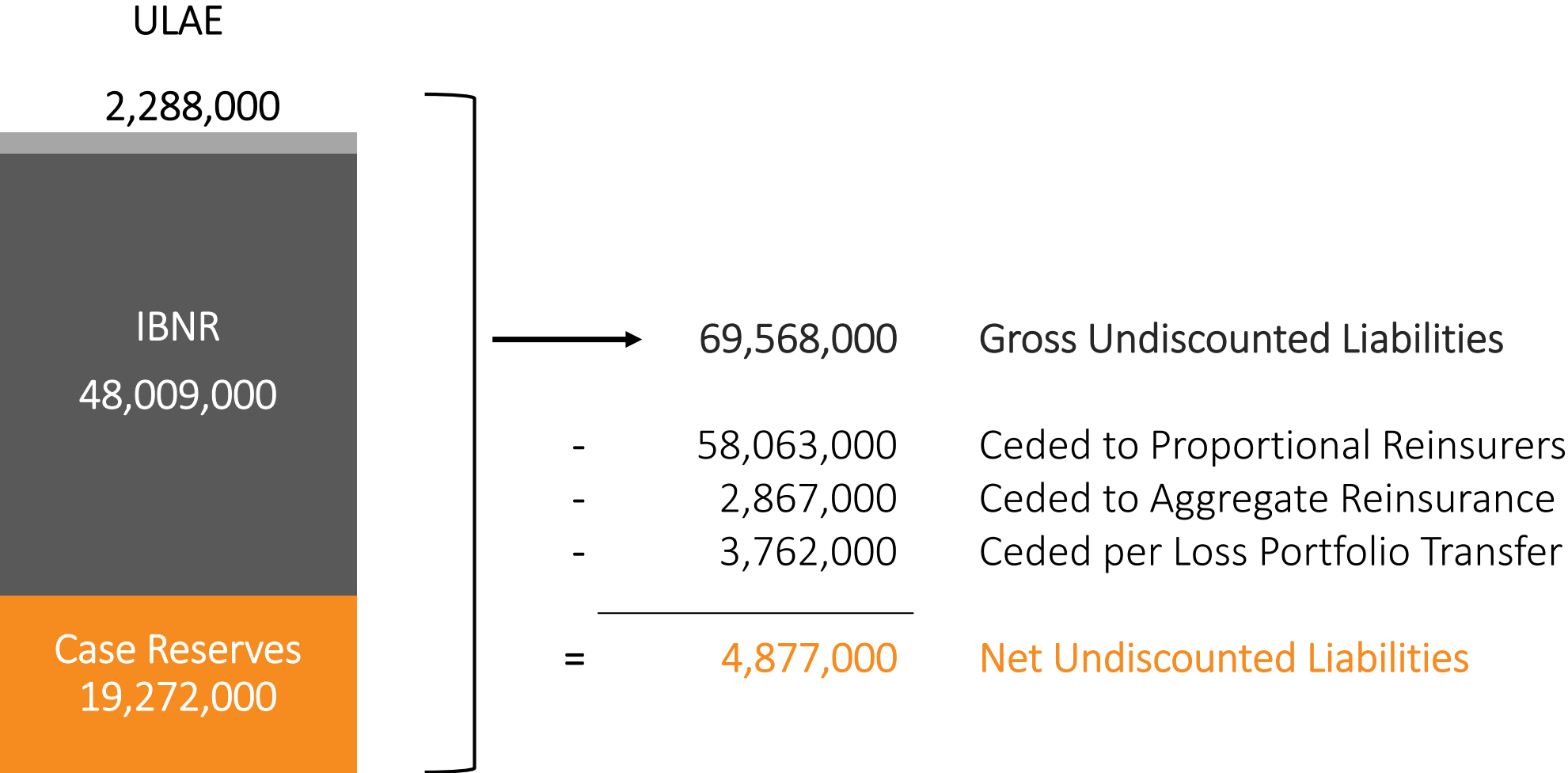
Unallocated Loss Adjustment Expenses (ULAE)

Represents the provision for the **claims management** function to **service existing obligations** if CLLAS were to cease writing business on December 31, 2021

Loading = **3.40%** x (gross case reserves + gross provisions for IBNR)
(was 3.55% as of December 31, 2020)

The provision for ULAE is **entirely retained** by CLLAS

Undiscounted Liabilities – Gross and Net



Discounting

Claim liabilities are estimates of losses to be paid in the future

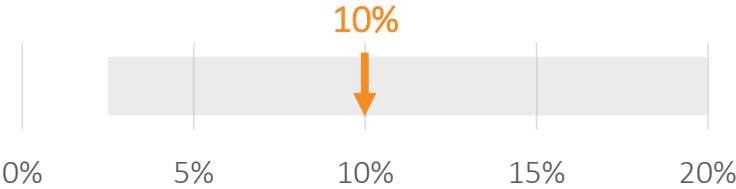
The future claim payments are discounted to reflect the time value of money

The selected discount rate = **1.30%**
(0.45% last year)

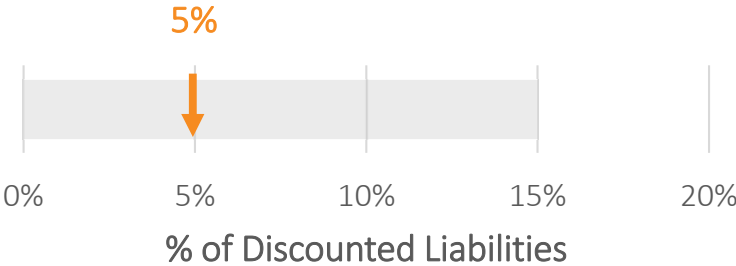


Selected Margins for Adverse Deviation

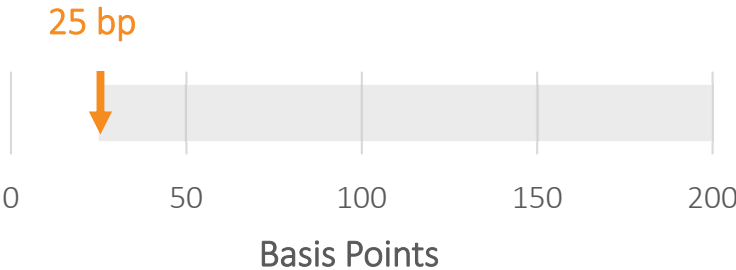
Claims Development
Claims experience is worse than expected



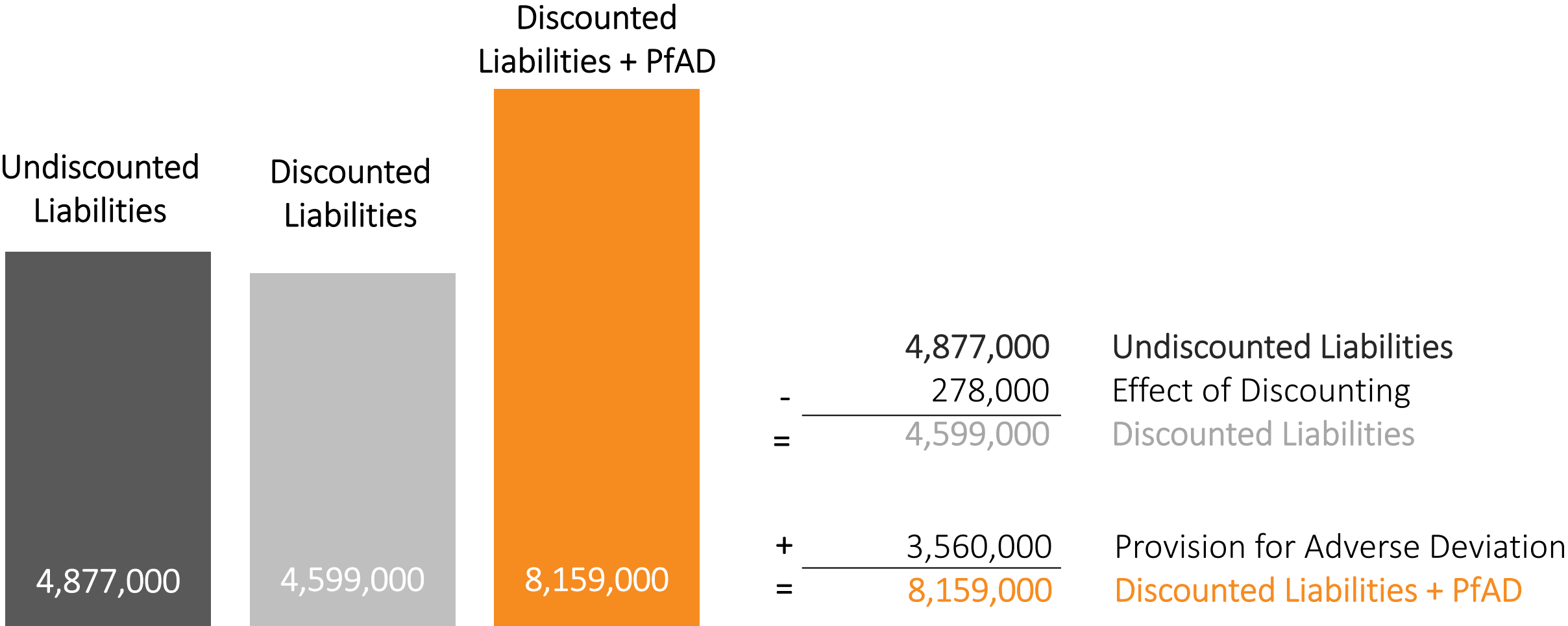
Reinsurance Recovery
Reinsurers default on their obligation



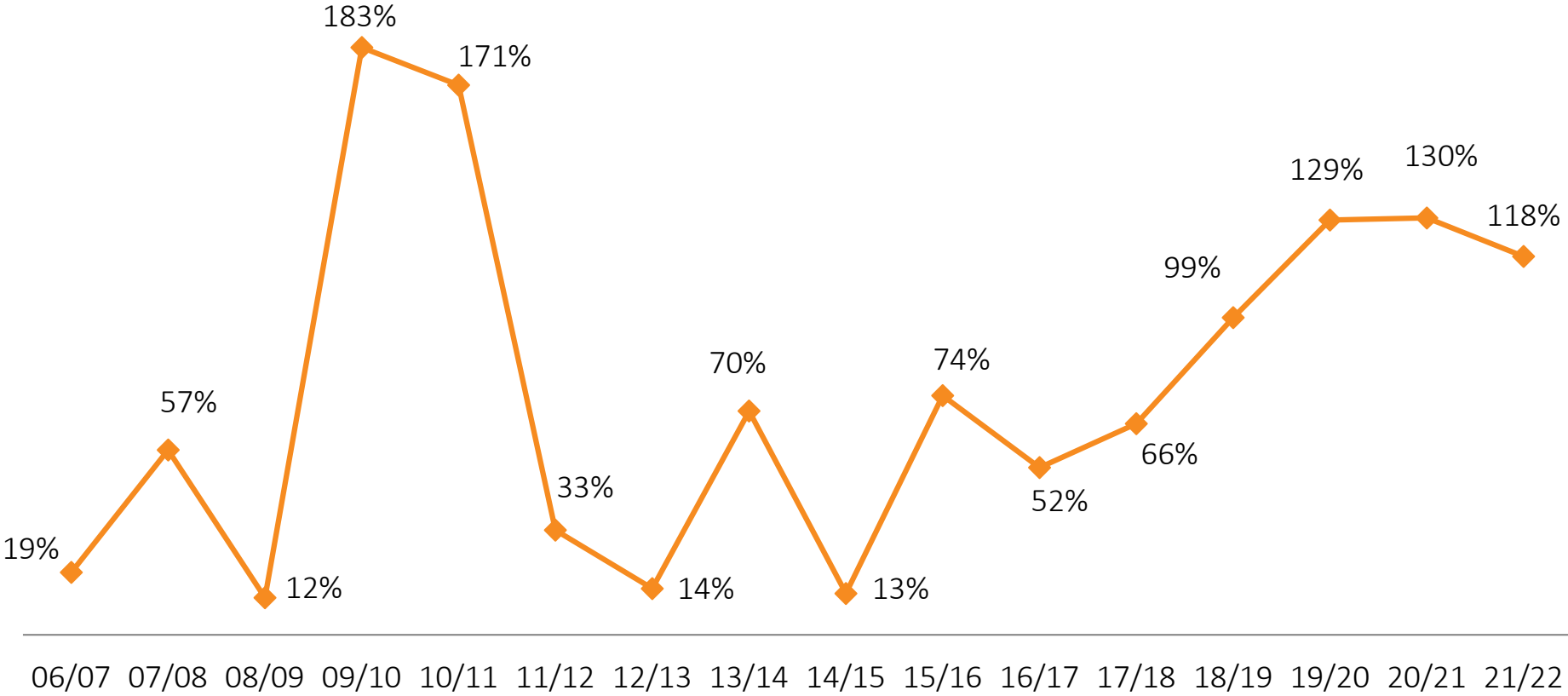
Interest Rate
Investment yield is below expectation



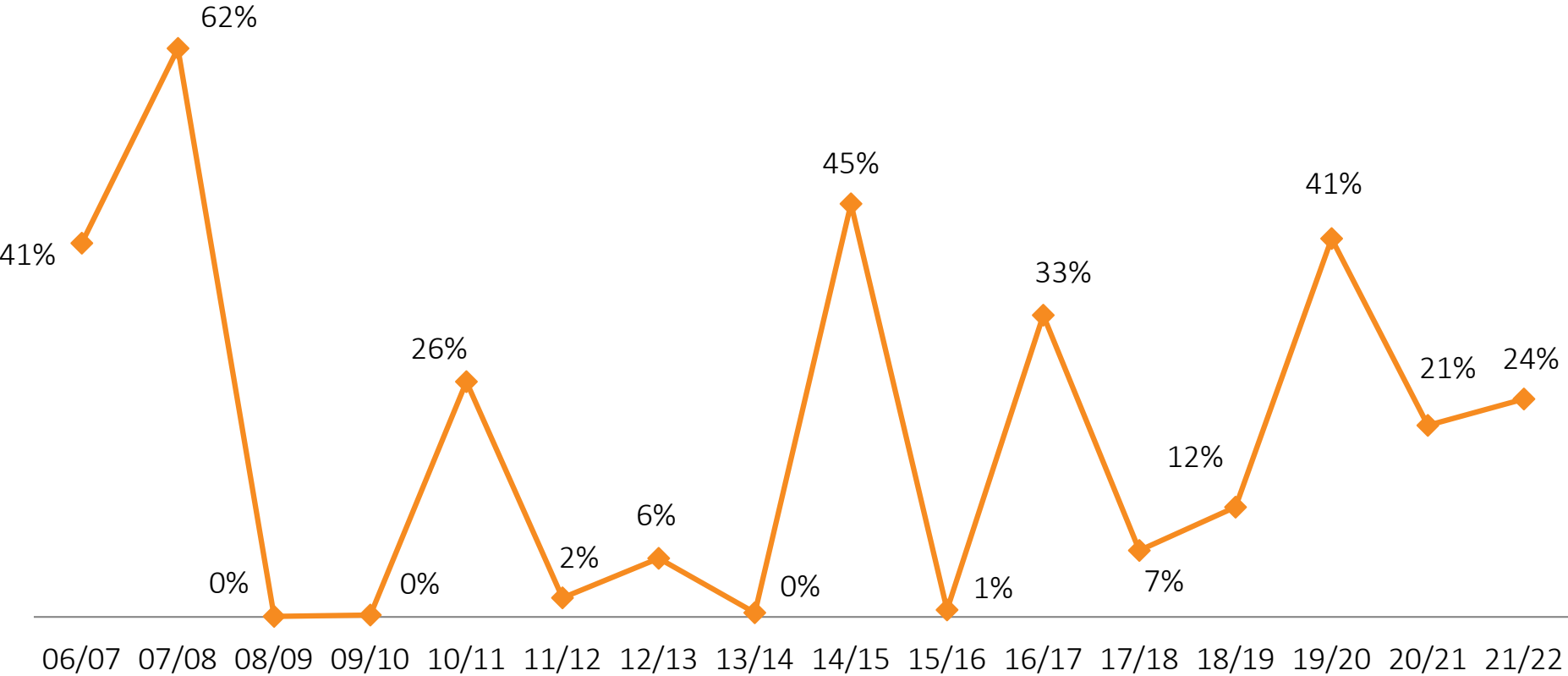
Net Discounted Liabilities



The Gross Ultimate Loss Ratio reflects Volatility and Market Pricing



The Net Ultimate Loss Ratio reflects the Risk Assumed



Premium Liabilities

A **premium deficiency** is generated if:

Net unearned premiums	}	Future Revenue
+ Unearned reinsurance commissions		
- Net Liabilities in connection with unearned premiums	}	Future Expenses
- Deferred policy acquisition expenses		
<hr/>		
< 0		

There is a **\$0 premium deficiency** as at December 31, 2021

The deferred acquisition expense asset was recorded at **\$41,179**

Conclusions

The development during 2021 was **favourable by \$423,000**, mainly due to a favorable claims development for all policy years

CLLAS has a \$0 **premium deficiency** and a DPAE asset of \$41,179 was recorded

The policy liabilities are **booked in the financial statements as recommended** by the appointed actuary

Discussion



February 14, 2022

Private & Confidential

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

Dear Ken,

The purpose of this letter is to set out the proposed operating budget for CLLAS for 2022, including the proposed budget for the provision by Axxima of Management and Professional Services.

The draft total operating budget for CLLAS for 2022 is presented in Attachment A to this letter, together with the budget and actual figures for 2021. Overall, CLLAS finished 2021 \$36,000, or 1.9% under budget. The budget proposed for 2022 reflects a significant increase of \$445,000 over the expiring budget, for three unrelated reasons:

- 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, resulting in a change of \$111,000;
- Management and audit costs in 2022 related to IFRS 17 implementation (\$34,000 and \$42,000 increases respectively); and
- A change in the approach used to budget premium taxes given recent history of having to expense premium taxes in the year the insurance policies are issued rather than over the full policy period, resulting in an increase in the budget of \$231,000.

As discussed below, of the above three changes, only the second one related to IFRS 17 represents an actual increase in CLLAS operating costs and it should at least partially fall away in 2023. A discussion of the notable “Other Expense” lines is immediately below, followed by a discussion of premium taxes and the Management and Professional Services lines.

“OTHER EXPENSES” BUDGET FOR 2022

Overall, the CLLAS budget for other expenses (i.e. excluding premium taxes and Axxima fees for Management/Professional Services) finished the year \$86,000, or 11.4% under budget. The proposed



budget for 2022 represents an increase of \$19,000, or 2.5% over the 2021 budget. Premium taxes are discussed separately below.

- **Audit Expenses.** This line was over budget by \$7,400 for 2021. At the November 2021 Audit Committee meeting, the auditor proposed a one-time 10% adjustment to the 2021 audit fee (compared to the typical annual adjustment of about 3%) to reflect upward pressure on costs due to the “war for talent” being faced by Canadian professional services firms. This fee is accrued in 2021, hence the overage shown for this year.

The budget for 2022 shows a material increase of about \$46,000 over the 2021 actual. This reflects a 3% increase on the base audit fee and an estimated \$35,000 (inclusive of a 20% buffer but before administrative charges and HST) for the implementation of IFRS 17. The audit fee IFRS 17 implementation for 2023 will be refined based on 2022 activity but is currently estimated to be about \$25,000.

- **Annual Dinner.** The budget assumes that the annual dinner, which has not been held since 2019 due to the pandemic, will not be held in 2022. For information, the actual expense for the 2019 dinner was about \$5,700.
- **Reinsurance Expenses.** This line tracks expenses for the Chair and Board member participation in London meetings, as well as lunches/dinners with reinsurers when they visit Toronto. Not surprisingly, there was no activity on this line in 2021. It is difficult to budget this line for 2022 as we are planning the annual trip to London but there is certainly a chance that it does not happen. We propose to budget for 50% of the typical expenses.
- **D&O Insurance.** The full budget for this line was not spent in 2021 because it has not been possible to place the \$5 million excess of \$5 million layer for a couple of years given market conditions. (The \$5 million primary layer was renewed.) We propose no change to this budget for 2022. While a \$5 million limit is reasonable (and most of the firms have coverage through the ODL Program as well) we will work to secure the higher limits again in 2022.
- **Office Expenses – General.** This line tracks disbursements incurred by Axxima in the operation of CLLAS and includes costs related to travel, couriers, webhosting, etc. The typical budget is in the range of \$25,000 but there were no travel-related expenses in 2021. We propose to maintain this line at \$10,000 for 2022.
- **Special Services.** This line is for expenses related to external legal and other professional services provided to CLLAS. In 2021, we incurred no costs on this line, and propose to reduce this budget from \$25,000 to \$15,000 for 2022.
- **Reinsurance Fees (BWI).** 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.



- **Risk Management/Loss Prevention.** CLLAS' share of the fees for the risk management audits was fully accrued in 2021, so there were no risk management expenses in 2022. Subject to input from the Risk Management Committee and discussion at the February Board meeting, we propose to set the budget for 2022 at \$20,000.

PREMIUM TAXES

Premium taxes, which are a percentage of premium, came in well over budget in 2021. Accounting rules required us to write off most of CLLAS' deferred policy acquisition costs (DPAC) in 2021. In essence, this means that all but \$41,000 of premium taxes attributable to the first half of 2022 were expensed in 2021. This is the result of CLLAS' application of surplus to reduce premiums and has happened three years in a row. Given that we expect CLLAS to maintain its approach with respect to surplus, the budget for 2022 assumes that this pattern will continue. That is, we have budgeted on the basis that premium taxes for the entire 2022/23 policy year will be expensed in 2022. The budget figure assumes a 10% increase in CLLAS premiums for the upcoming policy year.

Note that this issue relates to the timing of the recognition of the premium tax expense, not to the amount of the premium taxes or when they are due. The rate for premium taxes varies by province but represents roughly 2.9% of premium, on average.

PROFESSIONAL AND MANAGEMENT SERVICES

1. Management Services

Management Services are provided on a fixed fee basis, with the exception of Claims Analysis, which is a variable line item related to management of CLLAS' active large loss files. Due to the continued lower volume of claims activity over the past few years, Management Services finished the year \$21,000 under budget. The proposed fixed fee budget for 2022 (after credits, as discussed below) is \$563,500, a significant change from 2021. The proposed fixed fee budget represents a 5.4% increase over 2021, primarily due to IFRS 17 implementation; the main reason for the change is the reduction in credits for commissions/profit sharing payments, as discussed below.

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



		2021	2021	Fav/ (Unfav)	2022	Change	Change
	Activity	Budget	Actual	Variance	Budget (proposed)	(\$)	(%)
(a)	Financial	\$202,000	\$202,000	\$0	\$232,000	\$30,000	14.9%
(b)	General Admin.	\$104,000	\$104,000	\$0	\$106,000	\$2,000	1.9%
(c)	Claims Admin.	\$225,000	\$225,000	\$0	\$225,000	\$0	0.0%
(d)	Claims Analysis*	\$60,000	\$38,528	\$21,472	\$60,000	\$0	0.0%
	Subtotal	\$591,000	\$569,528	\$21,472	\$623,000	\$32,000	5.4%
(e)	Less Credit	\$170,500	\$170,500	\$0	\$59,500	-\$111,000	-65.1%
	Total	\$420,500	\$399,028	\$21,472	\$563,500	\$143,000	34.0%

* Variable

- (a) **Financial Reporting.** Activity on the Financial Reporting line tends to be steady or increase slightly each year depending on regulatory reporting developments. In 2022, it is necessary to prepare accounts on both the accounting rules (IFRS 4) and the new (IFRS 17, which takes effect on January 1, 2023). The proposed increase takes this into account and should fall away for 2023.
- (b) **General Administration.** The General Administration line includes such activities as Board meeting preparation, renewal applications, insurance policy preparation, certificate issuance, risk management initiatives, website maintenance, Subscriber enquiries re coverage, etc. Activity was at the expected level in 2021 and we are proposing a minor adjustment to reflect wage inflation for 2022.
- (c) **Claims Administration.** The Claims Administration line has reduced significantly over the past few years, from a high of \$300,000 in 2015, due in part to lower claims volumes flowing from the departure of two firms and in part to process efficiencies within Axxima. Note that the management of CLLAS cyber claims is included in this line. We propose no change to this line for 2022.
- (d) **Claims Analysis.** The Claims Analysis line tracks activity on the claims where CLLAS is actively involved in claims management (due to the nature or significance of the particular claims). Some years have been quite busy but the last few have been relatively steady. We do anticipate more activity in the future as some of the older claims move towards mediation, but we propose no change to the line for 2022. Note that this line is variable, with fees adjusted to actual on a quarterly basis.



(e) **Credit re CLLAS-Facilitated Policies.** Since 2017, the fixed fee budgets are net of a credit which represents commissions and/or profit sharing received by Axxima's insurance brokerage in connection with the Associate Firm and cyber programs. There is a one-year lag between receipt of funds by Axxima and application against the fixed fee, i.e. funds received in calendar year 2021 are applied against the 2022 fixed fee. Details for 2021 are as follows:

- **Commissions:** In 2021, the CLLAS Associate firms renewed their policies, resulting in commissions of \$54,950 (\$51,867 in 2020). As well, eight CLLAS firms and one Associate firm bound or renewed cyber policies under the CLLAS program. The expiring policies were extended until October 14, 2021 and this resulted in commissions of \$4,638. This compares with cyber commissions of \$124,793 credited in 2021. Given the steep premium increases experienced on the policies incepting on October 15, 2021, commissions at the expiring level would have exceeded \$350,000. Instead, these policies were placed with zero commission as it was felt that this was better for the firms than paying a commission and having it credited against future Axxima management fees. The total credit for commissions against the 2022 fixed fee budget is \$59,500, compared with \$170,500 last year.
- **Profit Sharing:** The CLLAS Associate Firm program includes a profit sharing element and it has been agreed that profit sharing amounts received by Axxima from underwriters will be applied against the next fixed fee budget, subject to CLLAS' acknowledgement of the obligation to potentially repay the funds based on future loss experience. In late 2019, profit sharing on two older years became due and this resulted in a credit of \$44,500 against the 2020 fixed fee. No further profit sharing payments have been received in 2020 or 2021, so the credit for the 2022 year is \$0. We are in the process of following up on profit sharing and any amounts recovered in 2022 will be applied next year.

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

2. Professional Services

Professional Services, i.e. actuarial, reinsurance and strategic services, are provided on a fee-for-service basis. Budgets are set at the beginning of the year, with the actual cost depending



on the level of activity throughout the year. Professional Services Fees finished the year about \$70,000 (14.7%) under budget, for reasons discussed below. Overall, we are proposing a \$30,000 (6.3%) increase in the total budget for these lines for 2022. Details by line are discussed after the table.

		2021 Budget	2021 Actual	Fav/ (Unfav) Variance	2022 Budget (proposed)	Change (\$)	Change (%)
(a)	Actuarial	\$75,000	\$48,849	\$26,151	\$75,000	\$0	0.0%
(b)	Reinsurance	\$280,000	\$215,663	\$64,337	\$280,000	\$0	0.0%
(c)	Strategic	\$120,000	\$140,594	-\$20,594	\$150,000	\$30,000	25.0%
	Total	\$475,000	\$405,106	\$69,894	\$505,000	\$30,000	6.3%

- (a) **Actuarial Services.** Activity on the Actuarial line were well under budget last year. CLLAS is scheduled to conduct an Own Risk and Solvency Assessment in 2022 (the last one was done in 2019) and so we propose no change to this budget line for 2022.
- (b) **Reinsurance Services.** As has been the case for the past few years, the 2021 reinsurance renewal was a difficult one due to the hard insurance market. Significant effort was expended in managing issues such as the replacement of Allianz's 12.5% share of the primary layer, Lloyd's insistence on standardized policy wording for cyber, and the impact of a (non-CLLAS) Quebec court decision that directly impacted some syndicates on the CLLAS program and general concern about the economy. While we anticipate the hard market continuing, we are cautiously optimistic that the 2022 renewal will be more orderly. As well, work was done to secure an additional umbrella layer of coverage, which will be available to firms on July 1, 2022. Activity on the Reinsurance line was well under budget in 2021 but we propose to maintain the budget at the current level for 2022.
- (c) **Strategic Services.** Fees for Strategic Services in 2022 finished the year about \$20,000 (17.2%) over budget. Activities in the year included:
- On-going work related to CLLAS' cyber program, including reviewing applications, binding firms, issuing certificates, investigating excess limits and discussions with CLLAS firms not yet in the program. The October renewal was extremely difficult and required an extension of the expiring program in order to secure terms. Having said that, fees associated with work on the cyber program totaled about \$75,000. This level of fees shows the benefit to the CLLAS members of the fee-



for-service approach. Commissions on the 2020/21 policy year were about \$125,000. Given premium levels for the 2021/22 policy year, normative commissions would have been in excess of \$300,000.

- IFRS 17 implementation is also being tracked separately. This work resulted in fees of just over \$37,000 in 2021 related to regulatory progress reports, development of mock financial statements, Audit Committee discussions and interaction with CLLAS' auditors including the preparation of position papers. In 2022, the actual preparation of financial statements under IFRS 17 will be tracked under the Financial Reporting line noted above, but the senior level interaction with auditors will continue to be a Strategic item.
- The other main on this line in 2021 included:
 - The Associate Firm initiative, including the renewal of the two current Associate Firms and discussions with prospective firms;
 - Amendment of the CLLAS Investment Policy to permit investment in BBB-graded corporate bonds;
 - Communications with CLLAS member firms concerning the Eighth Underwriting Period, and
 - Renewal of the CLLAS D&O policy.

Activity on the Strategic Services line is difficult to predict. We propose a \$30,000 (25%) increase on this line, to \$150,000, primarily to account for potential work on a CLLAS cyber program. This budget line was \$160,000 as recently as 2020.

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "P. Mahoney".

Patrick Mahoney

Copy: CLLAS Advisory Board

**Canadian Lawyers Liability Assurance Society
2022 Operating Budget**

	<u>2021 Budget</u>	<u>2021 Actual</u>	<u>Fav/ (Unfav) Variance</u>	<u>Proposed 2022 Budget</u>
MANAGEMENT SERVICES	420,500	399,028	21,472	563,500
PROFESSIONAL SERVICES				
Actuarial Services	75,000	48,849	26,151	75,000
Reinsurance Matters	280,000	215,663	64,337	280,000
Strategic Matters	<u>120,000</u>	<u>140,594</u>	<u>(20,594)</u>	<u>150,000</u>
Sub-Total Professional Services	475,000	405,106	69,894	505,000
Total Management & Professional Services	<u>895,500</u>	<u>804,134</u>	<u>91,366</u>	<u>1,068,500</u>
HST on Consulting Fees	116,415	104,537	11,878	138,905
Total Consulting Services	<u>1,011,915</u>	<u>908,671</u>	<u>103,244</u>	<u>1,207,405</u>
OTHER EXPENSES				
Audit Expenses	125,000	132,391	(7,391)	178,000
Annual Dinner	0	0	0	0
Chairman's Honourarium	150,000	150,000	0	150,000
Reinsurance Expense	2,500	0	2,500	4,000
D&O Insurance	20,000	15,266	4,734	20,000
Office Expenses - General	10,000	3,351	6,649	10,000
Claims Bordereaux (LawPRO/LIF)	16,800	16,765	35	17,500
Special Services	25,000	0	25,000	15,000
Reinsurance Fee (Bretton Woods International)	293,250	293,250	0	299,000
Statistical/Assessment Fees	6,000	5,331	669	6,000
Investment Counsel Fees	34,000	30,075	3,925	32,000
Investment - Custodial Fees	19,000	19,012	(12)	19,000
Risk Management/Loss Prevention	50,000	0	50,000	20,000
Licensing Fees	<u>5,000</u>	<u>4,663</u>	<u>337</u>	<u>5,000</u>
Sub-total	<u>756,550</u>	<u>670,104</u>	<u>86,446</u>	<u>775,500</u>
PREMIUM TAXES	<u>170,000</u>	<u>323,610</u>	<u>(153,610)</u>	<u>401,000</u>
TOTAL	<u><u>1,938,465</u></u>	<u><u>1,902,385</u></u>	<u><u>36,080</u></u>	<u><u>\$2,383,905</u></u>

Attachment B

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Management Services - Overview of Activity by Budget Line

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

1. Financial Reporting

The Financial Reporting area involves all financial functions including:

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

2. General Administration

The General Administration line covers work relating to:

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

3. Claims Administration

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

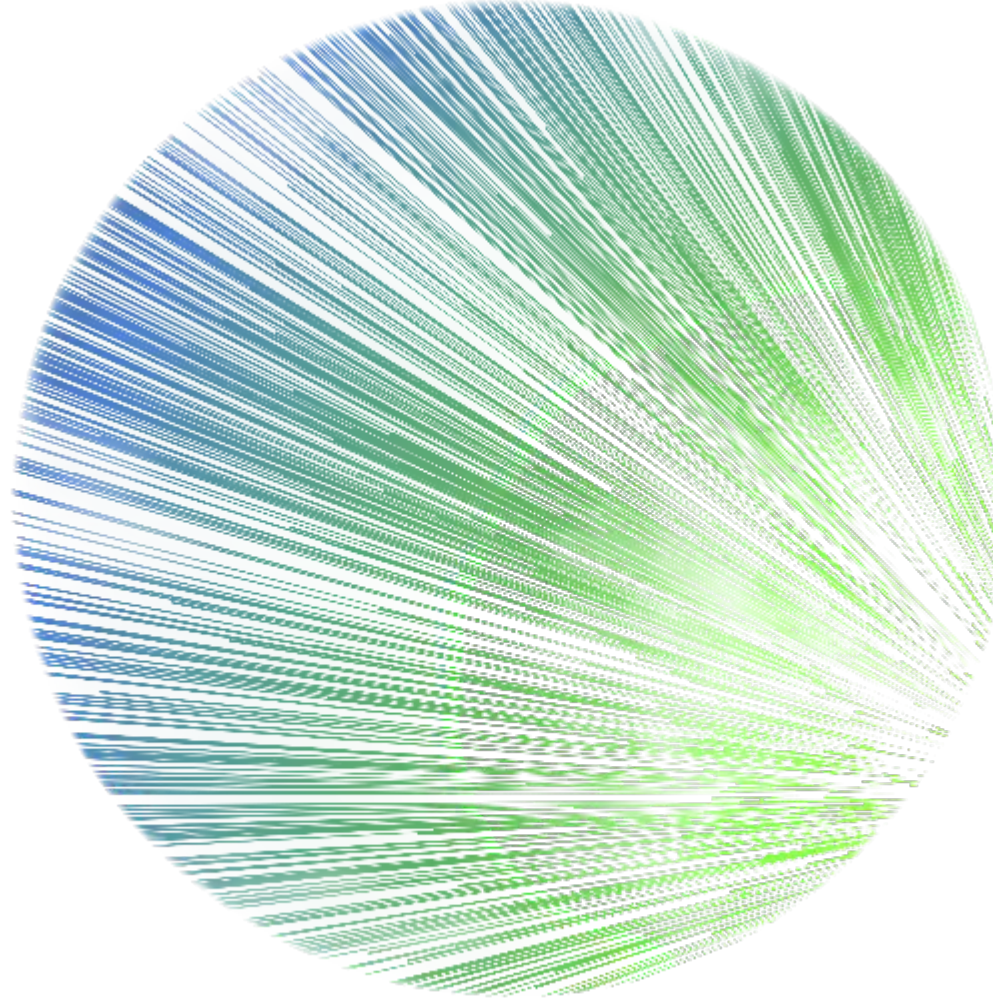
- maintenance of claims database
- maintenance of physical files
- initial file review
- acknowledgment and follow-up letters
- correspondence with insured firms
- interaction with underlying insurers (e.g. bordereaux updates)
- preparation for/attendance at Claims Committee meetings
- interaction with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

4. Claims Analysis

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

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

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



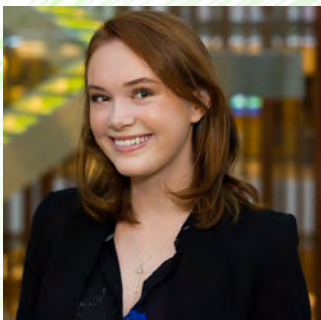
Canadian Lawyers Liability Assurance Society Audit results for the year ended December 31, 2021

February 9, 2022

To the Chairman and
Members of the Audit
Committee (the
“Audit Committee”)



Elaine Hultzer
Lead Client Service Partner
Tel: 647-528-9957
Email: ehultzer@deloitte.ca



Tess Collins
Manager
Tel: 416-607-1207
Email: tecollins@deloitte.ca

Dear Audit Committee Members:

We are pleased to submit this report on the status of our audit of the financial statements of Canadian Lawyers Liability Assurance Society (“the Society”) for the 2021 fiscal year. Enclosed are those results and insights from our audit that we believe would be of greatest interest to the Audit Committee and have summarized other required communications:

- Changes to our audit plan
- Commentary on matters of particular significance/interest as a result of our audit
- Areas we focused particular attention on during our audit

As agreed in our engagement letter dated November 8, 2021, we have performed an audit of the financial statements of the Society as of and for the year ended December 31, 2021, in accordance with Canadian generally accepted auditing standards (“GAAS”) as well as pages 20.10 through 20.54 of the Society’s P&C Quarterly Return and pages 20.52 and 20.60 of the Society’s P&C Annual supplement.

In addition, we have also audited the Minimum Capital Test on page 30.61 of the P&C Quarterly Return of the Society as at December 31, 2021 in accordance with the financial reporting provisions of Guideline A – Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies. We expect to issue our audit reports thereon upon their approval by the Advisory Board and completion of the outstanding matters noted on page 4 of this report.

Our audit has been conducted in accordance with the audit plan that was presented to the Audit Committee members at the meeting on November 8, 2021. The results of our audit are explained in further detail in this report.

Given the timeline for the Society to transition to the new Insurance Accounting Standard, IFRS 17, we have included our audit approach to IFRS 17 transition as part of this report since we are likely to need to perform IFRS 17 transition audit work prior to the presentation of our 2022 Audit Plan at the next Audit Committee meeting, later this year.

This report has been provided to the Audit Committee on a confidential basis. It is intended solely for the use of the Audit Committee and the Advisory Board to assist you in discharging your responsibilities with respect to the financial statements for the year ended December 31, 2021 (the “Financial Statements”) and is not intended for any other purpose.

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

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

Yours truly,

Deloitte LLP

Chartered Professional Accountants

Licensed Public Accountants



CONTENTS


<u>Executive Summary</u>	<u>4</u>
<u>Matters of Interest</u>	<u>5</u>
<u>Delivering Audit Quality</u>	<u>6</u>
<u>New Accounting Standards - Audit Approach to IFRS 17 Transition</u>	<u>9</u>
<u>Appendix 1: Required Communications with Those Charged with Governance</u>	<u>16</u>
<u>Appendix 2: Significant Accounting Policies, Estimates and Judgements</u>	<u>18</u>
<u>Appendix 3: Draft Auditor's Reports</u>	<u>19</u>
<u>Appendix 4: Independence Letter</u>	<u>22</u>


Executive summary


Significant risks

Findings

- 1 Provision for unpaid claims and adjustment expense, gross and net of amount recoverable from reinsurers (valuation) 
- 2 Management's ability to override controls 

 In progress, no issues noted.

 Completed, insights identified.

 Completed, significant findings identified.



Matters of interest

Accounting Standards Update

We continue to work with management on the transition to the new accounting standards IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*, see slides 9-14 for more details.

Use of the work of specialists and experts

Our Actuarial experts assessed the valuation and adequacy of the provision for unpaid and unreported claims liability noting no issues.

Misstatements

No misstatements identified

\$0

Year-end Materiality

\$728,000

Planning Materiality

\$770,000



Materiality reduced from \$770,000 at planning to \$728,000 at year-end, in line with the change in selected benchmark balance, the provision for unpaid claims and adjustment expenses.



Outstanding items of importance



Receipt of the final Appointed Actuary Report



Receipt of signed management representation letter



Performance of subsequent event procedures





Completion and review of certain working papers



Completion of Engagement Quality Control Review

Significant Audit Risks

Dashboard

Audit risk	Audit response	Our response	Our conclusion
<p>Provision for unpaid claims and adjustment expenses, gross and net of amount recoverable from reinsurers (valuation)</p> <p>Actuarial calculation methods to determine the value of the provision and related actuarial assumptions (specifically the expected loss ratio and loss development factor) used are not appropriate.</p>		<p>We completed our audit as planned, utilizing our actuarial specialists in the execution of our work.</p> <p>This included assessing the reasonableness of key assumptions and methodologies, testing the underlying data and independent recomputations of the actuarial reserves. Our actuarial specialists' independent calculation of the provision for unpaid claims yielded an amount which was 1.15% higher than that determined by the AA, which is within our considered acceptable actuarial range.</p>	<p>To date, the results of our audit procedures have been satisfactory. Update is to be provided at the Audit Committee meeting.</p>
<p>Management override of control.</p> <p>Management override of controls is a presumed fraud risk per Canadian Auditing Standards.</p>		<p>We completed our audit as planned, testing the appropriateness of large or unusual journal entries using data analytical tools to identify journal entries of audit interest and examining accounting estimates for bias.</p>	<p>To date, the results of our audit procedures have been satisfactory. Update is to be provided at the Audit Committee.</p>

Legend



In progress, consistent with plan.



Completed but not consistent with plan.

Delivering Audit Quality



Delivering audit quality

Our commitment to you

Audit quality, in our view, extends beyond delivering the audit report. It also includes delivering meaningful insights to the entities we audit and innovating how we execute our audits and manage our practice.



How we delivered professional excellence

- **Technical accounting updates** – we continued to provide management with technical accounting updates as they are relevant to the Society.
- **Professional skepticism** – we continued to apply a high level of professional skepticism in executing the audit, examining and considering any contradictory evidence.
- **Independence** – we leveraged our important safeguards and procedures to protect our independence and objectivity.



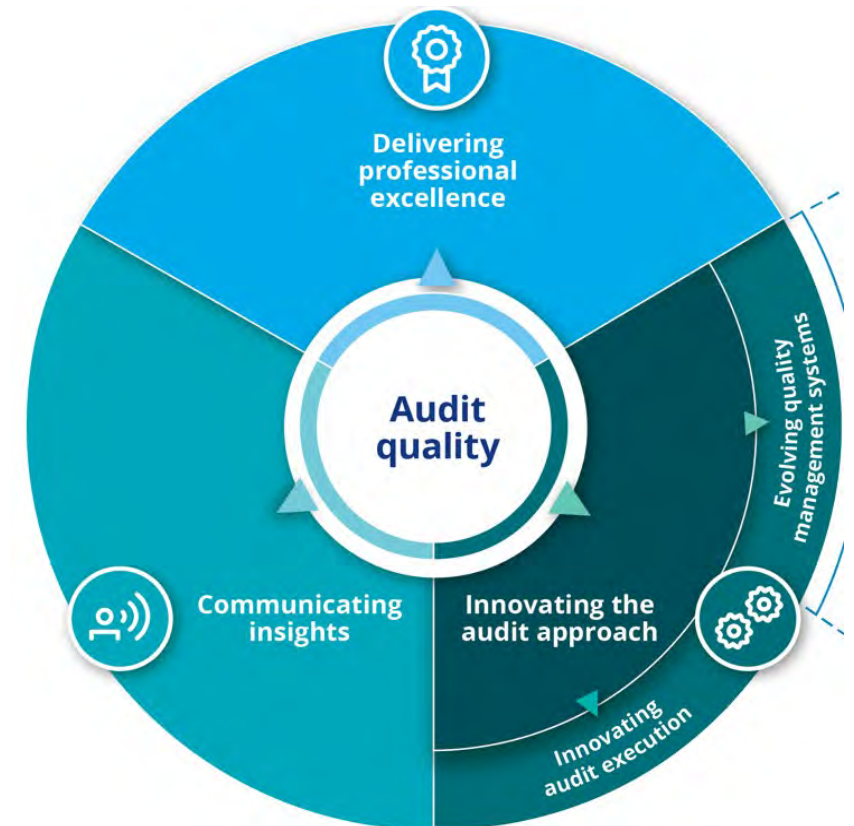
How we continue to innovate our audit approach

- **Process innovations** – we applied “Milestones” in managing our timeline which assisted us in optimizing interim work and timely reviews. We also implemented Deloitte Way Workflows for cash testing, investment testing and operating expense testing to improve our efficiency and audit quality.
- **Deloitte Omnia** – we applied innovation tools including Deloitte Connect, Excel Analytics, Spotlight and iConfirm.



Evolving our quality management systems

We’ve elevated our definition of audit quality, explicitly highlighting our quality management systems as a critical element in achieving consistent high quality across all engagements. See next slide for more details.



Our 2021 Audit Quality Report

Quality is the foundation of our profession. What we do is important, and we endeavor to lead the conversation on audit quality and set the bar. To this end, our commitment to quality aims to deliver excellence at every level.

There is no compromise when it comes to quality. We continue to evaluate, innovate, and work by the processes that put it above all else. We are defined by the high-quality audit and assurance services that we deliver—and by the fact that we deliver them with integrity.

We are committed to continue engaging in rich and on-going dialogues with our clients. “Ask Us” segments in the report can be used as a starting point to spark continuous quality focused conversations. We don’t just pursue quality. Quality is foundational to our being – **we are quality.**



To learn more, click [here](#) to read our **2021 Audit Quality Report**.

CPAB Audit Quality Insights Report

The Canadian Public Accountability Board (CPAB) is charged with assessing the state of audit quality in Canada through an annual inspection process by which it inspects all Firms serving Canada’s reporting issuers. CPAB’s inspection methodology includes the inspection of engagement files and an assessment of the effectiveness of the Firms’ existing quality management system.

CPAB’s public reporting takes the form of an annual report on its views following the inspections of all Firms. CPAB issued their 2020 Annual Audit Quality Assessments report in March 2021 and their 2021 Interim Inspections Results report in October 2021. These reports provide a snapshot of themes and insights with respect to audit quality. In addition, following each inspection cycle, CPAB privately reports to each Firm on the results of its inspection.



Follow this [link](#) to read the **CPAB 2020 Annual Audit Quality Assessments** report.



Follow this [link](#) to read the **2021 CPAB Fall Inspections Results**.

New Accounting Standards

Audit approach to IFRS 17 transition



IFRS 17 Audit Plan

While IFRS 17 is effective from January 1, 2023, the implementation of the new standard is multi-faceted and requires earlier preparations by management and the audit thereof, to ensure:

- Timely resolution of issues
- Adequate time and resources
- Appropriate IFRS 17 opening balances applied in the first regulatory capital return at March 31, 2023.

Since we envisage performing certain IFRS 17 audit work during 2022, we have included our IFRS 17 Audit Plan in the 2021 Year End Audit Committee Report. This section summarizes Deloitte's approach to performing audit procedures as the Society goes through its process of adopting IFRS 17. This audit approach incorporates best practices from our global network and insights gained from participation at global IFRS 17 industry forums. Audit materials (including guides, practice aids, templates, and forms) are being developed to deliver a high-quality global audit approach under the new standard.

Our approach is:

- Split into three phases, with audit materials for each phase of the IFRS 17 adoption process in order to deliver a high-quality audit under the new standard
- Carefully planned so that the audit effort is delivered at the appropriate time in the implementation process, which may span multiple years. More specifically, the approach enables us to perform procedures as management finishes certain implementation activities in order to promptly evaluate its conclusions and to increase efficiency
- Focused on the restatement of historical financial information reported previously under IFRS 4, including the opening transition balance sheet at the start of the comparative period and the comparative period. The audit of financial information for the first financial year commencing on or after 1 January 2023 will be covered by the "business as usual" (BAU) audit plan. During the implementation and transition phase ahead of the 2023 audit, IFRS 17 transition audit materials will be available to assist audit teams address this new standard.
- Based on using our new audit platform that will incorporate an integrated end-to-end audit for IFRS 17 using standardized Deloitte Way Workflows (DWWs).

Phase 1 Implementation

The audit of the implementation phase of IFRS 17, focusing on pre-transition activities

Phase 2 Transition

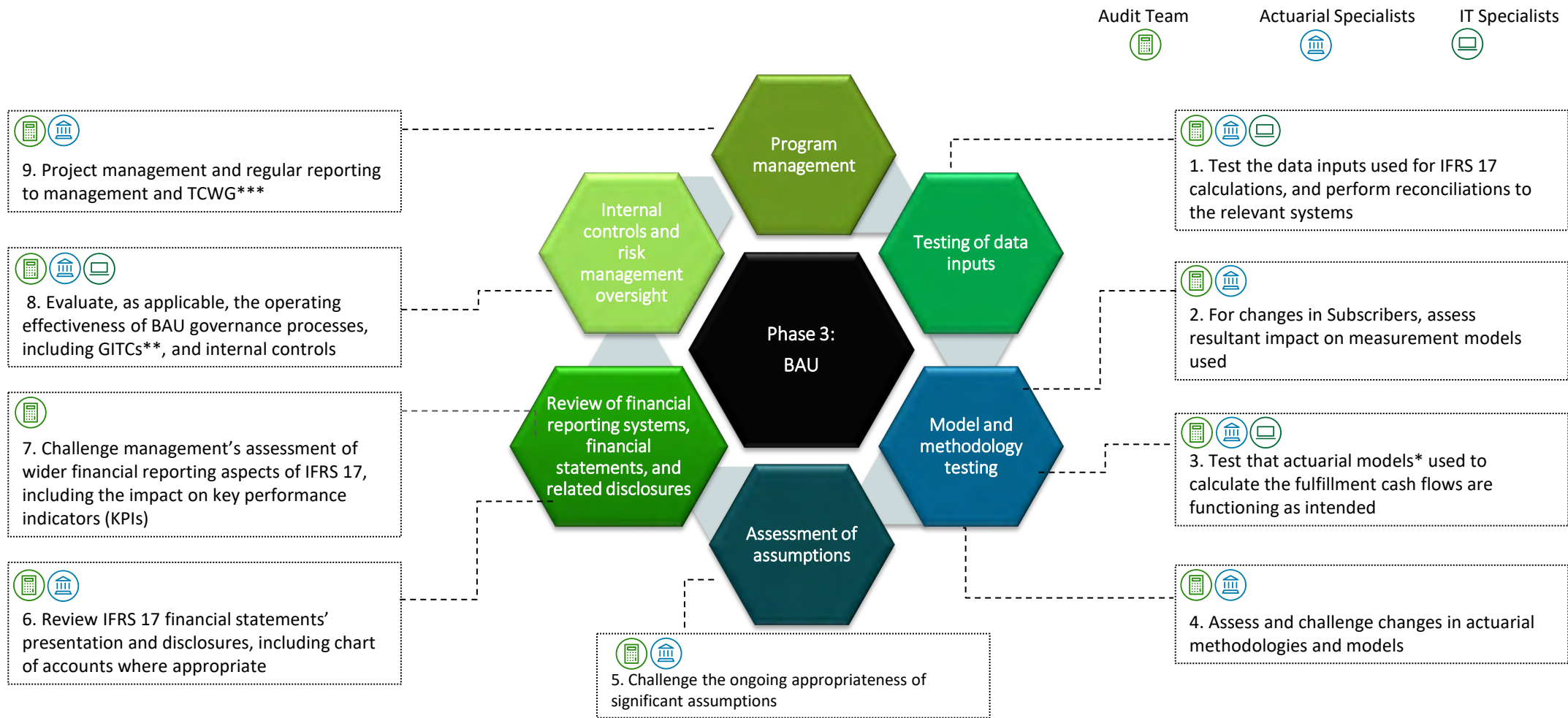
The audit of the IFRS 17 opening balances and comparative period results

Phase 3 BAU

The 2023 audit of the BAU IFRS 17 financial reporting of the Society

Board Book Page 60





*Actuarial models used on transition may be different from those used as BAU models

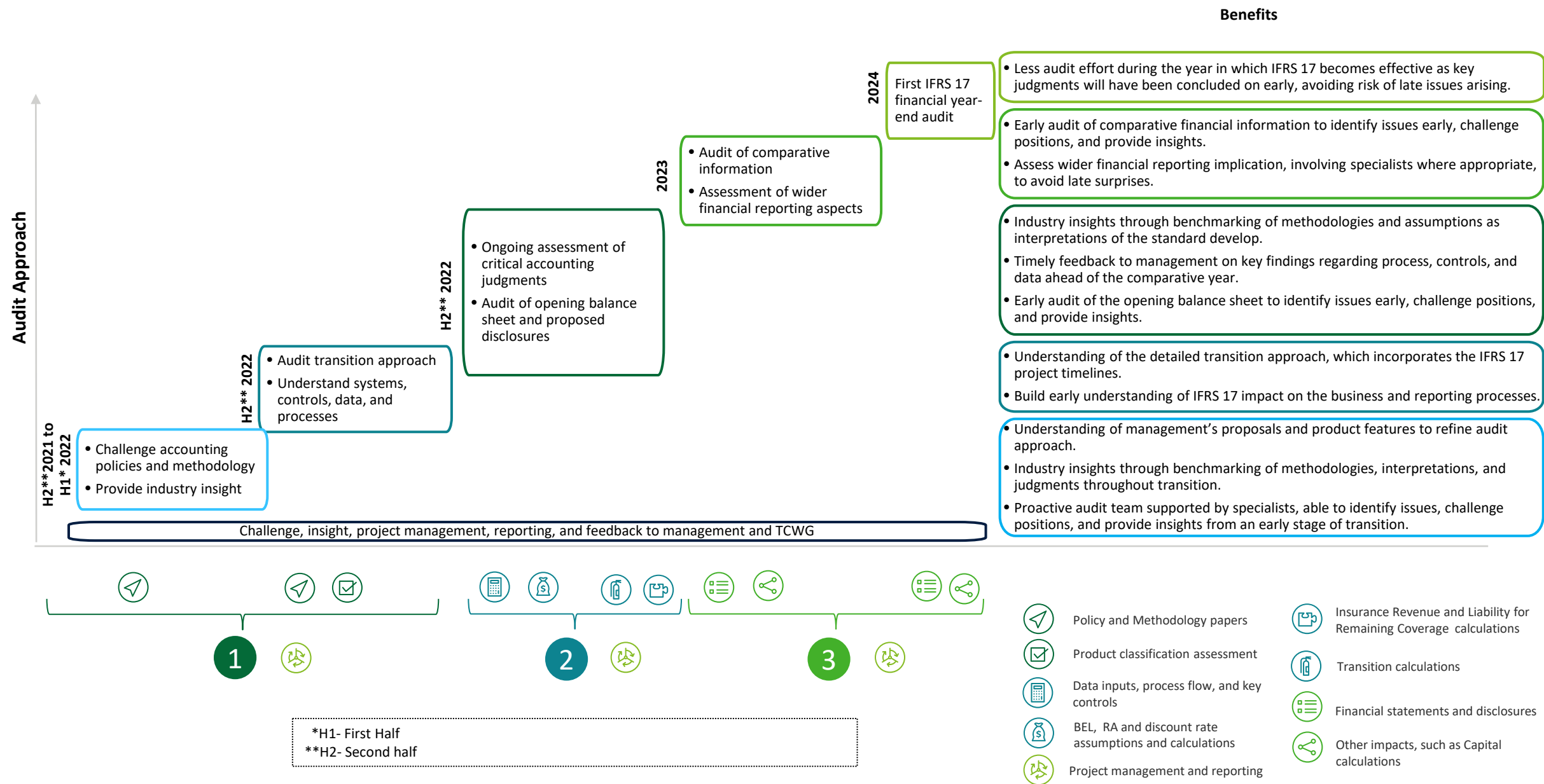
**GITCs — General IT controls, including user access and change management controls

*** TCWG — Those Charged with Governance

Our planned audit procedures may include the following, amongst others:

Data	<p>Test the data used by management to derive the fulfillment cash flows. To do so, perform the following steps:</p> <ul style="list-style-type: none"> • Process-map the end-to-end fulfillment cash flow and reserving processes • Perform controls testing on key data reconciliations, as well as operational and automated controls • Perform reconciliations on the actuarial data back to the financial ledger and policy systems • Substantively test policyholder and asset data as information provided by the entity (IPE) used in the reserving process • Substantively test expenses, including the nature and allocation of acquisition expenses 	
Assumptions	<p>Test the inputs/assumptions used by management to derive the fulfillment cash flows. To do so, perform the following steps:</p> <ul style="list-style-type: none"> • Assess key management review controls • Challenge the key assumptions through market benchmarking, while considering the comparison in the context of the insurance portfolio • Test experience investigations for high-risk assumptions, including an audit of the models used to derive experience rates, to assess whether appropriate actuarial/statistical techniques have been applied • Challenge the consistency of the approach year on year and the appropriateness of maintaining the approach in light of changes in the economic climate and market benchmarking against industry peers • Analyze management’s approach and judgment in setting the liability for remaining coverage and the liability for incurred claims, and identify any trends in the reserve setting • Assess whether assumptions have been appropriately input into the model • Perform sensitivity analysis on key assumptions 	
Methodology / Models	<ul style="list-style-type: none"> • Perform detailed risk assessment on the methodologies used, taking into account criteria such as complexity, maturity, consistency (i.e., any methodology changes made since the previous audit), and the level of management overlay and manual overlays to pinpoint those methodologies with higher risk of material misstatement to focus audit effort on • Perform independent calculations of management’s estimates for Liability for Incurred Claims and related Reinsurance Contracts Held. The following sets out an example of the steps included in the audit of the Premium Allocation Approach: 	
	<p>Liability for Remaining Coverage</p> <ul style="list-style-type: none"> • Assess risks in the process of determining premiums received, acquisition costs, other attributable non-acquisition costs, identification of onerous contract indicators, by considering criteria such as complexity and involvement of management’s judgements • Test management’s controls and governance processes over premium receipts, and attributable costs • Perform tests of detail on policy data, premiums received, acquisition costs, and other attributable costs • Perform recalculations of insurance revenue and acquisition cost amortizations • Test the roll forward note disclosures for the Liability for Remaining Coverage 	<p>Liability for Incurred Claims</p> <ul style="list-style-type: none"> • Assess risks in the processes for claims administration considering changes, backlogs • Perform controls testing over management’s claims data integrity processes • Perform tests of detail on claims data • Test the mechanics used to derive the Risk Adjustment and discount rates • Perform independent calculations of management’s estimates of Liability for Incurred Claims • Assess appropriateness of management’s judgements and assumptions • Test the roll forward note disclosures for Best Estimate Liability cash flows and Risk Adjustmt
Results	<ul style="list-style-type: none"> • Test IFRS 17 transaction flows (i.e., testing journal entry flow from IFRS 17 actuarial models to the general ledger accounts/trial balance and subsequently into the financial statements and disclosures including the analysis of change) • The analysis of change is a key component of the IFRS 17 disclosures and the reporting process, over which we would perform additional audit procedures such as control testing, audit of key inputs, and substantive testing and challenge of management’s analysis and conclusions 	

Illustrative Timeline



Appendices



Appendix 1 – Required communications with Those Charged with Governance

Other matters required to be communicated to Those Charged with Governance (TCWG) under Canadian GAAS standards are the following:

Required communication	Reference/Comments
Any significant changes to the planned audit strategy / identified significant risks, and the reasons for such changes.	No significant changes in audit plan or risks.
Uncorrected and corrected misstatements, including disclosure misstatements.	None noted.
All significant deficiencies in internal control identified during the audit.	None noted.
<p>A draft copy of the auditor's report(s) we expect to issue including circumstances that affect the form and content of the auditor's report, if any, including:</p> <ul style="list-style-type: none"> • Expected qualifications to our opinion(s), including the circumstances that led to the expected qualification and the wording of the qualification. • Inclusion of an Emphasis of Matter/Other Matter paragraph, and the related wording • A material uncertainty related to going concern is reported • An uncorrected material misstatement of the other information is reported 	We expect to issue unmodified auditor's reports, as included in Appendix 3.
<p>Significant qualitative aspects of the Society's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.</p> <p>Our views of any significant accounting practices that are not the most appropriate to the particular circumstances of the entity (including any bias in management's judgments related to any of these matters).</p>	Appendix 2 sets out the significant accounting policies, judgments and estimates involved in preparation of the financial statements.
Our evaluation of whether the presentation of the financial statements and the related disclosures are in conformity with the applicable financial accounting framework, including consideration of the form, arrangement, and content of the financial statements.	In our judgment, the significant accounting practices and policies, selected and applied by management are, in all material respects, acceptable under IFRS and are appropriate to the particular circumstances of the Society.
Significant matters arising from the audit that were discussed with management and material written communications between management and us, including management representation letters.	Please see management representation letter provided under separate cover.

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

Required communication	Reference/Comments
All relationships between the Society and us that, in our professional judgment, may reasonably be thought to bear on our independence and related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.	Our independence letter in Appendix 4 notes no independence matters.
A statement that, in our judgment, the engagement team and others in our firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.	
Any breaches to our independence, including the action we have taken / propose to take.	
Our evaluation of the Society's identification of, accounting for, and disclosure of its relationships with related parties. Our communication should also include other significant matters arising from the audit regarding the Society's relationships and transactions with related parties including, but not limited to: <ul style="list-style-type: none">a. The identification of related parties or relationships or transactions with related parties that were previously undisclosed to the auditor;b. The identification of significant related party transactions that have not been authorized or approved in accordance with the Society's established policies or procedures;c. The identification of significant related party transactions for which exceptions to the Society's established policies or procedures were granted;d. The inclusion of a statement in the financial statements that a transaction with a related party was conducted on terms equivalent to those prevailing in an arm's-length transaction and the evidence obtained by the auditor to support or contradict such an assertion; ande. The identification of significant related party transactions that appear to the auditor to lack a business purpose.	No issues noted.

Appendix 2 – Significant accounting policies, judgments and estimates

Audit assessment of significant accounting policies, practices and accounting estimates

Significant accounting policies and practices

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

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

The Society has disclosed the deferral of the implementation of *IFRS 9 Financial Instruments* and has included disclosures of the future accounting changes for Insurance Contracts, IFRS 17, and IFRS 9.

Significant accounting estimates

During the year ended December 31, 2021, management advised us that there were no significant changes in the basis for determining accounting estimates or in judgments relating to the application of the accounting policies.

Deloitte noted management has adequately disclosed the estimation uncertainty associated with accounting estimates in the financial statements.

Extract of the Society's 2021 Balance Sheet

Balance sheet In thousands of Canadian \$	December 31, 2021	December 31, 2020
Cash	3,534	2,162
Short term investments	11,361	12,512
Bonds, including accrued interest	6,044	6,279
Interest income due and accrued	24	23
Premiums receivable	3,674	3,782
Prepaid expenses	151	144
Deferred policy acquisition costs	41	-
Reinsurers' share of unearned premiums	5,236	4,301
Reinsurance receivable	577	1,938
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	64,708	66,246
Total assets	95,350	97,388
Accounts payable and accrued charges	360	434
Unearned premiums	6,245	5,304
Due to reinsurers	3,045	4,337
Provision for unpaid claims and adjustment expenses	72,867	74,831
Premium deficiency liability	-	31
Total liabilities	82,517	84,936
Total equity	12,833	12,451
Total liabilities and equity	95,350	97,388

Financial statements line items involving significant judgements and estimates

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

Provision for unpaid claims and adjustment expenses is calculated in accordance with Canadian accepted actuarial practice and involves estimates of loss activity that are, by necessity, subject to uncertainty and are derived from a wide range of possible outcomes. They have been estimated in a manner materially consistent with the approach followed in the prior year. Assumption changes decreased net liabilities by \$95,916 and the change in the discount rate and PfAD decreased net liabilities by \$318,985. Management's estimate of these actuarial liabilities is the most significant area of measurement uncertainty which utilizes models and significant management judgements in assumption determinations.

Appendix 3 – Draft version of our Auditor’s Reports

Draft Auditor’s Report on CLLAS Financial Statements

Independent Auditor’s Report

To the Advisory Board of Canadian Lawyers Liability Assurance Society

Opinion

We have audited the financial statements of Canadian Lawyers Liability Assurance Society (the “Society”), which comprise the statements of financial position as at December 31, 2021, and the statements of comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

(To be signed Deloitte LLP)

Chartered Professional Accountants

Licensed Public Accountants

Toronto, Ontario

February 22, 2022

Appendix 3 – Draft version of our Auditor’s Reports

Draft Auditor’s Report on CLLAS Minimum Capital Return

Independent Auditor’s Report

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

Opinion

We have audited the Minimum Capital Test on page 30.61 of the P&C Quarterly Return of Canadian Lawyers Liability Assurance Society (the “Society”) as at December 31, 2021 (the “MCT”).

In our opinion, the accompanying MCT of the Society as at December 31, 2021 is prepared, in all material respects, in accordance with the financial reporting provisions of Guideline A – Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies effective January 1, 2019 (the “Guideline”) prescribed by the Office of the Superintendent of Financial Institutions Canada (“OSFI”).

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

Unaudited Information

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

Other Matter

We issued a separate auditor’s report dated February 22, 2022 on the financial statements on pages 20.10 through 20.54 of the Society’s P&C Quarterly Return.

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

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

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

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

© Deloitte LLP and affiliated entities.

Auditor’s Responsibilities for the Audit of the MCT Return

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

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

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

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

(To be signed Deloitte LLP)

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario

February 22, 2022

Appendix 3 – Draft version of our Auditor’s Reports

Draft Auditor’s Report on CLLAS P&C Return

Independent Auditor’s Report

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

Opinion

We have audited the financial statements of Canadian Lawyers Liability Assurance Society (the “Society”), which comprise the statements of assets and liabilities and equity at December 31, 2021, and the statements of income, retained earnings, comprehensive income (loss) and accumulated other comprehensive income (loss), reserves, changes in equity and cash flows for the year then ended on pages 20.10 through 20.54 of the Society’s P&C Quarterly Return and pages 20.52 and 20.60 of the Society’s P&C Annual Supplement, which includes the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

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

Unaudited Information

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

Other Matter

We issued a separate auditor’s report dated February 22, 2022 on the MCT on page 30.61 of the Society’s P&C Quarterly Return.

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

(To be signed Deloitte LLP)

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario

February 22, 2022

Appendix 4 – Independence Letter

February 9, 2022

Private and confidential

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

Dear Members:

We have been engaged to perform an audit of the financial statements of Canadian Lawyers Liability Assurance Society (the “Society”) as of and for the year ended December 31, 2021 and as contained on pages 20.10 to 20.60 of the Society’s P&C Annual Return in accordance with Canadian generally accepted auditing standards.

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

We are not aware of any relationships between the Deloitte Entities and the Society and its affiliates, or persons in financial reporting oversight roles at the Society and its affiliates, that under the Rules of Professional Conduct of the applicable Chartered Professional Accountants provincial/territorial regulator/ordre of Ontario may reasonably be thought to bear on independence, that have occurred from February 5, 2021 to February 9, 2022.

The total fees charged to the Society for audit services were \$106,700 during the period covered by the financial statements.

We hereby confirm that we are independent with respect to the Society in accordance with the Rules of Professional Conduct of the applicable Chartered Professional Accountants provincial/territorial regulator/ordre of Ontario as of February 9, 2022.

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

We look forward to discussing with you the matters addressed in this letter at our upcoming meeting on February 15, 2022.



Chartered Professional Accountants
Licensed Public Accountants

www.deloitte.ca

About Deloitte

Deloitte provides audit and assurance, consulting, financial advisory, risk advisory, tax, and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights, and service to address clients' most complex business challenges. Deloitte LLP, an Ontario limited liability partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited. Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Our global Purpose is making an impact that matters. At Deloitte Canada, that translates into building a better future by accelerating and expanding access to knowledge. We believe we can achieve this Purpose by living our shared values to lead the way, serve with integrity, take care of each other, foster inclusion, and collaborate for measurable impact.

To learn more about how Deloitte's approximately 312,000 professionals, over 12,000 of whom are part of the Canadian firm, please connect with us on [LinkedIn](#), [Twitter](#), [Instagram](#), or [Facebook](#).

© Deloitte LLP and affiliated entities.

Financial statements of Canadian Lawyers Liability Assurance Society

December 31, 2021

Independent Auditor's Report	1–2
Statement of financial position	3
Statement of comprehensive income (loss)	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7–24

Independent Auditor's Report

To the Advisory Board of
Canadian Lawyers Liability Assurance Society

Opinion

We have audited the financial statements of Canadian Lawyers Liability Assurance Society (the "Society"), which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
February 22, 2022

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

As at December 31, 2021

	Notes	2021 \$	2020 \$
Assets			
Cash at bank		3,533,877	2,161,535
Short term investments	4	11,361,485	12,511,787
Bonds	4	6,043,762	6,279,426
Interest income due and accrued		23,630	22,835
Premiums receivable	6	3,673,597	3,782,333
Prepaid expenses		150,827	143,750
Deferred policy acquisition costs		41,179	—
Reinsurers' share of unearned premiums		5,236,160	4,301,362
Reinsurance receivable		577,410	1,938,201
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	5	64,708,168	66,246,422
		95,350,095	97,387,651
Liabilities			
Accounts payable and accrued charges		359,714	433,798
Unearned premiums		6,244,910	5,303,716
Due to reinsurers		3,045,212	4,337,008
Provision for unpaid claims and adjustment expenses	5	72,867,454	74,830,984
Premium deficiency liability		—	30,774
		82,517,290	84,936,280
Equity			
Minimum surplus	12	50,000	50,000
Additional surplus	12	12,677,965	12,083,535
Accumulated other comprehensive (loss) income		104,840	317,836
Total equity		12,832,805	12,451,371
		95,350,095	97,387,651

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

On behalf of the Advisory Board

_____, Chair of the Audit Committee

_____, Director

Canadian Lawyers Liability Assurance Society**Statement of comprehensive income (loss)**

Year ended December 31, 2021

	Notes	2021 \$	2020 \$
Premiums			
Written premium		12,594,326	10,695,340
Reinsurance ceded		(10,584,328)	(8,674,018)
Net written premiums		2,009,998	2,021,322
Change in unearned premiums		(6,396)	(10,067)
Earned premiums		2,003,602	2,011,255
Expenses			
Claims	5	(310,594)	1,747,940
Premium deficiency adjustment		(30,774)	30,774
Operating expenses	7	1,578,775	1,573,271
Premium taxes		323,610	335,266
		1,561,017	3,687,251
Underwriting income (loss) for the year		442,585	(1,675,996)
Net investment income	4	151,845	236,368
Net income (loss) for the year		594,430	(1,439,628)
Change in unrealized losses on available-for-sale financial assets arising during the year		(212,996)	270,407
Other comprehensive loss		(212,996)	270,407
Comprehensive income (loss)		381,434	(1,169,221)

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

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

Year ended December 31, 2021

	Minimum surplus \$	Additional surplus \$	Accumulated other comprehensive income \$	Total equity \$
Balance, December 31, 2019	50,000	13,523,163	47,429	13,620,592
Net income (loss)	—	(1,439,628)	—	(1,439,628)
Other comprehensive income (loss)	—	—	270,407	270,407
Distribution of premium surplus	—	—	—	—
Balance, December 31, 2020	50,000	12,083,535	317,836	12,451,371
Net income (loss)		594,430		594,430
Other comprehensive income (loss)			(212,996)	(212,996)
Distribution of premium surplus		—		—
Balance, December 31, 2021	50,000	12,677,965	104,840	12,832,805

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

Canadian Lawyers Liability Assurance Society**Statement of cash flows**

Year ended December 31, 2021

	2021 \$	2020 \$
Operating activities		
Net income (loss) for the year	594,430	(1,439,628)
Changes in no-cash items		
Interest income due and accrued	(795)	(2,304)
Premiums receivable	108,736	(2,528,130)
Reinsurers' share of unearned premiums	(934,798)	(674,836)
Prepaid expenses	(7,077)	663
Deferred policy acquisition costs	(41,179)	26,365
Reinsurance receivable	1,360,791	(1,587,145)
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	1,538,254	(6,742,422)
Provision for unpaid claims and adjustment expenses	(1,963,530)	8,442,984
Premium deficiency liability	(30,774)	30,774
Unearned premiums	941,194	684,903
Due to reinsurers	(1,291,796)	2,225,053
Accounts payable and accrued charges	(74,084)	103,374
Amortization of bond premium	(5,205)	(22,600)
Amortization of bond discount	14,929	12,585
Cash (used in) provided by operating activities	209,096	(1,470,364)
Financing activity		
Refund of premium surplus	—	—
Investing activities		
Purchase of bonds	(691,855)	(578,780)
Disposal of bonds	700,000	550,000
Purchase of short term investments	(62,107,653)	(73,811,536)
Disposal of short term investments	63,262,754	73,687,470
Cash provided by (used in) investing activities	1,163,246	(152,846)
Net (decrease) increase in cash	1,372,342	(1,623,210)
Cash balance, beginning of year	2,161,535	3,784,745
Cash beginning, end of year	3,533,877	2,161,535
Cash balance comprises		
Cash at bank	3,533,877	2,161,535
Interest received	160,774	224,049

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

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

December 31, 2021

1. Description of business

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

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

The Society does not have any employees and is managed by an independent third party that reports to the Advisory Board. The Advisory Board has the authority and responsibility for planning, directing and controlling the activities of the entity. The Chair of the Advisory Board receives an annual honorarium of \$150,000 (\$150,000 in 2020) and the other members of the Advisory Board receive no compensation.

2. Basis of preparation

Statement of compliance

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

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

3. Significant accounting policies

These financial statements reflect the following policies:

Use of estimates and judgments

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

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

Note 5: Provision for unpaid claims and adjustment expenses

Note 8: Reinsurance Program

Insurance premiums and deferred acquisition costs

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

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
 December 31, 2021

3. Significant accounting policies (continued)

Insurance premiums and deferred acquisition costs (continued)

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

Reinsurance

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

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

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

Provision for unpaid claims and adjustment expenses

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

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

Investments

The investment portfolio is comprised of bonds and short term investments which are classified as available-for-sale ("AFS") and their fair value is established using quoted market close prices, see Note 4 Investments. The Society does not have investments in bonds or other investments for which the fair value is determined using a valuation technique based on assumptions that are not supported by observable market prices or rates.

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

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
 December 31, 2021

3. Significant accounting policies (continued)

Investments (continued)

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

Impairments

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

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

New and Amended Standards Adopted in 2020

The following amendments were adopted on January 1, 2020:

In March 2018, the IASB issued a revised Conceptual Framework for Financial Reporting ("Conceptual Framework"), which replaced the Conceptual Framework issued in 2010. The revised Conceptual Framework includes revised definitions of an asset and a liability, as well as new guidance on measurement, derecognition, presentation and disclosure, to be applied prospectively. The adoption of this guideline did not have a material impact on the Society's Financial Statements.

In October 2018, the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify the definition of material and provide guidance to improve consistency in the application of IFRS standards. The adoption of these amendments did not have a material impact on the Society's Financial Statements.

New Issued Standards effective January 1, 2021 onwards

- (i) We are currently assessing the impact the adoption these amendments will have on the Society's Financial Statements:

In May 2020, the IASB issued Onerous Contracts - Cost of Fulfilling a Contract, which includes amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022. Given the contracts entered into by the Society, this amendment is not expected to have a material impact on future financial statements.

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
 December 31, 2021

3. Significant accounting policies (continued)

New Issued Standards effective January 1, 2021 onwards (continued)

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

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

The amendments introduced two approaches that may be adopted by insurers in the period between the effective dates of IFRS 9, effective January 1, 2018 and IFRS 17, effective January 1, 2023:

- overlay approach – an option for all issuers of insurance contracts to reclassify amounts between profit or loss and other comprehensive income for eligible financial assets by removing any additional accounting volatility that may arise from applying IFRS 9; and
- temporary exemption – an optional temporary exemption from IFRS 9 entities whose activities are predominately connected with insurance. This exemption allows an entity to continue to apply existing financial instrument requirements in International Accounting Standards ("IAS") 39, Financial Instruments: Recognition and Measurement ("IAS 39") to all financial assets until the earlier of the application of IFRS 17 or January 1, 2023.

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

An entity is permitted to continue applying IAS 39, being the extension of the IFRS 9 deferral to no later than January 1, 2023, if the following conditions are met:

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

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

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

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

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
 December 31, 2021

3. Significant accounting policies (continued)

New Issued Standards effective January 1, 2021 onwards (continued)

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

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

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

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

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

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

On May 18, 2017 the IASB issued IFRS 17 Insurance Contracts. The new standard is effective for annual periods beginning on or after January 1, 2023. IFRS 17 will replace IFRS 4 Insurance Contracts.

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

In December 2021 the IASB amended IFRS 17, introducing the IFRS 9 classification overlay approach for the restated 2022 comparatives, on first time adoption of IFRS 17. The amendment allows insurers who have elected to restate their IFRS 9 comparatives, for assets no longer held at December 31, 2023, to further elect whether to apply the IFRS 9 Expected Credit Loss impairment to those assets.

The Society intends to adopt IFRS 17 in its financial statements for the annual period beginning on January 1, 2023.

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2021

4. Investments

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

	Fair value and carrying value \$	2021 Amortized cost \$	Fair value and carrying value \$	2020 Amortized cost \$
Short term investments	11,361,485	11,363,552	12,511,787	12,513,448
Bonds	6,043,762	5,936,854	6,279,426	5,959,927
	17,405,247	17,300,406	18,791,213	18,473,375

The difference between amortized cost and market value of the AFS investments consists of gross unrealized gains of \$117,496 (\$319,499 in 2020) and gross unrealized losses of \$12,655 (\$1,661 in 2020).

The Society limits its bonds to securities issued or guaranteed by the Government of Canada, any province of Canada or Canadian corporations having a rating of A or better. In December 2021 the investment policy was amended to allow up to 10% of long term investments to be invested in BBB Corporate Bonds. Short term investments are invested in securities issued by the Government of Canada or a Canadian Province having a rating of A or better, or a Canadian Chartered Bank having a rating of R-1 or better. These securities have a maturity of less than 1 year from the purchase date.

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

	Within 1 year \$	1-5 years \$	Over 5 years \$	2021 Total \$
Short term investments	11,361,485	—	—	11,361,485
Government of Canada bonds	203,126	773,566	723,558	1,700,250
Canadian public authorities bonds	404,582	1,289,961	518,006	2,212,549
Canadian corporate bonds	401,289	1,655,633	74,041	2,130,963
	12,370,482	3,719,160	1,315,605	17,405,247
	Within 1 year \$	1-5 years \$	Over 5 years \$	2020 Total \$
Short term investments	12,511,787	—	—	12,511,787
Government of Canada bonds	251,226	1,013,683	276,394	1,541,303
Canadian public authorities bonds	257,300	1,379,410	764,873	2,401,583
Canadian corporate bonds	201,880	1,426,154	708,506	2,336,540
	13,222,193	3,819,247	1,749,773	18,791,213

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2021

4. Investments (continued)

(c) Net investment income has the following components:

	2021	2020
	\$	\$
Interest income		
Bonds	147,764	133,600
Cash, cash equivalents and short term investments	13,805	92,753
	161,569	226,353
Amortization of discount (premium) on investments	(9,724)	10,015
Realised gain (loss) on disposal	—	—
Total net investment income	151,845	236,368

(d) Fair value measurements

The Society measures certain assets and liabilities using fair value. Fair value is a market-based measurement and not an entity-specific measurement, and requires the use of a fair value hierarchy with the highest priority given to quoted prices in active markets.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

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

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

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

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

	Level 1	Level 2	Level 3	2021
	\$	\$	\$	Total
	\$	\$	\$	\$
Cash at bank	3,533,877	—	—	3,533,877
Investments - available-for-sale				
Short term investments	—	11,361,485	—	11,361,485
Bonds	—	6,043,762	—	6,043,762
	3,533,877	17,405,247	—	20,939,124
	Level 1	Level 2	Level 3	2020
	\$	\$	\$	Total
	\$	\$	\$	\$
Cash at bank	2,161,535	—	—	2,161,535
Investments - available-for-sale				
Short term investments	—	12,511,787	—	12,511,787
Bonds	—	6,279,426	—	6,279,426
	2,161,535	18,791,213	—	20,952,748

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

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
 December 31, 2021

5. Unpaid claims and adjustment expenses

(a) Nature of unpaid claims and adjustment expenses

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

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

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

The Society has considered the impact from COVID-19 and economic factors on the assumptions used in determining the provision for unpaid claims and adjustment expense. In determining the adequacy of the provision, the Society reviewed the discount rate and assumptions in calculating the provision for unpaid claims and adjustment expense and how experience to date from the COVID-19 pandemic could impact these assumptions.

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2021

5. Unpaid claims and adjustment expenses (continued)

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

	Gross \$	Ceded \$	Net \$
Provision for unpaid claims and adjustment expenses, December 31, 2019	66,388,000	59,504,000	6,884,000
Incurred claims and claim adjustment expenses			
Provision for current year claims	7,586,588	6,784,464	802,124
Increase (decrease) in provision for claims of prior years	(1,845,632)	(2,255,886)	410,254
Increase (decrease) in provision due to discount rate change	4,695,984	4,160,421	535,563
Total incurred	10,436,940	8,688,999	1,747,941
Payments and recoveries attributable to			
Current year claims	—	—	—
Prior years claims	(1,993,956)	(1,946,577)	(47,379)
	(1,993,956)	(1,946,577)	(47,379)
Provision for unpaid claims and adjustment expenses, December 31, 2020	74,830,984	66,246,422	8,584,562
Incurred claims and claim adjustment expenses			
Provision for current year claims	8,374,295	7,488,566	885,729
Increase (decrease) in provision for claims of prior years	(5,906,047)	(5,028,438)	(877,609)
Increase (decrease) in provision due to discount rate change	(2,871,546)	(2,552,832)	(318,714)
Total incurred	(403,298)	(92,704)	(310,594)
Payments and recoveries attributable to			
Current year claims	—	—	—
Prior years claims	(1,560,232)	(1,445,550)	(114,682)
	(1,560,232)	(1,445,550)	(114,682)
Provision for unpaid claims and adjustment expenses, December 31, 2021	72,867,454	64,708,168	8,159,286

- (c) Provision for unpaid claims and adjustment expenses

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

	Undiscounted \$	Discounted at 1.30% \$	Provisions for adverse deviation \$	2021 Value per accepted actuarial practice \$
Provision for unpaid claims and adjustment expenses				
Gross	69,568,159	65,574,650	7,292,803	72,867,454
Recoverable from reinsurers	64,690,957	60,975,248	3,732,919	64,708,168
Net	4,877,202	4,599,402	3,559,884	8,159,286

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2021

5. Unpaid claims and adjustment expenses (continued)

(c) Provision for unpaid claims and adjustment expenses (continued)

	Undiscounted	Discounted at 0.45%	Provisions for adverse deviation	2020 Value per accepted actuarial practice
	\$	\$	\$	\$
Provision for unpaid claims and adjustment expenses				
Gross	68,728,883	67,324,923	7,506,061	74,830,984
Recoverable from reinsurers	63,710,615	62,408,592	3,837,830	66,246,422
Net	5,018,268	4,916,331	3,668,231	8,584,562

(d) Key assumptions

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

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

The estimated undiscounted outstanding liabilities are discounted to reflect the time value of money using a selected discount rate of 1.30% (0.45% in 2020) which is based on the expected market yield of the Society's investment portfolio of bonds and short term assets.

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

Changes in the assumptions used in the December 31, 2021 actuarial valuation resulted in a total decrease in net liabilities of \$95,916 (decrease of \$331,433 in 2020), which is due to the change in loss development factors used in the Bornhuetter-Ferguson method and unallocated loss adjustment expense load decreased from 3.55% to 3.40% (decreased from 3.95% to 3.55% in 2020). The change in the discount rate and provisions for adverse deviation assumptions led to a decrease in the net liabilities of \$318,985 (increase of \$484,352 in 2020).

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

6. Premiums receivable

All subscribers are large reputable Canadian law firms, and no significant credit risk is expected. All amounts are due by April 1, 2022.

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2021

7. Expenses by nature

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

	2021	2020
	\$	\$
Management services	797,379	759,814
Legal and professional	590,161	512,999
Other expenses	191,235	300,458
Total	1,578,775	1,573,271

8. Reinsurance program

- (a) The Society has obtained proportional reinsurance coverage which limits its net liability to a maximum amount of \$975,000 effective for the annual coverage period beginning on July 1, 2021 (\$975,000 in July 1, 2020) on any one loss.

- (b) Colchester Reinsurance Limited (Colchester) is an off-shore captive reinsurer domiciled in Barbados. The shareholders of Colchester are twelve Toronto based legal firms or their related service corporations. Those twelve shareholders are unrelated to each other. However, each of Colchester's shareholders is, or is related to the Society's current and past subscribers. For the annual coverage period beginning on July 1, 2021, Colchester received from the Society premiums of \$3,231,090 (\$1,712,814 in July 1, 2020).

Colchester provides aggregate stop-loss reinsurance protection for a portion of the Society's retained risk. On July 1, 2021 this reinsurance had an attachment point of \$5,000,000 (\$5,000,000 on July 1, 2020), and an annual aggregate limit of \$10,000,000 (\$10,000,000 on July 1, 2020). Starting July 1, 2011, the attachment point and limit were determined with reference to the combined net claim liabilities of the Society and Colchester. Starting on July 1, 2012 the attachment point and limit are solely determined with reference to the net claim liabilities of the Society.

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

As at December 31, 2021, the total reserves held and recoverable on the Society's financial statements relating to LPT was \$4,066,955 (\$4,232,036 in 2020). A Reinsurance Security Agreement (RSA) is in place which requires Colchester to set up on behalf of the Society deposits equal to 115% of Colchester's share of claim liabilities. At December 31, 2021 the value of the security deposits exceeds the required amount.

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

9. Income taxes

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

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

December 31, 2021

10. Equity

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

Under the terms of the Society's Reciprocal Insurance Exchange Agreement, the Society is obligated to return a share of the Society's surplus (if any) to a departed Subscriber subsequent to the fifth anniversary of its departure, based on that Subscriber's participation in the Society. A Subscriber withdrew from the Society on June 30, 2012. As a result, an initial refund of premium surplus of \$1,500,000 was made to that Subscriber at December 31, 2017. There were no withdrawals during the year.

11. Risk management

Insurance risk management

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

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

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

Claim development

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

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2021

11. Risk management (continued)

Claim development (continued)

Analysis of claims development – net and gross

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Estimate of ultimate (by underwriting year)											
End of year	463,000	411,000	440,000	424,000	444,000	387,000	419,000	1,244,000	451,976	239,113	
One year later	423,000	380,000	413,000	392,000	1,062,000	360,000	390,000	945,824	423,257	—	
Two years later	334,000	269,000	308,000	281,000	950,000	263,000	283,415	827,527	—	—	
Three years later	435,000	197,000	284,000	218,000	891,000	208,864	225,484	—	—	—	
Four years later	362,000	131,000	222,000	162,000	818,782	146,535	—	—	—	—	
Five years later	281,000	59,000	164,000	67,235	719,890	—	—	—	—	—	
Six years later	227,000	22,000	1,112,261	18,753	—	—	—	—	—	—	
Seven years later	226,000	16,681	1,110,357	—	—	—	—	—	—	—	
Eight years later	219,226	14,427	—	—	—	—	—	—	—	—	
Nine years later	215,237	—	—	—	—	—	—	—	—	—	
Current estimate of ultimate	215,237	14,427	1,110,357	18,753	719,890	146,535	225,484	827,527	423,257	239,113	3,940,580
Cumulative payments	(203,270)	—	(86,269)	—	(650,000)	—	—	(411,380)	—	—	(1,350,919)
Net liability	11,967	14,427	1,024,088	18,753	69,890	146,535	225,484	416,147	423,257	239,113	2,589,661
Provision for unpaid claims and adjusting expenses recoverable from insurers											
Ten year net liability											2,589,661
Effect of discounting and PFAD											3,282,084
Unallocated loss adjustment expense											2,287,541
Provision for unpaid claims and adjusting expenses recoverable											64,708,168
Gross liability in statement of financial position											72,867,454

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2021

11. Risk management (continued)

Sensitivities

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

The table below shows the effect on net income and equity of a +/- 5% change in the expected losses and the effect of +/- 0.5% change in the discount rate applied to claims provisions for the year ended December 31, 2021:

	Net income for the year	2021 Equity	Net income for the year	2020 Equity
	\$	\$	\$	\$
5% increase in expected losses	160,440	160,440	167,073	167,073
5% decrease in expected losses	(201,919)	(201,919)	(209,600)	(209,600)
0.5% increase in discount rate	(177,670)	(177,670)	(191,691)	(191,691)
0.5% decrease in discount rate	184,961	184,961	179,344	179,344

Financial risk management

The Society was well-positioned heading into the market dislocation following the COVID-19 pandemic, given its investment holdings are in highly rated government and corporate bonds. The Society has continued to maintain funding and liquidity metrics comfortably above regulatory minimums.

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

(a) Credit risk

Credit risk is the risk of loss due to the failure of debtors to make payments when due. Credit risks are primarily associated with invested assets and amounts due from policyholders and reinsurance counterparties. The investment portfolio's exposure to credit risk is managed through policies and procedures including a credit evaluation by the investment manager and investment guidelines which specify investment quality and exposure limits. The portfolio is monitored and reviewed regularly by the Board. Premiums due from policyholders present minimal risk due to the short term nature of the receivable and the historic/financial relationship with the Society as a Reciprocal Insurance Exchange. The Society evaluates the financial condition of its reinsurers and monitors concentrations of credit risk of the reinsurers to minimize its exposure to significant losses from their insolvency. The Society believes that it has taken appropriate steps to manage credit risk and has made appropriate provision for any such exposures. One of the primary reinsurers is Colchester Reinsurance Limited as discussed in Note 8. The credit risk related to Colchester is managed by maintaining a security account pursuant to the RSA and a quarterly review of Colchester's financial condition. The balance held in the account at December 31, 2021 is \$40,286,013 (\$40,249,305 in 2020).

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2021

11. Risk management (continued)

Financial risk management (continued)

(a) Credit risk (continued)

(i) Exposure to credit risk

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

	2021 \$	2020 \$
Cash	3,533,877	2,161,535
Short term investments	11,361,485	12,511,787
Bonds	6,043,762	6,279,426
Interest income due and accrued	23,630	22,835
Premiums receivable	3,673,597	3,782,333
Reinsurance recoverable	577,410	1,938,201
Provision of unpaid claims and adjustment expenses recoverable from reinsurers	64,708,168	66,246,422
Total credit exposure	89,921,929	92,942,539

(ii) Concentration of credit risk

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

	2021 %	2020 %
R-1 (high)	65	67
AAA	10	8
AA	25	25
	100	100

(b) Liquidity risk

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

	Due within 1 year \$	1 to 5 year \$	Over 5 years \$	2021 Total \$
Provision for unpaid claims and adjustment expenses (net)	1,161,018	3,828,546	3,169,722	8,159,286
Due to reinsurers	3,045,212	—	—	3,045,212
Accounts payable and accrued charges	359,714	—	—	359,714
	4,565,944	3,828,546	3,169,722	11,564,212

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2021

11. Risk management (continued)

Financial risk management (continued)

(b) Liquidity risk (continued)

	Due within 1 year \$	1 to 5 year \$	Over 5 years \$	2020 Total \$
Provision for unpaid claims and adjustment expenses (net)	1,163,942	4,132,001	3,288,619	8,584,562
Due to reinsurers	4,337,008	—	—	4,337,008
Accounts payable and accrued charges	433,798	—	—	433,798
	<u>5,934,748</u>	<u>4,132,001</u>	<u>3,288,619</u>	<u>13,355,368</u>

(c) Market risk

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

(i) Interest rate risk

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

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

The estimated impact of a 1% increase in interest rates would decrease the market value of the fixed income portion of the investment portfolio by \$253,439 (\$265,039 in 2020) which would be recorded in OCI. This impact would be offset on an economic basis by a decrease in the estimated unpaid claims and adjustment expense of \$348,427 (\$375,808 in 2020) recorded through net income. Conversely, a 1% decrease in interest rates would increase the market value of the fixed income portion of the investment portfolio by \$226,391 (\$179,232 in 2020) which would be recorded in OCI. This impact would be more than offset on an economic basis by an increase in the estimated unpaid claims and adjustment expense of \$377,613 (\$179,344 in 2020) recorded through net income.

(ii) Equity risk

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

(iii) Currency risk

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

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

December 31, 2021

12. Surplus management and adequacy

Equity is comprised of minimum and additional surplus and AOCI. At December 31, 2021, the equity was \$ 12,832,805 (\$12,451,371 in 2020). The Society's objectives for the management of surplus are for the prudent operation of the reciprocal and to provide relatively predictable premium costs for its members over time. A surplus management policy is approved by the Advisory Board which oversees the surplus management process.

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

The Society is regulated by the Superintendent of Insurance, Alberta and in British Columbia, Ontario and Nova Scotia where licenses are held, all of which expect incorporated insurance companies to meet a Minimum Capital Test ("MCT") ratio of capital available to capital required of at least 150%. As of December 31, 2021, the Society's MCT was 555% (538% in 2020). However, the minimum regulatory standard for reciprocals in Alberta is adjusted equity exceeding \$50,000. The Society's practice is to maintain a surplus level which is significantly higher than the regulatory minimum. The Society's surplus adequacy is evaluated regularly and this evaluation takes into account the gross exposure to risk, the level and nature of reinsurance purchased and the resulting net exposure to members. Input from the appointed actuary, which includes an assessment of loss volatility, is factored into this evaluation.

In accordance with sections 99 and 100 of the Alberta Insurance Act, the Society is required to maintain a reserve and guarantee fund. At December 31, 2021 the total reserve and guarantee funds required are as follows:

	2021 \$	2020 \$
Reserve fund		
Net premiums written during the period	12,594,000	10,695,000
Less: Amounts paid to licensed reinsurers	10,493,000	8,601,000
	2,101,000	2,094,000
Requirement	50%	50%
	1,050,500	1,047,000
Guarantee fund		
Total liabilities	82,517,000	84,936,000
Less: Unearned premiums	6,245,000	5,304,000
Recoverable from licensed reinsurers	64,671,000	66,197,000
Add: Statutory margin	50,000	50,000
	11,651,000	13,485,000
Total of reserve and guarantee fund		
Cash and approved securities	12,701,500	14,532,000
Excess of cash and securities over reserve and guarantee fund	20,939,000	20,953,000
	8,237,500	6,421,000

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

December 31, 2021

13. Fair value disclosure

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

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

14. Contingent liability

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

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

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

15. COVID-19

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world. To date, Society has experienced no significant impact from COVID-19.

16. Date of authorization for issue

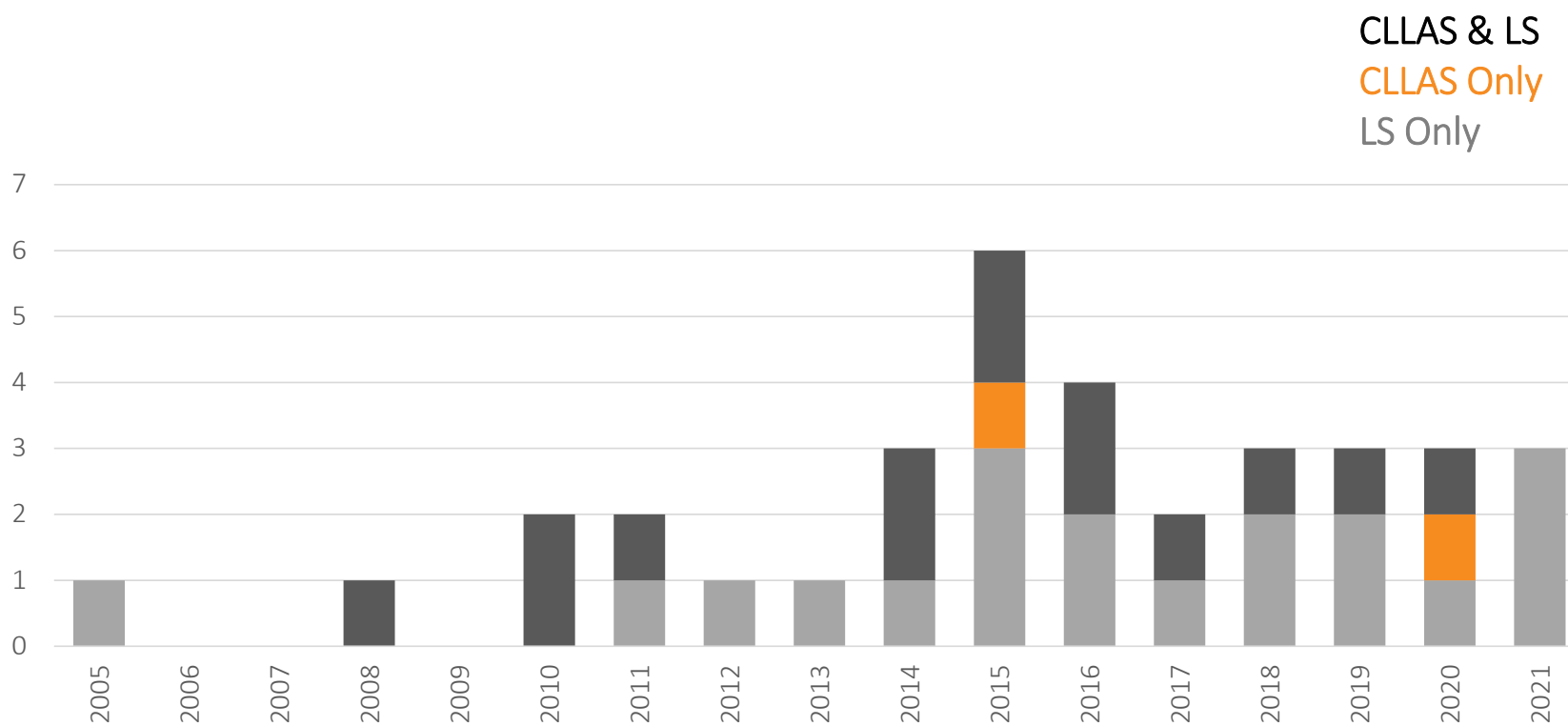
The financial statements were authorized for issue by the Advisory Board on February 22, 2022.



Canadian Lawyers Liability Assurance Society

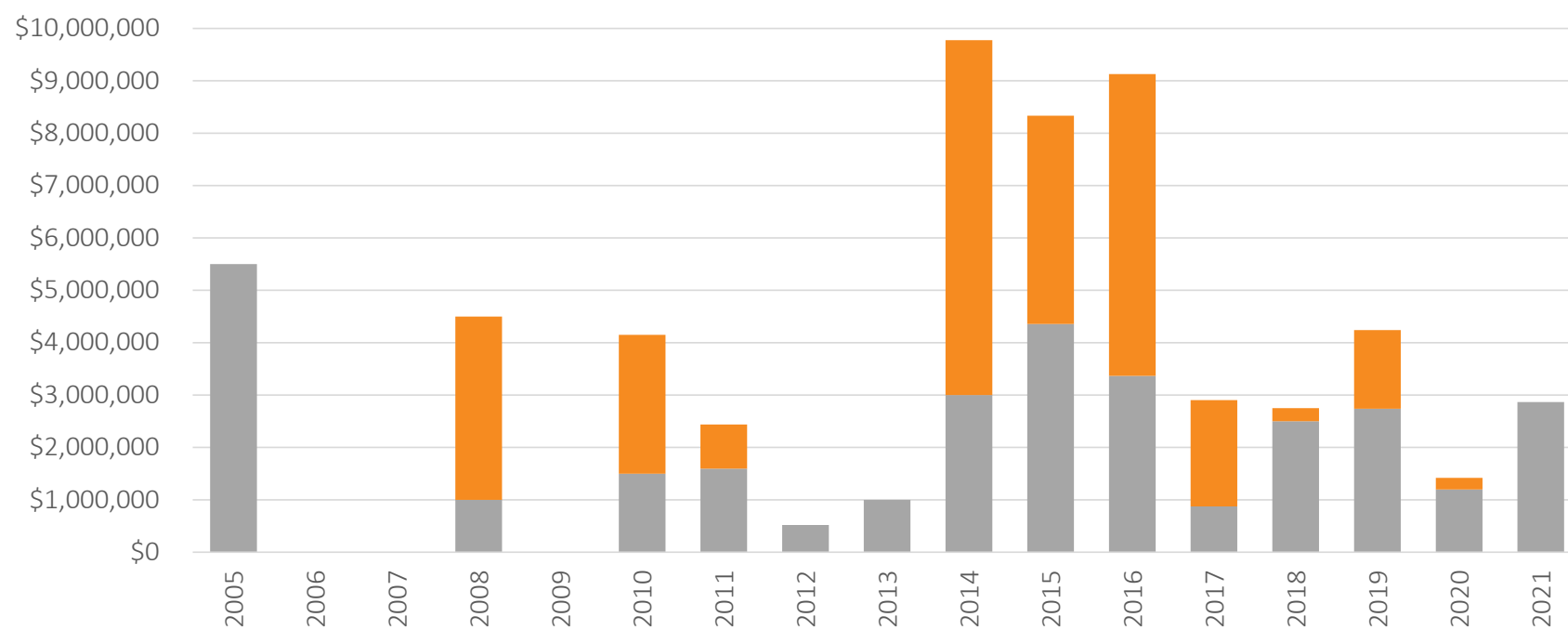
Open Large Loss Claims Summary as at December 31, 2021

Number of Claims by Insurer

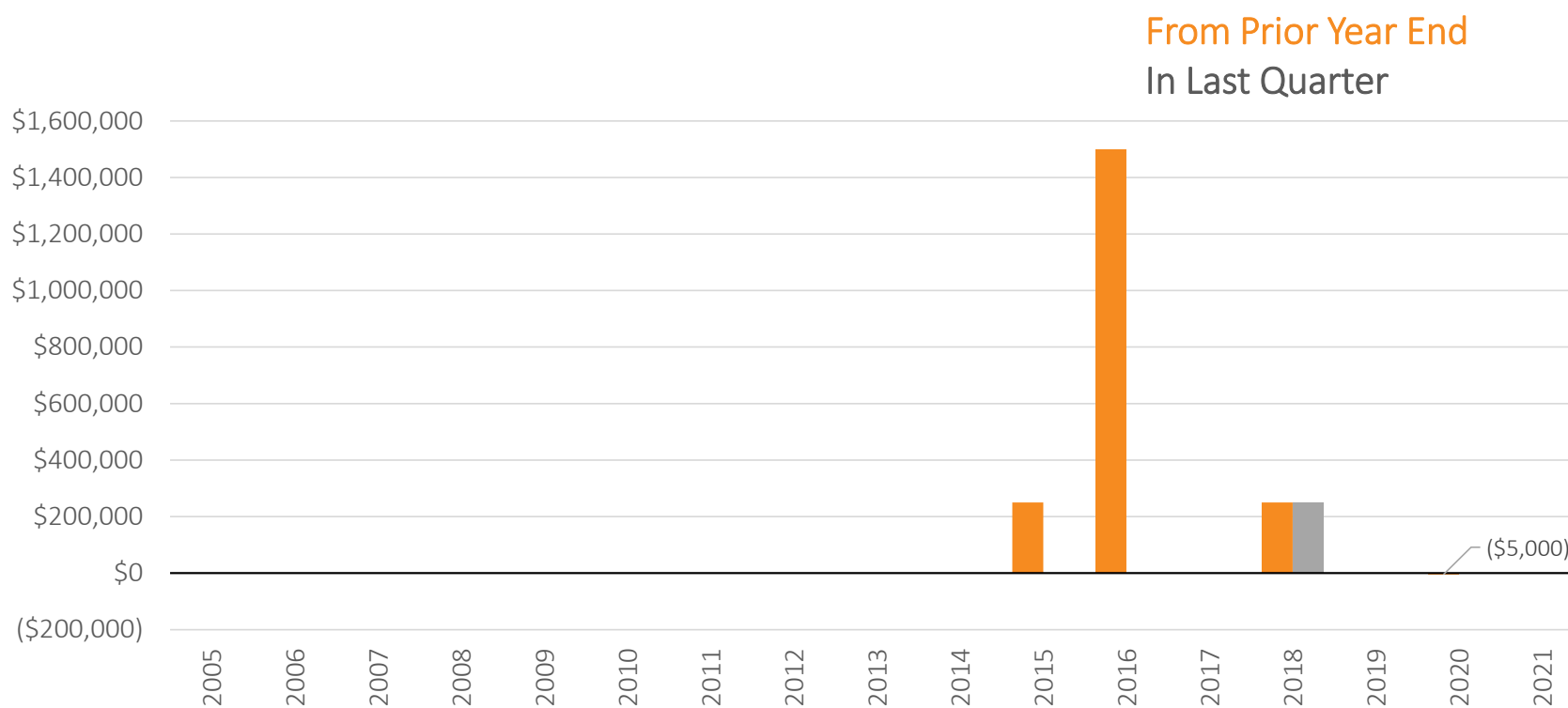


Incurred Amounts by Insurer

LS - CLLAS

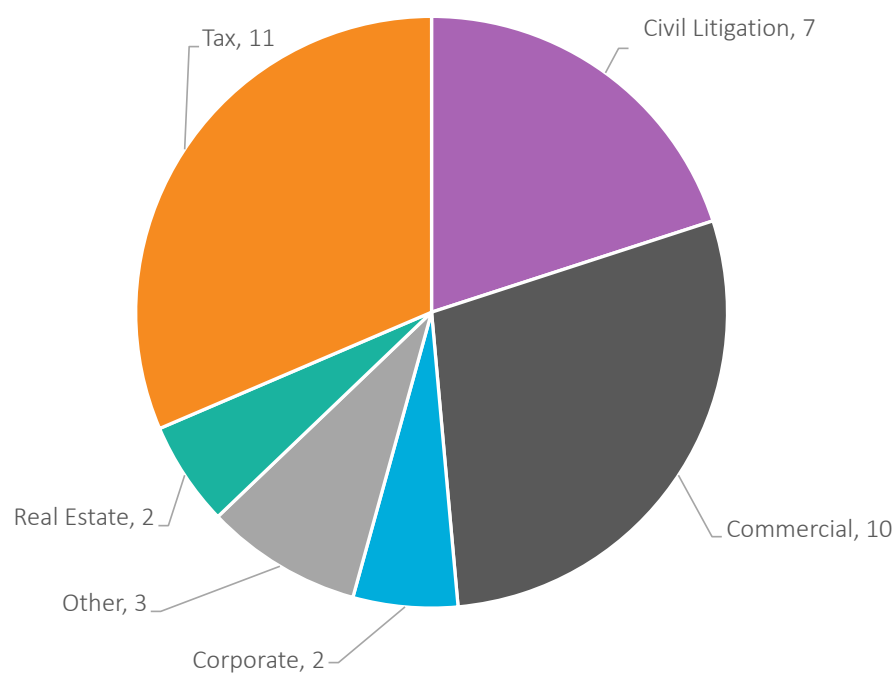


Change in Incurred Amounts (CLLAS)

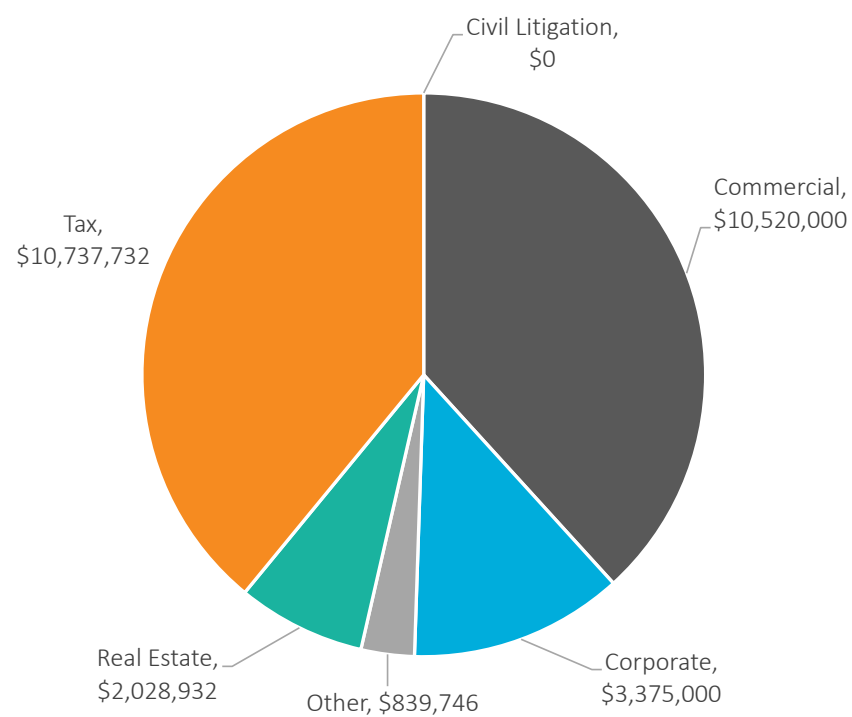


By Area of Law

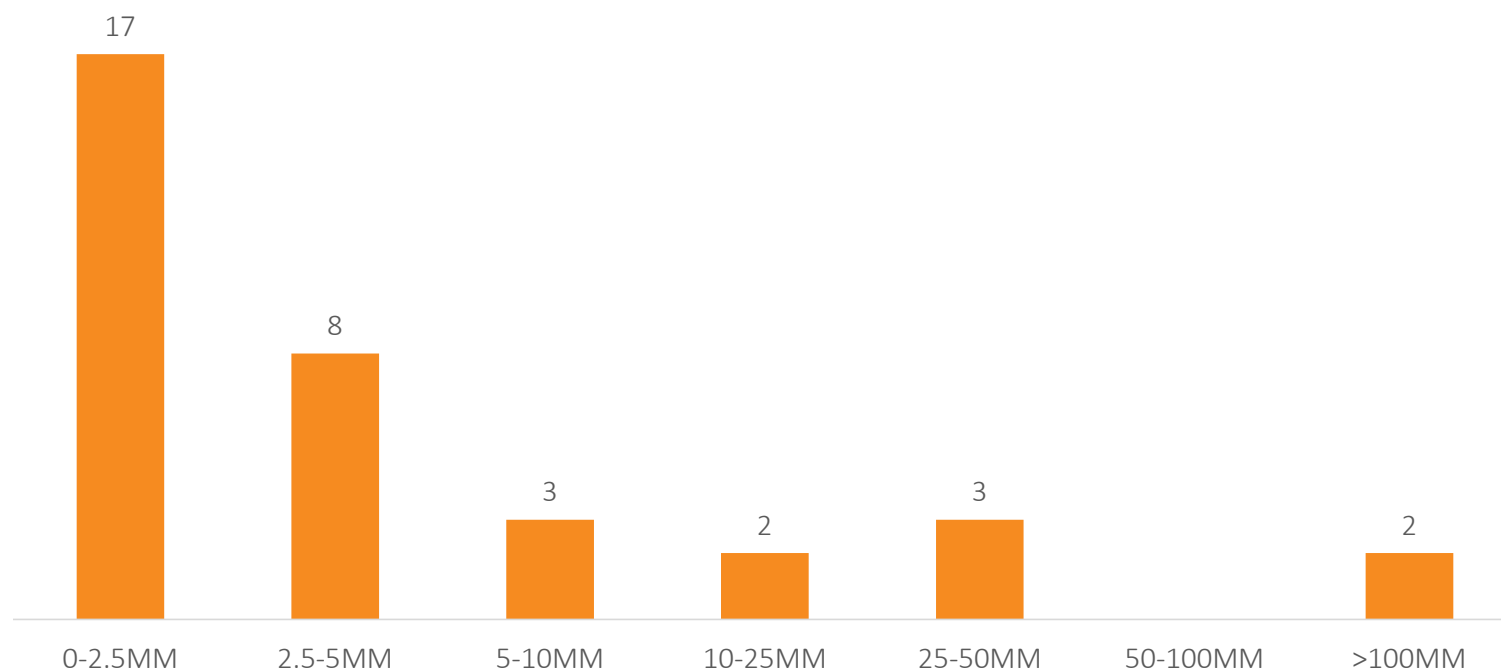
Number of Claims (CLLAS & LS)



CLLAS Incurred



Number of Claims by Best Estimate of Worst Case



Claim Count Movement in Quarter

Policy Year	Law Society Only	CLLAS Only	CLLAS & Law Society
2005 and prior	0	0	0
2006	0	0	0
2007	0	0	0
2008	0	0	0
2009	0	0	0
2010	0	0	0
2011	0	0	0
2012	1	0	0
2013	0	0	0
2014	0	0	0
2015	1	0	0
2016	0	0	0
2017	0	0	0
2018	-2	0	1
2019	1	0	0
2020	0	0	0
2021	2	0	0

Notes

Slide 1

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

Slide 2

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

Slide 3

- Illustrates movements in paid (always positive, except in cases of recovery) and reserved amounts 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

MARTIN, LUCAS & SEAGRAM LTD.
INDEPENDENT INVESTMENT COUNSEL
Suite 620, 48 Yonge Street,
Toronto, Ontario
M5E 1G9

Telephone: 416-363-6216
Facsimile: 416-363-4538
E-Mail: info@mlsinvest.com

January 26th, 2022

Mr. Patrick Mahoney,
Axxima,
36 Toronto Street, Suite 510
Toronto ON M5C 2C5

Re: Canadian Lawyers Liability Assurance Society

Dear Patrick:

Please find enclosed our quarterly investment report for the period ending December 31 last on the Short and Long Term Fund last for CLLAS, together with a copy of our accounts, the originals of which have been sent to RBC Dexia Investor Services for payment.

With the Toronto region returning to a modified step two reopening plan, we are sending our quarterly report by email to minimize the need for staff to commute to the office. Please let us know if you would like a hard copy of the report for your file and we will mail this at a later date.

It was an unsettled period for the bond market and at the close of the fourth quarter the results were mixed. Both the short-term and mid-term bond price indices moved moderately lower, while the long-term price index gained ground. Reflecting the pullback in short- and medium-term issues, the Long Term Investment Fund also recorded a modest decline.

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

With best regards,

Yours sincerely,

Rowland W. Bell

RWB/de
Enclosures

CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

INVESTMENT REPORT
DECEMBER 31, 2021

MARTIN, LUCAS & SEAGRAM LTD.
INDEPENDENT INVESTMENT COUNSEL

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

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

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

COMMENTARY FOR THE QUARTER ENDING DECEMBER 31, 2021

Review of Market Yields

Following an upward shift early in the fourth quarter, shorter term yields moved mostly in a sideways trading pattern for the balance of the period. At the close of the quarter, Treasury Bill yields were 4 basis points higher and the 5-year Canada yield had increased 14 basis points. Meanwhile, longer term yields, as measured by the 10-year Canada issue, moved gradually higher until late in November. This was followed by a sharp downward move that more than erased the earlier gain. As a result, at year end the yield on the 10-year issue was down 9 basis points from its level three months earlier.

Due to the small uptick at the short end of the curve and the moderate decrease in yields for longer dated issues, the slope of the yield curve flattened slightly. At the end of December, the yield advantage of 10-year issues over 3-month T-bills had decreased to 126 basis points from 139 basis points at the end of September.

	Jan. 01/95	Jun. 30/21	Sep. 29/21	Dec. 31/21
3-month Treasury Bill	6.80%	0.15%	0.12%	0.16
5-year Canada	8.99%	0.97%	1.11%	1.25
10-year Canada	9.09%	1.39%	1.51%	1.42

During the fourth quarter, activity in the Short Term Investment Fund involved the roll-over of money market securities. In the Long Term Investment Fund, a provincial bond matured. Most of these proceeds were used to add a medium-term provincial bond and to introduce a new medium-term corporate credit. The balance of the proceeds was added to the Short Term Fund and invested.

The market value of the Long Term Investment Fund decreased \$63,053 which represents a capital decline of 1.0%.

At December 31, 2021, the average term to maturity of the Long Term Investment Fund was 3.5 years and the duration was 3.3 years.

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

<i>Distribution at December 31, 2021</i>	<i>Valuation</i>	<i>%</i>
Short Term Investment Fund	\$11,362,484	65.3%
Long Term Investment Fund	\$ 6,044,070	34.7%
TOTAL COMBINED VALUATION	\$17,406,554	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 December 31, 2021
- Security Purchases and Sales
- Cash Reconciliations
- External Individual Credit Rating Report

LONG TERM INVESTMENT FUND**TIME-WEIGHTED RATES OF TOTAL RETURN
FOR PERIODS ENDING DECEMBER 31, 2021**

	3 Years*	2 Years*	1 Year	Last 3 months
<i>Long Term Investment Fund – Gross of Fees</i>	3.12%	2.60%	-1.20%	-0.40%
<i>Long Term Investment Fund – Net of Fees</i>	2.83%	2.31%	-1.48%	-0.47%
Benchmark Portfolio **	2.76%	2.38%	-1.89%	-0.15%

*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 DECEMBER 31, 2021**

	Since Inception Oct. 01/08 *	3 Years*	2 Years *	1 Year	Last 3 Months
<i>Short Term Investment Fund – Gross of Fees</i>	0.83%	0.81%	0.36%	0.10%	0.03%
<i>Short Term Investment Fund – Net of Fees</i>	0.71%	0.68%	0.24%	-0.01%	0.00%
Benchmark Portfolio **	0.78%	0.79%	0.35%	0.09%	0.03%

* 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	Dec. 31/20	Jun. 30/21	Sep. 30/21	Dec. 31/21
Bonds, Treasury Bills & Cash Less than 1 year term	100.0%	11.3%	17.4%	17.3%	16.7%
Canadas Greater than 1 year term		20.5%	28.0%	28.0%	24.8%
Provincials Greater than 1 year term		34.2%	27.3%	27.3%	29.9%
Corporates Greater than 1 year term		34.0%	27.3%	27.4%	28.6%
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)

	Mar 31/21	Jun. 30/21	Sep. 30/21	Dec. 31/21
Under 1 year	18.1%	17.3%	17.3%	16.7%
1 - 3 years	29.5%	27.0%	31.3%	28.0%
3 - 5 years	25.0%	30.0%	25.7%	33.5%
5 - 7 years	27.3%	18.0%	18.1%	11.6%
7 - 10 years	0.0%	7.6%	7.6%	10.2%
TOTAL	100.0%	100.0%	100.0%	100.0%
Average Maturity (yrs)	3.25	3.69	3.44	3.50
Average Duration (yrs)	3.06	3.48	3.24	3.29

SHORT TERM INVESTMENT FUND

	Mar. 31/21	Jun. 30/21	Sep. 30/21	Dec. 31/21
Short Term Average Duration (yrs)	0.08	0.11	0.12	0.09

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

AT DECEMBER 31, 2021

	Investment Limits	Investment Funds	Compliance
<i>Short Term Investment Fund</i>			
Maximum Term of Any Issue	1 year	0.2 years	Yes
Minimum Percentage of Total Fund (Short & Long)	20% of Total	65.3%	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	9.2 years	Yes
Maximum Percentage of Total Fund (Short & Long)	80% of Total	34.7%	Yes
Minimum Canada Percentage	20%	28.1%	Yes
Maximum Provincial Percentage	40%	36.6%	Yes
Minimum Canada & Provincial Percentage	60%	64.7%	Yes
Minimum Provincial Quality *	A	AA (low)	Yes
Maximum Corporate Percentage	40%	35.3%	Yes
Minimum Corporate Quality *	BBB	BBB (high)	Yes
Maximum BBB Corporate Percentage	10%	1.2%	Yes

** At time of purchase*

This will confirm that during the fourth 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 09-30-21 to 12-31-21

Portfolio Value on 09/30/21	6,129,686
Accrued Interest	39,013
Contributions	0.00
Withdrawals	-76,020
Realized Gains	-1,538
Unrealized Gains	-66,516
Interest	53,458
Dividends	0
Change in Accrued Interest	-15,383
Portfolio Value on 12/31/21	6,044,070
Accrued Interest	23,630
Average Capital	6,153,714
Total Gains before Fees	-24,979
IRR for 0.25 Years	-0.40%

BOND MARKET COMMENTARY AND FUTURE POLICY

During the fourth quarter, bond prices experienced swings in both directions and at the end of December the results were mixed. While the short- and medium-term price indices closed the period moderately lower due to an upward shift in the yield curve early in the quarter, the Universe bond price index posted a small increase due to late quarter gains by longer-term issues. The downturn in longer-term yields that started late in November coincided with a sharp pullback in equity prices and the discovery of the omicron variant, which has powered another wave of Covid infections. However, this pullback in longer yields proved to be temporary. Early in the new year, yields across all maturities spiked higher and have since risen to levels not seen since before the pandemic.

Meanwhile, the economic expansion has continued to gain ground. In the U.S., aggregate growth slowed to 2.3% in the third quarter due to some softening in investment spending, trade and household consumption of goods. However, this was largely in line with consensus estimates, and pushed aggregate economic output 1.4% above its pre-pandemic peak. Some pockets of weakness carried into the fourth quarter as retail spending and manufacturing suffered the dampening effects from omicron and rising inflation. Nevertheless, most indicators suggest economic activity accelerated in the fourth quarter and forecasters expect a gain of around 5% on average. Much of this is attributed to a rapidly tightening labour market. Despite nonfarm payroll growth falling behind expectations over the past two months, the unemployment rate fell to 3.9% in December. This has spurred a notable pickup in disposable income and helped fuel pent-up demand. However, with inflation hitting a four decade high of 7% in 2021, this has more than negated the advance in wages and has been weighing on consumer morale. The University of Michigan's closely watched index of consumer sentiment now stands at its second-lowest level in a decade, the low having been recorded just two months prior in November 2021.

Economic activity in Canada was strong during the second half of last year. GDP rebounded to an annualized pace of 5.4% in the third quarter and early data suggests another good advance in the final quarter. Despite lingering supply issues, the country's manufacturing sector has picked up markedly and real estate continues to be a significant economic driver. The resilience in consumption provided an additional boost as household spending remained buoyant due to the pent-up demand from earlier lockdowns. All this has fuelled strong gains in the labour market, which has more than recouped all the jobs lost during the pandemic and cut the jobless rate to a post-pandemic low of 5.9%. By most measures, Canada's economy entered the new year with good momentum, which is expected to dampen the impact of the latest omicron wave. Meanwhile, Canada's broadest measure of inflation climbed to 4.8 per cent in December, which was the largest increase in more than 30 years. As a result, domestic inflation has been consistently above the top of the Bank of Canada's target range of one to three percent since April. This has increased the odds the Bank of Canada will soon hike interest rates to offset persistent cost pressures.

Looking offshore, the Eurozone economy has also shown considerable improvement. Aggregate growth accelerated to 2.2% in the third quarter, despite the negative impact of higher energy prices on consumer purchasing power and producer input costs. However, the outlook for the most recent quarter is clouded by a resurgence of new Covid infections with the emergence of the omicron variant, which triggered a flurry of international travel restrictions and the reinstatement of restrictive health measures and lockdowns across some regions. Meanwhile, China's GDP growth rate eased lower during the fourth quarter to 4%, compared to 4.9% in the

previous quarter. While the latest increase was above the consensus forecast, due to steady gains in industrial production, retail sales missed expectations. China's zero-Covid policy aimed at controlling the pandemic is expected to keep consumer spending sluggish and weigh on business activity in the first quarter. China's central bank has responded by cutting the borrowing costs on medium-term loans and further rate cuts are expected.

Turning to the security markets, since the start of the year, both the bond and equity markets have lost ground amid growing concerns over persistently high inflation rates and the prospect of tighter monetary policy from the Canadian and U.S. central banks. In the U.S., the closely watched 2-year yield, which is seen as a gauge of where the Federal Reserve will set short-term borrowing rates, broke above 1% for the first time since the pandemic began while the yield on the benchmark 10-year issue recently hit 1.87%, which also breached its pandemic high. Unlike several episodes last year, when an unexpected jump in bond yields initially rattled equity markets before yields settled back, the upward shift in yields this year is expected to prove more durable. After declaring the inflationary surge as transitory for much of 2021, the U.S. Federal Reserve pivoted on the inflation outlook and acknowledged last quarter that inflation will be higher and persist longer than anticipated. More recently, the Chairman of the Federal Reserve advised Senate lawmakers that the U.S. economy is both healthy enough and in need of tighter monetary policies in response to rising prices and a jobs market that is getting closer to full employment. As a result, he expects several increases in administered interest rates this year, along with an end to monthly bond purchases in March and a reduction in the Fed's asset holdings as the year progresses. On the domestic front, the Bank of Canada has signalled similar intentions and expectations are high that the Bank will announce the first increase later this week.

Looking ahead, we think 2022 will prove to be a more challenging year for bond investors, due in large part to the pending shift away from prolonged and unprecedented stimulative monetary policies. These policies helped suppress bond yields throughout the pandemic and pushed investors seeking higher returns into riskier fixed income investments. Meanwhile, economies appear to be growing more resilient to the pandemic and we remain cautiously optimistic that the post-lockdown recovery will remain intact due to underlying strengths in the consumer and business sectors, along with ongoing support from expansionary fiscal policies and the expectation that the monetary authorities will not derail the expansion by removing their stimulative policies too quickly.

We believe the combination of reasonable economic growth and a gradual normalization of monetary policies will keep upward pressure on the yield curve. As a result, we think bond investors should maintain a defensive posture at this juncture. However, in many respects, we are in uncharted waters as the authorities face the difficult task of reducing monetary supports at a time of unprecedented debt levels throughout the economy and the economic uncertainty produced by the pandemic. Therefore, investors should not rule out the possibility that the rise in rates could be short-lived, particularly if a monetary policy mistake triggers an economic downturn. Turning to the Long Term Fund, we believe the laddered maturity structure, emphasis on quality and an average duration which is moderately shorter than the benchmark portfolio provides a suitable hedge against the possibilities.

RWB/de

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

Martin, Lucas & Seagram Ltd.

CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at December 31, 2021

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
CASH					
	Cash Account			6,565	0
MONEY MARKET ISSUES					
1,300,000	Canada Treasury Bill 0.08% due January 6, 2022	99.98	100.00	1,299,982	1,040
1,175,000	CIBC BA 0.20% due January 14, 2022	99.97	99.99	1,174,908	2,349
1,305,000	Canada Treasury Bill 0.11% due January 20, 2022	99.98	100.00	1,304,939	1,435
1,220,000	CIBC BA 0.22% due January 31, 2022	99.96	99.96	1,219,475	2,674
1,255,000	Toronto Dominion Bank BA 0.21% due February 1, 2022	99.97	99.95	1,254,410	2,635
1,320,000	Canada Treasury Bill 0.01% due February 3, 2022	100.00	99.99	1,319,901	132
1,380,000	Canada Treasury Bill 0.04% due February 17, 2022	99.99	99.99	1,379,800	549
1,200,000	Toronto Dominion Bank BA 0.22% due March 2, 2022	99.95	99.95	1,199,357	2,639
1,210,000	Canada Treasury Bill 0.15% due March 3, 2022	99.95	99.98	1,209,712	1,815
				<u>11,362,484</u>	<u>15,267</u>
TOTAL PORTFOLIO				11,369,049	15,267

Disclosures:

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

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 10-01-21 To 12-31-21

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
10-06-21	10-07-21	1,300,000	Canada Treasury Bill 0.08% due January 6, 2022	99.98	1,299,741.30
10-08-21	10-12-21	1,225,000	Bank of Nova Scotia BA 0.18% due November 5, 2021	99.99	1,224,855.45
11-02-21	11-03-21	1,215,000	TD Bank BA 0.20% due December 2, 2021	99.98	1,214,806.82
11-03-21	11-04-21	1,305,000	Canada Treasury Bill 0.11% due January 20, 2022	99.98	1,304,697.24
11-04-21	11-05-21	1,225,000	Royal Bank B.A. 0.20% due December 7, 2021	99.98	1,224,785.63
11-05-21	11-08-21	1,200,000	FirstBank BA 0.20% due December 3, 2021	99.99	1,199,835.60
11-09-21	11-10-21	1,210,000	Canada Treasury Bill 0.15% due March 3, 2022	99.95	1,209,438.56
11-22-21	11-23-21	1,175,000	CIBC BA 0.20% due January 14, 2022	99.97	1,174,665.13
12-01-21	12-02-21	1,220,000	CIBC BA 0.22% due January 31, 2022	99.96	1,219,558.36
12-02-21	12-03-21	1,200,000	Toronto Dominion Bank BA 0.22% due March 2, 2022	99.95	1,199,356.80
12-06-21	12-07-21	1,255,000	Toronto Dominion Bank BA 0.21% due February 1, 2022	99.97	1,254,595.89
12-08-21	12-09-21	1,320,000	Canada Treasury Bill 0.01% due February 3, 2022	100.00	1,319,997.36
12-22-21	12-23-21	1,380,000	Canada Treasury Bill 0.04% due February 17, 2022	99.99	1,379,915.82
					16,226,249.96
SALES					
10-07-21	10-07-21	1,300,000	Canada Treasury Bill 0.10% due October 7, 2021	100.00	1,300,000.00
10-12-21	10-12-21	1,225,000	Bank of Nova Scotia 0.18% due October 12, 2021	100.00	1,225,000.00
11-03-21	11-03-21	1,220,000	CIBC BA 0.16% due November 3, 2021	100.00	1,220,000.00
11-04-21	11-04-21	1,305,000	Canada Treasury Bill 0.08% due November 4, 2021	100.00	1,305,000.00
11-05-21	11-05-21	1,225,000	Bank of Nova Scotia BA 0.18% due November 5, 2021	100.00	1,225,000.00
11-08-21	11-08-21	1,200,000	CIBC BA 0.18% due November 8, 2021	100.00	1,200,000.00
11-10-21	11-10-21	1,210,000	Canada Treasury Bill 0.13% due November 10, 2021	100.00	1,210,000.00

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 10-01-21 To 12-31-21

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
11-23-21	11-23-21	1,175,000	Toronto Dominion Bank BA .18% due November 23, 2021	100.00	1,175,000.00
12-02-21	12-02-21	1,215,000	TD Bank BA 0.20% due December 2, 2021	100.00	1,215,000.00
12-03-21	12-03-21	1,200,000	FirstBank BA 0.20% due December 3, 2021	100.00	1,200,000.00
12-07-21	12-07-21	1,225,000	Royal Bank B.A. 0.20% due December 7, 2021	100.00	1,225,000.00
12-09-21	12-09-21	1,320,000	Canada Treasury Bill 0.12% due December 9, 2021	100.00	1,320,000.00
12-23-21	12-23-21	1,340,000	Canada Treasury Bill 0.10% due December 23, 2021	100.00	1,340,000.00
					16,160,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 09-30-21 to 12-31-21

Cash Balance at September 30, 2021		<u>9,031.28</u>
ADD: Proceeds from Sales	16,160,000.00	
Capital Contribution	0.00	
Bond Interest Credited (from Long Term Investment Fund)	49,655.00	
Transfers from Long Term Fund re: net sales and purchases	<u>26,365.48</u>	<u>16,236,020.48</u>
LESS: Cost of Purchases	-16,226,249.96	
Capital Withdrawal	0.00	
Q2 2021 Investment Counsel Fees - Short Term Investment Fund	-3,192.87	
Q2 2021 Investment Counsel Fees - Long Term Investment Fund	-4,329.09	
Trust Company Charges	<u>-4,714.77</u>	<u>-16,238,486.69</u>
Cash Balance at December 31, 2021		<u><u>6,565.07</u></u>

Martin, Lucas & Seagram Ltd.							
EXTERNAL INDIVIDUAL CREDIT RATING REPORT - DECEMBER 31, 2021							
CLLAS - SHORT TERM INVESTMENT FUND							
			Unit	Total		Market	%
Quantity	Security	Rating	Cost	Cost	Price	Value	Assets
1,300,000	Canada Treasury Bill 0.08% due January 6, 2022	R-1 (high)	99.980	1,299,741	99.999	1,299,982	11.4%
1,175,000	CIBC BA 0.20% due January 14, 2022	R-1 (high)	99.972	1,174,665	99.992	1,174,908	10.3%
1,305,000	Canada Treasury Bill 0.11% due January 20, 2022	R-1 (high)	99.977	1,304,697	99.995	1,304,939	11.5%
1,220,000	CIBC BA 0.22% due January 31, 2022	R-1 (high)	99.964	1,219,558	99.957	1,219,475	10.7%
1,255,000	Toronto Dominion Bank BA 0.21% due February 1, 2022	R-1 (high)	99.968	1,254,596	99.953	1,254,410	11.0%
1,320,000	Canada Treasury Bill 0.01% due February 3, 2022	R-1 (high)	100.000	1,319,997	99.993	1,319,901	11.6%
1,380,000	Canada Treasury Bill 0.04% due February 17, 2022	R-1 (high)	99.994	1,379,916	99.986	1,379,800	12.1%
1,200,000	Toronto Dominion Bank BA 0.22% due March 2, 2022	R-1 (high)	99.946	1,199,357	99.946	1,199,357	10.6%
1,210,000	Canada Treasury Bill 0.15% due March 3, 2022	R-1 (high)	99.954	1,209,439	99.976	1,209,712	10.6%
				11,361,966		11,362,484	100%

Martin, Lucas & Seagram Ltd.
INVESTMENT PERFORMANCE
 Net of Fees
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
December 31, 2021

Investment account RBCD-K.Habal-107611-001

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

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

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

Total Value Summary

Your investments have changed by 462,933 since the inception date. Note: In this report, the inception date is July 15, 2015 or the portfolio's start date if the account was opened after July 15, 2015.

Your investments have changed by -1,651 during the past year.

Amount invested since 07-15-15	-949,739
Market value of portfolio on 12-31-21	11,369,049

Change In Portfolio Value

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

	Latest 1 Year	Inception To Date
From Date	12-31-20	07-15-15
Opening Market Value	12,526,864	11,855,855
Contributions	426,084	10,778,596
Withdrawals	-1,582,248	-11,728,335
Realized Gains	0	0
Unrealized Gains	518	518
Interest	10,931	541,738
Dividends	0	0
Portfolio Fees	-13,100	-79,323
Closing Market Value	11,369,049	11,369,049
Total Fees	-13,100	-79,323

Martin, Lucas & Seagram Ltd.
INVESTMENT PERFORMANCE
 Net of Fees
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
December 31, 2021

Personal Rates of Return

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

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

	Annualized Latest 1 Year	Annualized Latest 3 Years	Annualized Latest 5 Years	Annualized Latest 10 Years	Annualized Inception To Date
This Portfolio	-0.01%	0.60%	0.74%	-	0.66%

What is a total percentage return?

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

Calculation method

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

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

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

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

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

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

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at December 31, 2021

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
GOVERNMENT BONDS					
200,000	Canada Housing Trust 2.4% Series 48 due December 15, 2022	100.37	101.56	203,127	4,800
200,000	Canada Housing Trust 2.35% due September 15, 2023	105.62	102.17	204,346	4,700
250,000	Canada Housing Trust 2.9% due June 15, 2024	102.64	104.01	260,019	7,250
300,000	Canada Housing Trust Ser. 70 2.25% due December 15, 2025	100.98	103.09	309,270	6,750
250,000	Canada Housing Trust No.1 2.350% due March 15, 2028	103.96	104.14	260,345	5,875
200,000	Canada Housing Trust 2.1% Series 88 due September 15, 2029	102.89	102.70	205,396	4,200
275,000	Canada Housing Trust 1.1% Series 95 due March 15, 2031	94.05	93.73	257,750	3,025
				<hr/> 1,700,253	<hr/> 36,600
PROVINCIAL BONDS					
400,000	Ontario 3.15% due June 2, 2022	100.00	101.15	404,586	12,600
500,000	Ontario 2.85% due June 2, 2023	102.29	102.59	512,946	14,250
400,000	Ontario 2.60% due June 2, 2025	101.08	103.81	415,229	10,400
350,000	British Columbia 2.3% due June 18, 2026	104.40	103.38	361,838	8,050
350,000	Ontario 2.60% due June 2, 2027	97.56	104.80	366,808	9,100
150,000	Ontario 2.05% due June 2, 2030	101.85	100.83	151,249	3,075
				<hr/> 2,212,655	<hr/> 57,475
CORPORATE BONDS					
150,000	Royal Bank 1.968% due March 2, 2022	100.05	100.26	150,393	2,952
250,000	National Bank of Canada 2.105% due March 18, 2022	102.04	100.36	250,894	5,263
150,000	Wells Fargo 3.46% due January 24, 2023	102.36	102.57	153,860	5,190
300,000	Toronto Dominion Bank Dep. Note 1.909% due July 18, 2023	102.63	101.08	303,230	5,727

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at December 31, 2021

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
250,000	Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	102.02	104.32	260,800	8,065
250,000	CIBC Deposit Note 3.3% due May 26, 2025	100.24	105.56	263,907	8,250
200,000	Wells Fargo & Company 2.975% due May 19, 2026	102.15	103.32	206,648	5,950
300,000	Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	102.07	103.74	311,225	7,860
150,000	Bank of Montreal Dep. Note 2.70% due December 9, 2026	108.76	104.09	156,139	4,050
75,000	Bell Canada SerM56 2.2% due May 29, 2028	99.55	98.75	74,065	1,650
				<hr/>	<hr/>
				2,131,161	54,957
TOTAL PORTFOLIO				6,044,070	149,032

Disclosures:

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

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 10-01-21 To 12-31-21

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
12-17-21	12-21-21	75,000	Bell Canada SerM56 2.2% due May 29, 2028	99.55	74,662.50
12-17-21	12-21-21	150,000	Ontario 2.05% due June 2, 2030	101.85	152,775.00
					227,437.50
SALES					
12-18-21	12-18-21	250,000	British Columbia 3.25% due December 18, 2021	100.00	250,000.00
					250,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - LONG TERM INVESTMENT FUND
From 09-30-21 to 12-31-21

Cash Balance at September 30, 2021		<u>0.00</u>
ADD: Proceeds from Sales	254,062.50	
Bond Interest Credited to Long Term Investment Fund	49,655.00	
Transfer Bond Interest to Short Term Investment Fund	-49,655.00	
Transfer to Short Term Investment Fund net purchases & sales	<u>-26,365.48</u>	<u>227,697.02</u>
LESS: Cost of Purchases	-227,697.02	<u>-227,697.02</u>
Cash Balance at December 31, 2021		<u><u>0.00</u></u>

EXTERNAL INDIVIDUAL CREDIT RATING REPORT - DECEMBER 31, 2021

CLLAS - LONG TERM INVESTMENT FUND

					Unit	Total		Market	Pct.
Quantity	CUSIP	Security		Rating	Cost	Cost	Price	Value	Assets
GOVERNMENT BONDS									
200,000	13509PDL4	Canada Housing Trust 2.4% Series 48	due December 15, 2022	AAA	100.37	200,740	101.56	203,127	3.4%
200,000	13509PDV2	Canada Housing Trust 2.35%	due September 15, 2023	AAA	105.62	211,240	102.17	204,346	3.4%
250,000	13509PEF6	Canada Housing Trust 2.9%	due June 15, 2024	AAA	102.64	256,600	104.01	260,019	4.3%
300,000	13509PFD0	Canada Housing Trust Ser. 70 2.25%	due December 15, 2025	AAA	100.98	302,940	103.09	309,270	5.1%
250,000	13509PGF4	Canada Housing Trust No.1 2.350%	due March 15, 2028	AAA	103.96	259,900	104.14	260,345	4.3%
200,000	13509PHD8	Canada Housing Trust 2.1% Series 88	due September 15, 2029	AAA	102.89	205,780	102.70	205,396	3.4%
275,000	13509PHQ9	Canada Housing Trust 1.1% Series 95	due March 15, 2031	AAA	94.05	258,638	93.73	257,750	4.3%
						1,695,838		1,700,253	28.1%
PROVINCIAL BONDS									
400,000	68323AAW4	Ontario 3.15%	due June 2, 2022	AA (low)	100.00	400,000	101.15	404,586	6.7%
500,000	68323ABN3	Ontario 2.85%	due June 2, 2023	AA (low)	102.29	511,430	102.59	512,946	8.5%
400,000	68323ACX0	Ontario 2.60%	due June 2, 2025	AA (low)	101.08	404,305	103.81	415,229	6.9%
350,000	11070TAJ7	British Columbia 2.3%	due June 18, 2026	AA (high)	104.40	365,400	103.38	361,838	6.0%
350,000	68323AEE0	Ontario 2.60%	due June 2, 2027	AA (low)	97.56	341,460	104.80	366,808	6.1%
150,000	68333ZAH0	Ontario 2.05%	due June 2, 2030	AA (low)	101.85	152,775	100.83	151,249	2.5%
						2,175,370		2,212,655	36.6%
CORPORATE BONDS									
150,000	780086KD5	Royal Bank 1.968%	due March 2, 2022	AA (high)	100.05	150,075	100.26	150,393	2.5%
250,000	633067C27	National Bank of Canada 2.105%	due March 18, 2022	AA (low)	102.04	255,100	100.36	250,894	4.2%
150,000	94975ZBN5	Wells Fargo 3.46%	due January 24, 2023	AA (low)	102.36	153,542	102.57	153,860	2.5%
300,000	891160LV3	Toronto Dominion Bank Dep. Note 1.909%	due July 18, 2023	AA (high)	102.63	307,890	101.08	303,230	5.0%
250,000	891145T79	Toronto Dominion Bank Dep. Note 3.226%	due July 24, 2024	AA (high)	102.02	255,050	104.32	260,800	4.3%
250,000	13596Z3Y9	CIBC Deposit Note 3.3%	due May 26, 2025	AA	100.24	250,600	105.56	263,907	4.4%
200,000	949746RX1	Wells Fargo & Company 2.975%	due May 19, 2026	AA (low)	102.15	204,300	103.32	206,648	3.4%
300,000	064151QE6	Bank of Nova Scotia Dep. Notes 2.62%	due December 2, 2026	AA	102.07	306,210	103.74	311,225	5.1%
150,000	06368AAA8	Bank of Montreal Dep. Note 2.70%	due December 9, 2026	AA	108.76	163,140	104.09	156,139	2.6%
75,000	07813ZCJ1	Bell Canada SerM56 2.2%	due May 29, 2028	BBB (high)	99.55	74,663	98.75	74,065	1.2%
						2,120,569		2,131,161	35.3%
TOTAL PORTFOLIO						5,991,777		6,044,070	100.0%

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

Security	12-31-20 Market Value	Additions Withdrawals	12-31-21 Market Value	12-31-21 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
CASH								
Cash Account	0	0	0	0				
GOVERNMENT BONDS								
Canada Housing Trust Ser 71 1.25% due June 15, 2021	251,260	-251,563	0	0	0	-9,185	0	0
Canada Housing Trust 2.4% Series 48 due December 15, 2022	208,270	-4,800	203,127	200,740	0	0	2,387	-5,143
Canada Housing Trust 2.35% due September 15, 2023	210,616	-4,700	204,346	211,240	0	0	-6,894	-6,270
Canada Housing Trust 2.9% due June 15, 2024	270,925	-7,250	260,019	256,600	0	0	3,419	-10,906
Canada Housing Trust Ser. 70 2.25% due December 15, 2025	323,448	-6,750	309,270	302,940	0	0	6,330	-14,178
Canada Housing Trust No.1 2.350% due March 15, 2028	276,235	-5,875	260,345	259,900	0	0	445	-15,890
Canada Housing Trust 2.1% Series 88 due September 15, 2029	0	204,209	205,396	205,780	0	0	-384	-384
Canada Housing Trust 1.1% Series 95 due March 15, 2031	0	257,945	257,750	258,638	0	0	-887	-887
GOVERNMENT BONDS Total	<u>1,540,754</u>		<u>1,700,253</u>	<u>1,695,838</u>	<u>0</u>	<u>-9,185</u>	<u>4,416</u>	<u>-53,658</u>
PROVINCIAL BONDS								
British Columbia 3.25% due December 18, 2021	257,290	-258,125	0	0	-5,750	-7,290	0	0
Ontario 3.15% due June 2, 2022	416,460	-12,600	404,586	400,000	0	0	4,586	-11,874
Ontario 2.85% due June 2, 2023	529,805	-14,250	512,946	511,430	0	0	1,516	-16,860
Ontario 2.60% due June 2, 2025	434,244	-10,400	415,229	404,305	0	0	10,924	-19,015
British Columbia 2.3% due June 18, 2026	378,945	-8,050	361,838	365,400	0	0	-3,562	-17,107
Ontario 2.60% due June 2, 2027	385,606	-9,100	366,808	341,460	0	0	25,348	-18,797
Ontario 2.05% due June 2, 2030	0	152,935	151,249	152,775	0	0	-1,526	-1,526
PROVINCIAL BONDS Total	<u>2,402,350</u>		<u>2,212,655</u>	<u>2,175,370</u>	<u>-5,750</u>	<u>-7,290</u>	<u>37,285</u>	<u>-85,179</u>
CORPORATE BONDS								
Bank of Montreal 3.4% due April 23, 2021	201,868	-203,400	0	0	-1,300	-1,868	0	0
Royal Bank 1.968% due March 2, 2022	152,814	-2,952	150,393	150,075	0	0	318	-2,421
National Bank of Canada 2.105% due March 18, 2022	255,300	-5,263	250,894	255,100	0	0	-4,206	-4,406
Wells Fargo 3.46% due January 24, 2023	158,604	-5,190	153,860	153,542	0	0	319	-4,744
Toronto Dominion Bank Dep. Note 1.909% due July 18, 2023	310,239	-5,727	303,230	307,890	0	0	-4,660	-7,009
Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	272,240	-8,065	260,800	255,050	0	0	5,750	-11,440

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

Security	12-31-20 Market Value	Additions Withdrawals	12-31-21 Market Value	12-31-21 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
CIBC Deposit Note 3.3% due May 26, 2025	276,710	-8,250	263,907	250,600	0	0	13,307	-12,803
Wells Fargo & Company 2.975% due May 19, 2026	216,170	-5,950	206,648	204,300	0	0	2,348	-9,522
Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	328,578	-7,860	311,225	306,210	0	0	5,015	-17,353
Bank of Montreal Dep. Note 2.70% due December 9, 2026	165,042	-4,050	156,139	163,140	0	0	-7,001	-8,903
Bell Canada SerM56 2.2% due May 29, 2028	0	74,762	74,065	74,663	0	0	-597	-597
CORPORATE BONDS Total	2,337,565		2,131,161	2,120,569	-1,300	-1,868	10,592	-79,198
TOTAL PORTFOLIO	6,280,668		6,044,070	5,991,777	-7,050	-18,343	52,293	-218,036
TOTAL DATE TO DATE GAIN OR LOSS								-236,379
% CHANGE DURING PERIOD								-3.76

Martin, Lucas & Seagram Ltd.
INVESTMENT PERFORMANCE
 Net of Fees
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
 December 31, 2021

Investment account RBCD-107611-001

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

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

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

Total Value Summary

Your investments have changed by 777,415 since the inception date. Note: In this report, the inception date is July 15, 2015 or the portfolio's start date if the account was opened after July 15, 2015.

Your investments have changed by -75,486 during the past year.

Amount invested since 07-15-15	444,656
Market value of portfolio on 12-31-21	6,067,699

Change In Portfolio Value

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

	Latest 1 Year	Inception To Date
From Date	12-31-20	07-15-15
Opening Market Value	6,303,503	4,845,628
Contributions	265,767	2,198,304
Withdrawals	-426,084	-1,753,648
Realized Gains	-18,343	-136,380
Unrealized Gains	-218,036	11,306
Interest	160,097	903,624
Dividends	0	0
Change in Accrued Interest	795	-1,135
Closing Market Value	6,067,699	6,067,699
Portfolio Fees Paid By Client	-13,033	-97,832
Total Fees	-13,033	-97,832

Martin, Lucas & Seagram Ltd.
INVESTMENT PERFORMANCE
 Net of Fees
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
December 31, 2021

Personal Rates of Return

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

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

	Annualized Latest 1 Year	Annualized Latest 3 Years	Annualized Latest 5 Years	Annualized Latest 10 Years	Annualized Inception To Date
This Portfolio	-1.42%	2.92%	2.23%	-	1.91%

What is a total percentage return?

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

Calculation method

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

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

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

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

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

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