



PRIVATE & CONFIDENTIAL

Canadian Lawyers Liability Assurance Society
(CLLAS)

Report to Reinsurers

for the Policy Period
July 1, 2021 – July 1, 2022

May, 2021

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Notice to Reader

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All figures in this submission are expressed in Canadian currency unless otherwise specified.

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Also included are some additional attachments for reference:

Attachment 1	Expiring Limit Structure
Attachment 2	Expiring Policy Wordings

1.0 Introduction

1.1 Overview

The Canadian Lawyers Liability Assurance Society (CLLAS) is a reciprocal insurance exchange formed in Ontario in 1987 and is licensed in Ontario, Alberta, British Columbia, and Nova Scotia. While some member firms have offices in Quebec, CLLAS is not required to be licensed in that jurisdiction. It currently has 10 members and operates on a five-year cycle of underwriting periods ("Underwriting Periods"). CLLAS is in its seventh Underwriting Period, which runs to June 30, 2022.

CLLAS has two firms in its Associate Firm program, which allows firms to get acquainted with CLLAS before formally joining the reciprocal.

The total projected lawyer count for the 2021/2022 policy year as determined from the renewal applications is 4,267 full time equivalents ("FTEs"). The actual headcount will be finalized based on updated June 1, 2021 information. No significant mergers or material changes with the member firms are anticipated at this time.

CLLAS appreciates underwriters support in helping to meet its primary objectives for last year's renewal which included appropriately increasing rates to meet the needs of its reinsurer partners while maintaining program stability. CLLAS' objectives for this renewal reflect its continued desire for program stability, as its eighth Underwriting Period will commence on July 1, 2022. We are also looking to secure an additional umbrella layer of \$50,000,000 each and every claim and \$100,000,000 in the annual aggregate including costs, charges, and expenses, for all CLLAS participating firms combined excess of not less than \$250,000,000.

This Report to Reinsurers provides a review of the expiring policy period, an analysis of CLLAS' loss experience, and the requested reinsurance terms for the period July 1, 2021 to July 1, 2022.

1.2 Background

CLLAS was initially established to provide professional liability protection to its member firms excess of the primary insurance provided on a mandatory basis by the Law Society of Ontario. The CLLAS Program is now also excess of the mandatory insurance programs of the law society insurance programs in Alberta, British Columbia, Quebec, and Nova Scotia where some member firms maintain offices. CLLAS is a reciprocal insurance exchange and provides professional liability protection pursuant to the terms and conditions of the insurance policies that it issues to its member firms.

The current underlying primary mandatory limits applicable to each of the provinces are as follows:

- Alberta: \$1,000,000 per claim/\$2,000,000 annual aggregate
- British Columbia: \$1,000,000 per claim/\$2,000,000 annual aggregate
- Ontario: \$1,000,000 per claim/\$2,000,000 annual aggregate
- Nova Scotia: \$1,000,000 per claim/\$2,000,000 annual aggregate
- Quebec: \$10,000,000 per claim

- Notes:
- 1) Above limits are on a per lawyer basis.
 - 2) The law society insurance programs have sub-limits for certain coverages.
 - 3) Because of the possibility of sub-limits, deductibles, wording differences, or the exhaustion of the annual aggregate in the underlying coverages, CLLAS provides in-fill protection on a difference in conditions (DIC) and difference in limits (DIL) basis through its Primary Policy.

CLLAS' geographic profile has changed with firm mergers that have taken place over the years (mainly 1999-2002), resulting in an improvement in the jurisdictional spread of risk, i.e. less concentration in the Province of Ontario compared to the earlier years.

Risk management at the individual firm level, and at the overall CLLAS level, has been an area of focus and success since the formation of CLLAS. There are a number of risk management initiatives, including sophisticated risk management audits, educational seminars, and practice notes that have been undertaken by CLLAS and the CLLAS member firms. See section 3.6 for details.

1.3 CLLAS Objectives

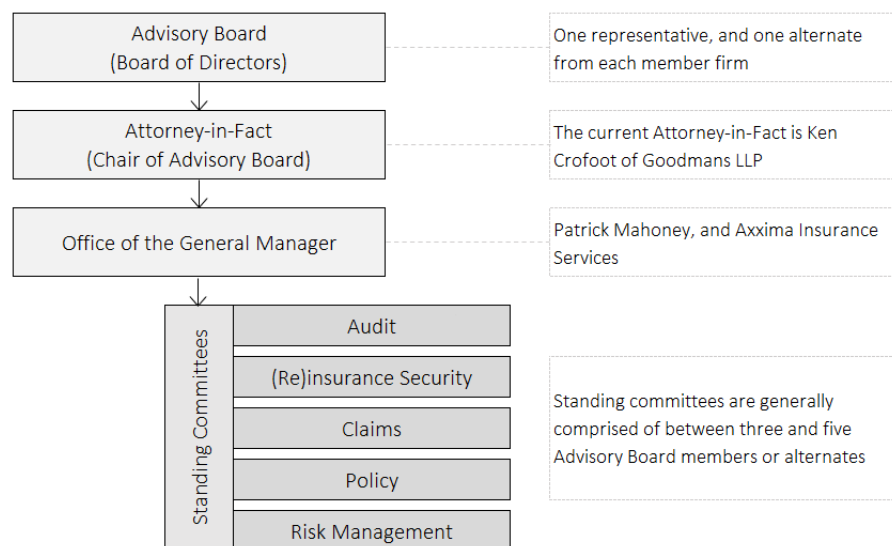
The main objectives of CLLAS are:

- to enable a meaningful portion of the risk underwritten by CLLAS to be retained by CLLAS or by Colchester Reinsurance Limited;
- to provide insurance at cost with no profit or risk loadings for the retained risk;
- to provide increased availability and stability of insurance to its member firms;
- to provide a community of interest amongst its member firms in respect of professional liability matters in general, and loss prevention in particular; and
- to cultivate and maintain long-term relationships with its reinsurers.

These objectives have enabled CLLAS to provide significant, long-term benefits to member firms.

1.4 CLLAS Structure

A schematic of CLLAS' management structure is presented below:



CLLAS is governed by its Advisory Board which consists of one representative from each of the member firms. The Chair of the Advisory Board also acts as Attorney-in-Fact.

CLLAS continues to rely on its standing committees for important matters. For example, the CLLAS Claims Committee is comprised of five CLLAS Advisory Board members (or alternates), each of whom is an experienced litigation lawyer. It has the responsibility of reviewing the more significant claim files. The Committee is regularly assessing liability and damages,

monitoring new developments, and recommending changes in reserves. It is assisted by CLLAS' General Manager's office, specifically Tim Clarke, a lawyer who coordinates the review process and liaises with the Lawyers' Professional Indemnity Company (LawPRO) or other law society insurers to access the underlying insurers' claim files and documents.

Appendix A sets out the current committees and their members.

Patrick Mahoney and Axxima Insurance Services fill the role of the Office of the General Manager for CLLAS. CLLAS' appointed actuary, Julie-Linda Laforce, is also part of the Axxima group of companies.

Deloitte LLP acts as CLLAS' auditors.

1.5 Regulatory Jurisdiction

As a reciprocal insurance exchange, CLLAS is regulated at the provincial level because the insurance framework of the federal regulator, the Office of the Superintendent of Financial Institutions (OSFI), does not explicitly contemplate reciprocals. CLLAS' principal regulator is the Alberta Superintendent of Insurance. CLLAS has adopted a number of OSFI guidelines which require that an insurer have a sound and comprehensive insurance risk management plan that appropriately reflects the scale, nature and complexity of the insurer's business.

The head office of CLLAS is at an office of member firm Torys LLP:

525 - 8th Avenue S.W., 46th Floor,
Eighth Avenue Place East
Calgary, Alberta T2P 1G1

2.0 Expiring Policy, Coverage and Structure

2.1 Expiring Policy Coverage

The current coverage is as follows:

Type

Lawyers Professional Liability Insurance (“claims-made” basis)

Policy Term

July 1, 2020 to July 1, 2021

Policy Limit

- a) Primary Policy (compulsory individual CLLAS policy issued to each CLLAS member firm)

\$50,000,000 each and every claim and in the annual aggregate, including costs, charges and expenses, inclusive of the minimum mandatory coverage provided by the applicable law society professional liability insurance program or by the professional liability insurance program of the governing body of a self-regulatory profession other than law and/or other applicable insurance and/or \$25,000 per claim self-insured retention.

- b) First Excess Policy (subscription policy purchased individually by each CLLAS member firm on which CLLAS participates)

Available limits between \$15,000,000 to \$50,000,000 each and every claim and in the annual aggregate, including costs, charges and expenses, excess of the CLLAS Primary Policy described above, or excess of specific underlying insurance arranged by certain CLLAS member firms for their offices in the U.S. and/or other international locations (see CLLAS International below), or excess of \$500,000 per claim self-insured retention.

As a subscription policy, CLLAS participates alongside commercial carriers on a quota share basis.

- c) Optional Second Excess Policy (subscription policy purchased individually by certain CLLAS member firms that elect to purchase this coverage)

Available limits of up to \$60,000,000 each and every claim and in the annual aggregate, including costs, charges and expenses, excess of \$50,000,000 each and every claim and in the annual aggregate, including costs, charges and expenses, and the CLLAS Primary Policy described above, or excess of specific underlying insurance arranged by certain CLLAS member firms for their offices in the U.S. and/or other international locations (see CLLAS International below), or excess of \$500,000 per claim self-insured retention.

As a subscription policy, CLLAS participates alongside commercial carriers on a quota share basis.

- d) Optional Third Excess Policy (individual CLLAS policy issued to certain CLLAS member firms that elect to purchase this coverage)

Available limits for this policy range from \$10,000,000 to \$60,000,000 (in increments of \$10,000,000) each and every claim and in the annual aggregate, including costs, charges and expenses, excess of \$110,000,000 each and every claim and in the annual aggregate, including costs, charges and expenses, and the CLLAS

Primary Policy described above, or excess of specific underlying insurance arranged by certain CLLAS member firms for their offices in the U.S. and/or other international locations (see CLLAS International below), or excess of \$500,000 per claim self-insured retention.

The CLLAS Optional Excess Policy follows the terms and conditions of the First Excess Policy, which follows the terms and conditions of the CLLAS Primary Policy, and has a drop-down feature excess of \$500,000 each claim in the event that it is broader than the CLLAS underlying coverage. Specifically, the First Excess Policy does not exclude coverage for U.S. offices nor for the practice of foreign law. It should be noted that a CLLAS member firm with any material international exposure would be insured for such exposures by the CLLAS International policies referred to below. The questionnaires completed by each member firm regarding the “drop-down” exposures that they may face are provided as **Appendix B**.

e) Blanket Excess Policy (single CLLAS policy issued to all CLLAS member firms)

\$30,000,000 each and every claim and \$60,000,000 in the annual aggregate, including costs, charges and expenses, for all CLLAS member firms combined excess of not less than \$65,000,000 for each CLLAS member firm. This policy also follows the terms and conditions of the First Excess Policy and is excess of the Optional Excess Policies and/or excess of the CLLAS International Policies referred to below.

Territorial Scope

Coverage under the CLLAS Primary Policy is provided to law firms whose operations are principally located in Canada, including foreign service offices anywhere in the world other than those situated in the U.S., and is limited to the practice of Canadian law and the incidental practice of non-Canadian law. CLLAS also provides coverage for U.S. and other foreign exposures under the Excess, Optional Excess, and Blanket Excess Policies.

CLLAS International

The following five member firms with offices in the U.S. and/or other international locations purchase a dedicated primary policy (outside of CLLAS) to cover U.S. and foreign offices and/or the practice of foreign law.:

- Davies Ward Phillips & Vineberg LLP (“DWPV”);
- Fasken Martineau DuMoulin LLP (“Fasken”);
- McCarthy Tétrault LLP (“McCarthy”);
- Osler, Hoskin & Harcourt LLP (“Osler”); and
- Torys LLP (“Torys”).

All five of these policies are written with the same group of insurers under a program referred to as “CLLAS International”. However, each of the policies stands alone with a separate aggregate limit of US\$30,000,000 and each firm is separately rated for this purpose. The retention is dependent on the location of the risk as follows:

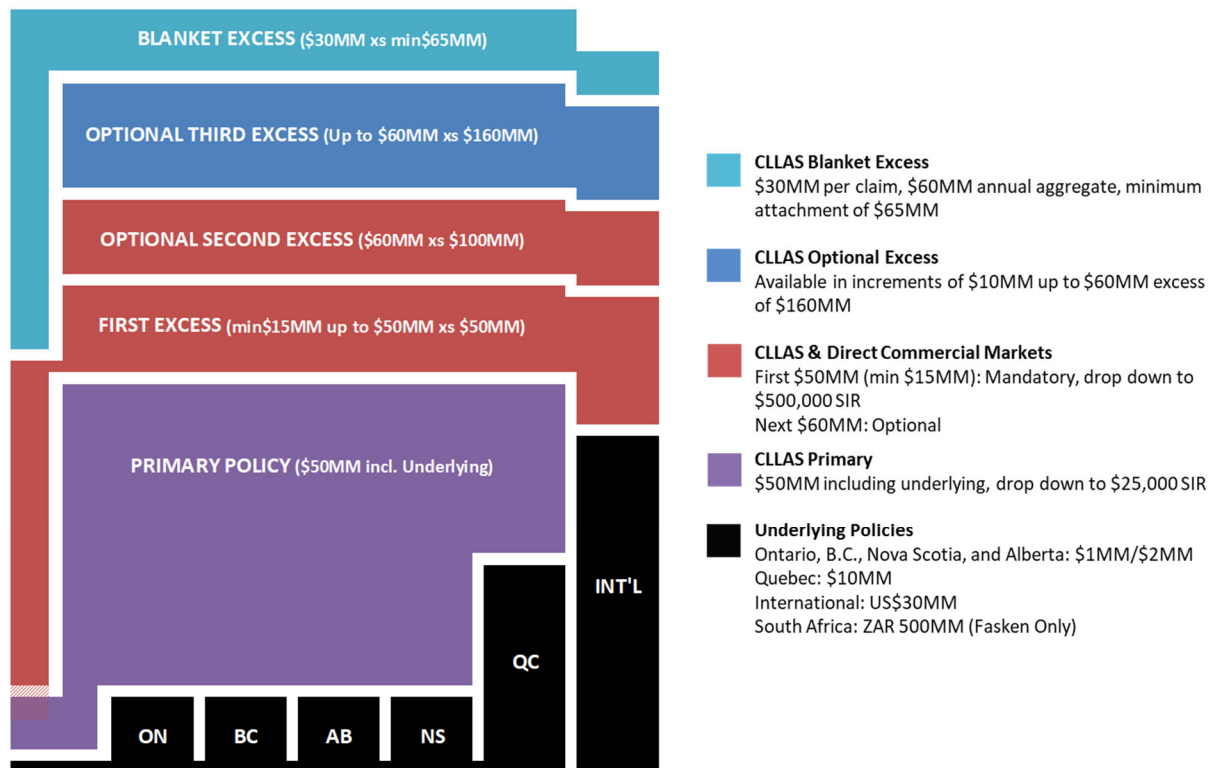
- U.S. – US\$100,000 for Fasken, US\$150,000 for McCarthy and Osler, and US\$200,000 for Torys and DWPV;
- U.K. – US\$350,000 for Fasken and US\$150,000 for McCarthy; and
- Elsewhere in the world – US\$50,000 for all.

Following a merger with Bell Dewar Inc. in South Africa in February 2013, member firm Fasken Martineau DuMoulin LLP arranged a separate and dedicated tower of coverage for its South African office with a total limit of ZAR 1,500,000,000 with domestic markets placed through a local broker. The Optional Third Excess and Blanket Excess policies attach in excess of this dedicated South African coverage tower. As a result of challenges with the Spring 2021 renewal (significant premium increases driven by local market forces), the firm reduced its South African coverage to ZAR 500,000,000 (approximately CAD\$43,000,000), and secured support from the First Excess and Optional Second Excess participants to attach in excess of these reduced limits. This is the same structure as

the policy that the firm purchases for their other international exposure, and they will be exploring the possibility of combining them when it renews.

2.2 Reinsurance Structure

The CLLAS Primary, First Excess, Optional Second Excess, Optional Third Excess, and Blanket Excess Policies are each reinsured with specific placements. The schematic below outlines the current structure:



In recognition of the fact that Quebec represents a reduced risk compared to the rest of Canada (“ROC”) because of Quebec’s \$10,000,000 underlying mandatory limit, a differential rating structure for Quebec lawyers in the CLLAS Primary Policy reinsurance layer is applied. Rates for the upper layers are consistent across all jurisdictions except in respect of the CLLAS International and Fasken’s South African policies.

2.3 Colchester Reinsurance Limited

It is CLLAS’ overall philosophy to retain, in combination with Colchester, a meaningful portion of its risk. Colchester provides CLLAS with quota-share reinsurance protection for 23% of the CLLAS Primary Policy, 5% of the First Excess, 10% of the Optional Third Excess Policy and aggregate stop-loss reinsurance protection for CLLAS’ retained risk. With respect to aggregate stop-loss protection for the policy year ending June 30, 2020, Colchester provides a limit of \$10,000,000 in the annual aggregate excess of \$5,000,000 in the annual aggregate in respect of CLLAS’ retained losses.

2.4 Mandatory Coverage and Changes

A chart detailing the differences in underlying mandatory coverages and a summary of the changes introduced by the underlying insurance carriers can be found in **Appendix C** and **Appendix D**, respectively.

3.0 The CLLAS Reciprocal

3.1 Overview of CLLAS Subscribers Agreement

The CLLAS Subscribers' Agreement sets out the rules of operation for the reciprocal insurance exchange and addresses such key issues as:

- Advisory Board – Consists of one member from each member firm;
- Underwriting Period – Five years;
- Banking and Financial Matters;
- Admission of New Members;
- Minimum Period of Membership – If a firm is admitted to membership within the first two years of an underwriting period, the minimum period of membership is the balance of the current underwriting period, otherwise it is the balance of the current underwriting period plus the following underwriting period;
- Termination of Membership; and
- Obligation of Continuing Liability.

3.2 Mergers

Since 1999, a number of CLLAS member firms were involved in merger activities due to the need to provide clients with services on a national and international scale. CLLAS provides coverage to all of the merged and predecessor firms. There have been no mergers of any significant scale since last renewal.

3.3 Termination of Memberships

On June 30, 2012, Blake, Cassels & Graydon LLP terminated its membership with CLLAS at the end of the Fifth Underwriting Period. Blakes was the first firm to voluntarily withdraw from CLLAS since its formation.

Dentons Canada LLP (formerly Fraser Milner Casgrain LLP) withdrew from CLLAS at the end of June 30, 2017. Dentons Canada LLP had announced its intention to leave CLLAS in 2013, the first year of the Sixth Underwriting Period, due to the Swiss Verein it had merged with having a global insurance program.

3.4 Expansion of the Reciprocal

Since 2015, CLLAS has been seeking to add a few select new firms that meet its eligibility criteria.

While a traditional expansion of CLLAS based on existing rules would be ideal for CLLAS, it was acknowledged that this approach faced challenges as a new participant would need to make a meaningful contribution towards CLLAS' capital/surplus requirements. As a result, the conclusion was that adding new members via a dedicated underwriting facility was the best approach. Eligible law firms added to the facility are "CLLAS Associate Members".

CLLAS Associate Members have access to many of the benefits of CLLAS, including CLLAS' claims management expertise and customized policy wording, but do not benefit from CLLAS' ability to retain risk, which has a material stabilizing impact on insurance costs over time. Full entry into CLLAS would be required to obtain that benefit.

CLLAS Associate Members must meet similar underwriting criteria as would be applicable to direct entry into CLLAS.

Presently there are two Associate Member firms:

- Lenczner Slaght Royce Smith Griffin LLP; and
- Stockwoods LLP.

Axxima Insurance Services continues to approach law firms to outline the program.

The CLLAS Associate Member program is being undertaken as a separate initiative, i.e. it is not part of this reinsurance submission. However, it is anticipated that over time, some Associate Members will convert to direct participation in CLLAS.

3.5 Claims Administration

The CLLAS Claims Administration Manual is attached as **Appendix E**. The following summary is an overview of how claims are managed by CLLAS through the General Manager.

CLLAS has established procedures for addressing possible conflicts of interest where member firms may be asked to represent claimants against other member firms, including notification to the Chair of the Claims Committee or the CLLAS General Manager. The current Conflict of Interest Policy is contained in **Appendix F**.

Claim Reporting and Handling

The policy requires that claims be reported directly to the General Manager's office at the same time as they are reported to the applicable law society program. The General Manager's office conducts a thorough initial (and, in the case of substantial claims, on-going) review of the material to, among other things, determine potential exposure and identify coverage issues.

Claims which in the view of the law society program, or of CLLAS, are likely to be equal to or greater than \$500,000 are considered to be "substantial claims". CLLAS monitors all substantial claims by working closely with the representatives of the law society programs in the respective provinces.

Claims under the drop-down/differences in conditions coverage are reported to, and managed by, the General Manager's office.

CLLAS Claims Committee

CLLAS has a Claims Committee which consists of four or five leading litigation lawyers (barristers) from some of Canada's leading law firms, each of whom has over 20 years of practical litigation experience at all levels of courts, including extensive experience in professional liability and insurance matters.

The Claims Committee reviews substantial claims with respect to liability, damages, coverage, strategy and approach and/or the identity of appropriate coverage, defence or monitoring counsel. The Claims Committee meet on a quarterly basis to review substantial claims, and on an ad-hoc basis as necessary to provide input to claims that are at a stage where they develop rapidly.

The benefit to CLLAS of its Claims Committee is significant. Claims under review receive the benefit of the perspective of a number of senior counsel who can provide valuable analysis, insight of practicing litigators, and recommendations whose views carry substantial weight with underlying insurers and/or defence counsel who may be involved.

Reserves

In setting reserves, CLLAS takes into consideration the reserve information provided to it by underlying insurers (where available), copies of defence counsel and expert reports, discussions with defence counsel, and other information that may become available to it (e.g. its knowledge of the lawyers involved and other "intangible"

information). While recognizing that reserving, particularly at the excess level, involves the exercise of judgment based on CLLAS' collective experience, it is CLLAS' aim to reserve to the ultimate cost of the file at the earliest possible time. Given the nature of excess claim files, information required to make the full analysis (i.e. to set a reserve that will be sufficient to take the matter through to settlement, trial or appeal) is often not fully available until after completion of examinations for discovery and/or the receipt and review of expert reports. CLLAS' reserving approach is to be realistically conservative.

CLLAS recently augmented its process for monitoring defence costs of substantial claims by requesting firms provide all past and future defence counsel accounts for claims with a ground up reserves of \$500,000 or more (except for Quebec due to the higher underlying limit). This collecting of accounts was implemented to ensure CLLAS continues to have the most complete picture of legal costs and reserves available as matters develop.

The December 31, 2020 actuarial report is provided as **Appendix G** which sets forth the claims liabilities, including reserves, as of that date.

Reporting to Reinsurers

The claims reporting threshold for reinsurance purposes is \$500,000 ground-up (reserves plus paid indemnity and expenses). In the case of these claims, a Large Loss Report is prepared for distribution to each reinsurer participating on that particular policy year. These reports contain a summary of the matter and details relating to the paid/reserve amounts established by both the law society and CLLAS.

The initial report for a particular claim is generated based on calendar quarter-end reserve information and, in accordance with the terms of the reinsurance agreements, is dispatched within 45 days of the end of that quarter (i.e. May 15, August 15, November 15 and February 15). Reports are updated on a quarterly basis based on reserve information as of the quarter just ended, and substantive developments up to the date of the report is prepared. Updates are distributed within 45 days following each quarter end until the claim is closed, or its total incurred amount is reduced below the reporting threshold.

CLLAS also hosts a conference call with its reinsurers involving, as required, its London broker Bretton Woods International Ltd., along with the lead and a number of markets participating in the reinsurance program. These calls discuss new claims, developments in significant matters, and/or discuss any input the reinsurers may have on claims which CLLAS is reporting.

When warranted or upon specific request, CLLAS also provides interim updates to reinsurers if significant developments arise on a particular claim (e.g. involving settlement negotiations/mediation efforts).

CLLAS International

In certain cases involving claims against those firms with a policy issued under the CLLAS International Program (as further detailed as part of section 2.1, above), the claims may be covered by both the CLLAS Policy and the CLLAS International Policy. In order to address situations where there may be a disagreement between CLLAS and the insurers under the CLLAS International Program as to the allocation of liability for such claim, CLLAS has entered into an agreement with the CLLAS International insurers (see **Appendix H**). Pending a determination as to the appropriate allocation of liability, CLLAS and the CLLAS International insurers will make payments in respect of such claim (including defence costs) on a 50/50 basis.

3.6 Risk Management

CLLAS devotes considerable resources to risk management and loss prevention. The program continues to evolve under the oversight of the Risk Management Committee. The key elements of the program are:

- Risk Management Audits;

- Risk Management Information and Seminars;
- Firm Policies and Procedures; and
- Co-ordination with the Law Society Loss Prevention Programs.

Work continues to develop in all areas, in particular:

- John Walker, a partner of the law firm Walker Sorensen LLP, was retained to undertake the third round of risk management audits. As background, the second round was completed in 2014 and 2015, and the first round between 2006 and 2010. He uses the results of prior audits to refine and focus subsequent audits to maximize the benefit to the CLLAS and Associate Member firms. The most recent round of audits was conducted in the fall of 2020, with individualized (and privileged) reports expected to be delivered in April and May 2021.

This process involves management, lawyers, and staff completing detailed surveys at various levels of seniority, including assistants, and the preparation of privileged and confidential reports for each firm. The report shows the firm where risk management processes and procedures stand in relation to both the previous risk management audits and to the other CLLAS member firms. The audit process and the corresponding report also assesses the firms' lawyers' knowledge of their policies and procedures so that the firm can determine whether more education/training is needed relating to its policies and procedures.

New for this round of audits, a focus on firm culture has been added, as there was evidence in prior audits that this has a stronger correlation to claims experience than the mere presence and awareness of policies.

Further details on the audits are included in **Appendix I**.

- CLLAS has planned four cyber risk management webinars aimed at incident response team personnel in the CLLAS firms:
 - Session 1, on Ransomware, was held on February 18, 2021. The objective of this session was to create awareness regarding the evolution of ransomware attacks and provide some insightful questions to consider as firms update their incident response plans.
 - Session 2, on Network Penetration, was held on April 21, 2021. The objective of this session is to look at ways criminals gain access to networks and to provide some direction to firms with respect to hardening their networks against attacks.
 - Session 3, on Email Compromise, has not yet been scheduled, but will look at the prevention of and recovery from email compromise situations.
 - Session 4, an overview of the CLLAS cyber insurance program, has not yet been scheduled, but will include security recommendations, a coverage overview, and claim process topics.
- In 2013, CLLAS' Risk Management Committee undertook a review of the principal factors which may have given rise to class action claims arising out of tax opinions provided in connection with leveraged charitable donation programs. This review included a survey of senior tax practitioners in each of the CLLAS member firms to determine their practices and policies relating to tax shelter opinions, which indicated the following:
 - At least half of these firms have never provided tax opinions in relation to tax shelters of the type which have been the subject matter of such claims;
 - Some firms do provide tax opinions in relation to fairly mainstream offerings of what are commonly called "registered tax shelters" in respect of which a tax shelter identification number has been obtained from the applicable revenue authorities;
 - All CLLAS member firms have decided not to provide opinions associated with "marketed tax shelters", which differ from the "registered tax shelters" mentioned above; and

- CLLAS firms are generally aware of the risk of “rogue” tax practitioners and have generally implemented peer review respecting tax opinions to ensure no lawyer operates in a silo.

Based on this review, the Risk Management Committee developed a practice note to raise awareness of the risks associated with providing tax shelter opinions that third parties may be entitled to rely upon and the considerations that member firms should take into account in relation to providing such opinions. The practice note, which has been circulated to all member firms and is expected to be shared internally within these member firms, is contained in **Appendix J**.

- It is common practice for both existing and prospective clients of Canadian law firms to request that the law firms enter into retainer agreements which include provisions under which the law firm agrees to indemnify the client against losses and claims relating to or arising out of the retainer. CLLAS developed a practice note on Outside Counsel Guidelines that remains in draft form. The practice note raises awareness about the terms and conditions relating to, among other things, conflicts of interest, indemnification, and requirements regarding technology and staffing. The practice note is also included in **Appendix J**.

A Note on COVID-19 and Risk Management: All law firms in Canada have been made aware by their provincial regulators and underlying law society insurers of the potential increased risks associated with working from home, mainly relating to cyber-attacks and fraud schemes. CLLAS’ Risk Management Committee has circulated information to the firms and, as noted above, has created four webinars focused on IT risks, aimed at the incident response team personnel in the CLLAS firms.

Firms have implemented COVID-19 databases collecting information and materials for the benefit of their lawyers and clients covering all aspects of societal and legal response to the virus such as: Court access and hearing protocols, securities filing adaptations, resources and rules for holding corporate meetings, changes to limitation period rules and requirements, new rules for tax filing, and special rules respecting various industries such as construction and long-term care.

Provincial law societies regularly post practice advisories on their websites discussing how to manage the current situation. PracticePro, LawPRO’s risk management group, has a section of its website devoted to COVID-19 resources: <https://www.practicepro.ca/hot-topics/covid-19-articles-and-resources/>.

Courts in some Canadian jurisdictions were closed for a period of time and many resumed operations on a limited, remote basis. Governments in some Canadian provinces (including BC, Alberta, Ontario and Quebec) suspending the running of limitation periods. Limitation periods have resumed running in all these jurisdictions, with BC being the last province to do so effective March 25, 2021.

In general, CLLAS has not identified any significant claims as having resulted from the COVID-19 pandemic.

CLLAS’ risk management initiatives are discussed in more detail in **Appendix I**.

3.7 CLLAS Website

CLLAS maintains a secure website to facilitate the timely access and transfer of materials for CLLAS members. CLLAS member firms have ready access to insurance policies, treaties, agendas, minutes, risk management policies and other materials via internet connection. The renewal application and claims reporting forms are also available through this channel.

Where appropriate, CLLAS also provides its reinsurers with limited access to the website to secure renewal applications, the reinsurance submission and the CLLAS Policies.

3.8 Financial Statements

The audited financial statements of CLLAS as of December 31, 2020 are attached as **Appendix K**.

Total subscribers' equity as of December 31, 2020 was \$12,083,535, a decrease from \$13,620,592 as of December 31, 2019. This decrease is due to claims in CLLAS' "drop down" layer (i.e. where CLLAS wording is broader than the underlying law society policy) and a lower discount rate.

4.0 CLLAS Member Firms

4.1 Background on CLLAS Member Firms

Further to the background regarding firm mergers mentioned in Section 3.2, **Appendix L** sets out a short description of the recent history of each of the CLLAS member firms as well as their relationship with associated firms and joint venture firms. **Appendix M** provides details on their foreign law and foreign offices drop-down exposures.

4.2 COVID-19

Consistent with professional services firms everywhere, the CLLAS firms have taken all reasonable measures to mitigate the exposure to claims related to the disruption caused by the COVID-19 pandemic. Legal offices have remained open. Physical distancing measures have been implemented; after an initial period of adjustment, firms are limiting attendance in the office to minimal occupancy.

The federal and provincial governments have provided a wide variety of stimulus programs to assist individuals and business adversely affected by public safety measures implemented to address the pandemic. Business for Canadian law firms has remained steady and staffing remainst strong amongst the CLLAS firms, as evidenced by the increase in lawyer count as of February 15, 2021 over last year. The rollout of vaccines in Canada started slowly due to the lack of local vaccine production but picked up speed in mid-March, with the expectation now that all Canadians who wish to be vaccinated will have access to their first shot by the end of June.

While the pandemic has taken its toll on the Canadian economy, its impact has been muted by the earlier than expected arrival of vaccines and significant ongoing government stimulus programs. Canada's real GDP declined by 5.5% in 2020, which compares favourably to other G7 countries. The recovery is expected to be protracted, and the Bank of Canada has indicated it will provide support by holding interest rates low. It projects that the economy will grow by 4% in 2021 and almost 5% in 2022.

4.3 Limited Liability Partnerships

Legislation enacted in 1998 in the Province of Ontario permits law firms to designate themselves as limited liability partnerships (LLPs).

The legislation currently in force provides "full shield" protection to partners of LLPs. Under this legislation, a partner of an LLP will no longer be personally liable for (a) the non-professional debts or obligations of the partnership or (b) the professional liabilities of the partnership or any other partner, employee or agent of the partnership other than those arising out of (i) the negligent or wrongful act or omission of that partner or any other person under the partner's direct supervision or (ii) the negligent or wrongful act or omission of another partner or employee of the partnership if the act or omission was fraudulent or criminal or the partner knew or ought to have known of the act or omission and did not take the actions that a reasonable person would have taken to prevent it. The legislation does not, however, reduce or limit in any way the liability of the partnership itself. Consequently, all of the partnership's assets and insurance coverage remain at risk if a claim is made. This legislation is in line with that of other jurisdictions in Canada (including Alberta, British Columbia, Nova Scotia and Quebec) as well as the United States.

All CLLAS member firms are LLPs.

4.4 Non-Lawyer Patent and Trade-Mark Agents

CLLAS tracks non-lawyer patent and trademark agents and they are currently charged at 25% of the standard Rest of Canada ("ROC") lawyer rate for each respective layer of coverage.

4.5 Non-Lawyer Consultants/Professionals

CLLAS member firms include employees and non-lawyer consultants or professionals who may not be covered by any specific underlying insurance. “Consultant”, “Employee” and “Non-Lawyer Consultant” are specifically defined and insured under the policy, to ensure coverage is available for these non-lawyer consultants and professionals.

CLLAS asks member firms to list those non-lawyer consultants or professionals who are deemed to be employees when completing their renewal application, and an applicable premium is charged in respect of certain individuals. Most of these employees have no client contact nor do they provide advice to clients. Since their role is related to the operation of the firm, no additional premium is charged in those cases. On the other hand, if a non-lawyer consultant or professional does advise clients and acts on their own without the supervision of a lawyer, then a full lawyer rate applies. In between, there may be some non-lawyer consultants or professionals who do advise clients but who act under the supervision of a lawyer. These individuals are currently charged at 25% of the standard ROC lawyer rate for each respective layer of coverage.

Like other Insureds, any new individuals added mid-term would automatically be included under the policy. Although notification of such individuals will not be a pre-requisite to coverage, CLLAS has requested member firms to report any new non-lawyer consultants/professionals on an ongoing basis to the extent practicable.

4.6 Contract Lawyers Through Service Companies

Some member firms have set up service companies that are owned in part by active partners of the member firm, and in part by other lawyers (e.g. retired lawyers) to provide certain services through contracted lawyers at a lower cost than could be achieved via the member firm itself. One firm has set up a number of divisions to provide services in specific sectors, e.g. digital information management, translation services,, recruitment/immigration of global talent and startup mentorship. While there may be separate coverage in place for certain aspects of the work done by these divisions, the CLLAS policy would respond to the extent that they provide Professional Services as defined in the policy. The recruitment/immigration group assists clients with the onboarding of foreign employees and the transfer of employees between global divisions. The legal component of this is the immigration work, e.g. permanent residence applications, visa, and work permits.

Of note, if the services are provided exclusively to or through the member firm, this structure meets the definition of “Service Company”, and CLLAS would provide coverage to the contract lawyers who provide legal services to or through the service company in accordance with the usual terms of the policy. CLLAS considered how best to fairly assess the risk. To the extent the division involves independent advisors providing non-legal advice, these advisors are considered independent contractors not insured under the policy. Any vicarious liability the firm may have would be covered under the policy.

In general, CLLAS has dealt with premiums based on revenue relative to the revenue generated by a full-time lawyer at the firm. To date, these initiatives remain limited in scope, and CLLAS will continue to review its approach to ensure that it remains appropriate.

4.7 Lawyers on Secondment

From time to time, CLLAS receives enquiries from member firms about coverage for lawyers while they are on secondment to another organization or institution. CLLAS’ position is that normal coverage will be provided while on secondment provided that insurance premiums for both the underlying program and CLLAS have been paid and the lawyers are providing services through the CLLAS member firm.

The LawPRO policy limits coverage for claims brought against seconded lawyers for professional services provided to a client while under secondment with that client to \$250,000 per claim and in the aggregate for defence costs only. This applies where the claimant meets the definition of a “corporate employer”, i.e. a corporation (or its affiliates) for

which the lawyer temporarily acts in the capacity of in-house corporate counsel. LawPRO advises that if the corporate client does not meet the test for a “corporate employer” and the normal employment laws do not arise that would stop it from recovering against an employee, the normal coverage terms will apply.

CLLAS has confirmed to its member firms that lawyers on secondment would continue to be insured under its policy which would in turn drop down to the greater of \$25,000 and the available underlying coverage. Coverage for a claim would be provided (subject to the policy’s terms, exclusions, and conditions at the time of the claim) so long as the lawyer is included in the member firm’s headcount and the services were provided through the member firm.

4.8 Cyber Exposures

The CLLAS Primary Policy provides coverage for third party cyber exposures as they relate directly or indirectly to “Professional Services”. CLLAS collects underwriting information for this coverage through a questionnaire attached to the renewal application. In 2020, eight of the ten CLLAS member firms and one of the CLLAS Associate Members bought dedicated cyber coverage through a facility arranged by CLLAS. Work is ongoing between CLLAS and the cyber insurers to ensure that coverages and claims handling are appropriately integrated, and risk management activities are being carried out to promote continuous improvements in the firms’ defenses against, and responses to any cyber incidents that may arise.

4.8 Legal Developments

The Pyrrhotite Litigation in Quebec

The pyrrhotite litigation is a complex and multifaceted litigation arising out of deteriorating concrete foundations in over 800 homes built in Quebec between 2003 and 2008. The Court of Appeal decision released in April 2020, among other things, adopted the “continuous trigger” theory to allocate liability to claims-made insurance policies in force over the period of time from the exposure to the event that gave rise to the damages to the manifestation of those damages. The insurers have sought leave to appeal the decision to the Supreme Court of Canada.

CLLAS continues to monitor developments with respect to the pyrrhotite litigation appeals and their potential implications to professional indemnity policies. It should be noted that historical experience in this jurisdiction has been very favourable. Though there are matters with reserve in the underlying, of note 2005-177, CLLAS has incurred only \$62,991 in legal and adjustment payments and no indemnity payments over the years. As a reminder, Quebec’s lawyers have a \$10,000,000 mandatory underlying limit.

Ontario Class Proceedings Act Changes

In July 2020, the Ontario Government enacted major changes to the *Class Proceedings Act, 1992* (the Act). This represents the first major amendment to the Act since it was enacted in 1992. The changes came into effect on October 1, 2020 and apply only to new proceedings.

From CLLAS’s perspective perhaps the most significant amendment to the Act is the addition of requirements of “superiority” and “predominance” to the “preferable procedure” element of the certification test. Historically, the Ontario courts have accepted that a class proceeding is the preferable procedure for achieving the public policy objectives of class proceedings (i.e., judicial economy, behaviour modification and access to justice) where the resolution of the common issues would materially advance the proceedings as a whole, even if these common issues do not predominate over individual issues (i.e., not all issues are common to all members of the class).

The amendments to the Act now mean that, to meet the preferable procedure element of the certification test, the plaintiff will have to establish, at a minimum, that:

- a) it is superior to all reasonably available means of determining the entitlement of the class members to relief or addressing the impugned conduct of the defendant, including, as applicable, a quasi-judicial or administrative proceeding, the case management of individual claims in a civil proceeding, or any remedial scheme or program outside of a proceeding; and
- b) the questions of fact or law common to the class members predominate over any questions affecting only individual class members.

It is possible that the amendment to the certification test will filter out some proposed class actions, which may meet the existing certification test because they may have one or a few common issues, but which really are not suited for treatment as class actions, practically or efficiently, due to the highly individualized nature of their claims.

For a more complete review of the new provisions, please refer to **Appendix R**.

5.0 Loss Experience

5.1 General

This section provides details of the CLLAS loss experience from inception on July 1, 1987 up to December 31, 2020.

In reviewing the loss experience summarized herein, the following should be noted:

1. Unless specifically noted, incurred liabilities, including reserve positions, include those held by Ontario, Alberta, British Columbia, Nova Scotia and Quebec (the “Law Societies”) to the extent available and to the extent reserves were posted at the time data was collected from the Law Societies’ claims systems.
2. All incurred liabilities, including reserve positions, are expressed on a ground up basis unless otherwise specifically noted.
3. Reserve positions are inclusive of defense costs.
4. Reported claims include incidents reported out of an abundance of caution.
5. The reserve positions of CLLAS claims are updated quarterly and, if warranted on a particular claim, more frequently.
6. CLLAS’ loss experience includes the claims experience of former member firms Goodman and Carr LLP which dissolved on July 1, 2007, Blake, Cassels & Graydon LLP which left CLLAS on June 30, 2012 and Dentons Canada LLP which left CLLAS on June 30, 2017.
7. CLLAS’ loss experience has not been restated to include the historical loss experience of firms which have subsequently merged with existing CLLAS member firms.

5.2 Loss Experience Exhibits

Detailed exhibits illustrating CLLAS’ loss experience for the 1987 to 2020 underwriting years of account inclusive are attached hereto as **Appendix N 1-11**. The following is a brief description of the exhibits:

1. Annual Net Incurred Claims Reserved and Paid as of December 31, 2020
2. Summary of CLLAS Claims Experience by Year (Ground-up) as of December 31, 2020
3. Summary of CLLAS Claims Experience by Year (Excess of \$1MM) as of December 31, 2020
4. CLLAS Incurred Claims (Excess of \$1MM) as of December 31, 2020
5. Size of Loss Distribution of CLLAS Claims (Ground-up and excess of \$1MM) as of December 31, 2020
6. CLLAS Run off & Ground-up Development Triangles as of December 31, 2020
7. Claims Experience by Firm (Ground-up) as of December 31, 2020
8. Claims Experience by Firm (Excess of \$1MM) as of December 31, 2020
9. Claims Experience by Area of Law (Ground-up) as of December 31, 2020
10. Claims Experience by Area of Law (Excess of \$1MM) as of December 31, 2020
11. Summary of Adjustments

The CLLAS Open and Closed Claims Bordereaux as of December 31, 2020 are attached as **Appendix O**.

5.3 Overview of CLLAS’ Loss Experience

CLLAS monitors claim files in the underlying layers which have the potential to penetrate the CLLAS layer. CLLAS has also reviewed the prior claims experience (i.e. prior to joining CLLAS) of predecessor law firms with 11 or more partners that merged with CLLAS member firms from Quebec, Alberta, and British Columbia and the claims experience for Lang Michener LLP (which became a member on July 1, 2003). In all cases, the claims experience has been exemplary, and no claims would have been incurred in the CLLAS layers had they been part of CLLAS at the time. Claims and lawyer counts for these predecessor firms are not included in the claims statistics provided by CLLAS. On

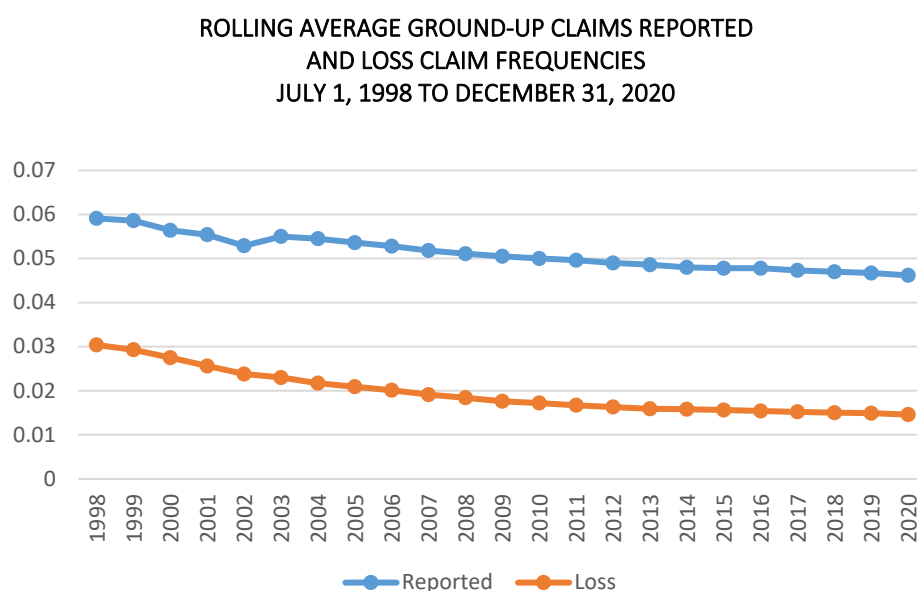
the other hand, claims experience of former member firms Goodman and Carr LLP, Blake Cassels & Graydon LLP, and Dentons Canada LLP is included.

Lang Michener LLP and McMillan LLP merged as of January 1, 2011. Both firms' claims statistics have been consolidated under McMillan LLP.

5.4 Claim Frequency

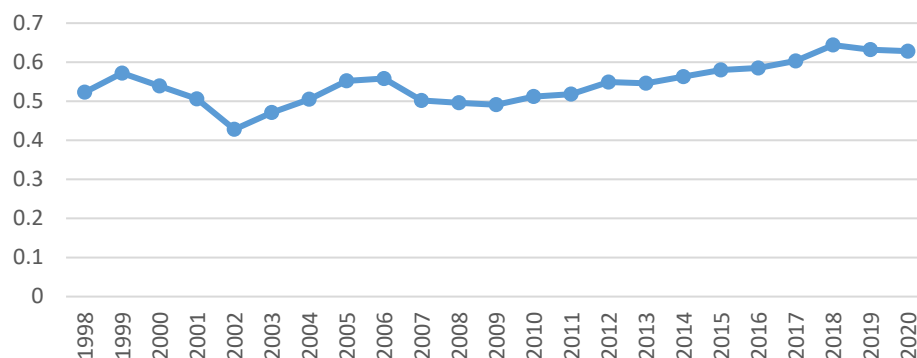
Appendices N(2) and N(3) provide summaries of the CLLAS claims experience by policy year. Since 1987, there have been 5,597 claims reported on a ground-up basis which results in a Reported Claim Frequency of 0.0462 reported claims per lawyer over the entire period. This translates to an average of one claim per lawyer every 22 years. The Loss Claim Frequency (claims with indemnity payments or a reserve ground-up) is much lower at 0.0146 or one claim per lawyer every 68 years meaning that less than one in three claims reported produces a loss. The Loss Claim Frequency of claims in the CLLAS layers (claims excess of \$1,000,000 or \$10,000,000 in Quebec) is 0.628 per 1,000 lawyers. Based on the current lawyer count, this translates to 2.50 loss claims per year excess of \$1,000,000.

On a ground-up basis, claim frequency has been on a steady decline. The following chart illustrates how the Reported and Loss Claim Frequencies on a ground-up basis, both of which are rolling averages since inception of the CLLAS Program, have been trending downward since 1998.



An analysis of claim frequency for claims excess of \$1,000,000 reveals a slightly different picture. The claim frequency for claims excess of \$1,000,000, based on rolling averages since inception of the CLLAS Program, has been relatively flat since 1998. The chart below shows the rolling average claim frequency per 1,000 lawyers for claims excess of \$1,000,000.

ROLLING AVERAGE CLAIMS EXCESS OF \$1,000,000
LOSS CLAIM FREQUENCY PER 1,000 LAWYERS
JULY 1, 1998 TO DECEMBER 31, 2020



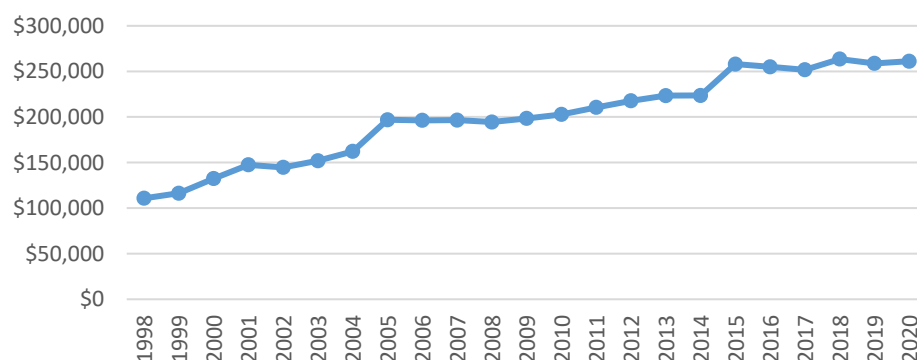
CLLAS has experienced 76 loss claims (2.27 claims per year) excess of \$1 million of coverage since the inception of the Program in 1987.

5.5 Loss Severity

Appendices N(2) and N(3) outline the ground-up and excess of \$1,000,000 loss severities by policy year. The two charts below suggest that claim severity, based on a rolling average from 1998 to 2020, was increasing steadily on a ground-up basis before 2005 then leveled-off from 2005 to 2014, after which point the trends for ground up losses and those excess of \$1,000,000 diverge.

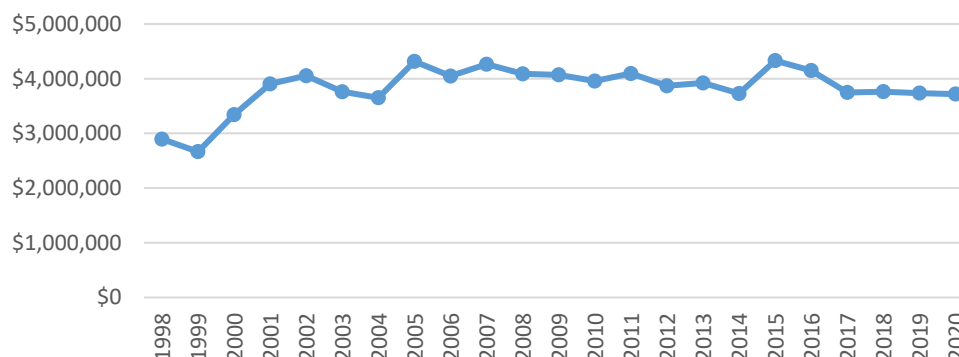
For ground up losses, amounts spiked in 2015 due to one large claim which developed during that year, and remained static from 2015 to present.

ROLLING AVERAGE SEVERITY GROUND-UP
JULY 1, 1998 TO DECEMBER 31, 2020



On an excess of \$1,000,000 basis, we observed a relatively flat severity trend from 2005 to present, with the large loss which developed during 2015 creating a temporary upswing, before severity resumed the pre-2015 trendline. It should be noted that year-over-year changes reflect both claims trend and claims development.

ROLLING AVERAGE SEVERITY EXCESS OF \$1,000,000 JULY 1, 1998 TO DECEMBER 31, 2019



5.6 Size of Loss Distribution

The Size of Loss Distribution exhibits, **Appendices N(5A)** and **N(5B)**, indicate that 98.8% of claims reported by CLLAS members are under \$1,000,000. Only 76 out of 5,597 claims impact CLLAS - i.e. are excess of \$1,000,000 or are drop-down claims. Of those, a significant majority, 88.2%, have been less than or equal to \$5,000,000. Six claims are between \$5,000,000 and \$20,000,000 and three claims over the history of CLLAS have been excess of \$20,000,000.

5.7 Loss Development

The loss development triangles (by year and by individual claim) are located in **Appendix N(6)**.

5.8 Claims Experience by Firm and Area of Law

Appendices N(7) and **N(8)** provide summaries of the claims experience by firm on a ground-up basis and excess of \$1,000,000 respectively. All but one of the historical CLLAS member firms have had at least one claim paid or reserved by CLLAS since 1987.

Appendices N(9) and **N(10)** provide summaries by area of law, again on a ground-up basis and excess of \$1,000,000 respectively. On a ground-up basis, the claim frequency (not counting the "Other" category) is greatest in Litigation (21.8% of claims), followed by Commercial Law (14.8%) and Real Estate and Mortgage Transactions (12.9%). The loss severity on a per-claim basis is greatest in Corporate Law (\$758,395), followed by Tax Matters (\$610,357) and Intellectual Property (\$385,009). These exhibits also show the areas of practice of the member firms on a combined basis.

5.9 Claims Bordereaux

The claims exhibits in **Appendices N(1)** to **N(11)** are as of December 31, 2020. The open and closed claims bordereaux as of December 31, 2020 can be found in **Appendix O**.

The table below summarizes all CLLAS claims that were open with ground-up reserves greater than or equal to \$500,000 at some point between December 31, 2018 and December 31, 2020 by policy year. The table shows the ground-up incurred at each respective year-end and highlights changes in incurred claims/development over the past 12 months. The individual claim changes can be found in the submission under Appendix N6 – Exhibit II.

Policy Year	Ground-Up Incurred			12-Month Change in Incurred	
	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2020	Ground-Up	Excess of \$1MM
2005	\$5,500,000	\$5,500,000	\$5,500,000	-	-
2006	-	-	-	-	-
2007	-	-	-	-	-
2008	\$4,500,000	\$4,500,000	\$4,500,000	-	-
2009	-	-	-	-	-
2010	\$3,000,000	\$3,500,000	\$3,500,000	-	-
2011	\$33,457,325	\$33,155,397	\$33,132,024	-(\$23,372)	-(\$23,372)
2012	\$1,839,746	\$1,839,746	\$1,839,746	-	-
2013	\$2,200,000	\$2,415,656	\$2,415,656	-	-
2014	\$8,475,000	\$9,002,145	\$10,002,145	\$1,000,000	\$1,000,000
2015	\$3,204,508	\$2,687,355	\$3,247,134	\$559,779	\$77,732
2016	\$9,750,000	\$8,943,682	\$12,853,682	\$3,910,000	\$3,910,000
2017	\$4,942,694	\$4,942,694	\$4,969,361	\$26,667	\$21,667
2018	\$1,320,000	\$1,447,529	\$2,500,000	\$1,052,471	-
2019	\$700,000	\$700,000	\$700,000	-	-
2020	-	\$4,251,111	\$4,159,773	\$(91,338)	-
2021	-	-	\$950,000	\$950,000	-
Total	\$77,889,273	\$82,885,315	\$90,158,513	\$7,384,207	\$4,986,027

To provide a sense of the nature of the CLLAS member firms' claims exposure, attached as **Appendix P**, is a brief, anonymized overview of each of the open CLLAS claims with ground up reserves of \$2 million or more.

6.0 Proposed Renewal Terms

6.1 Renewal Overview

CLLAS greatly appreciates the co-operation and assistance provided by reinsurers in helping meet the competitive challenges of the marketplace in recent years. CLLAS recognizes that the market for this class of business has hardened, particularly in London, and there are ongoing concerns regarding the economic impact of COVID-19.

Despite these factors, the lawyer professional indemnity space remains reasonably competitive domestically, and we remain aware of the pressures associated with the upcoming five-year underwriting period renewal.

CLLAS' main objective for this renewal is to apply a reasonable increase to rates, while maintaining program stability in light of the competitive domestic landscape and the impending renewal of CLLAS's five-year Underwriting Period on July 1, 2022.

6.2 Coverage Features

The CLLAS "stand-alone" policy wording ensures that CLLAS members, some of whom operate out of several provincial jurisdictions, enjoy consistency and somewhat broader coverage throughout the jurisdictions in which they operate. CLLAS member firms have offices in the following Canadian jurisdictions: Alberta; British Columbia; Quebec; Ontario; and Nova Scotia. All jurisdictions have a compulsory limit of \$1,000,000 per claim and \$2,000,000 annual aggregate per lawyer except for Quebec, where the compulsory limit is \$10,000,000 per claim. Quebec restricts coverage for work done outside Quebec to \$1,000,000 per claim.

The current CLLAS structure includes a Primary Policy of \$50,000,000 per claim/per year/per firm with the per claim limit being inclusive of underlying coverage from the law societies or other applicable professional liability policies. Below are examples of how the CLLAS Primary Policy would respond:

- If a claim is made that would trigger the mandatory policies in Ontario, British Columbia, Alberta, or Nova Scotia, the CLLAS Primary Policy would effectively respond as a \$49,000,000 limit excess of a \$1,000,000 compulsory limit provided by the respective law societies in these jurisdictions;
- If a claim is made that would trigger the Quebec mandatory coverage relating strictly to acts of Quebec lawyers, the CLLAS Primary Policy would effectively respond as a \$40,000,000 limit excess of a \$10,000,000 compulsory limit provided by Barreau du Quebec;
- In the event of a claim triggering a sub-limit in, say, Ontario (e.g. \$250,000 sub-limit for retired lawyer coverage), the CLLAS Primary Policy would effectively respond as a \$49,750,000 limit excess of the \$250,000 sub-limit;
- In the event of no underlying coverage or exhaustion of the underlying coverage, the CLLAS Primary Policy will provide coverage of up to \$49,975,000 excess of a deductible of \$25,000;
- Only that portion of the claim attributable to CLLAS will contribute to the \$50,000,000 annual aggregate per firm including that portion of any claim under \$1,000,000 which is paid, and fully retained, by CLLAS.

At present, the First Excess Policy (stand-alone) provides a minimum of \$15,000,000 excess of the \$50,000,000 CLLAS Primary Policy. The policy also provides drop-down coverage to \$500,000 for claims not covered by the CLLAS Primary Policy. For example, foreign law and U.S. offices are not excluded in this policy while the CLLAS Primary Policy does have exclusions pertaining to these exposures. All CLLAS member firms are required to subscribe to the First Excess Policy in addition to the CLLAS Primary Policy.

Beginning in 2018 CLLAS participated in all layers excess of \$50,000,000, including the First Excess and Optional Second Excess Policies. On top of the CLLAS Primary Policy and the \$110,000,000 excess of \$50,000,000 layers, CLLAS continues to provide the Optional Third Excess and the Blanket Excess Policies.

In addition to these layers, CLLAS is seeking to add an additional Optional Second Blanket Excess Policy for this policy year. The structure would be the same as the existing Blanket Excess Policy, i.e. the limits would be shared by the CLLAS member firms. The proposed limits for the Optional Second Blanket Excess Policy are \$50,000,000 per claim/\$100,000,000 aggregate, and the policy would be excess of a minimum of \$250,000,000. Unlike the underlying Blanket Excess Policy, it would not be mandatory for all firms, and therefore would not allow for an attachment point below the maximum limits available. If available, the majority of firms have expressed an interest in purchasing it.

In summary, CLLAS expects to issue or participate on the following policies effective July 1, 2020 to July 1, 2021:

- A. CLLAS Primary Policy of \$50,000,000 – A Primary Policy of \$50,000,000 per claim/per year/per firm inclusive of underlying coverage from the law societies or other applicable professional liability policies. CLLAS is requesting underwriters to reinsure CLLAS for \$49,000,000 excess of \$1,000,000 at expiring net rate plus 10.0% increase which totals \$2,367 for lawyers in provinces other than Quebec, and \$1,055 for Quebec lawyers. The net rate for lawyers in Quebec is lower due to the \$10,000,000 underlying limit provided by Barreau du Quebec.
- B. First Excess Policy of Up to \$50,000,000 Excess of \$50,000,000 – CLLAS expects to participate on the First Excess Policy of up to \$50,000,000 excess of \$50,000,000. CLLAS is requesting underwriters to reinsure CLLAS on this layer at the expiring net rate plus 10.0% increase which totals \$427 per lawyer. There is currently one firm that purchases less than \$50,000,000 excess of \$50,000,000 and this firm's rate is scaled down accordingly.
- C. Optional Second Excess Policy of \$60,000,000 Excess of \$100,000,000 – CLLAS expects to participate on the Optional Second Excess Policy of \$60,000,000 excess of \$100,000,000. CLLAS is requesting underwriters to reinsure CLLAS on this layer at the expiring net rate plus 7.5% increase which totals \$361 per lawyer.
- D. CLLAS Optional Third Excess Policy of Up to \$60,000,000 excess of \$160,000,000. CLLAS is requesting Colchester and other underwriters to reinsure CLLAS at an expiring net rate plus a 20.0% increase which totals \$216 per lawyer.
- E. CLLAS First Blanket Excess Policy of \$30,000,000 per claim/\$60,000,000 aggregate – This layer is shared by all CLLAS member firms. This policy also follows the First Excess Policy and is excess of the Second and Third Excess policies and/or excess of specific underlying insurance arranged by certain CLLAS member firms for their offices in the U.S. and/or other international locations. CLLAS is requesting underwriters to reinsure this layer at an expiring net rate plus a 10.0% increase which totals \$97 per lawyer.
- F. CLLAS Optional Second Blanket Excess Policy of \$50,000,000 per claim/\$100,000,000 aggregate – This layer will be shared by all participating CLLAS member firms that have arranged the required underlying limits. This policy will also follow the First Blanket Excess Policy, and its underlying requirements as outlined above. CLLAS is requesting underwriters to reinsure this layer at a net rate of \$150 per lawyer.

It should be noted that for the Optional Third Excess and First and Second Blanket Excess Policies, the “designated underlying policy” is the First Excess Policy wording which attaches at \$50,000,000. The First Excess Policy has a drop-down feature in the event that it is broader than the underlying CLLAS Primary Policy and/or the mandatory law society program policies. The principal differences between the CLLAS Primary Policy and the First Excess Policy are:

- a) the First Excess Policy does not exclude coverage with respect to the practice of foreign law;
- b) the First Excess Policy does not exclude coverage for U.S. offices;
- c) the First Excess Policy may be broader in scope with respect to non-lawyer consultants; and
- d) the First Excess Policy contains a “Liberalization Clause” which ensures that it is at least as broad as the underlying CLLAS Primary Policy.

The CLLAS Primary Policy will not respond to claims brought against lawyers from an office in the U.S., whether relating to the practice of Canadian law or foreign law. Except to the extent that the CLLAS International Policy would provide coverage, the First Excess Policy would drop down to provide this coverage, both for claims relating to the practice of Canadian and foreign law, subject to a \$500,000 deductible. The CLLAS Second Excess, Optional Excess, and Blanket Excess Policies will follow form and provide the same scope of coverage as the First Excess Policy.

While the CLLAS Primary Policy would not respond to claims relating to the practice of foreign law, it will respond to claims that are “incidental” to the practice of Canadian law, within the meaning attributed to that term by CLLAS. See **Appendix Q** for more detail regarding the meaning of “Incidental” to the Practice of Canadian Law.

6.3 Proposed Coverage and Policy Wording Changes at Renewal

Beyond preparing the necessary policy wording for the Optional Second Blanket Excess Policy which will follow the wording of the current Blanket Excess Policy, CLLAS does not expect to amend any of the policy wordings for this coming year.

6.4 Headcount for Premium Calculation

CLLAS uses the member firms’ headcount as of June 1 (versus July 1) to calculate premium, as well as to determine the premium payable to its reinsurers without further adjustment. This allows CLLAS sufficient time to send invoices to firms, and to report the numbers to reinsurers before July 1.

Based on the lawyer count as of February 15, 2021 determined from the renewal applications, the following two tables provide information on the number of insured lawyers by firm/location and by coverage layer. Final premium will be determined based on the actual headcount as of June 1, 2021.

**NUMBER OF INSURED LAWYERS AS OF FEBRUARY 15, 2021
BY FIRM AND COVERAGE JURISDICTION***

Firm	Canadian Lawyers			Foreign Lawyers (excl. U.S.)		U.S. Lawyers	Total
	Quebec	Rest of Canada	Foreign Law	Canadian Law	Foreign Law		
Borden Ladner Gervais LLP	149.00	626.00	-	-	-	-	775.00
Cassels Brock & Blackwell LLP	-	252.75	0.25	-	-	-	253.00
Davies Ward Phillips & Vineberg LLP	100.00	158.00	-	-	-	12.00	270.00
Fasken Martineau DuMoulin LLP	273.85	494.23	2.92	3.00	81.00	-	855.00
Goodmans LLP	-	189.00	-	-	-	-	189.00
McCarthy Tétrault LLP	173.00	473.02	1.98	2.50	7.50	-	658.00
McMillan LLP	29.00	239.00	2.00	1.00	-	-	271.00
Osler, Hoskin & Harcourt LLP	66.75	423.75	1.50	-	-	18.00	510.00
Torys LLP	13.00	309.35	5.65	-	-	44.00	372.00
WeirFoulds LLP	-	111.54	1.46	0.20	0.80	-	114.00
Total	804.60	3,276.64	15.76	6.70	89.30	74.00	4,267.00

** Lawyer count shown above is in Full Time Equivalent (FTE) Terms*

**NUMBER OF PATENT AND TRADEMARK AGENTS AS OF FEBRUARY 15, 2021
BY FIRM**

Firm	No. of P&Ts
Borden Ladner Gervais LLP	14.00
Cassels Brock & Blackwell LLP	-
Davies Ward Phillips & Vineberg LLP	-
Fasken Martineau DuMoulin LLP	3.00
Goodmans LLP	1.00
McCarthy Tétrault LLP	1.00
McMillan LLP	1.00
Osler, Hoskin & Harcourt LLP	4.00
Torys LLP	1.00
WeirFoulds LLP**	-
Total	25.00

**NUMBER OF NON-LAWYER CONSULTANTS *AS OF FEBRUARY 15, 2021
BY FIRM**

Firm	No. of NLCs
Borden Ladner Gervais LLP	17.00
Cassels Brock & Blackwell LLP	1.00
Davies Ward Phillips & Vineberg LLP	-
Fasken Martineau DuMoulin LLP	12.00
Goodmans LLP	-
McCarthy Tétrault LLP	4.00
McMillan LLP	-
Osler, Hoskin & Harcourt LLP	5.00
Torys LLP	-
WeirFoulds LLP	1.00
Total	40.00

** NLC at Lawyer rate plus NLC at Reduced rate*

**NUMBER OF INSURED LAWYERS AS OF FEBRUARY 15, 2021
BY LAYER***

Reins. Layer	Limit	Lawyer Count**			Comments
		Quebec	Rest of Canada***	Total	
1	\$49M xs \$1M	804.60	3,283.34	4,087.94	
2	\$50M xs \$50M	804.60	3,462.40	4,267.00	One firm currently purchases less than \$50M and would be adjusted accordingly, if required
3	\$60M xs \$100M	804.60	3,348.40	4,153.00	
4	\$60M xs \$160M	804.60	3,348.40	4,153.00	
5	Blanket Excess \$30M/\$60M xs min \$65M	804.60	3,462.40	4,267.00	

* Lawyer count shown above is in Full Time Equivalent (FTE) Terms

** Excluding P&T Agents and Non-Lawyer Consultants

*** Other than Quebec, including foreign lawyers and U.S. lawyers where coverage applies

6.5 Headcount for Non-lawyer Professionals

As discussed previously, CLLAS also provides coverage to and charges premium on non-lawyer patent and trademark agents, and certain non-lawyer consultants and professionals. CLLAS expects to continue to charge premium for these professionals at a rate of 25% of the standard Rest of Canada lawyer rate for each respective layer of coverage.

The estimated number of lawyers, non-lawyer patent and trademark agents and non-lawyer consultants and professionals by firm extracted from the renewal applications as well as details on the rating, are provided as **Appendix M**. Actual numbers will be finalized as of June 1.

6.6 Rate Structure and CLLAS Retention

CLLAS has continued to retain 100% of the \$975,000 drop down exposure since July 1, 2012. Due to upwards pressure on reinsurance pricing, Colchester increased its participation on Reinsurance Layer 1 from 20% to 23% effective July 1, 2019 and maintained that share last year. It is not anticipated that CLLAS or Colchester will vary their retentions for the upcoming term.

The table below sets forth the net reinsurance premiums and incurred losses since July 1, 2011, the date that the current reinsurance structure (\$50,000,000 Primary Policy) was first put in place. On an incurred basis, underwriters have experienced good results over the past eight going on nine years.

Policy Year	Net Reinsurance Premiums	Incurred Losses	Incurred Loss Ratio
2011/12	\$9,530,084	\$5,187,566	54%
2012/13	\$9,406,090	\$1,653,383	18%
2013/14	\$9,411,065	\$9,246,270	98%
2014/15	\$9,094,677	\$1,092,751	12%
2015/16	\$8,738,580	\$6,910,000	79%
2016/17	\$7,358,424	\$3,836,999	52%
2017/18*	\$5,974,138	\$0	0%
2018/19*	\$6,185,283	\$0	0%
2019/20*	\$7,514,617	\$2,084,773	28%
2020/21*	\$8,867,380	\$0	0%
Total	\$82,080,338	\$30,011,742	37%

* Remaining 95% of First Excess and Optional Second Excess layer premiums equate to \$1,975,840, \$2,048,572, \$2,465,535, and \$2,744,843 in 2017/2018, 2018/2019, 2019/2020, and 2020/2021 respectively. Colchester provided premium credits funded from historical surplus which were excluded here for comparison purposes.

The following table sets forth the expiring and proposed reinsurance rates. All rates are on a net basis as CLLAS does not expect any ceding commission.

Layer	Expiring Rate Per Lawyer	2021/2022 Rate Per Lawyer	Estimated Net Premium ¹
1. \$49M xs \$1M (Rest of Canada) ²	\$2,152	\$2,367	\$7,771,666
2. \$40M xs \$10M (Quebec) ²	\$959	\$1,055	\$848,853
3. \$50M xs \$50M	\$388	\$427	\$1,822,009
4. \$60M xs \$100M	\$336	\$361	\$1,499,233
5. \$60M xs \$160M	\$180	\$216	\$897,048
6. Blanket Excess \$30M/\$60M xs min \$65M	\$88	\$97	\$413,899
7. Blanket Excess \$50M/\$100M xs min \$250M ³	N/A	\$150	\$467,213
Total			\$13,719,920

¹ Excluding P&T Agents and Non-Lawyer Consultants.

² In 2020/2021, Colchester provided reinsurance at a rate of \$1,804 and \$804 for Rest of Canada and Quebec Lawyers, respectively, as a result of the application of premium credits funded from historical surplus – not reflected here.

³ Assumes 75% uptake of firms already purchasing \$250M limits.

6.7 Premium Allocation Between CLLAS and International Insurers

Some CLLAS lawyers qualified in Canada are also licensed to practice outside of Canada and/or may provide legal services from a U.S. office. Since CLLAS does not provide coverage for the practice of foreign law or for services rendered from a U.S. office under its Primary Policy, the drop-down provision in the First Excess Policy or, where applicable, the CLLAS International Policy would pick up these exposures.

If there is no CLLAS International Policy involved, no special action is required. Regardless of what foreign law or U.S. office exposures there may be, the First Excess Policy would respond.

If the member firm has a CLLAS International Policy, there are a variety of different scenarios. CLLAS has agreed with the CLLAS International insurers that the following general guidelines will apply:

1. If a lawyer is located in a U.S. office, the CLLAS International insurers will charge 100% of their rate and CLLAS will not charge anything.
2. If a lawyer is located in a non-Canadian/non-U.S. office and only practices Canadian law, CLLAS will charge 100% of its rate and the CLLAS International insurers will not charge anything.
3. If a lawyer is located in a non-Canadian/non-U.S. office and only practices foreign law, then the CLLAS International insurers will charge 100% of its rate and CLLAS will not charge anything.
4. If a lawyer is located in a non-Canadian/non-U.S. office and practices both Canadian and foreign laws, regardless of the split in work, CLLAS and the CLLAS International insurers will each charge 50% of their rate where the split is unspecified by the firm.
5. If a lawyers in a Canadian office practice foreign law, a minimum FTE rate of 25% is charged.
6. If a lawyer in a Canadian office practices in a U.S. office part time or if a lawyer in a Canadian office practices both foreign and Canadian laws, CLLAS and the CLLAS International insurers will determine the best way to charge on a case by case basis.

6.8 CLLAS Retention and Proposed Reinsurance

Twenty-three percent of Reinsurance Layer 1 is currently reinsured with Colchester. It is not anticipated that CLLAS or Colchester will vary their retentions for the upcoming term.

The following reinsurance coverage is being proposed:

Type:	Excess Lawyers Professional Liability Reinsurance
Reinsured:	Canadian Lawyers Liability Assurance Society
Original Insured:	CLLAS member firms as set forth in this submission
Period:	From: July 1, 2021 To: July 1, 2022 Both days at 12:01 a.m. Local Time, Toronto, Canada
Interest:	Lawyers Professional Liability written for member firms of CLLAS in respect of claims made on Original Policies issued during the period of this Contract.
Sum Insured:	\$50,000,000, including underlying insurance, each claim AND \$50,000,000 in the annual aggregate each CLLAS member firm
Territorial Limits:	CLLAS member firms whose operations are principally confined to Canada, including offices or branches situated anywhere in the World other than those in the United States of America.

Premium:	<p>Estimated annual premium for lawyers: \$8,620,519</p> <p>Actual premium to be determined based on the following rates and the actual headcount as of June 1, 2021:</p> <ul style="list-style-type: none"> • \$1055/lawyer in Quebec • \$2,367/lawyer in the rest of Canada • Rest of Canada rate for certain non-lawyer consultants • 25% of the rest of Canada rate for certain non-lawyer consultants and patent & trademark agents
Conditions:	<p>CLLAS to retain 100% of any claim payable below \$1,000,000 (\$975,000 drop down exposure) under the Original Policies in the event that mandatory or other coverage does not respond in whole or in part due to sub-limits, exclusions or exhaustion of coverage.</p>
CLLAS First Excess Layer:	<p>CLLAS will assume 5% (fully reinsured) of this layer of up to \$50,000,000 excess of \$50,000,000.</p> <p>Estimated annual premium for lawyers: \$1,822,009</p> <p>Actual premium to be determined based on the following rates against the member firms' limit option and the actual headcount as of June 1, 2020</p> <ul style="list-style-type: none"> • \$427/lawyer and certain non-lawyer consultants
CLLAS Optional Second Excess Layer:	<p>CLLAS will assume 5% (fully reinsured) of this layer of up to \$60,000,000 excess of \$100,000,000.</p> <p>Estimated annual premium for lawyers: \$1,499,233</p> <p>Actual premium to be determined based on the following rates against the member firms' limit option and the actual headcount as of June 1, 2020:</p> <ul style="list-style-type: none"> • \$361/lawyer and certain non-lawyer consultants
CLLAS Optional Third Excess Layer:	<p>This layer of up to \$60,000,000 excess of \$160,000,000 is expected to be 100% reinsured.</p> <p>Estimated annual premium for lawyers: \$897,048</p> <p>Actual premium to be determined based on the following rates against the member firms' limit option and the actual headcount as of June 1, 2020:</p> <ul style="list-style-type: none"> • \$216/lawyer and certain non-lawyer consultants • 25% of the respective rates for certain non-lawyer consultants and patent & trademark agents
First CLLAS Blanket Excess Layer:	<p>The First Blanket Excess layer is expected to be 100% reinsured.</p> <p>Estimated annual premium for lawyers: \$413,899</p>

Actual premium to be determined based on the following rates and the actual headcount as of June 1, 2020:

- \$97/lawyer and certain non-lawyer consultants
- 25% of the above rate for certain non-lawyer consultants and patent & trademark agents

**Second Optional CLLAS
Blanket Excess Layer:**

The Second Blanket Excess layer is expected to be 100% reinsured.

Estimated annual premium for lawyers: \$467,213

Actual premium to be determined based on the following rates and the actual headcount as of June 1, 2020:

- \$150/lawyer and certain non-lawyer consultants
- 25% of the above rate for certain non-lawyer consultants and patent & trademark agents

Commission:

Reinsurance rates and premiums are net of commission and/or brokerage.

Premium Taxes:

Applicable provincial premium taxes payable by CLLAS.

7.0 Renewal Applications

Renewal applications are available upon request.