



Actuaries & Insurance Management Advisors

CLLAS

Board Presentation – Renewal Strategy

June 20, 2023

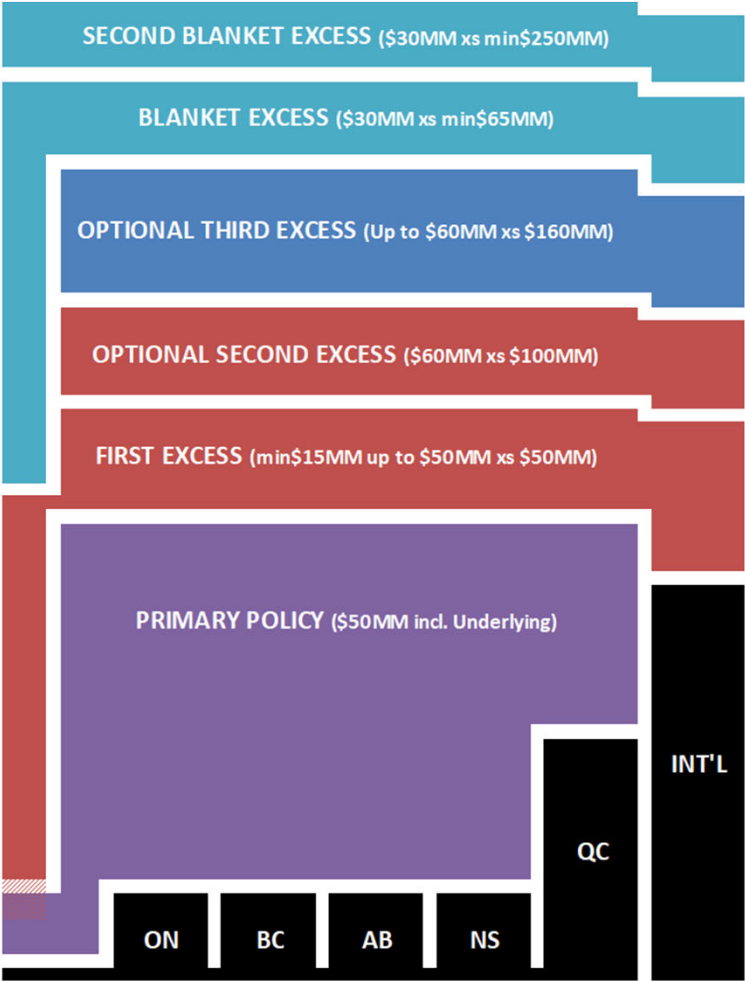
Overview

- Renewal Objectives
- Insurance and Reinsurance Structures
- Retention Strategy
- Reinsurance Rates
- CLLAS Rates and Return of Surplus
- Final Remarks

Renewal Objectives

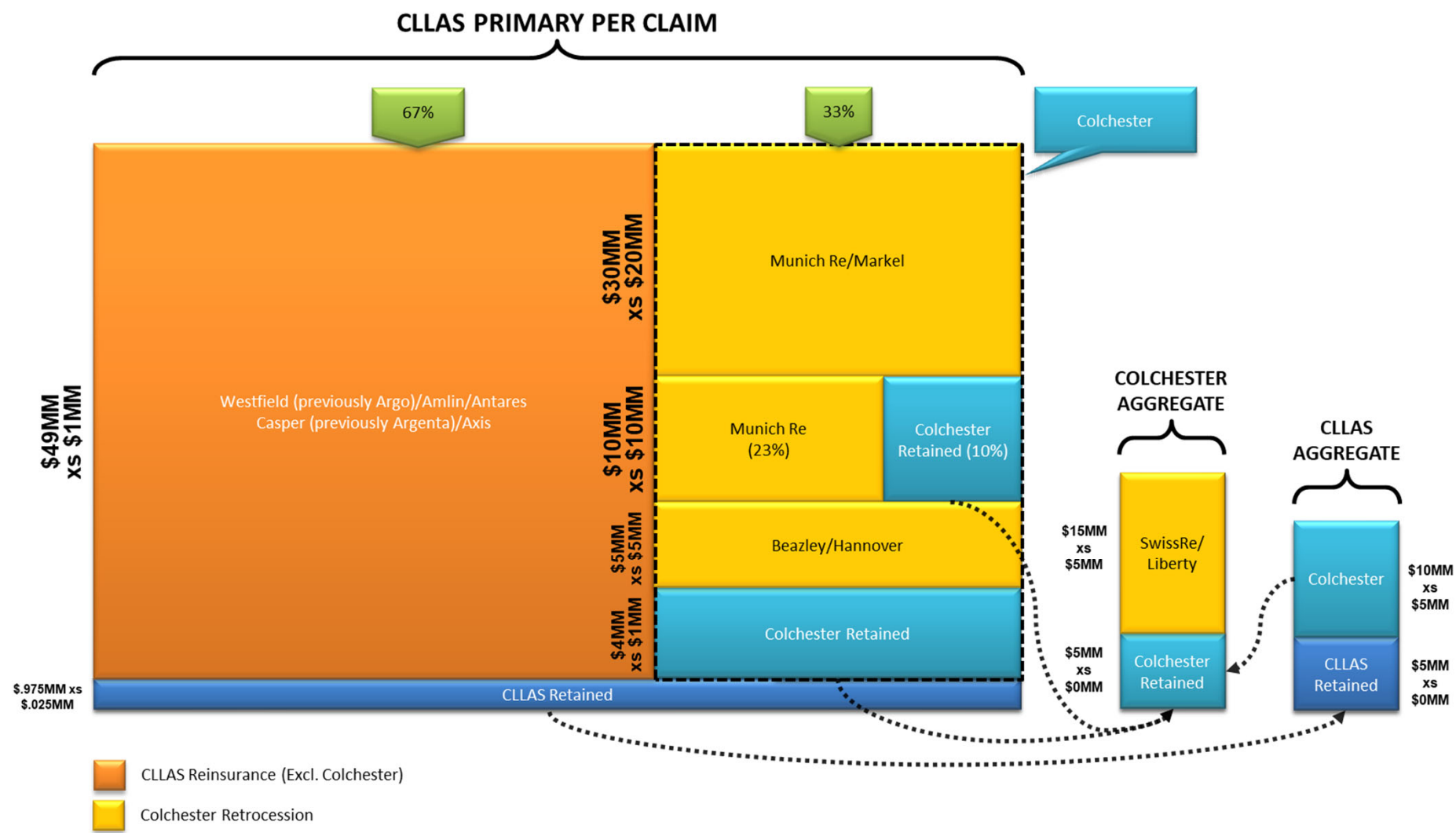
- Obtain the best renewal terms possible given current (re)insurance market conditions
- Maintain and enhance existing reinsurer relationships
- Continue to evaluate ability to distribute surplus to members through premium credits

Insurance Structure



- CLLAS Blanket Excess**
\$30MM per claim, \$60MM annual aggregate, minimum attachment of \$65MM
Next \$30MM: Optional, excess of \$250MM
- CLLAS Optional Excess**
Available in increments of \$10MM up to \$60MM excess of \$160MM
- CLLAS & Direct Commercial Markets**
First \$50MM (min \$15MM): Mandatory, drop down to \$500,000 SIR
Next \$60MM: Optional
- CLLAS Primary**
\$50MM including underlying, drop down to \$25,000 SIR
- Underlying Policies**
Ontario, B.C., Nova Scotia, and Alberta: \$1MM/\$2MM
Quebec: \$10MM
International: USD \$30MM
South Africa: ZAR R500MM (Fasken Only)

Reinsurance Structure



Retention

- CLLAS currently retains the drop-down exposure below \$1,000,000 (maximum exposure of \$975,000, any one loss)
- Colchester's current, per-claim participation is 33% of the \$49MM x \$1MM layer, for a per-claim retention of \$16.17MM, however, net retention is just \$2.32MM after retrocession
- Colchester also provides an aggregate stop-loss coverage to CLLAS for \$10MM x \$5MM, which is retroceded excess of \$5MM
- On a combined basis, the CLLAS/Colchester per claim retention, as expiring, is \$3,295,000

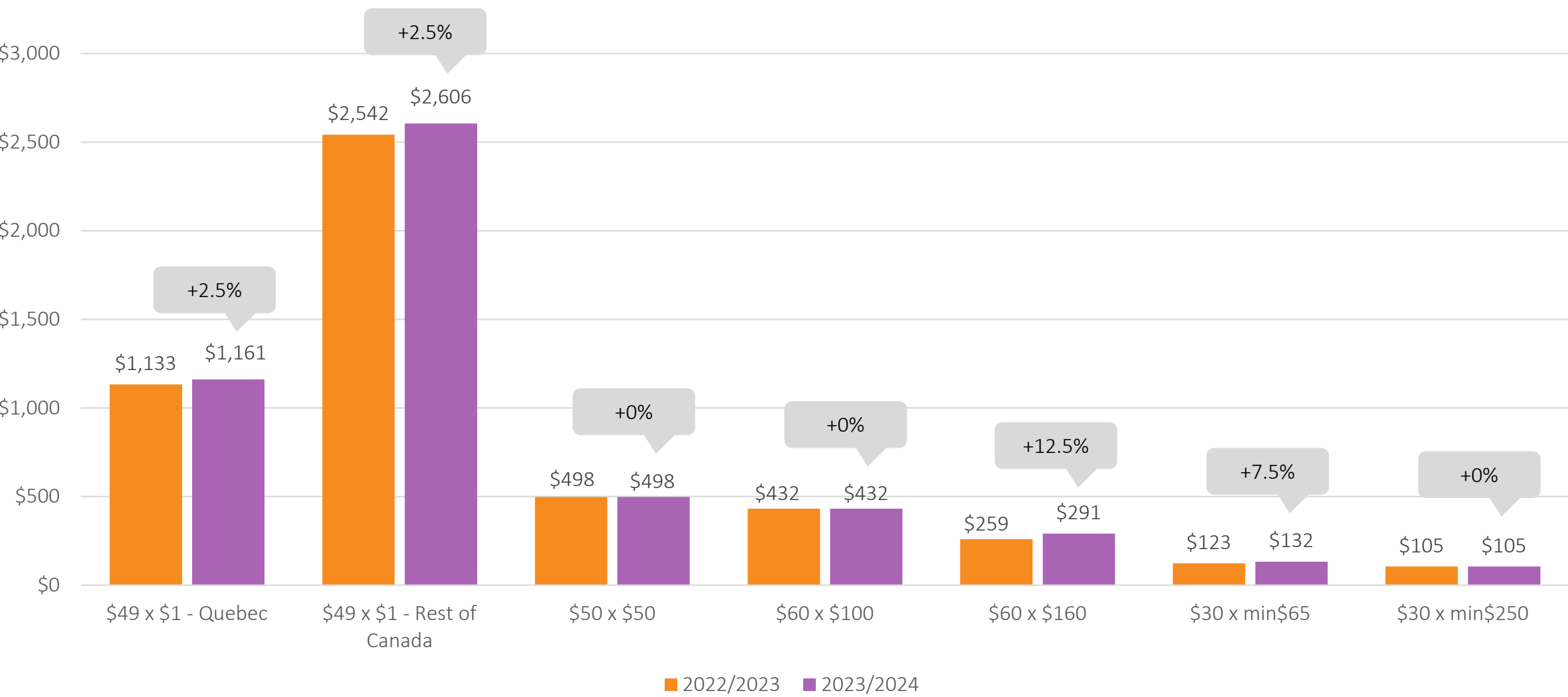
Reinsurance Updates

- Negotiations have progressed well, and the market in general seems to be flattening
- Impacts of inflation were a primary concern, with claims movement also noted
 - Westfield Syndicate (previously Argo) is the lead on the \$49MM x \$1MM, Primary Layer
 - Brit Syndicate is the lead on the Third Optional Excess and first Blanket Excess
 - Swiss Re provides significant capacity on the excess layers
- On the primary layer, Westfield has agreed to a 2.5% increase
 - We are working to complete following capacity who are being challenged by their actuaries
- For the Third Optional Excess and first Blanket Excess, we will have lead terms tomorrow – Brit has been pushing for a “double digit increase” believing the layer being underpriced
- Lead terms on the second Blanket Excess are flat from last year

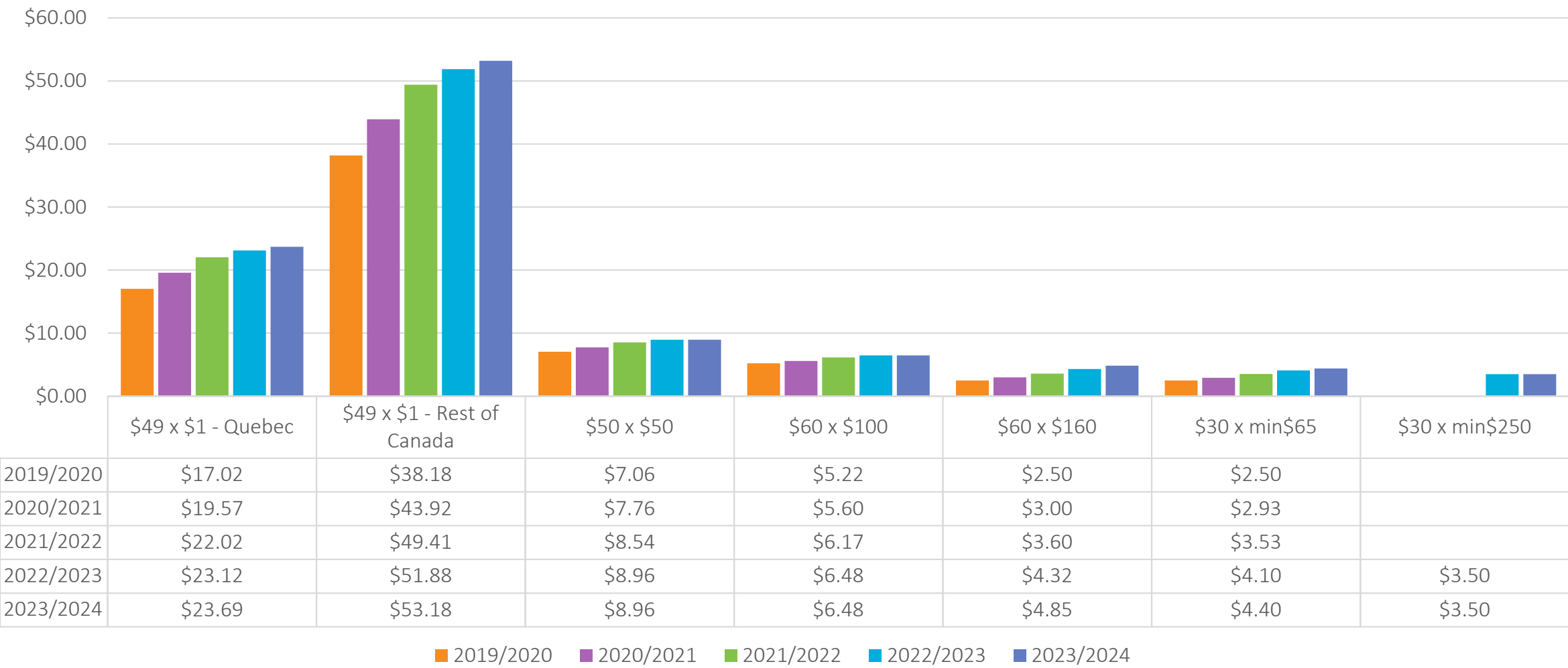
Reinsurance Updates

- We are still in the process of confirming reinsurer participations, the figures contained herein are best estimates of the renewal reinsurance and CLLAS rates

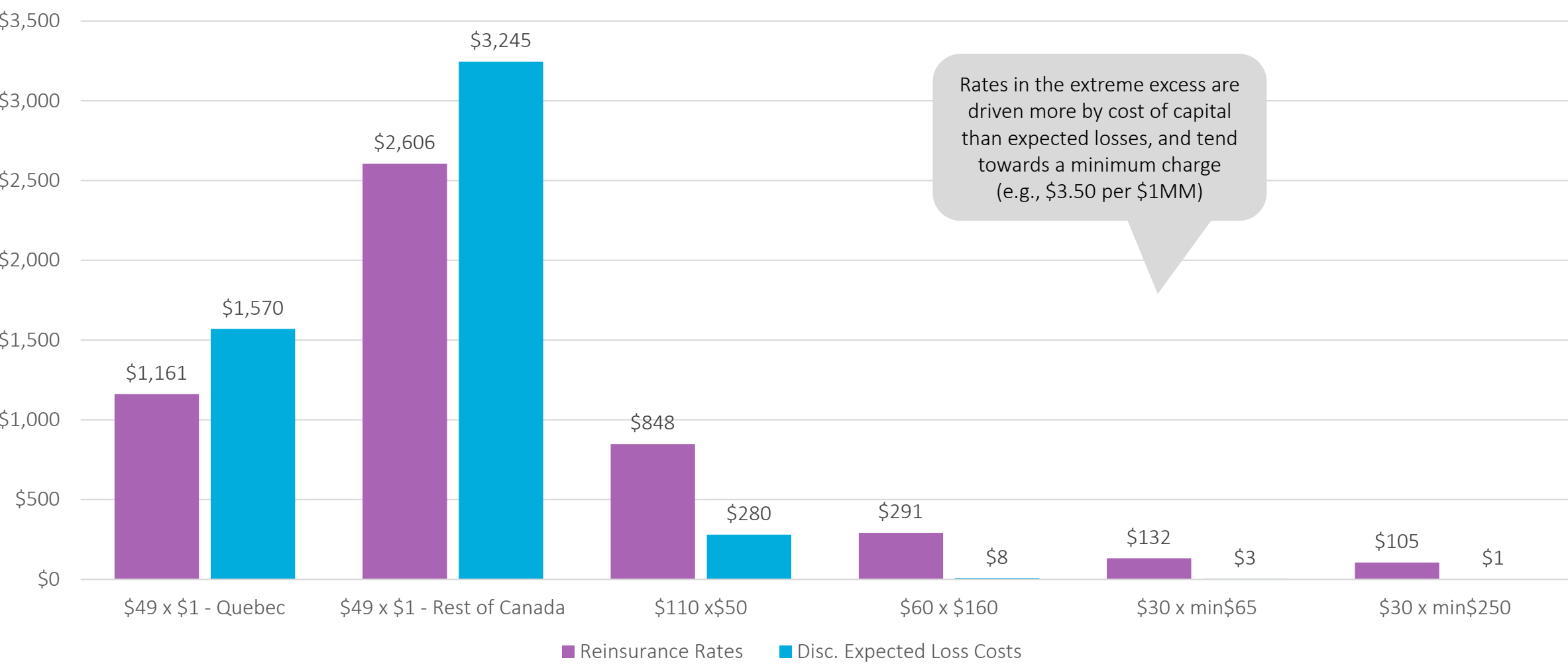
Reinsurance Rates



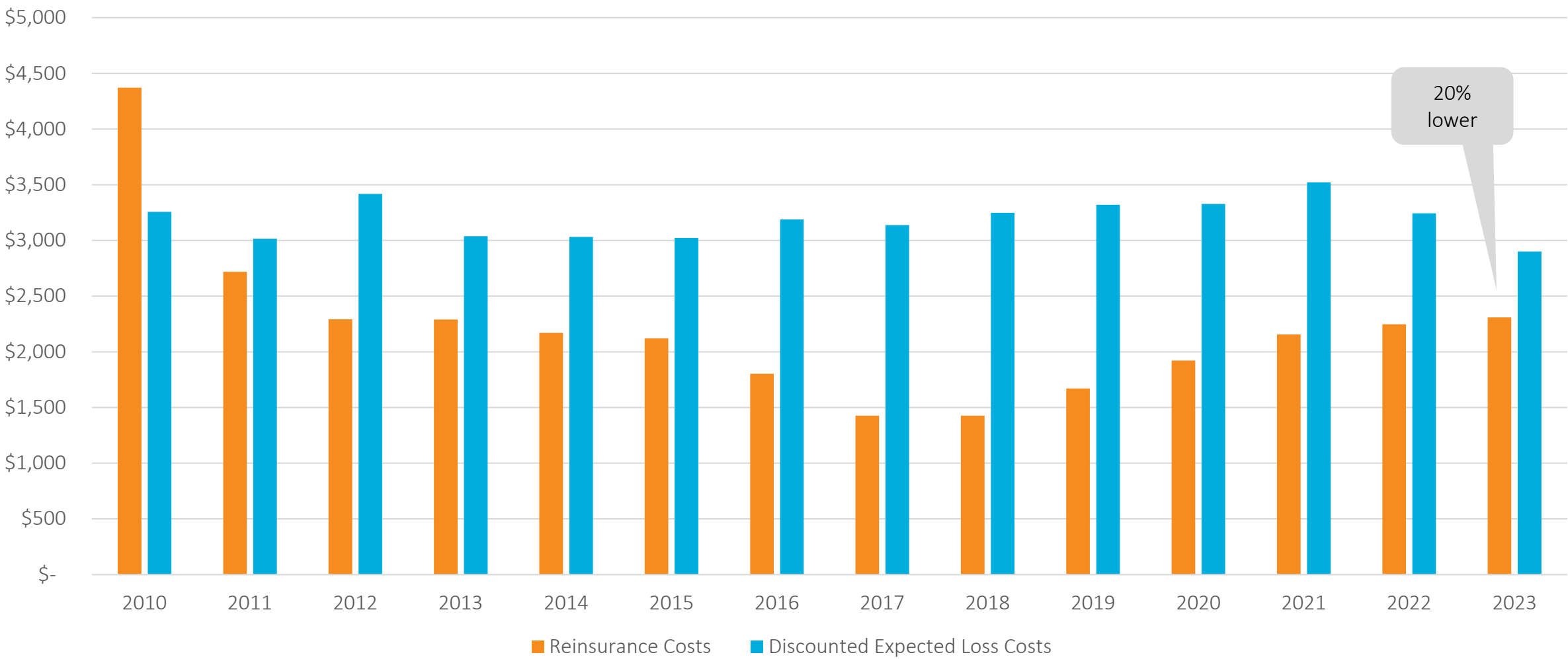
Reinsurance Rates per \$1MM



Reinsurance Rates vs. Loss Costs



\$49MM x \$1MM Reinsurance Cost Comparison*



* Blended costs between Quebec and Rest of Canada lawyers

CLLAS Rates

- CLLAS \$49MM x \$1MM rates are established by combining the following expense and surplus components:
 - Expected Loss Costs (where risk is retained)
 - Expected Risk Transfer (where risk is ceded)
 - Reinsurance Costs
 - Administrative Costs
 - Return of Surplus
 - Premium Tax
- Optional Excess and Umbrella layers are simply expense loaded

Return of Surplus

- CLLAS' available surplus is calculated as follows:

Total CLLAS Surplus (12/31/2022)	\$10.7MM
Less: Surplus Required by Regulators	(5.7MM)
Less: Blakes and Dentons' Surplus	<u>(3.2MM)</u>
Surplus Available for Distribution	\$1.7MM

- CLLAS' actuary recommends distributing no more than 50% of the available surplus, or \$850,000, as it is not prudent to operate at the regulatory surplus level
- We are recommending the board approve a \$700,000 distribution, in line with prior years, but up to \$850,000 as may be necessary to achieve rate objectives as outlined in the upcoming slides

Colchester Rate for \$49MM x \$1MM

- Due to its internal cost structure, Colchester must implicitly release surplus to match the rates charged by the other markets on the quota share layers (e.g. \$49 x \$1)
- For 2023/2024, Colchester requires additional surplus to meet capital requirements and is therefore increasing the cost of its stop loss protection which is a fixed cost for CLLAS and included in the CLLAS rates

CLLAS Rates (Expected)

Layer	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	% Change
\$49MM x \$1MM – Quebec	\$1,062	\$1,206	\$1,283	\$1,363	\$1,508	+10.7%
\$49MM x \$1MM – Rest of Canada	\$2,327	\$2,643	\$2,975	\$3,150	\$3,455	+9.9%
\$30MM x \$50MM*	\$271	\$298	\$328	\$344	\$344	+0%
\$50MM x \$50MM*	\$392	\$431	\$474	\$498	\$498	+0%
\$60MM x \$100MM*	\$348	\$374	\$411	\$432	\$432	+0%
\$60MM x \$160MM	\$176	\$188	\$228	\$272	\$306	+12.5%
\$30MM x min\$65MM	\$89	\$92	\$111	\$129	\$139	+7.8%
\$30MM x \$250MM	n/a	n/a	n/a	\$105	\$110	+4.7%

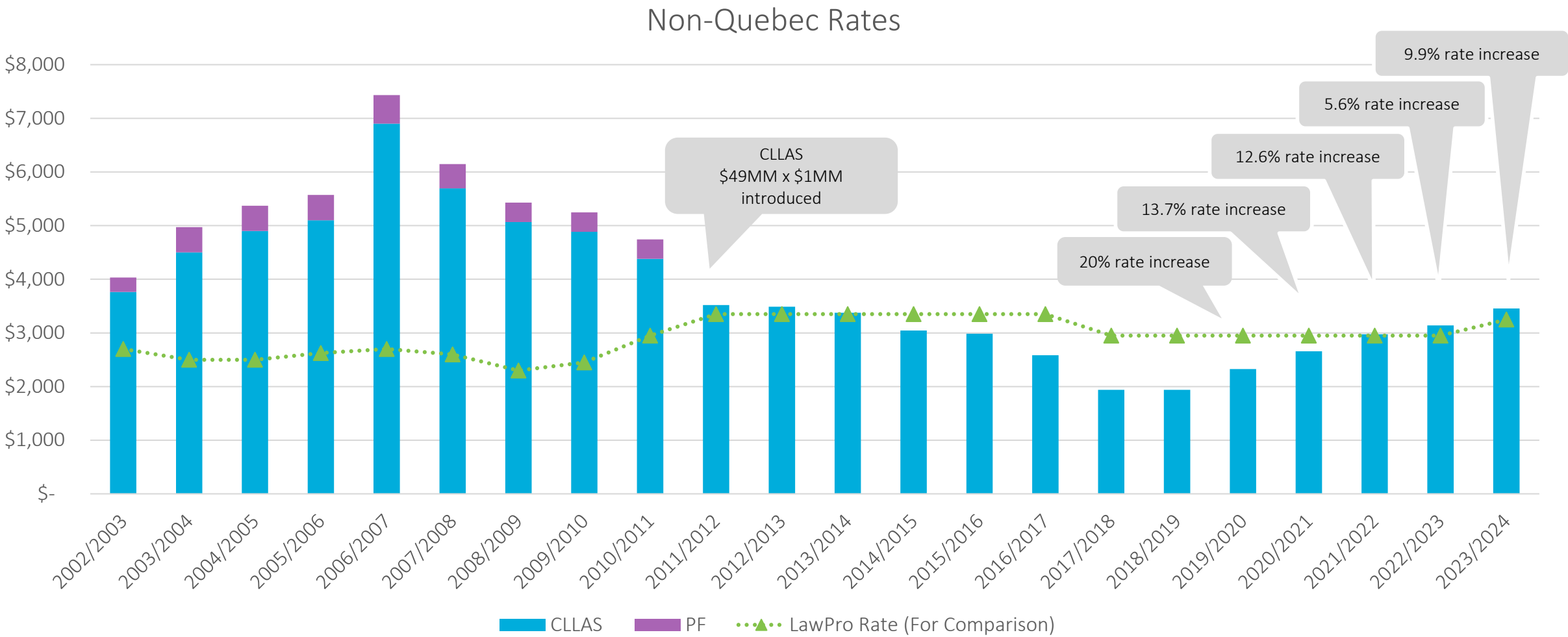
* Commercial layer, included for completeness

Firms will experience cost per lawyer cost increases of 7.6% or \$309, on average

CLLAS Rates

- The final rates are subject to change as the optional excess and umbrella layers are finalized, although the impact will be minor on a per lawyer basis
- Colchester's stop loss premium may vary somewhat depending on their retrocession placement costs, although the difference is expected to be small
- As previously suggested, the rates include CLLAS providing an additional surplus distribution of \$700,000, but depending on the final reinsurance and Colchester retrocession terms, additional surplus distribution may be required

\$49MM x \$1MM Rate History



Final Remarks

- The final rate will depend on the board's decision regarding the return of additional surplus and the final reinsurance rates
- Small adjustments may be required as we finalize the reinsurer participations