

**ADVISORY BOARD MEETING**

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

Tuesday, February 21, 2023 at 8:30 a.m.
Goodmans LLP
34th Floor, Bay Adelaide Centre, West Tower
333 Bay Street.
Toronto, Ontario

ZOOM login information: Advisory Board of CLLAS

To join meeting using a computer:

<https://us02web.zoom.us/j/84252492325?pwd=VllxNzdtYWgxM3lvYmNuQ1kwVDF3QT09>

Meeting ID: 842 5249 2325

Meeting Password: 579491

To join meeting by phone:

+1 647 558 0588 Canada

Meeting ID: 842 5249 2325

Meeting Password: 579491

AGENDA

	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
1. Constitution of Meeting	Ken Crofoot		
2. Appointment of Secretary	Ken Crofoot		
3. Approval of the Minutes of December 6, 2022 Meeting <i>Proposed Resolution: To approve the minutes.</i>	Ken Crofoot	5 mins	3.1



	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
4. Business Arising Out of the Minutes	Ken Crofoot		
5. Comments of Chair	Ken Crofoot	5 mins	
6. Market Update and Reinsurance Renewal Planning	Ryan Durrell	10 mins	
7. Report of the General Manager	Patrick Mahoney	30 mins	
7.1 December 31, 2022 Financial Management Report	& Carrie Green		7.1
7.2 Presentation of the Actuary to the Audit Committee			7.2
7.3 2023 Operating Budget			7.3
<i>Proposed Resolution: To approve the 2023 Budget</i>			
8. Committee Reports		30 mins	
8.1 Audit Committee	Gord Goodman		
8.1.1 Audit Findings Report			8.1.1
8.1.2 Audited Financial Statements			8.1.2
<i>Proposed Resolution: To adopt the Audited Financial Statements</i>			
8.1.3 Signing of P&C1 for February 28, 2023			
8.2 Claims Committee	Bill Scott		8.2
8.3 Risk Management Committee	Julia Holland		
8.4 Policy Committee	Donald Milner		
9. Other Business			
9.1 Quarterly Report of the Investment Manager	Patrick Mahoney	5 mins	9.1
10. Next Meeting – June 20, 2023			

Anticipated Adjournment Time: 10:30 a.m.

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

Minutes of a Meeting of the Advisory Board

8:30 a.m.

Goodmans LLP (Via Teleconference)

Tuesday, December 6, 2022

Present:

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

Absent:

1. Constitution of Meeting

The Chair brought the meeting to order.

2. Appointment of Secretary

Norma Ibbetson acted as Secretary.

3. Approval of Minutes of the September 20, 2022 Meeting of the Advisory Board

It was moved by Laurence Detière and seconded by Margaret McNee that the minutes of the September 20, 2022 meeting of the Advisory Board be approved. The motion was carried unanimously.

4. Business Arising Out of the Minutes

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

5. Comments of the Chair

The Chair introduced the incoming Board member from McMillan, Carl De Vuono. This will be Margaret McNee's last meeting as she is retiring from the firm. Margaret was thanked for her contribution to the Board and Audit Committee. Carl has agreed to join the Audit Committee in Margaret's place.

This will also be Bill Scott's last meeting and his replacement as McCarthy's representative will be Caroline Zayid. Bill has been a long-time chair (and even longer-time member) of the Claims Committee. Bob Love will be taking over as Chair of the Claims Committee and Caroline Zayid, McCarthy's new board representative, will be joining as a member.

The Chair welcomed Carl and Caroline, and thanked Margaret and Bill for their contributions to CLLAS over the past many years.

6. Market Update and Reinsurance Renewal Planning

Ryan Durrell provided an update to the Board with respect to renewal planning for July 1, 2023. The good news is that we have heard of no insurers withdrawing from the professional liability market. Having said that, there is no indication that rates will be coming down in the foreseeable future.

For the next renewal, we are setting our sights on a flat renewal although we are expecting with inflation concerns there will be definite pressure to increase rates. We do not expect the increase to be more than 7.5%.

The London reinsurance renewal meetings are scheduled for May 17-19, 2023.

7. CLLAS Cyber Initiative

Cyber Program incepted at July 1, 2022 as planned. The bulk of the firms joined the program in mid October, with the final firm coming on board at the end of the November. So far, Beazley is proving to be a good partner. We are working with Beazley to have a Risk Management Program in hand for early in 2023.

Broadly speaking other cyber renewals are seeing 20-30% rate increases but this was not the case for CLLAS. It is still early days to have any indication of what the October 2023 renewal will look like. We do expect to have better information in this regard well in advance of the renewal and expect to also be meeting with Beazley during the May London trip.

8. **Report of the General Manager's Office**

Financial Statements for the Period Ending September 30, 2022

Mr. Mahoney presented CLLAS' financial management report at September 30, 2022.

The management statements look different then they have in the past. As of September 30, 2022 they are being presented on both an individual program basis (E&O and Cyber) and on a combined basis.

The Cyber Program was launched on July 1, 2022 with one firm incepting in the third quarter. The balance of the firms joined after September 30, 2022 and this will be reflected in the fourth quarter statements. As a result, there is a small amount of premium income in Q3, but the full reinsurance premium under the contract was due and payable. This caused the program to generate a loss of \$294,000 in Q3. This situation will normalize as we move through the balance of the policy year and additional premium comes on stream.

There are very few operating expenses being allocated to the program in Q3. The operating budget for 2023 will include a refined allocation of operating expenses for the Cyber Program and the budget variance exhibit will contain more meaningful information starting from January 1, 2023.

The management statements for the E&O Program are similar to the statements the Board has received in the past. CLLAS experienced an underwriting gain of \$820,000 in the quarter and a total comprehensive gain after considering investment income (including unrealized losses arising during the period) of \$884,000. Year-to-date, CLLAS has a total comprehensive gain of \$420,000. The primary reason for the favourable outcome is a recovery on an old claim and the release of IBNR through the period.

The combined statements show the overall financial position of CLLAS. These statements consolidate the two programs and account for any inter-program adjustments.

The Budget Variance shows that expenses for the year are tracking under budget.

At September 30, 2022, CLLAS had surplus of slightly over \$12.9 million and had cash and approved securities in excess of the minimum AMRGF requirement mandated by Alberta insurance law.

CLLAS also monitors its Minimum Capital Test ratio. At September 30, 2022, CLLAS' MCT ratio is estimated to be 505%, well above CLLAS' minimum internal requirements of 210%. Mid-year MCT calculations are done on a simplified basis in the interest of efficiency; the official MCT calculation is done at year-end.

Mr. Mahoney also referred the Board to the risk metrics monitored by CLLAS on a quarterly basis. The results for September 30, 2022, 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.

Subscribers Accounts at June 30, 2022

The CLLAS Subscribers Accounts as at June 30, 2022 were included with the meeting materials. The statements are an information item, and no action is required by the Board.

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

Blakes/Dentons Considerations

Blake, Cassels & Graydon LLP ("Blakes") and Dentons Canada LLP ("Dentons") withdrew from CLLAS effective June 30, 2012 and June 30, 2017 respectively. Pursuant to CLLAS' Reciprocal Insurance Exchange Agreement, both subscribers may be entitled to a share of the surplus they have accumulated in CLLAS. Blakes received a partial payment in 2017, five years after the firm's departure.

Included in the Board meeting material was a memorandum prepared by CLLAS' actuary to assist CLLAS in quantifying the risk associated with returning surplus to Blakes and Dentons. They have estimated their surplus as at June 30, 2022 under various scenarios:

- At the mean level (based on the subscribers' accounts);
- At the 95th percentile; and
- Assuming additional losses of \$5,000,000 and \$25,000,000 materializing in the 2011/2012 policy year.

Note that percentiles represent probability levels of meeting a certain threshold. For example, surplus at the 95th percentile implies that we estimate that a given surplus position will be sufficient in 95% of scenarios.

In summary, the analysis would provide support for a surplus distribution of up to \$610,000 to Blakes and up to \$1,585,000 to Dentons.

The maintenance of accounting records based on subscriber participation implies that to a large extent the other subscribers' accumulated surplus is not directly impacted by Blakes' and Dentons' departure. However, returning shared of surplus imply at the reciprocal level a reduction in funds available to meeting regulatory solvency tests.

Based on the June 30, 2022 estimated results, each million dollars of surplus distribution would translate in to a decrease of 43 points in the MCT ratio.

It was moved by Bill Scott and seconded by Gordon Goodman that a return of premiums of \$610,000 to Blakes be adopted as presented and further that a return of premiums of \$1,585,000 to Dentons be adopted as presented. The motion was carried unanimously.

Adoption of ORSA Report and Approval of ERM Policy

Due to the introduction of the Cyber Program, CLLAS undertook an Own Risk and Solvency Assessment (ORSA) and the draft report is included in the Board package for adoption subject to any comments. Management is of the view that the current surplus target of 210% remains appropriate.

Mr. Mahoney reminded the Board that the ERM policy is intended to be a living document which documents CLLAS' risk appetite, risk target/limits and risk monitoring, and it sets out responsibilities for various elements of CLLAS' ERM. Various elements of the policy have been reviewed by the Board in the past. The Policy has been updated to reflect the Cyber Program.

No changes are required to CLLAS' approach.

It was moved by Bob Love and seconded by Don Milner that the ORSA be adopted as presented. The motion was carried unanimously.

It was moved by Michael Swartz and seconded by Don Milner that the ERM policy be confirmed. The motion was carried unanimously.

Confirmation of Investment Policy

The Investment Policy needs to be reviewed and confirmed on an annual basis. It is a conservative investment policy. No changes are being recommended.

Compliance monitoring was discussed. The quarterly investment report contains a compliance statement and the General Manager's office reviews the quarterly investment report for compliance as well. The result is documented in the risk metrics attached to the financial management report.

It was moved by Laurence Detière and seconded by Margaret McNee that the Investment Policy be re-confirmed as presented. The motion was carried unanimously.

9. Committee Reports

Report of the Audit Committee

Gordon Goodman reported on behalf of the Audit Committee. The audit planning meeting took place on October 21, 2022, with Deloitte in attendance to review the audit plan. This year, Brigitte Chartier replaced Elaine Hultzer as CLLAS' audit partner

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

Report of the Claims Committee

Bill Scott reported on behalf of the Claims Committee. The Committee had met since the last meeting and there has been a flurry of activity including two settlements on very old files. A new matter has recently gone to mediation that was not previously on the committee radar – it did not settle. Included in the material are some charts summarizing CLLAS' claims activity at September 30, 2022.

Report of the Risk Management Committee

Julia Holland reported on behalf of the Risk Management Committee. No new issues currently under consideration by the Committee but as reported earlier in the meeting we are looking at a seminar early in 2023 seminar with respect to a cyber based presentation lead by Beazley.

Report of the Policy Committee

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

10. Other Business

Quarterly Report of the Investment Manager

This is an information item for the Board.

Annual Dinner

Consideration will be given to holding a dinner on a Thursday night in the second half of April 2023, subject to COVID protocols. Tentative date to hold is April 20, 2023. Chair asked that Board members to share their views with him by email or phone call.

11. Next Meeting

The next regularly scheduled meeting of the Board will be on February 21, 2023 via Zoom.

There being no further business, the meeting was terminated.

Chairman

Secretary



MEMORANDUM

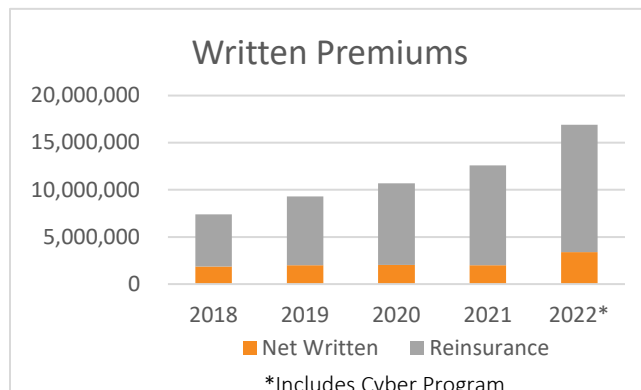
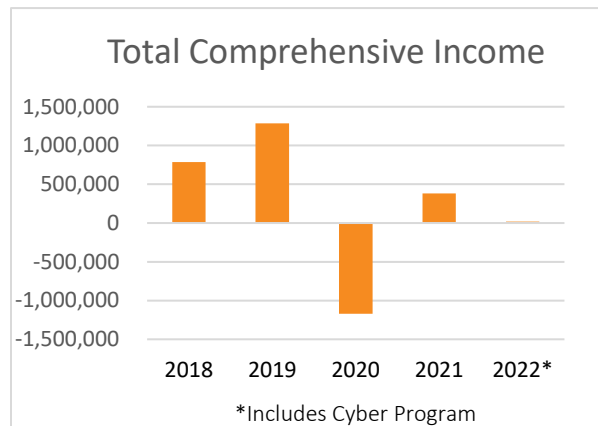
DATE: February 14, 2023
 TO: CLLAS Advisory Board
 FROM: Carrie Green
 COPY:
 RE: December 31, 2022 Financial Management Report

CLLAS' financial management report for the year ended December 31, 2022 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)

On a combined program basis, as shown on Exhibit 1.2, CLLAS experienced an underwriting loss (i.e. premiums minus claims and expenses) of \$311,000 in the fourth quarter. The total comprehensive loss (i.e. after taking into account realized and unrealized gains/losses on the investment portfolio) for the quarter was \$110,000, leading to a total comprehensive gain close to break-even for the full year of just over \$17,000. This result is driven by unrealized losses in the investment portfolio due to a

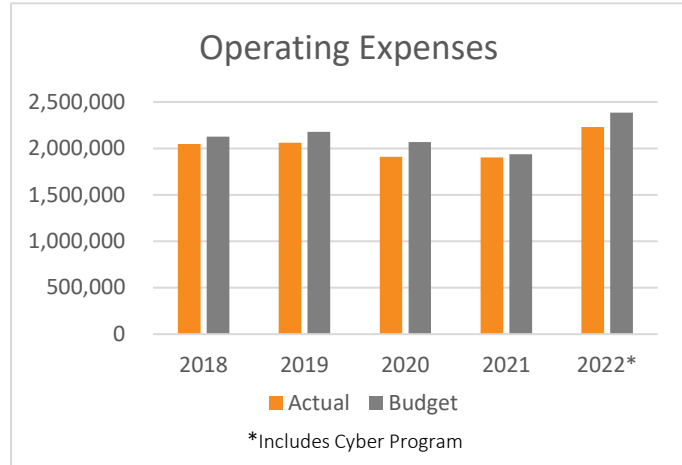


decline in market value of fixed income investments amid rising interest rates.

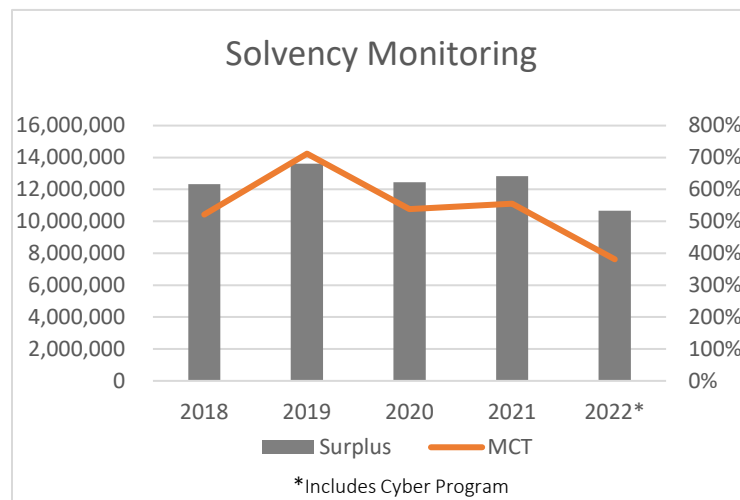
Total written premiums increased to \$16.9 million over prior year (\$12.6 million) primarily as the result of the addition of the Cyber Program, in addition to an increase in reinsurance premiums for the year. Premiums within the CLLAS retention continue to be very stable as you can see in the graph on the right.

The Budget Variance (Exhibit 1.4) shows that expenses finished the year \$154,000, or 6% under budget. The budget variance for 2022 and the proposed operating budget for 2023 are discussed under separate cover.

As shown on Exhibit 1.1, the Board’s decision at the December Board meeting to return \$2.2 million of surplus to Denton’s and Blake’s resulted in a total surplus position for CLLAS at December 31, 2022 of just under \$10.7 million down from \$12.8 million a year prior.



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 December 31, 2022 CLLAS had assets exceeding the required amount by just under \$3 million, which is in 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 381% at December 31, 2022, 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 of 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 2020 and 2021, and the results at December 31, 2022 against risk targets and risk limits. Most of the metrics at December 31, 2022 are within CLLAS’ risk limits. The items of note are discussed below.



- Line 1: The excess of cash and securities over the Reserve and Guarantee fund (i.e. the AMRGF requirement) has reduced since December 31, 2021 and is in the yellow zone being in the range of \$2.5 - \$5 million. Despite this the result remains well in excess of regulatory expectations.
- Line 8: While the insurance market conditions are beginning to improve, we remain cautiously optimistic maintaining a yellow indicator for this metric. This metric will be reviewed again as circumstance change.
- Line 9: This metric has been updated based on the Reinsurance Security Report presented to the Audit Committee at its October 21, 2022 meeting. As discussed during that meeting, one of CLLAS' reinsurers (Argo) has an A- rating with AM Best and/or S&P.
- Line 10: This metric has also been updated based on the Reinsurance Security Report presented to the Audit Committee at its October 21, 2022 meeting. As discussed during that meeting, the Argo Syndicate (Lloyds) reinsures 18.1% of CLLAS' total liabilities. The percentage has reduced from 19.3% in 2020 but still exceeds CLLAS' risk limit. 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 experienced an underwriting loss of \$581,000 in the quarter and a total comprehensive loss (after taking into account realized and unrealized gains/losses on the investment portfolio) of \$380,000. Year-to-date, the program has experienced a total comprehensive gain of just over \$40,000.

As mentioned above, with the surplus distribution of \$2.2 million approved by the Board to Blake's and Denton's, the program's surplus at December 31, 2022 sits at just under \$10.7 million.

CLLAS Cyber Program (Exhibits 3.1 – 3.4)

The Cyber Program was launched on July 1, 2022 but the majority of the firms joined in October 2022. In order to lock in the reinsurance terms, the primary reinsurance contract (\$5 million excess of \$1 million) was issued for the term of July 1, 2022 to June 30, 2023, on a "risks attaching" basis. This means that CLLAS policies issued during the term of the reinsurance contract are covered by the contract. With the bulk of firms joining CLLAS in Q4, the program saw a small loss for the year of \$23,000.

You will note that there are very few operating expenses being allocated to the program in the year. We thought it appropriate to consider the balance of 2022 as the implementation phase, with the program essentially being funded out of CLLAS' strategic budget. The operating budget for 2023 to be discussed under a separate agenda item will include a refined allocation of operating expenses for the Cyber Program, and the budget variance exhibit (Exhibit 3.4) will contain more meaningful information starting in 2023.



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

Sincerely,

Carrie Green, Incoming General Manager

Exhibit 1.1

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - COMBINED
STATEMENT OF FINANCIAL POSITION
December 31, 2022**

	As at December 31, 2022	As at December 31, 2021
ASSETS		
Cash	2,872,993	3,533,877
Short term investments	11,590,166	11,361,485
Bonds	5,677,588	6,043,762
Interest income due and accrued	25,156	23,630
Premium receivable	5,648,700	3,673,597
Other receivable	-	-
Prepaid expenses	236,651	150,827
Deferred policy acquisition costs	258,476	41,179
Unearned reinsurance premium ceded	7,121,884	5,236,160
Reinsurance recoverable	1,491,496	577,412
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	73,415,025	64,708,168
	<u>108,338,135</u>	<u>95,350,095</u>
LIABILITIES		
Accounts payable & accrued charges	1,919,069	278,684
Premium taxes payable	111,210	81,030
Unearned premium	9,135,323	6,244,910
Due to reinsurers	4,456,240	3,045,212
Provision for unpaid claims and adjustment expenses	82,061,404	72,867,454
Premium deficiency liability	-	-
	<u>97,683,246</u>	<u>82,517,290</u>
SUBSCRIBERS' EQUITY		
Surplus	10,984,524	12,727,966
Accumulated Other Comprehensive Income (Loss)	(329,636)	104,840
	<u>10,654,889</u>	<u>12,832,806</u>
	<u>108,338,135</u>	<u>95,350,095</u>

Exhibit 1.2

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - COMBINED
STATEMENT OF COMPREHENSIVE INCOME
For the Period Ending December 31, 2022**

	Current Year		Prior Year	
	Quarter December 31, 2022	Year to Date December 31, 2022	Quarter December 31, 2021	Year to Date December 31, 2021
Written Premium	2,502,598	16,894,559	-	12,594,326
Gross Written Premiums	2,502,598	16,894,559	-	12,594,326
Less: Reinsurance Ceded	480,000	13,505,718	-	10,584,328
Net Written Premiums	2,022,598	3,388,841	-	2,009,998
Change in Unearned Premiums	(968,956)	(1,004,689)	512,735	(6,396)
Earned Premiums	1,053,642	2,384,152	512,735	2,003,602
Claims Paid	-	(391,021)	-	114,682
Change in IBNR	714,880	510,959	(487,542)	(305,594)
Change in Case Reserve	75,000	(23,866)	-	(119,682)
Premium Deficiency Expense	-	-	-	(30,774)
Change in provision for unpaid premium liability	-	-	-	-
Incurred Claims	789,880	96,072	(487,542)	(341,368)
Management and operating expenses	383,958	1,621,765	266,746	1,285,525
Reinsurance fees	74,475	347,463	74,750	293,250
Premium taxes	116,317	260,856	(5,007)	323,610
Total Operating Expenses	574,750	2,230,083	336,489	1,902,385
Underwriting Gain (Loss)	(310,988)	57,996	663,787	442,585
Investment Income	168,872	393,564	39,452	151,845
Income on Claim Related Matters	-	-	-	-
Interest Income on Premium Tax	-	-	-	-
NET GAIN/(LOSS)	(142,116)	451,560	703,239	594,430
Other comprehensive income (loss)				
Unrealized gains (losses) on available for sale financial assets arising during the year	32,402	(434,476)	(62,053)	(212,997)
Recognition of realized (gain) loss included in income	-	-	-	-
Other comprehensive income (loss) for the year	32,402	(434,476)	(62,053)	(212,997)
Total comprehensive income (loss)	(109,714)	17,084	641,186	381,433

Exhibit 1.3

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - COMBINED
STATEMENT OF CHANGES IN EQUITY
December 31, 2022**

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on AFS financial assets	Total Equity
Balance, beginning of year	50,000	12,677,965	104,840	12,832,805
Prior year adjustment	-	-	-	-
Comprehensive income (loss) for the year				
Net gain (loss) for the year	-	451,560		451,560
Other comprehensive income (loss)				
Change in unrealized gain on available-for-sale assets	-	-	(434,476)	(434,476)
Recognition of realized (gain) loss on available-for-sale assets	-	-	-	-
Total comprehensive income (loss) for the year	-	451,560	(434,476)	17,084
Return of premium surplus	-	(2,195,000)	-	(2,195,000)
Balance at December 31, 2022	50,000	10,934,525	(329,637)	10,654,889

Exhibit 1.4

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

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES (See Note 1)	563,500	100%	563,500	574,048	(10,548)
PROFESSIONAL SERVICES (See Note 2)					
Actuarial Services	75,000	100%	75,000	101,044	(26,044)
Reinsurance Matters	280,000	100%	280,000	178,414	101,586
Strategic Matters	150,000	100%	150,000	173,733	(23,733)
Sub-Total Professional Services	505,000		505,000	453,191	51,809
GST/HST on Consulting Fees	138,905		138,905	133,541	5,364
Total Management & Professional Services	1,207,405		1,207,405	1,160,780	46,625
OTHER EXPENSES					
Audit Expenses (See Note 3)	178,000	100%	178,000	177,886	114
Annual Dinner	-		-	1,000	(1,000)
Premium Taxes	401,000	100%	401,000	260,856	140,144
Chairman's Expenses	-		-	-	-
Chairman's Honourium	150,000	100%	150,000	150,000	-
Reinsurance Expense	4,000	100%	4,000	5,244	(1,244)
D&O Insurance	20,000	100%	20,000	16,955	3,045
Office Expenses	10,000	100%	10,000	15,108	(5,108)
Claims: Borderaux (LawPro/LIF)	17,500	100%	17,500	18,150	(650)
Special Services	15,000	100%	15,000	6,712	8,288
Reinsurance Fee (BWI) (See Note 4)	299,000	100%	299,000	347,463	(48,463)
I.B.C Statistical Plan Fees	3,000	100%	3,000	1,911	1,089
Assessment Fees	3,000	100%	3,000	5,500	(2,500)
Investment counsel fees	32,000	100%	32,000	29,101	2,899
Investment - Custodial	19,000	100%	19,000	18,755	245
Risk Management/Loss Prevention	20,000	100%	20,000	10,000	10,000
License Fee	5,000	100%	5,000	4,663	337
Insurance: Sundry	-		-	-	-
Sub-total	1,176,500		1,176,500	1,069,303	107,197
TOTAL	2,383,905		2,383,905	2,230,083	153,822

*** NOTE 1: MANAGEMENT SERVICES**

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

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

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

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

First Quarter, ending March 31st	23%
Second Quarter, ending June 30th	41%
Third Quarter, ending September 30th	19%
Fourth Quarter, ending December 31st	17%
	<u>100%</u>

*** NOTE 3: AUDIT EXPENSES**

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

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

BWI fees for the 2021/22 policy year were agreed at \$299,000, up 4% from the prior year.

The 2022 budget assumes no change to the BWI fees for the 2022/23 policy year.

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

Exhibit 1.5

Risk Category	Risk Metric	December 31, 2020	December 31, 2021	December 31, 2022	Green Zone (Meets Target)	Yellow Zone	Red Zone (Limit Exceeded)
General	(1) AMRGF - Excess of Cash/Appr. Securities Over Reg. Req'ment	\$6,421,000	\$8,237,000	\$2,952,000	5,000,000 and above	\$2,500,000 to \$5,000,000	Less than \$2,500,000
	(2) MCT Ratio	538%	555%	381%	210% and above	n/a	Less than 210%
	(3) Status of Governance Policies	Up to date	Up to date	Up to date	Up to date	Items outstanding	Materially behind schedule
Insurance	(4) Gross Loss Ratio	96%	-3%	87%	Less than 150%	150% to 300%	Over 300%
	(5) Net Loss Ratio	63%	-12%	3%	Less than 50%	50% to 100%	Over 100%
	(6) Risk of Systemic Loss	Some concerns raised	Some concerns raised	Nothing on horizon	Nothing on horizon	Some concerns raised	Adverse experience
Premium & Strategy	(7) Actual Expenses vs. Budget	92%	98%	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	19.3%	19.0%	18.1%	Less than 10%	10% to 15%	Over 15%
Operational	(11) Board Discussion of Prior Quarter Risk Metrics	Discussed corrective measures	Discussed corrective measures	Discussed corrective measures	Discussed corrective measures	Received but no discussion	Not received
	(12) Resiliency Capacity - People (e.g. redundancy, succession)	n/a	n/a	n/a	Score of 4 or 5 out of 5	Score of 3 out of 5	Score of 1 or 2 out of 5
	(13) Resiliency Capacity - Data/Systems	n/a	n/a	n/a	Score of 4 or 5 out of 5	Score of 3 out of 5	Score of 1 or 2 out of 5
	(14) Advisory Board Turnover in Last 12 Months	1	0	0	0 to 2 members	3 to 4 members	5 or more members
	(15) Key Management/Advisor Turnover in Last 36 Months	1	1	1	0 to 1 person	2 to 3 people	4 or more members
Investments	(16) Investment Manager Compliance Statement	In compliance	In compliance	In compliance	In compliance	Temporarily or slightly not	Consistently or
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. Target based on ORSA analysis.
 (3) Reviewed annually in December.
 (4) = Gross incurred losses / gross earned premiums. Gross losses from the actuarial valuations. Premiums exclude the effect of any return of surplus.
 (5) = Net incurred losses / net earned premiums. Net losses derived from the financial statements. Premiums exclude the effect of any return of surplus.
 (6) Reviewed in December 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 2022).
 (10) Based on claim liabilities exposure. Lloyds syndicates are assessed separately. September 2022 information from report on reinsurance security (October 2022).
 (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, actuarial, reinsurance broker and express insurance broker.
 (16) Reviewed quarterly.
 (17) Reviewed annually in December.

Color Code	
Meets Target	
Between Target and Limit	
Exceeds Limit	

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

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

	Current Year to Date 12/31/2022 (in \$000's)	Prior Year End 12/31/2021 (in \$000's)
<u>Reserve Fund</u>		
Premiums collected or credited having one year or less to run	(1) 16,895	12,594
Less: Amount paid to licensed reinsurers	(2) 13,394	10,493
Premiums collected with more than one year to run, less expired portion	(3) -	-
Less: Amount paid to reinsurers on premiums on line 3, less expired portion.	(4) -	-
Subtotal (lines 1, minus line 2, plus line 3, minus line 4)	(5) 3,501	2,101
Reserve Fund Required (50% of Line 5)	(6) 1,751	1,051
<u>Guarantee Fund</u>		
Total Liabilities	(7) 97,683	82,517
Less: Unearned Premiums	(8) 9,135	6,245
Less: Recoverable from licensed reinsurers	(9) 73,160	64,671
Plus: Statutory Margin	(10) 50	50
Guarantee Fund Required (Line 7 minus Lines 8 and 9 plus line 10)	(11) 15,438	11,651
TOTAL RESERVE & GUARANTEE FUND REQUIRED (Line 6+11)	(12) 17,188	12,702
Cash & Approved Securities	(13) 20,141	20,939
Excess of Cash & Securities over Reserve & Guarantee Fund (line 13 minus line 12)	(14) 2,952	8,238

Exhibit 2.1

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - E&O
STATEMENT OF FINANCIAL POSITION
December 31, 2022

	As at December 31, 2022	As at December 31, 2021
ASSETS		
Cash	2,872,993	3,533,877
Short term investments	11,590,166	11,361,485
Bonds	5,677,588	6,043,762
Interest income due and accrued	25,156	23,630
Premium receivable	5,648,700	3,673,597
Other receivable	-	-
Prepaid expenses	157,638	150,827
Deferred policy acquisition costs	205,643	41,179
Unearned reinsurance premium ceded	5,948,450	5,236,160
Reinsurance recoverable	1,491,496	577,412
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	73,190,531	64,708,168
	<u>106,808,360</u>	<u>95,350,096</u>
LIABILITIES		
Accounts payable & accrued charges	3,836,000	278,684
Premium taxes payable	91,809	81,030
Unearned premium	7,101,230	6,244,910
Due to reinsurers	3,466,240	3,045,212
Provision for unpaid claims and adjustment expenses	81,634,895	72,867,454
Provision for unpaid premium liabilities	-	-
Premium deficiency liability	-	-
	<u>96,130,175</u>	<u>82,517,290</u>
SUBSCRIBERS' EQUITY		
Surplus	11,007,820	12,727,966
Accumulated Other Comprehensive Income (Loss)	(329,636)	104,841
	<u>10,678,185</u>	<u>12,832,807</u>
	<u>106,808,360</u>	<u>95,350,096</u>

Exhibit 2.2

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - E&O
STATEMENT OF COMPREHENSIVE INCOME
For the Period Ending December 31, 2022

	Current Year		Prior Year	
	Quarter December 31, 2022	Year to Date December 31, 2022	Quarter December 31, 2021	Year to Date December 31, 2021
Written Premium	-	14,320,161	-	12,594,326
Gross Written Premiums	-	14,320,161	-	12,594,326
Less: Reinsurance Ceded	-	12,025,718	-	10,584,328
Net Written Premiums	-	2,294,443	-	2,009,998
Change in Unearned Premiums	585,944	(144,031)	512,735	(6,396)
Earned Premiums	585,944	2,150,412	512,735	2,003,602
Claims Paid	-	(391,021)	-	114,682
Change in IBNR	527,096	308,944	(487,542)	(305,594)
Change in Case Reserve	75,000	(23,866)	-	(119,682)
Premium Deficiency Expense	-	-	-	(30,774)
Incurred Claims	602,096	(105,943)	(487,542)	(341,368)
Management and operating expenses	383,958	1,621,765	266,746	1,285,525
Reinsurance fees	78,488	306,475	74,750	293,250
Premium taxes	102,821	246,822	(5,007)	323,610
Total Operating Expenses	565,267	2,175,062	336,489	1,902,385
Underwriting Gain (Loss)	(581,419)	81,292	663,787	442,585
Investment Income	168,872	393,562	39,452	151,845
Income on Claim Related Matters	-	-	-	-
Interest Income on Premium Tax	-	-	-	-
NET GAIN/(LOSS)	<u>(412,547)</u>	<u>474,854</u>	<u>703,239</u>	<u>594,430</u>
Other comprehensive income (loss)				
Unrealized gains (losses) on available for sale financial assets arising during the year	32,402	(434,476)	(62,053)	(212,997)
Recognition of realized (gain) loss included in income	-	-	-	-
Other comprehensive income (loss) for the year	<u>32,402</u>	<u>(434,476)</u>	<u>(62,053)</u>	<u>(212,997)</u>
Total comprehensive income (loss)	<u>(380,145)</u>	<u>40,378</u>	<u>641,186</u>	<u>381,433</u>

Exhibit 2.3

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - E&O
STATEMENT OF CHANGES IN EQUITY
December 31, 2022

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on AFS financial assets	Total Equity
Balance, beginning of year	50,000	12,677,966	104,841	12,832,807
Prior year adjustment		-		-
Comprehensive income (loss) for the year				
Net gain (loss) for the year		474,854		474,854
Other comprehensive income (loss)				
Change in unrealized gain on available-for-sale assets			(434,476)	(434,476)
Recognition of realized (gain) loss on available-for-sale assets			-	-
Total comprehensive income (loss) for the year		474,854	(434,476)	40,378
Distribution of premium surplus		(2,195,000)		(2,195,000)
Balance at December 31, 2022	50,000	10,957,820	(329,636)	10,678,185

Exhibit 2.4

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - E&O
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED December 31, 2022**

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES (See Note 1)	563,500	100%	563,500	574,048	(10,548)
PROFESSIONAL SERVICES (See Note 2)					
Actuarial Services	75,000	100%	75,000	101,044	(26,044)
Reinsurance Matters	280,000	100%	280,000	178,414	101,586
Strategic Matters	150,000	100%	150,000	173,733	(23,733)
Sub-Total Professional Services	505,000		505,000	453,191	51,809
GST/HST on Consulting Fees	138,905		138,905	133,541	5,364
Total Management & Professional Services	1,207,405		1,207,405	1,160,780	46,625
OTHER EXPENSES					
Audit Expenses (See Note 3)	178,000	100%	178,000	177,886	114
Annual Dinner	-		-	1,000	(1,000)
Premium Taxes	401,000	100%	401,000	246,822	154,178
Chairman's Expenses	-		-	-	-
Chairman's Honourium	150,000	100%	150,000	150,000	-
Reinsurance Expense	4,000	100%	4,000	5,244	(1,244)
D&O Insurance	20,000	100%	20,000	16,955	3,045
Office Expenses	10,000	100%	10,000	15,108	(5,108)
Claims: Borderaux (LawPro/LIF)	17,500	100%	17,500	18,150	(650)
Special Services	15,000	100%	15,000	6,712	8,288
Reinsurance Fee (BWI) (See Note 4)	299,000	100%	299,000	306,475	(7,475)
I.B.C Statistical Plan Fees	3,000	100%	3,000	1,911	1,089
Assessment Fees	3,000	100%	3,000	5,500	(2,500)
Investment counsel fees	32,000	100%	32,000	29,101	2,899
Investment - Custodial	19,000	100%	19,000	18,755	245
Risk Management/Loss Prevention	20,000	100%	20,000	10,000	10,000
License Fee	5,000	100%	5,000	4,663	337
Insurance: Sundry	-		-	-	-
Sub-total	1,176,500		1,176,500	1,014,282	162,218
TOTAL	2,383,905		2,383,905	2,175,062	208,843

*** NOTE 1: MANAGEMENT SERVICES**

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

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

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

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

First Quarter, ending March 31st	23%
Second Quarter, ending June 30th	41%
Third Quarter, ending September 30th	19%
Fourth Quarter, ending December 31st	17%
	<u>100%</u>

*** NOTE 3: AUDIT EXPENSES**

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

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

BWI fees for the 2021/22 policy year were agreed at \$299,000, up 4% from the prior year.

The 2022 budget assumes no change to the BWI fees for the 2022/23 policy year.

Exhibit 3.1

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - CYBER
STATEMENT OF FINANCIAL POSITION
December 31, 2022

	As at December 31, 2022	As at December 31, 2021
ASSETS		
Cash	-	-
Short term investments	-	-
Bonds	-	-
Interest income due and accrued	-	-
Premium receivable	-	-
Other receivable	1,944,306	-
Prepaid expenses	79,012	-
Deferred policy acquisition costs	52,833	-
Unearned reinsurance premium ceded	1,173,435	-
Reinsurance recoverable	-	-
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	224,494	-
	<u>3,474,081</u>	<u>-</u>
LIABILITIES		
Accounts payable & accrued charges	27,375	-
Premium taxes payable	19,401	-
Unearned premium	2,034,092	-
Due to reinsurers	990,000	-
Provision for unpaid claims and adjustment expenses	426,509	-
Provision for unpaid premium liabilities	-	-
Premium deficiency liability	-	-
	<u>3,497,377</u>	<u>-</u>
SUBSCRIBERS' EQUITY		
Surplus	(23,296)	-
Accumulated Other Comprehensive Income (Loss)	-	-
	<u>(23,296)</u>	<u>-</u>
	<u>3,474,081</u>	<u>-</u>

Exhibit 3.2

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

	Current Year		Prior Year	
	Quarter December 31, 2022	Year to Date December 31, 2022	Quarter December 31, 2021	Year to Date December 31, 2021
Written Premium	2,502,598	2,574,398	-	-
Gross Written Premiums	2,502,598	2,574,398	-	-
Less: Reinsurance Ceded	480,000	1,480,000	-	-
Net Written Premiums	2,022,598	1,094,398	-	-
Change in Unearned Premiums	(1,554,900)	(860,658)	-	-
Earned Premiums	467,698	233,740	-	-
Claims Paid	-	-	-	-
Change in IBNR	187,784	202,015	-	-
Change in Case Reserve	-	-	-	-
Premium Deficiency Expense	-	-	-	-
Incurred Claims	187,784	202,015	-	-
Management and operating expenses	-	-	-	-
Reinsurance fees	(4,012)	40,988	-	-
Premium taxes	13,495	14,034	-	-
Total Operating Expenses	9,483	55,022	-	-
Underwriting Gain (Loss)	270,431	(23,296)	-	-
Investment Income	-	-	-	-
Income on Claim Related Matters	-	-	-	-
Interest Income on Premium Tax	-	-	-	-
NET GAIN/(LOSS)	270,431	(23,296)	-	-
Other comprehensive income (loss)				
Unrealized gains (losses) on available for sale financial assets arising during the year	-	-	-	-
Recognition of realized (gain) loss included in income	-	-	-	-
Other comprehensive income (loss) for the year	-	-	-	-
Total comprehensive income (loss)	270,431	(23,296)	-	-

Exhibit 3.3

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - CYBER
STATEMENT OF CHANGES IN EQUITY
December 31, 2022

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on AFS financial assets	Total Equity
Balance, beginning of year	-	-	-	-
Prior year adjustment		-		-
Comprehensive income (loss) for the year				
Net gain (loss) for the year		(23,296)		(23,296)
Other comprehensive income (loss)				
Change in unrealized gain on available-for-sale assets			-	-
Recognition of realized (gain) loss on available-for-sale assets			-	-
Total comprehensive income (loss) for the year		(23,296)	-	(23,296)
Distribution of premium surplus		-		-
Balance at December 31, 2022	-	(23,296)	-	(23,296)

Exhibit 3.4

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

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES	-		-	-	-
(See Note 1)					
PROFESSIONAL SERVICES (See Note 2)					
Actuarial Services	-		-	-	-
Reinsurance Matters	-		-	-	-
Strategic Matters	-		-	-	-
Sub-Total Professional Services	-		-	-	-
GST/HST on Consulting Fees	-		-	-	-
Total Management & Professional Services	-		-	-	-
OTHER EXPENSES					
Audit Expenses (See Note 3)	-		-	-	-
Annual Dinner	-		-	-	-
Premium Taxes	-		-	14,034	(14,034)
Chairman's Expenses	-		-	-	-
Chairman's Honourium	-		-	-	-
Reinsurance Expense	-		-	-	-
D&O Insurance	-		-	-	-
Office Expenses	-		-	-	-
Claims: Borderaux (LawPro/LIF)	-		-	-	-
Special Services	-		-	-	-
Reinsurance Fee (BWI) (See Note 4)	-		-	40,988	(40,988)
I.B.C Statistical Plan Fees	-		-	-	-
Assessment Fees	-		-	-	-
Investment counsel fees	-		-	-	-
Investment - Custodial	-		-	-	-
Risk Management/Loss Prevention	-		-	-	-
License Fee	-		-	-	-
Insurance: Sundry	-		-	-	-
Sub-total	-		-	55,022	(55,022)
TOTAL	-		-	55,022	(55,022)



Canadian Lawyers Liability Assurance Society

Actuarial valuation of policy liabilities as at December 31, 2022

February 14, 2023

Agenda

1

Disclosures

2

Actuarial Valuation

3

Valuation Results

4

Discussion

Disclosure of Draft Results



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

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

Per the Canadian Actuarial Standards of Practice, **changes having an impact in excess of our standard of materiality** as of December 31, 2022 may need to be reflected and/or disclosed in the valuation report and may result in a **change in the financial statements**.

Role of the Appointed Actuary



Valuation of policy liabilities

- Claim liabilities
- Unearned premium liabilities
- Other policyholder liabilities



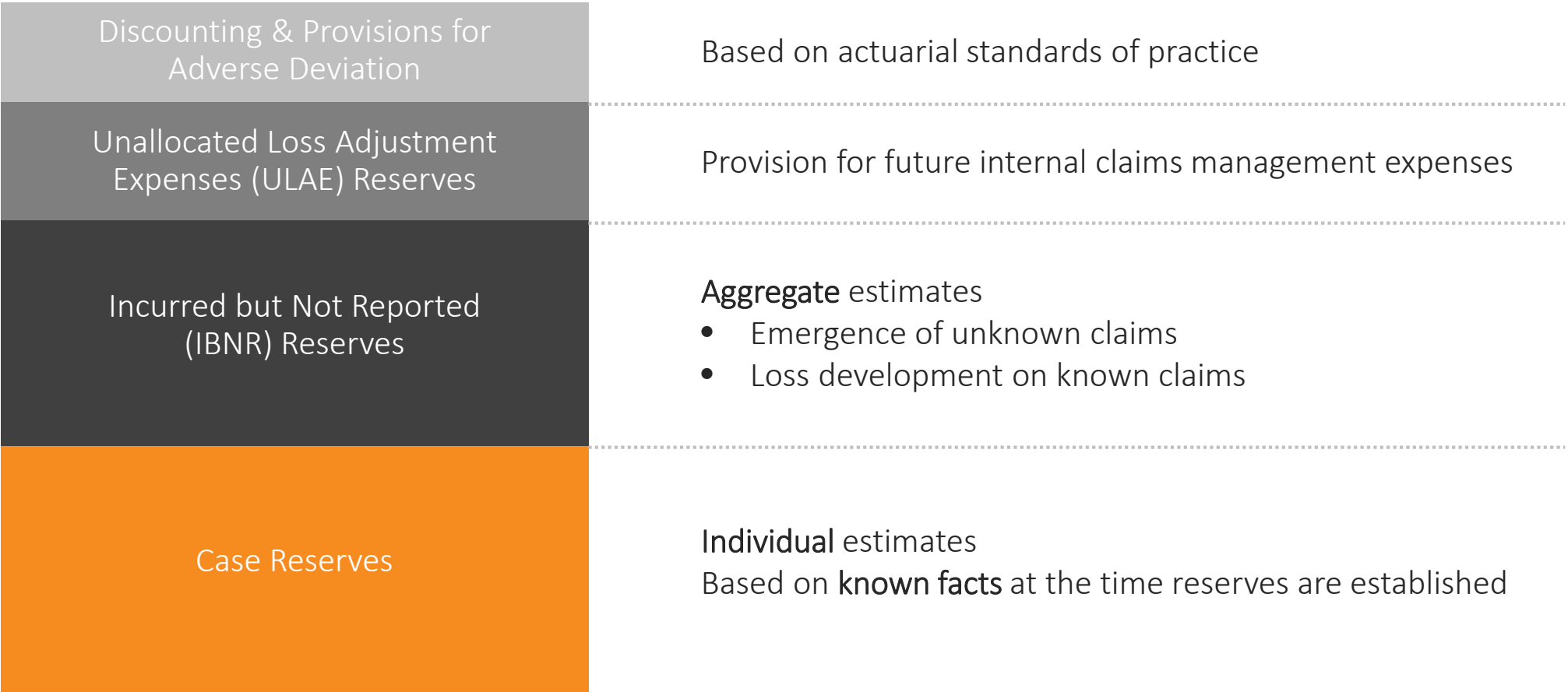
Liaise with the auditor

In accordance with Canadian Accounting Standard 620

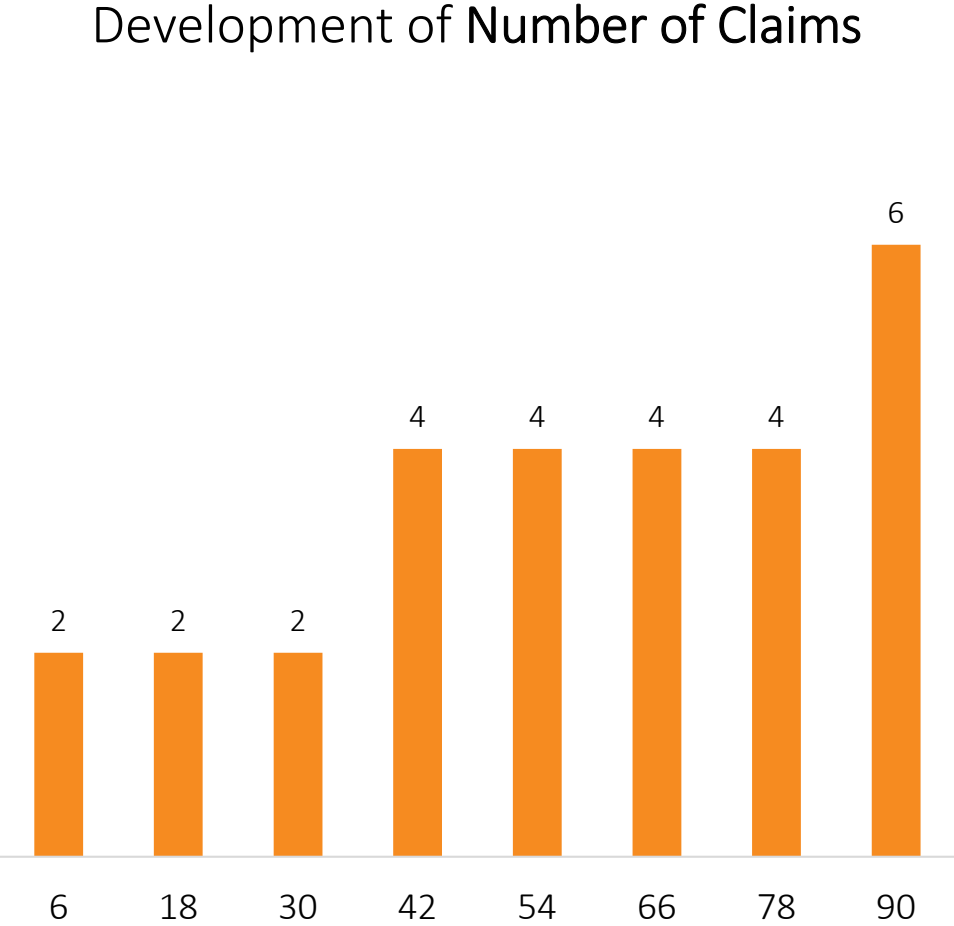
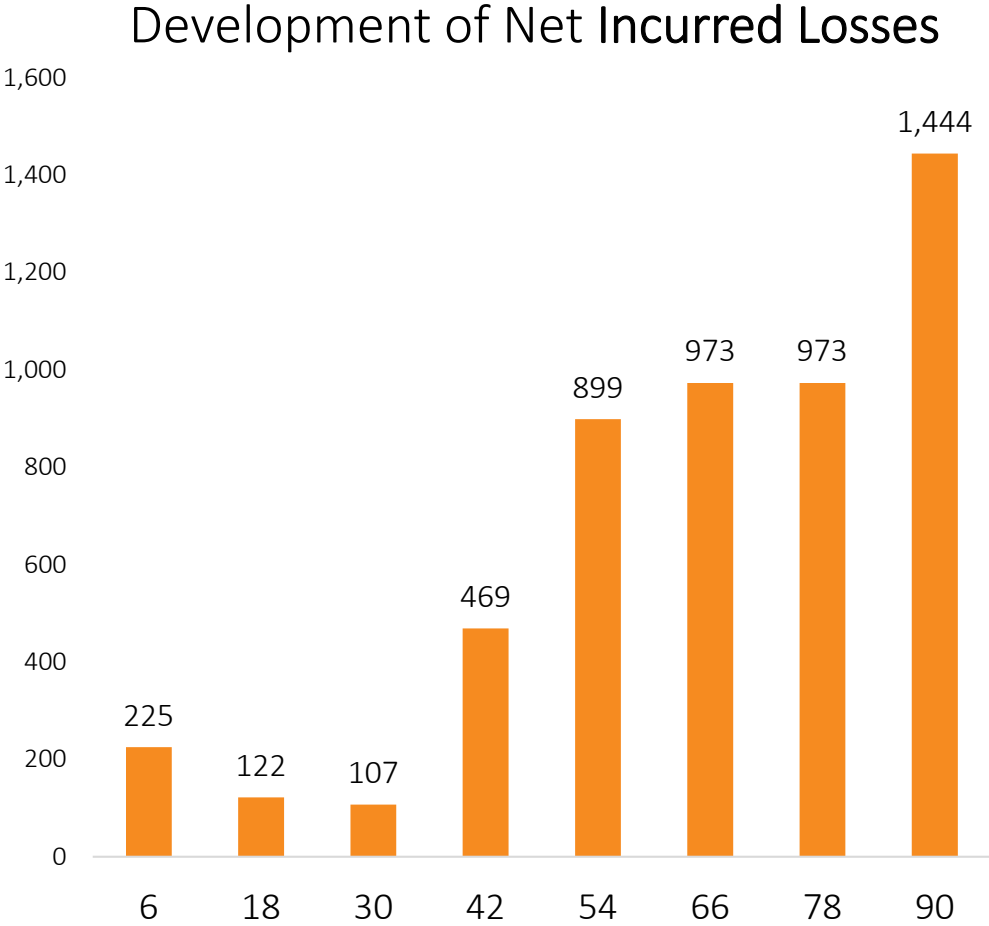


Monitor the financial condition

Claim Liabilities

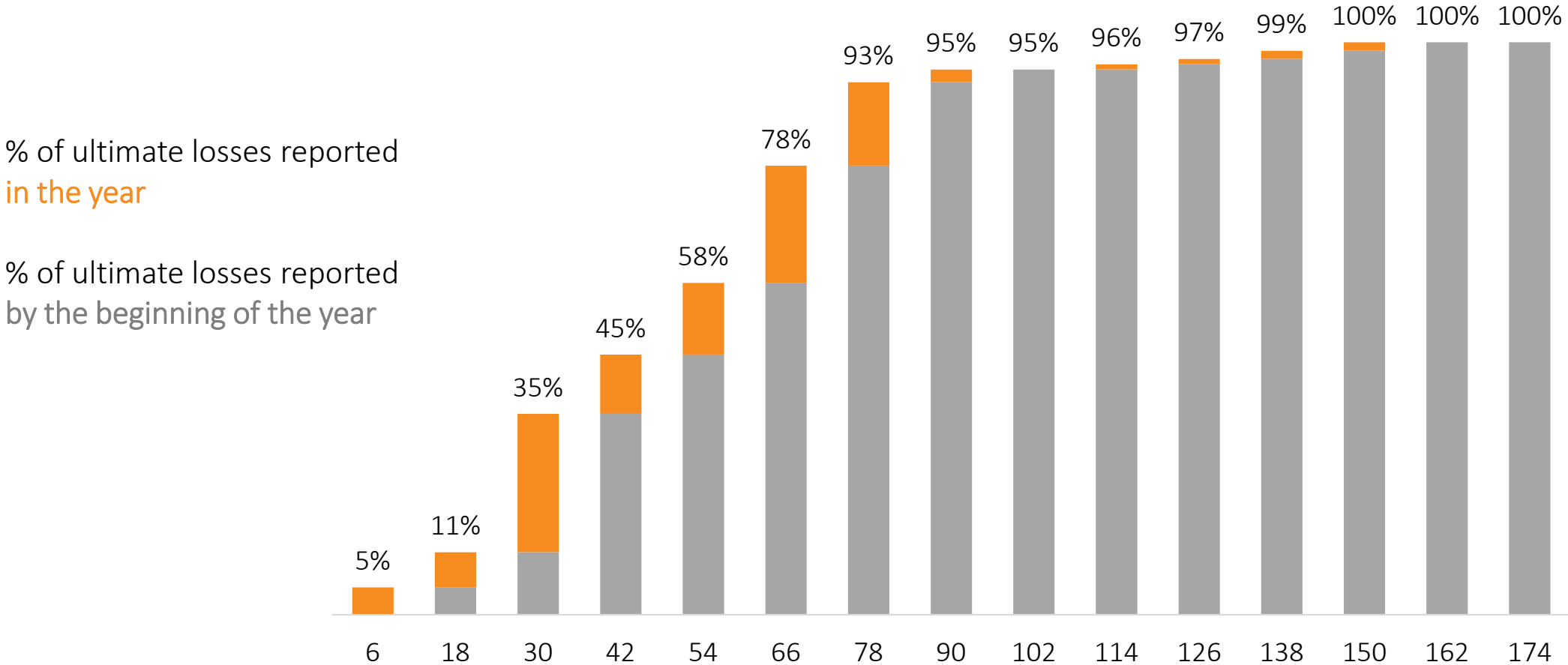


Example: Development of 11/12 Policy Year

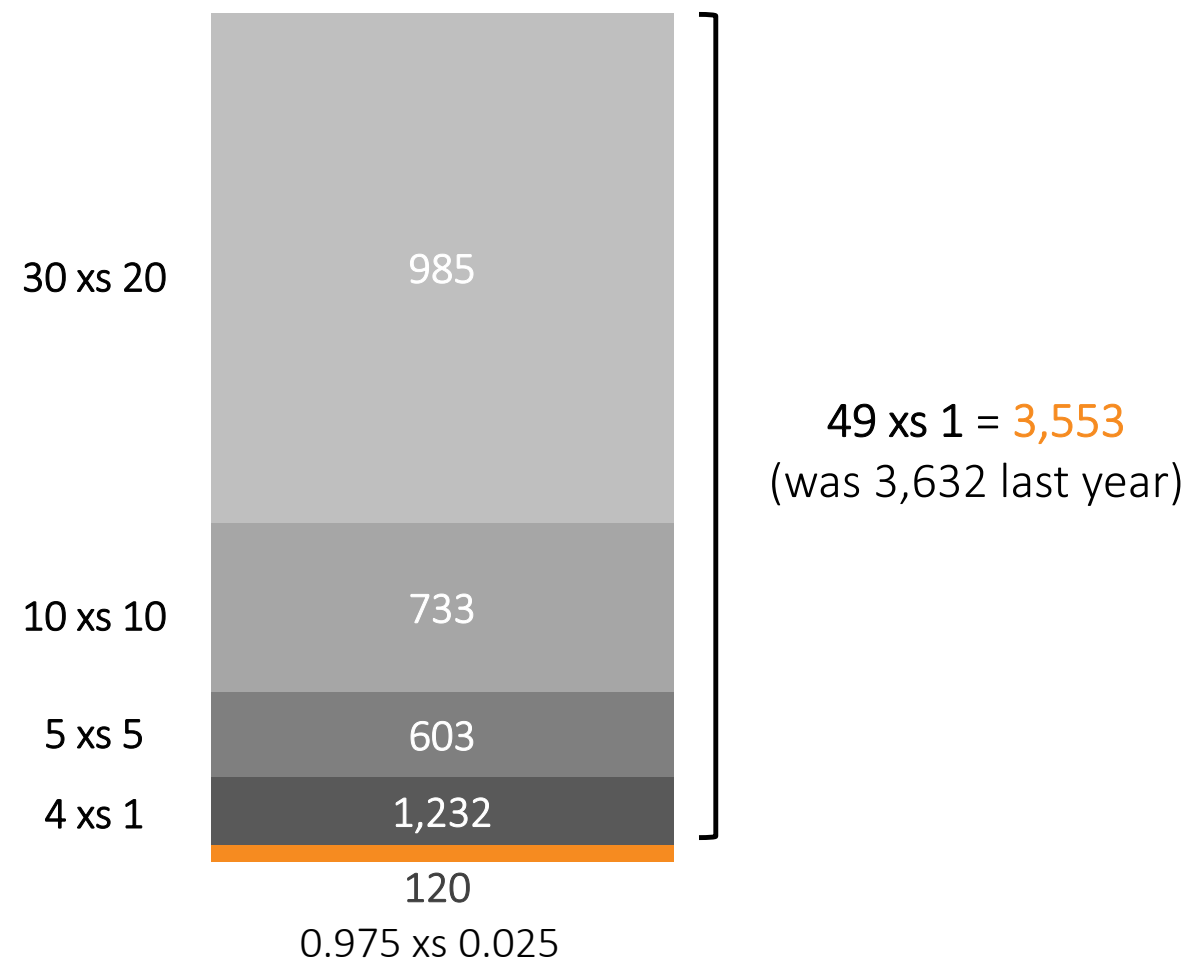


Development of Incurred Losses

Losses are assumed to be fully reported after 11.5 years



Expected Loss Costs



Other Excess Layers

Layer	Loss Cost per Lawyer
30 xs min 65	8
5% of 30 xs 50	13
5% of 50 xs 50	16
5% of 60 xs 100	3
60 xs 160	12
30 xs 250	1

CLLAS and Colchester arrangements for 2022/2023

Colchester Retention: 33% of 49M xs 1M
 100% of 5% of 50 xs 50
 10% of 60M xs 160M
 25% of 30M xs 250M
 Provides **aggregate** reinsurance coverage of 10M xs 5M

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

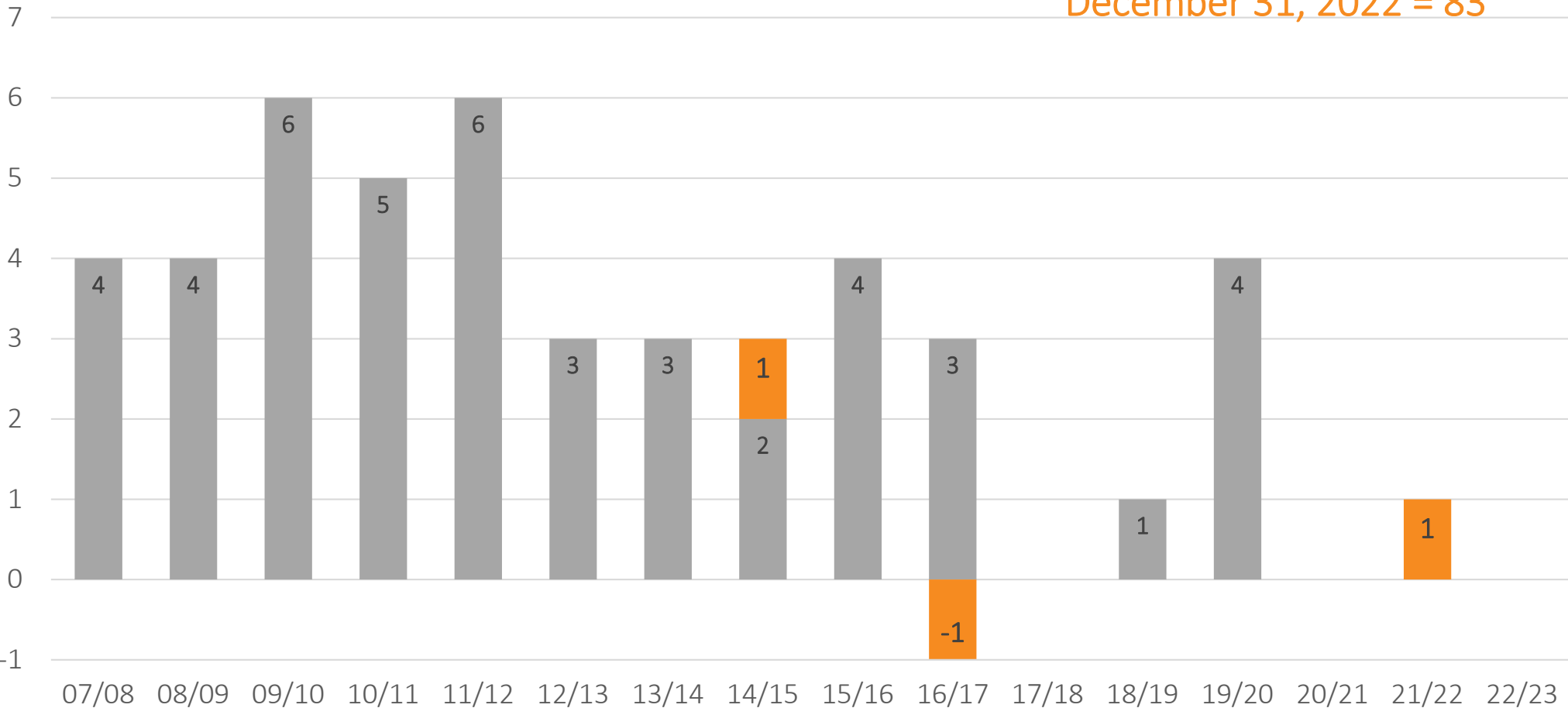
Loss Portfolio Transfer on June 20, 2012

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

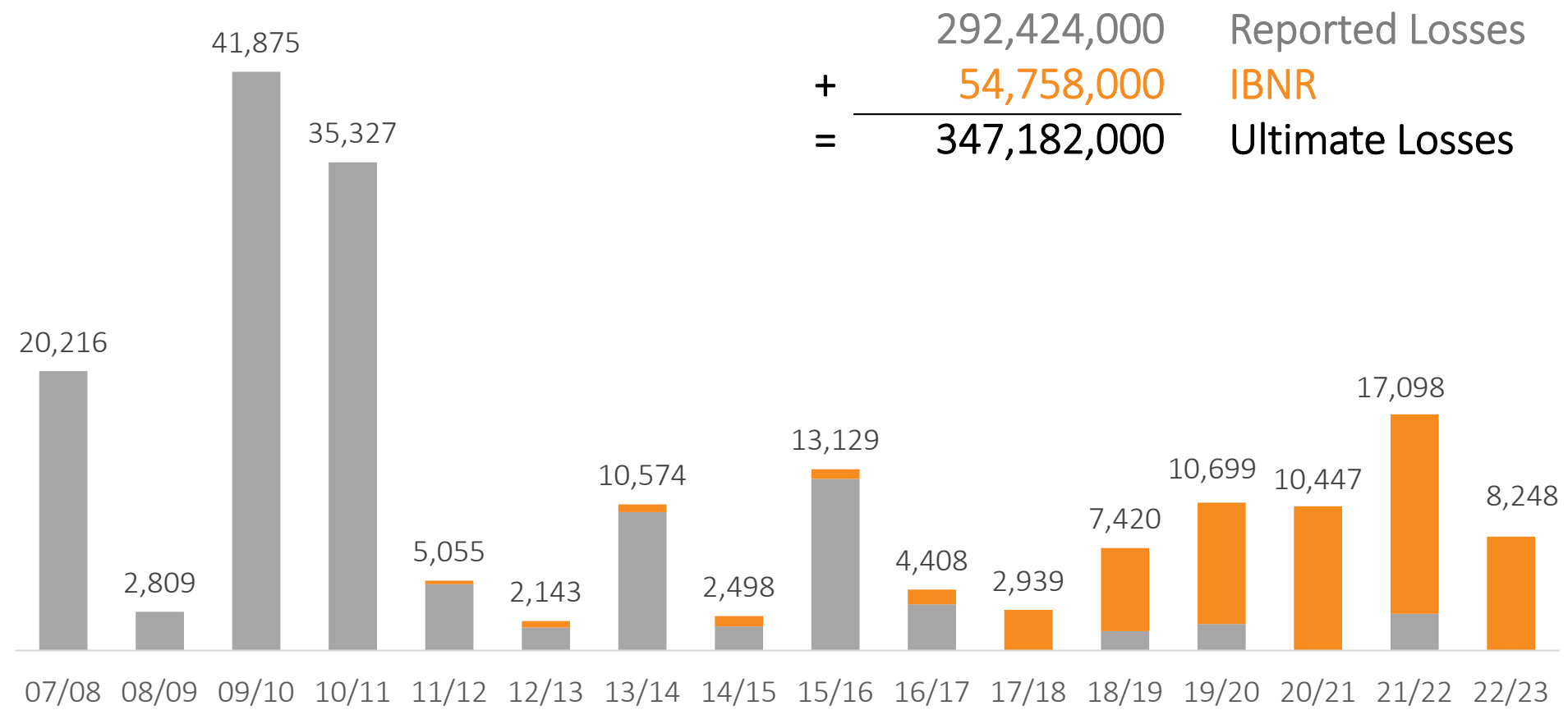
CLLAS's remaining net claim liabilities attributable to the business written prior to June 30, 2012 are provisions for ULAE

Reported Claim Counts

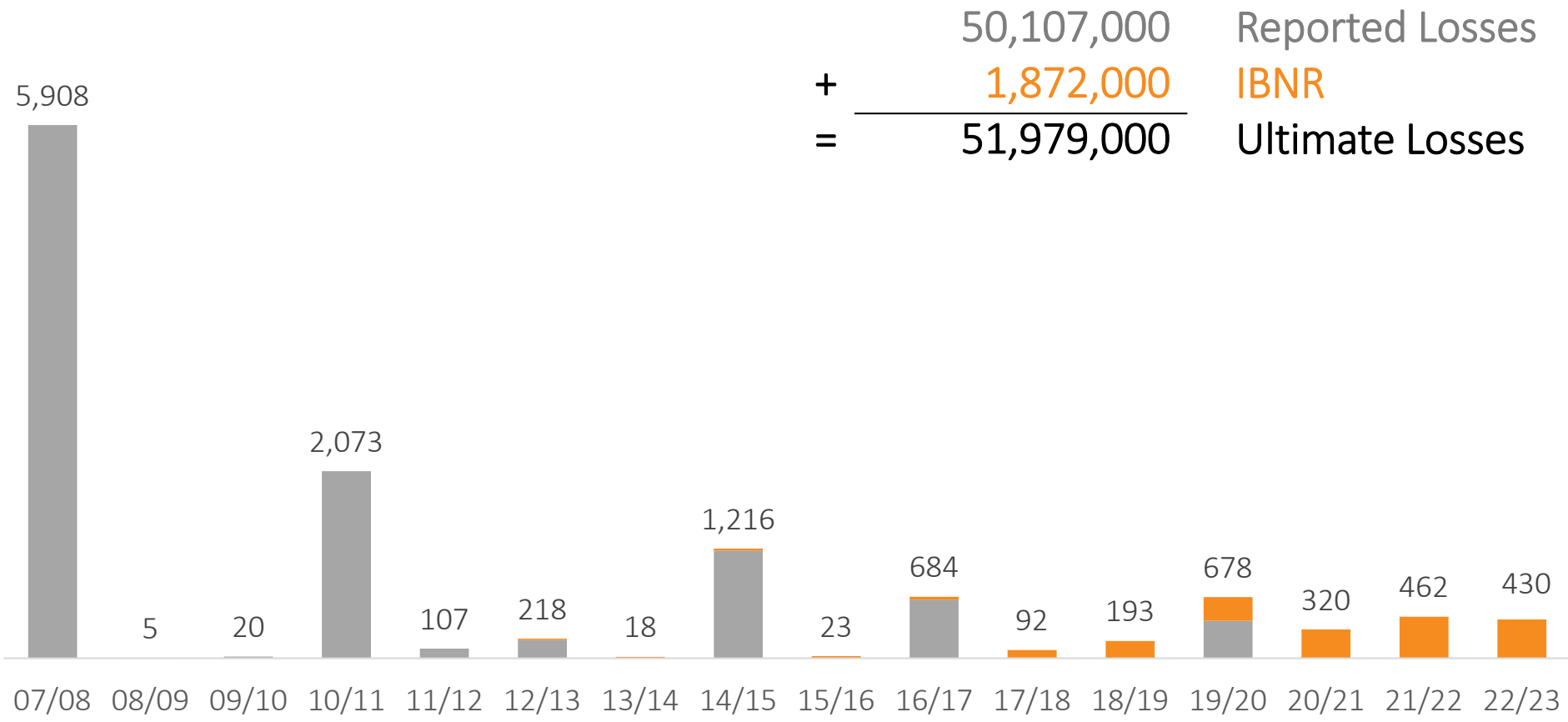
December 31, 2021 = 82
December 31, 2022 = 83



Projected Ultimate Losses - Gross

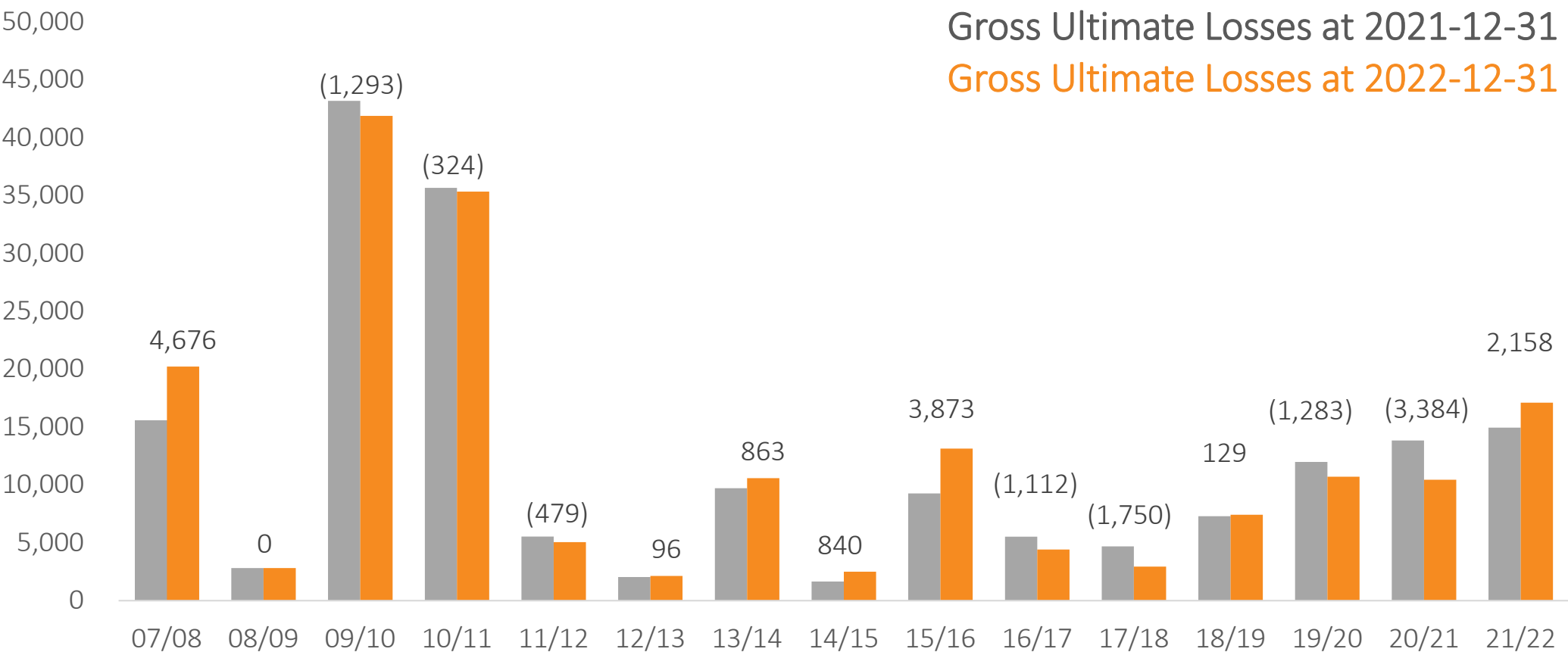


Projected Ultimate Losses - Net

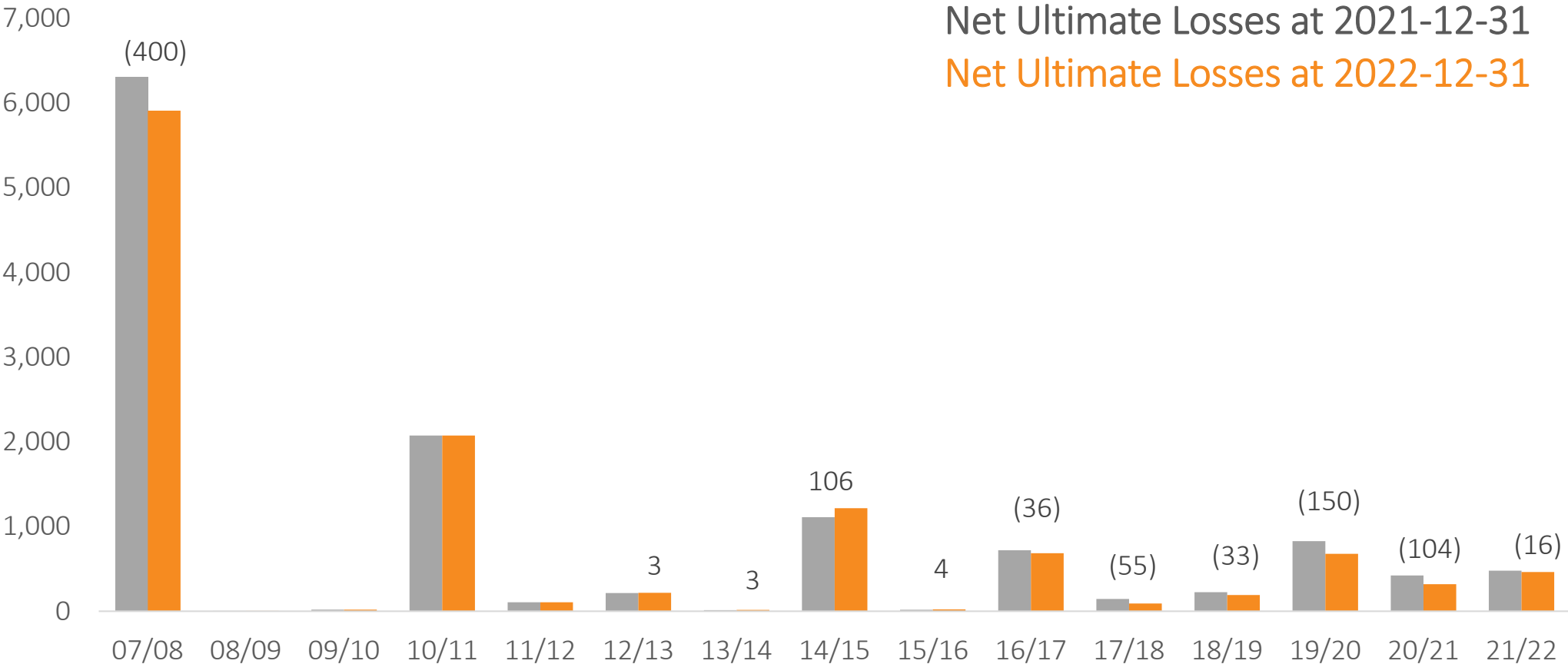


Overall Claims deterioration of \$3,008,000 – Gross Basis

Mainly due to increase in case reserves



Overall Claims Improvement of \$676,000 – Net Basis



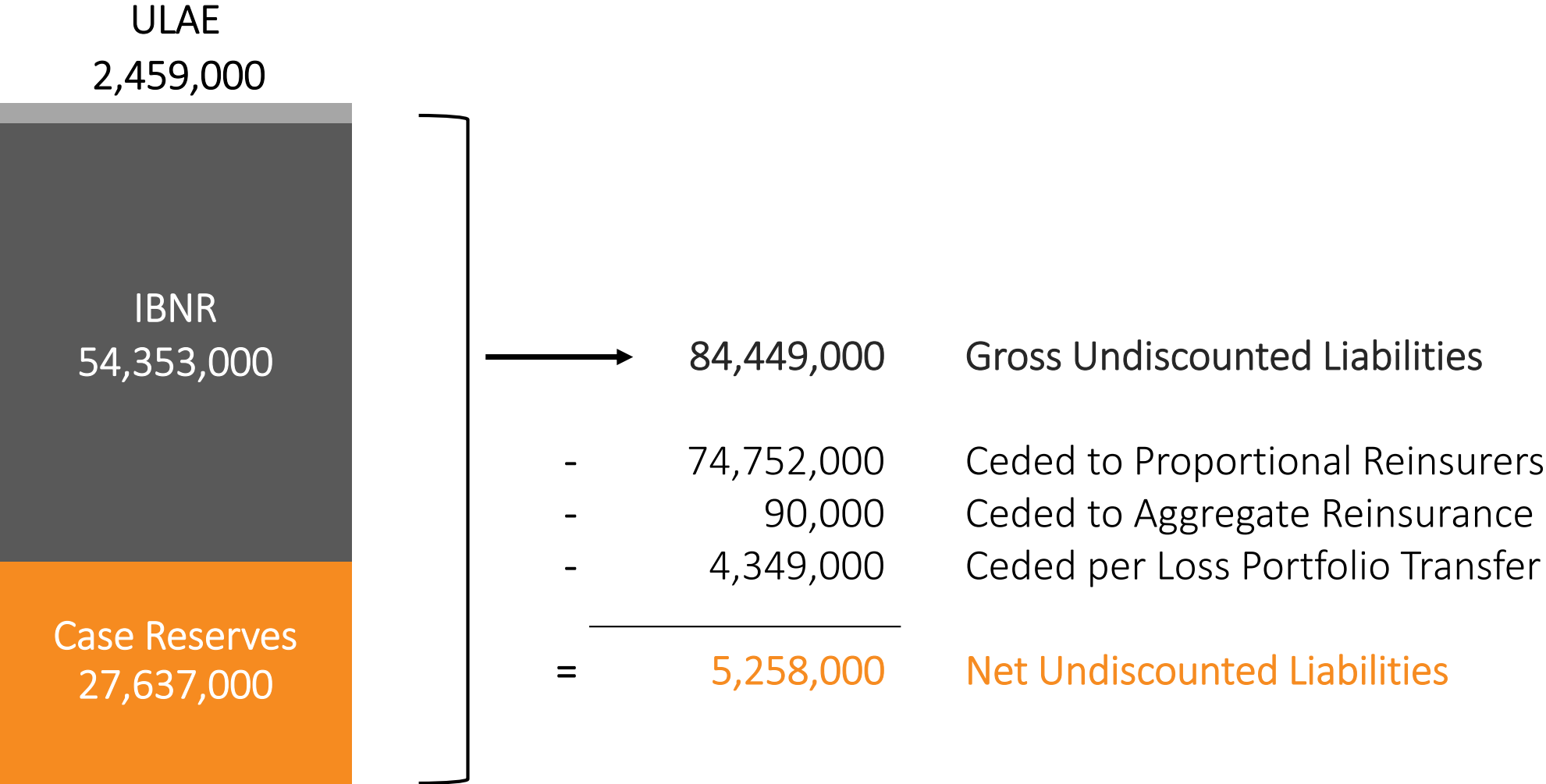
Unallocated Loss Adjustment Expenses (ULAE)

Represents the provision for the **claims management** function to **service existing obligations** if CLLAS were to cease writing business on December 31, 2022

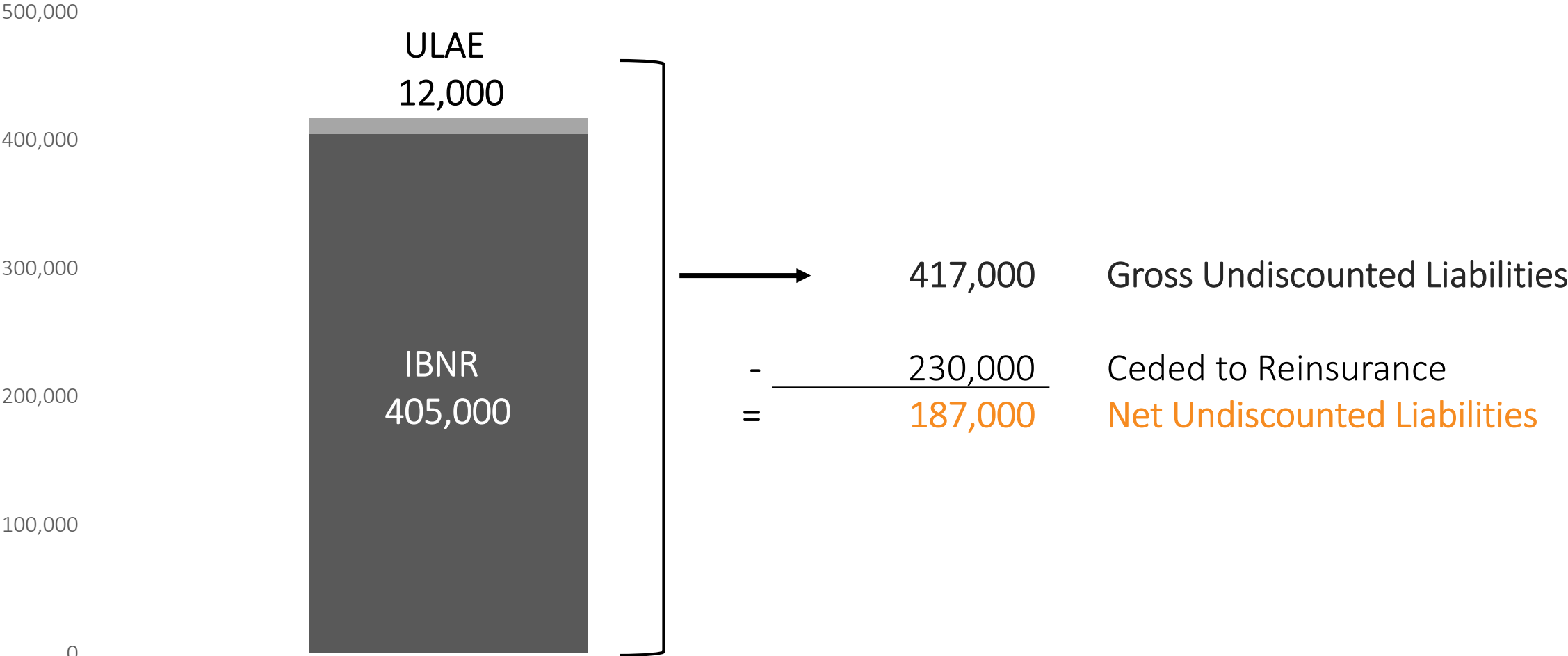
Loading = **3.00%** x (gross case reserves + gross provisions for IBNR)
(was 3.40% as of December 31, 2021)

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

Professional Liability Undiscounted Liabilities Gross and Net



Cyber Undiscounted Liabilities Gross and Net



Discounting

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

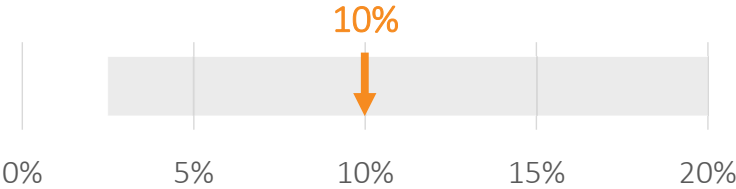
The future claim payments are discounted to reflect the time value of money

The selected discount rate = 3.95%
(1.30% last year)

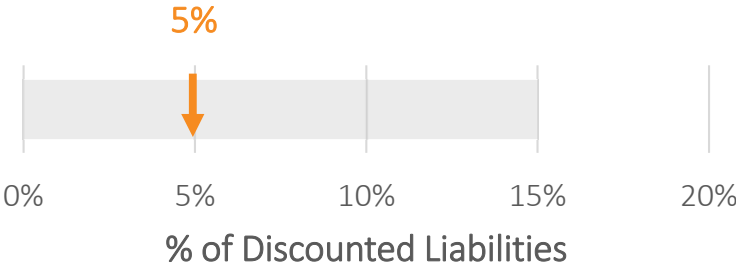


Selected Margins for Adverse Deviation

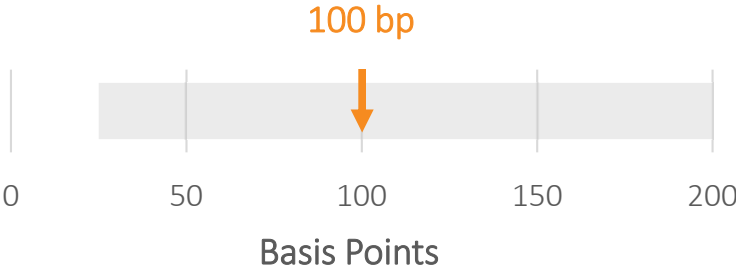
Claims Development
Claims experience is worse than expected



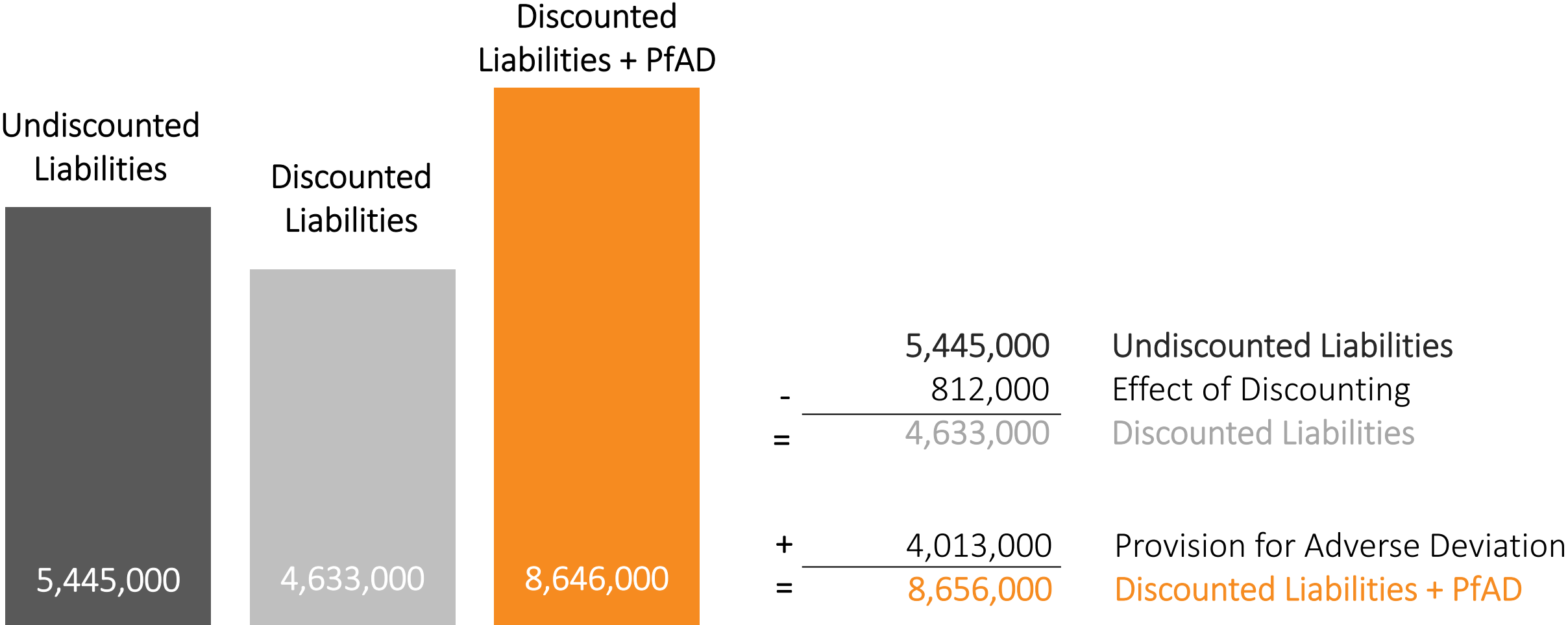
Reinsurance Recovery
Reinsurers default on their obligation



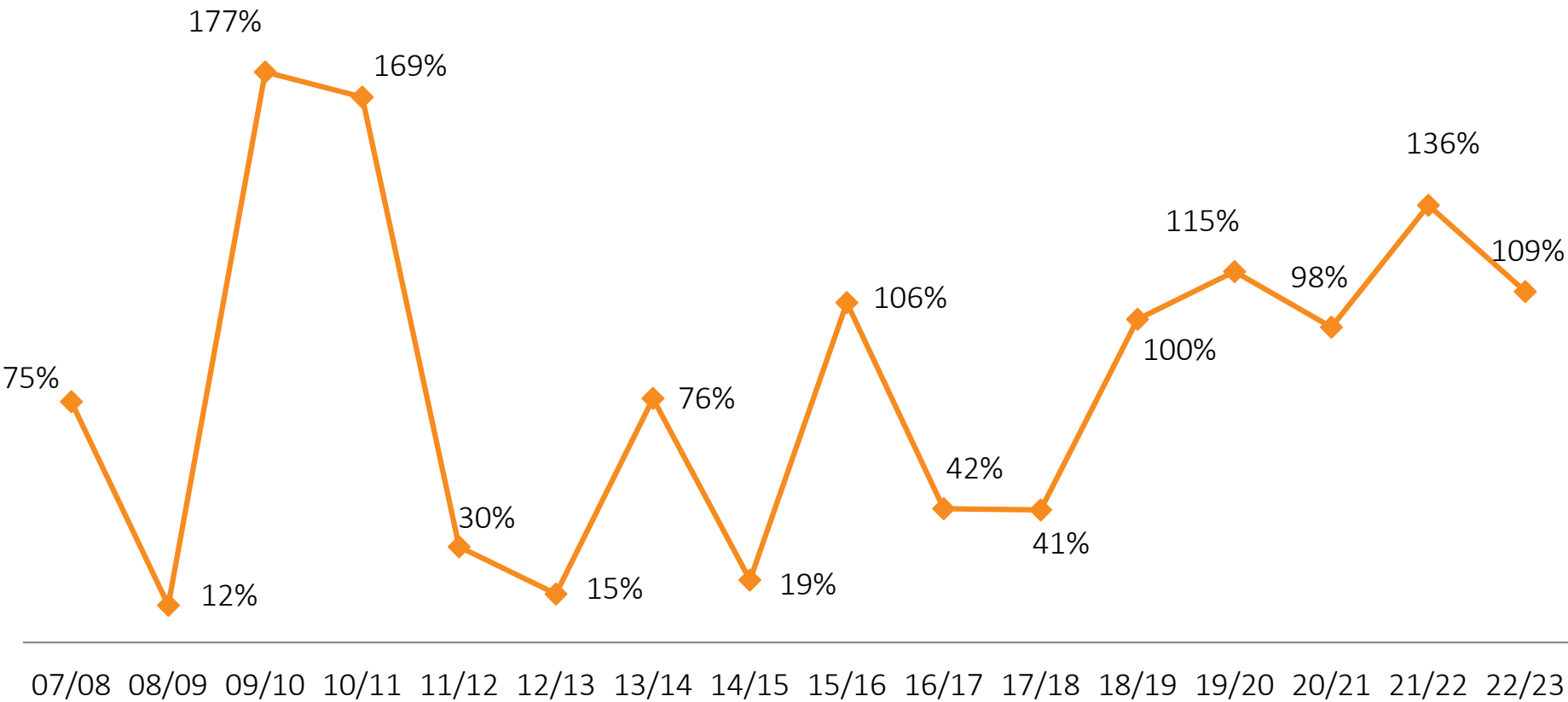
Interest Rate
Investment yield is below expectation



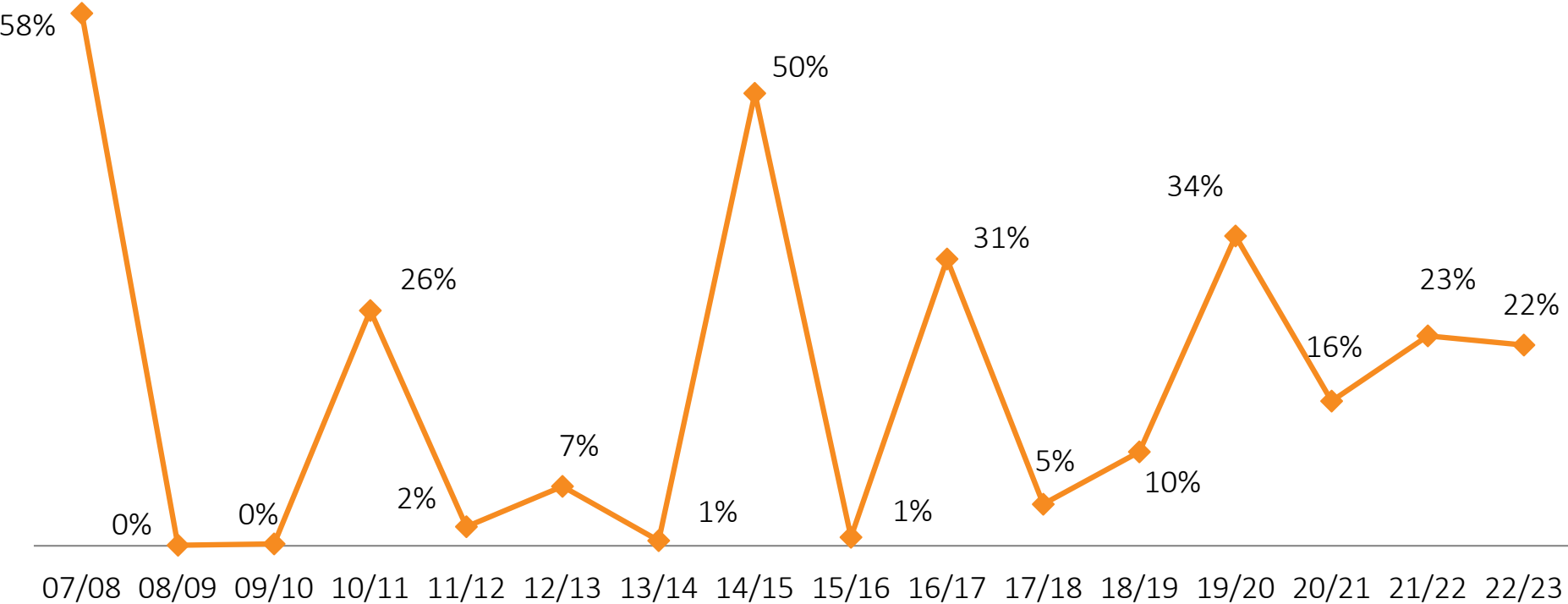
Net Discounted Liabilities



The Gross Ultimate Loss Ratio reflects Volatility and Market Pricing



The Net Ultimate Loss Ratio reflects the Risk Assumed



Premium Liabilities

A **premium deficiency** is generated if:

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

There is a **\$0 premium deficiency** as at December 31, 2022

The deferred acquisition expense asset was recorded at **\$258,468**

Conclusions

The development during 2022 was **favourable by \$676,000**, mainly due to a favorable claims development for all policy years

CLLAS has a \$0 **premium deficiency** and a DPAE asset of \$258,468 was recorded

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

Discussion



February 13, 2023

Private & Confidential

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

Dear Ken,

The purpose of this letter is to set out the proposed operating budget for CLLAS for 2023, including the proposed budget for the provision by Axxima of Management and Professional Services.

The draft total operating budget for CLLAS for 2023 is presented in Attachment A to this letter, together with the budget and actual figures for 2022. Overall, CLLAS finished 2022 \$154,000, or 6.5% under budget. If premium taxes (which were under budget purely for timing reasons) are ignored, CLLAS was essentially on budget for the year, which is a positive outcome given that the implementation of the new Cyber Program was not explicitly contemplated when the budget was approved at the February 2022 Board meeting.

The budget proposed for 2023 reflects an increase of \$253,000, or 10.6%, over the 2022 budget. If premium taxes are ignored, the increase is \$154,000, or 7.8%. The main reason for the increase is costs associated with the new Cyber Program. To put those costs in context, the Cyber Program is expected to increase CLLAS' written premium by about 15% in 2023. Other factors driving the increase in the budget are an increase in the audit fee due to IFRS 17 implementation, and the impact of wage inflation on service provider fees. All of these items will be addressed in more detail below.

A discussion of the new Cyber Program is immediately below, followed by the "Other Expense" lines, premium taxes and the Management and Professional Services lines.

CYBER PROGRAM

Prior to the most recent renewal, cyber insurance for most of the CLLAS members was placed in the commercial markets on a group basis and the costs associated with managing the program (claims, insurance placement etc.) were, for most years, covered out of the commissions that were credited



back to CLLAS. In 2022, CLLAS brought the coverage in-house and all member firms (plus one Associate Firm) participate.

As is discussed below, the cost of developing and implementing the new CLLAS Cyber Program in 2022 has been tracked as a Strategic expense. Starting from January 1, 2023, Cyber Program expenses will be tracked separately and allocated to that program. Quarterly management financials will show “budget to actual” information separate for the E&O and Cyber Programs.

While certain expenses, e.g. premium taxes and the BWI reinsurance fees, can be isolated by program, many CLLAS expenses cannot. As a result, for 2023 we propose to allocate the premium taxes (\$68,000 for cyber) and BWI fees (\$100,000 for cyber) by program, and to allocate 5% of all other operating expenses to the Cyber Program. Based on the proposed budget for 2023, 5% results in an allocation of just under \$86,000 in other operating expenses to the Cyber Program which is in line with the estimates in the business plan filed with the regulators early in 2022. This results in total costs of \$254,000, which seems reasonable as they equate to about 10% of the premiums for the Cyber Program. The allocation will be reviewed each year to ensure that it remains appropriate.

While not relevant to the operating budget, it is proposed to allocate CLLAS’ investment income between the programs based on actual assets supporting each program. Similar to the approach used to allocate investment income to the member firms in the Subscribers Accounts, this will be done based on average assets in the year (i.e. opening balance plus closing balance divided by two). Once the budget is approved, we plan to arrange a meeting with the Lenczner firm to discuss the accounting for the Cyber Program.

“OTHER EXPENSES” BUDGET FOR 2023

Overall, the CLLAS budget for other expenses (i.e. excluding premium taxes and Axxima fees for Management/Professional Services) finished the year \$33,000, or 4.2% over budget. The proposed budget for 2023 represents an increase of \$164,000, or 21.1% over the 2022 budget. The largest variance relates to fees of BWI, CLLAS’ London broker, related to the new Cyber Program.

- **Audit Expenses.** This line was on budget for 2022. The budget for 2023 includes a \$29,000 increase in the audit fee to account for audit services related to the implementation of IFRS 17. To give a rough sense of what can be expected after implementation, we anticipate that the base audit fee for 2024 forward will be in the neighbourhood of \$165,000. This is about \$25,000 higher than it would otherwise be, due to recurring IFRS 17 audit work.
- **Annual Dinner.** The budget for the annual CLLAS dinner has been restored for 2023.



- **Chairman's Honorarium.** No change to this line is proposed for 2023.
- **Reinsurance Expenses.** This line tracks expenses for the Chair and Board member participation in London meetings, as well as lunches/dinners with reinsurers when they visit Toronto. The budget assumes a 15% increase over 2022 actual costs due to inflationary pressure on travel costs.
- **D&O Insurance.** The full budget for this line was not spent in 2022 (or in 2021) because it has not been possible to place the \$5 million excess of \$5 million layer for a few years given market conditions. (The \$5 million primary layer was renewed.) We propose no change to this budget for 2023. While a \$5 million limit is reasonable (and most of the firms have coverage through the ODL Program as well) we will work to secure the higher limits again in 2023.
- **Office Expenses – General.** This line tracks disbursements incurred by Axxima in the operation of CLLAS (travel, couriers, webhosting, etc.) and bank fees. The budget was exceeded in 2022 because it did not fully account for expenses related to the London renewal trip. We propose a budget of \$16,000 for this line for 2023.
- **Special Services.** This line is for expenses related to external legal and other professional services provided to CLLAS. In 2022, we incurred costs related to the retention of legal counsel to review the changes to CLLAS' Subscribers' Agreement to reflect the addition of the Cyber Program. The budget proved more than adequate in 2022 and we propose no change for 2023.
- **Reinsurance Fees (BWI).** BWI fees for the E&O Program were slightly overbudget in 2022 due to a fee increase for the 2022/23 policy year that was agreed after the budget was approved. The 2023 budget reflects the fee already agreed to for the 2023/24 policy year. With respect to the Cyber Program, the agreed upon fee is \$100,000 per policy year, with a one-time \$20,000 fee in 2022 for implementation. The figures on the budget reflect accounting for the annual fee over the relevant policy period.
- **Risk Management/Loss Prevention.** The only expenditure on risk management in 2022 was the reimbursement of 50% of the risk management audit conducted for one of the Associate Firms. Subject to input from the Risk Management Committee and discussion at the February Board meeting, we propose to set the budget for 2023 at \$20,000.

PREMIUM TAXES

Premium taxes, which are a percentage of premium, came in well under budget in 2022. For 2022, we changed the approach to budgeting for premium taxes because, in each of the three previous years, accounting rules had forced us to expense most or all of the policy year's premium taxes before the end of the calendar year. As this was caused by the application of surplus to reduce



premiums, we assumed that it would happen again in 2022. Instead, the increase in interest rates (which has the effect of reducing premium liabilities) and the addition of the cyber program (which has a better expected loss ratio than the E&O program) have resulted in no premium deficiency and no need to expense the premium taxes attributable to the balance of the policy year.

There are 2023 budget implications for premium taxes with IFRS 17 coming into effect on January 1, 2023. Under IFRS 4, accounting rules allowed CLLAS to record premium taxes as Deferred Policy Acquisition Costs (DPAC) which were expensed in the periods in which related premiums were earned (as is the case with 2022 explained above). However, under IFRS 17, policy acquisition costs (premium taxes) will now be expensed as incurred and will no longer be shown on the Balance Sheet as an asset. The 2023 budget reflects the full 2023-2024 policy year premium tax amounts in accordance with IFRS 17. The 2022 comparative figures will be restated under the new rules as well. The budget also now includes a separate line for taxes on the Cyber Program premium. The budget for premium taxes assumes a 10% increase in all premiums at renewal.

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

PROFESSIONAL AND MANAGEMENT SERVICES

1. Management Services

Management Services are provided on a fixed fee basis, with the exception of Claims Analysis, which is a variable line item related to management of CLLAS' active large loss files. Management Services finished the year over budget by \$10,500, or 1.9%. This was due to a heightened level of activity on the active large loss files. The proposed fixed fee budget for 2023 (after credits, as discussed below) is \$575,000. This represents a 2.0% increase over 2022, with wage inflation and additional activity related to the Cyber Program being partially offset by an increase in the commissions/profit sharing credited to CLLAS from the Associate Firm program.

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



		2022	2022	Fav/ Unfav	2023	Change	Change
	Activity	Budget	Actual	Variance	Budget (proposed)	(\$)	(%)
(a)	Financial	\$232,000	\$232,000	\$0	\$245,000	\$13,000	5.6%
(b)	General Admin.	\$106,000	\$106,000	\$0	\$112,000	\$6,000	5.7%
(c)	Claims Admin.	\$225,000	\$225,000	\$0	\$238,000	\$13,000	5.8%
(d)	Claims Analysis*	\$60,000	\$70,548	-\$10,548	\$60,000	\$0	0.0%
	Subtotal	\$623,000	\$633,548	-\$10,548	\$655,000	\$32,000	5.1%
(e)	Less Credit	\$59,500	\$59,500	\$0	\$80,000	\$20,500	34.5%
	Total	\$563,500	\$574,048	-\$10,548	\$575,000	\$11,500	2.0%

* Variable

- (a) **Financial Reporting.** Activity on the Financial Reporting line tends to be steady or increase slightly each year depending on regulatory reporting developments. The budget for 2023 reflects wage inflation and additional activity related to the Cyber Program, which will be accounted for separately.
- (b) **General Administration.** The General Administration line includes such activities as Board meeting preparation, renewal applications, insurance policy preparation, certificate issuance, risk management initiatives, website maintenance, Subscriber enquiries re coverage, etc. Again, budget for 2023 reflects wage inflation and additional activity related to the Cyber Program.
- (c) **Claims Administration.** The Claims Administration line covers all activities related to claims management (intake, management, follow ups, claims bordereaux, interaction with reinsurers, law society programs, Claims Committee, etc.) aside from the active management of active large loss files. Management of cyber claims is included in this line. The proposed budget for 2023 reflects wage inflation and additional activity related to the Cyber Program.
- (d) **Claims Analysis.** The Claims Analysis line tracks activity on the claims where CLLAS is actively involved in claims management (due to the nature or significance of the particular claims). In contrast with the recent past, there was a lot of activity on this line in 2022 as a number of older, more complicated files, moved to (or closer to) resolution. The last time this line finished over budget was 2018. We propose no change to this line for 2023. As noted, this is variable, with fees adjusted to actual on a quarterly basis.



(e) **Credit re CLLAS-Facilitated Policies.** Since 2017, the fixed fee budgets are net of a credit which represents commissions and/or profit sharing received by Axxima's insurance brokerage in connection with the Associate Firm and cyber programs. There is a one-year lag between receipt of funds by Axxima and application against the fixed fee, i.e. funds received in calendar year 2022 are applied against the 2023 fixed fee. Details for 2022 are as follows:

- **Commissions:** In 2022, the CLLAS Associate firms renewed their policies, resulting in commissions of \$65,187 (\$54,950 in 2021). No commissions were received for cyber policies in 2022 (compared with \$4,638 in 2021). The total credit for commissions against the 2023 fixed fee budget is \$65,000, compared with \$59,500 last year.
- **Profit Sharing:** The CLLAS Associate Firm program includes a profit sharing element and it has been agreed that profit sharing amounts received by Axxima from underwriters will be applied against the next fixed fee budget, subject to CLLAS' acknowledgement of the obligation to potentially repay the funds based on future loss experience. No profit sharing payments were received in 2021 but we received \$14,774 in 2022. As a result, the total credit for profit sharing for 2023 will be \$15,000 compared with \$0 last year.

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

2. Professional Services

Professional Services, i.e. actuarial, reinsurance and strategic services, are provided on a fee-for-service basis. Budgets are set at the beginning of the year, with the actual cost depending on the level of activity throughout the year. Professional Services Fees finished the year about \$52,000 (10.3%) under budget, for reasons discussed below. Overall, we are proposing a \$20,000 (4.0%) decrease in the total budget for these lines for 2023. Details by line are discussed after the table.



		2022 Budget	2022 Actual	Fav/ Unfav Variance	2023 Budget (proposed)	Change (\$)	Change (%)
(a)	Actuarial	\$75,000	\$101,044	-\$26,044	\$80,000	\$5,000	6.7%
(b)	Reinsurance	\$280,000	\$178,414	\$101,586	\$280,000	\$0	0.0%
(c)	Strategic	\$150,000	\$173,733	-\$23,733	\$125,000	-\$25,000	-16.7%
	Total	\$505,000	\$453,191	\$51,809	\$485,000	-\$20,000	-4.0%

- (a) **Actuarial Services.** Activity on the Actuarial line was over budget by about \$26,000. There were a number of unusual activities in 2022, notably actuarial work on the Cyber Program, including the Own Risk and Solvency Assessment (ORSA) conducted as a result of the introduction of the Cyber Program, additional IFRS 17 work due to changes in the Deloitte audit team, and the surplus analysis for Dentons and Blakes considered by the Board at its December meeting. We do not anticipate this type of activity in 2023 and are proposing a budget of \$80,000.
- (b) **Reinsurance Services.** The reinsurance renewal in 2022 was more orderly than in recent past years as the hard market settled somewhat, and it was not necessary to replace departing capacity. Reinsurance Services was under its \$280,000 budget by about \$100,000. While we anticipate a similar result in 2023, this line will include the renewal of the cyber program and, as we prefer to budget conservatively, we propose to leave this line unchanged for 2023.
- (c) **Strategic Services.** Fees for Strategic Services in 2022 finished the year about \$24,000 over the budget of \$150,000. Activities in the year included:
- The main activity in 2022 was the development and implementation of the CLLAS Cyber Program. This led to fees of about \$140,000. Activities included development of the business plan, obtaining the necessary licence in Ontario, presentation of options to the Board, amending the Subscribers Agreement, reviewing applications, negotiating with reinsurers, engaging in discussions with various Subscribers (including Lencznerns), finalizing the policy wording and issuing quotes and binders.
 - The balance of the activity (about \$34,000 in fees) related to obtaining commitments for the Eighth Underwriting Period, IFRS 17 implementation, Associate Firm renewal work and discussions with Blakes and Dentons with respect to their financial interest in CLLAS.



Activity on the Strategic Services line is difficult to predict. We propose a \$25,000 (16.7%) reduction on this line, to \$125,000.

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

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

Sincerely,

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

Patrick Mahoney

Copy: CLLAS Advisory Board

**Canadian Lawyers Liability Assurance Society
2023 Operating Budget**

	<u>2022 Budget</u>	<u>2022 Actual</u>	<u>Fav/ (Unfav) Variance</u>	<u>Proposed 2023 Budget</u>
MANAGEMENT SERVICES	563,500	574,048	(10,548)	575,000
PROFESSIONAL SERVICES				
Actuarial Services	75,000	101,044	(26,044)	80,000
Reinsurance Matters	280,000	178,414	101,586	280,000
Strategic Matters	150,000	173,733	(23,733)	125,000
Sub-Total Professional Services	505,000	453,191	51,809	485,000
Total Management & Professional Services	1,068,500	1,027,239	41,261	1,060,000
HST on Consulting Fees	138,905	133,541	5,364	137,800
Total Consulting Services	1,207,405	1,160,780	46,625	1,197,800
OTHER EXPENSES				
Audit Expenses	178,000	177,886	114	207,000
Annual Dinner	-	1,000	(1,000)	7,500
Chairman's Honorarium	150,000	150,000	-	150,000
Reinsurance Expense	4,000	5,244	(1,244)	6,000
D&O Insurance	20,000	16,955	3,045	20,000
Office Expenses - General	10,000	15,108	(5,108)	16,000
Claims Bordereaux (LawPRO/LIF)	17,500	18,150	(650)	18,300
Special Services	15,000	6,712	8,288	15,000
Reinsurance Fee (BWI) E&O	299,000	306,475	(7,475)	321,800
Cyber	-	40,988	(40,988)	100,000
Statistical/Assessment Fees	6,000	7,411	(1,411)	5,500
Investment Counsel Fees	32,000	29,101	2,899	29,000
Investment - Custodial Fees	19,000	18,755	245	18,000
Risk Management/Loss Prevention	20,000	10,000	10,000	20,000
Licensing Fees	5,000	4,663	337	5,000
Sub-total	775,500	808,448	(32,948)	939,100
PREMIUM TAXES E&O	401,000	246,822	154,178	432,000
Cyber	-	14,034	(14,034)	68,000
	401,000	260,856	140,144	500,000
TOTAL	2,383,905	2,230,083	153,822	\$2,636,900

Note: 5% of all operating expenses other than premium taxes and BWI fees will be allocated to the Cyber Program: \$85,755.00 in 2023

Attachment B

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Management Services - Overview of Activity by Budget Line

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

1. Financial Reporting

The Financial Reporting area involves all financial functions including:

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

2. General Administration

The General Administration line covers work relating to:

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

3. Claims Administration

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

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

4. Claims Analysis

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

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

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



Canadian Lawyers Liability Assurance Society
Audit results for the year ended December 31, 2022
February 14, 2023

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



Brigitte Chartier
Lead Client Services Manager
514-247-9647
bchartier@deloitte.ca



Ankit Jain
Senior Manager
437-993-9351
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Dear Audit Committee Members:

We are pleased to provide you with the results of the audit of the financial statements of Canadian Lawyers Liability Assurance Society ("the Society") for the year ended December 31, 2022. Enclosed are those results and insights from our audit that we believe would be of greatest interest to the Audit Committee and have summarized other required communications:

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

As agreed in our engagement letter dated December 7, 2022, we have performed an audit of the financial statements of the Society as of and for the year ended December 31, 2022, in accordance with Canadian generally accepted auditing standards ("GAAS") as well as pages 20.10 through 20.54 of the Society's P&C Quarterly Return and pages 20.52 and 20.60 of the Society's P&C Annual supplement.

In addition, we have also audited the Minimum Capital Test on page 30.61 of the P&C Quarterly Return of the Society as at December 31, 2022, in accordance with the financial reporting provisions of Guideline A – Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies. We expect to issue our audit reports thereon upon their approval by the Advisory Board and completion of the outstanding matters noted on slide 4 of this report.

Our audit has been conducted in accordance with the audit plan that was presented to the Audit Committee members at the meeting on October 21, 2022. The results of our audit are explained in further detail in this report.

Given the timeline for the Society to transition to the new Insurance Accounting Standard, IFRS 17, we have included our audit approach to IFRS 17 transition as part of this report since we will need to perform IFRS 17 transition audit work prior to the presentation of our 2023 Audit Plan at the next Audit Committee meeting, later this year.

This report has been provided to the Audit Committee on a confidential basis. It is intended solely for the use of the Audit Committee and the Advisory Board to assist you in discharging your responsibilities with respect to the financial statements for the year ended December 31, 2022 (the "Financial Statements") and is not intended for any other purpose.

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

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

Yours truly,

Deloitte LLP

Chartered Professional Accountants






Licensed Public Accountants

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Executive summary

Outstanding items of importance

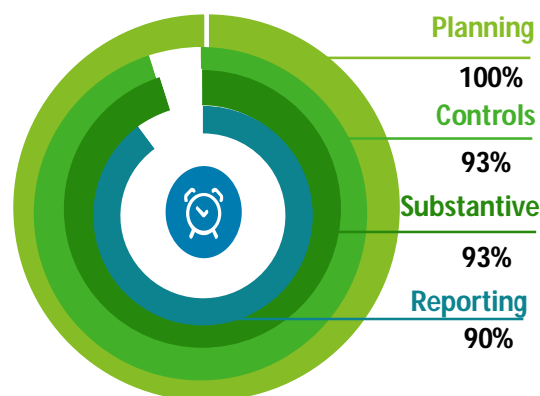
-  Receipt of the final Appointed Actuary Report
-  Receipt of signed management representation letter
-  Performance of subsequent event procedures
-  Completion and review of certain working papers
-  Completion of Partner and Engagement Quality Control Review

Significant risks

- 1 Management override of controls 
- 2 Provision for unpaid claims and adjustment expense, gross and net of amounts recoverable from reinsurers 

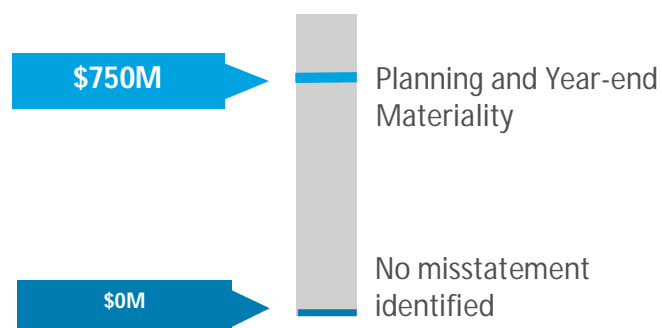
 In progress, no issues noted to date.  Completed, insights identified.  Completed, significant findings identified.

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We expect to complete the audits and intend to issue unmodified audit opinions on February 21, 2023, barring any unforeseen audit findings from the remainder of the audit work.

Misstatements



Matters of interest

Use of Service Organizations

The Society uses RBC Investor & Treasury Services for investments custody and record keeping. We obtained the service provider's controls report and reviewed the results to assess whether we can place reliance on relevant controls, where appropriate. There were no findings identified.

Involvement of Specialists

We engaged our actuarial specialists to assist in assessing the appropriateness of the valuation of provision for unpaid and unreported claims liabilities, gross and net of amounts recoverable from reinsurers. There were no material misstatement identified from this assessment.

IFRS 17 - Transition

We performed audit work on the transition impact on IFRS 17 and provided you with an update on the progress of the audit work.



Significant audit risk

Provision for unpaid claims and adjusted expense

Significant risk

Provision for unpaid claims and adjustment expense, gross and net of amount recoverable from reinsurers (valuation)

Actuarial calculation methods to determine the value of the provision and related actuarial assumptions (specifically the expected loss ratio and loss development factor) used are not appropriate.

Our response

We engaged our actuarial specialists in the planning and execution of our audit procedures related to this balance

Assessed the reasonableness of key assumptions and methodologies

Assessed the discount rate used and application of discounting

Performed independent recomputations of the actuarial reserves

Tested the consistency of reserve margins over time

Tested underlying data used in the valuation including claims reserves, claims paid and premium data

Performed tests of details by selecting a sample of claims to ensure the reserved amounts are properly supported and payments are appropriately authorized and accurately recorded

Observations and insights

To date, the results of our audit procedures have been satisfactory. Update is to be provided at the Audit Committee meeting.

Significant audit risk (cont'd)

Management override of control

Risk:

Management is in a unique position to override internal controls resulting in manipulation of the accounting records which could result in Financial Statements that are materially misstated.

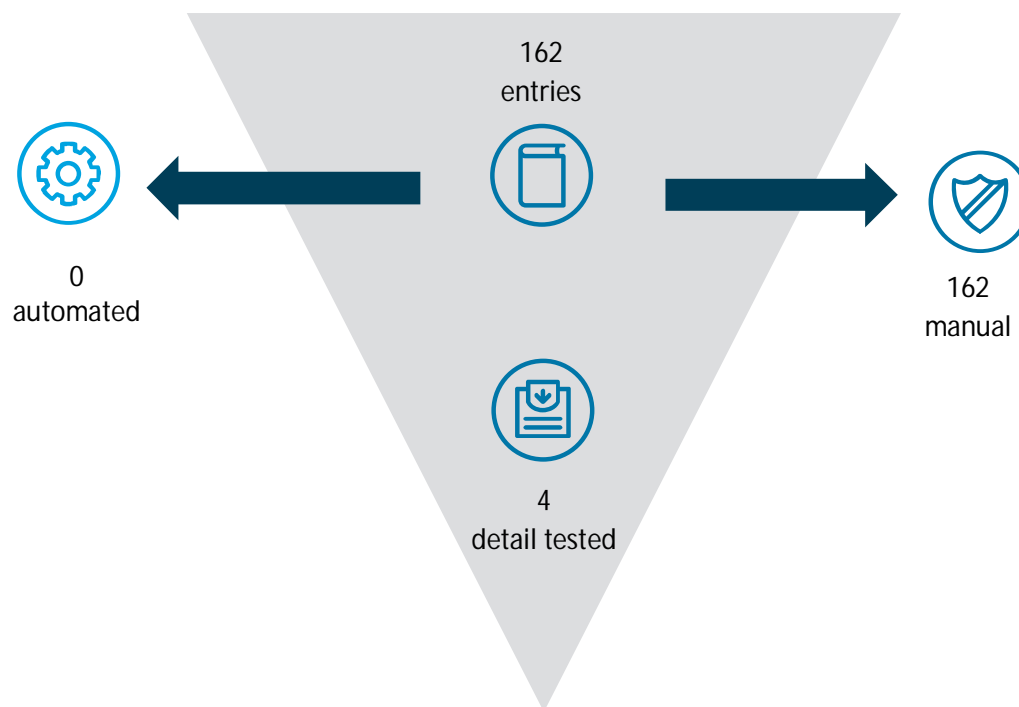
Management override of controls is a presumed fraud risk per Canadian Auditing Standards.

Innovative tools used:

To address this requirement, Deloitte has used its data interrogation tool, Spotlight, to assist in identifying journal entries that displayed characteristics of audit interest "COAI".

Results and Observations:

- Using our tool we considered fraud characteristics for **162** journal entries of which **4** entries presented a higher risk, and over which we performed detailed testing.
- To date, the results of our audit procedures have been satisfactory. Update is to be provided at the Audit Committee.



Summary of corrected and uncorrected misstatements and disclosure misstatements



	As presented	Aggregate unadjusted misstatements	Adjusted ending balances
Assets	\$108,338,135	-	\$108,338,135
Liabilities	97,683,246	-	97,683,246
Equity	10,654,889	-	10,654,889
Net income	451,560	-	451,560

There are no corrected, uncorrected and/or disclosure misstatements.

New Accounting Standards

Audit approach to IFRS 17 & 9 transition



Transition to IFRS 17 and IFRS 9 Timeline

Progressive Auditing of IFRS 17

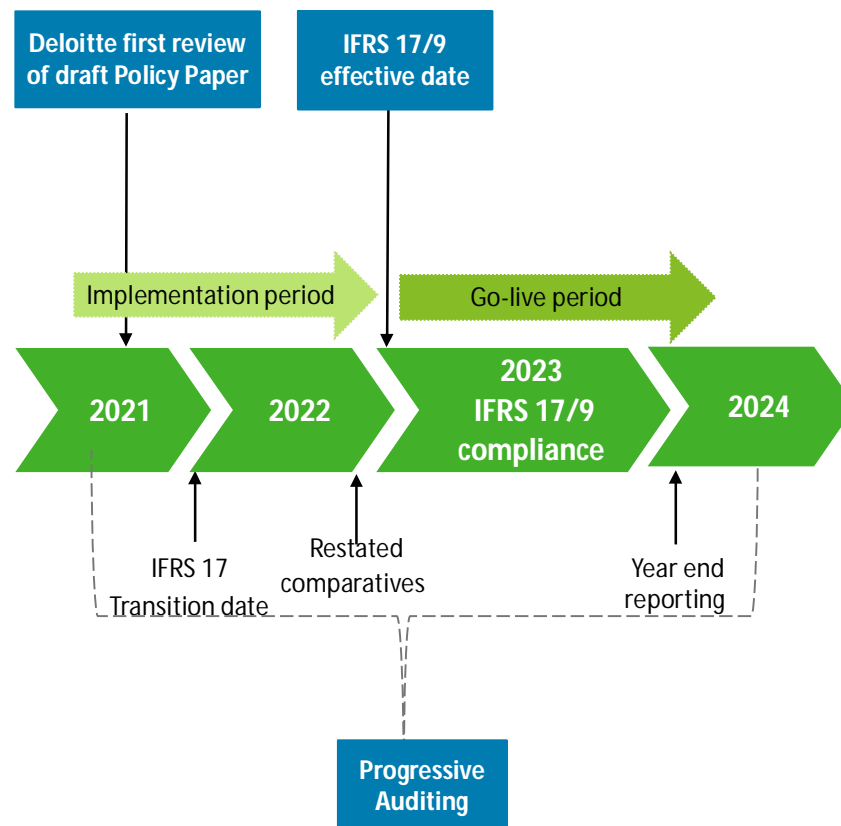
IFRS 17 *Insurance Contracts* issued in May 2017 is effective for the 2023 fiscal year, with restated comparatives for 2022. With the deferral option available to insurers, IFRS 9 *Financial Instruments* will be implemented by the Society at the same time as IFRS 17. The timeline below does not include any hours for the IFRS 9 transition. Budget and timeline for the implementation of IFRS 9 will be determined after management has determined the IFRS 9 accounting policies for the Society.

Deloitte's Progressive Auditing Approach of the Society's IFRS 17 Implementation:

We are coordinating with management to be involved at the right times during the Society's project timeline for IFRS 17.

Incremental Audit work	2022	2023
Review and comment on draft IFRS 17 Financial Statement presentations, accounting policy wordings and disclosures		In progress
Final review and comment on policy position papers, including audit documentation of assessment		In progress
Test transition adjustments as at January 1, 2022	Substantially Complete	
Test 2022 comparatives and 2023, including determination of : - Discount Rate - Risk Adjustment - Insurance Service Result: Revenue and Insurance Service Expense - Insurance Finance Income and Expense		In progress
Test new IFRS 17 processes and controls over transition adjustments		
Test of 2022 and 2023 IFRS 17 Financial Statement note disclosures	Completed	In progress
Mapping of IFRS 4 GL accounts to reflect IFRS 17 requirements and policy positions		In progress

IFRS 17 and 9 Timeline





Appendices

Appendix 1 – Required communications with Those Charged with Governance

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

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

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

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

Appendix 2 – Significant accounting policies, judgments and estimates

Audit assessment of significant accounting policies, practices and accounting estimates

Significant accounting policies and practices

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

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

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

Significant accounting estimates

During the year ended December 31, 2022, management advised us that there were no significant changes in the basis for determining accounting estimates or in judgments relating to the application of the accounting policies.

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

Extract of the Society's 2022 Balance Sheet

Balance sheet In thousands of Canadian \$	December 31, 2022	December 31, 2021
Cash	2,872	3,534
Short term investments	11,590	11,361
Bonds, including accrued interest	5,677	6,044
Interest income due and accrued	25	24
Premiums receivable	5,648	3,674
Prepaid expenses	236	151
Deferred policy acquisition costs	258	41
Reinsurers' share of unearned premiums	7,121	5,236
Reinsurance receivable	1,491	577
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	73,415	64,708
Total assets	95,350	95,350
Accounts payable and accrued charges	334	278
Unearned premiums	9,135	6,245
Due to reinsurers	4,456	3,045
Provision for unpaid claims and adjustment expenses	82,061	72,867
Premium deficiency liability	-	-
Total liabilities	96,098	82,517
Total equity	12,239	12,833
Total liabilities and equity	108,338	95,350

Financial statements line items involving significant judgements and estimates

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

Provision for unpaid claims and adjustment expenses is calculated in accordance with Canadian accepted actuarial practice and involves estimates of loss activity that are, by necessity, subject to uncertainty and are derived from a wide range of possible outcomes. They have been estimated in a manner materially consistent with the approach followed in the prior year. Assumption changes increased net liabilities by \$267,713 and the change in the discount rate and PfAD decreased net liabilities by \$824,166. Management's estimate of these actuarial liabilities is the most significant area of measurement uncertainty which utilizes models and significant management judgements in assumption determinations.

Appendix 3 – Draft version of our Auditor’s Reports

Draft Auditor’s Report on CLLAS Financial Statements

Independent Auditor’s Report

To the Advisory Board of Canadian Lawyers Liability Assurance Society

Opinion

We have audited the financial statements of Canadian Lawyers Liability Assurance Society (the “Society”), which comprise the statements of financial position as at December 31, 2022, and the statements of comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

(To be signed Deloitte LLP)

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
February 21, 2023

Appendix 3 – Draft version of our Auditor’s Reports

Draft Auditor’s Report on CLLAS Minimum Capital Return

Independent Auditor’s Report

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

Opinion

We have audited the Minimum Capital Test on page 30.61 of the P&C Quarterly Return of Canadian Lawyers Liability Assurance Society (the “Society”) as at December 31, 2022 (the “MCT”).

In our opinion, the accompanying MCT of the Society as at December 31, 2022 is prepared, in all material respects, in accordance with the financial reporting provisions of Guideline A – Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies effective January 1, 2019 (the “Guideline”) prescribed by the Office of the Superintendent of Financial Institutions Canada (“OSFI”).

Basis for Opinion

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

Emphasis of Matter – Basis of Accounting

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

Unaudited Information

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

Other Matter

We issued a separate auditor’s report dated February 21, 2023 on the financial statements on pages 20.10 through 20.54 of the Society’s P&C Quarterly Return.

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

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

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

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

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Auditor’s Responsibilities for the Audit of the MCT Return

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

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

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

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

(To be signed Deloitte LLP)

Chartered Professional Accountants

Licensed Public Accountants

Toronto, Ontario

February 21, 2023

Appendix 3 – Draft version of our Auditor's Reports

Draft Auditor's Report on CLLAS P&C Return

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Canadian Lawyers Liability Assurance Society (the "Society"), which comprise the statements of assets and liabilities and equity at December 31, 2022, and the statements of income, retained earnings, comprehensive income (loss) and accumulated other comprehensive income (loss), reserves, changes in equity and cash flows for the year then ended on pages 20.10 through 20.54 of the Society's P&C Quarterly Return and pages 20.52 and 20.60 of the Society's P&C Annual Supplement, which includes the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Unaudited Information

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

Other Matter

We issued a separate auditor's report dated February 21, 2023 on the MCT on page 30.61 of the Society's P&C Quarterly Return.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

(To be signed Deloitte LLP)

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
February 21, 2023

Appendix 4 – Independence Letter

February 9, 2023

Private and confidential

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

Dear Members:

We have been engaged to perform an audit of the financial statements of Canadian Lawyers Liability Assurance Society (the "Society") as of and for the year ended December 31, 2022, and as contained on pages 20.10 to 20.60 of the Society's P&C Annual Return in accordance with Canadian generally accepted auditing standards.

Canadian generally accepted auditing standards ("GAAS") require that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between the Society, our Firm and network firms (the "Deloitte Entities") that, in our professional judgment, may reasonably be thought to bear on our independence. We are also required to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

We are not aware of any relationships between the Deloitte Entities and the Society and its affiliates, or persons in financial reporting oversight roles at the Society and its affiliates, that under the rules of professional conduct of the Chartered Professional Accountants of Ontario may reasonably be thought to bear on independence, that have occurred from February 9, 2022, to February 9, 2023.

The total fees charged to the Society \$114,650 for audit services were approved by the Audit Committee and there were no non-audit services during the period covered by the financial statements.

GAAS requires that we confirm our independence to those charged with governance. We hereby confirm that we are independent in accordance with the rules of professional conduct of the Chartered Professional Accountants of Ontario as of February 9, 2023.

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

We look forward to discussing with you the matters addressed in this letter at our upcoming meeting on February 14, 2023.

Yours truly,



Chartered Professional Accountants
Licensed Public Accountants



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Financial statements of Canadian Lawyers Liability Assurance Society

December 31, 2022

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Statement of cash flows	6
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Independent Auditor's Report

To the Advisory Board of
Canadian Lawyers Liability Assurance Society

Opinion

We have audited the financial statements of Canadian Lawyers Liability Assurance Society (the "Society"), which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Chartered Professional Accountants
Licensed Public Accountants
[DATE]
Toronto, Ontario

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

As at December 31, 2022

	Notes	2022 \$	2021 \$
Assets			
Cash at bank		2 872 993	3 533 877
Short term investments	4	11 590 166	11 361 485
Bonds	4	5 677 588	6 043 762
Interest income due and accrued		25 156	23 630
Premiums receivable	6	5 648 700	3 673 597
Prepaid expenses		236 651	150 827
Deferred policy acquisition costs		258 476	41 179
Reinsurers' share of unearned premiums		7 121 884	5 236 160
Reinsurance receivable		1 491 496	577 410
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	5	73 415 025	64 708 168
		108 338 135	95 350 095
Liabilities			
Accounts payable and accrued charges		2 030 279	359 714
Unearned premiums		9 135 323	6 244 910
Due to reinsurers		4 456 240	3 045 212
Provision for unpaid claims and adjustment expenses	5	82 061 404	72 867 454
Premium deficiency liability		—	—
		97 683 246	82 517 290
Equity			
Minimum surplus	12	50 000	50 000
Additional surplus	12	10 934 525	12 677 965
Accumulated other comprehensive (loss) income		(329 636)	104 840
Total equity		10 654 889	12 832 805
		108 338 135	95 350 095

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

On behalf of the Advisory Board

_____, Chair of the Audit Committee

_____, Director

Canadian Lawyers Liability Assurance Society**Statement of comprehensive income**

Year ended December 31, 2022

	Notes	2022 \$	2021 \$
Premiums			
Written premium		16 894 559	12 594 326
Reinsurance ceded		(13 505 718)	(10 584 328)
Net written premiums		3 388 841	2 009 998
Change in unearned premiums		(1 004 689)	(6 396)
Earned premiums		2 384 152	2 003 602
Expenses			
Claims	5	96 072	(310 594)
Premium deficiency adjustment		—	(30 774)
Operating expenses	7	1 969 228	1 578 775
Premium taxes		260 856	323 610
		2 326 156	1 561 017
Underwriting income for the year		57 996	442 585
Net investment income	4	393 564	151 845
Net income for the year		451 560	594 430
Change in unrealized losses on available-for-sale financial assets arising during the year		(434 476)	(212 996)
Other comprehensive loss		(434 476)	(212 996)
Comprehensive income		17 084	381 434

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

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

Year ended December 31, 2022

	Minimum surplus \$	Additional surplus \$	Accumulated other comprehensive income \$	Total equity \$
Balance, December 31, 2020	50 000	12 083 535	317 836	12 451 371
Net income	—	594 430	—	594 430
Other comprehensive loss	—	—	(212 996)	(212 996)
Distribution of premium surplus	—	—	—	—
Balance, December 31, 2021	50 000	12 677 965	104 840	12 832 805
Net income		451 560		451 560
Other comprehensive loss			(434 476)	(434 476)
Return of premium surplus		(2 195 000)		(2 195 000)
Balance, December 31, 2022	50 000	10 934 525	(329 636)	10 654 889

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

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

Year ended December 31, 2022

	2022 \$	2021 \$
Operating activities		
Net income for the year	451 560	594 430
Changes in no-cash items		
Interest income due and accrued	(1 526)	(795)
Premiums receivable	(1 975 103)	108 736
Reinsurers' share of unearned premiums	(1 885 724)	(934 798)
Prepaid expenses	(85 824)	(7 077)
Deferred policy acquisition costs	(217 297)	(41 179)
Reinsurance receivable	(914 086)	1 360 791
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	(8 706 857)	1 538 254
Provision for unpaid claims and adjustment expenses	9 193 950	(1 963 530)
Premium deficiency liability	—	(30 774)
Unearned premiums	2 890 413	941 194
Due to reinsurers	1 411 028	(1 291 796)
Accounts payable and accrued charges	1 670 565	(74 084)
Amortization of bond premium	(110 702)	(5 205)
Amortization of bond discount	8 908	14 929
	1 729 305	209 096
Financing activity		
Return of premium surplus	(2 195 000)	—
Investing activities		
Purchase of bonds	(1 073 373)	(691 855)
Disposal of bonds	1 000 000	700 000
Purchase of short term investments	(58 136 191)	(62 107 653)
Disposal of short term investments	58 014 375	63 262 754
Cash provided by (used in) investing activities	(195 189)	1 163 246
Net (decrease) increase in cash	(660 884)	1 372 342
Cash balance, beginning of year	3 533 877	2 161 535
Cash beginning, end of year	2 872 993	3 533 877
Cash balance comprises		
Cash at bank	2 872 993	3 533 877
Interest received	290 242	160 774

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

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

December 31, 2022

1. Description of business

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

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

The Society does not have any employees and is managed by an independent third party that reports to the Advisory Board. The Advisory Board has the authority and responsibility for planning, directing and controlling the activities of the entity. The Chair of the Advisory Board receives an annual honorarium of \$150,000 (\$150,000 in 2021) and the other members of the Advisory Board receive no compensation.

2. Basis of preparation

Statement of compliance

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

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

3. Significant accounting policies

These financial statements reflect the following policies:

Use of estimates and judgments

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

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

Note 5: Provision for unpaid claims and adjustment expenses

Note 8: Reinsurance Program

Insurance premiums and deferred acquisition costs

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

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
 December 31, 2022

3. Significant accounting policies (continued)

Insurance premiums and deferred acquisition costs (continued)

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

Reinsurance

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

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

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

Provision for unpaid claims and adjustment expenses

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

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

Investments

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

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

Canadian Lawyers Liability Assurance Society**Notes to the financial statements**December 31, 2022

3. Significant accounting policies (continued)*Investments (continued)*

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

Impairments

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

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

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
 December 31, 2022

3. Significant accounting policies (continued)

Future changes in accounting policies:

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

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

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 also introduces a new 'expected credit loss' model for calculating impairment.

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

As at January 1, 2018, the Society has elected to apply the optional transitional relief under IFRS 4 that permits the deferral of the adoption of IFRS 9 for eligible insurers. The Society will continue to apply IAS 39 until January 1, 2023.

On January 1, 2023, the Society will adopt IFRS 9, which replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 includes requirements on: (1) Classification and measurement of financial assets and liabilities; (2) Impairment of financial assets; and (3) General hedge accounting.

On adoption of IFRS 9, in accordance with its transitional provisions, the Society will not restate the prior periods but has reclassified the financial assets held at January 1, 2023, retrospectively, based on the new classification requirements and the characteristics of each financial instrument as at the transition date.

The Society continues to assess the impact of these changes on the financial statements.

3. Significant accounting policies (continued)

Future changes in accounting policies: (continued)

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

On May 18, 2017, the IASB issued IFRS 17. On June 25, 2020, the IASB issued amendments to IFRS 17 aimed at helping companies implement the standard and to defer the effective date. IFRS 17 replaces existing accounting under IFRS 4. IFRS 17 is effective beginning on January 1, 2023 with a transition date of January 1, 2022 and will be applied retrospectively.

Below is an analysis of the expected qualitative impact as a result of IFRS 17. The Society's expected key policies around these topics are discussed further below.

IFRS 17 provides guidance on the recognition, measurement, presentation, and disclosure of insurance contracts. IFRS 17 requires an insurance company to measure insurance contracts using a current measurement of discounted, expected cash flows plus a risk adjustment to reflect the variability in the amount and timing of expected insurance cash flows. A simplified approach (the "Premium Allocation Approach") is allowed that is similar to the current accounting for the liability for remaining coverage and the recognition of earned premium under IFRS 4 for contracts meeting certain criteria, including all policies with coverage periods of one year or less.

The Society is still evaluating if it is eligible and has elected to use the simplified Premium Allocation Approach for its insurance contracts and reinsurance contracts held therefore upon transition, the insurance contract liabilities and reinsurance held assets will be recorded on a fully retrospective basis.

There are significant differences between IFRS 17 and IFRS 4 as it pertains to the Society's accounting policies. The following are the accounting policies which primarily impact the balance equity upon transition:

- There are differences in the nature of the risk margin and how the risk margin is determined under IFRS 17. IFRS 17 requires a risk adjustment for non-financial risk. This risk adjustment represents the compensation the Society requires for bearing the uncertainty that arises from non-financial risk.
- IFRS 17 continues to require that estimates of unpaid claims and claim adjustment expenses reflect the time value of money however there are differences in the determination of the discount rates used to reflect the time value of money. IFRS 17 requires the discount rates to reflect the time value of money, the characteristics of the cash flows, and the liquidity characteristics of the insurance and reinsurance contracts. The Society has determined that discount rates will be based on a risk-free rate plus an liquidity premium reflective of the cash flow characteristics of the respective insurance contract and reinsurance contracts.

Canadian Lawyers Liability Assurance Society**Notes to the financial statements**December 31, 2022

3. Significant accounting policies (continued)*Future changes in accounting policies: (continued)***(iii) IFRS 17, Insurance Contracts ("IFRS 17") (continued):**

- Under the IFRS 17 Premium Allocation Approach, insurance acquisition cash flows may be expensed if the coverage period of the contracts is no more than 12 months. The Society has elected to expense all acquisition cash flows as incurred.

The impact of IFRS 17 will be applied by adjusting the Society's statement of financial position on January 1, 2022. Impacts on the equity include changes in the discount rates and the risk adjustment applied to the liabilities for incurred claims, and changes in the calculation of onerous contract provisions and deferred acquisition costs as it relates to the liabilities for remaining coverage.

The Society is still evaluating the impact of IFRS 17.

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2022

4. Investments

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

	Fair value and carrying value	2022 Amortized cost	Fair value and carrying value	2021 Amortized cost
	\$	\$	\$	\$
Short term investments	11,590,166	11,596,070	11,361,485	11,363,552
Bonds	5,677,588	6,001,319	6,043,762	5,936,854
	17,267,754	17,597,389	17,405,247	17,300,406

The difference between amortized cost and market value of the AFS investments consists of gross unrealized gains of \$0 (\$117,496 in 2021) and gross unrealized losses of \$329,635 (\$12,655 in 2021).

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

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

	Within 1 year	1-5 years	Over 5 years	2022 Total
	\$	\$	\$	\$
Short term investments	11,590,166			11,590,166
Government of Canada bonds	196,916	531,363	729,626	1,457,905
Canadian public authorities bonds	496,392	1,051,054	566,119	2,113,565
Canadian corporate bonds	444,922	1,320,661	340,535	2,106,118
	12,728,396	2,903,078	1,636,280	17,267,754
	Within 1 year	1-5 years	Over 5 years	2021 Total
	\$	\$	\$	\$
Short term investments	11,361,485	—	—	11,361,485
Government of Canada bonds	203,126	773,566	723,558	1,700,250
Canadian public authorities bonds	404,582	1,289,961	518,006	2,212,549
Canadian corporate bonds	401,289	1,655,633	74,041	2,130,963
	12,370,482	3,719,160	1,315,605	17,405,247

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2022

4. Investments (continued)

(c) Net investment income has the following components:

	2022 \$	2021 \$
Interest income		
Bonds	151,683	147,764
Cash, cash equivalents and short term investments	140,087	13,805
	291,770	161,569
Amortization of discount (premium) on investments	101,794	(9,724)
Total net investment income	393,564	151,845

(d) Fair value measurements

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

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

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

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

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

	Level 1 \$	Level 2 \$	Level 3 \$	2022 Total \$
Cash at bank	2,872,993	—	—	2,872,993
Investments - available-for-sale				
Short term investments	—	11,590,166	—	11,590,166
Bonds	—	5,677,588	—	5,677,588
	2,872,993	17,267,754	—	20,140,747
	Level 1 \$	Level 2 \$	Level 3 \$	2021 Total \$
Cash at bank	3,533,877	—	—	3,533,877
Investments - available-for-sale				
Short term investments	—	11,361,485	—	11,361,485
Bonds	—	6,043,762	—	6,043,762
	3,533,877	17,405,247	—	20,939,124

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

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2022

5. Unpaid claims and adjustment expenses

(a) Nature of unpaid claims and adjustment expenses

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

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

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

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

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2022

5. Unpaid claims and adjustment expenses (continued)

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

	Gross \$	Ceded \$	Net \$
Provision for unpaid claims and adjustment expenses, December 31, 2020	74,830,984	66,246,422	8,584,562
Incurring claims and claim adjustment expenses			
Provision for current year claims	8,374,295	7,488,566	885,729
Increase (decrease) in provision for claims of prior years	(5,906,047)	(5,028,438)	(877,609)
Increase (decrease) in provision due to discount rate change	(2,871,546)	(2,552,832)	(318,714)
Total incurred	(403,298)	(92,704)	(310,594)
Payments and recoveries attributable to			
Current year claims	—	—	—
Prior years claims	(1,560,232)	(1,445,550)	(114,682)
	(1,560,232)	(1,445,550)	(114,682)
Provision for unpaid claims and adjustment expenses, December 31, 2021	72,867,454	64,708,168	8,159,286
Incurring claims and claim adjustment expenses			
Provision for current year claims	8,740,455	7,676,836	1,063,619
Increase (decrease) in provision for claims of prior years	11,055,695	11,199,076	(143,381)
Increase (decrease) in provision due to discount rate change	(6,989,866)	(6,165,700)	(824,166)
Total incurred	12,806,284	12,710,212	96,072
Payments and recoveries attributable to			
Current year claims	—	—	—
Prior years claims	(3,612,334)	(4,003,355)	391,021
	(3,612,334)	(4,003,355)	391,021
Provision for unpaid claims and adjustment expenses, December 31, 2022	82,061,404	73,415,025	8,646,379

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2022

5. Unpaid claims and adjustment expenses (continued)

(c) Provision for unpaid claims and adjustment expenses

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

	Undiscounted \$	Discounted at 3.95% \$	Provisions for adverse deviation \$	2022 Value per accepted actuarial practice \$
Provision for unpaid claims and adjustment expenses				
Gross	84,866,864	71,963,134	10,098,271	82,061,405
Recoverable from reinsurers	79,421,893	67,329,615	6,085,411	73,415,026
Net	5,444,971	4,633,519	4,012,860	8,646,379

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

(d) Key assumptions

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

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

The estimated undiscounted outstanding liabilities are discounted to reflect the time value of money using a selected discount rate of 3.95% (1.30% in 2021) which is based on the expected market yield of the Society's investment portfolio of bonds and short term assets.

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

Canadian Lawyers Liability Assurance Society**Notes to the financial statements**

December 31, 2022

5. Unpaid claims and adjustment expenses (continued)*(d) Key assumptions*

Changes in the assumptions used in the December 31, 2022 actuarial valuation resulted in a total increase in net liabilities of \$267,713 (decrease of \$95,916 in 2021), which is due to the change in loss development factors used in the Bornhuetter-Ferguson method and unallocated loss adjustment expense load increase from 3.40% to 3.95% (decreased from 3.55% to 3.40% in 2021). The change in the discount rate and provisions for adverse deviation assumptions led to a decrease in the net liabilities of \$824,166 (decrease of \$318,985 in 2021).

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

6. Premiums receivable

All subscribers are large reputable Canadian law firms, and no significant credit risk is expected. All amounts are due by April 1, 2023.

7. Expenses by nature

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

	2022 \$	2021 \$
Management services	1,049,493	797,379
Legal and professional	696,704	590,161
Other expenses	223,031	191,235
Total	1,969,228	1,578,775

8. Reinsurance program

- (a) The Society has obtained proportional reinsurance coverage which limits its net liability to a maximum amount of \$975,000 effective for the annual coverage period beginning on July 1, 2022 (\$975,000 in July 1, 2021) on any one loss.
- (b) On July 1, 2022 CLLAS introduced a Cyber Insurance policy of up to \$10 million aggregate per insured firm. CLLAS retains the first \$1 million and purchases reinsurance for \$9 million excess \$1 million.
- (c) Colchester Reinsurance Limited (Colchester) is an off-shore captive reinsurer domiciled in Barbados. The shareholders of Colchester are twelve Toronto based legal firms or their related service corporations. Those twelve shareholders are unrelated to each other. However, each of Colchester's shareholders is, or is related to the Society's current and past subscribers. For the annual coverage period beginning on July 1, 2022, Colchester received from the Society premiums of \$3,603,874 (\$3,231,090 in July 1, 2021).

Colchester provides aggregate stop-loss reinsurance protection for a portion of the Society's retained risk. On July 1, 2022 this reinsurance had an attachment point of \$5,000,000 (\$5,000,000 on July 1, 2021), and an annual aggregate limit of \$10,000,000 (\$10,000,000 on July 1, 2021). Starting July 1, 2011, the attachment point and limit were determined with reference to the combined net claim liabilities of the Society and Colchester. Starting on July 1, 2012 the attachment point and limit are solely determined with reference to the net claim liabilities of the Society.

Canadian Lawyers Liability Assurance Society

Notes to the financial statements

December 31, 2022

8. Reinsurance program (continued)

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

As at December 31, 2022, the total reserves held and recoverable on the Society's financial statements relating to LPT was \$4,604,951 (\$4,066,955 in 2021). A Reinsurance Security Agreement (RSA) is in place which requires Colchester to set up on behalf of the Society deposits equal to 120% of Colchester's share of claim liabilities. At December 31, 2022 the value of the security deposits exceeds the required amount.

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

9. Income taxes

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

10. Equity

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

Under the terms of the Society's Reciprocal Insurance Exchange Agreement, the Society is obligated to return a share of the Society's surplus (if any) to a departed Subscriber subsequent to the fifth anniversary of its departure, based on that Subscriber's participation in the Society. A Subscriber withdrew from the Society on June 30, 2012 and another on June 30, 2017. As a result, an initial refund of premium of \$1,500,000 at December 31, 2017 and \$2,195,000 during the year were paid.

11. Risk management

Insurance risk management

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

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

Canadian Lawyers Liability Assurance Society**Notes to the financial statements**December 31, 2022

11. Risk management (continued)*Insurance risk management (continued)*

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

Claim development

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

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2022

11. Risk management (continued)

Claim development (continued)

Analysis of claims development – net and gross

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Estimate of ultimate (by underwriting year)											
End of year	411 000	440 000	424 000	444 000	387 000	419 000	1 244 000	451 976	478 224	429 572	
One year later	380 000	413 000	392 000	1 062 000	360 000	390 000	945 824	423 257	462 466		
Two years later	269 000	308 000	281 000	950 000	263 000	283 415	827 527	319 700			
Three years later	197 000	284 000	218 000	891 000	208 864	225 484	677 692				
Four years later	131 000	222 000	162 000	818 782	146 535	192 776					
Five years later	59 000	164 000	67 235	719 890	91 834						
Six years later	22 000	1 112 261	18 753	684 279							
Seven years later	16 681	1 110 357	22 613								
Eight years later	14 427	1 216 277									
Nine years later	17 646										
Current estimate of ultimate	17 646	1 216 277	22 613	684 279	91 834	192 776	677 692	319 700	462 466	429 572	4 114 855
Cumulative payments	—	(91 742)	—	(650 000)	—	—	(414 886)	—	—	—	(1 156 628)
Net liability	17 646	1 124 535	22 613	34 279	91 834	192 776	262 806	319 700	462 466	429 572	2 958 227
Provision for unpaid claims and adjusting expenses recoverable from insurers											
Ten year net liability											2 958 227
Liability in respect of prior years											14 894
Effect of discounting and PFAD											3 201 408
Unallocated loss adjustment expense											2 471 850
Provision for unpaid claims and adjusting expenses recoverable											73 415 025
Gross liability in statement of financial position											82 061 404

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2022

11. Risk management (continued)

Sensitivities

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

The table below shows the effect on net income and equity of a +/- 5% change in the expected losses and the effect of +/- 0.5% change in the discount rate applied to claims provisions for the year ended December 31, 2022:

	Net income for the year \$	2022 Equity \$	Net income for the year \$	2021 Equity \$
5% increase in expected losses	183,778	183,778	160,440	160,440
5% decrease in expected losses	(188,923)	(188,923)	(201,919)	(201,919)
0.5% increase in discount rate	(166,110)	(166,110)	(177,670)	(177,670)
0.5% decrease in discount rate	172,410	172,410	184,961	184,961

Financial risk management

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

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

(a) Credit risk

Credit risk is the risk of loss due to the failure of debtors to make payments when due. Credit risks are primarily associated with invested assets and amounts due from policyholders and reinsurance counterparties. The investment portfolio's exposure to credit risk is managed through policies and procedures including a credit evaluation by the investment manager and investment guidelines which specify investment quality and exposure limits. The portfolio is monitored and reviewed regularly by the Board. Premiums due from policyholders present minimal risk due to the short term nature of the receivable and the historic/financial relationship with the Society as a Reciprocal Insurance Exchange. The Society evaluates the financial condition of its reinsurers and monitors concentrations of credit risk of the reinsurers to minimize its exposure to significant losses from their insolvency. The Society believes that it has taken appropriate steps to manage credit risk and has made appropriate provision for any such exposures. One of the primary reinsurers is Colchester Reinsurance Limited as discussed in Note 8. The credit risk related to Colchester is managed by maintaining a security account pursuant to the RSA and a quarterly review of Colchester's financial condition. The balance held in the account at December 31, 2022 is \$ 36,915,226 (\$40,286,013 in 2021).

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2022

11. Risk management (continued)

Financial risk management (continued)

(a) Credit risk (continued)

(i) Exposure to credit risk

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

	2022	2021
	\$	\$
Cash	2 872 993	3 533 877
Short term investments	11 590 166	11 361 485
Bonds	5 677 588	6 043 762
Interest income due and accrued	25 156	23 630
Premiums receivable	5 648 700	3 673 597
Reinsurance recoverable	1 491 496	577 410
Provision of unpaid claims and adjustment expenses recoverable from reinsurers	73 415 025	64 708 168
Total credit exposure	100 721 124	89 921 929

(ii) Concentration of credit risk

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

	2022	2021
	%	%
R-1 (high)	67	65
AAA	8	10
AA	22	25
A	1	—
BBB	2	—
	100	100

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2022

11. Risk management (continued)

Financial risk management (continued)

(b) Liquidity risk

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

	Due within 1 year \$	1 to 5 year \$	Over 5 years \$	2022 Total \$
Provision for unpaid claims and adjustment expenses (net)	1,403,647	4,114,616	3,128,116	8,646,379
Due to reinsurers	4,456,240			4,456,240
Accounts payable and accrued charges	2,030,279			2,030,279
	7,890,166	4,114,616	3,128,116	15,132,898

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

(c) Market risk

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

(i) Interest rate risk

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

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
 December 31, 2022

11. Risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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

The estimated impact of a 1% increase in interest rates would decrease the market value of the fixed income portion of the investment portfolio by \$432,658 (\$253,439 in 2021) which would be recorded in OCI. This impact would be offset on an economic basis by a decrease in the estimated unpaid claims and adjustment expense of \$326,227 (\$348,427 in 2021) recorded through net income. Conversely, a 1% decrease in interest rates would increase the market value of the fixed income portion of the investment portfolio by \$82,640 (\$226,391 in 2021) which would be recorded in OCI. This impact would be more than offset on an economic basis by an increase in the estimated unpaid claims and adjustment expense of \$351,447 (\$377,613 in 2021) recorded through net income.

(ii) Equity risk

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

(iii) Currency risk

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

12. Surplus management and adequacy

Equity is comprised of minimum and additional surplus and AOCI. At December 31, 2022, the equity was \$10,654,889 (\$12,832,805 in 2021). The Society's objectives for the management of surplus are for the prudent operation of the reciprocal and to provide relatively predictable premium costs for its members over time. A surplus management policy is approved by the Advisory Board which oversees the surplus management process.

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

Canadian Lawyers Liability Assurance Society
Notes to the financial statements
December 31, 2022

12. Surplus management and adequacy (continued)

The Society is regulated by the Superintendent of Insurance, Alberta and in British Columbia, Ontario and Nova Scotia where licenses are held, all of which expect incorporated insurance companies to meet a Minimum Capital Test ("MCT") ratio of capital available to capital required of at least 150%. As of December 31, 2022, the Society's MCT was 381% (555% in 2021). However, the minimum regulatory standard for reciprocals in Alberta is adjusted equity exceeding \$50,000. The Society's practice is to maintain a surplus level which is significantly higher than the regulatory minimum. The Society's surplus adequacy is evaluated regularly and this evaluation takes into account the gross exposure to risk, the level and nature of reinsurance purchased and the resulting net exposure to members. Input from the appointed actuary, which includes an assessment of loss volatility, is factored into this evaluation.

In accordance with sections 99 and 100 of the Alberta Insurance Act, the Society is required to maintain a reserve and guarantee fund. At December 31, 2022 the total reserve and guarantee funds required are as follows:

	2022 \$	2021 \$
Reserve fund		
Net premiums written during the period	16,895,000	12,594,000
Less: Amounts paid to licensed reinsurers	13,394,000	10,493,000
	3,501,000	2,101,000
Requirement	50%	50%
	1,750,500	1,050,500
Guarantee fund		
Total liabilities	97,683,000	82,517,000
Less: Unearned premiums	9,135,000	6,245,000
Recoverable from licensed reinsurers	73,160,000	64,671,000
Add: Statutory margin	50,000	50,000
	15,438,000	11,651,000
Total of reserve and guarantee fund		
Cash and approved securities	17,188,500	12,701,500
Excess of cash and securities over reserve and guarantee fund	20,141,000	20,939,000
	2,952,500	8,237,500

Canadian Lawyers Liability Assurance Society**Notes to the financial statements**December 31, 2022

13. Fair value disclosure

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

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

14. Date of authorization for issue

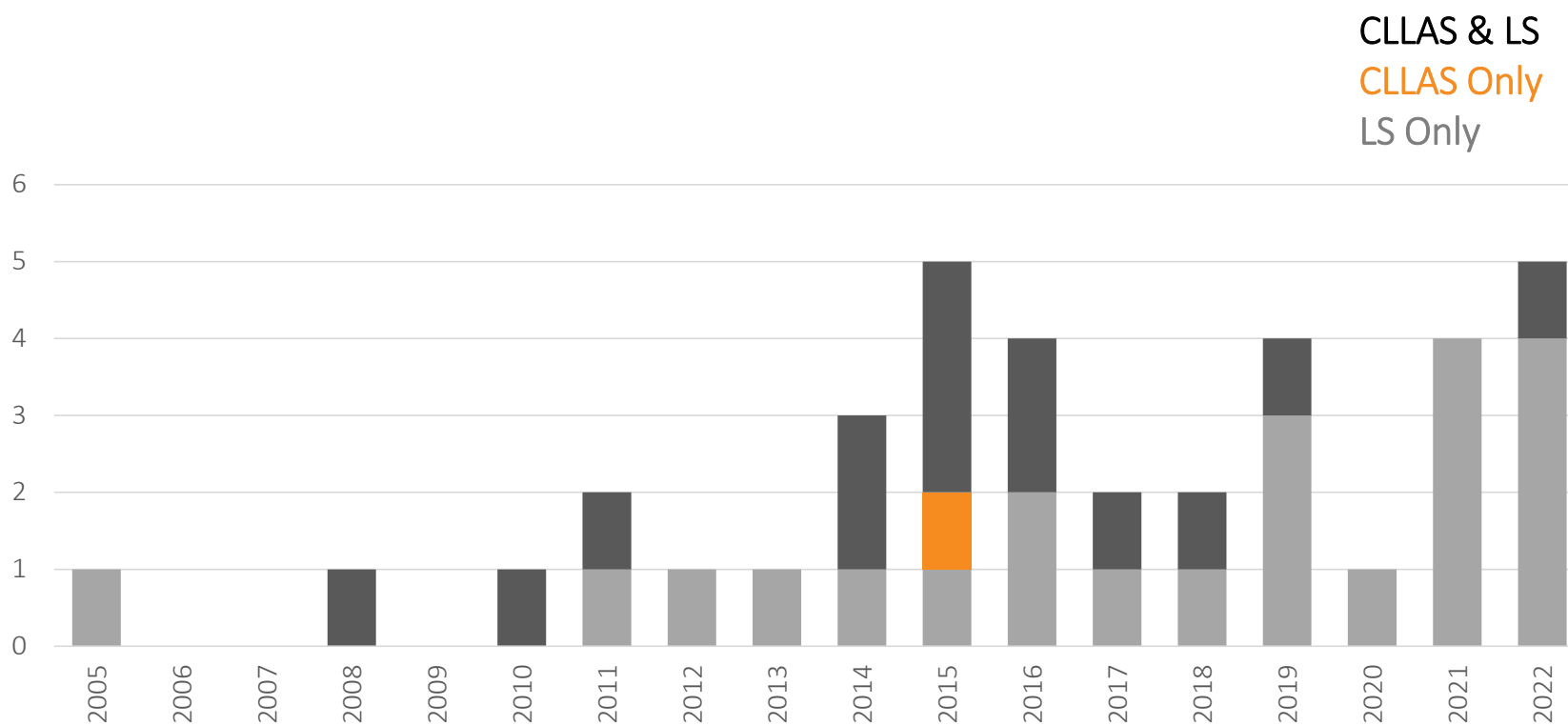
The financial statements were authorized for issue by the Advisory Board on February 21, 2023.



Canadian Lawyers Liability Assurance Society

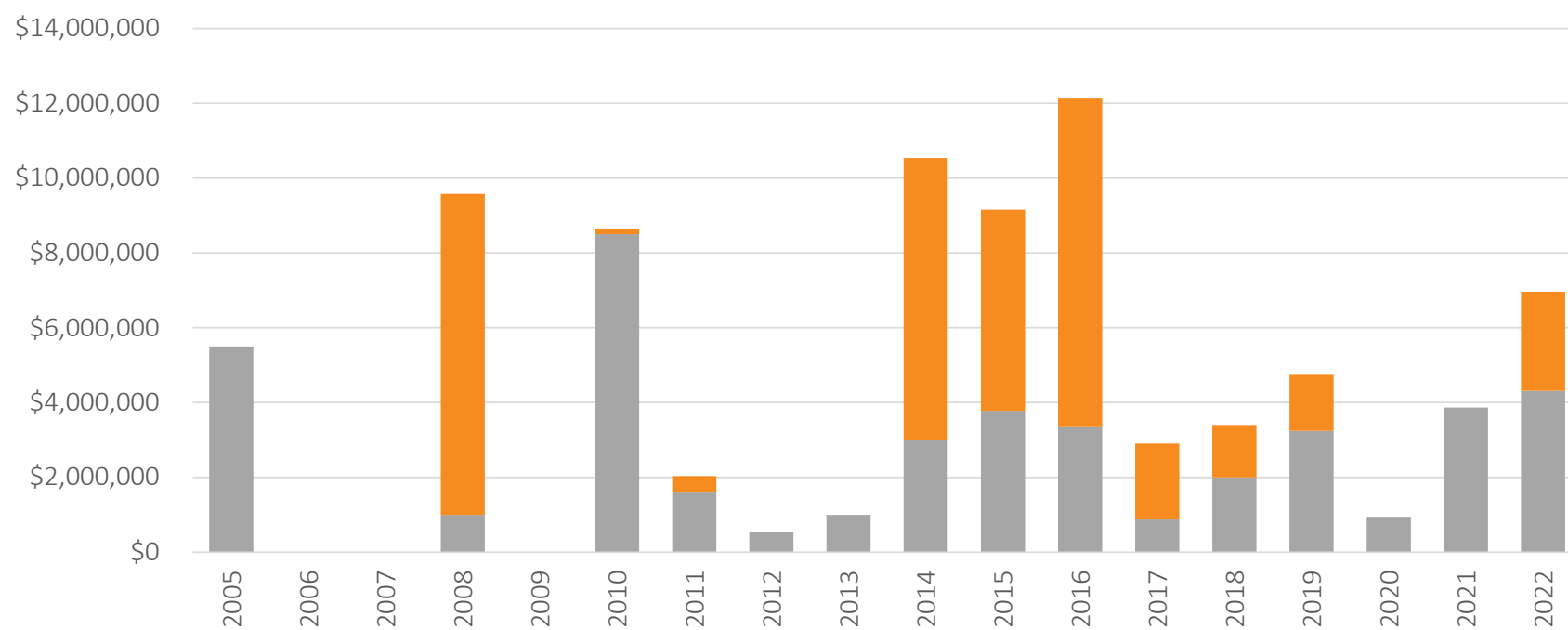
Open Large Loss Claims Summary as at December 31, 2022

Number of Claims by Insurer

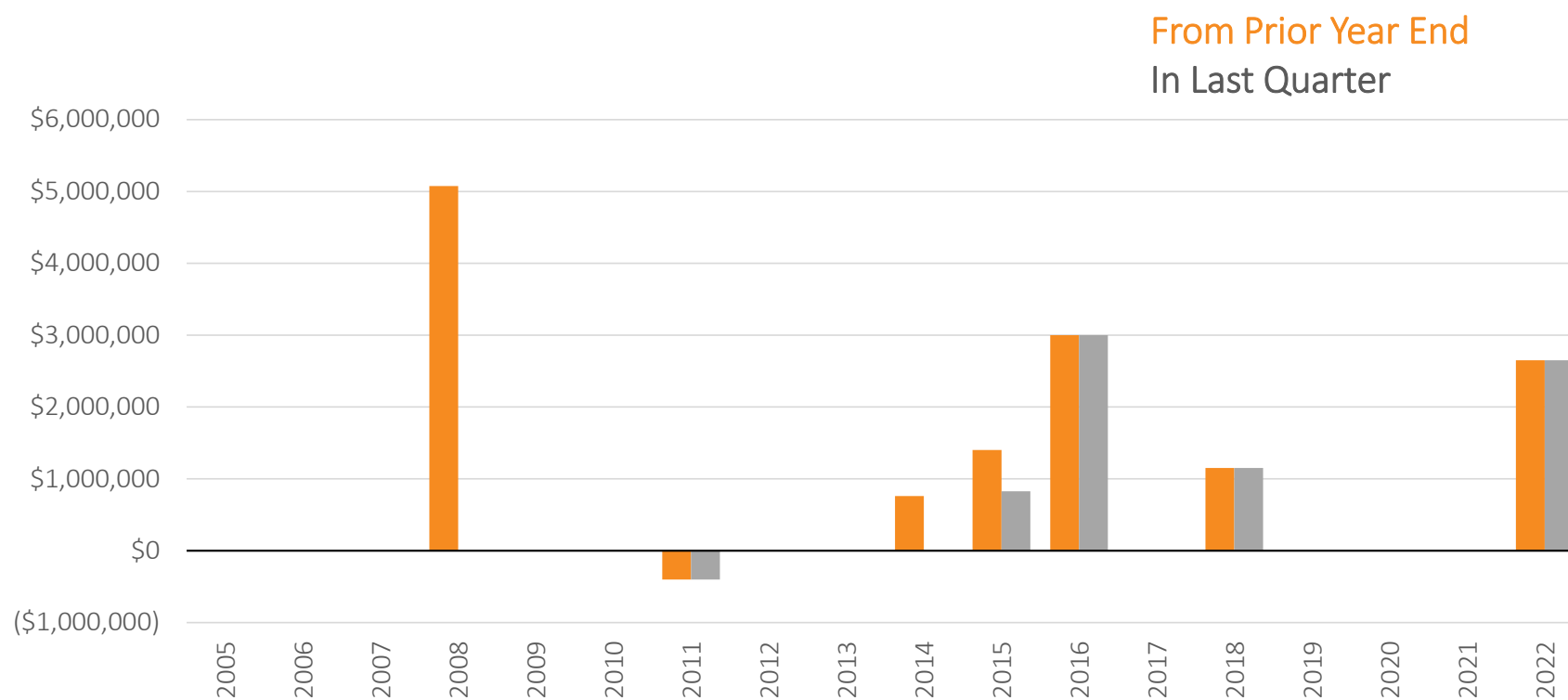


Incurred Amounts by Insurer

LS - CLLAS

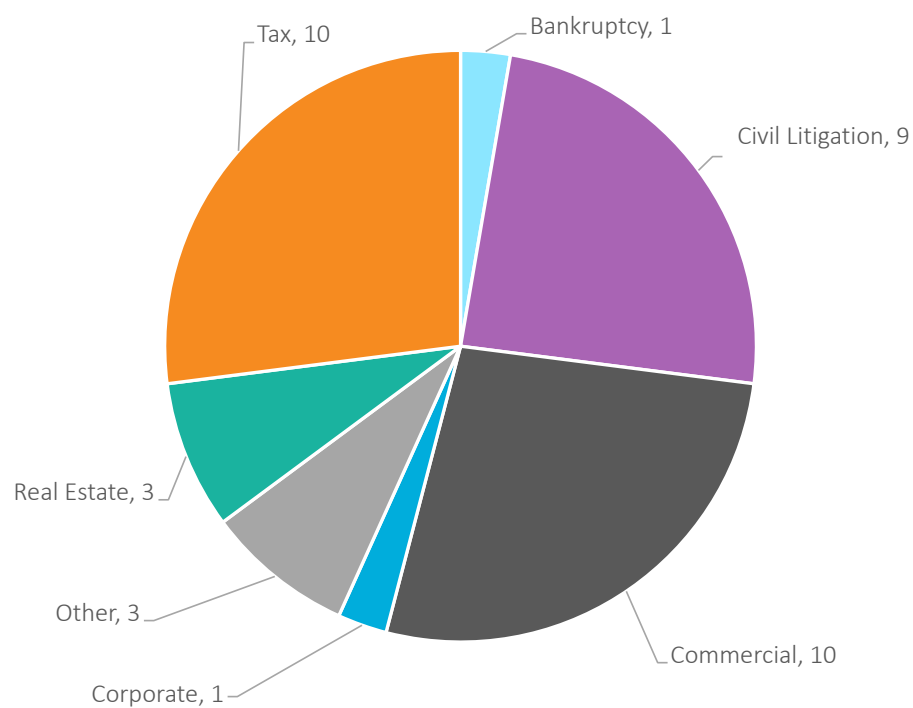


Change in Incurred Amounts (CLLAS)

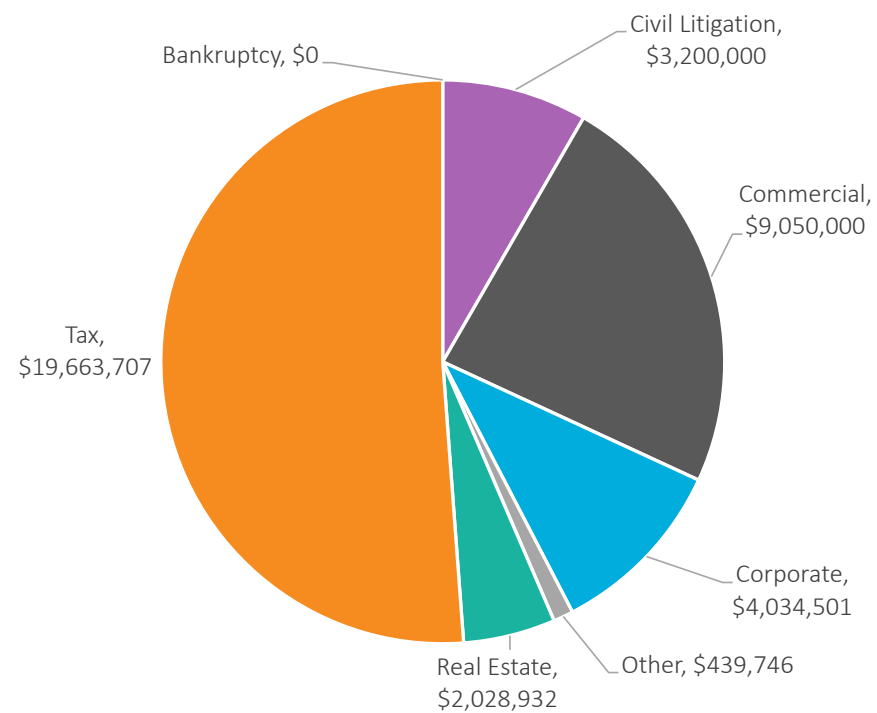


By Area of Law

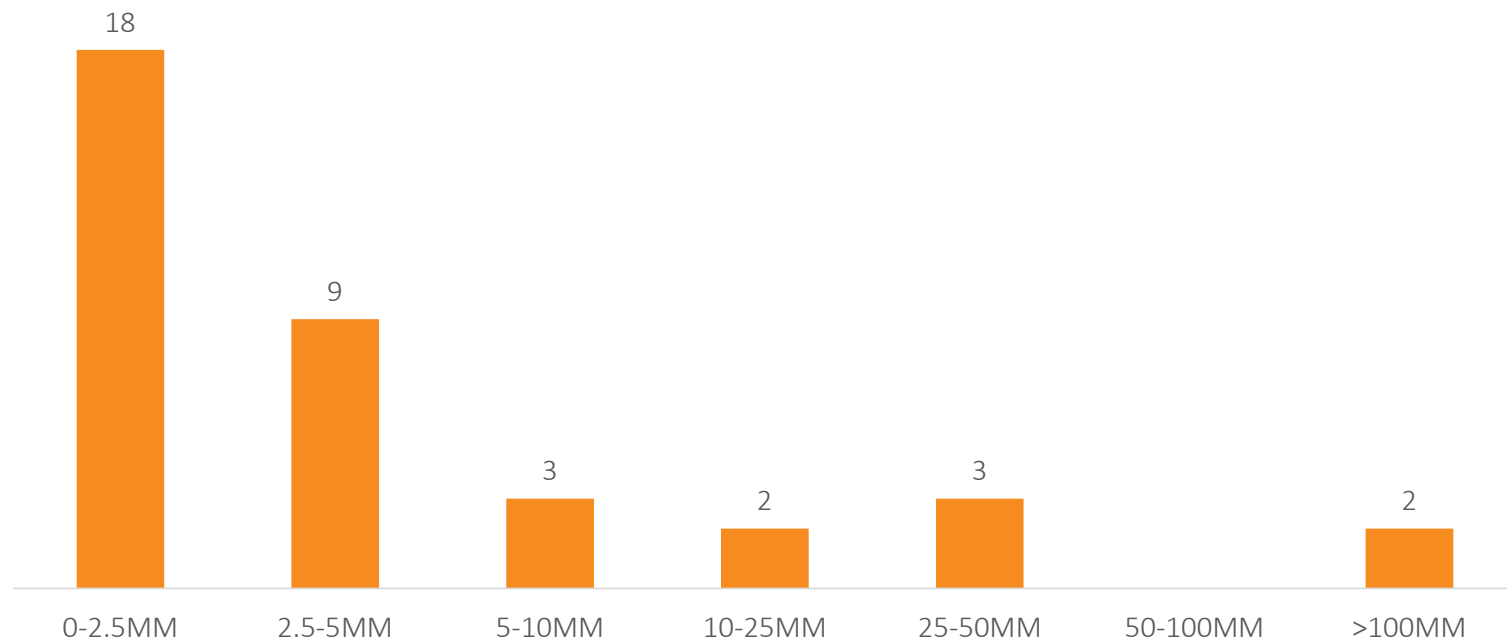
Number of Claims (CLLAS & LS)



CLLAS Incurred



Number of Claims by Best Estimate of Worst Case



Claim Count Movement in Quarter

Policy Year	Law Society Only	CLLAS Only	CLLAS & Law Society
2005 and prior	0	0	0
2006	0	0	0
2007	0	0	0
2008	0	0	0
2009	0	0	0
2010	0	0	-1
2011	0	0	0
2012	0	0	0
2013	0	0	0
2014	0	0	0
2015	-1	0	0
2016	0	0	0
2017	0	0	0
2018	0	0	0
2019	0	0	0
2020	0	0	0
2021	0	0	0
2022	4	0	1

Notes

Slide 1

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

Slide 2

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

Slide 3

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

Notes (Cont'd)

Slide 4

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

Slide 5

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

Slide 6

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

discussion



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January 23rd, 2023

Mr. Patrick Mahoney,
Axxima,
Berkeley Castle
Toronto, ON M5A 1J2

Re: Canadian Lawyers Liability Assurance Society

Dear Patrick:

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

It was another mixed quarter for the bond markets with considerable volatility. While bond prices had gained ground midway through the quarter, these gains were subsequently lost by the end of the year. At the end of December, the short-term price index was practically unchanged and was up 0.7% on a total return basis. Meanwhile, the mid-term price index lost 0.3% and posted a positive total return of 0.3%. Reflecting these mixed trends, the Long Term Fund recorded a slight capital loss, which was more than recouped by income for a positive total return of 0.6%.

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
DECEMBER 31, 2022

MARTIN, LUCAS & SEAGRAM LTD.
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CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**COMMENTARY FOR THE QUARTER ENDING DECEMBER 31, 2022****Review of Market Yields**

The entire yield curve shifted higher during the fourth quarter. The largest increase occurred at the short-end of the curve, where the yield on the 3-month treasury bill rose 65 basis points. While yields further out the curve also moved noticeably higher early in the quarter, most of the increase was subsequently erased. At the end of December, yields on the 5- and 10-year issue were up just 9 and 14 basis points respectively.

As a result of these shifts, the inversion of the yield curve deepened as the yield advantage of 3-month T-bills over the 10-year Canada expanded to 93 basis points, compared to a gap of 42 basis points at the end of September.

	Jan. 01/95	Jun. 30/22	Sep. 29/22*	Dec 30/22
3-month Treasury Bill	6.80%	2.08%	3.58%	4.23%
5-year Canada	8.99%	3.10%	3.32%	3.41%
10-year Canada	9.09%	3.23%	3.16%	3.30%

*Sept 30 2022 – Bank Holiday

During the fourth quarter, activity in the Short Term Investment Fund involved the roll-over of money market securities. In the Long Term Fund, a Canada Housing Trust bond matured and the proceeds were used to purchase a new medium-term provincial bond and to increase an existing medium-term Canada Housing Trust bond position.

At December 31, 2022, the average term to maturity of the Long Term Investment Fund was 3.7 years and the duration was 3.4 years.

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

<i>Distribution at December 31, 2022</i>	<i>Valuation</i>	<i>%</i>
Short Term Investment Fund	\$11,590,166	67.1%
Long Term Investment Fund	\$ 5,677,464	32.9%
TOTAL COMBINED VALUATION	\$17,118,335	100.0%

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

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

- Total Returns vs. Benchmarks - Gross and Net of Fees
- Distribution of Securities in the Long Term Investment Fund by Credit Risk and by Maturity
- Compliance Statement
- Quarterly Performance Report - Gross of Fees: Long Term Investment Fund
- Bond Market Commentary and Future Policy
- Security Holdings in the Short Term and Long Term Investment Funds Listed and Valued Separately as at December 31, 2022
- Security Purchases and Sales
- Cash Reconciliations
- External Individual Credit Rating Report

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

	3 Years*	2 Years*	1 Year	Last 3 months
<i>Long Term Investment Fund – Gross of Fees</i>	<i>0.08%</i>	<i>-3.01%</i>	<i>-4.78%</i>	<i>0.63%</i>
<i>Long Term Investment Fund – Net of Fees</i>	<i>-0.20%</i>	<i>-3.28%</i>	<i>-5.05%</i>	<i>0.56%</i>
Benchmark Portfolio **	-0.69%	-4.25%	-6.56%	0.55%

*Annualized

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

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

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

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

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

	Since Inception Oct. 01/08 *	3 Years*	2 Years *	1 Year	Last 3 Months
<i>Short Term Investment Fund – Gross of Fees</i>	<i>0.87%</i>	<i>0.81%</i>	<i>0.91%</i>	<i>1.73%</i>	<i>0.90%</i>
<i>Short Term Investment Fund – Net of Fees</i>	<i>0.74%</i>	<i>0.70%</i>	<i>0.80%</i>	<i>1.62%</i>	<i>0.87%</i>
Benchmark Portfolio **	0.82%	0.80%	0.89%	1.69%	0.90%

* 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	Mar. 31/22	Jun. 30/22	Sep. 30/22	Dec. 31/22
Bonds, Treasury Bills & Cash Less than 1 year term	100.0%	13.0%	14.8%	20.0%	20.0%
Canadas Greater than 1 year term		24.5%	24.1%	24.1%	22.2%
Provincials Greater than 1 year term		29.9%	26.7%	26.8%	28.5%
Corporates Greater than 1 year term		32.6%	34.4%	29.1%	29.3%
TOTAL PORTFOLIO	100.0%	100.0%	100.0%	100.0%	100.0%

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

	Mar. 31/22	Jun. 30/22	Sep. 30/22	Dec. 31/22
Under 1 year	13.0%	14.8%	23.5%	20.0%
1 - 3 years	26.0%	28.4%	19.7%	24.7%
3 - 5 years	33.2%	31.5%	31.3%	26.4%
5 - 7 years	16.0%	8.1%	13.3%	14.9%
7 - 10 years	11.8%	17.2%	12.3%	13.9%
TOTAL	100.0%	100.0%	100.0%	100.0%
Average Maturity (yrs)	3.62	3.90	3.66	3.68
Average Duration (yrs)	3.36	3.61	3.38	3.39

SHORT TERM INVESTMENT FUND

	Mar. 31/22	Jun. 30/22	Sep. 30/22	Dec. 31/22
Short Term Average Duration (yrs)	0.13	0.14	0.09	0.12

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

AT DECEMBER 31, 2022

	Investment Limits	Investment Funds	Compliance
<i>Short Term Investment Fund</i>			
Maximum Term of Any Issue	1 year	0.4 years	Yes
Minimum Percentage of Total Fund (Short & Long)	20% of Total	67.1%	Yes
Minimum Canada & Provincial Percentage	50%	55.8%	Yes
Minimum Provincial Quality	A	N/A	Yes
Minimum Bank CD & BA Quality	R1 (high)	R1 (high)	Yes
<i>Long Term Investment Fund</i>			
Maximum Term of Any Issue	10 years	9.5 years	Yes
Maximum Percentage of Total Fund (Short & Long)	80% of Total	32.9%	Yes
Minimum Canada Percentage	20%	25.7%	Yes
Maximum Provincial Percentage	40%	37.2%	Yes
Minimum Canada & Provincial Percentage	60%	62.9%	Yes
Minimum Provincial Quality *	A	AA (low)	Yes
Maximum Corporate Percentage	40%	32.3%	Yes
Minimum Corporate Quality *	BBB	BBB	Yes
Maximum BBB Corporate Percentage	10%	4.8%	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 December 7, 2021.

Martin, Lucas & Seagram Ltd.
 PERFORMANCE REPORT
 GROSS OF FEES
CLLAS – LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 09-30-22 to 12-31-22

Portfolio Value on 09/30/22	5,688,492
Accrued Interest	38,393
Contributions	193,186
Withdrawals	-253,599
Realized Gains	490
Unrealized Gains	-2,588
Interest	51,483
Dividends	0
Change in Accrued Interest	-13,238
Portfolio Value on 12/31/22	5,677,464
Accrued Interest	25,156
Average Capital	5,712,428
Total Gains before Fees	36,148
IRR for 0.25 Years	0.63%

BOND MARKET COMMENTARY AND FUTURE POLICY

Starting with a review of 2022, last year proved to be extremely difficult for investors on practically all fronts. Equity markets entered bear market territory in June and, amid considerable volatility, failed to gain any upward traction over the balance of the year. A variety of factors, including pandemic-related shocks, supply chain bottlenecks and the war in Ukraine along with unprecedented monetary and fiscal stimulus during the pandemic, contributed to a surge in inflation. In response to prices rising at their fastest pace in 40 years, the U.S. Federal Reserve and other central banks, including the Bank of Canada, aggressively tightened monetary policy. The end result was a series of significant interest rate hikes that deflated stock valuations and pushed the entire yield curve significantly higher. Unlike most previous cycles, bonds did not provide a refuge from the bear market in stocks and bond prices often moved in tandem with the up and down swings in the equity indices. Like the stock market, domestic bond prices set their year-to-date lows in October and have since regained some of the lost ground. Since peaking at 3.7% in October, the yield on the 10-year domestic benchmark bond pulled back to 3.3% at the end of the year. Nevertheless, bonds across all maturities closed the year noticeably lower. The most significant losses occurred at the long end of the curve and the Canada long-term bond index lost 21.2% on a total return basis. Meanwhile, the total return losses in 2022 on the mid-and short-term indices were 10.3% and 4% respectively.

On the economic front, despite ongoing inflationary pressures and significantly higher interest rates, the U.S. economy returned to growth in the third quarter with an annualized gain of 3.2%. Preliminary data shows growth remained buoyant in the fourth quarter, although pockets of weakness have developed. Residential real estate sales have declined for ten consecutive months and prices have eased from their summer peaks in the wake of the rapid increase in mortgage rates. The Institute for Supply Management's (ISM) manufacturing report also weakened again in December to its lowest level since May 2020 and a separate ISM report showed the service sector contracted last month. Nevertheless, the jobs market has remained resilient and has continued to exceed expectations. The latest report for December showed employers added 223,000 workers and the unemployment rate fell to a historically low 3.5%.

Despite the tight U.S. labour market, the latest news on inflation has been encouraging. December wage growth came in below expectations at 4.6%, suggesting that the risks of a wage/price spiral, one of the Federal Reserve's (Fed) biggest concerns, have moderated. Furthermore, consumer prices in December fell slightly and the annual inflation rate, as measured by the consumer price index, slowed for the fifth consecutive month to 6.5%. This was the lowest annual increase since last January and a welcome improvement over the 40-year high of 9.1% recorded back in June. Excluding food and energy prices, the core CPI also decelerated in December and was up 5.7% from a year ago. However, these figures are still far above the Fed's 2% target and, based on their latest projections, further rate hikes will be necessary.

Canada's economy also posted a strong performance in the third quarter, growing at an annualized pace of 2.9% which was almost double consensus expectations. While subsequent economic reports suggest the expansion has remained intact since then, signs of a slowdown have been building. Current data suggests fourth quarter growth in GDP is tracking just over 1%, which is above the Bank of Canada's October projection for growth of only 0.5% for the quarter. As was the case south of the border, Canada's labour market has shown considerable resilience in the face of the rapid rise in interest rates. Last month, 104,000 jobs were added, which was far above expectations for a minimal increase. This gain pushed the unemployment rate down to 5%, amid

a 5.1% increase in hourly wages. Back in November, the Bank of Canada governor stated that unemployment must rise in order to slow inflation. Given this latest reading and the bank's recent shift to a "data-dependent" approach to monetary policy, most forecasters now expect the bank to hike rates again later this month and the domestic economy to deteriorate further due to the cumulative impact of higher interest rates and a slowing global economy.

Economic conditions offshore have been more challenging. After expanding at an annual rate of just 0.2% in the third quarter, economic activity in Europe likely contracted in the final quarter of last year as sharply higher energy costs continued to fuel inflation and erode real incomes across the zone. The composite purchasing managers' index, which is viewed as a reliable gauge of economic health, dropped to a 23-month low in November and is also signaling a contraction. However, thus far the region has avoided the severe energy shock that was feared following Russia's invasion of Ukraine by reducing consumption and finding alternative supplies. Recent economic data out of China has also been weak and preliminary figures show GDP grew just 3% last year, due in part to its draconian "zero-COVID" policies and real estate troubles. While China's recent reopening after three years of strict pandemic-driven lockdowns is expected to be bumpy, particularly if major outbreaks overburden the health sector and sap confidence, most forecasters view this policy shift as a net positive for the world's second-biggest economy.

Since the beginning of the year, bond prices have shown steady improvement as benchmark yields in the 2- to 10-year maturity range have declined close to 50 basis points thus far in January. Domestic bond prices have responded positively to growing signs of an economic slowdown, encouraging news on inflation and expectations that the Bank of Canada is close to the end of its rate hiking cycle, with one final 25 basis point increase expected at the end of this month. Given the recent drop in yields, we think bond prices will remain range bound over the near term as investors wait for more clarity on the economic, inflation and monetary policy fronts. Looking further ahead, we expect economic momentum to fade as the year progresses and believe this will be supportive of a modest downward shift in the yield curve from current levels. However, money market rates, which are driven by central bank policies, are expected to remain elevated for some time yet. Central banks have indicated that rates will be held at restrictive levels for a sustained period to reduce inflation towards their 2% target and insure against a resurgence in prices.

Turning to the portfolios, the Long Term Fund's below benchmark duration and laddered maturity structure helped to cushion the negative impact of the upward shift in the yield curve last year. During the fourth quarter, the Fund's duration was maintained at 3.4 years by reinvesting the proceeds of a maturity in two midterm issues maturing in 2029 and 2032. At this juncture, we believe the Fund's defensive tilt relative to the benchmark remains appropriate as we don't expect the yield curve to move materially lower in the short term. Given the degree of uncertainty surrounding the outlook for inflation and the economy, we believe investors' current expectations could be undermined, which could increase volatility and push bond yields temporally higher. In the period ahead, we will be looking for favourable opportunities to modestly extend the Long Term Fund's duration. We believe this shift will enhance total returns in the medium term on the expectation that the yield curve will shift lower and eventually return to its traditional upward slope.

RWB/de

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

Martin, Lucas & Seagram Ltd.

CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at December 31, 2022

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
CASH					
	Cash Account			4,440	0
MONEY MARKET ISSUES					
1,275,000	Toronto Dominion Bank BA 4.25% due January 5, 2023	99.68	99.93	1,274,057	54,011
1,180,000	Canada Treasury Bill 3.63% due January 19, 2023	99.03	99.78	1,177,370	42,421
1,240,000	CIBC BA 4.15% due January 20, 2023	99.10	99.74	1,236,796	50,996
1,255,000	CIBC BA 4.23% due January 30, 2023	99.31	99.62	1,250,218	52,720
1,385,000	Canada Treasury Bill 3.85% due February 2, 2023	99.12	99.62	1,379,690	52,854
1,370,000	CIBC BA 4.21% due February 6, 2023	99.00	99.53	1,363,591	57,097
1,385,000	Canada Treasury Bill 3.95% due February 16, 2023	99.10	99.45	1,377,442	54,215
1,175,000	Canada Treasury Bill 4.00% due March 16, 2023	98.94	99.13	1,164,749	46,501
1,388,000	Canada Treasury Bill 4.15% due May 11, 2023	98.43	98.43	1,366,253	56,699
				<u>11,590,166</u>	<u>467,514</u>
TOTAL PORTFOLIO				11,594,606	467,514

Disclosures:

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

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 10-01-22 To 12-31-22

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
10-03-22	10-04-22	1,210,000	Toronto Dominion Bank BA 3.41% due November 1, 2022	99.74	1,206,843.11
10-07-22	10-11-22	1,340,000	Bank of Nova Scotia BA 3.38% due November 7, 2022	99.75	1,336,658.04
10-12-22	10-13-22	1,180,000	Canada Treasury Bill 3.63% due January 19, 2023	99.03	1,168,610.64
10-26-22	10-27-22	1,340,000	Canada Treasury Bill 3.70% due December 22, 2022	99.44	1,332,435.70
10-31-22	11-01-22	1,240,000	CIBC BA 3.80% due December 1, 2022	99.69	1,236,138.64
10-31-22	11-01-22	1,240,000	CIBC BA 4.15% due January 20, 2023	99.10	1,228,822.64
11-04-22	11-04-22	1,255,000	Bank of Nova Scotia B.A. 3.82% due December 8, 2022	99.68	1,250,946.35
11-09-22	11-10-22	1,370,000	CIBC BA 4.21% due February 6, 2023	99.00	1,356,234.24
11-09-22	11-10-22	1,385,000	Canada Treasury Bill 3.85% due February 2, 2023	99.12	1,372,836.93
11-23-22	11-24-22	1,385,000	Canada Treasury Bill 3.95% due February 16, 2023	99.10	1,372,522.54
11-30-22	12-01-22	1,255,000	CIBC BA 4.23% due January 30, 2023	99.31	1,246,334.23
12-07-22	12-08-22	1,175,000	Canada Treasury Bill 4.00% due March 16, 2023	98.94	1,162,514.45
12-07-22	12-08-22	1,275,000	Toronto Dominion Bank BA 4.25% due January 5, 2023	99.68	1,270,856.25
12-21-22	12-21-22	1,388,000	Canada Treasury Bill 4.15% due May 11, 2023	98.43	1,366,252.82
					17,908,006.58
SALES					
10-04-22	10-04-22	1,205,000	Toronto Dominion Bank BA 2.46% due October 4, 2022	100.00	1,205,000.00
10-11-22	10-11-22	1,335,000	Royal Bank BA 3.11% due October 11, 2022	100.00	1,335,000.00
10-13-22	10-13-22	1,180,000	Canada Treasury Bill 2.10% due October 13, 2022	100.00	1,180,000.00
10-27-22	10-27-22	1,325,000	Canada Treasury Bill 2.50% due October 27, 2022	100.00	1,325,000.00
11-01-22	11-01-22	1,260,000	CIBC BA 3.50% due November 1, 2022	100.00	1,260,000.00
11-01-22	11-01-22	1,210,000	Toronto Dominion Bank BA 3.41% due November 1, 2022	100.00	1,210,000.00

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 10-01-22 To 12-31-22

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
11-07-22	11-07-22	1,340,000	Bank of Nova Scotia BA 3.38% due November 7, 2022	100.00	1,340,000.00
11-07-22	11-07-22	1,245,000	CIBC BA 3.24% due November 7, 2022	100.00	1,245,000.00
11-10-22	11-10-22	1,395,000	Canada Treasury Bill 2.75% due November 10, 2022	100.00	1,395,000.00
11-24-22	11-24-22	1,365,000	Canada Treasury Bill 2.80% due November 24, 2022	100.00	1,365,000.00
12-01-22	12-01-22	1,240,000	CIBC BA 3.80% due December 1, 2022	100.00	1,240,000.00
12-08-22	12-08-22	1,255,000	Bank of Nova Scotia B.A. 3.82% due December 8, 2022	100.00	1,255,000.00
12-08-22	12-08-22	1,155,000	Canada Treasury Bill 3.30% due December 8, 2022	100.00	1,155,000.00
12-22-22	12-22-22	1,340,000	Canada Treasury Bill 3.70% due December 22, 2022	100.00	1,340,000.00
					17,850,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 09-30-22 to 12-31-22

Cash Balance at September 30th, 2022		13,652.93
ADD: Proceeds from Sales	17,850,000.00	
Capital Contribution	0.00	
Bond Interest Credited (from Long Term Investment Fund)	51,482.91	
Transfers from Long Term Fund re: net sales and purchases	8,930.00	17,910,412.91
LESS: Cost of Purchases	-17,908,006.58	
Capital Withdrawal	0.00	
Q2 2022 Investment Counsel Fees - Short Term Investment Fund	-3,232.78	
Q2 2022 Investment Counsel Fees - Long Term Investment Fund	-4,017.50	
Trust Company Charges net interest income	-4,369.01	-17,919,625.87
Cash Balance at December 31, 2022		4,439.97

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Martin, Lucas & Seagram Ltd.
INVESTMENT PERFORMANCE
 Net of Fees
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
December 31, 2022

Investment account RBCD-K.Habal-107611-001

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

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

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

Total Value Summary

Your investments have changed by 646,886 since the inception date. Note: In this report, the inception date is July 15, 2015 or the portfolio's start date if the account was opened after July 15, 2015.

Your investments have changed by 183,953 during the past year.

Amount invested since 07-15-15	-908,135
Market value of portfolio on 12-31-22	11,594,606

Change In Portfolio Value

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

	Latest 1 Year	Inception To Date
From Date	12-31-21	07-15-15
Opening Market Value	11,369,049	11,855,855
Contributions	1,157,632	11,936,228
Withdrawals	-1,116,029	-12,844,363
Realized Gains	0	0
Unrealized Gains	45,181	45,181
Interest	151,645	693,901
Dividends	0	0
Portfolio Fees	-12,873	-92,196
Closing Market Value	11,594,606	11,594,606
Total Fees	-12,873	-92,196

Martin, Lucas & Seagram Ltd.
INVESTMENT PERFORMANCE
 Net of Fees
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
December 31, 2022

Personal Rates of Return

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

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

	Annualized Latest 1 Year	Annualized Latest 3 Years	Annualized Latest 5 Years	Annualized Latest 10 Years	Annualized Inception To Date
This Portfolio	1.62%	0.69%	0.95%	-	0.79%

What is a total percentage return?

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

Calculation method

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

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

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

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

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

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

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at December 31, 2022

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
GOVERNMENT BONDS					
200,000	Canada Housing Trust 2.35% due September 15, 2023	105.62	98.46	196,916	4,700
250,000	Canada Housing Trust 2.9% due June 15, 2024	102.64	98.02	245,056	7,250
300,000	Canada Housing Trust Ser. 70 2.25% due December 15, 2025	100.98	95.42	286,269	6,750
250,000	Canada Housing Trust No.1 2.350% due March 15, 2028	103.96	93.57	233,914	5,875
300,000	Canada Housing Trust 2.1% Series 88 due September 15, 2029	99.73	90.49	271,460	6,300
275,000	Canada Housing Trust 1.1% Series 95 due March 15, 2031	94.05	81.50	224,123	3,025
				<hr/> 1,457,738	<hr/> 33,900
PROVINCIAL BONDS					
500,000	Ontario 2.85% due June 2, 2023	102.29	99.28	496,393	14,250
400,000	Ontario 2.60% due June 2, 2025	101.08	96.63	386,522	10,400
350,000	British Columbia 2.3% due June 18, 2026	104.40	94.82	331,878	8,050
350,000	Ontario 2.60% due June 2, 2027	97.56	95.04	332,655	9,100
350,000	Ontario 2.05% due June 2, 2030	94.43	87.81	307,342	7,175
200,000	British Columbia 1.55% due June 18, 2031	83.75	82.59	165,174	3,100
100,000	British Columbia 3.2% due June 18, 2032	97.65	93.60	93,603	3,200
				<hr/> 2,113,566	<hr/> 55,275
CORPORATE BONDS					
150,000	Wells Fargo 3.46% due January 24, 2023	102.36	99.93	149,891	5,190
300,000	Toronto Dominion Bank Dep. Note 1.909% due July 18, 2023	102.63	98.36	295,073	5,727
250,000	Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	102.02	97.38	243,462	8,065
250,000	CIBC Deposit Note 3.3% due May 26, 2025	100.24	96.82	242,040	8,250

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at December 31, 2022

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
200,000	Wells Fargo & Company 2.975% due May 19, 2026	102.15	93.13	186,259	5,950
300,000	Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	102.07	92.64	277,932	7,860
150,000	Bank of Montreal Dep. Note 2.70% due December 9, 2026	108.76	92.90	139,356	4,050
100,000	Bank of Nova Scotia 2.95% due March 8, 2027	92.85	92.40	92,396	2,950
150,000	Enbridge Inc. CB-27 3.2% due June 8, 2027	96.43	92.81	139,218	4,800
100,000	Bank of Montreal 3.19% due March 1, 2028	100.75	93.39	93,391	3,190
50,000	Telus Corp. CB-27 3.625% due March 1, 2028	100.55	93.83	46,914	1,813
100,000	Bell Canada SerM56 2.2% due May 29, 2028	98.26	87.38	87,381	2,200
125,000	Ontario Power Generation 2.977% 13SEP29 due September 13, 2029	99.95	90.28	112,849	3,721
				<hr/> 2,106,161	<hr/> 63,766
TOTAL PORTFOLIO				5,677,464	152,941

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.
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Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 10-01-22 To 12-31-22

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
12-14-22	12-16-22	100,000	British Columbia 3.2% due June 18, 2032	97.65	97,650.00
12-14-22	12-16-22	100,000	Canada Housing Trust 2.1% Series 88 due September 15, 2029	93.42	93,420.00
					191,070.00
SALES					
12-15-22	12-15-22	200,000	Canada Housing Trust 2.4% Series 48 due December 15, 2022	100.00	200,000.00
					200,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - LONG TERM INVESTMENT FUND
From 09-30-22 to 12-31-22

Cash Balance at September 30th, 2022		<u>0.00</u>
ADD: Proceeds from Sales	200,000.00	
Bond Interest Credited to Long Term Investment Fund	51,482.91	
Transfer Bond Interest to Short Term Investment Fund	-51,482.91	
Transfer to Short Term Investment Fund net purchases & sales	<u>-8,930.00</u>	<u>191,070.00</u>
LESS: Cost of Purchases	-191,070.00	<u>-191,070.00</u>
Cash Balance at December 31, 2022		<u><u>0.00</u></u>

EXTERNAL INDIVIDUAL CREDIT RATING REPORT - December 31 2022

CLLAS - LONG TERM INVESTMENT FUND

					Unit	Total		Market	Pct.
Quantity	CUSIP	Security		Rating	Cost	Cost	Price	Value	Assets
GOVERNMENT BONDS									
200,000	13509PDV2	Canada Housing Trust 2.35%	due September 15, 2023	AAA	105.62	211,240	98.46	196,916	3.5%
250,000	13509PEF6	Canada Housing Trust 2.9%	due June 15, 2024	AAA	102.64	256,600	98.02	245,056	4.3%
300,000	13509PFD0	Canada Housing Trust Ser. 70 2.25%	due December 15, 2025	AAA	100.98	302,940	95.42	286,269	5.0%
250,000	13509PGF4	Canada Housing Trust No.1 2.350%	due March 15, 2028	AAA	103.96	259,900	93.57	233,914	4.1%
300,000	13509PHD8	Canada Housing Trust 2.1% Series 88	due September 15, 2029	AAA	99.73	299,200	90.49	271,460	4.8%
275,000	13509PHQ9	Canada Housing Trust 1.1% Series 95	due March 15, 2031	AAA	94.05	258,638	81.50	224,123	3.9%
						1,588,518		1,457,738	25.7%
PROVINCIAL BONDS									
500,000	68323ABN3	Ontario 2.85%	due June 2, 2023	AA (low)	102.29	511,430	99.28	496,393	8.7%
400,000	68323ACX0	Ontario 2.60%	due June 2, 2025	AA (low)	101.08	404,305	96.63	386,522	6.8%
350,000	11070TAJ7	British Columbia 2.3%	due June 18, 2026	AA (high)	104.40	365,400	94.82	331,878	5.8%
350,000	68323AEE0	Ontario 2.60%	due June 2, 2027	AA (low)	97.56	341,460	95.04	332,655	5.9%
350,000	68333ZAH0	Ontario 2.05%	due June 2, 2030	AA (low)	94.43	330,515	87.81	307,342	5.4%
200,000	110709AF9	British Columbia 1.55%	due June 18, 2031	AA (high)	83.75	167,500	82.59	165,174	2.9%
100,000	110709GL0	British Columbia 3.20%	due June 18, 2032	AA (high)	97.65	97,650	93.60	93,603	1.6%
						2,218,260		2,113,566	37.2%
CORPORATE BONDS									
150,000	94975ZBN5	Wells Fargo 3.46%	due January 24, 2023	AA (low)	102.36	153,542	99.93	149,891	2.6%
300,000	891160LV3	Toronto Dominion Bank Dep. Note 1.909%	due July 18, 2023	AA (high)	102.63	307,890	98.36	295,073	5.2%
250,000	891145T79	Toronto Dominion Bank Dep. Note 3.226%	due July 24, 2024	AA (high)	102.02	255,050	97.38	243,462	4.3%
250,000	13596Z3Y9	CIBC Deposit Note 3.3%	due May 26, 2025	AA	100.24	250,600	96.82	242,040	4.3%
200,000	949746RX1	Wells Fargo & Company 2.975%	due May 19, 2026	AA (low)	102.15	204,300	93.13	186,259	3.3%
300,000	064151QE6	Bank of Nova Scotia Dep. Notes 2.62%	due December 2, 2026	AA	102.07	306,210	92.64	277,932	4.9%
150,000	06368AAA8	Bank of Montreal Dep. Note 2.70%	due December 9, 2026	AA	108.76	163,140	92.90	139,356	2.5%
100,000	06415GDE7	Bank of Nova Scotia 2.95%	due March 8, 2027	AA (low)	92.85	92,850	92.40	92,396	1.6%
150,000	29251ZBK2	Enbridge Inc. CB-27 3.2%	due June 8, 2027	BBB (high)	96.43	144,650	92.81	139,218	2.5%
100,000	06368BTX6	Bank of Montreal 3.19%	due March 1, 2028	AA	100.75	100,750	93.39	93,391	1.6%
50,000	87971MBG7	Telus Corp. CB-27 3.625%	due March 1, 2028	BBB	100.55	50,275	93.83	46,914	0.8%
100,000	07813ZCJ1	Bell Canada SerM56 2.2%	due May 29, 2028	BBB (high)	98.26	98,263	87.38	87,381	1.5%
125,000	68321ZAD3	Ontario Power Generation 2.977% 13SEP29	due September 13, 2029	A (low)	99.95	124,938	90.28	112,849	2.0%
						2,252,457		2,106,161	37.1%
TOTAL PORTFOLIO						6,059,234		5,677,464	100.0%

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 09-30-22 to 12-31-22

Security	09-30-22 Market Value	Additions Withdrawals	12-31-22 Market Value	12-31-22 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
CASH								
Cash Account	0	0	0	0				
GOVERNMENT BONDS								
Canada Housing Trust 2.4% Series 48 due December 15, 2022	199,510	-202,400	0	0	-740	490	0	0
Canada Housing Trust 2.35% due September 15, 2023	196,894	0	196,916	211,240	0	0	-14,324	22
Canada Housing Trust 2.9% due June 15, 2024	245,761	-3,625	245,056	256,600	0	0	-11,544	-705
Canada Housing Trust Ser. 70 2.25% due December 15, 2025	286,190	-3,375	286,269	302,940	0	0	-16,671	79
Canada Housing Trust No.1 2.350% due March 15, 2028	234,470	0	233,914	259,900	0	0	-25,987	-557
Canada Housing Trust 2.1% Series 88 due September 15, 2029	181,825	93,949	271,460	299,200	0	0	-27,740	-3,785
Canada Housing Trust 1.1% Series 95 due March 15, 2031	225,064	0	224,123	258,638	0	0	-34,514	-941
GOVERNMENT BONDS Total	<u>1,569,715</u>		<u>1,457,738</u>	<u>1,588,518</u>	<u>-740</u>	<u>490</u>	<u>-130,780</u>	<u>-5,887</u>
PROVINCIAL BONDS								
Ontario 2.85% due June 2, 2023	496,228	-7,125	496,393	511,430	0	0	-15,038	165
Ontario 2.60% due June 2, 2025	386,834	-5,200	386,522	404,305	0	0	-17,783	-312
British Columbia 2.3% due June 18, 2026	331,874	-4,025	331,878	365,400	0	0	-33,522	4
Ontario 2.60% due June 2, 2027	332,776	-4,550	332,655	341,460	0	0	-8,805	-121
Ontario 2.05% due June 2, 2030	307,850	-3,588	307,342	330,515	0	0	-23,173	-508
British Columbia 1.55% due June 18, 2031	165,852	-1,550	165,174	167,500	0	0	-2,326	-677
British Columbia 3.2% due June 18, 2032	0	97,637	93,603	97,650	0	0	-4,047	-4,047
PROVINCIAL BONDS Total	<u>2,021,413</u>		<u>2,113,566</u>	<u>2,218,260</u>	<u>0</u>	<u>0</u>	<u>-104,694</u>	<u>-5,497</u>
CORPORATE BONDS								
Wells Fargo 3.46% due January 24, 2023	149,661	0	149,891	153,542	0	0	-3,650	230
Toronto Dominion Bank Dep. Note 1.909% due July 18, 2023	293,858	0	295,073	307,890	0	0	-12,817	1,214
Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	243,776	0	243,462	255,050	0	0	-11,588	-314
CIBC Deposit Note 3.3% due May 26, 2025	241,802	-4,125	242,040	250,600	0	0	-8,561	238
Wells Fargo & Company 2.975% due May 19, 2026	185,177	-2,975	186,259	204,300	0	0	-18,041	1,082
Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	276,906	-3,930	277,932	306,210	0	0	-28,278	1,026

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 09-30-22 to 12-31-22

Security	09-30-22 Market Value	Additions Withdrawals	12-31-22 Market Value	12-31-22 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
Bank of Montreal Dep. Note 2.70% due December 9, 2026	138,855	-2,025	139,356	163,140	0	0	-23,784	500
Bank of Nova Scotia 2.95% due March 8, 2027	91,857	0	92,396	92,850	0	0	-455	539
Enbridge Inc. CB-27 3.2% due June 8, 2027	137,736	-2,407	139,218	144,650	0	0	-5,432	1,482
Bank of Montreal 3.19% due March 1, 2028	93,117	0	93,391	100,750	0	0	-7,359	274
Telus Corp. CB-27 3.625% due March 1, 2028	46,516	0	46,914	50,275	0	0	-3,361	398
Bell Canada SerM56 2.2% due May 29, 2028	85,891	-1,100	87,381	98,263	0	0	-10,881	1,490
Ontario Power Generation 2.977% 13SEP29 due September 13, 2029	112,213	0	112,849	124,938	0	0	-12,089	636
CORPORATE BONDS Total	2,097,364		2,106,161	2,252,457	0	0	-146,296	8,796
TOTAL PORTFOLIO	5,688,492		5,677,464	6,059,234	-740	490	-381,770	-2,588
TOTAL DATE TO DATE GAIN OR LOSS								-2,098
% CHANGE DURING PERIOD								-0.04

Martin, Lucas & Seagram Ltd.
INVESTMENT PERFORMANCE
 Net of Fees
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
December 31, 2022

Investment account RBCD-107611-001

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

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

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

Total Value Summary

Your investments have changed by 489,118 since the inception date. Note: In this report, the inception date is July 15, 2015 or the portfolio's start date if the account was opened after July 15, 2015.

Your investments have changed by -288,297 during the past year.

Amount invested since 07-15-15	367,875
Market value of portfolio on 12-31-22	5,702,620

Change In Portfolio Value

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

	Latest 1 Year	Inception To Date
From Date	12-31-21	07-15-15
Opening Market Value	6,067,699	4,845,628
Contributions	1,080,850	3,279,154
Withdrawals	-1,157,632	-2,911,280
Realized Gains	-9,000	-175,548
Unrealized Gains	-430,978	-389,504
Interest	150,154	1,053,778
Dividends	0	0
Change in Accrued Interest	1,526	391
Closing Market Value	5,702,620	5,702,620
Portfolio Fees Paid By Client	-16,164	-118,265
Total Fees	-16,164	-118,265

Martin, Lucas & Seagram Ltd.
INVESTMENT PERFORMANCE
 Net of Fees
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
December 31, 2022

Personal Rates of Return

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

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

	Annualized Latest 1 Year	Annualized Latest 3 Years	Annualized Latest 5 Years	Annualized Latest 10 Years	Annualized Inception To Date
This Portfolio	-5.03%	-0.12%	1.07%	-	0.92%

What is a total percentage return?

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

Calculation method

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

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

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

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

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

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