



## CLLAS AUDIT COMMITTEE MEETING

Gordon Goodman

Margaret McNee

Michael Swartz

**Videoconference Meeting - Zoom coordinates in electronic meeting invitation**

Monday, November 8, 2021 @ 9.00 a.m.

### AGENDA

		<u>Responsibility</u>	<u>Tab</u>
1.	Constitution of Meeting	Gordon Goodman	
2.	Appointment of Secretary	Gordon Goodman	
3.	Minutes of February 11, 2021 Meeting <b>Proposed Motion: To approve the minutes.</b>	Gordon Goodman	A
4.	Audit Plan for December 31, 2021 Year End and Engagement Letter	Deloitte	B
	<b><i>(Auditors Leave Meeting)</i></b>		
5.	Colchester Management Financials at June 30, 2021	Patrick Mahoney	C
6.	Reinsurance Security Report Note: Select appendices attached, full report on CLLAS website.	Ryan Durrell	D
9.	Other Business – Proposed Dates of Next Meetings		
	a. <b>February XX, 2022 TBA</b> – 30 minute teleconference to review December 31, 2021 Management Financial Statements (Committee and General Manager's office only)		
	b. <b>February XX, 2022 TBA</b> - Audit Committee meeting		

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

**Minutes of the meeting of the Audit Committee held by videoconferencing on  
February 11, 2021, 9:30 a.m. Toronto time.**

**Present:**

Gordon Goodman (Chair)  
Margaret McNee  
Michael Swartz

Cassels Brock & Blackwell LLP  
McMillan LLP  
WeirFoulds LLP

**Also Present:**

Ken Crofoot (CLLAS Chair)  
Elaine Hultzer  
Tess Collins  
Julie-Linda Laforce  
Patrick Mahoney  
Cecilia Jeganathan

Goodmans LLP  
Deloitte  
Deloitte  
Axxima  
Office of the General Manager  
Office of the General Manager

**1. Constitution of Meeting**

The Chair, Gordon Goodman, called the meeting to order.

**2. Secretary of the Meeting**

Cecilia Jeganathan acted as Secretary.

**3. Approval of the Minutes of the Audit Committee**

It was moved by Margaret McNee and seconded by Gordon Goodman that the minutes of the October 21, 2020 meeting of the Audit Committee be approved. The motion was carried unanimously.

#### **4. Report of the Actuary**

Julie-Linda Laforce presented the Report on the Valuation of Policy Liabilities as at December 31, 2020.

The expected loss costs for 2020/2021 for each layer were discussed. The arrangement between CLLAS and Colchester for 2020/2021 and the Loss Portfolio Transfer (LPT) to Colchester on June 30, 2012 were highlighted. It was noted a 3.55% assumption was selected to determine the ULAE provision as of December 31, 2020; a decrease from 3.95% as of December 31, 2019. The provision for ULAE at December 31, 2020 is \$2,356,000 and is entirely retained by CLLAS.

Other changes in assumptions, including the decrease in the discount rate from 1.90% to 0.45%, which was selected based on the market yield of CLLAS' fixed income portfolio classified as available for sale per IFRS 9 at December 31, 2020, were identified. There were no changes in methodology for the valuation at December 31, 2020. The impact of the change in loss development factors, ULAE load and discount rate led to a decrease of \$313,000 in the net discounted claim liabilities. A premium deficiency of \$30,774 at December 31, 2020 was recorded and the deferred policy acquisition expense asset at that date was \$0.

Actuarial Valuation Peer Review Report submitted by PricewaterhouseCoopers LLP as at December 31, 2020 was discussed. Other than a few minor editorial changes to the Appointed Actuary Report recommended, it was noted the work of the Appointed Actuary for valuation of policy liabilities and reinsurance assets is within the range of accepted actuarial practice, as established by CIA.

#### **5. Report of the General Manager**

Patrick Mahoney discussed the financial results of CLLAS and highlighted the key items in the balance sheet, income statement and the notes to the financials. The surplus management and adequacy note in the audited financials relating to minimum capital test (MCT) and total reserve and guarantee funds required in accordance with sections 99 & 100 of the Alberta Insurance Act were discussed.

He also highlighted some of the key pages of the P&C-1.

It was noted that, to date, CLLAS has experienced no significant impact from COVID-19.

#### **6. Audit Findings Report**

Elaine Hultzer and Tess Collins reported on the audit and advised that an unqualified opinion would be issued.

A change made to the audit plan was noted; Deloitte no longer identifies premium income as a significant risk. There were no other changes to the audit plan.

She advised that Deloitte's actuary had reviewed and tested the work of the appointed actuary and this review concluded that assumptions were reasonable and estimates of claims and premium liabilities were within the range of accepted actuarial practice.

It was also noted that during the audit no misstatements were identified.

**On the motion of Michael Swartz, seconded by Margaret McNee, it was unanimously resolved to recommend to the Board that the Financial Statements at December 31, 2020 be approved.**

At this point, management left the meeting and Deloitte met in-camera with the Audit Committee members.

**7. Termination of Meeting**

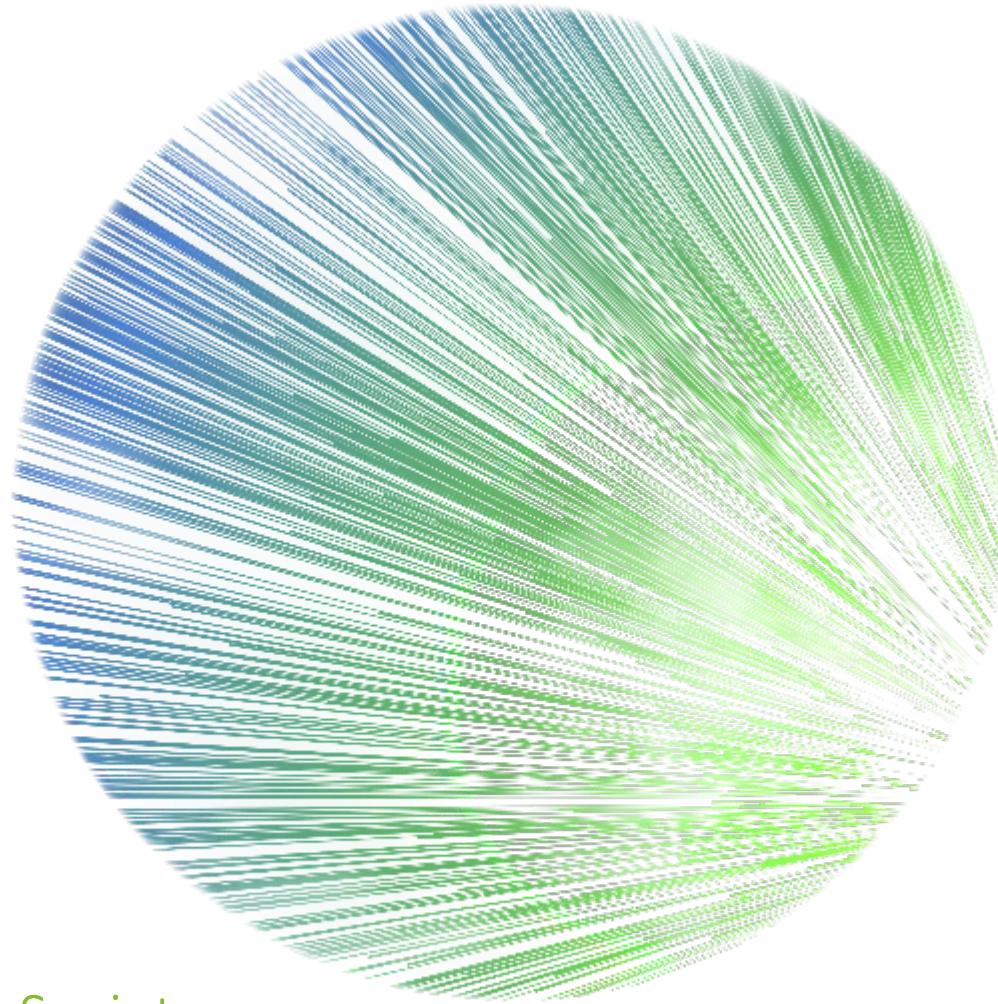
There being no other business, the meeting was terminated.

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Chair

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Secretary



Canadian Lawyers Liability Society  
Audit service plan for the year ending

**December 31, 2021**

To the Chairman and Members of the Audit Committee of Canadian Lawyers Liability Assurance Society (the “Audit Committee”)

Dear Audit Committee Members:

We are pleased to provide you with our audit service plan for Canadian Lawyers Liability Assurance Society (the “Society”) for the year ending December 31, 2021. We understand our responsibility to you, and we have developed a tailored audit plan that summarizes the key aspects of our audit scope and approach, our planned communications with you, our team and an estimate of our fees.

We value our role as your independent auditor. As we plan to execute the 2021 audit, we look forward to continue to build upon our working relationships with the Society and meeting your expectations for high-quality service by our team.

Our audit service plan addresses Financial Statement risks through targeted procedures, that have been developed through knowledge of your business obtained over the past several years, and are responsive to the nature of the risks, the business environment, and the regulatory landscape. We will engage our Actuarial Specialists to assist in our procedures on certain actuarial areas. We appreciate the opportunity to serve the Society. We hope the accompanying information will be useful to you, and we look forward to answering your questions about our audit plan.

This report has been provided to the Audit Committee on a confidential basis. It is intended solely for the use of the Audit Committee and the Board of Directors to assist you in discharging your responsibilities with respect to the Financial Statements for the year ending December 31, 2021 (the “Financial Statements”) and is not intended for any other purpose.

Yours truly,



Chartered Professional Accountants  
Licensed Public Accountants



**Elaine Hultzer**

Lead Client Service Partner

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Manager

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# Executive Summary








# Executive summary

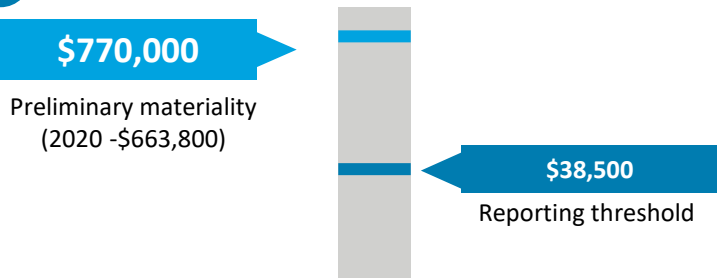
This is your roadmap to our 2021 audit service plan, within which you will find our detailed reporting on key matters of interest and planned work.

## Significant risks

	Status
1 Management override of controls	...
2 Provision for unpaid claims and adjustment expense, gross and net of amounts recoverable from reinsurers (valuation)	...

 New from prior year     Continued from prior year     Removed from prior year

## Materiality



Materiality is based on 1% of unpaid claims and adjustment expense, adjusted for unusually large claims, consistent with prior year.

We will report to the Audit Committee all uncorrected misstatements greater than our current year reporting threshold of 5% of materiality and any misstatements that are, in our judgment, qualitatively material.

## Matters of interest

### Use of Service Organizations

The Society uses RBC Investor & Treasury Services for investments custody and recordkeeping. We will obtain the service provider’s controls report and review the results to assess whether we can place reliance on relevant controls, where appropriate.

### Involvement of Specialists

We will use our actuarial specialists to assist in assessing the appropriateness of the valuation of provision for unpaid and unreported claims liabilities, gross and net of amounts recoverable from reinsurers.

### Controls in the key business cycles

We will understand and test the design and implementation of relevant controls in the key business cycles.

## Accounting standards update

- 1 Update on transition to new accounting standards IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*, see slide 13
- 2 Proposed timeline and budget for the transition to new accounting standards IFRS 17, see slide 14








# The Society's Audit Plan



# The Society's Audit Plan

## Significant risks

Significant risk	Fraud risk	Control testing planned	Level of management judgment	Specialist involvement	Audit innovation leveraged	Planned audit response
<b>Management Override of Controls</b> Management is in a unique position to override internal controls resulting in manipulation of the accounting records which could result in Financial Statements that are materially misstated.  Management override of controls is a presumed fraud risk per Canadian Auditing Standards.		D&I		N/A		<ul style="list-style-type: none"> <li>Engage in periodic fraud discussions with certain members of senior management and others, including the Audit Committee – refer Slide 10 for inquiries to be made of the Audit Committee</li> <li>Consider the potential for bias in judgements and estimates</li> <li>Test the appropriateness of large or unusual journal entries recorded in the general ledger and other adjustments using data analytical tools to identify journal entries of audit interest</li> </ul>
<b>Provision for unpaid claims and adjustment expense, gross and net of amount recoverable from reinsurers (valuation)</b> Actuarial calculation methods to determine the value of the provision and related actuarial assumptions (specifically the expected loss ratio and loss development factor) used are not appropriate.		D&I		Actuarial Specialists	N/A	<ul style="list-style-type: none"> <li>Engage our actuarial specialists in the planning and execution of our audit procedures related to this balance</li> <li>Assess the reasonableness of key assumptions and methodologies</li> <li>Assess the discount rate used and application of discounting</li> <li>Perform independent recomputations of the actuarial reserves</li> <li>Test the consistency of reserve margins over time</li> <li>Test underlying data used in the valuation including claims reserves, claims paid and premium data</li> <li>Perform tests of details by selecting a sample of claims to ensure the reserved amounts are properly supported and payments are appropriately authorized and accurately recorded</li> </ul>

### Legend



Significant level of management judgment involved



Yes



No



Management judgment required



Spotlight – journal entry analytic tool



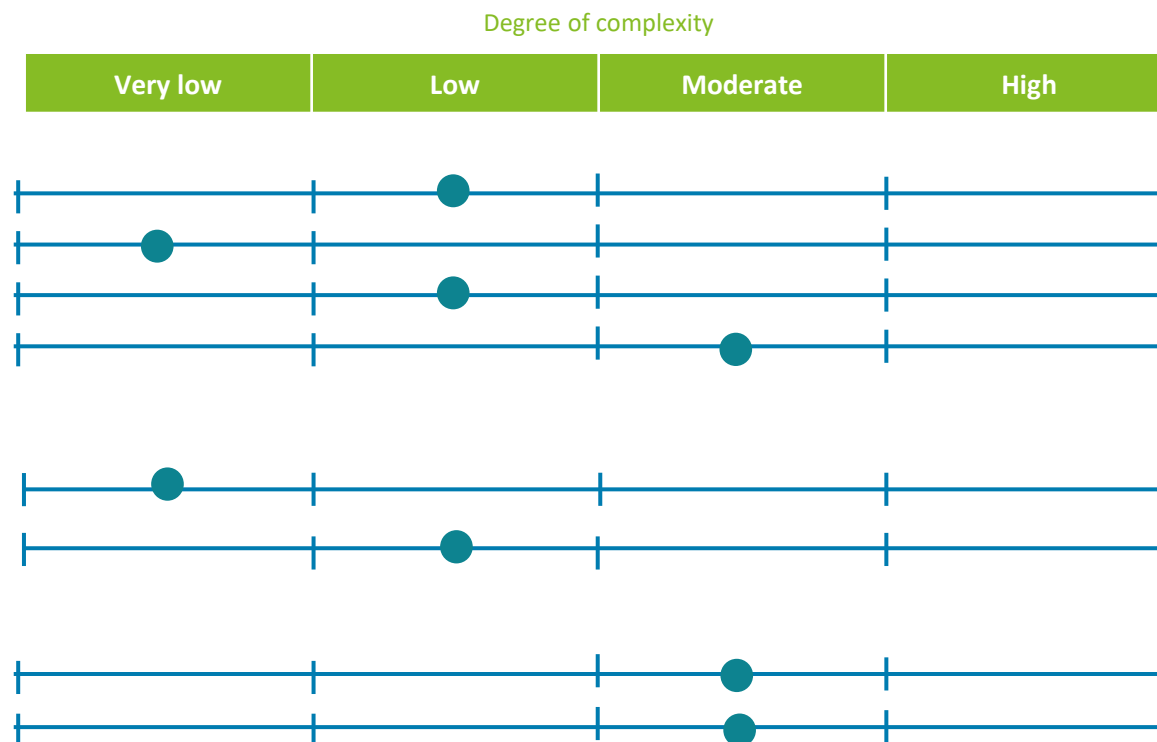
Minimal/No management judgment involved

D+I: Planned testing of the design and implementation of key controls  
 OE: Planned testing of the operating effectiveness of key controls

# The Society's Audit Plan (cont'd)

## Drivers of Audit Complexity

Focus Areas
<b>Operations</b>
Nature of revenue streams
Nature of investment portfolio
Material exceptions for relevant controls identified at the third part service provider if any
Number of outsourced services and external parties
<b>Events and transactions</b>
Significant and unusual transactions
Related Party Transactions
<b>External environment</b>
Changes in financial reporting and regulatory requirements (IFRS 9 and IFRS 17)
Vulnerability to economic, political and technology changes



# The Society's Audit Plan (cont'd)

## Addressing fraud risk

At the Audit Committee meeting on November 8, 2021, we shall make inquiries of the Committee Members with respect to fraud, as well as your understanding of the Society's organizational changes and related party transactions and of any potential concerns. Refer to Slide 10 for fraud questions.



### Our approach to address fraud risks

- Testing of top-sided entries made to the Financial Statements to address the risk of management override of controls.
- Examine significant management judgments and accounting estimates for biases.
- Discussions with management and those charged with governance.



### Fraud characteristics

- Misstatements in the Financial Statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the Financial Statements is intentional or unintentional
- Two types of intentional misstatements are relevant to us auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of



assets

### Your responsibilities

- The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintain internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations



### Our responsibilities

- We are required to obtain representation from management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement
- As auditors, we obtain reasonable, but not absolute, assurance that the Financial Statements as a whole, are free from material misstatement, whether caused by fraud or error
- As set out in the significant audit risks section of this documents, we have identified a presumed risk of fraud in management override of controls



### Our approach to address fraud risks

- Deloitte does not assume that management is dishonest nor do we assume unquestioned honesty. Rather, in accordance with Canadian GAAS, we exercise professional skepticism and recognize that the conditions we observe and evidential matters we obtain, including that obtained from prior audit engagements, need to be objectively evaluated to determine whether the Financial Statements are presented fairly in all material respects



# The Society's Audit Plan (cont'd)

## Fraud questionnaire – Audit Committee

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### Questionnaire

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- What are your views about fraud risks within the Society?
  - How do you exercise oversight over the Society's assessment of fraud risks and the establishment of controls to address fraud risks?
  - Do you have knowledge of any actual, suspected, or alleged fraud affecting the Society?
  - Are you aware of any tips or complaints regarding the Society's financial reporting (including those received through an internal whistleblower program, if such program exists)? If so, what were your responses to such tips and complaints?
  - Are you aware of instances in which the Society has entered into any significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual due to their timing, size or nature ("significant unusual transactions")?
  - Are you aware of instances of the Society's noncompliance with laws and regulations?
  - How do you exercise oversight over management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks?
  - What are your views surrounding the risk of cybersecurity breaches? How has the anti-fraud program evolved to respond to cyber threats?
  - What is your understanding of the related party relationships and transactions? Are there any significant changes in the current year?
  - How do you monitor identification and approval of related party transactions?
  - Any related parties with dominant influence? Or any concerns around related party transactions?
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# Transition to IFRS 17 and IFRS 9



# Transition to IFRS 17 and IFRS 9

## Timeline

### Progressive Auditing of IFRS 17

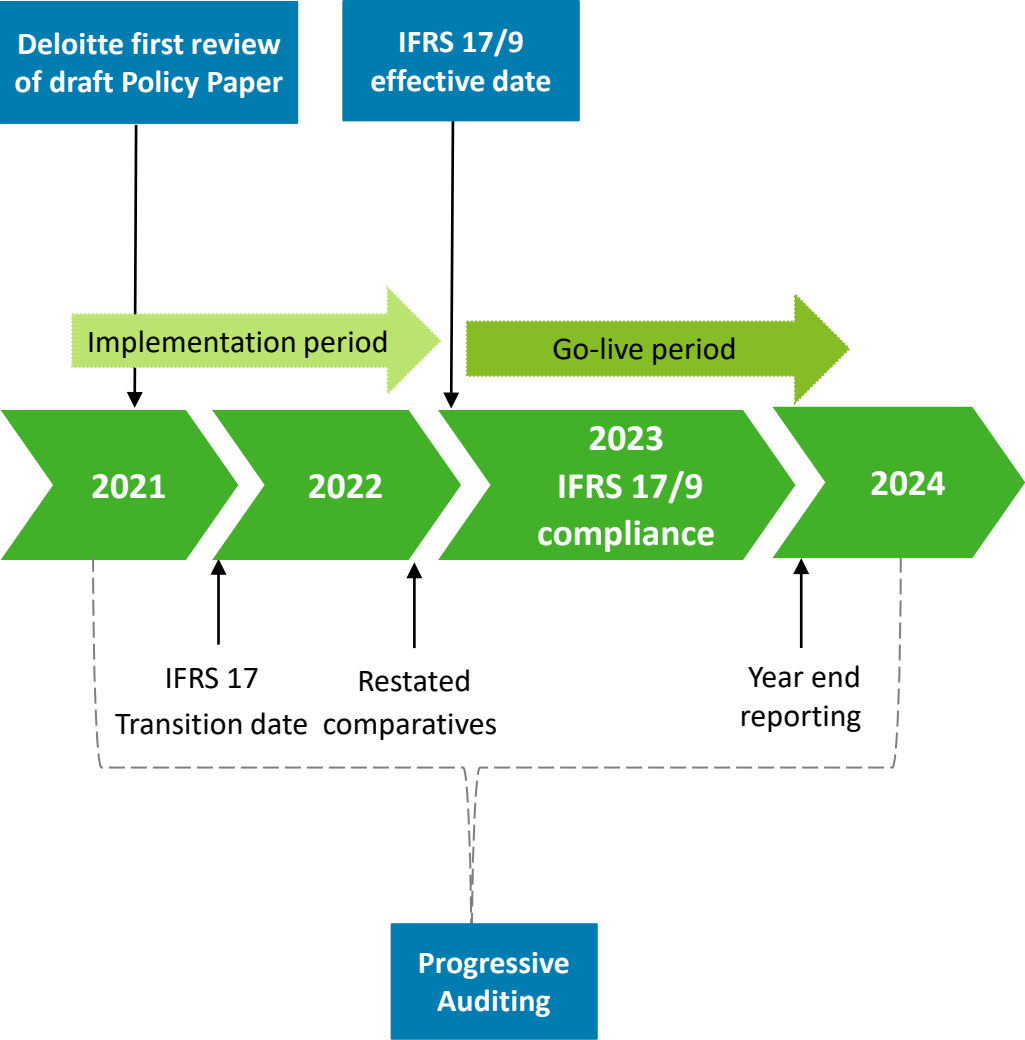
IFRS 17 *Insurance Contracts* issued in May 2017 is effective for the 2023 fiscal year, with restated comparatives for 2022. With the deferral option available to insurers, IFRS 9 *Financial Instruments* will be implemented by the Society at the same time as IFRS 17. The timeline below does not include any hours for the IFRS 9 transition. Budget and timeline for the implementation of IFRS 9 will be determined after management has determined the IFRS 9 accounting policies for the Society.

**Deloitte’s Progressive Auditing Approach of the Society’s IFRS 17 Implementation:**  
We are coordinating with management to be involved at the right times during the Society’s project timeline for IFRS 17.

Incremental Audit work*	2021	2022	2023	Audit Hours
Review and comment on draft policy position papers	✓			10
Review and comment on draft IFRS 17 Financial Statement presentations, accounting policy wordings and disclosures		✓		30
Review and comment on final policy position papers, including audit documentation of assessment		✓	✓	30
Test transition adjustments as at January 1, 2022		✓		60
Test 2022 comparatives and 2023, including determination of : <ul style="list-style-type: none"><li>- Discount Rate</li><li>- Risk Adjustment</li><li>- Insurance Service Result: Revenue and Insurance Service Expense</li><li>- Insurance Finance Income and Expense</li></ul>		✓	✓	84
Test new IFRS 17 processes and controls over transition adjustments		✓	✓	TBD
Test of 2022 and 2023 IFRS 17 Financial Statement note disclosures			✓	50
Mapping of IFRS 4 GL accounts to reflect IFRS 17 requirements and policy positions			✓	40
Total Hours				304

\*Any IFRS 17 incremental costs for the audit of the MCT in 2023 is not included in the above plan. The 2023 MCGT Guideline factoring in IFRS 17 is to be published in 2022. We shall assess , scope and budget for IFRS 17 incremental work once the final Guideline is available

### IFRS 17 and 9 Timeline



# Transition to IFRS 17

## Budget

### Transition to IFRS 17: Timeline

Timeline	2021	2022	2023	Total
Estimated Hours	10	120	174	304

### Transition to IFRS 17: Costs

Total Estimated Cost	\$136,800
Discounted	\$68,400
Uncertainty adjustment (assuming 20%)	\$13,680
Proposed fee range	\$68,400-\$82,080

### Transition to IFRS 17: Analysis of Costs

#### First Time IFRS 17 Adoption Costs

Hours	222
Proposed fee range*	\$49,900-\$59,800

#### Recurring IFRS 17 Costs

Hours	82
Proposed fee range*	\$18,525-\$22,230
<b>Base 2023 Fee excluding IFRS 17.</b>	<b>\$113,200</b>
<b>Total 2023 and go forward base fee range</b>	<b>\$131,725-\$135,430</b>

\*assumes a 20% uncertainty adjustment



# Audit Quality





# Appendix 1 – Delivery Audit Quality

## Clearly focused

### Our 2020 Audit Quality Report

Our high standard for audit quality is unwavering. It's what guides us, brings us together, and keep us moving forward. Quality is, today as much as ever, our foundational focus.

In order to drive consistent results, we must continuously define what quality means, deploy the right people, apply our processes and quality-management systems, and use the power of innovative technology to sharpen the insights we provide.

The report highlights several audit quality indicators that are intended to initiate meaningful engagement level dialogue with our clients. "Ask Us" pages in the report can also be used as a starting point to spark these continuous quality focused conversations.

*In all matters of audit quality, we are clearly focused.*

To learn more, click [here](#) to read our **2020 Audit Quality Report**.



## Did you know



**1** out of every **4.7 hrs** of our audit engagements is completed by a partner or manager.

**53.3%** increase in voluntary consultations in the first quarter of our firm's fiscal year starting June 2020.



### CPAB Fall Inspection Results

The Canadian Public Accountability Board (CPAB) is charged with assessing the state of audit quality in Canada through an annual inspection process by which it inspects all Firms serving Canada's reporting issuers. CPAB's inspection methodology includes the inspection of engagement files and an assessment of the effectiveness of the Firms' existing quality management system. CPAB issued their 2021 Interim Inspection Results report in October, prior to the completion of its 2021 inspections, to address past feedback from directors who are seeking more timely commentary on audit quality. The remaining inspections for annually and non-annually inspected firms will be completed later this fall and reported on in our annual report in March 2022. After each inspection cycle, CPAB privately reports to each Firm on the results of its inspection. CPAB's public reporting takes the form of an annual report on its views following the inspections of all Firms.

Follow this [link](#) to read the 2021 CPAB Fall Inspections Results and this [link](#) to read the 2020 CPAB Annual Inspections Results.

# Appendix 1 – Delivering Audit Quality (cont'd)

## Our commitment to you

Our commitment to audit quality means more than just “meeting the standard”.

### How we will innovate our audit approach

- **Process innovations:** continue to use Milestone and implement standardized Deloitte Way Workflows
- **Deloitte Omnia:** Continue to use innovation tools including Deloitte Connect, Excel Analytics, Spotlight and iConfirm
- **Audit quality indicators:** continue to maximize audit quality imperatives to delivery a high quality audit



### How we will deliver professional excellence

- **Professional skepticism:** we will continue to incorporate a more rigorous review of potential contradictory evidence and apply a questioning mindset in the areas of significant estimates including private investment valuations
- **Independence:** we have developed important safeguards and procedures to protect our independence and objectivity

### Where we will focus to deliver insights

- **New accounting and reporting requirements:** we will continue to work with management on upcoming changes to accounting and reporting requirements



# Audit Team, Fees, Communication and Timeline



## Appendix 2 – Engagement Team

### Team Leadership



Elaine Hultzer  
Lead Client Service Partner  
[ehultzer@deloitte.ca](mailto:ehultzer@deloitte.ca)  
519-650-7604



Tess Collins  
Manager  
[tecollins@deloitte.ca](mailto:tecollins@deloitte.ca)  
416-607-1207

### Actuarial Specialist



Antonio Ferreiro Canovas  
Actuarial Expert  
[aferreiroc@deloitte.ca](mailto:aferreiroc@deloitte.ca)  
416-813-2413

## Appendix 3 – Proposed Audit fees

Description	2020 (actual)	2021*	2022*	2023*
Audit of Financial Statements	\$86,714	\$95,300	\$98,100	\$101,100
Audit of MCT	\$10,433	\$11,400	\$11,800	\$12,100
<b>Total fees</b>	<b>\$97,147</b>	<b>\$106,700</b>	<b>\$109,900</b>	<b>\$113,200</b>

\*In line with our fee arrangement with the Society, our fees have been fixed for several prior years with a small annual inflationary adjustment. Our proposed fees above are for the next three years, reflecting a once off professional cost adjustment of 10% in 2021, in light of the very tight professional services market. The fees for 2022 and 2023 include an annual 3% inflationary adjustment.

The fees above exclude the following:

- Fees related to the transition to IFRS 17 – refer Page 14 for IFRS 17, once off incremental audit fees
- Fees related to the implementation of IFRS 9 to be determined after management has determined the IFRS 9 accounting policies
- Harmonized Sales Tax (HST), and
- Administrative charge at 7%

Please note that the above base fees exclude the IFRS 17 work which is included in slide 13 of this Plan, and any other scope changes (change in the business, accounting or auditing standards, unusual transactions, etc.). If the scope changes have a recurring impact on future years, the base fee will be adjusted with mutual consent and approval.

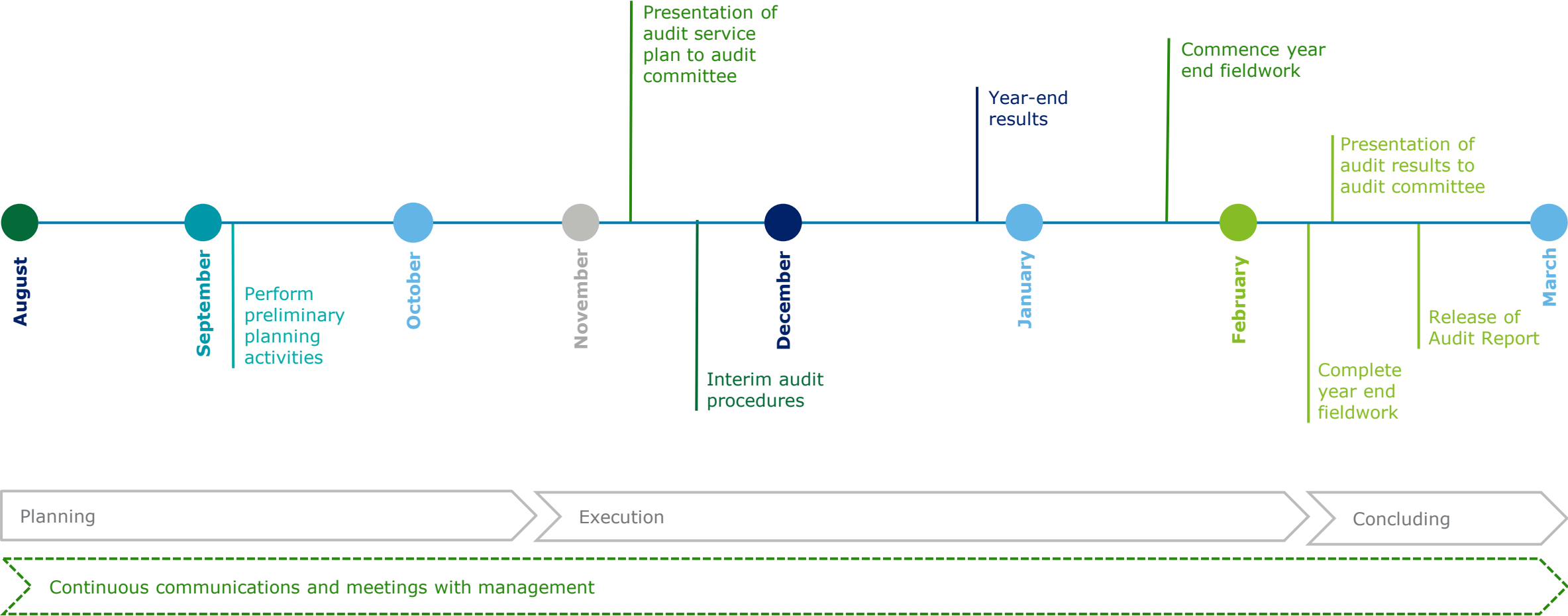


## Appendix 4 – Required Communications with Those Charged with Governance

Canadian GAAS require that we communicate to Those Charged with Governance (“TCWG”) on the following matters:

Required communication	Reference/comments
How TCWG exercise oversight over management’s process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks.	Within this communication, see slide 10
Whether TCWG have any knowledge of any actual, suspected or alleged fraud affecting the entity, and whether they are aware of any violations or possible violations of laws or regulations and whether they have any information that is important to our identification and assessment of risks of material misstatement.	Within this communication, see slide 10
Enquire with TCWG about their understanding of the Society's relationships and transactions with related parties that are significant to the Society and whether they have any concerns regarding relationships or transactions with related parties and, if so, the substance of those concerns.	Within this communication, see slide 10
<ul style="list-style-type: none"> <li>Objectives of the audit engagement and our responsibilities under the audit, as well as management's responsibilities.</li> <li>Form, timing and expected general content of communications, including a reference to the expected form and content of the auditor's report.</li> <li>The identity and role of the engagement partner.</li> </ul>	Engagement Letter, which was provided under separate cover
<p>An overview of the overall audit strategy, addressing:</p> <ol style="list-style-type: none"> <li>Scope and timing of the audit</li> <li>Significant risks, including fraud risks</li> <li>Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures or evaluate the audit results related to significant risks (includes the use of experts/specialists)</li> <li>Extent to which we plan to use the work of the Society's internal auditors, Society personnel (in addition to internal auditors), and third parties working under the direction of management or the those charged with governance when performing the Financial Statement audit</li> <li>Extent to which we plan to use the work of others when performing the Financial Statement audit</li> <li>Names, locations, and planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audit (including firms that perform audit procedures in the current-period audit, regardless of whether they otherwise have any relationship with us or other persons, who are not employed by us, that perform audit procedures in the current-period audit)</li> <li>Basis for our determination that we can serve as the principal auditor, if significant parts of the audit are to be performed by other auditors</li> </ol>	Within this communication

# Appendix 5 – Audit Timeline Detail



November 8, 2021

**Private and confidential**

Gordon Goodman  
Chair of the Audit Committee  
Canadian Lawyers Liability Assurance Society

and

Patrick Mahoney  
General Manager  
Canadian Lawyers Liability Assurance Society  
C/o Axxima  
36 Toronto Street, Suite 510  
Toronto ON M5C 2C5

Dear Sirs:

Deloitte LLP ("Deloitte" or "we" or "us") is pleased to serve as your auditors for the year ending December 31, 2021. Ms. Elaine Hultzer will be responsible for the services that we perform for Canadian Lawyers Liability Assurance Society (the "Society"). She will, as considered necessary, call upon other individuals with specialized knowledge, either in this office or elsewhere in our firm to assist in the performance of our services.

In addition to the financial statement audit we are engaged to provide under this engagement letter, we would also be pleased to assist the Society on issues as they arise throughout the year. Hence, we hope that you will call Ms. Elaine Hultzer whenever you believe Deloitte can be of assistance.

We will perform this engagement subject to the terms and conditions set forth herein and in the accompanying appendices.

**The objective and scope of the audit**

You have requested that we audit the financial statements of the Society (the "Financial Statements"), which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, comprehensive income (loss) and accumulated other comprehensive income (loss), changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, contained on pages 20.10 to 20.54 of the P&C Quarterly Return and pages 20.52 and 20.60 of the Annual Supplement, and a summary of significant accounting policies and other explanatory information.

In addition, you have requested that we audit the Minimum Capital Test ("MCT") contained on page 30.61 for the P&C Quarterly Return as at December 31, 2021.

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the Financial Statements.

Appendix A provides further information about the objective and scope of the audit.

### **The responsibilities of the auditor**

We will conduct our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian GAAS.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the Financial Statements that we have identified during the audit.

The audit of the Financial Statements by Deloitte does not relieve management or the Audit Committee of their respective responsibilities.

Appendix A provides more information about Deloitte's responsibilities in respect of the audit.

### **The responsibilities of management and identification of reporting framework**

Our audit will be conducted on the basis that management, under the oversight of the Audit Committee, acknowledges and understands that it has responsibility:

- for the preparation and fair presentation of the Financial Statements in accordance with the *Chartered Professional Accountants of Canada ("CPA Canada") Handbook – Accounting*, International Financial Reporting Standards ("IFRS");
- For the preparation and fair presentation of the MCT which will be prepared in accordance with the Office of the Superintendent of Financial Institutions ("OSFI") Guideline A – Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies (the "Guideline");
- for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; and
- to provide us with:
  - access to all information of which management is aware that is relevant to the preparation of the Financial Statements such as records, documentation and other matters;
  - additional information that we may request from management for the purpose of the audit; and
  - unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit.

We look forward to full cooperation from your staff during our audit.

Management's responsibilities in connection with this engagement are further described in Appendix B.

### **Use of third parties by management**

Where management has engaged another party to assist it in fulfilling any of its responsibilities, management will continue to retain the responsibility for the preparation of its Financial Statements in accordance with IFRS.

### **Audit Committee's responsibilities and auditor communications**

As auditors of the Society, we report directly to the Audit Committee as it is directly responsible for the oversight of our work. We acknowledge that the Audit Committee is also responsible for recommending our appointment and compensation. The Audit Committee is also responsible for reviewing and approving the Society's hiring policies regarding current and former partners and employees of Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

In accordance with Canadian GAAS, we are required to communicate with the Audit Committee about various matters in connection with our audit.

The Audit Committee's responsibilities and our communications with the Audit Committee are described in Appendix C.

### **Subscription services**

Deloitte makes available to clients and non-clients for free or for a nominal fee, various educational, informational and other tools in the form of, among other things, newsletters, webcasts, podcasts, conferences, websites, business centre/hospitality services, database subscriptions (including access to Deloitte proprietary information and tools), checklists, research reports, surveys and similar or related tools and services ("Subscriptions"). In some cases, Deloitte may include complimentary rooms or meals as part of the programs or seminars. The Society hereby confirms that any use or receipt by the Society or its affiliates of these Subscriptions is approved by the Audit Committee in accordance with the Audit Committee's established pre-approval policies and procedures.

### **Inclusion of Deloitte reports in documents and public oral statements or references to Deloitte in other documents and on electronic sites**

If the Society intends to publish or otherwise reproduce in any document our report on the Society's Financial Statements, or otherwise make reference to Deloitte in a document that contains other information in addition to the audited Financial Statements (e.g., in a periodic filing with a regulator, in a debt or equity offering circular or in a private placement memorandum), thereby associating Deloitte with such document, the Society agrees that its management will provide Deloitte with a draft of the document to read and obtain our written consent for the inclusion or incorporation by reference of our report, or the reference to Deloitte, in such document before the document is printed and distributed. No other form of document is to be considered to signify our consent. The inclusion or incorporation by reference of our report in any such document would constitute the re-issuance of our report. Management agrees to provide adequate notice of the preparation of any such public documents. The Society also agrees that it will notify us and obtain our written approval prior to including our report or financial statements with which we are associated on an electronic site. Further, it is agreed that in any electronic distribution, for example on the Society's website, management is solely responsible for the accurate and complete reproduction of our report and the subject matter on which we reported.



This engagement letter, and our agreement to perform the services described in this engagement letter, does not constitute our consent to the use of our report in, or our agreement to be associated with any such documents published or reproduced by or on behalf of the Society. Any request by the Society to re-issue our report, to consent to its inclusion or incorporation by reference in an offering or other document, or to agree to its inclusion on an electronic site, will be considered based on the facts and circumstances existing at the time of such request. The estimated fees outlined herein do not include any services that would need to be performed in connection with any such required services or modifications needed to our report for summarized financial statements. Fees for such services (and their scope) would be subject to our mutual agreement at such time and would be described in a separate engagement letter.

## **Reporting**

In accordance with Canadian GAAS, we expect to issue a report at the completion of our audit in the form shown in Appendix D. The form and content of our report may need to be amended in light of our audit findings.

Our ability to express an opinion and the wording of our opinion will, of course, be dependent on the facts and circumstances at the date of our report. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of this engagement. If we are unable to complete our audit or if our audit report requires modification, the reasons therefor will be discussed with the Audit Committee and the Society's management.

Since the MCT is prepared in accordance with the Guideline, it is not intended for the use of or distribution to users other than the Superintendent of Financial Institutions of Canada and the Provincial Superintendents of Financial Institutions/Insurance, the "intended users" or "specified users". Accordingly, our audit report of the MCT will include an Emphasis of Matter paragraph indicating that the Financial Statement is prepared in accordance with a special purpose framework and as a result, may not be suitable for another purpose. Our audit report will also indicate that our audit report is intended solely for the specified users, and should not be distributed to or used by anyone other than the specified users.

Should the Society distribute the MCT to anyone other than the specified users, we accept no responsibility for any loss or damage suffered by the addressee or any other reader as a result of using the Financial Statement for any other purpose. Our report on the MCT is solely for the Society and the specified users identified above. This engagement does not create privity between us and any other person or party ("third party"). This engagement is not intended for the express or implied benefit of any third party. No third party is entitled to rely, in any manner or for any purpose, on the advice, opinions, reports, or other services of our firm.

## **Fees**

We estimate that our total fees for this audit will be \$106,700 plus reasonable expenses, a 7% administrative charge and applicable taxes (such as Harmonized Tax). A fee of for audit work performed in respect of the Insurance Contract Accounting Standard, IFRS 17, has been agreed under cover of a separate fee letter. These fees are based upon our understanding of the engagement scope as outlined in this letter. All invoices shall be due and payable when rendered.

Appendix E provides an estimated timetable for the services included in this engagement letter and the responsibilities of both Deloitte and the Society's management with respect to the successful completion of the engagement. Deloitte will monitor all work and assess fees (time and expenses) as they are incurred throughout the engagement. If circumstances arise, such as those described in Appendix F, and as a result the fees for any of the services outlined are likely to be greater than indicated due to the need for additional work, we will contact you to discuss the reason and seek your approval for this additional work via periodic status meetings.

**Other matters**

This engagement letter, including the appendices A through G attached hereto and made a part hereof, constitutes the entire agreement between the parties with respect to this engagement and supersedes all other prior and contemporaneous agreements or understandings between the parties, whether written or oral, relating to this engagement.

This engagement letter will continue in force for subsequent audits unless amended by the mutual consent of ourselves and the Society.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the Financial Statements including our respective responsibilities.

Yours truly,

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants  
Licensed Public Accountants

Enclosure

The services and terms set forth in this letter are acknowledged and approved by the Audit Committee of Canadian Lawyers Liability Assurance Society:

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Signature

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Title

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Date

The services and terms set forth in this letter are accepted and agreed to by Canadian Lawyers Liability Assurance Society management:

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Signature

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Title

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Date

## **Appendix A**

# **The objective and scope of a financial statement audit and the responsibilities of the auditor**

Canadian Lawyers Liability Assurance Society  
December 31, 2021

### **The objective and scope of a financial statement audit**

We will plan and perform the audit to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error. The Financial Statements subject to audit are those of the Society, prepared by management, with oversight from the Audit Committee. The audit will enable us to express an opinion on whether the Financial Statements are fairly presented, in all material respects, in accordance with IFRS. The audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements. Our report on the Financial Statements and communications required by Canadian GAAS will be in accordance with our findings.

It is important to recognize that there are inherent limitations of an audit, where most of the audit evidence obtained is of a persuasive, rather than a conclusive nature. These limitations arise from the nature of financial reporting, the nature of audit procedures and the need for the audit to be conducted within a reasonable period of time and at a reasonable cost.

Financial reporting involves judgment by management in applying the requirements of IFRS to the facts and circumstances of the Society. Many financial statement items will involve a degree of uncertainty, and there may be a range of acceptable interpretations or judgments that may be made.

The audit procedures we perform will be selected based on our judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. Because of the nature of fraud, including attempts at concealment and forgery, an audit designed and executed in accordance with Canadian GAAS may not detect a material fraud.

The performance of the audit within a reasonable period of time and at a reasonable cost requires us to plan the audit so that it will be performed in an effective manner, with audit effort directed to areas most expected to contain risks of material misstatement, whether due to fraud or error, and using selective testing and other means of examining populations for misstatements and drawing conclusions thereon.

### **Internal control over financial reporting**

An independent audit conducted by Deloitte in accordance with Canadian GAAS is not a substitute for the maintenance of internal control necessary for the preparation of financial statements by management. Management's acknowledgment of its responsibility for the maintenance of internal control necessary for the preparation of financial statements does not imply that Deloitte will find that the internal control maintained by management has achieved its purpose or will be free of deficiencies.

We obtain an understanding of internal control relevant to the audit; however, not all controls are relevant to every audit. We evaluate the design of controls relevant to the audit and determine whether they have been implemented. We are not, however, required to determine whether relevant controls are operating effectively. Although it is not required by Canadian GAAS, we may decide that for a particular engagement, it makes sense to rely on the effective operation of some controls in determining the substantive procedures we will perform. In this case, we would go beyond evaluating the design of relevant controls and determining whether they have been implemented, to also test whether the controls on which we intend to rely are operating effectively. Accordingly, while Canadian GAAS requires us to report to the Audit Committee any significant deficiencies that have come to our attention, we may not be aware of all significant deficiencies in internal control that do, in fact, exist.

## **Reporting considerations**

### **Going concern**

We will conclude on the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report.

### **Other information**

Other information includes financial and non-financial information included in a document, or combination of documents, that comprises the annual report that is typically prepared on an annual basis, with the purpose of providing the shareholders and other stakeholders with information on the entity's operations and the entity's financial results and financial position as set out in the financial statements. It should be noted that our responsibility also extends to other information that accompanies the Financial Statements (i.e. does not necessarily include the Financial Statements) and we are required to consider other information issued after the date of our audit report.

Where the Society issues other information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we will perform, we conclude that there is an uncorrected material misstatement of the other information, our response will be as follows:

- In respect of the other information obtained prior to the date of our audit report, we will report this material misstatement in our audit report;
- In respect of the other information obtained after the date of our audit report, we will consider our legal rights and obligations to seek to have the uncorrected material misstatement appropriately brought to the attention of users.

The work performed on the other information in connection with the Financial Statement audit may not be sufficient to enable us to provide a comfort letter to an underwriter if, at some future date, the other information is included in a prospectus or offering document. In such circumstances, additional work may be required to be performed on the other information and would be the subject of a separate engagement letter and additional fees in connection with that prospectus or offering document.

# Appendix B

## Management's responsibilities

Canadian Lawyers Liability Assurance Society  
December 31, 2021

### **Financial statements and the effectiveness of internal control over financial reporting**

The Society's internal control, including its accounting books and records or accounting systems, will reflect the needs of management, the complexity of its businesses, the nature of its risks and relevant laws or regulations. Management must determine what internal control is required, including how it is designed, implemented and maintained to achieve the Society's objectives. Internal control, no matter how effective, can provide the Society with only reasonable assurance about achieving its financial reporting objectives due to the inherent limitations of internal control.

The preparation and overall accuracy of the Financial Statements and their fair presentation in accordance with IFRS, together with all required disclosures concerning internal control over financial reporting, is the responsibility of the Society's management. Among other things, management has the responsibility for:

1. establishing and maintaining effective internal control over financial reporting necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and informing Deloitte of deficiencies identified in the design or operation of internal control over financial reporting;
2. informing Deloitte of any changes in the Society's internal control over financial reporting that occurred during the year that have materially affected, or are reasonably likely to materially affect, the Society's internal control over financial reporting;
3. identifying and ensuring that the Society complies with the laws and regulations applicable to its activities and informing us of any known or possible material violations of such laws or regulations;
4. adjusting the Financial Statements to correct material misstatements;
5. safeguarding assets;
6. providing to us all information of which management is aware that is relevant to the preparation of the Financial Statements including, but not limited to, all financial records and related data including information on the recognition, measurement and disclosure of specific items, and copies of all minutes of meetings of shareholders, directors and committees of directors;
7. providing additional information that we may request from management for the purpose of the audit;
8. providing us with unrestricted access to persons within the Society from whom we determine it necessary to obtain evidence; the preparation and overall accuracy of the MCT and their fair presentation in accordance with the Financial Reporting Framework;
9. identifying the purpose for which the MCT has been prepared and the intended users;
10. determining that the applicable financial reporting framework is acceptable in view of the nature of the Society and the objective of the MCT, or that is required by law or regulation; and

11. informing Deloitte of facts that may affect the Financial Statements, of which management may become aware during the period from the date of the audit report to the date the Financial Statements are issued.

Management is responsible to ensure that the presentation in the MCT are in accordance with the basis of accounting used and the notes to the MCT appropriately describe the applicable financial reporting framework.

### **Representation letter**

As the MCT is being prepared in accordance with a special purpose framework, we will ask management to confirm that the MCT is being prepared for the Superintendent of Financial Institutions of Canada and the Provincial Superintendents of Financial Institutions/Insurance to meet the requirements of the Superintendent of Financial Institutions of Canada. Management will be asked to confirm the steps taken to determine that the use of the Financial Reporting Framework is acceptable under the circumstances. We will ask management to acknowledge that this special purpose financial statement is intended solely for the use of the intended users and should not be distributed to or used by parties other than the intended users.

We will make specific inquiries of the Society's management about the representations embodied in the Financial Statements and internal control over financial reporting. As part of our audit procedures, we will request that management provide us with a representation letter acknowledging management's responsibility for the preparation of the Financial Statements in accordance with IFRS and that the Financial Statements are fairly presented in accordance therewith.

We will ask management to affirm its belief that the effects of any uncorrected financial statement misstatements aggregated by us during the current audit engagement and pertaining to all the periods presented are immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole and that management has provided us with all relevant information and access as agreed in this engagement letter and has recorded and reflected all transactions in the Financial Statements.

We will require certain written representations from management in accordance with Canadian GAAS and will request additional representations to support other audit evidence relevant to the Financial Statements or one or more specific assertions therein. Those written representations are to be provided in the form of a representation letter addressed to Deloitte, as of the date of the audit report on the Financial Statements. Such representations will be for all financial statements and periods referred to in the audit report.

The responses to inquiries and related written representations of management required by Canadian GAAS are part of the evidential matter that we will rely on as auditors in forming our opinion on the Society's Financial Statements.

### **Independence matters**

For purposes of the following three paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

### **Independence matters as a result of restrictions on providing certain services**

In connection with our engagement, Deloitte, management, and the Audit Committee will assume certain roles and responsibilities in an effort to assist Deloitte in maintaining independence and ensuring compliance with Canadian independence rules. Deloitte will communicate to its partners and employees that the Society is an attest client. Management of the Society will ensure that the Society, together with its subsidiaries and other entities (including special purpose entities) that comprise the Society for purposes of the Financial Statements, has policies and procedures in place for the purpose of ensuring that neither the Society nor any such subsidiary or other entity will act to engage Deloitte or accept from Deloitte any service that under Canadian independence rules or other applicable rules would impair Deloitte's independence. All potential services are to be discussed with Ms. Elaine Hultzer.

In connection with the foregoing, the Society agrees to furnish to Deloitte and keep Deloitte updated with respect to (i) a corporate tree that identifies the legal names of the Society's affiliates (e.g., parents, subsidiaries, investors or investees, special purpose entities), together with the ownership relationship among such entities. Deloitte intends to capture this information in systems that may be accessed and used by its affiliates in order to assist Deloitte in meeting its independence obligations. Deloitte will not be requesting nor accepting any personal information for this purpose. To the extent the Society notifies Deloitte of concerns regarding the privacy or confidentiality of such information, Deloitte agrees to discuss such concerns with the Audit Committee.

### **Independence matters relating to hiring**

Deloitte must assess threats to independence created when a former Deloitte partner or member of the engagement team is employed by management. In order to assist Deloitte in maintaining independence, management should notify Ms. Elaine Hultzer where substantive employment conversations have been had with a former or current Deloitte partner or engagement team member.

### **Fraud and error**

Management is responsible for:

1. designing and implementing programs and controls to prevent and detect fraud and error;
2. informing us about all known or suspected fraud affecting the Society involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the Financial Statements;
3. informing us of its knowledge of any allegations of fraud or suspected fraud affecting the Society received in communications from employees, former employees, analysts, regulators, short sellers, or others;
4. informing us of any information it might have regarding any concerns or allegations of potential errors in the selection of accounting policies or the recording of transactions affecting the Society that have been communicated to it by employees, former employees, analysts, regulators, short sellers, or others, whether written or oral;
5. informing us of its assessment of the risk that the Financial Statements may be materially misstated as a result of fraud; and
6. communicating its belief that the effects of any uncorrected financial statement misstatements aggregated during the audit are immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole.



### **Related parties**

The Society agrees that it will provide us with the identity of the Society's related parties, including changes from the previous period, the nature of the relationships between the Society and these related parties and whether the Society entered into any transactions with these related parties during the period and, if so, the type and purpose of the transactions.

### **Other information**

Management acknowledges its responsibility for other information as applicable.

Where the Society issues other information, management undertakes to provide the other information prior to the date of our audit report where possible. To the extent the other information is expected to be available after the date of our audit report, management undertakes that such other information will be provided to us when available, and prior to its issuance by the entity, such that we are able to fulfill our responsibilities under CAS 720, *The Auditor's Responsibilities Relating to Other Information*.

# **Appendix C**

## **Audit Committee responsibilities and auditor communications**

Canadian Lawyers Liability Assurance Society  
December 31, 2021

### **Audit Committee responsibilities**

The Audit Committee is responsible for the oversight of the financial reporting process, including management's preparation of the Financial Statements and monitoring of the Society's internal control related to financial reporting and oversight of our work.

### **Communications with the Audit Committee**

Canadian GAAS require that we communicate with the Audit Committee about a number of matters that are relevant to the financial reporting process.

### **Planned scope and timing of the audit**

Our audit plan will be separately communicated to you at a later date, providing an overview of the planned scope and timing of the audit.

### **Significant findings from the audit**

We will communicate our views about significant qualitative aspects of the Society's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Should the need arise, we will communicate to the Audit Committee why we would consider a significant accounting practice that may be acceptable under IFRS, not to be the most appropriate to the particular circumstances of the Society.

We will communicate, in writing, any significant deficiencies in internal control that we identify on the basis of the audit work performed. The purpose of our audit is to express an opinion on the Financial Statements. While the audit will include consideration of internal control relevant to the preparation of the Financial Statements in order to design audit procedures appropriate in the circumstances, it was not performed to express an opinion on the effectiveness of internal control.

In addition, we will communicate:

- any significant matters arising from the audit in connection with the Society's related parties;
- any events or conditions identified that may cast significant doubt on the Society's ability to continue as a going concern, including whether the events or conditions constitute a material uncertainty;
- any significant difficulties encountered during the audit;
- any significant matters arising from the audit that were discussed or subject to correspondence with management;
- written representations we are requesting;

- where CAS 720 applies, any uncorrected material inconsistencies between the other information and the Financial Statements or our knowledge obtained in the audit, and any uncorrected material misstatements of the other information we identify from reading the financial and non-financial information included in the Society's annual report containing or accompanying the Financial Statements and our audit report; and
- any other matters that in our professional judgment are significant to the oversight of the financial reporting process.

### **Fraud, error and illegal acts**

If items of the following nature come to our attention, and in our judgment need to be reported to those charged with governance, we will report them directly to the Audit Committee:

1. Any fraud that involves management;
2. Any fraud involving employees who have significant roles in internal control;
3. Any fraud of which we become aware that has resulted or could result in a material misstatement of the Financial Statements;
4. Any other matters related to fraud, which in our judgment, are relevant to the responsibilities of the Audit Committee;
5. Instances of identified or suspected non-compliance with laws and regulations, other than when the matters are clearly inconsequential;
6. Individual uncorrected misstatements identified by us during the audit that were determined by management to be immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole;
7. Uncorrected misstatements related to prior periods in the relevant classes of transactions, account balances or disclosures and the Financial Statements taken as a whole;
8. Questions regarding the honesty and integrity of management;
9. Matters that may cause future financial statements to be materially misstated; and
10. Significant misstatements resulting from error that were corrected by management.

We will also be making inquiries of the Audit Committee of any actual, suspected or alleged fraud affecting the Society and whether the Society is in compliance with laws and regulations that may have a material effect on the Financial Statements.

We will inform the appropriate level of management of the Society and determine that the Audit Committee is adequately informed with respect to illegal acts that have been detected or have otherwise come to our attention in the course of our audit, unless the illegal acts are clearly inconsequential.

The matters communicated will be those that we identify during the course of our audit. Our audit would not identify all matters that may be of interest to management or the Audit Committee in discharging its responsibilities. Communication with the appropriate level of authority in the organization's management and with those charged with governance will be determined by the type and significance of the matter to be communicated.

We will also make inquiries of the Audit Committee as to whether any subsequent events have occurred that may affect the Financial Statements, including matters discussed at meetings of the Audit Committee after December 31, 2021.

# Appendix D

## Expected form of audit report – P&C

Canadian Lawyers Liability Assurance Society  
December 31, 2021

We will provide you with our report on the Financial Statements, which is expected to be in the following form. However, the final form will reflect the results of our audit.

## Independent Auditor's Report

To the Advisory Board of Canadian Lawyers Liability Assurance Society

### Opinion

We have audited the financial statements of Canadian Lawyers Liability Assurance Society (the "Society"), which comprise the statements of financial position as at December 31, 2021, and the statements of comprehensive income (loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

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

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

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

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

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

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

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

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

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

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

(To be signed Deloitte LLP)

Chartered Professional Accountants  
Licensed Public Accountants  
Date of the report

# Expected form of audit report – P&C Audit Report

## Independent Auditor's Report

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

### Opinion

We have audited the financial statements of Canadian Lawyers Liability Assurance Society (the "Society"), which comprise the statements of assets and liabilities, equity, head office account, reserves and AOCI as at December 31, 2021, and the statements of income, comprehensive income and accumulated other comprehensive income, head office account, reserves, changes in equity and cash flows for the year then ended on pages 20.10 through 20.54 of the Society's P&C Quarterly Return and pages 20.52 and 20.60 of the Society's P&C Annual Supplement, which includes the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

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

### Unaudited Information

We have not audited the schedules and exhibits except for those on pages 20.10 through 20.54 of the Society's P&C Quarterly Return and those on pages 20.52 and 20.60 of the Society's P&C Annual Supplement. Accordingly, this auditor's report and our opinion do not cover the schedules and exhibits on the other pages of the Society's P&C Quarterly Return and P&C Annual Supplement.

### Other Matter

We issued a separate auditor's report dated February [ ], 2022 on the MCT on page 30.61 of the Society's P&C Quarterly Return.

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

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

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

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

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

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

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

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

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

(To be signed Deloitte LLP)

Chartered Professional Accountants  
Licensed Public Accountants  
Date of the report



# Expected form of audit report – MCT Audit Report

## Independent Auditor's Report

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

### Opinion

We have audited the Minimum Capital Test on page 30.61 of the P&C Quarterly Return of Canadian Lawyers Liability Assurance Society (the "Society") as at December 31, 2021 (the "MCT").

In our opinion, the accompanying MCT of the Society as at December 31, 2021 is prepared, in all material respects, in accordance with the financial reporting provisions of Guideline A – Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies effective January 1, 2018 (the "Guideline") prescribed by the Office of the Superintendent of Financial Institutions Canada ("OSFI").

### Basis for Opinion

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

### Emphasis of Matter - Basis of Accounting

We draw attention to the fact that the MCT has been prepared in accordance with the financial reporting provisions of the Guideline. The MCT is prepared to assist the Society to meet the requirements of the Superintendent of Financial Institutions Canada and the Provincial Superintendents of Financial Institutions/Insurance. As a result, the MCT may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### Unaudited Information

We have not audited the schedules and exhibits except for page 30.61 of the Society's P&C Quarterly Return. Accordingly, this auditor's report and our opinion do not cover the schedules and exhibits on the other pages of the Society's P&C Quarterly Return.

### Other Matter

We issued a separate auditor's report dated February [ ], 2022 on the financial statements on pages 20.10 through 20.54 of the Society's P&C Quarterly Return.

### Responsibilities of Management and Those Charged with Governance for the MCT

Management is responsible for the preparation of the MCT in accordance with the provisions of the Guideline, and for such internal control as management determines is necessary to enable the preparation of the MCT that is free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's Responsibilities for the Audit of the MCT**

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

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

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

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

(To be signed Deloitte LLP)

Chartered Professional Accountants  
Licensed Public Accountants  
Date of the report

# Appendix E

## Coordination of the audit

Canadian Lawyers Liability Assurance Society  
December 31, 2021

Deloitte and the Society will develop and maintain an up-to-date work plan that will govern the specific involvement, activities, work products and schedules of all individuals involved in this engagement, including those in the employ of Deloitte, the Society and third parties, and regardless of whether the individuals have been assigned to the engagement by Deloitte, the Society or a third party.

### Deloitte's responsibilities

We will plan the performance of our audit in accordance with the estimated timetable outlined below. We anticipate that we will commence this engagement during the month of September 2021 and will advise management of any changes to the timetable. We will communicate to management on a periodic basis concerning the status of the engagement. Should we anticipate any changes to our proposed fees, the scope of the engagement, the nature of our report or other planned deliverables, we will contact and advise management of the nature of these changes.

	Estimated to begin	Targeted for completion
Audit performance schedule:		
Planning	September 2021	September 2021
Audit procedures:		
Interim testing	November 2021	December 2021
Auditor communications:		
Independence matters		February 2022
Report on audit, including all required communications		February 2022

### Management's responsibilities

Management will provide all documentation, as requested by Deloitte, in an accurate and timely fashion.

# **Appendix F**

## **Circumstances affecting timing and fee estimate**

Canadian Lawyers Liability Assurance Society  
December 31, 2021

The fees quoted for the audit are based on certain assumptions. Circumstances may arise during the engagement that may significantly affect the targeted completion dates and our fee estimate. As a result, additional fees may be necessary. Such circumstances include, but are not limited to, the following:

### **Audit facilitation**

1. Changes to the timing of the engagement at the Society's request. Changes to the timing of the engagement usually require reassignment of personnel used by Deloitte in the performance of services hereunder. However, because it is often difficult to reassign individuals to other engagements, Deloitte may incur significant unanticipated costs.
2. All audit schedules are not (a) provided by the Society on the date requested, (b) completed in a format acceptable to Deloitte, (c) mathematically correct, or (d) in agreement with the appropriate Society records (e.g., general ledger accounts). Deloitte will provide the Society with a separate listing of required schedules, information requests, and the dates such items are needed.
3. Significant delays in responding to our requests for information such as reconciling variances or providing requested supporting documentation (e.g., invoices, contracts, and other documents).
4. Deterioration in the quality of the Society's accounting records during the current year engagement in comparison with the prior-year engagement.
5. A completed trial balance, referenced to the supporting analyses, schedules and Financial Statements, is not provided timely by the Society.
6. Draft Financial Statements with appropriate supporting documentation are not prepared accurately and timely by the Society's personnel.
7. Electronic files in an appropriate format and containing the information requested are not provided by the Society on the date requested for our use in performing file interrogation. Deloitte will provide the Society with a separate listing of the required files and the dates the files are needed.
8. The engagement team, while performing work on the Society's premises, is not provided with access to the Internet for purposes of conducting the engagement.

### **Significant issues or changes**

1. Significant deficiencies are identified in the Society's internal control that result in the expansion of our audit procedures.
2. A significant level of proposed audit adjustments is identified during our audit.
3. A significant number of drafts of the Financial Statements are submitted for our review or we identify a significant level of deficiencies in the draft Financial Statements.

4. Significant new issues or changes arise as follows:
  - a. New accounting issues;
  - b. Changes in accounting policies or practices from those used in prior years;
  - c. Events or transactions not contemplated in our budgets;
  - d. Changes in the Society's financial reporting process or IT systems;
  - e. Changes in the Society's accounting personnel, its responsibilities, or its availability;
  - f. Changes in auditing standards;
  - g. Change in the Society's use of specialists or the specialists and/or their work product do not meet the qualifications required by Canadian GAAS for our reliance upon their work.
5. Changes in audit scope caused by events that are beyond our control

# Appendix G

## General business terms

Canadian Lawyers Liability Assurance Society  
December 31, 2021

The following general business terms (the "Terms") apply to the engagement except as otherwise provided in the specific engagement letter agreement (the "Engagement Letter") between Deloitte LLP ("Deloitte") and Canadian Lawyers Liability Assurance Society (the "Society") to which these Terms are attached.

1. **Timely performance** – Deloitte will not be liable for failures or delays in performance that arise from causes beyond Deloitte's control, including the untimely performance by the Society of its obligations as set out in the Engagement Letter.
2. **Right to terminate services** – If the Society terminates the engagement or requests that Deloitte resign from the engagement prior to its completion, the Society will pay for time and expenses incurred by Deloitte up to the termination or resignation date together with reasonable time and expenses incurred to bring the services to a close in a prompt and orderly manner. Deloitte will not be responsible for any loss, cost or expense resulting from such termination or resignation. Should the Society not fulfill its obligations set out herein or in the Engagement Letter, and in the absence of rectification by the Society within thirty (30) days of notification in writing by Deloitte, upon written notification Deloitte may terminate its services immediately and will not be responsible for any loss, cost or expense resulting from such early termination.
3. **Fees and taxes** – Any fee estimates take into account the agreed-upon level of preparation and assistance from Society personnel. Deloitte undertakes to advise management of the Society on a timely basis should this preparation and assistance not be provided or should any other circumstances arise which cause actual time to exceed that estimate. The Society is responsible for the payment of any applicable federal, provincial or other goods and services or sales taxes, or any other taxes or duties, in connection with the services provided by Deloitte.
4. **Expenses** – In addition to professional fees, the Society will reimburse Deloitte for its reasonable out-of-pocket expenses including travel, meals and hotels incurred in connection with this engagement.
5. **Billing** – Invoices will be rendered periodically as agreed in advance. All invoices shall be due and payable when rendered. Interest shall be calculated at a simple daily rate of 0.0493% (equivalent to 18% per annum). Interest shall be charged and payable at this rate on any part of an invoice which remains unpaid from thirty (30) days after the invoice date to the date on which the outstanding invoice is paid. To the extent that as part of the services to be performed by Deloitte as described in the Engagement Letter, Deloitte personnel are required to perform the services in the United States of America ("U.S. Business"), the Society and Deloitte agree to assign performance of the U.S. Business to Deloitte Canada LLP, an affiliate of Deloitte. All services performed by Deloitte Canada LLP shall be performed under the direction of Deloitte, which shall remain responsible to the Society for such services. Deloitte Canada LLP shall invoice the Society with respect to the U.S. Business and Deloitte will invoice for services performed in Canada ("Canadian Business"). Payment for U.S. Business and/or Canadian Business can be settled with one payment to Deloitte.

6. **Governing law** – The engagement will be governed by the laws of the Province where Deloitte’s principal office performing the engagement is located and all disputes related to the engagement shall be subject to the exclusive jurisdiction of the courts of such Province.
7. **Working papers** – All working papers, files and other internal materials created or produced by Deloitte related to the engagement are the property of Deloitte. In the event that Deloitte is requested by the Society or required by subpoena or other legal or regulatory process to produce its files related to this engagement in proceedings to which Deloitte is not a party, the Society will reimburse Deloitte for its professional time and expenses, including legal fees, incurred in dealing with such matters.
8. **Privacy** – Deloitte and the Society agree that, in connection with the engagement, Deloitte may collect, use, disclose and otherwise process personal information about identifiable individuals (“Personal Information”). Deloitte’s services are provided on the basis that the Society has obtained any required consents under applicable privacy legislation for collection, use, disclosure and processing to Deloitte of Personal Information.
9. **Third parties** – Deloitte’s engagement is not planned or conducted in contemplation of or for the purpose of reliance by any third party (other than the Society and any party to whom Deloitte’s audit report is addressed) or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.
10. **Confidentiality** – To the extent that Deloitte collects or is provided with Personal Information or any proprietary or confidential information of the Society (collectively, “Confidential Information”), Deloitte will not disclose such information to any third party without the Society’s consent, except as may be required or permitted by law, regulation, legal authority or professional obligations, to satisfy (as applicable) the requirements of the Canadian Public Accountability Board (“CPAB”) or as otherwise permitted by this Engagement Letter. Confidential Information may be disclosed by Deloitte to its affiliates and to member firms of Deloitte Touche Tohmatsu Limited (“DTTL”) and their respective subsidiaries and affiliates (“Deloitte Entities”), component auditors, permitted subcontractors and third parties that provide services to Deloitte. Confidential Information collected by or provided to Deloitte in connection with the engagement may be used, processed, disclosed and stored outside Canada by Deloitte, Deloitte Entities, component auditors or third party service providers to Deloitte. Deloitte is responsible to the Society for causing any such Deloitte Entities, component auditors and third party service providers to comply with the obligations of confidentiality set out in this section. Confidential Information may be subject to disclosure in accordance with laws applicable in the jurisdiction in which the information is used, processed or stored. The Society also agrees that Deloitte may aggregate Confidential Information and use and disclose that information as part of research and advice, including benchmarking services, provided that all such information will be rendered anonymous and not subject to association with the Society.
11. **Electronic communications** – Except as instructed otherwise in writing, each party consents to properly addressed fax, email (including email exchanged via Internet media) and voicemail communication of both sensitive confidential and non-sensitive documents, information and other communications concerning this engagement, as well as other means of communication used or accepted by the other. It is recognized that the Internet may be insecure and each party will be responsible for protecting its own systems and interests and, to the fullest extent permitted by law, will not be responsible to the other on any basis (contract, tort or otherwise) for any loss, damage or omission in any way arising from the use of the Internet or from access by any Society or Deloitte personnel, including personnel of Deloitte Entities and third parties that provide services to Deloitte, to networks, applications, electronic data or other systems of the other party.

12. **Assignment** – Except as provided below in section 13, no party may assign, transfer, or delegate any of its rights or obligations relating to this engagement without the prior written consent of the other parties.
13. **Subcontracting** – Deloitte may use the services of any Deloitte Entities, component auditors or other subcontractors (including those operating outside Canada) to assist Deloitte. Deloitte remains responsible to the Society for services performed by Deloitte Entities and subcontractors. Each Deloitte Entity is a separate and independent legal entity operating under the names “Deloitte”, “Deloitte & Touche”, “Deloitte Touche Tohmatsu” or other related names; and services are provided by member firms or their subsidiaries or affiliates and not by DTTL.
14. **Software tools** – In connection with the engagement, Deloitte may use data analytics technology which may require Deloitte to install and use one or more data extraction tools (“Extractors”) on the Society’s computing systems. The Society hereby consents to such access and the installation and use of such Extractors, and where applicable, Deloitte hereby grants the Society a limited, revocable, non-exclusive, non-assignable, non-sublicensable right to install and use those Extractors solely in connection with Deloitte’s performance of the engagement. Deloitte recommends that the Society perform adequate security and other appropriate testing on the Extractors before installation. All Extractors are protected by copyright and other laws of various countries, and Deloitte and its licensors reserve all rights not expressly granted in these Terms or the Engagement Letter. The Society is not allowed to reverse engineer, disassemble, decompile, or otherwise attempt to derive the Extractors’ source code, nor assist, directly or indirectly, in any efforts to do so, nor adapt, modify or create derivative works based on the Extractors. The license granted above will terminate upon completion or termination of this engagement. When the license terminates, the Society must, where applicable, stop using the Extractors and delete any and all installed Extractors from the Society’s computing systems, unless Deloitte and the Society have entered into a subsequent agreement that allows for the Society’s continued use. Although Deloitte takes commercially reasonable steps to make the Extractors useful and secure, Deloitte does not have any obligation to ensure they are so, or to maintain, update, upgrade or otherwise modify or support the Extractors. The Extractors are provided “as is” and “as available”, without warranty of any kind, and Deloitte expressly disclaims all implied warranties, including that the Extractors will be secure and error-free, or will meet any other criteria of performance or quality.
15. **Survival of terms** – The agreements and undertakings of the Society contained in the Engagement Letter, together with the appendices to the Engagement Letter including these Terms, will survive the completion or termination of this engagement.
16. **Severability** – If a court or regulator with proper jurisdiction determines that a provision of this Engagement Letter is invalid, then that provision will be interpreted in a way that is valid under applicable law or regulation. If any provision is invalid, the rest of the Engagement Letter will remain in effect.
17. **Electronic messaging** – In accordance with Canadian anti-spam legislation, the Society consents to Deloitte contacting the Society and its personnel through electronic messages relating to Deloitte’s services, products and other matters of interest to the Society after the completion of this engagement. The Society may withdraw any such consent by contacting Deloitte at [unsubscribe@deloitte.ca](mailto:unsubscribe@deloitte.ca).



18. **PCAOB/SEC/Québec rules and professional standards:** When Deloitte is performing audit, review or attest/assurance services that are subject to the US Public Company Accounting Oversight Board ("PCAOB") and/or US Securities and Exchange Commission ("SEC") rules or professional standards, any clauses that result in a limitation of Deloitte's liability do not apply. From time to time, Deloitte may have individual partners and employees performing the engagement within the Province of Québec who are members of the Ordre des comptables professionnels agréés du Québec. Limitations of liability contained in the Engagement Letter shall not apply to limit the personal civil liability of members of the Ordre des comptables professionnels agréés du Québec performing the engagement hereunder (and with respect to such members, such limitations shall be deemed not to be included in this Engagement Letter).
19. **Proportionate liability** – The Society and Deloitte acknowledge where the audit is conducted pursuant to a statute governing the Society that contains proportionate liability provisions that apply to an auditor, such as the *Canada Business Corporations Act*, the terms of the statute shall apply to this engagement. In the event that the Society and Deloitte are not subject to such statutory provisions regarding proportionate liability, the Society agrees that in any action, claim, loss or damage arising out of the engagement, Deloitte's liability will be several and not joint and several and the Society may only claim payment from Deloitte of Deloitte's proportionate share of the total liability based on the degree of fault of Deloitte as finally determined by a court of competent jurisdiction.
20. **Client misrepresentation** – Deloitte shall not be liable to the Society, and the Society releases Deloitte, for all liabilities, claims, damages, costs, charges and expenses incurred or suffered by the Society related to or in any way associated with the engagement that arise from or are based on any deliberate misstatement or omission in any material information or representation provided by or approved by any member of management of the Society, officer of the Society or member of the board of directors of the Society.
21. **Qualifications** – Notwithstanding anything herein to the contrary, Deloitte may use the name of the Society, refer to this engagement and the performance of the services in marketing, publicity materials and other material, as an indication of its experience, and in internal data systems.
22. **Force Majeure** – No party shall be deemed to be in breach of the engagement as a result of any delays or non-performance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire, epidemic or other casualty, act of God, strike or labor dispute, war or other violence, any law, order or requirement of any governmental agency or authority, or pandemics (including, without limitation, COVID-19 and any such restrictions or conditions on working practices in response to such a threat). For greater certainty, Deloitte shall have no liability for any failure or delay to perform its obligations under this Engagement Letter, to the extent caused and/or contributed to by the spread of COVID-19 and its associated impacts.

# **COLCHESTER REINSURANCE LIMITED**

## **PERIODIC REPORTING PACKAGE**

**FOR THE TWELVE MONTHS ENDED JUNE 30, 2021**

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**2. STATEMENTS OF INCOME & RETAINED EARNINGS**

**3. NOTES TO THE FINANCIAL STATEMENTS**

**PREPARED BY: AON INSURANCE MANAGERS (BARBADOS) LTD**

**ACCOUNT EXECUTIVE: LEANNE KNIGHT**

**COLCHESTER REINSURANCE LIMITED**  
**UNAUDITED BALANCE SHEET AS AT JUNE 30, 2021**  
**(EXPRESSED IN CANADIAN \$)**

		JUNE 30, 2021	JUNE 30, 2020
<b>ASSETS</b>			
Cash at bank - premier accounts		759,059.38	1,583,020.78
Cash & cash equivalents	1	759,059.38	1,583,020.78
Royal Bank of Canada-Investments	2	38,264,870.53	38,327,747.54
Accrued interest receivable	3	204,433.27	220,671.43
Provision for Losses Recoverable	4	7,342,050.00	7,042,000.00
Deferred Reinsurance Premiums	5	0.00	0.00
Prepaid expenses	6	8,003.00	8,204.00
		<u>45,819,356.80</u>	<u>45,598,622.97</u>
<b>TOTAL ASSETS</b>		<u><u>46,578,416.18</u></u>	<u><u>47,181,643.75</u></u>
Accrued expenses	7	106,908.41	174,576.00
Claims payable		48,580.65	48,703.20
		<u>155,489.06</u>	<u>223,279.20</u>
<b>RESERVES</b>			
Unearned Premium Reserve	9	0.00	0.00
Outstanding losses	8	9,015,913.00	8,777,000.00
Outstanding losses - I.B.N.R.	8	12,537,888.00	12,584,000.00
		<u>21,553,801.00</u>	<u>21,361,000.00</u>
<b>SHAREHOLDERS EQUITY</b>			
Share capital-common shares		1,100.00	1,100.00
Class A preference shares		3,314,000.00	3,314,000.00
Earned surplus at start of year		20,798,983.81	22,086,550.12
Net profit/(loss) for the period		121,170.83	(1,287,566.31)
		<u>24,235,254.64</u>	<u>24,114,083.81</u>
Accum. Other Comprehensive Income		633,871.48	1,483,280.74
<b>TOTAL SHAREHOLDERS EQUITY</b>		<u><u>24,869,126.12</u></u>	<u><u>25,597,364.55</u></u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>		<u><u>46,578,416.18</u></u>	<u><u>47,181,643.75</u></u>

**COLCHESTER REINSURANCE LIMITED**  
**UNAUDITED STATEMENT OF INCOME**  
**FOR THE PERIOD JULY 1 2020 TO JUNE 30, 2021**  
**(EXPRESSED IN CANADIAN \$)**

	MOVEMENT DURING QTR	12 MONTHS TO JUNE 30, 2021	12 MONTHS TO JUNE 30, 2020
<b>UNDERWRITING INCOME</b>			
Premiums written	437.74	1,713,252.74	1,330,072.00
Unearned premium transfer	428,203.75	0.00	0.00
<b>GROSS EARNED PREMIUMS</b>	428,641.49	1,713,252.74	1,330,072.00
Reinsurers' ceded premiums	(437.74)	(1,539,730.92)	(1,261,726.16)
Deferred ceded premiums	(384,823.30)	0.00	0.00
Reinsurers' ceded premiums earned	(385,261.04)	(1,539,730.92)	(1,261,726.16)
	43,380.45	173,521.82	68,345.84
<b>TOTAL UNDERWRITING INCOME</b>	43,380.45	173,521.82	68,345.84
<b>UNDERWRITING EXPENSES</b>			
Net losses paid	58,751.89	543,027.63	62,687.65
Outstanding losses adjustment	(59,126.00)	238,913.00	1,210,000.00
Transfer to IBNR	17,684.00	(46,112.00)	1,232,000.00
Transfer to prov. for losses recoverable	(108,582.00)	(300,050.00)	(618,000.00)
<b>NET INCURRED LOSSES</b>	(91,272.11)	435,778.63	1,886,687.65
<b>OTHER UNDERWRITING EXPENSES</b> (see schedule)	19,313.00	77,250.00	77,250.50
<b>TOTAL UNDERWRITING EXPENSES</b>	(71,959.11)	513,028.63	1,963,938.15
<b>UNDERWRITING PROFIT / (LOSS)</b>	115,339.56	(339,506.81)	(1,895,592.31)
<b>GENERAL AND ADMIN EXPENSES</b> (see schedule)	54,519.33	219,412.76	234,413.12
	60,820.23	(558,919.57)	(2,130,005.43)
<b>INTEREST INCOME &amp; EXCEPTIONAL ITEMS</b>			
Interest income	230,627.14	945,507.05	964,146.52
Profit/(loss) on sale of invts	0.00	22,572.24	181,020.53
Amortisation of investments	(54,316.02)	(169,500.01)	(179,808.22)
Investment management fees	(23,772.06)	(95,252.24)	(88,363.68)
Investment Custody Fees	(5,018.20)	(23,236.64)	(17,982.76)
	147,520.86	680,090.40	859,012.39
<b>NET PROFIT/(LOSS) BEFORE TAX</b>	208,341.09	121,170.83	(1,270,993.04)
<b>INCOME TAX</b>	0.00	0.00	16,573.27
<b>DIVIDEND PAID</b>	0.00	0.00	0.00
<b>NET PROFIT/(LOSS) AFTER TAX</b>	208,341.09	121,170.83	(1,287,566.31)

# COLCHESTER REINSURANCE LIMITED

## ANALYSIS OF EXPENSES AS AT JUNE 30, 2021 FOR THE PERIOD JULY 1 2020 TO JUNE 30, 2021

	MOVEMENT DURING QTR	12 MONTHS TO JUNE 30, 2021	12 MONTHS TO JUNE 30, 2020
<b>UNDERWRITING EXPENSES</b>			
Brokerage commission	19,313.00	77,250.00	77,250.50
	<u>19,313.00</u>	<u>77,250.00</u>	<u>77,250.50</u>
<b>GENERAL &amp; ADMIN EXPENSES</b>			
Management fees	22,250.00	89,000.00	89,000.00
Directors fees	3,600.00	14,517.45	16,291.00
Audit fees	6,675.00	28,253.42	34,803.76
Tax consultancy fees	1,915.00	1,915.00	4,325.66
Actuarial fees	10,770.58	46,121.59	58,294.92
Legal fees	0.00	0.00	3,105.00
Insurance Costs - D&O	2,527.13	10,106.25	7,987.50
Secretarial fees	613.82	7,250.10	6,641.62
Licence fees	4,767.89	16,973.52	0.00
Bank and L.O.C charges	520.92	1,620.96	1,097.71
Communication expenses	878.99	3,654.47	4,585.47
Travel	0.00	0.00	8,280.48
	<u>54,519.33</u>	<u>219,412.76</u>	<u>234,413.12</u>

**COLCHESTER REINSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**1. CASH ON DEPOSIT**

Royal Bank - Canadian Dollar Call Account	43,052.78
Royal Bank - Premier Canadian Dollar Account	716,006.60
	<b><u>759,059.38</u></b>

**2. INVESTMENTS**

Investment at cost	38,001,383.58
Amortization	(370,384.52)
Portfolio at amortized cost	<b><u>37,630,999.06</u></b>
Unrealized gain / (loss)	633,871.47
Portfolio at market value	<b><u>38,264,870.53</u></b>

**3. ACCRUED INTEREST RECEIVABLE**

Investments - RBC	204,433.27
	<b><u>204,433.27</u></b>

**4. PROVISION FOR LOSS RECOVERABLES (DISCOUNTED)**

**Canadian Lawyers Liability Assurance Society**

U/W Year	CASE RESERVES	IBNR	TOTAL
2004/2005	0.00	0.00	0.00
2005/2006	0.00	0.00	0.00
2006/2007	0.00	0.00	0.00
2007/2008	0.00	0.00	0.00
2008/2009	0.00	8,025.00	8,025.00
2009/2010	0.00	0.00	0.00
2010/2011	0.00	0.00	0.00
2011/2012	0.00	84,335.00	84,335.00
2012/2013	0.00	89,325.00	89,325.00
2013/2014	0.00	94,957.00	94,957.00
2014/2015	0.00	81,719.00	81,719.00
2015/2016	0.00	191,549.00	191,549.00
2016/2017	0.00	543,031.00	543,031.00
2017/2018	0.00	834,065.00	834,065.00
2018/2019	0.00	1,134,396.00	1,134,396.00
2019/2020	0.00	1,948,002.00	1,948,002.00
2020/2021	0.00	2,332,646.00	2,332,646.00
	<b><u>0.00</u></b>	<b><u>7,342,050.00</u></b>	<b><u>7,342,050.00</u></b>

**COLCHESTER REINSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**5. DEFERRED REINSURANCE PREMIUMS**

Reinsurers' Premium to be earned	(\$1,539,293.18*12/0)	0.00
		<b>0.00</b>

**6. PREPAID EXPENSES**

Annual Government Tax	US\$12,500 p.a.	8,003.00
		<b>8,003.00</b>

**7. ACCOUNTS PAYABLE/ACCRUED EXPENSES**

Audit fees	29,100.00
Investment Fees	23,447.00
Investment Custody Fees	7,517.00
Brokerage Commission	19,313.00
Actuarial Fees	10,710.41
Director's Fees	14,906.00
Consultancy Fee - Tax	1,915.00
	<b>106,908.41</b>

**8. OUTSTANDING LOSSES (DISCOUNTED)**

**Canadian Lawyers Liability Assurance Society**

U/W Year	CASE RESERVES	IBNR	TOTAL
2004/2005	0.00	0.00	0.00
2005/2006	0.00	0.00	0.00
2006/2007	0.00	0.00	0.00
2007/2008	3,500,000.00	374,989.00	3,874,989.00
2008/2009	0.00	44,652.00	44,652.00
2009/2010	2,480,439.00	410,844.00	2,891,283.00
2010/2011	122,587.00	243,557.00	366,144.00
2011/2012	346,829.00	247,615.00	594,444.00
2012/2013	0.00	168,066.00	168,066.00
2013/2014	1,176,491.00	268,767.00	1,445,258.00
2014/2015	0.00	125,027.00	125,027.00
2015/2016	912,937.00	375,405.00	1,288,342.00
2016/2017	131,630.00	833,639.00	965,269.00
2017/2018	0.00	1,195,861.00	1,195,861.00
2018/2019	0.00	1,661,095.00	1,661,095.00
2019/2020	345,000.00	3,038,120.00	3,383,120.00
2020/2021		3,550,251.00	3,550,251.00
	<b>9,015,913.00</b>	<b>12,537,888.00</b>	<b>21,553,801.00</b>

**9. UNEARNED PREMIUM RESERVE**

Premiums	(\$1,712,815/12*0)	0.00
		<b>0.00</b>

**COLCHESTER REINSURANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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**10. LOSS/EQUITY RATIO**

Loss Reserves	21,553,801.00
Shareholder Equity	24,235,254.64
Ratio	<b>89%</b>

An actuarial report is required to be submitted to the Supervisor of Insurance when the Loss Reserve/Equity Ratio exceeds 200%.

**11. MARGIN OF SOLVENCY**

Assets must exceed liabilities by:

- (1) (US\$125,000 in the first year of operation)
- (2) (US\$125,000, if premium Income of the previous year < US\$750,000)
- (3) (20% of premium income of the previous year, if premium income > US\$750,000 but < US\$5,000,000)
- (4) (US\$1,000,000 + 1/10 of premium income of the previous year, if premium income > US\$5,000,000)

Premiums Earned	68,345.84
Minimum Solvency Margin re (2) above	169,700.00
Total Assets	46,578,416.18
Less: Non-admitted Assets	
Long Term Investments	0.00
Prepayments	8,003.00
Total Admitted Assets	46,570,413.18
Total Liabilities	21,709,290.06
Solvency Margin (Excess of Assets over Liabilities)	24,861,123.12
<b>Excess over Minimum Solvency Margin</b>	<b>24,691,423.12</b>



**COLCHESTER REINSURANCE LIMITED**  
**UNDERWRITING ANALYSIS AS AT JUNE 30, 2021**  
**FOR THE PERIOD APRIL 1, 2021 TO JUNE 30, 2021**

	Inward Reinsurance of CLLAS EOL 49Mx1M-23%	Inward Reinsurance of CLLAS Agg. Stop Loss 50Mx50M-5%	Inward Reinsurance of CLLAS ADD 50 to 89-011 60Mx160M-10%	Inward Reinsurance of CLLAS Excess Layers 60Mx160M-10%	Outward Retro. of Colchester EOL 5Mx5M-23%	Outward Retro. of Colchester EOL 40Mx10M-23%	Outward Retro. of Colchester Agg. Stop Loss 15Mx3M-100%	Outward Retro. of Colchester EOL 40Mx10M-100%	Outward Retro. of Colchester Excess Layers 60Mx160M-100%	Total
Limits										
Policy No.										
Policy Period	CLLAS00120 1-Jul-20 to 30-Jun-21	CLLAS00420 1-Jul-20 to 30-June-21	ADD 50 to 89- 011 1-Jul-20 to 30-June-21	CLLAS00220 1-Jul-20 to 30-June-21	C206010 - CLLAS000120 1-Jul-20 to 30-June-21	C206020 - CLLAS000120 1-Jul-20 to 30-June-21	C206016 1-Jul-20 to 30-June-21	C201016 - CLLAS000420 1-Jul-20 to 30-June-21	C206008 - CLLAS000220 1-Jul-20 to 30-June-21	
Premiums Written	-	437.74	-	-			-			437.74
Trfd from Unearned Prem. Reserve	367,908.00	19,513.75	22,626.75	18,155.25						428,203.75
Premiums Earned	367,908.00	19,951.49	22,626.75	18,155.25						428,641.49
Reinsurance Premiums Ceded					-	-	-	(437.74)	-	(437.74)
Trfd from Deferred Reins. Prem.			-		(70,069.04)	(215,016.02)	(62,977.00)	(19,513.75)	(17,247.49)	(384,823.30)
Reinsurance Premiums Earned			-		(70,069.04)	(215,016.02)	(62,977.00)	(19,951.49)	(17,247.49)	(385,261.04)
Net Premiums Earned										43,380.45

App. 1a

**COLCHESTER REINSURANCE LIMITED**  
**UNDERWRITING ANALYSIS AS AT JUNE 30, 2021**  
**FOR THE PERIOD JULY 1, 2020 TO JUNE 30, 2021**

	Inward Reinsurance of CLLAS EOL 49Mx1M-23%	Inward Reinsurance of CLLAS Agg. Stop Loss 50Mx50M-5%	Inward Reinsurance of CLLAS ADD 50 to 89-011 60Mx160M-10%	Inward Reinsurance of CLLAS Excess Layers 60Mx160M-10%	Outward Retro. of Colchester EOL 5Mx5M-23%	Outward Retro. of Colchester EOL 40Mx10M-23%	Outward Retro. of Colchester Agg. Stop Loss 15Mx3M-100%	Outward Retro. of Colchester EOL 40Mx10M-100%	Outward Retro. of Colchester Excess Layers 60Mx160M-100%	Total
Limits										
Policy No.										
Policy Period	CLLAS00120 1-Jul-20 to 30-Jun-21	CLLAS00420 1-Jul-20 to 30-Jun-21	ADD 50 to 89-011 1-Jul-20 to 30-Jun-21	CLLAS00220 1-Jul-20 to 30-Jun-21	C206010 - CLLAS000120 1-Jul-20 to 30-Jun-21	C206020 - CLLAS000120 1-Jul-20 to 30-Jun-21	C206016 1-Jul-20 to 30-Jun-21	C201016 - CLLAS000420 1-Jul-20 to 30-Jun-21	C206008 - CLLAS000220 1-Jul-20 to 30-Jun-21	
Premiums Written	1,471,632.00	78,492.74	90,507.00	72,621.00						1,713,252.74
Trfd from Unearned Prem. Reserve	-	-	-	-						-
Premiums Earned	<u>1,471,632.00</u>	<u>78,492.74</u>	<u>90,507.00</u>	<u>72,621.00</u>						<u>1,713,252.74</u>
Reinsurance Premiums Ceded					(280,276.16)	(860,064.07)	(251,908.00)	(78,492.74)	(68,989.95)	(1,539,730.92)
Trfd from Deferred Reins. Prem.					-	-	-	-	-	-
Reinsurance Premiums Earned					<u>(280,276.16)</u>	<u>(860,064.07)</u>	<u>(251,908.00)</u>	<u>(78,492.74)</u>	<u>(68,989.95)</u>	<u>(1,539,730.91)</u>
Net Premiums Earned										<u>173,521.82</u>

App. 1b



## CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Report on Reinsurance Security

Date: November 2021



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I	A.M. Best Credit Report – Argo Group International Holdings Ltd.
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## 1. REINSURANCE SECURITY CONSIDERATIONS

### 1.1 Status Update

The purpose of this report is to provide the CLLAS Audit Committee with a status review of the current CLLAS reinsurance security consistent with CLLAS' Reinsurance Security Policy.

### 1.2 Reinsurance Security

One of the responsibilities of the Audit Committee is to monitor CLLAS' reinsurers and to recommend changes to the Board based on any number of factors including, but not limited to:

- Downgrading of the security rating;
- A rating agency placing a reinsurer on a "watch" list;
- Exposure to any one reinsurer exceeding an agreed percentage;
- Difficulties collecting reinsurance proceeds after a claim is settled;
- Use of unregistered (in Canada) security; and
- Any other matters that may threaten the security of a reinsurer.

The Committee acknowledges that reinsurance intermediaries cannot guarantee the solvency of any reinsurer and that they rely on the rating agencies to evaluate reinsurers' financial strength. The Audit Committee is not meant to substitute the expert advice provided by CLLAS' intermediaries. Its purpose is to use this advice to assist the Advisory Board in its due diligence process. Included in Appendices A and B are letters from Axxima (including Alternative Risk Services) and Miller Insurance Services LLP, respectively, which provide information on the reinsurance security practices of these firms.

### 1.3 Level I Monitoring

Level I monitoring of CLLAS reinsurance consists of the following:

- Current A.M. Best and S&P 5-year rating chart comparison – see Appendix C;
- Current claims liability exposure (i.e. case reserves and IBNR) to each reinsurer from all policy years combined – see Appendix D;
- Current claims liability exposure to each reinsurer for the prior policy year– see Appendix E; and
- Single claim limit exposure to each reinsurer for the current year – see Appendix F.

CLLAS reinsurers should be rated A- or better by A.M. Best and S&P, except for special circumstances agreed to by the Board.

For the committee's convenience we have also included the A.M. Best and S&P ratings for insurers participating on the commercial excess program placed by Pro-Form for CLLAS' subscribers, including the ratings for the "CLLAS International" program, as provided by Pro-Form, under Appendix C-PF. For completeness, the commercial excess and CLLAS International insurers have also been included in the analysis of claim limit exposure to each reinsurer for the current year, which is found under Appendix F-PF.

## 1.4 Level II Monitoring Triggers

Should any of the following events occur, a Level II monitoring would take place:

- Downgrading of the financial strength rating;
- A rating agency placing a reinsurer on a "watch" list;
- Difficulties collecting reinsurance proceeds after a claim is settled;
- Use of a reinsurer that is unregistered in Canada; and
- Any other events deemed material by the Audit Committee or its advisors.

Additionally, for a particular reinsurer, Level II monitoring will be triggered in the event the following takes place and the reinsurer's exposure to CLLAS is significant relative to the its total assets and/or capital and surplus:

- Current claims liability exposure (i.e. case reserves and IBNR) for all policy years combined exceeds 10% of the total;
- Current claims liability exposure for the prior policy year exceeds 10% of the total; and
- Claim limit exposure to each reinsurer for the current year exceeds 10% of the total limits provided by CLLAS.

CLLAS' exposure is considered significant to the reinsurer if its share of CLLAS' total current liabilities or claim limit exposure exceeds 0.1% of the reinsurer's assets or 0.5% of the reinsurer's capital and surplus.

## 1.5 Level II Monitoring

The following Level II monitoring should take place for any reinsurer that requires it due to events identified above:

- Additional information should be reviewed by the Audit Committee, including a review of:
  - Stock performance relative to the remainder of the market;
  - Early warning signals/ratios (as provided by A.M. Best or equivalent agency);

- Balance sheet and income statement highlights (as provided by A.M. Best or equivalent agency);
- Meetings or direct correspondence with such reinsurers as necessary to discuss the financial health of the reinsurer.

The Audit Committee should make recommendations to the Board based on such reviews.

## 2. LEVEL II MONITORING

### 2.1 Reinsurers Requiring Level II Monitoring

As the first step in our reinsurance security monitoring process, Level I tests were performed on all CLLAS reinsurers. The following identifies the reinsurers subject to Level II monitoring and which Level II monitoring criteria was triggered:

#### Level II Monitoring Triggers

	AWAC	Colchester	Lloyd's	AMA 1200 (Argo)	Swiss Re	AML 2001 (MS Amlin)	Aspen Re*
Unregistered in Canada	✓	✓					
Difficulty collecting reinsurance proceeds after claim settlement							
Rating downgrade / "watch" list				✓			✓
Current claims liability exposure (all years) exceeds 10%		✓	✓	✓		✓	
Current claims liability exposure (prior year) exceeds 10%		✓	✓	✓		✓	
Claim limit exposure (current year) exceeds 10%		✓	✓		✓		

\* CLLAS has no ongoing exposure to Aspen Re, and the claim liability exposure is immaterial to CLLAS.

#### Level II Monitoring Required?

	AWAC	Colchester	Lloyd's	AMA 1200 (Argo)	Swiss Re	AML 2001 (MS Amlin)	Aspen Re
CLLAS exposure exceeds 0.1% of total assets	n/a	n/a		✓			
CLLAS exposure exceeds 0.5% of total capital & surplus	n/a	n/a		✓			
Level II Monitoring Required	✓	✓		✓			

Although exposure to Lloyd's does not exceed the Level II Monitoring requirement thresholds as a percent of assets and capital, we are including the AM Best Rating Report under Appendix J as an information item due to the size of the liabilities placed with Lloyd's.

Note: MS Amlin's ultimate parent company is MS&AD Insurance Group Holdings, Inc.



## 2.2 Allied World Assurance Company Limited (“AWAC”)

### General

Allied World Assurance Company Limited is a global specialty insurance and reinsurance company with offices in Bermuda, Europe and the United States. Launched in 2001, AWAC originally consisted of four employees located in a small office in Bermuda. Today, AWAC has offices in Atlanta, Bermuda, Boston, Chicago, Dublin, Farmington (CT), London, New York, San Francisco and Zug.

AWAC has been a participant in the CLLAS Program since 2002. Currently, AWAC participates in the highest levels of the CLLAS Program – the Optional Excess and Umbrella layers.

The CLLAS/AWAC reinsurance agreement includes a provision for outstanding claims advances by AWAC in favour of CLLAS.

On July 5, 2017 AWAC was acquired by Fairfax Financial Holdings. Stock information is no longer available for AWAC, so we have included the stock performance of their ultimate parent company, Fairfax Financial Holdings Ltd., which is outlined below.

### Stock Performance

The following is the 5-year stock performance as of October 07, 2021 for Fairfax Financial Holdings (ticker: FFH, Toronto Stock Exchange) with the S&P 500 Index for comparison.





### AM Best Report Highlights

The complete A.M. Best report is set forth in Appendix G.

- Current financial strength rating is A (Excellent) Stable from A.M. Best.

The balance sheet performance for AWAC is categorized as “strongest” which means that Allied World Assurance Company Holdings Limited (Allied World) has a strong balance sheet strength which is mainly due to a diversified investment portfolio, favorable reserve development and controlled growth

AWAC is backed by a Fairfax Financial Holdings (Fairfax) which has a financially stable balance sheet. AWAC can benefit from Fairfax's supportive financial leverage and favorable liquidity, with cash and short-term investments readily available to support its insurance operations.

### Financial Highlights

- Retained earnings increased from (\$324,800,000) in 2019 to (\$45,000,000) in 2020.
- Income for the year, after taxation, decreased from \$363,500,000 in 2019 to \$275,100,000 in 2020.
- The Company actively manages its reinsurance exposures by generally selecting reinsurers having a credit rating of “A-” or higher and monitoring the overall credit quality of its reinsurers to ensure that recoverables will be collected.
- Approximately 94.3% and 94.0% ceded reserves were recoverable from reinsurers who had an A.M. Best rating of “A” or higher as of December 31, 2020 and December 31, 2019, respectively.

### **Outlook**

The stable rating outlooks reflect AM Best's expectation that the group's strongest level of balance sheet strength will continue to be supported by adequate operating performance; diverse business profile, both geographically and by line of business; and well defined enterprise risk management guidelines and controls.

- Combined ratios remained ranged from 85% to 126.4% in the past 5 years. With 2018 combined ratio at 98.2%.
- A.M. Best report was updated on March 26, 2021.

## 2.3 Colchester Reinsurance Limited (“Colchester”)

### General

Colchester is a captive reinsurer for CLLAS and is wholly owned by the current and past subscriber firms of CLLAS, or their affiliates. Colchester is domiciled in Barbados.

### Stock Performance

Colchester is not publicly traded.

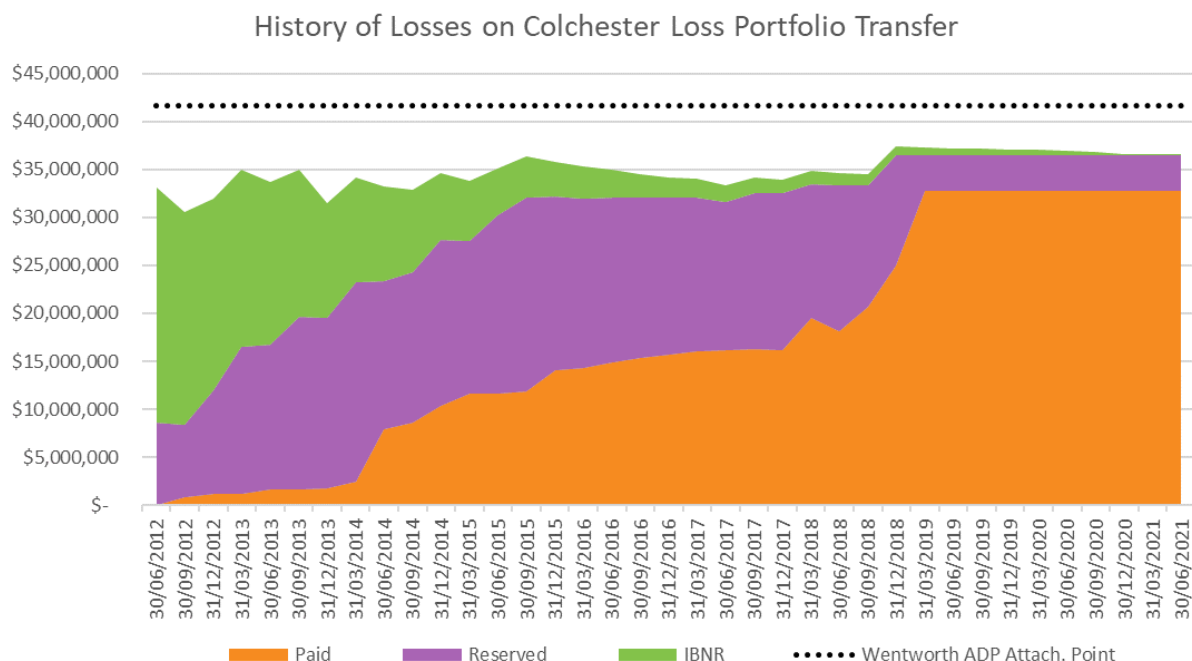
### Highlights of A.M. Best Report

Colchester is not rated by any ratings agencies.

### Financial Highlights

Please see Appendix H for a copy of the most recent financial draft statements (as of June 30, 2020). The following are some of the highlights from these financials:

- Total Equity decreased from \$25,597,365 in 2020 to \$24,869,126 in 2021
- Income for the year, after taxation, increased from (\$1,287,566) in 2020 to \$121,171 in 2021
  - Reinsurance premiums written and earned increased from \$1,330,072 in 2020 to 1,713,252 in 2021
  - Retrocession premiums increased from \$1,261,726 in 2020 to \$1,539,731 in 2021
- Colchester has been deliberately distributing surplus via premium reductions (as seen above in the level of premiums written relative to the retrocession premiums), and losses are expected to emerge over time as a result
- All the assets supporting the claims liabilities of Colchester are held in trust in a custodial account in favour of CLLAS, subject to a reinsurance security agreement as outlined by the Office of the Superintendent of Financial Institutions (Canadian federal regulator) and approved by the Alberta Superintendent of Insurance (the regulator in CLLAS’ home jurisdiction)
- On June 30, 2012 Colchester and CLLAS affected a Loss Portfolio Transfer, which transferred approximately \$33.1 million of CLLAS’ liabilities to Colchester for all prior years of account. Since that time, those liabilities have remained relatively stable, as can be seen in the chart below. Colchester also purchased 10% quota share adverse development retrocession protection on the Loss Portfolio, which attaches at \$41.7 million, also shown below as a dotted line for reference.



## 2.4 Argo Group International Holdings Ltd. (“Argo Group”)

### General

Argo Group’s operating companies provide primary and excess insurance, reinsurance products and tailored risk solutions for the managing general agency market. Argo Group underwrites on an international platform.

The segment’s business platform, Argo International Holdings Ltd. (Argo International) based in London, is comprised of four principal components:

- Argo Managing Agency, which underwrites insurance risks on behalf of the syndicate for the providers of capital;
- Syndicate 1200, which bears the insurance risk;
- Argo Underwriting Agency, which participates with other capital providers on the syndicate via its subsidiary corporate member companies; and,
- Argo Direct Limited, a wholly owned service company, which enters into insurance contracts on behalf of Syndicate 1200 from both the U.K. and a branch based in Paris (Argo Assurances, Argo International’s worldwide property division).

## Stock Performance

The following is a 5-year stock performance as of November 3, 2021 for Argo Group International Holdings (ticker: AGII) with the S&P 500 Index for comparison.



## Highlights of A.M. Best Report

The complete A.M. Best report is set forth in Appendix I.

- Current financial strength rating is A- (Excellent) Stable from A.M. Best
- Historical average combined ratio is in line with the commercial casualty composite. In 2019, however, Argo incurred \$157 million in net underwriting losses (at a 109.1% combined ratio) driven by adverse prior year loss development and higher current year loss picks in the fourth quarter. Argo's 2020 underwriting results improved to \$109.6 million of underwriting losses (at a 106.2% combined ratio) driven by much improved ex-CAT current accident year losses (three points on the loss ratio), no significant prior year adverse reserve development (eight points of improvement), partially offset by higher losses due to COVID-19 and higher non-COVID natural catastrophe losses.
- Being a large U.S. wholesale insurer and an active participant in the Lloyd's market, Argo's expense ratio is high compared to its peers. The new executive management team is taking steps to lower its expense ratio by simplifying organizational structure, shrinking non-core business and eliminating wasteful spending that does not support strategic goals.

- Historically favorable prior year reserve development. While the group posted material adverse prior year reserve development in the third and fourth quarter of 2019, there was no significant loss reserve development in 2020.

A.M. Best report was updated on March 12, 2021

## Financial Highlights

- Retained earnings decreased from \$793,700,000 in 2019 to \$684,100,000 in 2020.
- Net Income for the year, after taxation, decreased from (\$14,100,000) in 2019 to (\$54,100,000) in 2020.
- Total Capital and Surplus increased from \$1,763,700,000 in 2019 to \$1,857,800,000 in 2020.
- ROEs over the most recent five-year period were lower than its historical average due to higher-than-average catastrophe losses, stock market volatility and, more recently, prior year reserve development in 2019.

September 23, 2014

Mr. Nick Leblovic  
Chairman, CLLAS  
c/o Davies Ward Phillips & Vineberg LLP  
40<sup>th</sup> Floor, 155 Wellington Street West  
Toronto, Ontario M5V 3J7

Dear Nick,

This is in response to a previous request to provide a letter regarding the reinsurance that is placed on behalf of CLLAS. We are reissuing this letter under Axxima cover to confirm that the previous letter, dated June 9, 2009 under Dion, Durrell + Associates Inc. cover, remains accurate under Axxima's management.

As you know, we work closely with Miller Insurance Services Ltd. (Miller) on all CLLAS reinsurance matters, with Miller being responsible for the London placement (including Lloyd's and certain European companies) and the Colchester retrocession placement. Axxima, via its subsidiary, Alternative Risk Services, a division of 3303128 Canada Inc. ("AR Services"), prepares the reinsurance submission that goes out to all markets and specifically places the domestic and Bermuda reinsurance as well as the aggregate stop-loss reinsurance placed through Colchester.

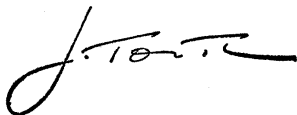
In the past, a minimum reinsurance security rating standard of no less than A-, as determined by A.M. Best and Standard & Poor's, had been established with CLLAS. Any deviation from such standard is to be referred to the CLLAS Advisory Board. Thoughtful and deliberate monitoring preserves the important relationships that CLLAS has developed over the years with its reinsurers.

Please be advised that neither Axxima, nor AR Services, carries out its own assessment of the solvency of any insurer or reinsurer and do not guarantee the solvency or continuing solvency of any insurer or reinsurer. You should note that the financial solvency of any insurer or reinsurer could change after the reinsurance protection has been placed. We are committed to providing CLLAS with up-to-date information on any material changes in the financial status or the security ratings of CLLAS reinsurers. To this end, we carry out CLLAS' adopted reinsurance security process.

In general, we are prepared to provide CLLAS with updates from A.M. Best and S&P based on our monitoring of the security ratings of each of the participating reinsurers. We will advise CLLAS on any adverse developments which may require CLLAS to replace a certain reinsurer mid-term or to decide to monitor and continue to use a certain reinsurer for a prescribed period of time.

We hope that the foregoing is satisfactory, however, should you have any questions, please do not hesitate to contact the undersigned.

Yours sincerely,



Joseph D. Tontini  
Consultant



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Canada

5th June 2009

Dear Nick

**CLLAS Reinsurance Programme  
Renewal effective 1<sup>st</sup> July 2009**

In accordance with your request and in conjunction with Dion, Durrell + Associates, Inc., we have compiled various material relating to the reinsurers we use who participate on the CLLAS reinsurance programme. We have collated this information with the underwriters' responses given during our meetings to the set of questions posed during your recent visit to London. A copy of the matrix with reinsurers' feedback is enclosed.

You have asked us to comment on the appropriateness of the reinsurers who are involved as well as give our views on possible new markets. Miller does not assess or guarantee the solvency of any (re)insurer, however we check the financial strength ratings provided by specialist agencies (such as Standard & Poor's and A.M. Best) for each participating market and each must be authorised internally at Miller for us to use. Any markets which do not meet a minimum criteria may still be used but only with specific client approval. In practice the current specialist agency financial strength ratings of all the reinsurers used by us on your programme are in excess of our minimum criteria for authorisation.

On an ongoing basis we monitor these ratings as well as developments in the market and will advise you in the event there are circumstances which lead a market to fall out of our authorised classification. Taking into consideration reinsurers' feedback from our meetings, the Miller authorisations of each of the markets we use on the CLLAS programme are unaffected.

For 2009 we will be approaching the current participants for their support and many of these have had long term relationships with CLLAS. As outlined in London, we and Dion, Durrell work closely together to strategically manage the size and layering of participations offered by each reinsurer to ensure that the most optimal result is achieved for CLLAS, in line with its objectives for renewal. At present there are no new reinsurance companies which we wish to approach with your programme this year, but there are several new Lloyd's syndicates which may be interested in supporting your account and we will be approaching them for their views in due course. The current Lloyd's rating by Standard & Poor's is A+ (strong) with a stable outlook.

Please don't hesitate to let me know if you have any questions or comments.

Yours sincerely

A handwritten signature in black ink, appearing to read "Mark Pople".

Mark Pople  
Director – Professional Risks

Encl.



## CLLAS Reinsurance

S&P Ratings over a 5 year period  
October 2021

Appendix C

Reinsurers		2017	2018	2019	2020	2021
Lloyd's	Rating	A+	A+	A+	A+	A+
	Outlook	Stable	Negative	Negative	Stable	Stable
Aspen Re	Rating	A	A	A	A	BBB
	Outlook	Stable	Negative	Negative	Negative	Stable
Hannover Rueck	Rating	AA-	AA-	AA-	AA-	AA-
	Outlook	Stable	Stable	Stable	Stable	Stable
Transatlantic Reinsurance Company (UK)	Rating	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Stable
Arch Insurance Company (Canada Branch)	Rating	A+	A+	A+	A+	A+
	Outlook	Negative	Stable	Stable	Negative	Negative
Allied World Assurance Company Ltd.	Rating	A-	A-	A-	A-	A-
	Outlook	Stable	Positive	Positive	Stable	Positive
CRC (Bermuda) Reinsurance Ltd.	Rating	N/A	N/A	N/A	N/A	N/A
	Outlook	N/A	N/A	N/A	N/A	N/A
RSA Insurance Group(formerly GCAN Insurance Company)	Rating	A	A	A	A	N/A
	Outlook	Stable	Stable	Stable	Stable	N/A
SCOR Canada Reinsurance Company	Rating	AA-	AA-	AA-	AA-	AA-
	Outlook	Stable	Stable	Stable	Stable	Stable
Swiss Reinsurance Company Ltd. (Canada Branch)	Rating	AA-	AA-	AA-	AA-	AA-
	Outlook	Stable	Stable	Stable	Negative	Negative
Toa Reinsurance Company of America	Rating	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Stable
Alleghany Corporation (formerly Transatlantic Reinsurance Company) (Parent)	Rating	BBB+	BBB+	BBB+	BBB+	BBB+
	Outlook	Stable	Stable	Stable	Stable	Stable
Transatlantic Reinsurance Company (Canada)	Rating	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Stable
Colchester Reinsurance Ltd.	Rating	N/A	N/A	N/A	N/A	N/A
	Outlook	N/A	N/A	N/A	N/A	N/A
Munich Re	Rating	AA-	AA-	AA-	AA-	AA-
	Outlook	Stable	Stable	Stable	Stable	Stable
Argo Group Operating Subsidiaries (AMA 1200 Parent)	Rating	A-	A-	A-	A-	A-
	Outlook	Stable	Stable	Stable	Stable	Negative
Axis Reinsurance Company	Rating	A+	A+	A+	A+	A+
	Outlook	Negative	Negative	Stable	Negative	Negative
Continental Casualty Company (CNA)	Rating	A	A	A	A+	A+
	Outlook	Stable	Stable	Positive	Stable	Stable
Allianz Global Risks	Rating	AA	AA	AA	AA	AA
	Outlook	Stable	Stable	Stable	Negative	Negative
CNA Canada	Rating	A	A	A	A+	A+
	Outlook	Stable	Stable	Positive	Stable	Stable

## CLLAS Reinsurance

A.M Best Ratings over a 5 year period  
October 2021

Appendix C

Reinsurers	Registered Status	AMB#		2017	2018	2019	2020	2021
Lloyd's	Registered	85202	Rating	A	A	A	A	A
			Outlook	Stable	Stable	Stable	Stable	Stable
Aspen Re	Registered	14149	Rating	A	A	A	A	A
			Outlook	Stable	Stable	Stable	Stable	Stable
Hannover Rueck	Registered	85070	Rating	A+	A+	A+	A+	A+
			Outlook	Stable	Stable	Stable	Stable	Stable
Transatlantic Reinsurance Company (UK)	Registered	03126	Rating	A+	A+	A+	A+	A+
			Outlook	Stable	Stable	Stable	Stable	Stable
Arch Insurance Company (Canada Branch)	Registered	66513	Rating	A+	A+	A+	A+	A+
			Outlook	Negative	Negative	Stable	Stable	Stable
Allied World Assurance Company Ltd.	Unregistered	84808	Rating	A	A	A	A	A
			Outlook	Negative	Stable	Stable	Stable	Stable
CRC (Bermuda) Reinsurance Ltd.	Unregistered		Rating	N/A	N/A	N/A	N/A	N/A
			Outlook	N/A	N/A	N/A	N/A	N/A
RSA Insurance Group(formerly GCAN Insurance Company)	Registered		Rating	N/A	N/A	N/A	N/A	N/A
			Outlook	N/A	N/A	N/A	N/A	N/A
SCOR Canada Reinsurance Company	Registered	55362	Rating	A+	A+	A+	A+	A+
			Outlook	Positive	Stable	Stable	Stable	Stable
Swiss Reinsurance Company Ltd. (Canada Branch)	Registered	91982	Rating	A+	A+	A+	A+	A+
			Outlook	Stable	Stable	Stable	Stable	Stable
Toa Reinsurance Company of America	Registered	85179	Rating	A	A	A	A	A
			Outlook	Stable	Stable	Stable	Stable	Stable
Alleghany Corporation (formerly Transatlantic Reinsurance Company) (Parent)	Registered		Rating	N/A	N/A	N/A	N/A	N/A
			Outlook	Stable	Stable	Stable	Stable	Stable
Transatlantic Reinsurance Company (Canada)	Registered	03126	Rating	A+	A+	A+	A+	A+
			Outlook	Stable	Stable	Stable	Stable	Stable
Colchester Reinsurance Ltd.	Unregistered		Rating	N/A	N/A	N/A	N/A	N/A
			Outlook	N/A	N/A	N/A	N/A	N/A
Munich Re	Registered	85011	Rating	A+	A+	A+	A+	A+
			Outlook	Stable	Stable	Stable	Stable	Stable
Argo Group Operating Subsidiaries (AMA 1200 Parent)	Registered	91791	Rating	A	A	A	A	A-
			Outlook	Stable	Stable	Stable	Stable	Stable
Axis Reinsurance Company	Registered	12557	Rating	A+	A+	A+	A	A
			Outlook	Stable	Negative	Negative	Stable	Stable
Continental Casualty Company (CNA)	Registered	02128	Rating	A	A	A	A	A
			Outlook	Stable	Stable	Stable	Stable	Stable
Allianz Global Risks	Registered	00407	Rating	A+	A+	A+	A+	A+
			Outlook	Stable	Stable	Stable	Stable	Stable
CNA Canada	Registered	86301	Rating	N/A	N/A	N/A	N/A	N/A
			Outlook	N/A	N/A	N/A	N/A	N/A

\* As of March 31, 2012

# Renewal Quotations

## CLLAS Canadian Excess Program

	Liberty Lead	Encon Lead
	\$50x50 (\$474)	\$60x\$100 (\$411)
Liberty International Canada	20%	9.5%
Victor Insurance (formally Encon)	10%	25%
Travelers Insurance Company of Canada	10%	16.5%
Royal & Sun Alliance Insurance Company of Canada	20%	9.5%
AXA XL	10%	
Axis Reinsurance Company	10%	
Northbridge Insurance Company	5% (10% on Associate)	10%
The Sovereign General Insurance Company		16.5%
QBE Services Inc.	10%	8%
CLLAS	5% (0% on Associate)	5%
Total	100%	100%

1. One CLLAS member purchases \$30,000,000 xs \$50,000,000. The new rate per lawyer is \$328 per lawyer and the new \$50,000,000 xs \$50,000,000 Insurer group will provide this layer.
2. We do have one Associate Member of CLLAS and they will purchase \$45,000,000 xs \$50,000,000 and the renewal rate is \$601 per lawyer.

Note: The new rate on the layer of \$110,000,000 excess of \$50,000,000 is \$885 per lawyer vs. the expiring rate of \$805 per lawyer, which is an overall increase of 10%

# Renewal Quotations

## CLLAS International

Insurer	Layer	Proposed Renewal
		<b>2021 - 2022</b>
CNA (25%)	US\$30,000,000 each claim and aggregate	15% Rate increase or increased retention options with a lesser rate increase
AXA XL (16.50%)		
Berkshire (25%)		
Aspen Re (16.5%)		
Lloyds (17.00%)		

Note: Each Participating firm will receive a renewal notice confirming their renewal terms.

## CLLAS Reinsurance

Appendix D

### Top 25 Reinsurers by % of Current Liability

#### ALL YEARS

ALL YEARS				LAYERS										TOTAL	All-time Percent of Total	Prev. Year Percent of Total	Move- ment?
Watch	Name	Jurisdiction	Reg'd?	\$ .975MM	\$4/\$49MM	\$7.5MM	\$12.5MM	\$10MM	\$30/60MM	\$20MM	\$10-60MM	\$15-110MM					
				XS \$ .025MM	XS \$1MM	XS \$5MM	XS \$12.5MM	XS \$25MM	XS \$65MM	XS \$140MM	XS \$160MM	XS \$50MM					
➔	Underwriters at Lloyd's	London	Yes	0	35,260,907	35,977	28,139	22,033	69,837	154	149,787	0	35,566,834	51.7%	52.4%	Down	
	Colchester	Barbados	No	0	13,551,324	0	0	0	0	0	27,707	7,864	13,586,894	19.7%	18.7%	Up	
	AMA 1200	Lloyd's	Yes	0	13,078,554	0	0	0	38	0	0	0	13,078,592	19.0%	19.3%	Down	
	AML 2001	Lloyd's	Yes	0	6,574,285	0	3,470	2,332	0	11	0	0	6,580,098	9.6%	9.1%	Up	
	Allianz Global Risks	London	Yes	0	5,217,963	0	0	0	0	0	0	0	5,217,963	7.6%	7.4%	Up	
	Vibe 5678	Lloyd's	Yes	0	5,087,625	0	0	0	0	0	0	0	5,087,625	7.4%	5.9%	Up	
	AUL 1274	Lloyd's	Yes	0	4,852,014	0	0	0	0	0	0	0	4,852,014	7.1%	6.6%	Up	
	PPI 9969	Lloyd's	Yes	0	3,477,262	0	0	0	0	0	3,021	0	3,480,284	5.1%	7.1%	Down	
	AXIS Re	Canada	Yes	0	3,331,956	0	0	0	0	0	16,253	0	3,348,209	4.9%	4.5%	Up	
	CNA (Combined)	Combined	Mixed	0	1,076,687	0	0	0	0	0	0	0	1,076,687	1.6%	2.3%	Down	
	CNA Canada	Canada	Yes	0	1,045,343	0	0	0	0	0	0	0	1,045,343	1.5%	0.0%	Up	
	AGD 2526	Lloyd's	Yes	0	827,556	1,101	0	0	62	0	247	0	828,966	1.2%	1.3%	Down	
	Hamilton (Combined)	Combined	Yes	0	594,642	0	7,324	0	6,257	22	16,955	0	625,200	0.9%	1.3%	Down	
	Hannover (Combined)	Combined	Yes	0	533,513	0	20,630	0	0	0	0	0	554,143	0.8%	0.9%	Down	
	Argenta 2121	Lloyd's	Yes	0	533,513	0	0	0	0	0	0	0	533,513	0.8%	0.8%	Down	
	Hamilton 3334	Lloyd's	Yes	0	500,331	0	0	0	826	0	2,142	0	503,300	0.7%	1.1%	Down	
	Swiss Re (Combined)	Combined	Mixed	0	0	0	0	13,847	45,186	350	49,599	280,740	389,722	0.6%	0.6%	Down	
	Westport Insurance Corp. (Swiss Re)	Canada	Yes	0	0	0	0	0	44,240	0	49,191	280,740	374,171	0.5%	0.6%	Down	
	Acappella 2014	Lloyd's	Yes	0	102,241	0	0	0	2,747	0	21,361	0	126,350	0.2%	0.2%	Down	
	PEM 4000	Lloyd's	Yes	0	94,311	0	7,324	0	5,430	22	14,812	0	121,901	0.2%	0.2%	Down	
	Barbican 1955	Lloyd's	Yes	0	94,960	0	0	0	42	0	100	0	95,102	0.1%	0.2%	Down	
	Transatlantic Reinsurance Company (Combined)	Combined	Yes	0	52,241	9,409	9,990	0	0	0	0	0	71,640	0.1%	0.2%	Down	
	Transatlantic Reinsurance Company	Canada	Yes	0	52,241	8,467	9,656	0	0	0	0	0	70,364	0.1%	0.0%	Up	
	AmTrust 1206	Lloyd's	Yes	0	38,255	0	0	0	6,097	0	18,338	0	62,689	0.1%	0.1%	Down	
	MKL 3000	Lloyd's	Yes	0	0	0	7,387	8,191	9,597	0	36,219	0	61,394	0.1%	0.1%	Down	
	Total Current Liabilities			2,653,390	65,055,829	164,175	128,097	56,720	129,103	1,399	326,589	288,603	68,803,905				
	Proportional Reinsurance:																
	London			0	40,478,870	48,429	58,760	26,467	69,837	154	149,787	0	40,832,304	59.3%	60.0%	Down	
	Canada			0	4,460,884	33,471	28,189	20,173	50,875	350	125,509	280,740	5,000,191	7.3%	7.8%	Down	
	Bermuda			0	0	4,656	4,060	0	8,391	895	23,586	0	41,587	0.1%	0.1%	Down	
	Barbados			0	13,551,324	0	0	0	0	0	27,707	7,864	13,586,894	19.7%	18.7%	Up	
	Total			0	58,491,077	86,556	91,009	46,640	129,103	1,399	326,589	288,603	59,460,976	86.4%	86.6%	Down	
	CLLAS Proportional Retention			2,653,390	6,564,751	77,620	37,088	10,080	0	0	0	0	9,342,929	13.6%	13.4%	Up	
➔	Colchester Loss Portfolio Transfer & Stop Loss			33,276	6,564,751	77,620	37,088	10,080	0	0	0	0	6,722,815	9.8%	11.1%	Down	
	CLLAS Net Retention												2,620,114	3.8%	2.3%	Up	

## CLLAS Reinsurance

### Reinsurers by % of Current Liability

#### CURRENT YEAR (2021/2022)

Appendix E

Watch	Name	Jurisdiction	Reg'd?	LAYERS					TOTAL	Percent of Total	Prev. Year Percent of Total	Move-ment?
				\$ .975MM XS	\$49MM XS	\$30/60MM XS	\$10-60MM XS	\$15-110MM XS				
				\$ .025MM	\$1MM	\$65MM	\$160MM	\$50MM				
	Underwriters at Lloyd's	London	Yes	0	2,134,052	4,309	7,624	0	2,145,985	58.1%	55.3%	Up
➔	Colchester	Barbados	No	0	1,173,728	0	1,485	7,864	1,183,077	32.0%	22.3%	Up
	AMA 1200	Lloyd's	Yes	0	764,702	0	0	0	764,702	20.7%	19.1%	Up
	Hannover (Combined)	Combined	Yes	0	533,513	0	0	0	533,513	14.4%	14.3%	Up
	Argenta 2121	Lloyd's	Yes	0	533,513	0	0	0	533,513	14.4%	14.3%	Up
	AML 2001	Lloyd's	Yes	0	480,162	0	0	0	480,162	13.0%	11.9%	Up
	AUL 1274	Lloyd's	Yes	0	355,675	0	0	0	355,675	9.6%	9.5%	Up
	AXIS Re	Canada	Yes	0	248,973	0	742	0	249,715	6.8%	6.7%	Up
	Swiss Re (Combined)	Combined	Mixed	0	0	2,742	1,360	9,436	13,539	0.4%	0.5%	Down
	Westport Insurance Corp. (Swiss Re)	Canada	Yes	0	0	2,742	1,360	9,436	13,539	0.4%	0.5%	Down
	MKL 3000	Lloyd's	Yes	0	0	779	2,043	0	2,822	0.1%	0.1%	Down
	BRT 2987	Lloyd's	Yes	0	0	1,802	891	0	2,693	0.1%	0.1%	Down
	Canopus 4444	Lloyd's	Yes	0	0	635	1,363	0	1,999	0.1%	0.0%	Up
	Gerling Global Re	Canada	Yes	0	0	313	1,485	0	1,798	0.0%	0.1%	Down
	AWAC	Bermuda	No	0	0	470	1,039	0	1,510	0.0%	0.1%	Down
	Hamilton (Combined)	Combined	Yes	0	0	388	824	0	1,212	0.0%	0.1%	Down
	PEM 4000	Lloyd's	Yes	0	0	388	824	0	1,212	0.0%	0.1%	Down
	Sampo (Fronted by Trisura)	Canada	Yes	0	0	0	1,114	0	1,114	0.0%	0.0%	Up
	FDY 435	Lloyd's	Yes	0	0	353	679	0	1,032	0.0%	0.0%	Down
	Mosaic	Lloyd's	Yes	0	0	0	933	0	933	0.0%	0.0%	Up
	Probitas 1492	Lloyd's	Yes	0	0	0	891	0	891	0.0%	0.0%	Down
	AFB 623/2623	Lloyd's	Yes	0	0	352	0	0	352	0.0%	0.0%	Down
	Catlin (Combined)	Combined	Yes	0	0	0	0	0	0	0.0%	0.1%	Zero
	CNA (Combined)	Combined	Mixed	0	0	0	0	0	0	0.0%	0.0%	Zero
	RSA (Combined)	Combined	Yes	0	0	0	0	0	0	0.0%	0.1%	Zero

#### Total Current Liabilities

112,755 3,519,819 9,394 24,954 26,813 3,693,735

#### Proportional Reinsurance:

London	0	2,134,052	4,309	7,624	0	2,145,985	58.1%	67.2%	Down
Canada	0	248,973	3,056	4,701	9,436	266,166	7.2%	7.4%	Down
Bermuda	0	0	470	1,039	0	1,510	0.0%	0.1%	Down
Barbados	0	1,173,728	0	1,485	7,864	1,183,077	32.0%	22.3%	Up
Total	0	3,556,753	7,835	14,850	17,300	3,596,737	97.4%	96.9%	Up
CLLAS Proportional Retention	112,755	-36,934	1,559	10,105	9,513	96,997	2.6%	3.1%	Down
➔ Colchester Aggregate						0	0.0%	0.0%	Zero
CLLAS Net Retention						96,997	2.6%	3.1%	Down

## CLLAS Reinsurance

Appendix F

### Reinsurers by % of Single Claim Exposure

#### CURRENT YEAR (2021/2022)

Watch	Name	Jurisdiction	Reg'd?	LAYERS					TOTAL	Percent of Total	Prev. Year Percent of Total	Move-ment?
				\$ .975MM XS	\$49MM XS	\$30/60MM XS	\$10-60MM XS	\$110MM XS				
				\$ .025MM	\$1MM	\$65MM	\$160MM	\$50MM				
	Underwriters at Lloyd's	London	Yes	0	29,400,000	16,500,000	30,804,000	0	76,704,000	52.7%	44.5%	Up
➔	Colchester	Barbados	No	0	16,170,000	0	6,000,000	2,500,000	24,670,000	17.0%	9.8%	Up
	Swiss Re (Combined)	Combined	Mixed	0	0	10,500,000	5,496,000	3,000,000	18,996,000	13.1%	23.4%	Down
	Westport Insurance Corp. (Swiss Re)	Canada	Yes	0	0	10,500,000	5,496,000	3,000,000	18,996,000	13.1%	23.4%	Down
	MKL 3000	Lloyd's	Yes	0	0	2,982,000	8,256,000	0	11,238,000	7.7%	4.0%	Up
	AMA 1200	Lloyd's	Yes	0	10,535,000	0	0	0	10,535,000	7.2%	6.7%	Up
	BRT 2987	Lloyd's	Yes	0	0	6,900,000	3,600,000	0	10,500,000	7.2%	5.4%	Up
	Canopus 4444	Lloyd's	Yes	0	0	2,433,000	5,508,000	0	7,941,000	5.5%	0.0%	Up
	Hannover (Combined)	Combined	Yes	0	7,350,000	0	0	0	7,350,000	5.1%	0.0%	Up
	Argenta 2121	Lloyd's	Yes	0	7,350,000	0	0	0	7,350,000	5.1%	0.0%	Up
	Gerling Global Re	Canada	Yes	0	0	1,200,000	6,000,000	0	7,200,000	4.9%	4.9%	Unchanged
	AML 2001	Lloyd's	Yes	0	6,615,000	0	0	0	6,615,000	4.5%	3.3%	Up
	AXIS Re	Canada	Yes	0	3,430,000	0	3,000,000	0	6,430,000	4.4%	3.7%	Up
	AWAC	Bermuda	No	0	0	1,800,000	4,200,000	0	6,000,000	4.1%	4.1%	Unchanged
	AUL 1274	Lloyd's	Yes	0	4,900,000	0	0	0	4,900,000	3.4%	2.2%	Up
	Hamilton (Combined)	Combined	Yes	0	0	1,485,000	3,330,000	0	4,815,000	3.3%	0.0%	Up
	PEM 4000	Lloyd's	Yes	0	0	1,485,000	3,330,000	0	4,815,000	3.3%	2.0%	Up
	Sampo (Fronted by Trisura)	Canada	Yes	0	0	0	4,500,000	0	4,500,000	3.1%	0.0%	Up
	FDY 435	Lloyd's	Yes	0	0	1,353,000	2,742,000	0	4,095,000	2.8%	2.0%	Up
	Mosaic	Lloyd's	Yes	0	0	0	3,768,000	0	3,768,000	2.6%	0.0%	Up
	Probitas 1492	Lloyd's	Yes	0	0	0	3,600,000	0	3,600,000	2.5%	0.0%	Up
	AFB 623/2623	Lloyd's	Yes	0	0	1,347,000	0	0	1,347,000	0.9%	0.8%	Up
	Catlin (Combined)	Combined	Yes	0	0	0	0	0	0	0.0%	0.7%	Zero
	CNA (Combined)	Combined	Mixed	0	0	0	0	0	0	0.0%	3.4%	Zero
	RSA (Combined)	Combined	Yes	0	0	0	0	0	0	0.0%	3.3%	Zero

#### Maximum Exposure Any One Claim

975,000 49,000,000 30,000,000 60,000,000 5,500,000 145,475,000

#### Proportional Reinsurance:

London	0	29,400,000	16,500,000	30,804,000	0	76,704,000	52.7%	51.8%	Up
Canada	0	3,430,000	11,700,000	18,996,000	3,000,000	37,126,000	25.5%	34.9%	Down
Bermuda	0	0	1,800,000	4,200,000	0	6,000,000	4.1%	5.6%	Down
Barbados	0	16,170,000	0	6,000,000	2,500,000	24,670,000	17.0%	7.0%	Up
Total	0	49,000,000	30,000,000	60,000,000	5,500,000	144,500,000	99.3%	99.3%	Up

#### CLLAS Proportional Retention

975,000 0 0 0 0 975,000 0.7% 0.7% Down

#### Colchester Aggregate

n/a n/a n/a

#### CLLAS Net Retention

975,000 0.7% 0.7% Down

## CLLAS Reinsurance

Appendix F-PF

### Reinsurers by % of Single Claim Exposure

#### CURRENT YEAR (2021/2022)

Watch	Name	Jurisdiction	Reg'd?	LAYERS						US\$30MM* (\$39MM)	TOTAL	Percent of Total
				\$ .975MM XS	\$49MM XS	\$30/60MM XS	\$10-60MM XS	\$15-50MM XS	\$60MM XS			
				\$ .025MM	\$1MM	\$65MM	\$160MM	\$50MM	\$100MM			
	Underwriters at Lloyd's	London	Yes	0	29,400,000	16,500,000	30,804,000	0	0	6,630,000	83,334,000	28.8%
➔	Colchester	Barbados	No	0	16,170,000	0	6,000,000	0	0	0	22,170,000	7.7%
	Victor Insurance (PF)	Canada	Yes	0	0	0	0	5,000,000	15,000,000	0	20,000,000	6.9%
	Westport Insurance Corp. (Swiss Re)	Canada	Yes		0	10,500,000	5,496,000	0	0	0	15,996,000	5.5%
	Swiss Re (Combined)	Combined	Mixed	0	0	10,500,000	5,496,000	0	0	0	15,996,000	5.5%
	Liberty International Canada (PF)	Canada	Yes	0	0	0	0	10,000,000	5,700,000	0	15,700,000	5.4%
	Royal & Sun Alliance Co. of Canada (PF)	Canada	Yes	0	0	0	0	10,000,000	5,700,000	0	15,700,000	5.4%
	Travelers Insurance Company of Canada (PF)	Canada	Yes	0	0	0	0	5,000,000	9,900,000	0	14,900,000	5.2%
	AXA XL (PF)	Canada	Yes	0	0	0	0	5,000,000	0	6,435,000	11,435,000	4.0%
	MKL 3000	Lloyd's	Yes		0	2,982,000	8,256,000	0	0	0	11,238,000	3.9%
	AMA 1200	Lloyd's	Yes	0	10,535,000	0	0	0	0	0	10,535,000	3.6%
	BRT 2987	Lloyd's	Yes	0	0	6,900,000	3,600,000	0	0	0	10,500,000	3.6%
	The Sovereign General Insurance Company (PF)	Canada	Yes	0	0	0	0	0	9,900,000	0	9,900,000	3.4%
	QBE Insurance Group (PF)	Canada	Yes	0	0	0	0	5,000,000	4,800,000	0	9,800,000	3.4%
	CNA (US)	US	Yes	0	0	0	0	0	0	9,750,000	9,750,000	3.4%
	Bershire (PF)	US	Yes	0	0	0	0	0	0	9,750,000	9,750,000	3.4%
	Northbridge Insurance Company (PF)	Canada	Yes	0	0	0	0	2,500,000	6,000,000	0	8,500,000	2.9%
	Canopus 4444	Lloyd's	Yes	0	0	2,433,000	5,508,000	0	0	0	7,941,000	2.7%
	Hannover (Combined)	Combined	Yes	0	7,350,000	0	0	0	0	0	7,350,000	2.5%
	Argenta 2121	Lloyd's	Yes	0	7,350,000	0	0	0	0	0	7,350,000	2.5%
	Gerling Global Re	Canada	Yes	0	0	1,200,000	6,000,000	0	0	0	7,200,000	2.5%
	AML 2001	Lloyd's	Yes	0	6,615,000	0	0	0	0	0	6,615,000	2.3%
	Aspen Re (PF)	Canada	Yes		0	0	0	0	0	6,435,000	6,435,000	2.2%
	AXIS Re	Canada	Yes	0	3,430,000	0	3,000,000	0	0	0	6,430,000	2.2%
	AWAC	Bermuda	No	0	0	1,800,000	4,200,000	0	0	0	6,000,000	2.1%

#### Maximum Exposure Any One Claim

975,000 49,000,000 30,000,000 60,000,000 50,000,000 60,000,000 39,000,000 288,975,000 28.8%

#### Proportional Reinsurance:

London 0 29,400,000 16,500,000 30,804,000 0 0 6,630,000 83,334,000 2.1%  
Canada 0 3,430,000 11,700,000 14,496,000 50,000,000 60,000,000 12,870,000 152,496,000 7.7%  
US 0 0 0 0 0 0 19,500,000 19,500,000 98.1%  
Bermuda 0 0 1,800,000 4,200,000 0 0 0 6,000,000  
Barbados 0 16,170,000 0 6,000,000 0 0 0 22,170,000 1.9%  
Total 0 49,000,000 30,000,000 55,500,000 50,000,000 60,000,000 39,000,000 283,500,000

n/a

#### CLLAS Proportional Retention

975,000 0 0 4,500,000 0 0 0 5,475,000 1.9%

#### Colchester Aggregate

n/a

#### CLLAS Net Retention

5,475,000