



## ADVISORY BOARD MEETING

<u>Board Member</u>	<u>Alternate</u>	<u>Board Member</u>	<u>Alternate</u>
David Morritt	TBA	Donald Milner	Anne-Marie Breton
Robert Love	Kate Menear	Gordon Goodman	John Birch
Mike Swartz	Paul Wilson	Ken Crofoot	Eugene Cipparone
Julia Holland	David Outerbridge	Laurence Detière	Melanie Koszegi
Caroline Zayid	David E. Woollcombe	Carl De Vuono	Christopher Garrah

Tuesday, December 5, 2023 at 8:30 a.m.  
Goodmans LLP  
34<sup>th</sup> Floor, Bay Adelaide Centre, West Tower  
333 Bay Street.  
Toronto, Ontario

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ZOOM login information: Advisory Board of CLLAS

**To join meeting using a computer:**

<https://us02web.zoom.us/j/89950015844?pwd=c2FxdTdkRTB3RlZsbmxBbEduN1puZz09>

Meeting ID: 899 5001 5844

Meeting Password: 114161

**To join meeting by phone:**

+1 647 558 0588 Canada

Meeting ID: 899 5001 5844

Passcode: 114161

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## AGENDA

	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
1. Constitution of Meeting	Ken Crofoot		
2. Appointment of Secretary	Ken Crofoot		
3. Approval of the Minutes of September 19, 2023 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	Chris Marley	5 mins	
7. CLLAS Cyber Renewal - Update	Ryan Durrell	5 mins	
8. Report of the General Manager's Office	Carrie Green	45 mins	
8.1 Management Financial Statements as at September 30, 2023			8.1
8.2 CLLAS Cyber rules of the reciprocal			8.2
<i>Proposed Resolution: To adopt the updated rules of the reciprocal</i>			
8.3 Subscribers Accounts at June 30, 2023 – E&O and Cyber			8.3
8.4 ERM Policy Update to address IFRS 17 Risk Adjustment			8.4
<i>Proposed Resolution: To approve amendments to the ERM Policy</i>			
8.5 Confirmation of Terms of Reference			8.5
<i>Proposed Resolution: To confirm the updated Terms of Reference</i>			
8.6 Confirmation of Investment Policy			8.6
<i>Proposed Resolution: To confirm the Investment Policy</i>			
9. Committee Reports		20 mins	
9.1 Audit Committee	Gord Goodman		
9.1.1 Reinsurance Security Update			
9.2 Claims Committee	Robert Love		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	Carrie Green	5 mins	10.1
10.2 Annual Dinner – April 25, 2024	Ken Crofoot		
11. Next Meeting - Tuesday, February 27, 2024 at 8:30 a.m.			

**Anticipated Adjournment Time: 10:30 a.m.**

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

**Minutes of a Meeting of the Advisory Board**

8:30 a.m.

Goodmans LLP (Via Videoconference)

**Tuesday, September 19, 2023**

**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
Caroline Zayid	McCarthy Tétrault LLP
Carol De Vuono	McMillan LLP
David Morritt	Osler, Hoskin & Harcourt LLP
Julia Holland	Torys LLP
Norma Ibbetson	Office of the General Manager, CLLAS
Carrie Green	Office of the General Manager, CLLAS
Ryan Durrell	Axxima
Christopher Marley	Axxima

**Absent:**

Mike Swartz	WeirFoulds LLP
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**1. Constitution of Meeting**

The Chair brought the meeting to order.

**2. Appointment of Secretary**

Norma Ibbetson acted as Secretary.

**3. Approval of Minutes of the June 20, 2023 Meeting of the Advisory Board**

**It was moved by Laurence Detière and seconded by Robert Love that the minutes of the June 20, 2023 meeting of the Advisory Board be approved. The motion was carried unanimously.**

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

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

**5. Comments of the Chair**

No additional comments of the Chair.

**6. Board Education**

**Role of the Appointed Actuary/IFRS 17 Education Session**

Julie-Linda Laforce joined the meeting with a brief introduction explaining her role as appointed actuary for CLLAS. Ms. Laforce lead and educational session on the topic of actuarial claims liabilities and the role of the actuary which is included in the Board material. In her presentation, Ms. Laforce highlighted the factors that go into determining claim liabilities including a comparison of actuarial assumptions against actual gross ultimate losses – like a report card of the actuary’s prediction on losses.

Ms. Laforce and Carrie Green lead an education session on IFRS 17 to assist Directors understanding the changes resulting from accounting policy decisions due to the “new” accounting standard and the impact of IFRS 17 on financial statements. Ms. Laforce provided some background on IFRS 17 outlining changes to a new accounting standard, reasons for IFRS 17, and the requirement for Board involvement and approval for accounting decisions. The four key impacts centre around the application of new discount rates to liabilities, the concept of a risk adjustment, the concept of aggregation and onerous contracts and the elimination of deferred policy acquisition costs. It was noted that the risk adjustment is set by the Board and not the actuary, and the Board has adopted a risk adjustment of 9% which is essentially status quo compared to its PFAD under IFRS 4 which was 10%. A new requirement under IFRS 17 is to present the effect of discounting separately on the income statement rather than including it in claims incurred. The actuary will be responsible for applying the Board’s selected risk adjustment and the confidence level will be disclosed in the financial statements. CLLAS’ ERM policy should be enhanced to address the Board’s selection of Risk Adjustment and indicate that it will be reviewed every three years as a minimum.

Ms. Green provided a comparison of the terminology under IFRS 17 and IFRS 4 and noted that, while going forward the annual financial statements will be presented under IFRS 17, management financial statements can continue to have a more detailed presentation with an aim to make it easier for Directors to follow. This was followed by a comparison of the Balance Sheet and Income Statement including a review of the financial impact upon initial transition for CLLAS.

Transitioning to IFRS 17 represents an increase of \$2,555,000 on equity based on the opening balance sheet (one-time impact at transition), which is mainly driven by a reduction in the provision for reinsurance non-performance and a higher discount rate resulting in reduced claims liabilities.

*Julie-Linda Laforce left the meeting.*

## 7. **Report of the General Manager's Office**

### *Financial Statements for the Period Ending June 30, 2023*

Ms. Green presented CLLAS' financial management report as at June 30, 2023. The financial statements were prepared under IFRS 17 which came into effect January 1, 2023.

Ms. Green commented that it has been an uneventful quarter. On a combined program basis, CLLAS experienced an underwriting gain (net insurance result) of \$73,000 in the second quarter and a total net insurance result (after considering premiums minus claims and expenses) of \$209,000. Further after taking into account the net investment result and unrealized losses on the investment portfolio, the total comprehensive income result for the quarter was \$102,000 and \$341,000 year-to-date.

At June 30, 2023, CLLAS had surplus of slightly under \$13.8 million, vs. \$15.4 million at the same time in the prior year.

CLLAS' expenses were about \$70,000, or 6% under budget for the six-month period.

CLLAS also monitors its Minimum Capital Test ratio. At June 30, 2023, CLLAS' MCT ratio is estimated to be 537%, well above CLLAS' minimum internal requirements of 210%.

Ms Green also referred the Board to the risk metrics monitored by CLLAS on a quarterly basis. The results for June 30, 2023 are within CLLAS' risk tolerances with the exception of the "maximum concentration with a single reinsurer" as the Argo Syndicate reinsures 18.1% of CLLAS' total liabilities. As noted before, appropriate moves to continue diversifying CLLAS' reinsurance support should be made when market conditions permit.

### *CLLAS Cyber Subscribers Accounts/Rules of the Reciprocal – Status update*

Ms. Green advised that the new cyber rules of the reciprocal and the subscriber accounts will be presented at the December Board meeting. The Rules will be put forward for adoption and the subscriber accounts will be provided as an information item.

## 8. **Final Placement of Reinsurance Renewal including Cyber and ODL update**

Ryan Durrell and Chris Marley reviewed the final terms of the July 1, 2023 reinsurance renewal and provided updates on the ODL program, the CLLAS Cyber program and the CLLAS Associate Member program.

Renewal negotiations were smoother than in previous years. The impact of inflation was a primary concern with claims movement also noted. We did not lose any of our current markets for this renewal, with most markets looking to preserve their book of business overall.

The reinsurance rate increase on the \$49MM xs \$1MM primary layer was 2.5%, which we consider a very good outcome. The increases on the upper layers were 12.5% (\$60MM xs \$160MM) and 5% (umbrella layer) respectively. BRIT, who leads these layers continues to feel they are underpriced. The second umbrella layer, introduced last year (\$30MM xs \$250MM) saw no change to its rate.

The premium per non-Quebec lawyer for the \$49MM xs \$1MM layer (including the drop-down) at July 1, 2023 was \$3,445, a 9.4% increase from last year as approved by the Board at the June Board meeting. The structure of the program is unchanged from last year.

While we experienced some pressure for increases, the market continues to soften as reinsurers seek premium volume and capacity becomes available.

CLLAS' strategy continues to prove its value by delivering relative stability and control over the long term, both in terms of pricing and coverage.

The ODL program for participating firms renewed at July 1, 2023 with modest premium reductions. The market overall has stabilized relative to recent years, but pricing and coverage remains a challenge for certain industries. Capacity for ML/EPL continues to be a challenge with very few markets willing to write this business (particularly with US exposure), but new markets are starting to be attracted largely as a result of relative stability over recent years.

The CLLAS cyber program launched on July 1, 2022 offering limits of \$10MM.

Within the \$10MM limit, CLLAS retains the first \$1MM, inclusive of the firm deductible. Reinsurance of \$5MM excess of \$1MM is placed with Beazley. The final layer of reinsurance (\$4MM xs \$6MM) is with Axis, and we are not anticipating any issues outside of a 5% increase on both layers. The basic deductible is \$100,000 for firms with <150 lawyers and \$250,000 for firms with ≥150 lawyers. Additionally, there are a number of sub-limits, e.g. funds transfer fraud has a limit of \$250,000 and a deductible of \$50,000.

Renewal applications have gone out to the firms who all have a common renewal date of October 15th. No premium rate change is expected.

Optional excess limits of up to \$20MM excess of CLLAS' \$10MM limit are available outside of CLLAS in the commercial marketplace, facilitated by Axxima through Ridge Canada. It is expected that there will be at least a 5% reduction over last year, possibly a bit more as a result of discounting of commissions that Axxima does not take on the placement of the excess.

The Associate Firm program has renewed with both firms. Rates for 2023/2024 increased by approximately \$2.5% on the \$30MM primary under that program and the \$20MM excess \$30MM saw a similar increase. One of the firms experienced a large premium increase due to the firm growth. The same firm purchases cyber through the CLLAS program and is part of CLLAS' Underwriting Group II.

## 9. **Committee Reports**

### *Report of the Audit Committee*

Gordon Goodman reported to the Board. There will be a year-end planning meeting to be held towards the end of October.

*Report of the Claims Committee*

Bob Love reported to the Board. The Committee meets quarterly. Included in the material are some charts summarizing CLLAS' claims activity at June 30, 2023. The Committee has met virtually in between the regularly scheduled meetings and just last week settled a high damage – low exposure claim from a more recent policy year.

*Report of the Risk Management Committee*

Julia Holland reported to the Board. Discussions are underway to have a fall risk management session related to Artificial Intelligence on October 3<sup>rd</sup> in-person over the lunch hour. Invitations will be emailed very shortly. It looks to be a very interesting discussion.

*Report of the Policy Committee*

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

**10. Other Business**

*Quarterly Report of the Investment Manager*

This is an information item for the Board.

**11. Proposed Meeting Dates in 2024**

- Tuesday, February 27, 2024
- Tuesday, June 25, 2024
- Tuesday, September 17, 2024
- Tuesday, December 3, 2024

Date and location of the AGM is to be advised.

**12. Next Meeting**

The next regularly scheduled meeting of the Board will be on December 5, 2023. Meetings will continue to be held virtually for the time being.

There being no further business, the meeting was terminated.

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Chairman

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Secretary



# MEMORANDUM

DATE: November 24, 2023  
TO: CLLAS Advisory Board  
FROM: Carrie Green  
COPY:  
RE: September 30, 2023 Financial Management Report

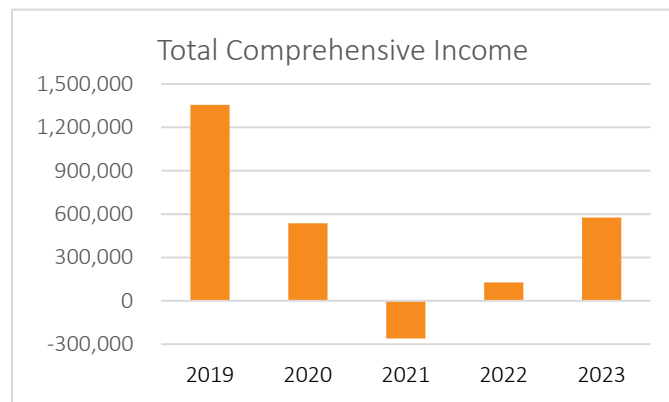
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CLLAS' financial management report for the quarter ended September 30, 2023 is attached. Included are the following exhibits:

- Exhibit 1: Management Financial Statements for the Combined CLLAS Programs, including the risk metrics and AMRGF exhibits
- Exhibit 2: Management Financial Statements for the E&O Program
- Exhibit 3: Management Financial Statements for the Cyber Program

## Combined Programs (Exhibits 1.1 – 1.6)

These financial statements were prepared under IFRS 17 which came into effect January 1, 2023. While there have been changes in presentation and terminology as a result, best efforts have been made to maintain a familiar level of detail in the supporting schedules. Note that for the graphs contained here, the figures shown for all years prior to 2023 were prepared under IFRS 4.



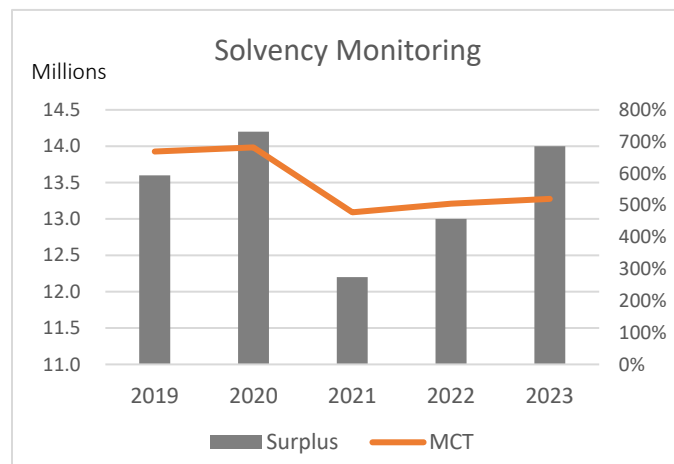
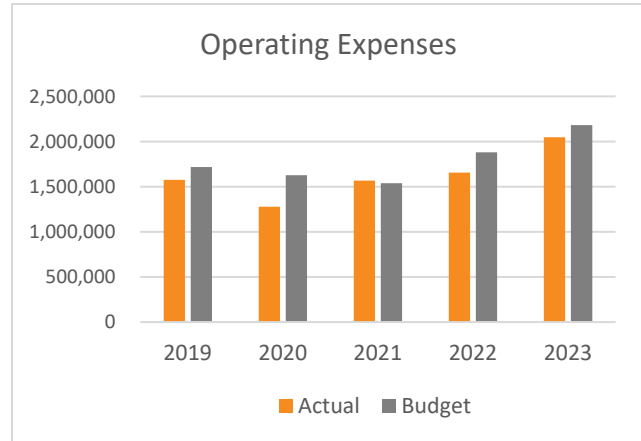
On a combined program basis, as shown on Exhibit 1.2, the insurance service result (i.e. premiums minus claims and expenses) continued its positive trajectory in Q3 with a net insurance result YTD of \$335,000. After taking into account the net investment result and unrealized losses on the investment portfolio, the total comprehensive income result for the quarter was \$235,000 and \$576,000 YTD.



The Budget Variance (Exhibit 1.4) shows that expenses finished the quarter \$133,000, or 6% under budget YTD.

As shown on Exhibit 1.1, the surplus position for CLLAS at September 30, 2023 remains strong at just over \$14 million.

The key regulatory solvency test that CLLAS is required to comply with is known as the Alberta Maintenance of Reserve and Guarantee Fund (“AMRGF”). CLLAS must maintain “cash and



approved securities” in excess of the reserve fund plus the guarantee fund required by the Alberta regulator. Exhibit 1.6 shows that at September 30, 2023 CLLAS had assets exceeding the required amount by over \$16 million, which is well in excess of the required amount.

The other solvency test monitored by CLLAS is the Minimum Capital Test (“MCT”). As shown in Exhibit 1.5, CLLAS’ MCT ratio was 520% at September 30, 2023, again well in excess of regulatory expectations.

Note that the combined statements consolidate the two programs and account for any inter-program adjustments. (For example, premium taxes on the Cyber Program may have been paid by the E&O Program. This would appear as a payable on the Cyber Program’s accounts and a receivable for the E&O Program but would be netted out on the combined statements.) The financial performance metrics for CLLAS (shown on Exhibit 1.5) are presented on a combined basis.

Exhibit 1.5 shows the year-end results for 2021 and 2022, and the results at September 30, 2023 against risk targets and risk limits. Most of the metrics at September 30, 2023 are within CLLAS’ risk limits. The items of note are discussed below.

Line 3: Status of Governance Policies: The ERM policy needs to be amended in 2023 to address the risk adjustment for IFRS 17. This is on the December Board meeting agenda.



- Line 8: While the insurance market conditions continue to normalize, we remain cautiously optimistic maintaining a yellow indicator for this metric. This metric will be reviewed again as circumstance change.
- Line 9: This metric reflects the Reinsurance Security Report presented to the Audit Committee at its October 31, 2023 meeting. As discussed during that meeting, one of CLLAS' reinsurers, Westfield (formerly Argo) has an A- rating with AM Best and/or S&P.
- Line 10: This metric also reflects the Reinsurance Security Report presented to the Audit Committee at its October 31, 2023 meeting. As discussed during that meeting, the Westfield Syndicate (formerly Argo) reinsures 21.3% of CLLAS' total liabilities. Appropriate moves to continue diversifying CLLAS' reinsurance support should be made when market conditions permit.

#### **CLLAS E&O Program (Exhibits 2.1 – 2.4)**

As shown on Exhibit 2.2, the E&O program's experience for the quarter was unfavourable with a negative net insurance service result of just under \$(262,000) resulting in year-to-date total comprehensive income of \$168,000. The E&O program's surplus at September 30, 2023 sits at approximately \$13.7 million.

#### **CLLAS Cyber Program (Exhibits 3.1 – 3.4)**

As shown on Exhibit 3.2, the Cyber program produced positive results for the quarter, with a total comprehensive income of just over \$407,000 year to date. As explained in the 2023 CLLAS operating budget, with the exception of premium taxes and reinsurance fees, which can be isolated by program, 5% of all other operating expenses are allocated to the Cyber program. As shown on the budget variance (Exhibit 3.4), operating expenses year to date are under budget by \$71,000 due to the timing of premium tax payments. Surplus for the Cyber program is sitting at just under \$349,000 as at the end of the quarter.

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

Sincerely,

Carrie Green  
General Manager

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - COMBINED**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE PERIOD ENDED September 30, 2023**

**Exhibit 1.1**

	<b>As at September 30, 2023</b>	<b>As at September 30, 2022</b>
<b>Assets</b>		
Cash	6,834,259	4,721,168
Short term investments	9,117,347	11,395,689
Bonds	6,734,043	5,688,278
Interest income due and accrued	51,015	38,393
Prepaid expenses	393,142	311,789
Other receivable	-	-
Reinsurance contract assets		
Asset for incurred claims	64,775,113	65,691,882
Asset for remaining coverage	1,623,600	973,938
	<b>89,528,519</b>	<b>88,821,137</b>
<b>Liabilities</b>		
Insurance contracts liabilities		
Liability for incurred claims	70,350,648	69,631,094
Liability for remaining coverage	5,177,470	3,774,892
Accounts payable & accrued charges	-	
	<b>75,528,118</b>	<b>73,405,986</b>
<b>Subscribers' equity</b>		
Equity	14,532,750	15,777,189
Accumulated other comprehensive income (loss)	(532,349)	(362,038)
	<b>14,000,401</b>	<b>15,415,151</b>
	<b>89,528,519</b>	<b>88,821,137</b>

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - COMBINED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED September 30, 2023**

**Exhibit 1.2**

	Current Year		Prior Year	
	Quarter September 30, 2023	Year to Date September 30, 2023	Quarter September 30, 2022	Year to Date September 30, 2022
<b>Insurance service result</b>				
Insurance revenue	4,784,836	13,159,295	3,627,563	9,872,473
Insurance service expense				
Incurred claims expenses	(71,675)	5,144,698	(5,225,322)	1,808,872
Operating expenses	313,864	1,260,909	304,281	1,237,807
Premium taxes	473,503	473,503	43,333	454,618
Insurance service result before reinsurance	4,069,143	6,280,185	8,505,271	6,371,176
Allocation of reinsurance premiums	3,955,981	10,636,381	3,305,802	8,541,962
Amounts recovered from reinsurers	121,210	5,005,680	(4,803,353)	2,664,550
Reinsurance fees	(107,624)	(314,057)	(123,488)	(272,988)
	3,942,395	5,944,757	8,232,643	6,150,400
Net insurance service result	<b>126,748</b>	<b>335,428</b>	<b>272,628</b>	<b>220,776</b>
<b>Investment result</b>				
Investment income (loss)	253,702	491,127	117,714	224,690
Insurance finance income (expense)				
For insurance contract	758,191	(617,008)	48,190	(4,818,150)
For reinsurance contracts	(705,772)	568,774	(44,291)	4,439,627
Net investment result	<b>306,121</b>	<b>442,893</b>	<b>121,613</b>	<b>(153,833)</b>
<b>Net Income (loss)</b>	<b>432,869</b>	<b>778,322</b>	<b>394,241</b>	<b>66,943</b>
Unrealized gains (losses) arising during the year	(198,323)	(202,713)	(54,073)	(466,878)
Recognition of realized gain (loss) included in income	-	-	-	-
Other comprehensive income (loss) for the year	(198,323)	(202,713)	(54,073)	(466,878)
<b>Total comprehensive income (loss)</b>	<b>234,547</b>	<b>575,609</b>	<b>340,168</b>	<b>(399,935)</b>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - COMBINED  
STATEMENT OF CHANGES IN EQUITY  
September 30, 2023

Exhibit 1.3

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on FVOCI financial assets	Total Equity
Balance, beginning of year	50,000	10,934,525	(329,637)	10,654,889
Restated balance, beginning of year	50,000	13,704,428	(329,636)	13,424,793
Comprehensive income for the year				
Net gain (loss) for the year		778,322		778,322
Other comprehensive income				
Unrealized gains and losses arising during the year			(202,713)	(202,713)
Recognition of realized gain included in income			-	-
Total comprehensive income (loss) for the year	-	778,322	(202,713)	575,609
Return of Surplus		-		-
Balance at September 30, 2023	50,000	14,482,750	(532,349)	14,000,401

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - COMBINED  
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS  
FOR THE PERIOD ENDED September 30, 2023

Exhibit 1.4

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
		September 30, 2023	September 30, 2023	September 30, 2023	
<b>MANAGEMENT SERVICES</b>	575,000	75%	431,250	418,737	12,513
(See Note 1)					
<b>PROFESSIONAL SERVICES (See Note 2)</b>					
Actuarial Services	80,000	80%	64,000	67,782	(3,782)
Reinsurance Matters	280,000	80%	224,000	186,074	37,926
Strategic Matters	125,000	80%	100,000	92,938	7,062
Sub-Total Professional Services	485,000		388,000	346,794	41,206
GST/HST on Consulting Fees	137,800		106,502	99,519	6,983
<b>Total Management &amp; Professional Services</b>	<b>1,197,800</b>		<b>925,752</b>	<b>865,050</b>	<b>60,702</b>
<b>OTHER EXPENSES</b>					
Audit Expenses (See Note 3)	207,000	75%	155,250	135,365	19,886
Annual Dinner	7,500	100%	7,500	6,177	1,323
Premium Taxes	500,000	100%	500,000	473,503	26,497
Chairman's Expenses	-		-	-	-
Chairman's Honourarium	150,000	100%	150,000	150,000	-
Reinsurance Expense	6,000	100%	6,000	7,618	(1,618)
D&O Insurance	20,000	100%	20,000	17,794	2,206
Office Expenses	16,000	75%	12,000	19,441	(7,441)
Claims: Borderaux (LawPro/LIF)	18,300	96%	17,550	16,350	1,200
Special Services	15,000	75%	11,250	-	11,250
Reinsurance Fee (BWI) (See Note 4)	421,800	75%	316,350	314,057	2,293
I.B.C Statistical Plan Fees	-		-	923	(923)
Assessment Fees	5,500	100%	5,500	7,026	(1,526)
Investment counsel fees	29,000	75%	21,750	20,701	1,049
Investment - Custodial	18,000	75%	13,500	10,964	2,536
Risk Management/Loss Prevention	20,000	75%	15,000	-	15,000
License Fee	5,000	85%	4,250	3,500	750
Insurance: Sundry	-		-	-	-
<b>Sub-total</b>	<b>1,439,100</b>		<b>1,255,900</b>	<b>1,183,418</b>	<b>72,482</b>
<b>TOTAL</b>	<b>2,636,900</b>		<b>2,181,652</b>	<b>2,048,468</b>	<b>133,184</b>

**\* NOTE 1: MANAGEMENT SERVICES**

The budget of \$575,000 (5% is allocated to the Cyber) has been increased from \$563,500 prior year budget due to:

- wage inflation
- additional activity due to Cyber Program, and
- increase in commission credit applied against fixed fees as a combined result of the small increase in commission to place CLLAS Associate, and profit share commission expected to be received in 2023 on CLLAS Associate firms.

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

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

First Quarter, ending March 31st	20%
Second Quarter, ending June 30th	43%
Third Quarter, ending September 30th	17%
Fourth Quarter, ending December 31st	20%
	<u>100%</u>

**\* NOTE 3: AUDIT EXPENSES**

The total (E&O and Cyber) increase of \$29,000 over the 2022 actual reflects an increase to account for audit services related to the IFRS17 implementation.

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

Budget for BWI fees for the year 2023 reflects the fee already agreed for the 2023/24 policy year, and it is \$321,800 on E&O and \$100,000 on Cyber Program.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY  
SUMMARY OF RISK METRICS\*  
September 30, 2023

Exhibit 1.5

Risk Category	Risk Metric	December 31, 2021	December 31, 2022	September 30, 2023	Green Zone (Meets Target)	Yellow Zone	Red Zone (Limit Exceeded)
General	(1) AMRGF - Excess of Cash/Appr. Securities Over Reg. Req'ment	\$8,237,000	\$2,952,000	\$16,098,000	5,000,000 and above	\$2,500,000 to \$5,000,000	Less than \$2,500,000
	(2) MCT Ratio	555%	381%	520%	210% and above	n/a	Less than 210%
	(3) Status of Governance Policies	Up to date	Up to date	Items outstanding	Up to date	Items outstanding	Materially behind schedule
Insurance	(4) Gross Loss Ratio	-3%	87%	38%	Less than 150%	150% to 300%	Over 300%
	(5) Net Loss Ratio	-12%	3%	5%	Less than 50%	50% to 100%	Over 100%
	(6) Risk of Systemic Loss	Some concerns raised	Nothing on horizon	Nothing on horizon	Nothing on horizon	Some concerns raised	Adverse experience
Premium & Strategy	(7) Actual Expenses vs. Budget	98%	94%	94%	Less than 105%	105% to 120%	Over 120%
	(8) State of the Market Outlook	Some concerns raised	Some concerns raised	Some concerns raised	Nothing on horizon	Some concerns raised	Adverse experience
Reinsurance	(9) Reinsurer Credit Rating	A- to A+	A- to A+	A- to A+	A or above	A-	B+ and below
	(10) Maximum Concentration with a Single Reinsurer excl. Colchester	19.0%	18.1%	21.3%	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	0	0	0	0 to 2 members	3 to 4 members	5 or more members
	(15) Key Management/Advisor Turnover in Last 36 Months	1	1	1	0 to 1 person	2 to 3 people	4 or more members
Investments	(16) Investment Manager Compliance Statement	In compliance	In compliance	In compliance	In compliance	Temporarily or slightly not	Consistently or
Regulatory Compliance	(17) Regulatory Outlook Report	No significant concerns noted	No significant concerns noted	No significant concerns noted	No significant issues noted	Issues being addressed	Significant issues

Notes

- (1) = From Exhibit 6.
- (2) Based on P&C-1 for December 2021 and 2022, based on data and financial statements for September 2023. The capital requirement for the liability for incurred claims does not include payables/receivables as this provides significant variations in the MCT ratio over the quarters. Target based on ORSA analysis.
- (3) Reviewed annually in December or earlier as required.
- (4) = Insurance incurred claims expenses / Insurance revenue from the financial statements, excluding the effect of any return of surplus.
- (5) = Insurance incurred claims expenses net of reinsurance recovered amounts / Insurance revenue net of reinsurance premium from the financial statements, excluding the effect of any return of surplus.
- (6) Reviewed in December 2022.
- (7) = Actual expenses / budget expenses. From the financial statements.
- (8) Reviewed in December 2022.
- (9) Based on A.M. Best. information from report on reinsurance security (October 2023).
- (10) Based on claim liabilities exposure. Lloyds syndicates are assessed separately. September 2023 information from report on reinsurance security (October 2023).
- (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

\*Risk Metrics as of December 31, 2021 and December 31, 2022 are based on the financial statements under IFRS 4. Risk Metrics as of September 30, 2023 are based on the financial statements under IFRS 17.

## Exhibit 1.6

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**  
**For the Period Ending September 30, 2023**

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

	Current Year to Date 30-Sep-23 (in \$000's)	Prior Year End 30-Sep-22 (in \$000's)
<b><u>Reserve Fund</u></b>		
Premiums received having one year or less to run	(1) 16,533	14,392
Less: Amount paid to licensed reinsurers	(2) 15,074	13,026
Premiums received with more than one year to run, less expired portion	(3) -	-
Less: Amount paid to reinsurers on premiums on line 3, less expired line 3, less expired portion.	(4) -	-
Subtotal (lines 1, minus line 2, plus line 3, minus line 4)	(5) 1,459	1,366
Reserve Fund Required (50% of Line 5)	(6) 730	683
<b><u>Guarantee Fund</u></b>		
Total Liabilities	(7) 75,528	73,406
Less: Liability for Remaining Coverage	(8) 5,177	3,775
Less: Recoverable from licensed reinsurers	(9) 64,543	66,611
Plus: Statutory Margin	(10) 50	50
Guarantee Fund Required (Line 7 minus Lines 8 and 9 plus line 10)	(11) 5,858	3,070
<b>TOTAL RESERVE &amp; GUARANTEE FUND REQUIRED (Line 6+11)</b>	(12) 6,588	3,753
Cash & Approved Securities	(13) 22,686	21,805
Excess of Cash & Securities over Reserve & Guarantee Fund (line 13 minus line 12)	(14) 16,098	18,052



**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - E&O**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE PERIOD ENDED September 30, 2023**

Exhibit 2.1

	As at September 30, 2023	As at September 30, 2022
<b>Assets</b>		
Cash	6,834,259	4,721,168
Short term investments	9,117,347	11,395,689
Bonds	6,734,043	5,688,278
Interest income due and accrued	51,015	38,393
Prepaid expenses	247,900	236,789
Other receivable	-	-
Reinsurance contract assets		
Asset for incurred claims	64,210,119	65,669,538
Asset for remaining coverage	1,555,284	1,225,993
	<b>88,749,967</b>	<b>88,975,848</b>
<b>Liabilities</b>		
Insurance contracts liabilities		
Liability for incurred claims	69,321,508	69,616,863
Liability for remaining coverage	4,882,917	3,648,492
Accounts payable & accrued charges	893,853	
	<b>75,098,278</b>	<b>73,265,355</b>
<b>Subscribers' equity</b>		
Equity	14,184,038	16,072,531
Accumulated other comprehensive income (loss)	(532,349)	(362,038)
	<b>13,651,689</b>	<b>15,710,493</b>
	<b>88,749,967</b>	<b>88,975,848</b>

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - E&O**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED September 30, 2023**

Exhibit 2.2

	Current Year		Prior Year	
	Quarter September 30, 2023	Year to Date September 30, 2023	Quarter September 30, 2022	Year to Date September 30, 2022
<b>Insurance service result</b>				
Insurance revenue	4,135,507	11,236,738	3,609,465	9,854,375
Insurance service expense				
Incurred claims expenses	273,550	4,529,613	(5,239,553)	1,794,641
Operating expenses	298,171	1,197,863	304,281	1,237,807
Premium taxes	471,085	471,085	42,794	454,079
Insurance service result before reinsurance	3,092,701	5,038,177	8,501,943	6,367,848
Allocation of reinsurance premiums	3,582,812	9,531,262	3,053,747	8,289,907
Amounts recovered from reinsurers	310,874	4,666,531	(4,803,353)	2,664,550
Reinsurance fees	(82,412)	(239,387)	(78,488)	(227,988)
	3,354,350	5,104,118	7,935,588	5,853,345
Net insurance service result	(261,649)	(65,941)	566,355	514,503
<b>Investment result</b>				
Investment income (loss)	250,858	481,460	117,714	224,690
Insurance finance income (expense)				
For insurance contract	759,294	(608,910)	(9,684,490)	(4,818,150)
For reinsurance contracts	(706,405)	564,321	8,923,545	4,439,627
Net investment result	303,747	436,871	(643,231)	(153,833)
<b>Net Income (loss)</b>	<b>42,098</b>	<b>370,930</b>	<b>(76,876)</b>	<b>360,670</b>
Unrealized gains (losses) arising during the year	(198,323)	(202,713)	(54,073)	(466,878)
Recognition of realized gain (loss) included in income	-	-	-	-
Other comprehensive income (loss) for the year	(198,323)	(202,713)	(54,073)	(466,878)
<b>Total comprehensive income (loss)</b>	<b>(156,224)</b>	<b>168,217</b>	<b>(130,949)</b>	<b>(106,208)</b>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - E&O  
STATEMENT OF CHANGES IN EQUITY  
September 30, 2023

Exhibit 2.3

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on FVOCI financial assets	Total Equity
Balance, beginning of year	50,000	10,957,820	(329,636)	10,678,185
Restated balance, beginning of year	50,000	13,763,108	(329,636)	13,483,472
Comprehensive income for the year				
Net gain (loss) for the year		370,930		370,930
Other comprehensive income				
Unrealized gains and losses arising during the year			(202,713)	(202,713)
Recognition of realized gain included in income			-	-
Total comprehensive income (loss) for the year	-	370,930	(202,713)	168,217
Return of Surplus		-		-
Balance at September 30, 2023	50,000	14,134,038	(532,349)	13,651,689

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - E&O  
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS  
FOR THE PERIOD ENDED September 30, 2023

Exhibit 2.4

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
		September 30, 2023	September 30, 2023	September 30, 2023	
<b>MANAGEMENT SERVICES</b>	546,250	75%	409,687	397,800	11,887
(See Note 1)					
<b>PROFESSIONAL SERVICES (See Note 2)</b>					
Actuarial Services	76,000	80%	60,800	64,393	(3,593)
Reinsurance Matters	266,000	80%	212,800	176,770	36,030
Strategic Matters	118,750	80%	95,000	88,291	6,709
Sub-Total Professional Services	460,750		368,600	329,454	39,146
GST/HST on Consulting Fees	130,910		101,177	94,543	6,634
<b>Total Management &amp; Professional Services</b>	<b>1,137,910</b>		<b>879,465</b>	<b>821,798</b>	<b>57,667</b>
<b>OTHER EXPENSES</b>					
Audit Expenses (See Note 3)	196,650	75%	147,488	128,596	18,891
Annual Dinner	7,125	100%	7,125	5,868	1,257
Premium Taxes	432,000	100%	432,000	471,085	(39,085)
Chairman's Expenses	-		-	-	-
Chairman's Honourarium	142,500	100%	142,500	142,500	-
Reinsurance Expense	5,700	100%	5,700	7,237	(1,537)
D&O Insurance	19,000	100%	19,000	16,904	2,096
Office Expenses	15,200	75%	11,400	18,469	(7,069)
Claims: Borderaux (LawPro/LIF)	17,385	96%	16,673	15,533	1,140
Special Services	14,250	75%	10,688	-	10,688
Reinsurance Fee (BWI) (See Note 4)	321,800	75%	241,350	239,387	1,963
I.B.C Statistical Plan Fees	-		-	877	(877)
Assessment Fees	5,225	100%	5,225	6,675	(1,450)
Investment counsel fees	27,550	75%	20,662	19,666	996
Investment - Custodial	17,100	75%	12,825	10,416	2,409
Risk Management/Loss Prevention	19,000	75%	14,250	-	14,250
License Fee	4,750	85%	4,038	3,325	713
Insurance: Sundry	-		-	-	-
<b>Sub-total</b>	<b>1,245,235</b>		<b>1,090,923</b>	<b>1,086,538</b>	<b>4,385</b>
<b>TOTAL</b>	<b>2,383,145</b>		<b>1,970,387</b>	<b>1,908,335</b>	<b>62,052</b>

**\* NOTE 1: MANAGEMENT SERVICES**

The budget of \$575,000 (5% is allocated to the Cyber Program) has been increased from \$563,500 prior year budget due to:

- wage inflation
- additional activity due to Cyber Program, and
- increase in commission credit applied against fixed fees as a combined result of the small increase in commission to place CLLAS Associate, and profit share commission expected to be received in 2023 on CLLAS Associate firms.

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

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

First Quarter, ending March 31st	20%
Second Quarter, ending June 30th	43%
Third Quarter, ending September 30th	17%
Fourth Quarter, ending December 31st	20%
	<u>100%</u>

**\* NOTE 3: AUDIT EXPENSES**

The total (E&O and Cyber) increase of \$29,000 over the 2022 actual reflects an increase to account for audit services related to the IFRS17 implementation.

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

Budget for BWI fees for the year 2023 reflects the fee already agreed for the 2023/24 policy year, and it is \$321,800 on E&O and \$100,000 on Cyber Program.

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - CYBER**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE PERIOD ENDED September 30, 2023**

**Exhibit 3.1**

	<b>As at September 30, 2023</b>	<b>As at September 30, 2022</b>
<b>Assets</b>		
Cash	-	-
Short term investments	-	-
Bonds	-	-
Interest income due and accrued	-	-
Prepaid expenses	145,242	75,000
Other receivable	893,853	22,344
Reinsurance contract assets		
Asset for incurred claims	564,994	-
Asset for remaining coverage	68,316	(252,055)
	<b>1,672,406</b>	<b>(154,711)</b>
<b>Liabilities</b>		
Insurance contracts liabilities		
Liability for incurred claims	1,029,140	14,231
Liability for remaining coverage	294,553	126,400
Accounts payable & accrued charges	-	-
	<b>1,323,693</b>	<b>140,631</b>
<b>Subscribers' equity</b>		
Equity	348,712	(295,342)
Accumulated other comprehensive income (loss)	-	-
	<b>348,712</b>	<b>(295,342)</b>
	<b>1,672,406</b>	<b>(154,711)</b>

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - CYBER  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED September 30, 2023**

**Exhibit 3.2**

	Current Year		Prior Year	
	Quarter September 30, 2023	Year to Date September 30, 2023	Quarter September 30, 2022	Year to Date September 30, 2022
<b>Insurance service result</b>				
Insurance revenue	649,328	1,922,557	18,098	18,098
Insurance service expense				
Incurred claims expenses	(345,225)	615,085	14,321	14,321
Operating expenses	15,693	63,045	-	-
Premium taxes	2,418	2,418	2,064	2,064
Insurance service result before reinsurance	976,442	1,242,009	1,713	1,713
Allocation of reinsurance premiums	373,168	1,105,119	252,055	252,055
Amounts recovered from reinsurers	(189,664)	339,149	-	-
Reinsurance fees	(25,212)	(74,670)	(45,000)	(45,000)
	588,045	840,640	297,055	297,055
Net insurance service result	<b>388,397</b>	<b>401,369</b>	<b>(295,342)</b>	<b>(295,342)</b>
<b>Investment result</b>				
Investment income (loss)	2,844	9,668	-	-
Insurance finance income (expense)				
For insurance contract	(1,103)	(8,098)	-	-
For reinsurance contracts	633	4,453	-	-
Net investment result	<b>2,374</b>	<b>6,023</b>	<b>-</b>	<b>-</b>
<b>Net Income (loss)</b>	<b>390,771</b>	<b>407,392</b>	<b>(295,342)</b>	<b>(295,342)</b>
Unrealized gains (losses) arising during the year	-	-	-	-
Recognition of realized gain (loss) included in income	-	-	-	-
Other comprehensive income (loss) for the year	-	-	-	-
<b>Total comprehensive income (loss)</b>	<b>390,771</b>	<b>407,392</b>	<b>(295,342)</b>	<b>(295,342)</b>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - CYBER  
STATEMENT OF CHANGES IN EQUITY  
September 30, 2023

Exhibit 3.3

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on FVOCI financial assets	Total Equity
Balance, beginning of year		(23,296)	-	(23,296)
Restated balance, beginning of year	-	(58,680)	-	(58,680)
Comprehensive income for the year				
Net gain (loss) for the year		407,392		407,392
Other comprehensive income				
Unrealized gains and losses arising during the year			-	-
Recognition of realized gain included in income			-	-
Total comprehensive income (loss) for the year	-	407,392	-	407,392
Return of Surplus		-		-
Balance at September 30, 2023	-	348,712	-	348,712

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - CYBER**  
**STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS**  
**FOR THE PERIOD ENDED September 30, 2023**

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
		September 30, 2023	September 30, 2023	September 30, 2023	
<b>MANAGEMENT SERVICES</b>	28,750	75%	21,562	20,937	626
(See Note 1)					
<b>PROFESSIONAL SERVICES (See Note 2)</b>					
Actuarial Services	4,000	80%	3,200	3,389	(189)
Reinsurance Matters	14,000	80%	11,200	9,304	1,896
Strategic Matters	6,250	80%	5,000	4,647	353
Sub-Total Professional Services	24,250		19,400	17,340	2,060
GST/HST on Consulting Fees	6,890		5,325	4,976	349
<b>Total Management &amp; Professional Services</b>	<b>59,890</b>		<b>46,288</b>	<b>43,253</b>	<b>3,035</b>
<b>OTHER EXPENSES</b>					
Audit Expenses (See Note 3)	10,350	75%	7,763	6,768	994
Annual Dinner	375	100%	375	309	66
Premium Taxes	68,000	100%	68,000	2,418	65,582
Chairman's Honourium	7,500	100%	7,500	7,500	-
Reinsurance Expense	300	100%	300	381	(81)
D&O Insurance	1,000	100%	1,000	890	110
Office Expenses	800	75%	600	972	(372)
Claims: Borderaux (LawPro/LIF)	915	96%	878	818	60
Special Services	750	75%	563	-	563
Reinsurance Fee (BWI) (See Note 4)	100,000	75%	75,000	74,670	330
I.B.C Statistical Plan Fees	-		-	46	(46)
Assessment Fees	275	100%	275	351	(76)
Investment counsel fees	1,450	75%	1,087	1,035	52
Investment - Custodial	900	75%	675	548	127
Risk Management/Loss Prevention	1,000	75%	750	-	750
License Fee	250	85%	213	175	38
<b>Sub-total</b>	<b>193,865</b>		<b>164,977</b>	<b>96,881</b>	<b>68,097</b>
<b>TOTAL</b>	<b>253,755</b>		<b>211,265</b>	<b>140,133</b>	<b>71,132</b>

**\* NOTE 1: MANAGEMENT SERVICES**

The budget of \$575,000 (5% is allocated to the Cyber Program) has been increased from \$563,500 prior year budget due to:

- wage inflation
- additional activity due to Cyber Program, and
- increase in commission credit applied against fixed fees as a combined result of the small increase in commission to place CLLAS Associate, and profit share commission expected to be received in 2023 on CLLAS Associate firms.

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

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

First Quarter, ending March 31st	20%
Second Quarter, ending June 30th	43%
Third Quarter, ending September 30th	17%
Fourth Quarter, ending December 31st	20%
	<u>100%</u>

**\* NOTE 3: AUDIT EXPENSES**

The total (E&O and Cyber) increase of \$29,000 over the 2022 actual reflects an increase to account for audit services related to the IFRS17 implementation.

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

Budget for BWI fees for the year 2023 reflects the fee already agreed for the 2023/24 policy year, and it is \$321,800 on E&O and \$100,000 on Cyber Program.





# MEMORANDUM

DATE: November 29, 2023  
TO: CLLAS Advisory Board  
FROM: Carrie Green  
COPY:  
RE: Rules of the Reciprocal – Subscribers' Accounts

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This is further to the memo provided at the June 2023 CLLAS Board meeting which addressed the proposed approach by management to account for subscriber participation in the CLLAS Cyber program. Attached for review and adoption are the updated *Rules of the Reciprocal* pertaining to subscribers' accounts which describe in detail the allocation methodology for the Cyber Program as well as a "refresh" of the existing rules for the Professional Liability Program.

## Background

The objective of the Subscribers' Accounts is to systematically allocate CLLAS' assets and liabilities (and resulting surplus) amongst the Subscribers as of June 30th of each year. These Accounts are used to track each Subscriber's financial interest in CLLAS. The aggregate financial information in the accounts is consistent with CLLAS' management financial statements as of the same date.

The Cyber Program was established as a separate Underwriting Group within CLLAS. Section 5.03 of the Agreement states that: *"Each Underwriting Group will be accounted for separately. Individual accounts will be kept for each Underwriting Period showing each Subscriber's participation in the operations and the operating results of each Underwriting Group and of the Reciprocal as a whole in the manner determined by the Rules."* An Underwriting Period is the five-year period during which member firms commit to participating in one or both of the CLLAS programs and to sharing in the profits/losses of the program(s). The current Underwriting Period runs from July 1, 2022 to July 1, 2027.



## Rules of the Reciprocal – Subscribers’ Accounts

Adopted December 5, 2023

(Adopted pursuant to Section 7.09 of the Reciprocal Insurance Exchange Agreement)

### Purpose and Scope

Section 5.03 of the Subscribers’ Agreement requires CLLAS to maintain Subscribers’ Accounts which show, for each Underwriting Period, each Subscriber’s participation in the operations and the operating results of each Underwriting Group and of CLLAS as a whole in the manner determined by the Rules. This document restates the Rules that have been in effect for the E&O Program since CLLAS was established in 1986 and sets out the Rules for the Cyber Program which was introduced in 2022.

### Overview of Allocation Methodology

As described in more detail in the next section, the asset account for each Subscriber at the end of the preceding year is adjusted by allocating each component that affected CLLAS’ net assets in the year (i.e. premiums collected, claims, operating expenses, investment income, etc.). The approach for the E&O Program is different from that for the Cyber Program.

For the E&O Program:

- Some components (i.e. premiums, premium taxes, reinsurance costs) are based on each Subscribers’ actual financial transactions. For example, if a firm paid \$100 of premiums to CLLAS in the year, that firm would be allocated \$100 of CLLAS’ premiums for the year. If that \$100 premium attracted premium taxes of \$3, that \$3 would be deducted from that firm’s account.
- Other components (e.g. claims, operating expenses, investment income) are not specific to individual firms and are allocated amongst the Subscribers in a manner intended to be equitable. For example, in order to ensure that each firm bears a portion of CLLAS’ claims based on the relative exposure that that firm presented to CLLAS when the claim arose, claims are allocated based on expected loss costs in the Underwriting Period the claim was reported.

For the Cyber Program, the allocation methodology does not need to take into account the long tail nature of E&O losses, which can take 10+ years to develop after they are reported. Premiums are determined in a manner that is intended to reflect the relative exposure of the firms. Relative net premium serves as the basis to allocate claims, operating expenses, etc.



## Allocation Principles

CLLAS will maintain, for each Program, a record of each Subscriber's interest in CLLAS' equity. For any particular policy period, the equity will be debited or credited as follows:

Component	E&O Program Allocation Basis	Cyber Program Allocation Basis
Premiums (Income)	Based on actual amounts collected from each firm	Based on actual amounts collected from each firm
Premium Taxes (Expense)	Based on actual amounts collected from each firm and remitted to tax authorities	Same as all other operating expenses (see below).
Reinsurance Costs (Expense)	Based on actual amounts collected from each firm and remitted to reinsurers	Cost for each layer allocated based on earned premiums in the most recent policy year <sup>1</sup> for firms participating in that layer
Retroassessments or surplus distributions (Income or expenses)	Based on actual amounts collected from or paid to each firm	Based on actual amounts collected from or paid to each firm
Operating Expenses (all expenses other than claims management expenses)	Based on expected loss costs <sup>2</sup> (as determined by the actuary) for the most recent policy year	Based on relative net written premiums <sup>3</sup> in the most recent policy year

<sup>1</sup> For the E&O Program, the reinsurers agree to rates at the individual insured level, whereas for the Cyber Program, the premiums are agreed to by layer but at an aggregate level for all insured firms. In practice, the allocation for Cyber achieves the same effect, where reinsurance costs track net premium costs.

<sup>2</sup> Expected Loss Cost are the actuarially determined expected value of unpaid losses applicable to a Subscriber for each policy period. For the E&O Program, expected loss costs are a reasonable measure of the exposure that each firm presents to CLLAS because they reflect variations due to Quebec/non-Quebec lawyers and also differences in limit purchased by each firm.

<sup>3</sup> For Cyber insurance, there is not enough claims data to use expected losses, so we consider relative net premiums to be an appropriate reflection of relative exposure. For Cyber, while larger firms do present a greater exposure, we do not view it as linear, i.e. a 200-lawyer firm does not present twice the exposure of a 100-lawyer firm. This concept is factored into the premium allocation model for the Cyber Program, as each firm is charged a base premium plus a variable component based on firm size.



Component	E&O Program Allocation Basis	Cyber Program Allocation Basis
Operating Expenses (claims management expenses)	Allocated first amongst Underwriting Periods based on number of open claims (excess of \$500,000), and then amongst Subscribers based on gross expected losses for the relevant Underwriting Period.	Based on relative net written premiums in the most recent policy year <sup>4</sup> .
Claims including change in net unpaid claims provision (Expense)	Based on expected loss costs for the applicable Underwriting Period	Based on relative net earned premiums in the applicable Underwriting Period
Investment Income	Allocated in proportion to the Gross Asset Account <sup>5</sup> of each Subscriber for the year	Allocated in proportion to the Gross Asset Account <sup>5</sup> of each Subscriber for the year

It is worth noting that while CLLAS is required to prepare financial statements using IFRS 17 since January 1, 2023, the Subscribers' Accounts are prepared using simplified financial reporting which is consistent with the approach used in periods prior to January 1, 2023. This implies, for example, that insurance finance expenses are not presented separately from other incurred losses in the income statement and that unpaid claims are presented on a net of reinsurance basis on the balance sheet rather than broken down between insurance and reinsurance contracts.

### History of Modifications

The Rules for the E&O Program took effect on July 1, 1987.

On December 5, 2023, the Board approved the restatement of the E&O Program Rules. Also on December 5, 2023, the Board adopted the Cyber Program Rules with effect from July 1, 2022.

<sup>4</sup> All Cyber Program expenses (including internal claims management expenses) are allocated based on relative net written premium collected from the firms in the policy year. Compared with E&O claims, cyber claims are expected to be "short tail", i.e. reported and resolved relatively quickly, and internal claims management expenses are expected to be minimal.

<sup>5</sup> For the allocation of investment income, a Subscriber's Gross Asset Account is that Subscriber's Net Asset Account (i.e., allocation of cash and investments) at the prior policy year-end adjusted by adding the current year's premiums for that Subscriber and subtracting 50% of that Subscriber's share of all expenses for that policy year.



## MEMORANDUM

DATE: November 28, 2023  
TO: CLLAS Advisory Board  
FROM: Carrie Green  
RE: CLLAS Subscribers' Accounts as at June 30, 2023

---

You will find attached to this memo the Subscribers' Accounts for the Professional Liability and Cyber Programs for the year ended June 30, 2023.

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

CLLAS SUBSCRIBERS' ACCOUNTS  
E&O PROGRAM  
UNDERWRITING PERIODS CONSOLIDATED  
STATEMENT OF FINANCIAL POSITION\*  
FOR THE YEAR ENDED JUNE 30, 2023

Board Book Page 30

Exhibit 1  
Page 1

SUBSCRIBER	Blake	BLG	Fasken	Davies	Dentons	Goodmans	McCarthy	McMillan	Osler	Torys	WF	Cassels	Total
<b>ASSETS</b>													
Net Asset Account	420,294	3,107,608	1,967,633	926,696	1,026,207	1,306,692	2,775,617	1,936,327	2,451,218	1,671,792	544,454	1,206,959	19,341,497
Accrued Interest	927	5,402	3,931	1,569	2,266	1,983	4,761	2,906	4,017	2,756	875	2,022	33,416
Reinsurance Receivable	65,876	106,872	78,178	27,761	76,053	35,116	82,605	58,001	63,978	37,697	14,420	33,492	680,048
Prepaid Expenses	-	29,700	24,194	6,799	-	7,578	23,318	10,848	19,113	14,109	4,248	11,755	151,663
<b>Total Assets</b>	<b>487,096</b>	<b>3,249,583</b>	<b>2,073,936</b>	<b>962,826</b>	<b>1,104,526</b>	<b>1,351,368</b>	<b>2,886,301</b>	<b>2,008,082</b>	<b>2,538,326</b>	<b>1,726,355</b>	<b>563,998</b>	<b>1,254,228</b>	<b>20,206,625</b>

<b>LIABILITIES</b>													
Net Unpaid Claims	1,768	1,009,705	795,783	255,734	234,595	310,313	761,669	409,462	627,276	466,177	164,820	367,139	5,404,440
Accrued Expenses	-	29,250	26,892	8,614	-	7,413	24,233	10,331	18,505	13,221	4,656	10,538	153,652
Payable to Cyber Liability Program	-	108,456	111,120	78,234	-	60,500	105,403	77,263	99,603	88,627	35,122	76,291	840,620
<b>Total Liabilities</b>	<b>1,768</b>	<b>1,147,411</b>	<b>933,795</b>	<b>342,582</b>	<b>234,595</b>	<b>378,225</b>	<b>891,305</b>	<b>497,056</b>	<b>745,384</b>	<b>568,024</b>	<b>204,598</b>	<b>453,969</b>	<b>6,398,712</b>

<b>SUBSCRIBERS' EQUITY</b>													
<b>Total Subscribers' Equity</b>	<b>485,238</b>	<b>2,102,263</b>	<b>1,140,255</b>	<b>620,246</b>	<b>869,714</b>	<b>973,125</b>	<b>1,995,038</b>	<b>1,510,996</b>	<b>1,792,966</b>	<b>1,158,364</b>	<b>359,405</b>	<b>800,304</b>	<b>13,807,913</b>
<b>Total Liabilities and Equity</b>	<b>487,006</b>	<b>3,249,674</b>	<b>2,074,050</b>	<b>962,828</b>	<b>1,104,308</b>	<b>1,351,350</b>	<b>2,886,342</b>	<b>2,008,052</b>	<b>2,538,350</b>	<b>1,726,389</b>	<b>564,003</b>	<b>1,254,272</b>	<b>20,206,625</b>

\* Reflects use of simplified financial reporting consistent with Subscribers' Accounts presented in periods prior to January 1, 2023.

CLLAS SUBSCRIBERS' ACCOUNTS  
E&O PROGRAM  
UNDERWRITING PERIODS CONSOLIDATED  
STATEMENT OF OPERATIONS\*  
FOR THE YEAR ENDED JUNE 30, 2023

Board Book Page 31

Exhibit 1  
Page 2

SUBSCRIBER	Blake	BLG	Fasken	Davies	Dentons	Goodmans	McCarthy	McMillan	Osler	Torys	WF	Cassels	Total
Direct Written Premium	-	2,657,588	2,590,114	820,199	-	684,963	2,285,887	932,047	1,733,026	1,254,149	384,775	977,414	14,320,162
Retroassessment (Refund of Surplus)	(610,000)	-	-	-	(1,585,000)	-	-	-	-	-	-	-	(2,195,000)
Gross Written Premium	(610,000)	2,657,588	2,590,114	820,199	(1,585,000)	684,963	2,285,887	932,047	1,733,026	1,254,149	384,775	977,414	12,125,162
Reinsurance Ceded	-	2,220,203	2,195,919	694,998	-	572,325	1,926,894	776,345	1,454,193	1,052,567	315,580	816,682	12,025,706
Net Written Premium	(610,000)	437,385	394,195	125,201	(1,585,000)	112,638	358,993	155,702	278,833	201,582	69,195	160,732	99,456
Change in Unearned Premium	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Earned Premium	(610,000)	437,385	394,195	125,201	(1,585,000)	112,638	358,993	155,702	278,833	201,582	69,195	160,732	99,456
Claims Paid	-	4,742	3,550	1,186	3,280	1,576	3,347	2,135	2,774	2,067	693	1,527	26,877
Change in Unpaid Claims	(54,774)	66,071	61,424	18,141	(28,692)	14,429	52,703	11,819	46,039	42,589	13,763	30,511	274,020
Incurred Claims	(54,774)	70,813	64,974	19,327	(25,412)	16,005	56,050	13,954	48,812	44,655	14,456	32,038	300,897
Operating Expenses	6,977	359,832	323,176	103,758	10,198	93,968	295,291	130,998	227,144	163,242	57,392	129,905	1,901,881
Premium Tax**	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	6,977	359,832	323,176	103,758	10,198	93,968	295,291	130,998	227,144	163,242	57,392	129,905	1,901,881
Underwriting Gain (Loss)	(562,203)	6,740	6,045	2,115	(1,569,786)	2,665	7,652	10,750	2,877	(6,315)	(2,653)	(1,211)	(2,103,322)
Investment Income	14,039	83,764	61,039	24,357	34,378	30,727	73,870	45,024	62,288	42,766	13,565	31,354	517,170
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Gain (Loss)	(548,164)	90,504	67,084	26,472	(1,535,408)	33,392	81,522	55,774	65,165	36,450	10,912	30,143	(1,586,152)
Other Comprehensive Income	(723)	(4,213)	(3,066)	(1,224)	(1,767)	(1,546)	(3,714)	(2,266)	(3,133)	(2,150)	(683)	(1,577)	(26,062)
Total Comprehensive Income	(548,886)	86,290	64,018	25,249	(1,537,175)	31,845	77,808	53,508	62,032	34,301	10,230	28,566	(1,612,214)
Equity as at June 30, 2022 (IFRS 4)	978,135	1,458,228	642,699	452,409	2,266,602	763,541	1,495,398	1,218,814	1,386,511	876,269	257,469	572,887	12,368,963
Plus: Impact of IFRS 17 Transition	55,989	557,744	433,537	142,588	140,287	177,739	421,832	238,674	344,423	247,795	91,707	198,850	3,051,164
Equity as at June 30, 2022 (IFRS 17)	1,034,124	2,015,973	1,076,236	594,997	2,406,889	941,280	1,917,230	1,457,488	1,730,934	1,124,064	349,176	771,737	15,420,127
Plus: Total Comprehensive Income	(548,886)	86,290	64,018	25,249	(1,537,175)	31,845	77,808	53,508	62,032	34,301	10,230	28,566	(1,612,214)
Equity as at June 30, 2023	485,238	2,102,263	1,140,255	620,246	869,714	973,125	1,995,038	1,510,996	1,792,966	1,158,364	359,405	800,304	13,807,913

\* Reflects use of simplified financial reporting consistent with Subscribers' Accounts presented in periods prior to January 1, 2023.

\*\* No premium tax expense between July 1, 2022 and June 30, 2023 as the premium tax expense was fully recognized at June 30, 2022 under IFRS 17 due to the contracts being onerous.

CLLAS SUBSCRIBERS' ACCOUNTS  
CYBER PROGRAM  
UNDERWRITING PERIODS CONSOLIDATED  
STATEMENT OF FINANCIAL POSITION\*  
JUNE 30, 2023

SUBSCRIBER	BLG	Fasken	Davies	Goodmans	McCarthy	McMillan	Osler	Torys	WF	CBB	Lenczner	Total
<b>ASSETS</b>												
Net Asset Account	0	0	0	0	0	0	0	0	0	0	0	0
Prepaid Expenses	6,917	7,087	4,990	3,859	6,723	4,928	6,353	5,653	2,244	4,866	2,319	55,938
Receivable from Professional Liability Program	103,960	106,514	74,991	57,992	101,034	74,060	95,474	84,953	33,666	73,129	34,848	840,620
<b>Total Assets</b>	<b>110,877</b>	<b>113,601</b>	<b>79,981</b>	<b>61,851</b>	<b>107,756</b>	<b>78,987</b>	<b>101,827</b>	<b>90,606</b>	<b>35,910</b>	<b>77,995</b>	<b>37,167</b>	<b>896,558</b>
<b>LIABILITIES</b>												
Net Unpaid Claims	76,519	78,399	45,393	42,685	74,366	54,511	70,274	62,529	35,084	53,826	25,650	619,237
Net Unearned Premiums	39,565	40,537	40,809	22,071	38,451	28,186	36,335	32,331	0	27,831	13,263	319,379
<b>Total Liabilities</b>	<b>116,084</b>	<b>118,936</b>	<b>86,203</b>	<b>64,755</b>	<b>112,817</b>	<b>82,697</b>	<b>106,609</b>	<b>94,861</b>	<b>35,084</b>	<b>81,657</b>	<b>38,913</b>	<b>938,616</b>
<b>SUBSCRIBERS' EQUITY</b>												
Accumulated Other Comprehensive Income	0	0	0	0	0	0	0	0	0	0	0	0
Retained Earnings	(5,207)	(5,335)	(6,222)	(2,905)	(5,061)	(3,709)	(4,782)	(4,255)	826	(3,663)	(1,745)	(42,058)
<b>Total Subscribers' Equity</b>	<b>(5,207)</b>	<b>(5,335)</b>	<b>(6,222)</b>	<b>(2,905)</b>	<b>(5,061)</b>	<b>(3,709)</b>	<b>(4,782)</b>	<b>(4,255)</b>	<b>826</b>	<b>(3,663)</b>	<b>(1,745)</b>	<b>(42,058)</b>

\* Reflects use of simplified financial reporting consistent with Subscribers' Accounts presented in periods prior to January 1, 2023.



CLLAS SUBSCRIBERS' ACCOUNTS  
CYBER PROGRAM  
UNDERWRITING PERIODS CONSOLIDATED  
STATEMENT OF OPERATIONS\*  
JUNE 30, 2023

SUBSCRIBER	BLG	Fasken	Davies	Goodmans	McCarthy	McMillan	Osler	Torys	WF	CBB	Lenczner	Total
Direct Written Premium	322,410	330,330	232,568	179,850	313,335	229,680	296,093	263,464	71,800	226,793	108,075	2,574,398
Retroassessment	0	0	0	0	0	0	0	0	0	0	0	0
Gross Written Premium	322,410	330,330	232,568	179,850	313,335	229,680	296,093	263,464	71,800	226,793	108,075	2,574,398
Reinsurance Ceded	187,076	191,671	134,945	104,356	181,810	133,270	171,805	152,873	27,890	131,595	62,710	1,480,000
Net Written Premium	135,334	138,659	97,623	75,494	131,525	96,410	124,288	110,591	43,910	95,198	45,365	1,094,398
Change in Unearned Premium	(39,565)	(40,537)	(40,809)	(22,071)	(38,451)	(28,186)	(36,335)	(32,331)	0	(27,831)	(13,263)	(319,379)
Net Earned Premium	95,769	98,122	56,813	53,423	93,074	68,225	87,952	78,260	43,910	67,367	32,103	775,019
Claims Paid	0	0	0	0	0	0	0	0	0	0	0	0
Change in Unpaid Claims	76,519	78,399	45,393	42,685	74,366	54,511	70,274	62,529	35,084	53,826	25,650	619,237
Incurred Claims	76,519	78,399	45,393	42,685	74,366	54,511	70,274	62,529	35,084	53,826	25,650	619,237
Operating Expenses and Premium Taxes	25,309	25,931	18,256	14,118	24,597	18,030	23,243	20,682	8,212	17,803	8,484	204,664
Underwriting Gain (Loss)	(6,059)	(6,208)	(6,837)	(3,380)	(5,888)	(4,316)	(5,564)	(4,951)	614	(4,262)	(2,031)	(48,882)
Investment Income	852	873	614	475	828	607	782	696	212	599	286	6,824
Other Income	0	0	0	0	0	0	0	0	0	0	0	0
Net Gain (Loss)	(5,207)	(5,335)	(6,222)	(2,905)	(5,061)	(3,709)	(4,782)	(4,255)	826	(3,663)	(1,745)	(42,058)
Other Comprehensive Income	0	0	0	0	0	0	0	0	0	0	0	0
Total Comprehensive Income	(5,207)	(5,335)	(6,222)	(2,905)	(5,061)	(3,709)	(4,782)	(4,255)	826	(3,663)	(1,745)	(42,058)

\* Reflects use of simplified financial reporting consistent with Subscribers' Accounts presented in periods prior to January 1, 2023.



# MEMORANDUM

DATE: December 5, 2023  
TO: CLLAS Advisory Board  
FROM: Carrie Green  
COPY:  
RE: CLLAS ERM Policy Revisions

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Enclosed you will find a blacklined copy of the revisions to the CLLAS ERM policy addressing the risk adjustment for non-financial risk required under IFRS-17 for review and approval.



## CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

### Enterprise Risk Management Policy

Last Updated

December 5, 2023~~December 7, 2022~~



## ENTERPRISE RISK MANAGEMENT POLICY

Effective date: September 7, 2016

### 1. Purpose and Scope

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

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

### 2. Objectives

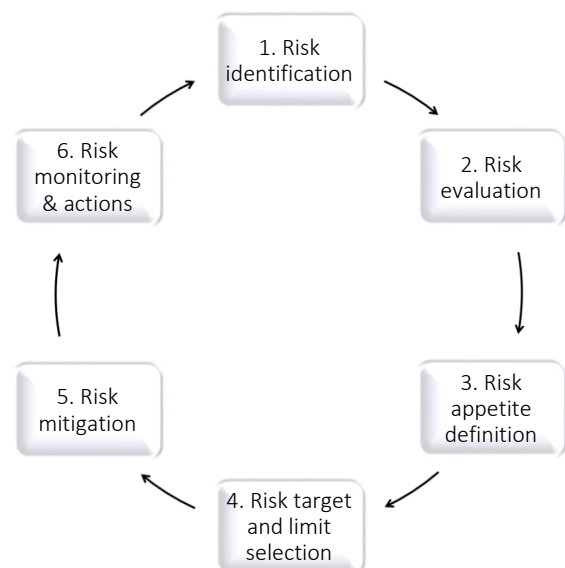
ERM has multiple objectives, including the following:

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

### 3. ERM Cycle

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

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





#### 4. Identification and Evaluation of Material Risks

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

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

#### 5. Risk Appetite

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

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

#### 6. Risk Targets and Limits

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

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

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



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



A description of each risk metric is presented below.

### **General**

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

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

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

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

### **Insurance Risk**

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

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

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

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

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

### **Premium & Strategy Risk**

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



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

### **Reinsurance Risk**

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

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

### **Operational Risk**

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

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

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

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

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

### **Investment Risk**

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

### **Regulatory Risk**

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





## 7. Risk Mitigation

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

## 8. Risk Monitoring and Actions

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

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

## 9. ORSA and Stress Testing

CLLAS performs a full ORSA at its discretion but at a minimum every five years. The ORSA is a comprehensive assessment of CLLAS' risks and is intended to assist the Advisory Board in determining the internal MCT ratio target to support the reciprocal's strategy. The ORSA process should:

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

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

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



## 10. IFRS 17 Risk Adjustment for Non-financial Risks

The risk adjustment for non-financial risk is a provision for the uncertainty about the amount and timing of cash flows underlying the insurance contract liabilities and reinsurance contract assets presented in CLLAS' financial statements. The Advisory Board is responsible for setting the risk adjustment, and the actuary is responsible for applying it in the calculation of the actuarial provisions.

The risk adjustment is determined using a margin approach and the margin applied is 9% of discounted unpaid claims cash flows, for both insurance and reinsurance contracts. Considerations for determining this margin include:

- 
- Net risk retention and potential influence of large losses;
- Length of settlement period;
- Exposure to litigation claims;
- Changes in coverage and exposure to new types of claims;
- Legislative and judicial environment;
- Changes in operations or philosophy (e.g., underwriting, claims management) which could affect ultimate claim values;
- Diversification (or lack thereof) across lines of business.
- 

## 10.11. Responsibility for ERM

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

- Review/approval of risk appetite statements;
- Review/approval of risk targets and limits;
- Review/approval of the ERM policy; ~~and~~
- Review/approval of the internal capital target and the ORSA; and-
- Review/approval of the risk adjustment for non-financial risk.

Review should be performed at a minimum every three years unless there is a material change in risk profile (e.g., new lines of business, new coverages offered) or if there is a material change in the CLLAS Board's risk appetite that would warrant its review at an earlier date.

The Principal Attorney is responsible for the following:

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

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



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

#### **11.12. Authority**

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

#### **12.13. History of Modifications**

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

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

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

This policy was updated to reflect the results of the 2022 ORSA report and the addition of the Cyber Program. The changes were confirmed by the Advisory Board on December 7, 2022.

This policy was updated to reflect the risk adjustment approach under IFRS 17. The changes were confirmed by the Advisory Board on [date].




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## APPENDIX A – MATERIAL RISKS

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

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

CLLAS also started offering cyber coverage up to \$10,000,000 per claim and per firm aggregate.

CLLAS is exposed to low frequency, high severity losses. There is significant uncertainty around the timing, frequency and severity of these insurance losses.

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

Further, CLLAS only has two lines of business Liability and Cyber. However, CLLAS has a geographical diversification benefit as it insures lawyers in multiple Canadian provinces.

2. **Premium & Strategy risk:** Strategic risk arises from the potential inability to implement appropriate business plans and strategies, make decisions, allocate resources, or adapt to changes in the business environment<sup>1</sup>.

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

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<sup>1</sup> OSFI Own Risk and Solvency Assessment Guideline, January 2014.



- 3. Reinsurance risk:** Given the loss portfolio transfer at June 30, 2012 and the low net claim retention since July 1, 2012, CLLAS retains only a small proportion of its insurance exposure and cedes the remaining exposure to reinsurers. A reinsurer default or dispute on claims presents a material risk as CLLAS has the ultimate responsibility for the payment of claims.

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

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

- 4. Operational risk:** Operational risk is defined as the risk of loss resulting from people, inadequate or failed internal processes and systems, or from external events. This includes legal risk but excludes strategic and reputational risk. The risk of loss resulting from people includes, for example, operational risk events relating specifically to internal or external fraud, non-adherence to internal procedures/values/objectives, or unethical behaviour more broadly. Risk exposure relating to external events and that stems from coverage sold by insurers to third parties is excluded, while risk on an insurer's own operations is considered within scope<sup>1</sup>.
- 5. Investment Risk:** Investment risk comprises interest rate, inflation, asset default and liquidity risks.

Interest rate risk:

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

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<sup>1</sup> OSFI Operational Risk Management Guideline E-21



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

Inflation risk:

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

Asset default risk:

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

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

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

Liquidity risk:

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

Other investment risks:

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



- 6. Regulatory compliance risk:** Regulatory compliance risk arises from losses due to failure to comply with regulatory requirements. Examples include costs associated with the need to restate financial statements if they are not in compliance with professional standards, or fines and penalties if legislative requirements are not fulfilled.
- 7. Reputation risk:** Reputation risk arises when the confidence of insured members, creditors, reinsurers and other business partners leads to a negative impact on earnings, liquidity or capital position.

For example:

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

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

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



# MEMORANDUM

DATE: December 5, 2023  
TO: CLLAS Advisory Board  
FROM: Carrie Green  
COPY:  
RE: CLLAS Terms of Reference

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Attached is an updated version of the Terms of Reference for the various CLLAS Committees and Attorney in Fact. This was last done in 2015 but moving forward will become part of our annual rolling three year review.





## CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

### Terms of Reference

Last Updated  
December 5, 2023



## 1. Subscribers

CLLAS currently has 10 member firms but has historically included up to 14 firms. Each subscriber firm is represented by one director on the Advisory Board. The current subscribers of CLLAS are set out in the following table:

Firm	Advisory Board Member
Borden Ladner Gervais LLP	Robert Love
Fasken Martineau DuMoulin LLP	Donald Milner
Davies Ward Phillips & Vineberg LLP	Laurence Detière
Goodmans LLP	Ken Crofoot
McCarthy Tetrault LLP	Caroline Zayid
McMillan LLP	Carl De Vuono
Osler, Hoskin & Harcourt LLP	David Morritt
Torys LLP	Julia Holland
WeirFoulds LLP	Mike Swartz
Cassels, Brock & Blackwell LLP	Gordon Goodman

Each firm participates in CLLAS for a five-year underwriting period. The underwriting periods are the following:

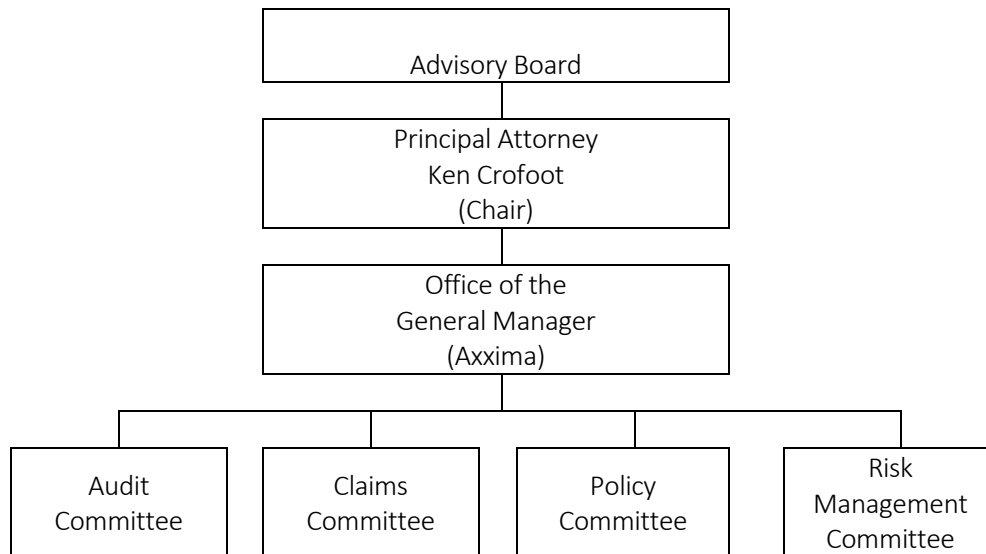
Underwriting Period	Policy Years
1	1987/88 to 1991/92
2	1992/93 to 1996/97
3	1997/98 to 2001/02
4	2002/03 to 2006/07
5	2007/08 to 2011/12
6	2012/13 to 2016/17
7	2017/18 to 2022/23
8	2023/24 to 2028/29

Each firm participates in the gains and losses of CLLAS while they are subscribers of CLLAS. Subscribers' accounts, which document each firm's financial interest in CLLAS, are prepared and distributed to subscribers on an annual basis.



## 2. Board and Management Structure

A schematic of CLLAS' management structure is presented below:



CLLAS is governed by its Advisory Board which consists of one representative from each of the member firms. The Chair of the Advisory Board is responsible for sending notices and materials as well as presiding over all Board meetings. The Chair of the Advisory Board also acts as CLLAS' principal attorney.

CLLAS' Advisory Board, supported by the standing committees, is responsible for overall business strategy. A list of the committees and committee members is included in Appendix A.

The Office of the General Manager is responsible for the implementation of Board-approved strategies and for overall business performance.

Roles and responsibilities are defined in the next sections.

## 3. Advisory Board

Subpart 6 of the Alberta *Insurance Act* and OSFI's Corporate Governance guideline prescribe the roles and responsibilities of directors of the Advisory Board, which include the following:

- Supervising the management of the business and affairs of CLLAS;
- Establishing an Audit Committee and Conduct Review Committee, or assuming the functions of these Committees at the Advisory Board level;
- Establishing procedures to resolve conflicts of interest and provide disclosures of information;



- Establishing policies and procedures to ensure that CLLAS applies prudent investment standards;
- Appointing the actuary.

The supervision of the management and business affairs of CLLAS includes the following:

- Reviewing and approving of all short-term and long-term objectives, strategies and plans, including the risk appetite framework;
- Reviewing and approving significant strategic initiatives or transactions;
- Annually reviewing and approving budgets, business plans and strategic plans;
- Annually reviewing and signing<sup>1</sup> the financial statements and annual return;
- Annually reviewing the financial performance relative to the Board-approved strategy and risk appetite framework;
- Annually reviewing and approving premium rates;
- Periodically reviewing and approving all governance and operational policies of CLLAS;
- Ensuring that an appropriate internal control framework is in place;
- Through the Audit Committee, approving the external audit plan, including the scope of the audit engagement;
- Approving the appointment and compensation of the principal attorney and general manager;
- Ensuring succession planning with respect to the Board and principal attorney;
- Ensuring compliance with applicable laws, regulations and guidelines.

As CLLAS does not have a separate Conduct Review Committee, the duties of the Conduct Review Committee are fulfilled by the Advisory Board as a whole. Section 347 of the Insurance Act prescribes the following duties of the Conduct Review Committee:

- Establishing policies and procedures for review of related party transactions;
- Reviewing transactions with related parties; and
- Reviewing practices to ensure that transactions with related parties do not have a material effect on the stability or solvency of the reciprocal.

#### **4. Principal Attorney**

The principal attorney is the individual authorized by subscribers under a power of attorney to sign reciprocal contracts or act in respect of any matter specified in the power of attorney on their behalf if the subscribers. The principal attorney must have the skills and knowledge to effectively manage the ongoing operations of the reciprocal.

The responsibilities of the principal attorney include the following:

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<sup>1</sup> The financial statements must be signed by at least one member of the audit committee.



- Executing documents on behalf of the subscribers, including insurance contracts, certificates, endorsements;
- Collecting premiums on behalf of the subscribers;
- Maintaining cash and approved securities in excess of the regulatory requirement<sup>2</sup> on behalf of the subscribers;
- Maintaining CLLAS' license to underwrite contracts of insurance in good standing;
- Signing the financial statements.

## 5. Attorney for Service

Pursuant to Article 94(2) requires a reciprocal to have an attorney for service who is a resident in Alberta if the principal attorney is not located in Alberta. Currently Attorney for Service in Alberta is Torys' Calgary Office.

The attorney for service is authorized to receive service of process in all suits and legal proceedings and to receive notices from the regulator.

## 6. Office of the General Manager

The General Manager acts in a management and advisory capacity and is responsible for the following:

- Managing the day-to-day operations of CLLAS;
- Implementing Board-approved strategies;
- Ensuring compliance with and recommending changes to Board-approved governance policies;
- Implementing plans to achieve business and financial objectives relative to the Board-approved strategy and risk appetite framework;
- Monitoring and reporting on the risk profile of CLLAS;
- Recommending, implementing, monitoring internal controls;
- Recommending changes to comply to applicable laws, regulations and guidelines;
- Communicating with the Superintendent of Insurance on substantive issues affecting CLLAS.

## 7. Audit Committee\*

The Audit Committee is comprised of at three Advisory Board members and may include a Board member's alternate<sup>3</sup>. The Audit Committee has the authority to investigate any activity of CLLAS and may retain persons having special expertise to assist in fulfilling its responsibilities.

Assisted by the Office of the General Manager, this Committee is responsible for the following:

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<sup>2</sup> From articles 99 to 101 of the Insurance Act.

<sup>3</sup> Article 346(1) prescribes that the audit committee must consist of at least 3 directors. Article 346(2) of the Insurance Act describes additional restrictions for audit committee members which are currently not applicable to CLLAS.



- Reviewing and reporting on the annual financial statements before they are approved by the Advisory Board;
- Reviewing and reporting on the annual return before it is filed with the regulator;
- Ensuring the appropriate internal control procedures are in place, and discussing their effectiveness with the auditor and general manager;
- Reviewing the investments and transactions that could adversely affect CLLAS' well-being that the auditor, any Advisory Board member or management may bring to the attention of the Audit Committee;
- Meeting with the external auditor to review the annual financial statements and annual return;
- Meeting with the actuary to review the actuarial valuation report;
- Reporting to the Advisory Board on any matter which the external auditors brought to the attention of the Advisory Board;
- Reviewing significant changes in the accounting policies and practices of CLLAS;
- Reviewing the reinsurance security report;
- Recommending to the Advisory Board the appointment or reappointment of external auditors;
- Inquiring into any other matters referred to it by the Advisory Board.

The Committee meets at least twice per year to review the audit plan, and to review the annual financial statements and reports. Quorum is a majority of members. Notes for each meeting are prepared by a person designated by the Committee. Additional meetings may be held as deemed necessary by the Chair, or as requested by any member. The Chair of the Audit Committee reports to the Advisory Board at each Advisory Board meeting.

*\*Members of Audit Committee also serve on the Reinsurance/Insurance Security Committee and are responsible for reviewing on an annual basis the Reinsurance Security Report and reporting to the Advisory Board re same.*

## 8. Claims Committee

The Claims Committee is comprised of five Advisory Board members and may include a Board member's alternate. It is expected that at least three of the Committee members be experienced litigation lawyers.

Assisted by the Office of the General Manager, this Committee is, in accordance with CLLAS' Claims Procedures Guidelines, responsible for the following:

- Reviewing the significant claim files and claim files that have the potential to become significant;
- Assessing liability and damages, monitoring new developments and recommending changes in reserves on significant claim files;
- Reviewing resolution strategies on significant claims, including the approval of settlement offers;
- Inquiring into any other matters referred to it by the Advisory Board.



The Committee meets on a quarterly basis. Quorum is a majority of members. Notes for each meeting are prepared by a person designated by the Committee. Additional meetings may be held as deemed necessary by the Chair or as requested by any member. The Chair of the Claims Committee reports to the Advisory Board at each Advisory Board meeting.

## **9. Policy Committee**

The Policy Committee is comprised of three Advisory Board members and may include a Board member's alternate.

Assisted by the Office of the General Manager, this Committee is responsible for assisting the Board in managing policy issues and providing recommendations on such. The Committee is responsible for the following:

- Contributing to the development of policy wordings and reviewing the scope of coverage;
- Considering and approving endorsements to the policy;
- Acting as a resource as needed or retain counsel to provide assistance;
- Monitoring changes in the business environment that should be reflected in the policy wordings;
- Inquiring into any other matters referred to it by the Advisory Board.

The Committee meets during the year as deemed necessary by the Chair or as requested by any members. Quorum is a majority of members. The Chair of the Policy Committee reports to the Advisory Board at each Advisory Board meeting.

## **10. Risk Management Committee**

The Risk Management Committee is comprised of four Advisory Board members and may include a Board member's alternate.

Assisted by the Office of the General Manager, this Committee is responsible for the following:

- Implementing and monitoring risk management initiatives such as risk management seminars and the e-learning program;
- Overseeing the firm risk management audits;
- Reviewing trends in insurance claims and practice management to develop future loss prevention initiatives;
- Maintaining relationships with law society insurance program risk management personnel;
- Inquiring into any other matters referred to it by the Advisory Board.

The Risk Management Committee meets during the year as deemed necessary by the Chair or as requested by any members. Quorum is a majority of members. The Chair of the Risk Management Committee reports to the Advisory Board at each Advisory Board meeting.



## APPENDIX A

## COMMITTEES 2023/24

- |                           |   |
|---------------------------|---|
| 1. <b>Audit*</b>          | Gordon Goodman ( <b>Chair</b> )<br>Michael Swartz<br>Carl De Vuono                                      |
| 2. <b>Claims</b>          | Robert (Bob) Love( <b>Chair</b> )<br>David Morritt<br>David Outerbridge<br>John Birch<br>Caroline Zayid |
| 3. <b>Policy</b>          | Donald Milner ( <b>Chair</b> )<br>Melanie Koszegi<br>Anne-Marie Breton                                  |
| 4. <b>Risk Management</b> | Julia Holland ( <b>Chair</b> )<br>David Woolcombe<br>Eugene Cipparone<br>Laurence Detière               |

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

\*\* Members of ad-hoc cyber committee are Don Milner, Julia Holland

\*\*\* Chair of the Advisory Board is considered an ad-hoc member of each CLLAS Committee





## CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

### Investment Policy

Last Updated  
December 7, 2021



## 1. PURPOSE

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

## 2. CLLAS INVESTMENT ACTIVITIES

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

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

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



2.5. The Short Term Investment Fund is restricted to investments which mature within one year.

2.5.1. Such investments are restricted to the following:

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

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

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

2.6.1. Such investments are restricted to the following:

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

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

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

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

Rating	Acceptable Range
BBB	0% to 10%
A or better	0% to 40%

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



- 2.7. Investments which do not meet the criteria in Sections 2.5 and 2.6 are ineligible for inclusion in the investment portfolio.
- 2.8. If the credit rating for a fixed income instrument held in the portfolio is downgraded by a debt rating agency and results in part of the portfolio falling below the minimum rating standard, the investment manager is in the first ten days to communicate a plan that will result in the security's liquidation within a reasonable period of time. If a downgrade results in a split rating (variation among rating agencies in rating an issue), the security may be held under the condition of monitoring by the investment manager and ongoing communication with CLLAS provided at least one of the ratings meets the criteria in Section 2.6.4.
- 2.9. Under IAS 39, all CLLAS investments are designated as available-for-sale and have been reported at fair market value, unless otherwise determined by the General Manager with the concurrence of CLLAS' auditor. However, effective January 1, 2023, IFRS 9 will replace IAS 39.

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

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

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

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

- 2.10. The investment portfolio, in aggregate, will at all times comply with the applicable regulatory requirements and restrictions. In particular, Sections 415 to 432 of the *Alberta Insurance Act* describe restrictions with respect to investments.
- 2.11. Unless otherwise required by the Board, the Investment Manager will report to CLLAS each quarter on the status of the Funds and will compare the performance of the Funds with the following benchmarks for the period covered by the report.
  - 2.11.1. The benchmark for the Short Term Investment Fund consists of 30-day Treasury Bills.
  - 2.11.2. The benchmark for the Long Term Investment Fund is a composite benchmark comprised of 60% FTSE Canada Short Term Bond Index and 40% FTSE Canada Mid Term Bond Index.



- 2.11.3. Each report shall also provide such additional information as CLLAS may reasonably require.
- 2.12. The Board will re-examine the asset mix policy periodically in light of significant changes in any of the following:
- 2.12.1. the Board becoming aware of any significant liability with respect to any claim;
  - 2.12.2. capital market prospects;
  - 2.12.3. the risk appetite of the subscribers of CLLAS;
  - 2.12.4. any changes in regulatory requirements, and
  - 2.12.5. any other factors considered relevant by the Board.
- 2.13. Nothing in this Section 2 will preclude the Chair or, in his absence, the Vice Chair, from withholding from the Investment Manager funds anticipated to be required for operational purposes and investing such funds in short term investments of the type permitted for investment under Section 2.5.1 and having maturities not exceeding 90 days.
- 2.14. The Board, in conjunction with the General Manager, will review and, if necessary, update this Policy at least annually.

### **3. ASSETS HELD PURSUANT TO REINSURANCE SECURITY AGREEMENTS**

- 3.1. Section 3 of this Policy applies to monies held for the benefit of CLLAS pursuant to Reinsurance Security Agreements with reinsurers not licensed to do business in Canada which may be entered into by CLLAS from time to time.
- 3.2. Such Reinsurance Security Agreements must comply with the requirements of the Alberta Superintendent of Insurance. Pursuant to the terms of applicable Reinsurance Security Agreements, the market value of the deposits held pursuant to such Agreements must total not less than the amount required in the Minimum Capital Test in order to avoid any capital deduction or margin requirement as a result of CLLAS ceding risks to unlicensed reinsurers.
- 3.3. Pursuant to the terms of applicable Reinsurance Security Agreements, such deposits must be denominated in Canadian dollars and are restricted to the following:
- 3.3.1. Cash;
  - 3.3.2. Bonds and debentures issued by the Government of Canada, any province of Canada or any municipality of Canada;
  - 3.3.3. Bonds and debentures issued by a Canadian corporation, trust or limited partnership;
  - 3.3.4. Common or preferred shares in the capital of a Canadian or Provincial corporation; and
  - 3.3.5. Guaranteed investment certificates.



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

#### **4. CONFLICTS OF INTEREST**

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



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

## **5. ROLES AND RESPONSIBILITIES**

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



- 5.3.5. Reporting to the General Manager and Board on a quarterly basis, or if warranted, on a more frequent basis on compliance with this Policy;
- 5.3.6. Providing regular reports to the Board which include a review of the current portfolio, a review of investment performance and future investment strategies.

## 6. AUTHORITY

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

## 7. HISTORY OF CHANGES

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

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

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

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

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

Other minor changes were also made.





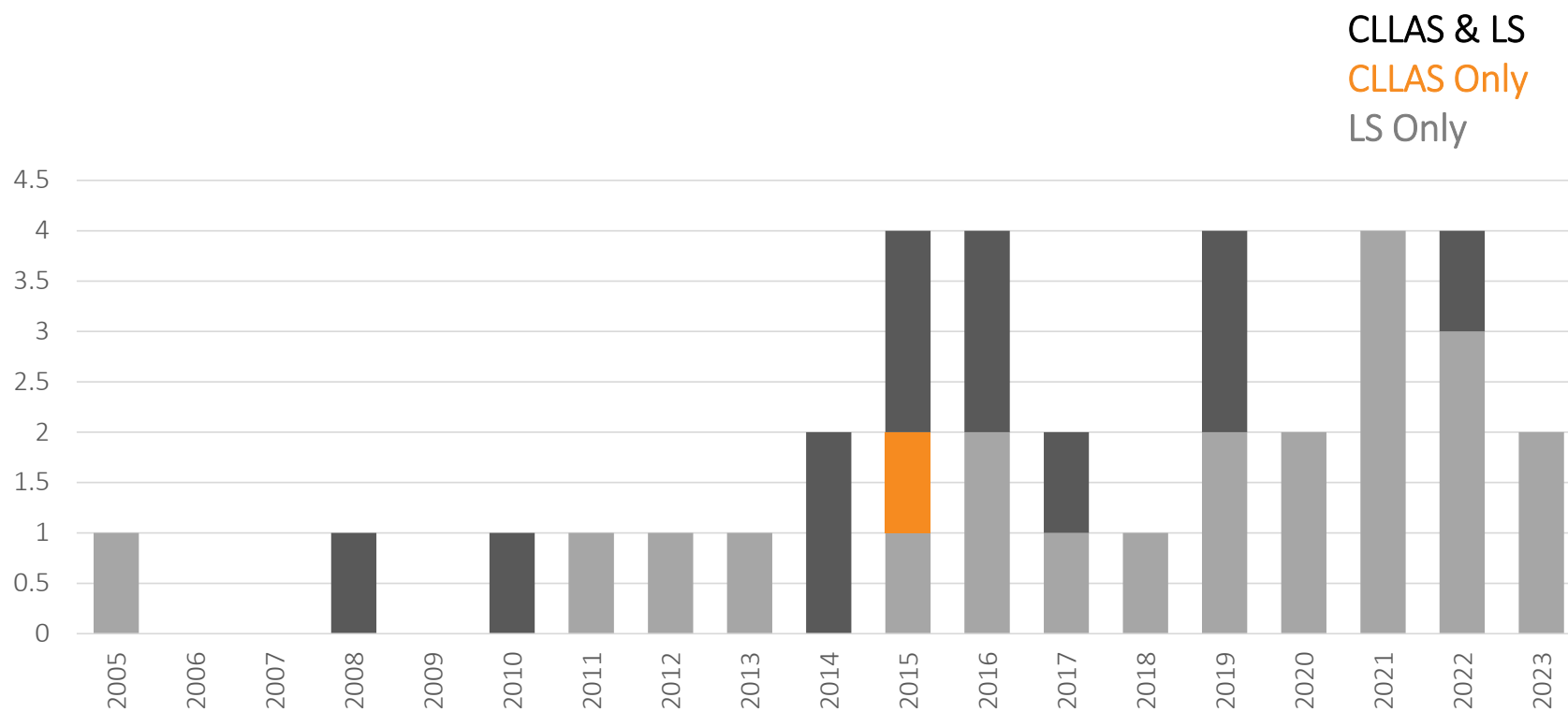
- December 2015: The Policy was amended to comply with OSFI's Guideline B-1 adopted by the Alberta Superintendent of Insurance. Notable changes include the following:
- Addition of accounting classification of investments;
  - Addition of section on the oversight of assets held pursuant to Reinsurance Security Agreements;
  - Addition of section on roles and responsibilities;
  - Addition of section on authority with respect to this Policy;
  - Addition of section on history of changes.
- Other minor changes were also made.
- December 2013: The Policy was amended to reflect CLLAS' financial profile in light of the Loss Portfolio Transfer. The following changes were adopted:
- Increasing the maximum allowable investments in corporate bonds from 20% to 40%;
  - Changing the minimum for federal and provincial bonds to 60% in the Long Term Investment Fund;
  - Adding a benchmark for the Short-Term Investment Fund.
- May 2012: The Policy was amended to restrict all investments based on applicable regulatory requirements and restrictions. The reporting frequency was clarified to be on a quarterly basis. Other minor stylistic changes were made.
- October 2008: The benchmark for the Long-Term Fund was changed from Scotia McLeod's Short Term Bond Index and Provincial Short Term Bond Index to 60% DEX short-term index and 40% DEX mid-term index.
- Prior: Prior revisions to this Policy date from 2001.



# Canadian Lawyers Liability Assurance Society

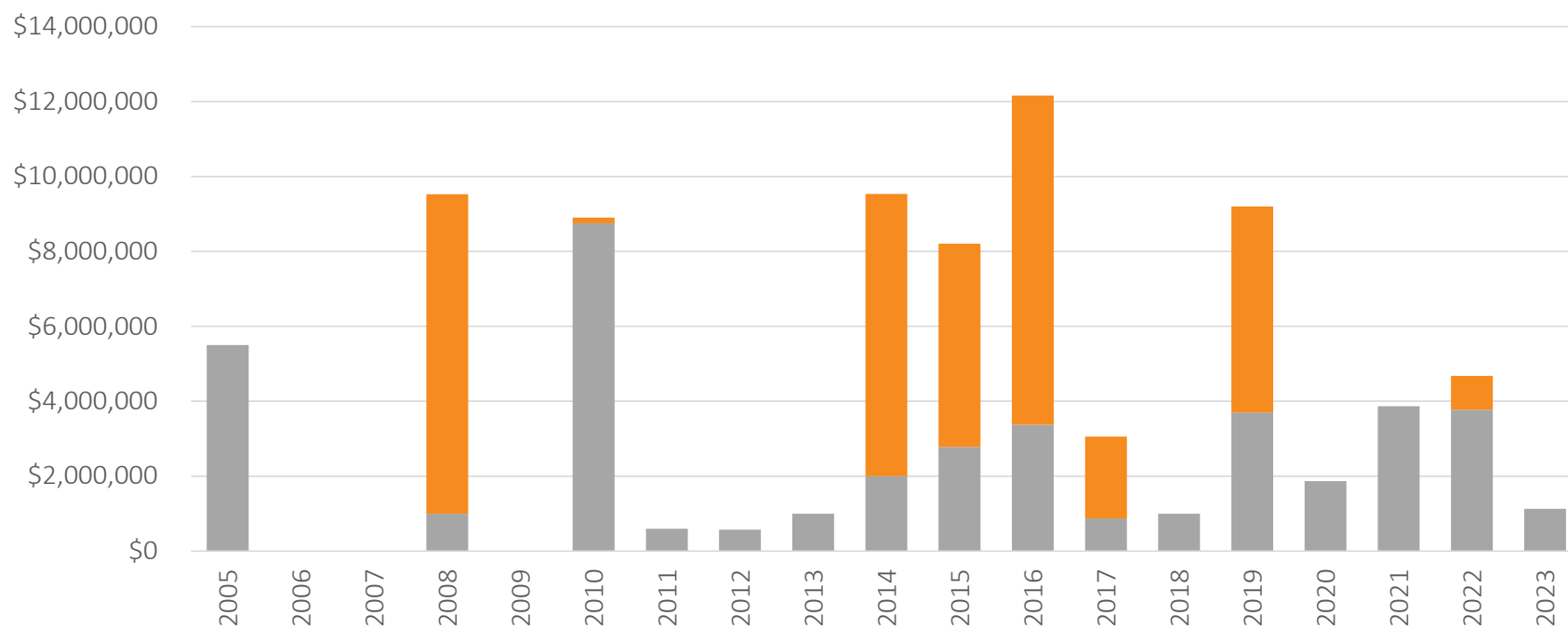
Open Large Loss Claims Summary as at September 30, 2023

## Number of Claims by Insurer

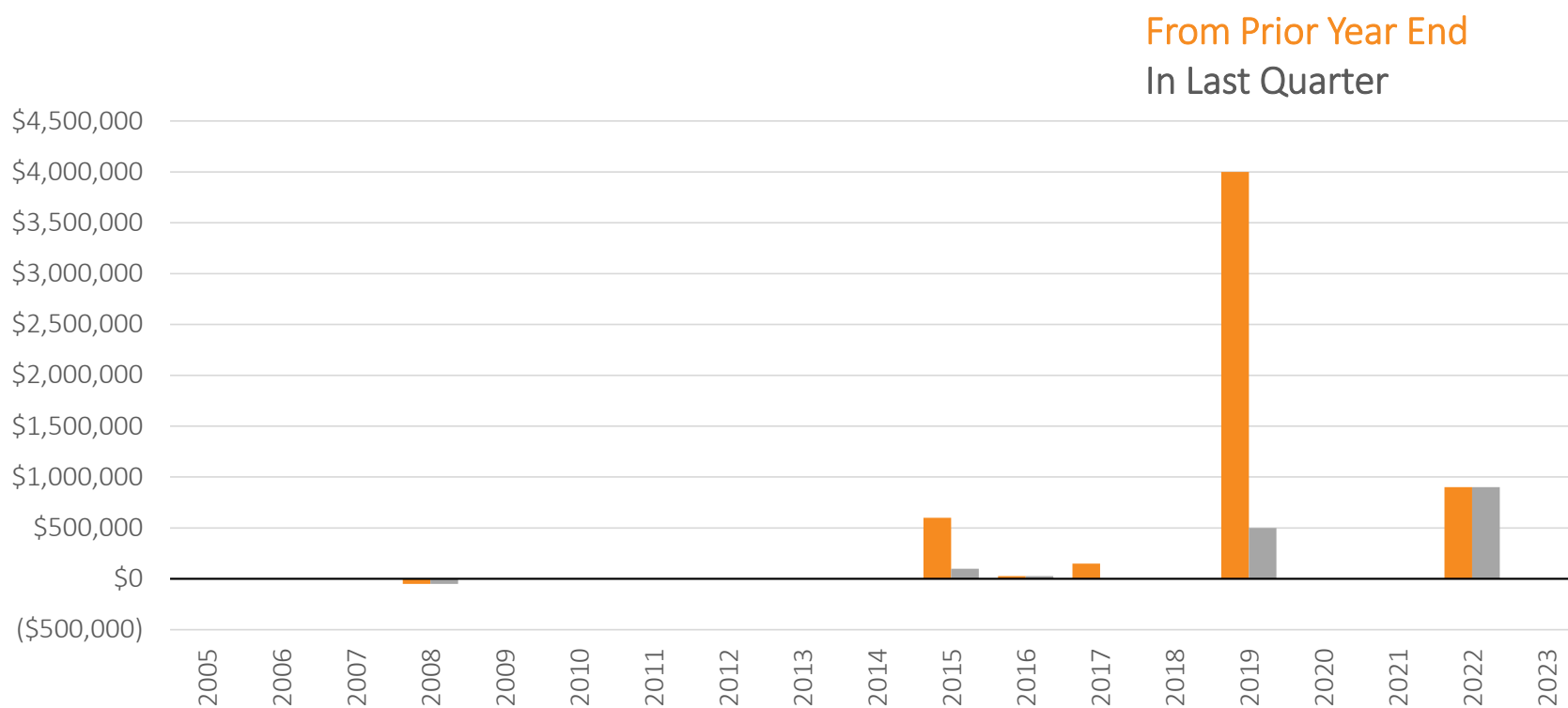


## Incurred Amounts by Insurer

LS - CLLAS

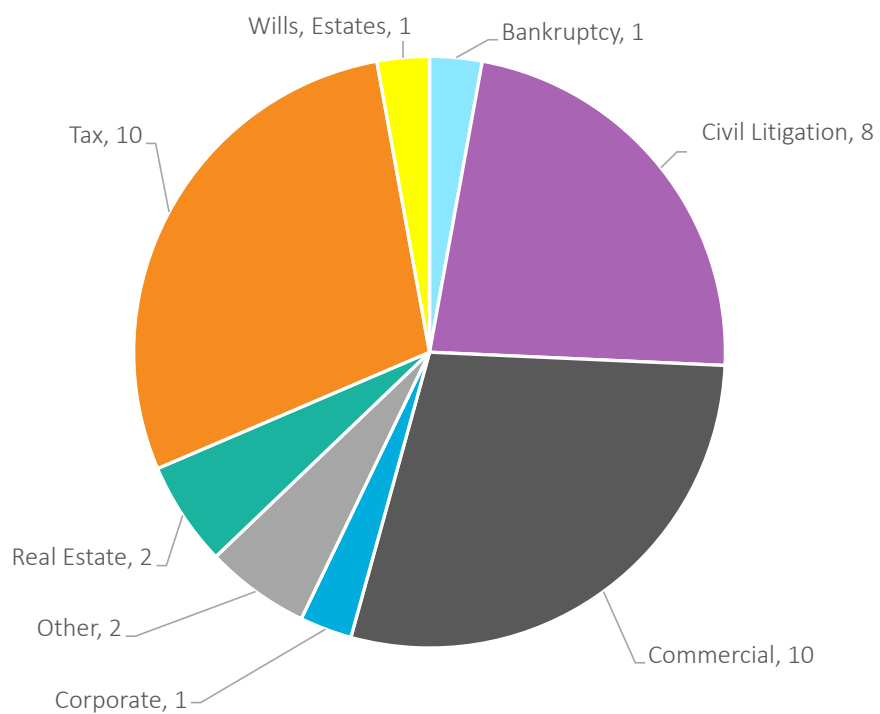


## Change in Incurred Amounts (CLLAS)

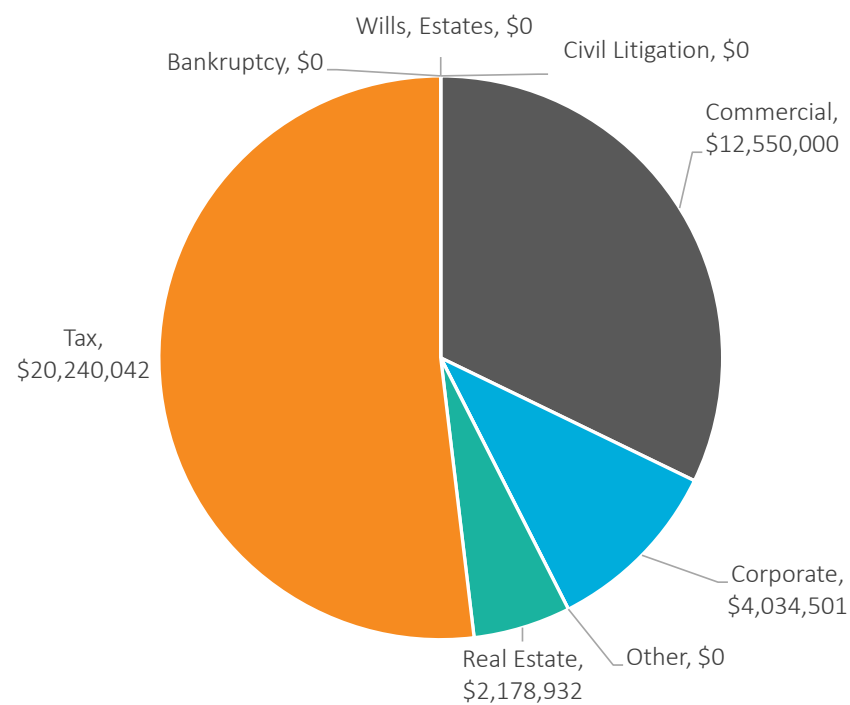


## By Area of Law

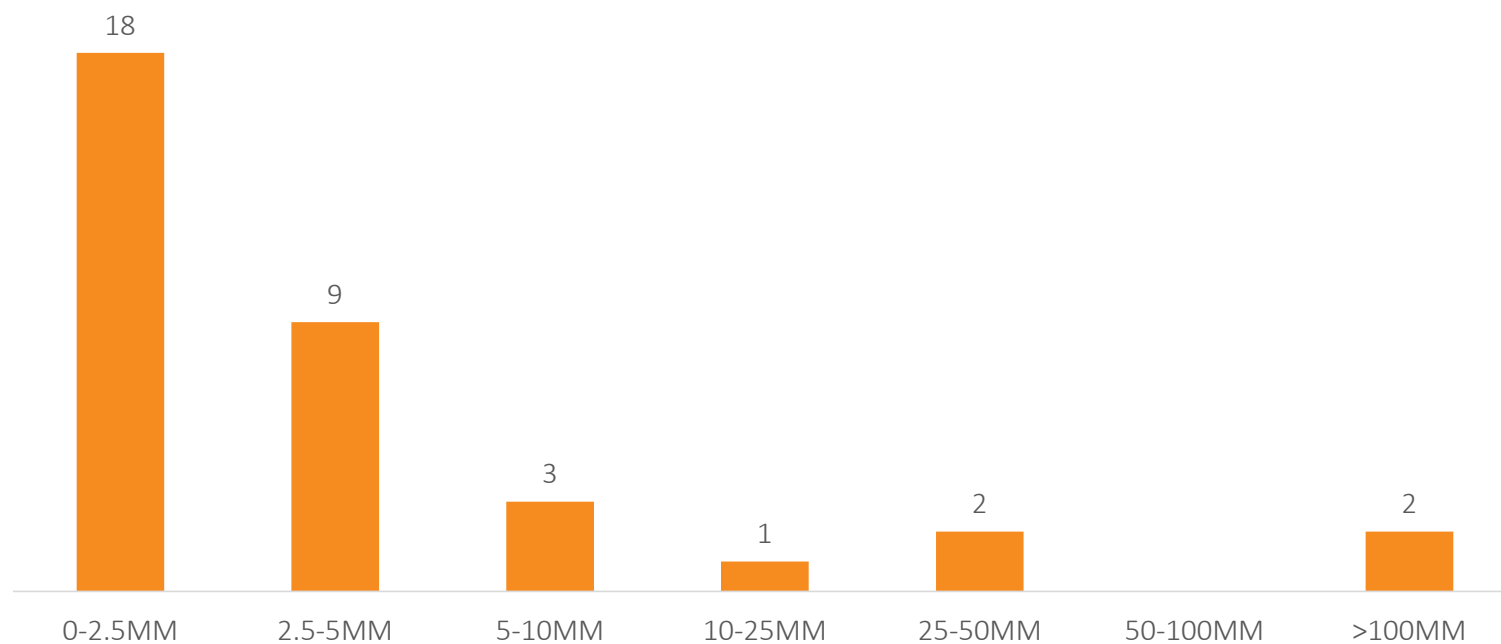
### Number of Claims (CLLAS & LS)



### 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
2006 and prior	0	0	0
2007	0	0	0
2008	0	0	0
2009	0	0	0
2010	0	0	0
2011	0	0	0
2012	0	0	0
2013	0	0	0
2014	0	0	0
2015	0	0	0
2016	0	0	0
2017	0	0	0
2018	0	0	0
2019	-1	0	1
2020	0	0	0
2021	0	0	0
2022	-1	0	1
2023	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 size 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  
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Toronto, Ontario  
M5E 1G9

Telephone: 416-363-6216  
Facsimile: 416-363-4538  
E-Mail: [info@mlsinvest.com](mailto:info@mlsinvest.com)

October 24<sup>th</sup>, 2023

Mr. Carrie Ann Green,  
Axxima,  
Berkeley Castle  
Toronto, ON M5A 1J2

**Re: Canadian Lawyers Liability Assurance Society**

Dear Ms. Green:

Please find enclosed our quarterly investment report for the period ending September 30 last on the Short Term Fund 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.

It was a difficult quarter for the domestic bond market as the entire yield curve shifted higher. As a result, the short-term total return index closed down 0.1% while the mid-term total return index lost 3.7%. Reflecting these negative trends, the Long Term Fund was off 1.6%.

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  
SEPTEMBER 30, 2023

**MARTIN, LUCAS & SEAGRAM LTD.**  
INDEPENDENT INVESTMENT COUNSEL

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**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY****COMMENTARY FOR THE QUARTER ENDING SEPTEMBER 30, 2023****Review of Market Yields**

Domestic bond yields trended erratically higher during most of the third quarter. At the end of September, yields on 3-month Treasury Bills were up 27 basis points, while the 1-year Canada yield rose a more muted 17 basis points. Beyond the 1-year maturity, the increase in yields accelerated as the term increased. Over the quarter, the 5-year Canada yield rose 57 basis points while the yield on the 10-year Canada advanced 77 basis points.

As a result of these shifts, the inversion of the yield curve was reduced as the yield advantage of 3-month T-bills over the 10-year Canada fell from 164 basis points at the end of June to 104 basis points at the end of September.

	<b>Jan. 01/95</b>	<b>Mar. 31/23</b>	<b>Jun. 30/23</b>	<b>Sep. 30/23</b>
3-month Treasury Bill	6.80%	4.34%	4.87%	5.07%
5-year Canada	8.99%	3.02%	3.68%	4.25%
10-year Canada	9.09%	2.90%	3.26%	4.03%

During the third quarter, activity in the Short Term Investment Fund involved the roll-over and sale of money market securities. In the Long Term Fund, a government bond and a corporate bond matured. Two new medium-term corporate bonds and a medium-term government bond were purchased from the proceeds of the maturities.

At September 30, 2023, the average term to maturity of the Long Term Investment Fund was 4.80 years and the duration was 4.29 years.

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

<b><i>Distribution at September 30, 2023</i></b>	<b><i>Valuation</i></b>	<b><i>%</i></b>
Short Term Investment Fund	\$9,164,703	57.6%
Long Term Investment Fund	\$6,733,833	42.4%
<b>TOTAL COMBINED VALUATION</b>	<b>\$15,898,536</b>	<b>100.0%</b>

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**

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

- Total Returns vs. Benchmarks - Gross and Net of Fees
- Distribution of Securities in the Long Term Investment Fund by Credit Risk and by Maturity
- Compliance Statement
- Quarterly Performance Report - Gross of Fees: Long Term Investment Fund
- Bond Market Commentary and Future Policy
- Security Holdings in the Short Term and Long Term Investment Funds Listed and Valued Separately as at September 30, 2023
- Security Purchases and Sales
- Cash Reconciliations
- External Individual Credit Rating Report

**LONG TERM INVESTMENT FUND****TIME-WEIGHTED RATES OF TOTAL RETURN  
FOR PERIODS ENDING SEPTEMBER 30, 2023**

	3 Years*	2 Years*	1 Year	Last 3 months
<b><i>Long Term Investment Fund – Gross of Fees</i></b>	<b><i>-1.93%</i></b>	<b><i>-2.69%</i></b>	<b><i>0.48%</i></b>	<b><i>-1.60%</i></b>
<b><i>Long Term Investment Fund – Net of Fees</i></b>	<b><i>-2.21%</i></b>	<b><i>-2.97%</i></b>	<b><i>0.18%</i></b>	<b><i>-1.67%</i></b>
<b>Benchmark Portfolio **</b>	<b>-2.87%</b>	<b>-3.52%</b>	<b>0.30%</b>	<b>-1.58%</b>

\*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 SEPTEMBER 30 2023**

	Since Inception Oct. 01/08 *	3 Years*	2 Years *	1 Year	Last 3 Months
<b><i>Short Term Investment Fund – Gross of Fees</i></b>	<b><i>1.08%</i></b>	<b><i>1.77%</i></b>	<b><i>2.62%</i></b>	<b><i>4.41%</i></b>	<b><i>1.22%</i></b>
<b><i>Short Term Investment Fund – Net of Fees</i></b>	<b><i>0.96%</i></b>	<b><i>1.66%</i></b>	<b><i>2.50%</i></b>	<b><i>4.29%</i></b>	<b><i>1.20%</i></b>
<b>Benchmark Portfolio **</b>	<b>1.03%</b>	<b>1.75%</b>	<b>2.59%</b>	<b>4.40%</b>	<b>1.24%</b>

\* 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. 31/22	Mar. 31/23	Jun. 30/23	Sep. 30/23
<b>Bonds, Treasury Bills &amp; Cash</b> Less than 1 year term	100.0%	20.0%	17.4%	10.7%	7.3%
<b>Canadas</b> Greater than 1 year term		22.2%	22.5%	20.9%	23.8%
<b>Provincials</b> Greater than 1 year term		28.5%	30.6%	38.2%	38.0%
<b>Corporates</b> Greater than 1 year term		29.3%	29.5%	30.2%	30.9%
<b>TOTAL PORTFOLIO</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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

	Dec. 31/22	Mar. 31/23	Jun. 30/23	Sep. 30/23
Under 1 year	20.0%	17.4%	10.7%	7.3%
1 - 3 years	24.7%	24.7%	24.1%	21.1%
3 - 5 years	26.4%	33.3%	27.0%	27.3%
5 - 7 years	14.9%	8.5%	17.5%	21.3%
7 - 10 years	13.9%	16.0%	20.6%	22.9%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Average Maturity (yrs)</b>	<b>3.68</b>	<b>3.65</b>	<b>4.56</b>	<b>4.80</b>
<b>Average Duration (yrs)</b>	<b>3.39</b>	<b>3.37</b>	<b>4.11</b>	<b>4.29</b>

**SHORT TERM INVESTMENT FUND**

	Dec. 31/22	Mar. 31 /23	Jun. 30/23	Sep. 30/23
<b>Short Term</b> <b>Average Duration (yrs)</b>	<b>0.12</b>	<b>0.07</b>	<b>0.12</b>	<b>0.12</b>

# COMPLIANCE WITH INVESTMENT POLICY STATEMENT

AT SEPTEMBER 30, 2023

	Investment Limits	Investment Funds	Compliance
<b><i>Short Term Investment Fund</i></b>			
Maximum Term of Any Issue	1 year	0.2 year	Yes
Minimum Percentage of Total Fund (Short & Long)	20% of Total	57.6%	Yes
Minimum Canada & Provincial Percentage	50%	58.1%	Yes
Minimum Provincial Quality	A	N/A	Yes
Minimum Bank CD & BA Quality	R1 (high)	R1 (high)	Yes
<b><i>Long Term Investment Fund</i></b>			
Maximum Term of Any Issue	10 years	9.7 years	Yes
Maximum Percentage of Total Fund (Short & Long)	80% of Total	42.4%	Yes
Minimum Canada Percentage	20%	27.4%	Yes
Maximum Provincial Percentage	40%	38.0%	Yes
Minimum Canada & Provincial Percentage	60%	65.4%	Yes
Minimum Provincial Quality *	A	AA (low)	Yes
Maximum Corporate Percentage	40%	28.7%	Yes
Minimum Corporate Quality *	BBB	BBB	Yes
Maximum BBB Corporate Percentage	10%	5.9%	Yes

\* At time of purchase

This will confirm that, as at the end of the latest quarter, the Long Term and Short Term Investment Funds were managed in compliance with the Investment Policy limits provided on December 7, 2021.

Martin, Lucas & Seagram Ltd.  
 PERFORMANCE REPORT  
 GROSS OF FEES  
***CLLAS – LONG TERM INVESTMENT FUND***  
***(RBC Investor Services)***  
*From 06-30-23 to 09-30-23*

Portfolio Value on 06-30-23	6,924,338
Accrued Interest	33,416
Contributions	474,678
Withdrawals	-536,906
Realized Gains	1,353
Unrealized Gains	-162,961
Interest	33,331
Dividends	0
Change in Accrued Interest	17,635
Portfolio Value on 09/30/23	6,733,833
Accrued Interest	51,050
Average Capital	6,924,754
Total Gains before Fees	-110,642
<b>IRR for 0.25 Years</b>	<b>-1.60%</b>

## **BOND MARKET COMMENTARY AND FUTURE POLICY**

North American stock markets moved lower over the most recent quarter as the prevailing thesis of a soft economic landing was challenged by a growing higher-for-longer interest rate narrative, which has rattled investor confidence. Bond prices have also remained under downward pressure over the past three months. During this period, the 5-year Canada yield increased another 70 basis points (0.7%) to a recent high of 4.25%, while the 5-year U.S. Treasury yield recorded a similar increase to a peak of 4.8%. The latest upward move in yields to 16-year highs came as the progress in bringing down inflation stalled in September amid growing expectations that the monetary authorities would need to keep rates elevated for longer than had been anticipated. Adding to the upward pressure on yields were growing concerns that huge federal deficits were pressuring investors' willingness and ability to absorb so much debt. However, yields have since recorded a moderate pullback in recent days due to increased demand for safe-haven assets, such as government bonds and the U.S. dollar, following Hamas's attack on Israel and the ensuing Israel-Hamas war.

On the economic front, second quarter growth in the U.S. posted an annualized increase of 2.1%. This was stronger than expected by most economists and the upward momentum appears to have carried over into the third quarter. Early estimates suggest overall growth of around 3.5% as consumer spending and exports picked up and employment gains have remained solid. In light of the better-than-expected second quarter results, the U.S. Federal Reserve (Fed) resumed its rate-hiking campaign back in July with a 0.25% increase in its target rate to a range of 5.25% to 5.5%. This raised borrowing costs to their highest level in over 22 years. While many economists over the past year have been forecasting that an economic recession lay ahead as a result of the Fed's tightening campaign to cool inflation, growth has stayed positive and consistently surprised on the upside. This, along with progress on the inflation front and market expectations that the Federal Reserve has largely completed its cycle of rate increases, have eased concerns of an economic "hard landing" and a growing number of Wall Street forecasters now think the U.S. can avoid a recession. However, it is important to note that, due to the inherent lag effects of monetary policy, the full impact of the Fed's historic rate hike cycle has yet to be felt. Forward looking indicators continue to flash warnings and the Conference Board's index of leading indicators registered its seventeenth straight monthly decline in August. With the excess savings accumulated during the pandemic now depleted, student loan payments resuming and interest expense at a record high, consumer spending is likely to come under pressure.

Meanwhile, Canada's economy contracted by 0.2% in the second quarter, which was well below the consensus forecast for a 1.2% increase and the Bank of Canada's expectation for a 1.5% gain. This has been largely attributed to the interest payment shock experienced by consumers, which has weighed on consumption and housing, along with the widespread impact of wildfires. Real GDP per capita is now down 2% year-over-year. Historically, this has occurred only during a recession, with the Bank of Canada (BoC) already in easing mode. However, the BoC has instead been tightening monetary policy as it raised its overnight target rate by 0.25% in July to 5%, which followed a similar increase in June. These latest hikes have coincided with a shift away from fiscal stimulus toward restraint. Also, prior to the strong jobs report from last month, Canada's labour market had been losing momentum with the unemployment rate moving gradually higher throughout the summer to an 18-month high of 5.5% in July, where it still stands. This points to economic weakness ahead and suggests that the BoC may hold rates steady at their meeting later this month. However, the Canadian consumer price index surprised to the high side in August, which raised the year-over-year increase to 4%. Furthermore, the latest wage growth

figures recorded a gain of 5.3% last month, which also exceeded expectations and was the third consecutive month of acceleration.

Looking offshore, after narrowly escaping a recession in the first quarter, Europe's economy grew at a non-annualized pace of 0.3% in the second quarter, just ahead of consensus expectations. Unfortunately, growth was not widespread and largely concentrated within two volatile sectors in Ireland and France. Elsewhere in Europe, growth remained stagnant as tighter monetary policies and credit conditions continued to squeeze consumers and businesses. Meanwhile, in China, the brief economic rebound seen earlier this year, following the country's abandonment of COVID containment measures, decelerated in the second quarter. Real GDP came in at a non-annualized gain of 0.8%, which was considerably less than the 2.2% recorded in the first quarter. Retail sales have slowed, the property sector continues to struggle and exports have weakened the most since the early days of the pandemic. As a result, many forecasters have downgraded their GDP estimates for this year and next, including the World Bank which just cut its 2024 estimate to 4.4%.

Looking ahead, we expect bond yields will remain in a volatile sideways trading range as investors weigh a variety of conflicting forces. On the one hand, the recent uptick in U.S. core and consumer inflation rates has highlighted the risk that inflation may settle well above the Fed's target unless there is a further slowdown in the economy. However, the ongoing resilience of the U.S. consumer, better-than-expected corporate profits and signals from the major central banks that the cycle of rate increases is nearing the end have bolstered expectations that the economy will not slow markedly and that the Fed will need to keep restrictive policies in place longer than expected to bring inflation back to their targets. Under this scenario, bond yields would likely remain under upward pressure for some time yet. On the other hand, there are a variety of worrisome domestic and international developments that we believe will be supportive of bond prices and push yields lower in the months ahead. These include a looming recession in Europe and a structural slowdown in China. On the domestic front, we expect the recent surge in yields, a rise in oil prices, growing credit card debt, depleted savings and eroding household liquidity will all weigh on the consumer sector, which accounts for over two-thirds of total economic activity in the U.S. Meanwhile, the Israel-Hamas war and the risk that the conflict could escalate to involve other nations comes at a time of already-elevated geopolitical tensions between the U.S. and China and the war in Ukraine.

In view of the rising economic headwinds and heightened geopolitical risks, we think the outlook for the bond market has improved based on our expectation that the economic backdrop will deteriorate further and that there will be continued progress on the inflation front. At this juncture, we believe the laddered maturity structure of the Long Term Fund and current duration of 4.3 years provides an appropriate hedge against the risk of another upward shift in the yield curve over the short term and we will look for favourable opportunities to reduce the reserve in the Short Term Fund in order to provide incremental returns when the yield curve shifts lower.

RWB/de

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

Martin, Lucas &amp; Seagram Ltd.

**CLLAS - SHORT TERM INVESTMENT FUND**  
**(RBC Investor Services)**

**Portfolio Holdings at September 30, 2023**

<b>Quantity</b>	<b>Security</b>	<b>Unit Cost</b>	<b>Price</b>	<b>Market Value</b>	<b>Annual Income</b>
<b>CASH</b>					
	Cash Account			7,816	0
<b>MONEY MARKET ISSUES</b>					
1,010,000	Royal Bank BA 5.10% due October 10, 2023	98.96	99.84	1,008,365	50,976
605,000	CIBC B.A. 5.10% due October 20, 2023	99.22	99.71	603,215	30,619
825,000	Canada Treasury Bill 4.85% due October 26, 2023	98.59	99.63	821,984	39,446
460,000	CIBC BA 5.13% due November 2, 2023	98.81	99.52	457,804	23,316
1,010,000	Canada Treasury Bill 4.95% due November 9, 2023	98.70	99.44	1,004,367	49,346
750,000	Toronto Dominion Bank BA 5.05% due November 10, 2023	99.20	99.41	745,568	37,573
1,580,000	Canada Treasury Bill 5.00% due November 23, 2023	98.68	99.25	1,568,092	77,953
1,025,000	Toronto Dominion Bank BA 5.12% due November 28, 2023	98.74	99.15	1,016,312	51,819
795,000	Canada Treasury Bill 4.95% due December 7, 2023	98.87	99.05	787,423	38,909
1,165,000	Canada Treasury Bill 5.00% due December 21, 2023	98.86	98.85	1,151,573	57,587
				<u>9,164,703</u>	<u>457,546</u>
<b>TOTAL PORTFOLIO</b>				<b>9,172,519</b>	<b>457,546</b>

## Disclosures:

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

Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
**CLLAS - SHORT TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
*From 07-01-23 To 09-30-23*

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
<b>PURCHASES</b>					
07-07-23	07-07-23	825,000	Canada Treasury Bill 4.85% due October 26, 2023	98.59	813,327.90
07-19-23	07-20-23	530,000	Canada Treasury Bill 4.80% due September 28, 2023	99.08	525,115.52
07-25-23	07-26-23	1,015,000	Toronto Dominion Bank BA 5.00% due August 29, 2023	99.54	1,010,294.46
07-26-23	07-27-23	1,010,000	Royal Bank BA 5.10% due October 10, 2023	98.96	999,525.29
08-03-23	08-04-23	1,010,000	Canada Treasury Bill 4.95% due November 9, 2023	98.70	996,886.16
08-04-23	08-08-23	460,000	CIBC BA 5.13% due November 2, 2023	98.81	454,506.22
08-16-23	08-17-23	1,580,000	Canada Treasury Bill 5.00% due November 23, 2023	98.68	1,559,069.74
08-24-23	08-24-23	605,000	CIBC B.A. 5.10% due October 20, 2023	99.22	600,302.78
08-28-23	08-29-23	1,025,000	Toronto Dominion Bank BA 5.12% due November 28, 2023	98.74	1,012,080.90
09-13-23	09-13-23	795,000	Canada Treasury Bill 4.95% due December 7, 2023	98.87	786,045.92
09-13-23	09-13-23	750,000	Toronto Dominion Bank BA 5.05% due November 10, 2023	99.20	744,029.25
09-27-23	09-28-23	1,165,000	Canada Treasury Bill 5.00% due December 21, 2023	98.86	1,151,746.96
					<b>10,652,931.10</b>
<b>SALES</b>					
07-10-23	07-10-23	400,000	Royal Bank BA 4.71% due July 10, 2023	100.00	400,000.00
07-10-23	07-10-23	405,000	Toronto Dominion Bank BA 4.75% due July 10, 2023	100.00	405,000.00
07-20-23	07-20-23	500,000	Canada Treasury Bill 4.30% due July 20, 2023	100.00	500,000.00
07-25-23	07-25-23	1,000,000	Royal Bank BA 4.899% due July 25, 2023	100.00	1,000,000.00
07-27-23	07-27-23	1,000,000	CIBC BA 4.899% due July 27, 2023	100.00	1,000,000.00
08-03-23	08-03-23	1,000,000	Canada Treasury Bill 4.65% due August 3, 2023	100.00	1,000,000.00
08-08-23	08-08-23	455,000	CIBC BA 4.65% due August 8, 2023	100.00	455,000.00
08-17-23	08-17-23	1,555,000	Canada Treasury Bill 4.30% due August 17, 2023	100.00	1,555,000.00

Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
***CLLAS - SHORT TERM INVESTMENT FUND***  
***(RBC Investor Services)***  
*From 07-01-23 To 09-30-23*

<b>Trade Date</b>	<b>Settle Date</b>	<b>Quantity</b>	<b>Security</b>	<b>Unit Price</b>	<b>Amount</b>
08-25-23	08-25-23	600,000	CIBC BA 4.90% due August 25, 2023	100.00	600,000.00
08-29-23	08-29-23	1,015,000	Toronto Dominion Bank BA 5.00% due August 29, 2023	100.00	1,015,000.00
09-14-23	09-14-23	1,525,000	Canada Treasury Bill 4.75% due September 14, 2023	100.00	1,525,000.00
09-28-23	09-28-23	1,140,000	Canada Treasury Bill 4.80% due September 28, 2023	100.00	1,140,000.00
					<b>10,595,000.00</b>



Martin, Lucas & Seagram Ltd.  
**CASH RECONCILIATION**  
***CLLAS - SHORT TERM INVESTMENT FUND***  
***(RBC Investor Services)***  
*From 06-30-23 to 09-30-23*

Cash Balance at June 30, 2023		15,087.25
ADD: Proceeds from Sales	10,595,000.00	
Capital Contribution		
Interest on cash balance	379.24	
Bond Interest Credited (from Long Term Investment Fund)	31,692.58	10,627,071.82
LESS: Cost of Purchases	-10,652,931.10	
Capital Withdrawal		
Q2 2023 Investment Counsel Fees - Short Term Investment Fund	-2,545.77	
Q2 2023 Investment Counsel Fees - Long Term Investment Fund	-4,890.31	
Trust Company Charges net interest income	-4,511.41	
Transfers to Long Term Fund re: net sales and purchases	30,535.49	-10,634,343.10
<b>Cash Balance at June 30, 2023</b>		<b>7,815.97</b>

Martin, Lucas &amp; Seagram Ltd.

**CLLAS - LONG TERM INVESTMENT FUND**  
**(RBC Investor Services)**

**Portfolio Holdings at September 30, 2023**

<b>Quantity</b>	<b>Security</b>	<b>Unit Cost</b>	<b>Price</b>	<b>Market Value</b>	<b>Annual Income</b>
<b>GOVERNMENT BONDS</b>					
250,000	Canada Housing Trust 2.9% due June 15, 2024	102.64	98.44	246,096	7,250
300,000	Canada Housing Trust Ser. 70 2.25% due December 15, 2025	100.98	94.43	283,289	6,750
250,000	Canada Housing Trust Ser. 77 2.35% due June 15, 2027	93.81	92.19	230,476	5,875
250,000	Canada Housing Trust No.1 2.350% due March 15, 2028	103.96	91.20	228,011	5,875
300,000	Canada Housing Trust 2.1% Series 88 due September 15, 2029	99.73	87.62	262,847	6,300
275,000	Canada Housing Trust 1.1% Series 95 due March 15, 2031	94.05	78.60	216,156	3,025
200,000	Canada Housing Trust 3.55% due September 15, 2032	98.05	92.96	185,920	7,100
215,000	Canada 2.75% due June 1, 2033	92.55	89.83	193,125	5,913
				<hr/> 1,845,920	<hr/> 48,088
<b>PROVINCIAL BONDS</b>					
400,000	Ontario 2.60% due June 2, 2025	101.08	96.04	384,148	10,400
350,000	British Columbia 2.3% due June 18, 2026	104.40	93.55	327,416	8,050
350,000	Ontario 2.60% due June 2, 2027	97.56	92.79	324,781	9,100
300,000	Alberta 2.90% due December 1, 2028	94.50	92.12	276,353	8,700
350,000	Ontario 2.05% due June 2, 2030	94.43	85.10	297,852	7,175
200,000	British Columbia 1.55% due June 18, 2031	83.75	79.68	159,364	3,100
300,000	Ontario 2.25% due December 2, 2031	87.15	83.24	249,727	6,750
300,000	British Columbia 3.2% due June 18, 2032	96.71	88.86	266,584	9,600
300,000	Ontario 3.65% due June 2, 2033	97.98	91.37	274,097	10,950
				<hr/> 2,560,322	<hr/> 73,825

Martin, Lucas & Seagram Ltd.							
EXTERNAL INDIVIDUAL CREDIT RATING REPORT - SEPTEMBER 30, 2023							
CLLAS - SHORT TERM INVESTMENT FUND							
Quantity	Security	Rating	Unit Cost	Total Cost	Price	Market Value	% Assets
1,010,000	Royal Bank BA 5.10%	R-1 (high)	98.963	999,525	99.838	1,008,365	11.0%
	due October 10, 2023						
605,000	CIBC B.A. 5.10%	R-1 (high)	99.224	600,303	99.705	603,215	6.6%
	due October 20, 2023						
825,000	Canada Treasury Bill 4.85%	R-1 (high)	98.585	813,328	99.634	821,984	9.0%
	due October 26, 2023						
460,000	CIBC BA 5.13%	R-1 (high)	98.806	454,506	99.523	457,804	5.0%
	due November 2, 2023						
1,010,000	Canada Treasury Bill 4.95%	R-1 (high)	98.702	996,886	99.442	1,004,367	11.0%
	due November 9, 2023						
750,000	Toronto Dominion Bank BA 5.05%	R-1 (high)	99.204	744,029	99.409	745,568	8.1%
	due November 10, 2023						
1,580,000	Canada Treasury Bill 5.00%	R-1 (high)	98.675	1,559,070	99.246	1,568,092	17.1%
	due November 23, 2023						
1,025,000	Toronto Dominion Bank BA 5.12%	R-1 (high)	98.740	1,012,081	99.152	1,016,312	11.1%
	due November 28, 2023						
795,000	Canada Treasury Bill 4.95%	R-1 (high)	98.874	786,046	99.047	787,423	8.6%
	due December 7, 2023						
1,165,000	Canada Treasury Bill 5.00%	R-1 (high)	98.862	1,151,747	98.848	1,151,573	12.6%
	due December 21, 2023						
				9,117,521		9,164,703	100%

Martin, Lucas &amp; Seagram Ltd.

**CLLAS - LONG TERM INVESTMENT FUND**  
**(RBC Investor Services)**

**Portfolio Holdings at September 30, 2023**

<b>Quantity</b>	<b>Security</b>	<b>Unit Cost</b>	<b>Price</b>	<b>Market Value</b>	<b>Annual Income</b>
<b>CORPORATE BONDS</b>					
250,000	Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	102.02	98.20	245,497	8,065
250,000	CIBC Deposit Note 3.3% due May 26, 2025	100.24	96.54	241,352	8,250
200,000	Wells Fargo & Company 2.975% due May 19, 2026	102.15	92.89	185,779	5,950
300,000	Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	102.07	92.14	276,430	7,860
150,000	Bank of Montreal Dep. Note 2.70% due December 9, 2026	108.76	92.35	138,526	4,050
100,000	Bank of Nova Scotia 2.95% due March 8, 2027	92.85	91.21	91,207	2,950
150,000	Enbridge Inc. CB-27 3.2% due June 8, 2027	96.43	91.53	137,296	4,800
150,000	Royal Bank 4.642% due January 17, 2028	97.93	95.73	143,593	6,963
100,000	Bank of Montreal 3.19% due March 1, 2028	100.75	91.46	91,462	3,190
100,000	Telus Corp. CB-27 3.625% due March 1, 2028	97.25	91.69	91,690	3,625
100,000	Bell Canada SerM56 2.2% due May 29, 2028	98.26	86.05	86,046	2,200
250,000	Toronto Dominion Bank 4.68% due January 8, 2029	97.97	95.35	238,386	11,700
125,000	Ontario Power Generation 2.977% 13SEP29 due September 13, 2029	99.95	88.29	110,360	3,721
200,000	Hydro One Inc. 2.16% Ser 46 due February 28, 2030	86.95	83.75	167,492	4,320
100,000	Loblaw Companies 2.284% due May 7, 2030	86.07	82.48	82,476	2,284
				<hr/> 2,327,591	<hr/> 79,928
<b>TOTAL PORTFOLIO</b>				<b>6,733,833</b>	<b>201,841</b>

## Disclosures:

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Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
**CLLAS - LONG TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
*From 07-01-23 To 09-30-23*

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
<b>PURCHASES</b>					
07-17-23	07-19-23	200,000	Hydro One Inc. 2.16% Ser 46 due February 28, 2030	86.95	173,900.00
07-17-23	07-19-23	100,000	Toronto Dominion Bank 4.68% due January 8, 2029	98.22	98,220.00
09-14-23	09-18-23	215,000	Canada 2.75% due June 1, 2033	92.55	198,982.50
					<b>471,102.50</b>
<b>SALES</b>					
07-18-23	07-18-23	300,000	Toronto Dominion Bank Dep. Note 1.909% due July 18, 2023	100.00	300,000.00
09-15-23	09-15-23	200,000	Canada Housing Trust 2.35% due September 15, 2023	100.00	200,000.00
					<b>500,000.00</b>

Martin, Lucas & Seagram Ltd.  
**CASH RECONCILIATION**  
***CLLAS - LONG TERM INVESTMENT FUND***  
*From 06-30-23 to 09-30-23*

Cash Balance at June 30, 2023		<u>0.00</u>
ADD: Proceeds from Sales	500,000.00	
Accrued Interest on Sales	5,213.50	
Bond Interest Credited to Long Term Investment Fund	31,692.58	
Transfer Bond Interest to Short Term Investment Fund	-31,692.58	<u>505,213.50</u>
LESS: Cost of Purchases	-471,102.50	
Accrued Interest on Purchases	-3,575.51	
Transfer from Short Term Fund	-30,535.49	<u>-505,213.50</u>
<b>Cash Balance at June 30, 2023</b>		<b><u><u>0.00</u></u></b>

Martin, Lucas & Seagram Ltd.									
EXTERNAL INDIVIDUAL CREDIT RATING REPORT - SEPTEMBER 30, 2023									
CLLAS - LONG TERM INVESTMENT FUND									
					Unit	Total		Market	Pct.
Quantity	CUSIP	Security		Rating	Cost	Cost	Price	Value	Assets
<b>GOVERNMENT BONDS</b>									
250,000	13509PEF6	Canada Housing Trust 2.9%	due June 15, 2024	AAA	102.64	256,600	98.44	246,096	3.7%
300,000	13509PFD0	Canada Housing Trust Ser. 70 2.25%	due December 15, 2025	AAA	100.98	302,940	94.43	283,289	4.2%
250,000	13509PFX6	Canada Housing Trust Ser. 77 2.35%	due June 15, 2027	AAA	93.81	234,525	92.19	230,476	3.4%
250,000	13509PGF4	Canada Housing Trust No.1 2.350%	due March 15, 2028	AAA	103.96	259,900	91.20	228,011	3.4%
300,000	13509PHD8	Canada Housing Trust 2.1% Series 88	due September 15, 2029	AAA	99.73	299,200	87.62	262,847	3.9%
275,000	13509PHQ9	Canada Housing Trust 1.1% Series 95	due March 15, 2031	AAA	94.05	258,638	78.60	216,156	3.2%
200,000	13509PJC8	Canada Housing Trust 3.55%	due September 15, 2032	AAA	98.05	196,100	92.96	185,920	2.8%
215,000	135087Q23	Canada 2.75%	due June 1, 2033	AAA	92.55	198,983	89.83	193,125	2.9%
						2,006,885		1,845,920	27.4%
<b>PROVINCIAL BONDS</b>									
400,000	68323ACX0	Ontario 2.60%	due June 2, 2025	AA (low)	101.08	404,305	96.04	384,148	5.7%
350,000	11070TAJ7	British Columbia 2.3%	due June 18, 2026	AA (high)	104.40	365,400	93.55	327,416	4.9%
350,000	68323AEE0	Ontario 2.60%	due June 2, 2027	AA (low)	97.56	341,460	92.79	324,781	4.8%
300,000	013051EB9	Alberta 2.90%	due December 1, 2028	AA	94.50	283,500	92.12	276,353	4.1%
350,000	68333ZAH0	Ontario 2.05%	due June 2, 2030	AA (low)	94.43	330,515	85.10	297,852	4.4%
200,000	110709AF9	British Columbia 1.55%	due June 18, 2031	AA (high)	83.75	167,500	79.68	159,364	2.4%
300,000	68333ZAT4	Ontario 2.25%	due December 2, 2031	AA (low)	87.15	261,450	83.24	249,727	3.7%
300,000	110709GL0	British Columbia 3.20%	due June 18, 2032	AA (high)	96.71	290,130	88.86	266,584	4.0%
300,000	68333ZAY3	Ontario 3.65%	due June 2, 2033	AA (low)	97.98	293,940	91.37	274,097	4.1%
						2,738,200		2,560,322	38.0%
<b>CORPORATE BONDS</b>									
250,000	891145T79	Toronto Dominion Bank Dep. Note 3.226%	due July 24, 2024	AA (high)	102.02	255,050	98.20	245,497	3.6%
250,000	13596Z3Y9	CIBC Deposit Note 3.3%	due May 26, 2025	AA	100.24	250,600	96.54	241,352	3.6%
200,000	949746RX1	Wells Fargo & Company 2.975%	due May 19, 2026	AA (low)	102.15	204,300	92.89	185,779	2.8%
300,000	064151QE6	Bank of Nova Scotia Dep. Notes 2.62%	due December 2, 2026	AA	102.07	306,210	92.14	276,430	4.1%
150,000	06368AAA8	Bank of Montreal Dep. Note 2.70%	due December 9, 2026	AA	108.76	163,140	92.35	138,526	2.1%
100,000	06415GDE7	Bank of Nova Scotia 2.95%	due March 8, 2027	AA (low)	92.85	92,850	91.21	91,207	1.4%
150,000	29251ZBK2	Enbridge Inc. CB-27 3.2%	due June 8, 2027	BBB (high)	96.43	144,650	91.53	137,296	2.0%
150,000	780086WG5	Royal Bank 4.642%	due January 17, 2028	AA	97.93	146,895	95.73	143,593	2.1%
100,000	06368BTX6	Bank of Montreal 3.19%	due March 1, 2028	AA	100.75	100,750	91.46	91,462	1.4%
100,000	87971MBG7	Telus Corp. CB-27 3.625%	due March 1, 2028	BBB	97.25	97,250	91.69	91,690	1.4%
100,000	07813ZCJ1	Bell Canada SerM56 2.2%	due May 29, 2028	BBB (high)	98.26	98,263	86.05	86,046	1.3%
250,000	89117GRJ8	Toronto Dominion Bank 4.68%	due January 8, 2029	AA	97.97	244,920	95.35	238,386	3.5%
125,000	68321ZAD3	Ontario Power Generation 2.977% 13SEP29	due September 13, 2029	A (low)	99.95	124,938	88.29	110,360	1.6%
200,000	44810ZCC2	Hydro One Inc. 2.16% Ser 46	due February 28, 2030	A (high)	86.95	173,900	83.75	167,492	2.5%
100,000	539481AN1	Loblaw Companies 2.284%	due May 7, 2030	BBB (high)	86.07	86,070	82.48	82,476	1.2%
						2,489,785		2,327,591	34.6%
<b>TOTAL PORTFOLIO</b>									
						7,234,870		6,733,833	100.0%

Martin, Lucas & Seagram Ltd.  
**DATE TO DATE GAINS AND LOSSES**  
**CLLAS - LONG TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
*From 06-30-23 to 09-30-23*

Security	06-30-23 Market Value	Additions Withdrawals	09-30-23 Market Value	09-30-23 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
<b>CASH</b>								
Cash Account	0	0	0	0				
<b>GOVERNMENT BONDS</b>								
Canada Housing Trust 2.35% due September 15, 2023	198,974	-202,350	0	0	-11,240	1,026	0	0
Canada Housing Trust 2.9% due June 15, 2024	245,013	0	246,096	256,600	0	0	-10,504	1,084
Canada Housing Trust Ser. 70 2.25% due December 15, 2025	284,319	0	283,289	302,940	0	0	-19,651	-1,029
Canada Housing Trust Ser. 77 2.35% due June 15, 2027	234,542	0	230,476	234,525	0	0	-4,049	-4,066
Canada Housing Trust No.1 2.350% due March 15, 2028	233,118	-2,938	228,011	259,900	0	0	-31,889	-5,107
Canada Housing Trust 2.1% Series 88 due September 15, 2029	271,586	-3,150	262,847	299,200	0	0	-36,354	-8,739
Canada Housing Trust 1.1% Series 95 due March 15, 2031	226,573	-1,513	216,156	258,638	0	0	-42,482	-10,417
Canada Housing Trust 3.55% due September 15, 2032	197,567	-3,550	185,920	196,100	0	0	-10,180	-11,648
Canada 2.75% due June 1, 2033	0	200,748	193,125	198,983	0	0	-5,857	-5,857
<b>GOVERNMENT BONDS Total</b>	<u>1,891,692</u>		<u>1,845,920</u>	<u>2,006,885</u>	<u>-11,240</u>	<u>1,026</u>	<u>-160,965</u>	<u>-45,780</u>
<b>PROVINCIAL BONDS</b>								
Ontario 2.60% due June 2, 2025	384,602	0	384,148	404,305	0	0	-20,157	-454
British Columbia 2.3% due June 18, 2026	329,797	0	327,416	365,400	0	0	-37,984	-2,381
Ontario 2.60% due June 2, 2027	330,485	0	324,781	341,460	0	0	-16,679	-5,705
Alberta 2.90% due December 1, 2028	283,611	0	276,353	283,500	0	0	-7,147	-7,258
Ontario 2.05% due June 2, 2030	309,801	0	297,852	330,515	0	0	-32,663	-11,949
British Columbia 1.55% due June 18, 2031	167,343	0	159,364	167,500	0	0	-8,136	-7,979
Ontario 2.25% due December 2, 2031	263,222	0	249,727	261,450	0	0	-11,723	-13,495
British Columbia 3.2% due June 18, 2032	282,545	0	266,584	290,130	0	0	-23,546	-15,961
Ontario 3.65% due June 2, 2033	292,228	0	274,097	293,940	0	0	-19,843	-18,130
<b>PROVINCIAL BONDS Total</b>	<u>2,643,634</u>		<u>2,560,322</u>	<u>2,738,200</u>	<u>0</u>	<u>0</u>	<u>-177,878</u>	<u>-83,312</u>
<b>CORPORATE BONDS</b>								
Toronto Dominion Bank Dep. Note 1.909% due July 18, 2023	299,672	-302,864	0	0	-7,890	328	0	0
Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	244,470	-4,033	245,497	255,050	0	0	-9,553	1,027
CIBC Deposit Note 3.3% due May 26, 2025	241,242	0	241,352	250,600	0	0	-9,249	110



Martin, Lucas & Seagram Ltd.  
**DATE TO DATE GAINS AND LOSSES**  
**CLLAS - LONG TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
*From 06-30-23 to 09-30-23*

Security	06-30-23 Market Value	Additions Withdrawals	09-30-23 Market Value	09-30-23 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
Wells Fargo & Company 2.975% due May 19, 2026	185,981	0	185,779	204,300	0	0	-18,521	-201
Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	278,537	0	276,430	306,210	0	0	-29,780	-2,106
Bank of Montreal Dep. Note 2.70% due December 9, 2026	139,541	0	138,526	163,140	0	0	-24,614	-1,015
Bank of Nova Scotia 2.95% due March 8, 2027	92,439	-1,475	91,207	92,850	0	0	-1,643	-1,232
Enbridge Inc. CB-27 3.2% due June 8, 2027	139,678	0	137,296	144,650	0	0	-7,354	-2,382
Royal Bank 4.642% due January 17, 2028	146,707	-3,482	143,593	146,895	0	0	-3,302	-3,115
Bank of Montreal 3.19% due March 1, 2028	93,451	-1,595	91,462	100,750	0	0	-9,288	-1,989
Telus Corp. CB-27 3.625% due March 1, 2028	93,860	-1,813	91,690	97,250	0	0	-5,560	-2,169
Bell Canada SerM56 2.2% due May 29, 2028	87,995	0	86,046	98,263	0	0	-12,217	-1,949
Toronto Dominion Bank 4.68% due January 8, 2029	147,033	94,236	238,386	244,920	0	0	-6,534	-6,867
Ontario Power Generation 2.977% 13SEP29 due September 13, 2029	113,490	-1,861	110,360	124,938	0	0	-14,577	-3,130
Hydro One Inc. 2.16% Ser 46 due February 28, 2030	0	173,409	167,492	173,900	0	0	-6,408	-6,408
Loblaw Companies 2.284% due May 7, 2030	84,917	0	82,476	86,070	0	0	-3,595	-2,442
<b>CORPORATE BONDS Total</b>	<b>2,389,013</b>		<b>2,327,591</b>	<b>2,489,785</b>	<b>-7,890</b>	<b>328</b>	<b>-162,194</b>	<b>-33,869</b>
<b>TOTAL PORTFOLIO</b>	<b>6,924,338</b>		<b>6,733,833</b>	<b>7,234,870</b>	<b>-19,130</b>	<b>1,353</b>	<b>-501,037</b>	<b>-162,961</b>
<b>TOTAL DATE TO DATE GAIN OR LOSS</b>								<b>-161,608</b>
<b>% CHANGE DURING PERIOD</b>								<b>-2.33</b>