

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

Minutes of a Meeting of the Advisory Board

9:00 a.m.

Davies Ward Phillips & Vineberg LLP
40th Floor, RBC Centre
155 Wellington Street West
Toronto, Ontario

Tuesday, February 26, 2013

Present:

Nicholas Leblovic (Chair)
Natasha MacParland
Barry Bresner
Gordon Goodman
John Esvelt
Eugene Cipparone
Bill Scott
Dan McDonald
David Morritt
Julia Holland

Davies Ward Phillips & Vineberg LLP
Davies Ward Phillips & Vineberg LLP
Borden Ladner Gervais LLP
Cassels Brock & Blackwell LLP
Fraser Milner Casgrain LLP
Goodmans LLP
McCarthy Tétrault LLP
McMillan LLP
Oslers LLP
Torys LLP

Patrick Mahoney
Norma Ibbetson

Office of the General Manager, CLLAS
Office of the General Manager, CLLAS

1. Constitution of Meeting

The Chair brought the meeting to order.

2. Appointment of Secretary

Norma Ibbetson acted as Secretary.

3. Approval of Minutes of the December 11, 2012 Meeting of the Advisory Board

It was moved by Julia Holland and seconded by Dan McDonald that the minutes of the December 11, 2012 meeting of the Advisory Board be approved. The motion was carried unanimously.

4. Business Arising Out of the Minutes

There were no items for discussion that will not be addressed through the agenda items.

5. Comments of the Chair

CLLAS renewal applications are going to be available shortly and they will contain a new Exhibit H asking questions relating to cyber security measures and practices adopted by each firm. The questions were assembled based on current practices in the US and the UK and therefore may not be reflective of Canadian experience. The Chair asked each firm, upon receipt of the application, to pass it by their IT department to determine if they have any issues with the scope of the inquiry and provide feedback to both the Chair and Joe Tontini at DDA.

The Chair advised that discussions continue with several firms on expanding membership in CLLAS.

An email requesting information on what committees each Board member would like to sit on was circulated late last week. Board members were asked to provide input to the Chair in order that the committee membership can be finalized for the June Board meeting.

The Chairman reported that his firm was considering an internal structure whereby individual partners could elect to provide their services to the firm using a professional corporation structure. Coming out of that consideration they have looked at the professional liability coverage for the firm, the professional corporation and the individual. They have determined that the underlying mandatory \$10 million policy issued by the Barreau du Quebec has some language which when strictly read suggests a gap in coverage which is not covered by the drop down provisions of the CLLAS policy. If any of the member firms with a Quebec office is looking at or has looked at adopting the professional corporation structure, the Chair would appreciate it if they could let him know if they have considered the potential problem with the language of the Barreau policy. If a number of firms have similar issues it might make sense to make a CLLAS representation to the Barreau to amend the language in question.

The Chairman discussed the concerns his firm was having with Bluedrop and Course Park in rolling out the E-learning program. John Walker has sent an amendment to the current agreement with Bluedrop which includes a price reduction but also an extension of the current term for another three years. Before agreeing to the latter the Chair invited feedback from the firms as to their own experience (positive or negative) in their dealings with these companies.

The Chair of the Audit Committee expressed an interest in attending the renewal meetings in London this year. General discussion ensued with agreement that this would be beneficial to CLLAS and that we should expand this option to another Board member each year. The Chair asked that any Board member interested in attending in future years to please advise him.

6. Report of the General Manager's Office

Financial Statements Quarter Ending December 31, 2012

The Management Financial Statements were provided as an information item. The Audited Financial Statements were reviewed in detail at the AGM. The Budget Variance exhibit will be reviewed in conjunction with the presentation of the FY13 budget later in the agenda. There were no additional questions.

Reinsurance Ratings/Security Report

A few years ago, due to the long tail nature of its claims, CLLAS implemented a policy to undertake a more comprehensive review of the CLLAS' reinsurers, including their financial standing and the volume of risk placed with each.

The review of the reinsurers was presented to the Audit Committee at the meeting earlier in February. Among other items, it was noted that there is a Reinsurance Security Agreement (RSA) between Colchester and CLLAS which secures the assets supporting the claim liabilities in a trust account in Canada.

Bob Wilson of the ProForm will provide a summary of the commercial markets standings with his June report to the Board.

Actuarial Report

The actuaries participated in the Audit Committee meeting the previous week to present their year-end findings. Their presentation to the Audit Committee was included in the Board material. Mr. Mahoney highlighted several key slides from the presentation.

- Slide 2 – claim count – this shows the number of claims with reserves or paid amounts by CLLAS (i.e. it does not show underlying law society program numbers) and is a comparison of CLLAS position at December 31, 2011 and 2012.
- Slide 3 – gross incurred losses – these are the paid and case reserve numbers, with no IBNR, and are shown before taking into account reinsurance.
- Slide 8 – net ultimate loss – this exhibit shows the actuaries' projection of the ultimate cost of CLLAS' claims net of reinsurance recoveries.
- Slide 15 – net loss ratio by policy year – the differences between the various policy years illustrate the volatility inherent in CLLAS' claims portfolio.

A new requirement of this year's audit is that Deloitte now specifically audits the Minimum Capital Test (MCT), which is a regulatory solvency test, (see note 12 of the Audited Statements).

2013 Operating Budget

Patrick Mahoney reviewed the Budget proposal for FY13, including a review of the operating expenses, both past and projected. There was a discussion of the management and professional services line items. Attachment A provides comparative figures for 2012 and the proposal for FY13. All management and professional services line items finished the year under budget. The CLLAS restructuring activity was a major initiative for CLLAS in 2012. The FY13 proposal for Professional Services reflects a lower level of activity, and Management Services costs will go up slightly to reflect the ongoing additional work flowing from the new reinsurance structure and from the fact that CLLAS is licensed in multiple provinces.

It was moved by Gordon Goodman seconded by Bill Scott to approve the FY13 budget. The motion was carried unanimously.

Alberta Business Plan Filing

Now that Alberta is the home jurisdiction for CLLAS, the 2013 Business Plan is due end of April versus the previous filing in March with FSCO. The General Manager's office will include a copy of the filed plan with the June Board meeting material an information item.

Reinsurance Ratings/Security

The Audit Committee reviews this report as a part of their mandate. The main body of the report (plus Appendix C) was included in the Board package, with the additional tabs posted on the CLLAS website, including the AM Best reports. Appendix C identifies the ratings of the reinsurers. No issues or concerns were identified at the Audit Committee meeting. Mr. Goodman reported that the Audit Committee reviewed the details and they did not prompt any recommendations for change but the Audit Committee will continue to monitor concentration levels including those of Lloyds.

7. Report of the Audit Committee

Gordon Goodman reported on behalf of the Committee. An unqualified audit opinion was issued.

The P&C1 will be signed in due course.

8. Report of the Claims Committee

The chart summarizing CLLAS claims was reviewed briefly. Of the six class action files, four are related to tax matters and overall eight of the files CLLAS is actively monitoring are tax matters.

9. Report of the Risk Management Committee

Bill Scott reported on behalf of the Risk Management Committee.

Risk Management Seminar – The Committee continues to work on formulating a structure for the seminar including the timing and target audience. The plan is to cover off five or six “best practices” in two to three hours and the anticipated budget is \$5,000 to cover off the hosting and technology component of the program. The plan is to make the program interactive for the audience. List of target attendees not yet identified. Once suggestion for topics was best practice around guarding against cyber- attacks.

Blue-drop – John Walker is to confirm the status of the roll-out of program with each of the firms.

Benchmarking – Mr. Walker has been in touch with all the firms to set up a meeting with firms and their management committees on an individual basis to discuss results for their particular firm if desired.

Re-audits – Five firms have agreed to the re-audit process but the audits are not yet underway. Mr. Walker has committed to getting these done in 2013 or at least substantially done.

10. Report of the Policy Committee

There was no report.

11. Report of the Investment Manager

Mr. Mahoney reviewed the quarterly report from the investment manager.

The Loss Portfolio Transfer (LPT) that took effect on June 30, 2012 has changed the profile of CLLAS' assets and liabilities and has necessitated a review of CLLA' surplus policy and investment policy. CLLAS has held off on making necessary revisions to the surplus policy until the regulators have had a chance to review the 2012 year-end results showing the impact of the LPT on CLLAS' surplus position. A proposal will be included with the Board material for the June meeting.

Revisions to the investment policy will in part be driven by the surplus policy, cashflow requirements and the desire for flexibility in reinsurance terms by the ability to retain risk in future reinsurance negotiations. Once the surplus policy has been agreed the appropriate investment policy can be determined.

The Board considered whether it would be appropriate to improve the yield on its current short term investments by investing a portion of its current assets in bonds, pending the adoption of a revised investment policy. CLLAS requires access to cash at its "fronts" claim payments. No change was made.

12. Committees for 2013

This item was reported on under the Comments of the Chair.

13. Other Business

There was no other business.

14. Next Meeting

The next regularly scheduled meeting of the Board will be on June 25, 2013.

There being no further business, the meeting was terminated.

Chairman

Secretary

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

**Minutes of a Meeting of the Advisory Board
(Designated as the Annual Meeting of the Subscribers pursuant to
Section 5.13 of the Subscribers' Agreement)**

8:30 a.m.

Davies Ward Phillips & Vineberg LLP
40th Floor, RBC Centre
155 Wellington Street West
Toronto, Ontario

Tuesday, February 26, 2013

Present:

Nicholas Leblovic (Chair)
Natasha MacParland
Barry Bresner
Gordon Goodman
John Esvelt
Eugene Cipparone
Bill Scott
Dan McDonald
David Morritt
Julia Holland

Davies Ward Phillips & Vineberg LLP
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McMillan LLP
Oslers LLP
Torys LLP

Patrick Mahoney
Norma Ibbetson

Office of the General Manager, CLLAS
Office of the General Manager, CLLAS

1. Constitution of Meeting

The Chairman brought the meeting to order.

2. Appointment of Secretary

Norma Ibbetson acted as Secretary.

3. Annual Report of Management

Patrick Mahoney reviewed with the Board the Statement of Financial Position. As can be seen clearly from the comparative numbers, the Loss Portfolio Transfer (LPT) had the biggest impact on the statements. All but approximately \$6 million of the "Provision for unpaid claims" has been transferred to reinsurers. The equity position is now \$11.7 million compared with \$20 million the

previous year. CLLAS will undertake a review of its surplus policy in the next several months and a recommendation will be brought forward to the June Board meeting.

The Statement of Comprehensive Income (Loss) also shows the impact of the LPT. There is a large reduction in the “claims” expense now that CLLAS has transferred most of its risk with the LPT. In addition, the reinsurance structure implemented a year ago has reinsurers now attaching excess of \$1 million instead of \$5 million.

4. **Annual Financial Report including Report of the Audit Committee**

Gordon Goodman reported on behalf of the Audit Committee. The Committee met with the auditors and actuary on February 20, 2013 to review the year-end work. Deloitte has issued an unqualified opinion.

It was moved by Gordon Goodman, seconded by Dan McDonald, that the Financial Statements at December 31, 2012 be adopted. The motion was carried unanimously.

5. **Appointment of Auditors**

It was moved by Gordon Goodman and seconded by Bill Scott that Deloitte be appointed auditor for the 2013 fiscal year. The motion was carried unanimously.

6. **Appointment of Actuary**

It was moved by Gordon Goodman and seconded by Barry Bresner that Julie-Linda Laforce of Dion Durrell + Associates Inc. be appointed the Actuary for 2013. The motion was carried unanimously.

7. **Other Business**

There was no additional business for discussion.

8. **Meeting Adjourned**

There being no other business the meeting was adjourned.

Chairman

Secretary

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

Minutes of a Meeting of the Advisory Board

9:00 a.m.

Davies Ward Phillips & Vineberg LLP
40th Floor, RBC Centre
155 Wellington Street West
Toronto, Ontario

Tuesday, June 11, 2013

Present:

Nicholas Leblovic (Chair)	Davies Ward Phillips & Vineberg LLP
Barry Bresner	Borden Ladner Gervais LLP
Gordon Goodman	Cassels Brock & Blackwell LLP
John Esvelt	Dentons Canada LLP
Ken Crofoot	Goodmans LLP
Bill Scott	McCarthy Tétrault LLP
Dan McDonald	McMillan LLP
David Morritt	Oslers LLP
Julia Holland	Torys LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Mike Swartz	WeirFoulds LLP
Patrick Mahoney	General Manager, CLLAS
Joe Tontini	Dion Durrell
Ryan Durrell	Dion Durrell

1. Constitution of Meeting

The Chair brought the meeting to order.

2. Appointment of Secretary

Patrick Mahoney acted as Secretary.

3. Request from Dentons Canada LLP to Withdraw from CLLAS

The Chair asked John Esvelt to address the request of Dentons Canada to withdraw from CLLAS effective June 30, 2013, i.e. one year into the five year underwriting period.

Mr. Esvelt acknowledged that the request was unusual but that it had not been made without careful thought and extensive internal discussion. As background, he said that the combination with Dentons and Salans has resulted in a verein with five firms and 2500 lawyers operating in 60 countries. The firms continue to operate separately but in association. Certain elements, e.g. infrastructure, can be

combined into a global practice but the verein cannot control individual firms and while the firms can contract with each other, they do not share revenues.

Mr. Esvelt said that the merger discussions started in early 2012 (i.e. prior to committing to CLLAS' sixth underwriting period) and it was initially thought that the CLLAS program would work well. This perspective changed when Fraser Milner began to get an understanding of the risks of the verein structure and concluded that it did not make sense to maintain separate towers of insurance for each firm. As an indication of the change in risk profile, he said that the Dentons Canada has more than six times the limits in place now as it had prior to the merger. The firm is selling itself to clients as a global firm and retainers are structured with one office being the lead for all engagements with a client. If, for example a transaction has a major Canadian connection and/or the client is Canadian, then Dentons Canada enters into the retainer letter with that client and is responsible for supervising the provision of all services.

He said that the five firms have all agreed not to sue each other and have agreed they have no right to subrogate or cross claim. Given that there is a single global program this works well for all with the exception of the CLLAS cover. He noted that Fraser Milner's claims experience had been a topic of discussion and that he believed that they would pay about \$1 million more than they would otherwise have had to due to that claims experience (although he noted that the effect was largely felt in the first \$30 million of limits).

Mr. Esvelt said that the firm was not unmindful of the precedent setting concern of allowing Dentons Canada to withdraw from CLLAS mid-underwriting period and that if the decision was that they could not leave, Dentons would be okay with that. He said that in dollar terms the difference between the two approaches was not that significant, the biggest concern is how coverage would play out for claims below \$50 million. He said that Dentons understood that there were cost implications for the remaining firms and it seems to be a fair request for Dentons to pay its fair share of those costs.

He said that a couple of other jurisdictions had mandatory insurance requirements that had to be respected, i.e. UK – 3 million BPS, France – 30 million Euros, Germany – substantial retention and otherwise the firms would have a USD500,000 retention (USD1 million in the aggregate). Total limits were 350 million BPS, with a triple aggregate in Canada and the US, and no aggregate elsewhere.

Mr. Esvelt said that he was advised in London that CLLAS and Dentons were two of the top ten law firm programs in the world for underwriters to quote on and so he hoped that Fraser Milners' past claims experience would not be factored into quotes on both programs.

From a claims perspective, Mr. Esvelt said that since the CLLAS policy does not respond to foreign law, the global policy would drop down to respond in the event the Canadian firm is sued. He said the awkwardness would likely arise during settlement discussions when only the Canadian firm is sued but two insurers are at the table, however it was in fact more likely that all involved firms would be sued. It was noted that CLLAS has experienced difficult situations with respect to allocation in the past when more than one insurer respond, and has implemented protocols for dealing with those situations.

There was discussion about the CLLAS umbrella policy. Mr. Esvelt said that Dentons acknowledged that the fact that Dentons has not agreed to produce the global program policies that would underlie the umbrella policy is a problem and that as a result Dentons Canada may have to give up its right to coverage under that policy or agree that it is excess of everything else.

After further discussion and questions, Mr. Esvelt left the meeting.

Mr. Leblovic provided an overview of the memo circulated to the Board prior to the meeting that provided background, discussed the cancellation of the optional excess policies, necessary amendments to the umbrella policy, the decision-making process, courses of action available to the Board, and implications of agreeing to or refusing Dentons Canada's request. He advised that this issue was the first topic of discussion with every London underwriter he had met with during his recent trip to London, and all were keenly interested in the outcome of this meeting. Joe Tontini and Ryan Durrell gave a presentation to the Board that provided background and highlighted the impact of Dentons Canada's withdrawal from CLLAS on management costs, loss experience, reinsurance costs, and CLLAS' stability.

The Board discussed a number of potential options including requiring Dentons Canada to remain in CLLAS, allowing the firm to leave on a basis where they are required to cover some of the negative implications, and remain liable for a portion of the claims risk in the current underwriting period and possibly surrender a portion of their equity in a "Goodman & Carr style" approach.

After considerable discussion, a consensus emerged that the integrity of the five year underwriting period commitment was extremely important to CLLAS that Dentons Canada should be held to that commitment. As a result, the Board determined that Dentons Canada's request to be allowed to withdraw from CLLAS before the end of the current underwriting period should be declined. It was agreed that the subrogation issue would need to be addressed, i.e. since the waiver of subrogation language in the reinsurance agreement created potential increased risk to both CLLAS and its reinsurers, it would be appropriate for them to review the language prior to the renewal of the policies. Mr. Leblovic agreed to communicate this decision to Mr. Esvelt and then to CLLAS' reinsurers.

4. **Other Business**

There was no other business.

5. **Next Meeting**

The next regularly scheduled meeting of the Board will be on June 25, 2013.

There being no further business, the meeting was terminated.

Chairman

Secretary



Dion Durrell

Canadian Lawyers Liability Assurance Society (CLLAS)

CLLAS Surplus Target

June 26, 2013

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Background

- Financial modeling presented at June 2009 Board meeting:
 - Used in July 1, 2009 reinsurance renewal to aid in analysis of taking on additional risk and impact of such on surplus.
 - Model was stochastic based on 10,000 scenarios generated
- Minimum surplus target and operational Surplus Target adopted in February 2010 as follows:
 - Operational Surplus target of 210% Minimum Capital Test (MCT) \$17.5 million at that time
 - Minimum surplus level of \$15 million
- Having two benchmarks assists in internal surplus distribution decisions and in external surplus target communications

External Considerations

- Insurance regulators in Canada use a solvency test to benchmark property and casualty insurers. The Minimum Capital Test (“MCT”) sets a regulatory target of 150% before regulatory action is taken. Note that the regulators are increasingly looking to apply the MCT standard to reciprocals
- Federally regulated insurance companies must also perform an annual Dynamic Capital Testing Adequacy (“DCAT”) exercise in which they must disclose to the regulators their company Surplus Target in terms of an MCT level. An MCT level of 175% is generally the lowest level a company would select as a target

External Considerations...

- CLLAS's lead regulator was changed from Ontario to Alberta as of June 30, 2012
- Alberta's Insurance Act requires reciprocal to meet the Alberta Maintenance of Reserve and Guarantee Funds ("AMRGF")
- The AMRGF is based on premium volume and net liabilities
- CLLAS has received the confirmation that for the purpose of the AMRGF, Colchester will be considered as a registered reinsurer given the reinsurance security agreement in place

Current Surplus Level

- At December 31, 2012:
 - Surplus of \$11.8 million;
 - MCT level of 297%;
- The Loss Portfolio Transfer (“LPT”) which took place in June 2012 changed the net risk profile and surplus level of CLLAS
- Excluding LPT consideration, the AMRGF at December 31, 2012 would have required surplus of \$9.7 million
- The current Operational surplus level of 210% would represent a surplus requirement of \$8.6 million
- CLLAS’s current surplus level meets both of these requirements

Stress Testing

- Surplus Objective: to minimize the chances of requiring a retroassessment in the event of adverse loss experience
- Stress Testing: Simulated significant but plausible losses
 - Scenario A: \$10,000,000 additional claim as of December 31, 2012
 - Scenario B: \$20,000,000 additional claim as of December 31, 2012
 - Under both Scenarios the claims are unpaid and subject to the 2012/2013 reinsurance structure
- Impact on the MCT and AMRGF was evaluated on both Scenarios

Stress Testing...

➤ Results of Stress Testing:

	Actual	Scenario A	Scenario B
Surplus	\$11,800	\$10,327	\$9,849
Surplus Target per MCT 210%	\$8,559	\$9,530	\$10,470
Surplus Target per AMRGF	\$9,687	\$9,687	\$9,687

- Majority of claims are ceded in the 2012/2013 reinsurance structure, so surplus is only affected by actuarial margin for reinsurance on unpaid claims
- The Surplus Targets are met under the stress test with a diminishing margin except for the 210% MCT under Scenario B

Recommendations

- We recommend a benchmark for the Surplus Target as follows:
 - Minimum Surplus Target of Surplus to meet AMRGF +10%
 - Operational Surplus Target based on the maximum of:
 - Surplus Target at 210% MCT
 - Surplus for AMRGF + 20%
- At December 31, 2012, this translates into a Minimum Surplus Target of \$10.7 million and an Operation Target of \$11.6 million (compared to actual Surplus of \$11.8 million)
- These targets will adjust over time based on the claims experience and changes in retention level

Further Considerations

- CLLAS has yet to undergo an audit from the Alberta Superintendent. We would therefore caution against any surplus distribution which would bring CLLAS below the recommended Operational Target
- OSFI (federal regulator) has released a discussion paper on MCT changes to take effect in 2015. The Alberta regulator indicated its intent to adopt the OSFI guideline at a target level of MCT 210%
- We are in the process of evaluating the impact and we will participate in the consultation process

MEMORANDUM

DATE: June 17, 2013
TO: CLLAS Advisory Board
FROM: Julie-Linda Laforce, Patrick Mahoney
RE: CLLAS Operational Surplus Target

Background

In February 2010, as recommended by the actuary, the Advisory Board adopted a Minimum Surplus Target of \$15 million and an Operational Surplus Target based on a 210% Minimum Capital Test (“MCT”) level (equivalent to a \$17.5 million target at that time). Two targets were established due to the desire for flexibility in meeting the operational target. That is, if the higher target were to be formally established as the minimum, the regulators would expect corrective action as soon as the surplus fell below that level.

The MCT is a regulatory solvency test which has historically applied to incorporated insurance companies. Regulatory authorities set a supervisory target ratio of 150% MCT and, as part of their risk management framework, insurance companies are expected to determine an internal target ratio based on their own risk profile. If the MCT ratio falls below 150%, companies would be subject to increased supervisory supervision. Reciprocal file regulatory financial statements including the MCT and regulators are increasingly looking to apply the MCT capital adequacy standards to reciprocals.

CLLAS’s lead regulator changed from Ontario to Alberta effective in June 30, 2012. As an entity regulated in Alberta, CLLAS is subject to an additional test contained in the Alberta *Insurance Act*, the Alberta Maintenance of Reserve and Guarantee Funds (“AMRGF”) requirement. This solvency requirement is determined based on premium volume and net liabilities (i.e. liabilities net of licensed reinsurance). The regulator has confirmed that reinsurance with Colchester will be considered “licensed” as Colchester’s obligations to CLLAS are secured via a reinsurance security agreement.

CLLAS must maintain cash and securities in excess of the regulatory requirement to avoid a retroassessment. The level of surplus CLLAS maintains is set such that the reciprocal balances the probability of retroassessment with the efficiency of operating with as little capital as is prudent and appropriate. The Operational Surplus Target of 210% was determined based on the results of a stochastic simulation which projected the probability of retroassessment given the volatility of current year losses and potential deterioration of prior year losses.

Actual Results at December 31, 2012

The following table shows key financial indicators for the last three years:

Key Financial Indicators	12/31/2010	12/31/2011	12/31/2012
Net Unpaid Claims	44,381	45,512	6,181
Surplus	21,217	20,126	11,800
MCT Ratio	246%	233%	297%
Surplus Target at 210% MCT	18,302	18,258	8,559
Surplus Target per AMRGF	28,683	22,395	9,687

At December 31, 2012, CLLAS had a surplus of \$11.8 million with a resulting MCT ratio of 297%, i.e. well in excess of both the 150% minimum regulatory requirement and the 210% operational requirement adopted by CLLAS. The primary reason for the increase in CLLAS' MCT ratio from 2011 to 2012 is the Loss Portfolio Transfer which decreased the surplus requirement for unpaid claims.

The AMRGF is in part based on premium volume net of reinsurance. The Loss Portfolio Transfer premiums ceded to Colchester in 2012 had the effect of making this test meaningless for 2012. This was a one-time effect and so in order to provide a useful indication, the table above shows the AMRGF requirement for 2012 disregarding the impact of the Loss Portfolio Transfer.

At December 31, 2012, the adopted target MCT ratio of 210% translates into an Operational Surplus Target of \$8.6 million. At the same date, the surplus required per the AMRGF is \$9.7 million. CLLAS' actual surplus at that date exceeded both requirements, but it can be seen that had CLLAS's surplus been, for example, \$9.0 million, CLLAS would have met its Operational Surplus Target but fallen short of the regulatory requirement.

Stress Testing Results at December 31, 2012

Given that the main objective of surplus is to minimize the chances of requiring a retroassessment in the event of adverse loss experience, two scenarios with significant, but plausible, additional losses at December 31, 2012 were simulated. Scenarios A and B respectively assume \$10,000,000 and \$20,000,000 of additional reported losses at December 31, 2012. Under both scenarios, losses are subject to the 2012/2013 reinsurance structure and are assumed to be entirely unpaid at the date of the test. The resulting impact on CLLAS' financial position and Surplus Targets at 210% MCT and per the AMRGF was evaluated.

The following table shows actual and simulated key financial indicators at December 31, 2012:

Key Financial Indicators	12/31/2012	Scenario A	Scenario B
Net Unpaid Claims	6,181	7,654	8,132
Surplus	11,800	10,327	9,849
MCT Ratio	297%	229%	197%
Surplus Target at 210% MCT	8,559	9,530	10,470
Surplus Target per AMRGF	9,687	9,687	9,687

Under the current reinsurance program, the majority of claims are ceded to reinsurers, so the impact of the large losses on CLLAS' actual surplus is somewhat muted (limited in the above scenarios, to the impact on the actuarial margins for reinsurance). However, the MCT requires a minimum surplus level related to unpaid claims before taking into account reinsurance. While this requirement has no impact on CLLAS' surplus level, it introduces some volatility in the MCT measure and in the Surplus Target at 210% MCT. In Scenario A, CLLAS remains above its Operational Surplus Target while in Scenario B, CLLAS has fallen below the target.

Although not intuitive, the Surplus Target per the AMRGF does not move in the Stress Test. This is because the Surplus Target per the AMRGF is not based on risk margins or charges relative to unpaid claims level. The test is based on comparing surplus with the excess of Cash and Approved Securities over Liabilities. As the surplus reduces by the same amount as liabilities increases, the Surplus Target is unaffected.

Under both Scenarios, CLLAS' surplus remains above the AMRGF surplus requirement but in Scenario B, CLLAS would be within \$162,000 of requiring a retroassessment to meet the test.

Recommendations

Based on the foregoing analysis, we recommend that CLLAS adopt the following surplus targets:

- a Minimum Surplus Target equal to the surplus required to meet the AMRGF plus an additional 10% margin;
- an Operational Surplus Target based on the maximum of:
 - the Surplus Target at 210% MCT and
 - the surplus required to meet the AMRGF with an additional 20% margin.

As stated above, the Operational Surplus Target allows for a flexible target which adjusts over time given changes in the retention level and claims experience and is intended to put CLLAS in a position where immediate funding requirements (via retroassessments) are less likely to be triggered.

As of December 31, 2012, the recommendations translate into a Minimum Surplus Target of \$10.7 million and Operational Surplus Target of \$11.6 million. The actual surplus as of December 31, 2012 was \$11.8 million.

Further Considerations

Note that CLLAS has yet to undergo an audit from the Alberta regulator and therefore we would caution against any surplus distribution which would bring the Subscribers' Equity below the Operational Surplus Target.

Also, OSFI (the federal regulator) has released a discussion paper on the MCT. The final guideline is not expected to be released until the Summer of 2014, with implementation as of January 1, 2015. The Alberta regulator has indicated that it intends to adopt the OSFI guidelines, applying a supervisory target level of 210% of MCT, as opposed to the 150% ratio applied by OSFI.

We are in the process of evaluating the impact of the proposed changes and will participate in the consultation process.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

**For the Period Ending
March 31, 2013**

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

March 31, 2013

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Exhibit I	Statement of Financial Position
Exhibit II	Statement of Comprehensive Income
Exhibit III	Statement of Changes in Equity
Exhibit IV	Operating Budget Variance Analysis

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF FINANCIAL POSITION
March 31, 2013

	As at March 31, 2013	As at March 31, 2012
ASSETS		
Cash	4,575,896	4,103,765
Short term investments	13,268,641	10,695,920
Bonds	0	45,681,471
Interest income due and accrued	0	324,452
Premium receivable	0	0
Other receivable	0	1,758,852
Prepaid expenses	206,742	79,724
Deferred policy acquisition costs	73,879	0
Unearned reinsurance premium ceded	2,714,167	2,960,169
Reinsurance recoverable	1,296,773	5,090,184
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	74,167,000	34,767,000
	<u>96,303,098</u>	<u>105,461,538</u>
LIABILITIES		
Accounts payable & accrued charges	344,133	298,201
Premium taxes payable	0	0
Unearned premium	3,547,436	4,228,453
Due to reinsurers	0	0
Provision for unpaid claims and adjustment expenses	80,715,000	79,324,000
Premium deficiency liability	0	298,000
	<u>84,606,570</u>	<u>84,148,654</u>
SUBSCRIBERS' EQUITY		
Surplus	11,704,150	19,454,476
Accumulated Other Comprehensive Income (Loss)	(7,621)	1,858,408
	<u>11,696,529</u>	<u>21,312,884</u>
	<u>96,303,098</u>	<u>105,461,538</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME
For the Period Ending March 31, 2013

	Current Year		Prior Year	
	Quarter March 31, 2013	Year to Date March 31, 2013	Quarter March 31, 2012	Year to Date March 31, 2012
Written Premium	0	0	0	0
Gross Written Premiums	0	0	0	0
Less: Reinsurance Ceded	0	0	0	0
Net Written Premiums	0	0	0	0
Change in Unearned Premiums	824,113	824,113	1,268,284	1,268,284
Earned Premiums	824,113	824,113	1,268,284	1,268,284
Claims Paid	0	0	625,687	625,687
Change in IBNR	367,000	367,000	(455,000)	(455,000)
Change in Case Reserve	0	0	(500,000)	(500,000)
Premium Deficiency Expense	0	0	(288,000)	(288,000)
Incurred Claims	367,000	367,000	(617,313)	(617,313)
Management and operating expenses	451,434	451,434	594,243	594,243
Reinsurance fees	68,250	68,250	68,250	68,250
Premium taxes	73,879	73,879	0	0
Total Operating Expenses	593,563	593,563	662,493	662,493
Underwriting Gain (Loss)	(136,451)	(136,451)	1,223,103	1,223,103
Investment Income	30,854	30,854	407,923	407,923
Income on Claim Related Matters	0	0	0	0
Interest Income on Premium Tax	0	0	0	0
NET GAIN/(LOSS)	<u>(105,597)</u>	<u>(105,597)</u>	<u>1,631,026</u>	<u>1,631,026</u>
Other comprehensive income (loss)				
Unrealized gains (losses) on available for sale financial assets arising during the year	2,391	2,391	(449,937)	(449,937)
Recognition of realized (gain) loss included in income	-	-	5,912	5,912
Other comprehensive income (loss) for the year	2,391	2,391	(444,024)	(444,024)
Total comprehensive income (loss)	<u>(103,206)</u>	<u>(103,206)</u>	<u>1,187,002</u>	<u>1,187,002</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF CHANGES IN EQUITY
March 31, 2013

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on AFS financial assets	Total Equity
Balance, beginning of year	50,000	11,759,747	(10,012)	11,799,734
Prior year adjustment		-		-
Comprehensive income (loss) for the year				
Net gain (loss) for the year		(105,597)		(105,597)
Other comprehensive income (loss)				
Change in unrealized gain on available-for-sale assets			2,391	2,391
Recognition of realized (gain) loss on available-for-sale assets			-	-
Total comprehensive income (loss) for the year		(105,597)	2,391	(103,206)
Balance at March 31, 2013	50,000	11,654,150	(7,621)	11,696,529

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED March 31, 2013

	Annual Budget	Year to Date Budget % Accrued to Date	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES	611,000	25%	152,750	152,756	(6)
PROFESSIONAL SERVICES					
Actuarial Services	102,000	26%	26,520	36,805	(10,285)
Reinsurance Matters	350,000	26%	91,001	66,543	24,458
Strategic Matters	120,000	26%	31,200	2,880	28,320
Sub-Total Professional Services	572,000		148,721	106,228	42,493
GST/HST on Consulting Fees	153,790		39,191	33,668	5,523
Total Management & Professional Services * (See Note 1)	1,336,790		340,662	292,652	48,011
OTHER EXPENSES					
Audit Expenses	115,000	25%	28,750	43,896	(15,146)
Annual Dinner	7,000	100%	7,000	-	7,000
Premium Taxes	348,000	25%	87,000	73,879	13,121
Chairman's Expenses	2,000	25%	500	-	500
Chairman's Honourium	75,000	100%	75,000	75,000	-
Reinsurance Expense	8,000	25%	2,000	-	2,000
Office Expenses	25,000	25%	6,250	3,553	2,697
Office Expenses - Website management software license	1,100	100%	1,100	-	1,100
Office Expenses - Translation	-		-	1,894	(1,894)
Claims: Borderaux (LSUC)	16,000	75%	12,000	13,440	(1,440)
Special Services	100,000	25%	25,000	9,176	15,824
Miller Insurance Fees (Reins. Comm.) (See Note 2)	282,000	25%	70,500	68,250	2,250
I.B.C Statistical Plan Fees	16,000	25%	4,000	425	3,575
FSCO Assessment Fees	5,000	25%	1,250	-	1,250
Investment counsel fees	21,000	25%	5,250	3,751	1,499
Investment - Custodial	18,000	25%	4,500	4,134	366
Risk Management/Loss Prevention	100,000	25%	25,000	-	25,000
License Fee	5,000	75%	3,750	3,500	250
Insurance: Sundry	-		-	13	(13)
Sub-total	1,144,100		358,850	300,911	57,939
TOTAL	2,480,890		699,513	593,563	105,949

*** NOTE 1: 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	26%
Second Quarter, ending June 30th	41%
Third Quarter, ending September 30th	16%
Fourth Quarter, ending December 31st	17%
	<u>100%</u>

*** NOTE 2: MILLER INSURANCE FEES (Reins. Comm.)**

The annual budget is based upon the annual fee estimated for the policy period 2012/2013.

MARTIN, LUCAS & SEAGRAM LTD.
INDEPENDENT INVESTMENT COUNSEL
SUITE 620, 48 YONGE STREET
TORONTO
M5E 1G9

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

April 22, 2013



Mr. Patrick Mahoney,
Dion, Durrell + Associates Inc.,
2900 - 250 Yonge St.,
Toronto, ON M5B 2L7

Dear Patrick:

Re: Canadian Lawyers Liability Assurance Society

Please find enclosed our quarterly investment report on the Short Term Fund for CLLAS, together with a copy of our account, the original of which has been sent to RBC Dexia Investor Services for payment.

It was another rather uneventful quarter in the domestic bond market, as yields remained in a fairly tight trading range for all maturities out to ten years.

During the first quarter, we continued to reinvest maturities in the Short Term Fund into a combination of corporate and government money market securities, in accordance with the Investment Policy Statement dated May 5, 2012.

Following the transfer of investment management responsibilities of the Long Term Fund during the previous quarter, please let us know if there are any changes to the Short Term Fund's investment objectives or parameters.

With best regards,

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Andrew Bell". The signature is fluid and cursive.

RWB/mab
Enclosures

MARTIN, LUCAS & SEAGRAM LTD.
INDEPENDENT INVESTMENT COUNSEL
SUITE 620, 48 YONGE STREET
TORONTO
M5E 1G9

Copy

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

April 22, 2013

In account with

Canadian Lawyers Liability Assurance Society
- Short Term Investment Fund

Valuation of Short Term Investment Fund
at March 31, 2013

\$13,276,455

Investment Counsel Fee for the period
January 1 to March 31, 2013
at .025% (1/4 of .10% per annum)

\$3,319.11

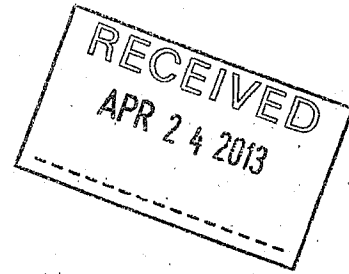
Harmonized Sales Tax (HST) at 13%

431.48

\$3,750.59

Please return this account when
making payment so that it may be
receipted and sent back to you.

HST Registration No. R103546115



CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

INVESTMENT REPORT

MARTIN, LUCAS & SEAGRAM LTD.
INDEPENDENT INVESTMENT COUNSEL

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

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

CLLAS

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

COMMENTARY FOR THE QUARTER ENDING MARCH 31, 2013

Review of Market Yields

Bond yields for issues in the 5 to 10 year maturity range edged gradually higher during January. However, this upward shift proved temporary, and for the balance of the quarter yields moved in a shallow downward trend and ended the period down 6 basis points on average. Money market yields, on the other hand, crept higher and by the end of March the yield on 3-month Treasury Bills had increased 6 basis points.

As a result of these shifts the yield curve flattened, with the yield advantage of 10-year issues over Treasury Bills decreasing to .78%, compared to .88% three months earlier.

	Jan. 1/95	Sep. 30/12	Dec. 31/12	Mar. 31/13
3-Month Treasury Bills	6.80%	0.97%	0.92%	0.98%
5-year Canadas	8.99%	1.30%	1.38%	1.30%
10-year Canadas	9.09%	1.73%	1.80%	1.76%

At the end of the first quarter, the valuation of the Short Term Fund stood at \$13,276,455.

Activity in the account involved the roll-over of Treasury Bill and Banker's Acceptance maturities, and the introduction of a short-term provincial coupon bond.

CLLAS

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

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

- Total Return vs. Benchmark - Gross and Net of Fees
- Compliance Statement
- Bond Market Commentary and Future Policy
- Security Holdings in the Short Term Fund at March 31, 2013
- Security Purchases and Sales
- Cash Reconciliation
- External Individual Credit Rating Report

CLLAS

SHORT TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIOD ENDING MARCH 31, 2013

	Since Inception Oct. 1/08 *	Three Years*	Two Years *	One Year	Last 3 Months
<i>Short Term Investment Fund – Gross of Fees</i>	0.81%	0.84%	0.90%	0.89%	0.19%
<i>Short Term Investment Fund – Net of Fees</i>	0.67%	0.73%	0.79%	0.77%	0.16%
Benchmark Portfolio **	0.75%	0.81%	0.90%	0.93%	0.21%

* Annualized

** The Benchmark Portfolio, adopted from October 1, 2008, is based 100 %
on the total return index of the 30-day Treasury Bill Index

	Jan. 1/95	Sep. 30/12	Dec. 31/12	Mar. 31/13
Short Term Average Duration	N/A	0.04	0.05	0.11

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

<i>March 31, 2013</i>	Investment Limits	Investment Funds	Compliance
<i>Short Term Investment Fund</i>			
Maximum Term of Any Issue	1 year	0.2 years	Yes
Minimum Canada & Provincial Percentage	50%	52.7%	Yes
Minimum Provincial Quality	A	AA	Yes
Minimum Bank CD & BA Quality	R1	R1	Yes

This will confirm that the Short Term Investment Fund is in compliance with the Investment Policy Statement dated May 5, 2012.

CLLAS

BOND MARKET COMMENTARY AND FUTURE POLICY

Investor confidence has shown considerable resilience thus far in 2013. Despite failures on the U.S. political front, a flare-up in the European debt crises, deepening contractions across Europe and Japan, along with renewed concerns surrounding China's growth prospects, most equity markets have successfully weathered these challenges and several, including the U.S., have made solid upward progress over the past few months.

Against the mixed economic backdrop, bond prices also improved during the first quarter. In both Canada and the U.S., government bond yields have been trending lower since January. Concerns that the North American recovery is slowing at the same time that the global economy seems to be losing momentum has helped to underpin investor demand for the safety of fixed income assets.

Thus far, the stock market's strong advance south of the border has not triggered a rotation of investment flows away from bonds. This has been partly attributed to the underlying dynamics of the stock market rally. Since early this year, the equity indices have been pulled higher by the more defensive, non-cyclical and lower risk sectors of the market. This suggests that equity investors do not expect the economy to gain significant upward momentum and share the same consensus viewpoint as bond investors, namely that the subpar uneven expansion, which has been supportive of bond prices, will remain in place.

Recent forecasts lend support to the market's subdued economic outlook. The IMF recently scaled back their expectations for global growth in 2013 to 3.3% and cut their projections for Canada and the U.S. to 1.5% and 1.9% respectively. Similarly, the Bank of Canada has also reduced their forecast for GDP growth to 1.5%, down from their call for a 2% advance back in January. A number of factors have weighed on the domestic outlook including the cooling domestic housing market, cuts in public sector expenditures, a pullback by consumers and weaker exports.

Meanwhile, economic conditions in Europe have continued to deteriorate on balance. The recent post-election stalemate in Italy introduced new political worries and the near collapse and subsequent bailout of Cyprus added another element of uncertainty. While Cyprus' small size did not pose a significant threat to the EU, the bailout agreement raised new concerns since it imposed large losses on uninsured deposits at Cypriot banks. These new bailout terms temporarily rattled the markets due to the possibility of bank runs and contagion across other relatively small European economies. This in turn pushed overseas funds into the North American government bond market.

European financial strains have eased since the Cyprus bailout as evidenced by the downward shift in borrowing costs across most of the region and modest gains in the Euro exchange rate. The European Central Bank's (ECB) promise to provide unlimited liquidity, as needed, continues to provide an important backstop and there are growing expectations that the ECB will adopt even more expansionary policies in order to push yields lower.

CLLAS

While the effectiveness of increasingly aggressive monetary measures on the global economy's growth prospects remains to be seen, central bank policies are having a significant impact on the security markets. This has become particularly evident in Japan. In an effort to overcome entrenched deflationary pressures and revive their ailing economy, the Bank of Japan has committed to doubling their monetary base in two years. This represents the most expansive policy that has ever been tried. After taking into account the size of their economy, Japan's program will be nearly twice as large as the U.S. asset purchase program. In anticipation of these new policies, their stock market has been in a strong uptrend for months, while government bond yields have moved to record lows. Some expect that this will encourage more investment flows to the North American fixed income market, particularly U.S. treasuries.

There is considerable debate as to whether these policies will prove successful, given Japan's structural and demographic challenges. There are also growing concerns that the magnitude of global monetary stimulus already in place could prove destabilizing as a result of unintended consequences. Members of the U.S. Federal Reserve have also voiced concerns surrounding the potential costs and risks, which could cause asset price bubbles and undermine financial stability. Meanwhile, the Bank of Canada has been warning for some time of the potential risks and has highlighted the negative consequences of household indebtedness, which has reached record levels in Canada. The looming challenge of how and when the authorities can withdraw these unprecedented policies, without triggering serious disruptions in the financial markets, or a sharp rise in yields, remains another significant question mark.

While some forecasters believe the U.S. monetary authorities could begin winding down their monthly asset purchases later this year, most economists do not expect a policy shift for two years or more. Furthermore, the Fed has reiterated that it will not change course until the economy gets onto a more solid footing, with unemployment down to at least 6.5% and inflation no higher than 2.5%. Given that the most recent economic data has softened and the U.S. expansion is expected to remain moderate due to the fiscal headwinds from the sequester and the situation in Europe, the risk of an imminent change in monetary policy seems low. Similarly, Canada's monetary authorities are also expected to hold administered rates steady given that they now expect the output gap will take longer to close and that inflation will remain below their 2% target rate until early 2015. On this basis, many economists believe administered rates will remain near current levels until late 2014 or even longer.

In view of the monetary authorities' commitment to maintain their near-zero interest policy for an extended period and the lackluster growth prospects for the North American economy over the near term, we expect domestic short term interest rates will continue to trade in a narrow sideways band for some time yet. Similarly, short and medium term bond yields are also expected to drift sideways, with a gradual upward bias in the latter half of the year when the economic expansion is expected to build some modest upward momentum.

RWB/mab
April 22, 2013

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

Martin, Lucas & Seagram Ltd.

CLLAS - SHORT TERM INVESTMENT FUND

Portfolio Holdings at March 31, 2013

<u>Quantity</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Annual Income</u>
CASH					
	Cash Account			13,855	0
MONEY MARKET ISSUES					
1,500,000	FirstBank BA .99% due April 8, 2013	99.92	99.97	1,499,489	14,839
1,000,000	CIBC BA 1.00% due April 30, 2013	99.78	99.89	998,915	9,978
1,185,000	Toronto Dominion Bank BA 1.00% due April 30, 2013	99.83	99.90	1,183,791	11,830
1,010,000	Toronto Dominion Bank BA 1.00% due May 6, 2013	99.84	99.88	1,008,779	10,084
2,500,000	Canada Treasury Bill .83% due May 9, 2013	99.87	99.89	2,497,283	20,724
1,575,000	CIBC BA 1.00% due May 17, 2013	99.82	99.82	1,572,242	15,721
2,500,000	Canada Treasury Bill .84% due May 23, 2013	99.84	99.85	2,496,323	20,966
				<hr/> 11,256,821	<hr/> 104,141
PROVINCIAL BONDS					
2,010,000	Ontario Coupon due June 2, 2013	99.84	99.79	2,005,779	0
TOTAL PORTFOLIO				13,276,455	104,141

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 01-01-13 To 03-31-13

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
01-11-13	01-14-13	1,185,000	Royal Bank BA 1.00% due February 8, 2013	99.93	1,184,189.47
01-16-13	01-17-13	5,000,000	Canada Treasury Bill .80% due March 14, 2013	99.88	4,993,875.00
01-16-13	01-17-13	2,000,000	FirstBank BA 1.00% due February 15, 2013	99.92	1,998,416.00
01-16-13	01-17-13	1,075,000	Royal Bank BA 1.00% due February 14, 2013	99.92	1,074,175.48
01-17-13	01-18-13	2,000,000	CIBC BA .98% due February 7, 2013	99.95	1,998,926.00
01-30-13	01-31-13	2,000,000	Canada Treasury Bill .80% due March 28, 2013	99.88	1,997,548.00
02-07-13	02-08-13	1,000,000	CIBC BA 1.00% due April 30, 2013	99.78	997,786.00
02-07-13	02-08-13	1,000,000	CIBC BA 1.00% due March 8, 2013	99.92	999,233.00
02-15-13	02-15-13	1,500,000	Bank of Nova Scotia BA 1.00% due March 11, 2013	99.93	1,499,010.00
02-15-13	02-15-13	1,575,000	Royal Bank BA 1.00% due March 11, 2013	99.93	1,573,960.50
02-27-13	02-27-13	1,185,000	Toronto Dominion Bank BA 1.00% due April 30, 2013	99.83	1,182,990.24
03-07-13	03-08-13	1,010,000	Toronto Dominion Bank BA 1.00% due May 6, 2013	99.84	1,008,369.86
03-08-13	03-11-13	1,575,000	CIBC BA 1.00% due May 17, 2013	99.82	1,572,114.60
03-08-13	03-11-13	1,500,000	FirstBank BA .99% due April 8, 2013	99.92	1,498,857.00
03-13-13	03-14-13	2,500,000	Canada Treasury Bill .83% due May 9, 2013	99.87	2,496,820.00
03-13-13	03-14-13	2,500,000	Canada Treasury Bill .84% due May 23, 2013	99.84	2,495,980.00
03-27-13	03-28-13	2,010,000	Ontario Coupon due June 2, 2013	99.84	2,006,683.50
					30,578,934.65
SALES					
01-14-13	01-14-13	1,185,000	Royal Bank BA 1.00% due January 14, 2013	100.00	1,185,000.00
01-17-13	01-17-13	8,075,000	Canada Treasury Bill .83% due January 17, 2013	100.00	8,075,000.00
01-18-13	01-18-13	2,000,000	CIBC BA 1.00% due January 18, 2013	100.00	2,000,000.00

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 01-01-13 To 03-31-13

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
01-31-13	01-31-13	2,000,000	Canada Treasury Bill .80% due January 31, 2013	100.00	2,000,000.00
02-07-13	02-07-13	2,000,000	CIBC BA .98% due February 7, 2013	100.00	2,000,000.00
02-08-13	02-08-13	1,185,000	Royal Bank BA 1.00% due February 8, 2013	100.00	1,185,000.00
02-14-13	02-14-13	1,075,000	Royal Bank BA 1.00% due February 14, 2013	100.00	1,075,000.00
02-15-13	02-15-13	2,000,000	FirstBank BA 1.00% due February 15, 2013	100.00	2,000,000.00
03-08-13	03-08-13	1,000,000	CIBC BA 1.00% due March 8, 2013	100.00	1,000,000.00
03-11-13	03-11-13	1,500,000	Bank of Nova Scotia BA 1.00% due March 11, 2013	100.00	1,500,000.00
03-11-13	03-11-13	1,575,000	Royal Bank BA 1.00% due March 11, 2013	100.00	1,575,000.00
03-14-13	03-14-13	5,000,000	Canada Treasury Bill .80% due March 14, 2013	100.00	5,000,000.00
03-28-13	03-28-13	2,000,000	Canada Treasury Bill .80% due March 28, 2013	100.00	2,000,000.00
					30,595,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
From 01-01-13 to 03-31-13

Cash Balance at January 1, 2013			20,744.26
ADD: Proceeds from Sales	30,595,000.00		
Interest on Balance	<u>213.33</u>	<u>30,595,213.33</u>	
			30,615,957.59
LESS: Cost of Purchases	30,578,934.65		
Investment Counsel Fees - Short Term Investment Fund	3,749.93		
Investment Counsel Fees - Long Term Investment Fund	15,283.36		
Trust Company Charges	<u>4,134.26</u>	<u>30,602,102.20</u>	
Cash Balance at March 31, 2013			13,855.39

EXTERNAL INDIVIDUAL CREDIT RATING REPORT - MARCH 31, 2013

[illegible]

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

COMMITTEES FOR 2013

A. Executive Committee

Nicholas Leblovic (**Chair**)
Donald Milner (**Vice-Chair**)
Gordon Goodman
Barry Bresner
William Scott

B. Sub-Committees

1. Audit*

Gordon Goodman (**Chair**)
David Morritt
Michael Swartz

2. Claims

Barry Bresner (**Chair**)
Dan McDonald
William Scott
Ken Crofoot

3. Policy

Donald Milner (**Chair**)
Michael Swartz
David Morritt

4. Risk Management

William Scott (**Chair**)
Julia Holland
John Esvelt

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

Revised May 2013