



CLLAS AUDIT COMMITTEE MEETING

Gordon Goodman

Michael Swartz

Carl De Vuono

Videoconference Meeting via Microsoft Teams – See calendar invite for details and to join meeting

Tuesday, October 22, 2024 @ 10.00 a.m.

AGENDA

		<u>Responsibility</u>	<u>Tab</u>
1.	Constitution of Meeting	Gordon Goodman	
2.	Appointment of Secretary	Gordon Goodman	
3.	Minutes of June 17, 2024 Meeting Proposed Motion: To approve the minutes.	Gordon Goodman	A
4.	Audit Plan for December 31, 2024 Year End and Engagement Letter	KPMG	B
	<i>(Auditors Leave Meeting)</i>		
5.	Colchester Management Financials at June 30, 2024	Carrie Green	C
6.	Reinsurance Security Report (Materials to follow)	Ryan Durrell	D
7.	Other Business – Proposed Dates of Next Meetings		
	a. February 14, 2025 time TBA – 30 minute virtual meeting to review December 31, 2024 Management Financial Statements (Committee and General Manager’s office only)		
	b. February 18, 2025 10:00 a.m. – Audit Committee meeting		

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

**Minutes of the meeting of the Audit Committee held by videoconferencing on
June 17, 2024 10.00 a.m. Toronto time.**

Present:

Gordon Goodman (Chair)
Michael Swartz
Carl De Vuono

Cassels Brock & Blackwell LLP
WeirFoulds LLP
McMillan LLP

Also Present:

Ken Crofoot (CLLAS Chair)
Carrie Green

Goodmans LLP
Office of the General Manager

1. Constitution of Meeting

The Chair called the meeting to order.

2. Secretary of the Meeting

Carrie Green acted as Secretary.

3. Tender for Audit Services

Carrie Green reported that CLLAS received three audit proposals in total from Deloitte (the incumbent), KPMG and PwC. The submissions were reviewed by the General Manager's office and evaluated against the prescribed scoring matrix as outlined in the RFP. KPMG was identified as the top submission in all areas – approach/methodology, reciprocal experience, and value for money.

Upon motion and duly moved, seconded and carried unanimously, it was resolved that the audit committee recommends to the subscribers of CLLAS that KPMG be appointed as auditor of CLLAS.

There being no other business, the meeting was terminated.

Chair

Secretary



Canadian Lawyers Liability Assurance Society (CLLAS)

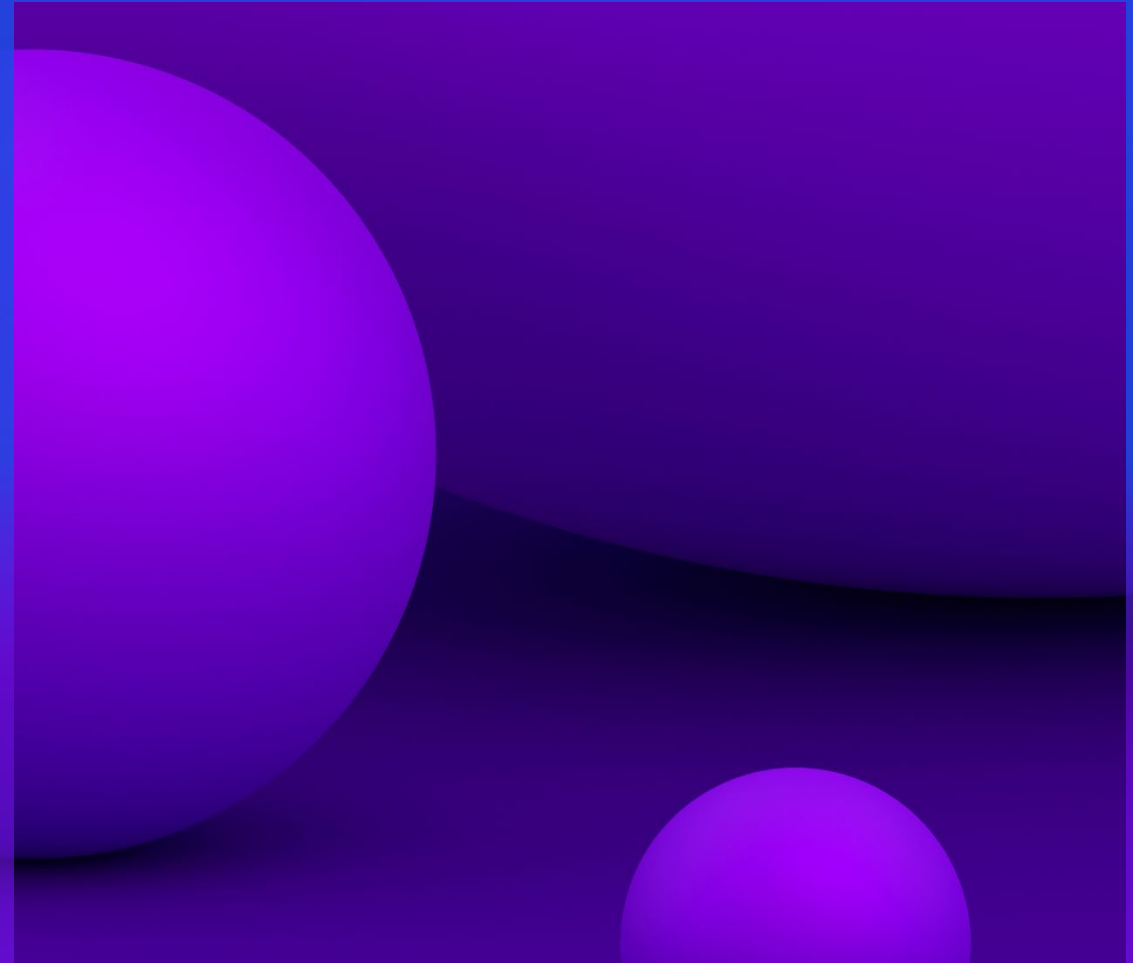
Audit Planning Report
for the year ending
December 31, 2024

A stylized, handwritten-style signature of 'KPMG LLP' in white, with a long horizontal line underneath.

Licensed Public Accountants

Prepared as of October 11, 2024 for presentation to the Audit
Committee on October 22, 2024

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement



Kim Haley

Lead Audit Engagement Partner

519-747-8394

khaley@kpmg.ca



Dale Percival

Audit Engagement Manager

519-747-8398

dalepercival1@kpmg.ca



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Digital use information

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

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



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

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Appendices





Audit highlights



No matters to report



Matters to report – see link for details

Scope

Our audit of the financial statements of Canadian Lawyers Liability Assurance Society (“The Company”) as of and for the year ending December 31, 2024, will be performed in accordance with Canadian generally accepted auditing standards (CASs).

Audit strategy

Materiality \$350,000

Involvement of others



Updates to our prior year audit plan

Required Communications



Engagement letter



Other required communications



Independence



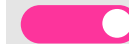
Risk assessment



Risk of management override of controls



- CAS requires auditors to identify management override of controls as a significant risk in all audits



Other significant risks



- Valuation of insurance & reinsurance contract assets & liabilities
- Presumed risk of fraudulent revenue recognition



Other risks of Material Misstatement



- Regulatory capital (MCT)
- First year audit considerations

The purpose of this report is to assist you, as a member of the Audit Committee, in your review of the plan for our audit of the financial statements. This report is intended solely for the information and use of Management, the Audit Committee, and the Board of Directors and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report to the Audit Committee has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

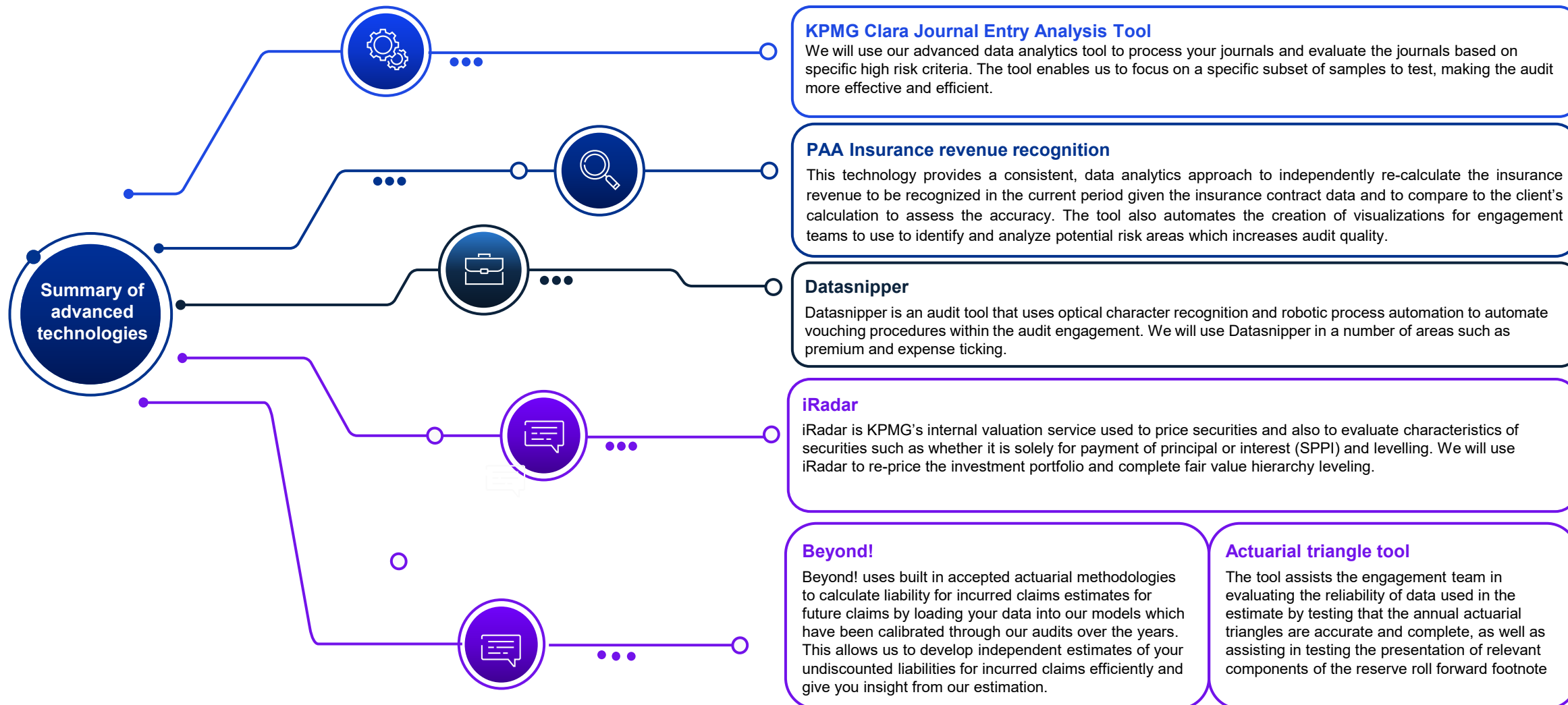


Technology highlights

KPMG Clara

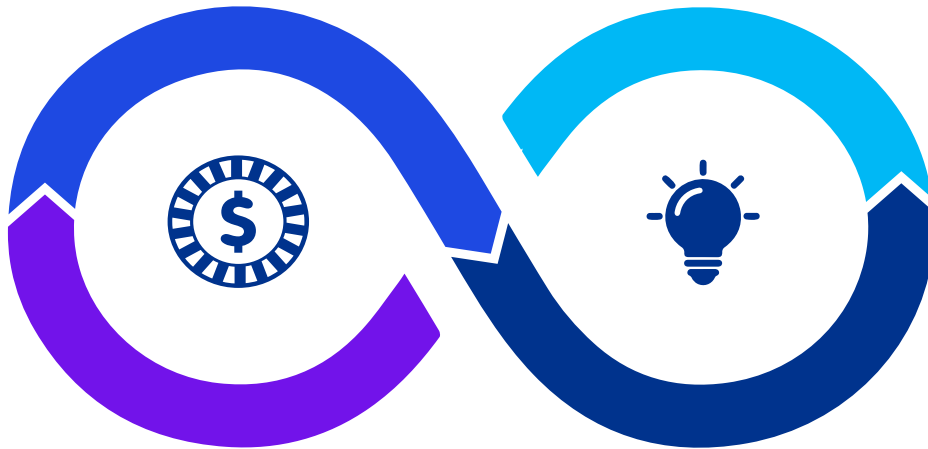


We plan to utilize technology to enhance the quality and effectiveness of the audit.





Materiality



We **initially determine materiality** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of **professional judgement**, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We **reassess materiality** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

Plan and perform the audit

We **initially determine materiality** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

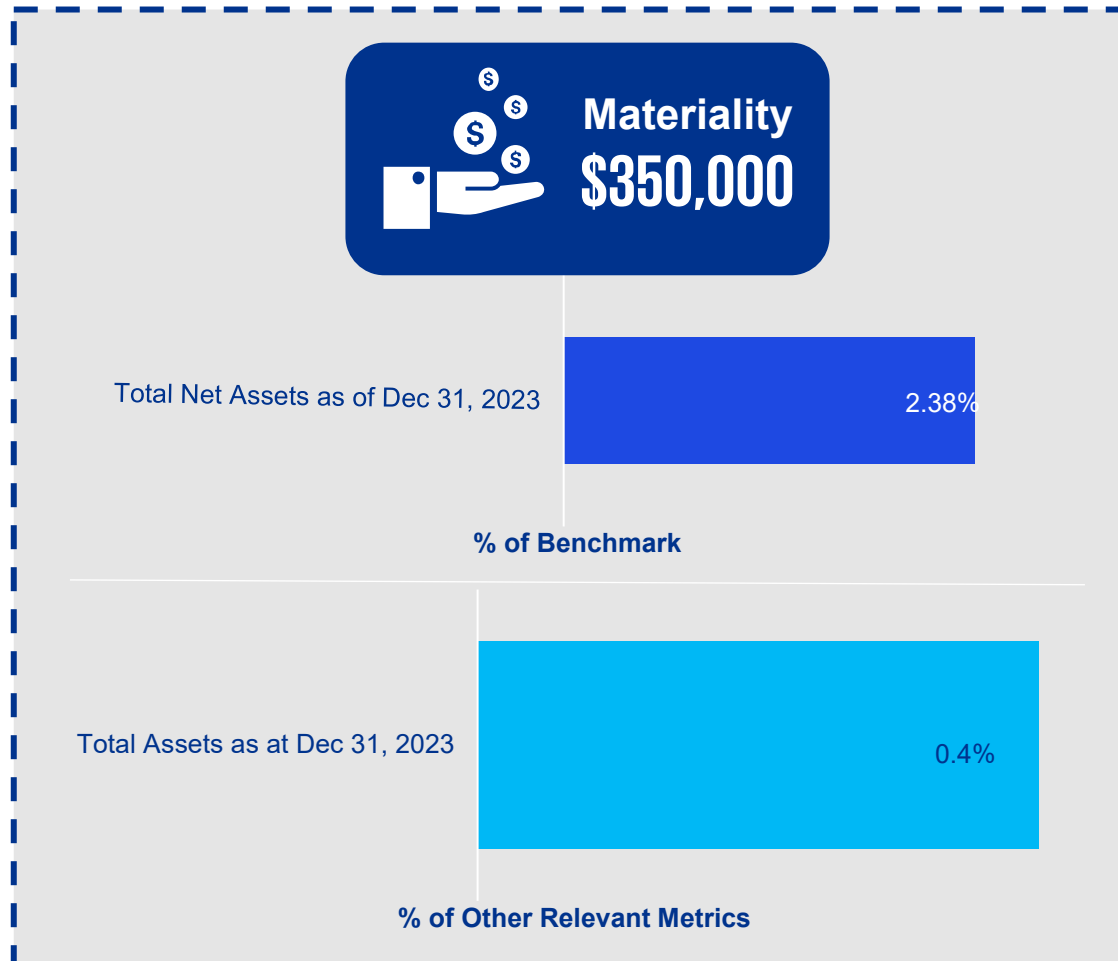
Evaluate the effect of misstatements

We also **use materiality** to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.



Initial materiality



Total Net Assets as at December 31, 2023
\$14,662,000

Total Assets as at December 31, 2023
\$94,787,000

Audit Posting Threshold (AMPT)
\$17,500

Involvement of others

Involved party	Nature and extent of planned involvement
Managements Specialists	<p>Management relies on the specialist, Julie-Linda LaForce, Appointed Actuary, from Axxima to value the estimates within the insurance contract liabilities and reinsurance contract asset balances.</p> <p>Please refer to Valuation of Insurance & Reinsurance Contract Assets & Liabilities for additional details.</p>
KPMG Specialists or Specific Team Member	<p>KPMG Actuarial Specialists will assist us in auditing the insurance contract liabilities caption. This will involve performing independent estimations of liabilities for incurred claims, risk adjustment and discount rate yield curves.</p> <p>Please refer to Valuation of Insurance & Reinsurance Contract Assets & Liabilities for additional details.</p>



Risk assessment summary

Our planning begins with an assessment of risks of material misstatement in your financial statements.

We draw upon our understanding of the Company and its environment (e.g. the industry, the wider economic environment in which the business operates, etc.), our understanding of the Company's components of its system of internal control, including our business process understanding.

		Risk of fraud	Risk of error	PY risk rating
●	Management override of controls	✓		Presumed risk of material misstatement – Significant
●	Risk of fraud over revenue recognition	✓		Presumed risk of material misstatement - Significant
●	Valuation of insurance & reinsurance contract assets & liabilities (Note 1)	✓	✓	Significant Risk
●	Regulatory capital (MCT)		✓	Other risk of material misstatement - Base
●	First year audit consideration		✓	Other risk of material misstatement - Base

Note 1- The significant risk only applies to liabilities/assets for incurred claims (LIC/AIC). We have deemed the liabilities/Assets for remaining coverage (LRC/ARC) component of the caption to be a base risk. Please refer to page 17.

● SIGNIFICANT RISK ● PRESUMED RISK OF MATERIAL MISSTATEMENT ● OTHER RISK OF MATERIAL MISSTATEMENT OF INTEREST TO THE AUDIT COMMITTEE



Significant risks



Management Override of Controls (non-rebuttable significant risk of material misstatement)

RISK OF



FRAUD

**Presumption
of the risk of fraud
resulting from
management
override of
controls**

Why is it significant?

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Our planned response

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- testing of journal entries and other adjustments,
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.

We will focus on journal entries, especially those which are unusual adjustments, manual in nature and are made in the close process for the year.

Advanced technologies

Our **KPMG Clara Journal Entry Analysis Tool** assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier in nature.



[Click to learn more](#)



Significant risks



Revenue recognition

RISK OF



FRAUD

**Presumed risk of
fraudulent revenue
recognition**

Why is it significant?

Revenue is a key driver of performance for all companies. IFRS 17 has more judgments which need to be made over revenue recognition and is therefore in theory, assumed by the auditing standards to be prone to manipulation.

Our planned response

Our audit procedures over revenue include:

- Evaluating the design and Implementation of controls surrounding insurance revenue
- Vouching samples of policies written back to policy contracts to check for accuracy of financial and non-financial information (e.g. premiums, effective dates, coverage);
- Evaluating the suitability of the earning patterns used to earn revenue into the income statement;
- Evaluating onerous contract assessment as required by IFRS 17 as it may impact the timing of revenue recognition.
- Evaluate whether management has appropriately identified and recognized insurance revenue and then recalculate the insurance revenue for groups of contracts under PAA.

Advanced technologies

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[Click to learn more](#)



Significant risks



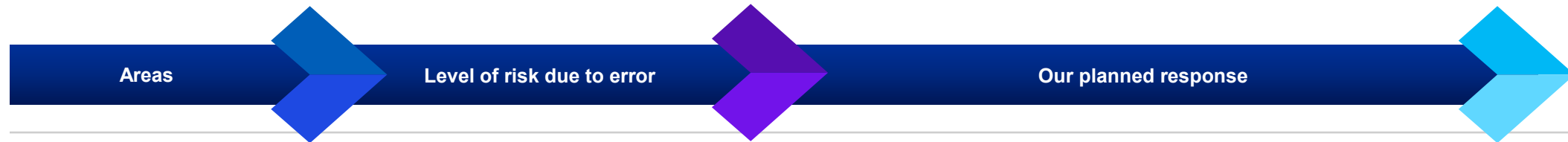
Valuation of insurance & reinsurance contract asset & liabilities

RISK OF
 **ERROR**
 **FRAUD**

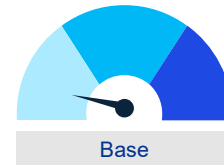
Estimate	Risk of error and Fraud	Relevant inherent risk factors affecting our risk assessment	Our proposed audit approach
Insurance LIC & Reinsurance AIC- Significant risk An inappropriate amount is estimated for the present value of future cash flows and the risk adjustment for non-financial risk for the LIC and AIC. Specifically, the following elements within the estimate give rise to a significant or elevated risk: <ul style="list-style-type: none"> - Application of methods/models to determine ultimate expected claims, discount rate and risk adjustment; - Selection of assumptions used in estimating ultimate expected claims, discount rate and risk adjustment 	Risk of error and fraud	<ul style="list-style-type: none"> - The methods and assumptions required for this balance requires expert actuarial involvement; - There is significant estimation uncertainty in the selection of assumptions such as loss ratios and loss development factors, discount rate curves for the PV of cash flows; - There is significant estimation uncertainty in the selection of assumptions such as cost of capital for risk adjustment. 	<ul style="list-style-type: none"> - We will engage KPMG Actuarial to assist us in the audit of LIC and AIC. In particular, KPMG Actuarial will carry out independent estimations of gross and net unpaid claims reserves for significant groups. We will compare our estimates to management's values and understand the source of the differences. Our independent estimations will also account for various market conditions such as inflation. - We will carry out independent estimation of risk adjustment margin, using our own tool in conjunction with your data and industry data. We will compare this to management's risk adjustment value to assess reasonableness. - We will carry out benchmarking of the discount rate curve against industry curves and examine the application of the discount rate curve against the undiscounted claims reserves to calculate the discounted cash flows. - We will examine the accretion of interest from LIC and AIC into the insurance finance income and expense (IFIE) caption in the income statement. - We will carry out data testing on a sample basis to verify the accuracy of claims and premiums data used in the estimation of liabilities for incurred claims. We have assessed the completeness and accuracy of data as being base risk. - We will understand the process and evaluate the design and implementation of the controls operating around the models and data used by management around the estimation of LIC and AIC.
Insurance LRC & Reinsurance ARC- Base risk of Error. <ul style="list-style-type: none"> - An inappropriate amount is estimated for LRC and ARC. The amount of premium received/paid is inappropriately determined. - The PAA is inappropriately applied to a group of insurance or reinsurance contracts when the eligibility criteria have not been met. 	Risk of error	<ul style="list-style-type: none"> - Additional judgement is required in the calculation of loss components. 	<ul style="list-style-type: none"> - We will use our own PAA eligibility tool to evaluate the appropriateness of using PAA for all contracts held by the entity; - Evaluate management's method for determining expected premium receipts including the methodology for allocation of expected premium receipts to periods. - Evaluate whether management's method for identifying onerous contracts is appropriate. We will then inspect the calculation of loss components if applicable to assess if the loss component is reasonable. - We will understand the process and then evaluate the design and implementation of the controls operating around the models and data used by management around expenses and the computation of LRC and ARC.



Other risks of material misstatement



Regulatory Capital (MCT)

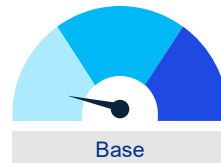


Our work will include understanding the process related to capital management, and specifically the MCT. In addition, we will perform substantive procedures over the financial disclosure and MCT calculation.

We will perform procedures to support our separate opinion on the MCT return.

We will involve our actuarial specialists to assess the assumptions and certain computations with the MCT for certain risk charge such as insurance risk charge.

First year audit considerations



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

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

- Review of the prior year financial statements;
- Communicate with the predecessor auditor regarding their audit and procedures performed over the opening balances;
- Review of the working papers of the predecessor auditor to obtain evidence regarding the opening balances;
- Perform specific audit procedures, where necessary, to obtain any additional evidence required over the opening balances; and
- Based on the performance of the above procedures, we will determine the impact, if any, on our initial audit opinion for the year.



Required inquiries of the Audit Committee



Inquiries regarding risk assessment, including fraud risks

- What are the Audit Committee's views about fraud risks, including management override of controls, in the Company? And have you taken any actions to respond to any identified fraud risks?
- Is the Audit Committee aware of, or has the Audit Committee identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
 - If so, have the instances been appropriately addressed and how have they been addressed?
- How does the Audit Committee exercise oversight of the Company's fraud risks and the establishment of controls to address fraud risks?



Inquiries regarding company processes

- Is the Audit Committee aware of tips or complaints regarding the Company's financial reporting (including those received through the Audit Committee's internal whistleblower program, if such programs exist)? If so, the Audit Committee's responses to such tips and complaints?

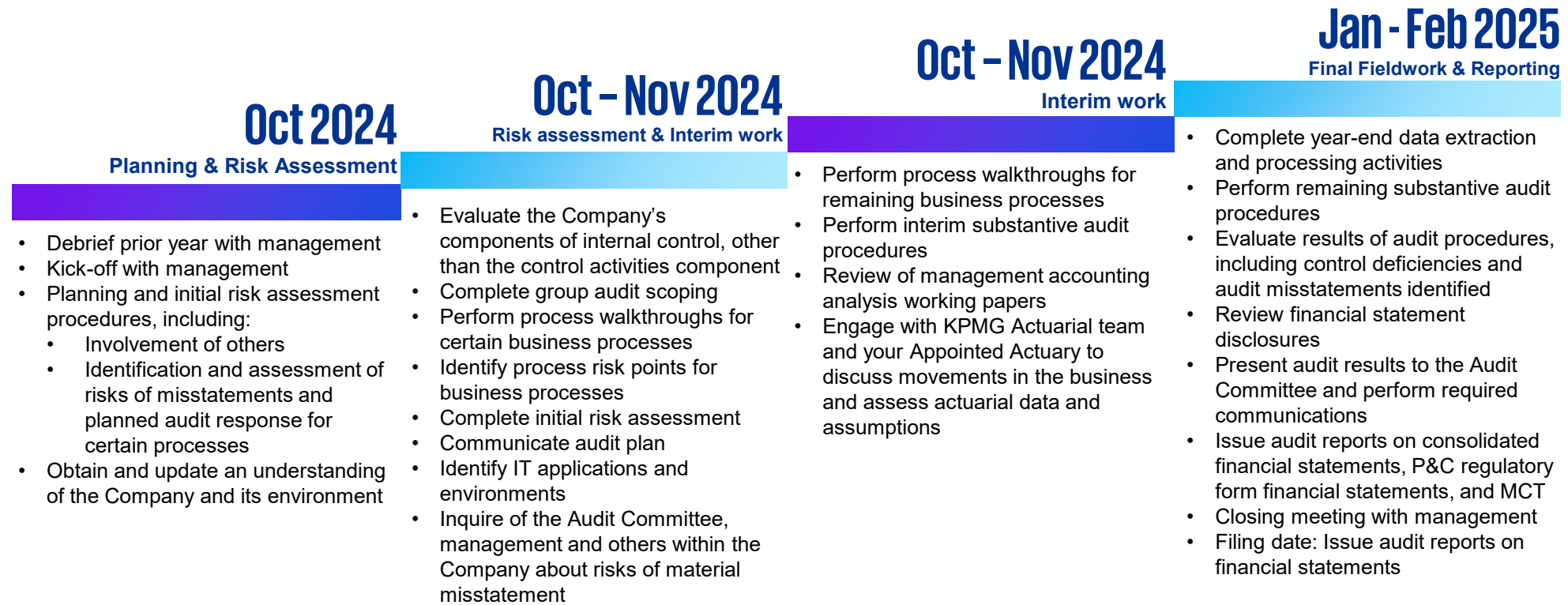


Inquires regarding related parties and significant unusual transactions

- Is the Audit Committee aware of any instances where the Company entered into any significant unusual transactions?
- What is the Audit Committee's understanding of the Company's relationships and transactions with related parties that are significant to the Company?
- Is the Audit Committee concerned about those relationships or transactions with related parties? If so, the substance of those concerns?



Key milestones and deliverables





How do we deliver audit quality?

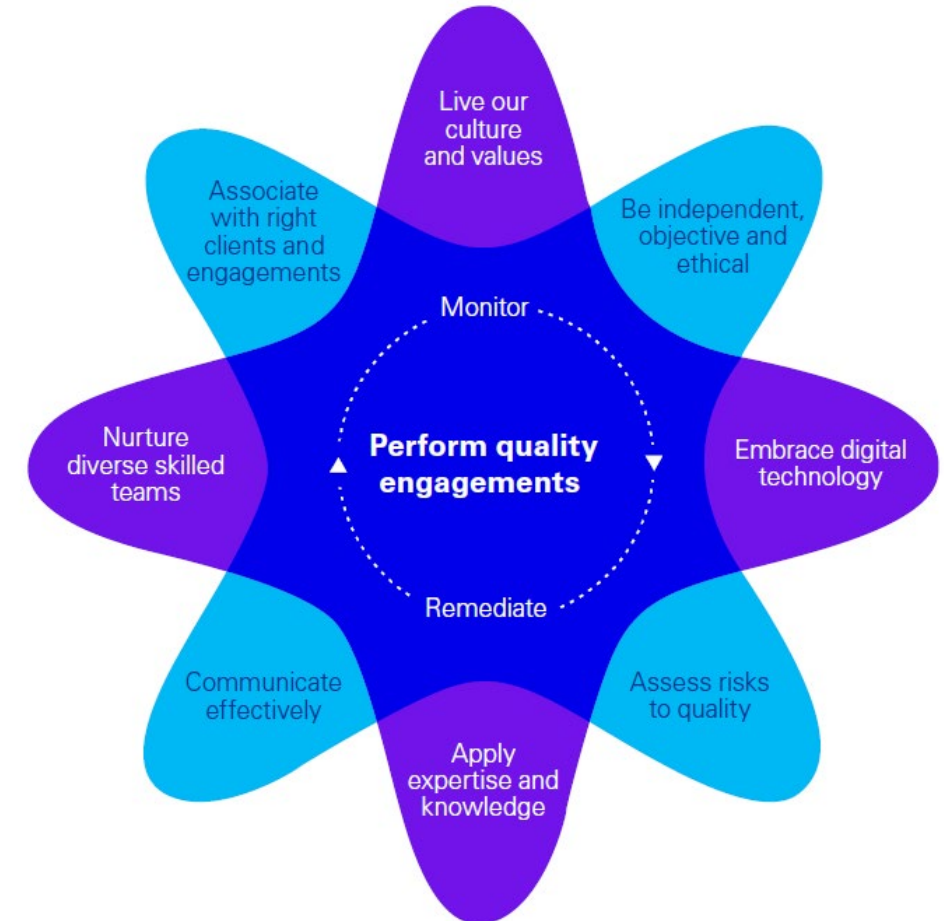
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

 [KPMG Canada Transparency Report](#)

We define 'audit quality' as being the outcome when:

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



Doing the right thing. Always.



Indicators of audit quality (AQIs)

The objective of these measures is to provide more in-depth information about factors that influence audit quality within an audit process. Below are the AQIs that we have agreed with management are relevant for the audit. We would like to obtain agreement of the Audit Committee that these are the relevant AQIs.

We will communicate the status of the below AQIs on an annual basis.



Team composition

Experience of the team

- Role – number of years experience in the industry, number of years on this engagement



Technology in the audit

Implementation of Technology in the Audit

- Increase in use of technology in the audit year over year



Timing of prepared by client (PBC) items

Timeliness of PBC items

- Number of timely and overdue items received by the audit team.



Independence: Request for pre-approval of services



We are presenting the following services for pre-approval by the Audit Committee. We will inform the Audit Committee on a timely basis of any services performed pursuant to pre-approval previously granted under the policies and procedures approach.

The services are not prohibited, and threats to our independence, if any, resulting from the provision of the services will be eliminated or reduced to an acceptable level.

Audit services	Actions taken and safeguard applied	2024 Fee	Fee structure
Audit of the financial statements and financial statements included on pages 20.10 to 20.60 of the P&C regulatory return	Services have been approved through required client continuance procedures	\$68,000	Fixed
Audit of the Minimum Capital Test	Services have been approved through required client continuance procedures	\$9,000	Fixed

The proposed fees outlined above are based on the assumptions described in the engagement letter. The following factors could cause a change in our fees:

- Timeliness and quality of documents received .
- Significant new or changed accounting policies or application thereof
- Significant changes to internal control over financial reporting matters
- Significant unusual and/or complex transactions
- New audit standards or requirements arising as a result of changes in audit standards
- Changes in the timing of our work
- Other significant issues (e.g. cyber security breaches)
- Changes in entity scope (ie. New acquisitions, material changes in existing interest in joint ventures or subsidiaries)

Appendices

A1

Engagement letter

A2

Regulatory
communications

A3

New accounting
standards

A4

New auditing
standards

A5

Insights

A6

Environmental,
social and
governance (ESG)

A7

Technology





Appendix 1: Engagement letter

Mr. Gordon Goodman, Audit Committee Chair
Ms. Carrie Green, General Manager
Canadian Lawyers Liability Assurance Society
c/o Axxima
250 The Esplanade, Suite 302
Toronto, ON M5A 1J2

October 22, 2024

The purpose of this letter is to outline the terms of our engagement to audit the annual financial statements ("financial statements") of Canadian Lawyers Liability Assurance Society ("the Entity") commencing for the period ending December 31, 2024.

In addition to our audit of the Entity's financial statements, we are also required to express an opinion on the following for the year ending December 31, 2024.

- Audit of the financial statements of the Entity included on specific pages of the Entity's P&C Core Financial Statement Quarterly Return to be filed with the Provincial Superintendents of Financial Institutions/ Insurance ("P&C Return");

The terms of the engagement outlined in this letter will continue in effect from period to period, unless amended or terminated in writing. The attached Assurance Terms and Conditions and any exhibits, attachments and appendices hereto and subsequent amendments form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the "Engagement Letter").

Financial Reporting Framework for the Financial Statements

The financial statements will be prepared and presented in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (hereinafter referred to as the "financial reporting framework").

The financial statements will include an adequate description of the financial reporting framework.

Management's Responsibilities

Management responsibilities are described in *Appendix – Management's Responsibilities*.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Auditor's Responsibilities

Our responsibilities are described in *Appendix – Auditor's Responsibilities*.

If management does not fulfill the responsibilities above, we cannot complete our audit.

Additional Responsibilities regarding “Other Information”

“Other information” is defined in professional standards to be the financial or non-financial information (other than the financial statements and the auditor’s report thereon) included in the “annual report”. An “annual report” is defined in professional standards to comprise a document or combination of documents. Professional standards also indicate that:

- an annual report is prepared typically on an annual basis in accordance with law, regulation or custom (i.e., is reoccurring)
- an annual report contains or accompanies the financial statements and the auditor’s report thereon
- an annual report’s purpose is to provide owners (or similar stakeholders) with information on:
 - operations; and/or
 - financial results and financial position as set out in the financial statements.

Based on discussions with management, there are no documents, or combination of documents, expected to meet the definition of an “annual report” under professional standards.

Other Matter

We intend to use the appointed actuary’s valuation of policy liabilities as audit evidence in accordance with the Joint Policy Statement of the Canadian Institute of Actuaries (“CIA”) and the Chartered Professional Accounts Canada (“CPA Canada”). This requires us to communicate directly with the appointed actuary, potentially to perform work on behalf of the appointed actuary and to provide the appointed actuary with relevant information and records of the Entity.

Auditor’s Deliverables

Unless otherwise specified, our report(s) will be in writing and the expected content of our report(s) are provided in *Appendix – Expected Form of Report*. However, there may be circumstances in which a report may differ from its expected form and content.

In addition, if we become aware of information that relates to the information we reported on after we have issued our report, but which was not known to us at the date of our report, and which is of such a nature and from such a source that we would have investigated that information had it come to our attention during the course of our engagement, we will, as soon as practicable: (1) communicate such an occurrence to those charged with governance; and (2) undertake an investigation to determine whether the information is reliable and whether the facts existed at the date of our report. Further, management agrees that in conducting that investigation, we will have the full cooperation of the Entity’s personnel. If the subsequently discovered information is found to be of such a nature that: (a) our report would have been affected if the information had been known as of the date of our report; and (b) we believe that the report may have been distributed to someone who would attach importance to the information, appropriate steps will be taken by KPMG, and appropriate steps will also be taken by the Entity to advise of the newly discovered facts and the impact to the information we reported on.

Use of KPMG Clara

The terms and conditions for use of KPMG Clara apply to the use of the collaboration tool and can be found [here](#).

Fees

Appendix – Fees for Professional Services to this letter lists our fees for professional services to be performed under this Engagement Letter.

We are available to provide a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.

We are proud to provide you with the services outlined above and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements and terms are acceptable, please sign the duplicate of this letter in the space provided and return it to us.

Yours very truly,

Kim Haley, Partner, responsible for the engagement and its performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, has the appropriate authority from a professional, legal or regulatory body
519-747-8394

Enclosure

cc: Audit Committee

The terms of the engagement set out are as agreed:

Name and Title _____
Ms. Carrie Green, General Manager
Canadian Lawyers Liability Assurance Society

Date (dd/mm/yy) _____

Name and Title _____
Mr. Gordon Goodman, Audit Committee Chair
Canadian Lawyers Liability Assurance Society

Date (dd/mm/yy) _____

Appendix – Management’s Responsibilities

Management acknowledges and understands that they are responsible for:

- (a) the preparation and fair presentation of the financial statements, P&C Return and Life Return in accordance with the financial reporting framework referred to above.
- (b) providing us with all information of which management is aware that is relevant to the preparation of the financial statements (“relevant information”) such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors, and committees of the board of directors that may affect the financial statements. All significant actions are to be included in such summaries.
- (c) providing us with unrestricted access to such relevant information.
- (d) providing us with complete responses to all enquiries made by us during the engagement.
- (e) providing us with additional information that we may request from management for the purpose of the engagement
- (f) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain evidence
- (g) 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. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- (h) ensuring that all transactions have been recorded and are reflected in the financial statements.
- (i) ensuring that internal auditors providing direct assistance to us, if any, will be instructed to follow our instructions and that management, and others within the Entity, will not intervene in the work the internal auditors perform for us.
- (j) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim an audit opinion when management does not provide certain written representations required.

Appendix – Auditor’s Responsibilities

Auditor’s responsibilities regarding the audit of the financial statements

Our function as auditors of the Entity is:

- to express an opinion on whether the Entity's financial statements, prepared by management with the oversight of those charged with governance, are, in all material respects, in accordance with the financial reporting framework referred to above
- to report on the financial statements

We will conduct the audit of the Entity's financial statements in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable “professional standards”).

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. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Entity and its environment, including the Entity's internal control. In making those risk assessments, we consider internal control relevant to the Entity's preparation 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
- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks
- form an opinion on the Entity' s financial statements based on conclusions drawn from the audit evidence obtained
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the board of directors. The form (oral or in writing) and the timing will depend on the importance of the matter and the requirements under professional standards.

Appendix – Expected Form of Report

INDEPENDENT AUDITOR'S REPORT (FINANCIAL STATEMENT AUDIT)

To the Subscribers of Canadian Lawyers Liability Assurance Society

Opinion

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

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

(Hereinafter referred to as the "financial statements").

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

Basis for Opinion

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Matter – Comparative Information

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International

Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

Date

INDEPENDENT AUDITOR'S REPORT

(P&C CORE FINANCIAL QUARTERLY RETURN)

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

Opinion

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

- the statement of assets as at December 31, 2024
- the statement of liabilities and equity as at December 31, 2024
- the statement of profit or loss for the year then ended
- the statement of comprehensive income (loss) and accumulated other comprehensive income (loss) for the year then ended
- the statement of cash flows for the year then ended
- the statement of changes in equity for the year then ended

on pages 20.10, 20.11, 20.22, 20.42, 20.52, 20.54 and 20.60 of the Entity's P&C Core Financial Statement Quarterly Return, which includes the notes to the financial statements, including a summary of material accounting policy information (collectively referred to as the "financial statements").

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

Basis for Opinion

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Matter - Unaudited Information

We have not audited or reviewed the schedules and exhibits except for those on pages 20.10, 20.11, 20.22, 20.42, 20.52, 20.54 and 20.60 of the Entity's P&C Core Financial Statement Quarterly Return. Accordingly, this auditor's report and our opinion do not cover the schedules and exhibits on other pages of the Entity's P&C Core Financial Statement Quarterly Return.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

Date

Appendix – Fees for Professional Services

The Entity and KPMG agree to a fee based on actual hours incurred at mutually agreed-upon rates. The estimated fees are as follows:

	Fee / Fee Range for Period End Date
Audit of the financial statements and financial statements included on pages 20.10 to 20.60 of the P&C regulatory return	\$68,000
Audit of the Minimum Capital Test	\$9,000

The information technology infrastructure costs and administrative support charge as described in the Assurance Terms and Conditions (“Fee and Other Arrangements”) shall be 7% of total fees.

Mr. Gordon Goodman, Audit Committee Chair
Ms. Carrie Green, General Manager
Canadian Lawyers Liability Assurance Society
c/o Axximma
250 The Esplanade, Suite 302
Toronto, ON M5A 1J2

October 22, 2024

The purpose of this letter is to outline the terms of our engagement to form an independent reasonable assurance conclusion on the MCT Ratio on Line 140 of page 10.00 of the MCT Quarterly Return (MCT Return) as at December 31, 2024 (hereinafter referred to as "subject matter information") of Canadian Lawyers Liability Assurance Society ("the Entity").

The terms of the engagement outlined in this letter will continue in effect from period to period, unless amended or terminated in writing.

The attached Terms and Conditions and any exhibits, attachments and appendices hereto and subsequent amendments form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the "Engagement Letter").

Appropriateness of the subject matter information

The following are the characteristics of the subject matter information that are relevant to this engagement:

- The subject matter information is the MCT Ratio on Line 140 of page 10.00 of the Minimum Capital Test Quarterly Return prepared as at December 31, 2024.
- The Entity's Minimum Capital Test Quarterly Return ("regulatory returns") represent an element of the books and records underlying the subject matter information.
- Management is responsible for the preparation of the subject matter information in accordance with the Minimum Capital Test Guideline, effective January 1, 2024 and associated instructions, including published adjustments and clarifications.

The assurance report will disclose these characteristics.

We accept this engagement because our preliminary knowledge of the engagement circumstances indicates that the subject matter information is appropriate. During the course of the engagement we will develop our understanding of the subject matter information sufficient to assess the risks that the subject matter information may be materiality misstated. Such understanding may cause us to revise our preliminary assessment and we may conclude that the subject matter information is not appropriate. In such circumstances, we will discuss the matter with you, as the engaging party, as we may not be able to complete this engagement.

Applicable criteria

The subject matter information will adequately describe the following criteria used to measure or evaluate the subject matter information:

- The subject matter information is prepared in accordance with the provisions of the Minimum Capital Test Guideline, effective January 1, 2024 and associated instructions, including published adjustments and clarifications (collectively the “applicable criteria”).

We accept this engagement because our preliminary knowledge of the engagement circumstances indicates that the criteria is suitable for the purposes of the engagement. During the course of the engagement factors may arise that may cause us to revise our preliminary assessment and we may conclude that the criteria is not suitable. In such circumstances, we will discuss the matter with you, as the engaging party, as we may not be able to complete this engagement.

Management's responsibilities

The responsible party and the measurer / evaluator for the subject matter information is Management of the Entity. The assurance report will disclose this fact.

Management's responsibilities are described in [Appendix – Management's Responsibilities](#).

Practitioner's responsibilities

Our responsibilities are described in [Appendix – Practitioner's Responsibilities](#).

If management does not fulfill the responsibilities above, we cannot complete our engagement. We may not be able to complete the engagement if the Engaging Party will impose a limitation on the scope of our work.

Engagement deliverable

The report will be in writing and the expected content of our report is provided in [Appendix – Expected Form of Report](#). However, there may be circumstances in which a report may differ from its expected form and content.

In addition, if we become aware of information that relates to the subject matter information after we have issued our report, but which was not known to us at the date of our report, and which is of such a nature and from such a source that we would have investigated that information had it come to our attention during the course of our engagement, we will, as soon as practicable: (1) communicate such an occurrence to those charged with governance; and (2) undertake an investigation to determine whether the information is reliable and whether the facts existed at the date of our report.

Further, management agrees that in conducting that investigation, we will have the full cooperation of the Entity's personnel. If the subsequently discovered information is found to be of such a nature that: (a) our report would have been affected if the information had been known as of the date of our report; and (b) we believe that the report may have been distributed to someone who would attach importance to the information, appropriate steps will be taken by KPMG and expected by the Entity to advise of the newly discovered facts and the impact to the subject matter information.

Other matters

If a request is made before the completion of this assurance engagement to change the terms of the engagement, we will consider the appropriateness of the request and we will only agree to such a change if we consider that there is reasonable justification. If such a change is made, we will not disregard evidence that was obtained prior to the change.

Fees

[Appendix – Fees for Professional Services](#) to this letter lists our fees for professional services to be performed under this Engagement Letter.

We are available to provide a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.

This letter and the Appendices shall apply only to the work described in this letter. Should further work be required over and above such work, separate terms of engagement will need to be agreed.

We are proud to provide you with the services outlined above and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements and terms are acceptable, please sign the duplicate of this letter in the space provided and return it to us.

Yours very truly,

Kim Haley, partner responsible for the engagement and its performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, has the appropriate authority from a professional, legal or regulatory body.
519-747-8394

Enclosure

cc: Audit Committee

The terms of the engagement set out are as agreed:

Name and Title _____
Ms. Carrie Green, General Manager
Canadian Lawyers Liability Assurance Society

Date (dd/mm/yy) _____

Name and Title _____
Mr. Gordon Goodman, Audit Committee Chair
Canadian Lawyers Liability Assurance Society

Date (dd/mm/yy) _____

Appendix – Management’s Responsibilities

Management, as responsible party and evaluator/measurer of the subject matter information, acknowledges and understands that they are responsible for:

- (a) the preparation of the subject matter information and the appropriateness of the subject matter information for the intended purpose
- (b) evaluating or measuring the subject matter information against the applicable criteria, including that all relevant matters are reflected in the subject matter information and the suitability of the applicable criteria
- (c) providing us with access to all information of which management is aware that is relevant to the preparation of the subject matter information such as records, documentation and other matters, including complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the subject matter information
- (d) providing us with additional information that we may request from management for the purpose of the engagement, including, if applicable, any changes in the Entity’s operations since the date of our last assurance report on the subject matter information
- (e) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain evidence
- (f) such internal control, as management determines is necessary, to enable the preparation of the subject matter information that is free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud
- (g) ensuring that all transactions have been recorded and are reflected in the subject matter information
- (h) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim a conclusion when management does not provide certain written representations required.
- (i) informing us of any documents, prior to their release, that will contain the subject matter information and our assurance report thereon.

Appendix – Practitioner’s Responsibilities

Our objective is to:

- obtain either reasonable assurance or limited assurance, as the terms in this Engagement Letter indicate, about whether the subject matter information referred to above is free from material misstatement.
- express a conclusion regarding the outcome of the measurement or evaluation of the underlying subject matter through a written report that conveys either reasonable assurance or limited assurance, as the terms in this Engagement Letter indicate, and describes the basis for the conclusion.

In a reasonable assurance engagement, our conclusion will be expressed in a form that conveys our opinion on the outcome of the measurement or evaluation of the underlying subject matter against criteria.

We will conduct our engagement in accordance with Canadian Standard on Assurance Engagements 3000, *Attestation Engagements Other Than Audits or Reviews of Historical Financial Information* (CSAE 3000) and relevant ethical requirements (hereinafter referred to as applicable “professional standards”).

We will plan and perform the engagement to obtain either reasonable assurance or limited assurance, as the terms in this Engagement Letter indicate. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, in the subject matter information thereby providing a basis for designing and performing procedures to respond to the assessed risk. In obtaining an understanding of the subject matter information, we obtain an understanding of internal control over the preparing of the subject matter information relevant to the reasonable assurance engagement, but not for the purpose of expressing an opinion on the effectiveness of the Entity’s internal control, including internal control over the preparation of the subject matter information.
- Communicate relevant matters, as required by professional standards, to those charged with governance.
- Read other information included in any document, prior to its release, which will contain the subject matter and our assurance report thereon in order to perform procedures required under professional standards.

Appendix – Expected Form of Report
**INDEPENDENT PRACTITIONER’S REASONABLE ASSURANCE
REPORT**
(P&C MINIMUM CAPITAL TEST)

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

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

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

Management’s Responsibility

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

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

Our Responsibility

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

Reasonable assurance is a high level of assurance but is not a guarantee that an engagement conducted in accordance with this standard will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of our report.

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

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

Our Independence and Quality Management

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

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

Opinion

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

Specific Purpose of Subject Matter Information and Restriction on Distribution

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

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

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

Date

Appendix – Fees for Professional Services

Fees are included in our letter to the Entity for the audit of the Financial Statements and Life Return dated October 22, 2024.



TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS (PRIVATE COMPANY CLIENTS)

These Terms and Conditions are an integral part of the accompanying engagement letter or proposal from KPMG that identifies the engagement to which they relate (and collectively form the "Engagement Letter"). The Engagement Letter supersedes all written or oral representations on this matter. The term "Entity" used herein has the meaning set out in the accompanying engagement letter or proposal. The term "Management" used herein means the management of Entity.

1. DOCUMENTS AND LICENSES.

- a. All working papers, files and other internal materials created or produced by KPMG in relation to this engagement and all copyright and intellectual property rights therein are the property of KPMG.
- b. Only in connection with the services herein, Entity hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of Entity solely for presentations or reports to Entity or for internal KPMG presentations and intranet sites. Further, Entity agrees that KPMG may list Entity as a customer in KPMG's internal and external marketing materials, including KPMG websites and social media, indicating the general services rendered (e.g., "Client is an Audit, Advisory, and/or Tax client of KPMG LLP").

2. ENTITY'S RESPONSIBILITIES.

- a. Entity agrees that all management responsibilities will be performed and all management decisions will be made by Entity, and not by KPMG.
- b. Entity's provision of documents and information to KPMG on a timely basis is an important factor in our ability to issue any reports under this Engagement Letter. KPMG is not responsible for any consequences arising from Entity's failure to deliver documents and information as required.
- c. To the extent that KPMG personnel are on Entity's premises, Entity will take all reasonable precautions for their safety.
- d. Entity understands and acknowledges that KPMG's independence may be impaired if any KPMG partner, employee or contractor accepts any offer of employment from Entity.
- e. Except as required by applicable law or regulation, Entity shall keep confidential the terms of this Engagement Letter, and such confidential information shall not be distributed, published or made available to any other person without KPMG's express written permission.
- f. Management agrees to promptly provide us with a copy of any comment letter or request for information issued by any securities or other regulatory authority in respect of information on which KPMG reported, including without limitation any continuous disclosure filings.

3. FEE AND OTHER ARRANGEMENTS.

- a. KPMG's estimated fee is based in part on the quality of Entity's records, the agreed-upon level of preparation and assistance from Entity's personnel, and adherence by Entity to the agreed-upon timetable. KPMG's estimated fee also assumes that Entity's financial statements and/or other financial information, as applicable, are prepared in accordance with the relevant financial reporting framework or the relevant criteria, as applicable, and that there are no significant changes to the relevant financial reporting framework or the relevant criteria, as applicable; no significant new or changed accounting policies; no significant changes to internal control; and no other significant issues.
- b. Additional time may be incurred for such matters as significant issues, significant unusual and/or complex transactions, informing management about new professional standards, and any related accounting advice. Where these matters arise and require research, consultation and work beyond that included in the estimated fee, Entity and KPMG agree to revise the estimated fee. Our professional fees are also subject to an additional charge to cover information technology infrastructure costs and administrative support of our client service personnel. Disbursements for items such as travel, accommodation and meals will be charged based on KPMG's actual disbursements.
- c. KPMG's invoices are due and payable upon receipt. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing any applicable report and/or consent.

- d. Fees for any other services will be billed separately from the services described in this Engagement Letter and may be subject to written terms and conditions supplemental to those in the Engagement Letter.

- e. Canadian Public Accountability Board ("CPAB") participation fees, when applicable, are charged to Entity based on the annual fees levied by CPAB.

4. USE OF MEMBER FIRMS AND THIRD PARTY SERVICE PROVIDERS; STORAGE AND USE OF INFORMATION.

- a. KPMG is a member firm of the KPMG International Cooperative ("KPMG International"). Entity acknowledges that in connection with the provision of services hereunder, KPMG may use the services of KPMG International member firms, as well as other third party service providers or subcontractors, and KPMG shall be entitled to share with them all documentation and information related to the engagement, including Entity's confidential information and personal information ("information"). KPMG may also: (i) directly, or using such aforementioned KPMG International member firms, third party service providers or subcontractors, perform data analytics in respect of the information; and (ii) retain and disclose to KPMG International member firms the information to share best practices or for knowledge sharing purposes. In all such cases, such information may be used, retained, processed, or stored outside of Canada by such KPMG International member firms, other third party service providers or subcontractors, and may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is used, retained, processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG represents that such KPMG International member firms, other third party service providers or subcontractors have agreed or shall agree to conditions of confidentiality with respect to Entity's confidential information, and that KPMG is responsible to ensure their compliance with those conditions. Any services performed by KPMG International member firms or other third party service providers or subcontractors shall be performed in accordance with the terms of this Engagement Letter, but KPMG remains solely responsible to Entity for the delivery of the services hereunder. Entity agrees that any claims that may arise out of the engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International member firms or other third party service providers or subcontractors referred to above.

- b. Certain information (including information relating to time, billing and conflicts) collected by KPMG during the course of the engagement may be used, retained, processed and stored outside of Canada by KPMG, KPMG International member firms or third party service providers or subcontractors providing support services to KPMG for administrative, technological and clerical/organizational purposes, including in respect of client engagement acceptance procedures and maintaining engagement profiles; and to comply with applicable law, regulation or professional standards (including for quality performance reviews). Such information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is used, retained, processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG may also share information with its legal advisers and insurers for the purposes of obtaining advice.

- c. Entity acknowledges that KPMG aggregates anonymous information from sources including the Entity for various purposes, including to monitor quality of service, and Entity consents to such use. KPMG may also use Entity's information to offer services that may be of interest to Entity.

5. PERSONAL INFORMATION CONSENTS AND NOTICES.

KPMG may be required to collect, use and disclose personal information about individuals during the course of the engagement. Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at www.kpmg.ca. Entity represents and warrants that (i) it will obtain any consents required to allow KPMG to collect, use and disclose personal information in the course of the engagement, and (ii) it has provided notice to those individuals whose personal information may be collected, used and disclosed by KPMG hereunder of the potential processing of such personal information outside of Canada (as described in Section 4 above). KPMG's Privacy Officer noted in KPMG's privacy policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.



TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS (PRIVATE COMPANY CLIENTS)

6. THIRD PARTY DEMANDS FOR DOCUMENTATION AND INFORMATION / LEGAL AND REGULATORY PROCESSES.

a. Entity on its own behalf hereby acknowledges and agrees to cause its subsidiaries and affiliates to acknowledge that KPMG or a foreign component auditor which has been engaged in connection with an assurance engagement ("component auditor") may from time to time receive demands from a third party (each, a "third party demand"), including without limitation (i) from CPAB or from professional, securities or other regulatory, taxation, judicial or governmental authorities (both in Canada and abroad), to provide them with information and copies of documents in KPMG's or the component auditor's files including (without limitation) working papers and other work-product relating to the affairs of Entity, its subsidiaries and affiliates, and (ii) summons for production of documents or information related to the services provided hereunder; which information and documents may contain confidential information of Entity, its subsidiaries or affiliates. Except where prohibited by law, KPMG or its component auditor, as applicable, will advise Entity or its affiliate or subsidiary of the third party demand. Entity acknowledges, and agrees to cause its subsidiaries and affiliates to acknowledge, that KPMG or its component auditor, as applicable, will produce documents and provide information in response to the third party demand, without further authority from Entity, its subsidiaries or affiliates.

b. KPMG will use reasonable efforts to withhold from production any documentation or information over which Entity asserts privilege. Entity must identify any such documentation or information at the time of its provision to KPMG by marking it as "privileged". Notwithstanding the foregoing, where disclosure of such privileged documents is required by law, KPMG will disclose such privileged documents. If and only if the authority requires such access to such privileged documents pursuant to the laws of a jurisdiction in which express consent of Entity is required for such disclosure, then Entity hereby provides its consent.

c. Entity agrees to reimburse KPMG for its professional time and any disbursements, including reasonable legal fees and taxes, in responding to third party demands.

d. Entity waives and releases KPMG from any and all claims that it may have against KPMG as a result of any disclosure or production by KPMG of documents or information as contemplated herein.

e. Entity agrees to notify KPMG promptly of any request received by Entity from any third party with respect to the services hereunder, KPMG's confidential information, KPMG's advice or report or any related document.

7. CONNECTING TO THE ENTITY'S IT NETWORK; EMAIL AND ONLINE FILE SHARING AND STORAGE TOOLS.

a. Entity authorizes KPMG personnel to connect their computers to Entity's IT Network and the Internet via the Network while at the Entity's premises for the purpose of conducting normal business activities.

b. Entity recognizes and accepts the risks associated with communicating electronically, and using online file sharing, storage, collaboration and other similar online tools to transmit information to or sharing information with KPMG, including (but without limitation) the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Entity assumes all responsibility or liability in respect of the risk associated with the use of the foregoing, and agrees that KPMG is not responsible for any issues that might arise (including loss of data) as a result of Entity using the foregoing to transmit information to or otherwise share information with KPMG and, in the case of online tools other than email, KPMG's access to and use of the same in connection with obtaining Entity information and documents.

8. LIMITATION ON WARRANTIES.

THIS IS A SERVICES ENGAGEMENT. KPMG WARRANTS THAT IT WILL PERFORM SERVICES HEREUNDER IN GOOD FAITH WITH QUALIFIED PERSONNEL IN A COMPETENT AND WORKMANLIKE MANNER IN ACCORDANCE WITH APPLICABLE INDUSTRY STANDARDS. SUBJECT TO SECTION 14, KPMG DISCLAIMS ALL OTHER WARRANTIES, REPRESENTATIONS OR CONDITIONS, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES, REPRESENTATIONS OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

9. LIMITATION ON LIABILITY AND INDEMNIFICATION.

a. Subject to Section 14: (i) Entity agrees that KPMG shall not be liable to Entity for any actions, damages, claims, fines, penalties, complaints,

demands, suits, proceedings, liabilities, costs, expenses, or losses (collectively, "Claims") in any way arising out of or relating to the services performed hereunder for an aggregate amount in excess of the lesser of one million dollars (\$1,000,000) or two times the fees paid by Entity to KPMG under the engagement; and (ii) on a multi-phase engagement, KPMG's liability shall be based on the amount actually paid to KPMG for the particular phase that gives rise to the liability.

b. Subject to Section 14, in the event of a Claim by any third party against KPMG that arises out of or relates to the services performed hereunder, Entity will indemnify and hold harmless KPMG from all such Claims, including, without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the intentional, deliberate or fraudulent misconduct of KPMG.

c. Subject to Section 14: (i) in no event shall KPMG be liable for consequential, special, indirect, incidental, punitive or exemplary damages, liabilities, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs); (ii) in any Claim arising out of the engagement, Entity agrees that KPMG's liability will be several and not joint and several; and (iii) Entity may only claim payment from KPMG of KPMG's proportionate share of the total liability based on degree of fault.

d. For purposes of this Section 9, the term KPMG shall include its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives. The provisions of this Section 9 shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

10. CONSENT TO THE USE OF THE KPMG NAME OR KPMG REPORT.

Except as otherwise specifically agreed in this Engagement Letter, KPMG does not consent to:

- the use of our name or our report in connection with information, other than what we have reported on as part of this Engagement Letter or our report thereon, that contains, incorporates by reference, or otherwise accompanies our report or our name;
- the use of our report in another language, or the use of our report in connection with information that we reported on that has been translated into another language, or the use of our name in connection with information that we reported on that has been translated into another language;
- the use of our report in connection with an offering document or other securities filing, including continuous disclosure filings; or
- the use of our name or our report in connection with the interim financial statements (or other interim financial information) or any statement by the Entity regarding the services that we provided on the interim financial statements or other interim financial information.

Any communication, report, statement or conclusion on the interim financial statements may not be included in, or otherwise referred to in any public document or public oral statements except when the interim review conclusion contains a modified conclusion, in which case our interim review report will accompany the interim financial statements.

If the Entity wishes to obtain KPMG's consent regarding the matters above or other matters not otherwise specifically covered by this Engagement Letter, we will be required to perform procedures as required by applicable professional standards, and such procedures would be a separate engagement and subject to separate engagement terms.

11. ALTERNATIVE DISPUTE RESOLUTION.

Any dispute or claim between the parties arising under or relating to this Engagement Letter or the services provided hereunder (the "Dispute") shall be submitted to non-binding mediation. If mediation is not successful within 90 days after the issuance by a party of a request for mediation, then the Dispute shall be referred to and finally resolved by arbitration under the Arbitration Rules of the ADR Institute of Canada in force at that time. The Seat of Arbitration shall be the province where KPMG's principal office performing this engagement is located. The language of the arbitration shall be English. The Arbitral Tribunal shall be made up of a single Arbitrator. The arbitration award shall be final, conclusive and binding upon the parties, and not subject to appeal.

12. POTENTIAL CONFLICTS OF INTEREST.

a. KPMG is or may be engaged by entities and individuals who have potentially conflicting legal and business interests to Entity. Entity agrees that, without further notice or disclosure to Entity, KPMG may: (i) accept or continue such engagements on matters unrelated to KPMG's engagement for Entity; and (ii) provide advice or services to any other person or entity



TERMS AND CONDITIONS FOR ASSURANCE ENGAGEMENTS (PRIVATE COMPANY CLIENTS)

making a competing bid or proposal to that of Entity whether or not KPMG is providing advice or services to Entity in respect of Entity's competing bid or proposal.

b. In accordance with professional standards, KPMG will not use any confidential information regarding Entity in connection with its engagements with other clients, and will establish confidentiality and other safeguards to manage conflicts, which may include, in KPMG's sole discretion, the use of separate engagement teams and data access controls.

c. In no event shall KPMG be liable to Entity, or shall Entity be entitled to a return of fees or disbursements, or any other compensation whatsoever as a result of KPMG accepting or continuing a conflicting engagement in accordance with the terms of this Engagement Letter.

d. Entity agrees that KPMG may, in its sole discretion, disclose the fact and nature of its engagement for Entity to (i) KPMG International member firms to inform conflict searches, and (ii) to the extent reasonably required in order to obtain the consent of another entity or individual in order to permit KPMG to act for such entity or individual, or for Entity, in connection with the engagement or any future engagement.

e. In the event that circumstances arise that place KPMG into a conflict of interest as between Entity and a pre-existing client, which in KPMG's sole opinion cannot be adequately addressed through the use of confidentiality and other safeguards, KPMG shall be entitled to immediately terminate the engagement with Entity, without liability.

f. Other KPMG International member firms are or may be engaged by entities and individuals who have potentially conflicting legal and business interests to Entity. Entity agrees that (i) it will not assert that other KPMG International member firms are precluded from being engaged by those other entities or individuals, and (ii) those engagements of other KPMG International member firms do not conflict with KPMG's engagement for Entity.

13. LOBBYING.

Unless expressly stated in this Engagement Letter, KPMG will not undertake any lobbying activity, as that term is defined in all applicable federal, provincial and municipal lobbyist registration statutes and regulations, in connection with the engagement. In the event that KPMG and Entity agree that KPMG will undertake lobbying activity in connection with the engagement, such agreement shall be set out in an amendment to this Engagement Letter.

14. SEVERABILITY.

The provisions of these Terms and Conditions and the accompanying proposal or engagement letter shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law, regulation or professional standards. If any of the provisions of these Terms and Conditions or the accompanying proposal or engagement letter are determined to be invalid, void or unenforceable, the remaining provisions of these Terms and Conditions or the accompanying proposal or engagement letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall remain valid and in effect and be enforceable and binding on the parties to the fullest extent permitted by law.

15. GOVERNING LAW.

This Engagement Letter shall be subject to and governed by the laws of the province where KPMG's principal office performing this engagement is located (without regard to such province's rules on conflicts of law).

16. LLP STATUS.

KPMG is a registered limited liability partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial LLP legislation.

17. INDEPENDENT LEGAL ADVICE.

Entity agrees that it been advised to retain independent legal advice at its own expense prior to signing this Engagement Letter (including without limitation with respect to Entity's rights in connection with potential future conflicts) and agrees that any failure on its part to retain such independent

legal counsel shall not affect (and it shall not assert that the same affects) the validity of the provisions of this Engagement Letter.

18. SURVIVAL.

All sections hereof other than Section 7(a) shall survive the expiration or termination of the engagement.



Appendix 2: Regulatory communications



CPAB communication protocol

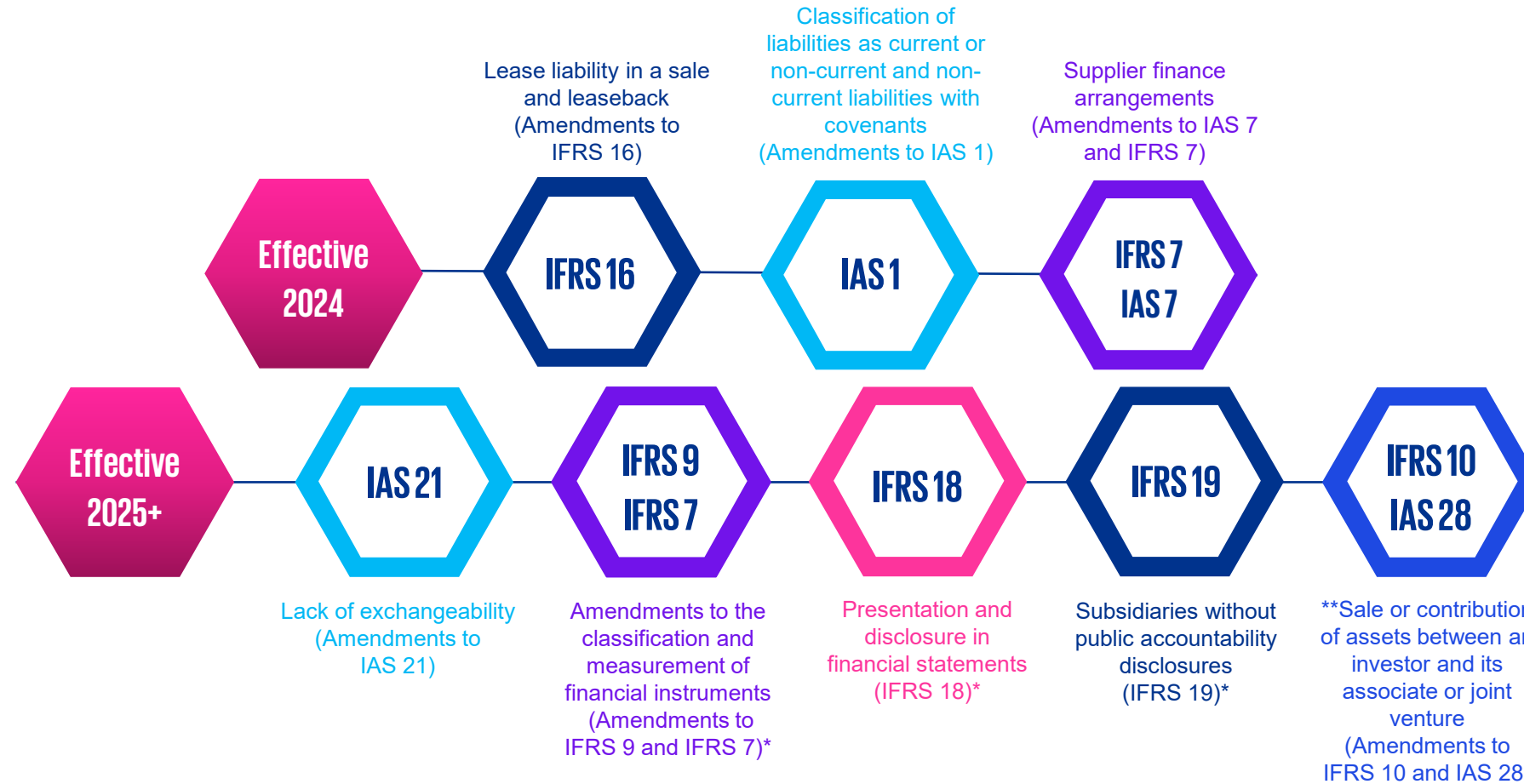
The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

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



Appendix 3: Newly effective and upcoming changes to accounting standards

For more information on newly effective IFRS Standards see Current Developments



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

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



Appendix 4: Newly effective and upcoming changes to auditing standards

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



Effective for periods beginning on or after December 15, 2023

ISA 600/CAS 600

.....

Revised special considerations – Audits of group financial statements

Effective for periods beginning on or after December 15, 2024

ISA 260/CAS 260

.....

Communications with those charged with governance

ISA 700/CAS 700

.....

Forming an opinion and reporting on the financial statements



Appendix 5: Audit and assurance insights

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

KPMG Audit & Assurance Insights

Curated research and insights for audit committees and boards.

Board Leadership Centre

Leading insights to help board members maximize boardroom opportunities.

Current Developments

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

Audit Committee Guide – Canadian Edition

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

Accelerate 2024

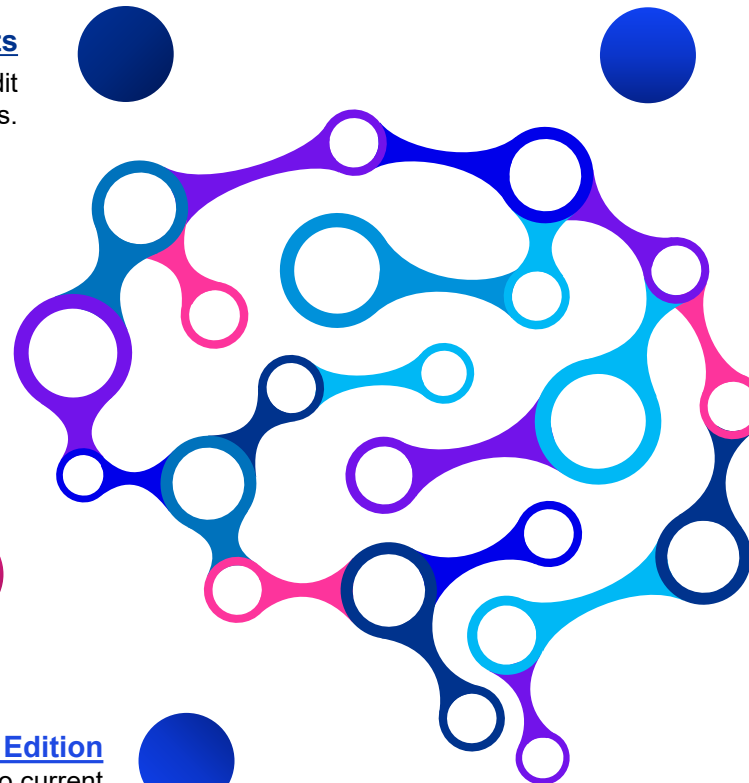
The key issues driving the audit committee agenda in 2024.

Sustainability Reporting

Resource centre on implementing the new Canadian reporting standards

IFRS Breaking News

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





Appendix 6: Climate risk in the financial statements

All entities are facing climate-related risks and opportunities – and are making strategic decisions in response. The impacts of climate-related risks in the financial statements are broad, potentially complex and will depend on industry-specific risks.

How might climate-related risks impact the financial statements?

01

Assets

Consider the useful lives and residual values of PP&E and intangible assets, cash flow projections used for impairment testing of non-financial assets, and the potential impacts on inventories.

02

Liabilities

Consider the recognition of environmental and decommissioning obligations, accounting for emissions or 'green' schemes, impact on employee-benefit arrangements, and restructuring provisions.

03

Borrowers

Consider the accounting for different forms of government assistance, potential for embedded derivatives in green bonds, lease of green technology, impacts of leasing polluting assets.

04

Lenders

Consider how climate-related risks impact operating and financing leases, the potential impact on expected credit losses, and whether green loans meet the solely payments of principal and interest (SPPI) criterion.

05

Disclosures

Consider the impact on the going concern assessment and related disclosures and whether the impacts of climate-related matters have been disclosed clearly.

[See here for more information](#)



Appendix 7: Our technology story



Streamlined client experience

And deeper insights into your business, translating to a better audit experience.



Secure

A secure client portal provides centralized, efficient coordination with your audit team.



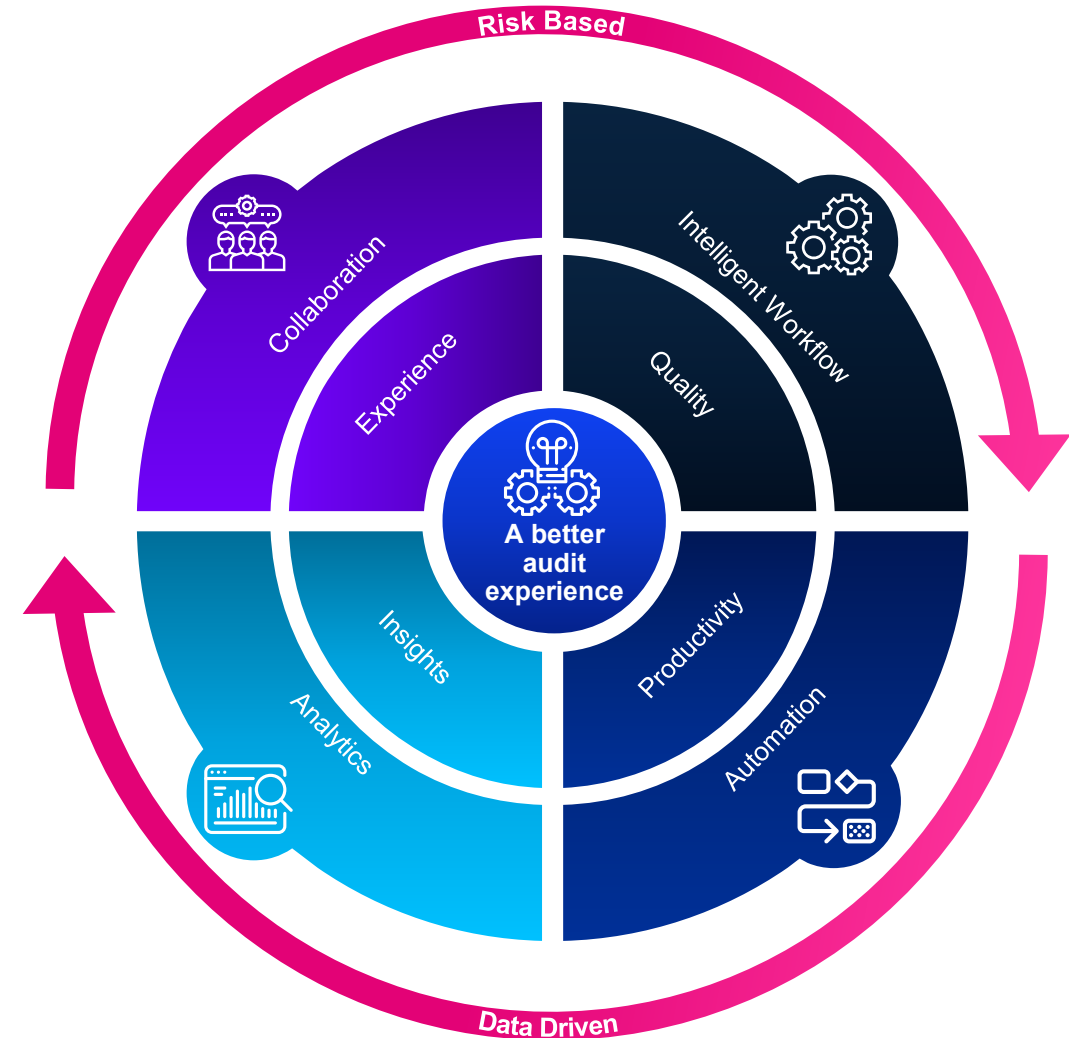
Intelligent workflow

An intelligent workflow guides audit teams through the audit.



Increased precision

Advanced data analytics and automation facilitate a risk-based audit approach, increasing precision and reducing your burden.





Appendix 7: Expanding the use of audit technology



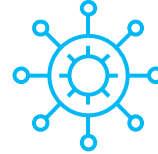
Analytics

- Data Visualization
- Beyond!
- PAA contract length



Automation

- Automated Routines
- Confirmation
- DataSnipper
- iRadar
- Actuarial Triangle tool
- PAA Insurance revenue recognition



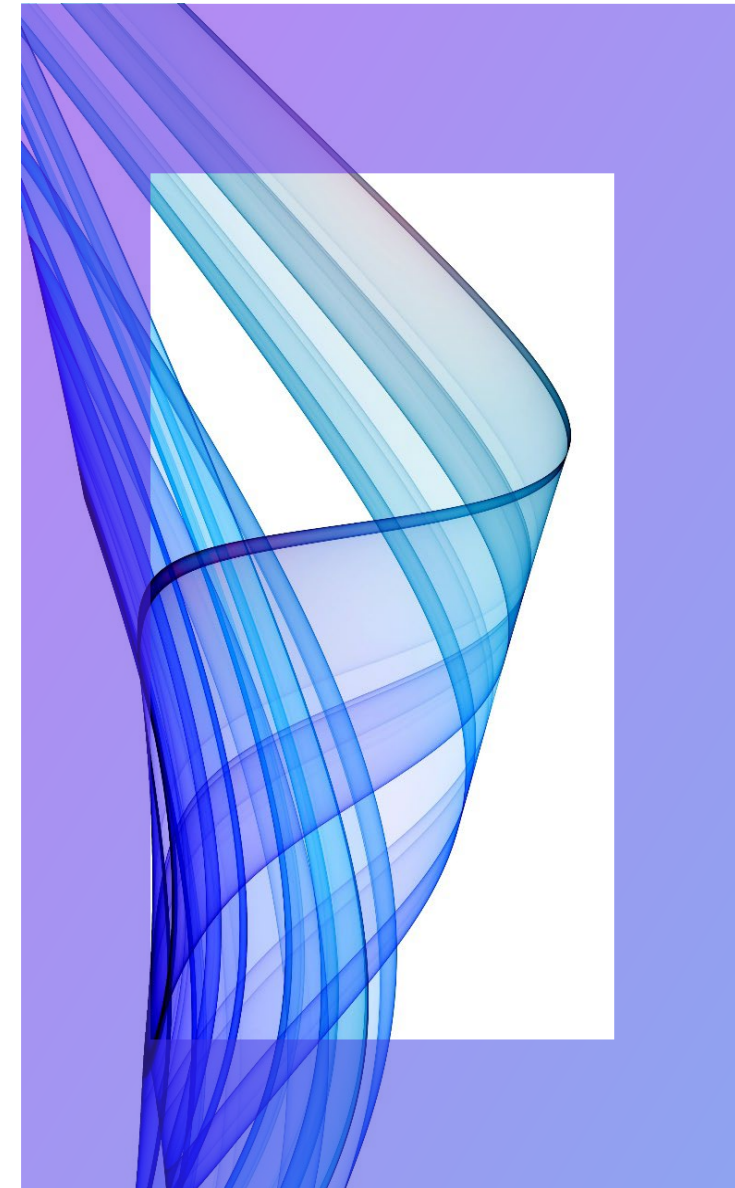
Collaboration

- KPMG Clara for Clients



Workflow

- KPMG Clara Workflow
- Journal Entry Analysis (part of KPMG Advanced analytics)
- Planning Analytics (part of KPMG Advanced analytics)





Appendix 7: Continuous evolution

Our investment: \$5B

We are in the midst of a five-year investment to develop our people, digital capabilities, and advanced technology.

Responsive delivery model

Tailored to you to drive impactful outcomes around the quality and effectiveness of our audits.

Result: A better experience

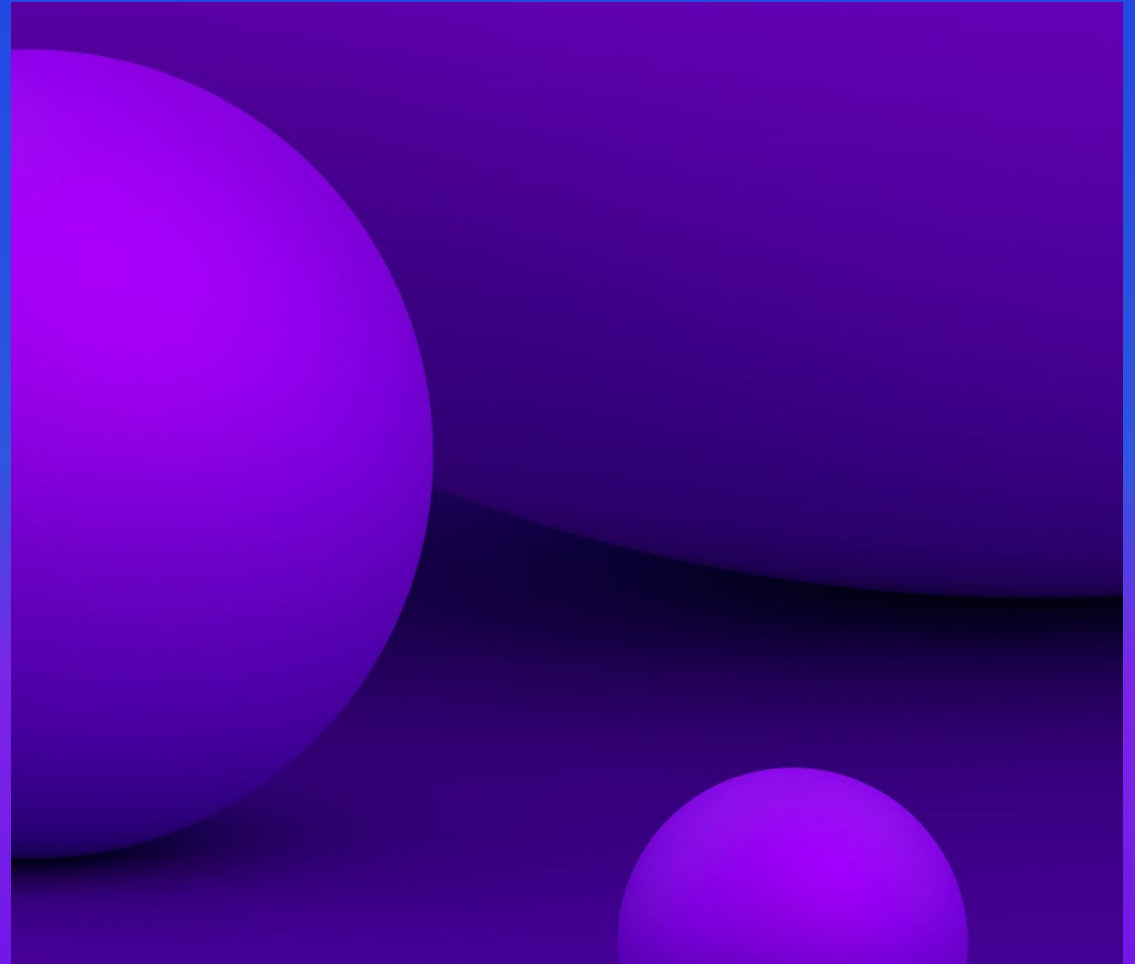
Enhanced quality, reduced disruption, increased focus on areas of higher risk, and deeper insights into your business.





kpmg.ca

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COLCHESTER REINSURANCE LIMITED
UNAUDITED BALANCE SHEET AS AT JUNE 30, 2024
(EXPRESSED IN CANADIAN \$)

		JUNE 30, 2024	JUNE 30, 2023
ASSETS			
Cash at bank - premier accounts		288,586.27	413,213.26
Cash & cash equivalents	1	288,586.27	413,213.26
Royal Bank of Canada-Investments	2	30,973,654.09	29,132,463.02
Accrued interest receivable	3	154,463.02	169,218.76
Insurance Balances Receivable		0.00	0.00
Provision for Losses Recoverable	4	10,796,049.00	9,702,577.00
Deferred Reinsurance Premiums	5	0.00	0.00
Prepaid expenses	6	8,477.00	8,391.00
		41,932,643.11	39,012,649.78
TOTAL ASSETS		42,221,229.38	39,425,863.04
Insurance balances payable		0.00	0.00
Accrued expenses	7	99,790.00	108,158.00
Claims payable		724,794.27	46,981.83
		824,584.27	155,139.83
RESERVES			
Unearned Premium Reserve	9	0.00	0.00
Outstanding losses	8	4,967,299.00	4,291,583.00
Outstanding losses - I.B.N.R.	8	16,763,946.00	15,084,336.00
		21,731,245.00	19,375,919.00
SHAREHOLDERS EQUITY			
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		18,745,130.04	19,303,723.30
Net profit/(loss) for the period		(850,290.55)	(558,593.26)
		21,209,939.49	22,060,230.04
Accum. Other Comprehensive Income		(1,544,539.38)	(2,165,425.83)
TOTAL SHAREHOLDERS EQUITY		19,665,400.11	19,894,804.21
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		42,221,229.38	39,425,863.04

COLCHESTER REINSURANCE LIMITED
UNAUDITED STATEMENT OF INCOME
FOR THE PERIOD JULY 1 2023 TO JUNE 30, 2024
(EXPRESSED IN CANADIAN \$)

	MOVEMENT DURING QTR	12 MONTHS TO JUNE 30, 2024	12 MONTHS TO JUNE 30, 2023
UNDERWRITING INCOME			
Premiums written	0.00	4,744,433.60	3,603,874.00
Unearned premium transfer	1,186,108.40	0.00	0.00
GROSS EARNED PREMIUMS	1,186,108.40	4,744,433.60	3,603,874.00
Reinsurers' ceded premiums	0.00	(2,772,308.48)	(2,764,463.04)
Deferred ceded premiums	(693,077.13)	0.00	0.00
Reinsurers' ceded premiums earned	(693,077.13)	(2,772,308.48)	(2,764,463.04)
	493,031.27	1,972,125.12	839,410.96
TOTAL UNDERWRITING INCOME	493,031.27	1,972,125.12	839,410.96
UNDERWRITING EXPENSES			
Net losses paid	585,117.45	1,896,579.94	7,605,658.32
Outstanding losses adjustment	(543,506.00)	675,716.00	(6,228,195.00)
Transfer to IBNR	752,621.00	1,679,610.00	1,461,850.00
Transfer to prov. for losses recoverable	(326,469.00)	(1,093,472.00)	(1,597,732.00)
NET INCURRED LOSSES	467,763.45	3,158,433.94	1,241,581.32
OTHER UNDERWRITING EXPENSES (see schedule)	22,144.00	89,629.00	85,362.00
TOTAL UNDERWRITING EXPENSES	489,907.45	3,248,062.94	1,326,943.32
UNDERWRITING PROFIT / (LOSS)	3,123.82	(1,275,937.82)	(487,532.36)
GENERAL AND ADMIN EXPENSES (see schedule)	61,774.70	263,003.62	258,982.06
	(58,650.88)	(1,538,941.44)	(746,514.42)
INTEREST INCOME & EXCEPTIONAL ITEMS			
Interest income	205,700.56	845,982.26	977,939.39
Profit/(loss) on sale of invts	(37,600.08)	(67,882.51)	(482,208.66)
Amortisation of investments	7,607.06	33,622.59	(198,991.53)
Investment management fees	(20,142.09)	(78,205.86)	(86,756.68)
Investment Custody Fees	(19,051.54)	(44,865.59)	(22,061.36)
	136,513.91	688,650.89	187,921.16
NET PROFIT/(LOSS) BEFORE TAX	77,863.03	(850,290.55)	(558,593.26)
INCOME TAX	0.00	0.00	0.00
DIVIDEND PAID	0.00	0.00	0.00
NET PROFIT/(LOSS) AFTER TAX	77,863.03	(850,290.55)	(558,593.26)

COLCHESTER REINSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

1. CASH ON DEPOSIT

Royal Bank - Canadian Dollar Call Account	96,948.17
Royal Bank - Premier Canadian Dollar Account	191,638.10
	<u>288,586.27</u>

2. INVESTMENTS

Investment at cost	32,910,303.81
Amortization	(392,110.34)
Portfolio at amortized cost	<u>32,518,193.47</u>
Unrealized gain / (loss)	(1,544,539.38)
Portfolio at market value	<u>30,973,654.09</u>

3. ACCRUED INTEREST RECEIVABLE

Investments - RBC	154,463.02
	<u>154,463.02</u>

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	0.00	0.00
2009/2010	0.00	0.00	0.00
2010/2011	0.00	0.00	0.00
2011/2012	0.00	0.00	0.00
2012/2013	0.00	0.00	0.00
2013/2014	0.00	417,081.00	417,081.00
2014/2015	0.00	20,650.00	20,650.00
2015/2016	0.00	229,745.00	229,745.00
2016/2017	0.00	68,006.00	68,006.00
2017/2018	0.00	123,833.00	123,833.00
2018/2019	0.00	326,713.00	326,713.00
2019/2020	0.00	973,710.00	973,710.00
2020/2021	0.00	1,220,495.00	1,220,495.00
2021/2022	0.00	2,017,246.00	2,017,246.00
2022/2023	0.00	2,458,289.00	2,458,289.00
2023/2024	0.00	2,940,281.00	2,940,281.00
	<u>0.00</u>	<u>10,796,049.00</u>	<u>10,796,049.00</u>

COLCHESTER REINSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

5. DEFERRED REINSURANCE PREMIUMS

Reinsurers' Premium to be earned	(\$2,772,308.48/12*0)	0.00
		0.00

6. PREPAID EXPENSES

Annual Government Tax	US\$12,500 p.a.	8,477.00
		8,477.00

7. ACCOUNTS PAYABLE/ACCRUED EXPENSES

Audit fees	26,761.00
Investment Fees	20,142.00
Investment Custody Fees	7,774.00
Brokerage Commission	22,144.00
Actuarial Fees	4,500.00
Director's Fees	16,420.00
Consultancy Fee - Tax	2,049.00
	99,790.00

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	0.00	0.00	0.00
2008/2009	0.00	0.00	0.00
2009/2010	0.00	0.00	0.00
2010/2011	0.00	0.00	0.00
2011/2012	0.00	0.00	0.00
2012/2013	0.00	0.00	0.00
2013/2014	1,351,345	82,544.00	1,433,889.00
2014/2015	5,000	31,869.00	36,869.00
2015/2016	898,162	108,108.00	1,006,270.00
2016/2017	56,292	105,531.00	161,823.00
2017/2018	0.00	177,421.00	177,421.00
2018/2019	0.00	478,024.00	478,024.00
2019/2020	1,265,000.00	1,183,492.00	2,448,492.00
2020/2021	1,391,500.00	1,869,829.00	3,261,329.00
2021/2022	0.00	3,457,144.00	3,457,144.00
2022/2023	0.00	4,248,082.00	4,248,082.00
2023/2024	0.00	5,021,902.00	5,021,902.00
	4,967,299.00	16,763,946.00	21,731,245.00

9. UNEARNED PREMIUM RESERVE

Premiums	(\$4,744,433.60/12*0)	0.00
		0.00

COLCHESTER REINSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

10. LOSS/EQUITY RATIO

Loss Reserves	21,731,245.00
Shareholder Equity	21,209,939.49
Ratio	102%

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	839,410.96
Minimum Solvency Margin re (2) above	165,462.50
Total Assets	42,221,229.38
Less: Non-admitted Assets	
Long Term Investments	0.00
Prepayments	8,477.00
Total Admitted Assets	42,212,752.38
Total Liabilities	22,555,829.27
Solvency Margin (Excess of Assets over Liabilities)	19,656,923.11
Excess over Minimum Solvency Margin	19,491,460.61