



## ADVISORY BOARD MEETING

### Board Member

David Morritt  
Robert Love  
Mike Swartz  
Julia Holland  
William Scott

### Alternate

Lyndon Barnes  
Kate Menear  
Paul Wilson  
James C. Tory  
David E. Woolcombe

### Board Member

Donald Milner  
Gordon Goodman  
Ken Crofoot  
Laurence Detière  
Margaret McNee

### Alternate

S. Bruce Blain  
John Birch  
Eugene Cipparone  
Melanie Koszegi  
Christopher Garrach

Tuesday, December 8, 2020 at 8:30 a.m.  
Goodmans LLP  
34<sup>th</sup> Floor, Bay Adelaide Centre, West Tower  
333 Bay Street.  
Toronto, Ontario

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ZOOM login information: Advisory Board of CLLAS

#### **To join meeting using a computer:**

<https://us02web.zoom.us/j/81215134441?pwd=ZWtVTWpqaU5yeEFSdGhLL00yVlVudz09>

Meeting ID: 812 1513 4441

Meeting Password: 466422

#### **To join meeting by phone:**

+1 647 558 0588 Canada

Meeting ID: 812 1513 4441

Passcode: 466422

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## AGENDA

	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
1. Constitution of Meeting	Ken Crofoot		
2. Appointment of Secretary	Ken Crofoot		
3. Approval of the Minutes of September 22, 2020 Meeting	Ken Crofoot	5 mins	3.0

***Proposed Resolution: To approve the minutes.***



	<u>Responsibility</u>	<u>Est. Time</u>	<u>Tab</u>
4. Business Arising Out of the Minutes	Ken Crofoot		
5. Comments of Chair	Ken Crofoot	5 mins	
6. Market Update and Reinsurance Renewal Planning	Ryan Durrell	10 mins	
7. Report of the General Manager's Office	Patrick Mahoney	30 mins	
7.1 Management Financial Statements – September 30, 2020			7.1
7.2 Subscribers Accounts at June 30, 2020			7.2
7.3 Regulatory Outlook Report			
7.4 Confirmation of Investment Policy			7.4
<i><b>Proposed Resolution: To confirm the Investment Policy</b></i>			
8. Committee Reports		20 mins	
8.1 Audit Committee	Gord Goodman		
8.1.1 Reinsurance Security Update			
8.2 Claims Committee	Bill Scott		8.2
8.3 Risk Management Committee	Julia Holland		
8.4 Policy Committee	Donald Milner		
9. Other Business			
9.1 Quarterly Report of the Investment Manager	Patrick Mahoney	5 mins	9.1
10. Next Meeting - Tuesday, February 23, 2021 at 8:30 a.m.			

**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 Zoom)

**Tuesday, September 22, 2020**

**Present:**

Ken Crofoot (Chair)	Goodmans LLP
Kate Menear	Borden Ladner Gervais LLP
Gordon Goodman	Cassels Brock & Blackwell LLP
Melanie M. Koszegi	Davies Ward Phillips & Vineberg LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Bill Scott	McCarthy Tétrault
Margaret McNee	McMillan LLP
David Morritt	Osler, Hoskin & Harcourt LLP
Julia Holland	Torys LLP
Mike Swartz	WeirFoulds LLP
Patrick Mahoney	Office of the General Manager, CLLAS
Norma Ibbetson	Office of the General Manager, CLLAS
Ryan Durrell	Axxima

**Absent:**

**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 June 23, 2020 Meeting of the Advisory Board**

**It was moved by Margaret McNee and seconded by Donald Milner that the minutes of the June 23, 2020 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**

No additional comments of the Chair.

**6. Reinsurance Renewal – State of the Market Update**

*General Market Conditions*

Ryan Durrell spoke to the Board. The market continues to harden. Insurers are using all available levers to squeeze insureds: higher deductibles, reduced limits, restricted coverages and increased premiums. It bears mentioning again that the market has underpriced insurance for so long that it has a lot of ground to make up. In CLLAS' case, reinsurance rates are still well under what we consider the burning cost of insurance, i.e. the cost of covering claims. Reinsurers are under increased pressure by their management teams.

*Proposed New Layer*

With respect to the proposed new layer of \$50 million excess of \$250 million, it appears that the majority of firms are interested in the layer. That said, we have been working on getting this placed and the marketplace at the moment is simply not that responsive to new business. We had about 30% confirmed support, but the remaining markets had not included this in their business plan, and they therefore did not have any additional capacity. While we might have been able to get to the goal line, we felt the effort level was not commensurate with the value, and we opted to defer this to next year's renewal when the markets will already know this is coming down the pipeline ahead of their business planning (which is taking place now).

*CLLAS D&O*

With respect to the CLLAS Board D&O coverage, we renewed the primary layer of \$5 million through Victor (formally Encon), but the incumbent insurer on the \$5 million layer above this declined to renew. We approached four additional markets. All but one declined, and while one had indicated an interest, we were unable to get formal terms from them. While the additional layer is nice to have, \$5 million is reasonable and most of the firms have coverage through the ODL program as well.

*CLLAS Cyber*

The Cyber program renews on October 1, 2020. All but one application has been returned. The program's lead market has reduced capacity, and we are finalizing a quota share arrangement under the primary \$10 million layer to hopefully keep pricing similar to last year. We believe, like most lines,

we will see a modest premium increase. We are working hard to keep the increase in the single digits, although Ascent is renewing most business with a 10-15% increase.

We have introduced CFC to the program this year. They have no appetite for the primary layer as six of their top seven claims in Canada came from large law firms. They are, however, looking to support in an excess capacity. We are looking to build out at least an additional \$10 million this year, to bring total limits to \$30 million, but we could have up to \$50 million available. We will include those layers on the formal quotes going out in the next couple days.

Social Engineering Fraud (SEF) coverage is becoming increasingly difficult to secure as it is a major loss area for the insurers. We are still looking to build the tower of SEF coverage, but higher layers will not likely include the same \$500,000 in stacking limits. Currently we have up to \$1 million, and we are looking to add more.

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

### *Financial Statements for the Period Ending June 30, 2020*

Patrick Mahoney presented CLLAS' financial management report as at June 30, 2020. Financially, it has been a relatively unremarkable 6 months.

CLLAS experienced an underwriting loss (premiums minus claims and expenses) for the first six months of the year of \$102,000. After taking into account investment income (including unrealized losses arising during the period) the total comprehensive gain was \$319,000. The Budget Variance shows that expenses for the year are tracking under budget at roughly 24% with Axxima fees well under their budget lines.

At June 30, 2020, CLLAS had surplus of slightly over \$13.9 million. At June 30, 2020, CLLAS had cash and approved securities well in excess of the minimum AMRGF requirement mandated by Alberta insurance law. CLLAS' MCT ratio at the same date was estimated to be 730%.

### *Systemic Loss Discussion*

Mr. Mahoney reminded the Board that as a result of last year's Own Risk and Solvency Assessment (ORSA) process, CLLAS now monitors some qualitative metrics, one of which is the risk of systemic loss. Systemic risk arises from dynamics which produce shocks or uncertainty faced by all (or in any event multiple) insureds. Examples could include an economic recession or an adverse court ruling on a limitations issue.

One potential source of systemic risk in the current environment is obviously the COVID-19 pandemic. Risk could come from changes to the firms' work processes (e.g. work-from-home leading to an increased exposure to cyber attacks or a decreased level of supervision) or from increased complexity in the law itself (e.g. the impact of the suspension of myriad limitation and procedural time periods). The stay on limitation periods also creates a potential risk for CLLAS firms.

The Board discussed these issues and noted that a memo was circulated at the beginning of the work-from-home period on how to mitigate potential issues. Julia Holland pointed out that practicePro's "Avoid a Claim" Blog includes numerous updates on limitation periods.

Pandemic risks are being actively managed by the firms but the Board concluded that CLLAS is currently in the Yellow (some concerned raised) zone for systemic risk.

#### *Overview of CLLAS Governance Policies*

Included in the Board package was a summary of the governance policies adopted over the past few years including the status of these policies together with the anticipated dates for on - going review and approval.

### **8. Committee Reports**

#### *Report of the Risk Management Committee*

Julia Holland reported to the Board. John Walker is ready to move forward with the risk management audits. Firms should expect to receive an email with an engagement letter in the very near future. He is selecting individual lawyers through the firm websites but the CLLAS Board member will be made aware in advance of the selection. Ms. Holland suggested that if another member of the firm will be overseeing the audit, it would be helpful to provide that individual's name to Mr. Walker. The survey will be left open for two weeks only so that the process has a tight timeline. CLLAS will be paying 50% of the audit fee as previously agreed.

#### *Report of the Audit Committee*

Gordon Goodman reported to the Board. The audit planning meeting is taking place October 21, 2020. This year's year-end audit will take place virtually.

#### *Report of the Claims Committee*

Bill Scott reported to the Board. The Committee had met since the last Board meeting and continues to process claims matters as required. Included in the material are some charts summarizing CLLAS' claims activity at June 30, 2020.

#### *Report of the Policy Committee*

Donald Milner reported to the Board. At this time, no new issues are under consideration by the Committee.

### **9. Other Business**

#### *Quarterly Report of the Investment Manager*

This is an information item for the Board.

**10. Proposed Meeting Dates in 2021**

- Tuesday, February 23, 2021
- Tuesday, June 22, 2021
- Tuesday, September 14, 2021
- Tuesday, December 7, 2021

The date of the AGM is to be advised.

**11. Next Meeting**

The next regularly scheduled meeting of the Board will be on December 8, 2020.

There being no further business, the meeting was terminated.

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Chairman

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Secretary



# MEMORANDUM

DATE: November 6, 2020  
 TO: CLLAS Advisory Board  
 FROM: Patrick Mahoney  
 COPY:  
 RE: September 30, 2020 Financial Management Report

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CLLAS' financial management report for the nine months ended September 30, 2020 is attached. Included are the following exhibits:

Exhibit I:	Statement of Financial Position
Exhibit II:	Statement of Comprehensive Income
Exhibit III:	Statement of Changes in Equity
Exhibit IV:	Budget Variance Analysis
Exhibit V:	Summary of Risk Metrics
Exhibit VI:	Alberta Maintenance of Reserve and Guarantee Fund

## Financial Results

As shown on Exhibit II, CLLAS experienced an underwriting gain (i.e. premiums minus claims and expenses) of \$58,000 for the first nine months of 2020, with the total comprehensive gain (after taking into account realized and unrealized gains/losses on the investment portfolio) of \$536,000.

As shown on Exhibit I, CLLAS' surplus at September 30, 2020 stood at just over \$14.1 million.

The Budget Variance (Exhibit IV) shows that expenses are about \$350,000, or 21%, under budget for the year to date. Each line of Axxima fees is under budget, with the largest favourable variance being on the Strategic line. A number of other lines are also tracking below budget. The risk management line, in particular, is well under-budget but we anticipate paying CLLAS' share of the cost of risk management audits before the end of the year.

## Risk Metrics

Exhibit V presents the results of various "risk metrics" monitored by CLLAS based on what have been identified through the ORSA process as its material risks. The Exhibit shows the year-end results for 2018 and 2019, and the third quarter result for 2020 against risk targets and risk limits.



The metrics at September 30, 2020 are within CLLAS' risk targets. Notable items are discussed below.

- Line 1: The key regulatory solvency test that CLLAS is required to comply with is known as AMRGF. Details of this calculation are shown in Exhibit VI, with the result summarized in Exhibit V. CLLAS must maintain "cash and approved securities" in excess of the reserve fund plus the guarantee fund required by the Alberta regulator. Exhibit VI shows that the CLLAS held cash and approved securities well in excess of the AMRGF requirement at September 30, 2020.
- Line 2: CLLAS also monitors its Minimum Capital Test ratio. At September 30, 2020 CLLAS' MCT ratio was estimated to be 682%. The result is well above CLLAS' internal target of 210%. Note that mid-year MCT calculations are done on a simplified basis in the interest of efficiency; the "official" MCT calculation is done at year-end.
- Line 6: The Board had a discussion on the risk of systemic loss at its September meeting and some concerns were noted, due to the pandemic, which results in this metric appearing in yellow. This metric will be reviewed again if circumstance change, or in any event, at the September 2021 meeting.
- Line 8: The Board had a discussion on the state of the insurance market at its September meeting. The market continues to be very difficult and so this metric appears in yellow. Again, this metric will be reviewed again if circumstance change, or in any event, at the September 2021 meeting.
- Line 9: As has been discussed as part of CLLAS' Reinsurance Security Report, a couple of CLLAS reinsurers have A- ratings with AM Best and/or S&P..
- Line 10: Again as noted as part of CLLAS' Reinsurance Security Report, the Argo Syndicate (Lloyds) reinsures 19.3% of CLLAS' total liabilities. This is down slightly from 19.6% the prior year and exceeds CLLAS' risk limit. Appropriate moves to continue diversifying CLLAS' reinsurance support should be made when market conditions permit.

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

Sincerely,

Patrick Mahoney, General Manager

## Exhibit I

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
**September 30, 2020**

	<b>As at September 30, 2020</b>	<b>As at September 30, 2019</b>
<b>ASSETS</b>		
Cash	3,287,831	8,864,056
Short term investments	12,466,569	7,253,877
Bonds	6,292,021	6,067,961
Interest income due and accrued	42,613	43,811
Premium receivable	5,787,825	4,639,230
Other receivable	-	-
Prepaid expenses	216,288	216,288
Deferred policy acquisition costs	231,675	201,201
Unearned reinsurance premium ceded	6,487,690	5,459,715
Reinsurance recoverable	397,261	214,744
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	62,962,000	55,510,000
	<u>98,171,774</u>	<u>88,470,883</u>
<b>LIABILITIES</b>		
Accounts payable & accrued charges	292,694	418,365
Premium taxes payable	152,677	144,689
Unearned premium	7,999,528	6,953,598
Due to reinsurers	5,576,560	4,702,429
Provision for unpaid claims and adjustment expenses	69,994,000	62,564,000
Premium deficiency liability	-	-
	<u>84,015,458</u>	<u>74,783,081</u>
<b>SUBSCRIBERS' EQUITY</b>		
Surplus	13,829,277	13,577,583
Accumulated Other Comprehensive Income (Loss)	327,038	110,219
	<u>14,156,316</u>	<u>13,687,802</u>
	<u>98,171,774</u>	<u>88,470,883</u>

## Exhibit II

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the Period Ending September 30, 2020**

	<b>Current Year</b>		<b>Prior Year</b>	
	<b>Quarter September 30, 2020</b>	<b>Year to Date September 30, 2020</b>	<b>Quarter September 30, 2019</b>	<b>Year to Date September 30, 2019</b>
Written Premium	10,695,340	10,695,340	9,288,383	9,288,383
Gross Written Premiums	10,695,340	10,695,340	9,288,383	9,288,383
Less: Reinsurance Ceded	8,674,018	8,674,018	7,292,904	7,292,904
Net Written Premiums	2,021,322	2,021,322	1,995,479	1,995,479
Change in Unearned Premiums	(1,511,838)	(519,550)	(1,493,883)	(564,985)
Earned Premiums	509,484	1,501,771	501,596	1,430,495
Claims Paid	1,697	18,643	(1,146,107)	(645,901)
Change in IBNR	(33,000)	234,000	(44,000)	(219,000)
Change in Case Reserve	(2,000)	(86,000)	347,000	(216,000)
Premium Deficiency Expense	-	-	-	-
Incurred Claims	(33,303)	166,643	(843,107)	(1,080,901)
Management and operating expenses	233,655	958,021	292,925	1,189,771
Reinsurance fees	71,875	215,625	71,875	211,375
Premium taxes	77,225	103,590	67,067	173,649
Total Operating Expenses	382,756	1,277,236	431,867	1,574,795
<b>Underwriting Gain (Loss)</b>	160,031	57,891	912,835	936,600
Investment Income	42,171	198,223	97,608	273,237
Income on Claim Related Matters	-	-	-	-
Interest Income on Premium Tax	-	-	-	-
<b>NET GAIN/(LOSS)</b>	<b>202,202</b>	<b>256,114</b>	<b>1,010,444</b>	<b>1,209,837</b>
<b>Other comprehensive income (loss)</b>				
Unrealized gains (losses) on available for sale financial assets arising during the year	14,931	279,608	(12,417)	144,809
Recognition of realized (gain) loss included in income	-	-	-	-
Other comprehensive income (loss) for the year	14,931	279,608	(12,417)	144,809
<b>Total comprehensive income (loss)</b>	<b>217,133</b>	<b>535,723</b>	<b>998,026</b>	<b>1,354,646</b>

Exhibit III

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY  
STATEMENT OF CHANGES IN EQUITY  
September 30, 2020

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on AFS financial assets	Total Equity
Balance, beginning of year	50,000	13,523,163	47,430	13,620,593
Prior year adjustment		-		-
Comprehensive income (loss) for the year				
Net gain (loss) for the year		256,114		256,114
Other comprehensive income (loss)				
Change in unrealized gain on available-for-sale assets			279,608	279,608
Recognition of realized (gain) loss on available-for-sale assets			-	-
Total comprehensive income (loss) for the year		256,114	279,608	535,723
Distribution of premium surplus		-		-
Balance at September 30, 2020	50,000	13,779,277	327,038	14,156,316

Exhibit IV

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**  
**STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS**  
**FOR THE PERIOD ENDED September 30, 2020**

	Annual Budget	Year to Date Budget %	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
<b>MANAGEMENT SERVICES*</b> (See Note 1)	396,000	75%	297,000	269,243	27,757
<b>PROFESSIONAL SERVICES</b>					
Actuarial Services	75,000	80%	60,000	47,734	12,266
Reinsurance Matters	300,000	80%	240,000	185,755	54,245
Strategic Matters	160,000	80%	128,000	60,414	67,586
Sub-Total Professional Services	535,000		428,000	293,903	134,097
GST/HST on Consulting Fees	121,030		94,250	73,209	21,041
<b>Total Management &amp; Professional Services *</b> (See Note 2)	<b>1,052,030</b>		<b>819,250</b>	<b>636,356</b>	<b>182,894</b>
<b>OTHER EXPENSES</b>					
Audit Expenses	127,000	75%	95,250	92,289	2,961
Annual Dinner	7,500	75%	5,625	(1,000)	6,625
Premium Taxes	174,000	75%	130,500	103,590	26,910
Chairman's Honourium	150,000	100%	150,000	150,000	-
Reinsurance Expense	8,500	75%	6,375	158	6,217
D&O Insurance	20,000	100%	20,000	13,878	6,122
Office Expenses	25,000	75%	18,750	4,350	14,400
Claims: Borderaux (LawPro/LIF)	17,600	95%	16,700	15,215	1,485
Special Services	25,000	75%	18,750	-	18,750
Reinsurance Fee (BWI) (See Note 3)	287,500	75%	215,625	215,625	-
I.B.C Statistical Plan Fees	3,000	75%	2,250	812	1,438
Assessment Fees	3,000	75%	2,250	4,028	(1,778)
Investment counsel fees	33,000	75%	24,750	23,765	985
Investment - Custodial	19,000	75%	14,250	14,671	(421)
Risk Management/Loss Prevention (See Note 4)	110,000	75%	82,500	-	82,500
License Fee	5,000	90%	4,500	3,500	1,000
Insurance: Sundry	-		-	-	-
<b>Sub-total</b>	<b>1,015,100</b>		<b>808,075</b>	<b>640,881</b>	<b>167,194</b>
<b>TOTAL</b>	<b>2,067,130</b>		<b>1,627,325</b>	<b>1,277,236</b>	<b>350,088</b>

**\* NOTE 1: MANAGEMENT SERVICES**

The budget of \$396,000 has been reduced from \$501,500 prior year budget as a result of slightly reduced fixed fee and an increased commissions on CLLAS associate program (including profit sharing).

**\* 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	22%
Second Quarter, ending June 30th	40%
Third Quarter, ending September 30th	18%
Fourth Quarter, ending December 31st	20%
	<u>100%</u>

**\* NOTE 3: BWI INSURANCE FEES (Reins. Comm.)**

The annual budget is based upon the annual fee actual for the policy year 2019/2020 and no change for policy period 2020/2021 assumed.

**\* NOTE 4: RISK MANAGEMENT/LOSS PREVENTION**

A significant increase from the last year budget due to Risk Management Audit to take place in 2020.

## Exhibit VI

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**  
**For the Period Ending September 30, 2020**

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

	Current Year to Date 09/30/2020 (in \$000's)	Prior Year End 09/30/2019 (in \$000's)
<b><u>Reserve Fund</u></b>		
Premiums collected or credited having one year or less to run	(1) 10,695	9,288
Less: Amount paid to licensed reinsurers	(2) 8,601	7,233
Premiums collected with more than one year to run, less expired portion	(3) -	-
Less: Amount paid to reinsurers on premiums on line 3, less expired portion.	(4) -	-
Subtotal (lines 1, minus line 2, plus line 3, minus line 4)	(5) 2,094	2,055
Reserve Fund Required (50% of Line 5)	(6) 1,047	1,028
<b><u>Guarantee Fund</u></b>		
Total Liabilities	(7) 84,015	74,783
Less: Unearned Premiums	(8) 7,999	6,954
Less: Recoverable from licensed reinsurers	(9) 62,902	55,439
Plus: Statutory Margin	(10) 50	50
Guarantee Fund Required (Line 7 minus Lines 8 and 9 plus line 10)	(11) 13,164	12,440
<b>TOTAL RESERVE &amp; GUARANTEE FUND REQUIRED (Line 6+11)</b>	(12) 14,211	13,468
Cash & Approved Securities	(13) 22,047	22,186
Excess of Cash & Securities over Reserve & Guarantee Fund (line 13 minus line 12)	(14) 7,836	8,719

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**  
**SUMMARY OF RISK METRICS**  
**September 30, 2020**

Exhibit V

Risk Category	Risk Metric	December 31, 2018	December 31, 2019	September 30, 2020	Green Zone (Meets Target)	Yellow Zone	Red Zone (Limit Exceeded)
<b>General</b>	(1) AMRGF - Excess of Cash and Approved Securities Over Regulatory Requirement	\$6,765,000	\$11,670,500	\$7,836,000	5,000,000 and above	\$2,500,000 to \$5,000,000	Less than \$2,500,000
	(2) MCT Ratio	521%	712%	682%	210% and above	n/a	Less than 210%
	(3) Status of Governance Policies	Up to date	Up to date	n/a	Up to date	Items outstanding	Materially behind schedule
<b>Insurance</b>	(4) Gross Loss Ratio	369%	42%	48%	Less than 150%	150% to 300%	Over 300%
	(5) Net Loss Ratio	-22%	-36%	8%	Less than 50%	50% to 100%	Over 100%
	(6) Risk of Systemic Loss	n/a	n/a	Some concerns raised	Nothing on horizon	Some concerns raised	Adverse experience anticipated
<b>Premium &amp; Strategy</b>	(7) Actual Expenses vs. Budget	96%	95%	78%	Less than 105%	105% to 120%	Over 120%
	(8) State of the Market Outlook	n/a	n/a	Some concerns raised	Nothing on horizon	Some concerns raised	Adverse experience anticipated
<b>Reinsurance</b>	(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	12.7%	19.6%	19.3%	Less than 10%	10% to 15%	Over 15%
<b>Operational</b>	(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	2	1	1	0 to 2 members	3 to 4 members	5 or more members
	(15) Key Management/Advisor Turnover in Last 36 Months	2	1	1	0 to 1 person	2 to 3 people	4 or more members
<b>Investments</b>	(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
<b>Regulatory Compliance</b>	(17) Regulatory Outlook Report	n/a	n/a	n/a	No significant issues noted	Issues being addressed	Significant issues outstanding

**Notes**

- (1) = From Exhibit 6.  
(2) Based on financial statements and quarterly actuarial valuation as of September 30, 2020. Target based on ORSA analysis.  
(3) Reviewed annually in December.  
(4) = Gross incurred losses / gross earned premiums. Gross losses from the actuarial valuations. Premiums exclude the effect of any return of surplus.  
(5) = Net incurred losses / net earned premiums. Net losses derived from the financial statements. Premiums exclude the effect of any return of surplus.  
(6) Reviewed in September 2020.  
(7) = Actual expenses / budget expenses. From the financial statements.  
(8) Reviewed in September 2020.  
(9) Based on A.M. Best. information from report on reinsurance security (October 2020).  
(10) Based on claim liabilities exposure. Lloyds syndicates are assessed separately. 2020 information from report on reinsurance security (October 2020).  
(11) Reviewed quarterly.  
(12) To be reviewed annually starting in 2020.  
(13) To be reviewed annually starting in 2020.  
(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) To be reviewed annually starting in 2020.



# MEMORANDUM

DATE: November 25, 2020  
TO: CLLAS Advisory Board  
FROM: Patrick Mahoney  
COPY:  
RE: CLLAS Subscribers' Accounts as at June 30, 2020

---

You will find attached to this memo the Subscribers' Accounts for the year ended June 30, 2020.

I look forward to discussing the attached with you at the up-coming Board meeting.

**CLLAS SUBSCRIBERS' ACCOUNTS**

STATEMENT OF FINANCIAL POSITION AND STATEMENT OF OPERATIONS BY UNDERWRITING PERIOD  
FOR THE YEAR ENDED JUNE 30, 2020

**LAW FIRMS:**

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

**UNDERWRITING PERIODS:**

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

CLLAS SUBSCRIBERS' ACCOUNTS  
UNDERWRITING PERIODS CONSOLIDATED  
STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED JUNE 30, 2020

Exhibit 1  
Page 1

SUBSCRIBER	1	2	3	4	5	7	8	9	10	11	12	13	Total
ASSETS													
Net Asset Account	1,020,468	3,003,615	1,840,025	834,966	2,624,328	1,249,381	2,657,443	1,861,965	2,348,828	1,585,663	511,435	1,136,550	20,674,667
Accrued Interest	889	3,457	2,343	954	2,316	1,318	3,011	1,951	2,574	1,767	571	1,295	22,448
Reinsurance Receivable	32,508	52,080	38,007	13,531	38,105	17,156	40,254	28,408	31,124	18,280	6,985	16,228	332,666
Prepaid Expenses	0	20,358	16,031	3,974	0	5,150	14,922	7,787	11,877	8,922	2,863	7,509	99,394
Total Assets	1,053,865	3,079,511	1,896,406	853,426	2,664,749	1,273,006	2,715,630	1,900,112	2,394,402	1,614,633	521,853	1,161,581	21,129,175
LIABILITIES													
Undiscounted Case Reserves	0	13,582	10,397	3,394	6,526	4,450	9,850	5,919	8,113	6,081	2,099	4,590	75,000
Undiscounted IBNR	42,029	716,034	555,845	179,393	231,234	231,301	536,924	309,380	436,157	322,040	114,447	250,216	3,925,000
Impact of Discounting and Provision for Adverse Deviation	54,789	550,982	424,849	138,361	206,718	178,602	414,446	243,164	334,711	243,690	86,619	190,069	3,067,000
Accrued Expenses	0	23,860	21,433	6,416	0	6,203	19,304	8,930	14,285	10,368	3,736	8,459	122,993
Total Liabilities	96,818	1,304,458	1,012,523	327,564	444,478	420,557	980,524	567,392	793,266	582,179	206,901	453,334	7,189,993
SUBSCRIBERS' EQUITY													
Total Subscribers' Equity	957,047	1,775,053	883,884	525,861	2,220,272	852,449	1,735,106	1,332,720	1,601,137	1,032,454	314,952	708,247	13,939,182
Total Liabilities and Equity	1,053,865	3,079,511	1,896,406	853,426	2,664,749	1,273,006	2,715,629	1,900,112	2,394,402	1,614,633	521,853	1,161,581	21,129,175

CLLAS SUBSCRIBERS' ACCOUNTS  
UNDERWRITING PERIODS CONSOLIDATED  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED JUNE 30, 2020

Exhibit 1  
Page 2

SUBSCRIBER	1	2	3	4	5	7	8	9	10	11	12	13	Total
Direct Written Premium	-	1,801,186	1,641,893	487,755	-	463,352	1,465,712	669,245	1,080,334	787,822	257,532	633,552	9,288,383
Retroassessment	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Written Premium	-	1,801,186	1,641,893	487,755	-	463,352	1,465,712	669,245	1,080,334	787,822	257,532	633,552	9,288,383
Reinsurance Ceded	-	1,413,892	1,290,774	383,417	-	363,531	1,151,101	525,257	848,281	619,088	200,502	497,061	7,292,904
Net Written Premium	-	387,294	351,119	104,338	-	99,821	314,611	143,988	232,053	168,735	57,030	136,491	1,995,479
Change in Unearned Premium	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Earned Premium	-	387,294	351,119	104,338	-	99,821	314,611	143,988	232,053	168,735	57,030	136,491	1,995,479
Claims Paid	(138,371)	(114,722)	(78,642)	(30,890)	(126,929)	(38,408)	(92,059)	(75,541)	(67,558)	(28,957)	(12,562)	(31,683)	(836,323)
Change in Undiscounted Case Reserves	-	8,675	6,743	2,167	2,871	2,808	6,411	3,685	5,261	3,956	1,391	3,032	47,000
Change in Undiscounted IBNR	(9,426)	(18,755)	(6,655)	(7,858)	(53,079)	(13,284)	(7,917)	(15,492)	(10,120)	(5,417)	(1,429)	(568)	(150,000)
Change in Impact of Discounting and Provision for Adverse Deviation	(29)	80,681	66,824	18,419	1,907	22,150	65,004	30,616	50,020	38,297	13,749	31,361	419,000
Incurred Claims	(147,827)	(44,121)	(11,730)	(18,162)	(175,230)	(26,734)	(28,560)	(56,732)	(22,397)	7,880	1,149	2,143	(520,323)
Operating Expenses	12,027	294,702	258,843	77,953	18,289	78,689	237,072	113,805	176,918	127,720	46,039	104,203	1,546,259
Premium Tax	-	54,947	43,268	10,726	-	13,901	40,276	21,018	32,056	24,081	7,726	20,268	268,268
Total Expenses	12,027	349,650	302,111	88,679	18,289	92,590	277,348	134,823	208,974	151,801	53,765	124,471	1,814,527
Underwriting Gain (Loss)	135,800	81,765	60,738	33,821	156,941	33,965	65,824	65,896	45,477	9,054	2,116	9,878	701,275
Investment Income	14,224	55,288	37,526	15,250	36,897	21,023	48,127	31,153	41,116	28,230	9,128	20,698	358,659
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Gain (Loss)	150,024	137,053	98,264	49,071	193,838	54,988	113,950	97,049	86,593	37,284	11,244	30,576	1,059,934
Other Comprehensive Income	7,505	29,181	19,777	8,055	19,551	11,127	25,415	16,469	21,724	14,917	4,823	10,926	189,471
Total Comprehensive Income	157,529	166,235	118,041	57,126	213,389	66,115	139,365	113,519	108,317	52,201	16,067	41,502	1,249,405



## CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

### Investment Policy

Last Updated  
December 9, 2015



## 1. PURPOSE

- 1.1. This investment policy ("Policy") sets forth the investment objectives and guidelines for the management of the investments of the Canadian Lawyers Liability Assurance Society ("CLLAS") and the conflict of interest rules applicable to the members of the Advisory Board (the "Board") of CLLAS, the employees of the Office of the General Manager (the "General Manager") directly engaged in providing services to CLLAS and the employees of the investment counsel directly engaged in providing investment services to CLLAS (the "Investment Manager"), collectively referred to as the "CLLAS Agents".
- 1.2. This policy formalizes investment-related activities that comply with the *Alberta Insurance Act* and OSFI's Guideline B-1 *Prudent Person Approach* adopted by the Alberta Superintendent of Insurance.
- 1.3. This Policy is considered to reflect the financial needs of CLLAS and the risk appetite of its subscribers and to set investment standards which a reasonably prudent person would apply to avoid undue risk of loss, maintain appropriate liquidity and obtain a reasonable return.

## 2. CLLAS INVESTMENT ACTIVITIES

- 2.1. The Investment Manager will invest and reinvest, with full discretion but in accordance with the provisions of this Policy, the funds of CLLAS not required for operational purposes.
- 2.2. The Investment Manager will maintain two Funds (the "Funds") for investment purposes: the Short Term Investment Fund and the Long term Investment Fund. Monies provided to the Investment Manager for investment shall be allocated to one or both of the Funds as follows:

Fund	Target Allocation	Acceptable Range
Short Term Investment Fund	40%	20% to 100%
Long Term Investment Fund	60%	0% to 80%

- 2.3. In any event, the Short Term Investment Fund must represent not less than 20% of the total market value of the two Funds at the time the monies are received by the Investment Manager, after giving effect to such allocation. Transfers between the Funds may also be made subject to the Short Term Fund being at least 20% of the market value of the two Funds at the time of transfer and after giving effect thereto.
- 2.4. Investments in the two Funds will be denominated in Canadian dollars.
- 2.5. The Short Term Investment Fund is restricted to investments which mature within one year.



- 2.5.1. Such investments are restricted to the following:
- Treasury Bills issued by the Government of Canada or by any province of Canada having a rating A or better;
  - Certificates of Deposit issued by a Canadian chartered bank having a rating R-1 High or better;
  - Bankers Acceptances accepted by a Canadian chartered bank having a rating of R-1 High or better; and
  - Bonds issued or guaranteed by any of the above which mature in less than one year.
- 2.5.2. Not less than 50% of short term investments will be invested in qualifying Government of Canada or provincial securities.
- 2.6. The Long Term Investment Fund consists of all investments which are not designated as being part of the Short Term Investment Fund.
- 2.6.1. Such investments are restricted to the following:
- Securities issued or guaranteed by the Government of Canada or any province of Canada; and
  - Bonds issued by corporations incorporated under the laws of Canada or any province of Canada.
- 2.6.2. The maximum term to maturity of any one investment shall not exceed 10 years. For greater certainty, this Fund may include short term investments of the type permitted for investment under section 2.5.1
- 2.6.3. Not less than 60% of the market value of this Fund shall be invested in securities issued or guaranteed by the Government of Canada or by the government of any province of Canada and all such securities must, at the time of purchase, be rated A or better.
- 2.6.4. Not more than 40% of the market value of this Fund may be invested in bonds issued by corporations incorporated under the laws of Canada or any province of Canada and all such bonds must, at the time of purchase, be rated A or better.
- 2.7. Investments which do not meet the criteria in Sections 2.5 and 2.6 are ineligible for inclusion in the investment portfolio.
- 2.8. All investments shall be designated as available-for-sale and shall be reported at fair market value, unless otherwise determined by the General Manager with the concurrence of CLLAS' auditor.



- 2.9. The investment portfolio, in aggregate, will at all times comply with the applicable regulatory requirements and restrictions. In particular, Sections 415 to 432 of the *Alberta Insurance Act* describe restrictions with respect to investments.
- 2.10. Unless otherwise required by the Board, the Investment Manager will report to CLLAS each quarter on the status of the Funds and will compare the performance of the Funds with the following benchmarks for the period covered by the report.
  - 2.10.1. The benchmark for the Short Term Investment Fund consists of 30-day Treasury Bills.
  - 2.10.2. The benchmark for the Long Term Investment Fund is a composite benchmark comprised of 60% DEX Short Term Bond Indices (equal portions of the Federal and Provincial Indexes) and 40% DEX Mid Term Bond Indices (equal portions of the Federal and Provincial Indexes).
  - 2.10.3. Each report shall also provide such additional information as CLLAS may reasonably require.
- 2.11. The Board will re-examine the asset mix policy periodically in light of significant changes in any of the following:
  - 2.11.1. the Board becoming aware of any significant liability with respect to any claim;
  - 2.11.2. capital market prospects;
  - 2.11.3. the risk appetite of the subscribers of CLLAS;
  - 2.11.4. any changes in regulatory requirements, and
  - 2.11.5. any other factors considered relevant by the Board.
- 2.12. Nothing in this Section 2 will preclude the Chair or, in his absence, the Vice Chair, from withholding from the Investment Manager funds anticipated to be required for operational purposes and investing such funds in short term investments of the type permitted for investment under Section 2.5.1 and having maturities not exceeding 90 days.
- 2.13. The Board, in conjunction with the General Manager, will review and, if necessary, update this Policy at least annually.

### **3. ASSETS HELD PURSUANT TO REINSURANCE SECURITY AGREEMENTS**

- 3.1. Section 3 of this Policy applies to monies held for the benefit of CLLAS pursuant to Reinsurance Security Agreements with reinsurers not licensed to do business in Canada which may be entered into by CLLAS from time to time.
- 3.2. Such Reinsurance Security Agreements must comply with the requirements of the Alberta Superintendent of Insurance. Pursuant to the terms of applicable Reinsurance Security



Agreements, the market value of the deposits held pursuant to such Agreements must not total not less than the amount required in the Minimum Capital Test in order to avoid any capital deduction or margin requirement as a result of CLLAS ceding risks to unlicensed reinsurers.

- 3.3. Pursuant to the terms of applicable Reinsurance Security Agreements, such deposits must be denominated in Canadian dollars and are restricted to the following:
  - 3.3.1. Cash;
  - 3.3.2. Bonds and debentures issued by the Government of Canada, any province of Canada or any municipality of Canada;
  - 3.3.3. Bonds and debentures issued by a Canadian corporation, trust or limited partnership;
  - 3.3.4. Common or preferred shares in the capital of a Canadian or Provincial corporation; and
  - 3.3.5. Guaranteed investment certificates.
- 3.4. CLLAS has entered into a Loss Portfolio Transfer (“LPT”) with Colchester Reinsurance Limited. The terms of the LPT require that the assets supporting Colchester’s liabilities be held under a Reinsurance Security Agreement and that an investment policy that permits investment in securities other than Cash, T-bills, Government of Canada bonds and Canadian Provincial Government Bonds must be approved by CLLAS.

#### **4. CONFLICTS OF INTEREST**

- 4.1. No CLLAS Agent will knowingly permit his or her interest to conflict with his or her duties and powers in respect of CLLAS.
- 4.2. A conflict of interest is deemed to include any direct, indirect, actual or perceived material pecuniary interest of a CLLAS Agent in any arrangement, contract, investment, transaction or other matter in which CLLAS participates or proposes to participate. The pecuniary interest of a CLLAS Agent is deemed to include that of:
  - 4.2.1. his or her spouse;
  - 4.2.2. any person with whom the CLLAS Agent is living in a relationship outside marriage;
  - 4.2.3. any member of the CLLAS Agent's family who shares his or her home; and
  - 4.2.4. any corporation or trust controlled by the CLLAS Agent or in which he or she has a substantial beneficial interest.
- 4.3. CLLAS Agents must not:
  - 4.3.1. make, influence or participate in the making of any decision, if the effect or such decision is the potential furthering of the CLLAS Agent's interests;



- 4.3.2. use material information derived from is or her status as a CLLAS Agent that has not been generally disclosed, to further the CLLAS Agent's interests; or
- 4.3.3. accept, in connection with his or her status as a CLLAS Agent, any gift or personal benefit except those of a minor nature or as permitted by law.
- 4.4. At the earliest opportunity, each CLLAS Agent must fully disclose in writing, if practical, any conflict of interest or potential conflict of interest to the Chair or Vice Chair. The Chair or Vice Chair will record such declarations of conflict and report them to the Board at the earliest opportunity.
- 4.5. Board members in attendance at any meeting of the Board or its Committees must also declare to the Chair of the meeting any conflict or potential conflict of interest in any matter being considered at that meeting which relates to investment made pursuant to this policy and must refrain from participating in the discussion of or voting on such matter.
- 4.6. If any CLLAS Agent has doubt as to whether a particular situation represents a conflict of interest, he or she may provide the necessary information to the Chair or Vice Chair and request that the Board determine whether or not a conflict exists. The Chair or Vice Chair will record such requests and include them on the agenda for the next Board meeting for determination.
- 4.7. The obligation of CLLAS Agents under this Policy are in addition to those imposed on CLLAS Agents by any professional organization with which they may be associated.
- 4.8. The Chair will provide each member of the Board, the General Manager and the Investment Manager with a copy of this Policy. The Board may require periodic confirmation of compliance with this Policy.

## **5. ROLES AND RESPONSIBILITIES**

- 5.1. The Board is responsible for the following:
  - 5.1.1. Ensuring that the investments are in compliance with applicable regulatory requirements and restrictions and that the investments are managed in a prudent manner;
  - 5.1.2. Establishing investment objectives, asset allocations and performance measures;
  - 5.1.3. Reviewing and approving this Policy annually;
  - 5.1.4. Appointing and modifying or terminating the appointment of the Investment Manager;
  - 5.1.5. Reviewing the annual investment review and compliance report; and
  - 5.1.6. Reviewing changes, if any, to the investment policy for the assets supporting the LPT.



5.2. The General Manager is responsible for the following:

- 5.2.1. Ensuring that the investments are in compliance with applicable regulatory requirements and restrictions and that the investments are managed in a prudent manner;
- 5.2.2. Monitoring the Investment Manager's performance, based on the benchmarks set in this Policy, and recommending corrective actions to the Board when required;
- 5.2.3. Monitoring compliance with this Policy;
- 5.2.4. Maintaining a system of internal controls designed to prevent losses from inappropriate investment activities, fraud or human error;
- 5.2.5. Filing all documentation required by the Alberta Superintendent of Insurance.

5.3. The Investment Manager is responsible for the following:

- 5.3.1. Managing the day-to-day securities transactions;
- 5.3.2. Ensuring compliance with this Policy;
- 5.3.3. Achieving performance targets set in this Policy;
- 5.3.4. Maintaining an appropriate level of liquidity to meet financial obligations;
- 5.3.5. Reporting to the General Manager and Board on a quarterly basis, or if warranted, on a more frequent basis on compliance with this Policy;
- 5.3.6. Providing regular reports to the Board which include a review of the current portfolio, a review of investment performance and future investment strategies.

## 6. AUTHORITY

- 6.1. The Board has the authority to make revisions to this Policy.
- 6.2. The Board may, at any time, modify or terminate the appointment of Investment Manager and appoint one or more investment counsel to act as an Investment Manager in its place. The Chair or, in his absence, the Vice Chair shall be responsible, in consultation with the General Manager, for the supervision of the Investment Manager.
- 6.3. The Investment Manager has the authority to purchase, sell or hold securities that will be used to meet the objectives set forth in this Policy.

## 7. HISTORY OF CHANGES

December 2015: The Policy was amended to comply with OSFI's Guideline B-1 adopted by the Alberta Superintendent of Insurance. Notable changes include the following:

- Addition of accounting classification of investments;



- Addition of section on the oversight of assets held pursuant to Reinsurance Security Agreements;
- Addition of section on roles and responsibilities;
- Addition of section on authority with respect to this Policy;
- Addition of section on history of changes.

Other minor changes were also made.

December 2013:	<p>The Policy was amended to reflect CLLAS' financial profile in light of the Loss Portfolio Transfer. The following changes were adopted:</p> <ul style="list-style-type: none"> <li>• Increasing the maximum allowable investments in corporate bonds from 20% to 40%;</li> <li>• Changing the minimum for federal and provincial bonds to 60% in the Long Term Investment Fund;</li> <li>• Adding a benchmark for the Short-Term Investment Fund.</li> </ul>
May 2012:	<p>The Policy was amended to restrict all investments based on applicable regulatory requirements and restrictions. The reporting frequency was clarified to be on a quarterly basis. Other minor stylistic changes were made.</p>
October 2008:	<p>The benchmark for the Long-Term Fund was changed from Scotia McLeod's Short Term Bond Index and Provincial Short Term Bond Index to 60% DEX short-term index and 40% DEX mid-term index.</p>
Prior:	<p>Prior revisions to this Policy date from 2001.</p>



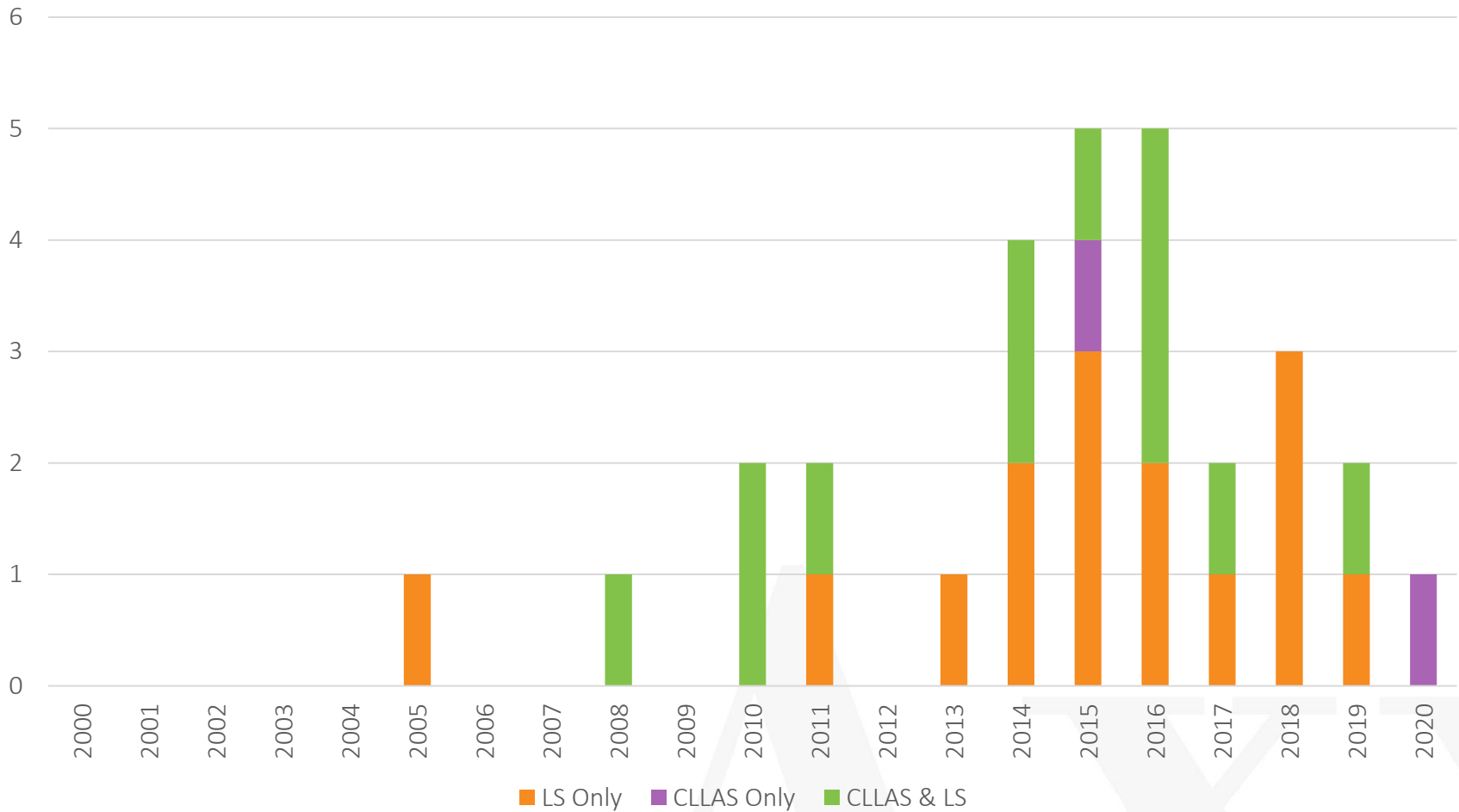
Actuaries & Insurance Management Advisors

**CLLAS**

Open Large Loss Claims Summary  
As at September 30, 2020

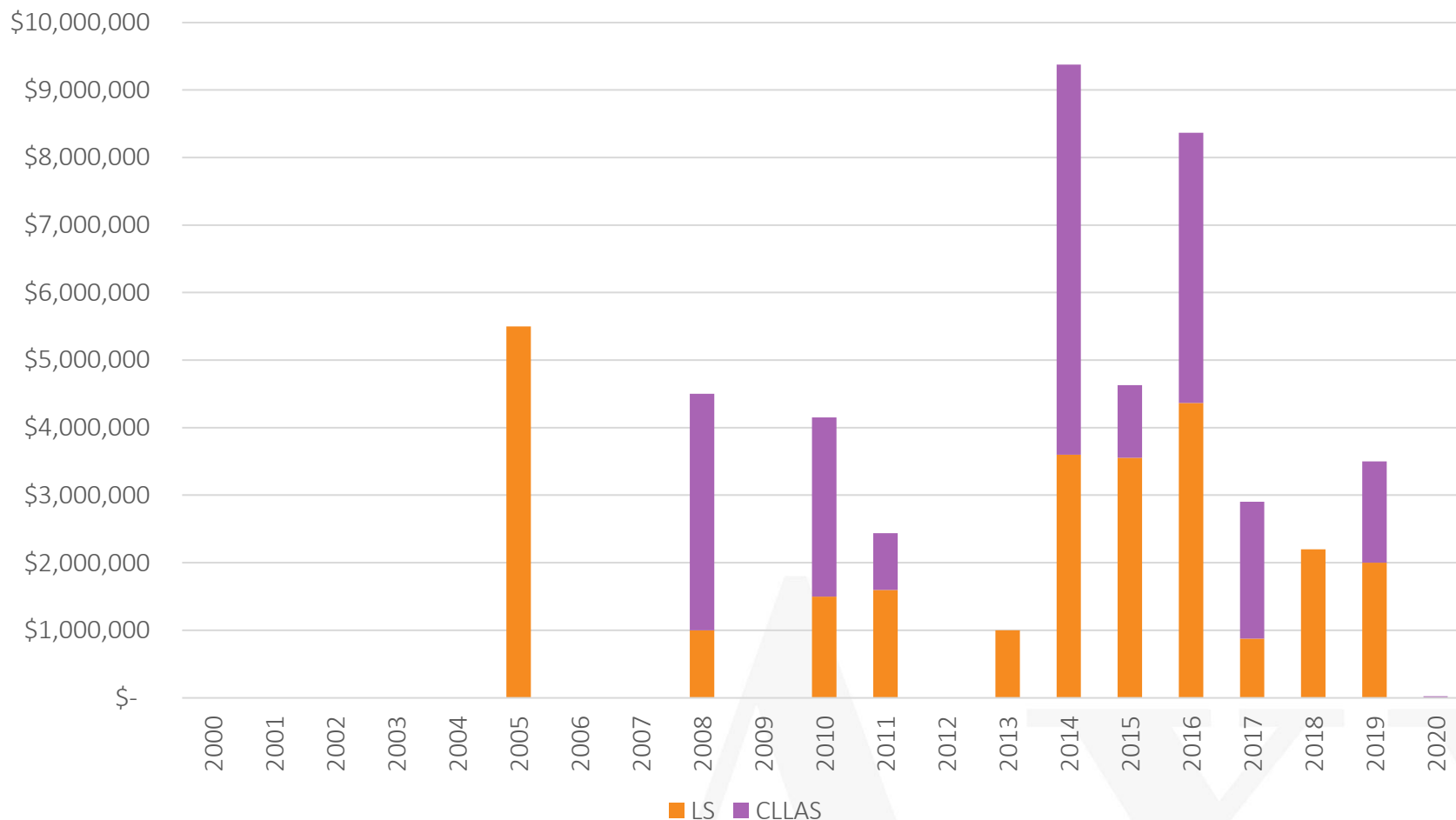
# Open Large Loss Claims

## Number of Claims by Insurer



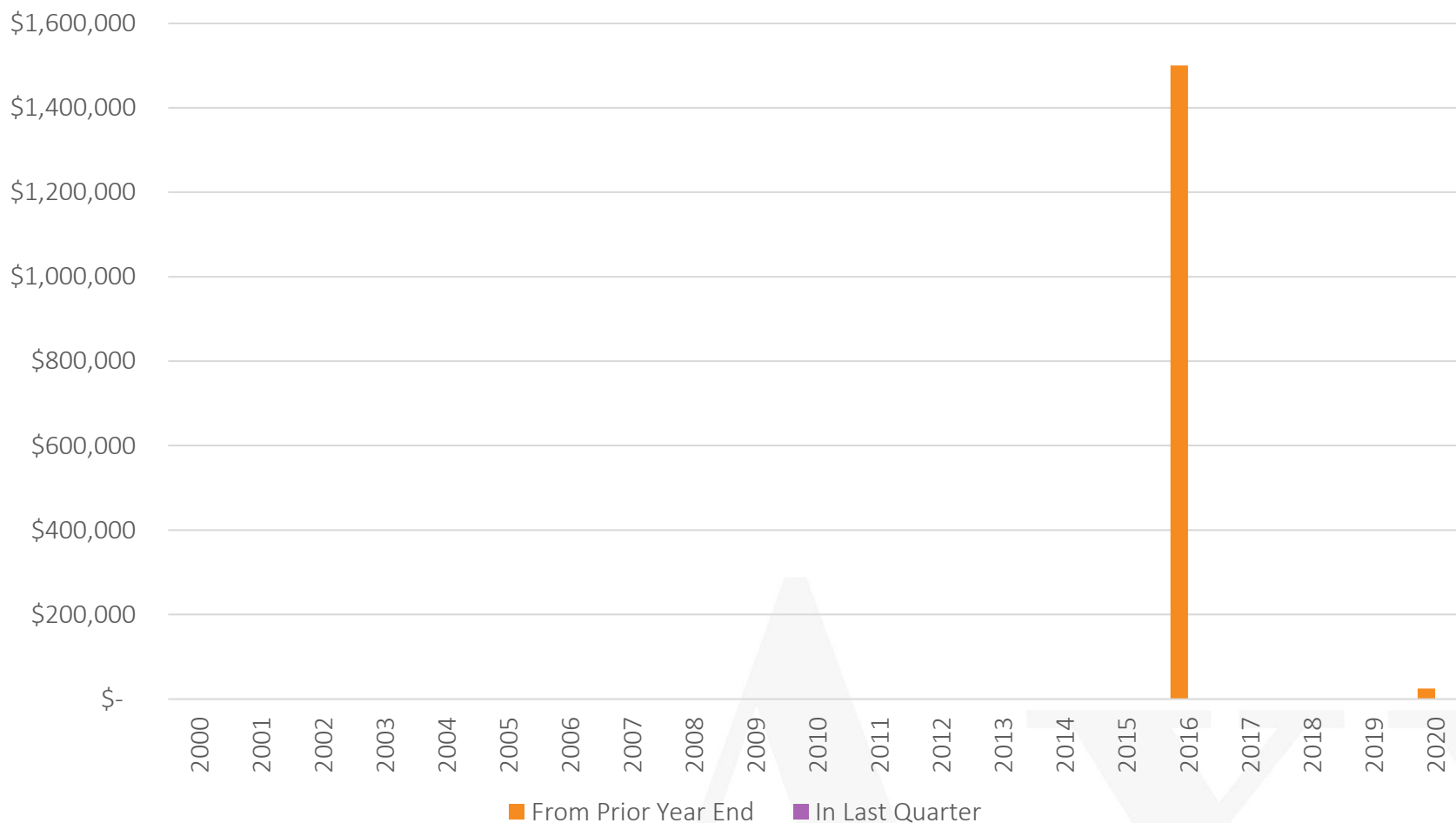
# Open Large Loss Claims

## Incurred Amounts by Insurer



# Open Large Loss Claims

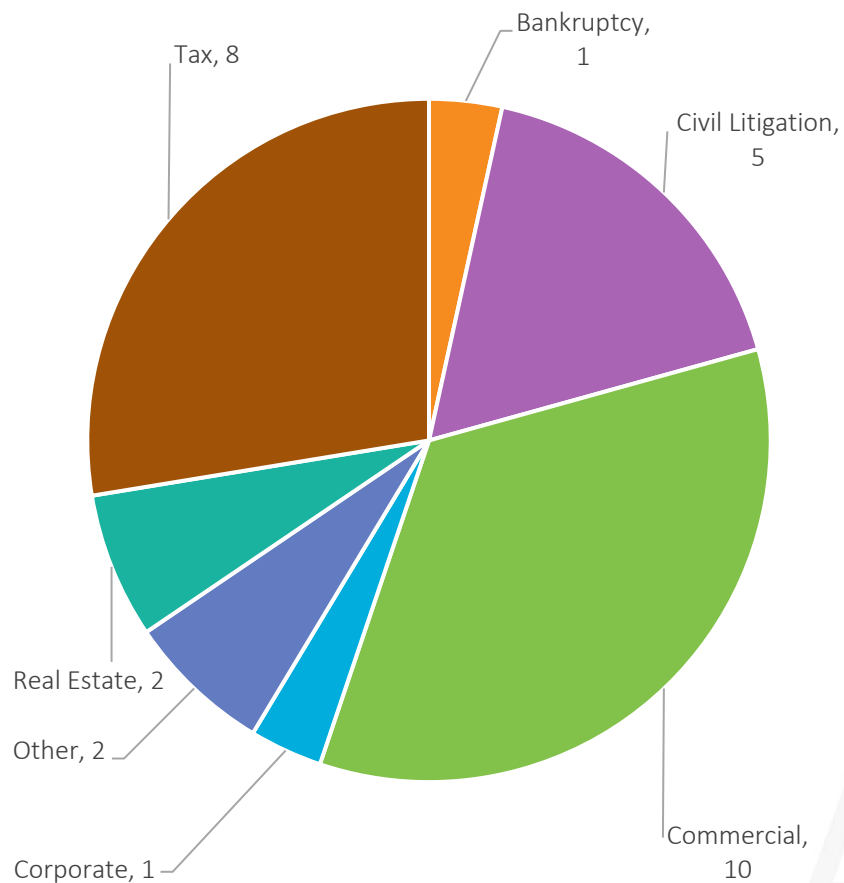
## Change in Incurred Amounts (CLLAS)



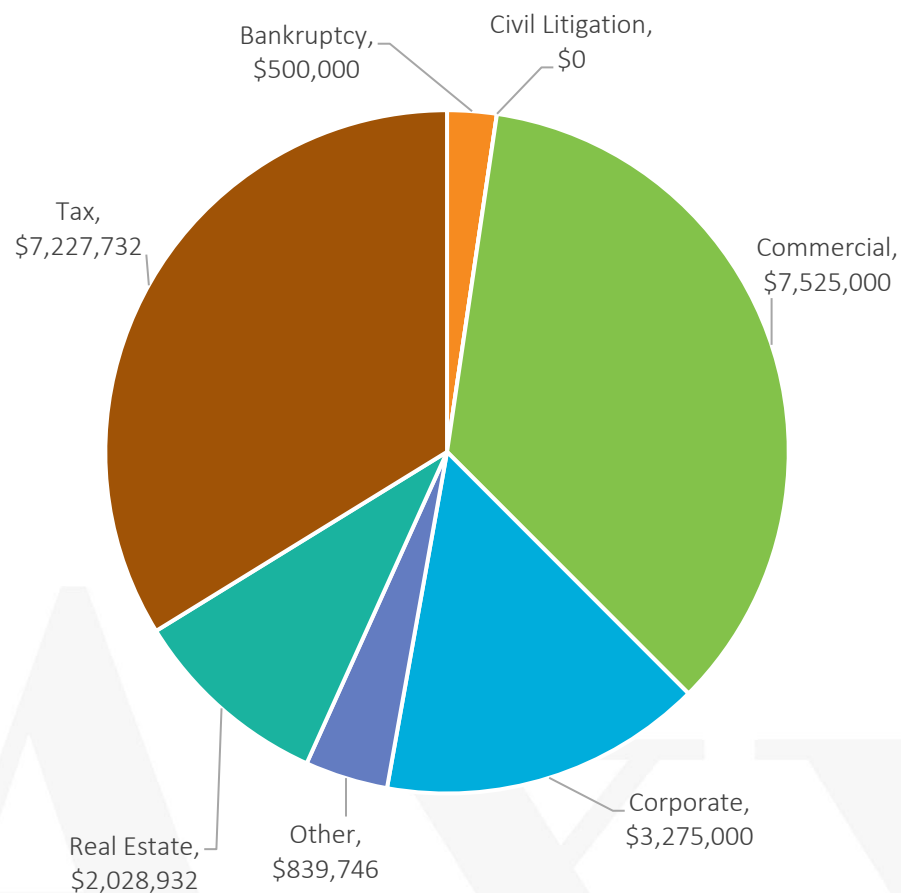
# Open Large Loss Claims

## By Area of Law

### Number of Claims (CLLAS & LS)

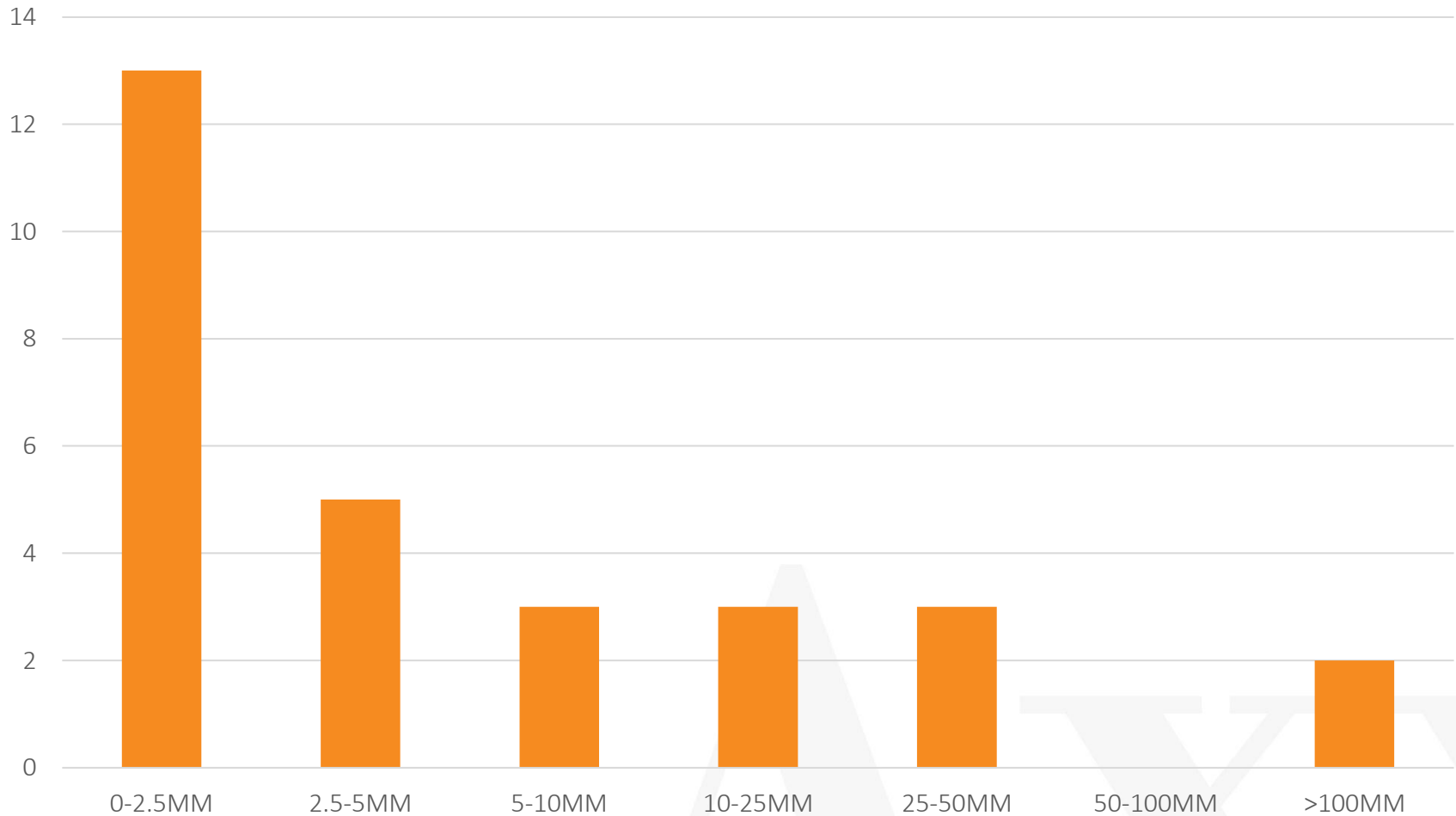


### CLLAS Incurred



# Open Large Loss Claims

## Number of Claims by Best Estimate of Worst Case



# Open Large Loss Claims

## Claim Count Movement in Quarter

Policy Year	Law Society Only	CLLAS Only	CLLAS & Law Society
2005 and prior	0	0	0
2006	0	0	0
2007	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	0	0	0
2017	0	0	0
2018	0	0	0
2019	0	0	0
2020	0	0	0

# Notes

## Slide 1

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

## Slide 2

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

## Slide 3

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

# Notes (Cont'd)

## Slide 4

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

## Slide 5

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

## Slide 6

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

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

INVESTMENT REPORT  
SEPTEMBER 30, 2020

**MARTIN, LUCAS & SEAGRAM LTD.**  
INDEPENDENT INVESTMENT COUNSEL

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e-mail: [info@mlsinvest.com](mailto:info@mlsinvest.com)

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**

**COMMENTARY FOR THE QUARTER ENDING SEPTEMBER 30, 2020**

**Review of Market Yields**

Following a moderate downward shift early in the third quarter, bond yields temporarily reversed course in August before settling into a narrow trading range for the balance of the period. At the end of September the results were mixed. While the yield on the 10-year Canada closed the quarter 5 basis points higher, 5- to 7-year yields held practically steady. Meanwhile, yields at the short end of the curve fell back, with 3-month Treasury Bill showing the largest decline of 8 basis points.

As a result of the drop in short term yields and a small rise at the long end, the slope of the yield curve steepened during the third quarter. At the end of September, the yield advantage of 10-year issues over 3-month T-bills had increased to 45 basis points compared to 32 basis points and the end of June.

	<b>Jan. 01/95</b>	<b>Mar. 31/20</b>	<b>Jun. 30/20</b>	<b>Sep. 30/20</b>
3-month Treasury Bills	6.80%	0.21%	0.20%	0.12%
5-year Canadas	8.99%	0.60%	0.36%	0.36%
10-year Canadas	9.09%	0.71%	0.52%	0.57%

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

The market value of the Long Term Investment Fund increased \$10,328 which represents a capital increase of 0.2%.

At September 30, 2020, the average term to maturity of the Long Term Investment Fund was 3.8 years and the duration was 3.6 years.

The table below shows the distribution of the assets held in both the Short and Long Term Investment Funds at September 30.

<b><i>Distribution at September 30, 2020</i></b>	<b><i>Valuation</i></b>	<b><i>%</i></b>
Short Term Investment Fund	\$12,476,121	66.5%
Long Term Investment Fund	\$ 6,292,710	33.5%
<b>TOTAL COMBINED VALUATION</b>	<b>\$18,768,831</b>	<b>100.0%</b>

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY**

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

- Total Returns vs. Benchmarks - Gross and Net of Fees
- Distribution of Securities in the Long Term Investment Fund  
by Credit Risk and by Maturity
- Compliance Statement
- Quarterly Performance Report - Gross of Fees: Long Term Investment Fund
- Bond Market Commentary and Future Policy
- Security Holdings in the Short Term and Long Term Investment Funds  
Listed and Valued Separately as at September 30, 2020
- Security Purchases and Sales
- Cash Reconciliations
- External Individual Credit Rating Report

**LONG TERM INVESTMENT FUND****TIME-WEIGHTED RATES OF TOTAL RETURN  
FOR PERIODS ENDING SEPTEMBER 30, 2020**

	3 Years*	2 Years*	1 Year	Last 3 months
<b><i>Long Term Investment Fund – Gross of Fees</i></b>	<b><i>4.30%</i></b>	<b><i>6.04%</i></b>	<b><i>5.88%</i></b>	<b><i>0.78%</i></b>
<b><i>Long Term Investment Fund – Net of Fees</i></b>	<b><i>4.01%</i></b>	<b><i>5.74%</i></b>	<b><i>5.58%</i></b>	<b><i>0.71%</i></b>
<b>Benchmark Portfolio **</b>	<b>4.43%</b>	<b>6.32%</b>	<b>6.25%</b>	<b>0.86%</b>

\*Annualized

\*\* The Benchmark Portfolio is based on the sum of the following total return indices:

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

**SHORT TERM INVESTMENT FUND****TIME-WEIGHTED RATES OF TOTAL RETURN  
FOR PERIODS ENDING SEPTEMBER 30, 2020**

	Since Inception Oct. 01/08 *	3 Years*	2 Years *	1 Year	Last 3 Months
<b><i>Short Term Investment Fund – Gross of Fees</i></b>	<b><i>0.90%</i></b>	<b><i>1.33%</i></b>	<b><i>1.35%</i></b>	<b><i>0.99%</i></b>	<b><i>0.04%</i></b>
<b><i>Short Term Investment Fund – Net of Fees</i></b>	<b><i>0.78%</i></b>	<b><i>1.21%</i></b>	<b><i>1.23%</i></b>	<b><i>1.02%</i></b>	<b><i>0.02%</i></b>
<b>Benchmark Portfolio **</b>	<b>0.85%</b>	<b>1.26%</b>	<b>1.33%</b>	<b>0.88%</b>	<b>0.06%</b>

\* Annualized

\*\* The Benchmark Portfolio, adopted from October 1, 2008, 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	Dec. 31/19	Mar. 31/20	Jun. 30/20	Sep. 30/20
<b>Bonds, Treasury Bills &amp; Cash</b> Less than 1 year term	100.0%	9.2%	9.0%	7.3%	7.2%
<b>Canadas</b> Greater than 1 year term		24.5%	25.0%	20.6%	20.6%
<b>Provincials</b> Greater than 1 year term		38.3%	38.5%	38.4%	38.3%
<b>Corporates</b> Greater than 1 year term		28.0%	27.5%	33.7%	33.8%
<b>TOTAL PORTFOLIO</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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

	Dec. 31/19	Mar. 31/20	Jun. 30/20	Sep. 30/20
Under 1 year	9.2%	9.0%	7.3%	7.2%
1 - 3 years	28.6%	31.0%	31.7%	39.9%
3 - 5 years	23.2%	20.6%	28.2%	20.0%
5 - 7 years	28.8%	28.9%	28.4%	28.5%
7 - 10 years	10.2%	10.5%	4.4%	4.4%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Average Maturity (yrs)</b>	<b>4.05</b>	<b>3.83</b>	<b>4.02</b>	<b>3.78</b>
<b>Average Duration (yrs)</b>	<b>3.76</b>	<b>3.56</b>	<b>3.78</b>	<b>3.55</b>

**SHORT TERM INVESTMENT FUND**

	Dec. 31/19	Mar. 31/20	Jun. 30/20	Sep. 30/20
<b>Short Term</b> <b>Average Duration (yrs)</b>	<b>0.11</b>	<b>0.08</b>	<b>0.11</b>	<b>0.10</b>

# COMPLIANCE WITH INVESTMENT POLICY STATEMENT

AT SEPTEMBER 30, 2020

	Investment Limits	Investment Funds	Compliance
<b><i>Short Term Investment Fund</i></b>			
Maximum Term of Any Issue	1 year	0.2 years	Yes
Minimum Percentage of Total Fund (Short & Long)	40% of Total	66.5%	Yes
Minimum Canada & Provincial Percentage	50%	51.5%	Yes
Minimum Provincial Quality	A	N/A	Yes
Minimum Bank CD & BA Quality	R1 (high)	R1 (high)	Yes
<b><i>Long Term Investment Fund</i></b>			
Maximum Term of Any Issue	10 years	7.5 years	Yes
Maximum Percentage of Total Fund (Short & Long)	60% of Total	33.5%	Yes
Minimum Canada Percentage	20%	24.6%	Yes
Maximum Provincial Percentage	40%	38.3%	Yes
Minimum Canada & Provincial Percentage	60%	62.9%	Yes
Minimum Provincial Quality *	A	AA (low)	Yes
Maximum Corporate Percentage	40%	37.1%	Yes
Minimum Corporate Quality *	A	AA (low)	Yes

*\* At time of purchase*

This will confirm that during the third quarter the Long Term Investment Fund was managed in compliance with the Investment Policy limits provided on December 3, 2013.

Similarly, during the same period the Short Term Fund remained in compliance with the Investment Policy Statement that became effective on May 5, 2012.

Martin, Lucas & Seagram Ltd.  
 PERFORMANCE REPORT  
 GROSS OF FEES  
***CLLAS – LONG TERM INVESTMENT FUND***  
***(RBC Investor Services)***  
*From 06-30-20 to 09-30-20*

Portfolio Value on 06-30-20	6,282,382
Accrued Interest	22,448
Contributions	0
Withdrawals	-18,886
Realized Gains	0
Unrealized Gains	10,328
Interest	18,886
Dividends	0
Change in Accrued Interest	20,165
Portfolio Value on 09/30/20	6,292,710
Accrued Interest	42,613
Average Capital	6,295,768
Total Gains before Fees	49,378
<b>IRR for 0.25 Years</b>	<b>0.78%</b>

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

Over the past six months, the security markets have been subjected to numerous crosscurrents. While stock prices have been in an upward trend since March, bond yields have remained in a fairly tight trading range.

On the pandemic front, following an acceleration in global cases during June and July, the World Health Organization (WHO) reported a leveling off in infection rates, while fatality rates began to trend lower. However, these gains proved temporary and since mid-September global case counts have again turned higher. According to WHO's latest weekly numbers, new infections have reached a record high, with the European Region reporting the largest increase. Canada and the U.S. have also experienced an acceleration in infection rates and daily new cases in both countries recently surpassed their previous highs.

Meanwhile, the global economy has been in recovery mode after experiencing deep economic damage in the wake of a health crisis that caused a record number of countries to enter a recession simultaneously. During the second quarter, the U.S. economy shrank 9.5% (equivalent to a 33% fall on an annualized basis) from the previous three-month period, which is one of the steepest declines on record. In Canada, GDP recorded a 13.4% drop (or 38.7% on an annualized basis) which was the worst quarterly decline on record and similar to the drop experienced by the Euro zone. While global growth is expected to have resumed in the third quarter, the OECD forecasts that the world economy will contract 4-1/2% this year.

After reaching panic lows in March, global equity markets have made considerable upward progress with only brief shallow pullbacks. There have been a number of driving forces behind the stock markets' recoveries. The initial bounce off the lows came in the wake of the massive policy response from governments and central banks around the world. Since March, the unprecedented liquidity provided by the U.S. Federal Reserve has ballooned their balance sheet to \$7.5 trillion and this is expected to expand another \$1 trillion as the Fed assumes more credit risk. Meanwhile, in many countries, new government fiscal supports more than eclipsed the negative impact of the economic shutdowns. The U.S. government added \$3 trillion of stimulus through the Cares Act and there are ongoing discussions to add around \$2 trillion more. As a result of the initial government transfers, personal incomes in the U.S. were up 12% so far this year, even though wages and salaries are off almost 20% year-to-date. The degree of monetary and fiscal stimulus in Canada was even greater on a per capita basis. Despite an 18% plunge in labour income in the first half of the year, personal disposable income surged some 26% at an annual rate. These unprecedented stimulative measures provided an important bridge to the reopening of the economies.

Subsequent developments have also been supportive of investor confidence. Generally speaking, economic data has outperformed expectations during the post-lockdown period. In the U.S., the unemployment rate has declined for 5 consecutive months to 7.9% in September. Retail sales, which are considered a bellwether for an economy that gets two-thirds of its activity from consumers, have also posted 5 consecutive monthly gains, although the rate of improvement has slowed somewhat following a surge in May and June. The Canadian economy has also rebounded strongly, albeit from very depressed levels. Following April's collapse in output, GDP bounced strongly in May, June and July by 4.8%, 6.5% and 3% respectively.

Nevertheless, the domestic economy is still running 6% below its pre-pandemic level back in February and preliminary estimates suggest GDP growth slowed to just 1% in August. Domestic job growth has also been robust with the unemployment rate dropping to 9% in August, which is down from the record high of 13.7% reached in April. As a result, Canada has recovered three-quarters of the jobs lost since April, which compares favourably to the U.S., which recouped just over 50% during the same period.

Despite the improvement in the economic backdrop and equity prices, interest rates and bond yields remained very depressed. In Canada, following the initial collapse in yields during the first quarter, the 10-year Canada yield held in a tight sideways trading range throughout the second and third quarters. The 10-year U.S. Treasury bond also drifted sideways in a close range. This suggested the bond and stock markets were sending conflicting signals on the macro outlook with stock investors having higher expectations for the recovery's prospects. However, it should be kept in mind that stock markets' gains have, for the most part, lacked breadth and been amplified by investors' enthusiasm for the mega-cap technology stocks, which are perceived to be well insulated from the pandemic's economic fallout. Meanwhile, the more economically-sensitive stocks have lagged far behind the overall advance by the stock indices, which coincides with the more downbeat signals from the bond market. Furthermore, the lack of yield in fixed income investments encouraged investors to assume more risk in search of higher returns in the equity markets.

Looking ahead, we think the next phase of the recovery could prove more challenging. Even before the latest resurgence in COVID-19 cases, the pace of recovery was moderating and the reinstatement of restrictions in some jurisdictions will present additional headwinds. With the school year now well underway, the reopening process is facing another challenge as students account for a growing percentage of cases. North American health officials' earlier warnings that the outbreak could get worse as we enter the fall and winter flu season have also proved prescient. Further weighing on the outlook is the projected rise in business insolvencies and U.S. lawmakers' inability to reach a deal on a second stimulus package.

Nevertheless, U.S. treasury yields recently broke to the high end of the range that has prevailed since June and there has been a similar uptick in Canada 10-year yields. This implies investors are looking beyond the near-term economic headwinds and becoming more constructive on the prospects for growth next year. The upcoming U.S. election may also be adding to the upside pressure on yields. For now, investors' earlier concerns surrounding both the economic consequences of a Biden victory and the possibility of a contested election have diminished. Given the Democrats' lead in the polls, investors are now weighing the implications of a possible sweep by the Democrats, which would result in much more fiscal stimulus. This would likely raise inflation expectations and result in an increase in debt issuance in order to fund the additional spending. However, as the previous election demonstrated, nothing should be ruled out and there could be significant shifts in investor sentiment should election results miss expectations. Furthermore, uncertainty surrounding the next administration's tax and spending policies and their economic impact will also persist.

In conclusion, the near-term outlook for bond yields remains highly uncertain given the resurgence of the pandemic and a lack of clarity on how the economic, business and political backdrop will evolve. In weighing the possibilities, we believe bond yields will most likely remain in moderately elevated sideways trading range over the near term. Looking ahead to next year,

there are reasons for some optimism on the economic and health fronts and we expect longer-term yields will likely trade with an upward bias. However, the risks of a significant increase seems low. The central banks have clearly communicated that policies will remain supportive of bonds for the foreseeable future and they would likely move quickly to cap a destabilizing move up in longer yields. At this juncture, we believe the Long Term Fund's laddered maturity structure and duration of 3.6 years is appropriate and provides a reasonable hedge against the near-term possibilities.

RWB/de

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

Martin, Lucas &amp; Seagram Ltd.

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

**Portfolio Holdings at September 30, 2020**

<b>Quantity</b>	<b>Security</b>	<b>Unit Cost</b>	<b>Price</b>	<b>Market Value</b>	<b>Annual Income</b>
<b>CASH</b>					
	Cash Account			8,634	0
<b>MONEY MARKET ISSUES</b>					
1,305,000	Canada Treasury Bill .15% due October 8, 2020	99.96	100.00	1,304,963	1,957
1,255,000	Royal Bank BA 0.21% due October 19, 2020	99.98	99.99	1,254,848	2,635
1,300,000	Canada Treasury Bill 0.13% due October 22, 2020	99.97	99.99	1,299,901	1,689
1,170,000	FirstBank BA 0.21% due October 28, 2020	99.98	99.98	1,169,792	2,457
1,205,000	CIBC BA .20% due October 30, 2020	99.98	99.98	1,204,770	2,410
1,250,000	Bank of Nova Scotia BA 0.20% due November 5, 2020	99.98	99.98	1,249,711	2,499
1,205,000	Canada Treasury Bill .12% due November 5, 2020	99.97	99.99	1,204,851	1,446
1,170,000	CIBC BA 0.20% due November 25, 2020	99.95	99.94	1,169,287	2,339
1,305,000	Canada Treasury Bill .10% due December 3, 2020	99.98	99.98	1,304,713	1,305
1,305,000	Canada Treasury Bill 0.10% due December 17, 2020	99.98	99.97	1,304,650	1,305
				<u>12,467,487</u>	<u>20,041</u>
<b>TOTAL PORTFOLIO</b>				<b>12,476,121</b>	<b>20,041</b>

## Disclosures:

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

Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
**CLLAS - SHORT TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
*From 07-01-20 To 09-30-20*

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
<b>PURCHASES</b>					
07-03-20	07-06-20	1,205,000	CIBC BA 0.22% due September 30, 2020	99.95	1,204,375.81
07-08-20	07-09-20	1,305,000	Canada Treasury Bill .15% due October 8, 2020	99.96	1,304,511.93
07-13-20	07-14-20	1,025,000	Royal Bank BA 0.22% due August 27, 2020	99.97	1,024,728.38
07-21-20	07-22-20	1,300,000	Bank of Nova Scotia BA 0.23% due August 21, 2020	99.98	1,299,754.30
07-22-20	07-23-20	1,300,000	Canada Treasury Bill 0.13% due October 22, 2020	99.97	1,299,578.80
08-05-20	08-06-20	1,205,000	Canada Treasury Bill .12% due November 5, 2020	99.97	1,204,639.71
08-20-20	08-21-20	1,250,000	Bank of Nova Scotia BA 0.20% due September 23, 2020	99.98	1,249,773.75
08-20-20	08-21-20	1,250,000	Royal Bank BA 0.20% due September 21, 2020	99.98	1,249,787.50
08-26-20	08-27-20	1,170,000	CIBC BA 0.20% due November 25, 2020	99.95	1,169,423.19
08-26-20	08-27-20	1,170,000	FirstBank BA 0.20% due September 29, 2020	99.98	1,169,788.23
09-09-20	09-10-20	1,305,000	Canada Treasury Bill .10% due December 3, 2020	99.98	1,304,699.85
09-18-20	09-21-20	1,255,000	Royal Bank BA 0.21% due October 19, 2020	99.98	1,254,797.95
09-22-20	09-23-20	1,250,000	Bank of Nova Scotia BA 0.20% due November 5, 2020	99.98	1,249,705.00
09-23-20	09-23-20	1,305,000	Canada Treasury Bill 0.10% due December 17, 2020	99.98	1,304,699.85
09-28-20	09-28-20	1,170,000	FirstBank BA 0.21% due October 28, 2020	99.98	1,169,804.61
09-29-20	09-29-20	1,205,000	CIBC BA .20% due October 30, 2020	99.98	1,204,802.38
					<b>19,664,871.24</b>
<b>SALES</b>					
07-06-20	07-06-20	1,205,000	CIBC BA .35% due July 6, 2020	100.00	1,205,000.00
07-09-20	07-09-20	1,305,000	Canada Treasury Bill 0.05% due July 9, 2020	100.00	1,305,000.00
07-14-20	07-14-20	1,025,000	Bank of Nova Scotia BA .23% due July 14, 2020	100.00	1,025,000.00
07-22-20	07-22-20	1,300,000	FirstBank BA 0.25% due July 22, 2020	100.00	1,300,000.00

Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
**CLLAS - SHORT TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
*From 07-01-20 To 09-30-20*

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
07-23-20	07-23-20	1,300,000	Canada Treasury Bill 0.16% due July 23, 2020	100.00	1,300,000.00
08-06-20	08-06-20	1,200,000	Canada Treasury Bill 0.20% due August 6, 2020	100.00	1,200,000.00
08-21-20	08-21-20	1,300,000	Bank of Nova Scotia BA 0.23% due August 21, 2020	100.00	1,300,000.00
08-21-20	08-21-20	1,200,000	TD Bank BA 0.27% due August 21, 2020	100.00	1,200,000.00
08-27-20	08-27-20	1,315,000	CIBC BA 0.27% due August 27, 2020	100.00	1,315,000.00
08-27-20	08-27-20	1,025,000	Royal Bank BA 0.22% due August 27, 2020	100.00	1,025,000.00
09-10-20	09-10-20	1,305,000	Canada Treasury Bill .14% due September 10, 2020	100.00	1,305,000.00
09-21-20	09-21-20	1,250,000	Royal Bank BA 0.20% due September 21, 2020	100.00	1,250,000.00
09-23-20	09-23-20	1,250,000	Bank of Nova Scotia BA 0.20% due September 23, 2020	100.00	1,250,000.00
09-24-20	09-24-20	1,305,000	Canada Treasury Bill 0.18% due September 24, 2020	100.00	1,305,000.00
09-29-20	09-29-20	1,170,000	FirstBank BA 0.20% due September 29, 2020	100.00	1,170,000.00
09-30-20	09-30-20	1,205,000	CIBC BA 0.22% due September 30, 2020	100.00	1,205,000.00
					<b>19,660,000.00</b>

Martin, Lucas & Seagram Ltd.  
**CASH RECONCILIATION**  
***CLLAS - SHORT TERM INVESTMENT FUND***  
***(RBC Investor Services)***  
*From 06-30-20 to 09-30-20*

Cash Balance at June 30, 2020		<u>7,485.16</u>
ADD: Proceeds from Sales	19,660,000.00	
Capital Contribution	0.00	
Bond Interest Credited (from Long Term Investment Fund)	18,885.75	
Transfers to Long Term Fund re: net sales and purchases	<u>0.00</u>	<u>19,678,885.75</u>
LESS: Cost of Purchases	-19,664,871.24	
Q2 2020 Investment Counsel Fees - Short Term Investment Fund	-3,519.13	
Q2 2020 Investment Counsel Fees - Long Term Investment Fund	-4,436.93	
Trust Company Charges	<u>-4,909.75</u>	<u>-19,677,737.05</u>
<b>Cash Balance at September 30, 2020</b>		<b><u><u>8,633.86</u></u></b>

Martin, Lucas & Seagram Ltd.							
EXTERNAL INDIVIDUAL CREDIT RATING REPORT - SEPTEMBER 30, 2020							
CLLAS - SHORT TERM INVESTMENT FUND							
Quantity	Security	Rating	Unit Cost	Total Cost	Price	Market Value	% Assets
1,305,000	Canada Treasury Bill .15% due October 8, 2020	R-1 (high)	99.963	1,304,512	99.997	1,304,963	10.5%
1,255,000	Royal Bank BA 0.21% due October 19, 2020	R-1 (high)	99.984	1,254,798	99.988	1,254,848	10.1%
1,300,000	Canada Treasury Bill 0.13% due October 22, 2020	R-1 (high)	99.968	1,299,579	99.992	1,299,901	10.4%
1,170,000	FirstBank BA 0.21% due October 28, 2020	R-1 (high)	99.983	1,169,805	99.982	1,169,792	9.4%
1,205,000	CIBC BA .20% due October 30, 2020	R-1 (high)	99.984	1,204,802	99.981	1,204,770	9.7%
1,250,000	Bank of Nova Scotia BA 0.20% due November 5, 2020	R-1 (high)	99.976	1,249,705	99.977	1,249,711	10.0%
1,205,000	Canada Treasury Bill .12% due November 5, 2020	R-1 (high)	99.970	1,204,640	99.988	1,204,851	9.7%
1,170,000	CIBC BA 0.20% due November 25, 2020	R-1 (high)	99.951	1,169,423	99.939	1,169,287	9.4%
1,305,000	Canada Treasury Bill .10% due December 3, 2020	R-1 (high)	99.977	1,304,700	99.978	1,304,713	10.5%
1,305,000	Canada Treasury Bill 0.10% due December 17, 2020	R-1 (high)	99.977	1,304,700	99.973	1,304,650	10.5%
				12,466,663		12,467,487	100%

Martin, Lucas &amp; Seagram Ltd.

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

**Portfolio Holdings at September 30, 2020**

<b>Quantity</b>	<b>Security</b>	<b>Unit Cost</b>	<b>Price</b>	<b>Market Value</b>	<b>Annual Income</b>
<b>GOVERNMENT BONDS</b>					
250,000	Canada Housing Trust Ser 71 1.25% due June 15, 2021	96.83	100.70	251,755	3,125
200,000	Canada Housing Trust 2.4% Series 48 due December 15, 2022	100.37	104.54	209,070	4,800
200,000	Canada Housing Trust 2.35% due September 15, 2023	105.62	105.79	211,584	4,700
250,000	Canada Housing Trust 2.9% due June 15, 2024	102.64	109.08	272,695	7,250
300,000	Canada Housing Trust Ser. 70 2.25% due December 15, 2025	100.98	108.39	325,170	6,750
250,000	Canada Housing Trust No.1 2.350% due March 15, 2028	103.96	111.05	277,630	5,875
				<hr/> 1,547,904	<hr/> 32,500
<b>PROVINCIAL BONDS</b>					
250,000	British Columbia 3.25% due December 18, 2021	102.30	103.62	259,048	8,125
400,000	Ontario 3.15% due June 2, 2022	100.00	104.75	419,008	12,600
500,000	Ontario 2.85% due June 2, 2023	102.29	106.39	531,940	14,250
400,000	Ontario 2.60% due June 2, 2025	101.08	108.76	435,056	10,400
350,000	British Columbia 2.3% due June 18, 2026	104.40	108.41	379,428	8,050
350,000	Ontario 2.60% due June 2, 2027	97.56	110.76	387,664	9,100
				<hr/> 2,412,143	<hr/> 62,525
<b>CORPORATE BONDS</b>					
200,000	Bank of Montreal 3.4% due April 23, 2021	100.65	101.72	203,444	6,800
150,000	Royal Bank 1.968% due March 2, 2022	100.05	102.04	153,057	2,952
250,000	National Bank of Canada 2.105% due March 18, 2022	102.04	102.31	255,775	5,263
150,000	Wells Fargo 3.46% due January 24, 2023	102.36	105.54	158,316	5,190
300,000	Toronto Dominion Bank Dep. Note 1.909% due July 18, 2023	102.63	103.32	309,972	5,727

Martin, Lucas &amp; Seagram Ltd.

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

**Portfolio Holdings at September 30, 2020**

<b>Quantity</b>	<b>Security</b>	<b>Unit Cost</b>	<b>Price</b>	<b>Market Value</b>	<b>Annual Income</b>
250,000	Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	102.02	108.88	272,205	8,065
250,000	CIBC Deposit Note 3.3% due May 26, 2025	100.24	110.74	276,858	8,250
200,000	Wells Fargo & Company 2.975% due May 19, 2026	102.15	105.89	211,786	5,950
300,000	Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	102.07	109.00	326,985	7,860
150,000	Bank of Montreal Dep. Note 2.70% due December 9, 2026	108.76	109.51	164,265	4,050
				<hr/> 2,332,663	<hr/> 60,107
<b>TOTAL PORTFOLIO</b>				<b>6,292,710</b>	<b>155,132</b>

## Disclosures:

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

Martin, Lucas & Seagram Ltd.  
**PURCHASE AND SALE**  
***CLLAS - LONG TERM INVESTMENT FUND***  
***(RBC Investor Services)***  
*From 07-01-20 To 09-30-20*

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

Martin, Lucas & Seagram Ltd.  
**CASH RECONCILIATION**  
***CLLAS - LONG TERM INVESTMENT FUND***  
*From 06-30-20 to 09-30-20*

Cash Balance at June 30, 2020		0.00
ADD: Proceeds from Sales		
Bond Interest Credited to Long Term Investment Fund	18,885.75	
Transfer Bond Interest to Short Term Investment Fund	-18,885.75	
Transfer to Short Term Investment Fund net purchases & sales	0.00	0.00
LESS: Cost of Purchases		0.00
<b>Cash Balance at September 30, 2020</b>		<b>0.00</b>

Martin, Lucas & Seagram Ltd.									
EXTERNAL INDIVIDUAL CREDIT RATING REPORT - SEPTEMBER 30, 2020									
CLLAS - LONG TERM INVESTMENT FUND									
					Unit	Total		Market	Pct.
Quantity	CUSIP	Security		Rating	Cost	Cost	Price	Value	Assets
<b>GOVERNMENT BONDS</b>									
250,000	13509PFJ7	Canada Housing Trust Ser 71 1.25%	due June 15, 2021	AAA	96.83	242,075	100.70	251,755	4.0%
200,000	13509PDL4	Canada Housing Trust 2.4% Series 48	due December 15, 2022	AAA	100.37	200,740	104.54	209,070	3.3%
200,000	13509PDV2	Canada Housing Trust 2.35%	due September 15, 2023	AAA	105.62	211,240	105.79	211,584	3.4%
250,000	13509PEF6	Canada Housing Trust 2.9%	due June 15, 2024	AAA	102.64	256,600	109.08	272,695	4.3%
300,000	13509PFD0	Canada Housing Trust Ser. 70 2.25%	due December 15, 2025	AAA	100.98	302,940	108.39	325,170	5.2%
250,000	13509PGF4	Canada Housing Trust No.1 2.350%	due March 15, 2028	AAA	103.96	259,900	111.05	277,630	4.4%
						1,473,495		1,547,904	24.6%
<b>PROVINCIAL BONDS</b>									
250,000	110709BJ0	British Columbia 3.25%	due December 18, 2021	AA (high)	102.30	255,750	103.62	259,048	4.1%
400,000	68323AAW4	Ontario 3.15%	due June 2, 2022	AA (low)	100.00	400,000	104.75	419,008	6.7%
500,000	68323ABN3	Ontario 2.85%	due June 2, 2023	AA (low)	102.29	511,430	106.39	531,940	8.5%
400,000	68323ACX0	Ontario 2.60%	due June 2, 2025	AA (low)	101.08	404,305	108.76	435,056	6.9%
350,000	11070TAJ7	British Columbia 2.3%	due June 18, 2026	AA (high)	104.40	365,400	108.41	379,428	6.0%
350,000	68323AEE0	Ontario 2.60%	due June 2, 2027	AA (low)	97.56	341,460	110.76	387,664	6.2%
						2,278,345		2,412,143	38.3%
<b>CORPORATE BONDS</b>									
200,000	06367VJN6	Bank of Montreal 3.4%	due April 23, 2021	AA	100.65	201,300	101.72	203,444	3.2%
150,000	780086KD5	Royal Bank 1.968%	due March 2, 2022	AA (high)	100.05	150,075	102.04	153,057	2.4%
250,000	633067C27	National Bank of Canada 2.105%	due March 18, 2022	AA (high)	102.04	255,100	102.31	255,775	4.1%
150,000	94975ZBN5	Wells Fargo 3.46%	due January 24, 2023	AA (low)	102.36	153,542	105.54	158,316	2.5%
300,000	891160LV3	Toronto Dominion Bank Dep. Note 1.909%	due July 18, 2023	AA (high)	102.63	307,890	103.32	309,972	4.9%
250,000	891145T79	Toronto Dominion Bank Dep. Note 3.226%	due July 24, 2024	AA (high)	102.02	255,050	108.88	272,205	4.3%
250,000	13596Z3Y9	CIBC Deposit Note 3.3%	due May 26, 2025	AA	100.24	250,600	110.74	276,858	4.4%
200,000	949746RX1	Wells Fargo & Company 2.975%	due May 19, 2026	AA (low)	102.15	204,300	105.89	211,786	3.4%
300,000	064151QE6	Bank of Nova Scotia Dep. Notes 2.62%	due December 2, 2026	AA	102.07	306,210	109.00	326,985	5.2%
150,000	06368AAA8	Bank of Montreal Dep. Note 2.70%	due December 9, 2026	AA	108.76	163,140	109.51	164,265	2.6%
						2,247,207		2,332,663	37.1%
<b>TOTAL PORTFOLIO</b>						<b>5,999,047</b>		<b>6,292,710</b>	<b>100.0%</b>

Martin, Lucas & Seagram Ltd.  
**DATE TO DATE GAINS AND LOSSES**  
**CLLAS - LONG TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
*From 12-31-19 to 09-30-20*

Security	12-31-19 Market Value	Additions Withdrawals	09-30-20 Market Value	09-30-20 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
<b>CASH</b>								
Cash Account	0	0	0	0				
<b>GOVERNMENT BONDS</b>								
Canada Housing Trust Ser 71 1.25% due June 15, 2021	248,103	-1,563	251,755	242,075	0	0	9,680	3,653
Canada Housing Trust 2.4% Series 48 due December 15, 2022	203,034	-2,400	209,070	200,740	0	0	8,330	6,036
Canada Housing Trust 2.35% due September 15, 2023	202,944	-4,700	211,584	211,240	0	0	344	8,640
Canada Housing Trust 2.9% due June 15, 2024	259,850	-3,625	272,695	256,600	0	0	16,095	12,845
Canada Housing Trust Ser. 70 2.25% due December 15, 2025	303,759	-3,375	325,170	302,940	0	0	22,230	21,411
Canada Housing Trust No.1 2.350% due March 15, 2028	254,748	-5,875	277,630	259,900	0	0	17,730	22,883
<b>GOVERNMENT BONDS Total</b>	<u>1,472,437</u>		<u>1,547,904</u>	<u>1,473,495</u>	<u>0</u>	<u>0</u>	<u>74,409</u>	<u>75,467</u>
<b>PROVINCIAL BONDS</b>								
British Columbia 3.25% due December 18, 2021	256,728	-4,063	259,048	255,750	0	0	3,298	2,320
Ontario 3.15% due June 2, 2022	411,900	-6,300	419,008	400,000	0	0	19,008	7,108
Ontario 2.85% due June 2, 2023	514,875	-7,125	531,940	511,430	0	0	20,510	17,065
Ontario 2.60% due June 2, 2025	410,172	-5,200	435,056	404,305	0	0	30,751	24,884
British Columbia 2.3% due June 18, 2026	353,966	-4,025	379,428	365,400	0	0	14,028	25,463
Ontario 2.60% due June 2, 2027	358,449	-4,550	387,664	341,460	0	0	46,204	29,215
<b>PROVINCIAL BONDS Total</b>	<u>2,306,089</u>		<u>2,412,143</u>	<u>2,278,345</u>	<u>0</u>	<u>0</u>	<u>133,798</u>	<u>106,054</u>
<b>CORPORATE BONDS</b>								
Bank of Montreal 2.84% due June 4, 2020	301,134	-304,260	0	0	-5,307	-1,134	0	0
Toronto Dominion Bank Dep. Note 2.563% due June 24, 2020	250,723	-253,204	0	0	-11,425	-723	0	0
Bank of Montreal 3.4% due April 23, 2021	203,506	-3,400	203,444	201,300	0	0	2,144	-62
Royal Bank 1.968% due March 2, 2022	149,480	-2,952	153,057	150,075	0	0	2,982	3,578
National Bank of Canada 2.105% due March 18, 2022	249,850	-5,263	255,775	255,100	0	0	675	5,925
Wells Fargo 3.46% due January 24, 2023	155,406	-5,190	158,316	153,542	0	0	4,775	2,910
Toronto Dominion Bank Dep. Note 1.909% due July 18, 2023	0	307,317	309,972	307,890	0	0	2,082	2,082
Toronto Dominion Bank Dep. Note 3.226% due July 24, 2024	260,268	-8,065	272,205	255,050	0	0	17,155	11,937
CIBC Deposit Note 3.3% due May 26, 2025	261,963	-4,125	276,858	250,600	0	0	26,258	14,895

Martin, Lucas & Seagram Ltd.  
**DATE TO DATE GAINS AND LOSSES**  
**CLLAS - LONG TERM INVESTMENT FUND**  
**(RBC Investor Services)**  
*From 12-31-19 to 09-30-20*

Security	12-31-19 Market Value	Additions Withdrawals	09-30-20 Market Value	09-30-20 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
Wells Fargo & Company 2.975% due May 19, 2026	201,022	-2,975	211,786	204,300	0	0	7,486	10,764
Bank of Nova Scotia Dep. Notes 2.62% due December 2, 2026	202,832	105,152	326,985	306,210	0	0	20,775	16,403
Bank of Montreal Dep. Note 2.70% due December 9, 2026	0	163,329	164,265	163,140	0	0	1,125	1,125
CORPORATE BONDS Total	2,236,183		2,332,663	2,247,207	-16,732	-1,857	85,456	69,556
<b>TOTAL PORTFOLIO</b>	<b>6,014,709</b>		<b>6,292,710</b>	<b>5,999,047</b>	<b>-16,732</b>	<b>-1,857</b>	<b>293,663</b>	<b>251,077</b>
TOTAL DATE TO DATE GAIN OR LOSS								249,221
<b>% CHANGE DURING PERIOD</b>								<b>4.14</b>