

**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 16, 2008.

There being no further business, the meeting was terminated.

Chairman

Secretary

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

**Minutes of a Meeting of the Advisory Board
(Designated as the Annual Meeting of the Subscribers pursuant to
Section 5.13 of the Subscribers' Agreement)**

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

Tuesday, February 26, 2008

Present:

Nicholas Leblovic (Chairman)	Davies Ward Phillips & Vineberg LLP
Julia Holland	Torys LLP
Richard Prupas	Blake, Cassels & Graydon LLP
Robert Love	Borden Ladner Gervais LLP
Chris Woodbury	Fraser Milner Casgrain LLP
Gale Rubenstein	Goodmans LLP
Bill Scott	McCarthy Tetrault LLP
Les O'Connor	WeirFoulds LLP
Frank Palmay	Lang Michener
Anne Marie Witner	Cassels, Brock & Blackwell LLP
Donald Milner	Fasken Martineau DuMoulin LLP
Norma Ibbetson	Dion, Durrell + Associates
Patrick Mahoney	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 December 11, 2007 Meetings of the Advisory Board

It was moved by Chris Woodbury and seconded by Gale Rubenstein that the minutes of the December 11, 2007 meeting of the Advisory Board be approved. The motion was carried unanimously.

4. Business Arising Out of the Minutes

Items will be addressed as they arise throughout the agenda.

5. Comments of the Chair

Committee membership for 2008 has been set and details were circulated by email in January 2008.

The Chair has been working with Stephen Ruby on the CLLAS restructuring options that have been discussed in the past. Dion Durrell is to consider implications of restructuring on the surplus. The plan is to strike a small committee and move forward to finalize changes to CLLAS in 2008.

Stephen Ruby is also reviewing the QST issue that has arisen with some of the CLLAS member firm branch offices in Quebec. Timeline for delivery of his opinion is before the July 2008 policy renewal.

There was some discussion on making permanent the Board resolution permitting CLLAS to utilize, as required during the reinsurance renewal process, an increase in its retention of up to \$15 million. This would eliminate the need to come back to the Board each June for permission when negotiating with the reinsurance markets, but it would be understood that options would ideally be presented to the Board so that an informed decision could be made before actually increasing the retention. The General Manager's office will draft a resolution to be circulated prior to the next meeting for discussion.

The General Manager's office is currently reviewing the drop-down coverage being purchased by some firms to cover the \$250,000 to \$1,000,000 gap existing in their cover due to limitations in the LawPRO policy (i.e. retired lawyers). The issue will be reviewed and priced and perhaps included in the renewal discussions.

Consideration is being given to a CLLAS website. The website would host policy wordings, risk management policies and other member information. It would be accessible only by CLLAS firms and perhaps in a limited capacity by the reinsurers.

The Chair reported that he would be meeting with the London markets in the spring. He is also hoping to meet with selected commercial insurers on the excess program through Pro-form.

Consideration is being given to whether it would be worthwhile to utilize CLLAS' buying power to access other insurance. Dion Durrell is reviewing this issue and have discussed it with CHUBB, who apparently already have all the CLLAS firms' office policies. The leverage to be gained therefore is the utilization of the same broker and maybe accessing other insurance products, i.e. LTD.

CLLAS International has had a good first year. This is the program brokered by HUB on behalf of the CLLAS firms with material foreign office exposures. Dion Durrell has studied the possibility of a CLLAS product versus using the commercial market. Benefits of a CLLAS program would include a streamlined claims management process would be similar to current CLLAS process. There is the potential to work with the ALAS group in the U.S., who might want to act as a reinsurer for CLLAS. Nothing will happen on this front at July 1, 2008.

The Chair indicated that he hoped that all CLLAS members would commit to risk management audits before his meeting with the London markets in May.

6. **Report of the General Manager's Office**

December 31, 2007 Financial Statements

Patrick Mahoney reviewed the December 31, 2007 Management Report and audited financial statements. He noted that some figures itemized in the Management Report had been consolidated in the Audited Financials and, as a result, the Management Report provides the Board with a little more detail. There has been a substantial net gain due to favorable loss development. CLLAS has Subscribers Equity of \$15.5 million, up from \$10.8 million the previous year. The year finished better than projected at start of 2007. Discussions have taken place at various Board meetings with respect to a CLLAS-specific surplus target in the range of \$11 million and no action is required on this at this time.

A review of the Budget Variance Analysis will take place under the presentation of the FY08 Budget.

Actuarial Report

Patrick Mahoney briefly reviewed the Valuation of Policy Liabilities as at December 31, 2007 prepared by Dion, Durrell + Associates. The valuation was reviewed by the actuary in some detail with the Audit Committee at the meeting on February 21, 2008 and a copy of the actuary's presentation along with the complete Valuation was included in the Board meeting material.

It was moved by Donald Milner and seconded by Bill Scott that Liam McFarlane of Dion, Durrell + Associates be re-appointed as CLLAS' actuary for 2008. The motion was carried unanimously.

2008 Operating Budget

Mr. Mahoney presented the proposed 2008 fee portion of the budget, including an explanation of the variances from budget for Dion Durrell fees.

In FY08 the proposal is to increase Management Services fees by \$27,000, primarily attributable to an increase in the level of activity on the financial reporting line, and Professional Services fees by \$20,000.

As in the past, Management Services will be provided on a fixed fee basis except for the claims analysis line item, which will remain variable. Professional Services will continue to be rendered on a fee for service basis.

It was moved by Gale Rubenstein and seconded by Frank Palmay that the 2008 Budget be accepted as presented, subject to finalizing some items under the Other Expenses heading. The motion was carried unanimously.

Surplus Management/FY08 Business Plan

Patrick Mahoney reported that the Business Plan is now a requirement for all Ontario-regulated insurers and is simply a projection of CLLAS' financial position to the end of

2008. This document will be filed^d with FSCO after today's meeting.

Due to the improvement in CLLAS' bottom line over the past year, CLLAS is in sound shape from a surplus perspective.

Reinsurance Rating

This is a due diligence item for the Advisory Board. Dion Durrell recently updated the rating information for all reinsurers involved with CLLAS since July 1, 1999. All but one company (Unionamerica) is rated by either or both of AM Best and S&P and that company is in run-off and currently meeting its obligations.

7. Report of the Audit Committee

Donald Milner reported on behalf of the Audit Committee. The Committee met in November for a pre-audit planning meeting and again on February 13, 2008 by conference call to review the draft financials prepared by the General Manager's office. The annual year end meeting took place with the auditor and actuary on February 21, 2008 to review the draft annual financial statements, actuarial report and P&C 1 annual filing. The Audit Committee also met with the auditors separately from the management team. The auditors confirmed that they had found no significant errors or irregularities in the statements and there had been no disputes over accounting and disclosure practices or non-compliance with regulatory requirements. The auditors therefore issued an unqualified opinion. Accordingly, the Audit Committee recommended that the 2007 financial statements be approved.

It was moved by Donald Milner and seconded by Gale Rubenstein that the Financial Statements for the year ended December 31, 2007, and the report of Deloitte thereon, be approved. The motion was carried unanimously.

It was moved by Donald Milner and seconded by Les O'Connor that Deloitte be re-appointed as auditors of CLLAS for 2008. The motion was carried unanimously.

The P&C1 filing was to be signed and processed in due course.

8. Report of the Claims Committee

Patrick Mahoney reported on behalf of the Committee. He reviewed the claims report at December 31, 2007. Currently there is a lot of management activity being expended on a small number of claims.

- Claim 1 – series of tax schemes going through CRA re-assessment process.
- Claim 3 – effectively settled and going through the approval process.
- Claim 11 – failed to settle at mediation.
- Claim 24 – CLLAS and the insurers for the U.S. office are disputing who is responsible for potential settlement.

9. Report of the Risk Management Committee

Bill Scott reported on behalf of the Committee members, Julia Holland and David Morritt with respect to current risk management initiatives.

John Walker will be attending a risk management seminar on behalf of CLLAS in the U.S. and will provide a summary report to the Committee.

Mr. Scott reported that CLLAS is having some difficulty lining up firms for the audit process in 2008. He suggested that this is simply a concern that the audit would be too intrusive and offered to speak with those firms' management committees who have not yet completed an audit to review the process with them and to remind them that CLLAS will pay ~~have~~ the cost.

Risk Management Seminar

Date is April 15, 2008 at McCarthy's office. It will be a 2 hour program from 3:00 to 5:00 p.m. with refreshments to follow.

Bill Scott will follow up with the firms to determine the list of attendees.

10. **Report of the Peer Review Committee**

how?
Tillinghouse will undertake the review of CLLAS. Fee estimates are in the \$100,000 to \$125,000 range to complete plus taxes and disbursements. Report to be delivered by mid-calendar year.

It was moved by Richard Prupas and seconded by Les O'Connor that the Peer Review proceed as proposed with costs not to exceed \$125,000. The motion was carried unanimously.

11. **Report of the Policy Committee**

Gale Rubenstein reported to the Board. The Committee consists of Gale Rubenstein, Glenn Leslie and Gordon Goodman. The agenda items for 2008 include a review of the D&O policy prior to July 1 renewal to incorporate any identified changes. Also being considered is a review of the application to include a definition of "of-counsel". A final version will be included in the upcoming reinsurance renewal submission.

12. **Report of the Investment Manager at December 31, 2007**

The investment manager's report for the fourth quarter of 2007 was included in the meeting material as an information item. A review on the process for benchmarking the Investment Manager's performance and possible changes required coming out of the review will be reported on at the June Advisory Board meeting.

13. **Other Business**

An update on the reinsurance arbitration was provided.

14. **Next Meeting**

The next meeting will be held on June 17, 2008.

There being no further business, the meeting was terminated.

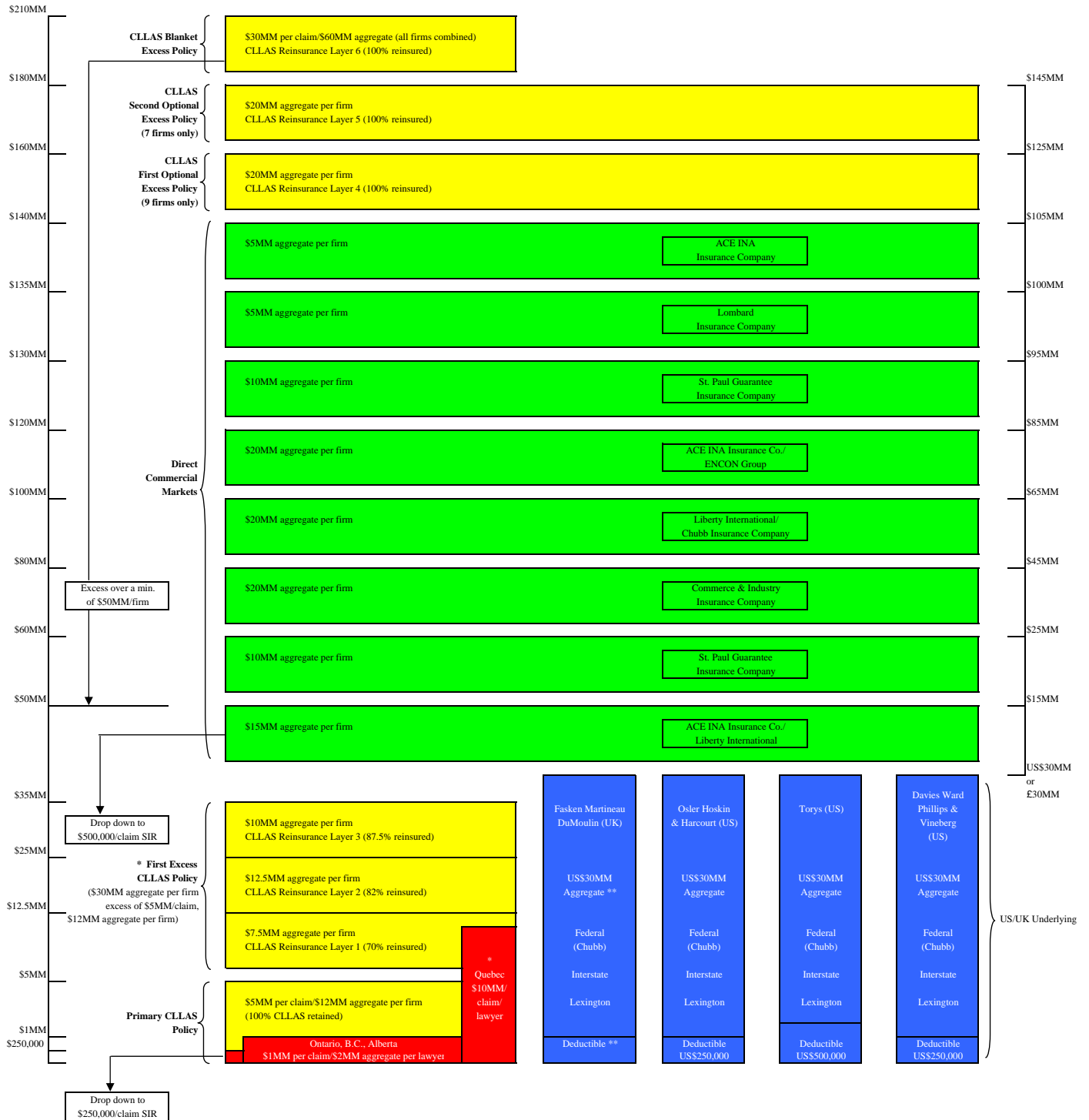
Chairman

Secretary

CLLAS LIMIT STRUCTURE
JULY 1, 2007 - JULY 1, 2008

Canadian Exposures

US Exposures



* The First Excess CLLAS 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.
Policy Period: October 1, 2007 to July 1, 2008.

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

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY (CLLAS)				2007-2008 REINSURANCE CASH FLOW/PAYMENT SCHEDULE - INFORMATION AS AT JULY 1, 2007 \1																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 \$20MM XS \$160MM		LAYER 6 \$30/60MM XS MIN \$50MM									
REINSURERS		SHARE	PREMIUM	SHARE	PREMIUM	SHARE	PREMIUM	SHARE	PREMIUM	SHARE	PREMIUM	SHARE	PREMIUM	DUE JUL.15, 2007\2	DUE SEP. 1, 2007\3	DUE OCT. 1, 2007\3	DUE JAN.1, 2008\4	DUE APR. 1, 2008\3	GRAND TOTAL		
TOTAL PROPORTIONAL		100.00%	\$8,063,640	100.00%	\$5,872,650	100.00%	\$1,988,999	100.00%	\$679,995	100.00%	\$410,002	100.00%	\$1,027,107						18,042,393		
CLLAS PROPORTIONAL RETENTION		30.00%	\$2,419,092	18.00%	\$1,057,077	12.50%	\$248,625	0.00%	\$0	0.00%	\$0	0.00%	\$0						3,724,794		
PROPORTIONAL REINSURERS																					
Lloyd's		25.50%	\$2,056,228	20.50%	\$1,203,893	40.91%	\$813,699	11.00%	\$74,799	50.00%	\$205,001	55.00%	\$564,909		1,229,632	1,229,632	1,229,632	1,229,632	4,918,529		
London Companies																					
Transatlantic Re (Can. Lic.)		12.50%	\$1,007,955	12.50%	\$734,081										435,509	435,509	435,509	435,509	1,742,036		
Hannover Ruck. (Can. Lic.)				16.00%	\$939,624									469,812			469,812		939,624		
Aspen Re (Can.Lic.)		12.00%	\$967,637	11.00%	\$645,992	9.09%	\$180,800							897,215			897,215		1,794,429		
Sub-Total London Cos.		24.50%	\$1,975,592	39.50%	\$2,319,697	9.09%	\$180,800	0.00%	\$0	0.00%	\$0	0.00%	\$0		1,119,022	1,119,022	1,119,022	1,119,022	4,476,089		
Total London Market		50.00%	\$4,031,820	60.00%	\$3,523,590	50.00%	\$994,500	11.00%	\$74,799	50.00%	\$205,001	55.00%	\$564,909		2,348,655	2,348,655	2,348,655	2,348,655	9,394,618		
Payable to Miller															1,665,141	1,665,141	1,665,141	1,665,141	6,660,565		
Payable to Hannover Ruck. Payable to Aspen Re														469,812 897,215			469,812 897,215		939,624 1,794,429		
Canadian Companies																					
Arch Insurance Company of Canada		12.50%	\$1,007,955											503,978			503,978		1,007,955		
AWAC (not Can. Lic.)								64.00%	\$435,197					217,599			217,599		435,197		
CRC (Bermuda) Reinsurance Limited (not Can. Lic.)		5.00%	\$403,182	5.00%	\$293,633									348,408			348,408		696,815		
GCAN Insurance Company										25.00%	\$102,501			51,251			51,251		102,501		
Scor Reinsurance				6.00%	\$352,359	12.50%	\$248,625					10.00%	\$102,711	351,848			351,848		703,695		
Swiss Re. Co. Canada						25.00%	\$497,250	25.00%	\$169,999	25.00%	\$102,501	35.00%	\$359,487	564,619			564,619		1,129,237		
TOA Re		2.50%	\$201,591	2.50%	\$146,816									174,204			174,204		348,407		
Transatlantic Re				8.50%	\$499,175									249,588			249,588		499,175		
Sub-Total Canadian Cos.		20.00%	\$1,612,728	22.00%	\$1,291,983	37.50%	\$745,875	89.00%	\$605,196	50.00%	\$205,002	45.00%	\$462,198	2,461,491			2,461,491		4,922,982		
TOTAL PROPORTIONAL REINSURERS		70.00%	\$5,644,548	82.00%	\$4,815,573	87.50%	\$1,740,375	100.00%	\$679,995	100.00%	\$410,003	100.00%	\$1,027,107	2,461,491	2,348,655	2,348,655	4,810,146	2,348,655	14,317,600		
AGGREGATE STOP-LOSS REINSURERS																					
Colchester														1,300,374			1,300,374		2,600,748		
TOTAL REINSURANCE COST														3,761,865	2,348,655	2,348,655	6,110,520	2,348,655	16,918,348		
PROPORTIONAL REINSURANCE																					
Rate per Lawyer		\$1,840		\$1,300		\$445		\$162		\$145		\$218									
Rate per Quebec Lawyer		\$1,120		\$1,000		\$317		N/A		N/A		N/A									
Total # Lawyers other than Quebec at 7/1/07		3823		3823		3823		3237		2181		3823							3,823		
Total # Quebec Lawyers at 7/1/07		841		841		841		797		500		841							841		
Total # US/UK Lawyers at 7/1/07 \5		0		0		0		119		119		0							119		
Total # NLC at Lawyer Rate at 7/1/07 \6		18		18		18		17		13		18							18		
Rate per P&T Agent \7		\$920		\$650		\$223		\$81		\$73		\$109									
Total # P&T Agents at 7/1/07		49		49		49		47		25		49							49		
Total # NLC at P&T Rate at 7/1/07		10		10		10		8		4		10							10		
R/I Licensed		65.00%	\$5,241,366	77.00%	\$4,521,941	87.50%	\$1,740,374	36.00%	\$244,798	100.00%	\$410,002	100.00%	\$1,027,107						13,185,588		
R/I Unlicensed		5.00%	\$403,182	5.00%	\$293,633	0.00%	\$0	64.00%	\$435,197	0.00%	\$0	0.00%	\$0						3,732,760		
NLC = Non-lawyer Consultant																					
NOTES: \1 This is an information document, not an accounting ledger.																					
\2 Semi-annual instalment for Canadian Companies and Colchester.																					
\3 Quarterly instalment for Miller. Fund should be sent to Miller with about 2 weeks lead time.																					
\4 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.																					
\5 These are OHH, Torys & DWPV lawyers in the US and FMD lawyers in UK. They are not covered by Layers 1, 2, 3, 6 and Colchester.																					
\6 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.																					
\7 Applicable in all provinces.																					
SPECIAL NOTE: CLLAS RETAINED 100% OF THE FIRST \$4MM XS \$1MM LAYER SINCE JULY 1, 2002.																					
CLLAS RETAINED 30% OF LAYER 1 SINCE JULY 1, 2007.																					

Exhibit C**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY****2007/2008 Reinsurers Security Rating
as at June 3, 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, 2007-2008



2007 EXHIBIT

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

REINSURANCE CEDED
FINANCIAL SERVICES COMMISSION OF ONTARIO GUIDELINES

	CALENDAR YEAR 2007	RATIO OF DIRECT PREMIUM
A. 2007/2008 CONTINGENCY RESERVE ADJUSTMENT	\$101,720	
B. 2007/2008 PREMIUM FOR LAWYERS	\$25,358,306	
C. 2007/2008 GOODMAN AND CARR LATERAL HIRE EXTENSION ENDORSEMENT PREMIUM	\$47,600	
D. 2007/2008 FIRST OPTIONAL EXCESS LAYER PREMIUM FOR LAWYERS	\$772,458	
E. 2007/2008 SECOND OPTIONAL EXCESS LAYER PREMIUM FOR LAWYERS	\$464,800	
F. 2007/2008 PREMIUM FOR P&T AGENTS	\$145,628	
G. 2007/2008 FIRST OPTIONAL EXCESS LAYER PREMIUM FOR P&T AGENTS	\$4,371	
H. 2007/2008 SECOND OPTIONAL EXCESS LAYER PREMIUM FOR P&T AGENTS	\$2,075	
I. 2007/2008 PREMIUM FOR NON-LAWYER CONSULTANTS	\$136,694	
J. 2007/2008 FIRST OPTIONAL EXCESS LAYER PREMIUM FOR NON-LAWYER CONSULTANTS	\$3,906	
K. 2007/2008 SECOND OPTIONAL EXCESS LAYER PREMIUM FOR NON-LAWYER CONSULTANTS	\$2,490	
L. DIRECT WRITTEN PREMIUM	\$27,040,048	100.0%
M. REGISTERED REINSURANCE		
N. PROPORTIONAL REINSURANCE	\$13,185,588	
O. AGGREGATE REINSURANCE	\$0	
P. TOTAL REGISTERED REINSURANCE	\$13,185,588	48.8%
Q. UNREGISTERED REINSURANCE		
R. PROPORTIONAL REINSURANCE	\$1,132,012	
S. AGGREGATE REINSURANCE	\$2,600,748	
T. TOTAL UNREGISTERED REINSURANCE	\$3,732,760	13.8%
U. TOTAL REINSURANCE	\$16,918,348	62.6%

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: June 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: Preliminary Report on CLLAS Rating and Reinsurance Placement
July 1, 2008/2009**

The purpose of this report is to provide the CLLAS Board with a preliminary look at the rating and reinsurance placement for July 1, 2008/2009. For ease of reference, we have attached the following exhibits from 2007/2008:

- A. CLLAS Limit Structure
- B. CLLAS Reinsurance Schedule
- C. CLLAS Reinsurance Security Ratings (as of June 3, 2008)
- D. Colchester Limit Structure
- E. Colchester Retrocession Protection Schedule
- F. FSCO Reinsurance Guidelines

Objectives

We conducted our actuarial rating exercise and included the findings in our submission to reinsurers. The findings reveal that the expected loss costs have generally gone down due to favourable loss development over the past two years.

On the basis the expected loss cost reductions and the current market conditions, our objectives for the July 1, 2008 – July 1, 2009 term were as follows:

1. Negotiate reinsurance rates that were reflective of the actuarial analysis which meant a 5% to 19% reduction in rates depending on the layer of coverage and the territory in question (Quebec vs. other locations).
2. Investigate the possibility of a rolling two-year term.
3. Reduce the CLLAS aggregate retention in the primary CLLAS layer to \$5,000,000 from \$12,000,000 in the current year.

As usual, we have taken a pro-active approach to reinsurance negotiations by actuarially determining the expected loss cost for each of the CLLAS layers and recommending an appropriate reinsurance rate based on the expected loss costs. The following is a layer-by-layer description of the current placement and proposed terms and conditions:

CLLAS Primary Policy – \$5,000,000 per Claim/\$12,000,000 Aggregate

The Primary Policy currently provides coverage per firm of \$5,000,000 per claim, 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 \$4,750,000 of coverage excess of \$250,000 deductible. The maximum CLLAS retention on any one claim is \$4,750,000 and the current maximum CLLAS annual aggregate retention in the Primary Policy is \$12,000,000 per firm.

We are proposing to reduce the per firm CLLAS aggregate retention from \$12,000,000 to \$5,000,000 at renewal. The expiring First Excess Policy provides \$30,000,000 aggregate per firm excess of the Primary Policy. If a lower aggregate applies in the Primary Policy, this policy would have the potential to drop down sooner in the event of multiple claims reported by the same law firm. We do not expect reinsurers to react too positively to this suggestion but we felt that it would be an important bargaining chip for the negotiation process.

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 adds a loading for the possibility of dropping down to \$250,000.

For the expiring policy term, CLLAS charges members an average rate of \$2,004 per lawyer and \$1,002 per patent & trademark agent for the Primary Policy. Quebec lawyers were charged at \$300 each due to the \$10,000,000 limit of the Barreau du Quebec. CLLAS members should expect an overall decrease in the average rate of 7% (a 1% increase in Quebec and an 8% decrease in other locations) for the 2008/2009 term.

CLLAS is prepared to offer an alternative to the existing drop down and in-fill protection from \$250,000 down to \$25,000 for those coverages provided by CLLAS but not by underlying policies. The additional cost per lawyer for this added protection would be \$68 per lawyer.

This means that the firm deductible for retired lawyers, vicarious liability, non-lawyer P&T agents and other “difference in conditions” exposures would be \$25,000 instead of \$250,000. This would be of particular interest to those firms purchasing separate coverage for P&T agents and other non-lawyer consultant exposures.

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:	30% or \$2,250,000
Expiring Reinsurance Rate:	\$1,120 per lawyer in Quebec/\$1,840 per lawyer in locations other than Quebec/\$920 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. In our negotiations with reinsurers, we have proposed a 19% rate decrease for lawyers in Quebec and a 14% decrease for lawyers outside of Quebec. The proposed rates reflect the decreased expected loss costs with appropriate consideration for a risk and expense margin.

Reinsurance Layer 2

Limit:	\$12,500,000 aggregate per firm excess of \$12,500,000
CLLAS Retention:	18% or \$2,250,000
Expiring Reinsurance Rate:	\$1,000 per lawyer in Quebec/\$1,300 per lawyer in locations other than Quebec/\$650 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. In our negotiations with reinsurers, we have proposed a 14% rate decrease for lawyers in Quebec and a 16% decrease for lawyers outside of Quebec. The proposed rates reflect the decreased expected loss costs with appropriate consideration for a risk and expense margin.

Reinsurance Layer 3

Limit:	\$10,000,000 aggregate per firm excess of \$25,000,000
CLLAS Retention:	12.5% or \$1,250,000

Expiring Reinsurance Rate: \$317 per lawyer in Quebec/\$445 per lawyer in locations other than Quebec/\$223 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 have proposed a minor rate decrease (5%) for lawyers both in Quebec and outside of Quebec.

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

Currently, CLLAS charges its members \$3,689 per lawyer (\$2,587 for Quebec lawyers) and \$1,845 per patent & trademark agent for the First Excess Policy. On the basis of the proposed reduced reinsurance rates, CLLAS members should expect average decrease in premium of 14% for the 2008/2009 term.

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

This policy is currently purchased by 9 members.

Limit:	\$20,000,000 aggregate per firm excess of \$135,000,000 aggregate per firm excess of the CLLAS Primary Policy
CLLAS Retention:	nil
Expiring Reinsurance Rate:	\$162 per lawyer/\$81 per P&T agent

The most recent actuarially determined price for this layer is \$3 on a discounted basis compared to \$10 the year before or a 70% decrease. At this high level, the reinsurance costs are driven more by market conditions and the cost of capacity than by actuarial calculations. We have proposed a rate decrease of 15%.

CLLAS currently charges its members \$186 per lawyer and \$93 per patent & trademark agent for the First Optional Excess Policy. If the proposed reinsurance rate decrease is achieved, CLLAS should be in a position to apply a premium reduction of approximately 17% at renewal.

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

This policy is currently purchased by 7 members.

Limit: \$20,000,000 aggregate per firm excess of \$155,000,000 aggregate per firm excess of the CLLAS Primary Policy
CLLAS Retention: nil
Expiring Reinsurance Rate: \$145 per lawyer/\$73 per P&T agent

The most recent actuarially determined price for this layer is \$1 on a discounted basis compared to \$7 the year before or a 85.7% decrease. At this high level, the reinsurance costs are driven more by market conditions and the cost of capacity than by actuarial calculations. We have proposed a rate decrease of 15%.

CLLAS currently charges its members \$166 per lawyer and \$83 per patent & trademark agent for the Second Optional Excess Policy. If the proposed reinsurance rate decrease is achieved, CLLAS should be in a position to apply a premium reduction of approximately 17% at renewal.

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
Expiring Reinsurance Rate: \$218 per lawyer/\$109 per P&T agent

The most recent actuarially determined price for this layer is \$6 on a discounted basis compared to \$22 the year before or a 72.7% decrease. Again, at this high level, the reinsurance costs are driven more by market conditions and the cost of capacity than by actuarial calculations. We have proposed a 15% reduction at renewal.

CLLAS charges its members \$250 per lawyer and \$125 per patent & trademark agent for the Umbrella Excess Policy. If the proposed reinsurance rate decrease is achieved, CLLAS should be in a position to apply a premium reduction of approximately 17% at renewal.

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

Reinsurers

CLLAS will try to retain all of the incumbent reinsurers and is at the same time exploring other new markets.

Since 2005/06, Swiss Re (Canada) “fronts” 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. We expect this arrangement to continue for the upcoming policy term.

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

Security Ratings

The current security ratings of each of the existing reinsurers are set forth in Exhibit “C”. CLLAS monitors the ratings on an ongoing basis and reports to the Board as appropriate.

Policy Wording Changes

As mentioned before, we are contemplating the possibility of reducing the aggregate limit per firm on the CLLAS Primary Policy from \$12,000,000 to \$5,000,000 at renewal.

Four member firms maintain an office in the US/UK. Each of them purchases a dedicated primary policy to cover their exposures of the office in question. All of these policies are written with the same group of insurers under a program referred to as “CLLAS International”. In certain cases involving claims against the firms with policies issued under the “CLLAS International” program, the claims may be covered by both the CLLAS policies and the “CLLAS International” policies. In order to address situations where there may be a disagreement between CLLAS and the insurers under the CLLAS International policies as to the allocation of liability for such claim, CLLAS expects to enter into an arbitration agreement with the CLLAS International insurers. CLLAS may issue an endorsement to its policy that acknowledges the arbitration agreement.

Aggregate Stop-Loss Protection

The current aggregate stop-loss protection provided by Colchester Reinsurance Limited is as follows:

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

Rate: \$552 per lawyer/\$276 per P&T agent

We expect a rate reduction of 35% at renewal. We understand that Colchester will continue to purchase retrocession protection for \$20,000,000 excess of \$20,000,000.

FSCO Reinsurance Guidelines

Exhibit “F” sets forth the reinsurance calculations based on the expiring 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 62.6% total reinsurance and 13.8% unregistered. CLLAS is well within the guideline with respect to both registered and unregistered reinsurance.

Concluding Remarks

As of the date of this memo, we have not received any firm terms and conditions from underwriters for renewal but we hope to be in a position to confirm renewal terms at the Advisory Board meeting scheduled for June 17, 2008. We have preliminary indications from Beazley, the lead Lloyd’s syndicate for Layer 1, of a 15% reduction in Quebec and a 12% reduction for other locations.

We have had mixed reactions to the proposed two-year rolling term. Some underwriters have acknowledged the “soft” market conditions and seem prepared to offer a two-year term. Others are absolutely adamant about not offering a two-year term, vowing never to repeat the sins of the past when multi-year terms at the bottom of the cycle resulted in disastrous returns for reinsurers. This was the case the last time CLLAS negotiated a multi-year term, i.e. from 1999 to 2002 (note that 9/11 occurred during this multi-year term) when reinsurers experienced three out of three years of claims penetrating the reinsurance layers. Based on the fact that some of our most important reinsurers are taking a hard line on the subject, we are not very optimistic about achieving a multi-year deal.

It should be noted that a multi-year deal can have a number of outcomes. It can result in a win-win situation which is what both parties would want to achieve. It could turn out to be detrimental to reinsurers if losses are experienced beyond “expected”. While this may seem like a “win” for CLLAS, the relationship with some reinsurers could be seriously damaged as was the case after 1999-2002. The market is difficult to predict and no one is prepared to forecast what will happen in 12 months’ time. An annual term would not necessarily be the worse outcome since the existing downward trend in CLLAS claims and the existing soft market conditions should enable us to secure better terms for the subsequent year.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

For the Period Ending March 31, 2008

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

March 31, 2008

CONTENTS

Exhibit I	Balance Sheet
Exhibit II	Income Statement
Exhibit III	Other Comprehensive Income
Exhibit IV	Operating Budget Variance Analysis

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
BALANCE SHEET
March 31, 2008

	<u>As at</u> <u>March 31, 2008</u>	<u>As at</u> <u>March 31, 2007</u>
ASSETS		
Cash	\$1,283,871	\$4,333,373
Investments		
Short Term	17,213,494	9,223,204
Bonds	26,578,793	22,730,539
Interest income due and accrued	300,379	209,867
Premiums receivable	0	(0)
Unearned reinsurance premium ceded	4,206,475	5,242,891
Prepaid Expenses	491,894	318,205
Deferred policy acquisition costs	202,800	250,171
Reinsurance recoverable	9,838,246	10,671,220
Other receivable	0	0
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	48,259,000	50,013,000
 Total Assets	 <u>\$108,374,951</u>	 <u>\$102,992,470</u>
 LIABILITIES		
Provision for unpaid claims and adjustment expenses	\$81,029,000	\$78,731,000
Provision for unpaid premium liabilities	\$2,629,821	\$3,789,774
Unearned premium	6,723,072	8,316,188
Due to reinsurers	0	0
Accounts payable & accrued charges	162,269	131,408
Premium taxes payable	0	0
 Total Liabilities	 <u>90,544,162</u>	 <u>90,968,370</u>
 SUBSCRIBERS' EQUITY		
Surplus	17,123,141	11,801,664
Accumulated Other Comprehensive Income (Loss),	707,647	222,436
	<u>17,830,789</u>	<u>12,024,100</u>
 TOTAL LIABILITIES AND SUBSCRIBERS' EQUITY	 <u>\$108,374,951</u>	 <u>\$102,992,470</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
INCOME STATEMENT
FOR THE PERIOD ENDED March 31, 2008

	Year to date Jan. 2008 to <u>March-08</u>	Previous year Jan. 2007 to <u>March-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	2,516,598	3,039,524
Earned Premiums	2,516,598	3,039,524
Claims Paid	206,595	16,531
Change in IBNR	656,000	1,797,000
Change in Case Reserve	(207,000)	(20,000)
Change in provision for Unpaid Premium liability	0	0
Incurred Claims	655,595	1,793,531
Management and Operating Expenses	398,230	343,107
Reinsurance Fees	66,250	66,250
Premium Taxes	202,800	250,171
Total Operating Expenses	667,280	659,528
Underwriting Gain (Loss)	1,193,722	586,465
Investment Income	454,468	384,770
Net Gain (Loss)	\$1,648,190	\$971,235
Subscribers' Equity - Beginning of Period	\$15,474,952	\$10,830,429
Less: Adjustment to opening Policy Liabilities	\$0	\$0
Subscribers' Equity - End of Period	\$17,123,141	\$11,801,664

**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME (LOSS) AND
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
FOR THE PERIOD ENDED March 31, 2008**

	Year to date Jan. 2008 to <u>March-08</u>	Previous year Jan. 2007 to <u>March-07</u>
Net Income	\$1,648,190	\$971,235
Other Comprehensive Income (Loss):		
Unrealized Gains and (Losses) on available-for-sale financial assets arising during the year	615,584	222,436
Reclassification of realized gains(losses) to the statement of operations		
Net change in the other comprehensive income for the year	615,584	222,436
Total Comprehensive Income (Loss)	<u>2,263,773</u>	<u>1,193,671</u>
Accumulated Other Comprehensive Income (Loss), beginning of year	\$92,064	\$0
Other comprehensive income (loss)	615,584	222,436
Balance at end of period	<u>707,647</u>	<u>222,436</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE THREE MONTHS ENDED March 31, 2008

	Annual Budget	Year to Date Budget % Accrued to Date	\$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES	382,000	25%	95,500	95,749	(249)
PROFESSIONAL SERVICES					
Actuarial Services	94,000	25%	23,500	51,046	(27,546)
Reinsurance Matters	260,000	25%	65,000	47,299	17,701
Strategic Matters	98,000	25%	24,500	18,123	6,377
Special, non-recurring	0	25%	0	0	0
Sub-Total Professional Services	452,000		113,000	116,468	(3,468)
Total Management & Professional Services * (See Note 1)	834,000		208,500	212,217	(3,717)
GST on Consulting Fees	41,700	25%	10,425	10,611	(186)
Total Consulting Services	875,700		218,925	222,828	(3,903)
OTHER EXPENSES					
Audit Expenses	60,000	25%	15,000	21,861	(6,861)
Annual Dinner	5,000	100%	5,000	4,848	152
Premium Taxes	811,201	25%	202,800	202,800	(0)
Chairman's Expenses	1,500	25%	375	0	375
Chairman's Honourium	60,000	100%	60,000	60,000	0
Reinsurance Expense	10,000	25%	2,500	0	2,500
Office Expenses	15,000	25%	3,750	6,499	(2,749)
Claims: Borderaux (LSUC)	13,850	25%	3,463	0	3,463
Special Services	100,000	25%	25,000	26,399	(1,399)
Special Services - Peer Review	125,000	25%	31,250	0	31,250
Miller Insurance Fees (Reins. Comm.) (See Note 2)	278,000	25%	69,500	66,250	3,250
I.B.C Statistical Plan Fees	12,000	25%	3,000	3,116	(116)
FSCO Assessment Fees	7,700	25%	1,925	10,152	(8,227)
Investment counsel fees	87,450	25%	21,863	25,407	(3,544)
Investment - Custodial	20,000	25%	5,000	6,450	(1,450)
Risk Management/Loss Prevention	80,000	25%	20,000	10,671	9,329
Sub-total	<u>1,686,701</u>		<u>470,425</u>	<u>444,453</u>	<u>25,972</u>
TOTAL	<u>\$2,562,401</u>		<u>\$689,350</u>	<u>\$667,280</u>	<u>22,070</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

RECEIVED

APR 25 2008

CLLAS

***CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY***

INVESTMENT REPORT
FOR QUARTER ENDING MARCH 31, 2008

MARTIN, LUCAS & SEAGRAM LTD.

INDEPENDENT INVESTMENT COUNSEL

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CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

COMMENTARY FOR THE QUARTER ENDING MARCH 31, 2008

Review of Market Yields

The yield curve shifted significantly lower during the first quarter as the Canadian and U.S. central banks moved aggressively to lower administered rates and investors sought a safe haven in government debt issues from ongoing turmoil in the credit markets. The largest change in yields occurred at the short end where 3-Month Treasury Bills fell 195 basis points. The drop in yields moderated as term increased, and for 10-year issues the reduction totalled 56 basis points.

	Jan. 1/95	Sept. 30/07	Dec. 31/07	Mar. 31/08
3-Month Treasury Bills	6.80%	3.96%	3.82%	1.87%
5-year Canadas	8.99%	4.20%	3.87%	2.91%
10-year Canadas	9.09%	4.34%	3.99%	3.43%

After allowing for capital added of \$1,113,685 less \$15,751 accrued bond interest debited on the purchase, the Long Term Investment Fund rose \$604,927 during the first quarter.

At March 31, 2008, the average term to maturity of the Long Term Investment Fund stood at 4.4 years, compared to 4.5 years three months earlier.

During the quarter, a Canada guaranteed bond matured and was replaced with a similar four-year issue. The balance of activity involved the transfer of some \$1.1 million to the Long Term Investment Fund, and these additions were used to purchase Canada agency issues in the five to seven year maturity range and an Ontario bond due in 2012.

The table below shows the distribution of the assets held in both the Short and Long Term Investment Funds at March 31.

<i>Distribution as at March 31, 2008</i>	<i>Valuation</i>	<i>%</i>
Short Term Investment Fund	\$12,137,335	31.4%
Long Term Investment Fund	26,577,460	68.6%
TOTAL COMBINED VALUATION	\$38,714,795	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 March 31, 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	Sept. 30/07	Dec. 31/07	Mar. 31/08
Valuation of Long Term Fund	\$3,466,369	\$24,383,690	\$24,874,598	\$26,577,460
Capital Added (Net) since January 1, 1995		\$20,130,358	\$20,431,048	\$21,528,983
Balance: Net Capital Appreciation since January 1, 1995		\$ 786,963	\$ 977,181	\$ 1,582,108
Cumulative % Increase since January 1, 1995 (Time-weighted Basis)		16.4%	17.3%	20.0%
Cumulative % Increase in DEX Short Bond Index		0.2%	0.6%	2.7%

TIME-WEIGHTED RATES OF TOTAL RETURN
FOR PERIODS ENDING MARCH 31, 2008
(ANNUALIZED)

	Five Years	Four Years	Three Years	Two Years	One Year	Last 3 Months
<i>Long Term Investment Fund</i>	<i>5.1</i>	<i>4.2</i>	<i>4.6</i>	<i>5.6</i>	<i>6.4</i>	<i>3.6</i>
DEX Canada Short Bond Index	4.8	4.1	4.6	5.8	7.2	3.5
DEX Provincial Short Bond Index	4.8	4.0	4.5	5.6	6.7	3.3

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	Sept. 30/07	Dec. 31/07	Mar. 31/08
Bonds, Treasury Bills & Cash Less than 1 year term	29.0%	6.0%	8.9%	5.6%
Canadas Greater than 1 year term	54.7%	39.4%	39.0%	42.0%
Provincials Greater than 1 year term	16.3%	39.1%	36.7%	37.7%
Corporates Greater than 1 year term	-	15.5%	15.4%	14.7%
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	Sept. 30/07	Dec. 31/07	Mar. 31/08
Under 1 year	29.0%	6.0%	8.9%	5.7%
1 - 3 years	19.8%	19.6%	19.5%	25.5%
3 - 5 years	29.3%	32.2%	31.2%	28.1%
5 - 7 years	11.4%	17.4%	20.7%	27.8%
7 - 10 years	10.5%	24.8%	19.7%	12.9%
TOTAL	100.0%	100.0%	100.0%	100.0%

CLLAS

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

COMPLIANCE REPORT AT MARCH 31, 2008

	Investment Limits	Investment Funds	Compliance
<i>Short Term Investment Fund</i>			
Maximum Term of Any Issue	1 year	0.31 years	Yes
Minimum Size	20% of Total	31.4%	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	8.2 years	Yes
Minimum Cda and Cda Guarantee Percentage	40%	43.9%	Yes
Maximum Provincial Percentage	40%	39.6%	Yes
Minimum Provincial Quality *	A	A	Yes
Maximum Corporate Percentage	20%	16.5%	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 March 31, the Short Term Fund represented 31.4% of the two Funds combined, which is above the 20% minimum required.

BOND MARKET COMMENTARY

Problems that first surfaced in the U.S. subprime mortgage market last summer have spread to practically all areas of the domestic and international credit markets. This has led to rising default rates, substantial loan losses and massive asset write-downs in the financial sector. While losses in mortgage securities have been responsible for most of the damage thus far, a significant tightening in the availability of credit is negatively affecting most participants in the credit markets.

As the credit crunch intensified, aggregate growth slowed to a crawl in the fourth quarter and may have turned negative in the first quarter. In the U.S., there has been a marked deceleration in consumer spending, employment growth has stalled, and the manufacturing and service sectors have started to contract. While the fallout on Canada has been less pronounced, overall growth has slowed and domestic demand is not expected to remain insulated from weakness in our largest trading partner and a high Canadian dollar. Historically, the Canadian economy lags the direction of the U.S. by three to six months, suggesting a domestic slowdown will become more evident before mid-year.

The central banks first responded to these developments through a series of small interest rate cuts and injections of short-term funding. However, these moves had limited impact and conditions in the broader financial markets continued to weaken. In the face of deteriorating fundamentals and substantial corrections in the financial markets, the U.S. Fed was compelled to move more decisively by lowering rates another 125 basis points in January. While this reduction provided temporary relief to the markets, growing fears that a financial crisis was at hand prompted the Fed to cut another 75 basis point in March and triggered the bailout of a major investment dealer. These extraordinarily expansive U.S. monetary policies have been supplemented with fiscal stimulus via tax rebates to be paid later this year. Meanwhile, the Bank of Canada has moved less aggressively and reduced rates by a total of 150 basis points.

North American bond prices have been buffeted by these developments and the results have been mixed. On the one hand, government bond yields have moved noticeably lower since the beginning of the year as investors sought out the strongest credits to maximize safety and liquidity. Corporate bond yields, on the other hand, have gone up on balance, particularly among the weaker issues as liquidity and credit concerns intensified.

At this juncture, fixed income investors are facing a challenging environment and market forecasts are fraught with uncertainty. Nevertheless, we believe domestic government bond yields still have some room to fall modestly over the near term. The Bank of Canada has indicated that further reductions in overnight rates are likely in light of the downside risks to the economy. As for corporate bonds, we think prices will remain volatile as investors weigh the possible duration and magnitude of the economic downturn. We expect a U.S. consumer led slump will prolong the stresses in the financial markets and believe it will take some time to unwind the credit excesses that were created during the expansion phase.

POLICY FOR THE LONG TERM INVESTMENT FUND

In weighing the possible outcomes, we think it is too early to be looking across an economic valley of uncertain length and depth. As a result, we think investors should remain patient and not reach for higher yields by downgrading credit quality. In the portfolio, we believe it is prudent to maintain the emphasis on government bonds and high quality financial issues. At the end of March, the average term of the Fund was 4.4 years. This rather defensive posture takes into account the longer-term inflationary implications of expansive monetary and fiscal policies coupled with the secular rise in food and energy prices.

RWB: sc

April 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.

CLLAS - SHORT TERM INVESTMENT FUND

Portfolio Holdings at March 31, 2008

<u>Quantity</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Annual Income</u>
CASH					
	Cash Account			12,841	0
MONEY MARKET ISSUES					
500,000	Bank of Nova Scotia 3.25% due April 4, 2008	99.78	99.96	499,802	16,214
500,000	Bank of Nova Scotia BA 3.60% due April 15, 2008	99.47	99.85	499,259	17,905
2,030,000	Canada Treasury Bill 3.66% due April 17, 2008	99.03	99.91	2,028,224	73,575
650,000	CIBC BA 3.70% due April 28, 2008	99.11	99.72	648,205	23,835
740,000	Canada Treasury Bill 3.05% due May 1, 2008	99.30	99.84	738,820	22,413
500,000	Royal Bank BA 3.60% due May 5, 2008	99.14	99.66	498,277	17,845
1,775,000	Canada Treasury Bill 2.20% due May 15, 2008	99.60	99.77	1,770,905	38,830
665,000	FirstBank B.A. 3.45% due June 2, 2008	99.16	99.38	660,906	22,749
350,000	CIBC BA 3.30% due June 3, 2008	99.24	99.37	347,812	11,462
1,700,000	Canada Treasury Bill 2.20% due June 12, 2008	99.44	99.63	1,693,652	37,189
750,000	Royal Bank BA 3.25% due June 20, 2008	99.22	99.21	744,094	24,185
1,120,000	Canada Treasury Bill 1.20% due June 26, 2008	99.69	99.55	1,115,007	13,399
885,000	Canada Treasury Bill 3.00% due July 24, 2008	98.75	99.38	879,532	26,218
				<u>12,124,494</u>	<u>345,819</u>
TOTAL PORTFOLIO				12,137,335	345,819

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 01-01-08 To 03-31-08

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
01-09-08	01-10-08	2,030,000	Canada Treasury Bill 3.66% due April 17, 2008	99.03	2,010,246.07
01-29-08	01-30-08	650,000	CIBC BA 3.70% due April 28, 2008	99.11	644,189.00
02-06-08	02-07-08	740,000	Canada Treasury Bill 3.05% due May 1, 2008	99.30	734,842.20
02-06-08	02-07-08	500,000	Royal Bank BA 3.60% due May 5, 2008	99.14	495,700.00
02-20-08	02-21-08	500,000	Bank of Nova Scotia BA 3.60% due April 15, 2008	99.47	497,350.00
02-20-08	02-21-08	885,000	Canada Treasury Bill 3.00% due July 24, 2008	98.75	873,937.50
03-03-08	03-04-08	665,000	FirstBank B.A. 3.45% due June 2, 2008	99.16	659,390.73
03-07-08	03-10-08	500,000	Bank of Nova Scotia 3.25% due April 4, 2008	99.78	498,889.50
03-07-08	03-10-08	350,000	CIBC BA 3.30% due June 3, 2008	99.24	347,330.90
03-07-08	03-10-08	1,700,000	Canada Treasury Bill 2.20% due June 12, 2008	99.44	1,690,422.20
03-07-08	03-10-08	1,775,000	Canada Treasury Bill 2.20% due May 15, 2008	99.60	1,767,967.46
03-20-08	03-24-08	1,120,000	Canada Treasury Bill 1.20% due June 26, 2008	99.69	1,116,549.28
03-20-08	03-24-08	750,000	Royal Bank BA 3.25% due June 20, 2008	99.22	744,168.75
					12,080,983.59
SALES					
01-10-08	01-10-08	2,030,000	Canada Treasury Bill 3.81% due January 10, 2008	100.00	2,030,000.00
01-29-08	01-29-08	645,000	CIBC BA 4.45% due January 29, 2008	100.00	645,000.00
02-07-08	02-07-08	1,215,000	Canada Treasury Bill 3.85% due February 7, 2008	100.00	1,215,000.00
02-21-08	02-21-08	535,000	Bank of Nova Scotia BA 4.40% due February 21, 2008	100.00	535,000.00
02-21-08	02-21-08	150,000	Canada Treasury Bill 3.55% due February 21, 2008	100.00	150,000.00
02-21-08	02-21-08	675,000	Canada Treasury Bill 3.65% due February 21, 2008	100.00	675,000.00
03-03-08	03-03-08	630,000	FirstBank BA 4.45% due March 3, 2008	100.00	630,000.00

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 01-01-08 To 03-31-08

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
03-20-08	03-20-08	1,525,000	Canada Treasury Bill 3.55% due March 20, 2008	100.00	1,525,000.00
03-20-08	03-20-08	600,000	Royal Bank BA 4.45% due March 20, 2008	100.00	600,000.00
					8,005,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
From 01-01-08 To 03-31-08

Cash Balance at January 1, 2008			2,970.18
ADD:	Proceeds from Sales	8,005,000.00	
	Capital Added	5,000,000.00	
	Bond Interest Credited	226,511.50	
	Interest Credited	<u>1,030.29</u>	<u>13,232,541.79</u>
			13,235,511.97
LESS:	Cost of Purchases	12,080,983.59	
	Transfer to Long Term Investment Fund	1,113,685.49	
	Investment Counsel Fees	21,552.47	
	Trust Company Charges	<u>6,449.70</u>	<u>13,222,671.25</u>
Cash Balance at March 31, 2008			12,840.72

CLLAS - LONG TERM INVESTMENT FUND**Portfolio Holdings at March 31, 2008**

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
GOVERNMENT BONDS					
500,000	Canada 6% due June 1, 2008	104.22	100.64	503,195	30,000
1,000,000	Canada 5-1/2% due June 1, 2009	99.83	103.31	1,033,120	55,000
500,000	Canada Housing Trust Sr. 9 3.75% due March 15, 2010	99.30	101.46	507,310	18,750
450,000	Canada 5-1/2% due June 1, 2010	99.77	106.13	477,572	24,750
500,000	Canada 4% due September 1, 2010	100.30	103.18	515,900	20,000
1,000,000	Canada Housing Trust 4.05% due March 15, 2011	99.02	102.27	1,022,670	40,500
1,000,000	Canada 6% due June 1, 2011	103.73	109.75	1,097,510	60,000
1,500,000	Canada Housing Trust Sr. 14 4.60% due September 15, 2011	101.74	104.10	1,561,425	69,000
2,200,000	Canada Housing Trust Sr. 16 4.00% due June 15, 2012	100.57	102.18	2,248,004	88,000
400,000	Canada Housing Trust Sr. 19 3.60% due June 15, 2013	100.26	100.20	400,792	14,400
600,000	Canada Mtge & Housing 4.30% due April 1, 2015	100.95	103.77	622,620	25,800
600,000	Canada Mtge & Housing Corp. 4.10% due October 1, 2015	97.72	102.35	614,106	24,600
1,000,000	Canada 4% due June 1, 2016	99.58	104.96	1,049,640	40,000
				<hr/> 11,653,864	<hr/> 510,800
PROVINCIAL BONDS					
500,000	Ontario 5.70% due December 1, 2008	97.60	101.94	509,715	28,500
500,000	Ontario 6.20% due November 19, 2009	100.77	105.03	525,170	31,000
500,000	British Columbia 6.375% due August 23, 2010	104.22	107.46	537,315	31,875
500,000	Ontario 6.10% due November 19, 2010	102.12	107.26	536,320	30,500
1,200,000	Ontario 4.4% due December 2, 2011	101.02	103.37	1,240,428	52,800
600,000	Ontario 4.50% due December 2, 2012	104.39	103.89	623,316	27,000
1,275,000	Ontario 4-3/4% due June 2, 2013	102.35	105.33	1,342,945	60,563

CLLAS - LONG TERM INVESTMENT FUND**Portfolio Holdings at March 31, 2008**

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
1,000,000	Manitoba 5.05% due December 3, 2013	101.61	106.99	1,069,900	50,500
750,000	Ontario 5% due March 8, 2014	102.63	107.01	802,553	37,500
750,000	Manitoba 4.80% due December 3, 2014	104.46	105.89	794,183	36,000
1,350,000	Ontario 4.5% due March 8, 2015	101.62	104.36	1,408,860	60,750
1,100,000	Ontario 4.4% due March 8, 2016	100.45	103.41	1,137,510	48,400
				<hr/> 10,528,214	<hr/> 495,388
CORPORATE BONDS					
250,000	Bank of Nova Scotia Dep. Note 4.295% due August 22, 2008	99.90	100.21	250,523	10,738
250,000	Golden Credit Card Trust Sr. Notes 4.159% due October 15, 2008	100.00	100.28	250,695	10,398
250,000	GE Capital Cda Fndg 5.65% due October 23, 2009	99.55	102.82	257,055	14,125
250,000	Citigroup Finance Canada 4.29% due November 2, 2009	101.20	99.81	249,530	10,725
300,000	Bank of Nova Scotia 4.25% Sen. Dep. Note due November 23, 2010	100.45	100.29	300,858	12,750
300,000	Royal Bank 4.17% Sen. Dep. Note due January 11, 2011	100.10	100.09	300,276	12,510
500,000	Bank of Montreal 4.69% due January 31, 2011	104.21	101.07	505,340	23,450
300,000	CIBC 5.00% Senior Dep Nts due September 10, 2012	100.23	100.96	302,877	15,000
400,000	Wells Fargo Financial Canada MTN 4.40% due December 12, 2012	99.78	99.59	398,360	17,600
300,000	Wells Fargo Financial Canada MTN 4.33% due December 6, 2013	99.97	98.47	295,410	12,990
500,000	Royal Bank 3.96% due January 27, 2014	99.49	99.98	499,885	19,800
500,000	CIBC 4.75% due December 22, 2014	101.80	98.09	490,430	23,750
300,000	GE Capital Cda Fndg 4.65% due February 11, 2015	102.20	98.05	294,144	13,950
				<hr/> 4,395,383	<hr/> 197,785
TOTAL PORTFOLIO				26,577,460	1,203,973

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - LONG TERM INVESTMENT FUND
From 01-01-08 To 03-31-08

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
03-07-08	03-12-08	50,000	Canada Mtge & Housing Corp. 4.10% due October 1, 2015	103.85	51,925.00
03-07-08	03-12-08	600,000	Ontario 4.50% due December 2, 2012	104.39	626,363.40
03-18-08	03-20-08	700,000	Canada Housing Trust Sr. 16 4.00% due June 15, 2012	102.66	718,606.00
03-20-08	03-27-08	400,000	Canada Housing Trust Sr. 19 3.60% due June 15, 2013	100.26	401,040.00
					1,797,934.40
SALES					
03-15-08	03-15-08	700,000	Canada Housing Trust Sr. 4 4.40% due March 15, 2008	100.00	700,000.00
					700,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - LONG TERM INVESTMENT FUND
From 01-01-08 To 03-31-08

Cash Balance at January 1, 2008			0.00
ADD:	Proceeds from Sales	700,000.00	
	Transfer from Short Term Investment Fund	<u>1,113,685.49</u>	<u>1,813,685.49</u>
			1,813,685.49
LESS:	Cost of Purchases	1,797,934.40	
	Accrued Bond Interest on Purchases	<u>15,751.09</u>	<u>1,813,685.49</u>
Cash Balance at March 31, 2008			0.00



DION DURRELL
Actuaries and Consultants

Canadian Lawyers Liability Assurance Society

Investment Manager Benchmark Report

June 2008

DION, DURRELL + ASSOCIATES INC.

250 Yonge Street, Suite 2900, Toronto, Ontario, Canada, M5B 2L7 Tel: 416.408.2626 Fax: 416.408.3721

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CLLAS: INVESTMENT MANAGER BENCHMARK REPORT

The purpose of this report is 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.

A. PORTFOLIO PERFORMANCE TO MARCH 31, 2008

The following charts provide a summary of the Long Term Fund and Short Term Fund performance for the previous four quarters based on the quarterly investment reports provided by Martin, Lucas & Seagram Ltd.

1. Long Term Fund

The table on the following page shows the quarter over quarter change in the Long Term Fund valuation after adjusting for capital additions/withdrawals. The returns reported in the investment manager report do not take into account investment management fees as these are allocated and reported on the Short Term Fund. The information in the table shows quarterly returns after apportioning fees between the Short and Long Term Funds based on the quarter ending valuation balances.

	Long Term Fund				
	2007 30-Jun	2007 30-Sep	2007 31-Dec	2008 31-Mar	4 Quarter Total
Valuation:	\$24,117,243	\$24,383,690	\$24,874,598	\$26,577,460	
Change from Prior Quarter	\$ 1,386,702	\$266,447	\$490,908	\$1,702,862	
Change from Prior Quarter	% 6.10%	1.10%	2.01%	6.85%	
Capital Added:	\$20,058,418	\$20,130,358	\$20,431,048	\$21,528,983	
Change from Prior Quarter	\$ 1,937,955	\$71,940	\$300,690	\$1,097,935	
Change from Prior Quarter	% 10.69%	0.36%	1.49%	5.37%	
Net Capital Appreciation since Inception:	\$592,456	\$786,963	\$977,181	\$1,582,108	
Change from Prior Quarter	\$ -\$551,253	\$194,507	\$190,218	\$604,927	\$438,399
Change from Prior Quarter	% -48.20%	32.83%	24.17%	61.91%	
Quarter Appreciation / Prior Quarter Valuation	-2.43%	0.81%	0.78%	2.43%	1.93%
Fees (reported in Short Term, if portion allocate	-\$20,882	-\$20,712	-\$21,037	-\$19,223	
Change in Appreciation Net of Fees	-\$572,135	\$173,795	\$169,181	\$585,704	\$356,545
Quarter Net Appreciation / Prior Quarter Valuat	-2.52%	0.72%	0.69%	2.35%	1.57%
Reported annualized return for the quarter:	-1.2%	2.0%	1.9%	3.6%	
Selected Benchmarks:					
Benchmark: Cdn Short Term Bond Index	-0.4%	2.1%	1.8%	3.5%	
Benchmark: Prov. Short Term Bond Index	-0.4%	2.0%	1.6%	3.3%	
* % of total Portfolio for fee allocation	75.9%	75.6%	75.7%	68.6%	

The bolded line in the above table shows the annualized quarterly performance for the Long Term Fund. These returns are at or above the selected benchmark returns for the comparable periods, with the exception of June 2007 which lagged the benchmark somewhat.

2. Short Term Fund

The table on the following page summarizes the annual income reported on the holdings in the Short Term Fund for the applicable quarter, both gross and net of fees.

		Short Term Fund			
		2007	2007	2007	2008
		30-Jun	30-Sep	31-Dec	31-Mar
Valuation:		\$7,663,253	\$7,864,876	\$7,967,265	\$12,137,335
Change from Prior Quarter	\$	-\$1,575,210	\$201,623	\$102,389	\$4,170,070
Change from Prior Quarter	%	-17.05%	2.63%	1.30%	52.34%
Capital Added / Transferred:		-\$1,961,119	-\$73,205	-\$302,991	\$3,886,315
Change from Prior Quarter	\$	-\$4,702,943	\$1,887,914	-\$229,786	\$4,189,306
Change from Prior Quarter	%	-171.53%	-96.27%	313.89%	-1382.65%
Net Valuation:		\$9,624,372	\$7,938,081	\$8,270,256	\$8,251,020
Change from Prior Quarter	\$	\$3,127,733	-\$1,686,291	\$332,175	-\$19,236
Change from Prior Quarter	%	48.14%	-17.52%	4.18%	-0.23%
Fees: *		-\$27,517	-\$27,393	-\$27,775	-\$28,002
Less assumed allocation to Long Term		\$20,882	\$20,712	\$21,037	\$19,223
Net Short Term Fees		-\$6,635	-\$6,681	-\$6,738	-\$8,779
Interest Credited:		\$326,656	\$222,224	\$355,329	\$267,541
Quarter Return		4.3%	2.8%	4.5%	2.2%
Interest Credited Net of Fees:		\$320,021	\$215,543	\$348,591	\$258,762
Net Quarter Return		4.2%	2.7%	4.4%	2.1%
Annual Income		\$264,124	\$317,224	\$312,399	\$345,819
Quarter Return		3.4%	4.0%	3.9%	2.8%
Annual Income Net of Fees:		\$257,489	\$310,543	\$305,661	\$337,040
Net Quarter Return		3.4%	3.9%	3.8%	2.8%

* All fees are reported against the Short Term Fund but are allocated between the Long and Short Term Funds for this analysis.

The performance of the Short Term Fund are subject to quarterly fluctuation due to transfers to and from the Long Term Fund and the addition of new capital periodically. The holdings in the Short Term Fund are primarily Treasury Bills and Bankers Acceptances. These are liquid and secure investments which are subject to return variations due to general market conditions and changes in the prime rate.

The rate of return of the Short Term Fund is not reported in the quarterly investment manager report.

B. SELECTED BENCHMARKS:

The following tables provide potential benchmark performance data for the Long Term Fund and Short Term Fund. The quarter ended September 30, 2007 was selected for benchmarking.

1. Long Term Fund

Long Term Fund As at September 30, 2007

			2007	2007	2007	2007
			Source	30-Sep	30-Sep	30-Sep
				Qtr	1 yr	3 yr
						5 yr
Reported annualized return for the quarter:				2.0%	2.4%	3.6%
						4.2%
Selected Benchmarks:						
Benchmark: Cdn Short Term Bond Index				2.1%	3.4%	3.6%
Benchmark: Prov. Short Term Bond Index				2.0%	3.4%	3.6%
						4.0%
Other Indexes:						
Short Term:						
Scotia Capital Short Term	Cdn Corp+ Govt, 1-5yr	(1)	1.8%	3.2%	3.6%	4.2%
Corporate A		(2)	1.1%	2.6%	3.7%	4.6%
Mid Term:						
Scotia Capital Mid Term	Cdn Corp+ Govt, 5-10yr	(1)	1.9%	1.5%	4.7%	5.6%
Cdn Mid Term Bond Index		(2)	2.7%	2.6%	4.7%	5.3%
Prov. Mid Term Bond Index		(2)	2.4%	2.1%	5.0%	5.6%
Corporate A		(2)	0.5%	0.3%	4.6%	6.6%
Other:						
Scotia Capital Universe	All Cdn Bonds	(1)	1.7%	1.6%	4.9%	5.5%
Domestic Universe Bond Index		(2)	2.2%	2.3%	4.6%	5.0%

(1) Morningstar

(2) PC Bond Analytics

The benchmarks that have been selected and reported quarterly are the Canadian Short Term Bond Index and Provincial Short Term Bond Index. However, the following should be noted regarding the Long Term Fund holdings as at September 30, 2008:

- While Canada and Provincial bonds represent the majority of the fund at 39.4% and 39.1% respectively, the portfolio also contains 15.5% corporate bonds.
- Bonds with maturity in excess of 5 year represent 42.2% of the holdings (note that the average term to maturity is 4.7 years which is in compliance with the policy requirement not to exceed 5 year duration target).

The selected benchmarks represent bonds with maturities of less than 5 years and only contain Canada and Provincial bonds. The bonds in excess of 5 years and corporate holdings are not represented in the selected benchmarks. Accordingly, benchmarks are provided above for mid term (5-10 years) and corporate bonds for comparison purposes.

As of September 30, 2007, the Long Term Fund performance meets or exceeds the selected benchmarks with the exception of the 1 year performance which is 1.0% lower than benchmark. However, the 1 year performance compares well with the mid term and universe benchmarks for the same timeframe. The performance for the 3 and 5 year periods are consistent with the selected benchmarks and other short term benchmarks but lag the mid year benchmarks provided.

In conclusion, the Long Term Fund has reasonable performance when compared to a variety of short term benchmarks but lags mid term benchmarks which represent a significant portion of the holdings in the Long Term Fund. It is difficult to compare the total fund return to a single benchmark due to the mix of holdings. Therefore, it is recommended that a mid term index be included and consideration given to developing a blended benchmark to more closely represent the holdings of the fund.

2. Short Term Fund

Short Term Fund As at September 30, 2007

		2007	2007	2007	2007
	Source	30-Sep	30-Sep	30-Sep	30-Sep
		Qtr	1 yr	3 yr	5 yr
Annual Income Net of Fees:			3.9%	NA	NA
Selected Benchmarks:					
NA					
Other Indexes:					
Short Term:					
30 Day Treasury Bill	(1)	1.1%	4.3%	3.4%	3.1%
91 Day Treasury Bill	(1)	1.2%	4.4%	3.5%	3.2%

(1) PC Bond Analytics

There is no selected benchmark for the Short Term Fund. Since the majority of the holdings are in Treasury Bills, an index of this investment type would be appropriate for comparison. The actual fund return for any given quarter is subject to fluctuation due to the movement of funds in and out of the portfolio. As indicated in the above table, the 1 year return lags the T-Bill benchmarks for the same time period.

The investment manager should be requested to calculate a net quarterly return on the Short Term Fund to be compared with a 30 or 91 day Treasury Bill Benchmark.

C. CONCLUSIONS AND RECOMMENDATIONS

1. Long Term Fund

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.

2. Short Term Fund

The Short Term Fund is 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.

3. Recommendations

We recommend that the Board ask 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.



Pro-Form Insurance Services

"A Hub International Company"

Renewal Terms for

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

July 1, 2008

Presented By:

**Robert S. Wilson
Pro-Form Insurance Services**

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SECTION 7	Final Renewal Process

INTRODUCTION

Thank you for returning the renewal application forms for July 1, 2008. We have now completed our negotiations with the various excess Insurers on your behalf.

I am very pleased to inform you that all of the existing Insurers have continued participating on the Canadian Lawyers Liability Assurance Society program and we have added one new Insurer for July 1, 2008, GCAN Insurance Company.

As many of you know we have seen continued softening of the overall insurance market and I believe you will find the renewal terms quoted herein reflect that softening accordingly.

Clearly there are more large losses in Lawyers Professional Liability and these losses are occurring both in Canada and the United States; however, because of the increased capacity, Insurers have been generally willing to reduce their rates to maintain their current books of business for the upcoming year.

We do anticipate the insurance market will eventually see some hardening, so it is extremely important that we continue to maintain our long term established relationships with the various Insurers who participate on this program, as those Insurers have proven in the past they are willing to dedicate their available capacity to your program.

It is extremely easy to find an Insurer during the softening market who may be willing to provide lower rates per lawyer, however, we have all seen when the insurance market hardens the CLLAS program has always performed very well by maintaining the limits available to each and every firm. Other firms have been seeking to join the CLLAS program during difficult market conditions primarily because they have not developed the long standing relationships with Insurers and those Insurers are not willing to dedicate capacity to their insurance programs.

In this regard, I am very pleased to inform you that we have received an agreement from all of the Insurers to provide you with a two-year rate guarantee (policy) which we believe offers you substantial stability at very competitive rates for the next 24 months.

The rate guarantee is subject to certain conditions which are discussed in the attached submission.

I am very pleased that we were able to negotiate this rate guarantee and I can assure you that very few insurance programs are obtaining this type of guarantee, however, I strongly believe the relationship between CLLAS and your long-term excess carriers is the main reason these carriers have agreed to the rate guarantee.

I can also assure you that CLLAS are market leaders with respect to multi-year policies and most Professional Liability policies being offered to the large firms are still annual and subject to review each and every year.

We have also obtained a rate guarantee on the CLLAS International program, which currently insures four of the member firms and all of these firms have been informed of the rate guarantee and the substantial reduction in the annual rate for July 1, 2009. This program continues to be very successful and certainly provides broad comprehensive international coverage to those firms who require it.

We are continuing to monitor some firms in the group who are increasing their out of country exposure and please keep in mind if the exposure goes beyond approximately 10 lawyers we may need to approach you with respect to these separate CLLAS International insurance programs.

I trust you will find the attached renewal program to be satisfactory and I am extremely pleased with the outcome of the renewal negotiations which this year were, quite frankly, very intense and certainly I think we leveraged the insurance market with this program quite well.

POLICY WORDINGS

We are attaching the Premium Computation Endorsement which reflects the guaranteed rate for the second year of the policy.

Endorsement Attached.

DRAFT

ENDORSEMENT NO.

ENDORSEMENT ATTACHING TO AND FORMING PART OF POLICY NO.

ISSUED TO:

BY:

It is hereby understood and agreed that this policy will automatically renew effective 12:01 a.m. July 1, 2009 for a period of 12 months, for an annual premium calculated at the rate indicated at Item 7 of the Declarations against each **rateable staff** reported by the Named Insured at July 1st, 2009, unless:

1. If during the period of July 1st, 2008 to July 1st, 2009, a reserve or a payment or a combination of both, of equal to or greater than 65% of the underlying limit of liability, such underlying limit of liability being \$34,000,000, issued by Canadian Lawyers Liability Assurance Society ("CLLAS") is established against any claim against any member firm of "CLLAS" or,
2. If during the period of July 1st, 2008 to July 1st, 2009, a reserve or a payment or a combination of both, of equal to or greater than 65% of the underlying limit of liability, such underlying limit of liability being US\$30,000,000 of any International insurance program providing coverage, is established against any claim against any member firm of "CLLAS" or,
3. If during the period of July 1st, 2008 to July 1st, 2009, a claim and/or incident is reported which is not covered under the "CLLAS" policy or any International insurance program providing "in fill" coverage, and triggers any drop down provisions under this policy in excess of the self insured retention then,

4. The Insurers may or may not offer renewal terms for the period July 1, 2009 to July 1, 2010 which may or may not be accepted by the member firms of CLLAS.

NEED
CORRECTIONS
AT
FAREWELL.

These exceptions do not include the matter already reported to CLLAS under Claim No. 2004-194.

For the purpose of this Endorsement only, "**rateable staff**" shall mean: partner, lawyer, counsel and "of counsel".

All other terms, conditions, exclusions and limitations remain unchanged.

Attached to and forming part of Policy No. issued by to .

This Endorsement shall be effective from , 12:01 a.m. Local Time at Toronto, Ontario.

RENEWAL QUOTATIONS

<i>Insurer</i>	<i>Layer</i>	<i>2007-2008</i>	<i>Renewal 2008-2010</i>
Liberty International Canada (66%) ACE INA Insurance (34%)	15,000,000 each claim and aggregate excess of 35,000,000 total underlying limit	454	363
St. Paul Guarantee Insurance Company	10,000,000 each claim and aggregate excess of 50,000,000 total underlying limit	179	143
Commerce and Industry Insurance Company	20,000,000 each claim and aggregate excess of 60,000,000 total underlying limit	315	252
Chubb Insurance Company (75%) Liberty International Canada (25%)	20,000,000 each claim and aggregate excess of 80,000,000 total underlying limit	308	246
ACE INA Insurance (50%) ENCON (50%)	20,000,000 each claim and aggregate excess of 100,000,000 total underlying limit	303	242
St. Paul Guarantee Insurance Company	10,000,000 each claim and aggregate excess of 120,000,000 total underlying limit	136	109
Lombard Insurance Company	5,000,000 each claim and aggregate excess of 130,000,000 total underlying limit	70	56
GCAN Insurance Company	5,000,000 each claim and aggregate excess of 135,000,000 total underlying limit	59	47
		1824	1458

All quotations are subject to the underlying CLLAS coverage being renewed.

The above premiums/rates are indications at this time and will be confirmed shortly

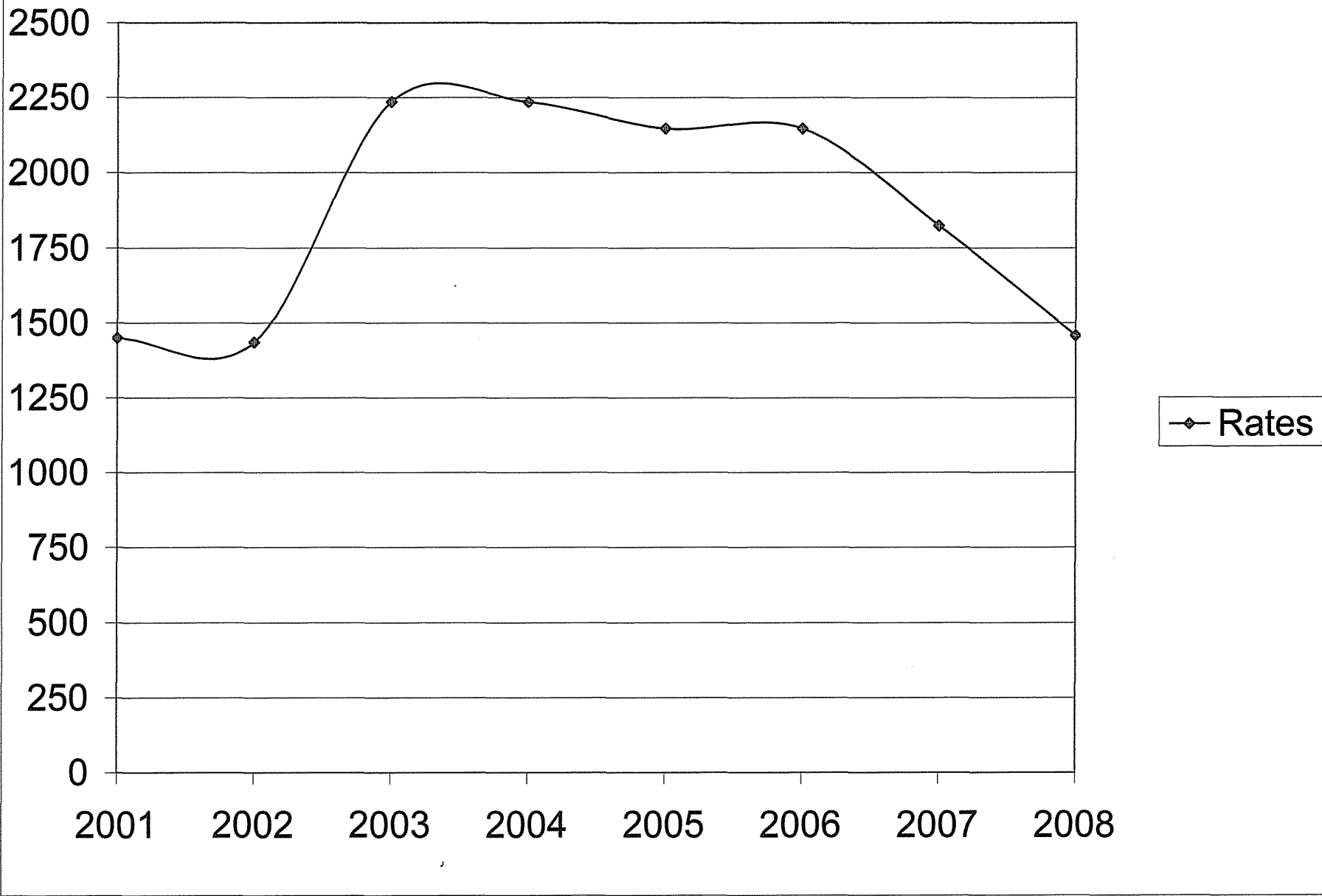
1458
366

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RENEWAL RATES 2008 COMPARISON

Total Limits Purchased	Number of Firms	2007	2008	Decrease
25,000,000 each claim and aggregate excess of 35,000,000 each claim and aggregate	1	633	506	20%
45,000,000 each claim and aggregate excess of 35,000,000 each claim and aggregate	2	948	758	20%
65,000,000 each claim and aggregate excess of 35,000,000 each claim and aggregate	1	1256	1004	20%
105,000,000 each claim and aggregate excess of 35,000,000 each claim and aggregate	9	1824	1458	20%

Canadian Lawyers Liability Assurance Society
8 - Year Rate Comparison



**CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
8 - YEAR RATE SUMMARY**

Limits	2001 - 2002	2002 - 2003	2003 - 2004	2004 - 2005	2005 - 2006	2006-2007	2007-2008	2008-2010
\$5M xs \$35M	83	116	203	203	203	534	454	363
\$10M xs \$40M	118	153	268	268	268			
\$20M xs \$50M	211	274	0	0	0			
\$10M xs \$50M	0	0	212	212	201	211	179	143
\$20M xs \$60M	0	0	411	411	390	371	315	252
\$10M xs \$70M	102	133	0	0	0			
\$10M xs \$80M	102	133	200	200	190	362	308	246
\$10M xs \$90M	102	133	200	200	190			
\$20M xs \$100M	203	264	396	396	376	357	303	242
\$10M xs \$120M	91	118	177	177	168	160	136	109
\$10M xs \$130M	86	0	0	0	0			
\$5M xs \$130M	0	60	90	90	86	82	70	56
\$5M xs \$135M	0	52	78	78	74	69	59	47
Total	*1098	1436	2235	2235	2146	2146	1824	1458

* Note: This rate is from 2001 and if you factor in an annual 4% inflation factor for the past 7 years it would be approximately \$1,445 which compares to the renewal rate being offered this year.

COMPETITION

As you can see from the renewal quotations we have provided to you since 2005, the CLLAS group has seen a 35% reduction in your annual rate which certainly I believe reflects the overall claims experience of the group and the fact that we have not penetrated the excess layers to date.

In the past we have provided you with some comparisons of the annual rates being provided to other large firms, however, this year we have had some difficulty in obtaining any comparable rates since the rating on individual firms appears to be very erratic which is typical for a soft insurance market and the gap between CLLAS and other firms outside the group appears to be smaller than in past years.

In the hard market we were approximately 40-50% cheaper than other firms, however, I believe that gap has closed somewhat over the past 24 months due to the softening of the insurance market and more capacity becoming available to these firms from various sources. On average we seem to be approximately 10% to 20% lower in our overall rating.

Most of the competition still appears to be in the primary \$35,000,000 layer, however the excess layers are certainly seeing more competitive rates today than we have in the past several years.

Please keep in mind that much of the capacity the other firms are obtaining is new capacity that potentially will not be available when the insurance market does eventually harden and I do stress again to you the importance of maintaining the relationships with your existing insurance carriers who have proven in the past they are willing to dedicate capacity which it becomes scarce during hard market conditions.

Clearly the fact that we market you as an entire group has been extremely helpful during those difficult times and I would encourage you to continue with that approach as we move forward.

I can also assure you that we do approach the entire insurance market between ourselves, Dion Durrell and your U.K. Broker and if any new capacity does become available, we are aware of it; however, we are never anxious to replace the existing insurance carriers who have again proven their worth in the past.

We do believe the insurance program you currently have is one of the most competitive available in the current insurance market and even if we were able to find some additional capacity which would be willing to provide a further reduction, I am not sure the CLLAS group would really be interested in severing their ties with the Insurers who have worked with them for many years.

If we become aware of any new information with respect to the competitive front, we will keep you apprised of it.

One interesting note with respect to competition is for the first time in several years, we did have one Insurer who elected to not renew on the CLLAS International side due to the rate reduction we were seeking and this is interesting simply because the market appears to be finding the "bottom" and not willing to go further with respect to rate reductions.

In addition we have heard from several other Insurers that they have elected to not offer renewal terms to some firms outside the group as they feel the rating is too low.

INSURER FINANCIAL RATING (AM BEST COMPANY)

ACE INA Insurance	A+
Chubb Insurance Company	A++
Commerce and Industry Insurance Company	A+
ENCON (CNA)	A
GCAN Insurance Company	A
Liberty International Canada	A
Lombard Insurance Company	A-
Travelers Guarantee Company of Canada	A

FINAL RENEWAL PROCESS

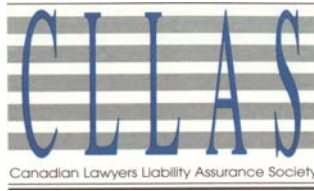
In conclusion, we believe the renewal quotations provided are very competitive based on the current market conditions.

As in past years we will now proceed to renew the coverage for your firm based on the limits you currently purchase and based on the final headcount provided by you.

We would also recommend to those firms who do not currently purchase all of the layers of coverage offered that they should consider increasing the limits purchased.

If you would like to change the limits you purchase it would be appreciated if you could advise me as soon as possible.

In closing, I look forward to our continued association and working with each of you.



**July 1, 2008 – July 1, 2009
INSURANCE AND REINSURANCE
TERMS AND CONDITIONS**

**Advisory Board Meeting
June 17, 2008**

DION, DURRELL + ASSOCIATES INC.

Overview

- Highlights of the Renewal
- CLLAS Profile
- CLLAS Structure
- Loss Analysis
- Reinsurance Rates
- CLLAS Rates to Members
- Concluding Remarks

DION, DURRELL + ASSOCIATES INC.

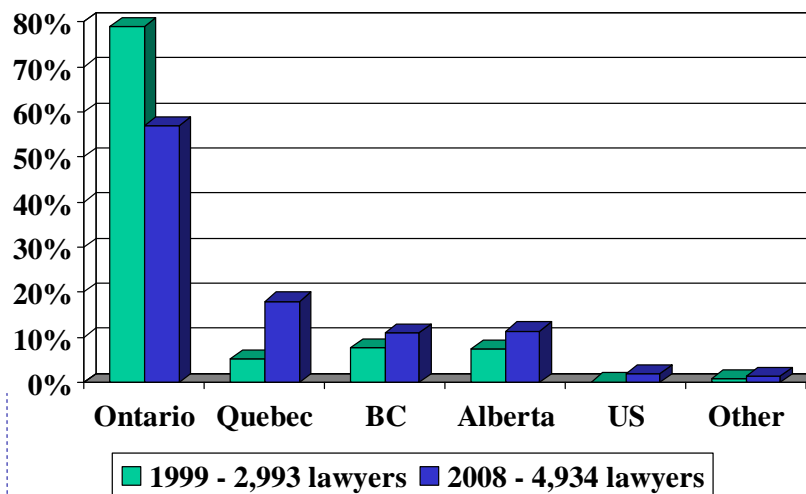
HIGHLIGHTS

- There has been a 3.2% increase in the year-to-year lawyer count due to organic growth and minor acquisitions – Ontario lawyers make up 57% of the lawyer count
- CLLAS' actuarially determined expected loss costs have decreased over last year and CLLAS reinsurance rates have decreased over last year resulting in overall rate reduction of 12% (27% over two years) not including the optional excess layers – Quebec rates reduced by 13% (38% over two years)
- Colchester stop-loss premium has decreased by 15% over last year due to lower expected loss costs and lower retrocession reinsurance costs
- We have lead underwriter indications only but we are fairly confident that the remainder of the market will follow – there is a small chance that we may need to increase CLLAS retention to complete the placement
- An additional \$10MM will likely be available in the optional excess layers
- We attempted to secure a two-year rolling term with guaranteed rates but there was significant opposition from some key reinsurers

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3

Lawyer Profile



DION, DURRELL + ASSOCIATES INC.

4

LAW FIRM PROFILE

- Number of total lawyers increased by 3.2%
 - 4,934 (compared to 4,783 last year)
- Number of U.S. and foreign offices
 - 6 CLLAS firms have foreign offices
 - 92 lawyers are situated in the U.S.
 - 59 lawyers are situated in the U.K.
 - 13 lawyers in other countries
 - 130 lawyers are insured under separate cover
- 85 Non-lawyer consultants (NLC)
 - 55 P&T agents charged at reduced rate
 - 18 NLC's charged at lawyer rate
 - 12 NLC's charged at reduced rate

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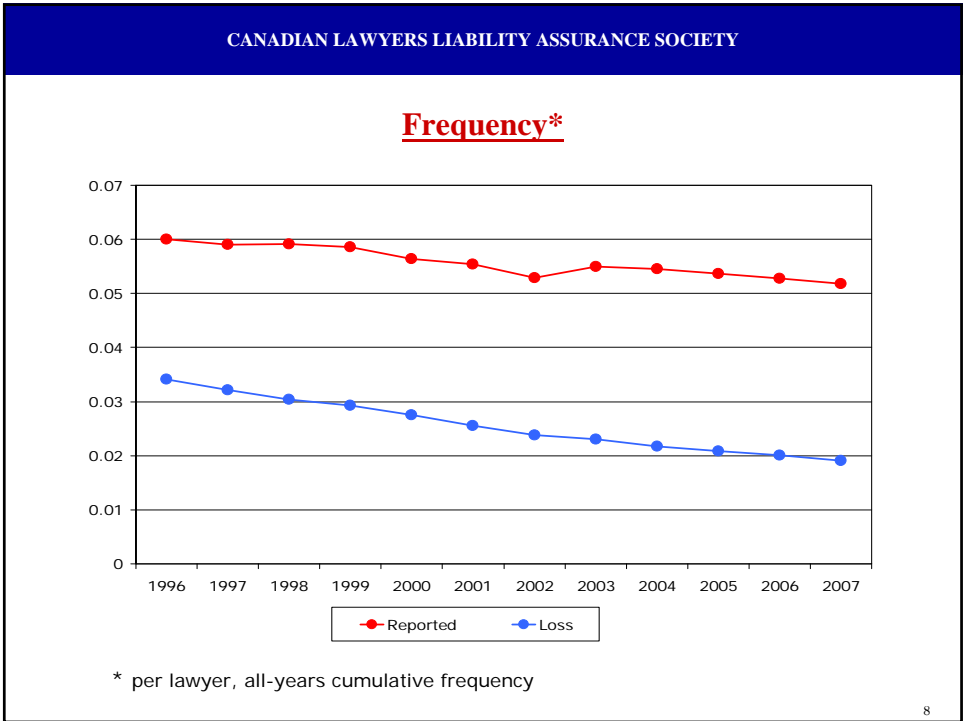
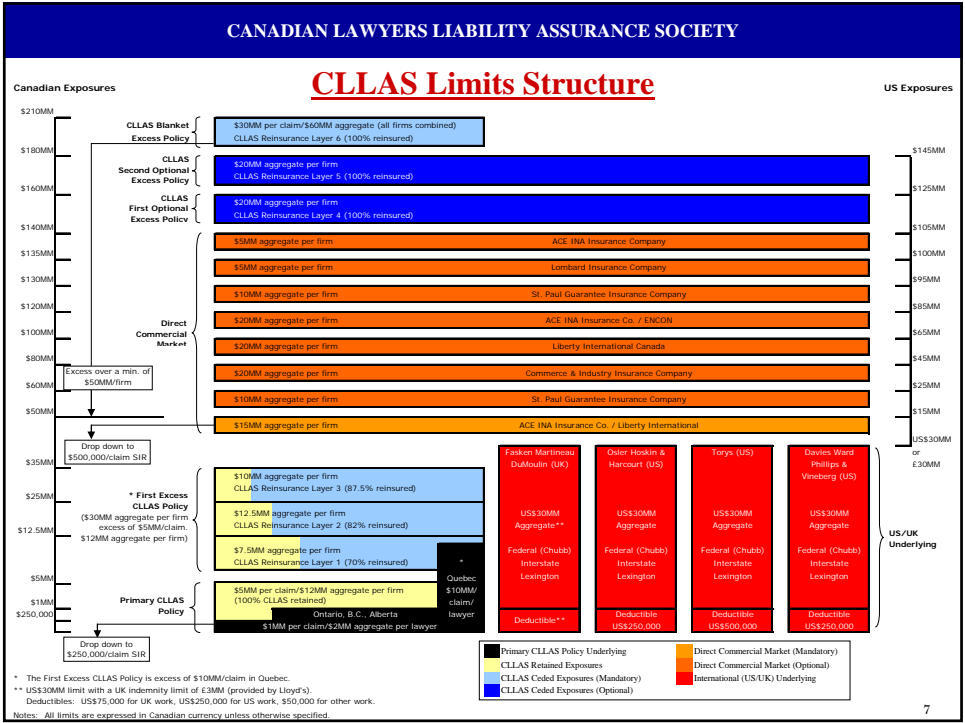
CLLAS Structure

CLLAS is structured in a way to meet the following objectives:

- Pool homogeneous Canadian risks among the members within acceptable tolerance levels (retain only Canadian risks)
- Transfer risks relating to non-Canadian law and U.S. offices (separate structure for significant foreign risks)
- Optimize the capacity in the reinsurance and insurance marketplace (use of DD+A, Miller and ProForm with specific allocation of markets)
- Build surplus in case of adverse claims experience in an effective manner (Colchester)
- Manage the structure effectively and efficiently (administrative costs are less the typical insurance company costs)

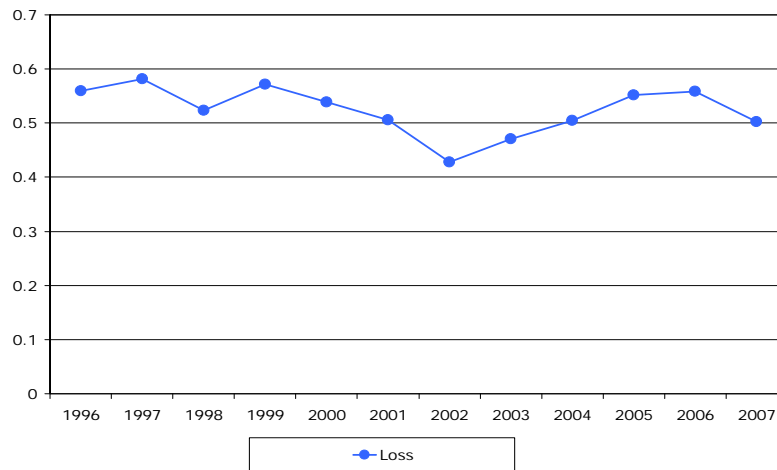
DION, DURRELL + ASSOCIATES INC.

6



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Frequency (Losses > \$1MM)*

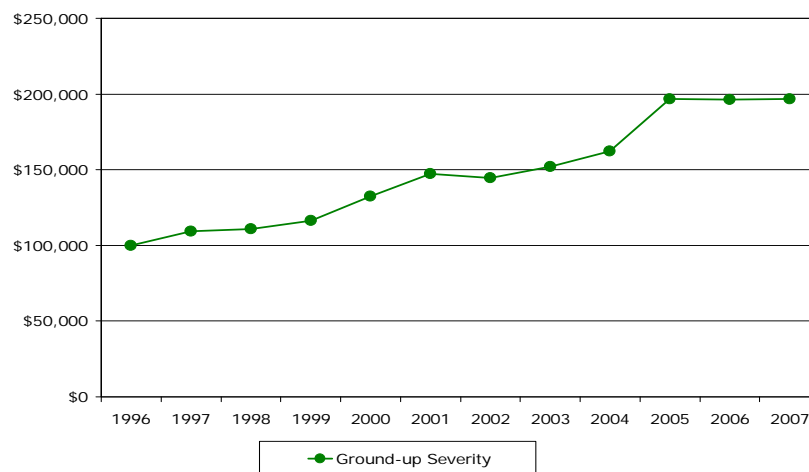


* per 1,000 lawyers, all-years cumulative frequency

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CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Severity*

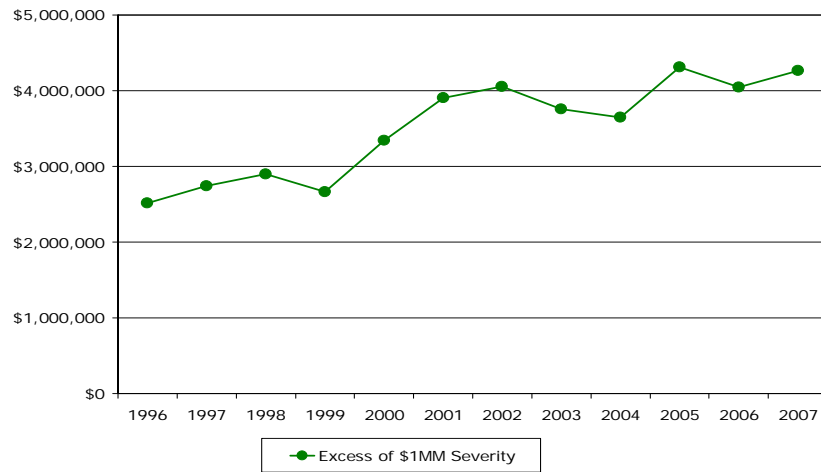


* all-years cumulative severity

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CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Severity (Losses > \$1MM)*

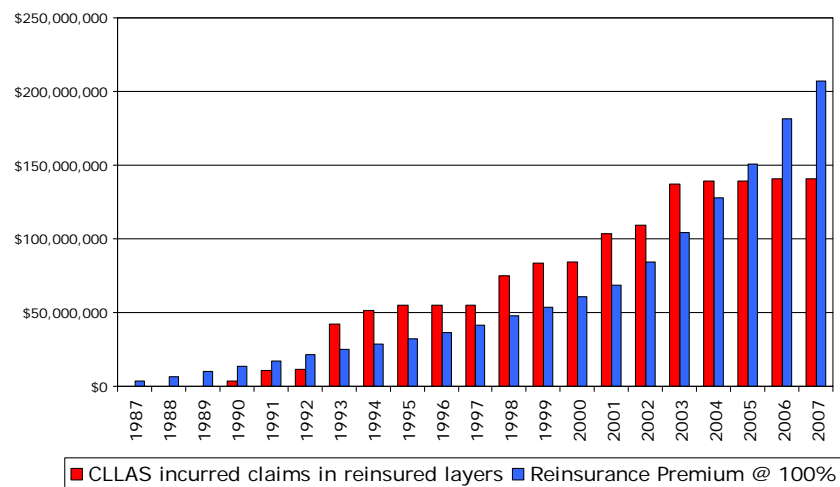


* all-years cumulative severity

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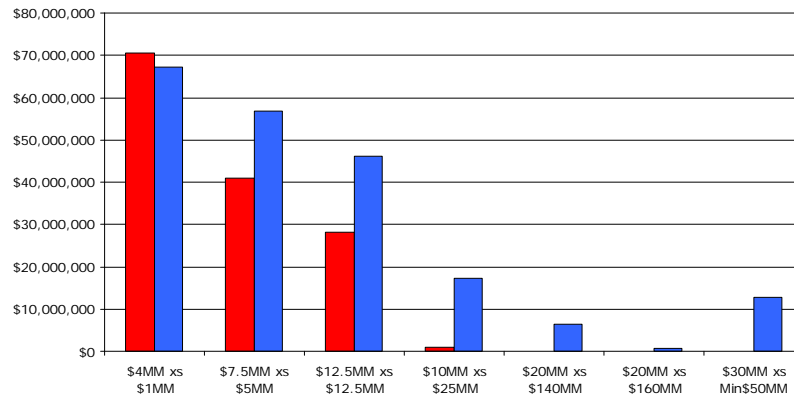
CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Cumulative Reinsurance Premiums vs. Claims
(all layers by policy year)



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Claims Vs. Reinsurance Premiums (1987-2007)



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Reinsurance Rates - \$7.5MM xs \$5.0MM

Layer	2006	2007	2008	% of 2007	% of 2006
QUE	\$1,120	\$1,120	\$952	-15%	-15%
ROC	\$1,840	\$1,840	\$1,622	-12%	-15%

- Undiscounted expected loss costs decreased by 15%
- 2008 are lead terms from Beazley Syndicate with 35% written line
- Aspen Re were lower (\$908QUE/\$1,583ROC) but Beazley would not support lower rates
- Trans Re wants expiring rates but we are still negotiating
- Rest of market will likely follow Beazley

DION, DURRELL + ASSOCIATES INC.

Reinsurance Rates - \$12.5MM xs \$12.5MM

<u>Layer</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>% of 2007</u>	<u>% of 2006</u>
QUE	n/a	\$1,000	\$856	-14%	n/a
ROC	\$1,500	\$1,300	\$1,096	-16%	-27%

- Undiscounted expected loss costs decreased by 19%
- 2008 are lead terms from Marketform Syndicate with 15% written line
- Hannover Re wants higher (\$900QUE/\$1,170ROC) but still negotiating
- Trans Re wants higher (\$1,000QUE/\$1,398ROC) but still negotiating
- Rest of market will likely follow Marketform

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Reinsurance Rates - \$10MM xs \$25MM

<u>Layer</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>% of 2007</u>	<u>% of 2006</u>
QUE	n/a	\$317	\$301	-5%	n/a
ROC	\$524	\$445	\$423	-5%	-19%

- Undiscounted expected loss costs decreased by 2%
- 2008 are lead terms from Marketform Syndicate with 15% written line and Swiss Re with 25% written line
- Aspen Re have agreed these terms
- Rest of market will likely follow

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Reinsurance Rates - \$20MM xs \$140MM

<u>Layer</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>% of 2007</u>	<u>% of 2006</u>
20 xs 140	\$190	\$162	\$138	-15%	27%

- 2008 are lead terms from Liberty Syndicate with 6% written line and Swiss Re with 25% written line
- Rest of market will likely follow

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Reinsurance Rates - \$30MM xs \$160MM

<u>Layer</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>% of 2007</u>	<u>% of 2006</u>
10 xs 160	n/a	n/a	\$86	n/a	n/a
20 xs 160	\$170	\$145	\$123	-15%	-28%
30 xs 160	n/a	n/a	\$170	n/a	n/a

- 2008 are lead terms from Brit Syndicate with 25% written line
- Swiss Re and Marketform Syndicate have authorized their respective lines of 25% and 30% but have yet to agree the 10 xs 160 and 30 xs 160 rates
- May add new market to complete the 30 xs 160 placement
- Rest of market will likely follow

DION, DURRELL + ASSOCIATES INC.

Umbrella Rates - \$30MM/\$60MM xs MIN\$50MM

<u>Layer</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>% of 2007</u>	<u>% of 2006</u>
Umbrella	\$257	\$218	\$185	-15%	28%

- 2008 are lead terms from Brit Syndicate with 30% written line and Swiss Re with 25% written line (based on 20 xs 160)
- Rest of market will likely follow

DION, DURRELL + ASSOCIATES INC.

Colchester Retrocession - \$20MM xs \$20MM
Colchester Reinsurance - \$25MM xs \$15MM

<u>Layer</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>% of 2007</u>	<u>% of 2006</u>
20 xs 20	\$1,440,000	\$1,324,000	\$1,125,000	-15%	-22%
25 xs 15	\$4,042,000	\$2,601,000	\$2,211,000	-15%	-45%

- 2008 are proposed retrocession terms – lead underwriter, Swiss Re have not yet been agreed
- Colchester terms are based on retrocession costs and expected loss costs to Colchester plus a reasonable risk margin and load for expenses

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CLLAS 2008/2009 Rate Per Lawyer

- Rate that CLLAS members are charged is made up of the following components:
 - Expected loss costs by layer for the retained risk
 - Reinsurance costs for the transferred risk
 - Administrative costs including premium tax
 - Free surplus interest credit
- Rate applies to three policies which will be issued by CLLAS:
 - \$5M per claim/\$5M aggregate primary policy
 - \$30M per claim/aggregate first excess policy
 - \$30M per claim/\$60M aggregate umbrella policy
- Optional excess policies (\$20M xs \$140M and \$30MM xs \$160MM) are separately rated

DION, DURRELL + ASSOCIATES INC.

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CLLAS Rates – Mandatory Layers

<u>Layer</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>% of 2007</u>	<u>% of 2006</u>
5MM QUE	\$460	\$300	\$302	1%	-34%
5MM ROC	\$2,600	\$2,004	\$1,838	-8%	-29%
30MM QUE	\$3,650	\$2,587	\$2,232	-14%	-39%
30MM ROC	\$4,300	\$3,689	\$3,187	-14%	-26%
Umbrella	\$290	\$250	\$208	-17%	-28%

- The overall rate reduction is 12% (27% over two years) not including the optional excess layers – Quebec rates reduced by 13% (38% over two years)
- This assumes that all lead terms will be accepted by following underwriters and that CLLAS retentions remain as expiring

DION, DURRELL + ASSOCIATES INC.

CLLAS Rates – Optional Layers

<u>Layer</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>% of 2007</u>	<u>% of 2006</u>
20 xs 140	\$220	\$186	\$155	-17%	-30%
10 xs 160	n/a	n/a	\$96	n/a	n/a
20 xs 160	\$200	\$166	\$138	-17%	-31%
30 xs 160	n/a	n/a	\$190	n/a	n/a

- Additional options of \$10MM xs \$160MM and \$30MM excess of \$160MM will likely be available

DION, DURRELL + ASSOCIATES INC.

STATUS OF PLACEMENT

- We will continue to have significant lead lines i.e. 25% to 30% and it should not be difficult to complete the placement
- We attempted to secure a rolling two year term but there was significant opposition from some key reinsurers
- We are confident that lead terms will be accepted by following underwriters but it is possible that some long time reinsurers will have to be replaced (e.g. Hannover Re and Transatlantic Re)
- This would mean that we would have to obtain increased authorization from existing and new markets and possibly increase CLLAS retention

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Other Considerations

- No wording changes expected except for the following which are driven by a need to facilitate claims handling:
 - Change in aggregate limit on retained Primary \$5M layer from \$12M to \$5M
 - CLLAS intends to enter into an arbitration agreement with “CLLAS International” insurers which may result in an endorsement recognizing such agreement
- Also, CLLAS can reduce 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
- The Goodman and Carr run-off coverage will continue and a reduced additional premium based on the number of G&C lawyers will be charged

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CONCLUDING REMARKS

- We believe that the lead reinsurance indications are still quite acceptable
- While an additional savings could be achieved by increasing the retention, it may not be material enough to warrant such an action
- We are cautiously optimistic that the final placement will be as outlined herein – we will advise if there are material deviations that will affect the proposed CLLAS rate
- We are also confident that the entire placement will be completed by the July 1 renewal date

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