



### 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	James C. Tory	Laurence Detière	Melanie Koszegi
Caroline Zayid	David E. Woolcombe	Carl De Vuono	Christopher Garrah

Tuesday, February 27, 2024 at 8:30 a.m.  
 Goodmans LLP  
 34<sup>th</sup> Floor, Bay Adelaide Centre, West Tower  
 333 Bay Street.  
 Toronto, Ontario

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ZOOM login information: Advisory Board of CLLAS

**To join meeting using a computer:**

<https://us02web.zoom.us/j/82278089293?pwd=UVRFWnlyNnRlMkJKaWFOKzJlRnRoUT09>

Meeting ID: 822 7808 9293  
 Meeting Password: 404473

**To join meeting by phone:**

+1 647 558 0588 Canada  
 Meeting ID: 822 7808 9293  
 Meeting Password: 404473

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### AGENDA

	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
1. Constitution of Meeting	Ken Crofoot		
2. Appointment of Secretary	Ken Crofoot		
3. Approval of the Minutes of December 5, 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 Chair	Ken Crofoot	5 mins	
6. Market Update and Reinsurance Renewal Planning	Ryan Durrell/ Chris Marley	10 mins	
7. Report of the General Manager	Carrie Green	30 mins	
7.1 December 31, 2023 Financial Management Report			7.1
7.2 Presentation of the Actuary to the Audit Committee			7.2
7.3 2024 Operating Budget			7.3
<i>Proposed Resolution: To approve the 2024 Budget</i>			
8. Committee Reports		30 mins	
8.1 Audit Committee	Gord Goodman		
8.1.1 Audit Findings Report			8.1.1
8.1.2 Audited Financial Statements			8.1.2
<i>Proposed Resolution: To adopt the Audited Financial Statements</i>			
8.1.3 Signing of P&C1 for February 28, 2024			
8.2 Claims Committee	Robert Love		8.2
8.3 Risk Management Committee	Julia Holland		
8.4 Policy Committee	Donald Milner		
9. Other Business			
9.1 Quarterly Report of the Investment Manager	Carrie Green	5 mins	9.1
10. Next Meeting – June 25, 2024			

Anticipated Adjournment Time: 10:30 a.m.

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

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

8:30 a.m.

Goodmans LLP (Via Teleconference)

**Tuesday, December 5, 2023**

**Present:**

Ken Crofoot (Chair)	Goodmans LLP
Kate Menear	Borden Ladner Gervais LLP
Gordon Goodman	Cassels Brock & Blackwell LLP
Laurence Detière	Davies Ward Phillips & Vineberg LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Caroline Zayid	McCarthy Tétrault LLP
Carl De Vuono	McMillan LLP
David Morritt	Osler, Hoskin & Harcourt LLP
Julia Holland	Torys LLP
Carrie Green	Office of the General Manager, CLLAS
Norma Ibbetson	Office of the General Manager, CLLAS
Chris Marley	Axxima

**Absent:**

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

The Chair brought the meeting to order.

**2. Appointment of Secretary**

Norma Ibbetson acted as Secretary.

**3. Approval of Minutes of the September 19, 2023 Meeting of the Advisory Board**

**It was moved by Donald Milner and seconded by Julie Holland that the minutes of the September 19, 2023 meeting of the Advisory Board be approved. The motion was carried unanimously.**

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

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

**5. Comments of the Chair**

The Chair provided a brief update on changes for himself. He will be stepping down as General Counsel for his firm but will continue on in his role of Board member and Chair of CLLAS.

Today's agenda is mainly a housekeeping agenda.

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

Christopher Marley provided an update to the Board with respect to renewal planning for July 1, 2024.

Although discussed over the past year we can now confirm the establishment of a new brokerage called 3MG International Ltd (3MG), which will operate as a Bretton Woods International Ltd (BWI) appointed representative, to continue to service existing business currently handled by the team at BWI and develop new risk transfer solutions for potential customers in target (re)insurance classes. We will expect to receive a broker of record letter from 3MG which will have to be signed on behalf of CLLAS in due course.

For the next renewal, we are setting our sights on a flat renewal although we can expect the usual pressure to increase rates. We do not expect the increase to be more than 5%.

The London market is expected to hit a \$60 billion capacity limit in 2024. We expect that will open new markets for CLLAS. The London reinsurance renewal meetings are scheduled for May 6-10, 2024.

**7. CLLAS Cyber Renewal - Update**

The Cyber renewal took place on October 15<sup>th</sup> and was largely uneventful.

As you may recall, rates were static on the CLLAS Cyber primary \$10MM policy. That said, the increases in lawyer counts yielded an overall increase in aggregate premiums of 1.9% over prior years. All firms but one are now aligned with the October 15<sup>th</sup> renewal date, with the last firm being July 1.

Reinsurance was renewed with Beazley in the spring at a +5%, for a total premium of \$1,050,000. We were able to renew the Axis \$4 x \$6 million placement with a more favourable 3.5% increase, for total premium of \$496,800, which modestly improved our overall economics under the program.

On the excess program, which is not placed with CLLAS, two firms did not purchase excess, one firm purchase 5 x 10, seven firms purchase 10 x 10 and one purchase 20 x 10.



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

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

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

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

The Budget Variance (Exhibit 1.4) shows that expense finished the quarter under budget by \$133,000.

CLLAS' surplus position remains strong at just over \$14 million.

The key regulatory solvency test that CLLAS is required to comply with is known as the Alberta Maintenance of Reserve and Guarantee Fund ("AMRGF"). CLLAS must maintain "cash and approved securities" in excess of the reserve fund plus the guarantee fund required by the Alberta regulator. Exhibit 1.6 shows that at September 30, 2023 CLLAS had assets exceeding the required amount by over \$16 million, which is well in excess of the required amount. The other solvency test monitored by CLLAS is the Minimum Capital test ("MCT"). CLLAS' MCT ratio was 520% at September 30th, well in excess of regulatory expectations.

Of note the combined statements consolidate the two programs and account for any inter-program adjustments. The financial performance metrics for CLLAS are presented on a combined basis, (Exhibit 1.5).

### *Rules of the Reciprocal Update*

Included in the Board material is an updated set of Rules of the Reciprocal pertaining to the new cyber program.

**It was moved by Gordon Goodman and seconded by David Morritt that the Rules of the Reciprocal be adopted as presented. The motion was carried unanimously.**

### *Subscribers' Accounts at June 30, 2023*

The CLLAS Subscribers Accounts as at June 30, 2023 were included with the meeting materials. The statements are an information item, and no action is required by the Board.

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

With the addition of the cyber program as a second Underwriting Group there will now be two sets of accounts – one for E&O and the second for Cyber. The distribution of the Cyber Subscribers' Accounts will include Lenczner who are part of that underwriting group.

*ERM Policy Update to address IFRS 17 Risk Adjustment*

Included in the Board material was a blacklined copy of the revisions to the CLLAS ERM policy addressing the risk adjustment for non-financial risk required under IFRS-17.

**It was moved by Laurence Detière and seconded by Julia Holland that the ERM Policy be adopted as presented. The motion was carried unanimously.**

*Confirmation of Terms of Reference*

It has been some time but the Board may recall that one of the recommendations in the 2014 Examination Report of the Alberta Superintendent of Insurance was that CLLAS prepare terms of reference for the various CLLAS Committees and document the role of the Principal Attorney as distinct from the role of the CLLAS Chair. Included in the Board material is an update document (that will eventually become part of a CLLAS Governance Handbook) addressing these items. It was suggested that the Terms of Reference be reviewed on 3-year cycle.

**It was moved by Donald Milner and seconded by Carl De Buono that the Terms of Reference be adopted subject to the discussed revision under Principal Attorney. The motion was carried unanimously.**

*Confirmation of Investment Policy*

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

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

**9. Committee Reports**

*Report of the Audit Committee*

Gordon Goodman reported on behalf of the Audit Committee. The audit planning meeting took place on October 31, 2023, with Deloitte in attendance to review the audit plan for the year end work. Brigitte Chartier who replaced Elaine Hultzer as CLLAS' audit partner last year remains.

There is a Peer Review of the Actuarial Valuation due this year and after soliciting several quotes the committee selected Eric Keen, an independent actuary known to us and well qualified to carry out the work.

At that October meeting the Audit Committee also reviewed the annual Reinsurance Security Report, and no action was required. The only note during the presentation was that the Westfield Syndicate (formerly Argo) reinsures 21.3% of CLLAS' total liabilities. Efforts will continue to diversify that support when market conditions permit. Colchester June 30, 2023, financials were also reviewed and in conjunction with that review it should be noted that Colchester's surplus position has been eroding and may need to be addressed in the not to distant future.

*Report of the Claims Committee*

Carrie Green reported on behalf of the Claims Committee. The Committee had met at the end of September. Included in the material are some charts summarizing CLLAS' claims activity at September 30, 2023. There have been a couple of settlements post September 30<sup>th</sup> in the CLLAS layer. Since Q3 CLLAS has started paying out legals on a number of files where the underlying limits have been exhausted. The GM's office will be conducting its annual review for year end prior to the end of December.

*Report of the Risk Management Committee*

Julia Holland reported on behalf of the Risk Management Committee. There was an October 3, 2023 Lunch Risk Management session on AI that was well attended.

LawPRO has made note that their 2024 professional liability policy covers lawyers to a sublimit of \$250,000 in the event a claim arises out of a social engineering fraud. They have recently introduced requirements to allow for the extension of the social engineering coverage to the standard \$1 million limit per claim and all firms are encouraged to do so. The link for further information will be shared by the General Manager's office.

*Report of the Policy Committee*

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

**10. Other Business**

*Quarterly Report of the Investment Manager*

This is an information item for the Board.

*Annual Dinner*

Information item - please note the date of April 25, 2024 and the venue is Canoe. Invitations will go out in the new year.

**11. Next Meeting**

The next regularly scheduled meeting of the Board will be on February 27, 2024 via Zoom.

There being no further business, the meeting was terminated.

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Chairman

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Secretary

# MEMORANDUM

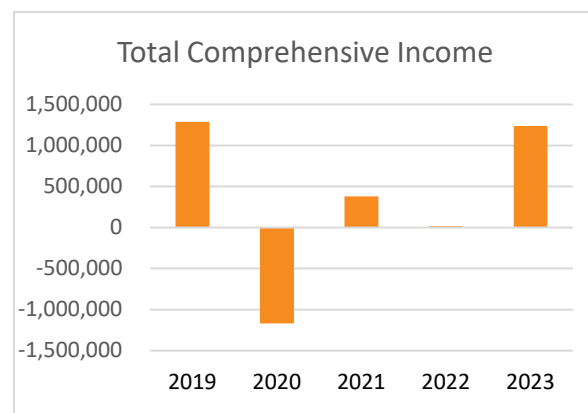
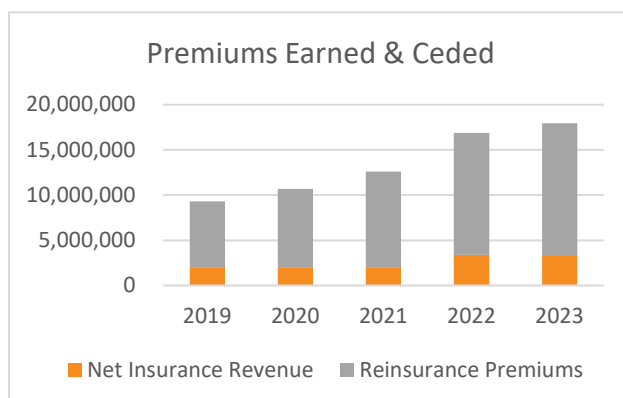
DATE: February 21, 2024  
 TO: CLLAS Advisory Board  
 FROM: Carrie Green  
 COPY:  
 RE: December 31, 2023 Financial Management Report

CLLAS' financial management report for the quarter ended December 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. Note that for the graphs contained here, the figures shown for all years prior to 2023 were prepared under IFRS 4.

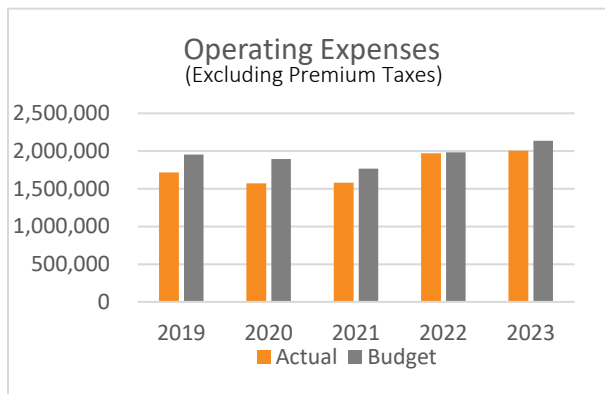


On a combined program basis, as shown on Exhibit 1.2, CLLAS experienced a positive net insurance service result (i.e. premiums minus claims and expenses) of \$324,000 in Q4 which led to a net insurance service result of \$659,000 for the year.

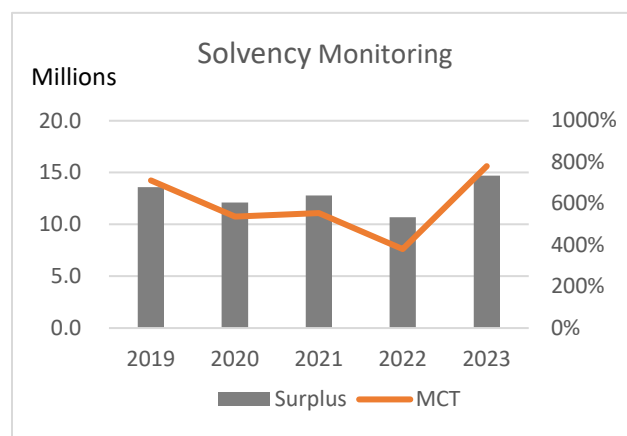
After taking into account the net investment result and unrealized gains on the investment portfolio, the total comprehensive income result for the quarter was \$661,000 and \$1,237,000 for the full year. With retained premium levels remaining stable year over year, this result is driven by improved investment results in Q4 combined with favourable claims experience within CLLAS' retention.

The Budget Variance (Exhibit 1.4) shows that expenses finished the quarter \$95,000, or 3.6% under budget YTD. The budget variance for 2023 and the proposed operating budget for 2024 are presented under separate cover.

As shown on Exhibit 1.1, CLLAS closed out the year with a surplus position of close to \$14.7 million, up from \$13.4 million the previous year.



The key regulatory solvency test that CLLAS is required to comply with is known as the Alberta Maintenance of Reserve and Guarantee Fund (“AMRGF”). CLLAS must maintain “cash and approved securities” in excess of the reserve fund plus the guarantee fund required by the Alberta regulator. Exhibit 1.6 shows that at December 31, 2023 CLLAS had assets exceeding the required amount by over \$15.5 million, which is well in excess of the required amount.



The other solvency test monitored by CLLAS is the Minimum Capital Test (“MCT”). As shown in Exhibit 1.5, CLLAS’ MCT ratio was 781% at December 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 on the combined statements.) The financial performance metrics for CLLAS (shown on Exhibit 1.5) are presented on a combined basis.

Exhibit 1.5 shows the year-end results for 2021 and 2022 (under IFRS 4), and the results at December 31, 2023 against risk targets and risk limits. Most of the metrics at December 31, 2023 are within CLLAS’ risk limits. The items of note are discussed below.

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

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

As shown on Exhibit 2.2, the E&O program's experience for the quarter was favourable with a net insurance service result of just under \$492,000 resulting in year-to-date total comprehensive income of \$660,000. The E&O program's surplus at December 31, 2023 sits at approximately \$14.1 million.

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

As shown on Exhibit 3.2, the Cyber program produced positive results for the quarter, resulting in total comprehensive income of close to \$577,000 for the year. As explained in the 2024 CLLAS operating budget memo, 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. Surplus for the Cyber program is sitting at just over \$518,000 as at the end of the year.

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

Sincerely,



Carrie Green  
General Manager

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

**Exhibit 1.1**

	<b>As at December 31, 2023</b>	<b>As at December 31, 2022</b>
<b>Assets</b>		
Cash	4,618,783	2,872,993
Short term investments	8,297,545	11,590,166
Bonds	7,081,571	5,677,588
Interest income due and accrued	34,150	25,156
Prepaid expenses	242,616	236,651
Other receivable	-	-
Reinsurance contract assets		
Asset for incurred claims	71,209,278	72,018,164
Asset for remaining coverage	3,303,542	2,665,644
	<b>94,787,485</b>	<b>95,086,362</b>
<b>Liabilities</b>		
Insurance contracts liabilities		
Liability for incurred claims	72,378,249	76,144,667
Liability for remaining coverage	7,747,704	3,931,901
Accounts payable & accrued charges	-	1,585,000
	<b>80,125,953</b>	<b>81,661,568</b>
<b>Subscribers' equity</b>		
Equity	14,845,048	13,754,430
Accumulated other comprehensive income (loss)	(183,516)	(329,636)
	<b>14,661,532</b>	<b>13,424,794</b>
	<b>94,787,485</b>	<b>95,086,362</b>

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

**Exhibit 1.2**

	Current Year		Prior Year	
	Quarter December 31, 2023	Year to Date December 31, 2023	Quarter December 31, 2022	Year to Date December 31, 2022
<b>Insurance service result</b>				
Insurance revenue	4,797,395	17,956,690	4,131,673	14,004,146
Insurance service expense				
Incurred claims expenses	3,430,616	8,575,314	12,196,371	14,005,243
Operating expenses	303,498	1,346,526	177,107	1,414,914
Premium taxes	65,102	538,604	23,535	478,153
Insurance service result before reinsurance	998,179	7,496,246	(8,265,340)	(1,894,164)
Allocation of reinsurance premiums	3,956,554	14,592,934	3,078,032	11,619,994
Amounts recovered from reinsurers	3,406,618	8,412,298	11,340,118	14,004,668
Reinsurance expenses	(124,664)	(656,602)	(281,326)	(554,314)
	674,600	6,837,238	(7,980,760)	(1,830,360)
Net insurance service result	<b>323,579</b>	<b>659,008</b>	<b>(284,580)</b>	<b>(63,804)</b>
<b>Investment result</b>				
Investment income (loss)	248,046	739,173	168,872	393,562
Insurance finance income (expense)				
For insurance contract	(3,524,019)	(4,141,027)	9,118,109	4,299,959
For reinsurance contracts	3,264,692	3,833,466	(8,403,092)	(3,963,465)
Net investment result	<b>(11,281)</b>	<b>431,612</b>	<b>883,889</b>	<b>730,056</b>
<b>Net Income (loss)</b>	<b>312,298</b>	<b>1,090,620</b>	<b>599,309</b>	<b>666,252</b>
Unrealized gains (losses) arising during the year	348,832	146,119	32,402	(434,476)
Recognition of realized gain (loss) included in income	-	-	-	-
Other comprehensive income (loss) for the year	348,832	146,119	32,402	(434,476)
<b>Total comprehensive income (loss)</b>	<b>661,130</b>	<b>1,236,739</b>	<b>631,711</b>	<b>231,776</b>



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - COMBINED  
STATEMENT OF CHANGES IN EQUITY  
December 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		1,090,620		1,090,620
Other comprehensive income				
Unrealized gains and losses arising during the year			146,119	146,119
Recognition of realized gain included in income			-	-
Total comprehensive income (loss) for the year	-	1,090,620	146,119	1,236,739
Return of Surplus		-		-
Balance at December 31, 2023	50,000	14,795,048	(183,516)	14,661,532

## Exhibit 1.4

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

	Annual Budget	Year to Date Budget %	Year to Date Budget \$ December 31, 2023	Year to Date Actual \$ December 31, 2023	Fav/(Unfav) Variance \$	YTD Actual Prior Year \$ December 31, 2022
<b>MANAGEMENT SERVICES (See Note 1)</b>	649,750	100%	649,750	625,802	23,948	648,674
<b>PROFESSIONAL SERVICES (See Note 2)</b>						
Actuarial Services	90,400	100%	90,400	93,049	(2,649)	114,180
Strategic Matters	141,250	100%	141,250	148,997	(7,747)	196,319
<b>Total Professional Services</b>	<b>231,650</b>		<b>231,650</b>	<b>242,047</b>	<b>(10,397)</b>	<b>310,499</b>
<b>OTHER EXPENSES</b>						
Audit Expenses (See Note 3)	207,000	100%	207,000	207,000	-	177,886
Annual Dinner	7,500	100%	7,500	7,177	323	1,000
Chairman's Expenses	-		-	-	-	-
Chairman's Honourarium	150,000	100%	150,000	150,000	-	150,000
D&O Insurance	20,000	100%	20,000	17,794	2,206	16,955
Office Expenses	16,000	100%	16,000	21,522	(5,522)	15,108
Claims: Borderaux (LawPro/LIF)	18,300	100%	18,300	17,950	350	18,150
Special Services	15,000	100%	15,000	-	15,000	6,712
Statistical Plan Fees	-		-	1,085	(1,085)	1,911
Assessment Fees	5,500	100%	5,500	7,026	(1,526)	5,500
Investment counsel fees	29,000	100%	29,000	28,058	942	29,101
Investment - Custodial	18,000	100%	18,000	15,487	2,513	18,755
Risk Management/Loss Prevention	20,000	100%	20,000	915	19,085	10,000
License Fee	5,000	100%	5,000	4,663	337	4,663
Insurance: Sundry	-		-	-	-	-
<b>Total Other Expenses</b>	<b>511,300</b>		<b>511,300</b>	<b>478,677</b>	<b>32,623</b>	<b>455,742</b>
<b>PREMIUM TAXES</b>	<b>500,000</b>	100%	<b>500,000</b>	<b>538,605</b>	<b>(38,605)</b>	<b>478,153</b>
<b>REINSURANCE EXPENSES</b>						
Reinsurance Services (see Note 2)	316,400	100%	316,400	225,966	90,434	201,608
Reinsurance Travel Expense	6,000	100%	6,000	7,618	(1,618)	5,244
Reinsurance Fee (BWI) (See Note 4)	421,800	100%	421,800	423,019	(1,219)	347,463
<b>Total Reinsurance Expenses</b>	<b>744,200</b>		<b>744,200</b>	<b>656,602</b>	<b>87,598</b>	<b>554,314</b>
<b>TOTAL</b>	<b>2,636,900</b>		<b>2,636,900</b>	<b>2,541,733</b>	<b>95,167</b>	<b>2,447,381</b>

**\* NOTE 1: MANAGEMENT SERVICES**

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

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

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

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

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

**\* NOTE 3: AUDIT EXPENSES**

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

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

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

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

Exhibit 1.5

Risk Category	Risk Metric	December 31, 2021	December 31, 2022	December 31, 2023	Green Zone (Meets Target)	Yellow Zone	Red Zone (Limit Exceeded)
General	(1) AMRGF - Excess of Cash/Appr. Securities Over Reg. Req'ment	\$8,237,000	\$2,952,000	\$15,529,000	5,000,000 and above	\$2,500,000 to \$5,000,000	Less than \$2,500,000
	(2) MCT Ratio	555%	381%	781%	210% and above	n/a	Less than 210%
	(3) Status of Governance Policies	Up to date	Up to date	Up to date	Up to date	Items outstanding	Materially behind schedule
Insurance	(4) Gross Loss Ratio	-3%	87%	46%	Less than 150%	150% to 300%	Over 300%
	(5) Net Loss Ratio	-12%	3%	4%	Less than 50%	50% to 100%	Over 100%
	(6) Risk of Systemic Loss	Some concerns raised	Nothing on horizon	Nothing on horizon	Nothing on horizon	Some concerns raised	Adverse experience
Premium & Strategy	(7) Actual Expenses vs. Budget	98%	94%	96%	Less than 105%	105% to 120%	Over 120%
	(8) State of the Market Outlook	Some concerns raised	Some concerns raised	Some concerns raised	Nothing on horizon	Some concerns raised	Adverse experience
Reinsurance	(9) Reinsurer Credit Rating	A- to A+	A- to A+	A- to A+	A or above	A-	B+ and below
	(10) Maximum Concentration with a Single Reinsurer excl. Colchester	19.0%	18.1%	21.3%	Less than 10%	10% to 15%	Over 15%
Operational	(11) Board Discussion of Prior Quarter Risk Metrics	Discussed corrective measures	Discussed corrective measures	Discussed corrective measures	Discussed corrective measures	Received but no discussion	Not received
	(12) Resiliency Capacity - People (e.g. redundancy, succession)	n/a	n/a	n/a	Score of 4 or 5 out of 5	Score of 3 out of 5	Score of 1 or 2 out of 5
	(13) Resiliency Capacity - Data/Systems	n/a	n/a	n/a	Score of 4 or 5 out of 5	Score of 3 out of 5	Score of 1 or 2 out of 5
	(14) Advisory Board Turnover in Last 12 Months	0	0	0	0 to 2 members	3 to 4 members	5 or more members
	(15) Key Management/Advisor Turnover in Last 36 Months	1	1	1	0 to 1 person	2 to 3 people	4 or more members
Investments	(16) Investment Manager Compliance Statement	In compliance	In compliance	In compliance	In compliance	Temporarily or slightly not in compliance	Consistently or materially not in compliance
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 outstanding

Notes

- (1) = From Exhibit 6.
- (2) Based on P&C-1 for December 2021 to 2023. 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 2023.
- (7) = Actual expenses / budget expenses. From the financial statements.
- (8) Reviewed in December 2023.
- (9) Based on A.M. Best. information from report on reinsurance security (October 2023).
- (10) Based on claim liabilities exposure. Lloyds syndicates are assessed separately. December 2023 information from report on reinsurance security (October 2023).
- (11) Reviewed quarterly.
- (12) Reviewed annually in December.
- (13) Reviewed annually in December.
- (14) Reviewed quarterly based on turnover in the preceding 12-month period
- (15) Senior Management/Key Advisor Turnover in Last 36 Months – Includes principal attorney, general manager, accountant, auditor, actuary, reinsurance broker and excess insurance broker.
- (16) Reviewed quarterly.
- (17) Reviewed annually in December.

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

Color Code
Meets Target
Between Target and Limit
Exceeds Limit

## Exhibit 1.6

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

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

	Current Year to Date 31-Dec-23 (in \$000's)	Prior Year End 31-Dec-22 (in \$000's)
<b><u>Reserve Fund</u></b>		
Premiums received having one year or less to run	(1) 21,559	14,919
Less: Amount paid to licensed reinsurers	(2) 15,105	11,983
Premiums received with more than one year to run, less expired portion	(3) -	-
Less: Amount paid to reinsurers on premiums on line 3, less expired line 3, less expired portion.	(4) -	-
Subtotal (lines 1, minus line 2, plus line 3, minus line 4)	(5) 6,454	2,936
Reserve Fund Required (50% of Line 5)	(6) 3,227	1,468
<b><u>Guarantee Fund</u></b>		
Total Liabilities	(7) 80,126	81,662
Less: Liability for Remaining Coverage	(8) 7,748	3,932
Less: Recoverable from licensed reinsurers	(9) 71,186	74,426
Plus: Statutory Margin	(10) 50	50
Guarantee Fund Required (Line 7 minus Lines 8 and 9 plus line 10)	(11) 1,242	3,354
<b>TOTAL RESERVE &amp; GUARANTEE FUND REQUIRED (Line 6+11)</b>	(12) 4,469	4,822
Cash & Approved Securities	(13) 19,998	20,141
Excess of Cash & Securities over Reserve & Guarantee Fund (line 13 minus line 12)	(14) 15,529	15,319

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

Exhibit 2.1

	As at December 31, 2023	As at December 31, 2022
<b>Assets</b>		
Cash	4,618,783	2,872,993
Short term investments	8,297,545	11,590,166
Bonds	7,081,571	5,677,588
Interest income due and accrued	34,150	25,156
Prepaid expenses	164,820	157,639
Other receivable	-	-
Reinsurance contract assets		
Asset for incurred claims	70,604,825	71,796,772
Asset for remaining coverage	3,144,197	2,482,209
	<b>93,945,891</b>	<b>94,602,523</b>
<b>Liabilities</b>		
Insurance contracts liabilities		
Liability for incurred claims	71,296,174	75,738,710
Liability for remaining coverage	5,786,257	1,851,033
Accounts payable & accrued charges	2,719,992	3,529,306
	<b>79,802,422</b>	<b>81,119,049</b>
<b>Subscribers' equity</b>		
Equity	14,326,985	13,813,110
Accumulated other comprehensive income (loss)	(183,516)	(329,636)
	<b>14,143,469</b>	<b>13,483,474</b>
	<b>93,945,891</b>	<b>94,602,523</b>

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

**Exhibit 2.2**

	Current Year		Prior Year	
	Quarter December 31, 2023	Year to Date December 31, 2023	Quarter December 31, 2022	Year to Date December 31, 2022
<b>Insurance service result</b>				
Insurance revenue	4,135,507	15,372,245	3,609,465	13,463,840
Insurance service expense				
Incurred claims expenses	3,396,647	7,926,260	11,804,645	13,599,286
Operating expenses	288,323	1,279,199	177,107	1,414,914
Premium taxes	-	471,085	(42,794)	411,285
Insurance service result before reinsurance	450,536	5,695,700	(8,329,493)	(1,961,645)
Allocation of reinsurance premiums	3,549,183	13,080,445	3,023,522	11,313,429
Amounts recovered from reinsurers	3,377,589	8,044,120	11,118,726	13,783,276
Reinsurance fees	(97,329)	(543,703)	(285,338)	(513,326)
	268,923	5,580,028	(7,809,866)	(1,956,521)
Net insurance service result	<b>181,614</b>	<b>115,673</b>	<b>(519,627)</b>	<b>(5,124)</b>
<b>Investment result</b>				
Investment income (loss)	212,125	693,584	168,872	393,562
Insurance finance income (expense)				
For insurance contract	(3,505,053)	(4,113,963)	9,118,109	4,299,959
For reinsurance contracts	3,254,262	3,818,583	(8,403,092)	(3,963,465)
Net investment result	<b>(38,666)</b>	<b>398,204</b>	<b>883,889</b>	<b>730,056</b>
<b>Net Income (loss)</b>	<b>142,947</b>	<b>513,877</b>	<b>364,262</b>	<b>724,932</b>
Unrealized gains (losses) arising during the year	348,832	146,119	32,402	(434,476)
Recognition of realized gain (loss) included in income	-	-	-	-
Other comprehensive income (loss) for the year	348,832	146,119	32,402	(434,476)
<b>Total comprehensive income (loss)</b>	<b>491,780</b>	<b>659,997</b>	<b>396,664</b>	<b>290,456</b>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - E&O  
STATEMENT OF CHANGES IN EQUITY  
December 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		513,877		513,877
Other comprehensive income				
Unrealized gains and losses arising during the year			146,119	146,119
Recognition of realized gain included in income			-	-
Total comprehensive income (loss) for the year	-	513,877	146,119	659,997
Return of Surplus		-		-
Balance at December 31, 2023	50,000	14,276,985	(183,516)	14,143,469

## Exhibit 2.4

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

	Annual Budget	Year to Date Budget %	Year to Date Budget \$ December 31, 2023	Year to Date Actual \$ December 31, 2023	Fav/(Unfav) Variance \$	YTD Actual Prior Year \$ December 31, 2022
<b>MANAGEMENT SERVICES (See Note 1)</b>	617,263	100%	617,263	594,512	22,751	648,674
<b>PROFESSIONAL SERVICES (See Note 2)</b>						
Actuarial Services	85,880	100%	85,880	88,397	(2,517)	114,180
Strategic Matters	134,188	100%	134,188	141,547	(7,360)	196,318
<b>Total Professional Services</b>	<b>220,068</b>		<b>220,068</b>	<b>229,944</b>	<b>(9,877)</b>	<b>310,498</b>
<b>OTHER EXPENSES</b>						
Audit Expenses (See Note 3)	196,650	100%	196,650	196,650	-	177,886
Annual Dinner	7,125	100%	7,125	6,818	307	1,000
Chairman's Expenses	-		-	-	-	-
Chairman's Honourarium	142,500	100%	142,500	142,500	-	150,000
D&O Insurance	19,000	100%	19,000	16,904	2,096	16,955
Office Expenses	15,200	100%	15,200	20,446	(5,246)	15,108
Claims: Borderaux (LawPro/LIF)	17,385	100%	17,385	17,053	333	18,150
Special Services	14,250	100%	14,250	-	14,250	6,712
Statistical Plan Fees	-		-	1,031	(1,031)	1,911
Assessment Fees	5,225	100%	5,225	6,675	(1,450)	5,500
Investment counsel fees	27,550	100%	27,550	26,655	895	29,101
Investment - Custodial	17,100	100%	17,100	14,712	2,388	18,755
Risk Management/Loss Prevention	19,000	100%	19,000	870	18,130	10,000
License Fee	4,750	100%	4,750	4,430	320	4,663
Insurance: Sundry	-		-	-	-	-
<b>Total Other Expenses</b>	<b>485,735</b>		<b>485,735</b>	<b>454,744</b>	<b>30,991</b>	<b>455,742</b>
<b>PREMIUM TAXES</b>	<b>432,000</b>	100%	<b>432,000</b>	<b>471,085</b>	<b>(39,085)</b>	411,285
<b>REINSURANCE EXPENSES</b>						
Reinsurance Services (see Note 2)	300,580	100%	300,580	214,667	85,913	201,608
Reinsurance Travel Expense	5,700	100%	5,700	7,237	(1,537)	5,244
Reinsurance Fee (BWI) (See Note 4)	321,800	100%	321,800	321,799	1	306,475
<b>Total Reinsurance Expenses</b>	<b>628,080</b>		<b>628,080</b>	<b>543,703</b>	<b>84,377</b>	<b>513,326</b>
<b>TOTAL</b>	<b>2,383,145</b>		<b>2,383,145</b>	<b>2,293,987</b>	<b>89,158</b>	<b>2,339,525</b>

**\* NOTE 1: MANAGEMENT SERVICES**

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

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

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

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

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

**\* NOTE 3: AUDIT EXPENSES**

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

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

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



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

Exhibit 3.1

	As at December 31, 2023	As at December 31, 2022
<b>Assets</b>		
Cash	-	-
Short term investments	-	-
Bonds	-	-
Interest income due and accrued	-	-
Prepaid expenses	77,795	79,012
Other receivable	2,719,992	1,944,306
Reinsurance contract assets		
Asset for incurred claims	604,453	221,392
Asset for remaining coverage	159,345	183,435
	<b>3,561,585</b>	<b>2,428,145</b>
<b>Liabilities</b>		
Insurance contracts liabilities		
Liability for incurred claims	1,082,075	405,957
Liability for remaining coverage	1,961,448	2,080,868
Accounts payable & accrued charges	-	-
	<b>3,043,523</b>	<b>2,486,825</b>
<b>Subscribers' equity</b>		
Equity	518,063	(58,680)
Accumulated other comprehensive income (loss)	-	-
	<b>518,063</b>	<b>(58,680)</b>
	<b>3,561,585</b>	<b>2,428,145</b>

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

Exhibit 3.2

	Current Year		Prior Year	
	Quarter December 31, 2023	Year to Date December 31, 2023	Quarter December 31, 2022	Year to Date December 31, 2022
<b>Insurance service result</b>				
Insurance revenue	661,888	2,584,445	522,208	540,306
Insurance service expense				
Incurred claims expenses	33,969	649,054	391,636	405,957
Operating expenses	15,175	67,326	-	-
Premium taxes	65,102	67,520	64,804	66,868
Insurance service result before reinsurance	547,643	1,800,545	65,768	67,481
Allocation of reinsurance premiums	407,371	1,512,490	54,510	306,565
Amounts recovered from reinsurers	29,029	368,178	221,392	221,392
Reinsurance fees	(27,335)	(112,899)	4,012	(40,988)
	405,677	1,257,211	(170,894)	126,161
Net insurance service result	<b>141,965</b>	<b>543,334</b>	<b>236,662</b>	<b>(58,680)</b>
<b>Investment result</b>				
Investment income (loss)	35,921	45,589	-	-
Insurance finance income (expense)				
For insurance contract	(18,966)	(27,064)	-	-
For reinsurance contracts	10,430	14,883	-	-
Net investment result	<b>27,385</b>	<b>33,408</b>	<b>-</b>	<b>-</b>
<b>Net Income (loss)</b>	<b>169,350</b>	<b>576,742</b>	<b>236,662</b>	<b>(58,680)</b>
Unrealized gains (losses) arising during the year	-	-	-	-
Recognition of realized gain (loss) included in income	-	-	-	-
Other comprehensive income (loss) for the year	-	-	-	-
<b>Total comprehensive income (loss)</b>	<b>169,350</b>	<b>576,742</b>	<b>236,662</b>	<b>(58,680)</b>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - CYBER  
STATEMENT OF CHANGES IN EQUITY  
December 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		576,742		576,742
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	-	576,742	-	576,742
Return of Surplus		-		-
Balance at December 31, 2023	-	518,063	-	518,063

## Exhibit 3.4

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

	Annual Budget	Year to Date Budget %	Year to Date Budget \$ December 31, 2023	Year to Date Actual \$ December 31, 2023	Fav/(Unfav) Variance \$	YTD Actual Prior Year \$ December 31, 2022
<b>MANAGEMENT SERVICES (See Note 1)</b>	32,488	100%	32,488	31,290	1,197	-
<b>PROFESSIONAL SERVICES (See Note 2)</b>						
Actuarial Services	4,520	100%	4,520	4,652	(132)	-
Strategic Matters	7,063	100%	7,063	7,450	(387)	-
<b>Total Professional Services</b>	<b>11,583</b>		<b>11,583</b>	<b>12,102</b>	<b>(520)</b>	-
<b>OTHER EXPENSES</b>						
Audit Expenses (See Note 3)	10,350	100%	10,350	10,350	-	-
Annual Dinner	375	100%	375	359	16	-
Chairman's Expenses	-		-	-	-	-
Chairman's Honourium	7,500	100%	7,500	7,500	-	-
D&O Insurance	1,000	100%	1,000	890	110	-
Office Expenses	800	100%	800	1,076	(276)	-
Claims: Borderaux (LawPro/LIF)	915	100%	915	898	18	-
Special Services	750	100%	750	-	750	-
Statistical Plan Fees	-		-	54	(54)	-
Assessment Fees	275	100%	275	351	(76)	-
Investment counsel fees	1,450	100%	1,450	1,403	47	-
Investment - Custodial	900	100%	900	774	126	-
Risk Management/Loss Prevention	1,000	100%	1,000	46	954	-
License Fee	250	100%	250	233	17	-
Insurance: Sundry	-		-	-	-	-
<b>Total Other Expenses</b>	<b>25,565</b>		<b>25,565</b>	<b>23,934</b>	<b>1,631</b>	-
<b>PREMIUM TAXES</b>	<b>68,000</b>	100%	<b>68,000</b>	<b>67,520</b>	<b>480</b>	<b>66,868</b>
<b>REINSURANCE EXPENSES</b>						
Reinsurance Services (see Note 2)	15,820	100%	15,820	11,298	4,522	-
Reinsurance Travel Expense	300	100%	300	381	(81)	-
Reinsurance Fee (BWI) (See Note 4)	100,000	100%	100,000	101,220	(1,220)	40,988
<b>Total Reinsurance Expenses</b>	<b>116,120</b>		<b>116,120</b>	<b>112,899</b>	<b>3,221</b>	<b>40,988</b>
<b>TOTAL</b>	<b>253,755</b>		<b>253,755</b>	<b>247,745</b>	<b>6,010</b>	<b>107,856</b>

**\* NOTE 1: MANAGEMENT SERVICES**

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

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

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

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

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

**\* NOTE 3: AUDIT EXPENSES**

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

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

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



# Canadian Lawyers Liability Assurance Society

Actuarial valuation of policy liabilities as at December 31, 2023

February 22, 2024

# Agenda

1

Disclosures

2

Actuarial Valuation

3

Valuation Results

4

Discussion

## Disclosure of Draft Results



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

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

Per the Canadian Actuarial Standards of Practice, **changes having an impact in excess of our standard of materiality** as of December 31, 2023 may need to be reflected and/or disclosed in the valuation report and may result in a **change in the financial statements**.



## Role of the Appointed Actuary



### Valuation of policy liabilities

- Liability and asset for incurred claims
- Liability and asset for remaining coverage



### Liaise with the auditor

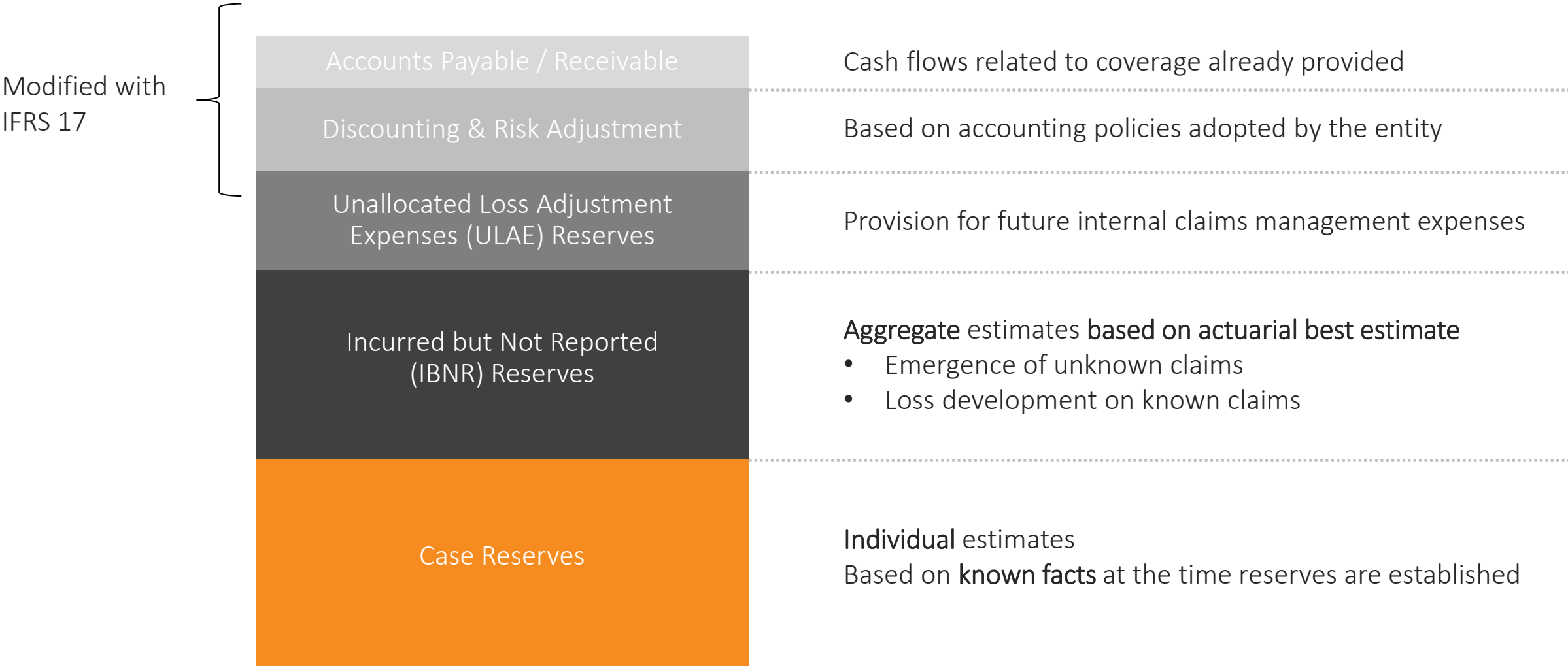
In accordance with Canadian Accounting Standard 620



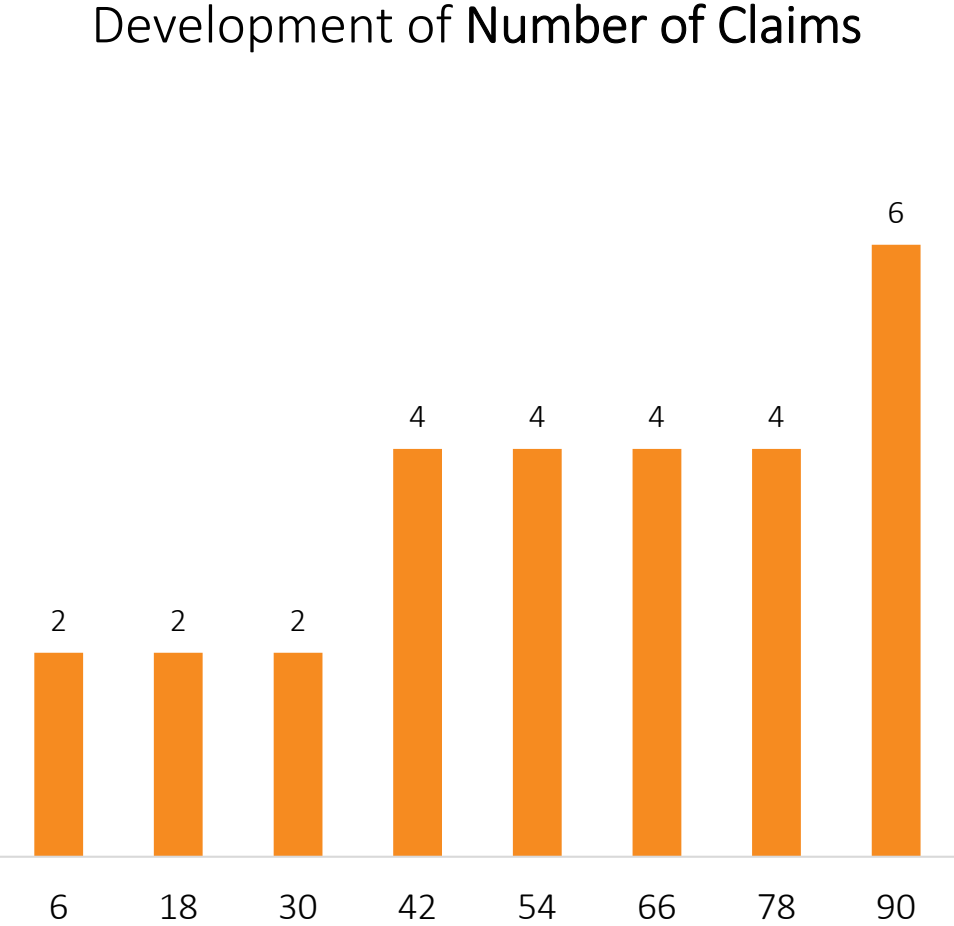
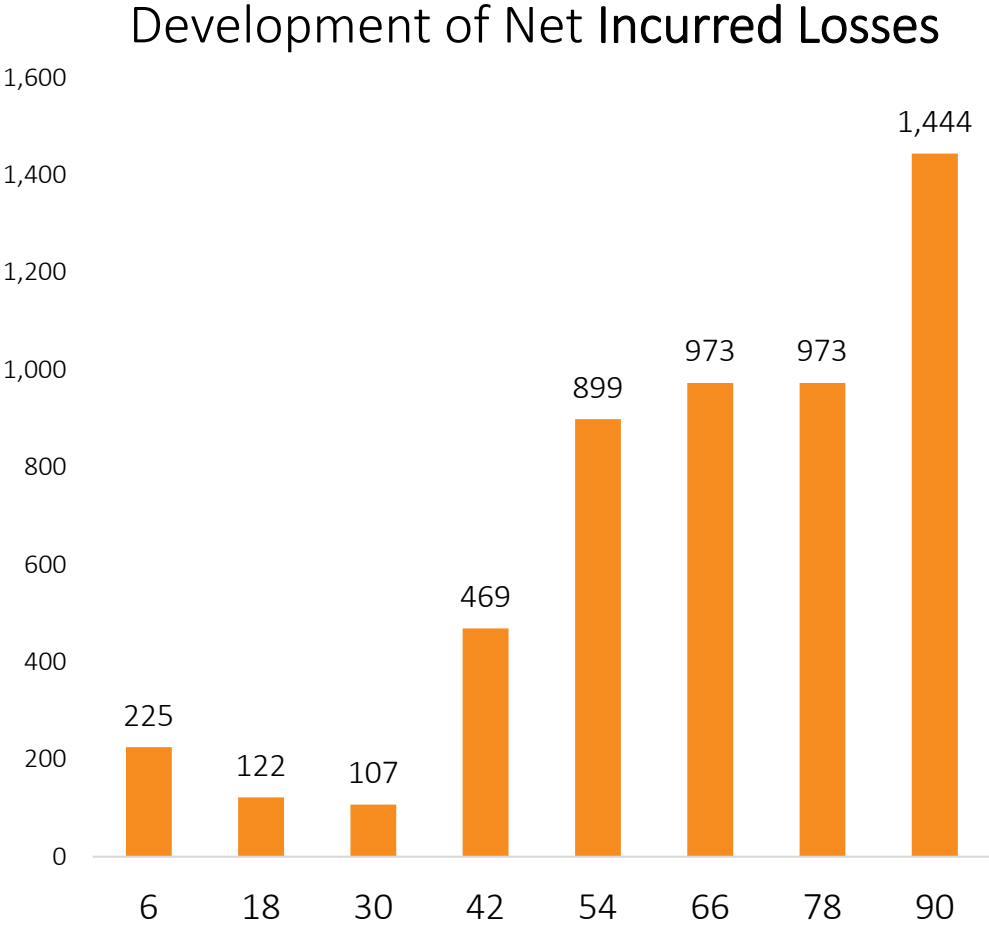
### Monitor the financial condition



# Liability for Incurred Claims



# Example: Development of 11/12 Policy Year

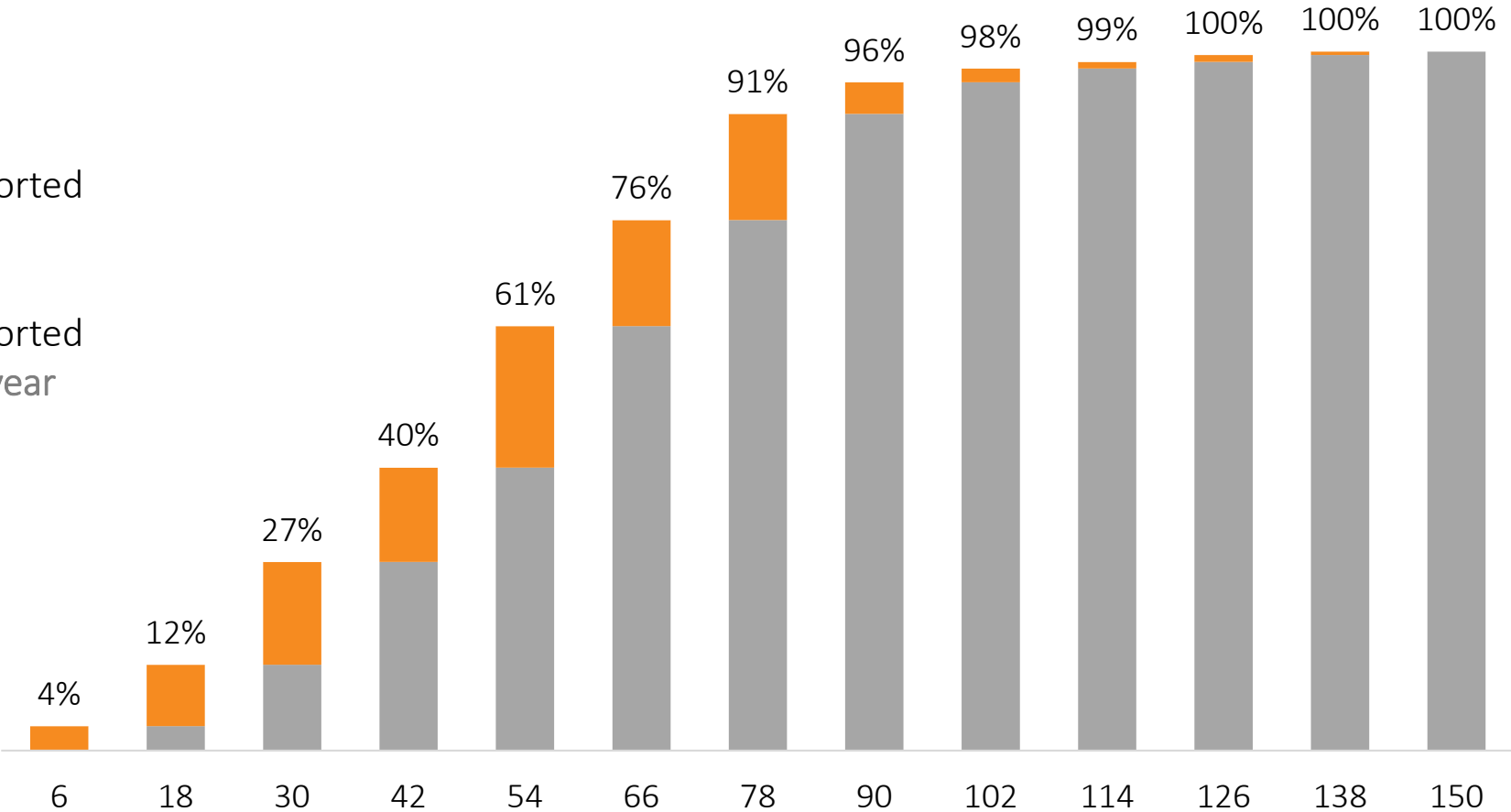


# Development of Incurred Losses

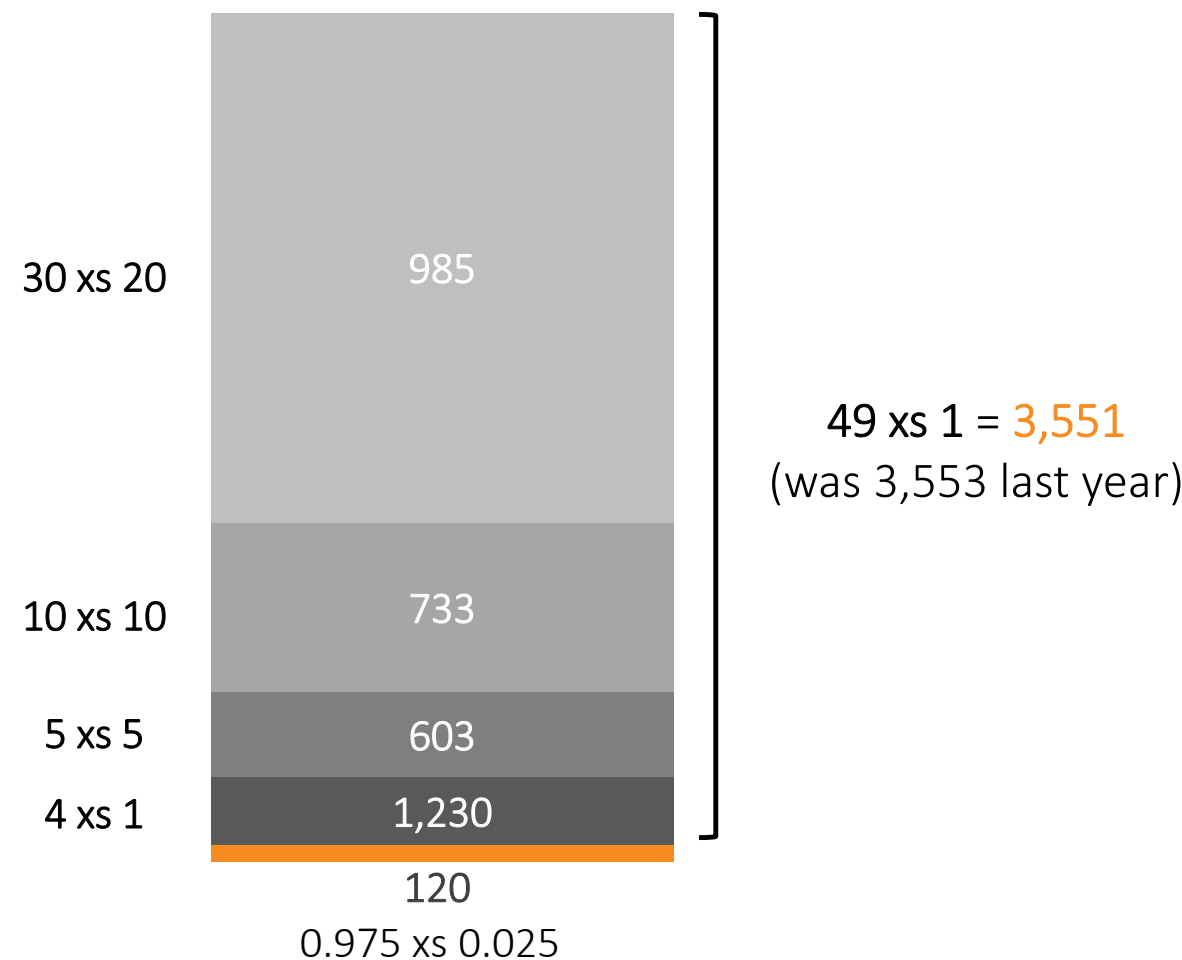
Losses are assumed to be fully reported after 10.5 years

% of ultimate losses reported  
in the year

% of ultimate losses reported  
by the beginning of the year



# Expected Loss Costs



Other Excess Layers	
Layer	Loss Cost per Lawyer
30 xs min 65	8
5% of 30 xs 50	12
5% of 50 xs 50	15
5% of 60 xs 100	3
60 xs 160	10
30 xs 250	1

## CLLAS and Colchester Arrangements for 2022/2023

Colchester Retention:                   31% of 49M xs 1M  
   100% of 5% of 50 xs 50  
   10% of 60M xs 160M  
   25% of 30M xs 250M  
   Provides **aggregate** reinsurance coverage of 10M xs 5M

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

### Loss Portfolio Transfer on June 20, 2012

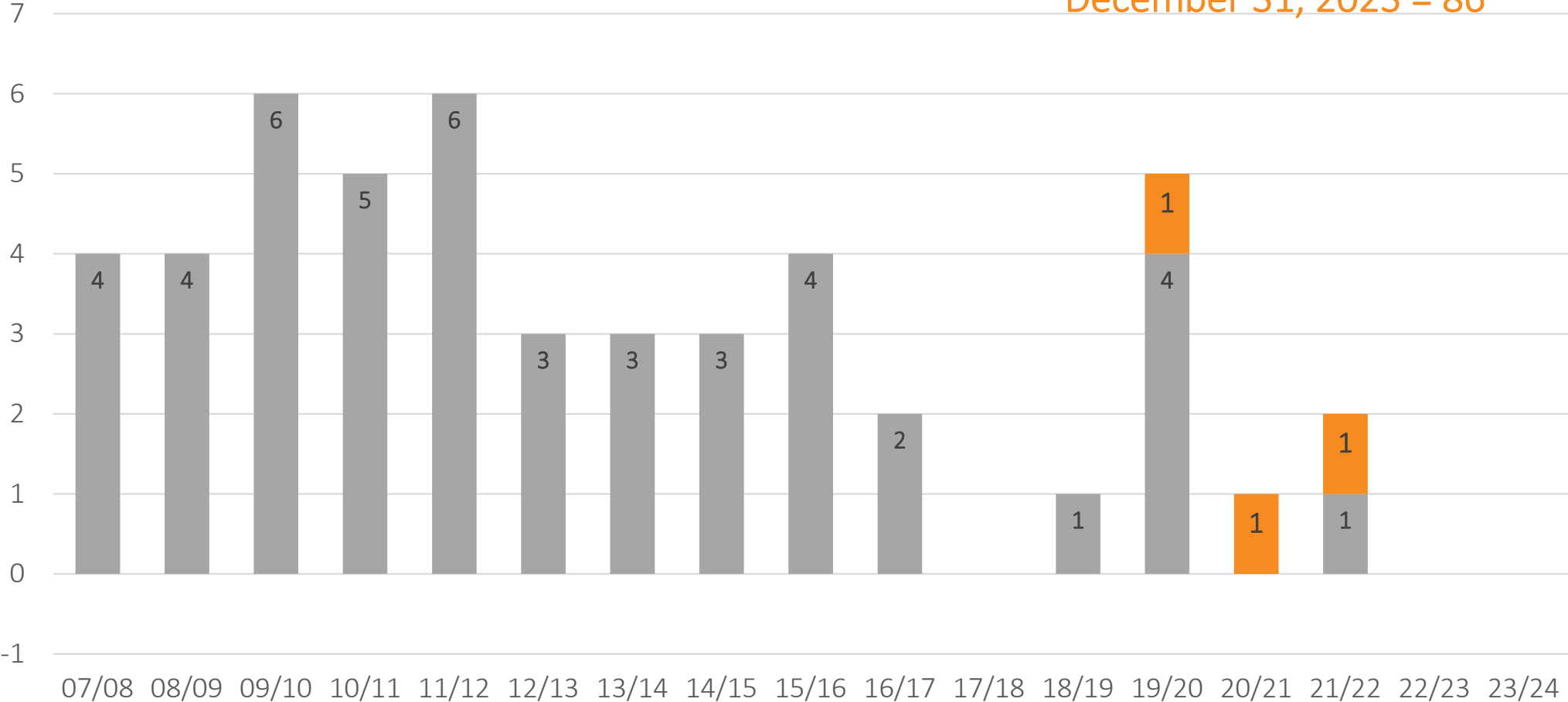
Colchester purchased net outstanding claims obligations on policies written between July 1, 1987 and June 30, 2012

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

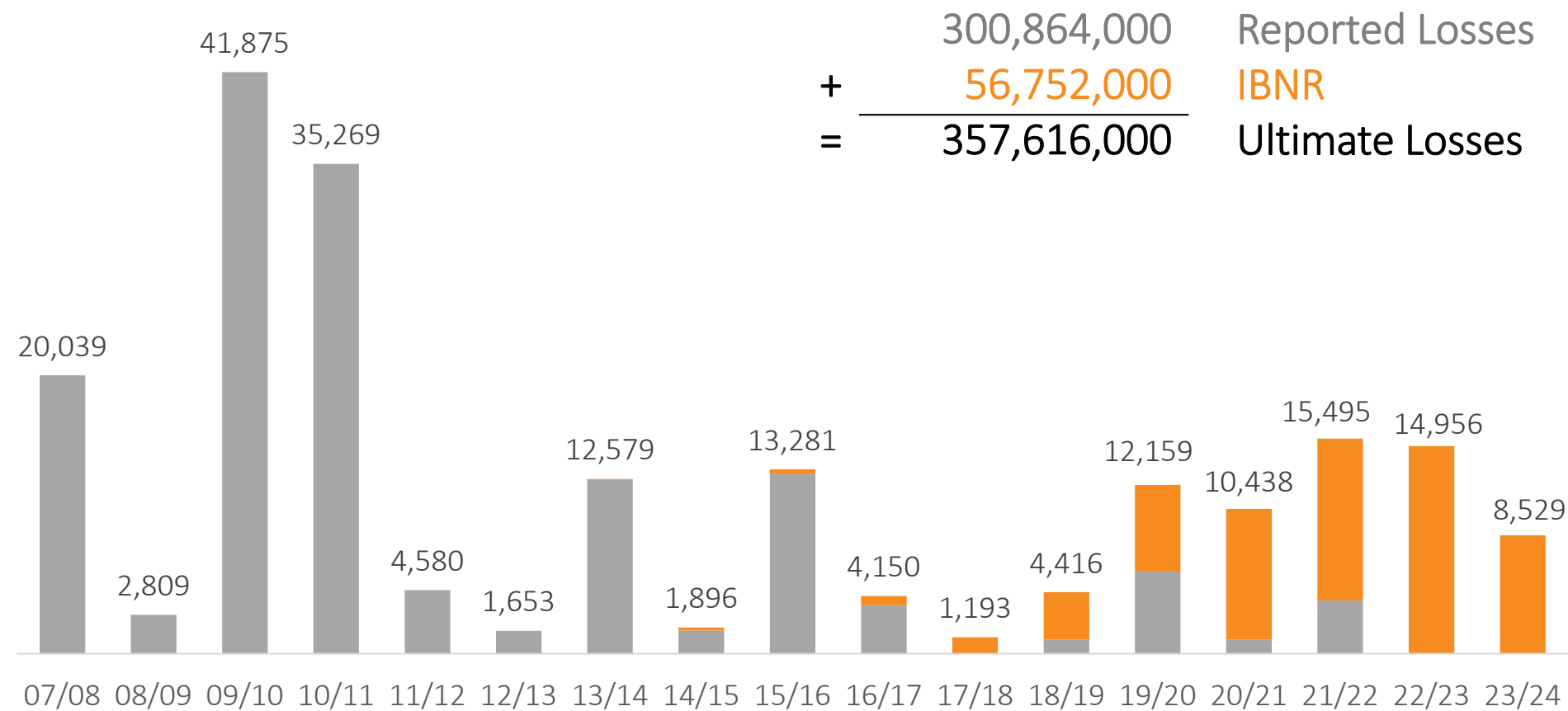
# Reported Claim Counts

December 31, 2022 = 83

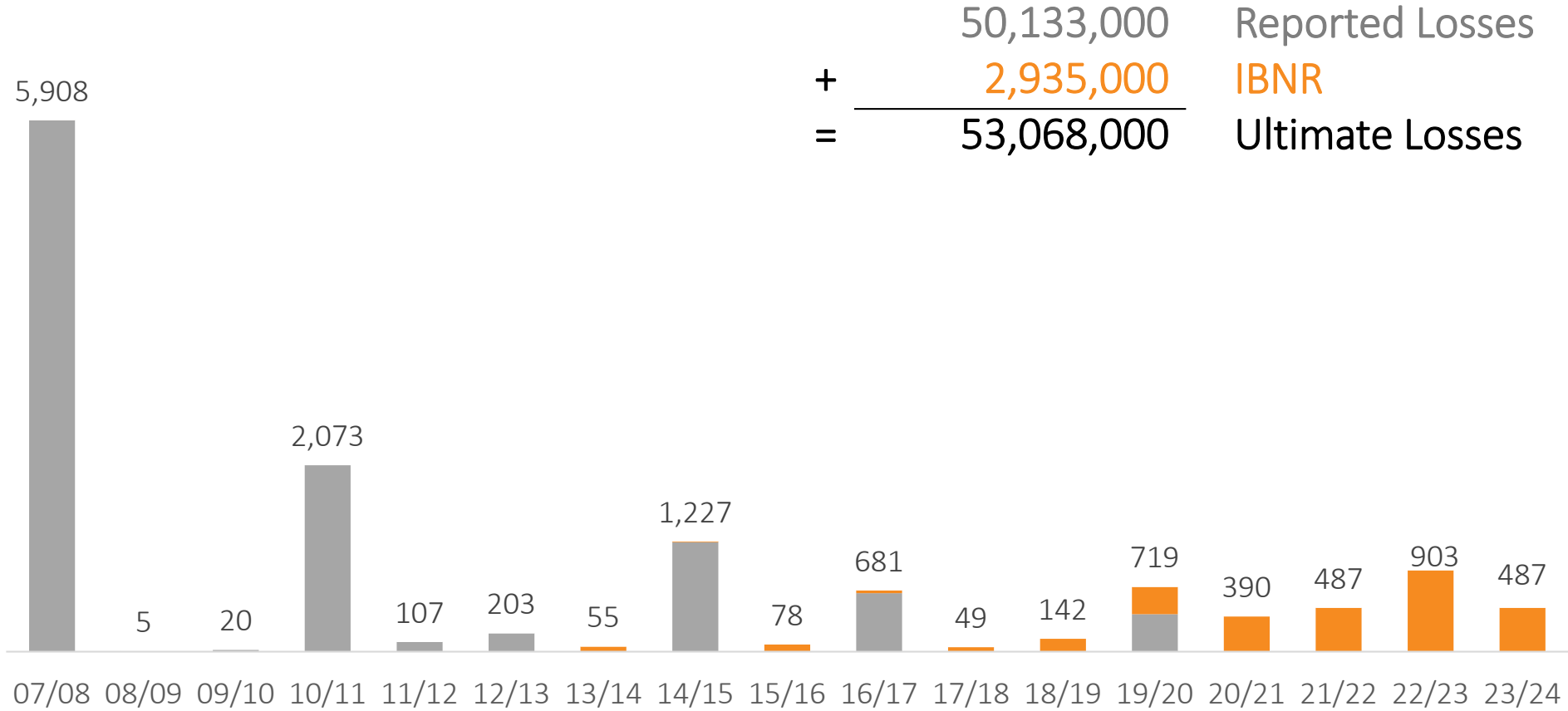
December 31, 2023 = 86



# Projected Ultimate Losses - Gross

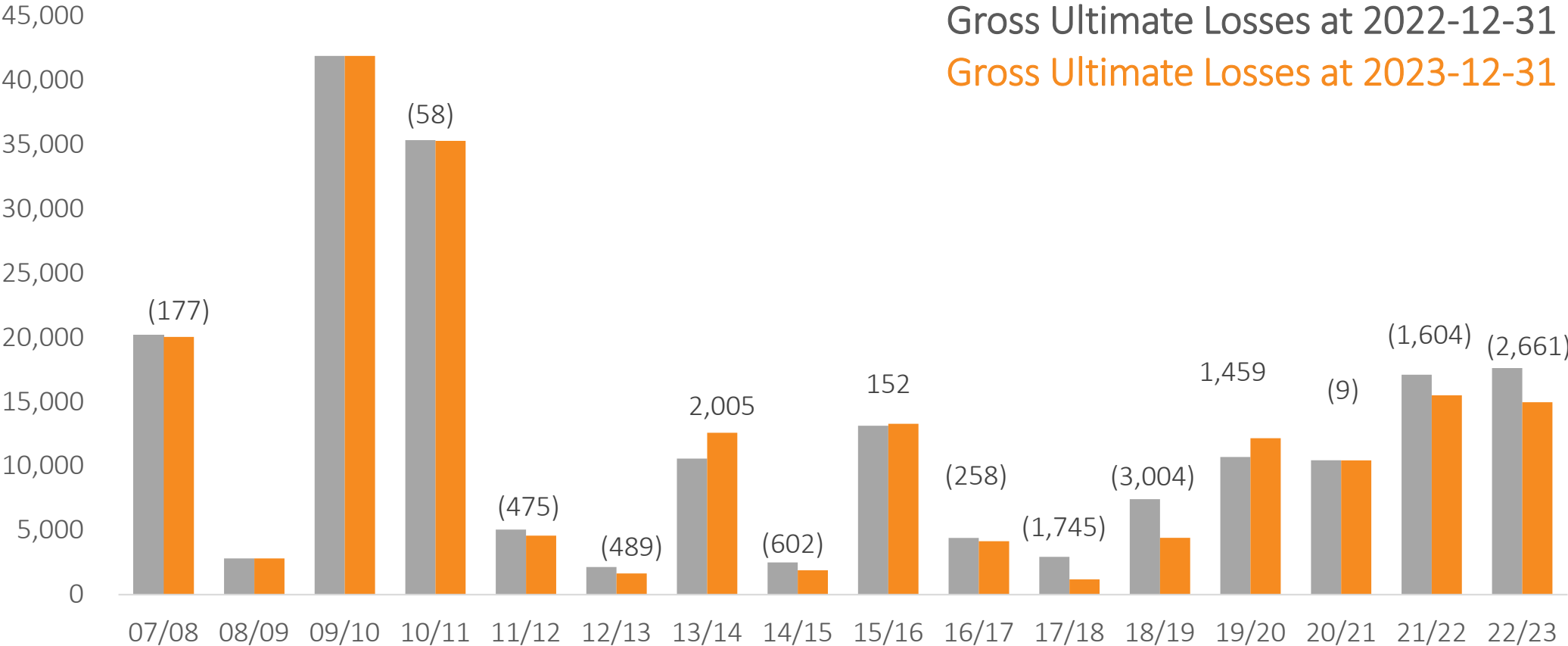


# Projected Ultimate Losses - Net

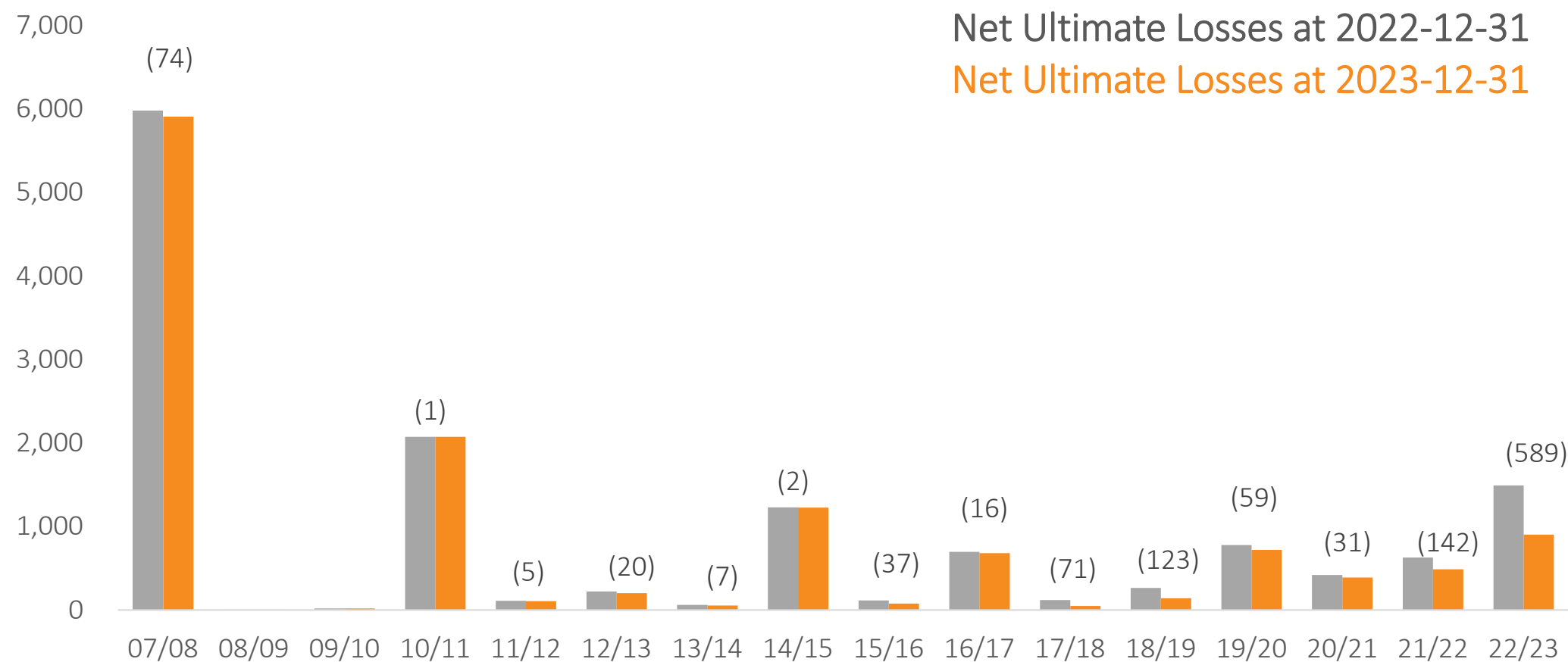




# Overall Claims Improvement of \$7,464,000 – Gross Basis Due to a Release of IBNR for Cyber and Lower Claim Emergence for Prof. Liability



# Overall Claims Improvement of \$1,177,000 – Net Basis



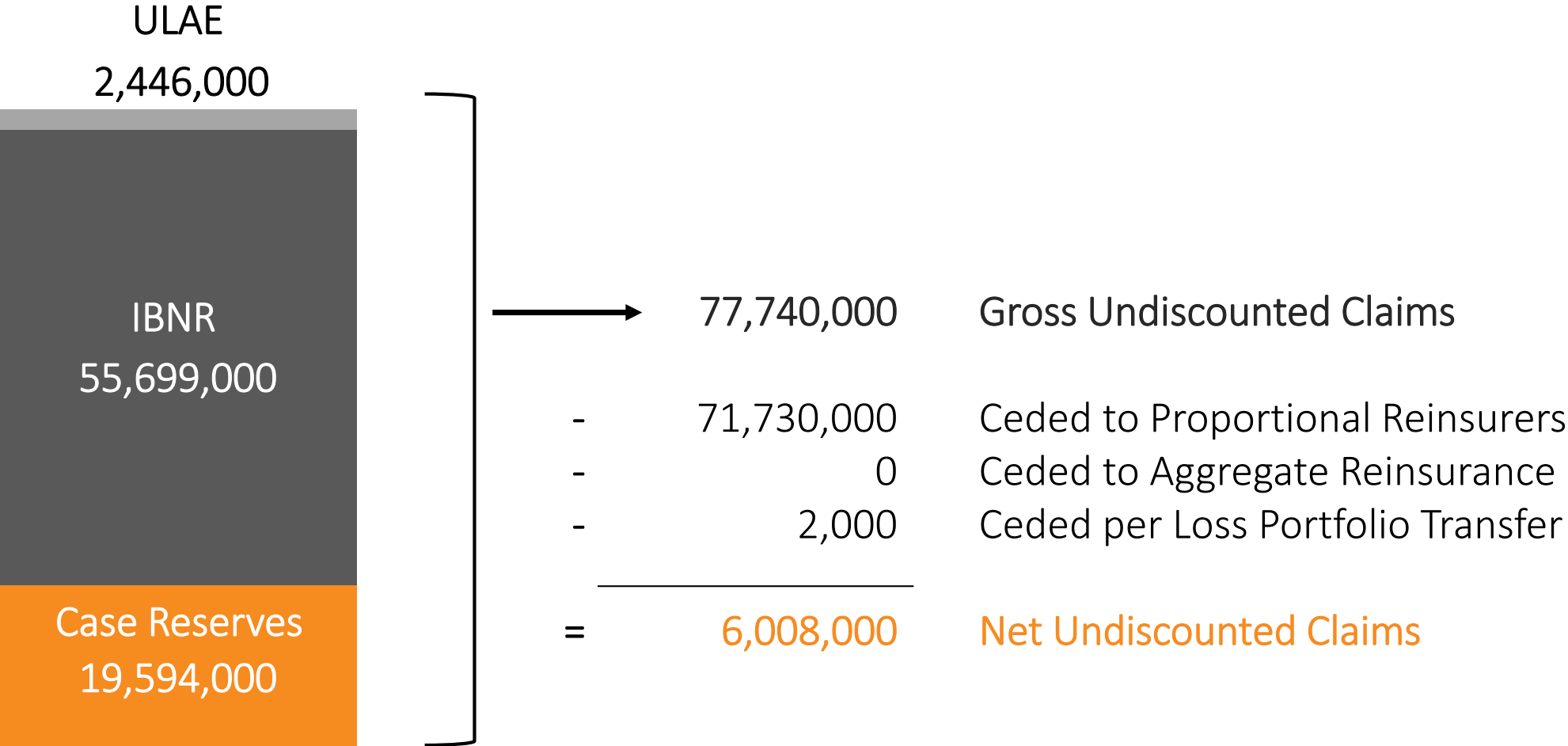
## Unallocated Loss Adjustment Expenses (ULAE)

Represents the provision for the **claims management** function to **service existing obligations** if CLLAS were to cease writing business on December 31, 2023

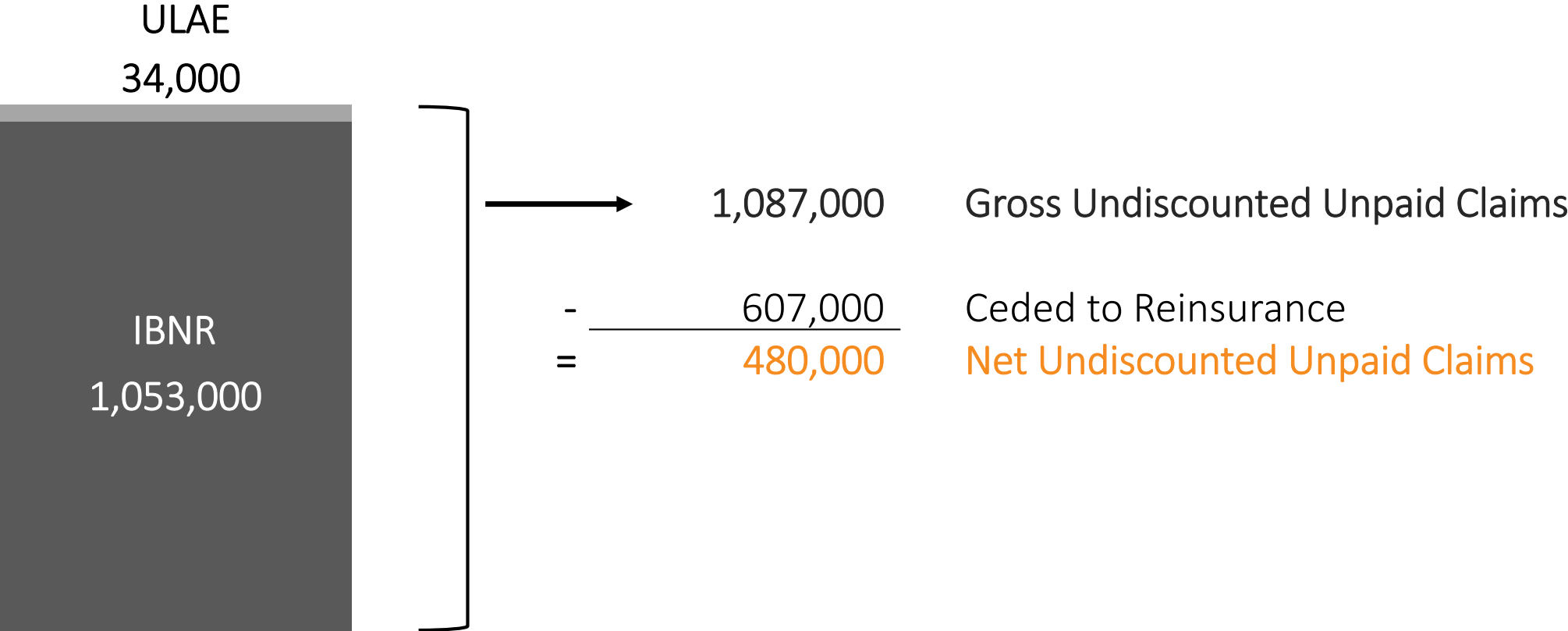
Loading = **3.25%** x (gross case reserves + gross provisions for IBNR)  
(was 3.00% as of December 31, 2022)

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

# Professional Liability Undiscounted Unpaid Claims Gross and Net



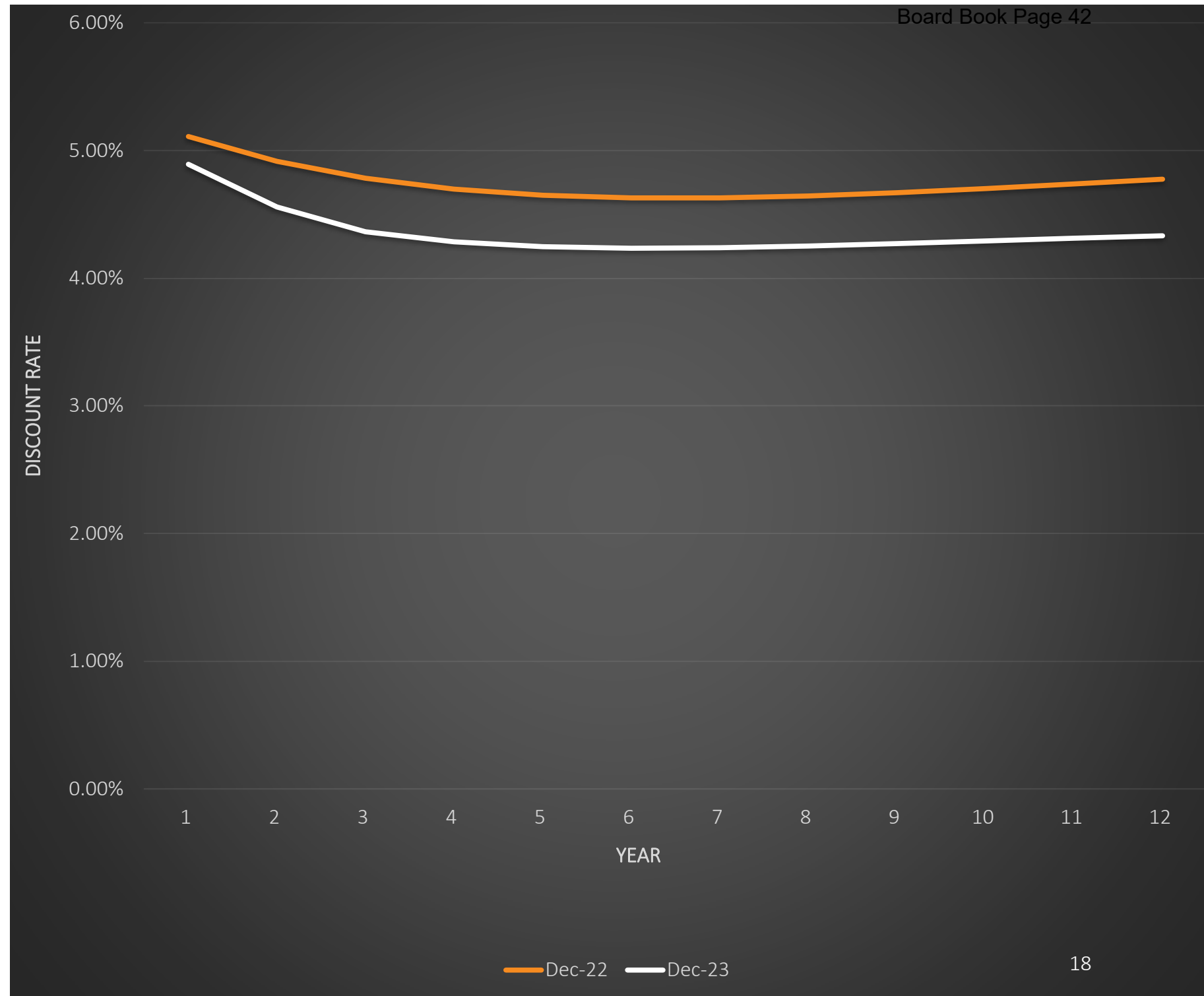
# Cyber Undiscounted Unpaid Claims Gross and Net



# Discounting

Insurance contract liabilities are estimates of losses to be paid in the future. The future claim payments are discounted to **reflect the time value of money**

The discount rates are based on the bottom-up approach using a risk-free yield curve and an illiquidity premium derived from Fiera Capital data



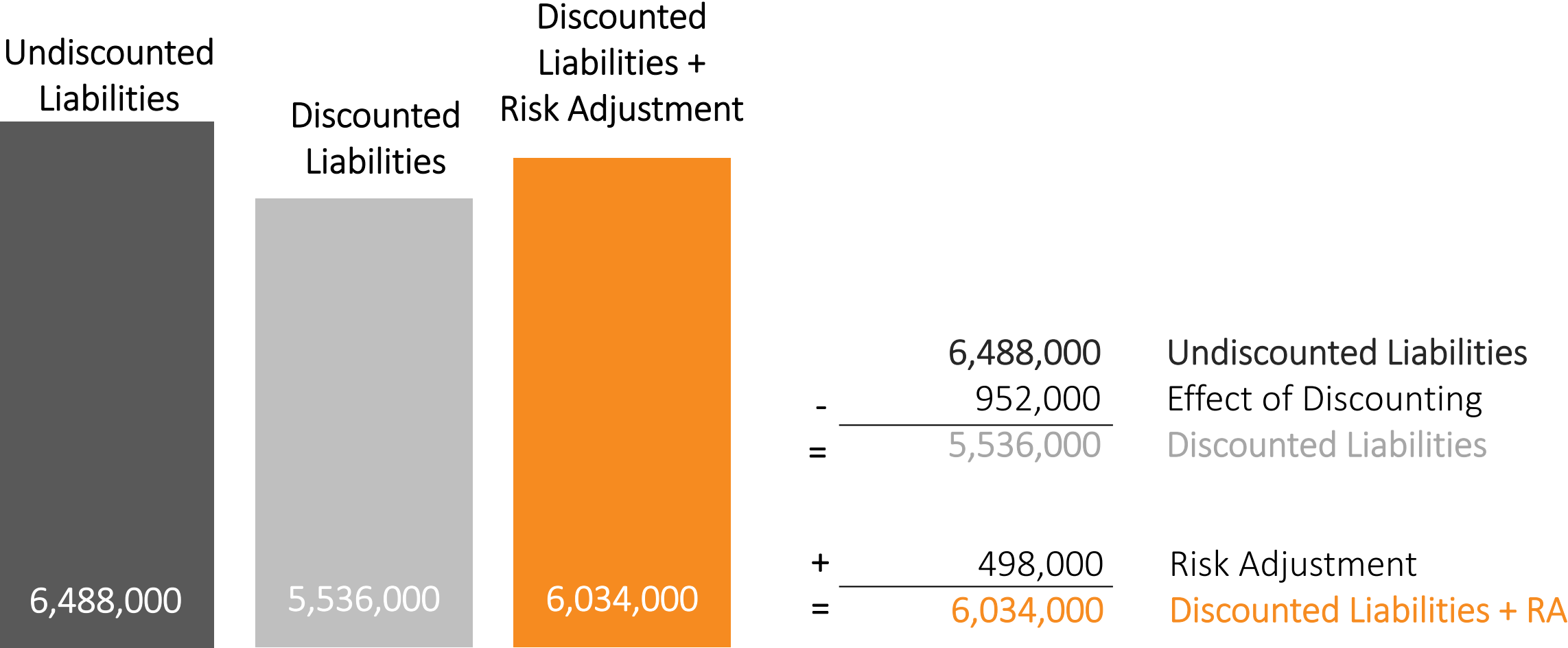
## Risk Adjustment

The risk adjustment reflects the compensation required for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk

The risk adjustment is determined by applying a **9% margin** to the discounted unpaid claims (no change vs. December 2022)

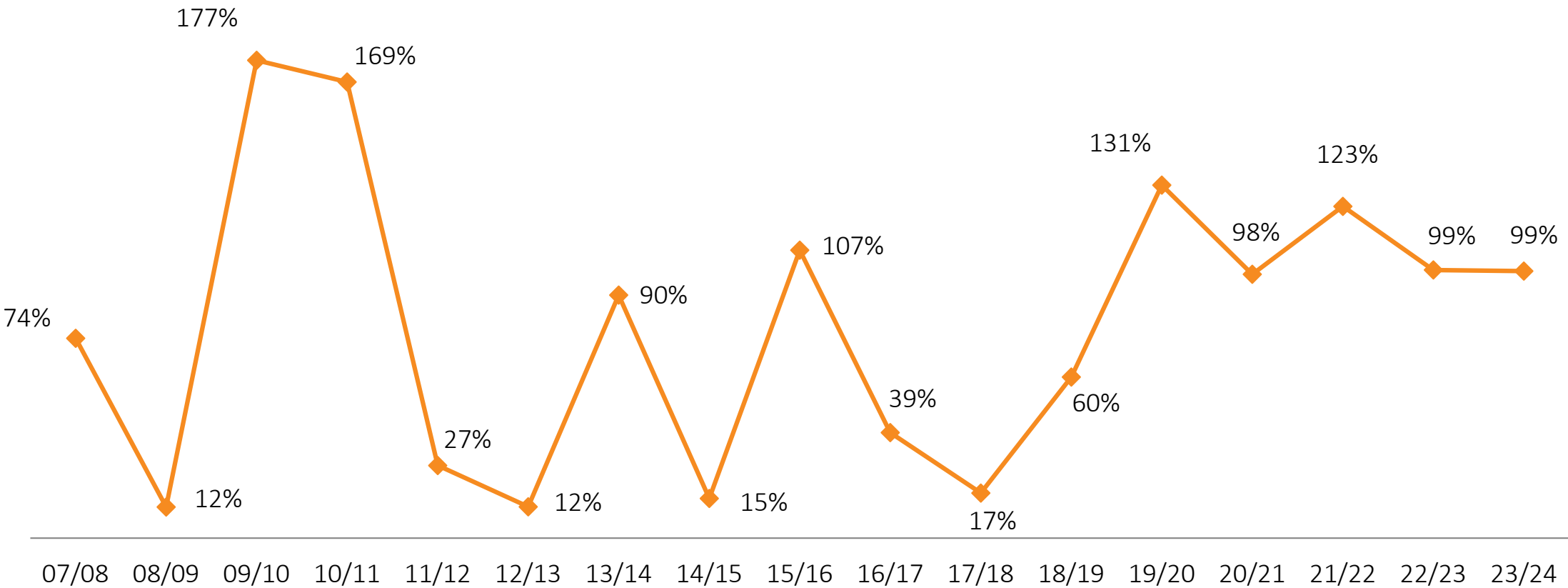
Based on actuarial judgement, we estimate that the unpaid claims recorded in CLLAS's financial statements correspond to a confidence level in the range of 65% to 70%.

# Recommended Net Liability for Incurred Claims

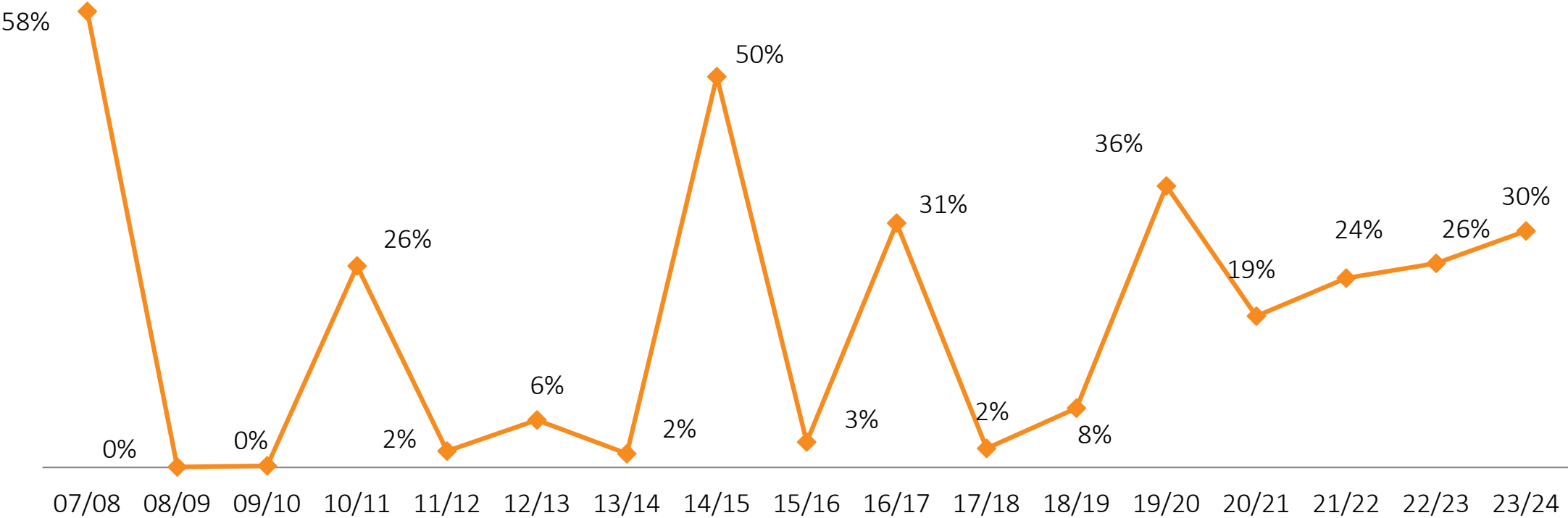




# The Gross Ultimate Loss Ratio Reflects Volatility and Market Pricing



# The Net Ultimate Loss Ratio Reflects the Risk Assumed



# Liability for Remaining Coverage

An **onerous contract** exists and a **loss component** is generated if:

Insurance contract unearned premiums

- Expected claims and maintenance expenses

---

< 0

}

}

Future Revenue

Future Expenses

There is a **\$0 loss component** as at December 31, 2023

## Conclusions

The development during 2023 was **favourable by \$1,177,000**

The insurance contract liabilities and reinsurance contract assets were **booked in the financial statements as recommended**

The insurance contract liabilities and reinsurance contract assets recorded in the financial statements include additional amounts determined by management such as payables and receivables

# Discussion





February 16, 2024

***Private & Confidential***

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

Dear Ken,

The purpose of this letter is to set out the proposed operating budget for CLLAS for 2024, including the proposed budget for the provision by Axxima of Management and Professional Services.

The draft total operating budget for CLLAS for 2024 is presented in Attachment A to this letter, together with the budget and actual figures for 2023. Overall, CLLAS finished 2023 \$95,000, or 3.6% under budget.

The budget proposed for 2024 reflects a decrease of \$65,000, or 2.5%, over the 2023 budget. If premium taxes are ignored, the decrease is \$158,000 or 6.0%. The main reason for the decrease is a significant reduction in Strategic Matters related to two projects that are now complete – the transition to IFRS 17 and the setup of the Cyber Program. Other factors driving the decrease include a reduction in audit expenses, as well as a reduction in the estimated budget for Reinsurance Matters. All of these items are addressed in more detail below.

A discussion of Cyber Program expenses is immediately below, followed by the “Other Expense” lines, premium taxes, reinsurance expenses and the Management and Professional Services lines.

**CYBER PROGRAM**

In 2022, CLLAS brought Cyber coverage in-house and all member firms (plus one Associate Firm) participated. The cost of developing and implementing the new CLLAS Cyber Program in 2022 and 2023 has been tracked as a Strategic expense. Starting from January 1, 2024, Cyber Program expenses will no longer be budgeted and tracked under the Strategic line and will be budgeted in the same manner as E&O expenses. Quarterly management financials will continue to show “budget to actual” information separated for the E&O and Cyber Programs.

Expenses that can be isolated by program such as premium taxes and reinsurance fees will continue to be accounted for separately in 2024 with 5% of all other operating expenses allocated to the Cyber Program. Based on the proposed budget for 2024, 5% results in an allocation of just under \$78,000 in other operating expenses to the Cyber Program. This results in total costs of \$252,000, which seems reasonable as they equate to roughly 10% of the premiums for the Cyber Program. The allocation will continue to be reviewed each year to ensure that it remains appropriate.

#### **“OTHER EXPENSES” BUDGET**

Overall, the CLLAS budget for other expenses (i.e. excluding premium taxes, reinsurance expenses and Axxima fees for Management/Professional Services) finished the year \$33,000, or 6.4% under budget. The proposed budget for 2024 represents a decrease of \$42,000, or 8.2% less than the 2023 budget. The largest variance relates to expenses for Audit and Risk Management, details of these and other expenses of note are covered immediately below.

- **Audit Expenses.** This line was on budget for 2023. With the implementation of IFRS 17 now complete, the budget for 2024 reflects a \$28,000 decrease in the audit fee to reflect the completion of the implementation of IFRS 17. The 2024 budget includes \$23,000 for recurring IFRS 17 audit work.
- **Annual Dinner.** An increase of \$500 for a total of \$8,000 is proposed for this line for 2024.
- **Chairman’s Honorarium.** No change to this line is proposed for 2024.
- **D&O Insurance.** No change to this line is proposed for 2024. The full budget for this line has not been spent in recent years because it has not been possible to place the \$5 million excess of \$5 million layer (only the \$5 million primary layer has renewed). While a \$5 million limit is reasonable (and most of the firms have coverage through the ODL Program as well) we will revisit securing the higher limits again in 2024.
- **Office Expenses – General.** This line tracks disbursements incurred by Axxima in the operation of CLLAS (travel, couriers, webhosting, etc.) and bank fees. The budget was exceeded in 2023 because it did not account for both Patrick Mahoney and Carrie Green attending the London renewal meetings during the GM transition year. No change to this line is proposed for 2024.
- **Special Services.** This line is for expenses related to external legal and other professional services provided to CLLAS. This line was not used in 2023. No change is proposed for 2024.
- **Risk Management/Loss Prevention.** There was not much activity on this item in 2023, the only expenditure was to reimburse some costs related to the AI session that was held during the year. Subject to input from the Risk Management Committee and discussion at the February Board meeting, it is anticipated that a new round of risk management audits will be scheduled in 2025. We propose to reduce the budget for 2024 to \$5,000.

### PREMIUM TAXES

Premium taxes, which are a percentage of premiums, came in over budget in 2023, this is because the 2023 premium tax budget was calculated based on IFRS 4 rather than IFRS 17. There are budget implications for premium taxes with IFRS 17. Under IFRS 4, accounting rules allowed CLLAS to record premium taxes as Deferred Policy Acquisition Costs (DPAC) which were expensed in the periods in which related premiums were earned. However, under IFRS 17, policy acquisition costs (premium taxes) are now expensed as incurred and are no longer shown on the Balance Sheet as an asset. The 2024 budget reflects the full 2024-2025 policy year premium tax amounts in accordance with IFRS 17. The budget for premium taxes assumes a 10% increase in all premiums at renewal.

It is important to note that the transition to IFRS 17 relates only to the timing of the recognition of the premium tax expense, not to the amount of the premium taxes or when they are due.

### REINSURANCE EXPENSES

In accordance with the IFRS 17 requirement that reinsurance expenses be reported separately from operating expenses, in order to have alignment we have organized the budget in the same way. Previously the line item Reinsurance Matters was included under “Professional Services” and the other two line items were included in “Other Expenses”.

- **Reinsurance Matters** This line tracks Axxima’s professional reinsurance services on a fee-for-service basis. The reinsurance renewals in 2022 and 2023 have been less challenging than past years as the hard market continues to settle. This line has come in \$90-100,000 under budget the last two years and we anticipate a similar result in 2024. In 2024 this line will now include the renewal of the cyber program so to remain conservative we propose to reduce the budget for 2024 by \$34,000 to \$283,000.
- **Reinsurance Expense** This line tracks expenses for the Chair and CLLAS Board member participation in London meetings, as well as lunches/dinners with reinsurers when they visit Toronto. The budget assumes a \$1,500 increase over 2023 actual costs due to inflationary pressure on travel costs.
- **Reinsurance Fees (3MG)** Fees for the E&O and Cyber Program were pretty well on budget in 2023. We do not anticipate any increases in fee for the 2024/25 policy year. The figures on the budget reflect accounting for the annual fee over the relevant policy period.



**PROFESSIONAL AND MANAGEMENT SERVICES****1. Management Services**

Management Services are provided on a fixed fee basis, with the exception of Claims Analysis, which is a variable line item related to management of CLLAS' active large loss files. Management Services finished the year under budget by almost \$24,000 or 3.7%. This was due to a lower level of activity on the active large loss files. The proposed fixed fee budget for 2024 (after credits, as discussed below) is \$586,700. This represents a 2.0% increase over 2023, with wage inflation and the reallocation of activity related to the Cyber Program previously included under Professional Services on the Strategic line being partially offset by an increase in the commissions/profit sharing credited to CLLAS from the Associate Firm program.

Details of the Management Services budget by line are presented below (excluding HST).

		2023	2023	Fav/ Unfav	2024	Change	Change
	Activity	Budget	Actual	Variance	Budget (proposed)	(\$)	(%)
(a)	Financial	\$245,000	\$245,000	\$0	\$263,000	\$18,000	7.3%
(b)	General Admin.	\$112,000	\$112,000	\$0	\$150,000	\$38,000	33.9%
(c)	Claims Admin.	\$238,000	\$238,000	\$0	\$238,000	\$0	0.0%
(d)	Claims Analysis*	\$60,000	\$38,807	\$21,193	\$60,000	\$0	0.0%
	Subtotal	\$655,000	\$633,807	\$21,193	\$711,000	\$56,000	8.5%
(e)	Less Credit	\$80,000	\$80,000	\$0	\$124,300	\$44,300	55.4%
	Total	\$575,000	\$553,807	\$21,193	\$586,700	\$11,700	2.0%

\* Variable

- (a) **Financial Reporting.** Activity on the Financial Reporting line tends to be steady or increase slightly each year depending on regulatory reporting developments. The budget for 2024 reflects wage inflation and the ongoing additional work to support IFRS 17 reporting and audit requests.
- (b) **General Administration.** The General Administration line includes such activities as Board meeting preparation, renewal applications, insurance policy preparation, certificate issuance, risk management initiatives, website maintenance, Subscriber enquiries re coverage, etc. The significant budget increase of \$38,000 for 2024 reflects the activity related to the Cyber Program previously included under Professional Services on the Strategic line.

- (c) **Claims Administration.** The Claims Administration line covers all activities related to claims management (intake, management, follow ups, claims bordereaux, interaction with reinsurers, law society programs, Claims Committee, etc.) aside from the active management of active large loss files. Management of cyber claims will be included in this line. There is no change proposed to this line for 2024.
- (d) **Claims Analysis.** The Claims Analysis line tracks activity on the claims where CLLAS is actively involved in claims management (due to the nature or significance of the particular claims). In contrast with the recent past, there was a lot of activity on this line in 2022 as a number of older, more complicated files, moved to (or closer to) resolution. The last time this line finished over budget was 2018. We propose no change to this line for 2024. As noted, this is variable, with fees adjusted to actual on a quarterly basis.
- (e) **Credit re CLLAS-Facilitated Policies.** Since 2017, the fixed fee budgets are net of a credit which represents commissions and/or profit sharing received by Axxima's insurance brokerage in connection with the Associate Firm and cyber programs. There is a one-year lag between receipt of funds by Axxima and application against the fixed fee, i.e. funds received in calendar year 2023 are applied against the 2024 fixed fee. Details for 2023 are as follows:
- **Commissions:** In 2023, the CLLAS Associate firms renewed their policies, resulting in commissions of \$68,879 (\$65,187 in 2022). No commissions were received for cyber policies in 2023 or 2022. The total credit for commissions against the 2024 fixed fee budget is \$68,800, compared with \$65,000 last year.
  - **Profit Sharing:** The CLLAS Associate Firm program includes a profit sharing element and it has been agreed that profit sharing amounts received by Axxima from underwriters will be applied against the next fixed fee budget, subject to CLLAS' acknowledgement of the obligation to potentially repay the funds based on future loss experience. Profit sharing payments received in 2023 were \$55,474 (\$14,774 in 2022). As a result, the total credit for profit sharing for 2024 will be \$55,500 compared with \$15,000 last year.

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

## 2. Professional Services

Professional Services, i.e. actuarial, and strategic services, are provided on a fee-for-service basis. Budgets are set at the beginning of the year, with the actual cost depending on the level of activity throughout the year. Professional Services Fees finished the year about \$9,000 (4.5%) over budget, for reasons discussed below. Overall, we are proposing a \$92,500 (45.1%) decrease in the total budget for these lines for 2024. Details by line are presented below (excluding HST).

		2023	2023	Fav/ Unfav	2024	Change	Change
		Budget	Actual	Variance	Budget (proposed)	(\$)	(%)
(a)	Actuarial	\$80,000	\$82,344	-\$2,344	\$82,500	\$2,500	3.1%
(b)	Strategic Matters	\$125,000	\$131,856	-\$6,856	\$30,000	-\$95,000	-76.0%
	Total	\$205,000	\$214,201	-\$9,201	\$112,500	-\$92,500	-45.1%

(a) **Actuarial Services.** Activity on the Actuarial line was slightly over budget by about \$2,300. This can be attributed to the increased support for audit team requests. We are recommending a \$2,500 change to this line item for 2024.

(b) **Strategic Services.** Fees for Strategic Services in 2023 finished the year about \$7,000 over the budget of \$125,000. Activities in the year included:

- The main activity in 2023 was the policy renewal and residual setup related to the CLLAS Cyber Program. This led to fees of about \$90,000. Activities included development of the Rules of the Reciprocal for Cyber, creation and preparation of the first set of Subscribers' Accounts for Cyber, meeting with Lenczner, Cyber policy renewal work.
- The balance of the activity (about \$41,000 in fees) related to IFRS 17 implementation and Associate Firm renewal work.

Activity on the Strategic Services line is difficult to predict. As mentioned earlier in this report, with the implementation of the Cyber Program complete and the full transition to IFRS 17, we are proposing a \$92,500 reduction on this line from \$125,000 to \$30,000 with the cyber expenses being absorbed by the appropriate expense line based on the activity.

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

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Green", written in black ink.

Carrie Green

Copy: CLLAS Advisory Board

**Canadian Lawyers Liability Assurance Society  
2024 Operating Budget**

	<u>2023 Budget</u>	<u>2023 Actual</u>	<u>Fav / (Unfav ) Variance</u>	<u>Proposed 2024 Budget</u>
<b>MANAGEMENT SERVICES</b>	<b>649,750</b>	<b>625,802</b>	<b>23,948</b>	<b>662,971</b>
<b>PROFESSIONAL SERVICES</b>				
Actuarial Services	90,400	93,049	(2,649)	93,225
Strategic Matters	<u>141,250</u>	<u>148,997</u>	<u>(7,747)</u>	<u>33,900</u>
<b>Total Professional Services</b>	<b>231,650</b>	<b>242,047</b>	<b>(10,397)</b>	<b>127,125</b>
<b>OTHER EXPENSES</b>				
Audit Expenses	207,000	207,000	-	179,000
Annual Dinner	7,500	7,177	323	8,000
Chairman's Honorarium	150,000	150,000	-	150,000
D&O Insurance	20,000	17,794	2,206	20,000
Office Expenses - General	16,000	21,522	(5,522)	16,000
Claims Bordereaux (LawPRO/LIF)	18,300	17,950	350	18,800
Special Services	15,000	0	15,000	15,000
Statistical/Assessment Fees	5,500	8,111	(2,611)	7,000
Investment Counsel Fees	29,000	28,058	942	29,000
Investment - Custodial Fees	18,000	15,487	2,513	17,000
Risk Management/Loss Prevention	20,000	915	19,085	5,000
Licensing Fees	<u>5,000</u>	<u>4,663</u>	<u>337</u>	<u>5,000</u>
<b>Sub-total</b>	<b>511,300</b>	<b>478,677</b>	<b>32,623</b>	<b>469,800</b>
<b>PREMIUM TAXES</b>				
E&O	<b>432,000</b>	<b>471,085</b>	<b>(39,085)</b>	<b>518,193</b>
Cyber	<u><b>68,000</b></u>	<u><b>67,520</b></u>	<u><b>480</b></u>	<u><b>74,272</b></u>
	<b>500,000</b>	<b>538,605</b>	<b>(38,605)</b>	<b>592,465</b>
<b>REINSURANCE EXPENSES</b>				
Reinsurance Matters	316,400	225,966	90,434	282,500
Reinsurance Expense	6,000	7,618	(1,618)	7,500
Reinsurance Fee (BWI) E&O	321,800	321,800	-	329,600
Cyber	<u>100,000</u>	<u>101,220</u>	<u>(1,220)</u>	<u>100,000</u>
<b>Total Reinsurance Expenses</b>	<b>744,200</b>	<b>656,603</b>	<b>87,597</b>	<b>719,600</b>
<b>TOTAL</b>	<u><b>2,636,900</b></u>	<u><b>2,541,734</b></u>	<u><b>95,166</b></u>	<u><b>2,571,961</b></u>

Note: All amounts include HST

## CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

## Management Services - Overview of Activity by Budget Line

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

## 1. Financial Reporting

The Financial Reporting area involves all financial functions including:

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

## 2. General Administration

The General Administration line covers work relating to:

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

### 3. Claims Administration

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

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

### 4. Claims Analysis

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

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

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



## Canadian Lawyers Liability Assurance Society

Audit results for the year ended  
December 31, 2023

Presented on February 22, 2024



## To the Chairman and Members of the Audit Committee

Dear Audit Committee Members:

We are pleased to provide you with the results of the audit of the financial statements of Canadian Lawyers Liability Assurance Society (“the Society”) for the year ended December 31, 2023.

Enclosed are those results and insights from our audit that we believe would be of greatest interest to the Audit Committee and have summarized other required communications.

As agreed in our engagement letter dated October 31, 2023 we have performed an audit of the financial statements of the Society as of and for the year ended December 31, 2023, in accordance with Canadian generally accepted auditing standards (“GAAS”) as well as pages 20.10, 20.11 and 20.22 through 20.60 of the Core Financial Statement Return (PC1).

In addition, we have also audited the Minimum Capital Test which is contained in the P&C MCT/BAAT Quarterly Return (PC4) as at December 31, 2023, in accordance with the financial reporting provisions of Guideline A – Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies. We expect to issue our audit reports thereon upon their approval by the Advisory Board and completion of the outstanding matters noted on slide 5 of this report.

Our audit has been conducted in accordance with the audit plan that was presented to the Audit Committee members at the meeting on October 31, 2023. The results of our audit are explained in further detail in this report.

This report has been provided to the Audit Committee on a confidential basis. It is intended solely for the use of the Audit Committee and the Advisory Board to assist you in discharging your responsibilities with respect to the financial statements for the year ended December 31, 2023 (the “Financial Statements”) and is not intended for any other purpose.

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

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

Yours truly,

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants



**Brigitte Chartier**

Lead Client Service Partner  
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**Ankit Jain**

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Canadian Lawyers Liability Assurance Society Audit Results

Contents

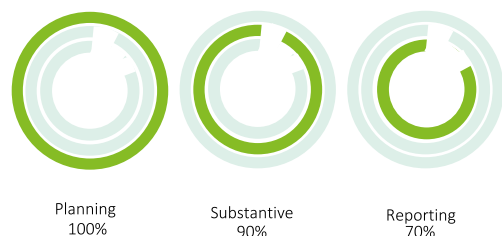
Executive Summary	Page 05
Significant Risks	Page 06
<b>Appendices</b>	
Appendix A – Audit Quality	Page 10
Appendix B: Required Communications with Those Charged with Governance	Page 11
Appendix C: Significant accounting policies, judgments and estimates	Page 15

# Executive summary

# Canadian Lawyers Liability Assurance Society

## Executive Summary

### AUDIT STATUS



As at the date of this report, we have substantially completed our audit procedures. Items remaining include customary closing procedures including:

- Completion of minor audit procedures
- subsequent events review;
- receipt of representation letter;
- completion of partner and quality assurance reviews; and
- review of final drafts of Financial Statements as well as associated Board approval.

### SIGNIFICANT RISKS

Our audit plan identified certain areas that we refer to as significant risks. There has been no changes to these risks nor have any additional risks been identified since our previous communication. The results of our audit work on these risks are set out on pages 6 to 8.

	Status
1 Management override of controls	✓
2 Insurance contract liabilities	✓

**Legend** ● Completed, no issues noted.

### MATERIALITY

In Canadian dollars	2023	2022
Materiality <sup>[1]</sup>	750,000	750,000
Clearly trivial threshold <sup>[2]</sup>	37,500	37,500

[1] Basis: 1% of insurance contract liabilities. Previously, materiality was determined on the basis of 1% of unpaid claims and adjustment expense.

[2] Calculated as 5% of materiality.

### MAIN FINDINGS ARISING FROM OUR AUDIT

- 1 No corrected misstatements
- 2 No uncorrected misstatements\*
- 3 No significant uncorrected disclosure misstatements\*

\* As at the date of our mailing, there are no uncorrected misstatements and no significant uncorrected disclosure misstatements.

### OTHER MATTERS OF INTEREST

#### Use of Service Organizations

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

#### IFRS 17 - Transition

We performed audit work on the transition impact on IFRS 17. There were no material misstatements identified.

## Significant Risks

### Management override of controls



#### Audit risk

There is a **presumed risk of fraud related to management override of controls**.



#### Why this is a risk?

Due to the **unpredictable way** in which management could override controls, it is considered a presumed risk of fraud under current auditing standards.



#### Our planned audit response

We use data analytics to identify journal entries that have **characteristics of audit interest ("COAI")**.

#### COAI include

- Entries containing key words of audit interest
- Entries with a round number value or recurring digits
- Entries that are seldomly used
- Income statement entries posted immediately before period-end

#### Specific procedures to address the risk of fraud



We engaged in periodic **fraud discussions** with certain members of senior management and others, including the Board of Directors.



We tested journal entries recorded in the general ledger and adjustments recorded directly to the financial statements for evidence of override of controls. We used **Spotlight, our integrated analytics application**, a Deloitte proprietary tool, to identify journal entries that exhibit characteristics of audit interest. See next slide for the result of our audit work.



We considered the **potential for bias** in judgments and estimates, including performing retrospective analysis of significant accounting estimates.



We evaluate the business rationale of unusual and significant transactions, including **significant related party transactions**, outside of the normal course of business. There have been no such transactions for 2023.

## Significant Risks

### Management override of controls (continued)

#### Analysis of journal entries – putting Spotlight to work

##### RISK

We have a responsibility to consider fraud in an audit of financial statements. Studies of major frauds have shown that many of the major financial reporting frauds were perpetrated by management overriding controls to record fraudulent journal entries and other adjustments.

##### AUDIT RESPONSE

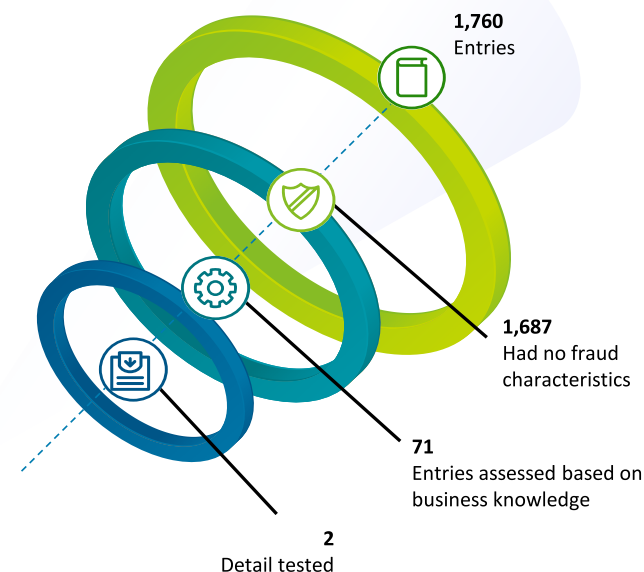
- The senior members of our team have significant experience in the audit of reporting issuers as well as functional technical skills and expertise;
- Increased professional skepticism among all engagement personnel through education regarding the engagement risks identified;
- Performing procedures specifically directed at identifying potential fraud, particularly fraudulent financial reporting as described on slide 8.

##### INNOVATIVE TOOLS USED

To address this requirement, we have used Deloitte's data interrogation tool, Spotlight, to assist in identifying journal entries that displayed characteristics of further audit interest.

##### RESULTS AND OBSERVATIONS

- Using our tool, we considered fraud characteristics for **71** journal entries of which **2** entries presented higher risk and we selected for detailed testing.
- No instances of a management override of controls have been identified in any of the entries profiled or tested.



## Significant Risks

### Insurance contract liabilities

#### SIGNIFICANT RISKS

Significant assumptions used in the calculation of insurance contract liability:

- Development factors
- Expected loss ratio
- Discount curve selections
- Risk adjustment margin.

#### RESPONSE

- Inquired with management about any changes in the methods and key assumptions used in the valuation:
  - Assessed the reasonableness of key assumptions and methodologies
  - Assessed the yield curve used and application of discounting
  - Challenge the ongoing appropriateness of significant assumptions
  - Tested the consistency of the risk adjustment
- Assessed and challenged the various methodology and key significant assumptions, including development factors (LDF), expected loss ratio selections (ELR). Further challenge the methodology behind the risk adjustment margins, and discount curve selections, with particular attention to the judgement around liquidity premium selection
- Assessed the implications on the balance sheet (insurance contract liabilities) as well as the income statement (insurance service and insurance finance expense), with particular focus on the appropriateness of the inclusion/exclusion of a loss component, as applicable
- Performed independent recalculations of insurance contract liabilities and independent analysis of insurance contract liabilities for specified material lines of business (as determined through the risk assessment process) and compared to those disclosed by the appointed actuary, focusing on key significant judgement areas such as loss development factors and loss ratio selections
- Examined and assessed the impact of any qualification or findings in the opinion of the appointed actuary
- Tested underlying data used in the valuation including claims reserves, claims paid and premium data
- Performed tests of details by selecting a sample of claims to ensure the reserved amounts are properly supported and payments are appropriately authorized and accurately recorded
- Performed audit procedures on the opening balance sheet as of January 1, 2022, for the transition of IFRS 17 and January 1, 2023, for the comparative figures

#### USE OF THE WORK OF SPECIALISTS

Deloitte actuarial specialists assessed and tested management estimates.

#### CONCLUSION

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

# Appendices



## Appendix A - Audit Quality

### Focused on Great

#### 2023/2024 Audit Quality Report

Our 2023/2024 report highlights the evolution of how we create the conditions within our firm for every audit we complete, to be of the highest quality. We do not strive for “compliant”, we strive for “great” in our role as quality leaders. Our report highlights the evolution of a number of investments that we have made over the year and how we anticipate and embrace future change.

This report is intended to provoke discussion with our clients around both how we view and approach audit quality, how we deliver value to our clients and how we contribute to advancing the audit profession.



To learn more, click [here](#) to read our **2023/2024 Audit Quality Report**

#### Transparency Report

At Deloitte, we respect and embrace the trust and confidence placed by the public in our profession and our brand. For that reason, we have put in place guiding strategies for our firm that deliberately set the bar high in our expectations around professionalism, quality and leadership in serving our profession.

Our Transparency Report describes some of the principles, policies, standards and actions we have implemented to support our commitment to quality and professional excellence, including how our system of quality management supports the consistent performance of quality audits.



To learn more, click [here](#) to read our **Deloitte Canada Transparency Report**

#### CPAB Regulatory Oversight Report

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



Follow this [link](#) to read the **CPAB 2023 Interim Inspections Results Report**

CPAB’s public reporting takes the form of an annual report on its views following the inspections of all Firms. CPAB issued an Interim Inspections Results Report in October 2023 and their 2022 Annual Inspection Results in March 2023. These reports provide a snapshot of themes and insights with respect to audit quality. In addition, following each inspection cycle, CPAB privately reports to each Firm on the results of its inspection.



Follow this [link](#) to read the **CPAB 2022 Annual Inspections Results**

## Appendix B

### Required communications with those charged with governance

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

Required communication	Reference/Comments
Any significant changes to the planned audit strategy/identified significant risks, and the reasons for such changes.	No changes to the planned audit strategy or significant risks identified.
Fraud or possible fraud identified through the audit process, unless prohibited by law or regulation.	Based on the procedures we performed as required by Canadian Auditing Standards ("CAS") 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements, we are not aware of any illegal acts or fraudulent events for the year ended Dec 31, 2023.
Matters involving non-compliance with laws and regulations that come to our attention, unless prohibited by law or regulation.	No such matters noted.
Uncorrected and corrected misstatements, including disclosure misstatements.	None identified.
All significant deficiencies in internal control identified during the audit.	None identified.
Significant qualitative aspects of the Society's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.  Our views of any significant accounting practices that are not the most appropriate to the particular circumstances of the Society (including any bias in management's judgments related to any of these matters).	Refer to page 15.

## Appendix B

### Required communications with those charged with governance (continued)

Required communication	Reference/Comments
Alternative treatments for accounting policies and practices that have been discussed with management including the ramifications of the use of such alternative disclosures and treatments and our preferred treatment.	None identified.
Any concerns regarding management's anticipated application of accounting pronouncements that have been issued but are not yet effective, and that might have a significant effect on future financial reporting.	None identified.
Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns.	None.
Significant matters discussed with management in connection with our appointment or retention, including the application of accounting principles and auditing standards.	None.
Our evaluation of whether the presentation of the financial statements and the related disclosures are in conformity with the applicable financial accounting framework, including consideration of the form, arrangement, and content of the financial statements.	We have read the financial statements and found them to be fairly stated and prepared in conformity with the required financial reporting frameworks.

## Appendix B

### Required communications with those charged with governance (continued)

Required communication	Reference/Comments
Any events or conditions identified that may cast significant doubt on the Company's ability to continue as a going concern, including whether the events or conditions constitute a material uncertainty.	None identified.
Significant matters arising from the audit that were discussed with management and material written communications between management and us, including management representation letters.	None noted. A copy of the management representation letter will be provided separately.
Significant difficulties encountered during the audit, including disagreements with management	None.
Any other significant matters arising during the audit that, in the auditor's professional judgment, are relevant to the oversight of the financial reporting process, including complaints or concerns regarding accounting or auditing matters that have come to the auditor's attention during the audit and the results of the auditor's procedures regarding such matters.	None.

## Appendix B

### Required communications with those charged with governance (continued)

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

## Appendix C – Material accounting policies, judgments and estimates

### Audit assessment of material accounting policies, practices and accounting estimates

#### Material accounting policies and practices

The Society's material accounting policies have been included in Note 2 to the Financial Statements. No issues were noted with the material accounting policies and practices selected and applied by management, including the related financial statement disclosures.

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

The Society has adopted the implementation of *IFRS 17 Insurance Contracts on January 1, 2023 which replaces IFRS 4 – Insurance Contracts* and *IFRS 9 – Financial Instruments* and has included disclosures of the restated comparative amounts at December 31, 2023 and presented a third statement of financial position as of January 1, 2022.

#### Significant accounting estimates

During the year ended December 31, 2023, management advised us that there were no significant changes in the basis for determining accounting estimates or in judgments relating to the application of the accounting policies.

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

### Extract of the Society's 2023 Balance Sheet

Balance sheet In thousands of Canadian \$	December 31, 2023	December 31, 2022 (Restated)
Cash	4,619	2,872
Short term investments	8,297	11,590
Bonds, including accrued interest	7,082	5,677
Interest income due and accrued	34	25
Prepaid expenses	243	236
Reinsurance Contract assets:		
Asset for Incurred claims	71,209	72,018
Asset for remaining coverage	3,303	2,666
<b>Total assets</b>	<b>94,787</b>	<b>95,086</b>
Accounts payable and accrued charges	0	1,585
Insurance Contracts Liabilities:		
Liability for incurred claims	72,378	76,145
Liability for remaining coverage	7,748	3,932
<b>Total liabilities</b>	<b>80,126</b>	<b>81,662</b>
<b>Total equity</b>	<b>14,662</b>	<b>13,425</b>
<b>Total liabilities and equity</b>	<b>94,787</b>	<b>95,086</b>

### Financial statements line items involving significant judgements and estimates

#### Reinsurance Contract assets

#### Insurance Contract Liabilities



#### About Deloitte

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

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

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

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TAB 8.1.2      Audited Financial Statements to Follow



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Financial statements of  
Canadian Lawyers Liability Assurance  
Society

December 31, 2023

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Independent Auditor’s Report	1–3
Statement of financial position	4
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8–39

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## Independent Auditor's Report

To the Advisory Board of  
Canadian Lawyers Liability Assurance Society

### Opinion

We have audited the financial statements of Canadian Lawyers Liability Assurance Society (the "Society"), which comprise the statement of financial position as at December 31, 2023, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

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

### Other Points

We draw attention to Note 2 to the financial statements which describes that the Society adopted IFRS 17, Insurance contracts and IFRS 9 Financial instruments, on January 1, 2023. Those standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2022 and January 1, 2022, and the income statement, comprehensive income statement, equity statement and cash flows statement for the year ended December 31, 2022 and related disclosures. Our opinion is not modified in respect of this matter.

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

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

	December 31, 2023	December 31, 2022 (Restated – Note 2)	January 1, 2022 (Restated – Note 2)
<b>Assets</b>			
Cash	4,618,783	2,872,993	3,533,877
Short term investments (Note 5)	8,297,545	11,590,166	11,361,485
Bonds (Note 5)	7,081,571	5,677,588	6,043,762
Interest income due and accrued	34,146	25,153	23,630
Prepaid expenses	242,616	236,651	150,826
Reinsurance contract assets (Note 4)			
Asset for incurred claims	71,209,278	72,018,164	64,021,442
Asset for remaining coverage	3,303,542	2,665,644	3,235,738
	<b>94,787,481</b>	<b>95,086,359</b>	<b>88,370,760</b>
<b>Liabilities</b>			
Insurance contracts liabilities (Note 4)			
Liability for incurred claims	72,378,249	76,144,667	68,922,369
Liability for remaining coverage	7,747,704	3,931,901	4,060,376
	80,125,953	80,076,568	72,982,745
Accounts payable & accrued charges	-	1,585,000	-
	80,125,953	81,661,568	72,982,745
<b>Subscribers' equity</b>			
Retained Earnings	14,845,045	13,754,427	15,283,175
Accumulated other comprehensive income (loss)	(183,517)	(329,636)	104,840
	14,661,528	13,424,791	15,283,175
	<b>94,787,481</b>	<b>95,086,359</b>	<b>88,370,760</b>

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

	2023	2022
<b>Insurance service result</b>		
Insurance revenue	17,956,690	14,004,146
Insurance service expense		
Incurred claims expenses	8,575,314	14,005,243
Operating expenses	1,346,526	1,414,914
Premium taxes	538,605	478,153
Insurance service result before reinsurance	7,496,245	(1,894,164)
Allocation of reinsurance premiums	15,249,537	12,174,308
Amounts recovered from reinsurers	8,412,298	14,004,668
	6,837,239	(1,830,360)
Net insurance service result	659,006	(63,804)
<b>Investment result</b>		
Investment income	739,173	393,562
Insurance finance income (expense)		
For insurance contracts	(4,141,027)	4,299,959
For reinsurance contracts	3,833,466	(3,963,465)
Net investment result	431,612	730,056
<b>Net income</b>	<b>1,090,618</b>	<b>666,252</b>
Change in Unrealized gains (losses) arising during the year	146,119	(434,476)
Recognition of realized gain (loss) included in income	-	-
Other comprehensive income (loss) for the year	146,119	(434,476)
<b>Total comprehensive income</b>	<b>1,236,737</b>	<b>231,776</b>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY  
STATEMENT OF CHANGES IN EQUITY  
DECEMBER 31, 2023

	Minimum Surplus	Additional Surplus	Accumulated Other Comprehensive Income	Total Equity
Balance, beginning of year	50,000	12,677,965	104,840	12,832,805
Adjustment on initial adoption of IFRS 17 (note 2)	-	2,555,210	-	2,555,210
Balance as at January 1, 2022 (restated)	50,000	15,233,175	104,840	15,388,015
Comprehensive income for the year				
Net income for the year	-	666,252	-	666,252
Other comprehensive income				
Unrealized gains and losses arising during the year	-	-	(434,476)	(434,476)
Recognition of realized gain included in income	-	-	-	-
Total comprehensive income (loss) for the year	-	666,252	(434,476)	231,776
Return of surplus	-	(2,195,000)	-	(2,195,000)
Balance at December 31, 2022	50,000	13,704,427	(329,636)	13,424,791
Comprehensive income for the year				
Net income for the year	-	1,090,618	-	1,090,618
Other comprehensive income				
Unrealized gains and losses arising during the year	-	-	146,119	146,119
Recognition of realized gain included in income	-	-	-	-
Total comprehensive income for the year	-	1,090,618	146,119	1,236,737
Return of surplus	-	-	-	-
Balance at December 31, 2023	50,000	14,795,045	(183,517)	14,661,528

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED DECEMBER 31, 2023

	2023 \$	2022 (Restated) \$
Cash provided by (used in):		
<b>Operating activities:</b>		
Net income (loss) for the year	1,090,618	666,252
Changes in no-cash items		
Interest income due and accrued	(8,995)	(1,527)
Income (expenses) from insurance contract	(3,355,220)	(2,405,795)
Income (expense) from reinsurance contract	3,003,772	2,133,105
Prepaid expenses	(5,965)	(85,824)
Accounts payable and accrued liabilities	(1,585,000)	1,585,000
Operating items involving cash outlays		
Change in insurance contract liabilities	3,404,605	9,499,620
Change in reinsurance contract assets	(2,832,784)	(9,559,736)
	(288,969)	1,831,096
<b>Financing activity</b>		
Return of premium surplus	-	(2,195,000)
<b>Investing activities</b>		
Purchase of bonds	(2,359,736)	(1,073,373)
Disposal of bonds	1,150,000	1,000,000
Purchase of short-term investments	(38,748,040)	(58,136,191)
Disposition of short-term investments	42,142,226	58,014,375
Amortization of bond premium	(150,470)	(110,702)
Amortization of bond discount	779	8,911
Cash provided by (used in) investing activities	2,034,759	(296,980)
Net (decrease) increase in cash	1,745,790	(660,884)
Cash balance, beginning of year	2,872,993	3,533,877
<b>Cash beginning, end of year</b>	<b>4,618,783</b>	<b>2,872,993</b>
<b>Cash balance comprises</b>		
Cash at bank	4,618,783	2,872,993
<b>Interest received</b>	<b>580,488</b>	<b>290,245</b>



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

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

The Society does not have any employees and is managed by an independent third party that reports to the Advisory Board. The Advisory Board has the authority and responsibility for planning, directing and controlling the activities of the entity. The Chair of the Advisory Board receives an annual honorarium of \$150,000 (\$150,000 in 2022) and the other members of the Advisory Board receive no compensation.

## 1. Basis of preparation:

### *Statement of compliance*

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

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

This is the first set of the Society’s annual financial statements in which IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments have been applied. The related changes to significant accounting policies, including impacts on comparative periods, are described in note 2.

## 2. Adoption of new accounting standards:

On 12 February 2021, the IASB issued Disclosure of Accounting Policies (Amendments to IAS 1) - An entity is now required to disclose its material accounting policy information instead of its significant accounting policies. There is no significant impact on the Society’s financial statements following the adoption.

The Society adopted IFRS 17 on January 1, 2023, which replaces IFRS 4 – Insurance Contracts (“IFRS 4”). The standards have brought significant changes to the accounting for insurance contracts.

**2. Adoption of new accounting standards (continued):**

IFRS 17 has been applied retrospectively as at January 1, 2022. As a result, the Society has restated the comparative amounts at December 31, 2022 and presented a third statement of financial position as of January 1, 2022.

The nature and effects of key changes in the Society's accounting policies resulting from its adoption of IFRS 17 are summarized below:

(a) Recognition, measurement and presentation of Insurance Contracts IFRS 17 – Insurance Contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. Organizations have the option to use the Premium Allocation Approach ("PAA") model, which is a simplified measurement model for short-duration contracts. The Society meets the criteria for and chose to apply the PAA model for all of its insurance and reinsurance contracts since these contracts have a coverage period of 12 months. The accounting under the PAA model is similar to IFRS 4, but differs in the following key areas:

- (i) Acquisition costs – previously, all acquisition costs directly attributable to selling or underwriting insurance contracts were recognized and presented as separate assets from the related insurance contracts ("deferred policy acquisition costs") until those costs were included in net earnings or loss. Under IFRS 17, the Society elected to recognize insurance acquisition costs as expenses when the costs are incurred, which is permitted when applying the PAA model.
- (ii) Onerous contracts – IFRS 17 requires the identification of groups of onerous contracts at a more granular level than IFRS 4. Where groups of onerous contracts are identified, a loss component is recognized upon issuing the contracts in net income or loss, resulting in earlier recognition compared to IFRS 4. Onerous contracts did not have a significant impact on transition to IFRS 17.
- (iii) Discount rate – IFRS 17 requires the liability for incurred claims to be discounted at a rate that reflects the characteristics of the liabilities, including their timing and liquidity. The Society has established discount yield curves using risk-free rates adjusted to reflect the appropriate illiquidity characteristics of applicable insurance contracts. Under IFRS 4, claims liabilities were discounted using a rate that reflected the estimated market yield of the underlying assets supporting these claim liabilities at the reporting date.

## Notes to the financial statements

December 31, 2023

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**2. Adoption of new accounting standards (continued):**

- (iv) Risk adjustment – Under IFRS 17, the liability for incurred claims includes an explicit risk adjustment for non-financial risk (“risk adjustment”) which replaces the margin for adverse deviation in assumptions for claims development applied under IFRS 4. The margin for adverse deviation for financial risks such as asset default and reinvestment risks were released at the transition to IFRS 17.

**(b) Changes to presentation and disclosures**

IFRS 17 introduces significant changes to the presentation and disclosure of insurance contracts in the financial statements.

**Statement of Financial Position**

Previously reported line items: premiums receivable, accounts payable and accrued charges, provision for unpaid claims and adjusting expenses, unearned premiums and premium deficiency liability are presented together on a single line called insurance contract liabilities. Costs included in the previously reported line-item deferred policy acquisition costs are no longer recognized and are recorded to insurance service expenses when incurred.

Previously reported line items: reinsurers’ share of unearned premiums, provision for unpaid claims and adjustment expenses recoverable from reinsurers and reinsurance receivable are presented together on a single line called reinsurance contract assets.

**Statement of Comprehensive Income**

Underwriting performance is presented in the statement of comprehensive income and consists of insurance service revenue and insurance service expense related to direct business. IFRS 17 resulted in changes to underwriting expenses since expenses previously classified as operating expenses or premium taxes are now included in insurance service expense.

**Disclosures**

IFRS 17 introduces incremental disclosure requirements on the amounts recognized from insurance contracts and extent of risks arising from these contracts.

## 2. Adoption of new accounting standards (continued):

### (c) Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, at January 1, 2022, the Society:

- Identified and recognized each group of insurance contracts as if IFRS 17 had always applied.
- Derecognized previously reported balances that would not have existed if policy choices under IFRS 17 had always been applied, including:
  - Premiums due from subscribers, accounts payable and accrued charges, provision for unpaid claims and adjusting expenses, unearned premiums and premium deficiency liability which are measured as insurance contract liabilities under IFRS 17.
  - Provision for unpaid claims and adjustment expenses recoverable from reinsurers, reinsurance receivable, reinsurers' share of unearned premiums and amounts due to reinsurers which are measured as reinsurance contract assets under IFRS 17.
- Derecognized previously reported deferred policy acquisition costs which are recorded to insurance service expenses when incurred under IFRS 17.
- Recognized any resulting net difference in surplus.

**2. Adoption of new accounting standards (continued):**

The following table summarizes the impact of adopting IFRS 17 on the Society's statement of financial position on transition:

As of January 1, 2022	As presented	Presentation	Reclassification	Restated January 1, 2022
Total assets	95,350,095	(6,718,809)	(260,528)	88,370,758
Total liabilities	(82,517,290)	6,718,809	2,815,738	(72,982,743)
Earned Surplus	12,832,805	0	2,555,210	15,388,015
Measurement impact of IFRS 17 on liabilities:				
<b>As at January 1, 2022</b>				<b>IFRS 17</b>
Discount rate methodology change				3,078,460
Risk adjustment methodology change				866,627
Loss component impact				(1,129,349)
				2,815,738
Measurement impact of IFRS 17 on assets:				
<b>As at January 1, 2022</b>				<b>IFRS 17</b>
Expensing of policy acquisition costs				(41,179)
Provision for reinsurance non-performance				2,401,853
Discount rate methodology change				(2,806,964)
Risk adjustment methodology change				(859,027)
Loss-recovery component impact				1,044,789
				(260,528)

**(d) IFRS 9 – Financial Instruments**

IFRS 9 includes three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit and loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale ("AFS") financial assets.

## Notes to the financial statements

December 31, 2023

**2. Adoption of new accounting standards (continued):**

Upon adoption of IFRS 9, certain investments previously classified as AFS are now reclassified as FVOCI. The Society's investment portfolio is comprised of bonds and short-term investments. All the financial assets within the portfolio are considered to be within the scope of IFRS 9 and based on the IFRS 9 two-criteria classification approach all the financial instruments are classified and measured at FVOCI.

Unrealized gains or losses on AFS investments previously recognized in other comprehensive income or loss ("OCI") continue to be recognized in OCI.

The following table summarizes the classification and measurements impacts of IFRS 9 on transition:

As at January 1, 2023	Measurement Category		Carrying amount	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Cash and cash equivalents	Amortized cost	Amortized cost	2,872,993	2,872,993
Investments	AFS	FVOCI	17,292,910	17,292,910

**3. Material accounting policies:**

The Society's material accounting policies have been applied consistently to all years presented in these financial statements and are as follows:

**(a) Financial assets and liabilities:****i) Investments:**

Investments are measured at fair value through other comprehensive income or loss (FVOCI) because doing so reduces volatility of the profit and loss statement. The investment portfolio consists primarily of bonds and short-term investments. Movements in fair value are accounted for through OCI, except for the recognition of impairment or gains and losses which are accounted for in the net income.

## Notes to the financial statements

December 31, 2023

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**3. Material accounting policies (continued):**

When measuring the fair value of investments, the Society uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques. The fair value hierarchy is based on quoted prices in active markets (Level 1), models using inputs other than quoted prices but with observable market data (Level 2), or models using inputs that are not based on observable market data (Level 3).

ii) Other financial assets and liabilities:

Cash and cash equivalents and accounts payable are measured at amortized cost.

iii) Acquisition expenses:

Costs that vary with, and are directly related to, the production of new and renewal business are accounted as insurance acquisition costs. As the Society's contracts issued have a coverage period of one year or less, the Society chooses to expense insurance acquisition costs as they occur.

(b) Income taxes:

No provision for income taxes has been made in these financial statements as the Society is exempt from such taxes provided certain conditions are met.

(c) Accounting standards issued but not yet effective:

The International Sustainability Standards Board (ISSB) sits alongside the IASB which issues International Financial Reporting Standards. On June 26, 2023, the ISSB released its finalized IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 – Climate-related Disclosure standards. These standards aim to create a global baseline for sustainability information in order to meet the sustainability information needs of capital markets. While it is expected, Canada has not yet adopted the ISSB standards, as such an impact assessment has not yet been conducted by the Society, however the upcoming standards are not expected to have a material impact on the Society's financial statements in the period of initial application.

#### 4. Insurance and reinsurance contracts

(a) Contract classification:

The Society has four portfolios of contracts subject to similar risks and managed together: Professional Liability insurance, Professional Liability reinsurance, Cyber Insurance and Cyber reinsurance.

There is no investment component in the insurance contracts.

*Professional Liability*

The Society only underwrites Professional Liability contracts with a coverage period of 12 months and those contracts have the same effective date of July 1 annually. The contracts cover identical risks and have essentially the same policy limits and provisions, except for optional benefits which constitute a very small proportion of the premium. In practice, most subscribers opt for substantially similar optional coverages.

The insurance contracts are also reinsured under 12-month contracts effective July 1 annually, which is aligned with the coverage period and inception date of the underlying insurance contracts. The reinsurance structure includes several reinsurance contracts by layer as well as for optional coverages selected under the primary policies.

*Cyber*

The Society only underwrites Cyber contracts with a coverage period of 12 months and those contracts cover identical risks but have different policy limits based on size and risk appetite. The contracts have an effective date of October 15 annually with the exception of one subscriber that has a July 1 effective date annually.

The Society purchases two policy-attaching reinsurance contracts to cover the risk:

- the first contract covers claims in the \$5 million xs \$1 million layer and incepts on July 1 annually
- the second contract covers claims in the \$4 million xs \$6 million layer and incepts on October 14 annually

Each reinsurance contract has a term of 12 months.



**4. Insurance and reinsurance contracts (continued):****(b) Level of aggregation:**

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts and each annual cohort into three groups:

- any contracts that are onerous on initial recognition
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

An insurance contract issued by the Society is recognized from the earliest of:

- the beginning of its coverage period (i.e., the period during which the Society provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

When a contract is recognized, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added.

**(c) Onerous contracts:**

Each annual cohort of insurance contracts are separated into either:

- contracts that are onerous at initial recognition: Insurance contracts where the premium set is lower than the actuarial cost valued under IFRS 17
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- other contracts: Remaining insurance contracts.

**4. Insurance and reinsurance contracts (continued):**

The Society assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Society assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

All policies for the Society are priced using the same rating algorithm and rebalanced to achieve the overall premium level adopted by the Board, as such the entire annual cohort will either be considered onerous or in the other contracts category.

**(d) Contract boundary:**

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with insurance contract services.

**(e) Measurement models:**

The General Measurement Model ("GMM") is the default model for the recognition and measurement of insurance contracts; however, insurance and reinsurance contracts are automatically eligible for the simplified PAA approach if their coverage period is one year or less. All contracts issued by the Society meet the definition of an insurance contract and have a coverage period of one year or less. The Society chose to apply the PAA model for all its insurance contracts.

The carrying value of insurance contract liabilities at the end of the reporting period is comprised of the following:

*Liability for remaining coverage ("LRC"):*

The LRC is an obligation to investigate and pay valid claims under existing insurance contracts for insured events that have not yet occurred. The LRC using the PAA model is initially measured at the value of premiums received. The LRC is subsequently remeasured to recognize additional premium received and insurance service revenue for services provided based on the passage of time, which is usually 12 months.

**4. Insurance and reinsurance contracts (continued):***Liability for incurred claims ("LIC"):*

The LIC is the obligation to investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported. The Society estimates the LIC as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. They reflect current estimates from the perspective of the Society and include an explicit risk adjustment. The fulfillment cash flows are discounted to reflect the time value of money and financial risk that considers the characteristics of the liabilities and the duration of the contract portfolio.

*Asset for remaining coverage ("ARC"):*

The ARC represents the provision for the right to receive coverage from a reinsurer after the reporting period for reinsured events that have not yet occurred.

*Asset for incurred claims ("AIC"):*

The AIC represents the provision for the right to receive compensation for reinsured events that have already occurred, including events that have occurred, but for which reinsured claims have not been reported.

**(f) Risk adjustment:**

The measurement of insurance contract liabilities and reinsurance contract assets includes a risk adjustment for non-financial risk which is the compensation the Society requires for bearing the uncertainty about the amount and timing of the cash flows that arise as it fulfils the contracts.

**(g) Insurance service revenue:**

Insurance service revenue consists of expected premium receipts and is allocated pro-rata over the period of the contract (typically 12 months).

**(h) Insurance service expense:**

Insurance service expense includes fulfillment and acquisition cash flows which are costs directly attributable to insurance contracts and are comprised of both direct costs and an allocation of indirect costs. It is composed of the following:

## Notes to the financial statements

December 31, 2023

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**4. Insurance and reinsurance contracts (continued):**

- Incurred claims and other insurance service expenses, excluding insurance finance income and expense, and include direct incurred claims and non-acquisition costs directly related to fulfilling insurance contracts;
- Insurance acquisition cash flows;
- Losses and reversals on onerous contracts.

The Society does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

(i) Insurance finance income or expense:

Insurance finance income or expense comprise the changes in the carrying amount of the group of contracts arising from:

- Discount unwinding;
- Changes in discount rates; and
- The effect of financial risk and changes in financial risk.

All insurance finance income and expenses is presented in net income. The Society does not disaggregate the amount between net income and other comprehensive income.

December 31, 2023

**4. Insurance and reinsurance contracts (continued):**

(a) Activity in the insurance contract liabilities are summarized as follows:

December 31, 2023	Liability for remaining coverage			Liability for Incurred Claims		
	Excluding Loss Component	Loss Component	Total	Present value of cash flows	Risk adjustment	Total
Insurance contract liabilities, beginning of year	3,931,901	-	3,931,901	69,857,493	6,287,174	76,144,667
Changes in the statement of comprehensive income						
Insurance revenue	(17,956,690)	-	(17,956,690)	-	-	-
Insurance service expenses:						
Incurred claims relating to current year	-	-	-	12,897,982	1,187,819	14,085,801
Incurred claims relating to prior years	-	-	-	(4,011,681)	(1,498,808)	(5,510,489)
Losses (and reversal) on onerous contracts	-	-	-	-	-	-
Incurred insurance acquisition cash flows	538,605	-	538,605	-	-	-
Other incurred insurance service expenses	-	-	-	1,346,526	-	1,346,526
Insurance service result	(17,418,085)	-	(17,418,085)	10,232,826	(310,989)	9,921,838
Insurance finance expense (income)	-	-	-	4,141,028	-	4,141,028
Net change in statement of comprehensive income	(17,418,085)	-	(17,418,085)	14,373,854	(310,989)	14,062,866
Changes in cash flows:						
Premiums received	21,558,537	-	21,558,537	-	-	-
Insurance acquisition cash flows paid	(324,649)	-	(324,649)	-	-	-
Claims paid	-	-	-	(16,482,758)	-	(16,482,758)
Other insurance service expenses paid	-	-	-	(1,346,526)	-	(1,346,526)
Net change in cash flows	21,233,889	-	21,233,889	(17,829,284)	-	(17,829,284)
Insurance contract liabilities, end of year	7,747,704	-	7,747,704	66,402,063	5,976,186	72,378,249

The insurance contract liabilities as of December 31, 2023, include \$3,043,523 for Cyber Insurance

## Notes to the financial statements

December 31, 2023

**4. Insurance and reinsurance contracts (continued):**

Activity in the insurance contract liabilities are summarized as follows:

	Liability for remaining coverage			Liability for Incurred Claims		
	Excluding Loss Component	Loss Component	Total	Present value of cash flows	Risk adjustment	Total
December 31, 2022						
Insurance contract liabilities, beginning of year	2,931,027	1,129,349	4,060,376	63,231,531	5,690,838	68,922,369
Changes in the statement of comprehensive income						
Insurance revenue	(14,004,146)	-	(14,004,146)	-	-	-
Insurance service expenses:						
Incurred claims relating to current year	-	-	-	13,644,177	1,195,945	14,840,121
Incurred claims relating to prior years	-	-	-	894,078	(599,608)	294,470
Losses (and reversal) on onerous contracts	-	(1,129,349)	(1,129,349)	-	-	-
Incurred insurance acquisition cash flows	478,153	-	478,153	-	-	-
Other incurred insurance service expenses	-	-	-	1,414,914	-	1,414,914
Insurance service result	(13,525,993)	(1,129,349)	(14,655,342)	15,953,169	596,337	16,549,506
Insurance finance expense (income)	-	-	-	(4,299,959)	-	(4,299,959)
Net change in statement of comprehensive income	(13,525,993)	(1,129,349)	(14,655,342)	11,653,210	596,337	12,249,547
Changes in cash flows:						
Premiums received	14,919,456	-	14,919,456	-	-	-
Insurance acquisition cash flows paid	(392,588)	-	(392,588)	-	-	-
Claims paid	-	-	-	(3,612,334)	-	(3,612,334)
Other insurance service expenses paid	-	-	-	(1,414,914)	-	(1,414,914)
Net change in cash flows	14,526,868	-	14,526,868	(5,027,248)	-	(5,027,248)
Insurance contract liabilities, end of year	3,931,901	-	3,931,901	69,857,493	6,287,174	76,144,667

The insurance contract liabilities as of December 31, 2022 include \$2,486,825 for Cyber Insurance.

## Notes to the financial statements

December 31, 2023

**4. Insurance and reinsurance contracts (continued):**

(b) Activity in the reinsurance contract assets are summarized as follows:

December 31, 2023	Asset for Remaining Coverage			Asset for Incurred Claims		
	Excluding Loss-Recovery Component	Loss-Recovery Component	Total	Present value of cash flows	Risk adjustment	Total
Reinsurance contract assets, beginning of year	2,665,644	-	2,665,644	66,194,861	5,823,303	72,018,164
Changes in the statement of comprehensive income						
Allocation of reinsurance premiums	(14,592,934)	-	(14,592,934)	-	-	-
Amounts recovered from reinsurers:						
Incurring claims relating to current year	-	-	-	11,881,124	1,080,342	12,961,466
Incurring claims relating to prior years	-	-	-	(3,187,018)	(1,425,674)	(4,612,692)
Recovery of losses and reversal on recovery of losses	-	-	-	-	-	-
Changes in non-performance risk of reinsurers	-	-	-	63,524	-	63,524
Other incurred insurance service expenses	-	-	-	(656,602)	-	(656,602)
Net expense from reinsurance contracts	(14,592,934)	-	(14,592,934)	8,101,028	(345,332)	7,755,696
Reinsurance finance income (expense)	-	-	-	3,833,467	-	3,833,467
Net change in statement of comprehensive income	(14,592,934)	-	(14,592,934)	11,934,494	(345,332)	11,589,163
Changes in cash flows:						
Premiums paid	15,230,831	-	15,230,831	-	-	-
Amounts received	-	-	-	(13,054,649)	-	(13,054,649)
Reinsurance acquisition cash flows	-	-	-	656,602	-	656,602
Net change in cash flows	15,230,831	-	15,230,831	(12,398,047)	-	(12,398,047)
Reinsurance contract assets, end of year	3,303,542	-	3,303,542	65,731,307	5,477,971	71,209,278

The reinsurance contract assets as of December 31, 2023, include \$763,798 for Cyber Insurance

December 31, 2023

**5. Insurance and reinsurance contracts (continued):**

Activity in the reinsurance contract assets are summarized as follows:

December 31, 2022	Asset for Remaining Coverage			Asset for Incurred Claims		
	Excluding Loss-Recovery Component	Loss-Recovery Component	Total	Present value of cash flows	Risk adjustment	Total
Reinsurance contract assets, beginning of year	2,190,949	1,044,789	3,235,738	58,782,944	5,238,498	64,021,442
Changes in the statement of comprehensive income						
Allocation of reinsurance premiums	(11,619,994)	-	(11,619,994)	-	-	-
Amounts recovered from reinsurers:						
Incurred claims relating to current year	-	-	-	12,420,503	1,102,524	13,523,027
Incurred claims relating to prior years	-	-	-	1,896,839	(517,719)	1,379,120
Recovery of losses and reversal on recovery of losses	-	(1,044,789)	(1,044,789)	-	-	-
Changes in non-performance risk of reinsurers	-	-	-	147,309	-	147,309
Other incurred insurance service expenses	-	-	-	(554,314)	-	(554,314)
Net expense from reinsurance contracts	(11,619,994)	(1,044,789)	(12,664,783)	13,910,338	584,805	14,495,142
Reinsurance finance income (expense)	-	-	-	(3,963,465)	-	(3,963,465)
Net change in statement of comprehensive income	(11,619,994)	(1,044,789)	(12,664,783)	9,946,873	584,805	10,531,678
Changes in cash flows:						
Premiums paid	12,094,690	-	12,094,690	-	-	-
Amounts received	-	-	-	(3,089,269)	-	(3,089,269)
Reinsurance acquisition cash flows	-	-	-	554,314	-	554,314
Net change in cash flows	12,094,690	-	12,094,690	(2,534,955)	-	(2,534,955)
Reinsurance contract assets, end of year	2,665,644	-	2,665,644	66,194,861	5,823,303	72,018,164

The reinsurance contract assets as of December 31, 2022, include \$404,827 for Cyber Insurance



**4. Insurance and reinsurance contracts (continued):****Liability for incurred claims – Estimate of undiscounted future cash flows**

The Society establishes a provision to cover the estimated liability for the cash flows associated with incurred losses as at the date of the statement of financial position, including claims not yet reported (“IBNR”) and loss adjustment expenses incurred with respect to insurance contracts written by the Society.

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

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

Consequently, the establishment of the undiscounted future cash flows relies on the judgment and opinions of a number of individuals, on historical precedent and trends, on prevailing legal, economic, social and regulatory trends and on expectations as to future developments. The process of determining the provisions necessarily involves risks that the actual results will deviate, perhaps substantially, from the best estimates made. These provisions are monitored and recalculated annually.

**Discounting**

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and liquidity of the insurance contracts. The Society determines the risk-free rates by reference to the yields of Government of Canada bonds. To reflect the liquidity characteristics of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium. The adopted approach for estimating the illiquidity premium is to compare the risk-free yield curve to a corporate bond yield curve. The spread estimates the illiquidity premium.

## Notes to the financial statements

December 31, 2023

## 4. Insurance and reinsurance contracts (continued):

The table below sets out the yield curves used to discount the cash flows of insurance contracts.

Year	2023		2022	
	Liquid yield curve	Illiquid yield curve	Liquid yield curve	Illiquid yield curve
1	4.50%	4.89%	4.32%	5.11%
2	3.85%	4.56%	3.97%	4.92%
3	3.46%	4.36%	3.72%	4.78%
4	3.28%	4.28%	3.54%	4.70%
5	3.17%	4.25%	3.42%	4.65%
10	3.09%	4.29%	3.28%	4.70%
15	3.14%	4.38%	3.39%	4.88%
20	3.12%	4.41%	3.42%	4.95%

## Risk adjustment

The Society has estimated the risk adjustment on a net of reinsurance basis and has selected a risk adjustment approach which is based on the application of a percentage margin to the discounted unpaid claims. Given the size and complexity of the Society and the limited claims data available to derive credible confidence levels based on the Society's history, an approach based on the Minimum Capital Test factors adjusted for the diversification of the Society is considered to be a reasonable approach to estimate the confidence level. Based on actuarial judgement, the net liability for incurred claims recorded correspond to a confidence level in the range of 65% to 70%.

The following table reconciles the effects of discounting and risk adjustment on the liability and asset for incurred claims:

	December 31 2023	December 31 2022
Undiscounted liability for incurred claims	78,826,747	84,866,864
Effect of discounting	(12,424,684)	(15,009,371)
Risk adjustment	5,976,186	6,287,174
Liability for incurred claims	72,378,249	76,144,667

## Notes to the financial statements

December 31, 2023

## 4. Insurance and reinsurance contracts (continued):

	December 31 2023	December 31 2022
Undiscounted asset for incurred claims	72,338,792	78,627,675
Effect of discounting	(11,472,448)	(13,924,310)
Risk adjustment	5,477,971	5,823,303
Claims receivable from reinsurers	4,864,963	1,491,496
Asset for incurred claims	71,209,278	72,018,164

## Sensitivity analysis

The liability for incurred claim's sensitivity to certain key assumptions is outlined below. It is not possible to quantify the sensitivity of certain assumptions, such as legislative changes or uncertainty in the estimation process.

The analysis is performed for possible movements in the assumptions with all other assumptions held constant, showing the impact on net earnings. Movements in these assumptions may be non-linear and may be correlated with one another.

The table below sets out the yield curves used to discount the cash flows of insurance contracts.

	2023	2022
5% increase in expected loss ratio	144,434	103,336
5% decrease in expected loss ratio	(115,831)	(108,111)
1% increase in discount rate	(199,331)	(201,246)
1% decrease in discount rate	213,045	216,238

## Notes to the financial statements

December 31, 2023

**5. Investments**

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

	2023		2022	
	Fair value and carrying value \$	Amortized cost \$	Fair value and carrying value \$	Amortized cost \$
Short term investments	8,297,545	8,340,370	11,590,166	11,596,070
Bonds	7,081,571	7,222,262	5,677,588	6,001,319
	15,379,116	15,562,632	17,267,754	17,597,389

The difference between amortized cost and market value of the AFS investments consists of gross unrealized gains of \$0 (\$0 in 2022) and gross unrealized losses of \$183,516 (\$329,635 in 2022).

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

## Notes to the financial statements

December 31, 2023

**5. Investments (continued)**

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

	Within 1 year \$	1-5 years \$	Over 5 years \$	2023 Total \$
Short term investments	8,297,545			8,297,545
Government of Canada bonds	247,609	770,117	924,269	1,941,995
Canadian public authorities bonds	-	1,358,383	1,349,273	2,707,656
Canadian corporate bonds	247,396	1,545,131	639,393	2,431,920
	8,792,550	3,673,631	2,912,935	15,379,116

	Within 1 year \$	1-5 years \$	Over 5 years \$	2022 Total \$
Short term investments	11,590,166			11,590,166
Government of Canada bonds	196,916	531,363	729,626	1,457,905
Canadian public authorities bonds	496,392	1,051,054	566,119	2,113,565
Canadian corporate bonds	444,922	1,320,661	340,535	2,106,118
	12,728,396	2,903,078	1,636,280	17,267,754

## Notes to the financial statements

December 31, 2023

**5. Investments (continued)**

(c) Net investment income has the following components:

	2023	2022
	\$	\$
Interest income		
Bonds	176,445	151,681
Cash, cash equivalents and short term investments	413,037	140,087
	5,89,482	291,768
Amortization of discount (premium) on investments	149,691	101,794
<b>Total net investment income</b>	<b>739,173</b>	<b>393,562</b>

(d) Fair value measurements

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

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

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

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

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

	Level 1	Level 2	Level 3	2023 Total
	\$	\$	\$	\$
Cash at bank	4,618,783	-	-	4,618,783
Investments – available-for-sale				
Short term investments	-	8,297,545	-	8,297,545
Bonds	-	7,081,571	-	7,081,571
	4,618,783	15,379,116	-	19,997,899

## Notes to the financial statements

December 31, 2023

**5. Investments (continued)**

	Level 1	Level 2	Level 3	2022 Total
	\$	\$	\$	\$
Cash at bank	2,872,993	-	-	2,872,993
Investments – available-for-sale				
Short term	-	11,590,166	-	11,590,166
investments				
Bonds	-	5,677,588	-	5,677,588
	2,872,993	17,267,754	-	20,140,747

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

**6. Roles of the actuary and auditors:**

The actuary has been appointed by the Advisory Board of the Society. With respect to the preparation of financial statements, the actuary is required to carry out a valuation of the Society's insurance contract liabilities and report thereon to the subscribers. The valuation is in accordance with accepted actuarial practice and regulatory requirements. In performing the valuation of the liabilities, which are by their nature inherently variable, assumptions are made as to the future loss ratios, trends, rates of claims frequency and severity, inflation, reinsurance recoveries, investment rates of return, and both internal and external adjustment expenses, taking into consideration the circumstances of the Society's and the nature of the insurance policies in force. The provisions do not include estimates for extraordinary future emergence of either new classes of claims or claims categories not sufficiently recognized in the claims database. The actuary relies on accounting policy positions and data supplied by the Society. The actuary, in verifying the management information provided by the Society used in the valuation, also makes use of the work of the external auditors. The actuary's report outlines the scope of the work and opinion provided.

The external auditors have been appointed by the subscribers pursuant to the Alberta Insurance Act to conduct an independent and objective audit of the financial statements of the Society's in accordance with Canadian generally accepted auditing standards and to report thereon to the subscribers. In carrying out their audit, the auditors also make use of the work of the actuary and the report on the Society's insurance contract liabilities. The auditors' report outlines the scope of their audit and their opinion.

**7. Reinsurance Program**

- (a) The Society has obtained proportional reinsurance coverage which limits its net liability to a maximum amount of \$975,000 effective for the annual Professional Liability coverage period beginning on July 1, 2023 (\$975,000 in July 1, 2022) on any one loss.
- (b) On July 1, 2022, CLLAS introduced a Cyber Insurance policy of up to \$10 million aggregate per insured firm. CLLAS retains the first \$1 million and purchases reinsurance for \$9 million excess \$1 million.
- (c) Colchester Reinsurance Limited ("Colchester") is an off-shore captive reinsurer domiciled in Barbados. The shareholders of Colchester are twelve Toronto based legal firms or their related service corporations. Those twelve shareholders are unrelated to each other. However, each of Colchester's shareholders is, or is related to the Society's current and past subscribers. For the annual Professional Liability policy coverage period beginning on July 1, 2023, Colchester received from the Society premiums of \$4,744,433 (\$3,603,874 in July 1, 2022).

Colchester provides aggregate stop-loss reinsurance protection for a portion of the Society's retained risk on the Professional Liability Policy. On July 1, 2023, this reinsurance had an attachment point of \$5,000,000 (\$5,000,000 on July 1, 2022), and an annual aggregate limit of \$10,000,000 (\$10,000,000 on July 1, 2022). Starting July 1, 2011, the attachment point and limit were determined with reference to the combined net claim liabilities of the Society and Colchester. Starting on July 1, 2012, the attachment point and limit are solely determined with reference to the net claim liabilities of the Society.

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

As at December 31, 2023, the total reserves held and recoverable on the Society's financial statements relating to LPT was \$1,410,000 (\$4,604,951 in 2022). A Reinsurance Security Agreement ("RSA") is in place which requires Colchester to set up on behalf of the Society deposits equal to 120% of Colchester's share of claim liabilities. At December 31, 2023 the value of the security deposits exceeds the required amount.

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



**8. Income taxes:**

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

**9. Equity**

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

Under the terms of the Agreement, the Society is obligated to return a share of the Society's surplus (if any) to a departed Subscriber subsequent to the fifth anniversary of its departure, based on that Subscriber's participation in the Society. A Subscriber withdrew from the Society on June 30, 2012, and another on June 30, 2017.

**10. Risk management***Insurance risk management*

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

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

**10. Risk management (continued):**

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

*Claim development*

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

## Canadian Lawyers Liability Assurance Society

## Notes to the financial statements

December 31, 2023

## 10. Risk management (continued):

## Analysis of claims development – gross:

10 years	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
End of year	14,098,000	13,475,000	13,856,000	12,376,000	13,081,000	18,559,000	14,806,274	14,940,774	17,616,857	8,528,906	
1 year later	12,934,000	12,485,000	14,531,000	11,504,000	12,176,000	15,774,661	13,830,857	17,098,468	14,955,652		
2 years later	9,278,000	8,949,000	13,196,000	8,400,000	8,850,446	11,982,585	10,446,908	15,494,613			
3 years later	6,855,000	9,176,000	11,352,000	6,683,361	7,291,393	10,699,495	10,438,193				
4 years later	4,885,000	8,166,000	9,109,049	4,688,919	7,419,973	12,158,972					
5 years later	2,369,000	9,049,066	5,520,074	2,938,566	4,415,956						
6 years later	1,719,115	9,256,610	4,407,746	1,193,165							
7 years later	1,658,007	13,129,425	4,150,239								
8 years later	2,498,054	13,281,321									
9 years later	1,896,474										
Current estimate of ultimate	1,896,474	13,281,321	4,150,239	1,193,165	4,415,956	12,158,972	10,438,193	15,494,613	14,955,652	8,528,906	86,513,491
Cumulative payments	566,645	6,541,531	3,181,835	-	1,011,944	416,634	-	3,765,025	-	-	15,483,614
Outstanding claims	1,329,829	6,739,790	968,404	1,193,165	3,404,012	11,742,338	10,438,193	11,729,588	14,955,652	8,528,906	71,029,877
Liability for all prior years											5,315,642
Estimated unallocated loss adjusting expenses ("ULAE")											2,481,229
Effect of discounting											(12,424,684)
Risk adjustment for non-financial risk											5,976,186
Insurance contract liability for incurred claims in statement of financial position											72,378,251

## Notes to the financial statements

December 31, 2023

## 10. Risk management (continued):

## Analysis of claims development – net:

10 years	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
End of year	440,000	424,000	444,000	387,000	419,000	1,244,000	451,976	478,224	1,492,207	486,663	
1 year later	413,000	392,000	1,062,000	360,000	390,000	945,824	423,257	628,826	903,149		
2 years later	308,000	281,000	950,000	263,000	283,415	827,527	420,972	486,945			
3 years later	284,000	218,000	891,000	208,864	225,484	777,910	390,325				
4 years later	222,000	162,000	818,782	146,535	265,048	718,939					
5 years later	164,000	67,235	719,890	120,301	141,956						
6 years later	1,112,261	18,753	696,225	48,847							
7 years later	1,110,357	115,683	680,705								
8 years later	1,229,095	78,428									
9 years later	1,226,618										
Current estimate of ultimate	1,226,618	78,428	680,705	48,847	141,956	718,939	390,325	486,945	903,149	486,663	5,162,574
Cumulative payments	144,636	-	650,000	-	-	416,634	-	-	-	-	1,211,270
Outstanding claims	1,081,982	78,428	30,705	48,847	141,956	302,305	390,325	486,945	903,149	486,663	3,951,304
Liability for all prior years											55,422
Estimated unallocated loss adjusting expenses ("ULAE")											2,481,229
Effect of discounting											(952,236)
Risk adjustment for non-financial risk											498,215
Other payables net of receivables											(4,864,963)
Insurance contract liability for incurred claims in statement of financial position											1,168,972

**10. Risk management (continued):***Financial risk management*

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

*(a) Credit risk*

Credit risk is the risk of loss due to the failure of debtors to make payments when due. Credit risks are primarily associated with invested assets and the probability of default by a counterparty on its obligations to the Society. The investment portfolio's exposure to credit risk is managed through policies and procedures including a credit evaluation by the investment manager and investment guidelines which specify investment quality and exposure limits. The portfolio is monitored and reviewed regularly by the Board. Credit risk of the counterparties present minimal risk due to the short-term nature of their obligations towards the Society and the historic/financial relationship with the Society as a reciprocal insurance exchange. The Society evaluates the financial condition of its reinsurers and monitors concentrations of credit risk of the reinsurers to minimize its exposure to significant losses from their insolvency. The Society believes that it has taken appropriate steps to manage credit risk and has made appropriate provision for any such exposures. As at December 31, 2023 and 2022, the Society does not have a significant impairment. One of the primary reinsurers is Colchester as discussed in Note 7. The credit risk related to Colchester is managed by maintaining a security account pursuant to the RSA and a quarterly review of Colchester's financial condition. The balance held in the account at December 31, 2023 is \$ \$33,644,779 (\$36,915,226 in 2022).

**10. Risk management (continued):***(i) Exposure to credit risk*

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

	2023	2022(Restated)
	\$	\$
Cash	4,618,783	2,872,993
Short term investments	8,297,545	11,590,166
Bonds	7,081,571	5,677,588
Interest income due and accrued	34,150	25,156
Reinsurance Contract Assets	74,512,820	74,683,808
Total credit exposure	94,544,869	94,849,711

*(ii) Concentration of credit risk*

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

	2023	2022
	%	%
R-1 (high)	54	67
AAA	30	8
AA	11	22
A	2	1
BBB	3	2
	100	100

**10. Risk management (continued):***(b) Liquidity risk*

Liquidity risk is the risk that the Society will not be able to meet all cash outflow obligations as they come due. The primary potential cash outflow is the payment of insurance claims and is represented by the provision for unpaid claims and adjustment expenses liability on the statement of financial position. In order to manage the liquidity risk associated with this liability, an investment policy is in place.

The amount payable on demand amounts to \$659,235 as at December 31, 2023.

The following table summarizes the exposure to liquidity risk:

December 31, 2023	Year1	Year2	Year 3	Year 4	Year 5	Year 6	Total
Insurance contract liabilities for incurred claims	11,462,468	11,443,859	10,220,822	9,346,060	8,530,226	27,823,314	78,826,748
Reinsurance Contract Assets for Incurred Claims	15,123,429	10,476,446	9,383,710	8,595,487	7,852,531	25,772,153	77,203,755
Total	(3,660,961)	967,413	837,112	750,573	677,695	2,051,161	1,622,992

December 31, 2022	Year1	Year2	Year 3	Year 4	Year 5	Year 6	Total
Insurance contract liabilities for incurred claims	13,700,063	12,041,480	11,369,915	8,318,764	7,459,126	31,977,516	84,866,864
Reinsurance Contract Assets for Incurred Claims	14,219,039	11,106,047	10,514,719	7,695,133	6,888,940	29,695,292	78,627,675
Total	(518,976)	935,433	855,196	623,631	570,186	2,282,224	6,239,190

## Notes to the financial statements

December 31, 2023

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**10. Risk management (continued):***(c) Market risk*

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

*(i) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract or reinsurance contract will fluctuate because of changes in interest rates.

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

*(ii) Equity risk*

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

*(iii) Currency risk*

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

**11. Equity management and adequacy**

Equity is comprised of minimum and additional surplus and AOCI. At December 31, 2023, the equity was \$ 14,661,532 (\$13,424,794 in 2022- restated). The Society's objectives for the management of surplus are for the prudent operation of the reciprocal and to provide relatively predictable premium costs for its members over time. A surplus management policy is approved by the Advisory Board which oversees the surplus management process.

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



## Notes to the financial statements

December 31, 2023

**11. Equity management and adequacy (continued):**

The Society is regulated by the Superintendent of Insurance, Alberta and in British Columbia, Ontario and Nova Scotia where licenses are held, all of which expect incorporated insurance companies to meet a Minimum Capital Test ("MCT") ratio of capital available to capital required of at least 150%. As of December 31, 2023, the Society's MCT ratio was 781% (560% in 2022 - restated). However, the minimum regulatory standard for reciprocal insurance exchanges in Alberta is adjusted equity exceeding \$50,000. The Society's practice is to maintain a surplus level which is significantly higher than the regulatory minimum. The Society's surplus adequacy is evaluated regularly and this evaluation takes into account the gross exposure to risk, the level and nature of reinsurance purchased and the resulting net exposure to members. Input from the appointed actuary, which includes an assessment of loss volatility, is factored into this evaluation.

In accordance with sections 99 and 100 of the Alberta Insurance Act, the Society is required to maintain a reserve and guarantee fund. At December 31, 2023 the total reserve and guarantee funds required are as follows:

	2023	2022 (Restated)
	\$	\$
Reserve fund		
Net premiums written during the period	21,559,000	14,919,000
Less: Amounts paid to license reinsurers	15,105,000	11,983,000
Requirement	6,454,000	2,936,000
	50%	50%
	3,227,000	1,468,000
Guarantee Fund		
Total liabilities	80,126,000	81,662,000
Less: Liability for Remaining Coverage	7,748,000	3,932,000
Recoverable from licensed reinsurers	71,186,000	74,426,000
Add: Statutory margin	50,000	50,000
	1,242,000	3,354,000
Total of reserve and guarantee fund	4,469,000	4,822,000
Cash and approved securities	19,998,000	20,141,000
Excess of cash and securities over reserve and guarantee fund	15,529,000	15,319,000

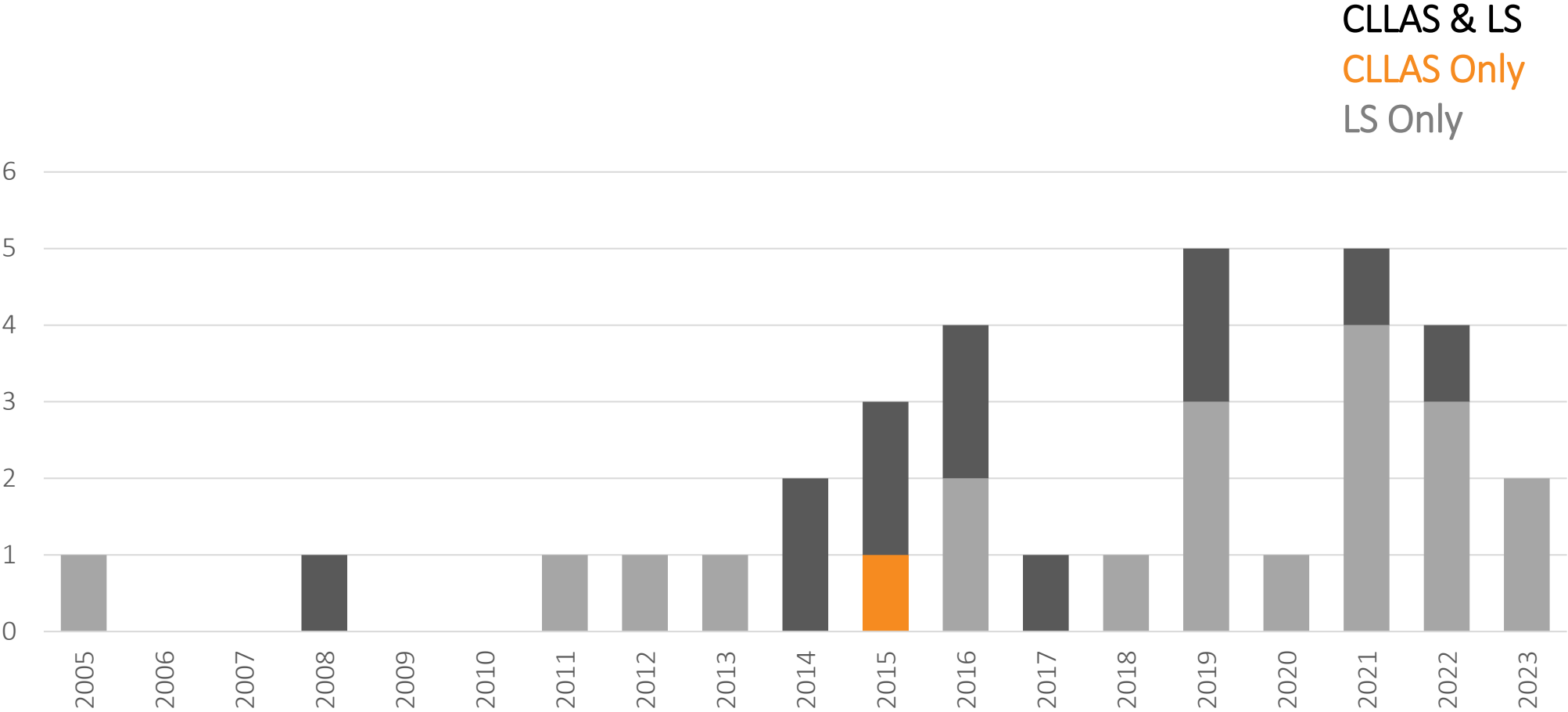
**12. Date of authorization for issue**

The financial statements were authorized for issue by the Advisory Board on February 27, 2024.

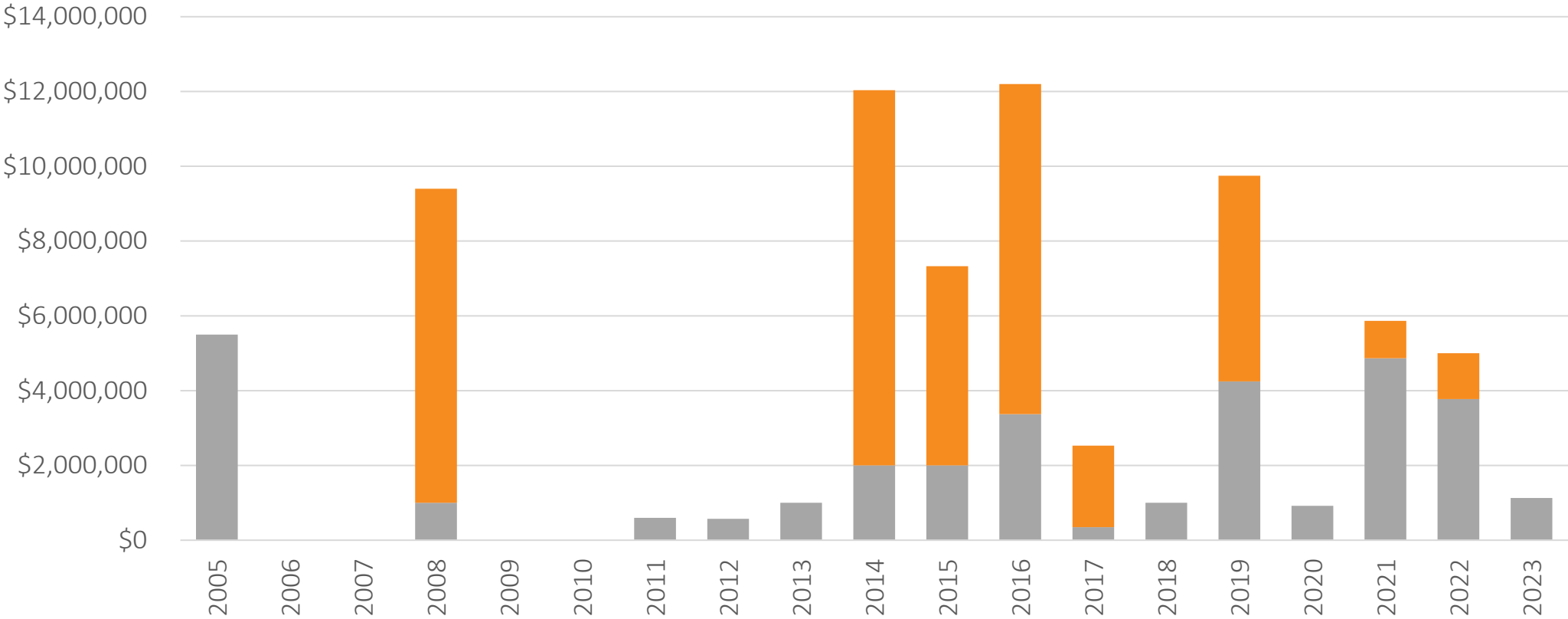


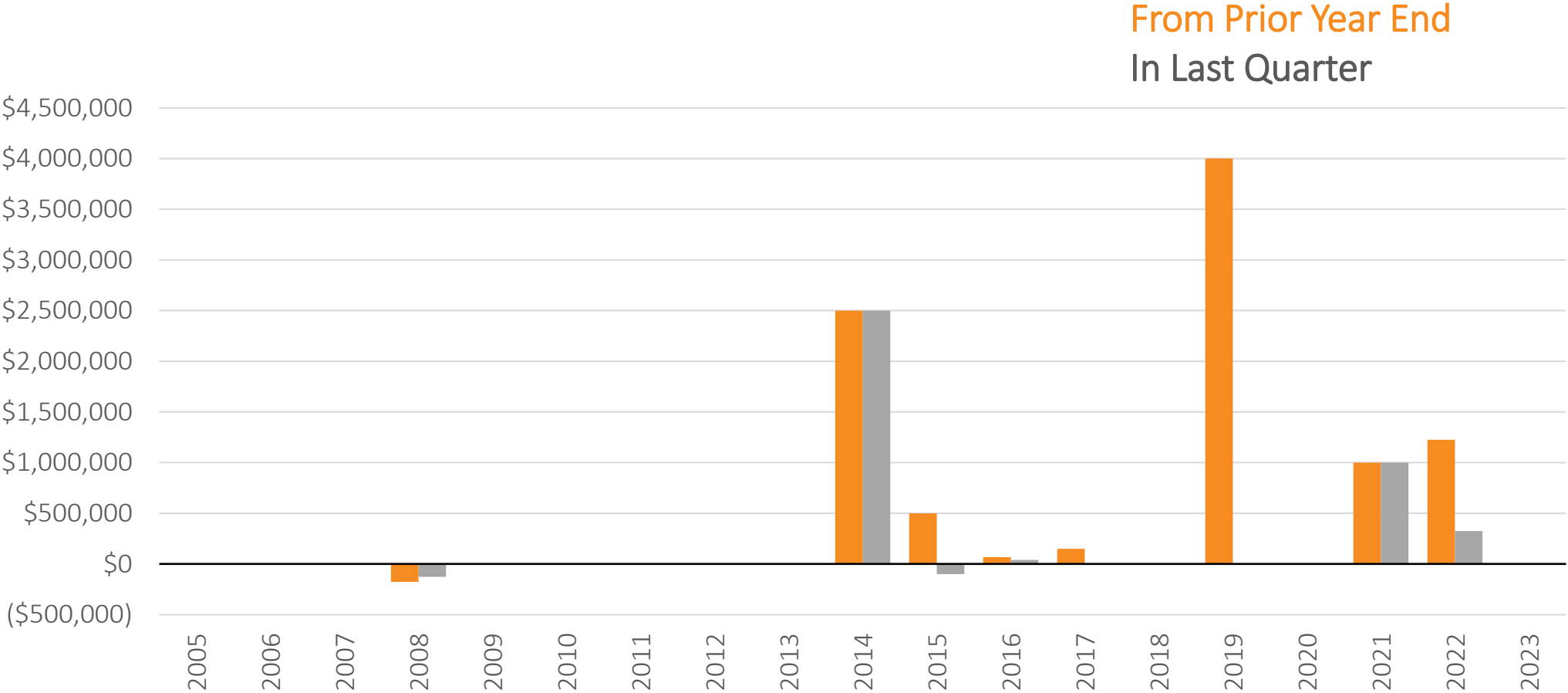
# Canadian Lawyers Liability Assurance Society

Open Large Loss Claims Summary as at December 31, 2023

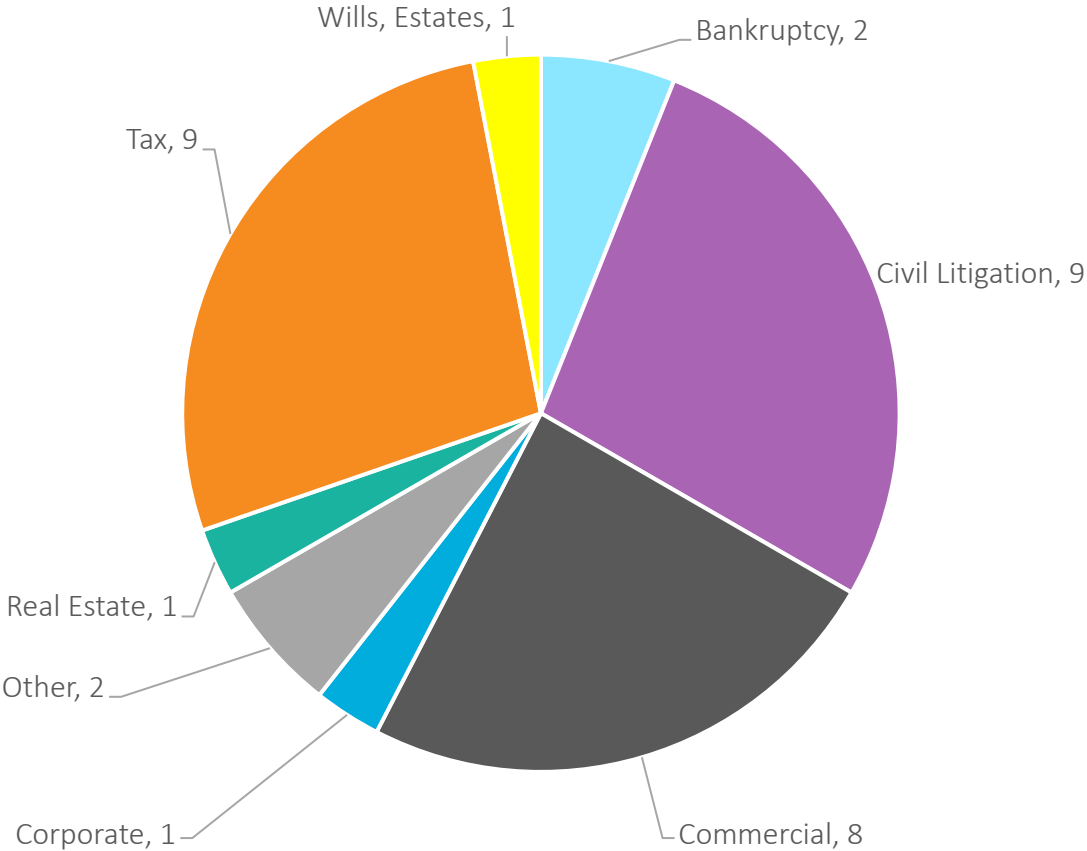


LS - **CLLAS**

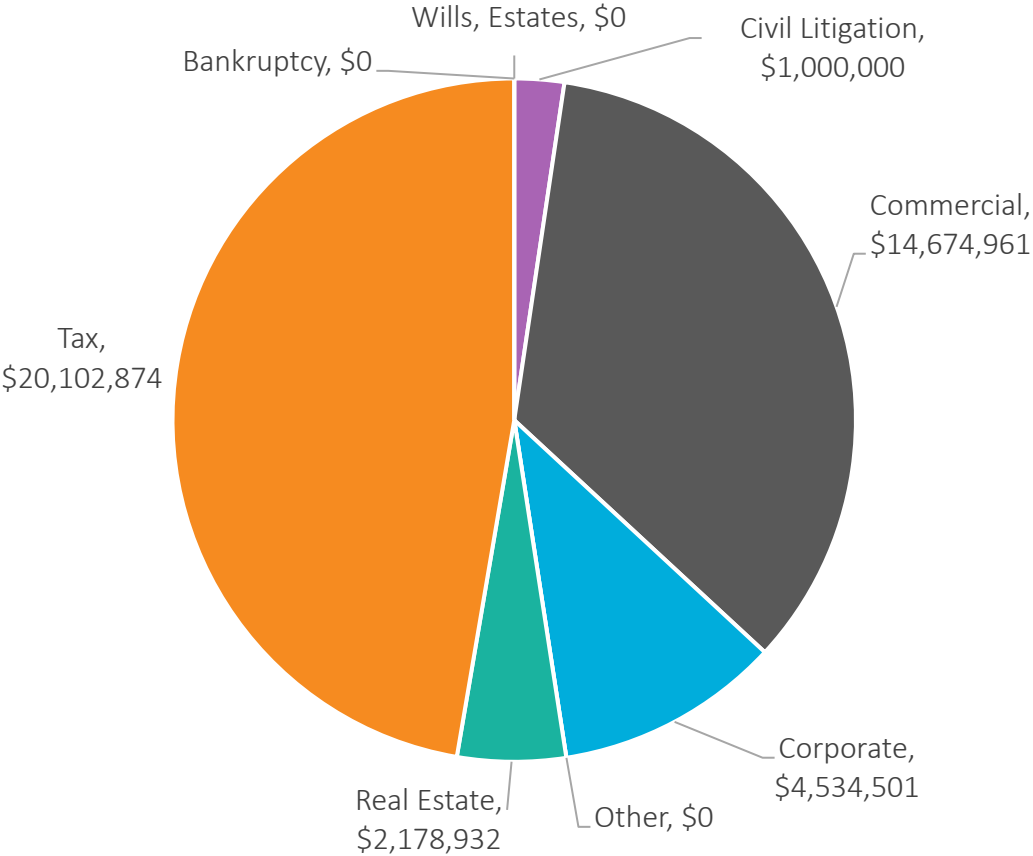


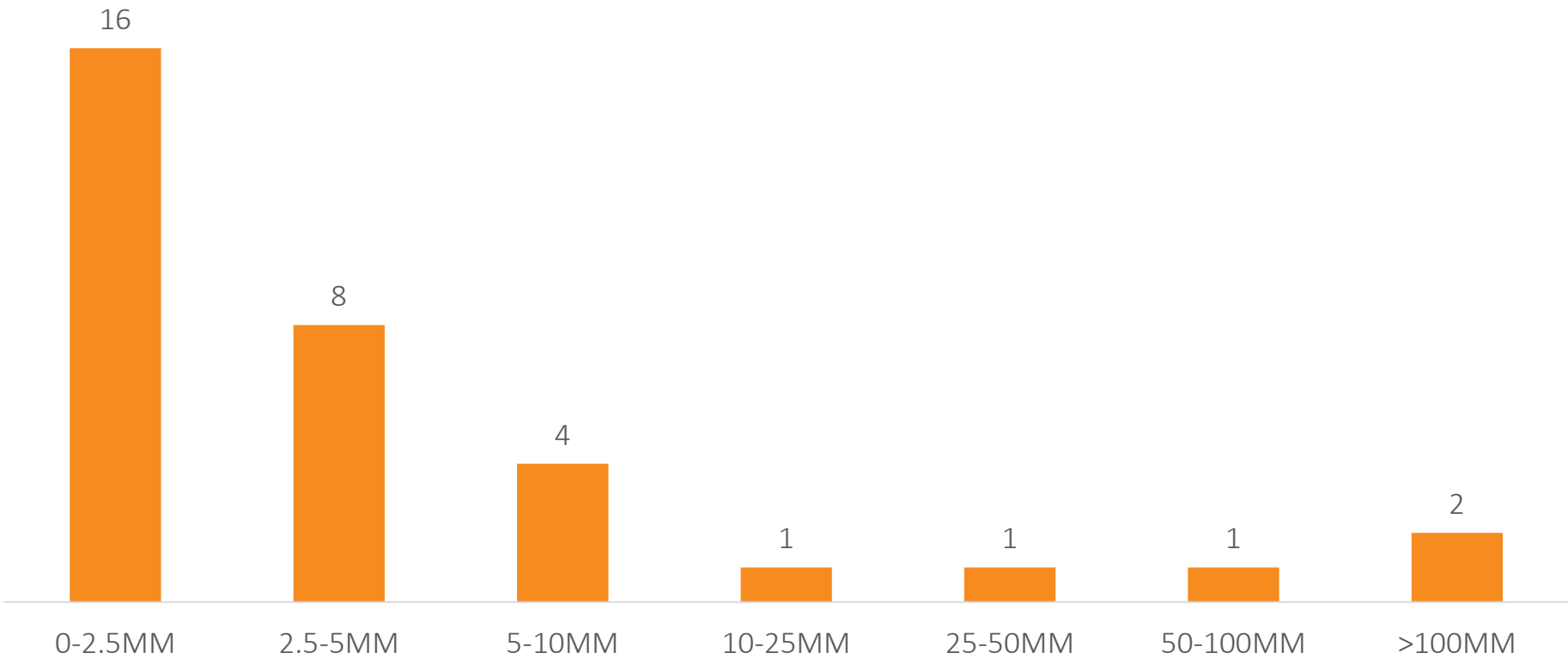


Number of Claims (CLLAS & LS)



CLLAS Incurred





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	-1
2011	0	0	0
2012	0	0	0
2013	0	0	0
2014	0	0	0
2015	-1	0	0
2016	0	0	0
2017	-1	0	0
2018	0	0	0
2019	1	0	0
2020	-1	0	0
2021	0	0	1
2022	0	0	0
2023	2	0	0



## 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

## Slide 4

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

## Slide 5

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

## Slide 6

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

# discussion



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January 15<sup>th</sup>, 2024

Ms. Carrie Green,  
General Manager, CLLAS  
Berkeley Castle  
250 The Esplanade, Suite 302  
Toronto, ON M5A 1J2

**Re: Canadian Lawyers Liability Assurance Society**

Dear Ms. Green:

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

It was a much better quarter for the domestic bond market as the yield curve shifted notably lower and prices more than recovered the ground lost during the previous quarter. At the end of December, the short-term total return index was ahead 4.1% for the quarter while the mid-term total return index gained 8.3%. Reflecting these favourable trends, the Long Term Fund increased 5.9%.

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

With best regards,

Yours sincerely,

*Rowland W. Bell*

RWB/de  
Enclosures

**CLLAS**  
***CANADIAN LAWYERS LIABILITY***  
***ASSURANCE SOCIETY***

INVESTMENT REPORT  
DECEMBER 31, 2023

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

Domestic bond yields at the very short end of the yield curve held relatively steady during the fourth quarter and at the end of December, the yield on the 3-month Treasury Bill was just 3 basis points below its level three months earlier. Meanwhile, further out the curve, there were significant shifts as yields moved steadily lower throughout the period. Over the quarter, the 5-year Canada yield fell 108 basis points, while the yield on the 10-year Canada declined by 93 basis points.

As a result of these shifts, the inversion of the yield curve increased as the yield advantage of 3-month T-bills over the 10-year Canada rose from 104 basis points at the end of September to 194 basis points at the end of December.

	<b>Jan. 01/95</b>	<b>Jun. 30/23</b>	<b>Sep. 30/23</b>	<b>Dec. 31/23</b>
3-month Treasury Bill	6.80%	4.87%	5.07%	5.04%
5-year Canada	8.99%	3.68%	4.25%	3.17%
10-year Canada	9.09%	3.26%	4.03%	3.10%

During the fourth quarter, activity in the Short Term Investment Fund involved the roll-over and sale of money market securities as well as a capital withdrawal of \$1,000,000, which was funded from the proceeds of a maturing money market security.

At December 31, 2023, the average term to maturity of the Long Term Investment Fund was 4.62 years and the duration was 4.18 years.

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

<b><i>Distribution at December 31, 2023</i></b>	<b><i>Valuation</i></b>	<b><i>%</i></b>
Short Term Investment Fund	\$8,335,900	54.1%
Long Term Investment Fund	\$7,079,930	45.9%
<b>TOTAL COMBINED VALUATION</b>	<b>\$15,415,830</b>	<b>100.0%</b>

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**

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

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

	3 Years*	2 Years*	1 Year	Last 3 months
<b><i>Long Term Investment Fund – Gross of Fees</i></b>	<b><i>-0.19%</i></b>	<b><i>0.33%</i></b>	<b><i>5.71%</i></b>	<b><i>5.87%</i></b>
<b><i>Long Term Investment Fund – Net of Fees</i></b>	<b><i>-0.47%</i></b>	<b><i>0.04%</i></b>	<b><i>5.40%</i></b>	<b><i>5.79%</i></b>
<b>Benchmark Portfolio **</b>	<b>-1.11%</b>	<b>-0.71%</b>	<b>5.50%</b>	<b>5.76%</b>

\*Annualized

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

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

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

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

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

	Since Inception Oct. 01/08 *	3 Years*	2 Years *	1 Year	Last 3 Months
<b><i>Short Term Investment Fund – Gross of Fees</i></b>	<b><i>1.14%</i></b>	<b><i>2.19%</i></b>	<b><i>3.24%</i></b>	<b><i>4.78%</i></b>	<b><i>1.26%</i></b>
<b><i>Short Term Investment Fund – Net of Fees</i></b>	<b><i>1.02%</i></b>	<b><i>2.07%</i></b>	<b><i>3.13%</i></b>	<b><i>4.66%</i></b>	<b><i>1.23%</i></b>
<b>Benchmark Portfolio **</b>	<b>1.10%</b>	<b>2.17%</b>	<b>3.22%</b>	<b>4.77%</b>	<b>1.26%</b>

\* Annualized

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



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

	Dec. 17/13	Mar. 31/23	Jun. 30/23	Sep. 30/23	Dec. 31/23
<b>Bonds, Treasury Bills &amp; Cash</b> Less than 1 year term	100.0%	17.4%	10.7%	7.3%	7.0%
<b>Canadas</b> Greater than 1 year term		22.5%	20.9%	23.8%	23.9%
<b>Provincials</b> Greater than 1 year term		30.6%	38.2%	38.0%	38.3%
<b>Corporates</b> Greater than 1 year term		29.5%	30.2%	30.9%	30.8%
<b>TOTAL PORTFOLIO</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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

	Mar. 31/23	Jun. 30/23	Sep. 30/23	Dec. 31/23
Under 1 year	17.4%	10.7%	7.3%	7.0%
1 - 3 years	24.7%	24.1%	21.1%	26.6%
3 - 5 years	33.3%	27.0%	27.3%	25.2%
5 - 7 years	8.5%	17.5%	21.3%	17.5%
7 - 10 years	16.0%	20.6%	22.9%	23.6%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Average Maturity (yrs)</b>	<b>3.65</b>	<b>4.56</b>	<b>4.80</b>	<b>4.62</b>
<b>Average Duration (yrs)</b>	<b>3.37</b>	<b>4.11</b>	<b>4.29</b>	<b>4.18</b>

**SHORT TERM INVESTMENT FUND**

	Mar. 31 /23	Jun. 30/23	Sep. 30/23	Dec. 31/23
<b>Short Term</b> <b>Average Duration (yrs)</b>	<b>0.07</b>	<b>0.12</b>	<b>0.12</b>	<b>0.11</b>

# COMPLIANCE WITH INVESTMENT POLICY STATEMENT

AT DECEMBER 31, 2023

	Investment Limits	Investment Funds	Compliance
<b><i>Short Term Investment Fund</i></b>			
Maximum Term of Any Issue	1 year	0.2 year	Yes
Minimum Percentage of Total Fund (Short & Long)	20% of Total	54.1%	Yes
Minimum Canada & Provincial Percentage	50%	52.3%	Yes
Minimum Provincial Quality	A	N/A	Yes
Minimum Bank CD & BA Quality	R1 (high)	R1 (high)	Yes
<b><i>Long Term Investment Fund</i></b>			
Maximum Term of Any Issue	10 years	9.4 years	Yes
Maximum Percentage of Total Fund (Short & Long)	80% of Total	45.9%	Yes
Minimum Canada Percentage	20%	27.4%	Yes
Maximum Provincial Percentage	40%	38.3%	Yes
Minimum Canada & Provincial Percentage	60%	65.7%	Yes
Minimum Provincial Quality *	A	AA (low)	Yes
Maximum Corporate Percentage	40%	28.4%	Yes
Minimum Corporate Quality *	BBB	BBB	Yes
Maximum BBB Corporate Percentage	10%	6.0%	Yes

\* At time of purchase

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

Martin, Lucas & Seagram Ltd.  
 PERFORMANCE REPORT  
 GROSS OF FEES  
***CLLAS – LONG TERM INVESTMENT FUND***  
***(RBC Investor Services)***  
*From 09-30-23 to 12-31-23*

Portfolio Value on 09-30-23	6,733,833
Accrued Interest	51,050
Contributions	0
Withdrawals	-67,510
Realized Gains	0.00
Unrealized Gains	346,097
Interest	67,510
Dividends	0
Change in Accrued Interest	-16,864
Portfolio Value on 12/31/23	7,079,930
Accrued Interest	34,186
Average Capital	6,765,274
Total Gains before Fees	396,743
<b>IRR for 0.25 Years</b>	<b>5.86%</b>

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

Over the past six months, shifting expectations surrounding the outlook for inflation, the economy and monetary policy have fuelled significant moves in the bond market. During the third quarter, North American bond yields moved noticeably higher as progress on the inflation front stalled and economic growth accelerated. This raised expectations that further rate hikes were likely and that the monetary authorities would need to keep rates higher for longer than anticipated to defeat inflation. In the U.S. the benchmark 10-year treasury yield reached a 17-year high of approximately 5% early in the fourth quarter, while the 10-year Canada yield peaked at 4-1/4%. Since then, yields have moved in a steady downward channel in the wake of moderating inflation, rising expectations that economic growth would soften and signals from the U.S. Federal reserve that rates would likely be lowered in 2024. The marked swing in investor sentiment during the fourth quarter pushed the 10-year benchmark yields down some 100 basis points from the highs to their current levels of just under 4% in the U.S. and 3-1/4% in Canada.

In the U.S., economic growth accelerated in the third quarter and GDP rose at an annualized rate of 4.9%. This was the strongest performance in two years and more than double the gain in the previous two quarters. This improvement was largely fuelled by a pickup in consumer spending, inventory investments and government spending. However, this pace of growth is well above potential and is expected to cool to around 2% in the fourth quarter as the inherently variable lag effects from the Fed's most aggressive course of monetary tightening in decades is still working its way through the financial system. These lags may be longer in the U.S., given that most mortgages are at fixed rates for extended periods, compared to many Canadian homeowners, particularly those with floating rate mortgages, who are already feeling the impact of tighter monetary policy through their mortgage payments. However, the non-mortgage debt burden in the U.S. remains significant and the accelerated rise in interest charges on credit card balances and auto loans is expected to curb consumption, especially as the excess savings accumulated during the pandemic are now depleted. Also, with President Biden's student debt relief program now over, monthly payments on student loans have resumed for some 40 million Americans. Despite these headwinds, job creation has remained solid and payroll numbers over the past two months have been better than expected, while the unemployment rate has held steady at 3.7%.

In contrast to the results south of the border, Canada's economy contracted by 1.1% in the third quarter, which was significantly below the consensus estimate for a 0.1% increase. Despite domestic demand holding up due to increased government consumption and residential investment, spending on machinery and equipment, as well as other business investments, posted sharp declines. This is not surprising given that the Bank of Canada's (BoC) historically tight monetary policy, which has pushed the overnight target rate to 5%, is the most restrictive in real terms among the G7. A shift away from fiscal stimulus toward austerity has also weighed on growth. Since hitting a cyclical low of 4.9% last April, Canada's unemployment rate has increased at a pace not seen outside of a recession since the 1980s. With the rate now at 5.8%, further deterioration is expected as falling corporate profit and sales figures point to economic weakness ahead. A rapid increase in immigration has made it even more difficult for hiring to keep up with the growing workforce, which expanded in 2023 at the quickest pace ever recorded. In light of a marked decline in economic activity in per capita terms and growing slack in the economy, the BoC is expected to start cutting its overnight rate sometime in the second quarter. The futures market is currently pricing in five rate cuts totaling around 1-1/4 percentage points in 2024.

Looking offshore, economic growth in the Eurozone has also been weaker than most economists expected. GDP contracted in the third quarter due to the ongoing fallout from the war in Ukraine, sticky inflation, reduced fiscal spending and tighter monetary policy. The sharp increase in sovereign bond yields over the last two years has had a disproportionately negative impact on the zone's more heavily indebted members, particularly Italy. This has made European banks more cautious when lending to businesses and households, further curbing activity. Emerging economies have also struggled to service their debt in this high interest rate environment. The fact that much of this debt is denominated in an appreciating U.S. dollar has made the situation more challenging. Meanwhile, China's important real estate sector remains mired in a protracted downturn, which has weighed on consumers' willingness and ability to spend. The country's exports have also remained relatively weak as global trade fragmentation that resulted from the pandemic continues. As a result, the International Monetary Fund (IMF) has again lowered its global growth forecast for this year, and the next, to 3.0% and 2.9% respectively, well below the average of 3.8% over the last 20 years.

Over the final two months of last year, encouraging inflation data, better than expected profit reports, lower bond yields and the resilience of U.S. economic data have propelled a sharp recovery in stocks. This has boosted confidence that the Fed will achieve an economic "soft landing" by bringing inflation back to their targets without triggering a material slowdown. Historically, achieving this favourable outcome after sustained monetary policy tightening has proven difficult and rare and it remains to be seen if a hard landing has been avoided or merely postponed. As mentioned, monetary policy changes affect the economy with long and variable lags and there is a variety of plausible scenarios that could derail the optimistic "soft landing" scenario.

Looking ahead, we think the outlook for bond prices remains favourable and believe the yield curve is more likely to shift lower than higher as the year progresses. However, over the near term, we expect bond prices will experience increased volatility and that prices could give back some of their recent gains in view of investor complacency on the inflation and economic fronts. We think inflation's path lower could be disrupted by a variety of factors. These include a possible re-acceleration in the U.S. economy due to the substantial easing in financial conditions over the past few months and possible price shocks from geopolitical developments. The ongoing Houthi attacks on shipping through the Red Sea have caused transport prices to spike higher and rising tensions in the region have the potential to broaden and disrupt the oil markets, which would reverse the material pullback in energy prices.

At this juncture, we think the Long Term Fund's laddered maturity structure and current duration of 4.2 years provides a reasonable hedge against a possible pullback in bond prices. In the period ahead, we will be looking for favourable opportunities, amid the anticipated increase in volatility, to reduce the reserve in the Short Term Fund in order to lock in higher yields and provide incremental returns that would result from a downward shift in the yield curve later this year.

RWB/de

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

Martin, Lucas &amp; Seagram Ltd.

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

**Portfolio Holdings at December 31, 2023**

<u>Quantity</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Annual Income</u>
<b>CASH</b>					
	Cash Account			6,170	0
<b>MONEY MARKET ISSUES</b>					
745,000	CIBC BA 5.05% due January 5, 2024	99.48	99.90	744,261	37,426
824,000	Canada Treasury Bill 5.00% due January 18, 2024	98.86	99.72	821,731	40,731
745,000	Toronto Dominion Bank BA 5.10% due January 26, 2024	99.18	99.60	742,055	37,684
935,000	TD Bank BA 5.05% due February 2, 2024	99.22	99.51	930,375	46,848
760,000	Bank of Nova Scotia BA 5.15% due February 7, 2024	98.76	99.43	755,697	38,655
1,025,000	Canada Treasury Bill 4.90% due February 15, 2024	98.70	99.34	1,018,238	49,573
1,600,000	Canada Treasury Bill 4.90% due February 29, 2024	98.70	99.15	1,586,384	77,382
185,000	CIBC BA 5.10% due March 4, 2024	99.07	99.06	183,256	9,347
625,000	CIBC BA 5.10% due March 8, 2024	98.84	99.00	618,744	31,505
945,000	Canada Treasury Bill 4.90% due March 14, 2024	98.70	98.96	935,159	45,704
				<u>8,335,900</u>	<u>414,855</u>
<b>TOTAL PORTFOLIO</b>				<b>8,342,070</b>	<b>414,855</b>

## Disclosures:

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

Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
**CLLAS - SHORT TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
*From 10-01-23 To 12-31-23*

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
<b>PURCHASES</b>					
10-06-23	10-06-23	1,015,000	Bank of Nova Scotia BA 5.05% due November 6, 2023	99.57	1,010,664.94
10-19-23	10-20-23	610,000	CIBC BA 5.15% due December 15, 2023	99.22	605,218.21
10-25-23	10-26-23	824,000	Canada Treasury Bill 5.00% due January 18, 2024	98.86	814,626.18
11-01-23	11-02-23	460,000	CIBC BA 5.08% due November 28, 2023	99.64	458,341.24
11-03-23	11-06-23	1,020,000	Bank of Nova Scotia BA 5.05% due December 6, 2023	99.59	1,015,783.32
11-08-23	11-09-23	1,025,000	Canada Treasury Bill 4.90% due February 15, 2024	98.70	1,011,690.38
11-09-23	11-10-23	760,000	Bank of Nova Scotia BA 5.15% due February 7, 2024	98.76	750,574.48
11-22-23	11-23-23	1,600,000	Canada Treasury Bill 4.90% due February 29, 2024	98.70	1,579,224.00
11-27-23	11-28-23	745,000	CIBC BA 5.05% due January 5, 2024	99.48	741,103.65
11-27-23	11-28-23	745,000	Toronto Dominion Bank BA 5.10% due January 26, 2024	99.18	738,908.88
12-06-23	12-07-23	945,000	Canada Treasury Bill 4.90% due March 14, 2024	98.70	932,729.18
12-06-23	12-07-23	935,000	TD Bank BA 5.05% due February 2, 2024	99.22	927,683.63
12-14-23	12-15-23	625,000	CIBC BA 5.10% due March 8, 2024	98.84	617,749.38
12-27-23	12-28-23	185,000	CIBC BA 5.10% due March 4, 2024	99.07	183,284.13
					<b>11,387,581.60</b>
<b>SALES</b>					
10-10-23	10-10-23	1,010,000	Royal Bank BA 5.10% due October 10, 2023	100.00	1,010,000.00
10-20-23	10-20-23	605,000	CIBC B.A. 5.10% due October 20, 2023	100.00	605,000.00
10-26-23	10-26-23	825,000	Canada Treasury Bill 4.85% due October 26, 2023	100.00	825,000.00
11-02-23	11-02-23	460,000	CIBC BA 5.13% due November 2, 2023	100.00	460,000.00
11-06-23	11-06-23	1,015,000	Bank of Nova Scotia BA 5.05% due November 6, 2023	100.00	1,015,000.00
11-09-23	11-09-23	1,010,000	Canada Treasury Bill 4.95% due November 9, 2023	100.00	1,010,000.00

Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
**CLLAS - SHORT TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
*From 10-01-23 To 12-31-23*

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
11-10-23	11-10-23	750,000	Toronto Dominion Bank BA 5.05% due November 10, 2023	100.00	750,000.00
11-23-23	11-23-23	1,580,000	Canada Treasury Bill 5.00% due November 23, 2023	100.00	1,580,000.00
11-28-23	11-28-23	460,000	CIBC BA 5.08% due November 28, 2023	100.00	460,000.00
11-28-23	11-28-23	1,025,000	Toronto Dominion Bank BA 5.12% due November 28, 2023	100.00	1,025,000.00
12-06-23	12-06-23	1,020,000	Bank of Nova Scotia BA 5.05% due December 6, 2023	100.00	1,020,000.00
12-07-23	12-07-23	795,000	Canada Treasury Bill 4.95% due December 7, 2023	100.00	795,000.00
12-15-23	12-15-23	610,000	CIBC BA 5.15% due December 15, 2023	100.00	610,000.00
12-21-23	12-21-23	1,165,000	Canada Treasury Bill 5.00% due December 21, 2023	100.00	1,165,000.00
					<b>12,330,000.00</b>



Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
**CLLAS - SHORT TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
*From 10-01-23 To 12-31-23*

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
<b>PURCHASES</b>					
10-06-23	10-06-23	1,015,000	Bank of Nova Scotia BA 5.05% due November 6, 2023	99.57	1,010,664.94
11-03-23	11-06-23	1,020,000	Bank of Nova Scotia BA 5.05% due December 6, 2023	99.59	1,015,783.32
11-09-23	11-10-23	760,000	Bank of Nova Scotia BA 5.15% due February 7, 2024	98.76	750,574.48
11-27-23	11-28-23	745,000	CIBC BA 5.05% due January 5, 2024	99.48	741,103.65
11-01-23	11-02-23	460,000	CIBC BA 5.08% due November 28, 2023	99.64	458,341.24
12-14-23	12-15-23	625,000	CIBC BA 5.10% due March 8, 2024	98.84	617,749.38
12-27-23	12-28-23	185,000	CIBC BA 5.10% due March 4, 2024	99.07	183,284.13
10-19-23	10-20-23	610,000	CIBC BA 5.15% due December 15, 2023	99.22	605,218.21
11-08-23	11-09-23	1,025,000	Canada Treasury Bill 4.90% due February 15, 2024	98.70	1,011,690.38
11-22-23	11-23-23	1,600,000	Canada Treasury Bill 4.90% due February 29, 2024	98.70	1,579,224.00
12-06-23	12-07-23	945,000	Canada Treasury Bill 4.90% due March 14, 2024	98.70	932,729.18
10-25-23	10-26-23	824,000	Canada Treasury Bill 5.00% due January 18, 2024	98.86	814,626.18
12-06-23	12-07-23	935,000	TD Bank BA 5.05% due February 2, 2024	99.22	927,683.63
11-27-23	11-28-23	745,000	Toronto Dominion Bank BA 5.10% due January 26, 2024	99.18	738,908.88
					<b>11,387,581.60</b>
<b>SALES</b>					
11-06-23	11-06-23	1,015,000	Bank of Nova Scotia BA 5.05% due November 6, 2023	100.00	1,015,000.00
12-06-23	12-06-23	1,020,000	Bank of Nova Scotia BA 5.05% due December 6, 2023	100.00	1,020,000.00
10-20-23	10-20-23	605,000	CIBC B.A. 5.10% due October 20, 2023	100.00	605,000.00
11-28-23	11-28-23	460,000	CIBC BA 5.08% due November 28, 2023	100.00	460,000.00
11-02-23	11-02-23	460,000	CIBC BA 5.13% due November 2, 2023	100.00	460,000.00
12-15-23	12-15-23	610,000	CIBC BA 5.15% due December 15, 2023	100.00	610,000.00

Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
**CLLAS - SHORT TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
*From 10-01-23 To 12-31-23*

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
10-26-23	10-26-23	825,000	Canada Treasury Bill 4.85% due October 26, 2023	100.00	825,000.00
11-09-23	11-09-23	1,010,000	Canada Treasury Bill 4.95% due November 9, 2023	100.00	1,010,000.00
12-07-23	12-07-23	795,000	Canada Treasury Bill 4.95% due December 7, 2023	100.00	795,000.00
11-23-23	11-23-23	1,580,000	Canada Treasury Bill 5.00% due November 23, 2023	100.00	1,580,000.00
12-21-23	12-21-23	1,165,000	Canada Treasury Bill 5.00% due December 21, 2023	100.00	1,165,000.00
10-10-23	10-10-23	1,010,000	Royal Bank BA 5.10% due October 10, 2023	100.00	1,010,000.00
11-10-23	11-10-23	750,000	Toronto Dominion Bank BA 5.05% due November 10, 2023	100.00	750,000.00
11-28-23	11-28-23	1,025,000	Toronto Dominion Bank BA 5.12% due November 28, 2023	100.00	1,025,000.00
					<b>12,330,000.00</b>

Martin, Lucas & Seagram Ltd.  
**CASH RECONCILIATION**  
**CLLAS - SHORT TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
*From 09-30-23 to 12-31-23*

Cash Balance at September 30, 2023		<u>7,815.97</u>
ADD: Proceeds from Sales	12,330,000.00	
Capital Contribution	0.00	
Interest on cash balance	295.34	
Bond Interest Credited (from Long Term Investment Fund)	<u>67,509.83</u>	<u>12,397,805.17</u>
LESS: Cost of Purchases	-11,387,581.60	
Capital Withdrawal	-1,000,000.00	
Q3 2023 Investment Counsel Fees - Short Term Investment Fund	-2,591.24	
Q3 2023 Investment Counsel Fees - Long Term Investment Fund	-4,755.77	
Trust Company Charges net interest income	-4,522.37	
Transfers to Long Term Fund re: net sales and purchases	<u>0.00</u>	<u>-12,399,450.98</u>
<b>Cash Balance at December 31, 2023</b>		<b><u><u>6,170.16</u></u></b>

Martin, Lucas & Seagram Ltd.							
EXTERNAL INDIVIDUAL CREDIT RATING REPORT - DECEMBER 31, 2023							
CLLAS - SHORT TERM INVESTMENT FUND							
Quantity	Security	Rating	Unit Cost	Total Cost	Price	Market Value	% Assets
760,000	Bank of Nova Scotia BA 5.15%	R-1 (high)	98.760	750,574	99.434	755,697	9.1%
	due February 7, 2024						
824,000	Canada Treasury Bill 5.00%	R-1 (high)	98.860	814,626	99.725	821,731	9.9%
	due January 18, 2024						
1,025,000	Canada Treasury Bill 4.90%	R-1 (high)	98.700	1,011,690	99.340	1,018,238	12.2%
	due February 15, 2024						
945,000	Canada Treasury Bill 4.90%	R-1 (high)	98.700	932,729	98.959	935,159	11.2%
	due March 14, 2024						
1,600,000	Canada Treasury Bill 4.90%	R-1 (high)	98.700	1,579,224	99.149	1,586,384	19.0%
	due February 29, 2024						
745,000	CIBC BA 5.05%	R-1 (high)	99.480	741,104	99.901	744,261	8.9%
	due January 5, 2024						
185,000	CIBC BA 5.10%	R-1 (high)	99.070	183,284	99.057	183,256	2.2%
	due March 4, 2024						
625,000	CIBC BA 5.10%	R-1 (high)	98.840	617,749	98.999	618,744	7.4%
	due March 8, 2024						
745,000	Toronto Dominion Bank BA 5.10%	R-1 (high)	99.180	738,909	99.605	742,055	8.9%
	due January 26, 2024						
935,000	TD Bank BA 5.05%	R-1 (high)	99.220	927,684	99.505	930,375	11.2%
	due February 2, 2024						
				8,297,574		8,335,900	100%

Martin, Lucas & Seagram Ltd.  
**INVESTMENT PERFORMANCE**  
 Net of Fees  
***CLLAS - SHORT TERM INVESTMENT FUND***  
***(RBC Investor Services)***  
*December 31, 2023*

Investment account RBCD-K.Habal-107611-001

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

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

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

#### Total Value Summary

Your investments have changed by 970,905 since the inception date. Note: In this report, the inception date is July 15, 2015 or the portfolio's start date if the account was opened after July 15, 2015.

Your investments have changed by 324,019 during the past year.

Amount invested since 07-15-15	-4,484,690
Market value of portfolio on 12-31-23	8,342,070

#### Change In Portfolio Value

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

	Latest 1 Year	Inception To Date
From Date	12-31-22	07-15-15
<b>Opening Market Value</b>	<b>11,594,606</b>	<b>11,855,855</b>
Contributions	8,834,100	20,770,328
Withdrawals	-12,410,655	-25,255,018
Realized Gains	0	0
Unrealized Gains	38,326	38,326
Interest	294,878	1,033,960
Dividends	0	0
Portfolio Fees	-9,185	-101,381
<b>Closing Market Value</b>	<b>8,342,070</b>	<b>8,342,070</b>
Total Fees	-9,185	-101,381

Martin, Lucas & Seagram Ltd.  
**INVESTMENT PERFORMANCE**  
 Net of Fees  
***CLLAS - SHORT TERM INVESTMENT FUND***  
***(RBC Investor Services)***  
*December 31, 2023*

**Personal Rates of Return**

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

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

	<b>Annualized Latest 1 Year</b>	<b>Annualized Latest 3 Years</b>	<b>Annualized Latest 5 Years</b>	<b>Annualized Latest 10 Years</b>	<b>Annualized Inception To Date</b>
This Portfolio	4.71%	1.68%	1.38%	-	1.09%

**What is a total percentage return?**

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

**Calculation method**

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

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

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

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

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

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

Martin, Lucas &amp; Seagram Ltd.

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

**Portfolio Holdings at December 31, 2023**

<b>Quantity</b>	<b>Security</b>	<b>Unit Cost</b>	<b>Price</b>	<b>Market Value</b>	<b>Annual Income</b>
<b>GOVERNMENT BONDS</b>					
250,000	Canada Housing Trust 2.9% due June 15, 2024	102.64	99.03	247,581	7,250
300,000	Canada Housing Trust Ser. 70 2.25% due December 15, 2025	100.98	96.80	290,413	6,750
250,000	Canada Housing Trust Ser. 77 2.35% due June 15, 2027	93.81	96.15	240,379	5,875
250,000	Canada Housing Trust No.1 2.350% due March 15, 2028	103.96	95.71	239,276	5,875
300,000	Canada Housing Trust 2.1% Series 88 due September 15, 2029	99.73	93.31	279,938	6,300
275,000	Canada Housing Trust 1.1% Series 95 due March 15, 2031	94.05	85.20	234,313	3,025
200,000	Canada Housing Trust 3.55% due September 15, 2032	98.05	100.56	201,112	7,100
215,000	Canada 2.75% due June 1, 2033	92.55	97.17	208,906	5,913
				<hr/> 1,941,917	<hr/> 48,088
<b>PROVINCIAL BONDS</b>					
400,000	Ontario 2.60% due June 2, 2025	101.08	97.72	390,871	10,400
350,000	British Columbia 2.3% due June 18, 2026	104.40	96.43	337,502	8,050
350,000	Ontario 2.60% due June 2, 2027	97.56	96.71	338,496	9,100
300,000	Alberta 2.90% due December 1, 2028	94.50	97.17	291,515	8,700
350,000	Ontario 2.05% due June 2, 2030	94.43	91.34	319,685	7,175
200,000	British Columbia 1.55% due June 18, 2031	83.75	86.42	172,838	3,100
300,000	Ontario 2.25% due December 2, 2031	87.15	90.26	270,791	6,750
300,000	British Columbia 3.2% due June 18, 2032	96.71	96.31	288,927	9,600
300,000	Ontario 3.65% due June 2, 2033	97.98	99.13	297,386	10,950
				<hr/> 2,708,011	<hr/> 73,825

Martin, Lucas &amp; Seagram Ltd.

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

**Portfolio Holdings at December 31, 2023**

<b>Quantity</b>	<b>Security</b>	<b>Unit Cost</b>	<b>Price</b>	<b>Market Value</b>	<b>Annual Income</b>
<b>CORPORATE BONDS</b>					
250,000	Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	102.02	98.96	247,396	8,065
250,000	CIBC Deposit Note 3.3% due May 26, 2025	100.24	98.21	245,515	8,250
200,000	Wells Fargo & Company 2.975% due May 19, 2026	102.15	96.19	192,373	5,950
300,000	Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	102.07	95.21	285,636	7,860
150,000	Bank of Montreal Dep. Note 2.70% due December 9, 2026	108.76	95.94	143,916	4,050
100,000	Bank of Nova Scotia 2.95% due March 8, 2027	92.85	95.47	95,472	2,950
150,000	Enbridge Inc. CB-27 3.2% due June 8, 2027	96.43	96.02	144,024	4,800
150,000	Royal Bank 4.642% due January 17, 2028	97.93	100.74	151,108	6,963
100,000	Bank of Montreal 3.19% due March 1, 2028	100.75	96.45	96,450	3,190
100,000	Telus Corp. CB-27 3.625% due March 1, 2028	97.25	97.16	97,161	3,625
100,000	Bell Canada SerM56 2.2% due May 29, 2028	98.26	91.56	91,558	2,200
250,000	Toronto Dominion Bank 4.68% due January 8, 2029	97.97	101.08	252,688	11,700
125,000	Ontario Power Generation 2.977% 13SEP29 due September 13, 2029	99.95	94.10	117,622	3,721
200,000	Hydro One Inc. 2.16% Ser 46 due February 28, 2030	86.95	90.16	180,312	4,320
100,000	Loblaw Companies 2.284% due May 7, 2030	86.07	88.77	88,772	2,284
				<b>2,430,002</b>	<b>79,928</b>
<b>TOTAL PORTFOLIO</b>				<b>7,079,930</b>	<b>201,841</b>

## Disclosures:

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



Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
***CLLAS - LONG TERM INVESTMENT FUND***  
***(RBC Investor Services)***  
*From 10-01-23 To 12-31-23*

<b>Trade Date</b>	<b>Settle Date</b>	<b>Quantity</b>	<b>Security</b>	<b>Unit Price</b>	<b>Amount</b>
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**No transactions were found!**

Martin, Lucas & Seagram Ltd.  
**CASH RECONCILIATION**  
***CLLAS - LONG TERM INVESTMENT FUND***  
*From 09-30-23 to 12-31-23*

Cash Balance at September 30, 2023		<u>0.00</u>
ADD: Proceeds from Sales		
Accrued Interest on Sales		
Bond Interest Credited to Long Term Investment Fund	67,509.83	
Transfer Bond Interest to Short Term Investment Fund	-67,509.83	<u>0.00</u>
LESS: Cost of Purchases		
Accrued Interest on Purchases		
Transfer from Short Term Fund		<u>0.00</u>
<b>Cash Balance at December 31, 2023</b>		<b><u><u>0.00</u></u></b>

Martin, Lucas & Seagram Ltd.									
EXTERNAL INDIVIDUAL CREDIT RATING REPORT - DECEMBER 31, 2023									
CLLAS - LONG TERM INVESTMENT FUND									
					Unit	Total		Market	Pct.
Quantity	CUSIP	Security		Rating	Cost	Cost	Price	Value	Assets
<b>GOVERNMENT BONDS</b>									
250,000	13509PEF6	Canada Housing Trust 2.9%	due June 15, 2024	AAA	102.64	256,600	99.03	247,581	3.5%
300,000	13509PFD0	Canada Housing Trust Ser. 70 2.25%	due December 15, 2025	AAA	100.98	302,940	96.80	290,413	4.1%
250,000	13509PFX6	Canada Housing Trust Ser. 77 2.35%	due June 15, 2027	AAA	93.81	234,525	96.15	240,379	3.4%
250,000	13509PGF4	Canada Housing Trust No.1 2.350%	due March 15, 2028	AAA	103.96	259,900	95.71	239,276	3.4%
300,000	13509PHD8	Canada Housing Trust 2.1% Series 88	due September 15, 2029	AAA	99.73	299,200	93.31	279,938	4.0%
275,000	13509PHQ9	Canada Housing Trust 1.1% Series 95	due March 15, 2031	AAA	94.05	258,638	85.20	234,313	3.3%
200,000	13509PJC8	Canada Housing Trust 3.55%	due September 15, 2032	AAA	98.05	196,100	100.56	201,112	2.8%
215,000	135087Q23	Canada 2.75%	due June 1, 2033	AAA	92.55	198,983	97.17	208,906	3.0%
						2,006,885		1,941,917	27.4%
<b>PROVINCIAL BONDS</b>									
400,000	68323ACX0	Ontario 2.60%	due June 2, 2025	AA (low)	101.08	404,305	97.72	390,871	5.5%
350,000	11070TAJ7	British Columbia 2.3%	due June 18, 2026	AA (high)	104.40	365,400	96.43	337,502	4.8%
350,000	68323AEE0	Ontario 2.60%	due June 2, 2027	AA (low)	97.56	341,460	96.71	338,496	4.8%
300,000	013051EB9	Alberta 2.90%	due December 1, 2028	AA	94.50	283,500	97.17	291,515	4.1%
350,000	68333ZAH0	Ontario 2.05%	due June 2, 2030	AA (low)	94.43	330,515	91.34	319,685	4.5%
200,000	110709AF9	British Columbia 1.55%	due June 18, 2031	AA (high)	83.75	167,500	86.42	172,838	2.4%
300,000	68333ZAT4	Ontario 2.25%	due December 2, 2031	AA (low)	87.15	261,450	90.26	270,791	3.8%
300,000	110709GL0	British Columbia 3.20%	due June 18, 2032	AA (high)	96.71	290,130	96.31	288,927	4.1%
300,000	68333ZAY3	Ontario 3.65%	due June 2, 2033	AA (low)	97.98	293,940	99.13	297,386	4.2%
						2,738,200		2,708,011	38.2%
<b>CORPORATE BONDS</b>									
250,000	891145T79	Toronto Dominion Bank Dep. Note 3.226%	due July 24, 2024	AA (high)	102.02	255,050	98.96	247,396	3.5%
250,000	13596Z3Y9	CIBC Deposit Note 3.3%	due May 26, 2025	AA	100.24	250,600	98.21	245,515	3.5%
200,000	949746RX1	Wells Fargo & Company 2.975%	due May 19, 2026	AA (low)	102.15	204,300	96.19	192,373	2.7%
300,000	064151QE6	Bank of Nova Scotia Dep. Notes 2.62%	due December 2, 2026	AA	102.07	306,210	95.21	285,636	4.0%
150,000	06368AAA8	Bank of Montreal Dep. Note 2.70%	due December 9, 2026	AA	108.76	163,140	95.94	143,916	2.0%
100,000	06415GDE7	Bank of Nova Scotia 2.95%	due March 8, 2027	AA (low)	92.85	92,850	95.47	95,472	1.3%
150,000	29251ZBK2	Enbridge Inc. CB-27 3.2%	due June 8, 2027	BBB (high)	96.43	144,650	96.02	144,024	2.0%
150,000	780086WG5	Royal Bank 4.642%	due January 17, 2028	AA	97.93	146,895	100.74	151,108	2.1%
100,000	06368BTX6	Bank of Montreal 3.19%	due March 1, 2028	AA	100.75	100,750	96.45	96,450	1.4%
100,000	87971MBG7	Telus Corp. CB-27 3.625%	due March 1, 2028	BBB	97.25	97,250	97.16	97,161	1.4%
100,000	07813ZCJ1	Bell Canada SerM56 2.2%	due May 29, 2028	BBB (high)	98.26	98,263	91.56	91,558	1.3%
250,000	89117GRJ8	Toronto Dominion Bank 4.68%	due January 8, 2029	AA	97.97	244,920	101.08	252,688	3.6%
125,000	68321ZAD3	Ontario Power Generation 2.977% 13SEP29	due September 13, 2029	A (low)	99.95	124,938	94.10	117,622	1.7%
200,000	44810ZCC2	Hydro One Inc. 2.16% Ser 46	due February 28, 2030	A (high)	86.95	173,900	90.16	180,312	2.5%
100,000	539481AN1	Loblaw Companies 2.284%	due May 7, 2030	BBB (high)	86.07	86,070	88.77	88,772	1.3%
						2,489,785		2,430,002	34.3%
<b>TOTAL PORTFOLIO</b>									
						7,234,870		7,079,930	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 12-31-23*

Security	12-31-22 Market Value	Additions Withdrawals	12-31-23 Market Value	12-31-23 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
<b>CASH</b>								
Cash Account	0	0	0	0				
<b>GOVERNMENT BONDS</b>								
Canada Housing Trust 2.35% due September 15, 2023	196,916	-204,700	0	0	-11,240	3,084	0	0
Canada Housing Trust 2.9% due June 15, 2024	245,056	-7,250	247,581	256,600	0	0	-9,019	2,525
Canada Housing Trust Ser. 70 2.25% due December 15, 2025	286,269	-6,750	290,413	302,940	0	0	-12,527	4,144
Canada Housing Trust Ser. 77 2.35% due June 15, 2027	0	231,813	240,379	234,525	0	0	5,854	5,854
Canada Housing Trust No.1 2.350% due March 15, 2028	233,914	-5,875	239,276	259,900	0	0	-20,625	5,362
Canada Housing Trust 2.1% Series 88 due September 15, 2029	271,460	-6,300	279,938	299,200	0	0	-19,262	8,478
Canada Housing Trust 1.1% Series 95 due March 15, 2031	224,123	-3,025	234,313	258,638	0	0	-24,325	10,190
Canada Housing Trust 3.55% due September 15, 2032	0	194,573	201,112	196,100	0	0	5,012	5,012
Canada 2.75% due June 1, 2033	0	197,792	208,906	198,983	0	0	9,924	9,924
<b>GOVERNMENT BONDS Total</b>	<u>1,457,738</u>		<u>1,941,917</u>	<u>2,006,885</u>	<u>-11,240</u>	<u>3,084</u>	<u>-64,968</u>	<u>51,489</u>
<b>PROVINCIAL BONDS</b>								
Ontario 2.85% due June 2, 2023	496,393	-507,125	0	0	-11,430	3,608	0	0
Ontario 2.60% due June 2, 2025	386,522	-10,400	390,871	404,305	0	0	-13,434	4,350
British Columbia 2.3% due June 18, 2026	331,878	-8,050	337,502	365,400	0	0	-27,899	5,624
Ontario 2.60% due June 2, 2027	332,655	-9,100	338,496	341,460	0	0	-2,965	5,840
Alberta 2.90% due December 1, 2028	0	279,817	291,515	283,500	0	0	8,015	8,015
Ontario 2.05% due June 2, 2030	307,342	-7,175	319,685	330,515	0	0	-10,830	12,343
British Columbia 1.55% due June 18, 2031	165,174	-3,100	172,838	167,500	0	0	5,338	7,664
Ontario 2.25% due December 2, 2031	0	258,537	270,791	261,450	0	0	9,341	9,341
British Columbia 3.2% due June 18, 2032	93,603	184,704	288,927	290,130	0	0	-1,203	2,844
Ontario 3.65% due June 2, 2033	0	288,555	297,386	293,940	0	0	3,446	3,446
<b>PROVINCIAL BONDS Total</b>	<u>2,113,566</u>		<u>2,708,011</u>	<u>2,738,200</u>	<u>-11,430</u>	<u>3,608</u>	<u>-30,189</u>	<u>59,467</u>
<b>CORPORATE BONDS</b>								
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	-305,727	0	0	-7,890	4,927	0	0
Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	243,462	-8,065	247,396	255,050	0	0	-7,654	3,934

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

Security	12-31-22 Market Value	Additions Withdrawals	12-31-23 Market Value	12-31-23 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
CIBC Deposit Note 3.3% due May 26, 2025	242,040	-8,250	245,515	250,600	0	0	-5,085	3,476
Wells Fargo & Company 2.975% due May 19, 2026	186,259	-5,950	192,373	204,300	0	0	-11,927	6,114
Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	277,932	-7,860	285,636	306,210	0	0	-20,574	7,704
Bank of Montreal Dep. Note 2.70% due December 9, 2026	139,356	-4,050	143,916	163,140	0	0	-19,224	4,560
Bank of Nova Scotia 2.95% due March 8, 2027	92,396	-2,950	95,472	92,850	0	0	2,622	3,076
Enbridge Inc. CB-27 3.2% due June 8, 2027	139,218	-4,800	144,024	144,650	0	0	-626	4,806
Royal Bank 4.642% due January 17, 2028	0	146,523	151,108	146,895	0	0	4,213	4,213
Bank of Montreal 3.19% due March 1, 2028	93,391	-3,190	96,450	100,750	0	0	-4,300	3,059
Telus Corp. CB-27 3.625% due March 1, 2028	46,914	44,842	97,161	97,250	0	0	-89	3,272
Bell Canada SerM56 2.2% due May 29, 2028	87,381	-2,200	91,558	98,263	0	0	-6,705	4,177
Toronto Dominion Bank 4.68% due January 8, 2029	0	244,821	252,688	244,920	0	0	7,768	7,768
Ontario Power Generation 2.977% 13SEP29 due September 13, 2029	112,849	-3,721	117,622	124,938	0	0	-7,315	4,773
Hydro One Inc. 2.16% Ser 46 due February 28, 2030	0	173,409	180,312	173,900	0	0	6,412	6,412
Loblaw Companies 2.284% due May 7, 2030	0	85,109	88,772	86,070	0	0	2,702	2,702
<b>CORPORATE BONDS Total</b>	<b>2,106,161</b>		<b>2,430,002</b>	<b>2,489,785</b>	<b>-11,432</b>	<b>5,036</b>	<b>-59,783</b>	<b>70,045</b>
<b>TOTAL PORTFOLIO</b>	<b>5,677,464</b>		<b>7,079,930</b>	<b>7,234,870</b>	<b>-34,102</b>	<b>11,727</b>	<b>-154,940</b>	<b>181,001</b>
TOTAL DATE TO DATE GAIN OR LOSS								192,728
% CHANGE DURING PERIOD								3.39

Martin, Lucas & Seagram Ltd.  
**INVESTMENT PERFORMANCE**  
 Net of Fees  
**CLLAS - LONG TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
 December 31, 2023

Investment account RBCD-107611-001

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

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

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

#### Total Value Summary

Your investments have changed by 858,327 since the inception date. Note: In this report, the inception date is July 15, 2015 or the portfolio's start date if the account was opened after July 15, 2015.

Your investments have changed by 369,209 during the past year.

Amount invested since 07-15-15	1,410,162
Market value of portfolio on 12-31-23	7,114,116

#### Change In Portfolio Value

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

	Latest 1 Year	Inception To Date
From Date	12-31-22	07-15-15
<b>Opening Market Value</b>	<b>5,702,620</b>	<b>4,845,628</b>
Contributions	2,376,367	5,655,521
Withdrawals	-1,334,080	-4,245,359
Realized Gains	11,727	-212,289
Unrealized Gains	181,001	-160,035
Interest	167,451	1,221,228
Dividends	0	0
Change in Accrued Interest	9,030	9,422
<b>Closing Market Value</b>	<b>7,114,116</b>	<b>7,114,116</b>
Portfolio Fees Paid By Client	-18,684	-136,949
Total Fees	-18,684	-136,949

Martin, Lucas & Seagram Ltd.  
**INVESTMENT PERFORMANCE**  
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**Personal Rates of Return**

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

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

	<b>Annualized Latest 1 Year</b>	<b>Annualized Latest 3 Years</b>	<b>Annualized Latest 5 Years</b>	<b>Annualized Latest 10 Years</b>	<b>Annualized Inception To Date</b>
This Portfolio	5.62%	-0.25%	1.88%	-	1.52%

**What is a total percentage return?**

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

**Calculation method**

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

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

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

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

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

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