

**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 21, 2012

Present:

Donald Milner (Acting Chair)	Fasken Martineau DuMoulin LLP
Nicholas Leblovic (by phone)	Davies Ward Phillips & Vineberg LLP
Natasha MacParland	Davies Ward Phillips & Vineberg LLP
Bill Bryden	Borden Ladner Gervais LLP
Gordon Goodman	Cassels Brock & Blackwell LLP
John Esvelt	Fraser Milner Casgrain LLP
Ken Crofoot	Goodmans LLP
Bill Scott	McCarthy Tétrault LLP
R. Scott Whitley	McMillan LLP
Julia Holland	Torys LLP
Les O'Connor	WeirFoulds LLP
Mike Schwartz	WeirFoulds LLP

Patrick Mahoney	Office of the General Manager, CLLAS
Norma Ibbetson	Office of the General Manager, CLLAS
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 December 13, 2011 Meeting of the Advisory Board

It was moved by Les O'Connor and seconded by Julia Holland that the minutes of the December 13, 2011 meeting of the Advisory Board be approved. The motion was carried unanimously.

4. **Business Arising Out of the Minutes**

There were no items for discussion that will not be addressed through the agenda items.

5. **Comments of the Chair**

The Chairman asked that if possible firms provide their commitment to the next underwriting period at their earliest opportunity. The commitment of the firms would have an impact on any decision taken to change the structure of CLLAS.

The Chairman reported that he had re-connected with some non-CLLAS firms to assess their interest in the CLLAS e-learning program under some form of licensing arrangement. Blue-drop has proposed management of this process for a share of the revenue and a small per lawyer fee, and we are awaiting a fee schedule from Blue-drop.

The Chairman advised that he has received a communication from Miller further to their discussions with the lead underwriter on the CLLAS program who has suggested that CLLAS might expect a 5-10% reduction in premium. We would look to the other syndicates to follow.

Bob Wilson has also sent a letter advising that he has secured a 26% reduction in the first commercial layer.

CLLAS' Actuary has offered to attend at an Advisory Board meeting to review her presentation given to the Audit Committee. The Board expressed a desire to meet with the Actuary and this will be arranged for the June meeting, unless there is a meeting scheduled sooner to review the restructuring initiatives.

6. **Restructuring**

Joe Tontini reviewed the current status of the review of alternative structures for CLLAS by the sub-committee made up of himself, John Walker, and Steve Ruby.

There was general discussion concerning various alternate structures and the pros and cons of each of them.

It was moved by Nick Leblovic and seconded by Gordon Goodman that the "Reciprocal as Front" alternative be further explored as outlined at today's meeting with the continued view to effecting the change by July 1, 2012 including the loss portfolio transfer. It was further resolved that the budget of \$325,000 relating to the initiative be approved. The motion was carried unanimously.

Mr. Leblovic left the call.

7. **Cyber Coverage**

As a follow up to the presentation at the September Advisory Board meeting by Chubb, an analysis of how the commercially available cyber coverage differs from the current CLLAS coverage was prepared by DDA.

The Board concluded that CLLAS should not be providing “first party” coverage but asked that the Policy Committee consider the policy wording to ensure that there is protection for “third party” coverage, i.e. when the risk is part of professional services, in advance of the July 1st renewal.

There was no further interest in obtaining a policy or quote through Chubb at this time.

8. Report of the General Manager’s Office

Financial Statements Quarter Ending December 31, 2011

CLLAS finished 2011 with a healthy surplus position, essentially breaking even once the surplus credit is taken into account. Items of note are the lower than budgeted costs of premium taxes and the offset of the claims arbitration cost award against the Special Services line.

Of note on the Balance Sheet is the \$1.7 million “Other Receivable”. This is the anticipated refund from Ontario for the overpayment of premiums taxes. Mr. Mahoney advised that we have received a verbal confirmation that this money is coming back to CLLAS.

He discussed the \$5.7 million “Reinsurance Recoverable”, which is money due to CLLAS from reinsurers for claims settlements. He said that there had been a large settlement late in 2011 and that a small amount is still in dispute from an earlier settlement.

He pointed out that the “provision for unpaid premium liabilities” was now zero as the amounts owing on the old swing commission years have now been paid out.

The “premium deficiency liability” is a provision that the actuaries calculate based on the six months of the current policy year that have not yet passed at December 31, 2011. The provision is similar to the prior year and reduces to zero over the next six months.

Actuarial Report

The actuaries participated in the Audit Committee meeting the previous week and presented their year-end findings. The Actuary’s presentation to the Audit Committee was included in the Board material. Mr. Mahoney highlighted several slides from the presentation.

- Slide 2 – claim count – this is the reserved or paid amount by CLLAS (i.e. it does not show underlying law society program numbers) and is comparison of CLLAS position at December 31, 2010 and 2011.
- Slide 3 – these are the paid and case reserve numbers, with no IBNR, and are shown before taking into account reinsurance.
- Slide 8 – reflects the actuaries’ projection net of reinsurance. The claim reserve and paid is added to the IBNR and this figure is reflected on the CLLAS Balance Sheet.
- Slide 11 – changes in assumptions – the actuaries have been reducing discount rate because of low interest rate and this has the effect of increasing the liabilities.
- Slide 15 – chart shows volatility year over year.

It was moved by Gordon Goodman and seconded by Les O'Connor that Julie-Linda Laforce of Dion Durrell + Associates Inc. be appointed the Actuary for 2012. The motion was carried unanimously.

2012 Operating Budget

Patrick Mahoney reviewed the Budget proposal for FY12, including a review of the operating expenses, both past and projected. There was a discussion of the management and professional services line items. The large variance on the reinsurance line is the result of the change in the reinsurance structure and policy structure which took place at July 1, 2011. Fees for the restructuring initiative are reflected in the proposed budget as a separate line item. The cost recovery mentioned earlier coming out of the claim arbitration is reflected under "Other Expenses – Special Services", thus the year finished in a positive position. The proposed Miller fee is an estimate including the work they might be required to do on the Loss Portfolio Transfer.

It was moved by Gordon Goodman seconded by Bill Scott it was moved to approve the FY12 budget. The motion was carried unanimously.

FSCO Business Plan Filing

The 2012 Business Plan was included as an information item. The Business Plan will be filed with the Ontario and Alberta regulators at the same time as the P&C1.

Reinsurance Ratings/Security

The Audit Committee reviews this report as a part of their mandate, including AM Best reports on individual syndicates and reinsurers. The main body of the report (plus Appendix C) was included in the Board package, with the additional tabs posted on the CLLAS website. Appendix C identifies the ratings of the reinsurers. No issues or concerns were identified at the Audit Committee meeting. Mr. Goodman reported that the Audit Committee reviewed the details and they did not prompt any recommendations for change but the Audit Committee will continue to monitor concentration levels including those of Lloyds.

On a going forward basis the Committee and General Manager's office are reconsidering the Level II monitoring triggers to differentiate between those reinsurers who make the Level II reporting list because of concentration levels versus and substantive issues that justify additional analysis and reported to the Board.

Changes to Ontario Insurance Act

Changes to the Ontario Insurance Act will take effect on May 5, 2012. For CLLAS that means there is an change required to the investment policy to accommodate the prudent person requirement. The changes are included under Tab 13.

It was moved by Les O'Connor and seconded by Gordon Goodman that the amendments to the Investment Policy be adopted as presented, effective May 5, 2012. The motion was carried unanimously.

In addition the Act requires that that Audit Committee be specifically mentioned in the Subscribers' Agreement together with an outline of its duties. A draft resolution incorporating these changes was distributed, and a formal resolution will be circulated to the Board for signatures in due course. FSCO requires notification of the proposed changes 30 days in advance of the May 5, 2012 deadline.

9. Report of the Audit Committee

Gordon Goodman reported on behalf of the Committee. An unqualified audit opinion was issued.

Approval of December 31, 2011 Audited Financial Statements

A copy of the Audit Findings Report and Audited Financial Statements were included in the Board meeting materials. An unqualified opinion was issued.

It was moved by Les O'Connor and seconded by Ken Crofoot that the Financial Statements at December 31, 2011 be adopted. The motion was carried unanimously.

It was moved by Ken Crofoot and seconded by Les O'Connor that Deloitte be appointed auditor for the 2012 fiscal year. The motion was carried unanimously.

The P&C1 will be signed in due course.

10. Report of the Claims Committee

The chart summarizing CLLAS claims was reviewed briefly.

11. Report of the Risk Management Committee

Bill Scott reported on behalf of the Risk Management Committee.

Blue-drop – Mr. Scott reported that work continues on obtaining CPD accreditation from LSUC for the on-line program.

Benchmarking – Mr. Walker has been in touch with all the firms to set up a meeting with firms and their management committees on an individual basis to discuss results for their particular firm if desired.

Re-audits – Five firms have agreed to the re-audit process and these audits are currently underway or will be soon.

12. Report of the Policy Committee

There was no report.

13. Report of the Investment Manager

Mr. Mahoney reviewed the quarterly report from the investment manager. This was an information item only.

14. Committees for 2012

Information item only.

15. Other Business

There was no other business.

16. Next Meeting

The next regularly scheduled meeting of the Board will be on June 19, 2012.

There being no further business, the meeting was terminated.

Chairman

Secretary



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 13, 2012

To: David Morritt
William Scott
Donald Milner
Gordon Goodman
Ken Crofoot
Nicholas Leblovic

Barry Bresner
Daniel MacDonald
John Esvelt
Julia Holland
Michael Swartz/Les O'Connor

Copy: Patrick Mahoney

From: Joe Tontini

**Re: Preliminary Report on CLLAS Rating and Reinsurance Placement
July 1, 2012/2013**

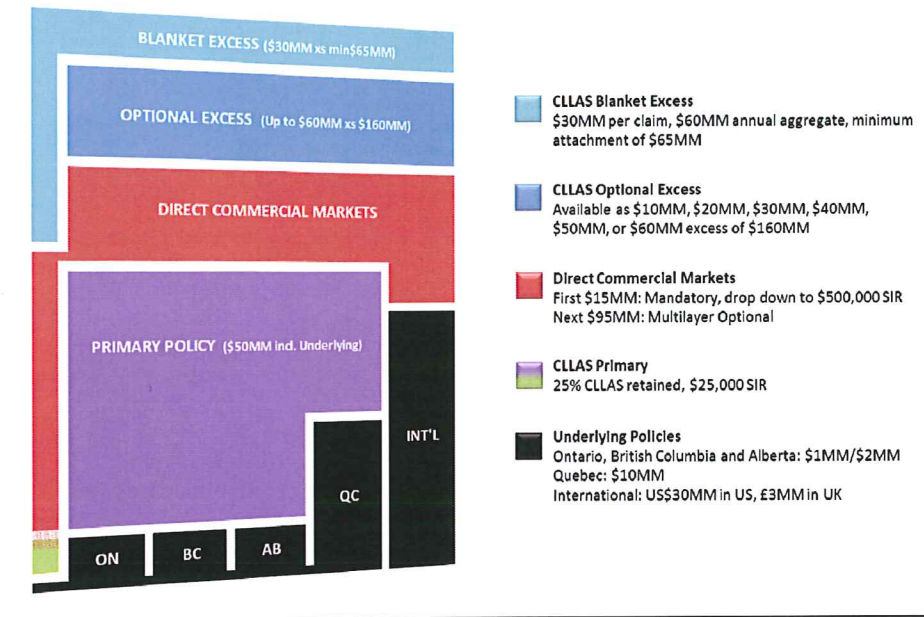
The purpose of this report is to provide the CLLAS Board with a preliminary indication of the reinsurance placement and premiums for July 1, 2012/2013. A more complete presentation will be made at the June 19, 2012 Advisory Board meeting.

Existing CLLAS Structure – July 1, 2011/2012

In order to bridge the gap between the CLLAS and market rates, CLLAS introduced a new structure at last year's renewal.

The new CLLAS insurance and reinsurance structure, which was put in place on July 1, 2011, is set forth in Figure 1 below.

Figure 1
CLLAS Structure – July 1, 2011



Insurance Structure

a) Primary Policy

\$50,000,000 each and every claim/annual aggregate, inclusive of the minimum mandatory coverage provided by the applicable law society professional liability insurance program or by the professional liability insurance program of the governing body of a self-regulatory profession other than law and/or other applicable insurance and/or \$25,000 per claim self-insured retention.

The CLLAS member premium rates for 2011/12 were at least 26% less than the rates for the comparable limits in 2010/2011 resulting in a savings for all CLLAS members combined of over \$5,000,000.

b) Optional Excess Policy

Limit ranges from \$10,000,000 to \$60,000,000 (in increments of \$10,000,000) each and every claim/annual aggregate, excess of \$110,000,000¹ each and every claim/annual aggregate, excess of the CLLAS Primary Policy or excess of specific underlying insurance arranged by certain CLLAS firms for their offices in the U.S. and/or other international locations (CLLAS International Policy) or excess of \$500,000 per claim self-insured retention. This policy follows

¹ Limits purchased by each of the firms in the Canadian direct commercial market.

the terms and conditions of the \$15,000,000 excess of \$50,000,000 commercial policy which in itself has a drop-down feature excess of \$500,000 per claim in the event that it is broader than the CLLAS underlying coverage.

On July 1, 2011, nine firms, including Blakes, had purchased the full \$60,000,000 of optional limits. Two firms purchased \$40,000,000 and one firm did not participate in the optional excess layer.

c) **Blanket Excess Policy**

\$30,000,000 each and every claim/\$60,000,000 annual aggregate for all CLLAS member firms combined excess of not less than \$65,000,000 for each CLLAS member firm. This policy also follows the terms and conditions of the \$15,000,000 excess of \$50,000,000 commercial policy except that it is endorsed to exclude claims for which the CLLAS International Policy would afford coverage.

Reinsurance Structure

a) Reinsurance Layer 1: \$49,000,000 excess of \$1,000,000 (\$40,000,000 excess of \$10,000,000 for Quebec lawyers):

- 50% of this layer is proportionally reinsured with Lloyd's and other reinsurers;
- 25% is reinsured with Colchester but Colchester's share of this layer is layered to accommodate some of the incumbent reinsurers as retrocessionaires of Colchester. Ultimately, Colchester only retains 25% of the \$4,000,000 excess of \$1,000,000 layer;
- CLLAS retains the remaining 25% of this layer as well as the entire drop down exposure.

Along with the Colchester retention (25% of \$4,000,000), CLLAS' total maximum single loss retention is \$14,225,000 which is below the \$15,000,000 per claim maximum established in the CLLAS Subscribers Agreement.

b) Reinsurance Layer 2: Between \$10,000,000 and \$60,000,000 excess of \$160,000,000 – 100% reinsured.

c) Reinsurance Layer 3: \$30,000,000/\$60,000,000 excess of \$65,000,000 (minimum) – 100% reinsured.

Regulatory Changes and Resulting Changes in Retention and Reinsurance

The CLLAS Advisory Board had approved two initiatives to coincide with the ending of the fifth Underwriting Period:

- Reduce or eliminate its claims liabilities through a loss portfolio transfer (LPT) reinsurance arrangement, thus reducing its significant surplus requirements;
- Beginning with the sixth Underwriting Period, reduce CLLAS' net per claim risk retention from approximately \$13,000,000 per claim to approximately \$1,000,000 per claim with the difference being retained by Colchester, subject to Colchester approval.

Change in Regulatory Jurisdiction

As part of its due diligence investigations, a review of the reinsurance guidelines established by the various regulators in Canada was conducted.

In December 2010, the Office of the Superintendent of Financial Institutions (OSFI), as part of a comprehensive policy review and restructuring of its regulatory and supervisory approach to reinsurance, issued new guidelines with respect to reinsurance practices and procedures. As part of this initiative, OSFI concluded that it was necessary to update its reinsurance governance framework, including the repeal of the reinsurance regulations, eliminating the 25% unregistered reinsurance limit and the 75% reinsurance limit. OSFI now requires an insurer to have a sound and comprehensive reinsurance risk management plan, overseen by the insurer's Board that appropriately reflects the scale, nature and complexity of the insurer's business.

While certain provincial regulators like Alberta and British Columbia have decided to follow OSFI's lead in terms of updating the reinsurance governance framework, CLLAS' current regulator, the Financial Services Commission of Ontario (FSCO) indicated that they would continue to maintain its current regulatory framework, including the 25% unregistered reinsurance limit and the 75% reinsurance limit guidelines respecting reinsurance. Since CLLAS is regulated by FSCO, and since it is likely that most, if not all, of the LPT and reduced future risk will be taken up by unregistered reinsurers, the FSCO reinsurance guidelines effectively limit CLLAS' ability to undertake this plan. Further, FSCO had recently communicated its desire to formally rely on the solvency supervision of other Canadian jurisdictions which meet international standards and, as a result, may in fact encourage insurers currently regulated by FSCO to transfer to other provinces.

Consequently, the Advisory Board has decided to investigate a change in CLLAS' regulatory jurisdiction from Ontario to Alberta subject to the approval of the respective jurisdictions. A formal submission to the Alberta regulators was made and CLLAS has had a number of meetings which can be described as positive and encouraging. CLLAS hopes to officially be under the Alberta regulator before the July 1, 2012 renewal.

Loss Portfolio Transfer

CLLAS prepared an underwriting submission for the LPT and approached a number of reinsurers, including Colchester. The purpose of the LPT is to transfer CLLAS' outstanding net retained liabilities for the policy year periods since inception on July 1, 1987 to the period ending June 30, 2012 inclusive. Colchester has provided an indication of \$50,440,000 in premium to transfer CLLAS' net liabilities of approximately \$45,000,000 to Colchester effective June 30, 2012.

Reduced CLLAS Retention

Another CLLAS objective was to reduce its retention per claim from slightly over \$13,000,000 to slightly under \$1,000,000. CLLAS has asked Colchester to reinsure up to 50% of the \$49,000,000 excess of \$1,000,000 layer effectively taking up CLLAS' current 25% retention as well as Colchester's current 25% retention. This would leave CLLAS with the exposure below \$1,000,000 as well as the credit risk from all reinsurers since inception.

Reduced Need for Surplus

By eliminating its net claims liabilities and reducing its net per claim retention, CLLAS' need for extra surplus is significantly reduced.

Proposed CLLAS Structure – July 1, 2012/2013

There will be no change to the existing insurance and reinsurance structures at the upcoming renewal. However, we are proposing that CLLAS and/or Colchester (subject to Colchester approval) retain a proportionate share of the risk (between 25% and 50%). CLLAS will continue to retain 100% of the drop down exposure.

Based on the incurred claims experience, CLLAS is proposing a 15% reduction in the reinsurance rates for Layer 1 as follows:

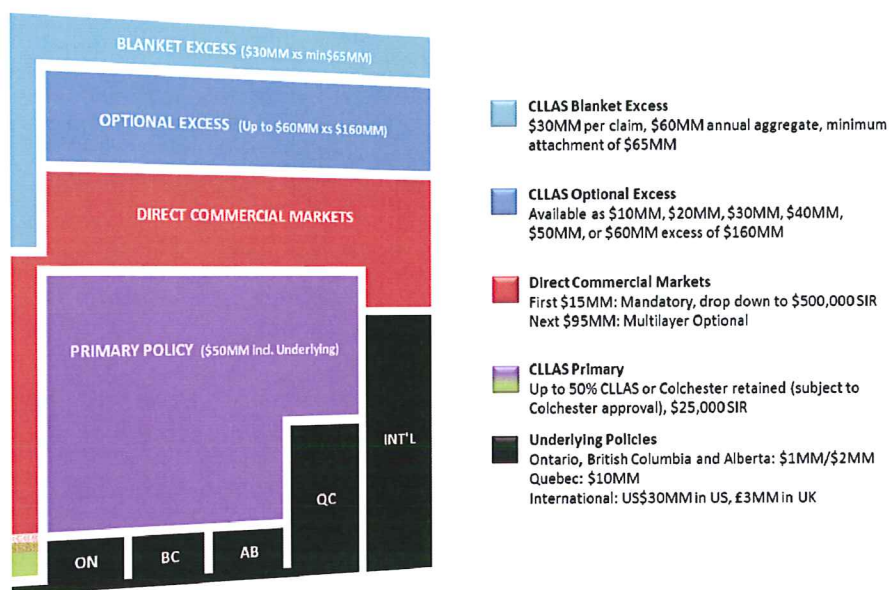
\$1,215/lawyer in Québec
\$2,530/lawyer in the rest of Canada

The rates for certain other non-lawyer consultants and patent & trademark agents would remain as 25% of the above.

Reinsurance Layers 2 and 3 are expected to be 100% reinsured. There have been no losses in these layers over CLLAS' 25-year history and CLLAS is therefore seeking a 15% reduction over expiring rates.

The proposed CLLAS insurance and reinsurance structure is set forth in Figure 2 below.

Figure 2
Proposed CLLAS Structure – July 1, 2012



Current Support from Reinsurers

Nick Leblovic, Patrick Mahoney and Joe Tontini met with Miller Insurance Services LLP and most of the current London underwriters to discuss the proposed terms for renewal. We are awaiting lead terms from underwriters.

Aggregate Stop-Loss Protection

In the past, Colchester provided CLLAS with aggregate stop-loss reinsurance protection for CLLAS' retained risk. Colchester currently provides a limit of \$22,500,000 in the annual aggregate excess of \$17,500,000 in the annual aggregate in respect of CLLAS' retained losses, Colchester's retained losses in the \$49,000,000 excess of \$1,000,000 reinsurance layer and CLLAS' retained losses in the drop-down below \$1,000,000. Should CLLAS be successful in reducing its per claim retention to under \$1,000,000, there will be little need for aggregate stop-loss protection. Colchester, on the other hand, may seek out aggregate stop-loss protection for its own risk. Currently, Colchester has aggregate stop-loss retrocession protection for 96.25% of \$20,000,000 excess of \$17,500,000.

Proposed Coverage and Policy Wording Changes at Renewal

1. On July 1, 2011, CLLAS changed its policy structure to provide a limit of \$50,000,000 through its Primary Policy. The next commercial layer provides coverage of \$15,000,000 excess of the CLLAS Primary Policy. The commercial policy is also excess of any CLLAS International Policy which provides coverage of US\$30,000,000.

Further, the CLLAS Blanket Excess Policy, which currently provides \$30,000,000 per claim/\$60,000,000 aggregate all firms combined excess of a minimum of \$65,000,000, does not respond to claims covered by the CLLAS International Policy. This creates a potential difference in limits of \$50,000,000 between a claim that the CLLAS Primary Policy covers and a claim that the CLLAS International Policy covers.

In order to reduce that gap, CLLAS intends to delete the exclusionary endorsements relating to the CLLAS International Policy exposures from the CLLAS Blanket Excess Policy. The result will be that the potential difference in limits between a claim that the CLLAS Primary Policy covers and a claim that the CLLAS International Policy covers would be reduced from \$50,000,000 to \$20,000,000.

2. CLLAS is proposing changes to its Primary Policy wording to clarify that the intent of the policy is to provide coverage for “cyber” exposures as they relate directly or indirectly to “Professional Services”. The underlying law society coverage, except for Alberta and British Columbia, is silent on the subject and so is the current CLLAS Primary Policy. CLLAS wants to make it perfectly clear that coverage is intended and afforded by its Primary Policy.
3. CLLAS recently had a request to provide coverage for a professional corporation of a non-lawyer consultant. Since professional corporations of lawyers are covered, CLLAS is proposing to amend its Primary Policy to make sure that professional corporations of non-lawyer consultants are also covered.
4. CLLAS is proposing to add a “conformity clause” to its Primary Policy. This will ensure that if the terms of the policy are in conflict with the mandatory statutory or law society requirements of any of the provinces in which the CLLAS Primary Policy responds, then the CLLAS Primary Policy will automatically recognize and respect the statutory requirements.

Conclusions

This preliminary report should provide the Board with an indication of renewal terms and conditions. A more fulsome report, including lead reinsurance terms and conditions, will be available at the upcoming Board meeting.

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

For the Period Ending March 31, 2012

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

FINANCIAL MANAGEMENT REPORT

March 31, 2012

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CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF FINANCIAL POSITION
March 31, 2012

	As at March 31, 2012	As at March 31, 2011
ASSETS		
Cash	4,103,765	4,177,008
Short term investments	10,695,920	19,026,351
Bonds	45,681,471	43,820,164
Interest income due and accrued	324,452	342,971
Premium receivable	0	0
Other receivable	1,758,852	1,733,853
Prepaid expenses	79,724	68,250
Deferred policy acquisition costs	0	0
Unearned reinsurance premium ceded	2,960,169	3,194,005
Reinsurance recoverable	5,090,184	4,227,365
Provision for unpaid claims and adjustment expenses recoverable from reinsurers	34,767,000	33,412,000
	<u>105,461,538</u>	<u>110,001,966</u>
LIABILITIES		
Accounts payable & accrued charges	298,201	2,926,756
Premium taxes payable	0	1,159,699
Unearned premium	4,228,453	5,198,736
Due to reinsurers	0	0
Provision for unpaid claims and adjustment expenses	79,324,000	78,850,000
Provision for unpaid premium liabilities	0	(0)
Premium deficiency liability	298,000	286,000
	<u>84,148,654</u>	<u>88,421,191</u>
SUBSCRIBERS' EQUITY		
Surplus	19,454,476	20,723,385
Accumulated Other Comprehensive Income (Loss),	1,858,408	857,390
	<u>21,312,884</u>	<u>21,580,775</u>
	<u>105,461,538</u>	<u>110,001,966</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF COMPREHENSIVE INCOME
For the Period Ending March 31, 2012

	Current Year		Prior Year	
	Quarter March 31, 2012	Year to Date March 31, 2012	Quarter March 31, 2011	Year to Date March 31, 2011
Written Premium	0	0	0	0
Gross Written Premiums	0	0	0	0
Less: Reinsurance Ceded	0	0	0	0
Net Written Premiums	0	0	0	0
Change in Unearned Premiums	1,268,284	1,268,284	1,982,702	1,982,702
Earned Premiums	1,268,284	1,268,284	1,982,702	1,982,702
Claims Paid	625,687	625,687	125,147	125,147
Change in IBNR	(455,000)	(455,000)	952,000	952,000
Change in Case Reserve	(500,000)	(500,000)	105,000	105,000
Premium Deficiency Expense	(288,000)	(288,000)	(262,000)	(262,000)
Change in provision for unpaid premium liability	0	0	0	0
Incurred Claims	(617,313)	(617,313)	920,147	920,147
Management and operating expenses	594,243	594,243	678,771	678,771
Reinsurance fees	68,250	68,250	68,250	68,250
Premium taxes	0	0	1,722	1,722
Total Operating Expenses	662,493	662,493	748,743	748,743
Underwriting Gain (Loss)	1,223,103	1,223,103	313,811	313,811
Investment Income	407,923	407,923	391,296	391,296
Income on Claim Related Matters	0	0	0	0
NET GAIN/(LOSS)	<u>1,631,026</u>	<u>1,631,026</u>	<u>705,107</u>	<u>705,107</u>
Other comprehensive income (loss)				
Unrealized gains (losses) on available for sale financial assets arising during the year	(449,937)	(449,937)	(340,663)	(340,663)
Recognition of realized (gain) loss included in income	5,912	5,912	-	-
Other comprehensive income (loss) for the year	(444,024)	(444,024)	(340,663)	(340,663)
Total comprehensive income (loss)	<u>1,187,002</u>	<u>1,187,002</u>	<u>364,444</u>	<u>364,444</u>

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF CHANGES IN EQUITY
March 31, 2012

	Minimum Surplus	Additional Surplus	Unrealized gains and losses on AFS financial assets	Total Equity
Balance, beginning of year	50,000	17,773,450	2,302,432	20,125,881
Prior year adjustment		-		-
Comprehensive income (loss) for the year				
Net gain (loss) for the year		1,631,026		1,631,026
Other comprehensive income (loss)				
Change in unrealized gain on available-for-sale assets			(449,937)	(449,937)
Recognition of realized (gain) loss on available-for-sale assets			5,912	5,912
Total comprehensive income (loss) for the year		1,631,026	(444,024)	1,187,002
Balance at March 31, 2012	50,000	19,404,476	1,858,408	21,312,884

CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY
STATEMENT OF OPERATIONS AND SURPLUS - VARIANCE ANALYSIS
FOR THE PERIOD ENDED March 31, 2012

	Annual Budget	Year to Date Budget % Accrued to Date	Year to Date Budget \$	Year to Date Actual \$	Fav/(Unfav) Variance \$
MANAGEMENT SERVICES	588,000	25%	147,000	147,000	-
PROFESSIONAL SERVICES					
Actuarial Services	102,000	25%	25,500	32,506	(7,006)
Reinsurance Matters (Note 1)	375,000	25%	93,750	69,411	24,339
Strategic Matters	120,000	25%	30,000	9,320	20,680
Restructuring	225,000	25%	56,250	91,575	(35,325)
Sub-Total Professional Services	822,000		205,500	202,812	2,688
GST/HST on Consulting Fees	183,300		45,825	45,476	349
Total Management & Professional Services *	1,593,300		398,325	395,288	3,037
(See Note 2)					
OTHER EXPENSES					
Audit Expenses	84,000	25%	21,000	40,914	(19,914)
Annual Dinner	7,000	25%	1,750	-	1,750
Premium Taxes	545,000	25%	136,250	-	136,250
Premium Taxes: Interest	-		-	-	-
Chairman's Expenses	2,000	25%	500	-	500
Chairman's Honourium	75,000	100%	75,000	75,000	-
Reinsurance Expense	10,000	25%	2,500	-	2,500
Office Expenses	25,000	25%	6,250	3,834	2,416
Office Expenses - Website management software license	1,000	25%	250	-	250
Claims: Borderaux (LSUC)	15,000	25%	3,750	13,940	(10,190)
Special Services	100,000	25%	25,000	6,880	18,120
Special Services - Restructuring	75,000	25%	18,750	-	18,750
Miller Insurance Fees (Reins. Comm.) (See Note 3)	300,000	25%	75,000	68,250	6,750
I.B.C Statistical Plan Fees	16,000	25%	4,000	10,206	(6,206)
FSCO Assessment Fees	10,000	25%	2,500	-	2,500
Investment counsel fees	167,000	25%	41,750	34,438	7,312
Investment - Custodial	47,000	25%	11,750	10,232	1,518
Risk Management/Loss Prevention	100,000	25%	25,000	-	25,000
License Fee	5,000	25%	1,250	3,500	(2,250)
Insurance: Sundry	-		-	11	(11)
Sub-total	1,584,000		452,250	267,205	185,045
TOTAL	3,177,300		850,575	662,493	188,082

* NOTE 1: REINSURANCE MATTERS

Reinsurance Budget was adjusted subsequent to the February Board meeting based on the decision taken at the meeting with respect to reinsurance renewal strategy.

* NOTE 2: 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	26%
Second Quarter, ending June 30th	41%
Third Quarter, ending September 30th	16%
Fourth Quarter, ending December 31st	17%
	<u>100%</u>

* NOTE 3: MILLER INSURANCE FEES (Reins. Comm.)

The annual budget is based upon the annual fee estimated for the policy period 2011/2012.

AMENDED AND RESTATED
RECIPROCAL INSURANCE EXCHANGE AGREEMENT
FOR SELECT CANADIAN LAW FIRMS

THIS AGREEMENT MADE AS OF THE 1ST~~22ND~~ DAY OF JULY, 2012~~DECEMBER 1986~~

AMONG:

THOSE FIRMS THAT SUBSCRIBE TO THIS AGREEMENT BY EXECUTING A COPY HEREOF OR THE FORM OF SUBSCRIPTION ATTACHED HERETO AS SCHEDULE "A" (hereinafter individually called a "Subscriber" and collectively called "Subscribers").

BEING PARTIES TO THIS AGREEMENT

WHEREAS:

- A. Pursuant to a Reciprocal Insurance Exchange Agreement made as of December 22, 1986 (such Agreement, as amended from time to time prior to the date hereof, being herein referred to as the "Original Agreement"), the Founding Subscribers and other Firms parties thereto agreed to exchange, and have exchanged, with each other contracts of indemnity or inter-insurance under and pursuant to the *Insurance Act* (Ontario);
- B. The Act (as hereinafter defined)Section 331 of the Act (as hereinafter defined) permits partiespersons to exchange with other persons in Ontario and elsewhere reciprocal contracts of indemnity or inter-insurance with each other through a Principal Attorney as defined in Subsection 78(b) of the Act for any class of insurance for which an insurance provincial company may be licensed to undertakeunder the Act, except life insurance, accident insurance, sickness insurance and guarantee insurance; and
- C. The Subscribers (being all the Firms currently parties to the Agreement) wish to enter into this Agreement to amend and restate the Original Agreement to continue from and after the date hereof to exchange with each other contracts of indemnity or inter-insurance under and pursuant to the Act and to make various other amendments to the Original Agreement as hereinafter provided.B. The Subscribers wish to enter into this Agreement, pursuant to which the Subscribers, among other things, will agree to exchange with each other contracts of indemnity or inter-insurance.

WITNESSETH THAT in consideration of the mutual covenants of the parties hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Subscribersit is hereby agree to amend the Original Agreement as hereinafter provided and to restate the Original Agreement as so amended as follows:

ARTICLE I

INTERPRETATION AND GENERAL

1.01 Definitions

Where used herein or in any amendment hereto, the following terms shall have the following meanings respectively unless the context otherwise requires:

- (a) "Act" means the Insurance Act of Alberta, R.S.A. 2000, c.I-3R.S.O 1980 C.218, as amended from time to time, and the regulations, guidelines and bulletins made under the Act;
- (b) "Accounting Period" as it relates to any particular Underwriting Period means the five (5) year period associated with such Underwriting Period plus the period immediately thereafter during which the accounts in respect of said Underwriting Period remain open provided, however, in no event shall the Accounting Period for any particular Underwriting Period extend beyond the tenth (10th) anniversary date of the commencement of such Underwriting Period;
- (c) "Actuary" means the independent qualified actuary, who is a Fellow of the Canadian Institute of Actuaries, or the firm of independent qualified actuaries, at least one of whose members is a Fellow of the Canadian Institute of Actuaries, selected by the Advisory Board or Executive Committee for the purposes of this Agreement;
- (d) "Advisory Board" means the Board consisting of one member from each Subscriber;
(d.1) "Audit Committee" means a committee consisting of three members of the Advisory Board appointed by the Advisory Board.
- (e) "Executive Committee" has that meaning ascribed to it in subsection 3.01 (a) hereof;
- (f) "Extraordinary Resolution" has that meaning ascribed to it in subsection 8.01 (a) hereof;
- (g) "Firm" means a law firm in Canada having at least the Minimum Members;
- (h) "Fiscal Period" has that meaning ascribed to it in section 4.01 hereof;
- (i) "Licence" means the licence issued pursuant to Part XIII of the Act to carry on as a reciprocal insurance exchange under the Act;
- (j) "Minimum Members" means that number of lawyers, determined from time to time pursuant to the Rules, that any law firm in Canada must have to qualify for membership in the Reciprocal;
- (k) "Ordinary Resolution" has that meaning ascribed to it in subsection 5.02(a) hereof;
- (l) "Reciprocal" means the reciprocal created under and by virtue of the Original Agreement and continued under this Agreement ~~pursuant to Part XIII of the Act~~;

(m) "Rules" has that meaning ascribed to it in section 7.09 hereof;

(n) "Subscriber" means a Firm which has been accepted for membership [in the Reciprocal](#) and has executed a copy of this Agreement or the Form of Subscription attached hereto as Schedule "A". ~~"Founding Subscriber" means each Firm which has become a Subscriber pursuant to section 6.01 hereof;~~

(o) "Superintendent" means the Superintendent of Insurance appointed from time to time pursuant to the Act;

(p) "Underwriting Period" means the period of five (5) years commencing 12:01 a.m. on July 1, 1987 and terminating 12:01 a.m. on July 1, 1992 and each successive five (5) year period thereafter during which the Reciprocal continues to operate.

1.02 Currency

All payments contemplated herein shall be made in Canadian funds.

1.03 Gender and Number

Words importing the singular number only shall include the plural, and vice-versa, and words importing the masculine gender shall include the feminine gender and neuter gender, and words importing persons shall include a natural person, firm, trust, partnership, association, corporation, government or governmental board, agency, or instrumentality.

1.04 Headings

The division of this Agreement into articles and sections and the article and section headings are for convenience of reference only and shall not affect the interpretation or construction of this Agreement.

1.05 Calculation of Time Periods

Unless otherwise specified herein or in any insurance policy issued pursuant hereto, when calculating the period of time within which or following which any act is to be done or step taken pursuant to this Agreement, the date which is the reference day in calculating such period shall be excluded. If the last day of such period is a non-business day, the period in question shall end on the next business day.

1.06 Applicable Law

This Agreement shall be construed and enforced in accordance with the rights of the parties hereto and shall be governed by the laws of the Province of [AlbertaOntario](#) and the laws of Canada applicable therein and the parties hereto do hereby irrevocably attorn to the jurisdiction of the courts of the Province of [AlbertaOntario](#).

1.07 Severable

If any provisions of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality or enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

1.08 Entire Agreement

This Agreement together with the Schedules attached hereto constitutes the entire agreement among the parties hereto relating to the establishment and operation of the Reciprocal and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, among the parties hereto with respect thereof.

1.09 Amendments

Unless otherwise provided to the contrary in this Agreement, no amendment or modifications of this Agreement, including any Schedules attached hereto, shall be binding unless in writing, signed by at least eighty percent (80%) of the Subscribers who are members of the Reciprocal at that time and the written consent of the Superintendent, [if required](#), is obtained.

1.10 Waiver

No waiver by any party hereto of any breach of any of the provisions of this Agreement by any other party hereto shall take effect or be binding upon the party unless in writing and signed by such party. Unless otherwise provided therein, such waiver shall not limit or affect the rights of such party with respect to any other breach.

1.11 Time of Essence

Time shall be of the essence of this Agreement.

1.12 Successors and Assigns

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

1.13 Counterparts

This Agreement may be executed in several counterparts each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument, which shall be sufficiently evidenced by any such original counterpart.

1.14 Further Acts

The parties hereto agree to execute and deliver such further and other documents and perform and cause to be performed such further and other acts and things as may be necessary or desirable in order to give full effect to this Agreement and every part hereof.

ARTICLE II

THE RECIPROCAL INSURANCE EXCHANGE

2.01 Establishment of the Reciprocal

The Subscribers hereby agree to the establishment of the Reciprocal, provided that the Reciprocal shall not issue further policies of insurance until the Licence has been granted by the Superintendent.

2.02 Purpose of the Reciprocal

The Reciprocal is established for the purpose of permitting the Subscribers to exchange reciprocal contracts of indemnity or inter-insurance ~~as provided for in the Act~~ for professional liability purposes and for no other purpose. The Reciprocal shall have the power to do any and every act and thing necessary, proper, convenient or incidental to the accomplishment of its purposes.

2.03 Name of the Reciprocal

The name of the Reciprocal shall be "Canadian Lawyers Liability Assurance Society" or "CLLAS". The words "Canadian Lawyers Liability Assurance Society" or "CLLAS" shall not be used by any of the Subscribers other than in connection with the affairs of the Reciprocal.

2.04 Registration of Name

The Subscribers shall effect such registration with respect to the name "Canadian Lawyers Liability Assurance Society" and/or "CLLAS" as may be necessary or desirable to preserve the ownership right of the Reciprocal in the name and to ensure use of the name solely in connection with the Reciprocal.

2.05 Term

This Agreement is effective from and after December 22, 1986 and shall continue in full force and effect until terminated in accordance with Article VIII hereof.

2.06 Not a Partnership

Nothing in this Agreement shall be construed to constitute any of the Subscribers a partner, agent or representative of the others or to create any trust or any commercial or other partnership among the Subscribers.

2.07 No Authority to Bind

Except as expressly provided in this Agreement, neither the Executive Committee, the Advisory Board nor a Subscriber shall have any authority to bind any other Subscriber or the other Subscribers.

2.08 Indemnification for Unauthorized Acts

Each Subscriber (in this section 2.08 called the "Indemnitor") hereby irrevocably and unconditionally undertakes and agrees to indemnify and save harmless each and all of the other Subscribers (in this section 2.08 called the "Indemnitees") from and against any and all liability, loss, harm, damage, cost or expense, including legal fees, which the Indemnitees or anyone or more of them may suffer, incur or sustain as a result of an act of the Indemnitor outside the scope of or in breach of this Agreement.

2.09 Several Liability

The obligations of each Subscriber with respect to the Reciprocal and/or contracts and obligations entered into by or on behalf of the Subscribers in connection with the Reciprocal shall in every case be several, and not joint and several.

ARTICLE III

EXECUTIVE COMMITTEE

3.01 (a) Establishment

An Executive Committee shall be selected by the Advisory Board from time to time from among its members ~~for the purposes of operating the Reciprocal~~ (the "Executive Committee"). ~~For the purpose of implementing this Agreement, the first Executive Committee shall be as set out in Schedule "C" hereto.~~

(b) Appointment of Attorney

The Executive Committee shall appoint an attorney and execute a power of attorney in the form attached hereto as Schedule "B", which power of attorney shall provide that the attorney do such things and sign such documents as are required by the Act, together with such further things and the execution of such other documents as this Agreement may provide or as the Executive Committee may determine.

3.02 Power and Authority of the Executive Committee

Except as otherwise provided for in this Agreement and, in particular, Section 5.14 hereof the Executive Committee has the power and authority, and the Subscribers hereby direct the Executive Committee, to give any approvals and to make any decisions and determinations

required or permitted to be given or made by the Subscribers with respect to the Reciprocal and any matter arising under or by virtue of this Agreement. Without limiting the generality of the foregoing, it is acknowledged and agreed that unless otherwise provided for in this Agreement, the Executive Committee is authorized on behalf of and without further authority from the Subscribers:

- (a) to make application to the Superintendent for the issue of the Licence;
- (b) subject to subsection 3.01 (b) hereof, to appoint, and where appropriate remove, from time to time, an attorney as that term is provided for or used in the Act upon such terms and conditions, including remuneration, as the Executive Committee may determine from time to time, and to delegate to such attorney such duties and responsibilities as are required by the Act, together with such additional duties and responsibilities as the Executive Committee may from time to time determine;
- (c) by its attorney, to exchange policies of insurance among the Subscribers, to execute and deliver to the Subscribers policies of insurance containing such terms and conditions as the Executive Committee shall deem proper and to change, cancel, renew, extend or reinsure such policies;
- (d) to reinsure or cede the whole or any part or proportion of any risk incurred or undertaken by the Reciprocal with or to such reinsurers and on such terms as the Executive Committee considers appropriate;
- (e) to demand, collect and receive all moneys which may become due by the Subscribers under this Agreement or under or pursuant to any policy of insurance;
- (f) to give and to receive all notices necessary or proper under any policy of insurance, and to adjust, compromise and settle all claims and losses thereunder;
- (g) to retain such consultants or professional advisors as the Executive Committee considers advisable in order to perform its duties hereunder;
- (h) to open and operate in the name of the Reciprocal a separate bank account or accounts in order to deposit and to distribute funds with respect to the operations of the Reciprocal;
- (i) by its attorney, to execute and to carry out all other agreements which require execution and performance by or on behalf of the Subscribers;
- (j) to invest funds not immediately required for the operation of the Reciprocal in accordance with the Act;
- (k) to pay all taxes, fees and other expenses relating to the orderly maintenance, management and operations of the Reciprocal;
- (l) to take such steps as are necessary to comply with all applicable provisions of the Act or any other applicable governmental statutes, regulations and rules;

- (m) to set the premium rates and additional assessments required of the Subscribers pursuant to the provisions of this Agreement, which rates shall include a Subscriber's proportionate share of the expenses of the Reciprocal;
- (n) to appoint a manager to operate the affairs of the Reciprocal on behalf of the Executive Committee on such terms and conditions, including remuneration, as the Executive Committee may determine from time to time. For greater certainty, the manager and the attorney may be one and the same person;
- (o) require such additional information from any Subscriber as the Executive Committee deems necessary, including requiring a Subscriber to provide the Executive Committee with proof of its financial capability;
- (p) to appoint such committees as may be required by the Superintendent or as may be deemed by the Executive Committee to be necessary or desirable for the operation of the Reciprocal;
- (q) subject to approval by the Advisory Board [and applicable provisions of the Act](#), to borrow money from any lender in such amounts and upon such terms and conditions as the Executive Committee shall deem advisable and to pledge any securities or other property, including the Reciprocal's receivables, for the repayment of any such loan, provided, however, that such borrowing shall be made for the sole purpose of paying eligible losses under any policy issued by the Reciprocal and to avoid a distress sale of investments or an acceleration of the retroassessments receivable from Subscribers that would be necessary to make such payment;
- (r) to recommend for approval of the Subscribers by an Extraordinary Resolution, the Rules, with respect to such other matters as may be deemed appropriate for the better operation of the Reciprocal; and
- (s) to do and perform every other act and thing necessary or proper to be done in order to fully carry out and perform the terms hereof.

3.03 Qualifications of Members of the Executive Committee

Any individual may be a member of the Executive Committee provided that, and for so long as, he:

- (a) is a person who is twenty-one (21) years of age or more;
- (b) is not a person who is of unsound mind, having been so found by a court in Canada or elsewhere;
- (c) is not a person who has the status of a bankrupt; and
- (d) is a member of the Advisory Board.

No election or appointment of a person as a member of the Executive Committee shall be effective unless he consents to act as a member of the Executive Committee before or within ten (10) days after his election or appointment.

3.04 Constitution of the Executive Committee

The Executive Committee shall be composed of a minimum of six (6) members, or such other number as the Advisory Board may by Ordinary Resolution determine from time to time, provided that no Subscriber shall have more than one representative on the Executive Committee.

Where there is a vacancy or vacancies on the Executive Committee, the remaining members thereof may exercise all of the powers of the Executive Committee so long as a quorum remains in office.

3.05 Election and Term

A member of the Executive Committee shall hold office for a term expiring at the close of the meeting of the Advisory Board designated as the annual meeting of the Subscribers next following his election or appointment or until his successor is elected or appointed. Incumbent members of the Executive Committee, if qualified, shall be eligible for re-election. If an election of members of the Executive Committee is not held at the proper time, the incumbent members shall continue in office until their successors are elected.

3.06 Resignation

A member of the Executive Committee may resign from office upon giving a written resignation to the Executive Committee and such resignation becomes effective when received by the Executive Committee or at the time specified in the resignation, whichever is later.

3.07 Removal

The Advisory Board may by Ordinary Resolution remove any member of the Executive Committee from office and may by Ordinary Resolution when any member is removed or at any time thereafter, elect any eligible person in his place for the unexpired term of his predecessor.

3.08 Vacancies

A quorum of members of the Executive Committee may fill a vacancy of the members thereof, provided that such vacancy may not be filled by a person who is a partner or employee of a Subscriber who is already represented on the Executive Committee.

If there is not a quorum of members of the Executive Committee in office, or if there has been a failure to appoint the number of members required, the members then in office shall forthwith call a meeting of the Advisory Board to fill the vacancy, and, if they fail to call a meeting or if there are no members then in office, the meeting may be called by any Subscriber.

3.09 Decisions of the Executive Committee

All decisions of the Executive Committee shall, unless otherwise herein provided for, require the approval of a majority of the members of the Executive Committee voting on an issue.

3.10 Limitation

The Executive Committee has no power or authority to give any of the approvals or make any of the decisions or determinations referred to in Article VIII hereof.

3.11 (a) Chairman

The Executive Committee shall choose a chairman from among its members. The chairman shall not have a second or casting vote in respect of any matter voted on by the Executive Committee.

(b) Secretary

The Executive Committee shall appoint a secretary (who need not be a member of the Executive Committee) who shall keep complete and accurate minutes of all meetings of the Executive Committee.

3.12 Other Officers

The Executive Committee may appoint such other officers and designate such responsibilities to such officers as the Executive Committee shall determine.

3.13 Minutes of Meetings

The minutes of each meeting of the Executive Committee shall be sent by the secretary to each member thereof within fifteen (15) days after the meeting. Any failure by the secretary to send the minutes of a meeting to each member of the Executive Committee within fifteen (15) days after the meeting shall not affect the validity of any decisions made at the meeting.

The minutes of any meeting of the Executive Committee shall, if purported to be signed by the chairman and the secretary, be prima facie evidence of the facts therein stated.

3.14 Meetings Generally

(a) The Executive Committee shall hold regular meetings at such times as the Executive Committee shall decide upon from time to time;

(b) The chairman may call additional meetings of the Executive Committee if he considers it advisable to do so and shall do so if requested by another member.

3.15 Conference Telephone Meetings

When all members of the Executive Committee present or participating in a meeting have consented, any member may participate in a meeting of the Executive Committee by means of

conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and a member participating in a meeting in such manner shall be deemed to be present in person at the meeting.

3.16 Notice

The chairman shall give each member of the Executive Committee written notice of the time and place of each meeting of the Executive Committee at least twenty-four (24) hours, excluding any part of a Sunday and a holiday as defined in the Interpretation Act, R.-S.-[AC. 20001970](#), C.I-~~8-323~~, as amended from time to time, before the time when the meeting is to be held, save that no notice of a meeting shall be necessary if all members thereof are present or if those absent have waived notice in writing to the holding of such meeting. Such waiver, whether given before or after the meeting of which notice is required to be given, shall cure any default in giving such notice.

3.17 Agendas

The notice of each meeting of the Executive Committee shall be accompanied by an agenda and any relevant supporting materials sufficiently detailed to inform each member thereof of the matters to be considered at the meeting.

A member of the Executive Committee may require the addition of one or more matters to the agenda of the meeting by written notice thereof to the chairman. Such notice shall be accompanied by any relevant supporting materials sufficiently detailed to inform each member of the Executive Committee of the matter or matters to be added to the agenda of the meeting. Such notice and materials shall be delivered in sufficient time to enable the chairman to comply with his obligations under section 3.16 hereof and this section 3.17.

3.18 No Vote on Matters Not on Agenda

Matters which are not referred to in the agenda of the meeting of the Executive Committee shall not be voted on at that meeting unless all of the members thereof consent.

3.19 Location of Meetings

Meetings of the Executive Committee shall be held at such place as the members thereof may agree upon from time to time.

3.20 Quorum

A quorum for a meeting of the Executive Committee shall be a majority of the members thereof.

3.21 Agreement Without Voting

Any matter within the competence of the Executive Committee that is agreed or consented to in writing by all of the members thereof shall be binding on all the Subscribers.

3.22 Duty of Care

Every member of the Executive Committee and of the Advisory Board, in exercising his powers and discharging his duties, shall:

- (a) act honestly and in good faith, with a view to the best interests of the Reciprocal; and
- (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

3.23 (a) Limitation of Liability

No member of the Executive Committee or of the Advisory board shall be liable for the acts, receipts, neglects or defaults of any other member in any respect, or for any loss, damage or expense happening to the Reciprocal, or for the insufficiency or deficiency of any security in or upon which any money of the Reciprocal shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Reciprocal, or any member thereof, be deposited, or for any loss occasioned by any error of judgment or oversight on his part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto, unless the same are occasioned by his own willful neglect or default.

(b) Indemnity of Members

Every member of the Executive Committee and every former member of the Executive Committee and his heirs and legal representatives shall, from time to time, be indemnified and saved harmless by the Subscribers from and against all liabilities, costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment in respect of any action or proceeding to which he is made a party by reason of being or having been a member of the Executive Committee, if he acted honestly and in good faith, with a view to the best interests of the Reciprocal.

(c) Indemnity of Members of Advisory Board

Every member of the Advisory Board and every former member of the Advisory Board and his heirs and legal representatives shall, from time to time, be indemnified and saved harmless by the Subscribers from and against all liabilities, costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment in respect of any action or proceeding to which he is made a party by reason of being or having been a member of the Advisory Board, if he acted honestly and in good faith, and with a view to the best interests of the Reciprocal.

ARTICLE IV

OTHER FINANCIAL AND ACCOUNTING MATTERS

4.01 Fiscal Period

Accounts for the Reciprocal shall be prepared and settled as of ~~December 31~~June 30th in each year ("Fiscal Period").

4.02 Books and Records

Proper and complete books, records, reports and accounts of the Reciprocal shall be kept at the principal office of the Reciprocal and shall be open and available for inspection and copying by any one of the Subscribers or its authorized representatives at any reasonable time during normal business hours. The said books and records shall fully and accurately reflect all transactions of the Reciprocal and shall be maintained in conformity with generally accepted accounting principles or customary practices. The Reciprocal shall make available to the Superintendent such documentation as may be required in accordance with the Act.

4.03 Subscribers' Accounts

Individual accounts shall be kept for each Underwriting Period showing each Subscriber's participation in the operations and the operating results of the Reciprocal in the manner determined by the Rules.

4.04 Annual Reports

By the last day of February following~~Within ninety (90) days after~~ the end of each Fiscal Period of the Reciprocal, the Executive Committee shall cause the auditors of the Reciprocal to furnish to each Subscriber an annual audited report, among other thing, consisting of:

- (a) a summary of premiums received during such year;
- (b) a summary of claims made during such year;
- (c) a summary of claims paid during such year;
- (d) a statement of the financial position of the Reciprocal at the end of such year; and
- (e) any additional information that the Executive Committee, the Advisory Board or the Superintendent may require.

4.05 Half-Yearly Statements

The Executive Committee shall cause the Reciprocal to furnish to each Subscriber a half-yearly statement of the details of its account as provided for in section 4.03 hereof.

4.06 Other Financial Information

The Executive Committee shall provide the Subscribers with such other financial information as it deems necessary or as may be required under the Act.

4.07 Bank Accounts

The bank of the Reciprocal shall be such Canadian chartered bank or banks as the Executive Committee may from time to time determine. All moneys from time to time received on account of the Reciprocal shall be paid immediately into the bank account of the Reciprocal in the same drafts, cheques, bills and cash in which they are received. All cheques, negotiable instruments and withdrawals from bank accounts shall require the signatures of the manager of the Reciprocal, if any, together with one (1) member of the Executive Committee, or if there is no manager of the Reciprocal, two (2) members of the Executive Committee.

The Executive Committee may establish an imprest account for the payment of expenses incurred in connection with the operation of the Reciprocal, which account shall be funded by transfers of funds from the general account as required. The amount of such account and the person or persons authorized to draw thereon shall be determined by the Executive Committee from time to time.

4.08 Execution of Documents

All documents, instruments or agreements having a legally binding effect on the Subscribers shall be signed by the attorney designated for that purpose by the Executive Committee from time to time, failing whom any two (2) members of the Executive Committee shall sign all such documents, instruments or agreements.

4.09 Payment for Services

Except as determined by the Advisory Board from time to time, no payment shall be made to any member of the Executive Committee for his services in acting as a member of the Executive Committee, provided that any member shall be entitled to reimbursement of any expenses incurred in acting as a member of the Executive Committee.

4.10 Audit Committee

(a) Appointment

The Audit Committee shall be appointed by and report to the Advisory Board.

(b) Powers and Duties

The powers and duties of the Audit Committee will include:

- (i) Review of the annual financial statements, actuarial valuation report and regulatory filing before any such information is considered for approval by the Advisory Board;
- (ii) Review, evaluate and make recommendations to the Advisory Board, if appropriate, with respect to internal financial control procedures of the reciprocal;

(iii) Review any investments or transactions that the auditor or management bring to the attention of the committee and make any related recommendations to the Advisory Board if the committee considers it advisable; and

(iv) Such other powers and duties as are approved by the Advisory Board.

(c) Meetings

For the purposes of carrying out its duties under (b) above, the Audit Committee shall meet as required as decided by the Audit Committee from time to time but at least annually. Any member of the Audit Committee or the auditor may call a meeting with reasonable notice as may be determined by the Audit Committee. Any member of the Audit Committee may request the auditor to attend any meeting.

At any meeting of the Audit Committee, necessary information will be obtained from the auditor, actuary, management or other party as required.

The Audit Committee may, if considered appropriate, call a meeting of the Advisory Board to consider any matter of concern to the Audit Committee.

The Audit Committee shall ensure that accurate minutes are kept of the Audit Committee meetings.

ARTICLE V

~~MEETINGS OF~~ ADVISORY BOARD

5.01 Members of Advisory Board

Each Subscriber shall designate in writing from time to time the individual partner or employee to be its member of the Advisory Board. Any Subscriber shall also be entitled to designate in writing from time to time an alternate who shall be entitled to act in the place and stead of such member, when unavailable.

5.02 (a) Decisions of Advisory Board

All decisions of the Advisory Board shall require approval by Ordinary Resolution unless otherwise provided for in this Agreement. For the purposes of this Agreement, an "Ordinary Resolution" means:

- (i) any resolution passed at a meeting of the Advisory Board by affirmative votes of a majority of the members of the Advisory Board in attendance at such meeting; or
- (ii) any written resolution signed in one or more counterparts by eighty percent (80%) of the members of the Advisory Board.

(b) Decision Binding

A decision of the Advisory Board with respect to any matter shall be binding on all the Subscribers.

5.03 Chairman

The chairman of the Executive Committee shall serve as chairman of any meeting of the Advisory Board. In the absence of the chairman of the Executive Committee, the members of the Advisory Board in attendance at the meeting shall choose a chairman. In the event of an equal vote the chairman shall not have a second or casting vote.

5.04 Secretary

The chairman shall appoint a secretary who shall keep complete and accurate minutes of all meetings of the Advisory Board.

5.05 Minutes of Meetings

The minutes of each meeting of the Advisory Board shall be sent by the secretary to each member thereof within fifteen (15) days after the meeting. Any failure by the secretary to send the minutes of the meeting to each member of the Advisory Board within fifteen (15) days after the meeting shall not affect the validity of any decision made at the meeting.

The minutes of any meetings of the Advisory Board shall, if purported to be signed by the chairman and the secretary, be prima facie evidence of the facts therein stated.

5.06 Meetings Generally

The Advisory Board shall hold regular meetings at such time as the Advisory Board shall decide upon from time to time, provided that at least one (1) meeting shall be held in each calendar year, which meeting shall be designated the annual meeting of Subscribers.

The chairman or any member of the Executive Committee may call additional meetings of the Advisory Board if he considers it advisable to do so and shall do so if requested by any member of the Advisory Board.

5.07 Conference Telephone Meetings

When all members of the Advisory Board present or participating in a meeting have consented, any member may participate in a meeting of the Advisory Board by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and a member participating in a meeting in such manner shall be deemed to be present in person at the meeting.

5.08 Notice

The chairman or any member of the Executive Committee shall give each member of the Advisory Board written notice of the time and place of each meeting of the Advisory Board not less than ten (10) days before the day on which the meeting is to be held. A meeting of the Advisory Board may be held at any time without notice if all the members thereof are present or those not so present have waived notice of such meeting. Such waiver, whether given before or after the meeting of which notice is required to be given, shall cure any default in the giving of such notice.

5.09 Agendas

The notice of each meeting of the Advisory Board shall be accompanied by an agenda and any relevant supporting materials sufficiently detailed to inform each member thereof of the matters to be considered at the meeting.

A member of the Advisory Board may require the addition of one or more matters to the agenda of the meeting by written notice thereof to the chairman of the Executive Committee. Such notice shall be accompanied by any relevant supporting materials sufficiently detailed to inform each member of the Advisory Board of the matter or matters to be added to the agenda of the meeting. Such notice and materials shall be delivered in sufficient time to enable the chairman of the Executive Committee to comply with his obligations under section 5.08 hereof and this section 5.09.

5.10 No Vote on Matter Not in Agenda

Matters which are not referred to in the agenda of the meeting of the Advisory Board shall not be voted on at that meeting unless all of the members thereof consent.

5.11 Location of Meeting

Meetings of the Advisory Board shall be held in the [City of](#)~~Municipality of Metropolitan~~ Toronto or at such other place as the members thereof may by Ordinary Resolution agree upon from time to time.

5.12 Quorum

A quorum for a meeting of the Advisory Board shall be a majority of the members thereof.

5.13 Annual Meeting

In each calendar year, there shall be a meeting of the Advisory Board designated as the annual meeting of Subscribers, at which meeting, among other matters:

- (a) the members of the Executive Committee shall be appointed for the ensuing year;
- (b) an auditor shall be appointed, at such remuneration as the Executive Committee may determine from time to time; and

- (c) the financial statements of the Reciprocal for the preceding Fiscal Period shall be presented to the Advisory Board for approval.

5.14 Powers and Delegation to Executive Committee

- (a) Notwithstanding the provisions of this Agreement granting rights power and authority to the Executive Committee, the Executive Committee shall only have such rights, power and authority set out therein if and to the extent expressly delegated to the Executive Committee by a resolution of the Advisory Board;
- (b) The Advisory Board shall have and retain all of the rights, power and authority set out in the provisions referred to in subsection 5.14(a) hereof not delegated to the Executive Committee as provided for in such subsection; and
- (c) The provisions of Sections 3.03, 3.06, 3.21, 3.22 and 3.23 hereof shall apply, *mutatis mutandis*, to the Advisory Board.

ARTICLE VI

SUBSCRIBERS

6.01 ~~Founding~~ Subscribers

Each Firm whose name appears on Schedule "~~CD~~" hereto is a Subscriber to this Agreement, and who executes and delivers either this Agreement or the Form of Subscription attached hereto as Schedule "A" as of January 1, 1987 or before, shall automatically become a member of the Reciprocal with effect from January 1, 1987 ("Subscription Date").

6.02 Additional Subscribers

The Advisory Board may admit additional qualified Firms as Subscribers on the recommendation of the Executive Committee in accordance with the following provisions:

- (a) Any ~~F~~firm may apply to become a Subscriber provided that:
- (i) such Firm submits a written application for membership in acceptable form and remits together therewith such application fee, as may be prescribed by the Executive Committee from time to time;
 - (ii) such Firm provides the historical claims information required by the Rules and the data and other relevant information required by the Rules or that the Executive Committee, the Actuary and the Reciprocal's reinsurer(s) deem necessary or appropriate to properly assess membership qualifications; and

- (iii) such Firm co-operates with the Executive Committee in providing such information and documentation as it may require;
- (b) The Executive Committee, upon receiving an application for membership, shall determine, alone or in conjunction with the Actuary and the Reciprocal's reinsurer(s), if any applicant Firm meets the eligibility requirements for membership in the Reciprocal;
- (c) Upon the Executive Committee's recommendation to accept any Firm's application for membership, and subject to the approval of at least eighty percent (80%) of the members of the Advisory Board, such Firm shall be notified in writing of the acceptance of its application for membership subject always to the following:
 - (i) receipt of a duly executed Form of Subscription in the form attached as Schedule "A" hereto from such Firm; ~~and~~
 - (ii) receipt of any fees required to be paid by such Firm; and
 - ~~(ii)(iii)~~ notification to the Superintendent- including a copy of the Form of Subscription as executed in (c)(i).
- (d) Commencement of membership in the Reciprocal ("Subscription Date") shall be the date specified by the Executive Committee on the notification of acceptance of any Firm's application for membership.

6.03 Minimum Period of Subscription

Membership in the Reciprocal shall be subject to the following minimum periods of subscription:

- (a) If the Subscriber's Subscription Date is coincident with or within two (2) years of the commencement of the then current Underwriting Period, the minimum period of subscription shall be such Underwriting Period or the balance thereof, as the case may be;
- (b) If the Subscriber's Subscription Date is not within two (2) years of the commencement of the then current Underwriting Period, the minimum period of subscription shall be the balance of such Underwriting Period plus the immediately subsequent Underwriting Period.

6.04 Termination of Membership

- (a) Subject to the approval of at least eighty percent (80%) of the members of the Advisory Board, the Executive Committee is empowered to remove a Subscriber as a member of the Reciprocal by providing such Subscriber with a notice in writing to that effect, in the event that the Subscriber:
 - (i) fails to comply with any term of this Agreement or the Rules within thirty (30) days' after having been given written notice by the Executive Committee of the details of its failure to comply;

- (ii) fails to pay any premium or other fee or assessment promptly when due hereunder; or
 - (iii) fails, in the opinion of the Executive Committee, to continue to meet the eligibility requirements for membership in the Reciprocal;
- (b) The effective date of termination of membership in the Reciprocal in the event of termination:
 - (i) pursuant to subsection 6.04(a)(i) hereof, shall be thirty (30) days after receipt of the written notice hereof, if the failure has not been rectified; or
 - (ii) pursuant to subsection 6.04(a)(ii) hereof, shall be the date of the receipt of written notice of termination; or
 - (iii) pursuant to subsection 6.04(a)(iii) hereof, shall be at the expiration of ninety (90) days following the date of receipt of written notice of termination;
- (c) Subject to the provisions of section 6.03 hereof, a Subscriber may resign from membership in the Reciprocal at the end of any Underwriting Period, provided that it provides the Reciprocal with three (3)~~six (6)~~ months' written notice of its intention to resign, in which event, such resignation shall take effect upon the expiry of such Underwriting Period. In the event there is a failure to give such notice, the Subscriber shall be deemed to have elected to participate in the immediately succeeding Underwriting Period for a further period of five (5) years.

6.05 Dissolution of Firm

If a Subscriber experiences a dissolution or termination of its partnership, its active participation in the current Underwriting Period shall cease as of the date it ceases to carry on its practice under its current partnership structure. Notwithstanding such cessation of coverage, the Subscriber shall continue to be responsible for future retroassessments with regard to its participation in the then current Underwriting Period and, if applicable, the immediately preceding Underwriting Period or Periods, as the case may be.

6.06 Continuing Liability

Notwithstanding any provision of this Agreement to the contrary, in the event that a member's participation in the Reciprocal is terminated or it resigns or is removed as a member of the Reciprocal, such Subscriber shall continue to be liable for any assessment(s) arising during and after it ceases to be a member of the Reciprocal in respect of all Underwriting Periods or portions thereof in which it participated or during which it was insured by the Reciprocal unless satisfactory arrangements are made with the Executive Committee to buy out such liability.

ARTICLE VII

OPERATION OF THE RECIPROCAL

7.01 Issuance of Insurance Policies

- (a) After receipt of the Licence and on a date ("Issue Date") to be determined by the Advisory Board and advised in writing to each Subscriber, the Reciprocal, by its attorney, shall issue a liability insurance policy to such Subscriber in such the form attached hereto as Schedule "E" or such other form as may be prescribed by the Advisory Board from time to time, subject to compliance with the requirements of all regulatory authorities having jurisdiction;
- (b) Notwithstanding any provisions of this Agreement or any provision of any insurance policy issued by the Reciprocal to the contrary, the following shall apply:
 - (i) any insurance policy issued by the Reciprocal to a Subscriber shall automatically be cancelled on the date ("Cancellation Date") that the Reciprocal is terminated pursuant to Article VIII hereof or the date specified by notice to the Subscriber where such Subscriber has ceased to be a member of the Reciprocal pursuant to section 6.04 hereof; and
 - (ii) each Subscriber shall be covered continuously by an insurance policy issued by the Reciprocal from the Subscriber's Issue Date to its Cancellation Date and the Subscriber shall be bound by the provisions of any such insurance policy in force from time to time;
- (c) The form of any liability insurance policy may be changed from time to time by the Advisory Board as provided herein, subject to compliance with the requirements of any regulatory authority having jurisdiction in this regard;
- (d) The Reciprocal may in the future issue other liability policies in a form or forms approved by the Advisory Board by Ordinary Resolution to participate in other liability insurance on an actuarially sound basis on the advice of the Actuary and, if necessary, the approval of the Superintendent.

7.02 Terms and Conditions of Issue of Policies

The following terms and conditions shall apply to the operation of the Reciprocal and the issuance of insurance policies by it:

- (a) the maximum limit of liability for anyone loss applicable to any insurance policy ("Policy Limit") shall be as determined from time to time by the Executive Committee;
 - ~~(i)~~ the maximum limit of liability to be retained by the Reciprocal on its own account for any one loss ("Retention Limit") will be Fifteen Five Million Dollars (\$15,000,000), provided that such maximum limit of liability to be retained by the Reciprocal for any one loss may be increased:
 - ~~(ii) to Ten Million Dollars (\$10,000,000)~~ on the written authority of not less than eighty percent (80%) of all of the members of the Advisory Board; ~~or~~

~~(iii)(i) _____ to Fifteen Million Dollars (\$15,000,000) on the written authority of all of the members of the Advisory Board;~~

- (b) notwithstanding any provision of this Agreement to the contrary, the Policy Limit may exceed the Retention Limit if and only if the Reciprocal obtains reinsurance for such excess amount; and
- (c) the Reciprocal may enter into other reinsurance to limit in the aggregate its liability in respect of the risk assumed by it pursuant to the Retention Limit in such form and amount as may be considered appropriate from time to time by the Executive Committee in light of the then current market conditions.

7.03 Expected Loss Costs and Premium Requirements

The expected loss costs for the portion of the risk to be retained by the Reciprocal pursuant to the Retention Limit and the premiums to be charged to each Subscriber for each of the five (5) years of any Underwriting Period or portion thereof shall be determined by the Executive Committee on the advice of the Actuary. The amount of the premiums shall be sufficient to fund the administration expenses, reinsurance premiums and the portion of the risk retained by the Reciprocal.

7.04 Subscriber Participation

Subscriber participation in an Underwriting Period shall be accounted for on the basis of, among other things, the number of lawyers, expected loss costs for the portion of the risk retained by the Reciprocal pursuant to the Retention Limit and the actual premiums and assessments paid and credits given. Actual losses incurred by the Reciprocal for any Underwriting Period shall be pooled and apportioned among the Subscribers in the manner provided in the Rules.

7.05 Investment Income

Investment income earned on accumulated assets applicable to each Underwriting Period shall be apportioned in the manner provided in the Rules.

7.06 Assessments and Credits

- (a) The Reciprocal shall be responsible for the portion of the risk retained by it pursuant to the Retention Limit, and assessments shall be made by the Executive Committee to the extent the premiums collected in respect of the retained portion of the risk are not sufficient to cover the actual loss claims and costs experienced; to the extent premiums collected are more than sufficient to cover the actual loss claims and costs experienced or, if greater, the accumulated actuarial expected loss costs, the excess shall be debited or credited as the case may be, to the Subscribers;
- (b) The Subscribers acknowledge that they may be responsible for additional assessments in any year, based on the actual loss experience of the Reciprocal pursuant to insurance

policies issued to the Subscribers and based on any amounts owing to the Reciprocal which the Reciprocal is unable to collect;

- (c) Loss claims experience for each Underwriting Period will be assessed annually and potential deficits and surpluses shall be estimated and amortized over five (5) years or the balance of the Accounting Period, if less, provided, however, no payments shall be permitted during the initial five (5) years of the Accounting Period. Deficits or surpluses and resulting assessments and credits will be accounted for on the basis of each Subscriber's participation in the Underwriting Period;
- (d) In the event that an assessment or credit is declared, the Executive Committee shall notify each Subscriber of the amount of the assessment or credit applicable to each Subscriber, setting out in reasonable detail the reasons therefore and the basis upon which the amount of the assessment or credit has been determined;
- (e) In the event that accumulated expected loss costs exceed the actual loss costs and the Executive Committee on the advice of the Actuary, in its absolute discretion, determines that the Reciprocal has accumulated funds in excess of those required to meet the obligations of the Reciprocal in respect of claims arising in prior years, the Executive Committee may declare a special credit of whatever amount they deem appropriate;
- (f) Except as may otherwise be determined by the Executive Committee, any credits declared pursuant to this section 7.06 shall be applied to reduce premiums payable for policies of insurance in the current or any subsequent Fiscal Period.

7.07 Closure of Accounting Period

Each Accounting Period shall be closed as of the tenth (10th) anniversary date of its commencement or such other date as determined by the Executive Committee based upon the advice of the Actuary that no further liability to or of the Reciprocal exists.

At the closure date the following shall apply:

- (a) a final accounting will be effected as of the closure date and the resulting deficit or surplus, if any, shall be determined and a final assessment or credit, as the case may be, shall be declared in an amount equal to such deficit or surplus;
- (b) in the event that any Subscriber elected not to participate in the immediately succeeding Underwriting Period, such Subscriber's participation in the Reciprocal including the portion of the Reciprocal's assets and liabilities applicable thereto shall be allocated among the continuing Subscribers on a basis proportionate to their participation in the Underwriting Period then closing;
- (c) after the allocation, if any, required in subsection 7.07(b) hereof, each Subscriber's accumulated participation in the Underwriting Period shall be transferred to and

consolidated with its accumulated position in the immediately succeeding Underwriting Period; and

- (d) for the purposes of this section 7.07, the liabilities of the Reciprocal in respect of loss experience shall be equal to the actual loss claims and costs (paid to date and estimated outstanding) or, if greater, the accumulated actuarial expected loss costs, all as determined by the Actuary.

7.08 Obligation to Pay

Each Subscriber covenants and agrees to pay promptly when due any annual premium or other fee or assessment required pursuant to the terms of this Agreement.

7.09 Rules

For purposes of administering the Reciprocal in accordance with the provisions of this Agreement, the Executive Committee may establish from time to time such rules and regulations as it considers appropriate ("Rules"), provided that the Rules and any amendments thereto shall be subject to the approval of the Advisory Board by Extraordinary Resolution.

ARTICLE VIII

TERMINATION

- 8.01 (a) Subject to providing notice to the Superintendent, tThe Advisory Board may terminate the Reciprocal by an Extraordinary Resolution of the Advisory Board. For the purposes of this Agreement an "Extraordinary Resolution" means:
 - (i) any resolution passed at a meeting of the Advisory Board by the affirmative vote of at least eighty percent (80%) of the members of the Advisory Board present at such meeting; or
 - (ii) any written resolution signed in one or more counterparts by all of the members of the Advisory Board;
- (b) The Reciprocal shall terminate in the event that it fails to receive the Licence or in the event that the Licence is revoked or is not renewed;
- (c) Upon termination, the assets of the Reciprocal after payment of all obligations, and after setting aside an adequate reserve for future claims, shall be returned to the Subscribers in the proportions in which the Subscribers participated in any Underwriting Period not closed prior to the date on which the termination takes place;
- (d) Notwithstanding the termination of the Reciprocal, each Subscriber shall continue to be responsible for its proportionate share of any claims assessments in future years in respect

of claims made prior to such termination, unless satisfactory arrangements are made to buy out such liability;

- (e) Subject to any conditions imposed by the Superintendent, the Reciprocal shall be empowered to continue in operation for the limited purpose of winding-up the affairs of the Reciprocal and, for such purpose, this Agreement shall remain in full force and effect until all obligations of the Reciprocal have been fulfilled. Notwithstanding the foregoing, once an event of termination has occurred, the Reciprocal shall not exchange or cause to be exchanged any further contracts of indemnity or inter-insurance.

ARTICLE IX

GENERAL PROVISIONS

9.01 Notice

All notices, requests, demands or other communications by the terms hereof required or permitted to be given by one party to another shall be given in writing and served personally, or sent by registered mail, postage prepaid, addressed to:

- (a) each Subscriber at the address noted below its signature on the signature page hereof or on the Form of Subscription attached hereto as Schedule "A";
- (b) the Executive Committee, the Advisory Board or the Reciprocal, c/o

Davies Ward Phillips and Vineberg LLP
1 First Canadian Place, 44th Floor
Toronto, Ontario M5X 1B1

Attention: Nicholas J. Leblovic~~Campbell, Godfrey & Lewtas~~
Suite 3600,
Toronto-Dominion Centre
36th Floor
Toronto, Ontario M5K 1C5

Attention: Benjamin J. Hutzler

or at such other address as may be given by any of them to the others in writing from time to time, and such notices, requests, demands, acceptances and other communications shall be deemed to have been received when delivered, or if sent by registered mail, shall be deemed to have been received on the fifth (5th) day following the date of mailing the letter.

9.02 Arbitration

If any dispute occurs among the parties hereto with respect to any matter, the matter in dispute shall be settled by arbitration as follows:

- (a) any Subscriber (the "Disputing Subscriber") may notify the other parties hereto in writing that a dispute (hereinafter referred to as a "Dispute") has arisen;
- (b) if the Dispute goes unresolved for fifteen (15) days (hereinafter referred to as the "Period of Resolution"), the Disputing Subscriber and the Reciprocal shall within ten (10) days from the termination of the Period of Resolution (hereinafter referred to as the "Period of Appointment"), appoint one arbitrator, if they can agree upon one;
- (c) failing such appointment within the Period of Appointment, each of the Disputing Subscriber and the Reciprocal shall have ten (10) days from the expiry of the Period of Appointment to appoint one arbitrator (hereinafter referred to as the "Second Period of Appointment");
- (d) within ten (10) days from the expiry of the Second Period of Appointment, the two (2) arbitrators so appointed shall appoint a third arbitrator;
- (e) in the event that one of the parties to the Dispute fails to appoint its arbitrator within the Second Period of Appointment, or in the event that one of the arbitrators fails, within the time provided herein, to act upon the appointment of a third arbitrator, the arbitrator who has been appointed pursuant to the provisions of this Agreement by one of the parties to the Dispute and, if such is the case, is prepared to act on the appointment of a third arbitrator, will alone decide any Dispute;
- (f) the decision of the arbitrators or arbitrator in any matter shall proceed in accordance with the provisions of the Arbitration Act, R.S.O. 1980, C.25, as amended from time to time, and shall be final and binding on the parties hereto; and
- (g) notwithstanding the foregoing, any procedure for settling a dispute which is contained in any policy of insurance issued pursuant to this Agreement and which is inconsistent with the provisions of this section 9.02 shall supersede the arbitration provisions of this section 9.02.

9.03 Confidentiality

The Advisory Board shall adopt appropriate procedures to be implemented by a Claims Committee to ensure that all information received by the underwriters and claims counsel relating to a particular Firm in connection with such Firm's application for insurance or membership and subsequent claims history is kept entirely confidential from the Advisory Board (except to the extent that the Advisory Board has to be involved, because of its fiduciary obligations, on major claims) and from all other persons other than the auditor for the Reciprocal. If any member of the Executive Committee or the Claims Committee obtains any confidential information in the course of his duties as a member thereof, he shall keep such information confidential and shall not divulge or use such information other than in the course of his duties as a member of the Executive Committee or the Claims Committee.

9.04 Subscribers Right of Inspection

Any Subscriber by its attorney or other duly authorized agent, upon reasonable notice, shall have the right, during regular business hours and subject to the reasonable demands of the business of the Reciprocal, to inspect and, at its own expense, to copy the record books, the books of account, and any other book or document of the Reciprocal other than such documents or categories thereof (i) relating to underwriting and claims data pertaining to particular Firms, and (ii) as the Advisory Board shall from time to time designate as confidential.

9.05 Actions Effected Under Original Agreement

Nothing in this Agreement shall adversely affect any actions taken by the Subscribers, the Firms or the Advisory Board or the Executive Committee (or any member thereof) prior to the date hereof under the Original Agreement, or the rights or obligations of any such persons in respect of such actions.

IN WITNESS WHEREOF the parties hereto have hereunto caused this Agreement to be executed as of the date first above written.

SIGNED AND DELIVERED

In the presence of

Subscriber

Address

Subscriber

Address

Subscriber

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Subscriber

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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

To: CLLAS Advisory Board

David Morritt	Donald Milner
Barry Bresner	Gordon Goodman
Les O'Connor/Mike Schwartz	Ken Crofoot
Nicholas Leblovic	John Esvelt
Julia Holland	Daniel MacDonald
William Scott	

From: Patrick Mahoney

Re: Amended and Restated CLLAS Subscriber Agreement

Date: June 14, 2012

As you will recall, one step in CLLAS' restructuring is to move the seat of its regulatory jurisdiction from Ontario to Alberta. This necessitates some amendments to CLLAS' Subscribers Agreement. Attached is a black-lined version of the amended and restated Agreement. Subject to any changes that may be agreed by the Board, Subscribers will be asked to execute the amended Agreement effective July 1, 2012.

Generally speaking, the changes in the Agreement fall into the following categories:

- technical changes required to reflect Alberta's legislative and regulatory provisions;
- integration of past amendments; and
- changes to reflect the current governance structure of CLLAS (primarily reflecting the fact that the Board, not the Executive Committee, has retained the responsibility for most issues).

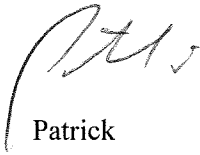
It has been noted both internally and by the regulator that the Subscribers Agreement should be "modernized" to reflect current standards as it has not been changed much since it was prepared in the late 1980's. Given the time sensitivity of the current restructuring initiative, we have agreed with the regulator that, at this time, we will make the minimum number of changes as are required

to facilitate the move to Alberta and that, "once the dust settles" (i.e. over the next 12 months or so) we will undertake a more fundamental review and revision of the Agreement.

The changes black-lined on the attached Agreement have been reviewed and approved by the regulator. As a result, it would be helpful to limit any further changes to those that are considered essential, keeping in mind that there will be an opportunity to address this issue again in the near future.

We look forward to discussing the attached at the up-coming Board meeting.

Sincerely,

A handwritten signature in dark ink, appearing to be 'Patrick', written in a cursive style.

Patrick

Memorandum

Walker Sorensen LLP
Barristers & Solicitors
Suite 202
1451 Royal York Road
Toronto ON M9P 3B2
Canada
Telephone: 416-249-3929
Facsimile: 416 249-4060

John L. Walker
E-mail: jwalker@wslaw.ca

To: CLLAS Risk Management Committee
From: John L. Walker
Date: May 28, 2012
Re: Enterprise Risk Management Seminar for Large Law Firms, Sponsored by CNA

I attended the above captioned seminar on behalf of CLLAS on May 16, 2012. The seminar addressed firm-wide enterprise risk management ("ERM"), not just professional liability risk management.

1. ERM

The panellists for this session were Julia Graham, Chief Risk Officer of DLA Piper UK, LLP ("DLA Piper") and Theodore N. Miller, Partner of Sidley Austin LLP ("Sidley"). DLA Piper has 96 offices worldwide and Sidley has 18 offices worldwide.

Julia Graham leads a dedicated risk management team of 5 risk managers at DLA Piper. It is clear from her presentation (copy attached) that DLA Piper has implemented a very sophisticated risk management program. This program involves 4 levels of defence:

1. risk ownership and management of internal controls by the Firm;
2. risk management and compliance framework;
3. internal audit; and
4. external audit.

She advised that the following practices were of concern:

1. split ownership of different aspects of ERM;
2. poor tone from the top with respect to risk management; and
3. inappropriate compensation incentives.

She advised that DLA Piper's risk management practices include:

1. a dedicated, independent Chief Risk Officer who participates in the risk management and oversight process at the highest level on an enterprise-wide basis;
2. clear reporting lines and communication of risk management compliance levels to senior management;
3. internal risk audits, including evaluation of risk using qualitative and quantitative measurement scales;
4. a whistle-blower hotline;
5. risk self-assessment by partners of their practices;
6. compensation awarded for good citizenship;
7. risk management training for all professionals; and
8. the DLA Piper risk management and compliance website on Intranet.

Theodore Miller described Sidley's experience in developing its risk management program. He noted that there is no "one-size fits all" approach to risk management. In his view, the most important ingredient for a successful risk management program is the tone from the top and buy-in for risk management by senior management. In order to achieve this at Sidley, they amended their partnership agreement to incorporate:

1. a risk management committee;
2. a risk management counsel and a senior management role for this individual;
3. a requirement that risk management is every partner's responsibility; and
4. consequences for not participating appropriately in risk management.

He advised that his biggest concerns are:

1. client intake/conflicts;
2. laterals (at Sidley, laterals receive risk management training by the General Counsel); and
3. silo practices and specific practice areas; and

4. regulatory compliance.

Sidley has developed the following risk management resources:

1. a risk management website;
2. mandatory risk management training to reinforce risk management policies and procedures;
3. an annual risk management review by each Practice Group;
4. annual partner reviews that include a risk management compliance component; and
5. annual compliance certification by all lawyers.

2. Cyber Liability

The Cyber Liability panel advised that law firms appear to be doing a good job of protecting against external cyber attacks, and are now shifting their attention to internal controls. They are introducing internal restrictions of who can access data. One reason for this is to control the risk of insider trading.

Special insurance is now available to cover breach of notice obligations under privacy legislation. These notice obligations already exist in certain U.S. states, and are now proposed to be added to some provincial privacy legislation.

3. Lawyers Gone Rogue

This panel advised that firms are experiencing three types of dishonesty claims involving lawyers:

1. dishonest clients, although lawyer was honest;
2. both client and lawyer dishonest; and
3. client honest, but lawyer dishonest (these are increasing in frequency).

These claims often involve gambling and/or drug abuse.

A number of these claims have involved improper use of escrow accounts, including lawyers setting up phony escrow accounts. The panel advised avoiding acting as escrow agents and having specific restrictions on the use of escrow agreements, specific firm sanctioned wire

instructions provided to clients and two signatures to authorize withdrawals. Also, lone wolfe silos should be avoided.

Finally, whistleblower hotlines are recommended. In the U.K., this is now mandatory.

4. Risk Control / ERM Survey Results

CNA reported on the results of a survey it conducted on Risk Control and ERM. Highlights were as follows:

1. have someone other than the lawyer who brings in the client make the decision on whether to accept the client or matter, before the producing lawyer has started to work for the client or on the matter;
2. professionalize client intake so this can be done efficiently;
3. problems with laterals:
 - they have made promises to the firm, which can lead to risk taking and they get so busy trying to deliver on their promises they are hard to integrate into the firm's risk management culture;
 - need to speak to laterals if they are doing something contrary to the firm's culture;
 - challenge is getting laterals to comply with firms risk management policies and procedures;
4. rogue lawyers - avoid silo practitioners; have second partner review of major work; and
5. disabled lawyers (drugs, alcohol and age) are causing many claims.

5. Insurance Market Update

CNA reported that:

1. premiums for professional liability insurance are stable;
2. professional liability claims frequency is stable;
3. professional liability claims severity has increased significantly (in the last 3 years there have been 19 claims over U.S.\$20 million);

4. firms are buying higher limits;
 5. the top three causes of claims are: conflicts; calendaring and deadlines; and mistakes in law;
 6. the top three practice areas for claims are: real estate; corporate and securities; and trusts and estates;
 7. firms are not purchasing enough crime coverage or broad enough crime coverage; and
 8. management liability insurance (like D&O insurance for law firms) is being purchased by the major law firms.
6. Discussion with Broker

I spoke with an insurance broker and obtained some information on the limits that U.S. and U.K. law firms are purchasing, and their deductibles (or self-insured retentions).

He advised that the highest limit he is aware of is U.S.\$500 million in the aggregate annually. Most large U.S. firms purchase between U.S. \$200 million and \$300 million in the aggregate annually. Large U.K. firms purchase GBP300 million per claim. Because this is a per claim limit (as opposed to an annual aggregate limit), it provides a much higher level of protection.

Most large U.S. firms have self-insured retentions of between U.S.\$1 million to \$3 million per claim and in the aggregate annually. Some U.S. firms have U.S.\$10 million self-insured retentions because of their bad claims history and the unwillingness of insurers to provide them with professional liability insurance.

Yours very truly,

John L. Walker

JLW/lw

Attachments

- Risk is:
 - the effect of uncertainty on objectives
 - the consequences associated with risk may be negative, positive or a deviation from the expected
 - if objectives, the environment, culture or values of the organization changes then the profile of risk may change – risk is dynamic
 - objectives can:
 - have different aspects - for example, financial, people
 - be at different levels - for example strategic, tactical or operational
 - be organization-wide, project based or relate to processes
 - this definition links risk to objectives and works best when the objectives of an organization are clear in the short and in the long term
 - failure to integrate into management frameworks will incline risk management towards a "box ticking" process that adds little value and is not integrated

Benchmarks - Enterprise Risk Management

Hallmarks of excellence

Leadership

- Risk management effort is proportionate.
- Senior management is truly engaged .
- Board support
- Strong lead from corporate

People

- Excellent central technical-expertise for risk management.
- Risk management professionals seek continual improvement, collecting ideas internally and externally.
- All personnel (including senior staff) are trained in core risk management skills.

Policy & strategy

- Risk management is carried out organisation-wide.
- Risk management activities are aligned with the organisation's Mission/Strategy

Partnership & resources

- Sufficient effort and resources are given to managing risk

Processes

- Use risk management as a thinking process (are not bogged down in the process).
- Risk management is embedded within core processes (so that key decisions can be made with good risk information).
- Greater emphasis on taking opportunities (upside risk).
- Sufficient effort on analysing risk.
- Risk management processes are consistent, such that risk information can be consolidated.

Benchmarks - Enterprise Risk Management Hallmarks of Quality

- 1 Board-level commitment to ERM as a critical framework for successful decision making and for driving value
- 2 A dedicated risk executive in a senior level position who drives and facilitates the ERM process
- 3 An ERM culture that encourages full engagement and accountability at all levels of the organisation
- 4 Engagement of stakeholders in risk management strategy development and policy setting
- 5 Transparency of risk communication
- 6 Integration of financial and operational risk information into decision making
- 7 Use of sophisticated quantification methods to understand risk and demonstrate added value through risk management
- 8 Identification of new and emerging risks using internal data as well as information from external providers
- 9 A move from focusing on risk avoidance and mitigation to leveraging risk and risk management options that extract value

Source: Aon Global Enterprise Risk Management Survey 2010

Benchmarks - Enterprise Risk Management - What good looks like

- What good practice looks like:
 - Link risk to business performance
 - Link risk to business activities e.g. strategic planning
 - Develop and use improved metrics
 - Beyond the compliance mindset
 - top performers are better at managing regulation; and
 - develop regulator relationships
 - Integrate risk and compliance as a business discipline
 - Board appointed executive with oversight and visibility
 - Infuse risk awareness
 - Continuous improvement as an ongoing process

■ Top 10 risks

1. Economic recession and recovery
2. Political turmoil
3. Climate change
4. Data theft and leakage
5. Regulation
6. Security of IT systems
7. Energy and commodity prices
8. Crime and corruption
9. Civil unrest
10. Exchange rates

■ Key points

- interconnectivity and unpredictability
- perception is reality
- terrorism and pandemics not in the top 5
- organizations need to address the effects rather than the uncontrollable causes of risks

Source: Strategic Risk Report – Against All Odds - 2011

- Weaknesses that make organizations prone to crises and to the escalation of a crisis into a disaster:
 1. Board skills and NED control risks
 2. Board risk blindness
 3. Poor leadership on ethos and culture
 4. Defective communications
 5. Risks arising from excessive complexity
 6. Risks arising from inappropriate incentives
 7. Risk "glass ceilings"
- Necessary developments
 - Scope, purpose and practicalities of risk management need to be re-thought from the Board down
 - Education of risk professionals needs to be extended
 - Risk professional's status needs to change

Source: Roads to Ruin – A report by Cass on behalf of AIRMIC, Lockton and Crawford

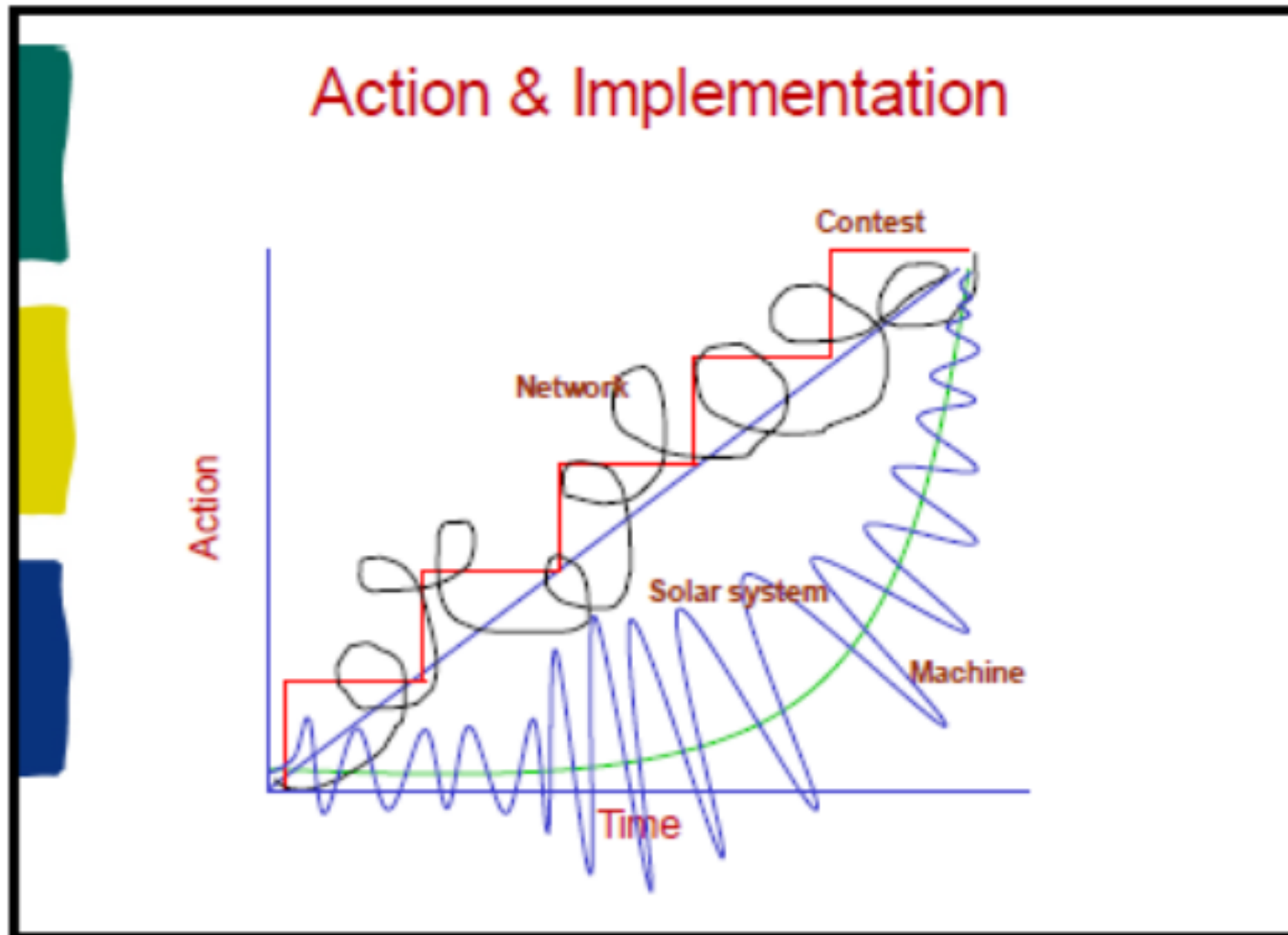
Risks - surveys - Sector

Industries

Risk	Industries												Critical	High	Medium	Moderate
	Asset management	Automotive	Banking	Consumer products	Insurance	Life sciences	Media and entertainment	Mining	Government and public sector	Oil and gas	Power and utilities	Real estate	Technology	Telecoms		
1. Regulation and compliance																
2. Access to credit																
3. Slow recovery/double-dip recession																
4. Managing talent																
5. Emerging markets																
6. Cost-cutting																
7. Non-traditional entrants																
8. Radical greening																
9. Social acceptance risk/CSR																
10. Executing alliances and transactions																

1. Failure to identify client
2. Inadvertently advising third parties
3. Failure to define retainer
4. Failure to distinguish role from that of other professionals
5. Failure to record instructions or make attendance note
6. Advising outside expertise
7. Missing time limits
8. Lack of supervision
9. Time pressure
10. Failure to identify and deal with conflicts of interest

Risk - Culture will have an influence



Source: Candida Snow – itim International

- A Committee of the Board
- The Committee exists to assist the Firm:
 - in making decisions as to the most appropriate risk management Framework/s (including policies, practices, risk appetite) appropriate to manage the risks associated with the various business activities governed by the Firm
 - by receiving reports from the Firm's Risk Management and Compliance department about the effectiveness of the operation of the Framework/s
 - by receiving reports about the Compliance levels of the Firm
 - by making applicable recommendations
 - by reporting to the Audit Committee on the control environment



Source: Guidance on the 8th EU Company Law Directive October 2010

- The Risk Management Framework explains how we manage risk, the mandate, resource (including budget) and how:
 - risk management is governed, managed and responsibilities
 - risk management is implemented
 - risks is monitored
 - the framework is managed
 - the framework is reviewed and update
- Components include:
 - policies
 - processes
 - principles and guidance
 - tools, techniques and measurement
 - training, education and communication
 - assurance and audit

- Risk Levels
 - strategic
 - regional, practice group
 - location, project, department
- Risk Appetite
 - amount and type of risk that we are prepared to seek, accept or tolerate
- Risk Categories
 - risk groups aligned to business plans
- Risk Criteria
 - provide a way of guiding people to assess risk significance
 - likelihood
 - impact
 - severity
 - with qualitative and quantitative measurement scales

Risk Universe - by Risk Category

Client	Services	Geography	People	Infrastructure	Finance	Governance
client segmentation	DLA Piper Way	jurisdictional reach	succession	information security	capital	strategic plan
sector strategy	knowledge management	jurisdictional strategy	vision and values	business continuity	currency	governance structure
brand	breadth of legal services	key locations	culture	outsourcing and off-shoring	credit control	legal and regulatory
client terms	legal quality	due diligence	mobility	legal processes	market	members

- "Independent"

The board should be served by a CRO who participates in the risk management and oversight process at the highest level on an enterprise-wide basis and have status of independence from individual business units

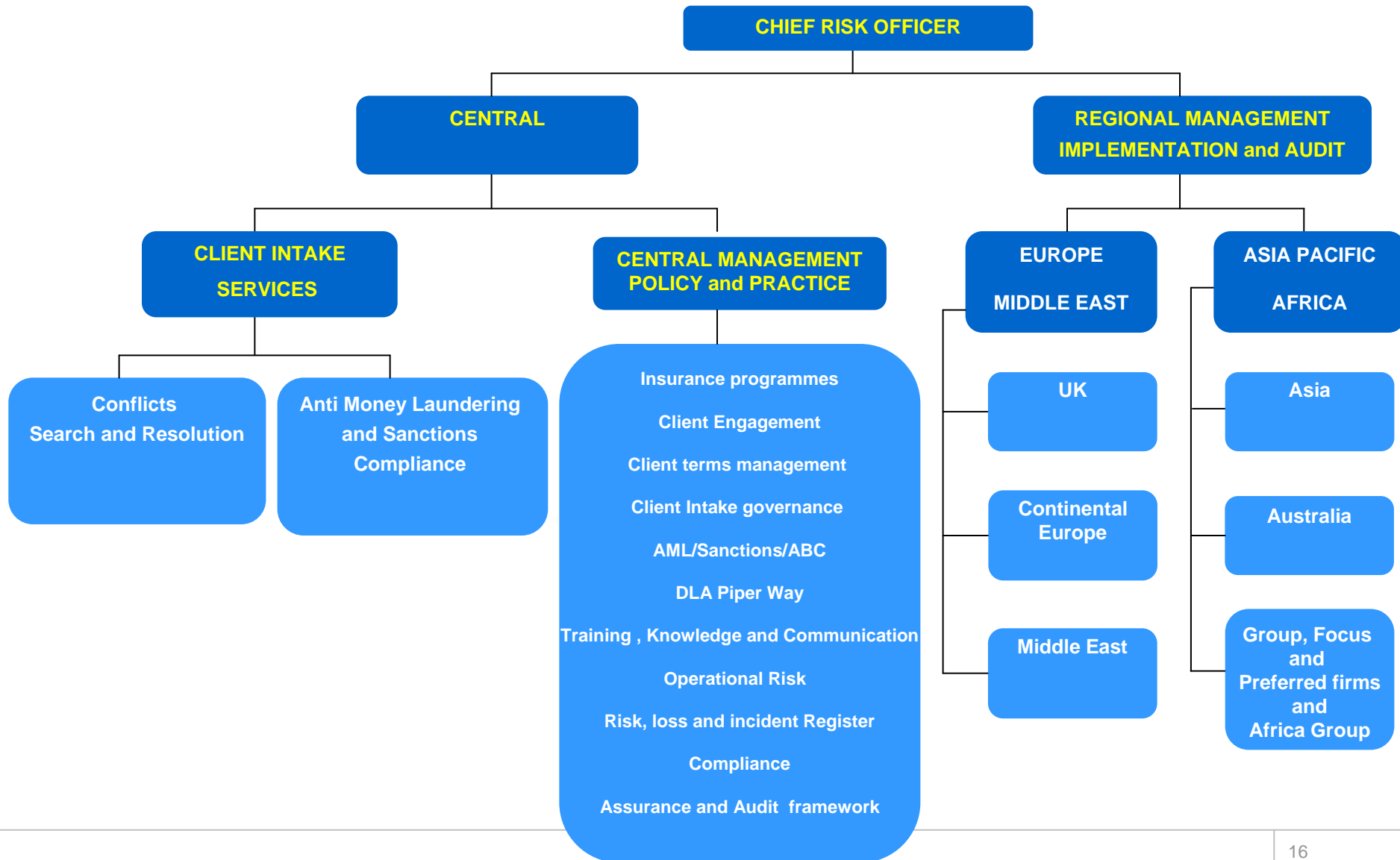
- Relationship builder
- Effective communicator
- An ability to synthesize
- Personal style
- Policeman and facilitator

A policeman with a good bedside manner

- Clear reporting lines are critical

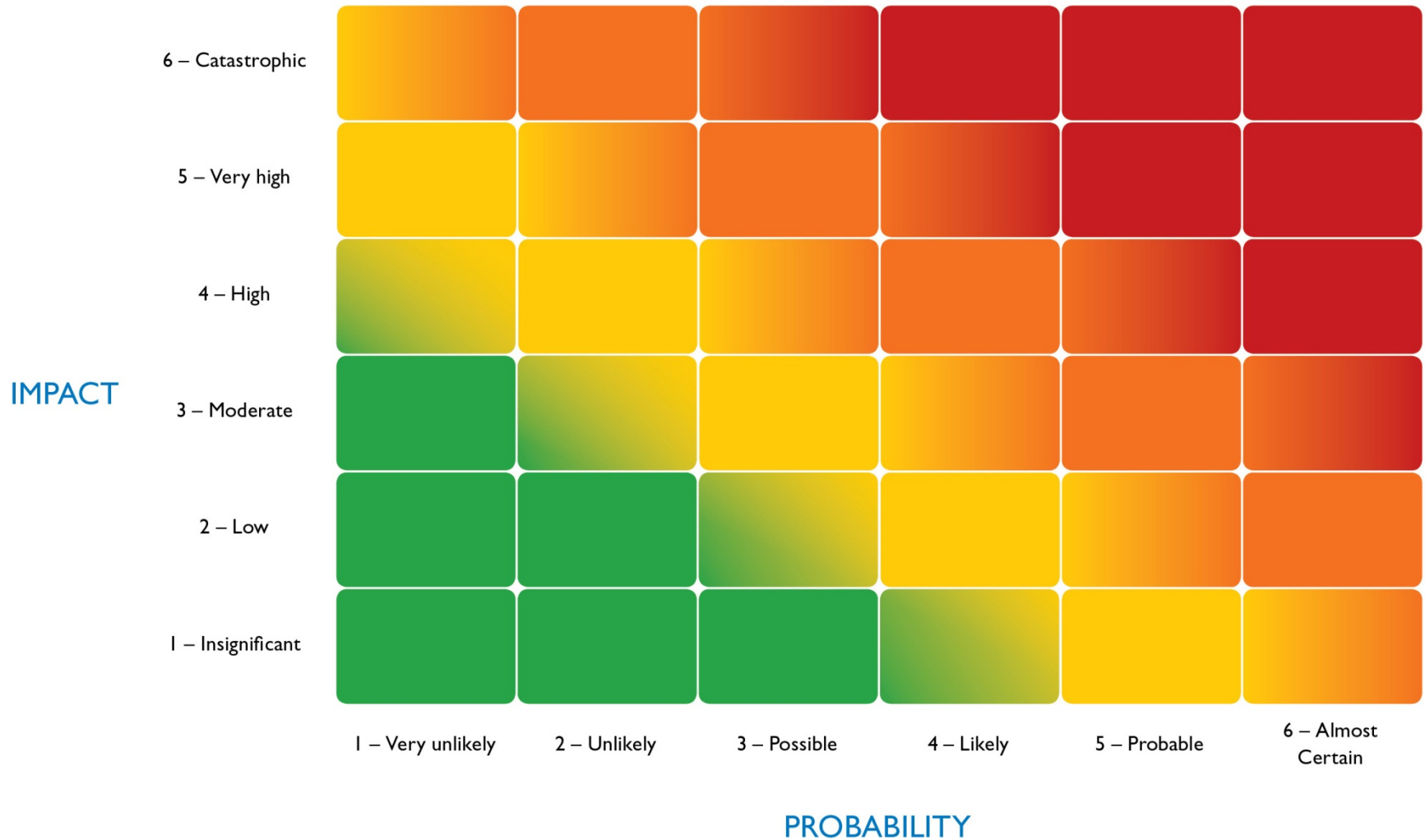
Alongside an internal reporting line to the CEO or CFO, the CRO should report to the board risk committee, with direct access to the chairman of the committee in the event of need. Increasing impact on the role of the Audit Committee.

Risk Management Structure and Contacts



- Policy database
- Processes and guidance database
- Templates
- Client terms and documents
- Learning and development programme
 - Generic - remote and "e"
 - Academy - face to face and workshop
- Communications
- Metrics/KPIs/Maturity
- Risk, loss and incident database
- Audit programme

Risk Levels - Strategic Risks Heat Map



Embedding - Risk Management site

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[Operational Risk](#)


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
[Learning and Development](#)

Welcome to the Risk Management and Compliance site


This site contains DLA Piper Risk Management and Compliance policies, processes, guidance, knowledge, links to other sites and all you should need to manage risk effectively and efficiently in our firm. If you cannot find what you need or have questions please contact [Risk Management and Compliance](#).




Risk Management and Compliance our approach, risk and compliance governance, [Managing Risk and Compliance at DLA Piper](#), [Compliance Handbook](#), and team contacts.




Operational Risk [Health & Safety](#) and wellbeing, emergency numbers, travelling on business, environmental issues, business continuity including crisis management, security and information security, general insurance and health and benefits insurance.




Regulatory Risk [AML](#) and reporting of knowledge and suspicions, anti bribery and corruption, complaints handling, UK FSA regulation, codes of conduct, investing in shares in client companies, referral fee arrangements and whistleblowing.



Learning and Knowledge approach, [Induction Training and Materials](#), e-learning modules, [Thinking Risk](#), Newsgrams, websites



Insurance cover summaries, guidance and claims procedures, how to notify a professional indemnity claim, international claims handling procedures, external directors and officers appointments, general insurance and how to notify a claim.



DLA Piper Way the firm's client/matter vetting and engagement toolkit - for guidance on, and procedures for, [conflicts checking](#), [know your client \(AML\)](#) and [client and matter vetting](#). Also the [client engagement procedures](#), [multi-jurisdictional](#) (cross border) guidance and [limitation of liability](#). In addition guidance on [file and matter management](#), including [file closing and archiving](#).

Embedding - Handbooks



COMPLIANCE

Increasingly the regulators and insurance underwriters of the firm require certain information, confirmations and declarations to be made on behalf of the firm, in order to renew the recognition of DLA Piper International LLP and DLA Piper UK LLP with the Solicitors Regulation Authority and to renew the firm's professional insurances. In addition, as part of the firm's compliance process, partners are required to complete a confirmation with regard to partner conduct.

The Board of DLA Piper International will therefore seek confirmation of partners' knowledge of and compliance with the Membership Agreement, the firm's policies and procedures as defined and relevant Bar Association or Law Society regulations as applicable.

As part of the firm's due diligence and disclosure obligations at the time of the renewal of the International Professional Indemnity Insurance Programme, all claims, potential claims or claim circumstances must be declared and the firm must also disclose any external appointments that are held by our insurers of the firm's Partnership Protection Policy (Management Liability).

A conduct confirmation statement will be issued annually to all partners annually which comprises four parts:

Partner Conduct

This part of the compliance statement relates to issues such as ethical, professional and financial standards, partners rights and obligations, practice quality and client matters and specifically:

Anti-bribery and anti-corruption including the giving and receiving of gifts	
Anti-money laundering	Client engagement & client terms
Code of conduct	Complaints
Confidentiality	Conflicts
Drugs and alcohol	Time keeping and billing
Whistle blowing	Travelling on business
Ethics	Equality and diversity
External appointments and investments	File management
Health and safety	Information security
International Professional Risks claims handling	Legal opinions
Limitation of liability	

Professional Indemnity

External appointments

LLP renewals

Why

- Find and avoid problems for the future
- Seek improvements
- Assure compliance

What

- Review legal process
- Examine "hot spots"
- Conduct risk assessments
- Deliver training

How

- All offices
- 36 months
- Consistent
- Independent

Links to Finance and Process

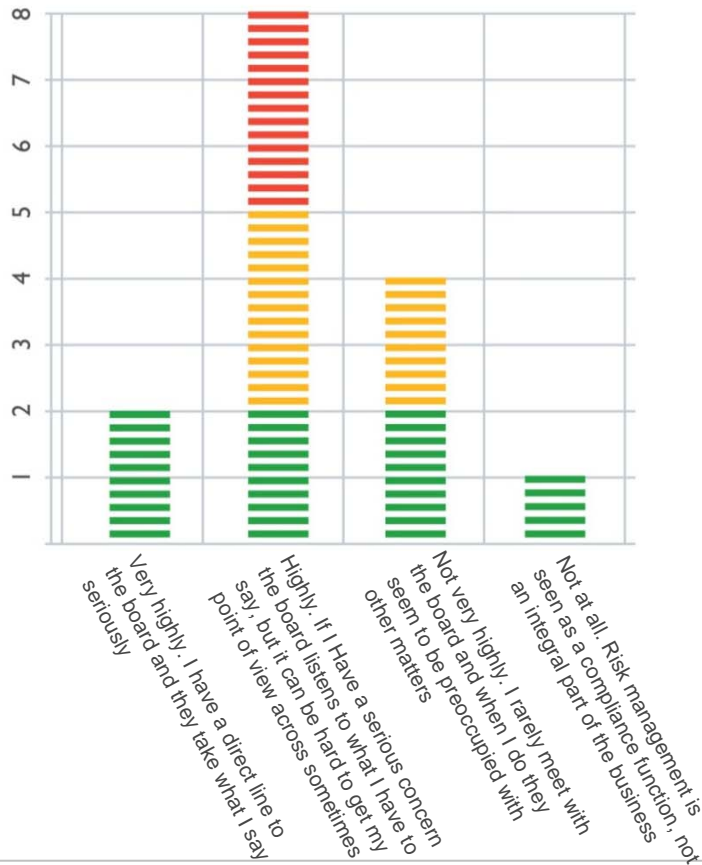
Maturity - indicator check list

- Governance structure
- Risk tolerance
- Responsibility
- Board, Audit and Risk Committee activity and reports
- Qualified and dedicated team
- Incentive aligned
- Policy and practice communicated internally and externally
- Risk management as a competitive edge
- Learn from mistakes
- Management understand
- Embedded in training
- All offices minimum benchmark standards
- Evidence
- Measures, monitoring, KPIs, Maturity, assurance and audit
- Objectives aligned with business goals

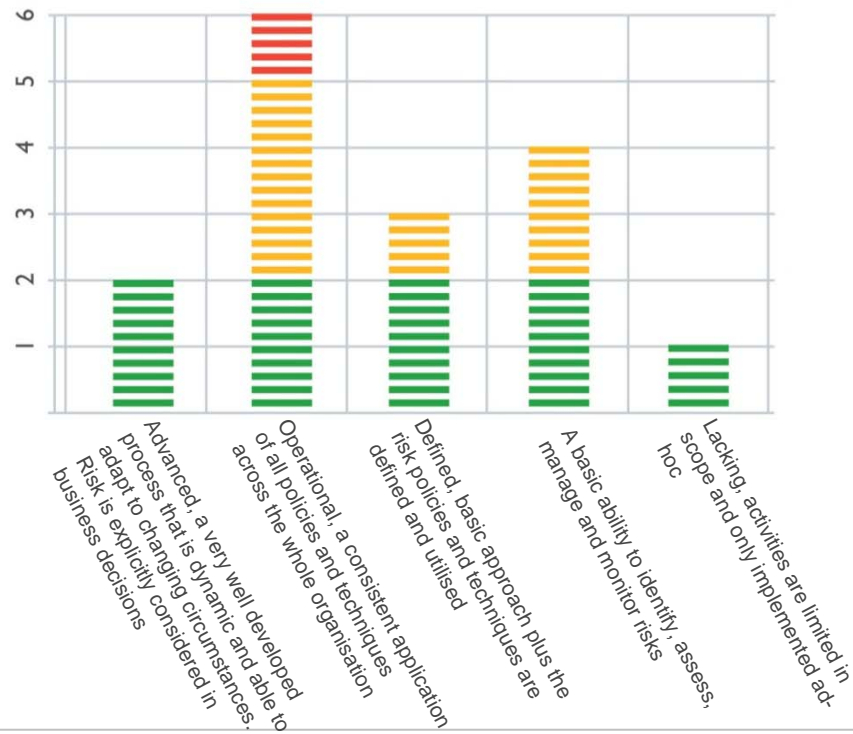
Maturity - how are we doing?

RISK DASHBOARD

How importantly is risk management regarded by the senior management within your organisation?



How would you describe your company's approach to enterprise wide risk management (or ERM)?



in association with

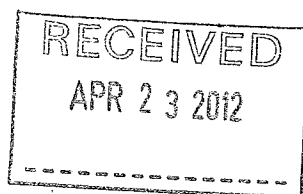


Callagher Heath
K&L|GATES

MARTIN, LUCAS & SEAGRAM LTD.
INDEPENDENT INVESTMENT COUNSEL
SUITE 620, 48 YONGE STREET
TORONTO
M5E 1G9

TELEPHONE: 416-363-6216
FACSIMILE: 416-363-4538
E-MAIL: INFO@MLSINVEST.COM

April 20, 2012



Mr. Patrick Mahoney,
Dion, Durrell + Associates Inc.,
2900 - 250 Yonge St.,
Toronto, ON M5B 2L7

Dear Mr. Mahoney:

Re: Canadian Lawyers Liability Assurance Society

Please find enclosed our quarterly investment report on CLLAS for the period ending March 31 last. We have also included an additional schedule which details the date to date gains and losses for each of the individual holdings in the Long Term Investment Fund over the third quarter.

The originals of the two separate accounts for the Short and the Long Term Investment Funds have been sent to RBC Dexia Investor Services for payment.

It was a rather unsettled quarter for the domestic bond market as yields moved erratically higher until late in March, when much of the increase was reversed. Bond prices across all maturities ended the period 1% lower on average and as a result, the Long Term Investment Fund recorded a similar capital loss.

Activity during the period involved several shifts among the holdings in the government segment.

Please let me know if there are any questions or comments on the report.

With best regards,

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Howard Bell". The signature is fluid and written in dark ink.

RWB/mab
Enclosures

Copy

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TORONTO
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E-MAIL: INFO@MLSINVEST.COM

April 20, 2012

In account with

Canadian Lawyers Liability Assurance Society
- Short Term Investment Fund

Valuation of Short Term Investment Fund
at March 31, 2012

\$12,699,362

Investment Counsel Fee for the period
January 1 to March 31, 2012
at .025% (1/4 of .10% per annum)

\$3,174.84

Harmonized Sales Tax (HST) at 13%

412.73

\$3,587.57

Please return this account when
making payment so that it may be
receipted and sent back to you.

HST Registration No. R103546115

Copy

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FACSIMILE: 416-363-4538
E-MAIL: INFO@MLSINVEST.COM

April 20, 2012

In account with

Canadian Lawyers Liability Assurance Society
- Long Term Investment Fund

Valuation of Long Term Investment Fund
at March 31, 2012

\$43,681,609

Investment Counsel Fee for the period
January 1 to March 31, 2012
at .0625% (1/4 of .25% per annum)

\$27,301.01

Harmonized Sales Tax (HST) at 13%

3,549.13

\$30,850.14

Please return this account when
making payment so that it may be
receipted and sent back to you.

HST Registration No. R103546115



CLLAS
CANADIAN LAWYERS LIABILITY
ASSURANCE SOCIETY

INVESTMENT REPORT
FOR QUARTER ENDING MARCH 31, 2012

MARTIN, LUCAS & SEAGRAM LTD.
INDEPENDENT INVESTMENT COUNSEL

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

Tel.: 416-363-6216
Fax: 416-363-4538
e-mail: info@mlsinvest.com

CLLAS

CANADIAN LAWYERS LIABILITY **ASSURANCE SOCIETY**

COMMENTARY FOR THE QUARTER ENDING MARCH 31, 2012

Review of Market Yields

Bond yields across all maturities moved gradually higher until late in the first quarter, when yields reversed part of the earlier increase. As a result, the entire yield curve shifted higher over the period, with the most significant increase occurring in the 3 to 5 year term, where yields rose 32 basis points on average. The smallest gain occurred at the short end of the curve with 3 month Treasury Bill yields up just 9 basis points, while 10 year yields advanced 17 basis points.

As a result of these changes, the slope of the curve steepened slightly, as the yield advantage of 10 year issues over T-Bills increased to 1.20% at the end of March from 1.12% three months earlier.

	Jan. 1/95	Sept. 30/11	Dec. 31/11	Mar. 31/12
3-Month Treasury Bills	6.80%	0.80%	0.82%	0.91%
5-year Canadas	8.99%	1.39%	1.27%	1.57%
10-year Canadas	9.09%	2.15%	1.94%	2.11%

During the first quarter, the valuation of the Long Term Investment Fund declined \$475,458 or 1.1% on a capital basis.

At March 31, 2012, the average term to maturity of the Long Term Investment Fund stood at 3.6 years, unchanged from three months earlier.

During the quarter, in the Long Term Investment Fund, a Canada guaranteed issue matured and a portion of a government bond approaching maturity was sold, with the resulting proceeds used to introduce two new government bonds to the portfolio. The balance of activity involved the roll-over of maturities in the Short Term Fund.

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

<i>Distribution at March 31, 2012</i>	<i>Valuation</i>	<i>%</i>
Short Term Investment Fund	\$12,699,362	22.5%
Long Term Investment Fund	43,681,609	77.5%
TOTAL COMBINED VALUATION	\$56,380,971	100.0%

CLLAS

CANADIAN LAWYERS LIABILITY **ASSURANCE SOCIETY**

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

- Investment Performance: Summary of Capital Performance and Total Returns for the Long Term Investment Fund
- (Returns Exclude Investment Counsel Fees)
- Total Returns vs. Benchmarks - Gross and Net of Fees
- Distribution of Securities in the Long Term Investment Fund
by Credit Risk and by Maturity
- Compliance Statement
- Quarterly Performance Report - Gross of Fees: Long Term Investment Fund
- Bond Market Commentary and Future Policy
- Security Holdings in the Short and Long Term Investment Funds
Listed and Valued Separately as at March 31, 2012
- 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. 30/11	Dec. 31/11	Mar. 31/12
<i>Valuation of Long Term Investment Fund</i>	<i>\$3,466,369</i>	<i>\$43,178,685</i>	<i>\$44,254,465</i>	<i>\$43,681,609</i>
Cumulative Capital Added (Net) since January 1, 1995		\$36,812,187	\$37,858,597	\$37,761,199

Quarterly Capital Change		+\$ 927,820	+\$ 29,370	-\$475,458
Quarterly Capital % Change		+ 2.1%	+ 0.1%	- 1.1%

LONG TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIODS ENDING MARCH 31, 2012 (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>4.7%</i>	<i>3.9%</i>	<i>4.7%</i>	<i>5.8%</i>	<i>-0.2%</i>
DEX Canada Short Bond Index	4.5%	3.9%	2.6%	3.5%	4.0%	-0.3%
DEX Provincial Short Bond Index	4.9%	4.4%	3.5%	4.1%	4.6%	-0.3%

CLLAS

LONG TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIOD ENDING MARCH 31, 2012

	Since Inception Oct. 1/08 *	Three Years*	Two Years *	One Year	Last 3 Months
<i>Long Term Investment Fund – Gross of Fees</i>	<i>5.34</i>	<i>3.90</i>	<i>4.71</i>	<i>5.83</i>	<i>-0.17</i>
<i>Long Term Investment Fund – Net of Fees</i>	<i>5.05</i>	<i>3.62</i>	<i>4.41</i>	<i>5.54</i>	<i>-0.24</i>
Benchmark Portfolio **	5.82	4.26	5.70	7.10	-0.47

* Annualized

** The Benchmark Portfolio, adopted from October 1, 2008, is based on the sum of the following total return indices:

30% DEX Short Term Federal Bond Index
30% DEX Short Term Provincial Bond Index
20% DEX Mid Term Federal Bond Index
20% DEX Mid Term Provincial Bond Index

SHORT TERM INVESTMENT FUND

TIME-WEIGHTED RATES OF TOTAL RETURN FOR PERIOD ENDING MARCH 31, 2012

	Since Inception Oct. 1/08 *	Three Years*	Two Years *	One Year	Last 3 Months
<i>Short Term Investment Fund – Gross of Fees</i>	<i>0.78</i>	<i>0.65</i>	<i>0.82</i>	<i>0.91</i>	<i>0.21</i>
<i>Short Term Investment Fund – Net of Fees</i>	<i>0.64</i>	<i>0.52</i>	<i>0.71</i>	<i>0.80</i>	<i>0.18</i>
Benchmark Portfolio **	0.69	0.56	0.75	0.87	0.20

* Annualized

** The Benchmark Portfolio, adopted from October 1, 2008, is based 100 %
on the total return index of the 30-day Treasury Bill Index

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. 30/11	Dec. 31/11	Mar. 31/12
Bonds, Treasury Bills & Cash Less than 1 year term	29.0%	7.1%	12.4%	11.1%
Canadas Greater than 1 year term	54.7%	36.2%	36.0%	39.0%
Provincials Greater than 1 year term	16.3%	39.6%	35.9%	35.8%
Corporates Greater than 1 year term	-	17.1%	15.7%	14.1%
TOTAL PORTFOLIO	100.0%	100.0%	100.0%	100.0%

LONG TERM INVESTMENT FUND**DISTRIBUTION OF SECURITIES BY MATURITY**

(Based on Market Values)

SINCE THE JANUARY 1, 1995, STARTING DATE

	Jan. 1/95	Sept. 30/11	Dec. 31/11	Mar. 31/12
Under 1 year	29.0%	7.1%	12.4%	11.1%
1 - 3 years	19.8%	36.2%	35.2%	38.8%
3 - 5 years	29.3%	35.4%	28.9%	29.3%
5 - 7 years	11.4%	10.5%	12.3%	9.0%
7 - 10 years	10.5%	10.8%	11.2%	11.8%
TOTAL	100.0%	100.0%	100.0%	100.0%
Average Maturity (yrs)	2.6	3.7	3.6	3.6
Average Duration	2.3	3.4	3.3	3.2

CLLAS

COMPLIANCE WITH INVESTMENT POLICY STATEMENT

AT MARCH 31, 2012

	Investment Limits	Investment Funds	Compliance
<i>Short Term Investment Fund</i>			
Maximum Term of Any Issue	1 year	0.5 years	Yes
Minimum Size	20% of Total	22.5%	Yes
Minimum Canada & Provincial Percentage	50%	52.6%	Yes
Minimum Provincial Quality	A	A Hi	Yes
Minimum Bank CD & BA Quality	R1	R1	Yes
<i>Long Term Investment Fund</i>			
Maximum Term of Any Issue	10 years	10.0 years	Yes
Minimum Cda and Cda Guarantee Percentage	40%	43.8%	Yes
Maximum Provincial Percentage	40%	38.7%	Yes
Minimum Provincial Quality *	A	A	Yes
Maximum Corporate Percentage	20%	17.5%	Yes
Minimum Corporate Quality *	A	A	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 dated October 2008 and the Statement that will be effective May 5, 2012.

At March 31, the Short Term Investment Fund represented 22.5% of the two Funds combined, which is above the 20% minimum required. At March 31, none of the bond holdings' current credit ratings was below the minimum requirement.

"At the end of the quarter, the lowest rated bonds were:"

Provincial Bonds: Quebec and Manitoba @ A Hi
 Corporate Bonds: Canadian Utilities Inc. @ A
 Enbridge Gas Distribution @ A

CLLAS

Martin, Lucas & Seagram Ltd. PERFORMANCE REPORT

GROSS OF FEES

CLLAS - LONG TERM INVESTMENT FUND

From 12-31-11 to 03-31-12

Portfolio Value on 12-31-11	44,254,465
Accrued Interest	307,322
Contributions	394,994
Withdrawals	-876,575
Realized Gains	-7,554
Unrealized Gains	-467,904
Interest	384,183
Dividends	0
Change in Accrued Interest	16,224
Portfolio Value on 03-31-12	43,681,609
Accrued Interest	323,547
Average Capital	44,321,875
Total Gain before Fees	-75,051
IRR for 0.25 Years	-0.17%

CLLAS

BOND MARKET COMMENTARY AND FUTURE POLICY

Unlike last year, when the markets experienced extreme turbulence in the wake of numerous negative events, a relative calm descended over the markets in the opening months of 2012. Positive developments on a number of fronts have helped to alleviate some of the uncertainties that clouded the near term outlook. Chief among these was better than anticipated economic news south of the border. Just last fall, many felt the U.S. was at risk of a double-dip recession. However, their economy unexpectedly built upward momentum during the fourth quarter and most economic indicators released during the first quarter continued to surpass expectations. Tensions surrounding the dire consequences of a disorderly Greek default were also eased when Greece finally secured its second major bailout package last month.

Meanwhile, other offshore economic news has been more downbeat. Europe's aggregate growth turned negative during the fourth quarter. Also, most of the data released since then suggests the euro-zone is now in a mild recession, as deep contractions in the periphery countries has spilled into the core economies. Furthermore, solvency issues continue to plague the region and the focus has shifted to Spain, where unemployment and deficits have reached record levels. As a result, there is growing speculation that Spain will be the next candidate for a bailout, as it struggles to reign in its deficit through additional austerity measures without pushing the economy into a downward spiral.

In addition to the slowdown in Europe, China's growth rate has also been moderating due to some cooling in their housing market and a slowdown in trade, particularly with Europe. As a result, Chinese officials have cut their 2012 growth target to 7-1/2%, the slowest increase in eight years. In the face of slower export growth, China must successfully refocus their efforts towards expanding their consumer sector, while keeping inflation in check, in order to sustain their buoyant expansion. Fortunately, China has considerable fiscal and monetary latitude to help negotiate this transition and to stimulate their economy if necessary.

While the news from Europe and China dampened expectations for near term global growth, the positive U.S. economic indicators encouraged investors to move into riskier assets. This in turn caused a shift away from the perceived safe haven of government bonds and pushed bond yields gradually higher until late in the first quarter. However, this lift in yields proved to be temporary. Since the end of March, most of the yield increase has been reversed as renewed concerns surrounding European sovereign risk fuelled a return to safe haven assets.

As mentioned in our previous report, we believe numerous structural forces will keep bonds in a sideways trading range, with price swings primarily driven by investors' shifting attitudes toward risk assets. While the U.S. economy has been gradually building upward momentum and the European Central Bank has alleviated short term liquidity concerns through massive loans to their banking system, financial risks are still high and the expansion remains fragile. Furthermore, there are still significant headwinds that will hinder a pickup in global economic growth. These include ongoing de-leveraging in the private and public sectors, moderating growth in emerging-market economies, a recession in Europe, persistently high oil prices and the need to address the increasingly unbalanced government fiscal positions, particularly in the U.S.

CLLAS

Looking further ahead, we expect inflationary expectations will eventually be fuelled by the extraordinary expansionary monetary policies, which will likely remain in place for too long. As a result, we believe prevailing bond yields are unsustainably low. However, for yields to be pushed noticeably higher in the interim would require a significant acceleration in economic growth or an increase in inflationary pressures. With economic growth expected to remain muted for at least the balance of this year, this should contain inflationary pressures and therefore these risks remain longer term concerns.

As mentioned earlier, the yield curve did shift temporarily higher during the first quarter and midterm Canadian bond yields recorded their biggest quarterly gain in more than a year. To take advantage of this improvement in yield, part of the proceeds of a bond maturity in the Long Term Fund was reinvested in a 10-year Canada guaranteed issue. In addition, a Canada Housing Trust bond due to mature late in the second quarter was sold early and replaced with another Canada Housing Trust issue due in 2017. At this juncture, we think the Fund's duration and structure is appropriate and we will continue to look for favourable opportunities to maintain or moderately extend term if yields shift higher.

RWB/mab
April 20, 2012

As stipulated in our Investment Management Agreement, please let ML&S know if there are major changes in the financial circumstances, income needs or risk tolerance in order for us to review the suitability of the Funds' investment objectives.

CLLAS - SHORT TERM INVESTMENT FUND**Portfolio Holdings at March 31, 2012**

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
CASH					
	Cash Account			8,847	0
MONEY MARKET ISSUES					
400,000	CIBC BA .99% due April 5, 2012	99.79	99.98	399,928	3,952
580,000	Bank of Nova Scotia BDN 1.00% due April 9, 2012	99.82	99.97	579,830	5,790
1,200,000	Canada Treasury Bill .76% due April 12, 2012	99.88	99.97	1,199,604	9,109
1,050,000	Bank of Nova Scotia BA .95% due April 25, 2012	99.92	99.93	1,049,236	9,967
1,000,000	Canada Treasury Bill .75% due April 26, 2012	99.83	99.93	999,330	7,487
1,000,000	FirstBank BA 1.00% due May 4, 2012	99.76	99.88	998,821	9,976
210,000	FirstBank BA 1.00% due May 4, 2012	99.81	99.88	209,752	2,096
1,185,000	CIBC BA .98% due May 7, 2012	99.85	99.88	1,183,580	11,596
500,000	Canada Treasury Bill .78% due May 10, 2012	99.82	99.90	499,495	3,893
600,000	Canada Treasury Bill .79% due May 10, 2012	99.82	99.90	599,394	4,731
715,000	CIBC BA 1.00% due May 16, 2012	99.81	99.85	713,958	7,136
1,400,000	Canada Treasury Bill .81% due May 24, 2012	99.81	99.87	1,398,110	11,319
865,000	CIBC BA .95% due May 28, 2012	99.85	99.82	863,453	8,205
				<hr/> 10,694,491	<hr/> 95,258
GOVERNMENT BONDS					
1,200,000	Residue Canada Mtge & Housing Corp. due June 1, 2012	99.64	99.82	1,197,888	0
800,000	Coupon Canada Housing Trust #1 due June 15, 2012	99.64	99.77	798,136	0
				<hr/> 1,996,024	<hr/> 0
TOTAL PORTFOLIO				12,699,362	95,258

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 01-01-12 To 03-31-12

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
01-05-12	01-06-12	870,000	CIBC BA .99% due March 30, 2012	99.77	868,022.49
01-05-12	01-06-12	1,060,000	Royal Bank BA .95% due February 8, 2012	99.91	1,059,090.52
01-09-12	01-10-12	800,000	Coupon Canada Housing Trust #1 due June 15, 2012	99.64	797,085.60
01-09-12	01-10-12	1,200,000	Residue Canada Mtge & Housing Corp. due June 1, 2012	99.64	1,195,644.00
01-19-12	01-20-12	400,000	CIBC BA .99% due April 5, 2012	99.79	399,177.20
01-19-12	01-20-12	580,000	FirstBank BA .94% due February 3, 2012	99.96	579,791.20
01-19-12	01-20-12	640,000	Royal Bank BA .93% due February 8, 2012	99.95	639,690.24
01-25-12	01-26-12	490,000	Bank of Nova Scotia BA .95% due February 22, 2012	99.93	489,656.02
01-30-12	01-31-12	710,000	FirstBank BA .95% due February 24, 2012	99.94	709,556.96
02-01-12	02-02-12	1,000,000	Canada Treasury Bill .75% due April 26, 2012	99.83	998,277.00
02-02-12	02-03-12	580,000	Bank of Nova Scotia BDN 1.00% due April 9, 2012	99.82	578,956.00
02-07-12	02-08-12	1,000,000	FirstBank BA 1.00% due May 4, 2012	99.76	997,649.00
02-07-12	02-08-12	710,000	Toronto Dominion Bank BA .95% due March 6, 2012	99.93	709,501.58
02-13-12	02-14-12	305,000	Toronto Dominion Bank BA .94% due February 29, 2012	99.96	304,882.27
02-14-12	02-15-12	500,000	Canada Treasury Bill .78% due May 10, 2012	99.82	499,093.50
02-15-12	02-16-12	1,200,000	Canada Treasury Bill .76% due April 12, 2012	99.88	1,198,602.00
02-15-12	02-16-12	600,000	Canada Treasury Bill .79% due May 10, 2012	99.82	598,911.00
02-22-12	02-23-12	225,000	Royal Bank BA .95% due March 26, 2012	99.92	224,812.80
02-23-12	02-24-12	210,000	FirstBank BA 1.00% due May 4, 2012	99.81	209,598.48
02-23-12	02-24-12	500,000	Royal Bank BA .95% due March 26, 2012	99.92	499,597.00
02-28-12	02-29-12	305,000	Bank of Nova Scotia BA .95% due March 26, 2012	99.93	304,793.82

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 01-01-12 To 03-31-12

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
02-29-12	03-01-12	1,400,000	Canada Treasury Bill .81% due May 24, 2012	99.81	1,397,394.60
03-05-12	03-06-12	715,000	CIBC BA 1.00% due May 16, 2012	99.81	713,612.19
03-09-12	03-12-12	1,185,000	CIBC BA .98% due May 7, 2012	99.85	1,183,221.32
03-26-12	03-27-12	1,050,000	Bank of Nova Scotia BA .95% due April 25, 2012	99.92	1,049,208.30
03-29-12	03-30-12	865,000	CIBC BA .95% due May 28, 2012	99.85	863,673.95
					19,069,499.04
SALES					
01-06-12	01-06-12	1,050,000	Royal Bank BA .95% due January 6, 2012	100.00	1,050,000.00
01-06-12	01-06-12	870,000	Toronto Dominion Bank BA .97% due January 6, 2012	100.00	870,000.00
01-09-12	01-09-12	2,000,000	British Columbia Residue due January 9, 2012	100.00	2,000,000.00
01-19-12	01-19-12	1,040,000	CIBC BA 1.00% due January 19, 2012	100.00	1,040,000.00
01-20-12	01-20-12	565,000	Toronto Dominion Bank BA 1.00% due January 20, 2012	100.00	565,000.00
01-26-12	01-26-12	500,000	Toronto Dominion Bank BA 1.00% due January 26, 2012	100.00	500,000.00
01-31-12	01-31-12	700,000	CIBC BA .98% due January 31, 2012	100.00	700,000.00
02-02-12	02-02-12	1,000,000	Canada Treasury Bill .73% due February 2, 2012	100.00	1,000,000.00
02-03-12	02-03-12	580,000	FirstBank BA .94% due February 3, 2012	100.00	580,000.00
02-08-12	02-08-12	640,000	Royal Bank BA .93% due February 8, 2012	100.00	640,000.00
02-08-12	02-08-12	1,060,000	Royal Bank BA .95% due February 8, 2012	100.00	1,060,000.00
02-14-12	02-14-12	300,000	CIBC BA 1.00% due February 14, 2012	100.00	300,000.00
02-16-12	02-16-12	1,800,000	Canada Treasury Bill .69% due February 16, 2012	100.00	1,800,000.00
02-22-12	02-22-12	490,000	Bank of Nova Scotia BA .95% due February 22, 2012	100.00	490,000.00
02-24-12	02-24-12	710,000	FirstBank BA .95% due February 24, 2012	100.00	710,000.00
02-29-12	02-29-12	305,000	Toronto Dominion Bank BA .94% due February 29, 2012	100.00	305,000.00

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - SHORT TERM INVESTMENT FUND
From 01-01-12 To 03-31-12

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
03-01-12	03-01-12	500,000	Canada Treasury Bill .75% due March 1, 2012	100.00	500,000.00
03-01-12	03-01-12	900,000	Canada Treasury Bill .78% due March 1, 2012	100.00	900,000.00
03-06-12	03-06-12	710,000	Toronto Dominion Bank BA .95% due March 6, 2012	100.00	710,000.00
03-12-12	03-12-12	1,000,000	CIBC BA 1.00% due March 12, 2012	100.00	1,000,000.00
03-26-12	03-26-12	305,000	Bank of Nova Scotia BA .95% due March 26, 2012	100.00	305,000.00
03-26-12	03-26-12	225,000	Royal Bank BA .95% due March 26, 2012	100.00	225,000.00
03-26-12	03-26-12	500,000	Royal Bank BA .95% due March 26, 2012	100.00	500,000.00
03-30-12	03-30-12	870,000	CIBC BA .99% due March 30, 2012	100.00	870,000.00
					18,620,000.00

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - SHORT TERM INVESTMENT FUND
From 01-01-12 To 03-31-12

Cash Balance at January 1, 2012			21,668.68
ADD:			
Proceeds from Sales	18,620,000.00		
Interest on Balance	40.06		
Transfer from Long Term Investment Fund	105,006.41		
Bond Interest Credited (from Long Term Investment Fund)	376,574.54		
Bond Interest Credited (from Short Term Investment Fund)	<u>0.00</u>	<u>19,101,621.01</u>	
			19,123,289.69
LESS:			
Cost of Purchases	19,069,499.04		
Investment Counsel Fees - Short Term Investment Fund	3,456.83		
Investment Counsel Fees - Long Term Investment Fund	31,254.72		
Trust Company Charges	<u>10,231.82</u>	<u>19,114,442.41</u>	
Cash Balance at March 31, 2012			8,847.28

CLLAS - LONG TERM INVESTMENT FUND**Portfolio Holdings at March 31, 2012**

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
GOVERNMENT BONDS					
1,305,000	Canada Housing Trust Sr. 16 4.00% due June 15, 2012	100.57	100.59	1,312,673	52,200
750,000	Canada Housing Trust Sr. 18 4.55% due December 15, 2012	102.72	102.38	767,880	34,125
900,000	Canada Housing Trust Sr. 19 3.60% due June 15, 2013	99.87	102.86	925,749	32,400
900,000	Canada Housing Trust Sr. 22 3.55% due September 15, 2013	105.12	103.30	929,727	31,950
1,650,000	Canada Housing Trust Sr. 24 2.70% due December 15, 2013	100.25	102.38	1,689,204	44,550
1,500,000	Canada Housing Trust Sr. 26 2.20% due March 15, 2014	99.80	101.71	1,525,620	33,000
1,000,000	Canada Housing Trust Sr. 28 3.15% due June 15, 2014	99.95	103.87	1,038,730	31,500
1,500,000	Canada Housing Trust Sr. 29 2.75% due September 15, 2014	101.82	103.17	1,547,595	41,250
600,000	Canada Mtge & Housing 4.30% due April 1, 2015	100.95	108.01	648,084	25,800
650,000	Canada Mtge & Housing Corp. 4.10% due October 1, 2015	98.39	108.28	703,846	26,650
1,000,000	Canada 3.00% due December 1, 2015	102.41	105.51	1,055,100	30,000
1,000,000	Canada Housing Trust 2.75% Series 39 due December 15, 2015	99.35	103.74	1,037,350	27,500
1,000,000	Canada 4% due June 1, 2016	99.58	109.99	1,099,860	40,000
1,000,000	Canada Housing Trust 2.05% Series 46 due June 15, 2017	99.91	100.48	1,004,790	20,500
750,000	Canada Housing Trust Sr. 23 4.10% due December 15, 2018	104.51	111.78	838,350	30,750
1,500,000	Canada Housing Trust No. 1 Sr. 30 3.75% due March 15, 2020	103.99	109.69	1,645,320	56,250
1,000,000	Canada Housing Trust 3.35% due December 15, 2020	104.64	106.58	1,065,790	33,500
300,000	Canada Housing Trust 2.65% Series 45 due March 15, 2022	101.45	99.95	299,838	7,950
				<hr/> 19,135,506	<hr/> 599,875
PROVINCIAL BONDS					
1,250,000	Ontario 4.50% due December 2, 2012	103.37	102.20	1,277,550	56,250
1,275,000	Ontario 4-3/4% due June 2, 2013	102.35	104.05	1,326,650	60,563

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at March 31, 2012

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
1,000,000	Manitoba 5.05% due December 3, 2013	101.61	106.07	1,060,670	50,500
750,000	Ontario 5% due March 8, 2014	102.63	106.76	800,708	37,500
500,000	Ontario 3.25% due September 8, 2014	99.84	103.98	519,905	16,250
800,000	Alberta 2.75% due December 1, 2014	101.64	103.20	825,616	22,000
750,000	Manitoba 4.80% due December 3, 2014	104.46	108.28	812,130	36,000
1,350,000	Ontario 4.5% due March 8, 2015	101.62	107.97	1,457,609	60,750
900,000	Ontario 3.15% due September 8, 2015	102.69	104.40	939,573	28,350
1,750,000	Ontario 4.4% due March 8, 2016	102.25	109.23	1,911,438	77,000
750,000	Ontario 3.20% due September 8, 2016	99.95	104.91	786,803	24,000
1,750,000	Ontario 4.30% due March 8, 2017	101.49	110.10	1,926,698	75,250
1,000,000	Ontario 4.20% due March 8, 2018	100.33	110.09	1,100,910	42,000
1,000,000	British Columbia 4.10% due December 18, 2019	103.60	109.82	1,098,180	41,000
1,000,000	British Columbia 3.70% due December 18, 2020	99.83	106.36	1,063,590	37,000
				16,908,028	664,413
CORPORATE BONDS					
300,000	CIBC 5.00% Senior Dep Nts due September 10, 2012	100.23	101.60	304,791	15,000
400,000	Wells Fargo Financial Canada MTN 4.40% due December 12, 2012	99.78	101.86	407,456	17,600
750,000	Toronto Dominion Bank Dep. Note 4.854% due February 13, 2013	101.35	103.05	772,890	36,405
250,000	Bank of Nova Scotia 4.56% due October 30, 2013	100.07	104.76	261,905	11,400
300,000	Wells Fargo Financial Canada MTN 4.33% due December 6, 2013	99.97	104.06	312,165	12,990
250,000	Enbridge Gas Distribution 5.570% due January 29, 2014	107.04	106.80	267,010	13,925
250,000	Canadian Utilities Inc. 5.096% due November 18, 2014	105.56	107.98	269,953	12,740

CLLAS - LONG TERM INVESTMENT FUND

Portfolio Holdings at March 31, 2012

Quantity	Security	Unit Cost	Price	Market Value	Annual Income
500,000	CIBC 4.75% due December 22, 2014	101.80	107.24	536,210	23,750
300,000	GE Capital Cda Fndg 4.65% due February 11, 2015	102.20	106.45	319,359	13,950
500,000	Royal Bank 3.18% due March 16, 2015	102.15	103.33	516,650	15,900
300,000	Royal Bank 3.36% due January 11, 2016	100.54	103.74	311,214	10,080
300,000	CIBC Dep Nts 3.40% due January 14, 2016	100.67	103.81	311,415	10,200
400,000	Bank of Nova Scotia Dep. Note 3.61% due February 22, 2016	101.65	104.66	418,632	14,440
600,000	Bank of Montreal 3.103% due March 10, 2016	100.79	102.90	617,370	18,618
500,000	Bank of Montreal Dep. Note 3.49% due June 10, 2016	104.92	104.13	520,645	17,450
500,000	Royal Bank 3.66% Sr. Dep. Note due January 25, 2017	101.46	104.94	524,720	18,300
700,000	CIBC Dep Note 3.95% due July 14, 2017	102.93	106.74	747,194	27,650
200,000	Bank of Montreal 4.55% due August 1, 2017	99.94	109.25	218,496	9,100
				<hr/> 7,638,075	<hr/> 299,498
TOTAL PORTFOLIO				43,681,609	1,563,786

Martin, Lucas & Seagram Ltd.
PURCHASE AND SALE
CLLAS - LONG TERM INVESTMENT FUND
From 01-01-12 To 03-31-12

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
02-16-12	02-23-12	300,000	Canada Housing Trust 2.65% Series 45 due March 15, 2022	101.45	304,353.00
03-15-12	03-22-12	1,000,000	Canada Housing Trust 2.05% Series 46 due June 15, 2017	99.91	999,120.00
					1,303,473.00
SALES					
02-15-12	02-15-12	500,000	Farm Credit Canada 4.20% due February 15, 2012	100.00	500,000.00
03-19-12	03-22-12	895,000	Canada Housing Trust Sr. 16 4.00% due June 15, 2012	100.66	900,871.20
					1,400,871.20

Martin, Lucas & Seagram Ltd.
CASH RECONCILIATION
CLLAS - LONG TERM INVESTMENT FUND
From 01-01-12 To 03-31-12

Cash Balance at January 1, 2012			0.00
ADD:	Proceeds from Sales	1,400,871.20	
	Accrued Bond Interest on Sale	<u>9,612.05</u>	<u>1,410,483.25</u>
			1,410,483.25
LESS:	Cost of Purchases	1,303,473.00	
	Accrued Bond Interest on Purchase	2,003.84	
	Transfer to Short Term Investment Fund	<u>105,006.41</u>	<u>1,410,483.25</u>
Cash Balance at March 31, 2012			0.00

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
From 12-31-11 to 03-31-12

Security	12-31-11 Market Value	Additions Withdrawals	03-31-12 Market Value	03-31-12 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
CASH								
Cash Account	0	0	0	0				
GOVERNMENT BONDS								
Farm Credit Canada 4.20% due February 15, 2012	501,710	-510,500	0	0	-6,006	-1,710	0	0
Canada Housing Trust Sr. 16 4.00% due June 15, 2012	2,228,798	-910,483	1,312,673	1,312,389	804	-5,844	285	-9,409
Canada Housing Trust Sr. 18 4.55% due December 15, 2012	774,548	0	767,880	770,425	0	0	-2,545	-6,668
Canada Housing Trust Sr. 19 3.60% due June 15, 2013	932,562	0	925,749	898,840	0	0	26,909	-6,813
Canada Housing Trust Sr. 22 3.55% due September 15, 2013	937,512	-15,975	929,727	946,117	0	0	-16,390	-7,785
Canada Housing Trust Sr. 24 2.70% due December 15, 2013	1,701,414	0	1,689,204	1,654,203	0	0	35,001	-12,210
Canada Housing Trust Sr. 26 2.20% due March 15, 2014	1,535,985	-16,500	1,525,620	1,497,053	0	0	28,568	-10,365
Canada Housing Trust Sr. 28 3.15% due June 15, 2014	1,048,840	0	1,038,730	999,460	0	0	39,270	-10,110
Canada Housing Trust Sr. 29 2.75% due September 15, 2014	1,563,345	-20,625	1,547,595	1,527,285	0	0	20,310	-15,750
Canada Mtge & Housing 4.30% due April 1, 2015	658,062	0	648,084	605,700	0	0	42,384	-9,978
Canada Mtge & Housing Corp. 4.10% due October 1, 2015	715,052	0	703,846	639,525	0	0	64,321	-11,206
Canada 3.00% due December 1, 2015	1,069,460	0	1,055,100	1,024,060	0	0	31,040	-14,360
Canada Housing Trust 2.75% Series 39 due December 15, 2015	1,051,230	0	1,037,350	993,510	0	0	43,840	-13,880
Canada 4% due June 1, 2016	1,118,000	0	1,099,860	995,820	0	0	104,040	-18,140
Canada Housing Trust 2.05% Series 46 due June 15, 2017	0	999,120	1,004,790	999,120	0	0	5,670	5,670
Canada Housing Trust Sr. 23 4.10% due December 15, 2018	851,550	0	838,350	783,840	0	0	54,510	-13,200
Canada Housing Trust No. 1 Sr. 30 3.75% due March 15, 2020	1,669,770	-28,125	1,645,320	1,559,825	0	0	85,496	-24,450
Canada Housing Trust 3.35% due December 15, 2020	1,081,020	0	1,065,790	1,046,410	0	0	19,380	-15,230
Canada Housing Trust 2.65% Series 45 due March 15, 2022	0	303,896	299,838	304,353	0	0	-4,515	-4,515
GOVERNMENT BONDS Total	<u>19,438,858</u>		<u>19,135,506</u>	<u>18,557,934</u>	<u>-5,202</u>	<u>-7,554</u>	<u>577,573</u>	<u>-198,399</u>
PROVINCIAL BONDS								
Ontario 4.50% due December 2, 2012	1,288,300	0	1,277,550	1,292,133	0	0	-14,583	-10,750

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
From 12-31-11 to 03-31-12

Security	12-31-11 Market Value	Additions Withdrawals	03-31-12 Market Value	03-31-12 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
Ontario 4-3/4% due June 2, 2013	1,338,878	0	1,326,650	1,304,990	0	0	21,660	-12,227
Manitoba 5.05% due December 3, 2013	1,072,730	0	1,060,670	1,016,075	0	0	44,595	-12,060
Ontario 5% due March 8, 2014	810,593	-18,750	800,708	769,700	0	0	31,008	-9,885
Ontario 3.25% due September 8, 2014	525,530	-8,125	519,905	499,180	0	0	20,725	-5,625
Alberta 2.75% due December 1, 2014	834,616	0	825,616	813,148	0	0	12,468	-9,000
Manitoba 4.80% due December 3, 2014	824,505	0	812,130	783,425	0	0	28,705	-12,375
Ontario 4.5% due March 8, 2015	1,480,140	-30,375	1,457,609	1,371,933	0	0	85,676	-22,532
Ontario 3.15% due September 8, 2015	952,983	-14,175	939,573	924,198	0	0	15,375	-13,410
Ontario 4.4% due March 8, 2016	1,946,665	-38,500	1,911,438	1,789,410	0	0	122,028	-35,228
Ontario 3.20% due September 8, 2016	800,025	-12,000	786,803	749,618	0	0	37,185	-13,223
Ontario 4.30% due March 8, 2017	1,958,845	-37,625	1,926,698	1,776,025	0	0	150,673	-32,148
Ontario 4.20% due March 8, 2018	1,119,880	-21,000	1,100,910	1,003,315	0	0	97,595	-18,970
British Columbia 4.10% due December 18, 2019	1,115,980	0	1,098,180	1,036,047	0	0	62,133	-17,800
British Columbia 3.70% due December 18, 2020	1,080,740	0	1,063,590	998,345	0	0	65,245	-17,150
PROVINCIAL BONDS Total	17,150,409		16,908,028	16,127,542	0	0	780,486	-242,381
CORPORATE BONDS								
CIBC 5.00% Senior Dep Nts due September 10, 2012	307,296	-7,500	304,791	300,690	0	0	4,101	-2,505
Wells Fargo Financial Canada MTN 4.40% due December 12, 2012	409,876	0	407,456	399,120	0	0	8,336	-2,420
Toronto Dominion Bank Dep. Note 4.854% due February 13, 2013	778,095	-18,203	772,890	760,125	0	0	12,765	-5,205
Bank of Nova Scotia 4.56% due October 30, 2013	263,410	0	261,905	250,175	0	0	11,730	-1,505
Wells Fargo Financial Canada MTN 4.33% due December 6, 2013	312,741	0	312,165	299,920	0	0	12,245	-576
Enbridge Gas Distribution 5.570% due January 29, 2014	268,933	-7,017	267,010	267,610	0	0	-600	-1,923
Canadian Utilities Inc. 5.096% due November 18, 2014	272,680	0	269,953	263,910	0	0	6,043	-2,728
CIBC 4.75% due December 22, 2014	541,090	0	536,210	508,980	0	0	27,230	-4,880
GE Capital Cda Fndg 4.65% due February 11, 2015	317,679	-6,975	319,359	306,600	0	0	12,759	1,680
Royal Bank 3.18% due March 16, 2015	518,650	-7,950	516,650	510,755	0	0	5,895	-2,000
Royal Bank 3.36% due January 11, 2016	311,727	-5,040	311,214	301,620	0	0	9,594	-513
CIBC Dep Nts 3.40% due January 14, 2016	312,183	-5,100	311,415	301,998	0	0	9,417	-768
Bank of Nova Scotia Dep. Note 3.61% due February 22, 2016	419,324	-7,220	418,632	406,596	0	0	12,036	-692

Martin, Lucas & Seagram Ltd.
DATE TO DATE GAINS AND LOSSES
CLLAS - LONG TERM INVESTMENT FUND
From 12-31-11 to 03-31-12

Security	12-31-11 Market Value	Additions Withdrawals	03-31-12 Market Value	03-31-12 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
Bank of Montreal 3.103% due March 10, 2016	617,520	-9,309	617,370	604,762	0	0	12,608	-150
Bank of Montreal Dep. Note 3.49% due June 10, 2016	521,850	0	520,645	524,575	0	0	-3,930	-1,205
Royal Bank 3.66% Sr. Dep. Note due January 25, 2017	526,315	-9,150	524,720	507,323	0	0	17,398	-1,595
CIBC Dep Note 3.95% due July 14, 2017	746,564	-13,825	747,194	720,496	0	0	26,698	630
Bank of Montreal 4.55% due August 1, 2017	219,266	-4,550	218,496	199,882	0	0	18,614	-770
CORPORATE BONDS Total	7,665,199		7,638,075	7,435,136	0	0	202,938	-27,124
TOTAL PORTFOLIO	44,254,465		43,681,609	42,120,612	-5,202	-7,554	1,560,997	-467,904
TOTAL DATE TO DATE GAIN OR LOSS								-475,458
% CHANGE DURING PERIOD								-1.07

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CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

COMMITTEES FOR 2012

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Donald Milner (**Vice-Chair**)
Gordon Goodman
Barry Bresner
William Scott

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* Members of Audit Committee also serve as the Reinsurance/Insurance Security Committee.

Revised April 2012