



ADVISORY BOARD MEETING

<u>Board Member</u>	<u>Alternate</u>	<u>Board Member</u>	<u>Alternate</u>
David Morritt	TBA	Donald Milner	S. Bruce Blain
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 25, 2025 at 8:30 a.m.
Goodmans LLP
34th Floor, Bay Adelaide Centre, West Tower
333 Bay Street.
Toronto, Ontario

ZOOM login information: Advisory Board of CLLAS

To join meeting using a computer:

<https://us02web.zoom.us/j/86107232048?pwd=Ghd17aQv36kV8W6NKhOx7nKMkxY8Ah.1>

Meeting ID: 861 0723 2048

Passcode: 535791

To join meeting by phone:

+1 647 558 0588 Canada

Meeting ID: 861 0723 2048

Passcode: 535791

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 3, 2024 Meeting <i>Proposed Resolution: To approve the minutes.</i>	Ken Crofoot	5 mins	3.1



	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
4. Business Arising Out of the Minutes	Ken Crofoot		
5. Comments of Chair	Ken Crofoot	5 mins	
6. Market Update and Reinsurance Renewal Planning	Ryan Durrell/ Chris Marley	10 mins	
7. Report of the General Manager	Carrie Green	30 mins	
7.1 December 31, 2024 Financial Management Report			7.1
7.2 Presentation of the Actuary to the Audit Committee			7.2
7.3 2025 Operating Budget			7.3
<i>Proposed Resolution: To approve the 2025 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, 2025			
8.2 Claims Committee	Robert Love		8.2
8.3 Risk Management Committee	Julia Holland		
8.4 Policy Committee	Donald Milner		8.4
9. Other Business		5 mins	
9.1 Quarterly Report of the Investment Manager	Carrie Green		9.1
9.2 Alberta Regulator Annual Review	Ken Crofoot		
9.2.1 Alberta Regulator Annual Review Letter			9.2.1
9.2.2 CLLAS Response to Annual Review Letter			9.2.2
9.3 Committee membership	Ken Crofoot		9.3
10. Next Meeting – <u>Thursday</u> , June 26, 2025			

Anticipated Adjournment Time: 10:00 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 3, 2024

Present:

Ken Crofoot (Chair)	Goodmans LLP
Robert Love	Borden Ladner Gervais LLP
Gordon Goodman	Cassels Brock & Blackwell LLP
Laurence Detière	Davies Ward Phillips & Vineberg LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Anne-Marie Breton	Fasken Martineau DuMoulin LLP
Caroline Zayid	McCarthy Tétrault LLP
Carl De Vuono	McMillan LLP
Julia Holland	Torys LLP
Carrie Green	Office of the General Manager, CLLAS
Norma Ibbetson	Office of the General Manager, CLLAS
Chris Marley	Axxima
Ryan Durrell	Axxima

Absent:

David Morritt	Osler, Hoskin & Harcourt LLP
Michael Swartz	WeirFoulds LLP

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 24, 2024 Meeting of the Advisory Board**

It was moved by Laurence Detière and seconded by Donald Milner that the minutes of the September 24, 2024 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 the addition of Paliare Roland to the CLLAS Associate firm program. There was also an initial meeting with another large firm outside of Ontario who were interested in learning more about CLLAS membership.

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, 2025.

The markets seem to be having a good 2024 based on the reporting of the first 6 month.

For next year, we are setting our sights on a flat renewal although we can expect the usual pressure to increase rates.

The London market is expected to hit a \$78 billion capacity limit in 2025. We expect that will open new markets for CLLAS. The London reinsurance renewal meetings are scheduled for May 6-9, 2025. Gord Goodman will be attending along with Ken Crofoot and the CLLAS management office.

7. **CLLAS Cyber Renewal - Update**

The Cyber renewal took place on October 15th and was largely uneventful.

The excess program pricing was stream-lined and one additional firm purchased the full tower of \$30,000,000 (2 of 11), while most other firms purchase only the CLLAS layer or \$20,000,000.

The cyber insurance market is softening somewhat, and we are likely to see a flat or even a minor reduction in pricing for 2025.

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

Financial Statements for the Period Ending September 30, 2024

Ms. Green presented CLLAS' financial management report as at September 30, 2024. 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 to see positive results overall in Q3 with total comprehensive income of just under \$224,000 for the quarter and \$1.05 million YTD. This is inclusive of a small loss in the net insurance service result in the quarter due to claims development and timing related to recognizing premium taxes for the new policy year.

The Budget Variance (Exhibit 1.4) shows that operating expenses finished the quarter under budget by \$114,000.

CLLAS' combined program surplus position remains strong at \$15.7 million.

The key regulatory solvency test that CLLAS is required to comply with is known as the Alberta Maintenance of Reserve and Guarantee Fund ("AMRGF"). CLLAS must maintain "cash and approved securities" in excess of the reserve fund plus the guarantee fund required by the Alberta regulator. Exhibit 1.5 shows that at September 30, 2024 CLLAS had assets exceeding the required amount by over \$18 million. The other solvency test monitored by CLLAS is the Minimum Capital test ("MCT"). CLLAS' MCT ratio was 563% at September 30th, well in excess of CLLAS' internal target.

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 1.6).

Subscribers' Accounts at June 30, 2024 E&O and Cyber

The CLLAS Subscribers Accounts as at June 30, 2024 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 are prepared separately for the E&O and Cyber Programs and 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.

The distribution of the Cyber Subscribers' Accounts will include Lenczner who are part of that underwriting group.

Confirmation of Investment Policy

The Investment Policy needs to be reviewed and confirmed on an annual basis. No changes are being recommended.

It was moved by Robert Love and seconded by Donald Milner 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 22, 2024, with KPMG, our new auditors, in attendance to review the audit plan for the year end work. Kim Haley, audit partner and Dale Percival, audit manager, reviewed the 2024 Audit Service Plan including the scope of the audit and the key areas of audit focus.

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 21.1% of CLLAS' total liabilities. Efforts will continue to diversify that support when market conditions permit. Colchester June 30, 2024, financials were also reviewed and in conjunction with that it is of note that CLLAS' participation in Colchester has been reduced from 30% to 10% at July 1, 2024.

Report of the Claims Committee

Robert Love reported on behalf of the Claims Committee. The Committee had met at the beginning of October. Included in the material are some charts summarizing CLLAS' claims activity at September 30, 2024. Subsequent to the end of September CLLAS has increased reserves on one file and closed out another. The General Manager's office will be conducting its annual review prior to the end of December.

Report of the Risk Management Committee

Julia Holland reported on behalf of the Risk Management Committee. There was a late November 2024 Lunch Risk Management session scheduled that had to be postponed because the main speaker from Beazley fell ill. The session will be rescheduled in the new year. 2025 will see the return of risk management audits for CLLAS firms. Ms. Holland invited comments from the Board on how the audits can be made more effective and streamlined for the firms. John Walker, who has run the audits in the past, indicated his willingness to take this on again.

Report of the Policy Committee

Donald Milner reported on behalf of the Policy Committee. There are currently no items before 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 24, 2025 and the venue is Canoe. Invitations will go out in the new year for Board members and their alternates along with their significant others.

11. Next Meeting

The next regularly scheduled meeting of the Board will be on February 25, 2025 via Zoom.

There being no further business, the meeting was terminated.

Chairman

Secretary



MEMORANDUM

DATE: February 18, 2025
TO: CLLAS Advisory Board
FROM: Carrie Green
RE: December 31, 2024 Financial Management Report

CLLAS' financial management report for the quarter ended December 31, 2024 is attached. Included are the following exhibits:

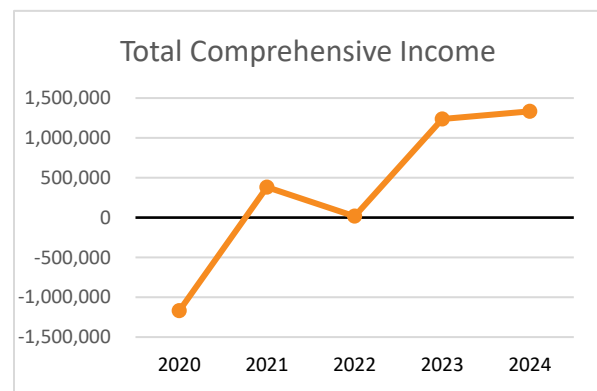
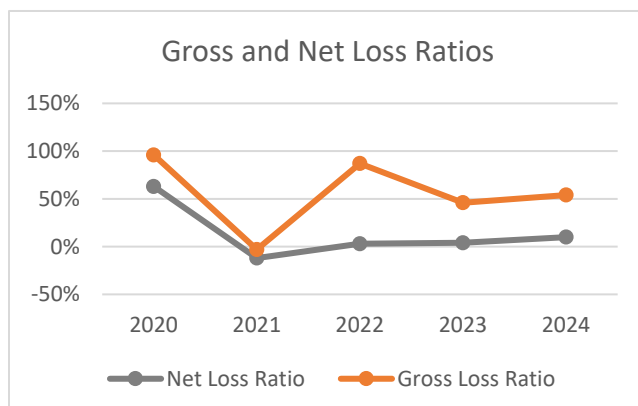
- Exhibit 1: Management Financial Statements for the Combined CLLAS Programs, including the AMRGF and risk metrics exhibits
- Exhibit 2: Management Financial Statements for the E&O Program
- Exhibit 3: Management Financial Statements for the Cyber Program

These financial statements were prepared under IFRS 17 which came into effect January 1, 2023. Note that for the figures shown in the graphs contained here, all years prior to 2023 were prepared under IFRS 4.

Combined Programs (Exhibits 1.1 – 1.6)

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 net of reinsurance) of \$147,000 in Q4 which led to a net insurance service result of \$629,00 for the year.

After taking into account the net investment result and unrealized gains/losses on the investment portfolio,



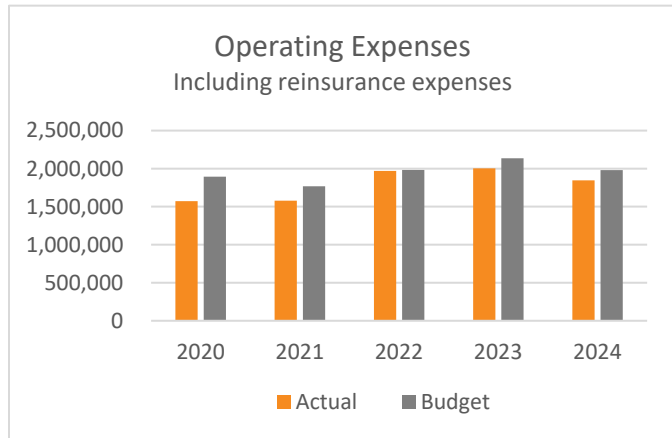
the total comprehensive income result for the quarter was \$279,500 and \$1,334,000 for the full year. With retained premium levels remaining stable year over year, this result is driven by favourable investment results combined with better-than-expected claims experience during the year.

Results are explained further below under the separate commentaries for the E&O and Cyber Programs.

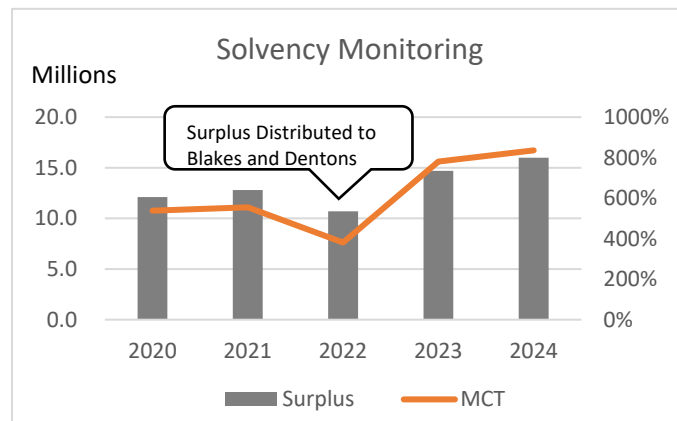
The Budget Variance (Exhibit 1.4) shows that expenses finished the year below budget by \$175,600, or 6.8%. The budget variance for 2024 and the proposed operating budget for 2025 are presented under separate cover.

As shown on Exhibit 1.1, the surplus position for CLLAS at December 31, 2024 stood at just under \$16 million.

The key regulatory solvency test that CLLAS is required to comply with is 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.



CLLAS must maintain “cash and approved securities” in excess of the reserve fund plus the guarantee fund required by the Alberta regulator. Exhibit 1.5 shows that at December 31, 2024 CLLAS had assets exceeding the required amount by \$18.1 million.



The other solvency test monitored by CLLAS is the Minimum Capital Test (“MCT”). As shown in Exhibit 1.6, CLLAS’ MCT ratio was 836% at December 31, 2024, again well in excess of regulatory expectations.

Note that the combined statements consolidate the two programs and account for any inter-program adjustments. (For example, premium taxes on the Cyber Program may have been paid by the E&O Program. This would appear as a payable on the Cyber Program’s accounts and a receivable for the E&O Program but would be netted out of the combined statements.) The financial performance metrics for CLLAS (shown on Exhibit 1.6) are presented on a combined basis.

Exhibit 1.6 shows the year-end results for 2022 and 2023, and the results at December 31, 2024 against risk targets and risk limits. Most of the metrics at December 31, 2024 are within CLLAS’ risk limits. The items of note are discussed below.

Line 8: Following the CLLAS 2024/25 renewal result, this metric was changed from yellow to green – “nothing on the horizon”. The market outlook continues to be favourable as rates continue to improve and capacity increases.



- Line 9: This metric reflects the Reinsurance Security Report presented to the Audit Committee at its October 22, 2024 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 22, 2024 meeting. As discussed during that meeting, the Westfield Syndicate (formerly Argo) reinsures 21.1% 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 net insurance service result (i.e. premiums minus claims and expenses net of reinsurance) on the E&O program was slightly better than breakeven for the quarter at \$29,000, resulting in a loss for the year of (\$113,000) year-to-date. While claims experience emerged better than expected during the year, CLLAS did see claims development on the E&O Program during the year. As previously reported, these amounts are substantially reinsured, but one of the matters is a drop-down claim for which CLLAS retains the risk up to \$975,000.

After taking into account investment results and unrealized gains on the investment portfolio, the total comprehensive income was \$152,000 for the quarter and \$588,000 year-to-date. As shown on Exhibit 2.1, the E&O program's surplus at December 31, 2024 sits at approximately \$14.7 million.

CLLAS Cyber Program (Exhibits 3.1 – 3.4)

As shown on Exhibit 3.2, the Cyber program continues to perform very well, with total comprehensive income of just over \$745,000 at December 31 and no claims activity to date (note that the incurred claims expense and amounts recovered from reinsurers represent actuarial reserves for IBNR only). As explained in the 2024 CLLAS operating budget memo, except for premium taxes and reinsurance fees, which can be isolated by program, 5% of all other operating expenses are allocated to the Cyber program. As shown on Exhibit 3.1, surplus for the Cyber program continues to grow and is sitting at just under \$1.26 million as at December 31, 2024.

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, 2024**

Exhibit 1.1

	As at December 31, 2024	As at December 31, 2023
Assets		
Cash	6,767,960	4,618,783
Short term investments	8,245,750	8,297,545
Bonds	7,858,472	7,081,571
Interest income due and accrued	35,492	34,146
Prepaid expenses	3,978	242,616
Other receivable	-	-
Reinsurance contract assets		
Asset for incurred claims	77,331,627	71,209,278
Asset for remaining coverage	3,135,880	3,303,542
	103,379,159	94,787,481
Liabilities		
Insurance contracts liabilities		
Liability for incurred claims	77,945,855	72,378,249
Liability for remaining coverage	9,438,198	7,747,704
Accounts payable & accrued charges	-	-
	87,384,053	80,125,953
Subscribers' equity		
Equity	16,010,495	14,845,045
Accumulated other comprehensive income (loss)	(15,389)	(183,517)
	15,995,106	14,661,528
	103,379,159	94,787,481

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - COMBINED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED December 31, 2024**

Exhibit 1.2

	Current Year		Prior Year	
	Quarter December 31, 2024	Year to Date December 31, 2024	Quarter December 31, 2023	Year to Date December 31, 2023
Insurance service result				
Insurance revenue	4,923,241	19,318,046	4,797,395	17,956,690
Insurance service expense				
Incurred claims expenses	1,362,669	10,765,853	3,430,616	8,575,314
Operating expenses	225,493	1,154,893	303,498	1,346,526
Premium taxes	66,315	551,518	65,102	538,605
Insurance service result before reinsurance	3,268,764	6,845,782	998,179	7,496,245
Allocation of reinsurance premiums	4,015,179	15,895,620	3,956,554	14,592,935
Amounts recovered from reinsurers	1,027,508	10,369,086	3,406,618	8,412,298
Reinsurance expenses	(134,134)	(689,951)	(124,664)	(656,602)
	3,121,805	6,216,485	674,600	6,837,239
Net insurance service result	146,959	629,297	323,579	659,006
Investment result				
Investment income (loss)	212,959	867,019	248,046	739,173
Insurance finance income (expense)				
For insurance contract	(580,476)	(4,079,393)	(3,524,019)	(4,141,027)
For reinsurance contracts	530,297	3,748,527	3,264,692	3,833,466
Net investment result	162,780	536,153	(11,281)	431,612
Net Income (loss)	309,738	1,165,450	312,298	1,090,618
Unrealized gains (losses) arising during the year	(30,202)	168,127	348,832	146,119
Recognition of realized gain (loss) included in income	-	-	-	-
Other comprehensive income (loss) for the year	(30,202)	168,127	348,832	146,119
Total comprehensive income (loss)	279,536	1,333,578	661,130	1,236,737

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - COMBINED
STATEMENT OF CHANGES IN EQUITY
December 31, 2024

Exhibit 1.3

	Members' Surplus	Unrealized gains and losses on FVOCI financial assets	Total Equity
Balance, beginning of year	14,845,045	(183,517)	14,661,532
Comprehensive income for the year			
Net gain (loss) for the year	1,165,450		1,165,450
Other comprehensive income			
Unrealized gains and losses arising during the year		168,127	168,127
Recognition of realized gain included in income		-	-
Total comprehensive income (loss) for the year	1,165,450	168,127	1,333,578
Return of Surplus	-		-
Balance at December 31, 2024	15,960,495	(15,389)	15,995,109

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - COMBINED
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED December 31, 2024

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$	YTD Actual Prior Year \$
		December 31, 2024	December 31, 2024	December 31, 2024		December 31, 2023
MANAGEMENT SERVICES (See Note 1)	662,971	100%	662,971	637,765	25,206	625,802
PROFESSIONAL SERVICES (See Note 2)						
Actuarial Services	93,225	100%	93,225	94,261	(1,036)	93,049
Strategic Matters	33,900	100%	33,900	43,043	(9,143)	148,997
Total Professional Services	127,125		127,125	137,304	(10,179)	242,047
OTHER EXPENSES						
Audit Expenses (See Note 3)	179,000	100%	179,000	106,613	72,387	207,000
Annual Dinner	8,000	100%	8,000	7,096	904	7,177
Chairman's Honorarium	150,000	100%	150,000	150,000	-	150,000
D&O Insurance	20,000	100%	20,000	17,794	2,206	17,794
Office Expenses	16,000	100%	16,000	18,209	(2,209)	21,522
Claims: Borderaux (LawPro/LIF)	18,800	100%	18,800	18,625	175	17,950
Special Services	15,000	100%	15,000	-	15,000	-
Statistical/Assessment Fees	7,000	100%	7,000	8,416	(1,416)	8,111
Investment counsel fees	29,000	100%	29,000	30,856	(1,856)	28,058
Investment - Custodial	17,000	100%	17,000	17,898	(898)	15,487
Risk Management/Loss Prevention	5,000	100%	5,000	-	5,000	915
License Fee	5,000	100%	5,000	4,316	684	4,663
Insurance: Sundry	-		-	-	-	-
Total Other Expenses	469,800		469,800	379,824	89,976	478,677
PREMIUM TAXES	592,465	100%	592,465	551,518	40,947	538,605
REINSURANCE EXPENSES						
Reinsurance Services (see Note 2)	282,500	100%	282,500	247,782	34,718	225,966
Reinsurance Travel Expense	7,500	100%	7,500	7,497	3	7,618
Reinsurance Fee (3MG) (See Note 4)	429,600	100%	429,600	434,671	(5,071)	423,019
Total Reinsurance Expenses	719,600		719,600	689,951	29,649	656,602
TOTAL	2,571,961		2,571,961	2,396,362	175,599	2,541,733

*** NOTE 1: MANAGEMENT SERVICES**

The budget of \$586,700 before tax (5% is allocated to the Cyber) has been increased from \$575,000 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 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	21%
Second Quarter, ending June 30th	46%
Third Quarter, ending September 30th	15%
Fourth Quarter, ending December 31st	18%
	<u>100%</u>

*** NOTE 3: AUDIT EXPENSES**

The 2024 budget is based on 2023 actual and reflects the ongoing IFRS 17 audit work required now that IFRS 17 implementation is complete.

*** NOTE 4: 3MG INSURANCE FEES (Reins. Comm.)**

Budget for 3MG fees for the year 2024 reflects the fee already agreed for the 2024/25 policy year, and it is \$329,600 on E&O and \$100,000 on Cyber Program.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
For the Period Ending December 31,2024

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

	Current Year to Date 31-Dec-24 (in \$000's)	Prior Year End 31-Dec-23 (in \$000's)
<u>Reserve Fund</u>		
Premiums received having one year or less to run	(1) 21,135	21,559
Less: Amount paid to licensed reinsurers	(2) 12,957	15,105
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) 8,178	6,454
Reserve Fund Required (50% of Line 5)	(6) 4,089	3,227
<u>Guarantee Fund</u>		
Total Liabilities	(7) 87,384	80,126
Less: Liability for Remaining Coverage	(8) 9,438	7,748
Less: Recoverable from licensed reinsurers	(9) 77,309	71,186
Plus: Statutory Margin	(10) 50	50
Guarantee Fund Required (Line 7 minus Lines 8 and 9 plus line 10)	(11) 687	1,242
TOTAL RESERVE & GUARANTEE FUND REQUIRED (Line 6+11)	(12) 4,776	4,469
Cash & Approved Securities	(13) 22,908	19,998
Excess of Cash & Securities over Reserve & Guarantee Fund (line 13 minus line 12)	(14) 18,132	15,529

Risk Category	Risk Metric	December 31, 2022	December 31, 2023	December 31, 2024	Green Zone (Meets Target)	Yellow Zone	Red Zone (Limit Exceeded)
General	(1) AMRGF - Excess of Cash/Appr. Securities Over Reg. Req'ment	\$2,952,000	\$15,529,000	\$18,132,000	5,000,000 and above	\$2,500,000 to \$5,000,000	Less than \$2,500,000
	(2) MCT Ratio	381%	781%	836%	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	87%	46%	54%	Less than 150%	150% to 300%	Over 300%
	(5) Net Loss Ratio	3%	4%	10%	Less than 50%	50% to 100%	Over 100%
	(6) Risk of Systemic Loss	Nothing on horizon	Nothing on horizon	Nothing on horizon	Nothing on horizon	Some concerns raised	Adverse experience
Premium & Strategy	(7) Actual Expenses vs. Budget	94%	96%	93%	Less than 105%	105% to 120%	Over 120%
	(8) State of the Market Outlook	Some concerns raised	Some concerns raised	Nothing on horizon	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	18.1%	21.3%	21.1%	Less than 10%	10% to 15%	Over 15%
Operational	(11) Board Discussion of Prior Quarter Risk Metrics	Discussed corrective measures	Discussed corrective measures	Discussed corrective measures	Discussed corrective measures	Received but no discussion	Not received
	(12) Resiliency Capacity - People (e.g. redundancy, succession)	n/a	n/a	n/a	Score of 4 or 5 out of 5	Score of 3 out of 5	Score of 1 or 2 out of 5
	(13) Resiliency Capacity - Data/Systems	n/a	n/a	n/a	Score of 4 or 5 out of 5	Score of 3 out of 5	Score of 1 or 2 out of 5
	(14) Advisory Board Turnover in Last 12 Months	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 2022 and 2023, based on data and financial statements for September 2024. 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 September 2024.

(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 and September 2024 information from report on reinsurance security (October 2024).

(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, 2022 are based on the financial statements under IFRS 4. Risk Metrics as of December 31, 2023 and September 30, 2024 are based on the financial statements under IFRS 17.

Color Code
Meets Target
Between Target and Limit
Exceeds Limit

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - E&O
STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED December 31, 2024

Exhibit 2.1

	As at December 31, 2024	As at December 31, 2023
Assets		
Cash	6,767,961	4,618,783
Short term investments	8,245,750	8,297,545
Bonds	7,858,472	7,081,571
Interest income due and accrued	35,492	34,146
Prepaid expenses	3,981	164,824
Other receivable	-	-
Reinsurance contract assets		
Asset for incurred claims	76,565,858	70,604,825
Asset for remaining coverage	2,168,599	3,144,197
	101,646,113	93,945,891
Liabilities		
Insurance contracts liabilities		
Liability for incurred claims	76,565,883	71,296,174
Liability for remaining coverage	7,366,059	5,786,257
Accounts payable & accrued charges	2,982,226	2,719,992
	86,914,168	79,802,422
Subscribers' equity		
Equity	14,747,333	14,326,985
Accumulated other comprehensive income (loss)	(15,389)	(183,516)
	14,731,944	14,143,469
	101,646,113	93,945,891

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - E&O
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED December 31, 2024

Exhibit 2.2

	Current Year		Prior Year	
	Quarter December 31, 2024	Year to Date December 31, 2024	Quarter December 31, 2023	Year to Date December 31, 2023
Insurance service result				
Insurance revenue	4,258,681	16,698,473	4,135,507	15,372,245
Insurance service expense				
Incurred claims expenses	1,240,806	10,529,388	3,396,647	7,926,260
Operating expenses	214,218	1,097,151	288,323	1,279,199
Premium taxes	-	482,701	-	471,085
Insurance service result before reinsurance	2,803,656	4,589,233	450,536	5,695,700
Allocation of reinsurance premiums	3,644,740	14,367,446	3,549,183	13,080,445
Amounts recovered from reinsurers	977,431	10,242,021	3,377,589	8,044,120
Reinsurance fees	(107,738)	(577,108)	(97,329)	(543,703)
	2,775,047	4,702,532	268,923	5,580,028
Net insurance service result	28,609	(113,299)	181,614	115,673
Investment result				
Investment income (loss)	197,474	837,332	212,125	693,584
Insurance finance income (expense)				
For insurance contract	(566,559)	(4,017,961)	(3,505,053)	(4,113,963)
For reinsurance contracts	522,692	3,714,276	3,254,262	3,818,583
Net investment result	153,607	533,647	(38,666)	398,204
Net Income (loss)	182,216	420,348	142,947	513,877
Unrealized gains (losses) arising during the year	(30,202)	168,127	348,832	146,119
Recognition of realized gain (loss) included in income	-	-	-	-
Other comprehensive income (loss) for the year	(30,202)	168,127	348,832	146,119
Total comprehensive income (loss)	152,014	588,476	491,780	659,997

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - E&O
STATEMENT OF CHANGES IN EQUITY
December 31, 2024

Exhibit 2.3

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on FVOCI financial assets	Total Equity
Balance, beginning of year	50,000	14,276,985	(183,516)	14,143,469
Comprehensive income for the year				
Net gain (loss) for the year		420,348		420,348
Other comprehensive income				
Unrealized gains and losses arising during the year			168,127	168,127
Recognition of realized gain included in income			-	-
Total comprehensive income (loss) for the year	-	420,348	168,127	588,476
Return of Surplus		-		-
Balance at December 31, 2024	50,000	14,697,333	(15,389)	14,731,944

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - E&O
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED December 31, 2024

	Annual Budget	Year to Date Budget %	Year to Date Budget \$ December 31, 2024	Year to Date Actual \$ December 31, 2024	Fav/(Unfav) Variance \$	YTD Actual Prior Year \$ December 31, 2023
MANAGEMENT SERVICES (See Note 1)	629,823	100%	629,823	605,878	23,945	594,512
PROFESSIONAL SERVICES (See Note 2)						
Actuarial Services	88,564	100%	88,564	89,547	(983)	88,397
Strategic Matters	32,205	100%	32,205	40,891	(8,686)	141,547
Total Professional Services	120,769		120,769	130,438	(9,669)	229,944
OTHER EXPENSES						
Audit Expenses (See Note 3)	170,050	100%	170,050	101,282	68,768	196,650
Annual Dinner	7,600	100%	7,600	6,741	859	6,818
Chairman's Honorarium	142,500	100%	142,500	142,500	-	142,500
D&O Insurance	19,000	100%	19,000	16,904	2,096	16,904
Office Expenses	15,200	100%	15,200	17,301	(2,101)	20,446
Claims: Borderaux (LawPro/LIF)	17,860	100%	17,860	17,694	166	17,053
Special Services	14,250	100%	14,250	-	14,250	-
Statistical/Assessment Fees	6,650	100%	6,650	7,995	(1,345)	7,706
Investment counsel fees	27,550	100%	27,550	29,313	(1,763)	26,655
Investment - Custodial	16,150	100%	16,150	17,003	(853)	14,712
Risk Management/Loss Prevention	4,750	100%	4,750	(41)	4,791	870
License Fee	4,750	100%	4,750	4,141	609	4,430
Total Other Expenses	446,310		446,310	360,835	85,475	454,744
PREMIUM TAXES	518,193	100%	518,193	482,701	35,492	471,085
REINSURANCE EXPENSES						
Reinsurance Services (See Note 2)	268,375	100%	268,375	235,393	32,982	214,667
Reinsurance Travel Expense	7,125	100%	7,125	7,122	3	7,237
Reinsurance Fee (3MG) (See Note 4)	329,600	100%	329,600	334,593	(4,993)	321,799
Total Reinsurance Expenses	605,100		605,100	577,108	27,992	543,703
TOTAL	2,320,195		2,320,195	2,156,960	163,235	2,293,987

*** NOTE 1: MANAGEMENT SERVICES**

The budget of \$586,700 before tax (5% is allocated to the Cyber) has been increased from \$575,000 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 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	21%
Second Quarter, ending June 30th	46%
Third Quarter, ending September 30th	15%
Fourth Quarter, ending December 31st	18%
	<u>100%</u>

*** NOTE 3: AUDIT EXPENSES**

The 2024 budget is based on 2023 actual and reflects the ongoing IFRS 17 audit work required now that IFRS 17 implementation is complete.

*** NOTE 4: 3MG INSURANCE FEES (Reins. Comm.)**

Budget for 3MG fees for the year 2024 reflects the fee already agreed for the 2024/25 policy year, and it is \$329,600 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, 2024

Exhibit 3.1

	As at December 31, 2024	As at December 31, 2023
Assets		
Cash	-	-
Short term investments	-	-
Bonds	-	-
Interest income due and accrued	-	-
Prepaid expenses	-	77,792
Other receivable	2,982,226	2,719,992
Reinsurance contract assets		
Asset for incurred claims	765,769	604,453
Asset for remaining coverage	967,280	159,348
	4,715,276	3,561,585
Liabilities		
Insurance contracts liabilities		
Liability for incurred claims	1,379,972	1,082,075
Liability for remaining coverage	2,072,139	1,961,448
Accounts payable & accrued charges	-	-
	3,452,111	3,043,523
Subscribers' equity		
Equity	1,263,165	518,063
Accumulated other comprehensive income (loss)	-	-
	1,263,165	518,063
	4,715,276	3,561,585

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - CYBER
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED December 31, 2024

Exhibit 3.2

	Current Year		Prior Year	
	Quarter December 31, 2024	Year to Date December 31, 2024	Quarter December 31, 2023	Year to Date December 31, 2023
Insurance service result				
Insurance revenue	664,560	2,619,573	661,888	2,584,445
Insurance service expense				
Incurred claims expenses	121,863	236,465	33,969	649,054
Operating expenses	11,274	57,742	15,175	67,326
Premium taxes	66,315	68,817	65,102	67,520
Insurance service result before reinsurance	465,108	2,256,549	547,643	1,800,545
Allocation of reinsurance premiums	370,439	1,528,174	407,371	1,512,490
Amounts recovered from reinsurers	50,077	127,065	29,029	368,178
Reinsurance fees	(26,396)	(112,843)	(27,335)	(112,899)
	346,758	1,513,953	405,677	1,257,211
Net insurance service result	118,350	742,596	141,965	543,334
Investment result				
Investment income (loss)	15,484	29,687	35,921	45,589
Insurance finance income (expense)				
For insurance contract	(13,917)	(61,432)	(18,966)	(27,064)
For reinsurance contracts	7,605	34,251	10,430	14,883
Net investment result	9,172	2,506	27,385	33,408
Net Income (loss)	127,522	745,102	169,350	576,742
Unrealized gains (losses) arising during the year	-	-	-	-
Recognition of realized gain (loss) included in income	-	-	-	-
Other comprehensive income (loss) for the year	-	-	-	-
Total comprehensive income (loss)	127,522	745,102	169,350	576,742

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - CYBER
STATEMENT OF CHANGES IN EQUITY
December 31, 2024

Exhibit 3.3

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on FVOCI financial assets	Total Equity
Balance, beginning of year	-	518,063	-	518,063
Comprehensive income for the year				
Net gain (loss) for the year		742,600		742,600
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	-	742,600	-	742,600
Return of Surplus		-		-
Balance at December 31, 2024	-	1,260,663	-	1,260,663

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY - CYBER
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED December 31, 2024

	Annual Budget	Year to Date Budget %	Year to Date Budget \$ December 31, 2024	Year to Date Actual \$ December 31, 2024	Fav/(Unfav) Variance \$	YTD Actual Prior Year \$ December 31, 2023
MANAGEMENT SERVICES (See Note 1)	33,148	100%	33,148	31,888	1,260	31,290
PROFESSIONAL SERVICES (See Note 2)						
Actuarial Services	4,661	100%	4,661	4,713	(52)	4,652
Strategic Matters	1,695	100%	1,695	2,152	(457)	7,450
Total Professional Services	6,356		6,356	6,866	(510)	12,102
OTHER EXPENSES						
Audit Expenses (See Note 3)	8,950	100%	8,950	5,331	3,619	10,350
Annual Dinner	400	100%	400	355	45	359
Chairman's Honorarium	7,500	100%	7,500	7,500	-	7,500
D&O Insurance	1,000	100%	1,000	890	110	890
Office Expenses	800	100%	800	907	(107)	1,076
Claims: Borderaux (LawPro/LIF)	940	100%	940	931	9	898
Special Services	750	100%	750	-	750	-
Statistical/Assessment Fees	350	100%	350	421	(71)	406
Investment counsel fees	1,450	100%	1,450	1,543	(93)	1,403
Investment - Custodial	850	100%	850	895	(45)	774
Risk Management/Loss Prevention	250	100%	250	41	209	46
License Fee	250	100%	250	175	75	233
Total Other Expenses	23,490		23,490	18,989	4,501	23,934
PREMIUM TAXES (See Note 5)	74,272	100%	74,272	68,817	5,455	67,520
REINSURANCE EXPENSES						
Reinsurance Services (see Note 2)	14,125	100%	14,125	12,390	1,735	11,298
Reinsurance Travel Expense	375	100%	375	375	0	381
Reinsurance Fee (3MG) (See Note 4)	100,000	100%	100,000	100,079	(79)	101,220
Total Reinsurance Expenses	114,500		114,500	112,843	1,657	112,899
TOTAL	251,766		251,766	239,403	12,363	247,745

*** NOTE 1: MANAGEMENT SERVICES**

The budget of \$586,700 before tax (5% is allocated to the Cyber) has been increased from \$575,000 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 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	21%
Second Quarter, ending June 30th	46%
Third Quarter, ending September 30th	15%
Fourth Quarter, ending December 31st	18%
	100%

*** NOTE 3: AUDIT EXPENSES**

The 2024 budget is based on 2023 actual and reflects the ongoing IFRS 17 audit work required now that IFRS 17 implementation is complete.

*** NOTE 4: 3MG INSURANCE FEES (Reins. Comm.)**

Budget for 3MG fees for the year 2024 reflects the fee already agreed for the 2024/25 policy year, and it is \$329,600 on E&O and \$100,000 on Cyber Program.

*** NOTE 5: PREMIUM TAXES**

The budget of \$74,272 is allocated 3% in the third quarter to reflect the July 1 renewal for one CLLAS firm with the remainder allocated in the fourth quarter to reflect the October 15 renewals for all other firms.



Canadian Lawyers Liability Assurance Society

Actuarial valuation of policy liabilities as at December 31, 2024
February 18, 2025

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, 2024 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



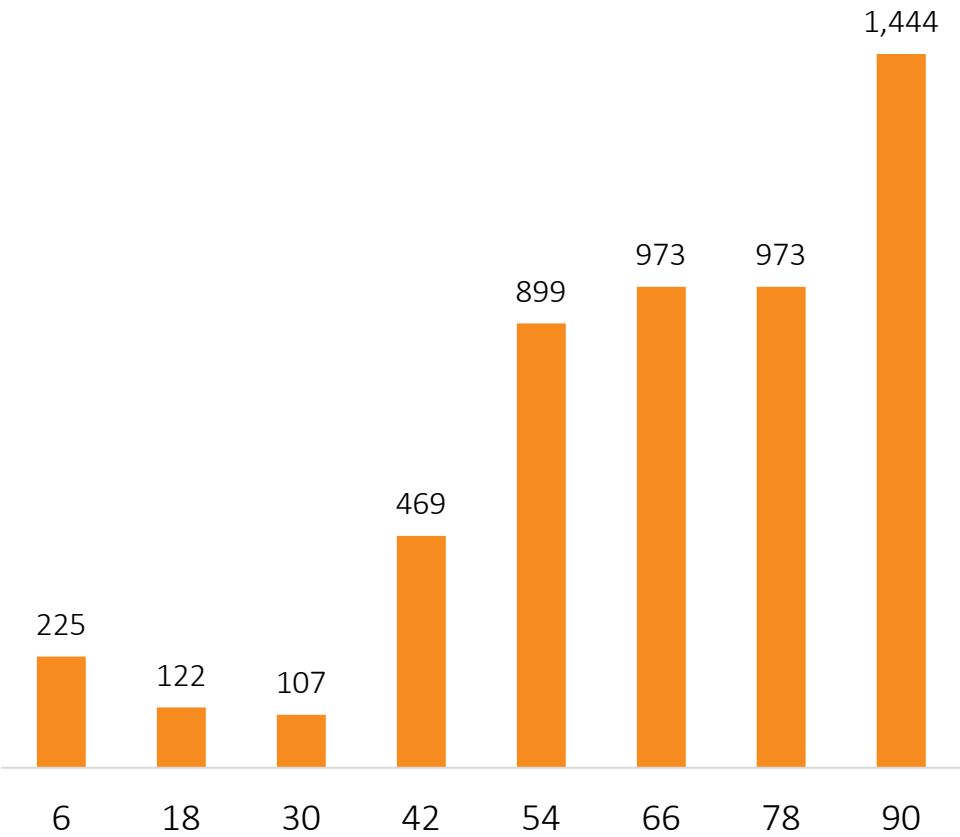
Monitor the financial condition

Liability for Incurred Claims

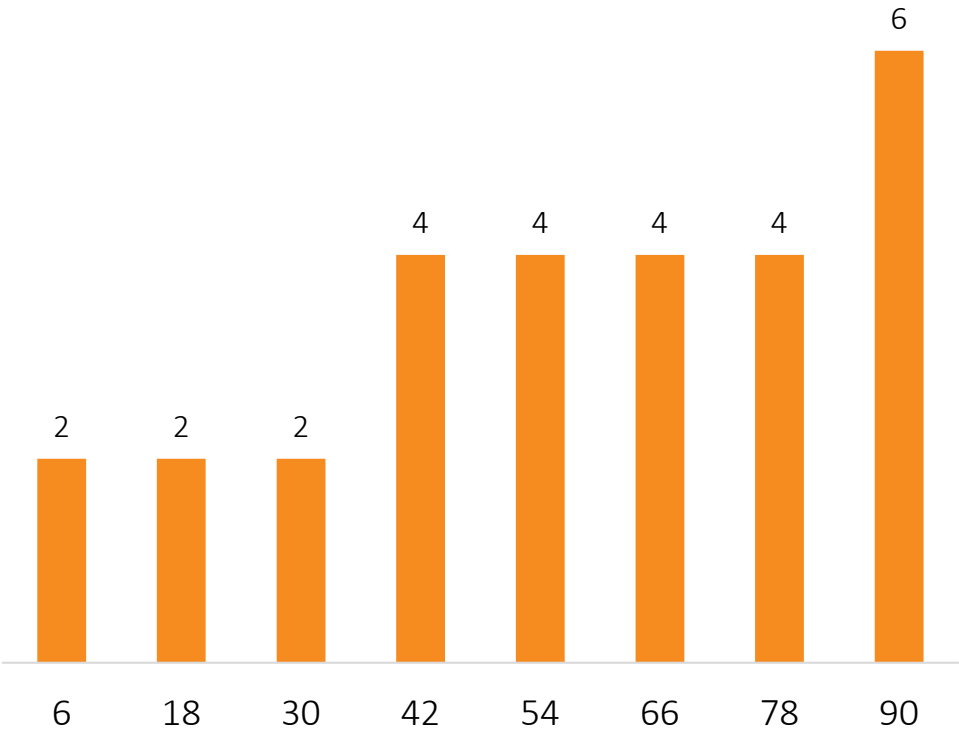
Accounts Payable / Receivable	Cash flows related to coverage already provided
Discounting & Risk Adjustment	Based on accounting policies adopted by the entity
Unallocated Loss Adjustment Expenses (ULAE) Reserves	Provision for future internal claims management expenses
Incurred but Not Reported (IBNR) Reserves	Aggregate estimates based on actuarial best estimate <ul style="list-style-type: none">• Emergence of unknown claims• Loss development on known claims
Case Reserves	Individual estimates Based on known facts at the time reserves are established

Example: Development of 11/12 Policy Year

Development of Net Incurred Losses



Development of Number of Claims

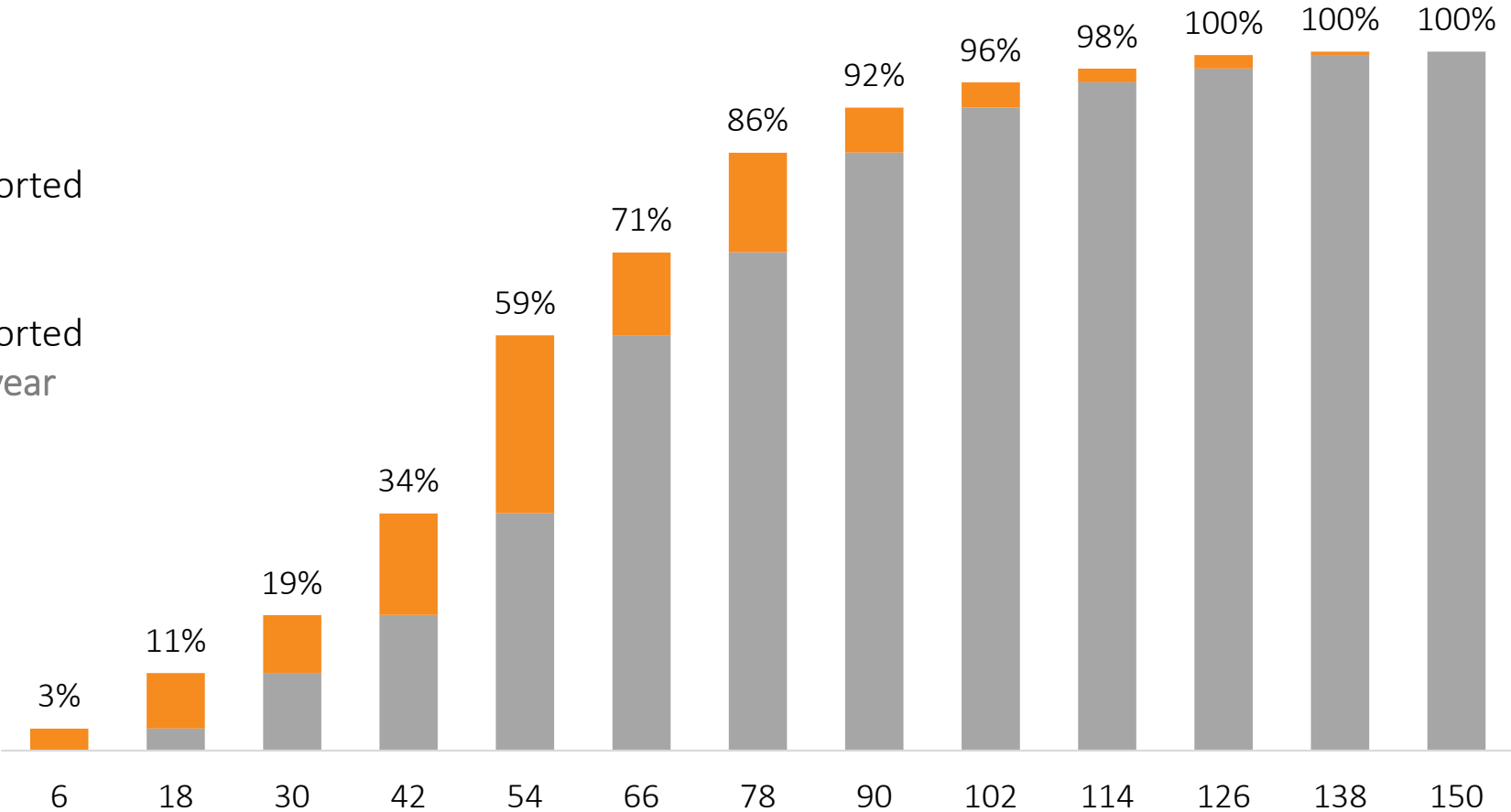


Development of Incurred Losses

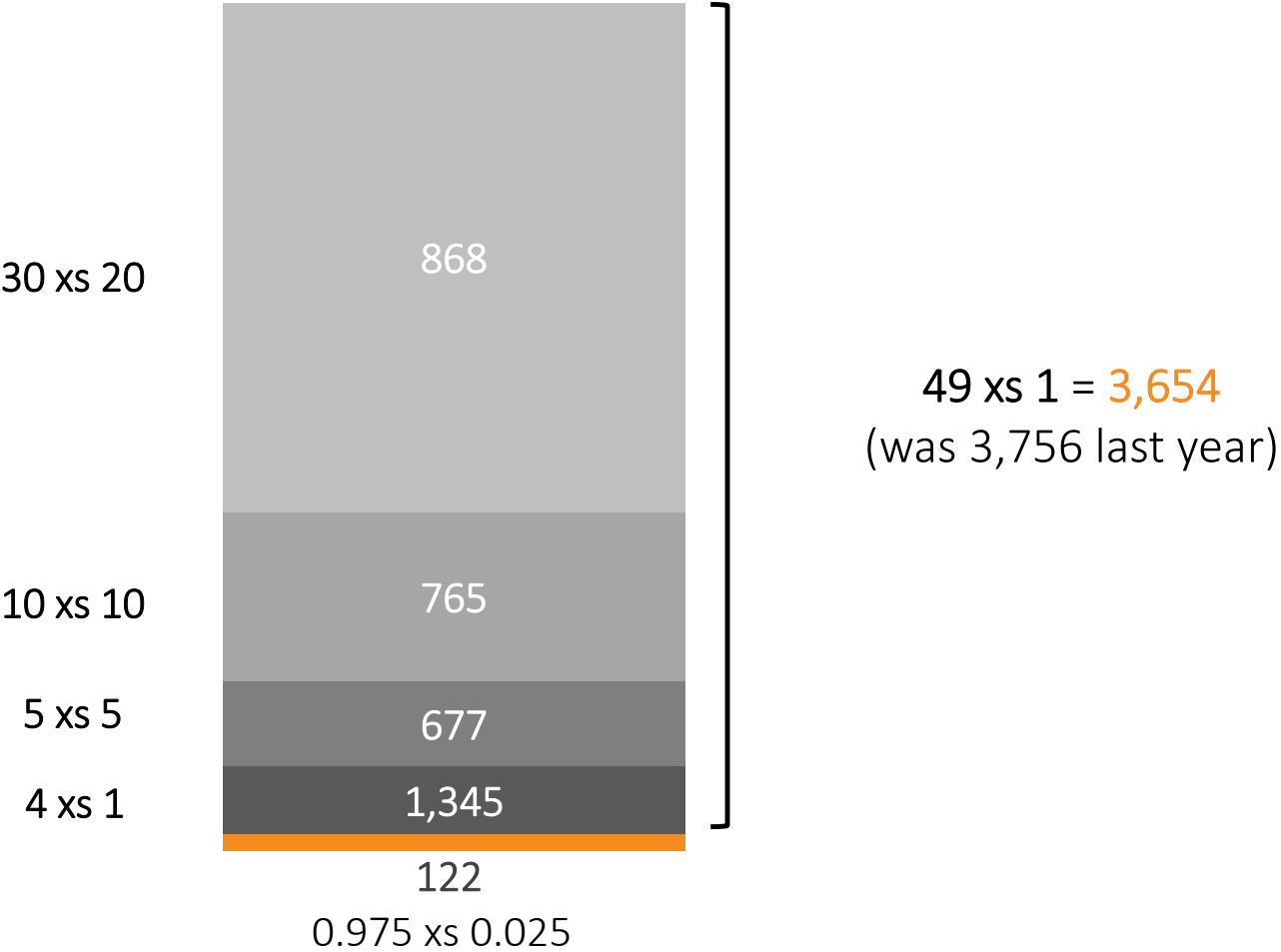
Losses are assumed to be fully reported after 10.5 years

% of ultimate losses reported
in the year

% of ultimate losses reported
by the beginning of the year



Expected Loss Costs



CLLAS and Colchester Arrangements for 2024/2025

Colchester Retention: 10% of 49M xs 1M
 100% of 5% of 30M xs 50M, 110M xs 50M
 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

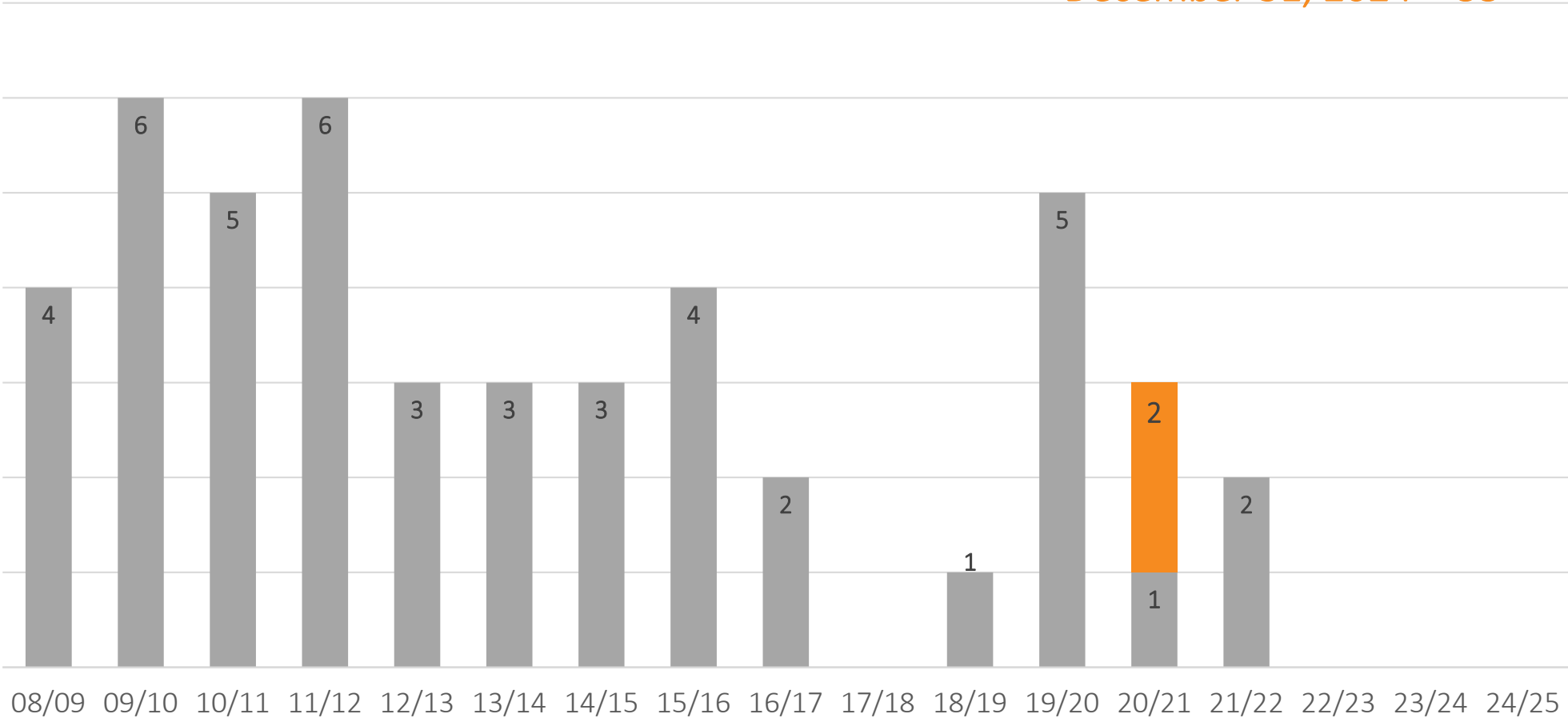
Colchester purchased net outstanding claims obligations on policies written between July 1, 1987 and June 30, 2012

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

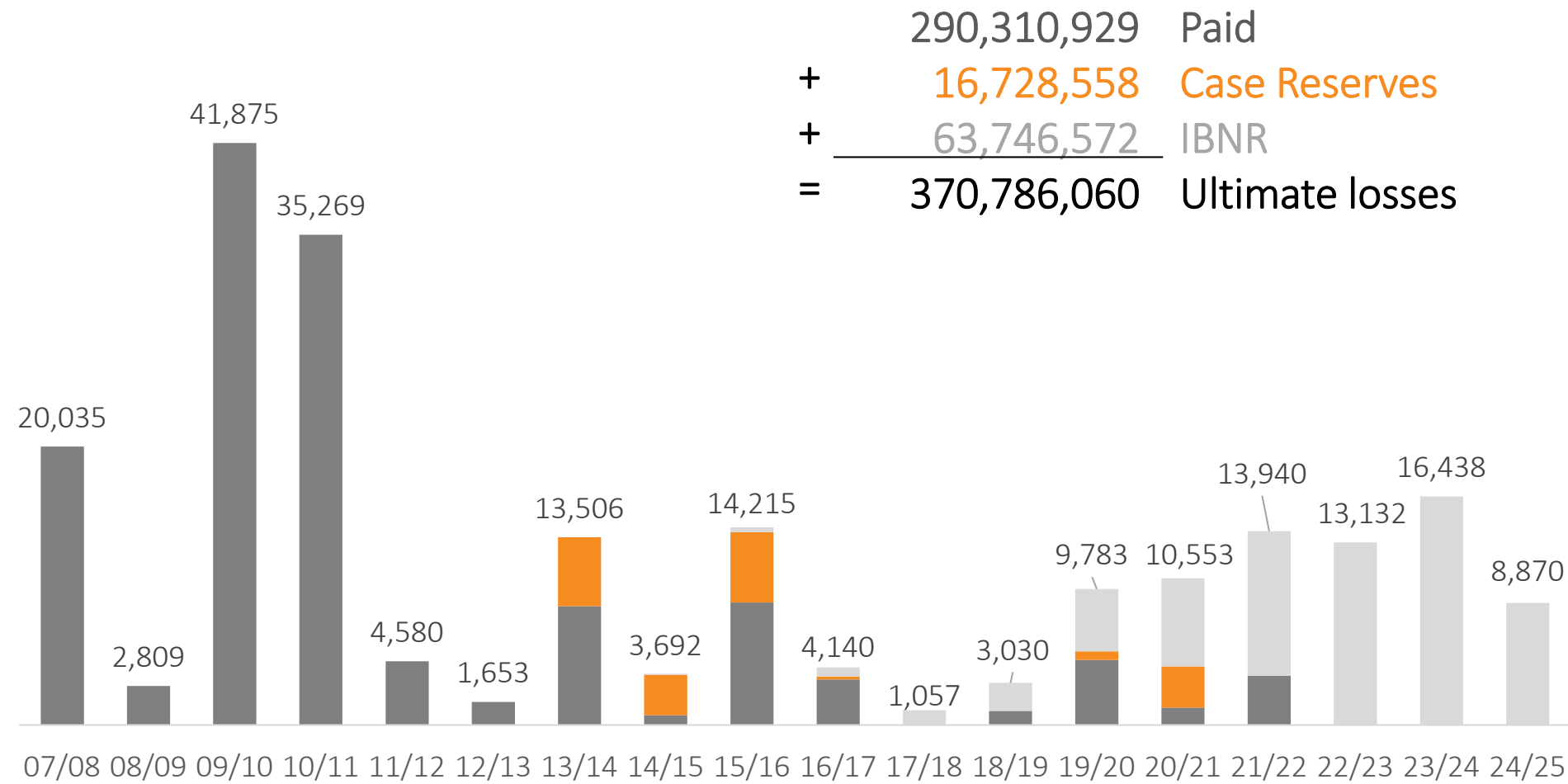
Reported Claim Counts

December 31, 2023 = 86

December 31, 2024 = 88

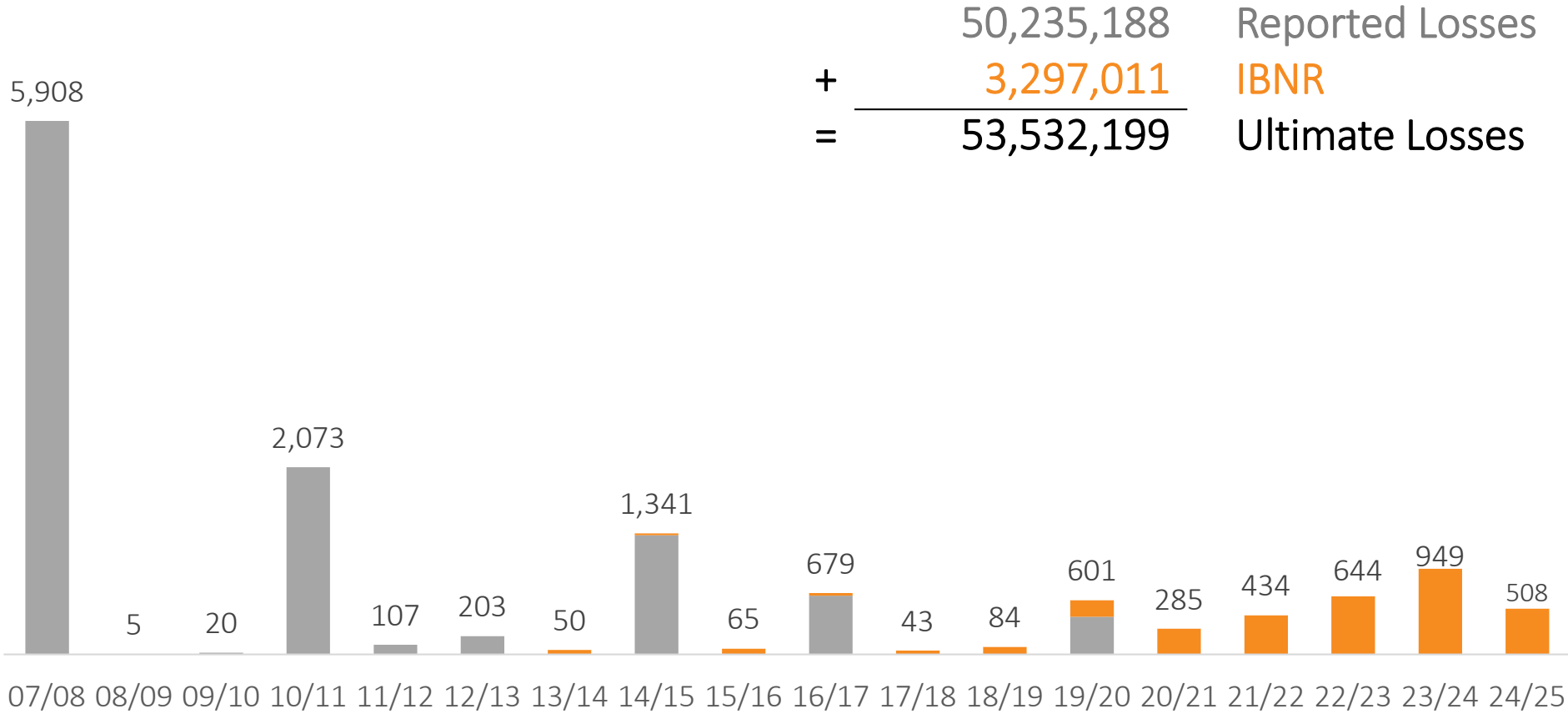


Projected Ultimate Losses - Gross

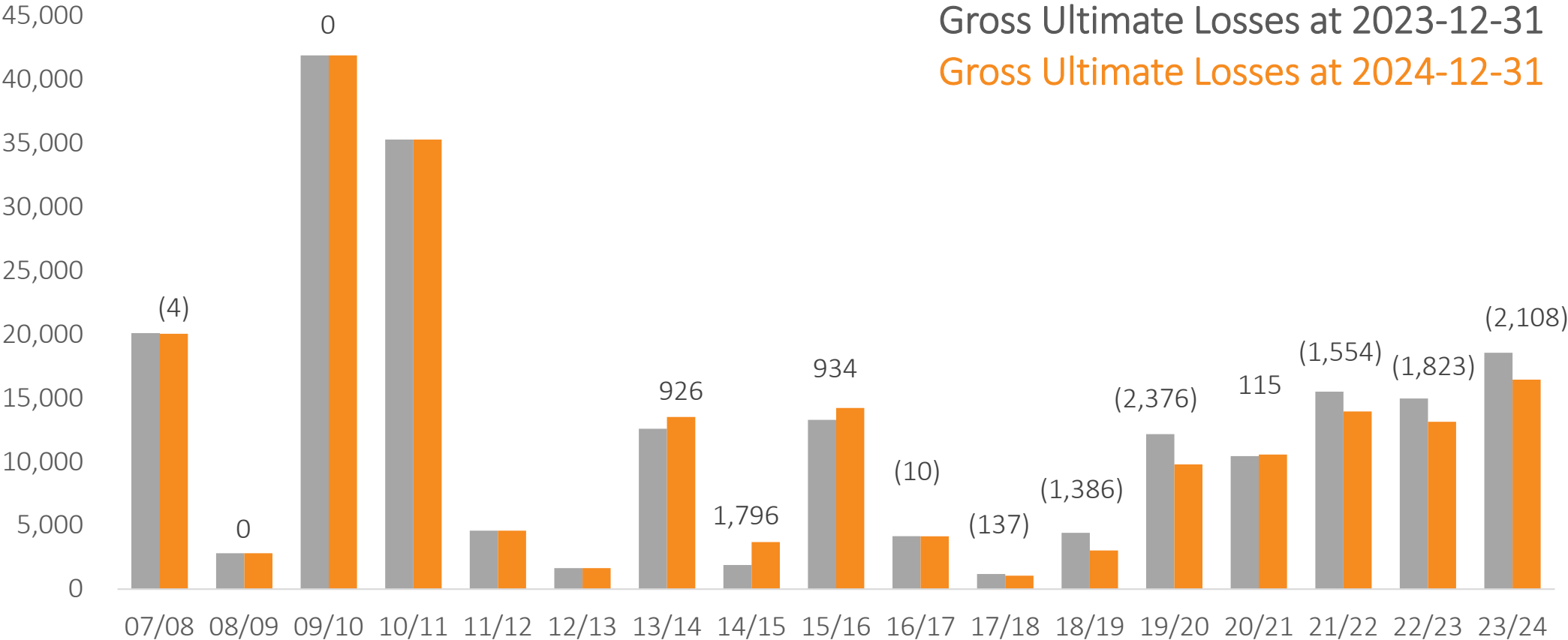


	290,310,929	Paid
+	16,728,558	Case Reserves
+	63,746,572	IBNR
=	370,786,060	Ultimate losses

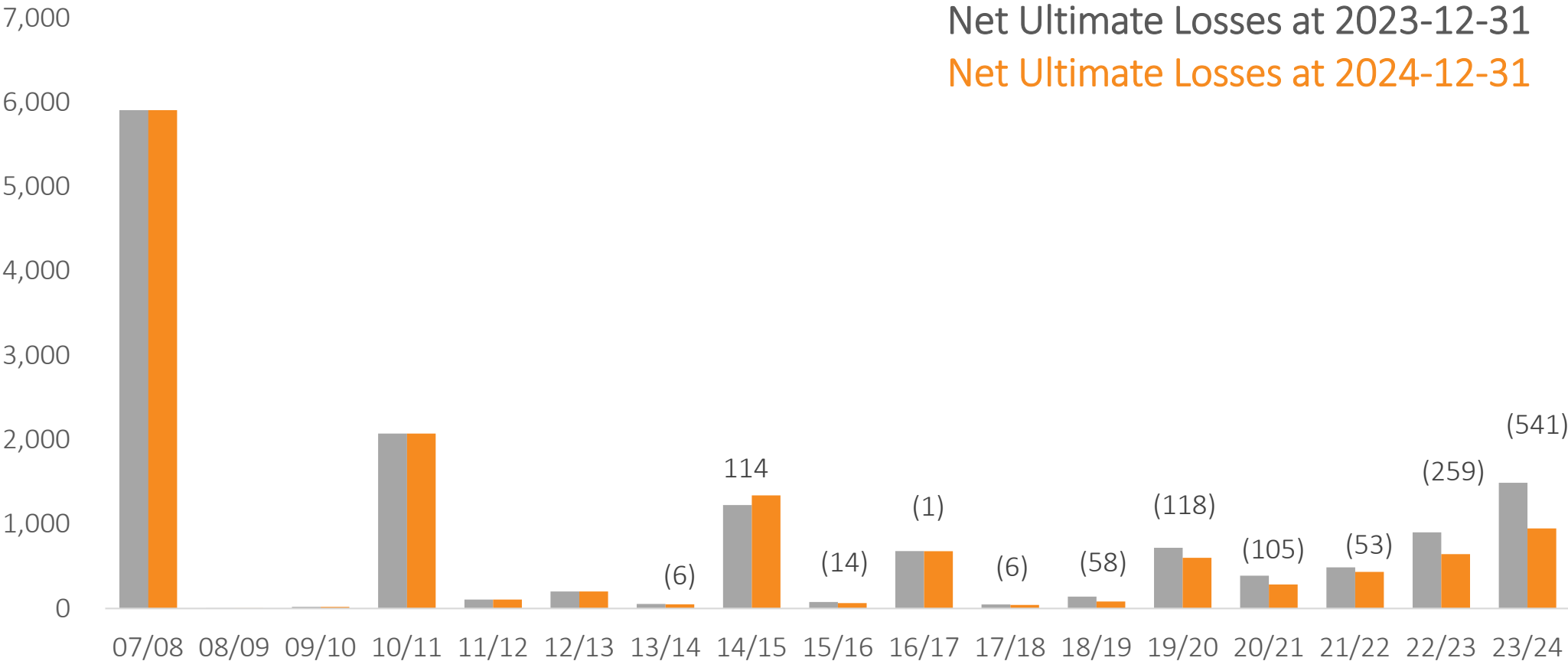
Projected Ultimate Losses - Net



Overall Claims Improvement of \$5,627,000 – Gross Basis Due to a Release of IBNR for Cyber and Lower Claim Emergence for Prof. Liability



Overall Claims Improvement of \$1,047,000 – Net Basis



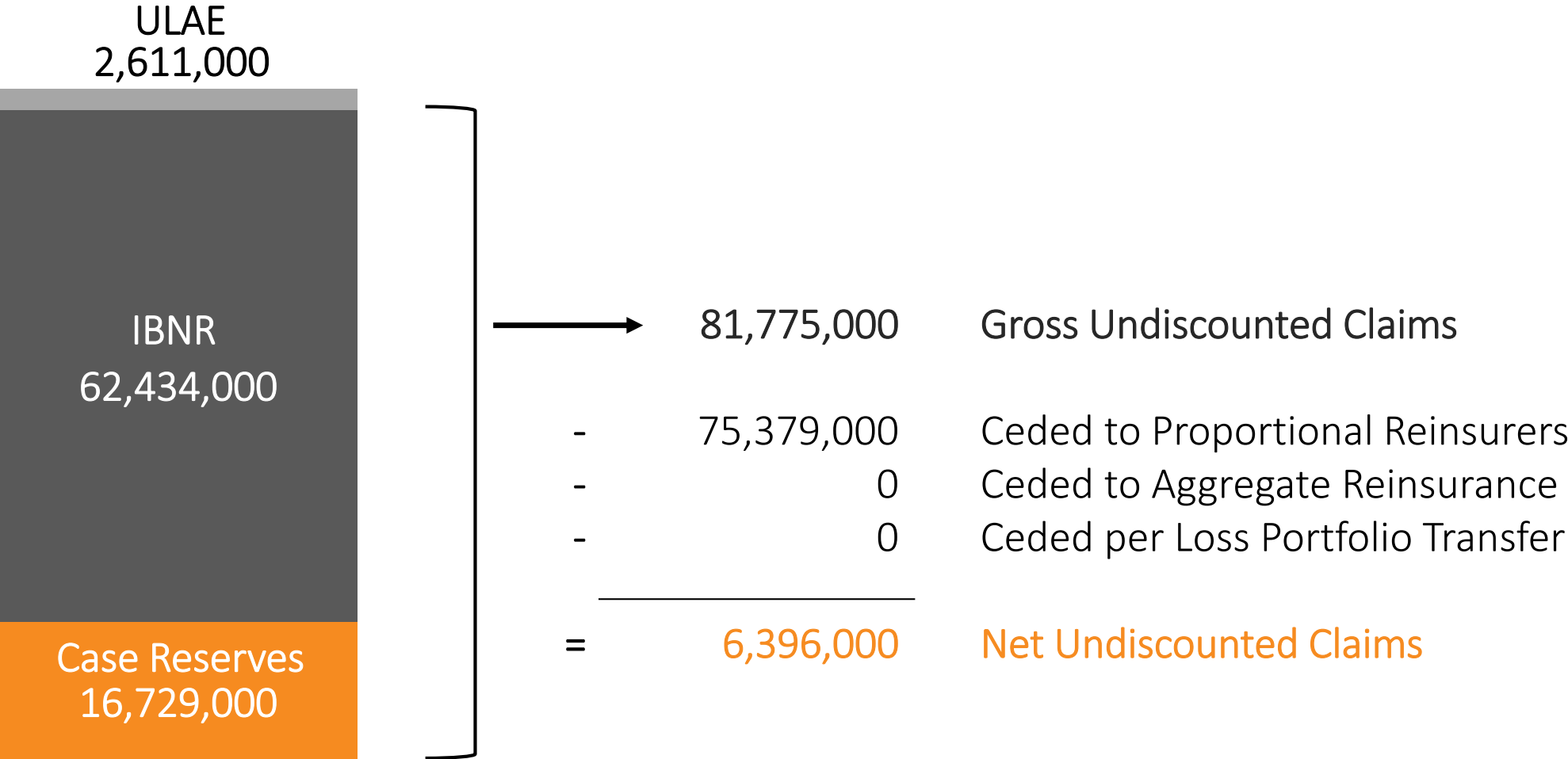
Unallocated Loss Adjustment Expenses (ULAE)

Represents the provision for the **claims management** function to **service existing obligations** if CLLAS were to cease writing business on December 31, 2024

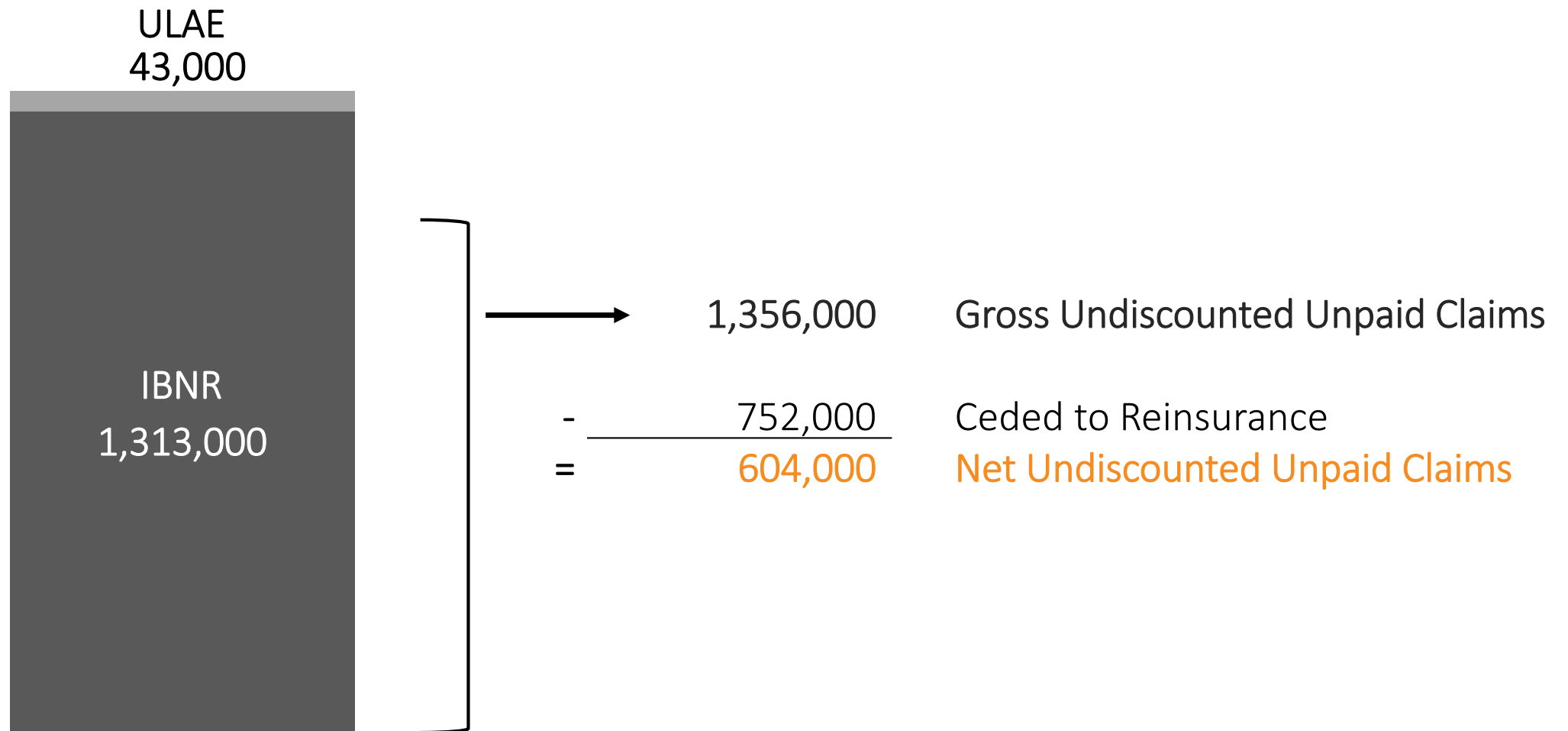
Loading = **3.30%** x (gross case reserves + gross provisions for IBNR)
(was 3.25% as of December 31, 2023)

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

Professional Liability Undiscounted Unpaid Claims Gross and Net



Cyber Undiscounted Unpaid Claims Gross and Net

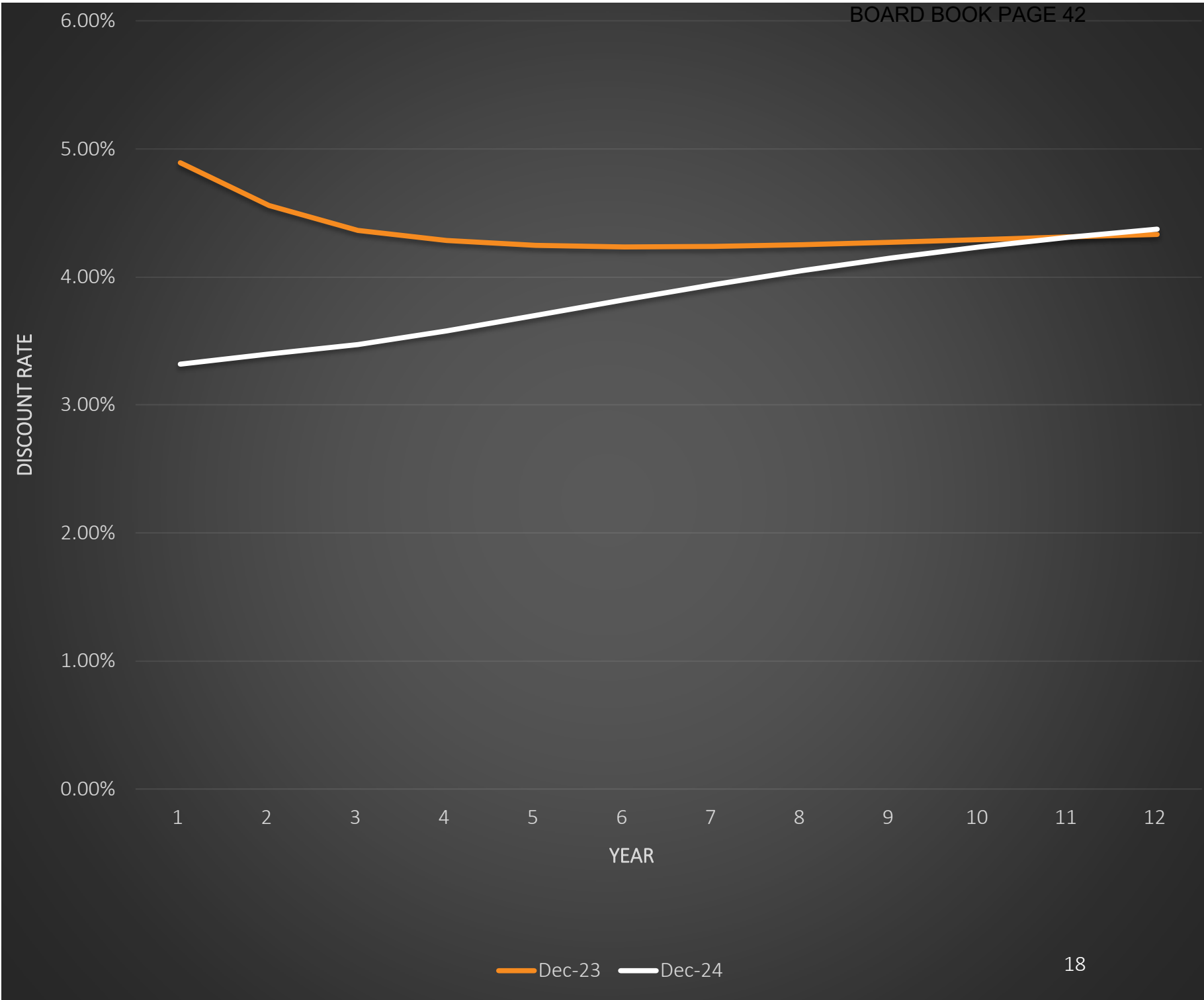


Discounting

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

The average discount rate is 3.82% (vs. 4.32% last year)



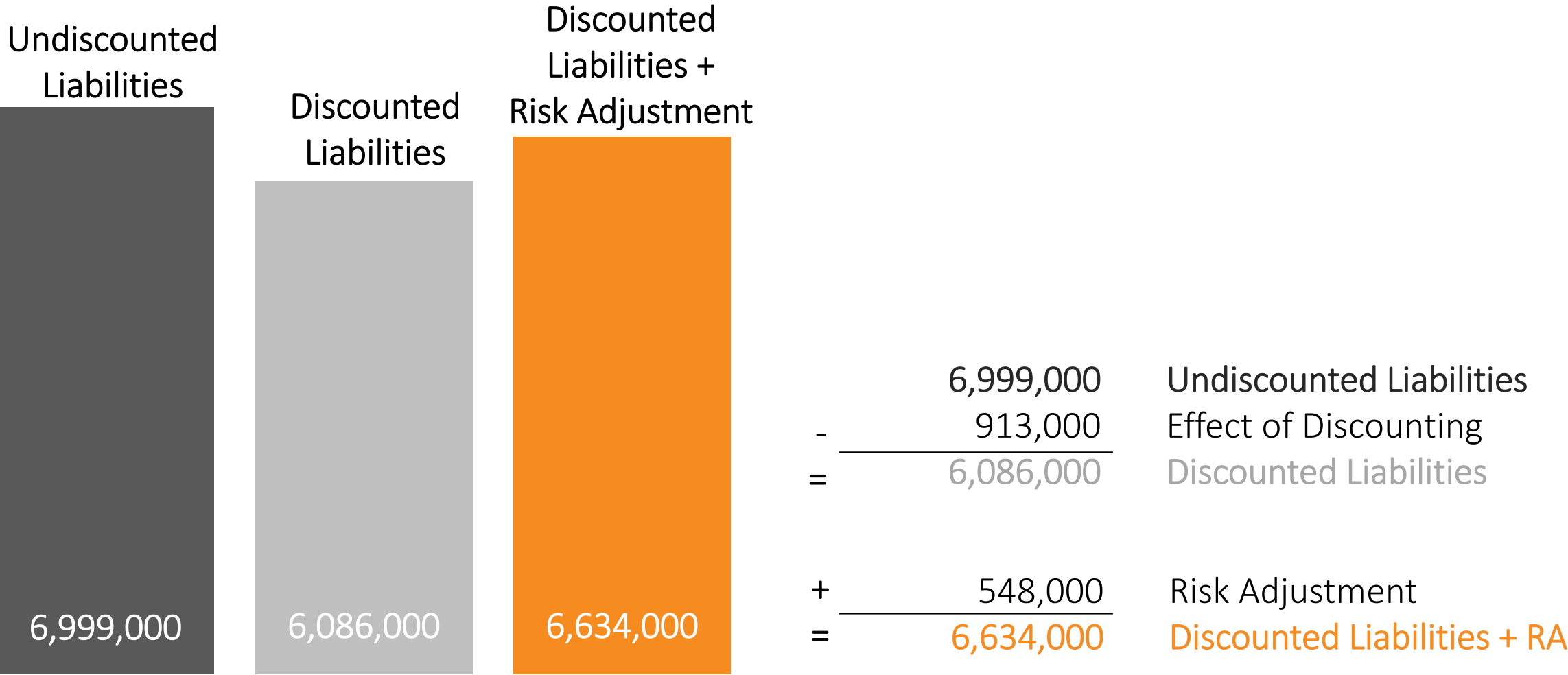
Risk Adjustment

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

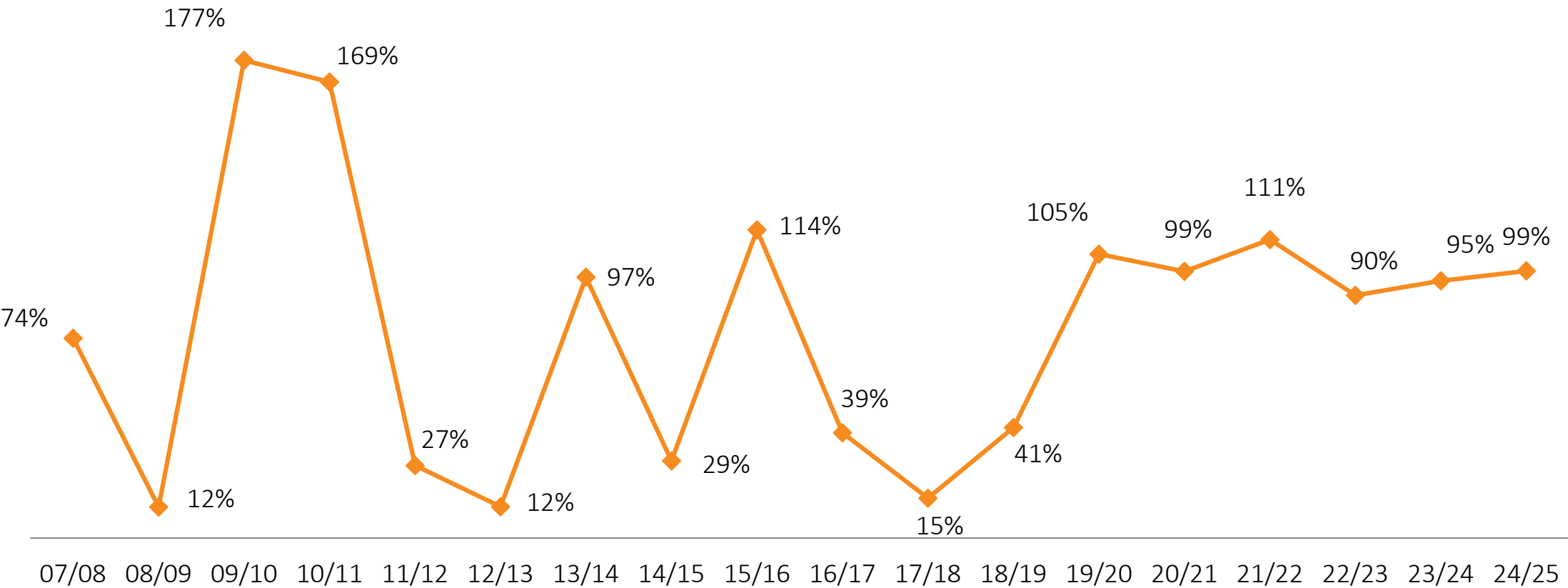
The risk adjustment is determined by applying a **9% margin** to the discounted unpaid claims (no change vs. December 2023)

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%.

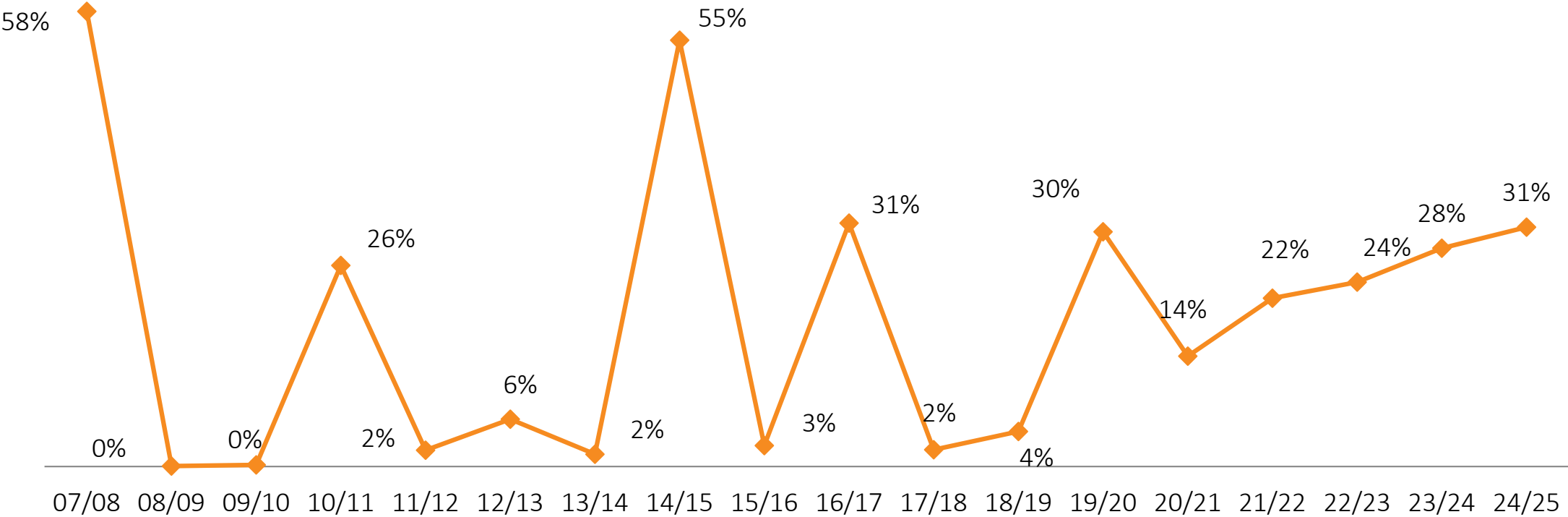
Recommended Net Liability for Incurred Claims



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, 2024

Conclusions

The development during 2024 was **favourable by \$1,047000**

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 18, 2025

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 2025, including the proposed budget for the provision by Axxima of Management and Professional Services.

The draft total operating budget for CLLAS for 2025 is presented in Attachment A to this letter, together with the budget and actual figures for 2024. Overall, CLLAS finished 2024 \$175,600, or 6.8% under budget.

The budget proposed for 2025 reflects an increase of \$98,000, or 3.8%, over the 2024 budget. If premium taxes are ignored, the increase is \$111,000 or 4.3%. The main reason for the increase is the risk management audit work planned for 2025. This is 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

Operating expenses in CLLAS’ quarterly management financials show “budget to actual” information separated for the E&O and Cyber Programs. Note expenses that can be isolated by program (such as premium taxes and the London broker reinsurance fees) are accounted for separately, with 5% of all “other expenses” allocated to the Cyber Program. Based on the proposed budget for 2025, 5% results in an allocation of just over \$82,000 in other operating expenses to the Cyber Program. This results in total costs of just over \$255,000 which equates 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 at \$90,000, or 19.2% under budget. The proposed budget for 2025 represents an increase of \$64,000, or 13.6% more than the 2024 budget. Details of these and other expenses of note are covered immediately below.

- **Audit Expenses.** This line was \$72,000 under budget for 2024 due to the RFP process and resulting change in auditors. The 2025 budget is based on year two of a three-year fee agreement with KPMG.
- **Annual Dinner.** No change to this line item is proposed for 2025 as 2024 was under budget by \$900.
- **Chairman’s Honorarium.** No change to this line is proposed for 2025.
- **D&O Insurance.** No change to this line is proposed for 2025. The full budget for this line item 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 continue to explore this in 2025.
- **Office Expenses – General.** This line tracks disbursements incurred by Axxima in the operation of CLLAS (travel, couriers, webhosting, etc.) and bank fees. In 2024 this line was overbudget by \$2,200 primarily due to the increased cost of travel. We proposed to increase this line by \$2,000 for 2025.
- **Special Services.** This line is for expenses related to external legal and other professional services provided to CLLAS. This line was not used in 2024. No change is proposed for 2025.
- **Risk Management/Loss Prevention.** There was no activity on this item in 2024. As reported by the Risk Management Committee at the December 2024 CLLAS Board meeting, 2025 will see the return of risk management audits for CLLAS firms. John Walker has confirmed his willingness to take this on again, however, at this point details and cost have not been addressed. As a conservative budget for 2025 we propose \$140,000. The last audits were completed in 2020 at a cost to CLLAS of \$110,000 which was 50% of the total fees (\$10,000 per CLLAS firm, \$5,000 per associate firm). In estimating the 2025 budget, we assumed a 5% inflationary factor over five years.



PREMIUM TAXES

Premium taxes came in under budget in 2024 by 6.9% or \$41,000 as a result of premiums for the 2024-2025 policy year being lower than estimated. As a reminder, under IFRS 17, policy acquisition costs (premium taxes) are expensed as incurred on July 1 and are no longer shown on the Balance Sheet as an asset. The 2025 budget reflects the estimated full 2025-2026 policy year premium tax amount in accordance with IFRS 17. The budget for premium taxes assumes a 5% increase in all premiums at renewal.

REINSURANCE EXPENSES

Overall Reinsurance Expenses in 2024 were under budget by \$30,000 or 4.1%. Details of individual line items are as follows:

- **Reinsurance Matters** This line tracks Axxima's professional reinsurance services on a fee-for-service basis for both the E&O and Cyber programs. The reinsurance renewals for the E&O program in recent years have been less challenging than in past years with the softening of the market. You will recall the budget for this line item was reduced in 2024 and still came in under budget by \$35,000. To remain conservative, we propose no change to the budget for 2025 and we will revisit next year.
- **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 \$1,000 increase over 2024 due to increases in travel costs.
- **Reinsurance Fees (3MG)** Fees for the E&O and Cyber Program were \$5,000 above budget in 2024. We have reflected the agreed upon fee increase for the 2024/25 policy year as well as a 3% inflationary increase for the 2025/26 renewal to be conservative. 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 just over \$25,000 or 3.8%. This was due to a lower level of activity on the active large loss files. The proposed fixed fee budget for 2025 (after credits, as discussed below) is \$689,900 (including HST). This represents a 4.1% increase over 2024. It's important to note, however, that CLLAS has not yet received the profit sharing due for 2024, and since commissions and profit sharing are credited to CLLAS on a cash basis, the total fee offset for 2025 is less than prior year. This is explained in more detail under



item (e) below. If the commissions/profit sharing are ignored, the 2025 fee for Management Services has decreased slightly from 2024.

Details of the Management Services budget by line are presented below. Note that the numbers in the tables below and the comments following refer to amounts excluding HST.

		2024	2024	Fav/ Unfav	2025	Change	Change
Activity		Budget	Actual	Variance	Budget (proposed)	(\$)	(%)
(a)	Financial	\$263,000	\$263,000	\$0	\$250,000	-\$13,000	-4.9%
(b)	General Admin.	\$150,000	\$150,000	\$0	\$150,000	\$0	0.0%
(c)	Claims Admin.	\$238,000	\$238,000	\$0	\$250,000	\$12,000	5.0%
(d)	Claims Analysis*	\$60,000	\$37,694	\$22,306	\$60,000	\$0	0.0%
	Subtotal	\$711,000	\$688,694	\$22,306	\$710,000	-\$1,000	-0.1%
(e)	Less Credit	\$124,300	\$124,353	\$0	\$99,465	-\$24,835	-20.0%
	Total	\$586,700	\$564,341	\$22,306	\$610,535	\$23,835	4.1%

* Variable

- (a) **Financial Reporting.** The Financial Reporting line tends to be influenced by regulatory reporting developments each year. With the transition to IFRS 17 complete and the change in audit firm, we are expecting the time required for financial reporting to be decreased. For 2025 we propose a reduction of \$13,000 for this line item.
- (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. There is no change proposed for this line for 2025.
- (c) **Claims Administration.** The Claims Administration line covers all activities related to claims management aside from the active management of large loss files. This includes activities such as intake, management, follow ups, claims bordereaux, interaction with reinsurers, law society programs, Claims Committee, etc. We experienced increased claims administration activity in 2024 and expect that this will continue for 2025 as such, we propose an increase of \$12,000 for this line in 2025.
- (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). The last time this line finished over budget was 2018. We propose no change to this line for 2025. 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 Program (on a cash basis). 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 2024 are applied against the 2025 fixed fee. Details for 2024 are as follows:

- **Commissions:** In 2024, the CLLAS Associate firms renewed their policies, and one new firm joined, resulting in increased commissions of \$99,465 applied against the 2025 fixed fee budget, compared with \$68,879 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. The profit-sharing payments expected to be received in 2024 were \$29,808 (\$55,474 in 2023). As mentioned above, credits are applied to CLLAS on a cash basis, and since there has been a delay in receiving the funds for 2024, this credit will be deferred to the 2026 budget year. As a result, the total credit for profit sharing for 2024 will be \$nil compared with \$55,474 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. As you can see from the table below, Professional Services Fees finished the year about \$6,800 over budget, for reasons discussed below. Overall, we are proposing a \$3,500 (3.1%) increase in the total budget for these lines for 2025. Details by line are presented below (excluding HST).

		2024 Budget	2024 Actual	Fav/ Unfav Variance	2025 Budget (proposed)	Change (\$)	Change (%)
(a)	Actuarial	\$82,500	\$83,417	-\$917	\$86,000	\$3,500	4.2%
(b)	Strategic Matters	\$30,000	\$35,900	-\$5,900	\$30,000	\$0	0.0%
	Total	\$112,500	\$119,317	-\$6,817	\$116,000	\$3,500	3.1%



- (a) **Actuarial Services.** Activity on the Actuarial line was slightly over budget by \$900. We are recommending a \$3,500 (4.2%) inflationary increase to this line item for 2025.
- (b) **Strategic Services.** Fees for Strategic Services in 2024 finished the year about \$5,900 over the budget. Activities on this line item for 2024 included the work related to the RFP for audit services as well as onboarding the new Associate Program firm and responding to the interest of new firms in joining CLLAS. Activity on the Strategic Services line is difficult to predict, we propose no change to this line item for 2025.

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "Carrie Green".

Carrie Green

Copy: CLLAS Advisory Board

**Canadian Lawyers Liability Assurance Society
2025 Operating Budget**

	<u>2024 Budget</u>	<u>2024 Actual</u>	<u>Fav/ (Unfav) Variance</u>	<u>Proposed 2025 Budget</u>
MANAGEMENT SERVICES	662,971	637,765	25,206	689,905
PROFESSIONAL SERVICES				
Actuarial Services	93,225	94,261	(1,036)	97,180
Strategic Matters	33,900	43,043	(9,143)	33,900
Total Professional Services	127,125	137,304	(10,179)	131,080
OTHER EXPENSES				
Audit Expenses	179,000	106,613	72,387	100,000
Annual Dinner	8,000	7,096	904	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	18,209	(2,209)	18,000
Claims Bordereaux (LawPRO/LIF)	18,800	18,625	175	19,150
Special Services	15,000	0	15,000	15,000
Statistical/Assessment Fees	7,000	8,416	(1,416)	8,500
Investment Counsel Fees	29,000	30,856	(1,856)	32,000
Investment - Custodial Fees	17,000	17,898	(898)	18,000
Risk Management/Loss Prevention	5,000	0	5,000	140,000
Licensing Fees	5,000	4,316	684	5,000
Sub-total	469,800	379,824	89,976	533,650
PREMIUM TAXES				
E&O	518,193	482,701	35,492	506,836
Cyber	74,272	68,817	5,455	72,258
	592,465	551,518	40,947	579,094
REINSURANCE EXPENSES				
Reinsurance Matters	282,500	247,782	34,718	282,500
Reinsurance Expense	7,500	7,497	3	8,500
Reinsurance Fee (3MG E&O	329,600	334,592	(4,992)	344,600
Cyber	100,000	100,079	(79)	100,700
Total Reinsurance Expenses	719,600	689,951	29,649	736,300
TOTAL	<u>2,571,961</u>	<u>2,396,362</u>	<u>175,599</u>	<u>2,670,029</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 (CLLAS)

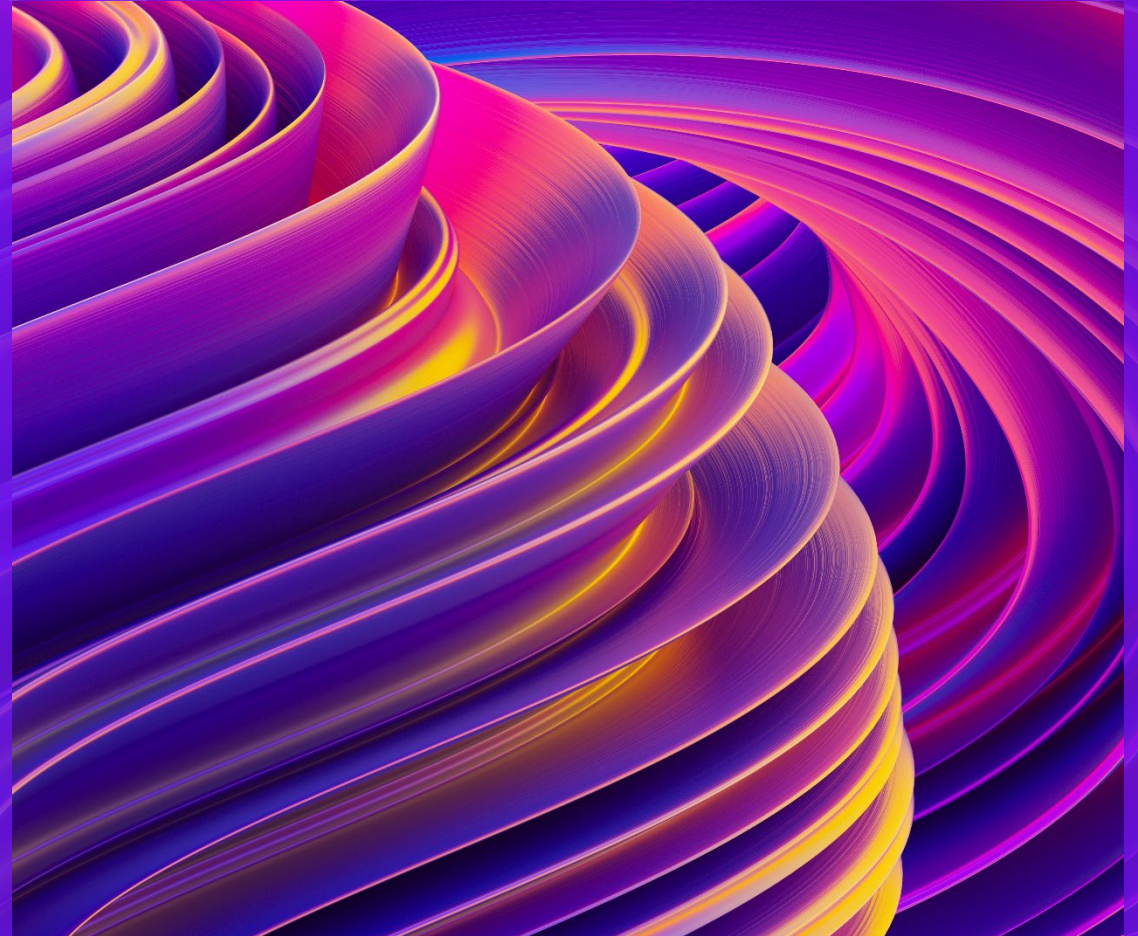
Audit Findings Report for the year
ended December 31, 2024

KPMG LLP

Licensed Public Accountants

Prepared as of February 13, 2025 for presentation to the Audit
Committee on February 18, 2025

kpmg.ca/audit



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Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



Click on any item in the table of contents to navigate to that section.

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21	Specific topics	22	Misstatements	23	Control deficiencies		
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Audit highlights



No matters to report



Matters to report – see link for details

Status

We have completed the audit of the financial statements (“financial statements”), with the exception of certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.



Significant changes



Significant changes since our audit plan



Risks and results & Significant unusual transactions



Significant risks



- Fraud risk from management override of controls
- Valuation of insurance and reinsurance contracts



Other risks of material misstatement



- Valuation of investments
- Insurance revenue
- MCT



Going concern matters



Significant unusual transactions

Policies and practices & Specific topics



Accounting policies and practices



Other financial reporting matters



Specific topics



Misstatements - uncorrected



Uncorrected misstatements

- There are no uncorrected misstatements to report.

Misstatements - Corrected



Corrected misstatements



- See page 22 and the management representation letter for details

Control deficiencies



Significant deficiencies



Audit Quality



Learn more about how we deliver audit quality.



Independence



Annual Statement of Compliance



Status

As of February 13, 2025, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- Completing our audit procedures over Minimum Capital Test (MCT)
- Receipt of final actuarial report
- Completing final tie in of the financial statements and note disclosures
- Finalizing review of the audit file
- Completion of certain audit procedures over reinsurance balances
- Completing our discussions with the Audit Committee
- Obtaining evidence of the Board of Director's approval of the financial statements
- Obtaining the signed management representation letter

We will update the Audit Committee, and not solely the Chair, on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

A draft of our auditor's report is provided in Appendix: Draft Auditor's Reports.

KPMG Clara for Clients (KCc)



Real-time collaboration and transparency

We leveraged **KCc** to facilitate real-time collaboration with management and provide visual insights into the status of the audit!

On our audit we used KCc to coordinate requests with management.

Learn more

Significant changes

We have made the following significant changes since our communication in the Audit Planning Report:

Audit strategy





Significant changes to risk assessment



We had identified a presumed risk of fraudulent revenue recognition due to the transition to IFRS 17 and the significance of judgements required over revenue recognition on adoption. After completing our review of the prior year auditors' working papers and finalizing our risk assessment for the current year we rebutted the fraud risk over revenue recognition. This is a change from what was included in our audit plan in the current year.

Significant risks and results

We highlight our significant findings in respect of **presumed risks of fraud**.

	Fraud Risk from Management Override of Controls		RISK OF  FRAUD
	Other risk of material misstatement	Estimate?	
	Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.	No	
	Our response		
	Our procedures included: <ul style="list-style-type: none">• We tested the design and implementation of controls surrounding the recording of journal entries, and the business rationale for significant entries.• We tested the process for critical accounting estimates, including performing a retrospective review of prior period estimates• Evaluated the business rationale of significant unusual transactions		
Our findings			
We believe management's processes for recording journal entries and process for critical accounting estimates is considered adequate. No issues were noted in the performance of the above procedures.			

Significant risks and results

We highlight our significant findings in respect of **significant risks**.

<div> Valuation of insurance & reinsurance contract assets & liabilities </div> <div> RISK OF ERROR FRAUD </div>	
Significant risk	Estimate?
<p>Insurance/reinsurance contract asset and liabilities under IFRS 17 have various components with varying degrees of complexity, estimation uncertainty and application of judgement.</p> <p>Insurance Liability for Incurred Claims (LIC) & Reinsurance Asset for Incurred Claims (AIC)</p> <p>An inappropriate amount is estimated for the present value of future cash flows and the risk adjustment for non-financial risk for the LIC and AIC. Specifically, the following elements within the estimate give rise to a significant risk:</p> <ul style="list-style-type: none"> Liability of Incurred Claims (LIC)/Asset for Incurred Claims (AIC) - Risk adjustment (application of model, selection of assumptions) LIC/AIC - PV of future cash flows for insurance contracts issued (selection of discount rate assumption) <p>The methods and assumptions required for this balance requires expert actuarial involvement;</p> <p>There is significant estimation uncertainty in the selection of assumptions such as loss ratios and loss development factors, discount rate curves for the PV of cash flows;</p> <p>There is significant estimation uncertainty in the selection of assumptions in calculating the risk adjustment.</p>	<p>Yes</p>
Significant qualitative aspects of the Company’s accounting practices	
<ul style="list-style-type: none"> - 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. CLLAS has used the Fiera Capital (Fiera) illiquid curve excluding the 0.5% illiquidity constant to discount insurance cash flows as being representative of the characteristics of the insurance cash flows. - The margin approach is used to calculate risk adjustment. - No changes to the accounting practices from the prior year. 	

Significant risks and results



Valuation of insurance & reinsurance contract assets & liabilities

RISK OF
 
ERROR FRAUD

Our response

With the assistance of KPMG actuarial specialists, our procedures included:

- KPMG Actuarial carried out an independent estimations of gross and net unpaid claims reserves for significant groups. We compared our estimates to management's values and understand the source of the differences. Our independent estimations will also account for various market conditions such as inflation.
- We carried out an independent estimation of risk adjustment margin, using our own tool in conjunction with your data and industry data. We compared this to management's risk adjustment value to assess reasonableness.
- We carried out benchmarking of the discount rate curve against industry curves and examined the application of the discount rate curve against the undiscounted claims reserves to calculate the discounted cash flows.
- We tested the accretion of interest from LIC and AIC into the insurance finance income and expense (IFIE) caption in the income statement.
- We carried out data testing on a sample basis to verify the accuracy of claims and premiums data used in the estimation of liabilities for incurred claims.
- We obtained an understanding of the process and evaluate the design and implementation of the controls operating around the models and data used by management around the estimation of LIC and AIC.

Significant findings

Our findings include:

- Insurance and reinsurance contract liabilities and assets are determined using techniques that are accepted actuarial practice as established by the actuarial standards board. CLLAS's appointed actuary, Julie-Linda Laforce provides an opinion on the reserve balances.
- We believe management's process for identifying critical accounting estimates is considered adequate.
- There were no indicators of possible management bias.
- As a result of our audit procedures, we have concluded that the valuation of the insurance & reinsurance contract assets & liabilities as of December 31, 2024, are within a reasonable range of actuarial estimates.
- No issues were noted.

Significant risks and results

Valuation of insurance & reinsurance contract assets & liabilities (continued)

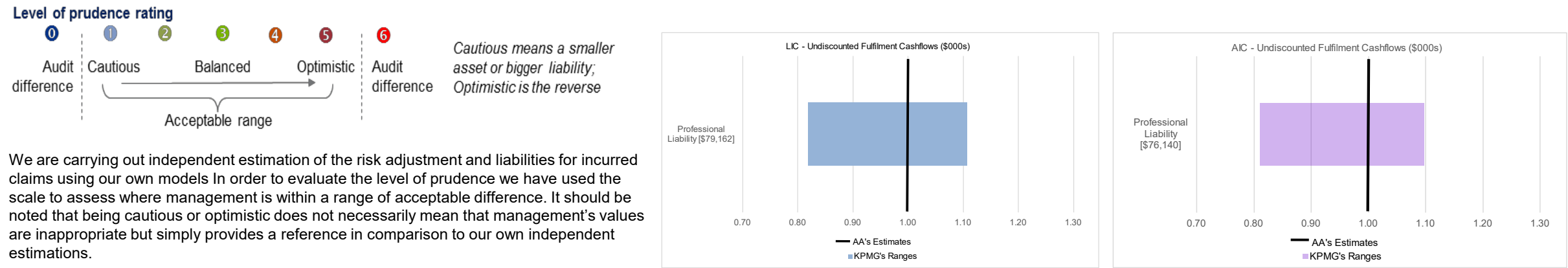
RISK OF

ERROR
FRAUD

Our findings

Area	Level of prudence	Comments
PV of future cash flows - LIC	3	<p>The Actuary's estimate is deemed to be neutral and within our range of reasonable estimates.</p> <p>This is our first year auditing CLLAS and hence no comparison can be made to the level of prudence in the prior year</p>
PV of future cashflows - AIC	3	<p>The Actuary's estimate is deemed to be neutral and within our range of reasonable estimates.</p> <p>This is our first year auditing CLLAS and hence no comparison can be made to the level of prudence in the prior year</p>

Given that there is no claims history for the Cyber line we were not able to use historical data to derive our independent expectation. Therefore, we have tested the reasonableness of the LIC and AIC PV of FCF for the Cyber reserving segment by benchmarking key assumptions (loss development patterns and initial expected loss ratio (IELR) assumptions) with other peers in the industry who write similar business and re-calculated the Actuary's estimate.



Significant risks and results

Valuation of insurance & reinsurance contract assets & liabilities (continued)

RISK OF
ERROR FRAUD

Our findings

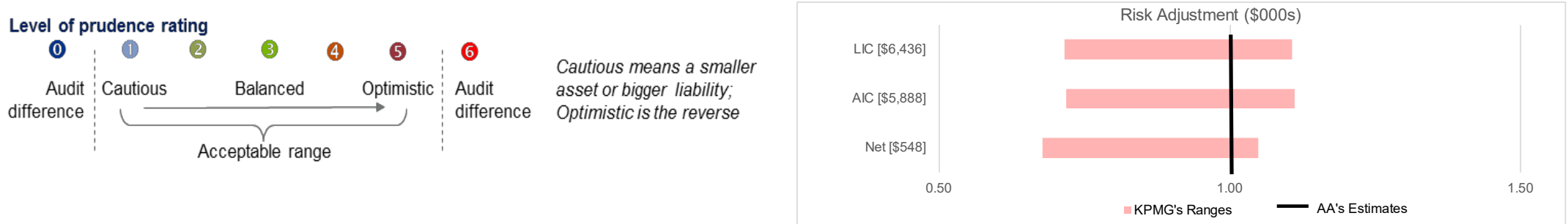
Area	Level of prudence	Comments
Risk adjustment – LIC	3	<p>The Actuary’s estimate is deemed to be neutral and within the bound of our range of reasonable estimates.</p> <p>This is our first year auditing CLLAS and hence no comparison can be made to the level of prudence in the prior year. However, the risk adjustment implied margin % remains unchanged from the prior year.</p>
Risk adjustment – AIC	3	<p>The Actuary’s estimate is deemed to be cautious and within the bound of our range of reasonable estimates.</p> <p>This is our first year auditing CLLAS and hence no comparison can be made to the level of prudence in the prior year. However, the risk adjustment implied margin % remains unchanged from the prior year.</p>

We have engaged KPMG Actuarial to perform an independent estimation of the risk adjustment balance for both LIC and AIC.

Our independent estimation range are built by using the margin approach as well as the quantile approach. We have used reasonable correlation scenarios to create a range of data points.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) of 65% to 70%.

The net position across the LIC and AIC is neutral and within our range of reasonable estimates.



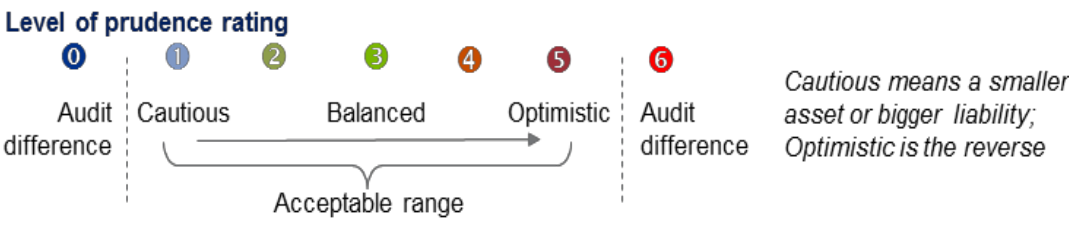
Significant risks and results

Valuation of insurance & reinsurance contract assets & liabilities (continued)

RISK OF

ERROR
FRAUD

Our findings		
Area	Level of prudence	Comments
Discount rate yield curve	3	<p>We have engaged our investment specialists, iRadar to develop discount rate yield ranges using fixed income securities information. The ranges demonstrate varying levels of liquidity with the iRadar illiquidity Curve High, representing returns for very illiquid securities and iRadar. Reference illiquidity Curve representing a more balanced mix of illiquid and relatively liquid securities. This provides us with discount rate yield curve ranges built from market observable information, which we have then used to compare and validate management's discount rate yield curve.</p> <p>We have compared management's discount rate curve against our thresholds. We have included Fierra illiquid curve in the same chart to provide an additional reference. We note that Fierra curves are provided to the industry as guidance and industry peers use this as a starting point for development of their own curves. We did not identify any concerns with management's discount curve.</p>




Other risks of material misstatement

<div> <div></div> <div>Valuation of insurance & reinsurance contract assets & liabilities (continued)</div> <div> <div>RISK OF</div> <div>ERROR</div> </div> </div>		
Components	Risk rating	Our audit response and findings
<div>Insurance Liability for Remaining Coverage (LRC) & Reinsurance Asset for Remaining Coverage (ARC)</div> <div> <div> <div>• Estimate - An inappropriate amount is estimated for LRC and ARC</div> <div>• Additional judgement is required in the calculation of loss components.</div> </div> </div>	Base	<div> <div>- We gained an understanding of the process and evaluated the design and implementation of the controls operating around the models and data used by management around expenses and the computation of LRC and ARC.</div> <div>- CLLAS made the accounting policy election to expense acquisition cash flows as incurred. KPMG performed testing over the expenses incurred during the period.</div> <div>- We performed detailed testing to ensure that management appropriately identified and recognized insurance revenue by agreeing premiums recorded to supporting policy documents and receipt of payment.</div> <div>- We performed a recalculation of the LRC and the revenue recognized under PAA.</div> <div>- Evaluated management’s method for identifying onerous contracts is appropriate. We inspected the calculation of loss components when applicable to assess if the loss component is reasonable.</div> <div>- No issues were noted.</div> </div>

Other risks of material misstatement

We highlight our significant findings in respect of **other risks of material misstatement**

<div>Valuation of investments</div> <div>RISK OF  ERROR</div>	
Other risk of material misstatement	Estimate?
<p>There is estimation uncertainty in the portfolio due to fluctuating market conditions, changing interest rates, and economic volatility that impacts the fair value nature of investments.</p> <p>Investments are classified as fair value through OCI (FVOCI) so are recorded at fair value. It is necessary to consider expected credit losses on the investment holdings.</p>	Yes
Our response	
<p>Our audit approach over the valuation of investments included the following:</p> <ul style="list-style-type: none">- Obtained an understanding of activities related to the investment process- Update our understanding of the nature of the investments and management’s process for their valuation- Obtained third party confirmation of cash and investment balances- Performing independent price testing for a sample of investments through use of Data & Analytics using KPMG proprietary software and our iRADAR team- Reviewed management’s ECL methodology and calculation of the ECL at year-end- Obtaining and reviewing the service organization auditor’s report over controls at investment custodian- Review the investments disclosures in the financial statements, including classification and fair value hierarchy	

Other risks of material misstatement

We highlight our significant findings in respect of **other risks of material misstatement**



Valuation of investments (continued)

RISK OF



ERROR



Our findings

- Management has established valuation procedures for the portfolio based on the use of a third party pricing source. Fair values are categorized and disclosed as Levels 1, 2 and 3, with Level 1 and Level 2 being based on market quotes and market-observable inputs, respectively, and Level 3 being based on other valuation and appraisal techniques.
- As disclosed in note 5 of the financial statements, at December 31, 2024, management has categorized all investments in bonds and short-term notes as Level 2. KPMG tested the allocation of investments between categories of the fair value hierarchy.
- We performed Data & Analytics procedures on investments using KPMG proprietary software, iRADAR. We performed independent price testing of management's pricing for bonds and debentures.
- We tested the market values of all securities held in the amount of \$16.1 million. The net difference in the valuation of the entire portfolio amounted to \$39,385. This amounts to a 0.2% difference
- There was only one investment holding where the fair value was outside the acceptable range of pricing netting to \$784.
- As a result of our audit procedures, no audit misstatements or control deficiencies were identified.

Other risks of material misstatement and results

<div> Revenues </div>	RISK OF FRAUD
Other risk of material misstatement	Estimate?
<p>There is a rebuttable presumption that fraud may arise from improper revenue recognition which must be considered in each audit performed under Canadian Auditing Standards. We have elected to rebut the presumption of fraud risk with respect to revenue recognition. Based on the availability of audit evidence and the complexity involved with recognizing the key revenue streams, we do not consider this risk to be significant.</p> <p>Regardless of this rebuttal, we performed substantive procedures to address the completeness, existence and accuracy of revenues.</p>	No
Our response	
<ul style="list-style-type: none"> - We have evaluated the design and implementation of controls surrounding the underwriting process. - We performed testing to validate PAA eligibility for all insurance and contracts. - Evaluated whether management has appropriately identified and recognized insurance revenue and then recalculate the insurance revenue for groups of contracts under PAA. - We have evaluated the appropriateness of the earning patterns used to earn revenue in the income statement. We note for insurance contracts following PAA, the standard stipulates that the pattern should be based on the passage of time or the release of risk if that is sufficiently different from the passage of time. We have evaluated the appropriateness of management’s straight line earning pattern (passage of time) on a portfolio basis. - We examined management’s onerous contract evaluation methods to verify whether there are any loss making contracts. - We have vouched policies written back to policy contracts to check for accuracy of financial and non-financial information (e.g. premiums, effective dates, coverage). 	
Our findings	
<ul style="list-style-type: none"> - No issues were noted. 	

Other risks of material misstatement and results

<div> MCT Capital Return</div> <div><div>RISK OF</div><div></div><div>ERROR</div></div>
<div>CSAE 3000 Reporting Requirement</div> <p>The MCT ratio has two parameters being the Capital Available and Capital Required. As both these parameters will individually drive the MCT ratio, we set dual materiality levels for auditing the Capital Available and Capital Required separately.</p> <p>Our auditors report is prepared under Canadian Standard on Assurance Engagements (CSAE) 3000, under which we obtain reasonable assurance about whether the MCT ratios (the “subject matter information”) are free from material misstatement, and prepared in accordance with the MCT Guideline, effective January 1, 2024 and associated instructions, including published adjustments and clarifications.</p> <p>Audit of the MCT Return as at December 31, 2024 prepared in accordance with the financial reporting provisions of Guideline – Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies (the "Guideline") prescribed by the Office of the Superintendent of Financial Institutions Canada.</p>
<div>Our response</div> <ul style="list-style-type: none">- We carried out walkthroughs in order to gain an understanding of the process;- We engaged our actuaries to assist as in auditing the regulatory returns, including components of insurance risk and market risk;- We verified consistency of data between the MCT returns against the 2024 audit financial statements and underlying data; and- We tested that the regulatory ratio is calculated in accordance with the 2024 MCT guidelines, and associated instructions, including published adjustments and clarifications. This included assessing the reasonableness of the calculations and any simplifying assumptions made. <div>Our findings</div>

Our procedures over the MCT Return remain in progress as at the date of this report. We will report our findings on the MCT at the Audit Committee meeting.

Other financial reporting matters

We have highlighted the following that we would like to bring to your attention:



First year audit considerations

As this is the first year KPMG will be auditing CLLAS financial statements, we are required to obtain sufficient appropriate audit evidence over the opening balances and whether the accounting policies are applied consistently in both years presented in the financial statements.

Our audit procedures related to the first year audit of CLLAS as required by Canadian auditing standards included:

- Review of the prior year financial statements;
- Communicated with the predecessor auditor regarding their audit and procedures performed over the opening balances;
- Reviewed of the working papers of the predecessor auditor to obtain evidence regarding the opening balances; and,
- Performed specific audit procedures, where necessary, to obtain any additional evidence required over the opening balances.

Based on the performance of the above procedures, we determined that there was no impact on our audit opinion for the current year.



Accounting policies and practices



Initial selection of significant accounting policies and practices

Nothing to note.



Description of new or revised significant accounting policies and practices

No changes to accounting policies and practices were selected and applied during the period..



Significant qualitative aspects

Material accounting policies or practices are disclosed in note 2 to the financial statements.

Discussion about qualitative aspects of material accounting policies and practices

- **Appropriateness:** We have evaluated the appropriateness of critical accounting policies and practice, with no findings to report.
- **Management bias:** In our evaluation of all critical accounting estimates, including the significant risk areas, we have not noted indicators of management bias in the judgments or assumptions applied.
- **Estimates:** We have outlined our audit procedures and audit findings for the various estimates in the previous pages of this report
- **Effect on the financial statements or disclosures:** The financial statement disclosures adequately describe the material accounting policies and practices taken by management.



Other financial reporting matters

We also highlight the following:



Financial statement presentation - form, arrangement, and content



No matters to report.



Concerns regarding application of new accounting pronouncements



There are no future accounting standards impacting the next fiscal year.

New accounting pronouncements issued but not yet effective include:

- IFRS 7 and IFRS 9, Amendments to the Classification and Measurement of Financial Instruments
- IFRS 18, Presentation and Disclosure in Financial Statements

Management has appropriately disclosed these upcoming changes.



Significant qualitative aspects of financial statement presentation and disclosure



No matters to report.

Specific topics

We have highlighted the following that we would like to bring to your attention:

Matter	Finding
Illegal acts, including noncompliance with laws and regulations, or fraud (identified or suspected)	No matters to report.
Other information in documents containing the audited financial statements	No matters to report.
Significant difficulties encountered during the audit	No matters to report.
Difficult or contentious matters for which the auditor consulted	No matters to report.
Management’s consultation with other accountants	No matters to report.
Disagreements with management	No matters to report.
Related parties	No matters to report.
Significant issues in connection with our appointment or retention	No matters to report.
Other matters that are relevant matters of governance interest	No matters to report.

Corrected misstatements

Corrected misstatements include financial presentation and disclosure misstatements.



Impact of corrected misstatements

- Discuss the effect on the financial reporting process
 - Discussion about the cause of the corrected misstatements (e.g. control deficiencies)
 - Discussion about that the matters underlying the corrected misstatements (e.g. control deficiencies) could potentially cause future-period financial statements to be materially misstated.

Corrected misstatements greater than \$17,500 individually:

Description of misstatement	\$ CDN	
	Debit	Credit
Entry to correct asset for remaining coverage balance. Dr. Asset for remaining coverage Cr. Reinsurance premiums	\$18,815	\$18,815

Control deficiencies

Consideration of internal control over financial reporting (ICFR)

In planning and performing our audit, we considered ICFR relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

Audit quality - How do we deliver audit quality?

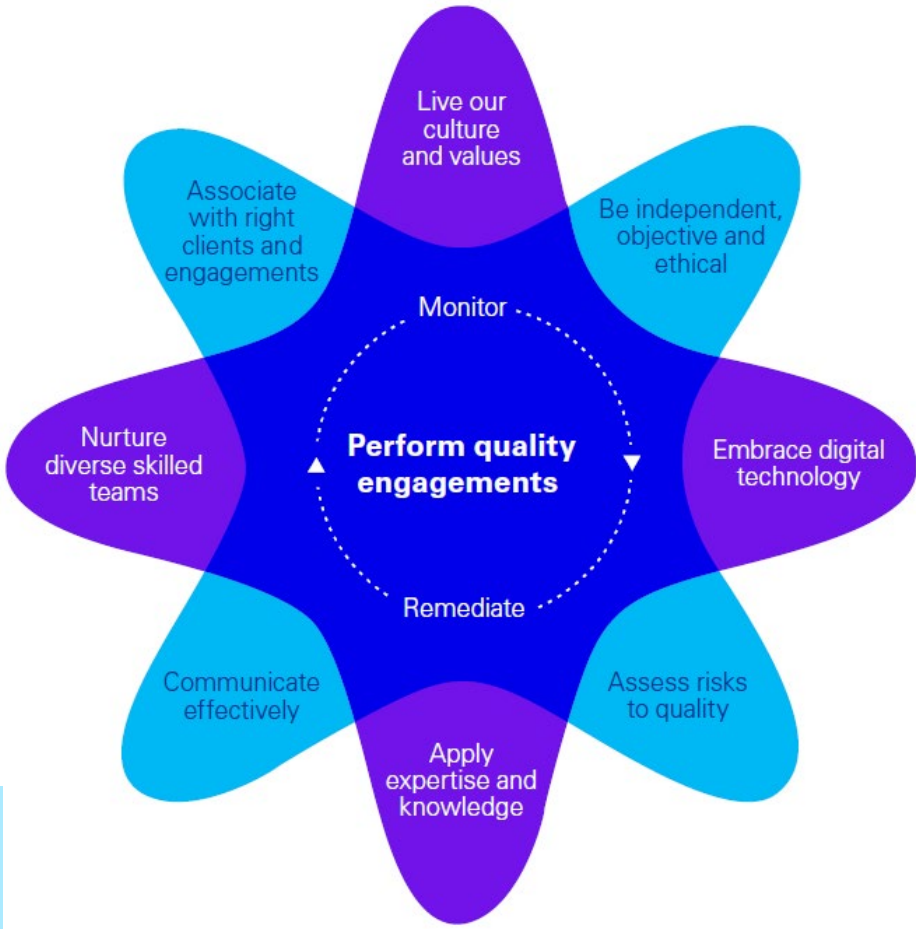
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Learn more about our system of quality management and our firm’s statement on the effectiveness of our SoQM:

- [KPMG Canada Transparency Report](#)
- [Statement on the effectiveness of the System of Quality Management of KPMG LLP as at September 30, 2024](#)

We define ‘audit quality’ as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.



Doing the right thing. Always.

Indicators of audit quality (AQIs)

The objective of these measures is to provide the Audit Committee and management with more in-depth information about factors that influence audit quality within an audit process. Below you will find the current status of the AQIs that we have agreed with management are relevant for the audit.



Team composition



Experience of the team

- Engagement Partner: Over 25 years of experience in the industry
- Engagement Senior Manager: 11 years experience in the industry
- Other team members, including specialists have relevant industry experience to carry out the audit



Technology in the audit



Implementation of Technology in the Audit

- We have implemented the following in the audit:
 - **KPMG Clara for Clients Site (“KCfc”)** – secure PBC document sharing site
 - **KPMG Clara Workflow (“KCw”)** – new audit workflow to allow us to deliver globally consistent engagements
 - **iRADAR** - independent price testing of investments through use of Data & Analytics using KPMG proprietary software and our iRADAR
 - **KPMG Clara Advanced Capabilities – Journal Entry Analysis** – focuses audit effort on journal entries that are riskier in nature
 - **Datsnipper** – Excel based tool, which allows us to automatically match Excel data with underlying source documents and form data extraction from documents with the same layout



Timing of prepared by client (PBC) items



Timeliness of PBC items

All PBC requests were received on time and in due course.



Nothing to report



Some matters to report



Specific matters to report

Independence

As a firm, we are committed to being and being seen to be independent. We have strict rules and protocols to maintain our independence that meet or exceed those of the IESBA Code¹ and CPA Code. The following are the actions or safeguards applied to reduce or eliminate threats to an acceptable level:



Dedicated ethics & independence partners



Process for reporting breaches of professional standards and policy, and documented disciplinary policy



Ethics, independence and integrity training for all staff



International proprietary system used to evaluate and document threats to independence and those arising from conflicts of interest



Operating policies, procedures and guidance contained in our quality & risk management manual



Mandated procedures for evaluating independence of prospective audit clients



Restricted investments and relationships



Annual ethics and independence confirmation for staff

Statement of compliance

We confirm that, as of the date of this communication, **we are independent** of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

Appendices

A

Required
communications

B

Draft Audit Reports

C

Management Rep
Letter

D

New auditing
standards

E

New accounting
standards

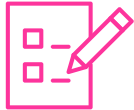
F

Insights





Appendix A: Other required communications



Engagement terms

A copy of the engagement letter and any subsequent amendments has been provided to the Audit Committee.



CPAB communication protocol

The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- [CPAB Audit Quality Insights Report: 2022 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2023 Interim Inspections Results](#)
- [CPAB Regulatory Oversight Report: 2023 Annual Inspections Results](#)
- [CPAB Audit Quality Insights Report: 2024 Interim Inspections Results](#)



Appendix B: Draft auditor's reports

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 "Entity"), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of comprehensive income for the year then ended
- and statement of changes in subscribers' equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity 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 Matter – Comparative Information

The financial statements for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on February 27, 2024.

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

Management is responsible for the preparation and fair presentation of the statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board., and for such internal control as management determines is necessary to enable the preparation of the 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 auditors' 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 generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Entity'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 Entity'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 Entity 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.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

[DATE]

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Canadian Lawyers Liability Assurance Society (the "Entity"), which comprise:

- the statement of assets as at December 31, 2024
- the statement of liabilities and equity as at December 31, 2024
- the statement of profit or loss for the year then ended
- the statement of comprehensive income (loss) and accumulated other comprehensive income (loss) for the year then ended
- the statement of cash flows for the year then ended
- the statement of changes in equity for the year then ended
- and notes to the financial statements, including material accounting policy information

on pages 20.10, 20.11, 20.22, 20.42, 20.52, 20.54 and 20.60 of the Entity's P&C Core Financial Statement Quarterly Return, (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 Entity as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditor's Responsibilities for the Audit of the Financial Statements"** section of our auditor's report.

We are independent of the Entity 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 Matter - Unaudited Information

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the (1) information included in pages of the Entity's P&C Core Financial Statement Quarterly Return except for pages 20.10, 20.11, 20.22, 20.42, 20.52, 20.54 and 20.60, (2) additional schedules or exhibits within these pages that are not referred to in our opinion, and (3) the page references in the Entity's P&C Core Financial Statement Quarterly Return except for those that cross-reference between pages referred to in our opinion. Accordingly, we do not express an opinion on the information on these other pages and the additional schedules, exhibits and cross-references of the Entity's P&C Core Financial Statement Quarterly Return.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Entity'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 Entity'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 Entity 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.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

Date

INDEPENDENT PRACTITIONER'S REASONABLE ASSURANCE REPORT

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

We have undertaken a reasonable assurance engagement on the MCT (BAAT) Ratio on Line 140 of page 10.00 in the accompanying P&C Minimum Capital Test and Branch Adequacy of Assets Test Quarterly Return, also referred to as the PC4 Return (the "subject matter information") of Canadian Lawyers Liability Assurance Society ("the Entity") as at December 31, 2024.

The Entity's PC4 Return (the "regulatory return") represents an element of the books and records underlying the subject matter information. Our procedures were designed to provide assurance on the subject matter information, and accordingly, were not designed to provide assurance on the remaining information included in the regulatory return on a line by line basis or as a whole.

Management's Responsibility

Management is responsible for the preparation of the subject matter information in accordance with the Minimum Capital Test Guideline effective January 1, 2024 and associated instructions, including published adjustments and clarifications (collectively the "applicable criteria").

Management is also responsible for such internal control as management determines necessary to enable the preparation of the subject matter information that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a reasonable assurance opinion on the subject matter information based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with Canadian Standard on Assurance Engagements (CSAE) 3000, *Attestation Engagements Other than Audits or Reviews of Historical Financial Information*. This standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the subject matter information is free from material misstatement.

Reasonable assurance is a high level of assurance but is not a guarantee that an engagement conducted in accordance with this standard 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 decisions of users of our report.

The nature, timing and extent of procedures performed depends on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involves obtaining evidence about the preparation of subject matter information in accordance with the applicable criteria.

We believe the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

The firm applies Canadian Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Opinion

In our opinion, the subject matter information of the Entity as at December 31, 2024 is prepared, in all material respects, in accordance with the applicable criteria.

Specific Purpose of Subject Matter Information and Restriction on Distribution

The subject matter information has been prepared in accordance with the applicable criteria by the Entity to meet the requirements of OSFI and the Provincial Superintendents of Financial Institutions/Insurance. As a result, the subject matter information may not be suitable for another purpose.

Our report is intended solely for the Board of Directors of the Entity, and the Provincial Superintendents of Financial Institutions/Insurance and should not be distributed to other parties.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

Date



Appendix C: Management representation letters

KPMG LLP
120 Victoria Street South, Suite 600
Kitchener, ON N2G 0E1

DATE

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as “financial statements”) of Canadian Lawyers Liability Assurance Society (“the Entity”) as at and for the period ended December 31, 2024.

We understand that the engagement was also directed to the expression of an opinion to the Office of the Provincial superintendent on those financial statements included on pages 20.10, 20.11, 20.22, 20.42, 20.52, 20.54 and 20.60 of the Entity’s P&C Quarterly Return, and notes comprising a summary of material accounting policy information and other explanatory information as at and for the year-ended December 31, 2024.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 22, 2024, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements (“relevant information”), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.

- d) providing you with complete responses to all enquiries made by you during the engagement.
- e) providing you with additional information that you may request from us for the purpose of the engagement.
- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the Entity, did not intervene in the work the internal auditors performed for you.

Internal control over financial reporting:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - others
 where such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, short sellers or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, whose effects should be considered when preparing financial statements.

- e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Non-SEC registrants or non-reporting issuers:

- 11) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 12) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Misstatements:

- 13) We approve the corrected misstatements identified by you during the audit described in [Attachment II](#).

Other:

- 14) We confirm that we have provided you with a complete list of service organizations (SO) and sub-service organizations (SSO) and that the relevant complementary user entity controls (CUECs) related to each SO/SSO have been designed and implemented.

Accounting Policies:

- 15) There have been no changes in, or newly adopted, accounting policies that have not been disclosed to you and appropriately reflected in the financial statements.

Assets & Liabilities – General:

- 16) There are no formal or informal compensating balance arrangements with any of our cash accounts. We have no other line of credit arrangements.
- 17) The Entity has satisfactory title to all assets.
- 18) We have no knowledge of arrangements with financial institutions involving restrictions on cash balances and lines of credit or similar arrangements not disclosed to you.
- 19) We confirm that during the period we complied with the externally imposed capital requirements.

Comparative information:

- 20) We have no knowledge of any significant matters that may have arisen that would require a restatement of the comparative financial statement, not disclosed to you.

Management's Use of Specialists:

- 21) We agree with the findings of Julia-Linda Laforce as the Entity's appointed actuarial specialist in preparing and evaluating the valuation of the Entity's policy liabilities. In connection with the actuarial specialist's study, we provided the specialist with all significant and relevant information of which we are aware. We did not give or cause any such instructions to be given to the actuarial specialist with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the actuarial specialist.

Compliance with Externally Imposed Capital Requirements

- 22) The Entity has complied with *all* externally imposed capital requirements, including the Alberta Minimum Reserve and Guarantee Fund.

Communications between actuaries involved in the preparation of financial statements and auditors:

- 23) We acknowledge that, in addition to your report on the financial statements of the Entity, you will also communicate on procedures and findings on data used in making accounting estimates relating to the valuation of actuarial liabilities as a result of the Joint Policy Statement Concerning Communications between Actuaries Involved in the Preparation of

Financial Statements and Auditors (the “Joint Policy Statement”), at the request of the Appointed Actuary.

- 24) We consent to you providing the information resulting from your work as required by the Joint Policy Statement to the General Manager and the Appointed Actuary.
- 25) We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purposes of appropriately informing ourselves and understand that we are responsible for, and have fulfilled such responsibilities that the data used in making accounting estimates relating to the valuation of actuarial liabilities, and their related disclosures is complete and accurate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
- 26) We acknowledge that the communication does not constitute an audit or review of data used in making accounting estimates relating to the valuation of actuarial liabilities and their related disclosures and therefore, you are not expressing an opinion on the completeness or accuracy of the data. Rather, the matters addressed in the communication with the Appointed Actuary are a by-product of your audit process in respect of the Entity's financial statements.
- 27) We acknowledge that the communication is intended solely for the General manager and the Appointed Actuary and should not be used by, or distributed to, other parties.

Yours very truly,

Carrie Green, General Manager

cc: Audit Committee

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the Reciprocal's own circumstances.

Information is obscured if it is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.]

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an Reciprocal's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Attachment II – Summary of Audit Misstatements Schedules**Corrected Audit Misstatements**

		Income effect	Financial position		
Description	F/J/P	(Decrease) Increase	Assets (Decrease) Increase	Liabilities (Decrease) Increase	Equity (Decrease) Increase
Entry to correct asset for remaining coverage balance.	F	(\$18,815)	\$18,815	-	(\$18,815)
Total misstatements		(\$18,815)	\$18,815	-	(\$18,815)

KPMG LLP
 120 Victoria Street South
 Suite 600
 Kitchener, ON N2G 0E1

Date

We are writing at your request to confirm our understanding that your engagement was for the purposes to form an independent reasonable assurance conclusion on the Office of the Superintendent of Financial Institutions Canada ("OSFI") Minimum Capital Test ("MCT") Ratio on line 140 of page 10.00 in the P&C Minimum Capital Test and Branch Adequacy of Assets Test Quarterly Return, also referred to as the PC4 Return (hereinafter referred to as "subject matter information") of Canadian Lawyers Liability Assurance Society ("the Entity") as at December 31, 2024.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 22, 2024 for:
 - a) the preparation of the subject matter information. We believe that the subject matter information is appropriate.
 - b) evaluating or measuring the subject matter information against the applicable criteria, including that all relevant matters are reflected in the subject matter information. We believe the applicable criteria is suitable.
 - c) providing you with all relevant information of which we are aware that is relevant to the preparation of the subject matter information such as all records, and documentation and other matters, including the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the subject matter information, and access to such relevant information.
 - d) providing you with additional information that you may request from us for the purpose of the engagement including, when applicable, any changes in the Entity's operations since the date of our last assurance report on the subject matter information.
 - e) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain evidence.
 - f) such internal control as we determined is necessary to enable the preparation of the subject matter information that is free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
 - g) ensuring that all transactions have been recorded and are reflected in the subject matter information.
 - h) providing you with written representations that you are required to obtain under your professional standards and written representations that you determined are necessary.
 - i) informing you of any documents, prior to their release, that contained the subject matter information and your assurance report thereon as of the date of this letter.

Internal control over subject matter information

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over the subject matter information of which management is aware.

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) all information in relation to fraud or suspected fraud that we are aware of and that affects the subject matter information and involves; management, employees who have significant roles in internal control related to the preparation and presentation of the subject matter information, or others, where the fraud could have a material effect on the subject matter information.
 - b) all information in relation to allegations of fraud, or suspected fraud, affecting the subject matter information communicated by employees, former employees, analysts, regulators, or others.
 - c) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing the underlying subject matter information.
 - d) all known actual or possible litigation and claims whose effects should be considered when preparing the underlying subject matter information.

Subsequent events:

- 4) All events subsequent to the date of the subject matter information and for which the applicable criteria require adjustment or disclosure to the subject matter information have been adjusted or disclosed.

Estimates:

- 5) The methods, the data and the significant assumptions used in making accounting estimates, included in the subject matter information, are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable criteria.

Other:

- 6) We have followed the Minimum Capital Test Guideline effective January 1, 2024 and associated instructions, including published adjustments and clarifications, and where necessary, we have applied appropriate judgement and interpretation of the guideline. This application also applies to the PC4 return, which represents an element of the books and records underlying the subject matter information.
- 7) We have followed the accounting policies outlined in the financial statements and have advised you of any significant judgements or interpretations we have applied.
- 8) All business has been appropriately included in the MCT. Assets and liability risks have been appropriately classified and the proper factors have been applied to the balances in the MCT.
- 9) We have advised you of all communication the Entity has had with the Provincial Superintendents of Financial Institutions/Insurance, both written and oral, with respect to the MCT for the current year (or previous year, where the communication is of continuing relevance), received to the date of this letter.

Yours very truly,

Carrie Green, General Manager

cc: Audit Committee

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the subject matter information.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the subject matter information and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Information is obscured if it is communicated in a way that would have a similar effect for users of subject matter information to omitting or misstating that information.

Fraud

Fraud refers to an intentional act that cause a material misstatement in the subject matter information, including omissions of amounts or disclosures to deceive intended users.



Appendix D: Newly effective and upcoming changes to auditing standards

For more information on newly effective and upcoming changes to auditing standards - see Current Developments



Effective for periods beginning on or after December 15, 2023

ISA 600/CAS 600

.....

Revised special considerations – Audits of group financial statements

Effective for periods beginning on or after December 15, 2024

ISA 260/CAS 260

.....

Communications with those charged with governance

ISA 700/CAS 700

.....

Forming an opinion and reporting on the financial statements



Appendix E: Newly effective and forthcoming requirements

New IFRS® Accounting Standards or amendments	Expected impact				Effective date	Early adoption permitted	KPMG guidance
	High	Moderate	Low	None			
Lack of Exchangeability – Amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i>				●	01 Jan 2025	✓	Article
Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 <i>Financial Instruments</i> and IFRS 7 <i>Financial Instruments: Disclosures</i>			●		01 Jan 2026*	✓	Financial assets with ESG-linked features article Settlement of financial liabilities by electronic payments article
Annual Improvements to IFRS Accounting Standards – Amendments to: <ul style="list-style-type: none"> IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>; IFRS 7 <i>Financial Instruments: Disclosures</i> and its accompanying <i>Guidance on implementing IFRS 7</i>; IFRS 9 <i>Financial Instruments</i>; IFRS 10 <i>Consolidated Financial Statements</i>; and IAS 7 <i>Statement of Cash flows</i> 			●		01 Jan 2026	✓	Article
IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>		●			01 Jan 2027	✓	Article Talkbook First Impressions
IFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i>				●	01 Jan 2027	✓	Article
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i>)				●	TBD**	✓	n/a

* New amendments are not yet included in Part I of the CPA Handbook

** The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.



Appendix E: Preparing to adopt IFRS 18

Presentation and disclosure in the financial statements



What's the issue?

The way companies communicate their financial performance is set to change.

In response to investors' calls for more relevant, transparent and comparable information, IFRS 18* requires all companies to:

- report a newly defined subtotal, '**operating profit**';
- disclose certain '**non-GAAP**' measures – such as management-defined performance measures (MPMs) – in the financial statements, meaning that they will now be subject to audit, e.g. 'adjusted' EBITDA; and
- improve how they group information.



What's the impact?

IFRS 18 will enable companies to tell their story better through their financial statements. Investors will benefit from greater consistency of presentation in the income and cash flow statements, and more disaggregated information.

Making certain 'non-GAAP' measures part of the audited financial statements will bring more credibility to management's key performance indicators.

Companies' net profit will not change. What is changing is how they:

- present their results on the face of the **income statement**; and
- disclose information in the **notes**.

IFRS 18 marks a step towards more connected reporting.



What's next?

IFRS 18 is effective from 1 January 2027 and applies retrospectively. Early adoption is permitted. Now is the time to get ready.

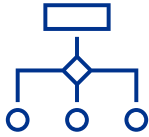
- Assess the impacts on your financial statements.
- Communicate the impacts with investors.
- Consider how the new requirements impact financial reporting systems and processes.
- Monitor any changes in the local reporting landscape.

* IFRS 18 Presentation and Disclosure in Financial Statements will replace IAS 1 Presentation of Financial Statements.



Appendix E: Preparing to adopt IFRS 18

What are the key changes?



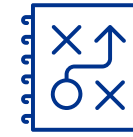
More structured income statement

- New subtotals including 'operating profit'
- Income and expenses classified into three categories – operating, investing, financing
- Main business activities drive the classification of income and expenses



Disclosed and audited MPMs

- MPMs* are now disclosed in the financial statements and subject to audit
- MPMs capture some but not all 'non-GAAP' measures
- New disclosures may involve additional effort



Greater disaggregation of information

- New disclosures for items labelled as 'other'
- Enhanced guidance on how to group information within the financial statements
- Remains a judgment area

* Management-defined performance measures



Appendix E: Preparing to adopt IFRS 18

How does the income statement look now?

IFRS 18 introduces some key changes for the income statement, including:

- **two newly required subtotals** on the face of the income statement;
- income and expenses classified into **three new categories**, depending on a company's main business activities; and
- **results of equity-accounted investees** no longer presented as part of operating profit (now always in the investing category).



All companies will need to carefully assess which income and expenses belong in each category. Classification will vary depending on whether a company has **specified main business activities**.

Income statement

Companies without specified main business activities		
Operating ¹	Revenue	X
	Operating expenses (analysed by nature, function or both as appropriate)	(X)
	Operating profit	X
Investing ¹	Share of profit or loss of equity-accounted investees	X
	Income from other investments	X
	Interest income from cash and cash equivalents	X
	Profit or loss before financing and income tax²	X
Financing ¹	Interest expense on borrowings and lease liabilities	(X)
	Interest expense on pension liabilities	(X)
	Profit before tax	X
	Income tax	(X)
	Profit for the year	X

¹ The operating, investing and financing categories are not aligned with those for the cash flow statement.

² Companies providing financing to customers as a main business activity (e.g. banks) typically do not present this subtotal.



Appendix E: Preparing to adopt IFRS 18

What are the new categories of income and expenses?

All companies classify income and expenses into three new categories.

Operating – income/expenses arising from a company's main business activities.

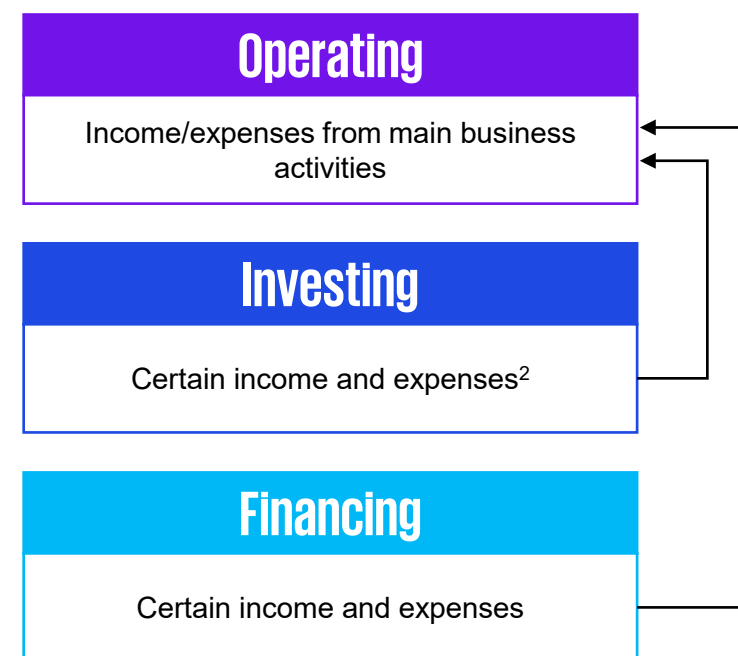
Investing – income/expenses from:

- Investments in associates, joint ventures and unconsolidated subsidiaries;
- cash and cash equivalents; and
- Assets that generate a return individually and largely independently (e.g. rental income from investment properties).

Financing – comprising:

- Income/expenses from liabilities related to raising finance only (e.g. interest expense on borrowings); and
- Interest income/expense and effects of changes in interest rates from other liabilities (e.g. interest expense on lease liabilities).

Companies with **specified main business activities**¹ classify additional items of income and expense in the operating category that would otherwise be classified in investing or financing.



¹ This term is defined in IFRS 18 as investing in assets (e.g. real estate companies, insurers) or providing financing to customers (e.g. banks).

² Share of profit/loss of equity-accounted investees is always classified in investing.

Appendix E: Preparing to adopt IFRS 18

How are operating expenses presented?

Companies present an **analysis of operating expenses on the face** of the income statement.

Under IFRS 18, companies are no longer permitted to disclose operating expenses only in the notes.

A company presents operating expenses in a way that provides the 'most useful structured summary' of its expenses, by either:

- **nature**;
- **function**; or
- using a **mixed presentation**.

If any operating expenses are presented by function, then new disclosures apply.



Mixed presentation of operating expenses represents a significant change in some jurisdictions.

Income statement

By function*

Revenue	X
Cost of goods sold	(X)
Gross profit	X
R&D expenses	(X)
Admin expenses	(X)
Operating profit	X

By nature

Revenue	X
Purchases of materials	(X)
Transport costs	(X)
Depreciation	(X)
Employee costs	(X)
Operating profit	X

Mixed*

Revenue	X
Cost of goods sold	(X)
Gross profit	X
Impairment expenses	(X)
Admin expenses	(X)
Operating profit	X

* New disclosures apply.



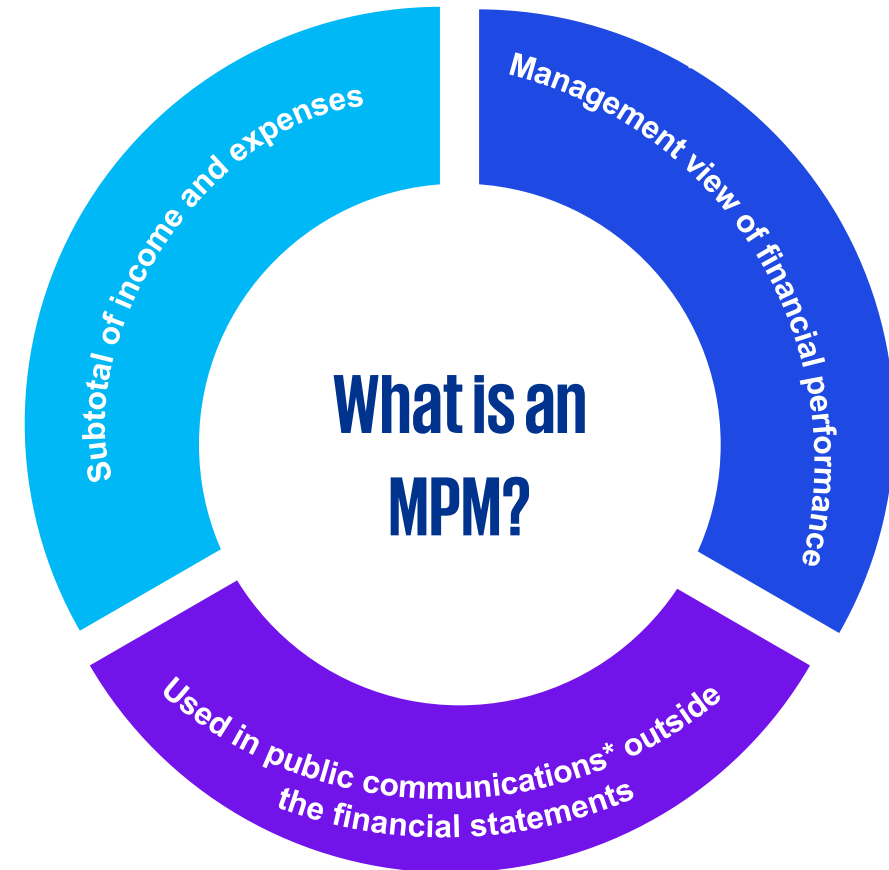
Appendix E: Preparing to adopt IFRS 18

Which 'non-GAAP' measures are now reported in the financial statements?

Only 'non-GAAP' measures that are **subtotals of income and expenses** – i.e. **MPMs** – are reported.

The **definition** of MPMs is narrow and **excludes** the following.

- ✖ Non-financial performance measures – e.g. customer satisfaction statistics.
- ✖ Financial performance measures that are not subtotals of income and expenses – e.g. free cash flow.
- ✖ Totals/subtotals specified in IFRS Accounting Standards – e.g. gross profit.



Certain 'non-GAAP' measures that meet the definition of MPMs will now be reported in the financial statements and subject to audit. As a result, companies may decide to revisit the purpose and relevance of existing 'non-GAAP' measures communicated outside of the financial statements.

¹ A subtotal used in public communications is presumed to represent management's view of financial performance unless it can be rebutted with reasonable and supportable information.

Appendix E: Preparing to adopt IFRS 18

What are the new disclosures for MPMs?

In a **single note** in the financial statements, a company:

- states that the MPM provides management’s view of the company’s financial performance and is not necessarily comparable to the MPMs of other companies;
- explains why the MPM provides useful information and how it is calculated;
- reconciles the MPM to a total/subtotal specified in IFRS Accounting Standards, including the tax and non-controlling interest effects for each reconciling item; and
- explains any changes – e.g. changes to calculations and any new MPMs.

Notes to the financial statements

	20X7	Tax effect	Effect on NCI
Adjusted operating profit (MPM)	X	X	X
Restructuring costs	(X)	(X) ^(a)	(X)
Operating profit *	X		

(a) The tax effect of restructuring costs in [Country S] is calculated based on the statutory tax rate applicable in [Country S] at the end of 20X7, which was X percent.



The reconciliation may involve additional effort. For instance, a company may need to develop an appropriate method to calculate the income tax effect for each reconciling item in the note.

* Required subtotal under IFRS Accounting Standards



Appendix E: Preparing to adopt IFRS 18

What are changes apply to the primary financial statements?

Cash flow statement

- **Operating profit is the starting point** for the indirect method.
- The **option** for classifying interest and dividend cash flows as **operating activities** has been **eliminated**.

Cash flows (general model)¹



Financing

- Dividends paid
- Interest paid



Investing

- Dividends received
- Interest received

Balance sheet

Goodwill is presented as a new line item on the face of the balance sheet.

Property, plant and equipment	X
Goodwill	X
Intangible assets	X
Total non-current assets	X

¹ Classifying interest and dividends will differ for companies with specified main business activities.



Appendix F: Audit and assurance insights

Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities

Current Developments

Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Assurance & Related Services, Canadian Securities Matters, and US Outlook reports.

Accelerate - The key issues driving the audit committee agenda

Discover the most pressing risks and opportunities that face audit committees, boards and management teams.

Sustainability Reporting

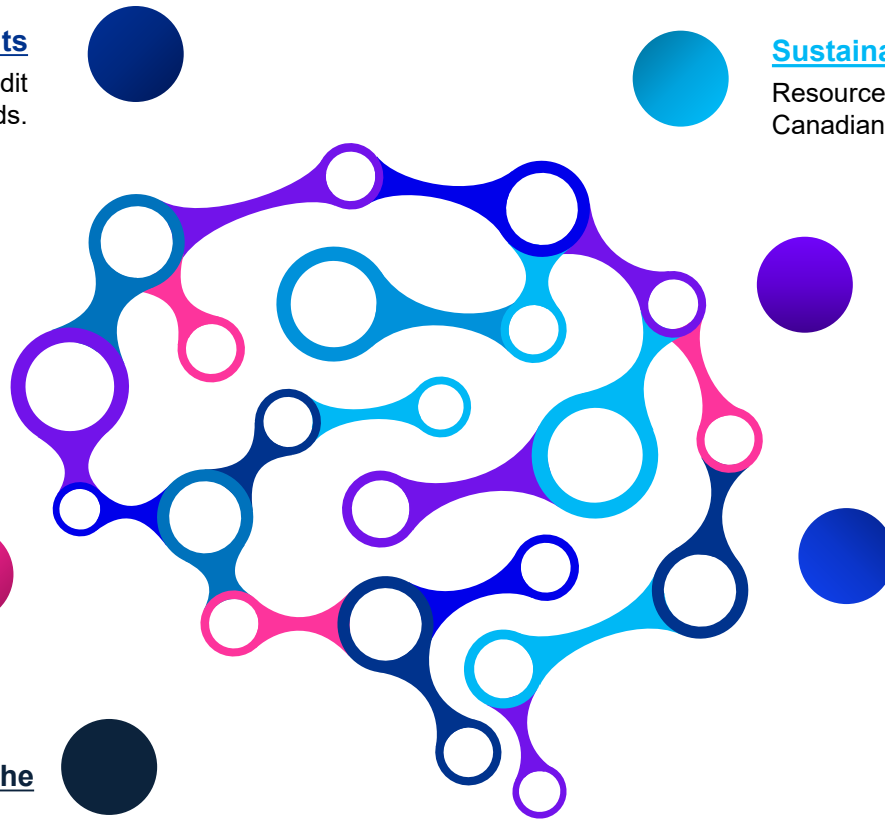
Resource centre on implementing the new Canadian reporting standards

IFRS Breaking News

A monthly Canadian newsletter that provides the latest insights on accounting, financial reporting and sustainability reporting.

Audit Committee Guide – Canadian Edition

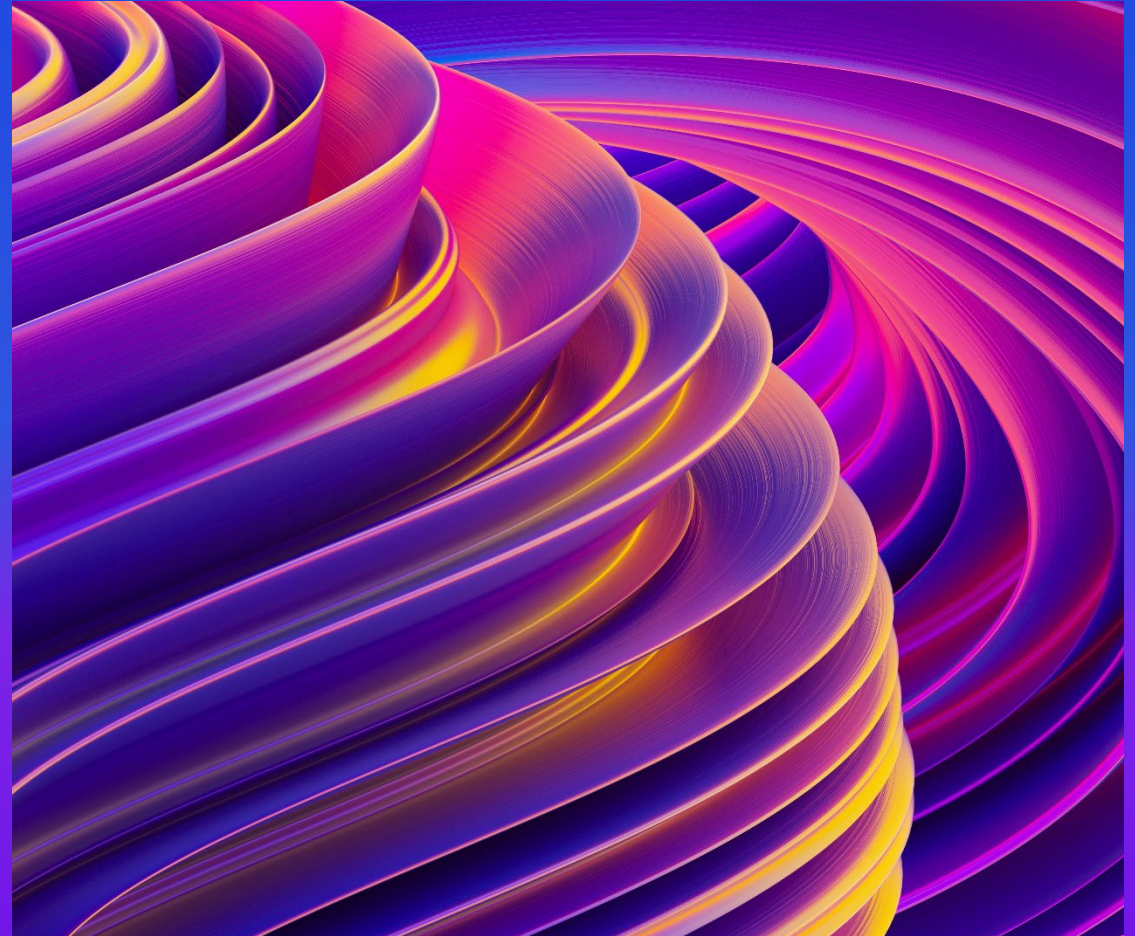
A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.





<https://kpmg.com/ca/en/home.html>

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Financial Statements of

**CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY**

And Independent Auditor's Report thereon

Year ended December 31, 2024

**KPMG LLP**

120 Victoria Street South
 Suite 600
 Kitchener, ON N2G 0E1
 Canada
 Telephone 519 747 8800
 Fax 519 747 8811

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 "Entity"), which comprise:

- the statement of financial position as at December 31, 2024
- the statement of comprehensive income for the year then ended
- and statement of changes in subscribers' equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity 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.



Page 3

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on February 27, 2024.

Other Information

Management is responsible for the other information. Other information comprises information, other than the financial statements and the auditors' report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Information, other than the financial statements and the auditors' report thereon, included in Annual Report at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board., and for such internal control as management determines is necessary to enable the preparation of the 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 auditors' 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 generally accepted auditing standards 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 the financial statements.



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As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Entity'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 Entity'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 Entity 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.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

[DATE]

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Cash	\$ 6,767,960	\$ 4,618,783
Short-term investments (note 5)	8,245,750	8,297,545
Bonds	7,858,472	7,081,571
Interest income due and accrued	35,492	34,146
Prepaid expenses	3,978	242,616
Reinsurance contract assets: (note 4)		
Assets for incurred claims	77,331,627	71,209,278
Asset for remaining coverage	3,135,880	3,303,542
	\$ 103,379,159	\$ 94,787,481

Liabilities and Subscribers' Equity

Liabilities:

Insurance contract liabilities: (note 4)		
Liability for incurred claims	\$ 77,945,855	\$ 72,378,249
Liability for remaining coverage	9,438,198	7,747,704
	87,384,053	80,125,953

Subscribers' equity:		
Additional surplus	16,010,495	14,845,045
Accumulated other comprehensive loss	(15,389)	(183,517)
	15,995,106	14,661,528

	\$ 103,379,159	\$ 94,787,481
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See accompanying notes to financial statements.

On behalf of the Board of Directors:

_____ Chair

_____ Vice-Chair

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Statement of Comprehensive Income

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Insurance revenue	\$ 19,318,046	\$ 17,956,690
Insurance service expense:		
Incurred claims expenses	10,765,853	8,575,314
Operating expenses	1,154,893	1,346,526
Premium tax expense	551,518	538,605
Total insurance service expenses	12,472,264	10,460,445
Insurance service result before reinsurance	6,845,782	7,496,245
Allocation of reinsurance premiums	16,585,571	15,249,537
Amounts recovered from (paid to) reinsurers	10,369,086	8,412,298
Net expense from reinsurance contracts	6,216,485	6,837,239
Net insurance service result	629,297	659,006
Investment result:		
Investment income	867,019	739,173
Insurance finance income (expense):		
From insurance contracts	(4,079,393)	(4,141,027)
From reinsurance contracts	3,748,527	3,833,466
Net insurance financial result	536,153	431,612
Net income	1,165,450	1,090,618
Other comprehensive income		
Unrealized gains (losses) on investments	168,128	146,119
Recognition of realized gain (loss) on investments	—	—
Other comprehensive income	168,128	146,119
Total comprehensive income	\$ 1,333,578	\$ 1,236,737

See accompanying notes to financial statements.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Statement of Changes in Subscribers' Equity

Year ended December 31, 2024, with comparative information for 2023

	Subscribers' surplus	AOCI	Total
Balance, December 31, 2022	\$ 13,754,427	\$ (329,636)	\$ 13,424,791
Net income	1,090,618	–	1,090,618
Other comprehensive income	–	146,119	146,119
Balance, December 31, 2023	\$ 14,845,045	\$ (183,517)	\$ 14,661,528
Net income	1,165,450	–	1,165,450
Other comprehensive income	–	168,128	168,128
Balance, December 31, 2024	\$ 16,010,495	\$ (15,389)	\$ 15,995,106

See accompanying notes to financial statements.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Net income (loss) for the year	\$ 1,165,450	\$ 1,090,618
Items not involving cash:		
Interest income due and accrued	(1,346)	(8,995)
Income (expenses) from insurance contracts	(2,766,391)	(3,355,220)
Income (expenses) from reinsurance contracts	2,467,959	3,003,772
Prepaid expenses	238,638	(5,965)
Accounts payable and accrued liabilities	–	(1,585,000)
Operating items involving cash outlays:		
Change in insurance contract liabilities	10,024,491	3,404,605
Change in reinsurance contract assets	(8,422,646)	(2,832,784)
	2,706,155	(288,969)
Investing activities:		
Purchase of bonds	(1,091,733)	(2,359,736)
Disposal of bonds	500,000	1,150,000
Purchase of short-term investments	(36,484,440)	(38,748,040)
Disposal of short-term investments	36,706,128	42,142,226
Amortization of bond premiums	(187,216)	(150,470)
Amortization of bond discounts	283	779
	(556,978)	2,034,759
Net increase in cash	2,149,177	1,745,790
Cash balance, beginning of year	4,618,783	2,872,993
Cash balance, end of year	\$ 6,767,960	\$ 4,618,783
Supplemental information:		
Interest received	\$ 469,871	\$ 580,488

See accompanying notes to financial statements.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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 2023) and the other members of the Advisory Board receive no compensation.

1. Basis of presentation:

(a) Statement of compliance:

The financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) and its interpretations adopted by the International Accounting Standards Board (“IASB”).

The financial statements were authorized for issue by the Advisory Board on February 25, 2025.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Society’s functional currency. All financial information presented in Canadian dollars.

(d) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Basis of presentation (continued):

(d) Use of estimates and judgments (continued):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is discussed in note 3.

(e) Statement of financial position:

The Society presents its statement of financial position in order of liquidity. Assets and liabilities that are expected to be recovered or settled in more than 12 months after the reporting date are summarized in note 11.

2. 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) Financial assets:

The Society accounts for all financial instruments using transaction date accounting.

a) Classification and measurement of financial instruments:

Financial assets can be classified as fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), or amortized cost based on their characteristics and purpose of their acquisition.

The Society classifies financial assets into the following categories:

- financial assets held at FVTPL: cash
- financial assets held at FVOCI: short-term investments and bonds
- financial assets at amortized cost: interest income due and accrued and receivables

The Society's investments are measured at 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.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(a) Financial assets and liabilities (continued):

(i) Financial assets (continued):

a) Classification and measurement of financial instruments (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).

b) Business model assessment:

The Society assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed and information is provided to management. The Society determines its investment business model by considering its insurance activities. In addition, judgment is used in concluding which model aligns best with its core business objectives and practices. Factors that are used in business model decisions include how insurance business generate benefits, significant risks facing the business on asset and liability fronts, how compensation is determined for portfolio managers responsible for managing investments, as well as historical and projected turnover of the investment portfolio to fund insurance business on a day-to-day basis.

The Society's primary business model is held-to-collect and sell which provides a desired flexibility to support the Society's insurance business i.e., contractual cash flows from financial assets are collected by holding such investments, and these financial assets are sold when required to fund insurance contract liabilities.

c) SPPI assessment:

In assessing whether contractual cash flows are SPPI, the Society considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that they would not be consistent with a basic lending arrangement.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(a) Financial assets and liabilities (continued):

(i) Financial assets (continued):

c) SPPI assessment (continued):

In making the assessment, the Society considers the primary terms as follows and assesses if the contractual cash flows of the instruments continue to meet the SPPI test:

- Contingent events that would change the amount or timing of cash flows
- Terms that limit the Society's claim to cash flows from specified assets (e.g. non-recourse terms)
- Prepayment and extension terms
- Leverage features
- Features that modify elements of the time value of money (e.g. periodic reset of interest rates)

(ii) Financial liabilities:

Financial liabilities are recognized initially on the trade date at which the Society becomes a party to the contractual provisions of the instrument. The Society derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Society has the following non-derivative financial liabilities: accounts payable and accrued charges.

(iii) Investment income:

Interest income from fixed income investments, including short-term investments and bonds, is recognized on an accrual basis using the effective interest rate method and reported as interest in investment income.

(iv) General investment expenses:

General investment expenses are recognized as incurred.

(b) Impairment:

The Society recognises loss allowances for expected credit losses (ECL) on financial assets not classified as FVTPL. The Society measures loss allowances at an amount equal to lifetime ECL, except on other financial instruments for which the credit risk has not increased significantly since initial recognition, for which the amount recognised is the 12-month ECL.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(b) Impairment (continued):

The Society assesses at each reporting date whether a financial asset or group of financial assets, other than financial assets at FVTPL, is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. When there is evidence of impairment, the value of these financial instruments is written down to the estimated net realizable value through investment income in the statement of comprehensive income.

(c) Insurance and reinsurance contracts accounting treatment:

(i) 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.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(c) Insurance and reinsurance contracts accounting treatment (continued):

(i) Contract classification (continued):

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 under the cyber contracts:

- 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.

(ii) 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 two groups:

- any contracts that are onerous on initial recognition;
- 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.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(c) Insurance and reinsurance contracts accounting treatment (continued):

(ii) Level of aggregation (continued):

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 two 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.

(iii) 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
- Other contracts: Remaining insurance contracts

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.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(c) Insurance and reinsurance contracts accounting treatment (continued):

(iv) 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.

(v) 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 a group of insurance contracts 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 and 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.

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 fulfilment 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.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(c) Insurance and reinsurance contracts accounting treatment (continued):

(v) Measurement models:

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.

(vi) Insurance acquisition cash flows:

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.

(vii) 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.

(viii) Insurance service revenue:

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

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(c) Insurance and reinsurance contracts accounting treatment (continued):

(ix) 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:

- 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.

(x) Insurance finance income and 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 are presented in net income. The Society does not disaggregate the amount between net income and other comprehensive income.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Material accounting policies (continued):

(d) Accounting standards issued but not yet effective:

A number of new accounting standards are effective for annual reporting periods beginning on or after January 1, 2024 with early application permitted.

(i) IFRS 18, Presentation and Disclosures in Financial Statements

In April 2024, the IASB issued IFRS 18, Presentation and Disclosures in Financial Statements, which will replace IAS 1. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a new-defined operating profit sub-total. The Society's new profit will not change.
- Management defined performance measurers (MPMs) are disclosed in a single note in the financial statements
- Enhanced guidance is provided on how to group information in the financial statements

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and must be applied retrospectively. The Society is currently evaluating the impact that this standard will have on its consolidated financial statements.

(ii) IFRS 9 and IFRS 7 Amendments, Classification and measurement of financial instruments

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 relating to classification and measurement of financial instruments. The amendments clarify certain concepts relating to classification of financial assets, including those with contingent features. The amendments address the recognition and derecognition of financial assets and liabilities settled using an electronic payment system. The amendments also introduce certain new disclosure requirements for financial instruments measured at fair value through other comprehensive income and amortized cost. These amendments are effective for annual reporting periods beginning on or after January 1, 2026, and must be applied retrospectively. The Society is currently evaluating the impact that this amendment will have on its financial statements.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Significant judgments and estimates:

The Society makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Significant judgments:

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- Classification of insurance and reinsurance contracts. Assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features. See note 2(c)(i).
- Level of aggregation of insurance and reinsurance contracts. Identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently. See note 2(c)(ii).
- Measurement of insurance and reinsurance contracts. Determining the techniques for estimating risk adjustments for non-financial risk and the coverage usings provided under a contract. See note 2(c)(v).
- Classification of financial assets: assign the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest (SPPI) on the principal amount outstanding. See note 2(a).
- Impairment of financial assets establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of the ECL and selection and approval of models use to measure ECL. See note 2(b).

(b) Estimates and assumptions:

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment to the carrying amounts of assets and liabilities within the next twelve months include the following notes:

- Information about assumptions made in measuring insurance and reinsurance contracts is included in note 5.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

4. Financial instruments:

The Society's securities have all been designated as FVOCI. The Society monitors its portfolio of securities on an ongoing basis to identify impairments based on objective evidence. Analysis is conducted at the individual security level.

(a) Fair values of investments:

The fair values of investments are summarized as follows:

	2024	2023
Short-term investments	\$ 8,245,750	\$ 8,297,545
Federal bonds	1,974,396	1,941,995
Provincial bonds	3,074,499	2,707,656
Corporate bonds	2,809,577	2,431,920
	<u>\$ 16,104,222</u>	<u>\$ 15,379,116</u>

The fair values of securities are based on quoted market values.

Fair values of cash and cash equivalents and accrued investment income approximate their carrying values due to the short-term maturity of these items.

(b) Fair value hierarchy:

The Society uses a fair value hierarchy to categorize the inputs used in valuation techniques to measure fair value. The extent of the Society's use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3) in the valuation of term deposits and bond and debenture investments, were as follows:

2024	Level 1	Level 2	Level 3	Total
Short-term investments	\$ –	\$ 8,245,750	\$ –	\$ 8,245,750
Bonds	–	7,858,472	–	7,858,472
Total	<u>\$ –</u>	<u>\$ 16,104,222</u>	<u>\$ –</u>	<u>\$ 16,104,222</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

4. Financial instruments (continued):

(b) Fair value hierarchy (continued):

2023		Level 1	Level 2	Level 3	Total
Short-term investments	\$	–	\$ 8,297,545	\$ –	\$ 8,297,545
Bonds		–	7,081,571	–	7,081,571
Total	\$	–	\$ 15,379,116	\$ –	\$ 15,379,116

The Society did not have any transfers between the Level 1 and Level 2 categories.

The Society has no holdings in the Level 3 category.

(c) Liquidity:

Maturity profile of fixed income investments as at December 31, 2024:

	Within 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Over 10 years
\$	947,210	\$ 1,831,307	\$ 1,708,158	\$ 3,371,797	\$ –

Maturity profile of fixed income investments as at December 31, 2023:

	Within 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Over 10 years
\$	495,005	\$ 1,887,880	\$ 1,785,751	\$ 2,912,935	\$ –

The weighted average yield for debt securities based on market value at December 31, 2024 is 5.29% (2023 – 5.71%).

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

5. Insurance and reinsurance contracts:

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

December 31, 2024	Liability for remaining coverage			Liability for Incurred Claims		
	Excluding Loss-Recovery Component	Loss-Recovery Component	Total	Present value of cash flows	Risk adjustment	Total
Insurance contract liabilities, beginning of year	7,747,704	-	7,747,704	66,402,063	5,976,186	72,378,249
Changes in the statement of comprehensive income						
Insurance revenue	(19,318,046)	-	(19,318,046)	-	-	-
Insurance service expenses:						
Incurred claims relating to current year	-	-	-	13,932,503	1,287,823	15,220,326
Incurred claims relating to prior years	-	-	-	(3,626,363)	(828,112)	(4,454,475)
Losses (and reversal) on onerous contracts	-	-	-	-	-	-
Incurred insurance acquisition cash flows	551,518	-	551,518	-	-	-
Other incurred insurance service expenses	-	-	-	1,154,893	-	1,154,893
Insurance service result	(18,766,528)	-	(18,766,528)	11,461,033	459,711	11,920,744
Insurance finance expense (income)	-	-	-	4,079,393	-	4,079,393
Net change in statement of comprehensive income	(18,766,528)	-	(18,766,528)	15,540,426	459,711	16,000,137
Changes in cash flows:						
Premiums received	21,134,605	-	21,134,605	-	-	-
Insurance acquisition cash flows paid	(559,226)	-	(559,226)	-	-	-
Claims paid	-	-	-	(9,277,640)	-	(9,277,640)
Other insurance service expenses paid	(118,357)	-	(118,357)	(1,154,891)	-	(1,154,891)
Net change in cash flows	20,457,022	-	20,457,022	(10,432,531)	-	(10,432,531)
Insurance contract liabilities, end of year	9,438,198	-	9,438,198	71,509,958	6,435,897	77,945,855

The insurance contract liabilities as of December 31, 2024 include \$3,452,111 for Cyber Insurance.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

5. 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-Recovery Component	Loss-Recovery 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	-	-	-	12,897,983	1,187,820	14,085,803
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)	10,232,828	(310,988)	9,921,840
Insurance finance expense (income)	-	-	-	4,141,027	-	4,141,027
Net change in statement of comprehensive income	(17,418,085)	-	(17,418,085)	14,373,855	(310,988)	14,062,867
Changes in cash flows:						
Premiums received	21,558,537	-	21,558,537	-	-	-
Insurance acquisition cash flows paid	(324,649)	-	(324,649)	-	-	-
Claims paid	-	-	-	(16,482,759)	-	(16,482,759)
Other insurance service expenses paid	-	-	-	(1,346,526)	-	(1,346,526)
Net change in cash flows	21,233,888	-	21,233,888	(17,829,285)	-	(17,829,285)
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.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

5. Insurance and reinsurance contracts (continued):

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

December 31, 2024	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	3,303,542	-	3,303,542	65,731,307	5,477,971	71,209,278
Changes in the statement of comprehensive income						
Allocation of reinsurance premiums	(15,895,620)	-	(15,895,620)	-	-	-
Amounts recovered from reinsurers:						
Incurred claims relating to current year	-	-	-	12,837,613	1,171,872	14,009,485
Incurred claims relating to prior years	-	-	-	(2,840,372)	(761,719)	(3,602,091)
Recovery of losses and reversal on recovery of losses	-	-	-	-	-	-
Changes in non-performance risk of reinsurers	-	-	-	(38,308)	-	(38,308)
Other incurred insurance service expenses	(689,951)	-	(689,951)	-	-	-
Net expense from reinsurance contracts	(16,585,571)	-	(16,585,571)	9,958,933	410,153	10,369,086
Reinsurance finance income (expense)	-	-	-	3,748,527	-	3,748,527
Net change in statement of comprehensive income	(16,585,571)	-	(16,585,571)	13,707,460	410,153	14,117,613
Changes in cash flows:						
Premiums paid	15,535,124	-	15,535,124	-	-	-
Amounts received	-	-	-	(7,995,264)	-	(7,995,264)
Reinsurance acquisition cash flows	882,785	-	882,785	-	-	-
Net change in cash flows	16,417,909	-	16,417,909	(7,995,264)	-	(7,995,264)
Reinsurance contract assets, end of year	3,135,880	-	3,135,880	71,443,53	5,888,124	77,331,627

The reinsurance contract assets as of December 31, 2024 include \$1,733,049 for Cyber Insurance.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

5. 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:						
Incurred claims relating to current year	-	-	-	11,881,124	1,080,342	12,961,466
Incurred 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	(656,603)	-	(656,603)	-	-	-
Net expense from reinsurance contracts	(15,249,537)	-	(15,249,537)	8,757,630	(345,332)	8,412,298
Reinsurance finance income (expense)	-	-	-	3,833,466	-	3,833,466
Net change in statement of comprehensive income	(15,249,537)	-	(15,249,537)	12,591,096	(345,332)	12,245,764
Changes in cash flows:						
Premiums paid	15,230,831	-	15,230,831	-	-	-
Amounts received	-	-	-	(13,054,650)	-	(13,054,650)
Reinsurance acquisition cash flows	656,604	-	656,604	-	-	-
Net change in cash flows	15,887,435	-	15,887,435	(13,054,650)	-	(13,054,650)
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.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

5. 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.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

5. Insurance and reinsurance contracts (continued):

(c) Nature of the provision for unpaid claims (continued):

Discounting

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

	2024	2023
Year	Illiquid yield curve	Illiquid yield curve
1	3.32%	4.89%
2	3.40%	4.56%
3	3.47%	4.36%
4	3.58%	4.28%
5	3.70%	4.25%
10	4.23%	4.29%
15	4.51%	4.38%
20	4.57%	4.41%

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%.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

5. Insurance and reinsurance contracts (continued):

(c) Nature of the provision for unpaid claims (continued):

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

	2024	2023
Undiscounted liability for incurred claims	\$ 83,130,810	\$ 78,826,747
Discounting	(11,620,851)	(12,424,684)
Risk adjustment	6,435,896	5,976,186
Liability for incurred claims	\$ 77,945,855	\$ 72,378,249

	2024	2023
Undiscounted asset for incurred claims	\$ 76,131,323	\$ 72,338,792
Discounting	(10,707,720)	(11,472,448)
Risk adjustment	5,888,124	5,477,971
Claims receivable for reinsurers	6,019,900	4,864,963
Asset for incurred claims	\$ 77,331,627	\$ 71,209,278

(d) 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.

	2024	2023
5% increase in expected loss ratio	176,204	144,434
5% decrease in expected loss ratio	(145,887)	(115,831)
1% increase in discount rate	(220,526)	(199,331)
1% decrease in discount rate	235,458	213,045

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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, 2024 (\$975,000 in July 1, 2023) 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, 2024, Colchester received from the Society premiums of \$2,440,010 (\$4,744,434 in July 1, 2023).

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

7. Reinsurance Program (continued):

- (c) Colchester provides aggregate stop-loss reinsurance protection for a portion of the Society's retained risk on the Professional Liability Policy. On July 1, 2024 this reinsurance had an attachment point of \$5,000,000 (\$5,000,000 on July 1, 2023), and an annual aggregate limit of \$10,000,000 (\$10,000,000 on July 1, 2023). 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, 2024, the total reserves held and recoverable on the Society's financial statements relating to LPT was NIL (\$1,410 in 2023). 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, 2024 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.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

10. Risk management

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, 2024 and 2023, 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, 2024 is \$33,601,490 (\$33,644,779 in 2023).

(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:

	2024	2023
Cash	\$ 6,767,960	\$ 4,618,783
Short-term investments	8,245,750	8,297,545
Bonds	7,858,472	7,081,571
Interest income due and accrued	35,492	34,146
Reinsurance contract assets	80,467,507	74,512,820
	<u>\$ 103,375,181</u>	<u>\$ 94,544,865</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

10. Risk management (continued):

(a) Credit risk (continued):

(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:

	2024 %	2023 %
R-1 (high)	51	54
AAA	12	30
AA	29	11
A	5	2
BBB	3	3
	100	100

(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 following tables indicate the estimated amount and timing of cashflows from the Society's expected payment of insurance contract liabilities at December 31, 2024.

December 31, 2024	Year 1 \$	Year 2 \$	Year 3 \$	Year 4 \$	Year 5 \$	Year 6+ \$	Total \$
Insurance contract liabilities for incurred claims - undiscounted	12,599,932	11,731,935	11,107,131	10,190,327	9,392,855	28,108,630	83,130,810
Reinsurance Contract assets for incurred claims - undiscounted	17,447,598	10,666,518	10,117,141	9,299,597	8,625,572	25,994,797	82,151,223
Total	(4,847,666)	1,065,417	989,990	890,730	767,283	2,113,833	979,587

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

10. Risk management (continued):

(b) Liquidity risk:

December 31, 2023	Year 1 \$	Year 2 \$	Year 3 \$	Year 4 \$	Year 5 \$	Year 6+ \$	Total \$
Insurance contract liabilities for incurred claims	11,462,467	11,443,859	10,220,822	9,346,060	8,530,226	27,823,314	78,826,748
Reinsurance contract assets for incurred claims	15,123,428	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	1,622,993

(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.

As at December 31, 2024, management estimates that a hypothetical 100 basis point parallel increase in interest rates would decrease the market value of the fixed income securities by \$161,042 (2023 - \$153,791), and decrease the value of unpaid claims reserves by \$220,526 (2023 - \$199,331), thus partially offsetting the change in market value of bonds. Conversely, a 100 basis point decrease in interest rates would increase the market value of the fixed income securities by \$161,042 (2023 - \$153,128) and value of unpaid claims reserves by \$235,458 (2023 - \$213,045). If it was necessary for us to complete an unexpected quick liquidation of assets to meet our policy obligations, interest rate fluctuations could result in realized gains or losses greater than the change in reserve values.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

10. Risk management (continued):

(c) Market risk:

(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.

(d) Insurance risk:

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.

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.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

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

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

10. Risk management (continued):

(e) Claims development (continued):

The following tables shows the development of claims over a 10 year period, on both a gross and net of reinsurance basis:

Analysis of claims development – gross:

10 years	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
End of year	13,475,000	13,856,000	12,376,000	13,081,000	18,559,000	14,806,274	14,940,774	17,616,857	18,546,256	8,779,502	
1 year later	12,485,000	14,531,000	11,504,000	12,176,000	15,774,661	13,830,857	17,098,468	14,955,652	16,438,472		
2 years later	8,949,000	13,196,000	8,400,000	8,850,446	11,982,585	10,446,908	15,494,613	13,132,217			
3 years later	9,176,000	11,352,000	6,683,361	7,291,393	10,699,495	10,438,193	13,940,306				
4 years later	8,166,000	9,109,049	4,688,919	7,419,973	12,158,972	10,553,469					
5 years later	9,049,066	5,520,074	2,938,566	4,415,956	9,783,046						
6 years later	9,256,610	4,407,746	1,193,165	3,029,734							
7 years later	13,129,425	4,150,239	1,056,658								
8 years later	13,281,321	4,140,437									
9 years later	14,215,149										
Current estimate of ultimate	14,215,149	4,140,437	1,056,658	3,029,734	9,783,046	10,553,469	13,940,306	13,132,217	16,438,472	8,779,502	95,068,990
Cumulative payments	8,811,563	3,272,062	-	1,011,944	4,674,487	1,248,862	3,533,719	-	-	-	22,552,637
Outstanding claims	5,403,586	868,375	1,056,658	2,017,790	5,108,559	9,304,607	10,406,587	13,132,217	16,438,472	8,779,502	72,516,353
Liability for all prior years											7,958,778
Estimated unallocated loss adjusting expenses ("ULAE")											2,655,679
Effect of discounting											(11,620,851)
Risk adjustment for non-financial risk											6,435,896
Insurance contract liability for incurred claims in statement of financial position											77,945,855

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

10. Risk management (continued):

(e) Claims development (continued):

Analysis of claims development – net:

10 years	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
End of year	424,000	444,000	387,000	419,000	1,244,000	451,976	478,224	1,492,207	1,490,134	507,559	
1 year later	392,000	1,062,000	360,000	390,000	945,824	423,257	628,826	903,149	949,063		
2 years later	281,000	950,000	263,000	283,415	827,527	420,972	486,945	644,000			
3 years later	218,000	891,000	208,864	225,484	777,910	390,325	433,829				
4 years later	162,000	818,782	146,535	265,048	718,939	285,277					
5 years later	67,235	719,890	120,301	141,956	600,740						
6 years later	18,753	696,225	48,847	84,147							
7 years later	115,683	680,705	43,258								
8 years later	78,428	679,394									
9 years later	64,903										
Current estimate of ultimate	64,903	679,394	43,258	84,147	600,740	285,277	433,829	644,000	949,063	507,559	4,292,170
Cumulative payments	-	650,000	-	-	416,634	-	-	-	-	-	1,066,634
Outstanding claims	64,903	29,394	43,258	84,147	184,106	285,277	433,829	644,000	949,063	507,559	3,225,536
Liability for all prior years											1,118,272
Estimated unallocated loss adjusting expenses ("ULAE")											2,655,679
Effect of discounting											(913,131)
Risk adjustment for non-financial risk											547,772
Other payables net of receivables											(6,019,900)
Insurance contract liability for incurred claims in statement of financial position											614,228

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

11. Financial assets and liabilities:

The following table presents financial assets and liabilities that the Society expects to recover or settle in 12 months or more:

	2024	2023
Bonds	\$ 6,911,262	\$ 6,586,566
Reinsurance contract assets	64,703,626	62,080,327
Total assets	\$ 71,614,888	\$ 68,666,893
Insurance contract liabilities	\$ 70,530,878	\$ 67,364,280
Total liabilities	\$ 70,530,878	\$ 67,364,280

12. Equity management and adequacy:

Equity is comprised of minimum and additional surplus and AOCI. At December 31, 2024, the equity was \$15,995,106 (\$14,661,532 in 2023). 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.

The Society is regulated by the Superintendent of Insurance, Alberta and in British Columbia, Ontario and Nova Scotia where licenses are held. The key regulatory solvency test required by the Superintendent of Insurance, Alberta is the Alberta Maintenance of Reserve and Guarantee Fund ("AMRGF"). In accordance with sections 99 and 100 of the Alberta Insurance Act, a reciprocal must maintain cash and securities in excess of the reserve fund plus the guarantee fund required by the regulator. The Society's total reserve and guarantee funds required are as follows:

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Notes to Financial Statements (continued)

Year ended December 31, 2024

12. Equity management and adequacy (continued):

	2024	2023
Reserve fund		
Net premiums written during the year	\$ 21,135,000	\$ 21,559,000
Less: Amounts paid to licensed reinsurers	(12,957,000)	(15,105,000)
Requirement	8,178,000	6,454,000
Factor	50%	50%
	\$ 4,089,000	\$ 3,227,000
Guarantee fund		
Total liabilities	\$ 87,384,000	\$ 80,126,000
Less: Liability for remaining coverage	(9,438,000)	(7,748,000)
Less: Recoverable from licensed reinsurers	(77,309,000)	(71,186,000)
Add: Statutory margin	50,000	50,000
	\$ 687,000	\$ 1,242,000
Cash and approved securities	\$ 22,908,000	\$ 19,998,000
Total to reserve and guarantee fund	4,776,000	4,469,000
Excess of cash and securities over reserve and guarantee fund	\$ 18,132,000	\$ 15,529,000

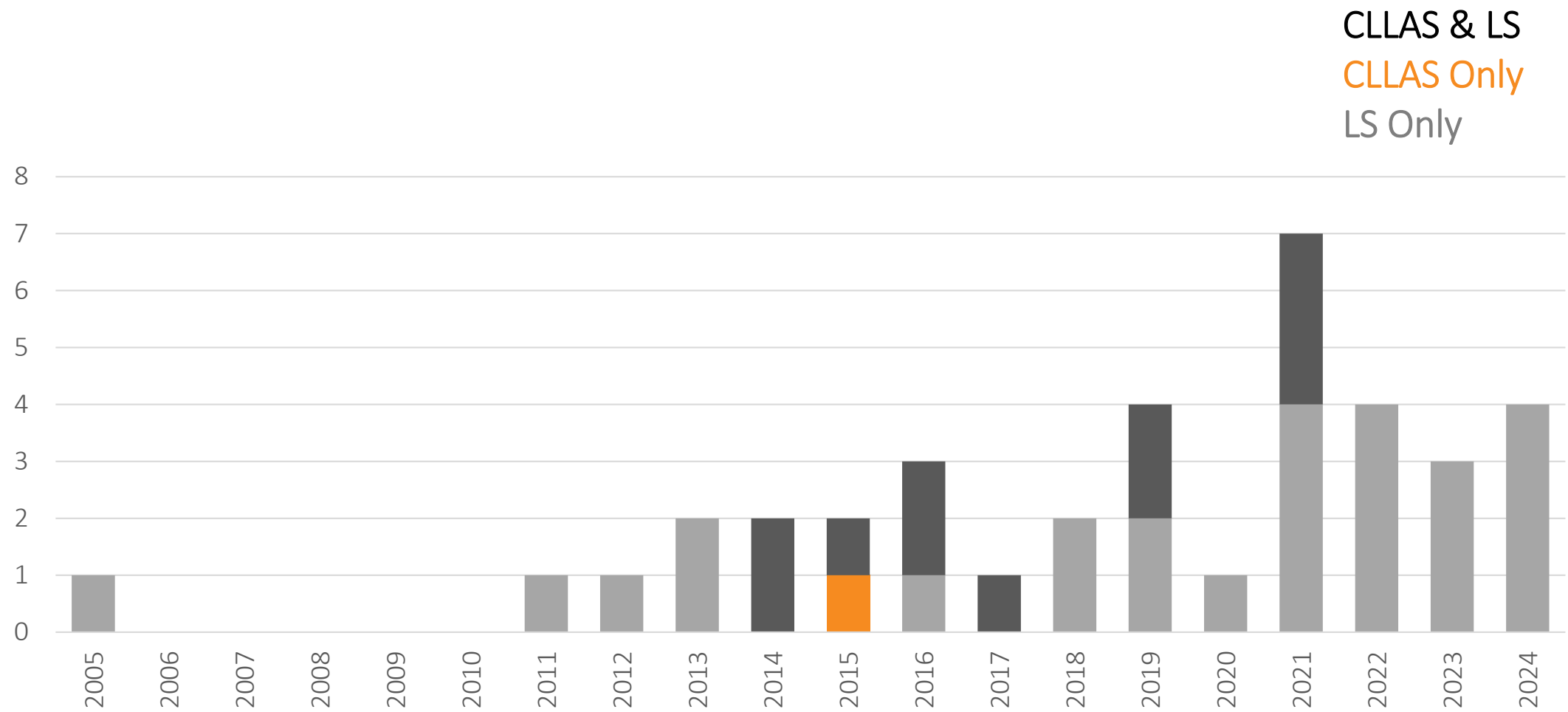
While the Superintendent of Insurance, Alberta no longer requires reciprocals to meet a Minimum Capital Test ("MCT") ratio, it remains the primary solvency test in other provinces. The regulatory minimum ratio of capital available to capital required in those provinces is at least 100%. As of December 31, 2024, the Society's MCT ratio was 836% (781% in 2023). 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.



Canadian Lawyers Liability Assurance Society

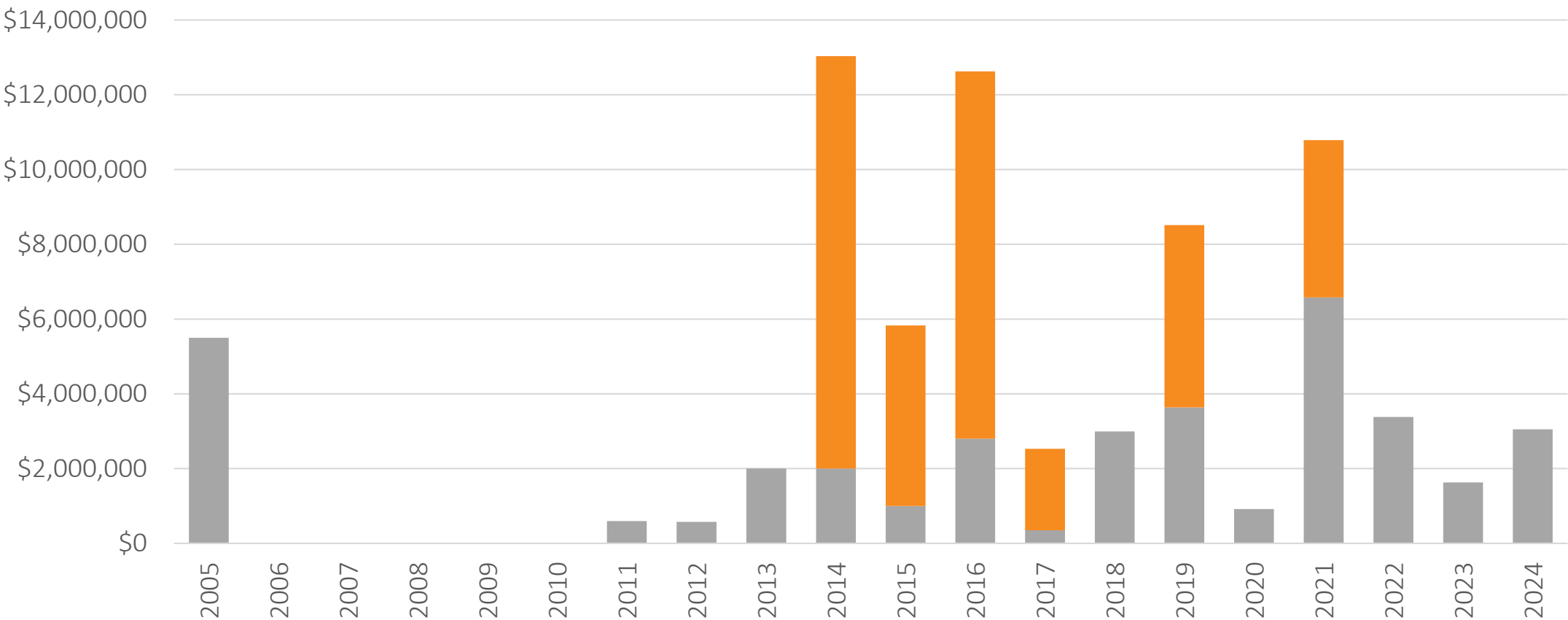
Open Large Loss Claims Summary as at December 31, 2024

Number of Claims by Insurer

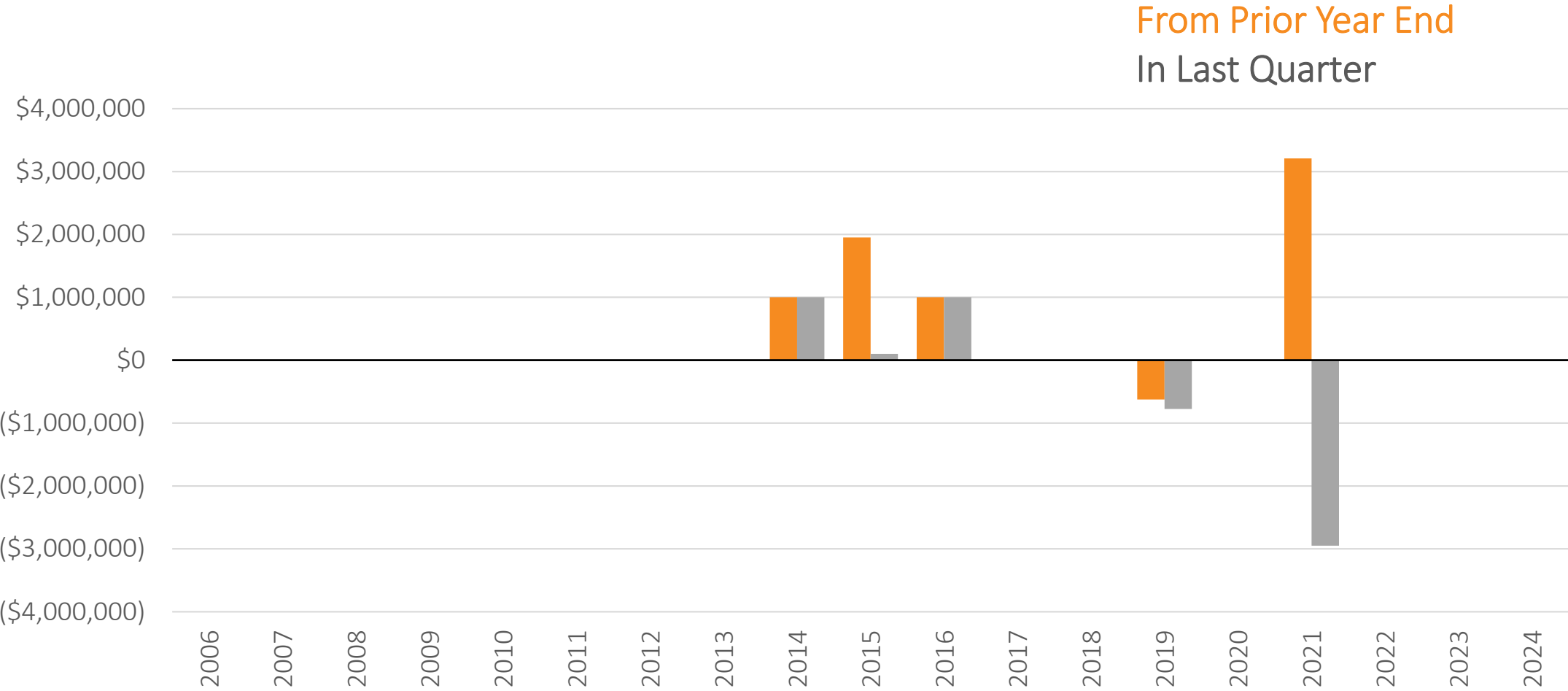


Incurred Amounts by Insurer

LS - CLLAS

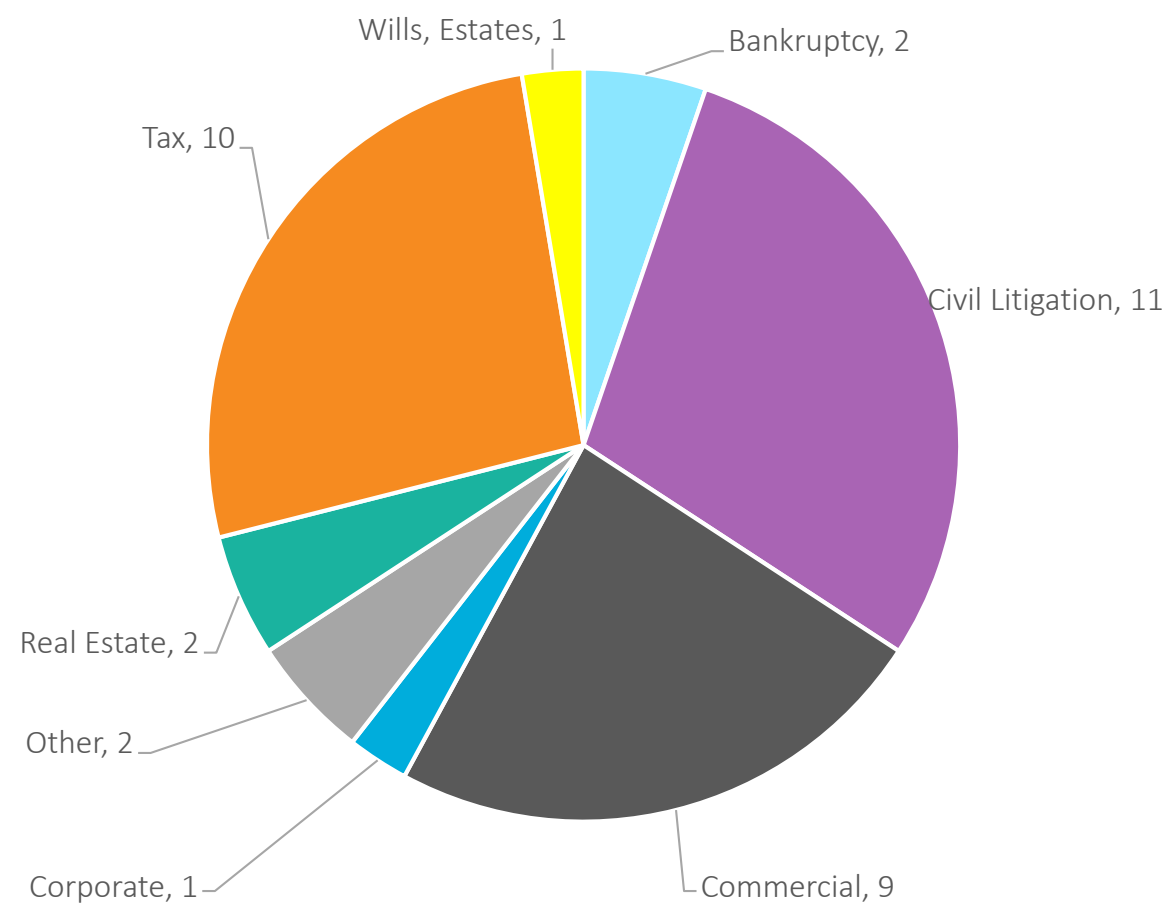


Change in Incurred Amounts (CLLAS)

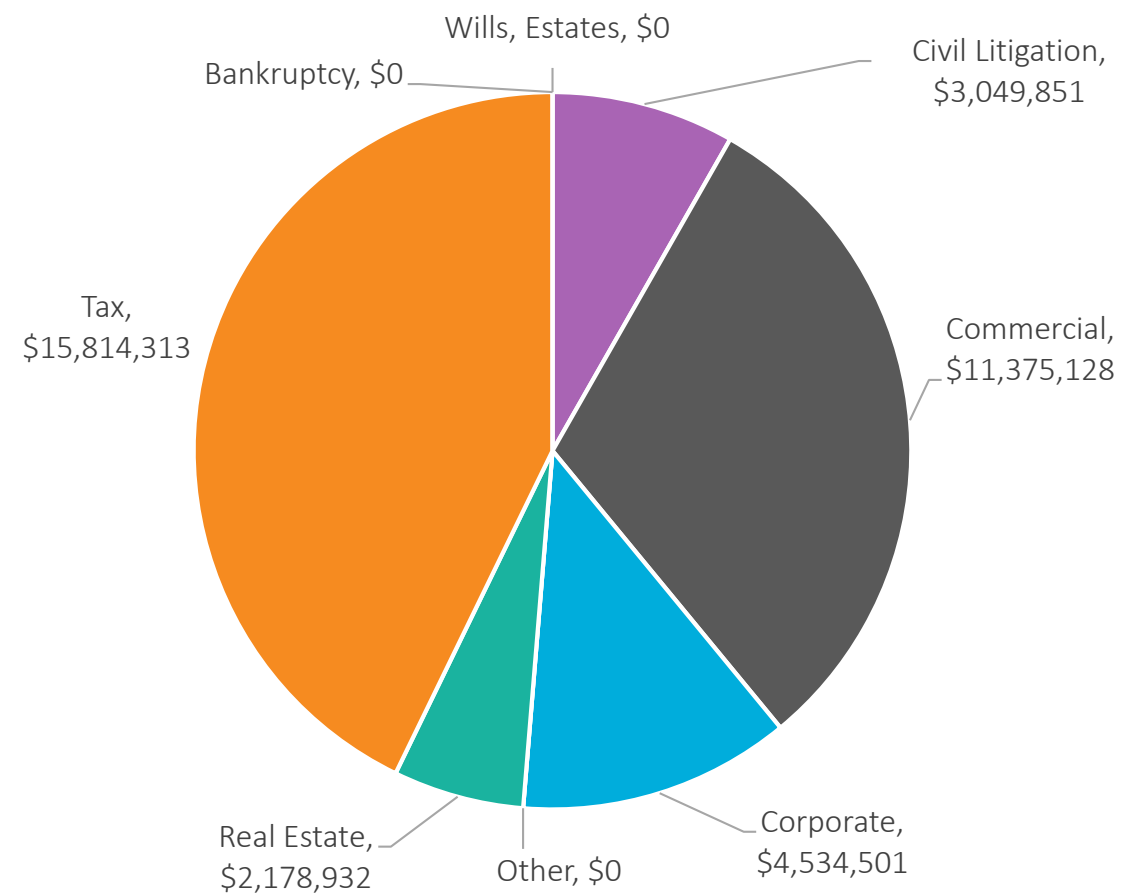


By Area of Law

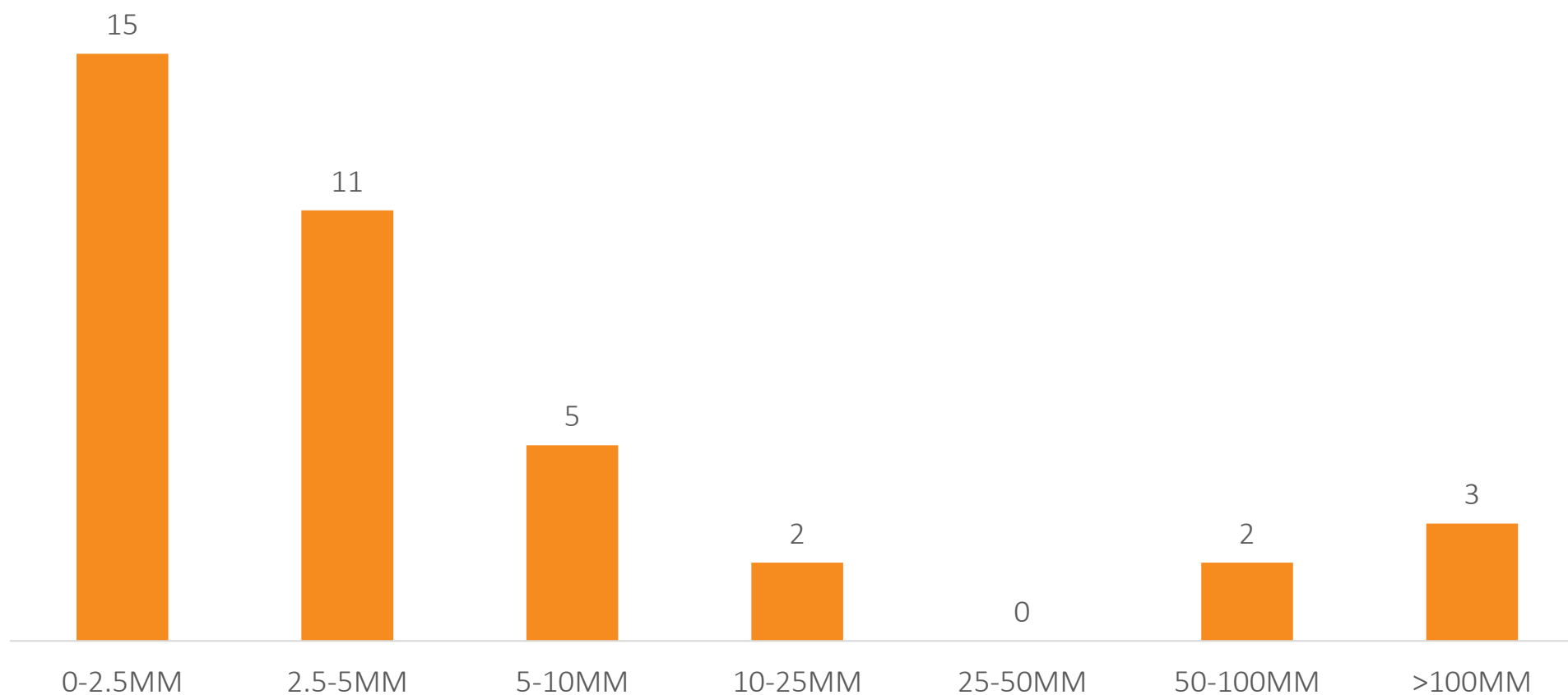
Number of Claims (CLLAS & LS)



CLLAS Incurred



Number of Claims by Best Estimate of Worst Case



Claim Count Movement in Quarter

Policy Year	Law Society Only	CLLAS Only	CLLAS & Law Society
2007 and prior	0	0	0
2008	0	0	0
2009	0	0	0
2010	0	0	0
2011	0	0	0
2012	0	0	0
2013	0	0	0
2014	0	0	0
2015	0	0	0
2016	-1	0	0
2017	0	0	0
2018	0	0	0
2019	-1	0	0
2020	0	0	0
2021	0	0	0
2022	1	0	0
2023	1	0	0
2024	4	0	0

Notes

Slide 1

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

Slide 2

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

Slide 3

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

Notes (Cont'd)

Slide 4

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

Slide 5

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

Slide 6

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

discussion





MEMORANDUM

Date: February 19, 2025
To: CLLAS Advisory Board
CC:
From: Carrie Green
Re: CLLAS Policy Committee Report

The CLLAS policy committee was recently tasked with reviewing the CLLAS policy Definition of Costs, Charges and Expenses arising from developments on an old claim that recently came into the CLLAS layer. The issue was identified by coverage counsel in a review of an ongoing CLLAS matter where the CLLAS policy has broad, more generous wording than the underlying insurer such that CLLAS has exposure to expenses incurred by the CLLAS Firm without notice to CLLAS. As a result, it is the recommendation of the Policy Committee that CLLAS amend the policy language to provide reimbursement of expenses incurred by a member firm in response to a claim or circumstance be first approved by CLLAS.

Attached to this memo, please find both a blacklined and final version of the policy definition changes recommended by the CLLAS Policy Committee.

(New)

CLLAS Policy – Section I – 6

“**Costs, Charges and Expenses**” means:

- (1) subject to paragraphs (2) and (3), all reasonable costs, charges, expenses and fees incurred by an **Insured** in connection with a **Claim** or circumstance reported by the **Named Insured** including, without limitation, those incurred in retaining outside lawyers, consultants, or other firms or persons by the **Insured** to investigate such **Claim** or circumstance or to defend or appeal such **Claim**, whether such **Claim** is ultimately settled or adjudicated, the cost of legal, administrative or alternative dispute resolution proceedings, the cost of appeal, attachment or similar bonds or other security required to be furnished in connection with the contesting of such **Claim**, reasonable expenses that any **Insured** incurs while investigating, defending or appealing such **Claim** and legal costs awarded against any **Insured** in a suit or proceeding relating to such **Claim** but excluding (i) loss of earnings suffered by an **Insured** and (ii) fines and penalties incurred by an **Insured**;
- (2) all reasonable costs, charges, expenses and fees incurred by an **Insured** with the prior approval of the **Insurer** that are aimed at reducing or eliminating an **Insured**'s actual, possible or potential exposure to liability for **Damage(s)** relating to a **Claim** or circumstance reported by a **Named Insured** other than by means to defending or appealing such **Claim**; and,
- (3) **Costs, Charges and Expenses** does not include costs, charges, expenses or fees incurred prior to the reporting of a **Claim** or circumstance by the **Named Insured**.

CLLAS Policy Definition of Costs with changes (clean).docx

CLLAS Policy – Section I – 6

“Costs, Charges and Expenses” means:

- (1) subject to paragraphs (2) and (3), all reasonable costs, charges, expenses and fees incurred by an **Insured** in connection with a **Claim** or circumstance reported by the **Named Insured** including, without limitation, those incurred in retaining outside lawyers, consultants, or other firms or persons by the **Insured** to investigate, such **Claim** or circumstance or to defend or appeal such **Claim** ~~or circumstance~~, whether such **Claim** ~~or circumstance~~ is ultimately settled or adjudicated, the cost of legal, administrative or alternative dispute resolution proceedings, the cost of appeal, attachment or similar bonds or other security required to be furnished in connection with the contesting of such **Claim** ~~or circumstance~~, reasonable expenses that any **Insured** incurs while investigating, defending or appealing such **Claim** ~~or circumstance~~ and legal costs awarded against any **Insured** in a suit or proceeding relating to such **Claim** but excluding (i) loss of earnings suffered by an **Insured** and (ii) fines and penalties incurred by an **Insured**;
- (2) all reasonable costs, charges, expenses and fees incurred by an **Insured** with the prior approval of the **Insurer** that are aimed at reducing or eliminating an **Insured**'s actual, possible or potential exposure to liability for **Damage(s)** relating to a **Claim** or circumstance reported by a **Named Insured** other than by means to defending or appealing such **Claim**; and,
- (3) **Costs, Charges and Expenses** does not include costs, charges, expenses or fees incurred prior to the reporting of a **Claim** or circumstance by the **Named Insured**.

TELEPHONE: 416-363-6216
FACSIMILE: 416-363-4538
E-MAIL: INFO@MLSINVEST.COM

carriegreen@axxima.ca
January 27th, 2025

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 mixed quarter for the domestic bond market as the slope of the yield curve shifted from an inverse to a slightly positive slope. At the end of December, the short-term bond index had a fractional total return of 0.6% while the mid-term index edged 0.4% lower. Meanwhile, the Long Term Fund posted a total return of 0.29%.

Turning to recent developments at our firm, following our merger with Beutel Goodman (BG) in August of last year, we amalgamated with BG on January 1 of this year and Martin, Lucas & Seagram is now a division of BG.

Our firm's integration with BG has gone very well and, as I approach my 47th year in the investment industry, I plan to retire on Feb. 28/25. Long before our merger, we had a succession plan in place to ensure the process would be seamless and proceed smoothly when the time came. With this in mind, Ivano Di Francesco will take over as the primary portfolio manager of the CLLAS portfolios. Ivano is an MLS colleague who is very familiar with your accounts as he and I have shared responsibility for the management of the portfolios for years. I should also add that Diana Ewert, your MLS administrator, will also remain in that role. As a result, you will continue to deal with the same MLS team going forward.

In closing, I would like to take this opportunity to thank you for your firm's support over these many years and add that we very much appreciate the trust placed in us. Looking ahead, I'm confident that our firm's transition to become part of BG will enhance our services and bring added value to your relationship with MLS. If you like, I would be delighted to introduce you to Ivano as well as Jeff Young, who is the managing director of BG. Please feel free to give me a call and we can arrange a time and date that works for you.

In the meantime, please let me know if there are any questions or comments on the report.

Yours sincerely,

Rowland W. Bell

RWB/de
Enclosures
cc: kcrofoot@goodmans.ca; normaibbetson@axxima.ca

CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

INVESTMENT REPORT
DECEMBER 31, 2024

MARTIN, LUCAS & SEAGRAM
A DIVISION OF BEUTEL, GOODMAN & COMPANY LTD.

Suite 620, 48 Yonge Street
Toronto, Ontario
M5E 1G9

Tel.: 416-363-6216
Fax: 416-363-4538
e-mail: info@mlsinvest.com

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**COMMENTARY FOR THE QUARTER ENDING DECEMBER 31, 2024****Review of Market Yields**

In the wake of further moves by central banks to lower policy rates, led by a 50 basis point cut by the Bank of Canada, the yield on domestic 3-month Treasury Bills fell to 3.16% at the end of December, which was 80 basis points below its level three months earlier. Meanwhile, further out the curve, yields were pushed higher, led by the upward pressure on bond yields south of the border. As a result, the 5-year Canada yield rose 23 basis points while the yield on the 10-year Canada rose 28 basis points.

As a result of these shifts, the yield curve, which had been inverted, pivoted to a slightly upward slope. At the end of December, the yield on the 10-year Canada was 7 basis points above the 3-month T-bill. Three months earlier the 10-year Canada yield was 101 basis points below the T-bill rate.

	Jan. 01/95	Jun. 30/24	Sep. 30/24	Dec. 31/24
3-month Treasury Bill	6.80%	4.64%	3.96%	3.16%
5-year Canada	8.99%	3.51%	2.73%	2.96%
10-year Canada	9.09%	3.50%	2.95%	3.23%

During the fourth quarter, activity in the Short Term Investment Fund involved the roll-over and sale of money market securities.

At December 31, 2024, the average term to maturity of the Long Term Investment Fund was 4.4 years and the duration was 4.0 years.

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

<i>Distribution at December 31, 2024</i>	<i>Valuation</i>	<i>%</i>
Short Term Investment Fund	\$8,278,697	51.3%
Long Term Investment Fund	\$7,859,251	48.7%
TOTAL COMBINED VALUATION	\$16,137,948	100.0%

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

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

- Total Returns vs. Benchmarks - Gross and Net of Fees
- Distribution of Securities in the Long Term Investment Fund by Credit Risk and by Maturity
- Compliance Statement
- Quarterly Performance Report - Gross of Fees: Long Term Investment Fund
- Bond Market Commentary and Future Policy
- Security Holdings in the Short Term and Long Term Investment Funds Listed and Valued Separately as at December 31, 2024
- 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, 2024**

	3 Years*	2 Years*	1 Year	Last 3 months
<i>Long Term Investment Fund – Gross of Fees</i>	<i>1.99%</i>	<i>5.55%</i>	<i>5.39%</i>	<i>0.29%</i>
<i>Long Term Investment Fund – Net of Fees</i>	<i>1.70%</i>	<i>5.25%</i>	<i>5.09%</i>	<i>0.22%</i>
Benchmark Portfolio **	1.25%	5.39%	5.29%	0.22%

*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, 2024**

	Since Inception Oct. 01/08 *	3 Years*	2 Years *	1 Year	Last 3 Months
<i>Short Term Investment Fund – Gross of Fees</i>	<i>1.36%</i>	<i>3.72%</i>	<i>4.72%</i>	<i>4.67%</i>	<i>0.99%</i>
<i>Short Term Investment Fund – Net of Fees</i>	<i>1.23%</i>	<i>3.58%</i>	<i>4.58%</i>	<i>4.49%</i>	<i>0.94%</i>
Benchmark Portfolio **	1.32%	3.71%	4.74%	4.71%	1.01%

* 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. 31/24	Jun. 30/24	Sep. 30/24	Dec.31/24
Bonds, Treasury Bills & Cash Less than 1 year term	100.0%	6.9%	11.7%	8.2%	12.1%
Canadas Greater than 1 year term		23.2%	25.1%	25.2%	21.3%
Provincials Greater than 1 year term		37.0%	33.9%	34.1%	34.0%
Corporates Greater than 1 year term		32.9%	29.3%	32.5%	32.6%
TOTAL PORTFOLIO	100.0%	100.0%	100.0%	100.0%	100.0%

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

	Mar. 31/24	Jun. 30/24	Sep.30/24	Dec.31/24
Under 1 year	6.9%	11.7%	8.2%	12.1%
1 - 3 years	27.4%	27.2%	26.9%	23.3%
3 - 5 years	26.7%	15.9%	21.7%	21.7%
5 - 7 years	18.1%	20.6%	18.3%	21.8%
7 - 10 years	20.9%	24.6%	24.9%	21.1%
TOTAL	100.0%	100.0%	100.0%	100.0%
Average Maturity (yrs)	4.43	4.73	4.70	4.43
Average Duration (yrs)	3.98	4.22	4.21	3.99

SHORT TERM INVESTMENT FUND

	Mar. 31/24	Jun. 30/24	Sep. 30/24	Dec. 31/24
Short Term Average Duration (yrs)	0.11	0.12	0.13	0.17

COMPLIANCE WITH INVESTMENT POLICY STATEMENT**AT SEPTEMBER 30, 2024**

	Investment Limits	Investment Funds	Compliance
<i>Short Term Investment Fund</i>			
Maximum Term of Any Issue	1 year	0.3 year	Yes
Minimum Percentage of Total Fund (Short & Long)	20% of Total	51.3%	Yes
Minimum Canada & Provincial Percentage	50%	100%	Yes
Minimum Provincial Quality	A	N/A	Yes
Minimum Bank CD & BA Quality	R1 (high)	R1 (high)	Yes
<i>Long Term Investment Fund</i>			
Maximum Term of Any Issue	10 years	9.5 years	Yes
Maximum Percentage of Total Fund (Short & Long)	80% of Total	48.7%	Yes
Minimum Canada Percentage	20%	25.1%	Yes
Maximum Provincial Percentage	40%	39.1%	Yes
Minimum Canada & Provincial Percentage	60%	64.2%	Yes
Minimum Provincial Quality *	A	AA	Yes
Maximum Corporate Percentage	40%	30.2%	Yes
Minimum Corporate Quality *	BBB	BBB	Yes
Maximum BBB Corporate Percentage	10%	5.6%	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 09-30-24 to 12-31-24

Portfolio Value on 09-30-24	7,893,950
Accrued Interest	62,688
Contributions	0
Withdrawals	-84,737
Realized Gains	0
Unrealized Gains	-34,598
Interest	84,737
Dividends	0
Change in Accrued Interest	-27,161
Portfolio Value on 12-31-24	7,859,251
Accrued Interest	35,527
Average Capital	7,927,951
Total Gains before Fees	22,977
IRR for 0.25 Years	0.29%

BOND MARKET COMMENTARY AND FUTURE POLICY

The final quarter of 2024 was certainly newsworthy. Donald Trump's election victory saw him regain the presidency of the United States, while the fall of the Assad regime in Syria was shocking in its rapidity. Closer to home, Prime Minister Justin Trudeau announced in early January that he was stepping down as Liberal Party leader and prime minister. This comes after months of speculation regarding his future amid declining public support, which ramped up following the surprise resignation of Chrystia Freeland, Canada's former minister of finance and deputy prime minister, in December.

The Bank of Canada (BoC) and the U.S. Federal Reserve (Fed) also had their final meetings of 2024 in December, which were predictable in some respects and surprising in others. The BoC continued its easing path as expected but surprised some market participants with a second outsized 50 bps cut, bringing its policy rate down to 3.25%. The Fed also reduced rates as expected (a 25 bps cut in the Federal Funds Rate to 4.25%-4.50%) but shocked the markets with a hawkish shift in tone due to its concerns about stubborn inflation.

This change in direction by the Fed led to turbulence in both the equity and bond markets north and south of the border. Following the December Fed meeting, the 2-year/10-year yield curve steepened to a level last seen in the summer of 2022, when central banks worldwide were embarking on an aggressive rate-hiking cycle.

After delivering strong performance in Q3, bond markets had a difficult final quarter of the year. The Bloomberg U.S. Aggregate Bond Index returned -3.06% in Q4/2024, while the FTSE Canada Universe Bond Index returned -0.04%. Despite those declines, both indices were up for the year overall, with annual returns of 1.25% (Bloomberg U.S.) and 4.23% (FTSE Canada), respectively.

The 10-Year U.S. Treasury yield increased by 79 basis points, ending the quarter at 4.57%. In Canada, the increase in government bond yields has been less pronounced, with the Government of Canada 10-Year Bond yield increasing by 27 basis points over the quarter (to 3.23%). This differential is reflective of the economic circumstances of the two North American neighbours. The U.S. economy continues to grow, and with inflation still a concern for the Fed, accommodative monetary policy isn't as necessary as in Canada, where GDP per capita has declined for six consecutive quarters.

In credit markets, spreads in both the Canadian and U.S. markets continued their tightening trend in Q4. For the year, spreads decreased by 33 bps in Canada and by 19 bps in the U.S. and are currently sitting at historically tight levels. In our view, these levels leave little room but to widen in 2025, which is suggestive of a shift to a risk-off environment.

As noted in our previous report, the economic picture for both Canada and the U.S. was uncertain and questions surrounding the outlook have ramped higher since then. The election of Donald Trump and his subsequent warning of 25% tariffs on Canada and Mexico have created unease in these countries. If enacted, tariffs are likely to further weaken the Canadian dollar, which fell below US\$0.70 at the end of 2024, as well as increase inflation and limit GDP growth across

North America. Trade brinksmanship was a common feature during the first Trump presidency, but ultimately the three North American nations were able to find common ground to sign the United States-Mexico-Canada Agreement (USMCA) in 2018, which replaced the longstanding North America Free Trade Agreement, better known as NAFTA.

At this point, it is difficult to know if the president-elect intends to dismantle the USMCA or if his warning on tariffs can be considered an opening salvo in the trade negotiations to come. At this juncture, we remain in the “too early to tell” camp and think investors should not place large bets on a particular outcome.

According to Bloomberg News’ latest survey on economic projections, Canada’s economy will expand by 1.2% in 2024 and 1.8% in 2025, while the U.S. economy will expand by 2.7% in 2024 and 2.1% in 2025. One silver lining of Canada’s economic slowdown is that inflation is now largely under control and below BoC’s 2% target. The November year-over-year Consumer Price Index reading of 1.9% compares favourably to the U.S. CPI (2.7%) and provides leeway for the BoC to cut its policy rate further in 2025.

The labour market is another area where Canada and the U.S. are now moving in opposite directions. The unemployment rate in Canada increased to 6.8% in November; excluding the pandemic years, this is the highest level since January 2017 (source: Statistics Canada). In the U.S., the unemployment rate held steady at 4.2% in November, which is a notable increase on the 3.7% rate at the beginning of 2024, but still low when compared to historical averages.

During its December meeting, the BoC reiterated its commitment to its cutting cycle with its 50 bps cut and has now reduced its policy rate by 175 basis points since June, making it one of the more aggressive central banks for cutting interest rates this year. Whether the current 3.25% level is enough to stimulate economic growth remains to be seen but considering the federal government’s plan to reduce immigration levels in 2025, as well as the looming threat of tariffs, it is likely the BoC will have more cuts in the pipeline.

In the U.S., the Federal Open Market Committee’s (FOMC) latest Summary of Economic Projections had some notable revisions from its September report. The forecast for real GDP for 2024 was revised upwards from 2.0% to 2.5%, while PCE inflation (the Fed’s favoured measure) for 2025 was revised from 2.1% up to 2.5%. The FOMC’s expectations for economic growth and inflation meant it revised its Federal Funds Rate projection for 2025 from 3.4% up to 3.9%, which roiled markets largely expecting further cuts next year.

In comparison, the European Central Bank (ECB) remains in a dovish position, having reduced its deposit rate four times since the summer (to 3%). Like Canada, Europe is dealing with its own economic malaise, and with inflation close to target (euro area annual inflation was 2.2% in November), the ECB is expected to continue to reduce borrowing costs in 2025. Things are a bit more complicated in the U.K., which is facing a stagnating economy and stubborn inflation (annual CPI rose to 2.6% in November). The Bank of England kept its key rate at 4.75% at its December meeting and has only reduced rates by a combined 50 bps in 2024. Further afield, the People’s Bank of China surprised markets in December by announcing a change in its monetary policy stance for 2025 from “prudent” to “moderately loose”, which hasn’t been the case in the world’s second-largest economy since the depths of the Global Financial Crisis in 2008.

As we head into 2025, there are many factors to consider. As discussed in this commentary, the macroeconomic pictures for Canada and the U.S. look quite different presently. Given this

uncertainty, and the potential for elevated market volatility in the coming year, we remain defensively positioned with an emphasis on higher-rated credits.

From an interest-rate-positioning perspective, we expect interest rates will continue to fall over the longer term, particularly in Canada, and we are looking for potential opportunities to increase the Long Term Fund's duration position. We also believe that the yield curve will continue to steepen and this is expected to benefit issues maturing in the mid part of the curve, which historically tend to perform best during steepening environments.

Despite the Fed's and the BoC's recent rate cuts, yields remain significantly above the lows seen in the early part of this decade. We believe both the Fed and the BoC are likely to continue their easing cycles over the near term, but at a less aggressive pace. This all depends on circumstances, of course; Canada's economic prospects and inflation in the U.S. are two major factors that will likely affect central bank policy in 2025.

RWB/de

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

Martin, Lucas & Seagram, a division of Beutel, Goodman & Company Ltd.

CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at December 31, 2024

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
CASH					
	Cash Account			17,079	0
MONEY MARKET ISSUES					
980,000	Canada Treasury Bill 3.70% due January 15, 2025	99.04	99.87	978,701	35,911
650,000	Canada Treasury Bill 3.47% due January 30, 2025	99.08	99.74	648,287	22,347
1,655,000	Canada Treasury Bill 3.40% due February 12, 2025	99.10	99.63	1,648,819	55,766
995,000	Canada Treasury Bill 3.35% due February 27, 2025	99.11	99.50	990,015	33,035
1,645,000	Canada Treasury Bill 3.25% due March 12, 2025	99.14	99.39	1,634,921	53,005
1,398,000	Canada Treasury Bill 3.24% due March 27, 2025	99.15	99.26	1,387,644	44,849
1,000,000	Canada Treasury Bill 3.20% due April 24, 2025	98.79	99.03	990,311	31,612
				<u>8,278,697</u>	<u>276,525</u>
TOTAL PORTFOLIO				8,295,776	276,525

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, a division of Beutel, Goodman & Company Ltd.

PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
(RBC Investor Services)
From 10-01-24 To 12-31-24

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
10-10-24	10-11-24	980,000	Canada Treasury Bill 3.70% due January 15, 2025	99.04	970,554.76
10-23-24	10-24-24	650,000	Canada Treasury Bill 3.47% due January 30, 2025	99.08	643,999.85
11-06-24	11-07-24	1,655,000	Canada Treasury Bill 3.40% due February 12, 2025	99.10	1,640,179.48
11-20-24	11-21-24	995,000	Canada Treasury Bill 3.35% due February 27, 2025	99.11	986,130.57
12-04-24	12-04-24	1,000,000	Canada Treasury Bill 3.20% due April 24, 2025	98.79	987,875.00
12-04-24	12-04-24	300,000	Canada Treasury Bill 3.24% due March 27, 2025	99.02	297,046.80
12-04-24	12-04-24	1,645,000	Canada Treasury Bill 3.25% due March 12, 2025	99.14	1,630,913.87
12-17-24	12-18-24	1,098,000	Canada Treasury Bill 3.24% due March 27, 2025	99.18	1,089,050.20
					8,245,750.53
SALES					
10-10-24	10-10-24	965,000	Canada Treasury Bill 4.55% due October 10, 2024	100.00	965,000.00
10-24-24	10-24-24	642,000	Canada Treasury Bill 4.35% due October 24, 2024	100.00	642,000.00
11-07-24	11-07-24	1,640,000	Canada Treasury Bill 4.25% due November 7, 2024	100.00	1,640,000.00
11-21-24	11-21-24	976,000	Canada Treasury Bill 4.15% due November 21, 2024	100.00	976,000.00
12-05-24	12-05-24	2,875,000	Canada Treasury Bill 4.05% due December 5, 2024	100.00	2,875,000.00
12-18-24	12-18-24	1,075,000	Canada Treasury Bill 4.04% due December 18, 2024	100.00	1,075,000.00
					8,173,000.00

Martin, Lucas & Seagram, a division of Beutel, Goodman & Company Ltd.

CASH RECONCILIATION

CLLAS - SHORT TERM INVESTMENT FUND

(RBC Investor Services)

From 09-30-24 to 12-31-24

Cash Balance at September 30, 2024		17,376.85
ADD: Proceeds from Sales	8,173,000.00	
Capital Contribution	0.00	
Interest on cash balance	115.56	
Bond Interest Credited (from Long Term Investment Fund)	84,736.75	8,257,852.31
LESS: Cost of Purchases	-8,245,750.53	
Capital Withdrawal	0.00	
Q3 2024 Investment Counsel Fees - Short Term Investment Fund	-2,300.18	
Q3 2024 Investment Counsel Fees - Long Term Investment Fund	-5,575.04	
Trust Company Charges	-4,524.36	
Transfers to Long Term Fund re: net sales and purchases	0.00	-8,258,150.11
Cash Balance at December 31, 2024		17,079.05

0.00

[illegible]

Martin, Lucas & Seagram, a division of Beutel, Goodman & Company Ltd.

INVESTMENT PERFORMANCE

Net of Fees

CLLAS - SHORT TERM INVESTMENT FUND

(RBC Investor Services)

December 31, 2024

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 1,335,532 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 364,627 during the past year.

Amount invested since 07-15-15	-4,895,610
Market value of portfolio on 12-31-24	8,295,776

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	12-31-23	07-15-15
Opening Market Value	8,342,070	11,855,855
Contributions	479,601	21,249,928
Withdrawals	-890,521	-26,145,539
Realized Gains	0	0
Unrealized Gains	32,947	32,947
Interest	340,940	1,413,226
Dividends	0	0
Portfolio Fees	-9,260	-110,640
Closing Market Value	8,295,776	8,295,776
Total Fees	-9,260	-110,640

Martin, Lucas & Seagram, a division of Beutel, Goodman & Company Ltd.

INVESTMENT PERFORMANCE

Net of Fees

CLLAS - SHORT TERM INVESTMENT FUND

(RBC Investor Services)

December 31, 2024

Personal Rates of Return

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

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

	Annualized Latest 1 Year	Annualized Latest 3 Years	Annualized Latest 5 Years	Annualized Latest 10 Years	Annualized Inception To Date
This Portfolio	4.56%	3.29%	1.82%	-	1.35%

What is a total percentage return?

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

Calculation method

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

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

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

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

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

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

Martin, Lucas & Seagram, a division of Beutel, Goodman & Company Ltd.

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at December 31, 2024

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
GOVERNMENT BONDS					
300,000	Canada Housing Trust Ser. 70 2.25% due December 15, 2025	100.98	99.29	297,869	6,750
250,000	Canada Housing Trust Ser. 77 2.35% due June 15, 2027	93.81	98.54	246,358	5,875
250,000	Canada Housing Trust No.1 2.350% due March 15, 2028	103.96	98.05	245,115	5,875
300,000	Canada Housing Trust 2.1% Series 88 due September 15, 2029	99.73	95.68	287,042	6,300
275,000	Canada Housing Trust 1.1% Series 95 due March 15, 2031	94.05	88.00	241,998	3,025
200,000	Canada Housing Trust 3.55% due September 15, 2032	98.05	101.00	202,002	7,100
215,000	Canada 2.75% due June 1, 2033	92.55	96.91	208,362	5,913
250,000	Canada 3.0% due June 1, 2034	96.98	98.26	245,639	7,500
				<hr/> 1,974,384	<hr/> 48,338
PROVINCIAL BONDS					
400,000	Ontario 2.60% due June 2, 2025	101.08	99.80	399,198	10,400
350,000	British Columbia 2.3% due June 18, 2026	104.40	99.05	346,660	8,050
350,000	Ontario 2.60% due June 2, 2027	97.56	99.02	346,563	9,100
300,000	Alberta 2.90% due December 1, 2028	94.50	99.24	297,712	8,700
350,000	Ontario 2.05% due June 2, 2030	94.43	93.96	328,857	7,175
200,000	British Columbia 1.55% due June 18, 2031	83.75	89.26	178,520	3,100
300,000	Ontario 2.25% due December 2, 2031	87.15	92.44	277,322	6,750
300,000	British Columbia 3.2% due June 18, 2032	96.71	97.54	292,610	9,600
300,000	Ontario 3.65% due June 2, 2033	97.98	99.80	299,398	10,950
150,000	Ontario 4.15% due June 2, 2034	101.10	102.75	154,124	6,225

Martin, Lucas & Seagram, a division of Beutel, Goodman & Company Ltd.

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at December 31, 2024

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
150,000	British Columbia 4.15% due June 18, 2034	101.64	102.49	153,739	6,225
				<hr/> 3,074,705	<hr/> 86,275
CORPORATE BONDS					
250,000	CIBC Deposit Note 3.3% due May 26, 2025	100.24	100.05	250,118	8,250
200,000	Wells Fargo & Company 2.975% due May 19, 2026	102.15	99.30	198,594	5,950
300,000	Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	102.07	98.96	296,876	7,860
150,000	Bank of Montreal Dep. Note 2.70% due December 9, 2026	108.76	99.09	148,638	4,050
100,000	Bank of Nova Scotia 2.95% due March 8, 2027	92.85	98.84	98,842	2,950
150,000	Enbridge Inc. CB-27 3.2% due June 8, 2027	96.43	99.14	148,714	4,800
150,000	Royal Bank 4.642% due January 17, 2028	97.93	103.12	154,675	6,963
100,000	Bank of Montreal 3.19% due March 1, 2028	100.75	99.38	99,378	3,190
100,000	Telus Corp. CB-27 3.625% due March 1, 2028	97.25	99.82	99,821	3,625
100,000	Bell Canada SerM56 2.2% due May 29, 2028	98.26	95.53	95,533	2,200
250,000	Toronto Dominion Bank 4.68% due January 8, 2029	97.97	103.50	258,741	11,700
175,000	Ontario Power Generation 2.977% 13SEP29 due September 13, 2029	98.45	97.13	169,982	5,210
200,000	Hydro One Inc. 2.16% Ser 46 due February 28, 2030	86.95	93.41	186,815	4,320
100,000	Suncor EN INC SR7 CB-30 5.00% due April 9, 2030	100.45	103.33	103,326	5,000
150,000	Loblaw Companies 2.284% due May 7, 2030	87.39	93.14	139,704	3,426
250,000	Canadian National Railway 4.15% CB-30 due May 10, 2030	100.28	102.07	255,184	10,375
100,000	Telus Corp. CB 5.25% due November 15, 2032	101.65	105.22	105,222	5,250
				<hr/> 2,810,162	<hr/> 95,119

Martin, Lucas & Seagram, a division of Beutel, Goodman & Company Ltd.

CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)

Portfolio Holdings at December 31, 2024

<u>Quantity</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Annual Income</u>
TOTAL PORTFOLIO				7,859,251	229,731

Disclosures:

1. Please note that the securities listed herein are held on your behalf by the above noted custodian. You may wish to contact them directly to determine if your account is covered by any recognized Investor Protection Plan and/or for information on how these securities are held.
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Martin, Lucas & Seagram, a division of Beutel, Goodman & Company Ltd.

PURCHASE AND SALE

CLLAS - LONG TERM INVESTMENT FUND

(RBC Investor Services)

From 10-01-24 To 12-31-24

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
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No transactions were found!

Martin, Lucas & Seagram, a division of Beutel, Goodman & Company Ltd.

CASH RECONCILIATION
CLLAS - LONG TERM INVESTMENT FUND
From 09-30-24 to 12-31-24

Cash Balance at September 30, 2024		<u>0.00</u>
ADD: Proceeds from Sales		
Accrued Interest on Sales		
Bond Interest Credited to Long Term Investment Fund	84,736.75	
Transfer Bond Interest to Short Term Investment Fund	-84,736.75	<u>0.00</u>
LESS: Cost of Purchases		
Accrued Interest on Purchases		
Transfer from Short Term Fund		<u>0.00</u>
Cash Balance at December 31, 2024		<u><u>0.00</u></u>

Martin, Lucas & Seagram, a division of Beutel, Goodman & Company Ltd.

31-Dec-24

CLLAS - LONG TERM INVESTMENT FUND

					Unit	Total		Market	Pct.
Quantity	CUSIP	Security		Rating	Cost	Cost	Price	Value	Assets
GOVERNMENT BONDS									
300,000	13509PFD0	Canada Housing Trust Ser. 70 2.25%	due December 15, 2025	AAA	100.98	302,940	99.29	297,869	3.8%
250,000	13509PFX6	Canada Housing Trust Ser. 77 2.35%	due June 15, 2027	AAA	93.81	234,525	98.54	246,358	3.1%
250,000	13509PGF4	Canada Housing Trust No.1 2.350%	due March 15, 2028	AAA	103.96	259,900	98.05	245,115	3.1%
300,000	13509PHD8	Canada Housing Trust 2.1% Series 88	due September 15, 2029	AAA	99.73	299,200	95.68	287,042	3.7%
275,000	13509PHQ9	Canada Housing Trust 1.1% Series 95	due March 15, 2031	AAA	94.05	258,638	88.00	241,998	3.1%
200,000	13509PJC8	Canada Housing Trust 3.55%	due September 15, 2032	AAA	98.05	196,100	101.00	202,002	2.6%
215,000	135087Q23	Canada 2.75%	due June 1, 2033	AAA	92.55	198,983	96.91	208,362	2.7%
250,000	135087R48	Canada 3.0%	due June 1, 2034	AAA	96.98	242,450	98.26	245,639	3.1%
						1,992,735		1,974,384	25.1%
PROVINCIAL BONDS									
400,000	68323ACX0	Ontario 2.60%	due June 2, 2025	AA	101.08	404,305	99.80	399,198	5.1%
350,000	11070TAJ7	British Columbia 2.3%	due June 18, 2026	AA (high)	104.40	365,400	99.05	346,660	4.4%
350,000	68323AEE0	Ontario 2.60%	due June 2, 2027	AA	97.56	341,460	99.02	346,563	4.4%
300,000	013051EB9	Alberta 2.90%	due December 1, 2028	AA	94.50	283,500	99.24	297,712	3.8%
350,000	68333ZAH0	Ontario 2.05%	due June 2, 2030	AA	94.43	330,515	93.96	328,857	4.2%
200,000	110709AF9	British Columbia 1.55%	due June 18, 2031	AA (high)	83.75	167,500	89.26	178,520	2.3%
300,000	68333ZAT4	Ontario 2.25%	due December 2, 2031	AA	87.15	261,450	92.44	277,322	3.5%
300,000	110709GL0	British Columbia 3.20%	due June 18, 2032	AA (high)	96.71	290,130	97.54	292,610	3.7%
300,000	68333ZAY3	Ontario 3.65%	due June 2, 2033	AA	97.98	293,940	99.80	299,398	3.8%
150,000	68333ZBC0	Ontario 4.15%	due June 2, 2034	AA	101.10	151,650	102.75	154,124	2.0%
150,000	110709AK8	British Columbia 4.15%	due June 18, 2034	AA (high)	101.64	152,460	102.49	153,739	2.0%
						3,042,310		3,074,705	39.1%
CORPORATE BONDS									
250,000	13596Z3Y9	CIBC Deposit Note 3.3%	due May 26, 2025	AA	100.24	250,600	100.05	250,118	3.2%
200,000	949746RX1	Wells Fargo & Company 2.975%	due May 19, 2026	AA (low)	102.15	204,300	99.30	198,594	2.5%
300,000	064151QE6	Bank of Nova Scotia Dep. Notes 2.62%	due December 2, 2026	AA	102.07	306,210	98.96	296,876	3.8%
150,000	06368AAA8	Bank of Montreal Dep. Note 2.70%	due December 9, 2026	AA	108.76	163,140	99.09	148,638	1.9%
100,000	06415GDE7	Bank of Nova Scotia 2.95%	due March 8, 2027	AA (low)	92.85	92,850	98.84	98,842	1.3%
150,000	29251ZBK2	Enbridge Inc. CB-27 3.2%	due June 8, 2027	A (low)	96.43	144,650	99.14	148,714	1.9%
150,000	780086WG5	Royal Bank 4.642%	due January 17, 2028	AA	97.93	146,895	103.12	154,675	2.0%
100,000	06368BTX6	Bank of Montreal 3.19%	due March 1, 2028	AA	100.75	100,750	99.38	99,378	1.3%
100,000	87971MBG7	Telus Corp. CB-27 3.625%	due March 1, 2028	BBB	97.25	97,250	99.82	99,821	1.3%
100,000	07813ZCJ1	Bell Canada SerM56 2.2%	due May 29, 2028	BBB (high)	98.26	98,263	95.53	95,533	1.2%
250,000	89117GRJ8	Toronto Dominion Bank 4.68%	due January 8, 2029	AA	97.97	244,920	103.50	258,741	3.3%
175,000	68321ZAD3	Ontario Power Generation 2.977% 13SEP29	due September 13, 2029	A (low)	98.45	172,293	97.13	169,982	2.2%
200,000	44810ZCC2	Hydro One Inc. 2.16% Ser 46	due February 28, 2030	A (high)	86.95	173,900	93.41	186,815	2.4%
100,000	86721ZAQ2	Suncor EN INC SR7 CB-30 5.00%	due April 9, 2030	A (low)	100.45	100,450	103.33	103,326	1.3%
150,000	539481AN1	Loblaw Companies 2.284%	due May 7, 2030	BBB (high)	87.39	131,088	93.14	139,704	1.8%
250,000	136375DF6	Canadian National Railway 4.15% CB-30	due May 10, 2030	A	100.28	250,700	102.07	255,184	3.2%
100,000	87971MBX0	Telus Corp. CB 5.25%	due November 15, 2032	BBB	101.65	101,650	105.22	105,222	1.3%
						2,779,908		2,810,162	35.8%
TOTAL PORTFOLIO						7,814,953		7,859,251	100.0%

Martin, Lucas & Seagram, a division of Beutel, Goodman & Company Ltd.

DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-23 to 12-31-24

Security	12-31-23 Market Value	Additions Withdrawals	12-31-24 Market Value	12-31-24 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
CASH								
Cash Account	0	0	0	0				
GOVERNMENT BONDS								
Canada Housing Trust 2.9% due June 15, 2024	247,581	-253,625	0	0	-6,600	2,419	0	0
Canada Housing Trust Ser. 70 2.25% due December 15, 2025	290,413	-6,750	297,869	302,940	0	0	-5,071	7,456
Canada Housing Trust Ser. 77 2.35% due June 15, 2027	240,379	-5,875	246,358	234,525	0	0	11,833	5,979
Canada Housing Trust No.1 2.350% due March 15, 2028	239,276	-5,875	245,115	259,900	0	0	-14,785	5,840
Canada Housing Trust 2.1% Series 88 due September 15, 2029	279,938	-6,300	287,042	299,200	0	0	-12,158	7,104
Canada Housing Trust 1.1% Series 95 due March 15, 2031	234,313	-3,025	241,998	258,638	0	0	-16,640	7,685
Canada Housing Trust 3.55% due September 15, 2032	201,112	-7,100	202,002	196,100	0	0	5,902	890
Canada 2.75% due June 1, 2033	208,906	-5,913	208,362	198,983	0	0	9,379	-544
Canada 3.0% due June 1, 2034	0	238,803	245,639	242,450	0	0	3,189	3,189
GOVERNMENT BONDS Total	<u>1,941,917</u>		<u>1,974,384</u>	<u>1,992,735</u>	<u>-6,600</u>	<u>2,419</u>	<u>-18,351</u>	<u>37,598</u>
PROVINCIAL BONDS								
Ontario 2.60% due June 2, 2025	390,871	-10,400	399,198	404,305	0	0	-5,107	8,327
British Columbia 2.3% due June 18, 2026	337,502	-8,050	346,660	365,400	0	0	-18,740	9,158
Ontario 2.60% due June 2, 2027	338,496	-9,100	346,563	341,460	0	0	5,103	8,067
Alberta 2.90% due December 1, 2028	291,515	-8,700	297,712	283,500	0	0	14,212	6,197
Ontario 2.05% due June 2, 2030	319,685	-7,175	328,857	330,515	0	0	-1,658	9,172
British Columbia 1.55% due June 18, 2031	172,838	-3,100	178,520	167,500	0	0	11,020	5,682
Ontario 2.25% due December 2, 2031	270,791	-6,750	277,322	261,450	0	0	15,872	6,532
British Columbia 3.2% due June 18, 2032	288,927	-9,600	292,610	290,130	0	0	2,480	3,683
Ontario 3.65% due June 2, 2033	297,386	-10,950	299,398	293,940	0	0	5,458	2,012
Ontario 4.15% due June 2, 2034	0	148,606	154,124	151,650	0	0	2,474	2,474
British Columbia 4.15% due June 18, 2034	0	149,339	153,739	152,460	0	0	1,279	1,279
PROVINCIAL BONDS Total	<u>2,708,011</u>		<u>3,074,705</u>	<u>3,042,310</u>	<u>0</u>	<u>0</u>	<u>32,395</u>	<u>62,584</u>
CORPORATE BONDS								
Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	247,396	-258,065	0	0	-5,050	2,604	0	0
CIBC Deposit Note 3.3% due May 26, 2025	245,515	-8,250	250,118	250,600	0	0	-483	4,603

Martin, Lucas & Seagram, a division of Beutel, Goodman & Company Ltd.

DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
(RBC Investor Services)
From 12-31-23 to 12-31-24

Security	12-31-23 Market Value	Additions Withdrawals	12-31-24 Market Value	12-31-24 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
Wells Fargo & Company 2.975% due May 19, 2026	192,373	-5,950	198,594	204,300	0	0	-5,706	6,221
Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	285,636	-7,860	296,876	306,210	0	0	-9,335	11,240
Bank of Montreal Dep. Note 2.70% due December 9, 2026	143,916	-4,050	148,638	163,140	0	0	-14,502	4,722
Bank of Nova Scotia 2.95% due March 8, 2027	95,472	-2,950	98,842	92,850	0	0	5,992	3,370
Enbridge Inc. CB-27 3.2% due June 8, 2027	144,024	-4,801	148,714	144,650	0	0	4,064	4,690
Royal Bank 4.642% due January 17, 2028	151,108	-6,963	154,675	146,895	0	0	7,780	3,567
Bank of Montreal 3.19% due March 1, 2028	96,450	-3,190	99,378	100,750	0	0	-1,372	2,927
Telus Corp. CB-27 3.625% due March 1, 2028	97,161	-3,625	99,821	97,250	0	0	2,571	2,660
Bell Canada SerM56 2.2% due May 29, 2028	91,558	-2,200	95,533	98,263	0	0	-2,729	3,976
Toronto Dominion Bank 4.68% due January 8, 2029	252,688	-11,700	258,741	244,920	0	0	13,821	6,053
Ontario Power Generation 2.977% 13SEP29 due September 13, 2029	117,622	43,281	169,982	172,293	0	0	-2,311	5,005
Hydro One Inc. 2.16% Ser 46 due February 28, 2030	180,312	-4,320	186,815	173,900	0	0	12,915	6,503
Suncor EN INC SR7 CB-30 5.00% due April 9, 2030	0	96,847	103,326	100,450	0	0	2,876	2,876
Loblaw Companies 2.284% due May 7, 2030	88,772	42,291	139,704	131,088	0	0	8,617	5,915
Canadian National Railway 4.15% CB-30 due May 10, 2030	0	247,673	255,184	250,700	0	0	4,484	4,484
Telus Corp. CB 5.25% due November 15, 2032	0	97,335	105,222	101,650	0	0	3,572	3,572
CORPORATE BONDS Total	2,430,002		2,810,162	2,779,908	-5,050	2,604	30,255	82,384
TOTAL PORTFOLIO	7,079,930		7,859,251	7,814,953	-11,650	5,023	44,299	182,565
TOTAL DATE TO DATE GAIN OR LOSS								187,588
% CHANGE DURING PERIOD								2.65

Martin, Lucas & Seagram, a division of Beutel, Goodman & Company Ltd.

INVESTMENT PERFORMANCE

Net of Fees

CLLAS - LONG TERM INVESTMENT FUND

(RBC Investor Services)

December 31, 2024

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 1,267,026 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 408,700 during the past year.

Amount invested since 07-15-15	1,782,124
Market value of portfolio on 12-31-24	7,894,779

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	12-31-23	07-15-15
Opening Market Value	7,114,116	4,845,628
Contributions	851,563	6,507,084
Withdrawals	-479,601	-4,724,960
Realized Gains	5,023	-223,939
Unrealized Gains	182,565	39,204
Interest	219,770	1,440,998
Dividends	0	0
Change in Accrued Interest	1,341	10,763
Closing Market Value	7,894,779	7,894,779
Portfolio Fees Paid By Client	-21,610	-158,559
Total Fees	-21,610	-158,559

Martin, Lucas & Seagram, a division of Beutel, Goodman & Company Ltd.

INVESTMENT PERFORMANCE

Net of Fees

CLLAS - LONG TERM INVESTMENT FUND

(RBC Investor Services)

December 31, 2024

Personal Rates of Return

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

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

	Annualized Latest 1 Year	Annualized Latest 3 Years	Annualized Latest 5 Years	Annualized Latest 10 Years	Annualized Inception To Date
This Portfolio	5.20%	2.13%	2.22%	-	1.99%

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.

December 20, 2024

Mr. Kenneth Crofoot
Canadian Lawyers Liability Assurance Society
Suite 3400, 333 Bay Street,
Toronto, ON, M5H 2S7

Dear Mr. Crofoot,

Re: **2023 Annual Review – Canadian Lawyers Liability Assurance Society**

Pursuant to section 756 of the [Insurance Act](#) (Act), Alberta's Superintendent of Insurance Office (Superintendent) has completed its annual review of Canadian Lawyers Liability Assurance Society ("CLLAS") for 2023. This review marked the first year CLLAS was assessed under the IFRS 17 standard. Based on this assessment, the Superintendent has determined that CLLAS complies with the licensing and solvency requirements pursuant to the Act. Please see below a summary of our review and recommendations.

Examination Results

1. Assessment of CLLAS's Financial Indicators (2023)

1.1 Gross Combined Insurance Service Ratio (GCISR)

- 2022: 113.52%
- 2023: 58.25%

Conclusion: The GCISR for 2022 is above 100%. The ratio for 2022 indicates that the revenue earned through insurance contracts is not sufficient to cover the expenses incurred. The reduction of the ratio in 2023 suggests lower expenses or changes in revenue, which may need further review.

Note: The GCISR is calculated as (Insurance Service Expenses + General and Operating Expenses)/Total Insurance Revenue

1.2 Adjusted Equity

- 2022: \$13.42 million
- 2023: \$14.64 million

Conclusion: Increased to \$14.64 million, indicating strategic investment decisions.

1.3 Insurance Revenue (IR) & Insurance Service Expenses (ISE)

- 2022 IR: \$14.00 million
- 2023 IR: \$17.96 million
- 2022 ISE: \$15.90 million

- 2023 ISE: \$10.46 million
Conclusion: IR increased while ISE reduced.

1.4 Investment Return

- 2022: \$394 thousand
- 2023: \$739 thousand
Conclusion: An increase, slightly increasing profitability and overall Net Income.

1.5 Reserve and Guarantee (R&G) Fund

- 2022: \$15.32 million
- 2023: \$15.53 million
Conclusion: Excess Cash and Securities over R&G fund maintained by CLLAS's Principal Attorney exceeds the required minimum highlighted in section 99 and 100 of the Act.

1.6 Overall Summary

CLLAS's capital position is strong, as demonstrated by an increase in Adjusted Equity and Excess Cash and Securities held above the Reserve and Guarantee Fund. Hence, CLLAS is in a stable financial position with no major immediate risks.

Request: The 2022 ISE reported of \$15.90 million compared to the modest IR earned of \$14.00 million suggests more expenses incurred than revenue earned. Please provide additional insights into the primary drivers of this expense increase (e.g., higher claims frequency, reserve adjustments, or operational costs). Please also outline any expense management measures in place to monitor and control rising costs in a given year.

2. P&C Return Incomplete Data

2.1 Page 10.60 – Incomplete Data:

- Operations Section: Cash Flows – Premiums received for Insurance Contracts has not been filled out for 2022 and 2023.
- Equity Section: Several fields in the Equity section, such as Dividends to Shareholders, Share Capital and Contributed Surplus paid In, and Share Capital Redeemed are blank.
Request: We request that page 10.60 be fully and accurately completed in the future returns, as it is an important element in our analysis. If no activity occurred, it would be helpful to confirm this with "0" as the entry for clarity. Ensuring that all relevant data is provided will allow for a more thorough and accurate assessment of CLLAS's financial position.

3. Reporting Compliance

3.1 Annual Return – Name and Address of the Attorney for Service

- Requirement: Subsection 91 (3) a requires CLLAS to set out the name and address of its Attorney for Service.
- Finding: The 2023 Annual Return did not specify the name and address of the Attorney for Service.
Request: Not specifying the name and address of the Attorney for Service does not meet the compliance requirements of 91 (3) a. For future submissions, please specify the name and address of CLLAS's Attorney for Service.

1. Submission of Board and Committee Minutes and Packages

1.1 Requirement for Timely Submission

- As a reminder, Insurers are required to submit minutes and board packages for meetings of the board, all board committees, and annual general meetings. These documents should be provided in PDF format and submitted within 30 days after board approval as per the [Filing Requirements of Insurance Entities Supervised by the Superintendent of Insurance of Alberta](#).

1.2 Request for Additional Information

- **Request:** In addition to the above, we request that these submissions include information about the future scheduled dates of upcoming board, audit committee, or other significant committee meetings. This will allow us to have visibility into the timing of these meetings and allocate resources effectively to attend when necessary.

1.3 Regulator Attendance at Meetings

- Starting in 2025, we expect to attend at least one board meeting, subcommittee meeting, or general meeting for each insurer annually. This approach is intended to support our oversight activities, align with regulatory best practices, and foster open communication with the insurers under our supervision.

Supervisory Updates

1. Alberta's Captive Insurance Program

To date, the Superintendent has approved licenses for 29 captive insurance companies, with 1 additional application currently under review. The parent companies of these licensed captives operate across diverse sectors, including agriculture, construction, energy, food and beverage, forestry, hospitality, logistics, manufacturing, real estates, and transportation. Alberta's captive program also allows for the reinsurance of third-party risks, provided specific conditions are met. For further information on Alberta's captive insurance program, please visit our [website](#).

Please provide your response to this annual review letter in our [Insurance Regulatory Information System \(IRIS\)](#) by January 27, 2025. When logged into IRIS, under 'Other Provincial Insurer Filings' select 'Annual Review Response Letter' and upload your document.

The Superintendent appreciates the level of effort CLLAS put into its annual filing and looks forward to working with CLLAS in 2025. Please let me know if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'Shant Jain', written in a cursive style.

Shant Jain BSc, MA, FCIP, RIMS Fellow, RIMS-CRMP
Senior Manager, Prudential Supervision



January 20, 2025

Mr. Shant Jain
Senior Manager, Prudential Supervision
Alberta Treasury Board and Finance
Financial Sector Regulation and Policy
Insurance Regulation and Market Conduct
Room 402, Terrace Building
9515 – 107 Street
Edmonton, Alberta T5K 2C3

RE: 2023 CLLAS Annual Review

Dear Mr. Jain:

Thank you for your letter dated December 20, 2024 providing comments on your review of the Canadian Lawyers Liability Assurance Society's (CLLAS) 2023 Annual Return. Your comments are noted.

As requested in section 1.6 Overall Summary, you have requested an explanation on why the 2022 Insurance Services Expenses (ISE) were higher than the revenues and resulting in Gross Combined Insurance Service Ratio (GCISR) being higher than 100%. Claims activity is the main driver in this case for CLLAS, which can fluctuate year over year. In year 2022 CLLAS had experienced higher claims activity and as a result, Total Incurred Losses for that year were \$14.0 million (versus \$8.6 million in year 2023). There was no significant change in operating expenses.

We also duly noted your comments with regards to the Annual Return filing requirements and we will ensure to comply with them in the future filings.

The CLLAS Board dates for this year are as follows (note all meetings are virtual and start at 8:30 am ET unless otherwise noted):

- February 18, 2025 at 10:30 am (Audit Committee)
- February 25, 2025 (Board)
- June 26, 2025 (AGM and Board)
- September 23, 2025 (Board)
- October TBD, 2025 at TBD (Audit Committee)
- December 2, 2025 (Board)

Please advise which meeting you would like to attend and if you have any specific topic or amount of time you would like allocated on the agenda so that we can plan accordingly. If it would be helpful, we can provide a high-level overview of agenda items for each of the meetings.



Please do not hesitate to contact me if you wish to discuss this matter or any of the comments in the annual review letter further.

Yours truly,

Carrie Green
General Manager

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

COMMITTEES FOR 2025/26

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

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

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

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

January 6, 2025