



ADVISORY BOARD MEETING

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

Tuesday, June 20, 2023 at 8:45 a.m.
 Goodmans LLP
 34th Floor, Bay Adelaide Centre, West Tower
 333 Bay Street
 Toronto, Ontario

ZOOM login information:

To join meeting using a computer:

<https://us02web.zoom.us/j/89272844657?pwd=T1ZqcGxNMmg0ZlJBQ3p6NnJYWDRhQT09>

Meeting ID: 892 7284 4657

Meeting Password: 439394

To join meeting by phone:

+1 647 558 0588 Canada

Meeting ID: 892 7284 4657

Meeting Password: 439394

AGENDA

	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
1. Constitution of Meeting	Ken Crofoot		
2. Appointment of Secretary	Ken Crofoot		
3. Approval of the Minutes of February 21, 2023 Meeting	Ken Crofoot	5 mins	3.1

Proposed Resolution: To approve the minutes.



	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
4. Business Arising Out of the Minutes	Ken Crofoot		
5. Comments of the Chair	Ken Crofoot	5 mins	
6. Pro-Form Insurance Services – Excess Insurance Renewal	Bob Wilson Scott Belton	15 mins	To Follow
7. Reinsurance Renewal	Ryan Durrell	30 mins	
7.1 Status of Reinsurance Renewal including CLLAS Cyber			7.1
7.2 Surplus Position and Impact on 2023/24 Premium			
<i>Proposed Resolution: To approve the 2023/24 rates, including premium credit as appropriate</i>			
8. Report of the General Manager’s Office	Carrie Green Patrick Mahoney	30 mins	
8.1 Management Financial Statements – March 31, 2023			8.1
8.2 CLLAS 2023 Business Plan – Information item only			8.2
8.3 Proposed Rules for Cyber Program related to Subscriber Accounts			8.3
9. Committee Reports		20 mins	
9.1 Audit Committee	Gordon Goodman		
9.2 Claims Committee	Robert Love		9.2
9.3 Risk Management Committee	Julia Holland		
9.4 Policy Committee	Donald Milner		
10. Other Business			
10.1 Quarterly Report of the Investment Manager	Patrick Mahoney	5 mins	10.1
10.2 Updated Committee Membership	Ken Crofoot	5 mins	10.2
10.3 General Manager Transition	Patrick Mahoney	5 mins	10.3

Proposed Resolution: That Carrie Green of Axxima Insurance Services, a division of 3303128 Canada Inc. be appointed as General Manager of CLLAS effective July 1, 2023.

Proposed Resolution: That Carrie Green replace Patrick Mahoney as authorized signatory for CLLAS effective July 1, 2023.

11. Next Meeting – September 19, 2023 at 8:30 a.m.

Anticipated Adjournment Time: 10:30 a.m.

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

Minutes of a Meeting of the Advisory Board

8:30 a.m.

Goodmans LLP (via videoconference)

Tuesday, February 21, 2023

Present:

Ken Crofoot (Chair)	Goodmans LLP
Melanie Koszegi	Davies Ward Phillips & Vineberg LLP
Robert Love	Borden Ladner Gervais LLP
Gordon Goodman	Cassels Brock & Blackwell LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Anne-Marie Breton	Fasken Martineau DuMoulin LLP
Carl De Vuono	McMillan LLP
David Morritt	Osler, Hoskin & Harcourt LLP
Julia Holland	Torys LLP
Mike 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:

Caroline Zayid	McCarthy Tétrault LLP
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1. Constitution of Meeting

The Chair brought the meeting to order.

2. Appointment of Secretary

Norma Ibbetson acted as Secretary.

3. Approval of Minutes of the December 6, 2022 Meeting of the Advisory Board

It was moved by Gordon Goodman and seconded by Robert Love that the minutes of the December 6, 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**

There were no additional comments that will not be covered under other agenda items.

6. **Market Update and Reinsurance Renewal Planning**

Ryan Durrell updated the Board with respect to renewal planning for July 1, 2023.

With respect to the E&O Program, we have had no indication to date that any incumbent market intends to stop writing professional liability business. This news tends to be communicated around January 1st, once the markets have secured their reinsurance coverage. This is hopefully an indication that the market is stabilizing, although we still expect some upward pressure on rates. Our current plan, to be refined once we have seen the actuarial analysis, is to press for a flat renewal with the expectation that any increase would be no more than 7.5%. We have had a preliminary discussion with Bob Wilson and Scott Belton at Hub, and their expectations are similar for the commercial layers.

With respect to the Cyber Program, industry-wide loss experience has been relatively stable with ransomware demands down relative to the recent past. Capacity remains limited, but we expect a reasonable renewal of the \$5 million excess of \$1 million reinsurance layer at July 1, 2023 even though most firm policies do not renew until the fall of 2023.

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

Financial Statements for the Period Ending December 31, 2022

Carrie Green presented CLLAS' financial management report as at December 31, 2022.

Carrie noted that with the implementation of IFRS 17 effective January 1, 2023, the financial statements (starting with the March 31, 2023 statements) will look very different from that past. As a result, management is making an effort in to include some charts to illustrate some key financial indicators over a period of years.

For the year ended December 31, 2022, CLLAS experienced an underwriting gain (i.e. premiums minus claims and expenses) of just over \$17,000. The 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. CLLAS' surplus at December 31, 2022 stood at just over \$10.9 million. The reduction in surplus directly related to the distribution of surplus back to Dentons and Blakes. The Budget Variance shows that expenses finished the year about \$154,000, or 6% under budget.

Most of CLLAS' risk metrics are within its risk limits as shown on Exhibit V, except as otherwise noted in the financial management report. The only metric that is outside of CLLAS' risk limit is the maximum concentration with a single reinsurer (aside from Colchester). As discussed in the past, the Argo

Syndicate (Lloyds) reinsures 18.1% of CLLAS' total liabilities. The percentage has reduced from 19.3% in 2020 and will be further reduced when market conditions permit.

The financial management report also includes financials for the two CLLAS programs, E&O and Cyber.

Presentation of the Actuary to the Audit Committee

CLLAS' actuary, Julie-Linda Laforce presented the results of the 2022 valuation to the Audit Committee at a meeting held on February 14, 2023. The actuary's presentation was included in the Board material as an information item and the full valuation report is available should any Board member wish to review. Key points in the presentation included the following (1) development on retained losses during 2022 was favourable across all policy years (\$676,000 in total); CLLAS has no premium deficiency at December 31, 2022, and the discount rate was increased to 3.95% from 1.30% a year earlier.

2023 Operating Budget

Patrick Mahoney presented the proposed operating budget for 2023. The budget letter addresses expenses incurred in 2022, the budget proposed for 2023, and includes the new Cyber Program. The operating expense budget is increasing for 2023 compared to the prior year for three main reasons: (1) costs associated with the new Cyber Program, including the fees of BWI, CLLAS' London broker (2) audit costs in 2023 related to IFRS 17 implementation; and (3) a change in the approach used to budget premium taxes (which doesn't change the cost, just the timing).

Mr. Mahoney addressed the expenses related to the Cyber Program. The cost of developing and implementing the Program in 2022 had been tracked as a Strategic expense. Starting from January 1, 2023, Cyber Program expenses will be 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 management proposes 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, this means 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 management views as reasonable as they equate to about 10% of the premiums for the Program. The allocation will be reviewed each year to ensure that it remains appropriate.

It was moved by Michael Swartz and seconded by Carl De Vuono that the 2023 budget be approved. The motion was carried unanimously.

8. Committee Reports

Report of the Audit Committee

Gordon Goodman reported on behalf of the Audit Committee.

The year-end meeting with CLLAS' auditor and actuary took place on February 14, 2023. An unqualified audit opinion was issued. The Audit Committee had an opportunity to meet with the auditor without management. Nothing of note came out of that meeting. Copies of the Audit Findings Report and the Audited Financial Statements were included in the Board meeting material. Changes coming out of IFRS 17 will come into effect at January 1, 2023.

Subsequent to the draft documents provided in the Board material the following change will be made to the Notes of the Audited Financial Statements 3.(ii), paragraph 4.

Current disclosure:

"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."

Update will be:

"The Society is evaluating if it is eligible to use the simplified Premium Allocation Approach for its insurance contracts and reinsurance contracts".

It was moved by David Morritt and seconded by Donald Milner that the Financial Statements as at December 31, 2022 be adopted with the change to Note 3 (ii). The motion was carried unanimously.

A request was made to invite the Actuary to present her report to the Board at a time and date to be arranged with the possibility of including it as part of the Board orientation for IFRS 17.

The P&C1 regulatory filing will be signed and filed before February 28, 2023.

Report of the Claims Committee

Bob Love reported to the Board. There are several claims being monitored closely, with three settlements taking on older year files at the beginning of 2023. The Committee meets quarterly to review active files and met most recently in early January 2023.

Report of the Risk Management Committee

Julia Holland reported to the Board. There will be a Risk Management Session on Friday, February 24, 2023 at 10:30 am. Invitations have gone out. People were encouraged to circulate the invitation widely within their organizations. The session will consist of an overview of cyber claim response, focused on two couple of cyber breach scenarios and culminating in tips for refining your firm's incident response plan to maximize its effectiveness. The panel will consist of representatives from CLLAS' reinsurance claims team, one of the Program panel's breach coaches, and a forensics team member to help guide the discussion.

The session will be recorded and will be replayed again in the future.

Report of the Policy Committee

There was no report of the Policy Committee.

9. Other Business

Quarterly Report of the Investment Manager at December 31, 2022

This is an information item for the Board.

Annual Dinner

Will take place this year at Canoe on Thursday April 20, 2023.

There was no further business.

10. Next Meeting

The next regularly scheduled meeting of the Board will be on June 20, 2023.

There being no further business, the meeting was terminated.

Chairman

Secretary



PRIVATE AND CONFIDENTIAL

Date: June 13, 2023

To:

David Morritt	Donald Milner
Robert Love	Gordon Goodman
Mike Swartz	Ken Crofoot
Julia Holland	Laurence Detière
Caroline Zayid	Carl De Vuono

From: Ryan Durrell and Christopher Marley

Re: Report on the CLLAS Reinsurance Renewal Placement for July 1, 2023

The purpose of this report is to provide the CLLAS Board with information on the reinsurance placement for the policy year commencing July 1, 2023.

CLLAS Renewal Objectives

The CLLAS renewal objectives for the period July 1, 2023/2024 are as follows:

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

CLLAS Renewal Negotiations

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

After a period of hardening in the marketplace, professional liability insurance is starting to resume its competitive practices. Availability of capacity continues to improve as insurers are once again turning profits after a period of losses, and emerging from generally pessimistic economic outlook the past couple of years. The upward pressure on rates has largely subsided, but inflationary impacts on losses are being carefully monitored. Markets, in general, have larger growth targets this year but there remains some concern that a recession is imminent which has historically brought higher claims frequency and severity.

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



Ken Crofoot, Bob Love, Patrick Mahoney, Ryan Durrell, Carrie Green and Christopher Marley attended meetings in London May 17-19 to discuss the renewal, and present updates with CLLAS.

Ken spoke to underwriters on a variety of issues, including updates and developments with the Canadian legal marketplace, and how firms are dealing with a variety of emerging issues including finding the balance between in-office and work from home and artificial intelligence. Bob also took the opportunity to speak to underwriters of the role the CLLAS claims committee plays, including the benefit of the perspective of a number of senior counsel who can provide valuable analysis, insight of practicing litigators, and recommendations. We also provided updates on the launch of CLLAS' cyber program, updates on risk management, and claim developments and trends.

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

1. Inflation. Underwriters were almost unanimously concerned about the impact of inflation, and we were made aware that Lloyd's Syndicates have been told that they are required to address inflation in both rating and reserves this year. We were quick to point out that the inflation spike in Canada has reduced much quicker than in England where it remains persistently high. We also pointed out that the raise in interest rates to counter inflation should result in a positive impact with respect to investment income on long-tail reserves.
2. AI Platforms. Though not presented as a concern for this renewal, Underwriters were keen to understand how firms are managing the emergence of AI platforms such as ChatGPT. It was noted firms have been exploring using AI (i.e. for doc management in discovery), but remain well aware that education and practice guidance will continue to be required as its use evolves. Particularly with respect to privacy concerns and the credibility of the results.

There were some changes to ownership with respect to supporting Syndicates that we were updated on as part of the meetings. Of note, the lead Syndicate on the primary layer (Syndicate 1200) had its sale finalized from Argo to Westfield in Q1 of 2023. Westfield is a multi-line insurer that started as Ohio Farmers Insurance Company. Westfield is US based, but the syndicate handles all international business (which includes Canada). The underwriter remains very supportive of CLLAS and is keen to continue their partnership and role as lead.

As of the date of this memo, we have support for the Primary layer from the lead underwriter with a rate increase of +2.5%, though this is subject to management approval. The remaining markets are still working on their actuarial and approval process. Some concern has been raised on emerging claims experience, notably movements in the 2007, 2010 and 2015 years plus the potential impact of inflation. We continue to stress the positive impact of CLLAS' risk management efforts on claims experience in last 10 years, and discussions will continue this week.

The lead markets for the optional excess and umbrella layers are pushing for "double digit" increases. Based on the capacity available, an increase in the range of +10% will likely be necessary in order to complete these layer placements. That said, the overall cost of the Optional Excess and Umbrella layers is minor in comparison to the Primary layer, and will have a minimal impact in the overall cost experienced by firms.

We are not experiencing the same level of capacity concern we have had in the past three renewals, and we expect that the renewal will be substantively concluded by the date of the board meeting with terms between +2.5% and +5% over expiring on the Primary, and +10% on the Optional Excess and Umbrella layers.



Lastly, last year an Optional Excess Umbrella layer was available for additional \$30MM in limits for firms wishing to extend their total limits to \$280,000,000. Capacity may be available to extend this layer offering to \$50MM (\$300,000,000 total limits) with enough interest. We are wondering what the appetite is among firms purchasing the current Optional Excess Umbrella layer for these additional limits.

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

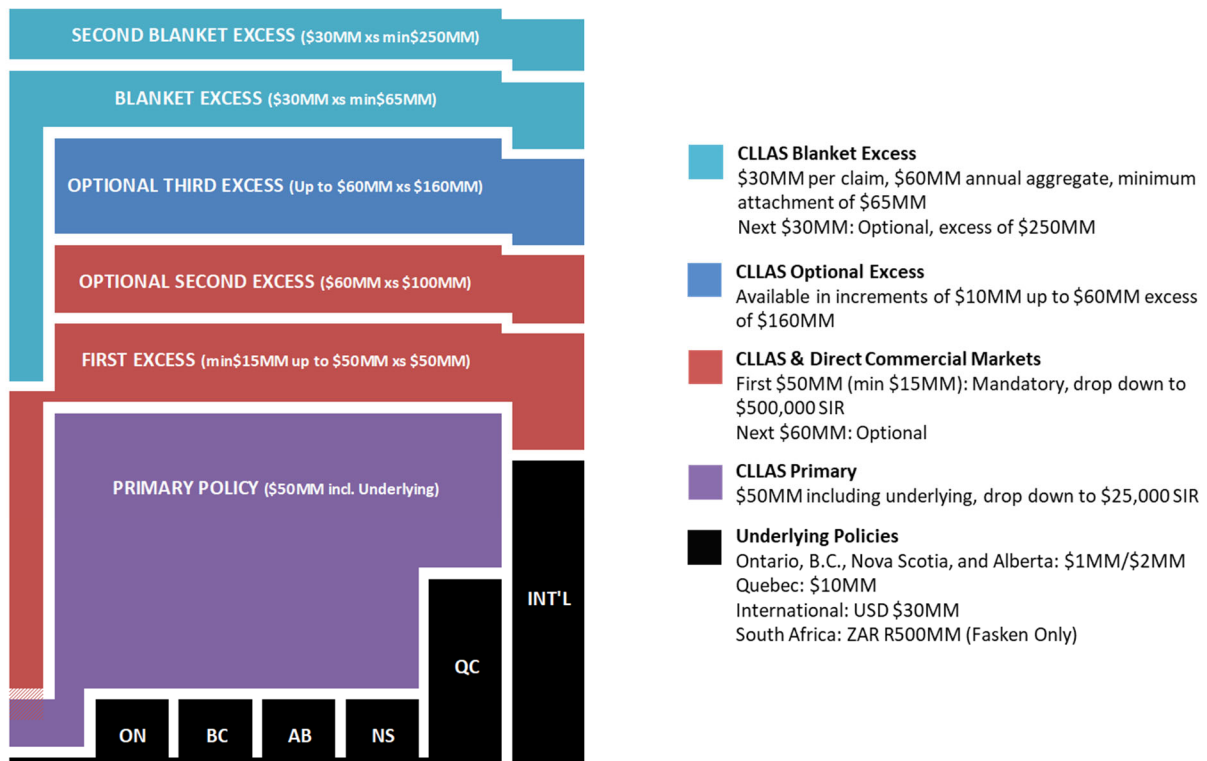
CLLAS Insurance Structure

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

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

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

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





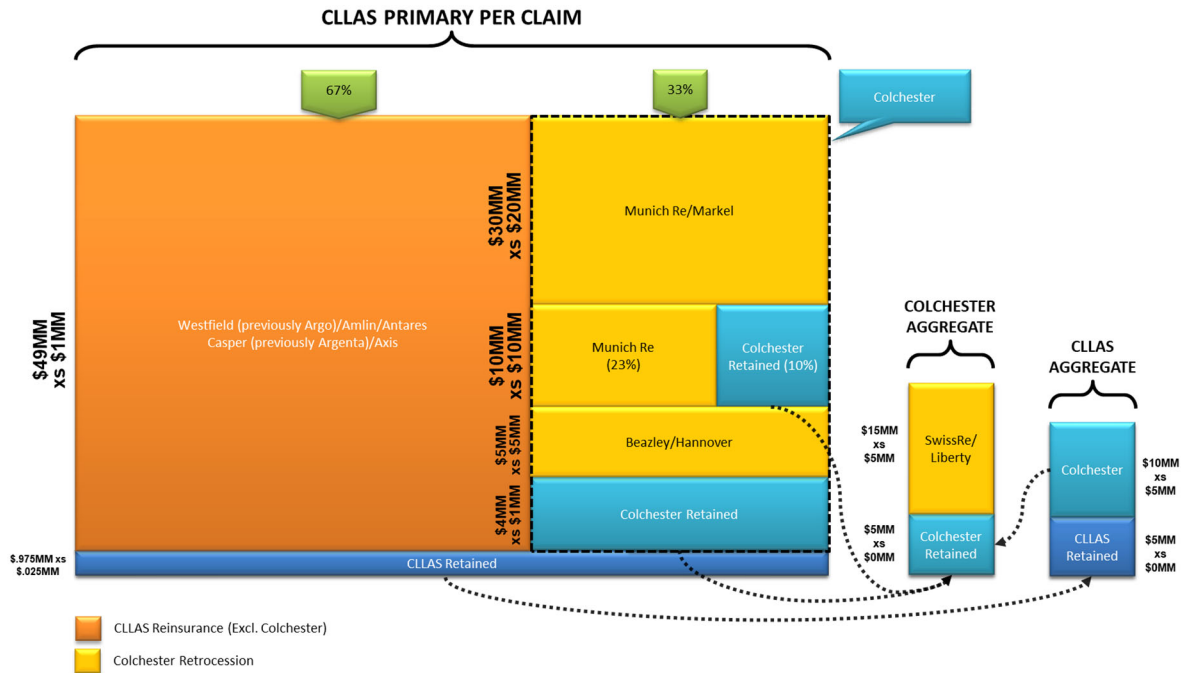
The current policies and limits issued by CLLAS are described in more detail below:

1. CLLAS Primary Policy of \$50M – A Primary Policy of \$50,000,000 each and every claim and in the annual aggregate, including costs, charges and expenses, inclusive of the minimum mandatory coverage provided by the applicable law society professional liability insurance program or by the professional liability insurance program of the governing body of a self-regulatory profession other than law and/or other applicable insurance and/or \$25,000 per claim self-insured retention. The rate for lawyers in Quebec is lower in this layer because of the higher underlying limit provided by Barreau du Quebec.
2. CLLAS First Excess Policy of Up to \$50M Excess of \$50M – CLLAS has a 5% participation on the First Excess Policy of up to \$50M excess of the CLLAS Primary \$50M and/or other specific underlying insurance arranged by certain CLLAS member firms for their offices in the U.S. and/or other international locations.
3. CLLAS Optional Second Excess Policy of Up to \$60M Excess of \$100M – CLLAS has a 5% participation on the Second Excess Policy of up to \$60M excess of \$100M. This policy follows the CLLAS First Excess Policy.
4. CLLAS Optional Third Excess Policy of Up to \$60M excess of \$160M – This is an existing layer issued 100% by CLLAS of up to \$60M excess of \$160M. This policy follows the First Excess and Optional Second Excess Policies.
5. CLLAS Blanket Excess Policy of \$30M per claim/\$60M aggregate – This policy is shared by all CLLAS member firms. This policy follows the CLLAS First Excess Policy (\$15M excess of \$50M must be purchased at a minimum) and also follows the Optional Second and Third Excess Policies, where purchased.
6. CLLAS Optional Blanket Excess Policy of \$30M per claim/\$60M aggregate – This policy is shared by all CLLAS member firms electing this coverage. This policy follows the CLLAS Blanket Excess policy and is only available if all preceding optional layers are purchased.

CLLAS Reinsurance Structure

The proposed reinsurance structure for the primary policy is unchanged from the expiring structure, depicted below. The Argo share will become Westfield and the Argenta share will become Casper due to changes in ownership.

We continue to look for ways to reduce Colchester's share of the primary structure as market capacity increases, if additional capacity is available we may see their participation reduce to 30% from the current 33%.



The current reinsurance program is described in more detail below:

- Primary Policy Reinsurance:** \$49MM excess of \$1MM – 100% reinsured.
 - 67% of this layer is proportionally reinsured with Lloyd's and other reinsurers.
 - 33% is reinsured with Colchester. Colchester's involvement is then layered and retroceded to various markets. A portion of Colchester's participation which is not transferred to other markets is retained by Colchester. Colchester also purchases stop-loss cover to manage its retained exposure.
 - CLLAS retains the entire drop-down exposure below \$1M.
- First Excess Policy Reinsurance:** Up to \$50MM excess of \$50MM – The 5% participation by CLLAS is fully reinsured.
- Second Excess Policy Reinsurance:** Up to \$60MM Excess of \$100MM – The 5% participation by CLLAS is fully reinsured.
- Optional Excess Policy Reinsurance:** Up to \$60MM excess of \$160MM – 100% reinsured.
- Umbrella Policy Reinsurance:** \$30MM/\$60MM excess of \$65MM (minimum) – 100% reinsured.
- Optional Excess Umbrella Reinsurance:** \$30MM/\$60MM excess of \$250MM (minimum) – 100% reinsured.
- Aggregate Stop-Loss Reinsurance:** CLLAS aggregate protection of \$10MM excess of \$5MM in aggregate losses – 100% reinsured by Colchester.



- h) Loss Portfolio Transfer Reinsurance: Claims reserves and IBNR as at June 30, 2012 – 100% reinsured by Colchester.

Reinsurance Security

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

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

Premium Reductions Through CLLAS Surplus Contributions

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

Proposed CLLAS Structure and Rates – July 1, 2023/2024

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

Our suggested rate increases of 2.5% on all layers is being supported by lead reinsurer on the primary layer, whereas larger rate increases are being sought by the lead reinsurers on the optional excess and umbrella layers.

The overall increase in the per-lawyer rate for the CLLAS firms is being calculated and will be provided at the Advisory Board meeting. At this time, the rate increase looks like it will in the 7.5% to 10%, overall.

Proposed Policy Wording Changes at Renewal

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

Cyber Reinsurance Renewal

In parallel to the larger and more complex professional liability reinsurance program, we are also completing the reinsurance renewal for the cyber program. While the impact of this renewal will not be felt by the majority of firms until the fall when the bulk of the policies renew, we will provide a fulsome update on the cyber program and expected rates at the upcoming board meeting.

As of writing, we are anticipating a +5% increase year-over-year on the reinsurance premiums, which should translate to a 0% to +2.5% average cost increase on a per-lawyer basis due to lawyer count increases as compared with last year. Coverage is expected to remain as expiring, save for the introduction of endorsements to address catastrophic losses.



Conclusion

We continue to work hard to hold the strong pricing achieved relative to expected loss cost over the past ten-plus years. The impact of inflation and claims development (primarily with the underlying) are currently the focus of concern for reinsurers. However, expectations on increases are much more tempered than in recent years and capacity more abundant.

More details, including premium indications, will be provided at the upcoming Board meeting.

MEMORANDUM

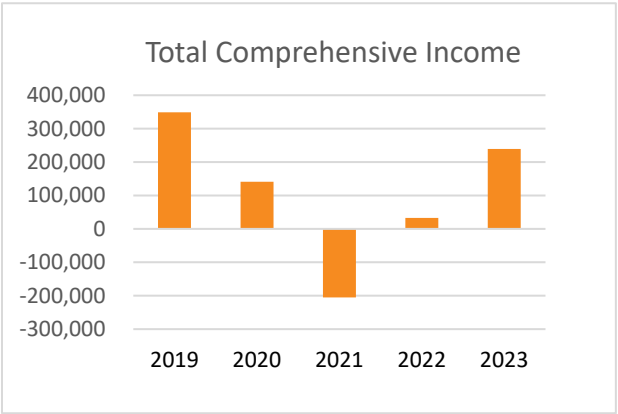
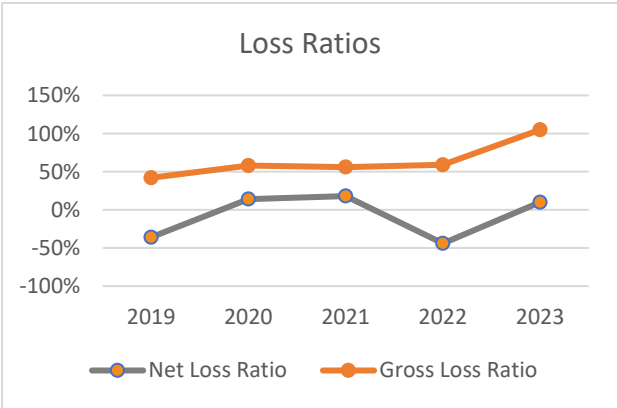
DATE: June 13, 2023
TO: CLLAS Advisory Board
FROM: Carrie Green
COPY:
RE: March 31, 2023 Financial Management Report

CLLAS’ financial management report for the quarter ended March 31, 2023 is attached. Included are the following exhibits:

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

Combined Programs (Exhibits 1.1 – 1.6)

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



On a combined program basis, as shown on Exhibit 1.2, CLLAS experienced a positive net insurance result (i.e. premiums minus claims and expenses) of \$136,000 for Q1. After taking into account the net investment result and unrealized gains/losses on the investment portfolio, the total comprehensive income result for the quarter was \$239,000.

A number of claims were resolved late in Q4 2022 and early Q1 2023, resulting in claims payments totalling just over \$11.2M in the quarter. This

resulted in a temporary reduction in cash and short-term investments as shown on Exhibit 1.1. These claims payments are fully reinsured and amounts not yet recovered are included as receivables under Assets for incurred claims.

The Budget Variance (Exhibit 1.4) shows that expenses finished the quarter almost \$24,000, or 4% under budget.

As shown on Exhibit 1.1, the surplus position for CLLAS at March 31, 2023 stood at just under \$13.7 million.

The key regulatory solvency test that CLLAS is required to comply with is known as the Alberta Maintenance of Reserve and Guarantee Fund (“AMRGF”). CLLAS must maintain “cash and approved securities” in excess of the reserve fund plus the guarantee fund required by the Alberta regulator.

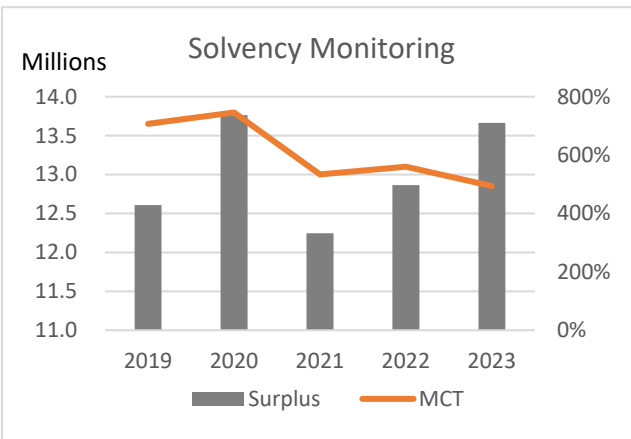


Exhibit 1.6 shows that at March 31, 2023 CLLAS had assets exceeding the required amount by just over \$3 million, which is in well in excess of the required amount.

The other solvency test monitored by CLLAS is the Minimum Capital Test (“MCT”). As shown in Exhibit 1.5, CLLAS’ MCT ratio was 494% at March 31, 2023, again well in excess of regulatory expectations.

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

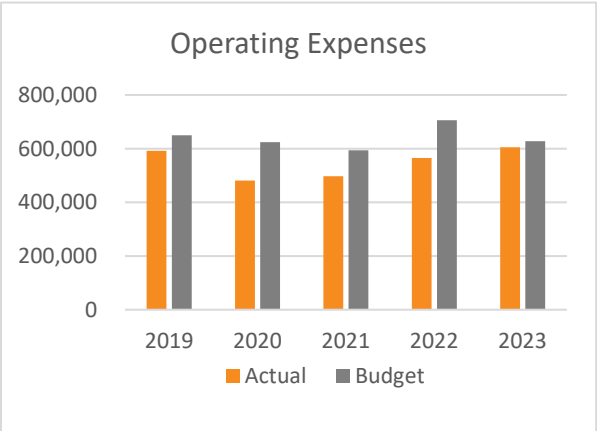


Exhibit 1.5 shows the year-end results for 2021 and 2022, and the results at March 31, 2023 against risk targets and risk limits. Most of the metrics at March 31, 2023 are within CLLAS’ risk limits. The items of note are discussed below.

- Line 1: The excess of cash and securities over the Reserve and Guarantee fund (i.e. the AMRGF requirement) has improved since December 31, 2022, but remains in the yellow zone being in the range of \$2.5 - \$5 million. Despite this the result remains well in excess of regulatory expectations and the result will further strengthen as CLLAS recovers the amounts due from reinsurers for claims recently paid.
- Line 8: While the insurance market conditions continue to normalize, we remain cautiously optimistic maintaining a yellow indicator for this metric. This metric will be reviewed again as circumstance change.
- Line 9: This metric reflects the Reinsurance Security Report presented to the Audit Committee at its October 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 also reflects 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 a positive net insurance result of \$132,000 in the quarter resulting in total comprehensive income (after taking into account the net investment result and unrealized gains/losses on the investment portfolio) of \$232,000. The E&O program's surplus at March 31, 2023 sits at just over \$13.7 million.

CLLAS Cyber Program (Exhibits 3.1 – 3.4)

As shown on Exhibit 3.2, the Cyber program produced near break-even results for the quarter, with a total comprehensive income of just over \$7,000. As explained in the 2023 CLLAS operating budget, with the exception of premium taxes and reinsurance fees, which can be isolated by program, 5% of all other operating expenses are allocated to the Cyber program. As shown on the budget variance (Exhibit 3.4), operating expenses for the quarter are tracking to budget. Surplus for the Cyber program is sitting in a slight deficit position of close to (\$52,000) which is not unexpected given that the program is in early stages of development.

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

Sincerely,



Carrie Green, Incoming General Manager

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - COMBINED
STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED March 31, 2023**

Exhibit 1.1

	As at March 31, 2023	As at March 31, 2022
Assets		
Cash	1,730,345	4,848,370
Short term investments	2,691,812	11,370,488
Bonds	5,716,650	5,796,529
Interest income due and accrued	37,606	39,255
Prepaid expenses	209,429	133,265
Reinsurance contract assets		
Asset for incurred claims	76,422,647	62,673,213
Asset for remaining coverage	1,827,019	1,331,980
	88,635,508	86,193,100
Liabilities		
Insurance contracts liabilities		
Liability for incurred claims	70,191,579	66,788,719
Liability for remaining coverage	4,779,947	3,559,562
Accounts payable & accrued charges	-	-
	74,971,526	70,348,281
Subscribers' equity		
Equity	13,923,117	15,984,420
Accumulated other comprehensive income (loss)	(259,135)	(139,601)
	13,663,982	15,844,819
	88,635,508	86,193,100

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - COMBINED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED March 31, 2023

Exhibit 1.2

	Current Year		Prior Year	
	Quarter March 31, 2023	Year to Date March 31, 2023	Quarter March 31, 2022	Year to Date March 31, 2022
Insurance service result				
Insurance revenue	4,164,096	4,164,096	3,105,204	3,105,204
Insurance service expense				
Incurred claims expenses	4,528,030	4,528,030	281,178	281,178
Operating expenses	501,695	501,695	475,862	475,862
Premium taxes	-	-	-	-
Insurance service result before reinsurance	(865,629)	(865,629)	2,348,164	2,348,164
Allocation of reinsurance premiums	3,321,746	3,321,746	2,603,616	2,603,616
Amounts recovered from reinsurers	4,426,185	4,426,185	753,762	753,762
Reinsurance fees	(103,080)	(103,080)	(74,750)	(74,750)
	(1,001,360)	(1,001,360)	1,924,604	1,924,604
Net insurance service result	135,731	135,731	423,560	423,560
Investment result				
Investment income (loss)	132,025	132,025	41,253	41,253
Insurance finance income (expense)				
For insurance contract	(1,351,845)	(1,351,845)	2,895,358	2,895,358
For reinsurance contracts	1,252,778	1,252,778	(2,666,295)	(2,666,295)
Net investment result	32,958	32,958	270,316	270,316
Net Income (loss)	168,688	168,688	693,876	693,876
Unrealized gains (losses) arising during the year	70,501	70,501	(244,442)	(244,442)
Recognition of realized gain (loss) included in income	-	-	-	-
Other comprehensive income (loss) for the year	70,501	70,501	(244,442)	(244,442)
Total comprehensive income (loss)	239,189	239,189	449,434	449,434

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - COMBINED
STATEMENT OF CHANGES IN EQUITY
March 31, 2023

Exhibit 1.3

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on FVOCI financial assets	Total Equity
Balance, beginning of year	50,000	10,934,525	(329,637)	10,654,889
Restated balance, beginning of year	50,000	13,704,428	(329,636)	13,424,793
Comprehensive income for the year				
Net gain (loss) for the year		168,688		168,688
Other comprehensive income				
Unrealized gains and losses arising during the year			70,501	70,501
Recognition of realized gain included in income			-	-
Total comprehensive income (loss) for the year	-	168,688	70,501	239,189
Return of Surplus		-		-
Balance at March 31, 2023	50,000	13,873,117	(259,135)	13,663,982

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - COMBINED
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED March 31, 2023**

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES (See Note 1)	575,000	25%	143,750	142,940	810
PROFESSIONAL SERVICES (See Note 2)					
Actuarial Services	80,000	20%	16,000	43,098	(27,098)
Reinsurance Matters	280,000	20%	56,000	29,773	26,227
Strategic Matters	125,000	20%	25,000	29,196	(4,196)
Sub-Total Professional Services	485,000		97,000	102,067	(5,067)
GST/HST on Consulting Fees	137,800		31,297	31,851	(553)
Total Management & Professional Services	1,197,800		272,047	276,858	(4,810)
OTHER EXPENSES					
Audit Expenses (See Note 3)	207,000	25%	51,750	46,365	5,386
Annual Dinner	7,500	25%	1,875	-	1,875
Premium Taxes	500,000		-	-	-
Chairman's Expenses	-		-	-	-
Chairman's Honourium	150,000	100%	150,000	150,000	-
Reinsurance Expense	6,000	25%	1,500	-	1,500
D&O Insurance	20,000		-	-	-
Office Expenses	16,000	25%	4,000	821	3,179
Claims: Borderaux (LawPro/LIF)	18,300	88%	16,050	14,700	1,350
Special Services	15,000	25%	3,750	-	3,750
Reinsurance Fee (BWI) (See Note 4)	421,800	25%	105,450	103,080	2,370
I.B.C Statistical Plan Fees	-		-	402	(402)
Assessment Fees	5,500	25%	1,375	-	1,375
Investment counsel fees	29,000	25%	7,250	4,811	2,439
Investment - Custodial	18,000	25%	4,500	4,239	261
Risk Management/Loss Prevention	20,000	25%	5,000	-	5,000
License Fee	5,000	75%	3,750	3,500	250
Insurance: Sundry	-		-	-	-
Sub-total	1,439,100		356,250	327,917	28,333
TOTAL	2,636,900		628,297	604,775	23,523

*** NOTE 1: MANAGEMENT SERVICES**

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

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

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

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

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

*** NOTE 3: AUDIT EXPENSES**

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

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

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

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
SUMMARY OF RISK METRICS*
March 31, 2023

Exhibit 1.5

Risk Category	Risk Metric	December 31, 2021	December 31, 2022	March 31, 2023	Green Zone (Meets Target)	Yellow Zone	Red Zone (Limit Exceeded)
General	(1) AMRGF - Excess of Cash/Appr. Securities Over Reg. Req'ment (2) MCT Ratio (3) Status of Governance Policies	\$8,237,000 555% Up to date	\$2,952,000 381% Up to date	\$3,056,000 494% Up to date	5,000,000 and above 210% and above Up to date	\$2,500,000 to \$5,000,000 n/a Items outstanding	Less than \$2,500,000 Less than 210% Materially behind schedule
Insurance	(4) Gross Loss Ratio (5) Net Loss Ratio (6) Risk of Systemic Loss	-3% -12% Some concerns raised	87% 3% Nothing on horizon	105% 10% Nothing on horizon	Less than 150% Less than 50% Nothing on horizon	150% to 300% 50% to 100% Some concerns raised	Over 300% Over 100% Adverse experience
Premium & Strategy	(7) Actual Expenses vs. Budget (8) State of the Market Outlook	98% Some concerns raised	94% Some concerns raised	96% Some concerns raised	Less than 105% Nothing on horizon	105% to 120% Some concerns raised	Over 120% Adverse experience
Reinsurance	(9) Reinsurer Credit Rating (10) Maximum Concentration with a Single Reinsurer excl. Colchester	A- to A+ 19.0%	A- to A+ 18.1%	A- to A+ 18.1%	A or above Less than 10%	A- 10% to 15%	B+ and below Over 15%
Operational	(11) Board Discussion of Prior Quarter Risk Metrics (12) Resiliency Capacity - People (e.g. redundancy, succession) (13) Resiliency Capacity - Data/Systems (14) Advisory Board Turnover in Last 12 Months (15) Key Management/Advisor Turnover in Last 36 Months	Discussed corrective measures n/a n/a 0 1	Discussed corrective measures n/a n/a 0 1	Discussed corrective measures n/a n/a 0 1	Discussed corrective measures Score of 4 or 5 out of 5 Score of 4 or 5 out of 5 0 to 2 members 0 to 1 person	Received but no discussion Score of 3 out of 5 Score of 3 out of 5 3 to 4 members 2 to 3 people	Not received Score of 1 or 2 out of 5 Score of 1 or 2 out of 5 5 or more members 4 or more members
Investments	(16) Investment Manager Compliance Statement	In compliance	In compliance	In compliance	In compliance	Temporarily or slightly not	Consistently or
Regulatory Compliance	(17) Regulatory Outlook Report	No significant concerns noted	No significant concerns noted	No significant concerns noted	No significant issues noted	Issues being addressed	Significant issues

Notes

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

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

Color Code
Meets Target
Between Target and Limit
Exceeds Limit

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
For the Period Ending March 31, 2023

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

	Current Year to Date 31-Mar-23 (in \$000's)	Prior Year End 31-Mar-22 (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) 74,972	79,431
Less: Unearned Premiums	(8) 4,971	3,140
Less: Recoverable from licensed reinsurers	(9) 64,718	66,212
Plus: Statutory Margin	(10) 50	50
Guarantee Fund Required (Line 7 minus Lines 8 and 9 plus line 10)	(11) 5,332	10,129
TOTAL RESERVE & GUARANTEE FUND REQUIRED (Line 6+11)	(12) 7,083	11,180
Cash & Approved Securities	(13) 10,139	22,015
Excess of Cash & Securities over Reserve & Guarantee Fund (line 13 minus line 12)	(14) 3,056	10,836

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - E&O
STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED March 31, 2023

Exhibit 2.1

	As at March 31, 2023	As at March 31, 2022
Assets		
Cash	1,730,345	4,848,370
Short term investments	2,691,812	11,370,488
Bonds	5,716,650	5,796,529
Interest income due and accrued	37,606	39,255
Prepaid expenses	143,142	133,265
Reinsurance contract assets		
Asset for incurred claims	75,934,251	62,673,213
Asset for remaining coverage	1,257,538	1,331,980
	87,511,344	86,193,100
Liabilities		
Insurance contracts liabilities		
Liability for incurred claims	69,300,197	66,788,719
Liability for remaining coverage	3,378,952	3,559,562
Accounts payable & accrued charges	1,116,649	-
	73,795,798	70,348,281
Subscribers' equity		
Equity	13,974,680	15,984,420
Accumulated other comprehensive income (loss)	(259,135)	(139,601)
	13,715,546	15,844,819
	87,511,344	86,193,100

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - E&O
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED March 31, 2023

Exhibit 2.2

	Current Year		Prior Year	
	Quarter March 31, 2023	Year to Date March 31, 2023	Quarter March 31, 2022	Year to Date March 31, 2022
Insurance service result				
Insurance revenue	3,530,999	3,530,999	3,105,204	3,105,204
Insurance service expense				
Incurred claims expenses	4,048,495	4,048,495	281,178	281,178
Operating expenses	476,610	476,610	475,862	475,862
Premium taxes	-	-	-	-
Insurance service result before reinsurance	(994,107)	(994,107)	2,348,164	2,348,164
Allocation of reinsurance premiums	2,957,793	2,957,793	2,603,616	2,603,616
Amounts recovered from reinsurers	4,162,396	4,162,396	753,762	753,762
Reinsurance fees	(78,488)	(78,488)	(74,750)	(74,750)
	(1,126,116)	(1,126,116)	1,924,604	1,924,604
Net insurance service result	132,009	132,009	423,560	423,560
Investment result				
Investment income (loss)	125,955	125,955	41,253	41,253
Insurance finance income (expense)				
For insurance contract	(1,345,955)	(1,345,955)	2,895,358	2,895,358
For reinsurance contracts	1,249,563	1,249,563	(2,666,295)	(2,666,295)
Net investment result	29,563	29,563	270,316	270,316
Net Income (loss)	161,572	161,572	693,876	693,876
Unrealized gains (losses) arising during the year	70,501	70,501	(244,442)	(244,442)
Recognition of realized gain (loss) included in income	-	-	-	-
Other comprehensive income (loss) for the year	70,501	70,501	(244,442)	(244,442)
Total comprehensive income (loss)	232,073	232,073	449,434	449,434

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - E&O
STATEMENT OF CHANGES IN EQUITY
March 31, 2023

Exhibit 2.3

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on FVOCI financial assets	Total Equity
Balance, beginning of year	50,000	10,957,820	(329,636)	10,678,185
Restated balance, beginning of year	50,000	13,763,108	(329,636)	13,483,472
Comprehensive income for the year				
Net gain (loss) for the year		161,572		161,572
Other comprehensive income				
Unrealized gains and losses arising during the year			70,501	70,501
Recognition of realized gain included in income			-	-
Total comprehensive income (loss) for the year	-	161,572	70,501	232,073
Return of Surplus		-		-
Balance at March 31, 2023	50,000	13,924,680	(259,135)	13,715,546

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - E&O
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED March 31, 2023**

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES (See Note 1)	546,250	25%	136,562	135,793	769
PROFESSIONAL SERVICES (See Note 2)					
Actuarial Services	76,000	20%	15,200	40,943	(25,743)
Reinsurance Matters	266,000	20%	53,200	28,284	24,916
Strategic Matters	118,750	20%	23,750	27,736	(3,986)
Sub-Total Professional Services	460,750		92,150	96,964	(4,814)
GST/HST on Consulting Fees	130,910		29,733	30,258	(526)
Total Management & Professional Services	1,137,910		258,445	263,015	(4,570)
OTHER EXPENSES					
Audit Expenses (See Note 3)	196,650	25%	49,163	44,046	5,116
Annual Dinner	7,125	25%	1,781	-	1,781
Premium Taxes	432,000		-	-	-
Chairman's Expenses	-		-	-	-
Chairman's Honourarium	142,500	100%	142,500	142,500	-
Reinsurance Expense	5,700	25%	1,425	-	1,425
D&O Insurance	19,000		-	-	-
Office Expenses	15,200	25%	3,800	780	3,020
Claims: Borderaux (LawPro/LIF)	17,385	88%	15,248	13,965	1,283
Special Services	14,250	25%	3,563	-	3,563
Reinsurance Fee (BWI) (See Note 4)	321,800	25%	80,450	78,488	1,963
I.B.C Statistical Plan Fees	-		-	382	(382)
Assessment Fees	5,225	25%	1,306	-	1,306
Investment counsel fees	27,550	25%	6,887	4,570	2,317
Investment - Custodial	17,100	25%	4,275	4,027	248
Risk Management/Loss Prevention	19,000	25%	4,750	-	4,750
License Fee	4,750	75%	3,563	3,325	238
Insurance: Sundry	-		-	-	-
Sub-total	1,245,235		318,710	292,083	26,627
TOTAL	2,383,145		577,155	555,098	22,057

*** NOTE 1: MANAGEMENT SERVICES**

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

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

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

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

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

*** NOTE 3: AUDIT EXPENSES**

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

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

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

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - CYBER
STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED March 31, 2023

Exhibit 3.1

	As at March 31, 2023	As at March 31, 2022
Assets		
Cash	-	-
Short term investments	-	-
Bonds	-	-
Interest income due and accrued	-	-
Prepaid expenses	66,287	-
Other receivable	1,116,649	-
Reinsurance contract assets		
Asset for incurred claims	488,396	-
Asset for remaining coverage	569,481	-
	2,240,814	-
Liabilities		
Insurance contracts liabilities		
Liability for incurred claims	891,382	-
Liability for remaining coverage	1,400,995	-
Accounts payable & accrued charges	-	-
	2,292,377	-
Subscribers' equity		
Equity	(51,564)	-
Accumulated other comprehensive income (loss)	-	-
	(51,564)	-
	2,240,814	-

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - CYBER
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED March 31, 2023

Exhibit 3.2

	Current Year		Prior Year	
	Quarter March 31, 2023	Year to Date March 31, 2023	Quarter March 31, 2022	Year to Date March 31, 2022
Insurance service result				
Insurance revenue	633,097	633,097	-	-
Insurance service expense				
Incurred claims expenses	479,535	479,535	-	-
Operating expenses	25,085	25,085	-	-
Premium taxes	-	-	-	-
Insurance service result before reinsurance	128,477	128,477	-	-
Allocation of reinsurance premiums	363,953	363,953	-	-
Amounts recovered from reinsurers	263,789	263,789	-	-
Reinsurance fees	(24,592)	(24,592)	-	-
	124,756	124,756	-	-
Net insurance service result	3,721	3,721	-	-
Investment result				
Investment income (loss)	6,070	6,070	-	-
Insurance finance income (expense)				
For insurance contract	(5,890)	(5,890)	-	-
For reinsurance contracts	3,215	3,215	-	-
Net investment result	3,395	3,395	-	-
Net Income (loss)	7,116	7,116	-	-
Unrealized gains (losses) arising during the year	-	-	-	-
Recognition of realized gain (loss) included in income	-	-	-	-
Other comprehensive income (loss) for the year	-	-	-	-
Total comprehensive income (loss)	7,116	7,116	-	-

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - CYBER
STATEMENT OF CHANGES IN EQUITY
March 31, 2023

Exhibit 3.3

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on FVOCI financial assets	Total Equity
Balance, beginning of year		(23,296)	-	(23,296)
Restated balance, beginning of year	-	(58,680)	-	(58,680)
Comprehensive income for the year				
Net gain (loss) for the year		7,116		7,116
Other comprehensive income				
Unrealized gains and losses arising during the year			-	-
Recognition of realized gain included in income			-	-
Total comprehensive income (loss) for the year	-	7,116	-	7,116
Return of Surplus		-		-
Balance at March 31, 2023	-	(51,564)	-	(51,564)

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - CYBER
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED March 31, 2023

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES	28,750	25%	7,187	7,147	40
(See Note 1)					
PROFESSIONAL SERVICES (See Note 2)					
Actuarial Services	4,000	20%	800	2,155	(1,355)
Reinsurance Matters	14,000	20%	2,800	1,489	1,311
Strategic Matters	6,250	20%	1,250	1,460	(210)
Sub-Total Professional Services	24,250		4,850	5,103	(253)
GST/HST on Consulting Fees	6,890		1,565	1,593	(28)
Total Management & Professional Services	59,890		13,602	13,843	(241)
OTHER EXPENSES					
Audit Expenses (See Note 3)	10,350	25%	2,588	2,318	269
Annual Dinner	375	25%	94	-	94
Premium Taxes	68,000		-	-	-
Chairman's Expenses	-		-	-	-
Chairman's Honourium	7,500	100%	7,500	7,500	-
Reinsurance Expense	300	25%	75	-	75
D&O Insurance	1,000		-	-	-
Office Expenses	800	25%	200	41	159
Claims: Borderaux (LawPro/LIF)	915	88%	803	735	68
Special Services	750	25%	188	-	188
Reinsurance Fee (BWI) (See Note 4)	100,000	25%	25,000	24,592	408
I.B.C Statistical Plan Fees	-		-	20	(20)
Assessment Fees	275	25%	69	-	69
Investment counsel fees	1,450	25%	362	241	122
Investment - Custodial	900	25%	225	212	13
Risk Management/Loss Prevention	1,000	25%	250	-	250
License Fee	250	75%	188	175	13
Insurance: Sundry	-		-	-	-
Sub-total	193,865		37,540	35,834	1,706
TOTAL	253,755		51,142	49,677	1,466

*** NOTE 1: MANAGEMENT SERVICES**

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

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

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

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

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

*** NOTE 3: AUDIT EXPENSES**

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

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

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



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Business Plan Projected for the
Fiscal Years Ending December 31, 2023, 2024 and 2025

March 31, 2023



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1. Executive Summary

This report summarizes the business plan for the Canadian Lawyers Liability Assurance Society (“CLLAS”) for fiscal years 2023 to 2025. A copy of this report was submitted to the Alberta Superintendent of Insurance (“Superintendent”), the regulatory authority responsible for the supervision of CLLAS under the Alberta *Insurance Act*.

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

Operations and Operating Environment

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

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

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

Summary of Financial Projections for Fiscal Year 2023

The net income for fiscal year 2023 is projected at (\$2,000). The surplus at December 31, 2023 is projected at \$13,423,000. The projections assume that the premiums reflect surplus distributions of \$675,000 per year from 2023 to 2025, consistent with the surplus distribution in the 2022/2023 premium rates.

CLLAS is expected to meet the Alberta Maintenance of Reserves and Guarantee (“AMRGF”) Funds requirement with an excess margin of \$17,662,000 at December 31, 2023. The Minimum Capital Test (“MCT”) ratio at December 31, 2023 is projected at 511%.



This business plan report is organized as follows:

- Section 2: Overview of CLLAS Operations
- Section 3: Operating Environment
- Section 4: Short-Term Opportunities and Threats
- Section 5: Short-Term Priorities and Initiatives
- Section 6: Financial Performance Measures
- Section 7: Financial Condition Measures and Regulatory Solvency Requirements
- Section 8: Financial Projections

Any questions regarding this report should be addressed to Mr. Patrick Mahoney:

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2. Overview of CLLAS Operations

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

Professional Liability Insurance

CLLAS was formed on December 22, 1986 under the Reciprocal Insurance Exchange Agreement for Select Canadian Law Firms. CLLAS started its insurance underwriting operations in June 1987 and was regulated by the Financial Services Commission of Ontario. Effective July 1, 2012, CLLAS' lead regulator was changed from Ontario to Alberta. CLLAS is licensed in Alberta, British Columbia, Ontario and Nova Scotia.

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

In the fiscal year ending December 31, 2022, CLLAS issued 20 professional liability insurance policies to 10 Canadian law firms. CLLAS also has participants on a subscription basis on a number of insurance policies issued to these 10 firms. CLLAS provides a combined maximum limit of liability insurance per occurrence of \$175,475,000 to cover the cost of damages that an insured is legally obligated to pay as a result of single or related act, error, omission or negligent act in the performance of or failure to perform professional services by the insured or by any person for whose acts, errors, or omissions the insured is legally responsible.



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

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

Professional Liability Reinsurance

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

In addition, for its treaty underwriting year from July 1, 2022 to June 30, 2023, CLLAS purchased an annual stop-loss coverage that provides \$10,000,000 of coverage in excess of \$5,000,000. Annual stop-loss coverage limiting CLLAS' overall annual net retained losses in any one treaty year was also purchased in prior treaty years.

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

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

Cyber Insurance

As of July 1, 2022 CLLAS introduced a Cyber Insurance policy of up to \$5 million or \$10 million aggregate per insured firm. Coverage includes up to \$10 million limits for Breach Response and First Party Losses, \$10 million each claim for Liability, \$250,000 each loss for eCrime, and \$50,000 for Criminal Reward. All firms have a \$250,000 deductible (\$50,000 for eCrime) except for one firm who has a \$100,000 deductible.



One insured firm purchases \$5 million aggregate and incept July 1. Nine insured firms purchase \$10 million aggregate and incept October 15. One insured firm purchases \$10 million aggregate and incepts November 30.

Cyber Reinsurance

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 in two layers:

- \$5 million excess \$1 million (contract is from July 1 to July 1)
- \$4 million excess \$6million (contract is from October 14 to October 14)

Both these reinsurance contracts are on a risk attaching basis.

Operational Results for Fiscal Year 2022 (under IFRS 4)

In 2022, CLLAS generated written premium volumes of \$16,895,000 and \$3,389,000 on gross and net of reinsurance bases respectively. \$13,506,000 of written premium volume was ceded to proportional and aggregate stop loss reinsurers.

CLLAS' net income, inclusive of a return of surplus of \$2,195,000, was (\$2,178,000) and its net subscribers' equity inclusive of accumulated other comprehensive income was \$10,655,000 at December 31, 2022 under IFRS 4. Under IFRS 17, the net income, inclusive of the return of surplus, was (\$1,963,000) and the net subscribers' equity was \$13,425,000.

3. Operating Environment

Professional liability losses are subject to significant volatility surrounding the timing, frequency and severity of claims, especially in insured layers excess of \$1,000,000. Claims frequency is expected to remain stable but individual claims are expected to trend up at a rate of approximately 4.25% per year. While there is limited information to make assumptions about the new cyber liability program, a claims trend of 4.25% was also retained.

CLLAS is not aware of any legal or regulatory changes or any precedents set in case law that would impact existing or future claims. Management is carefully monitoring the COVID 19 pandemic. The impact of the pandemic on CLLAS cannot be predicted with any accuracy but to date, CLLAS has experienced no significant impact from COVID 19. Premium collection was changed from semi-annual to quarterly instalments for the policy year starting July 1, 2020 and will revert to semi-annual for the policy year starting July 1, 2023



Reinsurance

Reinsurance costs tend to be cyclical, with high prices and tighter underwriting restrictions following years with poor underwriting results. CLLAS has developed strong relationships with its reinsurers and reinsurance rates have historically been quite stable.

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

Regulatory Environment

IFRS 17 became effective January 1, 2023. IFRS 17 introduces major changes in the presentation of financial statements of insurance companies. All projections are based on IFRS 17 accounting standards. The impact of IFRS 17 at December 31, 2022 is an increase in equity of \$2,770,000 and an increase in MCT of 179% (560% compared to 381%).

4. Short-Term Opportunities and Threats

CLLAS successfully introduced its Cyber Program in 2022 in response to the very difficult insurance marketplace for commercial cyber. CLLAS will continue to monitor and refine this program to ensure that it provides the maximum value to its membership.

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

5. Short-Term Priorities and Initiatives

During 2023, CLLAS will focus on the following initiatives in addition to the management of its usual insurance operations:

1. Development of a budget and business plan for fiscal year 2023;
2. Refinement of the recently implemented cyber insurance group purchase program;
3. Determination of expected loss costs and premium rates for the policy year starting July 1, 2023;
4. Negotiation of reinsurance contracts and costs for the policy year starting July 1, 2023;



5. Periodic review of reinsurance concentration and risk; and
6. Quarterly valuation of policy liabilities.

6. Financial Performance Measures

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

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

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

Quarterly financial statements are provided to the Advisory Board.

7. Financial Condition Measures and Regulatory Solvency Requirements

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

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

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

CLLAS must maintain cash and securities in excess of the regulatory requirement to avoid a retroassessment of its members. At December 31, 2022, CLLAS met this requirement with an excess margin of \$17,638,000 (under IFRS 17). The AMRGF is shown in Exhibit 3.



b. Minimum Capital Test (“MCT”)

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

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

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

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

At December 31, 2022, CLLAS’s MCT ratio was 560% (under IFRS 17). CLLAS’ internal target MCT ratio is 210%. The MCT is shown in Exhibit 4. CLLAS plans to continue to monitor its MCT ratio as an information item for the Board and management.

8. Financial Projections

The expected financial performance over fiscal years 2023 to 2025 is presented in Exhibits 1 to 4 as follows:

- Exhibit 1: Proforma Statement of Financial Position
- Exhibit 2: Proforma Statement of Income
- Exhibit 3: Proforma AMRGF Requirement
- Exhibit 4: Proforma Minimum Capital Test

These projections are based on a starting financial position at December 31, 2022, restated under IFRS 17, and were completed in accordance with the directives of the Superintendent issued for the completion of P&C-1 Annual Return under IFRS 17. We present below details of the analysis for the 2023 projection. Similar assumptions were used to project the results for 2024 and 2025.

Data

To develop the expected financial performance, we relied on the following information provided by CLLAS at December 31, 2022:



- The 2022 P&C-1 Annual Return and AMRGF worksheet filed by CLLAS with the Alberta Superintendent of Insurance;
- The 2022 Auditor's Report issued by Deloitte LLP;
- The Report on the Valuation of the Policy Liabilities as at December 31, 2022 issued by Ms. Julie-Linda Laforce, the Appointed Actuary for CLLAS;
- The operating expense budget for 2023;
- Management financial statements and MCT calculations under IFRS 17.

Projection of Premiums

Net premiums written in 2023 are expected to be \$3,527,000, up from \$3,389,000 in 2022. Renewal premiums were assumed to increase based on a trend of 4.25% in retained loss costs and inflation of 5% on operating expenses. In addition, net premiums reflect an annual surplus distribution of \$675,500, in line with the surplus distribution reflected in the 2022/2023 rates. Reinsurance costs were assumed to increase by 7.5% for the Professional Liability coverage and by 10% for the Cyber coverage.

Projection of Investment Income

The expected investment income for 2023 is \$700,000 (\$394,000 in 2022). The yield-to-maturity on invested assets at December 31, 2022 was 4.22% gross of investment management expenses and the investment yield gross of investment management expenses was projected at 4.22% for 2023.

Projection of Claims

Claims were projected before and after taking into account reinsurance. These projections assume, to a large extent, that the reinsurance structure in effect at December 31, 2022 is maintained on renewal. Gross and net incurred losses for 2023 were projected in two steps:

a. Settlement of claim liabilities incurred on or prior to December 31, 2022

Paid claims during 2023 and undiscounted claim liabilities at December 31, 2023 were projected based on the Appointed Actuary's estimates at December 31, 2022 and CLLAS' historical claims settlement patterns. There is no expected gain or loss relative to the actuary's ultimate estimates at December 31, 2022.

In accordance with accepted actuarial practice in Canada, liabilities for incurred claims were then discounted and a risk adjustment provision was added. The assumptions used in the December 31, 2022 actuarial valuation under IFRS 17 were replicated.



b. Projected claims incurred after December 31, 2022 on policies in-force at December 31, 2022 and on policies expected to be renewed on July 1, 2023 under the new 2023/2024 policy year

Ultimate gross and net incurred claims for those policies were estimated based on the projected loss cost estimated by the Appointed Actuary at December 31, 2022 with a 4.25% loss severity trend. These loss costs were then applied to the estimated in-force lawyers at December 31, 2022, since no growth at renewal was assumed for the underlying number of insured lawyers.

Incurred claims for fiscal year 2023, are estimated at \$1,499,000 as the sum of net paid claims in the year and the change in net claim liabilities. Of this amount, \$244,000 is presented as an insurance finance expense and \$1,255,000 is presented as an insurance service expense in the statement of income.

Projection of Operating Expenses

Operating expenses are projected at \$2,137,000 for general management fees and \$512,000 for premium taxes. Premium taxes vary by province and are expected to average 2.8% of direct written premiums. CLLAS does not defer any acquisition expenses.

Summary of Results

Based on the foregoing assumptions, the net income for fiscal year 2023 are projected at (\$2,000) as shown in Exhibit 2. The surplus at December 31, 2023 is projected at \$13,423,000 as shown in Exhibit 1.

CLLAS is expected to meet the AMRGF requirement with an excess margin of \$17,662,000 at December 31, 2023, as shown in Exhibit 3.

CLLAS' MCT ratio at December 31, 2023 is projected at 511%, a decrease over the MCT ratio of 560% at December 31, 2022, as shown in Exhibit 4. The MCT ratio is expected to remain above CLLAS' internal target of 210%.

Exhibit 1
Canadian Lawyers Liability Assurance Society

Proforma Statement of Financial Position

	Actual IFRS 4 As at December 31, 2022	Restated IFRS 17 As at December 31, 2022	Projection to December 31, 2023	Projection to December 31, 2024	Projection to December 31, 2025
Assets					
Cash	\$ 2,872,993	\$ 2,872,993	\$ 3,006,426	\$ 3,198,104	\$ 3,359,207
Investments					
Short Term	11,590,166	11,590,166	10,763,084	11,170,945	11,605,324
Long Term	5,677,588	5,677,588	5,795,507	6,015,124	6,249,021
Interest Income Due and Accrued	25,156	25,156	0	0	0
Premiums Receivable	5,648,700				
Unearned Reinsurance Premium Ceded	7,121,884				
Prepaid Expenses	236,651	236,651	236,651	236,651	236,651
Deferred Policy Acquisition Costs	258,476				
Reinsurance and Other Claims Receivable	1,491,496				
Other Receivable	0				
Provision for Unpaid Claims and Adjustment Expenses Recoverable from Reinsurers	73,415,025				
Reinsurance Contract Assets					
Asset for Incurred Claims		72,018,164	75,216,276	79,579,559	83,277,799
Asset for Remaining Coverage		2,665,644	3,293,703	3,681,201	4,088,073
Total Assets	108,338,135	95,086,362	98,311,648	103,881,584	108,816,075
Liabilities					
Provision for Unpaid Claims and Adjustment Expenses	82,061,404				
Premium Deficiency Liability	0				
Unearned Premium	9,135,323				
Due to Reinsurers	4,456,240				
Accounts Payable & Accrued Charges	1,919,069				
Premium Taxes Payable	111,210				
Insurance contract liabilities					
Liability for Incurred Claims		76,144,667	80,247,568	85,363,837	89,663,999
Liability for Remaining Coverage		3,931,901	4,640,859	5,141,517	5,666,830
Other Liabilities and Charges		1,585,000	0	0	0
Total Liabilities	97,683,246	81,661,568	84,888,426	90,505,354	95,330,829
Subscribers' Equity	10,654,889	13,424,794	13,423,221	13,376,230	13,485,246

Exhibit 2
Canadian Lawyers Liability Assurance Society

Proforma Statement of Income

	2022 Actual IFRS 4	2022 Restated IFRS 17	2023 Projected	2024 Projected	2025 Projected
Insurance Service Result					
Insurance revenue		\$ 14,004,146	\$ 17,373,635	\$ 18,507,915	\$ 19,454,995
Insurance service expense		16,452,625	17,519,612	18,174,730	18,577,479
		(2,448,479)	(145,977)	333,185	877,517
Allocation of reinsurance premiums		11,619,994	13,927,588	14,895,932	15,640,729
Amounts recovered from reinsurers		14,004,668	13,616,034	14,101,230	14,463,570
		(2,384,674)	311,554	794,702	1,177,159
Net insurance service result		(63,805)	(457,530)	(461,517)	(299,642)
Investment Result					
Investment income		393,562	699,507	697,299	724,075
Insurance finance income (expense)					
For insurance contracts		4,299,959	(3,300,994)	(3,478,861)	(3,700,659)
For reinsurance contracts		(3,963,465)	3,057,444	3,196,088	3,385,243
Net investment result		730,056	455,958	414,526	408,658
Net Income (loss) Before Return of Surplus		666,251	(1,573)	(46,991)	109,016
Unrealized gains (losses) on available for sale financial assets arising during the year		(434,476)	0	0	0
Recognition of realized (gain) loss included in income		0	0	0	0
Return of Surplus		(2,195,000)	0	0	0
Total Comprehensive Income (Loss)	(2,177,916)	(1,963,225)	(1,573)	(46,991)	109,016
Subscribers' Equity, Beginning of Period	12,832,805	15,388,017	13,424,794	13,423,221	13,376,230
Subscribers' Equity, End of Period	10,654,889	13,424,794	13,423,221	13,376,230	13,485,246

Exhibit 3
Canadian Lawyers Liability Assurance Society

Proforma Alberta Maintenance of Reserve and Guarantee Fund Requirement

	Actual IFRS 4 As at December 31, 2022	Restated IFRS 17 As at December 31, 2022	Projection to December 31, 2023	Projection to December 31, 2024	Projection to December 31, 2025
Reserve Fund					
(1) Premiums Collected or Credited Having One Year or Less to Run		16,894,559	18,082,592	19,008,574	19,980,308
(2) Less: Amount Paid to Licensed Reinsurers		13,505,718	14,555,647	15,283,429	16,047,601
(3) Premiums Collected With More Than One Year to Run, Less Expired Portion		0	0	0	0
(4) Less: Amount Paid to Reinsurers on Premiums on Line 3, Less Expired Portion		0	0	0	0
(5) Subtotal [(1) - (2) + (3) - (4)]		3,388,841	3,526,945	3,725,145	3,932,707
(6) Reserve Fund Required [50% x (5)]		1,694,420	1,763,473	1,862,572	1,966,354
Guarantee Fund					
(7) Total Liabilities		81,661,568	84,888,426	90,505,354	95,330,829
(8) Less: Unearned Premiums		9,135,323	9,844,280	10,344,938	10,870,251
(9) Less: Recoverable from Licensed Reinsurers *		71,768,016	74,955,020	79,303,147	82,988,542
(10) Plus: Statutory Margin		50,000	50,000	50,000	50,000
(11) Guarantee Fund Required [(7) - (8) - (9) + (10)]		808,230	139,127	907,269	1,522,036
(12) Total Reserve and Guarantee Fund Required [(6) + (11)]		2,502,650	1,902,600	2,769,841	3,488,390
(13) Cash & Approved Securities		20,140,747	19,565,017	20,384,174	21,213,552
(14) Excess of Cash & Securities over Reserve & Guarantee Fund [(13) - (12)]		17,638,097	17,662,418	17,614,333	17,725,163

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

Exhibit 4
Canadian Lawyers Liability Assurance Society

Proforma Minimum Capital Test

	Actual IFRS 4 As at December 31, 2022	Restated IFRS 17 As at December 31, 2022	Projection to December 31, 2023	Projection to December 31, 2024	Projection to December 31, 2025
Capital Available					
Total Equity	10,654,889	13,424,794	13,423,221	13,376,230	13,485,246
Less: Deductions from Capital Available	311,000	311,000	326,933	346,716	363,811
(1) Capital Available	10,343,889	13,113,794	13,096,288	13,029,514	13,121,435
Capital Required					
Insurance Risk					
Unexpired Coverage	401,000	379,062	394,293	415,597	437,896
Liability for Incurred Claims	1,159,000	1,008,000	1,236,000	1,426,000	1,577,000
Catastrophes	0	0	0	0	0
Margin Required for Reinsurance Ceded to Unregistered Insurers	62,000	62,000	63,521	67,206	70,329
Subtotal	1,622,000	1,449,062	1,693,814	1,908,803	2,085,225
Market Risk					
Interest Rate Risk	246,000	20	41,814	71,292	92,406
Foreign Exchange Risk	0	0	0	0	0
Equity Risk	0	0	0	0	0
Real Estate Risk	0	0	0	0	0
Other Market Risk Exposures	0	0	0	0	0
Subtotal	246,000	20	41,814	71,292	92,406
Credit Risk					
Counterparty Default Risk for Balance Sheet Assets	1,505,000	1,451,000	1,448,000	1,450,000	1,453,000
Counterparty Default Risk for Off-Balance Sheet Exposures	0	0	0	0	0
Counterparty Default Risk for Unregistered Reinsurance Collateral and SIRs	114,000	111,000	111,000	111,000	111,000
Subtotal	1,619,000	1,562,000	1,559,000	1,561,000	1,564,000
Operational Risk	1,046,000	903,325	988,388	1,062,329	1,122,489
Diversification Credit	(464,726)	(402,797)	(441,017)	(471,302)	(494,198)
(2) Total Capital Required at 150% MCT	4,068,274	3,511,610	3,841,998	4,132,122	4,369,922
(3) Total Capital Required at 100% MCT [= (2) / 1.5]	2,712,183	2,341,074	2,561,332	2,754,748	2,913,281
(5) MCT Ratio [= (1) / (3)]	381.4%	560.2%	511.3%	473.0%	450.4%



MEMORANDUM

DATE: June 9, 2023
TO: CLLAS Advisory Board
FROM: Carrie Green
Patrick Mahoney
COPY: Tracie Crook – Lenczners
RE: Accounting for Participation in the CLLAS Cyber Program

This memo addresses the approach proposed by management to account for Subscriber participation in the CLLAS Cyber Program. The approach is modeled closely on the methodology in place for the E&O Program, which has been refined over time but has been working effectively since CLLAS was formed in 1987. The Rules of the Reciprocal (attached as Appendix A) document the E&O Program methodology in technical terms. An overview for that program is presented below, together with the proposed approach for the Cyber Program.

After obtaining feedback on the Cyber Program, draft Rules will be prepared. We recommend that formal adoption be postponed until after the preparation of first set of Cyber Program Subscribers' Accounts (which will be prepared in the fall) in case that process results in recommended changes to the methodology. Going forward, separate Subscribers' Accounts will be maintained for each of the two programs.

Background

The objective of the Subscribers' Accounts is to systematically allocate CLLAS' assets and liabilities (and resulting surplus) amongst the Subscribers as of June 30th of each year. These Accounts are used to track each Subscriber's financial interest in CLLAS. The aggregate financial information in the accounts is consistent with CLLAS' management financial statements as of the same date. The most recent Subscribers' Accounts, which are as at June 30, 2022, are attached as Appendix B for ease of reference.

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



Overview of E&O Methodology

The asset account for each Subscriber at the end of the preceding year is adjusted by allocating each component that affected CLLAS' net assets in the year (i.e. premiums collected, claims paid, operating expenses, investment income).

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

Liabilities are mainly attributable to unpaid claims and are allocated to each Subscriber on the basis of expected loss costs. Each Subscriber's share of CLLAS's surplus is determined by subtracting the Subscriber's allocated liabilities from its net asset account.

Proposed Approach for Cyber

The allocation methodology proposed for the Cyber Program is more straightforward than that for the E&O Program as it does not need to take into account the long tail nature of E&O losses, which can take 10+ years to develop after they are reported. Having said that the intention is to follow a similar philosophy for Cyber, amended as appropriate to reflect the differing nature of the coverage.

As discussed below, premiums are determined in a manner that management believes reflects the relative exposure of the firms, and relative net premium serves as a reasonable basis to allocate claims liabilities, reinsurance costs, operating expenses, etc. Details on the current approach for each component of the E&O Program are set out below, together with the recommended approach for the Cyber Program.

Component	E&O Program Approach	Proposed Cyber Program Approach
Premiums (Income)	Based on actual amounts collected from each firm	Based on actual amounts collected from each firm
Premium Taxes (Expense)	Based on actual amounts collected from each firm and remitted to tax authorities	Same as all other operating expenses (see below).

Component	E&O Program Approach	Proposed Cyber Program Approach
Reinsurance Costs (Expense)	Based on actual amounts collected from each firm and remitted to reinsurers	Cost for each layer allocated based on relative net premiums in the most recent policy year ¹ for firms participating in that layer
Retroassessments (Income)	Based on actual amounts collected from each firm	Based on actual amounts collected from each firm
Operating Expenses – Current Underwriting Period (all expenses other than claims management expenses)	Based on expected loss costs (as determined by the actuary) for the most recent policy year	Based on relative net premiums ² in the most recent policy year
Operating Expenses – Prior Underwriting Periods (claims management expenses)	Allocated first amongst Underwriting Periods based on number of open claims (excess of \$500,000), and then amongst Subscribers based on gross expected losses for the relevant Underwriting Period.	Based on relative net premiums in the most recent policy year. ³
Claims (Expense)	Based on expected loss costs for the Underwriting Period	Based on relative net premiums in the Underwriting Period

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

² For the E&O Program, expected loss costs are a reasonable measure of the exposure that each firm presents to CLLAS because they reflect variations due to Quebec/non-Quebec lawyers and also differences in limit purchased by each firm. For cyber insurance, there is not enough claims data to use expected losses, so we consider relative premiums to be an appropriate reflection of relative exposure. For cyber, while larger firms do present a greater exposure, we do not view it as linear, i.e. a 200 layer firm does not present twice the exposure of a 100 layer firm. This concept is factored into the premium allocation model for the Cyber Program, as each firm is charged a base premium plus a variable component based on firm size.

³ For simplicity, it is proposed to allocate all Cyber Program expenses (including internal claims management expenses) based on relative net premium collected from the firms in the policy year. Compared with E&O claims, cyber claims are expected to be “short tail”, i.e. reported and resolved relatively quickly, and internal claims management expenses are expected to be minimal.



Component	E&O Program Approach	Proposed Cyber Program Approach
Investment Income	Allocated in proportion to the Gross Asset Account ⁴ of each Subscriber for the year	Allocated in proportion to the Gross Asset Account of each Subscriber for the year

As can be seen from the above table, we propose to allocate operating expenses based on relative net premium in the policy year and claims costs based on relative net premium in the Underwriting Period. Other elements follow the same approach as for the E&O Program.

We look forward to discussing this with you at the upcoming Board meeting.

⁴ A Subscriber’s Gross Asset Account is that Subscriber’s Net Asset Account at the prior year-end (taken from the previous year’s Subscribers’ Accounts) adjusted by adding the current year’s premiums for that Subscriber and subtracting 50% of that Subscriber’s share of all expenses. This approach basically assumes, in allocating investment income, that premiums are collected up front and expenses are paid mid-year. (In fact, premiums are collected in instalment, so this issue should be reviewed when the Subscribers Accounts are prepared this year.) All Subscribers receive the same investment return as the overall CLLAS investment return for the year.

RULES

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

(Adopted Pursuant to Section 7.09 of the Subscription Agreement)

(CLLAS)

Interpretation

Except as otherwise provided, all expressions used in these Rules have the meanings ascribed to them in the Subscriber Agreement.

A. NOTICE OF CLAIMS, INTENTION TO CLAIM, OR CIRCUMSTANCES LIKELY TO GIVE RISE TO CLAIMS

- A.1 The Executive Committee shall appoint a Claims Committee from among the members of the Advisory Board and establish the rules and procedures to govern the activities and procedures of such Committee
- A.2 Subscriber shall give notice in writing to the Claims Committee as soon as practicable of:
 - A.2.1 any claim made against a Subscriber or any member of the Subscriber during the applicable Period of Insurance; or
 - A.2.2 the receipt by the Subscriber or any member of the Subscriber of notice from any person of any intention to make a claim against the Subscriber or any member of the Subscriber; or
 - A.2.3 any circumstance or circumstances of which the Subscriber shall become aware which may give rise to a claim against the Subscriber or any member of the Subscriber for professional negligence or other event in respect of which the Subscriber would be entitled to seek indemnity from the Reciprocal under a policy of insurance issued by the Reciprocal if the Subscriber intends to claim such indemnity.
- A.3 If notice is given to the Claims Committee under Rule A.2.2 or A.2.3 any claim subsequently made (whether before or after the expiry of the Period of Insurance) pursuant to such an intention to claim or arising from circumstances so notified shall be deemed to have been made at the date when such notice was given to the Claims Committee.

B. LEGAL AND OTHER ASSISTANCE

- B.1 Without prejudice to any other provision of these Rules or any rules or procedures developed by the Executive Committee to deal with and settle claims and without waiving any of the Reciprocal's rights, the Reciprocal may appoint and employ on behalf of a Subscriber lawyers or other persons for the purpose of dealing with any matter likely to give rise to a claim by an Insured upon the Reciprocal, including investigating or advising upon

any such matter and (in conjunction with or independently of lawyers or other persons appointed or employed by the insurers) taking or defending legal or other proceedings in connection therewith.

- B.2 All lawyers and other persons appointed by the Reciprocal on behalf of a Subscriber, or appointed by a Subscriber with the prior consent of the Reciprocal, shall be deemed to be appointed and employed on the terms that they have been instructed by the Subscriber to give advice and to report to the Reciprocal in connection with the matter without prior reference to the Subscriber and to produce to the Reciprocal without prior reference to the Subscriber any documents or information in their possession or power relating to such matter, all as if such person had been appointed to act and had at all times been acting on behalf of the Reciprocal.

C. ADMISSIONS/SETTLEMENT

- C.1 A Subscriber shall not admit liability to pay or settle a claim covered by any Policy issued by the Reciprocal without the prior approval of the Executive Committee of the Advisory Board.

D. UNDERWRITING PERIOD

D.1 Subscriber Participation

Subscriber participation in each Underwriting Period will be measured by "lawyer-year" exposure units ("Exposure Units") coupled with the "expected loss cost rate" per Exposure Unit applicable to each of the five Fiscal Periods of the Underwriting Period ("Yearly Loss Cost Rate"). The Yearly Loss Cost Rate for any particular Fiscal Period will be determined by the Actuary based on the portion of the risk retained by the Reciprocal for that particular Fiscal Period. Generally it is anticipated that the Yearly Loss Cost Rate will be materially below corresponding premium rates available in the commercial insurance markets. For any particular Fiscal Period the product of the Yearly Loss Cost Rate and the Exposure Units for a Subscriber for that Fiscal Period shall represent the expected loss cost ("Expected Loss Cost") which would be the actuarially determined commuted value of defense and settlement costs in respect of anticipated claims for the Fiscal Period for that particular Subscriber.

D.2 Reciprocal Premium Requirements

Premiums, expressed as a rate per Exposure Unit, shall be determined by the Actuary for each Fiscal Period during the particular Underwriting Period. Such premium rate shall be sufficient to fund the Reciprocal's administration expenses and reinsurance premiums and the portion of the risk being retained by the Reciprocal. During the initial years of the Reciprocal, it is intended that the portion of the premium requirement allocated towards the portion of the risk being retained shall generally be consistent with the then current commercial premium requirements.

E. ACCOUNTING REQUIREMENTS

E.1 Accounting

The Reciprocal shall cause to be maintained detailed accounts setting forth each Subscriber's interest in each Fiscal Period of each Underwriting Period. Premiums and retroassessments will be allocated on an "as paid basis". Investment income earned on accumulated assets will be allocated as hereinafter provided. Administration and reinsurance expenses and actual loss claim costs paid shall be allocated equitably amongst the Subscribers in accordance with each Subscriber's participation in each Fiscal Period of each Underwriting Period. A Subscriber's incurred cost for each Underwriting Period shall be directly proportional to the Subscriber's participation in the Underwriting Period with the excess of premiums and retroassessments paid plus allocated accumulated investment income over its portion of the administration and reinsurance expenses. The excess over the greater of the accumulated value of the Subscriber's actual loss claim costs and the Subscriber's accumulated Expected Loss Costs shall be returned to the Subscriber through retroassessment credits.

E.2 Without limiting the detail and degree of the Reciprocal's overall accounting requirements, the following accounts as they relate to any particular Subscriber shall be maintained for each Subscriber in respect of each Fiscal Period of each Underwriting Period:

- (i) Net Asset Account
- (ii) Exposure Unit Account
- (iii) Expected Loss Cost Account
- (iv) Paid Loss Cost Account
- (v) Reserve Loss Cost Account
- (vi) Outstanding Retroassessment Account
- (vii) Aggregate Paid Loss Cost Account
- (viii) Aggregate Reserve Loss Cost Account

In addition, the following accounts will be maintained for each Underwriting Period to reflect the aggregate actual loss experience of the Reciprocal in respect of each Fiscal Period of the said Underwriting Period:

- (a) Aggregate Paid Loss Account – to record and accumulate all disbursements made on account of defense costs, settlements and judgments in respect of claims reported during the Underwriting Period to the extent the Reciprocal is directly liable for same.
- (b) Aggregate Reserve loss Cost Account – to record the then aggregate value of the reserve estimates for future defense, settlement and judgment costs in respect of all outstanding claims to the extent the Reciprocal is directly liable for same.
- (c) Exposure Unit Account – to record and accumulate the number of Exposure Units applicable to a Subscriber for each of the five (5) Fiscal periods of the Underwriting Period.
- (d) Expected Loss Cost Account – to record and accumulate the Expected Loss Cost applicable to a Subscriber for each of the five (5) Fiscal Years of the Underwriting

Period.

- (e) Paid Loss Cost Account – to record and accumulate the change in the portion of the Aggregate Paid Loss Cost Account applicable to a Subscriber. At any particular time, the portion of the Aggregate Paid Loss Cost Account balance applicable to a Subscriber shall be equal to the balance multiplied by the proportion that the Subscriber's then balance in its Expected Loss Cost Account as it relates to the aggregate of such balances for all Subscribers.
- (f) Reserve Loss Cost Account – to record and accumulate the change in the portion of the Aggregate Reserve Loss Cost Account applicable to a Subscriber to be determined in the same manner as set forth for the Subscriber's Paid Loss Cost Account.
- (g) Net Asset Account – to maintain a record of a Subscriber's interest in the Reciprocal's accumulated assets. As such, for any particular Fiscal Period the account will be debited or credited as follows:
 - (i) Premiums – Premiums applicable to a Subscriber will be credited as paid.
 - (ii) Retroassessments Charged or Credits – Retroassessments applicable to a Subscriber will be debited as paid or, if any credits are applied, will be credited as paid.
 - (iii) Administration and Reinsurance Expenses – The portion of the Reciprocal's administration and reinsurance expenses applicable to a Subscriber will be debited as paid. The Subscriber's portion of expenses for the Fiscal Period shall be equal to the aggregate of such expenses multiplied by the proportion that the Subscriber's Exposure Units for the Fiscal Period bears to the aggregate of such Exposure Units for all Subscribers.
 - (iv) Paid loss Costs – The net change in a Subscriber's Paid Loss Cost Account for the Fiscal Period shall be debited.
 - (v) Investment Income – The portion of the investment income earned by the Reciprocal on its invested assets during the Fiscal Period and a Subscriber's interest therein shall be credited. Such investment income shall be allocated in an equitable manner on the basis of the Net Asset Account balances of the Subscribers at the beginning and the end of the Fiscal Period.
 - (vi) Outstanding Retroassessment Account – As it relates to any particular Subscriber, the balance in this account at any particular time shall be equal to the then commuted value of all outstanding payments in respect of any retroassessment levied against a Subscriber.

CLLAS SUBSCRIBERS' ACCOUNTS

STATEMENT OF FINANCIAL POSITION AND STATEMENT OF OPERATIONS BY UNDERWR
FOR THE YEAR ENDED JUNE 30, 2022

LAW FIRMS:

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

UNDERWRITING PERIODS:

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

CLLAS SUBSCRIBERS' ACCOUNTS
UNDERWRITING PERIODS CONSOLIDATED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2022

Board Book Page 56

Exhibit 1
Page 1

SUBSCRIBER	1	2	3	4	5	7	8	9	10	11	12	13	Total
ASSETS													
Net Asset Account	1,037,626	2,934,916	1,805,265	826,345	2,582,614	1,221,946	2,612,745	1,827,133	2,302,146	1,546,945	498,096	1,107,270	20,303,047
Accrued Interest	972	3,766	2,650	1,068	2,338	1,398	3,276	2,053	2,801	1,890	619	1,409	24,241
Reinsurance Receivable	52,159	117,583	86,397	30,225	85,442	38,868	88,439	60,989	69,763	44,089	16,147	36,927	727,027
Prepaid Expenses	0	27,508	21,362	5,936	0	7,035	20,403	9,890	17,195	12,053	4,043	10,606	136,032
Total Assets	1,090,757	3,083,773	1,915,674	863,573	2,670,394	1,269,247	2,724,863	1,900,066	2,391,906	1,604,978	518,904	1,156,212	21,190,347
LIABILITIES													
Undiscounted Case Reserves	0	179,811	133,902	44,975	133,912	60,188	125,995	81,842	104,489	77,872	25,930	57,094	1,026,010
Undiscounted IBNR	41,523	724,944	571,266	182,647	108,653	223,163	553,268	296,651	453,196	330,456	119,477	266,654	3,871,899
Impact of Discounting and Provision for Adverse Deviation	71,099	677,075	528,224	170,995	161,226	210,839	514,727	287,273	419,783	301,283	108,872	243,563	3,694,959
Prepaid Premium	0	0	0	0	0	0	0	0	0	0	0	0	0
Premium Refund Payable	0	0	0	0	0	0	0	0	0	0	0	0	0
Reinsurance Payable	0	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Expenses	0	43,714	39,582	12,546	0	11,517	35,476	15,486	27,926	19,098	7,157	16,013	228,516
Total Liabilities	112,622	1,625,544	1,272,974	411,164	403,791	505,706	1,229,466	681,252	1,005,394	728,709	261,436	583,325	8,821,384
SUBSCRIBERS' EQUITY													
Total Subscribers' Equity	978,135	1,458,228	642,699	452,409	2,266,602	763,541	1,495,398	1,218,814	1,386,511	876,269	257,469	572,887	12,368,963
Total Liabilities and Equity	1,090,757	3,083,773	1,915,674	863,573	2,670,394	1,269,247	2,724,863	1,900,066	2,391,906	1,604,978	518,904	1,156,212	21,190,347

CLLAS SUBSCRIBERS' ACCOUNTS
UNDERWRITING PERIODS CONSOLIDATED
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2022

Board Book Page 57

Exhibit 1
Page 2

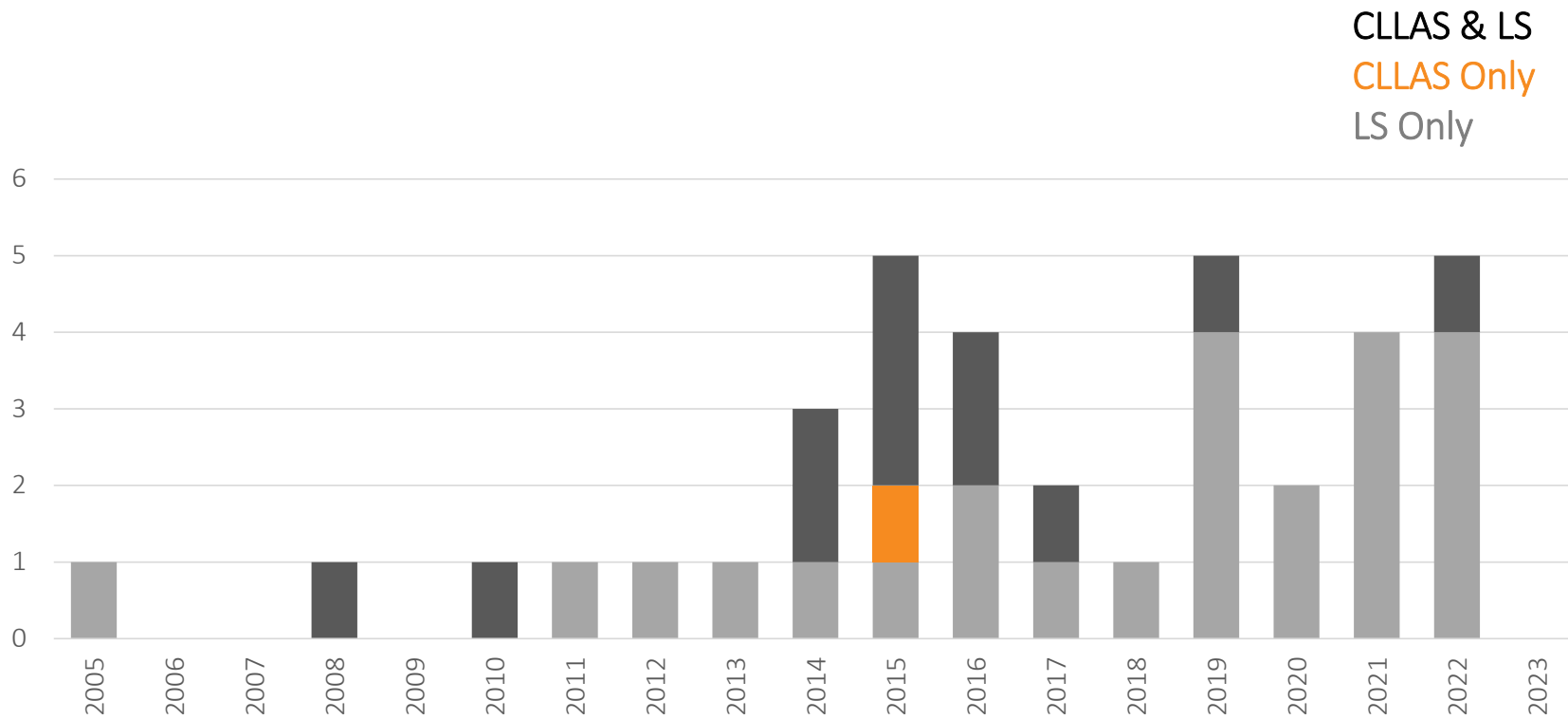
SUBSCRIBER	1	2	3	4	5	7	8	9	10	11	12	13	Total
Direct Written Premium	-	2,405,808	2,218,414	693,880	-	628,822	1,958,162	846,722	1,540,177	1,062,739	362,145	876,459	12,593,327
Retroassessment	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Written Premium	-	2,405,808	2,218,414	693,880	-	628,822	1,958,162	846,722	1,540,177	1,062,739	362,145	876,459	12,593,327
Reinsurance Ceded	-	2,020,296	1,877,810	587,044	-	525,348	1,648,896	709,540	1,292,035	890,934	299,373	732,235	10,583,511
Net Written Premium	-	385,512	340,604	106,836	-	103,474	309,266	137,182	248,142	171,805	62,772	144,224	2,009,816
Change in Unearned Premium	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Earned Premium	-	385,512	340,604	106,836	-	103,474	309,266	137,182	248,142	171,805	62,772	144,224	2,009,816
Claims Paid	(48,181)	(56,207)	(40,382)	(14,704)	(41,722)	(18,793)	(44,649)	(33,100)	(33,393)	(18,060)	(7,154)	(16,966)	(373,311)
Change in Undiscounted Case Reserves	-	(22,674)	(18,129)	(5,668)	667	(6,913)	(17,497)	(8,850)	(14,295)	(10,753)	(3,865)	(8,599)	(116,576)
Change in Undiscounted IBNR	8,954	6,784	8,987	2,593	(26,857)	(1,594)	9,779	(1,556)	9,592	2,542	2,917	7,141	29,280
Change in Impact of Discounting and Provision for Adverse Deviation	21,267	4,622	5,244	2,091	(8,318)	(1,107)	7,571	1,633	6,655	(919)	1,504	4,185	44,428
Incurred Claims	(17,961)	(67,474)	(44,280)	(15,687)	(76,230)	(28,407)	(44,797)	(41,873)	(31,442)	(27,189)	(6,598)	(14,240)	(416,179)
Operating Expenses	-	334,783	298,910	93,953	5,171	90,976	269,338	120,838	214,351	148,137	55,909	123,862	1,756,228
Premium Tax	-	73,767	57,286	15,918	-	18,865	54,714	26,521	46,110	32,322	10,843	28,443	364,789
Total Expenses	-	408,550	356,196	109,871	5,171	109,841	324,052	147,359	260,461	180,459	66,751	152,305	2,121,017
Underwriting Gain (Loss)	17,961	44,436	28,688	12,652	71,059	22,040	30,011	31,695	19,123	18,535	2,619	6,159	304,978
Investment Income	7,438	28,707	20,288	8,151	17,734	10,650	25,004	15,634	21,378	14,405	4,728	10,755	184,872
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Gain (Loss)	25,399	73,143	48,976	20,803	88,793	32,690	55,015	47,329	40,501	32,940	7,347	16,915	489,850
Other Comprehensive Income	(20,046)	(77,636)	(54,622)	(22,018)	(48,201)	(28,824)	(67,543)	(42,331)	(57,754)	(38,973)	(12,753)	(29,043)	(499,744)
Total Comprehensive Income	5,353	(4,493)	(5,646)	(1,215)	40,593	3,865	(12,528)	4,998	(17,253)	(6,033)	(5,406)	(12,128)	(9,894)



Canadian Lawyers Liability Assurance Society

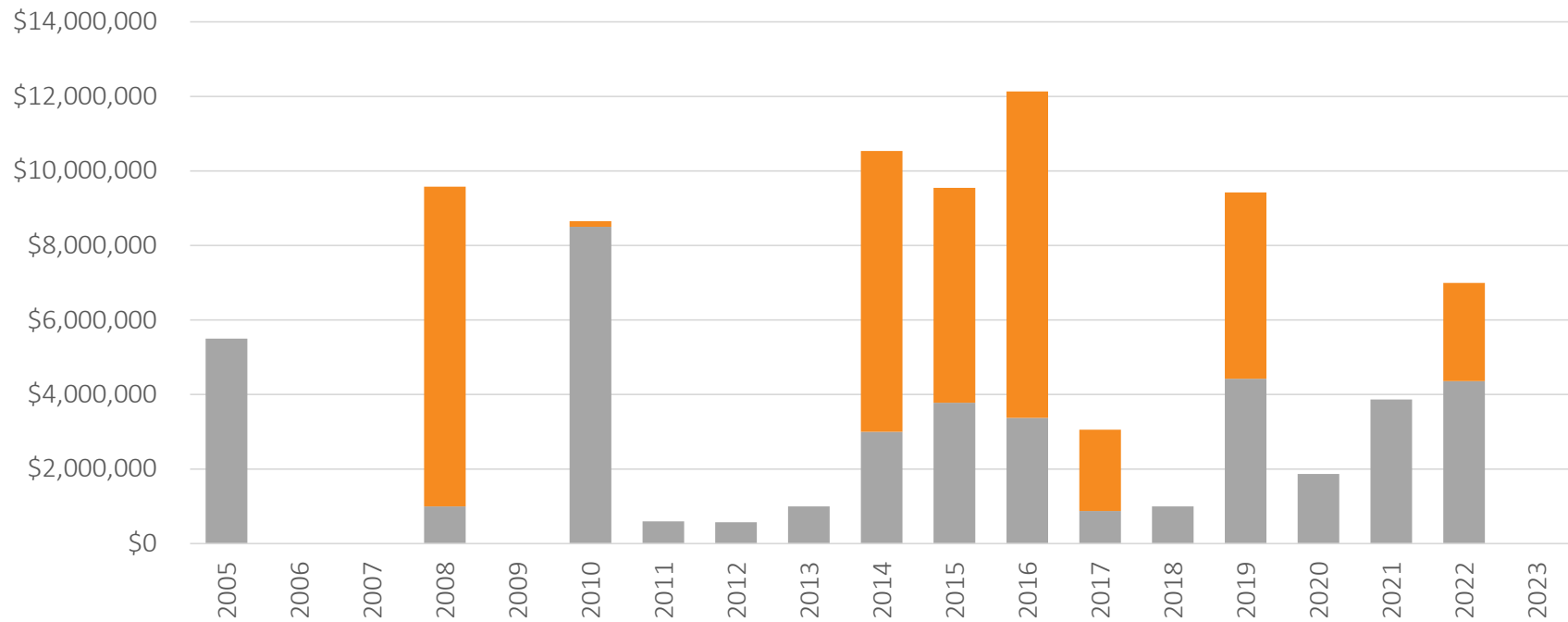
Open Large Loss Claims Summary as at March 31, 2023

Number of Claims by Insurer

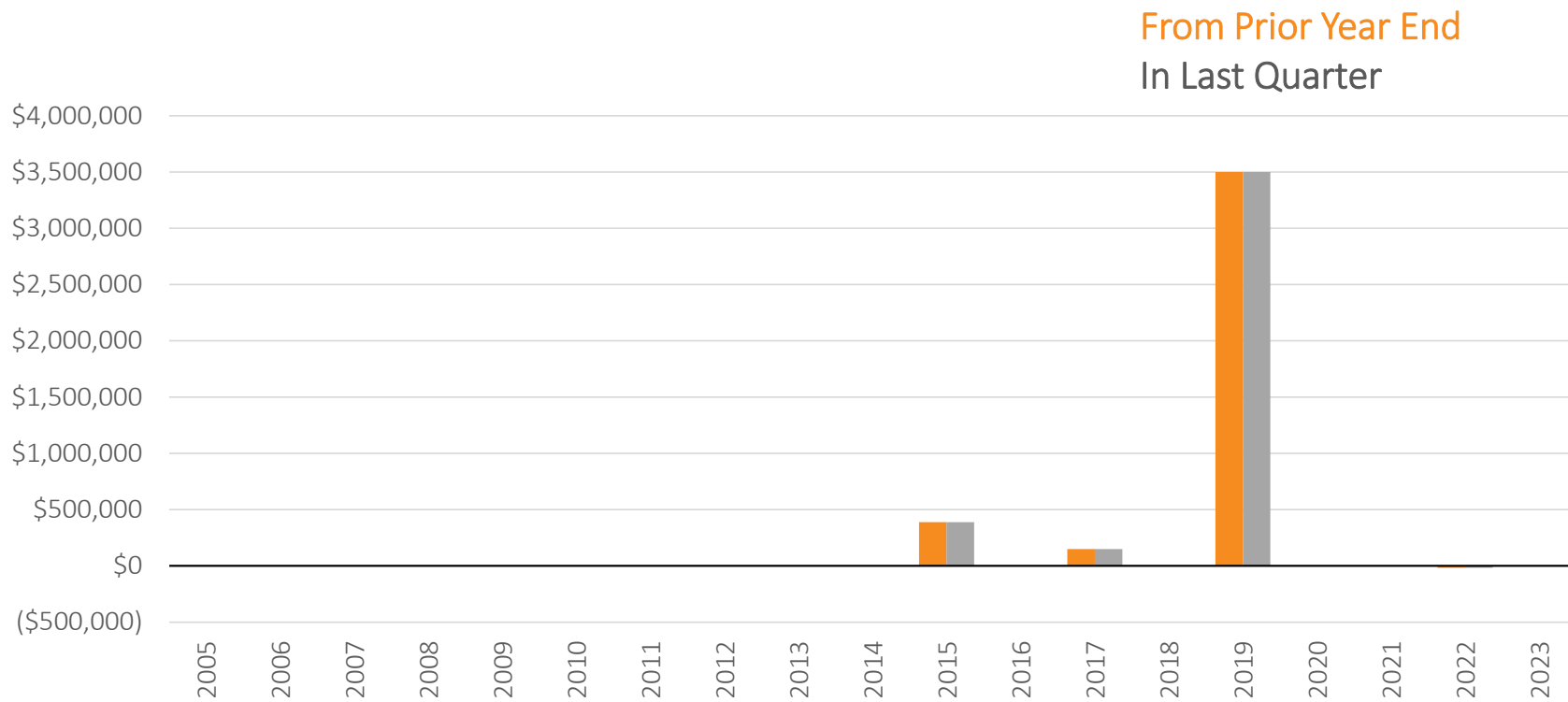


Incurred Amounts by Insurer

LS - CLLAS

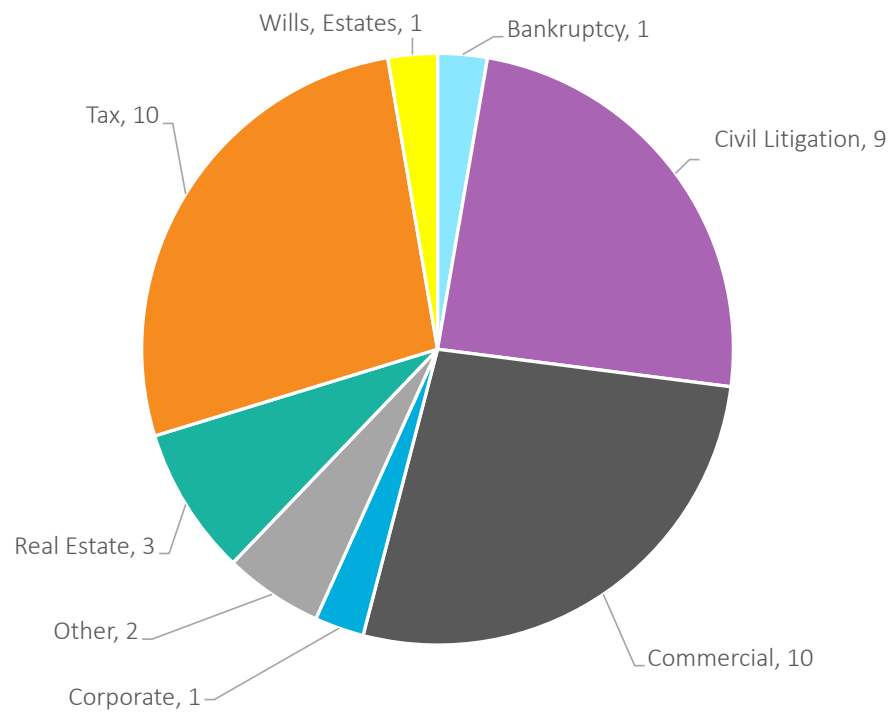


Change in Incurred Amounts (CLLAS)

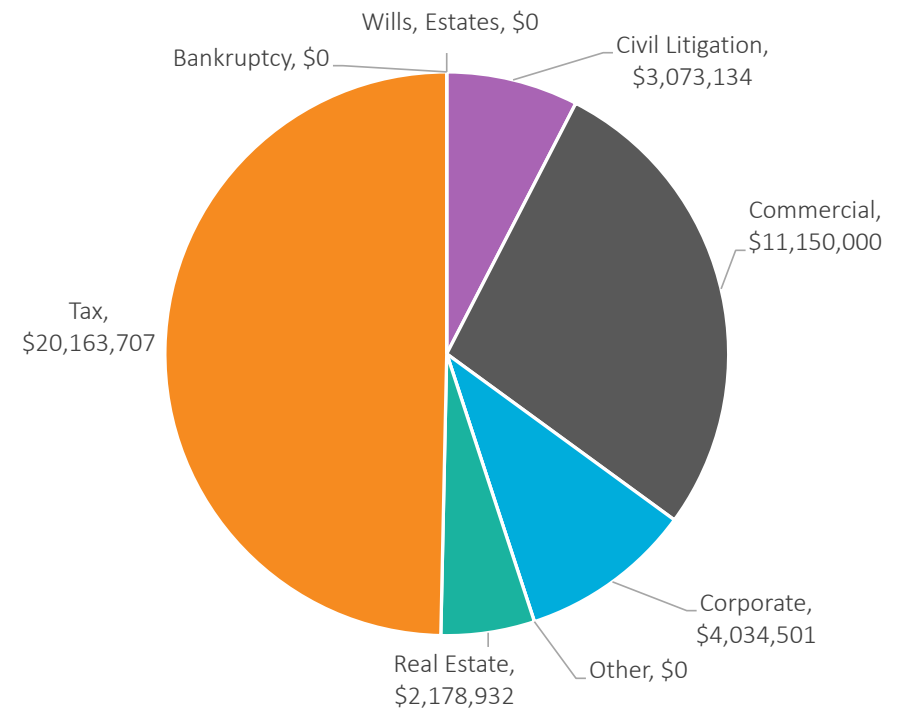


By Area of Law

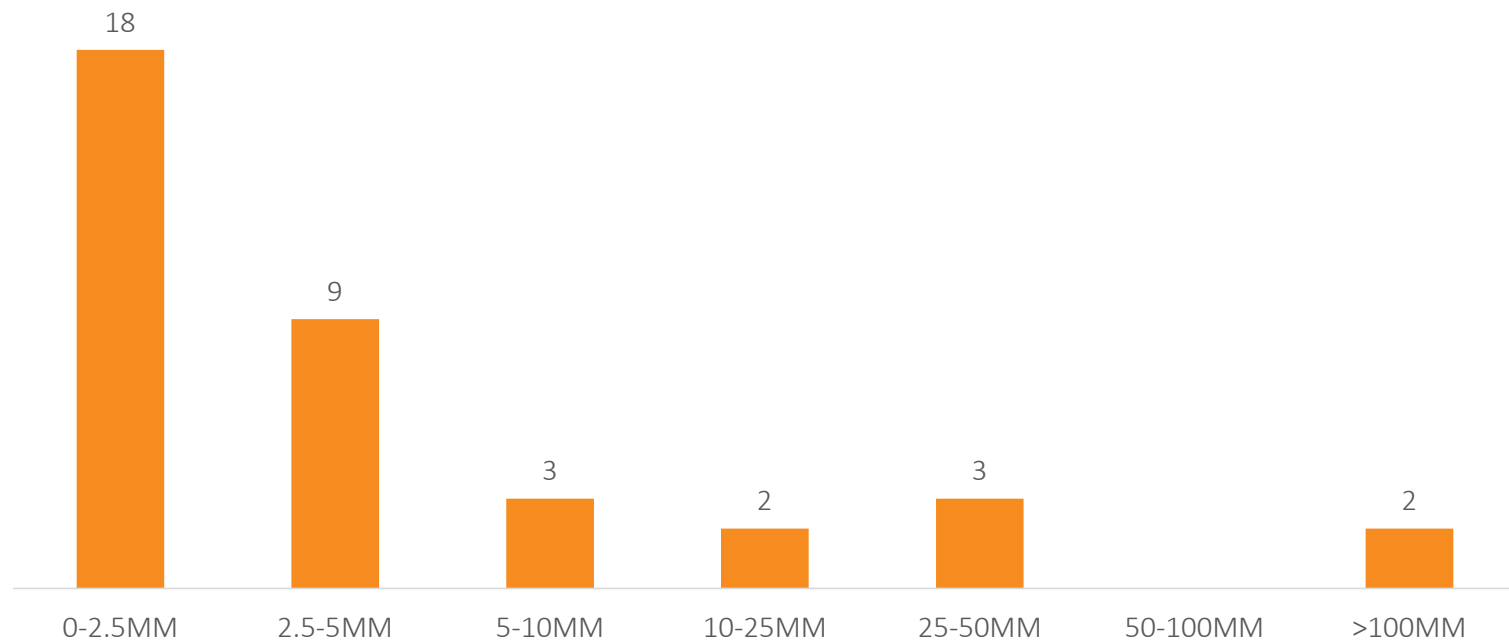
Number of Claims (CLLAS & LS)



CLLAS Incurred



Number of Claims by Best Estimate of Worst Case



Claim Count Movement in Quarter

Policy Year	Law Society Only	CLLAS Only	CLLAS & Law Society
2006 and prior	0	0	0
2007	0	0	0
2008	0	0	0
2009	0	0	0
2010	0	0	0
2011	0	0	-1
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	-1
2019	1	0	0
2020	1	0	0
2021	0	0	0
2022	0	0	0
2023	0	0	0

Notes

Slide 1

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

Slide 2

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

Slide 3

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

Notes (Cont'd)

Slide 4

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

Slide 5

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

Slide 6

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

discussion

MARTIN, LUCAS & SEAGRAM LTD.
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M5E 1G9

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

April 20th, 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 March 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 an unsettled quarter for the security markets and bond prices experienced considerable volatility. Due to a sharp rally in March, the bond indices more than recovered the ground lost earlier and closed the quarter higher. At the end of March, the short-term total return index had gained 1.8% over the quarter and the mid-term total return index was ahead 3.9%. Reflecting these positive trends, the Long Term Fund posted a total return of 2.3%.

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
MARCH 31, 2023

MARTIN, LUCAS & SEAGRAM LTD.
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CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**COMMENTARY FOR THE QUARTER ENDING MARCH 31, 2023****Review of Market Yields**

Following a downward shift during January, yields across the short-to long-end of the curve moved steadily higher throughout February. However, early in March, the entire yield curve fell sharply lower following a high-profile bank failure in the U.S. and the near collapse of a prominent Swiss bank that was subsequently taken over. By the end of March, the drop in yields for 1- to 10-year issues more than erased the increases recorded earlier in the quarter. By the end of March, yields on the 5- to 10-year issues were down 40 basis points on average, while the 1-year yield declined 16 basis points over the quarter. Meanwhile, the 3-month T-bill yield edged 11 basis points higher.

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 144 basis points, compared to a gap of 93 basis points at the end of December.

	Jan. 01/95	Sep. 29/22*	Dec. 30/22	Mar. 31/23
3-month Treasury Bill	6.80%	3.58%	4.23%	4.34%
5-year Canada	8.99%	3.32%	3.41%	3.02%
10-year Canada	9.09%	3.16%	3.30%	2.90%

*Sept 30 2022 – Bank Holiday

During the first quarter, activity in the Short Term Investment Fund involved the roll-over and sale of money market securities. A portion of the money market securities sold funded a capital withdrawal of \$9,000,000. In the Long Term Fund, a corporate bond matured and the proceeds were used to increase an existing medium-term provincial bond position.

At March 31, 2023, 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 March 31.

<i>Distribution at March 31, 2023</i>	<i>Valuation</i>	<i>%</i>
Short Term Investment Fund	\$2,719,100	32.2%
Long Term Investment Fund	\$5,717,520	67.8%
TOTAL COMBINED VALUATION	\$8,436,620	100.0%

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

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

- Total Returns vs. Benchmarks - Gross and Net of Fees
- Distribution of Securities in the Long Term Investment Fund by Credit Risk and by Maturity
- Compliance Statement
- Quarterly Performance Report - Gross of Fees: Long Term Investment Fund
- Bond Market Commentary and Future Policy
- Security Holdings in the Short Term and Long Term Investment Funds Listed and Valued Separately as at March 31, 2023
- Security Purchases and Sales
- Cash Reconciliations
- External Individual Credit Rating Report

LONG TERM INVESTMENT FUND**TIME-WEIGHTED RATES OF TOTAL RETURN
FOR PERIODS ENDING MARCH 31, 2023**

	3 Years*	2 Years*	1 Year	Last 3 months
<i>Long Term Investment Fund – Gross of Fees</i>	<i>0.01%</i>	<i>-1.28%</i>	<i>0.83%</i>	<i>2.30%</i>
<i>Long Term Investment Fund – Net of Fees</i>	<i>-0.27%</i>	<i>-1.55%</i>	<i>0.54%</i>	<i>2.22%</i>
Benchmark Portfolio **	-1.08%	-1.82%	0.46%	2.64%

*Annualized

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

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

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

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

SHORT TERM INVESTMENT FUND**TIME-WEIGHTED RATES OF TOTAL RETURN
FOR PERIODS ENDING MARCH 31 2023**

	Since Inception Oct. 01/08 *	3 Years*	2 Years *	1 Year	Last 3 Months
<i>Short Term Investment Fund – Gross of Fees</i>	<i>0.96%</i>	<i>1.06%</i>	<i>1.50%</i>	<i>2.88%</i>	<i>1.19%</i>
<i>Short Term Investment Fund – Net of Fees</i>	<i>0.84%</i>	<i>0.94%</i>	<i>1.39%</i>	<i>2.76%</i>	<i>1.17%</i>
Benchmark Portfolio **	0.91%	1.01%	1.43%	2.76%	1.09%

* Annualized

** The Benchmark Portfolio, confirmed in the December 7, 2021 Investment Policy update, is based 100% on the total return index of the 30-day Treasury Bill Index

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

	Dec. 17/13	Jun. 30/22	Sep. 30/22	Dec. 31/22	Mar. 31/23
Bonds, Treasury Bills & Cash Less than 1 year term	100.0%	14.8%	20.0%	20.0%	17.4%
Canadas Greater than 1 year term		24.1%	24.1%	22.2%	22.5%
Provincials Greater than 1 year term		26.7%	26.8%	28.5%	30.6%
Corporates Greater than 1 year term		34.4%	29.1%	29.3%	29.5%
TOTAL PORTFOLIO	100.0%	100.0%	100.0%	100.0%	100.0%

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

	Jun. 30/22	Sep. 30/22	Dec. 31/22	Mar. 31/23
Under 1 year	14.8%	23.5%	20.0%	17.4%
1 - 3 years	28.4%	19.7%	24.7%	24.7%
3 - 5 years	31.5%	31.3%	26.4%	33.3%
5 - 7 years	8.1%	13.3%	14.9%	8.5%
7 - 10 years	17.2%	12.3%	13.9%	16.0%
TOTAL	100.0%	100.0%	100.0%	100.0%
Average Maturity (yrs)	3.90	3.66	3.68	3.65
Average Duration (yrs)	3.61	3.38	3.39	3.37

SHORT TERM INVESTMENT FUND

	Jun. 30/22	Sep. 30/22	Dec. 31/22	Mar. 31 /23
Short Term Average Duration (yrs)	0.14	0.09	0.12	0.07

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

AT MARCH 31, 2023

	Investment Limits	Investment Funds	Compliance
<i>Short Term Investment Fund</i>			
Maximum Term of Any Issue	1 year	0.1 year	Yes
Minimum Percentage of Total Fund (Short & Long)	20% of Total	32.2%	Yes
Minimum Canada & Provincial Percentage	50%	97.6%	Yes
Minimum Provincial Quality	A	N/A	Yes
Minimum Bank CD & BA Quality	R1 (high)	R1 (high)	Yes
<i>Long Term Investment Fund</i>			
Maximum Term of Any Issue	10 years	9.2 years	Yes
Maximum Percentage of Total Fund (Short & Long)	80% of Total	67.8%	Yes
Minimum Canada Percentage	20%	27.3%	Yes
Maximum Provincial Percentage	40%	37.0%	Yes
Minimum Canada & Provincial Percentage	60%	64.3%	Yes
Minimum Provincial Quality *	A	AA (low)	Yes
Maximum Corporate Percentage	40%	29.8%	Yes
Minimum Corporate Quality *	BBB	BBB	Yes
Maximum BBB Corporate Percentage	10%	5.9%	Yes

* At time of purchase

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

Martin, Lucas & Seagram Ltd.
 PERFORMANCE REPORT
 GROSS OF FEES
CLLAS – LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-22 to 03-31-23

Portfolio Value on 12/31/22	5,677,464
Accrued Interest	25,156
Contributions	97,842
Withdrawals	-175,278
Realized Gains	109
Unrealized Gains	92,447
Interest	24,936
Dividends	0
Change in Accrued Interest	12,450
Portfolio Value on 03/31/23	5,717,520
Accrued Interest	37,606
Average Capital	5,650,834
Total Gains before Fees	129,941
IRR for 0.25 Years	2.30%

BOND MARKET COMMENTARY AND FUTURE POLICY

Early in the new year, investor sentiment showed a marked turnaround from the malaise that prevailed during much of last year, when both the stock and bond markets experienced steep declines. The main stock indices posted good gains during January and bond prices also showed steady improvement. Domestic yields in the 2- to 10-year maturity range declined close to 50 basis points amid signs of a domestic economic slowdown, encouraging news on inflation and expectations that the Bank of Canada was close to the end of its rate hiking cycle. However, investor enthusiasm for bonds began to slip midway through the first quarter following disappointing inflation data, better than anticipated economic news and comments from the Federal Reserve Chairman that inflation remained too strong and that interest rates would need to go higher than the market was expecting.

With market sentiment already fragile, the financial strains from higher rates came to the forefront last month when Silicon Valley Bank, the 16th-largest bank in the U.S., failed following a bank run precipitated by a decline in start-up funding, rising interest rates and the bank's inability to raise capital after selling government bond reserves at a significant loss. This was the second-largest commercial bank failure in U.S. history and was quickly followed by the failure of two other regional banks, Signature Bank of New York and Silvergate Bank. In an effort to halt a spillover into more regional banks, U.S. federal regulators moved quickly to backstop all deposits at the failed banks, including those above the \$250,000 insurance limit, and announced additional funding programs to allow banks to exchange high-quality assets for cash without booking mark-to-market losses. Soon thereafter, the global banking system received another shock when Credit Suisse shares collapsed following reports of material weakness in its financial reporting and an announcement from the Saudi National Bank, the bank's largest backer, that it would not provide additional financial support due to regulatory hurdles. As concerns deepened over the bank's viability and emergency loans from Switzerland's central bank failed to stem the slide in the bank's share price and deposits, Swiss authorities quickly arranged the sale of the bank to its main domestic rival, UBS, in a bid to restore confidence in the financial system.

These events marked a significant turning point for the financial markets. Prior to the upheaval in the banking sector, investors were becoming more constructive on the global economic outlook. The resilience of the North American labour market in the face of higher interest rates and encouraging news on the inflation front helped raise expectations that the much-anticipated recession would be brief and relatively shallow, the so-called soft-landing scenario, and some forecasters suggested that an economic contraction could be avoided altogether. Expectations for Europe also improved following better than expected economic data, due in part to a significant pullback in energy prices. The European Commission now expects the euro area will avoid a recession and forecasts that GDP will expand by 0.8% this year. Meanwhile, China's recent reopening after three years of strict pandemic-driven lockdowns was viewed as a net positive for the world's second-biggest economy. According to the International Monetary Fund's latest forecast, China's economic growth is expected to accelerate to 5.2% this year, up from 3% last year.

However, these favourable forecasts have been called into question as investors consider the potential repercussions from the tumult in the banking sector. Given the perceived resilience of a banking system that, for the most part, is well capitalized overall, and the decisive actions taken by the authorities to protect depositors and restore confidence, it is expected that a widespread financial contagion will be avoided. However, it remains too early to sound the all-

clear and it will take some time to ascertain the impact on the broader economy. According to the most recent minutes from the Federal Reserve, the fallout from the U.S. bank failures is likely to tilt the economy into a shallow recession later this year. Meanwhile, the high degree of uncertainty has triggered a shift into high quality bonds, which has pushed yields noticeably lower, particularly for short-term bonds and money market issues. This has caused some investors to reassess the need for central banks to keep raising rates and also fanned expectations that the Fed may need to cut rates later this year.

While the drop in yields is a welcome development for the economy and banking sector, overall financial conditions are expected to deteriorate. In order to stabilize their deposit base and strengthen their balance sheets, many banks are expected to raise deposit rates and tighten their lending standards. The regulatory backdrop for the US regional bank sector, which accounts for roughly 40% of all domestic lending, may also become more stringent, which will further impair their profitability and ability to lend. As a result, credit growth to the non-financial sector, which had already decelerated in recent quarters, will likely slow further and this contraction in credit will weigh on aggregate demand and economic growth going forward.

For some time now, a key question facing investors is whether the central banks' aggressive tightening of monetary policy would successfully bring inflation under control without causing significant damage to the financial system and underlying economy. While gradual progress on the inflation front along with the resilience of the economy has been encouraging, the recent turmoil in the banking sector has made the monetary authorities' job more difficult as they attempt to promote financial stability while maintaining their credibility to contain inflation.

What was already a challenging juncture for investors has been made more difficult by the uncertainty surrounding how the problems in the banking sector will unfold and how the monetary authorities will respond. Further clouding the macro-economic outlook are other potential vulnerabilities in the global financial system due in part to record debt levels in the public and nonbank financial sectors, U.S. debt ceiling discussions, volatile energy prices, the war in Ukraine and heightened geopolitical tensions.

As mentioned in our previous report, we expected economic momentum to fade this year and we believe that the downside risks for the economy have since increased in the wake of recent developments. Following last month's shocks in the banking sector, bond yields have settled into a noticeably lower trading range. Over the near term, we expect yields will continue to trade in a bumpy sideways pattern until there is more clarity on the outlook for the economy. Looking further ahead, we think a weakening economic backdrop and continued progress on the inflation front will be supportive of bond prices and expect there will be another downward shift in the yield curve from current levels. As a result, we will be looking for favourable opportunities to modestly extend the Long Term Fund's duration.

RWB/de

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

Martin, Lucas & Seagram Ltd.

CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at March 31, 2023

<u>Quantity</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Annual Income</u>
CASH					
	Cash Account			15,842	0
MONEY MARKET ISSUES					
1,290,000	Canada Treasury Bill 4.15% due April 13, 2023	98.91	99.85	1,288,100	52,951
1,388,000	Canada Treasury Bill 4.15% due May 11, 2023	98.43	99.52	1,381,289	56,699
50,000	CIBC BA 4.50% due May 15, 2023	99.27	99.42	49,711	2,233
				<u>2,719,100</u>	<u>111,884</u>
TOTAL PORTFOLIO				2,734,942	111,884

Disclosures:

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

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 01-01-23 To 03-31-23

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
01-05-23	01-06-23	1,290,000	Canada Treasury Bill 4.15% due April 13, 2023	98.91	1,275,926.10
01-18-23	01-18-23	1,180,000	Toronto Dominion Bank BA 4.46% due February 17, 2023	99.65	1,175,833.42
01-19-23	01-20-23	1,250,000	CIBC BA 4.65% due April 3, 2023	99.08	1,238,482.50
01-27-23	01-30-23	1,310,000	CIBC BA 4.21% due February 6, 2023	99.92	1,308,886.50
02-01-23	02-02-23	1,385,000	CIBC BA 4.21% due February 6, 2023	99.95	1,384,325.51
03-15-23	03-16-23	50,000	CIBC BA 4.50% due May 15, 2023	99.27	49,632.85
					6,433,086.88
SALES					
01-05-23	01-05-23	1,275,000	Toronto Dominion Bank BA 4.25% due January 5, 2023	100.00	1,275,000.00
01-19-23	01-19-23	1,180,000	Canada Treasury Bill 3.63% due January 19, 2023	100.00	1,180,000.00
01-20-23	01-20-23	1,240,000	CIBC BA 4.15% due January 20, 2023	100.00	1,240,000.00
01-30-23	01-30-23	1,255,000	CIBC BA 4.23% due January 30, 2023	100.00	1,255,000.00
02-02-23	02-02-23	1,385,000	Canada Treasury Bill 3.85% due February 2, 2023	100.00	1,385,000.00
02-06-23	02-06-23	4,065,000	CIBC BA 4.21% due February 6, 2023	100.00	4,065,000.00
02-07-23	02-08-23	1,250,000	CIBC BA 4.65% due April 3, 2023	99.31	1,241,368.75
02-07-23	02-08-23	1,385,000	Canada Treasury Bill 3.95% due February 16, 2023	99.90	1,383,666.24
02-07-23	02-08-23	1,175,000	Canada Treasury Bill 4.00% due March 16, 2023	99.57	1,169,922.82
02-07-23	02-08-23	1,180,000	Toronto Dominion Bank BA 4.46% due February 17, 2023	99.89	1,178,648.90
					15,373,606.71

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-22 to 03-31-23

Cash Balance at December 31, 2022		4,439.97
ADD: Proceeds from Sales	15,373,606.71	
Interest on cash balance	4,970.52	
Bond Interest Credited (from Long Term Investment Fund)	25,277.88	
Transfers from Long Term Fund re: net sales and purchases	52,158.08	15,456,013.19
LESS: Cost of Purchases	-6,433,086.88	
Capital Withdrawal	-9,000,000.00	
Q2 2022 Investment Counsel Fees - Short Term Investment Fund	-3,275.47	
Q2 2022 Investment Counsel Fees - Long Term Investment Fund	-4,009.71	
Trust Company Charges net interest income	-4,239.10	-15,444,611.16
Cash Balance at March 31, 2023		15,842.00

0.00

[illegible]

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at March 31, 2023

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
GOVERNMENT BONDS					
200,000	Canada Housing Trust 2.35% due September 15, 2023	105.62	99.05	198,091	4,700
250,000	Canada Housing Trust 2.9% due June 15, 2024	102.64	98.48	246,206	7,250
300,000	Canada Housing Trust Ser. 70 2.25% due December 15, 2025	100.98	96.49	289,481	6,750
250,000	Canada Housing Trust No.1 2.350% due March 15, 2028	103.96	95.63	239,077	5,875
300,000	Canada Housing Trust 2.1% Series 88 due September 15, 2029	99.73	93.21	279,616	6,300
275,000	Canada Housing Trust 1.1% Series 95 due March 15, 2031	94.05	84.88	233,419	3,025
				<hr/> 1,485,889	<hr/> 33,900
PROVINCIAL BONDS					
500,000	Ontario 2.85% due June 2, 2023	102.29	99.74	498,711	14,250
400,000	Ontario 2.60% due June 2, 2025	101.08	97.49	389,967	10,400
350,000	British Columbia 2.3% due June 18, 2026	104.40	96.23	336,798	8,050
350,000	Ontario 2.60% due June 2, 2027	97.56	96.77	338,688	9,100
350,000	Ontario 2.05% due June 2, 2030	94.43	90.93	318,265	7,175
200,000	British Columbia 1.55% due June 18, 2031	83.75	85.93	171,852	3,100
200,000	British Columbia 3.2% due June 18, 2032	97.58	96.89	193,775	6,400
				<hr/> 2,248,056	<hr/> 58,475
CORPORATE BONDS					
300,000	Toronto Dominion Bank Dep. Note 1.909% due July 18, 2023	102.63	99.14	297,422	5,727
250,000	Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	102.02	98.02	245,049	8,065
250,000	CIBC Deposit Note 3.3% due May 26, 2025	100.24	97.61	244,035	8,250
200,000	Wells Fargo & Company 2.975% due May 19, 2026	102.15	94.56	189,123	5,950

Martin, Lucas & Seagram Ltd.

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at March 31, 2023

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
300,000	Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	102.07	94.22	282,652	7,860
150,000	Bank of Montreal Dep. Note 2.70% due December 9, 2026	108.76	94.42	141,624	4,050
100,000	Bank of Nova Scotia 2.95% due March 8, 2027	92.85	94.01	94,007	2,950
150,000	Enbridge Inc. CB-27 3.2% due June 8, 2027	96.43	94.54	141,812	4,800
100,000	Bank of Montreal 3.19% due March 1, 2028	100.75	94.99	94,991	3,190
50,000	Telus Corp. CB-27 3.625% due March 1, 2028	100.55	95.60	47,802	1,813
100,000	Bell Canada SerM56 2.2% due May 29, 2028	98.26	89.48	89,478	2,200
125,000	Ontario Power Generation 2.977% 13SEP29 due September 13, 2029	99.95	92.46	115,581	3,721
				<hr/> 1,983,575	<hr/> 58,576
TOTAL PORTFOLIO				5,717,520	150,951

Disclosures:

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

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 01-01-23 To 03-31-23

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
01-24-23	01-26-23	100,000	British Columbia 3.2% due June 18, 2032	97.50	97,500.00
					97,500.00
SALES					
01-24-23	01-24-23	150,000	Wells Fargo 3.46% due January 24, 2023	100.00	150,000.00
					150,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - LONG TERM INVESTMENT FUND
From 12-31-22 to 03-31-23

Cash Balance at December 31, 2022		0.00
ADD: Proceeds from Sales	150,000.00	
Bond Interest Credited to Long Term Investment Fund	25,277.88	
Transfer Bond Interest to Short Term Investment Fund	-25,277.88	
Transfer to Short Term Investment Fund net purchases & sales	-52,158.08	97,841.92
LESS: Cost of Purchases	-97,841.92	-97,841.92
Cash Balance at March 31, 2023		0.00

EXTERNAL INDIVIDUAL CREDIT RATING REPORT - March 31, 2023

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	99.05	198,091	3.5%
250,000	13509PEF6	Canada Housing Trust 2.9%	due June 15, 2024	AAA	102.64	256,600	98.48	246,206	4.3%
300,000	13509PFD0	Canada Housing Trust Ser. 70 2.25%	due December 15, 2025	AAA	100.98	302,940	96.49	289,481	5.1%
250,000	13509PGF4	Canada Housing Trust No.1 2.350%	due March 15, 2028	AAA	103.96	259,900	95.63	239,077	4.2%
300,000	13509PHD8	Canada Housing Trust 2.1% Series 88	due September 15, 2029	AAA	99.73	299,200	93.21	279,616	4.9%
275,000	13509PHQ9	Canada Housing Trust 1.1% Series 95	due March 15, 2031	AAA	94.05	258,638	84.88	233,419	4.1%
						1,588,518		1,485,889	26.0%
PROVINCIAL BONDS									
500,000	68323ABN3	Ontario 2.85%	due June 2, 2023	AA (low)	102.29	511,430	99.74	498,711	8.7%
400,000	68323ACX0	Ontario 2.60%	due June 2, 2025	AA (low)	101.08	404,305	97.49	389,967	6.8%
350,000	11070TAJ7	British Columbia 2.3%	due June 18, 2026	AA (high)	104.40	365,400	96.23	336,798	5.9%
350,000	68323AEE0	Ontario 2.60%	due June 2, 2027	AA (low)	97.56	341,460	96.77	338,688	5.9%
350,000	68333ZAH0	Ontario 2.05%	due June 2, 2030	AA (low)	94.43	330,515	90.93	318,265	5.6%
200,000	110709AF9	British Columbia 1.55%	due June 18, 2031	AA (high)	83.75	167,500	85.93	171,852	3.0%
200,000	110709GL0	British Columbia 3.20%	due June 18, 2032	AA (high)	97.58	195,150	96.89	193,775	3.4%
						2,315,760		2,248,056	39.3%
CORPORATE BONDS									
300,000	891160LV3	Toronto Dominion Bank Dep. Note 1.909%	due July 18, 2023	AA (high)	102.63	307,890	99.14	297,422	5.2%
250,000	891145T79	Toronto Dominion Bank Dep. Note 3.226%	due July 24, 2024	AA (high)	102.02	255,050	98.02	245,049	4.3%
250,000	13596Z3Y9	CIBC Deposit Note 3.3%	due May 26, 2025	AA	100.24	250,600	97.61	244,035	4.3%
200,000	949746RX1	Wells Fargo & Company 2.975%	due May 19, 2026	AA (low)	102.15	204,300	94.56	189,123	3.3%
300,000	064151QE6	Bank of Nova Scotia Dep. Notes 2.62%	due December 2, 2026	AA	102.07	306,210	94.22	282,652	4.9%
150,000	06368AAA8	Bank of Montreal Dep. Note 2.70%	due December 9, 2026	AA	108.76	163,140	94.42	141,624	2.5%
100,000	06415GDE7	Bank of Nova Scotia 2.95%	due March 8, 2027	AA (low)	92.85	92,850	94.01	94,007	1.6%
150,000	29251ZBK2	Enbridge Inc. CB-27 3.2%	due June 8, 2027	BBB (high)	96.43	144,650	94.54	141,812	2.5%
100,000	06368BTX6	Bank of Montreal 3.19%	due March 1, 2028	AA	100.75	100,750	94.99	94,991	1.7%
50,000	87971MBG7	Telus Corp. CB-27 3.625%	due March 1, 2028	BBB	100.55	50,275	95.60	47,802	0.8%
100,000	07813ZCJ1	Bell Canada SerM56 2.2%	due May 29, 2028	BBB (high)	98.26	98,263	89.48	89,478	1.6%
125,000	68321ZAD3	Ontario Power Generation 2.977% 13SEP29	due September 13, 2029	A (low)	99.95	124,938	92.46	115,581	2.0%
						2,098,915		1,983,575	34.7%
TOTAL PORTFOLIO						6,003,193		5,717,520	100.0%

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-22 to 03-31-23

Security	12-31-22 Market Value	Additions Withdrawals	03-31-23 Market Value	03-31-23 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 2.35% due September 15, 2023	196,916	-2,350	198,091	211,240	0	0	-13,149	1,175
Canada Housing Trust 2.9% due June 15, 2024	245,056	0	246,206	256,600	0	0	-10,394	1,150
Canada Housing Trust Ser. 70 2.25% due December 15, 2025	286,269	0	289,481	302,940	0	0	-13,459	3,212
Canada Housing Trust No.1 2.350% due March 15, 2028	233,914	-2,938	239,077	259,900	0	0	-20,824	5,163
Canada Housing Trust 2.1% Series 88 due September 15, 2029	271,460	-3,150	279,616	299,200	0	0	-19,584	8,156
Canada Housing Trust 1.1% Series 95 due March 15, 2031	224,123	-1,513	233,419	258,638	0	0	-25,219	9,296
GOVERNMENT BONDS Total	<u>1,457,738</u>		<u>1,485,889</u>	<u>1,588,518</u>	<u>0</u>	<u>0</u>	<u>-102,628</u>	<u>28,152</u>
PROVINCIAL BONDS								
Ontario 2.85% due June 2, 2023	496,393	0	498,711	511,430	0	0	-12,719	2,319
Ontario 2.60% due June 2, 2025	386,522	0	389,967	404,305	0	0	-14,338	3,445
British Columbia 2.3% due June 18, 2026	331,878	0	336,798	365,400	0	0	-28,602	4,921
Ontario 2.60% due June 2, 2027	332,655	0	338,688	341,460	0	0	-2,772	6,032
Ontario 2.05% due June 2, 2030	307,342	0	318,265	330,515	0	0	-12,250	10,924
British Columbia 1.55% due June 18, 2031	165,174	0	171,852	167,500	0	0	4,352	6,678
British Columbia 3.2% due June 18, 2032	93,603	97,842	193,775	195,150	0	0	-1,375	2,671
PROVINCIAL BONDS Total	<u>2,113,566</u>		<u>2,248,056</u>	<u>2,315,760</u>	<u>0</u>	<u>0</u>	<u>-67,704</u>	<u>36,990</u>
CORPORATE BONDS								
Wells Fargo 3.46% due January 24, 2023	149,891	-152,595	0	0	-3,542	109	0	0
Toronto Dominion Bank Dep. Note 1.909% due July 18, 2023	295,073	-2,864	297,422	307,890	0	0	-10,469	2,349
Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	243,462	-4,033	245,049	255,050	0	0	-10,001	1,587
CIBC Deposit Note 3.3% due May 26, 2025	242,040	0	244,035	250,600	0	0	-6,565	1,996
Wells Fargo & Company 2.975% due May 19, 2026	186,259	0	189,123	204,300	0	0	-15,177	2,864
Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	277,932	0	282,652	306,210	0	0	-23,558	4,720
Bank of Montreal Dep. Note 2.70% due December 9, 2026	139,356	0	141,624	163,140	0	0	-21,516	2,268
Bank of Nova Scotia 2.95% due March 8, 2027	92,396	-1,475	94,007	92,850	0	0	1,157	1,611

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-22 to 03-31-23

Security	12-31-22 Market Value	Additions Withdrawals	03-31-23 Market Value	03-31-23 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
Enbridge Inc. CB-27 3.2% due June 8, 2027	139,218	0	141,812	144,650	0	0	-2,839	2,594
Bank of Montreal 3.19% due March 1, 2028	93,391	-1,595	94,991	100,750	0	0	-5,759	1,600
Telus Corp. CB-27 3.625% due March 1, 2028	46,914	-906	47,802	50,275	0	0	-2,473	888
Bell Canada SerM56 2.2% due May 29, 2028	87,381	0	89,478	98,263	0	0	-8,785	2,097
Ontario Power Generation 2.977% 13SEP29 due September 13, 2029	112,849	-1,861	115,581	124,938	0	0	-9,357	2,732
CORPORATE BONDS Total	2,106,161		1,983,575	2,098,915	-3,542	109	-115,340	27,305
TOTAL PORTFOLIO	5,677,464		5,717,520	6,003,193	-3,542	109	-285,673	92,447
TOTAL DATE TO DATE GAIN OR LOSS								92,555
% CHANGE DURING PERIOD								1.63

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

COMMITTEES FOR 2023/24

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

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

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

March 20, 2023

MEMORANDUM

DATE: May 31, 2023
TO: CLLAS Advisory Board
FROM: Patrick Mahoney & Carrie Green
COPY:
RE: General Manager Transition

As discussed, Patrick Mahoney is retiring from Axxima at the end of August of 2023. Carrie Green was hired by Axxima in September 2021 with a view to transitioning into Patrick's role with CLLAS and other insurance reciprocals. While Patrick will remain in full-time service until August 31, 2023, we suggest that Carrie's appointment be formalized as of July 1, 2023 in order to allow time to facilitate the transition with banks, regulators, etc.

This memo addresses the Board resolutions required to support this transition.

General Manager. Subsection 3.05(n) of CLLAS' Subscribers' Agreement gives the Board the power and authority to appoint a manager to operate the affairs of the reciprocal. Section B.1 of the Axxima Client Services Agreement provides that Axxima will designate an individual to be General Manager, subject to approval by CLLAS.

Authorized Signatory. Section 5.07 of the Subscribers' Agreement provides that the authorized banking signatories of CLLAS are any two of CLLAS' Board members or one Board member and the General Manager.

Accordingly, the Board is asked to consider the following two resolutions at its June 20, 2023 meeting:

THAT Carrie Green of Axxima Insurance Services, a division of 3303128 Canada Inc. be appointed as General Manager of CLLAS effective July 1, 2023.

THAT Carrie Green replace Patrick Mahoney as authorized signatory for CLLAS effective July 1, 2023.

Please let us know if you have any questions about the above matters.