

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

8:30 a.m.
Davies Ward Phillips & Vineberg LLP
44th Floor, 1 First Canadian Place
Toronto, Ontario

Tuesday, September 16, 2008

Present:

Nicholas Leblovic (Chairman)	Davies Ward Phillips & Vineberg LLP
Richard Prupas	Blake Cassels & Graydon LLP
Barry Bresner	Borden Ladner Gervais LLP
Gord Goodman	Cassels Brock & Blackwell LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Chris Woodbury	Fraser Milner Casgrain LLP
Gerald Badali	Lang Michener LLP
William Scott	McCarthy Tetrault LLP
Daniel MacDonald	McMillan LLP
David Morritt	Osler, Hoskin & Harcourt LLP
Julia Holland	Torys LLP
Les O'Connor	WeirFoulds LLP
Patrick Mahoney	Dion, Durrell + Associates
Norma Ibbetson	Dion, Durrell + Associates

1. Constitution of Meeting

The Chairman brought the meeting to order.

2. Appointment of Secretary

Norma Ibbetson acted as Secretary.

3. Approval of Minutes of the June 17, 2008 Meeting of the Advisory Board

It was moved by Gordon Goodman seconded by Chris Woodbury that the minutes of the June 17, 2008 meeting of the Advisory Board be approved. The motion was carried unanimously.

4. Business Arising Out of the Minutes

Items arising out of the minutes will be dealt with under the other agenda items.

5. Comments of the Chair

Restructuring Plans

A sub-committee has been struck and Donald Milner, Gale Rubenstein and Nick Leblovic have all agreed to serve. Some materials have been gathered for the Committee to review and the Board can expect a further report from the Committee after further consultation with Steve Ruby.

CLLAS Website

The costs involved with a CLLAS website were estimated on a preliminary basis at \$30,000 to set up and \$5,000 to maintain. Initially, the site would be set up for members only, with the intention of moving to expand access to reinsurers and/or Pro-Form at a later time.

It was moved by Donald Milner and seconded by David Morritt that implementation of a CLLAS website be approved. The motion was carried unanimously.

Other Insurance Products

At a prior Board meeting there was general approval of reviewing the concept of CLLAS members purchase of general insurance products on a pooled basis. The initial step in this process was for DDA on behalf of CLLAS to review existing coverages/limits/ premiums and compare them to what is generally available in the commercial market. Prior to this meeting, the Chair had circulated a memo requesting member firms to send their general insurance policies to DDA for the purposes of this review. To the extent that a sufficient number of firms respond, a summary benchmarking report and/or a composite policy will be prepared and provided to the firms. Current information suggests that most firms are with Chubb but through various brokers. Those interested were asked to forward their information to Joe Tontini and he will report at the December meeting.

QST Issue

Every firm has now received their calculations.

Risk Management Audits

All firms will have one audit completed by spring 2010. Twelve firms in total will have been completed by the next reinsurance renewal (nine by John Walker and three by Anthony Davis).

The Risk Management Committee will be looking at the re-audit schedule with a view to defining possible “triggers” the scheduling of re-audits.

Reinsurance

As has been reported in the press, AIG is experiencing some financial difficulties as a result of the economic situation and has been downgraded. Although the situation is too fluid to react at the moment, an eye is being kept on the following companies with which CLLAS or the firms themselves do business:

- Lexington – CLLAS International
- TRC – CLLAS layers – (not a wholly owned subsidiary of AIG)
- AIG Commercial – Pro Form
- AWAC – Allied World

6. Report of the General Manager's Office

Management Report at June 30, 2008

CLLAS is experiencing a steady increase in subscribers' equity, driven by the overall good claims experience. There has been a net gain of \$4 million for the first six months of 2008, versus about \$1.7 million the previous year. Mr. Mahoney suggested that the Board should consider a DCAT-type analysis to assess the appropriate level of surplus and also to serve as a tool in evaluating appropriate retention levels at the next reinsurance renewal.

Mr. Mahoney pointed out the "reinsurance recoverable" on the balance sheet, most of which relates to the ongoing reinsurance arbitration on file 2004-194. Documentary discoveries are on-going.

Budget Variance

No extraordinary variances were noted.

Reinsurance Placement

The overall rate reduction was around 11%. Reinsurance rate reductions were experienced in all layers. CLLAS reduced its aggregate annual retention on the primary \$5,000,000 of coverage to \$5,000,000 from \$12,000,000. CLLAS reduced its drop-down/in-fill deductible in the event its coverage is broader than that of the underlying law society coverage from \$250,000 to \$25,000.

FSCO Annual Examination

The FSCO examiner has advised that no audit will be conducted this year but that the examiner would still be attending at the General Manager's office for a brief meeting for a high-level discussion. As part of the quarterly P&C1 filings, FSCO receives regular financial information on CLLAS and this review is not triggering any concerns.

Mr. Mahoney noted that some changes to the Ontario *Insurance Act* were implement in the spring of 2008, with a four-year implementation schedule. These changes are being reviewed and the key ones of interest to CLLAS include:

- The need for the Subscribers Agreement to require an Audit Committee;
- The move of the "75%/25% reinsurance rules" from FSCO guidelines into the regulations; and
- Amendments to the rules for related party transactions.

7. Report of the Claims Committee

Barry Bresner reported monitoring is being done on a number of files. He reviewed with the Board several files from the claim activity summary handed out at the meeting:

Item 12 – settled, long outstanding to close circle – seeking recovery

Item 26 – also active – trial in U.S. – don't see merit but U.S. trials are costly

Item 29 – settled with a contribution of approximately \$600,000 by CLLAS

8. Report of the Risk Management Committee

Bill Scott reported for the Committee and provided an update on the scheduled audits through to 2010.

The template initiative has been delayed because of the aggressive audit schedule. The intention is to have the templates available for firm use in new year – they will be circulated for feedback to all firms.

Mr. Scott discussed the risk management guidelines. The most recent one concerned trading in securities. It appears that all firms have some form of guidelines in this area. Mr. Scott said he would circulate to any interested firms his own firm's guidelines on this topic along with some commentary on the process that the firm went through to review and incorporate the CLLAS guidelines into their existing policy.

The committee is seeking any thoughts on the next set of guidelines.

9. Report of the Policy Committee

Gordon Goodman reported for the Committee. The Committee reviewed and approved the final endorsement language from Pro-form's with respect to the multi-year arrangement.

The Claims Management Committee has encountered some policy issues coming out of various coverage opinions and claims matters and these will be referred to the Policy Committee.

The definition of and corresponding coverage relating to "Professional Corporations" will require some review and this will take place in due course.

10. Report of the Peer Review Committee

Nick Leblavic reported. The final draft of the Tillinghast report will be ready for the end of September and will be circulated to the Board and to Dion Durrell. A special meeting will be scheduled for some time in October with Tillinghast to present the report.

11. June 30, 2008 Investment Manager's Report

Mr. Mahoney circulated by email the report on the revisions to the investment policy. The policy has been revised to reflect a more appropriate benchmark and he also noted that the fees on the short-term fund had been reduced. He suggested that, if acceptable, the Board adopt the changes with effect from October 1, 2008.

It was moved by Dan MacDonald seconded by Richard Prupas that the recommended change to CLLAS' Investment Policy Section 2.4 relating to the Long Term Fund benchmark be implemented for October 1, 2008 and that corresponding changes to the reporting of the Investment Manager Quarter End Reports recommended take effect at October 1, 2008. The motion was carried unanimously.

12. Other Business

There was no further business.

13. **Next Meeting**

The next regularly scheduled meeting of the Board will be on December 9, 2008.

There being no further business, the meeting was terminated.

Chairman

Secretary

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

8:30 a.m.

Davies Ward Phillips & Vineberg LLP
44th Floor, 1 First Canadian Place
Toronto, Ontario

Tuesday, June 17, 2008

Present:

Nick Leblovic (Chairman)	Davies Ward Phillips & Vineberg LLP
Julia Holland	Torys LLP
Richard Prupas	Blake Cassels & Graydon LLP
Barry Bresner	Borden Ladner Gervais LLP
Gord Goodman	Cassels Brock & Blackwell LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Chris Woodbury	Fraser Milner Casgrain LLP
Gale Rubenstein	Goodmans LLP
Emily Kidds	Lang Michener LLP
Caroline Zayid	McCarthy Tetrault LLP
Les O'Connor	WeirFoulds LLP
Patrick Mahoney	Dion, Durrell + Associates
Norma Ibbetson	Dion, Durrell + Associates
Joe Tontini	Dion, Durrell + Associates

1. Constitution of Meeting

The Chairman brought the meeting to order.

2. Appointment of Secretary

Norma Ibbetson acted as Secretary.

3. Approval of Minutes of the February 26, 2008 Meeting of the Advisory Board

It was moved by Donald Milner seconded by Gale Rubenstein that the minutes of the February 26, 2008 meeting of the Advisory Board be approved. The motion was carried unanimously.

4. Business Arising Out of the Minutes

Items arising out of the minutes will be dealt with under the other agenda items.

5. Comments of the Chair

The Chairman provided a brief report on his trip to London to meet with reinsurers on the CLLAS program. CLLAS continues to be thought of as a preferred risk. DDA rating exercise was well received and the underwriters are providing good feedback.

Restructuring Plans

Further consideration will be given to this issue over the Summer. A small sub-committee will be struck and volunteers are being sought.

CLLAS Website

DDA is to review and report at the fall meeting on the benefits and costs involved with a CLLAS website that would provide information to the member firms.

CLLAS International

Consideration is being given, down the road, to the possibility of including this risk under the main CLLAS program. One option which could be considered is a relationship with ALAS in the U.S. who might act as a reinsurer on this portion of the CLLAS coverage. Currently the CLLAS International program is applicable to four member firms and all indications are that the program is running well.

Other Insurance Products

Some thought is being given to expanding the CLLAS line of products to include, for example, general insurance for the firms. This may make sense if there is some synergy to be gained with CLLAS' buying power as a group. As a starting point, if firms are interested in investigating this, they are asked to provide Joe Tontini, on a confidential basis, copies of their general insurance policies so that he may review and report on the nature of a "gold-plated" group policy.

Reinsurance Renewal

At the last meeting, the Board discussed the possibility of having a "permanent" resolution (at least effective until rescinded) regarding the ability to increase the CLLAS retention. A copy of the resolution was included in the agenda material and will be circulated for signature.

QST Issue

Patrick Mahoney reported on this issue. This item is specific to those firms with offices in Quebec. As reported in February, some of these offices have been audited by the Sales Tax branch of the Ministry of Finance in Quebec. CLLAS has received legal advice on this issue and based on this legal advice the prudent course is to have the firms self-remit, should they so choose.

The legal opinions obtained are subject to solicitor/client privilege and are not for circulation in order to maintain privilege.

6. Report from Pro-form Insurance Renewal

Bob Wilson joined the meeting to present the excess commercial insurance renewal terms. All of the current Insurers participating on the excess program have agreed to participate for the upcoming year and one new Insurer, CGAN Insurance Company, has been added to the program. All markets have agreed to a two year rate commitment. The endorsement language to that effect has been circulated and comments are to be provided to Mr. Wilson in order to finalize the renewal. Mr. Wilson stressed that the endorsement was a work in process. An

overall rate reduction of 20% was also obtained.

Policy wordings will renew per expiring, subject to the above noted endorsement. It is Pro-form's intention to return to the market in one year's time and to negotiate a rolling two year commitment.

The CLLAS International program was also renewed with a two year commitment. Chubb was unable to agree to the rates proposed and the two year term. The additional capacity will be taken up by the current other participants, Fireman and Liberty.

Pro-form, as in the past, will proceed to renew the coverage for individual CLLAS firms based on the limits currently purchased and based on the final headcount provided to the General Manager's office of CLLAS. The firms were asked to notify Mr. Wilson directly of any changes to the limits that they would like to arrange for the July 1, 2008 renewal.

Mr. Wilson was thanked by the Board for his continuing efforts on behalf of CLLAS after which he left the meeting.

7. Reinsurance Renewal

Joe Tontini presented the July 1, 2008 renewal terms received to date to the Board and reviewed his presentation of June 17, 2008, copies of which were handed out at the meeting. The placement for July 1st is expected to be completed shortly. Hannover Re is having some difficulties meeting our proposed rates but the Board felt that every effort should be made to preserve the relationship as they have been a supporter of CLLAS for many years. Transatlantic Re may be replaced.

It appears that an overall rate reduction of 12% will be possible not including the optional excess layers assuming that all lead terms are accepted by following underwriters and that CLLAS retentions remain as expiring. An additional optional layer of \$10 million is also being canvassed with the markets. An attempt to obtain a rolling two year term was made but there was significant opposition from key reinsurers.

In addition, Mr. Tontini reported to the Board that no wording changes are expected except for the following which are driven by a need to facilitate claims handling:

- change in aggregate limit on retained primary \$5 million from \$12 million to \$5 million and;
- that CLLAS intends to enter into an arbitration agreement with CLLAS International insurers to address issues relating to claims covered by both CLLAS and CLLAS International policies which will result in an endorsement recognizing that agreement.
- Reduction in the deductible (drop-down/in-fill coverage) from \$250,000 to \$25,000 for those exposures covered by CLLAS but not covered by the law societies for an additional premium of \$68 per lawyer.
- Goodman and Carr run-off coverage will continue and a reduced additional premium based on the number of G&C lawyers will be charged

We have been advised that Colchester will continue to purchase retrocession protection for \$20,000,000 excess \$20,000,000. It is anticipated that the rate for this coverage will decrease slightly.

Umbrella excess coverage rates are also expected to be down by approximately 15%.

8. Report of the General Manager's Office

March 31, 2008 Financial Statements

Patrick Mahoney reviewed the March 31, 2008 Management Report. The Income Statement highlights a modest gain before investment income is considered. The surplus continues to move in the right direction.

Claim Arbitration

Patrick Mahoney reported that there is was a hearing with respect to document production and that the panel has ordered CLLAS to do the best they can to produce the additional requested documents with third-party costs of the production being covered by the reinsurers.

9. Report of the Claims Committee

Barry Bresner reviewed the claims report at March 31, 2008, which was handed out at the meeting. The Committee is currently keeping watch on a number of files as a result of complexities versus large numbers at stake.

The General Manager's office as previously reported have implemented a process whereby a quarterly conference call with Miller Insurance and various brokers takes place after the quarterly claims reports are distributed. This additional interaction with the markets is intended to forestall any misunderstandings on a going forward basis with respect to claims developments.

10. Report of the Risk Management Committee

The Chair reported on this item in Bill Scott's absence.

A commitment from all firms to participate in the Risk Management Audits has been received. This process has been very well received in London with reinsurers. We anticipate two firms to be audited in 2008 and one firm is lined up for 2009. The three firms who participated under Anthony Davis in the audit process have agreed to be re-audited by John Walker. This should be completed by the Fall of 2009. The Committee will develop a strategy for re-audit schedule, i.e. timing and triggers.

The Risk Management Seminar was well attended by some 60 participants. Feedback was good. The program material supplied formed part of the reinsurance renewal documents.

Members of several firms are now assisting John Walker in creating risk management templates to be used by CLLAS firms as part of an overall risk management strategy.

11. Report of the Policy Committee

There was no report from the Committee with the exception of advising that there will be a review of the policy endorsement provided by HUB to reflect to two year premium freeze

12. Report of the Peer Review Committee

(Patrick Mahoney, Joe Tontini and Norma Ibbetson left the meeting for this portion of the meeting)

The Chair reported that a meeting with the Consultants took place in mid-May to review the draft report. The final report is expected in late June with the Board to hold a Special Meeting to review the findings in the report.

The Chair advised the meeting that the report was very positive in relation to CLLAS' professional advisors, (DDA, ProForm and Miller), and this was relayed to the DDA representatives when they rejoined the meeting.

13. March 31, 2008 Investment Manager's Report

The 2008 first quarter report was provided as an information item.

Patrick Mahoney reported on the review of the Investment Manger's benchmarking exercise. The purpose of the report was to conduct a high level benchmark review of the performance of the fund manager, Martin, Lucas & Seagram Ltd. Section A presents a summary of historical portfolio performance. Section B presents a review of performance against benchmarks. Section C presents conclusions and recommendations.

The following conclusions were highlighted:

The performance of the Long Term Fund is reasonable compared to short term bond benchmark comparisons. Since the portfolio contains some 5-7 year and 7 – 10 year holdings and corporate bonds, a more appropriate benchmark to use for comparison would be a composite benchmark developed to be representative of the holdings of the fund.

The Short Term Fund was more difficult to benchmark due to the changing holdings and lack of information reported. However, the returns appear to be reasonable relative to Treasury bills returns which comprise the majority of the holdings. A quarterly net fund return should be obtained from the investment managers and a Treasury Bill benchmark selected for comparison.

The Board asked the General Manager's office to work with the Investment Manager:

- to develop the appropriate benchmarks as described in this report,
- to develop any necessary amendments to the investment manager's report, and
- to prepare for the consideration of the Board any necessary amendments to the investment policy at the Fall meeting.

14. **Other Business**

There was no further business.

15. **Next Meeting**

The next regularly scheduled meeting of the Board will be on September 18, 2007.

There being no further business, the meeting was terminated.

16, 2008.

Chairman

Secretary

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

For the Period Ending June 30, 2008

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

June 30, 2008

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CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
BALANCE SHEET
June 30, 2008

	As at <u>June 30, 2008</u>	As at <u>June 30, 2007</u>
ASSETS		
Cash	\$1,169,160	\$5,682,718
Investments		
Short Term	14,148,810	6,046,881
Bonds	27,638,129	24,117,236
Interest income due and accrued	222,357	210,011
Premiums receivable	0	(0)
Unearned reinsurance premium ceded	0	0
Prepaid Expenses	628,444	543,735
Deferred policy acquisition costs	0	0
Reinsurance recoverable	11,113,770	10,252,278
Other receivable	0	0
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	45,380,000	48,620,000
Total Assets	\$100,300,670	\$95,472,859
LIABILITIES		
Provision for unpaid claims and adjustment expenses	\$77,678,000	\$79,324,000
Provision for unpaid premium liabilities	\$2,629,821	\$3,789,774
Unearned premium	0	0
Due to reinsurers	0	0
Accounts payable & accrued charges	237,331	168,828
Premium taxes payable	0	0
Total Liabilities	80,545,152	83,282,602
SUBSCRIBERS' EQUITY		
Surplus	19,505,932	12,508,345
Accumulated Other Comprehensive Income (Loss),	249,586	(318,087)
	19,755,518	12,190,257
TOTAL LIABILITIES AND SUBSCRIBERS' EQUITY	\$100,300,670	\$95,472,859

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
INCOME STATEMENT
FOR THE PERIOD ENDED June 30, 2008

	Year to date Jan. 2008 to <u>June-08</u>	Previous year Jan. 2007 to <u>June-07</u>
Written premium	\$0	\$0
Gross Written Premiums	0	0
Less: Reinsurance Ceded	0	0
Net Written Premiums	0	0
Change in Unearned Premiums	5,033,195	6,112,820
Earned Premiums	5,033,195	6,112,820
Claims Paid	447,644	95,962
Change in IBNR	175,000	2,562,000
Change in Case Reserve	(198,000)	1,201,000
Change in provision for Unpaid Premium liability	0	0
Incurred Claims	424,644	3,858,962
Management and Operating Expenses	904,993	767,157
Reinsurance Fees	132,500	132,500
Premium Taxes	405,601	500,342
Total Operating Expenses	1,443,093	1,399,999
Underwriting Gain (Loss)	3,165,458	853,859
Investment Income	865,523	824,056
Net Gain (Loss)	\$4,030,980	\$1,677,915
Subscribers' Equity - Beginning of Period	\$15,474,952	\$10,830,429
Less: Adjustment to opening Policy Liabilities	\$0	\$0
Subscribers' Equity - End of Period	\$19,505,932	\$12,508,345

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME (LOSS) AND
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
FOR THE PERIOD ENDED June 30, 2008**

	Year to date Jan. 2008 to <u>June-08</u>	Previous year Jan. 2007 to <u>June-07</u>
Net Income	\$4,030,980	\$1,677,915
Other Comprehensive Income (Loss):		
Unrealized Gains and (Losses) on available-for-sale financial assets arising during the year	157,522	(318,087)
Reclassification of realized gains(losses) to the statement of operations		
Net change in the other comprehensive income for the year	157,522	(318,087)
Total Comprehensive Income (Loss)	<u>4,188,502</u>	<u>1,359,828</u>
Accumulated Other Comprehensive Income (Loss), beginning of year	\$92,064	\$0
Other comprehensive income (loss)	157,522	(318,087)
Balance at end of period	<u>249,586</u>	<u>(318,087)</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE SIX MONTHS ENDED June 30, 2008

	Annual Budget		Year to Date Budget % Accrued to Date	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES	382,000	50%	191,000	195,749	(4,749)
PROFESSIONAL SERVICES					
Actuarial Services	94,000	65%	61,100	68,675	(7,575)
Reinsurance Matters	260,000	65%	169,000	210,403	(41,403)
Strategic Matters	98,000	65%	63,700	40,614	23,086
Special, non-recurring	0	65%	0	0	0
Sub-Total Professional Services	452,000		293,800	319,692	(25,892)
Total Management & Professional Services * (See Note 1)	834,000		484,800	515,441	(30,641)
GST on Consulting Fees	41,700	50%	20,850	25,772	(4,922)
Total Consulting Services	875,700		505,650	541,213	(35,563)
OTHER EXPENSES					
Audit Expenses	60,000	50%	30,000	38,048	(8,048)
Annual Dinner	5,000	100%	5,000	4,848	152
Premium Taxes	811,201	50%	405,601	405,601	(0)
Chairman's Expenses	1,500	50%	750	0	750
Chairman's Honourium	60,000	100%	60,000	60,000	0
Reinsurance Expense	10,000	50%	5,000	0	5,000
Office Expenses	15,000	50%	7,500	8,913	(1,413)
Claims: Borderaux (LSUC)	13,850	50%	6,925	700	6,225
Special Services	100,000	50%	50,000	47,011	2,989
Special Services - Peer Review	125,000	50%	62,500	57,261	5,239
Miller Insurance Fees (Reins. Comm.) (See Note 2)	278,000	50%	139,000	132,500	6,500
I.B.C Statistical Plan Fees	12,000	50%	6,000	7,044	(1,044)
FSCO Assessment Fees	7,700	50%	3,850	20,304	(16,454)
Investment counsel fees	87,450	50%	43,725	50,775	(7,050)
Investment - Custodial	20,000	50%	10,000	13,618	(3,618)
Risk Management/Loss Prevention	80,000	50%	40,000	55,259	(15,259)
Sub-total	1,686,701		875,851	901,881	(26,030)
TOTAL	<u>\$2,562,401</u>		<u>\$1,381,501</u>	<u>\$1,443,093</u>	<u>(61,593)</u>

*** NOTE 1: PROFESSIONAL SERVICES - SEASONALLY WEIGHTED BUDGET**

This is based upon an analysis of the current budget and previous years' experience, the anticipated pattern of seasonal workflow is as follows:

First Quarter, ending March 31st	25%
Second Quarter, ending June 30th	40%
Third Quarter, ending September 30th	18%
Fourth Quarter, ending December 31st	17%
	<u>100%</u>

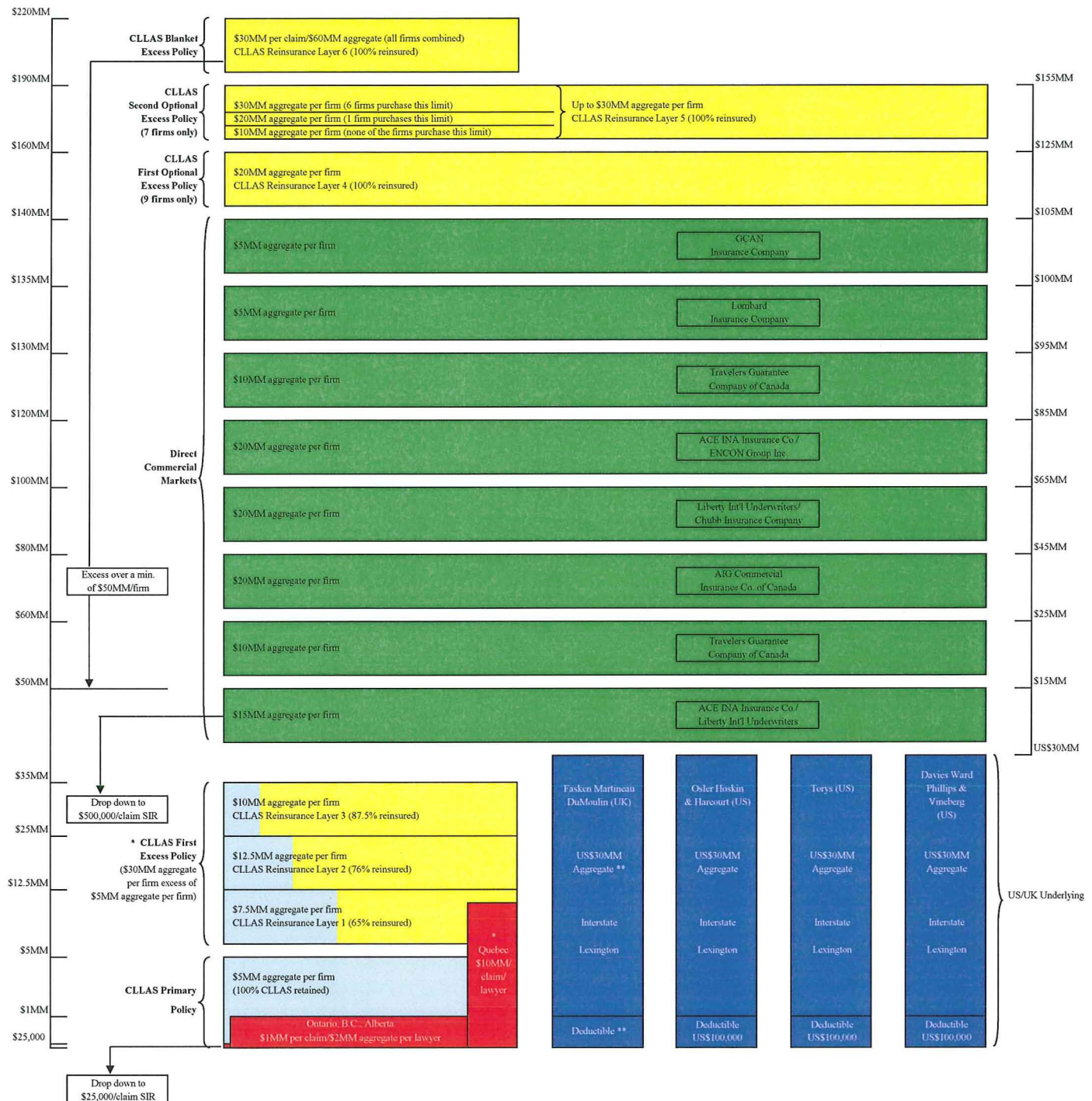
*** NOTE 2: MILLER INSURANCE FEES (Reins. Comm.)**

The annual budget is based upon the annual fee estimated for the policy period 2008/2009.
The year to date actual includes the fees billed for the first quarter of 2007/2008

CLLAS LIMIT STRUCTURE JULY 1, 2008 - JULY 1, 2009

Canadian Exposures

US Exposures



* The CLLAS First Excess Policy is excess of \$10MM/claim in Quebec.

** US\$30MM limit with a UK indemnity limit of £3MM (provided by Lloyd's).
Deductibles: US\$75,000 for UK work, US\$250,000 for US work, US\$50,000 for other work.

Notes: All limits are expressed in Canadian currency unless otherwise specified.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY (CLLAS)						2008-2009 REINSURANCE CASH FLOW/PAYMENT SCHEDULE - INFORMATION AS AT JULY 1, 2008 ¹¹																				Exhibit B	
		LAYER 1 \$7.5MM XS \$5MM		LAYER 2 \$12.5MM XS \$12.5MM		LAYER 3 \$10MM XS \$25MM		LAYER 4 \$20MM XS \$140MM		LAYER 5 UP TO \$30MM XS \$160MM				LAYER 6 \$30/60MM XS MIN \$50MM													
		SHARE	PREMIUM	SHARE	PREMIUM	SHARE	PREMIUM	SHARE	PREMIUM	\$20MM XS \$160MM		\$30MM XS \$160MM		SHARE	PREMIUM			DUE JUL.15, 2008 ¹²	DUE SEP. 1, 2008 ¹³	DUE OCT. 1, 2008 ¹³	DUE JAN.1, 2009 ¹⁴	DUE APR. 1, 2009 ¹³	GRAND TOTAL				
REINSURERS										SHARE	PREMIUM	SHARE	PREMIUM														
TOTAL PROPORTIONAL		100.00%	\$7,190,430	100.00%	\$5,231,003	100.00%	\$1,920,111	100.00%	\$589,605	100.00%	\$81,980	100.00%	\$382,160	100.00%	\$885,225									16,280,513			
CLLAS PROPORTIONAL RETENTION		35.00%	\$2,516,651	24.00%	\$1,255,441	12.50%	\$240,014	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0									4,012,106			
PROPORTIONAL REINSURERS																											
Lloyd's		25.20%	\$1,811,988	23.60%	\$1,234,517	40.91%	\$785,517	11.00%	\$64,857	50.00%	\$40,990	50.00%	\$191,080	55.00%	\$486,874			1,153,956	1,153,956	1,153,956	1,153,956			4,615,823			
London Companies																											
Transatlantic Re (Can. Lic.)		9.00%	\$647,139	4.50%	\$235,395													220,634	220,634	220,634	220,634			882,534			
Hannover Ruck. (Can. Lic.)				16.00%	\$836,960												418,480			418,480				836,960			
Aspen Re (Can. Lic.)		10.80%	\$776,566	9.90%	\$517,869	9.09%	\$174,538										734,487			734,487				1,468,973			
Sub-Total London Cos.		19.80%	\$1,423,705	30.40%	\$1,590,224	9.09%	\$174,538	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0			797,117	797,117	797,117	797,117			3,188,467			
Total London Market		45.00%	\$3,235,694	54.00%	\$2,824,741	50.00%	\$960,056	11.00%	\$64,857	50.00%	\$40,990	50.00%	\$191,080	55.00%	\$486,874			1,951,073	1,951,073	1,951,073	1,951,073			7,804,290			
Payable to Miller																		1,374,589	1,374,589	1,374,589	1,374,589			5,498,357			
Payable to Hannover Ruck.																	418,480			418,480				836,960			
Payable to Aspen Re																	734,487			734,487				1,468,973			
Canadian Companies																											
Arch Insurance Company (Canada Branch)		10.00%	\$719,043					64.00%	\$377,347								359,522			359,522				719,043			
AWAC (not Can. Lic.)																	188,674			188,674				377,347			
CRC (Bermuda) Reinsurance Limited (not Can. Lic.)		5.00%	\$359,522	5.00%	\$261,550												310,536			310,536				621,072			
GCAN Insurance Company										25.00%	\$20,495	25.00%	\$95,540				58,018			58,018				116,035			
Scor Reinsurance		2.50%	\$179,761	7.00%	\$366,170	12.50%	\$240,014							10.00%	\$88,523		437,234			437,234				874,468			
Swiss Re. Co. Canada						25.00%	\$480,028	25.00%	\$147,401	25.00%	\$20,495	25.00%	\$95,540	35.00%	\$309,829		526,647			526,647				1,053,293			
TOA Re		2.50%	\$179,761	2.50%	\$130,775												155,268			155,268				310,536			
Transatlantic Re				7.50%	\$392,325												196,163			196,163				392,325			
Sub-Total Canadian Cos.		20.00%	\$1,438,087	22.00%	\$1,150,820	37.50%	\$720,042	89.00%	\$524,748	50.00%	\$40,990	50.00%	\$191,080	45.00%	\$398,352		2,232,060			2,232,060				4,464,119			
TOTAL PROPORTIONAL REINSURERS		65.00%	\$4,673,781	76.00%	\$3,975,561	87.50%	\$1,680,098	100.00%	\$589,605	100.00%	\$81,980	100.00%	\$382,160	100.00%	\$885,226		2,232,060	1,951,073	1,951,073	4,183,132	1,951,073			12,268,409			
AGGREGATE STOP-LOSS REINSURERS																											
Colchester																	1,124,475			1,124,475				2,248,950			
TOTAL REINSURANCE COST																	3,356,535	1,951,073	1,951,073	5,307,607	1,951,073			14,517,359			
PROPORTIONAL REINSURANCE																											
Rate per Lawyer		\$1,622.00		\$1,137.50		\$423.00		\$138.00		\$123.00		\$170.00		\$185.00													
Rate per Quebec Lawyer		\$952.00		\$888.75		\$301.00		N/A		N/A		N/A		N/A													
Total # Lawyers other than Quebec at 7/1/08		3880		3880		3880		3282		400		1835		3880										3,880			
Total # Quebec Lawyers at 7/1/08		852		852		852		810		217		301		852										852			
Total # US/UK Lawyers at 7/1/08 ¹⁵		0		0		0		132		45		87		0										132			
Total # NLC at Lawyer Rate at 7/1/08 ¹⁶		19		19		19		17		0		14		19										19			
Rate per P&T Agent ¹⁷		\$811.00		\$568.75		\$211.50		\$69.00		\$61.50		\$85.00		\$92.50													
Total # P&T Agents at 7/1/08		54		54		53		53		6		20		54										54			
Total # NLC at P&T Rate at 7/1/08		14		14		14		10		3		2		14										14			
R/I Licensed		60.00%	\$4,314,258	71.00%	\$3,714,012	87.50%	\$1,680,097	36.00%	\$212,258	100.00%	\$81,980	100.00%	\$382,160	100.00%	\$885,225									11,269,990			
R/I Unlicensed		5.00%	\$359,522	5.00%	\$261,550	0.00%	\$0	64.00%	\$377,347	0.00%	\$0	0.00%	\$0	0.00%	\$0									3,247,369			
NLC = Non-lawyer Consultant																											
NOTES: ¹¹ This is an information document, not an accounting ledger.																											
¹² Semi-annual instalment for Canadian Companies and Colchester.																											
¹³ Quarterly instalment for Miller. Fund should be sent to Miller with about 2 weeks lead time.																											
¹⁴ Semi-annual instalment for Canadian Companies and Colchester and quarterly instalment for Miller. Fund should be sent to Miller with about 2 weeks lead time.																											
¹⁵ These are OHF, Torys & DWPV lawyers in the US and FMD lawyers in UK. They are not covered by Layers 1, 2, 3, 6 and Colchester.																											
¹⁶ For Layers 1, 2 and 3, the rate for NLC in all provinces is the same as the rate for lawyers in provinces other than Quebec.																											
¹⁷ Applicable in all provinces.																											
SPECIAL NOTE: CLLAS RETAINED 100% OF THE FIRST \$4MM XS \$1MM LAYER SINCE JULY 1, 2002.																											

Exhibit C**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY****2008/2009 Reinsurers Security Rating
as at September 4, 2008**

Reinsurer	A.M. Best Rating	S&P Rating
Lloyd's	A (Excellent)	A+ (Strong)
Aspen Re	A (Excellent)	A (Strong)
Hannover Ruck	A (Excellent)	AA- (Very Strong)
Arch Insurance Company of Canada	A (Excellent)	A (Strong)
Allied World Assurance Company Ltd.	A (Excellent)	A- (Strong)
CRC (Bermuda) Reinsurance Ltd.	A (Excellent)	Rating Not Available
GCAN Insurance Company	A (Excellent)	BBB (Good)
SCOR Canada Reinsurance Company	A- (Excellent)	A- (Strong)
Swiss Reinsurance Company Canada	A+ (Superior)	AA- (Very Strong)
Toa Reinsurance Company of America	A (Excellent)	A+ (Strong)
Transatlantic Reinsurance Company	A+ (Superior)	AA- (Very Strong)

Colchester Aggregate Stop-Loss Protection

July 1, 2008-2009



2008 EXHIBIT

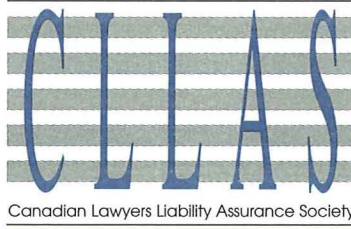
CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
 REINSURANCE CEDED
 FINANCIAL SERVICES COMMISSION OF ONTARIO GUIDELINES

	CALENDAR YEAR 2008	RATIO OF DIRECT PREMIUM
A. 2008/2009 CONTINGENCY RESERVE ADJUSTMENT	\$30,943	
B. 2008/2009 PREMIUM FOR LAWYERS	\$22,786,996	
C. 2008/2009 GOODMAN AND CARR LATERAL HIRE EXTENSION ENDORSEMENT PREMIUM	\$39,200	
D. 2008/2009 FIRST OPTIONAL EXCESS LAYER PREMIUM FOR LAWYERS	\$654,720	
E. 2008/2009 SECOND OPTIONAL EXCESS LAYER PREMIUM FOR LAWYERS	\$513,726	
F. 2008/2009 PREMIUM FOR P&T AGENTS	\$142,452	
G. 2008/2009 FIRST OPTIONAL EXCESS LAYER PREMIUM FOR P&T AGENTS	\$4,134	
H. 2008/2009 SECOND OPTIONAL EXCESS LAYER PREMIUM FOR P&T AGENTS	\$2,314	
I. 2008/2009 PREMIUM FOR NON-LAWYER CONSULTANTS	\$137,157	
J. 2008/2009 FIRST OPTIONAL EXCESS LAYER PREMIUM FOR NON-LAWYER CONSULTANTS	\$3,415	
K. 2008/2009 SECOND OPTIONAL EXCESS LAYER PREMIUM FOR NON-LAWYER CONSULTANTS	\$3,057	
L. DIRECT WRITTEN PREMIUM	\$24,318,114	100.0%
M. REGISTERED REINSURANCE		
N. PROPORTIONAL REINSURANCE	\$11,269,990	
O. AGGREGATE REINSURANCE	\$0	
P. TOTAL REGISTERED REINSURANCE	\$11,269,990	46.3%
Q. UNREGISTERED REINSURANCE		
R. PROPORTIONAL REINSURANCE	\$998,419	
S. AGGREGATE REINSURANCE	\$2,248,950	
T. TOTAL UNREGISTERED REINSURANCE	\$3,247,369	13.4%
U. TOTAL REINSURANCE	\$14,517,359	59.7%

Notes:

T. The FSCO guideline for unregistered reinsurance is 25% (maximum).

U. The FSCO guideline for total reinsurance is 75% (maximum).



P R I V A T E & C O N F I D E N T I A L
M E M O R A N D U M

Date: September 9, 2008

To: David Morritt
William Scott
Donald Milner
Gordon Goodman
Les O'Connor
Nicholas Leblovic
Julia Holland

Barry Bresner
Daniel MacDonald
Chris Woodbury
Carol Lyons
Glenn Leslie
Gale Rubenstein

Copy: Patrick Mahoney

From: Joe Tontini

**Re: Final Report on CLLAS Rating and Reinsurance Placement
July 1, 2008/2009**

The purpose of this report is to provide the CLLAS Board with a final summary of the rating and reinsurance placement for July 1, 2008/2009. For ease of reference, we have attached the following updated exhibits:

- A. CLLAS Limit Structure
- B. CLLAS Reinsurance Schedule
- C. CLLAS Reinsurance Security Ratings (as of September 4, 2008)
- D. Colchester Limit Structure
- E. Colchester Retrocession Protection Schedule
- F. FSCO Reinsurance Guidelines

Highlights

- CLLAS year-over-year insurance rate reductions ranged from 4% on the Primary policy to as high as 17% on the Optional Excess policies.
- The overall rate reduction was around 11%.
- Reinsurance rate reductions were realized in all layers. The reductions ranged from 12% to 15% except in Layer 3 where a 5% reduction was realized.

- The Board had authorized CLLAS to continue to use \$15,000,000 as the maximum amount of liability that it may retain on its own account for any one loss to allow more flexibility in negotiating the best possible reinsurance rates for its members.
- CLLAS did use some of this authorization in Reinsurance Layers 1 and 2 where CLLAS increased its retention from 30% to 35% and from 18% to 24% respectively. This, coupled with the reduction in the drop-down/in-fill deductible (more details follow), increases CLLAS' maximum retention in any one loss from \$10,500,000 to \$11,850,000.
- CLLAS managed to reduce its aggregate annual retention on the primary \$5,000,000 of coverage to \$5,000,000 from \$12,000,000 each firm at no additional cost to CLLAS members.
- After a vote of 10 for and 3 against, CLLAS reduced its drop-down/in-fill deductible from \$250,000 to \$25,000 for an additional cost of approximately \$65 per lawyer.
- CLLAS has continued to secure a lower reinsurance rate for Quebec lawyers on Reinsurance Layers 1, 2 and 3.
- The Second Optional Excess policy limit (previously \$20,000,000) has been increased to \$30,000,000. Firms have the option of purchasing limits of \$10,000,000, \$20,000,000 or \$30,000,000 excess of \$160,000,000.
- The CLLAS reinsurers, whose security ratings remain strong, are virtually unchanged from last year. There have been some minor adjustments in participation.
- CLLAS tested the market for a two-year rolling term. Some of our most important reinsurers took a hard line on the subject and therefore the deal did not materialize.
- CLLAS is well within the FSCO total reinsurance and unregistered reinsurance guidelines.
- Starting this year and going forward, CLLAS undertakes to provide those firms with Quebec resident lawyers information to facilitate the self-remittance of QST on the CLLAS insurance premiums.
- The Colchester stop-loss protection rate decreased by 15%. Colchester's retrocession protection cost decreased by 3%. Both reductions were realized even though the risk to Colchester actually increased somewhat because of CLLAS' higher single loss retention.
- The Colchester stop-loss protection does not assume the exposure for the additional \$225,000 of cover resulted from the drop down to \$25,000. CLLAS will pick up this additional exposure without the benefit of stop-loss protection.

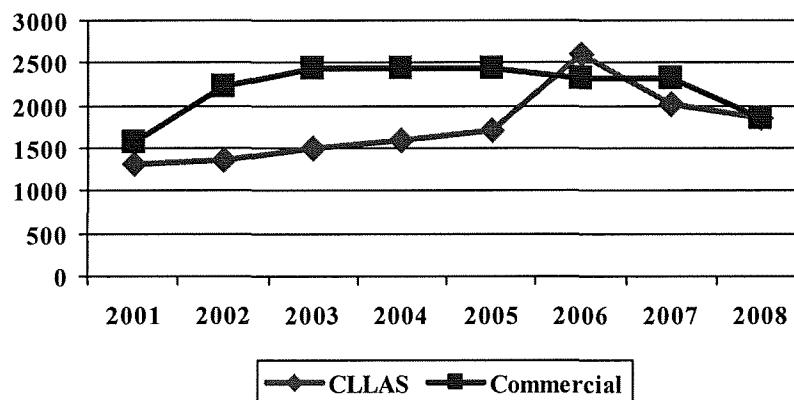
CLLAS Primary Policy – \$5,000,000 per Claim and in the Annual Aggregate

The Primary Policy currently provides coverage per firm of \$5,000,000 per claim and in the annual aggregate (down from an annual aggregate of \$12,000,000 in the previous year), including any underlying coverage provided by the respective law society and/or other mandatory insurance and/or any other insurance arranged on behalf of the firm. If there was no underlying insurance, then CLLAS would provide \$4,975,000 of coverage excess of \$25,000 deductible (down from \$250,000 in previous years). The maximum CLLAS retention on any one claim is \$4,975,000 of which only \$4,750,000 is stop-loss protected by Colchester.

There is no reinsurance protection for this layer (other than the aggregate stop-loss protection provided by Colchester) so CLLAS rates the layer on the basis of the actuarially determined expected loss cost with an appropriate allowance for expenses. The most recent actuarially determined discounted loss cost per lawyer for this layer is \$1,318 compared to \$1,384 for the year before. This represents a 4.8% decrease. In addition to these rates, the CLLAS actuary added a loading for the possibility of dropping down to \$25,000.

Based on the expected loss costs, for the 2008/2009 policy term, CLLAS members were charged \$1,924 per lawyer and \$962 per patent & trademark agent for the CLLAS Primary Policy. Quebec lawyers were charged at \$315 each due to the \$10,000,000 limit of the Barreau du Quebec. The decrease is approximately 4%.

The chart below compares the CLLAS rates for the Primary Policy with coverage from the commercial market for the period 2001 to 2008. The commercial market rates are based on actual rates charged to Ontario law firms on January 1 of each year by an insurer that has held a significant share of the market over the years. We know increased competition has resulted in some firms, particularly in recent years, enjoying somewhat better rates than those set forth below:



For the first five years, based on the chart above, CLLAS rates were on average 32% lower than commercial rates. However, the line crossed in 2006 and the CLLAS rate edged higher than the commercial rate. The current CLLAS rate is almost identical to this particular insurer but we suspect that some non-CLLAS firms may enjoy slightly better rates for this layer through other insurers. It should be noted that CLLAS coverage is broader in a number of areas compared to the commercial market.

CLLAS First Excess Policy – \$30,000,000 Aggregate Excess of the Primary Policy

The First Excess Policy provides \$30,000,000 aggregate per firm excess of the Primary CLLAS Policy of \$5,000,000 or excess of the Quebec mandatory limit of \$10,000,000 and is divided into three layers for reinsurance purposes as follows:

Reinsurance Layer 1

Limit: \$7,500,000 aggregate per firm excess of \$5,000,000
CLLAS Retention: 35% or \$2,625,000 (up from 30% last year)
Rate: \$952 per lawyer in Quebec/\$1,622 per lawyer in locations other than Quebec/\$811 per P&T agent in all locations

For comparative purposes, the most recent actuarially determined discounted expected loss cost per lawyer (outside of Quebec) for this layer was \$952 compared to \$1,049 the year before or a 9.2% decrease. We believe that CLLAS received a reasonable rate reduction (12%) reflecting some of the decreased expected loss costs.

Reinsurance Layer 2

Limit: \$12,500,000 aggregate per firm excess of \$12,500,000
CLLAS Retention: 24% or \$3,000,000 (up from 18% last year)
Rate: \$888.75 per lawyer in Quebec/\$1,137.50 per lawyer in locations other than Quebec/\$568.75 per P&T agent in all locations

For comparative purposes, the most recent actuarially determined discounted expected loss cost per lawyer (outside of Quebec) for this layer is \$659 compared to \$763 the year before or a 13.6% decrease. We believe that CLLAS received a reasonable rate reduction (13%) reflecting some of the decreased expected loss costs.

Reinsurance Layer 3

Limit: \$10,000,000 aggregate per firm excess of \$25,000,000
CLLAS Retention: 12.5% or \$1,250,000 (unchanged from last year)
Rate: \$301 per lawyer in Quebec/\$423 per lawyer in locations other than Quebec/\$211.50 per P&T agent in all locations

For comparative purposes, the most recent actuarially determined discounted expected loss cost per lawyer (outside of Quebec) for this layer is \$324 compared to \$309 the year before or a 4.9% increase. We managed to secure a minor rate reduction (5%) in this layer.

CLLAS Policy Premium for the \$30,000,000 First Excess Policy

Currently, CLLAS charges its members \$3,142 per lawyer (\$2,199 for Quebec lawyers) and \$1,571 per patent & trademark agent for the First Excess Policy. The decrease from last year was 15% both in Quebec and outside of Quebec.

CLLAS First Optional Excess Policy – \$20,000,000 Aggregate Excess of \$140,000,000
(Reinsurance Layer 4)

Nine firms purchased this policy.

Limit: \$20,000,000 aggregate per firm excess of \$135,000,000 aggregate per firm excess of the CLLAS Primary Policy
CLLAS Retention: nil
Rate: \$138 per lawyer/\$69 per P&T agent

At this high level, the reinsurance costs are driven more by market conditions and the cost of capacity than by actuarial calculations. CLLAS received a 15% reinsurance rate reduction in this layer.

CLLAS charged its members \$155 per lawyer and \$78 per patent & trademark agent for the CLLAS First Optional Excess Policy. This represents a rate reduction of approximately 17% from last year.

CLLAS Second Optional Excess Policy – \$10,000,000 or \$20,000,000 or \$30,000,000
Aggregate Excess of \$160,000,000
(Reinsurance Layer 5)

Firms have the option of purchasing limits of \$10,000,000 or \$20,000,000 or \$30,000,000. One firm purchased limit of \$20,000,000 and six firms purchased limit of \$30,000,000.

Limit: \$10,000,000 or \$20,000,000 or \$30,000,000 aggregate per firm excess of \$155,000,000 aggregate per firm excess of the CLLAS Primary Policy
CLLAS Retention: nil
Rate: \$123 per lawyer/\$61.50 per P&T agent for limit of \$20,000,000
\$170 per lawyer/\$85 per P&T agent for limit of \$30,000,000

At this high level, the reinsurance costs are driven more by market conditions and the cost of capacity than by actuarial calculations. CLLAS received a 15% reinsurance rate reduction in this layer.

CLLAS charged its members \$138 per lawyer and \$69 per patent & trademark agent for the CLLAS Second Optional Excess Policy with a limit of \$20,000,000. This represents a rate reduction of approximately 17% from last year. For policies with the new limit of \$30,000,000, CLLAS charged its members \$190 per lawyer and \$95 per patent & trademark agent.

CLLAS Umbrella Excess Policy – \$30,000,000 per Claim/\$60,000,000 Aggregate All Firms Combined Excess of a Minimum of \$50,000,000 per Firm (Reinsurance Layer 6)

This policy is shared by all CLLAS firms.

Limit: \$30,000,000 per claim/\$60,000,000 aggregate all firms combined excess of a minimum of \$50,000,000 per firm
CLLAS Retention: nil
Rate: \$185 per lawyer/\$92.50 per P&T agent

At this high level, the reinsurance costs are driven more by market conditions and the cost of capacity than by actuarial calculations. CLLAS received a 15% reinsurance rate reduction in this layer.

CLLAS charged its members \$209 per lawyer and \$105 per patent & trademark agent for the CLLAS Umbrella Excess Policy. This represents a rate reduction of approximately 16% from last year.

Note: For all CLLAS policies, certain non-lawyer consultants, depending on risk, are charged the lawyer rate while others are charged the patent & trademark agent rate.

Reinsurers

All of the incumbent reinsurers renewed their participation on the CLLAS Program, some with slightly increased or decreased percentages.

As SCOR Re continues to enjoy a stable security rating, CLLAS has allocated an additional 2.5% in Layer 1 to them as well as a minor increased participation in Layer 2.

As in the expired term, Swiss Re (Canada) agreed to “front” for Swiss Re (U.K.) thus alleviating the unlicensed burden created by Swiss Re (U.K.) in past years. This positive arrangement allows CLLAS to purchase more stop-loss protection from Colchester.

Please refer to Exhibit “B” for more details on the participating reinsurers and their percentages.

Security Ratings

The most up-to-date security ratings of each of the CLLAS reinsurers, which remain strong, are set forth in Exhibit "C". CLLAS monitors the ratings on an ongoing basis and reports to the Board as appropriate.

Policy Wordings

The policies have been prepared and will be distributed very shortly. The following changes have been made to the Primary Policy this year. The other policies follow form.

1. Reduction of the aggregate per firm limit to \$5,000,000.
2. Reduction of the drop down/in-fill deductible to \$25,000.
3. The definition for "Damages" was deleted last year because this term was not used anywhere else in the policy at that time. Upon a further review, CLLAS has decided to add the definition back to the 2008/09 policy based on the fact that if we simply delete the definition, CLLAS may have no basis for denying claims for return of legal fees. A couple of related changes were also made to introduce the term "Damages" to the policy.
4. For the four firms with relatively significant exposure in the US and UK (Davies Ward Phillips & Vineberg, Fasken Martineau DuMoulin, Osler Hoskin & Harcourt and Torys), an endorsement will be attached to acknowledge the arbitration agreement between CLLAS and the insurers who provide coverage to the US/UK offices in the event of a dispute arising from the allocation of liability for claims.

The "Goodman and Carr LLP Lateral Hire Extension Endorsement" will continue to be attached. The premium charged for this (second) year is \$700 per lawyer involved in a lateral hire from Goodman and Carr LLP.

Aggregate Stop-Loss Protection

Colchester provides the following aggregate stop-loss protection in 2008/09 which is unchanged from last year:

Limit: \$25,000,000 in the annual aggregate excess of \$15,000,000 in the annual aggregate in respect of CLLAS' retained losses

Rate: \$470 per lawyer/\$235 per P&T agent

As mentioned above, the Colchester stop-loss protection does not assume the exposure for the additional \$225,000 of cover resulted from the drop down to \$25,000.

Colchester continues to purchase retrocession protection for \$20,000,000 excess of \$20,000,000. The retrocession premium was decreased by 3%.

FSCO Reinsurance Guidelines

Exhibit "F" sets forth the reinsurance calculations based on the 2008/09 premiums and reinsurance protections to determine whether CLLAS is onside with respect to the reinsurance guidelines provided by the Financial Services Commission of Ontario. The guideline for total reinsurance is 75% and the guideline for unregistered reinsurance is 25%. The calculations for CLLAS results in 59.7% total reinsurance and 13.4% unregistered. CLLAS is well within the guideline with respect to both registered and unregistered reinsurance.

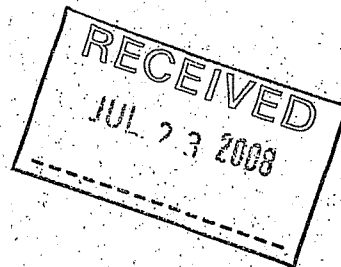
Concluding Remarks

We are pleased with the renewal results for the 2008/2009 term. Specifically, the reinsurance rate decreases across the board were reasonable given the favourable claims experience and general reduction in actuarially determined expected loss costs. Further, we only had to use a portion of the additional retention authorized by the Board increasing the retention in Layer 1 by 5% and in Layer 2 by 6%. There was sufficient capacity from existing and new underwriters to maintain the same structure that we had in previous years. As a result, CLLAS members enjoy an overall decrease of 11% in premium (not including the Optional Excess Policies).

We are also pleased to see that additional limits are now available within the Second Optional Excess Policy. Member firms may now enjoy the flexibility of different limits to suit their specific requirement.

Although the rolling two-year deal did not materialize, an annual term is not necessarily a negative outcome since the existing downward trend in CLLAS claims and the existing soft market conditions, if both continue, should enable us to secure better terms for the subsequent year.

CLLAS members should feel confident that they are paying premiums that are commensurate with the risk and competitive in the current marketplace.



CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

INVESTMENT REPORT
FOR QUARTER ENDING JUNE 30, 2008

MARTIN, LUCAS & SEAGRAM LTD.
INDEPENDENT INVESTMENT COUNSEL

Suite 620, 48 Yonge Street
Toronto, Ontario
M5E 1G9

Tel.: 416-363-6216
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e-mail: info@mlsinvest.com

CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

COMMENTARY FOR THE QUARTER ENDING JUNE 30, 2008

Review of Market Yields

Following a steady decline in yields during the three previous quarters, bonds changed direction during the most recent quarter and the entire yield curve shifted higher. The most significant changes occurred at the shorter end of the curve where the rise in Treasury Bills out to 3-year Canadas ranged from 61 to 71 basis points. Beyond the 3-year term, the increase in yields steadily moderated and 10-year Canada yields rose 31 basis points.

As a result of these shifts, the upward slope of the yield curve had moderated by the end of the second quarter. At June 30, 10-year issues provided a 126 basis point yield advantage over Treasury Bills, down from 156 basis points at March 31.

	Jan. 1/95	Dec. 31/07	Mar. 31/08	June 30/08
3-Month Treasury Bills	6.80%	3.82%	1.87%	2.48%
5-year Canadas	8.99%	3.87%	2.91%	3.45%
10-year Canadas	9.09%	3.99%	3.43%	3.74%

After allowing for capital added of \$1,543,234 less \$14,884 accrued bond interest debited on the purchases, the Long Term Investment Fund declined \$474,319 during the second quarter.

At June 30, 2008, the average term to maturity of the Long Term Investment Fund stood at 4.2 years, compared to 4.4 years three months earlier.

During the quarter, a Canada bond matured and was replaced with a 5-year Canada agency issue. The balance of activity involved the investment of some \$1,543,000 transferred from the Short to the Long Term Investment Fund. Purchases were concentrated in the 4½ to 5 year term and consisted of a Toronto Dominion Bank Deposit Note and Canada guaranteed issues.

The table below shows the distribution of the assets held in both the Short and Long Term Investment Funds at June 30.

<i>Distribution as at June 30, 2008</i>	<i>Valuation</i>	<i>%</i>
Short Term Investment Fund	\$11,024,715	28.5%
Long Term Investment Fund	27,631,491	71.5%
TOTAL COMBINED VALUATION	\$38,656,206	100.0%

CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

The following pages set out tables, commentary and schedules on the items listed below:

- Investment Performance and Total Return for the Long Term Investment Fund
(Returns Exclude Investment Counsel Fees)
- Distribution of Securities in the Long Term Investment Fund
by Credit Risk and by Maturity
- Compliance Statement
- Bond Market Commentary
- Policy for the Long Term Investment Fund
- Security Holdings in the Short and Long Term Investment Funds
Listed and Valued Separately as at June 30, 2008
- Security Purchases and Sales
- Cash Reconciliations

CLLAS
LONG TERM INVESTMENT FUND

SUMMARY OF CAPITAL PERFORMANCE
SINCE THE STARTING DATE OF JANUARY 1, 1995

	Jan. 1/95	Dec. 31/07	Mar. 31/08	June 30/08
Valuation of Long Term Fund	\$3,466,369	\$24,874,598	\$26,577,460	\$27,631,491
Capital Added (Net) since January 1, 1995		\$20,431,048	\$21,528,983	\$23,057,333
Balance: Net Capital Appreciation since January 1, 1995		\$ 977,181	\$ 1,582,108	\$ 1,107,789
Cumulative % Increase since January 1, 1995 (Time-weighted Basis)		17.3%	20.0%	18.0%
Cumulative % Increase in DEX Short Bond Index		0.6%	2.7%	1.2%

TIME-WEIGHTED RATES OF TOTAL RETURN
FOR PERIODS ENDING JUNE 30, 2008
(ANNUALIZED)

	Five Years	Four Years	Three Years	Two Years	One Year	Last 3 Months
<i>Long Term Investment Fund</i>	<i>4.1</i>	<i>4.4</i>	<i>3.5</i>	<i>5.3</i>	<i>7.0</i>	<i>- 0.7</i>
DEX Canada Short Bond Index	4.1	4.3	3.6	5.5	7.1	- 0.5
DEX Provincial Short Bond Index	4.1	4.3	3.5	5.3	6.6	- 0.4

CLLAS
LONG TERM INVESTMENT FUND

DISTRIBUTION OF SECURITIES BY CREDIT RISK
(Based on Market Values)
SINCE THE JANUARY 1, 1995, STARTING DATE

	Jan. 1/95	Dec. 31/07	Mar. 31/08	June 30/08
Bonds, Treasury Bills & Cash Less than 1 year term	29.0%	8.9%	5.6%	7.3%
Canadas Greater than 1 year term	54.7%	39.0%	42.0%	40.5%
Provincials Greater than 1 year term	16.3%	36.7%	37.7%	35.5%
Corporates Greater than 1 year term	-	15.4%	14.7%	16.7%
TOTAL PORTFOLIO	100.0%	100.0%	100.0%	100.0%

DISTRIBUTION OF SECURITIES BY MATURITY
(Based on Market Values)
SINCE THE JANUARY 1, 1995, STARTING DATE

	Jan. 1/95	Dec. 31/07	Mar. 31/08	June 30/08
Under 1 year	29.0%	8.9%	5.7%	7.3%
1 - 3 years	19.8%	19.5%	25.5%	24.3%
3 - 5 years	29.3%	31.2%	28.1%	36.2%
5 - 7 years	11.4%	20.7%	27.8%	22.3%
7 - 10 years	10.5%	19.7%	12.9%	9.9%
TOTAL	100.0%	100.0%	100.0%	100.0%

CLLAS

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

COMPLIANCE REPORT AT JUNE 30, 2008

	Investment Limits	Investment Funds	Compliance
<i>Short Term Investment Fund</i>			
Maximum Term of Any Issue	1 year	0.22 years	Yes
Minimum Size	20% of Total	28.5%	Yes
Minimum Canada & Provincial Percentage	50%	100.0%	Yes
Minimum Provincial Quality	A	None held	Yes
Minimum Bank CD & BA Quality	R1	R1	Yes
<i>Long Term Investment Fund</i>			
Maximum Term of Any Issue	10 years	7.9 years	Yes
Minimum Cda and Cda Guarantee Percentage	40%	44.2%	Yes
Maximum Provincial Percentage	40%	37.3%	Yes
Minimum Provincial Quality *	A	A	Yes
Maximum Corporate Percentage	20%	18.5%	Yes
Minimum Corporate Quality *	A	AA	Yes

* At time of purchase

This will confirm that during the quarter the portfolio and its components were managed in compliance with the Investment Policy Statement.

At June 30, the Short Term Fund represented 28.5% of the two Funds combined, which is above the 20% minimum required.

BOND MARKET COMMENTARY

There have been sizable shifts in the financial and economic landscape over the past few months. Conditions in the credit markets grew increasingly tumultuous and appeared to be reaching crises proportions in March. To avert a potential chain reaction of financial failures, the U.S. Federal Reserve responded with extraordinary measures. These included massive injections of liquidity, direct lending to non-bank financials, another round of interest rate cuts and the arranged bailout of a major investment bank. These actions did bring some much-needed stability to the credit markets. However, conditions remain far from normal and in order to quell renewed turmoil in the mortgage market earlier this month, the Federal Reserve announced emergency financing for government sponsored mortgage lenders.

Meanwhile, the North American economy has shown steady deterioration since the beginning of the year. While U.S. GDP growth appears to have held marginally positive during the first half of the year, this is attributed to strong exports, a build-up in inventories and the temporary stimulus from tax rebates. In the meantime, the pronounced downturn in residential real estate, which shows no sign of bottoming, has spread to the commercial sector. Furthermore, employment and capital spending have turned negative and leading indicators point to further deterioration ahead. The slowdown has also spilled into the Canadian economy, which contracted during the first quarter due to weakness in the export and manufacturing sectors. This has been followed by a cooling housing market, slower job growth and a sharp drop in consumer confidence.

Despite the difficult economic backdrop and tight credit conditions, the Canadian and U.S. Central Banks have signalled a shift in monetary policy. Following successive interest rate cuts since the fall of last year, the monetary authorities recently decided to hold rates steady. This shift reflects growing concerns over the future course of inflation and the Banks have indicated that rates might need to be increased in order to stem growing inflationary pressures.

The bond market has been buffeted by these crosscurrents and the Canadian and U.S. yield curve has shifted moderately higher over the past few months. The most significant increase occurred at the short end as investors reacted negatively to the shift in monetary policy and the possibility that policy may be tightened. Longer yields have also moved higher in the face of surging food and energy prices and higher than expected increases in most inflation indicators.

By most measures, the U.S. is experiencing recessionary conditions and the debate is now focused on the likely depth and duration of the downturn. The optimistic view believes the worst of the credit crisis has passed and expects a recovery will begin later this year. This forecast points to the positive impact of stimulative monetary and fiscal policies, the strong financial position of the corporate sector and the ongoing global expansion, led by China. Notwithstanding these positives, a credible case can be made that the U.S. is still facing a prolonged period of retrenchment with potentially unsettling outcomes. Fuelling these concerns is the amount of leverage in the system and growing signs that the economic slowdown is spreading globally, which will compound unresolved problems in the credit markets. Rising food and energy prices and the authorities' ability to contain these pressures add to the economic risks.

POLICY FOR THE LONG TERM INVESTMENT FUND

This remains a difficult juncture for bond investors. In weighing the possible economic and monetary scenarios, we believe bond prices are most likely to remain range-bound around current levels over the near term. We believe more time is required to correct the credit excesses created during the previous cycle and expect the recovery will be sub par in view of the headwinds facing the economy. Furthermore, when considering the crosscurrents of inflation on the one hand, and weak growth and financial strains on the other, we believe the monetary authorities will not be moving rates higher over the short term. While these conditions are expected to be supportive of bond prices, we think ongoing inflationary pressures will make it difficult for yields to move noticeable lower. Headline inflation is expected to remain elevated and the extraordinary rise in commodity prices will likely push inflation rates higher over the near term.

During the second quarter, some \$1.5 million was transferred from the Short to the Long Term Fund in order to lock in the higher yields that prevailed late in the quarter. Purchases were concentrated in Canada guarantees and a high-grade financial issue, as we believe it is prudent to maintain the Fund's emphasis on quality. At the end of June, the average term of the Fund was 4.2 years, and we think this defensive posture is appropriate in view of the uncertain outlook.

RWB: sc

July 22, 2008

Please let us know if the Portfolio's investment objectives should be reviewed due to a change in financial circumstances, income needs, or risk tolerance.

Martin, Lucas & Seagram Ltd.

CLLAS - SHORT TERM INVESTMENT FUND

Portfolio Holdings at June 30, 2008

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
CASH					
	Cash Account			1,476	0
MONEY MARKET ISSUES					
525,000	Royal Bank BA 3.25% due July 2, 2008	99.21	99.98	524,909 ✓	16,928
775,000	Canada Treasury Bill 2.2% due July 10, 2008	99.50	99.94	774,497 ✓	16,964
510,000	CIBC BA 3.30% due July 11, 2008	99.22	99.90	509,514 ✓	16,699
700,000	Royal Bank BA 2.70% due July 11, 2008	99.79	99.90	699,334 ✓	18,860
750,000	FirstBank BA 3.25% due July 15, 2008	99.21	99.87	749,027 ✓	24,183
500,000	Royal Bank BA 3.25% due July 15, 2008	99.21	99.87	499,352 ✓	16,122
885,000	Canada Treasury Bill 3.00% due July 24, 2008	98.75	99.84	883,623 ✓	26,218
750,000	Bank of Nova Scotia BA 2.85% due July 31, 2008	99.33	99.73	747,992 ✓	21,231
500,000	CIBC BA 2.90% due August 14, 2008	99.28	99.61	498,046 ✓	14,396
500,000	Canada Treasury Bill 2.40% due August 21, 2008	99.36	99.66	498,294 ✓	11,923
570,000	Bank of Nova Scotia BA 2.75% due August 25, 2008	99.33	99.51	567,214 ✓	15,571
270,000	CIBC BA 2.90% due August 25, 2008	99.53	99.51	268,681 ✓	7,793
660,000	Royal Bank BA 2.75% due August 28, 2008	99.35	99.26	655,146 ✓	18,032
590,000	CIBC BA 2.85% due September 2, 2008	99.29	99.44	586,691 ✓	16,696
1,000,000	Canada Treasury Bill 2.45% due September 4, 2008	99.44	99.54	995,440 ✓	24,363
1,000,000	Canada Treasury Bill 2.35% due September 18, 2008	99.46	99.46	994,619 ✓	23,374
575,000	Royal Bank BA 2.90% due September 19, 2008	99.28	99.28	570,861 ✓	16,555
				11,023,239	305,908
TOTAL PORTFOLIO				11,024,715	305,908

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 04-01-08 To 06-30-08

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
04-03-08	04-04-08	525,000	Royal Bank BA 3.25% due July 2, 2008	99.21	520,872.45 ✓
04-14-08	04-15-08	510,000	CIBC BA 3.30% due July 11, 2008	99.22	506,022.00 ✓
04-16-08	04-17-08	775,000	Canada Treasury Bill 2.2% due July 10, 2008	99.50	771,094.00 ✓
04-16-08	04-17-08	750,000	FirstBank BA 3.25% due July 15, 2008	99.21	744,105.00 ✓
04-16-08	04-17-08	500,000	Royal Bank BA 3.25% due July 15, 2008	99.21	496,070.00 ✓
04-25-08	04-28-08	640,000	Bank of Nova Scotia BA 2.85% due May 30, 2008	99.75	638,406.40 ✓
04-30-08	05-01-08	520,000	TD Bank BA 2.85% due May 27, 2008	99.80	518,944.40 ✓
05-02-08	05-05-08	750,000	Bank of Nova Scotia BA 2.85% due July 31, 2008	99.33	744,937.50 ✓
05-14-08	05-15-08	500,000	CIBC BA 2.90% due August 14, 2008	99.28	496,410.00 ✓
05-14-08	05-15-08	500,000	Canada Treasury Bill 2.40% due August 21, 2008	99.36	496,800.00 ✓
05-14-08	05-15-08	775,000	Royal Bank BA 2.80% due June 13, 2008	99.78	773,279.50 ✓
05-27-08	05-28-08	570,000	Bank of Nova Scotia BA 2.75% due August 25, 2008	99.33	566,203.80 ✓
05-29-08	05-30-08	125,000	CIBC BA 2.80% due June 26, 2008	99.79	124,741.25 ✓
05-30-08	06-02-08	660,000	Royal Bank BA 2.75% due August 28, 2008	99.35	655,703.40 ✓
06-02-08	06-02-08	590,000	CIBC BA 2.85% due September 2, 2008	99.29	585,834.60 ✓
06-11-08	06-12-08	1,000,000	Canada Treasury Bill 2.45% due September 4, 2008	99.44	994,393.00 ✓
06-11-08	06-12-08	700,000	Royal Bank BA 2.70% due July 11, 2008	99.79	698,502.00 ✓
06-19-08	06-20-08	575,000	Royal Bank BA 2.90% due September 19, 2008	99.28	570,871.50 ✓
06-25-08	06-26-08	270,000	CIBC BA 2.90% due August 25, 2008	99.53	268,720.20 ✓
06-25-08	06-26-08	1,000,000	Canada Treasury Bill 2.35% due September 18, 2008	99.46	994,620.00 ✓
					12,166,531.00

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 04-01-08 To 06-30-08

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
SALES					
04-04-08	04-04-08	500,000	Bank of Nova Scotia 3.25% due April 4, 2008	100.00	500,000.00 ✓
04-15-08	04-15-08	500,000	Bank of Nova Scotia BA 3.60% due April 15, 2008	100.00	500,000.00 ✓
04-17-08	04-17-08	2,030,000	Canada Treasury Bill 3.66% due April 17, 2008	100.00	2,030,000.00 ✓
04-28-08	04-28-08	650,000	CIBC BA 3.70% due April 28, 2008	100.00	650,000.00 ✓
05-01-08	05-01-08	740,000	Canada Treasury Bill 3.05% due May 1, 2008	100.00	740,000.00 ✓
05-05-08	05-05-08	500,000	Royal Bank BA 3.60% due May 5, 2008	100.00	500,000.00 ✓
05-15-08	05-15-08	1,775,000	Canada Treasury Bill 2.20% due May 15, 2008	100.00	1,775,000.00 ✓
05-27-08	05-27-08	520,000	TD Bank BA 2.85% due May 27, 2008	100.00	520,000.00 ✓
05-30-08	05-30-08	640,000	Bank of Nova Scotia BA 2.85% due May 30, 2008	100.00	640,000.00 ✓
06-02-08	06-02-08	665,000	FirstBank BA 3.45% due June 2, 2008	100.00	665,000.00 ✓
06-03-08	06-03-08	350,000	CIBC BA 3.30% due June 3, 2008	100.00	350,000.00 ✓
06-12-08	06-12-08	1,700,000	Canada Treasury Bill 2.20% due June 12, 2008	100.00	1,700,000.00 ✓
06-13-08	06-13-08	775,000	Royal Bank BA 2.80% due June 13, 2008	100.00	775,000.00 ✓
06-20-08	06-20-08	750,000	Royal Bank BA 3.25% due June 20, 2008	100.00	750,000.00 ✓
06-26-08	06-26-08	125,000	CIBC BA 2.80% due June 26, 2008	100.00	125,000.00 ✓
06-26-08	06-26-08	1,120,000	Canada Treasury Bill 1.20% due June 26, 2008	100.00	1,120,000.00 ✓
					13,340,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
From 04-01-08 To 06-30-08

Cash Balance at April 1, 2008		12,840.72
ADD:		
Proceeds from Sales	13,340,000.00	
Bond Interest Credited	390,776.37	
Cash Interest on Daily Balance	<u>199.72</u>	<u>13,730,976.09</u>
		13,743,816.81
LESS:		
Cost of Purchases	12,166,531.00	
Transfer to Long Term Investment Fund	1,543,234.27	
Investment Counsel Fees	25,406.59	
Trust Company Charges	<u>7,168.60</u>	<u>13,742,340.46</u>
Cash Balance at June 30, 2008		<u>1,476.35</u>

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at June 30, 2008

<u>Quantity</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Annual Income</u>
GOVERNMENT BONDS					
1,000,000	Canada 5-1/2% due June 1, 2009	99.83	102.08	1,020,840	55,000
500,000	Canada Housing Trust Sr. 9 3.75% due March 15, 2010	99.30	100.39	501,935	18,750
450,000	Canada 5-1/2% due June 1, 2010	99.77	104.14	468,612	24,750
500,000	Canada 4% due September 1, 2010	100.30	101.48	507,375	20,000
1,000,000	Canada Housing Trust Sr. 13 4.05% due March 15, 2011	99.02	100.86	1,008,590	40,500
1,000,000	Canada 6% due June 1, 2011	103.73	107.24	1,072,370	60,000
1,500,000	Canada Housing Trust Sr. 14 4.60% due September 15, 2011	101.74	102.43	1,536,375	69,000
2,200,000	Canada Housing Trust Sr. 16 4.00% due June 15, 2012	100.57	100.47	2,210,252	88,000
750,000	Canada Housing Trust Sr. 18 4.55% due December 15, 2012	102.72	102.55	769,125	34,125
900,000	Canada Housing Trust Sr. 19 3.60% due June 15, 2013	99.87	98.47	886,266	32,400
600,000	Canada Mtge & Housing 4.30% due April 1, 2015	100.95	101.78	610,686	25,800
600,000	Canada Mtge & Housing Corp. 4.10% due October 1, 2015	97.72	100.41	602,460	24,600
1,000,000	Canada 4% due June 1, 2016	99.58	102.26	1,022,600	40,000
				<hr/> 12,217,486	<hr/> 532,925
PROVINCIAL BONDS					
500,000	Ontario 5.70% due December 1, 2008	97.60	101.05	505,225	28,500
500,000	Ontario 6.20% due November 19, 2009	100.77	103.59	517,935	31,000
500,000	British Columbia 6.375% due August 23, 2010	104.22	105.54	527,710	31,875
500,000	Ontario 6.10% due November 19, 2010	102.12	105.41	527,065	30,500
1,200,000	Ontario 4.4% due December 2, 2011	101.02	101.60	1,219,188	52,800
600,000	Ontario 4.50% due December 2, 2012	104.39	101.97	611,826	27,000
1,275,000	Ontario 4-3/4% due June 2, 2013	102.35	103.19	1,315,673	60,563

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at June 30, 2008

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
1,000,000	Manitoba 5.05% due December 3, 2013	101.61	104.55	1,045,500	50,500
750,000	Ontario 5% due March 8, 2014	102.63	104.45	783,345	37,500
750,000	Manitoba 4.80% due December 3, 2014	104.46	103.39	775,425	36,000
1,350,000	Ontario 4.5% due March 8, 2015	101.62	101.77	1,373,922	60,750
1,100,000	Ontario 4.4% due March 8, 2016	100.45	100.70	1,107,722	48,400
				<hr/> 10,310,536	<hr/> 495,388
CORPORATE BONDS					
250,000	Bank of Nova Scotia Dep. Note 4.295% due August 22, 2008	99.90	100.15	250,365	10,738
250,000	Golden Credit Card Trust Sr. Notes 4.159% due October 15, 2008	100.00	100.16	250,393	10,398
250,000	GE Capital Cda Fndg 5.65% due October 23, 2009	99.55	101.50	253,753	14,125
250,000	Citigroup Finance Canada 4.29% due November 2, 2009	101.20	98.97	247,428	10,725
300,000	Bank of Nova Scotia 4.25% Sen. Dep. Note due November 23, 2010	100.45	99.47	298,401	12,750
300,000	Royal Bank 4.17% Sen. Dep. Note due January 11, 2011	100.10	99.07	297,201	12,510
500,000	Bank of Montreal 4.69% due January 31, 2011	104.21	99.91	499,550	23,450
300,000	CIBC 5.00% Senior Dep Nts due September 10, 2012	100.23	99.85	299,559	15,000
400,000	Wells Fargo Financial Canada MTN 4.40% due December 12, 2012	99.78	97.62	390,476	17,600
750,000	Toronto Dominion Bank Dep. Note 4.854% due February 13, 2013	101.35	99.75	748,125	36,405
300,000	Wells Fargo Financial Canada MTN 4.33% due December 6, 2013	99.97	96.57	289,701	12,990
500,000	Royal Bank 3.96% due January 27, 2014	99.49	100.06	500,320	19,800
500,000	CIBC 4.75% due December 22, 2014	101.80	97.86	489,320	23,750
300,000	GE Capital Cda Fndg 4.65% due February 11, 2015	102.20	96.29	288,879	13,950
				<hr/> 5,103,470	<hr/> 234,190
TOTAL PORTFOLIO				27,631,491	1,262,503

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - LONG TERM INVESTMENT FUND
From 04-01-08 To 06-30-08

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
05-27-08	05-30-08	500,000	Toronto Dominion Bank Dep. Note 4.854% due February 13, 2013	101.70	508,500.00 ✓
05-30-08	06-02-08	500,000	Canada Housing Trust Sr. 19 3.60% due June 15, 2013	99.56	497,800.00 ✓
06-11-08	06-16-08	500,000	Canada Housing Trust Sr. 18 4.55% due December 15, 2012	102.75	513,750.00 ✓
06-11-08	06-16-08	250,000	Toronto Dominion Bank Dep. Note 4.854% due February 13, 2013	100.65	251,625.00 ✓
06-19-08	06-24-08	250,000	Canada Housing Trust Sr. 18 4.55% due December 15, 2012	102.67	256,675.00 ✓
					2,028,350.00
SALES					
06-01-08	06-01-08	500,000	Canada 6% due June 1, 2008	100.00	500,000.00 ✓
					500,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - LONG TERM INVESTMENT FUND
From 04-01-08 To 06-30-08

Cash Balance at April 1, 2008			0.00
ADD:	Proceeds from Sales	500,000.00	
	Transfer from Short Term Investment Fund	<u>1,543,234.27</u>	<u>2,043,234.27</u>
			2,043,234.27
LESS:	Cost of Purchases	2,028,350.00	
	Accrued Bond Interest on Purchases	<u>14,884.27</u>	<u>2,043,234.27</u>
Cash Balance at June 30, 2008			0.00

Norma J. Ibbetson

From: Patrick M. Mahoney
Sent: Thursday, September 11, 2008 2:17 PM
To: 'Morritt, David'; 'Bresner, Barry H.'; Les O'Connor; 'GLENN.LESLIE@blakes.com'; 'Holland, Julia'; 'Scott, William G.'; 'Chris Woodbury'; 'Donald Milner'; 'Carol Lyons'; 'Goodman, Gordon P.'; 'Rubenstein, Gale'; 'Leblovic, Nicholas'; 'Dan MacDonald'
Cc: Norma J. Ibbetson
Subject: CLLAS - Board Meeting Materials - Investment Policy
Attachments: Investment Policy Jan '09.doc



Investment
Policy Jan '09.doc .

Hi all. The attached just missed the deadline for inclusion in the Board materials.

You may remember that at the last Board meeting we discussed the investment management review conducted by Dion Durrell and the recommendations resulting from that review (set out below). These recommendations have been discussed with, and agreed to, by our investment manager. Only one change to the Investment Policy is required. The investment policy is attached, with the change to Section 2.4 blacklined. We have made the effective date of the change Jan 1/09, but assuming the Board is in agreement here is no reason not to implement the changes with effect from Oct 1/08.

There is no need to reply to email as we will discuss this matter next Tuesday. Please insert this material under Item 11, Tab 4 of the Sept 16/08 Advisory Board materials.

Thanks,

Patrick

Investment Manager Review - Summary of Recommendations

1. Short Term Investment Fund:

- A time weighted rate of return to be provided (similar to what is provided for the Long Term Fund).
- Returns to be provided Gross and Net of fees.
- Returns to be compared to 30 day T-Bill returns on an information only basis (i.e. no change required to the investment strategy).

2. Long Term Investment Fund:

- Returns to be provided Gross and Net of fees.
- Benchmarks to be amended to become a composite of a) 60% Short Term Bond Indices (Federal and Provincial) and b) 40% Mid Term Bond Indices (Federal and Provincial).

3. Investment Council Fee:

- Long Term Fee to remain at 25 bps.
- Short Term Fee to be reduced to 20 bps.

4. Documentation Changes:

- Investment Policy: section 2.4 will be amended to reflect the changes to the Long Term Fund benchmark.
- Investment Management Agreement: will be amended to reflect the date of the amended Investment Policy and the fee reduction for the Short Term Fund.

INVESTMENT POLICY
FOR THE
CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Effective January, 2009

Deleted: December, 2001

issued by a Canadian chartered bank having a rating R-1 High or better; Bankers Acceptances accepted by a Canadian chartered bank having a rating of R-1 High or better; and bonds issued or guaranteed by any of the above which mature in less than one year. Not less than 50% of short term investments shall be invested in qualifying Government of Canada or provincial securities.

- 2.3.2. Long Term Investment Fund consists of all investments which are not designated as being part of the Short Term Investment Fund. Such investments are restricted to securities issued or guaranteed by the Government of Canada or any province of Canada and to bonds issued by corporations incorporated under the laws of Canada or any province of Canada as follows:

2.3.2.1 The maximum term to maturity of any one investment shall not exceed 10 years. For greater certainty, this Fund may include short term investments of the type permitted for investment under section 2.3.1

2.3.2.2 Not less than 40% of the market value of this Fund shall be invested in securities issued or guaranteed by the Government of Canada.

2.3.2.3. Not more than 40% of the market value of this Fund may be invested in securities issued or guaranteed by the government of any province of Canada and all such securities must, at the time of purchase, be rated A or better.

2.3.2.4. Not more than 20% of the market value of this Fund may be invested in bonds issued by corporations incorporated under the laws of Canada or any province of Canada and all such bonds must, at the time of purchase, be rated A or better.

- 2.4. Unless otherwise required by the Board, the Investment Manager shall report to CLLAS quarter-yearly on the status of the Funds and shall compare the performance of the Long Term Investment Fund with a composit benchmark comprised of: 60% DEX Short Term Bond Indices (equal portions of the Federal and Provincial Indexes); and 40% DEX Mid Termn Bond Indices (equal portions of the Federal and Provincial Indexes) for the period covered by the report. Each report shall also provide such additional information as CLLAS may reasonably require.

Deleted: Scotia McLeod's Canada Short Term Bond Index and Provincial Short Term Bond Index

- 2.5 Investments which do not meet the criteria in section 2.3 are ineligible for inclusion in the investment portfolio.

- 2.6 The Investment Committee will re-examine the asset mix policy periodically in light of significant changes in any of the following:

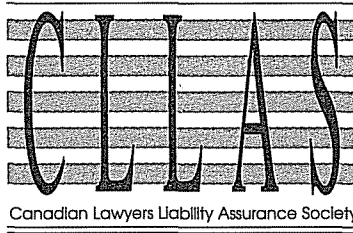
2.6.1 the Board becoming aware of any significant liability with respect to any claim;

2.6.2 capital market prospects;

2.6.3 the risk tolerance of the members of CLLAS; and

2.6.4 any other factors considered relevant by the Board.

- 3.6. If any CLLAS Agent has doubt as to whether a particular situation represents a conflict of interest, he or she may provide the necessary information to the Chairman or Vice Chairman and request that the Board determine whether or not a conflict exists. He Chairman or Vice Chairman shall record such requests and include them on the agenda for the next Board meeting for determination.
- 3.7. The obligation of CLLAS Agents under this Policy are in addition to those imposed on CLLAS Agents by any professional organization with which they may be associated.
- 3.8. The Chairman shall provide each member of the Board, the General Manager and the Investment Manager with a copy of this Policy. The Board may require periodic confirmation of compliance with this Policy.



PRIVATE & CONFIDENTIAL
MEMORANDUM

DATE: Monday, September 8, 2008
TO: Nick Leblovic
FROM: Patrick Mahoney *PM*
RE: Proposed Website Development
CC: Joe Tontini

We have discussed over the past few months the possibility of establishing a CLLAS website. In order to evaluate this concept, attached is a brief overview of the idea and the potential benefits and costs. The main purpose of the website would be to add value to the CLLAS subscribers and streamline certain processes.

Concept

What we suggest is a basic main page including only the CLLAS logo and two log-in areas: Firm Log-In and Board Member Log-In. These log-ins would differentiate the website from that point forward. The Firm log-in is specific to the individual firms (with only that firm's information accessible, for example), while the Board log-in would be to access common materials for the Board. Log-ins would require a password and passwords would be changed regularly by the General Manager's office for security purposes. The level of Log-In security would be similar to that of on-line banking with the added advantage of being able to deliver log-in support on a personal level which would only further enhance the security profile of the site.

Consideration should also be given to the benefits of a long-in for reinsurers and excess insurers. We believe that there is value in allowing limited access to these entities but there are logistical issues that would need to be worked out and the initial "build" of the website would not focus on this area.

The following areas are illustrative of what could be accessed via each log-in:

I. Firm Log-in

1. News
 - a. Highlights of policy changes
 - b. Updates on reinsurance markets
 - c. Membership bulletins
 - d. Etc.

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2. Policy
 - a. Download and online review of the policy
 - b. Policy interpretation information
 - c. Disclosure Statements
3. Applications
 - a. The current renewal application
 - i. Electronic pre-filled (where possible/appropriate) application
 - ii. Printable, portable, and electronically fill-able (Adobe Acrobat form)
(Online forms were considered, but they do not have the flexibility that Adobe Acrobat forms offer in terms of portability and flexibility for the end user)
 - b. The prior year's application for reference
4. Claims
 - a. Claim report forms for download
5. Risk management guidelines
6. Contact numbers and email addresses

II. Board Member Log-in

1. Meetings
 - a. Schedules
 - b. Materials
 - i. Agenda
 - ii. Presentations
 - iii. Memos
 - iv. Reports
 - c. Minutes
2. Archives/Library
(Doubles as the closing binder traditionally given to new board members)
 - a. Financial Statements
 - b. Reciprocal Rules
 - c. Subscribers' Agreement
 - d. Presentations
 - e. Past Minutes
 - f. Reports
 - i. Management
 - ii. Rating
 - iii. Actuarial
 - iv. Risk Management

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The Board Member log-in area would store and, depending on Board member preference, could replace the hard-copy delivery of materials. Once a meeting has taken place, the materials from the meeting will be moved to the archive area where members will be able to access the materials, easing filing and retrieval issues for Board members.. As an added benefit, the archive/library section will also replace the current closing binder.

Implementation:

There are three areas of development required to put this sort of service in place:

1. Web space
 - a. Online architecture into which the materials are placed, including secure log-in areas
 - b. Initial setup and site design (including graphics)
2. Materials
 - a. Gathering and digitizing archive and current materials
 - b. Reconfiguring of applications and application systems to support adobe electronic forms
3. On-going maintenance
 - a. News item updates
 - b. Archiving materials
 - c. Claim updates
 - d. Upload of new materials

Cost:

As with any project of this nature, the following is an estimate. If it is decided to pursue this concept further, a more refined estimate can be provided reflecting any changes resulting from feedback received from the above proposal. It is anticipated that the delivery of the website would be 8 to 12 weeks from the time of approval.

	One-time cost	Subsequent Annual Cost
1. Web space	\$15,000	\$2,500 Additional expenses relating to log-in database changes and website design updates, as required
2. Materials	\$15,000	n/a
3. On-going maintenance	n/a	\$2,500 Additional expense related to moving materials to archive and updating/uploading both firm and board member materials on the internet
Total	\$30,000	\$5,000