



CLLAS AUDIT COMMITTEE MEETING

Gordon Goodman

Carol Lyons

Michael Swartz

Audit Committee members not attending in person may dial in:

Toronto: 416-933-8665

North America: 1-888-402-9166

Access Code: 2675844#

Wednesday, November 8, 2017 @ 10:00 a.m.

Axxima

Suite 510, 36 Toronto Street

Toronto ON M5C 2C5

AGENDA

	<u>Responsibility</u>	<u>Tab</u>
1. Constitution of Meeting	Gordon Goodman	
2. Appointment of Secretary		
3. Minutes of February 16, 2017 Meeting Proposed Motion: To approve the minutes.	Gordon Goodman	A
4. Audit Plan for December 31, 2017 Year End and Engagement Letter	Deloitte	B
5. IFRS 9 – Deferral of Implementation Proposed Motion: To recommend deferral to the Board.	Patrick Mahoney	C
6. Peer Review of 2017 Actuarial Valuation Proposed Motion: To retain PwC to conduct the peer review.	Patrick Mahoney	D
7. 2016 Annual Review Letter and Responses (Auditors Leave Meeting)	Patrick Mahoney	E
8. Colchester Management Financials at June 30, 2017	Patrick Mahoney	F



9. Reinsurance Security Report Ryan Durrell G
– updated to reflect July 1, 2017 participants
(Note: Select appendices attached, full report on CLLAS website)
10. Other Business – Proposed Dates of Next Meetings
 - a. **Thursday, February 8, 2018 at 1:00 pm** – teleconference to review December 31, 2017 Management Financial Statements (Committee and General Manager’s office only)
 - b. **Thursday, February 15, 2018 at 8.30 am** – in-person Audit Committee meeting

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
(CLLAS)

Minutes of the Meeting of the Audit Committee

Offices of Cassels Brock & Blackwell LLP
Scotia Plaza
40 King Street West, 21st Floor
Toronto, ON

February 16, 2017
8:30 a.m.

Present:

Gordon Goodman
Carol Lyons (by phone)
Michael Swartz (by phone)

Cassels Brock & Blackwell LLP
McMillan LLP
WeirFoulds LLP

Nicholas Leblovic (by phone)

Davies Ward Phillips & Vineberg LLP

Also Present:

Elaine Hultzer
Faizan Khan
Julie-Linda Laforce
Sarah Chevalier
Patrick Mahoney
Cecilia Jeganathan

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1. Constitution of Meeting

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

2. Secretary of the Meeting

Cecilia Jeganathan acted as Secretary.

3. Approval of the Minutes of the Audit Committee

It was moved by Carol Lyons and seconded by Michael Swartz that the minutes of the October 26, 2016 meeting of the Audit Committee be approved. The motion was carried unanimously.

4. Report of the Actuary

Julie-Linda Laforce presented the Report on the Valuation of Policy Liabilities as at December 31, 2016.

The revision of expected loss costs for 2016/2017 to reflect emerging expectations of expected losses in each layer was highlighted. The arrangement between CLLAS and Colchester for 2016/2017 and the Loss Portfolio Transfer (LPT) to Colchester on June 30, 2012 were discussed. It was noted a 1.95% assumption was selected to determine the ULAE provision as of December 31, 2016. The provision for ULAE at December 31, 2016 is \$1,909,000 and is entirely retained by CLLAS. Other changes in assumptions, including the increase in the discount rate from 1.50% to 1.75%, which was selected based on the market yield of CLLAS' fixed income portfolio classified as available for sale per IFRS 9 at December 31, 2016, were identified. There was no change in methodology in the valuation at December 31, 2016. The impact of the change in loss development factors, ULAE load, discount rate and reinsurance PFAD led to an increase of \$3,000 in the net discounted claim liabilities. The increase is mainly driven by the change in reinsurance PFAD. The premium deficiency is \$0 at December 31, 2016 and the deferred policy acquisition expense asset is set at \$154,000.

4. Report of the General Manager

Patrick Mahoney discussed the financial results of CLLAS and highlighted the key items in the balance sheet, income statement and the notes to the financials. He also pointed out that there were no changes to the management financials reviewed in mid-February. The surplus management and adequacy note in the audited financials relating to minimum capital test (MCT) and total reserve and guarantee funds required in accordance with sections 99 & 100 of the Alberta Insurance Act were discussed. He also highlighted some of the key pages of the P&C-1.

There were discussions on the financial impact of Blake's withdrawal. It was agreed that it was appropriate to address this issue in the notes to the financials under contingent liability.

5. Audit Findings Report

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

It was noted that the selected materiality level of \$2,000,000 at the audit planning stage was revised to \$1,400,000 for the year end audit.

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

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

On the motion of Gordon Goodman, seconded by Michael Swartz, it was unanimously resolved to recommend to the Board that the Financial Statements at December 31, 2016 be approved.

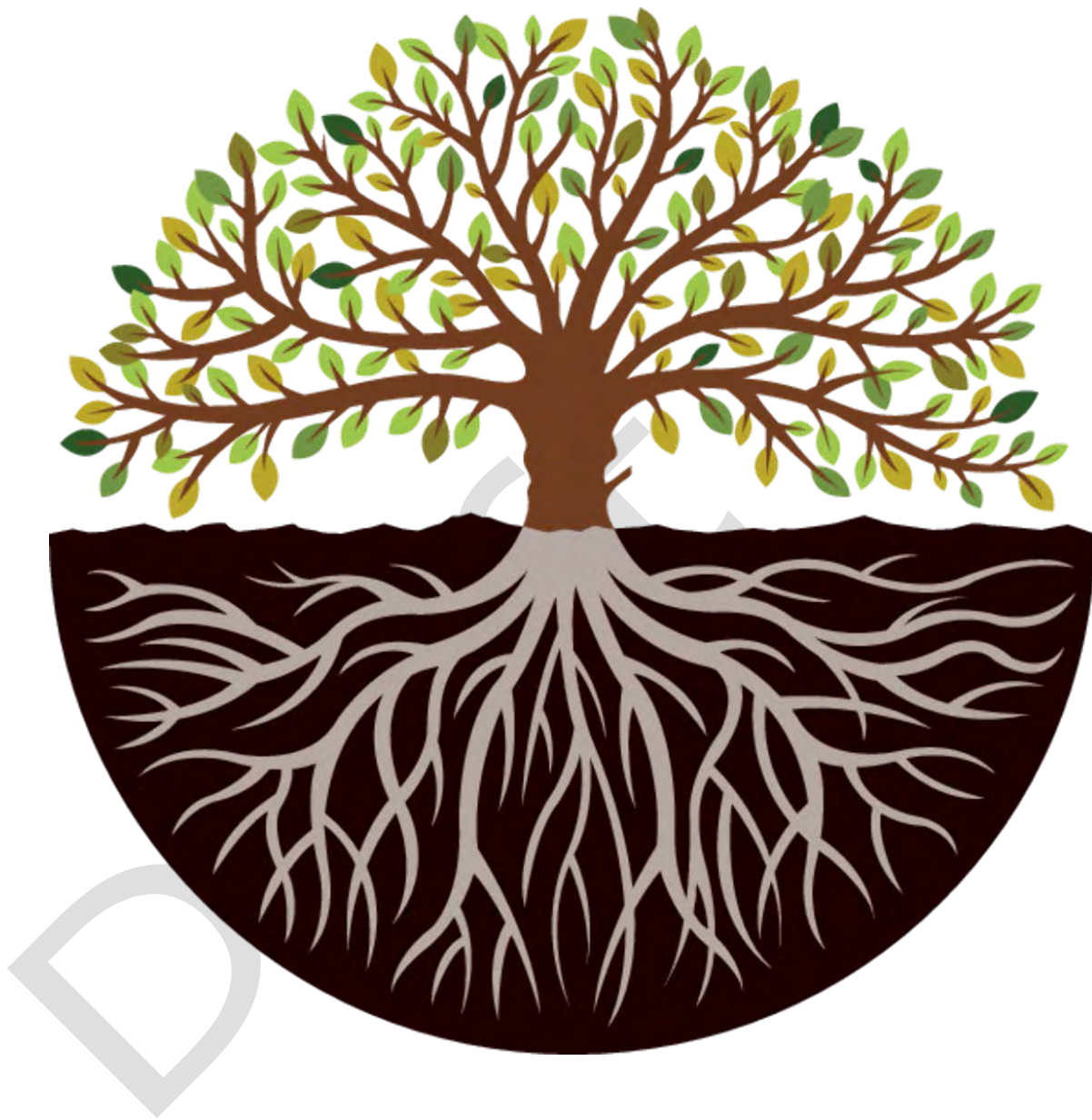
At this point, management left the meeting and Deloitte met in-camera with the Audit Committee members.

6. Termination of Meeting

There being no other business, the meeting was terminated.

Chair

Secretary



2017 Audit service plan Canadian Lawyers Liability Assurance Society

For the year ending December 31, 2017
Presented to the Audit Committee on November 8, 2017

November 8, 2017

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Private and confidential

The Audit Committee of the Advisory Board
Canadian Lawyers Liability Assurance Society

Dear Members of the Audit Committee:

2017 Audit service plan

We are pleased to provide you with our Audit service plan for Canadian Lawyers Liability Assurance Society ("the Society" or "CLLAS") for the year ending December 31, 2017. We value our role as your independent auditor. We understand our responsibility to you, and we have developed a plan that is specific and candid and focused on two elements: providing a distinctive level of client service and delivering a high-quality audit effectively.

Our client service plan leverages a strategy that covers specific actions we will take to address and respond to the feedback the audit committee and management have given us throughout the year and through our service quality assessment process. We understand your expectations for high-quality client service and attention, and our team is committed to delivering on those expectations.

Our audit plan reflects our commitment to providing you with high-quality, proactive service that is delivered with integrity, objectivity, and independence. Our audit addresses financial statement risks through targeted procedures that are responsive to the nature of the risks, including changes in the Society, the business environment, and the regulatory landscape. The plan also outlines Deloitte's seamless approach to audit delivery and how our investments in transformative audit innovation will be applied to your audit through new technologies, data analytics, and enhanced audit delivery processes. We also describe the protocols for communication with the audit committee and management and other permissible services we perform for the Society.

In our judgment, the scope and approach for the 2017 engagement are well designed and comply with all applicable professional standards, including the communications required by the Canadian Generally Accepted Auditing Standards (Canadian GAAS).

We appreciate the opportunity to serve the Society. We hope the accompanying information will be useful to you, and we look forward to answering your questions about our plan.

This report has been provided to the Audit Committee on a confidential basis. It is intended solely for the use of the Audit Committee and the Directors to assist them in discharging their responsibilities with respect to the Financial Statements and is not intended for any other purpose.

Yours truly,



Deloitte LLP
Chartered Professional Accountants
Licensed Public Accountants

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Executive summary

Our Audit approach involves consideration of the following:

Audit scope and terms of engagement	<p>We have been engaged to perform an Audit which includes the Society's financial statements (the "Financial Statements") prepared in accordance with International Financial Reporting Standards (IFRS) as at and for the years ending December 31, 2017 and 2016 conducted in accordance with Canadian Generally Accepted Auditing Standards (Canadian GAAS); and an audit of Society's financial statements for the year ending December 31, 2017 as contained on pages 20.10 to 20.60 of the Society's P&C Annual Return, prepared in accordance with IFRS and conducted in accordance with Canadian GAAS; and an audit of Minimum Capital Test Return ("MCT Return") as contained on page 30.70 of the Society's P&C Annual Return, prepared in accordance with the Office of the Superintendent of Financial Institutions Canada's ("OSFI") Guideline – Minimum Capital Test for Federally Regulated Property and Casualty Insurance Companies (the "Guideline").</p> <p>Refer to Appendix 1 and 2 for further detail on our audit scope and approach.</p> <p>The terms and conditions of our engagement are included in the engagement letter, which is to be signed on behalf of the board and management, and will be separately provided</p>
Materiality	<p>We are responsible for providing reasonable assurance that your Financial Statements as a whole are free from material misstatement.</p> <p>Materiality levels are determined on the basis of consolidated results of operations. Our preliminary estimate of materiality for the year ending December 31, 2017 has been set at \$1,480,000 (2016 - \$1,400,000).</p> <p>We will report to the Committee all uncorrected misstatements greater than a clearly trivial amount of 5% of materiality and any misstatements that are, in our judgment, qualitatively material. In accordance with Canadian GAAS, we will request that misstatements, if any, be corrected.</p>
Audit risks	<p>The significant audit risks have been identified through our preliminary risk assessment process. See the Significant risks section for further discussion of identified significant risks of material misstatement and related audit responses.</p>
Risk of fraud	<p>We plan to have our customary discussion with the Audit Committee regarding the risk of fraud affecting the Society during our meeting on November 8, 2017. In preparation for this discussion, the matters we wish to address have been summarized in the Risk of fraud section.</p>
Audit fees	<p>We propose Audit fees of \$88,903 (2016 - \$86,314), in line with our fee arrangement established in 2015. An analysis of these fees is included in Appendix 5.</p>
Complete engagement reporting	<p>Canadian GAAS specify certain matters we are required to communicate to the Audit Committee of the Advisory Board. Our primary reports and formal communications through which these matters will be addressed are:</p> <ul style="list-style-type: none"> • This Audit plan • An audit report on the Financial Statements • An audit report on the MCT Return <p>We have summarized in Appendix 3 the matters we are required to communicate to the Audit Committee of the Advisory Board and the planned timing for each.</p>

2017 Audit plan at-a-glance

We value our relationship with the Society. Continuous improvement in quality and service is our priority. Our entire client service team is committed to responding to your expectations, guided by three principles: bringing the right team tailored to your needs; executing intelligent quality through innovation, coordination, and communication; and delivering insights and perspectives through the breadth and depth of Deloitte.

Our philosophy emphasizes understanding your expectations, assessing your needs, and responding with actions and results. We embrace the opportunity to continuously review our audit process and approach and to look for ways to continually enhance the quality of our core audit relationship.

Audit objectives

Perform a high quality Audit, enabling us to express an opinion on the Society's 2017 Financial Statements

Understand and be responsive to the expectations of the Audit Committee of the Advisory Board and management

Communicate regularly and openly with the Audit Committee of the Advisory Board and management in accordance with professional standards focusing on audit risks and matters of special interest

Issue independent auditor's report required by the securities regulators

Deliver services that assist the Society in meeting current and future accounting and regulatory requirements



Significant risk areas

Provision for unpaid claims and adjustment expenses (valuation)

Recognition and disclosure of subscriber withdrawals

Management override of controls

Revenue recognition

Key aspects of service distinction

Enhance the value of our communications

Have frank, open and timely communications

Make and meet our commitments to the Society

Assemble the right team

Provide valuable insights from our Audit

Key team members

Elaine Hultzer, Audit Engagement Partner

Mervyn Ramos, Engagement Quality Control Review Partner

Laurie Markus, Acting Manager

Patricia Hladun, Senior P&C Actuarial Manager

Our commitment to audit quality

Our ambition to lead

Our ambition is to be Canada's market leader in Audit Quality. We are achieving our goal by backing our ambition with investments in people, innovation, technology and processes that drive audit excellence consistently on every engagement.

Continually enhancing Audit Quality so that our leadership is recognized requires a firm view on what exactly Audit Quality is. For us, there are three dimensions. It means:

- Meeting auditing standards so we issue the right opinion
- Innovating our audit approach to keep pace with advances in clients' business and systems, and
- Providing insights so Audit Committees and management know more about their companies after our audit than they did before.

Enhancing audit quality each year

Each year, in advance of the annual audit cycle, we establish our annual Audit Quality Plan. This plan guides our business direction so the skills of our people are enhanced, individual audits are completed more effectively and our business operations support the achievement of Audit Quality.

As we communicated a year ago, our focus for 2016 audits was to continue:

- Advancing the timing of our work
- Increasing our focus on internal controls, and
- Exhibiting healthy professional skepticism.

We expect that you saw these themes in our 2016 audit processes and discussions.

Achieving our ambition

Based on our experience in 2016, our commitment, investment and detailed plans are paying off:

- Each year we experience four sets of inspections – two external, by CPAB and PCAOB, and two internal Deloitte inspections, covering about 50 files. In our 2016 inspections, across all four types, our rate of significant findings was reduced by half.
- We published Canada's first Audit Quality Report, outlining our ambition, plans and commitments to leading on Audit Quality.
- Our Deloitte Institute of Audit Innovation & Quality was launched as a home for our leading thinking.

What's next for 2017?

As we plan our 2017 audits, all of our audit teams will emphasize key areas as part of our current year plans to keep enhancing audit quality. You will see:

- Greater intensity in stipulating timelines and deliverables, both for clients and ourselves, to drive enhancements to the project management of each engagement.
- More precision in ensuring that our audit project plans accurately reflect the effort required to complete the engagement at today's quality standards.
- Earlier attention on resourcing Engagement Quality Control Review (EQCR), valuations, systems and internal control specialists that are increasingly required on each audit.

In addition, look for our upcoming publication on the lessons we would like to share from our extensive involvement in CPAB's pilot project on Audit Quality Indicators. In fact, if you would appreciate a discussion with one of our Audit Quality leaders on this or other topics, we will arrange that.

Draft

Significant risks

During our risk assessment procedures, we identified significant risks that require special audit consideration. These risks, along with our planned responses, are listed below. In performing our risk assessment, we have considered the risks identified by management in performing their risk assessment.

Our audit planning activities and our preliminary identification of audit risks enables us to set the scope of our Audit and to design audit procedures tailored to the identified risks to financial reporting. The tables below set out the significant risks that we identified during our preliminary planning activities. The tables also include our proposed response to each risk. Our planned audit response is based on our assessment of the likelihood of a risk's occurrence, the significance should a misstatement occur, our determination of materiality and our prior knowledge of the Society.

The results of our audit planning and risk assessment drive the scope and timing of the audit procedures.

In response to the significant risks identified, we will evaluate the design and implementation of the relevant controls that address those risks, increase the involvement of more senior members on the engagement team, including experts with relevant industry and technical expertise, and make other necessary adjustments to the nature, extent and timing of our testing. The following section details each significant audit risk identified and our planned audit response.

Revenue recognition

Audit risk	Assurance standards include the presumption of a fraud risk involving improper revenue recognition. Revenue streams are contractually driven, although the level of manual intervention increases the risks.
Our proposed audit response	We will perform the following audit procedures: <ul style="list-style-type: none">• Test management's controls over significant revenue streams• Perform a combination of analytical procedures and test of details• Agree, on a sample basis, the insurance premiums recorded in the administration system to supporting documentation• Obtain confirmation from insured and test reconciling items, if any.

Management override of controls

Audit risk	Assurance standards include the presumption of a significant risk of fraud which can be committed through management override of controls. Management is in a unique position to override internal controls resulting in a manipulation of the accounting records which could result in Financial Statements that are materially misstated.
Our proposed audit response	We will perform the following audit procedures: <ul style="list-style-type: none">• Assess the effectiveness of controls over the financial close process including the preparation and posting of journal entries and other adjustments.

- Test the appropriateness of large or unusual journal entries recorded in the general ledger and other adjustments in the preparation of the financial statements, using data analytical tools to identify journal entries of audit interest.
- Examine accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud.

Provision for unpaid claims and adjustment expenses, gross and net of amount recoverable from insurers (valuation)

Audit risk	<p>Risk of measurement uncertainty due to a significant amount of judgment required by the Appointed Actuary and Management with respect to the assumptions and methodologies underlying the reserves.</p> <p>We assess whether the reserves are appropriately established, carried and released.</p>
Our proposed audit response	<p>We will address these risks by:</p> <ul style="list-style-type: none"> • Utilizing actuarial experts in the planning and execution of our audit procedures • Assessing internal controls over the actuarial and claims processes • Reviewing and assessing claims handling and monitoring procedures • Selecting and testing of a representative sample of claims to ensure reserved amounts are properly supported and payments are properly authorized and accurately recorded • Testing underlying data used in the valuation including claims reserves, claims paid and premium data • Testing the reconciliation of the reserves, focusing on the reconciliation between the administrative and valuation systems • Reviewing the opinion of the Appointed Actuary • Updating our understanding of the methods, models and key assumptions used in the valuation including any changes thereon • Assessing the reasonableness of key assumptions and methodologies • Independent recomputations of the actuarial reserves • Reviewing the discount factor used and the application of discounting • Testing the consistency of reserve margins over time • Performing analytical procedures on reserve movements <p>Reviewing trends in the development of prior years' ultimate and perform a retrospective assessment (a look back test) to determine whether Management judgments and assumptions relating to the estimates indicate a possible bias on the part of Management.</p>

Disclosure of subscriber withdrawals (occurrence, valuation and presentation)

Audit risk	Subscriber withdrawals occur periodically and judgment is involved in determining the appropriate timing of recognition and valuation of amounts and appropriate note disclosures
Our proposed audit response	<p>We will perform the following audit procedures:</p> <ul style="list-style-type: none"> • Assess Management's judgment as to the timing and value to be recognized in respect of the liability arising on withdrawal of a subscriber • Utilizing actuarial experts to test Management's valuation of the recognized liability to the subscriber, as applicable <p>Assess the appropriateness and completeness of disclosures included in the financial statements</p>

As we perform our audit procedures, we will separately communicate any significant changes to the significant risks listed above and the reasons for such changes.

Risk of fraud

Maintaining an attitude of professional skepticism means that we carefully consider the reasonableness of the responses we receive to our inquiries from those charged with governance, and evaluate other information obtained from them in light of the evidence we obtain during the Audit. When we identify a misstatement or control deficiency, we consider whether it may be indicative of fraud and what the implications of fraud and significant error are in relation to other aspects of the Audit, particularly the reliability of management representations.

The Committee has oversight responsibilities for management's efforts to create a strong internal control environment, including the design and implementation of antifraud programs and controls. Since antifraud controls influence the tone of the entire organization, they will be considered as part of our assessment of the overall control environment.

We have begun the process of co-ordinating discussions regarding fraud and error with certain members of Management as well as others within the organization. We are also required to make certain inquiries of the Audit Committee of the Advisory Board regarding the risk of fraud at the Society. In that context, during our meeting on November 8, 2017 we would like to hear your comments on the following:

- The Audit Committee of the Advisory Board's views about the susceptibility of the Society to fraud, both in the context of fraudulent financial reporting and the misappropriation of assets
- Whether the Audit Committee of the Advisory Board has knowledge of any actual, suspected or alleged fraud affecting the Society
- The Audit Committee of the Advisory Board's role in exercising oversight of Management's antifraud programs
- Whether the Audit Committee of the Advisory Board has received any tips or complaints regarding the Society's financial reporting and, if so, the Audit Committee of the Advisory Board's responses to such tips and complaints, and
- Whether the Audit Committee of the Advisory Board is aware of matters relevant to the Audit, including, but not limited to, violations or possible violations of laws or regulations

If we suspect fraud involving management, we will communicate these suspicions to the Committee and discuss the nature, timing, and extent of audit procedures necessary to complete the Audit.

Appendix 1 – Audit scope

The objective of the Audit is to obtain reasonable assurance about whether the Financial Statements are free of material misstatement, whether due to fraud or error, to enable us to express an opinion on whether the Financial Statements are prepared, in all material respects, in accordance with IFRS. The Audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by management, and evaluating the overall presentation of the Financial Statements. Based on our analysis of risks and other factors, we have determined the scope of work needed to support our audit report. We will revisit the scoping decisions during the year as we finalize our planning process and in consideration of any changing circumstances.

Factors considered in determining the Audit scope and the extent of our planned audit procedures at the Society include, but are not limited to:

- A consideration of significant accounts and disclosures using materiality levels that are appropriate to support our audit opinions on the Society's Financial Statements
- Our assessment of the risks of material misstatement
- Whether significant changes from prior-years' audits have occurred during the period under audit
- The existence of significance risks
- Key accounting estimates subject to management judgments
- The complexity and nature of the operations, internal controls, and accounting issues
- The extent and nature of internal control deficiencies and financial statement misstatements identified in current and previous periods
- Knowledge of the Society's industry, risks inherent in the business, and economic trends facing the Society.

Audit scope uncertainty

Our Audit service plan is based on several assumptions. Circumstances may arise during the engagement that could significantly affect the scope and the extent and timing of our audit procedures. These circumstances may include, but are not limited to:

- A deterioration in the quality of the Society's accounting records during the current year engagement compared to the prior-year engagement
- The identification of significant deficiencies in the Society's internal control that result in the expansion of our audit procedures
- The identification, during our Audit, of a significant level of proposed audit adjustments
- The occurrence of significant new issues or changes, such as:
 - New accounting issues
 - Changes in accounting policies or practices from those used in prior years
 - Events or transactions not contemplated in our budget
 - Changes in the Society's financial reporting process or IT systems
 - Changes in the Society's accounting personnel, their responsibilities, or their availability

- Changes in auditing standards
- Changes in the Society's use of specialists and/or their work product does not meet the qualifications that Canadian GAAS require for us to be able to use their work
- Changes in the Audit scope caused by events that are beyond our control.

If any of these or similar such circumstances arise during the course of our Audit we will discuss them on a timely basis with management and provide the Committee with a report regarding the impact on our Audit at its next scheduled meeting. Matters that we consider to be significant and that may be sensitive from a reporting timing perspective will be communicated immediately to the Chair of the Committee.

Internal control matters

We will evaluate the design and implementation relevant to the audit taking into consideration our assessment of audit risk. However, we may choose to adopt a substantive approach to the audit of certain accounts and assertions in connection with our audit of the Financial Statements where this is more practical (for example, where there have been changes in systems during the year and where it is possible to obtain substantive assurance with less audit effort).

Use of service organizations

The Society employs the following third party service organizations in a variety of outsourcing arrangements that impact financial reporting information:

- RBC Investor & Treasury Services (RBC-IS)

We intend to rely on the reports issued by these third party service organizations' independent auditors.

As part of our assessment, we will consider the Society's internal controls related to the information provided by these organizations.

If our assessment of these reports does not provide us with sufficient appropriate audit evidence, we will be required to perform additional audit procedures to address the risks of material misstatements in the Financial Statements.

Appendix 2 – Audit approach

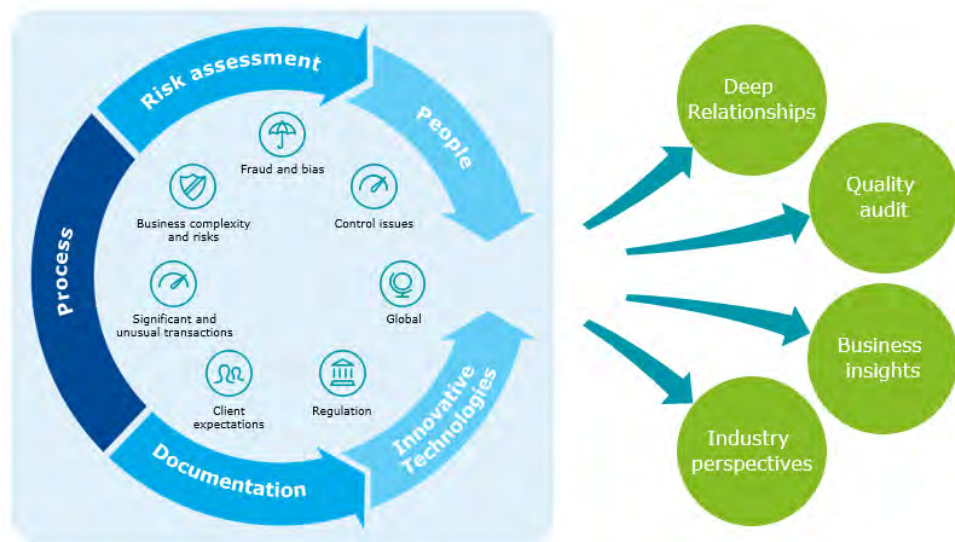
We are keenly aware of how our approach to execution impacts your people, the level of effort spent in achieving audit quality, the overall cost of complying with financial reporting and regulatory requirements, and the additional value that can be gained from an audit process that touches nearly every part of your company. We will work smarter, bringing a streamlined approach that improves transparency, increases effectiveness, and improves year over year.

A primary element of our enhanced service approach is to help you address your business challenges by bringing the full value of Deloitte's multidisciplinary capabilities. We will achieve this through a robust plan for the ongoing delivery of insights, recommendations, and interpretations of trends and developments in areas of interest to the company.

In an effort to enhance the quality and operational success of the Audit, we will implement Deloitte Assurance and Advisory Project Management (DAAPM), our proprietary approach to project management. DAAPM is a standard methodology that includes core principles that drive the effective project management of an audit, allowing us to plan and perform work efficiently throughout the year.

Today's audit – a smarter audit

Our audit of the Society is designed to address the complexities of your business, the business climate in which you operate, and our professional standards.



Our goal is to execute a quality audit while delivering to you business insights and industry perspectives.

1. Initial planning

The Deloitte Audit approach begins with an extensive planning process that includes:

- Assessing your current business and operating conditions
- Understanding the composition and structure of your business and organization
- Understanding your accounting processes and internal controls

- Understanding your information technology systems
- Identifying potential engagement risks
- Planning the scope and timing of internal control and substantive testing that take into account the specific identified engagement risks, and
- Coordinating our activities with external parties and [experts and/or specialists].

Understanding your business and accounting processes

Our Audit will take into account specific items of particular interest raised by the Committee as well as areas of concern identified by the Committee or management.

Our documentation of our understanding of the Society's flows of transactions includes process flow diagrams in areas in which we have identified a significant risk. We will review those process flow diagrams prepared by management or create them as part of our preliminary planning procedures.

2. Assessing and responding to engagement risk

Risk assessment

Risk assessment is a critical facet of our audit approach and scoping process. We identify risks of material misstatement associated with the Society and its various businesses, material account balances and disclosures, assertions, and related controls based on our knowledge of the company and its operations. We design all phases of the Audit to identify and address risks associated with the Society and to enable us to respond to the business, regulatory, and economic environment in which the Society operates.

In developing our audit plan for each material account balance or disclosure, we consider:

- What could go wrong to cause a material misstatement of the Financial Statements
- Control activities relevant to these risks of material misstatement

For each risk of material misstatement we identify, we design and ultimately perform tests of internal controls and substantive procedures to address that risk. These procedures are tailored to the specific risk and, where appropriate, call upon use of some of our proprietary tools.

We compile information from a variety of sources, including discussions with management and the Committee, to identify risks to the Society's financial reporting process that may require attention. Our preliminary risk assessment took into account:

- Key business developments and transactions (internal and external)
- Current business, regulatory and accounting pronouncements and developments
- Key management strategies and business plans
- Prior years' audit results
- Results of procedures relating to internal control, and
- Areas of significant risk

Based on our risk-based audit approach and the updated 2017 risk assessment, we have preliminarily identified the significant risks summarized in the "Significant risks" section.

We know that risk assessment (and our response to that risk) is an iterative process. As we gather new facts and information, we evaluate whether there is a need to modify our initial risk assessment and planned tests of internal controls and substantive procedures to address that risk. We will inform the Committee and

management of any significant changes to our risk assessment and any additional significant risks that are identified.

Information technology

An important part of our audit planning process involves gaining an understanding of:

1. The importance of the computer environment relative to the risks of financial reporting
2. The way in which that environment supports the control procedures we intend to rely on when conducting our Audit, and
3. The computer-based information that supports our substantive procedures.

The objective of our review of computer controls is to identify potential areas of risk and assess the relevance, reliability, accuracy and completeness of the data produced by the systems. To accomplish this, we gain an up-to-date understanding of your organization's computer processing environment and our understanding of the relevant general computer controls.

We will assess the design and implementation of general computer controls in the following areas:

1. Data centre and network operations
2. System software acquisition, change and maintenance
3. Program change
4. Access security, and
5. Application system acquisition, development, and maintenance.

3. Developing and executing the Audit plan

The performance of an Audit includes evaluating the design and determining the implementation of internal controls relevant to the Audit, testing the operational effectiveness of the controls we intend to rely on, and performing substantive audit procedures.

Audit procedures

The timing of our Audit procedures is dependent upon a number of factors including the need to coordinate with management for the provision of supporting analysis and other documentation. Generally, we perform our Audit procedures to allow us sufficient time to identify significant issues early, thereby allowing more time for analysis and resolution.

For example, we anticipate performing Audit procedures on account balances and disclosures involving significant and complex transactions, such as acquisitions, divestitures, or adoption of new accounting pronouncements, as they occur.

Tests of controls

When we perform an Audit, we obtain appropriate audit evidence each year to assess the design and implementation of controls in achieving their objectives. Our assessment examines each component of internal control, including:

1. Entity-level components of internal control
2. Relevant assertions related to all significant account balances or disclosures in the Financial Statements, and
3. Relevant areas of general computer controls.

As part of our Audit, we will review and evaluate certain aspects of the systems of internal control over financial reporting to the extent we consider necessary in accordance with Canadian GAAS. The main objective of our review is to enable us to determine the nature, extent and timing of our audit tests and establish the degree of reliance that we can place on selected controls. An audit of the Financial Statements is not designed to determine whether internal controls were adequate for management's purposes or to provide assurance on the design or operational effectiveness of internal control over financial reporting.

The extent to which deficiencies in internal control may be identified through an audit of Financial Statements is influenced by a variety of factors including our assessment of materiality, our preliminary assessment of the risks of material misstatement, our audit approach, and the nature, timing and extent of the audit procedures that we conduct. Accordingly, we gain only a limited understanding of controls as a result of the procedures that we conduct during an audit of Financial Statements.

We will inform the Committee and management of any significant deficiencies that are identified in the course of conducting the Audit.

Substantive audit procedures

Our substantive audit procedures consist of a tailored combination of analytical procedures and detailed tests of transactions and balances. These procedures take into account the results of our controls tests and are designed to enable us to obtain reasonable assurance that the Financial Statements are free from material misstatements. To obtain this assurance, misstatements that we identify while performing substantive auditing procedures will be considered in relation to the Financial Statements as a whole. Any misstatements that we identify, other than those that are clearly trivial (the threshold has been set at 5% of materiality), will be reported to management and the Committee. In accordance with Canadian GAAS, we will request that misstatements be corrected.

Use of the work of experts

We recognize the importance of sharing our accounting, reporting, and industry knowledge and experience, and we will provide an enhanced level of skill for the specialized risks and industry issues affecting the Society. The Deloitte Audit is distinguished by the use of a broad range of industry and functional experts who are integral to the Audit team and carry a deeper understanding of specific topics. These experts augment the core engagement Audit team in understanding business processes and related risks, and help the Audit engagement team apply an appropriate level of professional skepticism to challenge significant management assumptions.

For the 2017 Audit, we plan to use our actuarial experts to assist in assessing the adequacy of the valuation of provision for unpaid and unreported claims liabilities.

Our experts have been actively involved in the planning and risk assessment process, and will be available to the Audit team and the Society's management year-round to discuss ongoing risk assessments, accounting and financial reporting issues, industry developments and other matters of interest. These experts will regularly update management on technical accounting, industry and other matters that affect the Society to minimize surprises and provide timely information to improve your understanding and ability to respond when new standards are issued or accounting developments occur.

Our internal actuarial experts will assist our audit engagement team when dealing with more complex technical, accounting, auditing and reporting issues. Our experts will be testing all account balances that require actuarial estimates.

4. Reporting and assessing performance

Perform post-engagement activities

We will analyze the results of the Audit procedures performed throughout the year and, prior to rendering our report, we will conclude whether:

- The scope of the Audit was sufficient to support our opinion, and
- The misstatements identified during the Audit do not result in the Financial Statements being materially misstated.

Independence

We have developed important safeguards and procedures to protect our independence and objectivity. If, during the year, we identify a breach of independence, we will communicate it to you in writing. Our communication will describe the significance of the breach, including its nature and duration, the action taken or proposed to be taken, and our conclusion as to whether or not the action will satisfactorily address the consequences of the breach and have any impact on our ability to serve as independent auditor to the Society.

We are independent of the Society and we will reconfirm our independence in our final report to the Committee.

Complete engagement reporting

After the satisfactory completion of appropriate audit procedures, we will provide an audit report on your Financial Statements.

We also provide reports to the Committee to assist it in fulfilling its responsibilities as required by applicable auditing standards. Appendix 3 summarizes the required communications between Deloitte and the Committee.

Deloitte's client service principles include providing management and the Committee with insights into the condition of the business and offering meaningful suggestions for improvement. We will report these insights and suggestions to the appropriate members of management and/or the Committee for their consideration.

To enable us to determine how well we have achieved our client service objectives, including an assessment of the quality of our Audit engagement, we actively solicit feedback from our clients. This feedback will be obtained either through meetings with members of the Committee and management or their completion of questionnaires.

Your feedback enhances our understanding of your expectations of us through your evaluation of our performance. The information you provide helps us refine our client service objectives to ensure that we remain focused, responsive and proactive in meeting your needs while fulfilling our professional responsibilities.

5. Leveraging technology

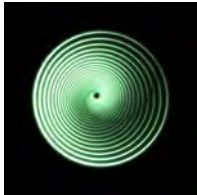






Advancing technology and evolving markets have resulted in dramatic changes in business; we are transforming our audits rapidly to keep pace with these changes. Deloitte is at the forefront, developing smarter ways of executing audits that benefit you, your investors, and capital markets. Our multidisciplinary organization supports a culture of innovation, and not being content with the status quo is embedded in our DNA.






Our clients benefit from our focus on innovative technologies:

- Insights on the issues and risks that matter
- Industry benchmarking and peer comparisons
- Focus on outliers
- Reduced client burden for audit support

We will work with the Society to develop a tailored strategy for how we can leverage these tools to bring you information you can use for more effective decision-making.

Capitalize on Deloitte's investment in innovation

Technology		Description
COGNIA 	How we equip our people	Our portal providing a full suite of world class tools for our people
MAGNIA 	How we deliver our audits	<div>  Engagement Management System (EMS) </div> <div>  Deloitte OnLine </div> <div>  Deloitte Connect </div> <div>  Argus </div> <div>  Deloitte Technical Library </div>

		Technology	Description
ILLUMIA 	How we analyze client data	 Spotlight	Spotlight, our integrated analytics application that delivers self-service analytics directly into the hands of our auditors.
		 DisclosureNet/Disclosure Analytics	DisclosureNet/Disclosure Analytics is an online source for filing disclosures and comment letters, allowing practitioners to find disclosures and accounting policies easily, and conduct comparisons.
		 Data Visualizations	Data visualizations help bring data to life by providing visual representations to illustrate information more clearly and intuitively to deliver actionable insights from your data.
		 Excel Analytics Toolbar	Excel Analytics, an Excel add-in and Deloitte's proprietary tool, focuses on testing high-risk transactions and streamlines common audit test procedures.

Appendix 3 – Communication requirements

The Committee oversees the financial reporting process of the Society, evaluating whether there is an effective process for identifying significant risks and managing them appropriately. An important part of that oversight role is working with the independent auditor. Our commitment to an independent professional relationship with the Committee focuses on the following:

- More dialogue and less presentation
- Concise, clear, tailored written communications
- Support for the Committee in fulfilling its responsibilities
- Exposure to specialists, as requested

Our audit methodology features a high degree of formal and informal communication.

Deloitte's principles for communicating with the Society's Committee include the following:

- Communicating difficult matters in an open, transparent manner
- Advising the Committee on key audit matters and matters that may potentially have an impact on independence to assist in fulfilling its responsibilities
- Providing materials in advance to allow the Committee to prepare for meetings effectively
- Sharing our intellectual capital through highlighting and tailoring information that is relevant to the Society
- Addressing likely questions proactively
- Providing candid, insightful feedback regarding the Committee's and management's activities
- Seeking the Committee's assessment of our performance
- Avoiding surprises
- Answering your questions

We will demonstrate our commitment to communicating with the audit committee in the following ways:

- In certain instances, meeting with the Committee chairman between scheduled meetings to communicate relevant accounting updates, issues, or findings and with respect to Committee pre-approval of services (where necessary)
- Industry insights on compliance organizations, risk management initiatives, and the finance function
- Personalized communication that focuses attention on relevant matters
- Updates on industry and market trends, as well as matters related to governance requirements and leading practices
- Access to the range of knowledge and experience used in the audit process and the opportunity to talk to subject matter specialists about significant issues affecting the Society

The willingness of the Audit Committee and management to engage in an open dialogue regarding issues is instrumental in our ability to deliver high-quality service to CLLAS.

Required communication

	Each period the event occurs	Annually
1. Fraud or possible fraud identified through the audit process	•	
2. How those charged with governance exercise oversight over management's process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	•	
3. Any known suspected or alleged fraud affecting the Society	•	
4. Whether the Society is in compliance with laws and regulations	•	
5. Our responsibilities under Canadian GAAS		•
6. An overview of the overall audit strategy, addressing:		•
a. Timing of the audit		
b. Significant risks, including fraud risks		
c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk		
d. Names, locations, and planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audit.		
7. Significant accounting policies, practices, unusual transactions, and our related conclusions.	•	•
8. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period		•
9. Matters related to going concern		•
10. Management judgments and accounting estimates		•

Required communication

	Each period the event occurs	Annually
11. Any significant matters arising during the audit in connection with the Society's related parties	●	
12. Significant difficulties, if any, encountered dealing with management related to the performance of the audit	●	●
13. Material written communications between management and us, including management representation letters		●
14. Other matters that are significant to the oversight of the financial reporting process	●	
15. All relationships between the Society and us that, in our professional judgment, may reasonably be thought to bear on independence		●
16. A statement that, in our judgment, the engagement team and others in our firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence		●
17. Breach of independence	●	
18. Modifications to our opinion(s)		●
19. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns		●
20. Major issues discussed with management prior to our retention	●	
21. Matters involving non-compliance with laws and regulations that come to our attention	●	
22. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the Financial Statements	●	●
23. Uncorrected misstatements and disclosure items		●

Appendix 4 – Audit team

We strive to provide continuity along with a balance of fresh perspective so we can offer high-quality, competent audit and professional personnel who will provide services with quality and distinction. Deloitte is committed to serving the Society with our senior leaders—professionals who have built their careers working with complex organizations like yours. Our professionals must have the depth of industry experience you need, with broad, diverse perspectives around current and emerging issues important to the Society.

We are led by Elaine Hultzer, lead client service partner. As a team we are committed to delivering on Deloitte’s client service principles to:

- **Make** and meet our commitments to our clients
- **Understand** our clients’ business and what is important to them
- **Provide** value and build the Society through technical competence and consistent results
- **Demonstrate** professionalism through effective interaction and communications, and
- Provide a **no surprises** experience.

The team will assist Elaine Hultzer in delivering on these commitments. The team consists of industry experts and professionals with diverse skills from a number of disciplines to meet the Society’s needs. Our partner leaders pride themselves on leading by example, particularly when it comes to making sure that our team members view their work on the engagement as key to their career development.

As you are aware, the provincial institutes of chartered professional accountants’ codes of professional conduct limit the number of consecutive years certain partners may serve a reporting issuer. The table below identifies key members of the engagement team and, for partners who are required to rotate, the last year each person is eligible to serve as a partner under current rotation requirements.

We will begin consulting with the Committee and senior management approximately 18 months before a scheduled rotation. This will allow us to gain a thorough understanding of the qualities and attributes you would like in the new member of our engagement leadership team. We will then consult with the industry and service leaders in Deloitte to identify appropriate candidates. Our goal is to have a successor in place six months ahead of the year of rotation to allow adequate time for a smooth transition. To ensure a consistent delivery of high quality services to the Society, we will stagger rotations among our team so we always retain members with an in depth knowledge of and experience with your organization.

Engagement team member	Role	Phone #	E-mail address
Elaine Hultzer	Lead Client Service and Audit Partner	416-202-2737	ehultzer@deloitte.ca
Laurie Markus	Audit Partner	416-601-6697	lmarkus@deloitte.ca
Patricia Hladun	P&C Actuarial Senior Manager	416-202-2244	phladun@deloitte.ca
Alexandr Adamenko	Senior	416-601-6153	aadamenko@deloitte.ca

Appendix 5 – Audit fees

We are proud of our long-standing relationship and the highly talented team of professionals who serve your organization—professionals with deep industry experience and subject matter experts.

Our first priority is delivering high-quality audits. The investments we are making in people, technology and leading audit thinking are paying off in deeper insights for our clients and improved inspection results (internal and external).

We are committed to being responsive to your needs and delivering a smarter audit that is rich with insights for you to consider where it matters including financial risks, internal control risks, and strategic challenges.

We are proud to be at the forefront of transformation, not only responding to change but also reshaping what is possible by leveraging data analytics, automation, digitization, and cognitive technologies to enhance audit quality and transform our audit service delivery.

Summary of Strategic Value for 2017 and expected benefits for 2016

Expected benefits of our audit services:

- High-quality audit that incorporates our investments in audit innovation
- An audit team committed to being responsive to your needs
- Access to dedicated industry and subject matter specialists to help address business and industry issues
- Business insights for you to consider throughout the delivery of our audit services

Proposed 2017 audit fees

To deliver a consistently high-quality audit and insights and perspectives for your consideration, we estimate the base audit fee for 2017 to be \$88,903. This fee estimate is preliminary and may be adjusted based on the final scope of our Audit and our final determination of the audit procedures that we consider necessary to enable us to express our opinion on the Financial Statements. Our anticipated level of work and the associated fee estimate do not include the effect of any regulatory or other changes to existing auditing and accounting standards yet to be issued.

We will seek the Committee's pre-approval before commencing the additional procedures arising from any unexpected changes.

The 2017 estimated fees are as follows: (Amounts in Canadian dollars)	Current year estimate	Previous year actual
Audit and audit related fees		
Financial Statement Audit	\$79,355	\$77,044
MCT Audit	\$9,548	\$9,270
Total	\$88,903	\$86,314

Note: The current year fees include approximately 3% inflationary increase from the 2016 base audit fees. These fees exclude any new scope changes (change in the business, accounting, auditing standards regulatory changes, unusual transactions, etc.). The 2017 fees above exclude Harmonized Sales Tax (HST), and a 7% administrative charge.

Appendix 6 – 2017 Summary Audit timeline

This calendar indicates our various procedures and meetings as planned throughout the year:

Activity	2017 June	2017 Oct-Nov	2018 Jan-Feb
Audit planning <ul style="list-style-type: none"> Preliminary planning discussions with Management Fraud/error discussions Risk analysis, scoping and determining preliminary audit materiality Engagement letters Exchange of letters with the Appointed Actuary 			
Interim audit procedures <ul style="list-style-type: none"> Circularization of audit confirmations Completion of planning activities Interim audit procedures including design and implementation testing of key controls Review of draft financial statements to agree on note disclosures 			
Year-end audit procedures <ul style="list-style-type: none"> Audit procedures performed on significant audit risks and complex transactions Audit of annual financial statements Audit of the 2017 Annual P&C return, including the MCT Transitional adjustment 			

Appendix 7 – The Deloitte client service commitment

Seamless and effective delivery focused on your specific needs

The Society is important to Deloitte. Your organization is unique and it deserves a customized approach to the services we provide. Our service plan is built on a tailored set of service commitments that guide the delivery of every aspect of our Audit services. Our client service assessment, which is central to our philosophy, emphasizes the importance of listening to your expectations, reassessing your needs based on the feedback you provide to us in the assessment process, and responding with actions and results. We strive to continually raise the bar by improving processes and adding value while delivering an effective and efficient Audit.





Our approach to client service excellence

At Deloitte, our objective is to execute our Audit in a way that meets our professional standards and also creates a positive client experience.

Our client service principles provide the framework for guiding and coaching members of our engagement team, and identifying our clients' unique preferences regarding the ways they want to work with us. These principles enable our engagement teams to focus on client service excellence.

Our client service principles

We will:

-
-  **make** and meet our commitments to you by...
 - Working with you to clearly define your expectations
 - Delivering what is agreed upon
 - Being easily accessible to you
 - Providing valuable responses to all your inquiries
 - Ensuring timeliness and accuracy in our billings
-
-  **understand** your business and what is important to you by...
 - Anticipating your needs
 - Understanding the unique characteristics of your business industry and operating circumstances
-
-  **provide** value and build trust through technical competence and consistent results by...
 - Instilling confidence and trust in the quality of our work
 - Providing you with up-to-date professional expertise
 - Providing value to your enterprise
 - Providing insights into the condition of the business and meaningful suggestions for improvement
-
-  **demonstrate** professionalism through effective interaction and communications by...
 - Keeping you informed of project status
 - Performing as a well-organized team
 - Working collaboratively with you
-



provide a **no surprises** experience by...

- Proactively addressing issues
 - Providing timely communication of changes to fees
 - Effectively managing changes to the service team
-

At the conclusion of our Audit, or at any time during the engagement, we invite you to assess our performance against these principles through our client feedback process.

Draft

Appendix 8 – Communication of CPAB inspection results

In the event that CPAB inspects the audit file of the Society, we are to provide the Committee with the following information:

- a. A description of the focus areas selected for inspection by CPAB
- b. An indication of whether or not there are any significant inspection findings, and
- c. If there are significant inspection findings, a description of the finding(s) and any actions the firm has taken in response to the findings and CPAB's disposition

The reporting of findings specific to the inspection are seen to be of most relevance to the audit committee because it should directly improve both audit quality and the audit committee's oversight of the auditor.

"Significant inspection findings" include CPAB's findings that require written responses from the firm.

Appendix 9 – Financial reporting and regulatory update

The following is a summary of certain new standards, amendments, proposals and notices that were released in the past few months:

To review all recent amendments that will impact your organization in the foreseeable future, we invite you to review our revamped [Standard-setting Activities Digest](http://www.cfr.deloitte.ca), included in our Centre for Financial Reporting (www.cfr.deloitte.ca).

International Financial Reporting Standards

Topic	Description	Effective Date	Impact on the Society
Amendment to IAS 7, <i>Statement of Cash Flows</i>	On January 29, 2016, the IASB issued amendments to IAS 7, <i>Statement of Cash Flows</i> . The amendments come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	Annual periods beginning on or after January 1, 2017. Earlier application is permitted.	CLLAS will need to provide cash flow disclosures in regards to financing activities.
IFRS 9, <i>Financial Instruments</i>	On July 24, 2014, the IASB issued the final version of IFRS 9 <i>Financial Instruments</i> ("IFRS 9"), which replaces IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . This final version of IFRS 9 represents the completion of this project and it includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. IFRS 9 does not address the specific accounting for open portfolios or macro hedging as these items are part of a separate IASB project that is currently ongoing. This final Standard introduces a single, principles-based approach that amends both the categories and associated criteria for the classification and measurement of financial assets, which is driven by the entity's business model for the portfolio in which the assets are held and the contractual cash flows of these financial assets. Certain amendments have been made to the financial asset classification and measurement principles in prior versions of IFRS 9. This Standard introduces an amended hedging model which aligns hedge accounting more closely with an entity's risk management activities and also includes a new financial asset	Annual periods beginning on or after January 1, 2018. Earlier application is permitted.	CLLAS will need to review and assess the implications of the new Standard and prepare for implementation in 2018. This will impact the classification and measurement of investments in the Financial Statements.

Topic	Description	Effective Date	Impact on the Society
	impairment model which has an expanded scope, is based on expected credit losses rather than incurred credit losses and generally will result in earlier recognition of losses. This new Standard supersedes all prior versions of IFRS 9.		
IFRS 15, Revenue from Contracts with Customers	<p>On May 28, 2014, the IASB and the FASB jointly issued a generally converged Standard on the recognition of revenue from contracts with customers, which will replace all existing revenue standards and interpretations, once mandatorily effective. The core principle of the new Standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new Standard provides comprehensive guidance for transactions that were not previously addressed and will also result in enhanced disclosures about revenue. IFRS 15 applies to nearly all contracts with customers, the main exceptions are leases, financial instruments, insurance contracts and certain non-monetary exchange transactions. IFRS 15 is available for early application with mandatory adoption required for fiscal years commencing on or after January 1, 2018 and is to be applied using either the full retrospective approach (with a number of practical expedients) or the modified retrospective approach. The January 1, 2018 effective date is the result of a one-year deferral approved by the IASB in July 2015.</p> <p>In April 2016, the IASB issued targeted amendments to IFRS 15 related to the following areas in the standard:</p> <ul style="list-style-type: none"> • identifying performance obligations, • principal vs agent consideration, • licensing and • transitional relief for modified contracts and completed contracts. <p>These amendments are largely in response to feedback received from the <i>IASB-FASB Joint Transition Resource Group for Revenue Recognition</i> (TRG). The effective date of the amendments is January 1, 2018, the same date as the revenue standard becomes effective. While the FASB</p>	Annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.	CLLAS will need to review and assess the implications of the new Standard and prepare for implementation in 2018. The impacts will generally be in the fee for service type contracts given insurance contracts and financial instruments are outside the scope of IFRS 15. This will not impact Premium and Reinsurance Revenue in the Financial Statements.

Topic	Description	Effective Date	Impact on the Society
	has also issued a number of targeted amendments, the amendments are not necessarily the same, and more extensive amendments were made in certain areas.		
IFRS 17, Insurance Contracts	<p>The IASB has issued its global insurance standard that focuses on a single principle-based approach to account for all types of insurance contracts, to enhance comparability of financial reporting between entities, jurisdictions and capital markets. The accounting model of the new Standard focuses on five steps:</p> <ol style="list-style-type: none"> 1. Identify and recognize the contract 2. Measure the contract at initial recognition 3. Remeasure in subsequent periods 4. Present results in financial statements 5. Provide disclosures 	Effective for annual reporting periods beginning on or after January 1, 2021.	CLLAS will need to prepare for the implementation of IFRS 17. There are several steps in starting a project which need to be considered and planned for. These include educating the Board on the cost and impact of implementation, performing an impact assessment across the business. Being a Reciprocal, IFRS 17 is likely to impact capital as it is known under current IFRS reporting.

Appendix 10 – Deloitte resources a click away

At Deloitte, we are devoted to excellence in the provision of professional services and advice, always focused on client service. We have developed a series of resources, which contain relevant and timely information for boards of directors and c-suite executives. Below you will find an overview of resources, as well as a registration form to allow you to subscribe to resources that may be of interest to you.

Audit resources	Targeted audience	Description
Canadian resources		
Websites		
<input type="checkbox"/> Centre for Corporate Governance www.corpgov.deloitte.ca	<ul style="list-style-type: none"> • Audit Committee members • Board members • CEO/CFO • Internal auditor • Legal counsel 	<p>Web site specifically designed to help board members with their responsibilities.</p> <p>It provides the latest information on regulatory and legislative developments, accounting and financial reporting, board roles and responsibilities, and best practices.</p>
<input type="checkbox"/> Deloitte Learning Academy http://www.deloittelearningacademy.ca/welcomecanada	<ul style="list-style-type: none"> • CFO • VP Finance • Internal auditor • Controller • Financial reporting team 	<p>The Deloitte Learning Academy offers a range of courses targeted to accounting professionals which can be selected a la carte, bundled into a specific learning program, or delivered as a full start-to-finish suite. Our current offerings include International Financial Reporting Standards (IFRS); Accounting Standards for Private Enterprises (ASPE); and Public Sector Standards (PSAS).</p>
<input type="checkbox"/> Centre for financial reporting www.cfr.deloitte.ca	<ul style="list-style-type: none"> • Board members • Audit Committee members • CEO/CFO • Controller • Financial reporting team • Other accounting professionals 	<p>Web site designed by Deloitte to provide the most comprehensive information on the web about financial reporting frameworks used in Canada.</p>
<input type="checkbox"/> Deloitte Accounting Research Tool (DART) Note: Audit Committee of the Advisory Board must pre-approve DART subscriptions	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	<p>A comprehensive online library of accounting and financial disclosure literature.</p> <p>Subscription-based service.</p>
Insights newsletters		

Audit resources	Targeted audience	Description
<input type="checkbox"/> Financial Reporting	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	<p>Bi-monthly electronic communications that helps you to stay on top of standard-setting initiatives impacting financial reporting in Canada.</p> <p>For a copy, contact FinancialReporting@deloitte.ca.</p>
<input type="checkbox"/> Corporate governance	<ul style="list-style-type: none"> • Audit Committee members • Board Members • CEO/CFO 	<p>Monthly electronic communications featuring Deloitte's latest point of view on timely industry and business topics of interest to board directors.</p> <p>For a copy, contact governance@deloitte.ca.</p>
Webcasts and other events		
<input type="checkbox"/> Deloitte Financial Reporting Update www.deloitte.com/ca/update	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	<p>Learning webcasts offered throughout the year featuring our professionals discussing critical issues that affect your business.</p>
<input type="checkbox"/> Directors' Series http://www.deloitte.com/ca/directorsseries	<ul style="list-style-type: none"> • Audit Committee members • CEO/CFO • Internal auditor • Legal counsel 	<p>Live broadcasts offered throughout the year.</p>



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November 8, 2017

Private and confidential

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

and

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

Dear Sirs,

You have requested that Deloitte LLP ("Deloitte" or "we" or "us") audit the financial statements (the "Financial Statements") of Canadian Lawyers Liability Assurance Society (the "Society") as at and for the year ended December 31, 2017. Ms. Elaine Hultzer will be responsible for the services that we perform for the Society.

We understand that the service to be performed under this engagement letter has been pre-approved by the Chief Agent in accordance with its established pre-approval policies and procedures.

We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter.

Deloitte and the Society agree that the executed engagement letter dated October 14, 2016 as well as its accompanying appendices (collectively, the "Prior Engagement Letter") apply to the services under this engagement for the year ended December 31, 2017 and that the provisions of the Prior Engagement Letter, except for the General business terms attached thereto, are hereby incorporated by reference into this letter. Appendix A, accompanying this letter, sets forth the General business terms governing this engagement for the year ended December 31, 2017.

Fees

We estimate that our total fees for this audit will be \$88,903 plus reasonable expenses, a 7% administrative charge and applicable taxes (such as Harmonized Sales Tax). The breakdown of the fees is as follows:

Base audit fee	\$79,355
Audit of MCT Return	<u>\$ 9,548</u>
Total	<u>\$88,903</u>

These fees are based upon our understanding of the unchanged engagement scope for 2017 and as outlined in our three year fee letter, dated November 23, 2015. All invoices shall be due and payable when rendered.

Please sign and return the attached copy of this letter to indicate your acknowledgement that it is in accordance with your understanding of the arrangements for our audit of the Financial Statements for the year ended December 31, 2017.

Yours truly,

Chartered Professional Accountants
Licensed Public Accountants

Enclosure

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

Signature

Title

Date

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

Signature

Title

Date

Appendix A

General business terms

Canadian Lawyers Liability Assurance Society
December 31, 2017

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

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

7. **Working papers** – All working papers, files and other internal materials created or produced by Deloitte related to the engagement are the property of Deloitte. In the event that Deloitte is requested by the Society or required by subpoena or other legal or regulatory process to produce its files related to this engagement in proceedings to which Deloitte is not a party, the Society will reimburse Deloitte for its professional time and expenses, including legal fees, incurred in dealing with such matters.
8. **Privacy** – Deloitte and the Society agree that, in connection with the engagement, Deloitte may collect, use, disclose and otherwise process personal information about identifiable individuals ("Personal Information"). Deloitte's services are provided on the basis that the Society has obtained any required consents under applicable privacy legislation for collection, use, disclosure and processing to Deloitte of Personal Information.
9. **Third parties** – Deloitte's engagement is not planned or conducted in contemplation of or for the purpose of reliance by any third party (other than the Society and any party to whom Deloitte's audit report is addressed) or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.
10. **Confidentiality** – To the extent that Deloitte collects or is provided with Personal Information or any proprietary or confidential information of the Society (collectively, "Confidential Information"), Deloitte will not disclose such information to any third party without the Society's consent, except as may be required or permitted by law, regulation, legal authority or professional obligations, or as otherwise permitted by this Engagement Letter. Confidential Information may be disclosed by Deloitte to its affiliates and to member firms of Deloitte Touche Tohmatsu Limited ("DTTL") and their respective subsidiaries and affiliates ("Deloitte Entities"), component auditors, permitted subcontractors and third parties that provide services to Deloitte. Confidential Information collected by or provided to Deloitte in connection with the engagement may be used, processed, disclosed and stored outside Canada by Deloitte, Deloitte Entities, component auditors or third party service providers to Deloitte. Deloitte is responsible to the Society for causing any such Deloitte Entities, component auditors and third party service providers to comply with the obligations of confidentiality set out in this section. Confidential Information may be subject to disclosure in accordance with laws applicable in the jurisdiction in which the information is used, processed or stored. The Society also agrees that Deloitte may aggregate Confidential Information and use and disclose that information as part of research and advice, including, benchmarking services, provided that all such information will be rendered anonymous and not subject to association with the Society.
11. **Electronic communications** – Except as instructed otherwise in writing, each party consents to properly addressed fax, email (including email exchanged via Internet media) and voicemail communication of both sensitive confidential and non-sensitive documents, information and other communications concerning this engagement, as well as other means of communication used or accepted by the other. It is recognized that the Internet may be insecure and each party will be responsible for protecting its own systems and interests and, to the fullest extent permitted by law, will not be responsible to the other on any basis (contract, tort or otherwise) for any loss, damage or omission in any way arising from the use of the Internet or from access by any Society or Deloitte personnel, including personnel of Deloitte Entities and third parties that provide services to Deloitte, to networks, applications, electronic data or other systems of the other party.
12. **Assignment** – Except as provided below in section 13, no party may assign, transfer, or delegate any of its rights or obligations relating to this engagement without the prior written consent of the other parties.

13. **Subcontracting** – Deloitte may use the services of any Deloitte Entities, component auditors or other subcontractors (including those operating outside Canada) to assist Deloitte. Deloitte remains responsible to the Society for services performed by Deloitte Entities and subcontractors. Each Deloitte Entity is a separate and independent legal entity operating under the names “Deloitte”, “Deloitte & Touche”, “Deloitte Touche Tohmatsu” or other related names; and services are provided by member firms or their subsidiaries or affiliates and not by DTTL.
14. **Software tools** – In connection with the engagement, Deloitte may use data analytics technology which may require Deloitte to install and use one or more data extraction tools (“Extractors”) on the Society’s computing systems. The Society hereby consents to such access and the installation and use of such Extractors, and where applicable, Deloitte hereby grants the Society a limited, revocable, non-exclusive, non-assignable, non-sublicensable right to install and use those Extractors solely in connection with Deloitte’s performance of the engagement. Deloitte recommends that the Society perform adequate security and other appropriate testing on the Extractors before installation. All Extractors are protected by copyright and other laws of various countries, and Deloitte and its licensors reserve all rights not expressly granted in these Terms or the Engagement Letter. The Society is not allowed to reverse engineer, disassemble, decompile, or otherwise attempt to derive the Extractors’ source code, nor assist, directly or indirectly, in any efforts to do so, nor adapt, modify or create derivative works based on the Extractors. The license granted above will terminate upon completion or termination of this engagement. When the license terminates, the Society must, where applicable, stop using the Extractors and delete any and all installed Extractors from the Society’s computing systems, unless Deloitte and the Society have entered into a subsequent agreement that allows for the Society’s continued use. Although Deloitte takes commercially reasonable steps to make the Extractors useful and secure, Deloitte does not have any obligation to ensure they are so, or to maintain, update, upgrade or otherwise modify or support the Extractors. The Extractors are provided “as is” and “as available”, without warranty of any kind, and Deloitte expressly disclaims all implied warranties, including that the Extractors will be secure and error-free, or will meet any other criteria of performance or quality.
15. **Survival of terms** – The agreements and undertakings of the Society contained in the Engagement Letter, together with the appendices to the Engagement Letter including these Terms, will survive the completion or termination of this engagement.
16. **Severability** - If a court or regulator with proper jurisdiction determines that a provision of this Engagement Letter is invalid, then that provision will be interpreted in a way that is valid under applicable law or regulation. If any provision is invalid, the rest of the Engagement Letter will remain in effect.
17. **Electronic messaging** – In accordance with Canadian anti-spam legislation, the Society consents to Deloitte contacting the Society and its personnel through electronic messages relating to Deloitte’s services, products and other matters of interest to the Society after the completion of this engagement. The Society may withdraw any such consent by contacting Deloitte at unsubscribe@deloitte.ca.
18. **Proportionate liability** – The Society and Deloitte acknowledge where the engagement is conducted pursuant to a statute governing the Society that contains proportionate liability provisions that apply to an auditor, such as the Canada Business Corporations Act, the terms of the statute shall apply to this engagement. In the event that the Society and Deloitte are not subject to such statutory provisions regarding proportionate liability, the Society agrees that in any action, claim, loss or damage arising out of the engagement, Deloitte’s liability will be several and not joint and several and the Society may only claim payment from Deloitte of Deloitte’s proportionate share of the total liability based on the degree of fault of Deloitte as finally determined by a court of competent jurisdiction.

19. **Client misrepresentation** – Deloitte shall not be liable to the Society, and the Society releases Deloitte, for all liabilities, claims, damages, costs, charges and expenses incurred or suffered by the Society related to or in any way associated with the engagement that arise from or are based on any deliberate misstatement or omission in any material information or representation provided by or approved by any member of management of the Society, officer of the Society or member of the board of directors of the Society.
20. **Qualifications** – Notwithstanding anything herein to the contrary, Deloitte may use the name of the Society, refer to this engagement and the performance of the services in marketing, publicity materials and other material, as an indication of its experience, and in internal data systems.



M E M O R A N D U M

TO: CLLAS Audit Committee
FROM: Patrick Mahoney
RE: Deferral of Implementation of IFRS 9
DATE: October 31, 2017

As discussed in Deloitte's audit planning report, IFRS 9, which deals with the classification and measurement of financial assets, takes effect on January 1, 2018.

An entity which meets a test focused on ensuring that its predominant activity is the issuance of insurance contracts, has the option to defer the implementation of IFRS 9 until January 1, 2021, when IFRS 17 (which focuses on insurance contracts) takes effect, in order that both accounting standards be implemented at the same time. As shown on the attached exhibit, CLLAS meets the test and is therefore eligible to defer implementation.

Management recommends deferral and therefore asks that the Committee make the necessary recommendation at the December 6, 2017 meeting of the CARIE Board.

I look forward to discussing this matter with you at the up-coming meeting.

Assessment to determine eligibility for IFRS 9 temporary exemption

There are two optional solutions available to address the temporary volatility resulting from the different effective dates of IFRS 9 and the forthcoming insurance contracts standard (IFRS 17).

1. Temporary exemption from IFRS 9

Provides a reporting entity (whose predominant activity is to issue insurance contracts) a temporary exemption from applying IFRS 9 until the earlier of:

- a) the application of IFRS 17; or
- b) January 1, 2021

2. Overlay approach

Give entities issuing insurance contracts the option to remove from profit or loss the incremental volatility caused by changes in the measurement of specified financial assets upon application of IFRS 9. This option will be in place until IFRS 17 comes into effect.

Temporary exemption: Rather than having to implement IFRS 9 in 2018, an entity is permitted to continue applying IAS 39 Financial Instruments standard if:

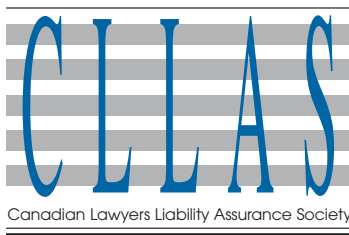
- It has not applied IFRS 9 before and
- Its activities are *predominantly connected with insurance* on its annual reporting date immediately before April 1, 2016

An entity's activities are *predominantly connected with insurance* if:

- Its liabilities arising from contracts in the scope of IFRS 4 are significant compared with the total liabilities, and
- The ratio of its liabilities connected with insurance compared with its total liabilities is
 - Greater than 90 percent or
 - Greater than 80 percent but less than or equal to 90 percent, and the entity does not engage in a significant activity unconnected with insurance

Application to CLLAS

CLLAS's total liabilities at December 31, 2015 were \$111,113,316 of which \$110,202,627 pertain to insurance liabilities. Because CLLAS's predominance ratio is greater than 90%, it qualifies to apply the temporary exemption.



M E M O R A N D U M

TO: CLLAS Audit Committee
FROM: Patrick Mahoney
RE: Peer Review of 2017 Actuarial Valuation
DATE: October 31, 2017

You may recall that the Alberta regulator has adopted OSFI *Guideline E-15 – Appointed Actuary, Legal Requirements, Qualifications and Peer Review*. The regulator requires that regulated entities conduct an external peer review of the year-end actuarial valuation once every three years. CLLAS conducted its first peer review of the 2014 actuarial valuation. The regulatory requirement is to do such a review on a three-year cycle, so CLLAS is due to conduct a review of the 2017 valuation.

I had a general discussion (i.e. not specific to CLLAS) with Laurie Balfour of the Alberta Superintendent's office about this requirement. She advised that the Superintendent might be prepared to extend the three year-cycle to a five-year cycle in the case of "relatively small" entities provided the previous peer report was "relatively clean". The previous peer review report was clean¹ but I'm not sure that CLLAS would be considered relatively small. Regardless, I can apply for an extension if the Audit Committee wishes.

FYI, the 2014 peer review was conducted by Lisa Yeung of PwC and cost \$5,250 (plus HST). Lisa has left PwC. If the Audit Committee wishes to proceed with the peer review of the 2017 valuation, I suggest PwC (Pierre Bourassa) or JS Cheng and Partners (Joe Cheng) be retained.

I look forward to discussing this matter with you at the up-coming meeting.

¹ The 2014 peer review report provided two recommendations, specifically (1) to provide descriptive details regarding methodology for selecting industry development factors, and (2) to consider other assumptions for the internal loss adjustment expense (ILAE) provision. Additional commentary was inserted into the report to address these recommendations.

June 22, 2017

Sent Electronically

Mr. Patrick Mahoney
Canadian Lawyers Liability Assurance Society
36 Toronto Street, Suite 510
Toronto, ON M5C 2C5

Dear Mr. Mahoney:

Re: 2016 CLLAS Annual Return Review

The Superintendent of Insurance ("Superintendent") completed a review of the Canadian Lawyers Liability Assurance Society's ("CLLAS") 2016 Annual Return in accordance with section 756 of the *Insurance Act* ("Act").

During the review, the Superintendent determined that CLLAS was in compliance with all license and reporting requirements pursuant to the Act; however, we would like to draw your attention to the following:

- It is important that CLLAS follow the [P&C detailed filing instructions](#), which are provided to assist entities in preparing their annual return. The P&C return is utilized by the Superintendent to ensure legislative compliance and the files are loaded into a data base to enable automated analysis of key sections, there for numeric responses are required to some fields. The following was noted as incomplete and/or inaccurate.
 - Page 10.15 and 10.17 – Directors and Board Committees – These sections do not appear to be accurate. On page 10.15, CLLAS listed 11 directors and does not appear to be a listing of all the directors; on page 10.17, CLLAS has listed directors that are not listed on page 10.15. Going forward, listing of all committee members listed on page 10.17 should also be listed on page 10.15, unless members of committees only and not official board members. If that is the case, it should be noted accordingly.
 - Page 60.21 – Gains and Losses on Investments – For applicable sections, please ensure these sections are filled with a numerical response for future filings.
 - Page 70.90 – Reinsurance Interrogatories – Please complete lines 03 to 08 in relation to the current reinsurance structure with a numerical response for future filings.

Please be reminded non-compliance can result in administrative penalties being issued in accordance with section 780 of the Act. We do not intend to issue administrative penalties at this time; however, please note that the Superintendent may issue penalties, if CLLAS is not in compliance with the Act in the future.

June 22, 2017

Page 2

In closing, the Superintendent appreciates the level of effort put into the annual return and looks forward to working with CLLAS in 2017. Should you have any questions or concerns regarding these recommendations, please do not hesitate to contact me.

Sincerely,

A handwritten signature in dark ink, appearing to be the initials 'LB' or a stylized 'L' and 'B'.

Laurie Balfour, MBA, CPA, CMA
Senior Manager, Prudential Supervision



June 27, 2017

Laurie Balfour, MBA, CMA
Senior Manager, Prudential Supervision
Financial Sector Regulation and Policy
Superintendent of Insurance
Room 402, Terrace Building
9515 – 107 Street
Edmonton, Alberta T5K 2C3

Dear Laurie:

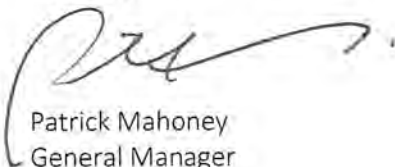
Re: 2016 CLLAS Annual Return Review

Thank you for reviewing CLLAS 2016 Annual return and for your feedback. Please find below our comments regarding the items outlined on your letter dated June 22, 2017:

- Page 10.15 and 10.17 - Directors and Board Committees: We confirm that some of the committee members are not official board members. We will note this accordingly on the future filings. Please be advised that the following committee members listed on schedule 10.17 of CLLAS 2016 Annual Return were not on CLLAS board:
 - Audit Committee: Carol Lyons
 - Claims Committee: James Tory
 - Policy Committee: Natasha MacParland, Bruce Blain
 - Risk Management Committee: Eugene Cipparone
 - Reinsurance/Insurance Security Committee: Carol Lyons
- Page 60.21 – Gains and Losses on Investments: Noted and we will ensure to enter a numerical response for future filings. Please be advised that on 2016 CLLAS Annual filing the responses for all the applicable sections are zero.
- Page 70.90 – Reinsurance Interrogatories (lines 03 to 08): Noted and we will ensure to enter a numerical response for future filings. Please be advised that on 2016 CLLAS Annual filing the responses for all the lines 03 to 08 on page 70.90 are zero.

Please let me know if you would like to discuss further.

Sincerely,



Patrick Mahoney
General Manager

COLCHESTER REINSURANCE LIMITED

PERIODIC REPORTING PACKAGE

FOR THE TWELVE MONTHS ENDED JUNE 30, 2017

INDEX TO CONTENTS

2. STATEMENTS OF INCOME & RETAINED EARNINGS

3. NOTES TO THE FINANCIAL STATEMENTS

PREPARED BY: AON INSURANCE MANAGERS (BARBADOS) LTD

ACCOUNT EXECUTIVE: WINSTON HAMPDEN

COLCHESTER REINSURANCE LIMITED
UNAUDITED BALANCE SHEET AS AT JUNE 30, 2017
(EXPRESSED IN CANADIAN \$)

		JUNE 30, 2017	JUNE 30, 2016
ASSETS			
Cash at bank - premier accounts		5,523,121.23	6,355,216.53
Cash equivalents		0.00	0.00
Cash & cash equivalents	1	<u>5,523,121.23</u>	<u>6,355,216.53</u>
Royal Bank of Canada-Investments	2	58,388,585.97	61,142,714.50
Accrued interest receivable	3	260,700.10	277,554.17
Insurance Balances Receivable		0.00	0.00
Claims Recoverable		0.00	0.00
Provision for Losses Recoverable		6,429,000.00	6,665,000.00
Deferred Reinsurance Premiums	4	0.00	0.00
Prepaid expenses	5	6,561.95	7,007.40
		<u>65,084,848.02</u>	<u>68,092,276.07</u>
TOTAL ASSETS		<u><u>70,607,969.25</u></u>	<u><u>74,447,492.60</u></u>
Insurance balances payable		28,961.50	14,176.09
Accrued expenses	6	85,574.88	170,013.61
Accounts payable		0.00	0.00
Claims payable		321,460.18	921,473.56
		<u>435,996.56</u>	<u>1,105,663.26</u>
RESERVES			
Unearned Premium Reserve	8	0.00	0.00
Outstanding losses	7	22,751,000.00	23,276,000.00
Outstanding losses - I.B.N.R.	7	12,793,000.00	15,369,000.00
		<u>35,544,000.00</u>	<u>38,645,000.00</u>
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		29,342,364.45	26,903,484.73
Net profit/(loss) for the period		2,430,497.13	2,438,879.72
		<u>35,087,961.58</u>	<u>32,657,464.45</u>
Accum. Other Comprehensive Income		(459,988.89)	2,039,364.89
TOTAL SHAREHOLDERS EQUITY		<u><u>34,627,972.69</u></u>	<u><u>34,696,829.34</u></u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		<u><u>70,607,969.25</u></u>	<u><u>74,447,492.60</u></u>

COLCHESTER REINSURANCE LIMITED
UNAUDITED STATEMENT OF INCOME
FOR THE PERIOD JULY 1, 2016 TO JUNE 30, 2017
(EXPRESSED IN CANADIAN \$)

	MOVEMENT DURING QTR	12 MONTHS TO JUNE 30 2017	12 MONTHS TO JUNE 30, 2016
UNDERWRITING INCOME			
Premiums written	0.00	1,594,237.00	1,841,076.00
Unearned premium transfer	398,559.25	0.00	0.00
GROSS EARNED PREMIUMS	398,559.25	1,594,237.00	1,841,076.00
Reinsurers' ceded premiums	(28,961.51)	(1,360,075.60)	(1,530,302.89)
Deferred ceded premiums	(332,778.53)	0.00	0.00
Reinsurers' ceded premiums earned	(361,740.04)	(1,360,075.60)	(1,530,302.89)
	36,819.21	234,161.40	310,773.11
TOTAL UNDERWRITING INCOME	36,819.21	234,161.40	310,773.11
UNDERWRITING EXPENSES			
Net losses paid	321,460.20	1,516,203.05	3,728,113.96
Outstanding losses adjustment	(505,000.00)	(525,000.00)	(1,272,000.00)
Transfer to IBNR	(959,000.00)	(2,576,000.00)	(3,732,000.00)
Transfer to prov. for losses recoverable	94,000.00	236,000.00	(13,000.00)
NET INCURRED LOSSES	(1,048,539.80)	(1,348,796.95)	(1,288,886.04)
OTHER UNDERWRITING EXPENSES			
(see schedule)	18,750.00	75,000.00	75,000.00
TOTAL UNDERWRITING EXPENSES	(1,029,789.80)	(1,273,796.95)	(1,213,886.04)
UNDERWRITING PROFIT / (LOSS)	1,066,609.01	1,507,958.35	1,524,659.15
GENERAL AND ADMIN EXPENSES			
(see schedule)	48,109.61	188,132.85	247,386.43
	1,018,499.40	1,319,825.50	1,277,272.72
INTEREST INCOME & EXCEPTIONAL ITEMS			
Interest income	425,221.05	1,749,675.60	1,913,649.17
Profit/(loss) on sale of invts	0.00	0.00	20,279.04
Profit/(loss) on exchange	0.00	0.00	0.00
Amortisation of investments	(105,224.87)	(455,609.75)	(585,066.28)
Investment management fees	(34,801.04)	(140,291.77)	(144,018.77)
Investment Custody Fees	(7,212.78)	(29,533.09)	(30,065.76)
	277,982.36	1,124,240.99	1,174,777.40
NET PROFIT/(LOSS) BEFORE TAX	1,296,481.76	2,444,066.49	2,452,050.12
INCOME TAX	3,280.98	13,569.36	13,170.40
NET PROFIT/(LOSS) AFTER TAX	1,293,200.78	2,430,497.13	2,438,879.72

COLCHESTER REINSURANCE LIMITED

ANALYSIS OF EXPENSES AS AT JUNE 30, 2017 FOR THE PERIOD JULY 1, 2016 TO JUNE 30, 2017

	MOVEMENT DURING QTR	12 MONTHS TO JUNE 30 2017	12 MONTHS TO JUNE 30, 2016
UNDERWRITING EXPENSES			
Brokerage commission	18,750.00	75,000.00	75,000.00
	<u>18,750.00</u>	<u>75,000.00</u>	<u>75,000.00</u>
GENERAL & ADMIN EXPENSES			
Management fees	21,500.00	83,000.00	80,000.00
Directors fees	1,530.00	9,769.32	6,120.00
Audit fees	5,000.00	26,488.89	39,883.76
Tax consultancy fees	0.00	1,113.78	1,606.55
Actuarial fees	13,988.00	36,765.91	93,954.86
Legal fees	2,354.15	6,869.15	0.00
Insurance Costs - D&O	1,937.50	8,875.00	9,250.00
Secretarial fees	0.00	6,649.25	6,710.66
Government fees	0.00	0.00	0.00
Bank and L.O.C charges	249.23	681.71	1,481.91
Communication expenses	1,550.93	4,871.85	4,853.29
Stationary	0.00	0.00	0.00
Travel	0.00	3,048.19	2,857.92
Miscellaneous expenses	(0.20)	(0.20)	667.48
Foreign Exchange	0.00	0.00	0.00
Meeting Expenses	0.00	0.00	0.00
	<u>48,109.61</u>	<u>188,132.85</u>	<u>247,386.43</u>

COLCHESTER REINSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

1. CASH ON DEPOSIT

Royal Bank - Canadian Dollar Call Account	60,380.80
Royal Bank - Premier Canadian Dollar Account	5,462,740.43
Royal Bank - Time Deposit Account	0.00
	<u><u>5,523,121.23</u></u>

CASH EQUIVALENTS

Cost	0.00
Amortization	0.00
Unrealized gain / (loss)	0.00
	<u><u>0.00</u></u>

2. INVESTMENTS

Investment at cost	60,132,105.39
Amortization	(1,283,530.53)
Portfolio at amortized cost	<u><u>58,848,574.86</u></u>
Unrealized gain / (loss)	(459,988.89)
Portfolio at market value	<u><u>58,388,585.97</u></u>

3. ACCRUED INTEREST RECEIVABLE

Investments - RBC	260,700.10
Royal Bank Time Deposit	0.00
	<u><u>260,700.10</u></u>

COLCHESTER REINSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

4. PROVISION FOR LOSS RECOVERABLES (DISCOUNTED)

Canadian Lawyers Liability Assurance Society

U/W Year	CASE RESERVES	IBNR	TOTAL
2000/2001		0.00	0.00
2001/2002	0.00	0.00	0.00
2002/2003	0.00	0.00	0.00
2003/2004	0.00	5,000.00	5,000.00
2004/2005	0.00	13,000.00	13,000.00
2005/2006	0.00	16,000.00	16,000.00
2006/2007	0.00	28,000.00	28,000.00
2007/2008	0.00	26,000.00	26,000.00
2008/2009	0.00	32,000.00	32,000.00
2009/2010	0.00	-1,000.00	-1,000.00
2010/2011	0.00	52,000.00	52,000.00
2011/2012	0.00	267,000.00	267,000.00
2012/2013	0.00	632,000.00	632,000.00
2013/2014	0.00	965,000.00	965,000.00
2014/2015	0.00	1,081,000.00	1,081,000.00
2015/2016	0.00	1,495,000.00	1,495,000.00
2016/2017	0.00	1,818,000.00	1,818,000.00
	0.00	6,429,000.00	6,429,000.00

5. DEFERRED REINSURANCE PREMIUMS

Reinsurers' Premium to be earned	(((\$1,101,614.09+229,500) *3/12)	0.00
		0.00

6. PREPAID EXPENSES

Annual Government Tax	US\$10,000 p.a.	6,561.96
Brokerage Fees	CAD75,000 p.a.	0.00
Directors Fees		0.00
Actuarial Fees		0.00
D&O Insurance Premiums	CAD9,250 p.a	0.00
		6,561.95

7. ACCOUNTS PAYABLE/ACCRUED EXPENSES

D&O Insurance Premiums	0.00
Audit fees - 2015/16	0.00
Audit fees - 2016/17	20,000.00
Management Fees	0.00
Investment Fees	34,801.04
Investment Custody Fees	4,830.84
Brokerage Commission	18,750.00
Actuarial Fees	7,193.00
Director's Fees	0.00
Legal Fees	0.00
Annual Government fee	0.00
	85,574.88

COLCHESTER REINSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

8. OUTSTANDING LOSSES (DISCOUNTED)

Canadian Lawyers Liability Assurance Society

U/W Year	CASE RESERVES	IBNR	TOTAL
1998/1999		0.00	0.00
1999/2000		0.00	0.00
2000/2001		0.00	0.00
2001/2002	0.00	0.00	0.00
2002/2003	55,000.00	5,000.00	60,000.00
2003/2004	0.00	44,000.00	44,000.00
2004/2005	0.00	150,000.00	150,000.00
2005/2006	0.00	231,000.00	231,000.00
2006/2007	0.00	271,000.00	271,000.00
2007/2008	3,581,000.00	448,000.00	4,029,000.00
2008/2009	0.00	308,000.00	308,000.00
2009/2010	11,597,000.00	226,000.00	11,823,000.00
2010/2011	6,078,000.00	839,000.00	6,917,000.00
2011/2012	375,000.00	780,000.00	1,155,000.00
2012/2013	175,000.00	1,188,000.00	1,363,000.00
2013/2014	675,000.00	1,641,000.00	2,316,000.00
2014/2015	0.00	1,640,000.00	1,640,000.00
2015/2016	0.00	2,286,000.00	2,286,000.00
2016/2017	215,000.00	2,736,000.00	2,951,000.00
	22,751,000.00	12,793,000.00	35,544,000.00

9. UNEARNED PREMIUM RESERVE

Premiums	(\$1,471,685*3/12)	0.00
	(\$92,066 *3/12)	
		0.00

10. LOSS/EQUITY RATIO

Loss Reserves	35,544,000.00
Shareholder Equity	35,087,961.58
Ratio	101%

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

COLCHESTER REINSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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 at June 30, 2016		310,773.11
Minimum Solvency Margin re (2) above		162,362.50
Total Assets	70,607,969.25	
Less: Non-admitted Assets		
Long Term Investments	0.00	
Prepayments	6,561.95	
Total Admitted Assets	70,601,407.30	
Total Liabilities	35,979,996.56	
Solvency Margin (Excess of Assets over Liabilities)		34,621,410.74
Excess over Minimum Solvency Margin		<u>34,459,048.24</u>

COLCHESTER REINSURANCE LIMITED
UNDERWRITING ANALYSIS AS AT JUNE 30, 2017
FOR THE PERIOD APRIL 1, 2017 TO JUNE 30, 2017

	Inward Reinsurance of CLLAS EOL 49Mx1M-20%	Inward Reinsurance of CLLAS Agg. Stop Loss 10Mx5M-100%	Inward Reinsurance of CLLAS Excess Layers 40Mx160M-5% 60Mx160M-5%	Outward Retro. of Colchester EOL 5Mx5M-20%	Outward Retro. of Colchester EOL 40Mx10M-20%	Outward Retro. of Colchester Agg. Stop Loss 15Mx2.5M-100%	Outward Retro. of Colchester Excess Layers 40Mx160M-5% 60Mx160M-5%	Total
Limits								
Policy No.	CLLAS00116	ADD 46 to 89-011	CLLAS00216	PCOLC000116	PCOLC000216	PCOLC000316	PCOLC000816	
Policy Period	1-Jul-16 to 30-Jun-17	1-Jul-16 to Jun-17	30- 1-Jul-16 to Jun-17	1-Jul-16 to 30-Jun-17	1-Jul-16 to 30-Jun-17	1-Jul-16 to 30-Jun-17	1-Jul-16 to 30-Jun-17	
Premiums Written	-	-	-	-	-	-	-	-
Trfd from Unearned Prem. Reserve	367,921.25	23,016.50	7,621.50					398,559.25
Premiums Earned	367,921.25	23,016.50	7,621.50					398,559.25
Reinsurance Premiums Ceded				-	-	-	(28,961.51)	(28,961.51)
Trfd from Deferred Reins. Prem.		-		(93,853.05)	(181,550.47)	(57,375.00)	-	(332,778.52)
Reinsurance Premiums Earned		-		(93,853.05)	(181,550.47)	(57,375.00)	(28,961.51)	(361,740.03)
Net Premiums Earned								36,819.22

App. 1a

COLCHESTER REINSURANCE LIMITED
UNDERWRITING ANALYSIS AS AT JUNE 30, 2017
FOR THE PERIOD JULY 1, 2016 TO JUNE 30, 2017

	Inward Reinsurance of CLLAS EOL 49Mx1M-20%	Inward Reinsurance of CLLAS Agg. Stop Loss 10Mx5M-100%	Inward Reinsurance of CLLAS Excess Layers 40Mx160M-5% 60Mx160M-5%	Outward Retro. of Colchester EOL 5Mx5M-20%	Outward Retro. of Colchester EOL 40Mx10M-20%	Outward Retro. of Colchester Agg. Stop Loss 15Mx2.5M-100%	Outward Retro. of Colchester Excess Layers 40Mx160M-5% 60Mx160M-5%	Total
Limits								
Policy No.	CLLAS00116	ADD 46 to 89-011	CLLAS00216	PCOLC000116	PCOLC000216	PCOLC000316	PCOLC000816	
Policy Period	1-Jul-15 to 30-Jun-16	1-Jul-15 to Jun-16	30-Jun-15 to 30-Jun-16	1-Jul-15 to 30-Jun-16	1-Jul-15 to 30-Jun-16	1-Jul-15 to 30-Jun-16	1-Jul-15 to 30-Jun-16	
Premiums Written	1,471,685.00	92,066.00	30,486.00			-		1,594,237.00
Trfd from Unearned Prem. Reserve								-
Premiums Earned	1,471,685.00	92,066.00	30,486.00					1,594,237.00
Reinsurance Premiums Ceded				(375,412.20)	(726,201.89)	(229,500.00)	(28,961.51)	(1,360,075.60)
Trfd from Deferred Reins. Prem.		-						-
Reinsurance Premiums Earned		-		(375,412.20)	(726,201.89)	(229,500.00)		(1,360,075.60)
Net Premiums Earned								234,161.40

App. 1b



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Report on Reinsurance Security

Date: October 31, 2017

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Appendices

A	Axxima Letter on its Reinsurance Security Practices
B	Miller Services LLP Letter on its Reinsurance Security Practices
C	Current A.M. Best and S&P Ratings Compared to the Five Previous Years
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D	CLLAS Reinsurance – Top 25 Reinsurers by % of Current Liability – All Years
E	CLLAS Reinsurance – Reinsurers by % of Current Liability – Prior Year (2016/17)
F	CLLAS Reinsurance – Reinsurers by % of Single Claim Exposure – Current Year (2017/18)
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G	A.M. Best Credit Report – Allied World Assurance Company Limited
H	Audited Financial Statements – Colchester Reinsurance Limited
I	A.M. Best Credit Report – Lloyd's of London
J	A.M. Best Credit Report – Swiss Reinsurance Company
K	A.M. Best Credit Report – Arch Reinsurance Company
L	A.M. Best Credit Report – Argo Group International Holdings, Ltd.
M	Pioneer Syndicates Annual Reports (2016)



- N AmTrust Press Release (2016)
- O CNA purchase of Hardy Syndicate Press Release (2017)
- P Asta Syndicate News Article (2017)

1. REINSURANCE SECURITY CONSIDERATIONS

1.1 Status Update

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

1.2 Reinsurance Security

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

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

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

1.3 Level I Monitoring

Level I monitoring of CLLAS reinsurance consists of the following:

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

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

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

1.4 Level II Monitoring Triggers

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

- Downgrading of the financial strength rating;
- A rating agency placing a reinsurer on a "watch" list;
- Difficulties collecting reinsurance proceeds after a claim is settled;
- Current claims liability exposure (i.e. case reserves and IBNR) for all policy years combined exceeds 10% of the total;
- Current claims liability exposure for the prior policy year exceeds 10% of the total;
- Claim limit exposure to each reinsurer for the current year exceeds 10% of the total limits provided by CLLAS;
- Use of a reinsurer that is unregistered in Canada; and
- Any other events deemed material by the Audit Committee or its advisors.

1.5 Level II Monitoring

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

- Additional information should be reviewed by the Audit Committee, including a review of:
 - ❖ Stock performance relative to the remainder of the market;
 - ❖ Early warning signals/ratios (as provided by A.M. Best or equivalent agency);
 - ❖ Balance sheet and income statement highlights (as provided by A.M. Best or equivalent agency);
- Meetings or direct correspondence with such reinsurers as necessary to discuss the financial health of the reinsurer.

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

2. LEVEL II MONITORING

2.1 Reinsurers Requiring Level II Monitoring

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

	AWAC	Colchester	Lloyd's	Swiss Re	Arch Insurance Company (CDN)	AMA 1200 (Argo)	PPI 9969 (Pioneer)	Axis Reinsurance
Current claims liability exposure (all years) exceeds 10%		✓	✓			✓		
Current claims liability exposure (prior year) exceeds 10%		✓	✓			✓	✓	
Claim limit exposure (current year) exceeds 10%			✓	✓				
Unregistered in Canada	✓	✓						
Difficulty collecting reinsurance proceeds after claim settlement								
Rating downgrade / "watch" list	✓				✓			✓

2.2 Reinsurers Added to Level II Monitoring

New to the level II monitoring this year is Axis Reinsurance Company.

2.3 Reinsurers Removed from Level II Monitoring

Transatlantic Reinsurance Company of Canada and CRC no longer participate in the program and as such no level II monitoring is conducted.

TOA Reinsurance Company of America rating was downgraded from an A+ to A. They no longer participate in the program and as such no level II monitoring is conducted.

2.4 Allied World Assurance Company Limited (“AWAC”)

General

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

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

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

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

Stock Performance

The following is the 5-year stock performance from October 5, 2012 to October 31, 2017 of Fairfax Financial Holdings (ticker: FFH, Toronto Stock Exchange) with the S&P TSX for comparison. Fairfax Financials share price was \$412.81 on November 29, 2013, \$503.51 on August 29, 2014, \$647.05 on August 28, 2015, \$743.21 on August 29, 2016 and \$645.00 on October 31, 2017.



Highlights of A.M. Best Report

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

- Current rating is A (Excellent) Negative from A.M. Best;
- Overall financial performance has been strong since inception in 2001, with the exception of 2008;
- Underwrites a diversified portfolio of property and casualty insurance and reinsurance lines of business;
- The Reinsurance segment includes the company's operations in the United States, Bermuda, Europe and Singapore;
- Capitalization:
 - ❖ Based on Best's Capital Adequacy Ratio (BCAR), AWAC maintains excellent capitalization for its current rating level;
 - ❖ \$500 million of common shares were repurchased from 2010 through 2012;
 - ❖ May 2012, a new, two-year \$500 million share repurchase program was implemented. This program was superseded on May 1, 2014 by a new two-year \$500 million share purchase program.
- Gross premiums written: \$2,813,952,000 in 2016 and \$2,797,046,000 in 2015;
- Net income: \$319,381,000 in 2016 and \$197,927,000 in 2015;
- Liquidity: AWAC has provided solid operating cash flows since inception due to both its casualty orientation and its strong underwriting performance:
 - ❖ Conservative investment strategy specifically focused on preserving the value of invested assets and providing sufficient liquidity to pay claims promptly;
 - ❖ The investment portfolio is comprised primarily of investment-grade, fixed maturity securities of short-to medium term duration;
- A.M. Best report was updated on December 20, 2016.

2.5 Colchester Reinsurance Limited ("Colchester")

General

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

Stock Performance

Colchester is not publicly traded.

Highlights of A.M. Best Report

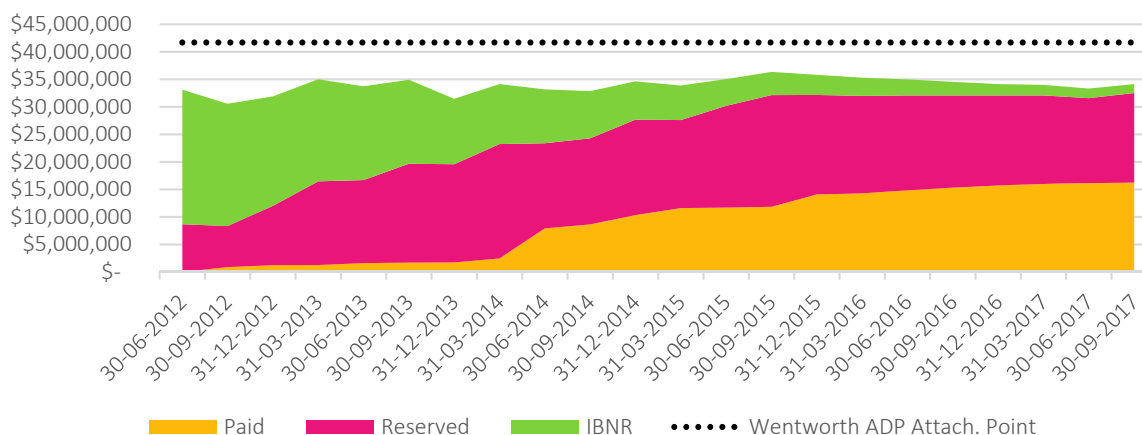
Colchester is not rated by any ratings agencies.

Financial Highlights

Please see Appendix H for a copy of the most recent financial draft statements (as of June 30, 2017). The following are some of the highlights from these financials:

- Retained earnings increased from \$29,342,364 in 2016 to \$31,772,861 in 2017;
- Income for the year, after taxation, decreased marginally from \$2,438,880 in 2016 to \$2,430,497;
 - ❖ Reinsurance premiums written and earned decreased from \$1,841,076 in 2016 to \$1,594,237;
 - ❖ Retrocession premiums also decreased from \$1,530,302 in 2016 to \$1,360,075;
 - ❖ Net investment income decreased from \$1,174,777 in 2016 to \$1,124,240 in 2017;
- All the assets supporting the claims liabilities of Colchester are held in trust in a custodial account in favour of CLLAS, subject to a reinsurance security agreement as outlined by the Office of the Superintendent of Financial Institutions (Canadian federal regulator) and approved by the Alberta Superintendent of Insurance (the regulator in CLLAS' home jurisdiction); and
- On June 30, 2012 Colchester and CLLAS affected a Loss Portfolio Transfer, which transferred approximately \$33.1 million of CLLAS' liabilities to Colchester for all prior years of account. Since that time, those liabilities have remained relatively stable, as can be seen in the chart below. Colchester also purchased adverse development retrocession protection on the Loss Portfolio. Transfer losses, which attaches at \$41.7 million, also shown below as a dotted line for reference.

History of Losses on Colchester Loss Portfolio Transfer



2.6 Lloyd's

General

Lloyd's is the world's leading insurance market, housed in Lime Street in the City of London. The Corporation of Lloyd's oversees the market, establishing standards and providing services to support its activities. It also manages Lloyd's worldwide licenses. The Corporation's Executive Team exercises the day-to-day powers and functions of the Council and the Franchise Board. As well as providing cost-effective services to aid the smooth running of the market, the Corporation strives to raise the standards and improve the performance. The Corporation's work is split into two main areas:

1. Overall risk and performance management of the market;
2. Maintaining and developing the attractiveness of the market's capital providers, distributors and clients while preserving Lloyd's diversity and London based business model.

Lloyd's is regulated by the UK Financial Services Authority (FSA) under the Financial Services and Markets Act 2000. The FSA also regulates Lloyd's managing agents, members' agents and Lloyd's brokers.

The FSA and Lloyd's have common objectives in ensuring that Lloyd's market is appropriately regulated and, to minimize duplication, the FSA has made arrangements with Lloyd's for the co-operation on supervision and enforcement.

The Lloyd's market has been participating on the CLLAS Program since its inception 1987 and continues to have the largest participation.

Stock Performance

Not applicable.

Highlights of A.M. Best Report

The complete A.M. Best report is set forth in Appendix I. Current rating is A (Excellent)/Stable from A.M. Best.

- A.M. Best's rating of Lloyd's of London reflects its strong capitalization, good financial flexibility, excellent operating performance and an excellent global business profile;
- Financial flexibility due to the diversity of capital providers (corporate and non-corporate);
- Lloyd's reported a profit in 2016 of £2,107 compared to £2,122 million in 2015. This was in line with previous year's overall result. In 2016, a deterioration in underwriting profits was offset by an improvement in the investment return and foreign exchange gains.

- Capitalization: A.M. Best believes Lloyd's will maintain a solid capital base:
 - ❖ Lloyd's robust risk-based solvency requirements help to ensure it maintains a solid capital base and will likely be maintained in 2016 and 2017;
 - ❖ Central assets for solvency purposes increased to £3,782 million compared to £3,467 million in 2015.
- Liquidity:
 - ❖ In A.M. Best's opinion, Lloyd's is likely to maintain good overall liquidity in 2017;
 - ❖ Managing agents are responsible for the investment of syndicate premium trust funds which were £53,890 million in 2016 compared to £46,191 million in 2015; held at the syndicate level, whole funds held at Lloyd's are £21,703 million up from £17,840 million in 2016.
 - ❖ Overall, these funds exhibit a high level of liquidity, as most syndicate investment portfolios tend to consist primarily of cash and high-quality, fixed-income securities of relatively short duration;
 - ❖ Lloyd's monitors liquidity levels at individual syndicates as part of its capital adequacy review;
 - ❖ Lloyd's also monitors projected liquidity for its central assets, which are tailored to meet the disbursement requirements of the Central Fund and the Corporation of Lloyd's (including its debt obligations).

2.7 Swiss Reinsurance Company/Westport Insurance Corporation ("Swiss Re")

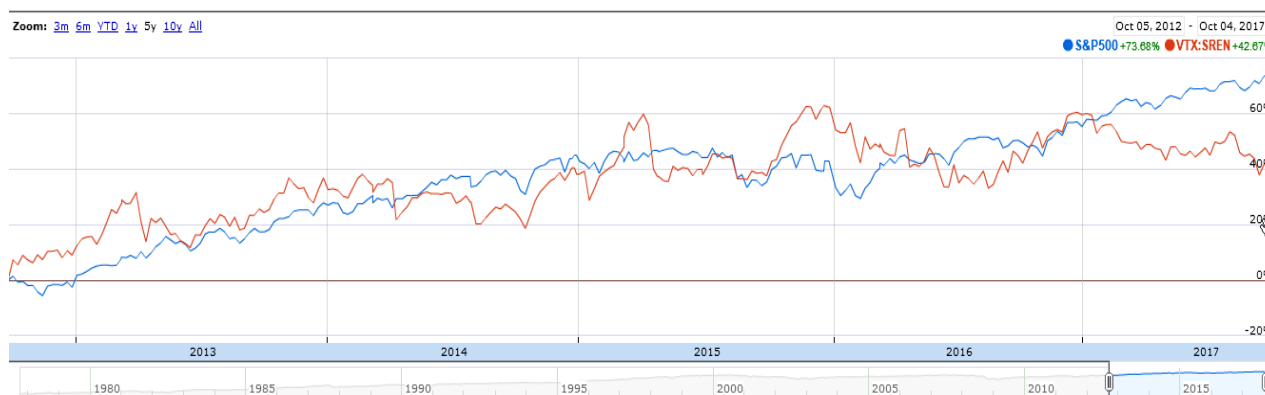
General

Founded in Zurich, Switzerland, in 1863, Swiss Re operates in more than 25 countries and provides its expertise and services to clients throughout the world. Swiss Re's traditional reinsurance products and related services for property and casualty as well as for life and health business are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. The Canadian operation of Swiss Reinsurance Company is a branch of Swiss Reinsurance Company Ltd.

Swiss Re (UK) joined the CLLAS Program in 1992 and Swiss Re (Canada) joined the Program in 1995. Swiss Re (Canada), now Westport Insurance Corporation, has taken over all of the CLLAS business and Swiss Re (UK) no longer participates. Swiss Re currently participates on the Optional Excess and Umbrella Layers.

Stock Performance

The following is the 5-year stock performance from September 9, 2011 to August 29, 2016 for Swiss Re (ticker: SREN, SIX Swiss Exchange) with the S&P 500 for comparison. Swiss Re's share price was \$80.65 CHF on November 29, 2013, \$75.90 CHF on August 29, 2014, \$90.15 CHF on August 28, 2015, \$80.90 CHF on August 29, 2016 and \$88.15 CHF on October 4, 2017.



Highlights of A.M. Best Report

The complete A.M. Best report is set forth in Appendix J. Current rating is A+ (Superior)/Stable from A.M. Best. The financial information below is denominated in CHF:

- Swiss Re's risk-adjusted capitalization benefits from good diversification and is upgraded by hybrid debt;
- Net premiums written: \$18.769 billion in 2016 and \$13.045 billion in 2015;
- Net income: \$875 million in 2016 and \$6.432 billion in 2015;
- Gross premiums were \$22.976 billion in 2016 and \$17.448 billion in 2015.

2.8 Arch Insurance Company (Canada Branch)

General

Arch Capital Group Ltd (Arch) is a Bermuda public limited liability company that writes insurance and reinsurance on a worldwide basis through operations in Bermuda, the United States, Canada, Europe, Australia, and South Africa, with a focus on specialty lines.

Arch's current operations were launched from an underwriting initiative in October 2001 to meet demand in the global insurance and reinsurance markets. Arch espouses their underwriting platform,

experienced management team and strong capital base for enabling Arch to establish a prominent presence in the global insurance and reinsurance markets. Arch's businesses are divided into three platforms: Insurance, Reinsurance and Mortgage.

On August 15, 2016, Arch entered into a definitive agreement to acquire United Guaranty Corporation (UGC) and AIG United Guaranty (Asia) Ltd. from their current owner American International Group (AIG) for consideration of approximately \$3.4 billion of cash and securities.

Stock Performance

The following is the 5-year stock performance from September 2, 2011 to August 31, 2016 for Arch Insurance Company (ticker:ACGL, Toronto Stock Exchange) with the S&P 500 for comparison. Arch's share price was \$53.31 on August 30, 2013, \$55.58 on August 29, 2014, \$68.17 on August 28, 2015, \$80.65 on August 31, 2016 and 98.58 on October 12, 2017.



Highlights of A.M. Best Report

The complete A.M. Best report is set forth in Appendix K. Current rating is A+ (Superior)/Negative from A.M. Best and was last updated on August 30, 2017.

A.M. Best's stated rationale for assigning a negative outlook stems from Arch's increase in financial leverage and mortgage insurance risk, the soft market conditions in insurance and reinsurance that Arch must contend with on a daily basis, and the integration risk of assuming a large acquisition. Despite the adversarial market conditions, Arch's operating performance has held steady, and return-

on-revenue and return-on-equity (compared with peer companies) measures indicate successful soft market navigation thus far.

- Net premiums written: \$13.065 million in 2014 and \$17.955 million in 2013;
- Net income: \$818,000 in 2014 and \$1.672 million in 2013;

2.9 Argo Group International Holdings, Ltd.

General

Argo Group's operating companies provide primary and excess insurance, reinsurance products and tailored risk solutions for the managing general agency market. Argo Group underwrites on an international platform and organizes their reporting into four segments:

Excess & Surplus Lines serves clients who cannot be insured in standard markets because of the nature of their businesses, their particular risk exposures or their loss histories.

Commercial Specialty provides standard-market property and casualty insurance to highly specialized commercial markets and public entities.

Reinsurance writes reinsurance business worldwide through the broker market, with offerings that include specialty property catastrophe reinsurance and excess casualty and professional insurance.

International Specialty operates through Lloyd's of London syndicates offering property and liability coverage.

Argo Group is the combined international holding company resulting from the August 7, 2007 merger of Argonaut Group, Inc., and PXRE Group, Ltd. In connection with the merger, Argo Group's common shares were approved for listing on the NASDAQ Global Select Market and trade under the symbol "AGII". The company was founded in 1986 and is headquartered in Pembroke, Bermuda.

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

- Argo Managing Agency, which underwrites insurance risks on behalf of the syndicate for the providers of capital;
Syndicate 1200, which bears the insurance risk; Argo Underwriting Agency, which participates with other capital providers on the syndicate via its subsidiary corporate member companies; and,

- Argo Direct Limited, a wholly owned service company, which enters into insurance contracts on behalf of Syndicate 1200 from both the U.K. and a branch based in Paris (Argo Assurances, Argo International's worldwide property division).

Stock Performance

The following is a 5-year stock performance from October 5, 2012 to October 4, 2017 for Argo Group International Holdings (ticker: AGII) with the S&P 500 for comparison. Argo Group's share price was \$47.29 on November 29, 2013, \$52.25 on August 29, 2014, \$64.93 on August 28, 2015, \$57.05 on August 29, 2016 and \$62.45 on October 4, 2017.



Highlights of A.M. Best Report

The complete A.M. Best report is set forth in Appendix L. Argo Group's insurance subsidiaries are A. M. Best-rated A (Excellent) with a stable outlook, and S&P's-rated A (Strong) with a stable outlook.

The following are some of the financial highlights from the A.M. Best report. Please note that the following financial figures are stated in USD:

- Stable but increasing net premiums written over the past five years: \$624,988,000 in 2012, \$697,642,000 in 2013, \$664,289,000 in 2014, \$691,896,000 in 2015 and \$724,268,000 in 2016;
- Net income has been positive for 4 out of 5 years: (\$4,221,000) in 2012, \$124,167,000 in 2013, \$128,189,000 in 2014, \$182,171,000 in 2015 and \$158,204,000 in 2016;

- Argo Group has shown underwriting stability since 2010, with loss ratios less than 80% in each of the last 5 years: 63.6% in 2012, 54.4% in 2013, 52.8% in 2014, 51.8% in 2015 and 56.8% in 2016;
- Combined ratios have not strayed above 100% in the last five years.

2.10 PPI 9969 (Pioneer)

General

Pioneer Underwriters is a Lloyd's Syndicate and benefits from the Financial Strength rating of Lloyd's.

- Pioneer Underwriters were established in April 2011.
- They trade as both a risk carrier and MGA/MGU with full delegated underwriting authority in over 120 Lloyd's class codes.
- Pioneer PI is a registered Lloyd's consortium under LPSO Registered Consortium No 9988. The consortiums' capital providers are:

Liberty ISN 1980 (part of Syndicate 4472)	65%
ANV Syndicate 1861	20%
Hardy Syndicate 382	15%

- Attached in appendix M is the Annual Report & Financial Statement for Liberty Syndicate 4472, ANV Syndicate 1861 & Hardy Syndicate 382 for your information.
- ANV Syndicate 1861 was purchased by AmTrust in April 2016. Appendix N contains a press release with details of this transaction.
- The Hardy syndicate was purchased by CNA. Appendix O contains a press release with details of this transaction.
- Pioneer Underwriters have secured preliminary approval from the Lloyd's Franchise Board to establish a full syndicate, with Asta acting as its third-party managing agent. The two companies are aiming to secure permission for Syndicate 1980 to underwrite business from 1st January 2018. For further details please refer to Appendix P which contains Pioneer's press release.
- Asta Managing Agency Ltd is an approved Lloyd's managing agency and their principal activity is the start-up and management of new syndicates at Lloyd's.
- Pioneer has 21 Underwriting teams across property, marine and casualty classes in ten international locations.
- Pioneer's MGA businesses are individually backed by A- or better rated carriers.
- Pioneer manage £350million in premiums across 120 Lloyd's class codes and have TOBAs with over 150 London and overseas brokers.



Highlights of A.M. Best Report

n/a

Financial Highlights

n/a



Actuaries and Insurance Management Advisors

September 23, 2014

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

Dear Nick,

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

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

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

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

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

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

Yours sincerely,

A handwritten signature in black ink, appearing to read "J. Tontini".

Joseph D. Tontini
Consultant



Dawson House
5 Jewry Street
London EC3N 2PJ
Tel: +44 (0)20 7488 2345
Fax: +44 (0)20 7410 2757
www.miller-insurance.com

Nicholas J. Leblovic
Chairman
Canadian Lawyers Liability Assurance Society
Suite 2900
250 Yonge Street
Toronto
Ontario M5B 2L7
Canada

5th June 2009

Dear Nick

**CLLAS Reinsurance Programme
Renewal effective 1st July 2009**

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

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

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

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

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

Yours sincerely

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

Mark Pople
Director – Professional Risks

Encl.

CLLAS Reinsurance

A.M Best Ratings over a 5 year period
October 2017

Appendix C

Reinsurers	Registered Status		2012	2013	2014	2015	2016	2017
Lloyd's	Registered	Rating	A	A	A	A	A	A
		Outlook	Stable	Stable	Positive	Stable	Stable	Stable
Aspen Re	Registered	Rating	A	A	A	A	A	A
		Outlook	Stable	Stable	Stable	Stable	Stable	Stable
Hannover Rueck	Registered	Rating	A	A+	A+	A+	A+	A+
		Outlook	Positive	Stable	Stable	Stable	Stable	Stable
Transatlantic Reinsurance Company (UK)	Registered	Rating	A	A	A	A	A+	A+
		Outlook	Stable	Stable	Positive	Positive	Positive	Stable
Arch Insurance Company (Canada Branch)	Registered	Rating	A+	A+	A+	A+	A+	A+
		Outlook	Stable	Stable	Stable	Stable	Stable	Negative
Allied World Assurance Company Ltd.	Unregistered	Rating	A	A	A	A	A	A
		Outlook	Positive	Stable	Stable	Stable	Stable	Negative
CRC (Bermuda) Reinsurance Ltd.	Unregistered	Rating	A	A-	N/A	N/A	N/A	N/A
		Outlook	Stable	Stable	N/A	N/A	N/A	N/A
RSA Insurance Group(formerly GCAN Insurance Company)	Registered	Rating	A	A	N/A	N/A	N/A	N/A
		Outlook	Stable	Stable	N/A	N/A	N/A	N/A
SCOR Canada Reinsurance Company	Registered	Rating	A	A	A	A	A	A+
		Outlook	Stable	Stable	Stable	Positive	Positive	Positive
Swiss Reinsurance Company Ltd. (Canada Branch)	Registered	Rating	A+	A+	A+	A+	A+	A+
		Outlook	Stable	Stable	Stable	Stable	Stable	Stable
Toa Reinsurance Company of America	Registered	Rating	A+	A+	A+	A+	A+	A
		Outlook	Negative	Stable	Stable	Stable	Stable	Stable
Alleghany Corporation (formerly Transatlantic Reinsurance Company) (Parent)	Registered	Rating	N/A	bbb+	bbb+	bbb+	A-	A-
		Outlook	N/A	N/A	N/A	Positive	Stable	Stable
Transatlantic Reinsurance Company (Canada)	Registered	Rating	A	A	A	A	A+	A+
		Outlook	Stable	Stable	Positive	Positive	Stable	Stable
Colchester Reinsurance Ltd.	Unregistered	Rating	N/A	N/A	N/A	N/A	N/A	N/A
		Outlook	N/A	N/A	N/A	N/A	N/A	N/A
Munich Re	Registered	Rating	A+	A+	A+	A+	A+	A+
		Outlook	Stable	Stable	Stable	Stable	Stable	Stable
Argo Group Operating Subsidiaries (AMA 1200 Parent)	Registered	Rating	A	A	A	A	A	A
		Outlook	Stable	Stable	Stable	Stable	Stable	Stable
Axis Reinsurance Company	Registered	Rating	A	A	A+	A+	A+	A+
		Outlook	Positive	Positive	Stable	Stable	Stable	Stable
Continental Casualty Company (CNA)	Registered	Rating	A	A	A	A	A	A
		Outlook	Stable	Stable	Stable	Stable	Stable	Stable
Allianz Global Risks	Registered	Rating	A+	A+	A+	A+	A+	A+
		Outlook	Stable	Stable	Stable	Stable	Stable	Stable
CNA Canada	Registered	Rating	N/A	N/A	N/A	A*	A*	A*
		Outlook	N/A	N/A	N/A	Stable*	Stable*	Stable*

* As of March 31, 2012

CLLAS Reinsurance

S&P Ratings over a 5 year period
October 2017

Appendix C

Reinsurers		2012	2013	2014	2015	2016	2017
Lloyd's	Rating	A+	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable
Aspen Re	Rating	A	A	A	A	A	A
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable
Hannover Rueck	Rating	AA-	AA-	AA-	AA-	AA-	AA-
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable
Transatlantic Reinsurance Company (UK)	Rating	A+	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable
Arch Insurance Company (Canada Branch)	Rating	A+	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Negative	Negative
Allied World Assurance Company Ltd.	Rating	A	A	A	A	A	A-
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable
CRC (Bermuda) Reinsurance Ltd.	Rating	N/A	N/A	N/A	N/A	N/A	N/A
	Outlook	N/A	N/A	N/A	N/A	N/A	N/A
RSA Insurance Group(formerly GCAN Insurance Company)	Rating	A+	A	A	A	A	A
	Outlook	Negative	Negative	Stable	Stable	Stable	Stable
SCOR Canada Reinsurance Company	Rating	A+	A+	A+	AA-	AA-	AA-
	Outlook	Stable	Stable	Positive	Stable	Stable	Stable
Swiss Reinsurance Company Ltd. (Canada Branch)	Rating	AA-	AA-	AA-	AA-	AA-	AA-
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable
Toa Reinsurance Company of America	Rating	A+	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable
Alleghany Corporation (formerly Transatlantic Reinsurance Company) (Parent)	Rating	BBB	BBB	BBB+	BBB+	BBB+	BBB+
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable
Transatlantic Reinsurance Company (Canada)	Rating	A+	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable
Colchester Reinsurance Ltd.	Rating	N/A	N/A	N/A	N/A	N/A	N/A
	Outlook	N/A	N/A	N/A	N/A	N/A	N/A
Munich Re	Rating	AA-	AA-	AA-	AA-	AA-	AA-
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable
Argo Group Operating Subsidiaries (AMA 1200 Parent)	Rating	A-	A-	A-	A-	A-	A-
	Outlook	Stable	Negative	Stable	Stable	Stable	Stable
Axis Reinsurance Company	Rating	A+	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Stable	Negative
Continental Casualty Company (CNA)	Rating	A-	A	A	A	A	A
	Outlook	Positive	Positive	Stable	Stable	Stable	Stable
Allianz Global Risks	Rating	AA	AA	AA	AA	AA	AA
	Outlook	Negative	Stable	Stable	Stable	Stable	Stable
CNA Canada	Rating	N/A	N/A	N/A	A	A	A
	Outlook	N/A	N/A	N/A	Stable	Stable	Stable

Insurer Financial Ratings

CLLAS International Program

INSURANCE COMPANY	COUNTRY	BEST'S RATING	S&P RATING
CONTINENTAL CASUALTY COMPANY	U.S.A.	A	A
XL CATLIN	U.S.A.	A	A+
BERKLEY	U.S.A.	A+	A+
AXIS	U.S.A.	A+	A+
LLOYDS - IRONSHORE	UNITED KINGDOM	A	A

CLLAS Reinsurance

Top 25 Reinsurers by % of Current Liability

ALL YEARS

Watch	Name	Jurisdiction	Reg'd?	LAYERS										TOTAL	All-time Percent of Total	Prev. Year Percent of Total	Move- ment?
				\$.975MM XS	\$4/\$49MM XS	\$7.5MM XS	\$12.5MM XS	\$10MM XS	\$30/60MM XS	\$20MM XS	\$10-60MM XS	\$15-50MM XS	\$60MM XS				
				\$.025MM	\$1MM	\$5MM	\$12.5MM	\$25MM	\$65MM	\$140MM	\$160MM	\$50MM	\$100MM				
➔	Underwriters at Lloyd's	London	Yes	0	28,900,400	3,596,250	3,287,825	4,160,262	76,281	1,912	80,013	0	0	40,102,943	39.9%	38.0%	Up
➔	AMA 1200	Lloyd's	Yes	0	12,898,327	0	0	0	331	0	0	0	0	12,898,658	12.8%	12.2%	Up
➔	Colchester	Barbados	No	0	10,707,915	0	0	0	0	0	4,686	0	0	10,712,601	10.7%	10.5%	Up
	AML 2001	Lloyd's	Yes	0	4,292,824	0	404,942	436,854	0	118	0	0	0	5,134,738	5.1%	4.7%	Up
➔	PPI 9969	Lloyd's	Yes	0	4,849,843	0	0	0	0	0	0	0	0	4,849,843	4.8%	3.8%	Up
	Scor Re.	Canada	Yes	0	0	620,754	1,275,415	1,242,171	3,787	0	0	0	0	3,142,127	3.1%	3.3%	Down
	Aspen Re	London	Yes	0	0	1,128,937	1,121,991	831,152	0	0	0	0	0	3,082,081	3.1%	3.2%	Down
	AFB 623/2623	Lloyd's	Yes	0	0	3,071,186	0	0	4,191	0	0	0	0	3,075,377	3.1%	3.2%	Down
	Allianz Global Risks	London	Yes	0	2,959,244	0	0	0	0	0	0	0	0	2,959,244	2.9%	2.6%	Up
	AUL 1274	Lloyd's	Yes	0	2,739,714	0	0	0	0	0	0	0	0	2,739,714	2.7%	2.4%	Up
	Transatlantic Reinsurance Company (Combined)	Combined	Yes	0	105,223	1,015,994	1,606,902	455	0	0	0	0	0	2,728,575	2.7%	3.0%	Down
➔	Swiss Re (Combined)	Combined	Mixed	0	0	0	0	2,595,979	54,011	4,541	72,064	0	0	2,726,595	2.7%	2.8%	Down
➔	Swiss Re (Canada)	Canada	Yes	0	0	0	0	2,585,412	10,693	3,366	1,810	0	0	2,601,282	2.6%	2.7%	Down
	Transatlantic Reinsurance Company (Canada)	Canada	Yes	0	105,223	923,590	1,534,827	0	0	0	0	0	0	2,563,641	2.5%	2.7%	Down
	AGD 2526	Lloyd's	Yes	0	2,471,540	88,916	0	0	151	0	2,166	0	0	2,562,773	2.5%	3.4%	Down
	MKL 3000	Lloyd's	Yes	0	0	0	857,277	1,561,370	7,282	0	17,911	0	0	2,443,840	2.4%	2.5%	Down
	Hannover Ruck	London	Yes	0	0	0	2,410,863	0	0	0	0	0	0	2,410,863	2.4%	2.5%	Down
	MKM 2468	Lloyd's	Yes	0	0	0	750,440	1,558,361	0	0	649	0	0	2,309,450	2.3%	2.4%	Down
	AXIS Re	Canada	Yes	0	1,851,466	0	0	0	0	0	12,015	0	0	1,863,481	1.9%	1.5%	Up
	CNA (Combined)	Combined	Mixed	0	1,477,692	0	0	0	0	0	0	0	0	1,477,692	1.5%	0.8%	Up
	CNA (Canada)	Canada	Yes	0	1,414,557	0	0	0	0	0	0	0	0	1,414,557	1.4%	0.7%	Up
	Arch	Canada	Yes	0	0	1,283,149	0	0	0	0	6,961	0	0	1,290,110	1.3%	1.3%	Down
	Liberty (Combined)	Combined	Yes	0	245,659	0	841,825	0	4,501	981	7,790	0	0	1,100,756	1.1%	0.0%	Up
	PEM 4000	Lloyd's	Yes	0	245,659	0	841,825	0	3,007	84	7,592	0	0	1,098,167	1.1%	1.3%	Down
➔	CRC (Bermuda) Reinsurance Ltd.	Bermuda	No	0	0	455,400	566,969	0	0	0	0	0	0	1,022,369	1.0%	1.1%	Down
	TOA Re.	Canada	Yes	0	0	478,765	443,253	0	0	0	0	0	0	922,018	0.9%	1.0%	Down
	HIS 33	Lloyd's	Yes	0	0	0	0	603,682	3,706	813	0	0	0	608,200	0.6%	0.6%	Down
	Vibe 5678	Lloyd's	Yes	0	472,074	0	0	0	0	0	0	0	0	472,074	0.5%	0.1%	Up
	ARK 4020	Lloyd's	Yes	0	0	0	393,128	0	0	0	0	0	0	393,128	0.4%	0.4%	Down
Total Current Liabilities				2,174,981	56,648,216	16,068,463	14,862,434	10,386,022	154,224	17,924	247,178	0	0	100,559,442			
Proportional Reinsurance:																	
	London			0	31,859,644	4,817,591	6,892,754	5,002,437	78,619	3,086	80,013	0	0	48,734,144	48.5%	46.6%	Up
	Canada			0	3,434,381	3,306,258	3,253,495	3,827,583	62,571	3,366	139,929	0	0	14,027,583	13.9%	13.4%	Up
	Bermuda			0	0	455,400	566,969	0	13,035	11,471	22,550	0	0	1,069,425	1.1%	1.1%	Down
	Barbados			0	10,707,915	0	0	0	0	0	4,686	0	0	10,712,601	10.7%	10.5%	Up
	Total			0	46,001,940	8,579,250	10,713,218	8,830,020	154,224	17,924	247,178	0	0	74,543,753	74.1%	71.6%	Up
CLLAS Proportional Retention				1,512,743	12,930,569	7,651,477	4,229,122	1,579,119	0	0	0	0	0	26,015,689	25.9%	28.4%	Down
➔	Colchester Loss Portfolio Transfer & Stop Loss			164,939	10,646,276	7,489,214	4,149,216	1,556,002	0	0	0	0	0	24,005,647	23.9%	27.1%	Down
CLLAS Net Retention														2,010,042	2.0%	1.3%	Up

CLLAS Reinsurance

Appendix E

Reinsurers by % of Current Liability

PRIOR YEAR (2016/2017) AS AT JUNE 30, 2017

Watch	Name	Jurisdiction	Reg'd?	LAYERS						TOTAL	Percent of Total	Prev. Year Percent of Total	Move-ment?
				\$0.975MM XS	\$49MM XS	\$30/60MM XS	\$10-60MM XS	\$15-50MM XS	\$60MM XS				
				\$0.025MM	\$1MM	\$65MM	\$160MM	\$50MM	\$100MM				
➡	Underwriters at Lloyd's	London	Yes	0	8,976,446	18,673	32,802	0	0	9,027,920	58.0%	62.0%	Down
➡	AMA 1200	Lloyd's	Yes	0	3,763,992	0	0	0	0	3,763,992	24.2%	26.2%	Down
➡	Colchester	Barbados	No	0	2,871,085	0	4,686	0	0	2,875,770	18.5%	19.2%	Down
➡	PPI 9969	Lloyd's	Yes	0	1,859,027	0	0	0	0	1,859,027	11.9%	12.9%	Down
	AML 2001	Lloyd's	Yes	0	1,393,912	0	0	0	0	1,393,912	9.0%	9.7%	Down
	Allianz Global Risks	London	Yes	0	928,796	0	0	0	0	928,796	6.0%	6.5%	Down
	AUL 1274	Lloyd's	Yes	0	928,796	0	0	0	0	928,796	6.0%	6.5%	Down
	CNA (Combined)	Combined	Mixed	0	861,325	0	0	0	0	861,325	5.5%	4.8%	Up
	CNA (Canada)	Canada	Yes	0	861,325	0	0	0	0	861,325	5.5%	4.8%	Up
	AXIS Re	Canada	Yes	0	717,771	0	4,686	0	0	722,457	4.6%	3.9%	Up
	Vibe 5678	Lloyd's	Yes	0	360,321	0	0	0	0	360,321	2.3%	1.0%	Up
	Hamilton 3334	Lloyd's	Yes	0	357,450	568	1,087	0	0	359,105	2.3%	0.0%	Up
	SAL 1206	Lloyd's	Yes	0	173,701	1,025	3,036	0	0	177,762	1.1%	0.0%	Up
	Acappella 2014	Lloyd's	Yes	0	139,248	1,711	5,520	0	0	146,479	0.9%	1.0%	Down
➡	Swiss Re (Combined)	Combined	Mixed	0	0	13,338	28,116	0	0	41,453	0.3%	0.2%	Up
➡	Westport Insurance Corp. (Swiss Re)	Canada	Yes	0	0	13,338	28,116	0	0	41,453	0.3%	0.2%	Up
	BRT 2987	Lloyd's	Yes	0	0	8,765	9,466	0	0	18,230	0.1%	0.1%	Up
➡	AWAC	Bermuda	No	0	0	4,573	6,560	0	0	11,133	0.1%	0.1%	Up
	Gerling Global Re	Canada	Yes	0	0	1,524	9,372	0	0	10,896	0.1%	0.1%	Up
	MKL 3000	Lloyd's	Yes	0	0	2,222	6,270	0	0	8,491	0.1%	0.0%	Up
	RSA (Combined)	Combined	Yes	0	0	0	7,498	0	0	7,498	0.0%	0.0%	Up
	Royal & Sun Alliance Co. of Canada	Canada	Yes	0	0	0	7,498	0	0	7,498	0.0%	0.0%	Up
	Liberty (Combined)	Combined	Yes	0	0	1,376	2,840	0	0	4,215	0.0%	0.0%	Up
	PEM 4000	Lloyd's	Yes	0	0	1,376	2,840	0	0	4,215	0.0%	0.0%	Up
	Endurance 5151	Lloyd's	Yes	0	0	0	2,933	0	0	2,933	0.0%	0.0%	Up
	FDY 435	Lloyd's	Yes	0	0	1,223	1,649	0	0	2,873	0.0%	0.0%	Up
	Catlin (Combined)	Combined	Yes	0	0	1,025	0	0	0	1,025	0.0%	4.8%	Down
	SJC 2003	Lloyd's	Yes	0	0	1,025	0	0	0	1,025	0.0%	0.0%	Up
	AFB 623/2623	Lloyd's	Yes	0	0	758	0	0	0	758	0.0%	0.0%	Down
Total Current Liabilities				1,075,026	14,355,423	38,107	93,719	0	0	15,562,275			
Proportional Reinsurance:													
	London			0	9,905,242	18,673	32,802	0	0	9,956,716	64.0%	73.3%	Down
	Canada			0	1,579,096	14,862	49,671	0	0	1,643,629	10.6%	4.2%	Up
	Bermuda			0	0	4,573	6,560	0	0	11,133	0.1%	0.0%	Up
	Barbados			0	2,871,085	0	4,686	0	0	2,875,770	18.5%	19.2%	Down
	Total			0	14,355,423	38,107	93,719	0	0	14,487,249	93.1%	96.7%	Down
CLLAS Proportional Retention				1,075,026	0	0	0	0	0	1,075,026	6.9%	3.3%	Up
➡	Colchester Aggregate									0	0.0%	0.0%	Zero
CLLAS Net Retention										1,075,026	6.9%	3.3%	Up

CLLAS Reinsurance

Appendix F

Reinsurers by % of Single Claim Exposure

CURRENT YEAR (2017/2018)

CURRENT YEAR (2017/2018)				LAYERS						Prev. Year			
Watch	Name	Jurisdiction	Reg'd?	\$.975MM	\$49MM	\$30/60MM	\$10-60MM	\$15-50MM	\$60MM	TOTAL	Percent of Total	Percent of Total	Move-ment?
				XS \$.025MM	XS \$1MM	XS \$65MM	XS \$160MM	XS \$50MM	XS \$100MM				
➔	Underwriters at Lloyd's	London	Yes	0	28,679,700	16,500,000	19,500,000	0	0	64,679,700	44.5%	47.4%	Down
➔	Swiss Re (Combined)	Combined	Mixed	0	0	10,500,000	18,000,000	2,500,000	3,000,000	34,000,000	23.4%	20.4%	Up
➔	Westport Insurance Corp. (Swiss Re)	Canada	Yes	0	0	10,500,000	18,000,000	2,500,000	3,000,000	34,000,000	23.4%	20.4%	Up
➔	Colchester	Barbados	No	0	9,800,000	0	4,500,000	0	0	14,300,000	9.8%	7.0%	Up
➔	PPI 9969	Lloyd's	Yes	0	6,600,300	0	3,444,000	0	0	10,044,300	6.9%	4.5%	Up
➔	AMA 1200	Lloyd's	Yes	0	9,800,000	0	0	0	0	9,800,000	6.7%	9.2%	Down
	BRT 2987	Lloyd's	Yes	0	0	6,900,000	1,002,000	0	0	7,902,000	5.4%	9.3%	Down
	Gerling Global Re	Canada	Yes	0	0	1,200,000	6,000,000	0	0	7,200,000	4.9%	5.1%	Down
	Acappella 2014	Lloyd's	Yes	0	0	1,797,000	4,416,000	0	0	6,213,000	4.3%	3.8%	Up
➔	AWAC	Bermuda	No	0	0	1,800,000	4,200,000	0	0	6,000,000	4.1%	5.6%	Down
	MKL 3000	Lloyd's	Yes	0	0	1,749,000	4,014,000	0	0	5,763,000	4.0%	4.1%	Down
	AXIS Re	Canada	Yes	0	2,450,000	0	3,000,000	0	0	5,450,000	3.7%	3.9%	Down
	CNA (Combined)	Combined	Mixed	0	4,900,000	0	0	0	0	4,900,000	3.4%	2.1%	Up
	CNA (Canada)	Canada	Yes	0	4,900,000	0	0	0	0	4,900,000	3.4%	2.1%	Up
	RSA (Combined)	Combined	Yes	0	0	0	4,800,000	0	0	4,800,000	3.3%	3.4%	Down
	Royal & Sun Alliance Co. of Canada	Canada	Yes	0	0	0	4,800,000	0	0	4,800,000	3.3%	3.4%	Down
	AML 2001	Lloyd's	Yes	0	4,757,900	0	0	0	0	4,757,900	3.3%	3.4%	Down
	AUL 1274	Lloyd's	Yes	0	3,248,700	0	0	0	0	3,248,700	2.2%	2.3%	Down
	Allianz Global Risks	London	Yes	0	3,170,300	0	0	0	0	3,170,300	2.2%	2.3%	Down
	Hamilton 3334	Lloyd's	Yes	0	1,327,900	558,000	1,194,000	0	0	3,079,900	2.1%	1.7%	Up
	Vibe 5678	Lloyd's	Yes	0	2,944,900	0	0	0	0	2,944,900	2.0%	0.9%	Up
	FDY 435	Lloyd's	Yes	0	0	1,203,000	1,734,000	0	0	2,937,000	2.0%	1.4%	Up
	Liberty (Combined)	Combined	Yes	0	0	1,083,000	1,818,000	0	0	2,901,000	2.0%	0.0%	Up
	PEM 4000	Lloyd's	Yes	0	0	1,083,000	1,818,000	0	0	2,901,000	2.0%	2.1%	Down
	Endurance 5151	Lloyd's	Yes	0	0	0	1,878,000	0	0	1,878,000	1.3%	1.3%	Down
	AFB 623/2623	Lloyd's	Yes	0	0	1,194,000	0	0	0	1,194,000	0.8%	0.4%	Up
	Catlin (Combined)	Combined	Yes	0	0	1,008,000	0	0	0	1,008,000	0.7%	0.6%	Up
	SAL 1206	Lloyd's	Yes	0	0	1,008,000	0	0	0	1,008,000	0.7%	2.4%	Down
	SJC 2003	Lloyd's	Yes	0	0	1,008,000	0	0	0	1,008,000	0.7%	0.6%	Up

Maximum Exposure Any One Claim

975,000 49,000,000 30,000,000 60,000,000 2,500,000 3,000,000 145,475,000

Proportional Reinsurance:

London	0	31,850,000	16,500,000	19,500,000	0	0	67,850,000	46.6%	51.8%	Down
Canada	0	7,350,000	11,700,000	31,800,000	2,500,000	3,000,000	56,350,000	38.7%	34.9%	Up
Bermuda	0	0	1,800,000	4,200,000	0	0	6,000,000	4.1%	5.6%	Down
Barbados	0	9,800,000	0	4,500,000	0	0	14,300,000	9.8%	7.0%	Up
Total	0	49,000,000	30,000,000	60,000,000	2,500,000	3,000,000	144,500,000	99.3%	99.3%	Up

CLLAS Proportional Retention

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

➔ Colchester Aggregate

n/a n/a n/a

CLLAS Net Retention

975,000 0.7% 0.7% Down

CLLAS Reinsurance

Reinsurers by % of Single Claim Exposure
CURRENT YEAR (2017/2018)

Appendix F-PF

Watch Name	Jurisdiction	Reg'd?	LAYERS						US\$30MM* (\$39MM)	TOTAL	Percent of Total
			\$.975MM	\$49MM	\$30/60MM	\$10-60MM	\$15-50MM	\$60MM			
			XS \$.025MM	XS \$1MM	XS \$65MM	XS \$160MM	XS \$50MM	XS \$100MM			
➔ Underwriters at Lloyd's	London	Yes	0	28,679,700	16,500,000	19,500,000	0	0	5,850,000	70,529,700	24.4%
➔ Swiss Re (Combined)	Combined	Mixed	0	0	10,500,000	18,000,000	2,500,000	3,000,000	0	34,000,000	11.8%
➔ Westport Insurance Corp. (Swiss Re)	Canada	Yes	0	0	10,500,000	18,000,000	2,500,000	3,000,000	0	34,000,000	11.8%
RSA (Combined)	Combined	Yes	0	0	0	4,800,000	10,000,000	5,700,000	0	20,500,000	7.1%
Encon Group Inc. (PF)	Canada	Yes	0	0	0	0	5,000,000	15,000,000	0	20,000,000	6.9%
Liberty (Combined)	Combined	Yes	0	0	1,083,000	1,818,000	10,000,000	5,700,000	0	18,601,000	6.4%
Liberty International Canada (PF)	Canada	Yes	0	0	0	0	10,000,000	5,700,000	0	15,700,000	5.4%
Royal & Sun Alliance Co. of Canada (PF)	Canada	Yes	0	0	0	0	10,000,000	5,700,000	0	15,700,000	5.4%
Travelers Insurance Company of Canada (PF)	Canada	Yes	0	0	0	0	5,000,000	9,900,000	0	14,900,000	5.2%
➔ Colchester	Barbados	No	0	9,800,000	0	4,500,000	0	0	0	14,300,000	4.9%
Axis Reinsurance Company (PF)	Canada	Yes	0	0	0	0	5,000,000	0	7,215,000	12,215,000	4.2%
XL Catlin (PF)	Canada	Yes	0	0	0	0	5,000,000	0	6,435,000	11,435,000	4.0%
➔ PPI 9969	Lloyd's	Yes	0	6,600,300	0	3,444,000	0	0	0	10,044,300	3.5%
Chubb Insurance Company (PF)	Canada	Yes	0	0	0	0	0	9,900,000	0	9,900,000	3.4%
➔ AMA 1200	Lloyd's	Yes	0	9,800,000	0	0	0	0	0	9,800,000	3.4%
QBE Insurance Group (PF)	Canada	Yes	0	0	0	0	5,000,000	4,800,000	0	9,800,000	3.4%
CNA (US) (PF)**	US	Yes	0	0	0	0	0	0	9,750,000	9,750,000	3.4%
Berkley (PF)**	US	Yes	0	0	0	0	0	0	9,750,000	9,750,000	3.4%
Northbridge Insurance Company (PF)	Canada	Yes	0	0	0	0	2,500,000	6,000,000	0	8,500,000	2.9%
BRT 2987	Lloyd's	Yes	0	0	6,900,000	1,002,000	0	0	0	7,902,000	2.7%
Gerling Global Re	Canada	Yes	0	0	1,200,000	6,000,000	0	0	0	7,200,000	2.5%
Acappella 2014	Lloyd's	Yes	0	0	1,797,000	4,416,000	0	0	0	6,213,000	2.2%
➔ AWAC	Bermuda	No	0	0	1,800,000	4,200,000	0	0	0	6,000,000	2.1%
MKL 3000	Lloyd's	Yes	0	0	1,749,000	4,014,000	0	0	0	5,763,000	2.0%
AXIS Re	Canada	Yes	0	2,450,000	0	3,000,000	0	0	0	5,450,000	1.9%
CNA (Canada)	Canada	Yes	0	4,900,000	0	0	0	0	0	4,900,000	1.7%
CNA (Combined)	Combined	Mixed	0	4,900,000	0	0	0	0	0	4,900,000	1.7%
Royal & Sun Alliance Co. of Canada	Canada	Yes	0	0	0	4,800,000	0	0	0	4,800,000	1.7%
AML 2001	Lloyd's	Yes	0	4,757,900	0	0	0	0	0	4,757,900	1.6%
AUL 1274	Lloyd's	Yes	0	3,248,700	0	0	0	0	0	3,248,700	1.1%
Allianz Global Risks	London	Yes	0	3,170,300	0	0	0	0	0	3,170,300	1.1%
Hamilton 3334	Lloyd's	Yes	0	1,327,900	558,000	1,194,000	0	0	0	3,079,900	1.1%
Vibe 5678	Lloyd's	Yes	0	2,944,900	0	0	0	0	0	2,944,900	1.0%
FDY 435	Lloyd's	Yes	0	0	1,203,000	1,734,000	0	0	0	2,937,000	1.0%
PEM 4000	Lloyd's	Yes	0	0	1,083,000	1,818,000	0	0	0	2,901,000	1.0%
Endurance 5151	Lloyd's	Yes	0	0	0	1,878,000	0	0	0	1,878,000	0.6%
AFB 623/2623	Lloyd's	Yes	0	0	1,194,000	0	0	0	0	1,194,000	0.4%
Catlin (Combined)	Combined	Yes	0	0	1,008,000	0	0	0	0	1,008,000	0.3%
SAL 1206	Lloyd's	Yes	0	0	1,008,000	0	0	0	0	1,008,000	0.3%
SJC 2003	Lloyd's	Yes	0	0	1,008,000	0	0	0	0	1,008,000	0.3%

Maximum Exposure Any One Claim

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

Proportional Reinsurance:

London	0	31,850,000	16,500,000	19,500,000	0	0	5,850,000	73,700,000	25.5%
Canada	0	7,350,000	11,700,000	31,800,000	50,000,000	60,000,000	13,650,000	174,500,000	60.4%
US	0	0	0	0	0	0	19,500,000	19,500,000	6.7%
Bermuda	0	0	1,800,000	4,200,000	0	0	0	6,000,000	2.1%
Barbados	0	9,800,000	0	4,500,000	0	0	0	14,300,000	4.9%
Total	0	49,000,000	30,000,000	60,000,000	50,000,000	60,000,000	39,000,000	288,000,000	99.7%

CLLAS Proportional Retention

975,000 0 0 0 0 0 0 975,000 0.3%

➔ Colchester Aggregate

n/a n/a

CLLAS Net Retention

975,000 0.3%

* Using exchange rate of CAD\$1.30 to US\$1.00 for comparison purposes

** These insurers support only the CLLAS International Program, and therefore affect only certain firms