



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Business Plan Projected for the
Fiscal Years Ending December 31, 2022, 2023 and 2024

Updated March 15, 2022 to Reflect Proposed CLLAS Cyber Program



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1. Executive Summary

This report summarizes the business plan for the Canadian Lawyers Liability Assurance Society (“CLLAS”) for fiscal years 2022 to 2024. A copy of this report was submitted to the Alberta Superintendent of Insurance (“Superintendent”), the regulatory authority responsible for the supervision of CLLAS under the Alberta *Insurance Act*. This report has been updated to reflect the introduction of the proposed CLLAS Cyber Program with effect from July 1, 2022. Edits to the original report (dated February 24, 2022) are shown in grey screen.

This report was prepared by Axxima Insurance Services, a division of 3303128 Canada Inc., a non-affiliated company of CLLAS providing actuarial and general management services to CLLAS.

Operations and Operating Environment

CLLAS’ core business objective is to meet the liability insurance needs of its subscribers. It has provided professional liability insurance to select Canadian law firms since 1987. Professional liability claims are subject to significant volatility and are expected to trend at approximately 4.25% per year.

CLLAS has purchased proportional and aggregate stop loss reinsurance since its inception. In addition, CLLAS entered into a loss portfolio transfer agreement at June 30, 2012 with Colchester Reinsurance Limited, which covers all outstanding claim obligations on policies written between July 1, 1987 and June 30, 2012. These risk management initiatives have the effect of limiting CLLAS’ loss exposure.

Reinsurance rates are increasing globally due to a hardening market. Reinsurance rate increases are expected and have been reflected in the business plan projections. While CLLAS’ reinsurance rates and availability will be affected by prevailing insurance market conditions, the impact is expected to be tempered due to CLLAS’ strong long-term relationships with its reinsurers.

CLLAS’ member firms currently purchase cyber insurance directly from commercial insurers. The hard market has led to significant premium increases at the same time as coverages are being restricted. Given current and anticipated future difficulties in arranging appropriate cyber coverage, the CLLAS Board authorized management to investigate the implementation of a CLLAS Cyber Program to take effect July 1, 2022. This Program is being thoughtfully structured to present limited risk to CLLAS’ financial position via a combination of underwriting, reinsurance protection, and coverage design.

Summary of Financial Projections for Fiscal Year 2022

The underwriting income and investment income for fiscal year 2022 are projected at (\$1,010,000) and \$273,000 respectively, for a total net income of (\$737,000). The surplus at December 31, 2022 is projected at \$11,991,000. The projections assume that the premiums reflect surplus distributions of \$700,500 per year from 2022 to 2024, consistent with the surplus distribution in the 2021/2022 premium rates.



CLLAS is expected to meet the Alberta Maintenance of Reserves and Guarantee (“AMRGF”) Funds requirement with an excess margin of \$7,401,000 at December 31, 2022. The Minimum Capital Test (“MCT”) ratio at December 31, 2022 is projected at 489%, a decrease over the MCT ratio of 555% at December 31, 2021. The MCT ratio is expected to remain comfortably above CLLAS’ internal target and regulatory expectations of 210%.

The CLLAS Cyber Program which is in development (and is discussed in more detail below) is expected to have minimal effect on CLLAS’ overall financial performance. Including the Cyber Program, CLLAS is expected to meet the AMRGF requirement with an excess margin of \$8,156,000 at December 31, 2022 and its MCT ratio at that date is projected to be 450%, well above CLLAS’ internal target and regulatory expectations.

This business plan report is organized as follows:

- Section 2: Overview of CLLAS Operations
- Section 3: Operating Environment
- Section 4: Short-Term Opportunities and Threats
- Section 5: Short-Term Priorities and Initiatives, including Overview of Proposed Cyber Program
- Section 6: Financial Performance Measures
- Section 7: Financial Condition Measures and Regulatory Solvency Requirements
- Section 8: Financial Projections – Status Quo
- Section 9: Financial Projections – Cyber Program
- Section 10: Financial Projections – Combined

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2. Overview of CLLAS Operations

CLLAS’ core business objective is to meet the professional liability insurance needs of its subscribers.

Insurance Operations

CLLAS was formed on December 22, 1986, under the Reciprocal Insurance Exchange Agreement for Select Canadian Law Firms. CLLAS started its insurance underwriting operations in June 1987 and was regulated by the Financial Services Commission of Ontario. Effective July 1, 2012, CLLAS’ lead regulator



was changed from Ontario to Alberta. CLLAS is licensed in Alberta, British Columbia, Ontario and Nova Scotia.

The insurance provided by CLLAS to each of the firms is on a claims-made-and-reported basis

In the fiscal year ending December 31, 2021, CLLAS issued 20 insurance policies to 10 Canadian law firms. CLLAS also has participants on a subscription basis on a number of insurance policies issued to these 10 firms. CLLAS provides a combined maximum limit of liability insurance per occurrence of \$145,475,000 to cover the cost of damages that an insured is legally obligated to pay as a result of single or related act, error, omission or negligent act in the performance of or failure to perform professional services by the insured or by any person for whose acts, errors, or omissions the insured is legally responsible.

The maximum limit provided by CLLAS on a per-claim basis is provided as follows:

- A \$50,000,000 limit inclusive of a minimum \$25,000 retention over the basic liability coverage available to each practicing lawyer of the firm under the basic professional liability coverage provided by the law society governing the professional activities of such lawyers;
- A limit of \$10,000,000 to \$60,000,000 in excess of \$160,000,000 of the professional liability limit purchased by any firm;
- A 5% participation in the \$30,000,000 in excess of \$50,000,000 layer purchased by any firm;
- A 5% participation in the \$110,000,000 in excess of \$50,000,000 layer purchased by any firm; and
- A \$30,000,000 umbrella limit provided on the overall exposure of all subscribers.

Reinsurance

To provide such coverage limits, CLLAS purchases proportional reinsurance coverage from registered and unregistered insurance companies to reduce its net maximum loss exposure for any one loss occurrence to \$975,000. The reinsurance for the maximum occurrence limit provided by CLLAS is purchased on a proportional basis. CLLAS retains no exposure on the layers above \$1,000,000.

In addition, for its treaty underwriting year from July 1, 2021 to June 30, 2022, CLLAS purchased an annual stop-loss coverage that provides \$10,000,000 of coverage in excess of \$5,000,000. Annual stop-loss coverage limiting CLLAS' overall annual net retained losses in any one treaty year was also purchased in prior treaty years.

On June 30, 2012, Colchester Reinsurance Ltd. ("Colchester") purchased CLLAS' loss portfolio of net outstanding claims obligations on policies written between July 1, 1987 and June 30, 2012. CLLAS' remaining net claim liabilities attributable to the business written prior to June 30, 2012 are provisions for unallocated loss adjustment expenses.



CLLAS and Colchester have implemented a Reinsurance Security Agreement whereby all the assets supporting Colchester's claim liabilities are held in trust in a custodial account in favour of CLLAS.

Operational Results for Fiscal Year 2021

In 2021, CLLAS generated written premium volumes of \$12,594,000 and \$2,010,000 on gross and net of reinsurance bases respectively. \$10,584,000 of written premium volume was ceded to proportional and aggregate stop loss reinsurers.

CLLAS' net income was \$594,000 and its net subscribers' equity inclusive of accumulated other comprehensive income was \$12,833,000 at December 31, 2021.

At December 31, 2021, CLLAS held \$20,963,000 in invested assets comprised of cash and fixed-income securities. CLLAS' main liability was its net provision for unpaid claims in the amount of \$8,159,000.

3. Operating Environment

Professional liability losses are subject to significant volatility surrounding the timing, frequency and severity of claims, especially in insured layers excess of \$1,000,000. Claims frequency is expected to remain stable but individual claims are expected to trend up faster than inflation at a rate of approximately 4.25% per year.

CLLAS is not aware of any legal or regulatory changes or any precedents set in case law that would impact existing or future claims. Management is carefully monitoring the COVID 19 pandemic. The impact of the pandemic on CLLAS cannot be predicted with any accuracy but to date, CLLAS has experienced no significant impact from COVID 19. Premium collection was changed from semi-annual to quarterly instalments for the policy year starting July 1, 2020.

Reinsurance

Reinsurance costs tend to be cyclical, with high prices and tighter underwriting restrictions following years with poor underwriting results. CLLAS has developed strong relationships with its reinsurers and reinsurance rates remained low for many years.

Reinsurance rates are increasing globally due to a hardening market. Reinsurance rate increases are expected and have been reflected in the business plan projections. While CLLAS' reinsurance rates and availability will be affected by prevailing insurance market conditions, the impact is expected to be tempered due to CLLAS' strong long-term relationships with its reinsurers.

Regulatory Environment

IFRS 17 is expected to become effective January 1, 2023. IFRS 17 will introduce major changes in the presentation of financial statements of insurance companies. While this business plan extends to



December 31, 2024, all projections are based on current accounting standards. The quantification of the impact of IFRS 17 was completed during 2021 and it is expected that the equity will increase by over \$2,000,000 and the MCT by 200%. For conservatism and easier readability, this business plan is projected ignoring the positive impact of IFRS 17 for fiscal year 2023 on CLLAS.

4. Short-Term Opportunities and Threats

Given the loss portfolio transfer at June 30, 2012 and the low net claim retention since July 1, 2012, CLLAS' net exposure is mainly for unallocated loss adjustment expenses. The main threat for CLLAS would be a reinsurer's default on unpaid claims. However, this threat is not considered significant given that CLLAS' reinsurance partners are in sound financial condition and the vast majority of reinsurance is recoverable from reinsurers registered in Canada or secured via a reinsurance security agreement.

5. Short-Term Priorities and Initiatives

During 2022, CLLAS will focus on the following initiatives in addition to the management of its usual insurance operations:

1. Actively monitor and assess the impact of the COVID 19 pandemic;
2. Development of a budget and business plan for fiscal year 2022;
3. Implementation of a fully reinsured \$50,000,000 umbrella layer which would attach excess of a minimum of \$250,000,000;
4. Development of a CLLAS cyber coverage for possible implementation on July 1, 2022;
5. Determination of expected loss costs and premium rates for the policy year starting July 1, 2022;
6. Negotiation of reinsurance contracts and costs for the policy year starting July 1, 2022;
7. Periodic review of reinsurance concentration and risk;
8. Preparation for the next Underwriting Group period commencing July 1, 2022;
9. Review of CLLAS' ERM and Surplus Policies, as appropriate, depending on changes in exposure due to Items 3. and 4. above; and
10. Quarterly valuation of policy liabilities.

Overview of Proposed CLLAS Cyber Program

The Cyber Program under consideration by CLLAS has been developed on the premise that the cyber insurers are not appropriately reflecting the favourable risk profile of the CLLAS firms given their sophisticated IT and cyber security frameworks, on-going risk management initiatives and favourable loss experience. The intention is to collect premiums consistent with the current commercial level, maintain significant deductibles which, based on historical claims experience will address most of the losses, and arrange reinsurance protection to manage CLLAS' downside exposure.



The proposed Program has the following key features:

- Deductibles consistent with expiring commercial policies (\$250,000 with some sublimits at \$100,000 deductibles, smaller firms with lower deductibles);
- Primary policy limits of \$10 million per firm;
- Quota-share reinsurance excess of \$1 million;
- Possible aggregate stop loss applicable to retained losses;
- Excess coverage above the CLLAS primary layer placed directly with commercial insurers;
- CLLAS-specific claims management, including CLLAS-selected panel of providers, consistent incident response year-over-year, faster claims response times than commercial insurers;
- Total CLLAS premiums of \$2.5 million (similar to current level of total premiums paid by CLLAS firms to commercial insurers);
- Reinsurance costs estimated at \$1.53 million;
- Retained losses estimated at 75% of retained premium (notwithstanding that actual claims experience suggests 1 claim every 12 years, per firm, with 80-90% of losses falling within the firm deductibles)
- Operating expenses estimated at 17% of retained premium.

Implementation of the Program requires approval of licencing requirements in Ontario and amendments to CLLAS' Subscribers Agreement, both of which are in process.

6. Financial Performance Measures

CLLAS monitors its net income on a quarterly basis, with a focus on the following key elements of financial performance:

- **Claims development:** All open case files are reviewed quarterly and case reserve estimates are adjusted accordingly. The provision for Incurred but not Reported ("IBNR") claims is reviewed quarterly by CLLAS' Appointed Actuary. Claims development is compared against the actuary's prior estimates (i.e. estimates from prior actuarial valuations and estimates of expected loss costs underlying premium rates);
- **Expenses:** Expenses are tracked by category (e.g., financial services, claims administration, actuarial services, reinsurance services, audit services, etc.) and compared quarterly against the expense budget; and
- **Investment income:** Investment returns are compared against benchmarks established per the investment policy.

The quarterly financial statements also report on regulatory solvency indicators as well as key risk metrics intended to monitor risks related to insurance, investments, liquidity and strategy.

Quarterly financial statements are provided to the Advisory Board.



7. Financial Condition Measures and Regulatory Solvency Requirements

In accordance with its surplus policy, the level of surplus CLLAS maintains is set such that the reciprocal balances the probability of retroassessment with the efficiency of operating with as little capital as is prudent and appropriate. CLLAS regularly monitors using the following regulatory solvency measures:

a. Alberta Maintenance of Reserve and Guarantee Funds (“AMRGF”)

This solvency requirement is determined based on premium volume and liabilities net of registered reinsurance. The Superintendent has confirmed that reinsurance with Colchester is considered to be registered as Colchester’s obligations to CLLAS are secured via a reinsurance security agreement.

CLLAS must maintain cash and securities in excess of the regulatory requirement to avoid a retroassessment of its members. At December 31, 2021, CLLAS met this requirement with an excess margin of \$8,238,000. The AMRGF is shown in Exhibit A3.

On a status quo basis, CLLAS projects to exceed its AMRGF requirement by \$7.4 million at December 31, 2022, \$6.3 million at December 31, 2023 and \$5.1 million at December 31, 2024 (see Exhibit A3). The addition of the Cyber Program changes these projections to \$8.2 million, \$7.2 million and \$6.2 million respectively (see Exhibit C3).

b. Minimum Capital Test (“MCT”)

The Superintendent requires reciprocals to make annual regulatory filings including the MCT. The MCT is a solvency test which has historically applied to incorporated insurance entities. The MCT ratio is calculated as follows:

$$\text{MCT Ratio} = \frac{\text{Capital Available}}{\text{Minimum Capital Required}}$$

The Capital Available is generally equal to the entity’s surplus excluding recoverables from unregistered reinsurers not covered by deposits in Canada or letters of credit. Reinsurance recoverable from Colchester is covered by deposits in Canada per a reinsurance security agreement, and therefore is an asset used in the calculation of the Capital Available.

The Minimum Capital Required is a function of the entity’s risk profile. The Minimum Capital Required accounts for risks such as the deterioration of asset values, adverse development on unpaid claims or credit risk related to unregistered reinsurance and operational risk.

At December 31, 2021, CLLAS’s MCT ratio was 555%. CLLAS’ internal target MCT ratio is 210%. The MCT is shown in Exhibit A4. CLLAS plans to continue to monitor its MCT ratio as an information item for the Board and management.



On a status quo basis, CLLAS projects its MCT ratio to be 489% at December 31, 2022, 427% at December 31, 2023 and 370% at December 31, 2024 (see Exhibit A4). The addition of the Cyber Program changes these projections to 450%, 386% and 341% respectively (see Exhibit C4).

8. Financial Projections – Status Quo

The expected financial performance over fiscal years 2022 to 2024 on a status quo basis is presented in Exhibits A1 to A4 as follows:

- Exhibit A1: Proforma Statement of Financial Position
- Exhibit A2: Proforma Statement of Income
- Exhibit A3: Proforma AMRGF Requirement
- Exhibit A4: Proforma Minimum Capital Test

These projections are based on a starting financial position at December 31, 2021 and were completed in accordance with the directives of the Superintendent issued for the completion of the 2021 P&C-1 Annual Return filed by CLLAS. We present below details of the analysis for the 2022 projection. Similar assumptions were taken to project the results for 2023 and 2024.

Data

To develop the expected financial performance, we relied on the following information developed by CLLAS at December 31, 2021:

- The 2021 P&C-1 Annual Return and AMRGF worksheet filed by CLLAS with the Alberta Superintendent of Insurance;
- The 2021 Auditor's Report issued by Deloitte LLP;
- The Report on the Valuation of the Policy Liabilities as at December 31, 2021 issued by Ms. Julie-Linda Laforce, the Appointed Actuary for CLLAS; and
- The operating expense budget for 2022.

Projection of Premiums

Net premiums written in 2022 are expected to be \$2,049,000, up from \$2,010,000 in 2021. Renewal premiums were assumed to increase based on a trend of 4.25% in retained loss costs and inflation of 2% on operating expenses. In addition, net premiums reflect an annual surplus distribution of \$700,500, in line with the surplus distribution reflected in the 2021/2022 rates. Reinsurance costs were assumed to increase by 10.0%.



Projection of Investment Income

The expected investment income for 2022 is \$273,000 (\$152,000 in 2021). The yield-to-maturity on invested assets at December 31, 2021 was 1.56% gross of investment management expenses and the investment yield gross of investment management expenses was projected at 1.56% for 2022.

Projection of Claims

Claims were projected before and after taking into account reinsurance. These projections assume, to a large extent, that the reinsurance structure in effect at December 31, 2021 is maintained on renewal. Gross and net incurred losses for 2022 were projected in two steps:

a. Settlement of claim liabilities incurred on or prior to December 31, 2021

Paid claims during 2022 and undiscounted claim liabilities at December 31, 2022 were projected based on the Appointed Actuary's estimates at December 31, 2021 and CLLAS' historical claims settlement patterns. There is no expected gain or loss relative to the actuary's ultimate estimates at December 31, 2021.

In accordance with accepted actuarial practice in Canada, undiscounted claim liabilities were then discounted and a provision for adverse deviation ("PfAD") was added. The assumptions used in the December 31, 2021 actuarial valuation were used. PfADs are assumed to be gradually released as losses are paid.

b. Projected claims incurred after December 31, 2021 on policies in-force at December 31, 2021 and on policies expected to be renewed on July 1, 2022 under the new 2022/2023 policy year

Ultimate gross and net incurred claims for those policies were estimated based on the projected loss cost per layer estimated by the Appointed Actuary at December 31, 2021 with a 4.25% loss severity trend. These loss costs were then applied to the estimated in-force lawyers at December 31, 2021, since no growth at renewal was assumed for the underlying number of insured lawyers.

Total net claim liabilities at December 31, 2022 were estimated at \$8,623,000, which represents an increase of \$464,000 over the December 31, 2021 net claim liabilities of \$8,159,000. Net paid losses were projected at \$373,000 during 2022.

Incurred claims for fiscal year 2022, are estimated at \$837,000 as the sum of net paid claims in the year and the change in net claim liabilities.



Projection of Operating Expenses

Operating expenses are projected at \$1,527,000 for general administration, \$299,000 for reinsurance fees and \$380,000 for premium taxes. Premium taxes vary by province and are expected to average 2.9% of direct written premiums. At December 31, 2022, the deferred policy acquisition cost asset is estimated at \$45,000 and the premium deficiency is assumed to be \$0.

Summary of Results

Based on the foregoing assumptions, the underwriting income and investment income for fiscal year 2022 are projected at (\$1,010,000) and \$273,000 respectively, for a total net negative income of (\$737,000) as shown in Exhibit 2. The surplus at December 31, 2022 is projected at \$12,096,000 as shown in Exhibit 1.

CLLAS is expected to meet the AMRGF requirement with an excess margin of \$7,401,000 at December 31, 2022, as shown in Exhibit 3.

CLLAS' MCT ratio at December 31, 2022 is projected at 489%, a decrease over the MCT ratio of 555% at December 31, 2021, as shown in Exhibit 4. The MCT ratio is expected to remain above CLLAS' internal target of 210%.

9. Financial Projections – Cyber Program

The expected financial performance over fiscal years 2022 to 2024 on the cyber program only is presented in Exhibits B1 to B4 as follows:

Exhibit B1: Proforma Statement of Financial Position

Exhibit B2: Proforma Statement of Income

Exhibit B3: Proforma AMRGF Requirement

Exhibit B4: Proforma Minimum Capital Test

These projections are based on an expected launch date for the Program of July 1, 2022 and have been completed in accordance with the directives of the Superintendent issued for the completion of the 2021 P&C-1 Annual Return filed by CLLAS. We present below details of the analysis for the 2022 projection. Similar assumptions were taken to project the results for 2023 and 2024.

Data

To develop the expected financial performance, we relied on the following information developed by CLLAS:

- Market premiums currently paid by CLLAS firms to commercial insurers for cyber coverage; and
- Historical data on cyber claims from CLLAS firms and from available market information.



Projection of Premiums

Gross written premiums in 2022 are expected to be \$2,500,000, based on premiums currently paid to commercial insurers for similar coverage. Net written premiums are projected to increase to \$1 million for 2023 and to remain stable thereafter. Reinsurance costs are assumed to increase by 10.0% per year.

Projection of Investment Income

The expected investment income for 2022 is \$6,000. The yield-to-maturity on invested assets at December 31, 2021 was 1.56% gross of investment management expenses and the investment yield gross of investment management expenses was projected at 1.56% for 2022.

Projection of Claims

Historical claims experience for the CLLAS firms has been very good. Loss experience for those firms whose loss data has been shared with CLLAS suggests a loss ratio in the order of 30% to 40% on a highly conservative basis. Regardless, the projections estimate losses based on a loss ratio of 75% of retained premiums.

The provision for net claim liabilities at December 31, 2022 is estimated at \$655,000, increasing to \$1,663,000 at December 31, 2023 and \$1,777,000 at December 31, 2024. Net paid losses were projected at \$124,000 during 2022.

Projection of Operating Expenses

Operating expenses are projected at \$48,500 for general administration and \$36,000 for premium taxes. Premium taxes vary by province and are expected to average 2.9% of direct written premiums.

Summary of Results

Based on the foregoing assumptions, the underwriting income and investment income for fiscal year 2022 are projected at (\$7,500) and \$6,000 respectively, for a total net negative income of (\$1,500) as shown in Exhibit B2. The surplus generated by the Program at December 31, 2022 is projected at (\$1,500) as shown in Exhibit B1.

The proposed Cyber Program is projected to have a net positive impact on CLLAS' AMRGF, with increases in the excess over the requirement of between \$706,000 and \$994,000 over the projection period. Contrary to the AMRGF, the Cyber Program is expected to create a minor strain on CLLAS' MCT ratio, due to the conservative loss ratio projection for the cyber program (see Exhibit B3).



10. Financial Projections – Combined

The expected financial performance over fiscal years 2022 to 2024 on a combined program basis is presented in Exhibits C1 to C4 as follows:

Exhibit C1: Proforma Statement of Financial Position

Exhibit C2: Proforma Statement of Income

Exhibit C3: Proforma AMRGF Requirement

Exhibit C4: Proforma Minimum Capital Test

Summary of Results

The proposed CLLAS Cyber Program is projected to have minimal effect on CLLAS' overall financial performance. Including the Cyber Program, CLLAS is expected to meet the AMRGF requirement with an excess margin of \$8,156,000 at December 31, 2022 (see Exhibit C3) and its MCT ratio at that date is projected to be 450% (see Exhibit C4), well above CLLAS' internal target and regulatory expectations.

Exhibit A1
Canadian Lawyers Liability Assurance Society
Staus Quo
Proforma Statement of Financial Position

	2021 Actual	2022 Projected	2023 Projected	2024 Projected
Assets				
Cash	\$ 3,533,877	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000
Investments				
Short Term	11,361,485	11,527,000	11,428,000	11,322,000
Long Term	6,043,762	6,206,371	6,153,000	6,096,000
Interest Income Due and Accrued	23,630	0	0	0
Premiums Receivable	3,673,597	3,560,000	3,888,000	4,247,000
Unearned Reinsurance Premium Ceded	5,236,160	5,821,000	6,404,000	7,044,000
Prepaid Expenses	150,827	151,000	151,000	151,000
Deferred Policy Acquisition Costs	41,179	45,000	49,000	54,000
Reinsurance and Other Claims Receivable	577,412	800,000	800,000	800,000
Other Receivable	0	0	0	0
Provision for Unpaid Claims and Adjustment Expenses Recoverable from Reinsurers	64,708,168	70,567,000	76,463,000	82,695,000
Total Assets	95,350,096	102,677,371	109,336,000	116,409,000
Liabilities				
Provision for Unpaid Claims and Adjustment Expenses	72,867,454	79,190,000	85,562,000	92,267,000
Premium Deficiency Liability	0	0	0	0
Unearned Premium	6,244,910	6,846,000	7,476,000	8,166,000
Due to Reinsurers	3,045,212	4,110,000	4,521,000	4,973,000
Accounts Payable & Accrued Charges	278,684	353,000	364,000	376,000
Premium Taxes Payable	81,030	82,000	90,000	98,000
Total Liabilities	82,517,290	90,581,000	98,013,000	105,880,000
Subscribers' Equity				
Retained Earnings	12,727,966	11,991,371	11,218,000	10,424,000
Accumulated Other Comprehensive Income (Loss)	104,841	105,000	105,000	105,000
Total Subscribers' Equity	12,832,807	12,096,371	11,323,000	10,529,000
Total Liabilities and Subscribers' Equity	95,350,096	102,677,371	109,336,000	116,409,000

Exhibit A2
Canadian Lawyers Liability Assurance Society
Staus Quo
Proforma Statement of Income

	2021 Actual	2022 Projected	2023 Projected	2024 Projected
Premiums				
Gross Written Premiums	\$ 12,594,326	\$ 13,692,000	\$ 14,952,000	\$ 16,333,000
Less: Reinsurance Ceded	10,584,328	11,643,000	12,807,000	14,088,000
Net Written Premiums	2,009,998	2,049,000	2,145,000	2,245,000
Change in Net Unearned Premiums	(6,396)	(16,000)	(47,000)	(50,000)
Net Earned Premiums	2,003,602	2,033,000	2,098,000	2,195,000
Incurred Claims				
Net Claims Paid	114,682	373,000	392,000	435,000
Change in Net Reserves	(425,276)	463,714	476,000	473,000
Premium Deficiency Expense	(30,774)	0	0	0
Net Incurred Claims	(341,368)	836,714	868,000	908,000
Operating Expenses				
Management and Operating Expenses *	1,285,525	1,526,915	1,557,000	1,588,000
Reinsurance Fees	293,250	299,000	305,000	311,000
Premium Taxes	323,610	380,000	415,000	454,000
Total Operating Expenses	1,902,385	2,205,915	2,277,000	2,353,000
Underwriting Gain (Loss)	442,585	(1,009,629)	(1,047,000)	(1,066,000)
Investment Income	151,845	273,000	274,000	272,000
Other Income	0	0	0	0
Comprehensive Income (Loss) for the year	594,430	(736,629)	(773,000)	(794,000)
Retained Earnings, Beginning of Period	12,133,536	12,728,000	11,991,000	11,218,000
Distribution in Year	0	0	0	0
Retained Earnings, End of Period	12,727,966	11,991,371	11,218,000	10,424,000

* Includes investment management fees

Exhibit A3
Canadian Lawyers Liability Assurance Society
Staus Quo
Proforma Alberta Maintenance of Reserve and Guarantee Fund Requirement

	2021 Actual	2022 Projected	2023 Projected	2024 Projected
Reserve Fund				
(1) Premiums Collected or Credited Having One Year or Less to Run	12,594,000	13,692,000	14,952,000	16,333,000
(2) Less: Amount Paid to Licensed Reinsurers	10,493,328	11,543,000	12,697,000	13,967,000
(3) Premiums Collected With More Than One Year to Run, Less Expired Portion	0	0	0	0
(4) Less: Amount Paid to Reinsurers on Premiums on Line 3, Less Expired Portion	0	0	0	0
(5) Subtotal [(1) - (2) + (3) - (4)]	2,100,672	2,149,000	2,255,000	2,366,000
(6) Reserve Fund Required [50% x (5)]	1,050,336	1,074,500	1,127,500	1,183,000
Guarantee Fund				
(7) Total Liabilities	82,517,000	90,581,000	98,013,000	105,880,000
(8) Less: Unearned Premiums	6,245,000	6,846,000	7,476,000	8,166,000
(9) Less: Recoverable from Licensed Reinsurers *	64,671,168	70,527,000	76,419,000	82,648,000
(10) Plus: Statutory Margin	50,000	50,000	50,000	50,000
(11) Guarantee Fund Required [(7) - (8) - (9) + (10)]	11,650,832	13,258,000	14,168,000	15,116,000
(12) Total Reserve and Guarantee Fund Required [(6) + (11)]	12,701,168	14,332,500	15,295,500	16,299,000
(13) Cash & Approved Securities	20,939,000	21,733,000	21,581,000	21,418,000
(14) Excess of Cash & Securities over Reserve & Guarantee Fund [(13) - (12)]	8,237,832	7,400,500	6,285,500	5,119,000

* Includes unpaid claims recoverable secured under the reinsurance security agreement with Colchester.

Exhibit A4
Canadian Lawyers Liability Assurance Society
Staus Quo
Proforma Minimum Capital Test

	2021 Actual	2022 Projected	2023 Projected	2024 Projected
Capital Available				
Total Equity	12,833,000	12,096,000	11,323,000	10,529,000
Less: Deductions from Capital Available	83,000	91,000	98,000	106,000
(1) Capital Available	12,750,000	12,005,000	11,225,000	10,423,000
Capital Required				
Insurance Risk				
Premium Liabilities	181,000	185,000	193,000	202,000
Unpaid Claims	1,150,000	1,192,000	1,237,000	1,277,000
Catastrophes	0	0	0	0
Margin Required for Reinsurance Ceded to Unregistered Insurers	16,000	17,000	20,000	26,000
Subtotal	1,347,000	1,394,000	1,450,000	1,505,000
Market Risk				
Interest Rate Risk	265,000	284,000	317,000	349,000
Foreign Exchange Risk	0	0	0	0
Equity Risk	0	0	0	0
Real Estate Risk	0	0	0	0
Other Market Risk Exposures	0	0	0	0
Subtotal	265,000	284,000	317,000	349,000
Credit Risk				
Counterparty Default Risk for Balance Sheet Assets	1,270,000	1,382,000	1,492,000	1,609,000
Counterparty Default Risk for Off-Balance Sheet Exposures	0	0	0	0
Counterparty Default Risk for Unregistered Reinsurance Collateral and SIRs	126,000	138,000	149,000	162,000
Subtotal	1,396,000	1,520,000	1,641,000	1,771,000
Operational Risk	836,000	905,000	984,000	1,068,000
Diversification Credit	(398,000)	(421,000)	(446,000)	(471,000)
(2) Total Capital Required at 150% MCT	3,446,000	3,682,000	3,946,000	4,222,000
(3) Total Capital Required at 100% MCT [= (2) / 1.5]	2,297,000	2,455,000	2,631,000	2,815,000
(5) MCT Ratio [= (1) / (3)]	555.1%	489.0%	426.6%	370.3%

Exhibit B1
Canadian Lawyers Liability Assurance Society
Cyber Program Only
Proforma Statement of Financial Position

	2022 Projected	2023 Projected	2024 Projected
Assets			
Cash	\$ 0	\$ 0	\$ 0
Investments			
Short Term	494,000	798,000	863,000
Long Term	265,500	430,000	465,000
Interest Income Due and Accrued	0	0	0
Premiums Receivable	0	0	0
Unearned Reinsurance Premium Ceded	765,000	842,000	926,000
Prepaid Expenses	0	0	0
Deferred Policy Acquisition Costs	8,000	9,000	9,000
Reinsurance and Other Claims Receivable	0	0	0
Other Receivable	0	0	0
Provision for Unpaid Claims and Adjustment Expenses Recoverable from Reinsurers	371,000	970,000	1,067,000
Total Assets	1,903,500	3,049,000	3,330,000
Liabilities			
Provision for Unpaid Claims and Adjustment Expenses	655,000	1,663,000	1,777,000
Premium Deficiency Liability	0	0	0
Unearned Premium	1,250,000	1,342,000	1,426,000
Due to Reinsurers	0	0	0
Accounts Payable & Accrued Charges	0	0	0
Premium Taxes Payable	0	0	0
Total Liabilities	1,905,000	3,005,000	3,203,000
Subscribers' Equity			
Retained Earnings	(1,500)	44,000	127,000
Accumulated Other Comprehensive Income (Loss)	0	0	0
Total Subscribers' Equity	(1,500)	44,000	127,000
Total Liabilities and Subscribers' Equity	1,903,500	3,049,000	3,330,000

Exhibit B2
Canadian Lawyers Liability Assurance Society
Cyber Program Only
Proforma Statement of Income

	2022 Projected	2023 Projected	2024 Projected
Premiums			
Gross Written Premiums	\$ 2,500,000	\$ 2,683,000	\$ 2,851,000
Less: Reinsurance Ceded	1,530,000	1,683,000	1,851,000
Net Written Premiums	970,000	1,000,000	1,000,000
Change in Net Unearned Premiums	(485,000)	(15,000)	0
Net Earned Premiums	485,000	985,000	1,000,000
Incurred Claims			
Net Claims Paid	124,000	371,000	739,000
Change in Net Reserves	284,000	409,000	17,000
Premium Deficiency Expense	0	0	0
Net Incurred Claims	408,000	780,000	756,000
Operating Expenses			
Management and Operating Expenses *	48,500	99,000	101,000
Reinsurance Fees	0	0	0
Premium Taxes	36,000	75,000	80,000
Total Operating Expenses	84,500	174,000	181,000
Underwriting Gain (Loss)	(7,500)	31,000	63,000
Investment Income	6,000	15,000	20,000
Other Income	0	0	0
Comprehensive Income (Loss) for the year	(1,500)	46,000	83,000
Retained Earnings, Beginning of Period	0	(2,000)	44,000
Distribution in Year	0	0	0
Retained Earnings, End of Period	(1,500)	44,000	127,000

* Includes investment management fees

Exhibit B3
Canadian Lawyers Liability Assurance Society
Cyber Program Only
Proforma Alberta Maintenance of Reserve and Guarantee Fund Requirement

	2022 Projected	2023 Projected	2024 Projected
Reserve Fund			
(1) Premiums Collected or Credited Having One Year or Less to Run	2,500,000	2,683,000	2,851,000
(2) Less: Amount Paid to Licensed Reinsurers	1,530,000	1,683,000	1,851,300
(3) Premiums Collected With More Than One Year to Run, Less Expired Portion	0	0	0
(4) Less: Amount Paid to Reinsurers on Premiums on Line 3, Less Expired Portion	0	0	0
(5) Subtotal [(1) - (2) + (3) - (4)]	970,000	1,000,000	999,700
(6) Reserve Fund Required [50% x (5)]	485,000	500,000	499,850
Guarantee Fund			
(7) Total Liabilities	1,905,000	3,005,000	3,203,000
(8) Less: Unearned Premiums	1,250,000	1,342,000	1,426,000
(9) Less: Recoverable from Licensed Reinsurers	1,136,000	1,812,000	1,993,000
(10) Plus: Statutory Margin	50,000	50,000	50,000
(11) Guarantee Fund Required [(7) - (8) - (9) + (10)]	-431,000	-99,000	-166,000
(12) Total Reserve and Guarantee Fund Required [(6) + (11)]	54,000	401,000	333,850
(13) Cash & Approved Securities	760,000	1,228,000	1,328,000
(14) Excess of Cash & Securities over Reserve & Guarantee Fund [(13) - (12)]	706,000	827,000	994,150

Exhibit B4
Canadian Lawyers Liability Assurance Society
Cyber Program Only
Proforma Minimum Capital Test

	2022 Projected	2023 Projected	2024 Projected
Capital Available			
Total Equity	(2,000)	44,000	127,000
Less: Deductions from Capital Available	0	0	0
(1) Capital Available	(2,000)	44,000	127,000
Capital Required			
Insurance Risk			
Premium Liabilities	109,000	113,000	113,000
Unpaid Claims	60,000	145,000	148,000
Catastrophes	0	0	0
Margin Required for Reinsurance Ceded to Unregistered Insurers	0	0	0
Subtotal	169,000	258,000	261,000
Market Risk			
Interest Rate Risk	37,000	54,000	53,000
Foreign Exchange Risk	0	0	0
Equity Risk	0	0	0
Real Estate Risk	0	0	0
Other Market Risk Exposures	0	0	0
Subtotal	37,000	54,000	53,000
Credit Risk			
Counterparty Default Risk for Balance Sheet Assets	22,000	34,000	38,000
Counterparty Default Risk for Off-Balance Sheet Exposures	0	0	0
Counterparty Default Risk for Unregistered Reinsurance Collateral and SIRs	0	0	0
Subtotal	22,000	34,000	38,000
Operational Risk	68,000	104,000	106,000
Diversification Credit	(23,000)	(35,000)	(36,000)
(2) Total Capital Required at 150% MCT	273,000	415,000	422,000
(3) Total Capital Required at 100% MCT [= (2) / 1.5]	182,000	277,000	281,000
(5) MCT Ratio [= (1) / (3)]	-1.1%	15.9%	45.2%

Exhibit C1
Canadian Lawyers Liability Assurance Society
Combined
Proforma Statement of Financial Position

	2021 Actual	2022 Projected	2023 Projected	2024 Projected
Assets				
Cash	\$ 3,533,877	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000
Investments				
Short Term	11,361,485	\$ 12,021,000	\$ 12,226,000	\$ 12,185,000
Long Term	6,043,762	\$ 6,471,871	\$ 6,583,000	\$ 6,561,000
Interest Income Due and Accrued	23,630	\$ 0	\$ 0	\$ 0
Premiums Receivable	3,673,597	\$ 3,560,000	\$ 3,888,000	\$ 4,247,000
Unearned Reinsurance Premium Ceded	5,236,160	\$ 6,586,000	\$ 7,246,000	\$ 7,970,000
Prepaid Expenses	150,827	\$ 151,000	\$ 151,000	\$ 151,000
Deferred Policy Acquisition Costs	41,179	\$ 53,000	\$ 58,000	\$ 63,000
Reinsurance and Other Claims Receivable	577,412	\$ 800,000	\$ 800,000	\$ 800,000
Other Receivable	0	\$ 0	\$ 0	\$ 0
Provision for Unpaid Claims and Adjustment Expenses Recoverable from Reinsurers	64,708,168	\$ 70,938,000	\$ 77,433,000	\$ 83,762,000
Total Assets	95,350,096	104,580,871	112,385,000	119,739,000
Liabilities				
Provision for Unpaid Claims and Adjustment Expenses	72,867,454	\$ 79,845,000	\$ 87,225,000	\$ 94,044,000
Premium Deficiency Liability	0	\$ 0	\$ 0	\$ 0
Unearned Premium	6,244,910	\$ 8,096,000	\$ 8,818,000	\$ 9,592,000
Due to Reinsurers	3,045,212	\$ 4,110,000	\$ 4,521,000	\$ 4,973,000
Accounts Payable & Accrued Charges	278,684	\$ 353,000	\$ 364,000	\$ 376,000
Premium Taxes Payable	81,030	\$ 82,000	\$ 90,000	\$ 98,000
Total Liabilities	82,517,290	92,486,000	101,018,000	109,083,000
Subscribers' Equity				
Retained Earnings	12,727,966	\$ 11,989,871	\$ 11,262,000	\$ 10,551,000
Accumulated Other Comprehensive Income (Loss)	104,841	\$ 105,000	\$ 105,000	\$ 105,000
Total Subscribers' Equity	12,832,807	12,094,871	11,367,000	10,656,000
Total Liabilities and Subscribers' Equity	95,350,096	104,580,871	112,385,000	119,739,000

Exhibit C2
Canadian Lawyers Liability Assurance Society
Combined
Proforma Statement of Income

	2021 Actual	2022 Projected	2023 Projected	2024 Projected
Premiums				
Gross Written Premiums	\$ 12,594,326	\$ 16,192,000	\$ 17,635,000	\$ 19,184,000
Less: Reinsurance Ceded	10,584,328	\$ 13,173,000	\$ 14,490,000	\$ 15,939,000
Net Written Premiums	2,009,998	3,019,000	3,145,000	3,245,000
Change in Net Unearned Premiums	(6,396)	(\$ 501,000)	(\$ 62,000)	(\$ 50,000)
Net Earned Premiums	2,003,602	2,518,000	3,083,000	3,195,000
Incurred Claims				
Net Claims Paid	114,682	\$ 497,000	\$ 763,000	\$ 1,174,000
Change in Net Reserves	(425,276)	\$ 747,714	\$ 885,000	\$ 490,000
Premium Deficiency Expense	(30,774)	\$ 0	\$ 0	\$ 0
Net Incurred Claims	(341,368)	1,244,714	1,648,000	1,664,000
Operating Expenses				
Management and Operating Expenses *	1,285,525	\$ 1,575,415	\$ 1,656,000	\$ 1,689,000
Reinsurance Fees	293,250	\$ 299,000	\$ 305,000	\$ 311,000
Premium Taxes	323,610	\$ 416,000	\$ 490,000	\$ 534,000
Total Operating Expenses	1,902,385	2,290,415	2,451,000	2,534,000
Underwriting Gain (Loss)	442,585	(\$ 1,017,129)	(\$ 1,016,000)	(\$ 1,003,000)
Investment Income	151,845	\$ 279,000	\$ 289,000	\$ 292,000
Other Income	0	\$ 0	\$ 0	\$ 0
Comprehensive Income (Loss) for the year	594,430	(738,129)	(727,000)	(711,000)
Retained Earnings, Beginning of Period	12,133,536	\$ 12,728,000	\$ 11,989,000	\$ 11,262,000
Distribution in Year	0	\$ 0	\$ 0	\$ 0
Retained Earnings, End of Period	12,727,966	11,989,871	11,262,000	10,551,000

* Includes investment management fees

Exhibit C3
Canadian Lawyers Liability Assurance Society
Combined
Proforma Alberta Maintenance of Reserve and Guarantee Fund Requirement

	2021 Actual	2022 Projected	2023 Projected	2024 Projected
Reserve Fund				
(1) Premiums Collected or Credited Having One Year or Less to Run	12,594,000	16,192,000	17,635,000	19,184,000
(2) Less: Amount Paid to Licensed Reinsurers	10,493,328	13,073,000	14,380,000	15,818,300
(3) Premiums Collected With More Than One Year to Run, Less Expired Portion	0	0	0	0
(4) Less: Amount Paid to Reinsurers on Premiums on Line 3, Less Expired Portion	0	0	0	0
(5) Subtotal [(1) - (2) + (3) - (4)]	2,100,672	3,119,000	3,255,000	3,365,700
(6) Reserve Fund Required [50% x (5)]	1,050,336	1,559,500	1,627,500	1,682,850
Guarantee Fund				
(7) Total Liabilities	82,517,000	92,486,000	101,018,000	109,083,000
(8) Less: Unearned Premiums	6,245,000	8,096,000	8,818,000	9,592,000
(9) Less: Recoverable from Licensed Reinsurers *	64,671,168	71,663,000	78,231,000	84,641,000
(10) Plus: Statutory Margin	50,000	50,000	50,000	50,000
(11) Guarantee Fund Required [(7) - (8) - (9) + (10)]	11,650,832	12,777,000	14,019,000	14,900,000
(12) Total Reserve and Guarantee Fund Required [(6) + (11)]	12,701,168	14,336,500	15,646,500	16,582,850
(13) Cash & Approved Securities	20,939,000	22,493,000	22,809,000	22,746,000
(14) Excess of Cash & Securities over Reserve & Guarantee Fund [(13) - (12)]	8,237,832	8,156,500	7,162,500	6,163,150

* Includes unpaid claims recoverable secured under the reinsurance security agreement with Colchester.

Exhibit C4
Canadian Lawyers Liability Assurance Society
Combined
Proforma Minimum Capital Test

	2021 Actual	2022 Projected	2023 Projected	2024 Projected
Capital Available				
Total Equity	12,833,000	12,095,000	11,367,000	10,656,000
Less: Deductions from Capital Available	83,000	91,000	98,000	106,000
(1) Capital Available	12,750,000	12,004,000	11,269,000	10,550,000
Capital Required				
Insurance Risk				
Premium Liabilities	181,000	294,000	306,000	315,000
Unpaid Claims	1,150,000	1,252,000	1,382,000	1,425,000
Catastrophes	0	0	0	0
Margin Required for Reinsurance Ceded to Unregistered Insurers	16,000	17,000	20,000	26,000
Subtotal	1,347,000	1,563,000	1,708,000	1,766,000
Market Risk				
Interest Rate Risk	265,000	321,000	371,000	402,000
Foreign Exchange Risk	0	0	0	0
Equity Risk	0	0	0	0
Real Estate Risk	0	0	0	0
Other Market Risk Exposures	0	0	0	0
Subtotal	265,000	321,000	371,000	402,000
Credit Risk				
Counterparty Default Risk for Balance Sheet Assets	1,270,000	1,404,000	1,526,000	1,647,000
Counterparty Default Risk for Off-Balance Sheet Exposures	0	0	0	0
Counterparty Default Risk for Unregistered Reinsurance Collateral and SIRs	126,000	138,000	149,000	162,000
Subtotal	1,396,000	1,542,000	1,675,000	1,809,000
Operational Risk	836,000	1,028,000	1,122,000	1,193,000
Diversification Credit	(398,000)	(455,000)	(499,000)	(526,000)
(2) Total Capital Required at 150% MCT	3,446,000	3,999,000	4,377,000	4,644,000
(3) Total Capital Required at 100% MCT [= (2) / 1.5]	2,297,000	2,666,000	2,918,000	3,096,000
(5) MCT Ratio [= (1) / (3)]	555.1%	450.3%	386.2%	340.8%